

Quakertown Community School District



Preliminary Budget Preview 2018/2019

Presented January 11, 2018

Regular Board Meeting

Agenda

- Budget Terminology
- Budget Timeline
- 2018/2019 Budget Priorities
- 2017/2018 Estimated Revenues/Expenditures
- 2018/2019 Primary Cost Drivers
- Impact of closing Milford Middle School and Tohickon Valley Elementary
- Next Steps
- Questions

Preliminary Budget – What is it?

All School District Budgets are a complete financial forecast for a fiscal year (July - June) including both expenditures and revenues, based upon an educational plan. The Preliminary Budget is adopted pursuant to the provisions of Act 1 and must be adopted 90 days prior to the primary election. The Preliminary Budget may be waived if the board commits to keep tax increases under the index.

Procedurally, adoption of the preliminary budget opens the budget process.

Budget Terminology

Act 1 Index

ACT1 INDEX - the maximum tax 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

Base Index	2.40%
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QCSD's Index	2.80%
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A 2.80% increase in Mills adds \$1,736,534 of Real Estate Tax Revenue

- MV/PI = A measure of a communities wealth (market value/personal income aid ratio).
- QCSD = .422, Council Rock = .150, Bristol Borough = .610

Budget Terminology

Referendum Exceptions

A school district that adopts a preliminary budget with real estate taxes that exceed its index may seek approval for referendum exceptions to increase tax rates by **more than** its Adjusted Index. Quakertown Community School District is eligible for two of these Exceptions.

1.) Special Education Expenditure Exception

2.98% Additional Millage Potential Increase = \$1,845,227 in additional Real Estate Taxes

2.) Retirement Contributions Exception

0.26% Additional Millage Potential Increase = \$ 165,019 in additional Real Estate Taxes

So, the maximum tax increase for QCSD could be a total of 6.04%

Budget Calendar

Important Dates

January 11, 2018

Preliminary Budget-Preview

January 25, 2018

Preliminary Budget Presentation

(Preliminary Budget made available to public January 25, 2018)

February 8, 2018

Deadline to adopt the Preliminary Budget

February/March/April

Refine the Budget

April 26, 2018

Adopt Proposed Final Budget

June 14, 2018

Adopt Final Budget



Other Key Dates

January 25, 2018 Deadline to adopt Opt Out Resolution

February 8, 2018 - Deadline to adopt the Preliminary Budget and Authorize application for Referendum Exceptions

February 23, 2018 - Deadline to publish and post on website intent to apply for Exceptions

