

Jefferson Union High School District

2019-20 FIRST INTERIM REPORT

EXECUTIVE SUMMARY



Background Information

In accordance with Education Code Sections 42130 and 42131, school districts are required to prepare and submit two interim financial reports to the Governing Board. The purpose of these reports is to notify appropriate State and County Office of Education officials as to whether or not the District will be able to meet its financial obligations for the remainder of the current year and for two subsequent years. The Board of Trustees is required to certify each interim report to indicate that it has been informed of the financial stability of the District. The Statute of 1988 also requires the Superintendent to certify that an Interim Report review has been conducted using the State adopted Criteria and Standards.

As mandated by A.B. 1200, the District's First Interim reporting period is based upon activities from July 1 through October 31. The Second Interim reporting period is July 1 through January 31. The Board of Trustees is required to certify each interim report within 45 days after the end of the reporting period. After approval of the financial statements by the Board of Trustees, the financial statements are forwarded to the San Mateo County Office of Education which reviews them for mathematical accuracy and compliance of technical provisions. After this review, they are forwarded to the Superintendent of Public Instruction.

Current Considerations

The Governing Board is required to certify in one of three ways:

1. Positive Certification indicates that the District will be able to meet its financial obligations for the remainder of the fiscal year and two subsequent fiscal years.
2. Qualified Certification indicates the District may be able to meet its financial obligations for the current year and two subsequent fiscal years.
3. Negative Certification indicates the District will not be able to meet its financial obligations for the current year and two subsequent years.

As outlined, Jefferson Union High School District will be able to meet its financial obligations, which is noted by the Positive Certification of the 2019-20 First Interim (Form CI). The supporting documentation for this certification includes the Income and Expenditure Summary for the General Fund (Form 01I), Attendance Detail (Form AI), Criteria and Standards (Form 01CSI), and Multi-Year Projections (Form MYP). Other District Fund Summaries are also attached.

ANALYSIS OF THE FIRST INTERIM BUDGET AND MULTI YEAR PROJECTION

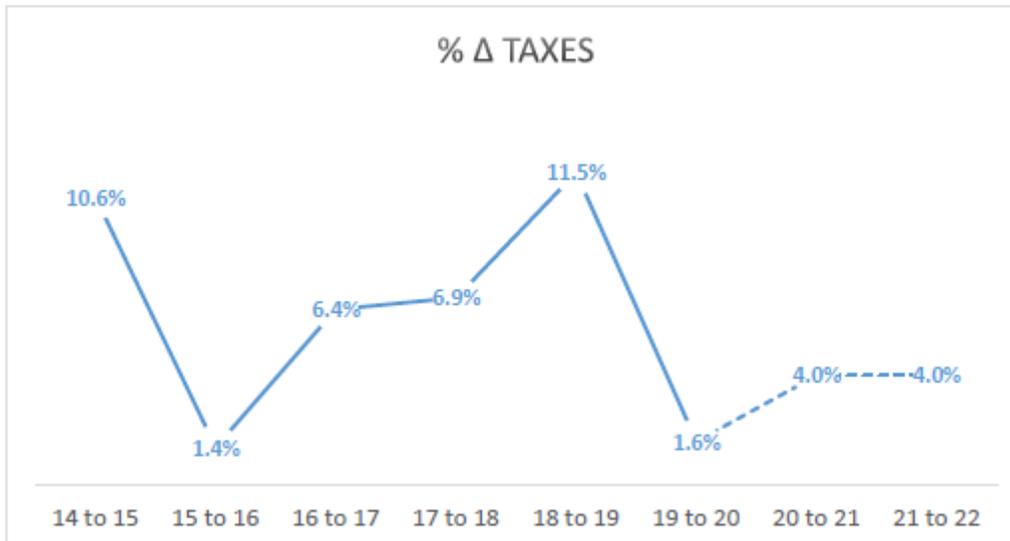
2019-20 Budget

The First Interim Budget is typically more accurate in projecting revenues and expenditures than the June 2019 adopted budget, which was passed prior to the State Budget and prior to receiving tax revenue projections. The First Interim Budget reflects adjustments to reflect current District staffing costs, expected expenditures in Special Education, supplies, services, and operating costs. Additionally, it reflects the revenues passed in the final State Budget and the preliminary annual tax projection received in October 2019. The Local Control Funding Formula (LCFF) and Property Tax Projections were used as a basis for estimating revenues.

