

Attachment A

December 14, 2016

Financial Emergency Board
(Board)
School District of Jefferson County
(District)
Meeting Record
December 7, 2016

Chairman Philoron Wright convened the meeting of the Financial Emergency Board for the School District of Jefferson County (board). In addition to Chairman Wright, board members Jim Parry and John Newman were present. A quorum of the board was noted.

A motion was made and seconded to approve the proposed agenda for the meeting. The motion was approved unanimously by the board (Attachment A).

The next item for approval was the November 15, 2016, meeting record. A motion was made and seconded to approve the meeting record as presented. The motion was approved unanimously by the board (Attachment B).

Board member John Newman was called upon by Chairman Wright to brief the board about meetings held on November 21, 2016, by Linda Champion and Mr. Newman with newly elected Superintendent Marianne Arbulu and the Jefferson County School Board members (school board). The superintendent and school board members were advised about the statutory provisions relating to a financial emergency and the restrictions placed upon the district as result of the financial emergency. Information was provided about the history of declining student enrollment, projections for continuing declining student enrollment and the impact the continuing decline will have on the district's funding. In addition, Mr. Newman shared research demonstrating increased academic results where schools had consolidated. The materials shared with the superintendent and board members by Mr. Newman and Ms. Champion were provided to the board. Emphasized at the briefings was that the board was established to advise and assist the district in its effort to establish and maintain the positive fund balance required by law.

As requested by the board at its November 15, 2016, meeting, prior to the December 7 board meeting, the district had provided the following information: (Tab 1) Summary – Revenues and Expenditures Report; (Tab 2) Detail – Revenues and Expenditures Report; (Tab 3) General Fund Budget Amendments; (Tab 4) Capital Outlay Budget; and (Tab 5) School Consolidation Plan. Prior to the meeting, the information had been posted online at the Financial Emergency Board for the School District of Jefferson County webpage on the Department of Education's website.

Chairman Wright asked the board to consider agenda item 3, "Report and Discussion of Actions Taken by the District to Implement the Board Recommendations pertaining to the District Operating Budget." The chairman asked Superintendent Arbulu to review the materials cited above pertaining to the district operating budget. She advised that the amended operating budget had been approved by the school board on November 28, 2016. The superintendent stated that despite the Thanksgiving holiday break and 12 days since the superintendent assumed the office,

the district made significant progress to bring forward an operating budget with a general fund balance above the required 3 percent. The board requested explanations for several items in Tab 2 including, but not limited to, staffing, purchased services and staff training expenditures from Digital Classroom funds. In regards to staffing, the board asked what the amount in savings would be, when the reductions would take place, and what year they would be able to see the amount of total savings for the year. In regards to purchased services, the board asked what those purchased services are. The board discussed the inability to understand and monitor the budget due to the lack of detail or documentation for items noted in the proposed budget. The superintendent acknowledged that some of the projections in the budget would need revision. A motion was made that Commissioner of Education Pam Stewart withhold approval of the operating budget until the district provides documentation and clarifies the questioned items, establishes a monthly reconciliation of budget versus expenditures, and provides a more definitive school consolidation plan. After discussion of the motion, the motion was restated to allow the district to spend funds in the November 28, 2016, budget, without the board's approval, except for the questioned items.

Chairman Wright asked the board to consider Tab 4. The board asked for an update on the bids for the heating, ventilation and air conditioning (HVAC) system at the middle/high School. Superintendent Arbulu called on Mr. Hightower, director of maintenance and transportation services, to update the board on the HVAC issue. Mr. Hightower indicated that three HVAC repair bids were received by the district, the lowest bid at \$134,000 for the chiller motors, \$11,000 for new contracts and switches, and \$7,500 to replace ground rods.

Tom Inserra, director of the Office of Education Facilities (OEF), was called upon to comment about the HVAC budget. He indicated that the OEF estimate for the necessary maintenance to the units is \$200,000. He believes the proposed budget should allow the district to get the job done.

The capital budget includes \$60,000 for various projects to be identified at the elementary school, which is primarily for the media center carpet replacement. The board expressed concern about spending funds on upgrading the elementary school without a decision on school consolidation.

