

Finance Committee Meeting

October 8, 2020



COUNCIL ROCK
SCHOOL DISTRICT

Agenda

- Board Items
 - Approve Transfer to Food Service Fund
- Discussion Items
 - Investment Performance and Strategy Review – Kevin Karpuk, Cornerstone
 - Northampton Township LERTA Program Extension – Bob Pellegrino, Township Manager
 - 2019-20 Unaudited Results of Operation
 - 2021-2022 Budget Development: Timeline and Landscape
 - MBIT Project Funding

Approve Transfer to Food Service Fund

- Free & reduced lunch students at CRN and CRS
- Amount = \$98,116
- Less due to pandemic closure

Year	Amount
2019-20	\$98,116
2018-19	\$140,519
2017-18	\$130,723
2016-17	\$124,830



Cash Management Update

Council Rock School District

October 8, 2020



C O R N E R S T O N E
Independent Asset Management

Kevin Karpuk, CFA
Chief Investment Officer

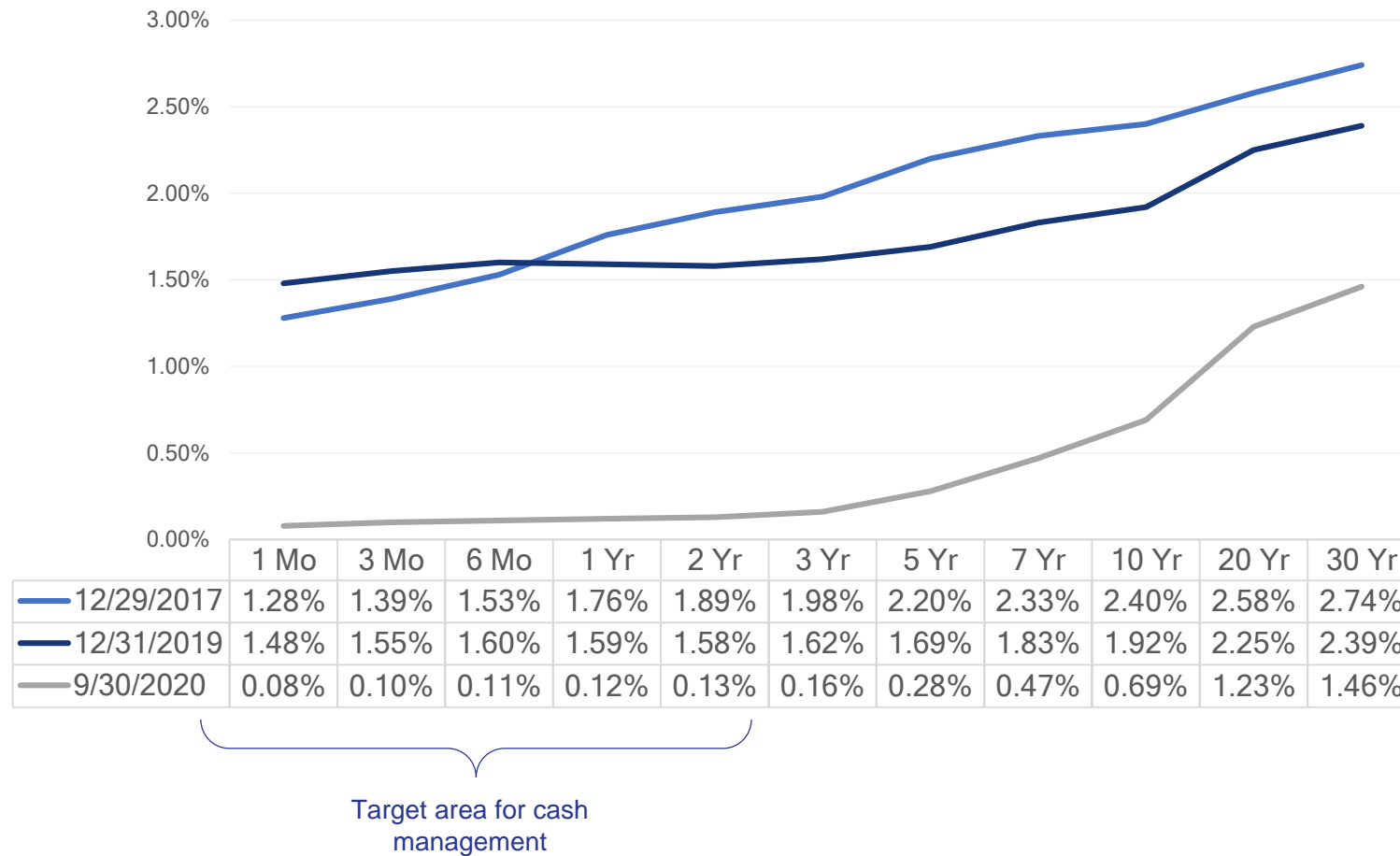
Cornerstone Advisors Asset Management, LLC
74 W. Broad Street, Suite 340, Bethlehem, PA 18018

