August 10, 2021

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 2021-22

The FY 2021-22 budget was a collaborative process beginning in January 2021. 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 2021-22 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 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 2021-22 budget, as well as the budget from the two prior years. State revenues for the 2019-20 fiscal year were reduced by $1 million dollars in May 2020, however funds from the federal stimulus (ESSER I) in the amount of $950,709 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 16.12% as of June 30, 2020.

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 equaled what had been projected by the administration, so the FY 2020-21 budget approved on June 24, 2020 did not require an adjustment. However, planned expenditures for the purchase of new buses and certain capital projects were paused, pending a more clear picture of upcoming funding levels.

CARES Act Funds received during the 2020-21 fiscal year helped soften the fiscal impact of COVID 19.

- September/October - The District received a total of $367,650 in CARES Act funds from Laclede County to help pay for COVID-related expenditures.
- October 2020 - Governor Parson released $61.5 million in CARES Act funds for K-12 education. The District's allocation was $307,108.
- CARES Act Grants were received from the Department of Elementary and Secondary Education (DESE) for the following purposes:
    - $56,222 - Reimbursement for student meal delivery expenditures.
    - $20,000 - Student connectivity access
    - $17,880 - Reimbursement for supply expenditures related to COVID 19
    - $64,116 - Transportation supplement, which provided funds for the purchase of one additional school bus
- ESSER II Funds - The District received an allocation of $3,869,036 which was used to pay for employee salary and benefit expenses.

By April 2021, the Foundation Formula was fully funded at an SAT of $6,375. Proposition C Funds, which were forecasted at $990/WADA, ended the year at $1,048/WADA.

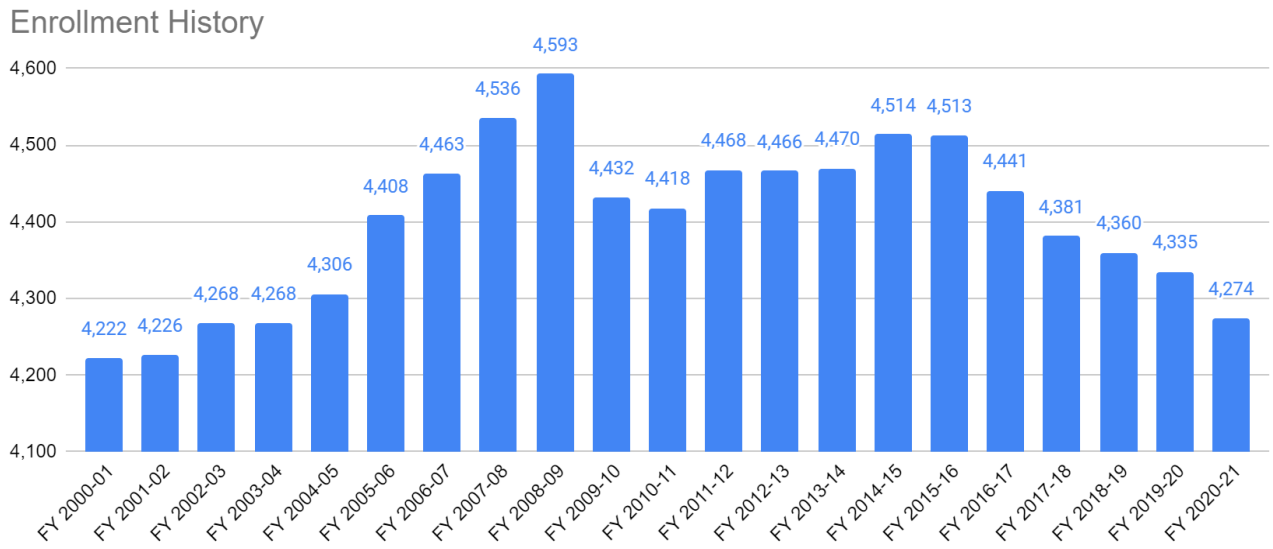
With the financial picture more clear, the Board reinstated the purchase of buses and planned facility improvements that were previously paused. Six buses were purchased in June 2021 with operating funds, and one additional bus was purchased with DESE CARES Act grant funds. A roofing project at LTCC and an asphalt project at Maplecrest were approved for Summer 2021.

The CARES Act funds and improved state funding levels allowed the District to end FY 20-21 with an estimated fund balance of 30%. This balance will be temporary as the District has planned for five years of deficit spending. As the budget absorbs the financial weight of the five year salary improvement plan provided by Proposition Lebanon Schools, the fund balance will decrease each year through FY 26-27 before stabilizing around 18% and slowly improving in the years that follow.

