

2016-17 Preliminary Budget



LOWER MERION SCHOOL DISTRICT



LOWER MERION SCHOOL DISTRICT

The LMSD Budget is:

- **An example of careful planning**
- **A demonstrated respect for public funds**
- **A determined approach for public school children**



LOWER MERION SCHOOL DISTRICT

2016/17 Budget

- **Act 1 Overview**
- **Revenues**
- **Fund Balance**
- **Budget Drivers**
- **Expenditures**
- **Calendar**



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Act 1 Overview



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2016-2017 Budget Cycle

Act 1

- Accelerated Budget Schedule
- Exceptions
- Back-End Referendum



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Historical Index and Tax Increase

School Year	Index	Tax Increase
2006/07	3.9%	10.79%
2007/08	3.4%	4.46%
2008/09	4.4%	6.36%
2009/10	4.1%	6.59%
2010/11	2.9%	4.15%
2011/12	1.4%	3.31%
2012/13	1.7%	1.99%
2013/14	1.7%	3.82%
2014/15	2.1%	3.90%
2015/16	1.9%	3.55%
2016/17	2.4%	(Preliminary) 4.44%



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Exceptions for 2016-17

- **Indebtedness Incurred Prior to Effective Date**
- **Electoral Debt Incurred Under 53 PA CS Part VII Part B**
- ✓ **Special Education**
- ✓ **Retirement**



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Act 1 and the Exceptions

Act 1 Limit \$4.8 million

Exceptions for Special Education \$2.2 million

Growth in budget \$3.6 million

Exception for PSERS \$1.8 million

Growth in budget \$3 million

Exception for Enrollment Growth \$0

Exception for Debt Service \$0



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Revenues



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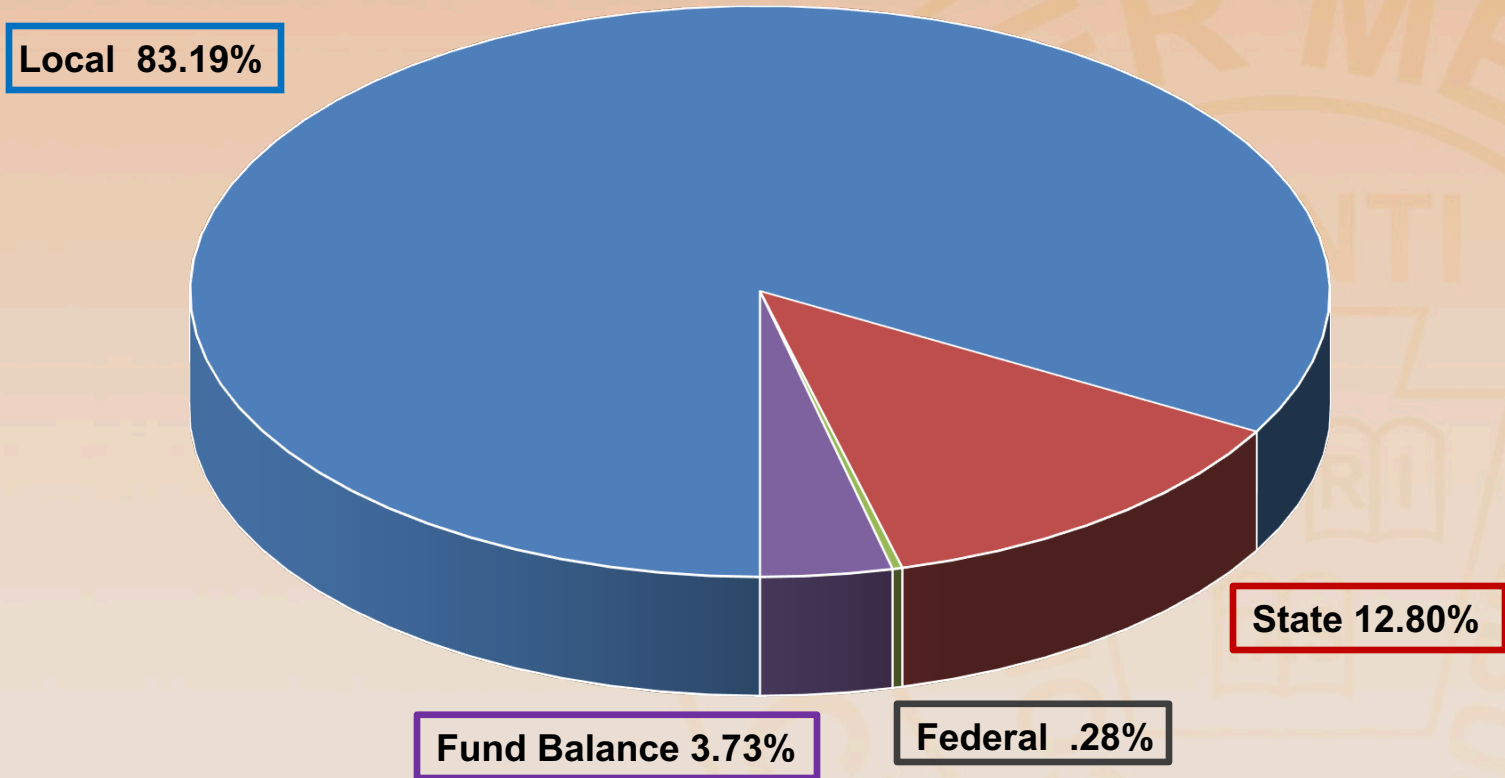
2016-17 Preliminary Budget Uncertain Issues

