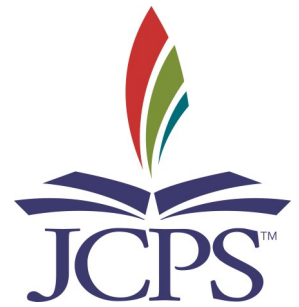


Notes & Analysis

June 2024 Financial Report



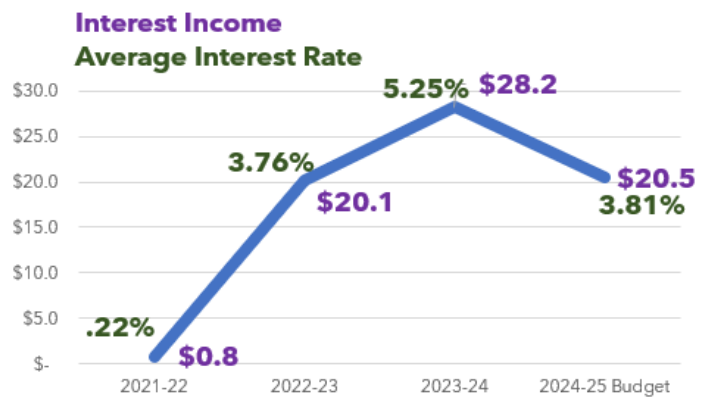
Fiscal year end is an important time for JCPS Finance. This is the period when we close our books, begin preparing our financial statements, and our auditors begin auditing our activities for the previous year. Both our auditors and Finance are reviewing transactions to ensure our financial statements are as accurate and reliable as possible, so ending balances are far from certain. Currently, we are forecasting our June 30, 2024 General Fund fund balance of approximately \$385 million, or a \$41 million loss for the year. This is in line with our expectations as we come to our soft landing from the funding cliff after most ESSER funding has been spent.

Property taxes are the largest revenue source for the District. Since tax bills are mailed at the beginning of November, with discounts available for early payment and penalties for late payment, we receive most of these payments between November and February 1 of each year. **5.2%** Increase over 2022-23

2021-22	2022-23	2023-24
\$ 206.5	\$ 206.3	\$ 212.5

Occupational taxes stabilized in the 2021-22 school year as Metro Louisville emerged from COVID. These revenues have

maintained near these levels during the 2023-24 fiscal year. We ended the 2023-24 year with an increase of \$6.2 million over the previous year, but the economy is showing signs of slowing. This will cause our occupational taxes to decrease in future years.



State SEEK (Support Education Excellence in Kentucky) revenues are the largest source of funds we receive from the state. The formula is designed to reduce the state payments as local assessments increase. The legislature increased base SEEK by 3% to \$4,326 and increased the SEEK Transportation reimbursement to 90%, which was

2022-23	2023-24	2024-25 Budget
\$ 225.0	\$ 195.0	\$ 196.8

much needed and much appreciated. Based on these changes, we have budgeted a small increase in SEEK for 2024-25 instead of the large decrease from the previous year.

School Security Officers salary expenses have more than doubled over the past two years as we have increased our security force and implemented weapons detection in many of our schools. This category will continue to increase as JCPS prioritizes school safety.

Transportation overtime expenses increased almost four times over the level from two years ago. This stands as a testament to the hard work this division has done to get our students to school while severely short staffed.

Insurance expenses are almost double what we paid three years ago. Nationwide, many lines of insurance have experienced tight markets as a result of high judgments, some market conditions such as wildfires and major storms, and juries that are leaning toward accommodating plaintiffs. These nationwide trends result in higher premiums regardless of our claims.

Revenue Budget-to-Actual Analysis Most revenue codes are approximating their budget with some exceptions:

Property taxes exceeded budget about \$7.7 million.

Interest income exceeded budget about \$9.7 million.

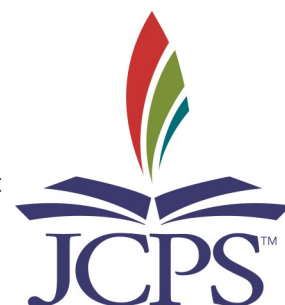
Occupational taxes underperformed budget less than \$1 million, and the trend late in the year showed a further softening of the local economy and forecasted lower revenues for the 2024-25 school year.

Omitted property taxes exceeded budget by \$4.9 million. These revenues are taxes that were omitted from the assessment rolls and collected later by the Kentucky Revenue Cabinet. These taxes are notoriously difficult to predict.

Motor Vehicle taxes underperformed budget about \$3.7 million, which reflects a change of the economic trends from the time of last year's working budget (durable goods sales).

Expense Budget-to-Actual Analysis

- ⇒ Salaries remain under budget as our vacancy rate hit our highest level above 10% compared to our traditional rate less than 4%. This resulted in budget savings of over \$93 million. These savings are partially offset by contracts with agencies providing employment contracts for employee groups like bus drivers, teachers, and instructional assistants.
- ⇒ Many substitute categories are exceeding budget as a result of our vacancies, though these codes exceed budget far less than the underspent salary budget savings.
- ⇒ Contract bus services are more than triple the level of previous years as JCPS is making every effort possible to support student transportation. This category will be increasing significantly in the next few years due to the TARC contract. Regardless, we planned for higher expenses, and the category is under budget for the year.
- ⇒ Computer costs and related repairs are up significantly as JCPS continues to support 1:1 technology for our students. Although these costs are up significantly, JCPS planned for the increase, and we are under budget in this category.



- ⇒ As Jefferson County avoided an extreme winter, our utilities costs are \$1 million under trend and coming in under budget.
- ⇒ Transportation insurance costs have increased significantly. Although our fleet size is shrinking, a national trend of high transportation verdicts, including buses and logistics systems like tractor trailers, has increased the cost of our claims. We have forecasted this trend and adjusted our budget. Although the expense trend is increasing, we are not exceeding budget in this category.

Overall, expenses are coming in under budget.

Funding Cliff

Most governments are experiencing a fiscal cliff as COVID-19 stimulus grants expire and activities revert to prior revenue levels. Although JCPS was able to use these stimulus funds to create lasting change for our students, we haven't experienced the significant hardships of a funding cliff that other districts experienced by strategically reducing less effective fund usage while maintaining student-result-positive programs and minimizing the funds used on employment contracts that would be expected to remain after funding expired.

Although many audit reviews are still to come, our fiscal cliff projections have come in on target, indicating that JCPS can focus on planning the future for our students, rather than fearing it.

