

April 4, 2017

Financial Emergency Board
(Board)
School District of Jefferson County
(District)
Meeting Record
March 31, 2017

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 John Newman and Jim Parry were present. A quorum of the board was noted.

Chairman Wright stated that the purpose of this meeting was to review information about Jefferson County School District's (district) turnaround plan, and the operating and capital outlay budgets. The focus was on the status of the district 2016-17 budget.

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 December 7, 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).

The Chairman called on Chancellor Hershel Lyons to update the board about the district turnaround plan, and the pending charter school contract. Chancellor Lyon's remarks referenced a February 21, 2017, letter (Attachment C) from Commissioner Stewart to Jefferson Superintendent Arbulu, and he highlighted excerpts from that letter referencing the last state board meeting when the turnaround plan was approved with contingencies including a timeline. Of the seven to eight contingencies, most of them had been followed and were in place.

Chancellor Lyons wanted to first make clear regarding the contingencies is the directive that the district and superintendent, will cooperate with the board and comply with the directive issues while in a state of financial emergency. Secondly, the charter school contract shall include a clause and prohibit terminations of the charter school contract by the district without the notification and approval from the Florida Department of Education (department). Chancellor Lyon's noted that there had been issues in receiving the Jefferson County School Board (school board) agenda, he stated that there was collaboration in getting materials in a timely fashion.

The Chancellor also read from the February 21 letter which explicitly states: "In the same vein, we remind you that the directives of and any restrictions imposed by the Financial Emergency Board, whether currently existing or adopted in the future, are material parts of the approved plan. Thus, hiring or attempting to hire personnel or consultants without the express written permission of the Commissioner of Education is a material breach of the plan which may vacate the Board's plan approval." He stated to that board that the district is continuing to improve on that section. In regards to the implementation process also stated in the letter, Chancellor Lyons

complimented the district for the turnaround plan and maintaining the 2016-17 school year budget. The Chancellor pointed out to the board that the implementation process dates listed in the letter were revised.

Neither Mr. Parry nor Mr. Newman had any questions or comments relating to the information Chancellor Lyons had provided. Chairman Wright moved on and asked Assistant Deputy Commissioner Mark Eggers to step up and inform the board about the operating budget and other listed items on the agenda.

Mr. Newman commended the district for maintaining the budget and not going below the 3 percent general fund balance. Mr. Eggers read from a closeout letter (Attachment D) from Commissioner Stewart to Superintendent Arbulu stating that the district had completed all the federal audit findings and that they had procedures in place to administer federal programs moving forward.

In past meetings, the board asked the district to compare actual expenditures with budgeted expenditures. The district reduced expenditures by \$20,000 in January under the projected amount, and expenditures were under \$80,000 in February. Mr. Eggers went on to list details of the district budget, capital outlay budget, correspondences between the department and the district, and staffing reports.

Mr. Newman made a motion to remove the enterprise software from the capital outlay budget and moved to the operating budget. Superintendent Arbulu argued that other districts funded the licensing fee in their capital outlay budgets. She further asked the board to hold off on voting until the district can determine by statute where the funding for the software would come from. Mr. Newman then asked if the department's legal staff had looked into Ms. Arbulu's comment. Deputy Commissioner Linda Champion stated that the department was certain that the enterprise software was a licensing fee and recommended its funding removed from the capital outlay budget and into the operating budget. Ms. Champion also stated that if the department found that it is a capitalized software that the district owns and has a five-year life, then it could be moved back into the capital outlay budget.

Mr. Newman stated that generally, software purchases cannot be made from capital, enterprise software purchases can be. However, if it is a license fee, which is a lease rather than a purchase, then it would not be included in capital, which is the heart of the debate. Mr. Newman then asked can if the Florida Digital Classroom funds be funded from the restricted funds. Ms. Arbulu stated that the district did not currently have an approved plan or funding for the 2015-16 school year, and that the digital funds were used to maintain the district to date. Mr. Newman went on to state that based upon examination, the district could use the restricted funds for the digital classrooms and the categorical funds for maintaining the district.

Additionally, Mr. Newman asked about the need for transportation funding if the district became charter-operated. Ms. Arbulu expressed that the district needed new school buses. Mr. Newman stated that it would best to not approve the transportation funding until after the district worked out the details with the charter operator.

