

Berwick Area School District
2014-2015 TENTATIVE BUDGET

OVERVIEW

It is a basic principle of municipal budgeting that revenues and expenditures must equal. For the past eleven years our budgeting process has provided for a balanced budget, with eight of those years seeking no local tax rate increase.

The process of remaining fiscally solvent requires diligent multi-year planning to ensure educational goals are appropriately funded. The Berwick Area School District has maintained a very strong financial position since 2007. Our Committed Fund Balance is formidable, we have taken advantage of historically low interest rates for our New Elementary Building Project financing and our long term debt obligation is millions of dollars lower than it was ten years ago.

We have maintained expenditures by utilizing attrition and contract negotiations in order to maintain quality candidates whose salary and benefit structure remain affordable to the public. We have defeased (paid off) over eight million dollars in long term general obligation debt providing large annual decreases in expenditures, freeing up funds for capital improvements. State share reimbursements on our debt payments have also been received ahead of schedule and boosted prior years' state revenues.

In spite of our outstanding financial status at the moment, we believe many of the measures used to achieve our robust fiscal growth has eroded.

For 2014-2015, the general fund normal operating expenditures and revenues both increase by:

Description	2013-2014 Budget	2014-2015 Preliminary	Percentage Increase
Expenditures	\$40,416,234	\$41,989,174	3.9%
Revenues	\$40,418,845	\$41,776,554	3.4%

An overview of both the revenues and expenditures follows with descriptions of any changes or possible legislation that may affect the 2014-2015 budget.

REVENUE BUDGET \$41,776,554

The revenue budget was created assuming the Act 1 limits be maintained and that there will be no tax rate increases over the Act 1 limit as was resolved by the Board of Directors in December 2013. The only increases will occur by "natural growth" should the community invite new business developments into our municipalities, increasing both the market value and assessed values of the available taxable land.

The largest local revenue is real estate tax. Our tax base is made up of commercial, residential, farmland and some industrial properties. The last surge of large scale commercial or industrial growth was in the late 1970's early 1980's with the addition of the Pennsylvania Power and Light facility in Salem Township. Since that time, our community has not seen industrial or large scale commercial growth that would provide growing taxable parcels. The minimal growth of our tax base in 2012-2013 was due to new residential housing near the Orange Street Elementary School. However, this development added pupils to our district but not sufficient

taxes to meet the cost of educating them. This trend is expected to continue into 2014-2015 with another possible, yet unconfirmed, housing project in Briar Creek Borough.

Another trend for our local commerce is a smaller profit margins who appeal to their respective county boards to have their assessment lowered. Recently the district has had three major employers win assessment appeals and is awaiting an upcoming hearing on the fourth employer. The following is a summary of the impact of the largest assessment appeals that were approved by the counties:

Corporation	Original Assessment	New Assessment	Reduction in Tax/Yr
Berwick Offray/Indust.	\$2,859,278	\$1,861,802	\$44,669.27
CHS Berwick Hospital	\$10,184,404	\$6,436,250	\$168,666.93
PPL	\$12,852,500	\$6,082,000	\$576,506.65

Currently the district is working with Columbia County to find some resolution to the appeal of Dollar Tree. We are also still waiting for approximately \$300,000 in revenue for interim billing to be resolved with Columbia County from KOZ parcels which timed out in 2011.

Below is a summary of the real estate tax collections for the past five years:

Municipality	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Berwick Borough	\$5,864,410.66	\$5,823,992.89	\$5,370,387.20	\$5,361,366.94	\$5,284,949.18	\$5,251,914.36
Briar Creek Borough	\$1,012,878.07	\$10,12,522.85	\$967,755.24	\$970,549.76	\$992,824.66	\$969,523.05
Briar Creek Twnsp.	\$2,212,429.27	\$2,229,991.00	\$2,090,722.11	\$2,105,070.23	\$2,121,448.36	\$2,110,356.14
Hollenback Twnsp.	\$620,427.78	\$658,646.49	\$739,712.98	\$734,477.93	\$737,541.76	\$757,049.73
Nescopeck Borough	\$484,036.05	\$558,383.19	\$626,334.05	\$621,301.29	\$617,681.89	\$633,382.50
Nescopeck Twnsp.	\$712,386.46	\$741,814.59	\$820,073.93	\$820,369.23	\$817,399.58	\$837,195.83
Salem Twnsp.	\$5,050,702.14	\$4,941,173.91	\$5,509,506.39	\$5,499,947.54	\$5,425,625.63	\$5,573,552.45

As the table shows, there has only been a 1.1% increase in local real estate taxes collected since the 2008-2009 school year. In 2013-2014 the local real estate tax collections fell short of projections by \$242,226.47.

