

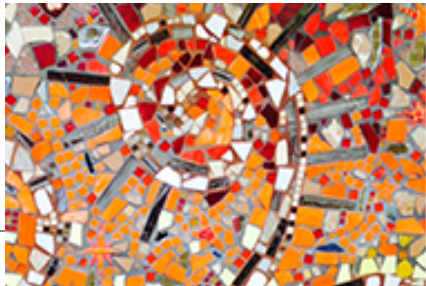


2020-2021 Budget Workshop

February 11, 2020

Leading With Values
Starting Point for All Initiatives

**The mission of the
Princeton Public Schools is to
prepare all of our students to
lead lives of joy and purpose
as knowledgeable, creative
and compassionate citizens of
a global society.**



Strategic Planning Goals 2016 - 2021



Throughlines
Differentiated Instruction
Culturally Responsive
Teaching

Overarching Goal
Equity – Ensuring
every child
achieves their
highest potential by
removing barriers
and providing
supports

Outline of Discussion

- **Mission Statement**
- **Priority Based Budget Overview**
- **Budget Calendar**
- **School Tax Overview/Tax Impact**
- **Operating Budget**
- **Questions From the Public**



PRIORITY BASED BUDGETING OVERVIEW

- The underlying philosophy of priority based budgeting is about how a government (school district) entity should invest resources to meet its stated objectives. It helps us to better articulate why the services we offer exist, what price we pay for them, and, consequently, what value they offer citizens. Some of the most pertinent principles associated with this philosophy of priority based budgeting are:

These three slides (pages 5-7) were taken from the article “Anatomy of a Priority-Driven Budget Process”, GFOA, Shayne C. Kavanagh, Jon Johnson and Chris Fabian

PRIORITY BASED BUDGETING OVERVIEW

- **Prioritize Services-** Priority based budgeting evaluates the relative importance of individual programs and services rather than entire departments. It is distinguished by prioritizing the services a school district provides, one versus another. An example would be choosing professional development which supports equity, a strategic goal of ours.
- **Break down the organizational “silos”**



PRIORITY BASED BUDGETING OVERVIEW

- **Do the Important Things Well-** Priority based budgeting identifies the services that offer the highest value and continues to provide funding for them, while reducing service levels, divesting, or potentially eliminating lower value services
- **Question Past Patterns of Spending.** An incremental budget process doesn't seriously question the spending decisions made in years past. Priority based budgeting puts all the money on the table to encourage more creative conversations about services.
- **Spend Within the Organization's Means.** Priority based budgeting starts with the **revenue available** to the school district, rather than last year's expenditures, as the basis for decision making.



Budget Calendar

2020-2021 Budget

October and November-District Budget planning (Board and Central Office)

November 15th shared priority based budgeting worksheets with Budget Managers seeking increased level of detail submitted to SBA by December 13th.

January 16th through the 24th Central Office Budget meetings

February 11th - (TONIGHT) Budget Workshop-Top level overview

February 25th - Governor Murphy's Budget Address

February 27th - State Aid Numbers released (48 hours after Budget Address)

March 4th or 10th – Tentative 2nd Budget Workshop

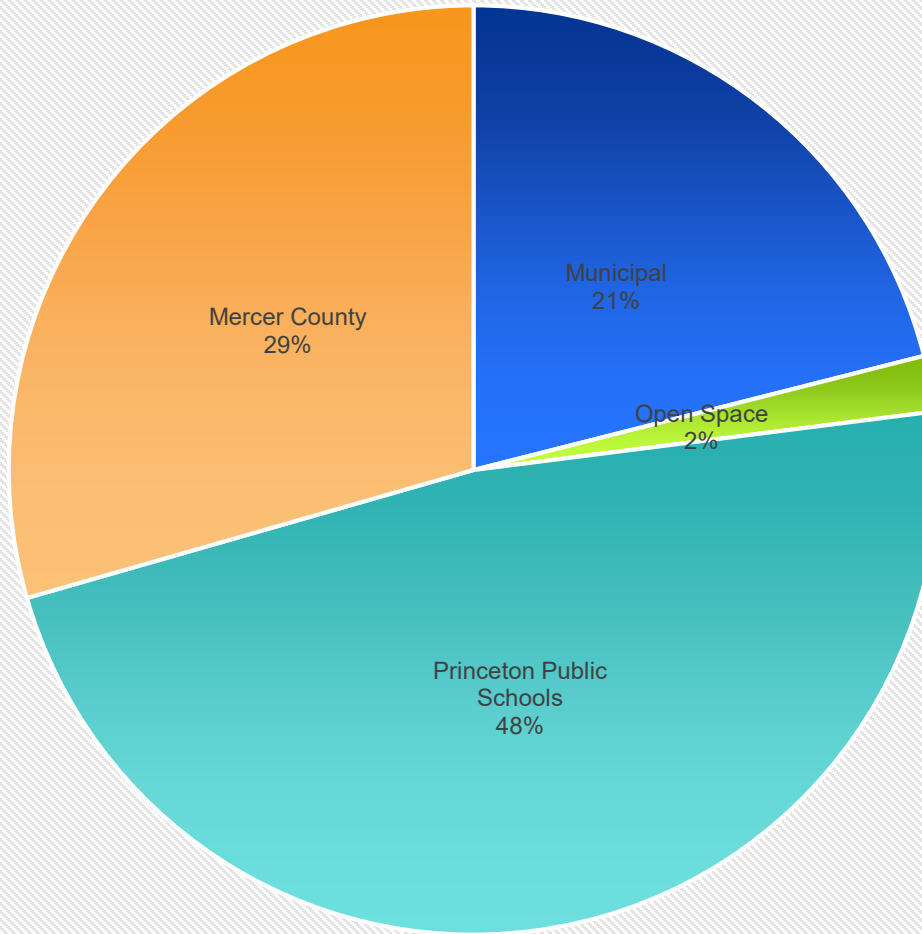
March 17th - Tentative Budget Adoption

March 20th - Budgets submitted to County (State review)

April 28th - Public Budget Hearing and Final Budget Adoption

Numerous budget presentations throughout the budget development and approval process.

