August 13, 2019

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 2019-20

The FY 2019-20 budget was a collaborative process beginning in January 2019. 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 2019-20 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 maximize the efficient and effective use of District resources.

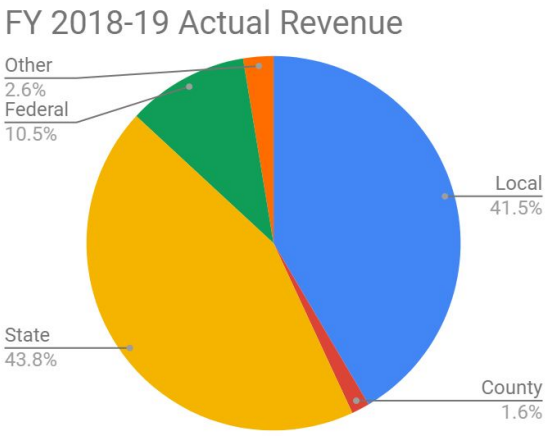
State funding will be based on a state adequacy target (SAT) of $6,375 per ADA, as the legislature committed to fully fund the Foundation Formula. Revenues from both Proposition C sales tax and the Children's Trust Fund are projected to be strong, though growth has not met projections in recent years. Transportation continues to underfunded by approximately $200 million statewide. 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. 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.

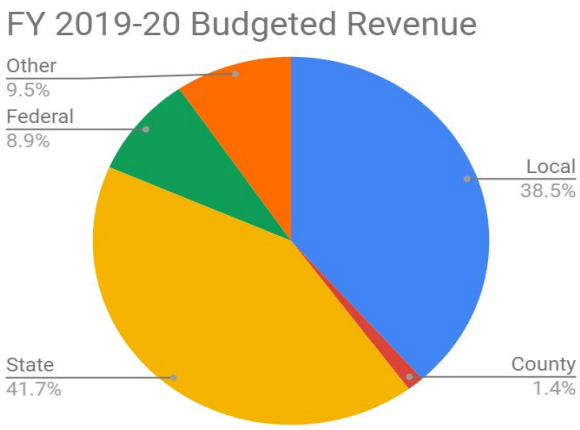
Local funding levels have improved significantly due to the passage of Proposition Lebanon Schools, a $.90 operating levy issue on the August 7, 2018 ballot. Proposition Lebanon Schools is being phased in over three years ($.30 in 2018, $.30 in 2019, and $.30 in 2020) and is projected to produce $900,000 in additional revenue annually over those three years. 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 became available in 2019, so the 2019-20 budget year reflects the first significant impact accordingly. 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 2019-20. 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 2019-2020 school budget:

Estimated Revenue





Local Revenue

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

1. The assessed valuation increased from $324,227,423 in FY 18-19 to $330,131,326 as of June 30 for the 2019-20 fiscal year. That is an increase of 1.82%. 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 19-20. 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 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5111 TOTAL	CURRENT TAXES	$9,735,290	$9,911,428	$10,293,840	$11,398,768	$12,343,126
OBJECT 5112 TOTAL	DELINQUENT TAXES	$927,740	$1,072,278	$1,057,223	$1,120,155	$1,250,564
	GRAND TOTAL	$10,663,030	$10,983,706	$11,351,063	$12,518,923	$13,593,690
	ASSESSED VALUATION	$301,770,919	$309,394,121	$319,967,934	$324,227,423	$330,131,326
	TAX RATE	$3.59	$3.59	$3.59	$3.89	$4.19

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 2019-20 reflect an operating levy of $3.35 and a debt service levy of $0.84, for a total levy of $4.19. 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 3.36% over FY 18-19 actual revenue. This is based on the most current information from DESE.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5113 TOTAL	PROP C (SALES TAX)	$4,168,298	$4,298,799	$4,232,967	$4,415,145	$4,563,532

4. The M & M surtax is projected to decrease slightly by 1.8% over the FY 18-19 actual. The projected amount is similar to the FY 17-18 actual.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5115 TOTAL	M&M SURTAX	$562,239	$580,768	$606,649	$619,406	$607,961

