



# **Warwick School District**

## **2016-17 Final General Fund Budget**

**As of June 7, 2016**



## 2015-16 Summary and Cause of Change

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As presented in the Proposed Final Budget presentation (through March):

- Revenues - *Favorability > Exposure*
- Expenses - *Favorability > Exposure*
- ***End result will show favorability to budgeted deficit***

Through May, we are in a position to potentially mitigate the entire budget deficit:

- Revenue Cause of Change - *Favorability > Exposure*
  - Current real estate tax collection +~\$200K (100.5% of collections)
  - Interim & Transfer tax collection +~\$400K+ (benefit from community building projects)
  - EIT collections are currently \$363K ahead of our highest year (prior year)
  - BEFC formula yielded us \$82K higher than anticipated in state revenue
  - Lower than budgeted delinquent taxes and uncertainty around PlanCon reimbursement offset by other favorability
- Expense Cause of Change - *Favorability > Exposure*
  - Salaries savings due to rotating vacancies, unpaid time, and backfilling with lower salaries or not at all, also yields benefits savings in retirement and social security ~\$500K+
  - Textbooks and supplies costs favorable by ~\$340K
  - Fund transfers for Bonfield roof favorable by \$282K
  - Utilities expense projected to be \$100K less than prior year and \$300K less than two years ago
  - Haven't needed use of budgetary reserve +\$238K
- Results in favorability to the total budgeted deficit – Revenue and expense favorability in certain areas more than offset the exposures



## High Level Summary of 2016-17

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- Revenues:
  - Approved opt out resolution to stay within 2.9% tax index (~\$1.9M)
  - Best case scenario for state funding is an additional \$390K (not incl. PSERS), *but doesn't this seem like deja vu from last year with lack of information?!*
  
- Expenses:
  - PSERS increases from 25.84% to 30.03% (16% or ~\$650K net increase)
  - Healthcare – projected 19.2% (~\$1.1M) over prior year
  - Special Education – projected \$500K over current year budget
  - Debt Service – \$1.8M comes back on the books from bond refinancing, but looking at another refinancing with an anticipated \$664K in savings



## Approved Proposed Final 2016-17 Budget From May

**\$67,755,851**

### **Proposed Revenue Budget for 2016-17**

*\$2,909,029 higher than current year budget: Included a 2.9% real estate tax increase, increased EIT budget, 50% of the proposed increased funding from the Governor's budget, PSERS/SS reimbursement increase, and increased PlanCon reimbursement from bond refinancing*

**\$71,253,678**

### **Proposed Expense Budget for 2016-17**

*\$3,514,127 higher than current year budget: Adds debt service back in, accounts for increased salaries, reflects increase in PSERS rate, adds significantly healthcare estimates, transportation, etc., and includes a sizeable amount of budget rightsizing*

**\$3,497,827**

### **Proposed Budget Operating Deficit**

*Beginning fund balance projected at \$10.8M*

*Ending fund balance would have been \$7.3M (10.3%)*

*\$2.9M in fund balance would have still been committed*

*Ending uncommitted fund balance would have been 6.2% (under 8% threshold)*



## Tax Assessment Review

Total District	2015											2016	
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
# Taxable	11,016		11,015		11,010		11,076			11,080	11,084	11,136	
Total Taxable \$	1,967,947,200		1,969,645,700		1,972,460,100		1,990,146,800			1,994,182,000	1,994,640,600	1,994,664,600	
# Exempt	243		244		247		250			253	253	252	
Total Exempt \$	209,390,900		209,490,900		209,739,900		214,786,000			215,031,600	215,272,600	215,178,800	
Total # Parcels	11,259		11,259		11,257		11,326			11,333	11,337	11,388	
Total Assessment	2,177,338,100		2,179,136,600		2,182,200,000		2,204,932,800			2,209,213,600	2,209,913,200	2,209,843,400	

