



## Appendix B Planning Assumptions

# Baseline Model Assumptions

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The following is a description of the data sources and the assumptions used to develop the baseline budget projections for the Erie School District.

### Revenue Projections

- Local Sources
  - Current real estate taxes
    - Current real estate taxes were based on the estimated financial impact of changes in the tax base provided by the District
    - No increases were assumed for the millage rate after 2018-19
  - Payments in lieu of taxes were based on the continuation of current agreements in effect as of the 2018-19 school year
    - Revenue projections are based on changes in the assessed value as LERTA agreements expire over the 5-year projection period
    - The financial impact of the transition of tax exempt properties to the tax rolls was not incorporated into the baseline projections and will be shown as an initiative
  - Act 511 earned income taxes
    - Earned income taxes were grown by approximately 1.3% to reflect the 10-year CAGR in total adjusted personal income for the 2005-06 to 2015-16 school years
  - All other local sources were held flat in the projected years
- State Sources
  - Basic Education Funding (“BEF”) and Special Education Funding (“SEF”)
    - BEF and SEF estimates were calculated the District’s share of funding provided by the student-weighted funding formulae, and increases in funding amounts based on the 10-year CAGR for the total statewide allocations:
      - BEF – Approximately 2.4% per year
      - SEF – Approximately 1.2% per year
  - Transportation Subsidy
    - Revenue estimates are based on PFM’s projections of transportation expenditures described in more detail below
    - Subsidy payments for non-public and charter school students were based on projected growth in charter school enrollment
  - Reimbursements for Social Security and PSERS
    - Reimbursement rates for Social Security and PSERS were based on average rates provided by the District:
      - Social Security Reimbursement Rate – 67.8%
      - PSERS Reimbursement Rate – 70.0%
    - Reimbursement revenues for Social Security and PSERS contributions were based on changes in expenditures
  - Rental & Sinking Fund Payments
    - Rental and Sinking Fund Payments (PlanCon) were based on estimated amounts by PNC Capital Markets in November 2018
  - All other state sources were held flat in the projected years



- Federal Sources
  - Revenues and expenditures from the District's School Improvement Grant are removed after the final payment in 2018-19
  - All federal sources were held flat in the projected years

### Expenditure Projections

- Personnel Services
  - The District's estimated 2018-19 salaries were used as the base for the projections
  - No savings from employee turnover were included in the baseline projections
  - No salary increases were provided for employees after the final years of negotiated wage increases in each of the collective bargaining agreements
  - Collective bargaining units with wage re-opener language were assumed to receive 0% increases in the baseline projections
  - The table below shows the District's collective bargaining units and the negotiated salary increases that impact the projection period. Cells shaded in green indicate years in which the collective bargaining agreements are in effect.

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
EEA	2.33%	2.20%	0.00%	0.00%	0.00%	0.00%	0.00%
EESPA	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Local 95	TBD	TBD	TBD	TBD	0.00%	0.00%	0.00%
Local 1968	2.00%	TBD	TBD	0.00%	0.00%	0.00%	0.00%
Act 93	2.00%	2.20%	TBD	TBD	TBD	TBD	TBD

- Employee Benefits
  - Health insurance contributions
    - Growth rate of 6.5% based on the District's historical trends for growth in healthcare costs
  - Social Security contributions, unemployment compensation, disability insurance, and workers' compensation are tied to changes in salaries
  - PSERS contribution rates increase at projected rates, and with changes in salaries
  - Life insurance, vision insurance, and dental insurance received inflationary increases based on projected growth in headline CPI
  - Cash payments to retirees were based on the following assumptions:

Object	Description	2016-17	2017-18	2018-19	Assumptions
115	30 and Out Incentive	\$1,116,629	\$857,983	\$805,000	Held flat based on the 2018-19 revised estimates
290	Sick Leave Payout	\$931,658	\$272,339	\$505,000	Payments based on the schedule provided by the District
291	403B Discretionary Plan	\$379,154	\$185,008	\$205,000	Held flat based on the 2018-19 budget
282	30 and Out Incentive - Other Beneficiary	\$17,500	\$17,332	\$18,571	
292	Death Benefit	\$77,000	\$76,500	\$72,000	
<b>Total Retirement Payments</b>		<b>\$2,521,942</b>	<b>\$1,409,162</b>	<b>\$1,605,571</b>	



- Charter Tuition Payments
  - Total enrollment in charter schools was increased by 60 students per year based on PFM's analysis of historical trends in enrollment for cyber charter schools and estimated capacity in brick and mortar schools
  - Distribution of enrollment among regular education and special education was assumed to remain at the current levels:
    - Regular Education: Approximately 80%
    - Special Education enrollment: Approximately 20%
  - Charter school tuition rates were projected using the calculations in the PDE-363 form
  
- Transportation Services
  - Report submitted to PDE for operating years 2015-16 and the preliminary report for the 2016-17 operating year were used as the basis for PFM's analysis of transportation expenditures
  - The District provided estimates of the changes in expenditures due to the transition of operators used for student transportation:
    - Contracted transportation from First Student was assumed to end in 2018-19
    - District was assumed to increase the number of District-operated routes to accommodate these students
    - District provided enrollment assumptions for students transported by the Erie Metropolitan Transit Agency
    - District provided assumptions to be used in the calculation of direct payments to brick and mortar charter schools which receive a cash payment for equivalent transportation services provided by the District
  - Salary and benefit costs for District-operated buses were based on the personnel cost assumptions described above
  - Growth in fares for the Erie Metropolitan Transit Agency were based on PFM's review of historical increases in the daily bus rate fare, and the District's negotiated fares for student transportation
  - Expenditures for transportation provided by the Erie County Intermediate Unit were assumed to return to the 5-year average amount in 2019-20
    - Inflationary growth was applied to the expenditures based on headline CPI projections from the Survey of Professional Forecasters
  - All other transportation expenditures for Regular Education, Special Education, and Non-instructional activities were increased at an inflationary rate based on headline CPI projections from the Survey of Professional Forecasters
  
- Other Non-Personnel Expenditures
  - General inflationary rate was applied to all non-personnel related expenditures (except for Other Objects and Other Use of Funds) based on headline CPI projections from the Survey of Professional Forecasters
  - Debt service payments were based on the District's debt schedule prepared by PNC Capital Markets in November 2018