2019 Princeton Property Taxes



Source: 2019 Princeton Budget Newsletter, PPL CFAC presentation.

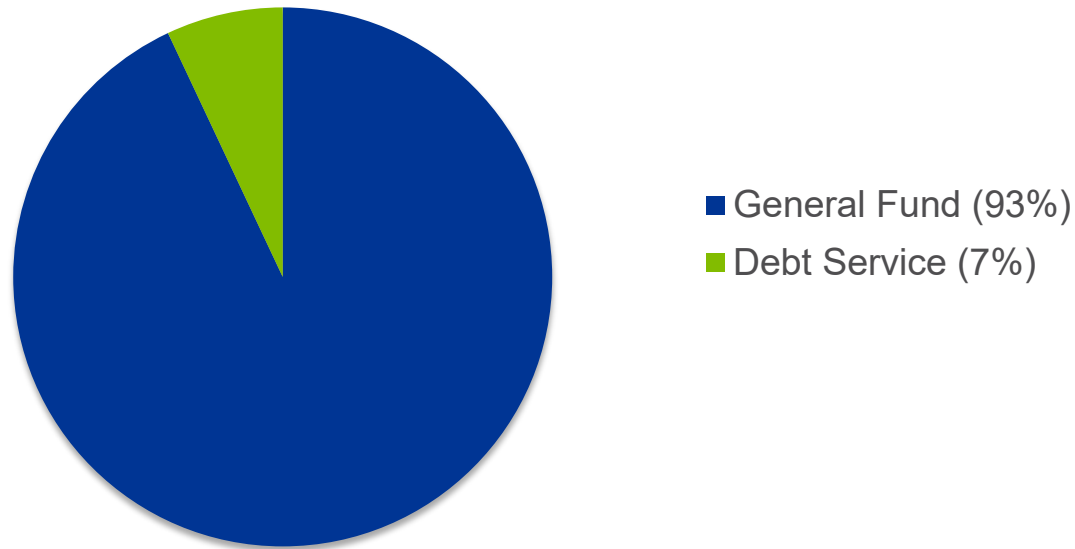
2019-20 School Tax: Two Separate Levies = \$83.999MM

General Fund Levy = \$78.244 MM

- Funds annual operating budget
- Subject to 2% cap with waivers for enrollment and certain healthcare costs

Debt Service Levy = \$5.755 MM

- Funds long-term capital projects
- Approved by taxpayers via referendum
- As of 12-31-2019 \$43.718 MM debt outstanding, with maturities of 2/1/22, 2/1/23 and 7/15/38 (See page 22 of this presentation).



Calculating the 2020 School Tax Levy

2018-19 TOTAL School Tax Levy:

\$76.246 MM General Fund Levy
+\$5.169 MM Debt Service Levy
= \$81.415 MM

2019-20 TOTAL School Tax Levy :

\$78.244 MM General Fund Levy
+\$5.755 MM Debt Service Levy
= \$83.999 MM

Calendar 2019 Tax Levy:

\$77.245 MM General Fund Levy
+\$5.462 MM Debt Service Levy
= \$82.707 MM*

**Actual calendar tax levy reflects split fiscal year:
50% of 18-19 and 50% of 19-20 School Tax Levy*

Taxpayer Impact

- **Actual Calendar 2019 total school levy of \$82.707M**
- **Tax rate increases from 1.120 to 1.151 per \$100** assessed property value
 - Princeton 2019 actual tax base, net assessed valuation (ratables) of \$7,183 Billion*
 - Tax base increased .58% from 2018 – 2019, which means tax levy shared across more total assessed value
- **This means that a 3.4% calendar year school tax levy increase results in a 2.8% “effective” school tax increase. The Tax increase is spread across a bigger base.**

