

BUDGET MESSAGE

June 8, 2020

The 2020-2021 budget represents a long-standing tradition of sound financial management and long-range planning by the Park Hill Board of Education and district staff. The budget document is an excellent source of information that provides a better understanding of the financial plan and results of the district. This document has been prepared and presented to the Board of Education as a basis for the high-quality educational services the Park Hill School District patrons have come to expect. In short, the budget provides the framework by which resources are allocated to accomplish the mission of the Park Hill School District and serves to guide Park Hill in a fiscally sound and responsible direction for 2020-2021 and years beyond.

Park Hill is an award-winning school district with a bond rating amongst the highest in the state (Aa2 from Moody's) and with the highest recognition provided by Missouri for academic achievement. In fall, 2015, Park Hill School District was awarded the Missouri Quality Award from the Excellence in Missouri Foundation for the second time in the last decade. Park Hill School District is the only school district in the state to receive this recognition twice. The Missouri Quality Award program is based on the Malcolm Baldrige National Quality Award Criteria for Performance Excellence. In addition, the Park Hill School District has received the Association of School Business Officials (ASBO) prestigious Meritorious Budget Award for thirteen consecutive years.

As a part of the district's 2018-2023 strategic plan (Comprehensive School Improvement Plan or "CSIP"), the district has identified a strong financial condition as a strategic advantage toward accomplishing the strategic goals and objectives identified by the Board of Education and community. In addition, the CSIP outlines financial sustainability as a "key to excellence" that supports the entire strategic plan. This budget document provides the foundation for public transparency and serves as the focal point for the communication of district financial processes to the community.



Park Hill School District

Building Successful Futures • Each Student • Every Day

VISION

Building Successful Futures • Each Student • Every Day

MISSION

Through the expertise of an engaged staff, the Park Hill School District provides a relevant education in a safe, caring environment to prepare each student for success in life.

VALUES

Student Focus
Integrity
High Expectations
Continuous Improvement
Visionary Leadership
Equity

STRATEGIC PERSPECTIVES – KEYS TO EXCELLENCE

Park Hill School District will leverage its Keys to Excellence for sustainability into the future.

Academic
Climate
Employee
Finance

GOALS

College, Career, and Life Readiness: All students will graduate college, career, and life-ready.

Access and Opportunity: Ensure success for ALL students regardless of background

In addition to supporting the district's strategic plan, the 2020-2021 budget provides resources for the increasing enrollment within the school district. The 2019-2020 K-12 enrollment of 11,709 is expected to grow in future years as it has for 36 consecutive years, averaging 1.8% growth annually. To address the facility needs, district voters approved a \$110 million No-Tax-Increase bond issue in April 2017. The 2020-2021 budget includes \$22.0 million in expenditures for the district's capital plan. The 2020-2021 capital plan includes the completion of a new facility for the LEAD Innovation Studio (opens August 2020) and capital improvements to existing schools and facilities.

Local, state and national economic conditions play a significant role in the budget development process. The COVID shutdown from March 23 to May 22, 2020 immediately impacted revenues and expenditures, and the 2020-2021 budget includes planned revenue withholdings due to the significant negative economic impact. In addition, the 2020-2021 budget includes expenditures related to the preparation of distance learning curriculum in preparation for the possibility of a future extended shutdown.

Mixed economic conditions have influenced both residential and commercial growth over the last five years. In short, the nationwide economic crisis earlier in this decade significantly slowed assessed valuation growth, reduced the valuation of existing property, and negatively impacted state budget factors with reductions in income and sales tax. Prior to the COVID shutdowns, the economic conditions had improved locally and at the state level, positively impacting revenues for the Park Hill School District and Missouri public schools.

The work of developing the district budget is the work of many dedicated individuals, including board members, district administrators, school principals, school budget committees, school leadership groups, school improvement teams, directors, teachers, and support staff. The budget development process is an ongoing cycle taking place throughout the school year, requiring school leaders to simultaneously monitor and evaluate one budget while planning and developing future budgets.

