



# **Merger Feasibility Committee**

## **Pennsbury School District and Morrisville School District**

### **Workforce and Finance**

**PFM Group Consulting, LLC**

October 17, 2022



# Agenda

- ◆ Overview of work to date
- ◆ Workforce
- ◆ Finance
- ◆ Discussion
- ◆ Public comment



## Committee purpose

- ◆ The Pennsbury School District received a state grant for an independent review of a potential merger or tuition arrangement between Pennsbury and the Morrisville School District
- ◆ PFM Group Consulting LLC (PFM) was selected by Pennsbury to conduct the study
- ◆ PFM's work will provide the Boards of the two school districts with information to help determine if a merger or tuition relationship is in the best interest of both districts, including but not limited to whether instructional opportunities would be enhanced for all students at a similar or reduced cost to taxpayers
- ◆ Pennsbury's scope for the study included the formation of a Feasibility Committee comprised of stakeholders (parents, staff members, and others) will meet four times to discuss topics including curriculum and academics; school buildings and other facilities; workforce; and finances
- ◆ The Committee is a non-partisan advisory body and will not be voting or providing a recommendation to either Board



## Overview of work to date

- ◆ PFM has continued to complete initial reviews of various areas affected by the merger or tuition scenarios
- ◆ Our team has examined academic, financial, and operational information from both school districts to frame our review
- ◆ Our team has also visited both school districts multiple times to conduct interviews with staff in the finance, transportation, facilities, operations and academic areas to understand how programs and operations are currently structured, and how they would be impacted by a merger or tuition scenario
- ◆ Tonight, we will review preliminary observations from our data analysis for workforce and finances, which we have supplemented with discussions with the school districts and relevant stakeholders
- ◆ Our initial observations will be further informed by your comments and suggestions, as well as follow up work with the staff of the two districts
- ◆ At the next meeting, we will cover the academics as the final topic:
  - Monday, November 14: Academic programs and curriculum
- ◆ If committee members have any questions or data requests outside of the meetings, they may send the requests to the PFM study team; we will collect the requested information and share it with the full committee



# Workforce



## Overview

- Both Pennsbury and Morrisville have formal agreements with two main collective bargaining units that represent professional and support staff
- Both school districts have administrators and other employees who are covered by other agreements

Employee Group	Description	Morrisville	Pennsbury*
Administrators	Act 93 and other administrators	12	57
Professional	Teachers, counselors, psychologists, and nurses	71	870
Support Staff	Paraprofessionals, personal care assistants, and school aides (FT and PT)	23	245
	Cleaners, custodians, and head custodians (FT and PT)	7	91
	Maintenance, trades, and grounds	1	28
	Clerical (represented, exempt, and other staff)	8	82.5
	Drivers and other transportation staff	3	97
	Registered nurses	2	7
	Security**	1	5.5
<b>Total</b>		<b>128</b>	<b>1,483</b>

**Source:** Pennsbury SD and Morrisville SD employee counts reported to the study team.

\* Pennsbury SD's part-time support staff are counted as 0.5 full-time equivalent positions.

\*\* Morrisville SD has one contracted security position.



## Professional contract

- Pennsbury negotiated a five-year contract with its professional staff last school year, and Morrisville's professional staff contract expires at the end of the current school year
- The key features of the contract length and salary increases are summarized in the table below

Key Features	Morrisville	Pennsbury
Term	2018-19 to 2022-23 Five years	2021-22 to 2025-26 Five years
Salary Schedule	Ranged from \$150 to \$1,200 for cells on the scale	\$1,800 added to every cell annually
Step Movement	Annual step movement*	Annual step movement
Column Movement	One column movement per year	One column movement per year
Master's Equivalent Starting Salary (2022-23)	\$53,149*	\$57,737
Master's Equivalent Ending Salary (2022-23)	\$94,251*	\$95,078

**Source:** Morrisville SD and Pennsbury SD employee contracts.

\* Teachers in Morrisville SD received step movement in the second half of the current school year. The salary here is the annualized step provided in the second half of the year.



