

Central Bucks School District

**Consideration to Post the 2016-17
Proposed Final Budget
April 26, 2016**

Budget Components

- ⦿ Revenue Review
- ⦿ Expenditure Review
- ⦿ Millage Impact
- ⦿ Budget Summary
- ⦿ Debt Defeasance (pre payment)

Revenues

2015-16 State Subsidy Update

CBSD - 2015-16 Major State Revenue

Estimates as of March 22, 2016

<u>State Subsidies to CBSD</u>	2015-16 Revenue Budget	Estimated Revenues 3/15/2016	Variance
Basic Instructional Subsidy	\$17,781,941	\$16,345,166	-\$1,436,775
Special Education Subsidy	\$7,762,441	\$7,061,965	-\$700,476
Ready to Learn Block Grant	\$0	\$819,808	\$819,808
\$24,226,939 is about 1% more than the district received in 2014-15.	\$25,544,382	\$24,226,939	-\$1,317,443
Construction Reimbursement	\$1,082,720	\$0	-\$1,082,720
Soc. Sec. Cash flow (May & June Delayed until July & August)	\$5,386,176	\$5,386,176	\$0
	\$32,013,278	\$29,613,115	-\$2,400,163

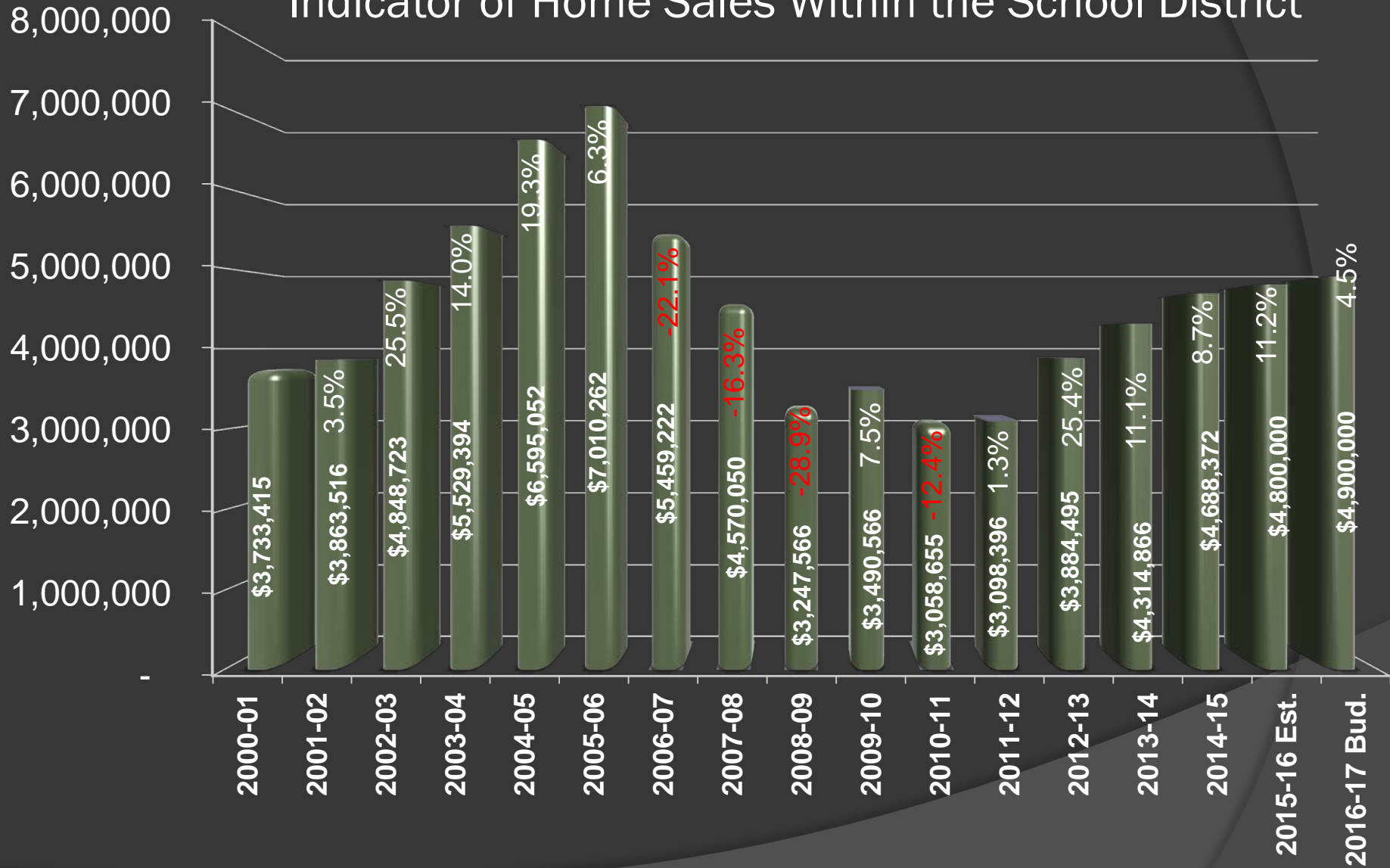
CBSD - 2015-16 Major State Revenue Estimates as of April 26, 2016 (assumes Legislative distribution formula)

<u>State Subsidies to CBSD</u>	2015-16 Revenue Budget	Estimated HB 1589 Revenues 4/13/2016	Variance
Basic Instructional Subsidy	\$17,781,941	\$16,854,189	-\$927,752
Special Education Subsidy	\$7,762,441	\$7,061,965	-\$700,476
Ready to Learn Block Grant	\$0	\$1,024,041	\$1,024,041
	\$25,544,382	\$24,940,195	-\$604,187
 Construction Reimbursement	 \$1,082,720	 \$0	 -\$1,082,720
<small>Soc. Sec. Cash flow (May & June Delayed until July & August)</small>	\$5,386,176	\$5,386,176	\$0
	\$32,013,278	\$30,326,371	-\$1,686,907

