

The year in the Centinela Valley school district pay scandal

By Rebecca Kimitch , *The Daily Breeze*

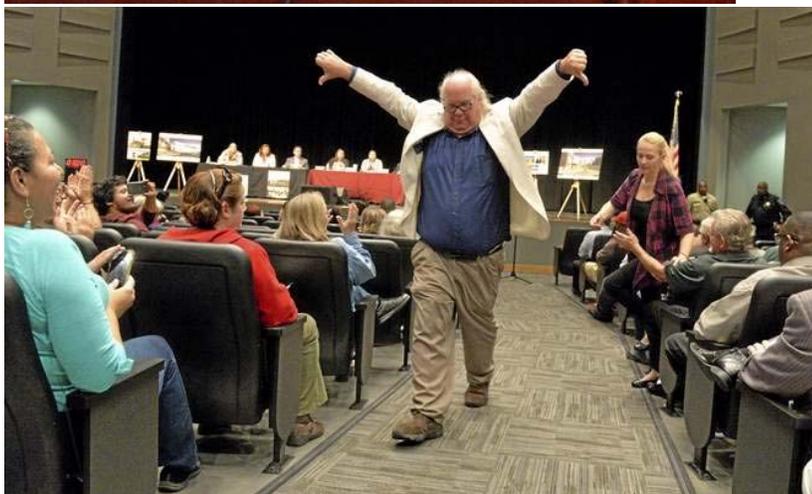
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Superintendent Jose Fernandez listens to public comments during a Centinela Valley Union High School District emergency meeting at the Centinela Valley Center for the Arts. File photo, Lawndale, Calif., Tuesday, February 25, 2014. (Stephen Carr / Staff Photographer)

After speaking for his 3 minutes, George Buzzetti walks away with his thumbs down as the Centinela Valley school board holds its second school board meeting since the scandal over Superintendent Jose

Fernandez's employment contract erupted in early February in Lawndale CA. File photo. Tuesday, March 11, 2014. (Thomas R. Cordova / Staff Photographer)



More stories investigating the Centinela Valley.

A mounting recall effort, criminal investigations by federal and local law

enforcement agencies, pending lawsuits on multiple fronts — despite it being nearly a year since former Superintendent Jose Fernandez's staggering compensation was exposed, troubles at Centinela Valley Union High School District linger.

For months, if not years, to come, this small, low-income district will face the fallout of Fernandez's exceptionally generous contract. That contract granted the superintendent a total compensation of \$750,000 last year as well as other rare perks — including a low-interest home loan soon after he declared bankruptcy — in exchange for overseeing four high schools and 6,600 students in Lawndale and Hawthorne.

Still, district officials are taking steps to move Centinela past the scandals that landed it in headlines all year, which also included revelations of cronyism, news that the school board was being paid four times what is legally allowed, and reports that the district was spending excessively on law firms.

Interim Superintendent Bob Cox said since Fernandez was first put on leave in April, he and the other assistant superintendents have made every effort to focus the district's attention on the business of education.

"Every decision we make, we ask the question: how will this affect students?" he said Monday.

District officials hope to name a new permanent superintendent in late February — a full year after this newspaper first exposed Fernandez's high compensation and six months after Fernandez was fired.

But it will take a lot more than a new chief for the district to get beyond its troubles of 2014.

Investigations pending

For starters, both the FBI and Los Angeles County District Attorney's Office continue to investigate Fernandez and the district to determine whether any unlawful activity has taken place. Authorities refuse to provide any details about where the investigations might lead, but records requests by the D.A. earlier this year indicated the office is looking into a range of issues, from the compensation of Fernandez and board members to the district's use of bond funds to its contract with a construction management firm, among other things.

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Fernandez has long-held that his compensation was completely legal and approved by the school board. In October, he filed a wrongful termination claim with the district alleging the board had no cause to fire him, was using him as a "scapegoat" and "conspired to defame and humiliate" him "and to destroy his reputation and career."

Indeed, board members, particularly former board President Maritza Molina initially defended Fernandez's contract, saying he deserved his compensation for lifting the district out of fiscal insolvency, overseeing two school bonds and generally improving the district. Molina was part of a three-person bloc, which also included board members Hugo Rojas and Rocio Pizano, that seldom, if ever, questioned Fernandez's decisions over the past four years.