## Example teachers' salary schedule

- Teachers receive annual increases through a variety of ways, and many teachers receive supplemental pay through coaching stipends or other supplemental pay

Step	Bachelors' Degree	Bachelors' Degree +15 credits	Masters Degree	Masters Degree +30 credits	Doctorate
1	\$50,000	\$52,000	\$54,000	\$56,000	\$58,000
2	\$51,500	\$53,560	\$55,620	\$57,680	\$59,740
3	\$53,045	\$55,167	\$57,289	\$59,410	\$61,532
4	\$54,636	\$56,822	\$59,007	\$61,193	\$63,378
5	\$56,275	\$58,526	\$60,777	\$63,028	\$65,280
6	\$57,964	\$60,282	\$62,601	\$64,919	\$67,238
7	\$59,703	\$62,091	\$64,479	\$66,867	\$69,255
8	\$61,494	\$63,953	\$66,413	\$68,873	\$71,333
9	\$63,339	\$65,872	\$68,406	\$70,939	\$73,473
10	\$65,239	\$67,848	\$70,458	\$73,067	\$75,677
11	\$67,196	\$69,884	\$72,571	\$75,259	\$77,947
12	\$72,196	\$74,884	\$77,571	\$80,259	\$82,947
13	\$77,196	\$79,884	\$82,571	\$85,259	\$87,947
14	\$82,196	\$84,884	\$87,571	\$90,259	\$92,947
15	\$87,196	\$89,884	\$92,571	\$95,259	\$97,947



## Support contract

- ◆ Pennsbury negotiated a five-year contract with its support staff, and Morrisville negotiated a three-year contract with its support staff
- ◆ The key features of the contract length and salary increases are summarized in the table below

Key Features		Morrisville	Pennsbury
Term		2022-23 to 2024-25 Three years	2022-23 to 2026-27 Five years
Starting Salary (2022-23)	Secretary	\$17.43	\$19.45
	Custodian / Cleaner (FT)	\$15.61	\$17.80
	Paraprofessional	\$15.30	\$19.45
Salary Increases		4 percent annual increases to hourly rates*  No step scale	1.85 percent annual increases**  Step movement based on years of experience  Employees receive longevity pay based on years of service

**Source:** Morrisville SD and Pennsbury SD employee contracts.

\* Morrisville SD van drivers received different pay adjustments in the first year of the contract to equalize pay for some members.

\*\* Pennsbury SD made other salary and classification adjustments in its contract.



## Health benefits summary

- ◆ The key features of the health benefits offered by the two school districts are summarized in the table below

Key Features		Morrisville	Pennsbury
Healthcare Consortium Membership		Bucks and Montgomery County Schools Healthcare Consortium	Delaware Valley Health Trust
Premium Contribution	Teachers	18 percent of premium	15 percent of premium*
	Support Staff	7 percent of premium	14 percent of premium**
	Administrators	7 percent of premium	15 percent of premium*
Number of Plans Offered (Teachers)		4 plans	4 plans

**Source:** Morrisville SD and Pennsbury SD employee contracts.

\* Pennsbury SD employee contributions for teachers increase to 16 percent of premium costs in 2023-24 through the remainder of the contract.

\*\* Pennsbury SD employee contributions for support staff increase by one half of one percent each year until reaching 16 percent in 2026-27.



## Study considerations

- Integration of the employee contracts and the number of employees required to maintain programs and services will be important feature of the merger scenario in the study
  - Although the school districts would continue to have separate contracts under the tuitioning scenario, sending middle or high school students to Pennsbury would likely reduce staffing in Morrisville
- The ability to stagger retirements and slowly transition staffing levels would be the preferable course of action in either a merger or tuitioning scenario
- In a merger scenario, all details of the integrated contract would need to be bargained with the employee groups
  - Large cost drivers such as salaries, step placement, and benefits costs will be estimated and included in our 10-year financial projections
  - Other areas that will be bargained include the integration of seniority lists, transition of Morrisville staff through retirements, carry over of sick leave, and the furlough/recall process
- In some cases, Pennsbury may see additional benefits from a larger pool of employees
  - For example, the Pennsbury support union raised the possibility of offering commercial drivers license training to the Morrisville van drivers to supplement the supply of bus drivers

