August 29, 2018

TO: Board of Education Members

FROM: Dr. David Schmitz, Superintendent of Schools
Adam Dameron, Chief Financial Officer

SUBJECT: Budget Message, Lebanon R-3 School
District Budget for Year 2018-19

The FY 2018-19 budget was a collaborative process beginning in January 2018. The process engaged all levels of District staff including teachers, principals, departmental leaders, central office staff, and members of the Board of Education. Directed by the Board goal to operate in an efficient and effective manner with District resources, the FY 2018-19 budget was developed using key priorities as a guide. The following priorities guided budget development:

- Support high quality instructional programming PK-12
- Promote salary growth in all pay categories, seeking to recruit and retain high quality staff
- Pursue a sustainable maintenance program targeting critical needs with a proactive and preventative maintenance approach
- Reduce the average age of the District bus fleet through annual purchases
- Stabilize the District's fund balances at or above 13%, with the intent to strengthen fund balances to 20% in the next 5 years.

District leaders engaged in critical analysis of needs within academic services, human resources, and operations to identify fund areas in which resources would be reduced and reallocated to meet the Board's priorities. This process yielded approximately $460,000 in reallocations for the 2018-19 budget, totaling $1.24 million in reallocations for the 2017-18 and 2018-19 budget cycles.

Local funding levels were identified as extremely low in comparison to similar school districts, resulting in a significant gap in the District's ability to pursue the Board's budget priorities. Critical facility and transportation needs continued to grow and staff pay lagged behind "comparable districts" in all categories. In an effort to produce more revenue for growing needs and to address the expanding funding gap, the Board successfully passed a $.90 operating levy issue on the August 7, 2018 ballot. The proposal, called Proposition Lebanon Schools, will be phased in over three years ($.30 in 2018, $.30 in 2019, and $.30 in 2020) and is projected to produce $900,000 in additional revenue annually over those three years. When fully phased in, the operating levy is projected to produce $2.7 million annually. Adjustments in the District's assessed values will impact those annual projections. The additional funds become available in 2019, so the 2019-20 budget year will reflect the first significant impact accordingly. The success of Proposition Lebanon Schools is projected to enable the allocation of resources needed for the following long range fiscal plan:

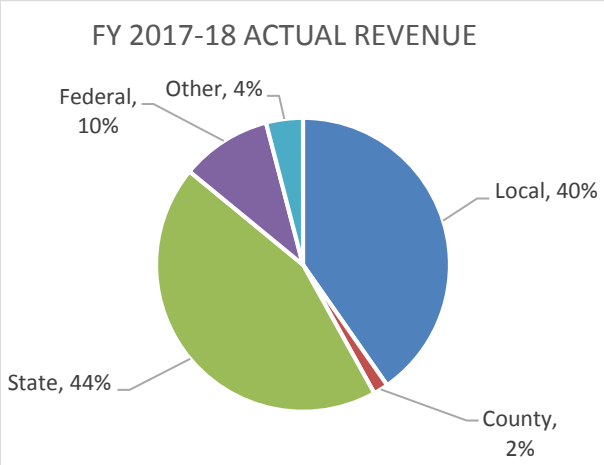
- Support high quality instructional programming (PK-12), ensuring all kids have the opportunity to graduate with a clear plan for their future
- Increase all staff pay to be competitive with comparable school districts and industry within five years, beginning with the 2019-2020 school year

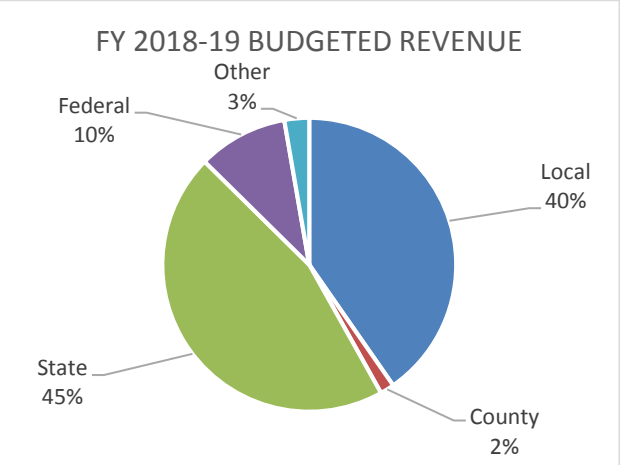
- Reduce the average age of all buses to 10 years or less in the next 10 years
- Establish a sustainable ongoing maintenance cycle to address critical facility needs such as aging roofs, HVAC systems, and parking lots
- Maintain a stable and sustainable unrestricted fund balance at or above 20%

