

# Finance Committee Meeting

November 8, 2018

# This Evening's Discussion Items

## **Discussion Items**

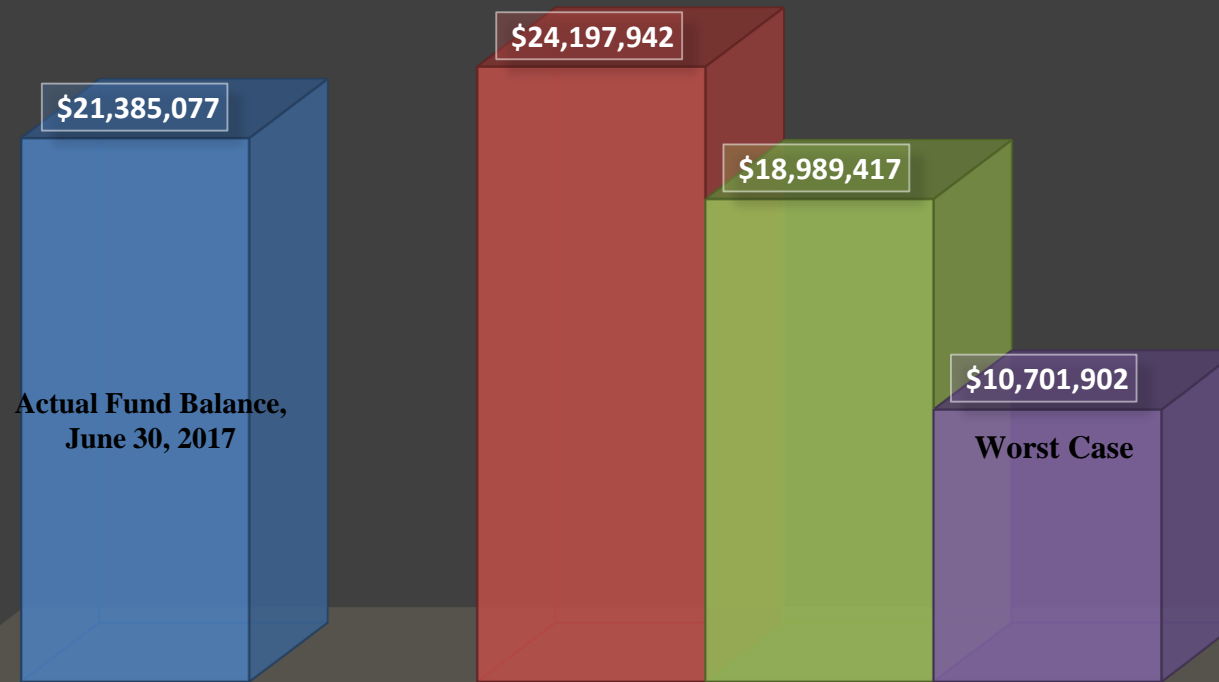
- Review of Five Forecast
  - Fund Balance, June 30, 2018
    - Actual – Forecasted
  - Next Few Years
- Review of Overall District Finances
  - Self Insurance Fund
  - Capital Reserve
  - Capital Projects
- Capital Planning
  - Financing Scenarios

## **Board Agenda Items**

- Administrative Agreement with Independence Blue Cross
- Updated Food Nutrition Agreement
- Selection of Insurance Broker

# Where we are today?

## JANUARY 28, 2016 FIVE YEAR FUND BALANCE MODELING



# Five Year Fund Balance Model

## **Assumptions**

- Increase (Decrease) of Fund Balance from operations will remain constant. Mean will be used for example.
- Each year we will transfer \$3,000,000 from the general fund to the capital reserve for annual projects.
- Committed fund balances will remain the same, unassigned will be reduced or increased due to annual fund balance fluctuations.

# Historic Budget Variance Calculations

	Revenues	Expenditures
2012	0.44%	-2.23%
2013	1.26%	-1.10%
2014	1.36%	-1.50%
2015	1.09%	-2.24%
2016	1.07%	-1.64%
Adjusted 2017	1.17%	-1.31%
2018	1.42%	-0.54%
Combined	7.81%	-10.56%
Mean	1.12%	-1.51%

These percentages are used in the “Worst Case” scenario fund balance projections.

These percentages are used in the “Best Case” scenario fund balance projections.

## **Comment**

- There was economic expansion in each of the years used in this calculation. These results may be different in an economic downturn in our economy.

