AGENDA

- Budget Terminology
- Budget Timeline
- Budget Priorities
- 2018/19 Estimated Revenues/Expenditures/Fund Balance
- 2019/20 Primary Cost Drivers
- Staffing Requests
- Supporting Data
- Preliminary Budget – Act I (2.7%)
- Impact on Average Taxpayer
- 5 Year Projection
- Attachments (will be posted on website)
- Questions
POTENTIAL CHANGES AND UNKNOWNS

- The preliminary budget is developed without having all of the pertinent information. The preliminary budget will continue to be updated as additional information is available.

Additional Information Needed and Unknowns

- Second and third look for healthcare premium costs
- Additional resignations and retirements (reductions through attrition)
- Staff leave of absences
- 2019/2020 Tech School budget
- PDE BEF and SEF Funding
- 2019/2020 Bucks County IU Special Education Budget
- 2019/2020 duplicate from Bucks County (total tax assessment for 2019/20)
- Refine department budgets (special education, facilities, etc.)
- Refine revenue projections as new information is available
BUDGET TERMINOLOGY

**ACT I INDEX** - the maximum millage increase for each tax the school district levies (without PDE exception or voter approval).

**Adjusted ACT 1 INDEX** - If your District has a MV/PI ratio higher than .40 your Act 1 Index is higher. QCSD’s MV/PI ratio is .422

Millage - Amount per $1,000 of property value that is used to calculate local property taxes. Assigned millage rates are multiplied by the total taxable value of the property in order to arrive at the property taxes.

In Bucks County only Quakertown, Bristol Borough, and Bristol Township qualify for an adjusted index.

PA Base Act I Index 2.30%

QCSD’s Act I Index 2.70%

A 2.70% increase in Mills generates approximately **$1,974,765** in Real Estate Tax Revenue

- MV/PI = A measure of a communities wealth (market value/personal income aide ratio).
- QCSD = .422, Council Rock = .150, Bristol Borough = .610
Unlike last school year, the Board of School Directors opted out of applying for exceptions to the Act I index for 2019/20. By doing so, the District capped the maximum millage increase to a 2.7% increase in the millage rate.

Opting out of using exceptions changes the budget requirements with PDE (a formal preliminary budget is not required to be approved and submitted to the State).

So…. The Board will not be voting on a preliminary budget this year. The preliminary budget is simply a snapshot of where we are in the budget development process.
BUDGET CALENDAR

- January 24, 2019 – Preliminary Budget Presentation – Finance Committee
- February 28, 2019 – Preliminary Budget Presentation – Regular Board Meeting
- March 14, 2019 – Update on Preliminary Budget – Finance Committee
- April 25, 2019 – Presentation of and Board vote adopting proposed final budget
- May 9, 2019 – Update on Proposed Final Budget – Finance Committee
- June 6, 2019 – Board vote to adopt final 2019/20 budget
- June 30, 2019 – Deadline for tax collectors to send tax bills
2019/20 QCSD PRIORITIES IMPACTING BUDGET

- Continue Funding Capital Maintenance - $1 million – Funded by General Fund
  - D’Huy Engineer along with QCSD Facilities will be conducting a facilities assessment in late Spring/early Summer, to update the needs identified by the 2015 facilities plan.

- Renovation/Addition – Neidig Elementary School
  - Funded by debt service (second round of borrowing in 19/20)

- Additional Staffing
  - Details on following slides

- Safety and Security
  - Development of a security coordinator position
  - Starting a safety and security budget ($30k)
• Salaries - $1,397,171
  ▪ Increase is net of attritional savings from retirements ($179,761 savings to date)
  ▪ Includes contractual increase
  ▪ Includes new staffing requests

• Benefits - $1,632,028 Biggest cost drivers are:
  ▪ Healthcare $612,395
  ▪ Social Security $167,285
  ▪ PSERS $798,375 (50% offset by state subsidy revenue)
    ▪ PSERS is mostly due to the increase in overall salaries, not a large spike in PSERS rate.

