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WARREN GALLETTI
Superintendent of Schools

INTEGRITY CUSTOMER SERVICE ACCOUNTABILITY TEAMWORK INNOVATION PASSION

December 4, 2017

M. Vikki Robinson, President
Members, Board of Trustees
Point Arena Schools District
P.O. Box 87
Point Arena, California 95468

RE: 2017-18 Board-Approved Budget and Local Control Accountability Plan

Dear President and Members of the Board:

In accordance with the provisions of Education Code Sections 1240, 42127 and 52070, the Mendocino County Superintendent of Schools (MCOE) is responsible for the approval and oversight of each district's Local Control Accountability Plan (LCAP) and district budget. The approval process is now interdependent, meaning that approval of the district budget is not possible without prior approval of the district's LCAP. MCOE's review process includes an analysis of each plan, and the connection between the budget and LCAP development, focusing on services and outcomes for all students, with specific emphasis on English-language learners, low income and foster youth.

The district's LCAP should reflect stakeholder input and demonstrate to the community that its spending priorities are in line with that input, especially as it relates to supplemental and concentration grant funding for English-language learners, low income and foster youth. Additionally, for 2017-18 the State Board of Education (SBE) adopted evaluation rubrics, which reflect district performance and expectations for improvement related to the eight state priorities addressed within the LCAP. District plans should address and evaluate these rubrics to ensure continuous improvement toward closing the achievement gap within its student demographics.

The county shall approve a district's LCAP if it meets the following three criteria:

- Adherence to the SBE template
- Sufficient expenditures in the budget to implement the LCAP
- Adherence to SBE expenditure regulations

The LCAP approved by the Board of Trustees at its June 21, 2017 board meeting did not meet stakeholder engagement criteria and did not fully reflect the eight educational priorities required to be addressed. As such, MCOE's LCAP Coordinator provided technical assistance to district Administrators to develop a plan that meets specific stated criteria that was lacking. The updated plan was considered by the Board of Trustees and approved at the October 2, 2017 Special board meeting.

Our fiscal oversight responsibilities surrounding the Board Adopted Budget, continue to focus on fiscal soundness and accuracy to ensure expenditures will not exceed available resources; and that projected revenues are realistic and will allow the district to meet its current year financial obligations and multi-year commitments. Education Code Section 33127 further explains that the guide used to monitor the fiscal stability of school districts shall be the adopted SBE Standards and Criteria. School districts shall also use these same standards and criteria in developing their budgets and managing their expenditures.

In order to comply with these requirements, MCOE must assure that all budget documents are complete and accurate. Any technical corrections to the budget that may have come to our attention are being addressed with the district Business Manager.

Following our review and analysis, we believe the 2017-18 Adopted Budget and the revised and adopted Local Control Accountability Plan are consistent with the State required criteria and therefore **have been approved** by the Mendocino County Superintendent.

Your District's Fiscal Crisis Indicators include the following risk factors, which must be monitored to ensure the district's fiscal solvency:

- **Deficit Spending:** The budget report and Multi-Year Projection (MYP) provided indicate that the district is projecting deficit spending in each of the current and two subsequent years, with a projected **<\$607,120>** in deficit spending through June 2019-20. The report further indicates that the district will spend down 40% of its unrestricted reserves from \$1,519,953 at the beginning of July 2017 to \$912,833 at June 2020. Despite deficit spending, the district is able to meet the State's minimum reserve requirement of 4% of general fund expenditures and other uses in each year.
- **Labor Negotiations:** Negotiations for 2017-18 are not yet settled. According to the Criteria and Standards included in your budget report, the cost of a 1% settlement with the certificated, classified and management units is projected to be \$62,322. **Thus, any settlement will exacerbate projected deficit spending and will further reduce the district's general fund reserve balance.**
- **Public Disclosure Requirement:** We remind you that, before the District's Board of Trustees takes any action on a proposed collective bargaining agreement, the district must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. Please provide MCOE with a copy of the required public disclosure form as soon as it is prepared **so that we may have 10 days to review and comment before the Board takes action.**
- **Leadership:** The Point Arena Schools District (PASD) Superintendent unexpectedly retired at the end of the 2016-17 fiscal year, leaving the district without proper leadership. Thus, the district is operating with the County Superintendent of Schools acting as its Interim Superintendent. It is our understanding that PASD will begin its search for a permanent Superintendent soon, with the intent of selecting a candidate for hire by July 1, 2018. We

recommend the Board begin its search as soon as possible so that it may have a varied and qualified candidate pool.

- **Reserves – other Funds:** PASD is taking intentional action to set aside a portion of its general fund balance so that it may have resources available to address specific future needs and repairs of facilities, technology, deferred maintenance and pupil transportation. Thus, a portion of the deficit spending described above, can be attributable to this prudent and conservative action. These set aside funds are held in reserve in other funds, outside of the general fund. We commend district administration for taking a proactive stance to identify and provide for future needs for which there is currently no identified state funding.

We would like to thank PASD and its stakeholders for their interest in the success of local education, and for their time and effort in developing the district LCAP. As you know, the success of the LCAP requires districts to revisit the goals, actions and services, as well as expenditures and assumptions throughout the year; and to provide stakeholders with updates to the plan and the budget as progress is made and changes develop.

We continue to support your effort to maintain the fiscal health of your district, and commend your district staff for the comprehensive budget presentation, and their cooperation throughout our review process. Please feel free to continue to contact MCOE if we may be of assistance.

Sincerely,



Becky Jeffries
Assistant Superintendent
Business Services

cc: Warren Galletti, Interim Superintendent/County Superintendent of Schools
Catherine Chin, Business Manager
Chris Francis, LCAP Coordinator