

School Board Proposes No Tax Increase for the 2015-16 Budget

The School Board of the Central Bucks School District approved the Proposed Final Budget of \$311.4 million at its meeting on April 28th. The budget for the 2015-16 school year does not increase taxes. The millage rate for real estate taxes will remain at 124.1 mills. This is the second year out of the past three years where real estate taxes were not raised. Prior to 2013-14, the last time there was not a real estate tax increase was the 1994-95 school year after which time the district experienced tremendous student enrollment growth.

The 2015-16 budget is increasing by \$9.9 million or 3.3% over the current year budget. Mandated state pension system expenses will increase by over 20% or around \$6.5M. This one line-item in the budget accounts for over 65% of the budget increase. Mandated state pension system costs will continue to increase significantly over the next several years. The district has been preparing for the dramatic increases in pension costs for many years by paying off some construction debt ahead of schedule. Prepaying the principal amount on construction debt reduces future principal and interest payments which allows future budgets to accommodate dramatic state pension cost increases without a major tax impact on the Central Bucks Community.

\$35 million in construction debt was prepaid in 2011, \$70 million was prepaid in 2013, and the school district has plans to prepay another \$40 million in construction debt in June. It is anticipated that another round of debt prepayment will be needed in 2017 or 2018 to offset mandated pension expenses and to help minimize the inflationary impact of health care and prescription expenses.

Even with a tough budget climate, Central Bucks School District continues to push for excellence in academics and provide a safe and comfortable learning environment for students. The education initiatives contained in the 2015-16 budget are as follows:

- Complete the installation and integration of a district-wide wireless network in all schools.
- Continue installation of electronic Smartboards and interactive projectors into the classroom technology plan.
- Elementary class size is at its lowest level in many years. The district expects to continue this trend in the near term.
- License online academic companion materials that students can access from home to supplement text book curriculum and provide more practice for math, science, and reading.
- Fully integrate the \$250,000 investment in the music instrument program during 2014-15 into the curriculum.
- Provide iPads with curriculum materials to students in first and second grade.
- On-going professional development for all teachers.
- Implementation of the Elementary QUEST (Questioning Understanding through Engineering, Science and Technology) program for the 2015-16 school year.
- Continue building renovations at Holicong and Unami Middle Schools.

Local tax revenues from growth in the real estate market and employment market continue to trend upward which brings in additional revenue to the school district without a tax increase. On March 3rd 2015, Governor Wolf gave his budget address and indicated additional state subsidies for basic education and special education both of which have been incorporated into the school district budget for next school year. The school district also anticipates increases in federal funding for next year. These three positive revenue trends, along with controlling expenses, has helped prepare an academically supportive budget with no tax increase for the 2015-16 school year.

CONSTRUCTION DEBT PREPAYMENT

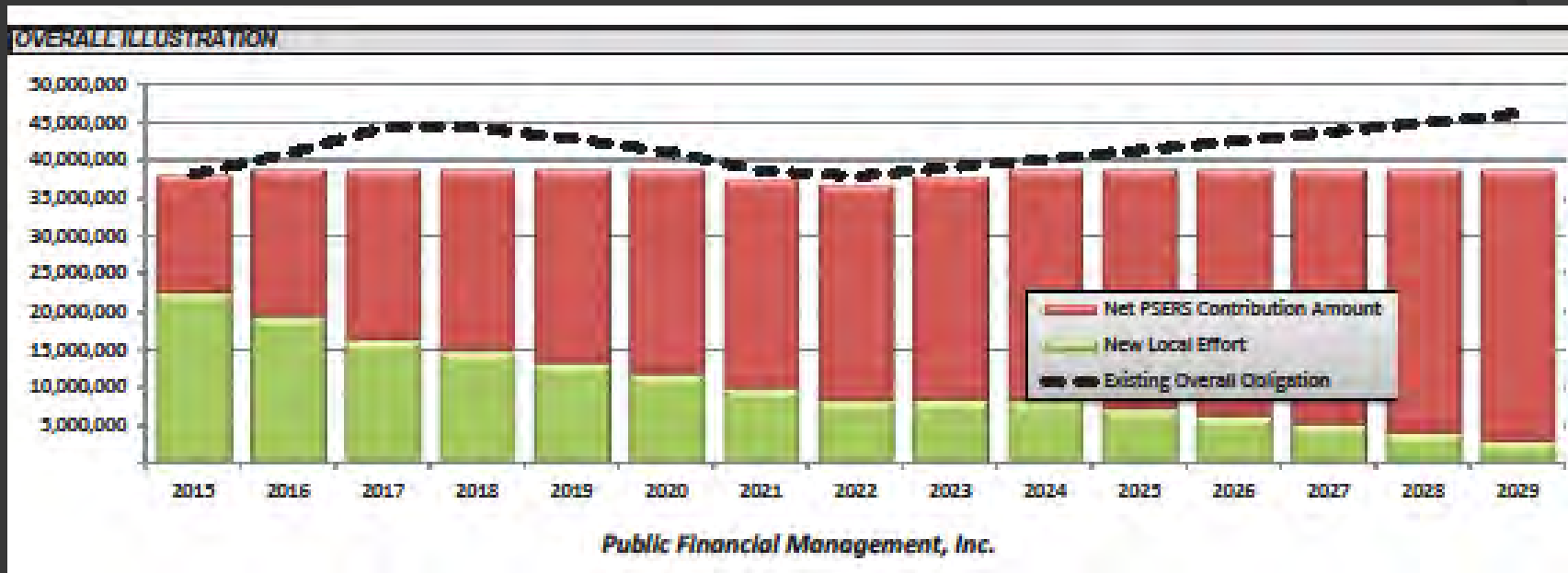
Proposal to Reduce Outstanding Debt Obligations

