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SUPERINTENDENT'S OFFICE
Dr. Daisy Morales, Superintendent

MEMO / AGENDA

DATE: 8/22/2024
TO: All District Staff
FROM: Dr. Daisy Morales, Superintendent
RE: **Update on the District's Financial Status (including link to SCOE's latest letter)**

Dear Santa Rosa City Schools Community,

I wanted to provide an important update regarding the financial status of our district. The Sonoma County Office of Education (SCOE) has recently completed a review of our Third Interim Report for the 2023-2024 fiscal year. This review was initiated due to the qualified certification of our Second Interim Report earlier this year. The official letter is linked [here](#) and will be shared in the information section at the next board meeting.

SCOE has also reviewed the District's Public Disclosure of the Tentative Agreement (TA) with the Santa Rosa Teachers Association (SRTA), which outlines wage increases for the current year and benefit adjustments for our teachers over the next two years, effective July 1, 2024.

Key Highlights from the Review:

- **Financial Challenges:** SCOE has **expressed concerns** regarding the district's ability to maintain the required 3% Reserve for Economic Uncertainty in the 2024-2025 and 2025-2026 fiscal years. Third interim projections indicated that we must identify and implement approximately **\$23.8 million in ongoing budget reductions over these two years to meet the reserve requirement.**
 - SRCS, like many districts, enjoyed a reprieve from deep financial cuts due to one-time cash infusions to provide additional services during the pandemic. While the one-time funds were used to cover a planned deficit (spending for short term needs), it also allowed the ongoing structural deficit to grow, which increases the urgency with which SRCS needs to address these challenges now.

- **Enrollment Projections:** We are continuing to experience decreasing enrollment. It is critical that we continue to monitor this enrollment closely and align our staffing and expenditures with the number of students we serve.
 - This information was based on short term trends coupled with demographic study projections.
 - Current year student population is trending down substantially as compared to projections at most sites, although a few sites have seen a slight increase as compared to projections. Student counts will be monitored, with the official enrollment count conducted each year on the first Wednesday in October.
 - We are shifting staffing and resources to balance classes and support services across the district.
- **Impact of the Tentative Agreement:** The agreement with the Santa Rosa Teachers Association, which includes salary and benefit increases, will **add approximately \$6.3 million in expenses each year starting in 2024-25**. While we are committed to supporting our educators, this agreement will increase our structural deficit spending and further strain our financial resources.

Next Steps 2024-2025:

- Adopt and implement a comprehensive Fiscal Recovery Plan by December 15, 2024. This plan will need to include detailed budget reductions that ensure we can maintain our reserve levels and avoid a negative financial certification in the upcoming year. The 2024-25 adopted budget includes the need for additional reductions of over \$19 million in the 2025-26 fiscal year, as reflected in the chart below.

2024-25 Projections as of Budget Adoption

2024-25 Proposed Budget Multi Year Projection (MYP) General Fund 01			
REVENUES	2024-25	2025-26	2026-27
LCFF Sources	169,619,415	173,359,276	179,311,286
Remaining Revenues	53,428,495	51,327,775	52,327,775
Total Revenues	223,047,910	224,687,051	231,639,061
EXPENDITURES			
Salaries & Benefits	187,208,742	189,431,141	192,868,309
Books/Supplies & Outlay	4,283,394	4,741,238	4,743,376
Services & Operating Expenses & Other Adjustments	52,676,251	53,576,790	54,182,689
Other Outgo & Indirect Costs & Transfers Out	-661,402	-161,402	-161,402
Other Adjustments: FSP Item F-10	0	-1,500,000	-1,575,000
Other Adjustments: staffing and programmatic reductions	0	-19,753,707	-17,486,617
Total Expenditures	243,506,985	226,334,061	232,571,355
Operating Net Increase/Decrease	-20,459,075	-1,647,010	-932,294
Transfers In and Other Sources & Transfers Out and Other Uses	1,085,739	1,085,739	1,085,739
Current Year Increase/Decrease In Fund Balance	-19,373,336	-561,271	153,446
Beginning Balance	36,091,371	16,718,035	16,156,764
Ending Balance	16,718,035	16,156,764	16,310,210



- Negotiate for 2024-25 w/ CSEA and Teamsters, 2025-26 for SRTA (January)
- Create a staffing matrix that clearly shows all positions at each of the schools and departments, including position control jointly monitored between the Human Resources and Fiscal departments. This matrix will show both equal and equitable distribution of personnel.
- Receive feedback from the Budget Advisory Committee, as a representative body, providing recommendations to the superintendent, in areas to reduce programs and services.
- Engage the School Consolidation Advisory Committee, a board ad hoc committee, to provide feedback to the board. The work is being facilitated by School Services of California as they have the expertise in this area.

We **understand the gravity** of these challenges and are committed to addressing them collectively and proactively. Our goal is to ensure the long-term financial health of our district while continuing to provide high-quality education to our students. Addressing these financial challenges will be *uncomfortable* for us all and will likely result in hard decisions regarding staffing, programs, and facilities.

I want to assure you that we are working diligently to navigate these financial challenges. We will continue to keep our community informed as we move forward in this process.

Thank you for your continued support of Santa Rosa City Schools.

Sincerely,
Dr. Morales

2024-2025 Adopted Budget General Fund Expenditure Summary