**2019 ratables taken from Mercer County Tax Tables*

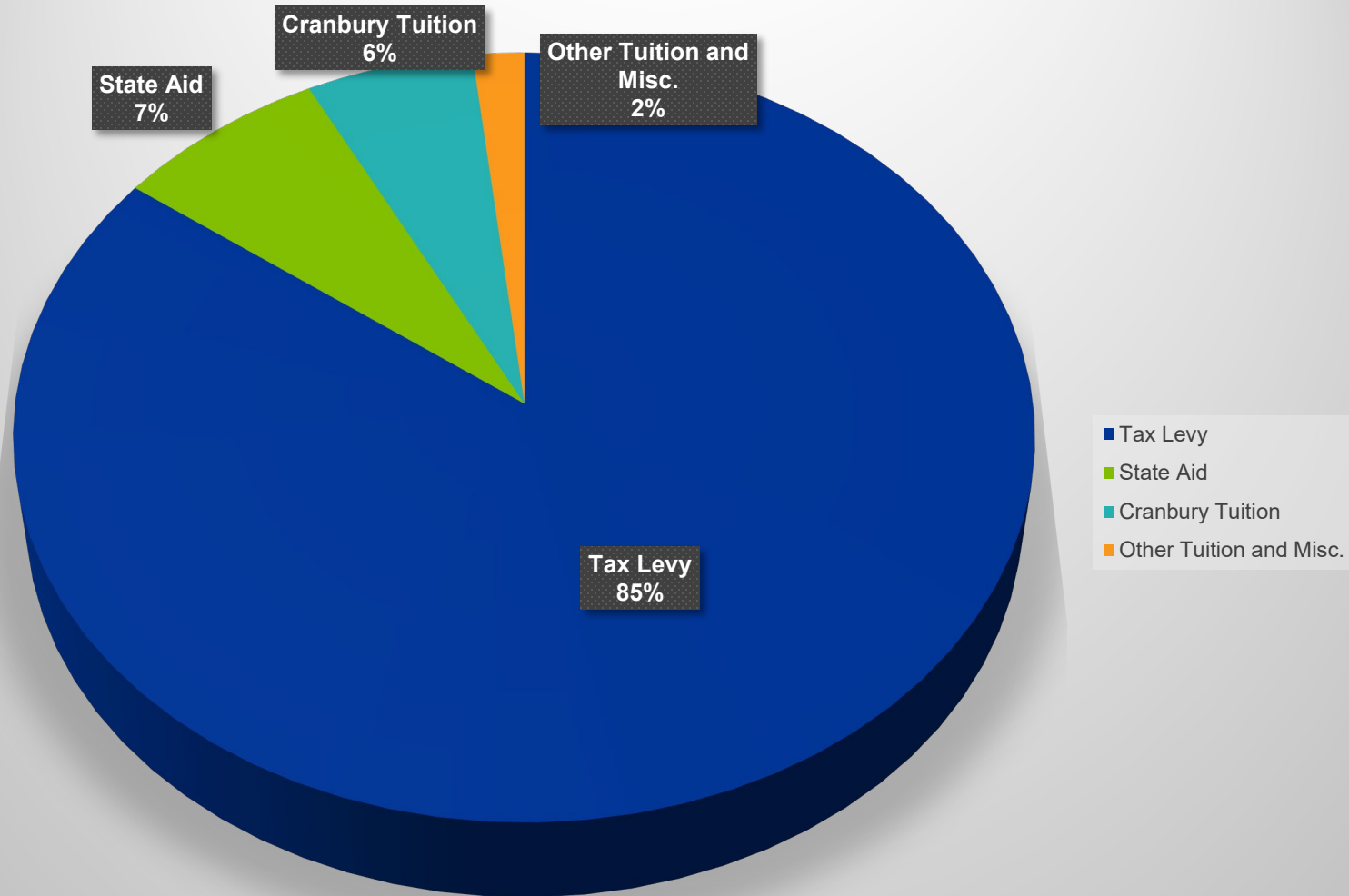
Budget Philosophy

- Consistent with PPS's mission, our goal with respect to the budget and operations is to insure that PPS's children thrive and realize their full potential while also carefully stewarding taxpayer resources by developing fiscally responsible budgets, operating our schools as efficiently as possible and properly maintaining our facilities.
- To that end, our goal is to “break even” each year, expending about as much as we take in each year. Revenues equaling Expenditures.
- Fund balance is that excess of funds, or cash (short-term investments) set aside for the future. It is a Balance Sheet item. Our Assets less our Liabilities in simple accounting terms.
- NJ DOE requires us to budget fund balance which is greater than 2% of our operating fund, this is where the misunderstanding about the “legally” balanced budget enters. If we spend down the budgeted fund balance each year, we would deplete our reserves extremely quickly.

Budget Philosophy Slide 2

- We have begun creating a historically based, “forward looking” budget model.
- This is clearly important as we cannot attempt to create a sustainable budget without first analyzing where we were in the past.
- One of the most important aspects of a school district’s budget is to only add recurring expenses, such as an employee, that are backed by a recurring revenue source.
- The vast majority of our budget is funded by local taxpayers.
- In order to more accurately analyze our budget it is best to analyze actual revenues and expenditures. The following analyses will use audited Fiscal Year end June 30, 2019 (FYE 19) numbers.

2019 Actual PPS Revenues



2015 to 2019 Revenue Analysis

	Actual FYE 2015	Actual FYE 2016	Actual FYE 2017	Actual FYE 2018	Actual FYE 2019
Revenues:					
Tax Levy		65,996,845	68,227,892	70,148,719	73,055,295
2% Tax Levy		1,354,107	1,364,557	1,402,974	1,482,875
Healthcare Adjustment		-	264,382	47,848	413,110
Enrollment Adjustment		876,940	291,888	1,455,754	1,295,354
Total Tax Levy	65,996,845	68,227,892	70,148,719	73,055,295	76,246,634
Tuitions	5,001,131	5,376,277	5,150,332	5,228,140	5,565,909
Misc. and Interest	474,239	689,340	699,442	669,931	1,184,547
Categorical State Aid *	3,468,229	3,464,865	3,543,737	3,622,685	4,087,798
Extraordinary Aid	1,438,125	1,292,424	1,238,062	1,369,345	2,478,553
Fed SEMI	11,654	3,319	3,730	5,023	6,420
Actual Revenue	76,390,223	79,054,117	80,784,022	83,950,419	89,569,861

