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To: Board of Directors

From: Robert J. O'Donnell
Donna Watson

Date: April 1, 2014

Subject: Recommended Tax Increase

At the March 17, 2014 board meeting, the administration recommended a real estate tax increase of 1.95%, which would increase the tax millage rate from 38.75 to 39.51. This tax increase is proposed assuming approval of the new programs and program modifications for 2014-2015. The new programs and program modifications require funding of $320,000, which would be fulfilled in a tax increase of 1.95%. Previously an increase of 2.1% was recommended however further analysis of current year and budget projections resulted in a smaller recommended tax increase.

A 1.95% real estate tax increase would represent the second lowest increase in over a decade. Careful planning has aided the district's current financial situation. The 2014-2015 budget year is the first year reserves for PSERS are projected to be used. These reserves have been set aside through tax increases, including the use of exceptions. The PSERS reserves were intended to offset increases in the employer contribution rates in future years.

Rationale for the tax increase for 2014-2015 includes the commitment of resources to fund capital projects. Transfers to the capital reserve fund for future facility improvements are projected to be $4.6 million in 2013-14 and 2014-15. The budgeted transfer for 2013-14 was $4.2 million. Resources transferred to the capital reserve fund are committed to funding expenses for new or renovated facilities. Current projections include a commitment of capital reserve funds to be dedicated to the high school project beginning in 2014-2015 and to an elementary project as early as 2017-2018.

The updated budget projections result in an unassigned fund balance of $9.9 million at the end of the 2014-15 year. This is an increase of $300,000 and represents approximately 7.9% of budgeted expenses. The district is limited to an unassigned fund balance of 8% of budgeted expenses. The administration recommends maintaining an unassigned fund balance just below the 8% maximum for fiduciary responsibility and long term planning.