Sonoma County Office of Education
5340 Skylane Boulevard
Santa Rosa, CA 95403-8246
707-524-2600 | scoe.org

January 12, 2026

Maité Iturri, Superintendent
Michelle Wing, Board President
Cotati-Rohnert Park Unified School District
7165 Burton Avenue
Rohnert Park, CA 94928

Dear Ms. Iturri and Ms. Wing,

In accordance with Education Code Section 42131, the Sonoma County Office of Education (County) has completed its review of Cotati-Rohnert Park Unified School District's (District) First Interim Report for Fiscal Year 2025-26. The District self-certified its 2025-26 First Interim Report as **Qualified**. After reviewing the financial data, the County accepts the District's Qualified certification; however, the multi-year financial projections are based on assumptions that present significant fiscal risk.

Accordingly, the County accepts the District's Qualified certification with the concerns outlined below, which must be addressed to ensure the District's ability to meet its financial obligations for the remainder of the current fiscal year and the two subsequent fiscal years. A Qualified Certification is assigned to any district that may be unable to meet its financial obligations for the remainder of the current fiscal year or two subsequent fiscal years (Education Code Section 42131).

The County expects the District to take timely and corrective action to mitigate fiscal risk, strengthen budget assumptions, and demonstrate progress toward restoring and maintaining fiscal solvency.

State Budget

In its recent report, the Legislative Analyst's Office (LAO) notes that recent state revenue growth, driven mainly by stock market gains associated with artificial intelligence, may be temporary and may not fully reflect broader economic conditions. While revenues have improved, California is projected to face an approximately $18 billion budget shortfall in 2026-27, with structural deficits increasing to roughly $35 billion annually in the out-years. Rising program costs, constitutional funding requirements, and the reduced availability of one-time budget solutions continue to place pressure on the state's fiscal position. With inherent uncertainty comes inherent caution. Consequently, districts are encouraged to plan conservatively and avoid making long-term commitments based on uncertain revenue trends.

First Interim and Multi-Year Projection (MYP)

The District's First Interim Report MYP reflects unrestricted deficit spending of -$5,123,532, -$4,298,189, and -$4,019,633 in 2025-26, 2026-27, and 2027-28, respectively. As a result, the District does not meet the State minimum reserve for economic uncertainty of 3% in any of the three years.

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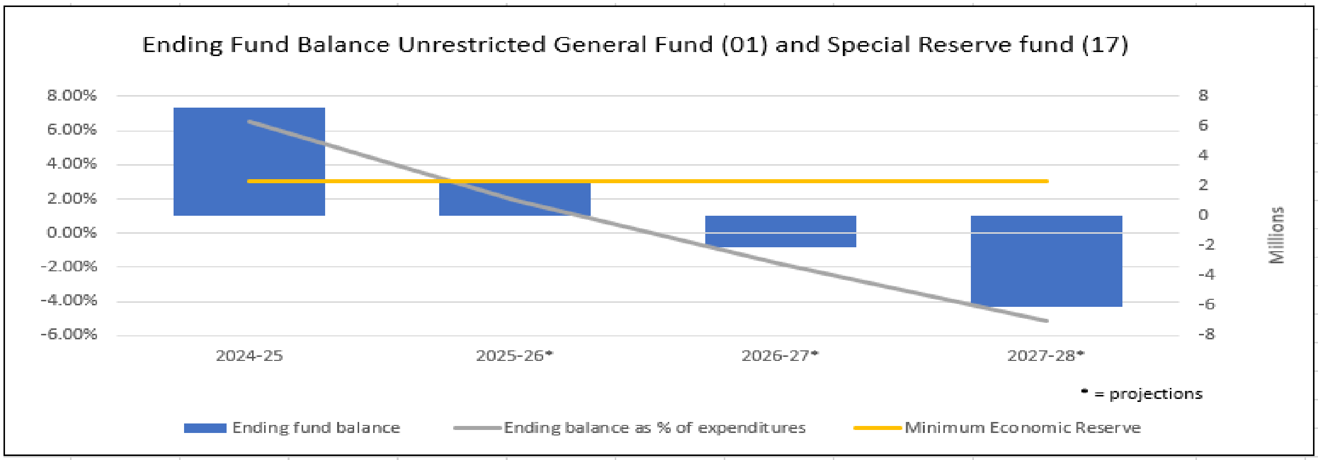
Due to continued deficit spending, the District's unrestricted reserve levels, including the Special Reserve Fund for Other Than Capital Outlay (Fund 17), are projected to decline to $2,250,433 in 2025-26, and become negative at -$2,047,756 in 2026-27 and -$6,067,389 in 2027-28.