The auditorium air conditioner repairs was brought up in conversation and a discussion took place on who used the facility. Mr. Newman then asked if this was the same facility that the board previously rejected approval to repair the carpeting. Ms. Arbulu stated she did not know. Mr. Newman stated that the board previously agreed that the auditorium was a community facility for public use and should be considered a county asset. Ms. Arbulu argued that the auditorium was the only facility that the school district held graduation, award ceremonies, and formal school events. Ms. Champion stated that the department's facilities staff worked with district staff to determine that the auditorium was a community facility, stating that it does not house students. She determined that based on the financial situation the district is in, funds would be better used on other expenditures to benefit students.

Mr. Newman then brought up that with school consolidation, facilities will need to be maintained and that the board needs the district's long-term facilities plan, which can determine how the auditorium facility may be used in the future. Ms. Arbulu argues that when the community used the auditorium, rent charges and other funds are raised from the public to use the facility. She asked for the board to reconsider, citing that the fiscal amount to maintain the auditorium would be miniscule. Mr. Parry asked who owned the facility, to which Ms. Arbulu stated that it was district-owned. After discussion, it was determined that the district had the potential to keep funding for the auditorium, however, a long-term plan is needed. Alfreddie Hightower, director of maintenance and transportation services, addressed the board to inform them that the auditorium repairs were nearly finished, including the "unauthorized carpet had been put down and paid for... except the auditorium air conditioning." Chairman Wright asked Mr. Hightower what he meant by unauthorized repairs. Mr. Hightower explained that that was the carpet in question that was previously mentioned. Mr. Hightower also stated that the facility was used for emergency situations as a holding and safety building for students. He went on to explain the other numerous situations in which the facility was utilized for the use of students. Ms. Champion recommend that in light of the unauthorized expenditures by the district, the board should delay expending funds until further review and a long-term plan for all unused facilities is submitted by the district.

A motion was made and seconded to approve the capital outlay budget, with the provision that the enterprise software item, the security system be moved to the operating budget with review by the department staff for payment with Digital Classroom Plan funds, and the school bus purchase lease item be deleted. The school bus lease-purchase item may be reconsidered by the board when the district's responsibility for student transportation during the 2017-18 school year is known.

Miki Presley, assistant deputy commissioner and interim facilities director, presented documents pertaining to school consolidation plans. Ms. Presley stated that since the last meeting, the department and district have worked together to come up with a consolidation plan, which contemplated the number of students and the number of classrooms by grade that would be needed at the middle/high school combined site. They found that there would be a sufficient amount of space and classrooms for students and extracurricular activities. The report included detailed tasks needed to complete the consolidation and a timeline to complete each items. The items include items related to the move itself, items related to technology infrastructure and the movement of modular units from the elementary site to the combined middle/high school site. A

motion was made to recommend approval of the consolidation activities and projected costs with the requirement that the commissioner approve expenditures related to each activity.

The board requested that the district provide an explanation regarding the fund balance adjustment resulting from the June 30, 2016, financial audit.

The Chairman thanked everyone for taking the time to meet. A follow up meeting is pending the charter contract is finalized and student transportation plans have also been finalized.

Attachment A

Financial Emergency Board
(Board)
School District of Jefferson County
(District)
1:00 P.M., March 31, 2017
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 December 7, 2016, Meeting Record (Attachment A)
3. Report and Discussion of Actions Taken by the State Board of Education and the School District of Jefferson County Related to School Turn-Around Plans
4. Report and Discussion of Actions Taken by the District to Implement Board Recommendations pertaining to the District Operating Budget
5. Report and Discussion of Actions Taken by the District to Implement Board Recommendations pertaining to the District Capital Outlay Budget
6. 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 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.

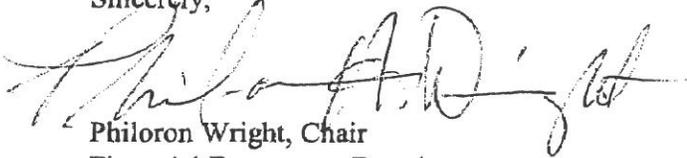
Superintendent Cooksey
November 18, 2016
Page Two

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, with the first name "Philon" and last name "Wright" clearly visible.

Philon 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



State Board of Education

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

Pam Stewart
Commissioner of Education

February 21, 2017

Marianne Arbulu, Superintendent
Jefferson County Schools
1490 West Washington Street
Monticello, Florida 32344

Dear Superintendent Arbulu,

I am writing to advise you of the recent decisions by the Florida Board of Education (the "Board") with respect to the turnaround plan proposed by Jefferson County School District ("Jefferson" or the "District"), the contingencies on which the Board's approval is based, and certain steps which Jefferson must undertake in conjunction with the Department of Education (the "Department" or "FDOE") to implement the turnaround plan.

