

LAMPETER-STRASBURG SCHOOL DISTRICT
Lampeter, PA 17537

Finance Committee Meeting Minutes
April 12, 2022
6:30 P.M.

Mr. Dustin D. Knarr called the meeting to order at 6:33 p.m.

PRESENT: Board Members: Mr. Scott M. Arnst, Mr. David J. Beiler, Mr. James H. Byrnes, Mrs. Melissa S. Herr, Mr. Dustin D. Knarr; Mrs. Suzanne S. Knowles, Mr. Matthew E. Parido, Mrs. Audra R. Spahn (via phone); Superintendent, Dr. Kevin S. Peart; Assistant Superintendent, Dr. Andrew M. Godfrey; Business Manager, Mr. Keith A. Stoltzfus; Assistant Business Manager, Mrs. Amanda M. Allison; Director of Food Services, Mrs. Cheryl A. Schmidt; Financial Advisors from Raymond James, Mrs. Lauren Stadel, Mrs. Olivia Atlasik; and community representative, Mrs. Amanda Roth.

L-S DEBT PROFILE REVIEW, PROJECTIONS AND RECOMMENDATION

Mrs. Stadel discussed current market projections, noting that low borrowing rates and increasing interest rates make this an ideal time to secure funding. Mrs. Atlasik reviewed the District's current debt profile and reminded the Board that the current debt will end in 2028. Two financing options were presented, one for the proposed debt for the early childhood center with no millage impact to the taxpayer as well as the master borrowing plan adding in future debt of \$75 million over three additional borrowings through 2025. Mrs. Stadel described the wrap around structure of the debt that minimizes the annual impact to the District and takes advantage of low rates. The new mills required for the master borrowing plan are flexible in both amount and timing, but it is recommended that these new mills be implemented early in the borrowing process. Mr. Parido asked for clarification on the timing of when the board should be making these decisions. Mrs. Stadel recommends finalizing borrowing plans, including the additional mills, no later than the fall or winter of 2022, allowing Raymond James to start planning for future borrowings.

At the upcoming Board workshop on April 19, the Board will be presented with a Parameter Resolution regarding the proposed borrowing for the early childhood center. This resolution will allow Raymond James to begin securing funds as soon as possible to take advantage of the current market conditions. Mrs. Stadel shared that the District had their credit rating confirmed at AA-, which is in the top 20% of districts across the commonwealth. Dr. Peart informed the Board that West Lampeter Township approved the early childhood center project at their meeting on April 11 so the Parameter Resolution would be the next step in the process. He asked for feedback on whether the Board was comfortable with presenting this resolution at the upcoming workshop. The Board agreed that this process should continue moving forward.

FOOD SERVICE PROGRAM UPDATE

Mrs. Schmidt updated the board on the food service operations during the pandemic. She reviewed the increase in participation and subsidy reimbursement rates, supply chain disruptions, and labor shortages. The current nationwide waiver allowing all students to receive a free breakfast and lunch is set to expire on June 30, 2022. Mrs. Schmidt highlighted the Support Kids Not Red Tape Act that is looking to extend the waivers through September 30, 2023. She also shared a comparison of the 2018/19 year-end results to the year-to-date financials through February 2022.

Despite the uncertainty of the waivers, Mrs. Schmidt and Mr. Stoltzfus are recommending price increases for meals and a la carte items for the 2022-23 school year. Pending the release of the Paid Lunch Equity Tool from PDE, the anticipated price increases will be \$0.20 per meal. This increase will help to offset the increased food costs, as well as salaries which are slated to increase to a minimum of \$15 per hour on July 1, 2022.

2021-22 PROJECTED BUDGET OUTCOME

Mrs. Allison presented a comparison of the 2021-22 Budget to the 2021-22 Projected Outcome and highlighted the changes made after the February meeting. Analyzing prior years' budget variances and trends, the updated projection shows revenue of \$55,643,280 and expenditures of \$56,825,297, with revenue under expenditures of \$1,182,017. The deficit includes a transfer to food service of \$320,000 and \$950,000 unrealized loss on investments. This loss on investment relates to the market value of U.S Securities and will not be realized if bonds are held until maturity. Future years will show a corresponding increase to revenue for gain on investments as the bonds approach maturity. The District continues to receive interest on these bonds despite the market fluctuations.