• IU Special Education Services - $357,000

• Other Professional Services - $337,000
  ▪ This is primarily due to an increase in services using ACCESS funds. It is offset with an equal increase in revenue

• Neidig Project Debt Service - $334,451
2019/20 NEW POSITIONS
(COSTS INCLUDE SALARY AND BENEFITS)

- **Additional Teaching Positions:**
  - Special education teacher at the Academy (expanding # of students) – $104,908
  - Board Certified Behavior Analyst (student needs) – $104,908
  - Elementary special education teacher (caseloads) – $104,908
  - Senior High Health and P/E Teacher (new health course) – $104,908
  - Strayer MS Mandarin Teacher (program growth) – $104,908

- **Instructional Aide Positions:**
  - Instructional Special Education Aide at the Academy (expanding # of students) - $29,897
  - Instructional Special education Aide at Strayer (student needs) - $17,258
  - Instructional Special Education Aide at Pfaff (student needs) - $38,023
  - (2) Instructional Special Education Aides at TBD (emerging student needs) - $39,984
2019/20 NEW POSITIONS (CONT.)

- **Technology:**
  - Tech Associate – $73,971

- **TOSA to Administrative Conversion:**
  - Convert Special Education TOSA to Special Education Supervisor - $60,000
  - Convert Academy TOSA to Assistant Principal of Academy - $60,000

*Total New Staff Costs (Salaries and Benefits) - $843,673*

Note: Security Coordinator position is not new, it is a reallocation of a position.
## DISTRICT FTE STAFFING HISTORY

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Total: 450.00 184.00 547.41 448.00 183.00 546.55 457.00 180.00 551.09 442.00 185.00 530.75 427.00 186.00 520.82 454.00 192.00 528.39

**Year to Year Change**

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<th>FTE</th>
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| Change    | (2.00)| (1.00) | (0.86)
| Cumulative| (2.00) | (1.00) | (0.86)

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<td>Year to Year Change</td>
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<td>(0.86)</td>
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11
CONTRACTUAL PAY INCREASES
2019/20

- Support Staff Union – Contractual increases of 2.0% for all classifications (custodial, aide, secretary, maintenance).

- Supervisor/Technology/Confidential Secretary Group – Contractual increase of 2.5% -

- Teachers Union – Teachers will move a step on the salary schedule and receive an increase of 0.75% on scale. Average teacher will receive a salary increase of 2.9%

- Administrative (Act 93) – TBD, budgeted at 2.7%
HEALTHCARE INCREASES

▪ The District is a member district of the Bucks and Montgomery County Healthcare Consortium. We receive three looks (three cost estimates) between now and April from the consortium consultant, Lockton.

▪ We are self funded with the exception of stop loss. Self funded means we pay claims not premiums.

▪ First look (we receive 3) benefit increase are:
  ▪ Medical – 4.69% = $189,148
  ▪ Prescription – 22.12% = $423,249
  ▪ Dental – 2.2% = $7,705
  ▪ Total $ increase to budget = $620,102.

▪ Note – We expect a reduction in the second and third looks.
Although enrollment is projected to continue declining, the administration does not recommend reducing staff.
PSERS ACT 5 IMPACT

- Effective July 1, 2019 new hires will be enrolled in a defined contribution plan (401k style) as opposed to a defined pension plan.
  - Under the new plan districts will match employee contributions up to 2.5%. However, Districts must continue to fund PSERS at the full rate.
  - Although presented as a cost saving measure for districts, there will be no immediate financial relief.

- **Current System**
  - Employee Salary = $50,000
  - District PSERS Contribution (34.29%) = $17,145

- **Act 5 System**
  - Employee Salary = $50,000
  - District 401k match (2.0%) = $1,000
  - District Contribution Defined Pension - This goes toward the current system to fund the underfunded defined pension plan (32.29%) = $16,145

- Total district contribution (cost) is the same.
PSERS TREND

- PSERS rates continue to increase but at a slower rate. The increase in the 2019/20 budget is due to increased salaries combined with an increased PSERS rate. The 2019/20 employer rate is 34.29% of salaries.
### EXPENDITURES BY OBJECT

