



CENTENNIAL SCHOOL DISTRICT

Business Office

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Christopher Berdnik

TO: Administrators with Budgetary Authority
FROM: Christopher M. Berdnik
DATE: October 11, 2018 **[updated 10/14/18]**
RE: 2019-20 Budget Development

I am pleased to deliver the 2019-20 budget development package. You will **only** receive the materials electronically.

Enclosed are the following:

1. The Superintendent's 2018-19 convocation message;
2. 2019-20 budget calendar;
3. Worksheets for membership, overnight conference, equipment requests;
4. Function and object code definitions.

The Excel version of your 2018-19 budget template(s) will follow in the coming days, as well as a worksheet for capital budget considerations.

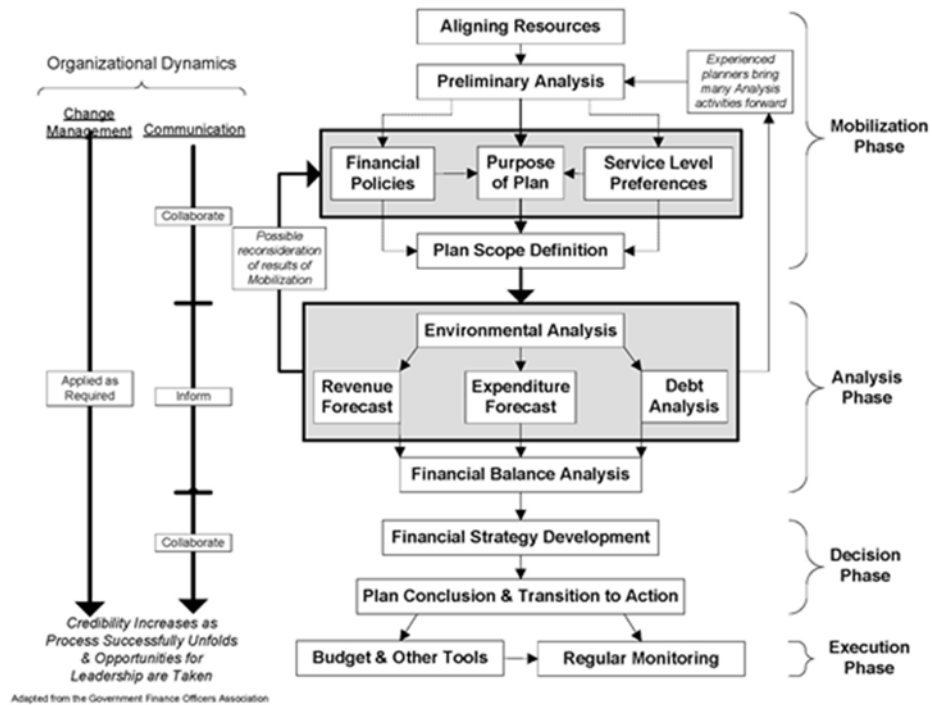
We expect to deliver a streamlined budget that falls within the parameters of the statewide index (or less). For central offices, we ask your assistance in making this happen by not exceeding your 2017-18 actual expenditures **OR** 2018-19 approved budget appropriation as you prepare your 2018-19 requests, and finding opportunities for reduction, if you can. Simply request what you need to deliver an efficient and effective free and appropriate public education and related services. Some years that will require increases in specific account lines, offset by decreases in other areas.

For school-based budgets, we are again delineating allocations per pupil. **In every single instance, the 2019-20 allotment drives more money to each school than was spent in 2017-18:**

School	10/1 Count	Allocation per Pupil	2019-20 Allocation
Davis	736	50	36,800
McDonald	802	50	40,100
Willow Dale	781	50	39,050
Klinger	659	150	98,850
Log College	639	150	95,850
William Tennent	1,795	110	197,450