The proposed budget reflects conservative estimations of revenue and expenditures that align with the required operations and goals of the District for FY 2018-19. The budget serves as a guide to manage and direct the District's financial resources in light of the intended goals. Close adherence by District staff coupled with ongoing review and amendment by the Board of Education will be essential as financial expectations and/or goals change during the course of the fiscal year.

The following is a summary of the highlights of the 2018-2019 school budget:

Estimated Revenue





Local Revenue

In local revenue, the following significant changes are reflected in this budget:

1. The assessed valuation increased from $316,339,267 in FY 17-18 to $324,227,423 as of June 30 for the 2018-19 fiscal year. The District budgeted local taxes and delinquent taxes based on the AV and expected collections. These revenues may be amended next spring based on actual collections at that time. The following chart illustrates the Assessed Valuation's trend through FY 18-19. The adopted budget reflects the 2014 voter approved increase to the debt service levy and the voter approved increase to the operating levy in August 2018.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5111 TOTAL	CURRENT TAXES	$ 9,687,535	$ 9,735,290	$ 9,911,428	$ 10,293,840	$ 11,336,327
OBJECT 5112 TOTAL	DELINQUENT TAXES	$ 928,865	$ 927,740	$ 1,072,278	$ 1,057,223	$ 1,188,381
	GRAND TOTAL	$ 10,616,400	$ 10,663,030	$ 10,983,706	$ 11,351,063	$ 12,524,708
	Assessed Valuation	$ 298,681,271	$ 300,248,178	$ 307,777,216	$ 316,339,267	$ 324,227,423
	Tax Rate	$3.22	$3.22	$3.59	$3.59	$3.89

2. In 2014 voters approved a debt service levy increase of $0.37 to fund the construction of the new Lebanon Middle School. In 2018 voters approved an operating levy increase of $0.90 to be phased in over three years ($.30 in 2018, $.30 in 2019, and $.30 in 2020). In this budget, the estimated taxes in FY 2018-19 reflect an operating levy of $3.05 and a debt service levy of $0.84, for a total levy of $3.89. The final decisions on the District's levy amounts will be made at the levy hearing in August in accordance with the District's needs.

3. Proposition C sales tax budget (code 5113) is estimated to increase by 2.69% over FY 17-18 actual revenue. This is based on the most current information from DESE.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5113 TOTAL	PROP C (SALES TAX)	$ 4,037,660	$ 4,168,298	$ 4,298,799	$ 4,232,967	$ 4,346,728

4. The M & M surtax is projected to be flat for FY 18-19.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5115 TOTAL	M&M SURTAX	$ 563,543	$ 562,239	$ 580,768	$ 606,649	$ 601,000

5. Earnings on investments (code 5140's) are budgeted at $35,500 for FY 18-19. Over the last four years, the District has earned interest on bond funds approved for the construction of a new middle school and other facility projects throughout the District. The earnings will be significantly less for FY 18-19 since the construction projects are nearing completion. Other investment earnings include scholarships and K-Mart funds that are invested in various CD's ranging from one to five years.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 514X TOTAL	EARNING ON INVESTMENTS	$ 540,477	$ 2,076,889	$ 99,960	$ 59,190	$ 35,500

6. Due to changes required by the Healthy, Hunger-Free Kids Act of 2010, the District will raise lunch prices by $.10 cents for the 2018-19 school year. More price increases are anticipated in the years ahead to meet the requirements of the HHFK Act.

