

Central York School District **Budget Presentation**

May 8, 2023





Financial Discussion Intro

- This year's Budget proposal discussion is not just a discussion about next year's Budget...
 - It's about bringing **situational awareness** to the serious fiscal concerns of our District.
 - It's about a **turn-around plan** to restore the District's fiscal health.
 - And it's about proposing a 2023-24 Budget that represents one step within this fiscal turn-around plan. (Ultimately, it's this portion that the Board will be voting on.)

Financial Hardship – Historical Cause

Our fiscal hardship gradually arose during the past 10 years due to:

- Year-by-year spending without adequate “trajectory” awareness that would have revealed the need for **additional efficiencies** and **additional nominal tax increases** to prevent a looming fiscal crisis.
- Relying on one-time pandemic monies (for three years) to fund recurring expenses.
- Assuming completion of the “debt service” by 2023/24 would provide ample relief, despite the concerning expense trajectory.
- A run-down of the Operating Fund Balance to dangerously low levels.
- Inadequate annual facility maintenance spend, placing us in a severe maintenance catch-up mode.
- A run-down of the Capital Fund Balance, to dangerously low levels.



Financial Hardship – Now Worsened

Our fiscal hardship has markedly worsened over the past year due to the following trends:

- Severe inflationary pressures.
- Ballooning Special Education costs.
- Continuing onerous Cyber-Charter costs.



Strategic Fiscal Priorities

- Form a CYSD Finance Committee. **COMPLETED IN SEPTEMBER 2021**
- Resolve the Harley-Davidson litigation in a way that protects the District from financial hardship. **COMPLETED IN DECEMBER 2021**
- Catch-up on facilities maintenance and repair delays from many years past. **5-YEAR PLAN ASSEMBLED AND LAUNCHED IN 2022/23**
- Build our *Capital Reserve Fund Balance*. Goal \$5.0 - \$15.0 million.
- Build our *Operating Fund Balance*. Goal 8.0% of annual spend (\$8-\$9 million).
- Protect taxpayers to the extent possible during difficult economic times and from unnecessary surprises.
- Think outside the box for new and better ways to leverage the tax dollars we are currently provided.

Guiding Principles / Sequence

- These principles guide the fiscal turn-around plan:
 - Think ahead, plan the trajectory to ensure sustainability.
 - Take care of our teachers/staff and our facilities too.
 - Honor our duty to taxpayers for wise fiscal management.
 - Speak with honest candor.
 - Work collaboratively for the wisest ideas and efficiencies.
- This sequence guides the fiscal turn-around plan:
 - #1 - Ensure maximization of District operating efficiencies with wisdom and creativity.
 - #2 – Request tax millage increases if (and only) as demonstrably essential after step #1.



Proposed Fiscal Outlook–Approach

- We assessed our “situational awareness” current reality.
- We **first** devoted significant time to arrive at thoughtful efficiencies to the extent possible without doing harm. Approximately \$600,000 savings are reflected in 2023/24, increasing to \$750,000 annually in later years.
- **After efficiencies**, we assessed essential tax needs. We built assumed tax increases at 5.2% for 2023/24 and 2.0% annually thereafter.
- This all gets us closer to a turn-around solution, though even with these efficiencies and tax increase assumptions we still have significant shortfalls. Our proposal assumes that these shortfalls will continue to be worked on in the months/years ahead and **will be addressed**.

Proposed Fiscal Outlook

	Proposed Budget 2023-24	Projection 2024-25	Projection 2025-26	Projection 2026-27	Projection 2027-28	Projection 2028-29
Taxation Millage Increase	5.20%	2.00%	2.00%	2.00%	2.00%	2.00%
Total Revenues	\$ 104,984,771	\$ 107,503,675	\$ 110,023,344	\$ 112,269,692	\$ 114,388,917	\$ 116,463,189
Total Expenditures	\$ (101,692,005)	\$ (105,674,738)	\$ (109,882,018)	\$ (113,138,914)	\$ (117,101,806)	\$ (121,804,015)
Excess (Deficiency)	\$ 3,292,766	\$ 1,828,937	\$ 141,326	\$ (869,222)	\$ (2,712,889)	\$ (5,340,826)
Operating Fund Balance	\$ 6,712,588	\$ 8,541,526	\$ 8,682,852	\$ 7,813,629	\$ 5,100,740	\$ (240,087)
Capital Expenditures	\$ (1,610,000)	\$ (1,235,000)	\$ (1,565,000)	\$ (1,200,000)	\$ (1,200,000)	\$ (1,100,000)
Capital Reserve Fund Balance	\$ 90,014	\$ 90,014	\$ 90,014	\$ 90,014	\$ 90,014	\$ 90,014

Proposed Fiscal Outlook – Large Shortfalls

	Proposed Budget 2023-24	Projection 2024-25	Projection 2025-26	Projection 2026-27	Projection 2027-28	Projection 2028-29
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Healthy Level	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
Excess(Shortfall)	\$ (1,287,412)	\$ 541,526	\$ 682,852	\$ (186,371)	\$ (2,899,260)	\$ (8,240,087)
Capital Expenditures	\$ (1,610,000)	\$ (1,235,000)	\$ (1,565,000)	\$ (1,200,000)	\$ (1,200,000)	\$ (1,100,000)
Capital Reserve Fund Balance	\$ 90,014	\$ 90,014	\$ 90,014	\$ 90,014	\$ 90,014	\$ 90,014
Healthy Level Minimum	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
(Shortfall)	\$ (4,909,986)	\$ (4,909,986)	\$ (4,909,986)	\$ (4,909,986)	\$ (4,909,986)	\$ (4,909,986)
Total (Shortfall)	\$ (6,197,398)	\$ (4,368,460)	\$ (4,227,134)	\$ (5,096,357)	\$ (7,809,246)	\$ (13,150,073)

Turn-Around Plan: Remaining Shortfalls

- Throughout the entire period, the Capital Fund is nearly zero.
- By 2028/29, the Operating Fund balance is negative.
- We would need **\$13.2 million** just to achieve minimum targets of **\$8.0 million** for the Operating Fund and **\$5.0 million** for the Capital Fund by end of 2028/29.
- That breaks down to a shortfall of **\$2.2 million** every year for the six years of 2023/24 through 2028/29.
- And even with that:
 - The capital spending plan assumed through this period is bare bones, and in fact is **\$450,000** short of even those plans.
 - This assumes inflation is not further protracted.
 - And with the tax increases already assumed, we'll have little wiggle room if unforeseen challenges arise.

