



**Conestoga Valley School District  
Proposed Final Budget Report**

**2021 – 2022**

**Conestoga Valley School District  
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# Conestoga Valley

## SCHOOL DISTRICT

### MISSION

To educate all students to strive for personal excellence,  
while becoming caring and contributing citizens  
in a global community.

### VISION

To inspire a collaborative learning community  
where all individuals have equal opportunities  
to achieve their fullest potential.

### WE BELIEVE IN THE FOLLOWING FOUNDATIONS

- ★ Expecting a safe and respectful learning environment
- ★ Sustaining strong school-family relationships
- ★ Delivering a well-rounded educational program
- ★ Cultivating the diverse skills necessary for the 21st Century
- ★ Fostering an appreciation for life-long learning
- ★ Promoting the development of our core character traits
- ★ Investing in mutually beneficial community partnerships



**CONESTOGA VALLEY SCHOOL DISTRICT  
PROPOSED FINAL BUDGET  
2021 – 2022 BUDGET NARRATIVE**

In June 2006, the Taxpayer Relief Act, commonly known as Act 1 was signed into law. The Act was designed to control educational expenditures by limiting real estate tax increases. Under the law, a district's millage rate cannot be increased by more than the index as established annually by the Pennsylvania Department of Education and that index for 2021-2022 is 3.0% for Conestoga Valley. Districts may apply for referendum exceptions from this limit due to significant increases in costs in specific areas. The Conestoga Valley School Board chose to apply for the special education exception but has decided not to utilize any amount of the exception.

In March 2020, the World Health Organization declared the CoronaVirus a pandemic. Subsequently, Pennsylvania Governor Tom Wolf declared schools closed until further notice and issued a statewide stay at home order. Conestoga Valley staff immediately began working remotely and, shortly thereafter, providing virtual instruction to all under the District's Continuity of Education Plan. During the subsequent months, some of the state mandated pandemic restrictions were gradually lifted and the team developed a Health & Safety Plan. The Conestoga Valley School Board, administration, teachers and residents engaged in discussion as to what the re-opening of school for the students would look like. In August 2020, the School Board provided residents of the Conestoga Valley School District with three options: to have the students return to in-person learning, learn remotely or attend the Conestoga Valley Virtual Academy. The District continues to monitor and enforce recommended COVID related safety protocols. The impact of the pandemic not only affected the methods in which students learn, but has had an impact on the economy which is a cause for concern in regards to the revenues of the District. However, because of Conestoga Valley's reliance on local taxes the District continues to work through this very difficult and unique budget.

The School Board approaches its budgeting through a very transparent process, through public meetings and posting updates online, so that residents can understand the diligence and dedication of the Board to both the taxpayers and students of our school community. The District is projecting an increase of \$3,903,200 in revenues over the preliminary budget. Expenditure requests have decreased from the preliminary budget by \$707,500.

The School Board asked the administration to identify potential reductions to minimize the tax increase for the 2021-2022 budget. Administration held meetings with each building department head. The intent was to keep budgetary increases as low as possible in light of the economic challenges the residents are facing. The resulting reductions included a variety of items including reductions in supplemental contracts, some new and some replacement equipment and building/department budget cuts. However, in order to make an impact that would be significant, staffing which is the largest cost driver, needed to be reviewed. From this review, the District continued its' process of equalizing class sizes by moving staff from one building to another and not replacing some staff. The

School Board has attempted to avoid furloughs or layoffs and to rather gain savings through attrition. Such reductions can only be realized through retirements, resignations or through movement of existing staff into those positions. In the 2021-2022 budget of the retiring/resigning staff were not replaced and those savings were used for the few necessary additional staff.

At the June 21, 2021 Board meeting, the School Board approved a Proposed Final Budget with a tax increase of 2.27%. For the average single-family residential homeowner, that translates into a tax increase of approximately \$68. However, the residential properties that were approved as Homesteads will continue to receive approximately \$99 off their tax bill as the District expects to receive \$708,873 in State Property Tax Reduction revenue, a \$1,143 decrease over the amount received in the previous year. That money goes to reduce the tax burden of residential taxpayers.