7. Other local revenues (code 5190's) are budgeted at $27,042 for FY 18-19. Prior years included pledges for the Stadium improvement project. The remaining pledges are scheduled to be completed this year.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 519X TOTAL	OTHER LOCAL REVENUE	$ 301,331	$ 228,648	$ 183,159	$ 31,907	$ 27,042

County Revenue

County Revenue is budgeted flat for FY 18-19. Fines and forfeitures (code 5211) are budgeted at $225,000, and railroad and utilities receipts (code 5221) are budgeted at $514,956 for FY 18-19.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5211 TOTAL	FINES & FORFEITURES	$ 316,037	$ 322,828	$ 284,912	$ 224,696	$ 225,000
OBJECT 5221 TOTAL	RR & UTILITIES	$ 443,363	$ 479,982	$ 503,923	$ 511,132	$ 514,956

State Revenue

The following state revenue changes are reflected in this budget:

1. The Basic Formula funding (code 5311) and Classroom Trust Fund (code 5319) reflect revenue growth in comparison to the current school year. State revenues are based on a weighted average daily attendance calculation. A state adequacy target of 6,241 was used in the budget projections.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5311 TOTAL	BASIC FORMULA	$ 15,626,177	$ 15,650,751	$ 15,644,963	$ 15,664,804	$ 17,198,390

2. Classroom Trust Fund (code 5319) *see above*.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5319 TOTAL	BASIC FORMULA-CT FUND	$ 1,595,295	$ 1,606,940	$ 1,668,066	$ 1,642,363	$ 1,616,629

3. For transportation costs (code 5312) the District will likely receive a slight increase over the FY 17-18 school year.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5312 TOTAL	TRANSPORTATION (STATE AID)	$ 519,210	$ 439,991	$ 380,800	$ 403,123	$ 415,000

4. The ECSE (Early Childhood Special Education) program, (code 5314 and federal code 5442), expenditures will match revenues since this program is reimbursed at 100% of the total costs. Reimbursements are made based on the prior year's expenditures. Recent legislative changes and the full funding of the state formula have made it possible to claim ADA for qualifying students in our early childhood program. In light of this change, the District's Early Childhood program has been expanded and should result in the opportunity to claim up to an additional 30 ADA. This will produce approximately $187,000 in additional state revenue.

5. Vocational/Technical enhancement revenue (code 5359) reflects an increased budget but comparable to prior fiscal years. This is a program wherein the state matches the cost of vocational equipment at 75 percent their share and 25 percent our share. Any changes will be reflected in later budget amendments.

Barring any withholding or release of new monies during the 2018-19 school year, we believe this gives you an accurate picture of state funding as we know it.

Federal Revenue

The following federal revenue changes are reflected in this budget:

1. Medicaid revenue (code 5412) reflects a decrease from the FY 17-18 actual. A conservative estimate of $93,000 was used for FY 18-19.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5412 TOTAL	MEDICAID	$ 73,960	$ 82,827	$ 102,030	$ 128,372	$ 93,000

2. The Title Programs are budgeted on a neutral basis. Title I funds are estimated comparable to FY 17-18. Other Title programs will be amended upon final determination of funding for FY 18-19.