Current Market Conditions

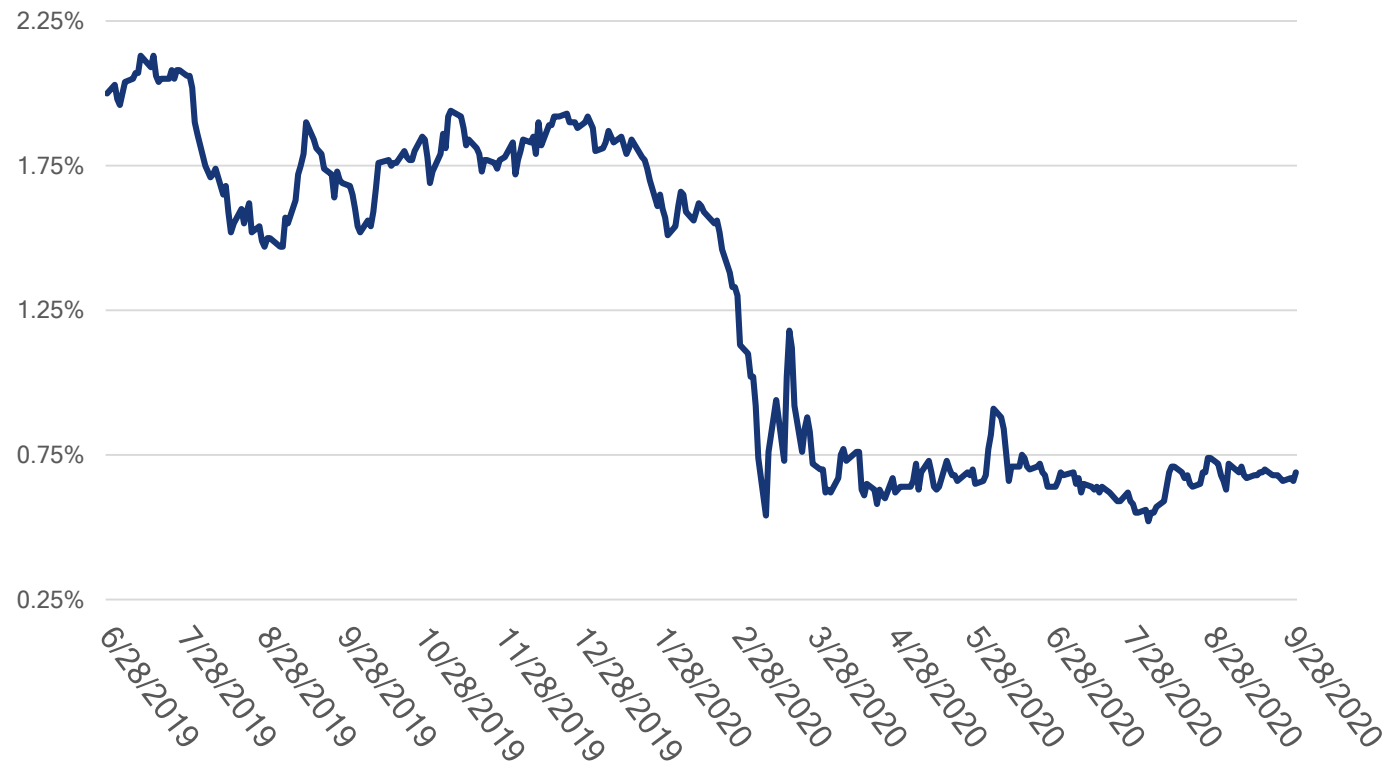


FY 2021 will be difficult for short-term investors.
The Fed has **lowered interest rates** to
extremely low levels, and the outlook for a
future increase is not favorable.

