



PFM Fact Finding Presentation

Bensalem Township School District

December 12, 2018

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- ◆ Budget Projections
- ◆ Major Budget Drivers
 - Revenues
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- ◆ Budget Scenarios



Budget Projections



Multi-Year Projections

- ◆ PFM has prepared a multi-year budget projection for the Bensalem Township School District to understand the District's current and future financial position and to assist the Superintendent and Board in financial decision-making
- ◆ Analysis of financial and operational information was supplemented by interviews with District staff from the Business Office to provide context to understand trends in the data
- ◆ As part of the analysis, PFM developed a baseline budget projection over a multi-year period to identify the District's financial challenges beyond the current budget year
 - This projection is made on a *status quo* basis, assuming no change in the District's current operations or initiatives to control costs and improve revenues
 - After the *status quo* projection is presented, PFM will show alternative scenarios with the budgetary impacts of real estate tax increases and salary increases
- ◆ The *status quo* projection is important to highlight the sources of financial stress in the District's operating budget and set a common baseline for planning and decisionmaking

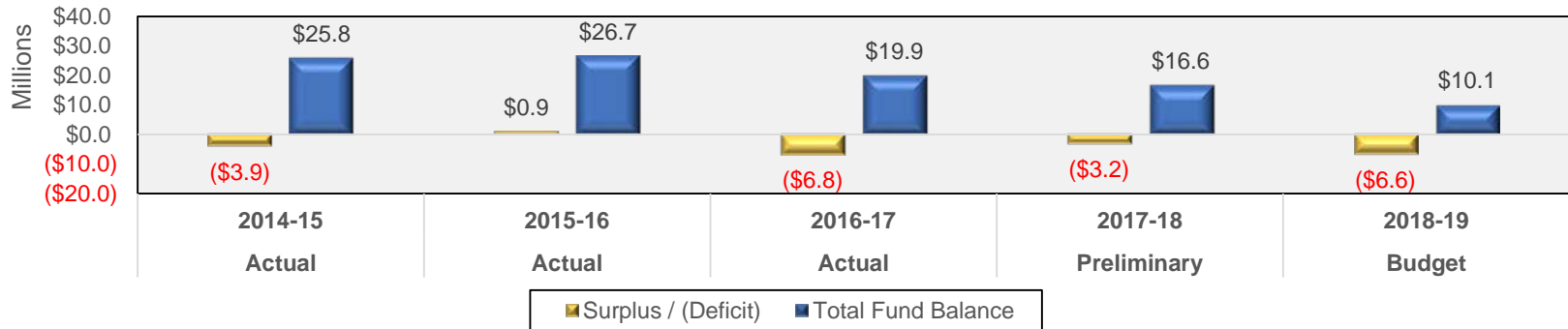


Historical Financial Results

- The chart and table below show the District’s financial results for the current 2018-19 budget year and three prior fiscal years
 - The District has experienced three years of deficit results from 2014-15 to 2017-18
 - The 2018-19 budget was adopted with the use of \$6.6 million in fund balance

General Fund Financial Results

2014-15 to 2018-19



	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Preliminary	2018-19 Budget
Total Revenues	\$129,723,658	\$140,580,796	\$141,415,080	\$146,188,540	\$147,502,334
Total Expenditures	\$133,655,736	\$139,635,837	\$148,234,517	\$149,422,569	\$154,082,044
Surplus / (Deficit)	(\$3,932,078)	\$944,959	(\$6,819,437)	(\$3,234,029)	(\$6,579,710)
Ending Fund Balance	\$25,751,031	\$26,695,990	\$19,876,553	\$16,642,524	\$10,062,814



Budget versus Actual Results

- Similar to many other government entities, there will be variance between the budgeted amounts and the actual results for the District's revenues and expenditures
- The tables below show the comparison of budgeted revenues and expenditures compared to actual results

Budget versus Actual: Revenues

2014-15 to 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Actual	Actual	Preliminary	Budget
Budgeted Revenues	\$131,460,440	\$140,390,650	\$141,615,407	\$142,698,687	\$147,502,334
Audited Revenues	\$129,723,658	\$140,580,796	\$141,415,080	\$146,188,540	—
Variance (\$)	(\$1,736,782)	\$190,146	(\$200,327)	\$3,489,853	—
Variance (%)	(1.3%)	0.1%	(0.1%)	2.4%	—

Budget versus Actual: Expenditures

2014-15 to 2018-19

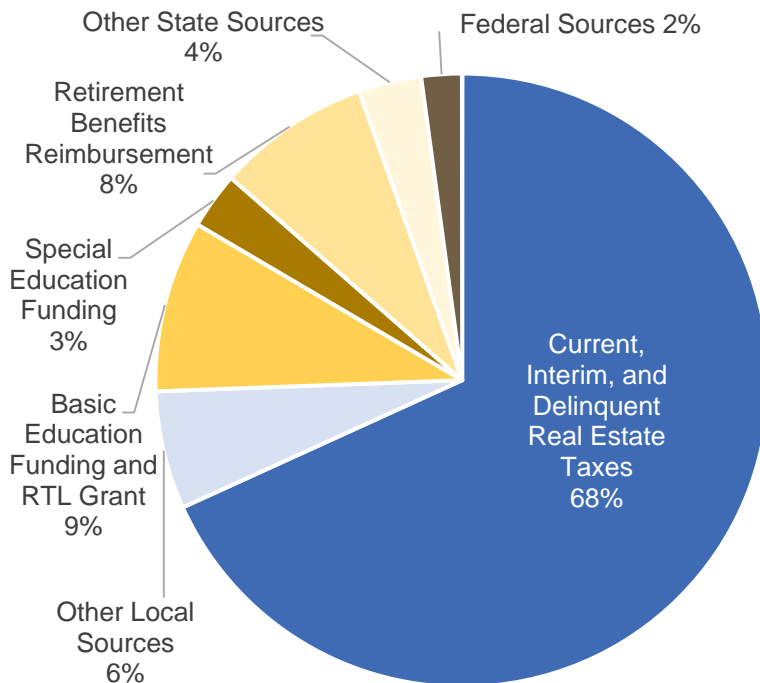
	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Actual	Actual	Preliminary	Budget
Budgeted Expenditures	\$136,269,147	\$140,261,482	\$147,670,854	\$150,598,925	\$154,082,044
Audited Expenditures	\$133,655,736	\$139,635,837	\$148,234,517	\$149,422,569	—
Variance (\$)	(\$2,613,411)	(\$625,645)	\$563,663	(\$1,176,356)	—
Variance (%)	(1.9%)	(0.4%)	0.4%	(0.8%)	—



