



Conestoga Valley School District Proposed Final Budget Report

2016 – 2017

**Conestoga Valley School District
2110 Horseshoe Road
Lancaster, Pennsylvania 17601**

Phone (717)397-2421

Fax (717)397-0442

www.conestogavalley.org



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
2016 – 2017 BUDGET NARRATIVE**

In June 2006, the Taxpayer Relief Act, commonly known as Act 1 was signed into law. The Act also 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 2016-2017 is 2.4% for Conestoga Valley. A district may apply for referendum exceptions from this limit due to significant increases in costs in specific areas. The CV School Board chose to apply for the PSERS retirement exception and the special education exception which would permit the millage rate increase to be above the 2016-2017 index. In addition to the 2.4% Act 1 millage rate increase, the district has elected to use the special education exception and the PSERS retirement exception which provides for a total of 4.72% millage rate increase. The district has elected to eliminate the per capita tax as an offset the increase in the real estate tax rate.

The district continued to work through a very difficult budgetary process again this year given the current economic times. The School Board reduced expenditure requests by over \$2,630,000 to reach the goal of a 4.72% millage rate increase. (Proposed capital projects of \$600,000 for roof repairs were not included in the budget and are not included in the \$2,630,000 as those projects are being funded out of the capital projects fund.) In addition, the Board has kept our budgetary increase as low as possible in light of the economic challenges our residents are facing without jeopardizing our programs for students. The School Board is approaching this task through a very transparent process, hosting public forums, posting budgetary updates to their public agendas online, so that residents can understand their diligence and dedication to both the taxpayers and students of our school community.

The School Board asked the administration to share with them the kinds of reductions it would take to reach a 4.72% tax increase for the 2016-2017 budget. Those scenarios included a variety of items while making the commitment not to cut specific programs, but rather to reduce expenses across the board. As a result, specific programs have not been prioritized or targeted for reduction or elimination. Furthermore, the School Board has tried to avoid increasing class size, especially at the elementary level. Finally, the School Board has attempted to avoid furloughs or layoffs and to rather gain some economies through attrition. The only way such savings can be realized is through retirements or resignations.

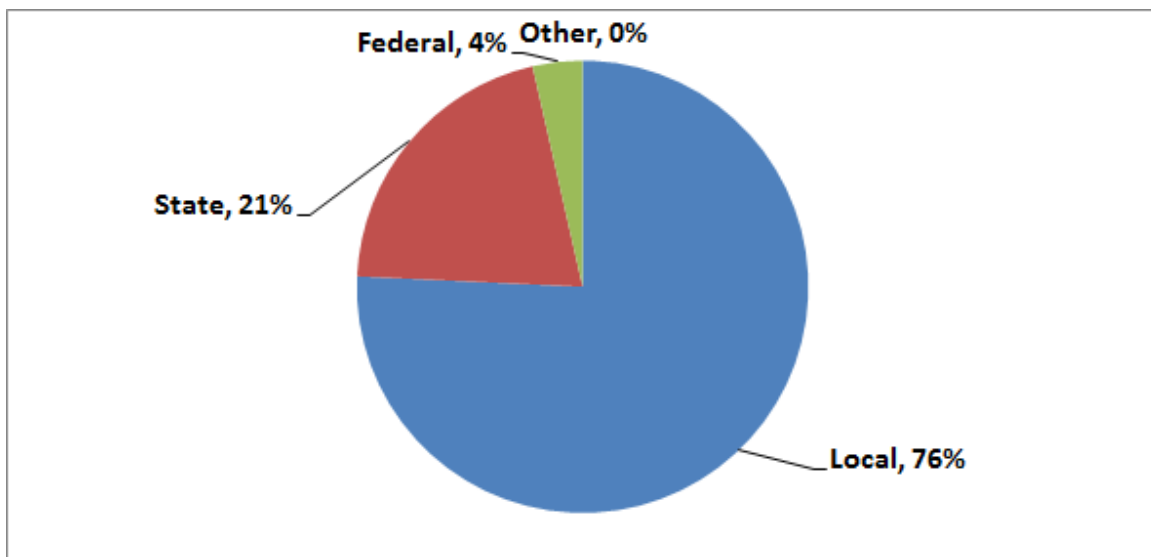
At the May 16, 2016 Board meeting, the School Board approved a Proposed Final Budget with a tax increase of 4.72%. For the average single family residential homeowner, that translates into a tax increase of approximately \$120. However, the residential properties that were approved as Homesteads will continue to receive approximately \$97 off their tax bill as the district expects to receive \$701,315 in State Property Tax Reduction revenue, a \$2,250 increase over the amount received in the previous year. That money goes to reduce the tax burden of residential taxpayers.

