

Please remember to sign the Visitor's Register – Thank you.

Finance Committee Meeting Agenda
Wednesday, May 31, 2017
6:30 P.M. – TEAO, Room 200

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5. Public Comment	

Committee Goals

1. Assist in the formulation and review of the District budget. Identify and review budget impact items.
2. Maintain the budget projection model using financial strategies and assumptions approved by the Committee.
3. Review fund balance commitment strategies and analyze the impact for budget development.
4. Identify the District's finance and budget related information to be communicated to our community residents and work with the District's communication contact to compose and distribute the information.
5. Support advocacy strategy to promote legislation related to improving the District's financial and budget situation.
6. Work in conjunction with the Facilities Committee to maintain funding of the capital improvement plan.

Draft

Finance Committee Meeting Minutes

**May 9, 2017
TEAO Room 200
7:00 P.M.**

Attending all or part of the meeting:

Board Committee Members: Todd Kantorczyk, Chair, Kevin Buraks, Rev. Scott Dorsey, Dr. Roberta Hotinski

Other Board Members: Douglas Carlson, Kate Murphy, Michele Burger, Virginia Lastner, Edward Sweeney

T/E School District Representatives: Dr. Rich Gusick, Dr. Andrea Chipeco, Jeanne Pocalyko, Art McDonnell, David Francella, Chris Groppe, Mark Cataldi, Dr. Mike Szymendera, Dave Preston

Other: None

Community Members: Doug Anestad, Christine Wright, William Ristey, Ray Clarke, Tina Whitlow, Jamie Lynch, Liliane Min

Approval of Minutes:

- The Committee approved the minutes of the April 17, 2017 meeting.

Monthly/Year to Date Financial Report – April 2017:

- The Committee reviewed the Treasurer's report for April 2017. Mr. Francella reported that revenue and expenditures are consistent as compared to this period last year.
- Mr. Francella reported that we received notification from the State regarding the distribution of monies to schools from the State Gaming Fund to be used to supplant revenue lost from property tax credits to homestead eligible taxpayers. The total amount received was consistent with prior year amounts at approximately \$2.1M which translates to a 2017-18 Homestead Tax credit amount of \$183.96 per eligible taxpayer.

Other

- Mr. McDonnell reviewed the recently introduced State House legislation (HB 1213) by Rep. Kampf that would prevent schools from appealing the county established assessment of properties in the District.
- It was noted that this legislation would negatively impact the District in limiting its ability to appeal assessment's that were below market values. The Committee discussed the negative impact to revenue and the Board's prior resolution in opposition to such legislation.
- The Committee asked the Administration to reach out to local legislators to get feedback on their support/opposition to the bill. In addition, the Committee directed the Administration to resend the resolution to Rep. Kampf. The HB 1213 was discussed as a future agenda item for the Legislative Committee.

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Food and Nutrition Services 2017-18 Budget:

- Dave Preston presented the Food and Nutritional Services 2016-17 year-end projection showing a deficit of approximately \$14K. Mr. Preston explained the projected deficit being a result of increases in food, supplies, and benefit costs.
- Mr. Preston presented several 2017-18 budget scenarios that proposed price increases of varying amounts from no increase to \$.30 per meal. It was also noted that meal prices have not increased since 2014-15.
- The 2017-18 budget projection showed that without a meal price increase the deficit from 2016-2017 would increase to an estimated \$56,756 in 2017-18. The projection with the proposed price increase of \$.20 shows an estimated \$40,302 surplus in 2017-18. The need for Food and Nutritional Services fund to remain self-sufficient was discussed.
- The proposed \$.20 increase is for all schools and meals was approved by the Committee and recommended it be placed on the next Board consent agenda.

Kronos Agreement:

- Mr. Francella reviewed a Kronos Maintenance Agreement, which would replace an existing agreement with Immix. Kronos is the district's time management system, used by 385 employees and over 100 contractors. The agreement will cost the District an additional \$17,409 in 2017-18. However, the new agreement will provide better support, which includes Disaster Recovery capability. The Committee approved the new Kronos agreement and recommended it be placed on the next Board consent agenda.