The board asked about the HVAC system at the elementary school and was told that the school has aging rooftop units that are 25 to 30 years old and are in need of repairs. The board asked if it would be feasible to consider repurposing the elementary school. The superintendent stated she has reviewed the current uses of property owned by the district, and in her opinion, the market is not good for repurposing school property in Jefferson County.

The board discussed the school consolidation option and how it could impact the operating and capital outlay budgets, including the major costs involved in renovating the elementary school should consolidation not occur. A comparison plan and budget that considers the options of operating with the current facility configuration versus operating with consolidated schools is needed by the board and district.

School Board Chairman Bill Brumfield addressed the board. He stated that the elementary school was in poor condition and needed a lot of work, including carpet, window and door replacements that would be costly and time consuming. He further stated that the condition of the elementary school is so poor, he would not want his children to attend the school. Based upon a number of factors, (focal constraints, enrollment declines, cost of repair) Chairman Brumfield stated that the school board was in favor of school consolidation.

A motion was made recommending that the commissioner withhold approval of the capital outlay budget pending receipt of the district's long-range plan for the use of district facilities. The motion included a recommendation that the district be allowed to move forward with items 1-4 and the nondiscretionary fixed cost items in the capital outlay budget approved by the school board on November 28, 2016. The motion was seconded and approved. The superintendent indicated she plans to re-advertise an amended capital outlay budget.

The board restated the need for a facilities use plan and budget based on options for school consolidation for determining the impact on the operating and capital outlay budgets. The plan and budget should include detailed costs and benefits of consolidation versus non-consolidation and a schedule of events to accomplish consolidation. Chairman Wright advised the district of his opinion that consolidation was the financially and academic prudent decision given the huge resources needed at the elementary school. Superintendent Arbulu believes the district needs to think both short term and long term (beyond June 30, 2017) in its planning and budgeting.

The superintendent asked for clarification about the expenditures the district can make under the restrictions listed in the in the August 10, 2016, letter from Commissioner Stewart to Superintendent Cooksey (Attachment C). The superintendent asked for clarification of personnel expenditures and the board advised that those expenditures were subject to the requirement of approval by the commissioner. The district was advised to prepare a letter to the commissioner requesting approval of needed personnel actions. A motion clarifying the procedures explained above was adopted by the board.

The board reiterated the need for the district to provide monthly budget reconciliation reports. The reports are needed to monitor district monthly expenditures reconciled to an approved budget.

The chairman asked to discuss a time table for a future meeting. The board agreed that given the amount of work the district must provide to DOE staff, the next board meeting will be scheduled by the chairman pending receipt of all information.

Chairman Wright asked if any attendees had comments. Board member Shirley Washington asked for clarification of the budget procedures stated above, which was provided.

Chairman Wright thanked the district and DOE staff for the information provided to the board and adjourned the meeting.

Attachment A

December 2, 2016

Financial Emergency Board
(Board)
School District of Jefferson County
(District)
1:00 P.M., December 7, 2016
1706 Turlington Building
Tallahassee, Florida

Meeting Agenda

Philoron A. Wright, Chairman
John H. Newman
James A. Parry

1. Call to Order by Chairman Wright and Adoption of Meeting Agenda
2. Approval of November 15, 2016, Meeting Record (Attachment A)
3. Report and Discussion of Actions Taken by the District to Implement the Board Recommendations pertaining to the District Operating Budget (Attachment B, Letter from Chairman Wright to Superintendent Cooksey, November 18, 2016)
4. Report and Discussion of Actions Taken by the District to Implement Board Recommendations pertaining to the District Capital Outlay Budget and Plan to Consolidate Schools (Attachment B, Letter from Chairman Wright to Superintendent Cooksey, November 18, 2016)
5. Final Comments and Discussion

This meeting is open to the public. The public has a reasonable opportunity to be heard, as set forth in § 286.0114, Florida Statutes.