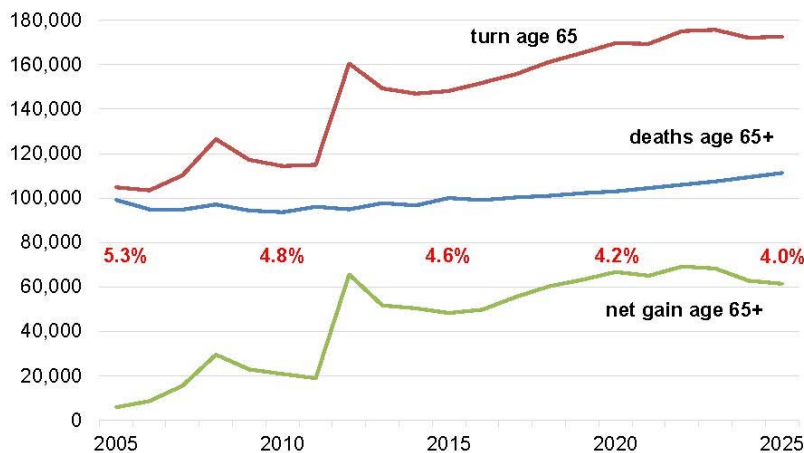
Note: Allocations for Klinger and Log **include** athletics and activities. Tennent's athletic budget is zero-based.

Our budget process – adapted from the Government Finance Officers Association best practices and the PA Association of School Business Officials Elements of Budgeting and Planning – in some sense never ends as we utilize a multiyear forecast to drive planning, although for the purpose of adopting a legally binding plan it can be broken down into distinct phases supported by communication and change management:



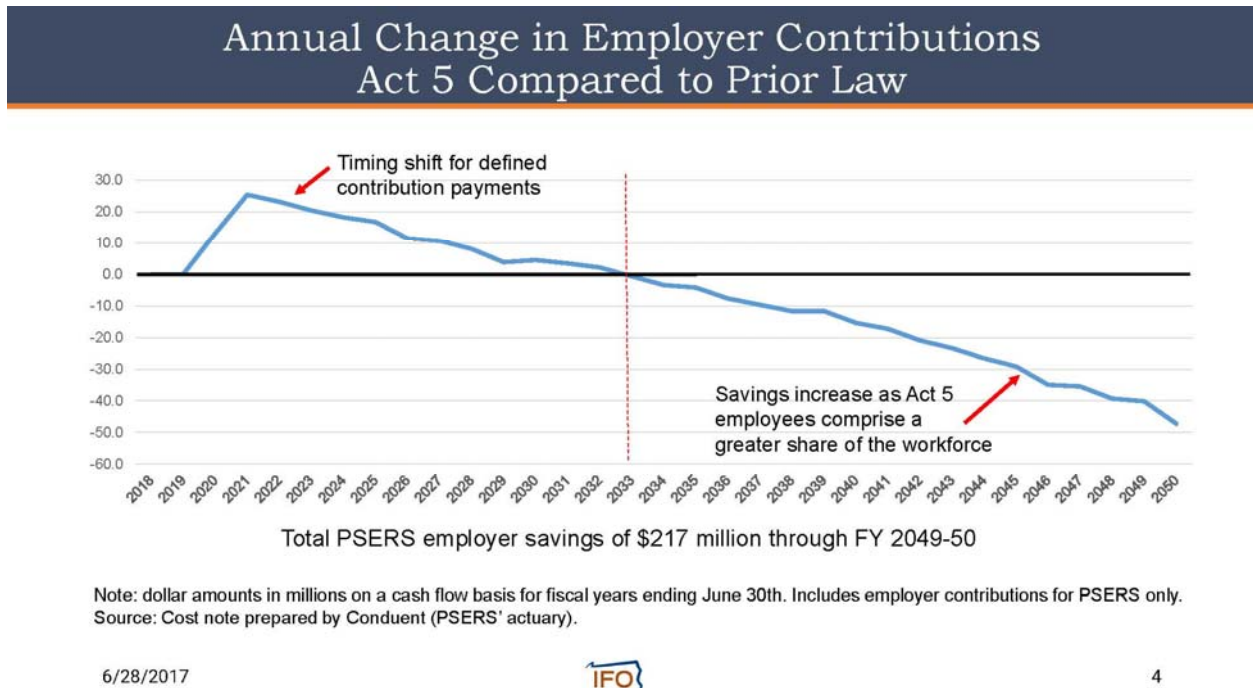
Three long-term Pennsylvania trends loom large in Centennial’s future. First, the working age population is proportionately shrinking, meaning that over time there will be relatively less earned income tax growth locally and less personal income tax growth statewide:

Age 65+: Large Influx and Longevity



Note: figures in red are decedent rates for age 65+ population. Sources: PA Department of Health, U.S. Census Bureau. Projections after 2017 by IFO.

