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Members of the Board of Education
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Directors:

Attached is the Second Quarter Financial Report for fiscal year (FY) 2020/2021. This report includes cash management, investment and comparative analysis schedules for the General Fund, as well as narrative and comparative schedules for all other district funds. The appendices include staffing reports, performance indicators and a guide to understanding the content within the General Fund expense descriptions.

The 2020/2021 Revised Budget was adopted by the Board of Education on November 5, 2020, changes from the previously adopted budget included an additional 3 percent one time stipend to all bargaining groups and a $1.1 million on-going level change for the Jefferson County Education Association (JCEA).

This year's enrollment loss was significantly greater than what was budgeted due to unforeseen impacts of COVID-19. On January 15, 2021, the Governor's Office submitted a proposal for a mid-year supplemental budget request for School Finance payments to districts. This supplemental incorporates the actual student counts and assessed valuation information. Additionally, the request included a decrease of the budget stabilization factor by $121 million and an increase to per pupil funding for all districts by $44 on average. This supplemental request is to compensate for the decline in enrollment counts and decreased local share due to lower property assessments. District staff is evaluating the potential impacts to the current year budget.

District leadership continues to monitor the impacts related to COVID-19 and the unforeseen strains on the current year budget. The district continues to evaluate all additional revenue sources to soften the impacts to the current year budget that are specifically related to COVID-19. Although the supplemental budget for the current year and second round of emergency federal funds are helpful, the district still anticipates a large budget shortfall that will require substantial budget reductions in the coming years.

Following are the first quarter-end (unaudited) financial results by fund:

Jefferson County Public School
Top Level Summary by Fund
Quarter End – December 31, 2020

	Revenue /Transfers	2019/2020 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2019/2020 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	$ 177,505,749	23.23%	$ 371,649,713	46.10%	(194,143,964)	$(16,121,050)
Debt Service Fund	39,961,254	54.20%	98,976,575	134.24%	(59,015,321)	17,536,186
Capital Reserve Fund	12,458,807	47.26%	3,887,305	73.27%	8,571,502	53,071,777
Building Fund 2018	188,427	5.37%	98,732,328	44.09%	(98,543,901)	134,079,948
Building Fund 2020A	308,819,148	<100%	1,293,367	<100%	307,525,781	307,525,781
Grants Fund	43,016,688	45.06%	38,457,138	41.17%	4,559,550	16,477,893
Food Services Fund	5,669,490	22.11%	8,580,706	32.54%	(2,911,216)	2,162,954
Campus Activity Fund	5,986,583	21.62%	6,459,906	24.15%	(473,323)	11,926,909
Transportation	15,846,400	54.45%	10,026,259	34.45%	5,820,141	6,476,570
Child Care Fund	5,899,759	25.01%	7,517,112	35.47%	(1,617,353)	2,667,583
Property Management Fund	416,563	15.08%	582,894	19.56%	(166,331)	5,685,773
Central Services Fund	853,139	24.38%	1,201,284	34.50%	(348,145)	1,434,718
Employee Benefits Fund	3,179,654	46.71%	3,764,421	51.51%	(584,767)	10,944,943
Insurance Reserve Fund	4,331,505	50.06%	4,354,436	41.71%	(22,931)	4,150,014
Technology Fund	15,773,163	52.32%	16,484,866	48.12%	(711,703)	10,622,185
Charter Schools	53,833,930	61.53%	53,709,263	57.44%	124,667	39,063,576

Cash Management (pages 1–3):

- Cash balances ended the quarter at $251 million; this is an increase of $45 million over the prior year balance. Cash receipts are down from a decrease in the state share equalization, school-based fees including Child Care, investments and other fees such as Transportation and Athletics.
- Cash disbursements are down from prior year due to conservative spending at schools and a decline in costs related to Food Services, student activities, transportation costs and copier costs. Capital Reserve projects are down compared to prior year based on a shift in work from Capital to the Building Fund.
- Cash balances are monitored daily to ensure they are adequate to cover the cash flow low point in February/March until property taxes are received in the spring. Specific ownership tax collection and delinquent property taxes will continue to be monitored due to the pandemic.

General Fund (pages 4–12):

- General Fund revenues ended the quarter $25.3 million below the prior year. The biggest impact to these revenues is related to state share equalization which declined by $25.5 million for the quarter due to a decrease in per pupil funding. Delinquent property tax revenues increased by $3.37 million over the prior year. Due to changes related to the pandemic, the fund also experienced reductions in revenues for high school parking fees, gate receipts, Outdoor Lab fees and registration fees for technology.

