

Fiscal Health Risk Analysis

January 23, 2026



Santa Rosa City Schools

Michael H. Fine
Chief Executive Officer

January 23, 2026

Lisa August, Interim Superintendent
Santa Rosa City Schools
110 Stony Point Road, Suite 210
Santa Rosa, CA 95401

Dear Interim Superintendent August:

In October 2025, the Santa Rosa 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 the district.

The agreement stated that FCMAT would perform the following:

1. 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.

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

FCMAT appreciates the opportunity to assist the Santa Rosa City Schools and extends thanks to all the staff 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, policy-makers, 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

Santa Rosa City Schools serves students residing within the boundaries of the Santa Rosa Elementary School District and the Santa Rosa High School District. Although these are two legally distinct districts, they operate under a common administration and a common governing board. For the purposes of this report, “the district” refers collectively to both the elementary and high school districts.

The district is located in the city of Santa Rosa in Sonoma County, approximately 55 miles north of San Francisco. The district provides educational services to 16,710 students in transitional kindergarten through grade 12.

The district operates 24 schools made up of a mix of traditional and charter elementary, middle and high schools.

On September 15, 2025, the Sonoma County superintendent of schools approved the district’s 2025-26 adopted budget. At the same time, the county superintendent designated the district as a lack of going concern. This designation was based on the district’s multiyear financial projections, which indicate a significant structural deficit and an elevated risk of cash insolvency before the end of the current fiscal year.

FCMAT performed a fiscal health risk analysis to determine the district’s level of risk of insolvency, using the financial data from the 2025-26 adopted budget as the basis for the analysis.

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the Santa Rosa City Schools on October 23, 2025, and a study team visited the district on December 3-5, 2025, to conduct interviews, collect data and review documents. Additional interviews were held virtually on December 8, 2025. After the fieldwork, the study team continued to analyze the gathered 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.

Study Team

The team was composed of the following members:

Robbie Montalbano
FCMAT Intervention Specialist

Alyssa Low
FCMAT Intervention Specialist

John Lotze
FCMAT Technical Writer

Erin Lillibridge
FCMAT Chief Analyst

Megan Reilly
FCMAT Chief Administrative Officer

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

Date(s) of fieldwork: December 3-8, 2025

School District: Santa Rosa City Schools

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Summary

The Santa Rosa City Schools (district) filed its first qualified interim report at the first interim reporting period for 2023-24, following adoption of a budget with projected multiyear deficit spending in its unrestricted general fund. District multiyear projections have shown growing deficit spending since at least 2022-23. Despite these projections, the district has not sufficiently curtailed expenditures and has entered into collective bargaining agreements that it cannot afford without additional reductions.

Due to ongoing fiscal concerns, the county superintendent of schools required the district to file a third interim report for 2023-24. The third interim report showed that the district will not meet its required reserves in 2024-25 or 2025-26 without significant expenditure reductions. The county superintendent's review letter dated July 9, 2024, stated the following:

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 totaling \$23.84 million, including \$5.01 million in 2024-25 and \$18.83 million in 2025-26.

Collective bargaining disclosures in recent years have consistently indicated that budget reductions would be necessary to maintain long-term affordability. The county superintendent's July 9, 2024 review letter also stated:

The Third Interim Report incorporated a proposed settlement with the Santa Rosa Teachers Association (SRTA). As presented in both the Third Interim and the associated disclosure, the settlement increases salaries and benefits by \$6.3 million annually beginning in 2024-25. As a result, deficit spending is expected to accelerate, leading to inadequate cash flow and declining reserve levels, which raises substantial doubt about the district's ability to continue as a going concern.

The district's 2024-25 budget was adopted with a projected unrestricted general fund deficit of \$11.5 million and showed a continuation of increased deficit spending in its multiyear projections for 2025-26 and 2026-27. The district's 2025-26 budget was adopted with a projected negative \$11 million ending fund balance and projected further decreases to an estimated negative \$17.2 million in 2026-27 and to negative \$23.2 million in 2027-28.

The district also lacks a plan to meet its cash flow needs for the current and subsequent fiscal years. The October 2025 updated cash flow projection shows anticipated negative cash balances of \$2.8 million as of June 30, 2026, and negative \$16.2 million as of June 30, 2027. The projections do not identify how these shortfalls will be addressed. As a result, the district has not demonstrated how it will meet its financial obligations in the current or subsequent fiscal years.

