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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) 2019/2020. 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 district's last pre-COVID day of school and work was on March 13. COVID-19 impacted the district with canceled activities, e-learning and remote work beginning in mid-March. The impact to the district for the third quarter varies from one to two weeks for departments and funds due to reduced activities, non-student contact days for Spring Break and increased costs to prepare for the changes. The impact will be much more prevalent in April and the fourth quarter due to costs for activities continuing without matching revenue (Food Service and Child Care) and additional costs for providing services throughout the stay at home order. The original year-end projections were showing an underspend of expenditures for the General Fund. This underspend will be key in covering the additional costs and lost revenue through the end of this fiscal year.

The impact on the state economy from the COVID-19 pandemic is unprecedented. At this time, the Colorado Department of Education has advised districts to prepare for reductions from 1 to 10 percent for next year. The legislature has been recessed but plans to reconvene in May to finish the state budget (Long Bill) and School Finance Act. See more under 2020/2021 Budget Development in the On the Radar section at the end of this transmittal. Federal aid from the CARES Act is anticipated to be received in late April. At this time, there has been no defined distribution amounts from the state for individual districts. District finance staff continues to prepare options for adjusting to the reductions in state funding and informing the Board for preparation of adoption of the 2020/2021 budget.

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 higher than prior year but lower than the planned benchmark at 60 percent. Expenditures are higher than prior year mostly due to the additional compensation approved with the 2019/2020 Revised Adopted Budget. 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, 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	\$ 475,037,713	59.31%	\$ 581,202,154	72.16%	(106,164,441)	\$ 34,902,767
Debt Service Fund	31,963,495	45.98%	59,708,938	80.13%	(27,745,443)	51,741,925
Capital Reserve Fund	20,380,824	78.75%	15,695,989	95.26%	4,684,835	38,198,743
Building Fund	6,430,779	94.57%	54,487,173	37.17%	(48,056,394)	288,386,507
Grants Fund	29,639,604	66.08%	26,009,052	57.98%	3,630,552	12,441,580
Food Services Fund	19,559,310	78.85%	20,144,776	78.79%	(585,466)	4,452,246
Campus Activity Fund	17,915,071	65.37%	17,253,257	62.90%	661,814	12,782,525
Transportation	22,170,704	80.41%	20,147,137	73.07%	2,023,567	2,682,081
Child Care Fund	14,416,675	68.43%	13,747,207	66.05%	669,468	5,927,056
Property Management Fund	1,928,203	67.36%	2,120,836	71.58%	(192,633)	5,692,495
Central Services Fund	2,594,473	72.27%	2,825,255	76.20%	(230,782)	2,270,042
Employee Benefits Fund	4,818,981	76.98%	5,297,082	66.61%	(478,101)	10,745,987
Insurance Reserve Fund	5,728,662	75.52%	7,775,999	69.87%	(2,047,337)	4,344,997
Technology Fund	22,143,930	76.81%	20,054,140	63.85%	2,089,790	13,937,618
Charter Schools	74,534,067	81.29%	68,567,379	72.72%	5,966,688	35,113,994

Cash Management (pages 1–3):

- Cash balances ended the quarter at \$288 million; this was \$33 million more than prior year balance. Cash receipts are up from an increase in the state share equalization, additional mill levy overrides from the passage of 5A, additional grant funding, and timing of the Exceptional Children’s Education Act (ECEA) Special Education (SPED) revenue.
- Cash disbursements are up over prior year from compensation increases. Capital reserve projects were down for the same quarter compared to prior year based on prior year spending for 6th grade expansion/transition and the construction on three middle schools for 6th grade additions. Other non-compensatory operating expenses are up districtwide for software and equipment purchases related to the 5A 1:1 device.
- 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 FY2019/2020. Specific ownership tax collection is being monitored, and staff has been working with the county to determine timing changes and collection impacts from the pandemic.

General Fund (pages 4–12):

- General Fund revenues plus transfers ended at 59 percent of budget. Revenue was up \$25 million from prior year due to increased funding from state share equalization, exceptional child revenue and local taxes with a slight offset from the reduction of full day kindergarten tuition now that it is fully funded from the state. COVID-19 impacts include estimated fee refunds of \$1.4 million.


