

Jefferson Union High School District

2021-22 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 2021-22 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 District Fund Summaries are also attached.

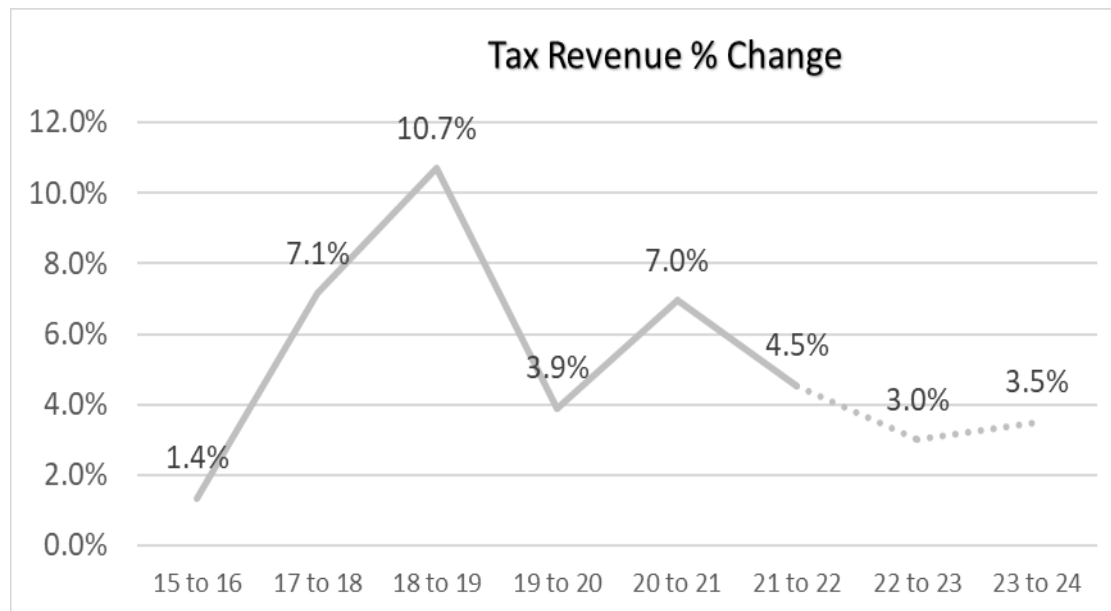
ANALYSIS OF THE FIRST INTERIM BUDGET AND MULTI YEAR PROJECTION

2021-22 Budget

The First Interim Budget is typically more accurate in projecting revenues and expenditures than the June 2021 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 October 2021. 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	4,102.63	4,086.60
Property Tax Increase	2.0%	4.5%
LCFF Supplemental	\$3,029,440	\$3,028,537
Min. Proportionality	7.26%	7.29%
STRS	16.92%	16.92%
PERS	22.91%	22.91%

Basic Aid (Community Funded) Status

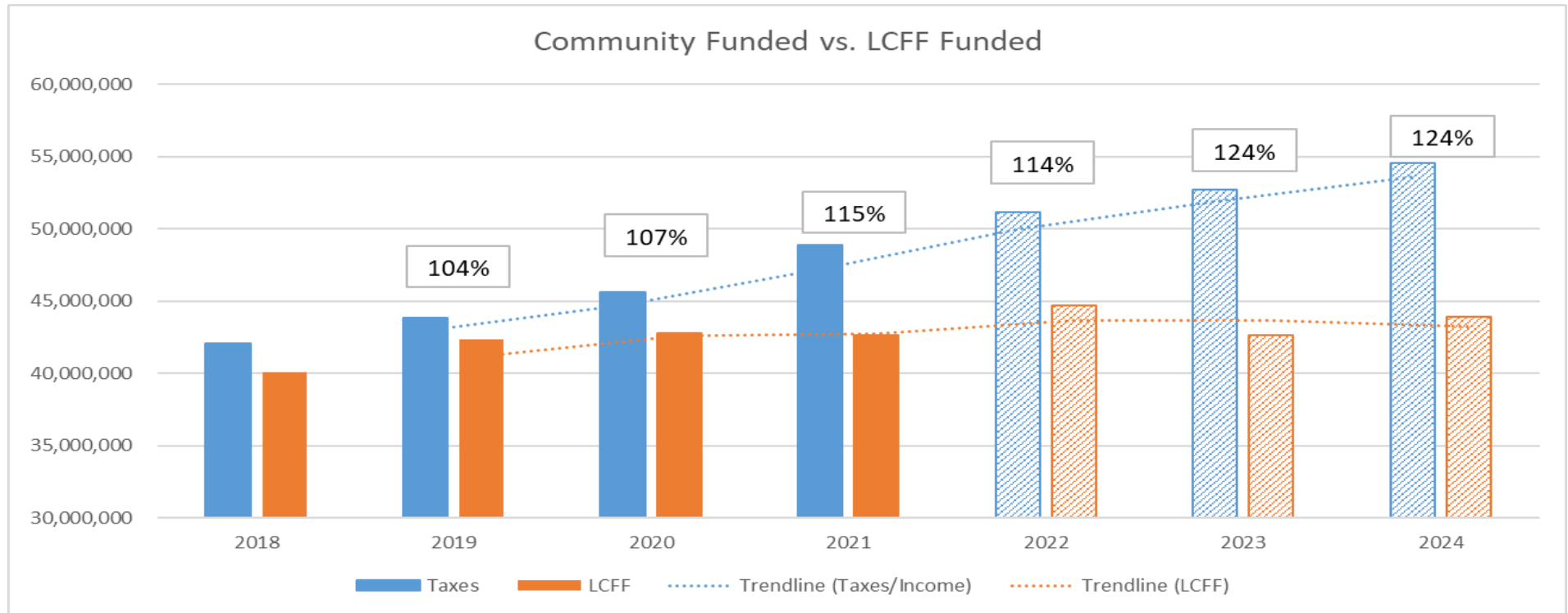


Based on notification from the County Assessor's Office, JUHSD is projected to receive more property taxes than is required to reach the LCFF Target this year. This means the district remaining in Community Funded status. When developing the budget, we anticipated an economic slowdown due to the pandemic and a 2.0% increase in property taxes was projected. The projection, based on notification from the County Assessor's Office, is now showing closer to 4.5%, although revenue from taxes for 21-22 are not finalized until July 2022.

