

Financial Affairs Committee Meeting

January 3, 2017



PRELIMINARY

First Glance

2017-18 Budget

Montgomery County Trend - Preliminary Budget

- 6 Districts (including CSD)
 - Passed Act 1 Opt-out Resolution; tax increase will not exceed 2.5%
- 7 Districts
 - Preliminary budget process to apply for exceptions; tax increases range from 3% - 7.35%

Revenue Assumptions

➤ Real Estate Tax Revenue

- Estimated Certified Assessment Value from Montgomery County Board of Assessment Appeals for the 2017 tax year - \$1,860,790,880
 - Slight decrease from 2016-17
 - Favorable assessment appeal stipulations will neutralize or slightly increase estimate
- Act 1 Index of 2.5% or 1.1274 mills will generate an additional \$2,013,865
 - Impact on Median Assessed homeowner (\$144,290) = increase of \$13.56/month or \$162.66/year
 - Every 0.10% of an increase will generate \$80,890 in additional tax revenue
 - Every 0.10% of an increase will increase the millage rate 0.0451 mills

➤ Other Local Revenue trend continues between 2-3% growth

➤ State/Federal Revenue

- Reflects 2016-17 allocations

Revenue Budget Development

Revenue Drivers:

- No tax increase has been factored into real estate tax revenue
- Alignment of real estate collection rate - 96.4%
- Growth in Act 511 tax revenue
- Alignment of state subsidies
- Release of PlanCon funds - existing/approved projects

Revenue Variables:

- Assessment remains flat-lined
- State budget concerns

	2015-16 Actual	2016-17 Budget	2017-18 Preliminary Budget
Revenues			
Local			
Current Real Estate Taxes	\$76,829,556	\$77,027,624	\$81,016,264*
Act 511 Taxes	4,707,290	4,265,000	4,582,840
Other Local Revenue	4,361,342	4,104,606	4,241,108
State	21,149,548	20,623,157	20,547,742
Federal	601,219	548,179	617,116
Fund Balance	-	874,741	-
Total Revenues	\$107,885,333	\$107,443,307	\$111,005,070
<i>*For preliminary discussion, includes Homestead state allocation of \$3.5 million ; will be reallocated to state funding in May 2017</i>			

Expenditure Assumptions

➤ Contractual Obligations

Account for approximately 90% of the budget

- Salaries/Benefits
- Operations including utilities, insurance and leases
- Technology operational and educational renewals
- Transportation
- Debt Service

➤ Strategic Plan

- Year 1 - exploration
- Year 2 - exploration/adoption

➤ Analysis of existing programs and value-added

➤ Facility maintenance and capital expenditures

Expenditure Budget Development

Expenditure Drivers:

- Salaries
 - Increased approximately 5.1% from 2016-17 budget
 - CEA contract settled in December 2016; status quo reflected in 2016-17 salaries
- PSERS
 - Contribution rate increased from 30.03% to 32.57% (2.51%)
 - Additional impacted due to increase in salaries
- Transportation
 - Daily rate increased by 3.2%
 - Transportation contract expires June 2018
- Debt Service
 - Annual payment amount increased by approximately \$2 million

Expenditure Variables:

- Strategic Plan - Year 2
- Facility maintenance and capital expenditures
- Special Education/Transportation
- CBK configuration at multiple sites

Object	Expenditure Description	2015-16 Actual	2016-17 Budget	2017-18 Preliminary Budget
100	Salaries	\$ 48,004,866	\$48,894,789	\$ 51,384,376
200	Benefits	25,716,560	28,330,483	28,752,000
300	Prof & Tech Svcs	7,232,233	4,218,450	5,073,066
400	Purchased Property Svcs	1,454,796	1,849,465	1,925,447
500	Other Purchased Svcs	13,608,520	12,283,759	12,456,438
600	Supplies	2,454,047	2,665,583	3,199,022
700	Equipment	1,296,978	812,315	468,622
800	Other Objects	2,870,260	4,394,730	7,420,603
900	Other Uses of Funds	4,002,095	3,993,733	3,230,000
Total Expenditures		\$106,640,355	\$107,443,307	\$113,909,574

	2016-17 Budget	2017-18 Preliminary Budget
<u>REVENUES</u>		
Local	\$ 85,397,230	\$89,840,212
State	20,623,157	20,547,742
Federal	548,179	617,116
Fund Balance	874,741	-
TOTAL REVENUES	\$107,443,307	\$111,005,070
<u>EXPENDITURES</u>		
100 - Salary	\$48,894,789	\$ 51,384,376
200 - Benefits	28,330,483	28,752,000
300 - Prof/Tech Svcs	4,218,450	5,073,066
400 - Purchased Property Svcs	1,849,465	1,925,447
500 - Other Purchased Svcs	12,283,759	12,456,438
600 - Supplies	2,665,583	3,199,022
700 - Property	812,315	468,622
800 - Other Objects	4,394,730	7,420,603
900 - Other Financing Uses	3,993,733	3,230,000
TOTAL EXPENDITURES	\$107,443,307	\$113,909,574
Budget Gap		(\$2,904,504)

NEXT STEPS...

