Grove City Area School District
2019 – 2020
Preliminary Budget Presentation
April 8, 2019
## Staffing Changes: 2016 through 2019

| Classification | GJR | GCASD | Total | %
|----------------|-----|-------|-------|---
| Admin          | 3.00| 8.00  | 11.00 | 3%
| Teachers       | 66.27| 135.80| 202.07| 60%
| NonUnion       | 1   | 13    | 14.00 | 4%
| Bus Sec'y      | 1   | 1.56  | 2.56  | 1%
| Principal Sec'y| 4   | 5     | 9.00  | 3%
| 10 Mo Sec'y    | 1   | 7     | 8.00  | 2%
| Lib Clerk      | 4   | 4     | 8.00  | 2%
| Custodians     |     | 19    | 19.00 | 6%
| LPN            |     | 4     | 4.00  | 1%
| Aides          | 30.38| 28.72 | 59.10 | 18%
| FTE            | 110.65| 226.08| 336.73| 100%

### Grove City Area School District's Staff

| Classification | GJR | GCASD | Total | %
|----------------|-----|-------|-------|---
| Admin          | 3.00| 10.00 | 13.00 | 4%
| Teachers       | 56.91| 136.86| 193.77| 60%
| NonUnion       | 1   | 16    | 17.00 | 5%
| Bus Sec'y      | 1   | 1.56  | 2.56  | 1%
| Principal Sec'y| 3   | 7     | 10.00 | 3%
| 10 Mo Sec'y    | 2   | 5     | 7.00  | 2%
| Lib Clerk      | 2   | 4     | 6.00  | 2%
| Custodians     | 19  |       | 19.00 | 6%
| LPN            | 4   |       | 4.00  | 1%
| Aides          | 18  | 31.51 | 49.51 | 15%
| FTE            | 86.91| 234.93| 321.84| 100%

(14.89 FTE Decrease)
Understand Your Fund Balances

General Funds: Assigned and Unassigned

Restricted and Committed: Capital Reserve and Capital Project
Non-spendable, Restricted, Committed, and Assigned Fund Balance

- Legally restricted for future specific use or purpose (within the fund it applies to)
  - Already entered a contract; planning to enter a contract; a court order; a reasonably foreseeable mandated cost; to pay debt; or a specific legal restriction imposed by an external party. Money already paid or committed such as inventory or pre-paid expenses....to pay debt or construction expenses as per bonds or contracts previously issued. **We currently have a Capital Project Fund established for the Hillview project. This fund houses funds obtained through the three bond sales. Monthly payments for project costs are ongoing and will continue until the conclusion of the project.**
Non-spendable, Restricted, Committed, and Assigned Fund Balance

- **Assigned**
  - For a specific use or program/project...often aligned with a Capital Reserve Fund *(outside of the general fund)*. Capital Reserve Fund $11,055,558 This fund will be impacted by Hillview Project costs that exceed the Capital Project Fund. Additionally, this fund will be needed for projects identified in the 10 year facilities plan. (e.g. – turf – HS roof – paving)
- **PSERS Contributions Fund**...$3,350,000
- **Other Post Employment Benefits (OPEB)**.... $1,846,863
  - Established over time to protect the District General Fund Balance from increasing retirement costs. As of June 2018, the combined assigned balances for OPEB and PSERS contributions is $5,196,863
- **Future Bond Payments**....$1,830,754 This fund was created with the knowledge of upcoming bond payment obligations. This balance can reduce the impact of the annual principal and interest payments against the annual revenues. It can also be used to selectively reduce bond principal to gain savings on interest costs.
Non-spendable

Restricted

Committed

Assigned

Unassigned

Narrow Use in Budget and Operations

Broader Use in Budget and Operations

$1,196

$11,055,558

$7,027,617

$3,284,712

$Bond Proceeds Hillview Project

Balances as of June 30, 2018 (Audit Actuals) = $21,369,083 + Capital Project Fund (project fluctuation)
Why is Fund Balance important?

• Principles of conservative and prudent public finance: The general fund provides the base from which all instruction is delivered. Reserves are utilized to stabilize and protect the general fund from variability and operating unknowns (instability). This role involves making both proactive and reactive decisions.

• Reactive Uses: Unpredictable Revenues and Expenses
  • Insurance claims (medical and Rx self-insured, workers compensation, larger deductibles on package and liability policies)
  • Emergency needs, repairs, major HVAC or roof issues
  • State budget impasses
  • Local or wider economic downturns

• Proactive Uses: Specific high cost line item reserves (health care, planned major capital expenditures, technology, curriculum revisions or additions).

