SAN MATEO COUNTY OFFICE OF EDUCATION
Excellence and Equity in Education
Marco Chávez • County Superintendent of Schools

April 13, 2026

Lynda Brocchini
President, Governing Board
Pacifica School District
375 Reina Del Mar Avenue
Pacifica, CA 94044

RE: 2025-26 Second Interim Report

Dear Board President Brocchini:

The San Mateo County Office of Education (SMCOE) has completed its review of Pacifica School District's Second Interim Report for the 2025-26 fiscal year pursuant to Education Code 42130.

On the basis of our review and analysis, the Second Interim Financial Report approved by the Board on March 11, 2026, appears to reflect adequately the financial and budgetary status of the District and is consistent with the state's criteria and standards. The information and assumptions incorporated in the budget appear reasonable.

**The District has submitted a qualified certification which means the District has certified it may not meet its financial obligations for the current or subsequent two fiscal years.**

Based on information known at the time of this report, the County Superintendent concurs with the District's qualified certification with the following comments:

**GENERAL FUND**

The 2025-26 First Interim projected a $293,000 deficit in the General Fund. As of the Second Interim report, the deficit has increased to $672,000 reflecting a net change of approximately $379,000.

Total revenues increased by $1.1 million due to transfers-in from the Special Reserve for Postemployment Benefits Fund (Fund 20) and the Tax Override Fund (Fund 53). All other revenues saw minor adjustments. State revenue projections were revised based on the latest

California Department of Education estimates for the Expanded Learning Opportunities Program and Proposition 28. Local revenue projections were revised to reflect updated parcel tax estimates and higher lease and interest income.

Total expenditures increased by $1.5 million by forecasted increases to legal costs, Special Education contracts expenses and the County Special Education Program Tuition. Classified salaries and benefits decreased due to revised instructional aide cost estimates.

STRS on-behalf entries affecting both revenue and expenditures of $1.2 million were removed from the Second Interim Report and must be recorded at year-end close in accordance with Governmental Accounting Standards Board Statement No. 68 (GASB 68).

## RESERVES

The state-recommended minimum reserve for Pacifica School District is 3% of total General Fund expenditures. The District is projecting approximately $1.37 million in available reserves, or 3.16% of the total General Fund expenditures for 2025-26.

The Special Reserve Fund (Fund 17) accounts for $885,000 of the total available reserves.

## MULTI-YEAR PROJECTIONS (MYP)

Reserves are projected at 3.05% in 2026–27 and 3.08% in 2027–28. This includes the Special Reserve Fund (Fund 17).

Total revenues are expected to decline by $1.34 million in 2026–27 and $2.97 million in 2027–28. LCFF revenues remain flat as cost-of-living increases in the subsequent years are offset due to declining enrollment. Transfers into the General Fund are eliminated in 2026–27. Measure D Parcel Tax revenue is eliminated in 2027–28 due to expiration. $1.8 million in expiring one-time state funds has been removed.

Total expenditures decrease by $2.6 million in 2026–27 and $2.9 million in 2027–28.
For 2026–27, the budget includes a 11 Full-Time-Equivalent (FTE) workforce reduction. Salary costs for both Classified and Certificated staff decline by $880,000. Services and other operating expenses decrease by $1.98 million as the District reduces software subscriptions, legal costs, Non-Public School (NPS) tuition, and County Special Education Program tuition due to aging-out students. Book and supplies costs increased $410,000 due to textbook adoption. For 2027–28, the District projects continued workforce reductions tied to the Measure D parcel tax expiration, driving a $1 million drop in salary costs. Books and supplies decrease by $800,000 due to removal of Student Support Discretionary Block Grant funds. Contracted services expenses continue to decline by $1 million.

The District forecasts $825,000 in additional reductions across the two subsequent years that are not tied to specific expenditures. These reductions are necessary for the District to meet the 3% reserve minimum. The District is advised to develop a clear plan to implement these reductions to maintain reserve levels above the 3% state minimum.