The Sonoma County Superintendent of Schools has issued multiple letters expressing concern about the district's ability to meet its obligations and formally designated the district as a "lack of going concern" in September 2025.

Collectively, these conditions indicate an elevated risk of fiscal insolvency, and it remains uncertain whether current corrective actions will be sufficient to restore structural balance and eliminate projected cash flow shortfalls.

Subsequent Events

On December 10, 2025, the district's governing board approved a negative first interim report for 2025-26 and adopted unrestricted expenditure reductions of approximately \$1.1 million, a fraction of the approximate \$42 million over three years it projects is needed to achieve fiscal stability.

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 two pages 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 15 th 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 <u>State Standards and Criteria for Fiscal Solvency</u> ?	☐	✓	☐
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	0.2%
2.	Budget Development and Adoption	4.0%
3.	Budget Monitoring and Updates	4.0%
4.	Cash Management	4.0%
5.	Charter Schools	0.3%
6.	Collective Bargaining Agreements	6.2%
7.	Contributions and Transfers	2.0%
8.	Deficit Spending (Unrestricted General Fund)	3.6%
9.	Employee Benefits	0.6%
10.	Enrollment and Attendance	1.2%
11.	Facilities	0.2%
12.	Fund Balance and Reserve for Economic Uncertainty	5.0%
13.	General Fund - Current Year	3.4%
14.	Information Systems and Data Management	1.0%
15.	Internal Controls and Fraud Prevention	4.6%
16.	Leadership and Stability	4.2%
17.	Multiyear Projections	3.0%
18.	Non-Voter-Approved Debt and Risk Management	1.6%
19.	Position Control	5.0%
20.	Special Education	2.0%
Score		57.0%

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?	☐	✓	☐
The 2023-24 audit report was completed on March 15, 2025, three months after the statutory deadline of December 15, 2024. The district also missed the deadline the previous year; the 2022-23 audit report was completed on March 4, 2024.			
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?	☐	✓	☐
The district provided its budget overview and board presentation, which together serve as the assumptions for the adopted budget. These documents lack a breakdown of the contribution increases by program; detailed explanations for increases or decreases in the multiyear projection (MYP); fiscal details of staffing changes from estimated actuals to adopted budget and the two subsequent years, including the fiscal impact of the reconfiguration and mergers of schools; and the final outcomes of negotiations and the quantified fiscal impact of each agreement on the multiyear projection.			
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?	☐	✓	☐
As stated in section 19.3, the district lacks a formal process for reconciling position control and did not use it as part of the budget development process. Staff reported that reviewing and cleaning up position control has been a priority; however, the process was not completed in time to be reflected in the adopted budget.			
2.4 Does the district calculate its Local Control Funding Formula (LCFF) revenue correctly? . . .	✓	☐	☐
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?	✓	☐	☐
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)? . . .	☐	✓	☐

Staff, administrators and board members reported that they did not provide input into the budget development process and that there was no committee specifically established to support budget development. The district's only budget-related advisory body is the Fiscal Stabilization Advisory Committee, which is focused on discussing revenue enhancements, how the district is funded, and whether the district should pursue becoming its own Special Education Local Plan Area (SELPA).

- 2.7 Does the district budget and expend restricted funds before unrestricted funds?** ☐ ☒ ☐

The district prioritized spending restricted funds in 2022-23 and 2023-24. In 2024-25, the district reduced restricted funds by \$3 million; however, it deficit spent \$19.5 million in unrestricted funds, leaving \$15 million in restricted funds unexpended. For 2025-26, the adopted budget projects an unrestricted ending fund balance of negative \$11,031,466 and a restricted balance of \$8,813,226. Wherever allowable, these restricted funds should be used to offset the unrestricted deficit.

- 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?** ☐ ☒ ☐

Staff indicated there is no procedure for evaluating and accepting grants.

- 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 adhere to a 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? | ☐ | ☒ | ☐ |

As noted in section 2.1, the district provides a budget narrative at each interim; however, the assumptions lack sufficient fiscal details for the current and two subsequent years to clearly explain the differences between the estimated and adopted budget, nor do they adequately describe the detailed assumptions underlying the multiyear projection (MYP).