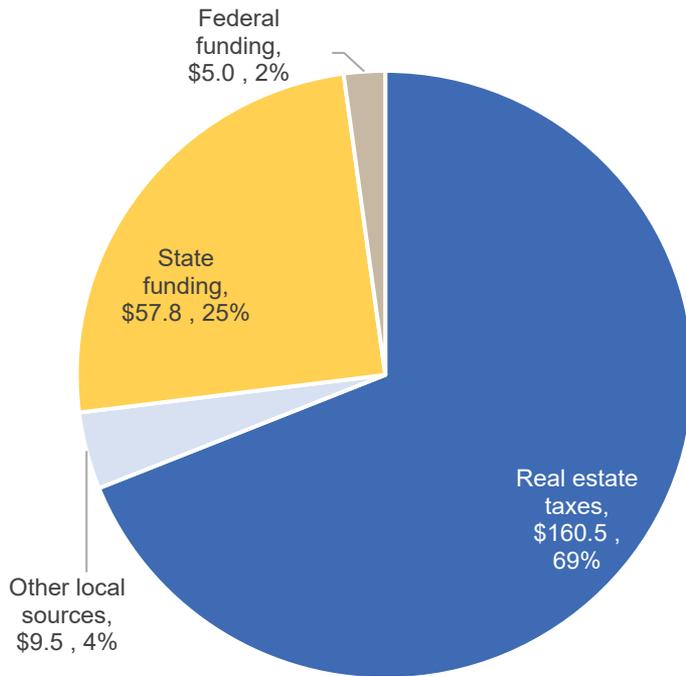


# Finance

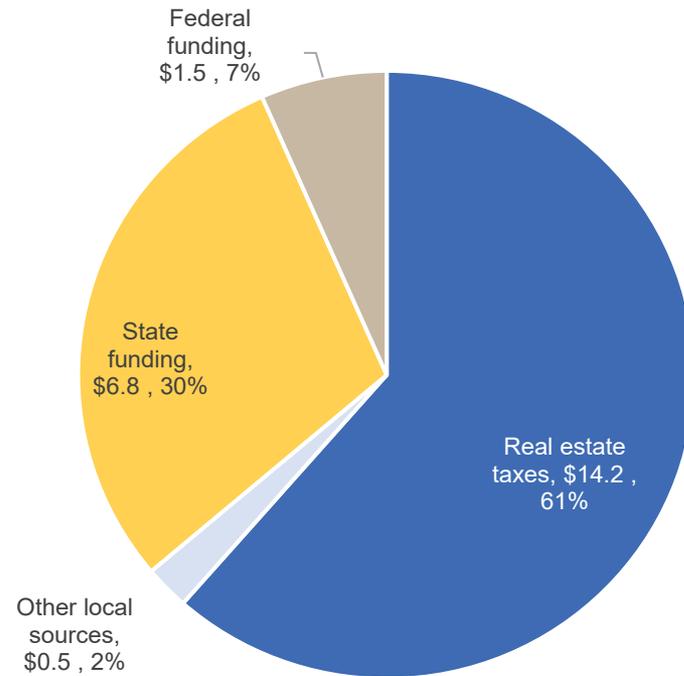


## 2022-23 budget: revenues

**Pennsbury School District**  
**\$232.8 million**



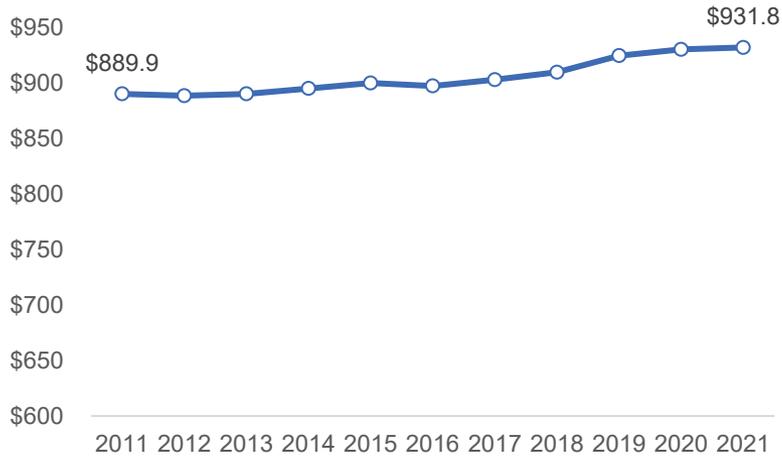
**Morrisville School District**  
**\$23.1 million**



