August 11, 2020

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 2020-21

The FY 2020-21 budget was a collaborative process beginning in January 2020. 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 2020-21 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% by 2023.

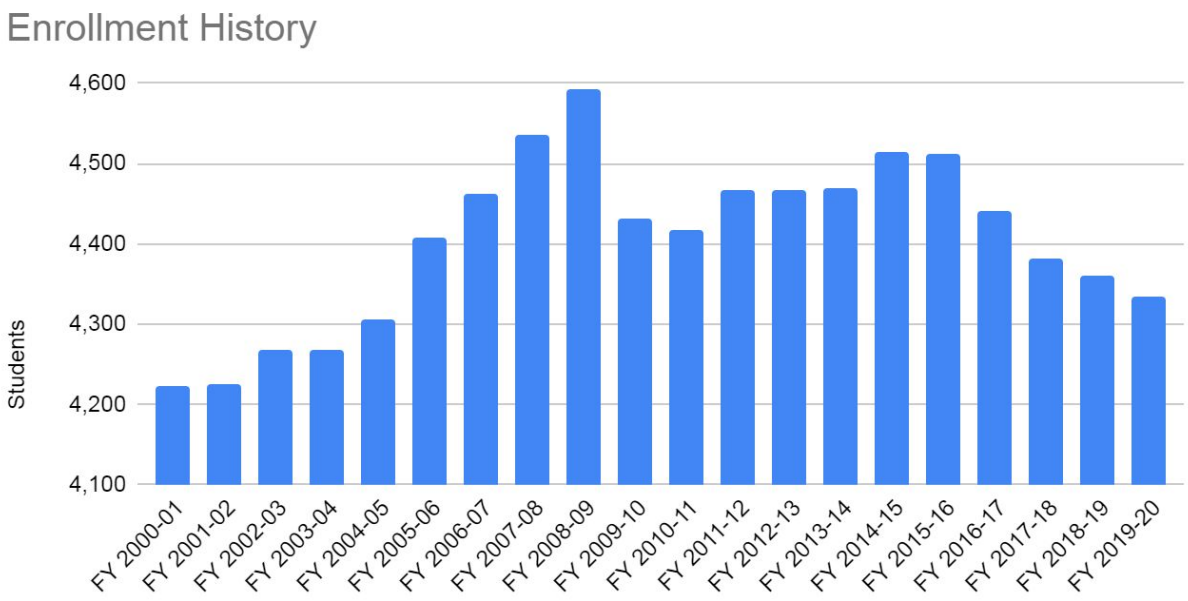
District leaders engaged in critical analysis of needs within academic services, human resources, and operations to maximize the efficient and effective use of District resources.

The COVID 19 Pandemic had a significant impact on the FY 2020-21 budget, as well as the prior year budget. State revenues for the prior fiscal year were reduced by $1 million dollars in May 2020, however funds from the federal stimulus CARES Act ($1 million) and operational savings from the school closure of approximately $500,000 permitted the District to "weather the storm", ending the fiscal year with a fund balance increase of approximately 2.4%, to an estimated 16.4% as of June 30, 2020.

State funding levels for the FY 2020-21 budget must be monitored carefully due to the economic impact of COVID 19. While the state adequacy target (SAT) was initially projected to be $6375 and the Foundation Formula was to be fully funded by the legislature, the FY 2020-21 budget was developed with State withholdings anticipated. Additionally, Proposition C sales tax and Children's Trust Fund gaming revenues are projected to be down for the year. Transportation continues to be underfunded by approximately $200 million statewide. In early July 2020, Governor Parson announced $131 million in withholdings for the new budget year. This withholding represented $724,000 in reduced revenue for the District. The amount of withholdings equalled what had been projected by the administration, so the FY 2020-21 budget

approved on June 24, 2020 will not require an adjustment. However, planned expenditures for the purchase of new buses and certain capital projects have been paused, pending a more clear picture of upcoming funding levels. It is important for revenue levels to be monitored carefully as the economy continues to react and/or rebound from the COVID 19 Pandemic.

