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

September 15, 2026

Sarah Johnson Kinahan, President, Governing Board
San Carlos Elementary School District
1200 Industrial Rd, Unit 9
San Carlos, CA, 94070-3802

RE: 2026-27 Adopted Budget

Dear Board President Kinahan:

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

The County Office's review and analysis confirms that the 2026-27 Budget, adopted by the Governing Board on June 11, 2026, meets the requirements outlined in Education Code 42127(c).

The San Mateo County Office of Education **approves** San Carlos Elementary School District's 2026-27 Adopted Budget with the following comments:

The 2026-27 Adopted Budget shows an increase of $530,000 in the General Fund Balance.

Total revenues increased by $418,000. Local Control Funding Formula (LCFF) revenue sources increased by 5.9% or $2.3 million due to higher funded Average Daily Attendance (ADA) and cost-of-living adjustment. Federal, other state, and local revenues decreased by $1.8 million mainly due to the elimination of one-time funds and prior year carryover.

Total expenditures increased by $2.2 million. Salaries and benefits expenditures increased by $3.7 million due to higher substitute costs for paid pregnancy disability leave, step and column adjustments, and increase in Other Postemployment Benefits (OPEB) liability costs. Books and supplies, other operating expenses, and capital outlay are projected to be reduced by $1.3 million due to the removal of expenses associated with one-time funds and carryover.

RESERVES

The state-recommended minimum reserve for San Carlos Elementary School District is 3.00% of total General Fund expenditures and Transfers Out. The District is projecting approximately $1.7 million in available reserves or 3.02% of the total General Fund expenditures for 2026-27.

The Special Reserve Fund for Other Than Capital Outlay (Fund 17) has an assigned fund balance of $2.8 million which was not included in the calculation of total available reserves.

MULTI-YEAR PROJECTIONS (MYP)

Reserves are expected to be maintained at 3.00% in 2027-28 and 2028-29.

Total revenues are projected to increase by $1.5 million in 2027-28 followed by a decrease of $1.4 million in 2028-29. Local Control Funding Formula (LCFF) revenue sources are projected to increase by 4.4% or $1.1 million in 2027-28 and 2.42% or $1 million in 2028-29. Federal and other state revenues are expected to remain relatively flat. In 2028-29, local revenues are projected to decrease by 29.74% or $3 million due to the expiration of a parcel tax. Additionally,

the District plans to transfer $591,000 from the Special Reserve Fund for Postemployment Benefits (Fund 20).

Total expenditures are projected to increase by $2.63 million in 2027-28 and $2.62 million in 2028-29. Salaries and benefits are expected to increase an average of $1.9 million in the subsequent two years due to a 2% step and column adjustment, substitute costs for paid pregnancy disability leave, and rising OPEB liability costs. Books and supplies, services and other operating expenditures are expected to increase based on Consumer Price Index (CPI) in the subsequent years with no changes to Other Outgo.

DEFICIT SPENDING

The multi-year projections show an operating surplus of $1.1 million in the Unrestricted General Fund for 2026-27 followed by deficits of $523,000 in 2027-28 and $3.7 million in 2028-29.

CASH FLOW

The District submitted cash flow projections for the General Fund showing positive cash balances for each month in the current and subsequent fiscal year. The beginning balance was understated by $8 million.

The projected year-end cash balances are approximately $10 million in 2026-27 and $9.5 million in 2027-28.

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 increased by 21.4% or $300,000 due to higher interest income. Expenditures decreased by 24.6% or $11.8 million primarily in capital outlay as outlined in the facility master plan.

Enterprise Fund (Fund 63) – The District anticipates revenues from fee-based preschool programs increasing by 9.2% or $610,000. Expenditures are increased by 4.9% or $245,000 primarily in salaries and benefits.

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.

CHARTER SCHOOL

The District is the authorizing agency for San Carlos Learning Center.

As the authorizing agency, the District maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance reporting, budgeting, and payroll.

As an authorizing agency, the District must continue to closely monitor the charter school's Local Control Accountability Plan and budget to ensure that sufficient funds are maintained to support all goals, actions and services included in the LCAP for 2026-27.

Should any circumstances arise related to the charter school that would negatively impact the financial condition of the District, please notify the County Office of Education as soon as possible.
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

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Chris Escoto, Director of Business Services, San Carlos Elementary School District
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