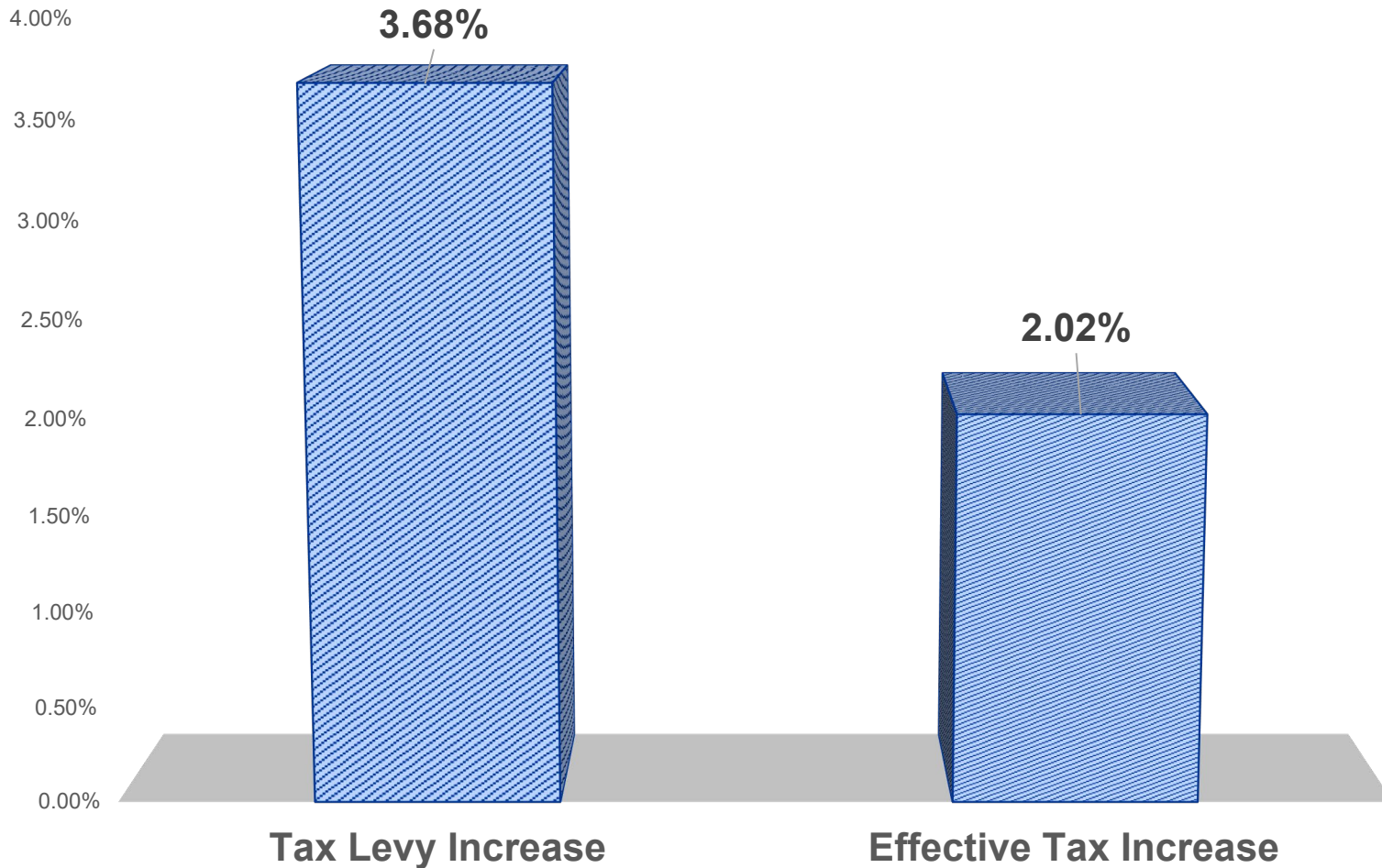
* Categorical (“category”) State Aid refers to the components of State Aid which are not based on “need” but allocated across the State’s district’s based on enrollment population

2015 to 2019 Revenue Analysis Continued

- **One item to consider is that we had an unexpected increase in State Aid and also were able to charge previously expended (2018) architecture costs to the referendum. Without these our revenue would have been about \$1.4 MM less.**
- **We did receive an increase in some categorical (received based on enrollments, not “need”) state aids, helping slightly in fiscal 18-19.**
- **Despite a 4 year Compound Annual Growth Rate in School Tax Levy from FYE 15 to FYE 19 of 3.68%, the “effective” school tax rate only increased by 2.02% from 12-31-15 to 12-31-2019. See graph on next slide.**