# Self Insurance Update

	For the Year Ended June 30, 2018		For the Year Ended June 30, 2017	
	Healthcare	Worker's Compensation	Healthcare	Worker's Compensation
<b>Revenues</b>	\$ 26,797,601	\$ -	\$ 25,173,745	\$ 642,485
<b>Expenses:</b>				
Worker's Compensation		207,772		439,438
Taxes	6,193		79,198	
Payments to Independence Blue Cross	14,495,264		15,758,785	
Prescription Drugs	5,535,765		6,801,969	
Stop Loss Insurance	629,150		490,758	
Professional Services	49,358		53,279	
<b>Total Expenses</b>	20,715,730	207,772	23,183,989	439,438
<b>Revenues and Expenses</b>	6,081,871	(207,772)	1,989,756	203,047
Fund Balance, July 1, 2017	1,883,533	436,233	(106,221)	233,185
Fund Balance, July 1, 2018	\$ 7,965,404	\$ 228,461	\$ 1,883,535	\$ 436,232

# Capital Reserve – Unencumbered Funds

Balances as of September 30, 2018:

Asset Balances	\$ 7,011,303
Encumbrances	<u>1,970,062</u>
Unencumbered Balance	<u><u>\$ 5,041,241</u></u>

The Capital Reserve Fund accounts for the smaller capital projects in the District. The resources in this fund consists of year-end operating transfers from the general fund.

# Capital Planning Financing Plan

- Capital Project cost and timing information provided by Mr. Taylor.
- Worked with Public Financial Management to develop financing plan:
  - Constraints:
    - Budgeted debt service can be increased by \$100,000 each of the next five year.
    - Maximum variance between actual and budget cannot exceed \$300,000 in any year.



# Historic Information – July 1, 2010 to Present

Par Value of Construction Borrowings	\$	169,440,000
Par Value of Bonds Issue to Refund Higher Interest Rate Bonds		149,770,000
Net Debt Service Savings from Refundings	\$	12,658,226
% Savings to Par Value of Bond Refunding		8.45%

## **Projects Funded by These Borrowings**

- Churchville Elementary School
- Holland Elementary School
- Goodnoe Elementary School
- Newtown Middle School
- Holland Middle School
- Wrightstown Elementary School
- Rolling Hills Elementary

# Capital Planning Financing Plan

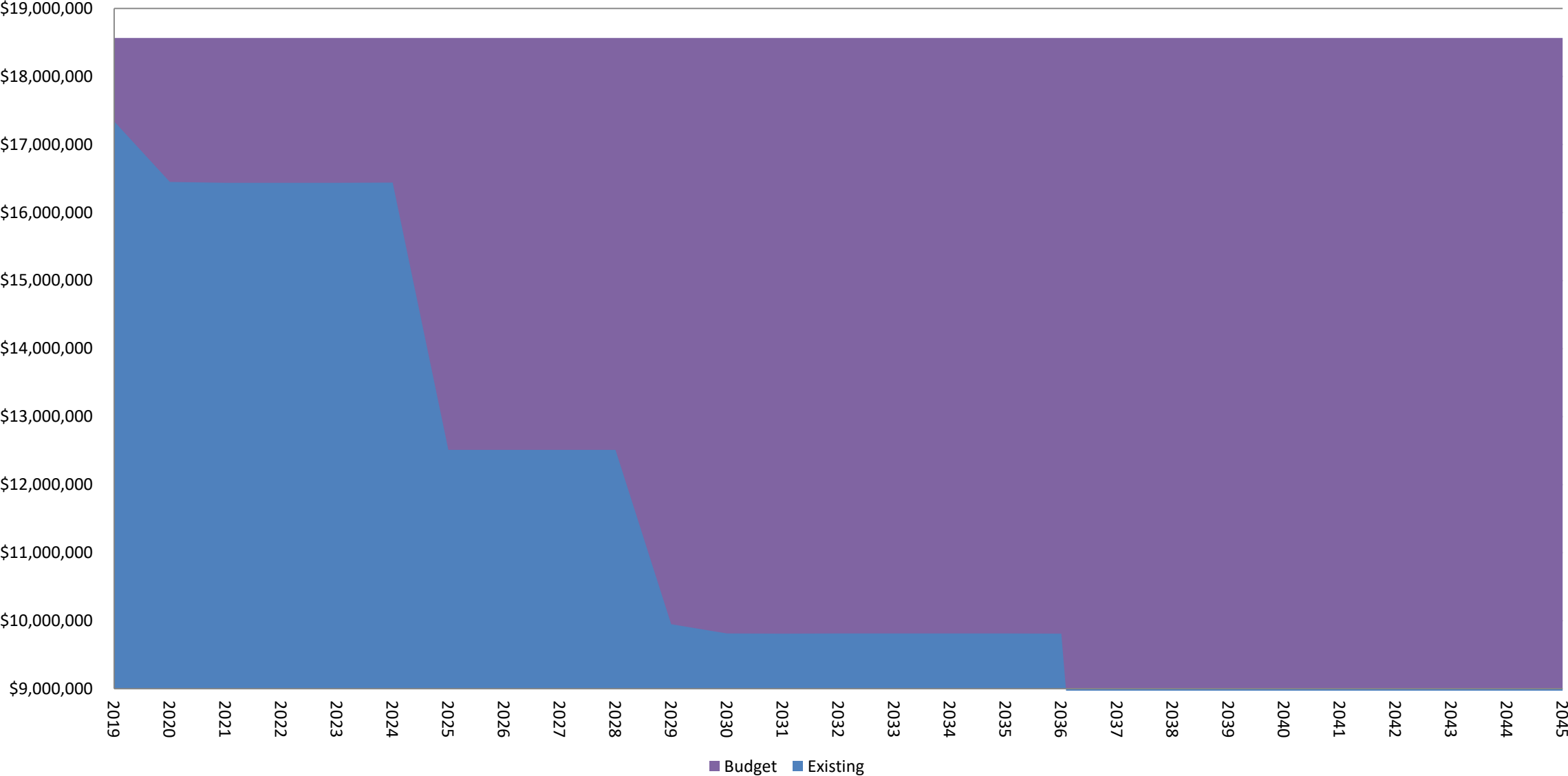
- Two Options Provided:
  - Option 1: Use of Capitalized Interest to expedite the schedule of projects.
  - Option 2: Delay of financing projects to meet the constraints.

