

# Pennridge School District 2015-2016 Budget First Look

Prepared by:  
Kathy Johnson  
January 12, 2015

# Preliminary Budget

- Act 1 Timeline
  - Preliminary Budget Adoption: February 12, 2015
  - Changes to the preliminary budget may be made up to the budget adoption date, June 22, 2015
  - Allows board to determine if they wish to apply for eligible referendum exceptions

# 2015-2016 Budget Timeline

| Description                                                | Due Date           | Completed                                                                           |
|------------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------|
| Buildings and Department develop requests                  | September-November |  |
| Personnel Budget Updated                                   | December           |  |
| Building and Department budgets reviewed by Administration | December-January   |  |
| First Look of Budget presented to board                    | January 12         |                                                                                     |
| Special Finance Meeting to review preliminary budget       | February 12        |                                                                                     |
| Public Display – PDE 2028 (20 days prior to adoption)      | January 13         |                                                                                     |
| Board Meeting – Act 1 Index Resolution (no decision)       | January 26         |                                                                                     |
| Deadline to adopt Resolution not to exceed Act 1 Index     | January 29         |                                                                                     |
| 1/13/2015                                                  | 1/12/2015          |                                                                                     |

# 2015-2016 Budget Timeline

| Description                                                                                                                        | Due Date    | Completed |
|------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------|
| Publish Notice of intent to adopt 2015-2016 Preliminary Budget (10 days prior to adoption)                                         | February 2  |           |
| Finance Meeting-continued discussion and presentations                                                                             | February 2  |           |
| Special Board Meeting to Adopt Preliminary Budget if resolution is not passed by January 29, 2015                                  | February 12 |           |
| Deadline to publish notice in newspaper of intent to request approval from PDE for a referendum exception (1 week prior to filing) | February 26 |           |
| Budget Discussions                                                                                                                 | March -June |           |
| Deadline to request approval from PDE of referendum exceptions (decision no later than February 23 Board meeting)                  | March 5     |           |

# 2015-2016 Budget Timeline

| Description                                                                                                                                                                                         | Due Date  | Completed |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Deadline for PDE to notify school districts that submitted 2015-16 preliminary budget whether the proposed tax rates are equal to or less than their index                                          | March 5   |           |
| Finance Meeting/Budget Update                                                                                                                                                                       | March 9   |           |
| Deadline for school district to submit referendum question seeking voter approval of tax rate increase in excess of index to the county board of elections (optional if exceptions approved by PDE) | March 20  |           |
| Deadline for PDE to issue ruling on school district's petition for referendum exception                                                                                                             | March 25  |           |
| Deadline for school district to submit referendum question to the county board of elections seeking voter approval if PDE denies all or a part of the district's request for referendum exception   | March 30  |           |
| 1/13/2015                                                                                                                                                                                           | 1/12/2015 |           |

# 2015-2016 Budget Timeline

| Description                                                                                                | Due Date | Completed |
|------------------------------------------------------------------------------------------------------------|----------|-----------|
| Finance Meeting/Budget Update                                                                              | April 13 |           |
| Budget Secretary to certify total amount of revenue in the Property Tax Relief Fund                        | April 15 |           |
| PDE notifies school districts of the amount of their state allocation of property tax reduction funding    | May 1    |           |
| Finance Meeting/Budget Update                                                                              | May 4    |           |
| Proposed Final Budget Adoption<br>Resolution to Reject 2015-16 Property Tax allocation                     | May 18   |           |
| Budget Update/Finance Meeting                                                                              | June 1   |           |
| School district deadline to make 2015-16 proposed final budget available for public inspection on PDE 2028 | June 2   |           |
| Advertise intent to adopt final budget (10 days prior to adoption)                                         | June 12  |           |

# 2015-2016 Budget Timeline

| Description                                                                      | Due Date | Completed |
|----------------------------------------------------------------------------------|----------|-----------|
| Final Budget Adopted<br>Resolution implementing Homestead/Farmstead<br>exclusion | June 22  |           |
|                                                                                  |          |           |
|                                                                                  |          |           |
|                                                                                  |          |           |
|                                                                                  |          |           |
|                                                                                  |          |           |
|                                                                                  |          |           |
|                                                                                  |          |           |

# Local Revenue Major Assumptions

## No. 1

- Local revenues comprise 78% of the total revenue budget
- Real Estate Tax rate to include 1.9% as allowed under Act 1
- Earned Income Tax will remain at FYE 2014 budget amount
- Interest Earnings will remain flat

# Local Revenue Major Assumptions

## No. 2

| Local Revenue | 2014-2015     | 2015-2016    | Variance    |
|---------------|---------------|--------------|-------------|
|               | \$ 92,043,686 | \$96,221,552 | \$4,177,866 |

Note: 2014-2015 Local Revenue is decreased due to \$2,347,597 Homestead/Farmstead monies received from the State. The amount of Homestead/Farmstead to be returned to the District for the 2015-2016 Fiscal Year will not be announced until May 2015. Local and State revenue will be updated at that time. Local Revenue variance includes an increase in the real estate tax rate by 1.9%, the maximum allowed under the Act 1 Index without seeking referendum exceptions.