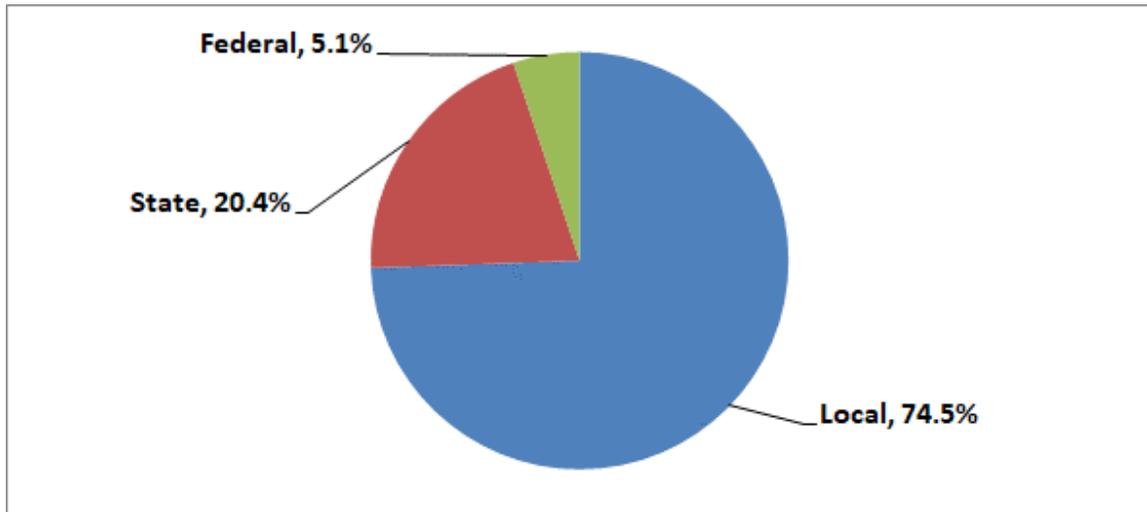
Total revenues for the 2021-2022 budget are \$75,912,738 which represents a 4.76% increase revenues over the 2020-2021 budget. The District has budgeted for \$1,329,423 in federal CARES Act revenue and state funds intended to assist school districts to offset the anticipated revenue decrease resulting from the financial pressures in the economy and support costs incurred due to the Corona Virus. Total expenditures for the 2021-2022 budget are \$76,512,738 which represents a 3.59% increase over the 2020-2021 budget. Overall, budgeted expenditures exceed budgeted revenues by \$600,000 which will be covered by fund balance resulting in a remaining fund balance which is 18.25% of budgeted expenditures. The School Board has committed approximately \$5,928,400 of the fund balance for future pension costs, health savings account, future debt obligations, savings from bond refinancing and COVID-19 related expenditures and has assigned \$1,900,000 for future assessment appeals and tax increment financing.

The 2021-2022 proposed state education budget originally included an additional \$10,819,035 for Conestoga Valley through the basic and special education subsidies and the Ready to Learn Grant. However, considering the impact of the economic crisis caused by the CoronaVirus on the state, those amounts have been adjusted down to the 2020/2021 levels and now do not reflect any increase. The basic education subsidy is based on a formula which recognizes changes in the District's demographics, such as enrollment growth, poverty and English Language Learners. An increase in the amount of basic education subsidy allocated to a school district is impacted by the amount of such subsidy included in the Governor's budget. The special education subsidy is now based on a formula that takes into account various factors such as the cost to provide services for students based on the level of need broken into three categories of cost. This formula provides for a more equitable distribution of the subsidy. The actual dollar amount of any increase won't be known until the state calculates the formula factors. The District also receives state subsidy to reimburse 50% of retirement costs incurred to the Pennsylvania School Employee Retirement System (PSERS). As the PSERS retirement rate is increasing in 2021-2022 from 34.51% to 34.94%, the reimbursement subsidy is also increasing by \$221,033 from the prior year budget. The District also receives a state subsidy to offset the cost of debt service payments for approved building

projects. The subsidy calculation includes the amount of the debt service payment and the district's aid ratio (wealth). The District's 2021-2022 budgeted rental subsidy is decreasing slightly from the 2020-2021 budget as current debt service payments eligible for the subsidy have decreased. The Planning and Construction Program (PlanCon) which provides this reimbursement to districts is based on a specific percentage per project but is currently on a moratorium. As such, there is no Plan Con subsidy projected for future budgets.