- a) Public comment must be related to a topic on the agenda;
- b) The period for public comment will be limited to no more than 30 minutes per meeting;
- c) Public comment shall generally be limited to five minutes per person; the time may be shortened or extended depending upon the number of people wishing to speak; and
- d) The public is requested to complete a public comment form, which will be available at all meetings, in order to inform the Board of the desire to be heard, to indicate support, neutrality or opposition for a proposition on the agenda, and whether a representative is designated to speak on behalf of the individual.

Attachment B

December 2, 2016

Financial Emergency Board
School District of Jefferson County
Meeting Record
November 15, 2016

Chairman Philoron Wright convened the meeting of the Financial Emergency Board for the School District of Jefferson County (board). In addition to Chairman Wright, board members Jim Parry and John Newman were present. A quorum of the Board was noted.

A motion was made and seconded to approve the proposed agenda for the meeting. The motion was approved unanimously by the board (Attachment A).

The next item for approval was the October 12, 2016, meeting record. A motion was made and seconded to approve the meeting record as presented. The motion was approved unanimously by the Board.

For the fourth item on the agenda, Chairman Wright asked Mark Eggers, assistant deputy commissioner, to review the notebook materials for the board. He highlighted the new or revised information organized in the notebook's 13 tabs. It was noted that the Jefferson County School Board (school board) approved 2016-17 budget has a positive fund balance, but the fund balance is still below the required 3 percent acceptable threshold for the general fund. Noted as new information, the release of federal funds that have been withheld due to audit findings will be released to Jefferson County School District (district) based on the adoption by the district of the necessary administrative procedures. The release of funds will help the district with its cash position.

Although the annualized October 2016 FTE student information for calculation of a revised distribution of Florida Education Finance Program (FEFP) funds had not been finalized, it was noted that the enrollment in the district appears to be less than the 2016-17 appropriated enrollment of 766.82 FTE students. Preliminary data indicate that the enrollment is likely to be approximately 697 students. Jefferson County District Superintendent of Schools (superintendent), Al Cooksey, commented that he thought the district would have 715 pre-kindergarten through grade 12 students. It was noted that the superintendent's data included 15 students funded from the voluntary pre-kindergarten appropriation, not the FEFP.

Although a capital outlay budget was provided to the board, Mr. Eggers indicated that the budget was the one filed by the district as part of the Truth in Millage (TRIM) budget procedures. The budget did not include funds for the repair and maintenance of the middle/high school Heating, Ventilating, and Air Conditioning (HVAC) system.

In addition to the data provided by the district about staff attrition, the board had requested information about how the attrition data for Jefferson compared to data for other Florida school districts. A 2015-16 report revealed that district's average years of teaching experience was 5.54 years, the lowest in the state.

The district had provided data about the professional certification of the staff. It was noted that four teachers had no information listed for their certification. Superintendent Cooksey was asked to comment about the staff attrition and non-certificated staff. He explained that teacher recruitment and retention was a challenge. The district has been using the Panhandle Area Educational Consortium (PAEC) for teacher training and has been recruiting more widely geographically. The board commented that the district must get the budget right and find ways to provide incentives for teachers to stay in the district.

The board expressed concerns about a 10 year trend of declining enrollment from 1,196 students in 2006-07 to an estimated 700 students in 2016-17.

There was a discussion whether a consolidation of the schools for the 700 students currently enrolled at the Jefferson County Middle/High School campus with a capacity of 781 students would facilitate the fiscal recovery of the District.

Superintendent Cooksey commented that there needs to be an increase in education resources to raise student achievement. He believes the academic student performance will show improvement and that the school grades will be better in the future.

The board observed that the district needs to provide a fiscal recovery plan. While the immediate concern should be the 2016-17 budget, the district must look beyond June 30, 2017, for long-term solutions for declining enrollments, education excellence and financial stability.

Superintendent-Elect Marianne Arbulu was recognized to address the board. She indicated that she is committed to getting the district back to financial stability. She wants time to assess the financial and facility situation. It was her opinion that the middle/high school was not built as a kindergarten through grade 12 school. She asked for time to develop a plan.

