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

October 20, 2026

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

RE: 2026-27 Revised Adopted Budget

Dear Board President Villalobos:

As stated in our letter dated September 15, 2026, the San Mateo County Office of Education (SMCOE) conditionally approved the Pacifica School District's 2026-27 Adopted Budget contingent on 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 SMCOE has reviewed the 2026-27 Revised Adopted Budget approved by the District Board on September 30, 2026, and finds that the District has satisfied all three conditions.

Consequently, the County Office of Education approves the District's 2026-27 Revised Adopted Budget, and the "lack of going concern" designation issued on February 26, 2026 is no longer in effect. However, significant risk factors remain, such as ongoing deficit spending, unsettled salary negotiations, and the critical need for implementing the Fiscal Stabilization Plan.

The County Office of Education offers the following comments based on our review:

The District is projected to meet the required minimum 3% reserve in 2026-27, 2027-28 and 2028-29. Reserves are 5.44%, 5.51% and 4.70%. These totals include the Special Reserve Fund (Fund 17), which accounts for approximately 2.6 to 3.0 percentage points each year. The District has satisfied the first condition.

The Revised Adopted Budget approved on September 30, 2026, updates the 2025-26 Estimated Actuals to reflect 2025-26 Unaudited Actuals. The General Fund ending balance improved $1.4 million. The reserve percentage rose from an estimated 3.7% to 6.7% including Fund 17. The District has satisfied the second condition.

The Board approved the District's Fiscal Stabilization Plan on June 24, 2026 and updated it on September 30, 2026. The Plan sets ongoing reductions to eliminate the structural deficit. It identifies $700,000 in books, supplies and services reductions in 2026-27 and $1,785,399 for 13.0 full-time equivalent (FTE) positions in 2027-28. Accumulated reductions reach $2.4 million by 2028-29. The Plan also addresses the Measure D parcel tax ($1,254,725) that expires June 30, 2027. Measure D funds approximately 9 FTE and Outdoor Education, and the Plan includes a contingency should the tax not be renewed. The District notes that the Superintendent and Cabinet will work with the Budget Collaborative to finalize the reductions, subject to Board approval.

The revised Multi-Year Projections (MYP) reflect the Stabilization Plan beginning in 2027-28. The District's assumptions eliminate 13.0 FTE (4.0 management, 4.0 teachers and 5.0 classified), reducing salaries by $1.26 million. The Plan's $700,000 in books, supplies, equipment and legal costs appears in 2027-28, one year after the Plan's 2026-27 target. The MYP follows the Plan's Measure D contingency. It removes $1.25 million in parcel tax revenue and eliminates the counselor, library media technician and Outdoor Education costs funded by the parcel tax. The District has satisfied the third condition.

Combined total expenditures decrease $4.0 million in 2027-28 and a further $0.9 million in 2028-29. Restricted programs account for the entire decrease as one-time state grants end and the Measure D parcel tax expires. Unrestricted expenditures rise $26,504 in 2027-28. Approximately $2.3 million of costs shift from restricted resources to unrestricted as one-time funds expire and Measure D ends. Salary and operating cost growth adds about $0.5 million. These increases of about $2.8 million offset the Stabilization Plan's reductions in the Unrestricted General Fund. The MYP shows no new Stabilization Plan reductions in 2028-29.

DEFICIT SPENDING

The Stabilization Plan's reductions hold unrestricted expenditures steady but do not eliminate deficit spending. The unrestricted General Fund continues to deficit spend in each year, by approximately $332,000 in 2026-27, $165,000 in 2027-28 and $428,000 in 2028-29. The cumulative deficit is $924,000. Unrestricted fund balance declines from $1.29 million at the end of 2026-27 to $0.70 million at the end of 2028-29.

SALARY NEGOTIATIONS

The District has settled with the classified bargaining unit for a 3% salary increase in 2026-27. Negotiations with the certificated unit remain open except for an agreement on salary schedule placement. Under the agreement, certificated members move up the salary schedule to the step

matching their total qualifying years of experience, with no cap on prior years. Changes are prospective only. Unrepresented employees remain unsettled for 2025-26 and 2026-27.

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.

The County Office appreciates the District's work on the revised budget and the Fiscal Stabilization Plan and the progress made in restoring reserves. We will continue to partner with the District as it implements the Plan and will monitor its fiscal condition through First Interim.

Sincerely,



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Enclosures

c: Carisa Bowman, Ed.D., Superintendent, Pacifica Elementary School District
Chuck Neidhoefer, Chief Business Official, Pacifica Elementary School District
Dhanya Unni, Executive Director, District Business Services, SMCOE