Assumptions	June Budget	1 st Interim
ADA	4106.1	4241.22
Property Tax Increase	6.0%	1.6%
LCFF Supplemental	\$3,108,988	\$3,008,235
Min. Proportionality	7.88%	7.41%
One Time Funds	\$0/ADA	\$0/ADA
STRS	16.70%	17.10%
PERS	20.733%	19.721%

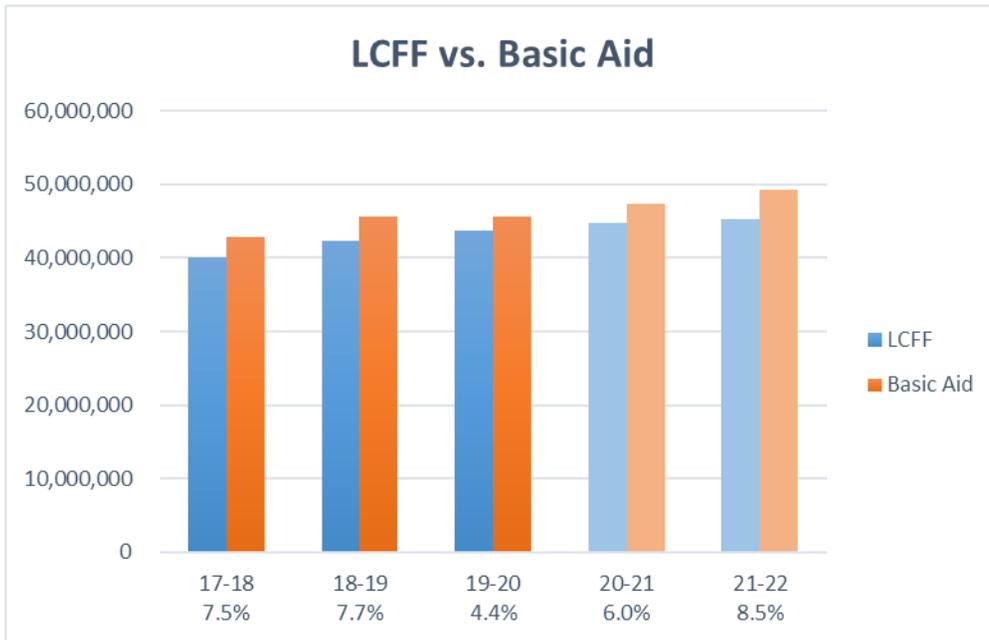
Basic Aid (Community Funded) Status

Based on notification from the County Assessor's Office, JUHSD is projected to receive more property taxes than is required to reach the LCFF Target this year. This results in the district remaining in Basic Aid status. When developing the budget, 6.0% increase in property taxes was projected. The projection based on notification from the County Assessor's Office is now showing closer to 1.6%, although revised projections are expected to come by the end of this calendar year.



The San Mateo County Office of Education and the County Assessor's Office was consulted in determining fiscally responsible projections for future tax income.

Even with conservative projections, unless conditions change dramatically, the district is predicted to remain in Community Funded status for the near future.



Basic Aid Related Issues

Uncertainty. The additional revenue may be welcome. However, it brings greater uncertainty. Property tax revenue is very uncertain and subject to dramatic changes, as evidenced by the change in projected increase from 6% to 1.6% for this fiscal year. This is due to the cyclic nature of property values as well as to limitations on the county information systems. Thus, while the additional revenue that a basic aid district receives is helpful, the district’s financial picture must be watched very carefully for signs of change. The district must do long term financial planning and carry significant reserves so that changes in property tax revenue can be accommodated without major impact on district programs.

Delayed revenue information. LCFF Funded (revenue limit) districts generally know their State allocations by May. Basic Aid districts receive preliminary property tax projections in August, although for 19-20 it was received in October. The final information is not received until July of the following year (after the fiscal year is over).

Enrollment is not part of the equation. As opposed to the LCFF funding mechanism which pays an amount per student and therefore automatically funds growth, a basic aid district must pay for any growth from its fixed pool of property tax funds. Therefore, any enrollment growth could adversely affect district finances and the educational programs.

Other considerations. Many costs continue to increase beyond the control of the district, such as maintenance costs, STRS/PERS, and costs for Special Education. If the economy slows, percentage increases in these areas have the potential to be greater than property tax growth. Again, careful monitoring and planning is necessary to maintain fiscal responsibility.

Multi Year Projections

An important part of the First Interim Report is the subsequent two-year projection of the general fund. Included in this projection are expected revenues and expenditures and yearly ending balances.

