

Budget Kickoff and Outlook

2018-19

Overview

- HOW DID WE END THE 2016-17 FISCAL YEAR FINANCIALLY?
- USE OF 2016-17 POSITIVE BUDGET VARIANCE
- ASSUMPTIONS FOR FUTURE BUDGET GROWTH
 - GENERAL FUND
 - CAPITAL FUNDS

2016-17 Year End

R e v e n u e s

2016-17	Budget	Actual *	Variance
	\$318,775,592	\$324,203,657	\$5,428,065

E x p e n s e s

2016-17	Budget	Actual*	Variance
	\$318,775,592	\$317,496,612	\$1,278,980

* does not include one-time \$6,646,000 PDE construction reimbursement

2016-17	Variance Total	\$6,707,045
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Total Variance as a % of Rev. & Exp. Budget **1.05%**

2016-17 Year End Budget Transfers Approved , May 2017

Positive 2016-17 Budget Variance (unaudited)	\$6,707,044
Less: Transfer to the Transportation Capital Fund (purchase additional special needs buses)	-\$400,000
Less: Transfer to the Short Term Capital Fund (purchase addition field maintenance equipment)	-\$150,000
Less: Transfer to the Technology Capital Fund	-\$5,450,000
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2016-17 Positive Variance Added to the General Fund, Fund Balance	\$707,044

2016-17 Projected Ending Fund Balance (unaudited)

2015-16 General Fund Balance	\$13,997,592
Add: 2016-17 Positive Variance Added to the General Fund Balance	\$707,044
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Projected 2016-17 Ending General Fund Balance	\$14,704,636
Projected Unassigned 2016-17 General Fund Balance as a Percent of the \$331,810,756 2017-18 Budget	4.4%
PDE General Fund Balance Limit =	8.0%

Budget Assumptions – Budget and Forecast Years

Salary and Hourly Percent Increase Assumptions [100's Object]

Employee Group	2017-18 Current Year	2018-19 Budget Year	2019-20 Forecast 1	2020-21 Forecast 2	2021-22 Forecast 3	2022-23 Forecast 4
Administration	3.64% <small>(New A.D. Butler Asst. Prin.)</small>	3.74% <small>New Business Off. Accountant</small>	2.84%	2.24%	2.80%	2.80%
Teaching Staff	3.70% <small>(column changes, MS, Sp.Ed. Social)</small>	Negotiating	Negotiating	Negotiating	Negotiating	Negotiating
Transportation	2.40%	2.52%	2.34%	2.53%	2.53%	2.53%
Confidential Secretaries	3.20% <small>Payroll Position Transition</small>	2.00% <small>Reduced Position Communication Sec.</small>	3.00%	3.00%	2.50%	2.50%
Support Staff (sp. ed.)	3.24%	3.08%	3.30%	3.20%	3.20%	3.20%

The current four-year teaching contract is in effect from the 2014-15 fiscal year through the 2017-18 fiscal year. The current administration agreement runs from 2016-17 through 2018-19. The five-year transportation contract and the five-year support staff contract both end in June of 2021

Budget Assumptions - Budget and Forecast Years (continued)

