



Building Bright Futures

Financial Services
 1829 Denver West Drive, Building #27
 Golden, Colorado 80401
 phone: 303-982-6843
 fax: 303-982-6826

website: <http://www.jeffcopublicschools.org/finance/index.html>

May 3, 2013

Members of the Board of Education
 Dr. Cynthia Stevenson, Superintendent of Schools
 1829 Denver West Drive, Building 27
 Golden, CO 80401-3120

Directors:

Attached is the Third Quarter Financial Report for fiscal year 2012/2013. This report includes cash management and investment schedules, 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.

The Third Quarter Report continues to reflect the district's diligence in adhering to the strategic financial plan, by meeting targets, being transparent with changes, and providing summary financial information to district leadership. The General Fund is at 74 percent of plan at quarter end. As a reminder, the original 2012/2013 adopted budget contained \$15 million in reductions. District funds are within the benchmarks for the quarter or explanations have been provided. On March 7, 2013, the Board approved the first of two planned supplemental appropriations for 2012/2013. This first supplemental was a result of the 2012 voter-approved mill levy override (MLO) that resulted in an additional \$39 million of operating funds beginning in spring of 2013. The 2012/2013 Adopted Budget, appropriately, did not include MLO funding. \$9.9 million in expenditures was appropriated to be added to the General Fund 2012/2013 budget. The revised budget includes this supplemental appropriation. At the state level, there is a supplemental request for funding that would result in an additional \$1 million for the district, if approved. No other state level, current year revenue changes are expected. A summary of funds needing an adjustment with the second district supplemental budget request is provided in the "On the Radar" section of this report.

In addition to implementing the supplemental budget changes for 2012/2013, preparation of the 2013/2014 Proposed Budget continues. Please see the section in the "On the Radar" labeled **2013/2014 Budget Development** for a summary of the budgeting process

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

Jefferson County Public School
 Top Level Summary by Fund
 Year End - March 31, 2013

| | Revenue | 2011/2012 Y-T-D % of Budget For Revenue | Total Expenses | 2011/2012 Y-T-D % of Revised Budget For Expenses | Net Income | Fund Balance (or net assets) |
|------------------|---------------|---|-------------------|--|----------------|---------------------------------|
| General Fund | \$373,357,681 | 60.05% | \$458,143,447 | 74.47% | \$(84,785,776) | \$(48,731,223) |
| Debt Service | 104,271,616 | 128.07% | 145,546,652 | 200.20% | (41,275,036) | 34,757,489 |
| Capital Reserve | 17,473,399 | 71.82% | 15,002,781 | 48.47% | 2,470,618 | 29,849,655 |
| Capital Projects | 116,899,927 | 0% | 852,522 | 0% | 116,047,405 | 116,047,405 |
| Grants Fund | 24,536,214 | 51.81% | 23,670,161 | 49.95% | 866,053 | 3,766,726 |

| <i>Continued</i> | Revenue | 2011/2012 Y-T-D % of Budget For Revenue | Total Expenses | 2011/2012 Y-T-D % of Revised Budget For Expenses | Net Income | Fund Balance (or net assets) |
|--------------------------|------------|---|-------------------|--|---------------|---------------------------------|
| Campus Activity Fund | 17,506,861 | 73.61% | 16,403,057 | 68.91% | 1,103,804 | 12,009,348 |
| Transportation | 18,048,339 | 83.76% | 15,654,478 | 73.13% | 2,393,861 | 2,393,861 |
| Food Services Fund | 19,639,844 | 80.34% | 17,836,100 | 74.63% | 1,803,744 | 9,139,991 |
| Child Care Fund | 11,734,077 | 79.64% | 10,492,999 | 71.17% | 1,241,078 | 5,599,236 |
| Property Management Fund | 1,291,912 | 81.77% | 948,075 | 65.15% | 343,837 | 4,843,621 |
| Central Services Fund | 2,851,845 | 81.28% | 2,549,423 | 65.87% | 302,422 | 2,178,542 |
| Employee Benefits Fund | 4,883,520 | 75.95% | 4,850,028 | 67.39% | 33,492 | 14,258,711 |
| Insurance Reserve Fund | 5,839,202 | 77.61% | 5,185,005 | 63.39% | 654,197 | 9,208,080 |
| Technology Fund | 15,651,415 | 79.75% | 14,798,479 | 74.68% | 852,936 | 9,046,057 |
| Charter Schools | 43,660,878 | 114.90% | 46,451,410 | 92.90% | (2,790,532) | 18,923,049 |

