



The Superior Court
COUNTY OF SAN JOAQUIN
222 E. WEBER AVENUE, ROOM 303
STOCKTON, CALIFORNIA 95202

TELEPHONE
(209)992-5695
WEBSITE
www.sjcourts.org

FOR IMMEDIATE RELEASE
June 16, 2015

Contact: Trisa Martinez
Judicial Secretary
(209) 992-5290

SAN JOAQUIN COUNTY CIVIL GRAND JURY CRITICIZES SUSD BUS PURCHASE, SALE PROCESS

Stockton Unified School District officials and trustees were provided little documented support for the \$2 million-plus purchase of 31 school buses that have never been used, the 2014-15 San Joaquin County Civil Grand Jury said in a report released today. Further, the Jury said, the eventual trustee decision to sell the buses was again made with little information in support and with virtually no public discussion.

This lack of foundational information prompted the Jury to recommend in the future that the Stockton Unified Board of Trustees require that for any purchase exceeding \$30,000, the District staff provide a full accounting and justification as required by Board policies and the California Education Code.

In addition, the Grand Jury found that the District has been transporting on buses reserved for special needs students about 100 students who are not qualified by a finding on their Individual Education Plan. Because of this, the Jury recommends that the District staff complete implementation of transportation guidelines and training so that only those special needs students requiring transportation receive the service.

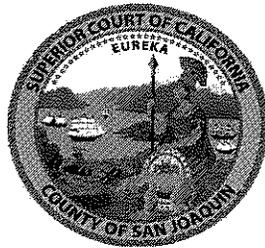
The Grand Jury's findings and recommendations are based on a months-long investigation that included witness interviews, tours of various facilities and the review of hundreds of pages of documents. The Jury's recommendations are meant to strengthen SUSD's operations.

By law, only the Grand Jury foreman is allowed to comment publicly about Grand Jury investigations.

The SUSD Board of Trustees is required to submit a response to each finding and recommendation in the report. Those responses must be sent to the Presiding Judge of the San Joaquin County Superior Court within 90 days

###

San Joaquin County Grand Jury



STOCKTON UNIFIED SCHOOL DISTRICT

Rubber Stamped School Buses Still Idle

Lack of Board of Trustees Oversight

2014-2015 Case No. 1407

Summary

Stockton Unified School District Governing Board of Trustees (Board) unanimously approved a lease-purchase of 31 buses for \$2,046,955 on June 11, 2013. These buses were to be used to transport special needs students.

However, on August 12, 2014 the Board authorized the sale of all 31 buses with six of seven trustees approving. The seven trustees participated in both meetings. These buses were not being used to transport students, and Stockton Unified School District (SUSD) staff recommended sale of the buses.

During its review of the above events, the Grand Jury discovered ineffective management of the special needs student bus services. Beginning in late 2014 staff initiated changes to improve transportation cost controls.

Among the most important Grand Jury findings were that information provided by SUSD staff to the Board:

- To consider the \$2,046,955 purchase of the 31 buses was too brief, inadequate, and generated no discussion
- To approve the sale of the 31 buses was very brief, inadequate, and generated very limited discussion

The Grand Jury also found that special education transportation services lack adequate management and cost control.

The Grand Jury recommends improving purchase and sale reporting processes so that the Board can clearly understand the magnitude of its decisions. The new processes and procedures for the cost control improvement for special needs student transportation needs to be monitored to ensure productive results.

Background

The June 2013 approval to purchase 31 school buses designed to meet the requirements of special needs students was initially reported in The Record newspaper. The Record also reported the approval to sell the 31 buses in August 2014. The Grand Jury decided to review school bus transportation in San Joaquin County's nine largest school districts. Stockton Unified School District's school bus operation was chosen for further review.

In late 2013 the transportation department manager retired. The staff hired a temporary transportation manager to manage operations while a search for a replacement transportation manager was conducted. In October 2014 a new department manager, with more than 20 years' experience, was hired.