April 28, 2015

\$40M Construction Debt Prepayment

11 Fiscal Year Ending	12 Existing Local Effort	13 2015 Bonds Defensed Local Effort	14 2011A Bonds Defensed Local Effort	15 2011B Bonds Defensed Local Effort	16 2011C Bonds Defensed Local Effort	17 Total Defensed Local Effort	18 Net Overall Local Effort
6/30/2015	22,562,805						22,562,805
6/30/2016	21,545,879	685,195	274,096	475,755	640,096	2,075,142	19,470,737
6/30/2017	21,725,440	2,641,405	274,096	475,755	2,083,981	5,475,238	16,250,202
6/30/2018	20,298,287		2,469,753	475,755	2,559,071	5,504,590	14,793,698
6/30/2019	17,281,054		1,337,426	2,189,744	519,170	4,046,340	13,234,714
6/30/2020	14,143,170		521,797	1,308,517	519,170	2,349,483	11,793,687
6/30/2021	10,855,541		160,453	362,129	519,170	1,041,752	9,813,790
6/30/2022	9,285,584		160,453	362,129	519,170	1,041,752	8,243,833
6/30/2023	9,346,667		160,453	362,129	519,170	1,041,752	8,304,915
6/30/2024	9,530,976		382,432	431,083	519,170	1,332,685	8,198,292
6/30/2025	9,700,405		429,241	1,530,893	519,170	2,479,303	7,221,102
6/30/2026	9,862,862		2,842,544	300,071	519,170	3,661,785	6,201,078
6/30/2027	10,023,876			1,265,421	3,626,143	4,891,564	5,132,312
6/30/2028	10,151,758			2,340,112	3,775,773	6,115,885	4,035,873
6/30/2029	10,260,266			3,516,263	3,840,028	7,356,292	2,903,974
TOTAL	209,574,571	3,326,500	9,012,754	15,335,760	20,678,448	48,413,562	158,161,010

Eliminating the Pressure of State Pension Costs on Future Budgets



Timeline for Debt Defeasance

April 28th Board Meeting

- School Board Considers Defeasance Resolutions and Escrow Agreements
- School Board Authorizes Administration to Transfer Funds

June 2nd, Scheduled Closing Date

- Documents are Notarized
- Funds Transferred to Trust Accounts and U.S. Securities Purchased
- Prepaid Debt will be removed from liabilities.

Source of Funds for Debt Defeasance

	Bank	Amount
Fund 4 Debt Service	TD Bank	7,000,000
	PSDLAF (Full Flex)	<u>8,000,000</u>
		15,000,000
Fund 1 General Fund	TD Bank (Budgeted for Transfer to Debt Service Fund)	10,000,000
* Fund 1 Use of Fund Balance	TD Bank	10,000,000
Fund 1 Expected Positive Rev/Exp Variance from 2014-2015 Operations (2.5M Rev + 2.5M Exps)	Various Banks	5,000,000
Total Defeasance Amount		<u>40,000,000</u>
* Fund Balance	\$18,024,326	approximately 6% of 2014-15 budget
Less Proposed use of Fund Balance	<u>\$10,000,000</u>	
Projected Fund Balance as of 6/30/2015	\$8,024,326	
% of 2014-15 General Fund Budget of \$301,538,509		2.66%

Recommending to reduce the fund balance to a greater extent than normal due to anticipated PDE requirements that fund balances must be below 4% to qualify for a future real estate tax increase. No tax increase is recommended for 2015-16, but this will position the district to qualify for a tax increase, if needed, in future years.

Central Bucks School District

Consideration to Post the 2015-16
Proposed Final Budget
April 28, 2015

Budget Components

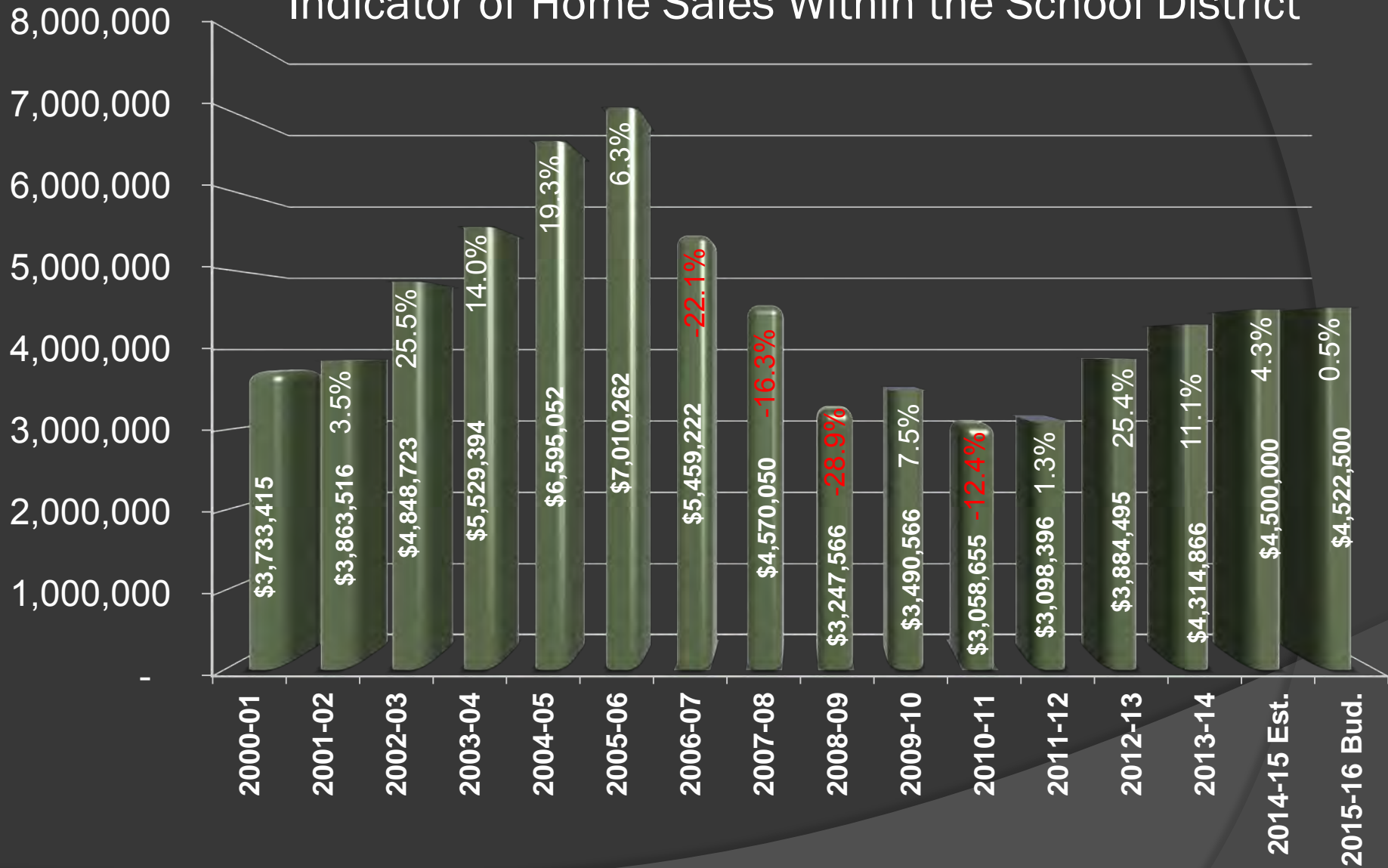
- Revenue Review
- Expenditure Review
- Millage Impact
- Summary