The District has been awarded additional federal ESSER funds in the amount of approximately \$13,500,000 of which \$1,329,423 is included in the 2021-2022 budget. As these are one-time funds, careful planning of the timing and use of the funds is essential. Specific guidelines direct the parameters of how these funds are to be spent. The School Board and Administration continue to examine qualifying expenditures which will support the needs of the educational and safety program. The timeline required for these funds to be spent is through September 2024. These funds will be incorporated into future year budgets as the planned use is implemented.

This pie graph shows the percentage of total revenues in the Proposed Final Budget derived from the various sources.



This chart summarizes the increases or decreases in revenue from the 2020/2021 budget as follows:

	2020-2021	2021-2022	INCREASE	PERCENTAGE
DESCRIPTION	BUDGET	BUDGET	(DECREASE)	CHANGE
Local Revenues	\$ 53,830,092	\$ 56,517,279	\$ 2,687,187	4.99%
State Revenues	15,704,236	\$ 15,488,867	(215,369)	-1.37%
Federal Revenues	2,927,842	\$ 3,906,592	978,750	33.43%
Other	-	-		
<b>TOTAL REVENUES</b>	<b>\$ 72,462,170</b>	<b>\$ 75,912,738</b>	<b>\$ 3,450,568</b>	<b>4.76%</b>

Several major reasons exist as to why the School Board feels a tax increase is justified. On the revenue side, growth in assessed values during the last several years as a result of assessment appeals and lack of natural market growth in the values continue to be stagnant. Revenue loss due to appeals cannot be made up. The preliminary budget projected a rate of natural growth for 2020-2021, to be about 0.31%. However, due to the impact that the CoronaVirus is having on the local economy, projected real estate tax growth was set at the values provided by the Lancaster County Assessment Office in 2021. Last year, the real estate tax collection percentage had been decreased from 98.5% to 97.0% in recognition of the effect the economic crisis may have on taxpayers' ability to pay the taxes prior to those unpaid taxes being turned over for delinquent collections. However, real estate tax collections during the 2020-2021 year reflected approximately the same percentage as in prior years. Therefore, the 2021-2022 budgeted real estate taxes again reflect the collection percentage of 98.5%. Legislation went into effect for the 2020-2021 year permitting school districts to extend or eliminate deadlines for payment of taxes in an effort to ease the financial pressures on taxpayers. Conestoga Valley School District is maintaining the same payment due dates of August 31, 2021 for the discount period, October 31, 2021 for the base period and December 31, 2021 for the penalty period. The Lancaster County Tax Collection Bureau has provided projections on how earned income tax revenue will be impacted. The projections consider the extended deadline for payment of the 2020 earned income taxes to May 2021 as well as factoring in the impact of the economic crisis has had on employees' wages. Based upon the current year revenue trends, the earned income revenue budget for 2021-2022 is \$4,906,858, approximately \$975,000 higher than the 2020-2021 budgeted earned income. Another impact of the pandemic was interest earnings as the Federal Reserve moved to lower the benchmark interest rate to zero in March 2020. As a result of the continued low interest rates, budgeted interest earnings remain at \$75,000, a loss of \$661,766 from 2019-2020.

