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Members of the Board of Education
1829 Denver West Drive, Building 27
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Directors:

Attached is the Third 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 budget adopted on June 17, 2020, 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). The first payment of the stipend was completed in the November payroll and the second was processed in the February payroll.

The effects of COVID-19 related school closures can be seen in the reduced revenue in many of the district's programs. Fortunately, there have been a few financial windfalls to help school districts maintain services throughout the pandemic. Both the state and federal governments have supplied fiscal aid, one in the form of a supplemental appropriation to help with enrollment loss, and the other in an infusion of significant new dollars in grants. District staff is evaluating the potential impacts to the current year budget.

Despite all of the additional help from the federal government, the district still anticipates some budget constraints that will may require reductions in the coming years. The dollars associated with the federal stimulus are one-time in nature and will not provide the district with sustained funding.

For the end of the third quarter, the General Fund continues to show slightly better than anticipated trends with spending at 72 percent of budget including transfers. Revenues are lower than prior year and lower than the benchmark at 58 percent. Expenditures are lower than prior year mostly due to lower enrollment due to COVID-19 and reduced spending related to remote learning. Currently, the district anticipates the General Fund to come in within the planned budget for the year.

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

Jefferson County Public School
 Top Level Summary by Fund
 Quarter End – March 31, 2021

	Revenue	2020/2021 Y-T-D % of Budget for Revenue	Total Expenses	2020/2021 Y-T-D % of Revised Budget for Expenses	Net Income	Fund Balance
General Fund	\$439,812,290	57.57%	\$562,363,838	69.76%	(122,551,548)	\$55,471,366
Debt Service	68,824,033	93.35%	98,972,046	134.24%	(30,148,012)	46,403,495
Capital Reserve	18,669,799	70.82%	4,943,669	93.18%	13,726,130	58,226,405
Building Fund 2018	230,444	6.57%	139,059,016	62.10%	(138,828,572)	93,795,277
Building Fund 2020A	308,819,148	0.00%	4,207,591	0.00%	304,611,557	304,665,431
Grants Fund	54,869,618	58.74%	53,004,521	56.74%	1,865,097	13,783,440
Food Services Fund	10,473,384	40.84%	13,521,049	51.27%	(3,047,665)	2,026,505
Campus Activity Fund	8,757,821	31.62%	8,654,170	32.35%	103,651	12,503,883
Transportation	20,867,005	71.70%	15,268,735	52.46%	5,598,270	6,254,699
Child Care Fund	9,571,071	41.71%	10,914,244	51.50%	(1,343,173)	2,941,763
Property Management Fund	641,380	23.22%	865,020	29.02%	(223,640)	5,628,464
Central Services Fund	1,218,247	34.81%	1,645,089	47.24%	(426,842)	1,356,021
Employee Benefits Fund	4,909,804	72.13%	5,511,768	75.41%	(601,964)	10,927,746
Insurance Reserve Fund	6,491,326	75.02%	6,631,466	63.52%	(140,140)	4,032,805
Technology Fund	23,093,396	76.61%	24,063,802	70.24%	(970,406)	10,363,482
Charter Schools	79,195,521	90.52%	74,829,450	80.03%	4,366,071	43,304,980

Cash Management (pages 1–3):

- Cash balances ended the quarter at \$321 million; this is an increase of \$34 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 \$36.6 million below the prior year. The biggest impact to these revenues is related to state share equalization which declined by \$34.9 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 70 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 \$55.5 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 at 40.5 percent of budget due to timing of property tax collection. 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 \$13.7 million. Revenues are down over the prior year due to the sale of Hoyt Street for \$2.2 million. Expenditures are at 93 percent of plan due to the principal and interest payments in December on the certificates of participation, as well as timing of projects completed. The fund ended the quarter continuing to build fund balance as planned with \$58 million, however it will need a supplemental appropriation.
- 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 well below plan. Expenditures are tracking at 62 percent of plan with a spenddown in fund balance of \$93.7 million. Work will increase in the summer due to 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. Work has begun in the design phase this spring, and 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 Coronavirus Aid, Relief, and Economic Security (CARES) Act. In addition to the CARES Act money, the district will also be receiving money related to the American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund, which Congress passed in March 2021. All of these federal grants will be subject to the district's single audit and closely monitored for allowable uses. The Grants Fund may require a supplemental to include new federal awards depending on the timing of the expenditures as well as receiving new revenue.
-  • The Food Services Fund ended the quarter with a net loss of \$3 million compared to a net loss last year of \$606,699. The fund continues to lose revenues due to COVID-19 because of a dramatic drop in meals served and significant decrease in a la cart revenues. This is happening 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 \$12.5 million at the end of the quarter.