Other Revenue

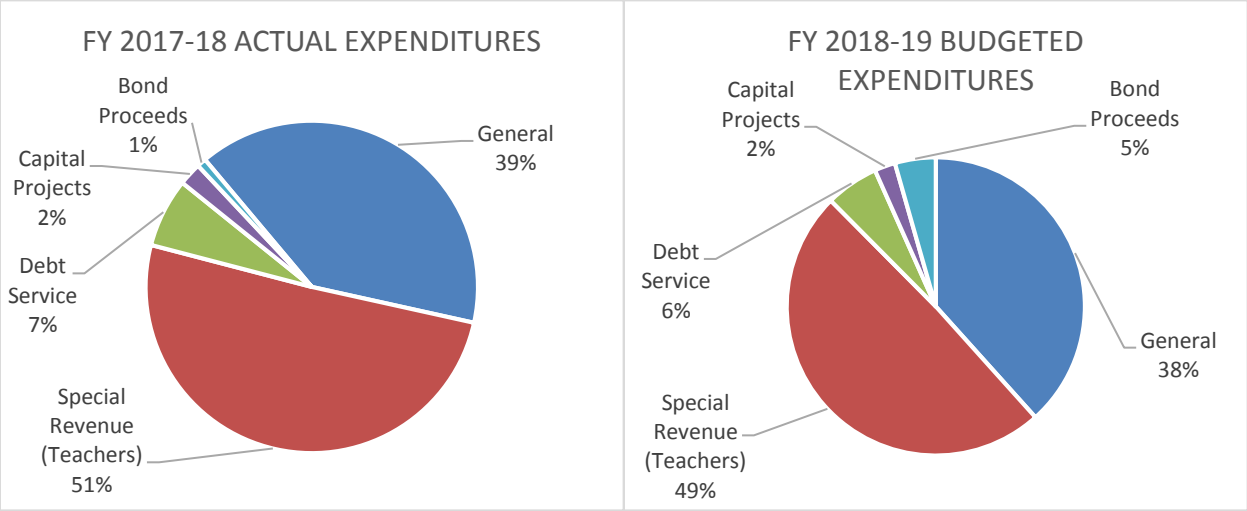
Tuition from other schools (code 5810) is relative to the historical trend. Tuition fluctuates depending on the number of students who come to Lebanon and is subject to change during the course of the year. This will be reviewed and amended after the September core data cycle.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 5810 TOTAL	TUITION - OTHER SCHOOLS	$ 942,701	$ 969,571	$ 992,664	$ 1,170,863	$ 991,798

Total Revenue

Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
GRAND TOTAL REVENUES	$ 53,093,480	$ 55,473,934	$ 44,383,607	$ 44,893,607	$ 47,588,612

Estimated Expenditures



The proposed budget expenditures for the 2018-19 school year are highlighted and explained as follows:

1. All employees that are eligible for a vertical and horizontal step have been moved on their salary schedules, and each step has been increased by 1.5%.

Account Code	Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
OBJECT 61XX	SALARIES	$ 24,200,418	$ 24,237,849	$ 24,773,182	$ 24,840,761	$ 26,032,698
OBJECT 62XX	BENEFITS	$ 7,096,074	$ 7,638,189	$ 8,123,782	$ 8,217,057	$ 8,407,496
	GRAND TOTAL	$ 31,296,492	$ 31,876,038	$ 32,896,964	$ 33,057,818	$ 34,440,194

2. The state no longer funds its match for the Career Ladder Program, though the District continues funding its local match in the budgeted amount of $569,032.

3. The District's health insurance is provided by the Missouri Educators Trust (MET). MET is a consortium of approximately 80 school districts in Missouri that pool health insurance costs to keep premiums as low as possible.

4. The retirement systems for both certified and non-certified staff will see NO increase in their respective contribution rates for the 2018-19 school year. The member and employer matching contribution rates are 14.5 % of compensation for PSRS members and 6.63% of compensation for PEERS members.

5. Workers Compensation, Property and Liability premiums are budgeted to increase by 3% over the FY 17-18 actual expenditures.

6. The transportation budget reflects salary and benefit adjustments. The District plans to purchase four used buses during the 2018-19 year.

Account Description	FY 14-15 Actual	FY15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Budget
SALARIES	$ 1,503,141	$ 1,431,255	$ 1,422,455	$ 1,491,998	$ 1,658,535
BENEFITS	$ 461,938	$ 427,610	$ 448,063	$ 484,266	$ 481,699
PURCHASED SVCS	$ 130,443	$ 155,661	$ 123,890	$ 107,695	$ 131,232
SUPPLIES	$ 396,378	$ 355,328	$ 331,896	$ 405,321	$ 372,963
CAPITAL OUTLAY	$ 191,622	$ 200,086	$ 250,274	$ 240,241	$ 240,241
GRAND TOTAL	**$ 2,683,522**	**$ 2,569,940**	**$ 2,576,578**	**$ 2,729,521**	**$ 2,884,670**

7. Due to the Healthy, Hunger-Free Kids Act of 2010 and general inflation, Food service may see an increase in some expenditures for next year. Food and milk costs continue to rise each year.

