



Santa Clara County Office of Education

Mary Ann Dewan, Ph.D.
County Superintendent of Schools

December 14, 2018

Ms. Bonnie Mace, Board President
Evergreen School District
3188 Quimby Road
San Jose, CA 95148

Dear Board President Mace:

In accordance with the provisions of AB 1200, Government Code Section 3547.5, and the California Code of Regulations Title V, Section 15449, the Santa Clara County Office of Education has reviewed the public disclosure and salary settlement analysis (disclosure), indicating that the compensation agreement between the Evergreen School District (District) and the confidential, classified and certificated management employees is tentatively settled for fiscal years 2017-18, 2018-19 and 2019-20. The tentative agreement was approved by the governing board on December 13, 2018.

According to the District's financial analysis included in the disclosure, this agreement provides:

- 0.5% salary schedule increase in 2017-18, retroactive to July 1, 2017.
- 1.5% salary schedule increase in 2018-19, retroactive to July 1, 2018.
- 2.5% salary schedule increase in 2019-20, effective February 1, 2020.
- Transition health plans to SISC JPA, effective October 1, 2018. The District will support a slightly higher one-time employer contribution in the 2018-19 transition year and the annual health plan premiums will be shared 50/50 between the District and the confidential, classified and certificated management employees.

As of the 2018-19 First Interim Report, the District's projected reserves will be at or above the State's standard minimum of 3% through 2020-21. Reserves are expected to remain at or above the threshold after accounting for the impact of this agreement.

Although the district currently meets the State minimum reserve requirements mentioned above, we want to caution the district when making such multi-year salary increase commitments that are on-going and result in operating with budget deficits, amidst declining enrollment and increasing pension costs. On-going salary commitments will accelerate the district's deficit spending and erode the district's ending fund balance. Over the past two years, the district had made hard decisions in order to balance its budget. The district's 2017-18 Adopted Budget was conditionally approved subject to adoption of a cost reduction plan. Later, the district filed a qualified certification at the 2017-18 First Interim indicating that it may not meet its financial obligations for the current or two subsequent fiscal years. At 2017-18 Second Interim, the district projected a negative ending fund balance in 2020-21 but was able to turn its 2018-19 budget around when the district Board Approved a Fiscal Stabilization Plan on April 12, 2018, which includes the closure of two school sites or joint use of facilities to generate annual revenue. We strongly recommend the district to continue its budget reduction efforts and implement its reduction plan timely to maintain a healthy budget.

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We would like to express our appreciation to District staff for their cooperation during the review of the AB 1200 public disclosure and salary settlement analysis. If our office can be of further assistance, please call me at (408) 453-4327.

Sincerely,



Stephanie Lo, District Business Advisor
District Business and Advisory Services

cc: Members of the Board, Evergreen School District
Kathy Gomez, Superintendent, Evergreen School District
Mary T. Stark, Interim Chief Business Officer, Evergreen School District
Megan Reilly, Chief Business Officer, Santa Clara County Office of Education
Judy Lee Kershaw, Director-DBAS, Santa Clara County Office of Education