June 2015 - May 2016 Increases	
# Taxable	+ 120
Total Taxable \$	+ \$26,717,400

April - May 2016 Increases	
# Taxable	+ 52
Total Taxable \$	+ \$24,000

*Not quite...*

**Updated with assumptions (used for budgeting purposes):**

Total District	2015											2016	
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
# Taxable	11,016		11,015		11,010		11,076			11,080	11,084	11,136	
Total Taxable \$	1,967,947,200		1,969,645,700		1,972,460,100		1,990,146,800			1,994,182,000	1,994,640,600	2,003,978,767	*
# Exempt	243		244		247		250			253	253	252	
Total Exempt \$	209,390,900		209,490,900		209,739,900		214,786,000			215,031,600	215,272,600	215,178,800	
Total # Parcels	11,259		11,259		11,257		11,326			11,333	11,337	11,388	
Total Assessment	2,177,338,100		2,179,136,600		2,182,200,000		2,204,932,800			2,209,213,600	2,209,913,200	2,209,843,400	

June 2015 - May 2016 Increases	
# Taxable	+ 120
Total Taxable \$	+ \$36,031,567

*\* Took May 2016 average assessed home value of ~\$179K x 52 additional taxable properties*



## Tax Revenue Implications in 2016-17

**Warwick's Adjusted Index – 2.9% (Board voted to stay within)**  
**Current 2015-16 Millage Rate – 20.1627**

<b>Millage Increase %</b>	<b>Resulting Millage Rate</b>	<b>Budget Increase \$</b>
0.22%	20.2071	\$ 901,992
0.44%	20.2515	\$ 986,397
0.66%	20.2961	\$ 1,070,988
0.88%	20.3407	\$ 1,155,765
1.10%	20.3855	\$ 1,240,728
1.33%	20.4303	\$ 1,325,878
1.55%	20.4753	\$ 1,411,215
1.77%	20.5203	\$ 1,496,741
2.00%	20.5655	\$ 1,582,454
2.22%	20.6107	\$ 1,668,356
2.45%	20.6560	\$ 1,754,447
2.67%	20.7015	\$ 1,840,728
<b>2.90%</b>	<b>20.7474</b>	<b>\$ 1,927,941</b>

Based on May 2016 Taxable Assessed Assumed Values of \$2,003,978,767  
(Calculation - increased collection %, backed out homestead/farmstead values)

Median Assessed Value: \$146,700

Average Increase at the 2.9% Index: \$85.78



## The "Big 3" Expenses vs. Notable Revenue Sources

	<u>2015-16 Fcst</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>4 Yr Change</u>	
<b>Salaries<sup>1</sup></b>	\$28,729,852	\$28,478,842	\$27,870,580	\$27,299,649	\$1,430,203	} ~\$7.7M
% increase	0.9%	2.2%	2.1%			
<b>Healthcare</b>	\$6,333,039	\$5,650,584	\$4,551,974	\$4,046,945	\$2,286,093	
% increase	12.1%	24.1%	12.5%			
<b>PSERS</b>	\$7,264,835	\$5,936,470	\$4,654,473	\$3,323,740	\$3,941,095	
% increase	22.4%	27.5%	40.0%			
<b>Financing</b>	\$7,781,887	\$9,190,493	\$8,962,165	\$9,766,507		← <i>Our baseline will be ~\$10M in 17-18</i>
% increase	-15.3%	2.5%	-8.2%			
<b>BEF/Grants</b>	\$9,776,046	\$9,598,995	\$9,388,717	\$9,158,423	\$617,623	} ~\$5.0M
% increase	1.8%	2.2%	2.5%			
<b>SEF</b>	\$2,228,846	\$2,181,862	\$2,185,686	\$2,190,787	\$38,059	
% increase	2.2%	-0.2%	-0.2%			
<b>All Local</b>	\$45,637,123	\$44,276,096	\$43,691,070	\$41,252,664	\$4,384,459	
	3.1%	1.3%	5.9%			

