COUNTY OF LAKE
Office of the Treasurer - Tax Collector
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Lakeport, California 95453
Telephone 707-263-2234

PATRICK M. SULLIVAN
Treasurer-Tax Collector

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September 22, 2026

Upper Lake Unified School District Board of Trustees
750 Old Lucerne Road
Upper Lake, CA 95485

Dear Trustees,

Please find the attached joint letter from the County Auditor-Controller and Treasurer-Tax Collector acknowledging establishment of the $2.5 million borrowing capacity requested by the District, as well as further written elaboration upon concerns raised by both offices during a recent meeting. This letter was transmitted yesterday to District staff, and this serves as formal notification to your Board as well.

Respectfully,

Patrick Sullivan

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Auditor-Controller/County Clerk

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Assistant Auditor-Controller/County Clerk

September 21, 2026

Superintendent Tenderly Logan
Upper Lake Unified School District
750 Old Lucerne Road
Upper Lake, CA 95485

Dear Ms. Logan,

The County Treasurer – Tax Collector and Auditor-Controller are in receipt of the Upper Lake Unified School District's ("The District's") request to borrow up to $2.5 million pursuant to Article XVI, Section 6, of the California Constiution and Education Code Section 42620. These provisions allow the County Treasurer to advance up to 85% of anticipated property tax revenues accruing to a District in the current fiscal year. This loan is urgently necessary to cover anticipated shortfalls in cash to ensure the District's operations can continue unimpeded.

Our offices appreciate that the District's Chief Business Officer, and (later) yourself, were able to join representatives from the Lake County Office Education (LCOE), the Offices of the County Auditor-Controller (AC) and Treasurer-Tax Collector (TTC), and the State's Fiscal Crisis Management Assistance Team (FCMAT) last week to discuss this loan.

Per our discussion, TTC will treat this loan effectively as a line of credit. The TTC will coordinate closely with the AC to monitor drawdowns, as they will be secured by property tax apportionments. The borrowing limit will be adjusted as the AC disburses tax revenue. Regular accounting on these funds will be provided through the AC and TTC.

Any funds borrowed will incur a cost equivalent to the market rate of return for the County Treasury Pool, to ensure all other member agencies are kept whole. Your credit utilization with Treasury, coupled with your minimal remaining cash balance, may result in a new expense in the form of a negative interest apportionment. This obligation would be additional to the loss of approximately $170k in annual investment revenue the District had previously earned.

Given that the Lake County community, as a whole, through our County Treasury Pool, will be loaning the District funds needed to maintain critical operations, we have sought to understand the issues that informed this occurrence and potential solutions. Over the past several days, the TTC and AC have identified multiple areas of major concern that warrant your close consideration, in light of the resultant fiscal crisis:

- **Administrative Salaries:**
  The compensation package of Dr. Giovanni Annous is unsupportable (and arguably unconscionable), in light of the District's need to borrow funds to avoid becoming insolvent. According to the best available data, Dr. Annous' total compensation amounted to $568,953 in 2024; it is difficult to determine the actual figures, as the District ceased mandated reporting to the State Controller at approximately the same time his compensation package significantly increased. Our offices hope the new administration begins reporting again to further promote transparency going forward.

  Given this absence of reporting data, it is difficult to determine the basis for compensation (which seems to lack any regional grounding); it is likewise difficult to contextualize this apparent gross over-compensation. Depending which metrics are applied, it appears Annous ranks among the top 10 highest paid K-12 officials in California. When superimposing his compensation over available 2025 K-12 SCO data, Annous may be the 1st or 2nd highest paid public employee in California. TTC and AC could identify no precedent for such outrageous compensation in jurisdictions with populations similar to the District. It is deeply concerning that the people of Lake County must now reach into our collective pocket (affecting all regional taxing entities), partially to cover egregious payments to Annous. We hope that students and their educational experience will not be negatively impacted as the District makes difficult fiscal decisions going forward.

  We encourage the District to look at existing compensation structures, especially since they appear to emanate from the tenure of Annous, to ensure they are brought into line with what one would expect to find in comparable jurisdictions, and (more importantly, in light of implications for the Treasury Pool) what one would expect to find in Lake County. This is urgent and critical; many long-term contracts have been recently approved, and District funds have been drawn upon to support those obligations. Furthermore, we encourage the District to undertake whatever investigations are necessary to determine how Annous' compensation agreement, particularly, could have been enacted, and determine whether any further agreements are so markedly out of alignment with comparable jurisdictions and the District's financial position.

- **Debt Issuance:**
  The District has issued significant debt over a relatively short period, and plans to continue debt issuance. Given the District now requires further borrowing from the County Treasury Pool to maintain operations, we encourage the District to carefully examine any current debt issuance plans (and other anticipated fiscal obligations); especially those conceived by the previous administration.

- **Investment Earnings:**
  As previously noted herein, the District's lack of available cash, coupled with the requested borrowing, will likely further exacerbate the District's fiscal crisis as investment income declines.

We expect that the years to come will be difficult, given the District's financial status. We remain committed to working with the District in traditional Treasury and Auditor functions, as well as being a partner to securing necessary operational financing.

Respectfully,

Patrick Sullivan
Treasurer – Tax Collector

Jenavive Herrington
Auditor- Controller