Oct 18 <sup>th</sup> FACCOM				OPTION 1: Use of Capitalized Interest				OPTION 2: Financing Projects Only			
	Begin	End	Base Cost	Begin	End	Delay (Years)	Projected Increases	Begin	End	Delay (Years)	Projected Increases
Turf Field @ South	9/1/2019	11/1/2020	\$ 2,694,062	9/1/2019	11/1/2020	-	\$ -	9/1/2019	11/1/2020	-	\$ -
Achieve	12/1/2018	7/1/2021	12,748,185	12/1/2018	7/1/2021	-	-	12/1/2019	7/1/2022	1	509,927
Sol Feinstone	12/1/2018	8/1/2022	27,978,439	12/1/2019	7/1/2023	1	1,119,137	12/1/2021	7/1/2025	3	3,493,499
Hillcrest	12/1/2019	8/1/2023	25,903,886	12/1/2021	7/1/2025	2	2,113,757	12/1/2022	7/1/2026	3	3,234,462
Richboro	12/1/2020	8/1/2024	26,940,041	12/1/2021	7/1/2025	1	1,077,602	12/1/2022	7/1/2026	2	2,198,307
Newtown Elem.	12/1/2021	8/1/2025									
							<u>\$ 4,310,496</u>				

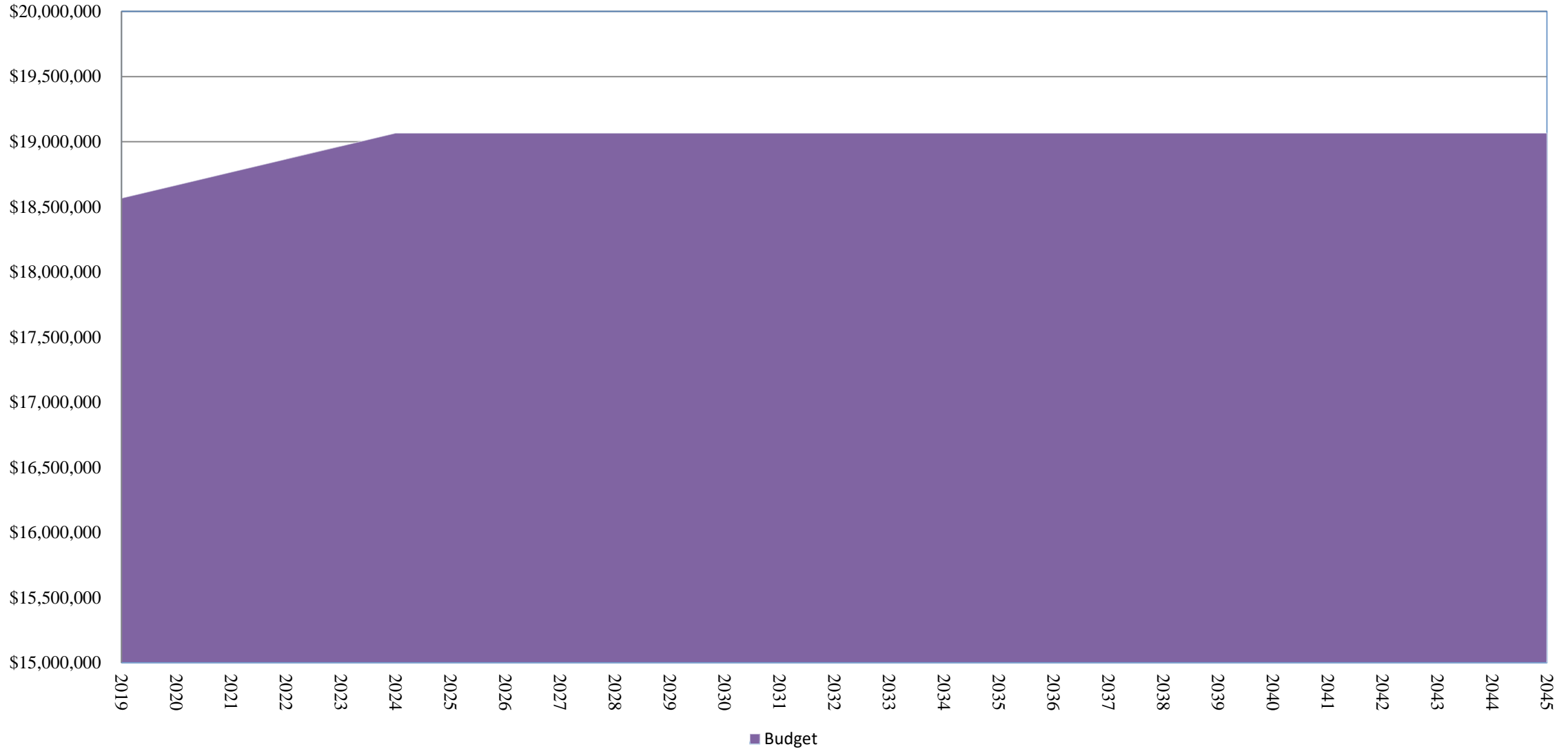
# Capital Planning Financing Plan

OPTION 1: Use of Capitalized Interest				OPTION 2: No Capitalized Interest	
Borrowings:	Total	Capitalized Interest	Project		
2018	\$ 43,000,000	-	43,000,000	2018	\$ 43,000,000
2019	17,750,000	-	17,750,000	2019	17,750,000
2020	20,500,000	675,764	19,824,236	2020	-
2021	-	-	-	2021	20,000,000
2022	29,000,000	2,780,975	26,219,025	2022	-
2023	25,000,000	830,876	24,169,124	2023	26,000,000
2024	18,800,000	202,382	18,597,618	2024	27,000,000
2025	-	-	-	2025	16,000,000
	<u>\$ 154,050,000</u>	<u>\$ 4,489,997</u>	<u>\$ 149,560,003</u>		<u>\$ 149,750,000</u>