Additional Efficiencies Work

- We are cautiously optimistic that CYSD will eventually benefit from changes in Pennsylvania schools funding. However, at this juncture there is no route for the state to fund this court-ordered increase. And even if material benefits do result, we must manage until then.
- The 2023/24 Budget has incorporated various important efficiencies, though admittedly less than initially hoped. These efficiencies are the result of extensive time and thoughtfulness by the Administration, with support from the Finance Committee.
- The “out years” (2024-25 through 2028-29) also include various important efficiencies, though less than initially hoped. This too has been the result of extensive Administration time and effort to thoughtfully balance considerations.
- There are additional efficiency ideas that the Administration is working on, and which will be crucial in order to solve the **significant fiscal shortfalls**. This ongoing work in the months and years ahead is crucial to the District’s sustainability and will require **collaborative support from everyone**.

2023-24 Revenue

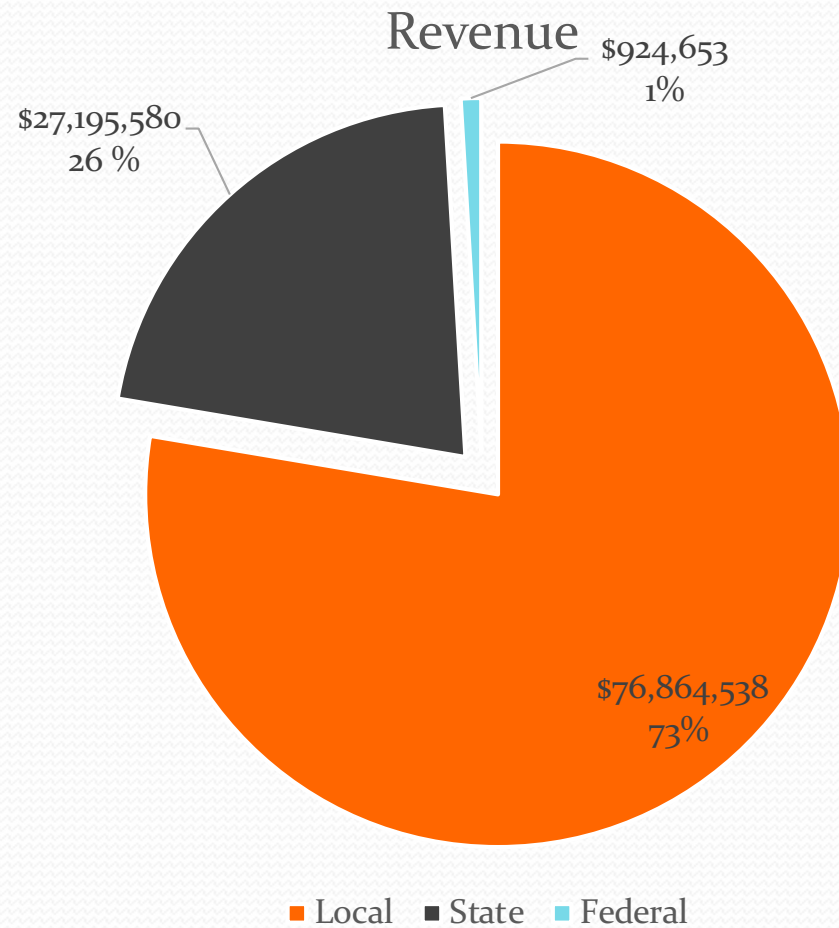




2023-24 Revenue Proposal

- Local Revenue = \$76,864,538 = 73.2%
- State Revenue = \$27,195,580 = 25.9%
- Federal Revenue = \$ 924,653 = .9%
- **Total Revenue Generated = \$104,984,771**

Revenue Breakdown



85.02% of Proposed Local Revenue is from Real Estate Taxes.

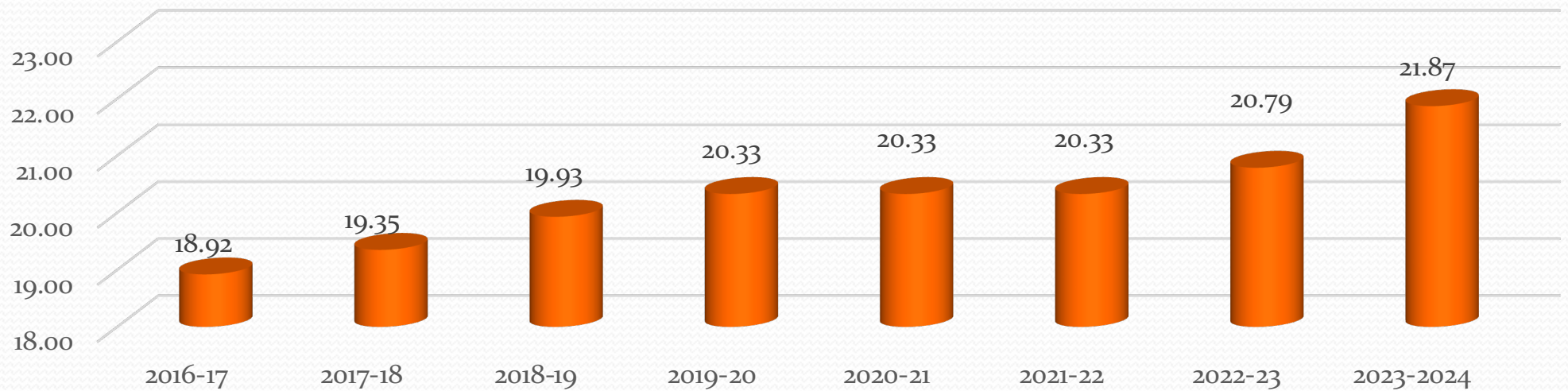


Property Tax Revenue

- Current Millage Rate is 20.79
- 2023-24 Act 1 Index is 5.20% (equate to 1.08 mills)
- Current budget proposal includes a 5.2% tax increase
- Average homeowner tax bill increase of \$179.86
- Generates increase in local revenue of \$3,267,741

