

Presented 03/27/2018

Methacton School District

2018-2019

Revised Preliminary Budget

Budget Timeline

September 13, 2017	Budget timeline presentation to Finance Committee.	February 14, 2018	Tentative - If Resolution to increase taxes above the Act 1 Index is adopted on January 23, 2018, then full Board to Adopt Proposed Preliminary Budget. Deadline February 15, 2018.
October 9, 2017	Property Committee to review administrative recommendation for capital projects.	February – April 2018	Continuing Finance Committee Review of 2018-2019 Preliminary Budget.
October 11, 2017	Finance Committee provides budgetary direction.	May 9, 2018	Finance Committee Review 2018-2019 Proposed Final Budget.
November 2017	Individual Meetings with principals and department heads.	May 15, 2018	Special Meeting prior to already scheduled Board Working Session for adoption of Proposed Final Budget/Advertise Final Adoption Date and submit Certification of Use to PDE.
January 10, 2018	Finance Committee review of Draft Proposed Preliminary Budget.	June 13, 2018	Final review of Budget with Finance Committee.
January 16, 2018	Full Board Review of Draft Proposed Preliminary Budget.	June 19, 2018	Special Meeting prior to already scheduled Board Working Session for Board Adoption of Final 2018-2019 Budget. Deadline is June 30, 2018.
January 23, 2018	Scheduled meeting during which the Board may pass a resolution to keep any real estate tax increase at or below Act 1 Index.		

Assumptions/Comments

REVENUE

March Update

- Real Estate Tax Revenue increased by 269,242.
 - The collection rate was increased from 95.77% to 96.01%.
 - Assessed Values from January increased by \$2,706,174.
- Earned Income Tax increased by \$105,000.
 - Change is based on Berkheimer Forecast.
- Interest Income increased by \$175,000.
 - Interest rates are continuing to rise. Based on the increased interest that the school is receiving, the forecasted income for the 2018-2019 school year were adjusted to reflect the new rates being provided to the School District.
- Removed the \$1,000,000 income for the Technology Lease Refund.
 - This should not be accounted for as income. Expenses will be adjusted also to reflect this change.

Real Estate Tax

	2017-18 Budget	2018-19 Approved Prelim Budget	March Update	Var 17-18 to 18-19 March Update
Taxable Assessed Value	\$ 2,584,882,514.00	\$ 2,588,689,577.00	\$ 2,591,395,751.00	\$ 6,513,237.00
Millage Increase	2.500%	2.400%	2.400%	-0.100%
MILLAGE RATE	29.4585	30.1655	30.1655	0.707004
Gross TAX LEVY	\$ 76,146,761.54	\$ 78,089,125.79	\$ 78,170,758.89	\$ 2,023,997.35
PSERS Exception	\$ -	\$ -	\$ -	\$ -
SE Exception	\$ -	\$ 1,012,716.00	\$ 200,069.29	\$ 200,069.29
Adjusted Gross Tax Levy	\$ 76,146,761.54	\$ 79,101,841.79	\$ 78,370,828.19	\$ 2,224,066.65
Adjusted Millage	29.4585	30.5567	30.2427	0.7842
Adjusted Act 1	2.500%	3.728%	2.662%	0.162%
Less Gaming Funds	\$ (2,008,489.88)	\$ (2,008,489.88)	\$ (2,008,489.88)	\$ -
Net Tax Levy	\$ 74,138,271.66	\$ 77,093,351.91	\$ 76,362,338.31	\$ 2,224,066.65
COLLECTION RATE*	95.77%	95.77%	96.01%	0.25%
Gross Current Real Estate Taxes	\$ 71,000,303.76	\$ 73,830,307.63	\$ 73,319,287.41	\$ 2,318,983.65

*Represents the collection rate used on PDE 2028 Form to account for Taxes Escrowed Under Protest. Actual collection rate historically has been
 14/15 FY=98.45
 15/16 FY=98.22
 16/17 FY=98.38

Factoring in Discounts/Penalties, Return to County, Escrow, and Refunds, the actual collection rate has been:
 14/15 FY=96.01%
 15/16 FY=95.52%
 16/17 FY=95.77%
 17/18 FY=95.77% (Bug.)

Collection Rate Determined Annually by using 3yr avg.

