

Gateway School District General Fund Budget

Preliminary Budget Information for the
2019-2020 Fiscal Year

As of March 28, 2019



Two Significant Issues for 2019-2020

- 1. Increase in Net Debt Service Expenditures for the Series of 2016 GOB. (Expected Increase per debt service schedule).
- 2. Continued Net Decrease in Real Estate Assessed Value (Unexpected magnitude of continued decline).

Net Debt Service INCREASE for 2019-2020

- | | <u>2018-2019</u> | <u>2019-2020</u> |
|----------------------|---------------------|---------------------|
| ➤ Total Prin. & Int. | \$2,578,417 | \$4,003,526 |
| ➤ Less: PDE Sub | <u>(\$ 189,384)</u> | <u>(\$ 454,449)</u> |
| ➤ Net Debt Svc. | <u>\$2,389,033</u> | <u>\$3,549,077</u> |
- $\$3,549,077 - \$2,389,033 = \underline{\$1,160,044}$
- NOTE: Result of the issuance of the Series of 2016 GOB which refinanced the Series of 2007 GOB.
- Net Debt Service Increase in 2019-2020.

DECREASE in Total Real Estate Assessed Value for 2019-2020

- 6/15/18 Total Assessed Value \$2,374,052,628
- 3/15/19 Total Assessed Value \$2,354,371,668
- (Decrease) (\$ 19,680,960)

- From 6/15/18 to 3/15/19, the Total Real Estate Assessed Value of the District continued to (Decrease) by (\$19,680,960) or (.82%).

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- A (LOSS) of revenue of (\$391,011) from the 2019-2020 General Fund Budget (at the 18-19 millage rate of 19.8675 mills).

Initial Net Deficit of ONLY these TWO Items for 2019-2020

- 1. Net Debt Service Exp. Increase \$1,160,044
- 2. Net R/E Tax Rev. Assessment (Decrease) \$ 391,011
- Total Initial Revenue Requirement \$1,551,055

- Less: Net Revenue from a Tax Increase (\$1,209,162)

- **Additional 19-20 Revenue Required** \$ 341,893

- NOTE: The above analysis DOES NOT take into account ANY other expenditure & revenue increases or decreases for 19-20.

Summary of Preliminary Total Revenues for 2019-2020

- Projected Preliminary Total Revenues for 2019-2020 of \$77,300,000. (Note: The Revenues currently “INCLUDE” a real estate tax increase “greatly recommended” for 2019-2020.)
- Increase of \$1,988,000 or 2.64% over the fiscal year 2018-2019 budgeted Total Revenues.

Summary of Preliminary Total Expenditures for 2019-2020

- Projected Preliminary Total Expenditures for 2019-2020 of \$78,313,000.
- Increase of \$3,001,000 or 3.98% over the fiscal year 2018-2019 budgeted Total Expenditures.

Net Preliminary Budgetary Shortfall or Deficit for 2019-2020

- Increase in Revenues of \$1,988,000 +
- Increase in Expenditures of \$3,001,000 =
- Net Preliminary Remaining Budget (Shortfall) or (Deficit) for 2019-2020 of (\$1,013,000) after utilization of “greatly recommended” tax increase & \$300,000 in Fund Balance (for non-capital project items).

Continued Work for 2019-2020

- District staffing remains to be reviewed which currently comprises 67% of the total Preliminary General Fund Budget for the 19-20 fiscal year.
- Central Administration is continuing to review all proposed expenditures and revenues for applicable adjustments to reduce the remaining Budget deficit.

State Budget Update for 2019-2020

- State Budget Hearings for the House and Senate Appropriations Committees occurred and have concluded.
- The State House returned to session on 3/11/19.
- The State Senate returned to session on 3/18/19.
- Now the real State Budget negotiation fun begins!
- Several interesting proposals are being considered for 19-20.

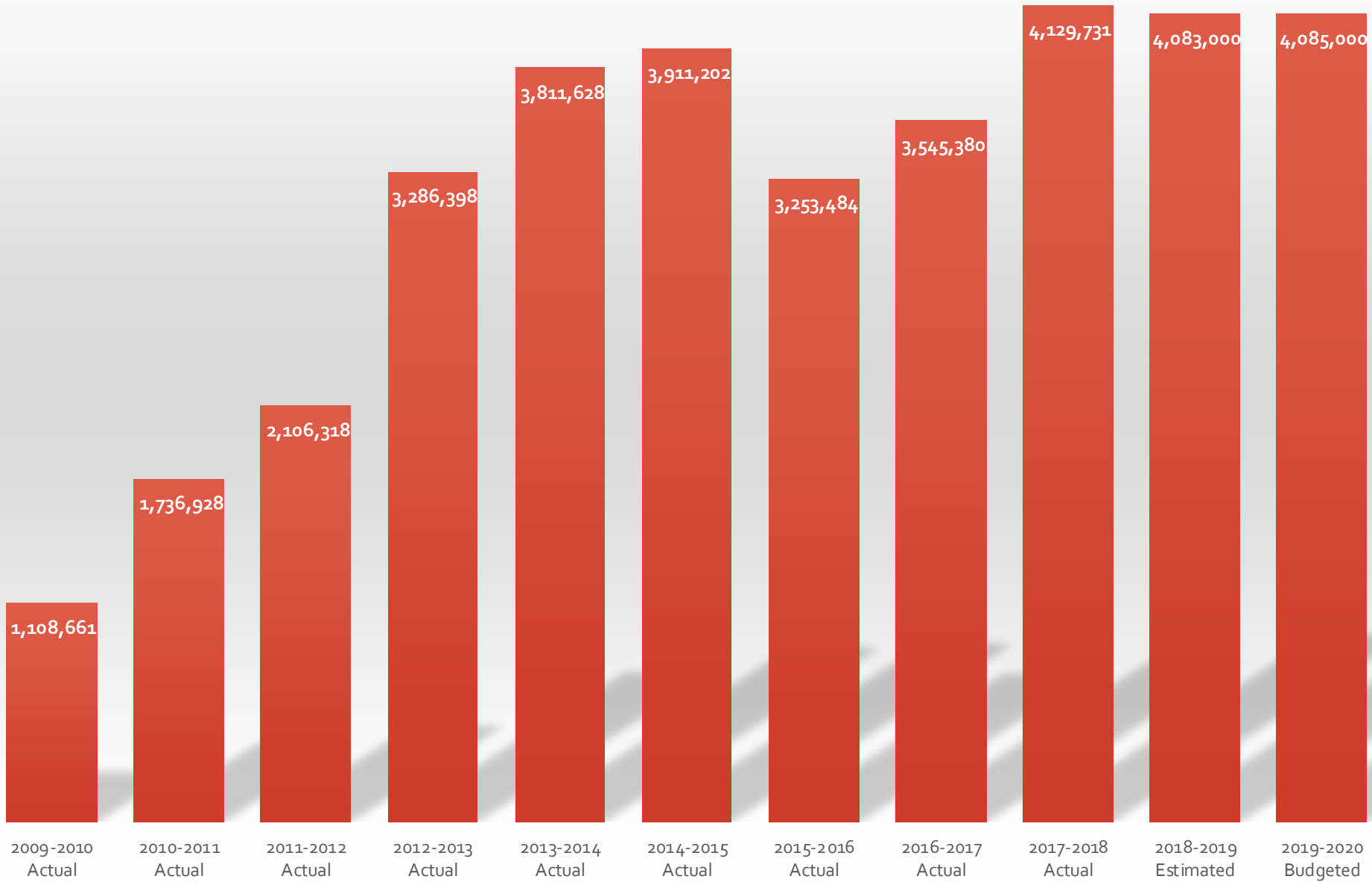
Proposed Cyber Charter School Tuition Legislative Reform for 2019-2020

