

July 9, 2024

Daisy Morales, Ed.D., Superintendent
Lisa August, Associate Superintendent
Santa Rosa City Schools
211 Ridgway Avenue
Santa Rosa, CA 95401

Omar Medina, Board President
Santa Rosa City Schools
211 Ridgway Avenue
Santa Rosa, CA 95401

Dear Dr. Morales, Ms. August, and Mr. Medina,

In accordance with Education Code Section 42131, a review of Santa Rosa City School District's (District) Third Interim Report for Fiscal Year 2023-24 has been completed by the Sonoma County Office of Education (County). The Third Interim Report was requested by the County as a result of the District's Qualified Second Interim Report. Additionally, Under Assembly Bills (AB) 1200, AB 2756, and Government Code Section 3547.5, the County has received and reviewed the Districts' Public Disclosure of Proposed Collective Bargaining Agreement (Disclosure) regarding Tentative Agreements (TA) with Santa Rosa Teachers Association. The TA covers the period beginning July 1, 2024, and ending June 30, 2026.

Collective Bargaining Disclosure

The TA provides a single-year agreement to complete and close out negotiations for fiscal year 2024-25. The TA proposed the following wage increases by fiscal year:

Fiscal Year 2024-25

- \$4,750 increase to each cell of the salary schedule effective July 1, 2024
- Increase benefit cap to 100% of Kaiser plan for employee only, 65% of Kaiser plan for employee plus one, and 55% of Kaiser plan for employee plus family

The County commends the work done by the District to submit the 2023-24 Third Interim Report and AB 1200 Collective Bargaining Agreement Disclosure for the Certificated Bargaining Unit. The County's review of the District's 2023-24 Third Interim Report and the Disclosure included the following observations, recommendations, and requirements:

- The Third Interim Multi-Year Projection (MYP) shows that the District will not meet the Reserve for Economic Uncertainty of 3% in 2024-25 or 2025-26 without expenditure reductions. To meet the 3% REU in the two subsequent years, the District's MYP includes unidentified budget reductions of ~\$23,837,938 Million, with necessary reductions of ~\$5.01 Million in 2024-25 and ~\$18.83 Million in 2025-26.

Amie R. Carter, Ed.D. | Sonoma County Superintendent of Schools

Board of Education | Gina Cuclis, Herman G. Hernandez, Steven Herrington Ph.D., Peter Kostas, Andrew Leonard

- The Third Interim enrollment projections have increased since the Second Interim Report. The District should continue to monitor projections and ensure alignment between staffing and expenditures to the number of students served.
- Since the Second Interim Report, expenses in fiscal year 2023-24 were updated to fully utilize the Learning Recovery Grant dollars. The update increases the unrestricted ending fund balance and decreases the restricted ending fund balance in fiscal year 2023-24.
- The Third Interim Report included the proposed settlement with the Santa Rosa Teachers Association. The settlement, as presented in both the Third Interim and the Disclosure, increases salaries and benefits by ~\$6.3 Million each fiscal year starting in 2024-25. **As a result of the TA, the deficit spending is expected to accelerate, resulting in inadequate cash flows and lower reserve levels, which raises substantial doubt about the District's ability to continue as a going concern.**

The County **requests** the District continue its work to be proactive in identifying budget reductions that will result in savings which will compound when applied over multiple years and reduce/eliminate the structural deficit spending. Additionally, the District will need to expand its Fiscal Stabilization Plan to concretely identify the necessary reductions included in the updated MYP. The County reminds the District to engage in strategic financial planning to ensure fiscal solvency.

The County remains concerned with the deterioration of the District's fund balance and deficit spending. As a reminder, in our previous letter, dated April 16, 2024, **the governing board is required** to take the following actions:

- Adopt and implement a Fiscal Recovery Plan that **includes detailed reductions**, addresses the deficit spending, and assures minimum reserve levels can be met by December 15, 2024, to avoid a negative or qualified certification at the 2024-25 First Interim reporting.
- 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 Qualified or Negative.
- The District must provide SCOE with a copy of any study, report, evaluation, actuarial report, or audit that was commissioned by the District or any other agency if the study contains evidence of a financial impact or that the school district is showing fiscal distress under the Standards and Criteria (Ed Code Section 42127.6).

Amie R. Carter, Ed.D. | Sonoma County Superintendent of Schools

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5340 Skylane Boulevard
Santa Rosa, CA 95403-8246
(707) 524-2600 | scoe.org

Summary

Our Office appreciates the preparation and submittal of your Third Interim Report and the Public Disclosure of Proposed Collective Bargaining Agreement. If you have any questions, please feel free to call Greg Medici at (707) 524-2631 or Sarah Lampenfeld at (707) 524-2635.

Sincerely,

A handwritten signature in blue ink, appearing to read "Greg Medici", written over a light blue horizontal line.

Greg Medici
Deputy Superintendent, Business Services

A handwritten signature in blue ink, appearing to read "Sarah Lampenfeld", written over a light blue horizontal line.

Sarah Lampenfeld
Director, External Fiscal Services

Cc:

Joel Dontos, Executive Director of Fiscal Services, SRCS
Amie R. Carter, Ed.D., County Superintendent of Schools
Felicia Aguirre, SCOE District Fiscal Management Advisor
Santa Rosa City Schools Trustees

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