The multiyear projection assumes the following:

- 5% salary increase in 19-20
- No compensation increase in 20-21 and 21-22
- Leveling, but continued declining enrollment
- Continued contributions to Food Service from the General Fund
- Payment of debt service on the Certificate of Participation (COP) for relocation of the Daly City Youth Health Center is complete in 19-20
- No additional State allocations of one-time funds
- Temporary deficit spending

General Fund Summary	2019-2020	2020-2021	2021-2022
Beginning Fund Balance	8,964,417	6,983,957	5,913,521
REVENUES	63,955,376	65,815,510	67,794,914
EXPENDITURES	65,935,836	66,885,946	67,351,462
EXCESS (DEFICIENCY) OF REVENUE	(1,980,460)	(1,070,436)	443,452
Ending Fund Balance	6,983,957	5,913,521	6,356,973
Revolving Cash	4,000	4,000	4,000
Allocated/Restricted Funds	2,951,849	2,751,849	2,751,849
Reserve for Economic Uncertainty	1,974,175	2,003,578	2,017,544
Unallocated Funds	2,053,933	1,154,094	1,583,580
Special Reserve Fund 17	810,241	815,241	820,241
Total Reserves all Funds	4,838,349	3,972,913	4,421,365
Reserve Percentage	7.33%	5.94%	6.56%

Components of Ending Fund Balance for 19-20

The General Fund Unrestricted ending fund balance is comprised of the following:

1. \$4,000 – Revolving Cash
2. \$1,974,175 – 3.0% reserve for economic uncertainty
3. \$400,000 – Allocated to set aside for new text books
4. \$2,053,933 – 3.1% Unallocated Amount

The District maintains an additional 1.23% of reserves in Fund 17 – Special Reserve Fund.

Other Funds

All other funds (i.e. adult ed., child nutrition, etc.) have positive ending fund balances. There are projected transfers from General Fund to Child Nutrition totaling \$130K this year and next with \$100K contribution beyond 19-20.

Next Steps

Second Interim Reporting will include a clearer picture of payroll costs and changes to health benefits after open enrollment. This will be presented after the reporting period ends on January 31st. Additionally, the Governor’s January Proposal will assist in planning for 2020-2021.

GENERAL FUND ADOPTED BUDGET VS. FIRST INTERIM BUDGET

	ADOPTED	1ST INTERIM	CHANGE	
REVENUES				
LCFF STATE AID	2,752,472	2,752,472	0	
LOCAL PROPERTY TAXES	46,745,608	45,360,531	(1,385,077)	Lower than projected property taxes
FEDERAL REVENUE	1,808,104	1,609,898	(198,206)	in the range of typical adjustments
OTHER STATE REVENUE	3,566,380	3,743,002	176,622	
OTHER LOCAL REVENUE	10,404,511	10,489,473	84,962	
TOTAL REVENUE	\$65,277,075	\$63,955,376	(1,321,699)	
EXPENDITURES				
CERTIFICATED SALARIES	23,702,455	22,650,453	(1,052,002)	Primarily due to unfilled vacancies
CLASSIFIED SALARIES	9,654,037	9,535,203	(118,834)	
EMPLOYEE BENEFITS	15,574,270	15,043,254	(531,016)	
BOOKS AND SUPPLIES	3,268,721	3,800,302	531,581	Carryover in lottery and site funds
SERVICES/OPERATING EXPENSES	9,924,721	11,085,041	1,160,320	Contracting to cover unfilled positions
CAPITAL OUTLAY	195,747	181,323	(14,424)	
OTHER OUTGO (COUNTY SP.ED.)	3,769,430	3,510,261	(259,169)	
TRANSFER OUT (CAFETERIA FUND)	100,000	130,000	30,000	
TOTAL EXPENDITURES	\$66,189,381	\$65,935,837	(253,544)	
BEGINNING BALANCE	8,964,418	8,964,418		
ENDING BALANCE	8,052,112	6,983,957		
ALLOCATED BALANCE	400,000	400,000		
REVOLVING CASH	4,000	4,000		
RESTRICTED BALANCES	797,480	2,551,849		Restricted facilities funds need to be moved to fund 21
REQUIRED 3% RESERVE	1,989,647	1,974,175		
UNALLOCATED BALANCE	\$4,860,985	\$2,053,933		
Total Fund 01 Reserve Percentage	10.35%	6.11%		