# State Revenue Major Assumptions

## No. 1

- State revenue comprises 21% of the total revenue budget
- Basic Education Subsidy will decrease slightly
- Special Education Subsidy will increase slightly
- Transportation Subsidy will decrease slightly
- Retirement reimbursement will increase due to retirement rate increase
- Social security reimbursement will increase slightly due to higher salaries from 2014-2015
  - Proposed Education Budget released in March

# State Revenue Major Assumptions

No. 3

| State Revenue | 2014-2015     | 2015-2016    | Variance   |
|---------------|---------------|--------------|------------|
|               | \$ 26,414,341 | \$25,554,767 | -\$859,574 |

Note: 2015-2016 State Revenue is decreased by \$2,347,597 by the Homestead/Farmstead monies received from the State or 3.25%. The amount of Homestead/Farmstead to be returned to the District for the 2015-2016 Fiscal Year will not be announced until May 1, 2015. Local and State revenue will be updated at that time. The variance shown above is also impacted by the increase in PSERS and Social Security reimbursement.

# Federal Revenue Major Assumptions

- Federal Revenue complete the revenue budget at 1% of all revenues
- Revenues are projected to increase by 14.75%

| Federal Revenue | 2014-2015   | 2015-2016   | Variance  |
|-----------------|-------------|-------------|-----------|
|                 | \$1,085,007 | \$1,245,000 | \$159,993 |

\*Note – Federal Revenue includes the assumption of \$650,000 will be received from the Access Program.

# REVENUE SUMMARY

- Total Revenue budget projected to increase by 2.91%

| Revenue        | 2014-2015     | 2015-2016     | Variance    |
|----------------|---------------|---------------|-------------|
| Local          | \$ 92,043,686 | \$96,221,552  | \$4,177,866 |
| State          | 26,414,341    | 25,554,767    | -859,574    |
| Federal        | 1,085,007     | 1,245,000     | 159,993     |
| Total Revenues | \$119,543,034 | \$123,021,319 | \$3,478,285 |

# EXPENDITURE ASSUMPTIONS

## Salary

- Includes all current employees
- Additional positions requested by Administration included
- No breakage from retirements

# EXPENDITURE ASSUMPTIONS

## Benefits

- PSERS Increase
  - 21.4% FYE 2015 to 25.84% FYE 2016
- Health Care – self funded
  - Medical developed premium increased 9%
  - Prescription Drug developed premium increased 9%
  - Rates may be adjusted during the budget process

# SALARY AND BENEFIT SUMMARY

- Salaries and Benefits comprise 71% of the total expenditure budget

| Revenue  | 2014-2015           | 2015-2016           | Variance           |
|----------|---------------------|---------------------|--------------------|
| Salary   | \$57,901,964        | \$60,538,652        | \$2,636,686        |
| Benefits | 26,840,239          | 33,523,433          | \$6,694,796        |
| Totals   | <b>\$84,742,203</b> | <b>\$94,062,085</b> | <b>\$9,319,882</b> |
|          |                     |                     |                    |

# OPERATIONS SUMMARY

| Expenditure                     | 2014-2015    | 2015-2016    | Variance    |
|---------------------------------|--------------|--------------|-------------|
| Purchased Professional Services | \$ 6,615,693 | \$ 6,857,223 | \$ 241,530  |
| Purchased Property Services     | 2,755,246    | 2,677,143    | -78,103     |
| Other Purchased Services        | 8,091,207    | 7,982,374    | -108,833    |
| Supplies                        | 4,200,923    | 4,612,917    | 411,994     |
| Equipment                       | 1,039,878    | 1,921,600    | 881,722     |
| Fees/Interest                   | 4,690,034    | 4,194,474    | -495,560    |
| Principal Payments              | 8,557,606    | 9,761,765    | 1,204,159   |
| Capital Reserve                 | 329,445      | 1,350,000    | 1,020,555   |
| Total Operations                | \$36,280,032 | \$39,357,496 | \$3,077,464 |

# OPERATIONS SUMMARY

- Non Salary and Benefit expenditures comprise 29% of the total expenditure budget

| Expenditure | 2014-2015    | 2015-2016    | Variance    |
|-------------|--------------|--------------|-------------|
| Operations  | \$36,280,032 | \$39,357,496 | \$3,077,464 |

\*Variance includes increase in principal payments that were anticipated as well as requests for capital projects, transportation and technology infrastructure. Each will be reviewed during individual cost center reviews.