- **Current and future tax revenues**
- **Interest income**
- **State Budget – Governor presented the Commonwealth budget on February 9**
- **15-16 Commonwealth Budget is not yet resolved**



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Where the Money Comes From





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Anticipated Revenue

Description	Budget 2015-16	Budget 2016-17
Fund Balance Funds Designated as a Revenue	9,335,255	9,335,255
Local Sources		
Current Real Estate Taxes	194,465,332	198,736,337
Interim Real Estate Taxes	301,000	301,000
Public Utility Realty Tax	220,000	220,000
Local Services Tax	200,000	200,000
Realty Transfer Taxes	2,950,000	3,000,000
Delinquent Real Estate Taxes	4,000,000	3,850,000
Interest Income	250,000	250,000
Tuition - Summer Programs	200,000	200,000
IU Federal Funds	1,200,000	1,200,000
Misc. Other Local Sources	106,300	106,300
Total Local Sources	203,892,632	208,063,637



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Anticipated Revenue (cont'd)

Description	Budget 2015-16	Budget 2016-17
State Sources		
Basic Education Funding Subsidy	3,497,119	3,497,119
Special Education Subsidy	2,882,307	2,882,307
Transportation Subsidy	2,400,000	2,400,000
Revenue for Social Security Payment	4,600,000	4,600,000
Revenue for Retirement	15,000,000	18,200,000
State Property Tax Reduction Allocation	3,473,652	
Health Services Subsidies	260,000	260,000
Rental & Sinking Fund Reimbursement	200,000	150,000
Misc. Other State Subsidies	20,000	20,000
Total State Sources	32,333,078	32,009,426
Federal Sources	705,600	705,600
Total Revenue	236,931,310	240,778,663
Total Revenue and Designated Fund Balance	246,266,565	250,113,918



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Fund Balance



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Two Classifications of Fund Balance

<p>Committed</p> <p>Funds allowed to be designated as a reserve against possible occurrences in <u>specific</u> areas</p>	<p>Currently: \$35.8 Million</p> <ul style="list-style-type: none">• Capital Projects 10 Million• PSERS (Pension Fund) 21.3 Million• OPEB (GASB 45) 4 Million• Rate Stabilization .5 Million
<p>Unassigned</p> <p>Funds to cover District emergencies or other contingencies</p>	<p>\$20 Million</p> <ul style="list-style-type: none">• Balance of Budget 9 Million• Contingency 12 Million<ul style="list-style-type: none">○ Equals less than 5% of the allowable 8%



