

Thank you for joining us at today's **FOCUS** Open House and lending your voice to our students' future. Before you begin visiting the various stations, please take a minute to watch this brief orientation/welcome video from our superintendent, Dr. Sean Doherty. The video is playing on a loop, so if you didn't get to see it from the start, wait a minute or two to catch the part you missed.

After the video, please spend as much time as you'd like at the following stations:

- **Maintaining Our Excellence** - Learn about the many aspects that make Clayton one of the state's highest performing school districts.
- **Our Challenge** - Learn about our District's fiscal challenges and ongoing facility needs.
- **A Potential Solution** - Learn about what steps need to be taken in order to maintain academic excellence for our students.
- **Your Feedback** - Visit with Board of Education members and administrators to share your thoughts and submit your feedback.



Please submit your feedback by Nov. 17.

Feedback received will be summarized and presented to the Board of Education at their Dec. 12 meeting.

For more information about **FOCUS**:

- Call 314.854.6000.
- Email focus@claytonschoools.net.
- Visit our website at claytonschoools.net/focus.
- Follow **FOCUS** on Facebook at facebook.com/claytonschoools.

Please see reverse for frequently asked questions.

Our biggest challenge is **maintaining the fiscal health** of our District.

Our **last** operating tax rate **increase** was in **2003 (Prop E)**.

- Cost of District health insurance premiums has increased 65% since 2008.
- Cost of a Starbucks Tall Latte has increased 45% since 2003.

Revenue is essentially flat.

- State law limits the ability for tax revenue to keep pace with expenses.

Allowable Operating Tax Revenue Increases Since Prop E

| | | | |
|------------------|--------------|------------------|--------------|
| 2003-2004 | 2.20% | 2011-2012 | 0.00% |
| 2004-2005 | 0.00% | 2012-2013 | 0.00% |
| 2005-2006 | 3.02% | 2013-2014 | 1.21% |
| 2006-2007 | 0.19% | 2014-2015 | 0.18% |
| 2007-2008 | 2.60% | 2015-2016 | 0.80% |
| 2008-2009 | 0.27% | 2016-2017 | 0.00% |
| 2009-2010 | 0.00% | 2017-2018 | 2.10% |
| 2010-2011 | 0.00% | 2018-2019 | 0.00% |

Other **revenue** sources **declining** proportional to their enrollment:

- Voluntary Student Transfer Program
 - 2018-2019 - \$1,500,000
 - 2023-2024 - \$980,000
- Statutory Tuition
 - 2018-2019 - \$350,000
 - 2023-2024 - \$0



Expenses continue to **rise**.

- Taken steps to control costs by reducing expenses by \$2.8 million.
- Additional reductions would negatively impact the quality of education.
- Average Annual Increase in Expenses (since 2004)
 - **2.29%**
- Average Allowable Annual Operating Tax Revenue Increase (since 2004)
 - **0.78%**

What are the District's sources of operating funds?

The District relies primarily on local taxes for operating revenues. Actual operating revenues for the 2017-2018 school year were as follows:

- Property taxes - 71.16% of total operating revenues
- Voluntary Student Transfer Program - 3.36%
- Proposition C/Sales tax - 4.28%
- State sources - 3.40%
- Other sources - 17.8% (including federal grants, investment income and tuition-paying students)

How has the District been controlling its expenses?

Since the 2012-2013 school year, the District has reduced its expenses by more than \$2.8 million by taking the following steps:

- Reducing staffing expenses
- Restructuring health benefits
- Re-bidding a number of vendor contracts
- Reducing utilities costs through rebates and the use of solar photovoltaic arrays

In what ways can a school district increase its revenues?

There are three ways in which a school district can increase revenues:

- ask voters for a tax increase (such as Proposition E in 2003)
- collect additional tax revenue from new construction
- collect additional tax revenues for increases in assessed valuation within the confines of State law



How does Missouri law limit growth in the District's tax revenue?

As assessed value of property within the District goes up, Missouri law (the Hancock Amendment) requires the District to roll back (reduce) its tax rate so that revenues from existing property can only increase at the lesser of the following three scenarios:

- 5%
- Consumer Price Index – just 1.36% annually on average for the past five years
- The change in assessed valuation, which, if negative, causes the District's revenue to be flat due to the fact that the Hancock Amendment protects school districts from collecting less tax revenue than they did the year before, regardless of a decrease in assessed valuations.

Consequently, the District does not benefit significantly from increases in assessed value, and revenue has remained relatively flat over the past 15 years since the last voter-approved tax increase.

If the District is not receiving more money from increases in assessed value, why have my property taxes risen in the past several years?

In recent years, many individual homeowners have experienced increases in their property taxes. Increases have resulted from bond issues passed by voters in 2009 and 2010, as well as increases in the cost of living, which have averaged 1.36% annually over the last five years. In addition, other taxing districts (such as the library, Special School District, the Zoo, Metropolitan Sewer District, etc.) have passed tax increases. Other increases have occurred because there has been a shift in the property tax burden from commercial to residential owners.

