

Finance Committee

March 10, 2016

2016-2017 Budget Discussion

- Overview of the First Draft of the 2016-2017 Budget.
 - Major overview of the budget
 - Revenues, Expenditures and Use of Fund Balance
 - Additional revenues available through increase in real estate millage rate.
 - Analysis in Increases of Revenues
 - Real Estate Tax Calculations
 - Other Local Revenues
 - State Revenues
 - Analysis in Increase of Appropriations

First Draft of the 2016-2017 Budget, F-2

	2015-2016 Budget	2016-2017 Proposed Budget	Increase (Decrease)	Percent
REVENUES AND OTHER FINANCING SOURCES:				
Revenues:				
Local Sources	\$ 165,112,412	\$ 166,927,771	\$ 1,815,359	1.10%
State Sources	47,127,891	49,896,052	2,768,161	5.87%
Federal Sources	1,806,834	1,765,418	(41,416)	-2.29%
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>214,047,137</u>	<u>218,589,241</u>	<u>4,542,104</u>	2.12%
EXPENDITURES AND OTHER FINANCING USES:				
Expenditures:				
Instruction	139,696,026	148,473,559	8,777,533	3.92%
Support Services	59,351,774	62,621,568	3,269,794	3.68%
Non Instructional Services	3,618,836	3,835,072	216,236	2.68%
Total Expenditures	<u>202,666,636</u>	<u>214,930,199</u>	<u>12,263,563</u>	6.13%
Other Financing Uses				
Debt Service	17,827,245	17,660,934	(166,311)	0.09%
Fund Transfers	-	-	-	N/A
Budgetary Reserve	-	-	-	N/A
Total Other Financing Uses	<u>17,827,245</u>	<u>17,660,934</u>	<u>(166,311)</u>	-0.93%
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>220,493,881</u>	<u>232,591,133</u>	<u>12,097,252</u>	5.55%
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (6,446,744)</u>	<u>\$ (14,001,892)</u>	<u>(7,555,148)</u>	

* Assumes no increase in the Real Estate Tax Milage rate.

Changes in Estimated Revenues

- **Local Revenues**

- Current Real Estate Taxes - \$809,199
- Interim Real Estate - \$400,000
- Earned Income Taxes - \$300,000
- Realty Transfer Taxes - \$100,000
- Earnings on Investments - \$90,000
- Facility Rentals - \$43,000
- Energy Incentives - \$30,000
- Miscellaneous - \$34,670

Changes in Estimated Revenues (continued)

- **State Revenues, F-3**
 - Basic Education, Special Education and Transportation Subsidy as well as PlanCon Reimbursement held at 2015-2016 Budget Levels - \$23,107,000
 - State Share of Social Security increased by \$100,729.
 - State Share of Employer Retirement Contribution increased by \$2,667,432
- **Federal Revenues (not received through the Intermediate Unit) F-3**
 - Adjusted to reflect most recent information \$1,765,418

2016-2017 Real Estate Tax Estimated Revenue Calculation, F-4

2016 Budgeted Assessed Value	\$ 1,271,265,280
Less: Act 153 Properties	<u>(3,083,590)</u>
Adjusted Taxable Assessed Value	1,268,181,690
Collection Rate	<u>97.20%</u>
Value of One Mill (Assessed Value X Collection Rate/1,000)	<u>1,232,673</u>
Current Millage Rate	<u>115.01</u>
Revenue Prior to Act 153 Property Revenue	141,769,722
Revenue Generated from Act 153 Properties	246,834
Rounding	<u>16,023</u>
Total Real Estate Tax Revenue Prior to Tax Relief Reduction	142,032,579
Less: Gaming Revenue	<u>5,384,082</u>
	<u>\$ 136,648,497</u>

- 2016 Real estate assessed value increased by \$7,081,000 from \$1,264,184,280 to \$1,271,265,280 or 0.56%
- The Act 1 Index of 2.4% would allow the real estate milage rate to increase by 2.76 mils or \$3,402,177.

