



# **Finance Meeting QCSD Budget 101**

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Lynn Routson, Finance Director**

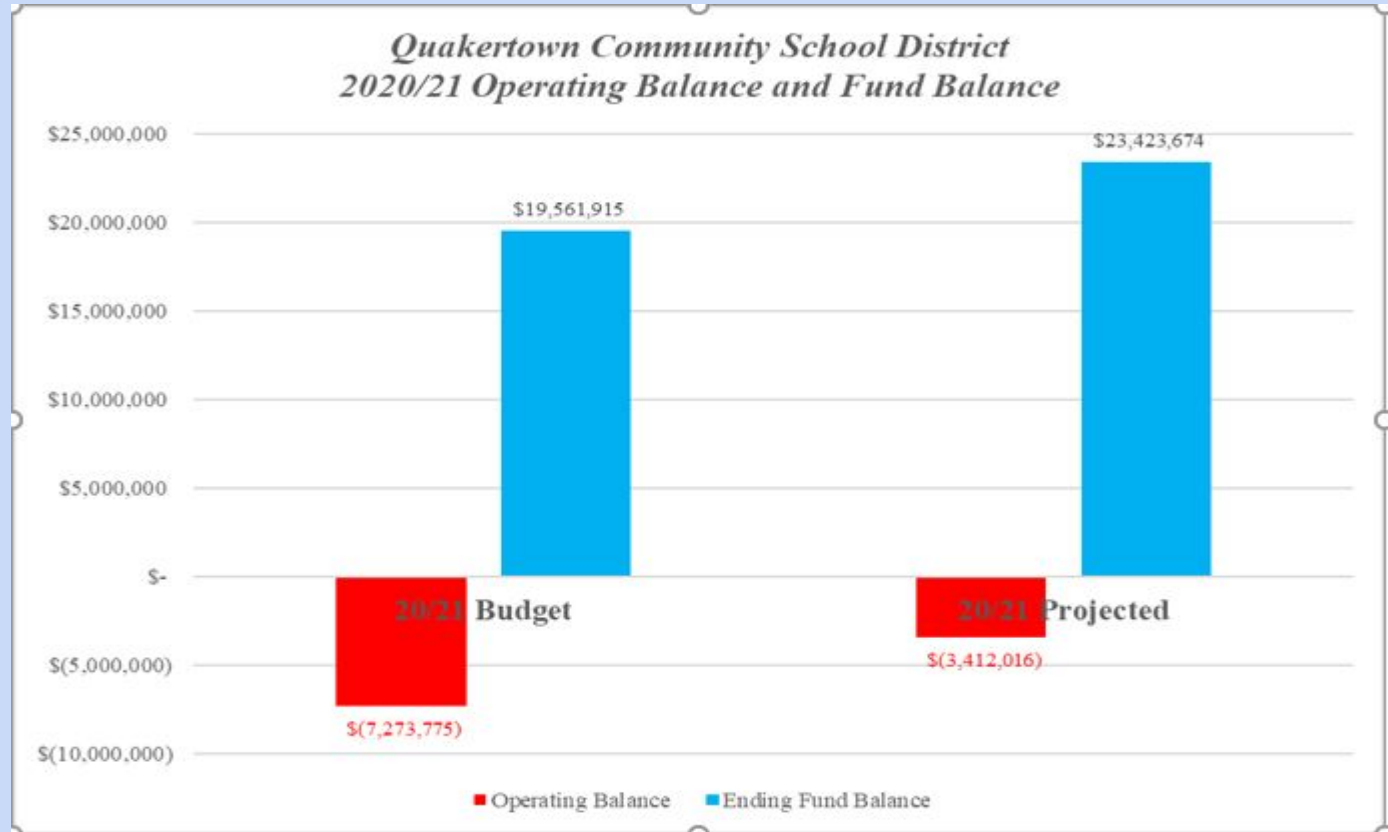
**April 21, 2021**

# Agenda

1. 2021/2022 Budget Updates
2. Budget Timeline
3. Expense Pie Chart - Required, Mandated, Discretionary
4. Cost Driver Trends
5. 2021/2022 Cost Drivers
6. Budget vs Actual Analysis
7. Future Cost Drivers - Short to Long Range Planning
8. Scenarios for Future