The district's first interim budget and multi-year projections reflect operating deficits in the unrestricted general fund. The cumulative impact of this projected deficit spending is a 183% decline in fund balance from fiscal year 2024-25 to 2027-28. The following graph displays the district's estimated unrestricted ending balance in the first interim budget and multi-year projections, with both the stated minimum reserve and the district's actual reserve as a percentage of total expenditures.



By the Second Interim, the District must complete a comprehensive review of the following areas:

- **Local Control Funding Formula (LCFF) Projections**
  Maintaining alignment among enrollment, Average Daily Attendance (ADA), and staffing is essential to the District's fiscal health and long-term stability. Enrollment and ADA generate the majority of LCFF revenue, and even modest variances can result in significant budget impacts. Ensuring staffing levels reflect actual enrollment trends allows the District to manage costs responsibly while continuing to provide high-quality educational programs. Ongoing monitoring of these metrics supports proactive planning and helps protect the District's financial position.

  The District's Adopted Budget projected an enrollment increase of 259 students in 2025-26**,** which did not materialize. Based on 2025-26's Fall 1 CALPADS reporting, enrollment increased by only 18 students compared to 2024-25. Despite this minimal enrollment growth, staffing increased by 74.32 full-time equivalent (FTE) positions across all units compared to 2024-25.

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Multiyear projections indicate that staffing is reduced by only 22.5 FTEs in 2026-27, primarily due to the expiration of restricted funding, while enrollment is projected to increase by 72 students in that same year. The District must reassess the reasonableness of its enrollment, ADA, and staffing assumptions and ensure staffing levels are aligned with realistic enrollment projections.

- **Federal and Other State Revenues**
  The District must review federal and other state revenue projections in all years to ensure amounts are accurate, free of misstatements, and appropriately reflect entitlement updates, carryover balances, and unearned revenues.

- **Books, Supplies, and Contracted Services**
  Restricted books and supplies expenditures are projected to decrease by approximately $798,000 in 2027-28. The District must review these projections and provide support demonstrating that the reductions are achievable and consistent with programmatic requirements and allowable uses of restricted funds.

- **Assumptions, Criteria and Standards**
  Assumptions are critical for ensuring that education partners can accurately understand and evaluate the District's financial reporting. The Criteria and Standards are intended to document the assumptions underlying the projections clearly and to provide transparency regarding changes from period to period. The District must ensure that all assumptions are clearly stated, supported, and reasonable, and that the Criteria and Standards are accurate and free of errors**.** This clarity is essential for effective fiscal oversight and informed decision-making by the Governing Board and the County.

Due to ongoing deficit spending, negative cash flow projections, and declining reserve levels, the County has significant concern regarding the District's ability to continue operating as a going concern. Based on the information contained in the District's First Interim Report, the Governing Board is required to take the following actions:

- **Submit Updated Cash Flow Projections by February 16, 2026**
  The fund balance represents the District's financial cushion and its capacity to respond to emergencies or unexpected costs. In contrast, the cash balance is a critical liquidity indicator of the District's ability to meet payroll and other short-term obligations. In the context of continued deficit spending and low projected cash balances, careful monitoring and proactive cash management are essential to maintaining adequate liquidity. Cash flow projections reviewed as part of the **First Interim Report reflect a General Fund cash balance of negative $9,641,456 as of June 30, 2026**, raising significant concern regarding the District's ability to meet its financial obligations.

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The District is required to submit an updated 24-month cash flow projection for the General Fund and for any other funds that either require support from or provide support to the General Fund. The projection must cover the period July 1, 2025, through June 30, 2027, and include actual revenues and disbursements through January 31, 2026. The updated cash flow projection must be submitted to the County no later than February 16, 2026.The cash flow projection must address the timing of receipts and expenditures, demonstrate the District's ability to meet all financial obligations as they come due, and reflect positive cash balances in each month of the projection.