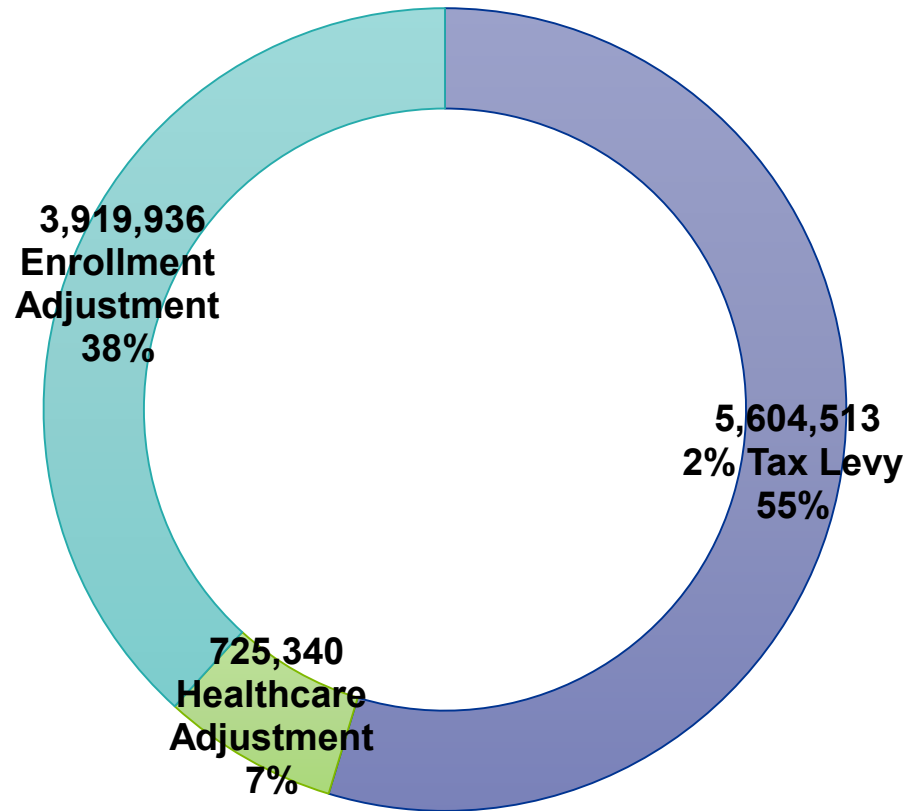
4 year tax levy and school tax growth

'2015 to '2019 PPS Tax Levy Increase vs. Effective Tax Increase

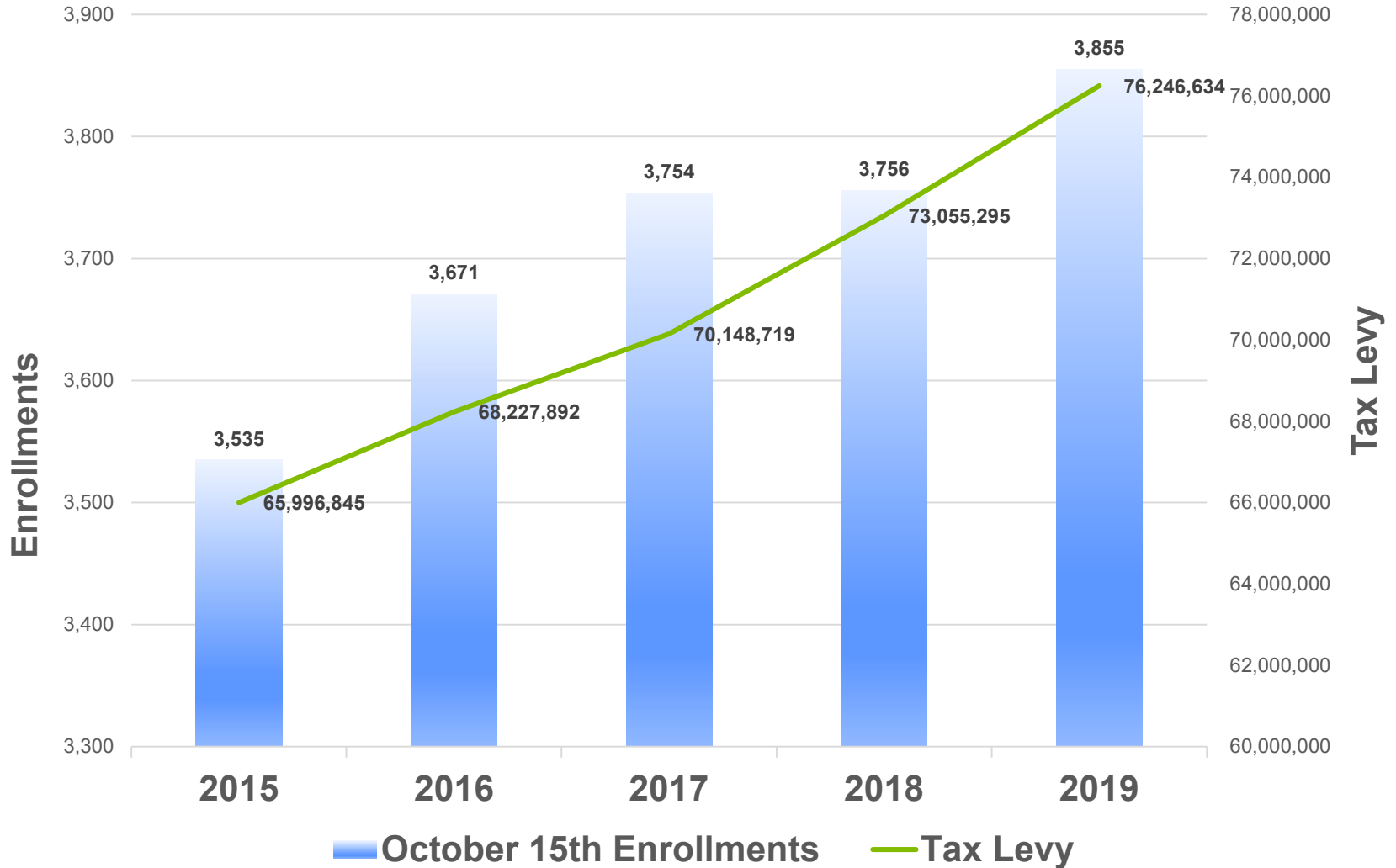


Tax Levy Growth Analysis

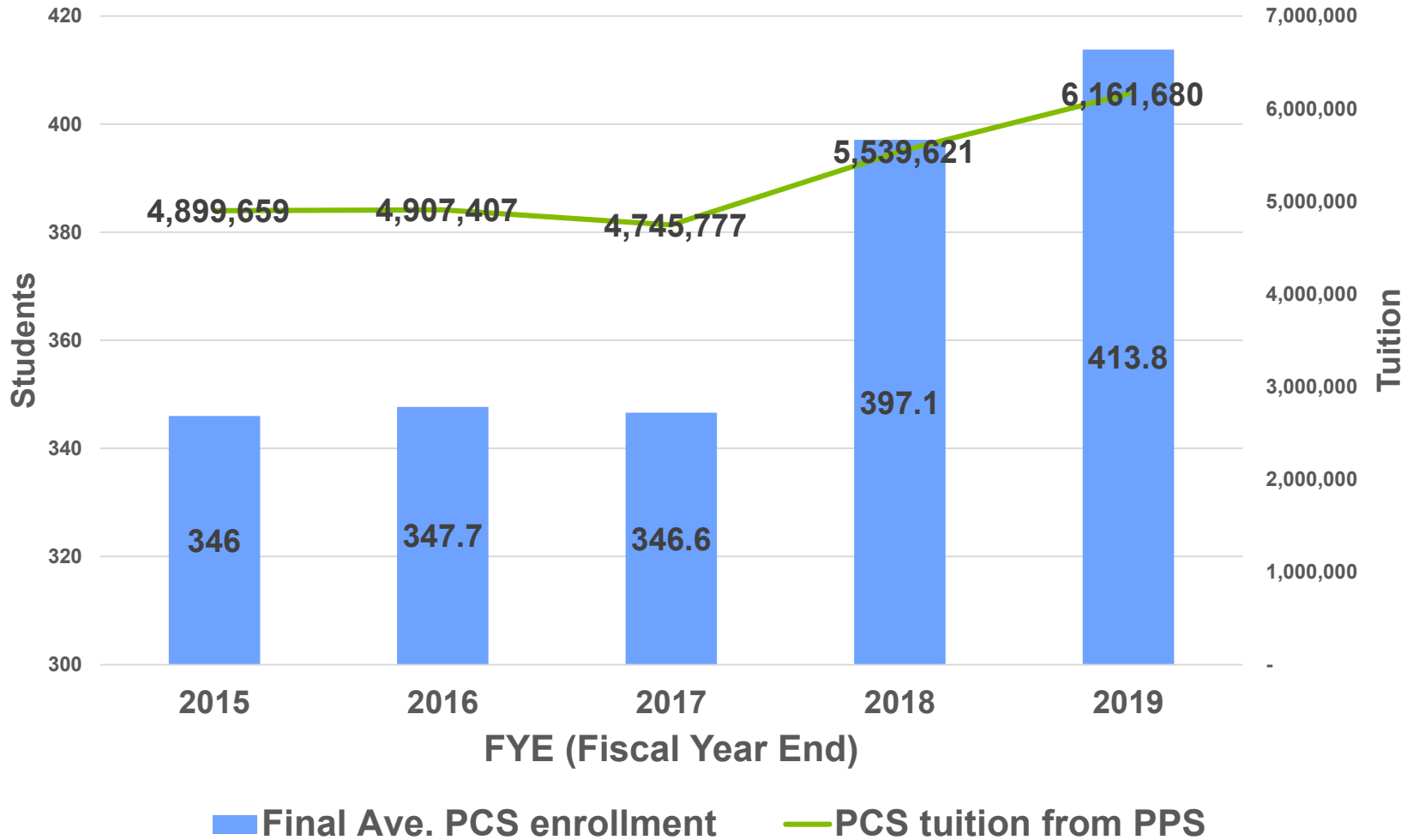
4 Year ending June 30, 2019 School Tax Levy Growth