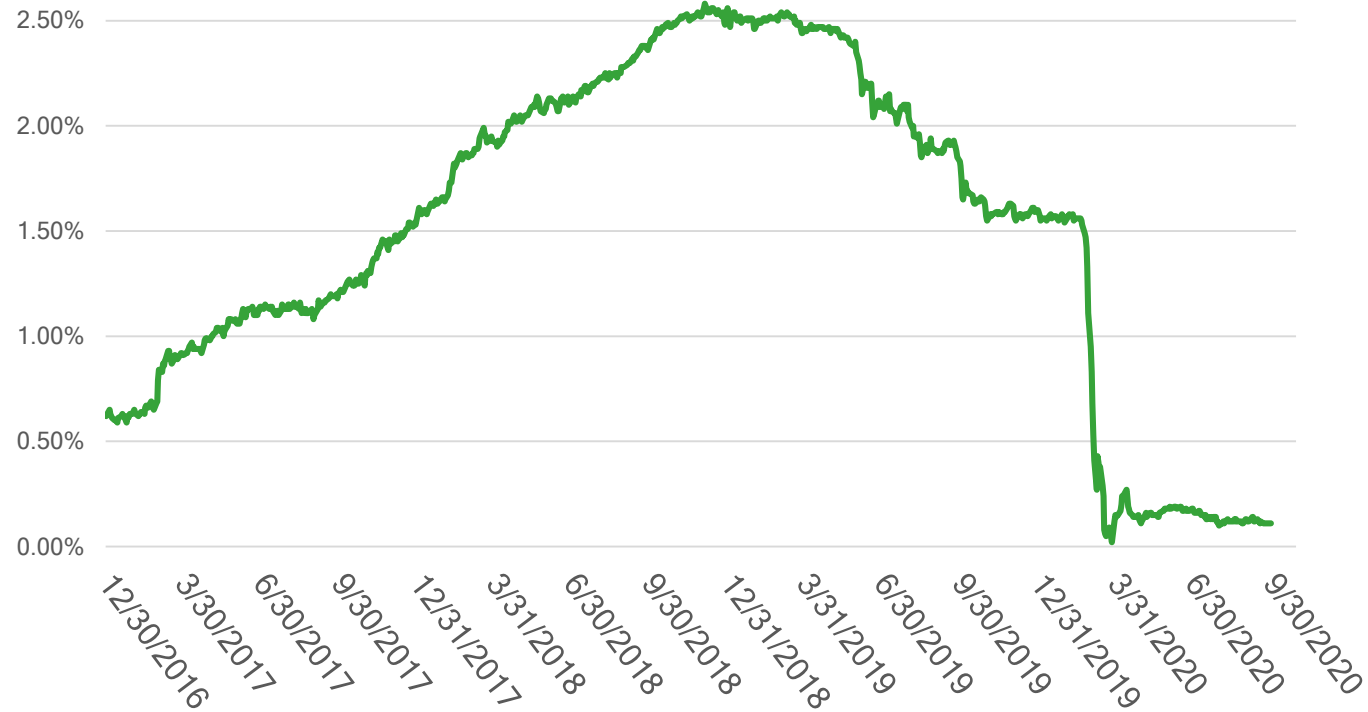
Treasury Yield Curve



10 Year Treasury

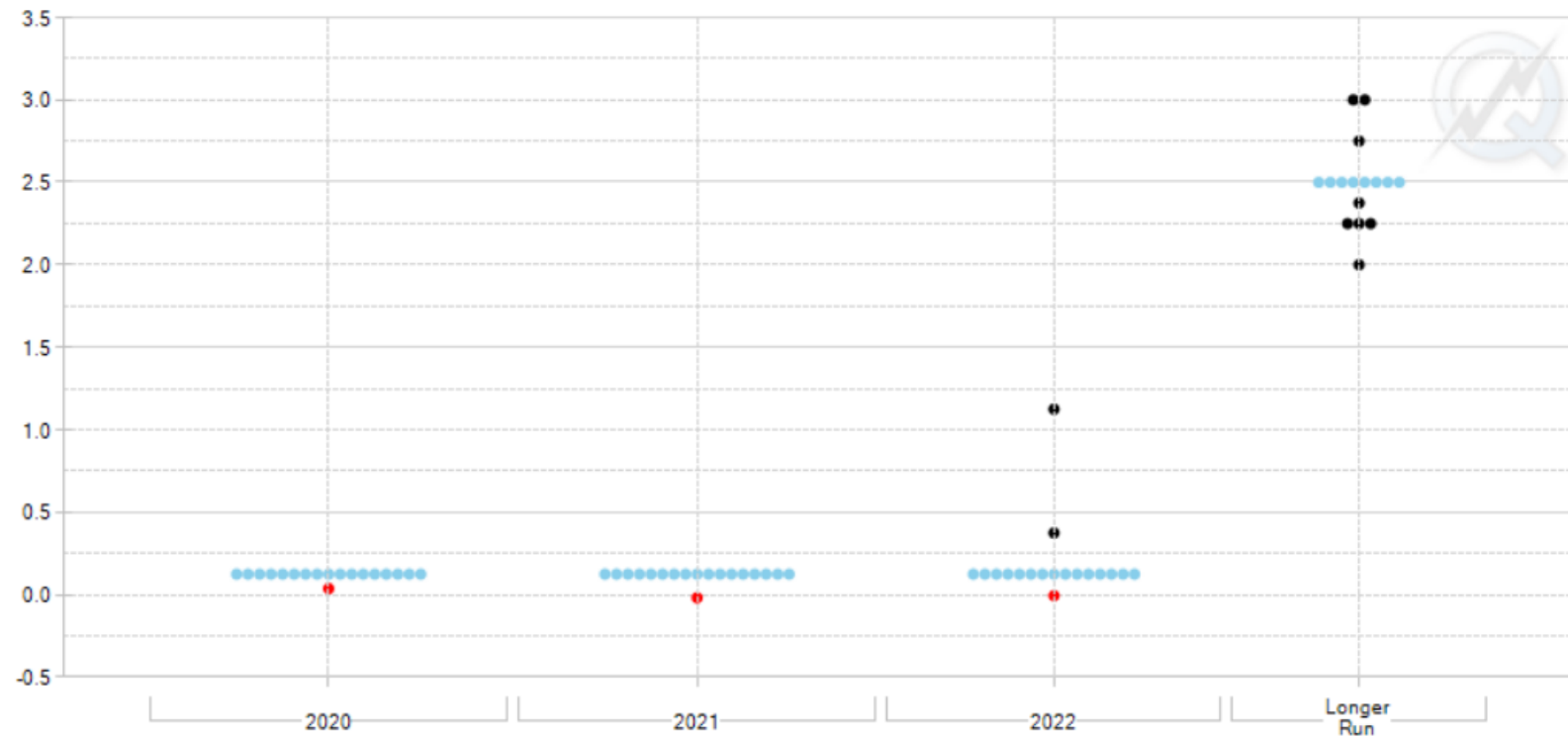


6 Month Treasury



Dot-Plot

FOMC Participants' Assessments of Appropriate Monetary Policy : "Dot-Plot"



Blue dots indicate the median projection. Data is based on the economic projections published on June 10, 2020.
Red dots indicate the effective rate implied by the year-end FedFund future price.

2020 Tactics



Since **market “beta”** appears weak, we will need to rely on **advisor “alpha”** to approach budgeted income projections.

