



Approval of the budget is one of the most important policy decisions that a School Board makes.

Tonight, you will receive a presentation on the 2019-20 preliminary budget. Unlike last year, the Board will not be taking any formal action on the preliminary budget, due to opting out of Act I exceptions.

The Administration will be providing monthly Finance Committee updates on how the budget is evolving as new information becomes available.

We ask that as you review the information in the presentation including the detailed attachments, that you send questions, concerns, input, etc. in the next few weeks. The Administration will take all input and address it at the following Finance Committee meeting in detail.

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

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Topics to be covered

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
- 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

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Quakertown develops the preliminary budget through site based budgeting. Each department/building is provided their budget information from the prior year, asked to project expenditures for the current year, and build their budget for next year. The Business department fills in the gaps and is solely responsible for developing the revenue budget.

The information is then compiled in the business office and reviewed by the Superintendent and his Cabinet. Most of the budget requests are included in the preliminary budget due to the level of unknowns. As the District progresses through the budget cycle, and additional information becomes available, some items may be cut or added. These items are reviewed on a monthly basis with the Cabinet team and the School Board Finance Committee.

Building a preliminary budget is difficult. Due to the timing requirements, the preliminary budget is developed without knowing what the state revenue will be, what the final healthcare costs will be, tax assessment levels, number of retirements, and more.

The Administration uses prior year data to project both revenues and expenditures for the following year.

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 .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 1 Index | 2.30% |
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|--------------------|-------|
| QCSD's Act 1 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 community's wealth (market value/personal income ratio).
QCSD = .422, Council Rock = .350, Bristol Borough = .600

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Information on this slide is intended to better educate the public on how their tax bill is calculated based on State requirements.

2019/20 PRELIMINARY BUDGET WHAT IS IT?

- 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.

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Although the Board will not be taking any action, and a preliminary budget is not required, the District feels it is best practice to develop and present one. It is also important to keep the public up to date on how the District's finances are developing and projecting out into the future.

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

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As stated earlier, the Board will be receiving detailed monthly updates on the development of the budget. Updates will include the 2019/20 budget and also the projected budgets for the next 5 years.

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)

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2018/19 is the first year that a full capital projects budget was funded, at \$1million. Best practice is to fund capital projects at approximately 1% of total district budget.

Continuing to fund capital projects is an initiative of the Board to proactively address building needs. Being proactive will reduce long term costs by taking care of our building needs annually.

The Renovation/addition project for NES is continuing to move forward on timeline. The Board will receive a presentation in February from PFM the District's financial advisor on the second round of borrowing (issuing bonds) to pay for the project.

Another priority is to increase staffing levels. We will dive deeper into those requests in an upcoming slide.

Safety and security is also a priority moving forward. We have set aside \$30k (in addition to any grant monies we may

receive) to fund security initiatives. This may include hiring a consultant to do a district wide security assessment.

The administration has also reallocated in the 19/20 budget money for a safety and security officer. This is still a work in progress and will be explored further in the next few months. The money allocated is converting an unfilled administrative position to a safety and security role.

PRIMARY COST DRIVERS – BUDGET TO BUDGET

- 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

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The largest increase from the 2018-19 budget to the 2019-20 budget is staff salaries. The proposed new positions are accounted for in this line item. Also accounted for is the three teacher retirements that the District is already aware of. As staff retire, this line item will continue to be adjusted.

Benefit increases is the second largest line item increase. Benefits include medical, prescription, dental, PSERS, Social Security, etc. The increase is largely due to a high first look (cost estimate) for medical and prescription and the increase in PSERS contribution. The PSERS increase is largely due to the increase to the salary line item and less so for the actual increase to the PSERS rate (33.43% in 18/19 and 34.29% in 19/20).

IU special education services and other professional services are still being developed. The IU services is primarily the cost of the autistic support program run by the BCIU. Quakertown pays a “tuition” to the BCIU for each student placed in this program. A detailed attachment is provided for 2018-19 rates.

| 2019/20 NEW POSITIONS (COSTS INCLUDE SALARY AND BENEFITS) | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <ul style="list-style-type: none"> • <u>Additional Teaching Positions:</u> <ul style="list-style-type: none"> • 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 • <u>Instructional Aide Positions:</u> <ul style="list-style-type: none"> • 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 | |

The Administration is proposing adding 5 teacher positions and 5 aide positions into the budget for next year. The figures outlined above are fully loaded figures, meaning they include salaries and benefits.

The majority of the positions are to support both special education and the Academy, which is a program the district started last school year.

There are two teaching positions being proposed to meet program needs. The Mandarin teacher would be placed at the Middle School level while the current Mandarin teacher would be placed at the secondary level. This position is needed in order to continue growing the program as it is not possible for the current teacher to do grades 7-12.

