School District of Lancaster
Together We Can!

5 Year Budget Forecast
October 10, 2017

Budget Process

October

- Administration provides 5-year financial projection including budget deficits (immediate and 5-year), health care costs, PSERS, assessment appeals, fund balance and other major cost/revenue drivers as applicable
- Administration presents information on grants and funding streams

5 Year Budget Forecast

We have used estimates based on the best available information to date to create a 5 year forecast of both expenditure and revenue data:

Revenue Assumptions

- Economic recovery is moving slowly (9 years from 2008 recession)
- Local revenues are maintained at status quo with **NO ASSUMPTION** for real estate tax revenues on current ACT 1 index
  - Moderate increases in Earned Income Tax ($500K) based on trends
- State subsidies do not increase past 2019
  - FICA/PSERS Subsidies correlate with Payroll expenses
  - Expected increase from 2018 budget ~ $2.6 MM or 10%
- Federal subsidies do not increase for entitlement grants
  - Assume no new grant funding
  - Loss of Competitive Funding
    - 21st Century (Expires 2019) ~ $400K Annually
    - GEAR UP (Expires 2019) ~ $1MM Annually
    - GEAR UP PASSHE (Expired 2017) ~ $375K Annually
    - School Counseling (Expires 2018) ~ $300K Annually
    - School Climate Transformation (Expires 2020) - $400K Annually

5 Year Budget Forecast

We have used estimates based on the best available information to date to create a 5 year forecast of both expenditure and revenue data:

Expenditure Assumptions

- Payroll moves at a rate of 2.5% annually (average)
- PSERS increases are based on current published rates
- Healthcare increases are based on historical trend of 3% annually (same as prior year estimate - conservative)
- Debt Service is based on actual payment schedule (need for future projects)
- Other expenditures are increased at 1-2% annually
- Included all new investments approved in prior 2 annual budgets
  - ARC continuation
  - Middle School iPad initiative
  - Voluntary Professional Development Model
  - Others (to be reviewed in November)

5 Year Budget Forecast

We have used estimates based on the best available information to date to create a 5 year forecast of both expenditure and revenue data:

Fund Balance Utilization

– Fund Balance is assumed to be utilized to balance the Actual Budget Shortfall in our Fund Balance Summary Slide.

Deficits

– Budget Surplus (Deficit) – Represents the cumulative budget or "structural" deficit for each year assuming the District did not rebalance or utilize fund balance in any given year.

5 Year Budget Forecast

Major Considerations for the Forecast:

- PLANCON Reimbursement
  - Currently budgeted at $2.6 MM annually
  - All funds in “arrears” have been received
  - Will the state continue to fund, cut or modify the program?
  - Future project revenue is not built into our model
- PPACA –”Cadillac Tax”
  - Impact in Year 2021 (pushed back)
  - Current estimate is $2.0 MM
    - Not included in our forecast
- Building Projects
  - Current debt service load is paying for current and completed projects
  - New debt service would be required to complete remaining phases of construction
    - 2019 Target year for the next financing of General Obligation Bonds
    - Our current debt service line item is sufficient to handle the new debt service
  - Debt Service Remains level at 2018 Actuals
    - Long-term financing strategy to incorporate new bond issues while maintaining current tax millage
- Collective Bargaining Agreements
  - AFSCME – Expires June 2019
  - LEA – Expires June 2018

Balancing the Budget

Revenues

Local (Taxes)
State (Subsidies)
Federal (Grants)

