

Jefferson Union High School District

2023-2024 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 State 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 in the attached report, Jefferson Union High School District will be able to meet its financial obligations. This is noted by the Positive Certification of the 2023-2024 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 MYPI). Other summaries are also attached.

ANALYSIS OF THE FIRST INTERIM BUDGET AND MULTI YEAR PROJECTION

2023-2024 Budget

The First Interim Budget is typically more accurate in projecting revenues and expenditures than the June 2023 adopted budget, which was passed prior to the State Budget and prior to receiving tax revenue projections. The First Interim Budget includes adjustments to reflect current projections of District expenditures for staffing costs, 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 November 2023. The Local Control Funding Formula (LCFF) and Property Tax Projections were used as a basis for estimating revenues.

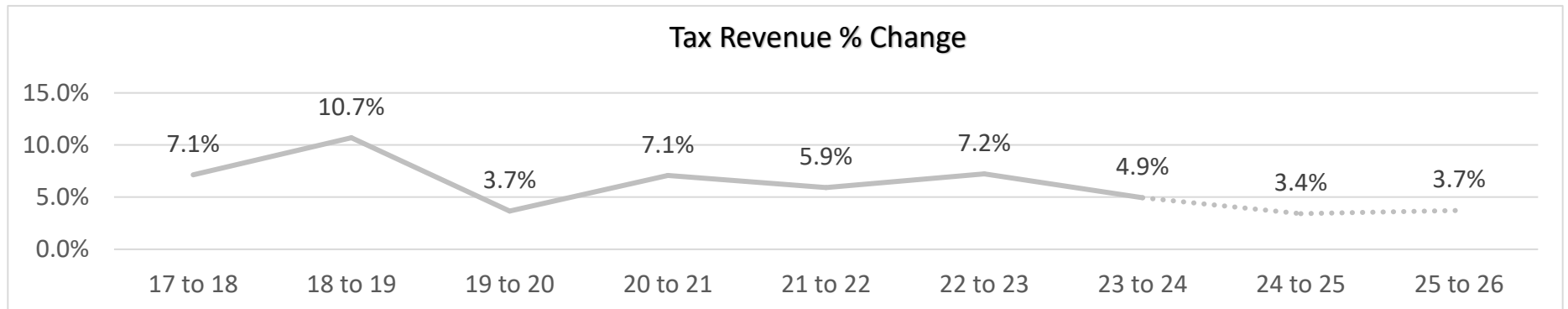
Assumptions	June Budget	1 st Interim
Funded Average Daily Attendance (ADA)	3,832.98	3,773.01
Property Tax Increase	4.7%	4.9%
LCFF Supplemental	\$3,353,451	\$3,529,358
Minimum Proportionality	7.55%	7.15%
State Teachers' Retirement System (STRS) rate	19.10%	19.10%
Public Employees' Retirement System (PERS) rate	26.68%	26.68%