Second, Act 5 of 2017 may have generated some actuarial savings for PSERS, but the risk mitigation for employers really does not pick up speed for well over a decade:



The third significant environmental concern for our long-term budgeting is the gradual implementation of funding formulas at the state level for basic instructional and special education subsidy. With slightly declining enrollment and a generally strong tax base, Centennial would stand to lose over \$2-3 million if both core subsidies were in their entirety run through the funding formulas. **While that outcome is unlikely politically, the status quo of driving new state funding through the formulas has meant that our state subsidies will grow much, much, much less than inflation.**

We ask you to reflect on how your 2019-20 budget request will support the vision of a district on the move expressed by the Superintendent at convocation 2018-19 and think about how we can achieve more with less across three main rails:

1. Academics and the Arts;
2. Innovation and Personalization
3. Equity and Closing the Gap(s).

In many cases, doing more with less will mean identifying programs and initiative with less return on investment than others, and a fervent commitment to long-range planning and, where possible, competitive procurement.

As so many of you know, we have made historic efforts to allocate resources in support of the District's strategic priorities, as reflected by the shifts in relative expenditures from 2015-16 to 2017-18:

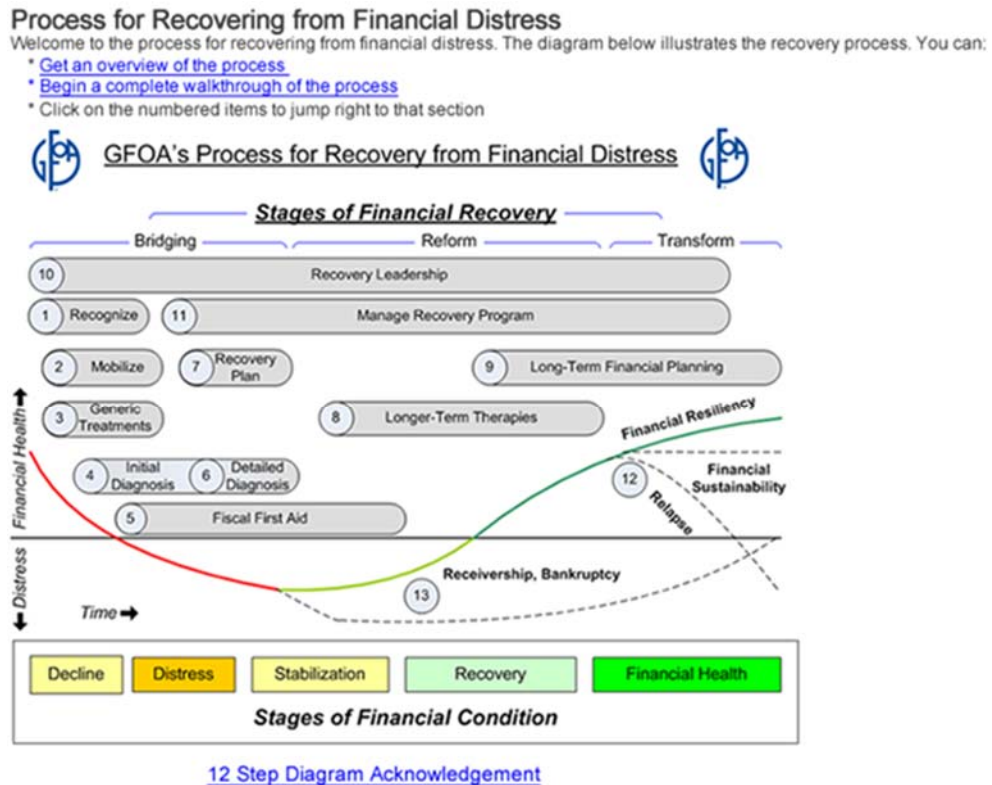
CENTENNIAL SCHOOL DISTRICT					10/14/2018	
Analysis of Expenditure Allocations 2017-18 vs. 2015-16						
			2015-16	2017-18		
Fd	Func	Func	Final	Unaudited	Increase/(Decrease)	% Change
10	11--	REGULAR PROGRAMS	46,011,023.23	51,726,695.30	5,715,672.07	12.42%
10	12--	SPECIAL PROGRAMS - ELEM/SEC	16,393,765.81	18,719,224.98	2,325,459.17	14.19%
10	13--	VOCATIONAL EDUCATION PROGRAMS	2,081,908.76	2,109,124.48		
10	14--	OTHER INSTRUCTION PROG-ELE/SEC	44,518.09	27,708.11		
10	21--	SUPPORT SVCS-PUPIL PERSONNEL	4,867,651.29	5,475,101.66		