Revenue. The taxes derived from local assessed valuation of property are the primary source of revenue in the Park Hill School District. The Platte County Assessor annually assesses the real and personal property in the school district. The 2019 district aggregate assessed valuation was set at \$1.87 billion, up 7.4% from the prior year. In tandem with Park Hill's ad valorem ("according to value") operating tax rate of \$4.6827, one of the lowest rates in the greater Kansas City area, nearly three quarters of all district revenue is generated. 2020-2021 local revenue estimates have been established reflecting an increase (2.5%) in assessed valuation and with the assumption of maintaining the current operating tax rate.

Per state law, the district's tax rate will be officially set at a tax rate hearing in August 2020. At this meeting the Board of Education will decide on a tax rate. The 2020-2021 budget has been prepared with no anticipated change in the total tax rate of \$5.3955 (includes operating and debt service tax rates) per \$100 of assessed valuation. However, there may be changes to the tax rate ceiling (made by the Missouri State Auditor) or the actual tax rate based upon the certified aggregate assessed valuation figures provided by the Platte County Assessor prior to the tax rate hearing.

2020-2021 district revenues are anticipated to be negatively impacted by shortfalls in state revenues due to the unfavorable economic impact of COVID. Based upon the Governor's recommendation, the district has reduced the basic foundation formula and related state revenues by 4%.

The 2020-2021 budget has been built with a forecast of \$223.2 million in total revenue and \$173.6 million in operating revenue (operating revenues exclude revenues derived from the debt service levy or sale/refinancing of general obligation bonds). This reflects an anticipated increase of approximately \$8.9 million (5.4%) in operating

revenue from 2019-2020. This relatively large increase in operating revenue is primarily due to an anomaly in operating revenue in 2019-2020 where a large amount of protested/delinquent taxes (\$3.8 million) were not paid during the fiscal year, thus, deflating the revenue in 2019-2020 and inflating the value for 2020-2021 where these tax payments are now budgeted. The five-year operating revenue growth from the 2014-2015 to the 2019-2020 budget averages 3.8% per year.

Expenditures. The 2020-2021 budget includes \$237.8 rounding up million in total expenditures and \$185.5 million in operating expenditures. Expenditures are budgeted in the following areas:

<i>Expenditure Object</i>	2020-2021 Total Expenditure Budget	% of Total Expenditures
<i>6100-Salaries</i>	101,514,241	42.7%
<i>6200-Employee Benefits</i>	29,287,878	12.3%
<i>6300-Purchased Services</i>	20,105,148	8.5%
<i>6400-Supplies and Materials</i>	18,580,161	7.8%
<i>6500-Capital Outlay</i>	22,090,429	9.3%
<i>6600-Long- and Short-Term Debt</i>	46,189,000	19.4%
Total	237,766,857	100.0%

The district’s expenditures have increased over the last three decades primarily due to student growth. Student enrollment has grown by an average of 146 students per year over the last 25 years, with current official K-12 enrollment of 11,709 students in the 2019-2020 school year. In 2019-2020, the enrollment grew by 92 students. The 2020-2021 budget has been crafted to support a district enrollment of 11,894 students, an increase of 185 students (+1.6%).

With enrollment growth comes additional staff to support class size and to support staff to student ratios. The 2020-2021 budget includes new operating costs associated with planned increases to staffing, employee salaries, the district’s contribution to employee benefits, and fuel and energy costs. The 2020-2021 operating budget includes a one-time \$500,000 project to develop K-12 courses for distance learning should a COVID or related shutdown occur during the school year. Also, a \$3.5 million in one-time previously approved capital expenditure has been allocated to be used to complete the third floor of the new LEAD Innovation Studio building. An additional \$3.5 million has been set aside as contingency to complete all bond-related projects, as well as to provide budgeted resources for any unforeseen COVID-related expenditures.

Through a collaborative negotiations process with staff, the district has agreed to fund salary schedules that reflect 2.4% average increases in salary, and a 2.5% average increase in total staff compensation (salary and benefits). Staffing ratios in all areas will remain consistent for 2020-2021 which will result in additional staff positions.

The 2020-2021 capital plan includes expenditures related to the completion of the LEAD Innovation Studio (opens August 2020). In addition, capital improvements to existing schools and facilities are included within the capital plan. Capital projects financed through the district’s capital fund have also been budgeted to cycle out antiquated equipment, update middle school outdoor facilities, repair facilities (roofs) and replace heating, ventilation and air conditioning (HVAC) systems as needed.