A motion was made and seconded by the board, which recommended that the Commissioner of Education reject the budget that was adopted by the Jefferson County School Board on October 17, 2016, and that the district be directed to adopt a budget which addresses annual expenditure requirements with updated revenues based on the October FTE survey, and provide for a minimum unassigned general fund balance of 3 percent upon the close of the 2016-17 fiscal year by the end of November 2016, for submission to the commissioner no later than December 2, 2016.

The board then asked for an update on agenda item 5. Mr. Hightower was asked to brief the board about the middle/high school HVAC system project. He has been talking with persons from the Haskell Company about the installation of the undersized system. Although documentation has not been provided to the district by Haskell, personnel have said that the contract provided for the design and construction gave the contractor authority to reduce costs to stay within budget. The district will continue to gather information about the HVAC chiller situation. Furthermore, he indicated that the bids for the repair of the HVAC system were to be opened on November 17, 2016.

The board reverted back to the previous motion which was seconded. The board was concerned that it could be difficult for the superintendent and school board to achieve the needed budget adjustments without consolidation of school facilities, the board felt that it was the district's responsibility to bring forward a plan and budget to achieve the 3 percent or better fund balance target. However, a plan for consolidation of schools was requested. The motion was approved unanimously.

A motion was made and seconded that the Jefferson County School District adopt a financial balanced capital outlay budget for the 2016-17 year which includes provisions to address the HVAC system at the Jefferson High School under the same timeline described in the previous motion. The motion was passed unanimously.

Chairman Wright recognized school board Chair Washington for comments. She indicated that the community was concerned about the prospect of consolidation of schools. If the budget can be balanced without consolidation, so be it. However, she is concerned that the budget is not likely to be balanced without consolidation.

In the discussion that followed, the board reminded the audience that they only make recommendations and that the district is responsible for implementation.

The board agreed to meet for its fifth meeting on December 7, 2016. The meeting will be scheduled for 1:00 p.m., room 1706, Turlington Building, Tallahassee. Chairman Wright adjourned the meeting.



State Board of Education

Marva Johnson, *Chair*
John R. Padget, *Vice Chair*
Members
Gary Chartrand
Tom Grady
Rebecca Fishman Lipsey
Michael Olenick
Andy Tuck

Pam Stewart
Commissioner of Education

November 18, 2016

Al Cooksey, Superintendent
Jefferson County School District
1490 West Washington Street
Monticello, Florida 32344

Dear Superintendent Cooksey:

Thank you for providing information to the financial emergency board (board) in advance of its November 15, 2016, meeting, and for attending the meeting and addressing concerns raised by the board. This letter summarizes all actions the board has requested Jefferson County School Board (JCSB) take, pursuant to the motions adopted by the board at its November 15, 2016, meeting. The board requested that these actions be accomplished and information provided to the Florida Department of Education (department) staff by November 30, 2016. As you are aware, Superintendent-Elect Marianne Arbulu attended the meeting and agreed to provide the requested items by this deadline.

The board recommended that the Commissioner of Education deny approval of the school district's operating budget adopted by the JCSB at its October 17, 2016, meeting, and that the district provide a new operating budget, approved by the JCSB, that provides for a 3 percent or greater assigned and unassigned fund balance as of June 30, 2017. The operating budget is to include the amount of estimated Florida Education Finance Program revenue, which will be provided to school district staff by the department no later than Wednesday, November 23, 2016. The estimated revenue will be based on the results of the October 2016 full-time equivalent student membership survey.

The board also requested that the JCSB provide a capital outlay budget, approved by the JCSB, to include estimated expenditures for repair of the Heating, Ventilation and Air Conditioning system at the Jefferson Middle/High School (JMHS), as directed by the board at its September 29, 2016, meeting. Expenditures at the Jefferson Elementary School (JES) must include justifications for these expenditures.

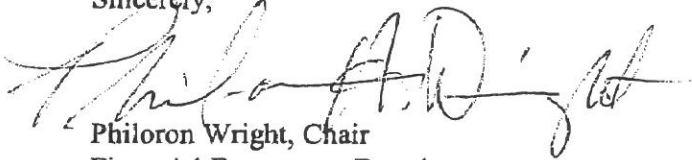
Superintendent Cooksey
November 18, 2016
Page Two

In addition to the operating and capital outlay budgets described above, the board requested that the district provide a plan, approved by the JCSB, to consolidate the JES and JMHS on the JMHS campus. Such plan should identify the costs that will be eliminated from closing JES, one-time costs associated with consolidating the schools and any additional fixed costs at JMHS.

