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

FROM: **BRUCE ELLERMAN**

DATE: **FEBRUARY, 2019**

RE: **MONTHLY FINANCIAL REPORT – JANUARY 2019**

Seven months into fiscal year 2018-19, district revenue and expenditure levels in almost all accounts are tracking right in line with budget projections. The few noteworthy variations that are beginning to emerge based on actual revenues or expenditures to date are not significant compared to the overall district budget but are nonetheless footnoted and explained herein. To date there have been no events or information subsequent to last December's budget adjustments that would have a significant negative impact on district projections going forward. In fact, if anything, the outlook for 2018-19 is slightly trending in an overall favorable direction.

In fact, this positive momentum is expected to continue into the 2019-20 fiscal year as the district begins the budget development process for the coming year over the next few months. Continued strength in the housing market and a reasonable inflation rate should provide a solid CPI boost through the 2019 property reassessment process. Meanwhile state funding is expected to remain fairly stable but may be subject to change depending on the level of state tax collections over the next few months (January collections were down 7%--not a good sign). On the expenditure side, competitive market teacher salary adjustments appear to remain affordable as other St. Louis County school district salary schedules have increased a little less than projected. This should help keep pressure manageable on Webster's teacher salary schedule going forward into next year. Other salary areas (support staff and administrative) also appear to be within a manageable CPI range.

Operating Revenues (Adjusted Budget = $61,772,900)

Like many districts in Missouri, WGSD is highly dependent on local revenue sources. In fact, more than two-thirds of WGSD's operating revenues are derived from local property taxes alone. Throw in another 10% from the State Formula and 6% from Prop C, and you have nearly 85% of WGSD's operating revenues concentrated in just these 3 sources. As a result, WGSD's overall resource base predominantly reflects the health of these 3 areas.

	Budget	Actual YTD	YTD %	Prior YTD %
Property Taxes	$40,255,000	$35,895,530	89.17%	88.73%

State Formula	$8,500,000	$4,816,267	56.66%	62.36%
Prop C	$4,078,000	$2,355,008	57.75%	58.45%

Local property taxes are a function of assessed valuation, property tax rate and collection rate. From a timing perspective, the bulk of local property tax collections occur in the months of December and January each year as taxpayers make their annual remittances. Therefore, YTD Property Tax collections typically remain relatively low through November of each year, spike in December and January, and then slowly make the rest of the climb from February through June. Through January of 2019, property tax revenues are running slightly ahead of historical YTD figures from past years. This bodes well since last year actual property tax collections ended the year at 100.3% of budget. In contrast, State Formula and Prop C revenue is received by the district more or less evenly each month throughout the fiscal year and is a function of Average Daily Attendance (ADA) and state funding levels. Both State Formula and Prop C revenues are running reasonably close to budget targets so far this year. While both are behind prior year to date collection percentages, this is because last year's numbers included a significant one-time, mid-year state payment for settlement of past full-day kindergarten aid amounts.

Expenditures (Adjusted Operating Budget = $61,738,593)

	Budget	Actual YTD	YTD %	Prior YTD %
Salaries/Benefits	$46,478,000	$21,934,812	47.19%	48.01%
All Other	$15,260,593	$8,095,216	53.05%	57.50%

Like nearly all other school districts, the majority (about 80%) of WGSD's operating expenditures is comprised of staff salaries/benefits (and the large majority of those are for teachers). Since the first teacher payroll isn't until the end of August, YTD actual expense amounts are therefore not yet meaningful. Nonetheless, it does appear the overall expenditure budget is very reasonable at this time compared to the proportion of the school year that has passed—7 months/12 months = 58.33%.

Recognizing the foregoing timing issues, there are currently only a few notable exceptions identified so far that are disproportionately high compared to expectations. (NOTE/Like some salary accounts, some non-salary expenditures such as equipment, building improvements, supplies, audit, etc., also do not occur evenly throughout the fiscal year as their timing may be either front-loaded or back-loaded by their nature.) With this context in mind, the only notable variances at this time from expectations are showing in the following areas:

1) Line 013—Fines and Forfeitures. This revenue is distributed once annually around October. No further significant activity in this revenue account is expected for the remainder of the year.
2) Line 014—State Assessed Railrood and Utilities. This is a property tax based revenue representing taxes on railroad, electric and phone lines throughout the state. It is collected by the county based on a county-wide average tax rate and

then apportioned out to school districts around February of each year in essentially a single payment.

3) Line 024—Other State. About 85% of this revenue source is for residential “public placement” funds paid by the state to partially reimburse districts for the educational expenditures on students placed by the court, DFS or other state agencies. The bulk of this public placement payment is normally received in February each year with a relatively small final balance sometimes paid in June.
4) Line 025—Food Service. Federal food service revenues represent payments through the USDA for student meals. These payments are based on actual meal counts and do not begin until school starts in August and even then lag by up to 2 month as meals for any given month are reported during the following month and then reimbursed in the month after that. Therefore, the % collected will generally always run behind.
5) Line 026—Title I. Under the cash basis of accounting used by the district, the timing of receipts is dependent on when pay applications are submitted for federal reimbursement of Title I related expenses. The amount indicated in this revenue line therefore represents reimbursement of Title I expenses which were made in the later part of last year and submitted for reimbursement in the current fiscal year.
6) Line 028—Other Federal. This bulk of this revenue source represents federal reimbursement of interest paid by the district on Build America Bonds. These reimbursement payments are only made twice a year in September and March.
7) Line 059—Insurance. The full year district premium for property, liability and workers’ comp insurance is paid to Missouri United School Insurance Council (MUSIC), a self-insured pool of public school districts in the state, in December each year. No further expenditures will be made from this account for the rest of 2018-19.
8) Lines 070 and 071—Development Fund and Textbooks. The expenditures in these two accounts are front-loaded during the year as most professional development and most textbook purchases occur over the summer prior to the start of school. The % expended will therefore begin the year relatively high but should stay within the budget over the course of the year.
9) Line 085—Maintenance, Line 086—Building Upkeep, Line 097—Maintenance Equipment and Line 098—Furniture. Expenditures in these budget line items tend to be front-loaded as most related facilities work and furniture/equipment acquisition occurs in the summer when school is not in session. They are all expected to remain within budget as the year progresses or to receive budget/fund transfers from other line item accounts as needed without requiring any increase in the overall budget. In addition, the Furniture line in particular is also affected by insurance claims for water damages that the district has experienced. Replacement furniture is purchased out of this budget line

item and then reimbursed when the insurance payment is received. The furniture account therefore can appear to exceed budget until such offsetting insurance reimbursement is received.

10) Line 087—Care of Grounds. Most of the YTD expenditures in this line item is for the district-wide sealing and striping of parking lots. Some of this expense will be transferred to Line 096—Building Improvements in the event the Grounds line item budget is exhausted during the year.
11) Line 102—Interest and Fees. The district's outstanding bonds are structured so that interest payments are made in September and March each year while principal payments are only made in March. At this point in the year, only the September interest payments have been made, which represent half of the year's budgeted interest cost.

RECOMMENDED BOARD ACTION….report only, no action needed.