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.

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The technology department has submitted a request to add another tech associate to meet the needs of the growing 1:1 device needs.

The Superintendent is also requesting a conversion of two teacher on special assignment positions (TOSA) to administrative positions. This does not require adding staffing, however, it does require adding to the salaries as the positions convert from 187 days per year to 260 days per year.

DISTRICT FTE STAFFING HISTORY 6 YEAR CHANGE

| | 2014-15 | | | 2015-16 | | | 2016-17 Actual | | | 2017-18 Actual | | | 2018-19 Actual | | | 2019-2020 Budget | | |
|-----------------------------------|-----------|-----------|--------|-----------|-----------|--------|----------------|-----------|---------|----------------|-----------|---------|----------------|-----------|---------|------------------|-----------|--------|
| | Full Time | Part Time | FTE | Full Time | Part Time | FTE | Full Time | Part Time | FTE | Full Time | Part Time | FTE | Full Time | Part Time | FTE | Full Time | Part Time | FTE |
| District Employees | | | | | | | | | | | | | | | | | | |
| Administrators | 25.00 | - | 25.00 | 26.00 | - | 26.00 | 26.00 | - | 26.00 | 23.00 | - | 23.00 | 24.00 | - | 24.00 | 26.00 | - | 26.00 |
| Census | | | | | | | | | | | | | | | | | | |
| Aides | 110.00 | 53.90 | - | 118.00 | 57.19 | - | 119.00 | 56.86 | - | 123.00 | 57.97 | - | 129.00 | 61.24 | - | 134.00 | 63.65 | - |
| Food Service Workers | 34.00 | 14.06 | - | 33.00 | 12.85 | - | 35.00 | 13.94 | - | 35.00 | 13.89 | - | 31.00 | 12.60 | - | 32.00 | 12.91 | - |
| Nursing Assistants | 8.00 | 6.58 | - | 8.00 | 5.68 | - | 8.00 | 7.40 | - | 8.00 | 7.40 | - | 8.00 | 7.40 | - | 8.00 | 7.40 | - |
| Maintenance/Custodians | 24.00 | 1.00 | 24.63 | 23.00 | 1.00 | 23.63 | 25.00 | 1.00 | 25.63 | 24.00 | 1.00 | 24.63 | 21.00 | 1.00 | 21.63 | 21.00 | 1.00 | 21.63 |
| Secretaries | 25.00 | 11.00 | 30.38 | 23.00 | 14.00 | 30.65 | 27.00 | 11.00 | 33.25 | 26.00 | 12.00 | 33.00 | 22.00 | 13.00 | 31.92 | 22.00 | 13.00 | 29.77 |
| Other Support Staff | 21.00 | - | 19.22 | 18.00 | - | 16.91 | 16.00 | - | 15.08 | 15.00 | - | 14.20 | 17.00 | - | 16.58 | 18.00 | - | 17.58 |
| Counselors | 13.00 | 5.00 | 16.40 | 17.00 | - | 17.00 | 17.00 | - | 17.00 | 17.00 | - | 17.00 | 17.00 | - | 17.00 | 17.00 | - | 17.00 |
| Librarians | 8.00 | 1.00 | 8.50 | 6.00 | 1.00 | 6.40 | 6.00 | - | 6.17 | 6.00 | - | 6.00 | 5.00 | - | 5.00 | 4.00 | - | 4.00 |
| Psychologists | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 |
| Instructional Support/Inst. Coach | 8.00 | - | 8.00 | 8.00 | - | 8.00 | 8.00 | - | 8.00 | 7.00 | - | 7.50 | 8.50 | - | 8.50 | 8.50 | - | 8.50 |
| Reading Specialists | 10.00 | 1.00 | 10.00 | 10.00 | - | 10.00 | 9.00 | - | 9.50 | 9.50 | - | 9.50 | 7.50 | - | 7.50 | 7.50 | - | 7.50 |
| Safe School Officer | - | 1.00 | 0.71 | - | 1.00 | 0.71 | - | - | - | - | - | - | - | - | - | - | - | - |
| School Nurses | 4.00 | - | 4.00 | 4.00 | - | 4.00 | 4.00 | - | 4.00 | 4.00 | - | 4.00 | 4.00 | - | 4.00 | 4.00 | - | 4.00 |
| Social Worker/BA | - | 1.00 | 0.80 | 1.00 | - | 1.00 | 1.00 | - | 1.00 | 2.00 | - | 2.00 | 2.00 | - | 2.00 | 3.00 | - | 3.00 |
| Speech Therapist | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 | 3.00 | - | 3.00 |
| TOSA | 5.00 | - | 5.00 | 7.00 | - | 7.00 | 6.00 | - | 6.00 | 7.00 | - | 7.00 | 7.00 | - | 7.00 | 5.00 | - | 5.00 |
| Teachers | 301.00 | 11.00 | 311.88 | 299.00 | 7.00 | 307.73 | 306.00 | 6.00 | 309.64 | 295.50 | 6.00 | 297.64 | 286.00 | 4.00 | 288.45 | 292.00 | 4.00 | 294.45 |
| 3 Year Staffing (FTEs Held) | - | - | 3.35 | - | - | 5.80 | - | - | 5.52 | - | - | - | - | - | - | - | - | - |
| Total | 450.00 | 184.00 | 547.41 | 448.00 | 183.00 | 546.55 | 457.00 | 180.00 | 551.09 | 442.00 | 185.00 | 530.73 | 427.00 | 186.00 | 520.82 | 434.00 | 192.00 | 528.39 |
| FT | PT | FTE | FT | PT | FTE | FT | PT | FTE | FT | PT | FTE | FT | PT | FTE | FT | PT | FTE | |
| Year to Year Change | | | (2.00) | (1.00) | (0.86) | 9.00 | (3.00) | 4.54 | (13.00) | 5.00 | (20.36) | (13.00) | 1.00 | (9.91) | 7.00 | 6.00 | 7.57 | |
| Cumulative Change | | | (2.00) | (1.00) | (0.86) | 7.00 | (4.00) | 3.67 | (8.00) | 1.00 | (16.68) | (23.00) | 2.00 | (26.59) | (16.00) | 8.00 | (19.02) | |