Tax Rate History

Millage Rates



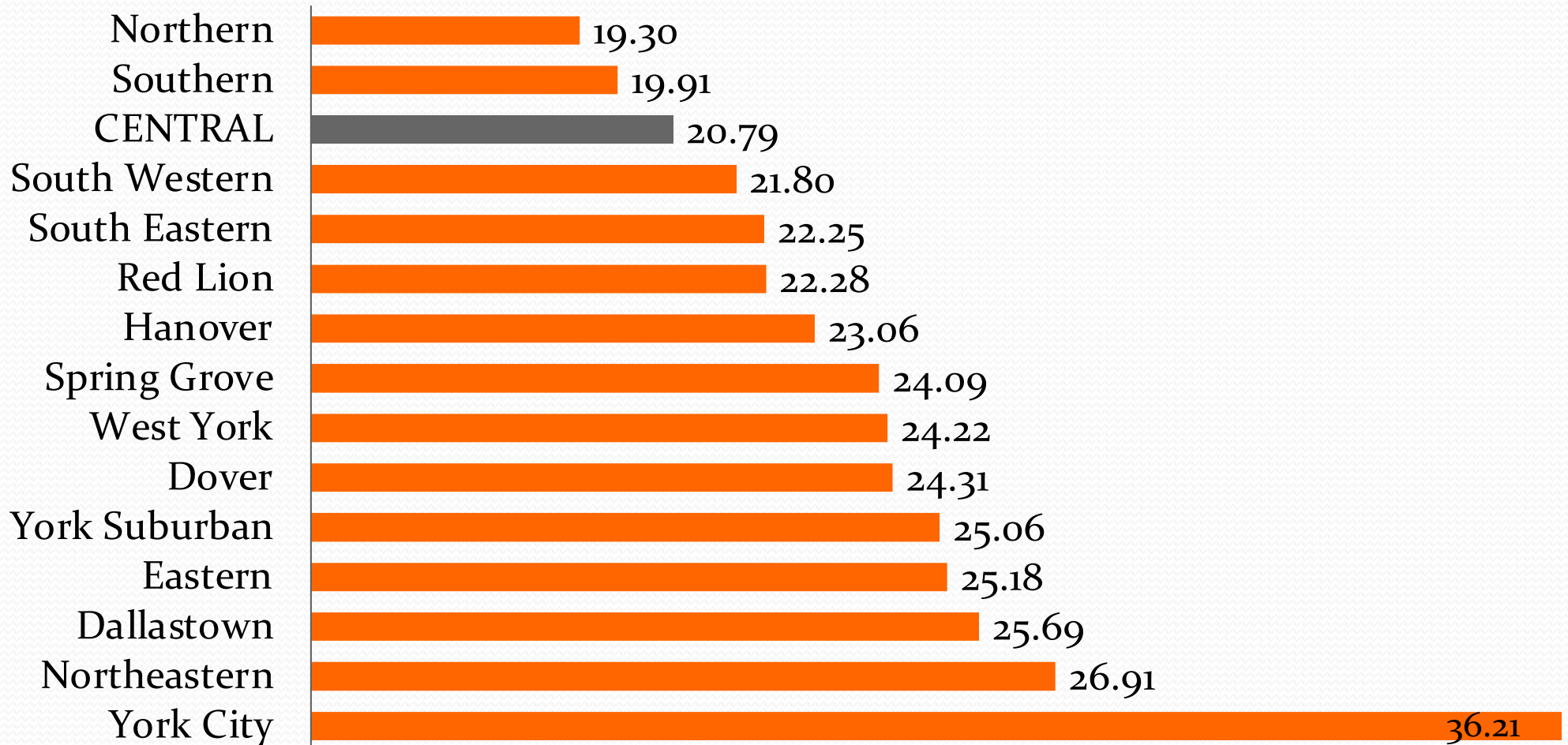
■ Millage Rates

Tax Rate History

	Adopted Millage	Act 1 Index	CYSD %	Full Index
13/14	17.76	2.10%	0.00%	18.13
14/15	18.22	2.60%	2.55%	18.23
15/16	18.57	2.40%	1.90%	18.66
16/17	18.92	3.00%	1.90%	19.13
17/18	19.35	3.20%	2.25%	19.53
18/19	19.93	3.00%	3.00%	19.93
19/20	20.33	2.90%	2.00%	20.51
20/21	20.33	3.30%	0.00%	21
21/22	20.33	3.80%	0.00%	21.1
22/23	20.79	4.30%	2.25%	21.2

2022-23

York County Tax Rates



2023-24 Expenses



2023-24 Expenses

Budget Increases:	
Special Education Expenditures:	\$1,952,522
Capital Reserve Transfer:	\$1,310,000
Projected Salary Increase :	\$880,858
Medical Insurance Increase:	\$723,525
Tech School Increase:	\$715,707
Cyber and Charter School Costs:	\$572,918
Maintenance Budget:	\$472,500
Other Miscellaneous Increases:	\$393,537
New Positions Costs:	\$270,700
Total Budget Expense Increase =	\$7,292,267



Proposed New Positions

• English Language Learner Teacher	\$103,600
• Special Education AS 4-6 Teacher	\$ 90,000
• Special Education AS 4-6 Instructional Asst.	\$ 38,550
• Special Education AS 4-6 Instructional Asst.	<u>\$ 38,550</u>
• Total	\$270,700