Revenues

Increased Revenues \$525,467 over the
March Budget Presentation Estimates

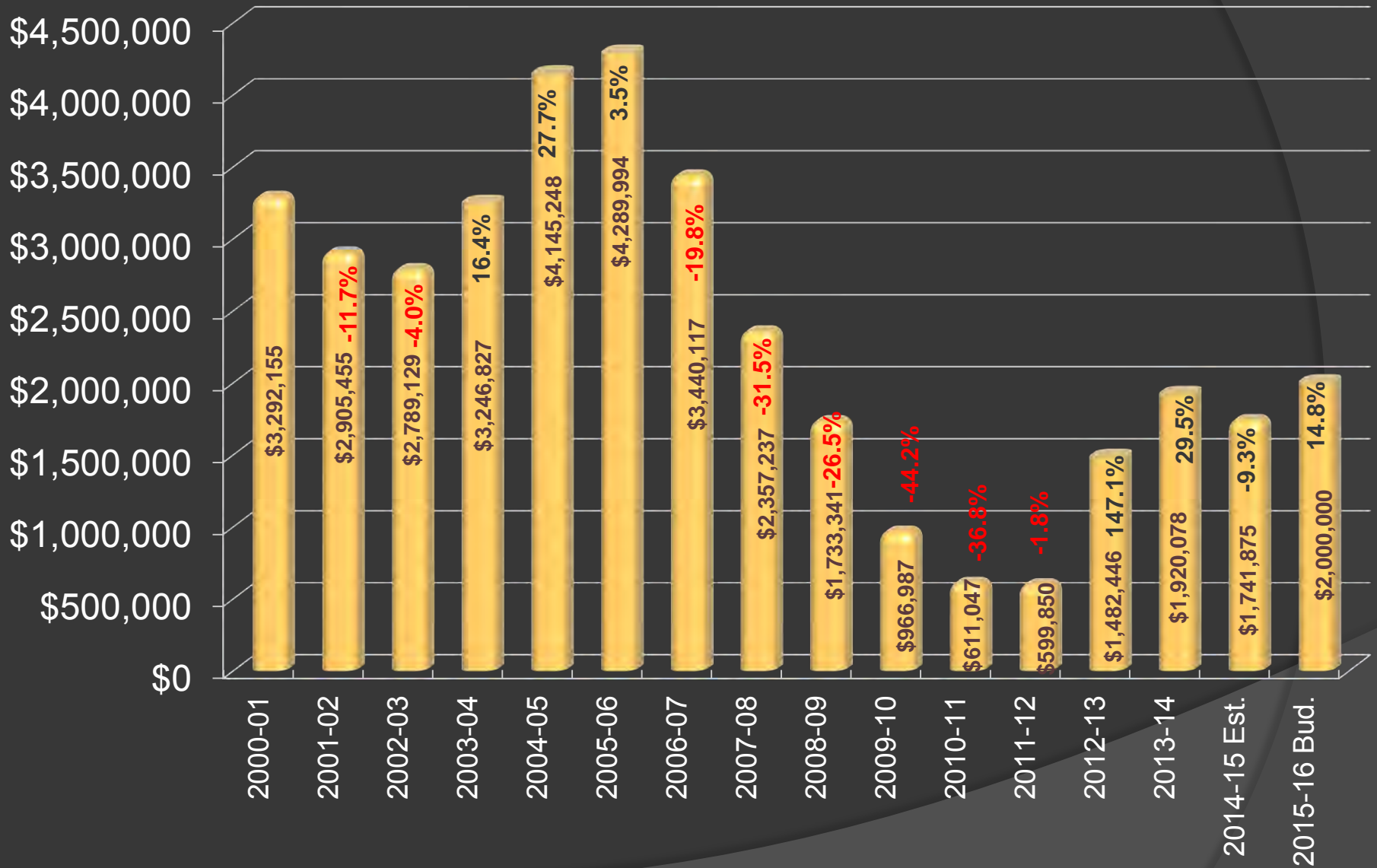
Real Estate Transfer Tax Trend

Indicator of Home Sales Within the School District

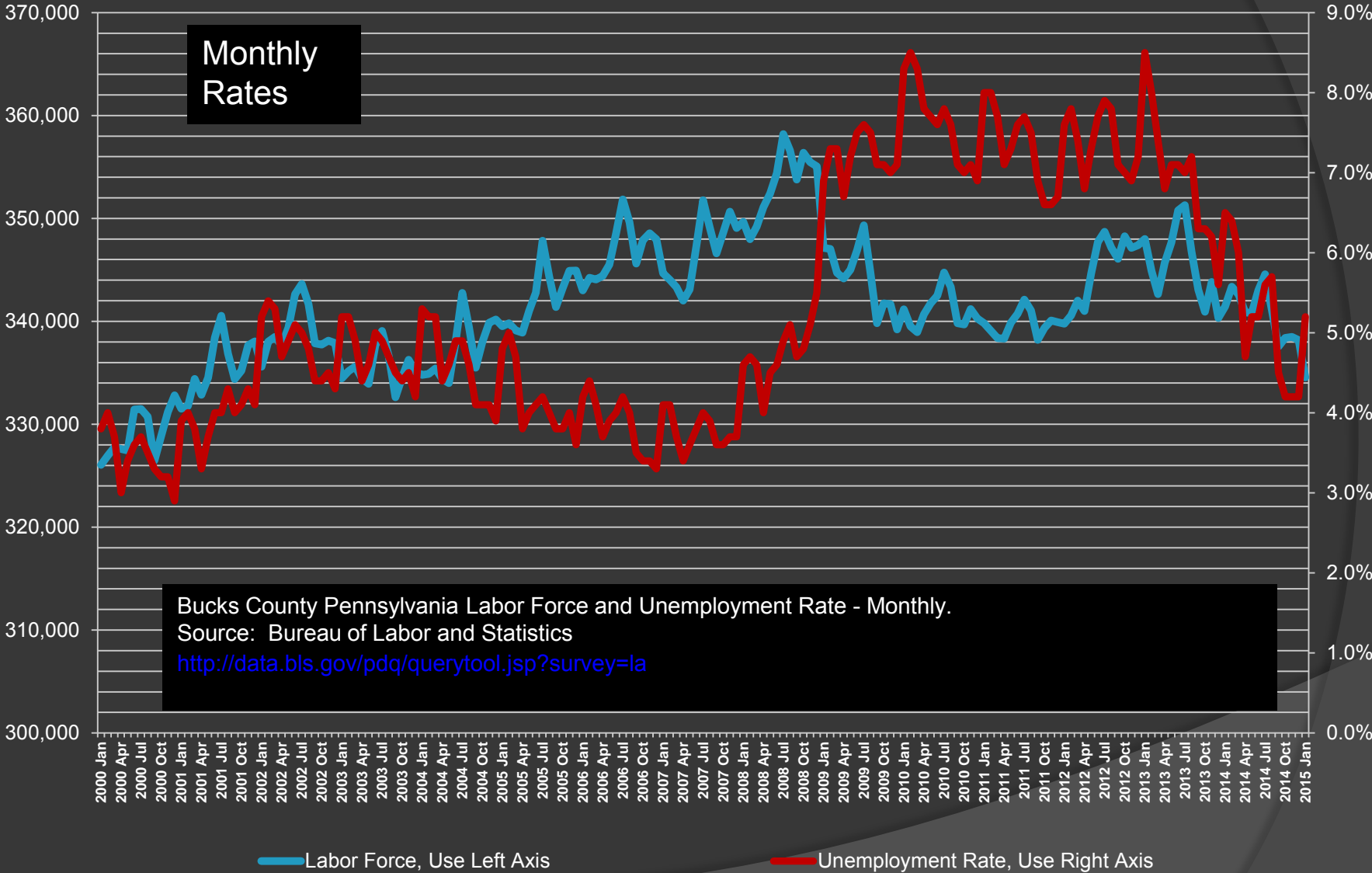


Interim Real Estate Tax Trend

