

Adoption of the 2020-2021 Budget
June 24, 2020

Summary

The accompanying budget for 2020-2021 is recommended for Board approval. Preparation of the 2020-2021 budget began in December 2019. It is our deep commitment to all students' education that drives our thoughtful conversations and guides our budgetary decisions. Input was sought from staff, administrators and instructional leaders throughout the District. Specific information on developing the budget was discussed with the Board as study items on January 22 and May 13, 2020.

Description of Agenda Item

Board Policy DB Fiscal Management – Annual Budget. Each year a detailed annual budget showing estimates of income and expenditures for the ensuing fiscal year is required to be submitted to the Board of Education for their consideration. The Board may accept, reject, modify or request revisions of the budget, but will adopt a budget by June 30, according to statutory provisions.

Background Information

In order to build forecasts, certain reliable expectations are required. Everyone is eager to know when the nation's economy as we know it can get back to normal. It is speculative to predict the length of this economic disruption. What is known is the degree of the economic downturn will be related to the length of the current restrictions that restrain economic activity. The longer the length of time that day-to-day operations are not resumed it is more likely that economic conditions will continue to deteriorate for a longer period of time.

Many operational considerations and budget implications due to COVID-19 are unknown at this time. A summary of the current known impacts of COVID-19 is attached. Short-run economic disruptions will have little noticeable impact on the current fiscal year. However, future fiscal years could see reductions in assessed values, increased protested taxes, and increased uncollected taxes. In addition, decisions on how students and staff return to school in August could also have budget implications.

Budgeting in response to all this uncertainty is definitely a challenge. At this point in the crisis, it is difficult to draw specific conclusions about the potential impact on the District's revenue and operations. We will continue to identify key information over the next several months that hopefully provide a clearer picture of the overall impact to the District. Budget revisions and contingency funds provide the Board and administration flexibility to allow for more informed decisions.

Proposed 2020-2021 total expenditures including normal debt service payments and business-type activities total \$67.2 million. Projected total revenues, inclusive of business-type and debt service, of \$69.5 million will result in a surplus \$2.3 million and grow the overall fund balance to \$33.3 million. Because many of the revenues and expenditures included in the total budget are restricted for specific purposes, the operating budget more clearly reflects the District's expected results of operations.

The operating revenue budget is projected to decrease by \$2.7 million or 4.25 percent to a total of \$60.0 million primarily due to fluctuations in protested and financial institution taxes. Protested assessed values continue to remain a challenge for all of St. Louis County taxing authorities. Numerous protested tax appeals crowd the State Tax Commissions dockets resulting in continuous fluctuations in assessed valuation data and tax payments that cause significant fluctuations in revenue trends. Projected revenues are based upon the best information available at this time as well as historical trends.

The operating expenditure budget is projected to increase by \$1.5 million or 2.64 percent to a total of \$57.3 million. The 2020-2021 school year is the second year of a two-year salary agreement. A 1.1 percent budgetary increase for certified teaching staff has been included in the current projections per the salary agreement. The average salary increase for a teacher is 2.41 percent due to staff turnover. Administrative salaries, classified salaries, part-time temporary employment and substitute budgets will be increased by 2 percent. In addition, the operating budget supports the

maintenance of our facilities and grounds, recommended technology improvements, textbook, musical instrument and athletic uniform replacement, and curriculum implementation plans.

Operating revenues will exceed operating expenses, which will increase the operating fund balance by \$2.8 million. The 2020-2021 year-end operating fund balances inclusive of business-type activities are projected at \$27.5 million or 47 percent. However, \$4.5 million has been formally committed by the Board for future capital expenditures. This leaves a net operating fund balance of \$23.0 million or 40 percent of budgeted operating expenditures which exceeds the Board's fund balance goal of 18 percent.

Recommendations

That the Board of Education approve the 2020-2021 budget.

Motion

That the Board of Education approve the 2020-2021 budget as presented.

Submitted by: Mary Jo Gruber, CPA, CGMA, SFO
Chief Financial Officer