State funding is closely linked to enrollment and attendance rates. Student enrollment is a factor that continues to require careful monitoring. The District's enrollment peaked at just under 4600 students in 2008, prior to falling by approximately 200 students during the recession in that year. It rebounded moderately through 2015, but has shown a slight decline over the past five years and is currently near 4300 students. The District's population is impacted significantly by local manufacturing, which is strong and showing growth. The administration anticipates enrollment numbers will begin to grow in alignment with the growth of local industry. It is unknown how significantly COVID 19 will impact student enrollment numbers. Enrollment will have a significant impact on state revenue projections and could jeopardize key priorities if a decline continues. Conservative projections for revenues have been utilized in response to the current enrollment trend.

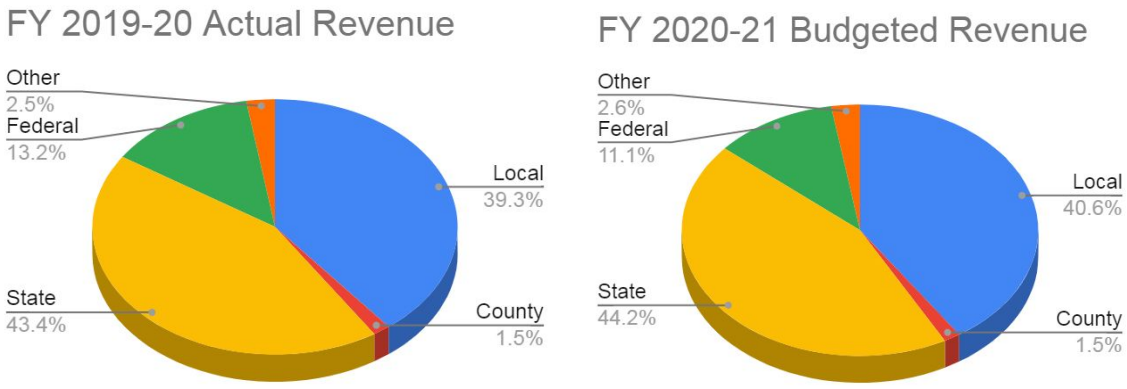


Local funding levels have improved significantly due to the passage of Proposition Lebanon Schools, a $.90 operating levy issue on the August 7, 2018 ballot. Proposition Lebanon Schools is being phased in over three years ($.30 in 2018, $.30 in 2019, and $.30 in 2020) and is projected to produce $900,000 in additional revenue annually over those three years. As the operating levy is fully phased in, it is projected to produce $2.7 million annually. Adjustments in the District's assessed values will impact those annual projections. The success of Proposition Lebanon Schools is projected to enable the allocation of resources needed to act on the key priorities shown above.

The proposed budget reflects conservative estimations of revenue and expenditures that align with the required operations and goals of the District for FY 2020-21. 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 2020-2021 school budget:

Estimated Revenue



Local Revenue

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

1. The assessed valuation increased from $330,131,326 in FY 19-20 to $335,243,844 as of June 30 for the 2020-21 fiscal year. That is an increase of 1.55%. 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 20-21. The adopted budget reflects the April 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 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5111 TOTAL	CURRENT TAXES	$9,911,428	$10,293,840	$11,398,768	$12,452,022	$13,482,596
OBJECT 5112 TOTAL	DELINQUENT TAXES	$1,072,278	$1,057,223	$1,120,155	$1,355,938	$1,364,815
	GRAND TOTAL	$10,983,706	$11,351,063	$12,518,923	$13,807,960	$14,847,411
	ASSESSED VALUATION	$309,394,121	$319,967,934	$324,227,423	$330,131,326	$335,243,844
	TAX RATE	$3.59	$3.59	$3.89	$4.19	$4.49