5. Earnings on investments (code 5140's) are budgeted at $45,645 for FY 19-20. 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 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 514X TOTAL	INVESTMENT EARNINGS	$2,076,889	$99,960	$58,888	$67,363	$45,645

6. Due to changes required by the Healthy, Hunger-Free Kids Act of 2010, the District will raise lunch prices by $0.05 cents for the 2019-20 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 $44,381 for FY 19-20. Prior years included pledges for the High School Stadium improvement project.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 519X TOTAL	OTHER LOCAL REVENUE	$228,648	$183,159	$28,007	$57,017	$44,381

County Revenue

County Revenue is budgeted to increase slightly for FY 19-20. Fines and forfeitures (code 5211) are budgeted at $202,701, and railroad and utilities receipts (code 5221) are budgeted at $543,273 for FY 19-20.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5211 TOTAL	FINES & FORFEITURES	$322,828	$284,912	$224,696	$199,705	$202,701
OBJECT 5221 TOTAL	RR & UTILITIES	$479,982	$503,924	$511,132	$538,365	$543,273

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 6,350 was used in the budget projections.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5311 TOTAL	BASIC FORMULA	$15,650,751	$15,644,963	$15,988,258	$16,606,646	$17,775,096

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

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5319 TOTAL	CLASSROOM TRUST FUND	$1,606,940	$1,668,066	$1,642,363	$1,664,700	$1,653,536

3. For transportation costs (code 5312) the District will likely receive a slight increase over the FY 18-19 school year.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5312	TRANSPORTATION (STATE)	$439,991	$380,800	$403,123	$441,685	$445,872

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.

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 2019-20 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 18-19 actual. A conservative estimate of $161,436 was used for FY 19-20.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5412 TOTAL	MEDICAID	$82,827	$102,030	$128,372	$187,894	$161,436

2. The Title Programs are budgeted on a neutral basis. Title I funds are estimated comparable to FY 18-19. Other Title programs will be amended upon final determination of funding for FY 19-20.

Other Revenue

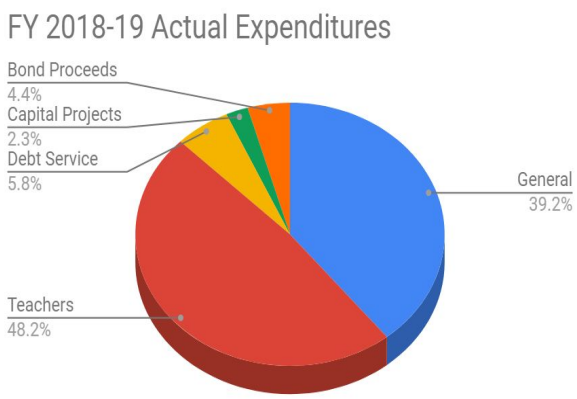
Tuition (code 5810) fluctuates depending on the number of students who come to Lebanon and is subject to change during the course of the year. This will be reviewed and amended after the September core data cycle.

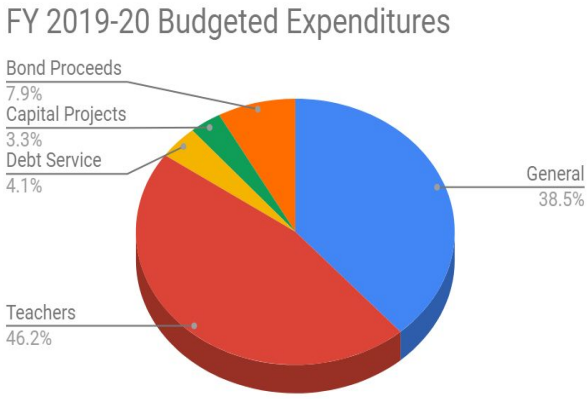
Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 5810 TOTAL	TUITION - OTHER SCHOOLS	$969,571	$992,664	$1,170,863	$1,086,189	$1,205,989

