

October 18, 2016 Finance Committee

2017-2018 Budget Preparation



- The General Fund has operated at a deficit of more that \$7.3 million since 2010.
- The General Fund will have more than a negative \$2 million deficit with the closing of the 2015-2016 school year
- The District used bond proceeds to cover the nearly \$5 million deficit for the 2016-2017 school year
- It is anticipated that the deficit will grow beyond \$5 million for the 2017-2018 school year

Financial Performance



- The Department of the Auditor General issued a finding on the "Persistent Operational Deficits"
 - It was highlighted that use of fund balance in lieu of raising property taxes or decreasing educational services will be unsustainable in the future
 - The debt service was considered excessive being over 10% of the total expenditure, "the District should be very wary of taking on more debt"
 - The recommendations were to develop a long range financial plan, implement a business model to monitor operational expenses and develop policy and procedures to deal with weak internal control
- S&P Global Ratings Lowered its long term rating 3 notches from A to BBB
 - It was highlighted that the negative fund balance of \$454,000 was low and the expenditures continue to outpace static revenue, "we have concerns about the district's ability to cut costs and increase revenues sufficiently to restore structural balance"
 - The overall net debt of 11.2% was considered high and amortization is slow, "there is a one-in-three chance the rating could lower"
 - The recommendation from S&P was to perform long term financial planning and develop formal debt and reserve policies.



Financial Forecast

Plum Borough School District

Overall General Fund Chart

	(Actual) 2013	(Actual) 2014	(Actual) 2015	(Budget) 2016	(Projected) 2017	(Projected) 2018	(Projected) 2019	(Projected) 2020	(Projected) 2021
			REVENUE	S VS. EXPENDITURE	S				
Total Revenues	53,653,632	56,904,908	56,548,728	59,261,032	\$65,278,129	60,666,949	61,654,262	62,614,794	63,290,996
Total Expenditures	55,423,212	56,896,253	58,611,585	61,522,864	\$64,604,416	66,021,519	67,932,757	69,599,510	70,791,568
Operating Balance	(1,769,580)	8,655	(2,062,858)	(2,261,833)	673,713	(5,354,570)	(6,278,495)	(6,984,716)	(7,500,572)
Total Initiatives									
Op. Balance Post Initiatives	(1,769,580)	8,655	(2,062,858)	(2,261,833)	673,713	(5,354,570)	(6,278,495)	(6,984,716)	(7,500,572)
Adequacy Target	56,440,121	57,625,363	58,835,496						
			GENER	AL FUND BALANCE					
Beginning of the Year	3,370,144	1,600,564	1,609,219	(453,639)	(2,715,472)	(2,041,759)	(7,396,329)	(13,674,824)	(20,659,540)
End of the Year	1,600,564	1,609,219	(453,639)	(2,715,472)	(2,041,759)	(7,396,329)	(13,674,824)	(20,659,540)	(28,160,111)
As a % of Expenditures	2.89%	2.83%	(0.77%)	(4.41%)	(3.16%)	(11.20%)	(20.13%)	(29.68%)	(39.78%)
Capital Project Funds	2,498,904	2,506,750	1,784,667						
Total Fund Balance	4,099,468	4,115,969	1,331,028	(2,715,472)	(2,041,759)	(7,396,329)	(13,674,824)	(20,659,540)	(28,160,111)
As a % of Expenditures	7.40%	7.23%	2.27%	(4.41%)	(3.16%)	(11.20%)	(20.13%)	(29.68%)	(39.78%)



Local Revenues

Tax Year	Assessed Value	Homestead Value	Longwood Value	Net Taxable	Milage Rate	Gross Revenues	Longwood Payment	Discount Allowance	Actual Collection	Budgeted Real Estate and Interim
No Tax Increase, \$30,000 Interim Budget										
Forecast	.01 Increase									
2018	1,557,826,564.29	85,325,437	23,725,550	1,448,775,577	0.019377	28,072,924	526,880	561,458		26,386,045
2019	1,559,384,390.86	85,325,437	23,844,177	1,450,214,776	0.019377	28,100,812	534,093	562,016		26,418,515
2020	1,560,943,775.25	85,325,437	23,963,398	1,451,654,940	0.019377	28,128,718	541,405	562,574		26,451,095
										79,255,655
Tax to Index	Tax to Index (Assume 3.3%), \$30,000 Interim Bu									
Forecast	.01 Increase									
2018	1,557,826,564.29	82,599,649	23,725,550	1,451,501,366	0.020016	29,053,891	526,880	581,078		27,289,712
2019	1,559,384,390.86	79,960,938	23,844,177	1,455,579,276	0.020677	30,096,989	534,093	601,940		28,257,394
2020	1,560,943,775.25	77,406,523	23,963,398	1,459,573,854	0.021359	31,175,511	541,405	623,510		29,257,801
										84,804,907

Revenue



- Raise millage to the Act 1 Index for 3 consecutive budget years
- Obtain PDE approval for referendum above the index for pension obligations for the 2017-2018 budget year
- Explore the sale of District delinquent taxes
- Analyze and maximize transportation reimbursement
- Analyze and maximize Access reimbursement
- Maximize the free and reduced lunch rates to increase dollars through Federal funds and E-Rate
- Renegotiate payments in lieu of taxes with Longwood
- Explore Chinese exchange program, where students from China pay tuition to attend the District
- Explore accepting tuition students and opportunity scholarship students from underperforming schools
- Sale of property and buildings
- Sell advertising rights on District website, in school busses and buildings
- Pay-to-Play
- Reevaluate child accounting department to ensure state reimbursement is maximized, new funding formula 2017

Budget Process Next Steps



- Budget Manual
 - Review process with administrative staff
 - Budget timeline
 - Layout anticipated revenues
 - Build salary and benefit schedules