Program Summary

Goals

Safety – Liquidity - Yield

Partners



STONECASTLE

Current Yields



Yields

0.05%

STONECASTLE

0.20%

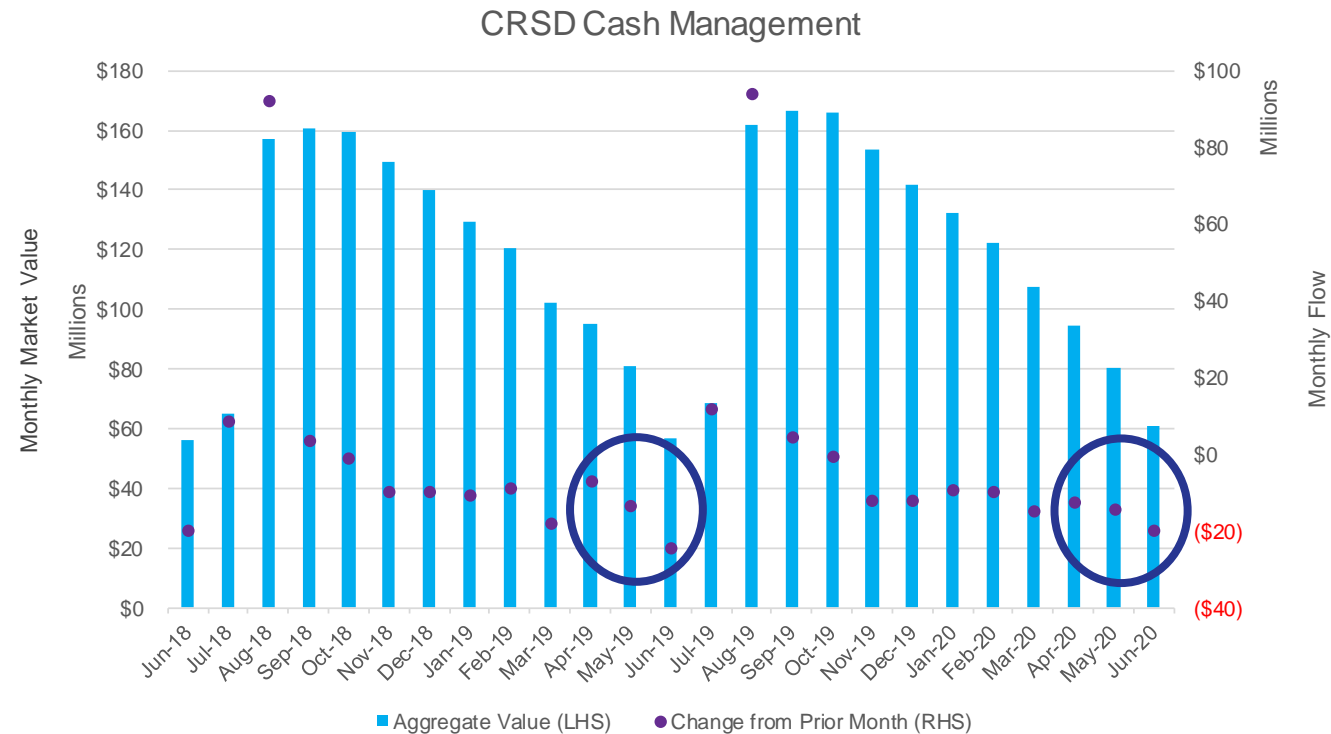


0.15%



0.12%

Cashflow Analysis



Budgeted income is **\$350,000** (or about 29 bps on average monthly balance.)



Portfolio Review

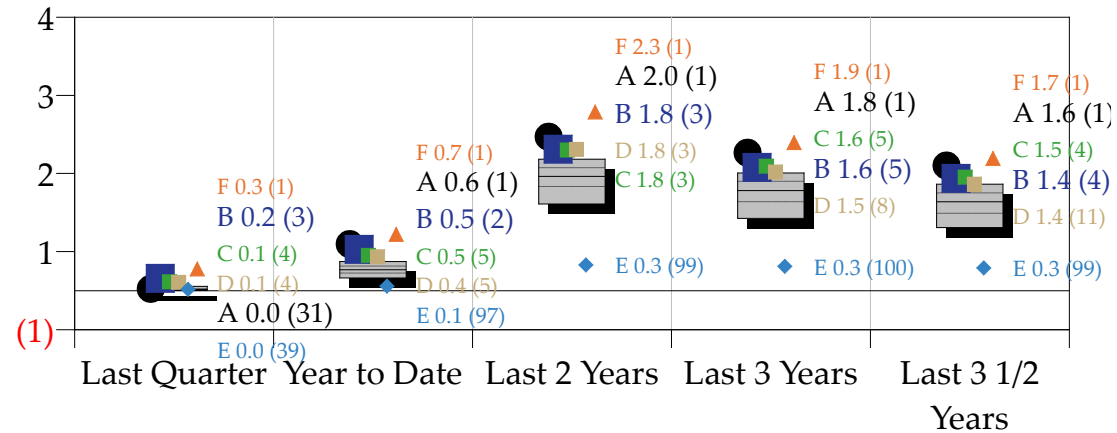
Asset Location (as of 6/30/2020)