ESSER III funds will become available in FY 21-22. The District's total allocation amount is $8,586,135. The funds will be available on a reimbursement basis for expenses incurred between March 13, 2020 and September 30, 2024. A minimum of 20% of the LEA's allocation must be spent to address students' academic, social, emotional, and mental health needs due to the effects of lost instructional time. The remaining funds may be used for a wide range of activities to address needs arising from the COVID pandemic. Since the funds can be used over the course of multiple fiscal years, the District's budget will be amended as reimbursements are received.

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 4,600 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 decline over the past six years and is currently below 4,300 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.

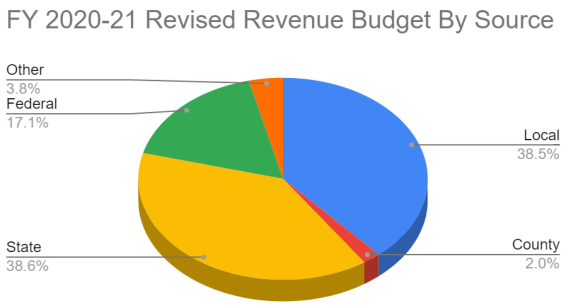


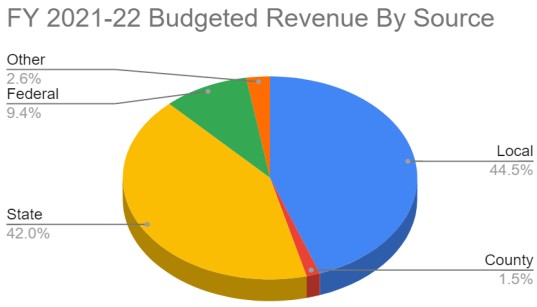
Local funding levels have improved significantly due to the passage of Proposition Lebanon Schools, a $.90 operating levy issue on the August 7, 2018 ballot. Proposition Lebanon Schools was phased in over three years ($.30 in 2018, $.30 in 2019, and $.30 in 2020) and has produced $900,000 in additional revenue annually over those three years.

The proposed budget reflects conservative estimations of revenue and expenditures that align with the required operations and goals of the District for FY 2021-22. 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 2021-2022 school budget:

Estimated Revenue





Local Revenue

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

1. The assessed valuation increased from $335,654,158 in FY 20-21 to $355,450,146 as of June 30 for the 2021-22 fiscal year. That is an increase of 5.89%. 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 21-22. 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 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5111 TOTAL	CURRENT TAXES	$10,293,840	$11,398,768	$12,452,022	$13,795,611	$14,607,777
OBJECT 5112 TOTAL	DELINQUENT TAXES	$1,057,223	$1,120,155	$1,355,938	$1,314,006	$1,553,413
	GRAND TOTAL	$11,351,063	$12,518,923	$13,807,960	$15,109,617	$16,161,190
	ASSESSED VALUATION	$319,967,934	$330,131,326	$331,860,023	$335,654,158	$355,450,146
	TAX RATE	$3.59	$3.89	$4.19	$4.49	$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 2021-22 reflect an operating levy of $3.6344 and

a debt service levy of $0.8556, 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 decrease by 1.69% over FY 20-21 budgeted revenue. This is based on the most current information from DESE.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5113 TOTAL	PROP C (SALES TAX)	$4,232,967	$4,415,145	$4,449,794	$4,786,515	$4,705,533

4. The M & M surtax revenue is projected to increase by 1.50% over FY 20-21.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5115 TOTAL	M&M SURTAX	$606,649	$619,406	$626,338	$653,888	$663,696

5. Earnings on investments (code 5140's) are budgeted at $142,306 for FY 21-22. 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, premium on bonds sold, and K-Mart funds that are invested in various CD's ranging from one to five years. The District has exhausted its bond authorization, and all revenue from prior bonds issues has been spent as of June 30, 2021.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 514X TOTAL	INVESTMENT EARNINGS	$399,900	$263,789	$1,074,444	$337,287	$142,306

6. Other local revenue (code 5190's) is budgeted at $157,410 for FY 21-22. Prior years included pledges for the High School Stadium improvement project. The increase for FY 21-22 represents new revenue projected from the implementation of a purchasing card rewards program.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 519X TOTAL	OTHER LOCAL REVENUE	$28,007	$57,017	$50,167	$84,904	$157,410