In March 2014 the staff retained the services of Fiscal Crisis & Management Assistance Team (FCMAT) to perform an evaluation of SUSD transportation department. The consultant started its review of the department in mid-June 2014. Its findings and recommendations were presented to District staff in late October 2014. FCMAT, Executive Summary, page 5 states:

FCMAT's analysis indicates an annual estimated cost of \$3,302,965.36 (in 2013-14 dollars) for the district to operate the special education transportation now provided by Storer Transportation. This is approximately \$128,615 more than the current contract. Thus, based on cost alone, it does not appear advantageous for the district to operate this service. ... If the district chooses not to operate the routes currently operated by Storer Transportation, it will need to determine what should be done with the 31 buses it purchased.

While the FCMAT evaluation was in process the Board approved selling the 31 buses in August 2014. FCMAT provided other advice for transportation operations and noted a lack of control of special needs transportation services.

Reasons for Investigation

The Grand Jury selected the SUSD transportation department for further review as a result of articles in The Record. The newspaper noted the Board approval of the initial purchase of the 31 buses and then 14 months later approving the sale of those 31 buses was unusual. The Board's action warranted further review.

In late 2014 FCMAT noted discrepancies in reporting services provided for special needs students. The number of special needs students offered bus transportation was more than double the number being offered in similar size California school districts. In addition, the consultant noted the transportation department was providing 106 more passengers bus service than had been requested by the Special Education Department. This was 10 percent higher than the requested service.

Method of Investigation

The Grand Jury reviewed responses from San Joaquin County's nine largest school districts regarding school bus operations, policies, and procedures. The FCMAT report was also reviewed. Four members of SUSD's management staff were interviewed. The transportation department was toured and the 31 school buses were confirmed to be stored on site. Board minutes, agendas, backup materials including staff reports, and audio recordings for the meetings of June 11, 2013 and August 12, 2014 were reviewed.

Facts, Findings, and Recommendations

1.0 Board Approvals

On June 11, 2013 the Board was presented a one page staff report (see Appendix A) to consider the lease-purchase of 31 new school buses in the amount of \$2,046,955. No supporting documents were included with the staff report to justify or provide essential information for its analysis. No alternative was provided for Board consideration. The audio recording of the meeting confirmed that staff did not provide a verbal report at the meeting and the Board did not ask any questions prior to its unanimous vote to approve the lease-purchase as recommended by staff.

On August 12, 2014 the Board was presented a one page staff report (see Appendix B) to consider the sale of the 31 new buses. No supporting documents were included with the staff report to justify or provide essential information for its analysis. Staff's analysis section stated, "*The buses are no longer being used to transport students,*" when in actuality the buses were never used to transport students. No alternative was provided for Board consideration. The audio recording of the meeting confirmed brief questioning by a Board member of the Chief Business Official (report preparer), who stated when asked whether there would be a loss by selling the buses, "*It's not anticipated that we're going to have a loss. It will be covering total cost of purchasing the buses, interest, as well as any other incidental costs that were incurred by the district.*"

Findings

F1.1 The Board approved the purchase of 31 new school buses without proper analysis.

F1.2 The Board approved the sale of 31 new school buses based on a factually inaccurate staff report without proper analysis.

Recommendation

R1.1 By September 30, 2015, the Board should adopt a policy requiring that as part of any proposal for the purchase or sale of District assets exceeding \$30,000, District staff will provide a full accounting and justification as required by the California Education Code and financial reports best practices to ensure fiduciary duty is adhered to.

2.0 Special Education Transportation Services

FCMAT gathered data in mid-June 2014 for its transportation review. In its October 2014 report the following was stated:

... District documentation identifying the number of special education students varies from 3,750 to 4,000 students. An audit of both the district's and Storer's transportation routing indicates that the district is transporting approximately 1,143 students who have Individualized Education Programs (IEPs) identifying transportation as a related service. However, data from the district's special education program suggests that approximately 1,037 students are identified as requiring transportation as a related service. This is a difference of approximately 106 students.