March 1, 2018 - Deadline to file Referendum Request with PDE

2018/2019 Priorities

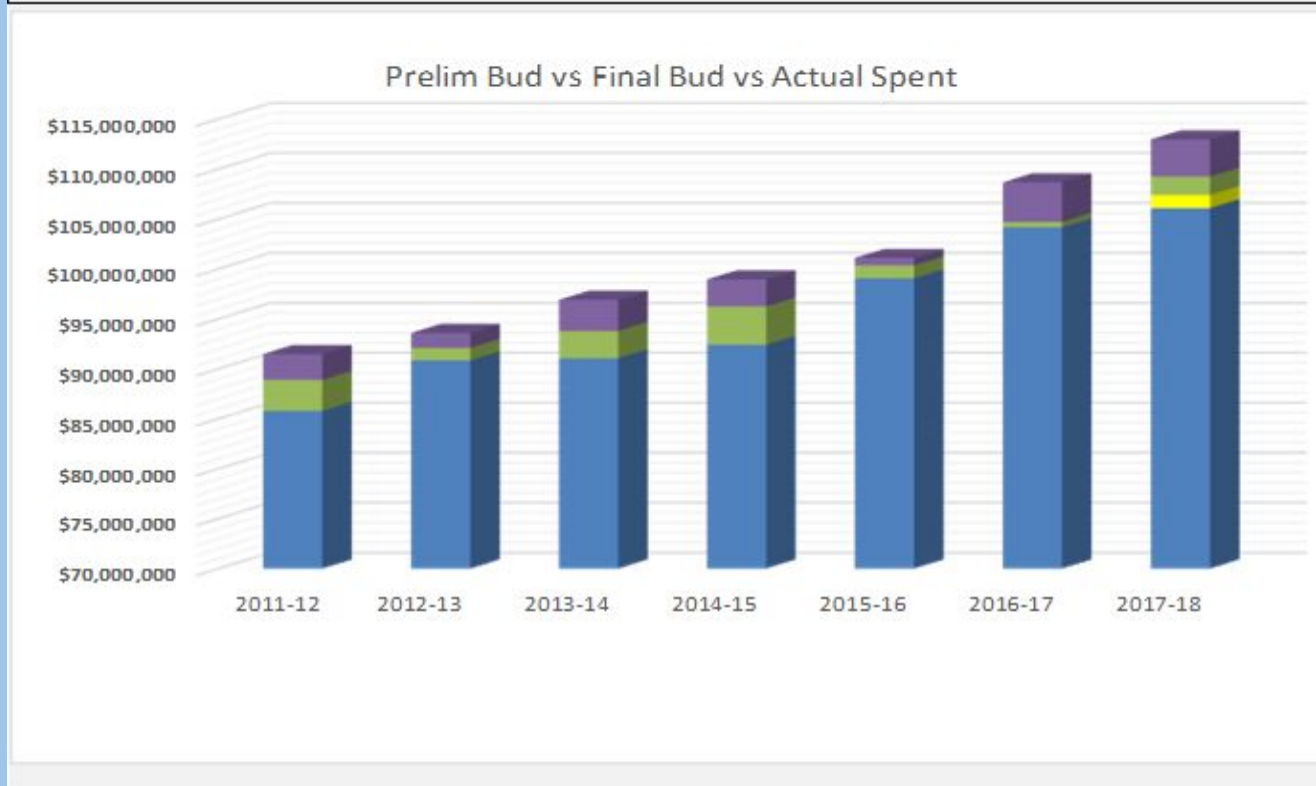
- Fund Capital Maintenance - \$1 million - Funded by General Fund
 - See attachment for a list of potential projects (to be presented 1/25/18)
- Renovation/Addition – Neidig Elementary School
 - Funded by Debt Service in the General Fund
- Additional Special Education Supports
 - Teacher on special assignment to support Pfaff
 - Additional aide supports
 - SHS Assistant Principal (Special Education Focus)

2017/18 Estimate (Actual Revenues and Actual Expenditures)

FUND BALANCE SURPLUS/SHORTFALL COMPARISON				
	Actual <u>2014-15</u>	Actual <u>2015-16</u>	Actual <u>2016-17</u>	Estimate <u>2017-18</u>
Revenues	93,477,122	97,671,438	102,855,177	104,516,614
Expenditures-Operations	(92,391,085)	(97,012,785)	(103,541,756)	(105,538,524)
Revenue less Expense	1,086,037	658,653	(686,579)	(1,021,910)
one-time items				
Back Plancon Revenue			1,417,662	
Other Exp-Land Purch		(1,778,829)		
Other Exp-Equip Purch		(259,138)		
Other Exp-Capital			(611,740)	(535,600)
Revenue less Expense-Adjusted		(1,379,314)	119,343	(1,557,510)
Fund Balance-Comm it PSERS	279,295	502,732	1,005,464	678,254
Fund Balance-Comm it Capital		(2,000,000)	600,000	535,600
Tax increase at Act 1 Index(2.8%)				
Tax increase - Act 1 Index Spec. Ed. exception				
Tax increase - Act 1 Index PSERS exception				
Beginning Fund Balance	<u>11,445,209</u>	<u>12,049,156</u>	<u>9,172,573</u>	<u>10,897,381</u>
Prior Period Adjustment	(761,385)			
Ending Fund Balance	<u>12,049,156</u>	<u>9,172,573</u>	<u>10,897,381</u>	<u>10,553,725</u>
Percentage of Expenditures	13.04%	9.46%	10.52%	10.00%
NEW TAXES	0	0	0	0
SURPLUS/(SHORTFALL)	1,365,332	658,653	(686,579)	(1,557,510)
PSERS	2,513,663	2,010,931	1,005,467	327,213
CAPITAL	1,250,000	3,250,000	2,650,000	2,114,400
FB W/COMMITMENTS	15,812,819	14,433,504	14,552,848	12,995,338