With a 4.72% millage rate increase, the 2016-2017 rate will increase by 0.7171 mills to 15.924 mills. Total revenues for the 2016-17 budget are \$64,261,434 which represents a 4.13% increase revenues over the 2015-2016 budget. Total expenditures for the 2016-2017 budget are \$66,598,648 which represents a 6.23% increase over the 2015-2016 budget. Overall, budgeted expenditures exceed budgeted revenues by \$2,337,214 resulting in a 15.76% fund balance as a percentage of budgeted expenditures. The district has assigned approximately \$5,103,000 of the fund balance for future pension costs and for the health savings account.

Tax assessment appeals have had a significant impact on the district's local revenue over the previous years and the impact of these assessments compounds each year. Earned income tax revenue taxes are budgeted to increase by \$154,000.

The 2016-2017 proposed state education budget includes an additional \$376,968 for the basic education subsidy. This proposed increase in subsidy replaces the Ready to Learn and accountability block grant subsidies received in previous years. The district also receives state subsidy to reimburse 50% of the PSERS retirement costs incurred. As the PSERS retirement rate is increasing in 2016-2017 from 25.84% to 30.03%, the reimbursement subsidy is also increasing by \$670,000 from projections.

The District was awarded a competitive grant beginning in 2012-2013 called the Keystone to Opportunities grant. However, the district must apply for the grant each year. The amount received in 2015-2016 was \$802,390 and the anticipated amount for 2016-2017 is \$838,957. The district's proposal for the grant was one of four county proposals and only thirty-eight districts in Pennsylvania were selected for full funding. The grant addresses Early Childhood Education, Elementary English Language Learners, Secondary Response to Instruction and Intervention and Transition Programs. The grant was awarded based on the strength of our program and our ability to analyze our needs and act on them in a way that ensures literacy success for all students.



The pie graph above 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 2015/2016 projections as follows:

	2015-2016	2016-2017	INCREASE	PERCENTAGE
DESCRIPTION	PROJECTED	BUDGET	(DECREASE)	CHANGE
Local Revenues	\$ 47,374,173	\$ 48,761,423	\$ 1,387,250	2.93%
State Revenues	12,169,198	\$ 13,211,706	1,042,508	8.57%
Federal Revenues	2,164,233	\$ 2,280,305	116,072	5.36%
Other		8,000		
TOTAL REVENUES	\$ 61,707,604	\$ 64,261,434	\$ 2,545,830	4.13%

Several major reasons exist as to why the School Board feels a tax increase is justified. On the revenue side, assessed values are flat as a result of assessment appeals and lack of natural market growth in the values. Revenue loss due to appeals cannot be made up. The value dipped below the previous year in two of the last five years, meaning that revenue growth would have been negative except for the tax increase. While the tax base for the other school districts in Lancaster County also fell, they did not (on average) fall below 0. We project the rate of natural growth for 2016-17, trended off the last five years, to be about 0.2%.

The positive news is that the Commonwealth will be moving to a new formula to calculate the districts' share of state revenue. Because the prior calculation did not recognize changes in CV's demographics, such as enrollment growth, poverty and English Language Learners, this new calculation boosts CV revenues by \$180,000 over budget for 2015-16 and, based on another \$50m in revenue, \$224,000, for 2016-17.

On the expenditure side, salary costs are increasing by \$887,000. The school board and the education association negotiated a new four year contract through 2018 – 2019. The contract provides for salary increases of 2.95% for the first two years and 2.9% for the next two years. The contract also includes changes to the existing health insurance plan by offering a qualified high deductible plan with a health savings account in addition to a low and medium preferred provider plan. This change is expected to help restrain healthcare cost increases. The district also contracted with SOSL to provide food service, custodial, maintenance and instructional aide positions. Due to this, the district will recognize annual savings in PSERS retirement and healthcare costs.