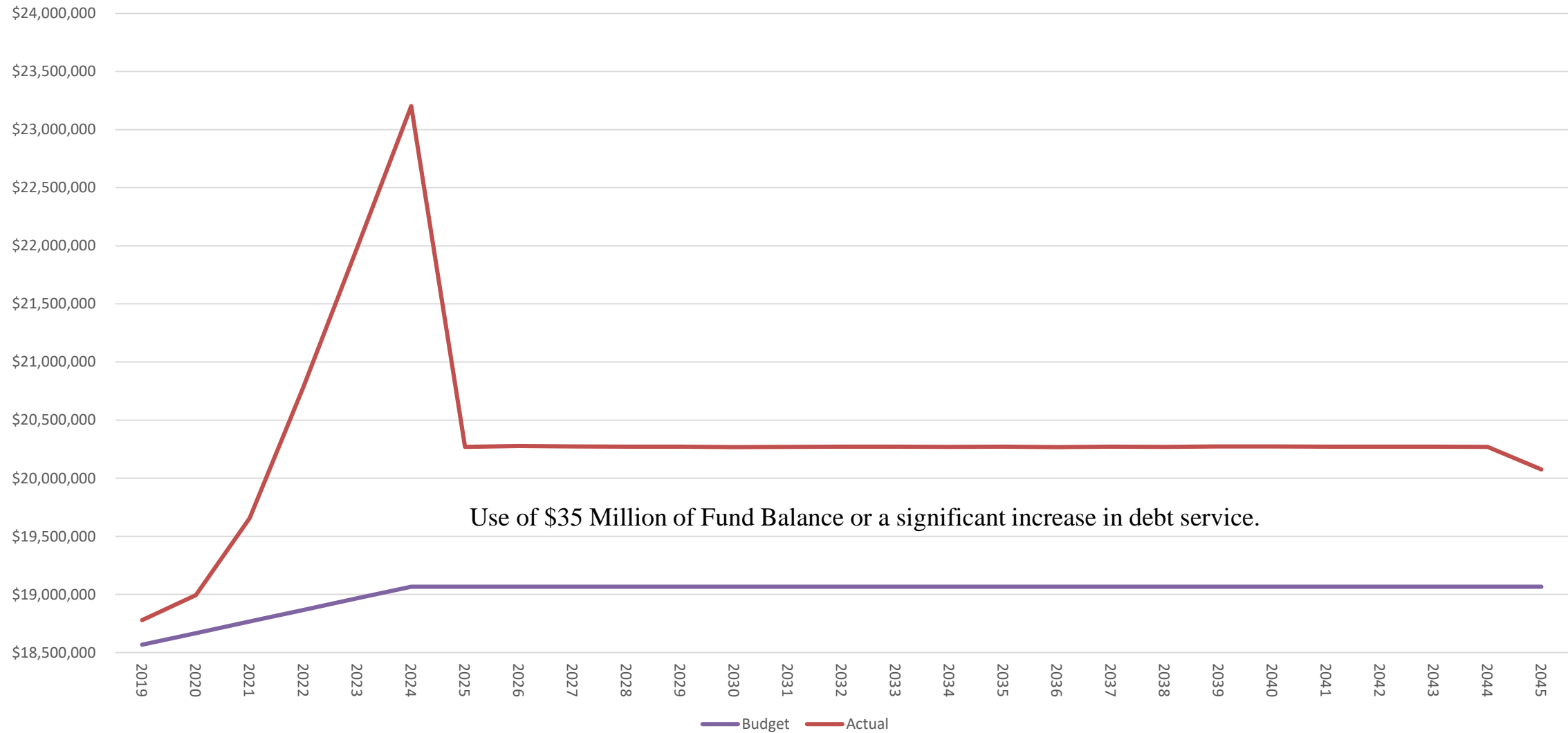
# Current Budget Situation – Debt Service