#### QUAKERTOWN COMMUNITY SCHOOL DISTRICT

#### EXPENDITURES BY DETAILED OBJECT

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<th>Obj</th>
<th>Description</th>
<th>2016-17 Actual</th>
<th>2017-18 Actual</th>
<th>2018-19 Original Budget</th>
<th>2018-19 Amended Budget*</th>
<th>2019-20 Projected</th>
<th>18/19 Variance</th>
<th>Preliminary</th>
<th>19/20 Budget to 18/19 Projection</th>
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<td>43,302,379.00</td>
<td>41,213,661.87</td>
<td>42,012,743.00</td>
<td>41,114,858.00</td>
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**Total All Objects**: 104,153,495.76 | 109,226,856.12 | 104,580,212.87 | 109,725,941.00 | 110,383,335.00 | 108,835,627.35 | (1,547,707.65) | 114,844,395.06 | 6,008,767.71 | 5.52% | 4,451,060.06 | 4.04%

*The 2018/19 amended budget includes $573,551 in purchase orders encumbered as of 6/30/18, but expended during 18/19 (services rendered or goods received after 6/30/18). The amended budget also includes adjustments for grants to be received in 18/19, but not budgeted in the original budget in the amount of $63,843. There is a corresponding increase to budgeted revenues.*

Notes - Equipment – Equipment is not increasing by $662k, this is simply an accounting change from prior practice, accounting for approximately $500,000 of this increase.
Estimated 2019/20 revenues without a tax increase is $110,398,845.

Total revenues at a 2.7% tax increase is $1,974,765.

Total projected expenditures for 2019/20 is $114,844,395.

Total Shortfall (deficit) at this point is $2,470,785 which is funded by use of fund balance.
IMPACT OF TAX INCREASE

- Raising taxes means raising the millage rate. The millage rate is then applied to the assessed value of your home divided by 1000 to arrive at your tax bill. Note, the tax increase is not applied to your prior tax bill, which may have reductions for homestead farmstead.

- The assessed value of a home is determined by the Bucks County Board of Assessment.

- Example:
  - Home has an assessed value of 22,000.
  - The assessed value is multiplied by the millage rate or $3,714,260
  - Divided by 1000 = $3,714.26 (this is your tax bill)

Impact of a 2.7% tax increase on QCSD Millage:

- Current Millage Rate – 164.39
- New Millage Rate – 168.83
- Average assessed value of a QCSD homestead/farmstead = 23,857
- Tax Increase on Average Homestead/Farmstead = $106

- Note – Due to the Homestead/Farmstead reduction, some tax bills may see a slightly higher increase.
PRELIMINARY VS FINAL VS ACTUAL
- HISTORICAL DATA
- Projecting an operational surplus in 18/19 of $144K.
  - With the sale of two schools, projecting total surplus of $2.144 million.

- At a 2.7% tax increase in 2019/20, shortfall (deficit) of $2.47 million.

- 2019/20 shortfall includes $400k for Ronald Reagan Blvd.

- 2019/20 operational shortfall excluding Ronald Reagan is 2.07 Million.

- Through good fiscal management and attrition, actual expenditures are typically less than budgeted, so a $1 million shortfall is a good target.

- In February, PFM will be discussing legal uses of the $2 million from the sale of schools.
UPDATED 5 YEAR BUDGET PROJECTION (PFM MODELING) – 2.7% TAX INCREASE

Quakertown Community School District
Concise Summary Report

<table>
<thead>
<tr>
<th>Home</th>
<th>Reports</th>
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</thead>
</table>