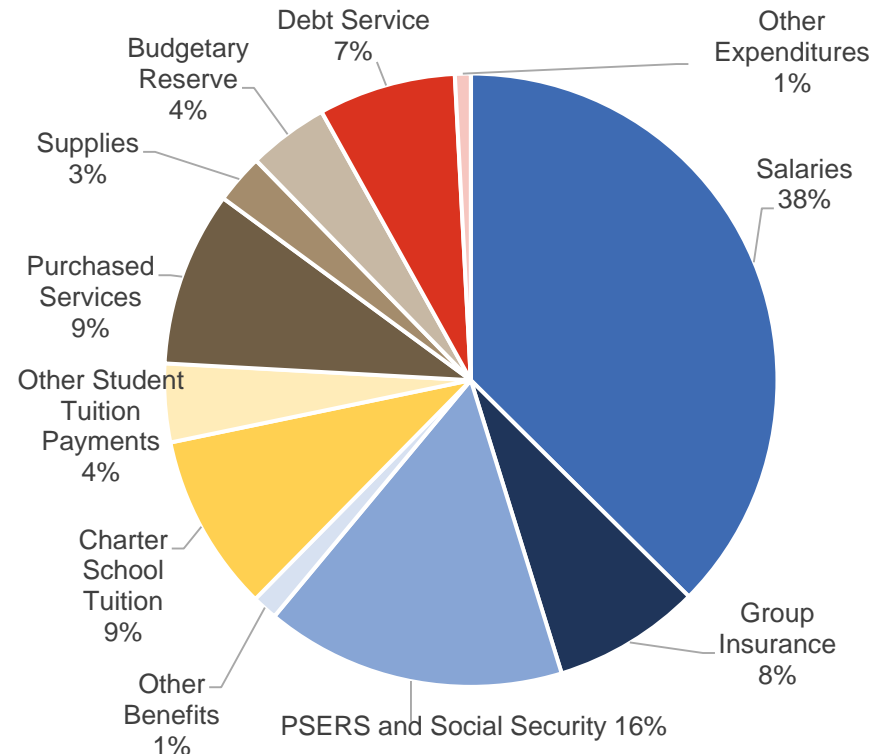
Starting Year: 2018-19 Adopted Budget

- The charts below show the major categories of District revenues and expenditures
 - Local sources account for over 74 percent of revenue, while state sources provide almost 24 percent
 - Employee salaries and benefits make up nearly 63 percent of District spending

General Fund Revenues



General Fund Expenditures

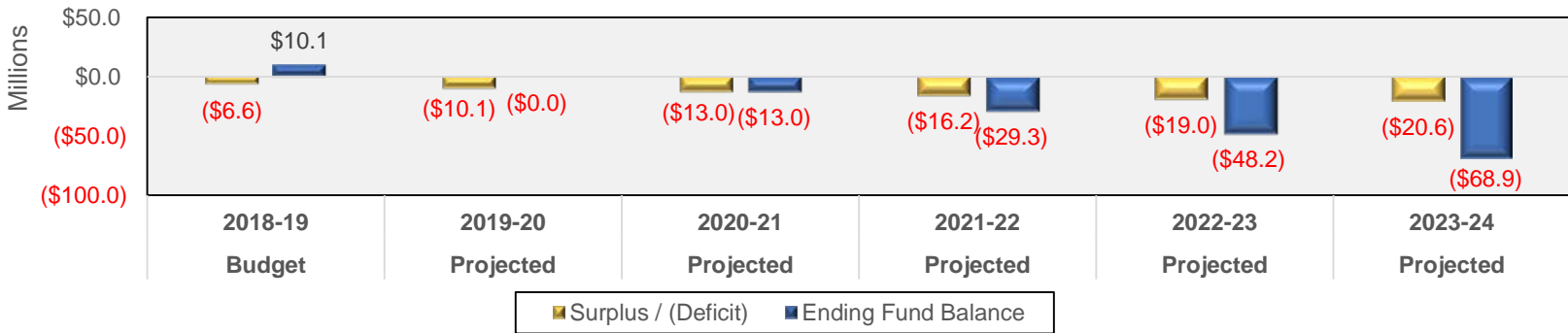




Baseline Budget Projections

- The chart and table below show the District’s baseline finances beginning with the 2018-19 budget
- This is a *status quo* projection, assuming no corrective action is taken
- Major drivers behind the revenue and expenditure totals will be described in the following slides

Baseline General Fund Budget Projections 2018-19 to 2023-24



	2018-19 Budget	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected
Total Revenues	\$147,502,334	\$147,989,171	\$149,032,360	\$150,093,169	\$151,208,239	\$152,413,296
Total Expenditures	\$154,082,044	\$158,059,677	\$162,069,798	\$166,300,628	\$170,194,007	\$173,043,366
Surplus / (Deficit)	(\$6,579,710)	(\$10,070,507)	(\$13,037,438)	(\$16,207,458)	(\$18,985,767)	(\$20,630,070)
Ending Fund Balance	\$10,062,814	(\$7,693)	(\$13,045,131)	(\$29,252,589)	(\$48,238,357)	(\$68,868,426)



Major Budget Drivers



Revenues



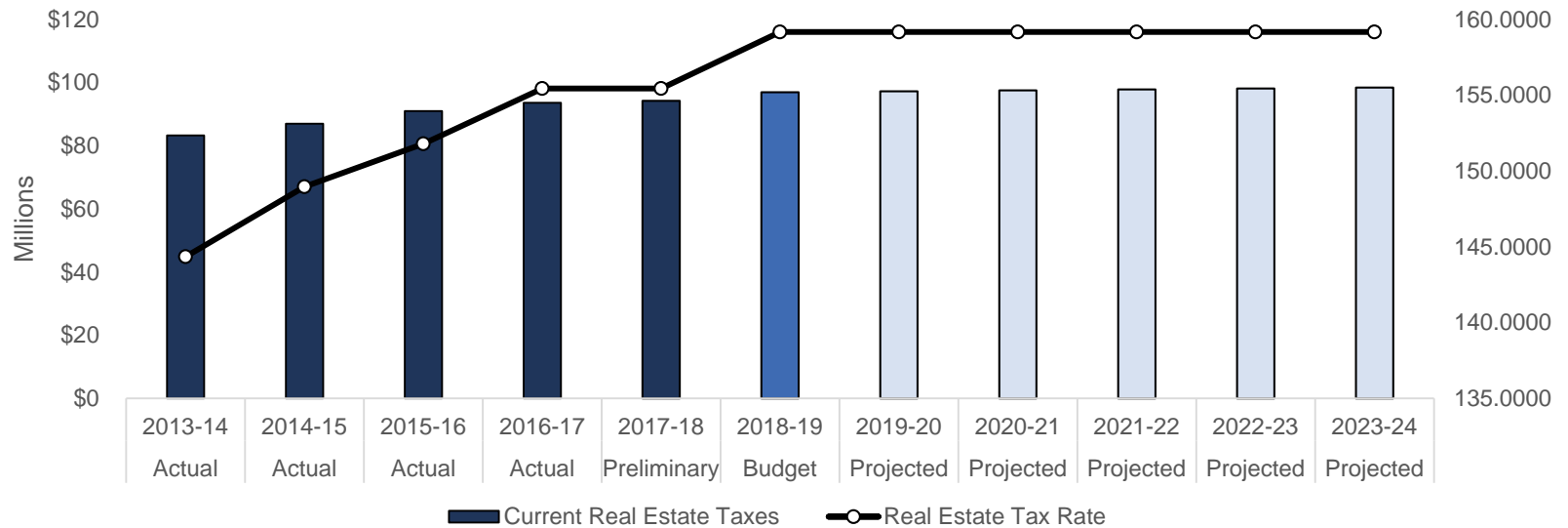
Current Real Estate Taxes

Baseline Projections

Major Assumptions:

- No increase in the real estate tax millage rate
- Assessed value growth of 0.3 percent based on the historical change in assessments absent one-time changes

Current Real Estate Taxes
Revenue (\$ Millions) versus Rate (Mills)

