FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Fiscal Health Risk Analysis

April 7, 2026

Petaluma City Schools

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

April 7, 2026

Matthew Harris, Superintendent
Petaluma City Schools
200 Douglas Street,
Petaluma, CA 94952

Dear Superintendent Harris:

In January 2026, Petaluma City Schools and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a FCMAT Fiscal Health Risk Analysis of Petaluma City Schools.

The agreement stated that FCMAT would prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis (FHRA) and identify Petaluma City Schools' specific risk rating for fiscal insolvency. This analysis was performed because the Sonoma County Office of Education downgraded the district's first interim financial report from a positive to a qualified certification. The FHRA is conducted at no cost to the school district or county office.

This final report contains the fiscal health risk analysis report with the study team's findings.

FCMAT appreciates the opportunity to assist Petaluma City Schools and extends appreciation to the staff of both the school district and county office of education for their assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

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About FCMAT

Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

FCMAT may be asked to provide fiscal crisis or management assistance by a school district, charter school, community college, county superintendent of schools, the state superintendent of public instruction, or the Legislature.

When FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; and provides LEAs with training and leadership in data management. CSIS also developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs, and provides ed-data.org, which gives educators, policymakers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, LCFF calculators, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

History

FCMAT was created by Assembly Bill 1200 (Chapter 1213, Statutes of 1991) and Education Code 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

Introduction

Background

Located in southwestern Sonoma County, Petaluma City Schools is a combination of the Petaluma Joint Union High School District and the Petaluma City Elementary School District. The district is governed by a five-member board of trustees and educates approximately 7,400 students from transitional kindergarten (TK) through grade 12 at seven elementary schools, six middle schools, and five high schools, including five charter schools. In addition, the district operates an adult school and independent study program.

As of the 2024-25 school year (the most recent data available), 48.4% of district students are identified as English learners, foster youth, and/or eligible for free or reduced-price meals.

The district's 2025-26 first interim financial report was certified as positive; however, the Sonoma County superintendent of schools subsequently changed the district's certification from positive to qualified following their review. This change was made in accordance with the provisions of Assembly Bill (AB) 1200 and was the result of several fiscal concerns, mainly the following:

Deficit spending in the unrestricted general fund, causing an ongoing erosion of the district's ending fund balance.

An inability to meet the minimum required reserve for economic uncertainties in 2026-27 and beyond without adopting and enacting approximately $5 million in expenditure reductions, which have not been specifically identified.

A projected average daily attendance (ADA) increase of approximately 2% in the current year, which may be overly optimistic.

Because of these concerns and the county superintendent's downgrade of the district's certification at the first interim reporting period, FCMAT engaged with the district to review its 2025-26 first interim financial report and multiyear projection. The study was conducted at no cost to the school district or county office. To assess the district's risk of insolvency, FCMAT conducted a fiscal health risk analysis, using financial data from the 2025-26 first interim report and multiyear projection as the basis for its analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with Petaluma City Schools on January 30, 2026. A study team visited the district to conduct interviews and perform fieldwork on February 19-20, 2026. Following fieldwork, the study team continued to analyze documents and data. This report summarizes the team's findings and conclusions from those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

FCMAT relies on publicly available, authoritative data sources and provides direct links to sources where appropriate; however, sources sometimes differ in the data they provide, or their data may be revised over time due to various factors. FCMAT always strives to use the most accurate data available at the time of reporting.

Study Team

The team was composed of the following members:

Jeffrey B. Potter, CFE
Intervention Specialist

Elizabeth Dearstyne
Intervention Specialist

Marcus Wirowek, CFE
Intervention Specialist

John Lotze
FCMAT Technical Writer

Each team member reviewed the draft report to confirm its accuracy and to achieve consensus on the analysis.

Fiscal Health Risk Analysis

For TK-12 School Districts

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Date(s) of fieldwork: February 19-20, 2026

School District: Petaluma City Schools

Summary

The governing board has a fiduciary responsibility to safeguard the district's financial health, which includes ensuring a balanced budget and maintaining adequate reserves. The district's administration is responsible for upholding the integrity of the district's systems, protecting its assets, and providing accurate and reliable information to support the board's decision-making to ensure the district's long-term fiscal solvency.

FCMAT's review of the district's 2025-26 first interim report and multiyear projection identified areas that increase the district's risk of insolvency, including the following:

- Budget Development and Adoption
- Budget Monitoring and Updates
- Collective Bargaining Agreements
  - Negotiations for 2025-26 had not been settled for any bargaining units at the time of FCMAT's fieldwork.
  - Settlements in recent years exceeded the funded cost-of-living adjustment (COLA).
- Deficit Spending
  - At the time of FCMAT's fieldwork, the district lacked a formal, board-approved plan to reduce deficit spending, restore the minimum required reserve for economic uncertainties, and balance the budget.
- Fund Balance and Reserve for Economic Uncertainties
  - As of the first interim reporting period, the district was unable to meet the minimum reserve requirement in the subsequent fiscal years without large, unspecified expenditure reductions.
- General Fund – Current Year
  - Overall salary and benefit costs exceed statewide averages.
  - One-time funds are being used for ongoing expenditures such as salaries and benefits.

FCMAT's analysis resulted in a score of 34.6% for the 20 numbered sections only, which indicates a moderate risk level. However, as indicated below, because FCMAT identified material weaknesses, the district's overall risk level is high.