**REVENUES**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Real Estate Taxes</td>
<td>55,614,300</td>
<td>56,706,305</td>
<td>58,266,636</td>
<td>60,485,600</td>
<td>63,603,626</td>
<td>65,173,492</td>
<td>67,112,789</td>
<td>69,152,420</td>
<td>71,252,255</td>
<td>73,414,114</td>
<td>75,639,819</td>
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<tr>
<td>Act 533 Taxes</td>
<td>3,774,481</td>
<td>30,038,085</td>
<td>30,056,046</td>
<td>31,130,007</td>
<td>33,865,476</td>
<td>11,771,853</td>
<td>32,192,213</td>
<td>34,345,165</td>
<td>37,958,449</td>
<td>31,925,368</td>
<td>13,667,239</td>
</tr>
<tr>
<td>Other Local Revenue</td>
<td>8,840,419</td>
<td>9,174,940</td>
<td>4,968,591</td>
<td>4,707,719</td>
<td>4,770,664</td>
<td>4,148,557</td>
<td>4,407,079</td>
<td>4,459,681</td>
<td>4,546,133</td>
<td>4,655,016</td>
<td>4,707,719</td>
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<tr>
<td>Basic Instructional and Operating Subsidies</td>
<td>3,283,231</td>
<td>15,163,331</td>
<td>35,648,455</td>
<td>6,941,245</td>
<td>10,742,715</td>
<td>10,324,128</td>
<td>10,518,264</td>
<td>10,622,647</td>
<td>10,795,681</td>
<td>10,896,978</td>
<td>10,973,484</td>
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<tr>
<td>Revenue for Specific Educational Programs</td>
<td>2,377,853</td>
<td>2,151,358</td>
<td>2,976,553</td>
<td>3,023,095</td>
<td>3,069,199</td>
<td>3,211,331</td>
<td>3,145,832</td>
<td>3,185,179</td>
<td>3,214,929</td>
<td>3,250,085</td>
<td>3,285,653</td>
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<tr>
<td>Federal Revenue</td>
<td>741,392</td>
<td>513,189</td>
<td>618,351</td>
<td>605,321</td>
<td>617,189</td>
<td>647,064</td>
<td>547,054</td>
<td>600,657</td>
<td>673,936</td>
<td>607,306</td>
<td>701,822</td>
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<tr>
<td>Other Financing Sources</td>
<td>66,042,522</td>
<td>70,017,513</td>
<td>70,911,583</td>
<td>72,820,924</td>
<td>72,646,624</td>
<td>2,509,074</td>
<td>545,000</td>
<td>555,000</td>
<td>555,000</td>
<td>555,000</td>
<td>570,000</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>91,583,034</td>
<td>93,477,121</td>
<td>97,671,437</td>
<td>104,272,838</td>
<td>105,930,065</td>
<td>110,980,104</td>
<td>112,373,610</td>
<td>115,305,314</td>
<td>118,484,604</td>
<td>121,797,560</td>
<td>125,113,500</td>
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**EXPENDITURES**

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<tbody>
<tr>
<td>Operating Expenses</td>
<td>23,925,647</td>
<td>24,475,026</td>
<td>27,488,306</td>
<td>27,354,101</td>
<td>27,510,005</td>
<td>29,932,162</td>
<td>31,715,401</td>
<td>31,743,721</td>
<td>32,381,386</td>
<td>33,030,824</td>
<td>33,700,993</td>
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<tr>
<td>Debt Service &amp; Premiums</td>
<td>2,988,662</td>
<td>7,028,216</td>
<td>9,382,419</td>
<td>10,328,241</td>
<td>10,472,149</td>
<td>11,498,547</td>
<td>12,935,230</td>
<td>13,256,230</td>
<td>13,245,998</td>
<td>12,836,194</td>
<td>12,200,022</td>
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**NET OPERATING BALANCE**

<table>
<thead>
<tr>
<th>(Actual) 2014</th>
<th>(Projected) 2019</th>
<th>(Projected) 2020</th>
<th>(Projected) 2021</th>
<th>(Projected) 2022</th>
<th>(Projected) 2023</th>
<th>(Projected) 2024</th>
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<tbody>
<tr>
<td>51,932</td>
<td>1,086,034</td>
<td>1,370,317</td>
<td>119,349</td>
<td>1,340,848</td>
<td>2,144,477</td>
<td>(2,470,785)</td>
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**FUND BALANCE (BEGINNING OF THE YEAR) ADJUSTMENTS**

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>(Actual) 2014</th>
<th>(Projected) 2019</th>
<th>(Projected) 2020</th>
<th>(Projected) 2021</th>
<th>(Projected) 2022</th>
<th>(Projected) 2023</th>
<th>(Projected) 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>13,606,856</td>
<td>15,488,166</td>
<td>15,812,815</td>
<td>14,403,498</td>
<td>14,352,847</td>
<td>15,902,695</td>
<td>18,047,172</td>
<td>15,576,387</td>
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<tr>
<td>3,935,202</td>
<td>(761,365)</td>
<td>-</td>
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</table>
The 5 year projection last year indicated an annual operating deficit of just over $1 million.

The updated 5 year projection indicates a just over $2 million annual operating deficit.

**Why?**

1. The 19/20 budget includes approximately $950k in new positions not accounted for last year.

2. The Act I index is projected at 2.7% not 2.8% which was used last year.

3. Medical and Prescription rate increased 8.5% not 7% used in projection.