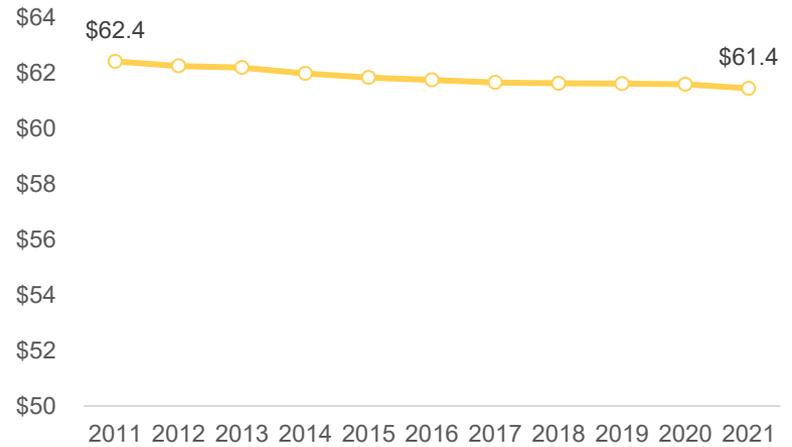


# Assessed value trends

## Pennsbury School District



## Morrisville School District





## Tax rates

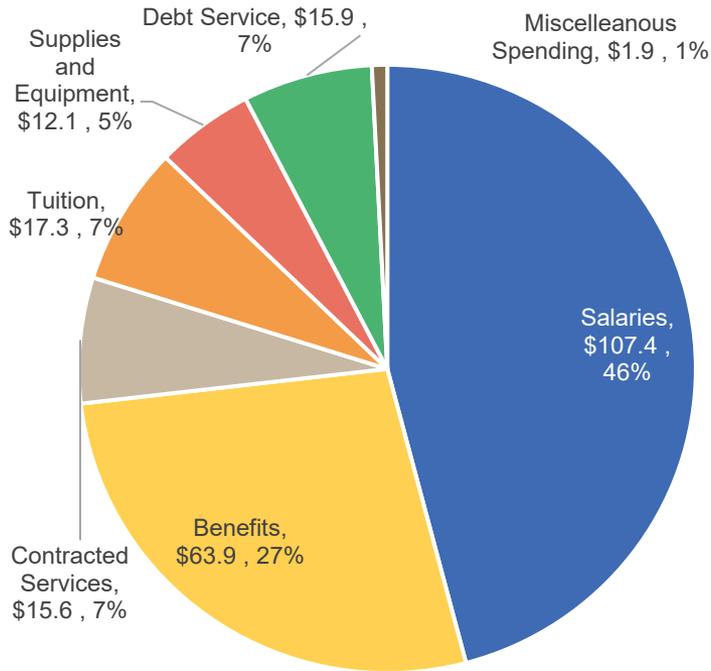
- ◆ The table below shows the millage rates, or the annual tax rates, for the Morrisville and Pennsbury school districts for the current school year
- ◆ As part of our analysis, we will review the relative tax impacts for the merger and the tuition scenario, as well as other related impacts to other revenue sources

