

# Budget Update



**FEBRUARY 23, 2015**

# Collaborative Approach



- Finance Committee
- School Board
- Senior Leadership Team
  - Administrative Team
  - Chairpersons

# Budget Perspective



- A long-term historical view of PRSD helps us understand that tax increases occur at various points over time and at varying levels (e.g., three in the last decade).
- With 78% of revenue generated locally and 65% of overall revenue from local real estate taxes, a tension exists between the needs of the educational program and the ability of residents to handle those increases.
- This is especially important since we are a residential community with limited income from commercial real estate.

# Budget Perspective



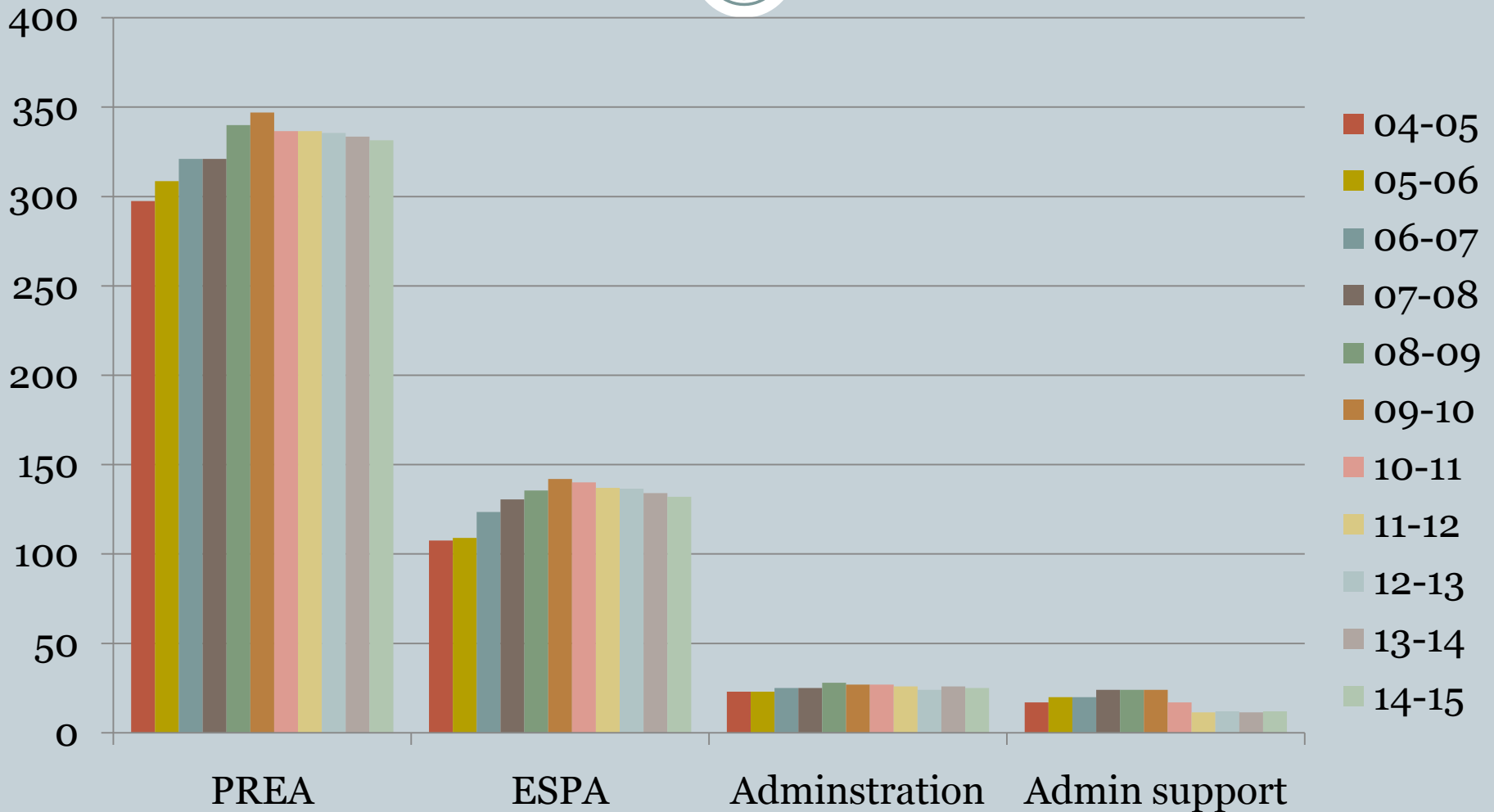
- We understand and embrace the responsibility to ensure that we provide a quality program at a reasonable cost. The programs are attractive to existing and potential families. We have a responsibility to demonstrate fiscal stewardship.
- Over the next few months, the proposed budget will continue to be refined. New estimates, such as a the health care increase of 2.75%, have a significant impact on the budget.