## DEFICIT SPENDING

The multi-year projections show a $453,000 deficit in the Unrestricted General Fund for the current fiscal year, followed by deficits of $160,000 in 2026–27 and $102,000 in 2027–28.

The County Superintendent of Schools advises the District to identify measures to address the operating deficit in the Unrestricted General Fund and strengthen reserves to maintain fiscal stability.

## CASH FLOW

The District submitted cash flow projections for the 2025-26 and 2026-27 fiscal years showing positive balances each month. The projected ending cash balance is $4.8 million for 2025-26 and $4.1 million for 2026-27.

## OTHER FUNDS

The District maintains positive balances across all funds. Below is a summary of funds with notable changes in the 2025-26 First Interim Report.

Building Fund (Fund 21): Total expenditures increased by $1.8 million as the District continues Workforce Housing Project.

County School Facilities Fund (Fund 35): $2.6 million revenues received to reimburse Fund 21 Expenditures.

There are no other significant changes in other District funds.

## SALARY NEGOTIATIONS

The District has not settled negotiations with the certificated and classified bargaining units for the current year.

In accordance with Government Code *3547.5* and Assembly Bill *2756*, the District must provide the County Office of Education with an analysis of cost and impact on the operating budget of the proposed salary settlement. The District is also required to submit the following documents reflecting the financial impact:

1) Disclosure of Collective Bargaining Agreement ten (10) days before the Governing Board acts on any tentative collective bargaining agreement (requires the signatures of the Superintendent and the Chief Business Official.
2) Multi-year spreadsheet reflecting the current and two subsequent fiscal years.
3) Budget revisions (if necessary, must be posted to the financial system prior to processing a salary settlement on the payroll system).

The County Superintendent recommends the District conduct a thorough pre-settlement analysis of any proposed collective bargaining agreement especially for multi-year contracts to make sure the District can sustain related costs and avoid the risk of insolvency.

## AUDIT REPORT

As of the date of this letter, the County Office has not received Pacifica's 2024-25 Audit Report.

## PARCEL TAX EXPIRATION

The District's existing parcel tax, Measure D, which generates $118 per parcel or approximately $1.2 million in revenues, will expire June 2027. Measure D funds are removed from the multi-year projections in 2027-28. The District passed a new parcel tax (Measure EE) in November of 2024. Measure EE generates $98 per parcel which would raise approximately $1.1 million annually and disbursements have started in 2025-26.

## CONTINUED RELIANCE ON TRANSFERS INTO GENERAL FUND

As of the Second Interim Report, the District included $1 million in additional one-time transfers to support General Fund obligations. The General Fund continues to face increased fiscal pressure in the current budget year.

## LACK OF GOING CONCERN

On February 18, 2026, the County Office of Education (COE) issued a Lack of Going Concern letter to Pacifica School District. The COE has assigned a fiscal expert to the District and requires monthly fiscal meetings with the COE's advisors. The District will provide the COE with a Fiscal Stabilization Plan for the 2026–27 Adopted Budget outlining its efforts to address necessary reductions to maintain fiscal solvency.

## THIRD INTERIM

As a qualified district, the District must comply with **Education Code §42131**, which requires updated financial reporting when a district cannot certify its ability to meet obligations. The

District must submit updated projections through April 30, **due June 1**, demonstrating its ability to meet fiscal obligations for the current and two subsequent years.

We appreciate the cooperation and assistance provided by the District during the review process. If you have any questions, please feel free to contact me at 650.802.5511 or kbultema@smcoe.org.

Sincerely,



Kevin J. Bultema
Deputy Superintendent, Business Services Division

Enclosures

c: Carisa Bowman, Superintendent, Pacifica SD
Stacy Stauffer, Interim Director of Finance, Pacifica SD
Macro Chavez, Superintendent of Schools, SMCOE
Dhanya Unni, Executive Director, District Business Services, SMCOE