

Gateway School District General Fund Budget

Preliminary Budget Information for the
2018-2019 Fiscal Year

As of March 22, 2018



Summary of Preliminary Total Revenues for 2018-2019

- Projected Preliminary Total Revenues for 2018-2019 of **\$74,871,000**. (Note: The Revenues currently “INCLUDE” a real estate tax increase “recommended” for 2018-2019.)
- Decrease of **(\$878,000)** or **(1.16%)** under the fiscal year 2017-2018 budgeted Total Revenues.

Summary of Preliminary Total Expenditures for 2018-2019

- Projected Preliminary Total Expenditures for 2018-2019 of \$74,871,000.
- Decrease of (\$878,000) or (1.16%) under the fiscal year 2017-2018 budgeted Total Expenditures.

Net Preliminary Budgetary Shortfall or Deficit for 2018-2019

- Decrease in Revenues of (\$878,000) +
- Decrease in Expenditures of (\$878,000) =

- Net Preliminary Total Budget Shortfall or Deficit for 2018-2019 of \$0 due to utilization of “recommended” tax increase to balance.

State Budget Update for 2018-2019

- State Budget Hearings for the House and Senate Appropriations Committees occurred and have concluded.
- The State House returned to session on 3/12/18.
- The State Senate returned to session on 3/19/18.
- Now the State Budget negotiation fun begins!
- Election Year – On time State Budget?

State Subsidies Proposed for 2018-2019

- BEF = Basic Education Funding.
- RTLBG = Ready To Learn Block Grant.
- SEF = Special Education Funding.

- BEF proposed to increase by \$100 million .
- RTLBG proposed to be level funded or no change.
- SEF proposed to increase by \$20 million .

- *BEF & SEF individual school district amounts released for 18-19 will change once PDE updates each of the subsidy formulas with the actual 16-17 fiscal year data.*

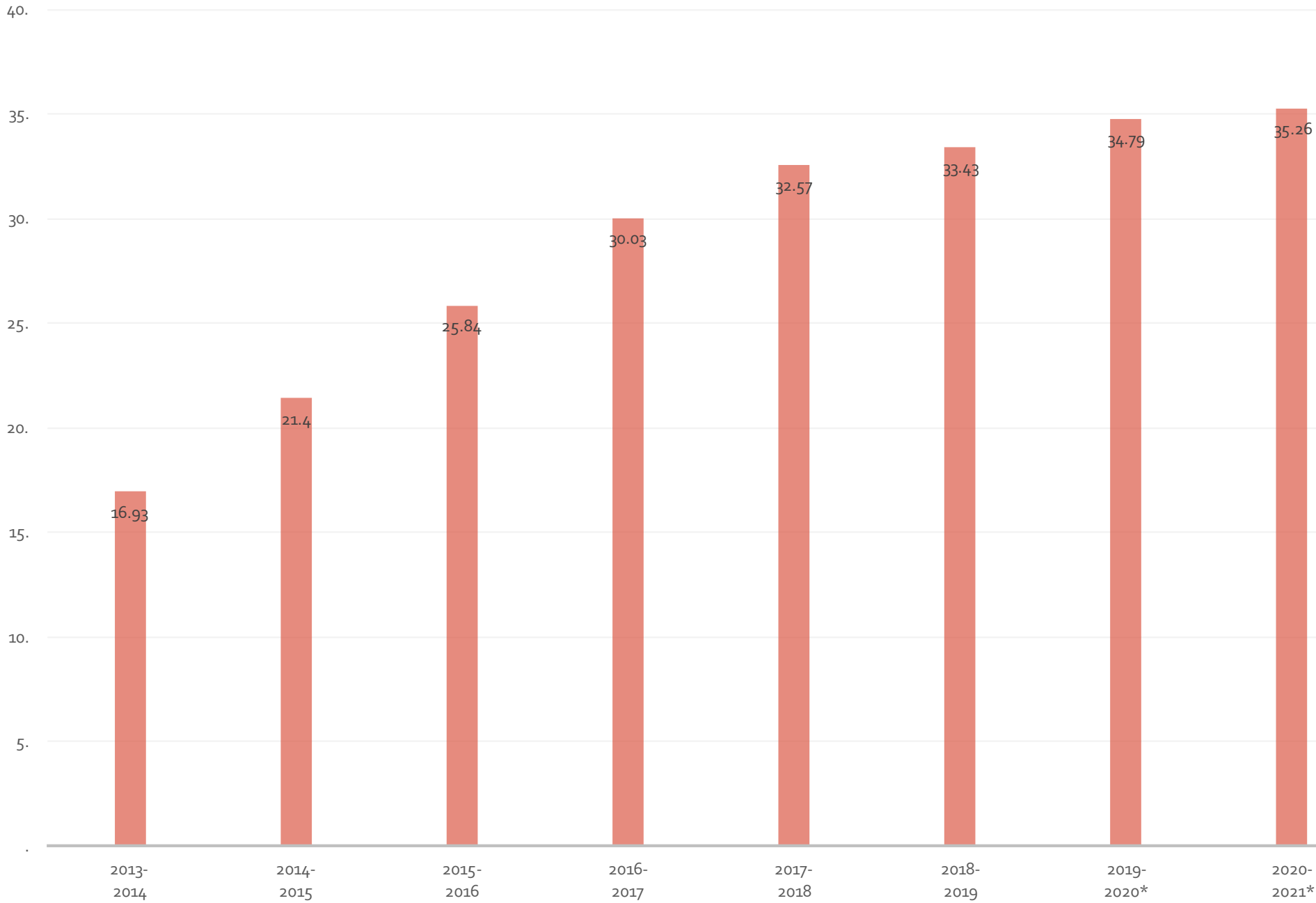
Inclusion of 100% of Proposed State Budget Increases for 2018-2019

- Proposed Total Increase of \$136,493 in Basic Education Subsidy.
- Proposed Total Increase of \$28,510 in Special Education Subsidy.
- District will include 100% = \$165,003 of the above two increases in the 18-19 Budget.
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- **If the increases are not received from the State, the amounts will be taken from the Fund Balance.**