3/31/20-6/30/20

Manager - Mandate	Beginning Market Value	Income	Deposits	Transfers	Expenses	Withdrawals	Change in Market Value	Ending Market Value
M&T - Wilmington Trust Portfolio	\$35,236,119	\$296,767	\$0	(\$24,000,000)	(\$7,027)	\$0	(\$198,394)	\$11,327,465
TD - General Fund	\$28,010,004	\$39,796	\$3,739,970	\$66,000,500	\$0	(\$68,998,515)	\$0	\$28,791,755
PLGIT - General Fund	\$34,880,731	\$30,537	\$18,903,462	(\$42,000,000)	\$0	(\$26,979)	\$0	\$11,787,751
TD - CRSD Compensating Balance	\$5,692,264	\$5,919	\$0	\$0	\$0	\$0	\$0	\$5,698,183
Total General Funds	\$103,819,117	\$373,020	\$22,643,431	\$500	(\$7,027)	(\$69,025,494)	(\$198,394)	\$57,605,154
TD - Capital Reserve	\$2,571,395	\$3,045	\$444,358	\$0	\$0	(\$501,197)	\$0	\$2,517,600
Total Capital Reserves	\$2,571,395	\$3,045	\$444,358	\$0	\$0	(\$501,197)	\$0	\$2,517,600
PLGIT - GO Bonds Series of 2018	\$8,638,209	\$9,173	\$0	(\$5,126,916)	\$0	\$0	\$0	\$3,520,465
PLGIT - GO Bonds Series of 2019	\$15,778,545	\$20,544	\$0	\$0	\$0	\$0	\$0	\$15,799,089
PLGIT - 2012 Escrow - Northampton TWP - Holland Elem	\$1,341,256	\$1,742	\$0	(\$73,192)	\$0	\$0	\$0	\$1,269,806
PLGIT - Escrow - Newtown Township	\$147,387	\$191	\$0	(\$46,565)	\$0	\$0	\$0	\$101,014
PLGIT - Northampton TWP - Holland MS	\$0	\$63	\$0	\$687,630	\$0	\$0	\$0	\$687,693
PLGIT - Newtown TWP - Newton MS	\$0	\$31	\$0	\$359,043	\$0	\$0	\$0	\$359,073
PLGIT - Escrow - Rolling Hills Elementary	\$1,294,045	\$1,685	\$0	\$0	\$0	\$0	\$0	\$1,295,730
Total Bond Funds	\$27,199,442	\$33,428	\$0	(\$4,200,000)	\$0	\$0	\$0	\$23,032,870
TD - Capital Projects	\$822,273	\$1,259	\$0	\$4,200,000	\$0	(\$4,582,801)	\$0	\$440,731
FNBN - Cafeteria Account	\$321,201	\$22	\$5,076	\$0	\$0	(\$222,745)	\$0	\$103,553
PLGIT - Cafeteria Account	\$252,586	\$331	\$53,256	\$0	\$0	\$0	\$0	\$306,173
PLGIT - Scholarship Account	\$22,975	\$28	\$0	\$0	\$0	\$0	\$0	\$23,003
PLGIT - Ellen Cohen Scholarship	\$3,833	\$5	\$0	(\$500)	\$0	\$0	\$0	\$3,338
FNBN - Student Activities	\$1,121,829	\$0	\$1,123,397	\$0	\$0	(\$941,511)	\$0	\$1,303,714
Total Miscellaneous Funds	\$2,544,698	\$1,644	\$1,181,728	\$4,199,500	\$0	(\$5,747,057)	\$0	\$2,180,513
Aggregate Portfolio	\$136,134,652	\$411,137	\$24,269,517	\$0	(\$7,027)	(\$75,273,749)	(\$198,394)	\$85,336,137
General Fund FYTD Income	\$1,862,702							
Bond Fund FYTD Income	\$526,622							
Aggregate Relationship FYTD Income	\$2,407,908							

Quarterly Performance

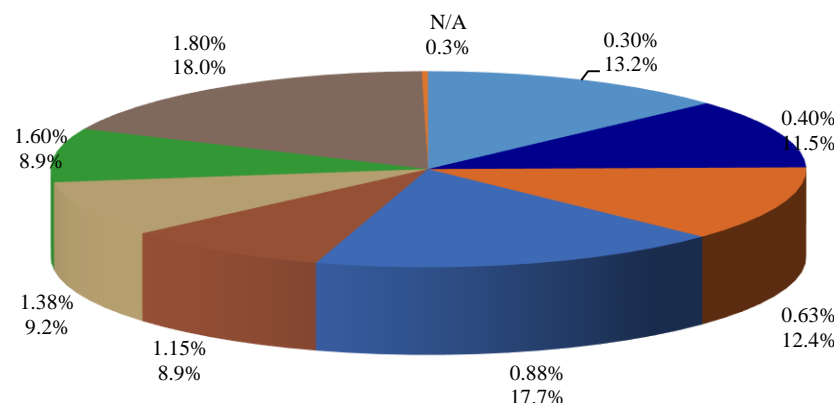
Net of Fee Returns for Various Periods Ending 6/30/20
Callan Taxable Money Mkt
3 Month T-Bill



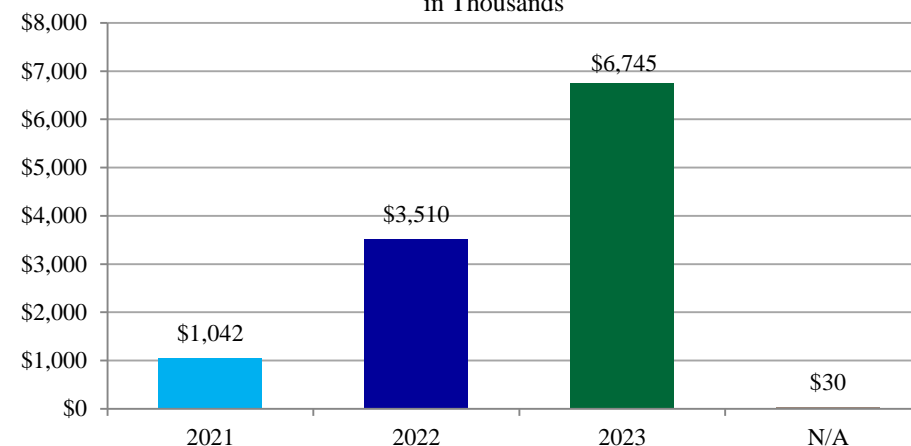
Median	0.01	0.27	1.46	1.28	1.14
3 Month T-Bill	0.02	0.60	1.97	1.77	1.60
CRSD Cash Aggregate	0.16	0.53	1.81	1.58	1.44
PLGIT Portfolio	0.12	0.45	1.80	1.59	1.45
TD Portfolio	0.11	0.43	1.81	1.52	1.36
FNBN Portfolio	0.02	0.06	0.33	0.31	0.29
Wilmington Trust Portfolio	0.28	0.72	2.29	1.90	1.69