# Current Status of 2020/2021 Budget

- Started the year with a \$7.2 million deficit
- Currently Projecting \$3.4 million deficit
- Closed the gap by \$3.8 million (and counting)
- Reminder: \$2 million of the deficit was created by using sale of schools proceeds
- Operational Deficit is \$1.4 million



# Current Status of 2020/2021 Budget

	Scenario 1 3.5% Tax Increase	Scenario 2 1.75% Tax Increase	Scenario 3 0% Tax Increase
June 30, 2021 Projected Fund Balance	\$ 23,423,675	\$ 23,423,675	\$ 23,423,675
Local Revenues	86,098,757	84,871,824	83,644,890
State Revenues	28,063,948	28,063,948	28,063,948
Federal and Other Sources	2,049,000	2,049,000	2,049,000
Total Revenues	116,211,705	114,984,772	113,757,838
Total Expenditures	118,176,595	118,176,595	118,176,595
Operating Balance	(1,964,890)	(3,191,823)	(4,418,757)
Capital Expenditures	1,000,000	1,000,000	1,000,000
Net Operating Balance	(964,890)	(2,191,823)	(3,418,757)
June 30, 2022 Projected Fund Balance	\$ 21,458,785	\$ 20,231,852	\$ 19,004,918

# Timeline - 2021/2022

**April 21, 2021** – Special Finance Committee meeting

**May 6, 2021** – Monthly budget updates are provided to the Finance Committee

**May 13, 2021** – Board of School Directors votes on Proposed Final Budget

**June 10, 2021** – Board of School Directors votes on Final Budget and tax resolutions

**July 15, 2021** – Deadline to submit 2021/22 Budget on Form 2028 in the CFRS application on State's website.

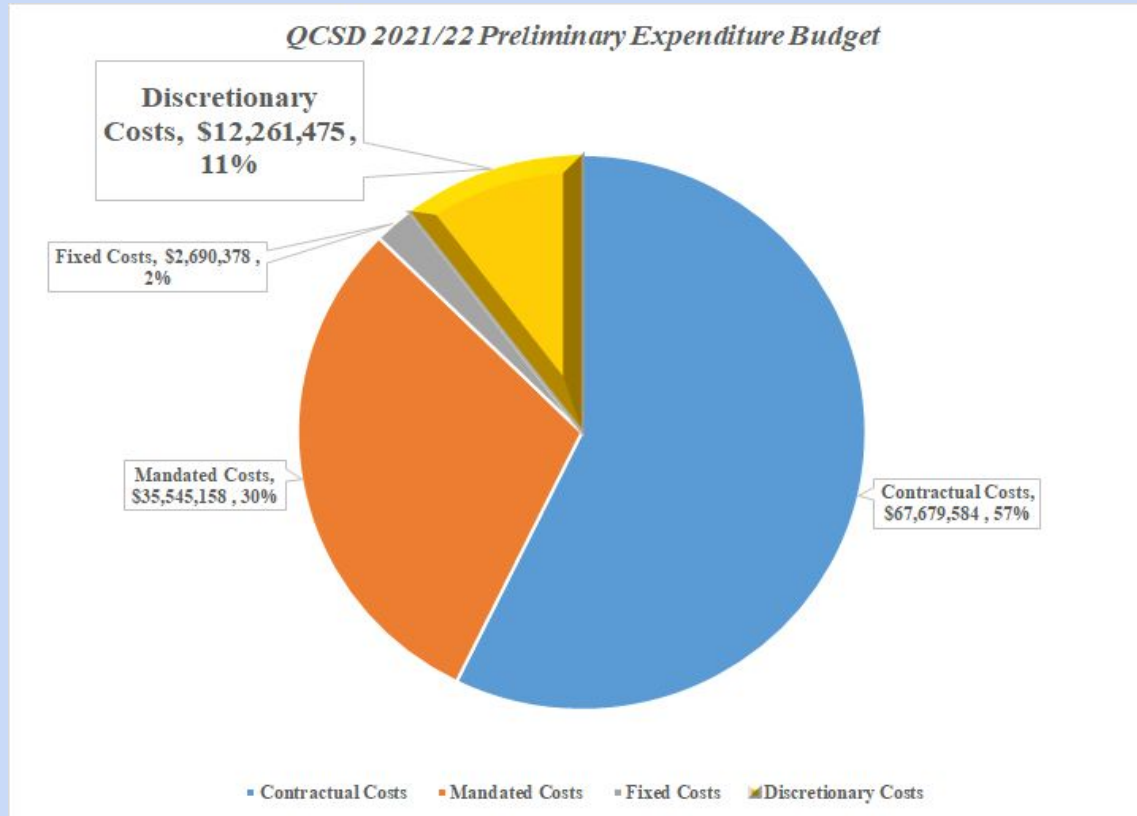
NOTE: Until Board decisions are made regarding QE, recommendation is to continue to budget for full index tax increase for the Proposed Final Budget vote on May 13th. Board can always reduce revenues/tax increase on June 10th for Final Budget adoption if desired