Approved Preliminary Budget Assumptions/Comments

Expenditures

March Update

- Changes in Labor Agreements.
 - Updated budget includes the approved Teamsters Agreement (Sal. & Ben. increase of \$86,799.64), approved MEA Agreement (Sal. & Ben. increase of \$1,619,099) and Tentatively approved MESPA Agreement (Sal. & Ben. increase of \$145,658.05) with regards to salary increase.
- Transportation.
 - Decreased the proposed salary for the Transportation Manager from \$100,000 to \$65,000.
 - Increased annual costs for First Student to reflect the addition of the routing contract, \$60,000 annually. Assumes the contract is in place the entire year.
- MCIU Budget associated with Methacton School District updated, resulting in an increase of \$4,270.
- Technology Lease Expense Updated
 - Removed the \$1,000,000 expense due to revenue offset and left in the actual lease payments of \$701,500.
- Added in the approved Arcola Sports for a total of \$12,721.90.
 - Boys Lacrosse & Girls Volleyball.
- Building Budget Review against historical trends (reduction of \$61,295).
- Second look health care costs & new contribution amounts based on contracts & tentative contracts (reduction of \$759,255).
- Early Retirement Incentive Program has been incorporated (est. reduction of \$388,414.32).

Approved Preliminary Budget Assumptions/Comments

Expenditures – Do Not Include:

Approved Proposed Preliminary Budget

- Requests for additional staffing (\$462,543.09)
 - 6 PCA positions for incoming early intervention students
 - 1 Special Ed. Teacher
 - 1 Administrative Assistant

March Update

- 3rd Look at Health Care Costs
- Updated Insurance Costs

Five Year Projection – Assumptions (2019-2023)

REVENUE

- Growth rate based on assessed value as of 01/31/2018.
- Annual growth rate of 0.50% for taxable assessed value.
- Annual Earned Income Tax growth rate of 2%.
- Annual Collection Rate 96.01%.
- Growth projected for-Transfer tax=.2%; Investments=.25%; Interim Real estate=.5% for 2020 forward
- All other revenue at 0% other than SS/PSERS

EXPENDITURES

- Staff salaries based on Labor Agreements and Tentative Agreements
- Second Look Health Care Rates for Medical & Prescription
- Medical Cost Increase 2020 – 2023 = 6.3%, First Look from Health Care Consortium is 5.83% each year; however the trend is closer to 6.3% which is why this was the rate incorporated into the budget forecasting.
- PSERS as projected December 2017 (2019 = 33.43%, 2020 = 34.79%, 2021 = 35.26%, 2022 = 35.68% & 2023 = 36.32%).
- Interest & Principal based on existing schedule plus projected increases as provided by PFM for additional borrowings of \$8.5M each year from 2019 to 2023.
- General Supplies = 0% each year.
- Special Education Operating Costs = 15.5% each year.
- Transportation – 2019 = 9.18% and 2020-23 = 1.7%.
- Tuition to Pennsylvania Charter Schools = 5.86% each year.
- Vocational Education = 2.6%.
- Employee Tuition Reimbursements = 0%.
- Unemployment Compensation = 1%.

Five Year Projection – March Update

- Act 1 + Portion of Special Education Exception for 2019
- No Property Tax Increases – 2020-2023

	(Preliminary) 2019	(Projected) 2020	(Projected) 2021	(Projected) 2022	(Projected) 2023
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REVENUES					
Real Estate Taxes	73,809,287	74,187,276	74,567,155	74,948,933	75,332,620
Act 511 Taxes	8,337,000	8,480,000	8,625,826	8,774,534	8,926,182
Other Local Revenue	3,541,000	3,541,000	3,541,000	3,541,000	3,541,000
Basic Instructional and Operating Subsidies	6,816,093	6,816,093	6,816,093	6,816,093	6,816,093
Revenue for Specific Educational Programs	2,465,613	2,465,613	2,465,613	2,465,613	2,465,613
Other State Revenue	14,089,894	14,939,717	15,266,229	15,598,085	15,924,628
Federal Revenue	701,162	701,162	701,162	701,162	701,162
Other Financing Sources					
TOTAL REVENUES	109,760,050	111,130,861	111,983,078	112,845,419	113,707,297

EXPENDITURES					
Salaries and Benefits	74,688,482	78,510,498	81,129,017	83,836,946	86,842,062
Operating Expenses	24,251,636	25,017,037	25,826,302	26,683,195	27,591,906
Debt Service & Transfers	10,819,931	11,253,409	11,678,107	12,133,433	12,551,258
TOTAL EXPENDITURES	109,760,050	114,780,944	118,633,427	122,653,575	126,985,227