- General Fund expenditures ended at 72 percent of budget with transfers included. Total expenditures ended higher than previous year, primarily due to compensation costs. This also includes a transfer to the Child Care Fund to cover 5A compensation increases, staff obtaining licensure for preschool, and funds for expansion of the preschool program.
- Fund balance for the General Fund ended the quarter at \$35 million. This amount is better than prior year same quarter.
- See page 3 of the Quarterly Report for monitoring interest and specific ownership tax (SOT).

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

- The Debt Service Fund received property taxes this quarter and is at 46 percent of budget which is higher than same time last year. Due to COVID-19 and the deferral of county property taxes until July, we anticipate delayed receipts of property taxes for the fourth quarter. Expenditures to date are over the planned benchmark at 80 percent and are on track for the year. The next interest payments on the general obligation (GO) debt will be in June 2020; the fund has adequate fund balance to cover the payments.
- Capital Reserve Fund revenues are down compared to prior year due to the debt proceeds of \$5.6 million received last year for 581 Conference Place. This was slightly offset by the \$2.2 million in proceeds for the sale of the Hoyt property this year. Overall spending is over the budgeted benchmark at 95 percent due to paying off the loan for 581 Conference Place. Expenditures are down compared to the same time last year due to the additional projects that occurred in the prior year including construction of three additional middle schools and the purchase of Free Horizon Montessori's old building that was offset this year by paying off the loan. Projects are continuing to wind down and efforts are being focused on the bond fund. Both the sale of Hoyt Street and the payoff of 581 Conference Place occurred outside the Revised Budget. A supplemental appropriation for the payoff of 581 Conference Place may be needed; the fund will be monitored and has adequate fund balance \$38,198,743.
- Building Fund/Capital Projects Fund was created with the issuance of \$375 million 2018 Series GO bond proceeds and premium. Spending began in January 2019. Current year revenue is at 95 percent of plan. Timing of work and expenditures do not always line up in the same reporting period. Expenditures are at 37 percent of plan and anticipated to end the year under budget due to weather delays at the beginning of the year. The \$146 million expenditure budget was aggressive and also included the \$7 million north transportation center that was purchased in prior year and caused spending outside of the budget in the prior year. Due to the building closures for COVID-19, the project managers are working to accelerate construction projects and start earlier when possible.

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. This year, the district received a new full day kindergarten grant as well as the additional funding for school turnaround leaders resulting in over \$2 million. Additionally, the Colorado Department of Education (CDE) generally awards the entire amount for state funded grants to the district at the beginning of the grant period while expenditures continue throughout the year. The fund ended the quarter with net income of \$3,630,552 and will be monitored for a supplemental appropriation for the additional revenue. Detailed expenditure changes can be reviewed on page 17 of the Quarterly Report.

-  The Food Services Fund ended the quarter with a net loss of \$585,466 compared to same time last year of \$487,769. The fund received more revenue than prior year driven mostly by an increase in meal prices, increases in à la carte items, and two extra serving days compared to last year while average daily meals served experienced a decline due to losing paid meals during the COVID-19 closure of schools. Overall expenditures ended higher than the planned benchmark at 79 percent of budget and up over prior year in purchased food, supplies and compensation. While schools are closed due to COVID-19 for the remainder of the year, Food and Nutrition Services will continue to serve meals during this pandemic. Compensation, food, and supply costs will continue through fourth quarter with only revenue received for the grab and go meals. The fund ended the quarter with adequate fund balance of \$4,452,246. The fund will remain yellow flagged and continue to be monitored for a potential supplemental appropriation from the General Fund and/or resolution to spend down additional fund balance.
- Campus Activity Fund revenues and expenditures were lower than previous year mostly due to timing of collection of student activities, fundraising and the shift of expenditures for 1:1 devices now being purchased from the General Fund from 5A mill levy override funds. COVID-19 school activity closures and corresponding refunds also began to hit at the end of March. The majority of refunds will be seen in the coming months. Timing of events, activities and fundraising impact the collection of revenues and related expenditures. The fund will be monitored for a supplemental appropriation to increase the General Fund transfer to cover free/reduced student fees.
- Transportation Fund revenues and transfer ended the quarter at 80 percent of budget and are down from prior year due to field trip and student transportation refunds; this was slightly offset from the Regional Air Quality grant that must be used for clean diesel buses. Expenditures ended the quarter at 73 percent of budget and were higher than prior year mostly due to purchasing buses earlier in the year. The fund ended the quarter with a net income of \$2,023,567 and is being monitored for a supplemental appropriation to cover lost revenue through an increase in the General Fund transfer.

