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

September 15, 2026

Laverne Villalobos
President, Governing Board
Pacifica Elementary School District
411 Oceana Blvd
Pacifica, CA, 94044-3052

RE: 2026-27 Adopted Budget

Dear Board President Brocchini:

The San Mateo County Office of Education (SMCOE) has completed its review of Pacifica Elementary 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 Pacifica Elementary (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.

Based on the County Office's review, the Adopted Budget and Multi-Year Projection (MYP) do not adequately reflect the District's most current financial assumptions and available information. Given the District's fiscal condition and Lack of Going Concern determination, the County Office is **unable to conclude** that the Adopted Budget provides sufficient assurance that the District will be able to meet its financial obligations during the current and subsequent two fiscal years.

Accordingly, the San Mateo County Office of Education **conditionally approves** Pacifica School District's 2026–27 Adopted Budget, subject to the following conditions:

1. Revise the 2026-27 budget projections ensuring the district will maintain the economic reserve requirements in current and subsequent years.

2. Revise the 2025–26 Estimated Actuals to reflect the latest end-of-year projections.

3. Update the Multi-Year Projections to reflect the Board-approved fiscal stabilization plan.

The District must address these conditions in a Budget Revision and hold a public hearing of the Budget along with the LCAP. In a subsequent Board meeting, the District must adopt the revised Budget by September 30, 2026. These conditions must be met for the 2026–27 Adopted Budget to receive full approval from the San Mateo County Office of Education.

Our review of the 2026–27 Adopted Budget was completed with the following comments:

GENERAL FUND

The 2026-27 Adopted Budget shows a $940,000 decrease in the General Fund balance. Compared to the 2025-26 Estimated Actuals, deficit spending has decreased by $184,000.

Total revenues increased by $2.9 million, primarily due to projected increases in LCFF revenues resulting from cost-of-living adjustments and one-time state revenues included in the May Revision.

Total expenditures increased by $1.6 million, primarily due to a $1.8 million increase in salaries and benefits resulting from negotiated 3% salary increases for 2025-26 and 2026-27. All other expenditures decreased by $200,000 primarily due to Special Education students aging out of the County Program and reductions in contract services.

Transfers into the General Fund decreased by $1 million, as one-time transfers were needed to meet general obligations in 2025-26. Transfers out increased by $100,000 to support Food Services and the Routine Restricted Maintenance Account (RRMA).

STRS on-behalf entries affecting both revenues and expenditures, totaling $1.2 million, had been removed at 2025-26 Second Interim and remain removed in 2025-26 Estimated Actuals. These transactions 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 Elementary School District is 3.00% of total General Fund expenditures and Transfers Out. The District is projecting approximately $716,820 in available reserves or 1.57% of the total General Fund expenditures for 2026-27, which is less than the required minimum reserve. This includes the Special Reserve Fund (Fund 17).

MULTI-YEAR PROJECTIONS (MYP)

Reserves are expected to fall to -4.02% in 2027-28 and -9.57% in 2028-29. This projection includes the Special Reserve Fund (Fund 17).

Total revenues are projected to decrease $3.9 million in 2027-28 and increase $500,000 in 2028-29. LCFF revenues are projected to grow an average of 1% or $420,000 in both outyears. In 2027-28, state and local revenues decreased by $4 million due to the removal of one-time state funds and expiring parcel taxes.

Total expenditures are projected to decrease by $1.4 million in 2027-28 and $760,000 in 2028-29. In both outyears, the budget includes step-and-column adjustments of approximately 1% and projected increases in benefit costs due to rising pension costs. In 2027-28, salaries and benefits are projected to decrease by $800,000 due to the removal of positions funded by parcel tax revenues. Services and other operating expenditures are projected to decrease by $1.0 million, reflecting reductions in legal fees and contract services. In 2028-29, books and supplies and services and other operating expenditures are projected to decrease by $1.23 million due to the removal of one-time expenditures.

DEFICIT SPENDING

The multi-year projections show an operating deficit of $717,000 in the Unrestricted General Fund for 2026-27 followed by a deficit of $2.5 million in 2027-28 and a deficit of $2.4 million in 2028-29.

CASH FLOW

The District submitted cash flow projections for 2026-27 and 2027-28 showing negative cash balances in the months of October, November, and January through May in 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 $3.7 million in 2026-27 and $390,000 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.

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 finalized salary negotiations with the classified bargaining unit for a 3% salary increase, which is included in the Adopted Budget. Negotiations with the certificated bargaining unit remain unsettled.

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.

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

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