

## LAMPETER-STRASBURG SCHOOL DISTRICT

Lampeter, PA 17537

### Finance Committee Meeting Minutes

February 12, 2024

6:30 p.m.

Mr. Dustin D. Knarr called the meeting to order at 6:31 p.m.

PRESENT: Board Members, Mrs. Melissa S. Herr, Mr. Dustin D. Knarr, Mrs. Suzanne S. Knowles, Mr. Dean E. McComsey, Ms. Kelly A. Osborne, Mr. Matthew E. Parido, Mrs. Kristin M. Staley, 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. Scott Riekers, Mr. Kevin D. Turner; Financial Advisors from Raymond James, Mrs. Olivia Atlasik, Mr. Ken Phillips and visitors

### L-S DEBT PROFILE REVIEW, PROJECTIONS, AND RECOMMENDATIONS

Mrs. Atlasik and Mr. Phillips from Raymond James presented the District's current debt profile and anticipated borrowing plans. They presented two funding studies for the Committee to consider: one showing the borrowing needed for just the Martin Meylin project at \$46 million and another for all remaining projects in the feasibility study, totaling \$98 million. The first study for Martin Meylin shows that the District has enough mills currently in place to cover this additional debt. The second study indicates that the District will need to increase millage to fund the proposed debt structure for the remaining projects. For illustrative purposes, the study has an additional 0.1 mills added over the next 4 years. When comparing these additional mills to the District's current millage rate of 17.9629, 0.10 mills equates to an increase of 0.56%.

The Committee discussed the cost of the Martin Meylin project and how phasing the borrowings in over time would allow future amounts to be adjusted as bids are received and renovation plans change. The Raymond James team presented a timeline to bring the maximum parameters resolution for approval at the upcoming March 4 Board meeting in preparation for an estimated settlement date of April 15 for the first phase of borrowing. Administration would go through the S&P credit rating during this period as well. The District was most recently rated AA-, with hopes of preserving this strong rating for these future borrowings. Mr. Phillips also suggested that the District consider a reimbursement resolution, allowing future costs to be reimbursed with bond proceeds, if desired.

Dialogue continued about the cost of the Martin Meylin project and the impact this funding would have on a tax increase. Inflationary pressures have driven this estimated project cost up from the original feasibility study. The budget surplus referenced on the funding studies could be used to cover these increased costs, help to prepare for future debt or could be reallocated to additional capital expenditure needs the District will have in the future. As an example, Dr. Peart reminded the Board that the turf will need replaced in the future and these surpluses could be used to fund this project.

### 2023-24 PROJECTED BUDGET OUTCOME

Mrs. Allison presented a comparison of the 2023-24 Budget to the 2023-24 Projected Outcome. The projection shows revenue of \$62,124,107 and expenditures of \$61,246,047. This results in revenue over expenditures of \$878,060 compared to the original budgeted deficit of \$261,091. The projected surplus is predominantly caused by increases to interest income, basic and special education subsidies, and the final year of Federal ESSER funding. Start-up costs for the new Early Childhood Center are included in the projections, adding an additional \$1 million in expense to account for furniture, supplies and technology. These costs were part of the original budget for the project.

### SCHOOL AGE CHILD CARE (SACC) RATE

Mr. Stoltzfus reviewed the history of the SACC tuition rates over the past several years, most recently moving to \$5.25 per hour for the 2023-24 school year. The SACC program is projected to be profitable again this year. Given the expansion of the program with the new Early Childhood Center, the recommendation is to keep the tuition rate at \$5.25 per hour for the 2024-25 school year and review the impact of the new building for the following year.

### FOOD SERVICE UPDATE

Mr. Stoltzfus provided a brief update on the food service department's profitability for the current school year. The District received \$70,000 related to "Supply Chain Assistance." He advised the Committee that there may be a recommendation to increase meal prices for the 2024-25 school year at a future Board meeting, but administration will continue monitoring the financial results of the department.