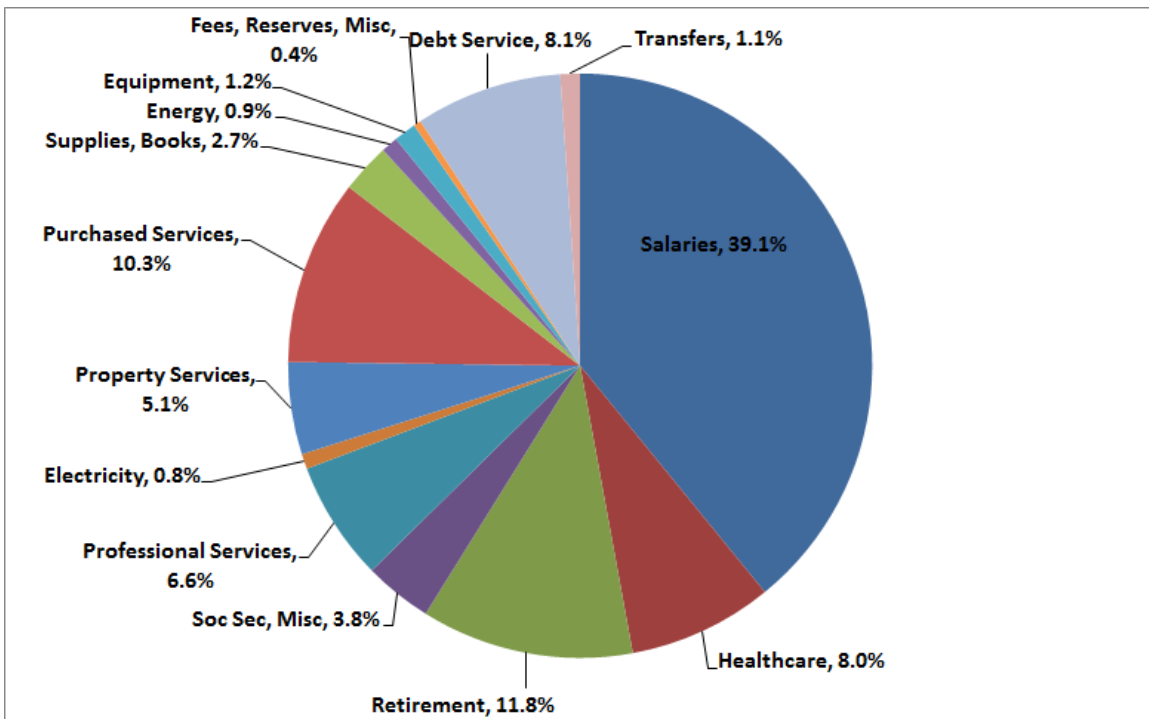
Retirement costs are increasing by \$1,328,000 or 20.4% due to the mandated increase in the PSERS retirement rate from 25.84% of payroll in 2015-2016 to 30.03% in 2016-2017. The retirement rate is established by the Pennsylvania School Employee

Retirement System (PSERS) and is expected to increase each year to an estimated rate of 34.2% of payroll in the 2019-20 fiscal year which will have a tremendous impact on future budgets. The District has established a PSERS Rate Stabilization Fund to offset the significant increase that began taking effect in 2011-12. The district does receive state subsidy representing 50% of the retirement costs.

Special education continues to be a financial concern. As with districts across the Commonwealth, the percentage of special education students compared to the total student population is increasing at a substantial pace. For Conestoga Valley, special education costs have increased by \$438,000 or 5.3% from 2015-2016 to 2016-2017. The district has implemented 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 who provide the necessary services.

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

Conestoga Valley 2016-2017 Proposed Final Budget Expenditures



The breakdown of significant increases or decreases from the 2015-2016 projections is as follows:

	2015-2016	2016-2017	INCREASE	PERCENTAGE
<u>DESCRIPTION</u>	<u>PROJECTED</u>	<u>BUDGET</u>	<u>(DECREASE)</u>	<u>CHANGE</u>
Salaries	\$ 25,152,681	\$ 26,039,796	\$ 887,115	3.53%
Employee Benefits	14,166,755	15,679,443	1,512,688	10.68%
Purch. Prof & Tech. Services	4,139,766	4,412,036	272,270	6.58%
Purch. Property Services	3,286,484	3,953,262	666,778	20.29%
Other Purchased Services	6,627,302	6,837,687	210,385	3.17%
General Supplies	2,274,774	2,442,134	167,360	7.36%
Equipment	1,207,193	822,945	(384,248)	-31.83%
Other	45,375	52,130	6,755	14.89%
Authority Obligations	111,487	111,388	(99)	-0.09%
Refunds from Prior Yr's Receipts	35,000	50,000	15,000	42.86%
Fund Transfers-Debt Service	5,259,059	5,298,949	39,890	0.76%
Fund Transfers-Other	312,022	723,878	411,856	132.00%
Budgetary Reserve	75,000	175,000	100,000	133.33%
TOTAL EXPENSE	\$ 62,692,898	\$ 66,598,648	\$ 3,905,750	6.23%

With 4,257 projected students, the 2016-2017 budget cost per student is \$15,645, about \$650 more than last year.

