

LAMPETER-STRASBURG SCHOOL DISTRICT
Lampeter, PA 17537

Finance Committee Meeting Minutes
April 11, 2023
6:30 P.M.

Mr. Dustin D. Knarr called the meeting to order at 6:32 p.m.

PRESENT: Board Members: Mr. James H. Byrnes, Mrs. Melissa S. Herr, Mr. Dustin D. Knarr, Mrs. Suzanne S. Knowles, Ms. Kelly A. Osborne, Mrs. Audra R. Spahn, Mrs. Kari A. Steinbacher, 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; Community Representatives, Mr. Kevin D. Turner, Dr. Lara Willox; and Food Service Director, Mrs. Cheryl Schmidt.

FOOD SERVICE UPDATE

Mrs. Schmidt presented an update on the food service program, including supply chain disruptions, participation rates, financial results, and the future of universal free meals.

The proposed revisions for Policy 808 were provided and will be posted on the May 1 agenda for first reading. The Committee discussed collection efforts made by the cafeteria staff, as well as the removal of language suggesting a student with a negative meal balance be served an alternative meal. The policy was revised to mirror the cafeteria's current practice where students with negative meal balances are provided the same meal choices as all other students. Any collection efforts made by the cafeteria are directed to the parents and do not impact the student's ability to receive a meal.

L-S MILLAGE RATE AND FINANCIAL INDICATORS

Mr. Stoltzfus reminded the Committee about the timeline for the 2023-24 budget process. The Committee will need to decide by the end of the current meeting what millage rate increase to include in the Proposed Final Budget that will be presented at the May 1 Board meeting. The Board will then be asked to adopt the Final Budget at the June 5 board meeting.

Mr. Stoltzfus presented a table showing the millage rates for the 16 Lancaster County school districts and how their local revenue share differs between districts. He also explained how financial indicators such as market value, personal income, and median household income affect subsidy calculations. Lampeter-Strasburg has the second highest median household income in the county. Mr. Stoltzfus explained that districts with these higher indicators are receiving less share of the state subsidies and therefore relying more on local revenues to fund their budgets. The District continues to provide a top-notch, nationally recognized education, yet has been staying below the 5-year and 10-year average millage rate increases for all county districts.

FEASIBILITY STUDY REVIEW AND DEBT SERVICE UPDATE

Mr. Stoltzfus provided a refresher of the guiding principles from the feasibility study and the corresponding project list. The updated project costs were presented, showing approximately \$30 million in additional expense from the original projection in April 2020. Raymond James prepared two potential debt schedules, one showing the maximum amount that could be borrowed without millage impact (\$87.4 million) and one showing the full amount needed to complete all the identified projects with a slight millage impact (\$117 million). The Committee discussed the need for renovations at Martin Meylin and Hans Herr as the top priority and how limiting the funds available could impact the plans for each building.

Several Board members shared that they aim to be as frugal and fiscally responsible as possible to not burden future Boards with having to substantially raise millage rates to fund additional renovations. The Committee discussed how a neighboring district implemented large multi-year millage increases to fund their renovations. The consensus of the Committee was to avoid these large increases and instead gradually increase the millage to offset these project costs. The debt schedule from Raymond James showing the full debt needed for the projects had a millage impact of 0.12 mills for two years, followed by 0.10 mills for 3 years. These calculations correlate to a 0.70% increase, over and above the originally projected 1.9% increase. The Committee did not support a 2.6% increase, but the majority agreed that something higher than 1.9% was warranted.

Mr. Turner asked how the countywide reassessment process impacts the local revenue collected by school districts. Mr. Stoltzfus explained that when a countywide reassessment occurs (the last one was effective January 1, 2018), districts must first establish a revenue neutral millage rate, so the total revenue received from taxpayers remains flat. The increase in the assessed value would not generate additional income for a district.

The Committee noted several new housing developments that are being started within the district limits, and Ms. Osborne asked if this additional growth and corresponding tax revenue would help to offset the need for a millage increase. Mr. Stoltzfus and Mrs. Allison explained that the budget includes a 0.85% increase related to growth to capture these new housing developments, as well as other minor home improvements such as installing a new pool or deck. Districts that have substantial commercial and residential growth can rely on the new construction to fund their expenses, but in this district, there is limited growth potential.

2022-23 PROJECTION AND 2023-24 PROPOSED GENERAL FUND BUDGET

Mrs. Allison shared the updated projections for the 2022-23 budget as well as 2023-24 proposed budget. The changes made from the February meeting were highlighted, with the largest impact being health insurance. The district receives projected medical claim totals from their insurance broker every six months using a two-year experience period. The most recent projection received in March lowered the current year budget by \$1 million, and in turn reduced the 2023-24 budget given the lower starting point. Mr. Stoltzfus reminded the Committee that the district is self-insured, so every dollar spent on claims is funded by the district. There is reinsurance available through IU13 and the insurance provider to reimburse the district for large claims above \$200,000. In addition to health insurance, the payroll budget for 2023-24 was reduced by almost \$150,000 to account for retirements, an upcoming sabbatical and long-term substitute needs.

Looking at revenues, the district expects to see slightly lower real estate growth next year because of the assessment appeal filed by Sight & Sound and the fire at Hershey Farms. Mr. Stoltzfus suggested that the \$93,000 impact of these property changes be pulled from the Assigned for Lost Appeals fund balance. He also reiterated that the changes in the financial indicators presented earlier in the meeting have reduced the expected Basic Education and Transportation subsidies.

FIVE-YEAR BUDGET PROJECTION

As presented in the revised budget, the original 1.9% millage increase would cover the needs for the 2023-24 general fund budget, but the five-year projection shows that 1.9% is not sustainable. In addition, the five-year projection does not consider any of the project costs related to the feasibility study outside of the debt service line included in the budget. Mr. Knarr asked each Committee member and then each Board member what millage rate increase they would be comfortable using for the Proposed Final Budget. There was discussion around the need to readdress each year and how to best step into a rate higher than the historical average.

The majority of the Committee members, as well as the majority of the Board members, agreed to implement a 2.2% increase for 2023-24. Mr. Stoltzfus and Mrs. Allison will prepare a Proposed Final Budget to present at the May 1 meeting with this millage rate increase.

ITEMS FROM THE COMMITTEE AND COMMUNITY INPUT

ADJOURNMENT

The meeting adjourned at 8:25 p.m.