- School districts that currently or plan to offer a cyber school in-house program would not have to pay the cost of tuition for ANY resident student currently attending or considering attending an outside cyber charter school. (Senate Bill 34 and House Bill 526)
- Tuition burden would fall directly on the parents and guardians (not the school district) if they wish to continue or start attending an outside cyber school program.
- These outside cyber school students could decide to enroll in the District's cyber school program, to enroll at the District, or to enroll in a "brick and mortar" charter school program.
- Thus, the actual student enrollment impact on the District would be unknown until the legislation was actually approved.
- Great potential savings for the District!

Potential Savings from Cyber Charter School Reform for 2019-2020

- For 18-19, 77 (66 regular ed. & 11 special ed.) District resident students attend 9 cyber charter schools at a total cost of \$1,333,960.
- If, all 77 of these students would attend the District's in-house cyber school program, the projected student tuition expenditure savings for the District would be approximately \$948,960. (NOTE: Maximum potential savings based on current 18-19 cyber charter school tuition rates and not on 19-20 rates – not currently available.)

Charter & Cyber Charter School Expenditures



State Subsidies Proposed for 2019-2020

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

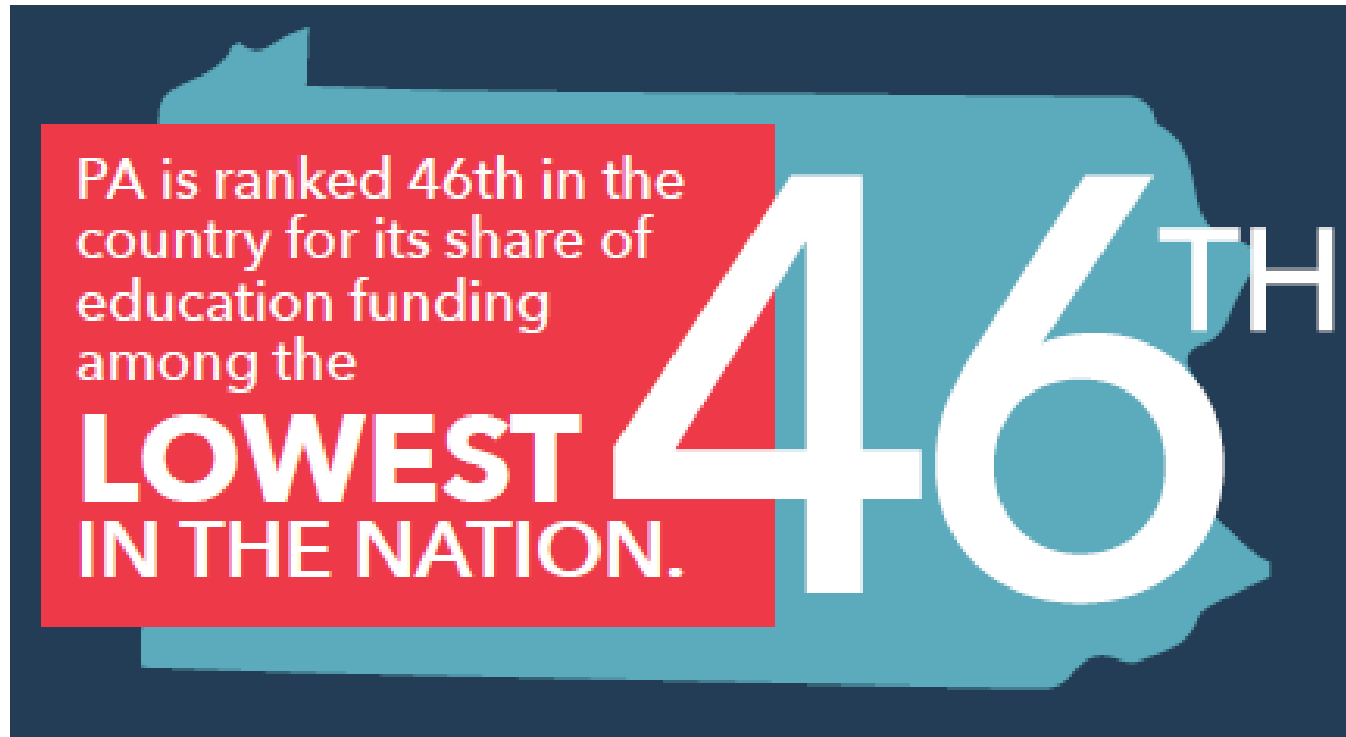
- BEF proposed to increase by \$166 million .
- RTLBG proposed to be included in BEF for 2019-2020.
- SEF proposed to increase by \$50 million .

- NOTE: BEF & SEF individual school district amounts released for 19-20 will change once PDE updates each of the subsidy formulas with the actual 17-18 fiscal year data.

Inclusion of 100% of Proposed State Budget Increases for 2019-2020

- Proposed Total Increase of \$166,602 in Basic Education Subsidy.
- Proposed Total Increase of \$78,708 in Special Education Subsidy.
- District will include 100% = \$245,310 of the above two proposed increases in the 19-20 Budget.
- **NOTE: If the increases are not received from the State, the amounts will be taken from the Fund Balance.**

Basic Education



Basic Education

This means lost opportunities for students and higher costs for taxpayers. School leaders report that they anticipate taking the following actions in the coming year:

40% increasing class sizes

reducing or furloughing staff **36%**

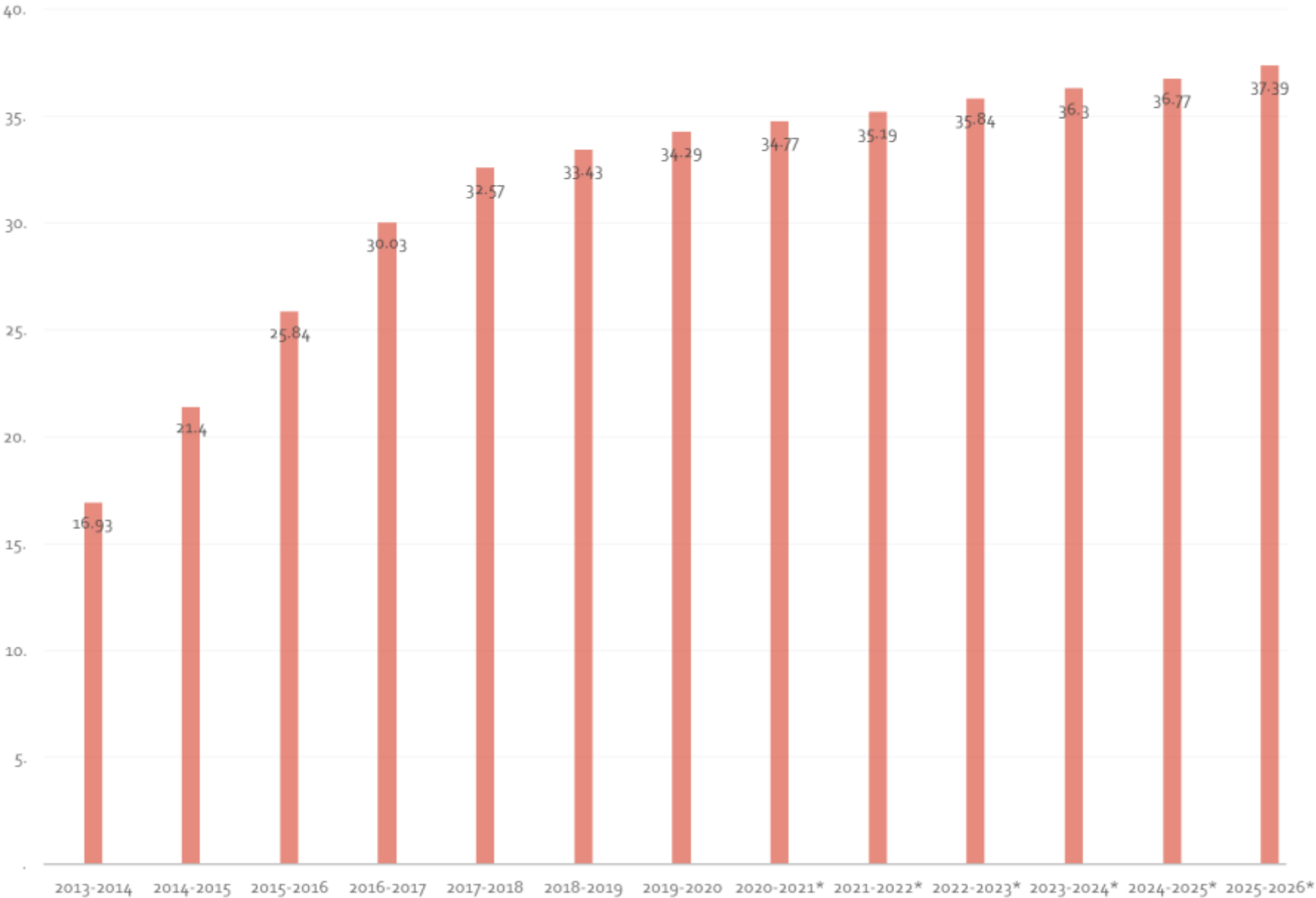
cutting programs & services **30%**

75% raising property taxes

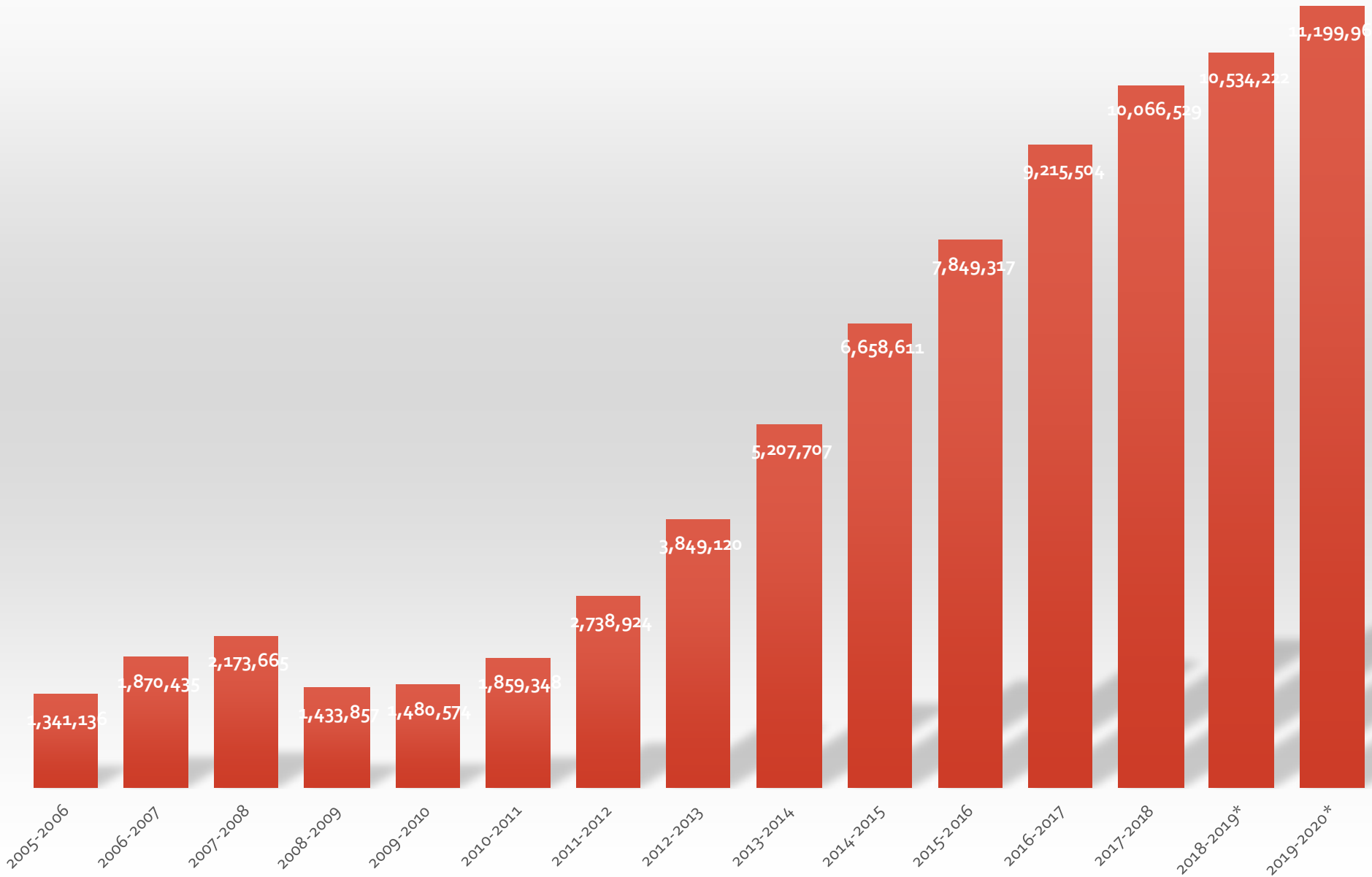
PA Pension Reform Changes for 2019-2020

- Act 5 of 2017 will begin on 7/1/19; however, still no immediate relief to decrease the school district required employer contribution rate.
- Thus, NO expected reduction in the projected 2019-2020 fiscal year employer contribution rate of 34.29%.
- Increase of 0.86% (from 33.43% to 34.29%) in required employer retirement benefit expenditures to PSERS prior to the 50% State reimbursement.
- A continued low percentage increase for the fiscal year!