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Since 2014/15, the district staffing levels have reduced by 10 FTE's (full time equivalency).

This reduction is true only if the new positions for 2019/20 are approved.

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%

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The District is comprised of two unions and two meet and discuss groups. All groups have contractual agreements that dictate their annual salary increase.

The teacher salary increase is a bit more complicated since it is based on a column and row structure (steps and educational levels). The base schedule is increasing 0.75% for teachers however, after factoring in step movement and column movement for staffing changing education levels, the average increase is 2.9%.

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.

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The District received the first cost estimate from the Bucks and Montgomery County Healthcare consortium for medical and prescription healthcare coverage. Although we had a modest increase in medical, the prescription drug coverage increased over 22%. This is due to a few reasons, one the national market for prescription drugs is increases, and two, the number of staff taking prescription drugs including specialty drugs.

The district is self insured meaning we pay the claims not premiums. Premiums are set each year for budgeting purposes only. For example, if an employee has a surgery that costs \$50,000, the district acts as the insurance carrier and pays the \$50,000. If we have a lot of claims in a year, the budget for next year will reflect that like any other insurance carrier. Example, you get in a car accident, you insurance carrier raises your rate the following year.

PROJECTED ENROLLMENT AND BUDGET IMPACT

- Although enrollment is projected to continue declining, the administration does not recommend reducing staff.

