



LAMPETER-STRASBURG SCHOOL DISTRICT

FINANCE COMMITTEE – JANUARY 30, 2017



AGENDA

1. Discussion of Potential Property Tax Elimination Bill
2. Discussion of a Preliminary 2017-18 General Fund Budget
3. Discussion of a Parameters Resolution for the Borrowing of Funds for Athletic Stadium Projects
4. Presentation of Lease Terms for Teacher Laptops
5. Discussion of Donations to Local Support Organizations
6. Items from the Committee



DISCUSSION OF POTENTIAL PROPERTY TAX ELIMINATION BILL



DISCUSSION OF POTENTIAL PROPERTY TAX ELIMINATION BILL

POSSIBLE REQUIREMENTS WITHIN THE BILL

- Property Taxes to Fund Debt - Property Tax allowed to continue but only to fund existing debt (debt in place as of 12/30/16) – when debt is paid off, the authority to levy property tax is removed
 - L-S would retain 16.09% of its Real Estate Tax to cover its existing debt
- Replacement Taxes - Property Taxes eliminated would be replaced with the following (increases based upon past RE elimination efforts):
 - Personal Income Tax to increase from 3.07% to 4.95%
 - Sales Tax Broadened and increase from 6% to 7%
 - Becoming affected are most food purchases, clothing and services
- Date RE Taxes Eliminated - School Districts could not levy real estate taxes except for the amount needed to cover debt after June 30, 2017
- Basis for Subsidy Used to Replace RE Taxes - Subsidy used to replace elimination of RE taxes to be distributed based upon local taxes received in 2016-17
- Referendum Needed for New Debt - New Debt only allowed with successful referendum
- Timing of Potential Bill – Discussion of Property Tax Elimination Bill has been pushed to Senate Republican Caucus Retreat scheduled for February 2 and 3. Vote in the Senate on Property Tax Elimination Bill most likely to occur after the Governor’s budget address on February 7

DISCUSSION OF POTENTIAL PROPERTY TAX ELIMINATION BILL

IMPLICATIONS OF THE PROPOSED BILL

- Business Taxes Decline - Businesses will see their school property taxes significantly reduced without a corresponding increase in their payment of personal income and sales tax, this windfall is estimated to be \$2 billion.
 - \$2 billion in total tax increase shifted to individual taxpayers – district's with large portion of commercial property will see a greater impact upon individual taxpayers
- Negative Impact Upon Poor Districts - Districts receiving significant portion of income from state sources resulting in low local revenue will continue pay property tax (for debt) while paying additional PIT and sales tax – impact of this is poorest districts
- Disparity in Education Funding - Disparity in education funding will grow due to the dramatic differences in state support for education across districts – some districts receive \$1,000 per student from local revenue while others receive as much as \$24,000 per student – Property tax elimination locks in this disparity
 - Work of the Basic Education Funding Commission, a bipartisan recommendation, is rendered meaningless

DISCUSSION OF POTENTIAL PROPERTY TAX ELIMINATION BILL ARTICLE IN THE TIMES HERALD, NORRISTOWN, PA

- The information below is from an article in the Times Herald News, Norristown, PA, by Evan Brandt
 - *Senator David Argall's proposal also has the potential to lock in the funding disparity between rich and poor school districts with the difference being that instead of wealthy districts funding their own higher spending through their property taxes, the entire state would be paying for it under the "dollar-for-dollar" replacement provisions of the bill, according to Pottsgrove Business Manager, David Nester's, analysis.*
 - *That means that a wealthy district like Lower Merion, which funds a higher level of spending mostly out of its own property tax pockets, would instead enjoy the same level of spending but now at the expense of all personal income taxpayers in Pennsylvania.*