[Link](#) to Budget Process

# Expenses Within/Outside our Control

Total Budget =  
\$118 million

Discretionary =  
\$12.2 million



# Expenses Within/Outside our Control

- Included in **Contractual Costs (57%** of total expenditures) are items such as salaries and benefits, existing debt payments (principal and interest), the custodial contract, contracted substitute expense and tax collector compensation.
- **Included in Mandated Costs (30%** of total expenditures) are items such as Special Education expenditures, PSERS and FICA employer contributions, tuition (including VT and charter school tuition), IU transportation and payments to the Food Service Fund to cover losses.
- **Included in Fixed Costs (2%** of total expenditures) are items such as utilities, repairs and insurance.
- **Included in Discretionary/Not Required Costs (11%** of total expenditures) are items such as supplies, books, equipment, software, student transportation, purchased services, employee travel/staff development, student athletics and activities and General Fund capital projects (\$1 million).

# Expenses Within/Outside our Control

## Notes

- Contractual Costs - Primarily comprised of staff salaries and benefits. The individual salaries and benefits can't be altered; however, the total costs can be altered through reductions or additions in staffing.
- Transportation - Accounts for \$5 million or over 4% of budget. Transportation is not a required service, so it falls under discretionary but removing it would be highly unlikely.
  - A more accurate discretionary cost would be \$7.2 million or 6% of the budget, otherwise.