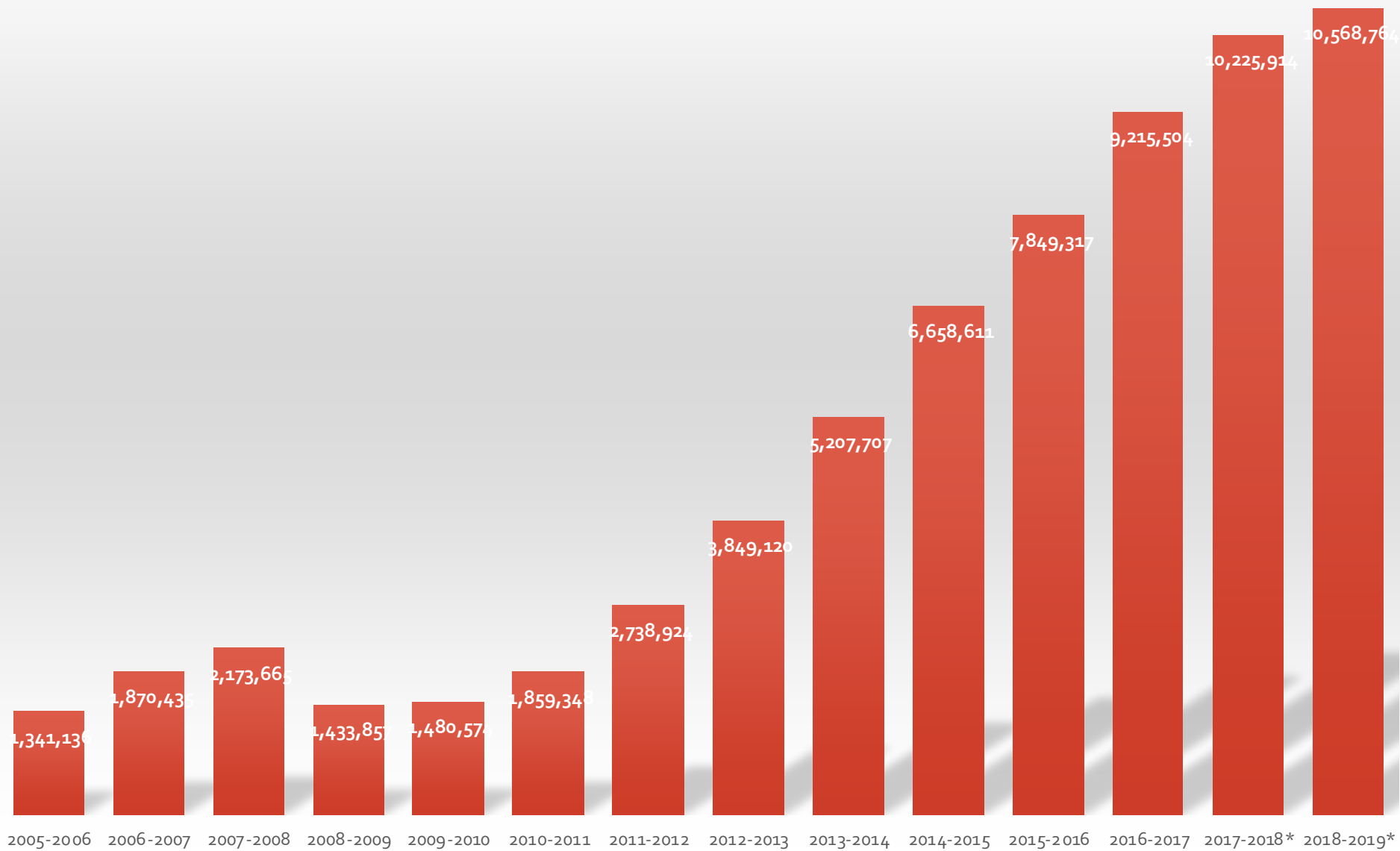
PA Pension Reform Changes for 2018-2019

- No relief projected for school district required employer contribution rate.
- Thus, **NO** expected reduction in the projected 2018-2019 fiscal year employer contribution rate of **33.43%**.
- **Increase of 0.86%** (from 32.57% to **33.43%**) in required employer retirement benefit expenditures to PSERS prior to the **50% State reimbursement**.
- The lowest percentage increase in several fiscal years!

Actual & Projected* PSERS Employer Rates



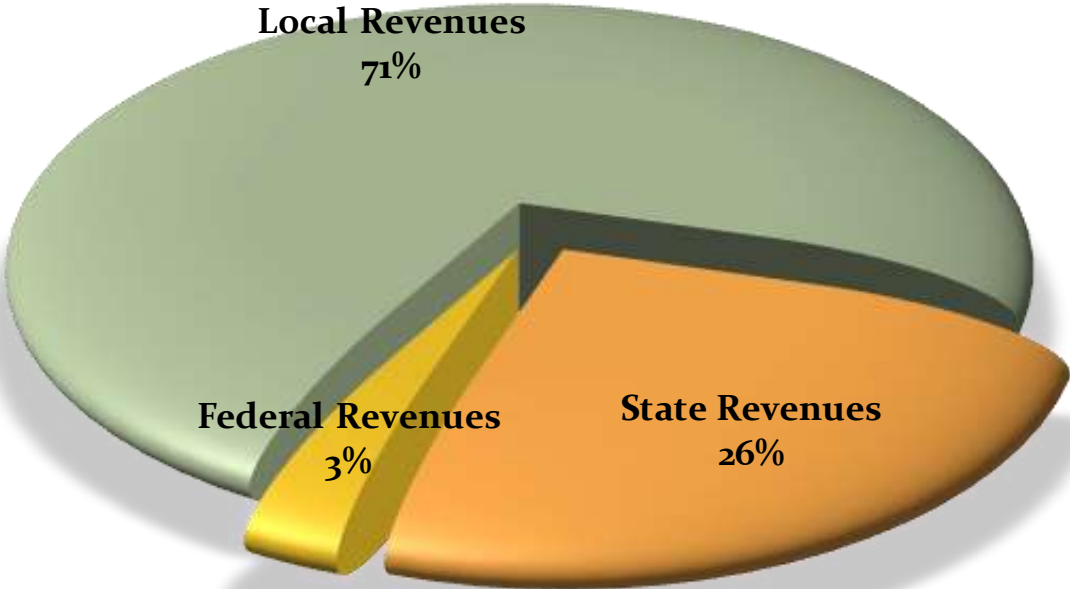
Employer Retirement (PSERS) Expenditures - Actual & Budgeted*



Composition of Major Revenue Categories for 2018-2019

- Local – 71% of the Preliminary 18-19 Budget.
- State – 26% of the Preliminary 18-19 Budget.
- Federal - 3% of the Preliminary 18-19 Budget.
- Flat or very Little Growth Projected for 18-19 and probably for several future fiscal years.