2016-17 Revenue Update

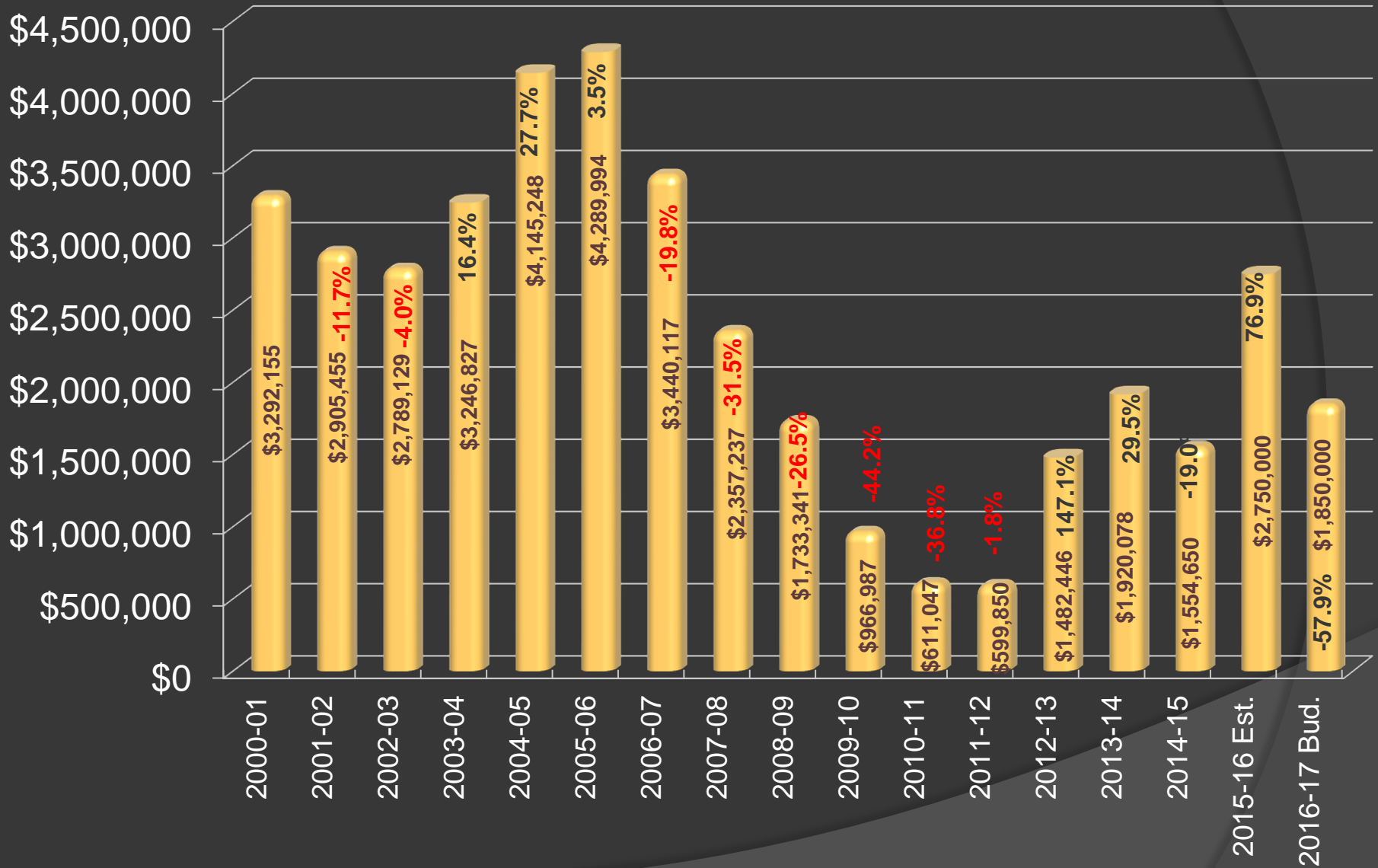
Real Estate Transfer Tax Trend

Indicator of Home Sales Within the School District



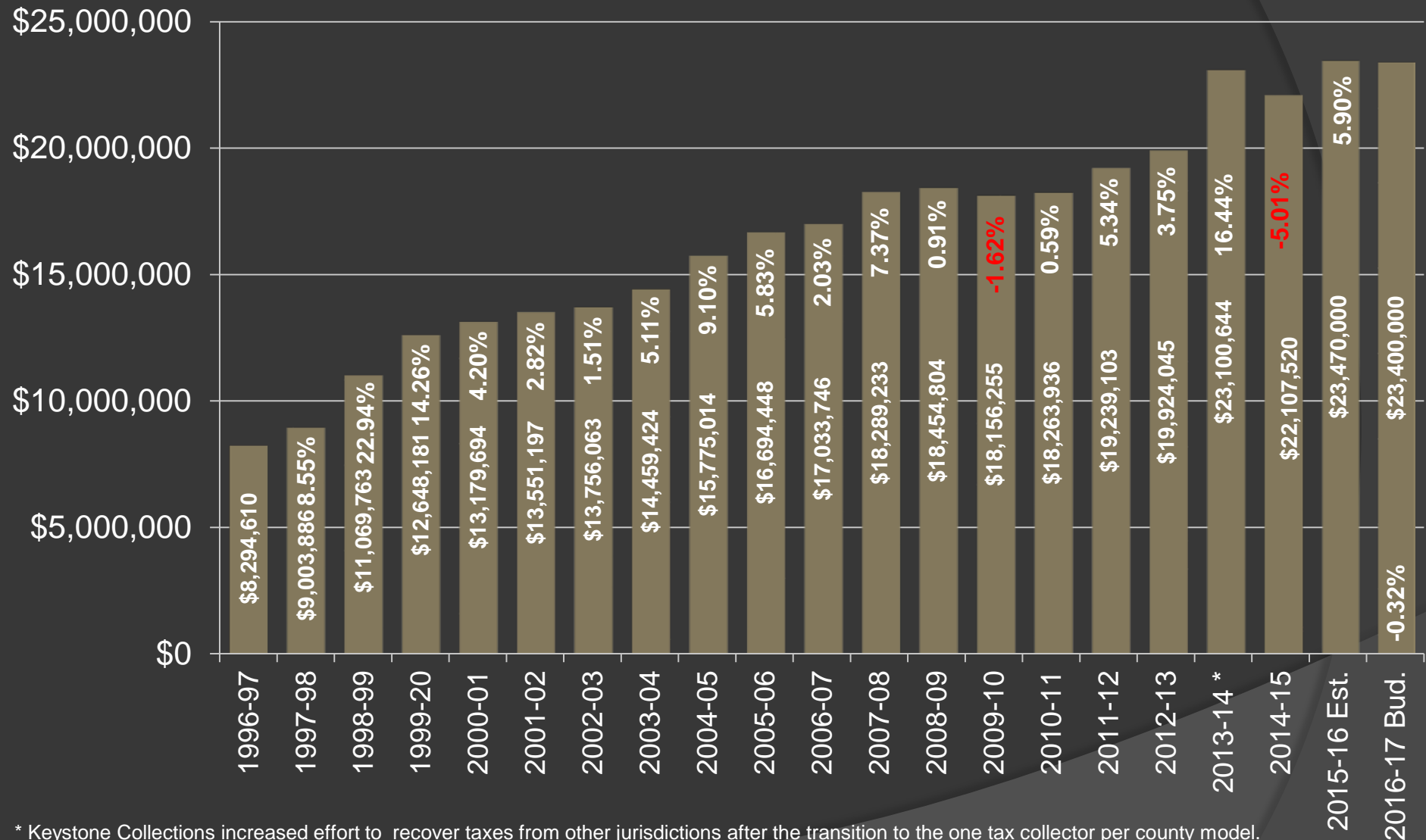
Interim Real Estate Tax Trend

Indicator of Real Estate Construction Growth Within the School District



Earned Income Tax Trend

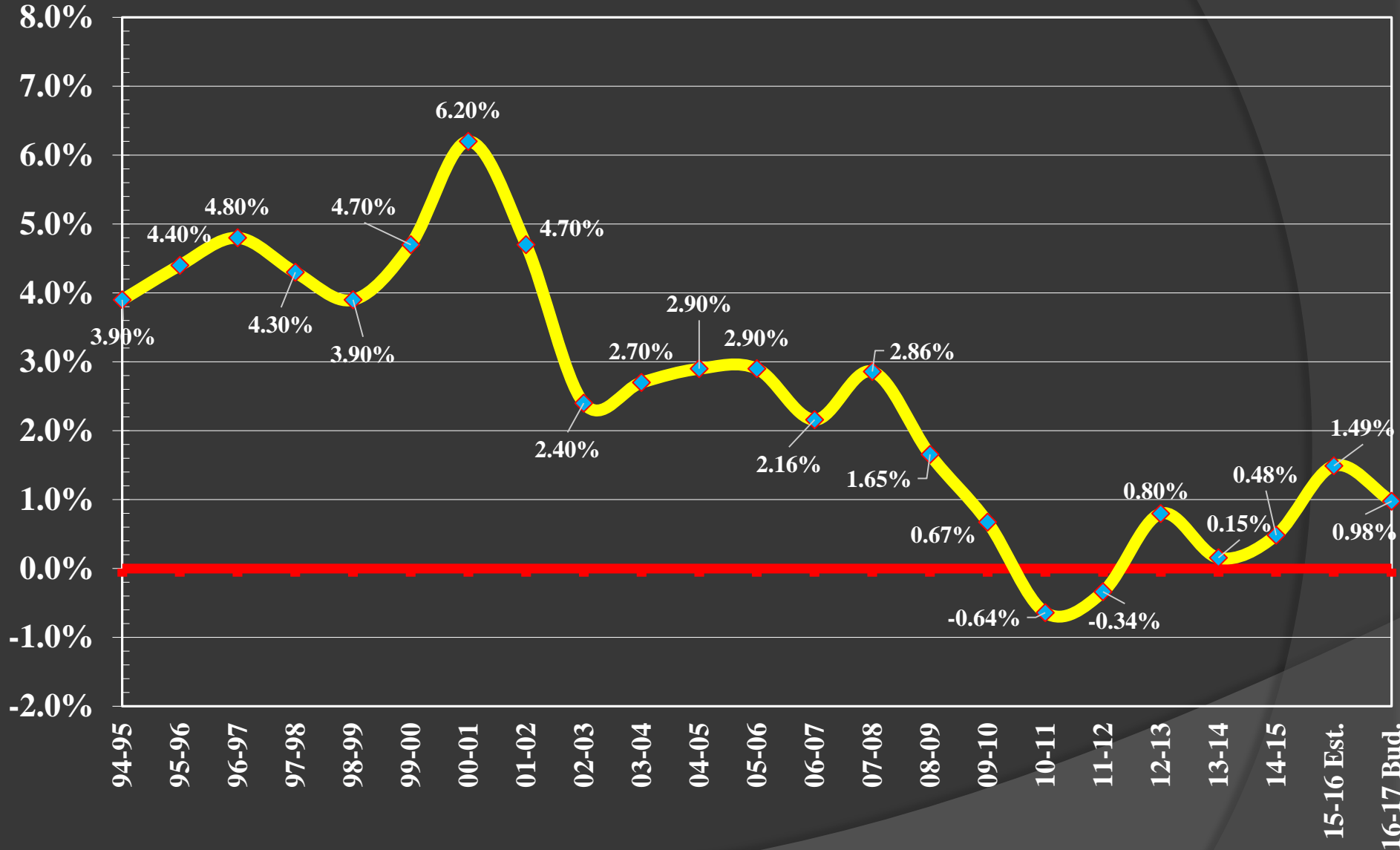
Tax on Local Wage Earners. Indicator of Wage Growth and Employment Growth.



* Keystone Collections increased effort to recover taxes from other jurisdictions after the transition to the one tax collector per county model.

Real Estate Assessed Value Trend

Shows the general change in real estate value within a community



Local Sources of Revenue for CBSD

Description	2016-17	2015-16	Projection \$	Projection %
	Budget	Projection	Change	Change
CURRENT REAL ESTATE TAXES (assessment growth)	212,487,497	211,142,220	1,345,277	0.6%
INTERIM REAL ESTATE TAXES	1,850,000	2,750,000	-900,000	-32.7%
EARNED INCOME TAX	23,400,000	23,470,000	-70,000	-0.3%
REAL ESTATE TRANSFER TAX	4,900,000	4,800,000	100,000	2.1%
DELINQUENCIES ON REAL ESTATE TAXES	2,550,000	2,500,000	50,000	2.0%
DELINQUENCIES ON EARNED INCOME TAXES	475,000	400,000	75,000	18.8%
INTEREST EARNINGS, TEMP DEPOSITS	355,000	365,000	-10,000	-2.7%
I.D.E.A. FUNDS FROM I.U.#22	2,500,000	2,411,570	88,430	3.7%
TUITION FOR INCARCERATED STUDENTS	375,000	360,000	15,000	4.2%
COMMUNITY SCHOOL PROGRAMS	3,555,000	3,433,576	121,424	3.5%
ALL OTHER LOCAL REVENUES	1,182,500	1,220,607	-38,107	-3.1%
Local Revenue Totals	\$253,629,997	\$252,852,972	\$777,025	0.3%