Actual & Projected* PSERS Employer Rates



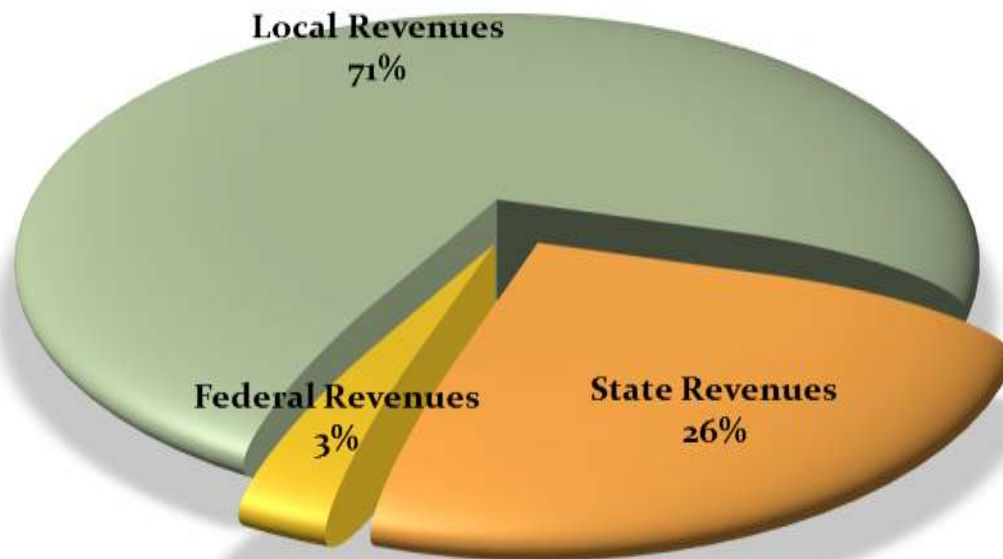
Employer Retirement (PSERS) Expenditures - Actual & Budgeted*



Composition of Major Revenue Categories for 2019-2020

- Local – 71% of the Preliminary 19-20 Budget.
- State – 26% of the Preliminary 19-20 Budget.
- Federal – 3% of the Preliminary 19-20 Budget.
- Flat or very Little Growth Projected for 19-20 and probably for several future fiscal years.

Major Revenue Categories for 2019-2020



Major Types of Local Revenue Categories for 2019-2020

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

Major Types of State Revenue Categories for 2019-2020

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

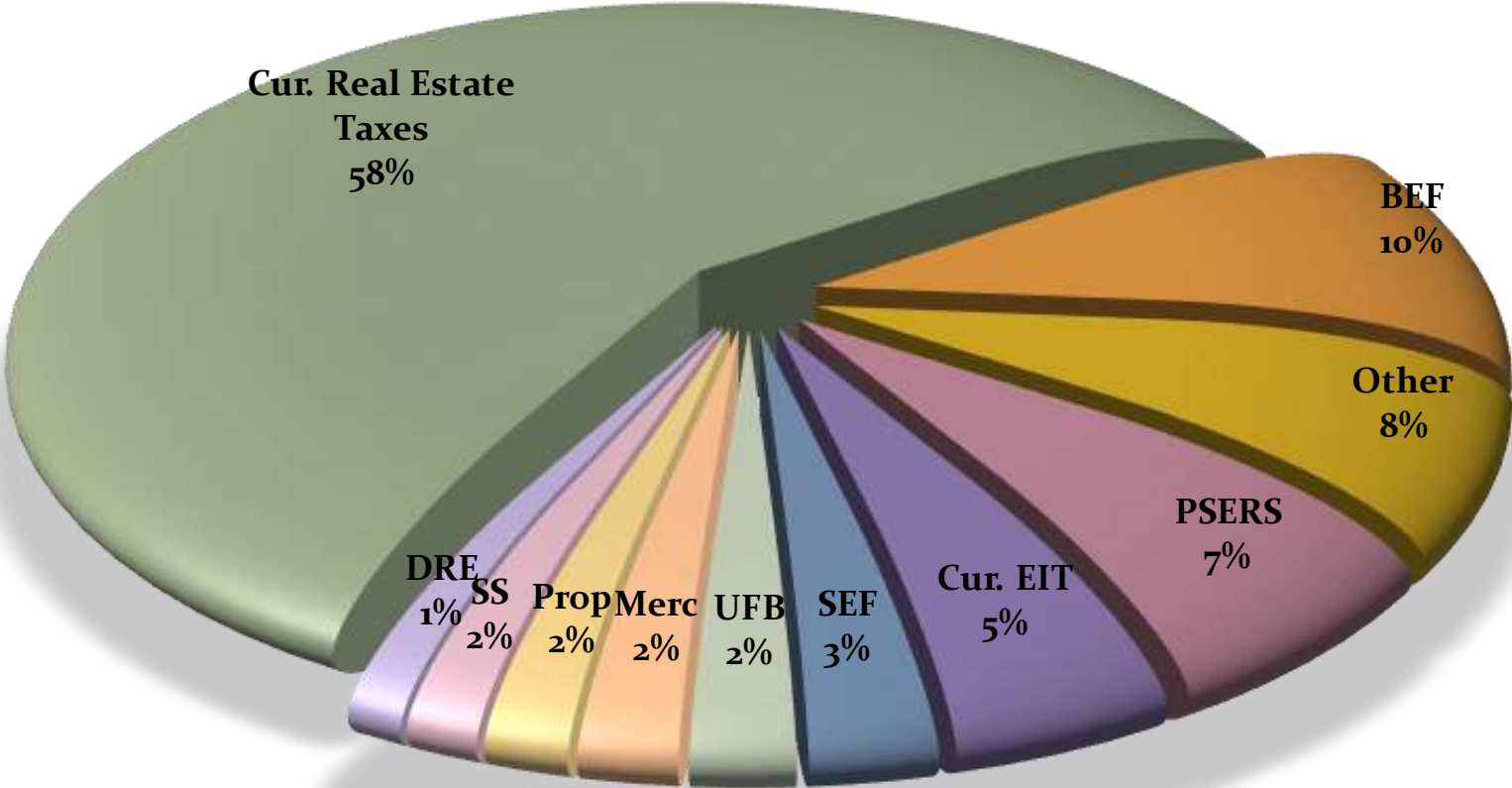
Major Types of Federal Revenue Categories for 2019-2020

