



2240 Old River Road
Ukiah, CA 95482-6156

Ph. (707) 467-5001
Fax (707) 462-0379

NICOLE H. GLENTZER
Superintendent of Schools

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TEAMWORK

September 16, 2024

Warren Galletti, Superintendent
Point Arena Schools
45 Lake St.
Point Arena, CA 95468

Dear Superintendent Galletti,

In accordance with Education Code Section 52070 and 42127, the Mendocino County Superintendent of Schools (County) has reviewed the Point Arena Schools (District) 2024-25 Adopted Budget and Local Control Accountability Plan (LCAP). The District's Adopted Budget was reviewed to determine if it complies with the Criteria and Standards for financial stability and allows the District to meet its financial obligations for the budget and two subsequent years.

The District's Adopted Budget has been analyzed in relation to the Governor's May Revision for the 2024-25 fiscal year, the State's Adopted Budget, and subsequent trailer bills, as well as the County's approval of the District's 2024-25 Local Control and Accountability Plan (LCAP). Based on our analysis, the County has concluded the District has met the necessary requirements and therefore **approves** the District's budget and LCAP as adopted by the Board of Trustees.

State Budget

The 2024-25 Budget Act reflects the ongoing economic uncertainties, but the preservation of funding for education, as seen in the May Revision, is a positive outcome for LEAs. The Governor's strategy to address the significant \$45 billion shortfall involved a combination of approaches, such as the suspension of Prop 98, which allowed for more flexibility in managing the state's fiscal challenges without triggering major cuts to K-14 education funding.

The withdrawal of \$8.4 billion from the Public School System Stabilization Account also helped mitigate the immediate impact on schools, ensuring continuity in critical programs. The deferrals for fiscal years 2023-24 and 2024-25 demonstrate a balancing act—postponing payments to protect near-term budgets while acknowledging that these deferred obligations will need to be addressed in the future.

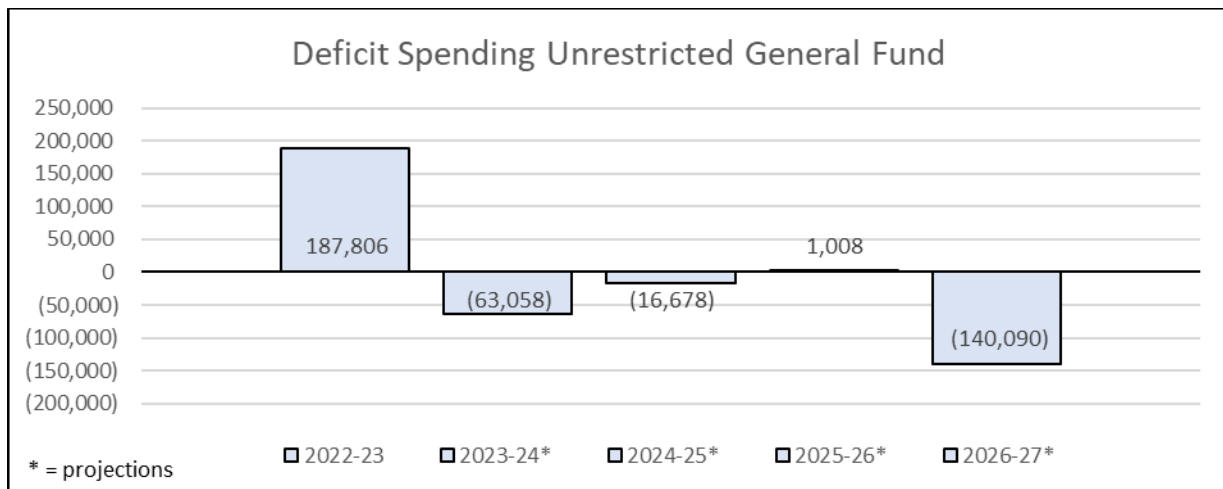
The compromises made highlighted the need for LEAs to remain vigilant, especially regarding long-term fiscal planning.

