

Finance Committee Meeting

April 15, 2021



COUNCIL ROCK
SCHOOL DISTRICT

Agenda

- Consent Agenda Items (April 22 Special Meeting)
 - Approve 2021-22 MBIT Budget
- Board Agenda Items (April 22 Special Meeting)
 - Approve 2021-22 Proposed Final Budget
- Discussion Items
 - 2021-22 Budget Development Update
 - Financial Projection Model Assumptions

Approve 2021-22 MBIT Budget

- Overall increase to sending districts = \$201,472 (2.04%)
- Budgeted expenditures increase = 2.33%
 - Driven by health insurance, PSERS and property services
- Does NOT include capital contributions

	2020-2021	2021-2022	Difference
Avg. Enrollment	17.763%	16,945%	-0.818%
CRSD Payment *	\$1,968,566	\$1,930,425	-\$38,141
Capital Project Funding ^	n/a	\$196,374	

* Payment before prior year tuition reconciliation credit (2021-22 = \$201,623)

^ Approved on 4/8/21 as separate Capital Funding Agreement (to be invoiced on 7/1/21)



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2021-22 Budget Development Update

- Staffing Update – Ms. Taylor
- PSERS Impact
- Adjustments to First Draft Budget for Proposed Final Budget
 - Reductions to Date
 - Final Budget real estate tax increase direction



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2021-2022 Staffing Overview

APRIL 15, 2021

FINANCE COMMITTEE MEETING

Staffing Overview – 3 Year View

School Year	2019-2020 Budget	2020-2021 Budget	2021-2022 Budget
Professional Staff	847.60	852.70	849.20
Support Staff	471.35	468.19	471.19
Administrators	46.5	46	46
Total Staff	1366.45	1366.89	1366.39

Historical Staffing Overview

School Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Professional Staff	853.02	841.23	859.3	854.01	855.50	839.60	848.50	848.9	847.60	852.7	849.2
Total Staff	1353.64	1347.03	1364.43	1366.63	1373.11	1337.40	1357.66	1360.75	1366.45	1366.89	1366.39

2018-2019

- 7 Professional Middle School Reductions included in the budget
- 4.5 Professional Middle School Reductions not included in the 18-19 budget
- 5 Support Staff Middle School Reductions
- 5.6 Special Education Teachers Added
- 5 Instructional Assistants Added (Achieve/WES)
- 1.2 Clerical Aides Added (enrollment)

2019-2020

- .4 Reading Specialist Added at Middle Level
- 2 Tech High School Specialists
- 2.5 Elementary Sections

2020-2021

- 3 Elementary Counselors
- .3 Math Teacher
- .21 Spec ED HCE
- 1 BCBA
- 1 ELD Teacher