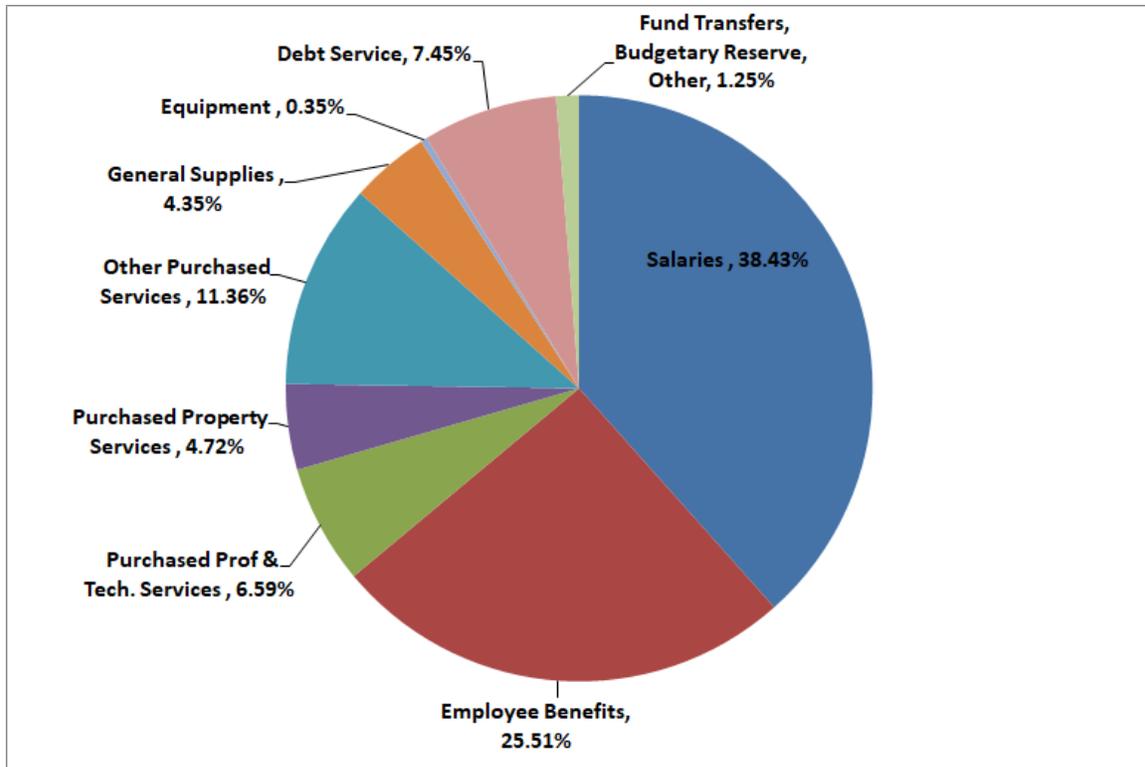
On the expenditure side, salary costs are increasing by \$914,000. 2021-2022 will be the third year of a five-year contract that exists between the Conestoga Valley School Board and the Conestoga Valley Education Association. Through this contract the District offers a high-deductible health care plan option to its employees. In this plan the employee assumes responsibility for health expenses up to a \$2,000 deductible (\$4,000 for a family plan). The District will provide a match of the employees' contributions up to 30% in the second and third years of the contract. This match moves to 35% in the fourth and fifth years. Employees will be able to reduce their premium costs by participating in an outcome-based wellness rewards program. The contract also calls for salary increases of 3.1% in the second year and 3% in years three, four and five.

Retirement costs are increasing by \$442,100 or 4.5% due to the mandated increase in the PSERS rate from 34.51% of payroll in 2020-2021 to 34.94% in 2021-2022. The retirement rate is established by the Pennsylvania School Employee Retirement System (PSERS) and is expected to increase each year to an estimated rate of 38.17% of payroll in the 2027-2028 fiscal year which has had a tremendous impact on budgets. It is expected with the current economic conditions that this rate will increase more than previously projected. The School Board established a PSERS Rate Stabilization Fund to offset the significant increase that began taking effect in 2011-12. The amount of the fund balance committed for this Stabilization Fund is \$1,790,809.

Special education continues to be a financial concern. As with other districts across the Commonwealth, the percentage of special education students compared to the total student population is increasing at a substantial pace. Special education enrollment represented 15.8% of the District's total enrollment in 2019-2020 compared to 12.8% ten years ago. The District has been able to implement various cost saving initiatives over the years including providing the special education services at the District instead of contracting with the local intermediate unit and/or local school districts to provide these services as a way to contain costs. Under the guidance of the Assistant Superintendent for Pupil Services, the District is embarking on a multi-year plan to build capacity in a way that best fits student needs. An added benefit of this plan is that it is expected to have a positive impact on costs. For 2021-2022, the District is expecting a cost savings of approximately \$430,000 as a result of opening additional classroom options within the District.

During the 2020-2021 year, costs were incurred to support the Conestoga Valley Virtual Academy as well as a real time virtual learning option for students who needed to quarantine. These costs included not only the technology to support such programs but curriculum and staffing costs. The District hired five teachers and contracted one position to support the online learning options for the 2020-2021 school year. Cyber charter school tuition costs also increased. The District anticipates students gradually returning to in-person learning during the 2021-2022 school year. However, the 2021-2022 budget continues to reflect above average cost to support these learning options.