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The PSERS Reserve

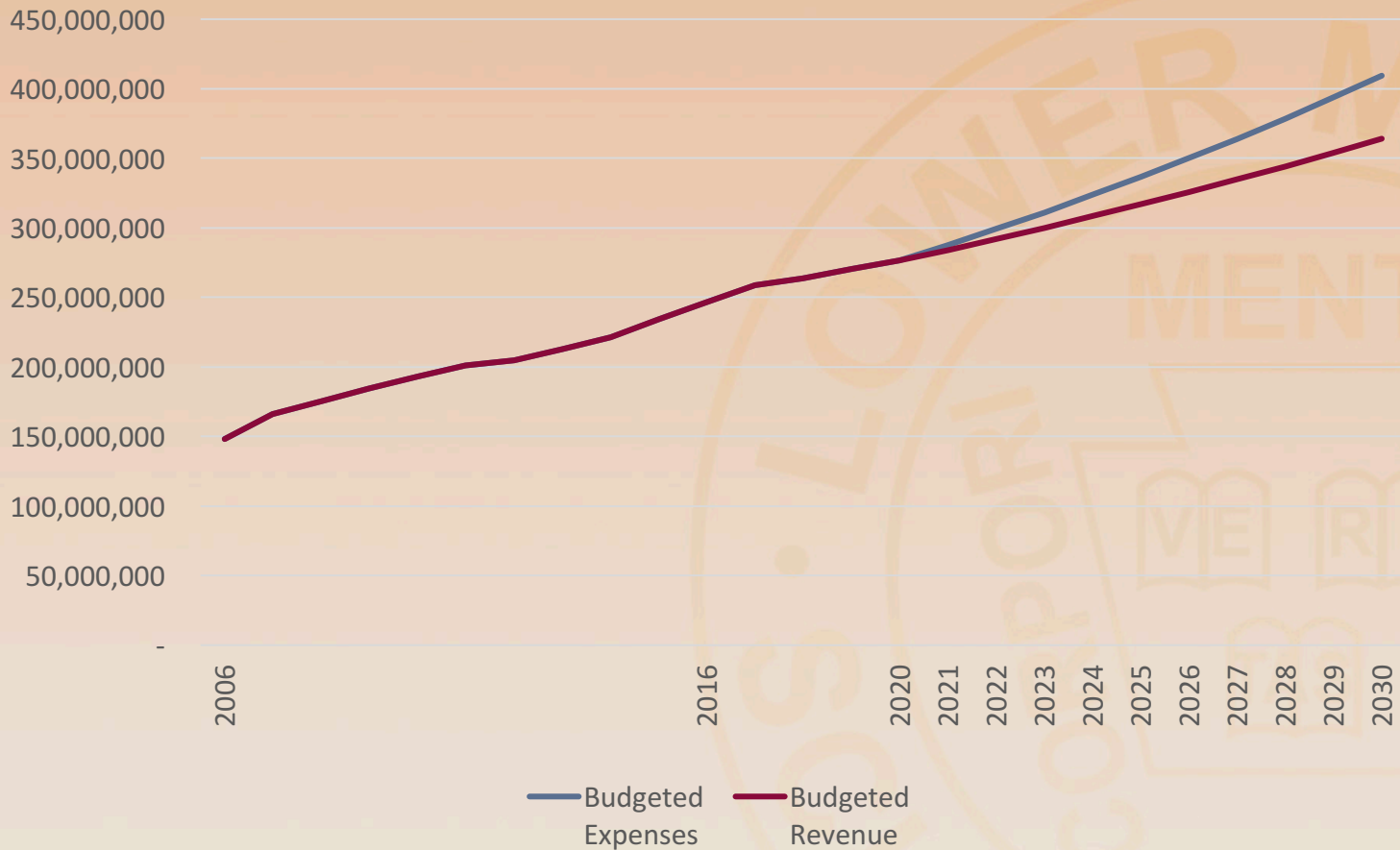
- **Current PSERS Obligation** **15 Million**
- **2017 PSERS Obligation** **18 Million**
- **Current Exception** **1.8 Million**

- **Therefore 1.2 Million is being used through the index or surplus applied to budget**
- **2020 PSERS Obligation could easily be 20 Million**
- **From 2020 to 2030 We will need the RESERVE**
- **DAO Construction may require a 1 Million reduction**



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PSERS RESERVE





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Suppose the decision is to use Fund Balance for zero tax increases

2017 Budget increases spending 17 million

- **Our Unassigned Fund Balance is 21 million**
- **Our current plan is to use 9 million to close the gap**

If we take an additional 8.8 million to not raise taxes.....



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**We start FY 2017 with an
Unassigned Fund Balance of**

3 million dollars

Assume we generate another 9 million dollars of surplus throughout the year (that would not happen). We would end FY 2017 with 12 million dollars.

So.....