Expenditures

Programmatic
- Mandated
- Non-Mandated

Operational

Fund Balance

5 Year Forecast

	BUDGET	REVENUE / EXPENDITURE PROJECTIONS									
	2018	2019	%Δ	2020	%Δ	2021	%Δ	2022	%Δ	2023	%Δ
REVENUE											
Local	$82,085,090	$82,737,590	0.79%	$82,737,590	0.00%	$82,737,590	0.00%	$82,737,590	0.00%	$82,737,590	0.00%
State	$108,432,109	$110,518,713	1.92%	$111,919,092	1.27%	$112,825,896	0.81%	$113,783,082	0.85%	$114,492,803	0.62%
Federal	$14,624,067	$12,875,401	-11.96%	$11,805,020	-8.31%	$11,805,020	0.00%	$11,805,020	0.00%	$11,805,020	0.00%
Transfers In	$3,050,000	$3,050,000	0.00%	$3,050,000	0.00%	$3,050,000	0.00%	$3,050,000	0.00%	$3,050,000	0.00%
TOTAL REVENUE	**$208,191,266**	**$209,181,703**	**0.48%**	**$209,511,702**	**0.16%**	**$210,418,506**	**0.43%**	**$211,375,692**	**0.45%**	**$212,085,413**	**0.34%**
EXPENDITURES											
Salary and Benefit Costs	$138,287,174	$142,860,984	3.31%	$146,790,201	2.75%	$150,994,027	2.86%	$155,356,441	2.89%	$159,428,367	2.62%
Other	$55,456,887	$54,750,563	-1.27%	$54,750,563	0.00%	$54,750,563	0.00%	$54,750,563	0.00%	$54,750,563	0.00%
Debt Service	$15,197,205	$15,197,205	0.00%	$15,197,205	0.00%	$15,197,205	0.00%	$15,197,205	0.00%	$15,197,205	0.00%
Capital Outlay	$1,662,945	$0	-100.00%	$0		$0		$0		$0	
TOTAL EXPENDITURES	**$210,604,211**	**$212,808,752**	**1.05%**	**$216,737,969**	**1.85%**	**$220,941,795**	**1.94%**	**$225,304,209**	**1.97%**	**$229,376,135**	**1.81%**
SURPLUS / DEFICIT (STRUCTURAL)	**($2,412,945)**	**($3,627,049)**		**($7,226,267)**		**($10,523,289)**		**($13,928,518)**		**($17,290,722)**	
BEGINNING FUND BALANCE	**$26,867,754**	**$24,454,809**		**$20,827,760**		**$13,601,493**		**$3,078,204**		**($10,850,314)**	
PROJECTED YEAR END BALANCE	**$24,454,809**	**$20,827,760**		**$13,601,493**		**$3,078,204**		**($10,850,314)**		**($28,141,035)**	
FUND BALANCE AS % OF EXPENDITURES	**11.61%**	**9.79%**		**6.28%**		**1.39%**		**-4.82%**		**-12.27%**	
FUND BALANCE AS # OF MONTHS OF EXPEND.	**1.39**	**1.17**		**0.75**		**0.17**		**-0.58**		**-1.47**	

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REVENUE			
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FUND BALANCE AS % OF EXPENDITURES	**11.61%**	**9.79%**	
FUND BALANCE AS # OF MONTHS OF EXPEND.	**1.39**	**1.17**	