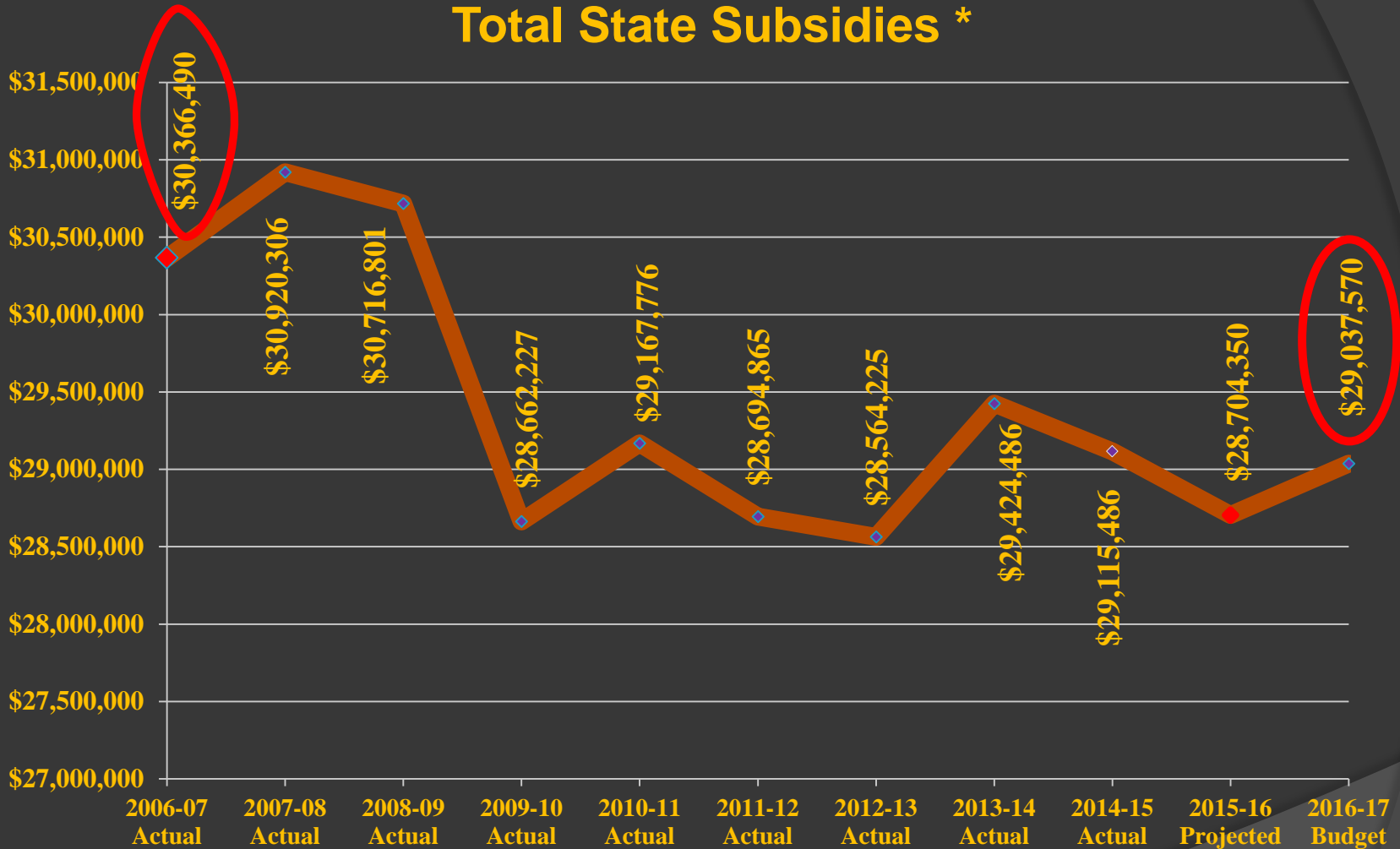
State Sources of Revenue for CBSD

Description	2016-17	2015-16	Projection \$	Projection %
	Budget	Projection	Change	Change
Basic Instructional Subsidy	17,088,791	16,854,189	234,602	1.4%
Tuition, Wards of State and Foster Care Students	250,000	249,565	435	0.2%
Special Educ./Except. Pupils	7,300,000	7,061,965	238,035	3.4%
Misc. State Grants	0	0	0	0.0%
Accountability Block Grant <small>(incorporated into Basic Instructional Subsidy)</small>	0	1,024,041	-1,024,041	-100.0%
Transportation	3,282,500	3,220,356	62,144	1.9%
Rental & Sinking Fund Reimb.	741,279	1,082,720	-341,441	-31.5%
Health Services	375,000	372,072	2,928	0.8%
Gambling Proceeds for R.E. Tax Reduction	5,857,240	5,857,240	0	0.0%
Social Security Payments Reimbursement	5,491,561	5,287,176	204,385	3.9%
Retirement Payments Reimbursement	22,643,224	19,373,178	3,270,046	16.9%
State Revenue Totals	\$63,029,595	\$60,382,502	\$2,647,093	4.4%

We do not know 2015-16 or 2016-17 state funding numbers at this time.

Historical State Revenue for CBSD

Total State Subsidies *



* Does not include retirement, FICA, gambling rebate, and one-time debt reimbursement

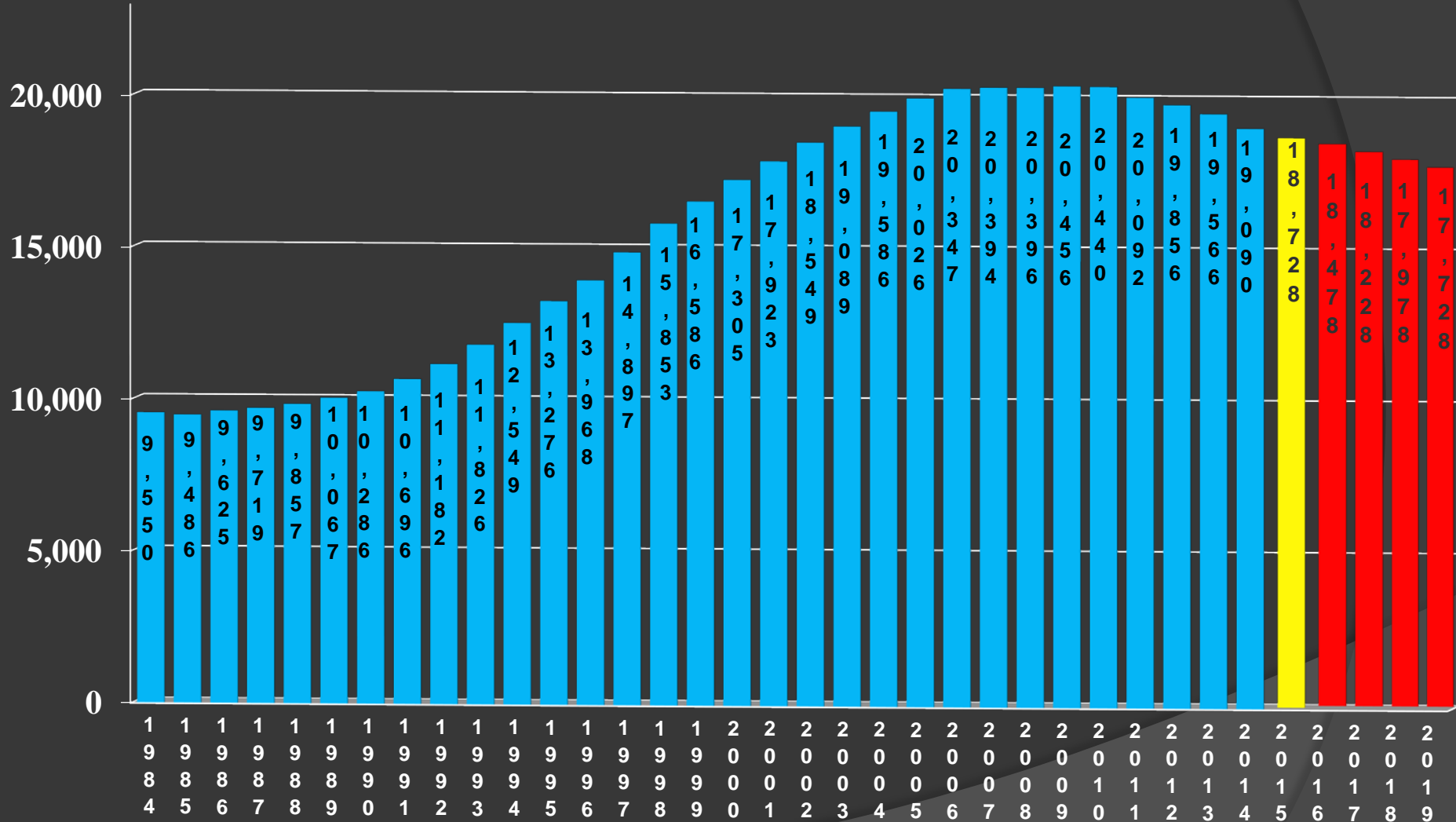
Federal and Other Sources of Revenue for CBSD