The pie graph below shows the percentage of total expenditures in the Proposed Final Budget used for various functions:



The breakdown of significant increases or decreases from the 2020-2021 budget is as follows:

	2020-2021	2021-2022	INCREASE	PERCENTAGE
<u>DESCRIPTION</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>(DECREASE)</u>	<u>CHANGE</u>
Salaries	\$ 28,485,797	\$ 29,400,442	\$ 914,645	3.21%
Employee Benefits	18,570,449	19,515,383	944,934	5.09%
Purch. Prof & Tech. Services	4,805,465	5,040,458	234,993	4.89%
Purch. Property Services	3,430,695	3,612,972	182,277	5.31%
Other Purchased Services	8,522,906	8,693,521	170,615	2.00%
General Supplies	3,127,991	3,327,532	199,541	6.38%
Equipment	778,355	266,239	(512,116)	-65.79%
Other	66,147	91,003	24,856	37.58%
Refunds from Prior Yr's Receipts	50,000	50,000	-	0.00%
Fund Transfers-Debt Service	5,700,471	5,696,922	(3,549)	-0.06%
Fund Transfers-Other	171,444	171,444	-	0.00%
Budgetary Reserve	150,000	646,822	496,822	331.21%
<b>TOTAL EXPENSE</b>	<b>\$ 73,859,720</b>	<b>\$ 76,512,738</b>	<b>\$ 2,653,018</b>	<b>3.59%</b>

While the District anticipates students returning from virtual to in-person learning, enrollment in 2021-2022 is projected to be slightly lower than previous years. With only 3,974 projected students, the 2021-2022 budget cost per student is \$19,523, about \$1,659 more than last year. This increase in cost per student is also reflective of the increase in costs to support online or remote learning such as technology costs, online curriculum costs and tuition to cyber charter schools.

In May 2017, the School Board authorized the District to move forward with building a new 6-8 middle school and renovate the remaining buildings. The renovation of Brownstown Elementary School has been completed. Construction on the new middle school is underway. The original plan was that the third piece of financing, a general obligation bond issue of \$40,000,000 (the second of that size), would be issued in August 2020, however, that action was postponed. That third bond issue was issued in May of 2021. There may be a “clean-up” issue of \$10,000,000 or more in 2022 depending on what the School Board decides about future projects. As current debt is paid off, the structure and timing of the new bond issues will have minimal impact on the existing level of annual debt service in the budget.

The District currently has a long-range plan for capital repairs and equipment replacements. Projects slated for 2021-2022 include dryvit repairs at Leola Elementary and the middle school, replacement of the hot water heater at Leola Elementary and replacement/restoration of the roof over the stadium storage building. Technology includes Brownstown and Technology department staff devices and 5<sup>th</sup> – 8<sup>th</sup> grade 1:1

devices, classroom projection technology, district firewall and security appliance and helpdesk software.

An important focus of the District is to maintain a healthy fund balance. As a general rule, sound business practice is that reserves in the amount of 3-6 months of operating expenses be set-aside for rainy days. Although under Pennsylvania law, the unassigned fund balance of a school district with the budget size of Conestoga Valley cannot exceed 8% of budgeted expenditures. While Conestoga Valley has an unassigned fund balance at the 8% level, that \$6,000,000 would only fund about one month of operating expenses. In projecting future year revenues and expenditures while maintaining a fund balance within this range, the District anticipates that the millage rate will continue to increase. The District has, for the most part, historically kept tax increases at or under inflation. The biggest concern from a management standpoint, is an extremely low index in a year that requires a larger tax increase in order to sustain programs. Another issue is the Act 1 timeline – the District begins the budgetary process in September and must adopt a preliminary budget by early February when all the information necessary to build an accurate budget is not yet available. Even so, the school District has done an excellent job at accurately projecting budgetary needs,

As we plan for the future, Conestoga Valley continues to try to provide the best educational program for the community, while at the same time attempting to keep the tax burden as low as possible. Over the years, there have been many steps taken to reduce costs or increase revenues other than raising taxes. The District will continue to look at efficient and effective ways to bring quality educational services to the community.