Wilmington Investment Summary (as of 06/30/2020)

Holdings by Coupon



Holdings by Maturity Date
in Thousands



Coupon	Market Value	% of Portfolio
0.30%	\$1,500,718	13.2%
0.40%	\$1,299,195	11.5%
0.63%	\$1,401,469	12.4%
0.88%	\$2,005,212	17.7%
1.15%	\$1,002,855	8.9%
1.38%	\$1,041,988	9.2%
1.60%	\$1,007,493	8.9%
1.80%	\$2,038,099	18.0%
N/A	\$30,435	0.3%
	\$11,327,465	100%

Maturity Year	Market Value	% of Portfolio
2021	\$1,041,988	9.2%
2022	\$3,510,177	31.0%
2023	\$6,744,865	59.5%
N/A	\$30,435	0.3%
	\$11,327,465	100.0%

Wilmington Trust Holdings (as of 06/30/2020)

Asset Description		Quantity	Cost	Market Value	Market Value + Accrued Income
FHLB	1.600% 8/04/22	1,000,000	\$999,700	\$1,000,960	\$1,007,493
FHLB	0.875% 4/06/23	1,000,000	\$1,000,000	\$1,001,180	\$1,003,246
FFCB	0.875% 10/13/22	1,000,000	\$1,000,000	\$1,000,070	\$1,001,966
FFCB	0.625% 5/04/23	1,400,000	\$1,400,000	\$1,400,084	\$1,401,469
FHLMC MTN	1.800% 1/06/23	2,020,000	\$2,019,798	\$2,020,424	\$2,038,099
FHLMC MTN	0.400% 6/30/23	1,300,000	\$1,300,000	\$1,299,181	\$1,299,195
FHLMC	1.150% 4/06/23	1,000,000	\$1,000,000	\$1,000,140	\$1,002,855
FHLMC MTN	0.300% 5/06/22	1,500,000	\$1,500,000	\$1,500,030	\$1,500,718
U.S. TREASURY NOTES	1.375% 1/31/21	1,029,000	\$1,004,324	\$1,036,080	\$1,041,988
Wilmington US Treasury Money Mkt Sel		30,406	\$30,406	\$30,406	\$30,435
Total:			\$11,254,228	\$11,288,555	\$11,327,465

PLGIT Holdings (as of 12/31/2019)

Issuer	PLGIT Portfolio	PLGIT/PRIME Portfolio	PLGIT/ARM Portfolio	PLGIT/TERM Series DEC 20
African Development Bank	6.86%	-	5.77%	-
Asian Development Bank	6.68%	-	6.06%	-
BNP Paribas (NY) ⁽¹⁾	<5.00%	5.06%	<5.00%	<5.00%
Credit Agricole Corporate & Investment Bank (NY) ⁽¹⁾	5.42%	<5.00%	7.25%	5.19%
Fannie Mae	6.70%	-	5.13%	-
Federal Farm Credit Bank	12.46%	-	11.00%	-
Federal Home Loan Bank	23.73%	<5.00%	23.77%	-
Inter-American Development Bank	6.85%	-	5.36%	-
International Bank of Reconstruction and Development	5.05%	-	6.12%	-
Pfizer, Inc.	-	<5.00%	-	5.33%
Toronto Dominion Bank (NY)	-	<5.00%	-	5.86%
U.S. Treasury	16.26%	<5.00%	9.53%	-

⁽¹⁾ These issuers are also counterparties to repurchase agreements entered into by the PLGIT, PLGIT/PRIME and PLGIT/ARM Portfolios. These repurchase agreements are collateralized by the U.S. government and agency obligations.

TD Collateral

Effective March 24, 2020, TD has replaced the asset-backed securities historically used as collateral with a letter of credit backed by the **Federal Home Loan Bank of Pittsburgh**.

