
Houston ISD

2022-2023 Financial Integrity Rating System of Texas Financial Management Report

Based on Fiscal Year 2021-2022

December 2023



Financial Integrity Rating System of Texas (FIRST)

According to the Texas Education Agency (TEA), the School Financial Integrity Rating System of Texas, or School FIRST, is the state's financial accountability rating system used to

ensure that Texas public schools are held accountable for the quality of their financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes.¹

When School FIRST ratings are released by TEA, school districts are required to hold a public meeting to distribute a financial management report that details the district's School FIRST performance for each indicator used in the rating system, both for the current and previous year's FIRST rating. In addition, districts are required to provide supplemental financial information.

What follows is the financial management report and supplemental financial information for the Houston Independent School District (HISD) as required under Texas Education Code, Chapter 39, Subchapter D and the Commissioner's Rules under 19 Texas Administrative Code, Chapter 109, Subchapter AA, Division 1, Financial Accountability Rating System. In addition, the detailed calculation for each indicator is provided in the District Status Detail section that concludes this report.

¹https://tea.texas.gov/Finance_and_Grants/Financial_Accountability/Financial_Integrity_Rating_System_of_Texas_FIRST

Indicators and Scores

The School FIRST assigns either a “Yes/No” response to the first five indicators (with indicator 2 having an A and B component) and a numerical score to the remaining ten indicators. The table below shows each indicator and HISD performance for the 2021 - 2022 School FIRST as well as the previous year’s performance.

Indicator	Description	2022-2023 Score for Fiscal Year 2021-2022	2021-2022 Score for Fiscal Year 2020-2021
1	Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district’s fiscal year end date of June 30 or August 31, respectively?	Yes	Yes
2	Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)	Yes	Yes
3	Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)	Yes	Yes

Indicator	Description	2022-2023 Score for Fiscal Year 2021-2022	2021-2022 Score for Fiscal Year 2020-2021
4	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes	Yes
5	The Indicator is not being scored.	For 2022-23, this indicator is not being scored.	For 2021-22, this indicator is not being scored.
6	Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures? (If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Passed	Passed
7	Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?	10	10
8	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	8	8
9	Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?	10	10
10	The Indicator is not being scored.	10	10

Indicator	Description	2022-2023 Score for Fiscal Year 2021-2022	2021-2022 Score for Fiscal Year 2020-2021
11	Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? If the school district's increase of students in membership over 5 years was 7 percent or more, then the school district automatically passes this indicator.	10	10
12	Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?	10	10
13	Was the school district's administrative cost ratio equal to or less than the threshold ratio?	10	10
14	Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)	For 2022-23, this indicator is not being scored.	10
15	The Indicator is not being scored.	For 2022-23, this indicator is not being scored.	For 2021-22, this indicator is not being scored.
16	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?	Ceiling Passed	Ceiling Passed
17	Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)	Ceiling Passed	Ceiling Passed

Indicator	Description	2022-2023 Score for Fiscal Year 2021-2022	2021-2022 Score for Fiscal Year 2020-2021
18	Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)	10	10
19	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	5	5
20	Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed	Ceiling Passed
	Total Score	98	98

Based on the total score received, a school district will receive between an A, indicating a Superior rating and an F, indicating a Substandard Achievement rating. TEA's rating matrix is shown below.

TEA DETERMINATION OF RATING

Did the school district answer 'No' to Indicators 1,2,3 or 4? If so, the school district's rating is F for Substandard Achievement regardless of points earned.

Determine the rating by the applicable number of points. (Indicators 6-15)

A = Superior 90-100

B = Above Standard 80-89

C = Meets Standard 70-79

F = Substandard Achievement <60

CEILING INDICATORS

Did the school district meet the criteria for any of the following ceiling indicators 4, 6, 16, 17, or 20? If so, the school district's applicable maximum points and rating are disclosed below. Please note, an F = Substandard Achievement Rating supersedes any rating earned as the result of the school district meeting the criteria of a ceiling indicator.

CEILING INDICATORS		
Determination of rating based on meeting ceiling criteria	Maximum Points	Maximum Rating
Indicator 4 (Timely Payments) - School district was issued a warrant hold.	95	A = Superior Achievement
Indicator 6 (Average Change in Fund Balance) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 16 (PEIMS to AFR) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 17 (Material Weaknesses) - Response to indicator is <i>No</i> .	79	C = Meets Standard Achievement
Indicator 20 (Property Values and Tax Discussion) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement

Based on a ceiling score of 98 received, HISD earned a A, or superior achievement rating, for the 2021-22 School FIRST. Last year the district received a meets standard rating.

Required Supplemental Information

School FIRST Annual Financial Management Report

HOUSTON INDEPENDENT SCHOOL DISTRICT

Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, Section 109.1001(q). Effective 8/1/2018. The template has been established to help the districts in gathering their data and presenting it at their School FIRST hearing. The template may not be all inclusive.

