JEFFCO PUBLIC SCHOOLS

Financial Services
1829 Denver West Drive, Bldg. 27
Golden, Colorado 80401-0001
phone: 303-982-6843
fax: 303-982-6826
www.jeffcopublicschools.org/finance

February 1, 2018

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

Directors:

Attached is the Second Quarter Financial Report for fiscal year (FY) 2017/2018. 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.

General Fund expenditures are better than plan for the end of the quarter. General Fund reserves are negative due to the timing of property tax receipts, which are received in the spring. However, operating cash on hand is sufficient to cover the shortfalls when cash balances are at their lowest. Property taxes are 47 percent of the General Fund revenues. The October student one day count was lower than the prior year by approximately 184 full time enrollments (FTE). Charter school FTE grew 251, and the district managed schools lost 435 FTE. The impact from the loss of FTE will be reflected in the General Fund as less state equalization funding and a lower share of the mill levy overrides. The 2017/2018 budget assumed a 500 student loss for FTE in the current year. The number of free and reduced students decreased for FY 2017/2018, offsetting the better than projected loss of students.

Standard & Poor's Global Ratings notched up its long-term rating and underlying rating from AA- to AA on the district's existing general obligation (GO) bonds. S&P also assigned its AA long-term rating and underlying rating to the district's series 2017 GO refunding bonds. The action raising the ratings a notch is based on S&P's view of the district's strong financial profile supported by operational surpluses in four of the previous five audited years and maintenance of strong-to-very strong reserves. The ratings action reflects the district's extremely strong tax base that continues to experience strong growth. The outlook on ratings is stable.

Moody's maintained the district's Aa2 rating for general obligation (GO) bonds outstanding and the Aa3 on COPs outstanding. The outlook remains stable. Moody's also assigned an Aa2 rating to the district's general obligation refunding bonds, series 2017. The stable ratings outlook reflects Moody's expectation that the district's tax base and local economy will continue to be strong in the near-term, and that the district's management team will continue its trend of prudent fiscal management and satisfactory reserve levels.

The analysis below breaks down the specific areas of underspend that contributed to the better than anticipated quarter end results:

Following are the quarter-end (unaudited) financial results by fund and noted highlights:

Jefferson County Public School
Top Level Summary by Fund
Quarter End – December 31, 2017

	Revenue /Transfers	2017/2018 Y-T-D % of Budget For Revenue	Total Expenses/ Transfers	2017/2018 Y-T-D % of Revised Budget For Expenses	Net Income	Fund Balance (or net position)
General Fund	$ 179,996,550	25.80%	$ 339,745,352	48.69%	($159,748,802)	($41,903,335)
Debt Service	299,642	0.68%	35,420,477	81.18%	(34,663,932)	27,219,215
Capital Reserve	11,371,155	47.24%	17,100,506	35.72%	(5,729,351)	39,203,170
Grants Fund	17,082,063	37.72%	13,510,445	29.83%	3,571,618	11,753,494
Food Services Fund	11,839,380	45.55%	13,021,774	50.20%	(1,182,394)	5,249,598
Campus Activity Fund	13,807,912	51.02%	12,109,395	46.12%	1,698,517	13,349,001
Transportation	16,290,679	61.07%	11,413,139	42.79%	4,877,540	5,445,139
Child Care Fund	7,044,576	49.79%	6,675,858	44.14%	368,718	5,489,976
Property Management Fund	1,251,449	42.57%	1,772,519	55.15%	(521,070)	5,447,461
Central Services Fund	1,747,482	49.22%	1,570,778	44.19%	176,704	2,534,607
Employee Benefits Fund	2,748,896	45.58%	3,311,029	46.92%	(562,133)	12,178,856
Insurance Reserve Fund	4,953,690	82.19%	3,698,000	48.33%	1,255,690	8,864,042
Technology Fund	12,562,231	48.14%	14,017,596	48.43%	(1,455,365)	13,086,123
Charter Schools	41,557,345	50.52%	41,838,012	51.86%	(280,667)	33,016,942

Cash Management (pages 1–3):

- Cash balances for the second quarter are $195 million. This is $6.8 million higher than prior year balance due to $17 million more in beginning cash balances. Overall net cash decreased this quarter by $10.2 million which was expected due to timing of property tax receipts that occur in the spring.
- Cash disbursements for payroll are down over prior year due to Board approved one time payouts in FY 2017. Overall benefits increased over the prior year with PERA increases. Wage increases for staff and teachers have been implemented.
- Cash balances will be adequate to cover the cash flow low point in February/March. No line of credit will be needed.

