



# QUAKERTOWN COMMUNITY SD

School Board Meeting  
2020/2021 Preliminary Budget  
Presented February 26, 2020

Zach Schoch, COO

Lynn Routson, Finance Director

# AGENDA

- Budget Terminology
- 2020/21 Primary Cost Drivers
- FTE Additions
- Healthcare
- Expenditure Increase Budget to Budget
- Enrollment Projections
- Taxing Scenarios - 0.0% to 3.0%
- Financing the Budget - 1.5%
- Impact on Average Taxpayer
- 5 Year Projection
- Future Variables
- Budget Timeline
- Questions

# POTENTIAL CHANGES AND UNKNOWNNS

- 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
- 2020/2021 Tech School budget
- PDE Subsidies - Basic Education Funding (BEF) and Special Education Funding (SEF)
- 2020/2021 Bucks County IU Special Education Budget
- 2020/2021 Tax duplicate from Bucks County (total tax assessment for 2020/21)
- Refine department budgets (special education, facilities, human resources etc.)
- Refine revenue projections as new information is available

# BUDGET TERMINOLOGY - ACT 1 INDEX

ACT1 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 .4165

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	2.6%
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QCSD's Act I Index	3.0%
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A 3.0% increase in Mills generates approximately **\$2,073,968** in Real Estate Tax Revenue

- MV/PI = A measure of a communities wealth (market value/personal income aide ratio).
- QCSD = .4165, Council Rock = .150, Bristol Borough = .634

# PRIMARY COST DRIVERS – BUDGET TO BUDGET INCREASES

Salaries - \$826,493

- Includes contractual increases
- Includes 2 additional FTEs to address emerging or mandated needs\*\*
- Includes projections for QESPA bargaining

Benefits - \$1,051,007 Biggest cost drivers are:

- Healthcare \$629,678
- Social Security \$61,987
- PSERS \$375,662(50% offset by state subsidy revenue)
  - PSERS is mostly due to the increase in overall salaries, not a large spike in PSERS rate.

\*\*Will not be filled without prior Board approval

# PRIMARY COST DRIVERS – BUDGET TO BUDGET INCREASES

Other Professional Services - \$297,744

- Money transferred from accounts for students who are outplaced to support them in district with supports and services

Transportation - \$204,199

- Primarily due to increased rates for communication systems (GPS) and driver rates

Neidig Project New Debt Service - \$270,000

Tech School – \$281,000 (8.4% increase)

- Tech School Contribution is \$4.14 million

# 2020/21 NEW POSITIONS

(COSTS INCLUDE SALARY AND BENEFITS)

New position requests included (High School Assistant Principal, School Psychologist, Social Worker, Middle School Special Education Teacher, High School Librarian, TOSA for Pathways/Internships, Music Teacher).

The Administration's recommendation, given expected declining enrollment and several issues that will be resolved/recommended for 2021-22, is to defer consideration of any new positions until next year. **Two new FTEs are recommended for inclusion to address any mandated or emerging needs.\*\***

- Two Additional Professional Staff FTEs – \$220,000

\*\*Will not be filled without prior Board approval

# HEALTHCARE INCREASES

- The District is a member district of the Bucks and Montgomery County Healthcare Consortium. We receive three cost estimates (“looks”) 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 – 8.3%
  - Prescription – 7.4%
  - Total \$ increase to budget = \$629,678.



# 2020/2021 Total Expenditure Increase

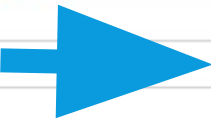
- 2020/2021 Expenditures increased \$4,894,513 over the 2019/20 budget.
- The increase includes \$1,977,041 in one time expenditures from the proceeds from selling schools to be used to pay Neidig Elementary School bills.
- The operational increase over 2019/2020 budget is \$2,917,472 which equates to a 2.5% increase.

# PROJECTED ENROLLMENT AND BUDGET IMPACT

- Although enrollment is projected to continue declining, the administration does not recommend reducing staff.
- Recommendation is to keep status quo on staffing until the redistricting committee reports back to the Board.