• Stabilize general cash flow.
Reactive Strategy for General Fund Balance use and leverage

- Property Tax rate; and tax rate (millage) increase hedge
  - Stable and consistent General Fund Unassigned FB allows some discretion when discussing and setting millage rate increases. Lack thereof, generally must default to full burden on millage increase &/or program reductions
  - Hedge current need for a millage rate increase...or cost reductions. (i.e. no Fund Balance or no reserve = no hedge)

- Cash Flows needs and historical and / or future anticipated cash needs, especially for the June, July, and August timeframe
  - Salary payouts, Benefit costs, year-end contract closeouts (transportation, IU’s, placement agencies, utilities, supply and equipment orders, etc.)
  - Versus what is known for receivables and when that funding may actually arrive at the bank. Actual budget results are not conclusive until the annual audit is complete...expected by December. This presentation will include a prediction of year-end result for 2018-2019.

- Reserves for Pension designations and other designations in the General Fund

A hedge is an investment position intended to offset potential losses/gains that may be incurred by a companion investment. In simple language, a hedge is used to reduce any substantial losses/gains suffered by an organization.
What factors limit Fund Balance?

- Politics
  - State, Local, Board, Community
  - Groups and / or individuals and advocacy

- Local Revenue Capacity
  - Tax generation limits include Act 1 rate restrictions, restrictions on unreserved fund balance magnitude, an unstable tax base and insufficient board authority to raise local revenue relative to general fund budget; this is the practical reality of being able to generate “additional funds to build up a reserve”. Where should our attention be in relation to the attempted growth of a reserve?

- Mandated Expenditures
  - The spending side can barely be kept up and is overwhelmingly outpacing the revenue side. “Unfunded Mandates” must be monitored over time and true cost details must not be overlooked. When work priorities are shifted to attend to mandates, intended educational program supports can slip away. By spreading out resources to simply “manage” mandates, a serious loss in ROI can occur. What does such a loss look like when your product is the education of students?
Some general thoughts on a reactive role of Fund Balance

• Using ONE time money to pay for a reoccurring cost---generally that only works for one year....but there must be a vision to pay for that reoccurring in the 2\textsuperscript{nd} year or beyond. Consider programs initiated by grant funds.

• Using one-time money to pay for a reoccurring cost that by design will actually INCREASE in out years.....deferral of a responsible/reasonable tax increase will preclude that increase for all future years as well. Is the district considering the limitations of ACT 1 as expenditure trends are projected over time?

• Need to understand your major expenditure growth and revenue growth components. The top 10 have been charted based on % of total budget and compared to the prior year. The financial forecast attempts to monitor estimated relationship of expenditures and revenues over time.
Pro-Active Strategy for General Fund Balance use and leverage

• School Facilities
  • Fortunately, GCASD successfully qualified for PLANCON support prior to the moratorium. The Hillview project was assigned an “effective” reimbursable percentage of 13.53% of the principal and interest payments. The project was assigned $8,680,430 in eligible reimbursement.

• Healthcare
  • Strengthening position of district relative to healthcare costs. Recent changes to the District health care benefit program are budgeted to decrease $542,558

• Other Post-Employment Benefits
  • OPEB assigned fund balance has been established to protect the District General Fund Balance from increasing retirement costs. As of June 2018, the combined assigned balances for OPEB and PSERS contributions is $5,196,863. This fund should be used, in planned increments, as the actual budget results in Expenditures over Revenues.
Fund Balance designation rules—see accounting manual too

• School Board action to designate for a bona fide purpose
• Expectation to spend within a reasonable time period
• Timing?
  • Before the fiscal year starts with budget adoption...i.e. planned
  • Mid-year based on new/updated information
  • After Fiscal year as part of fiscal year ending financial statements
  • Board still approves no matter the timing
• How is it reflected in the year end statements
  • Separate balance sheet lines, Comments or footnotes
# Investment Overview