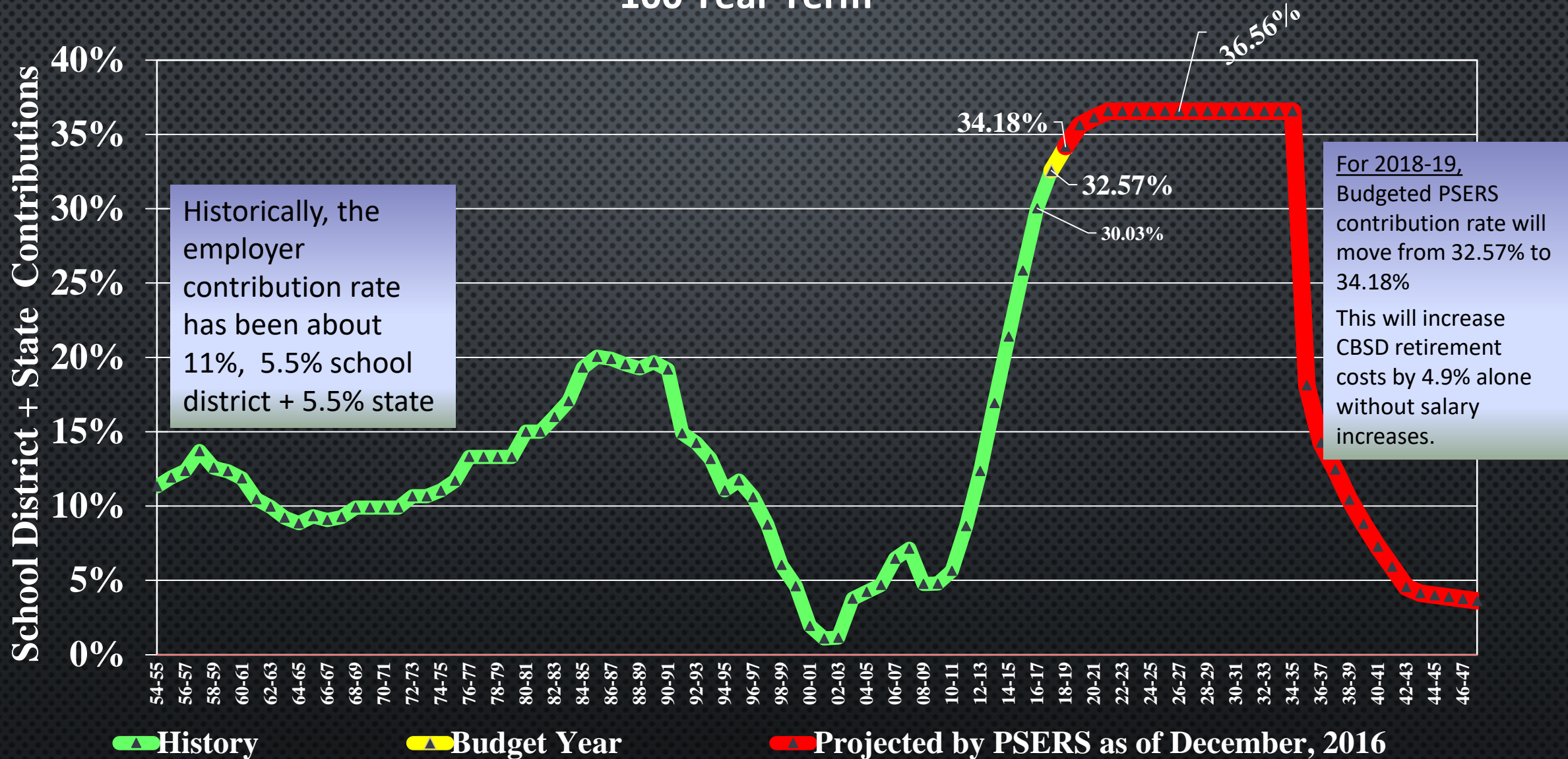
Benefit Increase Assumptions [200's Object]

Benefit Type	2017-18 Current	2018-19 Budget	2019-20 Forecast 1	2020-21 Forecast 2	2021-22 Forecast 3	2022-23 Forecast 4
Health Care *	3.0%	-3.0%	4.0%	3.0%	3.0%	3.0%
Prescription	16.0%	6.0%	8.0%	6.0%	8.0%	8.0%
Dental care *	6.4%	6.9%	2.5%	3.0%	3.0%	3.0%
Life Insurance *	-13.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Tuition Reimb. **	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Unemployment Ins.	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Worker Comp. Ins.	8.7%	2.0%	2.8%	3.0%	2.8%	3.0%
FICA	3.9%	3.9%	2.9%	2.9%	2.9%	2.9%
State Retirement	12.0%	7.9%	7.0%	3.0%	3.0%	2.5%

*Made more student personal cares aides positions benefits eligible. ** Not all employee groups receive this benefit.

- The District offers three self-insured health insurance plans to its employees through the Bucks / Montgomery Health Care Consortium. Each plan has different office co-pay amounts and deductibles. Employees pay a greater cost share of the total benefit costs when choosing the lower doctor's office co-pay and deductible options.
- Dental Care is also self-insured by the District. A third party, Delta Dental, administers the policy, and makes payment of claims.
- Life Insurance limits are 1.5 times the annual salary, per employee, except for administrators who are capped at twice their salary amount.
- Tuition Reimbursement is offered to the teaching staff and administrative staff.
- As the district is self-insured for unemployment claims, the unemployment insurance expenses are projected to remain relatively flat, as there are no projected staff reductions or layoffs.
- Worker's compensation is projected to decrease slightly in the budget year due to positive experience rating and will then hold relatively flat for the five-year period. The district's experience modification factor is just above the baseline of 1 so costs should be stable, and there are not large pending claims at this time.
- The employer FICA contribution rate is projected to remain at 7.65% of salary, so will increase in line with salaries.
- The state retirement program contributions are expected to increase over the five-year period. The assumptions used are from the latest projections of employer contributions to the Pennsylvania School Employee Retirement System (PSERS). Employer contributions to the state retirement system are based on gross payroll times the projected employer PSERS rate. [Reminder: the district receives state reimbursement for 50% of employer retirement expenses.]