# Cost Drivers - Four Year Trends

2018-2019 Budgeted Expenses - \$109,725,941

2018-2019 Actual Expenses = \$104,799,100

2021/2022 Budgeted Expenses (less COVID grants) = \$117,508,595

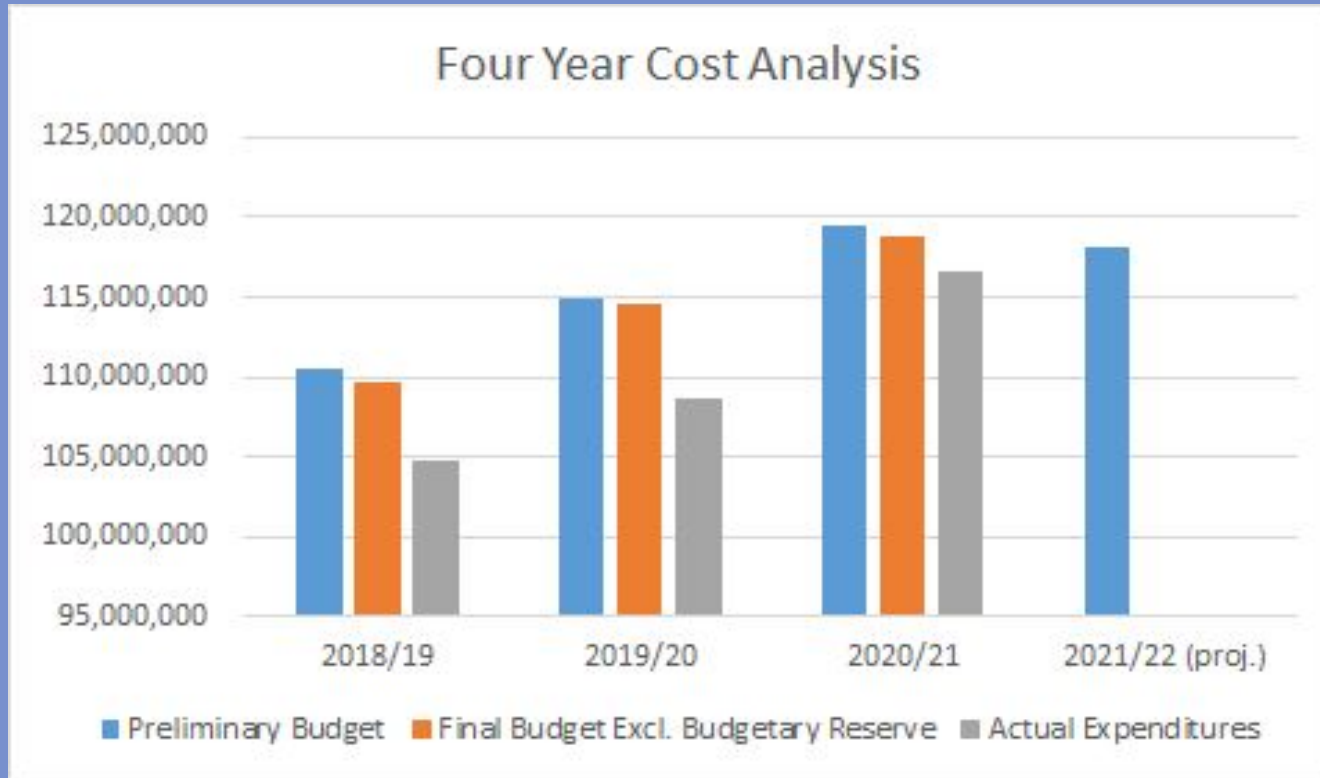
- Increase over four year period (Actual to Budget) = 12.0% or 3.0% per year.
- Increase over four year period (Budget to Budget) = 7.1% or 1.8% per year.

Note: When comparing a prior year's actual expenses to a future year budget, we have to keep in mind we typically succeed in conserving \$2.0 - \$2.5 million by controlling expenses.

[Link](#) - Analysis Budget to Budget

[Link](#) - Analysis Projected Actual to Budget

# Four Year Expense Analysis - Budget to Actual



# Cost Driver Four Year Trends - Analysis (Actual to Budget)

## Largest Line Item Cost Driver Increases (Non - Discretionary)

- Charter School Tuition **33% Increase or \$862,963**
- Student Transportation **20.4% Increase or \$740,940**
- Debt Service **4.8% or \$537,887**
- Upper Bucks Technical School **19% or \$673,504**
- Salaries/Benefits **8.5% or \$5,689,608**
- Fund Transfer (food loss) **639% or \$172,946**
- Custodial Contract **15.9% or \$147,110**
- Prof. Services Spec. Edu. **88% or 737,435**
- Substitute Teachers **25.3% or \$161,662**
- Legal **100% or \$92,858**
- Tuition - Outplacement **23.7% or \$301,002**

Total Increase **\$10,117,915**

## Largest Cost Driver Increases (Discretionary)

- Software 81% or \$367,748
- Capital Projects 292% or \$778,430

Total Increase **\$1,146,178**

[Link](#) - Major Cost Drivers - Four Years

[Link](#) - Major Cost Driver Increases - Explanation

Note: Software offset by reductions in books

Note: Capital projects in 18/19 were on the books in 19/20 due to timing for accounting

Note: We expect actual expenditures to fall below budget in the 2021/2022 school year.