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 2020-21 reflect an operating levy of $3.7175 and a debt service levy of $0.77250, for a total levy of $4.49. 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 2.48% over FY 19-20 actual revenue. This is based on the most current information from DESE.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5113 TOTAL	PROP C (SALES TAX)	$4,298,799	$4,232,967	$4,415,145	$4,449,794	$4,560,316

4. The M & M surtax revenue is projected to remain the same as the FY 18-19 amount.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5115 TOTAL	M&M SURTAX	$580,768	$606,649	$619,406	$626,338	$626,338

5. Earnings on investments (code 5140's) are budgeted at $107,823 for FY 20-21. Over the last five 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. 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 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 514X TOTAL	INVESTMENT EARNINGS	$100,054	$399,900	$263,789	$125,150	$107,823

6. Due to changes required by the Healthy, Hunger-Free Kids Act of 2010, the District will raise lunch prices by $0.10 cents for the 2020-21 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 $47,619 for FY 20-21. Prior years included pledges for the High School Stadium improvement project.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 519X TOTAL	OTHER LOCAL REVENUE	$54,039	$28,007	$57,017	$50,167	$47,619

County Revenue

County Revenue is budgeted to increase by 1.92% for FY 20-21. Fines and forfeitures (code 5211) are budgeted at $182,809, and railroad and utilities receipts (code 5221) are budgeted at $582,636 for FY 20-21.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5211 TOTAL	FINES & FORFEITURES	$284,912	$224,696	$199,705	$180,106	$182,809
OBJECT 5221 TOTAL	RR & UTILITIES	$503,901	$508,471	$533,342	$570,886	$582,636

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 prior school year. State revenues are based on a weighted average daily attendance calculation. While the State Adequacy Target (SAT) is projected to reach 6,375 in FY 2020-21, a funding level of 96.5% of that number was used for the District's budget projection.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5311 TOTAL	BASIC FORMULA	$15,644,963	$15,988,258	$16,606,646	$15,916,724	$17,095,359

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

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5319 TOTAL	CLASSROOM TRUST FUND	$1,668,066	$1,642,363	$1,664,700	$1,311,078	$1,440,073

3. State transportation revenue (code 5312) is projected to remain unchanged from the FY 19-20 funding amount.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5312	TRANSPORTATION (STATE)	$380,800	$403,123	$441,685	$398,026	$398,026

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.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5324	ECSE	$955,658	$1,052,584	$1,009,523	$1,314,408	$1,340,697

5. Vocational/Technical enhancement revenue (code 5359) reflects a slightly decreased 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.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5332	VOCATIONAL/TECHNICAL	$393,213	$378,889	$472,786	$386,334	$365,041

Barring any withholding or release of new monies during the 2020-21 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 19-20 actual. A conservative estimate of $172,847 was used for FY 20-21.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5412 TOTAL	MEDICAID	$102,030	$128,372	$187,894	$212,865	$172,847

2. The Title Programs are budgeted on a neutral basis. Title I funds are estimated comparable to FY 19-20. Other Title programs will be amended upon final determination of funding for FY 20-21.

Other Revenue

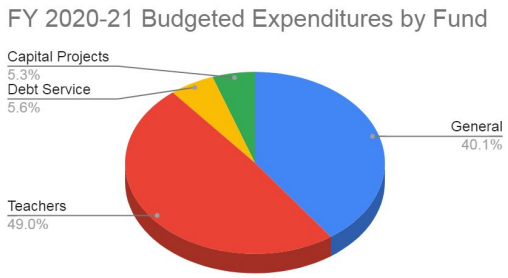
Tuition (code 5810) fluctuates depending on the number of students who come to Lebanon and is subject to change during the course of the year. This will be reviewed and amended after the September core data cycle.