Pennsylvania School Employees Retirement System (PSERS) Employer Retirement Contributions - 100 Year Term



Budget Assumptions - Budget and Forecast Years (continued)

All Other Expense Assumptions [300's to 900's Object]

Major Objective	2017-18 Current Year	2018-19 Budget Year	2019-20 Forecast 1	2020-21 Forecast 2	2021-22 Forecast 3	2022-23 Forecast 4
300, Purchased Professional & Tech Services	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
400, Purchased Property Services	11.00%	6.00%	5.50%	6.00%	5.50%	5.80%
500, Other Purchased Services	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
600, Supplies and Text Books	10.00%	3.00%	2.00%	3.00%	2.00%	2.00%
700, Property and Equipment	1.00%	2.00%	0.50%	0.50%	0.50%	0.50%
800, Other Expenses	-10.00%	-13.00%	-14.60%	-16.00%	-14.70%	-14.00%
900, Other Uses of Funds	-3.00%	-10.50%	-13.60%	-8.90%	-5.80%	-3.50%

300, Purchased Professional and Technical Services - are services provided by people or firms with specialized skills and knowledge. Expenditures included in this category are contracted substitute teachers, Intermediate Unit special education services, architects, engineers, auditors, medical professionals, and legal firms.

400, Purchased Property Services - are services purchased to operate and maintain property or to rent property for educational use. Expenditures included in this category are contracted cleaning services, contracted grounds care services, construction services, and extermination services, licensing, as well as printing and copier services.

500, Other Purchased Services - includes contracted transportation, insurance, communication, printing, tuition payments to other education agencies, and travel expenses. Increased insurance premiums due to trends in the insurance markets and an annual 2.5% increase in contracted transportation services are the main drivers of cost increases in this area greater than the rate of inflation.

600, Supplies - are expenses paid for material items that are consumed during the normal operation of a District. Supplies also include utility costs, software license fees for on-line books, textbooks, and library books. The major variable in the supply category is textbooks. 2017-18 increase is due to building level budget requests.

