



FRANKLIN-MCKINLEY SCHOOL DISTRICT

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Dr. John Porter, Jr.
Superintendent

September 23, 2009

FILED

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DAVID H. YAMASAKI
Chief Executive Officer/Clerk,
Superior Court of CA County of Santa Clara
BY D. ALDYCKI

Mr. Don Kawashima, Foreperson
2008-09 Civil Grand Jury
Superior Court Building
191 North First Street
San Gose, CA 95113

Dear Mr. Kawashima and Members of the Civil Grand Jury

We have reviewed your Final report of June 24, 2009, "Who Really Benefits from Education Dollars?"
Following is our response to the findings:

Finding 1

Boards of Trustees approve overly generous benefits to themselves which include the following:

- *Fully paid health benefits for trustees and their families (often exceeding those of teachers and/or with no payment ceiling)*
- *Excessive travel and conference costs*
- *Pension contribution*

Response

The Franklin-McKinley School District disagrees with the finding. It is difficult for school districts to attract competent and dedicated candidates for the challenging and highly scrutinized role of trustee. Since trustee stipends are and will remain minimal, health benefits are among the only avenues available to attract and keep qualified candidates. School Board members have not and cannot participate in either State retirement program (PERS or STRS). Most Board members provide countless volunteer hours beyond the time dedicated to Board meetings and Office events.

Recommendation 1

Boards of Trustees should carefully review the benefits listed in Finding 1 and:

- *Eliminate health benefits for Board Members*
- *Minimize travel and conference costs*
- *Eliminate pension contributions*

Response:

The Board of Education has a record of limited travel and conference costs. Recently, the Board froze travel and conference expenses for board member travel. Additionally, the Board is reviewing District

Board of Education

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policies regarding travel and conference costs, and strive to incur such costs only when there are significant benefits to the district.

No pension contributions are made by the Franklin-McKinley School District on behalf of Board members. Board members stipends are not considered compensation for retirement purposes so Board Members cannot participate in either State retirement program (PERS or STRS).

The remainder of Recommendation 1 will not be implemented because it is not warranted. District health benefits are not “overly generous” when weighed against the duties of the position, and the importance of attracting qualified candidates. Eliminating them would place greater stress on the governance of districts, by discouraging incumbents from staying, and by discouraging new, qualified candidates from running for the seats.

Finding 2

Boards of Trustees are approving overly generous benefits to Superintendents and Chancellors, including the following:

- *Auto allowances (auto leases/purchases, insurance, maintenance, etc.) to superintendents*
- *Housing allowances*
- *Million dollar housing loans at zero or below market interest rates*
- *Guaranteed annual step and/or longevity increases*
- *Signing bonuses*
- *Contract buyouts*
- *Excessive performance bonuses*
- *Per diem payments when out of the district*
- *Personal technology allowances*
- *Professional memberships and subscription allowances*
- *Excessive travel and entertainment expenses*
- *Salary increases automatically triggered by increases in teacher’s salaries which are in addition to other guaranteed salary increases*
- *Pension allowances (in addition to regular STRS/PERS contributions)*
- *Advanced degree stipends*
- *Lifetime medical insurance benefits*
- *Annual physicals*

Response:

The Franklin-McKinley School District disagrees with the finding. The high cost of living in the area, coupled with extreme demands and pressures of the position, have created a market in which compensation packages offering certain benefits are viewed as a necessity. In the vast majority of cases, the benefits are not “overly generous,” but in line with the demands of the position and the realities of market supply and demand.

Compare the average superintendent total compensation as listed in the Grand Jury report (Table 1, p.4) of \$207,900 to the average pay for CEOs in Silicon Valley. The Franklin-McKinley School District has 816 employees spread out over 17 locations with a combined operating and capital budget of \$100 million. According to the Mercury News (June 5, 2009), the average pay for CEOs last year was \$2.2 million—just over 10 times as much as the amount paid to public school superintendents.

Recommendation 2

Boards of Trustees should carefully review and renegotiate the Superintendent benefits listed in Finding 2 for possible reduction and/or elimination.

Response:

Demand for qualified people who can fill these positions is very high. In the current market, incumbents who face reduced benefits can and will leave for similar positions in other districts or states where the benefits are intact; or for positions in the private sector, where compensation packages far exceed those in school districts. Further, the Board of Education and the Superintendent have mutually agreed three times to amend the Superintendent's contract to forgo contractually guaranteed raises in order to save money. Additionally, this year, the Board of Education and the Superintendent amended the Superintendent's contract to include three unpaid furlough days, reducing the overall compensation for the Superintendent and saving the District money.

The Grand Jury's recommendation does serve as a reminder to all trustees to carefully scrutinize benefit packages offered to superintendents and all employees in future contracts.

Finding 3

Superintendent salaries and increases appear to bear no relationship to the number of schools, students, and employees they oversee, nor their district's academic improvement.