NET OPERATING BALANCE	0	(3,650,082)	(6,650,349)	(9,808,155)	(13,277,930)
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UNASSIGNED FUND BALANCE (Beg. Of Year)	7,318,083	7,318,083	3,668,001	(2,982,348)	(12,790,504)
UNASSIGNED FUND BALANCE (End Of Year)	7,318,083	3,668,001	(2,982,348)	(12,790,504)	(26,068,433)

Five Year Projection – March Update

- Act 1 + Portion of Special Education Exception for 2019

- Property Tax Increase @Act 1 Projected Limit Per Yr.:

2020=2.7%; 2021=2.7%; 2022=2.7%; 2023=2.7%

	<i>(Preliminary)</i> 2019	<i>(Projected)</i> 2020	<i>(Projected)</i> 2021	<i>(Projected)</i> 2022	<i>(Projected)</i> 2023
REVENUES					
Real Estate Taxes	73,809,287	76,229,124	78,726,674	81,304,435	83,964,984
Act 511 Taxes	8,337,000	8,480,000	8,625,826	8,774,534	8,926,182
Other Local Revenue	3,541,000	3,541,000	3,541,000	3,541,000	3,541,000
Basic Instructional and Operating Subsidies	6,816,093	6,816,093	6,816,093	6,816,093	6,816,093
Revenue for Specific Educational Programs	2,465,613	2,465,613	2,465,613	2,465,613	2,465,613
Other State Revenue	14,089,894	14,939,717	15,266,229	15,598,085	15,924,628
Federal Revenue	701,162	701,162	701,162	701,162	701,162
Other Financing Sources					
TOTAL REVENUES	109,760,050	113,172,709	116,142,596	119,200,921	122,339,662
EXPENDITURES					
Salaries and Benefits	74,688,482	78,510,498	81,129,017	83,836,946	86,842,062
Operating Expenses	24,251,636	25,017,037	25,826,302	26,683,195	27,591,906
Debt Service & Transfers	10,819,931	11,253,409	11,678,107	12,133,433	12,551,258
TOTAL EXPENDITURES	109,760,050	114,780,944	118,633,427	122,653,575	126,985,227
NET OPERATING BALANCE	0	(1,608,235)	(2,490,830)	(3,452,653)	(4,645,565)
UNASSIGNED FUND BALANCE (Beg. Of Year)	7,318,083	7,318,083	5,709,848	3,219,018	(233,636)
UNASSIGNED FUND BALANCE (End Of Year)	7,318,083	5,709,848	3,219,018	(233,636)	(4,879,201)

Five Year Projection – March Update

Staff Costs Breakout

	Prelim. 2019		Projected 2020		Projected 2021		Projected 2022		Projected 2023	
COSTS										
Salaries	\$45,428,745	41.39%	\$47,048,683	41.57%	\$48,027,470	41.35%	\$48,988,020	41.10%	\$49,967,780	40.84%
*Retirement	\$15,084,466	13.74%	\$16,261,709	14.37%	\$16,826,520	14.49%	\$17,369,673	14.57%	\$18,037,086	14.74%
Insurance	\$9,702,075	8.84%	\$10,587,246	9.35%	\$11,584,872	9.97%	\$12,713,174	10.67%	\$13,993,698	11.44%
Other Employee Benefits	\$5,257,211	4.79%	\$5,458,317	4.82%	\$5,644,392	4.86%	\$5,857,716	4.91%	\$6,096,158	4.98%
SUM										
Salary/Benefits Total	\$75,472,497	68.76%	\$79,355,956	70.12%	\$82,083,255	70.67%	\$84,928,582	71.25%	\$88,094,722	72.01%
BUDGET	\$109,760,050		\$113,172,709		\$116,142,596		\$119,200,921		\$122,339,662	

2020-2023 figures based on Slide 24 - Five Year Projection – Assumptions (2019-2023)

*Represents full PSERS amount (district responsible for half stated figure)

