MINUTES

Council Rock School District Finance Committee
Thursday, May 30, 2013, at 6:00 p.m.

The Chancellor Center, Historic Classroom 1

I. <u>Update and Discussion on Final 2013-2014 General Fund Budget</u>

Mr. Reinhart updated the Committee on the status of the budget. He explained that the following adjustments were made to budgeted revenues:

Estimated Revenues, April 25, 2013 Budget	$ 203,623,161
Adjustments:	
Reduction in State Contributions Due to Reduction in Salaries and Wages:	
Social Security	(35,925)
Retirement	(94,828)
IDEA Funding Through the Intermediate Unit	(125,036)
Total Adjustments	(255,789)
Adjusted Revenues	$ 203,367,372

He further explained that these revenues are based on the real estate millage remaining the same as in the 2012-2013 fiscal year. The effect of a tax increase will be discussed later in the presentation.

He then reviewed the changes in the Appropriations from the Preliminary Budget:

Appropriations, April 25, 2013 Budget	$ 209,411,668
Adjustments:	
Reduction in Salaries and Wages - 28.2 FTE Staff Resignations and Retirements and 6 FTE Reduction in Staff	
Salaries	(1,567,433)
Employee Benefits	(440,225)
IDEA Grant Appropriations	(125,036)
Total Adjustments	(2,132,694)
Adjusted Appropriations	$ 207,278,974

The financing of the budget was presented using the adjusted amounts identified above:

Estimated Revenues	$	203,367,372
Less:		
Budgeted Appropriations		207,278,974
Current Budget Deficit	$	(3,911,602)

He explained that this deficit reflects no tax increase. The 2013-2014 Act 1 index limit would allow the Board of School Directors to increase the real estate millage rate by 1.70% or 1.91. This increase is estimated to increase revenue by an additional $2.3 million.

Mr. Reinhart explained that the District had recently received the gaming funds for 2013-2014. He reminded the committee that these funds are used to reduce homestead and farmstead property owners. The following information was presented:

	2010-2011	2011-2012	2012-2013	2013-2014	Variance
General Gaming Revenues	$ 3,841,011.08	$ 3,840,797.69	$ 3,840,617.24	$ 3,841,238.76	$ 621.52
Philadelphia Sterling Credit	1,805,249.52	1,121,658.49	1,934,902.15	1,262,142.36	(672,759.79)
State Funded Property Tax Relief	5,646,260.60	4,962,456.18	5,775,519.39	5,103,381.12	(672,138.27)
Carry Over	-	8,738.48	6,131.83	14,688.18	8,556.35
Total To Be Distributed	$ 5,646,260.60	$ 4,971,194.66	$ 5,781,651.22	$ 5,118,069.30	$ (663,581.92)
Homesteads	20,189	20,224	20,482	20,479	(3)
Farmsteads	46	44	43	43	-
Total Properties Subject to Rebate	20,235	20,268	20,525	20,522	(3)
Total Homestead/Farmstead Rebate	$ 279.03	$ 245.27	$ 281.69	$ 249.32	$ (32.36)

He explained that the 2013-2014 Gaming Revenue is $663,000 less than the previous year. The result of this reduction in Gaming Revenue will result in Homestead and Farmstead property owners paying $32.36 more in their 2013-2014 taxes without an increase in the real estate millage rate.

He further explained that the administrative recommendation for the tax increase will incorporate this increase that was unforeseen during the deliberation of the Preliminary Budget. He reviewed the status of the Preliminary Budget Tax increase:

Net Increase In Costs Associated with Retirement Contributions	**Percentage Funded PSERS Fund Balance**	**Amount Funded With PSERS Fund Balance**	**Amount Funded With Tax Increase**
$ 2,695,503	50.00%	$ 1,347,752	$ 1,347,751
Costs Associated with Additional Staffing Associated with Security Measures			431,009
Total Increase from Real Estate Tax Increase			$ 1,778,760
Value of One Mil		$ 1,216,497	
Needed Millage Increase (Total Increase/Value of Mil)		1.46	1.30%

He went on to explain the administrations updated recommendation based on the Homestead/Farmstead Rebate reduction.

Estimated Additional Revenues Based on Administrative Recommendation		$ 1,778,760
Less:		
Cost to Taxpayers for Homestead/Farmstead Rebate Reduction		
Homestead/Farmstead Reduction	$ 32.36	
Number of Homesteads/Farmsteads	20,522	664,092
Revised Revenue From Increase in Millage Rate		$ 1,114,668
<u>Equivalent Tax Increase</u>		
Mils		0.92
% Increase		0.82%

He explained that based on this recommendation in tax increase the status of financing the budget is as follows:

Estimated Revenues	$	203,367,372
Less:		
Budgeted Appropriations		207,278,974
Current Budget Deficit		(3,911,602)
Additional Revenue From Tax Increase		1,114,668
Revised Use of Fund Balance with Tax Increase	$	(2,796,934)

<u>Fund Balance Discussion</u>

Mr. Reinhart began a discussion of our current fund balance status. He explained that there are considerable reasons to maintain the proper fund balance. He also explained that there should be deliberation by the Board regarding our Fund Balance strategies. The following points were made as we consider our fund balances:

<u>Long-Term Constraints on Raising Revenues</u>:

- Act 1 Index Restricts School Board's Ability to Raise Taxes
- $137,175,736 or 67.45% of our Revenues are Restricted From Increases Through Act 1
- Other Revenue Tax Rates Are Not Under Local Control

<u>Long-Term Impact of Increasing Costs</u>:

- Employer Contributions Into Retirement System Will Consume a Greater Portion of the Budget
    - Costs Will Go From $13.8 million to $32.8 million in Three Years And Continue For the Foreseeable Future
- Increasing Costs of Healthcare:
    - Affordable Care Act
    - Healthcare Cost Trends
- Maintaining Services of the School District in Years of Declining Revenues

<u>Need To Provide For Capital Assets</u>:

- District Facilities In Need of Renovations
    - Based on Mr. Taylor's Detailed Facilities Review There Are approximately $153 million in Facility Needs That Will Need to be Evaluated
- Large Reserves Are An Important Factor in Maintaining a Good Credit Rating and Reducing Cost of Debt Financing
- Reserves Can be Used to Fund Capital Costs Rather Than Debt Financing

He also highlighted the following considerations should we decide to begin to reduce the amount of our current fund balances:

Careful Planning is Important When Reserves are Used to Fund Recurring Costs Such as Increasing Retirement Costs

- Funds should be used to manage a transition in cost cutting or tax increases.

Consideration Should Be Giving To Use Reserves To Fund One Time Costs

- Capital Improvements
- One Time Implementation Costs of Educational Programs
- Reduce Long-Term Debt at The Time of a Refinancing

After considerable discussion the Committee agreed to continue this discussion with the aim to develop a strategy in maintaining and use of fund balance.