



**Success & Sustainability**  
*A plan for the T/E School District.*

2012

# Introduction

- Tredyffrin/Easttown School District (TESD), like many school districts, is facing tough financial decisions due to Act 1 limitations and the current economy.
- TESD is committed to providing the community with pertinent facts, accurate figures and key information.
- This presentation will show challenges that the District will face as it balances its commitment to student success and fiscal sustainability.

# TESD Strengths

- Superior educational program that prepares students for life
- Outstanding teachers, administrators and staff committed to student success
- Dedicated School Board working for all stakeholders: students, staff and community members
- Great support from parent and community groups
- Standardized test scores among the highest in Pennsylvania
- Well maintained facilities which deliver both current programs and new programs for students

# TESD Profile

- 6,460 Students
- 778.3 Employees
  - Instructional: 436.3 FTE (Full-Time Equivalent)
  - Non-Instructional: 314
  - Administration: 28
- 8 School buildings
- Top rated Pennsylvania School District
- 467 out of 500 Pennsylvania school districts have higher tax rates than T/E

# Comparison Data

<u>District</u>	<u>Spending Per Student</u>		<u>Equalized Mills</u>		<u>Gross Receipts Tax</u>	<u>EIT</u>
	<u>\$</u>	<u>State Rank</u>	<u>Mills</u>	<u>State Rank</u>		
Lower Merion	\$26,571	1	14.7	392	Yes	No
Upper Merion	\$20,089	14	11	481	Yes	No
Radnor Township	\$19,118	20	14.6	395	Yes	No
Phoenixville	\$18,586	26	22.3	97	No	Yes
Great Valley	\$17,552	39	13.4	436	No	No
Marple Newtown	\$17,194	44	12.5	461	Yes	No
Coatesville	\$16,848	49	21.4	123	No	Yes
<b>Tredyffrin/Easttown</b>	<b>\$16,324</b>	<b>61</b>	<b>12.1</b>	<b>467</b>	<b>No</b>	<b>No</b>
Unionville	\$15,828	72	17.2	275	No	No
Octorara	\$15,597	84	25.3	49	No	Yes
West Chester	\$15,424	91	14.4	401	No	Yes
Owen J. Roberts	\$15,105	110	21.2	129	Yes	Yes
Kennett	\$15,098	111	20.1	167	No	Yes
Downingtown	\$14,626	137	21.4	123	No	Yes
Oxford	\$12,238	349	23	85	No	Yes
Avon Grove	\$11,751	400	17.6	250	No	No

The data shows our School District gets great value for the money spent: low taxes, low student spending and superior educational results.

# Projected 2012-2013 Budget Gap

- Preliminary budget projections showed a potential deficit of \$6.2 million for the 2012-2013 school year.
- Proactive steps to reduce the deficit are underway. The Board accepted \$713,500 in expense cuts and more are being studied. (\$10 million has been cut from the budget over past two years.)
- According to the Act 1 index, the School Board has the authority to raise taxes up to 1.7%, or \$1.5 million. Additionally, the Board can consider allowable Act 1 exceptions which would increase taxes up to an additional 1.6%, or \$1.4 million.

# TESD Financial Outlook

	<b>Proj. Actual</b>	<b>Budget</b>	<b>Projection</b>	<b>Projection</b>	<b>Projection</b>
	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
<b>Revenues</b>					
Total Revenue from Local Sources	\$91,649,382	\$92,080,003	\$92,227,597	\$92,192,786	\$91,921,629
Total Revenue from State Sources	\$13,898,163	\$14,990,414	\$16,295,811	\$17,395,993	\$18,106,053
Total Revenue from Federal Sources	\$861,663	\$833,116	\$833,116	\$833,116	\$833,116
<b>Total Revenues</b>	<b>\$106,409,208</b>	<b>\$107,903,532</b>	<b>\$109,356,523</b>	<b>\$110,421,895</b>	<b>\$110,860,798</b>
<b>Expenditures</b>					
Salaries	\$55,421,869	\$57,234,591	\$57,733,397	\$57,733,397	\$57,733,397
Benefits	15,356,293	16,866,783	18,412,843	19,763,290	21,260,865
PSERS Expenditures	4,765,576	7,018,217	9,557,159	12,128,259	13,548,376
Other Expenditures	31,642,681	32,958,160	34,124,580	35,345,385	36,624,293
<b>Total Expenditures</b>	<b>107,186,418</b>	<b>114,077,751</b>	<b>119,827,978</b>	<b>124,970,330</b>	<b>129,166,930</b>
<b>Budget Imbalance</b>	<b>(\$777,210)</b>	<b>(\$6,174,219)</b>	<b>(\$10,471,455)</b>	<b>(\$14,548,435)</b>	<b>(\$18,306,132)</b>