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FY 2018 now has a 4% growth which produces an 11 million dollar gap

In order to not raise taxes we use our 12 million dollars, leaving us with 1 million in reserves

Forget about our bond rating..... we now have 1 million to start FY 2018



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Assume 2019 we have 1 million and we still get 9 million in surplus

**We now have 10 million and our growth is 4%
we would then need 9 million dollars to close the gap**

But we only have 10 so.....

Bankrupt!



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By the way..... Where does that 9 million come from?

- **Breakage**
- **Year-End Efficiency**
- **Variable Debt**



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Good Accounting Practices

- Do not use Fund Balance for recurring expenses
- Maintain appropriate levels to assure against emergencies
- Maintain to support Bond Rating



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Budget Drivers



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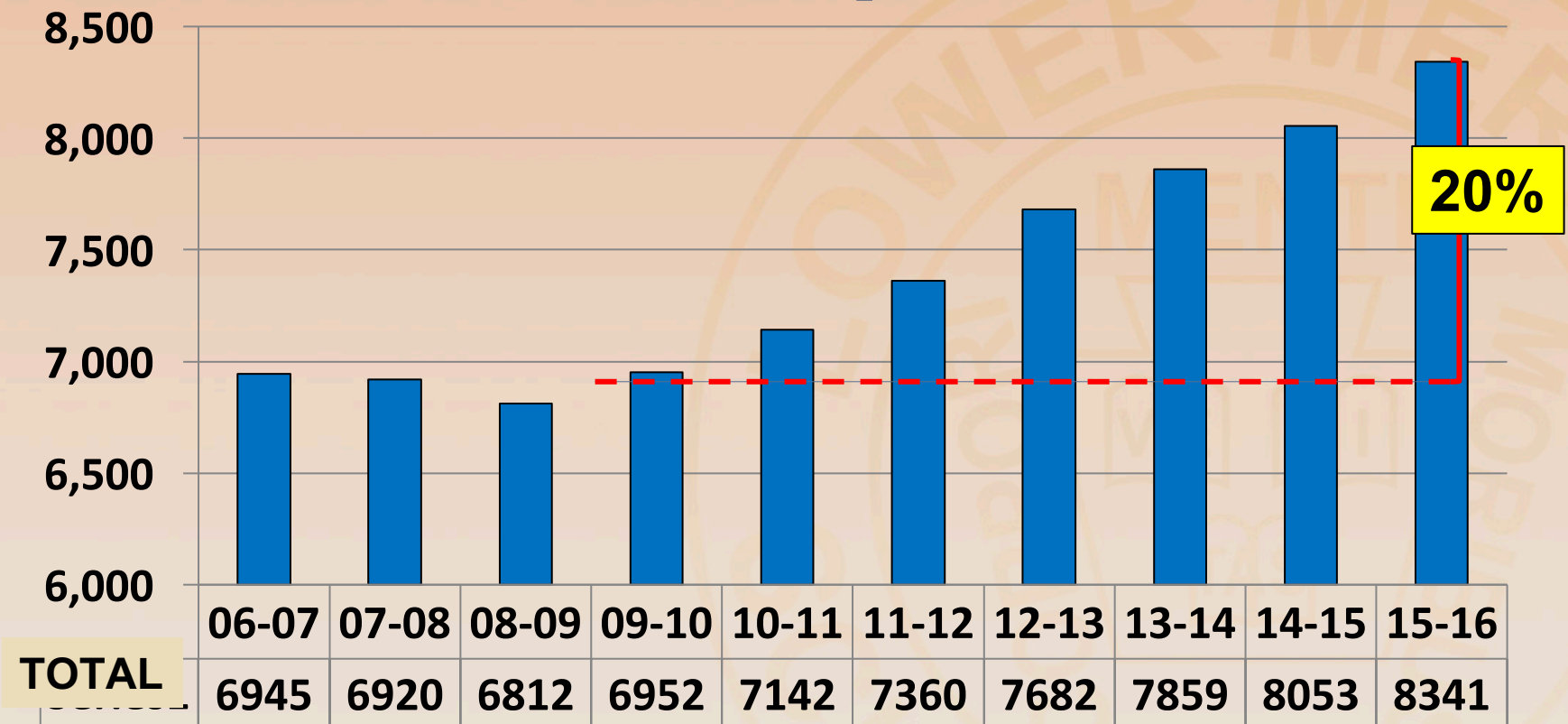
Budget Drivers OR (What do we spend the money on?)