Cash Management (pages 1–3):

- The operating cash balance for March is \$197 million, compared to \$189 million the prior year. The majority of property taxes has begun to come in for the spring and will continue through the fourth quarter. \$63 million in tax anticipation notes (TAN's) was issued in November to alleviate cash flow shortages prior to the receipt of property tax revenues.
- Total cash receipts have increased over the prior year due to the new mill levy approved in 2012 by the voters. TAN's proceeds were higher than the prior year due to spend down of reserves. TAN's will be repaid in June. The Other State Revenue line is lower than the prior year due to cash from one-time State Fiscal Stabilization Funding that was received in first quarter last year.
- Disbursements for payroll were lower than the prior year due to timing of the 3 percent wage reduction and FTE reductions. Capital reserve project disbursements are down with less funding for capital projects in 2012/2013. Operating cash does not include bond proceeds and disbursements.

General Fund (pages 4–10):

- Total revenues for the General Fund are \$13.7 million higher than the prior year. Property and specific ownership taxes are higher than the prior year due to the mill levy override and an increase in automobile sales. State revenue is slightly lower than the prior year due to a slight decline in students. Federal and other revenues have increased due to a one-time \$750,000 settlement from JP Morgan. Budgeted revenues will be adjusted to reflect current estimates as part of the supplemental appropriation process.
- General Fund expenditures are \$5 million lower than the prior year. Salary expenditures are lower from reductions, partially offset by the increase in PERA benefits. Other expenditures are up; largely due to out of district placed student costs (please see the note below on special education) and instructional purchases. Total expenditures are just below the 75 percent benchmark for third quarter. A supplemental budget request will be made to align staffing budgets and to increase budgets for the higher than anticipated spend down of school carryforwards.

Debt Service/Capital Reserve/Capital Projects (pages 12–15):

- The Debt Service Fund reflects the advance refunding of the 2004 and 2006 bonds approved by the Board and completed in September. The district achieved \$5 million in savings from the refunding. The budget for the fund will be adjusted after the supplemental budget appropriations in the spring. Interest payments will be made in June for the general obligation debt.

- The Capital Reserve Fund expenditures are 48 percent of plan for the quarter. Expenditures will increase in the fourth quarter as the department's work with schools accelerates.
- The Capital Projects fund is new and reflects the issuance of \$99 million in bonds and \$17.8 million in bond premium. Construction has begun on projects. The budget for this fund will be established with a supplemental budget request.

Grants Fund/Campus Activity/Transportation (pages 16–19):

- The Grants Fund activity continues to be lower than prior years due to the end of ARRA grants. See page 15 for details of material changes in grants.
- The Campus Activity Fund revenues and expenditures have increased for the quarter compared to the prior year due to the changes in the fees with outdoor lab. The timing of events, activities and fundraising impact the collection of revenues and related expenditures.
- Transportation fees increased this school year. Ridership has remained stable and collections of fees have been earlier for this school year. A supplemental budget request will be made for the reinstatement of the furlough days.

Enterprise Funds (pages 20–24):

- The Food Services Fund net income is down \$357,607 from the prior year. The purchased food costs are higher than the prior year as a result of mandates on serving fresh fruit and vegetables.
- The Child Care Fund is performing better than the prior year. Revenues and expenses are higher than the prior year due to new classrooms in all day kindergarten.
- The Property Management Fund had net income of \$343,837 for the quarter. Revenue from building rentals is higher than the prior year. A supplemental budget will be requested to accommodate additional property management related expenses.