A decrease in the amount of investment earnings of \$105,000 is a reflection of the decrease in amount of daily interest received.

Other decreases in local revenue are expected in rentals as there will no longer be monthly charges levied on:

- New Story (they now own the former Mulberry Street Elementary)
- YMCA day care facility located in the former Child Care Lab in the Senior High School
- Central Susquehanna Intermediate Unit as we have hired our own individuals as part of the district staff

State revenues will see increases in the Rental Subsidy provided by the Department of Education for the state portion of the debt payments paid in 2014-2015. Other increases will be the state portion of Social Security and Retirement Reimbursement. In past years, these numbers were budgeted conservatively in order to maintain a co-existent funding stream for capital projects. In order to balance the 2014-2015 district budget, projections are aligned to actual numbers and no co-existent funding stream is built in for capital projects.

A new Student Focused Funding Supplement within the Ready to Learn Block Grant may be available from the Department of Education in the amount of \$529,882. The expectations of the grant are to:

- Focus on student success in the primary learning years
- STEM initiatives
- Supplemental instruction

We anticipate the legislature to encourage supplanting current costs with these funds. Since the resources have yet to be approved at the state level, no budget line item will be added until final determinations on how the Student Focused Funding Supplement can be expended.

Federal funds are also seeing a significant decrease in Title I and ACCESS programs. Title I anticipates a decrease of \$66,000 and ACCESS \$25,000. The lack of funding does not reflect that these services are still needed by our students, just that the federal dollars once aligned with these priorities are no longer available. We have received no word on how IDEA will be funded.

The 2014-2015 will reflect the need for capital to fund the New Elementary building project in the amount of \$6,117,061. These funds will come from the borrowing held with FNB.

EXPENDITURES \$41,989,174

Our spending per student still ranks among the lowest in Pennsylvania. The most current data provided by the Department of Education shows Berwick ranked 401st out of 500 for Actual Instructional Expenses per Weighted Average Daily Membership and 230th out of 500 for Total Expenditures per Average Daily Membership.

The preliminary expenditures budget increased \$1,572,939.76 over 2013-2014 for normal operating expenses. We are also anticipating construction costs for the New Elementary Building Project to be at \$6,171,061 which has been added to the total expenses for the 2014-2015 school year in order to maintain appropriate Pennsylvania Accounting Standards used for PlanCon K.

For many years we have enjoyed the benefits of defeasing general bond obligations and lowering our yearly debt contributions in order to pay for capital projects. In 2014-2015 we resume the former debt levels as there are no current possibilities of additional defeasance and therefore no additional funds for other capital improvements built into the normal operating expenses. The Budget Committee has requested that for the fiscal year 2014-2015, the amount of \$1,195,774.70 be obtained from the Committed Fund Balance for Debt Payments as a solution to provide a balanced budget.

Our budget like all school budgets is labor intense with salaries and benefits producing 73% of our total expenditures, without the addition of a new salary schedule in 2008, our Professional salaries would have increased the 2014-2015 budget by an additional \$580,193. Add scheduled debt service and the percentage becomes 79%. Add utilities, transportation, Columbia Montour Vo-Tech obligations (increased 14.8% since 2011-2012), charter school payments and insurance and 90% is committed. The remaining budgetary categories represent only 10% of the budget for such items as professional services, communications, advertising, staff travel, supplies, books, software, dues, equipment, athletics and the budgetary reserve.

The only new initiatives proposed within this budget are:

- The continuation of the School Police Officer program in the amount of \$25,000
- Switching a full time elementary secretary to the High School
- Switching a part time secondary secretary to the Elementary level

- Allowing for an increase in after-school expenses for the Middle School students that will require funding from outside sources

SUMMARY

The anticipated revenues for 2014-2015 are fully disclosed with totals of \$41,989,174. The expenditures currently surpass the revenues by \$212,620, with Committed Fund Balance for Debt being used to balance and surpass the expenditures. Should the Student Focused Funding Supplement become actualized, these funds could provide relief should the purpose be to supplant current existing expenditures.

This budget does not include any additional capital projects, or funding for additional projects other than the New Elementary Building. Additional projects would require discussion and approval at the board level.