Preliminary Budget vs Final vs Actual (History)

	PREL BUDGET	FINAL BUDGET	PFM-MMS CLOSED	ACTUAL
2011-12	\$91,465,112	\$88,875,880		\$85,780,320
2012-13	\$93,572,862	\$92,081,123		\$90,827,962
2013-14	\$96,897,881	\$93,776,923		\$91,056,294
2014-15	\$98,937,292	\$96,223,730		\$92,391,089
2015-16	\$101,089,354	\$100,336,126		\$99,050,752
2016-17	\$108,654,942	\$104,688,676		\$104,153,496
2017-18	\$112,950,585	\$109,226,496	\$107,382,522	\$106,074,123



Note: 2017/2018 reflects current estimate of actual expenditures

2018/2019 Primary Cost Drivers

1. Increase in medical/Rx premiums - Medical 12.13% and Rx 15.44% Increase

a. Medical/Rx = \$828,316

2. Special Education Initiatives/Requirements

a. Family Focused Partnership (FFP) - (Addresses ESSA Truancy Requirements) \$144,000

b. SAP Counselor - \$38,000

c. DMG - \$70,000

d. Lakeside Counselor - \$87,000

e. BCIU Services - \$316,400

f. Student Transportation - \$301,000

g. BCIU Transportation - \$192,000

3. Debt Service (Interest and Principal)

a. Neidig Elementary School/SHS - \$546,000

4. Capital Projects

a. \$465,000

Total - \$2,987,716

Budget Scenarios – 2018/2019

Preliminary Budget Scenarios 2018-19

	Millage	Tax Dollars	Tax Increase Average Txp	% Increase	Adjusted Shortfall	Use of Fund Balance	Estimated Ending Fund Balance 2018-19	Estimated Ending Fund Balance 2021-22
No Tax Increase	0.00	\$0	\$0	0.00%	4,371,245	\$4,371,245	\$8,624,093	7.83%
Index Only	4.42	\$1,736,534	\$116	2.80%	2,634,711	\$2,634,711	\$10,360,627	9.40%
Index + PSERS Exception	4.84	\$1,901,544	\$127	3.07%	2,469,701	\$2,469,701	\$10,525,637	9.55%
Index + Partial Exceptions(4.2%)	6.62	\$2,600,872	\$174	4.20%	1,770,373	\$1,770,373	\$11,224,965	10.19%
Index + Spec Ed Exception	9.11	\$3,579,146	\$240	5.77%	792,099	\$792,099	\$12,203,239	11.08%
Index + PSERS & Spec Ed Exception	9.53	\$3,744,156	\$251	6.04%	627,089	\$627,089	\$12,368,249	11.23%

Est Beginning Fund Balance \$12,995,338
 Current Millage Rate 157.77
 Value of one Mill \$392,881
 Budget \$110,974,978
 Revenues \$105,803,733
 Shortfall \$4,371,245

Value of Mill	Avg Tax Assessment
392,881	26,308

Milford MS/Tohickon Valley Elementary Impact of Closures (PFM Model Vs. Budget)