- **Salaries and Benefits**
- **Enrollment Growth**
- **Debt Service**
- **Pension Fund (PSERS) 16% increase**
- **Special Education**
- **Program Enhancements**



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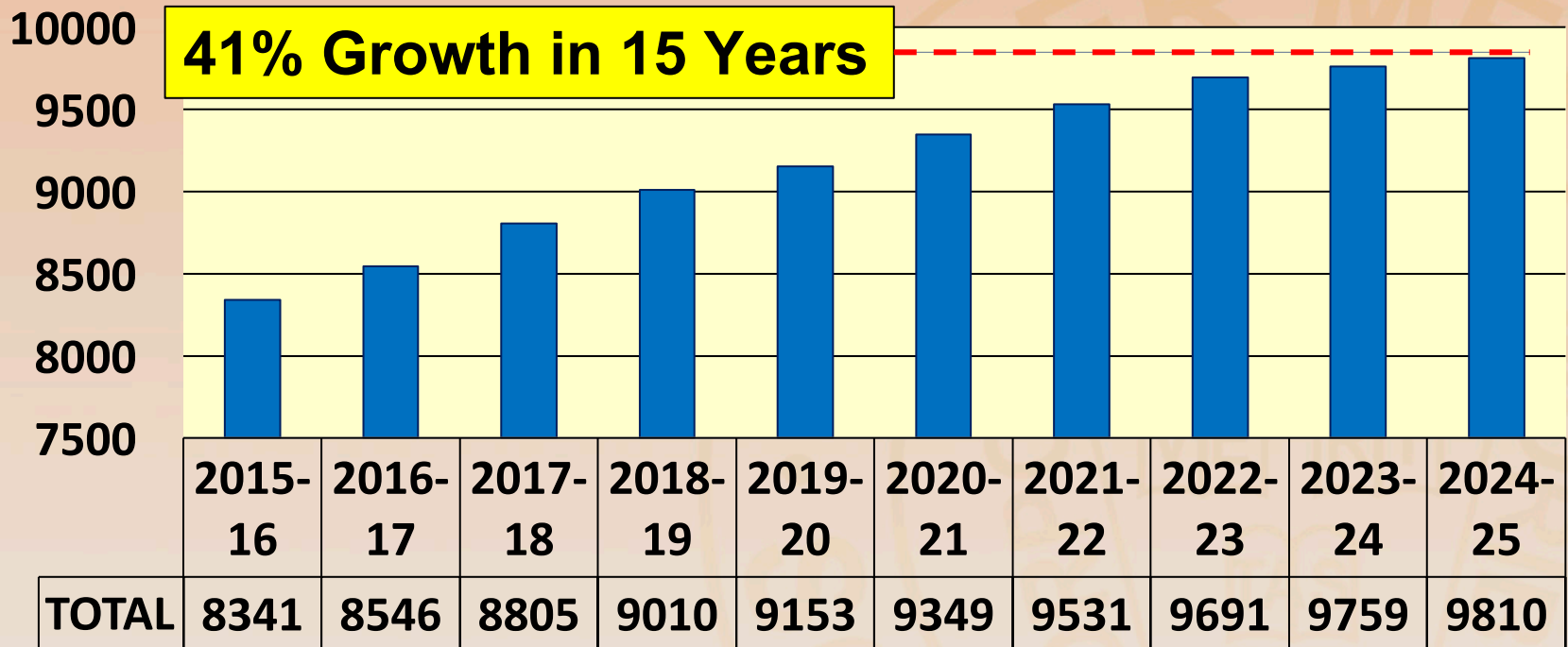
LMSD 10 Year Enrollment History





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LMSD 10 Year Enrollment Projections



2015-16 Data is Actual Enrollment from Sep 2015



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Other Things ... Cost Drivers/Comparisons

Debt Service

- | | | |
|-----------------------|-------------|----------------|
| • Tredyffrin/Easttown | 6.9 | Million |
| • Haverford | 10 | Million |
| • Radnor | 7 | Million |
| • Lower Merion | 28.2 | Million |