Staffing Overview

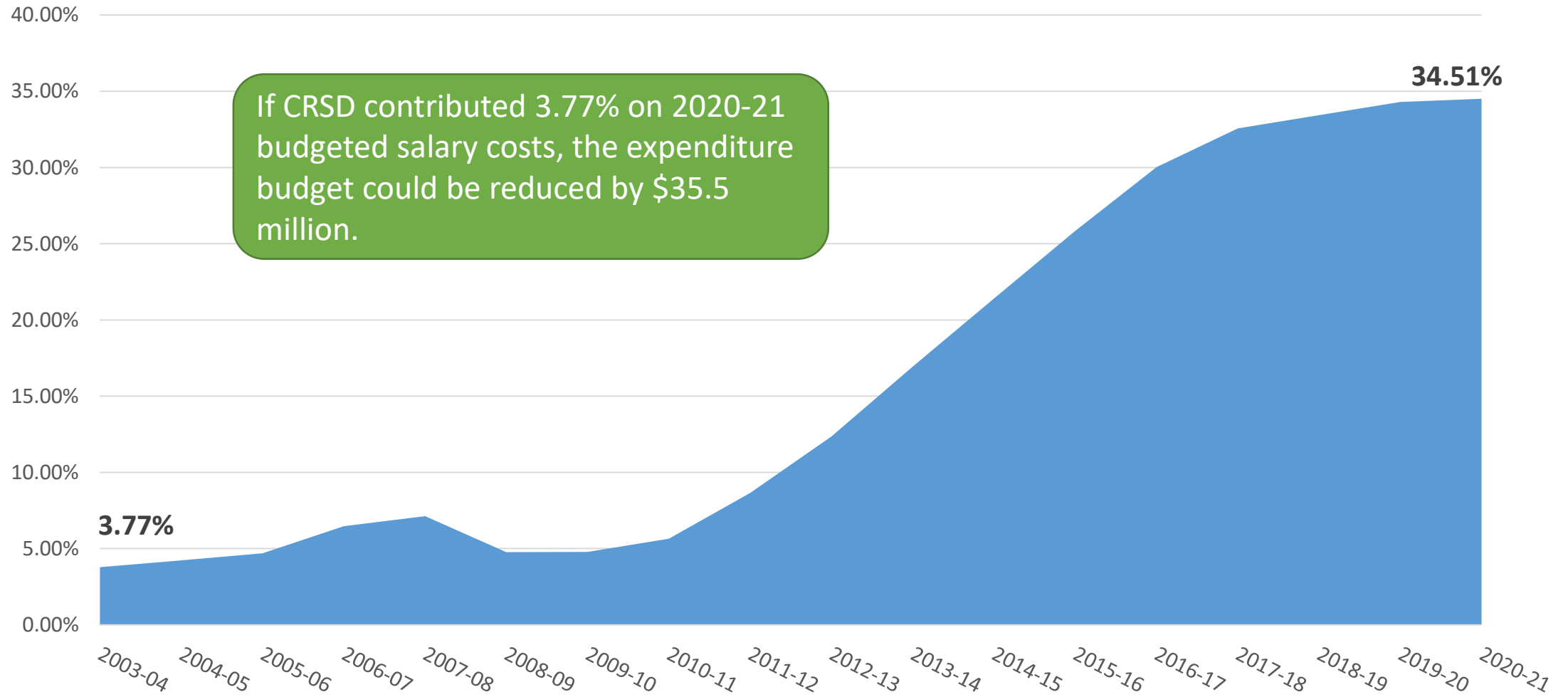
2021-2022 Budget Projection

School Year	2020-2021 Budget	2021-2022 Budget	Variance
Professional Staff	852.7	849.2	-3.5
Support Staff	468.19	471.19	3
Administrative Staff	46	46	0

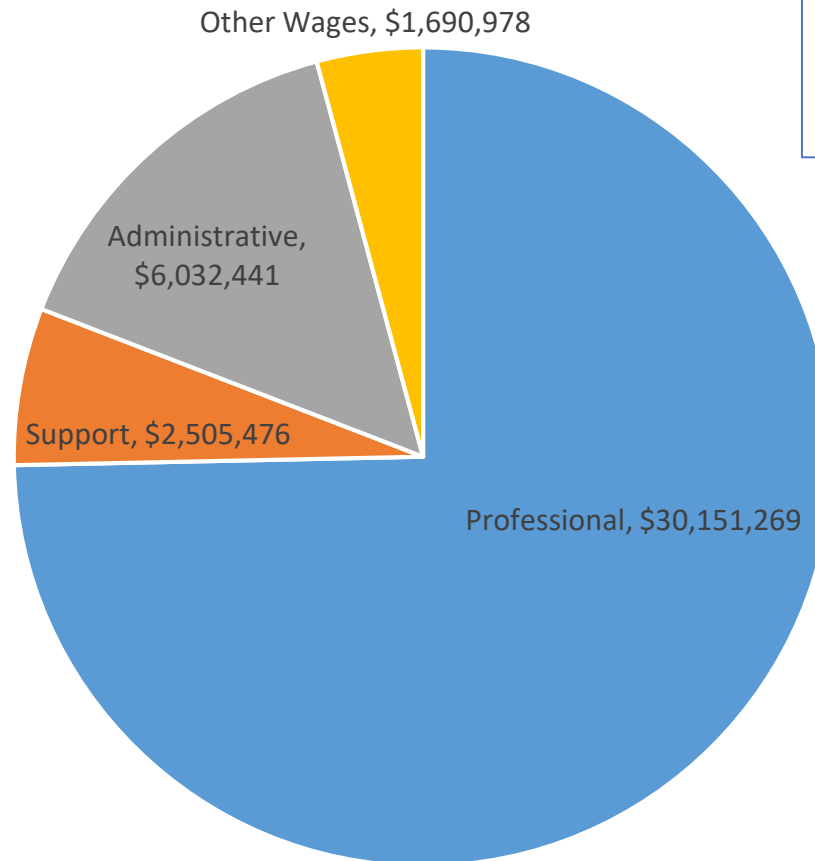
2020-2021

- - 1 ELD Teacher (removed from budget)
- Loss of elementary sections
- 1 HPE absorbed by current teacher at HMS
- Increase to school clerical aide, increase in FTE to café/recess aide, 1 registration position added