- **Adopt and Implement a Fiscal Recovery Plan by February 16, 2026**
  The District must adopt and implement a Fiscal Recovery Plan that includes specific and measurable expenditure reductions, addresses ongoing structural deficit spending, and demonstrates that the required minimum reserve for economic uncertainty will be met. The multiyear projections submitted with the Second Interim Report must reflect only Governing Board–approved reductions or savings. Failure to do so may result in a Qualified or Negative certification.

- **Update Multiyear Projections with the Second Interim**
  The District must update its multiyear projections to reflect the fiscal parameters included in the Governor's January 2026 Budget, as well as any fiscal or programmatic changes approved by the Governing Board related to the Fiscal Recovery Plan.

- **Comply With Collective Bargaining Requirements**
  According to the Criteria and Standards, negotiations with all bargaining units for the 2025-26 fiscal year are reported as settled; however, District administration has advised the County that this information is incorrect and that negotiations remain unresolved. Any collective bargaining agreement proposals must comply with the public disclosure requirements of Government Code section 3547.5. The County Office of Education must receive the public disclosure document at least ten working days prior to Governing Board action for review and comment. This requirement is mandatory when Interim Reports are certified as Qualified or Negative.

- **Submit Fiscal Studies and Reports to SCOE**
  Pursuant to Education Code section 42127.6**,** the District shall provide the County Office of Education with copies of any study, report, evaluation, actuarial report, or audit that identifies a financial impact or fiscal distress under the Criteria and Standards.

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Charter Schools
As the authorizing agency of Credo High Charter School, the district maintains fiscal oversight responsibilities, particularly in key areas such as accounting, attendance, budgeting, and payroll. Please see Education Code Section 47604.32 for a detailed list of oversight duties.

The County Office reviewed the Charter School's First Interim financial report submitted. The report reflects a **negative cash balance of $298,049 as of June 30, 2026**, while reporting a **negative fund balance of $163,377**. While fund balance reflects available resources on an accrual basis, the projected negative cash balance raises concern regarding the Charter School's ability to meet payroll and other short-term financial obligations.

In addition, the County Office determined that the financial submission is incomplete. The report does not include required MYP or the underlying budget assumptions supporting the projections. Without these components, the County Office is unable to assess the reasonableness of the Charter School's financial projections or evaluate whether the Charter School can maintain fiscal solvency.

As the chartering authority, the District is responsible for exercising appropriate fiscal oversight. The District is required to obtain and submit a complete financial package from the Charter School that includes:

- Multiyear financial projections covering the current fiscal year and two subsequent fiscal years;
- Detailed assumptions supporting revenue, expenditure, enrollment, ADA, staffing, and cash flow projections; and
- Cash flow projections demonstrating the Charter School's ability to maintain positive cash balances in each month and meet all financial obligations as they come due.

The District must submit the complete financial package to the County Office no later than January 16, 2026. Failure to provide the required information or to adequately address the Charter School's fiscal condition may result in increased County oversight consistent with Education Code section 47604.33.

Summary
Pursuant to Education Code section 42133, a Qualified or Negative certification prohibits the District from incurring any non-voter-approved debt, including certificates of participation, tax and revenue anticipation notes, or lease obligations, without the prior approval of the County Superintendent of Schools.

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Our Office appreciates the preparation and timely submittal of your First Interim report. A technical review will be communicated to the business office. The Second Interim Report is due to our office no later than March 17, 2026. **Please see the attached for standard reminders**. If you have any questions, please feel free to call me at (707) 524-2635.