District Fiscal Solvency Risk Level: High

About the Analysis

The Fiscal Crisis and Management Assistance Team (FCMAT) developed the Fiscal Health Risk Analysis (FHRA) to help evaluate a school district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA consists of 20 sections, each including specific questions related to essential functions and processes. These sections and questions are based on FCMAT's extensive work since the inception of Assembly Bill 1200 in 1991 and represent common indicators of fiscal risk or potential insolvency observed in school districts that have neared insolvency and required external assistance. Each analysis section affects fiscal stability and neglecting any of these areas will ultimately lead to the district's fiscal failure. The analysis aims to determine the district's level of risk at the time of evaluation.

A higher number of "No" responses in the analysis indicates an increased risk of insolvency or other fiscal issues for the district. Not all sections or questions carry equal weight; some areas pose a higher risk and thus have a greater impact on the district's fiscal stability. To help the district, narratives are provided for each "No" response, explaining the reasoning behind the response and outlining the actions needed to achieve a "Yes" in the future.

Identifying issues early is the key to maintaining fiscal health. Diligent planning allows school districts to better understand their financial objectives and implement strategies that sustain fiscal efficiency and long-term solvency. School districts should consider completing the FHRA annually to assess their fiscal health and track their progress.

Areas of High Risk

The following sections on this page and the next repeat certain questions and answers found in the "Fiscal Health Risk Analysis Questions" section later in this report. These sections identify conditions that create a significant risk of fiscal insolvency. A "No" response to any of these questions will supersede all other scoring and elevate the district's overall risk level.

Budget and Fiscal Status: Is the district currently *without* the following?

	Yes	No
Disapproved budget	✓	☐
Negative interim report certification	✓	☐
Three consecutive qualified interim report certifications	✓	☐
Downgrade of an interim certification by the county superintendent	☐	✓
Lack of going concern designation	✓	☐

Material Weakness Questions

		Yes	No	N/A
2.5	**Has the district's budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years**	✓	☐	☐
3.4	**Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142?**	✓	☐	☐

3.6	**Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years?**	☐	✓	☐
4.3	**Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?**	☐	✓	☐
4.4	**If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year?**	✓	☐	☐
5.2	**Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32?**	☐	✓	☐
5.3	**Are all charters authorized by the district going concerns and not in fiscal distress?**	✓	☐	☐
6.3	**Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?**	☐	✓	☐
6.4	**Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?**	☐	✓	☐
7.2	**If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?**	☐	☐	✓
8.3	**If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?**	☐	✓	☐
10.5	**Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?**	☐	✓	☐
11.2	**Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?**	✓	☐	☐
12.1	**Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the State Standards and Criteria for Fiscal Solvency?**	✓	☐	☐
12.2	**Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?.**	☐	✓	☐
12.3	**If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve?**	☐	✓	☐
19.1	**Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?**	☐	✓	☐

Score Breakdown by Section

Because the score is not calculated by category, category values provided are subject to minor rounding and are provided for information only.

1.	Annual Independent Audit Report	0.0%
2.	Budget Development and Adoption	3.4%
3.	Budget Monitoring and Updates	3.0%
4.	Cash Management	1.0%
5.	Charter Schools	0.2%
6.	Collective Bargaining Agreements	5.2%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	3.0%
9.	Employee Benefits	1.8%
10.	Enrollment and Attendance	2.6%
11.	Facilities	0.0%
12.	Fund Balance and Reserve for Economic Uncertainty	3.0%
13.	General Fund - Current Year	3.8%
14.	Information Systems and Data Management	0.0%
15.	Internal Controls and Fraud Prevention	1.2%
16.	Leadership and Stability	0.6%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	2.0%
20.	Special Education	0.7%
Score		**34.6%**

Fiscal Health Risk Analysis Questions

1. Annual Independent Audit Report

		Yes	No	N/A
1.1	**Has the district recorded findings from the most recent and prior two years' audits without negatively affecting its fiscal health?**	✓	☐	☐
1.2	**Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline per Education Code (EC) 41020?**	✓	☐	☐
1.3	**Were the district's most recent and prior two audit reports free of findings of material weakness?**	✓	☐	☐
1.4	**Has the district corrected all audit findings from the most recent and prior two audits?**	✓	☐	☐

2. Budget Development and Adoption

		Yes	No	N/A
2.1	**Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county superintendent of schools' instructions, and have been clearly articulated?**	☐	✓	☐

Although interviews and a review of the district's first interim report indicated the district uses reasonable assumptions, FCMAT was unable to determine if the assumptions were clearly articulated to all district education partners. Some interviewees indicated confusion regarding the assumptions used. In addition, the district's first interim multiyear projection included large adjustments to unrestricted and restricted salaries that lacked explanation or identification.

		Yes	No	N/A
2.2	**Does the district use a budget development method other than a prior-year rollover budget and if so, does that method include tasks such as reviewing prior year estimated actuals by major object code and removing one-time revenues and expenses?**	✓	☐	☐
2.3	**Does the district use position control data for budget development?**	✓	☐	☐
2.4	**Does the district calculate its Local Control Funding Formula (LCFF) revenue correctly?**	☐	✓	☐

As indicated in the letter issued by the county superintendent of schools following their review of the district's first interim report, the first interim report includes LCFF revenues that may be overstated. Specifically, the county superintendent stated that the district:

> ...projects approximately a 2% increase in ADA in the current year, which represents an elevated level of risk and should be closely reviewed and supported with sufficient justification. In addition, the District's multiyear projections are not aligned with the LCFF calculators, resulting in an overstatement of approximately $625,000 in LCFF revenues over the next two fiscal years.