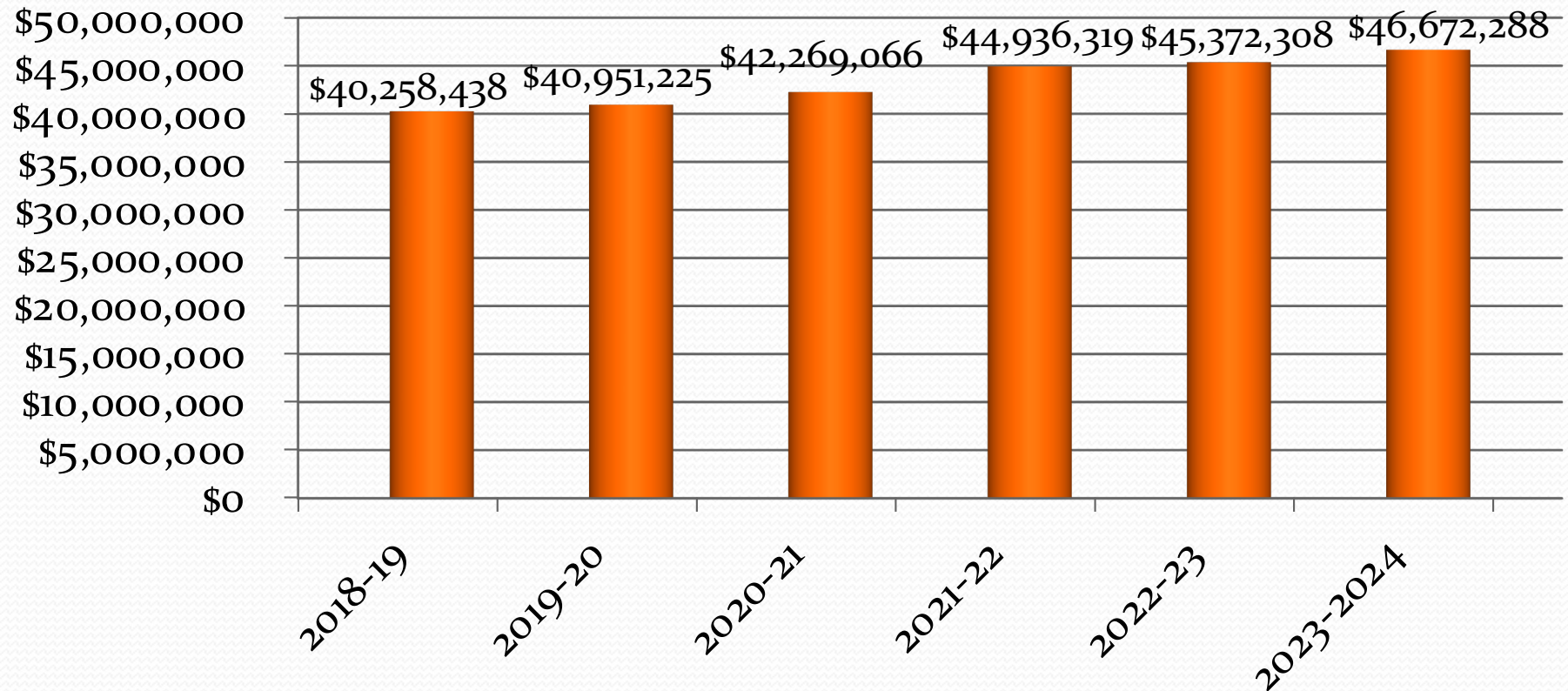
2023-24 Expenses

Budget Decreases:	
Debt Service:	(\$6,400,000)
Retirement - Attrition:	(\$818,950)
PSERS Employer Rate (34%)	(\$382,843)
Eliminate 5 SS Open Positions:	(\$52,000)
Total Budget Expense Decrease =	(\$7,653,793)

Salary Costs

(No Taxes or Benefits)