DISCUSSION OF POTENTIAL PROPERTY TAX ELIMINATION BILL

IMPLICATIONS OF THE PROPOSED BILL - CONTINUED

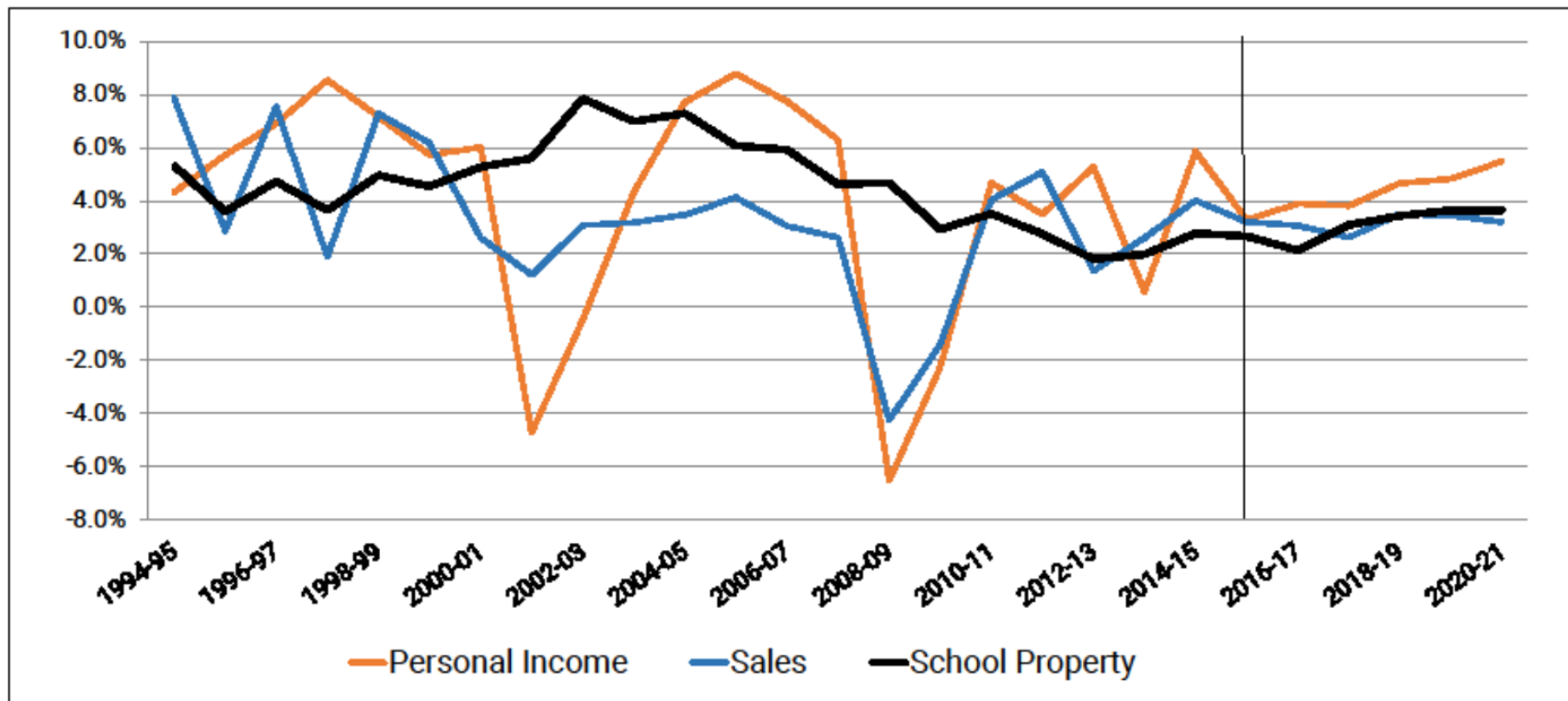
- Six Counties Receive Most of the Money – Allegheny, Bucks, Chester, Delaware, Montgomery or Philadelphia County will receive a disproportionate share of statewide collection of the additional PIT and Sales tax (See map on next slide)
 - Local districts will no longer be funding their own district but will see (outside of the above counties) a significant share of their additional PIT and Sales tax shifted to other parts of the state. (Local taxes eliminated from the above counties are the greatest throughout the state)
- Unfavorable District Cash Flow Impact – Precluding collection of the RE tax July 1, 2017, it will be nearly impossible to fund their 2017-18 programs.
 - Serious cash flow issues will occur until the state is able to provide for the additional PIT and Sale Tax which could take upwards of 24 months
- Difficulty Incurring Debt - No new Debt eliminates a tool for dealing with financial chaos such as the example cited above and may prohibit district's from borrowing for critical infrastructure maintenance such as repairing building systems (HVAC, electrical/data and security).
- Windfall to the Federal Government – By eliminating school property tax, approximately \$600 million will be sent to the federal government through the loss of the real estate property tax deduction on individual tax returns.
- Programmatic Cuts – To the extent cola increases do not keep pace with pension, healthcare and charter school costs , districts will be forced to cut program to sustain mandated cost increases

