

# Finance Committee Meeting

February 11, 2021



**COUNCIL ROCK**  
SCHOOL DISTRICT

# Agenda

- Consent Agenda Items
  - Approve 2021-22 Bucks IU Programs & Services Budget
- Discussion Items
  - Financial Advisory Committee Recommendations
  - Update on Food Service Program
  - 2021-2022 Budget Development: Revenue

# 2021-2022 Bucks IU Budget

- Annual required approval of District's contribution
- Highlight: No increase in overall district contributions; CRSD share down slightly

	2020-21 Contribution	2021-22 Proposed Contribution	Increase/ (Decrease)
Programs & Services	\$88,742	\$88,866	\$124
Direct Purchased Services	\$51,523	\$50,308	(\$1,215)
<b>TOTAL</b>	<b>\$140,265</b>	<b>\$139,174</b>	<b>(\$1,091)</b>



# Financial Advisory Committee Recommendations

Dave Obarowski, Chair

February 11, 2021



# Financial Advisory Committee Recommendations – Immediate

- Healthcare
  - Stop-loss insurance premium marketing and review
  - Seek possible combinations of smaller lines of coverage
  - Evaluate other healthcare benefit consultants
  - Better analytics and options for potential cost savings
- Debt
  - Cost impact analysis of capitalized interest
  - Build and maintain fund balance and cash
  - Review refinancing opportunities
  - Build relationships with rating agencies; review alternatives

# Financial Advisory Committee Recommendations – Immediate

- Investments
  - Review/update current investment policy
    - Level of acceptable risk
    - Time horizon
  - Review cash flow analysis for possible excess cash investment opportunities
  - Review investment performance expectations
- Budgeting
  - Improve department level accountability for the budget
  - Utilize internal auditing for continuous review of revenue/expense
  - Consider use of pooled contingency budget model

# Financial Advisory Committee Recommendations – Long-Term

- Policy Update/Implementation
  - Fund Balance
  - Budgetary Reserve
  - Debt Management
- Grants
  - Possible outsourcing of grant application process
  - Grant administrators
- Mandates
  - Board resolution, legislative meetings re: PSERS



# Financial Advisory Committee Recommendations – Long-Term

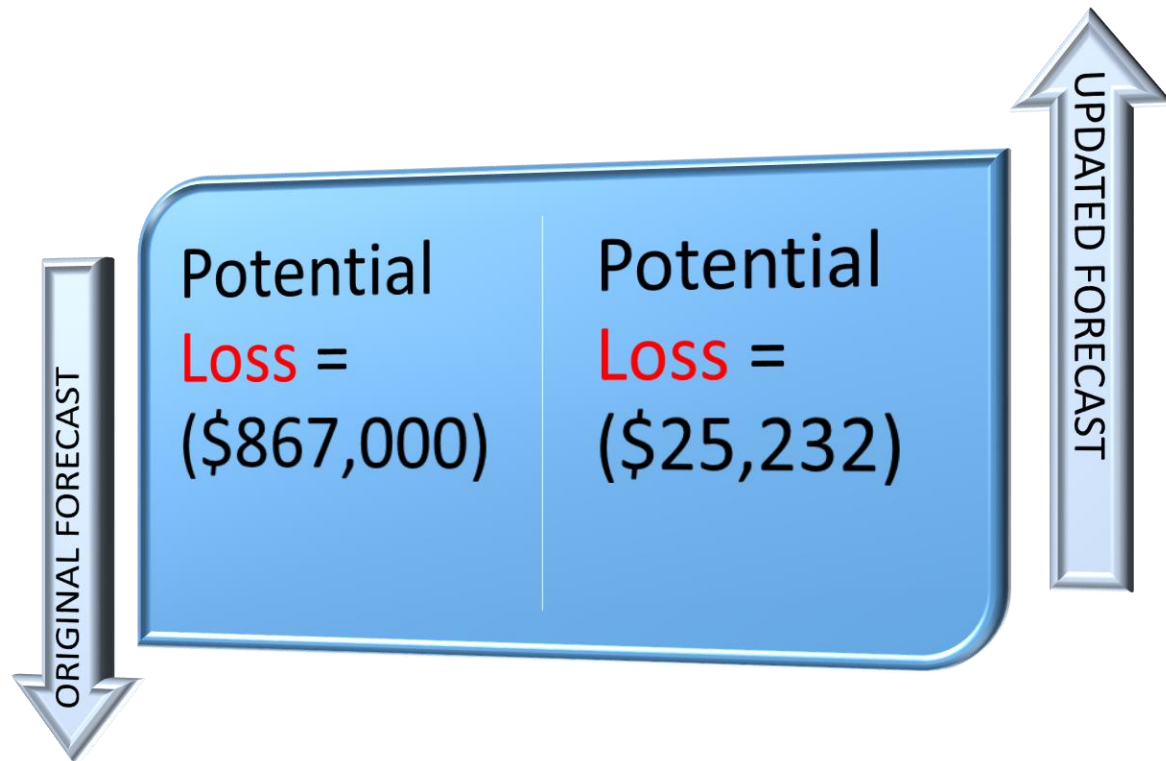
- Revenue Sources
  - Naming rights/sponsorships
  - Community rentals
- Collective Bargaining
  - Prepare cost analyses and scenarios