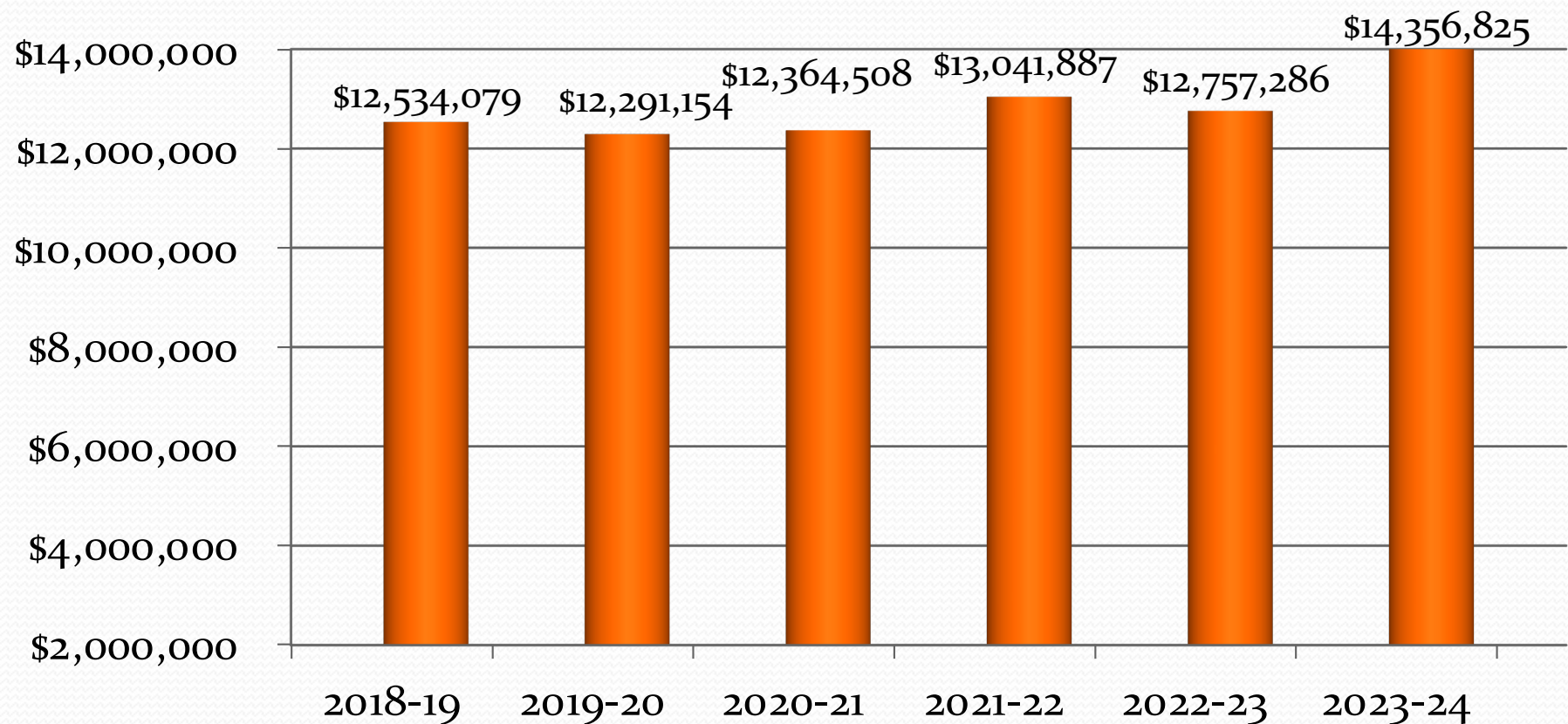
■ Dollar Amount



Total Benefit Costs

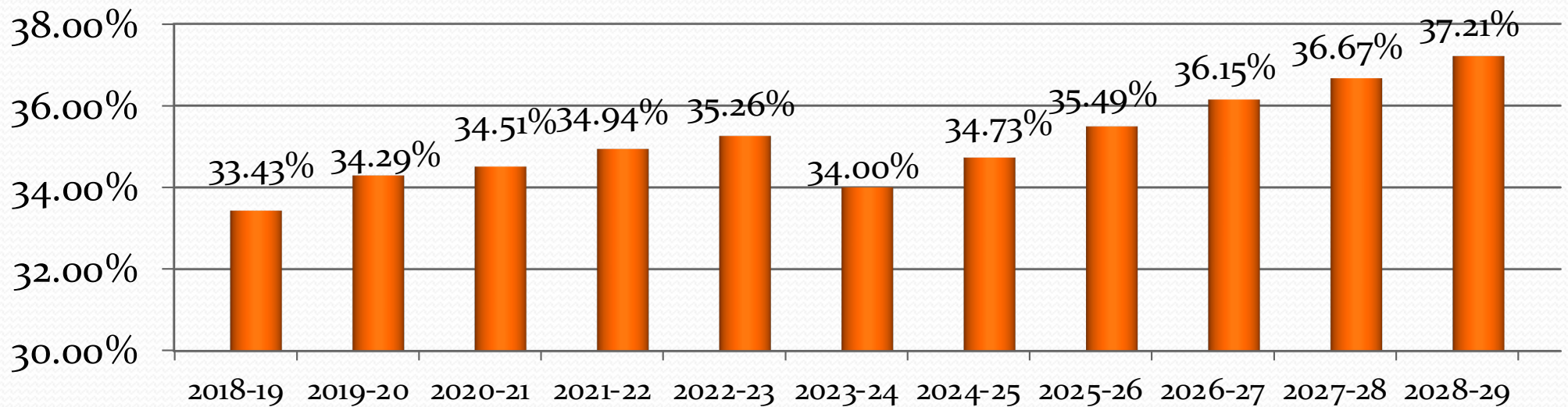
Except PSERS

■ Dollar Amount



Pension Contribution Rates