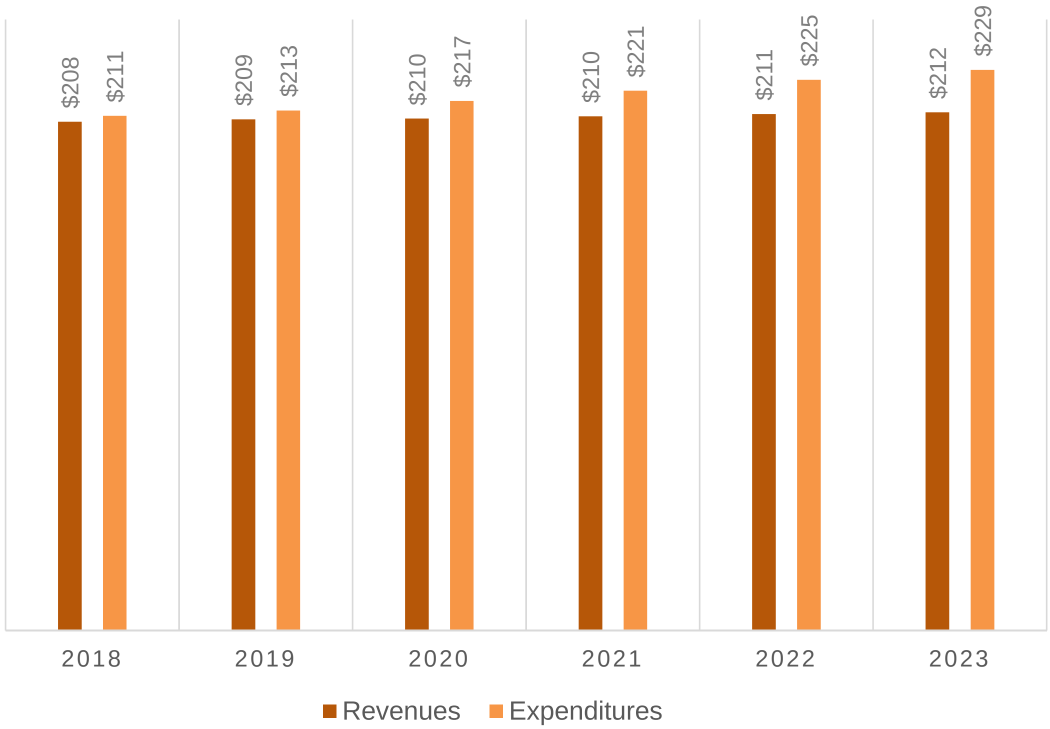
Closer Look

Overall Budget increasing 1.05%

- Reduction of $1.6MM in Capital Outlay
- Maintaining Debt Service levels to increase future construction capacity
- Deficit Projection of $3.6MM
  (Prior Year started at $2.8MM)