| Grades 1 - 12 Enrollments Based on Grade Progression Ratios (Most Recent Year) | | | | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Kindergarten Enrollments Based on Actual Live Birth Data for Past 5 Years | | | | | | | | | | | | | | | | |
| (2017 Live Birth Data is Preliminary) | | | | | | | | | | | | | | | | |
| Grades | Progression Ratios | 2006-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| K | | 388 | 373 | 363 | 374 | 349 | 305 | 269 | 365 | 287 | 289 | 298 | 304 | 299 | 274 | 274 |
| 1 | 1.18 | 438 | 424 | 409 | 405 | 420 | 396 | 358 | 318 | 381 | 340 | 342 | 354 | 360 | 354 | 325 |
| 2 | 0.98 | 430 | 423 | 405 | 407 | 410 | 413 | 399 | 360 | 317 | 375 | 335 | 337 | 348 | 354 | 348 |
| 3 | 1.03 | 390 | 419 | 409 | 415 | 400 | 411 | 428 | 406 | 361 | 327 | 387 | 346 | 348 | 359 | 368 |
| 4 | 0.99 | 391 | 387 | 422 | 414 | 406 | 382 | 410 | 425 | 419 | 399 | 325 | 385 | 344 | 346 | 357 |
| 5 | 0.98 | 430 | 393 | 382 | 435 | 405 | 408 | 377 | 411 | 423 | 410 | 351 | 318 | 377 | 337 | 339 |
| Sub-total K-5 | | 2467 | 2419 | 2390 | 2450 | 2390 | 2315 | 2241 | 2286 | 2188 | 2180 | 2088 | 2044 | 2076 | 2024 | 2008 |
| 6 | 1.03 | 399 | 459 | 401 | 397 | 422 | 413 | 413 | 399 | 430 | 437 | 424 | 363 | 329 | 389 | 348 |
| 7 | 1.00 | 407 | 403 | 452 | 399 | 390 | 400 | 402 | 413 | 417 | 430 | 437 | 424 | 363 | 329 | 388 |
| 8 | 1.00 | 399 | 418 | 389 | 448 | 398 | 397 | 412 | 419 | 421 | 417 | 430 | 437 | 424 | 363 | 329 |
| Sub-total 6-8 | | 1205 | 1280 | 1242 | 1244 | 1210 | 1210 | 1227 | 1231 | 1268 | 1284 | 1291 | 1224 | 1116 | 1081 | 1066 |
| 9 | 1.01 | 470 | 406 | 407 | 394 | 438 | 413 | 410 | 432 | 426 | 425 | 421 | 434 | 441 | 428 | 366 |
| 10 | 1.00 | 403 | 452 | 380 | 398 | 393 | 428 | 413 | 401 | 434 | 427 | 426 | 422 | 435 | 442 | 429 |
| 11 | 0.94 | 399 | 393 | 432 | 383 | 395 | 388 | 416 | 408 | 399 | 410 | 403 | 402 | 399 | 411 | 418 |
| 12 | 1.01 | 373 | 383 | 359 | 415 | 364 | 386 | 389 | 416 | 408 | 402 | 413 | 406 | 405 | 402 | 414 |
| Sub-total 9-12 | | 1645 | 1634 | 1578 | 1590 | 1590 | 1615 | 1628 | 1657 | 1667 | 1664 | 1663 | 1664 | 1680 | 1683 | 1627 |
| Special Ed. | 1.00 | 104 | 117 | 142 | 157 | 139 | 175 | 194 | 176 | 156 | 161 | 161 | 161 | 161 | 161 | 161 |
| Total K-12 | | 5421 | 5450 | 5152 | 5441 | 5329 | 5315 | 5290 | 5350 | 5279 | 5289 | 5145 | 5093 | 5013 | 4949 | 4862 |
| Increase | | -32 | 29 | (98) | 89 | (112) | (14) | (25) | 60 | (71) | (70) | (10) | (61) | (59) | (84) | (87) |

Updated 9/28/24 based on 10th day numbers

Updated 9/29/18 based on 10th day numbers

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Enrollment is projected to continue declining, specifically at the elementary level. This is due in large part because the live birth rates are declining each year. Although there are some new developments going up in the district (which have been factored in) enrollment trend is going down.

Although enrollment is expected to decline, the administration does not recommend reducing staff. Staff will be reallocated to meet the overall staffing needs of the district.

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.

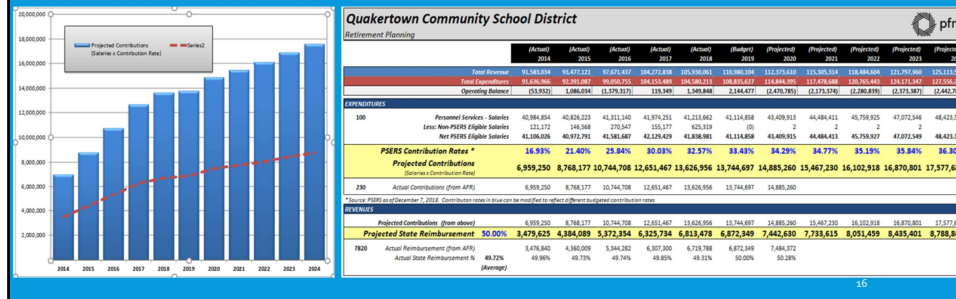
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State Legislators have enacted a new pension system starting July 1, 2019 for anyone new to the profession. Although the new model will be more of a defined contribution plan (401k style) there is no immediate financial relief for districts. For the new hires entered into the 401k style plan, the District will still be required to contribute to the old pension plan to fund the unfunded liability.

Eventually the new pension plan will reduce district costs but not until sometime in the 2030s.

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



Visual to highlight the upward trend for PSERS.

Although the District pays 34.29% of staff salaries to PSERS, the state gives half of that back in subsidy. The subsidy portion is reflected in the revenue projections.

