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October 27, 2020

Members of the Board of Education  
1829 Denver West Drive, Building 27  
Golden, CO 80401-3120

Directors:

Attached is the First 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 Adopted Budget includes revenue decreases in the General Fund from state funding. Expenditures decreased at a slower rate than revenue due to one time funds received as it relates to COVID-19. Detailed information is available in the Financial Section of the Adopted Budget.

The final legislated School Finance Act increased inflation by 1.9 percent, and the statewide budget stabilization (BS) factor increased by \$601 million. For 2020/2021 the BS factor reduced funding by \$1.18 billion statewide with Jeffco's portion increased by \$55 million. The ongoing, cumulative impact of the reduction due to the BS factor debilitates school district's capacity to address student needs and improve outcomes. For Jeffco in 2019/2020, a slight drop in enrollment and shift of students from district-managed schools to charter schools resulted in an estimated decrease of 350 students districtwide for 2020/2021. Enrollment is being monitored weekly as the October Count is expected to show an even greater loss than what was budgeted due to unforeseen impacts of COVID-19.

District leadership continues to monitor the impacts related to COVID-19. The unforeseen strains on the current year budget continue to be monitored, and district leadership continues to evaluate all additional revenue sources to soften the impacts to the current year budget that are specifically related to COVID-19. With the likelihood of state budget pressures and without the continuation of the emergency federal funds for 2021/2022, the district anticipates a large budget shortfall that will require substantial budget reductions.

Colorado state revenue continues to look bleak. With two impactful items on the ballot in November—Gallagher Amendment Repeal (Amendment B) and Proposition 116 (Initiative 306), there is concern the state will not be able to backfill these revenue shortfalls which will have a severe impact to the Jeffco Public Schools budget.

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

Jefferson County Public School  
 Top Level Summary by Fund  
 Quarter End – September 30, 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	\$ 101,817,614	13.33%	\$ 184,006,956	23.43%	(82,189,342)	\$ 95,833,572
Debt Service Fund	572,186	.78%	0	0%	572,186	77,123,693
Capital Reserve Fund	6,074,698	23.26%	902,232	17.11%	5,172,466	49,672,741
Building Fund	147,808	4.21%	57,284,735	25.58%	(57,136,927)	175,486,922
Grants Fund	26,401,658	28.26%	11,780,116	12.61%	14,621,542	26,539,885
Food Services Fund	1,956,363	7.63%	4,027,354	15.32%	(2,070,991)	3,003,179
Campus Activity Fund	3,798,935	13.72%	3,813,586	14.27%	(14,651)	12,385,581
Transportation	5,078,622	17.82%	4,727,336	16.59%	351,286	1,007,715
Child Care Fund	2,281,248	8.62%	3,459,590	16.65%	(1,178,342)	3,106,594
Property Management Fund	194,334	7.04%	271,900	9.23%	(77,566)	5,774,538
Central Services Fund	511,648	14.62%	605,600	17.57%	(93,952)	1,688,911
Employee Benefits Fund	1,548,165	22.74%	2,176,174	29.80%	(628,009)	10,901,701
Insurance Reserve Fund	2,161,047	25.03%	2,331,608	22.38%	(170,561)	4,002,384
Technology Fund	7,913,583	26.71%	8,402,995	24.91%	(489,412)	10,844,476
Charter Schools	27,879,846	31.50%	27,593,278	29.93%	286,568	39,225,477

Cash Management (pages 1–3):

- Cash balances ended the quarter at \$363 million; this is an increase of \$43 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 no salary increases in first quarter. At the time of this document, an agreement was reached with Jefferson County Education Association (JCEA) and negotiations continue with the Jeffco Educational Support Professional Association (JESPA) bargaining group. Capital reserve projects are down compared to prior year based on 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. The district has received a higher amount than prior year and will not need assistance to cover FY 2020/2021. Specific ownership tax collection and delinquent property taxes are being monitored due to the pandemic.

General Fund (pages 4–12):

- General Fund revenues ended the quarter \$10.4 million below the prior year. The biggest impact to these revenues is related to state share equalization which declined by \$11.1 million for the quarter due to a decrease in per pupil funding. Delinquent property tax revenues increased by \$2.85 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 and registration fees for technology.

- General Fund expenditures ended the quarter at 23 percent of budget with transfers not included. 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 \$96 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 one percent of budget for revenues in the first quarter due to property tax not being collected until the spring. The next interest and principal payments on the general obligation (GO) debt will be in December 2020; the fund has adequate fund balance to cover the payments.
- Capital Reserve Fund ended the quarter with a net income of \$5.2 million. Revenues are down over the prior year due to the sale of Hoyt Street for \$2.2 million. Expenditures are at 17 percent of plan and below the budgeted benchmark of 25 percent. This percentage will increase in the second quarter with the December 2020 principal and interest payment on the COP's. The fund ended the quarter with adequate fund balance of \$49.7 million.
- Building Fund/Capital Projects Fund was created with the issuance of \$375 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 as planned with a spenddown in project fund balance of \$57.1 million.


Grants 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 to funding from the CARES Act. Upon receipt of these funds, the district spent just over half of the proceeds in FY2020 and have continued to spend \$7.4 million during the first quarter 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 \$2.1 million compared to a net loss last year of \$849,327. 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. The fund has reserves at the end of the quarter of \$3 million but will be monitored closely throughout FY2021.
- 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 below the budgeted benchmarks for both revenues and expenses, in part, due to summer programs not running in July and August. Currently, fees for student transportation are not being assessed which has also contributed to the decline in revenues.