# 2021/2022 Single Year Cost Drivers

2020/2021 Budgeted Expenses (less sale of school proceeds) = \$116,872,115

2020/2021 Projected Actual Expenses (less sale of school proceeds) = \$114,680,541

2021/2022 Budgeted Expenses (less COVID grants) = \$117,508,595

- Increase (Projected Actual to Budget) = 2.4%
- Increase (Budget to Budget) = 0.5%

Note - Overall costs are relatively flat from last year. Deficit is due to prior year deficit and 0% tax (see scenarios document [here](#)).

# 2021/22 Cost Drivers - Analysis (Projected Actual to Budget)

## Largest Cost Driver Increases (Non - Discretionary)

- Student Transportation **\$829,945 or 23.4%**
- Debt Service **\$126,267 or 1.1%**
- Salaries/Benefits **\$3,606,833 or 5.2%**
- Prof. Services Spec. Edu. **\$130,961 or 9.1%**
- Substitute Teachers **\$115,000 or 16.8%**
- Tuition - Outplacement **\$130,000 or 9.0%**

[Link](#) - Major Cost Drivers - One Year

[Link](#) -Cost Driver Increases - Explanation

Total Increase **\$4,939,006**

## Largest Cost Driver Increases (Discretionary)

- Books **\$193,711 or 168%**

Note: Food losses and charter school are not increases from prior year actual but are from prior year budget.

Increase Food Loss 20/21 Budget to 21/22 Budget = \$160,000

Increase Charter 20/21 Budget to 21/22 Budget = \$789,787

# Budget vs. Actual Expenses at Year End

How have our end of year expenses compared to our budget?

- COVID anomalies in 2019/2020 and 2020/2021

[Link](#) - detailed page

Quakertown Community School District				
Preliminary and Final Budgets Compared to Actual Expenditures				
2011/12 through 2020/21				
	Preliminary	Final Budget	Actual	Actual Vs
	Budget	Excl. Budgetary Reserve	Expenditures	Budget
2011/12	91,465,112	88,375,881	85,779,322	(2,596,559)
2012/13	93,572,862	91,553,083	90,827,962	(725,121)
2013/14	96,897,881	94,498,554	91,636,966	(2,861,588)
2014/15	98,937,292	95,423,730	92,391,087	(3,032,643)
2015/16	101,089,354	99,536,126	99,050,755	(485,371)
2016/17	108,654,942	103,888,676	104,153,489	264,813
2017/18	112,950,585	108,426,956	104,580,213	(3,846,743)
2018/19	110,554,978	109,725,941	104,799,100	(4,926,841)
2019/20	114,844,395	114,580,937	108,614,689	(5,966,248)
2020/21	119,430,615	118,872,115	116,680,541	(2,191,574)
2021/22 (proj.)	118,176,595			
		102,488,200	Average	(2,636,788)

# Budget vs. Actual Expenses at Year End (variance analysis)

Over the last 10 years QCSD spent on average, ~ 2.5% or \$2.6 million less than budgeted.

The average is slightly inflated due to three years with specific events that drove some costs down.