<sup>1</sup> Includes STS costs since it is now a contracted employment service



## Budget Considerations *(from May presentation)*

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- **Real Estate Tax Revenue** – Community housing/building projects are still under construction and could not only continue to drive up assessed values but also allow for us to budget higher interim and transfer taxes
- **State Funding** – If the Governor were to get his full education increase proposed, the additional revenue would fall to the bottom line
- **Bond Refinancing** – Although the markets haven't been as favorable of late, an advanced refunding of a portion of the 2009 bonds could save an estimated \$680K
- **Health Insurance Plan Design Changes**
  - We are currently exploring our pharmacy network and pricing structure (~\$200K)
  - Anticipate health insurance plan design changes through collective bargaining
- **Enrollment and Staffing** – We anticipate enrollment to continue to decline
  - 2007-08 Enrollment – 4,739
  - Current 2015-16 Enrollment – 4,180 (559 students, or an 11.8% decline)
    - Staffing has not decreased by a similar %, and the District has only had one furlough historically, so we will continue to analyze all vacancies
- **Accelerated Spending** – Look to pull 2016-17 planned expenses into current year
- **Warwick Ware** – The possibility exists for the Warwick Ware fund to reimburse the general fund for costs incurred (currently receive \$197K in annual revenue)
- **Fund Balance Commitments** – There is still \$2.9M committed for PSERS rate stabilization





## Budget Deficit Mitigation Levers Pulled



- **Real Estate Tax Revenue** – increased interim/transfer by \$300K, increased real estate tax by \$198K, decreased delinquent by \$100K
- **State Funding** – decreased budget by \$47K
- **Bond Refinancing** – budgeted \$664K in certain savings
- **Health Insurance Plan Design Changes**
  - implemented pharmacy changes and decreased expenses by \$202K (begins in January – ½ year savings)
  - anticipated plan design changes and decreased expenses by ~\$170K (some went up, some went down)
- **Enrollment and Staffing** – \$210K in savings from not backfilling 3 positions
- **Accelerated Spending**– pulled \$92K into 15-16
- **Warwick Ware**– budgeted \$98K transfer (1/2 of revenue)

~\$1.7M



## High Level Expense Function Summary

	<u>2015-16</u>	<u>2016-17</u>	<u>\$ Variance</u>	
ALL 1100 Regular Programs	29,247,811	30,135,787	887,976	} Majority of added cost going to Instruction
ALL 1200 Special Programs	9,052,220	9,373,791	321,571	
ALL 1300 Vocational Education	883,000	880,000	(3,000)	
ALL 1400 Other Instructional Programs	797,142	735,047	(62,095)	
ALL 1600 Adult Education Programs	11,677	11,677	-	
ALL 2100 Support Services - Students	1,764,203	1,834,720	70,517	
ALL 2200 Support Services - Instructional Staff	3,450,046	3,328,346	(121,700)	
ALL 2300 Support Services - Administration	3,849,369	3,515,292	(334,077)	
ALL 2400 Support Services - Pupil Health	711,096	765,370	54,274	
ALL 2500 Support Services - Business	701,026	757,393	56,367	
ALL 2600 Operation and Maintenance Services	4,542,804	4,567,555	24,751	★ Due to PDE account code change
ALL 2700 Student Transportation Services	2,555,312	2,535,447	(19,865)	
ALL 2800 Support Services - Central	73,445	363,597	290,152	
ALL 2900 Other Support Services	33,750	33,750	-	
ALL 3100 Food Services	-	-	-	
ALL 3200 Student Activities	1,546,342	1,540,727	(5,615)	
ALL 3300 Community Services	99,930	94,550	(5,380)	
ALL 4100 Site Acquisition Services	-	-	-	
ALL 4200 Existing Site Improvement Services	605	-	(605)	
ALL 4400 Architecture and Engineering Services	4,500	-	(4,500)	
ALL 4600 Existing Building Improvement Services	-	-	-	
ALL 5100 Debt Service and Financing Uses	102,100	95,000	(7,100)	★ Bond refinancing back on books
ALL 5200 Interfund Transfers - Out	8,063,173	9,090,064	1,026,891	
ALL 5800 Suspense Account	-	-	-	
ALL 5900 Budgetary Reserve	250,000	250,000	-	
	<u>67,739,551</u>	<u>69,908,113</u>	<u>2,168,562</u>	



## High Level Expense Object Summary

		<u>2015-16</u>	<u>2016-17</u>	<u>\$ Variance</u>
100	Salaries	28,618,004	28,499,061	(118,943)
200	Employee Benefits	17,076,376	18,806,155	1,729,779
300	Professional and Technical Services	3,902,904	4,232,715	329,811
400	Property Services	609,307	509,095	(100,212)
500	Other Purchased Services	4,747,909	4,554,413	(193,496)
600	Supplies	2,573,384	2,288,865	(284,519)
700	Property	1,244,479	1,178,086	(66,393)
800	Other Objects	569,015	414,659	(154,356)
900	Other Uses of Funds (transf/bond pmnts)	8,148,173	9,175,064	1,026,891
000	Unallocated	<u>250,000</u>	<u>250,000</u>	<u>-</u>
		67,739,551	69,908,113	2,168,562