- General Fund expenditures ended the quarter at 46 percent of budget. Total expenditures were lower than previous year, primarily due to lower student costs and reduced staff hours due to COVID-19.
- Fund balance for the General Fund ended the quarter close to $(16.1) million. This amount is better than prior year for the same quarter.

Debt Service Fund/Capital Reserve Fund (pages 13–16):

- The Debt Service Fund is below 2 percent of budget for revenues in the second quarter due to property tax not being collected until the spring. Interest and principal payments on the general obligation (GO) debt were made in December 2020. Also in December, the district entered into a $38.9 million bond refunding to refinance a portion of the 2012 GO bonds. The refinancing will lower the annual debt service by approximately $410,000 per year through 2025. Net present value savings achieved is over $2 million, or 5.71 percent of refinanced par amount, within the policy DC. A supplemental budget will be needed in the spring.
- Capital Reserve Fund ended the quarter with a net income of about $8.6 million. Revenues are down over the prior year due to the sale of Hoyt Street for $2.2 million. Expenditures are at 73 percent of plan due to the principal and interest payments in December on the certificates of participation. The fund ended the quarter with adequate fund balance of over $53 million.
- Building Fund/Capital Projects Fund 2018 was created with the issuance of $376 million from 2018 Series GO bond proceeds; $50 million of that is premium. Spending began in January 2019. Current year interest revenues are running below plan. Expenditures are tracking at 44 percent of plan with a spenddown in fund balance of $98.5 million. Work will increase in the spring due to normal slow down for weather and building occupancy.
- Building Fund/Capital Projects Fund 2020A was created with the issuance of $308.8 million from 2020A Series GO bond proceeds; $68.3 million of that is premium. A supplemental budget will be needed.

Grants Fund/Food Services Fund/Campus Activity Fund/Transportation Fund (pages 17–21):

- Activity in the Grants Fund changes from year-to-year with grants ending, new grants received, and changes in awards. Both revenues and expenditures are higher than the prior year due primarily to funding from the CARES Act. Upon receipt of these funds, the district spent about $15 million of the proceeds in FY2020 and have continued to spend over $22 million during the first half of FY2021 to prepare for remote learning, restart planning, and the purchase of personal protective equipment (PPE).
- The Food Services Fund ended the quarter with a net loss of $2.9 million compared to a net loss last year of $389,084. The fund continues to experience a significant drop in revenues due to COVID-19 despite the fact that the USDA extended their program to allow all children to eat at no charge through the end of the school year. This fund will need a General Fund transfer to support the loss of revenue.
- Campus Activity Fund has a decrease in both revenues and expenditures this year due to changes related to activities and fees as a result of the current pandemic. Due to remote learning, some fees and expenses will not happen this year, and the Outdoor Lab model was also scaled back considerably. The fund continues to have strong reserves with close to $12.4 million at the end of the quarter.

- Transportation Fund revenues ended the quarter above the budgeted benchmarks for revenues with the receipt of state transportation revenues in the second quarter. Expenses are below the budgeted benchmark due in part to decreased activities and transitions to remote only learning. Currently, fees for student transportation are not being assessed which has contributed to the overall decline in revenues compared to prior years.

Enterprise Funds (pages 22–24):

- The Child Care Fund had a net loss of $1.6 million for the quarter compared to last year's net income of $1.5 million. Preschool experienced a significant drop in revenues with a decrease in overall enrollment and several students shifting to a remote learning option. School Age Enrichment (SAE) did not operate over the summer and has had a decline in enrollment and operating days which accounts for their decline in revenues and expenditures. SAE did open two additional programs this year. The fund ended the quarter with just under $2.7 million in reserves; however, due to the significant spend down of reserves in the first half of the year, this fund will be monitored closely, and it is anticipated that a General Fund transfer will be needed to absorb the significant loss due to COVID-19.
- The Property Management Fund ended the quarter with a net loss of $166,331. Building rental revenues and expenditures are down compared to the same quarter last year as a result of prohibiting indoor facility rentals due to COVID-19 restrictions throughout the first half of the fiscal year. Transfers are also down due to the significant drop in revenue.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with a net loss of $348,145. Due to the pandemic, copier utilization in schools continues to trend lower than budget. Expenditures are down over the prior year and tracking under 35 percent due to lower supply costs for small copiers, paper and toner. The fund balance at the end of the quarter is $1.4 million. The fund will continue to be monitored throughout FY 2020/2021.
- The Employee Benefits Fund ended the quarter with a net loss of $584,767. Expenditures are slightly higher above plan for dental and vision claims. Revenues are tracking slightly higher than the prior year. Current reserves in the fund are at $10.9 million.
- The Insurance Reserve Fund had a net loss of $22,931 for the quarter. As expected, premium costs have increased over the prior year. In order to offset this cost, a budgeted increase to the operating transfer line from the General Fund was adopted for FY 2020/2021. The fund did see a decrease in claims expenses for the quarter. The fund ended the quarter with reserves of $4.1 million.
- The Technology Fund ended the quarter with a net loss of $711,703. Revenues are trending higher than the prior year due to increases in E-Rate and infrastructure support revenues. Expenses for the year are at the 48 percent benchmark and running higher than the prior year for supply purchases related to wireless access points. The fund is planning to spend down reserves during FY 2020/2021 and ended the quarter with reserves of about $10.6 million.