Fund Balances. The projected gap between operating revenue (\$173.6 million) and expenditures (\$185.5 million) is to be funded by district fund operating and capital balances. The use of fund balances in 2020-2021 and the years following have been a part of a long-range financial plan that includes preparing for new operating costs associated

with opening four new facilities within two years, and updating and improving existing facilities as outlined in the district's capital plan.

The Park Hill Board of Education has established a target range for operational fund balance at 18 to 22% of prior year expenditures at the end of each fiscal year (June 30). Fund balance is a key metric that the district uses to measure the financial condition of the district, allows the district to meet cash flow demands throughout the school year, balance fiscal year surpluses and deficits, contributes to the exemplary bond rating given the district, as well as provide monies for contingencies. In short, fund balance allows for economic stability and sustainability of the district.

The projected opening operating fund balance for the 2020-2021 budget is projected to be 21.8% of prior year operating expenditures, or approximately ten weeks of operating cash. A commitment was made to the district community in 2002 to increase the fund balance. Over the last seventeen years, the fund balance has increased from 9.6% to the projected 21.8%.

The 2020-2021 budget has been crafted to result in an ending operating fund balance of \$32.1 million, 19.0% of prior year expenditures, which falls within the Board of Education approved range of 18 to 22%. The 2020-2021 budget also includes a plan for the ending capital fund balance to be \$3.5 million, 30.2% of the average of the prior three-year capital expenditures. This falls below the target range of 65 to 85%. Future budgets will be strategically formulated in order to increase the capital fund balance back into the target range over the next three fiscal years. This plan is depicted in forecasted budgets through the school/fiscal year 2023-2024.

Debt. The district's current debt service tax rate is the lowest in the greater Kansas City area. The Board of Education set the debt service tax rate at \$0.7128 in August 2019 and it is not budgeted to increase when the Board meets in August 2020.

As of the end of the 2019-2020 school year, the district's debt stands at \$161.5 million. This is well below the legal debt limit in the state of Missouri (15% of Assessed Valuation) of \$281 million.

The 2020-2021 budget includes the potential of a refinance of existing bonds (Series 2012) in the amount of \$34 million. It is projected that the refinance could save district taxpayers up to \$2.0 million in future interest payments. In addition, \$34 million has been included as both non-operating revenue and expenditures which impacts the 2020-2021 total revenue and expenditure figures.

Excluding the potential refinance, the 2020-2021 debt service budget includes a payment of \$5.2 million in principal and \$5.7 million in interest toward existing debt.

Conclusion

This budget is developed with the best and most recent information available to school district officials. Anticipated expenditures and revenue are estimated projections based on this information. Budget revisions may be made during the budget year to reflect unforeseen circumstances.

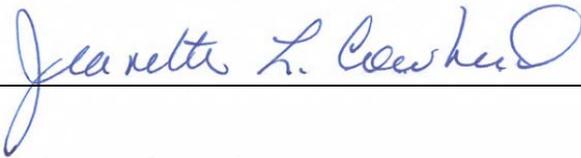
The information included in the budget document is structured to meet the requirements of the Meritorious Budget Award established by the Association of School Business Officials (ASBO). The Meritorious Budget Award is the highest form of recognition in budgeting for school entities. Its attainment represents a significant accomplishment by a school entity and its management. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan and as a communications

medium. The district is proud to have received the Meritorious Budget Award for the last thirteen consecutive fiscal years.

The preparation of this report could not have been accomplished without the diligent and dedicated services of the business office and the many district administrative assistants involved in the budgeting processes. We would also like to express our appreciation to the administrators for striving to maintain a tradition of educational excellence in a fiscally responsible manner. Our sincere appreciation also goes to the Park Hill School District Board of Education and our community for providing the fiscal support needed to develop, implement and maintain the high quality of educational programs that has allowed the Park Hill School District to focus on *Building Successful Futures, Each Student, Every Day*.

We are truly hopeful that this document will provide information that will allow the reader to understand the district's financial operations as well as its goals and objectives and how they relate to our education programs and services for the 2020-2021 fiscal year and beyond.

Respectfully submitted,



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Park Hill School District



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