Internal Service Funds (page 25–29):

- The Central Services Fund has net income of \$302,422 for the quarter, better than planned. The fund is planned to spend down net assets for equipment purchases happening later in the year.
- The Employee Benefits Fund has net income of \$33,492 for the quarter. The fund budgeted to spend down net assets for the year as with the continuation of the employee wellness program.
- The Risk Management Fund has net income of \$654,197 for the quarter. Claim expenses have dropped, contributing to the better than planned results.
- The Technology Fund has net income of \$852,936 at the end of the quarter. In the third quarter, information technology continued to collaborate with instructional leadership in support of multiple initiatives. The Learning Management System (LMS) that was implemented last August continues to grow in popularity among teachers and students, while a policy has been developed to address the growing demand for students to utilize their personal mobile devices in support of learning. Initial work has been completed for a wireless upgrade in the schools, while the multi-year upgrade to the district's phone system will likely be completed this calendar year.

Charter Schools (pages 30–32):

- Four charter schools have yellow flags for the quarter.
- Mountain Phoenix, Rocky Mountain Deaf School and Two Roads are not borrowing at the end of the quarter but continue to be monitored.
- Two Roads High School is working on a property exchange with Lincoln Academy.
- Collegiate Academy was approved to borrow up to \$(150,000). Collegiate is borrowing \$(64,632) for the quarter. This has increased from the second quarter by \$12,750.
- A supplemental budget request will be made to adjust the budget for the charter schools.

ON THE RADAR:

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

Facilities Maintenance Program Performance Evaluation:

Facilities Management (FM) staff continues to work on process efficiency gains and system changes. The Facility Service Desk (FSD) implemented revised job responsibilities for the technicians and the manager which enable them to eliminate 3 total FTE. The FSD is now managed by the director of Central Services. The Asset Lifecycle Management (ALM) and the Computerized Maintenance Management System (CMMS) have been operational since July 2011.

Five key initiatives of the ALM stabilization project are complete. Below is a recap of the initiatives and the respective status.

- Clean-up of all old work orders where labor was not posted—Complete. Labor is now posting to all work orders.
- Update and complete all preventative maintenance (PM) schedules—Complete. The fall, winter and spring rotations have been published.
- Complete the listing of all facility assets—Complete. Asset hierarchy was updated; customization of the assets by site will be worked on through the end of this FY.
- Billings current for school funded work orders—Complete. Billings for funded work orders are completed by the 15th of every month. Billings have been completed monthly since September with a total billing of \$371,171 and reimbursement of actual expenses of \$131,766 through the third quarter.
- Billings current for risk management funded work orders related to storm damage or vandalism—Complete—ongoing. Monthly meetings are held to review progress of work.

The key initiatives related to process improvement include: development of Key Performance Indicators (KPI's), documentation of the work order work flow and completing training documentation that includes both process and step-by-step instruction on use of ALM. These initiatives will continue throughout 2012/2013. Monthly monitoring reports for vandalism, status tracking by zone/group and labor analysis were completed and rolled out in December 2012.

Phase 1 and 2 of technician time and labor entry and approval has been planned and will be implemented in the fourth quarter. Modifications will require the direct supervisor to complete electronic approval and will allow time and labor to post to work orders on a timelier basis.

Maintenance and Operations group participated in a metro area benchmarking study. Final results will be available in the fourth quarter.

Annual Capital Planning and District Wide Facilities Master Plan:

The Annual Capital Planning process was initiated in the fourth quarter, 2011/2012. Capital Planning is based on the facility condition assessment data initially collected in 2009 and has been updated annually since. The data collected included life cycle information from the State Wide Financial Assistance Priority Assessments. All condition assessments are then updated on a three-year cycle which ensures that a facility is visited and the assessment is updated and validated at least once every three years. Below is a recap of the individual components of the Capital Planning that have ongoing tasks.