PPS Enrollment vs. Tax Levy Growth Analysis



Princeton Charter School (PCS) Enrollment vs. Tuition

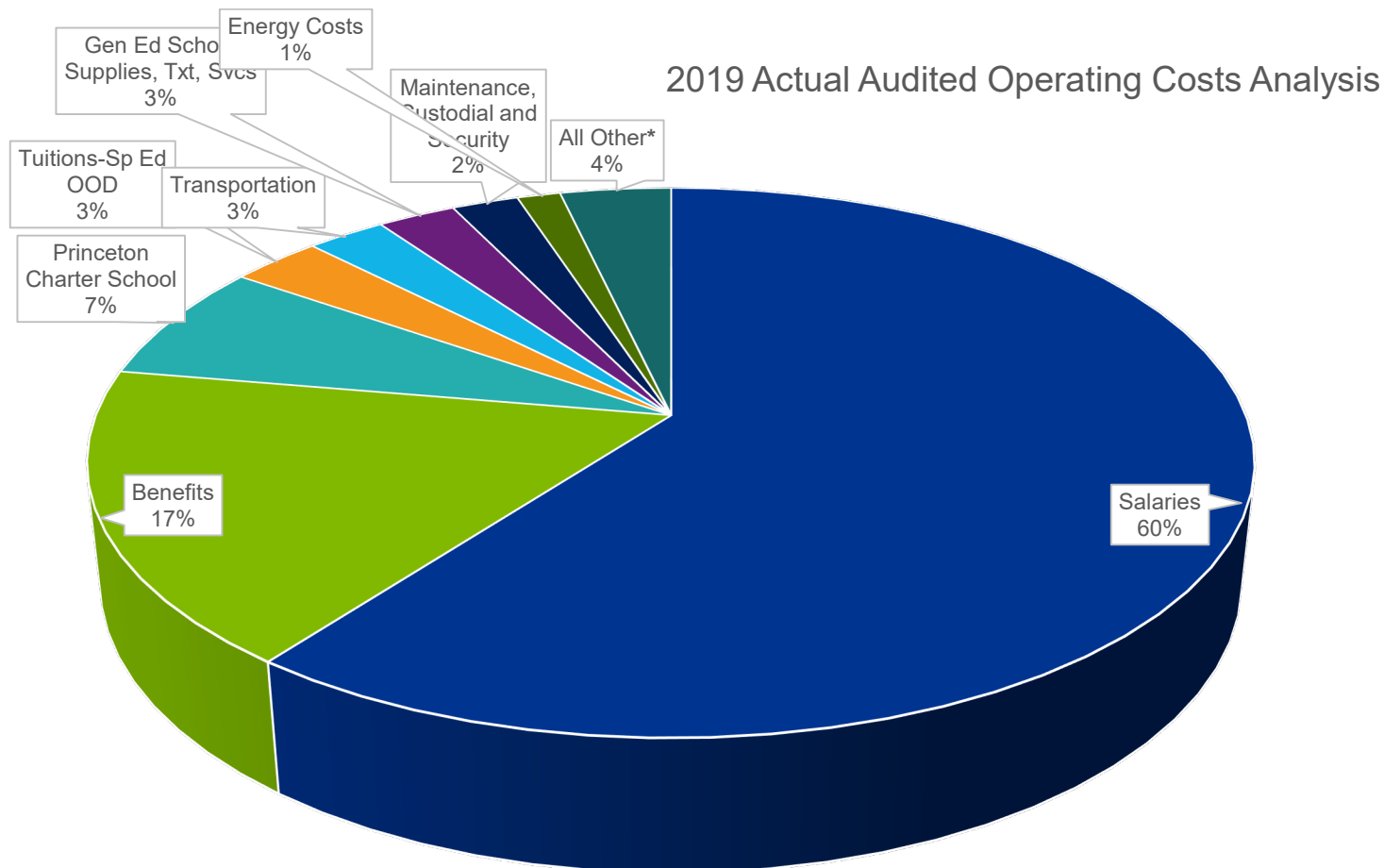


Debt Service Levy → Pays for Long-Term Debt

- Three Bond issues outstanding. One of the benefits of the referendum process is that the State gives us debt service aid on eligible portions of projects as approved by the State of NJ. It can be as much as 36%.
- Our most current Debt was issued at 3% over 20 years with a Aaa (“triple A” Moody’s) rating which is the highest credit rating available. See Outstanding Debt Below:

	Orig. Issue Date	Maturity Date	Int. Rates	Int. Rates	Principal Bal. 6/30/2019
10.980MM School Bonds	1/15/2013	2/1/2023	0.50%	2.00%	4,720,000
12.155 MM Refunding Bonds	7/30/2009	2/1/2022	3.00%	5.00%	12,070,000
26.928 MM School Bonds	1/23/2019	7/15/2038	2.50%	3.00%	26,928,000
					<u>43,718,000</u>

2019 Operating Budget Actual Results : How was it spent?



*** Includes: Equipment (SDA charge), Admin, Nurse, Guidance, CST, Library/ Media, Technology, Extra Curricular/Athletics, SpEd supplies and Home Instruction**

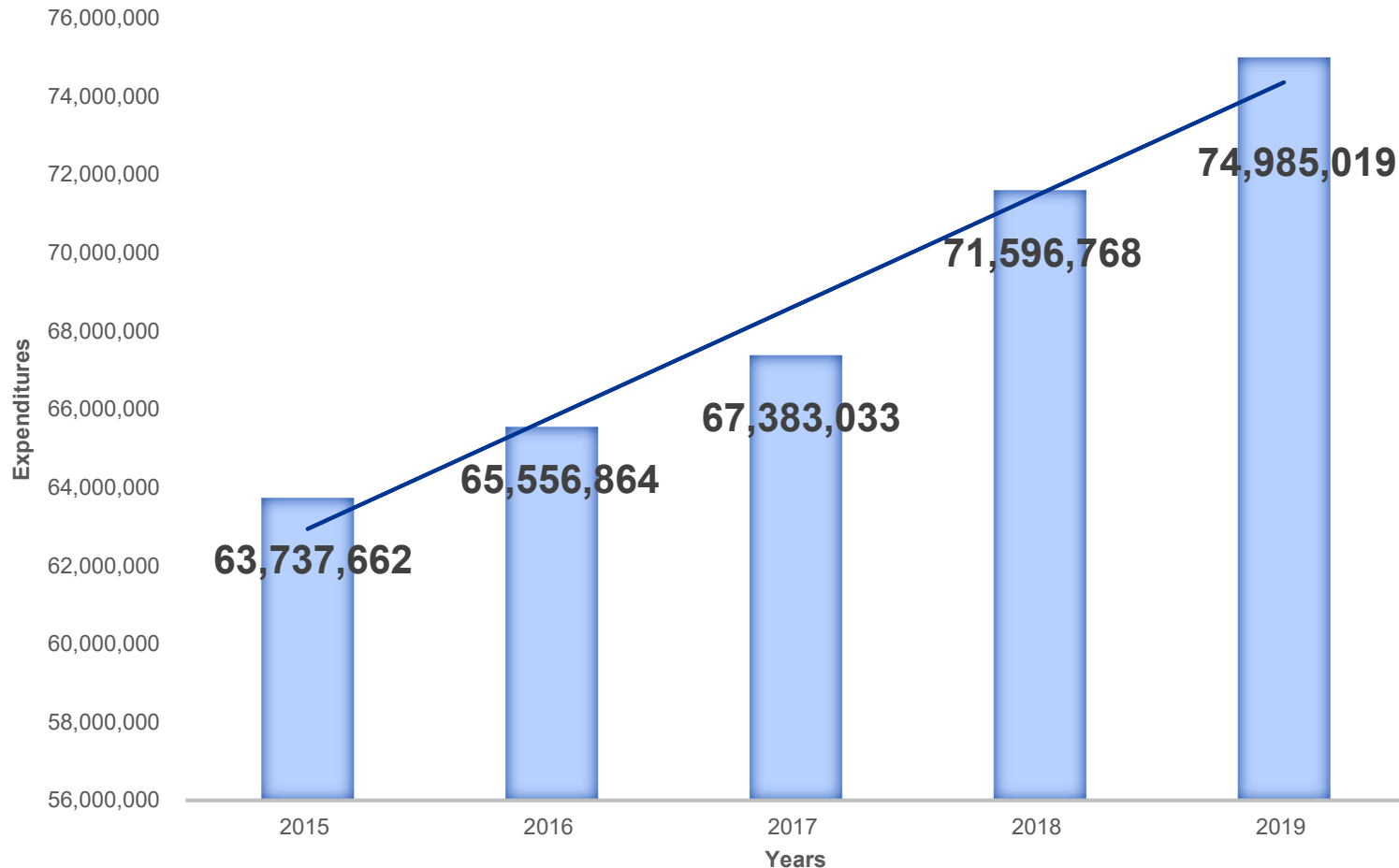
2019 Operating Budget Analysis

- PPS Salaries and Benefits equaled 77% of spent funds
- Princeton Charter School costs were 7% of our budget and increased 13.95% a year over the previous two years and 5.9% a year over the previous four. These are compound annual growth rates.
- There was year over year growth in Salaries and Benefits of 4.19%, and four year annual growth rates of 4%. Some of this growth is driven by salary increases and some by hiring of personnel.
- **The recognition of the above factors in early Calendar 2019, led to the reduction in the labor force for the Fiscal 2020 budget.**



2015 to 2019 Major Budget Trend

SALARIES, BENEFITS AND PRINCETON CHARTER SCHOOL EXPENDITURES



2020 Operating Budget (Current) – Estimated Expenditures

	<u>2019</u>	<u>2020</u>	<u>Y/Y Chnge</u>	<u>Y/Y %</u>
Salaries	\$ 53,425,769	\$ 53,261,798	\$(163,971)	-0.31%
Benefits	15,397,570	16,696,105	1,298,535	8.43%
Princeton Charter School*	6,161,680	6,534,463	372,783	6.05%
Tuitions-Sp. Ed Out of District	2,640,517	3,128,418	487,902	18.48%
Transportation	2,285,084	2,450,436	165,352	7.24%
Gen Ed School Supplies, Txt, Svcs	2,268,989	2,220,631	(48,357)	-2.13%
Maintenance, Custodial and Security	1,927,826	2,087,111	159,286	8.26%
Energy Costs	1,251,025	1,300,000	48,975	3.91%
All other	3,212,142	3,319,649	107,507	3.35%
	<u>88,570,600</u>	<u>90,998,612</u>	<u>2,428,011</u>	<u>2.74%</u>

- The current estimate is that the District will come close to “break-even” for this fiscal year, dependent on Facilities Expenditures (non referendum). We also are implementing two important un-budgeted consulting engagements this year.