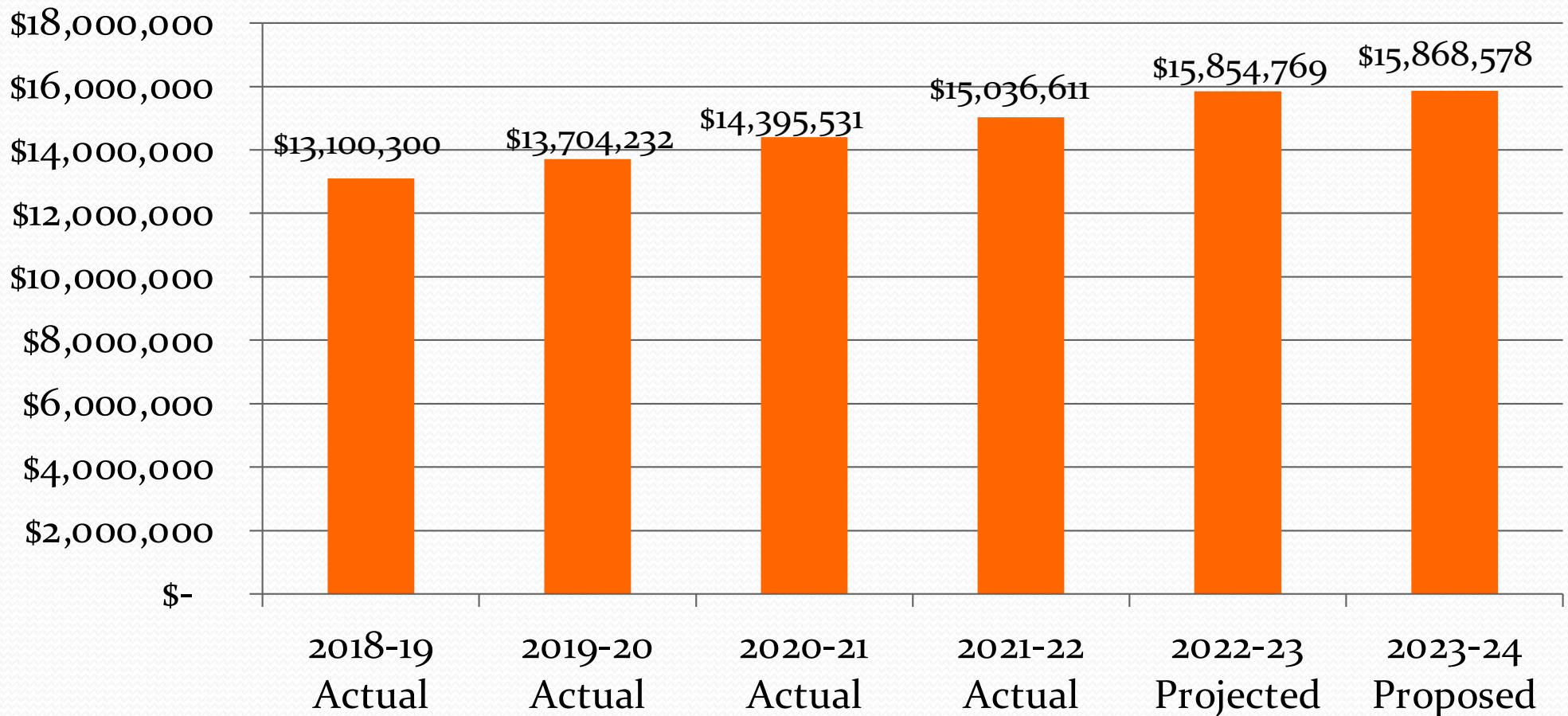
■ Employer Contribution Rate



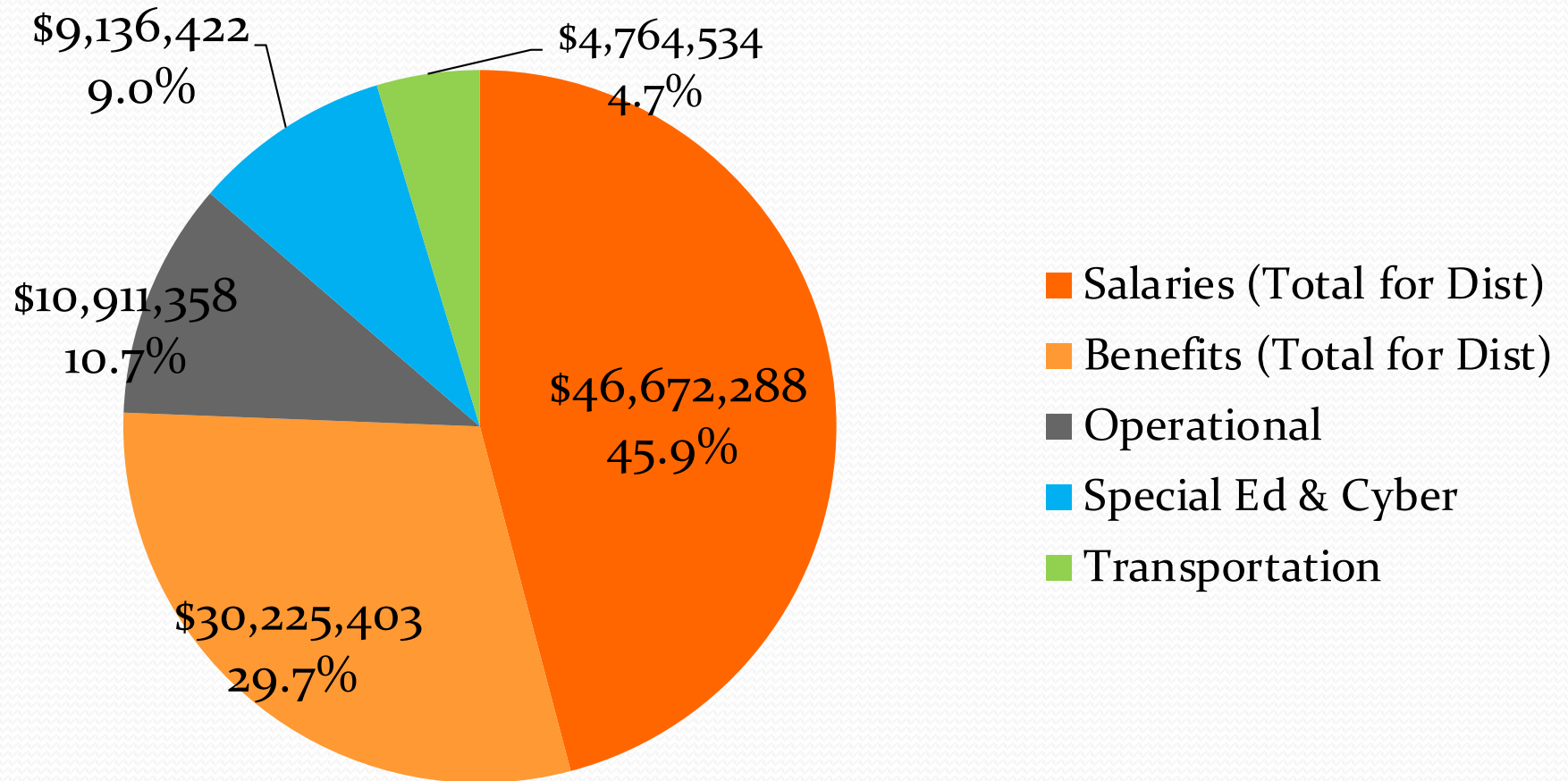
Pension Costs

(Not including PDE Subsidy)