As directed by the board at its October 14, 2016, meeting, the measures established by Commissioner Stewart's letter of August 10, 2016, remain in place.

The district's efforts in providing the two budgets and consolidation plan to department staff by November 30, 2016, will be greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Philon W. Wright". The signature is fluid and cursive, written over the typed name and title.

Philonon Wright, Chair
Financial Emergency Board

PW/me

cc: Marianne Arbulu
Robert Lloyd
Linda Champion
Mark Eggers
Link Jarrett
Tom Inserra
Judy Bone



State Board of Education

Marva Johnson, *Chair*
 John R. Padget, *Vice Chair*
Members
 Gary Chartrand
 Tom Grady
 Rebecca Fishman Lipsey
 Michael Olenick
 Andy Tuck

Pam Stewart
 Commissioner of Education

August 10, 2016

Mr. Al Cooksey, Superintendent
 Jefferson County Schools
 1490 West Washington St.
 Monticello, Florida 32344
al.cooksey@jeffersonschooldistrict.org

Note: This letter was sent to Superintendent Cooksey and the Jefferson County District School Board members, via Email and U.S. Mail as shown on Exhibit 1.

Dear Superintendent Cooksey and Jefferson County District School Board:

The Department of Education has reviewed the financial recovery plans that you have submitted. For reasons summarized below, I have determined that the district does not have a plan that is reasonably anticipated to avoid a financial emergency, as determined by s. 218.503, F.S., and requires state assistance; therefore, a State Board of Education meeting must be called to appoint a financial emergency board to assist the Jefferson County School District in resolving a financial emergency, pursuant to sections 218.503 and 1011.051, F.S.

Florida law requires that when a school district's projected financial condition ratio falls below 2 percent, the district must notify the Commissioner of Education and must submit a fiscal recovery plan. In May of 2016, the Department received a copy of Jefferson County School District's monthly financial report, by which the Jefferson County School Board is advised of the financial condition of the district; this report projected a financial ratio of negative 0.83 percent. While the district did not notify the Department that its ratio had fallen below the 2 percent threshold as the district is required by law, the Department accepted this monthly financial report as the district's notice that its fund balance had fallen below 2 percent.

In accordance with s. 218.503(3) and s. 1011.051(2), F.S., on July 1, 2016, the Department contacted the district to determine what actions have been taken to prevent or avoid a financial emergency and requested that the district provide a plan to outline these actions. When no plan was received, the State Board of Education ordered the district to submit a financial recovery plan at its regularly scheduled meeting of July 20, 2016. On July 27, 2016, the Department received a plan and on August 5, 2016, the Department received a second plan from the Jefferson County School District.

Despite having sent my staff to the district to review the information submitted, neither of the plans propose actions that can be reasonably anticipated to avoid a financial emergency in the school district. Specifically, as of the date of this letter, the following deficiencies in the plan have been identified:

- While the district has proposed to cut staff positions in the amount of \$172,945, these cuts were all to instructional positions, and no reductions in district administrative positions were proposed.
- The district failed to fund costs of \$296,928 associated with improving its low-performing schools, which Jefferson officially presented to the State Board of Education on July 20, 2016.

- The district improperly included energy savings of \$68,972 from a new HVAC (projected to cost \$2,300,000) that has not yet been purchased or installed.
- The district included budgeted savings of \$22,577 related to fuel efficiencies based on buses not yet purchased and eliminated bus routes with no documentation.
- The district included \$28,540 of budgeted savings with no explanation or supporting documentation.
- The district failed to reconcile discrepancies regarding audit findings related to federal grants.

Including just the first five bulleted items noted above, the district's projected financial condition ratio would be negative 3.33 percent, which in itself is a conservative projection of the district's financial condition ratio. This means that there would be a negative balance in the district's available general funds.

