

**Tredyffrin/Easttown School District
Office of the Superintendent**

To: Board of School Directors

From: Arthur J. McDonnell, Business Manager

VIA: Daniel E. Waters, Superintendent

Re: Overview of the 2013-2014 Budget

BUDGET DEVELOPMENT

The 2013-2014 budget was developed and presented to the public through a series of seven Finance Committee meetings, two Budget Workshops and six School Board meetings held between December 2012 and June 2013. These meetings provided opportunities for public comment and were recorded and several were broadcasted to our community. Budget materials were regularly posted on the District web site. The Proposed Final Budget approved by the Board on May 13, 2013 was made available for public inspection at the District Administrative Offices and posted on the District web site. The 2013-2014 Final Budget will be presented to the School Board for its vote on June 17, 2013.

During budget discussions, the Board considered three approaches to closing the initial \$2.9 million gap between projected revenues and anticipated spending. The first approach consisted of the Finance Committee's review of budget impact items developed by the Administration. The second approach involved a tax rate increase comprised of the Act 1 index of 1.7%. In the third approach, the Board considered the use of existing reserves to help close the budgeted operating deficit. At the May 6th Finance Committee Meeting, the Board directed the Administration to prepare the Proposed Final Budget for a Board vote on May 13th, with budget impact items costing \$367,000, revenue from a 1.7% tax rate increase, and the use of existing reserves of approximately \$1,744,095 to close the remaining budgeted operating deficit.

FINAL BUDGET

The 2013-2014 Final Budget will be presented for approval on June 17, 2013, with an authorized budget amount of \$115,512,817. The authorized budget amount is comprised of \$114,012,817 in anticipated spending required for operations and \$1,500,000 for contingencies. Establishing a budgetary contingency or reserve allows the Administration to respond to unexpected operational needs after passage of the budget, such as teaching positions that result from increases in student enrollment. The 2013-2014 anticipated spending of \$114,012,817 reflects an increase of 6.2% over the 2012-2013 projected actual spending of \$107.4 million. Funding for the \$114,012,817 in anticipated spending will come from projected revenues totaling \$112,268,722 and the use of \$1,744,095 from existing reserves. The projected revenues include an increase in property tax millage of .3274 (or 1.7%) that will generate revenue in the amount of \$1,500,000, using the property tax collection rate of slightly over 97%. This tax rate increase translates to an annual increase of \$82 on an average T/E home assessed at \$251,531. The total tax rate for 2013-2014 will be 19.5902 mills.

MAJOR BUDGETARY COMPONENTS

Elements of the 2013-2014 budget are reviewed below.

Enrollments

Actual enrollments and new registrations are used to project instructional staffing needs. As of June 14, 2013, elementary enrollment is 2,350 students. Current secondary level enrollments are 2,105 at the middle school level and 2,049 students at Conestoga High School. Current enrollment totals 6,504. It is our experience that students continue to register 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 2013-2014 budget contains 447.7 Full Time Equivalent (FTE) positions. The current budgeted staffing for 2012-2013 is 440.1 FTE positions.

The TEEA Collective Bargaining Agreement (CBA), signed in October 2012, reflects a one-time, non-recurring bonus of \$2,500 for each FTE in 2013-2014. The TEEA CBA is posted under the Human Resources tab on the District web site.

Administration (Act 93)

The Administrative group is comprised of building and District level staff. The Act 93 Agreement that covers this group was approved by the Board and is posted under the Human Resources tab on the District web site. The agreement provides for an annual 1% non-PSERS eligible payment and a pool for base salary distribution of 1.7%.

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. The Agreement that covers this group was approved by the Board and is posted under the Human Resources tab on the District web site. The agreement provides for an annual 1% non-PSERS eligible payment and a pool for base salary distribution of 1.7%.

TENIG

The T/E Non-Instructional Group (TENIG) is comprised of secretarial, clerical, maintenance, custodial, security, transportation and food service employees. The 2013-2014 school year is the fifth and final year of the TENIG agreement and reflects a 4.5% increase in the hourly rate for all members in 2013-2014. The CBA that covers this group was approved by the Board and is posted under the Human Resources tab on the District web site.

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. Hourly rates for aides and paraeducators have been increased by 1% in the 2013-2014 Final Budget.

Benefits

The 2013-2014 budget has no increases in the District's self-funded health insurance plan for medical and prescription coverage.

The Public School Employee Retirement System's (PSERS) state-mandated employer contribution rate for 2013-2014 is 16.93%. This represents a 37% increase over the 2012-2013 year's rate of 12.36%. The impact on the 2013-2014 budget is a net PSERS cost of almost \$4.6 million.

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.

Debt Principal and Interest (800-900 accounts)

Debt service stood at 5.12% of the 2012-2013 budget and will increase to 5.57% for 2013-2014. Total debt service payments in 2013-2014 are \$6,438,225.

Transportation

The 2013-2014 Final Budget includes no increase in the contracted costs or buses for providing required transportation for student placements and enrollments.

Food Service Fund

The food service program remains self-supporting and no General Fund monies are budgeted for the operation of this fund.

Extra Duty Remuneration (EDR)

EDRs are provided for coaches and sponsors of extra curricular activities. Reductions in this area were made in the 2012-2013 year as new employees were hired at a rate of 80% of the original budgeted amount. This practice will continue in the 2013-2014 year. Additionally, the stipends are held at the 2010-2011 rate.

Supplies/Property/Equipment

The 2013-2014 budget includes \$4,104,278 for supplies and \$1,033,641 for equipment. These amounts are determined by a needs assessment at the departmental level.

SUMMARY

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

The 2013-2014 Final Budget includes total authorized spending in the amount of \$115,512,817. This includes anticipated spending \$114,012,817, which includes \$821,506 in federal flow through funds and \$1,500,000 in budgetary contingency. An increase in property tax millage of .3274 or 1.7% will generate additional property tax revenue in the amount of \$1,500,000. This additional millage represents an annual tax increase of \$82 for the average taxpayer, using the average assessed value of a T/E home of \$251,531. The property tax rate for 2013-2014 will be 19.5902 mills. This new tax revenue, along with the use of existing reserves of \$1,744,095, will fund the difference between projected revenues of \$110,768,722 and anticipated expenditures of \$114,012,817.

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.