EXPENDITURES BY OBJECT

| QUAKERTOWN COMMUNITY SCHOOL DISTRICT | | | | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------------------------|------------------------------|
| EXPENDITURES BY DETAILED OBJECT | | | | | | | | | | | |
| | 2016-17 | 2017-18 | 2017-18 | 2018-19 | 2018-19 | 2018-19 | 2018-19 | 2018-19 | 2019-20 | | |
| Obj | Description | Actual | Budget | Actual | Original Budget | Amended Budget* | Projected | 18/19 Variance | Preliminary | 19/20 Budget to 18/19 Projection | 19/20 Budget to 18/19 Budget |
| Total | 100 Salaries | 41,974,251.00 | 43,302,379.00 | 41,213,661.87 | 42,912,743.00 | 42,912,743.00 | 41,114,858.00 | (897,885.00) | 43,409,914.00 | 2,295,056.00 | 5.58% |
| Total | 200 Benefits | 23,966,485.00 | 26,171,711.64 | 25,378,406.00 | 26,493,523.00 | 26,493,523.00 | 26,287,060.35 | (206,462.65) | 28,125,551.06 | 1,838,490.71 | 6.99% |
| Total | 300 Professional Services | 7,900,367.00 | 8,070,668.00 | 8,259,378.00 | 8,756,467.00 | 8,756,467.00 | 9,109,701.00 | 353,234.00 | 9,494,474.00 | 384,773.00 | 4.22% |
| Total | 400 Purchased Property Servs | 2,308,000.00 | 2,229,786.00 | 1,637,595.00 | 3,297,112.00 | 3,762,379.00 | 2,850,887.00 | (891,492.00) | 3,147,656.00 | 296,769.00 | 10.41% |
| Total | 500 Other Purchases Services | 12,351,805.28 | 12,820,343.00 | 12,995,126.00 | 13,025,861.00 | 13,025,861.00 | 12,617,712.00 | (408,149.00) | 13,232,564.00 | 614,792.00 | 4.69% |
| Total | 600 Supplies | 3,438,295.00 | 4,461,042.00 | 3,960,148.00 | 4,054,741.00 | 4,169,684.00 | 4,198,381.00 | 28,697.00 | 4,306,229.00 | 107,848.00 | 2.57% |
| Total | 700 Equipment | 1,460,219.00 | 448,650.00 | 823,415.00 | 391,580.00 | 488,764.00 | 975,026.00 | 486,262.00 | 1,190,787.00 | 175,741.00 | 18.02% |
| Total | 800 Other Objects | 4,102,018.48 | 4,816,997.48 | 4,186,555.00 | 4,375,365.00 | 4,375,365.00 | 4,308,872.00 | (66,493.00) | 4,384,300.00 | (24,572.00) | -0.57% |
| Total | 900 Other Financing Uses | 6,752,055.00 | 7,106,549.00 | 7,115,928.00 | 7,358,549.00 | 7,358,549.00 | 7,373,130.00 | 14,581.00 | 7,693,000.00 | 319,870.00 | 4.34% |
| Total | All Objects | 104,153,495.76 | 109,226,956.12 | 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% |
| | | | | | | | | | | 4,461,066.06 | 4.04% |
| *The 2018-19 amended budget includes \$573,551 in purchase orders encumbered as of 6/30/18, but expending during 18/19 (various rendered or goods received after 6/30/18). The amended budget also includes adjustments for grants to be received 10/1/19, but not budgeted in the original budget in the amount of \$81,863. There is a corresponding increase to budgeted revenues. | | | | | | | | | | | |

*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 \$83,843. 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.

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The District has over 9,000 budget codes. This is a summary of each object. A more detailed version is attached for review.

2019/20 FINANCING OF THE BUDGET AT 2.7% TAX 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.

| QUAKERTOWN COMMUNITY SCHOOL DISTRICT 2019-20 FINANCING THE BUDGET Preliminary Proposed Budget (2.7% increase in millage rate) | |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| TOTAL | |
| REVENUES | 110,398,845 |
| New Tax Revenue - Increase in assessment & millage | 1,974,765 |
| TOTAL - Revenues | 112,373,610 |
| EXPENDITURES | 109,174,978 |
| Capital Expenditures | 1,400,000 |
| TOTAL - Expenditures | 114,844,395 |
| Budgetary Reserve | 800,000 |
| (Shortfall) Surplus (Revenue minus Expenditure) | (2,470,785) |

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 $168.83 = \$3,714,260$
 - Divided by 1000 = $\$3,714.26$ (this is your tax bill)

Impact of a 2.7% tax increase on QCSD Millage:

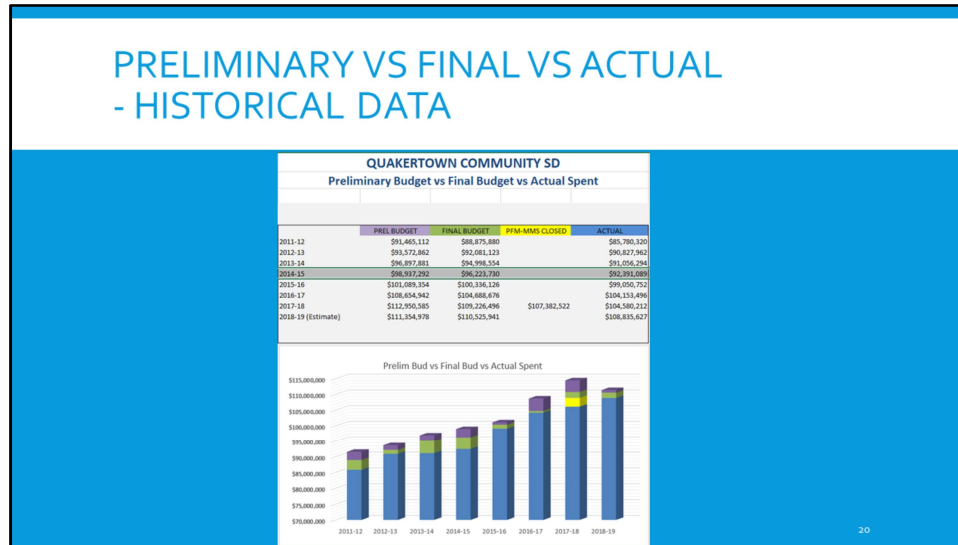
- Current Millage Rate – 164.39
- New Millage Rate – 168.83
- Average assessed value of a QCSD homestead/farmstead = 23,857
- Tax Increase on Average Homestead/Farmstead = \$106
- Note – Due to the Homestead/Farmstead reduction, some tax bills may see a slightly higher increase.

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A tax increase is an increase to the millage rate, not to the tax bill. The example above is intended to highlight how a tax increase impacts tax payers. The formula is provided above as an example for informational purposes.

The average tax bill will increase by \$106 if the Board approves a tax increase of 2.7%.

PRELIMINARY VS FINAL VS ACTUAL - HISTORICAL DATA



This slide highlights the evolution of projected to actual expenditures from the preliminary budget to actually spent. As stated before, with so many unknowns at the time the preliminary budget is developed, it is always the highest figure in the evolution. Actual expenditures typically come in lower primarily due to staff attrition (retirements and resignations after the budget is finalized) and savings from staff on unpaid leave. Good fiscal management rounds out the reason for the reduction.

The gap between preliminary and actual budget is trending smaller which we expect to continue in 2019/20. What this means is that the final budget is being developed with little to not “fat” in it. Projections and assumptions become very important as a budget gets tighter and tighter. A 1% margin of error equates to over a \$1 million swing. If the margin of error is 1% on both revenue and expenditure that can result in a \$2 million swing.

IMPACT ON FUND BALANCE

- 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.

| Quakertown Community School District | | | | | |
|---------------------------------------------------|-------------------|-------------------|-------------------|--------------------|--|
| 2019-20 Preliminary Budget | | | | | |
| Analysis of Fund Balance Surplus/Shortfall | | | | | |
| Assuming 2.7% increase in Millage Rate in 2019-20 | | | | | |
| | Actual | Actual | Projected | Preliminary | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | |
| Revenues | 102,855,177 | 105,930,061 | 108,980,104 | 112,373,610 | |
| Expenditures-Operations | 103,552,966 | 104,291,322 | 107,835,627 | 113,444,395 | |
| Revenues Less Expenses | (697,789) | 1,638,739 | 1,144,477 | (1,070,785) | |
| One-time items (revenues and expenditures) | | | | | |
| Prior Year Placcon receipts | 1,417,662 | | | | |
| Sale of Buildings | | | 2,000,000 | | |
| Capital Purchases | (600,523) | (288,891) | (1,000,000) | (1,400,000) | |
| | 817,139 | (288,891) | 1,000,000 | (1,400,000) | |
| Net Operating Balance | 119,350 | 1,349,848 | 2,144,477 | (2,470,785) | |
| Total Ending Fund Balance | 14,552,847 | 15,902,695 | 18,047,172 | 15,576,387 | |
| Unassigned Fund Balance | 10,897,380 | 13,214,373 | 10,467,736 | 9,396,951 | |
| Committed Fund Balance - PSERS | 1,005,467 | 327,213 | - | - | |
| Committed Fund Balance - Capital | 2,650,000 | 2,361,109 | 7,579,436 | 6,179,436 | |
| Total Ending Fund Balance | 14,552,847 | 15,902,695 | 18,047,172 | 15,576,387 | |
| Unassigned Fund Balance as a % of Expenditures | 10.46% | 12.64% | 9.62% | 8.18% | |

Note: The District commits the portion of fund balance that is in excess of 8% of expenditures at the completion of the annual audit.