As a result, I have no choice under the law but to declare that the Jefferson County School District is in a state of financial emergency. Under section 218.503, F.S., a financial emergency exists when specified conditions occur, or are likely to occur unless steps are taken, due to a lack of funds. These include conditions such as the failure to pay wages or retirement benefits, the failure to transfer taxes, or employee/employer contributions for social security or pensions, the failure to pay uncontested claims or to repay loans. It is clear from the district's projected ratio and fund balance described above that if steps are not taken, the district will not have the financial resources necessary to meet one or more of these obligations. Further, based on the information the district has provided, the district does not have a plan that is reasonably anticipated to avoid or prevent one or more of these conditions. Please be advised that it is the district's obligation to notify the Joint Legislative Auditing Committee when these conditions have or will occur. Pursuant to 218.503(2), I have notified the Committee of the district's condition as of the date of this letter.

Therefore, an emergency State Board of Education meeting will be held to appoint a financial emergency board for the Jefferson County School District. The Department will provide you with notice of the State Board meeting as soon as the date and time are determined. As provided in section 218.503, this financial emergency board will establish detailed procedures and guidance in order to return Jefferson to solid financial footing. Under this process, to implement the measures set forth in sections 218.50-218.504, F.S., Jefferson is now subject to the following measures, effective immediately:

1. Jefferson's budget must be approved by the Commissioner of Education as provided in section 218.503(3)(a), F.S.
2. Jefferson is prohibited from issuing bonds, notes, certificates of indebtedness, or any other form of debt as provided in section 218.503(3)(c), F.S.
3. Jefferson must permit any "inspections and reviews of records, information, reports, and assets of the . . . district school board" as needed and local officials must cooperate in such inspections and reviews as provided in section 218.503(3)(d), F.S.
4. The Department will consult with all necessary officials "regarding any steps necessary to bring the books of account, accounting systems, financial procedures, and reports into compliance with state requirements" as provided in section 218.503(3)(e), F.S.
5. As is necessary, the Department will seek to provide technical assistance to Jefferson as provided in section 218.503(3)(f), F.S.

6. Once appointed by the State Board of Education, the financial emergency board will oversee the activities of the district school board. The financial emergency board shall exercise the powers specifically provided in section 218.503(3)(g), F.S. The financial emergency board will assist Jefferson to implement an approved plan with fidelity.
7. Jefferson County School District, in consultation with the Department and the financial emergency board, must develop a financial recovery plan pursuant to section 218.503(3)(h), F.S.

These measures will be in effect until such time as they are no longer required as provided in section 218.504, F.S.

Until such time as the oversight board meets and issues detailed directives, the following temporary measures are hereby instituted:

- The District should only expend funds in accordance with the advertised tentative budget for 2016-17, except that expenditures budgeted in the capital projects funds should be postponed until a review can be conducted by the financial emergency board.
- Jefferson must not incur any new financial obligations unless the obligation is necessary for the health, safety and welfare of the students or school district employees.
- Jefferson must not hire anyone or make any changes to employee compensation or benefits without the express written approval of the Department.
- By August 20, 2016, and for each month thereafter, Jefferson must develop a spending plan that sets out each anticipated expenditure for the coming month. Then, at the end of each month, these projections must be reconciled with actual expenditures.

Please note that the statutory requirement that the Department must approve Jefferson's budget in no way eliminates the responsibilities of the School District to satisfy all of its legal obligations and deadlines, including the requirements to hold public budget hearings for the purpose of adopting millage rates and the tentative budget and final budget for the 2016-17 fiscal year, as established in section 200.065, F.S., and the requirements for its school improvement plan under section 1008.33, F.S.

In closing, please be advised that the purpose of a financial emergency is to assist the district in providing essential services without interruption and in meeting their financial obligations. I look forward to assisting the district with the goals of achieving financial stability and providing a high quality education for all its students.

Sincerely,



Pam Stewart
Commissioner of Education

PS/mm

Enclosure: Exhibit 1

Copies provided to: Joint Legislative Auditing Committee