Based on the district's current student enrollment of approximately 36,382, the district is identifying approximately 11% of its students as needing special education services. This is slightly higher than the state average. However, the district is identifying approximately 1,143, or approximately roughly 30% of these special education students as requiring transportation, which is more than double the rate in other districts most recently reviewed by FCMAT. A high rate of identification of special education students as requiring transportation as a related service suggests a liberal approach to identification by the district's IEP team.

The high rate of identification results in the use of additional transportation resources. The district needs to aggressively review its internal identification process by fully implementing both the decision tree (transportation guiding questions for the IEP team) and the special education transportation guidelines shared with FCMAT during its fieldwork.

Staff indicated that implementing transportation guidelines and guiding questions for the IEP assessment team was being finalized and would be introduced in the coming school year. ...It would benefit the district to critically examine both the percentage of special

education students being identified as requiring transportation service, and the costs for the added service.

Finding

F2.1 The District has transported more special education students than requested by the special education program.

Recommendation

R2.1 By December 31, 2015, the Board should direct District staff to complete implementation of the transportation guidelines and guiding questions for IEP team assessments including additional training specific to transportation department support. In addition the Board should require quarterly staff reports about progress on implementation of the transportation guidelines.

Conclusion

The Board needs to improve its oversight approval of large purchases and large disposals of assets. In addition the special student transportation changes need to be implemented promptly to reduce costs.

No single staff work product is more central to good decision making than agenda reports. These reports help the Board define projects, understand complex problems, consider alternative solutions, and determine courses of action. Agenda reports present recommendations involving millions of dollars in public assets, and also assure that administrative processes are managed in a fair and open manner. In addition, the reports are used by the public to understand and participate in the decision-making process of the community. Radio, television, and newspaper reporters use the reports to research and explain issues to their respective audiences.

Well-written agenda reports, therefore, serve many important purposes. Without clear, complete, and accurate agenda reports, the opportunity for informed public participation in the decision-making process is diminished and the Board's ability to make good public decisions is made more difficult. Questions remain unanswered: Why did the District "need" to purchase the buses? Was it staffs' intention to replace current buses or establish their own fleet in lieu of contracting with Storer Transportation? Why were the buses never put into service? Is it realistic to believe the District will not incur a loss when the buses are eventually sold? The Board decisions to approve the purchase and sale of the (never used) 31 buses based on ill-conceived and incomplete staff analysis illustrates the importance of Board financial oversight. The 31 buses still remain idle.

Disclaimer

Grand Jury reports are based on documentary evidence and the testimony of sworn or admonished witnesses, not on conjecture or opinion. However, the Grand Jury is precluded by law from disclosing such evidence except upon the specific approval of the Presiding Judge of the Superior Court, or another judge appointed by the Presiding Judge (Penal Code Sections 911, 924.1 (a) and 929). Similarly, the Grand Jury is precluded by law from disclosing the identity of witnesses except upon an order of the court for narrowly defined purposes (Penal Code Sections 924.2 and 929).

Response Requirements

California Penal Code Sections 933 and 933.05 require that specific responses to all findings and recommendations contained in this report be submitted to the Presiding Judge of the San Joaquin County Superior Court within 90 days of receipt of the report.

The Stockton Unified School District Governing Board of Trustee shall respond to each Finding and Recommendation contained in this report.

Mail or hand deliver a hard copy of the response to:

Honorable Lesley Holland, Presiding Judge
San Joaquin County Superior Court
P.O. Box 201022
Stockton, CA 95201

Also, please email the response to Ms. Trisa Martinez, Staff Secretary to the Grand Jury at grandjury@sjcourts.org

Appendix

- A. Staff Report dated June 11, 2013; Subject: Adoption of Resolution No. 12-54 to Approve the Lease-Purchase of Thirty-One (31) New School Buses
- B. Staff Report dated August 12, 2014; Subject: Approval of Resolution No. 14-05 of the Governing Board of the Stockton Unified School District Approving the Sale of Thirty-One (31) School Buses

APPENDIX A – Staff Report for Lease-Purchase of 31 new school buses

STOCKTON UNIFIED SCHOOL DISTRICT

June 11, 2013

Subject: Adoption of Resolution No. 12-54 to Approve the Lease-Purchase of Thirty-One (31) New School Buses

INTRODUCTION

The Stockton Unified School District has determined a need to purchase thirty-one (31) new school buses to continue to expand its service to District special needs students. The District has identified a bid let for new school buses that may be utilized to achieve this purpose.