Grades 1 - 12 Enrollments Based on Grade Progression Ratios (Most Recent Year)																
Kindergarten Enrollments Based on Actual Live Birth Data for Past 5 Years																
(2018 Live Birth Data is Preliminary)																
Grades	Progression	Actual										Projected				
	Ratios	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
K		373	363	374	349	305	269	366	287	289	283	288	284	260	251	251
1	1.08	424	409	405	420	396	358	318	381	340	313	307	312	307	282	277
2	1.02	423	405	407	410	413	399	360	317	375	347	319	313	318	313	284
3	0.98	419	409	415	400	411	428	406	361	327	367	340	312	306	311	300
4	0.97	387	422	414	406	382	410	425	419	359	317	356	330	302	297	300
5	1.00	393	382	435	405	408	377	411	423	410	359	317	356	330	302	299
Sub-total K-5		2419	2390	2450	2390	2315	2241	2286	2188	2100	1986	1927	1907	1823	1756	1714
6	1.02	459	401	397	422	413	413	399	430	437	419	367	324	364	337	300
7	1.01	403	452	399	390	400	402	413	417	430	443	425	372	328	369	344
8	0.97	418	389	448	398	397	412	419	421	417	416	429	411	360	317	351
Sub-total 6-8		1280	1242	1244	1210	1210	1227	1231	1268	1284	1278	1221	1107	1052	1023	1000
9	1.03	406	407	394	438	413	410	432	426	425	431	430	443	425	372	322
10	0.97	452	380	398	393	428	413	401	434	427	413	419	418	430	413	366
11	0.98	393	432	383	395	388	416	408	399	410	417	403	409	408	420	400
12	1.04	383	359	415	364	386	389	416	408	402	426	433	419	425	424	430
Sub-total 9-12		1634	1578	1590	1590	1615	1628	1657	1667	1664	1687	1685	1689	1688	1629	1522
Special Ed.	1.00	117	142	157	139	175	194	176	156	161	138	161	138	161	138	161
Total K-12		5450	5352	5441	5329	5315	5290	5350	5279	5209	5089	4994	4841	4724	4546	4411
	Increase	34	(98)	89	(112)	(14)	(25)	60	(71)	(70)	(120)	(95)	(153)	(116)	(179)	(131)

Updated 11/7/19

Quakertown Community SD							
Comparison of Taxing Scenarios							
February 26, 2020 Finance Committee Meeting							
	Previously Discussed Taxing Scenarios			Other Scenarios			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
	3% Tax Increase	1.5% Tax Increase	0% Tax Increase	0.5% Tax Increase	1% Tax Increase	2% Tax Increase	2.5% Tax Increase
June 30, 2020 Projected Fund Balance*	\$ 24,215,174	\$ 24,215,174	\$ 24,215,174	\$ 24,215,174	\$ 24,215,174	\$ 24,215,174	\$ 24,215,174
Local Revenues	86,656,241	85,619,257	84,582,273	84,927,934	85,273,596	85,964,918	86,310,580
State Revenues	28,288,657	28,288,657	28,288,657	28,288,657	28,288,657	28,288,657	28,288,657
Federal and Other Sources	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000	1,690,000
Total Revenues	116,634,898	115,597,914	114,560,930	114,906,591	115,252,253	115,943,575	116,289,237
Total Expenditures	119,475,450	119,475,450	119,475,450	119,475,450	119,475,450	119,475,450	119,475,450
Operating Balance	(2,840,552)	(3,877,536)	(4,914,520)	(4,568,859)	(4,223,197)	(3,531,875)	(3,186,213)
Capital Expenditures (\$400,000 R.R. + \$1,977,041 sale of buildings)	2,377,041	2,377,041	2,377,041	2,377,041	2,377,041	2,377,041	2,377,041
Net Operating Balance 	(463,511)	(1,500,495)	(2,537,479)	(2,191,818)	(1,846,156)	(1,154,834)	(809,172)
June 30, 2021 Projected Fund Balance*	\$ 21,374,622	\$ 20,337,638	\$ 19,300,654	\$ 19,646,315	\$ 19,991,977	\$ 20,683,299	\$ 21,028,961
June 30, 2021 Fund Balance, net of Projects carried over from 19/20	\$ 20,992,422	\$ 19,955,438	\$ 18,918,454	\$ 19,264,115	\$ 19,609,777	\$ 20,301,099	\$ 20,646,761
*382,200 of capital projects are projected to be carried over to 20/21, supplementing the 20/21 budget, to be expensed in 2020/21 fiscal year.							



# 2020/21 FINANCING OF THE BUDGET AT 1.5% TAX INCREASE

- Estimated 2020/21 revenues without a tax increase is \$114,560,930.
- Total revenues at a 1.5% tax increase is \$115,597,914.
- Total projected expenditures for 2020/21 is \$119,475,450.
- Total Shortfall (deficit) at this point is \$3,877,536 which is funded by use of fund balance. This includes however \$2.37 million in one time expenditures (use of school sale proceeds and RR Drive).
- Operational deficit is \$1,500,495


<b>Quakertown Community School District</b>	
<b>2020-21 Preliminary Budget</b>	
<b>Analysis of Fund Balance Surplus/Shortfall</b>	
<b>Assuming 1.5% increase in Millage Rate in 2020-21</b>	
	<b>Preliminary 2020-21</b>
Revenues	115,597,914
Expenditures-Operations	117,098,409
<b>Revenues Less Expenses</b>	<b>(1,500,495)</b>
<b>One-time items (revenues and expenditures)</b>	
Capital Purchases (RR and sale of school proceeds)	(2,377,041)
	(2,377,041)
<b>Net Operating Balance</b>	<b>(3,877,536)</b>
<b>Fund Balance Summary:</b>	
Unassigned Fund Balance - beginning balance	11,946,475
Committed Fund Balance - beginning balance	12,268,699
Net Operating Balance including one-time items	(3,877,536)
Prior Period Adjustment	-
<b>Total Ending Fund Balance and Budgetary Reserve</b>	<b>20,337,638</b>
Unassigned Fund Balance	10,445,980
Committed Fund Balance - PSERS	-
Committed Fund Balance - Capital	9,891,658
<b>Total Ending Fund Balance and Budgetary Reserve</b>	<b>20,337,638</b>
<i>Unassigned Fund Balance as a % of Expenditures</i>	<i>8.74%</i>