Sincerely,

Sarah Lampenfeld

Sarah Lampenfeld
Assistant Superintendent, Business Services

Cc:
John Bartolome, District Chief Business Official
Amie R. Carter, Ed.D., County Superintendent of Schools
Cotati-Rohnert Park USD Board of Trustees
Felicia Aguirre, SCOE District Fiscal Management Advisor

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2025-26 Annual Standard Reminders ~ All Districts

Collective Bargaining Disclosure

SCOE Business requests copies of collective bargaining disclosures **10 days prior to board approval:** If any collective bargaining settlements are reached during the current year all districts are being reminded of the public disclosure obligation. An important AB 1200 reporting requirement is the statute for tentative collective bargaining agreements to meet the requirements of Government Code Section 3547.5 and Education Code Sections 42131 and 42142, both of which outline the District's responsibilities for public disclosure and budget revisions for collective bargaining agreements. A three-year analysis must be completed to determine the impact of negotiations in future years. The superintendent and chief business officer must certify that the District can meet the costs incurred under the agreement. The governing board must take formal board action to approve the proposed agreement. **Please note that within 45 days of the settlement, the District must send to SCOE any revisions to the District's current budget necessary to fulfill the terms of the agreement.**

Submission of Studies, Reports, Evaluations and/or Audits

Education Code Sections 42127 and 42127.6 require districts to submit to the County Office any studies, reports, evaluations, or audits done of the district that contain evidence that the district is showing fiscal distress. They also require the County Office to incorporate that information into the analysis of budgets, interim reports, and the District's overall financial condition.

We request that the District submit to this office any such documents commissioned by the District (e.g., reports done by the Fiscal Crisis and Management Assistance Team) or by the State Superintendent of Public Instruction and/or a state control agency, any time your District receives them.

SB740

Please note that a SB740 funding determination may be required when a charter school offers instructional time in a non-classroom-based setting. Charter schools that do not submit a request by the due date may not receive a funding determination, and could have their State apportionment associated with its non-classroom-based ADA reduced to zero. SB740 regulations, instructions, and form can be found at:
https://www.cde.ca.gov/sp/ch/nclrbifunddet.asp

Requirements for Debt Management Policy and Practices

Effective January 1, 2017, (per **Senate Bill (SB) 1029**, Hertzberg), issuers must certify on the ***Report of Proposed Debt Issuance*** (http://www.treasurer.ca.gov/cdiac/reporting.asp) that they have:

- Adopted local debt policies concerning the use of debt; and
- The proposed debt issuance is consistent with those policies.

The issuer's **local debt policies** *must* include (A) through (E), below:

A. The purposes for which the debt proceeds may be used.
B. The types of debt that may be issued.
C. The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
D. Policy goals related to the issuer's planning goals and objectives.
E. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

FCMAT has prepared a Fiscal Alert which provides a **sample Debt Management Policy** which is located at:
https://www.fcmat.org/PublicationsReports/FCMAT-Alert-and-Sample-Debt-Management-Policy-1-19-2017.pdf

SB 1029 contains a declaration that state and local agencies should adopt comprehensive written debt management policies pursuant to the recommendation of the Government Finance Officers Association (GFOA). The GFOA is a national association of government finance professionals with a shared mission to promote excellence in state and local government financial management. The GFOA provides **best practices** and a link to the ***Debt Issuance Checklist: Considerations When Issuing Bonds*** at https://www.gfoa.org/small-issuer-checklist

California Debt and Investment Advisory Commission's (CDIAC) website contains the necessary reporting forms and fees which can be found at the website http://www.treasurer.ca.gov/cdiac/reporting.asp. CDIAC's guidance regarding SB1029 is located at http://www.treasurer.ca.gov/cdiac/reporting.asp by clicking on "Guidance on 1029 Implementation with SB1029" on the bottom of the webpage. Some of its guidance is noted below:

> **Government Code 8855(i)** requires any issuer of public debt to provide a *Report of Proposed Debt Issuance* to the California Debt Investment and Advisory Commission *no later than 30 days before the sale* of such debt.
>
> **Government Code section 8855(k)** ~ Effective January 1, 2017, state and local issuers are required to submit an ***annual*** *debt transparency report* for any issue of debt for which they have submitted a *Report of Final Sale* during the reporting period. The annual debt transparency report is due to CDIAC within seven (7) months of the close of the reporting period, defined as July 1st to June 30th. This provision makes January 31st the effective deadline for submittal of the annual debt transparency report. Debts issued between January 1, 2017, and June 30, 2017, and reported to CDIAC on or after January 21, 2017, will be required to submit an annual debt transparency report no later than January 31, 2018.