Major Revenue Categories for 2018-2019



Major Types of Local Revenue Categories for 2018-2019

- Current Real Estate Tax (Largest).
- Current Earned Income Tax.
- Mercantile Tax.
- Delinquent Real Estate Tax.
- Deed Transfer Tax.
- Delinquent Earned Income Tax.
- Local Services Tax.
- Interest Revenue.

Major Types of State Revenue Categories for 2018-2019

- Basic Education Subsidy (Largest).
- Retirement Reimbursement Subsidy – 50%.
- Special Education Subsidy.
- Property Tax Reduction Allocation.
- SS & FICA Reimbursement Subsidy – 50%.
- Transportation Reimbursement Subsidy.
- Ready to Learn Block Grant.
- Debt Service Reimbursement Subsidy.

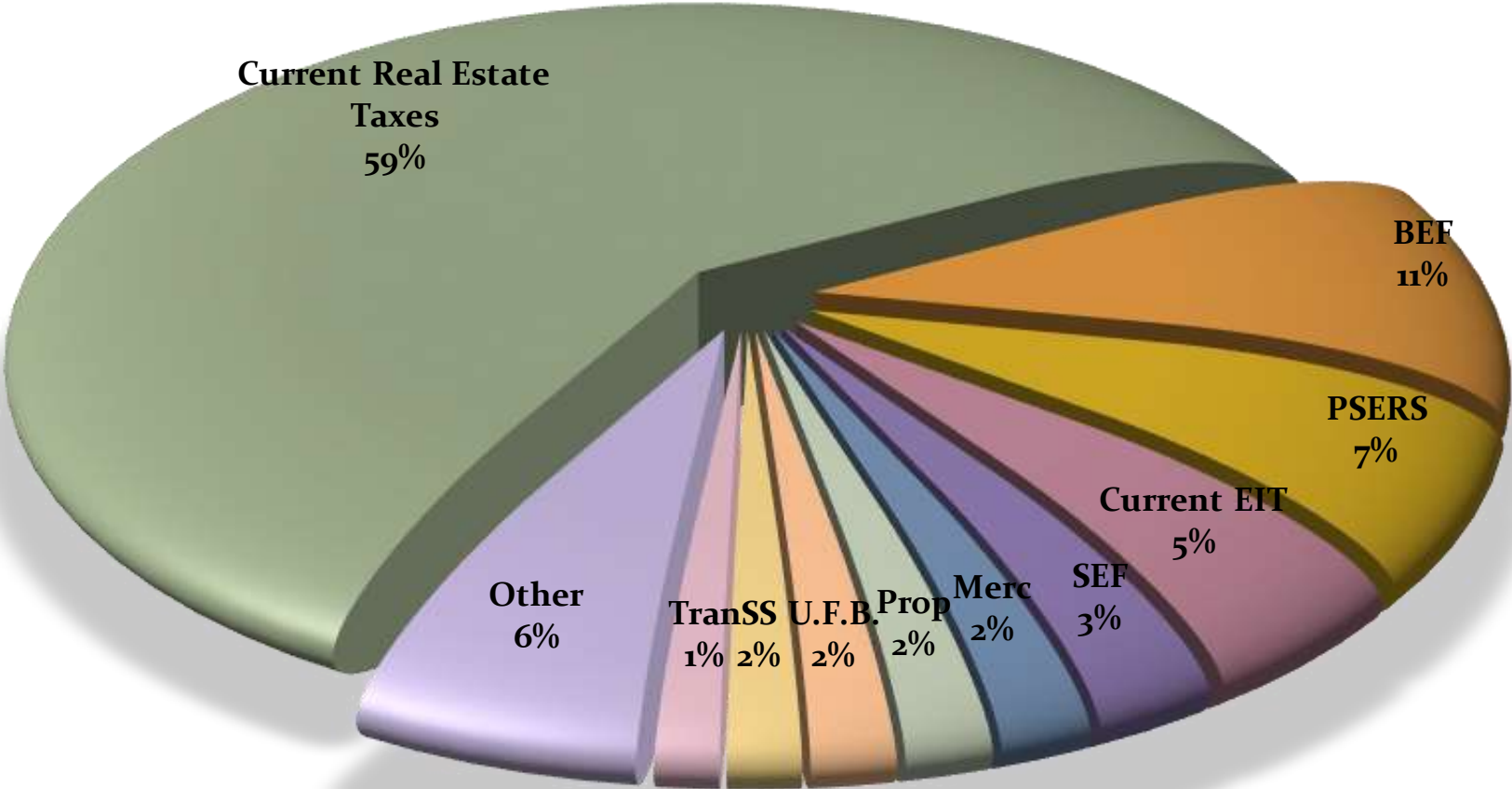
Major Types of Federal Revenue Categories for 2018-2019

- Title I Funds (Largest) - Passed Through PDE.
- IDEA Funds - Passed Through the AIU#3.
- ACCESS Funds - Passed Through PDE.
- Title II Funds - Passed Through PDE.
- Title III Funds - Passed Through PDE.
- Title IV Funds - Passed Through PDE.