DISCUSSION OF POTENTIAL PROPERTY TAX ELIMINATION BILL SHIFTING RESPONSIBILITY TO THE STATE

- No Monies for State Mandates – with no ability to generate revenue for new state mandates, any bill requiring such things as teacher training, program offerings, additional reporting and even health and safety measures will require new state funding.
- State Control of Collective Bargaining – With no property tax and lack of local control over revenue, a district's ability to negotiate teacher contracts is diminished, effectively requiring the state to assume that role.
- Deteriorating Facilities – Failing infrastructure and difficulty passing referendums to improve facilities increases the probability of a shift of this burden to the state
- Vulnerability to Recession – Any recession where PIT and Sales tax decline will reduce funds available to keep pace with needed state funding of schools. Unlike property tax, the volatility of PIT and Sales taxes places the burden on the state to make up for recessionary driven lost revenue.

VULNERABILITY TO RECESSION

Annual Revenue Growth Rates





DISCUSSION OF A PRELIMINARY 2017-18 GENERAL FUND BUDGET



PROPOSED PRELIMINARY BUDGET— 4.81% MILLAGE INCREASE

	2016-17 Budget	2016-17 Projected	2017-18 Proposed	Difference	% Change
Total Fund Balance - Beginning	5,617,070	5,617,070	6,082,470	465,400	8.29
Revenue:					
Local	37,710,890	37,991,900	40,439,030	2,447,130	6.44
State	12,117,400	12,189,590	11,615,210	(574,380)	-4.71
Federal	449,320	470,890	470,890	0	0.00
Other Financing Sources	0	0	0	0	
Total:	<u>50,277,610</u>	<u>50,652,380</u>	<u>52,525,130</u>	1,872,750	3.70
Expenditures	50,547,770	49,699,980	52,684,490		
Transfer to Capital Reserve	<u>487,000</u>	<u>487,000</u>	<u>0</u>		
Total Expenditures and Transfers	<u>51,034,770</u>	<u>50,186,980</u>	<u>52,684,490</u>	(2,497,510)	4.98
Operating Balance:	(757,160)	465,400	(159,360)		
Total Fund Balance - Ending	4,859,910	6,082,470	5,923,110		
Assigned for Retirement	900,000	900,000	900,000		
Assigned for Lost Appeals	0	0	300,000		
Assigned for Technology	0	0	556,300		
Unassigned Fund Balance	<u>3,959,910</u>	<u>5,182,470</u>	<u>4,166,810</u>		
Total Fund Balance	4,859,910	6,082,470	5,923,110		
% of Unassigned Fund Balance to Total Expenditures	7.76%	10.33%	7.91%		