# Budget Perspective



- Given the factors in the [Overview of Budgeting and School Finance](#) presentation, the balance between long-term fiscal stability and the educational program will become even more challenging.
- This update will describe some of the short-term considerations within a long-term approach:
  - Staffing
  - PSERs
  - Curriculum
  - Fund Balance
  - Fiscal Stewardship

# Staffing



# Staffing



- Staffing represents 63.3% of operational costs given existing outsourcing of technology, transportation, and food service.
- Comparisons (2013-2014 AIU Data):
  - Professional Staff: Student
    - ✦ PRSD = 1 professional staff member:13.74 students (35 of 42 school districts in AIU have a lower ratio)
  - Administration: Professional Staff
    - ✦ PRSD = 1 administrator:14.61 professional staff members (34 of 42 school districts in the AIU have a lower ratio)
  - Administration: Student
    - ✦ PRSD = 1 administrator:200.78 students (36 of 42 school districts in AIU have a lower ratio)
- **Higher ratios support operational efficiency for staffing.** Our efficiency is also consistent across all three indicators (equally lean).
- Staffing Process, Timeline, and Considerations will be further described in the Staffing Presentation later tonight.

# Staffing



- Enrollment Trends and Local Expectations (e.g., class sizes and scope of elective courses)
  - 5 year retention rates demonstrate typical patterns (migration occurs)
- EHUE Example
  - 2014-2015 = 15 sections at each grade level
  - 2015-2016 = projects at 13 sections (4<sup>th</sup>) and 15 (5<sup>th</sup> and 6<sup>th</sup>)
    - ✦ Consideration of 12, 14, and 14 (i.e., reduction by three sections) aligned with staff retirement would result in a shift in average class size from 23/25 (current) to 25/26 (if reduction).
    - ✦ Community has valued the current class size targets; more recent targets are above “historical” realities
    - ✦ Staffing attrition across entire organization vs. a single department
- Enrollment projections and existing classroom space give us some confidence that we have room to grow in the next 3 – 5 years