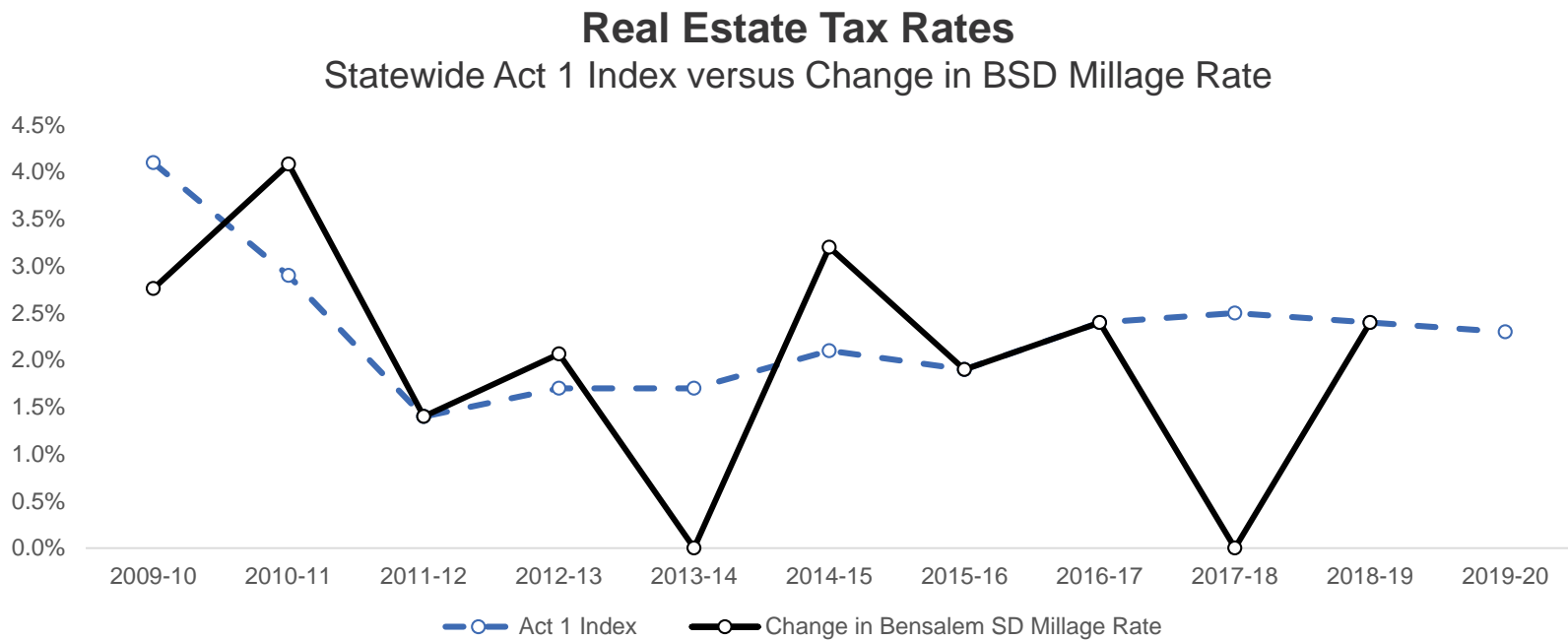


2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Actual	Actual	Actual	Actual	Preliminary	Budget	Projected	Projected	Projected	Projected	Projected
\$83.3	\$87.0	\$91.0	\$93.6	\$94.2	\$97.0	\$97.3	\$97.6	\$97.9	\$98.2	\$98.5



Act 1 Index Trends

- As shown in the chart below, Bensalem Township School District has raised its millage rate 8 times in the past 10 years from 2009-10 to the current 2018-19 school year



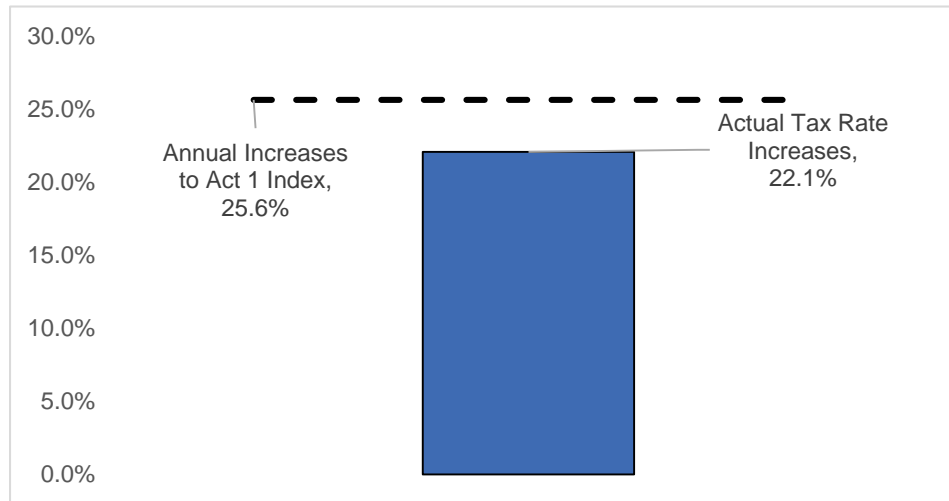
- Later slides will show the impact of annual increases to the Act 1 Index on the baseline projections for Bensalem Township School District



Cumulative Impact of Act 1 Index Trends

- The chart below shows the cumulative impact of increases to the Act 1 Index and the actual tax rate increases that were adopted by the District

Cumulative Impact of Tax Increases
Statewide Act 1 Index versus Change in BSD Millage Rate
2009-10 to 2018-19



- The District's average tax rate increase from 2009-10 to 2018-19 was 2.0 percent, which is 0.3 percentage points below the average Act 1 Index rate over the same period



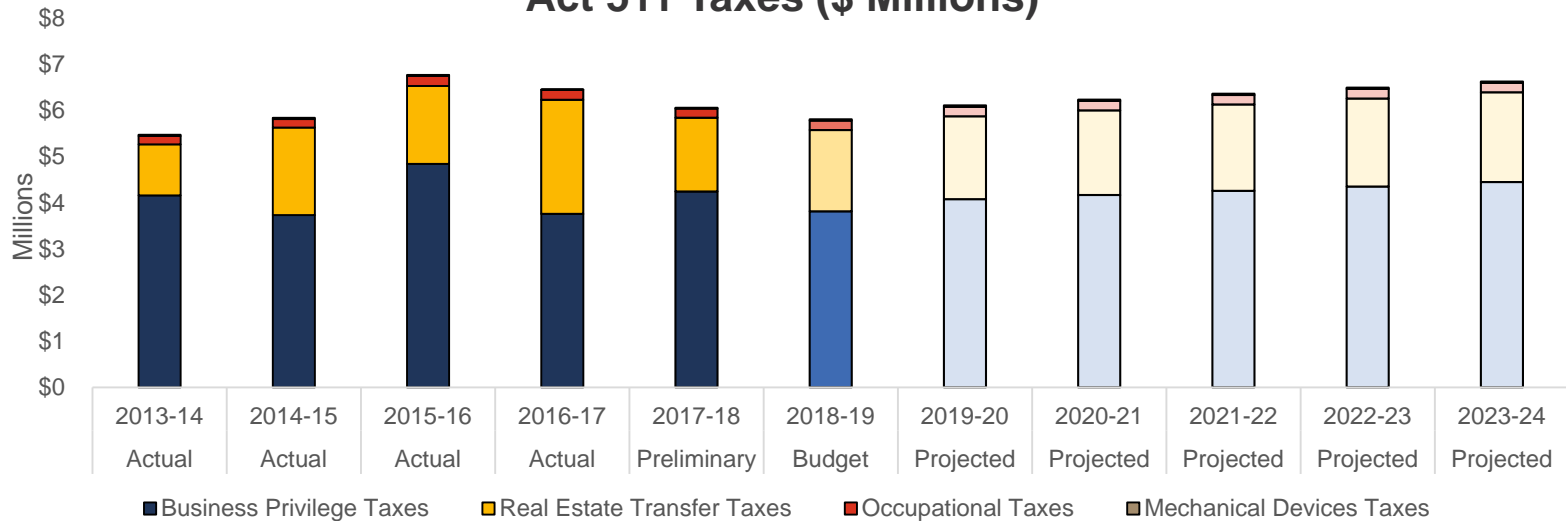
Act 511 Taxes

Baseline Projections

Major Assumptions:

- Business privilege taxes start from a base of \$4 million based on historical trends and are grown by 2.2 percent based on headline inflation projections from the Philadelphia Federal Reserve Bank
- Real estate transfer taxes are grown by 2.0 percent based on historical growth
- Occupational and mechanical devices taxes are held flat based on historical trends

Act 511 Taxes (\$ Millions)



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Actual	Actual	Actual	Preliminary	Budget	Projected	Projected	Projected	Projected	Projected
Total Act 511 Taxes	\$5.5	\$5.8	\$6.8	\$6.5	\$6.1	\$5.8	\$6.1	\$6.2	\$6.4	\$6.5	\$6.6



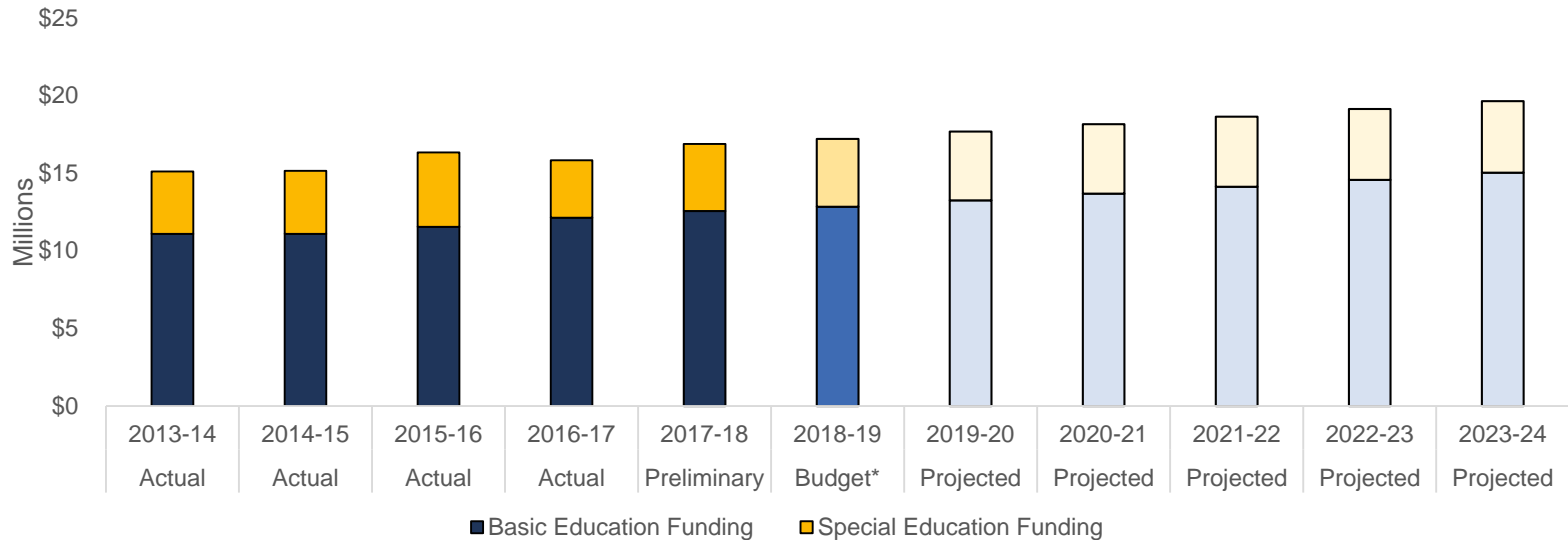
Major State Subsidies

Baseline Projections

Major Assumptions:

- Projections use the amounts in the Commonwealth’s adopted budget as the base for future estimates
- Basic Education Funding is projected to grow faster than inflation based on the District’s share of funding currently allocated through the funding formulas at approximately 3.3 percent per year
- Special Education Funding is projected to grow at approximately 1.0 percent per year

Basic Education Funding and Special Education Funding (\$ Millions)



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Actual	Actual	Actual	Preliminary	Budget*	Projected	Projected	Projected	Projected	Projected
BEF	\$11.1	\$11.1	\$11.5	\$12.1	\$12.6	\$12.8	\$13.3	\$13.7	\$14.1	\$14.6	\$15.0
SEF	\$4.0	\$4.1	\$4.8	\$3.7	\$4.3	\$4.4	\$4.4	\$4.5	\$4.5	\$4.6	\$4.6



Revenue Trends

- Real estate taxes will continue to provide the District's largest share of revenue over the five-year projection period
 - Absent significant changes to the assessed value, increases in the real estate tax rate will be the largest driver of revenues for the District
 - Due to the limitations of the Act 1 Index, revenue foregone in prior years if taxes were not raised cannot be made up in future years by larger increases in the tax rate
- Other large local taxes such as business privilege taxes and real estate taxes will most likely track the broader performance of the Philadelphia-area economy
- A significant share of subsidies from the Commonwealth are determined by formulas and the overall allocation in the budget
 - Changes in demographics and the relative wealth of the District may accelerate growth from State sources, however, these adjustments are not likely to alter the trajectory of the District's revenues
 - Ultimately growth in State sources will also be impacted by the Statewide economy and the availability of revenues



Expenditures

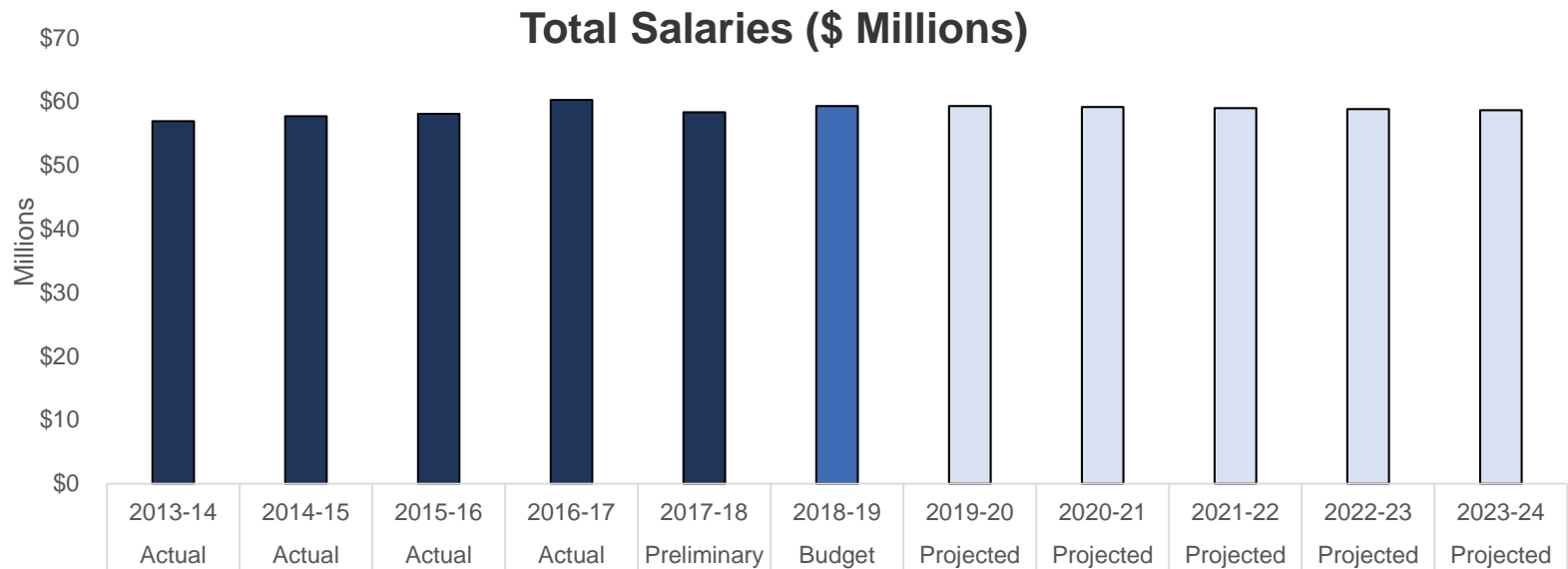


Salaries

Baseline Projections

Major Assumptions:

- Assumes four teachers retire per year and are replaced by new teachers
- Salary growth for bargaining units based on current negotiated salary increases
- No salary increases after the expiration of current collective bargaining agreements
- A 1.0 percent increase in the District's 2018-19 budgeted salaries would increase current year costs by \$0.7 million including net retirement contributions for Social Security and PSERS



2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Actual	Actual	Actual	Actual	Preliminary	Budget	Projected	Projected	Projected	Projected	Projected
\$56.9	\$57.7	\$58.1	\$60.2	\$58.3	\$59.3	\$59.3	\$59.1	\$59.0	\$58.8	\$58.6

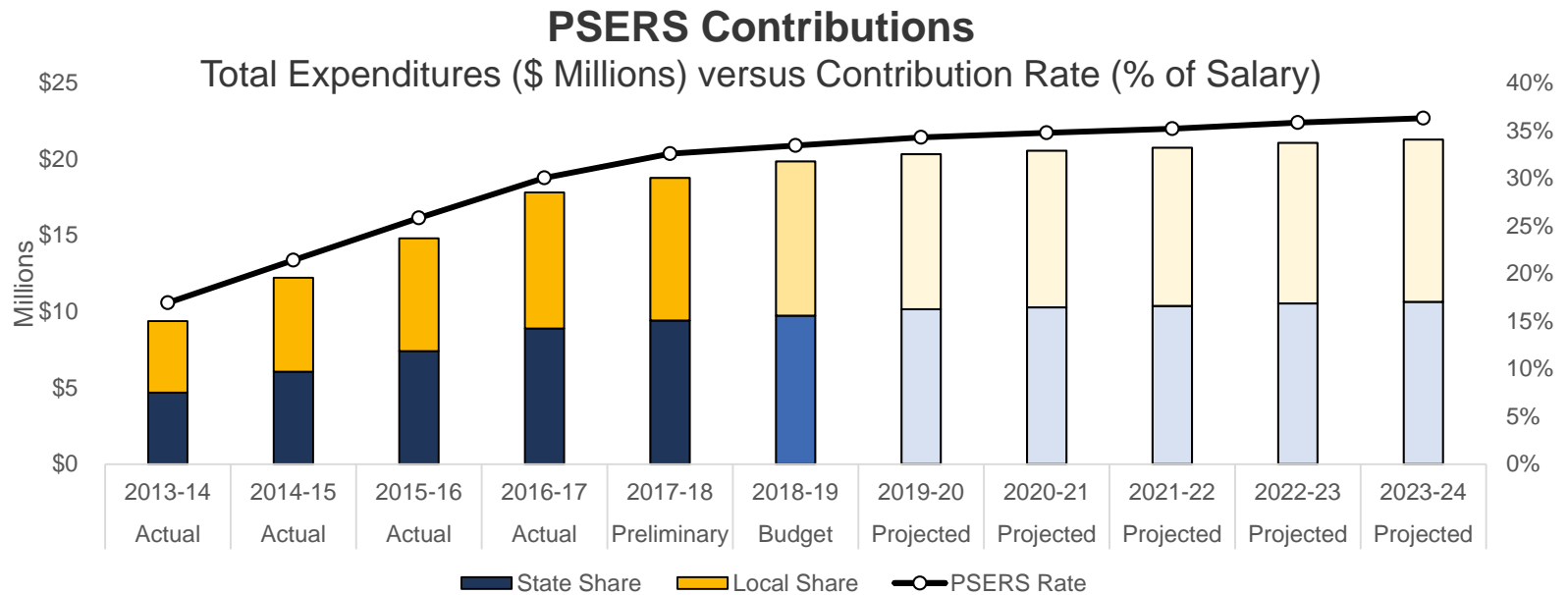


PSERS Contributions

Baseline Projections

Major Assumptions:

- Contribution rates published annually by the PSERS Board of Trustees
- Projected growth in total salaries as shown on the previous slide



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Actual	Actual	Actual	Preliminary	Budget	Projected	Projected	Projected	Projected	Projected
Local Share	\$4.7	\$6.2	\$7.4	\$8.9	\$9.3	\$10.1	\$10.2	\$10.3	\$10.4	\$10.5	\$10.6
State Share	\$4.7	\$6.1	\$7.4	\$8.9	\$9.4	\$9.7	\$10.2	\$10.3	\$10.4	\$10.5	\$10.6
Total Expenditures	\$9.4	\$12.2	\$14.8	\$17.8	\$18.8	\$19.9	\$20.3	\$20.6	\$20.7	\$21.1	\$21.3



Projected PSERS Rate Increases

- The table below shows the prior year PSERS rates and the current 2018-19 rate adopted by the Board of Trustees as of December 7, 2018

PSERS Contribution Rates

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected
PSERS Rate	16.93%	21.40%	25.84%	30.03%	32.57%	33.43%	34.29%	34.77%	35.19%	35.84%	36.30%
Annual Change	37.0%	26.4%	20.7%	16.2%	8.5%	2.6%	2.6%	1.4%	1.2%	1.8%	1.3%

- Although the steepest increases in the contribution rates has passed, rates are expected to increase over the next five years based on current actuarial assumptions
 - Retirement contribution rates are projected to increase by 2.87 percentage points between 2018-19 and 2023-24, or 8.6 percent.
 - An increase of one percentage point in the PSERS contribution rate results in a net impact of approximately \$0.3 million based on the District's current total salaries.

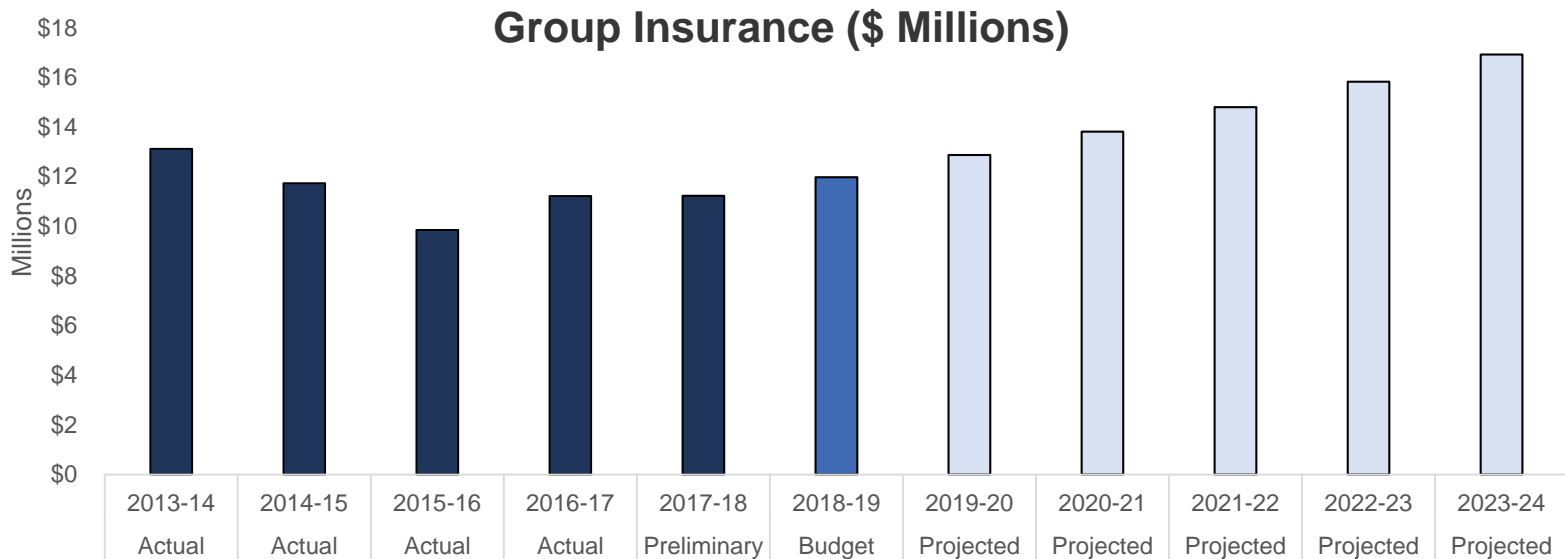


Group Insurance

Baseline Projections

● Major Assumptions:

- Growth for medical and prescription insurance are based on national trends from the 2019 Segal Health Plan Cost Trend Survey
 - Medical insurance: 7.2 percent based on growth for PPO plans
 - Prescription insurance: 10.3 percent in 2019-20 and reduced by one percentage point per year until 2022-23
- Inflationary growth of 2.2 percent for dental, life, and vision insurance



2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Actual	Actual	Actual	Actual	Preliminary	Budget	Projected	Projected	Projected	Projected	Projected
\$13.1	\$11.7	\$9.9	\$11.2	\$11.2	\$12.0	\$12.9	\$13.8	\$14.8	\$15.8	\$16.9

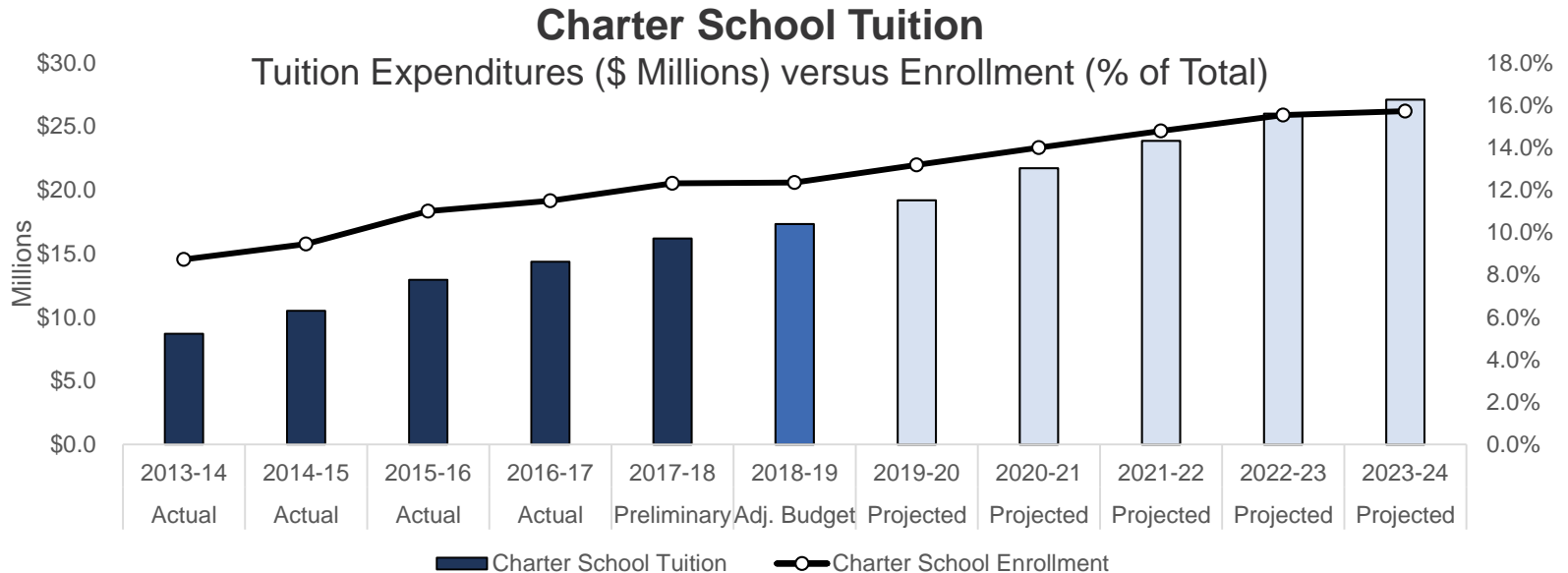


Charter School Tuition

Baseline Projections

Major Assumptions:

- BSD enrollment in School Lane Charter School is projected to increase by approximately 60 students per year until 2022-23 when the school is expected to reach full capacity
- Cyber charter schools are expected to grow by 20 students in each year based on recent increases
- Tuition rates are re-calculated based on the increased based on the projected growth in expenditures and the formula in the PDE-363 form
- Small changes in enrollment and spending assumptions can have a significant impact on these figures



2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Actual	Actual	Actual	Actual	Preliminary	Adj. Budget	Projected	Projected	Projected	Projected	Projected
\$8.7	\$10.5	\$12.9	\$14.4	\$16.2	\$17.3	\$19.2	\$21.7	\$23.9	\$26.0	\$27.1



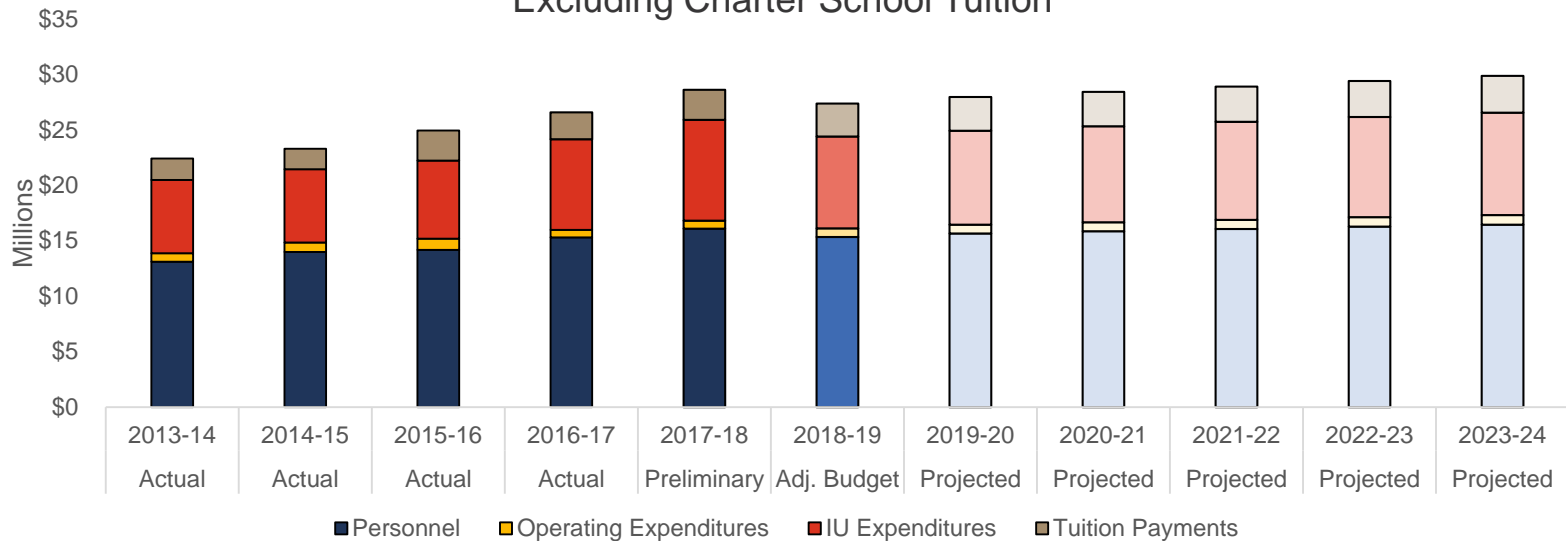
Special Education

Baseline Projections

Major Assumptions:

- Personnel costs are grown at rates described in the “Salaries,” “Healthcare,” and “PSERS” slides
- Inflationary increase of 2.2 percent for all other expenditures

Special Education Costs (\$ Millions)
Excluding Charter School Tuition



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Actual	Actual	Actual	Preliminary	Adj. Budget	Projected	Projected	Projected	Projected	Projected
Total Expenditures	\$22.4	\$23.3	\$24.9	\$26.6	\$28.6	\$27.4	\$28.0	\$28.4	\$28.9	\$29.4	\$29.9



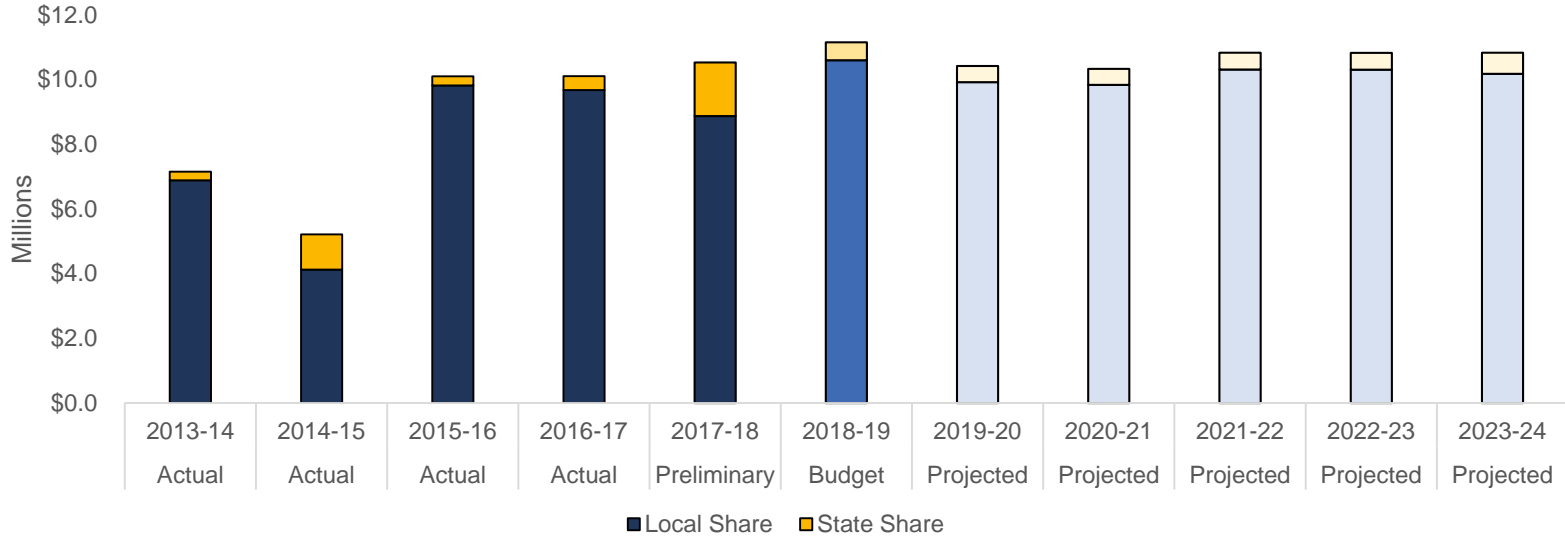
Debt Service

Baseline Projections

Major Assumptions:

- Debt service schedule and PlanCon payments provided by PFM Financial Advisors LLC
- No additional borrowing or refunding of existing debt is assumed in the baseline projections
- Reductions in fund balance as shown in the District's recent results and baseline projections are expected to have a negative impact on the District's credit rating, which would potentially increase the costs of future borrowing

Debt Service Payments (\$ Millions)



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Actual	Actual	Actual	Preliminary	Budget	Projected	Projected	Projected	Projected	Projected
Total Expenditures	\$7.2	\$5.2	\$10.1	\$10.1	\$10.5	\$11.1	\$10.4	\$10.3	\$10.8	\$10.8	\$10.8



Expenditure Trends

- ◆ Like many other school districts in Pennsylvania, the District's expenditures will be driven by the salary and benefits costs of the employees
 - Baseline salary projections are based on the District's current collective bargaining agreements
 - Settlement of the contract with the Bensalem Township Education Association and future contracts with other bargaining units will have a significant impact on the baseline projections
 - Benefits costs are projected to continue to grow faster than inflation based on the District's historical experience and national trends
- ◆ Charter school tuition is expected to continue to be a major source of cost pressure for the District
 - School Lane Charter School will continue to add grades and students until the current buildings are filled to capacity
 - Enrollment is projected to grow for students in cyber charter schools and other local brick and mortar charter schools
 - The establishment of a new brick and mortar charter school in the region would have a significant impact on the baseline assumptions for charter school enrollment
 - The Board is in the process of reviewing an application for a new charter school in the District



Budget Scenarios



Budget Scenarios

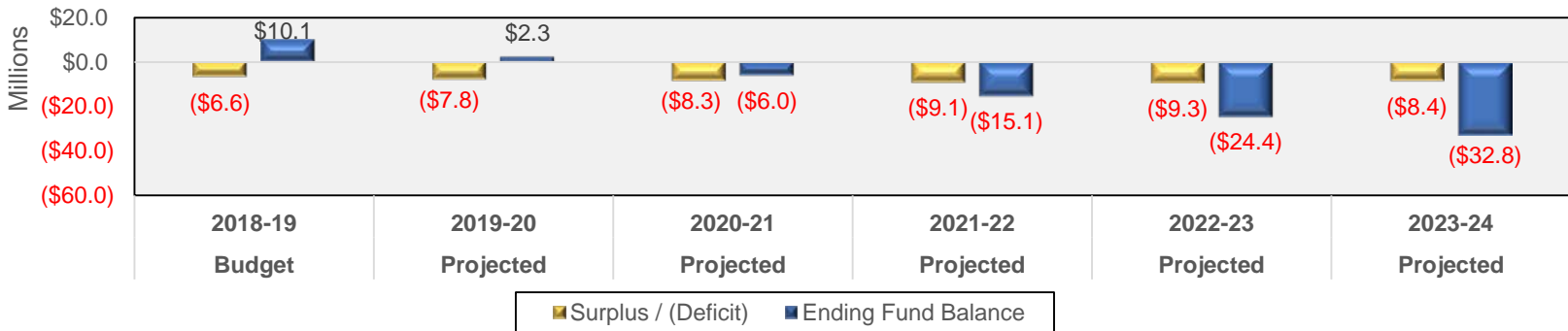
- ◆ The following slides include budget scenarios based on the baseline projections and changes to the revenue and expenditure assumptions
- ◆ The first scenario assumes annual tax increases to the Act 1 Index
- ◆ The final two scenarios show the financial impact of the salary proposals from the Bensalem Township Education Association and the District
- ◆ In each projection scenario, including the baseline projections, the District will need to produce a balanced budget in each school year
- ◆ If estimated revenues are not sufficient to cover the total expenditures in a given school year, then the District would be required to reduce costs