# IMPACT OF TAX INCREASE (1.5% Increase)

Impact of a 1.5% tax increase on QCSD Millage:

- Current Millage Rate – 168.83
- New Millage Rate – 171.36
- Average assessed value of a QCSD homestead/farmstead = 23,857
- Tax Increase on Average Homestead/Farmstead = \$60.41
- Note – Due to the Homestead/Farmstead reduction, some tax bills may see a slightly different % increase.

# FIVE-YEAR PROJECTION AT 1.5% TAX INCREASE

<b>Quakertown Community School Dist</b> <i>Concise Summary Report</i>		Assumption: 1.5% annual increase in real estate tax millage rate for fiscal years 2020/21 and 2.60% for 2021/22 through 2024/25.					
Home	Reports	(Projected) 2020	(Projected) 2021	(Projected) 2022	(Projected) 2023	(Projected) 2024	(Projected) 2025
<b>REVENUES</b>							
Real Estate Taxes	68,006,083	68,872,794	70,789,392	72,862,695	74,995,097	77,188,282	
Act 511 Taxes	11,958,687	12,454,125	12,815,556	13,187,586	13,570,528	13,964,704	
Other Local Revenue	4,846,697	4,292,338	4,372,335	4,459,031	4,539,962	4,630,761	
Basic Instructional and Operating Subsidies	10,678,586	10,823,054	10,931,285	11,040,597	11,151,003	11,262,513	
Revenue for Specific Educational Programs	3,268,592	3,305,131	3,341,157	3,377,603	3,414,475	3,451,776	
Other State Revenue	13,538,239	14,160,472	14,684,244	15,200,762	15,641,717	15,901,638	
Federal Revenue	680,093	680,000	693,600	707,472	721,621	736,054	
Other Financing Sources	872,020	1,010,000	1,030,000	1,050,400	1,071,208	1,092,432	
<b>TOTAL REVENUES</b>	<b>113,848,997</b>	<b>115,597,914</b>	<b>118,657,568</b>	<b>121,886,147</b>	<b>125,105,611</b>	<b>128,228,162</b>	
<b>EXPENDITURES</b>							
Salaries and Benefits	68,682,624	72,739,472	75,331,722	78,001,663	80,683,932	83,242,728	
Operating Expenses	31,484,182	34,307,228	34,593,373	35,251,453	35,923,946	36,611,180	
Debt Service & Transfers	12,109,622	12,428,750	12,046,576	12,100,632	12,112,818	12,103,831	
<b>TOTAL EXPENDITURES</b>	<b>112,276,428</b>	<b>119,475,450</b>	<b>121,971,671</b>	<b>125,353,748</b>	<b>128,720,697</b>	<b>131,957,740</b>	
<b>NET OPERATING BALANCE</b>	<b>1,572,569</b>	<b>(3,877,536)</b>	<b>(3,314,103)</b>	<b>(3,467,601)</b>	<b>(3,615,086)</b>	<b>(3,729,578)</b>	
<b>FUND BALANCE (BEGINNING OF THE YEAR)</b>	<b>22,642,607</b>	<b>24,215,176</b>	<b>20,337,640</b>	<b>17,023,537</b>	<b>13,555,936</b>	<b>9,940,850</b>	
<b>ADJUSTMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>FUND BALANCE (END OF THE YEAR)</b>	<b>24,215,176</b>	<b>20,337,640</b>	<b>17,023,537</b>	<b>13,555,936</b>	<b>9,940,850</b>	<b>6,211,272</b>	

# FUTURE UNKNOWN VARIABLES

- Redistricting Recommendations and Disposition of Quakertown Elementary School
- 2021/22 Contractual Negotiations with QCEA (Teachers Union)
- 2020/2021 Contractual Negotiations with QESPA (Support Staff Union)
- School Start Time Committee/Transportation System (tier system)
- Capital Needs for Baseball Field
- Qualifying for Adjusted Act I Index
- Future Economic Conditions



# BUDGET CALENDAR

- January 23, 2020 – Preliminary Budget Presentation – Finance Committee
- February 26, 2020 - Update on Preliminary Budget - Finance Committee
- February 26, 2020 – Preliminary Budget Presentation – Regular Board Meeting
- March 26, 2020 – Update on Preliminary Budget – Finance Committee
- April 23, 2020 – Presentation of and Board vote adopting the proposed final budget
- May 28, 2020 – Update on Proposed Final Budget – Finance Committee
- June 11, 2020 – Board vote to adopt final 2020/21 Budget
- June 30, 2020 – Deadline for tax collectors to send tax bills



# QUESTIONS/Board Guidance Moving Forward

