

Jefferson Union High School District

2023-2024 SECOND 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 AB 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 Department 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, Jefferson Union High School District will be able to meet its financial obligations, which is noted by the Positive Certification of the 2023-2024 Second Interim (Form CI). The supporting documentation for this certification includes the Revenue and Expenditure Summary for the General Fund (Form 01I), Attendance Detail (Form AI), Criteria and Standards (Form 01CSI), Cash Flow Worksheet (Form CASH) and Multi-Year Projections (Form MYPI). Other District Fund Summaries are also attached.

ANALYSIS OF THE SECOND INTERIM BUDGET AND MULTIYEAR PROJECTION

2023-2024 Budget

The Second Interim Budget includes adjustments to reflect current District staffing costs, expected expenditures in Special Education, supplies, services, and utilities costs. Additionally, it reflects adjustments to programs such as COVID Relief Funds. The Local Property Tax estimates from San Mateo County were used as a basis for estimating revenues.

2023-2024	Adopted	1st Interim	2nd Interim	Change from 1st Interim	
REVENUES					
LCFF STATE AID	6,194,409	6,566,613	6,115,894	-450,719	Decreased enrollment
LOCAL PROPERTY TAXES	55,337,871	55,752,737	56,110,184	357,447	Improved tax revenue projection
FEDERAL REVENUE	1,744,897	2,306,746	2,725,708	418,962	COVID relief reimbursement
OTHER STATE REVENUE	7,679,548	6,402,668	7,010,328	607,660	Overcorrected at 1st interim
OTHER LOCAL REVENUE	9,392,797	9,589,106	9,707,638	118,532	New grant funds
TOTAL REVENUE	\$80,349,522	\$80,617,870	\$81,669,752	1,051,882	
EXPENDITURES					
CERTIFICATED SALARIES	28,697,987	28,471,036	28,277,751	-193,285	Budgeted for positions and work, but continued with agencies or contracts (see increase below in Services)
CLASSIFIED SALARIES	13,206,534	13,820,927	13,587,627	-233,300	
EMPLOYEE BENEFITS	19,978,066	21,222,381	20,290,381	-932,000	
BOOKS AND SUPPLIES	4,027,813	5,365,046	5,220,907	-144,139	correction-increased too much at 1st Int
SERVICES/OPERATIONS	16,503,699	16,866,868	18,331,037	1,464,169	see above
CAPITAL OUTLAY	427,686	1,482,464	1,210,344	-272,120	correction-increased too much at 1st Int
OTHER OUTGO (Co. Sp.Ed.)	2,302,673	2,227,620	1,127,620	-1,100,000	Fewer out of district placements
TRANSFER FUNDS/DEBT	587,524	1,581,469	1,581,469	0	
TOTAL EXPENDITURES	\$85,731,982	\$91,037,811	\$89,627,136	-1,410,675	
BEGINNING BALANCE	19,583,542	26,751,858	26,751,859		Note: without GASB 87
DEFICIT/SURPLUS	(5,382,460)	(10,419,941)	(7,957,384)		
ENDING BALANCE	14,201,082	16,331,917	18,794,475		
RESTRICTED BALANCES	1,745,646	2,482,398	2,670,634		
REVOLVING CASH	4,000	10,000	10,000		
REQUIRED 3% RESERVE	2,571,959	2,731,134	2,688,814		
STRATEGIC 5% RESERVE	4,286,599	4,551,891	4,481,357		
UNALLOCATED BALANCE	\$5,592,877	\$6,556,494	\$8,943,670		
Total Fund 01 Reserve %	14.52%	15.20%	17.98%		

Two of the biggest impacts to this period's budget adjustments are in the areas Salary/Benefits and Services/Operations. The revised projections are due to the positions that were budgeted but are being covered by agency hires or contracted services. This is still fewer than years past. Another significant change is reducing the cost for out of district student placements.

Ending Fund Balance

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

1. \$2,670,634 – Restricted
2. \$10,000 – Revolving Cash
3. \$2,688,814 – 3.0% reserve for economic uncertainty
4. \$4,481,357 – 5.0% strategic reserve per BP 3100.1
5. \$8,943,670 – 9.98% Unallocated Amount

The District maintains an additional almost 1% of reserves in Fund 17.