Enterprise Funds (pages 22–24):

- The Child Care Fund had a net income of \$669,468 for the quarter compared to last year's net income of \$617,814. Revenues/transfers were up over the prior year mostly due to the increased General Fund transfer to cover the roll out of preschool and compensation cost increases from the 5A funds and tuition increases. Additionally, before and after school programs realized a 6 percent tuition increase while preschool remained flat. Services were expanded to one additional school for before/after care and three schools (Dutch Creek, Hutchinson, and Colorow) with five additional classrooms. Expenses are higher than last year due to the increased costs to support the additional classrooms/programs and compensation increases. In addition, COVID-19 school closures and corresponding refunds for tuition are included this quarter, the fund will reflect no tuition revenue and continued costs for compensation through the end of the fiscal year. This fund will likely need a supplemental appropriation for an increased General Fund transfer to cover the lost revenue.
- The Property Management Fund ended the quarter with a net loss of \$192,633. Building rental revenues and expenditures are down compared to same quarter last year and the planned benchmark. The overall decline is a total of ~3,300 billable hours this year compared to last year same time period. The decline is mostly due to building closures for COVID-19 where ~2,850 billable hours were cancelled starting on March 13 through March 31. The remaining decline was from four high schools that lost rentals compared to the prior

year. The fund is planned for a net loss for transfers to schools, Capital Reserve and General Fund. We anticipate a greater spend down of fund balance in fourth quarter as we will have lost all revenue for the time period and will have ongoing expenses. The fund has an adequate fund balance of \$5,692,495 through the quarter and will likely need a resolution to spend down fund balance. Transfers through the third quarter include \$400,000 to schools, \$300,000 to General Fund and \$187,500 to Capital Reserve.

Internal Service Funds (page 25–29):



- The Central Services Fund ended the quarter with a net loss of \$230,782 compared to the planned net loss of \$117,807 and prior year net income of \$107,228. Revenue is at 72 percent of budget and down over prior year due to a decrease in the copier program from the new Paper Cut print management software system and building closures in March for COVID-19. Due to remote learning and working, it is anticipated that fourth quarter revenue will have low usage. The reduced usage will come with a decrease in variable costs of supplies but other ongoing fixed costs will continue. Expenditures are above the benchmark at 76 percent of plan mostly from accelerated purchases of small copiers and retrofits to copiers for fax and finishing hole punch capabilities, while supplies are up from bulk toner purchases. This fund will remain yellow flagged and will continue to be monitored for a resolution for a greater spend down of fund balance than planned. The fund has adequate fund balance to cover the additional spend and is at \$2,270,042 through the quarter.
- The Employee Benefits Fund ended the quarter with a loss of \$478,101. The planned loss continues to use reserves from prior years on the self-insurance plans for vision and dental to keep premiums low for employees even with the enhanced offerings and slight premium increase. Revenues are up over same time last year due to increased participation and slight increase in premiums. Expenditures are up due to increased claims from participation and enhanced offerings.
- The Insurance Reserve Fund had a net loss of \$2,047,337 for the quarter. Revenues/transfers are at 76 percent of plan and down over prior year same quarter due to insurance recoveries received last year for the May 2017 hail storm. Expenditures are also down in claim losses from cycling over the prior year hail storm work. While the revenue and expenditures for the hail storm are finished, the \$1 million premium increase resulting from statewide losses will continue. In addition, please refer to Appendix C on claim history. Expenditures are operating within plan at 70 percent. Claims for worker's compensation injuries are running higher than the prior year due to early and frequent storms causing slip and fall and lost time claims. All of the expenses for these losses have not been reflected in the third quarter results.
- The Technology Fund ended the quarter with a net income of \$2,089,790. Overall, revenues are higher than budget and prior year due to receiving E-rate funds for the Geomax broadband connection which is an infrastructure rebate. E-rate funds are over the planned budget, if expenditures can be accelerated to spend them this fiscal year, the fund will need a supplemental appropriation. Expenses for the quarter are at 64 percent of budget and slightly lower than prior year mostly due to less contracted services purchased in prior years that are offset by compensation increases this year.