Community Funded (Basic Aid) Status

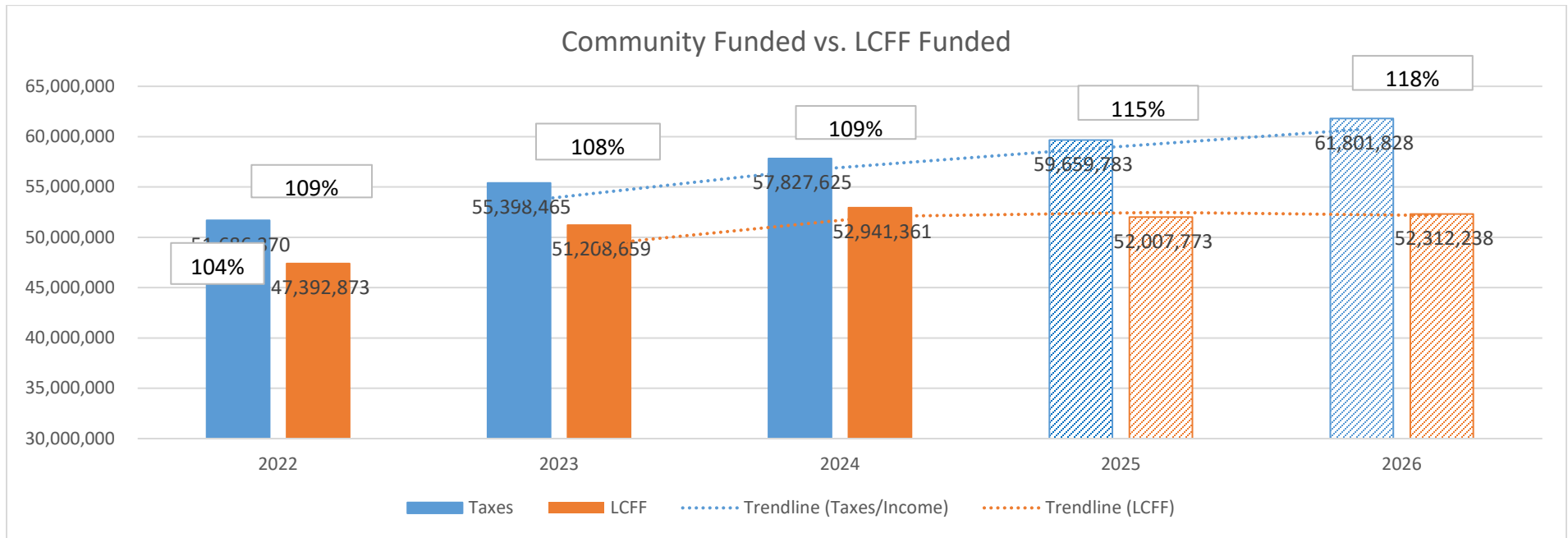
Based on notification from the County Assessor's Office, JUHSD is projected to receive more property taxes than is required to reach the LCFF this year. This means the district will remain in Community Funded status. When developing the budget, we anticipated a 4.7% increase in property taxes. The projection, based on notification from the County Assessor's Office, is now showing closer to 4.9%, although revenue from taxes for 23-24 are not finalized until July 2024.

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

Even with conservative projections, unless the State increases the LCFF base formula dramatically, the district is predicted to remain in Community Funded status for the foreseeable future.



Community Funded Related Issues



State Funding. This graph shows the projected increase to the LCFF Formula compared to our projected tax revenue. The projection shows the 8.22% COLA increase to Base Grant in the LCFF formula for JUHSD, while accounting for our declining enrollment. The 23-24 LCFF base allocation for high school students is now \$12,327 per ADA. JUHSD is projected to receive about \$15,326 per ADA in Community Funded revenue.

Uncertainty. Property tax revenue is very uncertain and subject to significant changes, as evidenced by the previous chart. 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 community funded 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.

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 community funded 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 STRS/PERS and the rising costs of utilities, maintenance, and operations. If there is an economic downturn, 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.