REVENUES VS. EXPENDITURES

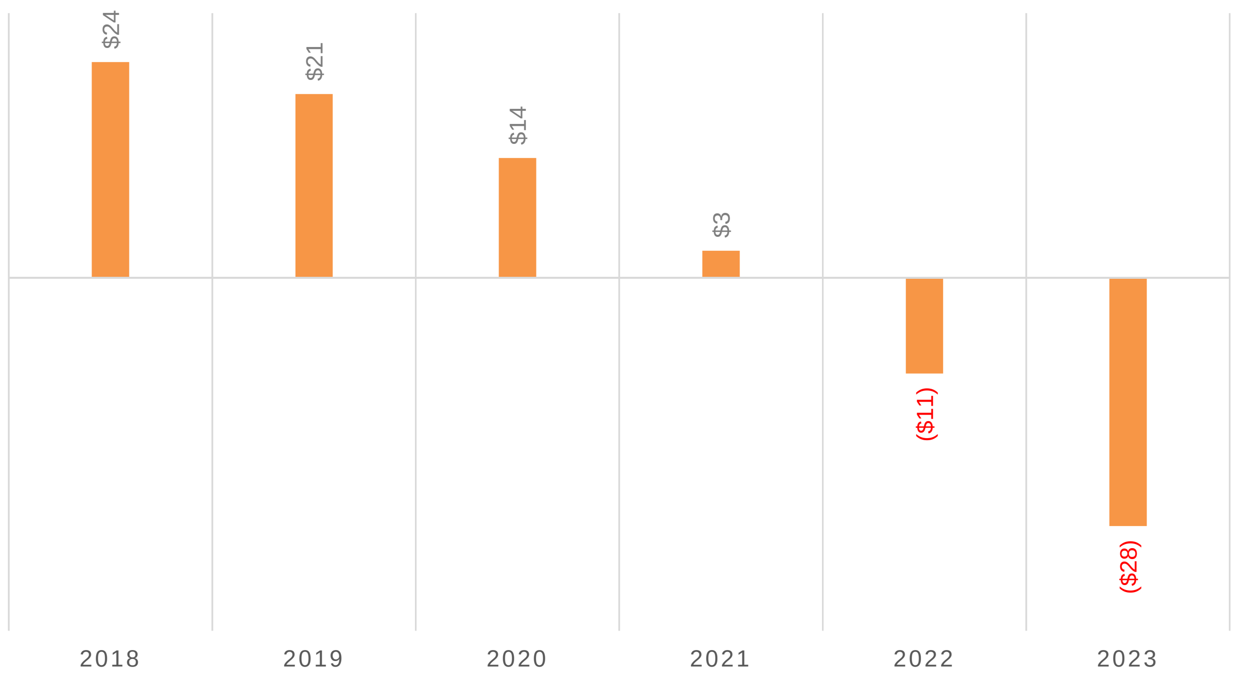
Gap Analysis



Revenues are trailing slightly behind the growth of expenditures. Keep in mind the projection does not include real estate tax or state subsidy growth.

PSERS Rates have leveled off.

YEAR-END BALANCES

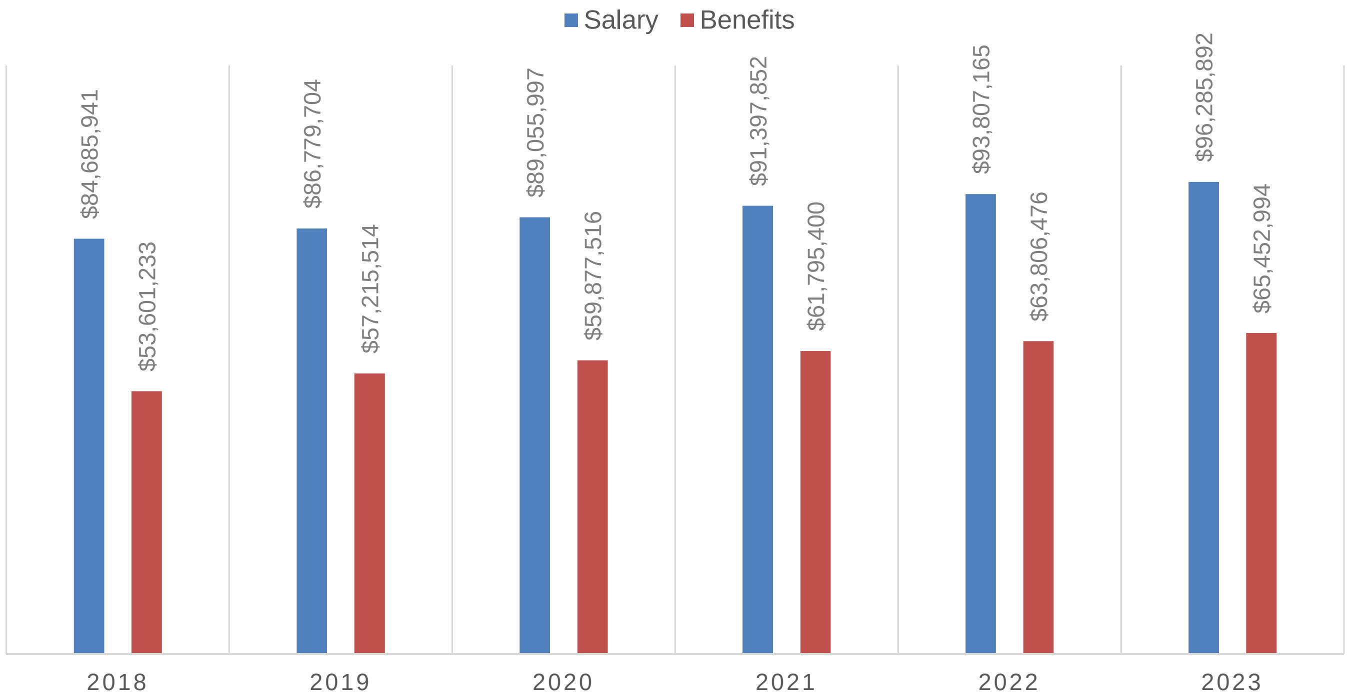


Fund Balance Trend

(General Fund)