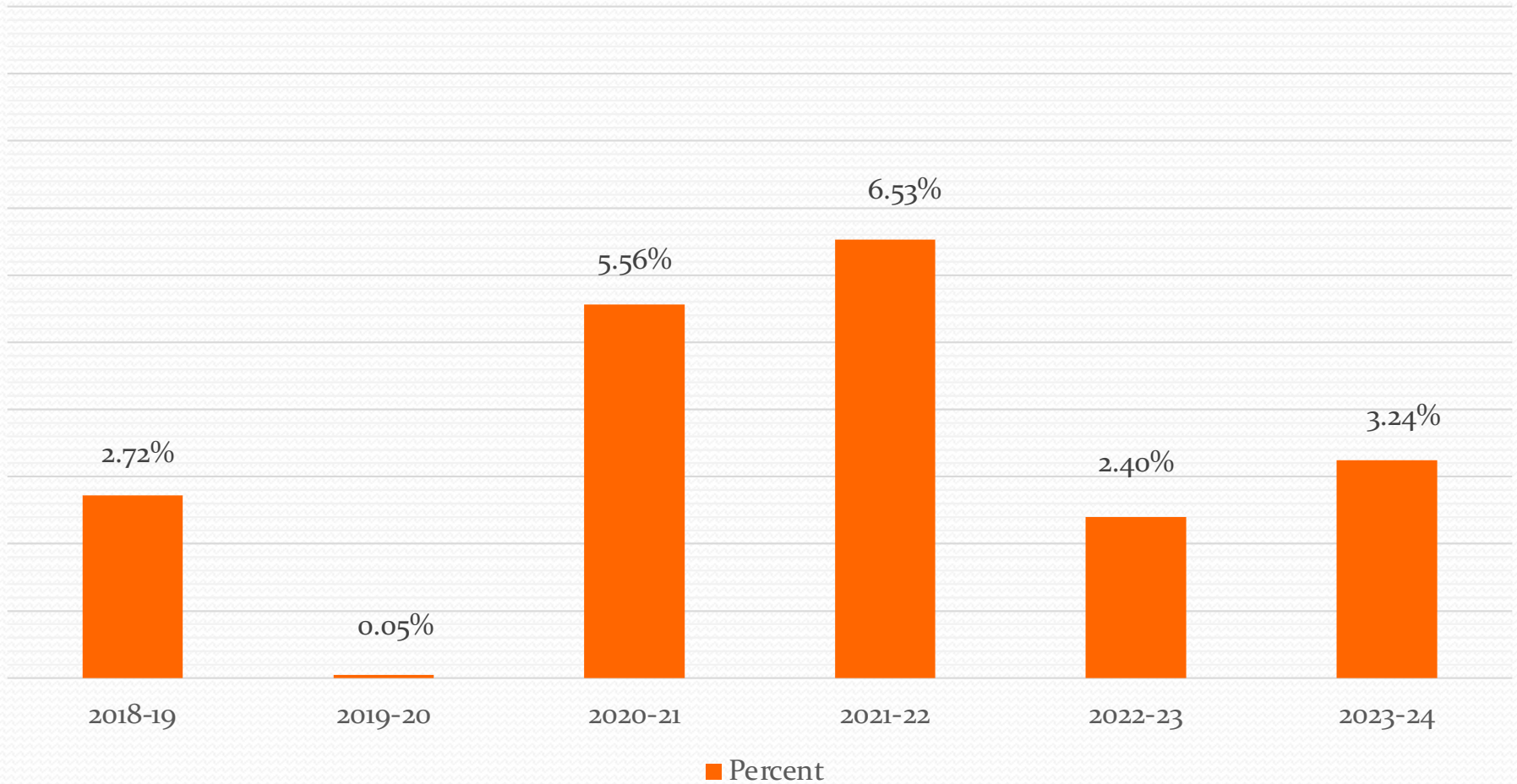
Employer Costs



23-24 Proposed Expense Breakdown



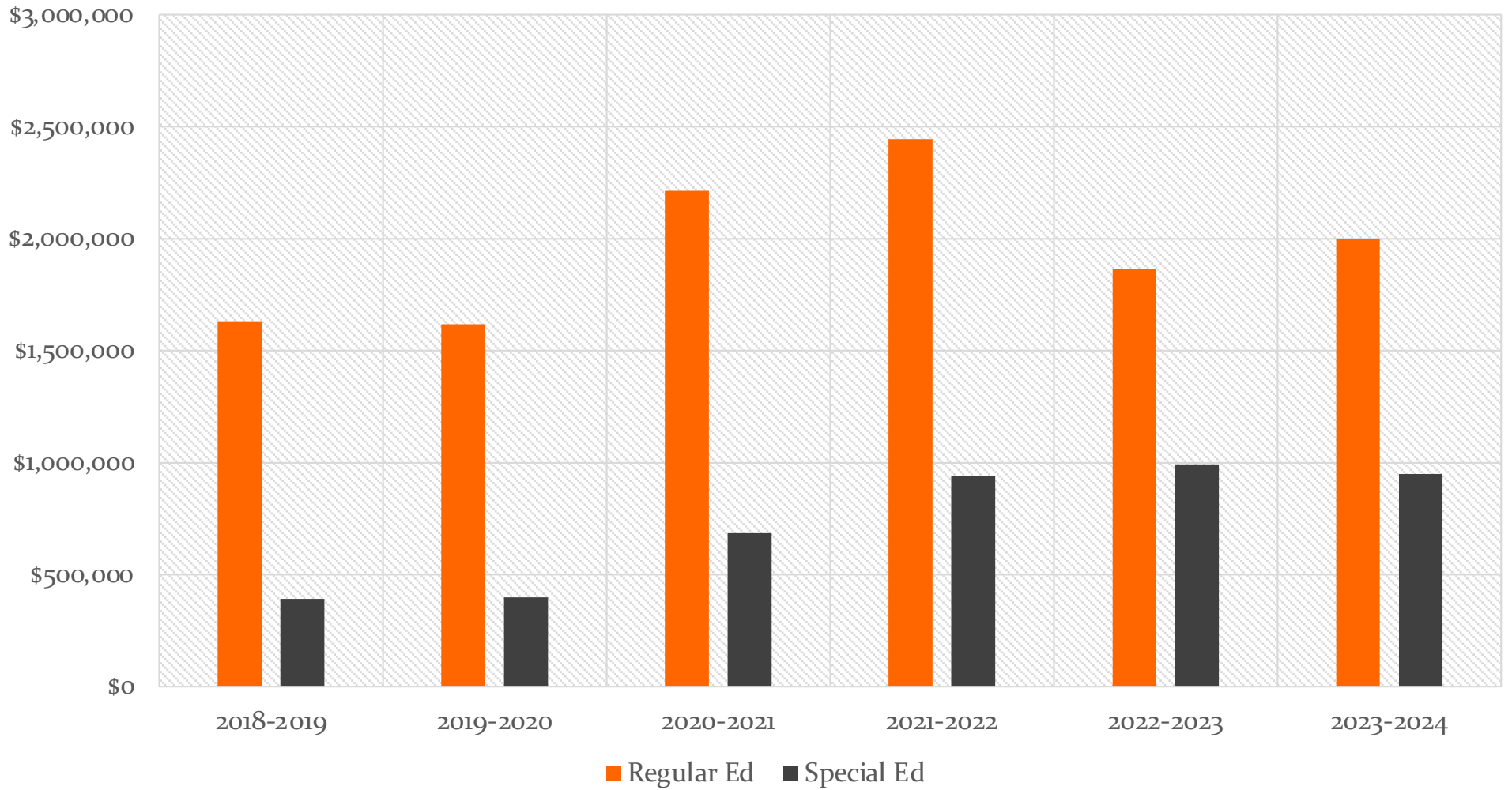
Total Operating Expenditure Increase History