Minimum annual debt transparency report information and additional requirements/stipulations apply. Please see the Guidance from CDIAC for more detailed information.

Reporting Requirements for Proposed Debt Issuances

AB 2274 amended Government Code Section 8855 and is effective January 1, 2015. It requires LEAs to notify the California Debt Investment Advisory Commission (CDIAC) of ***any* proposed debt issuance**, which would include refinancing and other secondary issuances. In addition, the bill established reporting timeframes. No later than 30 days *prior to the sale* of any debt issue, the issuer shall submit a report of the proposed issuance to CDIAC. Not later than 21 days *after the sale* of the debt, the issuer shall submit a report of the final sale to CDIAC. Instructions to all of the requirements that CDIAC needs depending on the type of debt transaction and applicable reporting forms, are available at: http://www.treasurer.ca.gov/cdiac/reporting.asp

AB 2551 enhances transparency requirements for local bond elections, including Proposition 39 (2000) and two-thirds vote general obligation bonds. The bill requires LEAs attempting to pass local bonds to *submit to their local elections office* the total estimated debt service, including principal and interest, if all bonds are issued, as part of the Tax Rate Statement required pursuant to Elections Code Sections 9400-9401. The aforementioned reporting requirements are applicable to any issuance of debt after AB 2274 adds reporting requirements to debt from bonds already approved by voters. It requires agencies to notify CDIAC of *any* proposed debt issuance, which **would include refinancing and other secondary issuances. The provisions of AB 2551 will be required for any local bond elections after January 1, 2015.**

Reporting Requirements for Non-Voter-Approved Debt

Education Code Section 17150 requires school districts to notify the County Superintendent of Schools and County Auditor at least 30 days prior to the governing boards' approval of the issuance of certificates of participation (COPs) or other non-voter-approved debt secured by real property such as: Lease purchases (LP) secured by real property; Qualified Zone Academy Bonds (QZABs) secured by real property; Revenue bonds; Energy Loans or Bond Anticipation Notes (BANs). Under the new law, the district must provide repayment schedules, evidence of the ability to repay, and costs of issuance as well as information necessary to assess the anticipated effect of the debt issuance. Within 15 days of the receipt of the information, the County Superintendent of Schools and the County Auditor are authorized to comment publicly regarding the district's capacity to repay the debt obligation, based on the information provided.

Additional Standard Reminders for School Districts with Qualified or Negative Certifications

Debt Issuance

The statutory requirements for debt issuance for school districts with qualified or negative interim report certifications are specifically addressed by E.C. Section 42133(a), and read as follows:

"A school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments that do not require the approval of the voters of the district, nor may the district cause an information report regarding the debt instrument to be submitted pursuant to subdivision (e) of Section 149 of Title 26 of the United States Code, **unless the county superintendent of schools determines, pursuant to criteria established by the Superintendent of Public Instruction, that the district's repayment of that indebtedness is probable**. A school district is deemed to have a qualified or negative certification for purposes of this subdivision if, pursuant to this article, it files that certification or the county superintendent of schools classifies the certification of that fiscal year to be qualified or negative."

E.C. Section 15140 (b) notes that a district that has received a qualified or negative certification in its most recent interim report, may not issue and sell bonds on its own behalf pursuant to this chapter without further action of the board of supervisors or officers of that county or of any other county in which a portion of the school district or community college district is located.

Collective Bargaining

Government Code Section 3540.2 provides added oversight related to the collective bargaining process. Any school district with a Qualified or Negative certification under Education Code Section 42131 **shall allow the county office of education at least ten working days to review and comment on any proposed agreement made between the exclusive representative and the public school employer, or designated representative, before it is ratified.** The school district shall provide the county office with all information relevant to yield an understanding of financial impact of that agreement. The county superintendent shall notify the school district, county board of education, district superintendent, governing board of the school district, and each parent and teacher organization of the district within those 10 days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district.

Per Government Code 3540.2(d), a school district shall, upon request, provide the county superintendent of schools with all information relevant to provide an understanding of the financial impact of any final collective bargaining agreement reached.