Although not finalized, the revenue from the sale of Milford Middle School and Tohickon Valley Elementary School is included and highlighted in red. The **estimated** operational balance for 2018/19 is a surplus of \$144k, money being put back into fund balance. That increases to \$2.144 million with the sale of the schools. Fund balance is projected to be \$18 million at the conclusion of this year.

PFM, the Districts financial advisor will be presenting in February a list of options for how the revenue from the sale of the school can be spent (there are legal restrictions to consider).

The shortfall or deficit for the 2019/20 budget is projected at just under \$2.5 million. This means that projected revenues will not cover projected expenditures. To fund the difference the district must plan to use fund balance.

The shortfall for next year includes \$400k for constructing Ronald Reagan Blvd., which is a decision the District currently has not say in. So, in reality, the operational shortfall is just over \$2 million which is a positive for this point in the budgeting cycle. The Administration expects the projected deficit to come down with a target point of a \$1 million deficit. As stated earlier, we typically spend less than what is budgeted.

UPDATED 5 YEAR BUDGET PROJECTION (PFM MODELING) – 2.7% TAX INCREASE

Quakertown Community School District

Concise Summary Report



| Home | Reports | (Actual) 2014 | (Actual) 2015 | (Actual) 2016 | (Actual) 2017 | (Actual) 2018 | (Projected) 2019 | (Projected) 2020 | (Projected) 2021 | (Projected) 2022 | (Projected) 2023 | (Projected) 2024 |
|---------------------------------------------|---------|-------------------|-------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | | | | | | | | |
| Real Estate Taxes | | 55,614,100 | 56,706,035 | 58,266,636 | 60,485,600 | 62,603,626 | 65,172,482 | 67,112,793 | 69,152,420 | 71,252,255 | 73,414,114 | 75,639,830 |
| Act 511 Taxes | | 9,774,481 | 10,036,898 | 10,605,046 | 11,130,607 | 11,635,475 | 11,771,853 | 12,192,215 | 12,545,166 | 12,908,449 | 13,282,368 | 13,667,239 |
| Other Local Revenue | | 3,840,419 | 3,974,869 | 4,081,091 | 4,107,793 | 3,770,664 | 4,248,357 | 4,387,679 | 4,451,013 | 4,544,133 | 4,635,016 | 4,727,718 |
| Basic Instructional and Operating Subsidies | | 9,203,185 | 9,197,760 | 9,356,455 | 9,981,255 | 10,142,715 | 10,324,129 | 10,514,264 | 10,623,447 | 10,729,681 | 10,836,978 | 10,945,548 |
| Revenue for Specific Educational Programs | | 2,357,853 | 2,651,138 | 2,976,553 | 3,023,095 | 3,069,199 | 3,211,831 | 3,145,831 | 3,180,179 | 3,214,929 | 3,250,085 | 3,285,653 |
| Other State Revenue | | 9,445,282 | 9,855,871 | 10,959,012 | 13,941,065 | 13,547,154 | 13,200,864 | 13,494,164 | 14,141,453 | 14,606,128 | 15,126,489 | 15,570,445 |
| Federal Revenue | | 743,192 | 553,199 | 655,531 | 603,521 | 617,189 | 647,664 | 647,664 | 660,617 | 673,830 | 687,306 | 701,052 |
| Other Financing Sources | | 606,522 | 501,371 | 587,113 | 999,904 | 529,649 | 2,502,974 | 535,000 | 545,000 | 555,200 | 565,604 | 576,216 |
| TOTAL REVENUES | | 91,583,034 | 93,477,121 | 97,671,437 | 104,272,838 | 105,930,861 | 110,980,109 | 112,373,610 | 115,305,514 | 118,404,604 | 121,797,960 | 125,113,580 |
| EXPENDITURES | | | | | | | | | | | | |
| Salaries and Benefits | | 59,594,641 | 60,051,845 | 62,510,380 | 65,940,737 | 66,592,064 | 67,401,928 | 71,535,465 | 73,732,456 | 76,227,088 | 78,923,419 | 81,631,321 |
| Operating Expenses | | 23,952,647 | 24,475,626 | 27,488,306 | 27,534,102 | 27,510,005 | 29,935,162 | 31,515,401 | 31,742,721 | 32,381,386 | 33,034,024 | 33,700,955 |
| Debt Service & Transfers | | 8,089,678 | 7,863,516 | 9,052,189 | 10,678,651 | 10,478,140 | 11,498,547 | 11,785,529 | 12,003,511 | 12,158,969 | 12,213,904 | 12,224,013 |
| TOTAL EXPENDITURES | | 91,636,966 | 92,391,087 | 99,050,755 | 104,153,489 | 104,580,215 | 108,835,637 | 114,844,395 | 117,478,688 | 120,765,443 | 124,171,347 | 127,556,289 |
| NET OPERATING BALANCE | | (53,932) | 1,086,034 | (1,379,317) | 119,349 | 1,349,646 | 2,144,472 | (2,470,785) | (2,173,174) | (2,360,839) | (2,373,387) | (2,442,785) |
| FUND BALANCE (BEGINNING OF THE YEAR) | | 13,606,896 | 15,488,166 | 15,812,815 | 14,433,498 | 14,552,847 | 15,902,695 | 18,047,172 | 15,576,387 | 13,403,013 | 11,122,175 | 8,748,787 |
| ADJUSTMENTS | | 1,935,202 | (761,385) | - | - | - | - | - | - | - | - | - |
| FUND BALANCE (END OF THE YEAR) | | 15,488,166 | 15,812,815 | 14,433,498 | 14,552,847 | 15,902,695 | 18,047,172 | 15,576,387 | 13,403,013 | 11,122,175 | 8,748,787 | 6,306,002 |