# Food Service Program Update



# Financial Forecast Update



- Increased participation by 26% (Dec to Jan)
  - Better advertising
  - Instructional model changes
- New federal waivers
  - ~~\$3.61~~ \$4.25 reimbursement rate
  - Serve breakfast (\$2.42 per meal)
  - Weekend meals for students
  - More focus on meal counting integrity

# 2021-2022 Budget Development

Revenue



# Revenue Budget Summary

	2021-22 Preliminary	2020-21 Budget	2019-20 Actual	2018-19 Actual
Local Sources	\$192,605,962	\$186,999,430	\$185,731,962	\$184,058,257
State Sources	55,028,759	53,291,346	54,156,430	53,193,984
Federal Sources	1,721,087	2,817,183	2,107,111	1,519,675
Other Sources	0	0	0	6,250
<b>TOTAL REVENUE</b>	<b>\$249,355,808</b>	<b>\$243,107,959</b>	<b>\$241,995,503</b>	<b>\$238,778,165</b>



# Major Variances – Budget v. Budget

- 3% Real Estate Tax increase (+\$5.4m)
- Major local revenue changes
  - EIT (+\$0.7m)
  - RE Transfer Tax (+\$1.0m)
  - Delinquent Taxes (-\$0.7m)
- Other local revenue (facility rentals, tuition, aquatics) (-\$0.7m)
- State Revenue
  - -2% for state subsidies due to economy (-\$0.5m)
  - +\$2.3m for FICA and PSERS reimbursements
- Removal of \$1.1m in federal CARES money

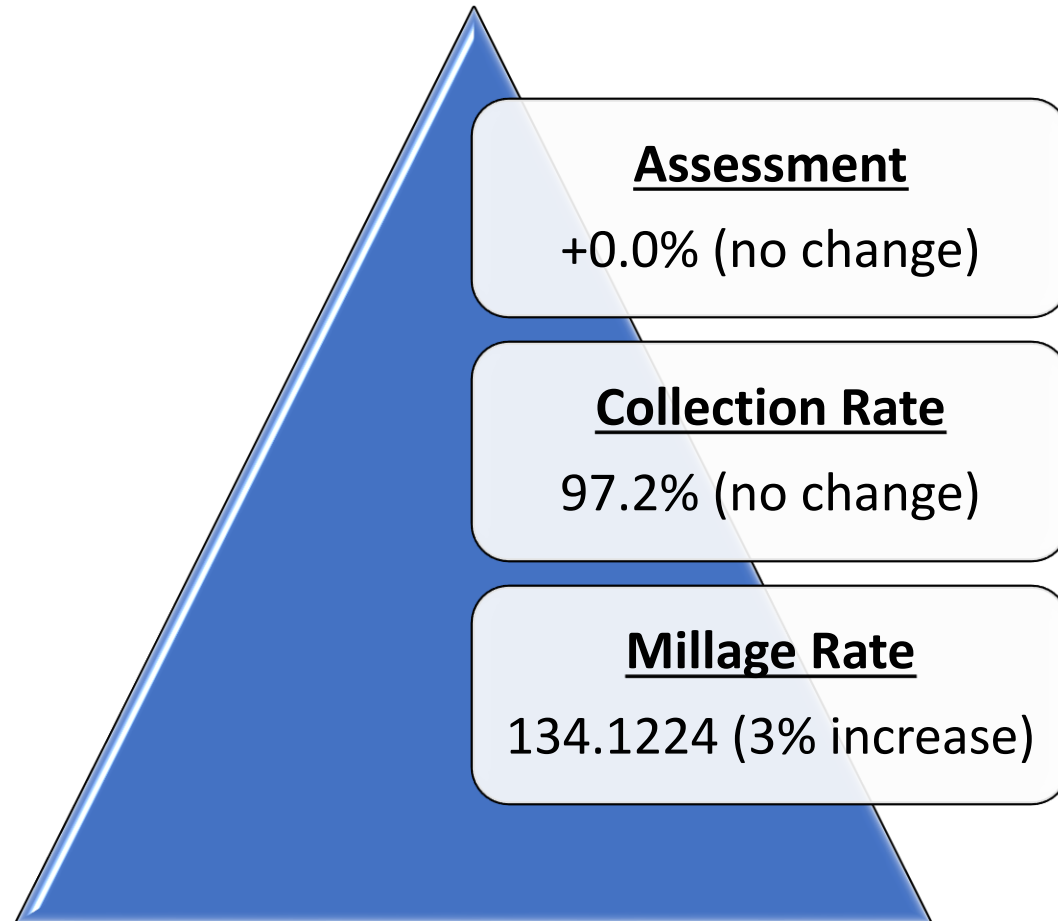
# Revenue Assumptions

- Crucial aspect of budget preparation
- Purpose of discussion
  - Identify critical assumptions
  - Quantify impact of different assumptions
  - Develop consensus on appropriate assumptions
- Words of caution