PSERS Employer Contributions – Past



PSERS Employer Contributions – Present



Total 2021-22 PSERS Budget =
\$40,380,164



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Components of PSERS Employer Contribution

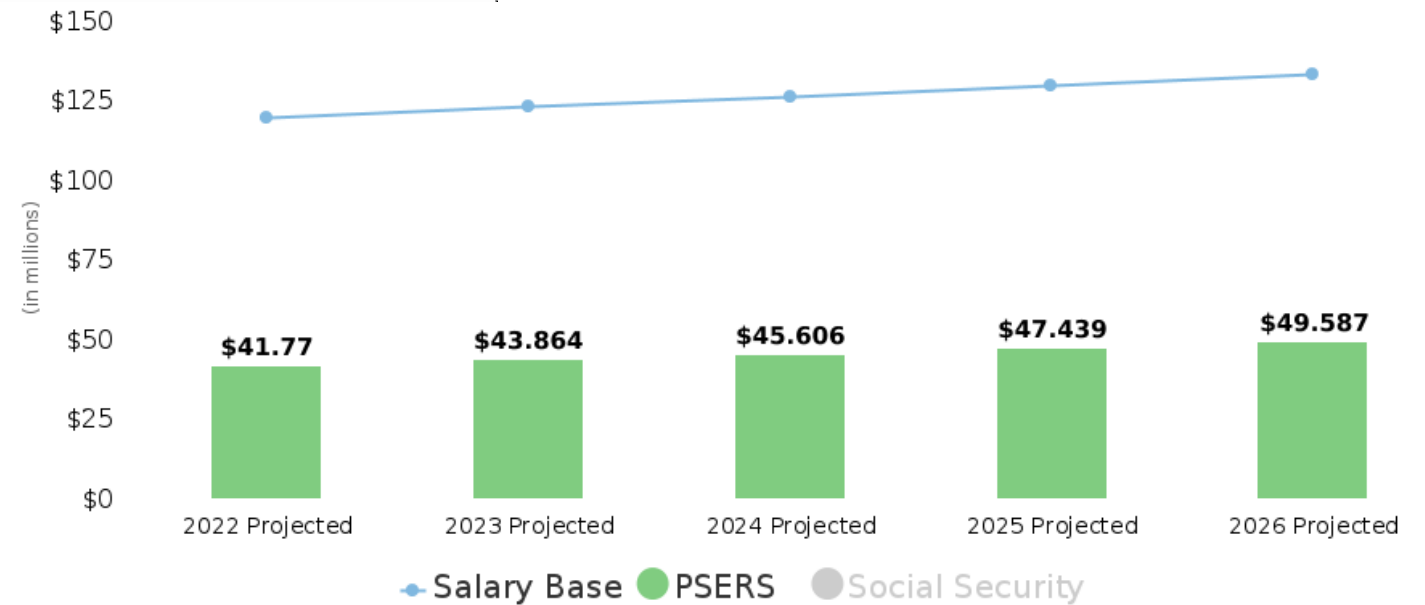
- 2020-21 Contribution Rate = 34.51%
 - Defined Benefit Plan = 7.37%
 - **Employer Unfunded Liability = 26.14%**
 - Health Care Contribution = 0.82%
 - Defined Contribution Plan = 0.18%
- 2020-21 Funded Status
 - Funded Ratio = 59.6%
 - Unfunded Accrued Liability = \$44.57 billion
- [Source](#)

PSERS Employer Contributions – Future

Employer Contribution & Reimbursement - Baseline

		Line Item Values				
		2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected
PSERS	% of Salaries	100%	100%	100%	100%	100%
	Prospective % Contribution	34.94%	35.62%	36.12%	36.60%	37.23%
	Prospective Reimbursement %	50%	50%	50%	50%	50%
Social Security	% of Salaries	100%	100%	100%	100%	100%
	Prospective % Contribution	7.65%	7.65%	7.65%	7.65%	7.65%
	Prospective Reimbursement %	50%	50%	50%	50%	50%

Employer Contribution



PSERS in the News

Pa.'s largest pension plan admits 'error' that may have benefited teachers at taxpayers' expense

FBI probes Pa. school pensions amid furor over false investment report, sources say

Also on Friday, PSERS said for the first time that it is investigating actions taken by its top staff.