- 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?** ☒ ☐ ☐
- 3.5 Do the district's responses fully explain the variances identified in the SACS Criteria and Standards Review form?** ☐ ☒ ☐
- Although the district provides explanations of variance, they are brief and lack sufficient fiscal detail to adequately explain the variances. Revenue changes should specify the amount, whether it is an increase or decrease, and the specific resource or program involved. Expenditure changes should similarly specify what changed and why. Statements indicating that budget items were updated at each reporting period do not provide sufficient information to clarify the nature or cause of the variances.
- 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 addressed deficiencies repeatedly cited in county oversight letters since 2023-24, including its deteriorating fund balance and ongoing deficit spending. The county superintendent has repeatedly required the district to identify and implement detailed budget reductions to address its structural deficit and has required a third interim report for two consecutive years. Additionally, the county superintendent required the board to take action to adopt and implement a fiscal stabilization plan with detailed reductions to address its deficit spending. Although the 2025-26 budget was approved, the county superintendent determined the district is unable to meet its financial obligations in the current and subsequent two fiscal years and, as a result, identified the district as a "lack of going concern" under Education Code (EC) 42127.6(a)(1).
- 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?** ☐ ☒ ☐
- During fieldwork interviews, FCMAT learned that beginning in August 2025 the district implemented a new policy prohibiting the processing of requisitions or purchase orders without sufficient funds. However, this policy was not applied during the budget development and adoption process.
- 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? | ☐ | ☒ | ☐ |
| FCMAT reviewed recent bank reconciliations for the clearing and revolving accounts. The July and August 2025 reconciliations were completed within two weeks of the bank statement date. However, reconciliations for September and October 2025 were | | | |

incomplete at the time of review. The district also maintains other accounts, including those for associated student body (ASB) and child nutrition services. FCMAT did not review these accounts, but staff interviews indicate that the district's oversight of them could be strengthened. See question 15.3 below for related internal control concerns.

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 adopted budget included a cash flow projection for the current fiscal year only, omitting the subsequent year. In its September 15, 2025 budget approval letter, the county superintendent directed the district to prepare a two-year cash flow projection — covering July 1, 2025, through June 30, 2027 — with actuals through September 30, 2025, by October 15, 2025. The district submitted the requested projection and has committed to maintaining two-year cash flow projections in future budget updates.

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? ☐ ☒ ☐

The October 2025 updated cash flow projection shows anticipated negative cash balances of \$2.8 million as of June 30, 2026, and \$16.2 million as of June 30, 2027. The projections do not identify how these shortfalls will be addressed.

The adopted budget cash flow projects negative general fund cash balances in several months, including August through November 2025 and January through March 2026. The county office permits negative cash balances if the district's board has authorized temporary transfers from the county treasury on an as-needed basis. The amount cannot exceed 85% of anticipated property tax receipts, which are received in December and April.

Commonly referred to as the county treasury line of credit, this option helps the district manage timing gaps between major revenue deposits without internal or external borrowing. The arrangement carries no direct cost, but borrowing reduces the district's interest earnings. For 2025-26, the board authorized a total temporary transfer of up to \$105,927,610. However, the county treasury line of credit is only available through the time of final property tax receipts in April, leaving no mechanism to cover May or June shortfalls.

If interfund borrowing is used, the district must ensure other funds retain enough resources to meet their own obligations while supporting general fund cash needs. The district reports it has not completed cash flow forecasts for the funds it plans to borrow from but is preparing them, which is an essential step to confirm those resources are available. In addition, the district reports it has suspended capital facilities fund spending as a temporary measure to preserve cash to support general fund needs.

Interfund borrowing is limited under EC 42603 to 75% of the maximum amount held in any district fund or account during the current fiscal year. Transfers must be repaid in the same fiscal year or, if made within the last 120 calendar days of the fiscal year, by the following year. Certain funds, such as the cafeteria special revenue and capital facilities funds, have additional borrowing requirements that must be considered.

The district ended the 2024-25 fiscal year with a negative unrestricted general fund balance of \$1.1 million, underscoring that its cash flow challenges stem

from a structural budget deficit — an ongoing imbalance between revenues and expenditures — as well as mismatched timing of income and expenses.

The district needs to immediately develop and document a comprehensive plan that addresses both timing gaps and long-term fiscal stability.