Indicator of Real Estate Construction Growth Within the School District

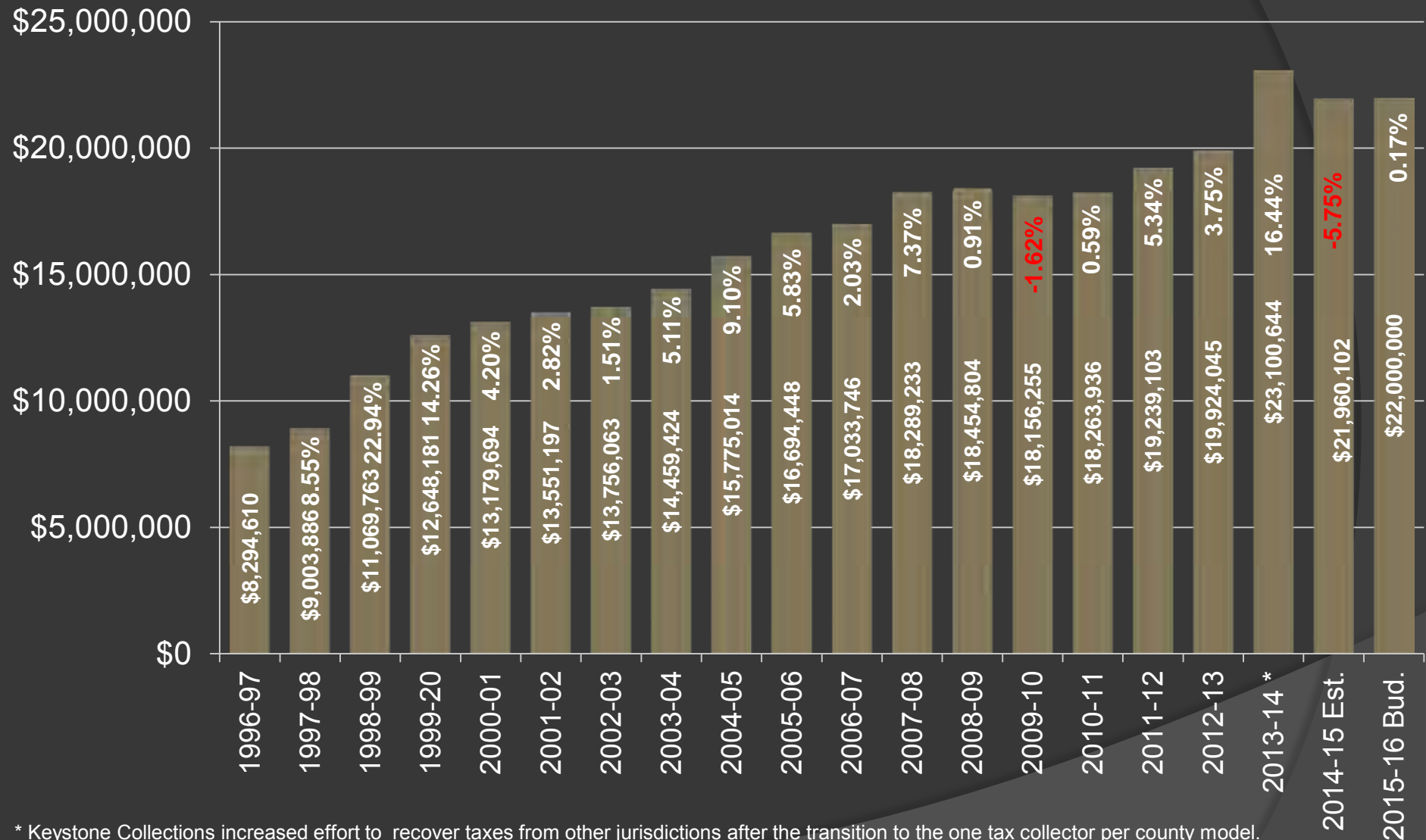


Bucks County: Historical unemployment and Labor Participation



Earned Income Tax Trend

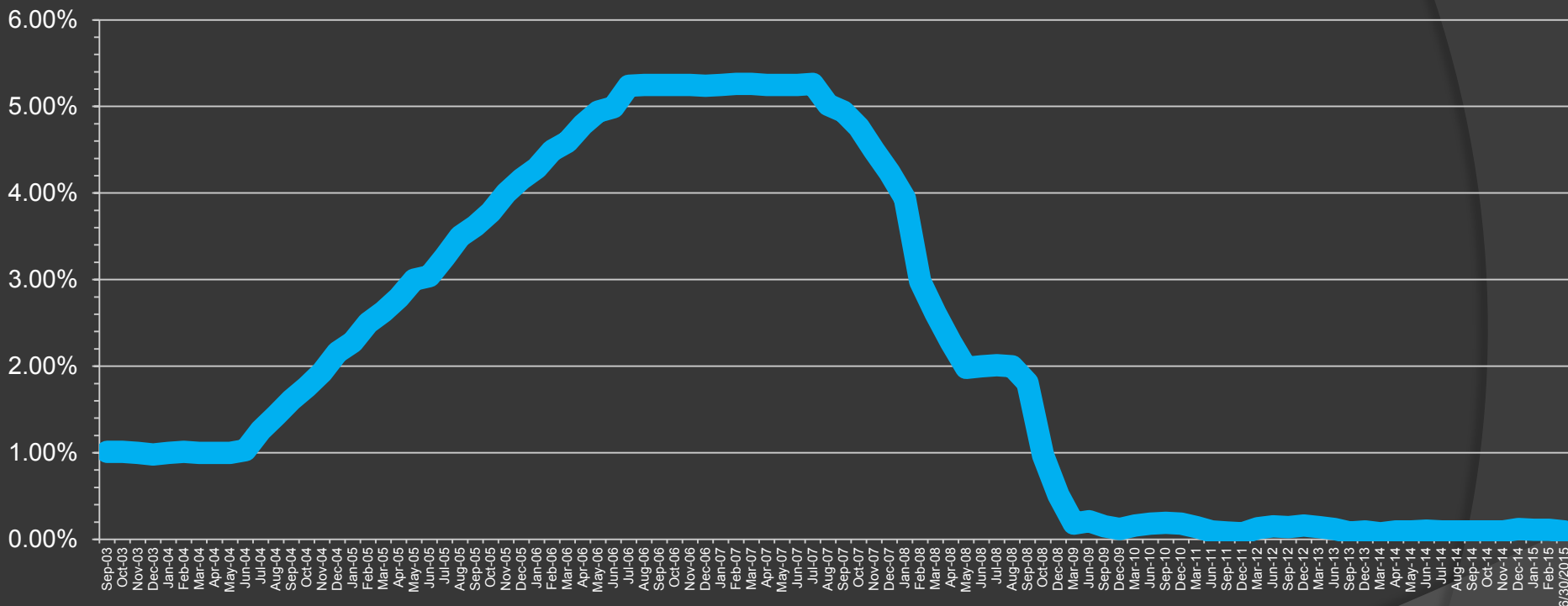
Tax on Local Wage Earners. Indicator of Wage Growth and Employment Growth.