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

Top Ten 2019-2020 Revenues

- 1. Current Real Estate Taxes - \$44,535,566
- 2. Basic Education Subsidy - \$7,975,496
- 3. Retirement Reimburse. Subsidy - \$5,599,984
- 4. Current Earned Income Taxes - \$3,887,000
- 5. Special Education Subsidy - \$2,202,839
- 6. Mercantile Taxes - \$1,711,000
- 7. Unassigned Fund Balance - \$1,804,000
- 8. State Property Tax Reduction - \$1,459,246
- 9. SS & FICA Reimburse. Subsidy - \$1,271,624
- 10. Delinquent Real Estate Taxes - \$1,005,000

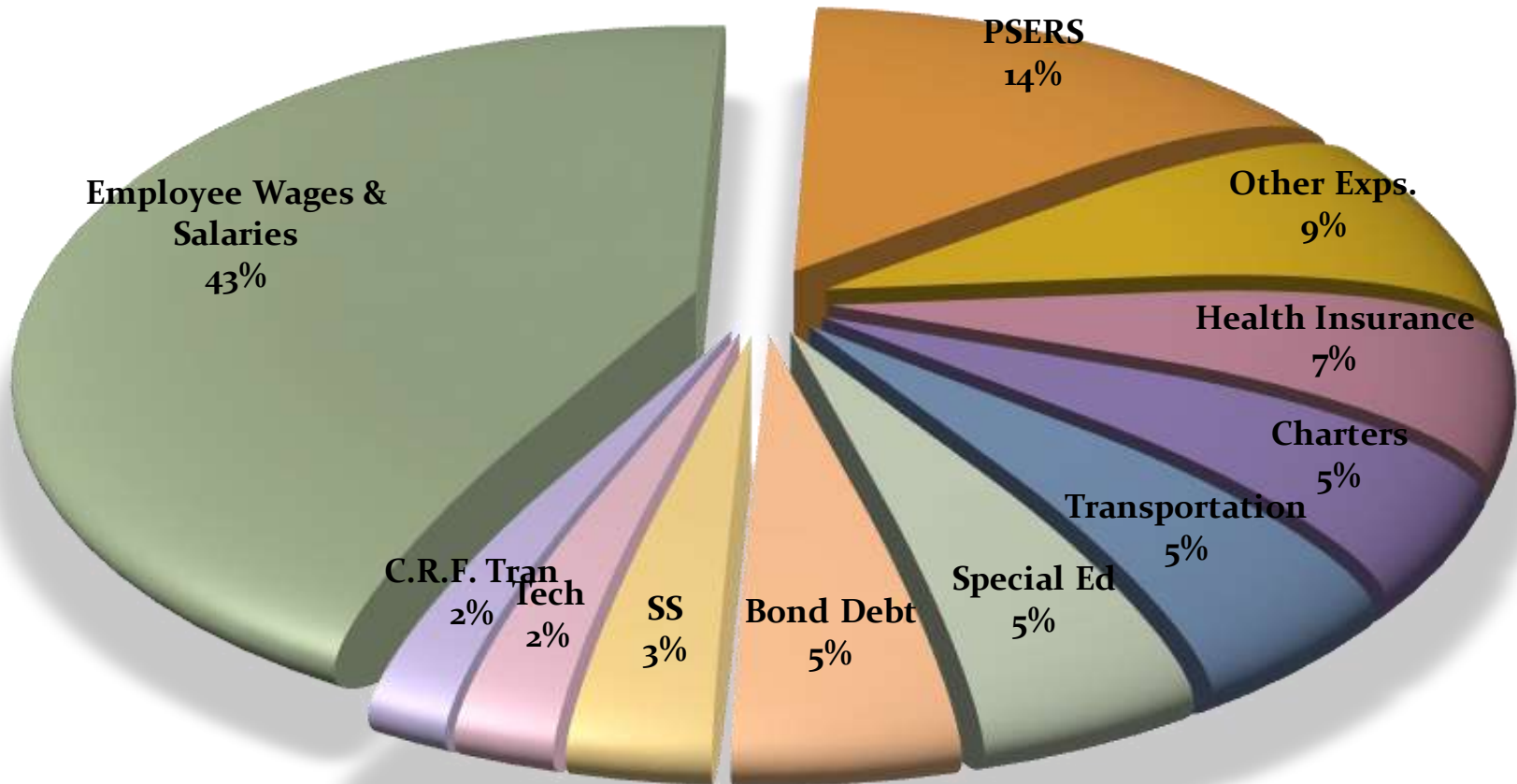
Major Revenue Categories for 2019-2020



Top Ten 2019-2020 Expenditures

- 1. Employee Wages & Salaries - \$33,675,451
- 2. Retirement Expenditures - \$11,199,968 - Gross
- 3. Health Insurance Expenditures - \$5,046,282
- 4. Charter & Cyber School Expenditures - \$4,085,000
- 5. Transportation Expenditures - \$4,051,000
- 6. Special Education Expenditures - \$4,036,000
- 7. Bond Debt Service Expenditures - \$4,003,526
- 8. SS & FICA Expenditures - \$2,543,249 - Gross
- 9. Technology Expenditures (All) - \$1,813,000
- 10. Capital Reserve Fund Transfers - \$1,504,000

Major Expenditure Categories for 2019-2020



Preliminary Total Personnel & Employee Benefit Expenditures for 2019-2020

- Preliminary Personnel Wage & Salary Expenditures = 42% of the Budget.
- Preliminary Employee Benefits Expenditures = 25% of the Budget.
- Preliminary Total Gross Employee Expenditures = 67% of the Total 2019-2020 Budget.

Preliminary Expenditure Adjustments for 2019-2020

- 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 19-20 fiscal year.
- NOTE: Staffing still needs to be completed for the 19-20 fiscal year which may have a major impact on preliminary 19-20 fiscal year expenditures.

Preliminary Revenue Adjustments for 2019-2020

- 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 19-20 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.