County Revenue

In FY 20-21, the District received CARES Act funds from Laclede County in the amount of $367,650. These funds were a one-time allocation and are not budgeted for FY 21-22. Other county revenue is expected to increase by approximately 1.3% for FY 21-22.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5211 TOTAL	FINES & FORFEITURES	$224,696	$199,705	$166,843	$153,310	$155,611
OBJECT 5221 TOTAL	RR & UTILITIES	$508,471	$533,342	$567,100	$619,074	$626,969
OBJECT 5237 TOTAL	COUNTY CARES ACT	$0	$0	$0	$367,650	$0

State Revenue

The following state revenue changes are reflected in this budget:

1. Basic Formula funding (code 5311) reflects a slight growth in revenue compared to the prior school year. State revenues are based on a weighted average daily attendance (WADA) calculation. The State Adequacy Target (SAT) for FY 21-22 is $6,375, and the formula is expected to be fully funded.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5311 TOTAL	BASIC FORMULA	$15,988,258	$16,606,646	$15,916,724	$18,041,788	$18,051,858

2. Classroom Trust Fund (code 5319) is projected to be funded at $410 per WADA.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5319 TOTAL	CLASSROOM TRUST FUND	$1,642,363	$1,664,700	$1,311,078	$1,705,484	$1,637,319

3. State transportation revenue (code 5312) is projected to remain unchanged from the FY 20-21 funding amount.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5312	TRANSPORTATION (STATE)	$403,123	$441,685	$398,026	$401,803	$401,204

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 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5314	ECSE	$1,052,584	$1,009,523	$1,314,408	$1,408,612	$1,436,784

5. Vocational/Technical enhancement revenue (code 5332 & 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 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5332 & 5359	VOCATIONAL/TECHNICAL	$515,148	$472,786	$386,334	$434,635	$397,416

Barring any withholding or release of new monies during the 2021-22 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 slight increase from the FY 20-21. A conservative estimate of $238,189 was used for FY 21-22.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5412 TOTAL	MEDICAID	$128,372	$187,894	$212,865	$232,613	$238,189

2. The Title Programs are budgeted on a neutral basis. Title I funds are estimated to be comparable to FY 20-21. Other Title programs will be amended upon final determination of funding for FY 21-22.

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 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 5810 TOTAL	TUITION - OTHER SCHOOLS	$1,170,863	$1,086,189	$1,188,317	$947,158	$1,046,488

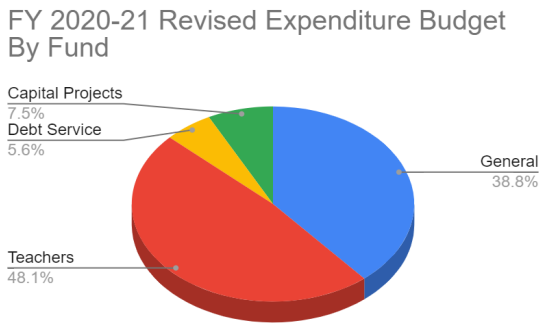
Total Revenue

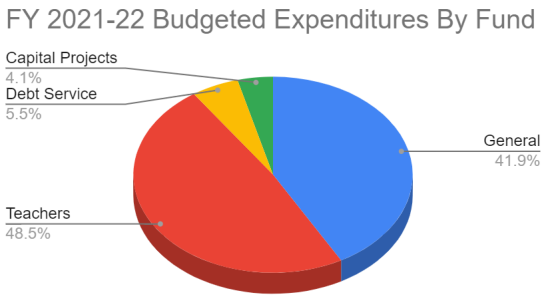
Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
GRAND TOTAL REVENUES	$53,688,699	$47,259,486	$57,434,207	$57,732,391	$53,066,112

Revenue By Fund

Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
General Fund (010)	$18,974,778	$21,205,381	$21,320,814	$29,636,298	$22,670,941
Teachers Fund (020)	22,987,099	22,749,944	24,177,557	24,023,618	27,219,216
Debt Service Fund (030)	11,711,039	3,117,691	7,641,653	2,881,836	2,916,265
Capital Projects/Bond Fund (040 & 041))	15,783	186,470	4,294,183	1,190,639	259,690
Grand Total Revenues	$53,688,699	$47,259,486	$57,434,207	$57,732,391	$53,066,112

Estimated Expenditures





The proposed budget expenditures for the 2021-22 school year are highlighted and explained as follows:

1. District salary schedules were adjusted in the third year of a five year plan to make all staff pay competitive with area industry and school districts. A cost of living increase was applied to all salary schedules, and all eligible employees advanced a step on the salary schedule. All employees received at least a 4% increase over 2020-21. A competitive increase will be applied incrementally over the next two budget cycles to move District pay levels toward the median of comparable schools and industry.