PROPOSED PRELIMINARY BUDGET— REVENUE DIFFERENCES

Revenue Type	Amount	% Increase	Comments
Real Estate and Interim Taxes	2,386,210	7.21%	Includes interims; 0.75% assessment increase; 4.81% millage increase
Earned Income Taxes	60,450	2.00%	
Del Tax, Transf Tax, Public Utility Tax	470	0.05%	
Other Local Income	0	0.00%	
Basic Education Subsidy	81,680	2.00%	Assumes a 2% increase from 2016-17
Special Education	28,040	2.00%	Assumes a 2% increase from 2016-17
Rental & Sinking Fund Subsidy	(479,440)	-48.80%	Reduction from 2015-16 deferred revenue received in 2016-17
Property Tax Relief	(633,140)	-100.00%	Approval for Property Tax Relief to occur by April 20
Social Security Reimbursement	28,580	3.55%	
Retirement Subsidy	394,970	12.26%	PSERS contribution rate increasing from 30.03% to 32.57%
Other State Subsidies	4,930	0.74%	
Federal Subsidies	0	0.00%	
Total	1,872,750	3.70%	

PROPOSED PRELIMINARY BUDGET— EXPENDITURE DIFFERENCES

Account Type	Amount	% Change	Comments
Salaries			
Professional	672,560	3.70	
Support	<u>79,650</u>	2.43	
Total:	752,210	3.51	Includes a 2.75% salary increase; 0.37% for educational attainment
Benefits			
Social Security	57,160	3.49	
Retirement	789,950	12.26	PSERS contribution rate increasing from 30.03% to 32.57%
Unemployment	-	0.00	
Worker's Comp	44,140	34.29	No dividend assumed in 2017-18
Tuition	270	0.12	
Health Insurance	273,250	5.00	
Employer's Share TSA	<u>-</u>	0.00	
Total:	1,164,770	8.34	

PROPOSED PRELIMINARY BUDGET— EXPENDITURE DIFFERENCES – cont.

Account Type	Amount	Change	Comments
Purchased Professional Services	216,500	7.99	Increase to special education contract
Purchased Property Services	39,790	4.29	5% increase in electricity budget
Other Purchased Services	42,920	1.47	5% increase in charter school tuition
Supplies	(172,580)	(11.17)	Savings from the difference between the 2016-17 textbook adoption (\$224,000) and a proposed 2017-18 high school textbook adoption (\$50,000)
Equipment	117,850	27.88	Increase is due to 13.57% for athletic equipment (\$57,520); 3.58% for 1:1 initiative (\$15,130); 10.73% increase for building level budgets (\$45,350)
Other Objects - Dues & Memberships	1,920	0.05	
Other Objects - Debt Interest	(157,870)	(0.17)	Debt Service interest
Other Financing Uses - Debt Principal	229,000	0.25	Debt Service principal
Transfer to Capital Reserve	(487,000)	(100.00)	No budgeted transfer for 2017-18
Budgetary Reserve	<u>750,000</u>		Budgetary Reserve
Total Budget Difference:	2,497,510	4.98	

CALCULATION OF STATE SUBSIDY TO REPLACE PROPERTY TAX REVENUE

If eliminated in 2017-18

16/17 Real Estate Tax Collected	33,467,550	Total before Relief Revenue (reduced by a major assessment appeal)
16/17 Delinquents	452,104	
16/17 Interims	254,410	
Less: Debt Service	<u>(5,497,050)</u>	covered by property tax
	28,677,014	

If property tax elimination would begin in 2017-18, the district would lose revenue from any future taxable assessment increases and millage increases.

FIVE-YEAR BUDGET PROJECTION –

1 – Exceptions taken in 2017-18 & no Property Tax Elimination bill passed throughout the projection period

	Estimated Actual	Projected Budgets				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
TOTAL REVENUES	50,652,380	52,525,130	54,193,355	55,929,790	57,597,356	58,995,902
TOTAL EXPENDITURES & OTHER FINANCING USES	50,186,980	52,084,490	53,880,899	56,027,366	57,888,836	59,518,833
BASELINE OPERATING BALANCE	465,400	440,640	312,456	(97,576)	(291,481)	(522,930)
TOTAL FUND BALANCE (Beginning of Year)	5,617,070	6,082,470	6,523,110	6,835,566	6,737,989	6,446,508
TOTAL FUND BALANCE (End of Year)	6,082,470	6,523,110	6,835,566	6,737,989	6,446,508	5,923,578

- Unspent budgetary reserve will improve the baseline operating balance.
 - Budgetary reserve is projected at \$400,000 in 2017-18 through 2021-22.
- Capital Reserve transfer of \$2,893,780 in 2021-22 (due to debt reduction).

