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NICOLE H. GLENTZER  
*Superintendent of Schools*

**SERVICE**

**EXCELLENCE**

**INNOVATION**

**TEAMWORK**

January 15, 2026

Warren Galletti, Superintendent  
Arena Union Elementary/Point Arena Joint Union High School District  
PO Box 87  
Point Arena, CA 95468-0087

Dear Superintendent Galletti,

In accordance with Education Code Section 42131, a review of Arena Union Elementary/Point Arena Joint Union High School District's (District) First Interim Report for Fiscal Year 2025-26 has been completed by the Mendocino County Office of Education (County). The District self-certified its 2025-26 First 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**

In its recent report, the Legislative Analyst's Office (LAO) notes that recent state revenue growth, driven mainly by stock market gains associated with artificial intelligence, may be temporary and may not fully reflect broader economic conditions. While revenues have improved, California is projected to face an approximately \$18 billion budget shortfall in 2026-27, with structural deficits increasing to roughly \$35 billion annually in the out-years. Rising program costs, constitutional funding requirements, and the reduced availability of one-time budget solutions continue to place pressure on the state's fiscal position. With inherent uncertainty comes inherent caution. Consequently, districts are encouraged to plan conservatively and avoid making long-term commitments based on uncertain revenue trends.

**First Interim and Multi-Year Projection (MYP)**

The District's First Interim Report MYP projects unrestricted deficit spending of -\$52,950, -\$123,552, and -\$151,320 in 2025-26, 2026-27, and 2027-28 with the State minimum reserve for economic uncertainty of 4% met in all years. Deficit spending is a concern to the County, and eliminating structural deficit spending is critical to maintaining required reserve levels. We recommend the District remain diligent in monitoring its financial position and implement strategies that ensure long-term structural stability.

**Collective Bargaining**

Based upon the Criteria and Standards, negotiations with all bargaining units in the 2025-26 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.

With the District being locally funded, it is vital 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.

**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 First 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  
Jamie Main, MCOE Director, External Business Services  
Brandi Burtness, MCOE District Fiscal Management Advisor