- Employee benefits (200s) saw the largest increase
- Bond refinancing (900s) back on the books
- Increased Special Education costs (300s) rounds out the only other increase
- **Mitigated costs across other objects**



## Final Budget and Resulting Fund Balance

**\$68,249,244**

**Final Revenue Budget for 2016-17**

**\$69,908,113**

**Final Expense Budget for 2016-17**

**(\$1,658,869)**

**Final Budget Operating Deficit as of June 7**

**(\$1,838,958) change from Proposed Final Budget**

2014-15 Year End	
Revenue	\$63,701,147
Expense	\$63,646,899
<b>Total</b>	<b>\$54,248</b>
Beginning Fund Balance	\$11,792,746
Proj. Ending Fund Balance	\$11,846,994
<b>Committed:</b>	
PSERS Stabilization	\$2,943,982
Projected Operating Deficit	\$3,255,979
Capital Project	\$600,000
<b>Total Committed:</b>	<b>\$6,799,961</b>
Ending Uncommitted Fund Balance	\$5,047,033
% of Budgeted Expenses	7.9%

2015-16 Budget	
Revenue	\$64,846,822
Expense	\$67,739,551
<b>Budget Deficit</b>	<b>(\$2,892,729)</b>
Beginning Fund Balance	\$11,846,994
Operating Deficit	(\$2,892,729)
<b>Ending Fund Balance</b>	<b>\$8,954,265</b>
% of Budgeted Expenses	13.2%
Current year favorability will yield a lower operating deficit	(\$1,000,000)
<b>Ending Fund Balance</b>	<b>\$10,846,994</b>
% of Budgeted Expenses	16.0%
<b>Total Committed:</b>	
Keep same commitments	\$6,799,961
Ending Uncommitted Fund Balance	\$4,047,033
% of Budgeted Expenses	6.0%

2016-17 Budget	
Revenue	\$68,249,244
Expense	\$69,908,113
<b>Budget Deficit</b>	<b>(\$1,658,869)</b>
Beginning Fund Balance	\$10,846,994
Operating Deficit	(\$1,658,869)
<b>Ending Fund Balance</b>	<b>\$9,188,125</b>
% of Budgeted Expenses	13.1%
<b>Total Committed:</b>	
PSERS/Healthcare Stabilization	\$2,943,982
Projected Operating Deficit	\$1,597,110
Capital Project (establish fund)	\$0
<b>Total Committed:</b>	<b>\$4,541,092</b>
Ending Uncommitted Fund Balance	\$4,647,033
% of Budgeted Expenses	6.6%

**Under 8% threshold**



## Finding the Balance

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### Fund Balance

- Lancaster County average of total fund balance \$ per student at the end of 2014-15 was \$3,179.21/student
- Warwick's fund balance \$ per student was \$2,787.53 (14% below average)

### Capital Reserve Fund

- Warwick is one of the few schools that does not have a capital reserve fund, which would only add to the above ratios
- Warwick has three buildings (HS, KH, JB) coming due for renovation in 2022-23 school year, which isn't all that far away to plan for so as to avoid any drastic increases at that time

**VS.**

### Millage Rate

- Lancaster County 2015-16 average millage rate is 19.5706
- Warwick's current 2015-16 millage rate is 20.1627 (3% above average)
- After two years of seeking and utilizing exceptions in 2012-13 and 2013-14, Warwick has voted to stay within the index for three straight years



## Final Steps

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- Final budget notice was posted in legal section of the June 6, 2016 newspaper, and the Proposed Final Budget in form PDE-2028, as well as the presentation, has been posted on the District's website and available for review at the District Office since the May meeting
- Minor tweaking up until final approval based on any key developments
- Formal and final PDE-2028 will come before the Board for approval at the June 21, 2016 Board meeting

***Questions?***