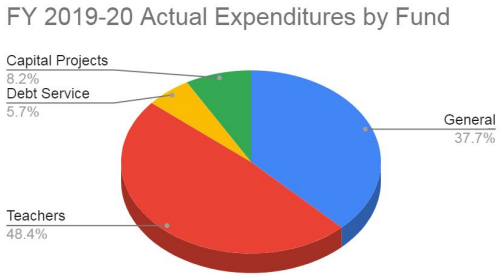
Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 5810 TOTAL	TUITION - OTHER SCHOOLS	$992,664	$1,170,863	$1,086,189	$1,188,317	$1,295,431

Total Revenue

Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
GRAND TOTAL REVENUES	$44,383,607	$53,688,699	$47,259,486	$52,413,984	$50,239,121

Estimated Expenditures





The proposed budget expenditures for the 2020-21 school year are highlighted and explained as follows:

1. District salary schedules were adjusted in the second year of a five year plan to make all staff pay competitive with area industry and school districts. A 1.8% cost of living increase was applied to all salary schedules, and all eligible employees advanced a step on the salary schedule. A competitive increase will be applied incrementally over the next three budget cycles to move District pay levels toward the median of comparable schools and industry.

Account Code	Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
OBJECT 61XX TOTAL	SALARIES	$24,773,182	$24,740,054	$25,234,409	$26,545,828	$27,688,681
OBJECT 62XX TOTAL	BENEFITS	$8,123,782	$8,186,961	$8,208,077	$8,466,351	$8,841,047
	GRAND TOTAL	$32,896,964	$32,927,015	$33,442,486	$35,012,179	$36,529,728

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 $564,637.

3. The District's health insurance is provided by the Missouri Educators Trust (MET). MET is a consortium of 87 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 2020-21 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 3.2% over the FY 20-21 actual expenditures.

6. The transportation budget reflects salary and benefit adjustments. The District normally purchases buses each year, but due to the uncertainty of state funding, bus purchases were temporarily put on hold for the FY20-21 school year.

Transportation Budget	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
SALARIES	$1,422,455	$1,491,998	$1,641,355	$1,968,245	$1,990,310
BENEFITS	$448,063	$484,266	$504,603	$600,722	$602,262
PURCHASED SERVICES	$123,890	$107,695	$169,016	$162,380	$132,775
SUPPLIES	$331,896	$405,321	$417,308	$301,991	$411,092
CAPITAL OUTLAY	$250,274	$240,240	$297,321	$254,550	$210,303
GRAND TOTAL	$2,576,578	$2,729,520	$3,029,603	$3,287,888	$3,346,742

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:
    - One time capital expenditures budgeted for FY 2020-21 include the Maplecrest Elementary Gym and Cafeteria renovation, a FEMA storm shelter at Boswell Elementary, and improvements to District facilities.
    - Ongoing capital expenditures include continuing the one-to-one chromebook replacement cycle and a new copy machine lease.
    - 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	Copiers	LEF WiFi Loan	Phone System	Capital Lease - Facility Improvements	Chromebooks	Print Shop Copier	Buses	Total Payments
2020-21	$57,221	$20,475	$25,531	$373,800	$404,055	$7,092	$218,893	**$1,107,067**
2021-22	57,221	0	0	371,800	424,654	7,092	252,618	**1,113,385**
2022-23	57,221	0	0	374,800	430,862	6,501	286,842	**1,156,226**
2023-24	57,221	0	0	372,400	423,476	0	321,282	**1,174,379**
2024-25	57,221	0	0	374,800	426,800	0	354,771	**1,213,592**
2025-26	0	0	0	376,800	449,460	0	447,943	**1,274,203**