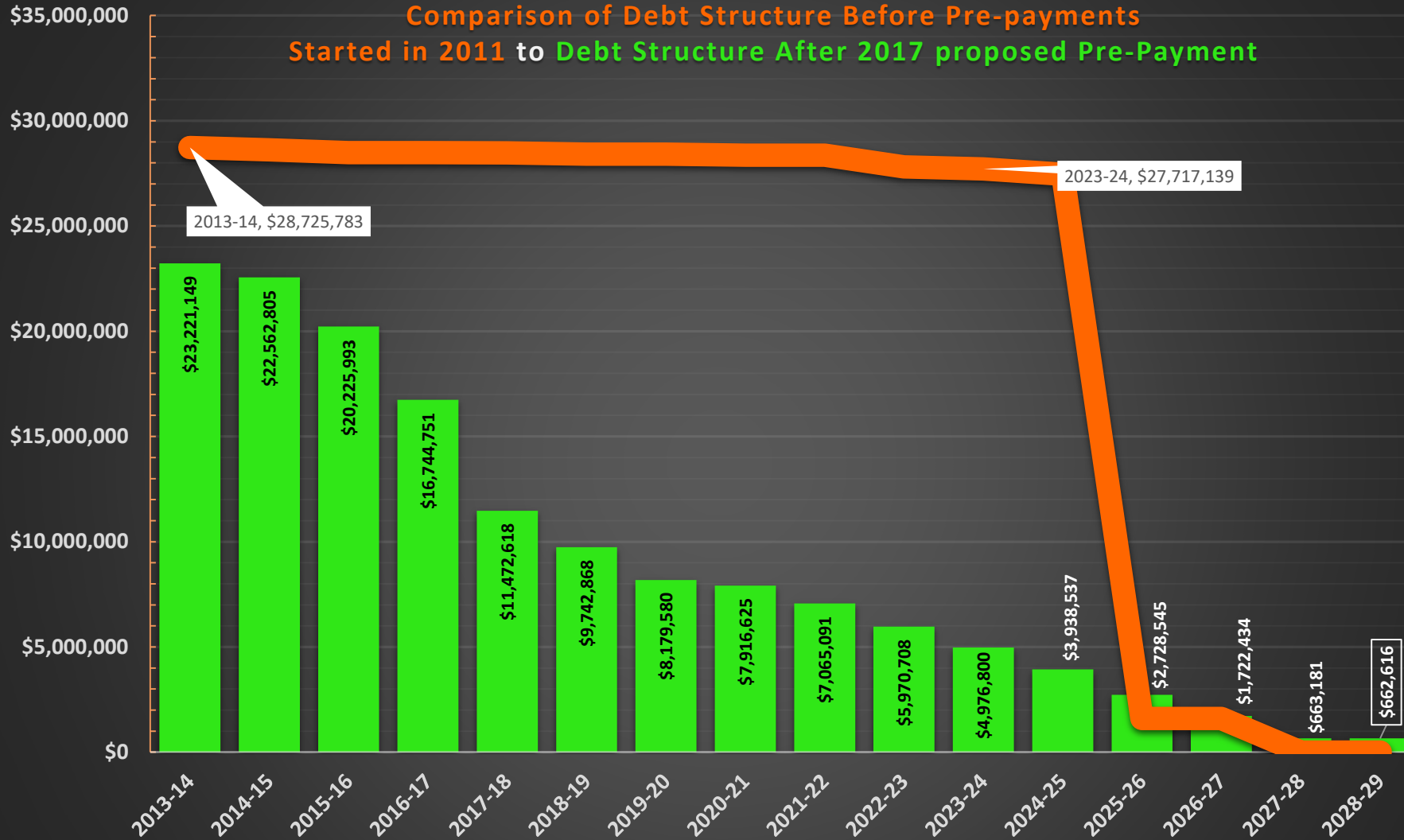
700, Property and Equipment - this category includes the purchase of fixed assets including land and buildings. For GASB 34 compliance the district will identify any equipment with a value of \$5,000 or greater to track as a fixed asset.

800, Other Expenses - The expenses contained in this category include membership dues to organizations, interest payments on notes and bonds, and training expenses. Due to prepayment of construction debt and no plans for additional borrowing, interest payments will decline in future years.

900, Debt Service and Transfers - Principal payments on bond issues makes up the bulk of the expenses in this category of expenses. No additional debt issue is planned during the five-year budget model. Due to prepayment of construction debt, bond principal payments will decline in future years.

Pre-Payment of Construction Debt

Comparison of Debt Structure Before Pre-payments
 Started in 2011 to Debt Structure After 2017 proposed Pre-Payment



■ Total Principal and Interest Payments After 2014-15 Defeasance. (per PFM analysis
— Debt Levels Pre-Defeasance (source 2008 bond fund official statement page 16)

March - 2016)

Budgeting for the Technology Capital Fund

Technology Capital Reserve Fund - Revenues and Incoming Transfers

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Transfers In From General Fund	2,000,000	4,329,992	2,000,000	-	2,086,639	5,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Earning on Investments	6,201	10,771	13,887	5,424	870	9,500	10,000	10,500	11,000	11,500
Other Revenues Such as Fund Balance	-	-	-	5,154	-	-	-	-	-	-
Total	2,006,201	4,340,763	2,013,887	10,578	2,087,509	5,009,500	3,010,000	3,010,500	3,011,000	3,011,500
% Change Over Prior Year	0.17%	116.37%	-53.61%	-99.47%	19634.44%	47257.72%	-39.91%	0.02%	0.02%	0.02%

Technology Capital Reserve Fund - Expenses

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Technology Capital Expenditures	1,267,257	3,130,445	3,217,120	4,603,318	1,988,182	3,500,000	3,000,000	3,000,000	3,000,000	3,000,000
Transfers to Other Funds	-	-	-	-	-	-	-	-	-	-
Total	1,267,257	3,130,445	3,217,120	4,603,318	1,988,182	3,500,000	3,000,000	3,000,000	3,000,000	3,000,000
% Change Over Prior Year	7971.19%	147.03%	2.77%	43.09%	-56.81%	-23.97%	-14.29%	0.00%	0.00%	0.00%