2018-2019 Preliminary Budget

	(Actual) 2015	(Actual) 2016	(Actual) 2017	(Budget) 2018	(Preliminary) 2019 MARCH Update	(Preliminary) 2019 Approved
REVENUES						
Real Estate Taxes	66,597,436	66,730,201	69,504,794	71,611,139	73,809,287	74,320,308
Act 511 Taxes	8,249,602	8,084,951	8,314,158	8,005,000	8,337,000	8,232,000
Other Local Revenue	4,411,884	3,628,604	3,793,678	3,266,000	3,541,000	3,366,000
Basic Instructional and Operating Subsidies	6,451,881	6,566,976	6,750,983	6,743,219	6,816,093	6,816,093
Revenue for Specific Educational Programs	2,521,848	2,545,130	2,577,612	2,465,613	2,465,613	2,465,613
Other State Revenue	9,937,159	11,144,478	13,185,710	13,239,640	14,089,894	14,132,274
Federal Revenue	360,462	373,809	666,223	563,447	701,162	701,162
Other Financing Sources	1,813,487	44,049	17,584	1,000,000		1,000,000
TOTAL REVENUES	100,343,760	99,118,198	104,810,743	106,894,058	109,760,050	111,033,450
EXPENDITURES						
Salaries and Benefits	65,469,067	66,052,730	70,489,906	70,699,233	74,688,482	75,672,085
Operating Expenses	21,380,025	21,388,428	22,691,130	23,600,460	24,251,636	24,541,434
Debt Service & Transfers	11,109,231	11,459,641	10,511,644	12,594,365	10,819,931	10,819,931
TOTAL EXPENDITURES	97,958,324	98,900,799	103,692,680	106,894,058	109,760,050	111,033,450
NET OPERATING BALANCE	2,385,437	217,399	1,118,064	-	-	-
UNASSIGNED FUND BALANCE (Beg. Of Year)	4,996,207	7,381,644	6,890,721	7,318,083	7,318,083	7,318,083
UNASSIGNED FUND BALANCE (End Of Year)	7,381,644	6,890,721	7,318,083	7,318,083	7,318,083	7,318,083

Top Ten Expenditures 2019 Budget – March Update

<i>Rank</i>	<i>Amount</i>	<i>% of Total</i>	<i>Object</i>	<i>Name</i>
1	32,601,423	29.70%	121	<i>Professional - Educational Salaries - Regular</i>
2	15,084,466	13.74%	230	<i>Retirement Contributions</i>
3	7,474,422	6.81%	910	<i>Redemption of Principal</i>
4	7,067,711	6.44%	211	<i>Group Insurance - Medical Insurance</i>
5	6,490,001	5.91%	513	<i>Contracted Carriers</i>
6	3,752,058	3.42%	111	<i>Official/Administrative Salaries - Regular</i>
7	3,461,955	3.15%	220	<i>Social Security Contributions</i>
8	2,784,331	2.54%	330	<i>Other Professional Services</i>
9	2,535,509	2.31%	830	<i>Interest</i>
10	2,286,000	2.08%	329	<i>Professional Educational Services - Other</i>
Other	26,222,173	23.89%		<i>Other Objects</i>
TOTAL	109,760,050	100.00%		

Major Object Summary

March Update

100 <i>Personnel Services - Salaries</i>
200 <i>Personnel Services - Employee Benefits</i>
300 <i>Purchased Professional & Technical Services</i>
400 <i>Purchased Property Services</i>
500 <i>Other Purchased Services</i>
600 <i>Supplies</i>
700 <i>Property</i>
800 <i>Other Objects</i>
900 <i>Other Financing Uses</i>
GRAND TOTAL

<i>(Actual)</i> 2015	<i>(Actual)</i> 2016	<i>(Actual)</i> 2017	<i>(Budget)</i> 2018	<i>(Preliminary)</i> 2019 March Update	<i>(Preliminary)</i> 2019 Approved
42,604,899	42,426,155	43,434,221	42,492,179	45,428,745	45,628,332
22,864,168	23,626,574	27,055,685	28,207,054	29,259,737	30,043,753
6,368,984	6,114,399	6,305,695	6,600,367	6,699,664	6,706,515
2,743,506	2,426,743	1,756,097	3,455,388	1,973,570	2,278,140
9,729,748	10,403,154	10,589,021	10,181,660	11,274,103	11,212,684
2,201,481	2,153,956	3,781,199	2,787,559	3,678,902	3,709,799
216,042	173,458	149,465	464,185	488,626	497,626
3,444,250	3,296,299	3,058,663	6,404,255	3,282,281	3,282,179
7,785,246	8,280,059	7,562,634	6,301,411	7,674,422	7,674,422
97,958,324	98,900,799	103,692,680	106,894,058	109,760,050	111,033,450

Budget % Change Over Prior Year
Budget \$ Change Over Prior Year

0.96%	4.85%	3.09%	2.68%	3.87%
942,475	4,791,881	3,201,378	2,865,992	4,139,392

Note - 1: The movement of Utilities from the 400 Series to the 600 Series has accounts for the large reduction in the 400 series and corresponding increase in the 600 Series.