# PSEERS Employer Contributions

## Pine-Richland School District

Retirement Planning

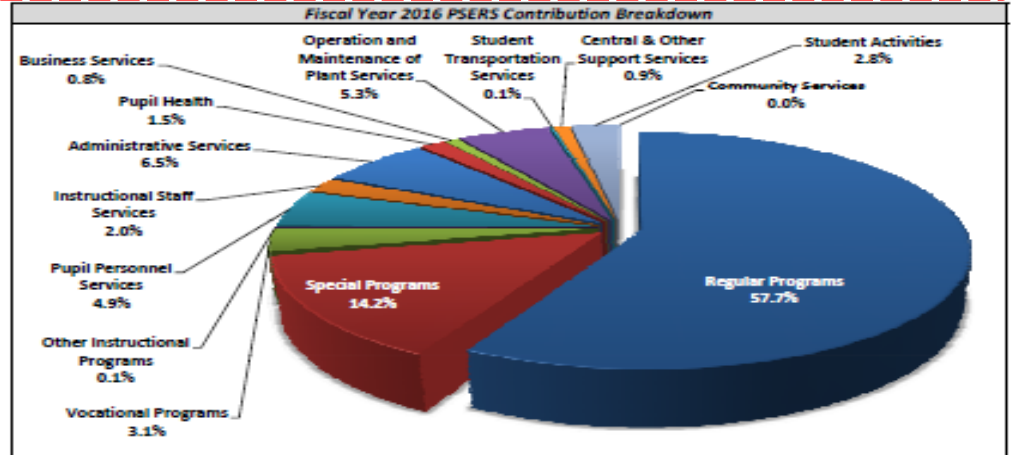
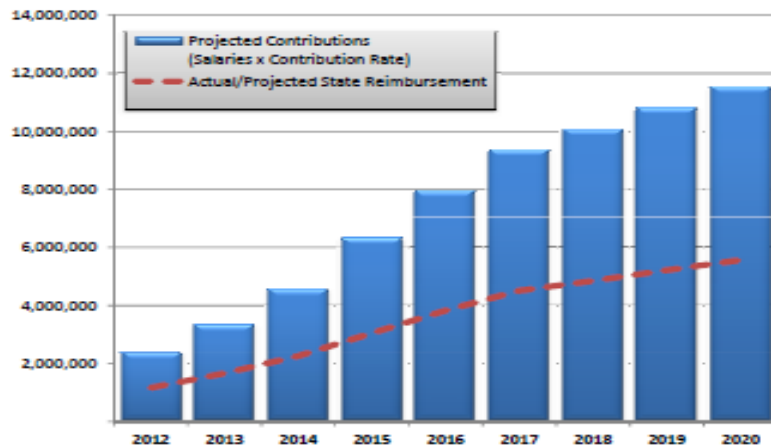


	(Actual) 2012	(Actual) 2013	(Actual) 2014	(Budget) 2015	(Projected) 2016	(Projected) 2017	(Projected) 2018	(Projected) 2019	(Projected) 2020
Total Revenue	80,287,147	67,448,840	70,150,587	73,105,973	76,634,379	78,438,017	79,913,807	81,463,348	83,274,484
Total Expenditures	78,450,710	64,208,071	66,573,771	73,696,348	78,993,054	82,106,756	84,669,509	88,568,064	92,259,182
Operating Balance (incl. rounding)	1,836,768	3,240,767	3,576,816	(2,842,109)	(2,358,675)	(3,668,739)	(4,755,702)	(7,104,716)	(8,984,697)

EXPENDITURES										
100	Personnel Services - Salaries	27,332,044	26,887,331	26,857,896	29,510,210	30,640,158	31,933,245	33,194,973	34,522,772	35,903,682
	<b>PSEERS Contribution Rates *</b>	<b>8.65%</b>	<b>12.36%</b>	<b>16.93%</b>	<b>21.40%</b>	<b>25.84%</b>	<b>29.27%</b>	<b>30.25%</b>	<b>31.28%</b>	<b>32.08%</b>
	<b>Projected Contributions</b> (Salaries x Contribution Rate)	<b>2,364,222</b>	<b>3,323,274</b>	<b>4,547,042</b>	<b>6,315,185</b>	<b>7,930,456</b>	<b>9,342,470</b>	<b>10,041,479</b>	<b>10,798,723</b>	<b>11,517,901</b>
230	Actual Contributions (from AFR)	2,344,936	3,296,955	4,509,353						

\* Source: PASBO. Contribution rates in blue can be modified to reflect different budgeted contribution rates

REVENUES										
	Projected Contributions (from above)	2,364,222	3,323,274	4,547,042	6,315,185	7,930,456	9,342,470	10,041,479	10,798,723	11,517,901
	<b>Projected State Reimbursement</b>	<b>48.35%</b>	<b>1,143,068</b>	<b>1,606,756</b>	<b>2,198,431</b>	<b>3,053,303</b>	<b>3,834,264</b>	<b>4,516,953</b>	<b>4,854,915</b>	<b>5,221,031</b>
7820	Actual Reimbursement (from AFR)	1,172,446	1,668,331	2,266,269						
	Actual State Reimbursement %	50.29%	50.00%	50.60%	50.26%					
	<b>Projected Contribution Less Reimbursement</b>	<b>1,221,154</b>	<b>1,716,518</b>	<b>2,348,611</b>	<b>3,261,881</b>	<b>4,096,191</b>	<b>4,825,516</b>	<b>5,186,565</b>	<b>5,577,692</b>	<b>5,949,157</b>
	Net increase over prior year		495,364	632,093	913,271	834,310	729,325	361,048	391,127	371,466