The Plan

As you are aware, the State Board voted to approve the turnaround plan Jefferson County proposed for a K-12 charter school or schools, beginning in the 2017-18 school year. As expressed by the Board and its individual members, time is of the essence and each of the target dates Jefferson identified in its proposed plan must be met. Failure to meet the specified timelines will be viewed as a material breach of the terms of the approved plan and may be grounds for rendering any approval null and void.

In summary, the plan requires the following:

- **Criteria to select a charter school operator established (2/13-2/17)**
- **Potential charter operators identified and met (2/20-2/24)**
- **Charter school proposal recommended to School Board (2/27-3/3)**
- **Charter school proposal voted upon (3/6-3/10)**
- **Charter school contract is negotiated and approved (3/13-3/17)**
- **Shared services contract is negotiated and approved (3/20-3-24)**
- **Selected charter operator is provided with human resources support (3/27-4/7)**
- **Plan to evaluate charter school is established (3/13-3/24)**

The list above provides an outline of the plan's timeline as proposed by Jefferson and approved by the Board. The plan submitted by Jefferson as modified by the Board, should be reviewed for the detailed requirements of each key point bulleted above.

The Contingencies

The Board's approval of Jefferson's proposed plan is conditioned upon a number of conditions or contingencies aimed at ensuring the district remains on track to implement the plan. These are actions or events that must occur as part of Jefferson's approved plan. The contingencies are as follows:

- the superintendent shall submit a report to me on the actions and tasks undertaken and completed under the portion of the plan entitled "Timeline for Completion of Assurances" no more than 24 hours after the dates set out in the plan; additionally, the superintendent shall notify me within 24 hours if an assurance deadline will not be met;
- the superintendent shall consult with persons I designate from departmental staff prior to recommending a charter operator to the Jefferson County School Board;
- the district and superintendent shall cooperatively work with a charter transition team that will be established in the department, during the negotiation and implementation of the charter school contract;
- the district and superintendent shall cooperatively work with the Financial Emergency Board and comply with my directives issued while in a state of financial emergency;
- the charter school contract shall include a clause that prohibits termination of the charter school contract by the district without departmental notice and approval;
- the elementary and middle/high school shall be consolidated by the start of the '17-'18 school year;
- the superintendent shall provide notice to me and the chancellor, of any Jefferson County school board meeting, along with a copy of the agenda, at least 48 hours before the meeting, unless the meeting is an emergency meeting and notice shall be provided as soon as possible;
- the superintendent shall provide progress reports on the district's implementation of the plan, to the state board as directed by the Commissioner, but no less than four reports annually; and
- the superintendent and district shall continue working to improve the schools during the remainder of this year during the transition to charter school operators. These improvements include retaining the external operator, Success for All, establishing a pupil progression plan and other activities identified by the Department. In no case shall the activities impede the transition to a charter operator or operators.

Please understand that meeting the contingencies is an essential predicate to the Board's approval of the plan. In other words, if the contingencies are not met, there is no approved plan and the Board (or the Department) may immediately take action - administrative, judicial, or otherwise - to impose sanctions on responsible individuals and to return the district to the path of success.

In the same vein, we remind you that the directives of and any restrictions imposed by the Financial Emergency Board, whether currently existing or adopted in the future, are material parts of the approved plan. Thus, hiring or attempting to hire personnel or consultants without the express written permission of the Commissioner of Education is a material breach of the plan which may vacate the Board's plan approval.

The Implementation Process

To work out the approved plan's details and to assist with a timely and successful transition, the Board has required that the Department establish a charter transition team to assist Jefferson County while it transitions to the charter school operator. I anticipate that meetings will occur during the next two months once a week, but that may be modified as needed. Team membership will consist of a core team of Melissa Ramsey, Adam Miller, Hershel Lyons from the Department and Bob Bedford from The Florida Association of District School Superintendents. Additional members may be added as needed and will consist of other subject matter experts from the Department, and where available and helpful, from outside the Department. The team can be expected to provide you with advice on such matters as selecting an operator, contractual terms, and physical plant requirements, as well as matters that impact the financial emergency. This team will also provide me with information regarding the district's ability to meet its implementation schedule, so that I can advise the Board, should it be required.

Specifically regarding the second contingency, which requires that you consult with persons I designate prior to recommending a charter operator to your Board, I am designating Adam Miller and Hershel Lyons as individuals you must consult with during the selection process.

