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NICOLE H. GLENTZER
Superintendent of Schools

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September 15, 2026

Warren Galletti, Superintendent
Arena Union Elementary/Point Arena Joint Union High School District
PO Box 87
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) 2026-27 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 2026-27 fiscal year, the State's Adopted Budget, and subsequent trailer bills, as well as MCOE's approval of the District's 2026-27 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 your LCAP for the 2026-27 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 LCAP meets the required criteria and therefore approves the district's LCAP. 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 2026–27 Budget Act increases Proposition 98 funding levels by \$29 billion over a three-year period relative to the previous year, establishing a minimum guarantee of \$128.1 billion for 2026–27. The budget retires prior year maintenance factor obligations, pays off all Proposition 98 funding deferrals, and repays \$1.9 billion in settle-up from the 2024 Budget Act while creating \$3.9 billion in new settle-up for 2025-26. Local Educational Agencies (LEAs) will receive a total Cost-of-Living Adjustment (COLA) of 4.31% for the Local Control Funding Formula (LCFF), which combines a statutory 2.87% base COLA with an additional 1.44% augmentation to support the cost of new employee mandates. Additionally, LEAs receive a \$5 billion one-time discretionary block grant for student support and professional development.

The 2026–27 California Budget Act prioritizes early literacy, early learning, and career pathways by expanding investments in community schools (\$1 billion ongoing) and early childhood planning grants. It provides targeted support for special education by raising the statewide base rate to \$1,340 per ADA. To support the educator workforce, the budget allocates \$408 million for student-teacher stipends and \$250 million for teacher residency programs. Crucially, beginning January 1, 2027, public school employers are mandated to provide up to 14 weeks of paid pregnancy disability leave to employees, supported by the augmented LCFF funding.

Adopted Budget

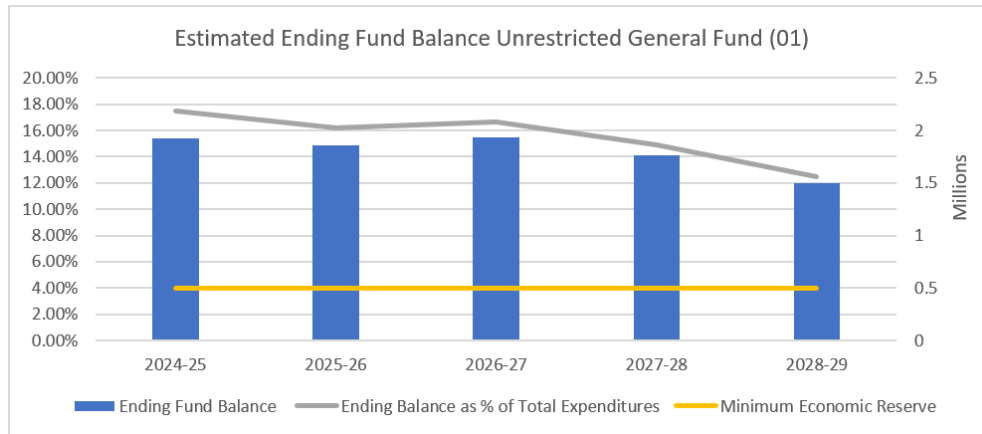
As adopted by the District's Governing Board, the 2026-27 budget, projects an ending fund balance of \$2,535,491, comprised of \$1,932,499 in unrestricted and \$602,992 in restricted reserves. The minimum state reserve level of 4% for a district of your size has been met. The budget reflects an increase in the unrestricted ending balance of \$71,769 in 2026–27.

For the out-years, the District projects:

- 2027–28: Unrestricted ending fund balance of \$1,761,190 and deficit spending of -\$171,309
- 2028–29: Unrestricted ending fund balance of \$1,494,847 and deficit spending of -\$266,342

The minimum state reserve is reported as met in both years.

The cumulative impact of this projected deficit spending is a 20% decline in fund balance from fiscal year 2025-26 to 2028-29. The following graph displays the district's estimated unrestricted ending balance in the Adopted Budget's MYP, with 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 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 2026–27 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.

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 should continue to 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 continue to coordinate with the charter school in advance to ensure all deadlines are met. Should any circumstances related to the charter school that would negatively impact the district’s financial condition arise, please notify our 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, 2026. If you have any questions, please feel free to call me at (707) 467-5034.

Sincerely,

A handwritten signature in cursive script that reads "Heather Raskala".

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

Nora Bertorelli, MCOE District Fiscal Management Advisor