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Northampton Township LERTA Program Extension

Bob Pellegrino, Manager



General Fund – Budget vs. Actual

REVENUE

Account	Variance	Comments
RE Tax	+\$1.4m	Better collection rate
Debt Service Reimb.	+\$0.8m	Receipt of several prior yr reimb.
Delinquent RE Tax	-\$0.9m	Decreasing # of liens
Earned Income Tax	-\$0.7m	Collections deferred, COVID
Interim RE Tax	-\$0.7m	Dependent on new construction
TOTAL VARIANCE	+\$0.1m	

EXPENDITURES

Account	Variance	Comments
Transportation	-\$2.6m	No services starting 3/13
Salaries	-\$1.8m	Fewer LTS needed
Medical Insurance	-\$0.7m	Less contributed to Med Fund
Contracted Subs.	-\$0.7m	Fewer per diem subs
Other Benefits	+\$0.6m	Higher # of retirees
Workers' Comp	-\$0.6m	Funded by accrued liab.
Repairs & Maint.	-\$0.5m	Due to closure
Supplies	-\$0.5m	Due to closure
TOTAL VARIANCE	-\$7.7m	

Estimated Ending Surplus = +\$3.3m

General Fund - Estimated Ending Fund Balance

CATEGORY	AMOUNT	NOTES
Balancing the 2020-21 Budget	\$3.0m	Required by accounting principles when deficit budgeting
Future educational initiatives	\$1.5m	Decreased by \$700k to align with expected priorities
COVID-19 expenditures	\$6.1m	PPE and other reopening-related expenses
Total Committed Fund Balance	\$10.6m	
Assigned Fund Balance	\$0.1m	Certain accounts requiring admin. tracking
Unassigned Fund Balance	\$12.3m	5% per Board policy
TOTAL FUND BALANCE	\$23.0m	

Recommended Capital Reserve Transfer = \$2.5m

2019-20 Other Funds

- Capital Reserve & Capital Projects – utilized existing funding to continue work
- Food Service Fund – loss for the year due to closure
- Medical Fund – increasing surplus, better than expected year
- Student Activities Fund – significant balances

2021-22 Budget Timeline

DATE	ACCELERATED TIMELINE	STANDARD TIMELINE
1/7/2021	Approve Opt Out Resolution	No action required
2/4/2021	No action required	Approve Preliminary Budget and Notice of Intent to Apply for Exceptions
2/12/2021	No action required	File exceptions with PDE
3/19/2021	No action required	Deadline to submit referendum question to Bucks County BOE (<i>not required</i>)
4/22/2021	Special Board Meeting to Approve Proposed Final Budget	
6/3/2021	Approve Final Budget	

2021-2022 Budget Landscape

The diagram consists of two main vertical blocks. The left block is light blue and contains a blue circle with the text 'Real Estate Taxes'. To its right is a light blue rectangle divided into two sections: the top section says 'Act 1 Index: 3.0%' and the bottom section says 'Add'l Revenue = \$4.9M'. The right block is light green and contains a green circle with the text 'Teachers' Salaries'. To its right is a light green rectangle divided into two sections: the top section says 'Contractual increases + PSERS' and the bottom section says 'Exp Increase = \$1.6M'.

Real Estate Taxes

Act 1 Index:
3.0%

Add'l
Revenue =
\$4.9M

Teachers' Salaries

Contractual
increases +
PSERS

Exp Increase
= \$1.6M

2021-2022 Budget Landscape

- Revenue collections
- Other employee costs
 - CRESPA/CRAA
 - Healthcare
- Additional ESS per diem substitute costs
- Increased charter school costs
- Consumable PPE for next school year?
 - Masks
 - Sanitizer



MBIT Capital Funding

- Key Provisions

- Total = \$8,533,372 (NTE) over five years
- Fixed percentage for CR = 32.33%
- CR Total Share = \$2,765,305

	July 1, 2020 2021	July 1, 2021 2022	July 1, 2022 2023	July 1, 2023 2024	July 1, 2024 2025
Council Rock	\$444,491	\$582,316	\$641,918	\$594,898	\$501,613

- Refinancing Opportunity

- Estimated Savings = \$496,000 (CR share = \$160,000)
- Offsets total project costs



MBIT Funding Considerations?

- Does current interest rate environment warrant consideration of borrowing?
 - Can we achieve economies of scale by combining with the refinancing?
- How does project funding affect CR operating and capital budgets?
- What are total costs, including financing?

Funding Analysis

	CASH	BORROWING
Total CR investment	\$2.6m	\$3.1-\$3.5m
Impact on annual operating budget?	None (but see below)	+\$48-56k in debt service
Impact to Capital Reserve funding?	Yes. Less money for other projects <u>OR</u> more money must be transferred to Fund	None

RECOMMENDATIONS

- Pay cash over five years (and approve required five-party funding agreement)
- Approve resolution to refinance MBIT bonds and apply savings to first year cash contribution