Enrollment Growth Fiscal Years 11/12 through 14/15

- | | |
|-----------------------|--------------|
| • Tredyffrin/Easttown | 1.46% |
| • Haverford | 3.59% |
| • Radnor | 1.42% |
| • Lower Merion | 9.03% |



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Enrollment increase is at least 1% of Budget cost

% Enrollment inc/(dec) 3yr period		% Preliminary 2016-17 Budget Tax Increase
LMSD	9.03	4.4
Haverford	3.59	3.3
T/E	1.45	4.3
Radnor	1.42	6.1
West Chester	(1.8)	4.1



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Special Education

Total Budget is over \$46,000,000
\$700,000 to Charter Schools
Mostly Experienced Teachers



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What Makes Lower Merion Special?

- **Two High Schools**
- **Extensive Course Selections**
- **Elementary World Languages**
- **Small Class Size**
- **Ability to Hire Experienced Staff**
- **Facilities in Top Form**



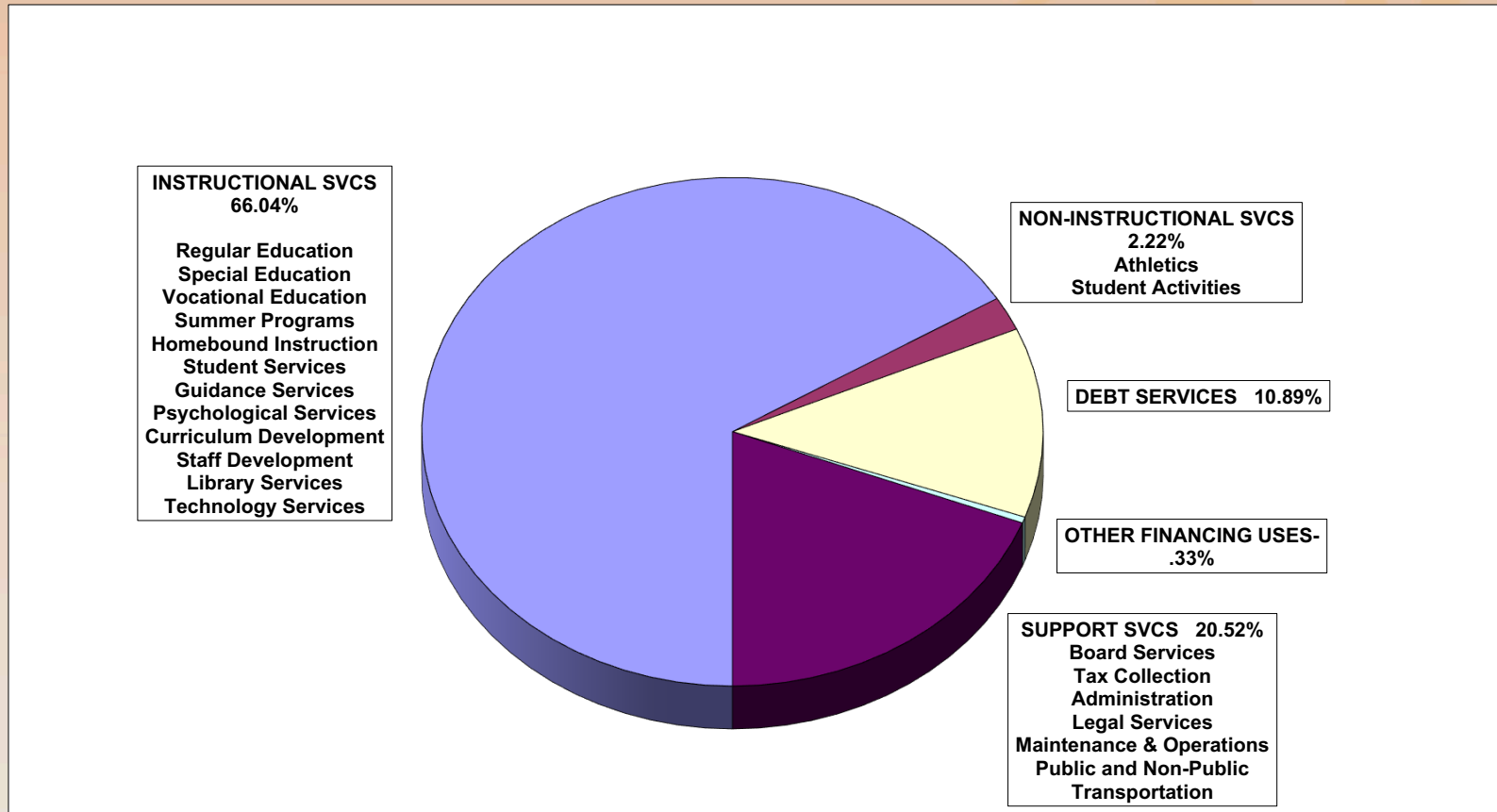
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Expenditures