GENERAL FUND ADOPTED BUDGET VS. FIRST INTERIM BUDGET

2023-2024	ADOPTED	1ST INTERIM	CHANGE	NOTES
REVENUES				
LCFF STATE AID & STATE SPED	6,194,409	6,566,613	372,204	Increase State special education funding
LOCAL PROPERTY TAXES	55,337,871	55,752,737	414,866	Improved tax revenue projection
FEDERAL REVENUE	1,744,897	2,306,746	561,849	Last installment of relief funds expected last year, coming this year
OTHER STATE REVENUE	7,679,548	6,402,668	-1,276,880	Decrease in promised relief funds and mandated block grant
OTHER LOCAL REVENUE	9,392,797	9,589,106	196,309	Mostly new grant funds AOD program
TOTAL REVENUE	\$80,349,522	\$80,617,870	268,348	
EXPENDITURES				
CERTIFICATED SALARIES	28,697,987	28,471,036	-226,951	reduced FTE due to lower enrollment
CLASSIFIED SALARIES	13,206,534	13,820,927	614,393	increased paraprofessionals & drivers (previously contracted)
EMPLOYEE BENEFITS	19,978,066	21,222,381	1,244,315	large rate increase – will be refined after Open Enrollment
BOOKS AND SUPPLIES	4,027,813	5,365,046	1,337,233	carryover from previous year added – may be revised down
SERVICES/OPERATING EXPENSES	16,503,699	16,866,868	363,169	increased energy costs
CAPITAL OUTLAY	427,686	1,482,464	1,054,778	van & bus purchases with remaining COVID relief funds
OTHER OUTGO (COUNTY SP.ED.)	2,302,673	2,227,620	-75,053	
TRANSFER TO OTHER FUNDS/DEBT	587,524	1,581,469	993,945	transfer ASB funds to Fund 08
TOTAL EXPENDITURES	\$85,731,982	\$91,037,811	5,305,829	
SURPLUS/DEFICIT	(\$5,382,460)	(\$10,419,941)		
BEGINNING BALANCE (w/o GASB 87)	19,583,542	26,751,858		Better than expected revenue in 22-23, carryover of one-time grants
ENDING BALANCE	14,201,082	16,331,917		
REVOLVING CASH	4,000	10,000		Increase revolving cash amount: pending Resolution 2023-2024/7
RESTRICTED BALANCES	1,745,646	2,482,398		
REQUIRED 3% RESERVE	2,571,959	2,731,134		
STRATEGIC RESERVE 5%	4,286,599	4,472,817		Per BP 3100.1
UNALLOCATED BALANCE	\$5,592,878	\$6,635,568		
Total Fund 01 Reserve Percentage	14.52%	15.20%		

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:

- 3% salary increase for 23-24, no other salary increases
- 18% increases to district paid health premium contributions for 2024, 18% for 2025, aligned with COLA after that
- Use of remaining one-time relief funds in 23-24
- Contributions to Fund 17 to increase reserves
- Reduction to Contracted Services in 24-25

Assumptions	23-24		24-25		25-26	
	Budgeted	Revised	Budgeted	Revised	Budgeted	Revised
ADA	3,530.0	3,475.3	3,530.0	3,357.9	3,510.0	3,274.2
Tax Increase	4.7%	4.9%	3.8%	3.4%	3.8%	3.7%
Reserves without Fund 17	14.52%	15.20%	9.43%	11.11%	5.76%	6.50%

General Fund Summary	2023-24	2024-25	2025-26
Beginning Fund Balance	38,344,093	27,924,153	22,773,148
REVENUES	80,617,870	82,052,855	84,546,769
EXPENDITURES	91,037,810	87,203,860	88,768,390
EXCESS/DEFICIT	-10,419,940	-5,151,005	-4,221,621
Ending Fund Balance	27,924,153	22,773,148	18,551,527
Revolving Cash	10,000	10,000	10,000
Restricted Funds	2,482,398	1,482,396	1,176,396
GASB Leases (fixed assets)	11,592,235	11,592,235	11,592,235
Reserve for Econ Uncertainty	2,731,134	2,616,116	2,663,052
Strategic Reserve BP 3100.1	4,472,817	2,616,116	887,684
Unallocated Funds	6,635,569	4,456,285	2,222,160
Reserve Percentage	15.20%	11.11%	6.50%
Special Reserve Fund 17	1,135,362	1,440,362	1,745,362
Total Reserves all Funds	14,974,882	11,128,879	7,518,258
Reserve Percentage	16.45%	12.76%	8.47%