Facility Condition Assessments: Keeping the facility condition assessment database current and accurate is an ongoing process throughout the year which includes on-site assessments and review meetings with maintenance staff. Fifty-three site assessments were completed by the start of

school, August 2012. Semi-annual reviews of the deficiencies with Facilities Maintenance staff were completed in October 2012 and March/April 2013. Collected data and updated RS Means cost information (third party) has been input in the Facility Assessment and Condition Tracking System (FACTS) system.

Annual Enrollment Projections: Interactive planning meetings to update the five-year enrollment forecasts were held in October 2012. The Preliminary five-year projection was presented to the Capital Asset Advisory Committee in December. The report was forwarded to the superintendent and executive management in January 2013.

Issue 2012 Summary of Findings: Staff is working on incorporating the updated assessment and enrollment data. Links to the previous Summary of Findings and the Enrollment Projections Report are provided on the district's Facilities webpage. Final FY 2013 Summary of Findings was forwarded to the superintendent and executive management in January 2013.

Capital Transfer Allocation: Planning for the summer 2014 work that will be funded by the annual capital transfer will begin in the fourth quarter. Utilizing the current facilities assessment data, staff from the departments of Facilities Planning and Construction, Facilities Management, Information Technology and Budget will develop a list of capital projects to be completed in the summer of 2014. The final list of projects will then be presented to the Capital Asset Advisory Committee in August 2013.

2012 Bond: In November 2012, voters approved a \$99 million bond package. Bid packaging and a master schedule were completed in December 2012. Consultants were selected for projects that are scheduled to be completed in 2013. Selection of CM/GCs and bidding has been on-going with the final bid to occur in April 2013.

Technology Personalized Learning:

Information Technology is continuing to partner closely with educational resource and design in support of innovative efforts around personalized instruction. Specifically, field testing has been completed for our nationally acclaimed, custom developed electronic curriculum system which is now available for all teachers throughout the district. In addition, functional and technical requirements are being gathered for an Innovative Instructional System (IIS) in support of personalized instructions. The IIS will consolidate data from multiple instructional systems into one dashboard and utilize predictive analytics to recommend just-in-time instructional strategies and resources for teachers.

Technology Phone System:

The initial Unified Communications (UC) contract was awarded to CenturyLink (formerly Qwest Communications) in 2010 to install a Cisco UC platform that replaces the district's 19-year-old analog phone system. The district will not be renewing the current CenturyLink contract at the end of this fiscal year (June 30, 2013). The manufacturer (Cisco) will be working with Jeffco staff to remediate current issues in the core environment. Equipment installs continue to take place at the remaining 47 school sites but no handsets or cutovers will occur until issues with the core infrastructure have been remediated and validated by Cisco.

The new phone system is primarily funded by federal ERATE revenues and IT reserves. The project will be completed on-time and under the budgeted amount of \$8.8 million but with a new target completion date of spring 2014 instead of the previously reported December 2013 timeframe.

| Project Status | % Complete |
|----------------------|------------|
| Total Sites | 68.24% |
| High Schools | 66.67% |
| Middle Schools | 42.11% |
| Elementary Schools | 68.82% |
| Pre-Schools | 100.00% |
| Other District Sites | 93.33% |

Disaster Recovery Project (DR):

Information Technology remains committed to ensuring system availability. Recovery processes are tested regularly to confirm existing system practices and assumptions. There are 65 applications/ services that are included in the DR process, of which 27 have been tested this fiscal year. A secondary Internet circuit independent from the district’s primary 500Mb circuit is in service at the DR location at Quail with 50 Mb capacity and the capability to increase to 1GB. This was established due to the demand on Internet services and reliance on cloud based systems and services (Schoology, Google apps, etc.). Disaster Recovery drills for the 2012/2013 fiscal year have been completed on July 17, October 24 and December 17, 2012. Two more drills are scheduled for April and June this fiscal year.