		Yes	No	N/A
2.5	**Has the district's budget been approved unconditionally by September 15th by the county superintendent of schools in the current and two prior fiscal years?**	✓	☐	☐

		Yes	No	N/A
2.6	**Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?**	☐	✓	☐

Some department administrators indicated they had sufficient involvement in budget development; others suggested the process could be more collaborative, especially when expenditure reductions are needed. The district recently implemented a budget advisory committee to help address these concerns.

		Yes	No	N/A
2.7	**Does the district budget and expend restricted funds before unrestricted funds?**	✓	☐	☐
2.8	**Have the district's Local Control and Accountability Plan (LCAP) and budget been adopted within the statutory timelines established by EC 42103 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and prior fiscal year?**	✓	☐	☐
2.9	**Has the district refrained from including carryover funds in its adopted budget?**	✓	☐	☐
2.10	**Other than objects in the 5700s and 7300s, does the district avoid using negative expense or contra expenditure accounts in its budget?**	✓	☐	☐
2.11	**Does the district have and follow a documented standard procedure for evaluating both the proposed acceptance of grants and other restricted funds and the potential multiyear impact on the district's unrestricted general fund?**	☐	✓	☐

Interviews determined the district lacks a documented procedure for evaluating and accepting grants. Although Board Policy 3230 – Federal Grant Funds includes a process for reviewing potential federal grants, FCMAT was unable to identify a broader, more comprehensive policy that covers all grants and other restricted funds.

		Yes	No	N/A
2.12	**Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them?**	☐	✓	☐

The district does not use a formal budget calendar that indicates statutory due dates, major budget development tasks and deadlines, and the staff members and departments responsible for completing them.

3. Budget Monitoring and Updates

		Yes	No	N/A
3.1	**Are actual revenues and expenses consistent with the most current budget?**	✓	☐	☐
3.2	**Are budget revisions posted in the financial system at each interim reporting period, at a minimum?**	✓	☐	☐
3.3	**Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim reporting period, at a minimum?**	☐	✓	☐

The district uses industry-standard assumptions for universal projections, such as the cost-of-living adjustment (COLA), but its first interim board presentation and financial report did not include enough detail to clearly explain the differences between the adopted budget and first interim, or any detailed assumptions used to prepare the multiyear projection (MYP).

		Yes	No	N/A
3.4	**Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with EC 42142?**	✓	☐	☐

		Yes	No	N/A
3.5	**Do the district's responses fully explain the variances identified in the SACS Criteria and Standards Review form?**	☐	✓	☐

Although the district provides explanations for variances identified in the state's Criteria and Standards for Fiscal Solvency, the explanations are brief and lack sufficient detail to adequately explain the variances. For example, statements indicate that the district is working on reducing expenditures but do not provide enough information to explain a variance.

		Yes	No	N/A
3.6	**Has the district addressed any deficiencies the county superintendent of schools has identified in its oversight letters to the district in the most recent and two prior fiscal years?**	☐	✓	☐

The district has not fully addressed all deficiencies cited in the oversight letters to the district, including its deteriorating fund balance and ongoing deficit spending. Since 2023-24, the county superintendent has expressed concerns about the accuracy of the district's projections of its Local Control Funding Formula (LCFF) revenue and about the assumptions it has used to develop multiyear projections.

		Yes	No	N/A
3.7	**Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?**	✓	☐	☐
3.8	**Does the district encumber funds for salaries and benefits and adjust those encumbrances as needed?.**	✓	☐	☐
3.9	**For the most recent and two prior fiscal years, have the district's interim financial reports and unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?**	✓	☐	☐

4. Cash Management

		Yes	No	N/A
4.1	**Are accounts held by the county treasurer reconciled with the district's and county office of education's (COE) reports monthly?**	✓	☐	☐
4.2	**Does the district reconcile all bank (cash and cash equivalent) accounts with each statement in a timely manner?**	✓	☐	☐
4.3	**Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?**	☐	✓	☐

The district's 2025-26 first interim report included a cash flow projection for the 2025-26 fiscal year only.

		Yes	No	N/A
4.4	**If the district's cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to meet its cash flow needs for the current and subsequent year?**	✓	☐	☐
4.5	**Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?.**	✓	☐	☐
4.6	**If the district uses interfund borrowing, is it complying with EC 42603?**	☐	☐	✓
4.7	**If the district is managing cash in any fund(s) through external borrowing, does the district's cash flow projection include repayment based on the terms of the loan agreement?**	☐	☐	✓

5. Charter Schools

		Yes	No	N/A
5.1	**Does the district have a board policy, memorandum of understanding (MOU), or other written document(s) regarding charter oversight?**	✓	☐	☐
5.2	**Has the district fulfilled, and does it have evidence showing fulfillment of, its oversight responsibilities in accordance with EC 47604.32?**	☐	✓	☐

Although the district has adopted several governing board policies regarding charter school oversight (including 0420.4 — Charter School Authorization, 0420.41 — Charter School Oversight, 0420.42 — Charter School Renewal, and 0420.43 — Charter School Revocation), no documentation or evidence was provided that indicates the district is performing the oversight functions.