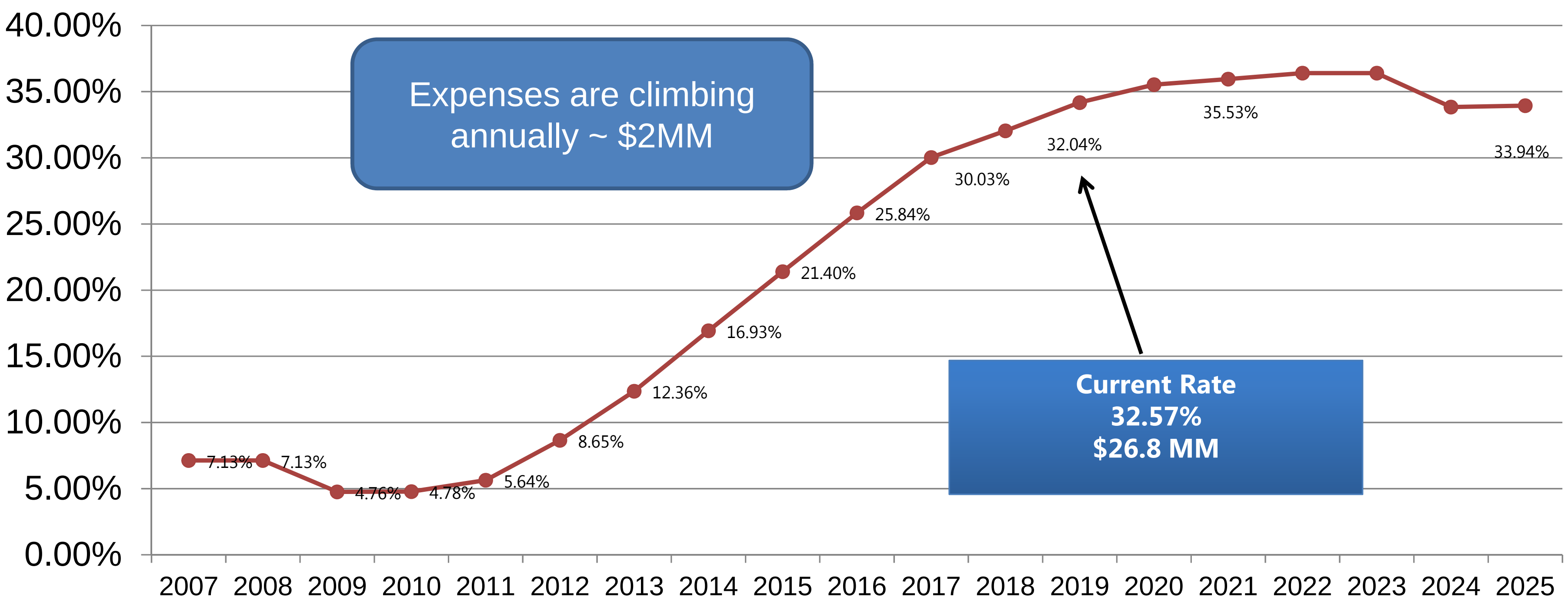
Employee Costs

SALARY & BENEFIT TRENDS

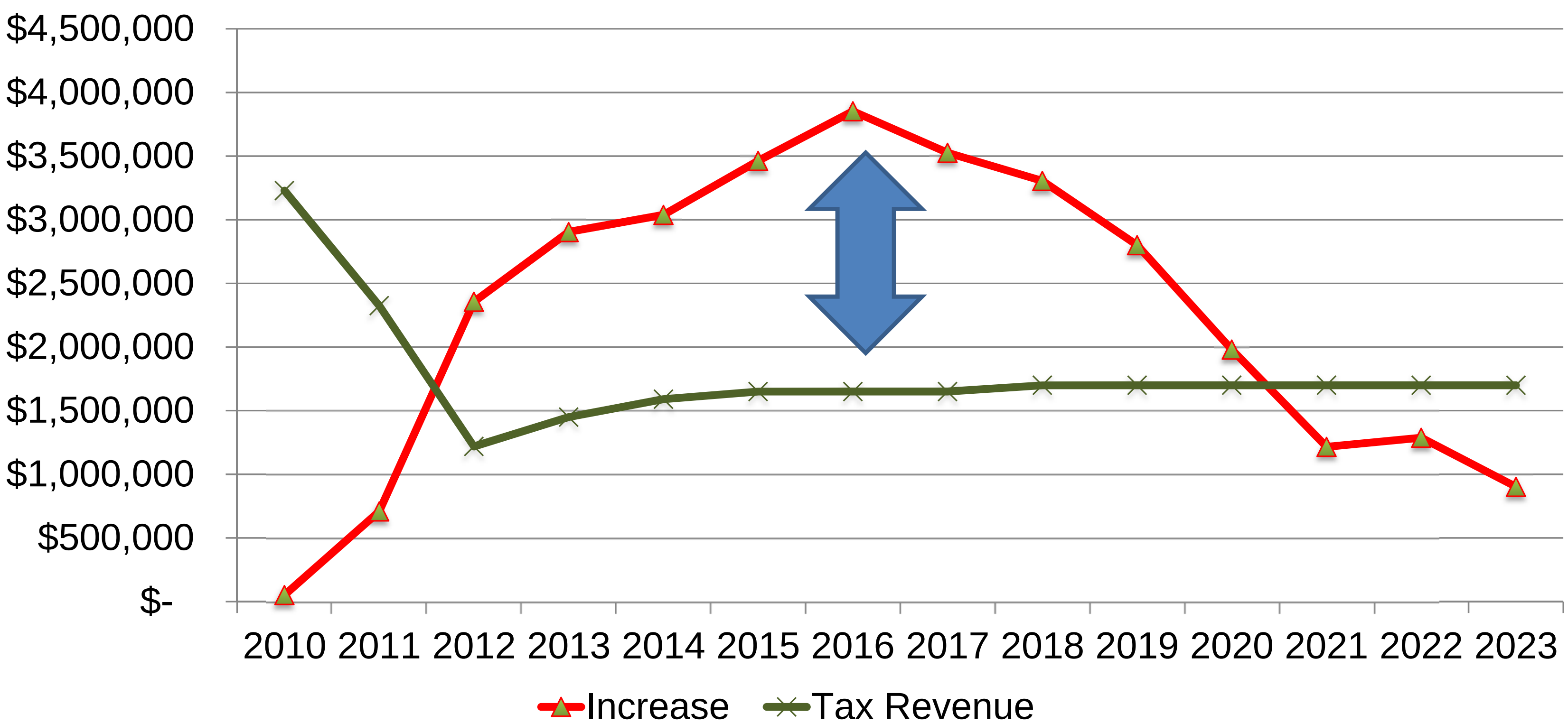


- 2018 – Employee Costs represent 66% of Budget
  - Benefit Costs ~ 25%
  - As a % of Salary ~ 63%
- 2023 – Employee Costs represent 69% of Budget
  - Benefit Costs ~ 29%
  - As a % of Salary ~ 68%
- 2009 – Employee Costs
  - Benefit Costs ~ 27%
  - As a % of Salary ~ 38%
  - $12.5MM for PSERS