Account Code	Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
OBJECT 61XX TOTAL	SALARIES	$24,740,054	$25,234,409	$26,660,788	$27,287,771	$28,855,786
OBJECT 62XX TOTAL	BENEFITS	$8,186,961	$8,208,077	$8,499,056	$8,676,185	$9,692,790
	GRAND TOTAL	$32,927,015	$33,442,486	$35,159,844	$35,963,956	$38,548,576

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 $564,434.

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 2021-22 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 3.8% over the FY 20-21 actual expenditures.

6. The transportation budget reflects salary and benefit improvements. One of the goals of Proposition Lebanon Schools is to reduce the average age of our bus fleet to 10 years or less in 10 years. The District purchased seven buses in FY 20-21 and will purchase an additional six buses in FY 21-22.

Transportation Budget	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
SALARIES	$1,491,998	$1,641,355	$1,968,245	$1,978,413	$2,204,384
BENEFITS	$484,266	$504,603	$600,722	$635,987	$778,555
PURCHASED SERVICES	$107,695	$169,016	$162,380	$128,996	$129,713
SUPPLIES	$405,321	$417,308	$301,991	$269,102	$367,545
CAPITAL OUTLAY	$240,240	$297,321	$254,550	$279,609	$325,020
GRAND TOTAL	$2,729,520	$3,029,603	$3,287,888	$3,292,107	$3,805,217

7. Capital Outlay:
    - One time capital expenditures budgeted for FY 2021-22 include a FEMA storm shelter at Boswell Elementary and improvements to District facilities.
    - Ongoing capital expenditures include continuing the one-to-one chromebook replacement cycle.
    - 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	Print Shop Copier	Capital Lease - Facility Improvements	Chromebooks	Buses	Total Payments
2021-22	$71,286	$7,092	$504,300	$424,654	$331,445	**$1,338,777**
2022-23	71,286	6,501	463,950	430,862	364,671	**1,337,270**
2023-24	59,066	0	464,500	436,760	398,093	**1,358,419**
2024-25	0	0	464,500	444,460	430,586	**1,339,546**
2025-26	0	0	464,500	467,120	522,741	**1,454,361**

Bonded Debt Service

Fiscal Year	September Interest Payment	March Interest Payment	March Principal Payment	Total Payments
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 $52,895,849 of which $49,982,334 are operating funds.

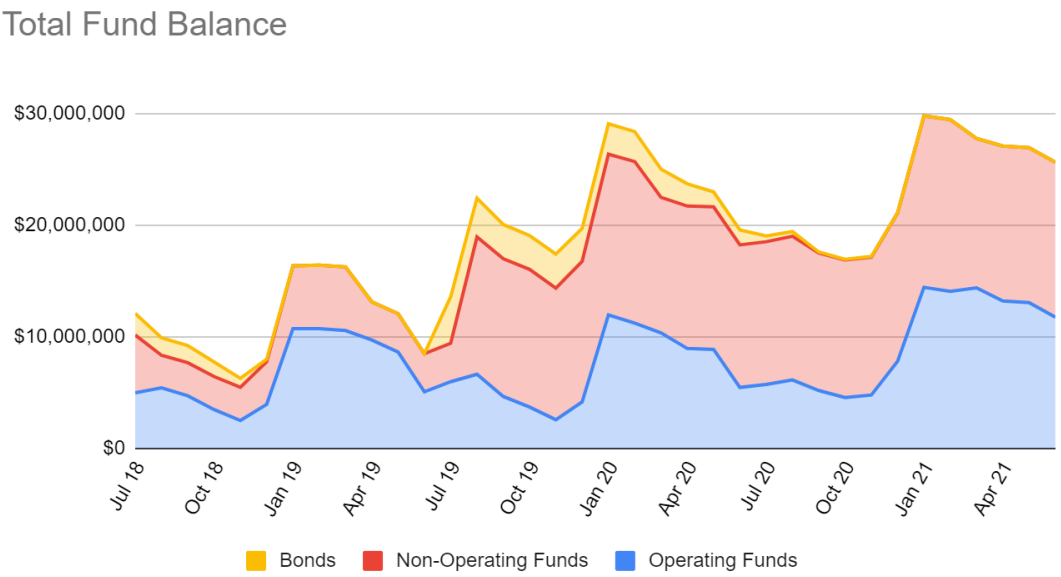
Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
GRAND TOTAL EXPENDITURES	$47,135,326	$48,455,648	$55,302,838	$51,571,970	$52,895,849