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

Federal Funds Rate = Interest Rate Trend on District Investments

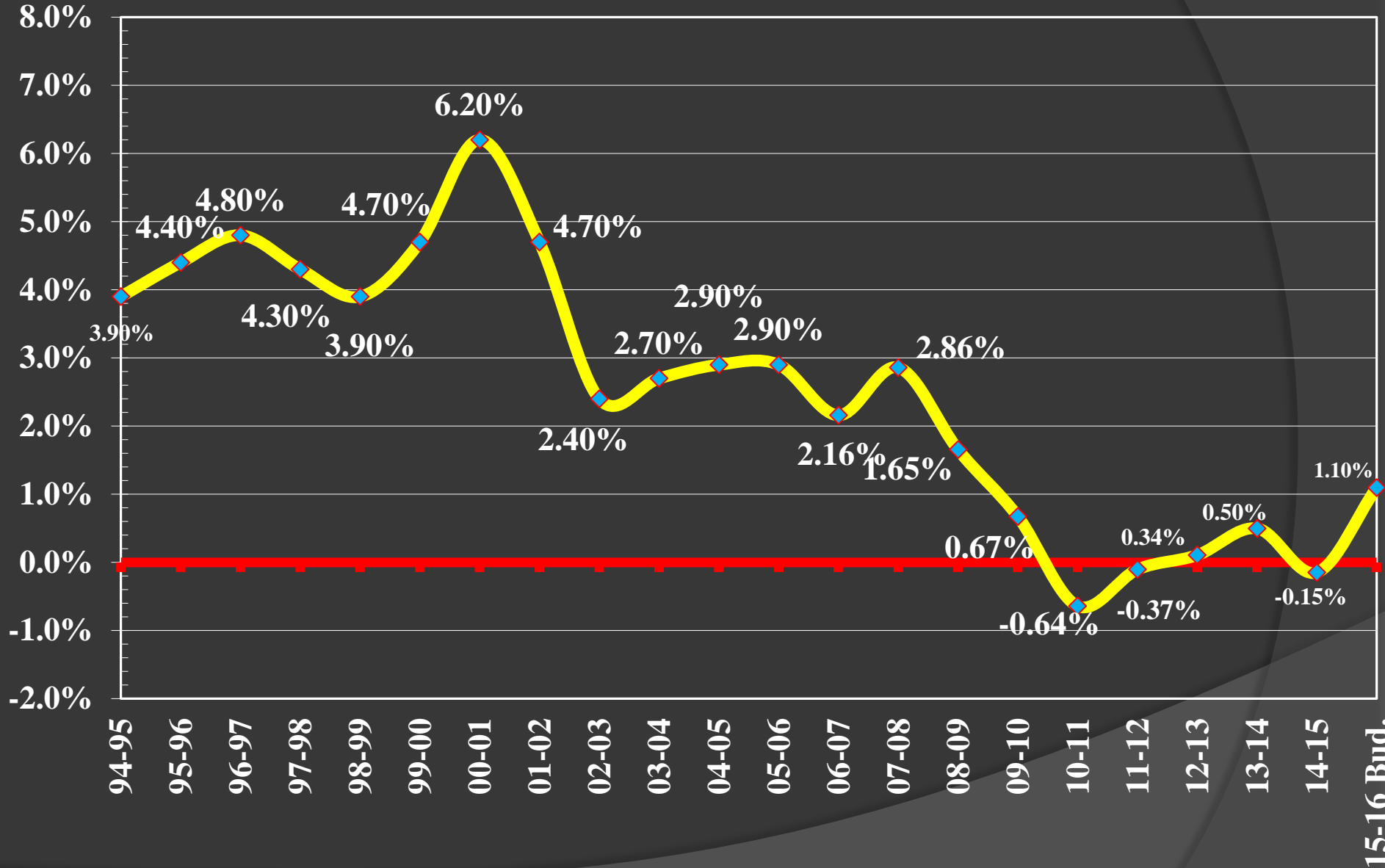
Monthly Federal Funds Rate



Source: <http://www.federalreserve.gov/releases/h15/data.htm>

Real Estate Assessed Value Trend

Shows the general change in real estate value within a community



Local Sources of Revenue for CBSD

Description	2015-16	2014-15	Projection \$	Projection %
	Budget	Projection	Change	Change
CURRENT REAL ESTATE TAXES (assessment growth)	209,859,893	208,210,728	1,649,165	0.8%
INTERIM REAL ESTATE TAXES	2,000,000	2,000,000	0	0.0%
EARNED INCOME TAX	22,000,000	21,619,500	380,500	1.8%
REAL ESTATE TRANSFER TAX	4,522,500	4,500,000	22,500	0.5%
DELINQUENCIES ON REAL ESTATE TAXES	2,487,000	2,475,000	12,000	0.5%
DELINQUENCIES ON EARNED INCOME TAXES	375,000	480,500	-105,500	-22.0%
INTEREST EARNINGS, TEMP DEPOSITS	325,000	325,800	-800	-0.2%
I.D.E.A. FUNDS FROM I.U.#22	2,100,000	2,100,000	0	0.0%
TUITION FOR INCARCERATED STUDENTS	365,000	400,000	-35,000	-8.8%