Technology Capital Reserve Fund - Change in Financial Position

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Beginning Fund Balance	2,274,217	3,013,161	4,223,479	3,020,246	(1,572,494)	(1,473,167)	36,333	46,333	56,833	67,833
Excess (deficiency) of Revenues over Expenses	738,944	1,210,318	(1,203,233)	(4,592,740)	99,327	1,509,500	10,000	10,500	11,000	11,500
Fund Balance at Year End	\$3,013,161	\$4,223,479	\$3,020,246	-\$1,572,494	-\$1,473,167	\$36,333	\$46,333	\$56,833	\$67,833	\$79,333
	32.49%	40.17%	-28.49%	-152.07%	-6.32%	-102.47%	27.52%	22.66%	19.35%	16.95%

The Technology Capital Fund provides a consistent source of funding for school technologies that occur over a three to five year horizon. This includes classroom computer replacement plans, network infrastructure build-out, redundant power supplies, support for security systems, and preparations to replace phone and internal building communication systems over time. Money is typically transferred from the General Fund to the Technology Capital Fund in the amount of \$2 to \$3M each year depending on balances and projected needs.

As a general rule of thumb, the district tries to replace student computers every four year. This means the IT department replaces about 25% of student and staff computers each year. Computers that may be used for less demanding applications may be replaced on a longer life cycle.

To ensure that the IT department had the required hardware to prepare for the 2017-18 school year many computers were purchased near the end of 2016-17 so that the department could install and test them prior to the start of school. This left the technology account in a deficit position, however the capital fund, overall, had the resources to cover the expenses until the July 2017 general fund transfer.

Summary of All Funds Revenue Expenses and Forecasts

Budgeting for the Long Term Capital Fund

Long Term Capital Reserve Fund - Revenues and Incoming Transfers

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Transfers In From General Fund	8,000,000	3,000,000	3,160,000	9,969,665	13,646,000	6,000,000	3,600,000	600,000	-	-
Earning on Investments	-	24,797	38,764	43,464	107,287	110,000	110,000	110,000	110,000	110,000
Other Revenues - Such as General Operating Fund Balance	-	-	-	-	-	4,000,000	-	-	-	-
Total	8,000,000	3,024,797	3,198,764	10,013,129	13,753,287	10,110,000	3,710,000	710,000	110,000	110,000
% Change Over Prior Year	#DIV/0!	-62.19%	5.75%	213.03%	37.35%	0.97%	-63.30%	-80.86%	-84.51%	0.00%

Long Term Capital Reserve Fund - Expenses

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Long Term Capital Expenditures	-	-	3,627,089	5,432,996	(860,747)	1,000,000	500,000	500,000	500,000	500,000
Transfers to Other Funds	-	-	-	-	-	-	-	-	-	-
Total	-	-	3,627,089	5,432,996	(860,747)	1,000,000	500,000	500,000	500,000	500,000
% Change Over Prior Year				49.79%	-115.84%	-81.59%	-50.00%	0.00%	0.00%	0.00%

Long Term Capital Reserve Fund - Change in Financial Position

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Beginning Fund Balance	-	8,000,000	11,024,797	10,596,472	15,176,605	29,790,639	38,900,639	42,110,639	42,320,639	41,930,639
Excess (deficiency) of Revenues over Expenses	8,000,000	3,024,797	(428,325)	4,580,133	14,614,034	9,110,000	3,210,000	210,000	(390,000)	(390,000)
Fund Balance at Year End	\$8,000,000	\$11,024,797	\$10,596,472	\$15,176,605	\$29,790,639	\$38,900,639	\$42,110,639	\$42,320,639	\$41,930,639	\$41,540,639
		37.81%	-3.89%	43.22%	96.29%	30.58%	8.25%	0.50%	-0.92%	-0.93%

The district has a goal of not borrowing any money to maintain school facilities and grounds. This is an effort to reduce overhead costs as much as possible so that increased payments into the state mandated retirement system can be made without major tax increases. The district is committed to properly maintain facilities and therefore established a Long Term Capital Fund to accumulate money for capital projects over a five to ten year horizon as needed. The Long Term Capital Fund will be used for major building renovation projects. Money is typically transferred from the General Fund to the Long Term Capital Fund in the amount of \$4M to \$7M each year on average. From 2016-17 through 2020-21 approximately \$40+M could be available for major capital projects. Some expenses may occur from this fund in future years for architectural or engineering services, but the goal is to preserve capital over the next five years for major renovations that could occur six to ten years out from the budget year.