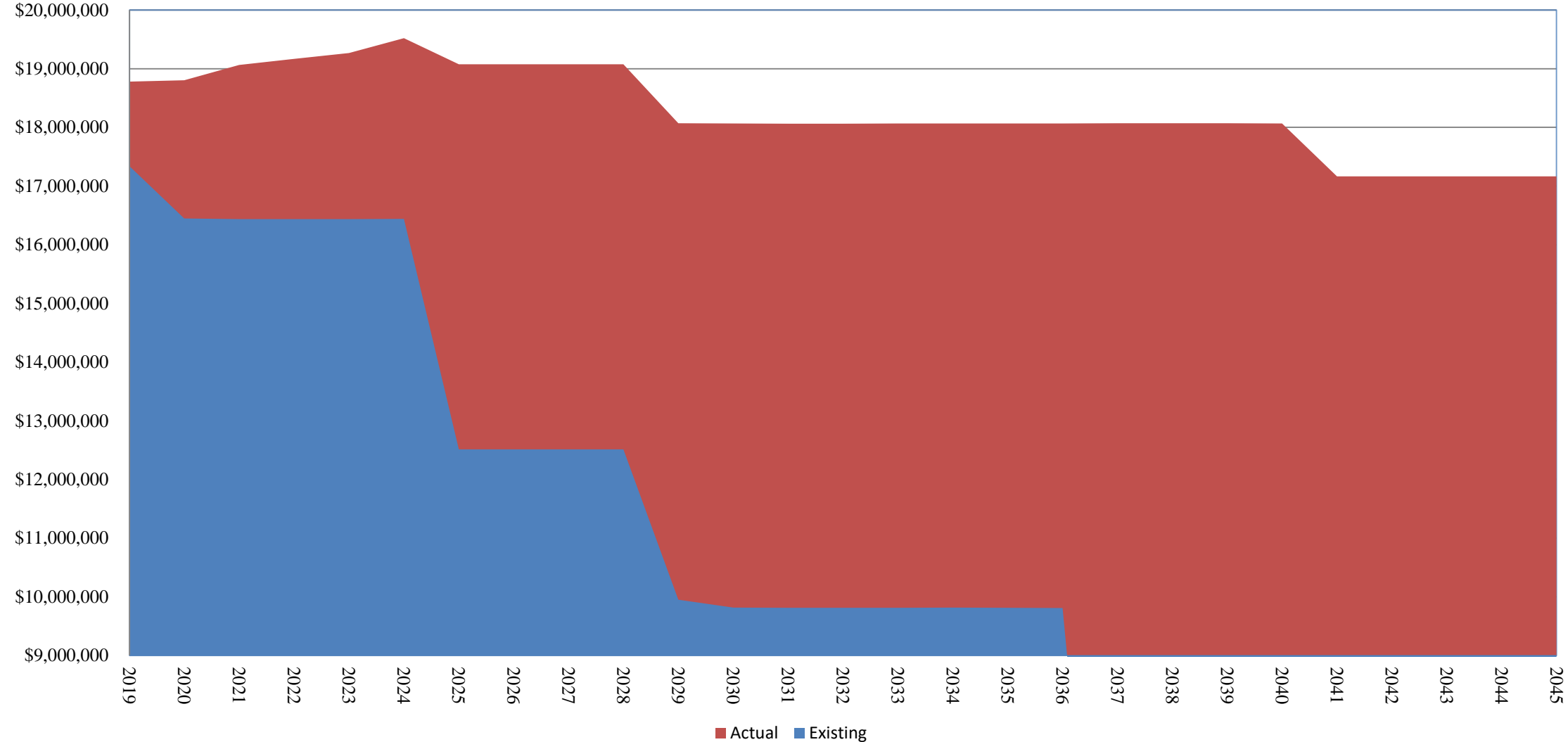
# Planning the Financing of Future Capital Projects – Increase of Budget