- | | | | | |
|------------|---|--------------------------|--------------------------|--------------------------|
| 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? | ☐ | ✓ | ☐ |

The October 2025 updated cash flow projection shows anticipated negative cash balances of \$2.8 million as of June 30, 2026, and \$16.2 million as of June 30, 2027. The projections do not identify how these shortfalls will be addressed.

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? | ☐ | ✓ | ☐ |
| The district submitted no 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? | ✓ | ☐ | ☐ |
| 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? | ☐ | ✓ | ☐ |
| The district has not identified specific employees in its various departments to be responsible for oversight of all approved charter schools. Department heads described working with their district-operated charters on day-to-day administrative activities, but several had no knowledge of oversight duties for the district's independent charter school, Kid Street. | | | |
| 5.5 Does the district monitor charter school audits for timeliness, completeness, and exceptions? | ☐ | ✓ | ☐ |
| The district submitted no documentation showing it monitors 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? | ☐ | ✓ | ☐ |
| The district has not settled with its three bargaining units. | | | |

- 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?** ☐ ☒ ☐

Disclosure documents for previous settlements do not include the multiyear costs.

- 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?** ☐ ☒ ☐

The district did not provide evidence that a presettlement analysis is completed. Additionally, the disclosure documents do not identify ongoing revenue sources or expenditure reductions to support the agreement.

- 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)?** ☐ ☒ ☐

In one of the prior two fiscal years, the district's bargaining agreement settlements, including step-and-column increases, have exceeded the funded COLA:

Table 1: District Collective Bargaining Settlements, 2023-24 through 2025-26

Fiscal Year	Funded COLA	Santa Rosa Teachers' Association	California School Employees' Association	Teamsters
2023-24	8.220%	4.840%	7.883%	N/A
2024-25	1.070%	5.623%	2.854%	N/A
2025-26	2.300%	unsettled	unsettled	unsettled

Source: California Department of Education and district data.

- 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?** ☐ ☒ ☐

Government Code 3547.5 requires the district's superintendent and chief business official (CBO) to certify in writing that the district can meet the costs incurred by a collective bargaining settlement during the term of the agreement and to itemize any budget revisions needed to meet the costs of the agreement in each year of its term.

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 board materials for the relevant meetings: specifically, the documents lacked the CBO's and superintendent's signatures attesting to affordability, as well as itemized budget reductions. This hinders the board's ability to make decisions based on complete information and is not transparent to the public.

In a review of documents presented to the board for public disclosure and board action, disclosure documents for settlements with the Santa Rosa Teachers' Association and the California School Employees' Association for 2023-24 and 2024-25 did not include signed certifications or itemized budget revisions.

- 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement before board approval?** ☐ ☒ ☐

As stated in item 6.7, public postings and board materials for the relevant meetings did not include signatures from the CBO and superintendent attesting to affordability, or itemized budget reductions.

- 6.9 Is the governing board's action consistent with the superintendent's and CBO's certification?** ☐ ☒ ☐

Since public disclosures presented to the board were unsigned, the board 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? | ☐ | ☒ | ☐ |
| Contributions to restricted resources are projected to be \$48.4 million in the 2025-26 adopted budget, including contributions to special education and restricted maintenance. The district lacks a board-approved plan to eliminate, reduce or control contributions or transfers from the unrestricted general fund. However, the district reports that it is analyzing the potential formation of its own Special Education Local Plan Area (SELPA) as a potential strategy to reduce and better manage its special education contribution. | | | |
| 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? | ☐ | ☒ | ☐ |

Contributions to restricted resources were \$41.1 million in 2023-24, \$44.0 million in 2024-25, and are projected to be \$48.4 million in the 2025-26 adopted budget. The district's estimated actuals for 2024-25, as reported in the 2025-26 adopted budget in June, projected contributions at \$51.9 million. This was \$7.9 million (approximately 18%) higher than the 2024-25 unaudited actuals. This significant variance raises questions about whether the 2025-26 adopted budget reflects reasonable contribution levels based on prior-year trends.

According to the district, most of this variance occurred during the year-end close process when it revised the accounting of certain expenses coded to special education. These adjustments shifted expenses out of the restricted program and into the unrestricted general fund, resulting in an offsetting change to the contribution amount.