8. Capital Outlay:
    - Reflected in the capital outlay budget are several capital projects for LTCC Departments. Approximately 75% of this expense will be reimbursed by the state and is reflected in the revenue budget.
    - Several buildings and departments made capital outlay requests that are left unfunded at this time. In the event funds become available throughout the year, those projects will be reconsidered.

Loans and Leases Payable

Fiscal Year	Building Copiers	LEF WiFi Loan	Phone System	Chromebooks	Print Shop Copier	Buses	**Total Payments**
2018-19	57,221.28	20,475.63	25,531.31	268,076.86	7,092.00	240,089.83	**618,486.91**
2019-20	9,536.88	20,475.63	25,531.31	268,076.86	7,092.00	209,054.48	**539,767.16**
2020-21	-	20,475.59	25,531.31	268,076.86	7,092.00	160,313.93	**481,489.69**
2021-22	-	-	-	62,076.86	7,092.00	107,789.44	**176,958.30**
2022-23	-	-	-	-	6,501.00	54,216.16	**60,717.16**
2023-24	-	-	-	-	-	-	**-**

Bonded Debt Service

Fiscal Year	September Interest Payment	March Interest Payment	March Principal Payment	**Total Payments**
2018-19	477,630.00	477,630.00	1,830,000.00	**2,785,260.00**
2019-20	463,395.00	463,395.00	1,200,000.00	**2,126,790.00**
2020-21	454,095.00	454,095.00	1,350,000.00	**2,258,190.00**
2021-22	441,945.00	441,945.00	1,450,000.00	**2,333,890.00**
2022-23	427,445.00	427,445.00	1,550,000.00	**2,404,890.00**
2023-24	410,782.50	410,782.50	1,650,000.00	**2,471,565.00**
2024-25	391,807.50	391,807.50	1,475,000.00	**2,258,615.00**
2025-26	354,932.50	354,932.50	1,575,000.00	**2,284,865.00**
2026-27	315,557.50	315,557.50	1,675,000.00	**2,306,115.00**
2027-28	273,682.50	273,682.50	1,825,000.00	**2,372,365.00**
2028-29	228,057.50	228,057.50	1,975,000.00	**2,431,115.00**
2029-30	178,682.50	178,682.50	1,460,000.00	**1,817,365.00**
2030-31	156,782.50	156,782.50	1,540,000.00	**1,853,565.00**
2031-32	132,912.50	132,912.50	1,610,000.00	**1,875,825.00**
2032-33	100,712.50	100,712.50	1,710,000.00	**1,911,425.00**
2033-34	66,512.50	66,512.50	1,790,000.00	**1,923,025.00**
2034-35	30,712.50	30,712.50	1,890,000.00	**1,951,425.00**
2035-36	-	-	-	**-**
2036-37	-	-	-	**-**