# Short-Term PSERs Snapshot



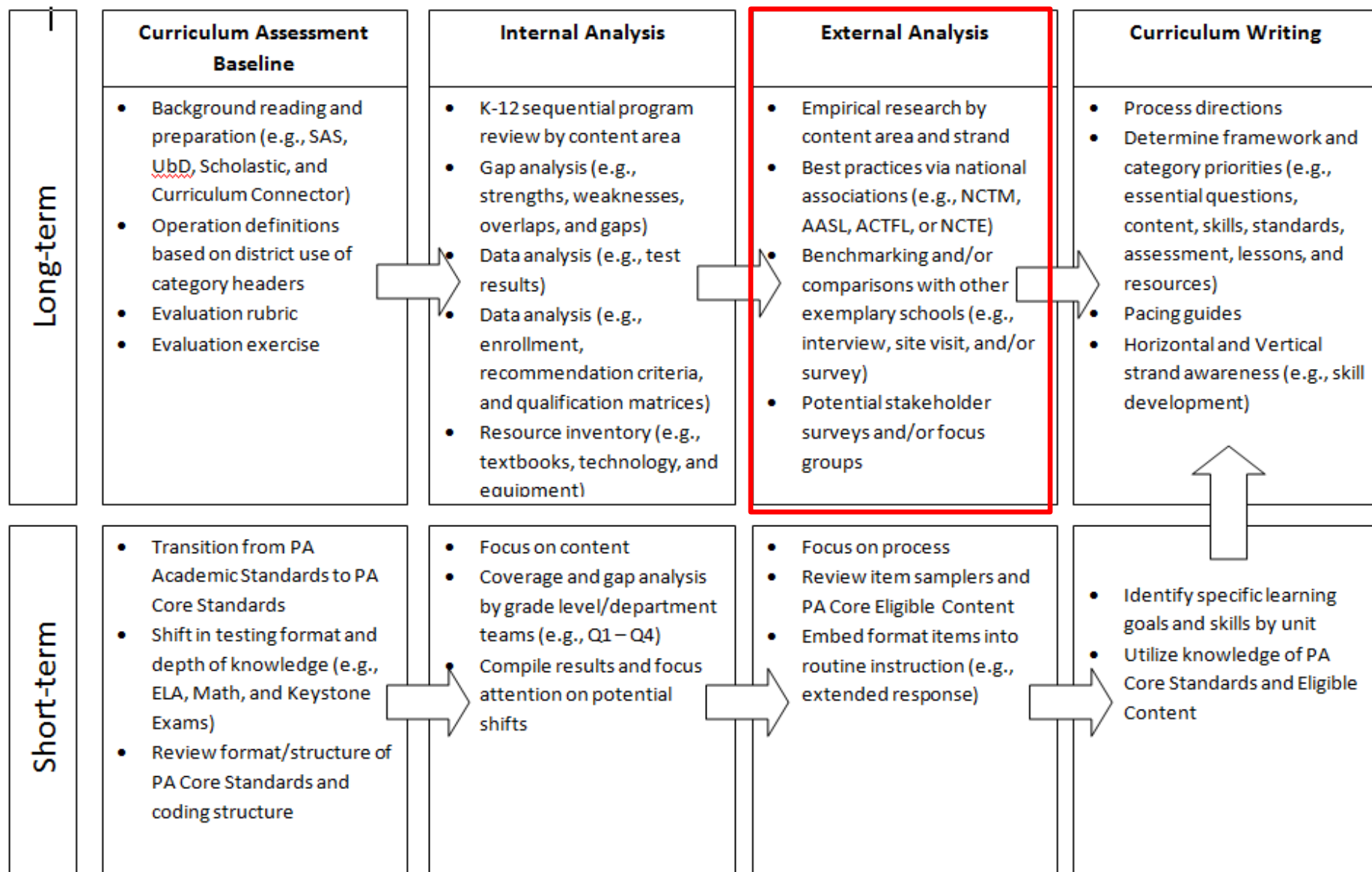
Budget Year	PSERs %	Total District Contribution	“Net” District Contribution Less Reimbursement	Year-over-Year Increase
2011-2012	8.65%	\$2,364,222	\$1,221,154	
2012-2013	12.36%	\$3,323,274	\$1,716,518	\$495,364
2013-2014	16.93%	\$4,547,042	\$2,348,611	\$632,093
2014-2015	21.40%	\$6,315,185	\$3,261,881	\$913,271
2015-2016	25.84%	\$7,930,456	\$4,096,191	\$834,310
2016-2017	29.27%	\$9,342,470	\$4,825,516	\$729,325