# TESD Challenges

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- Revenue Erosion
- PSERS
- Act 1 Tax Limitations
- Expense Increases



# Challenge 1: Revenue Erosion

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- In 2010-2011, the cumulative effect of assessment appeals since 2006 is a loss of \$6.5 million in property tax revenue.
- Interest on investments is declining – average rate for revenue has declined by \$2.4 million since 2007.
- Real estate transfer tax revenue is lower due to fewer commercial and residential sales. In the 2010-2011 year, transfer tax revenue was \$1.6 million less than it was in 2006. We have seen this revenue decline by a total of \$4.7 million compared with 2006-2007 levels.

## Challenge 2: PSERS

- PSERS is the Pennsylvania School Employees' Retirement System, run by the State, used to pay pensions for school employees.
- PSERS is mandatory for all school districts, who are required to pay half of the PSERS employer contribution and the State pays other half.
- Employees contribute 7.5% of their salaries.
- Due to losses in investment earnings and deferred funding, PSERS is significantly underfunded.

# Challenge 2: PSERS

	PSERS Rate	TESD Net Rate	TESD Cost
2011-2012	8.65%	4.325%	\$2.4 million
2012-2013	12.35%	6.175%	\$3.5 million
2013-2014	16.69%	8.345%	\$4.8 million
2014-2015	21.18%	10.59%	\$6.1 million
2015-2016	23.66%	11.83%	\$6.8 million

# Challenge 3: Act 1 Tax Limitations

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- Limits tax increases for Pennsylvania School Districts each year
- Based on Statewide Average Weekly Wage (SAWW) and Federal Employment Cost Index (ECI)
- Index for 2012-2013 is 1.7%

# Challenge 4: Expense Increases

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- Contractual salary obligations for instructional and non-instructional staff
- Rising health benefit costs
- Unfunded state and federal mandates

# Board Action to Address Challenges

- **Revenue Erosion**
  - Reverse appeals
  - Explore other revenue streams
- **PSERS**
  - Committed fund balance for PSERS stabilization
  - PSERS legislative advocacy
- **Act 1**
  - Applied for exceptions to keep taxing options open
- **Expense Increases**
  - Concessions from the two unions, including teachers, custodians, maintenance workers, secretarial staff and cafeteria workers
  - Salary freezes for other employees, including administration
  - Implemented a more efficient teacher scheduling model
  - Continue to study expense cutting strategies
  - Prepare for contract negotiations

# Contract Negotiations Background

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- Our teachers are highly valued and respected, but unfortunately the District has limited and shrinking resources.
- The current contract expires on June 30, 2012.
- Negotiations began in January 2012.
- The Board formulated goals for the District's bargaining team to negotiate. The District's team includes Jeff Sultanik, Dr. Dan Waters, Sue Tiede and Art McDonnell.

# Contract Negotiation Goals

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- Create a compensation package which is reflective of the unprecedented economic challenges facing the TESD community, and which allows for greater budgeting predictability and sustainability during this economic period
- Preserve available resources including the District committed fund balance to ensure the maintenance of a high quality education in TESD schools
- Keep the public updated on milestones so that the process and issues are understood by those paying for the contract



# Stay Involved

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- Visit the TESD web site, [www.tesd.net](http://www.tesd.net), for Success and Sustainability updates
- Attend Finance and Budget Workshop meetings
- Attend monthly School Board meetings
- Contact the School Board at [schoolboard@tesd.net](mailto:schoolboard@tesd.net)

**Thank you for your support.**



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*A plan for the T/E School District.*