# REVENUE TO EXPENDITURE SUMMARY

| Classification                    | 2014-2015     | 2015-2016      | Variance    |
|-----------------------------------|---------------|----------------|-------------|
| Revenue                           | \$119,543,034 | \$123,021,319  | \$3,478,285 |
| Expenditures                      | 121,022,235   | 133,419,581    | 12,397,345  |
| Revenue over/(under expenditures) | (\$1,479,201) | (\$10,398,262) |             |

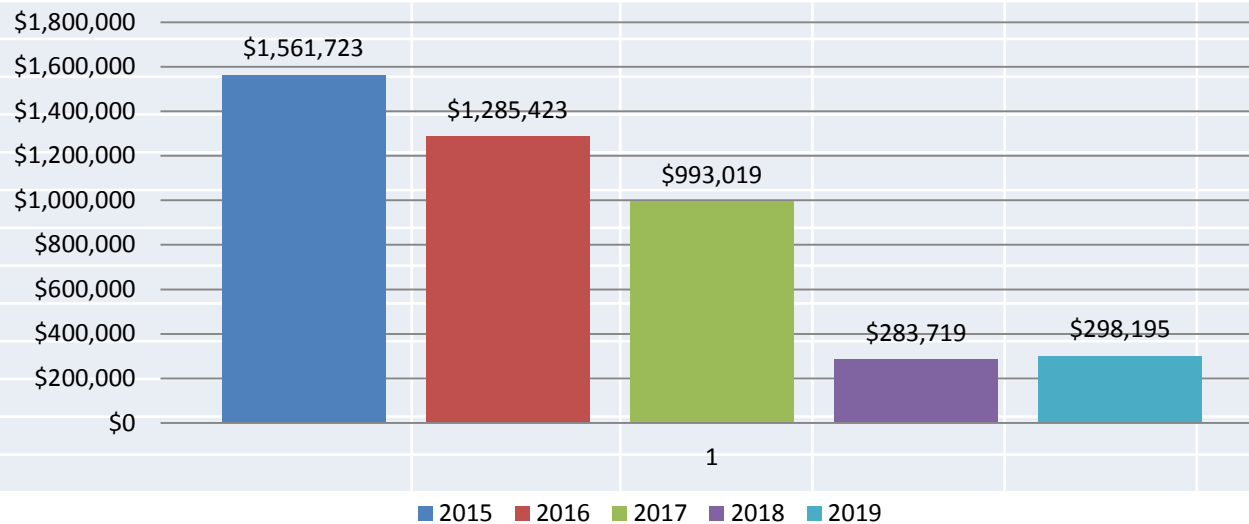
# GENERAL FUND FUND BALANCE

| Classification                  | FYE 2014     | FYE 2015<br>Projected |
|---------------------------------|--------------|-----------------------|
| COMMITTED:                      |              |                       |
| Financial Software              | \$ 15,986    | \$ 15,986             |
| Future retirement rate increase | 8,609,632    | 7,550,431             |
| Non routine maintenance         | 270,000      | 0                     |
| Technology initiatives          | 150,000      | 0                     |
| UNASSIGNED                      | 6,645,408    | 6,225,408             |
| TOTAL FUND BALANCES             | \$15,691,026 | \$13,791,825          |
|                                 |              |                       |

# PSERS Rates

| PSERS RATES                            |              | **           | **           | **           | **           |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Year Ending                            | 2015         | 2016         | 2017         | 2018         | 2019         |
| Rate                                   | 21.40%       | 25.84%       | 29.27%       | 30.25%       | 31.28%       |
| % Increase                             | 26.40%       | 20.75%       | 13.27%       | 3.35%        | 3.40%        |
| Payroll (PSERS eligible)               | \$57,901,964 | \$57,901,964 | \$57,901,964 | \$57,901,964 | \$57,901,964 |
| Expense                                | \$12,391,020 | \$14,961,867 | \$16,947,905 | \$17,515,344 | \$18,111,734 |
| Net Expense after State Reimbursement* | \$6,195,510  | \$7,480,933  | \$8,473,953  | \$8,757,672  | \$9,055,867  |
| Net Increase to Budget                 | \$1,561,723  | \$1,285,423  | \$993,019    | \$283,719    | \$298,195    |
| ** Payroll based on 2014-2015 Budget   |              |              |              |              |              |
| * Assumes 50% reimbursement            |              |              |              |              |              |