Charter Schools Fund (pages 30–32):

- The district has 16 charter schools.
- All charter schools have positive cash flow for the quarter.
- The Colorado Department of Education (CDE) and State Board of Education has approved the daily tuition rate for Rocky Mountain Deaf School.

- Montessori Peaks refinanced their 2006 bonds in September and issued 2020 bonds for $5.9 million.
- Collegiate Academy refinanced their 2005 bonds in December and issued 2020 bonds for $4.2 million.

ON THE RADAR

In addition to the attached reports, following is an update on processes, system improvements and current issues in finance:

Facilities Update

The addition and renovation of Alameda International Jr./Sr. HS is under construction, and the auditorium renovation is complete. Interior work at Columbine and Green Mountain HS is complete and construction of auxiliary gymnasiums at both sites is continuing; Green Mountain HS is scheduled for completion in April with Columbine HS in July. Conifer HS interior work is complete; the auxiliary gym is nearing completion with the project scheduled to be complete in April. Kendrick Lakes ES replacement will be turned over to the district in mid-February; demolition of the existing building and reclamation of the site to be complete in August. The addition and renovation to Wilmot ES is complete. Construction of artificial turf and all-weather tracks are complete at Arvada West, Columbine, Pomona, Standley Lake, Green Mountain and Golden HSs.

Projects that have started or continue construction in the second quarter include Alameda International Jr./Sr. HS, Jefferson HS addition/renovation, Warren Tech South, Bell MS, Manning MS, Wayne Carle MS, Parmalee ES and Lumberg ES additions/renovations. Numerous projects are in design and will be bid in the third quarter, including: Marshdale and Prospect Valley ESs replacements; Pomona, Ralston Valley and Standley Lake HSs additions and renovations; Powderhorn ES addition/renovation; Evergreen HS, Evergreen MS renovations; 21 Efficiency & Future Ready projects; ten playgrounds; six HVAC; six flooring; roofing three sites; artificial turf and or track at four sites; and furniture/equipment replacement at 14 sites. Interior cameras, safety glass replacement, and fire alarm replacements at multiple schools are continuing or have been completed.

2020/2021 Budget Development

In November, the first of two 1.5 percent stipends was paid to eligible employees, including Jefferson County Education Association (JCEA). At this time no agreement has been reached with the Jeffco Educational Support Professionals Association (JESPA). After no agreement was made during mediation, the district and JESPA have entered in to fact finding as next step to reach an agreement.

The 2021/2022 budget development process has begun. Principals have been planning for the 2021/2022 school year by meeting with their staff and accountability groups to develop school priorities and are in the process of allocating their student based budgeting (SBB) budget. Staff continues to follow the proposed legislative changes; however, with continued uncertainty due to COVID-19, the district prepares to look at significant reductions. District leadership has met with departments and continues to work on budget reduction recommendations using the budgeting for outcomes (BFO) process. The reduction process is currently being worked through the superintendent and Cabinet using the BFO process and is planned for presentation to the Board of Education (BOE) in February.

Community engagement continues to be a priority for the BOE. Community budget forums will begin in February. Additionally, the BOE will receive a second recommendation from the Community Budget Workgroup and the District Accountability Committee. Recommendations will be presented to the BOE in March.

As noted above, district leadership continues to monitor the impacts related to COVID-19, specifically the one-time relief funds and cost implications generated during the pandemic. Thus, although the December forecast is promising, there continues to be concern that the Governor's proposed budget to buy down the budget stabilization factor is not sustainable. Therefore, the district anticipates a large budget shortfall that will require substantial budget reductions.

Staff is monitoring proposed legislative changes as they relate to school finance and continues to network and engage in best practices for school budgeting through the Government Finance Officers Association's Alliance for Excellence in School Budgeting.

The district remains financially-sound and strategic with regard to financial planning and management. However, given the decline in funding for K-12 education and an unbalanced budget using one-time supports given by the state, the Board of Education will have difficult decisions in the future because of massive reductions that will need to be considered to balance the district's budget when these one-time funds have been expensed.

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