



MENDOCINO COUNTY OFFICE OF EDUCATION

WARREN GALLETTI, SUPERINTENDENT OF SCHOOLS

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July 24, 2017

Governing Board of Trustees
Point Arena Schools District
P.O. Box 87
Point Arena, California 95468

Dear Board Members:

Thank you for providing us with a copy of the public disclosure forms as required by AB 1200, AB 2756, and Government code 3547.5 relating to the proposed agreements with the Arena Union Teachers Organization (AUTO) for the period beginning July 1, 2017 through June 30, 2019. We have reviewed the disclosure statement in accordance with our fiscal oversight responsibilities with the purpose of determining whether the agreement will have a material impact on the financial condition of the district in the current and two subsequent fiscal years.

The proposed agreement with AUTO provides for an increase to the annual district paid health insurance cap from \$14,120 per full-time unit member (1.0 fte to 0.85 fte) to \$14,571.72. This increase is applicable to the 2017-18 school year only, reverting to \$14,120 per unit member, per year, beginning with the 2018-19 school year and beyond. Additionally, the agreement provides for a 0.7% on salary schedule increase for the 2018-19 school year.

As provided on the disclosure forms, the cost of this agreement is projected to be \$8,131 in 2017-18 and \$24,534 in 2018-19, which includes the cost of the annual step and column increase. The Multi-Year Projection includes the additional cost of this agreement, as well as other projected changes to the budget including step and column and increased statutory benefits in the current and two subsequent years. As compared to the district's recently adopted budget, deficit spending is projected to increase in each of the current and two subsequent years, meaning that **the district will cover the additional cost of the agreement with reserves.**

Despite spending down reserves, it appears that the district's General Fund (Fund 01) will be able to maintain its required 4% reserve for economic uncertainty and meet its fiscal obligations in all years of the MYP.

Over the three-year period, the unrestricted General Fund (Fund 01) balance is projected to decline from about \$1.6 million at the beginning of 2017-18 to about \$900,000 at the end of 2019-20. In 2017-18 and 2018-19, the district assigns a Reserve for Economic Uncertainty (REU) equal to the Board adopted reserve of 12%; and in 2019-20 the assigned REU is reduced

to 11%. This is inclusive of the 4% state required minimum mentioned above. Additionally, the district maintains an unrestricted Special Reserve Fund (Fund 17), with a balance of between \$80,000 and \$160,000 over the three-year period.

As always, we caution against spending down reserves for ongoing expenditures. Reserves provide a safety net that allows districts to meet their obligations and acts as a buffer during economic downturns. We recommend the district work toward bringing projected expenditures in line with projected revenue. Maintaining a larger than required reserve is always prudent.

We value this opportunity to comment on your proposed agreement, and express our appreciation to your business office for their help and cooperation in this important process. If you have any questions, please feel free to call me at 467-5043.

Sincerely,



Meg Kailikole
Director Fiscal Services

cc: Warren Galletti, County Superintendent of Schools/Interim District Superintendent
Catherine Chin, District Business Manager
Becky Jeffries, Assistant Superintendent, Business Services - MCOE