10	22--	SUPPORT SERVICES-INSTRUC STAFF	3,085,084.27	3,139,740.44		
10	24--	SUPPORT SERVICES-PUPIL HEALTH	1,086,699.49	1,230,625.39		
10	23--	SUPPORT SERVICES-ADMINISTRATIO	5,683,683.28	6,138,253.77		
10	28--	SUPPORT SERVICES - CENTRAL	2,216,416.48	3,100,274.73	883,858.25	39.88%
10	32--	STUDENT ACTIVITIES	1,299,902.10	1,526,143.42		
			82,770,652.80	93,192,892.28	10,422,239.48	12.59%
10	25--	BUSINESS OFFICE	947,487.12	859,508.20		
10	26--	OPERATION & MAINT PLANT SVCS	7,460,631.98	7,902,870.53		
10	27--	STUDENT TRANSPORTATION SERVICE	4,526,494.26	4,893,935.41		
10	29--	OTHER SUPPORT SERVICES	46,587.75	42,221.34		
10	31--	FOOD SERVICES		166.75		
10	33--	COMMUNITY SERVICES	97,422.40	99,360.18		
10	45--	BLDG ACQ CONST&IMPV-ORIG & AD		35,662.41		
10	46--	BLDG IMPV SVCS - REPLACEMENT		50,000.00		
10	51--	DEBT SERVICE	9,351,482.27	8,571,691.58		
10	52--	FUND TRANSFERS	3,000,000.00	1,612,387.50		
10	59--	BUDGETARY RESERVE				
			25,430,105.78	24,067,803.90	-1,362,301.88	-5.36%
Grand Total			108,200,758.58	117,260,696.18	9,059,937.60	8.37%
Narrative: The District substantially increased it's investment in direct instructional, direct support, and direct academic leadership functions, while reducing expenditures in indirect support services.						
Key initiatives included full-day kindergarten, 1:1 Chromebooks for secondary students, and 1:2 iPads for elementary students. The District also added two behavioral analysts and other pupil services supports.						
The impact of higher PSERS employer contribution rates hits across most functional areas in the analysis above.						

The District holds a solid Aa2 credit rating from Moody's. The April 3, 2017 rating opinion highlighted "strong management" and "extensive long-term planning" as credit strengths, noting specifically that "In addition to conservative budgeting practices, management adheres to a formal fund balance policy and maintains a comprehensive long-term financial plan." Our multiyear projection presently assumes no Act 1 property tax increases, and reflects a \$4.1 million gap for 2019-20 and a \$5.0 million gap for 2020-21.