FIVE-YEAR BUDGET PROJECTION –

2 – Index taken in 2017-18 & no Property Tax Elimination bill passed throughout the projection period

	Estimated Actual	Projected Budgets				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
TOTAL REVENUES	50,652,380	51,883,050	53,530,227	55,245,007	56,890,291	58,265,576
TOTAL EXPENDITURES & OTHER FINANCING USES	50,186,980	52,084,490	53,880,899	56,027,366	57,888,836	59,518,833
BASELINE OPERATING BALANCE	465,400	(201,440)	(350,672)	(782,359)	(998,546)	(1,253,257)
TOTAL FUND BALANCE (Beginning of Year)	5,617,070	6,082,470	5,881,030	5,530,358	4,747,998	3,749,453
TOTAL FUND BALANCE (End of Year)	6,082,470	5,881,030	5,530,358	4,747,998	3,749,453	2,496,196

- Unspent budgetary reserve will improve the baseline operating balance.
 - Budgetary reserve is projected at \$400,000 in 2017-18 through 2021-22.
- Capital Reserve transfer of \$2,893,780 in 2021-22 (due to debt reduction).

FIVE-YEAR BUDGET PROJECTION –

3 – Exceptions taken in 2017-18 & Property Tax Elimination bill passed in 2018-19

	Estimated Actual	Projected Budgets				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
TOTAL REVENUES	50,652,380	52,525,130	53,399,877	54,121,938	55,209,788	53,117,493
TOTAL EXPENDITURES & OTHER FINANCING USES	50,186,980	52,084,490	53,880,899	56,027,366	57,888,836	56,625,053
BASELINE OPERATING BALANCE	465,400	440,640	(481,022)	(1,905,428)	(2,679,048)	(3,507,560)
TOTAL FUND BALANCE (Beginning of Year)	5,617,070	6,082,470	6,523,110	6,042,088	4,136,660	1,457,612
TOTAL FUND BALANCE (End of Year)	6,082,470	6,523,110	6,042,088	4,136,660	1,457,612	(2,049,948)

- Unspent budgetary reserve will improve the baseline operating balance.
 - Budgetary reserve is projected at \$400,000 in 2017-18 through 2021-22.
- No Capital Reserve transfer from debt reduction in 2021-22. Millage is reduced as a result of debt reduction.

FIVE-YEAR BUDGET PROJECTION –

4 – Index taken in 2017-18 & Property Tax Elimination bill passed in 2018-19

	Estimated Actual	Projected Budgets				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
TOTAL REVENUES	50,652,380	51,883,050	52,757,797	53,467,016	54,541,768	52,436,112
TOTAL EXPENDITURES & OTHER FINANCING USES	50,186,980	52,084,490	53,880,899	56,027,366	57,888,836	56,625,053
BASELINE OPERATING BALANCE	465,400	(201,440)	(1,123,102)	(2,560,350)	(3,347,069)	(4,188,941)
TOTAL FUND BALANCE (Beginning of Year)	5,617,070	6,082,470	5,881,030	4,757,928	2,197,578	(1,149,491)
TOTAL FUND BALANCE (End of Year)	6,082,470	5,881,030	4,757,928	2,197,578	(1,149,491)	(5,338,431)

- Unspent budgetary reserve will improve the baseline operating balance.
 - Budgetary reserve is projected at \$400,000 in 2017-18 through 2021-22.
- No Capital Reserve transfer from debt reduction in 2021-22. Millage is reduced as a result of debt reduction.