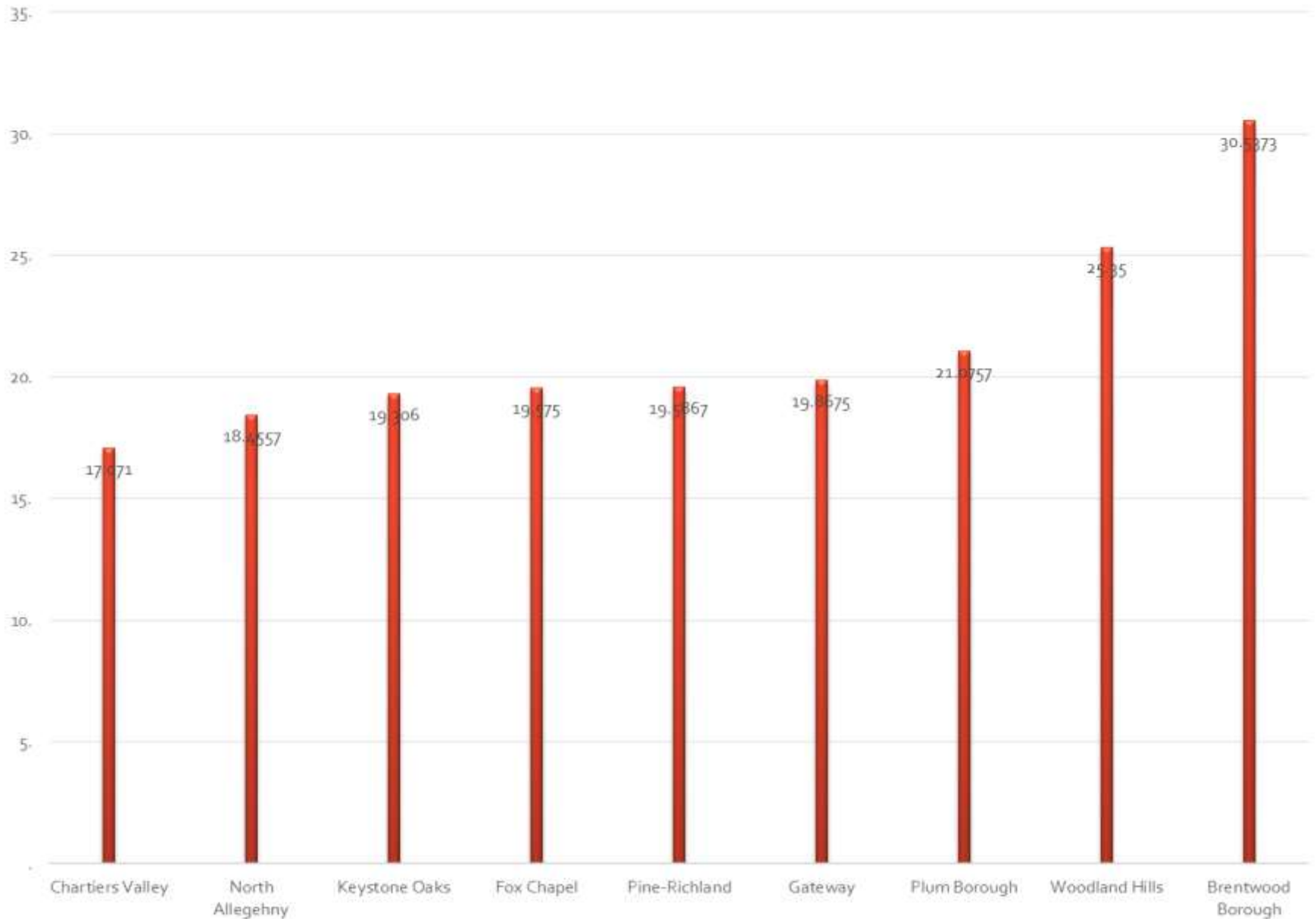
Gateway School District Real Estate Tax 2018-2019 Millage Rate

- At 19.8675 Mills in 2018-2019, GSD has the 15th Lowest Millage Rate out of 42 school districts in Allegheny County.
- Chartiers Valley School District – Lowest in Allegheny County at 17.0710 Mills.
- Brentwood Borough School District – Highest in Allegheny County at 30.5373 Mills.
- NOTE: These millage rate rankings will probably change for the 19-20 fiscal year due to upcoming Allegheny County school district millage rate increases.

Neighboring Allegheny County School District Current Real Estate Tax 18-19 Millage Rates

- **Gateway School District – 19.8675 Mills***
- **Plum Borough School District – 21.0757 Mills***
- **Woodland Hills School Dist. – 25.3500 Mills**
- **East Allegheny School Dist. – 26.9722 Mills**
- **Penn Hills School District – 28.6646 Mills***
- **NOTE: These Millage rates will probably change for the 19-20 fiscal year due to upcoming Allegheny County school district millage rate increases. (* = Increased millage for 18-19.)**

Select Allegheny County Real Estate Tax Millage Rates for 18-19



District Real Estate Assessment Issues to Consider for 19-20

- 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 18-19 and 19-20 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 lower assessed values to the higher deed transfer sale values.
- New taxpayer appeals will continue to be initiated during the 19-20 fiscal year which **CAN NOT** be quantified either positively or negatively by the District based on a projected final outcome.