	Morrisville	Pennsbury
Millage Rate (2022-23)	239.0343	178.9470

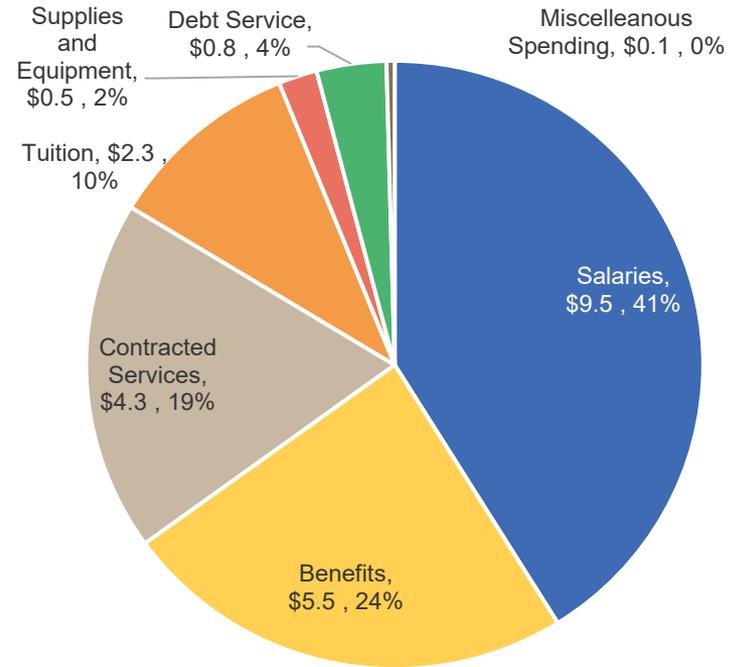


## 2022-23 budget: expenditures

**Pennsbury School District**  
**\$234.1 million**



**Morrisville School District**  
**\$23.0 million**

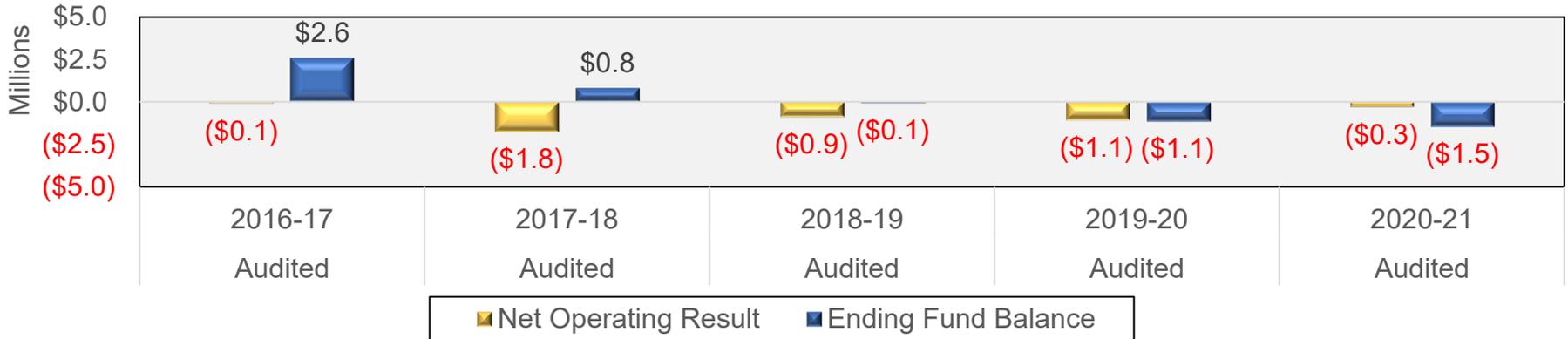




# Morrisville SD audited financial results

• The chart and table below summarize the annual financial results from Morrisville’s audit documents

## General Fund Financial Results 2016-17 to 2020-21



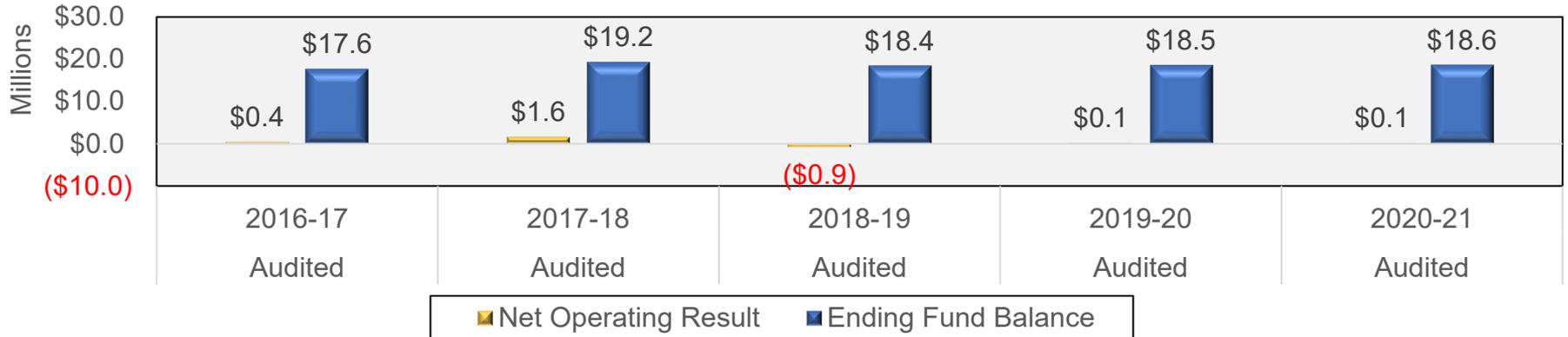
	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Audited	2020-21 Audited
Total Revenues	\$20,494,473	\$20,877,670	\$22,193,633	\$22,449,113	\$23,253,632
Total Expenditures	\$20,597,583	\$22,633,559	\$23,078,994	\$23,518,552	\$23,567,826
<b>Net Operating Result</b>	<b>(\$103,110)</b>	<b>(\$1,755,889)</b>	<b>(\$885,361)</b>	<b>(\$1,069,439)</b>	<b>(\$314,194)</b>
<b>Ending Fund Balance</b>	<b>\$2,566,142</b>	<b>\$810,253</b>	<b>(\$75,108)</b>	<b>(\$1,144,547)</b>	<b>(\$1,458,741)</b>



## Pennsbury SD audited financial results

- The chart and table below summarize the annual financial results from Pennsbury's audit documents

### General Fund Financial Results 2016-17 to 2020-21



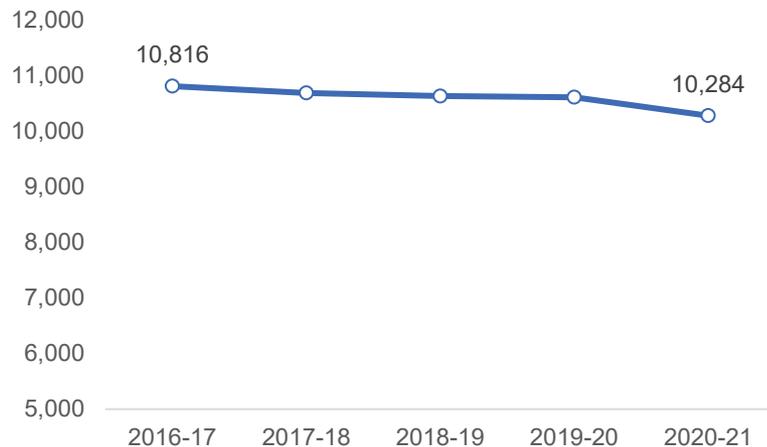
	2016-17 Audited	2017-18 Audited	2018-19 Audited	2019-20 Audited	2020-21 Audited
Total Revenues	\$204,905,613	\$231,488,871	\$217,523,622	\$227,658,455	\$216,994,708
Total Expenditures	\$204,511,562	\$229,875,639	\$218,374,655	\$227,542,152	\$216,911,210
<b>Net Operating Result</b>	<b>\$394,051</b>	<b>\$1,613,232</b>	<b>(\$851,033)</b>	<b>\$116,303</b>	<b>\$83,498</b>
<b>Ending Fund Balance</b>	<b>\$17,609,101</b>	<b>\$19,222,333</b>	<b>\$18,371,300</b>	<b>\$18,487,603</b>	<b>\$18,571,101</b>