General Fund (pages 4–12):

- General Fund revenues are at 26 percent of budget for the quarter and slightly down from prior year same quarter due to less State of Colorado funding. This percentage to budget will remain low until property tax is received in the third and fourth quarters. Revenues have decreased over the prior year due to decreases in enrollment and the shift from state to local funding of total program.
- General Fund expenditures are at 49 percent of budget. Total expenditures are lower than the previous year, primarily due to Board approved one time payouts last year and vacant positons in hard to fill roles within operations and maintenance. The re-categorization of instructional coaches from general instruction to instructional support that was done to align with Colorado Department of Education (CDE) reporting was a neutral change.
- Fund balance for the General Fund ended the quarter with a deficit of $(41.9) million. This is typical for second quarter and will rebound with property tax collections starting

in the third quarter. In January, the Board appropriated supplemental funds of $1 million to start an Innovation Acceleration Fund and $14 million to transfer to capital reserve for sixth grade transition.

Debt Service/Capital Reserve (pages 14–16):

- The Debt Service Fund majority of property taxes will be collected in the third and fourth quarter. Principal and interest payments on the GO debt were made in December 2017. In late December, the district refunded 94 percent of the 2012 Series of GO bonds to create a long term savings of over $4 million.
- Capital Reserve Fund spending is at 36 percent of plan at the end of the quarter. Spending is less than the previous year primarily due to the smaller scope for new construction projects this year. The fund received additional transfers of $14.5 million from the General Fund in the fourth quarter for expansions at Dunstan Middle School and Drake Middle School that will continue throughout the year. The additional Board appropriated supplemental funds of $14 million will be used for three remaining middle schools to add capacity for sixth grade transition.

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

- Grants Fund activity changes from year to year with grants ending, new grants received or changes in awards. Detailed expenditure changes can be reviewed on pages 17–18 of the Quarterly Financial Report. CDE awards the entire amount for state funded grants to the district at the beginning of the grant period while expenditures continue throughout the year as they are incurred causing revenue to be higher than expenditures.
- The Food Services Fund ended the quarter with revenue lower than prior year and the planned benchmark. Second quarter continues to experience the decreases in Federal/State reimbursable meals as student purchases shift toward a la cart items. Overall expenditures are higher than prior year and slightly higher than plan at 50.2 percent of budget. The fund is budgeted to have net income; however, expenditures are outpacing revenues and the fund is tracking to exceed budget at yearend. This shift will require the team to ask for a Board approved supplemental appropriation, and the fund will remain yellow flagged for monitoring. The finance and food service teams continue to work on solutions to balance the fund.
- Campus Activity Fund revenues are running higher than plan and the previous school year due to tuition increases and collection of fees primarily due to 1:1 devices. Budget and the School Accounting Support Team (SAST) continue to review balances with school staff for appropriateness. The timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation Fund revenues ended the quarter at 84 percent of budget. The fund is running higher than prior year for the same quarter from an increase in State Transportation Revenue and increased field trips. Expenditures are lower than plan but up above prior year due to increased fuel rates and increased field trips.

Enterprise Funds (pages 22–24):

- The Child Care Fund has a net income of $368,718 for the quarter compared to a net income of $226,424 for the same quarter last year. Revenues are up over the prior year due to tuition increases and four additional preschool classrooms. Expenditures are higher than prior year due to additional staff needed for the classrooms, instructional materials, increased building rental rates, additional pay for minimum wage workers in School Age Enrichment program, and compensation and benefit increases.
- The Property Management Fund ended the quarter with a net loss of $521,070 for the quarter. Building rates were increased for the start of FY 2017/2018 school year. Rental

income is tracking lower than the budgeted benchmark at 43 percent compared to prior year at 51 percent due to a 24 percent decline in billable hours. Expenditures are slightly below budget benchmark at 48 percent but higher than the prior fiscal year. The planned transfers for the year are $700,000 to General Fund, $250,000 to the Capital Reserve Fund and $400,000 to schools to cover the additional wear and tear to school facilities.

Internal Service Funds (page 25–29):

- The Central Services Fund ended the quarter with net income of $176,704 for the quarter. Revenue is down over prior year due to a reduction in the cost of color copies from $.07 to $.06 that occurred in third quarter last year.
- The Employee Benefits Fund had a loss of $562,133 for the quarter. Revenues are down slightly from the previous year and less than the budgeted benchmark ending at 46 percent of budget. Overall expenses are up due to consultants used for Affordable Care Act programming for IRS tax forms offset slightly by a decrease in group life claims.
- The Insurance Reserve Fund has a net income of $1,255,690 for the quarter end. Revenues are up over the prior year due to the insurance company providing a $2 million retainer to the district to begin work for the May 2017 hail storm. Total claim losses are up over previous year due to fleet vehicle damage due to hail, payouts for three medical claims and a bus accident.
- The Technology Fund ended the quarter with a loss of $1,455,365. Revenues are under the planned benchmark at 47 percent and less than prior year due to not receiving E-Rate revenue this year. Expenses for the quarter are below prior year and at 48 percent of budget. Information Technology (IT) experienced a delay in the fiber network build which is now in effect. Purchases in support of the fiber network build-out in the North West Arvada area have been initiated.