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**

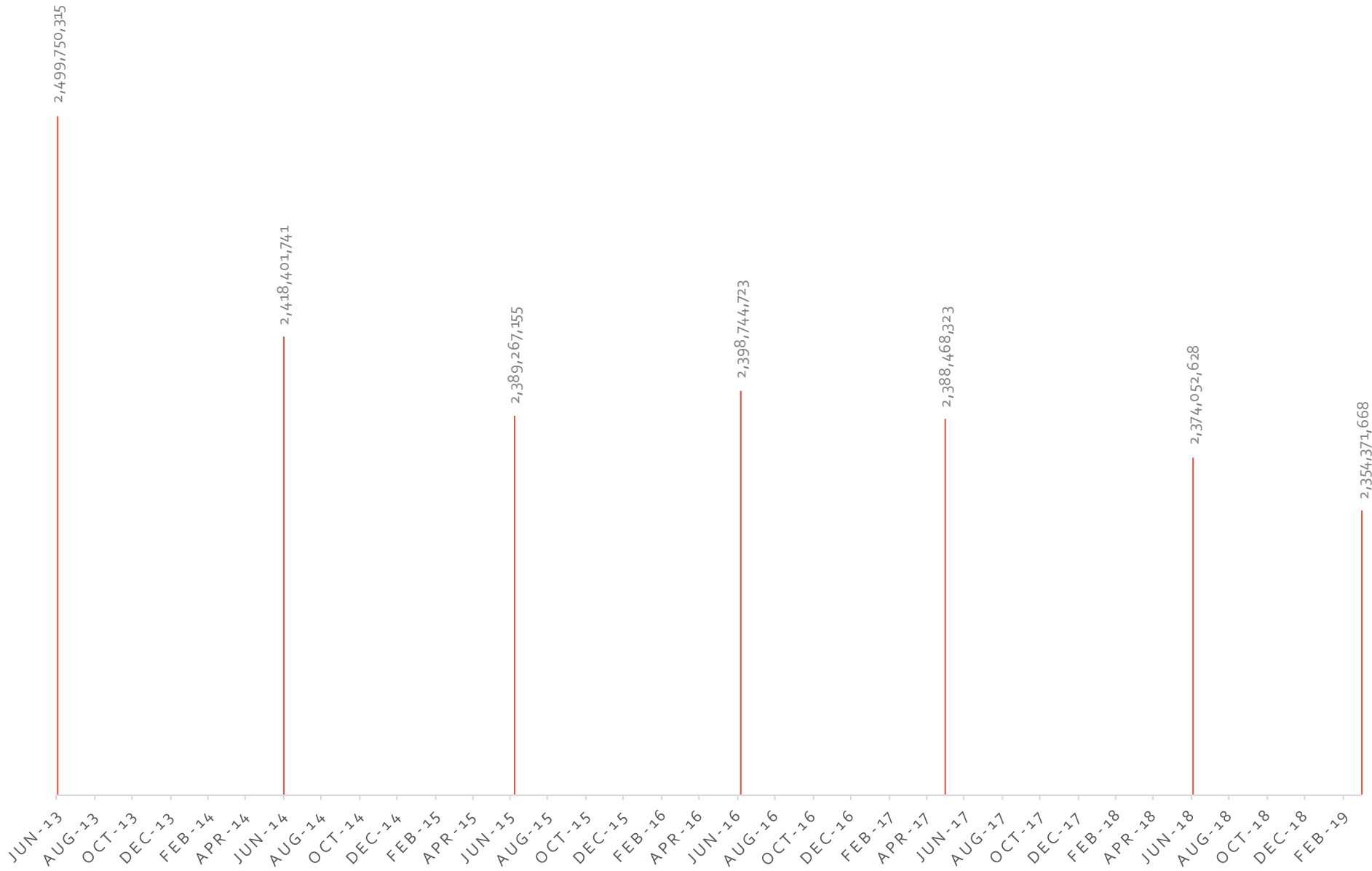
- 6/17/16 Total Assessed Value **\$2,398,744,723**

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

- 6/15/18 Total Assessed Value **\$2,374,052,628**
- 3/15/19 Total Assessed Value **\$2,354,371,668**

- From 6/14/13 to 3/15/19, the Total Real Estate Assessed Value of the District continued to Decrease by (\$145,378,647) or (5.82%). District made total estimated adjustments of (\$41,000,000) resulting in (\$104,378,647) or (4.29%) of continued decline in assessed value.

DISTRICT REAL ESTATE ASSESSED VALUES - LOSS OF (\$145,378,647) IN ASSESSED VALUE FROM 6/14/13 TO 3/15/19



2.7% Index - Equivalent in Mills

- The District is permitted to increase the millage rate by up to a 2.7% (Index) for the 19-20 fiscal year.
- Current Millage: 19.8675 Mills
- Multiplied by 2.7% Index: X .027
- Max Increase in Millage of: .5364 Mills
- Thus, the maximum amount the Real Estate Tax Millage Rate COULD be for the 19-20 Fiscal Year is 19.8675 Mills + .5364 Mills = 20.4039 Mills.
- Maintain 15th lowest ranking for 19-20?

Comparison of Current to Maximum Real Estate Tax Millage Rate

- 18-19 Current Millage Rate: 19.8675 Mills
- 19-20 Maximum Millage Rate: 20.4039 Mills
- Maximum Increase of (.5364 Mills) in the Millage Rate.
- Maximum Increase of (2.7%) in the Millage Rate.
- **NOTE: An increase in the real estate tax millage rate has been “recommended” & included in the Preliminary Budget for the 19-20 fiscal year. A full increase of 2.7% would yield a net amount of approximately \$1,209,162.**

Utilization of 2019-2020 Tax Increase

- Estimated Tax Increase Revenue \$1,209,162
- Less: Net Increase in Debt Service (\$1,160,044)
- Remaining Tax Increase Available \$ 49,118
- for Other 19-20 Expenditure
- Increases (Very little remains!)

	REAL ESTATE	TAX	NUMBER	UTILIZATION OF	AMOUNT OF FUND
FISCAL YEAR	MILLAGE RATE	INCREASE	OF MILLS	FUND BALANCE	BALANCE BUDGETED
2018-2019	19.8675	YES	0.5411	YES	\$1,812,000.00
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 2019-2020

Monroeville:

- Based on median taxable value of \$108,400.
- At Maximum 2.7% Index = \$58.15/YEAR.
- At Maximum 2.7% Index = \$4.85/MONTH.

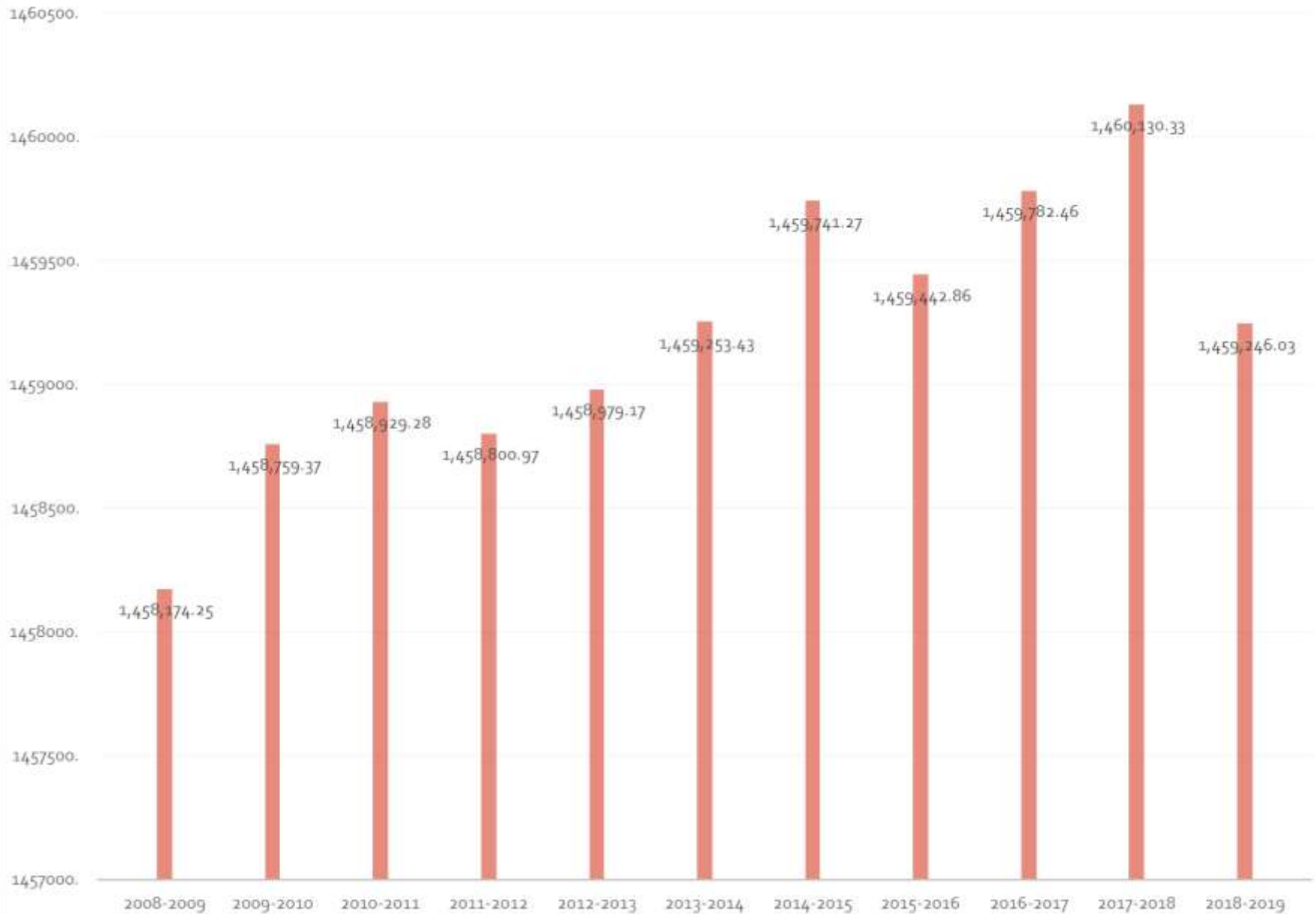
Pitcairn:

- Based on median taxable value of \$34,600.
- At Maximum 2.7% Index = \$18.56/YEAR.
- At Maximum 2.7% Index = \$1.55/MONTH.

Homestead Exclusion for 2019-2020

- The 2018-2019 fiscal year amount of \$1,459,246.00 has initially been projected to be in the District's 2019-2020 fiscal year Budget.
- State will determine on April 15, 2019 whether gaming revenues will be available for distribution to the school districts during the 2019-2020 fiscal year.
- PDE will certify and officially release the actual distribution amount to the District on May 1, 2019. The approximate amount of \$1,459,246.00 is hoped to at least be received by the District for the 2019-2020 fiscal year.
- The 2019-2020 fiscal year would be the 12th 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 2019-2020 fiscal year Budget.

Actual State Property Tax Reduction Allocations - Very Little Increase



Homestead Exclusion for 2019-2020

- \$180.35 (Actual 18-19 #) per eligible homestead property in both Monroeville & Pitcairn for the 2019-2020 fiscal year.

	<u>Monroeville</u>	<u>Pitcairn</u>
.5364 Mill Increase	\$ 58.15	\$ 18.56
Less: Exclusion	<u>(\$180.35)</u>	<u>(\$180.35)</u>
Net Credit Effect	<u>(\$122.20)</u>	<u>(\$161.79)</u>

Projection of Ending Total Fund Balance at 6/30/19 for 2018-2019

➤ Beginning Fund Balance as of 7/1/18	<u>\$10,939,038</u>
➤ Less: 1. Utilization for Capital Reserve Fund Transfers	(\$ 1,812,000)
➤ 2. C/Y Real Estate Tax Refunds	(\$ 424,817)
➤ 3. P/Y Real Estate Tax Refunds	(\$ 240,889)
➤ 4. Other Expenditures Greater than Budget	(\$To Be Determined)
➤ Add: 1. Other Revenues Greater than Budget	<u>\$To Be Determined</u>
➤ Net Projected Decrease for 2018-2019 Fiscal Year	<u>(\$ 2,477,706)</u>
➤ <u>(Note: It is VERY possible this actual # will actually be greater or less!)</u>	
➤ Projected Ending Fund Balance at 6/30/19	<u>\$8,461,332</u>

Composition of Projected Ending Fund Balance at 6/30/19 for 2018-2019

- Unassigned Fund Balance \$2,028,687
- Nonspendable Fund Balance \$ 765,131
- Committed Fund Balance \$5,667,514
- Projected Total Fund Balance \$8,461,332
- (\$8,461,332/\$78,313,000 = 10.80%)

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 6/30/19

<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 6/30/19	\$ 5,667,514.12

Projection of Total Fund Balance at 6/30/20 for 2019-2020

- Projected Total Fund Balance as of 7/1/19 \$ 8,461,332
- Less: 1. Transfer of Fund Balance to Capital (\$ 1,504,000)
- Reserve Fund for Capital Projects.
- 2. Transfer of Fund Balance to Purchase (\$ 300,000)
New Copiers.
- **Projected Total Fund Balance as of 6/30/20 \$ 6,657,332**
- $(\$6,657,332 / \$78,313,000 = 8.50\%)$

Total Recommended between 5% and 15%.

(NOTE: Moody's Investors Services indicates the US Median for Total Fund Balance is 22% or would be \$17,228,860 in the above scenario.)

2019-2020 Items Recommended to be Purchased in 2018-2019 to Reduce Total Expenditures

- Purchase of Maintenance Department Equipment:
 - Truck with required accessories \$59,800.
 - Two (2) Square Scrub Floor Top Scrub Machines \$8,000.
 - Two (2) 20" Walk Behind Floor Scrubbers \$12,705.
- Purchase of Technology Department Equipment:
 - New GMS Technology \$140,000.
 - New MSMS Technology \$120,000.
- Purchase of Athletic Department Equipment:
 - Phys-ed./Fitness/Weight Room – Repairs, Maintenance, & Upgrades \$74,545.
 - Trainer – New John Deere Cart 4x2, gas powered \$8,649.
- Grand Total of all Items to be Purchased: \$423,699.
- NOTE: A resolution will be presented at the April Study Session Meeting (for discussion) to make the above purchases (possibly more) during the 18-19 fiscal year from under expended budget accounts.

Budget Process for 2019-2020

- A not to exceed Index (2.7%) resolution was previously adopted by the Board on January 15, 2019 for the 2019-2020 fiscal year.
- Thus, referendum exceptions have not been requested and will not be utilized by the District for the 2019-2020 fiscal year to further increase the millage rate above the 2.7% Index rate. 2.7% Index = Maximum .5364 mills increase.
- The Proposed Final 2019-2020 General Fund Budget will be adopted by the Board on May 14, 2019. 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 18, 2019.

Future Budget & Finance Committee Meetings

- 1. Thursday, May 2, 2019 – Staffing & Personnel Exps.
- 2. Tuesday, June 4, 2019 – Final Public Hearing.

- **NOTE: All of the above Budget & Finance Committee Meetings will begin at 6:00 p.m. in the GHS LGI.**