Total Revenue

Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
GRAND TOTAL REVENUES	$55,473,934	$44,383,607	$44,689,405	$47,068,289	$54,074,583

Estimated Expenditures





The proposed budget expenditures for the 2019-20 school year are highlighted and explained as follows:

1. District salary schedules were adjusted in the first of a five year plan to make all staff pay competitive with area industry and school districts. Comparable salary data was used, as available, to establish salary schedules that are aligned to the market and include consistent percentage increases for steps within the schedule. A 3.4% increase was applied in the course of developing the corrected schedules and a competitive increase will be applied incrementally over the next four budget cycles to move District pay levels toward the median of comparable schools and industry.

Account Code	Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
OBJECT 61XX TOTAL	SALARIES	$24,237,849	$24,773,182	$24,740,054	$25,241,119	$26,977,902
OBJECT 62XX TOTAL	BENEFITS	$7,638,189	$8,123,782	$8,186,961	$8,204,101	$8,498,968
	GRAND TOTAL	$31,876,038	$32,896,964	$32,927,015	$33,445,220	$35,476,870

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 2019-20 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 1.4% over the FY 19-20 actual expenditures.

6. The transportation budget reflects salary and benefit adjustments. The District plans to purchase three new buses and one used bus during the 2019-20 year.

Transportation Budget	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
SALARIES	$1,431,255	$1,422,455	$1,491,998	$1,641,355	$1,706,762
BENEFITS	$427,610	$448,063	$484,266	$504,603	$529,833
PURCHASED SERVICES	$155,661	$123,890	$107,695	$169,016	$132,575
SUPPLIES	$355328	$331896	$405,321	$417,308	$407,102
CAPITAL OUTLAY	$200,086	$250,274	$240,240	$297,321	$267,776
GRAND TOTAL	$2,569,940	$2,576,578	$2,729,520	$3,029,603	$3,044,048

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	Copiers	LEF WiFi Loan	Phone System	Chromebooks	Print Shop Copier	Buses	Total Payments
2019-20	$9,537	$20,475	$25,531	$327,054	$7,092	$267,775	**$657,464**
2020-21	0	20,475	25,531	404,054	7,092	306,514	**763,666**
2021-22	0	0	0	424,654	7,092	343,187	**774,933**
2022-23	0	0	0	430,862	6,501	380,594	**817,957**
2023-24	0	0	0	423,476	0	418,282	**841,758**
2024-25	0	0	0	426,800	0	455,083	**881,883**

Bonded Debt Service

Fiscal Year	September Interest Payment	March Interest Payment	March Principal Payment	Total Payments
2019-20	$463,395	$563,154	$1,800,000	**$2,826,549**
2020-21	524,845	524,845	1,815,000	**2,864,690**
2021-22	503,395	503,395	1,935,000	**2,941,790**
2022-23	479,195	479,195	2,050,000	**3,008,390**
2023-24	452,532	452,533	2,175,000	**3,080,065**
2024-25	423,057	423,058	1,475,000	**2,321,115**
2025-26	386,182	386,183	1,575,000	**2,347,365**
2026-27	346,807	346,808	1,675,000	**2,368,615**
2027-28	304,932	304,933	1,825,000	**2,434,865**
2028-29	259,307	259,308	1,975,000	**2,493,615**
2029-30	209,932	209,933	1,460,000	**1,879,865**
2030-31	188,032	188,033	1,540,000	**1,916,065**
2031-32	164,162	164,163	1,610,000	**1,938,325**
2032-33	131,962	131,963	1,710,000	**1,973,925**
2033-34	97,762	97,763	1,790,000	**1,985,525**
2034-35	61,962	61,963	1,890,000	**2,013,925**
2035-36	31,250	31,250	1,250,000	**1,312,500**