* Increase based on state mandated tuition increase and a higher “weighted” enrollment as compared to the prior year. Weightings based on Free or Reduced Lunch, ELL or Special Education Statuses.

2020 Operating Budget (current) Analysis

- **Salaries (due to reduction in force) look to have remained relatively “flat” year over year**
- **After a number of years of very stable Out of District Tuitions, we have had “significant” budget pressure here. IEP’s are legal mandates.**
- **Princeton Charter School tuition, mandated by State, is still pressuring the budget**
- **Self insured Rx costs increased dramatically this year, new Rx Pharmacy Benefit Manager “coming on board” to help stabilize this piece of the budget**



2021 Early Budget Outlook

	Actual FYE 2019	Est. Actual FYE 2020	Estimated FYE 2021
Revenues:			
Tax Levy	73,055,295	76,246,634	78,244,588
2% Tax Levy	1,482,875	1,524,933	1,566,029
Healthcare Adjustment	413,110	473,021	-
Enrollment Adjustment	1,295,354	-	56,877
Total Tax Levy	76,246,634	78,244,588	79,867,494
Tuitions	5,565,909	5,594,185	5,892,651
Misc. and Interest	1,184,547	850,849	721,160
Categorical State Aid	4,087,798	4,153,532	4,200,000
Extraordinary Aid	2,478,553	1,750,000	1,750,000
Fed SEMI	6,420		57,486
Actual Revenue	89,569,861	90,593,154	92,488,791

2021 (Next Year) Early Budget Outlook

- Our fiscal year end (FYE) '21 actual budget revenue projection has us increasing our budget by 2.1% year over year, which is significantly less than recent years. This is the revenue number we have to balance to, does not include mandatory budgeted fund balance.
- We are “tightening” our non-salary/benefit/PCS (16% of budget) spending in order to create a sustainable budget moving forward. Important to note that once expenses are reduced it produces a “one-time” savings.
- We have recently switched our Prescription Benefit Manager to CVS/Caremark. This will take effect April 1st. Our self insured Rx claims have skyrocketed the last few years, with an estimated year over year increase of almost 20% from FYE 19 TO 20. Benefits were not changed.

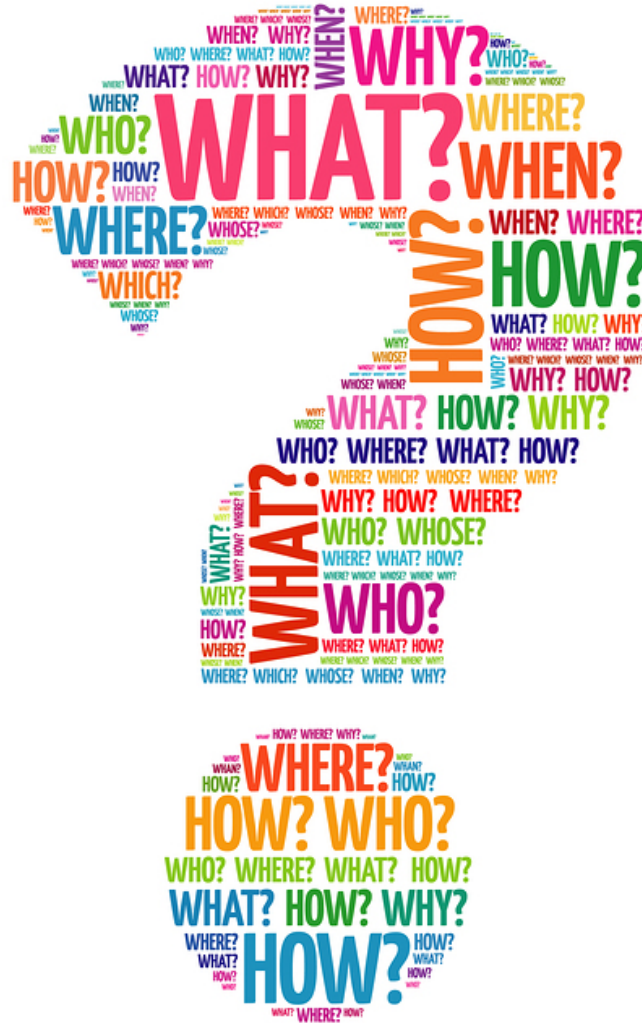
2021 (Next Year) Early Budget Outlook- Continued

- Significant challenge is no Health Care tax levy waiver this year, which means we **CANNOT** pass through increases over 2% in our health insurance costs.
- Early projection on Medical renewal is approximately 7%.
- Focus on the 20-21 Budget is to reduce non salary and benefit expenses such as supplies, PD, travel etc. This is an area where we believe we can save some money and still provide a high quality education.
- We hope through maximizing our budget efficiency we can maintain expenditures in the classroom!!
- Facilities budgets should be increased, we have been underbudgeting these for years, which has resulted in inadequate stewardship of our facilities.

2021 (Next Year) Early Budget Outlook - Continued

- Increasing energy efficiency to offset increased HVAC capabilities with LED lighting installations and building controls for our HVAC equipment.
- Revising our budgeting and financial tracking systems and controls to help ensure that funds are spent both efficiently and as budgeted.
- Utilizing capital lease purchasing to leverage future expenses in areas such as technology or fleet equipment. We will use low interest five year leases to maintain budgets in areas where we have “uneven” spending patterns. This is a “near-term” solution which does not have benefits passed five years.
- The District is working very hard to produce a balanced budget for the coming school year!!

Budget Related Question and Answer Session



Princeton Public Schools Mission



Our Mission
Preparing all students to lead lives of joy and purpose as knowledgeable, creative, and compassionate citizens of a global society.