Top Ten 2018-2019 Revenues

- 1. Current Real Estate Taxes - \$44,233,272
- 2. Basic Education Subsidy - \$7,845,053
- 3. Retirement Reimburse. Subsidy - \$5,284,382
- 4. Current Earned Income Taxes - \$3,839,000
- 5. Special Education Subsidy - \$2,117,964
- 6. Mercantile Taxes - \$1,560,000
- 7. State Property Tax Reduction - \$1,460,130
- 8. Unassigned Fund Balance - \$1,410,000
- 9. SS & FICA Reimburse. Subsidy - \$1,226,490
- 10. Transportation Reimb. Subsidy - \$1,064,000

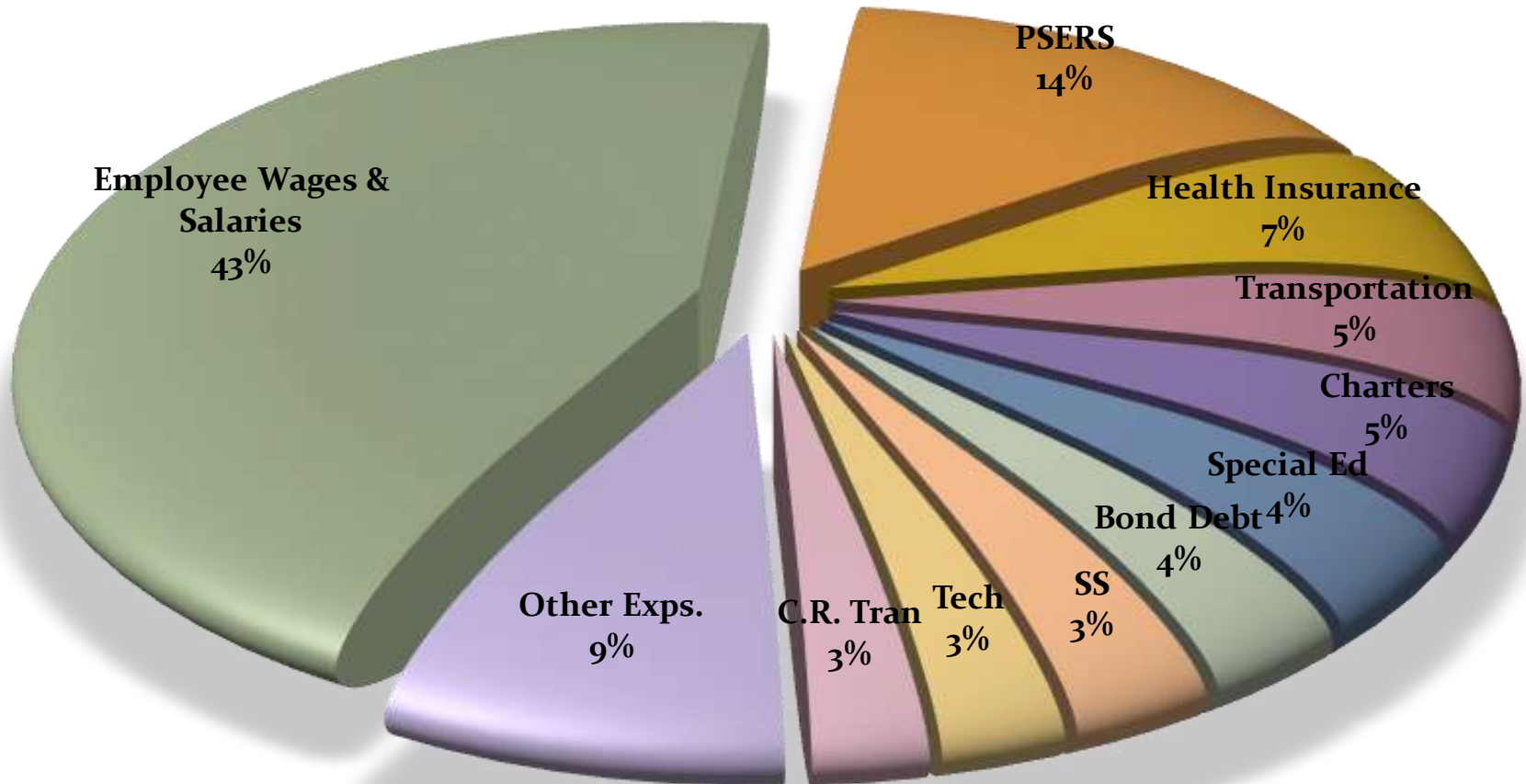
Major Revenue Categories for 2018-2019



Top Ten 2018-2019 Expenditures

- 1. Employee Wages & Salaries - \$32,426,849
- 2. Retirement Expenditures - \$10,568,764 - Gross
- 3. Health Insurance Expenditures - \$5,303,623
- 4. Transportation Expenditures - \$3,819,000
- 5. Charter & Cyber School Expenditures - \$3,585,000
- 6. Special Education Expenditures - \$3,194,000
- 7. Bond Debt Service Expenditures - \$2,578,417
- 8. SS & FICA Expenditures - \$2,452,979 - Gross
- 9. Technology Expenditures (All) - \$2,127,000
- 10. Capital Reserve Fund Transfers - \$1,952,000

Major Expenditure Categories for 2018-2019



Preliminary Total Personnel & Employee Benefit Expenditures for 2018-2019

- Preliminary Personnel Wage & Salary Expenditures = 43% of the Budget.
- Preliminary Employee Benefits Expenditures = 26% of the Budget.
- Preliminary Total Gross Employee Expenditures = 69% of the Total 2018-2019 Budget.

Preliminary 2018-2019 Expenditure Adjustments

- Adjustments to various expenditures will continue to be incorporated into the Budget as new and updated information becomes known and applied by the District to the projected expenditures.
- Hopefully more reductions than increases will continue to occur to the preliminary expenditures as the Budget is completed for the 18-19 fiscal year.

Preliminary 2018-2019 Revenue Adjustments

- Adjustments to various revenue sources will continue to be incorporated into the Budget as new information becomes known and applied by the District to the projected revenues.
- Hopefully more increases than reductions will continue to occur to the preliminary revenues as the Budget is completed for the 18-19 fiscal year.

What is Millage?

- Millage is a tax rate applied to a real estate property's assessed valuation for the purpose of revenue generation by a taxing body such as the District.
- Each mill represents \$1 of tax assessment per \$1,000 of assessed property value.
- A mill is derived from the root word mill, which means "thousand."
- Thus, one mill is one part per thousand or 0.1% which can also be expressed as .001 for calculation purposes.