But weeks after the news of his compensation broke, board members claimed ignorance, saying they didn't know what was in Fernandez's contract when they approved it in 2009; had they known, they would not have given it the OK, they said.

As public outrage grew, board members finally took action. Hundreds of angry parents, teachers and students packed board meetings demanding Fernandez's dismissal, pointing out that as he was making more than even the country's highest leaders, while parents in the low-income district work two and three jobs just to make ends meet.

Board members have never explained their specific reasons for firing Fernandez, though the decision came after they reviewed the results of a lengthy internal investigation conducted by the district into Fernandez's compensation. District officials have so far refused to release details about the investigation, which cost more than \$500,000, despite multiple requests from this newspaper and members of the public.

An advocate for government transparency has filed a public records act lawsuit against Centinela, alleging the district is violating state public records law by refusing to release the investigation. The case has been set for trial in July.

The district also faces a potential lawsuit from Fernandez. The school board rejected his wrongful termination claim in October, which means the ousted superintendent can now file a lawsuit against the district, though he has not yet done so.

LACOE audit

One of the only inquiries into Fernandez's compensation that has been made public was done by the Los Angeles County Office of Education (LACOE). While the agency's audit concluded that Fernandez's salary was largely paid in accordance with his contract over the past five years, it also found serious issues with his compensation. Among the findings: Fernandez claimed to have worked, and was paid for having worked, on holidays when the county office concluded it was "highly unlikely" he worked; Fernandez should not have received a second \$750,000 life insurance policy from the district; and Fernandez's tax forms understated his taxable income by at least \$56,000 a year because of miscalculations of his imputed income as a result of his home loan and life insurance policies. It also determined he did not use a single vacation day in four years.

All told, the LACOE audit concluded Fernandez owes the district up to \$256,000 for overpayments made to him.

The \$750,000 life insurance policy came on top of a \$1 million policy that the district was already paying for Fernandez. The superintendent took out the additional policy before securing approval from the school board to do so, which LACOE took issue with.

Notably, both life insurance policies were whole-life plans. Unlike term-life policies, which are more typical for employees and only offer payouts to beneficiaries in the event of death, whole-life plans work more like savings accounts. The premiums paid by the district can be cashed out, like the balance of a bank account. Whole life policies are more expensive — Fernandez's policies cost the district nearly \$100,000 annually.

The California Public Employees Retirement System also reviewed Fernandez's compensation and determined what he and the district were reporting to CalPERS as the base of his future retirement was far greater than it should have been. While the district reported a monthly compensation of \$19,279, CalPERS determined that figure did not comply with the California Public Employees' Retirement Law. Instead, the agency figured his compensation, for purposes of determining future retirement, was \$12,998 a month — more than 30 percent less than the district was reporting.

Fernandez, 54, who applied for retirement in November, has appealed this conclusion. The appeal will be heard by an administrative law judge whose ruling is subject to the approval of the CalPERS board. A CalPERS spokeswoman could not say when that hearing will be held.

CalPERS would not release information about Fernandez's retirement pay rate because his retirement application has not yet been approved.

Loan after bankruptcy

In addition to his generous compensation and perks, the district threw Fernandez a golden lifeline in 2012 — just when he needed it most. Fernandez was going through his second bankruptcy and had lost his family home when the district gave him a \$910,000 home loan with no down payment to be repaid at 2 percent interest over 40 years.

The loan terms would be exceptional for anyone with excellent credit. They are unheard of for someone who has just gone through bankruptcy, according to mortgage experts. Experts predicted the generous terms will ultimately save Fernandez at least \$100,000.

And while the timing was perfect for Fernandez, it was not for the district. That year Centinela laid off 46 teachers and cut its adult education program. It also cut spending on books and supplies by \$700,000 to less than half of what it was in most years.

School districts sometimes lend incoming superintendents money to move into the district. But such a perk is unusual for a sitting superintendent, experts said. Plus, Fernandez did not buy a home in the district. His nearly million dollar home is in nearby Ladera Heights. That community boasts a median household income of \$103,000, while the communities making up the Centinela Valley Union High School District range from \$33,000 to \$49,000 in median household income.

Still, whether any of this activity crossed the legal line is unclear. Fernandez and the district certainly had plenty of legal advice during his tenure, with Centinela's legal fees amounting to as much as 10 times those of neighboring districts. During the last three years of Fernandez's leadership, they averaged \$1.7 million a year, or just over \$140,000 a month.