# Major Local Revenue

	2021-22 Preliminary	2020-21 Budget	2019-20 Actual	2018-19 Actual
Current Real Estate Tax	\$163,808,422	\$158,440,111	\$154,944,118	\$150,648,543
Interim Real Estate Tax	705,389	720,000	468,661	787,061
Earned Income Tax	16,758,901	16,020,000	16,618,725	17,830,341
Occupation Tax	4,158,001	4,158,000	4,304,003	4,287,314
Real Estate Transfer Tax	2,916,984	1,950,000	2,922,430	3,223,979
Delinquent Real Estate and Occupation Taxes	1,625,000	2,283,053	1,673,307	1,778,236
Interest Earnings	350,000	350,000	1,888,854	2,387,247
All Other Local Revenue	2,283,265	3,078,266	2,911,866	3,115,535
<b>TOTAL LOCAL REVENUE</b>	<b>\$192,605,962</b>	<b>\$186,999,430</b>	<b>\$185,731,962</b>	<b>\$184,058,257</b>

# Current Real Estate Tax Assumptions



	Average	Variance Range	Potential \$ Impact
Assessment	+0.2%	-0.6% to +0.8%	-\$1.0m to +\$1.4m
Collection Rate	97.4%	-0.1% to +1.0%	-\$0.1m to +\$1.8m

**Average v. Current Assumptions =  
+\$1.5m**




# Other Local Revenue Assumptions


Category	2021-22 Budget Assumption	Historical Average	Historical Range	\$ Difference to Reach Average	Exposure
Interim Real Estate Tax	\$705,388	\$823,186	\$0.5m to \$1.2m	+\$117,798	-\$0.1m to +\$0.5m
Earned Income Tax	\$16,758,901	\$16,867,285	\$15.1m to \$18.4m	+\$108,384	-\$1.7m to +\$1.6m
Occupation Tax	\$4,158,001	\$4,290,994	\$4.2m to \$4.3m	+\$132,993	+\$0.1m to +\$0.2m
Real Estate Transfer Tax	\$2,916,985	\$2,890,892	\$2.5m to \$3.2m	-\$26,903	-\$0.4m to +\$0.3m
Delinquent Real Estate and Occupation Taxes	\$1,625,000	\$2,168,373	\$1.7m to \$2.6m	+\$543,373	\$0.0m to +\$0.9m

# Summary of Gov. Wolf's Budget Proposal

- Significant increases in basic and special education funding
- Charter school funding reform
- Several other policy proposals
- Funded by tax increases...



\$614,000  
savings from  
charter reform?



Impact of  
minimum wage  
on contracts?

**SPOTLIGHT**  | POWERED BY *The Inquirer*

**Wolf asks for tax increase on Pa.'s top earners  
amid pandemic; GOP pans proposal as  
'irresponsible'**

by [Angela Couloubis of Spotlight PA](#) and [Cynthia Fernandez](#), Updated: February 3, 2021- 6:21 PM



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# State Revenue Assumptions

Category	2021-22 Budget Assumption	"Flat" Assumption	BEF Formula Assumption	Add \$200M Assumption
Basic Education Subsidy	\$14,450,000	\$14,791,030 +\$341,030	\$9,384,903 -\$5,406,127	\$15,091,103 +\$641,103

Category	2021-22 Budget Assumption	"Flat" Assumption	Add \$200M Assumption
Special Education Subsidy	\$6,175,000	\$6,284,527 +\$109,527	\$6,531,288 +\$356,288

# CAUTION...

- This approach works best when budgeting with ZERO deficit. The reason that deficit budgeting is successful is that there is inherent conservatism in the revenue assumptions. Removing that conservatism reduces and possibly eliminates a revenue surplus.
- Need a commitment from the Board to achieve a ZERO deficit budget if revenue assumptions are adjusted as presented.

# Federal Funding Update

- CARES ESSER Funds, Round 2
  - Approximately \$1.1 million
  - Application due by **12/31/2021**; spend by **9/1/2023**
  - Opportunity to use these funds to offset existing costs and provide budget relief?
- Additional funding in proposed economic relief packages?