		Yes	No	N/A
5.3	**Are all charters authorized by the district going concerns and not in fiscal distress?**	✓	☐	☐
5.4	**Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools?**	✓	☐	☐
5.5	**Does the district monitor charter school audits for timeliness, completeness, and exceptions?**	✓	☐	☐

6. Collective Bargaining Agreements

		Yes	No	N/A
6.1	**Has the district settled with all its bargaining units for the past two fiscal years?**	✓	☐	☐
6.2	**Has the district settled with all its bargaining units for the current year?**	☐	✓	☐

At the time of fieldwork, the district had not settled with its certificated and classified bargaining units for the current year.

		Yes	No	N/A
6.3	**Does the district accurately quantify the effects of collective bargaining agreements and include complete disclosure documents that show the impact on its budget and multiyear projections?**	☐	✓	☐

Although the district submitted fully-executed public disclosure documents to the county superintendent, it did not consistently provide fully-executed documents in public postings and in board materials. Specifically, the documents lacked the chief business official's (CBO's) and/or superintendent's signatures attesting to affordability, as well as itemized budget reductions necessary to afford the settlement.

		Yes	No	N/A
6.4	**Based on the presettlement analysis, did the district identify related costs or savings, and did it identify ongoing revenue sources or expenditure reductions to support the agreement in the current and subsequent years?**	☐	✓	☐

As stated in item 6.3 above, the district's presettlement analysis lacked detail about what budget adjustments would be made to afford the settlement.

6.5 In the current and prior two fiscal years, has the total cost of the district's bargaining agreement settlements, including step-and-column increases, been at or under the funded cost-of-living adjustment (COLA)? . . . . ☐ ✓ ☐

The bargaining unit settlements for salary increases for the prior two years have exceeded the statutory COLA, as shown in Table 1 below. These increases are in addition to any step-and-column movement for employees.

Table 1: Classified and Certificated Bargaining Group Settlement and Statutory COLA Amounts

Fiscal Year	Settlement - Certificated	Settlement - Classified	Statutory COLA
2023-24	9.50%	10.00%	8.22%
2024-25	3.55%	3.55%	1.07%
2025-26	TBD	TBD	2.30%

6.6 If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district's proposal(s)? . . . . ☐ ☐ ✓

6.7 Did the district comply with public disclosure requirements under Government Codes 3540.2 and 3547.5, and EC 42142?. . . . . ✓ ☐ ☐

6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval? . . . . ☐ ✓ ☐

As stated in item 6.3, public postings and board materials for the relevant meetings did not include signatures from the CBO and superintendent.

6.9 Is the governing board's action consistent with the superintendent's and CBO's certification? . . . . ☐ ✓ ☐

Because the public disclosures presented to the board were unsigned, the board's actions were not consistent with the certifications.

7. Contributions and Transfers

Yes No N/A

7.1 Does the district have an active, board-approved plan to eliminate, reduce or control any contributions/transfers from its unrestricted general fund to other restricted programs and funds? . . . . ☐ ✓ ☐

The district lacks a board-approved plan to eliminate, reduce or control contributions/transfers from its unrestricted general fund. The largest contribution from the unrestricted general fund supports the special education program.

7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection sufficient transfers from the unrestricted general fund to cover any projected negative fund balance?. . . . . ☐ ☐ ✓

7.3 If any contributions or transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels? . . . . ✓ ☐ ☐

8. Deficit Spending (Unrestricted General Fund)

		Yes	No	N/A
8.1	**Is the district avoiding deficit spending in the current fiscal year?**	☐	✓	☐
	The district's 2025-26 first interim financial report indicates that it projects to deficit spend by approximately $4.9 million in the unrestricted general fund in the current fiscal year.			
8.2	**Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?**	☐	✓	☐
	The district's 2025-26 first interim report indicates that it does not project deficit spending in 2026-27 and 2027-28, but the projections include $5 million in miscellaneous expenditure reductions in both years, which is necessary to avoid deficit spending. However, as of the first interim report, these reductions had not yet been identified.			
8.3	**If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?**	☐	✓	☐
	As of the district's first interim report, the board had not yet approved a plan to reduce or eliminate deficit spending. However, the district indicated that since that time the board has formally adopted the expenditure reductions needed in the subsequent years. This occurred after the first interim reporting period.			
8.4	**Has the district decreased deficit spending over the past two fiscal years and is there evidence of this in its unaudited actuals reports?**	✓	☐	☐

9. Employee Benefits

		Yes	No	N/A
9.1	**Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board requirements to determine its unfunded liability for other post-employment benefits (OPEB)?**	☐	☐	✓
9.2	**Does the district have a plan to fund its OPEB liabilities for the current and two subsequent years such that the total of annual required service payments (whether legally or contractually required, or locally defined such as pay-as-you-go premiums, trust agreement obligations or a board adopted commitment) are no greater than 2% of the district's unrestricted general fund revenues?**	☐	☐	✓
9.3	**Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents?**	☐	✓	☐
	Interviewees indicated that the district has not conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents within the last five years.			
9.4	**Does the district track, reconcile and report employees' compensated leave balances?**	✓	☐	☐

		Yes	No	N/A
9.5	**Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances?**	☐	✓	☐

Documents provided by the district indicate that some employees have accrued vacation balances that exceed the limits defined in the classified bargaining agreement.