Superintendent's Current Employment Contract

A copy of the superintendent's current employment contract at the time of the School FIRST hearing is to be provided. In lieu of publication in the annual School FIRST financial management report, the school district may chose to publish the superintendent's employment contract on the school district's Internet site. If published on the Internet, the contract is to remain accessible for twelve months.

Reimbursements Received by the Superintendent and Board Members

For the Twelve-Month Period
Ended June 30, 2022

	Millard House	Elizabeth Santos	Kathy Blueford-Daniels	Daniela Hernandez	Patricia K. Allen	Sue Deigaard	Kendall Baker	Bridget Wade	Judith Cruz	Myrna Guidry
<u>Description of Reimbursements</u>	II	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9
Meals	\$ 598									
Lodging	\$ 3,090		\$ 1,431	\$ 739	\$ 1,768	\$ 853			\$ 696	\$ 2,279
Transportation	\$ 2,440		\$ 875	\$ 347	\$ 865	\$ 694		\$ 2,163	\$ 476	\$ 846
Motor Fuel										
Other	\$ 2,155	\$ 460	\$ 1,130	\$ 2,335	\$ 1,339	\$ 5,823	\$ 1,788	\$ 2,126	\$ 5,854	\$ 710
Total	\$ 8,283	\$ 460	\$ 3,436	\$ 3,421	\$ 3,972	\$ 7,370	\$ 1,788	\$ 4,289	\$ 7,026	\$ 3,835

All "reimbursements" expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. Items to be reported per category include:
Meals – Meals consumed out of town, and in-district meals at area restaurants (outside of board meetings, excludes catered board meeting meals).
Lodging - Hotel charges.
Transportation - Airfare, car rental (can include fuel on rental, taxis, mileage reimbursements, leased cars, parking and tolls).
Motor fuel – Gasoline.
Other: - Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services

For the Twelve-Month Period

Ended June 30, 2022

<u>Name(s) of Entity(ies)</u>	Amount Received
	\$

Total	<u>\$ -</u>
-------	-------------

Compensation does not include business revenues generated from a family business (farming, ranching, etc.) that has no relation to school district business.

Gifts Received by Executive Officers and Board Members (and First Degree Relatives, if any) **(gifts that had an economic value of \$250 or more in the aggregate in the fiscal year)**

For the Twelve-Month Period

Ended June 30, 2022

	Millard House II	Elizabeth Santos District 1	Kathy Blueford- Daniels District 2	Daniela Hernandez District 3	Patricia K. Allen District 4	Sue Deigaard District 5	Kendall Baker District 6	Bridget Wade District 7	Judith Cruz District 8	Myrna Guidry District 9
Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification for local officials.

Business Transactions Between School District and Board Members

For the Twelve-Month Period

Ended June 30, 2022

	Elizabeth Santos District 1	Kathy Blueford- Daniels District 2	Daniela Hernandez District 3	Patricia K. Allen District 4	Sue Deigaard District 5	Kendall Baker District 6	Bridget Wade District 7	Judith Cruz District 8	Myrna Guidry District 9
Amounts	\$	\$	\$	\$	\$	\$	\$	\$	\$

Note - The summary amounts reported under this disclosure are not to duplicate the items disclosed in the summary schedule of reimbursements received by board members.

EMPLOYMENT CONTRACT

BETWEEN

THE BOARD OF MANAGERS OF THE
HOUSTON INDEPENDENT SCHOOL DISTRICT

and

F. Mike Miles

Dated as of June 22, 2023

**HOUSTON INDEPENDENT SCHOOL DISTRICT
EMPLOYMENT CONTRACT**

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This Contract ("Contract") is by and between the Board of Managers ("Board") of the Houston Independent School District ("District") and F. Mike Miles ("Superintendent").

WITNESSETH:

WHEREAS, the Superintendent was appointed on June 1, 2023 by the Commissioner of Education for the State of Texas, pursuant to section 39A.202 of the Texas Education Code, to serve as the Superintendent of Schools for the District, and

WHEREAS, the Superintendent accepted the appointment to this position on June 1, 2023;

NOW, THEREFORE, pursuant to the authority of Section 11.201 and Chapter 21, Subchapter E of the Texas Education Code, the 1923 Special Act creating the District, and the general laws of the State of Texas, the Board and the Superintendent agree as follows:

1. TERM

1.1 The Board, by and on behalf of the District, employs the Superintendent, and the Superintendent accepts employment as Superintendent of Schools for the District for a term commencing on June 22, 2023 ("Effective Date"), and ending on August 31, 2026. Upon execution by the parties, this Contract will become effective on June 22, 2023, and it will replace any prior understandings, agreements, or contracts between the parties. Beginning September 1, 2023, and for the remainder of this Contract and any extension thereof, each contract year shall be from September 1 through August 31 (hereinafter referred to as the "Contract Year").

