

LAMPETER-STRASBURG SCHOOL DISTRICT
Lampeter, PA 17537

Finance Committee Meeting Minutes
October 24, 2022
6:30 P.M.

Mr. Dustin D. Knarr called the meeting to order at 6:30 p.m.

PRESENT: Board Members: 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, Mr. Andrew L. Welk; Superintendent, Dr. Kevin S. Peart; Assistant Superintendent, Dr. Andrew M. Godfrey; Business Manager, Mr. Keith A. Stoltzfus; Assistant Business Manager, Mrs. Amanda M. Allison; Financial Advisors from Raymond James, Mrs. Lauren Stadel, Mrs. Olivia Atlasik; potential community representative, Mr. Kevin D. Turner and teacher, Ms. Amy Beard.

Mr. Knarr began the meeting by introducing Mr. Turner as a potential community representative.

2021-22 PRELIMINARY BUDGET OUTCOME

Mrs. Allison reported on the outcome of the 2021-22 Budget. The General Fund is reporting a positive change in fund balance of \$222,642 as of June 30, 2022. Mrs. Allison shared major revenue and expenditure variances in the General Fund, along with the recommendation to move the ending surplus to Assigned for Capital Expenditures.

2022-23 PROJECTED BUDGET OUTCOME

Mrs. Allison presented a comparison of the 2022-23 Budget to the 2022-23 Projected Outcome. The projection shows revenue of \$57,850,203 and expenditures of \$57,551,491. This results in revenue over expenditures of \$298,713. The surplus includes an increase to the basic education state subsidy as well as strong earned income tax revenue. The District is continuing to record unrealized losses relating to the long-term 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.

Mr. Stoltzfus provided a brief update on the food service program, noting that meal participation has decreased for both breakfast and lunch. With the implementation of free breakfast effective October 1, the hope is that these numbers will begin to rebound. However, administration will closely monitor the increase to wages and food costs in relation to revenue.

Mr. Stoltzfus also shared that inflation may have a larger impact on the current year projection as well as future year budgets. He commended the building administration for remaining within budget while still meeting the needs of each program, but he recognized that budgets may need to be adjusted moving forward if inflation continues rising at unprecedented levels.

2023-24 BUDGET DISCUSSION

Mr. Stoltzfus shared information and dates pertaining to the 2023-24 Budget Schedule. The Pennsylvania Department of Education has set the base Act 1 index for 2023-24 at 4.1%. The adjusted index for Lampeter-Strasburg School District is also 4.1% because the District's market value/personal income aid ratio is less than 0.400. The District has until January 26, 2023, to either adopt a resolution indicating that it will not raise the rate of tax by more than its adjusted index or have a 2023-24 preliminary budget available for public inspection. If the District does not adopt a resolution, the 2023-24 preliminary budget must be adopted by February 15, 2023.

A 2023-24 Budget was presented with a millage increase at the historical 5-year projection of 1.9% and flat funding of Basic Education and Special Education subsidies. Mr. Stoltzfus shared that if the Act 1 index of 4.1% was used in the projection, an additional \$850,000 of property tax revenue would be available. Expenditure changes included a 3.0% increase to total wages, a 12.0% increase to medical insurance as a result of medical inflation and flat enrollment for cyber charter schools. No expenditures related to the Early Childhood Kindergarten Center were included. The budget draft shows revenue of \$58,845,209, expenditures of \$57,691,183, a transfer to the Capital Reserve Fund of \$2,749,121 and overall deficit of \$1,595,095. The deficit is partly a result of the \$480,000 budgetary reserve as well as \$800,000 loss on investments. The adjusted operating balance excluding these two figures reduces the deficit to \$315,095.

L-S DEBT PROFILE REVIEW, PROJECTIONS AND RECOMMENDATION

Mrs. Stadel presented the District's current debt profile and anticipated borrowing plan. She reminded the Board that the District was able to execute both the 2021 and 2022 debt issues at low interest rates, but rates are continuing to

rise. These higher rates are affecting the District's ability to secure additional funding without a millage impact. Two hypothetical debt schedules were shared to illustrate the additional \$75 million in funding of potential projects from the feasibility study. The first schedule showed 0.75 in new mills spread over 5 years with debt through the year 2047. The second schedule showed 0.30 in new mills spread over 5 years with debt through 2055. The difference in interest savings with the shortened debt and increased mills is estimated at \$35,334,821. Mrs. Stadel indicated that the board would need to determine how they would like to structure the debt in advance of the next debt issue, anticipated for early 2023.

Attendees discussed the impact to the taxpayer and the shift caused by the interest rate market to no longer be able to do these projects with no millage increase. Mr. Welk asked if there were options to refinance in the future, assuming interest rates subside. Mrs. Stadel explained that the District will have the ability to refinance at the bond's call date, which is typically 8-10 years after issue date. In addition, the District can leverage the higher rates to increase interest earnings.

ITEMS FROM THE COMMITTEE AND COMMUNITY INPUT

Based upon the information given, Mr. Parido recommended to have the Act 1 resolution on the agenda in January once the Board meeting dates are set for 2023. The Committee agreed that the tax increase could stay below 4.1%.

The next Finance Committee is scheduled for Monday, February 13, 2023, with a tentative meeting scheduled for April 10, 2023.

ADJOURNMENT

The meeting adjourned at 7:17 p.m.