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PSERS in the News

From Hong Kong to Sydney, San Francisco to Zurich, the staff at Pennsylvania's largest pension fund have run up big travel bills

The bills are high because PSERS for years has operated under a system in which it often never knew the true costs of travel. The fund repeatedly left the job of booking tickets, hotels, and meals to the outside money managers who invest the fund's money. The charges were later buried in overall travel bills that the managers submitted to the fund to be paid by taxpayers and teachers.

Even with the new disclosure, the real total remains a mystery. The reports had more than 150 trips in which either airfare or hotel spending is left blank. Information on meals was often blank or unreliably low.



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Recommendation

- Draft resolution for Board approval at future meeting to address:
 - Need for funding relief
 - Concern over recent financial practices and impact on taxpayers



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2021-2022 Budget Adjustments

First Draft, Revenues (No Tax Increase) **\$242,657,575**

Add: Real Estate Tax **\$4,927,263**

Local Revenue Changes:

Increase RE Tax collection rate to 97.5% **\$522,132**

Increase delinquent collections **\$100,000**

State Revenue - No Reduction Expected:

Basic Ed Subsidy **\$341,030**

Special Ed Subsidy **\$109,527**

FICA Reimbursement **-\$48,433**

PSERS Reimbursement **-\$226,742**

Proposed Final Budget \$248,382,352

First Draft, Expenditures **\$255,726,798**

CREA Retirements/Resignations (21.5) **-\$1,618,221**

CRAA Retirements **-\$38,342**

Department Reductions:

Operations **0.00% 0.00%**

Technology **0.00% 0.00%**

Curriculum **0.00% 0.00%**

Special Services **0.00% 0.00%**

Business **-\$342,164 -1.10% -0.13%**

Building Allocation **0.00% 0.00%**

K-12 Education **0.00% 0.00%**

Transportation **\$243,850 2.17% 0.10%**

Human Resources **0.00% 0.00%**

Community Relations **0.00% 0.00%**

-\$98,314 -0.04%

Proposed Final Budget \$253,971,921

REMAINING BUDGET DEFICIT = \$5,589,569

Assuming 3.0% tax increase

REMAINING BUDGET DEFICIT = \$10,516,832

Assuming NO tax increase

2021-2022 Budget Timeline

Date	Description	Liaison
3/11/2021	Finance Committee Meeting <ul style="list-style-type: none">• First Draft of Revenue & Expenditures• State Budget Update	B. Stone
4/15/2021	Finance Committee Meeting <ul style="list-style-type: none">• First Draft Budget Staffing• Present Proposed Final Budget	C. Taylor B. Stone
4/22/2021	Special Board Meeting <ul style="list-style-type: none">• Approve Proposed Final Budget	B. Stone
5/13/2021	Finance Committee Meeting <ul style="list-style-type: none">• Present Final Budget	B. Stone
6/3/2021	Board Meeting <ul style="list-style-type: none">• Approve Final Budget	B. Stone



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Financial Projection Model Assumptions

- Consensus on baseline assumptions is critical
- Acknowledge certainty of inputs, but uncertainty of outcomes
- Output: Plan that is widely accepted and consistently used
 - Retain the sensitivity analyses
 - Continue to use initiatives
- Is/Isn't
 - IS NOT a discussion to choose the numbers
 - IS a discussion on the general parameters



What is in the Long-Term Plan? (Nov. 2020)

BASELINE	
Real Estate Tax	Post-recession trend <i>1.6%-2.3%</i>
Growth Rates	Expected
Retirements	None
Budget Assumption	Expected <i>No deficit</i>
PSERS	Baseline
CIP and Funding Method	Yes, via cash
Initiatives?	None

BETTER CASE	
Real Estate Tax	IFO Projections <i>2.7%-3.7%</i>
Growth Rates	Expected
Retirements	More than Normal
Budget Assumption	Expected <i>No deficit</i>
PSERS	Baseline
CIP and Funding Method	Yes. Backlog funded by debt; remainder by surplus
Initiatives?	None

