

MINUTES

Council Rock School District Finance Committee

Thursday, April 25, 2013, at 6:00 p.m.

The Chancellor Center, Historic Classroom 1

I. Budget Discussion

Mr. Reinhart introduced the 2013-2014 Budget document by reviewing the organization and structure of the book. He explained the information contained in the Introduction Section and Financial Section. He referenced pages of the book throughout his presentation in an attempt to familiarize the Committee with the information in the book.

He began his presentation reviewing the following 2013-2014 budget calendar:

- December 19, 2012 – Finance Committee Meeting
 - Administrative Recommendation to adopt a Resolution Limiting Tax Increase to Act 1 Index Limit of 1.70%
- January 3, 2013– Board Meeting
 - Board Adopts Resolution Limiting Tax Increase to Act 1 Index
- February 5, 2013- Governor Corbett Presents 2013-2014 State Budget Proposal
- March 20, 2013 Finance Committee Meeting
 - Initial Review of 2013-2014 Budget
 - Governor’s Budget Proposal
- April 25, 2013 Finance Committee Meeting
 - Review of 2013-2014 Preliminary Budget
- May 2, 2013 - Board Meeting
 - Adoption of Preliminary Budget
- May 23, 2013 - Finance Committee Meeting
 - Budget Update
- June 6, 2013 – Board Meeting
 - Adoption of 2013-2014 Budget

He reviewed the headlines of the previous two budgets to emphasize budget decisions made in the past that have impacted the 2013-2014 Budget:

2011-2012	2012-2013
Preliminary Budget Indicated a \$14.2 million Deficit	Preliminary Budget indicated a smaller deficit than 2011-2012 Budget
Federal Revenue Funding Cliff	\$2.35 Million in Fund Balance
\$9.1 million Expense Reduction	
\$4 million in Fund Balance	
\$1.1 Million Salary Concessions (6 Mo. Delay in Increase)	0% Increase as negotiated with CREA
Staff Reductions:	Staff Changes:
4 Administrators	Reduction of 1 Administrator
42 Professionals	Reduction of 11 Professionals
19 Support	

Tax Increase

0%	1.70%
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The next point of discussion was the ending fund balance for the most recent fiscal year end June 30, 2012. He provided the following financial data:

Nonspendable	\$ 298,573
Committed to:	
PSERS Rate Stabilization	7,477,408
Revenue Stabilization	4,127,924
Self-Insurance	3,889,000
Capital Projects	312,377
Balancing of 2012-2013 Budget	2,350,454
Assigned for:	
Outstanding Encumbrances	881,665
Unassigned	<u>10,092,135</u>
Total Fund Balance	<u><u>\$ 29,429,536</u></u>

He then provided highly aggregated numbers to explain the 2013-2014 budget in terms of the broad financing of the budget:

REVENUES	\$ 203,623,161
EXPENDITURES	<u>209,411,668</u>
(Shortfall) Surplus	<u>(5,788,507)</u>
2012-2013 Millage Rate	112.56
Act 1 Index	<u>1.70%</u>
Allowable Millage Increase Under Act 1	1.91
Value of One Mil	<u>1,216,497</u>
Max. Additional Revenue Under Act 1	<u>2,323,509</u>
(Shortfall) Surplus Should Increase Be Applied	<u><u>\$ (3,464,998)</u></u>

He indicated that he will provide updated estimates at the end of the presentation that will include some reduction in expenditures that are expected.

The following table provides a comparison and analysis of the changes made to the estimated revenues from the 2012-2013 to the 2013-2014 budget:

	2012-2013	2013-2014	Variance
Revenues and Other Financing Sources	<u>\$199,492,250</u>	<u>\$203,623,161</u>	<u>\$4,130,911</u>

<u>Analysis of Changes</u>	Increases (Decreases)
State Retirement Reimbursement	\$ 2,649,073
Earned Income Tax	900,000
Other Local Revenues	580,190
Other State Sources	285,333
Federal Revenues	(283,685)
	<u>\$ 4,130,911</u>

The following table provides the comparison of appropriations from the 2012-2013 to the 2013-2014 budget:

	2012-2013	2013-2014	Variance
Expenditures and Other Financing Uses	<u>\$201,842,704</u>	<u>\$209,411,668</u>	<u>\$7,568,964</u>

Noted Major Changes

	2012-2013	2013-2014	Variance	Percentage Increase (Decrease)
Retirement Contribution	\$13,035,500	\$18,426,506	\$5,391,006	41.36%
Salaries and Wages	105,634,710	109,009,571	3,374,861	3.19%
Special Education - Contracted Services	6,070,500	4,442,032	-1,628,468	-26.83%
Technology Equipment	1,005,000	1,255,000	250,000	24.88%
	<u>\$125,745,710</u>	<u>\$133,133,109</u>	<u>\$7,387,399</u>	