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 adopted budget projects an unrestricted general fund operating deficit of approximately \$8.0 million for the current fiscal year; however, the first interim report presented and approved in December shows the deficit increasing to \$13.4 million.			
8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	☐	☒	☐
The district's 2025-26 adopted budget multiyear financial projection shows continued deficit spending in both subsequent fiscal years, with projected operating deficits of approximately \$6.2 million in 2026-27 and \$5.9 million in 2027-28. The first interim report reflects even larger deficits, increasing to \$13.0 million and \$14.9 million in the respective fiscal years.			
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?	☐	☒	☐
While the district developed a fiscal stabilization plan in 2024-25 and implemented cost-saving measures for 2025-26, the district continues to face an unrestricted general fund structural deficit and has not yet approved or implemented a comprehensive plan to eliminate deficit spending.			
The fiscal stabilization plan presented with the first interim report in December identified \$1.9 million in ongoing expenditure reductions beginning in 2026-27, primarily through reductions of management position in Education Services, Special Services, Wellness and Engagement, and Human Resources. The district also identified \$7.9 million in restricted fund balances as one-time solutions to help restore reserves; however, these dollars do not address the structural deficit. The district is preparing a second round of ongoing budget solutions, scheduled for board discussion in January and action in February, with approved changes to be incorporated in the second interim report.			
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?	☐	☒	☐
The district's 2023-24 unaudited actuals report showed an unrestricted general fund operating surplus of \$3.9 million. In contrast, the 2024-25 unaudited actuals report showed a significant increase in deficit spending, totaling nearly \$19.6 million, which indicates that the district's deficit spending has grown substantially over the past two fiscal years.			

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? | ✓ | ☐ | ☐ |
| 9.4 | Does the district track, reconcile and report employees' compensated leave balances? | ✓ | ☐ | ☐ |
| 9.5 | Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? | ☐ | ✓ | ☐ |
- As of July 1, 2025, the district requires employees to carry over accrued vacation balances in excess of the collectively bargained amount; a payout option is no longer available.

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? | | |
| | ☐ | ✓ | ☐ |
| Over the past three years, the district's enrollment has declined by an average of 1.4% per year; however, for the current and two prior years, the average enrollment decline per year is 2.4% | | | |
| 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? | | |
| | ✓ | ☐ | ☐ |
| 10.6 | Has the district planned for enrollment losses to any charter schools? | | |
| | ✓ | ☐ | ☐ |
| 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? | | |
| | ☐ | ✓ | ☐ |
| Board Policy and Administrative Regulation 5117, interdistrict attendance, had not been updated since 2009. District staff reported the policy had not been followed. As of November 2025, the district has a revised board policy that it is following. | | | |
| 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?	☐	✓	☐
A review of the maximum capacity of permanent classrooms based on the 2023 board-approved facilities master plan and of enrollment based on the CALPADS report 1.1 for the elementary, middle, and high schools indicates that, according to Office of Public School Construction guidelines, the district is underutilizing its facilities.			
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?	☐	✓	☐
The district provided five Facilities Inspection Tool (FIT) reports from inspections done in October 2025 and all met a "Good" standard, with scores of 90%-100% in all categories. Additionally, the district had a Williams uniform complaint in the first quarter of 2025, which it resolved. However, in the county superintendent's letter dated October 23, 2025 regarding Williams settlement findings for 2025-26 site visits, James Monroe Elementary has an unresolved issue regarding the playground surface, with no remediation completed by the district.			
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 <u>State Standards and Criteria for Fiscal Solvency</u> ?	☐	✓	☐
The district is unable to maintain the minimum reserve for economic uncertainties as required by the State Standards and Criteria for Fiscal Solvency in the current year. The state-required reserve is 3% of total expenditures and uses, which for 2025-26 is approximately \$7.2 million. Due to a negative beginning unrestricted general fund balance and continued deficit spending, the 2025-26 adopted budget (after adjusting for 2024-25 unaudited actual balances) projects an unrestricted fund balance of negative \$9.1 million as of June 30, 2025. As a result, the district is short of the required reserve by more than \$16.3 million. This shortfall increased to \$22.1 million in the first interim report.			