The school district currently has a ten year long range plan for capital repair which goes to 2024-2025. Projects slated for 2016-2017 include repairs to the high school roof, update HVAC controls at the high school and Smoketown Elementary, repairs to the high school water system pumps and pressure tank, refinish Smoketown Elementary gym floor, repairs to bucket truck lift, sidewalk and concrete repairs throughout the district. To prevent a large traumatic tax increase in any one year, the district is not planning to do any major renovations or additions until 2019-20 when existing debt drops off. Consequently, taxpayers should see no increase in taxation related to debt service.

In the past three years, Conestoga Valley School District has had tax increases of 2.5% or less a year. Compared to other districts in the county for the same period of time, Conestoga Valley has the third lowest increase. Since Act 1 went into effect in 2006, Conestoga Valley's tax rate has increased slower, on average, than the other districts in Lancaster County. Five of the last ten years, the increase in that year has been substantially less than the rest of the county.

The chart below compares Conestoga Valley to the other districts in the county:

District	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	% Increase
Columbia Borough	18.7700	20.6600	23.0000	24.3570	25.3700	25.3700	26.0000	27.3700	28.2000	28.2000	0.00%
School District of Lancaster	20.4400	21.4200	22.4700	23.2600	24.2130	24.6972	25.2902	25.9224	26.6793	26.6793	0.00%
Cocalico	17.0000	17.9300	18.9100	19.8400	20.5500	20.8900	21.3200	21.7600	22.3200	22.8200	2.24%
Donegal	16.2000	17.7400	18.7300	19.4500	20.1690	20.5320	20.9837	21.4453	22.0243	22.0243	0.00%
Warwick	15.8000	16.4000	16.7000	17.4000	17.6600	17.9000	18.5700	19.2100	19.7094	20.1627	2.30%
Lampeter-Strasburg	15.9600	16.6000	17.3300	17.8000	18.4620	18.7573	19.0760	19.4384	19.6133	19.8683	1.30%
Hempfield	15.1480	15.9409	16.8814	17.3878	17.9789	18.2660	18.6310	19.0030	19.4590	19.6530	1.00%
Ephrata Area	16.5300	17.2000	18.0900	18.5200	19.0200	19.0200	19.4100	19.6000	19.6000	19.6000	0.00%
Elizabethtown Area	14.3500	15.3394	16.1816	16.5861	17.2700	17.5800	17.8900	17.8900	18.3700	19.1048	4.00%
Manheim Township	14.7300	15.2300	15.9000	16.5500	17.0299	17.2680	17.9525	18.2575	18.6409	18.6409	0.00%
Penn Manor	14.7300	15.3100	15.9100	15.9100	16.4600	16.6900	16.9700	17.2500	17.6100	18.0100	2.27%
Pequea Valley	14.6000	15.0960	15.7430	15.7430	16.3333	16.5619	16.8898	17.3866	17.4735	17.4735	0.00%
Manheim Central	15.2400	15.2400	15.5400	15.8500	16.2500	16.4100	16.6889	16.9726	17.1848	17.3566	1.00%
Conestoga Valley	11.9600	12.3670	12.8490	13.2660	13.7730	14.0480	14.2865	14.5280	14.8330	15.2064	2.52%
Eastern Lancaster County	11.1500	11.7142	12.2142	12.5979	13.0877	13.4470	13.8410	14.1177	14.4141	14.6879	1.90%
Solanco	8.6351	9.0496	9.6378	10.1582	10.5442	10.8500	11.2243	11.5161	11.8040	12.0990	2.50%

During the budgetary process, an important focus of the District is to maintain a healthy fund balance. As a general rule, the fund balance should range between 6 – 8% of budgeted expenditures. 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, kept tax increases at or under inflation. The biggest concern under tax reform, from a management standpoint, is an extremely low index in a year that requires a larger tax increase just to sustain programs. Another issue is adopting a preliminary budget in January when the district does not have the information to build an accurate budget. The school district has done an excellent job at accurately projecting tax rate needs, keeping both tax increases and fund balances from significant swings up and down. With the enactment of Act 1, the budgetary process began in September 2015 with continual modifications to current year projections and budget amounts.

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.