

To: Board of School Directors
From: Arthur J. McDonnell, Business Manager
VIA: Daniel E. Waters, Superintendent
Re: Overview of the 2011-2012 Budget

BUDGET DEVELOPMENT

The 2011-2012 budget was developed and presented to the public through a series of Finance Committee meetings, Budget workshops and School Board meetings held between December 2010 and June 2011. These meetings provided opportunities for public comment and were recorded and broadcast to our community. Budget materials were regularly posted on the District web site. The Proposed Final Budget approved by the Board on May 9, 2011 was made available for public inspection at the District Administrative Offices and posted on the District web site. The 2011-2012 Final Budget will be presented to the School Board for their vote on June 13, 2011.

During budget discussions, the Board considered three approaches to closing the \$8.9 million gap between projected revenues and anticipated spending. First, the Finance Committee reviewed numerous budget strategies developed by the Administration to reduce expenditures and enhance revenues. Secondly, a tax rate increase was included comprised of the Act 1 index of 1.4% and referendum exceptions of 2.37%. Finally, the Board considered the use of existing reserves to help close the operating deficit. At the May 2nd Finance Committee Meeting/Budget Workshop, the Board directed the Administration to prepare the Proposed Final Budget for a Board vote on May 9th, with 40 budget strategies totaling over \$3.85 million, revenue from a 3.77% tax rate increase, and the use of existing reserves of approximately \$2.25 million.

FINAL BUDGET

The 2011-2012 Final Budget was approved on June 13, 2011 with an authorized budget amount of \$109,098,918. The authorized budget amount is comprised of \$107,186,418 in anticipated spending required for operations and \$1,912,500 for contingencies. Budgeting an amount for contingencies allows the Administration to respond to unexpected operational needs without reopening the budget. The 2011-2012 anticipated spending of \$107,186,418 reflects an increase of 3.6% over the 2010-2011 projected actual spending of \$103.4 million. Funding for the \$107,186,418 in anticipated spending will come from projected revenues totaling \$105,082,970 and the use of \$2,103,448 from existing reserves. Included in the projected revenues is an increase in property tax millage of .6774 (or 3.77%) that will generate revenue in the amount of \$3,221,053 using the collection rate of 97.24%. This tax rate increase translates to an annual increase of \$171 on an average T/E home assessed at \$252,601. The total tax rate for 2011-2012 will be 18.6474 mills.

MAJOR BUDGETARY COMPONENTS

Elements of the 2011-2012 budget are reviewed below.

Enrollments

At the current time we are using actual enrollments and registrations to project our instructional staffing needs. As of June 3, 2011 elementary enrollment for 2011-2012 is 2,234 students. Current secondary level enrollments are 1,981 at the middle school level and 2,003 students at Conestoga High School. Current enrollment and registrations total 6,218. It is our experience that students continue to enroll and withdraw throughout the summer months. Enrollments are monitored weekly and staffing decisions are made according to existing District practices.

Instructional Staffing

The current actual enrollments are used to develop instructional staffing needs. District class size practices are used to determine the staffing for each grade level in each building. The original 2011-2012 budget contained 465.4 Full Time Equivalent (FTE) positions. The current projected staffing for 2011-2012 is 444.4 FTE. This reduction of 21 FTE positions results from program modifications, such as Applied Technology

in grades K through 6 as well as curtailment of Latin and German at the middle school level and from replacing retiring personnel with existing staff. The economic impacts of these modifications are included in the proposed budget reduction strategies of \$3.85 million.

Non-Instructional Staffing

Supervisor/Confidential Employee Group

The Supervisor/Confidential Employee Group is comprised of first and second level supervisors in the area of support services, as well as information technology employees and confidential secretaries. In the 2011-2012 budget 1 FTE has been reduced from this group. This represents a reduction of \$70,000 from the current year budget.