Gateway School District Real Estate Tax 2017-2018 Millage Rate

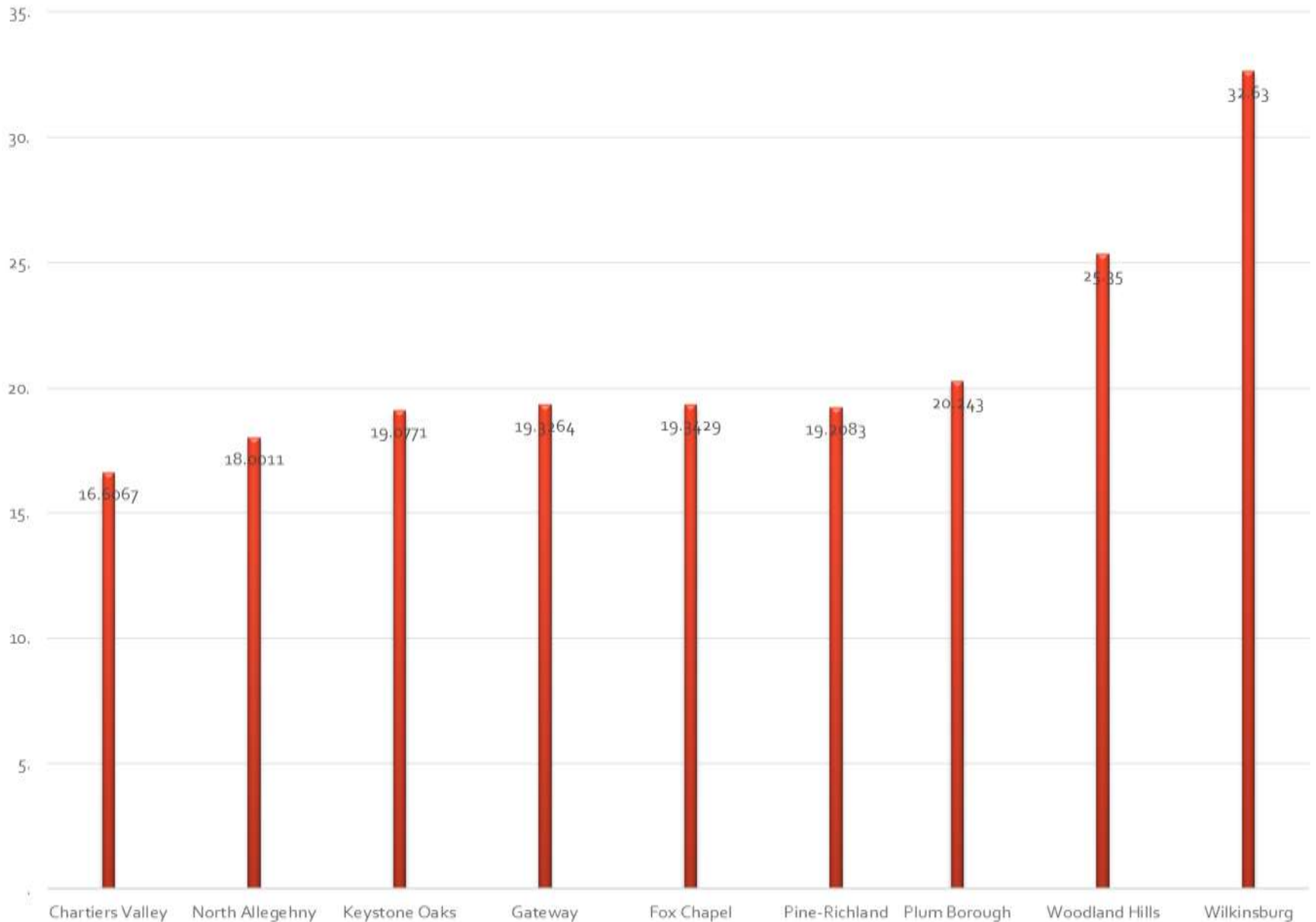
- At 19.3264 Mills in 2017-2018, GSD has the 13th Lowest Millage Rate out of 42 school districts in Allegheny County.
- Chartiers Valley School District – Lowest in Allegheny County at 16.6067 Mills.
- Wilkinsburg Area School District – Highest in Allegheny County at 32.6300 Mills.
- These millage rate rankings will probably change for the 18-19 fiscal year due to upcoming Allegheny County school district millage rate increases.

Neighboring Allegheny County School District Current Real Estate Tax 17-18 Millage Rates

- Gateway School District – 19.3264 Mills
- Plum Borough School District – 20.2430 Mills
- Woodland Hills School Dist. – 25.3500 Mills
- East Allegheny School Dist. – 26.9722 Mills
- Penn Hills School District – 27.5570 Mills

- These Millage rates will probably change for the 18-19 fiscal year due to upcoming Allegheny County school district millage rate increases.

Select Allegheny County Real Estate Tax Millage Rates for 17-18



District Real Estate Assessment Issues to Consider for 18-19

- Real estate assessment values for properties located in Monroeville and Pitcairn continue to increase and decrease in value as owner & District appeals continue to occur in the 17-18 and 18-19 fiscal years.
- Current year and prior year real estate tax refunds are having a negative effect on current year real estate tax revenue as well as prior year real estate tax refund expenditures which effect Fund Balance.
- The number of taxpayer appeals continue to occur and the successful taxpayer appeals further decrease the total assessed real estate value of the District.
- The District has been taking appeals against both commercial and residential taxpayers to adjust the recorded assessed values to the deed transfer values.
- New taxpayer appeals will continue to be initiated during the 18-19 fiscal year which **CAN NOT** be quantified either positively or negatively by the District.