- 2017/18 - Milford Middle School Closed
- 2018/19 - Tohickon Valley Elementary School closed
- 2019/20 - COVID 19 March Schools Shutdown

# Pandemic Impact on Budget

Expenditure  
Increases from  
2019/20 to 2020/21

\$1.7 million in charter costs

\$500k from food services losses in 20/21

\$200k from food service losses projected 21/22

\$1.3 million in COVID costs

Savings in 2019/20  
associated with  
closing schools in  
March

Substitute teachers

Transportation

Supplies

Utilities

Expenditure  
Increases  
Continuing in  
2021-22

Food Services Losses

Charter School Costs

Additional COVID-related Supplies

Note: 2021/2022 use of federal funds is not yet accounted for (cost increases will align to revenue, so close to net zero impact on budget).



## Long Range Planning - Current Decisions Impact Long Range Outcomes

- Declining Enrollment - Current budget PFM planning factors in a FTE reduction of two teachers per year.
- Class Sizes - Restricting class sizes will have a cost impact on budget, including putting the two FTEs back. This would require additional analysis for full budget impact.
- QE Renovation - District is waiting on reports from consultants on cost assumptions and timeline to renovate QE. This would most likely require taking on additional debt.

Most of these variables would impact QCSD after the 2021/2022 school year.

**Question - What is our risk tolerance?**

## Long Range Planning - Current Decisions Impact Long Range Outcomes

- Later School Start Times - A 2.5 tier system would require six additional buses which increases transportation costs (approximately \$350,000). For a true two tier system additional vehicles would be needed.
- Cyber Charter - Enrollment in cyber charter schools increased by 50% this year. Planning assumption is that many will slowly return with our own virtual program using ESSER funds in short term.
- Baseball Field - Currently awaiting D'Huy land development study. Could be accomplished through using multiple funding options - remaining NES bond funds, fund balance, floating a bond, and leveraging sponsors.
- Universal Full Day Kindergarten in all buildings.

Most of these variables would impact QCSD after the 2021/2022 school year.

**Question - What is our risk tolerance?**

# Long Term Planning Scenarios

Scenario 1  
Universal FDK

Scenario 2  
Add School Start Time Change

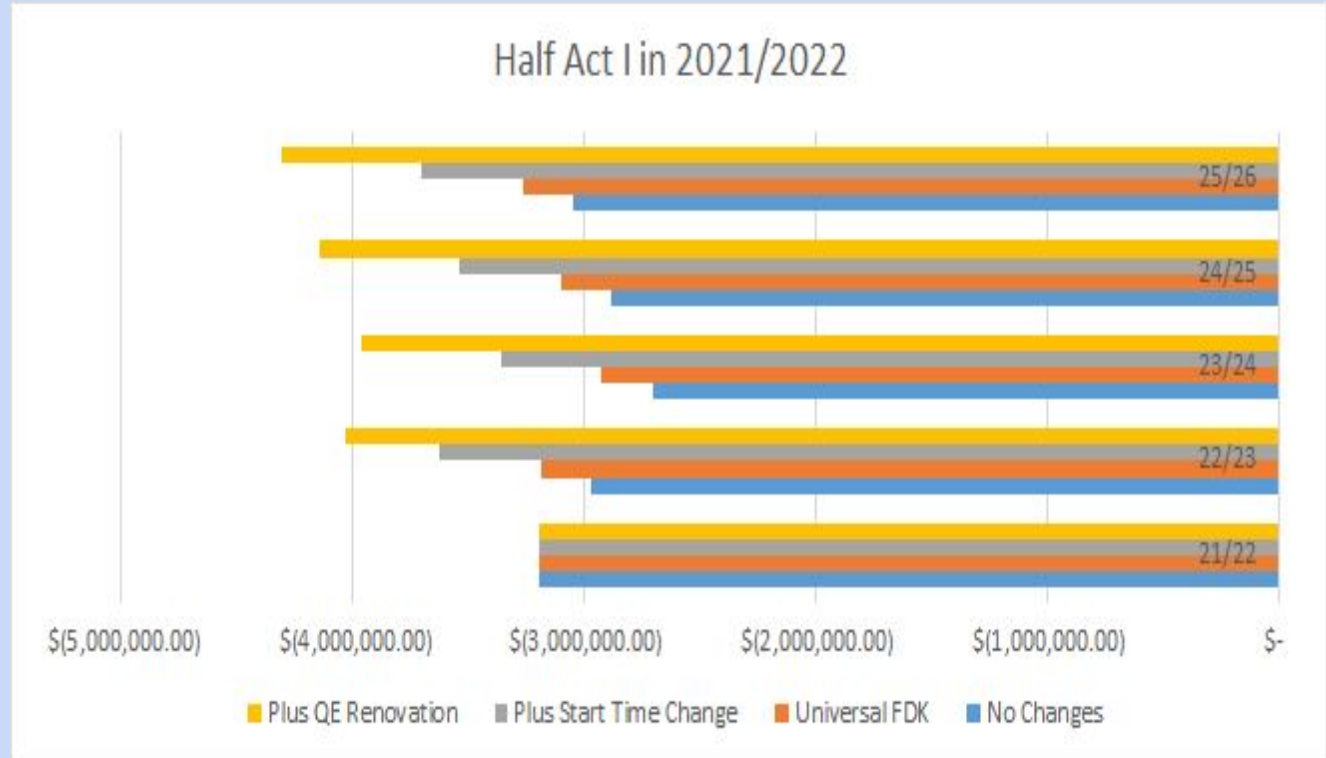
Scenario 3  
Add QE Renovation  
(borrow \$15 million)