## Grove City Area School District's Investments

<table>
<thead>
<tr>
<th>4/4/19</th>
<th>PLGIT - Class</th>
<th>PLGIT/PLUS - Class</th>
<th>PLGIT/I - Class</th>
<th>PLGIT PRIME</th>
<th>CD</th>
<th>PLGIT-ARM</th>
<th>PDLAF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Reserves</td>
<td>$0.04</td>
<td>$4,342,486.55</td>
<td>$7,095,000.00</td>
<td>$11,437,486.59</td>
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<tr>
<td>Cafeteria</td>
<td>111,089.01</td>
<td>77,941.17</td>
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<td></td>
<td></td>
<td>189,030.18</td>
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<tr>
<td>General Fund</td>
<td>1,019,550.71</td>
<td>$13.08</td>
<td>1,991,172.85</td>
<td>5,639,000.00</td>
<td>$16,454.33</td>
<td>8,666,190.97</td>
<td></td>
<td></td>
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<tr>
<td>G.O.B. 2017</td>
<td>14,219.84</td>
<td></td>
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<td>14,219.84</td>
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<tr>
<td>G.O.B. 2018</td>
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<td>$7,294,616.04</td>
<td>7,294,616.04</td>
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<td>G.O.B. 2019</td>
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<td>100,072.06</td>
<td>100,072.06</td>
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<tr>
<td></td>
<td>$1,144,859.60</td>
<td>$13.08</td>
<td>$6,411,600.57</td>
<td>$12,734,000.00</td>
<td>$7,394,688.10</td>
<td>$16,454.33</td>
<td>$27,701,615.68</td>
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</tr>
<tr>
<td>Interest Rates</td>
<td>2.24%</td>
<td>2.37%</td>
<td>2.39%</td>
<td>2.55%</td>
<td>2.30% - 3.10%</td>
<td>2.36%</td>
<td>2.24%</td>
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<tr>
<td>Interest Earned</td>
<td></td>
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<tr>
<td>to Date</td>
<td>$66,814.45</td>
<td>$28.84</td>
<td>$92,214.78</td>
<td>$-</td>
<td>$145,593.03</td>
<td>$200,398.98</td>
<td>$241.66</td>
<td>$505,291.74</td>
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<tr>
<td>Current CD rates is 2.49%</td>
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Proposed Budget:

2018 Actual
2019 Budget
2019 Data Informed Anticipated Results
2020 Proposed Budget
This chart/graph shows the 2018-19 Budgeted amounts

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<tbody>
<tr>
<td><strong>Operating Balance</strong></td>
<td>(1,463,867)</td>
<td>156,731</td>
<td>(47,154)</td>
<td>(2,233,559)</td>
<td>(1,965,363)</td>
<td>(1,756,763)</td>
<td>(1,946,847)</td>
<td>(2,213,572)</td>
<td>(2,435,582)</td>
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[Chart showing the trend of Total Revenues and Total Expenditures from 2016 to 2024]
This chart/graph shows the 2018-19 anticipated actuals

<table>
<thead>
<tr>
<th></th>
<th>(Actual) 2016</th>
<th>(Actual) 2017</th>
<th>(Actual) 2018</th>
<th>(Actual) 2019</th>
<th>(Anticipated) 2020</th>
<th>(Budget) 2021</th>
<th>(Projected) 2022</th>
<th>(Projected) 2023</th>
<th>(Projected) 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Balance</strong></td>
<td>(1,463,867)</td>
<td>156,731</td>
<td>(47,154)</td>
<td>91,236</td>
<td>(1,965,363)</td>
<td>(1,756,763)</td>
<td>(1,946,847)</td>
<td>(2,213,572)</td>
<td>(2,435,582)</td>
</tr>
</tbody>
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Anticipated 2018-2019 Budget Result:

- 100s – $189,913 / $18,013,344
- 200s - $157,136 / $14,063,097
- 300s - $16,225 / $946,820
- 400s – ($66,065) / $991,756
- 500s – ($57,530) / $86,050
- 600s - $270,690 / $2,003,134
- 7-900s – ($27,906) / $1,904,432
- Total w/out budgetary reserve
  • $670,590 / $41,860,793

2018-2019 Budgetary Reserve
= $500,000

Anticipated
Revenues Minus Expenditures
= $91,236
Proposed Tax Increase:

1.02 Mill Increase = 1.594%

Adjusted ACT 1 Limit = 3.1%
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<td><strong>A</strong></td>
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<tr>
<td><strong>Taxable Assessed Value</strong></td>
<td>188,508,600</td>
<td>189,451,143</td>
<td>190,398,399</td>
<td>191,350,391</td>
<td>192,307,143</td>
<td>193,268,678</td>
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<tr>
<td><strong>Assumed Growth Rate</strong></td>
<td>0.500%</td>
<td>0.500%</td>
<td>0.500%</td>
<td>0.500%</td>
<td>0.500%</td>
<td>0.500%</td>
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Adjust taxable assessed value by either pressing the spinner to the right or manually entering in the % increase for future years.