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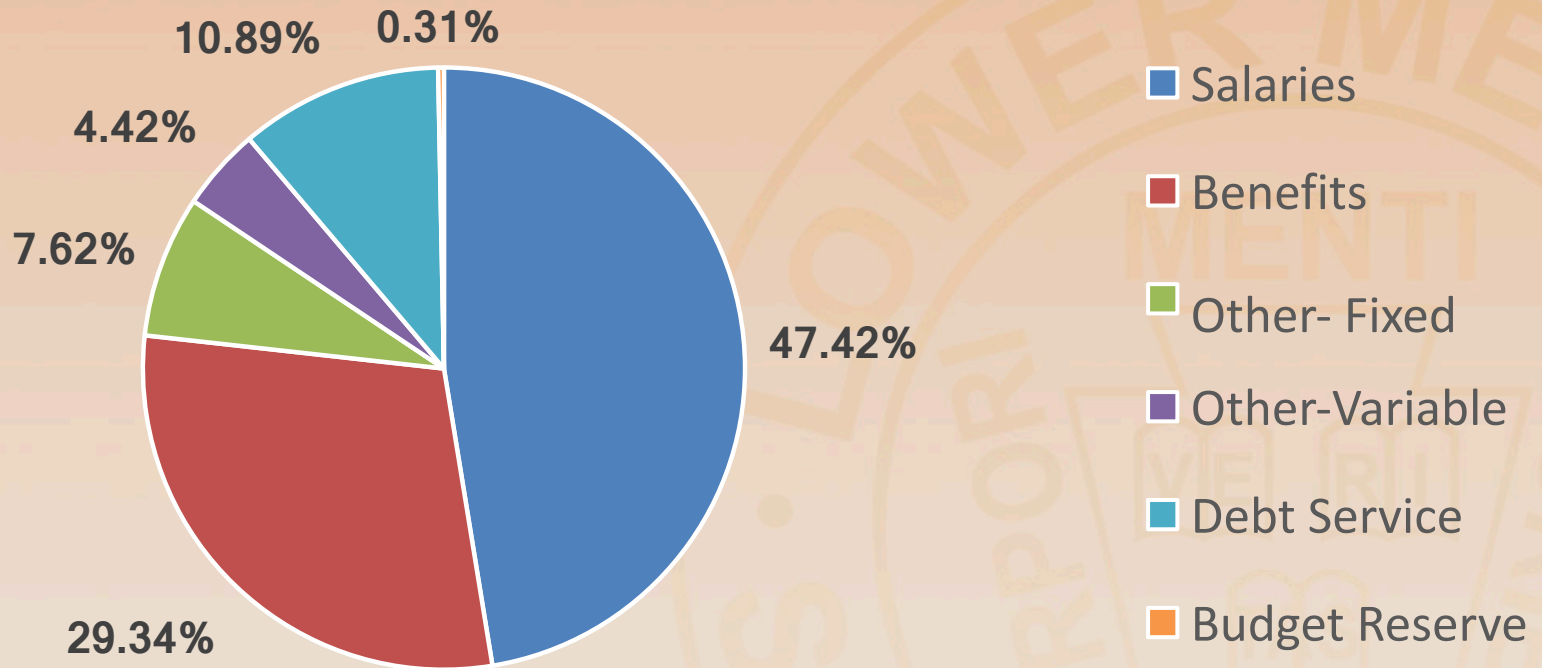
How Does The Money Support Our Children?