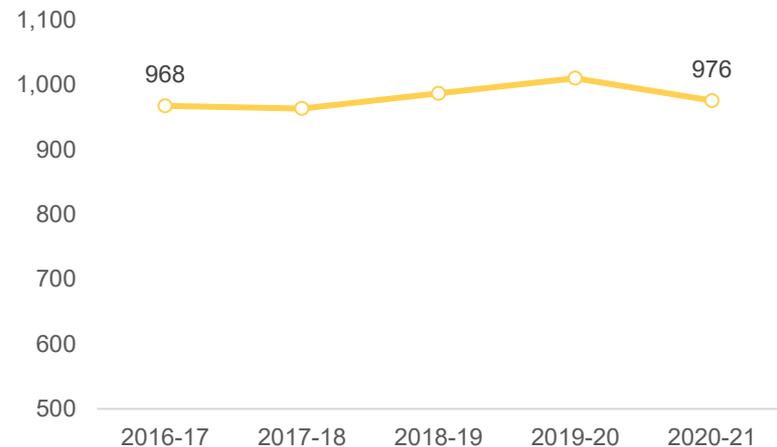
## Student enrollment trends

- The chart below shows the annual trends in average daily membership for the two school districts
- On the next two slides, the financial data is divided by the average daily membership, which includes these students in the enrollment count and is also the count used in calculating charter school tuition

