Final Budget Message for Fiscal Year 2019

June 25, 2018

Board of Education:

Introduction

This Final Budget Message provides an overview of the anticipated revenues and expenditures for Fiscal Year 2019 (2018-2019 school year).

Revenues

Local Revenues

As you know the major factors affecting our local revenues are the Assessed Valuation (AV) and tax levy. Our estimated assessed valuation is $670,205,008. Which is an increase of 1.5%. Since 2018 is a non-reassessment year, we will be provided updated information in July and a final assessed valuation in September.

When considering local revenues one must consider the collection rate at which taxpayers pay their taxes. We are using a two year average of 91% for the collection rate for current taxes and 8% for delinquent taxes.

Based on the initial tax rate calculations, the total proposed levy for all funds will be $6.32 ($4.9410 – Operating and $1.3790 – Debt Service). If necessary, adjustments will be made with final calculations at the conclusion of the Board of Equalization session this summer when we receive final certified AV numbers and have our tax rate hearing in September.

Using this non-reassessment information, considering recent collection rates, and adjusting our levy accordingly, we anticipate an increase of $628,211 in local tax revenue. Of this total, $102,813 is operating revenue and $525,398 is debt service revenue.

State Revenues

This portion of the revenue budget factors in the funding formula. The formula calculation uses Weighted Average Daily Attendance (WADA) which is determined by student-need as well as student attendance to drive revenues. Over the past 24 months the district's enrollment has declined as well as student attendance. The number of students with identified needs has remained the same or increased slightly. As a result, we are anticipating a decrease in our WADA of roughly 16 Full Time Equivalency (FTE). We will continue to monitor enrollment, attendance, and student need as we begin the school year.

To determine the amount of state funding the district will receive, the WADA is multiplied by the State Adequacy Target (SAT). As of the writing of this message the SAT is $6241 for FY18. We are anticipating a SAT of $6308 for FY19. This is based on the most recent information we have been provided by DESE and our MASA lobbyists. We will continue to monitor the situation closely and have budgetary responses as more information is available.

The Dollar Value Modifier (DVM) was increased from 1.081 to 1.084. This change will result in more state funding.

Based on these assumption, we estimate an increase of $1,113,622 in formula revenue.

In addition to the funding formula we take into account Prop C monies. Prop C monies come from sales tax and is paid on the prior year's WADA. We estimate a payment of $1000 per FY18 WADA. This assumption will increase Prop C revenue by $22,857.

Federal Revenues

We will receive our final notification in mid May. Our initial allocation indicates an increase in Title funds of roughly $160,000.

Capital Revenues

No part of the levy will be allocated to the capital fund (Fund 4). We will experience a small amount of revenue from Enhancement Grants as well as Utility and Railroad revenues.

Overall Revenue Change

Based on all available information, we anticipate an increase of $2,463,46 in overall revenues. Of this total, $1,241,694 is an increase to our Operating Revenues.

Expenditures

Salary and Benefits

The budget shows an increase of 3.9% for salaries and benefits based on the Rayteam recommendation. This increase includes:

- A step for certified and classified staff (1.5%-3% increase),
- $168 to the teacher base,
- Fully paid health insurance premium option for individual employees ($8,428.32),
- $500 one-time contribution to eligible employees' Health Savings Accounts.

Supplies and Other Purchased Services

Buildings and Departments have been allocated their budget requests for FY19. In some cases there has been a slight increase.

Debt Service

This budget anticipates an $8.3M payment in debt service.

Capital Funds

We have budgeted $1.7M for anticipated capital needs. We have attempted to adequately and appropriately budget for these capital needs but know we have likely over budgeted to ensure the funds are available. Lastly, $725,000 is being budgeted for lease-purchase payments.

Balances

As of the writing of this message, we anticipate beginning the FY19 budget year with 20.78% ($22.7M) in unrestricted operating balances. This reflects a reduction of $3M from FY18 and a reduction of 3.25% in unrestricted operating balances. This reduction in our balances is in line with our prediction in the FY18 Budget Message. In that message we predicted a deficit of $3M.

Based on budgeted revenues and expenditures we anticipate ending the FY19 year with 11.88% ($13.8M) in unrestricted operating balances. This reflects a reduction of $8.9M in balances. We have traditionally overestimated expenditures and underestimated revenues. We believe that to be the case again this year. It is likely that a portion of our operating expenditures will go unspent and revenues will come in slightly over our budgeted amounts. If we expend funds as we have in the past and revenues come in slightly higher than we expect, our balances for FY19 will likely end more accurately around 16.7% ($18.7M). This represents a $4M deficit for FY19.

As we monitor revenues and expenditures throughout the year, we will amend the budget. This will occur mostly likely in November 2018, March 2019, and June 2019.

Above and beyond these unrestricted balances are $600,000 in restricted operating balances. These operating funds are set aside for Health Insurance Claims paid if and when we would ever discontinue business with Blue Cross and Blue Shield.

In appears as if our balances will fall below 20% at the end of FY19. This will allow us to transfer funds from Fund 4 to Fund 1 in FY20. Based on long range revenue and expenditure projections, this will be necessary.

Conclusion

We believe this final budget will allow us to maintain high quality educational programs for our students; increase instructional leadership; retain the best and brightest staff; and meet the 2017-2018 Board of Education goals. Assuming our budget projections are accurate, it will become necessary to reduce expenditures and find additional revenue sources so our balances will remain between the 15% and 20% outlined in board policy. We will closely monitor this budget to ensure we continue our tradition of a strong fiscal condition.

Respectfully submitted,

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