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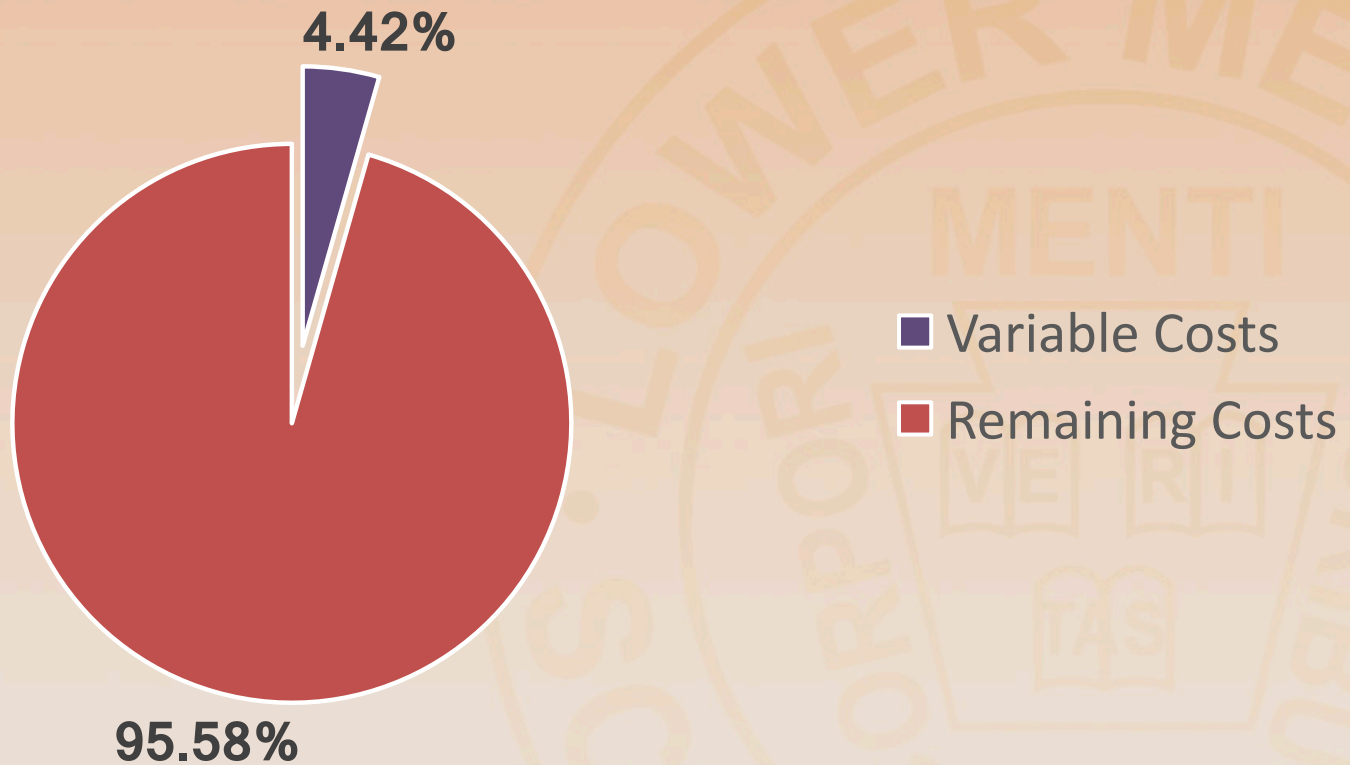
2016-17 Preliminary Budget





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Variable Costs Compared to Total Budget





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Real Estate Tax Change

Median Household Assessment		\$250,680
2015-16 Real Estate Tax mill rate	26.2321	
Face amount of 2015-16 Real Estate Tax		6,576
2016-17 Real Estate Tax mill rate	27.3963	
Face amount of 2016-17 Real Estate Tax		<u>6,868</u>
	Tax Increase	\$292

Median household assessments provided by Montgomery Co. Board of Assessments



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Act 1 Budget Calendar

Preliminary Budget Approval	January 25, 2016
Proposed Final Budget Approval	April 18, 2016
Public Inspection Deadline of Proposed Final Budget	May 24, 2016
Public Notice of intent to adopt 2016-17 Final Budget	May 29, 2016
Final Budget Approval/Adoption	June 13, 2016



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Please Consider

Unprecedented Enrollment Growth and Budgets that are within the range of neighbors whose enrollment is either growing slowly or in some cases declining

A tough stance on salaries and benefits taken this past round

Our entrance requirements are a birth certificate and an address



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One Last Thing ...

**Resist the temptation
to defer maintenance ...
It will cost you more
in the long run**