### Pennsbury School District



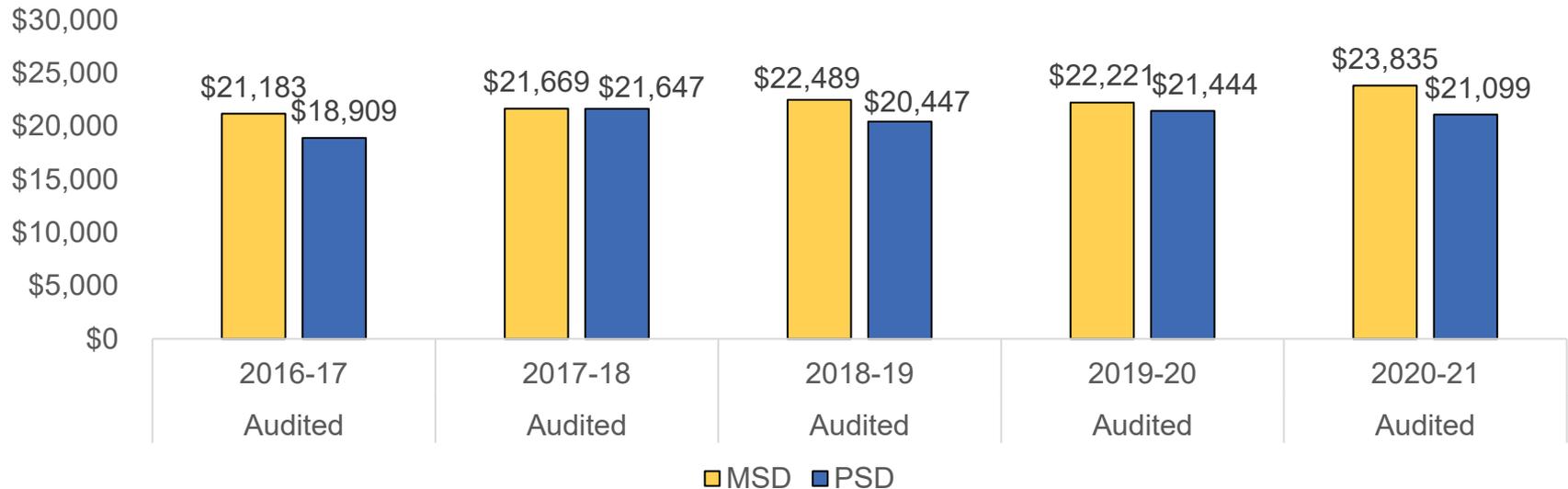
### Morrisville School District





## Per student revenue trends

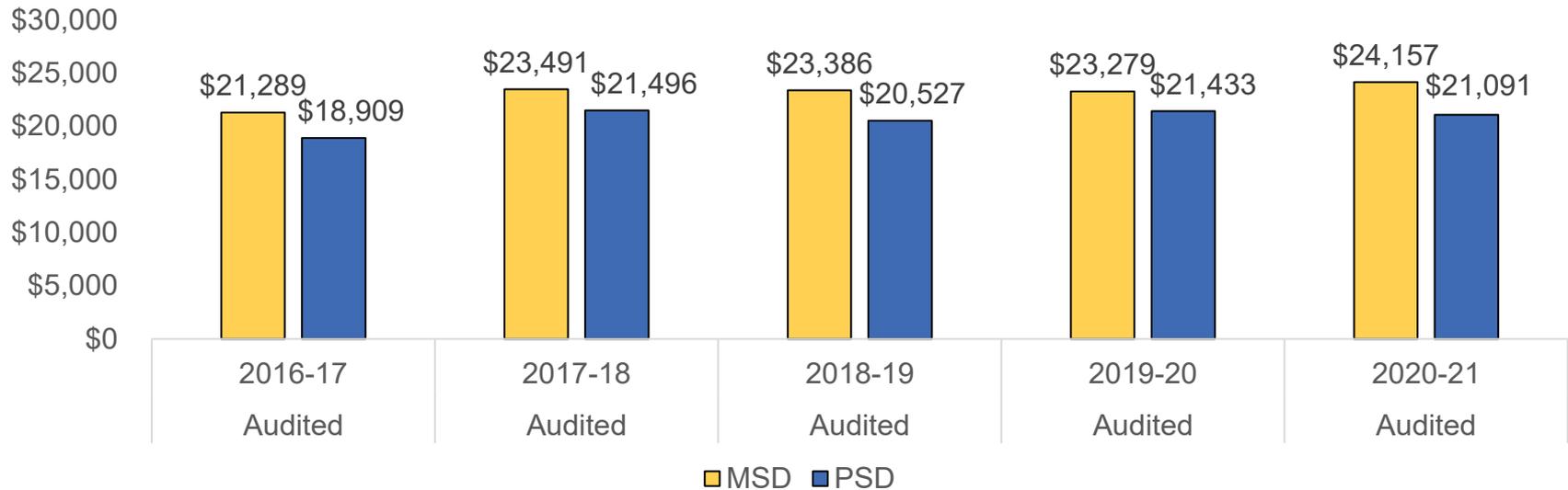
- The chart below shows the per student revenue trends for the two school districts
- In Pennsylvania, school budgets include costs for students in addition to those enrolled in the buildings operated by the school district
- Costs for charter school students or some students in special education placements are included in the budget, but not the regular enrollment reports
- In this analysis, the financial data is divided by the average daily membership, which includes these students in the enrollment count and is also the count used in calculating charter school tuition





## Per student expenditure trends

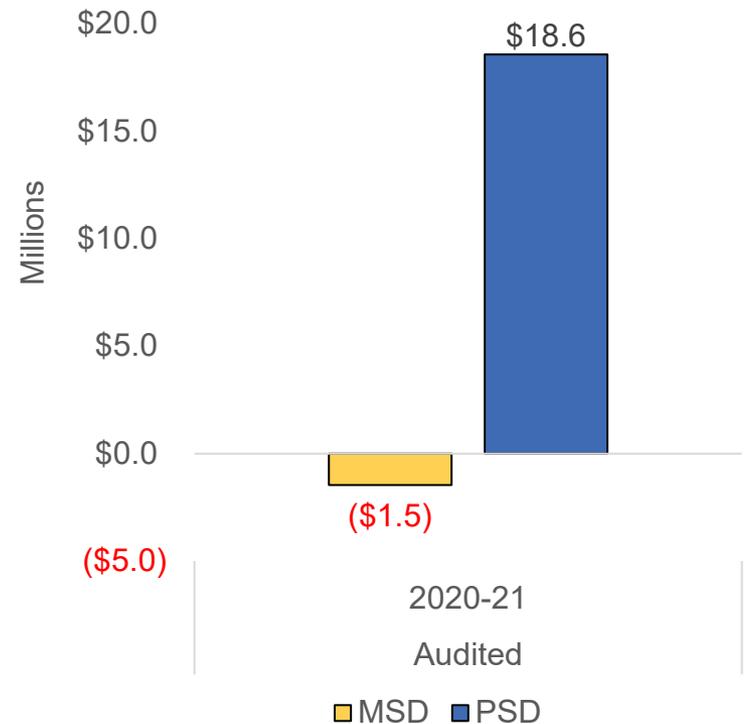
- The chart below shows the per student expenditure trends for the two school districts
- In Pennsylvania, school budgets include costs for students in addition to those enrolled in the buildings operated by the school district
- Costs for charter school students or some students in special education placements are included in the budget, but not the regular enrollment reports
- In this analysis, the financial data is divided by the average daily membership, which includes these students in the enrollment count and is also the count used in calculating charter school tuition