Components of Ending Fund Balance for 23-24

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

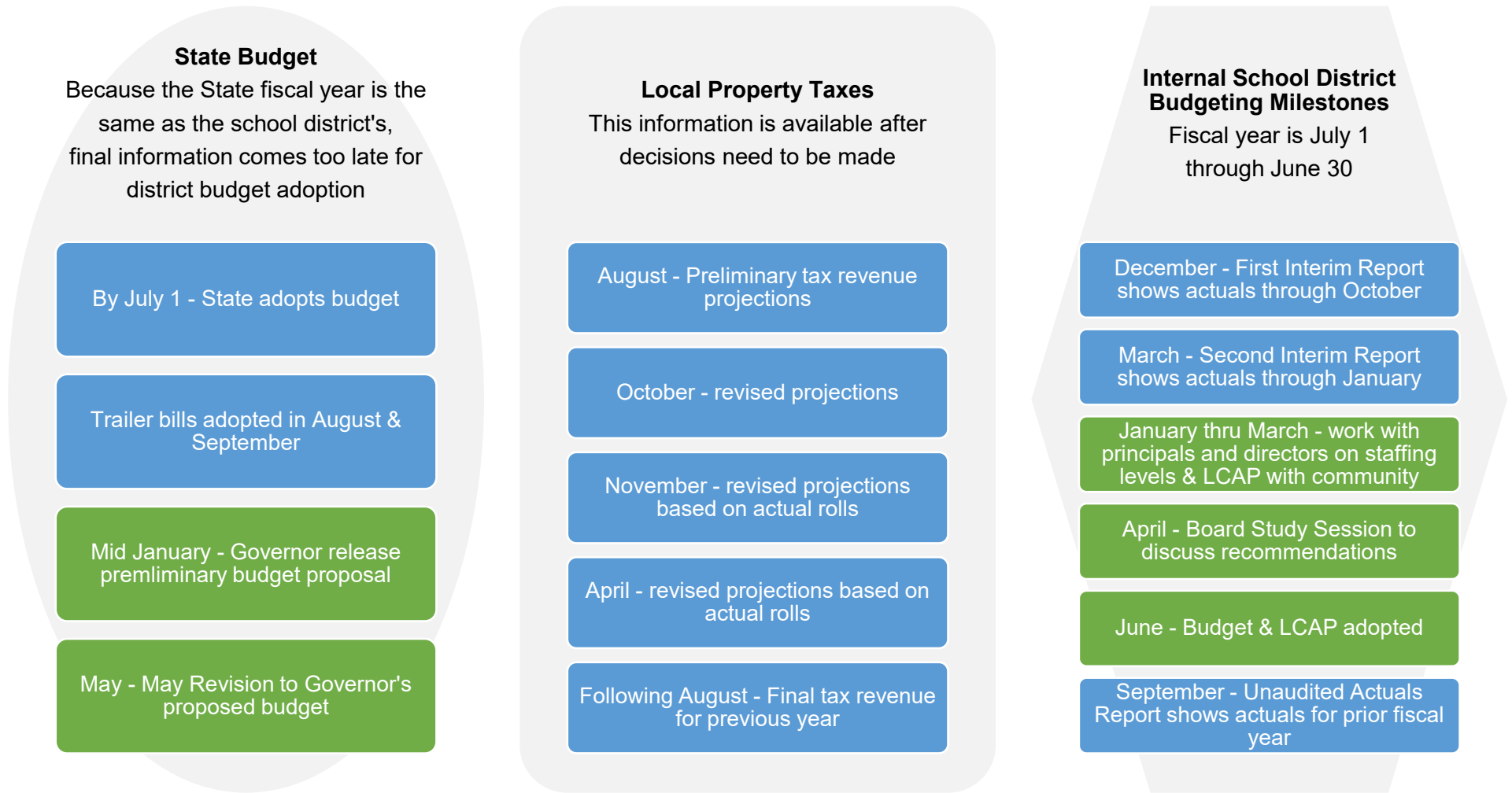
1. \$10,000 – Revolving Cash
2. \$11,592,235 – Unspendable GASB reporting requirement
3. \$2,731,134 – 3.0% Reserve for Economic Uncertainty
4. \$4,472,817 – 5.0% Strategic Reserve
5. \$6,635,569 – 7.23% Unallocated Amount

The District is projecting an additional 1.22% of reserves in Special Reserve Fund 17.

Other Funds

All other funds (i.e. adult ed., child nutrition, etc.) have positive ending fund balances.

Budget Calendar – Fiscal years run July 1 through June 30 each year. Below, blue shows 23-24 Budget Activities (current year) and green shows 24-25 Budget Activities (subsequent year)



Next Steps

The Budget Subcommittee has been meeting and is planning to bring their findings to the Board in January. The Second Interim Report will be presented in March and will include a clearer picture of payroll costs and changes to health benefits after open enrollment. It will also include projections for 24-25 based on the January Governor's proposed budget. After the Second Interim report in March, the Board will be able to begin planning for the 24-25 school year. A study session is planned for April 2024.