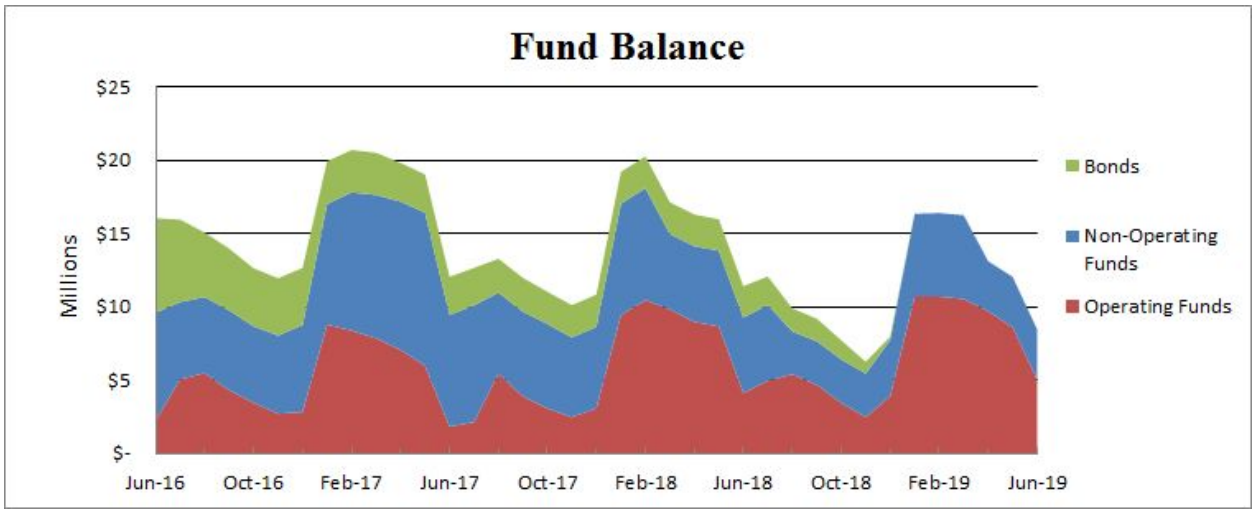
Total Expenditures

The total expenditures in this budget are $52,528,744 of which $46,227,769 are operating funds.

Account Description	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Budget
GRAND TOTAL EXPENDITURES	$61,769,942	$49,450,043	$45,238,279	$48,180,555	$52,528,744

Fund Balances

Total fund balance for the District on June 30, 2019 is $8,471,871 as compared to the ending fund balance of $11,408,318 on June 30, 2018. The reduction is a result of spending down the bond fund balance on capital improvement projects. The operating fund balance increase by $926,367 from June 2018 to June 2019. The chart below reflects the total fund balances including Debt Service (030) and the Bond Fund (041).



General Budget Summary

FY 2019-20	Fund 010 General	Fund 020 Teachers	Fund 030 Debt Service	Fund 040 Capital Outlay	Fund 041 Bond Fund	Total All Funds
Assessed Valuation	$330,131,326	$330,131,326	$330,131,326	$330,131,326	$330,131,326	$330,131,326
Tax Levy	$2.65	$0.70	$0.84	$0.00	$0.00	$4.19
Est Beginning Fund Balances	$6,434,071	$0	$11,014,350	$0	$0	$17,448,421
Est Revenues By Fund	$24,212,213	$22,640,929	$2,918,175	$131,081	$4,172,185	$54,074,583
Est Expenditures By Fund	$(20,240,536)	$(24,278,684)	$(2,128,790)	$(1,708,549)	$(4,175,185)	$(52,528,744)
Est Fund To Fund Transfers	$(3,215,223)	$1,637,755	$0	$1,577,468	$0	$0.00
Est Ending Fund Balances	$7,190,525	$0	$11,803,735	$0	$0	$18,994,260
Est Unrestricted Fund Balance %	16.15%					
Operating Funds (010, 020, 040)						
Beginning Fund Balance	$6,434,071					
Ending Fund Balance	$7,195,525					
Estimated Net Change	$756,454					

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