COMMUNITY SCHOOL PROGRAMS	3,350,000	3,150,000	200,000	6.3%
ALL OTHER LOCAL REVENUES	1,014,500	1,506,319	-491,819	-32.7%
Local Revenue Totals	248,398,893	246,767,847	1,631,046	0.7%

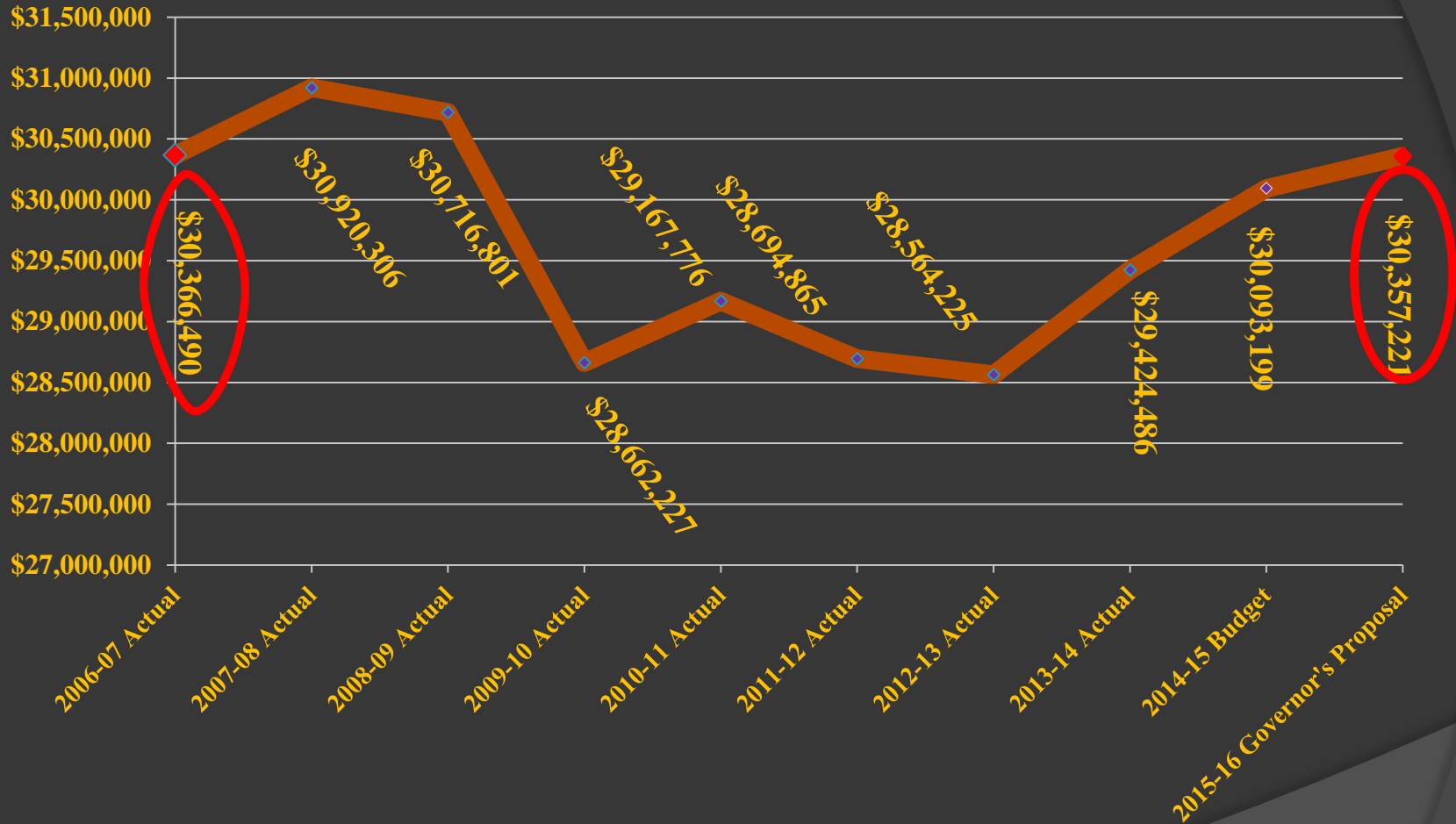
State Sources of Revenue for CBSD

Description	2015-16 Budget	2014-15 Projection	Projection \$ Change	Projection % Change
Basic Instructional Subsidy	17,781,941	16,227,940	1,554,001	9.6%
Tuition, Wards of State and Foster Care Students	250,000	300,000	-50,000	-16.7%
Special Educ./Except. Pupils	7,762,441	7,286,226	476,215	6.5%
Misc. State Grants	0	0	0	#DIV/0!
Accountability Block Grant	0	675,000	-675,000	-100.0%
Transportation	3,115,500	3,100,000	15,500	0.5%
Rental & Sinking Fund Reimb.	1,082,720	1,175,000	-92,280	-7.9%
Health Services	364,619	364,006	613	0.2%
Gambling Proceeds for R.E. Tax Reduction	6,026,215	6,026,215	0	0.0%
Social Security Payments Reimbursement	5,386,176	5,084,942	301,234	5.9%
Retirement Payments Reimbursement	18,825,575	14,772,536	4,053,039	27.4%
State Revenue Totals	60,595,187	55,011,865	5,583,322	10.1%

