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NICOLE H. GLENTZER
Superintendent of Schools

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April 14, 2025

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

Dear Superintendent Galletti,

In accordance with Education Code Section 42131, a review of Point Arena School District's (District) Second Interim Report for Fiscal Year 2024-25 has been completed by the Mendocino County Office of Education (County). The District self-certified its 2024-25 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 concurs with the District's positive certification.

State Budget

On January 10, 2025, Governor Gavin Newsom released the proposed State Budget for the 2025–26 fiscal year, outlining a balanced financial plan and reaffirming the state's commitment to key education priorities. These include continued support for the Expanded Learning Opportunities Program and Universal Transitional Kindergarten. The budget includes a projected cost-of-living adjustment (COLA) of 2.43%—a decrease from the 2.93% estimated in the June 2024 Enacted Budget.

The proposal also features one-time funding through the Student Support and Professional Development Discretionary Block Grant (SSPD) and seeks to restore funding to the Learning Recovery Emergency Block Grant, which was previously reduced in the 2023 Budget Act.

Since the budget's release, unexpected developments—such as the recent wildfires in Los Angeles—have added uncertainty to the state's fiscal outlook. In response, tax filing extensions have been granted to impacted residents. Historically, similar delays in tax collections due to natural disasters have contributed to significant budget shortfalls, highlighting the difficulty of accurate revenue forecasting under such conditions.

As economic conditions continue to evolve, state revenue trends will be closely monitored in the months leading up to the 2025-26 State Budget. In the meantime, local education agencies (LEAs) should proceed cautiously—avoiding structural deficits, maintaining sufficient reserves, and prioritizing long-term financial planning to ensure fiscal health and stability.

Second Interim and Multi-Year Projection (MYP)

The District's Second Interim Report MYP projects an increase to the unrestricted ending fund balance of \$141,494 in 2024-25 and unrestricted deficit spending of -\$177,391 in 2025-26 and -\$310,678 in 2026-27, with the State minimum reserve for economic uncertainty of 4% met in all years. Deficit spending is of concern to the County and the elimination of structural deficit spending is critical in order 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, it is important to have sufficient reserves in place to support unexpected changes in projected revenues which are uncertain in amount. The County 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 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 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.

Charter School Reminders

As the authorizing agency of Pacific Community Charter, 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 should continue reviewing the charter budget reports at each cycle: Budget, First Interim, Second Interim, and Unaudited Actuals. It is 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 our office as soon as possible.

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,



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