Why is Clayton's State funding frozen?

In 1992, a circuit court found Missouri's school financing system unconstitutional. In response, the State revised its method of funding by giving districts with small property tax bases more State aid and freezing funds to districts with larger tax bases. Clayton is one of 194 districts in the state that are classified as "hold harmless." For the 2017-2018 school year, the state Foundation Formula allocated \$515 per student to the School District of Clayton. This represents about 2.73% of the amount the District spends annually to educate a student.

Please see reverse for frequently asked questions.

The District has been using reserves to **maintain academic excellence** and offset the revenue/expenditure gap since 2016.

- Gap projected to be \$4.8 million this year.

New construction helps, but **not as much as you think**.

- Average annual revenue increase from new construction is \$235,000/year.
- Projected revenue from current developments under construction:

| New Developments | 2019 | 2020 | 2021 |
|---|------------------|------------------|------------------|
| 212 South Meramec (20% abatement) | \$235,000 | | |
| Ceylon - 25 North Central | \$150,000 | | |
| Regions Bank - 8321 Maryland Avenue | \$25,000 | | |
| Central Park Townhomes - 1107 East Linden Avenue | \$60,000 | \$60,000 | |
| Centene University/Early Childhood Development Center | | \$90,000 | |
| The Barton - 8500 Maryland Avenue | | \$220,000 | |
| Centene II - Phase I (40% abatement) | | \$200,000 | \$327,000 |
| Allegro - 1155 Bellevue Boulevard, Richmond Heights | | \$67,000 | |
| Shaw Park Apartments - 8049 Forsyth Boulevard | | | \$411,600 |
| Total | \$470,000 | \$637,000 | \$738,600 |

Ongoing Capital (Facility) Needs:

- District completed a comprehensive facilities master plan in 2008.
- Priority items were funded through the 2009 bond issue.
- The items that fell "below the line" (were not addressed in 2009 bond issue) are now **10 years older**.
- Facility needs are not enough to address with another bond issue but **too much for the current capital improvements budget**.
- Projects would include **safety and security updates**, updated learning spaces, HVAC replacements, roof replacements, electrical service upgrades, etc.



What is the fund balance approach to school finance?

A school district's reserve or fund balance is the amount of money that is left in the bank at the end of a fiscal year. School districts throughout Missouri carry fund balances that range from 15% to 40% of their annual budgets. A district's fund balance serves two main purposes:

1. To ensure adequate cash flow for operations throughout the fiscal year
2. To offset expenditures in years when expenses outpace revenues

School finance follows a cyclical pattern. A school district builds its reserves in the years when revenues exceed expenditures, usually following a voter-approved tax increase or a revenue increase from other sources. Districts then spend down their reserves once operating expenses begin to exceed operating revenues. When a district's fund balance falls below its required minimum, it must either reduce its expenditures, increase its revenues or a combination of both.

Why does the District need reserves?

School districts like Clayton, which are funded primarily by local property taxes, receive most of their tax revenue in December and January of each year. As a result, Clayton must keep enough of its budget – at least 18% – in reserve to ensure it will have adequate cash flow to fund operations without borrowing money throughout the course of the year. The District currently has a reserve (or fund balance) of 32%. Each year that reserves are



used to offset expenditures erodes the District's fund balance. Absent any budget reductions or revenue increases, the District's fund balance will fall below its 18% goal in the 2019-2020 school year, requiring short-term borrowing to fund District operations.

Can't the District just use the revenue from the sale of the Maryland School to close the gap?

The District sold the Maryland School for \$4.1 million in July 2017. The Maryland School was a capital asset and, at the time of sale, the Board designated the funds for future capital (facility) needs.



The District needs to **maintain our excellence** and position as one of the state's **highest performing** school districts.

Niche.com

- #1 District in Missouri (#13 in the country)
- #1 Best Places to Teach (#33 in the country)

Clayton High School is ranked third in Missouri according to *U.S. News and World Report*.

ACT Composite - 25.9

- Missouri Average - 20.0

Graduation Rate - 98.1%

- 96% of graduates pursue higher education, with many attending some of the country's **most selective schools**.

Highlights that contribute to our excellence:

Clayton High School's award-winning **Globe Newsmagazine**.

Our **rigorous hiring practices** find the best teachers to serve our students, and our substantive professional learning provides best practices for educating our students.

The District is focused on **educating the whole child** by teaching students the competencies that are critical to their continued social, emotional and academic growth and development.

The District is dedicated to **educating our parents** through our Parenting Education Program and Parent Speaker Series.

The **Conferenced English Program at Clayton High School** is a unique and differentiated approach to developing strong writers and thinkers.

The District's **commitment to the Fine Arts** allows students to have a well-rounded experience in their educational career.

Our **Elementary Foreign Language Program** starts in first grade. We teach students to communicate in oral and written language, and, through this focus, help students gain a knowledge and appreciation of other cultures in the global community.

