

**MEMO TO: BOARD MEMBERS
DR. JOHN SIMPSON**

FROM: BRUCE ELLERMAN

DATE: DECEMBER 10, 2018

RE: 2018-19 BUDGET ADJUSTMENTS

When the Board originally approves the following year's school district budget plan in June, much of the underlying information is preliminary and best estimates. As the school year progresses and more current and accurate information is available—such as enrollment levels, assessed valuations, tax rates, attendance rates, etc.—the district is able to adjust its budget to reflect this information. The accompanying adjustments are a result of this normal annual process. The net bottom-line impact of these adjustments on the 2018-19 district budget is minimal (only about .25%), revising the originally projected operating surplus of \$102,500 to an operating deficit of <\$61,693>. However, this includes the impact of several one-time capital expenditure items such as the carryover of unspent 2017-18 building budgets (\$171K), the carryover of unspent 2017-18 capital projects budgets (\$455K) and a one-time allocation to renovate the food serving line at the high school (\$147K). Excluding these one-time items, the district's 2018-19 operating surplus would actually have increased from \$102,500 to about \$880,000. This adjusted surplus is a much better indicator of the on-going sustainability of district finances.

In fact, were it not for reflecting these one-time carryovers, along with reflecting actual retirements/staffing levels in salary accounts, the need for adjusting the original 2018-19 revenue and expenditure budget estimates would have otherwise been relatively minimal, a testament to the accuracy and completeness of the district's budget development process.

Specifically, the original budget anticipated 23 teacher retirements while the actual number turned out to be a much higher 33, resulting in an additional salary savings (\$140,000) based on actual replacement staff salaries. In addition, the original budget included two new teachers (\$108,000) for projected enrollment growth at the elementary level. As it turned out, this extra staffing was not needed to meet district class size targets, so it is being eliminated from the budget. Other expenditure budget changes included a state mandated 6% reduction in electricity rates (\$75,000), a \$100K decrease in health insurance budgets based on actual premium levels and number of employees covered, and reduced retirement contributions related to these decreased salaries and benefits.

These expenditure decreases are partially offset by a few line items which are being increased. These increases include:

- \$22K in transportation for adding an afternoon route at Steger;
- \$5,800 in instructional supplies to support the “Freedom” summer school;
- \$71,700 increase in computer equipment and repair; and
- \$20K for estimated tuition related to the new statutory requirement for districts to cover certain virtual school tuition costs.

These expenditure adjustments are relatively minor when compared to the overall \$61.8 million district operating budget.

On the revenue side of the ledger, even fewer adjustments are needed. In fact, no adjustment is needed to the district’s 3 largest revenue sources (Property Taxes, Foundation Formula and Prop C/Sales Taxes) which comprise about 85% of operating revenues. The most significant revenue adjustments are related to interest earnings:

- \$194,500 increase in the operating funds to reflect rising short-term interest rates on district short-term cash flow investments; and
- \$284,000 decrease in the debt service escrow account (which doesn’t affect the district operating budget) to reflect actual investment earnings rates for the advanced refunding completed in December 2016.

Other revenue adjustments are also being made for Transfer Student Tuition (\$51K increase) and State Assessed Utilities (\$10,100 increase). While these adjustments are relatively minor in nature and typically would not even be needed for the sole purpose of 2018-19 budgeting, they are being made so that the district has a more accurate starting point for 2019-20 budget development.

Each proposed revenue and expenditure adjustment is explained in more detail in the footnotes which are included with the attached budget statements. The format is to show the current budget for each major budget line item, the amount of adjustment needed for that line item and then what the new adjusted budget for that line item will be, along with a description of why the adjustment is being made.

These adjustments result in the following revised budgets by fund:

	Original Revenue <u>Budget</u>	Revision #1 <u>Adjusts</u>	Revised Revenue <u>Budget</u>	Original Expend <u>Budget</u>	Revision #1 <u>Adjusts</u>	Revised Expend <u>Budget</u>
General Fund	\$36,290,400	\$199,800	\$36,490,200	\$21,377,900	\$131,677	\$21,509,577
Teachers Fund	\$24,748,000	\$54,100	\$24,802,100	\$37,791,600	<\$313,800>	\$37,477,800
Capital Proj Fund	<u>\$478,900</u>	<u>\$200</u>	<u>\$479,100</u>	<u>\$2,245,300</u>	<u>\$601,916</u>	<u>\$2,847,216</u>
Subtotal Operating	\$61,517,300	\$255,600	\$61,772,900	\$61,414,800	\$419,793	\$61,834,593
Debt Service Fund	<u>\$5,963,100</u>	<u><\$282,500></u>	<u>\$5,679,100</u>	<u>\$5,232,500</u>	=	<u>\$5,232,500</u>
Totals	<u>\$67,480,400</u>	<u><\$28,400></u>	<u>\$67,452,000</u>	<u>\$66,647,300</u>	<u>\$419,793</u>	<u>\$67,067,093</u>

While there will be a brief presentation of these adjustments and the revised district budget at the Board meeting, it would be helpful to know in advance if more information or clarification is needed regarding any of the proposed adjustments. Therefore, please feel free to contact me with any questions prior to the meeting.

RECOMMENDED BOARD ACTION

That the Board of Education approve the proposed adjustments consisting of a \$28,400 decrease in revenues and a \$419,793 increase in expenditures to the Webster Groves School District 2018-19 Budget, resulting in the adjusted budgets by fund as indicated herein.