



September 15, 2025

Warren Galletti, Superintendent
Arena Union Elementary/Point Arena Joint Union High School District
45 Lake Street
Point Arena, CA 95468

Dear Superintendent Galletti,

In accordance with Education Code Section 42127, the Mendocino County Office of Education (MCOE) has reviewed the Arena Union Elementary/Point Arena Joint Union High School District's (District) 2025-26 Adopted Budget 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.

After a thorough analysis of the District's Adopted Budget in relation to the Governor's May Revision for the 2025-26 fiscal year, the State's Adopted Budget, and subsequent trailer bills, as well as MCOE's approval of the District's 2025-26 Local Control and Accountability Plan (LCAP), MCOE has concluded that the District has met the necessary requirements and therefore **approves** the District's budget and LCAP as adopted by the District Board of Trustees (Board).

Local Control Accountability Plan (LCAP)

The County Office has completed a review of the Arena Union Elementary School District and Point Arena Joint Union High School District LCAPs for the 2025-26 fiscal year. Education Code requires the County Superintendent to approve the LCAP for each school district after determining the following:

- The LCAP adheres to the plan template adopted by the State Board of Education
- The budget includes expenditures sufficient to implement the specific actions and strategies in the LCAP.
- The LCAP adheres to the expenditure requirements for funds apportioned based on the number and concentration of unduplicated students pursuant to Sections 42238.02 and 42238.03.

Through the review and oversight process, it has been determined that your district's LCAPs meet the required criteria and therefore approves the district's LCAPs. We commend your district's commitment to developing a comprehensive and compliant plan that is responsive to the needs of your student population.

State Budget

The 2025–26 California Budget Act sustains substantial investment in public education despite broader fiscal constraints. Proposition 98 funding is maintained for TK–12 schools, including a 2.3% cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF). The budget prioritizes educational equity and student well-being through:

- ✦ Expansion of Transitional Kindergarten to all four-year-olds
- ✦ Strengthening of the Expanded Learning Opportunities Program (ELOP)
- ✦ A new \$1.7 billion block grant for student support and professional development
- ✦ Targeted investments in literacy and math coaching, universal meals, and behavioral health

Given evolving economic conditions, state revenues and federal funding levels will continue to be closely monitored. Broader risks to the state budget, such as unpredictable tariffs and trade policies, changes in federal priorities, and potential cost shifts from Washington, D.C., to states, heighten the need for caution. LEAs should avoid structural deficit spending, maintain adequate reserves, and engage in long-term financial planning to ensure fiscal stability.

Adopted Budget

As adopted by the District’s Governing Board, the 2025-26 budget projects an ending fund balance of \$2,339,990, comprised of \$1,883,795 in unrestricted and \$456,196 in restricted reserves. The minimum state reserve level of 4% for a district of your size has been met. The budget reflects an increase in the unrestricted ending balance of \$11,606 in 2025–26.

For the out-years, the District projects:

- ✦ 2026–27: Unrestricted ending fund balance of \$1,774,816 and deficit spending of - \$108,979.
- ✦ 2027–28: Unrestricted ending fund balance of \$1,601,987 and deficit spending of - \$172,829.
- ✦ The minimum state reserve is reported as met in both years.

With the District being locally funded (basic aid), it is essential to align staffing and expenditures to the number of students served to ensure financial stability and maintain sufficient reserves. MCOE 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

According to the Criteria and Standards, negotiations with all bargaining units for the 2025–26 fiscal year are settled. Since compensation-related expenditures constitute the most significant portion of the District’s budget, any increases in salary or benefits must be fully supported by ongoing revenues to avoid creating or exacerbating a structural deficit. Before finalizing any collective bargaining agreements, the District must comply with Government Code Section 3547.5, which requires a public disclosure of the financial impact, including updated projections for the current year and the two subsequent years.

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, 2025. 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 Odell, Assistant Superintendent, Education Services
Jamie Main, MCOE Director, External Business Services
Brandi Burtness, MCOE District Fiscal Management Advisor