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 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 is based on the current projection that the LCFF formula for JUHSD is projected to decrease, due to declining enrollment, in the subsequent year. More information will be available when the Governor releases his proposed budget in January.

Uncertainty. Property tax revenue is very uncertain and subject to dramatic 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 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 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.

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:

- No salary increases & minimal increases to health care
- Declining enrollment
- Continued contributions to Food Service
- Use of one-time COVID Relief Funds in 21-22 and 22-23

Assumptions	21-22		22-23		23-24	
	Budgeted	Revised	Budgeted	Revised	Budgeted	Revised
ADA	4,102.63	4,086.60	4,147.99	3800.0	4,147.99	3800.0
Tax Increase	2.00%	4.50%	3.50%	3.00%	3.50%	3.50%
COVID Funds	\$4,600,000	\$4,699,931	\$2,566,679	\$2,702,907	\$0	\$0
Reserves without Fund 17	9.29%	12.65%	9.58%	16.44%	12.75%	19.72%

General Fund Summary	2021-22	2022-23	2023-24
Beginning Fund Balance	13,091,029	12,220,278	12,314,999
REVENUES	75,523,998	73,447,245	75,473,012
EXPENDITURES	76,394,749	73,352,524	73,281,648
EXCESS/DEFICIT	(870,751)	94,721	2,191,364
Ending Fund Balance	12,220,278	12,314,999	14,506,363
Restricted Balance	2,054,369	254,369	54,369
Revolving Cash	4,000	4,000	4,000
Reserved Funds	500,000		
Reserve for Econ Uncertainty	2,284,342	2,193,076	2,190,949
Unallocated Funds	7,377,567	9,863,554	12,257,045
Reserve Percentage	12.65%	16.44%	19.72%
Special Reserve Fund 17	835,373	840,373	845,373
Total Reserves all Funds	10,497,282	12,897,003	15,293,367
Total Reserve Percentage	13.74%	17.58%	20.87%

Components of Ending Fund Balance for 20-21

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

1. \$4,000 – Revolving Cash
2. \$500,000 – Reserved for Text Adoption
3. \$2,284,342 – 3.0% Reserve for Economic Uncertainty
4. \$7,377,567 – 9.65% Unallocated Amount

The District maintains an additional 1.1% of reserves in Fund 17 – Special Reserve Fund.

The deficit shown in 21-22 is not structural but is due to the use of one-time COVI Relief Funds received in the prior year.

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	50,205,716	52,000,250	1,794,534	Improved tax revenue projections
FEDERAL REVENUE	5,500,007	5,565,981	65,974	
OTHER STATE REVENUE	4,246,557	4,883,411	636,854	Primarily increase to Special Ed Funding
OTHER LOCAL REVENUE	9,432,593	10,321,884	889,291	New requirement to log ASB funds
TOTAL REVENUE	\$72,137,345	\$75,523,998	3,386,653	
EXPENDITURES				
CERTIFICATED SALARIES	24,937,731	24,632,287	(305,444)	Positions unfilled/being covered by contractors
CLASSIFIED SALARIES	9,990,976	10,024,335	33,359	
EMPLOYEE BENEFITS	16,585,543	16,711,058	125,515	Increase to health care costs
BOOKS AND SUPPLIES	4,933,898	7,952,422	3,018,524	Carryover of site funds and COVID Relief Funds
SERVICES/OPERATING EXPENSES	12,430,095	13,589,145	1,159,050	Covering unfilled positions & COVID Relief Funds
CAPITAL OUTLAY	224,177	371,569	147,392	Using COVID Funds
OTHER OUTGO (COUNTY SPEC EDUC EXCESS COSTS)	3,628,986	2,863,933	(765,053)	Initially over budgeted, costs are similar to prior years
TRANSFER OUT (CAFETERIA FUND)	250,000	250,000	0	
TOTAL EXPENDITURES	\$72,981,406	\$76,394,749	3,413,343	
BEGINNING BALANCE	11,028,628	13,091,029		
ENDING BALANCE	10,184,567	12,220,278		
ALLOCATED BALANCE	0	500,000		
REVOLVING CASH	4,000	4,000		
RESTRICTED BALANCES	3,398,996	2,054,368		
REQUIRED 3% RESERVE	2,181,942	2,284,342		
UNALLOCATED BALANCE	\$4,599,629	\$7,377,568		
Total Fund 01 Reserve Percentage	9.29%	12.65%		

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 \$250K each year. This year, this contribution may end up being lower due to increased participation, but it is too soon to tell.

Next Steps

A Board study session is planned for January 29, 2022 to discuss the outlook provided by the Governor's January Budget Proposal which is expected around January 15, 2022.

Second Interim Reporting will include a clearer picture of payroll costs and changes to health benefits after open enrollment. This will be presented in March. After this report, the Board will be able to begin planning for the 2022-2023 school year.