## Total audited fund balance

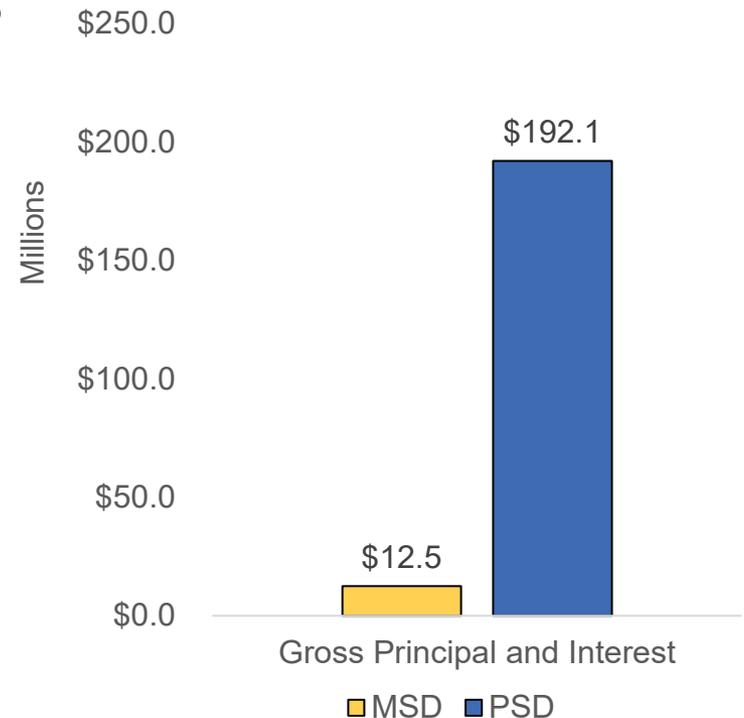
- The chart on the right shows the audited total fund balance for the two school districts as of the 2020-21 school year, which is the most recent available year
- Fund balance is the accumulation of prior year results for an entity's annual audits, representing available resources that can be used as reserves or an accrued deficit from prior years
- On a per student basis, the proportion of total fund balance is similar to the unadjusted amounts
  - Morrisville SD per student: **(\$1,495)**
  - Pennsbury SD per student: \$1,806





## Total outstanding debt service

- The chart on the right shows the outstanding principal and interest payments for the two districts from 2022-23 to the final year of payments on current debt outstanding
- These figures do not include potential future borrowings, and they are shown as gross payments before any reimbursement from the Commonwealth
- One measure of affordability is debt service as a percentage of total expenditures
  - Morrisville SD (2022-23): 3.7 percent
  - Pennsbury SD (2022-23): 6.8 percent





## Study considerations

- ◆ Since many of the issues that are being reviewed by the study cut across all areas in the report, the areas we will review in the 10-year financial projections are presented as questions for discussion
- ◆ How will tax rates and assessed value change in the merger and tuitioning scenarios? How do these compare to a status quo, or baseline, scenario where the school districts have no changes?
- ◆ How will state funding change with the addition of Morrisville students to the formula-based funding that is distributed to Pennsbury?
- ◆ How will the configuration options for the middle and high school impact the potential savings and marginal costs of the merger and tuitioning scenarios?
- ◆ What are the current average costs of operating the Morrisville and Pennsbury school districts today? Why may the marginal costs that would be incurred by either school district under the study scenarios differ from the average costs?



# Discussion



## Discussion

- ◆ What questions do you have about the information presented today?
- ◆ What did you find significant about the information that was presented today?
- ◆ What additional information about workforce, staffing, or finances should the study team be aware of or focused on?
- ◆ How should the information presented today be taken into account in considering the feasibility of a merger of the two districts or tuitioning Morrisville students to Pennsbury?
- ◆ Is there any specific information you would like presented in our subsequent sessions covering academic programs and curriculum, and workforce and finances?



# Public comment



## Appendix

- ◆ Pennsbury SD has uploaded information for the merger Feasibility Committee to its website
- ◆ The Feasibility Committee webpage can be accessed here:
  - Go to the Community button at the top of the page at [www.pennsburysd.org](http://www.pennsburysd.org)
  - In the Directory under the letter P, click the link for the Pennsbury-Morrisville Merger Feasibility Committee
  - You can use the links on the lefthand side of the screen to navigate to the membership list, slides, and the feedback form