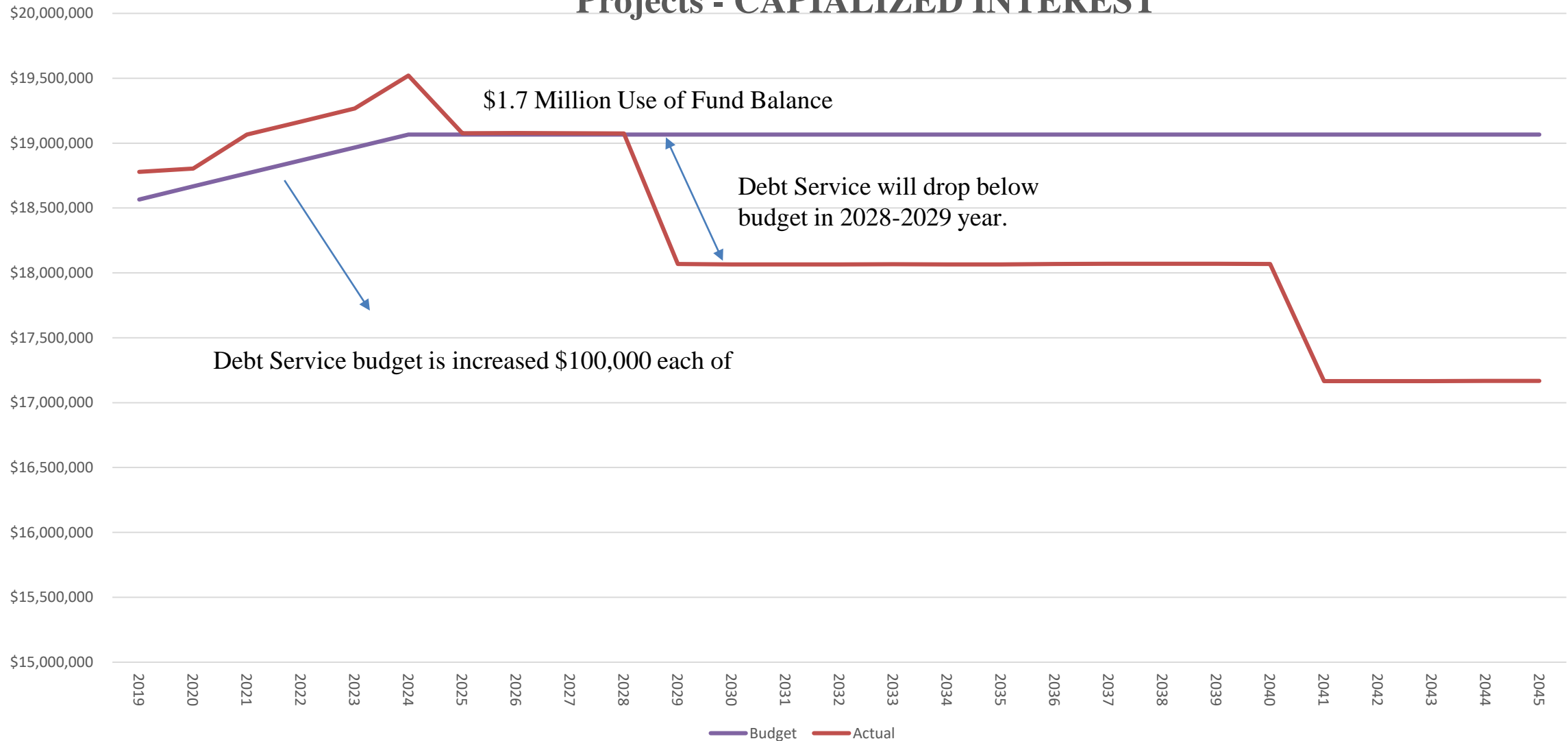
# Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects - First Look



# Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects – Capitalized Interest



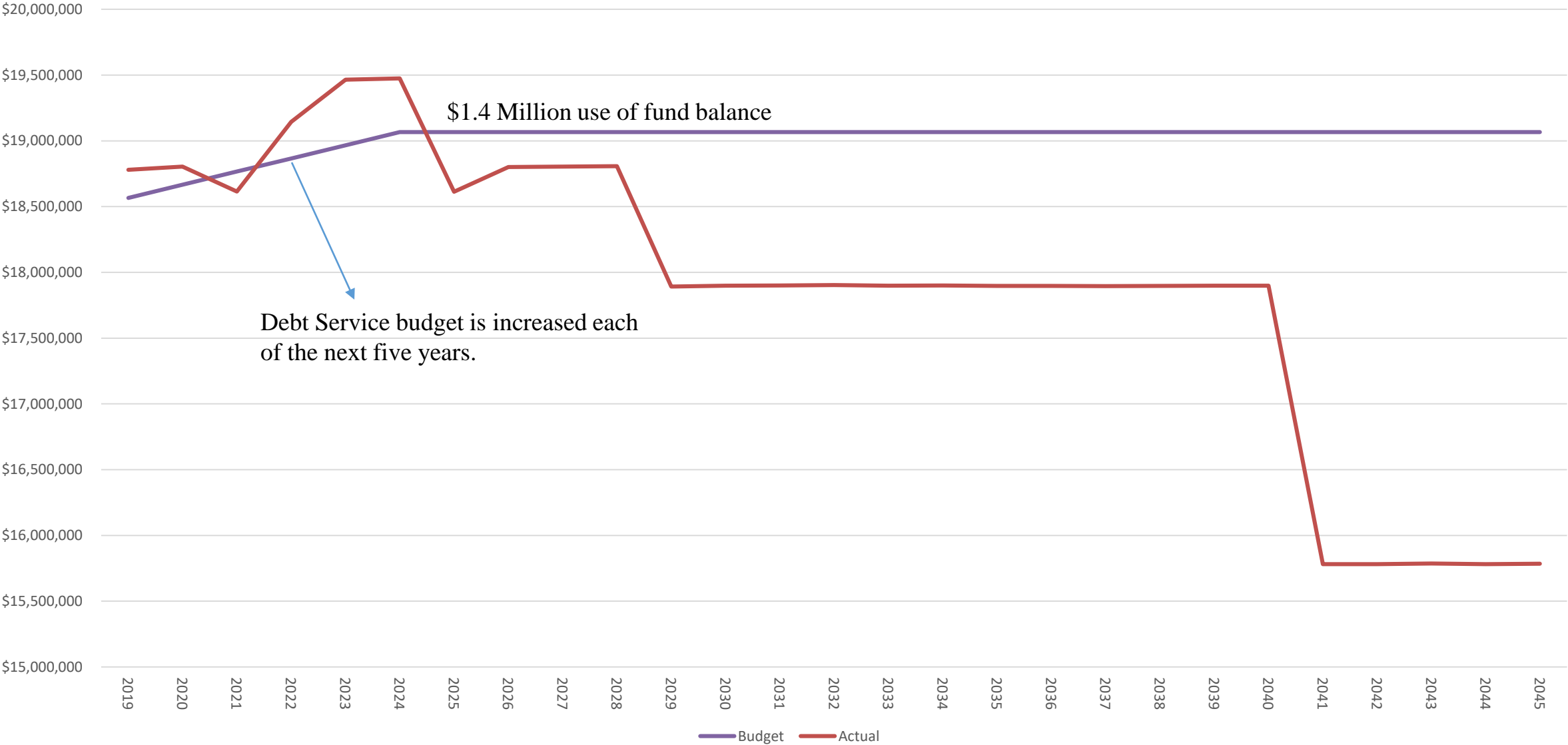
# Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects - CAPITALIZED INTEREST