We are assuming that the governor's proposed funding increases will be adopted by the legislature

Historical State Revenue for CBSD

Total State Subsidies *



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

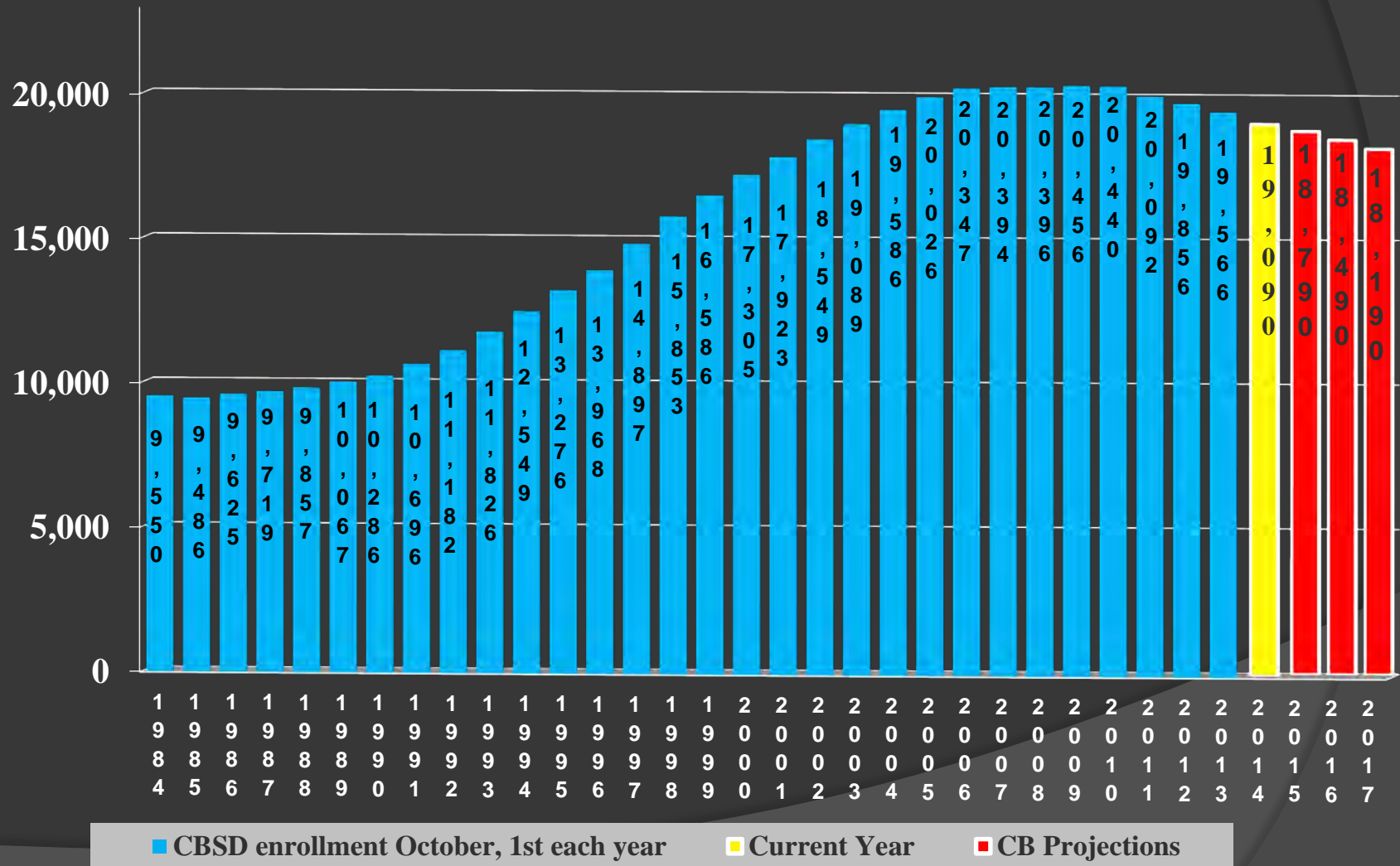
Federal and Other Sources of Revenue for CBSD

Description	2015-16	2014-15	Projection \$	Projection %
	Budget	Projection	Change	Change
Title 1 Reading and Math	516,000	515,380	620	0.1%
Title 2 Staff and Curriculum Development	280,000	280,800	-800	-0.3%
Title 3 Limited English Proficiency	33,900	33,932	-32	-0.1%
Medical Assistance Reimbursement (ACCESS)	1,062,500	946,718	115,782	12.2%
Administrative Reimbursement for ACCESS	45,000	40,000	5,000	12.5%
Transfer tp General Fund From Health Care + Sales	490,000	492,964	-2,964	-0.6%
Federal and Other Revenue Totals	2,427,400	2,309,794	117,606	5.1%
Total of All Revenue	\$311,421,480	\$304,089,506	\$7,331,974	2.4%

Expenses

CBSD Enrollment

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



Expense Summary

Acct Code	Category	2015-16 Budget	2014-15 Projected Actual	% Change
100	Salaries	147,811,811	141,798,503	4.24%
200	Employee Benefits	76,858,201	70,282,638	9.36%
300	Prof. Services, Special Ed.,EIT Tax,Legal	5,322,245	5,206,172	2.23%
400	Electricity, Rentals, Repairs	6,958,725	6,772,371	2.75%
500	Contracted Services, Transp., MBIT, IU, Charter Sch	19,493,967	19,426,102	0.35%
600	Supplies, Natural Gas, Diesel, Heating Oil	7,267,128	7,475,168	-2.78%
700	Equipment	947,778	717,742	32.05%
800	Interest Payments on Bonds	5,066,960	7,064,882	-28.28%
900	Principal, Buses, Tech., Renovations, GASB 45 & Debt Pay Off	41,694,665	40,363,890	3.30%
	Total budget	\$311,421,480	\$299,107,468	4.12%

