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 <br> School District

Overall General Fund Chart

|  | (Actual) 2013 | (Actual) 2014 | (Actual) 2015 | $\begin{array}{r} \text { (Budget) } \\ 2016 \end{array}$ | $\begin{array}{r} \text { (Projected) } \\ 2017 \end{array}$ | $\begin{array}{r} \text { (Projected) } \\ 2018 \end{array}$ | $\begin{array}{r} \text { (Projected) } \\ 2019 \end{array}$ | $\begin{array}{r} \text { (Projected) } \\ 2020 \end{array}$ | $\begin{array}{r} \text { (Projected) } \\ 2021 \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| REVENUES VS. EXPENDITURES |  |  |  |  |  |  |  |  |  |
| 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 |  |  |  |  |  |  |
| GENERAL 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 <br> Value | Longwood Value | Net Taxable | Milage <br> Rate | Gross <br> 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 (Assume 3.3\%), \$30,000 Interim Budget |  |  |  |  |  |  |  |  |  |  |
| 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