## Tax Assumptions

2021/22 - 1.75%  
2022/23 - 3.0%  
2023/24 - 2.8%  
2024/25 - 2.5%  
2025/26 - 2.5%

[Link](#) - Detailed Sheet  
[Link](#) - PFM FDK  
[Link](#) - PFM Start Time  
[Link](#) - PFM QE Reno

Note - Cumulative Cost



# Long Term Planning Scenarios

Scenario 1  
Universal FDK

Scenario 2  
Add School Start Time Change

Scenario 3  
Add QE Renovation  
(borrow \$15 million)

## Tax Assumptions

2021/22 - 3.5%  
2022/23 - 3.0%  
2023/24 - 2.8%  
2024/25 - 2.5%  
2025/26 - 2.5%

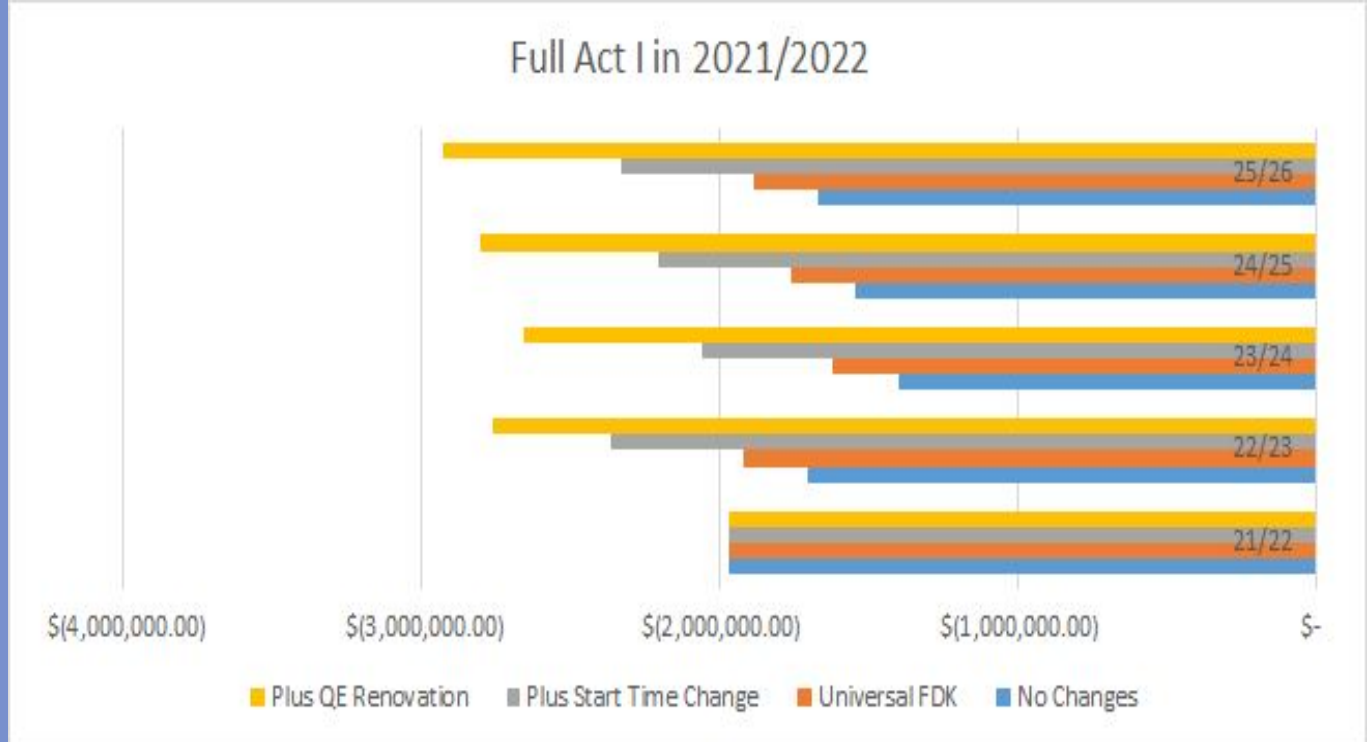
[Link](#) - Detailed Sheet

[Link](#) - PFM FDK

[Link](#) - PFM Start Time

[Link](#) - PFM QE Reno

Note - Cumulative Cost





**Questions??**

# Links to Additional Documents

- Financing the Budget 3.5 Percent Increase
- Fund Balance Analysis 3.5% Increase
- PFM Model 3.5% Increase
- Expenditures by Detailed Object
- Contractual, Mandated, Fixed & Discretionary Expenditures
- Analysis of Expenditures - Actual to 2021-2022 Preliminary
- Analysis of Expenditures - Budget to Budget
- Four Year Expenditure Analysis
- Comparison of Taxing Scenarios
- Preliminary Revenue Budget 3.5% Increase
- Four Year Revenue Analysis