10. Enrollment and Attendance

		Yes	No	N/A
10.1	**Has the district's enrollment been increasing or remained stable for the current and two prior years?**	☐	✓	☐

District enrollment has declined in the current and two prior years. According to the CDE's DataQuest, district enrollment in 2023-24, 2024-25 and 2025-26 was 6,063, 6,033 and 5,864, respectively. However, FCMAT noted that overall enrollment increased slightly during the same time period when the district's dependent charter schools are included.

		Yes	No	N/A
10.2	**Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P-2)?**	✓	☐	☐
10.3	**Does the district track historical enrollment and ADA data to project future trends?**	✓	☐	☐
10.4	**Do schools maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the school and district levels?**	✓	☐	☐
10.5	**Are the district's enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable factors?**	☐	✓	☐

The district provided documentation related to its enrollment projections, but it did not provide information about the methodology used for its projections for 2026-27 and 2027-28 or how the projections align with a recent demographic study. In addition, the county superintendent stated in their first interim review that the district's LCFF enrollment and ADA, "represent an elevated risk and need to be monitored closely and be supported with sufficient justification."

		Yes	No	N/A
10.6	**Has the district planned for enrollment losses to any charter schools?**	☐	✓	☐

Documents provided to FCMAT did not indicate the district has planned for enrollment losses to charter schools.

		Yes	No	N/A
10.7	**Do all applicable schools and departments review and verify their respective California Longitudinal Pupil Achievement Data System (CALPADS) data and correct it as needed before the report submission deadlines?**	✓	☐	☐
10.8	**Has the district certified its CALPADS data (most recent Fall 1, Fall 2, and end-of-year reports) by the required deadlines?**	✓	☐	☐
10.9	**Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?**	✓	☐	☐
10.10	**Does the district adhere to the average TK-3 class enrollment limits at each school, the adult-to-student ratio for each TK class, and the credentialing requirements for teachers assigned to TK classes as defined in the Education Code?**	✓	☐	☐

11. Facilities

		Yes	No	N/A
11.1	**If the district participates in the state's School Facility Program, has it made the required contribution to its Routine Restricted Maintenance Account?**	✓	☐	☐
11.2	**Does the district have sufficient and available resources to cover all contracted obligations for capital facilities projects?**	✓	☐	☐
11.3	**Does the district properly track and account for facility-related projects?**	✓	☐	☐
11.4	**Does the district use its facilities fully (districtwide) in accordance with the Office of Public School Construction's loading standards?**	✓	☐	☐
11.5	**Does the district include facility needs (maintenance, repair, and operating requirements) when adopting a budget?**	✓	☐	☐
11.6	**Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?**	✓	☐	☐
11.7	**If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee?**	✓	☐	☐
11.8	**Does the district have a board-approved long-range facilities master plan completed within the last five years that reflects its current and projected facility needs?**	✓	☐	☐

12. Fund Balance and Reserve for Economic Uncertainties

		Yes	No	N/A
12.1	**Is the district able to maintain the minimum reserve for economic uncertainties in the current year (including Fund 01 and Fund 17) as defined by the State Standards and Criteria for Fiscal Solvency?**	✓	☐	☐
12.2	**Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?**	☐	✓	☐

The district's 2025-26 first interim financial report projects that the district will meet the required minimum reserve for economic uncertainties in the two subsequent years. However, the projections include $5 million in miscellaneous expenditure reductions in 2026-27 and 2027-28, which are needed to meet the reserve. As of the first interim report, those reductions had not yet been identified.

		Yes	No	N/A
12.3	**If the district is not able to maintain the minimum reserve for economic uncertainties, does the district's multiyear projection include a board-approved plan to restore the reserve?**	☐	✓	☐

As of the district's first interim report, the board had not approved a plan to identify and implement the aforementioned $5 million in expenditure reductions that would allow the district to meet its required reserve. However, the district indicated that since that time the board has formally adopted the necessary expenditure reductions.

		Yes	No	N/A
12.4	**Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years without unsubstantiated revenue increases or expenditure reductions?**	☐	✓	☐

As of the district's first interim report, the unrestricted general fund balance was projected to increase in 2026-27 and 2027-28. However, this projection assumed the district would make the (as of that date unspecified) $5 million in expenditure reductions. As previously indicated, since that time the board has formally adopted the necessary expenditure reductions.

		Yes	No	N/A
12.5	**If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level to cover these costs?**	☐	☐	✓

13. General Fund – Current Year

		Yes	No	N/A
13.1	**Does the district ensure that one-time revenues do not pay for ongoing expenditures?**	☐	✓	☐

From interviews, FCMAT determined that the district is using various one-time COVID-19 funding for certain ongoing staff salaries in the current fiscal year.

		Yes	No	N/A
13.2	**Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the prior year statewide average?**	☐	✓	☐

According to the state's Criteria and Standards for Fiscal Solvency included with the district's first interim report, the district allocated 87.9% of its unrestricted general fund budget to salaries and benefits in 2023-24. This increased to 88.7% in 2024-25. According to Ed-Data, the statewide average for 2023-24, which is the most recent data available, was 86.0%.

		Yes	No	N/A
13.3	**Is the percentage of the district's general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below that of the prior two years?**	☐	✓	☐

According to the state's Criteria and Standards for Fiscal Solvency included with the district's 2025-26 first interim report, the district is allocating 91.0% of its unrestricted general fund expenditures to salaries and benefits in the current year. This exceeds the percentages in both 2023-24 (89.7%) and 2024-25 (88.7%).