1.2 At any time during the term of this Contract, the Board may, in its sole discretion, extend the term of this Contract for additional years as authorized by law, with the Superintendent's acceptance of such extension. The Superintendent does not have a property or liberty interest, or any other legally recognized and/or protected interest or expectation, in such extension by the Board. In the event that the Contract is extended, the Superintendent's compensation and benefits will be as set forth herein, unless the parties agree to different compensation and benefits in the form of a written addendum or new contract, signed by the parties.

2. EMPLOYMENT

2.1 Duties. The Superintendent is the chief executive officer of the District and he shall faithfully perform the duties of Superintendent of Schools for the District as prescribed in the job description and as may be lawfully assigned by the Board, and shall comply with all legal Board directives, state and federal laws, and lawful District policies, rules, and regulations as they exist or may hereinafter be adopted or amended, including, but not limited to, the District monitoring system established by the Board. Except as provided in this Contract, the Superintendent agrees to devote his time and energy to the performance of these duties in a faithful, diligent, and efficient manner. Specifically, the duties of the Superintendent shall include (but not be limited to):

- (a) assume administrative responsibility and leadership for the planning, operation, supervision and evaluation of the education programs, services and facilities of the District and for the annual performance appraisal of the District's staff;
- (b) assume administrative authority and responsibility for the assignment, reassignment and evaluation of all personnel other than the Superintendent;
- (c) make decisions regarding the District's personnel consistent with Section 2.6 herein;
- (d) manage the day-to-day operations of the District as its administrative manager;
- (e) prepare and submit to the Board annually a proposed budget covering all estimated revenue and proposed expenditures of the District for the following fiscal year;
- (f) prepare recommendations for policies to be adopted by the Board and oversee the implementation of adopted policies;
- (g) develop appropriate administrative regulations to implement policies adopted by the Board;
- (h) provide instructional leadership for the attainment of student performance based on the academic excellence indicators adopted by the State Board of Education and other indicators adopted by the Board;
- (i) organize the District's central administration staff subject to provisions of Section 2.6 herein; and,
- (j) communicate and collaborate with all members of the Board.

2.2 Professional Activities/Civic Organizations. The Superintendent shall reasonably attend and participate in appropriate professional and civic meetings at the local, state, and national levels with the reasonable expenses for such attendance to be borne by the District, including membership fees and dues of the

Superintendent in such organizations as he deems appropriate in the performance of his duties, from funds budgeted for that purpose by the Board, and the Superintendent may hold offices or accept responsibilities in these professional and civic organizations, provided that such meetings, offices and/or responsibilities do not interfere with the performance of his duties as Superintendent.

2.3 Writing, Teaching, Advising, and Speaking Activities. The Superintendent shall be permitted to undertake writing, teaching, advising, and speaking activities, provided that these activities (i) do not interfere with the performance of his duties as Superintendent; (ii) so long as such activities do not give rise to a real or potential conflict of interest; and (iii) the Superintendent shall use weekends, holidays, vacation days and/or personal leave days when participating in such activities. Notwithstanding the foregoing, the Superintendent shall not undertake any such consulting activities outside of the District or be permitted to perform or engage in any services, consulting, or other activities for which he receives a financial benefit without prior approval from the Board as required by the Texas Education Code, Section 11.201(e).

2.4 Professional Certification and Records. This Contract is conditioned on the Superintendent's obtaining and providing valid and appropriate certification, or other waiver, permit or authorization to act as a superintendent in the state of Texas as prescribed by the laws of the state of Texas and the rules and regulations of the Texas Education Agency and/or the State Board for Educator Certification. The Superintendent must also file any other records required for the personnel files and for payroll purposes. Failure to provide necessary certification shall render this Contract void, and any material misrepresentation in the records shall be grounds for termination.

2.5 Reassignment. The Superintendent may not be reassigned from the position of Superintendent to another position without the Superintendent's written consent.

2.6 Employment of Contract and Non-Contract Employees. In accordance with Sections 11.201 and 11.1513 of the Texas Education Code, the Board by policy and by this Contract has delegated to the Superintendent the sole authority to determine the terms of employment of all employees of the District except the Superintendent. Specifically, the Superintendent has been delegated the authority to employ all contract and non-contract employees and to direct, assign, reassign and transfer all employees in the manner which in his judgment best serves the District, subject to applicable law. The Superintendent's employment decisions are not subject to Board approval, except as required by applicable law. Further, the Superintendent has been delegated the authority to terminate or nonrenew all contract and non-contract employees, other than contract staff covered by Subchapters C, D, E, F, and G, Chapter 21, Texas Education Code and the Superintendent.

2.7 Board Meetings and Relation. The Superintendent, or his designee, shall have the right to attend all meetings of the Board and all Board committee meetings, both open and closed, and may participate in the deliberations of the Board at all such meetings, with the exception of those closed meetings of the Board involving the Superintendent's evaluation, consideration of the terms of the Superintendent's employment pursuant to the terms of this Contract, confidential discussions among Board members to resolve any differences of opinion among members of the Board, and/or when the Board is acting as a tribunal. In the event of illness or Board-approved absence, the Superintendent's designee shall attend such meetings. Further, the Superintendent shall provide recommendation(s) and/or information as to each of the items of business considered at each meeting as needed or requested by the Board.