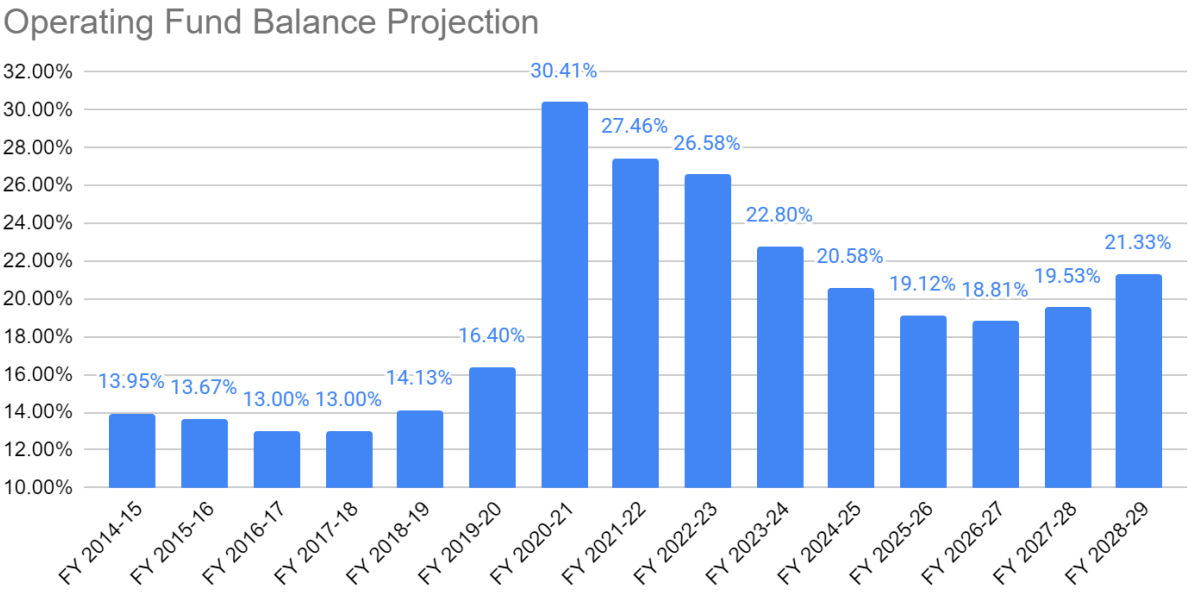
Expenditures By Fund

Account Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Revised Budget	FY 21-22 Budget
General Fund (010)	$19,589,015	$18,857,239	$19,018,395	$20,022,339	$22,184,474
Teachers Fund (020)	22,987,099	23,321,733	24,177,557	24,814,488	25,657,535
Debt Service Fund (030)	3,122,662	3,091,897	7,850,672	2,866,605	2,913,515
Capital Projects/Bond Fund (040 & 041)	1,436,550	3,184,779	4,256,214	3,868,538	2,140,325
Grand Total Revenues	$47,135,326	$48,455,648	$55,302,838	$51,571,970	$52,895,849

Fund Balances

Total fund balance for the District on June 30, 2021 is $25,613,150 as compared to the ending fund balance of $19,495,894 on June 30, 2020. The operating fund balance increased by $6,298,159 from June 2020 to June 2021. The chart below reflects the total fund balances including Debt Service (030) and the Bond Fund (041).





General Budget Summary

FY 2021-22	Fund 010 General	Fund 020 Teachers	Fund 030 Debt Service	Fund 040 Capital Outlay	Fund 041 Bond Fund	Total All Funds
Assessed Valuation	$355,450,146	$355,450,146	$355,450,146	$355,450,146	$355,450,146	$355,450,146
Tax Levy	$2.8344	$0.8000	$0.8556	$0.0000	$0.0000	$4.4900
Est Beginning Fund Balances	$11,087,563	$0	$10,709,584	$3,869,036	$0	$25,666,183
Est Revenues By Fund	$22,670,941	$27,219,216	$2,916,265	$259,690	$0	$53,066,112
Est Expenditures By Fund	$(22,189,474)	$(25,652,535)	$(2,913,515)	$(2,140,325)	$0	$(52,895,849)
Est Fund To Fund Transfers	$1,566,681	$(1,566,681)	$0	$0	$0	$0
Est Ending Fund Balances	$13,135,711	$0	$10,712,334	$1,988,401	$0	$25,836,446
Est Unrestricted Fund Balance %	27.46%					

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