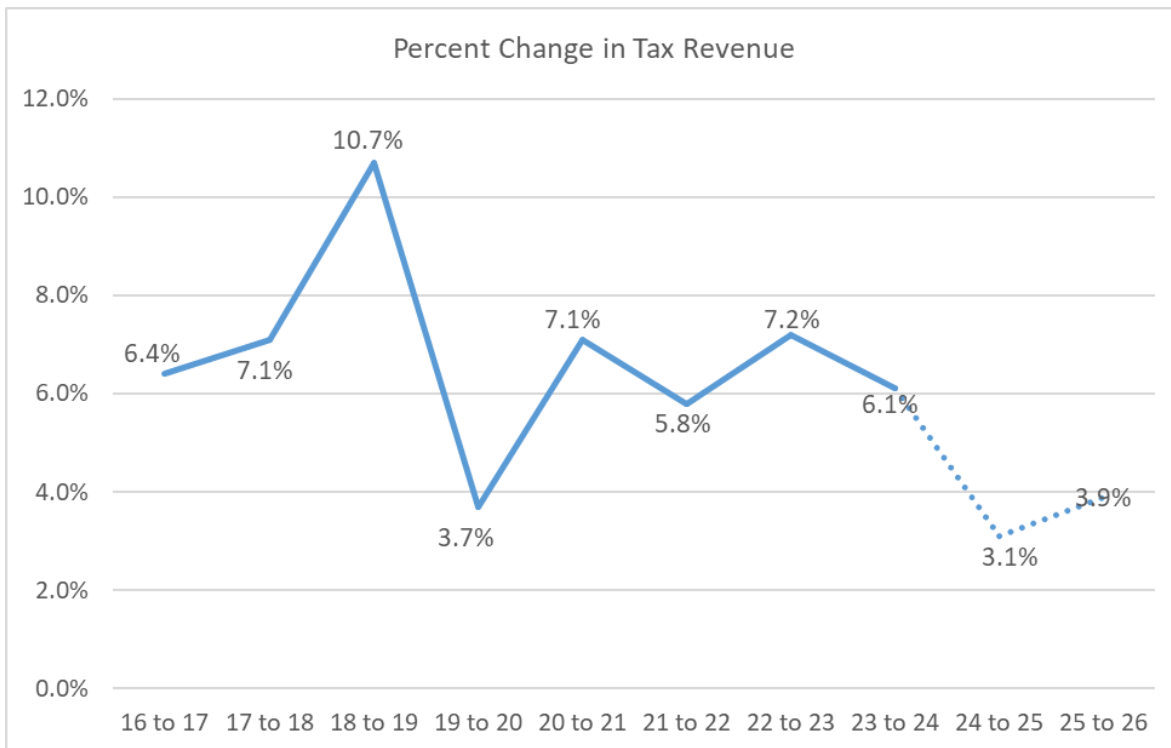
Multiyear Projections

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

The multiyear projection assumes the following:

	23-24	24-25	25-26
State COLA	8.22%	3.94%	3.29%
Property Tax Increase	6.1%	3.1%	3.9%
STRS Rate	19.10%	19.10%	19.10%
PERS Rate	26.68%	27.70%	28.30%
Average Daily Attendance	3,884	3,573	3,483
LCFF Supplemental	\$3.53 M	\$3.46 M	\$3.46 M

- Improved, yet conservative tax revenue projections – lower rate increase in 24-25 due to uncertainty about Redevelopment Funds calculations
- 3% salary increase for 23-24, no other salary increases
- Increase to district paid health premium contributions to cover increase for 2024 and up to 18% for 2025, aligned with COLA after that
- Use of remaining one-time COVID relief funds in 23-24, Learning Loss grant used by end 25-26
- Inflation rates for goods and services as estimated by the CA Department of Finance, with a larger increase for energy costs as estimated by PG&E
- Modest reduction in contracts & services in 24-25 as we close down Serramonte Del Rey
- Continue to pay debt service on COP
- Contributions to Fund 17 to increase reserves