FIVE-YEAR BUDGET PROJECTION –

5 – Property Tax Elimination bill passed in 2017-18


	Estimated Actual	Projected Budgets				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
TOTAL REVENUES	50,652,380	51,048,254	51,702,883	52,861,045	53,923,174	51,763,762
TOTAL EXPENDITURES & OTHER FINANCING USES	50,186,980	52,084,490	53,880,899	56,027,366	57,888,836	56,625,053
BASELINE OPERATING BALANCE	465,400	(1,036,236)	(2,178,017)	(3,166,321)	(3,965,662)	(4,861,291)
TOTAL FUND BALANCE (Beginning of Year)	5,617,070	6,082,470	5,046,234	2,868,217	(298,103)	(4,263,765)
TOTAL FUND BALANCE (End of Year)	6,082,470	5,046,234	2,868,217	(298,103)	(4,263,765)	(9,125,056)

- Unspent budgetary reserve will improve the baseline operating balance.
 - Budgetary reserve is projected at \$400,000 in 2017-18 through 2021-22.
- No Capital Reserve transfer from debt reduction in 2021-22. Millage is reduced as a result of debt reduction.


SUM OF OPERATING BALANCE FOR THE FIVE-YEAR PROJECTION PERIOD

Budget Options

1	2	3	4	5
Exceptions taken in 2017-18. No Property Tax Elimination bill passed through the period.	Index taken in 2017-18. No Property Tax Elimination bill passed through the period.	Exceptions taken in 2017-18. Property Tax Elimination bill passed in 2018-19.	Index taken in 2017-18. Property Tax Elimination bill passed in 2018-19.	Property Tax Elimination Bill passed in 2017-18
(158,891)	(3,586,274)	(8,132,418)	(11,420,902)	(15,207,527)



DISCUSSION OF A PARAMETERS RESOLUTION FOR THE
BORROWING OF FUNDS FOR ATHLETIC STADIUM
PROJECTS



DISCUSSION OF PARAMETERS RESOLUTION

- Athletic Stadium Projects are authorized to be bid
 - If Board chooses to improve Field 2 (Varsity Soccer Field) a short-term note would be required to fund those improvements
- Under a Property Tax Elimination Bill, debt incurred after a certain date would be subject to public referendum
 - The date included in the memo to the Senate on the upcoming Property Tax Elimination Bill was 12/31/16
 - If the 12/31/16 date is pushed into the future during discussion of the bill, passage of a parameters resolution may give the district the ability to move forward with the improvement of field 2.
 - Since existing millage is in place for debt with Capital Reserve funding of the interest expense no new millage would be required
- Amount stated in parameters resolution sets the limit and does not bind the district to a borrowing nor bind the district to borrowing the full amount.
- A parameters resolution for the borrowing of \$5,000,000 will be placed on the 2/6/17 agenda if agreed upon this evening
- Some ability to borrow in the future gives the Board flexibility to manage any financial uncertainties resulting from unfavorable legislation



PRESENTATION OF LEASE TERMS FOR TEACHER LAPTOPS



PRESENTATION OF LEASE TERMS FOR TEACHER LAPTOPS

Susquehanna Commercial Finance Inc. (“SCF”), a wholly owned subsidiary of BB&T, is pleased to present you the following equipment financing proposal for your review and consideration.

EQUIPMENT: IT Equipment

FINANCED AMOUNT: \$256,750.00

TERM: 4 years

PAYMENT STRUCTURE: **Payment 1: \$161,000 (due 7/15/17)**
Payments 2 – 4: \$35,288.17 (due on 7/15 for each subsequent year)

RATE: 3.38%

END OF TERM OPTIONS: \$1.00 Buy out – Municipal Lease

DOCUMENTATION FEE: \$425.00 (due at closing)



DONATIONS TO LOCAL SUPPORT ORGANIZATIONS



DONATIONS TO LOCAL SUPPORT ORGANIZATIONS

- Historical budget of \$2,000 for donations paid to the following:
 - Lancaster County Library \$ 500
 - Strasburg–Heisler Library \$1,000
 - Strasburg Playground Association \$ 500

- If contributions to fire companies providing service to district facilities:
 - Strasburg
 - Lampeter
 - Willow Street
 - Refton
 - Lafayette
 - Ronks
 - Paradise

- Contribution to Friends of the West Lampeter Township Police Department