Centennial School District						10/14/2018
Multiyear Financial Planning Tool						v123
© Christopher M. Berdnik 2016						
<i>The reader of this document agrees by definition that projections are designed to assist decision makers in selecting wisely. Projections change as inputs are adjusted, often quite frequently. Disclosure changes behavior. If you do not agree, please do not read further.</i>						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Final	Final	Prelim Final	Adopted	Projected	Projected
Beginning All-In Fund Balance	10,041,303	10,318,055	10,665,848	10,786,774	10,786,774	6,702,483
6000 Local Revenue	78,589,104	82,791,662	84,713,816	87,055,786	88,587,659	88,752,111
18/19 Includes Act 1 increase, plus PSERS/Spec Educ exceptions						
7000 State Subsidies	27,070,202	30,755,808	31,192,034	31,346,406	32,167,274	32,415,945
8000 Federal Programs	1,402,688	984,740	1,466,341	1,063,933	1,340,884	1,340,884
9000 Other Financing Sources	15,573	557,755	9,431	25,000	8,000	8,000
Total Revenues	107,077,567	115,089,965	117,381,622	119,491,125	122,103,817	122,516,940
100 Wages and Salaries	53,109,637	54,558,030	56,343,934	56,918,357	58,046,371	59,167,265
200 Employee Benefits	25,907,432	28,757,769	30,844,776	32,163,961	34,169,836	35,379,152
300 Purchased Profession & Tech Svcs	5,630,171	4,767,447	5,666,955	5,367,610	7,167,833	6,752,873
400 Purchased Services/Maintenance	2,041,757	2,211,044	2,249,477	2,139,518	2,135,144	2,145,819
500 Other Purchased Services	5,345,203	6,165,598	7,258,657	6,969,410	7,221,997	7,262,388
600 Supplies/Food	2,522,246	2,636,262	2,738,942	2,889,246	2,979,107	2,994,030
700 Equipment and Property	1,237,229	1,855,480	1,855,522	1,372,277	1,858,947	1,865,558
800 Dues/Fees/Interest on Debt	6,260,521	5,267,274	5,229,491	8,051,313	7,860,895	7,690,558
18/19 and the years that follow reflect Title I, II, III, IV in object 800 pending PDE release of allocation						
900 Debt Principal Pymts & Fund Transfs	6,146,563	8,523,268	5,072,941	4,119,433	5,247,978	4,737,358
Total Expenditures	108,200,759	114,742,172	117,260,696	119,991,125	126,688,108	127,995,001
Annual Surplus/(Deficit)	(1,123,193)	347,793	120,926	(500,000)	(4,584,291)	(5,478,061)
One-time \$ sale of Newtown Road	1,399,945					
Add Back Contingency for Emergencies	-			500,000	500,000	500,000
Adjusted Annual Surplus/(Deficit)	276,752	347,793	120,926	-	(4,084,291)	(4,978,061)
Ending All-In Fund Balance	10,318,055	10,665,848	10,786,774	10,786,774	6,702,483	1,724,422

To address the long-term needs of the District, the business office launched an extensive real estate tax appeal campaign this school year and will shortly be presenting a more aggressive delinquent real estate collection strategy for Board approval. Neither will close the gap entirely, not even with a 2.3% Act 1 real estate tax increase. We have had extraordinary success in tapping down health care and pharmacy trends since 2011. It is hard to roll a proverbial seven every budget cycle, but I pledge to you that I will try to find something to bring renewals below market. Combined with some current moves around holding vacant select positions and instituting a new pay scale for support staff hired after November 1, 2018, keeping a tight lid on capital desires and some smart choices with programming priorities make the challenge not insurmountable.

Budgeting in difficult times will require extraordinary creativity and a commitment to challenging our cultural norms:



Aggressive bidding and quoting is at the heart of Centennial’s budget management strategy. Donna Brassell will be distributing the 2019-20 bid sheets to you separately.

I will schedule meetings and/or teleconferences with you to review the budget package by the end of October and again by mid-December:

- For those of you reporting through the academic side of the house, your completed Excel spreadsheet is due back to the Assistant Superintendent by November 9th. Dr. Polinchock will in turn send your reviewed requests to the Business Office by November 16th.
- All non-academic functions are required to submit their Excel spreadsheet directly to me by November 9th.
- As you complete the template, I ask that you take care not to disturb the template too much. I did not want to lock it down, as you may wish to add your own margin notes and justifications. If you do, please keep the format with the account lines and amounts the same as received.
- Early submissions are deeply appreciated.

Please note that Innovation & Learning and Facilities will be required to illustrate their refresh cycle across at least a five-year period, and Transportation a 12-year cycle. We encourage, however, all departments to embrace multiyear planning.

We do not have the capacity to absorb further large increases in any line item or departmental budget. Please be strategic and think multiyear, life-cycle costing. Should you have any questions, please let me know.