3. COMPENSATION AND SALARY

3.1 Annual Base Salary. The Superintendent will be paid an annual base salary in the sum of Three Hundred Eighty Thousand Dollars (\$380,000.00) through the term of this Contract. From June 22, 2023 through August 31, 2023, the Superintendent shall be paid a prorated portion of the annual base salary.

3.2 Salary Adjustments. At any time during the term of this Contract, the Board may, and without the necessity of entering into a new contract, in its sole discretion, review and adjust the salary of the Superintendent, but in no event will the Superintendent be paid less than the salary set forth pursuant to Section 3.1 of this Contract except by mutual written agreement of the parties. Any mutually agreed adjustments, if any, will be in the form of a written addendum to this Contract or a new contract signed by the parties, and such adjustment shall be exclusive of any other benefits unless specifically provided in the addendum or new contract.

3.3 Business Expenses. The District will pay or reimburse the Superintendent for reasonable reimbursable expenses as determined and incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract, from funds budgeted for that purpose by the Board. The District agrees to pay the reasonable actual and incidental costs incurred by the Superintendent for travel; such costs may include, but are not limited to, airline tickets, hotels and accommodations, meals, rental car, and other expenses incurred in the performance of the business of the District. The District also will reimburse the Superintendent for the reasonable costs of flowers, plants and/or sympathy baskets made on behalf of the District and/or the Board and related to the death or illness of District employees, Board members, community leaders, or their immediate family members. The Superintendent shall comply with all policies, procedures and documentation requirements in accordance with Board policies and established procedures. Annually, the Superintendent's travel and business expenses will be subject to review by the District's independent auditors. In addition, the Superintendent shall submit a quarterly report on his business expenses to the Board's Audit Committee.

3.4 Teacher Retirement System of Texas. For performance of Superintendent duties, the District shall supplement the Superintendent's annual salary beginning with the Effective Date and continuing for each payroll through the term of this Agreement, by an amount equal to the Superintendent's portion of the monthly contribution to the Teacher Retirement System of Texas ("TRS") required for the Superintendent, for the base salary set forth in Section 3.1 of this Contract. This supplement shall include both the retirement and TRS-Care parts of the TRS member contribution, as applicable. This additional salary supplement for services rendered shall be paid to the Superintendent by regular payroll installments and shall be reported as "creditable compensation" by the District for purposes of TRS.

3.5 Automobile/Automobile Expense. The Superintendent will have access to a staff member, as reasonably available, to drive his vehicle or a District vehicle when the Superintendent determines it is necessary to the performance of his duties. In addition, the Superintendent will have access to a District vehicle whenever he determines it is necessary and/or beneficial to the performance of his duties. The Superintendent may be reimbursed for travel in his car outside of the District at the District's approved reimbursement rate for travel outside of the District.

3.6 Health, Disability, and, Other Insurance. The District will pay for coverage for Superintendent for group health, major medical and hospitalization, dental, and vision insurance, as selected by the Superintendent from plans offered by the District to its employees, on the same basis as other 12-month administrative employees of the District. Except as otherwise provided in this Contract, the District will provide Superintendent with all other benefits on the same basis as other 12-month administrative employees of the District.

3.7 Annual Service Purchase. The District shall contribute on an annual basis to a Service Purchase Tax Deferred Plan or plans (the "Plan") established for the benefit of the Superintendent under Section 403(b), Section 457(b), and/or Section 401(a) of the Internal Revenue Code ("Code") a lump sum of \$56,000.00.

The 403(b) and 401(a) plans shall be established as employer-paid plans with non-discretionary contributions by the District and the Superintendent shall have no right to receive such contributions in cash. The 403(b) plan, 401(a) plan, and 457(b) plan shall each be established under a written plan document that meets the requirements of the Code and such documents are hereby incorporated herein by reference. The funds for the 403(b) plan, 401(a) plan, and 457(b) plan shall each be invested in such investment vehicles as are allowable under the Code for the applicable type of plan. The Superintendent shall have sole discretion as to where the contributions to the Plan are invested; to the extent such investments comply with applicable State and federal laws. The Superintendent shall not be entitled to receive in cash any portion of the aforementioned funds that exceed the contribution limit or limits established by law. Each such Plan established on behalf of the

Superintendent shall provide that contributions made to the Plan by the District and all earnings thereon shall be fully vested in the Superintendent.

Contributions made by the District to the Plan shall first be made to the 403(b) plan. If the contribution to the 403(b) plan exceeds the contribution limit established by law for such plan, then the remaining contribution by the District shall be made to the 457(b) plan. If the contribution to the 457(b) plan then exceeds the contribution limit established by law for such plan, the remaining contribution by the District shall be made to the 401(a) plan.

