



Warwick School District

2018-19 Proposed Final Budget

May 1, 2018



2018-19 Budget History

Recent Budget History

2014-15 Budget Deficit	(\$3,255,979)	<i>(average deficit for prior 7 years was also about ~\$3M)</i>
2015-16 Budget Deficit	(\$2,892,729)	
2016-17 Budget Deficit	(\$1,487,734)	
2017-18 Balanced Budget	- \$0 -	@ \$70,508,932

(1st balanced budget in over 10 years)

December 2017 – Board voted to stay within Warwick’s 2.8% adjusted index

January 2018 snapshot of 2018-19 budget (still with many unknowns):

Revenue	\$71,971,508	
Expense	<u>\$73,251,444</u>	
Deficit	(\$1,279,936)	Represents a tax increase at our 2.8% index

March 2018 snapshot of 2018-19 budget (progress, but still with many unknowns):

Revenue	\$72,105,479	(added \$133,971 in revenue)
Expense	<u>\$72,814,083</u>	(reduced \$437,361 in expense)
Deficit	(\$ 708,604)	Represents a tax increase of 1.7%



Lancaster County Assessment Updates

	<u>17-18 Duplicate</u>	Reassess <u>11/9 File</u>	<u>1/5/18 File</u>	<i>Var to 11/9</i>	<u>3/9/18 File</u>	<i>Var to 1/5</i>	<u>4/10/18 File</u>	<i>Var to 3/9</i>
Total District								
# Taxable	11,174	11,252	11,254	2	11,270	16	11,277	7
Total Taxable \$	2,012,620,000	2,652,659,800	2,662,321,200	9,661,400	2,702,446,600	40,125,400	2,725,850,600	23,404,000
# Exempt	253	261	260	-1	259	-1	259	0
Total Exempt \$	214,733,300	293,686,600	293,278,200	-408,400	294,033,300	755,100	294,056,800	23,500
Total # Parcels	11,427	11,513	11,514	1	11,529	15	11,536	7
Total Assessment	2,227,353,300	2,946,346,400	2,955,599,400	9,253,000	2,996,479,900	40,880,500	3,019,907,400	23,427,500

- Not an apples to apples comparison due to reassessment (still working through millage re-leveling)
- Picked up 78 incremental properties
- 8 properties became exempt, including Pinnacle/Heart of Lancaster with associated PILOT agreement
- Picked up \$9.6M in assessed values which is apples to apples to initial reassessment figures
- Picked up an additional \$40M in assessed values
- Picked up an additional \$23M in assessed values



Reassessment Process Review

- Preliminary notices were sent out in March 2017
- Final notices were sent out in June 2017
- Appeals were heard through September 2017 by Lancaster County Assessment office
- Legal appeals are still in play to this day

- **School District – can't collect one additional cent as part of process, only board action related to Act 1 index can raise tax revenue**
 - ❑ Required to reduce tax mills to revenue neutral rate
 - ❑ Based on all properties that were in 2017 tax duplicate
 - ✓ Have to account for new construction, exemptions/reductions, and appeals



Budget Considerations

Revenue Generation vs. Expense Mitigation vs. Fund Balance Use

Variable items that swayed the budget:

- Healthcare – seeing increases as well as adding additional staff to the plan
- Special Education – favorable but very variable in nature
- Attritional Savings – retirements (fewer than avg.) and not backfilling one position
- State BEF/SEF Funding – currently budgeted half of proposed increase (+\$75K)
- Assessed Values – continued growth on tax rolls
- Earned Income Taxes – keeping an eye on our local economy
- ~~Bond Refinancing – one possible refunding left for \$50-\$100K savings~~
- UPMC – PILOT payment during reassessment year (\$250K) – this is a wash
- Budget trending – constantly analyzing YTD performance
- Feasibility Study/Capital Planning – need to think ahead (\$5M Principal = \$2M Interest)



2018-19 Proposed Final Budget

	2017-18	2018-19	
REVENUE	<u>Budget</u>	<u>Budget (May)</u>	<u>Variance</u>
6000 Local Revenues	48,428,475	50,438,769	2,010,294
7000 State Revenues	21,383,481	21,893,131	509,650
8000 Federal Revenues	598,976	556,476	(42,500)
9000 Other Revenues	98,000	98,000	-
	70,508,932	72,986,376	2,477,444
EXPENSE			
100 Salaries	29,103,390	30,260,941	1,157,551
200 Employee Benefits	19,081,648	20,124,023	1,042,375
300 Professional and Technical Services	4,335,508	3,459,249	(876,259)
400 Property Services	499,193	473,883	(25,310)
500 Other Purchased Services	4,513,056	4,757,220	244,164
600 Supplies	2,126,611	2,073,510	(53,101)
700 Property	1,120,178	1,134,738	14,560
800 Other Objects	407,715	358,635	(49,080)
900 Other Uses of Funds (transf/bond pmnts)	9,071,633	10,094,177	1,022,544
000 Unallocated	250,000	250,000	-
	70,508,932	72,986,376	2,477,444
	Budget Deficit	-	-



