Tonight’s Agenda

• Preliminary budget review
• Expenditure highlights
• Revenue highlights
• Tax impact
Budget Challenges

- Act 1 tax limitations
- PSERS increase
- Charter schools
- Technology capital purchases
- Textbook adoption
- Flat state subsidy
Budget Summary

- $237.9 M budget
- $10.9 M increase over 14-15
- 4.8% increase over 14-15
- Budget deficit of $6.7 M after Act 1 base increase (1.9%)
## Budget Comparison

<table>
<thead>
<tr>
<th>Fiscal Year Budget</th>
<th>Revenues</th>
<th>Expenses</th>
<th>Surplus (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-2016</td>
<td>$231,233,115</td>
<td>$237,992,464</td>
<td>-$6,759,349</td>
</tr>
<tr>
<td>2014-2015</td>
<td>$223,077,924</td>
<td>$227,035,981</td>
<td>-$3,958,057</td>
</tr>
<tr>
<td>$ Change</td>
<td>$8,155,191</td>
<td>$10,956,483</td>
<td>-$2,801,292</td>
</tr>
<tr>
<td>% Change</td>
<td>3.7%</td>
<td>4.8%</td>
<td>70.8%</td>
</tr>
<tr>
<td>Expenditure Increase Factors</td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>---------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$3,172,186</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSERS</td>
<td>$6,500,382</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology capital lease</td>
<td>$1,159,508</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New debt for Hatfield project</td>
<td>$214,985</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textbook adoptions</td>
<td>$2,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bus lease</td>
<td>$95,273</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total increase in major items</strong></td>
<td><strong>$13,142,334</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Act 1 index revenue @1.9%</strong></td>
<td><strong>$3,057,885</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
District Allocation by Function

- Instruction: 64%
- Support Services: 28%
- Non-Instructional Support: 1%
- Other Expenditures and Financing: 7%
Allocation by Object

- Salaries: 50%
- Benefits: 27%
- Purchased Professional Services: 6%
- Purchased Property Services: 4%
- Other Purchased Services: 3%
- Supplies: 2%
- Equipment: 2%
- Other Objects (Debt Interest): 1%
- Transfers & Debt Principal: 5%
Act 1 Exceptions

- Retirement
- Special education
- Electoral debt
- Grandfathered debt
Act 1 Exceptions

- Retirement = $1,797,729
- Special ed = $662,239
- 3.43% total tax increase with exceptions
## Retirement Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Employer Rate</th>
<th>Gross $</th>
<th>% Rate Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>5.64%</td>
<td>$6,117,388</td>
<td>Base</td>
</tr>
<tr>
<td>2011-12</td>
<td>8.65%</td>
<td>$9,142,160</td>
<td>53%</td>
</tr>
<tr>
<td>2012-13</td>
<td>12.36%</td>
<td>$12,608,373</td>
<td>43%</td>
</tr>
<tr>
<td>2013-14</td>
<td>16.93%</td>
<td>$18,817,162</td>
<td>37%</td>
</tr>
<tr>
<td>2014-15</td>
<td>21.40%</td>
<td>$24,247,445</td>
<td>26%</td>
</tr>
<tr>
<td>2015-16</td>
<td>25.84%</td>
<td>$30,621,078</td>
<td>20%</td>
</tr>
</tbody>
</table>
Retirement as a % of Budget

- 10-11: 3%
- 11-12: 6%
- 12-13: 8%
- 13-14: 11%
- 14-15: 14%
- 15-16: 14%
Fund Balance

- Cumulative excess of revenues over expenses
- Help mitigate future tax increases
- Maximum of 8% in unassigned balance
**Fund Balance Breakdown 6/30/14**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable (inventory &amp; prepaid items)</td>
<td>$204,370</td>
</tr>
<tr>
<td>Committed to PSERS</td>
<td>$14,406,187</td>
</tr>
<tr>
<td>Assigned for self-funded insurance</td>
<td>$5,700,000*</td>
</tr>
<tr>
<td>Unassigned</td>
<td>$17,755,761</td>
</tr>
<tr>
<td><strong>Total Fund Balances</strong></td>
<td><strong>$38,066,318</strong></td>
</tr>
</tbody>
</table>
Local Revenue Allocation

- Real estate/interims: 88%
- EIT: 8%
- Transfer tax: 2%
- Delinquent tax: 1%
- Other: 1%
Real Estate Taxes

• Based on January assessment totals
• Based on millage of 23.6224 mills (1.9% inc.)
• Assumes 97.0% collection rate
• Represents 72% of all revenues
Signs of Economic Rebound

- Real estate assessments
- Continued reverse appeals
- Fewer taxpayer appeals
- Earned income tax
- Realty transfer tax
The chart shows the total earned income tax for each year. The district experienced negative growth during the recession. Measure of fiscal health and an indicator of economic conditions.
Tax Base History

Assessed value

- 08-09: $6,800,000,000
- 09-10: $6,880,000,000
- 10-11: $6,960,000,000
- 11-12: $7,040,000,000
- 12-13: $7,120,000,000
- 13-14: $7,200,000,000
- 14-15: $7,280,000,000
- 15-16: $7,360,000,000
State Sources of Revenue

- Assuming no increase in basic or special education subsidy for now......
- Wolf budget address 3/4
Retirement Subsidy

- Largest state subsidy - $15.3 M
- 50% of district retirement expense
- $3.2 M increase
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>14-15 millage starting point</td>
<td>23.1819</td>
</tr>
<tr>
<td>Maximum millage increase with no exceptions using Act 1 index of 1.9%</td>
<td>0.4405</td>
</tr>
<tr>
<td>15-16 maximum millage using Act 1 index but no exceptions</td>
<td>23.6224</td>
</tr>
<tr>
<td>Additional revenue generated using Act 1 index</td>
<td>$3,057,885</td>
</tr>
</tbody>
</table>
## Tax Scenario

<table>
<thead>
<tr>
<th>Tax Increase</th>
<th>County</th>
<th>Budget Deficit</th>
<th>Average Homestead Assessment</th>
<th>Average Homestead Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.9%</td>
<td>Montgomery</td>
<td>$6,759,349</td>
<td>$153,543</td>
<td>$68</td>
</tr>
<tr>
<td>1.9%</td>
<td>Bucks</td>
<td>$6,759,349</td>
<td>$22,936</td>
<td>$55</td>
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</tbody>
</table>
Recommendation

• 1.90% tax increase

• Reduce deficit through new information, refined data and assumptions, and use of fund balance

• PSERS stabilization fund utilization
  • See handout
Drawdown of PSERS Stabilization Fund

- Fund accumulated for 6 years

- Caution necessary since it uses one-time money for ongoing expense
Next Steps

- Continued review of revenues and expenses
- Refinement of current year estimates
- Refine and update data based on new information
- State and Federal allocations
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
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<tbody>
<tr>
<td>2/5</td>
<td>Finance committee meeting review of preliminary budget (rescheduled from 1/26)</td>
</tr>
</tbody>
</table>
| 2/10  | Preliminary budget adoption  
Board work session |
| 5/12  | Proposed final budget adoption  
Board work session |
| 6/18  | Final budget adoption |