Description	2016-17	2015-16	Projection \$	Projection %
	Budget	Projection	Change	Change
Title 1 Reading and Math	595,000	592,274	2,726	0.5%
Title 2 Staff and Curriculum Development	283,000	282,077	923	0.3%
Title 3 Limited English Proficiency	43,000	42,222	778	1.8%
Medical Assistance Reimbursement (ACCESS)	1,150,000	1,200,000	-50,000	-4.2%
Administrative Reimbursement for ACCESS	45,000	45,000	0	0.0%
Other Revenue	0	0	0	0.0%
Federal and Other Revenue Totals	\$2,116,000	\$2,161,573	-\$45,573	-2.1%
Total of All Revenue	\$318,775,592	\$314,236,489	\$4,539,103	1.4%

Expenses

CBSD Enrollment

Enrollment is Expected to Continue to Decline Over the Next Several Years



■ CBSD enrollment October, 1st each year

■ Current Year

■ Penna. Economy League Projections

Projected Staffing for 2016-17

- Reduce Staffing by 4 Teachers (enrollment decline)
- Add 4 Teachers for the QUEST Program (initiative)
- New: Add 5 Special Education Teachers (program need)
- New: Add 1 psychologist (program need)

Expense Summary

Category	2016-17 Budget	2015-16 Projected Actual	% Change
Salaries	151,849,531	145,697,454	4.22%
Employee Benefits	87,213,994	77,015,276	13.24%
Prof. Services, Special Ed OT/PT.,EIT Tax,Legal	5,674,449	5,419,099	4.71%
Electricity, Rentals, Repairs, Field Maintenance, Painting	7,032,815	6,666,785	5.49%
Contracted Services, Transp., MBIT, IU, Charter Sch	20,807,163	19,867,350	4.73%
Text books, Supplies, Natural Gas, Diesel, Heating Oil	7,518,413	7,265,471	3.48%
Equipment	927,609	881,178	5.27%
Interest Payments on Bonds	4,139,618	4,766,679	-13.16%
Principal, Buses, Technology, Building Renovations	33,612,000	41,961,623	-19.90%
Total budget	\$318,775,592	\$309,540,915	2.98%

Millage Impact

Millage Calculation

- There is no Proposed Millage Increase
- The Act 1 Real Estate Tax Increase Limit = Base Inflation Index of 2.4% + 1.1% Retirement Exception = 3.5% or 4.3 Mills
- The 2016-17 Proposed Millage Rate is 124.1 mills + 0.0 Mills = 124.1 Mills = 0% Increase
- For the Typical Homeowner Assessed @ 40,000
= $40,000 \times 124.1 \text{ mills} = \$4,964$ = no increase

Act 1 Tax Index + Exceptions

	Act 1 Index with Allowable Exceptions in Mills	CBSD Millage Rate	Millage Increase	% Increase in the Millage Rate	Status
2007-08	5.9	105.87	3.8	3.47%	Actual
2008-09	5.6	110.50	4.6	4.37%	Actual
2009-10	5.4	114.80	4.3	3.89%	Actual
2010-11	4.7	119.20	4.4	3.83%	Actual
2011-12	3.2	120.80	1.6	1.34%	Actual
2012-13	3.6	122.80	2.0	1.66%	Actual
2013-14	3.4	122.80	0.0	0.00%	Actual
2014-15	4.9	124.10	1.3	1.06%	Actual
2015-16	3.7	124.10	0.0	0.00%	Actual
2016-17	4.3	124.10	0.0	0.00%	Proposed

General Trends

- Enrollment is Declining - Reduces Budget Pressure
- Debt Payments are Declining - Reduces Budget Pressure
- General Inflation is Low - Reduces Budget Pressure
- Improving Energy Efficiency/Costs - Reduces Budget Pressure
- Health Insurance Expenses Lowest Increase in years

- Retirement Expenses will Increase by 14.9%
- State Revenue Growth Still Lagging Pre-Recession Levels

Summary

- Local Real Estate Assessed Values are on the Rise
- Retirement Expenses Continue to be the Major Stress Point for the Budget
- The District is Committed to Continuous Improvement
 - Technology – iPad, Laptop, and Wireless Initiative
 - Expand Extra Duty Responsibilities (EDR's) – Student Activities
 - Elementary QUEST Program – phase 2 expansion

Next Steps...