- Administration will work to eliminate the budget gap
- Options
 - Increase tax revenue
 - Utilize fund balance
 - Reduce expenditures
- Present balanced budget at February 7, 2017 Financial Affairs Committee meeting
- Provide three (3) year comprehensive historical review of revenue and expenditures





2017-18 BUDGET TIMELINE

DATE

ACTION

September 2016

- PDE publishes 2017-18 Act 1 Index
- Compile preliminary budgetary data

October 2016 – November 2016

- Compile preliminary budgetary data

December 2016

- Certify/File Sterling Act Tax Credit Data
- Residential homestead notification
- Compile preliminary budgetary data

January 2017

- Opt-out resolution or 2017-18 proposed preliminary budget available for public inspection

February 2017

- Adopt 2017-18 Preliminary Budget
- Approve elected tax collector compensation
- Publish intent to apply for referendum exceptions

March 2017

- File referendum exception request with PDE

May 2017

- Notification of property tax relief allocation from PDE
- Appointment of tax collector
- Adopt 2017-18 Proposed Final Budget and available for public inspection

June 2017

- Publish intent to adopt 2017-18 Final Budget
- Adopt 2017-18 Final Budget

The image features the word "BUDGET" in large, white, 3D block letters hanging from thin white strings against a solid orange background. Below the word "BUDGET", the years "2016-17" are written in a smaller, white, 3D font. The overall design is clean and modern, with a strong color contrast between the white text and the orange background.

BUDGET
2016-17

	2016-17 Budget - \$	2016-17 YTD - \$	Variance - \$	Variance - %	Fiscal Year - %
<u>FUND BALANCE USED</u>		-	874,743	-	50.00%
	874,743				
<u>REVENUES</u>					
Local	\$85,397,228	\$ 84,249,307	1,147,921	98.66%	
State	20,623,157	6,269,252	14,353,905	30.40%	
Federal	548,179	49,482	498,697	9.03%	
TOTAL REVENUES	106,568,564	90,568,041	16,000,523	84.99%	50.00%
TOTAL REVENUES/FUND BALANCE 107,443,307 90,568,041 16,875,266 84.29% 50.00%					
<u>EXPENDITURES</u>					
100 - Salary	48,894,789	20,386,659	28,508,130	41.70%	
200 - Benefits	28,330,483	11,946,547	16,383,936	42.17%	
300 – Prof/Tech Svcs	4,218,450	3,567,256	651,194	84.56%	
400- Purchased Property Svcs	1,849,465	891,845	957,620	48.22%	
500 – Other Purchased Svcs	12,283,759	5,791,306	6,492,453	47.15%	
600 - Supplies	2,665,583	1,438,351	1,227,232	53.96%	
700 - Property	812,315	788,360	23,955	97.05%	
800- Other Objects	4,394,730	4,127,821	266,909	93.93%	
900 – Other Financing Uses	3,993,733	3,370,000	623,733	84.38%	
TOTAL EXPENDITURES	107,443,307	52,308,145	55,135,162	48.68%	50.00%
<i>Note: Expenditure YTD figures include encumbrances</i>					

	2016-17 Budget - \$	2016-17 YTD - \$	Variance - \$	Variance - %	Fiscal Year - %
<u>FUND BALANCE USED</u>	874,743	-	874,743	-	50.00%
<u>REVENUES</u>					
Local	85,397,228	75,100,781	10,296,447	87.94%	
State	20,623,157	5,362,330	15,260,827	26.00%	
Federal	548,179	4,892	543,287	0.89%	
TOTAL REVENUES	106,568,564	80,468,003	26,100,561	75.51%	50.00%
TOTAL REVENUES/FUND BALANCE	107,443,307	80,468,003	26,975,304	74.89%	50.00%
<u>EXPENDITURES</u>					
Salaries/Benefits	77,225,272	32,333,206	44,892,066	41.87%	
Transportation	6,948,026	2,207,848	4,740,178	31.78%	
Tuition – Cyber/Charter School	992,374	948,075	44,299	95.54%	
Tuition - Other	3,017,197	1,907,195	1,110,002	63.21%	
Debt Service	7,843,733	6,375,860	1,467,873	81.29%	
Equipment/Software Platforms	1,440,452	1,354,163	86,289	94.01%	
Other	9,976,253	7,181,798	2,794,455	71.99%	
TOTAL EXPENDITURES	107,443,307	52,308,145	55,135,162	48.68%	50.00%
<i>Note: Expenditure YTD figures include encumbrances</i>					