3.8 Vacation and Holidays. The Superintendent may take, at the Superintendent's choice and subject to the Board's prior approval, 25 days of vacation per year of this Contract, which may be accumulated and carried forward up to a total of 35 days. At the conclusion of any Contract Year, at Superintendent's discretion, accrued but unused vacation days accumulated by the Superintendent during his employment by the District will be paid in a lump sum to the Superintendent or his survivors at the Superintendent's then current daily rate of base pay based on a 254 day work year. The vacation days taken by the Superintendent will be taken at such time or times as will least interfere with the performance of the Superintendent's duties as set forth in this Contract, with prior notice to the Board President prior to taking such leave. The Superintendent shall have the same duty days and shall observe the same legal holidays as those observed by administrative employees on 12-month contracts.

3.9 Personal and Sick Leave. The Superintendent will have 5 state personal leave days and 10 local personal leave days per year of this Contract. The Superintendent may accumulate local personal leave days up to a total of 35 days.

3.10 Annual Physical Examination. The Superintendent shall undergo an annual physical examination performed by the Superintendent's primary care physician. The physician shall submit a confidential statement to the Board President verifying the Superintendent's fitness to perform the essential functions of his job, and copies of all such statements shall be confidential to the extent permitted by law. The District shall pay all reasonable costs of the annual physical examination. The examination shall be performed on or before January 31 of each year of this Contract.

3.11 Performance Incentive Pay Plan. The Board intends to develop and adopt a performance incentive pay plan for the Superintendent, such plan to be implemented in the Contract Year beginning September 1, 2023. The Board and the Superintendent will mutually develop a performance incentive pay plan tied to the annual goals of the District developed by the Board and the Superintendent and approved by the Board in accordance with Section 4.1. The performance incentive pay plan will have measurable objective criteria for each goal with compensation incentives being tied to each criteria for each goal. After written goals are adopted

by the Board, but on or before December 1, 2023, this Contract will be amended by the Board to reflect the mutual agreement of the Board and the Superintendent setting forth the details of the performance incentive pay plan, as well as the annual dollar amount to fund the performance incentive pay plan. The first evaluation of the performance of the Superintendent under the performance incentive pay plan will be by the Board on or before September 1, 2024, and on or before September 1 each year thereafter during the term of this Contract.

3.12 Taxable Benefits. If any of the payments or benefits provided to the Superintendent in accordance with Sections 3.3, 3.4, 3.6, 3.7, 3.8, 3.10, 3.11, and/or any other provision of this Contract are subject to federal income tax in any year of the Contract, any such tax consequences will be the Superintendent's individual responsibility.

3.13 Personal Protection. The District shall, at its expense, provide to the Superintendent such personal protection as the Board may deem necessary. In the event the life or safety of the Superintendent or the Superintendent's spouse is threatened or otherwise appears in danger due to the performance of the Superintendent's professional duties, the District shall pay the reasonable and necessary cost incident for the 'protection of the Superintendent and the Superintendent's spouse; provided, however, that such protection shall initially be sought from the police department or other appropriate governmental authority having jurisdiction in the District.

3.14 Information Technology/Communications. The District shall provide the Superintendent a laptop, a desktop computer, and a printer for use by the Superintendent in his home or district office. The Superintendent may use this equipment for both work and personal activities. The Superintendent shall be responsible for obtaining his own cell phone and paying any costs related to same.

4. ANNUAL PERFORMANCE GOALS

4.1 Development of Priorities. By December 1 after the commencement of this Contract and by September 1 every year thereafter, the Board President, with the cooperation, input and support of the Superintendent, shall develop and submit for the Board's consideration and approval a proposed list of priorities within the Board's goals for the District. The priorities approved by the Board shall be reduced to writing and shall be among the criteria on which the Superintendent's performance will be reviewed and evaluated. The priorities approved by the Board shall be specific, definitive and measurable, to the extent feasible. The Board agrees to work with and support the Superintendent in achieving the priorities.

4.2 Review of Performance. The Board shall evaluate and assess the performance of the Superintendent in writing on or before September 1, 2024, and on or before September 1 thereafter during the term of this Contract. The meetings at which the Board evaluates the Superintendent will be held in closed

meeting unless the Superintendent and the Board agree in writing that it should be held in open meeting. The evaluation and assessment shall be related to the duties of the Superintendent as outlined in the Superintendent's job description and the annual priorities within the Board's goals developed pursuant to Section 4.1 herein and shall be considered confidential to the extent permitted by law.