- 20 applications/services are Level 4 and 5 and not required to be tested.
- 11 applications/services will be tested during the next scheduled period (April 24, 2013)
- 2 applications/services will be tested during the summer test (June, 26, 2013)
- Testing for the remaining infrastructure applications/services can be intrusive and will need management approval as well as organizational awareness with a scheduled test sometime over the summer break.

Compensation & Benefits:

The district continues its review and analysis of compensation, including market comparisons with surrounding districts. Given the pay reductions Jeffco has sustained, there have been instances of employees leaving Jeffco for more lucrative opportunities, and there are instances where recruiting new talent is hindered by our pay schedules. Multiple committees have formed and been tasked with planning for changes required by Health Care Reform. This includes evaluating significant systemic changes to ensure compliance with the federal legislation. Both costs and structures will change to accommodate the requirements of the Act.

Special Education:

The special education expense line in the General Fund is projected to be over budget. This is due to the increase in students with intensive needs, beyond the district’s services, who are placed into locations outside of the district. For example, the number of students that have been placed into a high-cost autism center has nearly doubled from 2012 to 2013. The overall cost to the district for students placed out of district for services is expected to continue escalating. The budget line for the Proposed 2013/2014 Budget is increased by \$1 million or 25 percent.

Enrollment:

Overall Jeffco membership has declined by more than 250 students. Enrollment decline is driven by lower birthrates and an aging population within the county. The components of the change are a drop in membership at neighborhood schools of nearly 650 students and an increase in the charter membership of nearly 400. Total membership is then converted to an FTE equivalent by adjusting for part-time students and excluding any students who are not eligible for funding. The FTE count can be averaged over five years as allowed under the School Finance Act as a mechanism to smooth the loss of funding for districts with perpetual declining enrollment. The year over year decline for Jeffco in funded pupils is just over 300.

2012/2013 Supplemental Appropriations/Budget Adjustments:

A second supplemental appropriation will be brought to the Board in June. Revenue projections will be updated as part of the process to ensure the Board and community has full information and understanding of proposed changes to budgetary appropriations. Following is a list of items to be included in the June supplemental appropriation:

- General Fund – higher than anticipated school spend down of carryforward balances
- Debt Service – bond refinance and new bond issuance
- Capital Projects – 2012 voter-approved bond projects
- Transportation, Food Services, Risk Management and Child Care – reinstatement of instructional days (cancellation of furlough days)
- Property Management – additional investment in deferred maintenance and other property related expenditures
- Charter Schools – increased enrollment , debt issuance and refinancing

2013/2014 Budget Development

The Proposed Budget will be presented to the Board of Education on May 2 with a second public hearing and budget adoption planned for May 30. Although the \$39 million of voter-approved mill levy override (MLO) revenues and improved revenue projections from school finance are positive news, the majority of revenue improvements will be used to mitigate the \$45 million in expenditure reductions previously planned for 2013/2014.

The one-time unplanned revenues (\$39 million MLO) received in 2012/2013 will be used to invest in instructional infrastructure, reinstatement of two instructional days, and security enhancements. Additionally, the planned spend down of reserves will be mitigated with unspent funds.

The 2013/2014 revenue projections will incorporate SB260, or the current School Finance Act with slightly improved revenues.

SB213, or the proposed new School Finance Act, will not be incorporated into any revenue or expenditure projections until it is passed by the legislature and “trigger” revenue levels are approved by a statewide vote. Staff will continue to monitor and evaluate potential impacts of this legislation.

The district remains in sound financial condition. We will continue to spend conservatively and to diligently monitor economic variables on the radar. This Third Quarter Financial Report will be presented to the Board of Education on Thursday, May 30, 2013. It is always helpful, if you have any questions, to let me know in advance so that we can formally present and answer those questions during the meeting.

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.



Lorie B. Gillis
Chief Financial Officer