Expense Changes Since March

Acct Code	15-16 Budget	15-16 Proposed Budget as of March	Change in 2015-16 Budget to March Budget Presentation	Description
100	147,811,811	147,204,345	607,466	Further refined elementary initiative (QUEST); Adjusted HR & Bus. Office Staff FTE, ESL FTE Incrs + increased Spec.Ed Trnsp Exps
200	76,858,201	74,542,493	2,315,708	Adjusted health care and Prescription Drug amounts up in line with suggested amounts from health care consultants (AON)
300	5,322,245	5,293,225	29,020	Increase to allow for increased special education contracted service (Austill's new contract Increased 2.6%)
400	6,958,725	7,093,578	(134,853)	Decrease result of lower energy prices locked in for next year.
500	19,493,967	19,845,756	(351,789)	Decrease - a result of State Charter School tuition reform
600	7,267,128	7,267,128	-	
700	947,778	906,878	40,900	Budget for replacement of athletic equipment
800	5,066,960	6,629,945	(1,562,985)	Decrease in interest payments as a result of the debt defeasance
900	<u>41,694,665</u>	<u>42,112,665</u>	<u>(418,000)</u>	Revised change in debt service amount resulting from defeasance. Reduced transfer to Debt Service Fund due to revised estimates for healthcare (AON)
Totals	\$311,421,480	\$310,896,013	\$525,467	

Millage Impact

Millage Calculation

- There is no Proposed Millage Increase
- The Act 1 Real Estate Tax Increase Limit = Base Inflation Index of 1.9% + 1.1% Retirement Exception = 3.0% or 3.72 Mills
- The 2015-16 Proposed Millage Rate is 124.1 mills + 0.0 Mills = 124.1 Mills = 0% Increase
- For the Typical Homeowner Assessed @ 40,000 = \$0 Real Estate Tax Increase

Act 1 Tax Index + Exceptions

	Act 1 Index with Allowable Exceptions in Mills	Actual CBSD Millage Increase	Status
2007-08	5.9	3.8	Actual
2008-09	5.6	4.6	Actual
2009-10	5.4	4.3	Actual
2010-11	4.7	4.4	Actual
2011-12	3.2	1.6	Actual
2012-13	3.6	2.0	Actual
2013-14	3.4	0.0	Actual
2014-15	4.9	1.3	Actual
2015-16	3.7	0.0	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

- Retirement Expenses will Increase by Over 20%
- Health Insurance Expenses will Likely Continue to Increase at a Rate of 5 to 7% per Year
- Revenue Growth Still Lagging Pre-Recession Levels
 - But, it is improving

Maintaining our Commitment to Facilities, Education Programs, and Extra Curricular Activities

- No Educational Program Reductions
- No Reductions to Extra Curricular Activities
- No Reductions to Capital Plans or Technology
 - State Construction Reimbursement Moratorium
 - “déjà vu all over again”

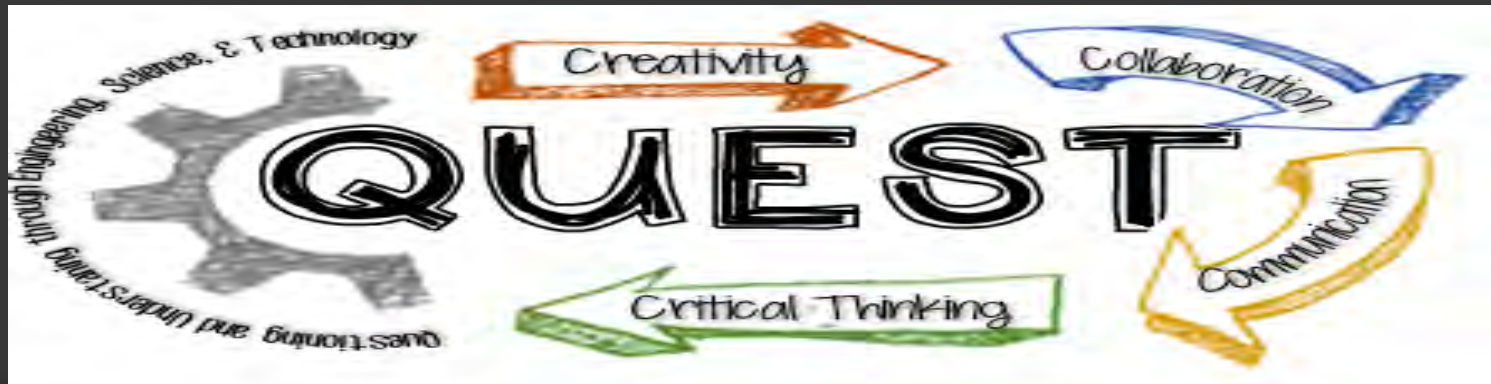
Capitolwire: PlanCon moratorium lift could be short-lived

By Christen Smith, Staff Reporter, Capitolwire

HARRISBURG (March 27) — The Legislature’s lift on the PlanCon moratorium last summer may continue only another few months if Gov. Tom Wolf gets his way. It’s a step backwards for lawmakers on both sides of the aisle who’ve struggled with reforming the popular reimbursement program that, for decades, school districts have used to draw down reimbursement payments from the state for construction and renovation projects

Summary

- Local, State, and federal Revenues are on the Rise
- Retirement and Health Care Expenses Continue to be the Major Stress Points for the Budget
- The District is Committed to Continuous Improvement
 - Technology – iPad, Laptop, and Wireless Initiative
 - Music Instrument replacement
 - Elementary Initiative for Hands-On Problem Solving



Next Steps...

◎ Board of School Directors

- Consideration to Publicly Post the 2015-16 Proposed Final Budget of \$311,421,480
 - The State Budget Form will be posted on our website as soon as it becomes available From PDE
- Consider Final Budget Adoption on ~~May 26th~~
 - June 9th

◎ Superintendent & Cabinet

- Develop Recommendations to Effectively Implement Program Initiatives