## TRANSPORTATION UPDATE

Mr. Stoltzfus and Dr. Peart recently met with Mike Kramer from Shultz Transportation. Mr. Kramer has identified several trends in transportation that are causing budget constraints for their industry and their operation. The new 5-year contract with Shultz starting in 2024-25 is capped at a maximum increase of 4% per year. While nothing is being asked of the Board or the Committee to consider for this meeting, Mr. Stoltzfus shared that future budget constraints from Shultz may warrant exceeding the contracted maximum increase. Shultz has been a great partner to the District.

## 2024-25 GENERAL FUND BUDGET

Mr. Stoltzfus shared with the new Board members how the Act 1 index is calculated and what impacts this index has on the Board's ability to raise taxes. The Act 1 index is at a historic high but is likely to drop in future years.

Keeping in mind that the current Act 1 index is 5.3%, Mrs. Allison and Mr. Stoltzfus presented the 2024-25 proposed General Fund budget with a 2.9% millage increase. The proposed budget shows revenue of \$62,859,675 and expenditures of \$63,819,746. This results in a deficit of \$960,071. Excluding gain / loss on investments and budgetary reserve reduces this deficit to \$580,071. Revenues include a 3% increase for earned income taxes and 4% for basic education subsidies, offset by the loss of Federal ESSER and PCCD grant funding. Expenditures include a 4.25% salary increase to match what was included in the CBA, six (6) new positions at the Early Childhood Center, equipment and special budget requests, and a 10% increase in utilities and liability insurance. Expenditures were offset by a smaller increase to benefits because of the reduced employer HSA contributions and the impact of the increased working spouse surcharge. These savings in benefit costs are what allowed the CBA to average to an annual 3% increase for the next five-year period.

Mr. Knarr reminded the Committee that the budget is comprised of 70% salaries and benefits, which will now be increasing on average by 3% each of the next five years. In turn, the budget is funded 75% by local revenues, including local real estate taxes. While he acknowledged that the District could use their reserves to fund the budget, the funding for this increase in expense will need to come from a tax increase. Reserves are best used towards one-time expenses rather than ongoing needs.

## FIVE YEAR PROJECTION

Mrs. Allison shared the five-year projections for revenues and expenditures, highlighting the factors used in future years. The projected deficit continues to grow when using a 2.9% millage increase for 2024-25 and 2.5% thereafter. These projections do not include any additional debt but could still accommodate the Martin Meylin borrowing by reducing the capital reserve transfer line and increasing the debt service line.

Mr. Knarr had each of the Board members share their thoughts concerning the upcoming potential borrowing for the Martin Meylin project and the proposed 2.9% millage increase. Many of the Board members questioned if there are ways to revise the renovation plans to reduce costs without sacrificing safety or cutting corners, as well as reviewing the current plan to determine what items are mechanical or structural in nature as opposed to extraneous or cosmetic purchases. Mr. Knarr recommended that this conversation be continued in the next Buildings and Grounds Committee meeting on Tuesday, February 20, 2024, inviting Mr. Levato from Crabtree Rohrbaugh and Associates to bring answers to these questions.

## CAPITAL RESERVE BUDGET

The Capital Reserve budget will be reviewed during the next Buildings and Grounds Committee meeting on Tuesday, February 20, 2024. The start time was revised to 6:00 p.m. to allow for time to review both the Martin Meylin renovation plans as well as this budget.

## POLICY REVIEW

Mr. Stoltzfus shared that the District is looking to implement the PSBA's suggested administrative regulations for all applicable Board policies. The three policies and related administrative regulations being reviewed were provided with the meeting agenda. As is the practice with the other committees, once all recommended changes are received and reviewed, the updates will be provided at a future meeting for final adoption.

## ITEMS FROM THE COMMITTEE

The Committee suggested holding off on any decisions regarding the new borrowing until after the discussion at the upcoming Buildings and Grounds Committee meeting. Administration will continue reviewing revenues and expenditures and will have options available for review at the next Finance Committee meeting on April 8.

## ADJOURNMENT

The meeting was adjourned at 9:28 p.m.