ANALYSIS

The student population requiring special needs transportation services has incrementally increased over the years. Currently, approximately 1200 students require such services which are mandated by each student's Individualized Education Plan. At the conclusion of the 2009-10 school year the District purchased, with the assistance of San Joaquin Valley Air Pollution Control District funds, 43 new buses for special needs transportation. During the past two school years the District's Special Needs Bus Operators and the Transportation Department have proven that the District not only provides a better, more customer-oriented service to our students and parents, but also accomplishes this task more cost effectively. In providing this service, the District is able to be more accountable for the delicate needs of our most vulnerable students, those with disabilities. The District also assumes more control of operations and can ensure more cost efficient fleet management. By increasing its fleet, the District is able to secure jobs within the District.

Various options for the purchase of new buses have been considered, including a review of several contracts currently in existence. As a result, District staff has identified a competitive bid contract established by the Hemet Unified School District that offers the best value for the District's purposes. Utilization of this bid, as per the guidelines of Public Contract Code, Section 20118, would provide the District with a systematically sound and prompt method of acquiring new buses whose characteristics and configurations best suit the needs of the District.

Because current funds are not adequate to facilitate this needed purchase, staff has determined that a five-year lease-purchase agreement would be economically advantageous in meeting the District's needs. The total five-year cost for the buses, including finance charges, is not to exceed \$2,046,955.00

FUNDING SOURCE/FISCAL IMPACT: General Fund - Transportation

RECOMMENDATION

It is recommended that the Governing Board adopt Resolution No. 12-54 to approve the lease-purchase of thirty-one (31) new school buses and award the bid to Bus West Inc. of Woodland, California in the amount not to exceed \$2,046,955.00

Prepared by: Mr. Carlos Chicas, Director of Transportation

Approved by: Mr. Wayne Martin, Chief Business Official

Action Item No. 9.1

APPENDIX B – Staff Report for Sale of 31 School Buses

STOCKTON UNIFIED SCHOOL DISTRICT

August 12, 2014

SUBJECT: Approval of Resolution No. 14-05 of the Governing Board of the Stockton Unified School District Approving the Sale of Thirty-One (31) School Buses

INTRODUCTION:

In June 2013, the Stockton Unified School District purchased thirty-one (31) new school buses that were to be used to transport the District's special needs students. To finance the purchase of those buses, the District entered into a five (5)-year lease-purchase agreement with Kansas State Bank of Manhattan ("Bank"). Because the buses are not being used to transport students, District staff is recommending that the buses be sold to an interested buyer.

ANALYSIS:

In June 2013, the District purchased thirty-one (31) new school buses to transport the District's special needs students. The financing for the purchase of the buses was structured as a lease-purchase with the Bank. Pursuant to the lease-purchase agreement, the District is required to make five (5) annual payments totaling \$2,032,736 (\$1,923,522.94 in principal and \$109,213.06 in interest). The District's most recent payment to the Bank was on July 15, 2014. There are three (3) remaining payments.

The buses are no longer being used to transport students, and District staff does not expect that the buses will be needed in future years. The Bank has agreed to allow the District to prepay the outstanding balance owed by the District, assuming there is a buyer for the buses. District staff has determined that they may be able to sell the buses at a total purchase price, plus interest, and other incidental items.

FUNDING SOURCE: General Fund -- Transportation

RECOMMENDATION:

It is recommended that the Governing Board adopt Resolution No. 14-05 approving the sale of the thirty-one (31) school buses.

Prepared by: Ms. Michele A. Huntoon, CPA
Chief Business Official

Approved by: Dr. Steven Lowder, Superintendent

Action Item No. 94