<table>
<thead>
<tr>
<th><strong>B</strong></th>
<th><strong>C = (A/1000) × B</strong></th>
<th><strong>Millage Rate</strong></th>
<th>63.9800</th>
<th>65.0000</th>
<th>66.6250</th>
<th>68.2906</th>
<th>69.9979</th>
<th>71.7478</th>
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</thead>
<tbody>
<tr>
<td><strong>C</strong></td>
<td><strong>Gross Tax Levy</strong></td>
<td>12,060,780</td>
<td>12,314,324</td>
<td>12,685,293</td>
<td>13,067,438</td>
<td>13,461,094</td>
<td>13,866,610</td>
<td></td>
</tr>
<tr>
<td><strong>E = C</strong></td>
<td><strong>Less: State Property Tax Reduction Allocation</strong></td>
<td>501,938</td>
<td>501,938</td>
<td>501,938</td>
<td>501,938</td>
<td>501,938</td>
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</tr>
<tr>
<td><strong>F</strong></td>
<td><strong>Net Tax Levy</strong></td>
<td>11,558,842</td>
<td>11,812,386</td>
<td>12,183,355</td>
<td>12,565,500</td>
<td>12,959,156</td>
<td>13,364,672</td>
<td></td>
</tr>
<tr>
<td><strong>G = E × F</strong></td>
<td><strong>Collection Rate</strong></td>
<td>95.0000%</td>
<td>95.0000%</td>
<td>95.0000%</td>
<td>95.0000%</td>
<td>95.0000%</td>
<td>95.0000%</td>
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</tr>
<tr>
<td><strong>Current Real Estate Taxes</strong></td>
<td>10,980,900</td>
<td>11,221,767</td>
<td>11,574,188</td>
<td>11,937,225</td>
<td>12,311,199</td>
<td>12,696,438</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Actual) 2016</td>
<td>(Actual) 2017</td>
<td>(Actual) 2018</td>
<td>(Budget) 2019</td>
<td>(Projected) 2020</td>
<td>(Projected) 2021</td>
<td>(Projected) 2022</td>
<td>(Projected) 2023</td>
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</tr>
<tr>
<td><strong>Current Real Estate Taxes</strong></td>
<td>10,223,440</td>
<td>10,419,140</td>
<td>10,500,123</td>
<td>10,980,900</td>
<td>11,221,767</td>
<td>11,574,188</td>
<td>11,937,225</td>
<td>12,311,199</td>
</tr>
<tr>
<td><strong>State Property Tax Reduction Allocation</strong></td>
<td>501,891</td>
<td>502,496</td>
<td>502,425</td>
<td>501,938</td>
<td>501,938</td>
<td>501,938</td>
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</tr>
<tr>
<td><strong>Total Collections</strong></td>
<td>10,725,331</td>
<td>10,921,637</td>
<td>11,002,548</td>
<td>11,482,838</td>
<td>11,723,705</td>
<td>12,076,126</td>
<td>12,439,163</td>
<td>12,813,137</td>
</tr>
<tr>
<td><strong>Millage Rate</strong></td>
<td>61.0000</td>
<td>62.0000</td>
<td>62.0000</td>
<td>63.9800</td>
<td>65.0000</td>
<td>66.6250</td>
<td>68.2906</td>
<td>69.9979</td>
</tr>
<tr>
<td><strong>Value of Collected Mill</strong></td>
<td>175,825</td>
<td>176,155</td>
<td>177,460</td>
<td>179,475</td>
<td>180,365</td>
<td>181,255</td>
<td>182,150</td>
<td>183,050</td>
</tr>
<tr>
<td><strong>% Increase</strong></td>
<td>0.188%</td>
<td>0.741%</td>
<td>1.135%</td>
<td>0.495%</td>
<td>0.494%</td>
<td>0.494%</td>
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<td>0.494%</td>
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</tbody>
</table>
State Funding

BEF Calculation

Reminder:
Part 1: Calculate each component

Total SINGLE YEAR District ADMs used for Poverty wts.
ELL & Charter uses ADMS for that component only

Students with Limited English Proficiency
Students in Poverty
Students in Concentrated Acute Poverty
Students in Acute Poverty
District’s Charter School Daily Membership

Additional ADMs
Part 2: Add Components TOGETHER

Additional ADMs + Sparsity/Size Adjustment + 3 year average ADMs = TOTAL Student Weighted ADMs
Part 3: Adjust by Multipliers

TOTAL Student Weighted ADMs \times \text{Median Household Income Index} \times \text{Local Effort/Capacity Index} = \text{Total Adjusted ADMs to Prorate}
CHARTER SCHOOL TUITION COSTS REMAIN MAJOR BURDEN FOR DISTRICTS

- $1.65 billion in 2016-17, projected to grow to $2.32 billion in 2021-22
- Increases in projected charter school costs will exceed the amounts for BEF for each year
- No state support for district mandated costs; full burden falls on local taxpayers
- The BEF and SEF act more like pass-through funds from the state to charter schools
- No state support left for instruction, operations, PSERS
- Unfortunate effect of local taxpayers paying increased taxes for funding charter schools while seeing their own schools’ programs cut back
- Modifying the Charter School funding formula would require legislative action