Charter Schools Fund (pages 30–32):

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

- New America School utilized their portion of 5B bond proceeds and a portion of the schools fund balance toward the purchase of their building.
- Jefferson Academy entered into an additional \$6 million of revenue bonds for a total of \$7 million in conjunction with bond proceeds to fund the expansion of their auditorium, campus and parking lot that is now completed.
- The Colorado Department of Education (CDE) and State Board of Education approved Rocky Mountain Deaf School's daily tuition rate in February 2020; the school does not bill other districts until the rate is approved and is working to bill/collect from other districts at this time.

ON THE RADAR

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

Facilities Update

Design work continues on the addition and renovation to Alameda High School; due to the 6th grade not moving to Alameda, some redesign and re-pricing has resulted in a second quarter 2020 construction start. Columbine High School is under construction. The contracts for Green Mountain and Conifer High Schools have been approved by the Board of Education (BOE) construction will begin shortly. Arvada High School interior renovation continues, ground was broken in January for the auxiliary gym addition, and foundation work is complete; the entire project remains on schedule for completion by August 2020. Work continues on the Kendrick Lakes Elementary School replacement with foundations nearly complete. Building occupancy scheduled for January 2020. The addition to Three Creeks will be complete in May 2020, and the addition and renovation to Wilmot Elementary School will be complete in August 2020. Construction of artificial turf and all-weather tracks have started at Columbine, Pomona and Standley Lake High Schools. Construction will begin at Green Mountain High School upon receipt of permit. Replacement of artificial turf and all-weather tracks to begin at Arvada West High School and Golden High School this spring. The application of the track surface at Conifer High School will occur as soon as the weather moderates.

Design work continues at Jefferson High School, Warren Tech South building, as well as additions to Bell, Manning and Wayne Carle Middle Schools and Lumberg Elementary School. Bids for Efficiency and Future Ready renovations to 17 elementary schools, Trailblazer stadium, playground improvements at nine sites, paving replacements at five locations, 18 locations receiving LED lighting, and reroofing at five elementary and one high school took place in February and March 2020; construction will start soon. Four elementary schools received new furnishings during Spring Break in March; 14 others will receive furnishings before August 2020. Interior cameras, safety glass replacement, site lighting and fire alarm replacements at numerous schools are continuing as scheduled. The *2019-2020 Enrollment Report* was issued in March.

2020/2021 Budget Development

District budget staff continues to monitor and evaluate legislation and forecasts from the state on a daily basis. The unknown impact that COVID-19 will have on the funding provided to K-12 Education continues to be a challenge as the budget development process moves forward for 2020/2021. The Joint Budget Committee (JBC) is on hold until the May 12 updated economic forecast is released. Following that forecast, the Long Bill and School Finance Act will be released on May 18, with a target of completing the School Finance Act by June 1.

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The BOE provided preliminary direction for staff that assumes no new state funding and only the mandated PERA employer increase. As things continue to change daily, the Colorado Department of Education recommends that K-12 Education be prepared for reductions in funding between 1 and 10 percent for the upcoming school year. Therefore, on April 29 district leadership presented several reduction options to the district's BOE in order to continue to move the budget development process forward. The budget department will present the Proposed Budget to the BOE on Thursday, May 7, 2020.

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.

A handwritten signature in black ink that reads "Kathleen Askelson". The signature is written in a cursive style with a large, stylized initial 'K'.

Kathleen Askelson
Chief Financial Officer