Total District Real Estate Assessed Values

- 6/14/13 Total Assessed Value \$2,499,750,315
- 6/14/13 Total Assessed Value Less (\$36,000,000) = \$2,463,750,315

- 6/13/14 Total Assessed Value \$2,418,401,741
- 6/13/14 Total Assessed Value Less (\$5,000,000) = \$2,413,401,741

- 6/19/15 Total Assessed Value \$2,389,267,155

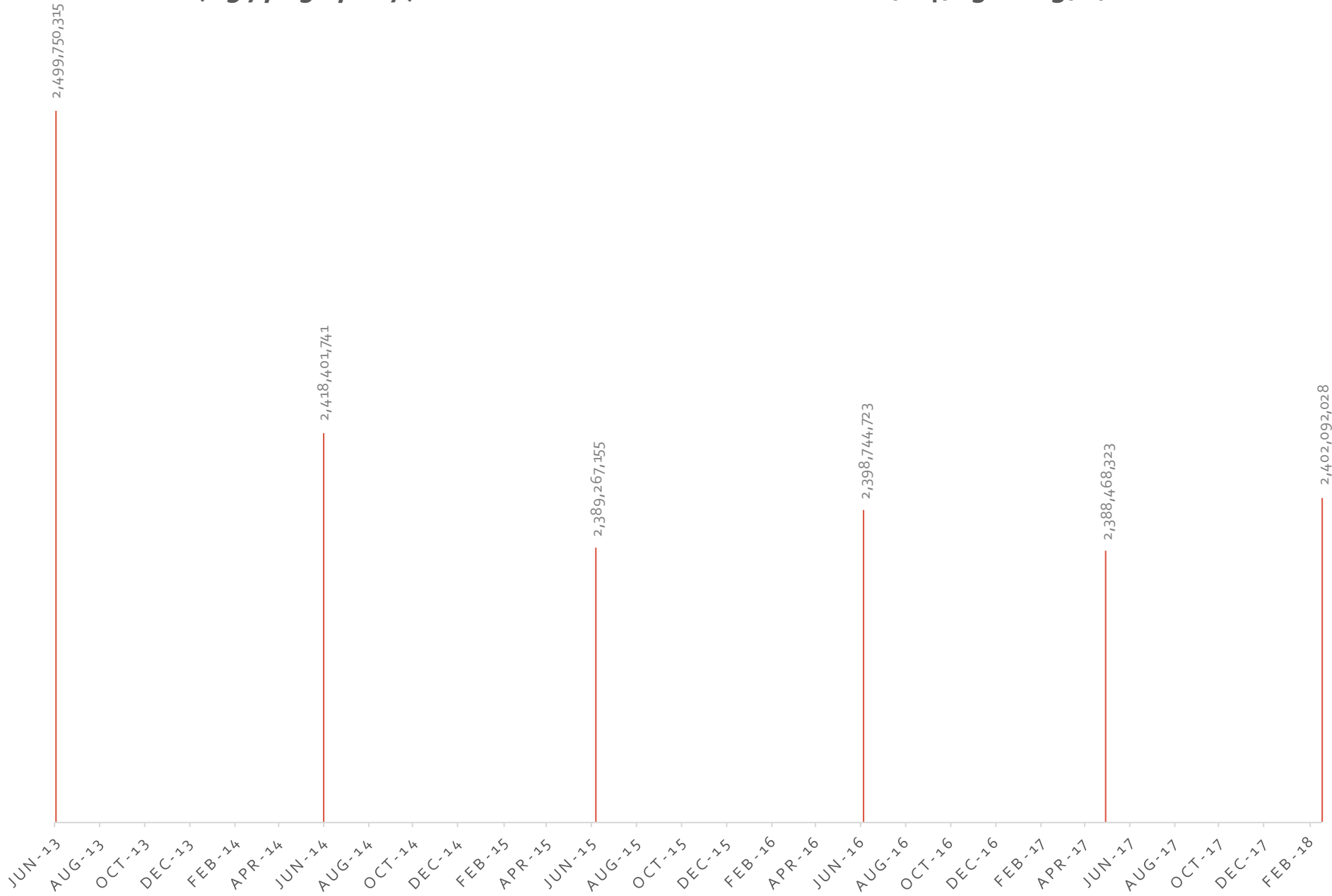
- 6/17/16 Total Assessed Value \$2,398,744,723

- 5/12/17 Total Assessed Value \$2,388,468,323

- 3/2/18 Total Assessed Value \$2,402,092,028

- From 6/14/13 to 3/2/18, the Total Real Estate Assessed Value of the District continued to Decrease by (\$97,658,287) or (3.91%). District made total estimated adjustments of (\$41,000,000) resulting in (\$56,658,287) or (2.27%) of continued decline in assessed value.

DISTRICT REAL ESTATE ASSESSED VALUES - LOSS OF (\$97,658,287) IN ASSESSED VALUE FROM 6/14/13 TO 3/2/18



2.8% Index - Equivalent in Mills

- The District is permitted to increase the millage rate by up to a 2.8% (Index) for the 18-19 fiscal year.
- Current Millage: 19.3264 Mills
- Multiplied by 2.8% Index: X .028
- Max Increase in Millage of: .5411 Mills
- Thus, the maximum amount the Real Estate Tax Millage Rate COULD be for the 18-19 Fiscal Year is 19.3264 Mills + .5411 Mills = 19.8675 Mills.
- From 13th lowest to 15th lowest for 18-19?

Comparison of Current to Maximum Real Estate Tax Millage Rate

- 17-18 Current Millage Rate: 19.3264 Mills
- 18-19 Maximum Millage Rate: 19.8675 Mills
- Maximum Increase of (.5411 Mills) in the Millage Rate.
- Maximum Increase of (2.8%) in the Millage Rate.
- **An increase in the real estate tax millage rate has been “recommended” & included in the Preliminary Budget for the 18-19 fiscal year. A full increase of 2.8% would yield a net amount of approximately \$1,244,480.**