# Curriculum Resources



- The district is currently engaged in a comprehensive and systematic curriculum review process.
- As part of this process, an internal analysis was conducted in each department.
- Textbooks – whether hard copy or digital – and equipment are important resources designed to align with the curriculum (i.e., learning goals). While textbooks and equipment are not the curriculum, they are an important investment for schools.
- The condition of existing materials should be addressed through a prioritized phase-in approach over a period of years (e.g., ELA K-6 in the current year).

# Curriculum Review Process Model



Spring 2014

Fall 2014

Spring 2015

# Growth and Debt



- 1993-1994 = 2,367 vs. 2013-2014 = 4,618
- In addition to the increased staff required for higher enrollment, it is necessary to ensure the physical classrooms and buildings are appropriate to meet needs.
- Construction
  - New construction (HS and EHUE\*)
  - Renovation (HE, RE, WE, MS, HS\*, and HS\*)
  - \* \$65M alone for EHUE and two HS expansions
- Primarily residential community reflected in relative wealth terms of Market Value Aid Ratio (MVAR)
- Taking advantage of refunding opportunities to lower debt as percent of budget
- Preserving fund balance has been identified by S&P as an important consideration for bond rating

# Market Value Aid Ratio (MVAR)



## Allegheny County

- In Allegheny County, Pine-Richland School District is ranked 19<sup>th</sup> out of 43 school districts.

## Pennsylvania

- Statewide, Pine-Richland School District is ranked 226<sup>th</sup> out of 500 school districts.
- This is a drop from the previous year ranking of 218<sup>th</sup> of 500 school districts across the State.

Source: Pennsylvania Department of Education website – Financial Data Elements – market value per weighted average daily membership ; [http://www.education.state.pa.us/portal/server.pt/community/financial\\_data\\_elements/7672](http://www.education.state.pa.us/portal/server.pt/community/financial_data_elements/7672)

# “Big Rock” Unknowns



- Transportation
- State Funding
- Technology Total Costs
- 2005 and 2007 bond refunding possibilities

# Key Considerations



1. Operational Efficiency (e.g., staffing is 63.3% of budget) demonstrated by head count and ratios and careful scrutiny in the staffing process and peer group analysis
2. PSERs Annual Percent Increases until 2020 (32%) with compounding
3. Curriculum Resources (e.g., little expenditure over past five years) determined through a systematic process and prioritized through internal discussion
4. Disciplined Attention to Fund Balance and Importance to Bond Rating Agencies
5. Distributed Impact of Modest Millage Increase on Residents (e.g., partial mill increase has limited impact on homeowners; senior citizen tax rebate program continues)



# Recommendations



- For the 2014-2015 school year, we gave an administrative recommendation to maintain flat millage. At the same time, we were actively enhancing operational efficiency and improving many of the inputs to the budget process.
- For 2015-2016, we recommend a partial mill increase to meet current needs and help address the long-term big picture priorities described earlier.
  - Multi-year planning helps address mandated increases and preserve fund balance (e.g., compounded value of increase against compounding PSERs).
  - Operational efficiencies and a systems perspective helps ensure a healthy balance between the educational program and the local tax burden.

# Next Steps



- Over the next few months, the proposed budget will continue to be refined. New estimates and information has a significant impact on the budget planning.
- At the same time, the long-term needs and realities of expenditures and revenues will not change in the near term. Long-term stability is influenced by current decisions.