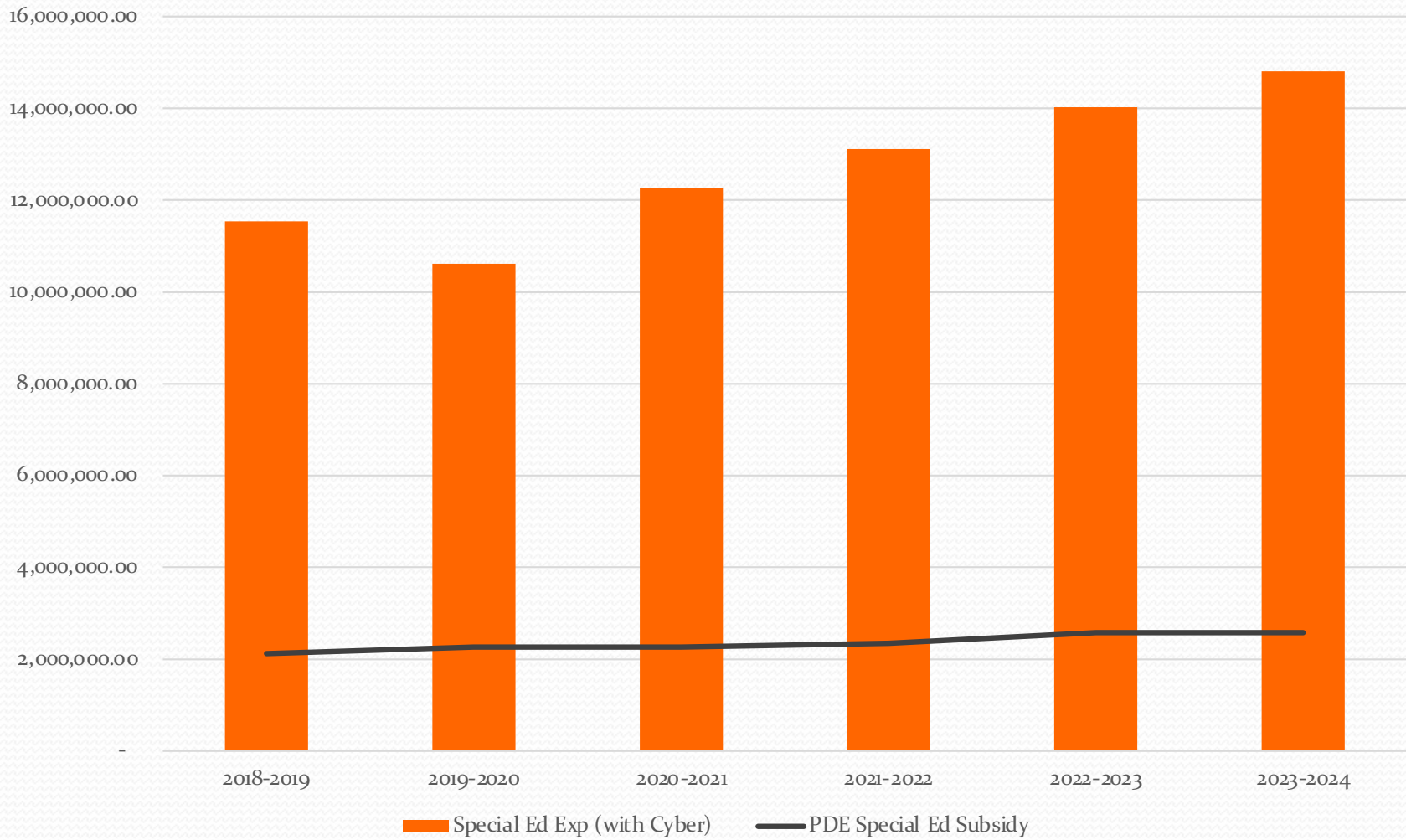
Expense by Function

EXPENSES BY FUNCTION		Actual 2018-19	Actual 2019-20	Actual 2020-21	Actual 2021-22	Projected 2022-23	Proposed 2023-24
EXPENDITURES							
1100	Regular Programs	41,986,948	43,656,775	44,811,698	47,940,609	48,192,116	48,868,132
1200	Special Programs	11,536,337	10,614,618	12,276,071	13,113,800	14,021,963	14,804,906
1300	Vocational Programs	1,190,679	1,106,843	1,592,433	1,758,950	2,023,700	2,075,707
1400	Other Instructional Programs	1,490,143	1,457,748	1,369,025	1,348,823	1,616,161	1,727,406
1600	Adult Education Programs	12,918	12,918	11,563	15,528	27,696	17,405
2100	Pupil Personnel Services	2,916,189	3,282,677	3,503,487	3,624,545	3,859,995	4,124,620
2200	Instructional Staff Services	4,871,879	4,866,061	5,191,941	5,368,520	5,465,117	5,094,911
2300	Administrative services	5,675,652	5,603,228	5,940,654	6,209,349	5,945,070	6,354,735
2400	Pupil Health	962,354	989,429	1,077,347	1,072,329	1,040,073	1,131,923
2500	Business Services	642,412	661,047	682,826	690,453	707,689	756,200
2600	Operation & Maintenance of Plant Services	6,145,369	5,992,332	5,990,475	6,529,916	6,775,342	7,528,040
2700	Student Transportation Services	4,305,614	3,691,672	4,135,989	4,440,945	4,578,888	4,746,534
2800	Central & Other Support Services	850,505	807,988	973,605	863,148	956,379	1,020,663
2900	Other Services	41,767	39,311	27,935	9,782	9,981	10,000
3200	Student Activities	1,581,854	1,470,614	1,447,764	1,775,307	1,751,038	1,828,936
3300	Community services	211,759	211,759	132,099	221,931	261,898	291,889
5110	Debt service	7,911,247	7,992,520	7,624,775	7,702,892	6,483,975	-
5130	Refund of Prior Year Revenue	-	-	-	2,000,000	-	-
5200	Fund Transfers	500,000	300,000	-	226,147	-	1,310,000
Total Expenditures		\$ 92,833,626	\$ 92,757,540	\$ 96,789,687	\$ 104,912,973	\$ 103,717,081	\$ 101,692,005

Cyber Charter History



Special Education Subsidy



2023-24 Budget History

BUDGET HISTORY	Actual 2018-19	Actual 2019-20	Actual 2020-21	Actual 2021-22	Projected 2022-23	Proposed 2023-24
REVENUES						
Local	66,941,548	67,798,495	68,381,821	71,490,874	73,103,671	76,864,538
State	22,927,520	24,206,733	24,766,355	25,732,312	27,109,060	27,195,580
Federal	880,056	1,644,481	3,320,858	5,253,341	3,850,168	924,653
Total Revenues	90,749,124	93,649,709	96,469,034	102,476,527	104,062,899	104,984,771
% Increase		3.2%	3.0%	6.2%	1.5%	0.9%
EXPENDITURES						
100 - Salaries	40,258,438	40,951,225	42,269,066	44,936,319	45,372,308	46,672,288
200 - Benefits	25,634,379	25,995,388	26,760,040	28,078,501	28,612,055	30,044,057
300- Prof and Tech Services	5,130,555	5,234,221	6,269,769	5,615,890	7,219,957	7,125,895
400- Property Services	1,952,152	1,918,002	1,735,168	2,163,876	2,273,732	2,362,220
500- Other Services/Tuition	8,802,256	7,917,610	9,562,563	10,633,381	10,988,496	11,237,644
600 - Supplies	1,645,549	1,400,972	1,439,192	2,408,664	1,586,729	2,011,366
700 - Property and Equipment	759,744	833,761	924,128	990,655	1,036,868	703,405
800 - Other Objects	1,616,339	1,425,275	204,987	212,586	142,961	225,130
900 -Debt Service/Fund Transfers	7,034,214	7,081,086	7,624,775	9,847,582	6,483,975	1,310,000
Total Expenditures	92,833,626	92,757,540	96,789,687	104,887,454	103,717,081	101,692,005
% Increase/Decrease		-0.1%	4.3%	8.4%	-1.1%	-2.0%
Increase/(Decrease) to Fund Balance	(2,084,502)	892,169	(320,653)	(2,410,927)	345,818	3,292,766
Fund Balance - Beginning	6,997,917	4,913,415	5,805,584	5,484,931	3,074,004	3,419,822
Fund Balance - Ending	\$ 4,913,415	\$ 5,805,584	\$ 5,484,931	\$ 3,074,004	\$ 3,419,822	\$ 6,712,588

Proposed 2023-24 Budget

Beginning Fund Balance	\$3,419,822
Local Revenue	\$76,834,538
State Revenue	\$27,195,580
Federal Revenue	\$ 924,653
TOTAL REVENUE	\$104,984,771
TOTAL EXPENDITURES	\$101,692,005
Increase to Fund Balance	\$3,292,766
Ending Fund Balance	\$6,712,588

Central York School District



Questions/Discussion