		Yes	No	N/A
13.4	**If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or prior two years, is the district addressing the complaint(s)?**	✓	☐	☐
13.5	**For positions supported with one-time or restricted funding, does the district either ensure that these funds are sufficient to pay for these staff or have a plan to pay for the positions with unrestricted funds?**	☐	✓	☐

The district has several positions funded with one-time funding. However, on February 10, 2026, the board adopted two resolutions to decrease positions paid for using these one-time funding resources.

		Yes	No	N/A
13.6	**Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?.**	✓	☐	☐

		Yes	No	N/A
13.7	Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?	☐	✓	☐

According to interviews and documents, the district does not charge the full indirect cost rate to the special education program.

		Yes	No	N/A
13.8	Are all balance sheet accounts in the general ledger reconciled at least at each interim reporting period and at year-end close?	✓	☐	☐

14. Information Systems and Data Management

		Yes	No	N/A
14.1	Does the district use an integrated financial and human resources system?	✓	☐	☐
14.2	Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions?	✓	☐	☐
14.3	Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP?	✓	☐	☐
14.4	Is the district using the same financial system as its COE?	✓	☐	☐
14.5	If the district is using a separate financial system from its COE, is there an automated interface that allows data to be sent and received by both the district's and COE's financial systems?	☐	☐	✓
14.6	If the district is using a separate financial system from its COE, has the district provided the COE with direct access so the COE can provide oversight, review and assistance?	☐	☐	✓

15. Internal Controls and Fraud Prevention

		Yes	No	N/A
15.1	Does the district have controls that limit access to its financial system and include multiple levels of authorization?	✓	☐	☐
15.2	Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions, or demotions) and at least annually?	✓	☐	☐
15.3	Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
	• Accounts payable (AP).	✓	☐	☐
	• Accounts receivable (AR)..	✓	☐	☐
	• Purchasing and contracts.	✓	☐	☐
	• Payroll..	✓	☐	☐
	• Human resources (i.e., duties related to position control and payroll processes).	✓	☐	☐
15.4	Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?	✓	☐	☐
15.5	Does the district review and work to clear prior year accruals throughout the year?	✓	☐	☐
15.6	Has the district reconciled and closed the general ledger (books) within the time prescribed by the county superintendent of schools?	✓	☐	☐

15.7	**Does the district have processes and procedures to discourage and detect fraud?**	☐	✓	☐

Interviewees indicated that staff were unaware of any formal processes or procedures to discourage and detect fraud.

15.8	**Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?**	☐	✓	☐

The district lacks a formal process for collecting reports of possible fraud, such as a fraud reporting hotline, as well as a formal process for following up on such reports.

15.9	**Does the district have an internal audit process?**	✓	☐	☐

16. Leadership and Stability

		Yes	No	N/A
16.1	**Does the district have a chief business official who has been in this position with the district for more than two years?.**	✓	☐	☐
16.2	**Does the district have a superintendent who has been in this position with the district for more than two years?**	✓	☐	☐
16.3	**Does the superintendent schedule and hold meetings regularly with all members of their administrative cabinet?**	✓	☐	☐
16.4	**Is training on financial management and budget provided to school and department administrators who are responsible for budget management?**	✓	☐	☐
16.5	**Does the governing board adopt and revise policies and administrative regulations annually?.**	✓	☐	☐
16.6	**Are newly adopted or revised policies and administrative regulations implemented, communicated, and available to staff?.**	☐	✓	☐

The district did not provide enough documentation or evidence to show that it communicates all updates to board policies and administrative regulations to all staff.

16.7	**Do all board members attend training on the budget and governance at least every two years?**	✓	☐	☐
16.8	**Is the superintendent's evaluation performed according to the terms of the contract?**	✓	☐	☐
16.9	**Is the district avoiding relying on consultants to prepare financial reports (e.g. SACS) or other primary fiscal activities?**	☐	✓	☐

The district used a fiscal consultant to help prepare its adopted budget for 2025-26 and indicated it may use the consultant again as needed. Interviewees indicated that the district plans to gradually stop using consultants for this purpose.

17. Multiyear Projections

		Yes	No	N/A
17.1	**Has the district developed multiyear projections that include detailed assumptions aligned with industry standards?**	✓	☐	☐

		Yes	No	N/A
17.2	**To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation that includes multiyear considerations?**	☐	✓	☐

As stated in the letter from the county superintendent of schools following their review of the district's first interim report, the district's first interim financial report:

> ... projects approximately a 2% increase in ADA in the current year, which represents an elevated level of risk and should be closely reviewed and supported with sufficient justification. In addition, the District's multiyear projections are not aligned with the LCFF calculators, resulting in an over-statement of approximately $625,000 in LCFF revenues over the next two fiscal years.

		Yes	No	N/A
17.3	**Does the district use its most current multiyear projection when making financial decisions?**	✓	☐	☐
17.4	**If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?**	☐	✓	☐

The district's 2025-26 first interim report multiyear projection includes a miscellaneous reduction of $5 million on line B10 for 2026-27 and 2027-28. This amount represents unidentified expenditure reductions needed to reduce deficit spending and maintain the minimum required reserve for economic uncertainties. No detailed specifics about the reduction were provided at that time; however, as previously stated, the district indicated that since that time its governing board has formally adopted the expenditure reductions needed.