◎ Board of School Directors

- Consideration to Publicly Post the 2016-17 Proposed Final Budget of \$318,775,592
 - The State Budget Form will be posted on our website over the next several days
- Consider Final Budget Adoption on June 14th

◎ Superintendent & Cabinet

- Develop Recommendations to Effectively Implement Program Initiatives

CONSTRUCTION DEBT PREPAYMENT

Proposal to Reduce Outstanding Debt Obligations

April 26, 2016

Debt Defeasance (Prepayment) Scenario per PFM

CENTRAL BUCKS SCHOOL DISTRICT
Summary of Defeasance Options

Scenario 1 - 2017-2018 Fiscal Year

DEBT DEFEASANCE

Assumptions

- Contribute \$30,000,000 towards a cash defeasance in the 2017-2018 fiscal year (August 2017)
- Target existing bond issues reduce the District's total overall PSERS and local effort obligation
- Receive a one time lump sum PlanCon reimbursement of approximately \$456,818

Principal Defeased	\$26,385,000
Interest Escrowed to Call Date	\$4,435,675
Costs of Issuance	\$74,274
Less: Escrow Earnings	(\$894,949)
Total Cash Contribution	\$30,000,000

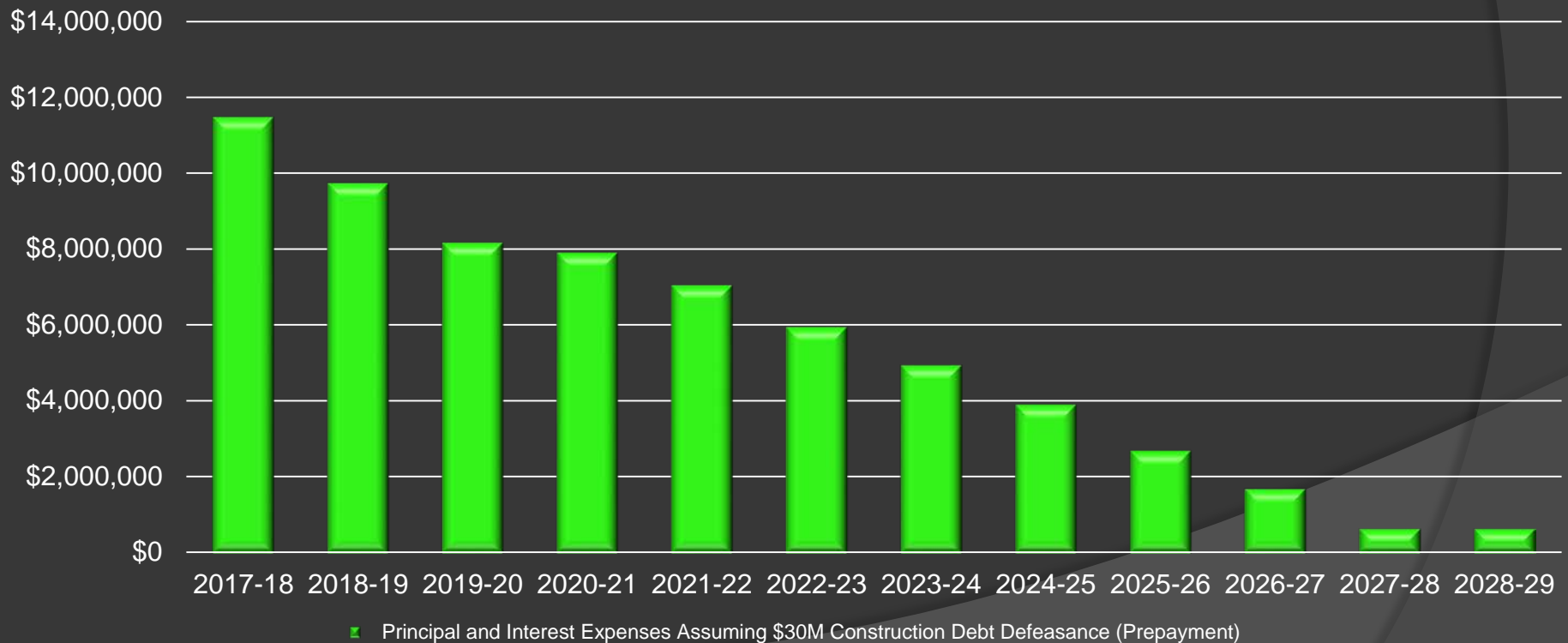
3 Fiscal Year Ending	4 Total Salaries 3.00% Growth	5 PSERS Contribution Rate [1]	6 Gross Contribution Amount	7 Less: State Reimbursement	8 Less: PSERS Reserve Contribution	9 Net PSERS Contribution Amount	10 Existing Local Effort	11 Less: Defeased Local Effort	12 New Local Effort	13 Total Overall Obligation
				50.00%						
6/30/2016	146,404,160	25.840%	37,830,835	(18,915,417)		18,915,417	19,443,052		19,443,052	38,358,470
6/30/2017	150,796,285	30.030%	45,284,124	(22,642,062)		22,642,062	16,256,470		16,256,470	38,898,532
6/30/2018	155,320,173	32.040%	49,764,584	(24,882,292)		24,882,292	14,799,863	(3,327,246)	11,472,618	36,354,909
6/30/2019	159,979,779	33.270%	53,225,272	(26,612,636)		26,612,636	13,235,909	(3,493,042)	9,742,868	36,355,504
6/30/2020	164,779,172	34.200%	56,354,477	(28,177,238)		28,177,238	11,799,808	(3,620,227)	8,179,580	36,356,819
6/30/2021	169,722,547	33.510%	56,874,026	(28,437,013)		28,437,013	9,814,739	(1,898,114)	7,916,625	36,353,638
6/30/2022	174,814,223	33.510%	58,580,246	(29,290,123)		29,290,123	8,244,782	(1,179,691)	7,065,091	36,355,214
6/30/2023	180,058,650	33.750%	60,769,794	(30,384,897)		30,384,897	8,305,864	(2,335,156)	5,970,708	36,355,605
6/30/2024	185,460,410	33.840%	62,759,803	(31,379,901)		31,379,901	8,199,241	(3,222,441)	4,976,800	36,356,701
6/30/2025	191,024,222	33.940%	64,833,621	(32,416,810)		32,416,810	7,226,976	(3,288,440)	3,938,537	36,355,347
6/30/2026	196,754,949	34.180%	67,250,841	(33,625,421)		33,625,421	6,206,606	(3,478,062)	2,728,545	36,353,965
6/30/2027	202,657,597	34.180%	69,268,367	(34,634,183)		34,634,183	5,132,774	(3,410,340)	1,722,434	36,356,617
6/30/2028	208,737,325	34.180%	71,346,418	(35,673,209)		35,673,209	4,041,260	(3,378,079)	663,181	36,336,389
6/30/2029	214,999,445	34.180%	73,486,810	(36,743,405)		36,743,405	2,909,115	(2,246,502)	662,613	37,406,018
TOTAL	2,501,508,936		827,629,218	(413,814,609)	0	413,814,609	135,616,460	(34,877,339)	100,739,121	514,553,729

[1] Per PSERS contribution projections as of 12/8/2015

Less: PlanCon lump sum reimbursement	(456,818)
Less: Est. PSERS reserve contribution interest earnings	0
Net total overall obligation	514,096,911