Adopted Budget

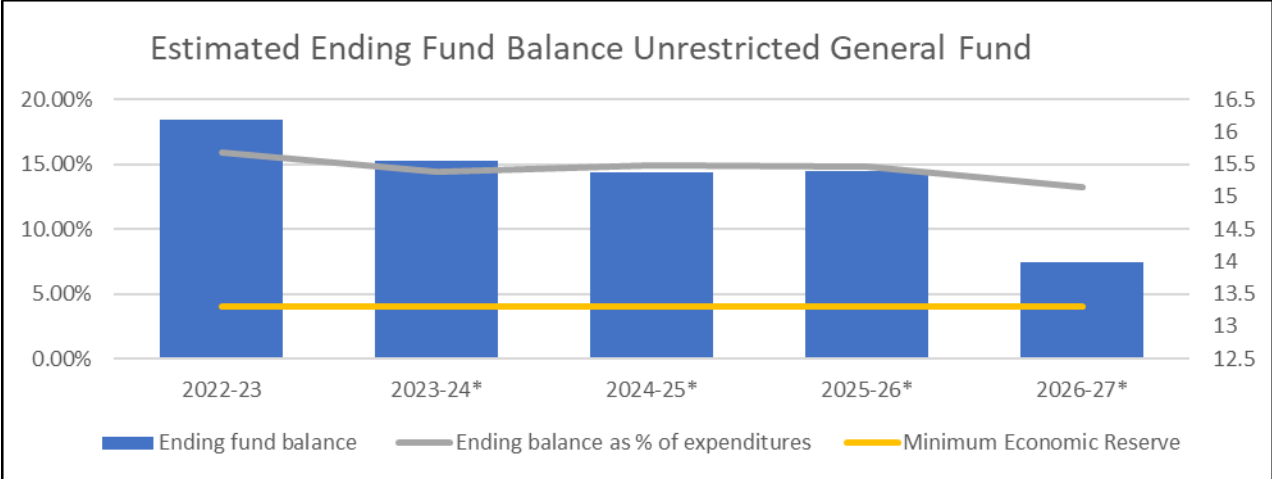
As adopted by the District’s Governing Board, the 2024-25 budget reflects an ending fund balance in the General Fund of \$2,148,527; comprised of \$1,538,175 in unrestricted fund balance and \$610,352 in restricted fund balance. The minimum state reserve level of 4% for a district of your size has been met. In 2024-25, the General Fund reports unrestricted deficit spending of -\$16,678. Even though the District meets minimum reserve requirements, the County Office remains concerned about ongoing deficit spending. Therefore, we urge the District to review and monitor revenues and expenditures, embrace best practices, and budget to live within its means.

The District is projecting an unrestricted ending fund balance of \$1,539,183 in 2025-26 with an increase to fund balance of \$1,008 and \$1,399,093 in 2026-27 with unrestricted deficit spending of -\$140,090. The minimum state reserve was reported as met in both years.

The District’s adopted budget and multi-year projections reflect operating deficits in the unrestricted general fund as displayed in the chart below:



The cumulative impact of this projected deficit spending is a -10% decline in fund balance over the current plus two subsequent years. The following graph displays the District’s estimated unrestricted ending balance in the adopted budget and multi-year projections, with both the stated minimum reserve and the District’s actual reserve as a percentage of total expenditures.



With the District being locally funded (basic aid), it is important to align staffing and expenditures to the number of students being served to ensure financial stability and maintain sufficient reserves. The County reminds the district to regularly review enrollment forecasts, local economic conditions, and other factors that could impact the district’s revenues and expenses.

Collective Bargaining

Based upon the Criteria and Standards, negotiations with all bargaining units in the 2024-25 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 are supported by ongoing revenues to avoid creating or exacerbating structural deficits. Before the District takes any 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.

Charter Schools

As the authorizing agency of Pacific Community Charter School, the District maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance, budgeting, and payroll. Please see Education Code Section 47604.32 for a detailed list of oversight duties.

The District must review the charter budget reports at each cycle: Budget, First Interim, Second Interim, and Unaudited Actuals. It is also the District’s responsibility to transmit these reports to our office by the state-required deadline. Please coordinate with the charter school in advance to ensure all deadlines are met. Should any circumstances arise related to the charter school that would negatively impact the financial condition of the District, please notify this office as soon as possible.

Summary

Our office appreciates the preparation and timely submittal of your Adopted Budget Report. A technical review will be communicated to the business office. The First Interim Report is due to our office no later than December 15, 2024. **Please see the attached for standard reminders.** If you have any questions, please feel free to call me at (707) 467-5034.

Sincerely,



Heather Rantala
Assistant Superintendent, Business and Administrative Services

cc:

Catherine Chin, District Business Manager
Nicole H. Glentzer, County Superintendent of Schools
Dr. Nicole Odelle, Assistant Superintendent, Education Services
Michelle Ebert, Director of External Business Services
Jami Vallejo, MCOE District Fiscal Management Advisor