Bonded Debt Service

Fiscal Year	September Interest Payment	March Interest Payment	March Principal Payment	Total Payments
2020-21	$537,558	$537,557	$465,000	**$1,540,115**
2021-22	528,257	528,258	1,855,000	**2,911,515**
2022-23	504,858	504,857	1,970,000	**2,979,715**
2023-24	465,457	465,458	2,120,000	**3,050,915**
2024-25	339,833	339,832	1,570,000	**2,249,665**
2025-26	316,282	316,283	1,600,000	**2,232,565**
2026-27	292,283	292,282	1,715,000	**2,299,565**
2027-28	266,557	266,558	1,830,000	**2,363,115**
2028-29	239,108	239,107	1,945,000	**2,423,215**
2029-30	209,932	209,933	1,460,000	**1,879,865**
2030-31	188,033	188,032	1,540,000	**1,916,065**
2031-32	164,162	164,163	1,610,000	**1,938,325**
2032-33	131,963	131,962	1,710,000	**1,973,925**
2033-34	97,762	97,763	1,790,000	**1,985,525**
2034-35	61,963	61,962	1,890,000	**2,013,925**
2035-36	31,250	31,250	1,250,000	**1,312,500**
2036-37	0	0	0	**0**

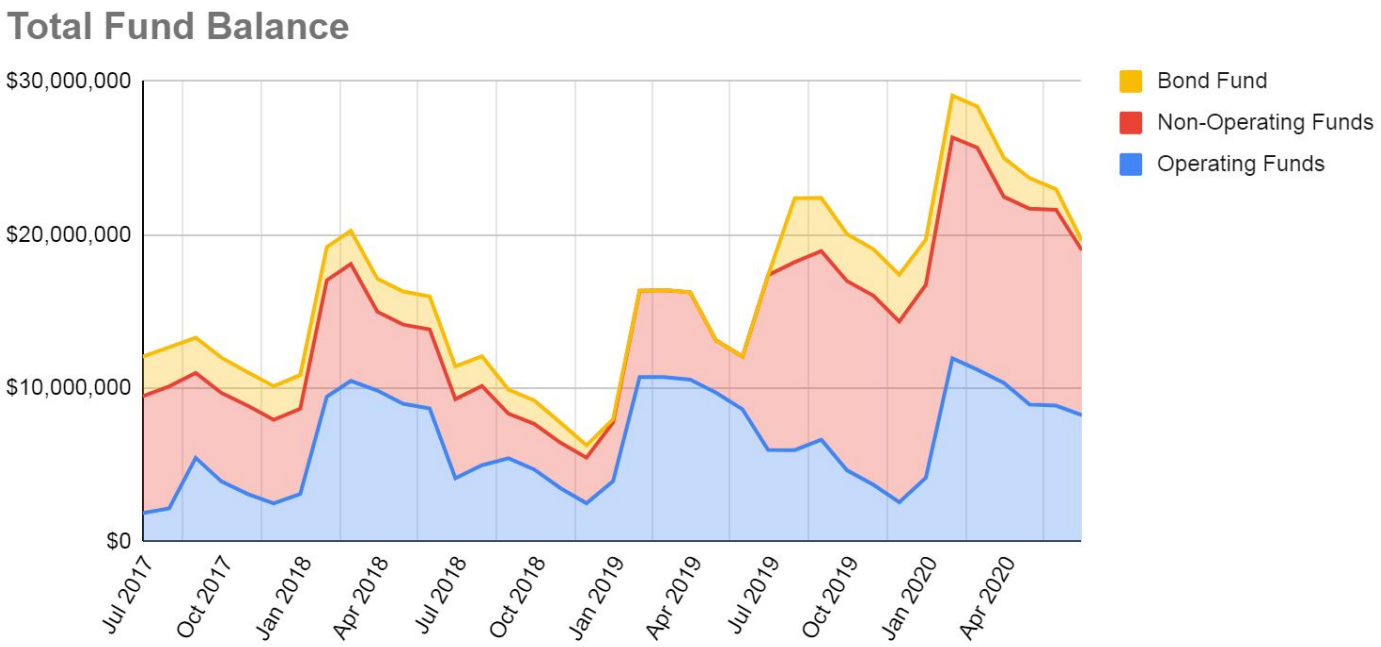
Total Expenditures

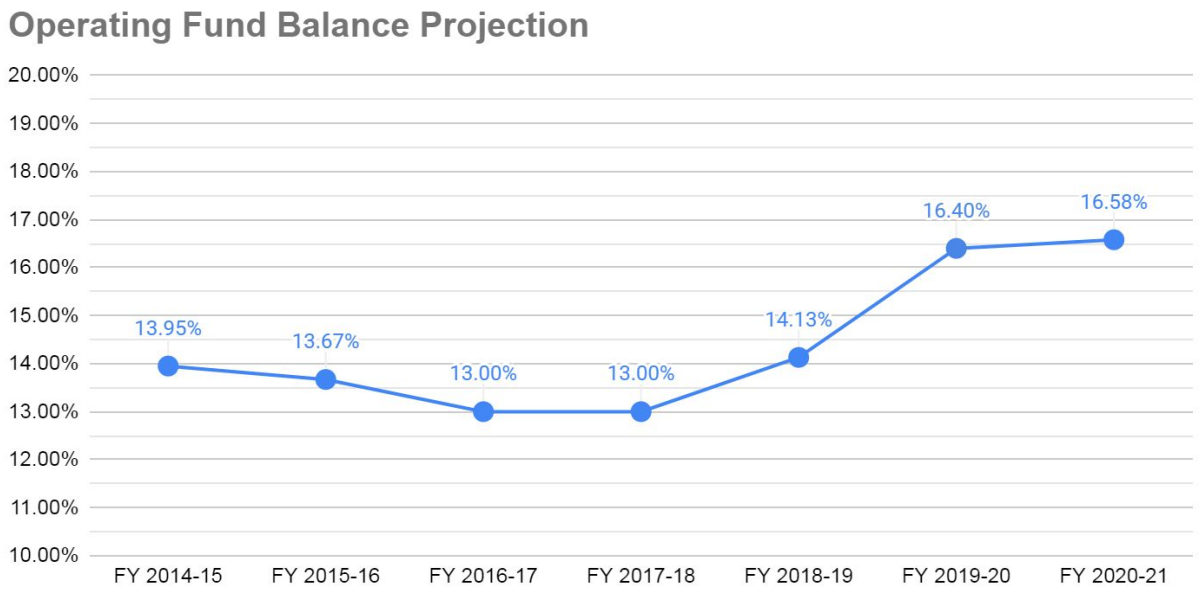
The total expenditures in this budget are $51,053,973 of which $45,500,389 are operating funds.

Account Description	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Revised Budget	FY 20-21 Budget