- 12.2 Is the district able to maintain the minimum reserve for economic uncertainties in the two subsequent years?** ☐ ☒ ☐

The district is unable to maintain the minimum reserve for economic uncertainties in the two subsequent years. Multiyear financial projections indicate continued negative unrestricted general fund balances and ongoing deficit spending. As a result, the district is projected to remain significantly below the 3% reserve requirement in both 2026-27 and 2027-28.

- 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?** ☐ ☒ ☐

While the district developed a fiscal stabilization plan in 2024-25 and implemented cost-saving measures for 2025-26, the multiyear financial projection does not yet include a reasonable and complete board-approved plan to restore the minimum reserve for economic uncertainties. As noted in response to question 8.3, the district is continuing work on additional solutions to rebuild reserve levels, with further action scheduled for board consideration in the coming months.

- 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?** ☐ ☒ ☐

The district's projected unrestricted fund balance is not stable or increasing in the two subsequent fiscal years. Multiyear financial projections show continued and increasing negative unrestricted fund balances in both 2026-27 and 2027-28.

- 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?** ☐ ☒ ☐

The district does not have sufficient assigned or committed reserves above the recommended 3% reserve level to cover unfunded or contingent liabilities or one-time costs. As noted in prior responses, the unrestricted general fund balance is projected to remain deeply negative in the current and two subsequent fiscal years. Because the district cannot meet the minimum reserve requirement, no additional reserves are available for these obligations.

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? | ☐ | ☒ | ☐ |
| Although staff reported some ongoing expenditures were reduced as one-time funds expired, the adopted budget narrative, criteria and standards and the board presentation did not identify remaining one-time funds, their expiration, or any plan for reducing or budgeting related expenditures in the adopted budget or two subsequent years. | | | |
| 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? | ☒ | ☐ | ☐ |
| 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? | ☐ | ☒ | ☐ |

In reviewing the district's adopted criteria and standards, its average is 84.3%, which is the same as 2024-25, higher than 2023-24 (82.7%) and lower than 2022-23 (85.9%).

- 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?** ☐ ☒ ☐

Although interviews indicated some ongoing expenditures were reduced when one-time funds expired, as noted in 13.1, the adopted budget narrative, criteria and standards and the board presentation did not identify the remaining one-time funds or their expiration date(s). Nor did the district provide any board approved plans for one-time dollars that would detail how expenditures would be reduced or budgeted in the two subsequent years.

- 13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?** ☐ ☒ ☐

In 2022-23 and 2023-24, the district spent its restricted dollars first. Although the district reduced restricted fund balances by approximately \$3 million in 2024-25, it deficit spent \$19.5 million in unrestricted funds, leaving approximately \$15 million in restricted funds unused. The failure to prioritize the use of allowable restricted funds while experiencing significant deficit spending is one of several factors contributing to the district's unrestricted general fund deficit.

- 13.7 Does the district account for all program costs, including the maximum allowable indirect costs, for each restricted resource and other funds?** ☐ ☒ ☐

The district does not consistently charge indirect costs to each restricted resource or other funds. For example, indirect costs were charged to some special education resources but not to the largest program resource of 6500. Similar findings were observed in other state-restricted resources.

- 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? | ☐ | ☒ | ☐ |
| District staff reported during interviews that considerable effort is being made to update position control. While staff believe it is now correct, ongoing monitoring will be important to ensure accuracy is maintained. | | | |
| The district has not made adequate adjustments to eliminate deficit spending in the general fund. | | | |
| 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? | ☐ | ✓ | ☐ |
| District and county office staff indicated that procedures require administrative approval for access to the financial system. However, based on staff interviews, it is unclear whether system access provides adequate internal controls and separation of duties (e.g., preventing employees from both changing vendor information and processing vendor payments). See question 15.3 below for additional information. | | | |
| 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? | ☐ | ✓ | ☐ |
| Access and authorization controls for the district's financial system are updated when employment actions occur (e.g., resignations or terminations). However, the district does not conduct an annual review of access and authorization. | | | |
| 15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?: | | | |
| • Accounts payable (AP). | ☐ | ✓ | ☐ |
| Some staff reported that AP employees can enter and update vendor information, and others stated this access should be restricted to purchasing staff. This indicates inadequate segregation of duties and unclear access controls. Additionally, AP warrants are printed at the county office and returned to the district, where they are received and distributed by the same staff member who processed them. To strengthen segregation of duties, staff responsible for processing invoices should not have access to vendor data or handle warrants after printing. | | | |
| • Accounts receivable (AR).. . . . | ☐ | ✓ | ☐ |
| District staff reported that schools and departments forward certain cash receipts (e.g., school donations) to the district office for deposit in the clearing account. These deposits may include cash, but only one individual counts the funds. Pending deposits are not secured in tamper-evident bags, and although deposits are stored in a safe, staff interviews indicated the safe remains unlocked throughout the day. | | | |
| One staff member is responsible for generating invoices, receiving payments, preparing deposits, and assisting with bank reconciliations. This combination of duties indicates inadequate segregation of responsibilities. To strengthen internal controls, the individual who generates invoices should not have access to payments for those invoices, and the person pre- | | | |