# Planning the Financing of Future Capital Projects - Issuance of Debt to Finance Projects

## DELAY PROJECTS



# Middle Bucks Institute of Technology

- Received information from MBIT that they are in need of Capital Improvements of approximately \$4 million.
- We are responsible for approximately 39% of those costs or \$1.56 million.
- Projects beginning July 1, 2019 through January 31, 2020
- The timing and costs of the projects are very preliminary

# Credit Rating Impact

- We can only project how this will impact our “AA/Stable” Credit Rating.
- Last Report Outlook narrative:

## **Outlook**

The stable outlook reflects S&P Global Ratings’ opinion of the district’s strong reserves, which are supported by good management practices and access to a broad and diverse economy. We expect that management will continue to proactively manage any capital or other budgetary pressures and maintain stable finances over the two-year outlook window.

## **Downside scenario**

Should any pressure arise that lead to a structural imbalance and a deterioration in reserves with no plans to correct, the rating could be lowered.

## **Upside scenario**

If the district is able to increase reserves and sustain them at levels commensurate with higher rated peers, holding all other factors equal, we could raise the rating.

# Board Meeting Agenda Items

- Administrative Services Agreement with Independence Blue Cross
  - Three Year Agreement with reduced administrative fees

	Per Contract, Per Month (PCPM)
<b><u>Year-to-Year Comparison</u></b>	
<b><u>2017-2018</u></b>	
Medical Administration	\$ 47.90
Claims Fiduciary	2.69
	<hr/>
	\$ 50.59
<b><u>2018-2019</u></b>	
Medical Administration	\$ 39.90
Claims Fiduciary	2.69
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	\$ 42.59
<b><u>Year 1 Reduction</u></b>	
Estimated Number of Annual Contracts (1,308*12)	15,696
<b>Annual Savings</b>	<hr/>
	\$(125,568)

<b><u>Additional Years in Agreement</u></b>	
<b><u>2019-2020</u></b>	
Medical Administration	\$ 40.90
Claims Fiduciary	2.75
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	\$ 43.65
<b><u>2021-2022</u></b>	
Medical Administration	\$ 41.92
Claims Fiduciary	2.81
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	\$ 44.73

# Board Meeting Agenda Items

- We are required to sign updated Policy Statement and Permanent Agreement for our Food Nutrition Program due to Regulatory Changes:
  - This Agreement recites the many of the regulatory requirements of the program.
  - This replaces the former Agreement that was signed in 2004.

# Board Meeting Agenda Items

- Selection of Insurance Broker:
  - We issued an Request for Proposal for these services October 2016.
  - On Monday, November 5, 2018 a Sub Committee of the Board interviewed four firms that responded to our RFP:
    - Willis Towers Watson
    - CBIZ Insurance Services
    - The Selzer Company
    - Paist and Noe Insurance
  - Based on the responses from the firms and the interviews the Sub Committee is recommending making The Selzer Company as the District's insurance broker of record for Property, Casualty and Worker's Compensation.