Siteimprove Agreement:

- Dr. Szymendera reviewed the Siteimprove Subscription Agreement, which provides scanning services on the District website to check for document accessibility. The Office for Civil Rights is requiring school district websites be more accessible to the public. Dr. Szymendera stated that this is a temporary solution until the District completes its internal migration to an improved website. The cost will be \$10,593 for a 14-month subscription. The Committee approved the Siteimprove agreement and recommended it be placed on the next Board consent agenda.

FY 2017-2018 Budget Development:

- Mr. McDonnell reviewed the 2017-18 Proposed Final Budget that was approved by the Board on April 24, 2017, which included a tax rate increase of 3.406%. This increase includes the Act 1 index and the PDE approved referendum exceptions.
- Mr. McDonnell also reviewed the District's history of the Capital Funding Plan that has included a combination of transfers from the General Fund from committed fund balances and bond proceeds.

Public Comment:

- Ray Clarke commented on the Financial Reports
- Liliane Min commented on Food and Nutrition Services presentation

Finance Committee Meeting Minutes

- Jamie Lynch commented on Food and Nutrition Services presentation
- Doug Anestad commented on the Reverse Tax Appeals discussion
- William Ristey commented on the Kronos Agreement

Adjournment:

- The meeting adjourned at approximately 10:01 P.M.

Next Meeting:

The next meeting is Wednesday, May 31, 2017 at 6:30 P.M.

Property Assessment Appeals

<u>Taxpayer Initiated Appeals:</u>	<u>Appeal Year</u>	<u>Effective Year</u>	<u>Parcels</u>	<u>Assessment Amount Appealed</u>	<u>Potential Property Tax Revenue Gain/(Loss)</u>
	<u>2016-17</u>	<u>2017-18</u>			
Residential - Settled			56	\$6,511,000.00	(\$141,564)
Commercial - Settled			14	\$4,038,560.00	(\$87,808)
<u>District Initiated Appeals:</u>					
Commercial - Settled			2	\$139,890.00	\$3,042
Commercial - Pending			4	\$26,958,660.00	\$586,143
(When necessary, appealed to Chester County Court of Common Pleas)					(estimated)
Total			<u>76</u>	<u>\$37,648,110.00</u>	<u>\$359,813</u>

Scope of Work:

- RFP to provide daily banking services for the District, including general fund, food service, student activities and lock box for tax payments for a period of 42 months

Distribution and Responses:

- Sent to 12 financial institutions; received 3 responses; 9 declined submission of a proposal

Criteria for Recommendation:

- Credit worthiness, security, lock box services, competitive rates and fees

Recommendation:

- Appoint Fulton Bank as depository in June 2017 to begin the 2017-18 fiscal year

FY 2017-18 Proposed Final Budget Summary

Draft

(with Estimated Act 1 Index and Referendum Exception Tax Revenue)

1	Budgeted Anticipated Revenue	\$132,548,225
2	Budgeted Anticipated Expenditures	\$137,671,732
3	Preliminary Operating Deficit	(\$5,123,507)
4	Estimated Property Tax Revenue from:	
5	Act 1 Index of 2.5%	\$2,588,058
6	*Referendum Exception of .466%	\$482,587
7	*Referendum Exception of .440%	\$455,966
8	Preliminary Operating Deficit	(\$1,596,896)

*Eligible Referendum Exceptions for 2017-18

Employer Retirement Contributions of \$482,587

Special Education Expenditures of \$455,966

FY 2017-18 Budget Development

Draft

1	2017-18 Preliminary Operating Deficit	(\$1,596,896)
	New Employee CBAs/Agreements:	
2	TEEA	TBD
3	TENIG	TBD
4	Act 93	TBD
5	Projected Operating Deficit after Settlement	UNKNOWN

Projection Model (Act 1 Index and Referendum Exceptions Tax Increases)