Looking Ahead – 3 Year Forecast

	Budget	Projections		
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
		<i>(projections assume no tax increases or changes in programs/personnel)</i>		
<u>REVENUES</u>				
6000 LOCAL REVENUES	50,438,769	51,076,078	51,543,172	51,914,729
7000 STATE REVENUES	21,893,131	22,418,964	22,808,704	23,200,322
8000 FEDERAL REVENUES	556,476	556,475	556,475	556,475
9000 OTHER REVENUES	98,000	98,000	98,000	98,000
TOTAL REVENUES	72,986,376	74,149,517	75,006,351	75,769,527
<u>EXPENSES</u>				
100 SALARIES	30,260,941	30,956,943	31,668,952	32,397,338
200 BENEFITS	20,124,023	21,525,908	22,741,248	24,030,462
300 PROFESSIONAL/TECHNICAL SERVICES	3,459,249	3,534,269	3,611,253	3,690,255
400 PROPERTY SERVICES	473,883	478,622	483,408	488,242
500 OTHER PURCHASED SERVICES	4,757,220	4,876,151	4,998,054	5,123,006
600 SUPPLIES/TEXTBOOKS/UTILITIES	2,073,510	2,073,510	2,073,510	2,073,510
700 PROPERTY	1,134,738	1,146,085	1,157,546	1,169,122
800 OTHER OBJECTS	358,635	358,635	358,635	358,635
900 OTHER USES OF FUNDS (TRANSF/BOND)	10,094,177	10,199,077	10,172,463	10,046,628
000 UNALLOCATED	250,000	250,000	250,000	250,000
TOTAL EXPENSES	72,986,376	75,399,200	77,515,070	79,627,198
<i>SURPLUS/(DEFICIT)</i>	-	<i>(1,249,683)</i>	<i>(2,508,719)</i>	<i>(3,857,672)</i>

If a 2% real estate tax increase was levied each year:

(429,839)

(1,663,859)

(2,987,174)



Potential Tax Impact in 2018-19

Act 1 Index – 2.4%

Warwick's Adjusted Index – 2.8% (Board Voted to Stay Within for 5th Year in a Row)

Current 2017-18 Millage Rate – 21.1623

Lancaster County 2017-18 Average Millage Rate – 20.5361

(not factoring in releveled millage rate)

Increase	Est. Tax Revenue	Est. Median Taxpayer Impact
0.25%	~\$100K	\$7.83
0.50%	~\$200K	\$15.66
1.00%	~\$400K	\$31.32
1.50%	~\$600K	\$46.98
2.00%	~\$800K	\$62.64

Considerations

- Can't recoup in the future what is left on the table
- Minimize future year budget deficits and uncertainty from year to year
 - Less of a need to play catch-up
 - Protect future impact to programs/personnel/class sizes
- Cost of borrowing debt – Every \$5M of principal carries \$2M of interest
 - 1 mill of real estate tax = \$2M in revenue – what should that be spent on?



Fund Balance Analysis

Beginning 17-18 General Fund Balance	16,290,694
Transfer to Capital Reserve Fund	(3,842,864)
Current General Fund Balance	12,447,830
Committed:	
<i>PSERS/Healthcare Stabilization</i>	2,943,982
<i>Future Operating Deficit</i>	2,255,979
<i>Construction and Improvements</i>	2,516,136
<i>Capital Expenditures</i>	1,000,000
Total Committed:	8,716,097
Total Uncommitted	3,731,733
Proposed 18-19 Expenses Budget	72,986,376
Uncommitted % of 18-19 Expenses	5.1%
Total General Fund Balance % of 18-19 Expenses	17.1%

**Doesn't reflect any 17-18 impact. While we are anticipating favorability, we will review both general fund and capital reserve scenarios*



Budget Timeline

- **May Meetings and Dates:**
 - May 1 – Proposed final budget presentation to F&L and COW
 - May 15 – School board adopts proposed final budget
 - May 30 – Deadline for proposed final budget to be available for public review

- **June Meetings and Dates:**
 - June 5 – Final budget presentation to F&L and COW
 - June 9 – Deadline to publish notice of intent to adopt final budget
 - June 19 – School board adopts final budget



Open Discussion and Questions