- Revenue Analysis - Largest Dollar Change-Budget to Budget to Projected
- Revenue Analysis - Budget, Actual 18-19 through 21-22
- Summary of Changes - 3.5% Increase
- Largest Cost Drivers - Four Year Change
- 2020-2021 Budget Deep Dive
- Comparison of Taxing Scenarios on Operating Balance and Fund Balance - 5 Year Analysis
- Expenditure Analysis
- Evolution of Budget 21-22 Summary of Changes 3.5% Increase
- Four Year Expenditure Analysis
- QCSD Budgeting Process
- Summary of Account Structure
- Four Year Revenue Analysis
- Expenditure Pie Chart
- Additional Expenditure Scenarios - QE Renovation-Start Times-FDK
- Scenario #1 - FDK - Full Act 1 Index
- Scenario #1 - FDK - 1.75 Percent Increase
- Scenario #2 - FDK plus School Start Times - Full Act 1 Index
- Scenario #2 - FDK plus School Start Times - Half Act 1 Index
- Scenario #3 - FDK plus School Start Times plus QE Renovations - Full Act 1 Index
- Scenario #3 - FDK plus School Start Times plus QE Renovations - Half Act 1 Index
- Expenditure Analysis by Detailed Object - One Year with notes
- Expenditure Analysis by Detailed Object - Four Year with notes
- Largest Cost Drivers - One Year Change
- Preliminary Budget, Final Budget and Actual Expenditures Comparison