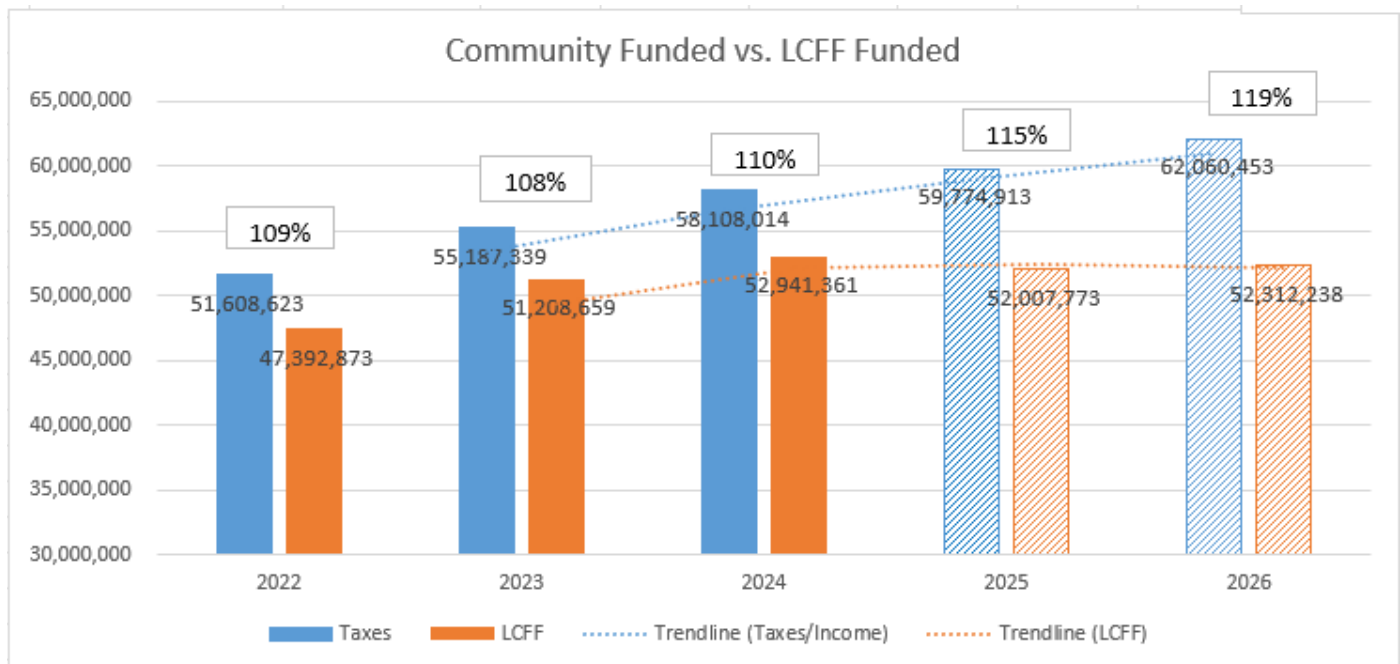


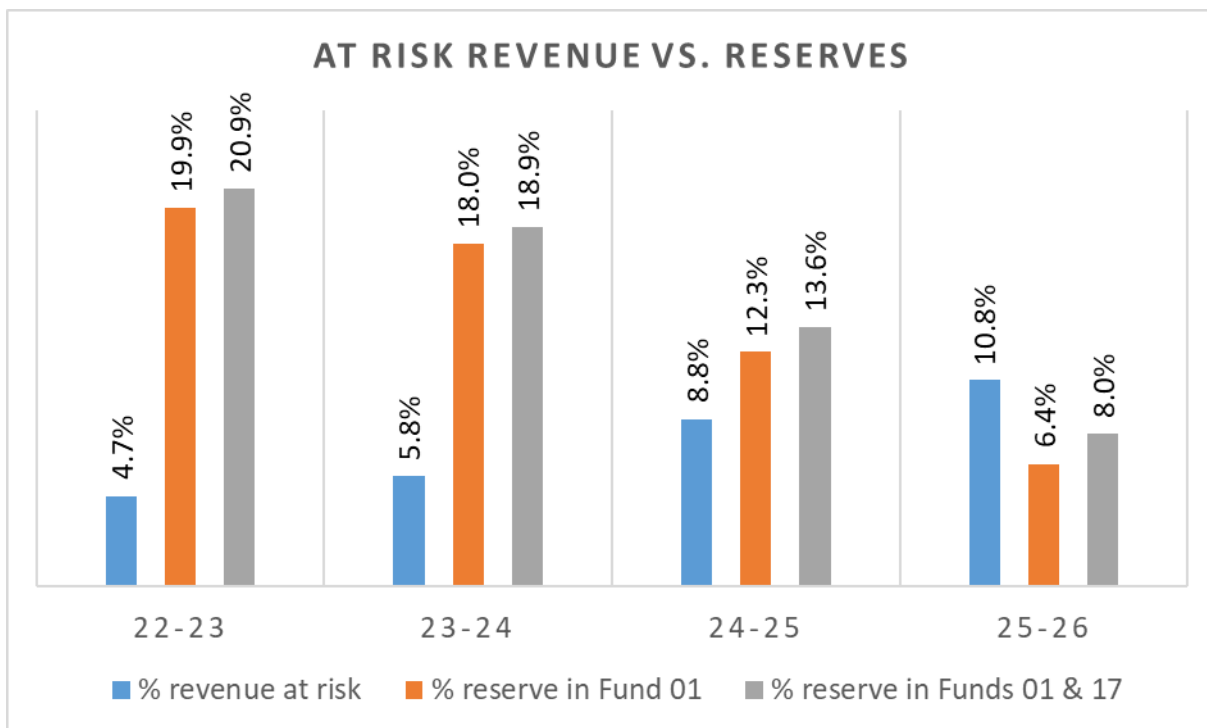
General Fund Summary	2023-2024	2024-2025	2025-2026
Beginning Fund Balance	26,751,858	18,794,474	12,547,162
REVENUES	81,669,752	82,261,270	84,653,371
EXPENDITURES	89,627,136	88,508,582	90,104,076
EXCESS/DEFICIT	(7,957,384)	(6,247,312)	(5,450,705)
Ending Fund Balance	18,794,474	12,547,162	7,096,457
Restricted	2,670,634	1,670,634	1,364,633
Allocated	10,000	10,000	10,000
Reserve for Econ Uncertainty	2,688,814	2,655,257	2,703,122
Strategic Reserve	4,481,357	2,655,257	901,041
Unallocated Funds	8,943,669	5,556,013	2,117,661
Reserve Percentage Fund 01	17.98%	12.28%	6.35%
Special Reserve Fund 17	835,362	1,140,362	1,445,362
Total Reserves all Funds	16,949,202	12,006,890	7,167,186
Reserve Percentage All Funds	18.91%	13.57%	7.95%

As shown, there is a structural deficit. The district is projected to spend more than it brings in this year and for the next two years. This deficit will draw down reserve funds and should be closely monitored.

The district is predicted to remain in Basic Aid/Community Funded status for the near future. This would only change either if there was a very large increase to the LCFF Base Formula or a very large increase in student enrollment.

The graph below shows the comparison of projected tax revenue to the projected LCFF allocation, showing the percent difference. As tax revenue can be unpredictable, this amount of funding is “at risk”.





