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California places Alum Rock schools on tighter fiscal leash

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SAN JOSE — In a rare decision handed down despite a defiant plea from its school board president, the Alum Rock Union School District will be placed on a tighter fiscal leash starting July 1.

The California Department of Education late Wednesday revoked the district's fiscal independence — in itself an unusual status among California school districts — and granted greater oversight by the Santa Clara County Office of Education.

State schools Superintendent Tom Torlakson had until Friday to act for the change to take effect for the new fiscal year beginning July 1.

"I think he did the right thing," said office of education Superintendent Jon Gundry, who requested the revocation. The state's decision on Alum Rock "should be cost savings for them, provide more internal controls and improve efficiency," he said. The district still will make its own financial decisions.

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"It is done so be it," Alum Rock board President Khanh Tran wrote in an email. "I think we should welcome the county (office of education) to our team."

Trustee Andrés Quintero said he was grateful to the state superintendent and the county office of education for providing Alum Rock support, "considering the board majority's recent reckless decision" to contest the move.

With Alum Rock losing its "fiscally independent" status, the county office of education will take over certain duties such as issuing paychecks and paying vendors. The change brings Alum Rock in line with the vast majority school districts, and leaves only two districts in the county — Cupertino Union and East Side Union High School — operating fiscally independently.

On Wednesday, Tran and Assistant Superintendent Rene Sanchez emailed Torlakson asking that the request be denied. They insisted that the district is following the law and improving its accounting — contrary to concerns raised earlier this month by a critical state audit.

The letter also stated that the district has hired the law firm Fagen Friedman & Fulfroost and construction consultants WSP/Parsons Brinckerhoff to help respond to the audit.

In fact, the district's five-member board has not approved contracts with either firm, its lawyer, Luis Saenz said Wednesday.

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The Alum Rock board last week designated trustee Esau Herrera to orchestrate its response to the report by the state's Fiscal Crisis and Management Assistance Team, which is tasked with reviewing and assisting troubled school district. Alum Rock's combative stance is unusual.

"We rarely see anybody fighting back on a FCMAT report. They're highly respected, independent, and they don't have any axes to grind," said Ron Bennett, CEO of School Services of California, which advises about 850 of California's roughly 1,000 school districts.

However, he said about audits, "the district response sometimes is emotional."

Both Jocelyn Merz, head of Alum Rock's teachers union, and Raymond Mueller, head of Alum Rock's Citizens Bond Oversight Committee, welcomed the intervention.

In an email, Mueller offered an analogy, "When a person is injured they get professional assistance, if the injuries are severe enough they get ongoing care until the injury is healed."

FCMAT audits of school districts are rare — fewer than 40 have been done in the 12 years since they've been authorized by the Legislature. Bennett said he can't remember an instance when a state schools superintendent has refused a recommendation to revoke a district's financial independence.

The state's revocation letter was issued by Deputy Superintendent Nick Schweizer.

The audit by FCMAT, as it's known, warned that Alum Rock may be vulnerable to fraud, mismanagement and misspending, and cited millions of dollars paid to its bond construction manager, Del Terra Real Estate, with scant documentation. In 3½ years through last spring, Alum Rock had paid Del Terra \$3.25 million for construction management.

Despite passing three bond measures totaling \$444 million over nine years, all with the promise to fix basic infrastructure, several Alum Rock schools will start next school year lacking heating, cooling, secure roofs or functioning bathrooms.

In seeking broader authority over Alum Rock, Gundry cited its refusal to respond to requests for timely finance reports, lack of internal controls, lack of an auditor and failure to track bond expenditures.

But the Alum Rock letter to Torlakson denied that the district didn't provide requested information. The letter also defended the fees paid to Del Terra, its dual role overseeing bond-financed work and individual projects, and the practice of paying the firm before construction has begun.

In a separate but similar letter sent Tuesday night, Tran assailed the FCMAT report as incomplete and called for it to be redone.

In response, FCMAT Chief Administrative Officer Michael Fine wrote in an email, "We do not normally reissue reports."

He also noted, "Mr. Tran and others had ample opportunity to provide us information and answer our questions. We can't control their level of cooperation. When there is a lack of transparency or cooperation in a review, the best we can do is call out those circumstances and see if we can rely on other creditable information to answer the question. We did that."

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