TENIG

The T/E Non Instructional Group is comprised of secretarial, clerical, maintenance, custodial, security, transportation and food service employees. The 2011-2012 school year is the third year in the current TENIG five year agreement. Staffing in the TENIG group has been reduced by 2 FTE for the 2011-2012 school year.

Aide Support

Students are supported by paraeducators as part of the special education program. Staff members are supported by regular education aides. Paraprofessionals in regular education support students in reading, science and technology.

Salaries

Salary increases are provided through existing contractual agreements at rates approved by the Board of School Directors. The Board accepted an offer from TEEA to waive half of the 2011-2012 salary increases amounting to approximately \$917,000 in savings to the budget. The Board also accepted an offer from TENIG to waive 100% of the 2011-2012 salary increases amounting to approximately \$300,000 in savings to the budget. The proposed final budget also reflects a salary freeze for all non-contracted employee groups. This includes administrators, supervisors, confidential secretaries, aides, and paraprofessionals.

Benefits

The budgeted medical insurance costs are increased 5% for the 2011-2012 school year. The budget also reflects an increase of 15% for prescription insurance. A budget reduction strategy set aside an additional amount equal to 5% of the medical insurance cost increase.

The Public School Employee Retirement System's (PSERS) state mandated contribution rate for 2011-2012 is 8.65%. This represents a 53% increase over the 2010-2011 year's rate of 5.64%. The impact on the budget is a net PSERS cost increase of almost \$910,000.

Non-Salary Items (300-700 accounts)

The major increases in the 300-700 accounts occur in the following areas: special education services through contracted services including private providers, tuition to both approved and nontraditional programs, tuition to charter schools, special education programs/initiatives, increases in transportation contracts, and additional special education and private schools contracts. In addition, utilities, natural gas, water, sewer and building repairs and maintenance are included. This area includes a prior year budget reduction strategy to remain at 2008-2009 spending levels.

Debt Principal and Interest (800-900 accounts)

Debt service stood at 5.29% of the 2010-2011 budget and will decrease to 5.24% for 2011-2012. Total debt service payments in 2011-2012 are \$5,713,928.

Transportation

The 2011-2012 Proposed Final Budget include a contracted cost increase of 2% while providing contracted bus routes required for student placements and enrollments without an increase in the total number of buses.

Food Service Fund Transfer

The food service program remains self-supporting and no general fund contribution will be made next year.

Extra Duty Remuneration (EDR)

EDRs are provided for coaches and sponsors of extra curricular activities. Reductions in this area were made in the 2010-2011 year as new employees were hired at a rate of 80% of the original budgeted amount. This practice will continue in the 2011-2012 year. Additionally, the stipends for 2011-12 were held at the 2010-2011 rate.

Supplies/Property/Equipment

The 2011-2012 budget includes \$4,132,037 for supplies and \$1,106,065 for equipment. These budgeted amounts were determined based on a needs assessment.

SUMMARY

This budget funds approved programs and proposed operations while maintaining the District's high-quality educational program and supporting elements of the District's Strategic Plan.

The 2011-2012 Final Budget includes total authorized spending in the amount of \$109,098,918. This includes anticipated spending \$107,186,418, which includes \$861,663 in federal flow through funds, and \$1,912,500 in budgetary contingency. An increase in property tax millage of .6774 or 3.77% will generate additional property tax revenue in the amount of \$3,221,053. This additional millage represents an annual tax increase of about \$171 for the average taxpayer using the average assessed value of a T/E home of \$252,601. The property tax rate for 2011-2012 will be 18.6474 mills. This new tax revenue of \$3,221,053, along with the use of existing reserves of \$2,103,448, will fund the difference between projected revenues of \$105,082,970 and anticipated expenditures of \$107,186,418.

Please send correspondence regarding the budget to: Arthur J. McDonnell, Business Manager/Board Secretary, 940 West Valley Road, Suite 1700, Wayne, PA 19087 or call 610-240-1801.