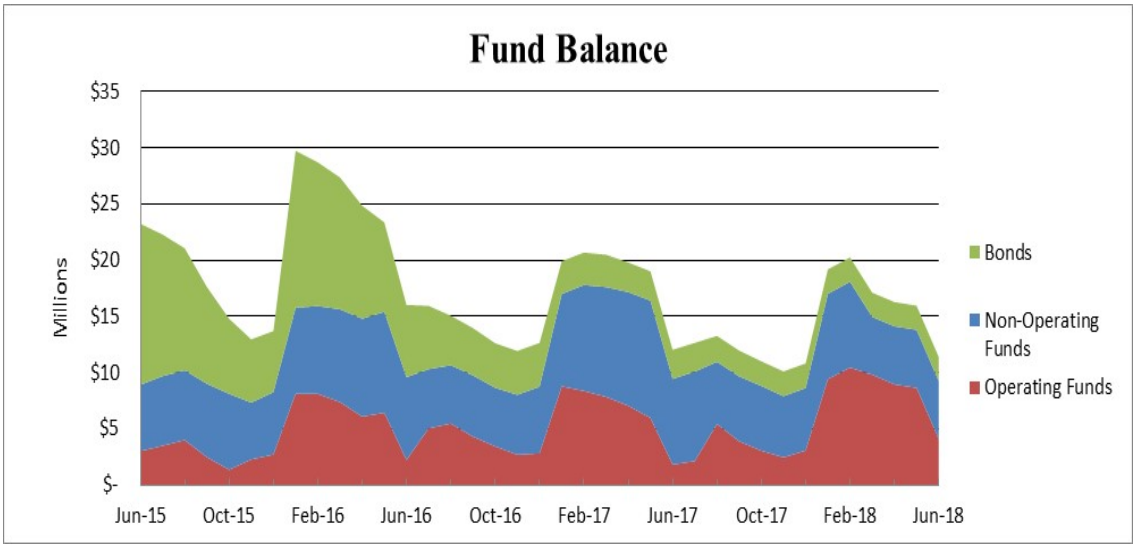
Total Expenditures

The total expenditures in this budget are $48,456,397 of which $43,524,752 is operating funds.

Account Description	**FY 14-15 Actual**	**FY15-16 Actual**	**FY 16-17 Actual**	**FY 17-18 Actual**	**FY 18-19 Budget**
GRAND TOTAL EXPENDITURES	$ 47,441,929	$ 61,769,942	$ 49,450,043	$ 45,429,898	$ 48,456,397

Fund Balances

The fund balance for the District on June 30, 2018 is $12,214,637 as compared to the ending fund balance of $12,007,314 on June 30, 2017. Fund balance net of the bonds is $10,081,401. The chart below reflects the total fund balances including Debt Service (030) and the Bond Fund (041).



General Budget Summary

FY 2018-19	Fund 010 General Fund	Fund 020 Teachers Fund	Fund 030 Debt Service Fund	Fund 040 Capital Outlay Fund	Fund 041 Bond Fund	Total All Funds
Assessed Valuation	$ 324,227,423.00	$ 324,227,423.00	$ 324,227,423.00	$ 324,227,423.00	$ 324,227,423.00	$ 324,227,423.00
Tax Levy	$ 2.40	$ 0.65	$ 0.84	$ -	$ -	$ 3.89
Estimated Beginning Fund Balances	$ 7,469,249.35	$ -	$ 2,112,151.27	$ 500,000.00	$ 2,133,236.14	$ 12,214,636.76
Estimated Revenues by Fund	$ 21,827,165.00	$ 22,762,240.00	$ 2,863,891.00	$ 132,316.00	$ 3,000.00	$ 47,588,612.00
Estimated Expenditures by Fund	$ (19,581,608.00)	$ (23,848,426.00)	$ (2,787,260.00)	$ (1,094,718.00)	$ (2,136,236.14)	$ (49,448,248.14)
Estimated Fund to Fund Transfers	$ (1,548,588.00)	$ 1,086,186.00		$ 462,402.00		$ -
Estimated Ending Fund Balances	$ 8,166,218.35	$ -	$ 2,188,782.27	$ -	$ -	$ 10,355,000.62
Estimated Restricted Fund Balances	$ 100,000.00					$ 100,000.00
Unrestricted Ending Fund Balance	18.57%					
Operating Funds (010, 020, 040)						
Beginning Fund Balance	$ 7,969,249.35					
Ending Fund Balance	$ 8,066,218.35					
Estimated Net Change in Fund Balance	$ 96,969.00					

If any state revenue withholdings occur, the District has sufficient fund balances to handle nominal middle-of-the-year budget cuts successfully. Significant budget reductions will require measures to be taken and would have a negative impact on the future ability to provide a quality educational program for our students.

David Schmitz, Ed.D
Superintendent of Schools

Adam Dameron
Chief Financial Officer