Enterprise Funds (pages 22–24):

-  • The Child Care Fund had a net loss of \$1.2 million for the quarter compared to last year's net income of \$1.1 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 which accounts for their decline in revenues and expenditures. SAE did open two additional programs this year. The fund ended the quarter with just over \$3.1 million in reserves, but due to the significant spend down of reserves in the first quarter, this fund will be monitored closely.
- The Property Management Fund ended the quarter with a net loss of \$77,566. 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 summer. Starting in September, rentals will be limited primarily to child care providers and outdoor activities.

Internal Service Funds (page 25–29):

-  • The Central Services Fund ended the quarter with a net loss of \$93,952. Due to the pandemic, copier utilization in schools continues to trend lower than budget. Expenditures are down over the prior year and tracking under 18 percent due to lower supply costs for paper and toner. The fund has adequate fund balance of \$1.7 million at the end of the quarter. The fund will continue to be monitored throughout FY2021 where appropriate purchases for small copiers and fee adjustments will be made if necessary.
- The Employee Benefits Fund ended the quarter with a net loss of \$628,009. Expenditures are slightly higher than plan as dental and vision claims tend to be higher in the summer months when staff is on break. Revenues are tracking similar to the prior year. Current reserves in the fund are at \$10.9 million.
- The Insurance Reserve Fund had a net loss of \$170,561 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 FY2021. The fund ended the quarter with reserves of \$4 million.
- The Technology Fund ended the quarter with a net loss of \$489,412. E-Rate revenues were received during the quarter and trending higher than the prior year. Expenses for the year are at the 25 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 FY2021 and ended the quarter with reserves of about \$10.8 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 not approved the daily tuition rate for Rocky Mountain Deaf School. The school does not bill other districts until the rate is approved.
- Montessori Peaks refinanced their 2006 bonds in September and issued 2020 bonds for \$5.9 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, the auditorium renovation is complete. Columbine and Green Mountain HSs' interior work is complete; construction of the auxiliary gymnasiums at both sites has started. Arvada HS interior renovation and auxiliary gym addition are complete. Conifer HS interior work is complete; the exterior walls of the auxiliary gym are erected and ready for structural steel. Work at the Kendrick Lakes ES replacement including interior framing, HVAC and electrical, exterior finishes, site work continues; building occupancy is scheduled for January/February 2021. The addition and renovation to Wilmot ES will be complete in October 2020. Construction of artificial turf and all-weather tracks are complete at Arvada West, Columbine, Pomona, Standley Lake HSs; turf is in place at both Green Mountain and Golden HSs; and tennis court is in place at Green Mountain HS. Track surface work will be complete in early November at both locations.

Guaranteed Maximum Price (GMP) for addition renovation to Jefferson Jr./Sr. HS approved by BOE in August; contractor has mobilized; Warren Tech South building and additions to Bell and Manning MS bid in August 2020; contracts were executed, and all are under construction. Wayne Carle MS and Parmalee additions bid in September; contracts were executed; construction is underway at Wayne Carle. Lumberg ES GMP and Foster ES addition bid is scheduled for October. Construction of Efficiency and Future Ready renovations to 17 elementary schools are complete and occupied. Trailblazer stadium locker room/toilet facility building is complete. Playground improvements at nine sites and paving replacements at five locations are complete. Eighteen locations are receiving LED lighting; a third of the sites are complete. Reroofing at five elementary and one high school are all complete. Numerous schools have received new furnishings. Interior cameras, safety glass replacement, site lighting and fire alarm replacements at multiple schools are continuing or have been completed. Bidding climate remains good; pricing of projects are below budget for the base bid work, allowing for some alternates to be taken.

### 2020/2021 Budget Development

In September, the Board ratified an agreement with the Jefferson County Education Association (JCEA) that included a one-time stipend of 3 percent to all employees and educational achievement level changes to eligible employees ongoing. At this time no agreement has been reached with the Jeffco Educational Support Professionals Association (JESPA). Continued negotiation sessions are scheduled through the end of October 2020. Revisions to the Adopted Budget include a 3 percent one-time stipend payment for JCEA and JCAA with a placeholder of 3 percent for JESPA. The 2020/2021 Revised Adopted Budget is scheduled to go to the Board of Education for the final adoption in November 2020.

Planning for development of FY2022 budget is currently underway. With difficult decisions coming, the budget office has launched the community engagement process. The Board of Education will be hearing from various stakeholders through the School Accountability Survey, the Community Budget Workgroup, the Community Online Budget Simulation Tool, and recommendations from the Cabinet team. District leadership continues to monitor the impacts related to COVID-19, specifically the one-time relief funds and cost implications generated during the pandemic. With the likelihood of the state budget pressures and without the continuation of the emergency federal funds for 2021/2022, the district anticipates a large budget shortfall that will require substantial budget reductions. Community input is key in the budget development process.

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Staff continues to follow 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.

A handwritten signature in black ink, appearing to read "Nicole Stewart". The signature is written in a cursive, flowing style.

Nicole Stewart  
Interim Chief Financial Officer