4.3 Evaluation Format and Procedure. The evaluation format and procedure shall be in accordance with the Board's policies and state and federal law. In the event that the Board determines that the performance of the Superintendent is unsatisfactory in any respect, it shall describe in writing, in reasonable detail, specific instances of unsatisfactory performance. The evaluation shall include recommendations as to areas of improvement in all instances where the Board deems performance to be unsatisfactory. A copy of the written evaluation shall be delivered to the Superintendent. The Superintendent shall have the right to make a written response to the evaluation within thirty (30) days of receipt of the written evaluation from the board. That response shall become a permanent attachment to the evaluation in the Superintendent's personnel file. Within sixty (60) days of the delivery of the written evaluation to the Superintendent, the Board shall meet with the Superintendent to discuss the evaluation. The Board shall devote a portion of, or all of, one executive session annually to a discussion of the working relationship between the Superintendent and the Board. In the event the Board deems that the evaluation instrument, format, and/or procedure is to be modified by the Board and such modifications would require new or different performance expectations, such modifications must be adopted with input from the Superintendent and the Superintendent shall be provided a reasonable period of time to demonstrate such expected performance before being evaluated.

5. TERMINATION OF EMPLOYMENT CONTRACT

5.1 Mutual Agreement. This Contract may be terminated by mutual agreement of the Superintendent and the Board in writing upon such terms and conditions as may be mutually agreed upon.

5.2 Retirement or Death. This Contract shall be terminated upon the retirement or death of the Superintendent.

5.3 Termination for Cause by the District Superintendent may be terminated by District for cause as outlined below:

(a) Notwithstanding anything herein to the contrary, the District may, without liability, terminate the Superintendent's employment hereunder for cause at any time upon written notice from the District specifying such cause, and thereafter the District's obligations under this Contract shall immediately cease and terminate. Grounds for termination "for good cause" include, but are not limited to, one or more of the following:

- (1.) Superintendent's failure to follow the lawful directives and/or policies of the Board of Directors;
- (2.) A breach of Superintendent's fiduciary duties;
- (3.) A material breach of this Contract;
- (4.) An indictment, conviction, a plea of guilty, or a plea of nolo contendere for any act or omission relating to Superintendent's fraud, dishonesty, or crime involving moral turpitude;
- (5.) Engaging in acts which are defined as moral turpitude under state or federal laws and cause embarrassment to the District;
- (6.) Actions involving willful malfeasance or gross negligence in the performance of Superintendent's duties which could be materially and demonstrably injurious to the District;
- (7.) Commission of an act of fraud, embezzlement, theft or material dishonesty against the District;
- (8.) Any absence from work by Superintendent for more than ninety (90) days during any twelve (12) month period; and
- (9.) Any action considered good cause under state law.

(b) The procedure for termination of this Contract for good cause shall be as provided in Section 5.5.

(c) Upon any termination by District for good cause, and except as otherwise required by law, the Superintendent shall have no right to any compensation from District including, but not limited to, salary, bonuses, incentives, severance, benefits, or other compensation for any period subsequent to the date of termination; and shall have no right, except as otherwise required by law, to participate in any employee benefit programs referred to in or provided to Superintendent under this Contract for any period subsequent to the date of termination.

5.4 Disability. In the event the Superintendent shall become physically or mentally unable to perform the essential functions of his job as Superintendent, the Board, at its option, may terminate this Contract and the employment of the Superintendent after the Superintendent's exhaustion of his personal and sick leave days and vacation days provided pursuant to Sections 3.8 and 3.9 herein. Verification of the illness or disability of the Superintendent shall be required whenever a majority of the Board requests it. Verification shall be by a physician designated by the Board and Superintendent; however, should the Board and Superintendent be unable to agree, the physician shall be the physician chosen under Section 3.10. Should the Superintendent be terminated

due to such physical or mental disability, the Superintendent shall be entitled to one (1) year of his annual base salary and benefits as set out in Sections 3.1 and 3.4 through 3.11 of this Contract payable in lump sum by the District. Except for the payments set out in this Section, plus the amounts for vacation leave under Section 3.8, the District shall have no further liability to the Superintendent for any other compensation or benefits.

5.5 Termination Procedure. In the event that the Board proposes to terminate this Contract for good cause, the Superintendent shall be afforded the rights as set forth in the Board's policies and applicable state and federal law.

5.6 Nonrenewal of Contract. Except as otherwise provided herein, nonrenewal of this Contract shall be in accordance with Board policy and applicable law.

5.7 Unilateral Termination. In the event the Board, by an affirmative vote of at least two-thirds of the full membership of the Board, unilaterally decides to terminate this Contract without good cause or in lieu of nonrenewal, the Superintendent will receive the lesser of (i) an amount equal to the value of two years of his current annual base salary and annual benefits as set out in Sections 3.1 and 3.4 through 3.11 of this Contract or (ii) the value of salary and all benefits, as set out in Sections 3.1 and 3.4 through 3.11 of this Contract, for the remaining term of the Contract. It is understood and agreed that in the event of unilateral termination by the Board, the Superintendent will receive only the payments specified in this Section plus the amounts due for vacation leave pursuant to Sections 3.8 herein. In exchange for this payment, the Superintendent agrees not to request a hearing or other process under Section 5.4 and 5.5 of this Contract. It is further understood and agreed that the payments provided above will be in full satisfaction of the District from all claims under this Contract. It is agreed that in the event of unilateral termination by the Board, the Superintendent will have no duty to mitigate damages.