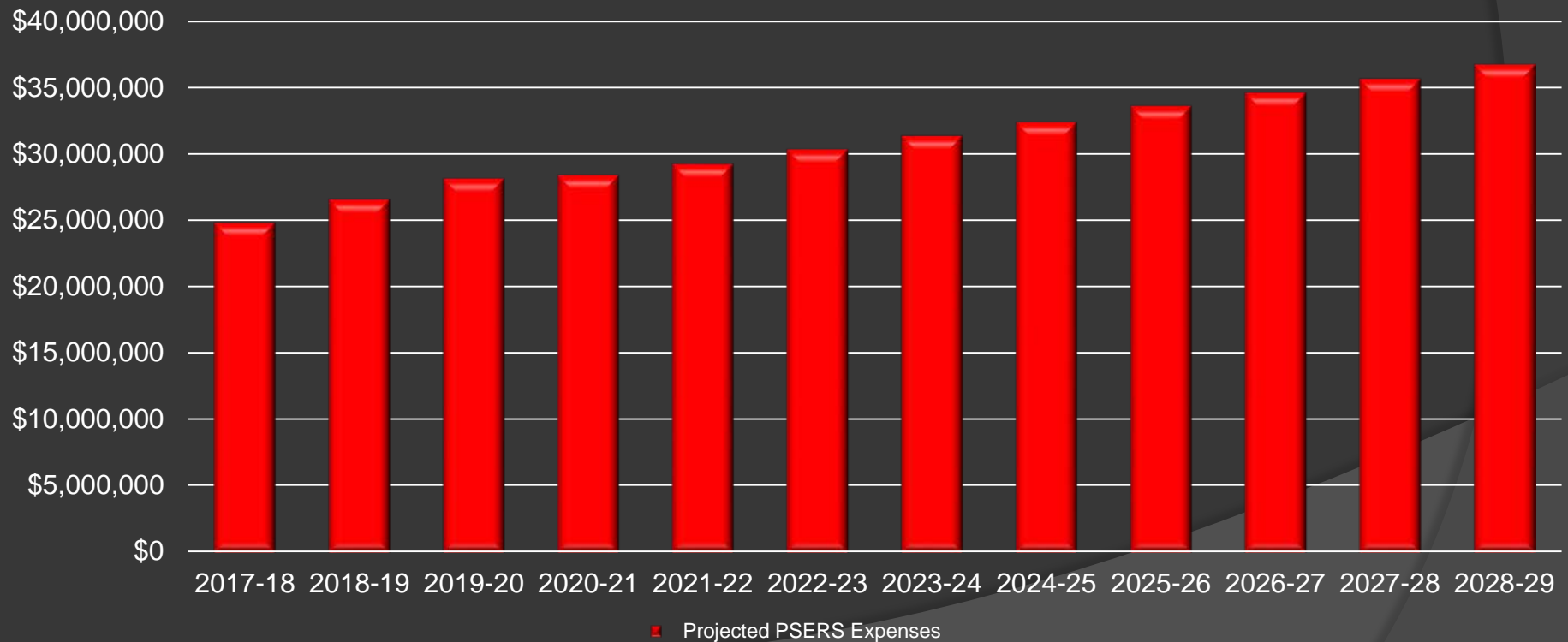
The impact of the final planned debt defeasement of \$30M will reduce future principal and interest expenses (**green bars below**).

Declining Principal and Interest Payments Help Relieve Budget Pressure



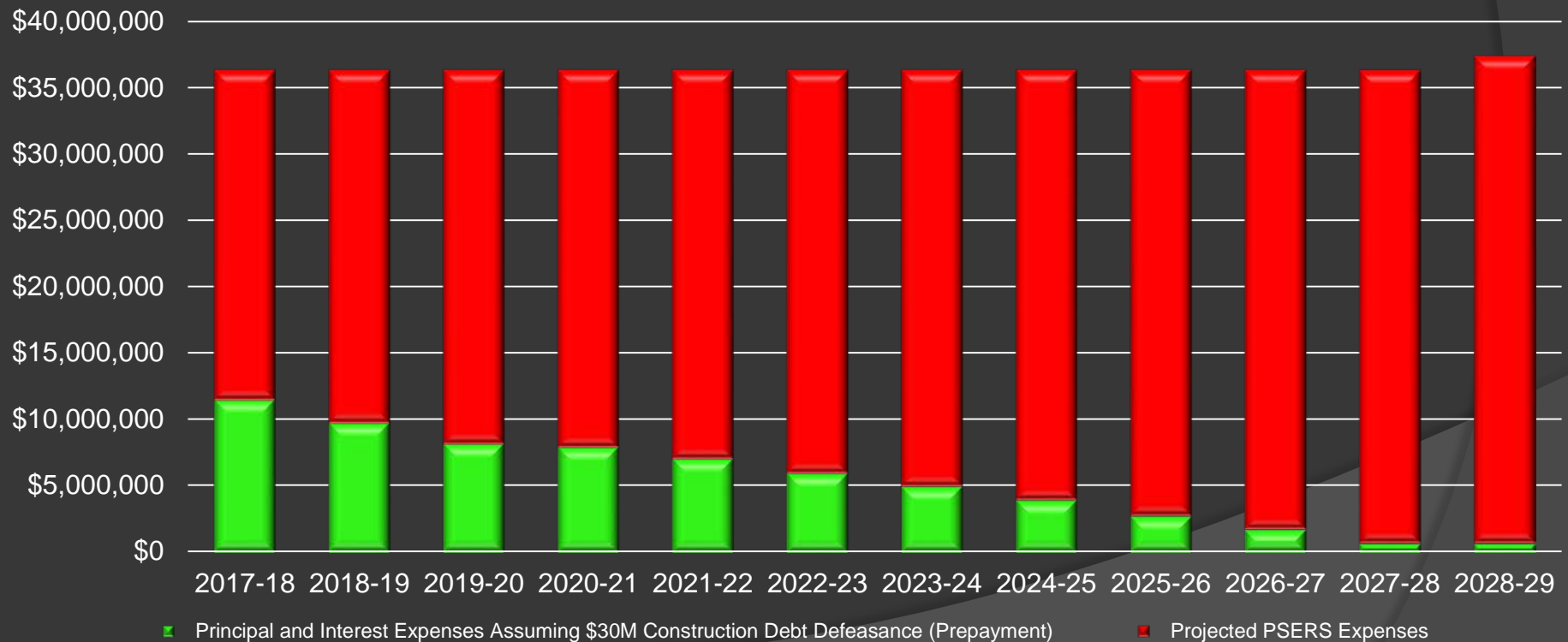
Projected state retirement payments (**red bars**) will continue to increase over time.

