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NICOLE H. GLENTZER
Superintendent of Schools

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April 15, 2024

Warren Galletti, Superintendent
Arena Union School District
45 Lake Street
Point Arena, CA 95468

Dear Superintendent Galletti,

In accordance with Education Code Section 42131, a review of Arena Union School District's (District) Second Interim Report for Fiscal Year 2023-24 has been completed by the Mendocino County Office of Education (County Office). The District self-certified its 2023-24 Second Interim Report as Positive. After a review of the financial data provided by the District, it appears that the District will meet its financial obligations for the current and two subsequent years. Therefore, the County Office concurs with the District's positive certification.

Second Interim and Multi-Year Projection (MYP)

The District's Second Interim Report MYP projects unrestricted deficit spending of -\$15,706 in 2023-24, -\$216,744 in 2024-25, and -\$119,199 in 2025-26, with the State minimum reserve for economic uncertainty of 4% met in all years. Deficit spending is of concern to the County Office and the elimination of structural deficit spending is critical to maintain required reserve levels. Therefore, we urge the District to review and monitor revenues, expenditures, and fund balances of all funds.

With the District being locally funded (basic aid), it is important to have sufficient reserves in place to support unexpected changes in projected revenues which are uncertain in amount. The County Office reminds the district to align staffing and expenditures to the number of students being served and monitor projections closely.

Collective Bargaining

Based upon the Criteria and Standards, negotiations with all bargaining units in the 2023-24 fiscal year are settled. Because these costs make up the largest portion of the district's budget, any salary and/or benefit increase could adversely impact the fiscal condition of the district. We caution the district to ensure that the costs of any proposed agreement be supported by ongoing revenues to avoid creating or exacerbating structural deficits. Before the district takes any future action on a proposed collective bargaining agreement, Government Code Section 3547.5 requires the district to certify financial projections reflecting the impact of any salary negotiations on the current or two subsequent years.

Summary

Our Office appreciates the preparation and timely submittal of your Second Interim report. A technical review will be communicated to the business office. If you have any questions, please feel free to call me at (707) 467-5034.

Sincerely,

A handwritten signature in blue ink that reads "Heather Rantala". The signature is written in a cursive, flowing style.

Heather Rantala

Assistant Superintendent, Business and Administrative Services

cc:

Catherine Chin, District Business Manager

Nicole H. Glentzer, County Superintendent of Schools

Michelle Ebert, MCOE Director, External Business Services

Jami Vallejo, MCOE District Fiscal Management Advisor