	REAL ESTATE	TAX	NUMBER	UTILIZATION OF	AMOUNT OF FUND
FISCAL YEAR	MILLAGE RATE	INCREASE	OF MILLS	FUND BALANCE	BALANCE BUDGETED
2017-2018	19.3264	NO	0.00	YES	\$3,819,000.00
2016-2017	19.3264	NO	0.00	NO	\$ -
2015-2016	19.3264	YES	0.4345	YES	\$ 574,000.00
2014-2015	18.8919	NO	0.00	YES	\$1,777,000.00
2013-2014	18.8919	YES	0.3704	NO	\$ -
2012-2013	21.85	YES	0.83	YES	\$ 245,000.00
2011-2012	21.02	NO	0.00	YES	\$ 370,000.00
2010-2011	21.02	YES	1.61	NO	\$ -
2009-2010	19.41	NO	0.00	YES	\$2,663,000.00
2008-2009	19.41	NO	0.00	YES	\$ 342,000.00
2007-2008	19.41	NO	0.00	YES	\$ 390,000.00
2006-2007	19.41	NO	0.00	NO	\$ -
2005-2006	19.41	YES	1.00	NO	\$ -
2004-2005	18.41	YES	1.00	NO	\$ -
2003-2004	17.41	YES	0.86	YES	\$ 758,902.00
2002-2003	16.55	?	?	YES	\$ 622,190.00

\$ Amount of Real Estate Tax Maximum Millage Increase Per Resident Available for 2018-2019

Monroeville:

- Based on median taxable value of \$108,200.
- At Maximum 2.8% Index = \$58.55/YEAR.
- At Maximum 2.8% Index = \$4.88/MONTH.

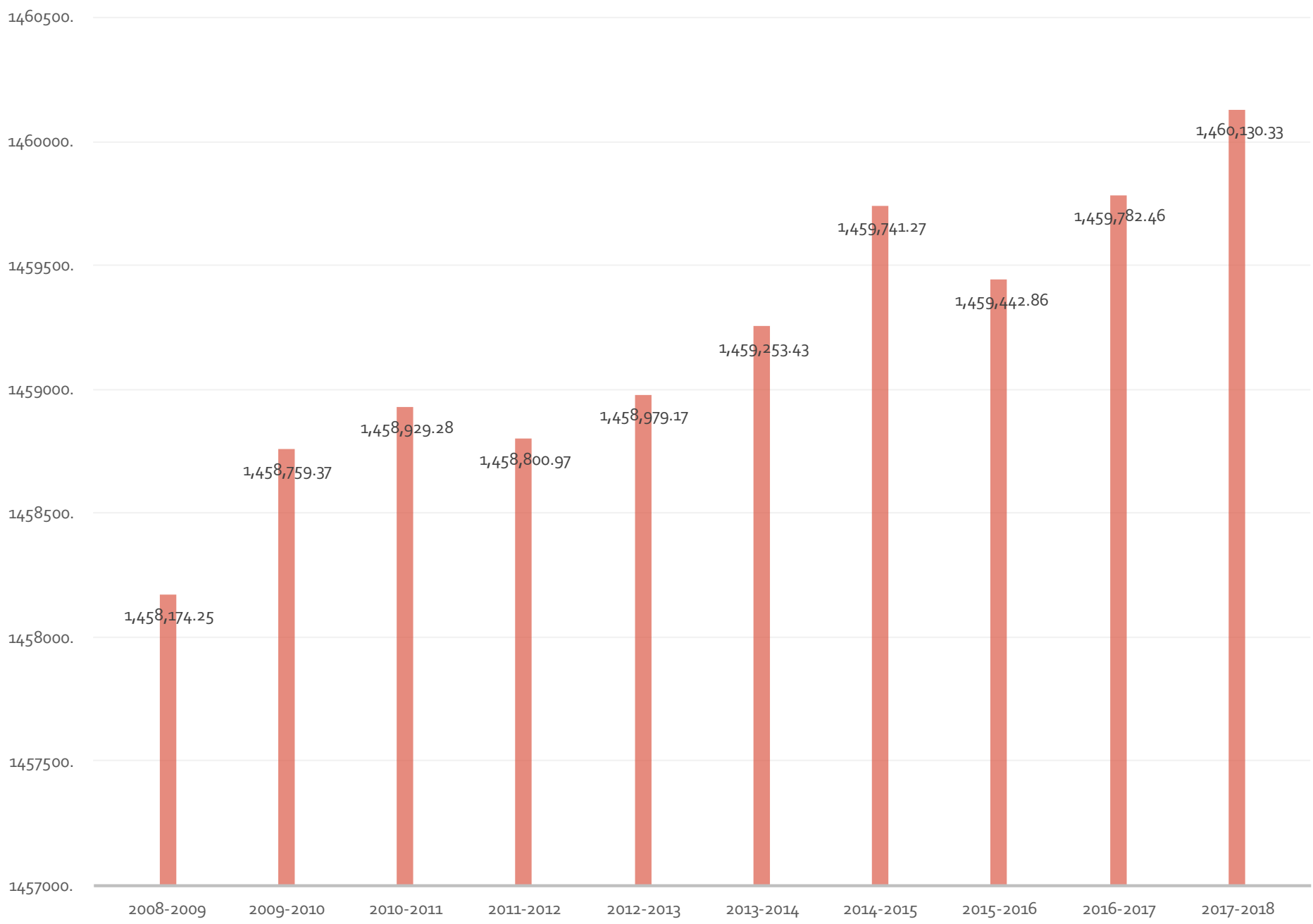
Pitcairn:

- Based on median taxable value of \$34,800.
- At Maximum 2.8% Index = \$18.83/YEAR.
- At Maximum 2.8% Index = \$1.57/MONTH.

Homestead Exclusion for 2018-2019

- The 2017-2018 fiscal year amount of \$1,460,130.33 has initially been projected to be in the District's 2018-2019 fiscal year Budget.
- State will determine on April 15, 2018 whether gaming revenues will be available for distribution to the school districts during the 2018-2019 fiscal year.
- PDE will certify and officially release the actual distribution amount to the District on May 1, 2018. The approximate amount of \$1,460,130.33 is hoped to at least be received by the District for the 2018-2019 fiscal year.
- The 2018-2019 fiscal year would be the 11th year in a row for the District to receive and to distribute a State gaming revenue distribution.
- Impact of the distribution will be revenue neutral in the District's 2018-2019 fiscal year Budget.

Actual State Property Tax Reduction Allocations - Very Little Increase



Homestead Exclusion for 2018-2019

- \$179.15 (Estimated) per eligible homestead property in both Monroeville & Pitcairn for the 2018-2019 fiscal year.

