



ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT

2930 Gay Avenue, San José, CA 95127 · Phone: 408-928-6800 · Fax: 408-928-6416 · www.arusd.org

To: Hilaria Bauer, Ph.D., Superintendent

From: Kolvira Chheng, Assistant Superintendent of Business Services

Re: Response to Fiscal Crisis Management Assistance Team's (FCMAT) Fiscal Health Risk Analysis (FHRA) Report

Date: September 10, 2020

The District would like to thank the FCMAT Team for their professionalism and collaborative efforts in conducting a Fiscal Health Risks Analysis (FHRA) of the District. The District will take into consideration the results of the report to ensure the fiscal solvency of the District. The FCMAT's FHRA Report noted major risks factors in the following areas:

- Budget Development and Adoption
- Budget Monitoring
- Contributions and Transfer
- Deficit Spending
- Fund Balance and Reserves for Economic Uncertainty
- Internal Controls and Fraud Prevention
- Non-Voter-Approved Debt and Risk Management

The District would like to take this opportunity to provide additional information to mitigate the concerns in the areas noted above. In the areas of Budget Development and Adoption, Budget Monitoring, Contributions and Transfer Deficit Spending, Fund Balance and Reserves for Economic Uncertainty, the District administration has been transparent in recognizing and informing the Board of the need to make reductions in order to keep the District solvent, such as self-certifying its budget with a Qualified Certification since the 2017-18 fiscal year budget cycle. Moreover, the Board has taken some significant and difficult actions in order to keep the District solvent. Some of those actions include, but not limited to the following:

- In December of 2018 the Board adopted Resolution No. 20-18/19, Resolution Establishing Agreement Between the Governing Board of the District and the Santa Clara County Superintendent of Schools Regarding Necessary Revisions for Compliance with Statutory Budget Requirements in Conjunction with the Local Control Accountability Plan (Education Code Sections 42127 and 52070). This resolution required the District to provide monthly updates for an entire year to the Santa Clara County Office of Education on how the District is compliant with the recommendations and any necessary revisions by SCCOE.



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- Starting with the 2019-20 fiscal year, implement the Supplemental Employee Retirement Plan (SERP).
- For the 2019-20 fiscal year, approved the reduction of 51.1 FTEs in AREA unit, 6.0 FTEs in certificated management, 2.00 FTEs in classified management, 21.80 FTEs in CSEA unit and 6.0 FTEs in Teamsters unit for a total estimated saving of \$7.7M.
- Starting with the 2019-20 fiscal year, approved the reduction of work hours from 8 to 6 hours per day for a certain classification of the CSEA unit for an estimated saving of \$340K.
- For the 2020-21 fiscal year, approved the reduction of 8.21 FTEs in classified staff for an estimated saving of \$600K.

In conversations with the FCMAT Team, District administration was informed that FCMAT had sought to conduct the FHRA in previous years, but was persuaded not to do so by SCCOE, noting that the District has made significant progress with budgeting and monitoring process. This is supported by the SCCOE approving the District's 2020-21 Budget without conditions for the first time since the 2016-17 fiscal year budget cycle. The District administration is committed to continue identifying and informing the Board regarding budget issues/challenges and providing recommendations in order to keep the District solvent.

In the areas of Internal Controls and Fraud Prevention and Non-Voter-Approved Debt and Risk Management, the District has corrected all reported audit findings from the most recent and prior two audits as note on page #11, section 1.4 of the FCMAT FHRA Report. The District has successfully transitioned to the SCCOE financial and payroll system, known as QCC. Additionally, the District has implemented the position control system in QCC. These accomplishments will with assist the District with receiving additional support and oversight from SCCOE and implementing best practices within the District's operations.