Changes in Appropriations

	2016-2017		2015-2016		Variance	
	FTE	Amount	FTE	Amount	FTE	Amount
<u>Salaries</u>						
CREA	857.90	\$ 83,305,483	855.50	\$ 81,135,689	2.40	\$ 2,169,794
CRESPA	468.81	16,034,576	467.21	15,635,307	1.60	399,269
Administration	52.40	6,649,160	52.00	6,489,653	0.40	159,507
Other		5,486,097		5,585,497	-	(99,400)
Total Salaries	1,379.11	111,475,316	1,374.71	108,846,146	4.40	2,629,170
<u>Employee Benefits</u>						
Healthcare		21,677,544		20,743,989		933,555
Dental		1,646,146		1,516,464		129,682
Vision		107,542		-		107,542
403 (b) Contributions		116,358		99,400		16,958
Flex Contributions		138,500		138,000		500
Life Insurance		166,508		87,836		78,672
Disability		103,464		103,176		288
Social Security		8,215,806		8,014,348		201,458
Retirement		33,410,134		28,075,269		5,334,865
Tuition Reimbursement		100,000		-		100,000
Unemployment		278,159		271,265		6,894
Worker's Compensation		557,348		543,256		14,092
Total Employee Benefits		66,517,509		59,593,003		6,924,506
Total Salaries and Benefits		177,992,825		168,439,149		9,553,676
300-900 Objects		54,598,308		52,054,732		2,543,576
Total Budget		\$232,591,133		\$ 220,493,881		\$12,097,252

Key Appropriations Budget Assumptions

- Savings associated with CREA retirements have not been considered – 25 retirements of senior employees equates to \$1.3 million.
- Retirement contribution rate increased from 25.84% to 30.03%.
- Developed premiums for healthcare rates are based on claims data from January 1 – December 31, 2015
 - Medical 8.39% increase
 - Prescription Drug 16.56% increase
 - Combined 10.32%
- Employer Costs adjusted for
 - Change in employee % of premium assistance
 - Elimination of higher costing 10/20/70 plan to lower costing C3F101

300-900 Object Appropriation Increases

- Middle Buck Institute of Technology, F-53
 - Increase of \$787,908
 - \$471,778 debt service previously reported on F-105.
 - Increase of \$316,130 from \$926,683 in 2015-2016 to \$1,242,813 in 2016-2017.
- Debt Service increased \$305,467, F-105
 - The second of three planned annual increases in association with the Middle School Projects
- Transportation increased \$700,852, F-89
 - Last year's increase in contract was 12.50%. Budget was reduced by \$177,077. This increase is needed to reflect another 2.50% increase and last year's under estimate.

300-900 Object Appropriation Increases (continued)

- Security increased \$409,400, F-87
 - Video camera maintenance (10% annually)
 - Video camera licensing fees
 - Additional servers for video cameras
- Facilities increased \$359,398, F-87
 - New electrician truck
 - Digital achieving of prints and files
 - (2) lawn tractors with snow thrower attachments
 - Increased spray field and water testing
 - Increase for Aramark fees
 - Increase for utilities (gas and electric)
- Special Education increased \$251,447, F-47 and F-49
 - 12 students entering 18-21 year old program. Unusually high number. Will become ACHIEVE 3 program.
 - One expensive private school placement

Capital Planning – Middle School Projects

- Over the past five years we have been managing our existing debt to minimize the budgetary impact of the large capital expenditures needed at the middle school level.
 - Refinanced bond issues when appropriate and utilized the savings to reduce our future debt costs; over \$15.5 million in reduced debt service;
 - Contributed financially from the general fund to reduce the amount of the refunding bond issues to further reduce future debt service.
 - Maintain a “AA” credit rating and strong name in the municipal bond market to reduce the cost of our debt;
 - Taking advantage of the historically low interest rates in the municipal bond market.
- Thus we are able to finance the \$110 million middle school projects and only increase taxes by under 0.75 mils over three years.

Risk Management

- Several years ago the district moved from a fully insured healthcare plan to a self insured plan that saved considerable money over the past several years.
- We have worked with our association to have our employees share more in the cost of healthcare:
 - Higher % of premium assistance
 - Higher co-pays for services and prescription drugs
 - More economical benefits plans
- Workmen's Compensation
 - Moved from a fully insured to a retrospective plan.
 - Actively manage claims with our employees
 - Each year we have saved over \$350,000 based on the fully insured quote at the time we changed.

Labor Relations

- The Board and labor groups have worked hard over the past several years to minimize wage and salary increases. Below is a table showing the actual salary and wages paid in each of the past five years:

	Amount	Increase (Decrease)	%
2010-2011	107,017,996.02		
2011-2012	106,419,078.69	(598,917.33)	-0.56%
2012-2013 ⁽¹⁾	107,061,409.61	642,330.92	0.60%
2013-2014	107,224,768.12	163,358.51	0.15%
2014-2015	107,263,423.09	38,654.97	0.04%

(1) During the 2012-2013 fiscal year the district began to provide the speech and language services with our own personnel. Previously, the Bucks County Schools Intermediate Unit provided these services. This resulted in increased salaries of approximately \$1.2 million.