5.8 Professional Liability. The District shall indemnify, defend, and hold the Superintendent harmless regarding any claims, demands, duties, actions or other legal proceedings against the Superintendent, or damages incurred by the Superintendent, including court costs and attorney's fees, in his individual or official capacity for any act or failure to act involving the exercise of judgment and discretion within the normal course and scope of his duties as Superintendent of the District, to the extent and to the limits permitted by law. This paragraph does not apply if the Superintendent is found by a court of competent jurisdiction to have acted with gross negligence or with intent to violate a person's clearly established legal rights, or to have engaged in official misconduct or criminal conduct, nor does it apply to criminal investigations or proceedings. The District shall fulfill its obligation under this paragraph by purchasing appropriate insurance coverage for the benefit of the Superintendent or by including the Superintendent as a covered party under any contract providing errors and omissions insurance coverage purchased for the protection of the Board and the professional employees of the

District. The Board shall retain attorneys to represent the Superintendent in any proceeding for which he could seek indemnification under this paragraph, to the extent that damages are recoverable or a defense is provided, under any such contract of insurance. The selection of Superintendent's legal counsel shall be with the mutual agreement of Superintendent and the District if such legal counsel is not also District's legal counsel. If the Superintendent does not consent to being represented by the same counsel representing the District in any proceeding the District is obligated to defend under this section, then the Superintendent may elect to be represented in such proceeding by independent counsel. In such event, the District shall pay the attorney's fees, expenses and costs reasonably necessary for the independent counsel to defend the Superintendent.

No individual member of the Board shall be personally liable for indemnifying and defending the Superintendent under this paragraph. The District's obligation under this paragraph shall continue for a period of no more than four (4) years after the termination of this Contract for qualifying acts or failures to act occurring during the term of this Contract or any extension thereof.

The Superintendent shall fully cooperate with the District in the defense of any and all demands, claims, suits, actions and legal proceedings brought against the District during the term of this Contract. After termination of this Contract, the Superintendent agrees to provide assistance to and cooperate with the District, its Trustees, agents, and attorneys in response to, or in defense of, any demand, claim, complaint, suit, action or legal proceeding brought against the District, its Trustees, or agents, arising from any acts or events alleged to have occurred during the term of Superintendent's employment with the District, at no additional expense to the District other than reimbursement to Superintendent for his documented reasonable and necessary out-of-pocket expenses, plus reimbursement of any salary lost by Superintendent by virtue of his taking time off from his then current employment to assist the District at its request. If Superintendent is not employed at the time, the District shall compensate him at Superintendent's daily rate of pay, calculated by dividing his salary under the Contract by 254. Requests for assistance from Superintendent with respect to such matters shall be made through the Board of Trustees' President, any successor Superintendent, and/or legal counsel for the District, and the amount to be reimbursed to Superintendent shall be mutually agreed upon in advance. The Superintendent's obligation under this paragraph shall continue after any termination of this Contract for a period of no more than four (4) years.

5.9 Resignation of Superintendent. The Superintendent may leave the employment of the District at the end of a school year without penalty by filing a written resignation with the Board. The resignation must be addressed to the Board and filed not later than the 45th day before the first day of instruction of the following year. The Superintendent may resign with the consent of the Board at any other time.

6. MISCELLANEOUS PROVISIONS

6.1 Controlling Law. This Contract shall be governed by the laws of the state of Texas, and it shall be performable in Harris County, Texas, unless otherwise provided by law. Venue for any dispute concerning the interpretation or enforcement of this Contract shall be in Harris County, Texas.

6.2 Heirs and Assigns. The provisions of this Contract are binding upon the heirs, personal representatives, successors and assigns of the Superintendent.

6.3 Waiver. No waiver of any of the provisions of this Contract shall be deemed for any purpose to be a waiver of the right of any party hereto to enforce strict compliance with the provisions hereof in any subsequent instance.

6.4 Severability. Each of the covenants and provisions contained in this Contract shall be enforceable independently of every other covenant and provision in this Contract and whether or not Superintendent has any claim or cause of action against the District based on this Contract or otherwise.

6.5 Entirety of Contract. This Contract supersedes all other agreements, either oral or in writing, between the parties to this Contract with respect to the employment of the Superintendent by the District and matters relating to this Contract. This Contract may be executed in one or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

6.6 Failure to Enforce Not Waiver. Any failure or delay on the part of either the District or the Superintendent to exercise any remedy or right under this Contract shall not operate as a waiver. The failure of either party to require performance of any of the terms, covenants, or provisions of this Contract by the other party shall not constitute a waiver of any of the rights under this Contract. No forbearance by either party to exercise any rights or privileges under this Contract shall be construed as a waiver, but all rights and privileges shall continue in effect as if no forbearance had occurred. No covenant or condition of this Contract may be waived except by the written consent of the waiving party. Any such written waiver of any term of this Contract shall be effective only in the specific instance and for the specific purpose given.