		A	B	C	D	E
		Proposed	Projected	Projected	Projected	Projected
	Revenues	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
1	Total Revenue from Local Sources	\$113,646,780	\$113,637,565	\$113,611,958	\$113,574,947	\$113,527,104
2	Revenue from State Sources	\$12,440,439	\$12,445,287	\$12,467,831	\$12,470,090	\$12,468,329
3	PSERS Subsidy from State	\$9,237,030	\$9,592,423	\$10,027,384	\$10,309,889	\$10,434,653
4	Total Revenue from Federal Sources	\$750,587	\$703,533	\$663,536	\$663,536	\$663,536
5	Total Revenues	\$136,074,836	\$136,378,808	\$136,770,709	\$137,018,461	\$137,093,621
	Expenditures					
6	Salaries	\$58,827,192	\$58,936,764	\$58,936,764	\$58,936,764	\$58,936,764
7	Benefits	\$16,734,933	\$17,693,320	\$18,680,683	\$19,695,041	\$20,786,764
8	PSERS Expenditures	\$18,474,059	\$19,184,846	\$20,054,767	\$20,619,777	\$20,869,305
9	Other Expenditures	\$43,635,548	\$45,516,089	\$47,236,918	\$48,936,251	\$50,735,294
10	Total Expenditures	\$137,671,732	\$141,331,019	\$144,909,132	\$148,187,833	\$151,328,127
11	Budget Imbalance	(\$1,596,896)	(\$4,952,211)	(\$8,138,424)	(\$11,169,372)	(\$14,234,506)
12	Beginning General Fund Balance	\$33,300,769	\$31,703,873	\$26,751,662	\$18,613,239	\$7,443,867
13	Change/Use of Fund Balance	(\$1,596,896)	(\$4,952,211)	(\$8,138,424)	(\$11,169,372)	(\$14,234,506)
14	Ending General Fund Balance	\$31,703,873	\$26,751,662	\$18,613,239	\$7,443,867	(\$6,790,639)

- Act 1 Index of 2.5% and Referendum Exception of .906% Tax Revenue Included for FY 2017-18

FY 2017-18 Budget Impact Items

Draft

- ◆ **Secondary Projection for Self-Funded Healthcare Cost**

- ◆ Resulted in Reduction in Preliminary Budgeted Healthcare Expenditures of \$238,720