Dividing the difference between LCFF and tax revenue by the district’s annual expenditures, we are able to see the percent of revenue that is at risk. The graph above shows that the district is projecting reserves that are healthy, but not large enough in 25-26 to fully cover the gap between tax revenue and LCFF allocation. This situation could make the district vulnerable to fiscal problems. This will be closely monitored.

Other Funds

All other funds (i.e. adult ed, child nutrition, etc.) have positive ending fund balances. There is a projected \$300,000 transfer from General Fund to Fund 17 at the end of the fiscal year.

Next Steps

The Second Interim Report provides a starting point for closing out the 23-24 school year and for the development of the 24-25 budget. Working in conjunction with the LCAP process and as informed by the State and County Offices of Education, the 24-25 budget will be developed over the course of the next few weeks. This will include a Board Work Study in April. Then, in May, we will receive an update from the State. The May Revision is a statutorily required action by the Governor’s Office and is an opportunity for the Governor to present new proposals based on an updated revenue outlook and any stakeholder feedback. The May Revision will incorporate revised revenue estimates, finalize the LCFF Formula for 24-25, and refine the multiyear projections. Once these updates are incorporated into the JUHSD 24-25 budget, it will be presented with the LCAP at two regular Board meetings in June, first for Public Hearing and second for Adoption.