Note - 2: The interest and principal payments in the 800 & 900 Series is correctly allocated in the 2018-2019 budget.

Analysis

REAL ESTATE TAX ANALYSIS

- Current Real Estate tax rate 2017/18 = **29.4585 mills**
- Proposed Real Estate tax rate 2018/19 = **30.2427092252361 mills**
 - Increase of **2.4%** (or .7070 mills) at level of Act 1 index
 - Increase of **0.262%** (or .0772 mills) for Special Education Act 1 Exception
 - Total Increase of **2.662%** (or 0.7842 mills)

Estimated increased tax bill for a home assessed at the district average of \$180,767 is **\$141.76**.

Overall tax bill calculation: **.030242709 (millage) X \$180,767 = \$5,466.88**.

Estimated tax bill for other home assessed values (based on 2.662% increase = 0.7842 mills or 30.2427 mills):

Assessment	Increase	Total Tax
\$ 200,000.00	\$ 156.84	\$ 6,048.54
\$ 400,000.00	\$ 313.68	\$ 12,097.08
\$ 600,000.00	\$ 470.53	\$ 18,145.63
\$ 800,000.00	\$ 627.37	\$ 24,194.17
\$ 1,000,000.00	\$ 784.21	\$ 30,242.71

[Find your home's assessed values in Montgomery County PA at www.propertyrecords.montcopa.org](http://www.propertyrecords.montcopa.org)

Analysis

NMTCC School Expense Comparison Based on 2016-2017 School Year and 10/01/2016 Student Count

Audited 2016-2017 Costs by Major Object	Methacton	North Penn	Perkiomen Valley	Souderton	Wissahickon
100 <i>Personnel Services - Salaries</i>	\$43,434,221	\$122,481,574	\$43,125,103	\$51,145,093	\$49,581,786
200 <i>Personnel Services - Employee Benefits</i>	\$27,055,685	\$69,814,859	\$24,819,086	\$30,256,427	\$28,559,359
300 <i>Purchased Professional & Technical Services</i>	\$6,305,695	\$9,878,337	\$5,073,640	\$5,710,827	\$3,359,678
400 <i>Purchased Property Services</i>	\$1,756,097	\$1,894,279	\$1,707,494	\$1,251,485	\$1,828,262
500 <i>Other Purchased Services</i>	\$10,589,021	\$12,467,368	\$11,406,599	\$18,313,199	\$6,456,404
600 <i>Supplies</i>	\$3,781,199	\$9,428,066	\$3,187,696	\$4,501,816	\$2,774,008
700 <i>Property</i>	\$149,465	\$785,094	\$307,141	\$329,169	\$721,453
800 <i>Other Objects</i>	\$3,058,663	\$3,506,549	\$426,821	\$2,681,574	\$314,289
900 <i>Other Financing Uses</i>	\$7,562,634	\$34,669,003	\$14,521,020	\$12,110,118	\$2,543,733
GRAND TOTAL	\$103,692,680	\$264,925,129	\$104,574,601	\$126,299,708	\$96,138,972
Student Count as of 10/01/2016	4,864	12,843	5,498	6,599	4,560
Major Object Cost per Student	Methacton	North Penn	Perkiomen Valley	Souderton	Wissahickon
100 <i>Personnel Services - Salaries</i>	\$8,930	\$9,537	\$7,844	\$7,750	\$10,873
200 <i>Personnel Services - Employee Benefits</i>	\$5,562	\$5,436	\$4,514	\$4,585	\$6,263
300 <i>Purchased Professional & Technical Services</i>	\$1,296	\$769	\$923	\$865	\$737
400 <i>Purchased Property Services</i>	\$361	\$147	\$311	\$190	\$401
500 <i>Other Purchased Services</i>	\$2,177	\$971	\$2,075	\$2,775	\$1,416
600 <i>Supplies</i>	\$777	\$734	\$580	\$682	\$608
700 <i>Property</i>	\$31	\$61	\$56	\$50	\$158
800 <i>Other Objects</i>	\$629	\$273	\$78	\$406	\$69
900 <i>Other Financing Uses</i>	\$1,555	\$2,699	\$2,641	\$1,835	\$558
GRAND TOTAL	\$21,318	\$20,628	\$19,020	\$19,139	\$21,083