Additional Savings

- Demand Response - Implemented the Demand Response program not previously pursued by the CRSD - \$200,000;
- Power Factor Correction - Installation of Harmonic Devices at RHES. Saves utility costs and extends life of equipment- \$15,000
- Development of Capital Improvements Plan - Detailed plan documenting current conditions of facilities, costs, priorities to assist in developing summer projects and master planning (\$55,000 initial preparation + \$10,000 yearly updates)
- Renegotiation of software contract with Performance Plus & Tyler Munis.
- Limit travel expenses by not providing hotels, meals, for most staff participating in conferences and training.

Where have we been?

- We faced a similar challenge with the 2011-2012 Budget.
 - \$14.2 Million Deficit
 - The use of fund balance in 2011-2012 was only \$2 million compared to \$6.5 in 2015-2016.
 - \$9.1 Million in reductions
- The following six slides were taken from an actual presentation from the 2011-2012 budget process

Summary Page

Staffing Reductions

	Staffing Reductions	% change against 10-11 staffing totals
Administrative	4	9.7%
Professional	42	4.5%
Support	19	3.5%

EXPENDITURE REDUCTIONS

GENERAL CATEGORIES

Supply Categories

These cuts range from books to software and occupy the 600 portions of our budget.

-\$270,000

Not cut – supply and book lines in individual building allocations

Details

Software – Teen Biz

Text Books – Business and World Language texts deferred to next year

EXPENDITURE REDUCTIONS

GENERAL CATEGORIES

Technology Reductions

-\$183,900

Continuing payment for software licenses for students and staff, repairs of technology, and the technology lease.

Details

- Reductions through volume discounts in the Microsoft License (\$55,000)
- Reductions in other software licenses (\$63,000)
- Reductions in repair accounts (\$34,600)
- Reductions in Library databases (\$31,300)

EXPENDITURE REDUCTIONS

GENERAL CATEGORIES

Professional Development

Includes dues and fees for registrations, travel, summer workshop expenses and reductions in substitutes for school year workshops.

-\$150,000

There still remains some money in the budget for Induction programs (required by school code) and professional development that corresponds to the terms of the CR Supervision and Evaluation Plan.

Details

Summer Compensation – Coordinators-
for Curriculum Development
(\$20,000)

Summer Compensation – Teachers – for
Curriculum Development (\$34,000)

Reduce budget allocation for
professional development release
days (\$65,000)

Reduce Printing (\$5,000)

EXPENDITURE REDUCTIONS

GENERAL CATEGORIES

Facility and Maintenance

Budget

The cuts range from savings in procurement to reductions in supplies and services

-\$1,000,000

There remains funding in this budget line for routine maintenance, staffing, and energy costs.

Details

Reduce budgeted expense for Energy Manager (\$70,000)

Elimination of certain Contracted Services (\$60,000)

Reductions based on procurement (\$853,000)

Reductions in overtime (\$20,000)

EXPENDITURE REDUCTIONS

GENERAL CATEGORIES

Extra - Curricular Activities

Details

Reductions in both the scope of program and the costs of running our extra -curricular program.

Elimination of 9th grade sports
(\$105,000)

Freeze EDRPP Salaries
(\$61,000)

Eliminate 5:00 busses
(\$120,000)

Athletic Fund Reductions
(\$61,000 represents 10% of all budget lines but Salary)

-\$350,000

Not Cut : The extra-curricular programs remains intact – sports, music, art, clubs.

Budget Summary – Numbers For Discussion

Use of Fund Balance with Proposed Budget	<u>\$ (14,001,892)</u>
Less:	
Assumption of 25 Professional Retirements	1,300,000
2.4% Milage Tax Increase	<u>3,402,177</u>
Total Changes to Use of Fund Balance	<u>4,702,177</u>
Adjusted Use of Fund Balance	<u>(6,446,744)</u>
Need to Reduce Appropriations or Increase Revenues	<u>\$ (2,852,971)</u>

Next Steps

- Continue to meet with Cabinet members to develop possible budget reduction options.
- Review staffing levels and develop listing of possible staff reductions and adjustment of programs and service levels.
- The Finance Committee Meeting on April 14, 2016 will include an update on our progress.

Renewal of Contract with Chartwells to Provide Food Service

- Received notification from the Department of Education that we need to file our renewal information prior to March 31, 2016.
- We recommend keeping the lunch prices the same as previous years:
 - Elementary \$2.85
 - Middle School \$3.35
- Free and Reduced Lunches at the High School