18. Non-Voter-Approved Debt and Risk Management

		Yes	No	N/A
18.1	**Are the sources of repayment for non-voter-approved debt {such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others} stable, predictable, and other than the unrestricted general fund?**	☐	☐	✓
18.2	**If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?**	☐	☐	✓
18.3	**If the district is self-insured, has it completed an actuarial valuation as required and does it have a plan to pay for any unfunded liabilities?**	☐	☐	✓
18.4	**If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?**	☐	☐	✓

19. Position Control

		Yes	No	N/A
19.1	**Does the district account for all positions and costs (including substitutes, overtime, stipends, and employer-paid benefits) in position control?**	☐	✓	☐
	Although the district has since instituted a process to capture all positions and costs in its position control system, during development of the 2025-26 budget, approximately $700,000 in filled positions were excluded from the adopted budget. This occurred because the Human Resources Department processed hires before the Business Services Department assigned a position control number to the position.			
19.2	**Does the district analyze and adjust staffing based on staffing ratios and enrollment?**	☐	✓	☐
	The district has a process for adjusting certificated staffing, but interviewees indicated that the district is still developing an annual process for adjusting classified staffing at schools based on changes in enrollment.			
19.3	**Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods?**	✓	☐	☐
19.4	**Does the district identify a budget source for each new position before the position is authorized by the governing board?**	✓	☐	☐
19.5	**Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?**	✓	☐	☐
19.6	**Do managers and staff responsible for the district's human resources, payroll and budget functions meet at least monthly to discuss issues and improve processes?**	✓	☐	☐

20. Special Education

		Yes	No	N/A
20.1	**For special education classrooms and support services, does the district use staffing ratios that align with statutory requirements and industry standards, and are students' support needs also considered? If so, are those needs documented and evaluated at each budget cycle?**	✓	☐	☐
20.2	**Does the district access all available funding sources for costs related to special education (e.g., state excess cost pool, legal fees, mental health)?**	✓	☐	☐
20.3	**Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?**	✓	☐	☐
20.4	**Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?**	☐	✓	☐
	The district does not charge indirect costs to the special education program. This prevents the district from quantifying the true cost of the program.			
20.5	**Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program?**	✓	☐	☐

20.6 Is the district's rate of identification of students as eligible for special education at or below the countywide and statewide average rates? . . . . ☐ ✓ ☐

According to the CDE's DataQuest, the district identified 17.9% of its students as eligible for special education services in 2024-25 (the most recent data available). By comparison, the countywide rate of identification for the same time period was 16.1%, and the statewide average was 14.2%.

20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim financial reporting period? . . . . ✓ ☐ ☐

Risk Score, 20 numbered sections only: 34.6%

Key to Risk Score from 20 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

District Fiscal Solvency Risk Level, all FHRA factors: High

(The existence of any condition from the "Budget and Fiscal Status" section, and/or a material weakness, will supersede the score above because it elevates the district's risk level.)

Appendix

Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
FOR TRIGGERED FISCAL HEALTH RISK ANALYSIS

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Petaluma City Schools, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d) and 84041. In accordance with state budget act provisions, FCMAT will study the Client's fiscal health because the county superintendent of schools downgraded the Client's 2025-26 first interim financial report from positive to qualified in accordance with EC 42131.

FCMAT will assign professionals to conduct the study. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

FCMAT will notify the Client's county superintendent of schools of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis (FHRA) and identify the Client's specific risk rating for fiscal insolvency.

B. Services and Products to be Provided

1. Orientation Meeting
The Team will conduct an orientation session at the Client's location to brief the Client's management and supervisory personnel on the Team's procedures and the purpose and schedule of the study. This orientation meeting is normally held at the beginning of fieldwork for the study.

2. Fieldwork
The Team will conduct fieldwork at the Client's office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to the Public Safety Considerations outlined in Section 13 below.

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3. Exit Meeting
   The Team will hold an exit meeting at the conclusion of the fieldwork to inform the Client of the status of the study. The exit meeting will include a review of the scope of work; outstanding items, including documents, data and interviews not yet received or held; and the estimated timeline for a draft report. The meeting will not memorialize details regarding findings because the Team's conclusions may change after a complete analysis is finished. Exceptions to this will be findings of immediate health and safety concerns for students or staff, and other time-sensitive items that include the potential for risk or exposure to loss.

4. Exit Letter
   Approximately five business days after the exit meeting, the Team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.

5. Draft Report
   An electronic copy of a preliminary draft report will be delivered to the Client's point of contact identified below for review and comment.

6. Final Report
   An electronic copy of the final report will be delivered to the Client's point of contact and to the Client's county superintendent of schools following completion of the study. FCMAT's work products are public and all final reports are published on the FCMAT website.

7. Board Presentation
   Presentations to the Client's board will be made depending on the Client's risk rating. If the risk rating is low, the board presentation is optional and will be considered at the request of the Client. If the risk rating is moderate or high, the Team will make a board presentation at the Client's first regularly scheduled board meeting following the issuance of the final report. If the Team is unable to present at the first regularly scheduled board meeting following the issuance of the final report, the Team will make a board presentation at a regularly scheduled board meeting that is mutually agreeable to the Parties.

3. PROJECT PERSONNEL

The personnel assigned to the study will be led by a FCMAT staff person (job lead) and will include at least one other professional. FCMAT will notify the Client of the assigned personnel when the fully executed copy of this Agreement is returned to the Client.