- ◆ **State Budget**

- ◆ Governor's Proposed Budget would cut TESD State Subsidy Revenue by \$61,539

- ◆ **Enrollment and Staffing Projections**

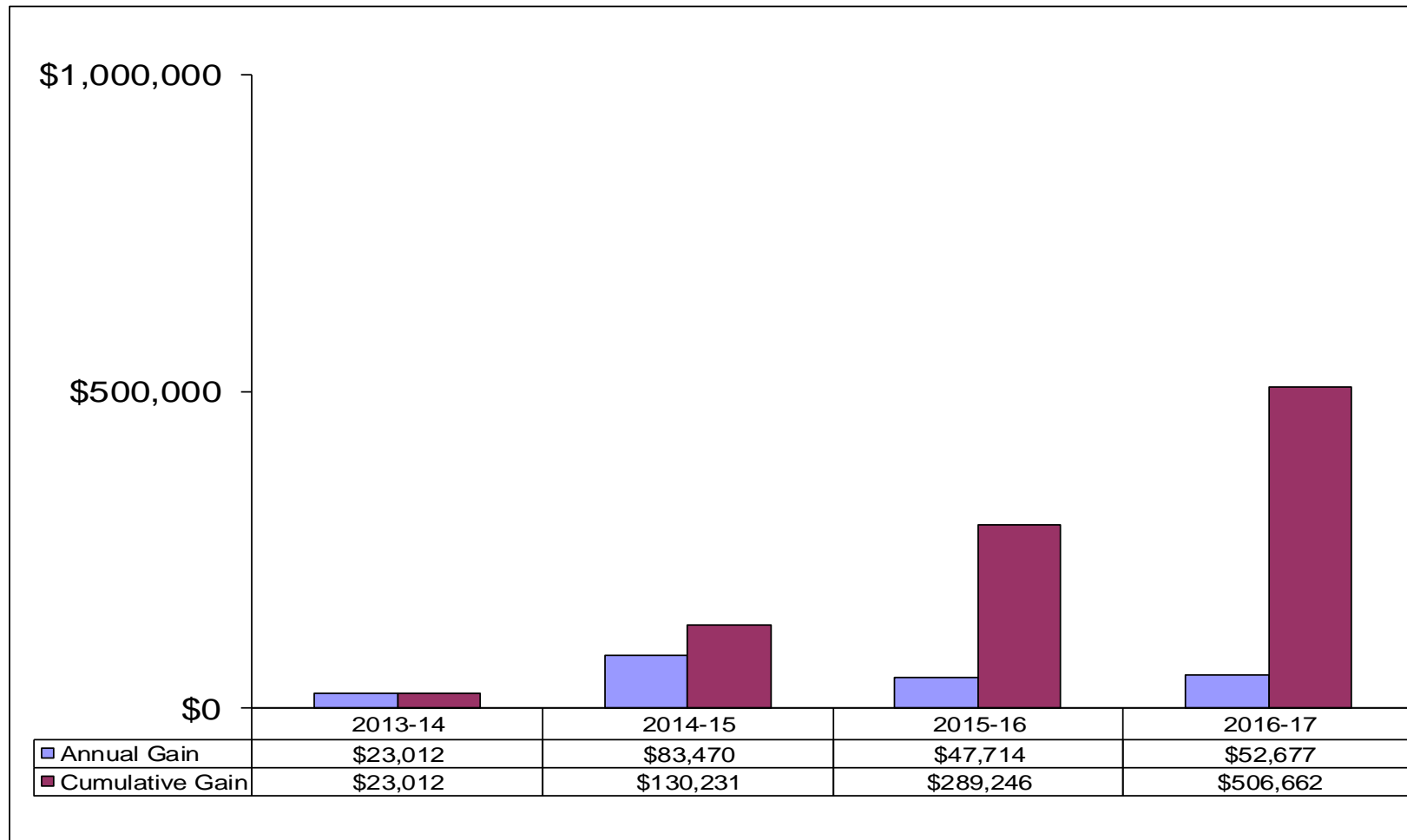
- ◆ Enrollment projections indicate that of the 15.1 budgeted FTE's: 3.2 are needed now, 9.5 have a very high/high probability of need and 2.4 remain for uneven enrollment increases

- ◆ **Potential Property Tax Elimination Legislation**

- ◆ **Potential Legislation Restricting District-Initiated Property Assessment Appeals**

- ◆ **FY 2016-17 Revenue/Expenditure Projections**

Property Tax Revenue from District-Initiated Assessment Appeals



FY 2016-17 Budget and Year-end Projection

Draft

		A	B
		Budget	Projection
	Revenues	2016-2017	2016-2017
1	Total Revenue from Local Sources	\$107,243,388	\$109,127,329
2	Revenue from State Sources	\$12,090,861	\$12,747,115
3	PSERS Subsidy from State	\$8,363,547	\$8,353,967
4	Total Revenue from Federal Sources	\$805,946	\$805,946
5	Total Revenues	\$128,503,741	\$131,034,357
	Expenditures		
6	Salaries	\$57,654,052	\$57,654,052
7	Benefits	\$15,882,851	\$15,882,851
8	PSERS Expenditures	\$16,727,093	\$16,727,093
9	Other Expenditures	\$39,006,396	\$40,356,396
10	Total Expenditures	129,270,392	130,620,392
11	Budget Imbalance	(\$766,651)	\$413,965
12	Beginning General Fund Balance	\$32,886,803	\$32,886,803
13	Change/Use of Fund Balance	(\$766,651)	\$413,965
14	Ending General Fund Balance	\$32,120,152	\$33,300,768