Response

The Franklin-McKinley School District disagrees with the finding. School district leaders oversee income of over \$50 million tax dollars annually, and over 800 employees and nearly 10,000 students in 16 schools. Superintendent salaries often are related to the size of the district -- but that is only one of a myriad of factors that determine compensation.

Recommendation 3

The Board of Trustees should ensure that Superintendent/Chancellor salaries and increases take into account the number of schools, teachers, and students they oversee, and are tied to the district's students' progress and quantifiable metrics.

Response

The superintendent's contract does take into account the size and complexity of the Franklin-McKinley School District as well as the number of schools, teachers, and students in the district. The superintendent must receive a satisfactory evaluation, in writing, from the board annually in order to receive salary increases specified in the contract. Students' academic progress is one of the factors given high consideration in the board's evaluation. Additionally, the Superintendent's contract has specific performance milestones set each year by the Board of Education.

Finding 4

Boards of Trustees hire costly search firms to recruit successors for retiring or dismissed Superintendents/Chancellors.

Response

The Franklin-McKinley School District disagrees with the finding. While some districts do hire search firms, describing the expenditure as “costly” ignores the importance with filling the Superintendent position with the most qualified candidate available. The position is crucial to school success, and therefore it is crucial to find the right person for the job. The price of hiring a search firm, weighed against the cost of limiting the pool of candidates in the long term is insignificant. A more costly approach would be to undertake anything less than an intensive search for the right candidate.

Recommendation 4

Boards of Trustees should conduct a preliminary search within the local area prior to hiring search firms.

Response

The recommendation will not be implemented because it is not warranted. Superintendent searches do survey local leadership when attempting to fill local openings—for example, the Oak Grove School District recently named its assistant superintendent for human resources to fill the vacated superintendent position. However, qualified candidates are not always available locally. To always conduct a local “preliminary search,” separate from an all-out search, would only delay the process and potentially leave vacant for longer than necessary a district’s most important leadership position.

Finding 5

Boards of Trustees approve the hiring of multiple private attorneys, in some cases at a tremendous expense.

Response

The Franklin-McKinley School District disagrees with the finding as outlined below in the response to Recommendation 5.

Recommendation 5

All Boards of Trustees should engage County Counsel whenever possible and leverage their buying power to negotiate lower fees with private law firms.

Response

Quality legal advice depends on three elements missing from the recommendations of the Grand Jury. The first is extensive experience with California Education Code and federal statutes that affect school districts. The second is intimate knowledge of the client district. Given that Santa Clara County is home to thirty-four school districts, each with its own sets of practices and challenges, it is difficult to envision County Counsel possessing the breadth of knowledge and experience to provide the high-level of support districts need on high-stakes legal issues. Beyond knowledge of the district, the satisfactory resolution of complex legal issues requires experience with and comfort in the relationships between district employees, board members, and members of the community. The benefits of these elements far outweigh any marginal cost difference in legal costs. Furthermore, because Franklin-McKinley possess a knowledgeable staff, the District uses great discretion when engaging outside attorneys—limiting the amount of billable hours to what is only necessary to ensure the District has proper guidance on complex legal issues and minimizes financial risk through litigation.

Finding 6

The operation of 34 K–12 school districts and four (4) community college districts creates excessively high management and administrative costs. Five K-12 school districts have excessively high Superintendent costs per student which is reflective of the district's having only one or two schools.

Response

The Franklin-McKinley School District is not in a position to judge the districts identified.

Recommendation 6

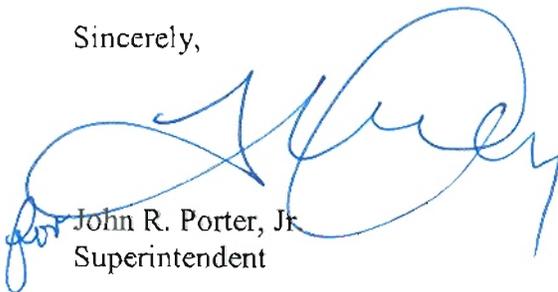
A consolidation of districts should be considered to reduce the numbers and costs of Superintendents/Chancellors, Boards of Trustees, administrative staff and overhead.

Response

The recommendation cannot be implemented by local boards and trustees, because under the California Education Code, consolidation of school districts is relegated to the people who live in the school district. Should communities wish to join with other communities to create larger school or community college districts, the process is clearly spelled out in the Education Code, under which a vote of the electorate can change district organization.

In Santa Clara County, voters from a few districts have chosen in the past to consolidate, but for the most part they have established a strong tradition and preference for local control of school districts. It is also important to note that bigger is not always better, both financially and in the area of student achievement. In some urban areas, there are movements to break-up large school districts for these reasons. We also utilize the services of the Santa Clara County Office of Education which offers many centralized services—such as alternative schools, special education, finance and tech services—all directed at reducing costs for districts.

Sincerely,

A handwritten signature in blue ink, appearing to read "John R. Porter, Jr.", written over a printed name and title.

John R. Porter, Jr.
Superintendent

cc: Board Members
Timothy W. McClary, Deputy Superintendent