FCMAT will communicate to the Client any changes in assigned project personnel.

4. PROJECT COSTS

Pursuant to the state budget act, costs for the study will be covered by a specific state appropriation for this purpose. FCMAT will not charge the Client for any costs.

5. RESPONSIBILITIES OF THE CLIENT

A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.

B. Provide private office or conference room space for the Team's use during fieldwork.

C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.

D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

All documents and data provided shall be responsive to FCMAT's request, in quality condition, readable and in a usable form. With few exceptions, documents and data requested are public records and records maintained by LEAs in the routine course of doing business. Some data requested may require exporting LEA financial system reports to Microsoft Excel or another usable format agreed to by FCMAT.

All documents shall be provided to FCMAT in electronic format, labeled as instructed by FCMAT. Upon approval of this Agreement, access will be provided to FCMAT's online SharePoint repository, to which the Client will upload all requested documents and data.

E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.

F. Facilitate access to requested board members, officers and staff for interviews.

G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.

H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.

I. Return the requested evaluation survey to FCMAT as described below.

6. PROJECT SCHEDULE

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the study under this Agreement is to produce a timely and thorough report that adds value for the Client. This goal is especially important given that the Client has experienced an event described under Basis of Agreement that may indicate fiscal distress. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

The following project schedule milestones will be established by FCMAT upon receipt of a signed Agreement from the Client:

ACTION	TIMELINE
FCMAT provides Client with a draft Agreement.	Draft Agreements are usually provided within 20 business days of the Client's triggered event.
Client returns partially executed Agreement to FCMAT along with the applicable organizational chart and the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT.	Draft Agreements are valid for 30 business days.
FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.	Within five business days of the Client's return of the signed Agreement.
Client uploads initial requested documents and data to FCMAT's online SharePoint repository.	Within five business days of the Client's receipt of the FCMAT document and data request list.
Fieldwork	Mutually agreed upon; usually, to commence within five business days of FCMAT's receipt of requested documents and data.
Orientation meeting	First day of fieldwork
Exit meeting	Last day of fieldwork
Follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT's request.
Client uploads supplemental documents and data to FCMAT's online SharePoint repository.	Within two business days of the Client's receipt of FCMAT's supplemental document and data request(s).
Draft report submitted to the Client.	To be determined, usually, within four weeks of the conclusion of fieldwork and receipt of all documents and data requested.
Client comments on draft report	Within five business days of FCMAT providing a draft report to the Client.

The Client acknowledges that project schedule deadlines build upon and are contingent on each previous deadline. Missed deadline dates will affect future deadline dates and ultimately the timing of the final report. For example, if the Client does not provide requested documents and data by the specified date, the fieldwork may not be able to proceed as originally planned.

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FCMAT acknowledges that the Client has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

The Parties commit to regular communication and updates about the study schedule and work progress. FCMAT may modify the usual timelines as needed.

7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will commence work as soon as it has assembled an available and appropriate study team, taking into consideration other jobs FCMAT has previously undertaken, assignments from the state, and higher priority assignments due to fiscal distress. The Team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Client and any other related parties from which, in the Team's judgment, it must obtain information. Once the Team has completed its fieldwork, it will proceed to prepare a report. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a final report once fieldwork has been completed.

FCMAT may terminate this Agreement at any time if the Client fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT. If FCMAT terminates the Agreement, FCMAT will issue a management letter in lieu of the final report explaining the reasons why FCMAT terminated the Agreement and reporting on any FHRA elements for which data was collected and a conclusion could be reached.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Client. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the Client in any manner without prior express written authorization from an officer of the Client.

9. **RECORDS**

The Client understands and agrees that FCMAT is a state agency and all FCMAT reports are public records and are published on the FCMAT website. Supporting documents and data in FCMAT's possession may also be public records and will be made available in accordance with the provisions of the California Public Records Act.

FCMAT has a records retention policy and practice, and every effort will be made to maintain records related to this Agreement in accordance with this policy.

10. **CONTACT WITH PUPILS**

Pursuant to EC 45125.1, representatives of FCMAT will have limited contact with pupils. The Client shall take appropriate steps to comply with EC 45125.1.

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11. INSURANCE

During the term of this Agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance, with the Client named as additional insured, indicating applicable insurance coverages.

12. HOLD HARMLESS

FCMAT shall hold the Client, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of FCMAT's board, officers, agents and employees undertaken under this Agreement. Conversely, the Client shall hold FCMAT, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of the Client's board, officers, agents and employees undertaken under this Agreement.

13. PUBLIC SAFETY CONSIDERATIONS

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).

C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

Neither party will be liable for any failure or delay in the performance of this Agreement due to causes beyond the reasonable control of the party, except for payment obligations by the Client.

15. EVALUATION

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

16. CLIENT CONTACT PERSON

The Client's contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT's process requires that FCMAT send information, document request lists, draft report or final report, or when FCMAT makes other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT's job lead assigned to the study.

Name:	Matthew Harris, Superintendent
Telephone:	(707) 778-4604
Email:	mharris@petk12.org

17. SIGNATURES

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:

A. Bonivert 1/27/2026 1/28/26

Amanda Bonivert, Chief Business Official
Petaluma City Schools

Date

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2026.01.30 15:11:20 -08'00'

Michael H. Fine,
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

Date

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