The budget presentation was updated to reflect an *Adjusted Operating Balance* that excludes the gain / loss on investments, budgetary reserve, and transfer to Food Service. The updated projection shows the adjusted operating balance as a surplus of \$87,983.

2022-23 GENERAL FUND BUDGET

Mrs. Allison shared information and dates pertaining to the 2022-23 Budget Schedule. The Board passed an Act 1 Index Resolution on January 3, 2022, which stated that the millage rate will not be raised by more than the adjusted index of 4.0%. A timeline suggests the board adopt a 2022-23 Proposed Final Budget at the May 2, 2022 Board Meeting and a 2022-23 Final Budget at the June 13, 2022 Board Meeting.

Mrs. Allison presented an updated 2022-23 Budget and highlighted the changes made after the February meeting. The budget draft maintains the 1.9% millage increase, showing revenue of \$57,501,262, expenditures of \$54,870,245, a transfer to the Capital Reserve Fund of \$3,431,723, and revenue under expenditures of \$800,706. The deficit is partly a result of the \$480,000 budgetary reserve as well as \$175,000 loss on investments. The adjusted operating balance excluding these two figures reduces the deficit to \$145,706.

FIVE-YEAR BUDGET PROJECTION

Mr. Stoltzfus explained that the Act 1 index is calculated by averaging the percent increases in the Pennsylvania Statewide Average Weekly Wage (SAWW) and the Federal Employment Cost Index (ECI) for elementary/secondary schools. He reiterated that this index reflects the increase in expenses that districts across the state are experiencing. He then presented a chart that showed the theoretical impact of millage increases at the adjusted Act 1 index and the county average compared to the District's actual increases. The compounding effect of these millage increases was visible in the recent years, showing the cumulative difference between both the county average and adjusted Act 1 index of \$12,496,088 and \$17,581,195 respectively.

As mentioned during the 2021-22 and 2022-23 presentations, Mr. Stoltzfus and Mrs. Allison evaluated budget variances and trends to better project outcomes for the upcoming years. Mr. Stoltzfus reviewed the larger variances that were considered and then shared an updated five-year projection using the 1.9% millage increase. As a result of these variance adjustments, the five-year projections are reflecting a lesser deficit in upcoming years. Mr. Stoltzfus presented a chart that shows how increasing the millage rate over the next few years will help to lessen or even eliminate this deficit.

2022-23 REAL ESTATE TAX PAYMENT SCHEDULE

Mr. Stoltzfus reminded the Board that the real estate tax payment schedule will return to the historical timeline: discount period through August 31 and penalty period beginning on November 1. The District will also continue using the Lancaster County Tax Collection Bureau for the tax collection services.

CAPITAL RESERVE BUDGET

Mr. Stoltzfus indicated that there were no changes to the Capital Reserve budget from the February meeting.

ITEMS FROM THE COMMITTEE AND COMMUNITY INPUT

Mrs. Roth asked what percentage of the District's taxpayers have their taxes escrowed versus those that initiate their own payment. She wanted to gauge the impact a millage increase would have on the taxpayer. Mrs. Allison provided an estimate of 47%, but she would need to confirm at a later date.

Mr. Parido reiterated that now is the time to start the process with borrowing funds and planning for future projects. He emphasized that the board should move forward with the Parameter Resolution at the upcoming workshop. Mr. Knarr reminded everyone that regardless of the early childhood center project, the feasibility study identifies numerous other future projects the District needs, all of which will require additional borrowing. Although DEP approval is still pending, the board members in attendance agreed that the early childhood center project should be moved forward and debt planning for future projects should also progress. Both are on the April 19, 2022 Workshop Agenda for approval.

ADJOURNMENT

The meeting adjourned at 8:16 p.m.