He drilled down further with some of the areas of increase. The first discussion item was the increase in the district's contribution into the PSERS retirement system. He explained that the system is severely under-funded and the contribution rate, as a percentage of payroll, is scheduled to continue to increase for next four years until it reaches 30%. The following table shows the effect of this increase in our budgets starting in 2010-2011 through 2016-2017:

	Total Budgeted Amount	Increase In Budget	Retirement Contribution Rate
2010-2011	\$8,759,525		5.64%
2011-2012	9,184,852	\$425,327	8.65%
2012-2013	13,035,500	3,850,648	12.36%
2013-2014	18,426,506	5,391,006	16.93%
2014-2015	23,360,751	4,934,245	21.43%
2015-2016	28,266,182	4,905,431	25.93%
2016-2017	32,702,871	4,436,689	30.00%

The second area of increase was the district salaries and benefits. He provided the following explanation of these increases:

\$ 1,333,380	The District has hired 17 speech therapists to provide these services to Council Rock students. In previous years these services were provided by the Bucks County School Intermediate Unit. Offset by the decrease in our Special Education contracted services budget.
122,796	Two additional Elementary School Counselors have been included in the budget
122,796	Two additional CARES coordinators are included in the budget to provide services to help Middle School students.
61,398	One new technology integration specialist has been included in the budget
64,034	Two additional security personnel have been included into the budget.
981,238	CREA scheduled wage increases and lateral movement.
262,869	CRESPA scheduled wage increases
82,891	Administrative Increases – based on the half year wage delay in 12-13
48,045	Changes in Staffing CRESPA (Recess Aides, Instructional Assistants)
99,084	Additional staff – Data Processing Department
244,375	Additional Substitute and other estimated wages
<u>\$ 3,374,861</u>	Total

He emphasized the impact of the reasonable collective bargaining agreements negotiated between the District and our associations. The following table identifies the estimated increased costs associated with these CBAs:

	2012-2013	2013-2014	Change	Percentage
CREA	\$ 80,127,214	\$ 81,108,452	\$ 981,238	1.22%
CRESPA	14,908,752	15,171,621	262,869	1.76%
Administration	5,838,804	5,921,695	82,891	1.42%
Combined	<u>\$ 100,874,770</u>	<u>\$ 102,201,768</u>	<u>\$ 1,326,998</u>	1.32%

The administration provided the following recommendation to finance the 2013-2014 budget:

Net Increase In Costs Associated with Retirement Contributions	Percentage Funded PSERS Fund Balance	Amount Funded With PSERS Fund Balance	Amount Funded With Tax Increase
\$ 2,695,503	50.00%	\$ 1,347,752	\$ 1,347,751
Costs Associated with Additional Staffing			431,009
Associated with Security Measures			
Total Increase from Real Estate Tax Increase			<u>\$ 1,778,760</u>
Value of One Mil			\$ 1,216,497
Needed Millage Increase (Total Increase/Value of Mil)			1.46 1.30%

The rationale for this recommendation is to begin to drawdown the PSERS Committed fund balance by only funding one half of the cost of our increase in retirement contributions with a tax increase and funding the remaining portion with our fund balance. Also, recently security in our schools has become more important and being critically reviewed over the past several months. Based on this review the administration is recommending increasing the following positions address some these issues:

Two additional Elementary School Counselors

Two additional CARES coordinators to provide services to our Middle School students

Two additional security personnel

The estimated cost of these positions is \$431,009 and is being funded as part of the tax increase.

There was caution drawn to the concept of only funding 50% of the pension increase with a tax increase. As the table indicates, should the administration fund future increases in pension costs the same way, all funds committed to pension increases will be depleted in three years.

	Full Increase In Taxes			1/2 Paid By Tax Increase					
	Change in Local Contribution to PSERS	Increase In Millage Rate	Percentage Increase	Amount Funded By Taxes	Increase In Millage Rate	Percentage Increase	Amount Funded By Use of Fund Balance	Cumulative	Fund Balance
									\$7,477,408
2013-2014	2,695,503	2.22	1.97%	1,347,752	1.11	0.99%	1,347,751	1,347,751	6,129,657
2014-2015	2,467,123	2.03	1.77%	1,233,562	1.01	0.89%	1,233,561	2,581,312	3,548,345
2015-2016	2,452,716	2.02	1.73%	1,226,358	1.01	0.88%	1,226,358	3,807,670	(259,325)
2016-2017	2,218,345	1.82	1.53%	1,109,173	0.91	0.79%	1,109,172	4,916,842	(5,176,167)