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This slide highlights the impact of the 2019/20 preliminary budget on the 5 year projection. The deficit for each of the next 5 years is projected to be in the low \$2 million range. However, that is expected to be closer to \$1 million as we continue through the budget cycle.

5 YEAR DEFICIT CHANGE – 18/19 VS 19/20

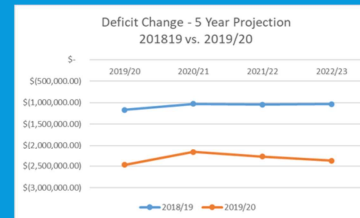
The 5 year projection last year indicated an annual operating deficit of just over \$1 million

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

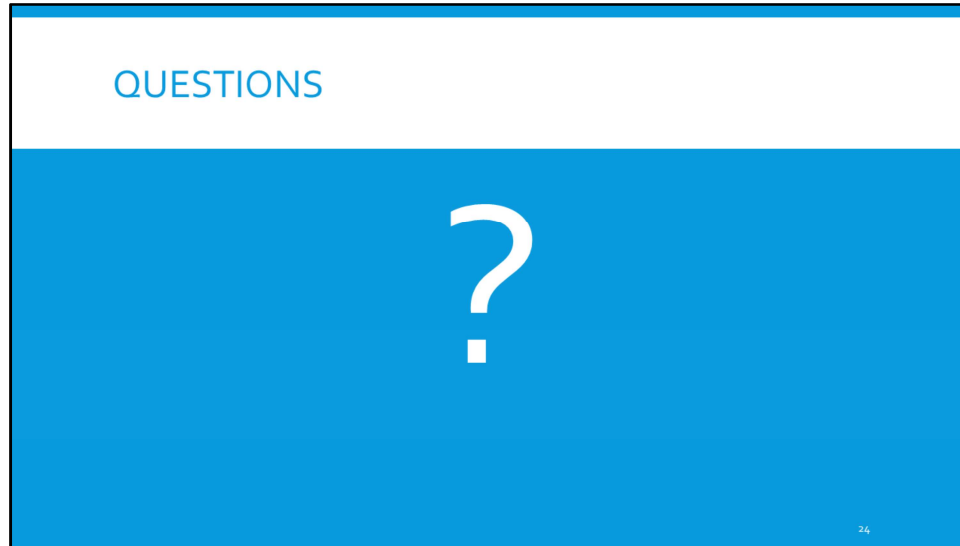
Why?

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.
4. Comparing 2019/20 preliminary to 2018/19 final.

| 2018/19 vs. 2019/20 - 5 Year Projection (Deficit) | | | | | |
|---------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| 2018/19 | \$ (1,169,148.00) | \$ (1,030,742.00) | \$ (1,043,590.00) | \$ (1,034,117.00) | |
| 2019/20 | \$ (2,470,785.00) | \$ (2,173,374.00) | \$ (2,280,839.00) | \$ (2,373,387.00) | \$ 2,442,785.00 |
| Change | \$ (1,301,637.00) | \$ (1,142,632.00) | \$ (1,237,249.00) | \$ (1,339,270.00) | |



The long range projection last year indicated an annual deficit of \$1 million. However, the new projection indicates double that. This is due in large part to the new staffing recommendations, a lower Act I index, high first look medical costs, and finally, it is comparing apples to oranges. Comparing a preliminary budget to a final budget is not appropriate for long range planning. We know the preliminary budget is almost always higher than the final budget which means the long range projection is going to be inflated.



We ask that any questions you have regarding detail or things that need clarification be emailed to Zach Schoch, zschoch@qcsd.org so that it can be addressed in the next months Finance Committee meeting.