Charter Schools (pages 30–32):

- The district now has 18 charter schools (counting Jefferson Academy as one school) with only one school, Golden View Classical Academy, operating outside of the district financial system.
- Doral Academy is in their second year of operation and has secured space in the prior Zerger school district facility (agreement extended for FY 2018/2019).
- All operating revenues reflect actual October 1 FTE counts and the most current per pupil revenue (PPR). Both are down from planned estimates; FTEs are down by (120.42) and PPR is down $(13.90) per FTE. For all 18 charter schools combined, this update created a loss of revenue of approximately $1 million.
- Great Work Montessori has been flagged for monitoring due to actual enrollment of 56 which is lower than the projected 77 FTE. District staff has been working with the school toward a balanced budget that will cover TABOR.
- Rocky Mountain Academy Evergreen submitted a revised FY 2017/2018 budget in November with a $238,000 planned spend down of reserves for 221 FTE. The school has been working to identify both additional revenue and savings toward a balanced budget in FY 2018/2019. The school has already received nine additional students after one day count.

ON THE RADAR

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

Facilities Update
Mild fall weather has allowed for the parking lot and sidewalks to be installed at Sierra Elementary School. Landscaping, play structures and the remaining site reclamation will occur in the spring completing the Phase II work.

Construction of the additions to Drake and Dunstan Middle Schools (MS) is underway. GH Phipps Construction is providing Construction Management/General Contractor (CM/GC) services for the Drake MS addition. Himmelman Construction was the low bidder for the Dunstan MS addition. Both projects are on-time and on-budget and scheduled for completion in July 2018. Development plans for long term modernization and short term support for the 6-8 transition have been developed at Arvada K-8, Bell MS, Oberon MS and Summit Ridge. Following a presentation at the December Board of Education meeting, the Board approved funding for additions to Creighton, Ken Caryl, and Summit Ridge MSs to allow for opening in fall of 2019. The May 2017 hail storm yielded more than $6 million in roof repairs that are scheduled for 2018; roofing consultants have developed bid packages for that work. GH Phipps has been selected to provide CM/GC construction services, bidding and construction; work will commence in January 2018.

Hiring and Staffing
Jeffco's transition to a Middle School Model (6-8th grade configuration) aligns with Board of Education strategic direction and educational outcomes. This grade alignment change impacts approximately half of all elementary schools in Jeffco. As a result, teachers previously at elementary schools and teaching 6th grade are considering options for moving to middle schools. A number of strategies were implemented in the second quarter to smooth this transition for staff including an incentive to provide early notification for teachers choosing to resign or retire at the conclusion of the school year; an option for teachers on a leave to extend and take an additional year of leave; reimbursement for teachers to acquire content qualifications required for middle school instructional positions; and substitute coverage for teachers interested in exploring a career move from elementary to middle school. The district also signed a memorandum of understanding with the teacher association to permit teacher volunteers in any elementary schools impacted by this move if the school has insufficient positions to maintain employment for all probationary and non-probationary teachers. Human Resources is running a three-week internal hiring event to allow internal Jeffco teachers to compete for middle school positions to help with the transition. The staffing season for most Jeffco positions will open late February.

Benefits
To date open enrollment for FY 2017/2018 was completed for district staff. The district consolidated to one medical provider, Kaiser, and increased, for the first time since 2003, the employer paid share from $515 a month to $529. Kaiser claims have increased, and the district is looking at an 8.6 percent increase in premiums that will be in effect July 1, 2018.

2018/2019 Budget Development
The 2018/2019 budget development process has begun. Principals have been planning for the 2018/2019 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) budgets. Departments have submitted renewal requests through the budgeting for outcomes process, and the budget office is currently reviewing. District budget staff continues to observe and evaluate legislation and forecasts from the state to anticipate changes for the 2018/2019 budget. Currently, the governor's proposal for K-12 school funding looks optimistic, with a proposed decrease to the budget stabilization factor of $100 million statewide. The forecast for 2018/2019 will continue to change, and the district will continue to monitor and report the impact of these changes to the Board of Education.

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.

Kathleen Askelson

Kathleen Askelson
Chief Financial Officer