## PSERS NET INCREASE TO BUDGET



# TAX MILL HISTORY

|                                               | 2010-2011     | 2011-2012     | 2012-2013     | 2013-2014     | 2014-2015     | 2015-2016     |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Act 1 Index                                   | 2.90%         | 1.40%         | 1.70%         | 1.70%         | 2.1%+1.5%     | 1.90%         |
| Assessed Value                                | \$614,777,040 | \$612,295,470 | \$612,214,770 | \$612,628,730 | \$615,254,170 | \$614,511,480 |
| Maximum Allowed                               | 123.0169      | 124.7391      | 125.1081      | 125.1081      | 129.6227      | 132.0855      |
| Tax Rate Change                               | 2.90%         | 0.00%         | 0.00%         | 1.70%         | 3.61%         | 1.90%         |
| Tax Rate Approved/Assumed                     | 123.0169      | 123.0169      | 123.0169      | 125.1081      | 129.6227      | 132.0855      |
| Mill change from prior year                   | 3.4669        | 0.0000        | 0.0000        | 2.0912        | 4.5146        | 2.4628        |
| Gross Maximum Tax Revenue @ approved rate     | \$75,627,966  | \$75,322,691  | \$75,312,763  | \$76,644,816  | \$79,750,907  | \$81,168,056  |
|                                               |               |               |               |               |               |               |
| Tax Increase @Median Assessed Value: \$35,000 | \$121.34      | 0             | 0             | \$73.30       | \$158.01      | \$86.20       |
|                                               |               |               |               |               |               |               |
|                                               |               |               |               |               |               |               |
| Tax Rate at Allowable Maximum Act 1 Index     |               |               |               |               |               |               |
|                                               | 2010-2011     | 2011-2012     | 2012-2013     | 2013-2014     | 2014-2015     | 2015-2016     |
| Act 1 Index                                   | 2.90%         | 1.40%         | 1.70%         | 1.70%         | 2.10%         | 1.90%         |
| Maximum Allowed                               | 123.0169      | 124.7391      | 126.8596      | 129.0162      | 131.7255      | 134.2282      |
| Mills Allowable until Act 1                   | 3.4669        | 1.7222        | 2.1205        | 2.1566        | 2.7093        | 2.5027        |
|                                               |               |               |               |               |               |               |
| Median Assessed Value: \$35,000               |               |               |               |               |               |               |
| Tax Increase at Act 1 Index                   | \$121.34      | \$60.28       | \$74.22       | \$75.48       | \$94.83       | \$87.59       |
|                                               |               |               |               |               |               |               |
| 1.7.2015                                      |               |               |               |               |               |               |
| NOTE: REVENUE IS SHOWN AS GROSS               |               |               |               |               |               |               |

# Future Considerations

- Very early projections
  - Capital Transfers
    - Technology - \$250,000 included
      - Needs to be determined, communicated at future Technology meeting
    - Non-Routine Maintenance - \$650,000
      - Needs to be determined, communicated at future Facilities meeting
    - Transportation - \$700,000 included
      - Needs to be determined, communicated at future Facilities meeting

# BALANCING THE BUDGET

## 2014-2015

| GENERAL FUND EXPENDITURE DESCRIPTION |  | REASON                                                       |
|--------------------------------------|--|--------------------------------------------------------------|
| Staff Reductions/New Positions       |  | Attrition/Eliminated                                         |
| Over Enrollment Aides                |  | Sister Schooling Pilot                                       |
| Medical Insurance                    |  | Developed Premium Reduced/Use of Self Insurance Fund Balance |
| Tech School                          |  | Enrollment reduction                                         |
| Secondary 1:1 and Replacement        |  | Lease vs. purchase of Computers                              |
| Special Education BCIU ACCESS        |  | Duplicate Entry Removed                                      |
| Non-Routine Maintenance              |  | Decreased                                                    |
| Bus Replacements Removed             |  | Lease/Purchase Capital Project Funds                         |
| Technology Transfer                  |  | Decreased                                                    |
| Bond Payment/Debt Restructuring      |  | 1x saving                                                    |
| Staff development                    |  | Reduction                                                    |
| Electric                             |  | Reduction                                                    |
| Vehicle and Liability Insurance      |  | Reduced Budget Increase                                      |

# BALANCING THE BUDGET

## 2014-2015

| REVENUE DESCRIPTION                    | REASON                                 |
|----------------------------------------|----------------------------------------|
| Act 1 Index                            | Increase to Local Tax Revenue          |
| PSERS Referendum Exception             | Increase to Local Tax Revenue          |
| Increase Earned Income Tax assumptions | Increase to Local Tax Revenue          |
| Increased ACCESS Revenue assumptions   | Increase to Local Tax Revenue          |
| Decrease State Grant Assumptions       | Decrease to State Revenue              |
|                                        |                                        |
| FUND BALANCE                           | REASON                                 |
| Use of PSERS Committed Fund Balance    |                                        |
| Use of Committed Fund Balance          | Technology and Non-Routine Maintenance |