Finally, as part of the implementation process, the Board has requested that I schedule State Board meetings to review the superintendent's and school district's progress under the turnaround plan, with emphasis on the critical dates bolded above. To this end, please be advised that I have scheduled a special meeting solely for Jefferson County on Monday, March 13, 2017. In addition, the State Board's regular meeting of March 22, 2017, will be used to ensure that the charter transition is continuing to progress on schedule. The March 13 meeting may be cancelled if I determine that the district has met the requirements by this critical date, and additional meetings may be scheduled for April and/or May as I determine necessary. My team will let you know ahead of time if any of these meetings are canceled or any new meetings are added.

Conclusion

While I laud the steps Jefferson and its leadership have taken so far, it is important to recognize that there are many barriers on the road ahead. Candidly, years of poor management cannot be easily undone nor can their effects be easily overcome. While the Department will provide advice, monitoring and accountability, Jefferson remains responsible for successful implementation of its plan. That being said, if Jefferson can maintain its resolve and commitment to success in the years to come, then not only will the students of Jefferson County benefit, but the county may itself serve as a model for other similar school districts. We look forward to working with you, the charter operator to be selected, and with other stakeholders to reach our shared goals for the children of Jefferson County.

Sincerely,



Pam Stewart
Commissioner of Education



State Board of Education

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

Pam Stewart
Commissioner of Education

March 3, 2017

Ms. Marianne Arbulu, Superintendent
Jefferson County School District
1490 West Washington Street
Monticello, Florida 32344

RE: Jefferson County District School Board - Financial, Operational, and Federal Single Audit Reports, Auditor General Report Numbers **2012-168, 2013-154, 2014-177, 2015-179 and 2016-169**

Dear Superintendent Arbulu:

Thank you for your response to our request for documentation relative to the findings from the above-referenced Auditor General (AG) Reports pertaining to federal programs. We have reviewed the documentation related to federal findings and believe that appropriate corrective measures have been taken to resolve these findings. The basis for the Florida Department of Education's (department) decisions are stated below.

It is determined in AG Report 2012-168, Finding No. 1, that the district has enhanced procedures to ensure that all teachers working in school-wide Title I schools are highly qualified.

It is determined in AG Report 2012-168, Finding No. 2, that the district has provided updated procedures for Coordinated Early Learning Intervention (CEIS) expenditures.

It is determined in AG Report 2014-177, Finding Nos. 1 and 2; AG Report 2015-179, Finding No. 1; and AG Report 2016-169, Finding No. 1, that the district has provided reporting procedures to ensure that amounts reported to the department reconcile to the district's accounting records.

Additionally, the district restored all questioned costs related to AG Report 2012-168, Finding No. 3; AG Report 2013-154, Finding No. 2; and AG Report 2016-169, Finding Nos. 1 and 2. The department issued a determination letter dated July 11, 2016 (copy attached), and considers these findings closed.

Linda Champion
Deputy Commissioner, Finance and Operations

Ms. Marianne Arbulu, Superintendent

March 3, 2017

Page Two

However, upon review of the documentation provided to the department, we have decided that the "special conditions" which were placed on the district's federal awards for fiscal years 2015-16 and 2016-17 will now be extended to the 2017-18 fiscal year to further address the sustained findings. Specifically, the following special conditions apply:

- The payment methodology on all federal projects will continue to be "cash reimbursement," whereby the district must request reimbursement by entering the request into FLAGS. Form FA-399 along with supporting expenditure documentation must also be provided to the department for final approval prior to payment. Upon approval of the transactions, the payment will be released through FLAGS.
- The district must demonstrate that it is meeting the requirement outlined in the Special Education regulatory guidance. Specifically, Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, which require that the amount of state and local funds expended by the district on special education related services during the fiscal year be at least equal, in total or average per capita, to that of the amount that was expended the last year the district maintained effort. The district last met the maintenance effort requirement in the 2014-2015 fiscal year with an amount of \$569,855 in total or \$4,032 per capita.
- The district must implement procedures to monitor applicable maintenance of effort requirements and provide the result of these monitoring activities to the department's Office of Audit Resolution and Monitoring for review prior to any cash draw request.

Please contact Martha Asbury at 850-245-9398 if you have any questions or if we can be of assistance.

Sincerely,



Linda Champion
Deputy Commissioner
Finance and Operations

LC/js

cc: Jeanie Walker, Chief Finance Officer, Jefferson County District Schools
Matt Kirkland, Comptroller, Department of Education
Martha Asbury, Assistant Deputy Director, Finance and Operations