6.7 Partial Invalidity. If any provision in this Contract is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions and otherwise valid and enforceable clauses of this Contract shall remain in full force and effect as if this Contract had been executed without any such invalid provisions having been included.

6.8 Section Headings. Any section headings contained in this Contract are for convenience only and shall in no manner be construed as a part of this Contract.

6.9 Non-Reliance. The Parties stipulate and agree that they have not relied upon any statements or representations made by any of the other parties hereto or by any person or entity representing any of the other parties hereto.

6.10 Terms Contractual. This Contract contains the entire agreement between the parties hereto. The terms of this Contract are contractual and are not mere recitals. This Contract cannot be modified or amended except by a written amendment signed by all Parties to this Contract.

6.11 Legal Consideration. The parties hereto stipulate and acknowledge that adequate legal consideration exists to support all such parties' execution and delivery of this Contract and the transactions, covenants, and agreements contemplated hereby.

6.12 Construction. This Contract is the product of negotiations between the Parties. The parties hereto agree that this Contract shall not be construed against the drafter and any rule of contract construction providing for an interpretation against the drafter shall not apply. The parties hereto agree that should any additional instruments be necessary or desirable to confirm and accomplish effectively the purposes of this Contract, or to establish the rights or discharge the obligations of any party hereunder, such additional instruments will be promptly executed and delivered upon the request of any such party.

6.13 Copy Effective. A copy of this Contract fully executed shall be as effective, for all purposes, as a signed original.

6.14 Conflicts. In the event of any conflict between the terms, conditions, and provisions of this Contract and the provisions of the Board's policies, or any permissive state or federal law, then, unless otherwise prohibited by law, the terms of this Contract shall take precedence over the contrary provisions of the Board's policies or any such permissive law during the term of the Contract.

6.15 Notices. Any notice, request, instruction, correspondence or other document to be given hereunder by either party to the other (herein collectively called "Notice") shall be in writing and delivered in person or by courier service requiring acknowledgment of receipt of delivery or mailed by certified mail, postage prepaid and return receipt requested, or by telecopier, as follows:

(a) if to District to:

Houston Independent School District
Board Services
Hattie Mae White Educational Center
4400 W. 18th Street
Houston, Texas 77092
Attn: President, Board of Education

with copy to:

Thompson & Horton, LLP
3200 Southwest Frwy, Suite 2000
Houston, Texas 77027
Attn: David Thompson, Partner

(b) if to Superintendent, to:

Mr. F. Mike Miles
c/o Adams, Lynch & Loftin, P.C.
3950 Highway 360
Grapevine, Texas 76051
Attn: Neal W. Adams or Cory S. Hartsfield

with copy to:


Adams, Lynch & Loftin, P.C.
3950 Highway 360
Grapevine, Texas 76051
Attn: Neal W. Adams or Cory S. Hartsfield

Notice given by personal delivery, courier service or mail shall be effective upon actual receipt. Notice given by telecopier shall be confirmed by appropriate answer back and shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. Any party hereto may change any address to which Notice is to be given to it by giving Notice as provided above of such change of address.

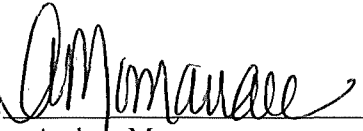
EXECUTED to be effective as the date first written above.

[Execution Page Follows]

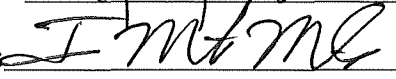
HOUSTON INDEPENDENT SCHOOL DISTRICT
AGREED AND APPROVED:

By: 
Angela Flowers
Secretary, Board of Managers

Date: 6/22/2023

By: 
Audrey Momanaee
President, Board of Managers

Date: 6/22/2023

By: 
F. Mike Miles
Superintendent of Schools

Date: 22 JUNE 2023

Execution Page

Addendum 1 to the Superintendent's Contract

Per paragraph 2.3 of the Superintendent's Contract,

“The Superintendent shall be permitted to undertake writing, teaching, advising, and speaking activities, provided that these activities (i) do not interfere with the performance of his duties as Superintendent; (ii) so long as such activities do not give rise to a real or potential conflict of interest; and (iii) the Superintendent shall use weekends, holidays, vacation days and/or personal leave days when participating in such activities.”

As required by the Texas Education Code, Section 11.201(e), the Superintendent shall receive prior approval to engage in such activities for which he may receive a financial benefit. This addendum acknowledges Board approval for two consulting activities for the Superintendent:

1. The Superintendent may advise the Third Future Schools Board of Directors and the senior administrative staff during this transition period and as the Network (founded by Mr. Miles) expands and uses Mr. Miles' strategy and plans already underway, provided that such advice shall not constitute an actual or potential conflict of interest as prohibited by Section 2.3 of the Contract.
2. The Superintendent may conduct a keynote address for the leaders of Newark Public Schools and provide quarterly training for the senior leadership team during the 2023-2024 school year.

District Status Detail