The district regularly sought counsel from a dozen different law firms, some of which were involved in the crafting of Fernandez's lucrative contract, though it is unclear who they represented during that hiring process. Some of those firms also made campaign contributions to board members and bond measures.

Cronyism and campaign contributions

Fernandez also had a reputation for using district jobs and funds to reward his friends and punish his enemies inside and outside the district.

For example, he helped get school board President Hugo Rojas' girlfriend a \$75,000 a year job in the district. And some say Rojas and fellow board member Molina both got their jobs through a quid pro quo involving Jan Vogel, executive director of the South Bay Workforce Investment Board, a government-funded job training and recruitment organization. Fernandez introduced the two board members to Vogel and in August 2010, a few months after Molina and Rojas were elected, the school board hired Vogel's daughter, Camille, to work as a secretary for Fernandez. She was later promoted to a \$74,000 a year post in the district.

In addition, with Fernandez at the helm, Centinela awarded a \$400,000 contract to a consulting firm that employed Eloy Morales Jr., an Inglewood councilman whose family has long ties with Fernandez.

But where critics see cronyism, some who benefited say the arrangements were merely the product of the cross-pollination that happens in a small town.

While Fernandez and his connections may have helped board members and their loved ones get jobs, it is the construction management firm TELACU that helped get some board members elected. In the two past contested elections, TELACU has poured large amounts of money into campaigns to elect their favored candidates who almost always win.

In 2009, the company donated \$28,000 to a political action committee called Citizens for Better Schools, according to campaign finance reports obtained from the Los Angeles County Registrar-Recorder's Office. The PAC, in turn, dished out \$55,000 to buy mailers and other promotional materials touting three candidates: Pizano, Rojas and Molina. All three were triumphant, and though Pizano was an incumbent, Rojas and Molina ousted two incumbents, both Fernandez

critics.

A month later, in December 2009, the new school board unanimously approved Fernandez's generous employment contract. Not long after, the board voted to put another \$98 million bond measure on the ballot. In November 2010, the voting public gave its assent. And TELACU was awarded the contract to manage the bond construction projects, as it had in 2008.

In 2011, the political machine fired up yet again, with TELACU putting political muscle behind two favored school board candidates. One, Lorena Gonzalez, succeeded in ousting incumbent Sandra Suarez, who'd become a vocal critic and general nuisance to Fernandez and the rest of the board.

Potential recall

While most of the spotlight over the past year has fallen on Fernandez, that could change in 2015. Though it has been slow to start, an effort to recall three board members, initially announced in August, is finally taking shape. Petitions could start circulating next month, said Kevin Schaaf, a former teacher working on his doctorate in education, who is spearheading the recall with his wife, Phuong Nguyen — an elementary school teacher in Lawndale.

Schaaf initially intended to target all four board members who approved Fernandez's contract — Molina, Rojas, Pizano and Gloria Ramos. But he decided to drop Ramos from the agenda because she faces re-election in November. The others, on the other hand, aren't up for re-election until 2017, after winning their seats in 2013 with no opposition.

"That is simply too long to give these people that kind of power," Schaaf said. "That is three years they will have to continue to make bad decisions. It basically means abdicating any positive leadership for students who are in the district now, telling them they will have poor leadership until they graduate."

So far, the board has endured the district's controversies of the past year largely unscathed. It did come under fire in early April when reports in this newspaper revealed that the board had been getting paid \$1,040 monthly — more than four times the amount to which it was legally entitled. In response, LACOE sent the district a cease-and-desist letter and the district quickly complied.

But a recall won't come easy. To make the ballot, the petitioners must collect signatures from 15 percent of the registered voters in the district, a sizable swath that includes Lawndale, Hawthorne, Lennox and some unincorporated areas. In Centinela, that amounts to about 8,700 signatures.

Within the past 16 years, two attempts to oust school board members in Centinela both failed to make the ballot because of lack of signatures.

Still, Schaaf said the effort is worth it.

"The evidence against these board members is so overwhelming," he said. "No one can defend that contract. It was such a waste of money and resources that should have been going to our students, simply indefensible. My wife and I can't sit around the dinner table any longer and say, this is awful, this is inexcusable, and do nothing about it. Because that would be excusing it. If I want to teach children what is right and wrong, and what you should do when you notice something wrong, I have to stand up and do this."

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