Budgeting for the Short Term Capital Fund

Short Term Capital Reserve Fund - Revenues and Incoming Transfers

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Transfers In From General Fund	5,000,000	4,330,000	4,330,000	5,330,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Earning on Investments	28,757	23,225	17,511	6,229	12,608	14,000	14,000	15,000	16,000	17,000
Other Revenues	3,120,056	-	-	15,000	-	-	-	-	-	-
Total	8,148,813	4,353,225	4,347,511	5,351,229	12,012,608	12,014,000	12,014,000	12,015,000	12,016,000	12,017,000
% Change Over Prior Year	305.65%	-46.58%	-0.13%	23.09%	124.48%	124.51%	0.00%	0.01%	0.01%	0.01%

Short Term Capital Reserve Fund - Expenses

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Short Term Capital Expenditures	5,516,253	6,398,207	8,028,949	7,404,547	11,855,598	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Transfers to Other Funds										
Total	5,516,253	6,398,207	8,028,949	7,404,547	11,855,598	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
% Change Over Prior Year	311.32%	15.99%	25.49%	-7.78%	60.11%	62.06%	0.00%	0.00%	0.00%	0.00%

Short Term Capital Reserve Fund - Change in Financial Position

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Beginning Fund Balance	5,461,933	8,094,493	6,049,511	2,368,073	314,755	471,765	485,765	499,765	514,765	530,765
Excess (deficiency) of Revenues over Expenses	2,632,560	(2,044,982)	(3,681,438)	(2,053,318)	157,010	14,000	14,000	15,000	16,000	17,000
Fund Balance at Year End	\$8,094,493	\$6,049,511	\$2,368,073	\$314,755	\$471,765	\$485,765	\$499,765	\$514,765	\$530,765	\$547,765
	48.20%	-25.26%	-60.86%	-86.71%	49.88%	2.97%	2.88%	3.00%	3.11%	3.20%

The Short Term Capital Fund is used to accumulate funding that will typically be used during the next two years. It is used to provide a source of revenue for general repairs and upkeep of school facilities and grounds. Money is typically transferred from the General Fund to the Short Term Capital Fund in the amount of \$8M to \$12M each year unless more expensive projects are proposed in a given year. Money not used at the end of a fiscal year is maintained in the Short Term Capital fund for future projects.

In general, facility repairs which will take approximately one year or less to complete are charged to the Short Term Capital fund with more extensive renovations that may take multiple years to complete are charged to the Long Term Capital Fund.

A detailed capital project listing appears in this section of the budget with construction and repairs projected by school over the next ten year period along with the estimated life cycle of the repair or renovation. In addition, the district is undertaking an architectural review, feasibility study, of schools and grounds in an effort to establish capital improvement priorities and budgets over the next ten years. The feasibility study should be complete by November 2017.

Summary of All Funds Revenue Expenses and Forecasts



Overview of Short Term and Long Term Capital Funds

	2017-18	2018-19	2019-20	2020-21	2021-22
Proposed Long Term Capital Transfers from the General Fund	\$ 6,000,000	\$ 3,600,000	\$ 600,000	\$ -	\$ -
Proposed Short Term Capital Transfers from the General Fund	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000
Total Available for Construction Each Year	\$ 18,000,000	\$ 15,600,000	\$ 12,600,000	\$ 12,000,000	\$ 12,000,000
Current Long Term Capital Fund Balance	\$ 29,790,639				
Growth in Short & Long Term Capital Balance - Assume no Expenses	\$ 47,790,639	\$ 63,390,639	\$ 75,990,639	\$ 87,990,639	\$ 99,990,639

**Current Fund Balance of the Debt Fund and General
Fund Reserved Fund Balance**
(A/C, Elementary School, Debt Defeasance)

\$ 29,340,049

General 2018-19 Budget Parameters

Act 1 Base Index for 2018-19 is	2.40%
Estimated Act 1 Exception for Retirement is	0.75%
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<u>Estimated</u> Allowable Act 1 Tax Increase is	3.15%

2018-19 Budget As of October 17th 2017

Our total General Fund expenditure budget stands at:

2018-19	2017-18	% Δ
<u>\$338,572,462</u>	<u>\$ 331,190,855</u>	<u>2.23%</u>

This does not include any budget initiatives or any extra positions

Summary

- LOOKS LIKE WE SHOULD BE IN PRETTY GOOD FINANCIAL SHAPE FOR 2018-19. EVERYTHING WILL HINGE ON REVENUE PROJECTIONS AND HOW WELL THEY BALANCE WITH EXPENSES