paring or recording deposits should not also perform bank reconciliations.

Interviews also revealed similar weaknesses at schools for ASB funds.

	• 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?	☐	✓	☐
	The district does not have sufficient internal controls or established 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 does not have a process for collecting and following up on reports of possible fraud, and no procedures exist for reporting fraud.			
15.9	Does the district have an internal audit process?	☐	✓	☐
	The district does not have an established 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?	☐	✓	☐
	The district currently has an interim chief business official.			
16.2	Does the district have a superintendent who has been in this position with the district for more than two years?	☐	✓	☐
	The district currently has an interim superintendent and has had three superintendents since 2021.			
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?	☐	✓	☐
	Staff shared during interviews that no formal training on financial management and budget is 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?	☐	✓	☐

Staff shared in interviews that they are not made aware of newly adopted or revised policies and administrative regulations. Newly adopted and revised policies are not communicated to staff in a structured manner.

- 16.7 Do all board members attend training on the budget and governance at least every two years?** ☐ ☒ ☐

Interviewees indicated that board members do not attend training on the budget and governance at least every two years. Several members are newly appointed to the board and are still within the two-year window; however, there is no policy or practice in this regard.

- 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?** ☒ ☐ ☐

17. Multiyear Projections

- | | Yes | No | N/A |
|--|-------------------------------------|-------------------------------------|--------------------------|
| 17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? | ☐ | ☒ | ☐ |
| <p>The 2025-26 adopted budget presentation included many, but not all, of the key assumptions used to develop the multiyear financial projections. For example, the board presentation did not provide details such as step-and-column percentages, the consumer price index, or workers' compensation and unemployment insurance rates. Additionally, the narrative did not clearly explain what fiscal stabilization plan solutions were incorporated into the subsequent years of the MYP (e.g., 2026-27 school consolidations and closure savings). The district used the Projection-Pro software to develop its MYP, and the software's assumptions page included some of this information, showing the district used 1.5% for step-and-column adjustments; however, this rate was not applied in the 2027-28 fiscal year, and workers' compensation and unemployment insurance rates were still missing.</p> | | | |
| 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation that includes multiyear considerations? | ☒ | ☐ | ☐ |
| 17.3 Does the district use its most current multiyear projection when making financial decisions? | ☐ | ☒ | ☐ |
| <p>Although the district prepares and updates multiyear projections, it has not used them effectively to guide recent financial decisions. In 2024-25, the multiyear financial projections showed a significant structural deficit in the unrestricted general fund; however, the district approved additional ongoing obligations, including classified employee compensation increases in February 2025, without implementing measures to address the deficit. This action demonstrates that the district disregarded its own financial projections and took action that worsened its fiscal condition.</p> | | | |
| 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 adopted budget included adjustments in Form MYP, specifically in lines B1d and B2d; however, a detailed list of the items included in these

adjustments was not provided. Section F, Assumptions, of the Form MYP referenced an attachment with the note “see attached,” but no attachment was included to explain the adjustments.