- Transportation Fund revenues ended the quarter below the budgeted benchmarks for revenues due to the loss of student transportation fees as well as field trips. Expenses are also below the budgeted benchmark, due to decreased activities and transitions to remote only learning. The fund ended the quarter with a net income of \$5.6 million.

Enterprise Funds (pages 22–24):

-  • The Child Care Fund had a net loss of \$1.3 million for the quarter compared to last year's net income of \$1.4 million. Preschool experienced a significant drop in revenues with a decrease in overall enrollment and several students shifting to a remote learning option. The fund ended the quarter with just under \$2.9 million in reserves; however, due to the significant spend down of reserves in the first half of the year, this fund is being monitored closely, and it is anticipated that a General Fund transfer will be needed to absorb the significant loss due to COVID-19. The finance team is also evaluating the possibility of moving some expenses from this fund to the ESSER grant to help alleviate some of the pressure.
- The Property Management Fund ended the quarter with a net loss of \$223,640. 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 \$426,842. Due to the pandemic, copier utilization in schools continues to be the cause of lower than planned revenue. Expenditures are down over the prior year and tracking under 47 percent of budget due to lower supply costs as well as repairs and maintenance. The fund balance at the end of the quarter is \$1.4 million, which would be a reduction that would trigger a supplemental budget request. The fund will continue to be monitored throughout FY 2020/2021.
- The Employee Benefits Fund ended the quarter with a net loss of \$601,964. Expenditures are slightly above plan for dental and vision claims. Revenues are tracking slightly higher than the prior year, but below budget. Current reserves in the fund are at \$10.9 million; however, the reduction in fund balance may require a supplemental appropriation.
- The Insurance Reserve Fund had a net loss of \$140,140 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 has seen a drastic reduction in claims expenses for the quarter compared to last year at this time due to scaled back operations related to remote learning. The fund ended the quarter with reserves of \$4 million.
- The Technology Fund ended the quarter with a net loss of \$970,406. 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 70 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 \$10.3 million.

Charter Schools Fund (pages 30–32):

- The district has 16 charter schools.
- All charter schools have positive cash flow for the quarter.

- Rocky Mountain Academy Evergreen refinanced their 2010 bonds in January 2021. They issued new bonds for \$2.76 million and paid off the balance of \$1.69 million on their 2010 bonds.

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 additions at Alameda International Jr./Sr. High, Foster Elementary, Columbine High, Conifer High, Parmalee Elementary, Bell Middle, Green Mountain High, Jefferson Jr./Sr. High, Lumberg Elementary, The Manning School, Pomona High and Wayne Carle Middle are all under construction at various phases. The additions at Arvada High, Wilmot Elementary and Three Creeks K-8 are all complete.

One new school, Warren Tech South, is currently under construction, and one replacement building, Kendrick Lakes Elementary, is also under construction. Districtwide projects also include 21 Efficiency & Future Ready projects; 10 playgrounds; six HVAC; six flooring; roofing at 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.

2021/2022 Budget Development

District budget staff continues to monitor and evaluate legislation and forecasts from the state on a daily basis. The Joint Budget Committee (JBC) has recommended 2.5 percent inflation and a buy down of the budget stabilization factor, an increase in K-12 funding. However, with legislators discussing adjusting the cost of living factor and at risk factor, the district remains cautiously optimistic until a School Finance Bill is introduced in the coming week(s).

The BOE provided preliminary direction for staff that assumes \$53 million in new state funding and an assumption of 33 percent of enrollment returning. Given the dramatic shift in potential funding, the Board has not identified funding placeholders for the 2021/2022 Proposed Budget. Additionally, the district learned late in March, K-12 districts are eligible for a reimbursable grant; Elementary and Secondary School Emergency Relief Funds (ESSER II) and the American Rescue Plan (ARP ESSER III). In total, Jeffco Public Schools is eligible for an additional \$98 million in one time money, to be spent over the next two years within the guidelines provided by the Federal Government. The district leadership team will be proposing options for both new and one time money for the Board to discuss at the May 6, 2021, BOE meeting in order to move toward adoption of the final budget in June.

The district remains in sound financial condition and will continue to spend conservatively and diligently monitor economic variables. This will certify that the information contained herein is an accurate and fair representation of the district's financial status as of the date shown.



Nicole Stewart
Interim Chief Financial Officer