GRAND TOTAL EXPENDITURES	$49,450,043	$47,135,326	$48,455,648	$49,952,509	$51,053,973

Fund Balances

Total fund balance for the District on June 30, 2020 is $19,622,150 as compared to the ending fund balance of $17,364,525 on June 30, 2019. The operating fund balance increased by $1,092,569 from June 2019 to June 2020. The chart below reflects the total fund balances including Debt Service (030) and the Bond Fund (041).





General Budget Summary

FY 2020-21	Fund 010 General	Fund 020 Teachers	Fund 030 Debt Service	Fund 040 Capital Outlay	Fund 041 Bond Fund	Total All Funds
Assessed Valuation	$335,243,844	$335,243,844	$335,243,844	$335,243,844	$335,243,844	$335,243,844
Tax Levy	$2.9175	$0.8000	$0.7725	$0.0000	$0.0000	$4.1900
Est Beginning Fund Balances	$7,023,850	$0	$10,758,538	$500,000	$1,339,762	$19,622,150
Est Revenues By Fund	$22,384,517	$24,982,811	$2,871,687	$106	$0	$50,239,121
Est Expenditures By Fund	$(20,470,630)	$(25,029,759)	$(2,866,765)	$(1,347,091)	$(1,339,762)	$(51,054,007)
Est Fund To Fund Transfers	$(1,393,933)	$46,948	$0	$1,346,985	$0	$0.00
Est Ending Fund Balances	$7,543,804	$0	$10,763,460	$500,000	$0	$18,807,264
Est Unrestricted Fund Balance %	16.58%					

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