PSERS

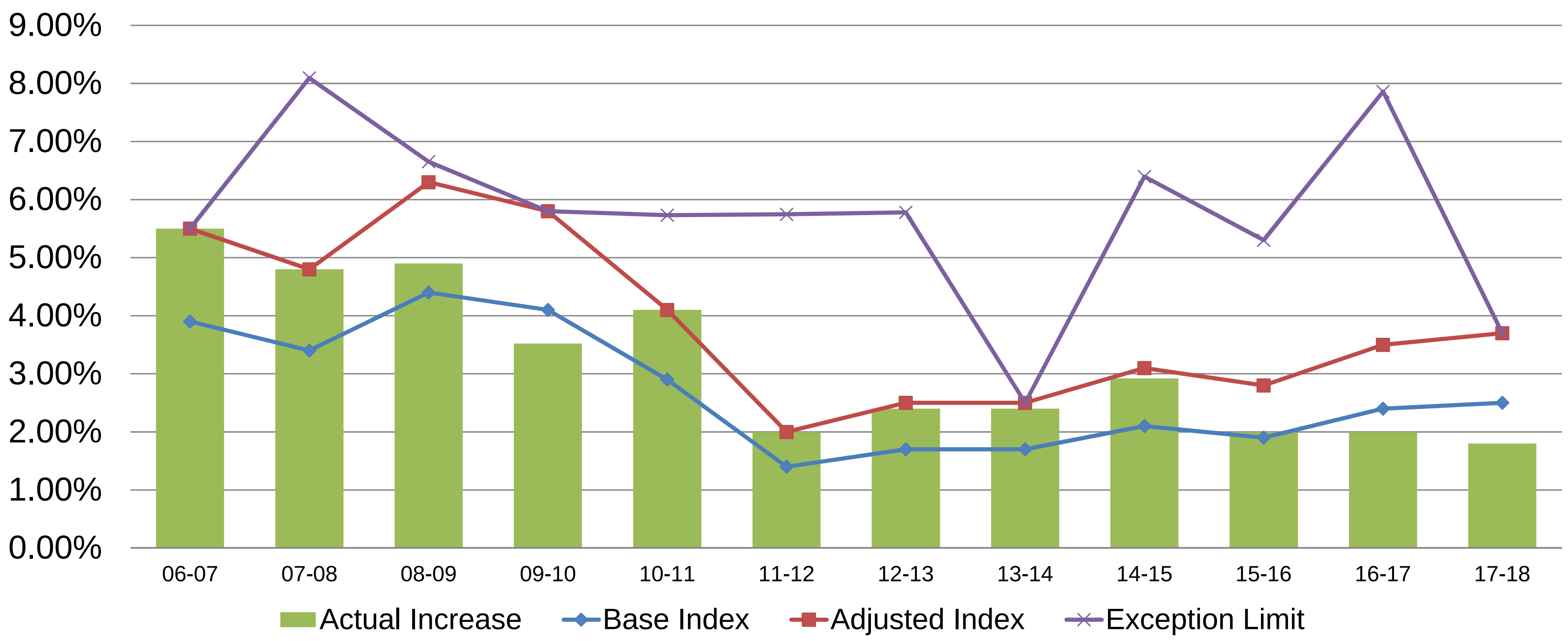

Expenses are climbing annually ~ $2MM
Current Rate
32.57%
$26.8 MM
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
7.13%
7.13%
4.76%
4.78%
5.64%
8.65%
12.36%
16.93%
21.40%
25.84%
30.03%
32.04%
35.53%
33.94%
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

PSERS Increase vs. New Tax Revenue



The PSERS Panic is Over…. However at what cost?

Tax Increase vs. Act 1 Index



ACT 1 Index

- Base Index = 2.4% (down from 2.5%)
  - – $1,768,000 New Revenue
- Adjusted Index = 3.5%(down from 3.7%)
  - – $2,578,300 New Revenue

Next Month

- Review additional demographic data and enrollment trends
- Review budget focus areas
- Review fund balance and preliminary audit results
- Review the budget calendar and program evaluation process
- Reassessment Discussion – What does this mean?

Key Takeaways

Projected Starting Deficit

$3.6 MM

Act 1 Index

3.5% or $2.5 MM (Adjusted)

2.4% or $1.7 MM (Base)

Starts the Clock on the Budget Process