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?	☐	✓	☐
On June 2, 2025, Moody's Ratings downgraded Santa Rosa City Schools' issuer rating from Aa3 to A1, downgraded Santa Rosa High School District's general obligation ratings from Aa2 to Aa3, and downgraded Santa Rosa Elementary School District's general obligation ratings from Aa3 to A1.			
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?	☐	✓	☐
The district is self-insured for employee dental benefits and did not provide evidence of completing an actuarial valuation as required.			
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?	☐	✓	☐
The position control report provided to FCMAT does not include costs for non-regular pay, such as extra duty, stipends, and overtime. While the district reports that estimates for these costs are incorporated into the budget based on prior year actuals, adding these costs to position control would strengthen monitoring practices and improve oversight of total staffing costs.			
19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . .	☐	✓	☐
Staff reported that the district has not historically used a formal or well-understood process to analyze or adjust staffing based on established ratios and enrollment. For the 2025-26 adopted budget, the district primarily focused on certificated staffing ratios tied to contractual provisions. The district is working to develop ratios for other employee groups, such as school site administrators and classified staff. The absence of a systematic approach can lead to misalignment between staffing levels, enrollment trends, and financial resources. Implementing a ratio-based analysis during budget development, supported by board approval and annual review, would strengthen fiscal oversight and promote sustainable staffing decisions.			

- 19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim financial reporting periods?** ☐ ☒ ☐
- The district does not have a formal process for reconciling budget, payroll, and position control at budget adoption or interim reporting periods. Staff reported that the position control system contained vacant positions that should have been closed, and the district only recently began cleaning up the data with the creation of a dedicated position control role effective July 1, 2025. Between the June 2024-25 estimated actuals and the September 2024-25 unaudited actuals, salary and benefits expenditures shifted significantly: unrestricted general fund costs increased by \$3.6 million, while restricted general fund costs decreased by \$2.0 million.
- 19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?** ☐ ☒ ☐
- While the employment authorization forms and position control system include budget codes, the district's procedures do not ensure that a sustainable funding source is identified prior to board approval for each new position. In practice, the district has authorized ongoing positions funded with one-time resources without a plan for how to maintain or eliminate those positions once the temporary funding is exhausted. Additionally, the governing board's personnel reports do not include clear and specific funding sources, further limiting transparency, which increases fiscal risk and weakens long-term budget planning.
- 19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?** ☐ ☒ ☐
- The district brings newly created positions that require a new job description or classification to the governing board for approval prior to posting. However, when adding more full-time equivalent positions to an existing classification, these changes are approved only at the cabinet level and are not presented to the board until after individuals have been hired and placed in the new positions or assignments.
- 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? | ☐ | ☒ | ☐ |
| The district has staffing ratios, but it does not follow them with any consistency. | | | |
| 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)? | ☐ | ☒ | ☐ |
| Based on staff interviews, the district has not accessed all available sources for costs related to special education, including the state excess cost pool and 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)? | ☐ | ☒ | ☐ |
| Based on staff interviews, the district does have some tools but does not use them with any consistency. | | | |

- 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 its special education program.

- 20.5 Does the district monitor contributions from the unrestricted general fund and adjust to trends in the special education program?** ☐ ☒ ☐

Based on staff interviews and a review of budget, interim and actual reports, the district does not monitor its contributions to the special education program. Contributions change by large amounts from budget to actuals.

- 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?** ☐ ☒ ☐

The district reports students as eligible for special education separately for Santa Rosa Elementary School District and Santa Rosa High School District. Both districts exceeded the countywide and statewide average identification rates in 2024-25, the most recent data available.

Table 2: Special Education Identification Rates

Entity	Students with Disabilities	Total Enrollment	Percentage
Santa Rosa Elementary School District	873	4,945	17.65%
Santa Rosa High School District	1,761	9,546	18.45%
Sonoma County	10,457	64,798	16.14%
California	827,105	5,806,221	14.25%

Source: [DataQuest](#)

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

Staff interviewed stated that the district reviews its maintenance of effort (MOE) at each interim, but forms submitted to the county office and state show no review of MOE at interims.

Risk Score, 20 numbered sections only: 57.0%

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



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 Santa Rosa 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 designated the Client as a lack of going concern in accordance with EC 42127.6.

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.

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.

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.

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: Luz Cazares, Interim CBO

Telephone: (707) 890-3800 ext. 80201

Email: lcazares@srcs.k12.ca.us

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:



[Lisa August \(Oct 17, 2025 15:36:43 PDT\)](#)

10/17/2025

Lisa August, Interim Superintendent
Santa Rosa City Schools

Date

For FCMAT:

Michael H. Fine

Digitally signed by Michael H. Fine
Date: 2025.10.23 19:08:38 -07'00'

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

Date