The District offers **everyday P.E.** at our elementary schools.

We have dedicated **science labs and science specialists at each elementary school** to provide a foundation for learning beyond what most other elementary schools can do.

The **Clayton Education Foundation** supports students and teachers by awarding grants - more than \$175,000 to date - that provide unique learning experiences for students.

The Clayton Catalyst Program is a **Business Management and Entrepreneurship experience** that allows students to develop their own entrepreneurial concepts with guidance from industry professionals.

Please see reverse for frequently asked questions.

Ask voters to approve an operating levy increase in April 2019.

Request for additional funding would be in the range of **55¢ - 65¢** per \$100/assessed valuation.

- For the owner of a \$620,000 home:
(<http://www.city-data.com/city/Clayton-Missouri.html>)
 - \$54 - \$64 per month
 - \$13 - \$15 per week

Increase will **address ongoing capital (facility) needs:**

- Safety and security improvements at every school
- Infrastructure improvements not addressed in 2009
- Updates to learning spaces/libraries to meet evolving needs of today's learners

Facility improvements have a **positive impact** on student learning and teacher performance



Increase allows the District to **maintain academic excellence** and provide for **strong fiscal health:**

- Students continue to receive quality of education our community expects
- Recruit and retain the best faculty and staff
- Keep specialists who support educational programming
- Continue to provide high-quality arts programs
- Provide substantive professional development for teachers
- Be positioned to implement an innovative strategic plan

What happens if we don't increase revenue?

- Reduce expenses by \$4.8 million
 - 80% of expenses are staff
 - \$4.8 million = approx. 50 teachers



How can the School District of Clayton be in need of additional financial support?

School districts often do not have the means to increase revenue at a rate sufficient to meet rising costs. Clayton is no different. The District’s last voter-approved tax increase was in April 2003. Prop E, the name of the 2003 ballot proposal, was projected to last for three years. Due to sound fiscal management by the Board of Education and District Administration, it has lasted for nearly 16 years. However, because of a state law (Hancock Amendment) that limits the growth of a school district’s tax revenue, the District has seen expenses grow at a considerably faster rate than revenues over time. This growth in expenses resulted in annual budget shortfalls beginning with the 2015-2016 school year. The District has been prudently using its reserves to maintain academic excellence and close the gap between revenues and expenses for the past three years. While the new construction around Clayton has created some additional new revenue for the District, it will not be enough to close the revenue/ expenditure gap and, therefore, the District is considering increasing revenue by asking voters to approve a tax increase in April 2019.

The District must have known about these financial problems for a while. Why act now?

As part of its long-term planning process, the District is always reviewing its financial situation. As early as 2012, the District became aware of potential budget shortfalls and took a variety of cost-controlling measures to address the shortfalls, reducing expenses by a total of \$2.8 million. The District subsequently decided to make these reductions permanent and continues to analyze its budget for further efficiencies. Even with the reductions, the District has had to prudently use its reserves to maintain academic excellence and close the gap between revenues and expenses for the past three years. Asking voters for a tax increase in April 2019 is a real possibility because the Board of Education and the Administration believe they have reduced spending as much as possible without negatively impacting the quality of education students receive in our classrooms.

Couldn’t we just solve this problem by reducing our budget even further?

The Board of Education and the Administration believe that another wave of expenditure reductions would result in staffing cuts that would have a significant negative impact on the education of our students. For example, in order to balance the 2019-2020 budget and alleviate the need to ask voters for a tax increase, the District would have to cut approximately \$4.8 million from its budget, which is the equivalent of 50 teaching positions. Since 80% of the District’s budget is personnel, any budget reduction would include a significant reduction in teaching staff.

How does the School District of Clayton’s operating tax rate compare with other county districts?

| | |
|----------------------------|---------------|
| AFFTON 101 | 5.4835 |
| JENNINGS | 5.3983 |
| HAZELWOOD | 5.3467 |
| FERGUSON-FLORISSANT R-II | 5.1581 |
| PATTONVILLE R-III | 4.8620 |
| MAPLEWOOD-RICHMOND HEIGHTS | 4.7996 |
| WEBSTER GROVES | 4.7554 |
| KIRKWOOD R-VII | 4.4171 |
| RITENOUR | 4.4096 |
| VALLEY PARK | 4.3771 |
| NORMANDY SCHOOLS | 4.3336 |
| BRENTWOOD | 4.3170 |
| UNIVERSITY CITY | 4.2770 |
| RIVERVIEW GARDENS | 4.2637 |
| HANCOCK PLACE | 4.2098 |
| BAYLESS | 4.1509 |
| MEHLVILLE R-IX | 4.1430 |
| ROCKWOOD R-VI | 3.8215 |
| PARKWAY C-2 | 3.7649 |
| LINDBERGH SCHOOLS | 3.4431 |
| CLAYTON | 3.2678 |
| LADUE | 3.0555 |

