

September 15, 2023

Anna Trunnell, Superintendent
Santa Rosa City School Districts
211 Ridgway Avenue
Santa Rosa, CA 95401

Dear Ms. Trunnell,

In accordance with Education Code Section 42127, the Sonoma County Superintendent of Schools (County) has reviewed the Santa Rosa City School District's (District) 2023-24 Adopted Budget to determine if it complies with the Criteria and Standards for financial stability and allows the District to meet its financial obligations for the budget and two subsequent years.

The District's Adopted Budget has been analyzed in the context of the May Revision to the Governor's budget proposal for the 2023-24 year, as well as the 2023-24 Adopted State Budget and related trailer bills that were approved subsequent to the District's budget adoption, along with the County's approval of the District's 2023-24 Local Control and Accountability Plan (LCAP). Based on our analysis, the County Office has concluded the District has met the necessary requirements and therefore **approves** the District's budget as adopted by the District Board of Trustees (Board).

Adopted Budget

As adopted by the District's Governing Board, the 2023-24 budget reflects an ending fund balance in the General Fund of \$38,175,673; comprised of \$7,462,567 in unrestricted fund balance and \$30,713,106 in restricted fund balance. The minimum state reserve level of 3% for a district of your size has been met. In 2023-24, the General Fund reports unrestricted deficit spending of -\$3,910,549. Even though the District meets minimum reserve requirements, the County Office remains concerned about ongoing deficit spending. We urge the District to review and monitor revenues, expenditures, and fund balances of all funds.

The District is projecting an unrestricted ending fund balance of \$6,480,967 in 2024-25 with unrestricted deficit spending of -\$981,599 and \$6,108,302 in 2025-26 with unrestricted deficit spending of -\$372,665. The minimum state reserve reported as met in both years. **However, the level of deficit spending stated in the Multi-Year Projections (MYP) includes expenditure reductions both identified and unidentified plus the use of one-time dollars for ongoing expenditures in the subsequent years.** In

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fiscal year 2024-25, the MYP includes approved expenditure reductions of \$5,677,678, in addition to the utilization of one-time state block grants of \$13,020,498 for ongoing expenditures. While the MYP includes unidentified expenditure reductions of \$14,369,413 in fiscal year 2025-26. If these unspecified expenditure reductions are not identified, and if the reductions are not fully implemented and financially achieved, the District will continue to face serious fiscal challenges.

The County Office remains concerned about the District's long-term fiscal health. The County supports the District's continual exploration of cost-cutting measures that will help build the District's reserves to allow for long-term fiscal stability. Further, the County recognizes that the District has already established a budget committee to identify specific expenditure reductions. **All unspecified expenditure reductions need to be identified and only Board approved reductions should be included in the MYP for the 2023-24 First Interim Report. The Plan must identify specific areas of recommended actions.**

Collective Bargaining

Based upon the Criteria and Standards, negotiations with all bargaining units in the 2023-24 fiscal year are settled. Any additional collective bargaining agreement proposals must follow the Public Disclosure requirement per Government Code Section 3547.5. The County shall be provided the Public Disclosure document for at least ten working days to review and comment on any proposed agreements. This requirement is mandatory if the District's Interim reports are certified as Qualified or Negative.

Charter Schools

The District reports Accelerated Charter, Charter School for the Arts, Cesar Chavez Language Academy Charter, and the French American Charter in a fund other than the General Fund. The Board Approved Adopted Budget Report included Fund 09 for the Charters. The 2023-24 ending balance in Fund 09 is reported as \$2,669,315 with deficit spending of -\$1,208,182.

As the authorizing agency of Kid Street Charter School, the District maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance, budgeting, and payroll. Please see Education Code Section 47604.32 for a detailed list of oversight duties.

The District must review the charter budget reports at each cycle: Budget, First Interim, Second Interim, and Unaudited Actuals. It is also the District's responsibility to transmit these reports to our office by the state required deadline. Please coordinate with the charter school in advance to ensure all deadlines are met. Should any circumstances arise related to the charter school that would negatively impact the financial condition of the District, please notify this office as soon as possible.

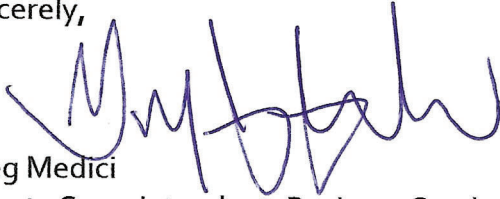
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Summary

Our office appreciates the preparation and timely submittal of your Adopted Budget Report. A technical review will be communicated to the business office. The First Interim Report is due to our office no later than December 15, 2023. **Please see the attached for standard reminders.** If you have any questions, please feel free to call me at (707) 524-2635.

Sincerely,



Greg Medici
Deputy Superintendent, Business Services



Sarah Lampenfeld
Director, External Fiscal Services

c:

Lisa Cavin, Associate Superintendent
Joel Dontos, Executive Director - Fiscal Services, SRCS
Amie R. Carter, Ed.D., County Superintendent of Schools
Felicia Aguirre, SCOE District Fiscal Management Advisor