Tax Impact from Act 1 Index and Referendum Exceptions

		A	B	C	D
					**Increase to
	<u>FY 2017-18</u>	<u>Tax Rate</u>	<u>Projected Revenue</u>	<u>Mills</u>	<u>T/E Homeowner</u>
			(Current Rate = 21.7423)		
1	Act 1 Index	2.5%	\$2,588,058	0.5436	\$139
2	Referendum Exceptions:				
3	Employer Retirement Contributions	0.466%	\$482,587	0.1014	\$26
4	Special Education Expenditures	0.440%	\$455,966	0.0958	\$25
5	Total	3.406%	\$3,526,611	0.7408	\$190
			(New Rate = 22.4831)		
	**Based on Average Assessment of a T/E home of \$256,362 with a average tax bill of \$5,574				

History of Tax Rate

Draft

A	B	C	D	E	F
		Referendum Exceptions			
<u>Year</u>	<u>Act 1 Index</u>	<u>PSERS</u>	<u>Special Ed</u>	<u>Tax Increase</u>	<u>Avg. Increase</u>
2016-17	2.4%	0.60%	0.60%	3.60%	\$191
2015-16	1.9%	1.14%	0.77%	3.81%	\$194
2014-15	2.1%	1.10%	-	3.20%	\$157
2013-14	1.7%	-	-	1.70%	\$82
2012-13	1.7%	1.04%	0.56%	3.30%	\$155
2011-12	1.4%	1.20%	1.17%	3.77%	\$171
2010-11	2.9%	-	-	2.90%	\$126
2009-10	4.1%	-	-	2.95%	\$126
2008-09	4.4%	-	-	4.37%	\$171
2007-08	3.4%	-	-	3.37%	\$128
2006-07	3.9%	(Act 1 of 2006 Becomes Law)		3.90%	\$145
2005-06	-			1.40%	\$51
2004-05	-			0.00%	\$0

The 11 Years PRIOR to the Act 1 Index (1995-96 to 2005-06)

- ❑ Average Annual Property Tax Increase was **4.2%**
- ❑ Taxes as a % of Residential Home Value was **1%**

The 11 Years AFTER the Act 1 Index (2006-07 to 2016-17)

- ❑ Average Annual Property Tax Increase was **3.8%**
- ❑ Taxes as a % of Residential Home Value remain at **1%**

2016-17 General Fund Balance Commitments **Draft**

	A		B
1	2016-17 Budget Commitment and Contingency		\$2,766,651
2	Capital Projects		\$5,206,072
3	Vested Employee Services		\$10,697,277
4	PSERS Contingency		\$9,219,862
5	Healthcare Contingency		\$4,340,000
6	Assigned to: Athletic Fund Expenditures		\$656,941
7	Total		\$32,886,803

During the 8 Fiscal Years of 2000-01 through 2007-08

- ☐ Contributions to the Fund Balance
averaged \$4,631,000
each year

- ☐ Or 6% of actual expenditures

During the 8 Fiscal Years of 2008-09 through 2015-16

- ☐ Contributions to the Fund Balance
averaged \$1,111,000
each year

- ☐ Or 1% of actual expenditures

- ☐ FY 15-16 Contribution
\$505,756

The average difference of \$3,520,000 less in surpluses each fiscal year for eight fiscal years.....Total: \$28.16M

Fund Balance and Capital Funding **Draft**

- ☐ During the period of FY2000-01 through FY2007-08, \$17,310,000 was transferred to the Capital Fund
- ☐ During the period of FY2008-09 through FY2015-16, \$10,388,000 was transferred to the Capital Fund
- ☐ The average ending General Fund fund balance for the period of 2008-09 through 2015-16 was \$32.2M
(FY15-16 ending General Fund fund balance was \$32.9M)
- ☐ If the District does not continue to fund the capital projects plan with contributions from the General Fund, additional borrowing will be needed
- ☐ Additional borrowing will increase General Fund debt service costs which will need to be satisfied with additional revenue
- ☐ Additional debt service costs will translate to less additional revenue remaining for educational programs and its support operations

Capital Project Funding and Expenditures Draft