Budget Scenario: Annual Act 1 Increases

- ◆ The chart and table below show the District's finances with annual real estate tax rate increases to the Act 1 Index beginning in 2019-20
- ◆ Major drivers for other revenues and expenditures are unchanged from the assumptions be described in the previous slides

Budget Scenario: Annual Act 1 Increases 2018-19 to 2023-24



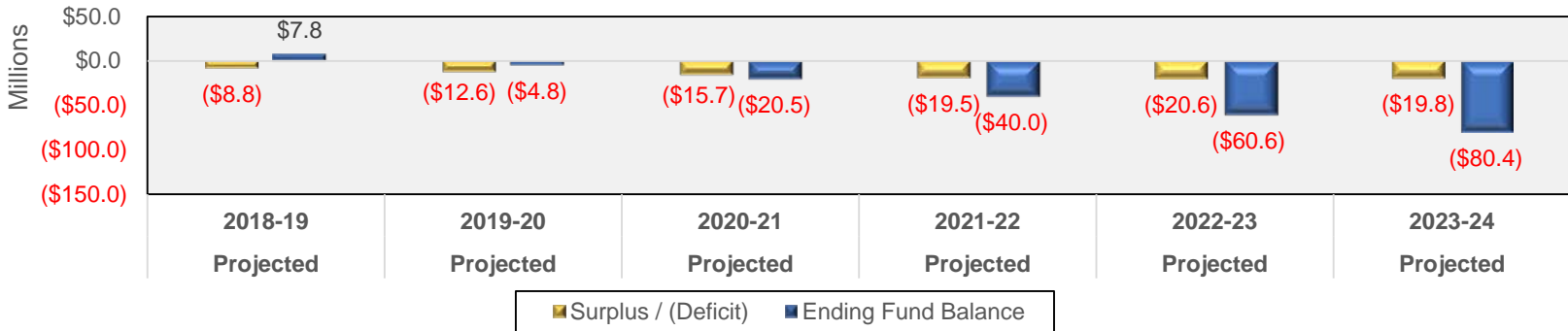
	2018-19 Budget	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected
Total Revenues	\$147,502,334	\$150,305,249	\$153,731,843	\$157,245,159	\$160,883,660	\$164,684,942
Total Expenditures	\$154,082,044	\$158,059,677	\$162,069,798	\$166,300,628	\$170,194,007	\$173,043,366
Surplus / (Deficit)	(\$6,579,710)	(\$7,754,428)	(\$8,337,955)	(\$9,055,469)	(\$9,310,347)	(\$8,358,424)
Ending Fund Balance	\$10,062,814	\$2,308,386	(\$6,029,569)	(\$15,085,038)	(\$24,395,385)	(\$32,753,809)



Budget Scenario: BTEA Salary Proposal

- The chart and table below show the District's finances with annual rate increases and the financial impact of the BTEA salary proposal

Budget Scenario: BTEA Salary Proposal 2018-19 to 2023-24



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Projected	Projected	Projected	Projected	Projected	Projected
Total Revenues	\$147,872,883	\$151,054,324	\$154,835,356	\$158,787,922	\$162,450,327	\$166,268,682
Total Expenditures	\$156,681,299	\$163,652,572	\$170,574,356	\$178,315,177	\$183,001,031	\$186,068,714
Surplus / (Deficit)	(\$8,808,416)	(\$12,598,247)	(\$15,739,000)	(\$19,527,255)	(\$20,550,704)	(\$19,800,033)
Ending Fund Balance	\$7,834,108	(\$4,764,140)	(\$20,503,139)	(\$40,030,395)	(\$60,581,099)	(\$80,381,131)



Impact to Major Drivers: BTEA Salary Proposal

- ◆ The costs of the BTEA proposal will have an impact on a number of different line items in the District's budget
- ◆ The table below shows the cumulative impact of the proposal on the multi-year budget projection

Cumulative Impact: BTEA Salary Proposal

2018-19 to 2023-24

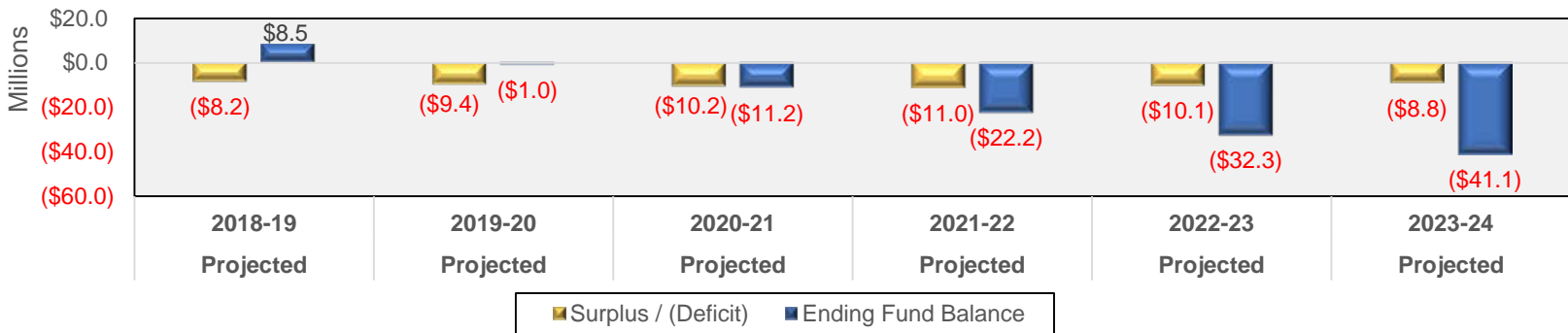
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
	Projected	Projected	Projected	Projected	Projected	Projected	Impact
Salaries*	\$1.8	\$3.6	\$5.2	\$7.2	\$7.2	\$7.2	\$32.2
Net Benefits*	\$0.4	\$0.9	\$1.3	\$1.8	\$1.8	\$1.8	\$7.9
Charter School Tuition	\$0.0	\$0.4	\$0.9	\$1.5	\$2.3	\$2.4	\$7.6
Total Impact	\$2.2	\$4.8	\$7.4	\$10.5	\$11.2	\$11.4	\$47.6



Budget Scenario: BSD Salary Proposal

- The chart and table below show the District's finances with annual rate increases and the financial impact of the District's salary proposal

Budget Scenario: BSD Salary Proposal 2018-19 to 2023-24



	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected
Total Revenues	\$147,559,709	\$150,541,384	\$154,000,736	\$157,516,714	\$160,941,885	\$164,743,783
Total Expenditures	\$155,741,794	\$159,955,374	\$164,228,208	\$168,530,461	\$171,003,286	\$173,593,026
Surplus / (Deficit)	(\$8,182,085)	(\$9,413,989)	(\$10,227,472)	(\$11,013,747)	(\$10,061,400)	(\$8,849,243)
Ending Fund Balance	\$8,460,439	(\$953,550)	(\$11,181,022)	(\$22,194,769)	(\$32,256,169)	(\$41,105,412)



Impact to Major Drivers: BSD Salary Proposal

- The table below shows the cumulative impact of the District's proposal on the multi-year budget projection

Cumulative Impact: BSD Salary Proposal 2018-19 to 2023-24

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
	Projected	Projected	Projected	Projected	Projected	Projected	Impact
Salaries*	\$1.5	\$1.1	\$1.3	\$1.3	\$0.3	\$0.3	\$5.7
Net Benefits*	\$0.1	\$0.3	\$0.3	\$0.3	\$0.1	\$0.1	\$1.1
Charter School Tuition	\$0.0	\$0.3	\$0.3	\$0.4	\$0.4	\$0.2	\$1.5
Total Impact	\$1.6	\$1.7	\$1.9	\$2.0	\$0.8	\$0.5	\$8.4

Thank you



pfm