	<u>Monroeville</u>	<u>Pitcairn</u>
.5411 Mill Increase	\$ 58.55	\$ 18.83
Less: Exclusion	<u>(\$179.15)</u>	<u>(\$179.15)</u>
Net Credit Effect	<u>(\$120.60)</u>	<u>(\$160.32)</u>



Projection of Ending Total Fund Balance at 6/30/18 for 2017-2018

➤ Beginning Fund Balance as of 7/1/17	<u>\$14,566,112</u>
➤ Less: 1. Utilization for Capital Reserve Fund Transfers	(\$ 3,819,000)
➤ 2. C/Y Real Estate Tax Refunds	(\$ 73,857)
➤ 3. P/Y Real Estate Tax Refunds	(\$ 36,715)
➤ 4. Decrease in Title I Federal Subsidy	(\$ 51,182)
➤ 5. Decrease in Title III Federal Subsidy	(\$ 14,595)
➤ 6. Other Expenditures Greater than Budget	(\$To Be Determined)
➤ Add: 1. Increase in Title II Federal Subsidy	\$ 6,122
➤ 2. Increase in Title IV Federal Subsidy	\$ 16,668
➤ 3. Other Revenues Greater than Budget	<u>\$ To Be Determined</u>
➤ Net Projected Decrease for 2017-2018 Fiscal Year	(\$ 3,972,559)
➤ <u>(Note: It is very possible this # will actually be greater or less!)</u>	
➤ Projected Ending Fund Balance at 6/30/18	<u>\$10,593,553</u>

Composition of Projected Ending Fund Balance at 6/30/18 for 2017-2018

- Unassigned Fund Balance \$4,153,402
- Nonspendable Fund Balance \$ 772,637
- Committed Fund Balance \$5,667,514
- Projected Total Fund Balance \$10,593,553
- (\$10,593,553/\$74,871,000 = 14.15%)
Total Recommended to be between 5% and 15%.

Components of Fund Balance

- **Unassigned Fund Balance**: Portion that **is immediately available** to be utilized for identified purposes such as balancing the Budget & making transfers to other funds.
- **Nonspendable Fund Balance**: Portion that offsets the amount of Prepaid Expenditures on the District's balance sheet & **is not available** for expenditure.
- **Committed Fund Balance**: Portion that **is not immediately available** due to official designation by the Board for specific purposes through a formal Board resolution. Can be designated by the Board for different purposes or classified back to Unassigned Fund Balance through an additional formal Board resolution. **Designations Currently Include**: 1. Future employer health insurance increases; 2. Future employer pension cost increases; & 3. Future capital repair project expenditures for District school buildings.

Composition of Committed Fund Balance Projected at 6/30/18

<u>DATE DESIGNATED</u>		<u>COMMITTED</u>
<u>BY THE BOARD</u>	<u>DESCRIPTION OF DESIGNATION</u>	<u>AMOUNTS</u>
12/13/2006	FUTURE HEALTH CARE COST INCREASES	\$ 891,597.00
3/26/2008	FUTURE HEALTH CARE COST INCREASES	\$ 1,327,578.00
3/26/2008	FUTURE PENSION COST INCREASES	\$ 1,327,579.00
3/25/2009	CSE CONSTRUCTION PROJECT	\$ 120,760.12
2/19/2014	GHS ROOF REPAIRS	\$ 1,000,000.00
2/19/2014	FUTURE PENSION COST INCREASES	\$ 1,000,000.00
	TOTAL BALANCE PROJECTED AT 6/30/18	\$ 5,667,514.12

Projection of Total Fund Balance at 6/30/18 for 2018-2019

- Projected Total Fund Balance as of 7/1/18 \$10,593,553
- Less: 1. Transfer of Fund Balance to Capital (\$ 1,410,000)
- Reserve Fund for Capital Projects.
- **Projected Total Fund Balance as of 6/30/18 \$ 9,183,553**

2018-2019 Items Recommended to be Purchased in 2017-2018

- Purchase of a new Maintenance Department Truck in the current 2017-2018 fiscal year to provide an expenditure reduction in the 2018-2019 fiscal year Budget. (Approximately \$40,000 with required accessories.)
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- Purchase of an additional Van in the current 2017-2018 fiscal year to be utilized by various District groups when traveling for state and national competitions. (Approximately \$27,000.)

2019-2020 Net Debt Service Increase

	<u>2018-2019</u>	<u>2019-2020</u>
➤ Total Prin & Int	\$2,578,417	\$4,003,526
➤ Less: PDE Sub	<u>(\$ 194,000)</u>	<u>(\$ 465,000)</u>
➤ Net Debt Svc	<u>\$2,384,417</u>	<u>\$3,538,526</u>
➤ $\$3,538,526 - \$2,384,417 = \underline{\$1,154,109}$		
➤ <u>Net Debt Service Increase in 2019-2020.</u>		

Budget Process for 2018-2019

- A not to exceed Index (2.8%) resolution was previously adopted by the Board on January 25, 2018 for the 2018-2019 fiscal year.
- Thus, referendum exceptions have not been requested and will not be utilized by the District for the 2018-2019 fiscal year to further increase the millage rate above the 2.8% Index rate. 2.8% Index = Maximum .5411 mills increase.
- The Proposed Final 2018-2019 General Fund Budget will be adopted by the Board on May 24, 2018. The Budget will be displayed via the PDE-2028 form on the District's website at www.gatewayk12.org
- Various summary and detailed Excel spread sheets will also be displayed on the District's website at www.gatewayk12.org in .pdf files.
- Thus, the Pre-Act 1 budget timeline will continue to be followed by the District through final Budget adoption by the Board scheduled on June 28, 2018.

Future Budget & Finance Committee Meetings

- 1. Tuesday, April 10, 2018 – Applicable Updates – ?
 - 2. Tuesday, May 8, 2018 – Staffing & Personnel Exps.
 - 3. Tuesday, June 5, 2018 – Final Public Hearing.
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- *All of the above Budget & Finance Committee Meetings will begin at 6:00 p.m. in the GHS LGI.*