	Budget (MMS and TV Open) - Presented 2-9-2017		Budget (MMS and TV Open) -	PFM (MMS and TV Closed) (Scenario A2-4) - Presented 11-9-2017		QCSD Estimate/Budget Presented 1-11-18	
	2017/18	2018/19	2017/18	2017/18	2018/19	2017/18	**2018/19
	PFM Projection	PFM Projection	Prelim Budget	PFM Projection	PFM Projection	Estimate	1st Look Budget
Real Estate Taxes*	\$ 62,336,295	\$ 64,148,186	\$ 62,581,163	\$ 62,581,163	\$ 64,716,681	\$ 62,571,567	\$ 64,317,697
Act 511 Taxes*	\$ 11,136,161	\$ 11,358,884	\$ 11,428,400	\$ 11,428,400	\$ 11,861,536	\$ 11,650,549	\$ 12,278,077
Other Local Revenue*	\$ 4,121,000	\$ 4,203,420	\$ 4,121,000	\$ 4,121,000	\$ 4,176,170	\$ 3,574,000	\$ 3,660,999
State Revenue	\$ 26,448,684	\$ 27,253,359	\$ 26,360,602	\$ 26,262,918	\$ 26,095,328	\$ 25,936,435	\$ 26,564,493
Federal Revenue*	\$ 662,000	\$ 675,240	\$ 774,063	\$ 774,063	\$ 789,544	\$ 774,063	\$ 709,000
Other Sources*	\$ 10,000	\$ 10,200	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Total Revenue	\$ 104,714,140	\$ 107,649,289	\$ 105,275,228	\$ 105,177,544	\$ 107,649,259	\$ 104,516,614	\$ 107,540,266
Salaries and Benefits	\$ 71,453,662	\$ 74,075,709	\$ 70,809,498	\$ 68,636,238	\$ 68,227,745	\$ 67,228,356	\$ 69,098,223
Operating Expenses	\$ 30,222,793	\$ 30,809,801	\$ 28,885,104	\$ 28,264,327	\$ 29,022,301	\$ 28,384,605	\$ 30,086,390
Debt Service and Transfers	\$ 10,474,130	\$ 11,497,389	\$ 10,250,162	\$ 10,481,957	\$ 11,261,734	\$ 10,461,162	\$ 10,990,365
Total Expenditures	\$ 112,150,585	\$ 116,382,899	\$ 109,944,764	\$ 107,382,522	\$ 108,511,780	\$ 106,074,123	\$ 110,174,978
Net Operating Balance	\$ (7,436,445)	\$ (8,733,610)	\$ (4,669,536)	\$ (2,204,978)	\$ (862,521)	\$ (1,557,509)	\$ (2,634,712)
Fund Balance Beginning of Year	\$ 14,592,621	\$ 7,156,076	\$ 14,612,620	\$ 14,552,851	\$ 12,347,873	\$ 14,552,851	\$ 12,995,342
Fund Balance End of Year	\$ 7,156,076	\$ (1,577,534)	\$ 9,943,084	\$ 12,347,873	\$ 11,485,352	\$ 12,995,342	\$ 10,360,630
Notes:							
* Other than PSERS subsidy, revenues were not impacted by the closure of MMS and TV. Updated information was used for the 11/9/17 projection and revenues changed slightly as a result of that.							

Note - 2018/2019 1st look reflects an Act I Index tax increase, budget may be adjusted for January 25, 2018 Board meeting.

Exceptions – Why Should they be Considered

- Prior Budgets did not adequately fund the Senior High School Renovation or ongoing Future Capital Obligations outlined in the Capital Plan.
- Prior Budgets did not adequately fund special education mandates and PSERS requirements.
- In other words, the District funded the High School debt service, PSERS increases, and special education mandates by reducing other areas in the budget such as (implementing hub system, subcontracting custodial services, reducing staff,.....)

Next Steps

January 25th - Present 2018-19 Preliminary Budget in Finance Committee/Board Meeting, Including PFM 4 year projections

February 8th - Adopt preliminary budget (School Board vote)

Continue to look for reductions:

- a. Medical Premiums (2nd and 3rd look)
- b. Staffing/salary reductions through attrition
- c. Refine department budgets

QUESTIONS.....