Lower Debt Payments Counteract Higher PSERS Payments



The impact of the final planned debt defeasement of \$30M will reduce future principal and interest expenses (**green section of the bars below**). This reduction will counteract the projected increases in mandated state retirement payments (**red section of the bars below**) resulting in a flat payment profile when combining PSERS and debt expenses in the bar chart below. Debt defeasance will eliminate future budget growth associated with projected increases in PSERS expenses and will yield a return on investment of approximately 3.9%.

Lower Debt Payments Counteract Higher PSERS Payments



Planning For a \$30M Debt Prepayment

Why Prepay Construction Debt:

- Gives the district greater confidence it can afford employee contracts currently being negotiated.
- Gives the district greater confidence it can afford the next teacher contract (2018-19).
- Helps insulate CBSD from economic recession: (chances of a recession in the next 5 years?)
- Helps insulate CBSD from state subsidy reductions.
- Lowers overhead to help focus future budgets on academics
- Prepaying debt principal reduces future interest payments & accelerates state subsidy reimbursements. Return on Investment 3.9%
- Plays a major role in long term budget planning
 - Mandated state retirement expenses will likely continue to increase due to low returns on investments.

<u>Description</u>	<u>Amount</u>	
Debt Service Fund Balance	\$9,150,000	
Transfer From the General Fund	\$10,500,000	
Partial Use of 2015-16 Budget Variance	\$1,020,000	\$4.2M projected
Use of O.P.E.B Capital Account	\$9,330,000	
Potential Funding For Debt Prepayment	\$30,000,000	



2016-17 Proposed Final Budget

1000 Instruction	
1100 Regular Education Programs	
100 Salaries and Wages	82,752,344
200 Employee Benefits	45,257,314
300 Professional Services	46,500
400 Purchased Property Services	715,000
500 Other Purchased Services	86,422
600 Supplies	2,177,871
700 Property and Equipment	257,466
800 Other Expenses	12,574
Total	131,305,491
1200 Special Education Programs	
100 Salaries and Wages	22,623,026
200 Employee Benefits	14,967,338
300 Professional Services	3,187,630
400 Purchased Property Services	7,500
500 Other Purchased Services	1,060,323
600 Supplies	175,595
700 Property and Equipment	53,025
800 Other Expenses	3,000
Total	42,077,438
1300 Vocational Education	
500 Other Purchased Services	4,805,072
Total	4,805,072
1400 Other Instructional Programs	
100 Salaries and Wages	567,923
200 Employee Benefits	282,150
300 Professional Services	72,500
500 Other Purchased Services	3,555,000
600 Supplies	7,200
Total	4,484,773
1500 Non Public School Program	
500 Other Purchased Services	-
Total	-
1600 Adult Education Programs	
100 Salaries and Wages	101,500
200 Employee Benefits	32,354
300 Professional Services	52,250
400 Purchased Property Services	300
500 Other Purchased Services	500
600 Supplies	5,858
800 Other Expenses	255

Total	193,017
Total 1000	182,865,791
2000 Support Services	
2100 Support Services - Pupil Personnel	
100 Salaries and Wages	8,257,885
200 Employee Benefits	4,415,901
300 Professional Services	65,500
400 Purchased Property Services	1,000
500 Other Purchased Services	1,616
600 Supplies	80,000
Total	12,821,902
2200 Support Services - Instructional Staff	
100 Salaries and Wages	6,314,018
200 Employee Benefits	3,706,504
300 Professional Services	30,750
400 Purchased Property Services	81,988
500 Other Purchased Services	245,630
600 Supplies	294,350
700 Property and Equipment	150,000
800 Other Expenses	2,000
Total	10,825,240
2300 Support Services - Administration	
100 Salaries and Wages	8,307,733
200 Employee Benefits	4,513,916
300 Professional Services	1,284,890
400 Purchased Property Services	20,706
500 Other Purchased Services	347,289
600 Supplies	102,500
700 Property and Equipment	16,218
800 Other Expenses	52,031
Total	14,645,283
2400 Support Services - Pupil Health	
100 Salaries and Wages	2,448,682
200 Employee Benefits	1,124,993
300 Professional Services	59,245
400 Purchased Property Services	205
500 Other Purchased Services	308
600 Supplies	56,000
700 Property and Equipment	17,000
800 Other Expenses	265
Total	3,706,699

2500 Support Services - Business	
100 Salaries and Wages	1,031,453
200 Employee Benefits	519,885
300 Professional Services	26,250
400 Purchased Property Services	7,410
500 Other Purchased Services	17,500
600 Supplies	18,000
700 Property and Equipment	2,500
800 Other Expenses	2,500
Total	1,625,498
2600 Support Services - Operations & Maint.	
100 Salaries and Wages	9,340,771
200 Employee Benefits	6,628,245
400 Purchased Property Services	5,645,000
500 Other Purchased Services	578,970
600 Supplies	2,924,181
700 Property and Equipment	141,400
800 Other Expenses	3,100
Total	25,261,667
2700 Support Services - Transportation	
100 Salaries and Wages	5,173,666
200 Employee Benefits	3,751,417
300 Professional Services	3,500
400 Purchased Property Services	238,090
500 Other Purchased Services	9,499,944
600 Supplies	918,844
700 Property and Equipment	80,000
800 Other Expenses	500
Total	19,665,960
2800 Support Services	
100 Salaries and Wages	828,030
200 Employee Benefits	462,596
300 Professional Services	303,000
400 Purchased Property Services	314,000
500 Other Purchased Services	296,940
600 Supplies	103,020
700 Property and Equipment	75,000
Total	2,382,586
2900 Other Support Services	
500 Other Purchased Services	248,675
Total	248,675

Total 2000	91,183,510
3000 Operation Of Non-Instructional Services	
3200 Student Activities	
100 Salaries and Wages	2,070,553
200 Employee Benefits	687,144
300 Professional Services	529,506
500 Other Purchased Services	15,150
600 Supplies	350,844
700 Property and Equipment	130,000
Total	3,783,197
3300 Community Services	
100 Salaries and Wages	2,031,947
200 Employee Benefits	864,236
300 Professional Services	12,928
400 Purchased Property Services	1,616
500 Other Purchased Services	47,824
600 Supplies	304,150
700 Property and Equipment	5,000
800 Other Expenses	200
Total	3,267,901
Total 3000	7,051,098
5000 Other Expenditures and Financing Uses	
5100 Debt Service	
800 Other Expenses	4,063,193
900 Other Financing Uses	12,007,000
Total	16,068,193
5200 Interfund Transfers	
900 Other Financing Uses	21,605,000
Total	21,605,000
	-
5900 900 Other Financing Uses	
Contingency	-
Total	-
Total 5000	<u>37,673,194</u>
Total	318,775,592