WORSE CASE	
Real Estate Tax	Low end of Act 1 indexes <i>1.4%-1.8%</i>
Growth Rates	Pessimistic
Retirements	Fewer than Normal
Budget Assumption	Expected <i>No deficit</i>
PSERS	Higher rates
CIP and Funding Method	Yes, via cash
Initiatives?	None

Current Plan Assumptions – Labor

BASELINE		BETTER CASE		WORSE CASE	
New Headcount?	Yes. +2 IA's per year	New Headcount?	Yes. +2 IA's per year	New Headcount?	Yes. +2 IA's per year
Salary Increases?	Per contract <i>(when available)</i>	Salary Increases?	Per contract <i>(when available)</i>	Salary Increases?	Per contract <i>(when available)</i>
Savings from Prof. Retirements?	NO <i>(Annual avg = 20)</i>	Savings from Prof. Retirements?	YES (30)	Savings from Prof. Retirements?	NO



Current Plan Assumptions – Real Estate Taxes

BASELINE		BETTER CASE		WORSE CASE	
Millage Rate	21-22: 3.0%	Millage Rate	21-22: 3.0%	Millage Rate	21-22: 3.0%
	22-23: 1.6%		22-23: 3.5%		22-23: 1.4%
	23-24: 1.6%		23-24: 3.7%		23-24: 1.4%
	24-25: 1.6%		24-25: 3.3%		24-25: 1.4%
	25-26: 2.3%		25-26: 2.7%		25-26: 1.8%
Assessment Growth?	NONE (Annual avg. = 0.2%)	Assessment Growth?	NONE (Annual avg. = 0.2%)	Assessment Growth?	-0.1% annual



Current Plan Assumptions – CIP

BASELINE		BETTER CASE		WORSE CASE	
Funding Needed	21-22: \$3.4m 22-23: \$11.5m 23-24: \$6.9m 24-25: \$6.8m 25-26: \$11.7m TOTAL: \$40.3m	Funding Needed	21-22: \$3.4m 22-23: \$11.5m 23-24: \$6.9m 24-25: \$6.8m 25-26: \$11.7m TOTAL: \$40.3m	Funding Needed	21-22: \$3.4m 22-23: \$11.5m 23-24: \$6.9m 24-25: \$6.8m 25-26: \$11.7m TOTAL: \$40.3m
Funding Method	Surplus/Fund Balance	Funding Method	Borrow: \$30m Surplus/Fund Balance: \$10.3m	Funding Method	Borrow: \$30m Surplus/Fund Balance: \$10.3m
MBIT Funding Needed	\$2.6m (over 5 years)	MBIT Funding Needed	\$2.6m (over 5 years)	MBIT Funding Needed	\$2.6m (over 5 years)
MBIT Funding Method	Surplus/Fund Balance	MBIT Funding Method	Borrow	MBIT Funding Method	Borrow

Key Assumptions

LABOR

- Any additional headcount?
 - Teaching staff?
 - Instructional assistants?
- Include savings from retirements in baseline?
- Contracts expire:
 - CREA: 6/30/2022
 - CRESPA: 6/30/2022
 - CRAA: 6/30/2024

REAL ESTATE TAX

- Millage rate?
 - Use historical Act 1, IFO or set amount per year?
 - IFO Index - 0.5%?
- Include annual assessment growth or decline?

Key Assumptions

CIP

- Project-driven or finance-driven approach?
 - Include all projects listed in CIP binder OR an annual fixed amount?
- Pay cash for all projects OR borrow for larger deferred projects (\$20M)?

DEBT SERVICE

- Have PFM update model after upcoming transaction
- Build back in future year increases?



Other Key Assumptions

REVENUES

- EIT – forecast from Keystone?
- State funding for BEF and SEF?
- CAGR for major local and remaining revenues?

EXPENDITURES

- Healthcare – projections from GBS actuaries?
- Major Contracts
 - Transportation (expires 2022)
 - Custodial (expires 2024)
- Tuition – enrollment and rate factors
- CAGR for remaining expenditures?



What's Next?

- Enter assumptions into model
- Report results at next Finance Committee meeting
- Repeat process in fall for next iteration of plan



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