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

September 15, 2026

Dave Meyrovich, President, Governing Board
La Honda-Pescadero Unified School District
360 Butano Cutoff
Pescadero, CA, 94060-0189

RE: 2026-27 Adopted Budget

Dear Board President Meyrovich:

The San Mateo County Office of Education (SMCOE) has completed its review of La Honda-Pescadero Unified School District's Local Control and Accountability Plan (LCAP) and Adopted Budget for the 2026-27 fiscal year pursuant to Education Codes *42127* and *52070*.

A. LOCAL CONTROL ACCOUNTABILITY PLAN (LCAP)

The County Superintendent is required to approve the District's LCAP if it is determined that the following criteria have been met:

- The LCAP adheres to the template adopted by the State Board of Education (EC 52064)
- The budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP
- The LCAP adheres to the expenditure requirements for funds apportioned on the basis of the number and concentration of unduplicated pupils (EC *42238.02* and *42238.03*)
- The LCAP includes the required calculations to determine whether there is a carryover requirement, and if applicable, includes a description of the planned uses of the specific funds and a description of how the planned uses are to be considered as contributing towards meeting the increased or improved services requirement {(*EC 52070(d)(4)*}

The San Mateo County Superintendent of Schools has approved your Local Control Accountability Plan for the 2026-27 school year, pursuant to Education Code (EC) Section

***52070.5(d)*. California Education Code requires the County Superintendent to review and approve the LCAP prior to the approval of the LEA's adopted budget per EC Section *42127(2)*. Your board approved LCAP will be posted on the SMCOE website.**

B. ADOPTED BUDGET

In accordance with Education Code Section 42127, the County Superintendent of Schools has examined the Adopted Budget of La Honda-Pescadero Unified (the District) for fiscal year 2026-27 to determine if it complies with the criteria and standards adopted by the State Board of Education, allows the District to meet its financial obligations during the fiscal year, and is consistent with a financial plan that will allow the District to meet its multi-year financial commitments.

The County Office's review and analysis confirms that the 2026-27 Budget, adopted by the Governing Board on June 18, 2026, meets the requirements outlined in Education Code 42127(c).

The San Mateo County Office of Education **approves** La Honda-Pescadero Unified School District's 2026-27 Adopted Budget with the following comments:

The 2026-27 Adopted Budget shows a net decrease of $584,000 in the General Fund Balance. Compared to 2025-26 Estimated Actuals, deficit spending has increased by $16,000.

Total revenues increased by $80,000, primarily due to a 4.9% or $288,000 increase in projected property tax revenues and a 29.1% or $210,000 increase largely in Student Support and Professional Development Discretionary Block Grant (SSPDBG). These increases were largely offset by a 30% or $359,000 decrease in one-time local grant revenues.

Total expenditures increased by $84,000. Salaries and benefits increased by 13.3% or $365,000 to reflect step and column adjustments and longevity increases. This increase was largely offset by a 58.7% or $244,000 decrease in supplies and 3.4% or $31,000 decrease in services due to the removal of one-time grants.

RESERVES

The state-recommended minimum reserve for La Honda-Pescadero Unified School District is 5.00% of total General Fund expenditures and Transfers Out. The District is projecting approximately $537,000 in available reserves or 6.17% of the total General Fund expenditures for 2026-27. This includes the fund balance from Special Reserve Fund for Other Than Capital Outlay (Fund 17).

MULTI-YEAR PROJECTIONS (MYP)

Reserves are expected to decrease to 5.71% in 2027-28 and increase to 6.70% in 2028-29. This projection includes the fund balance from Special Reserve Fund for Other Than Capital Outlay (Fund 17).

The County Office notes that the District has included a $217,000 reduction in the 2027-28 Unrestricted Other Adjustments to decrease 1.65 FTE Classified and 0.5 FTE Classified

Management staff. The District must work to implement the adjustments to maintain the required minimum reserves.

Total revenues are projected to decrease by $397,000 in 2027-28 and $84,000 in 2028-29. Property taxes are projected to increase 4% annually over the next two years. Federal revenue is projected to remain flat. One-time state and local revenues are removed from projections in 2027-28. Local revenue shows a decrease of $306,000 in 2028-29 to reflect the removal of The Big Lift grant.

Total expenditures are projected to decrease by $803,000 in 2027-28 and $14,000 in 2028-29. Salaries and benefits are projected to decrease by $777,000 in 2027-28 and $44,000 in 2028-29 to reflect the reduction in staff due to the removal of positions funded with one-time funds. All other operating costs are budgeted relatively flat and adjusted to reflect removal of one-time funding and estimated increases in fuel/energy costs.

DEFICIT SPENDING

The multi-year projections show an operating deficit of $332,000 in the Unrestricted General Fund for 2026-27 followed by surpluses of $44,000 in 2027-28 and $192,000 in 2028-29.

The County Office recommends the District to closely monitor the budget to ensure the projected out-year surpluses materialize and structural balance is maintained.

CASH FLOW

The District submitted cash flow projections for 2026-27 and 2027-28 showing negative cash balances in the months of November 2026-27, and September through November 2027-28 in the General Fund. Negative cash balances will be covered with cash in other funds.

The projected year-end cash balances are approximately $1.1 million in 2026-27 and $846,000 in 2027-28.

The County Superintendent advises the district to review cash balances across all funds monthly to ensure they remain positive. The San Mateo County Controller's Office allows a negative balance in any fund only if the total district-wide cash balance is positive.

The District is reminded that the San Mateo County Controller's Office does not allow negative cash balances in any account at the end of the fiscal year.

OTHER FUNDS

The District maintains positive fund balances across all other funds. Below is a summary of funds with notable changes in the 2026-27 Adopted Budget.

Building Fund (Fund 21) – Revenues are projected to decrease by 45.7% or $140,000 due to projected lower interest income. Services and other operating expenditures are adjusted accordingly.

There are no other significant changes in other District funds from the 2025-26 Estimated Actuals to the 2026-27 Adopted Budget report.

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.

We commend the work done by the Board and district staff to develop this year's LCAP and Budget. Please contact us if you have any questions about our review of your district's 2026-27 LCAP or Budget.

Sincerely,

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Enclosures

c: Michelle Ross, Superintendent, La Honda-Pescadero Unified School District
Lisa Gonzales, Chief Business Official, La Honda-Pescadero Unified School District
Dhanya Unni, Executive Director, District Business Services, SMCOE
Joy Dardenelle, Executive Director, Systems for District Improvement, SMCOE