

READING SCHOOL DISTRICT

2014-15 Preliminary Budget Presentation

May 22, 2014

Presented by:
Dr. John J George, Acting Superintendent
Wayne Gehris, Acting Chief Financial Officer



Introduction

- Review of the Financial Status of the District
- Sources of Revenue
- Expenditures
- Fund Balance
- Future Budget Challenges
- Future Solutions
- Review of Details



Financial Status as of January 2014

- Limited and inefficient use of financial management system
- Undefined and inadequate financial procedures
- Uncertainty about the fund balance
- Incomplete and unaudited 2012-13 revenues and expenses
- Unreliable 2013-14 budget
- Unrecorded 2013-14 revenues and expenses
- Improper recording of 2013-14 revenues and expenses

Financial Status as of January 2014

- Uncompleted Act 80 EIT verification
- Uncompleted Annual 2012-13 Annual Financial Report
- Uncompleted PSERS reports
- Uncompleted 2012-13 and 2013-14 salary adjustments

Financial Status as of January 2014

Financial Status of the school district:
UNKNOWN

The background of the image is a dense, chaotic pile of unsorted jigsaw puzzle pieces. The pieces are in various colors including grey, white, blue, red, orange, yellow, green, and purple. They are scattered across the entire frame, creating a textured, busy appearance. The text is overlaid on this background.

Our Task:
Having to build a jigsaw
puzzle without having the
picture.

Financial Status as of January 2014

- Notified the Secretary of Education that we may not be able to produce a 2014-2015 Preliminary Budget and a Final Budget on time as per the school code.
- “It would be a miracle to have a budget by May.”

Dr. John J. George

Financial Status as of May 2014

- Use of financial management system
- Improved financial procedures
- Accurate fund balance
- Complete and audited 2012-13 revenues and expenses
- Closed-out 2012-13 budget
- Up to date recording of 2013-14 revenues and expenses
- Properly recorded 2013-14 revenues and expenses

Financial Status as of May 2014

- Completed Act 80 EIT verification
- Completed Annual 2012-13 Annual Financial Report
- Completed PSERS reports
- Completed 2011-12 and 2012-13 salary adjustments

2014-15 Preliminary Budget

REVENUES: \$228,540,601

EXPENDITURES: \$228,540,601

Highlights of 2014-15 Budget

- No staff furloughs
- Provides additional funds for improvements to instruction and curriculum
 - Curriculum development
 - New textbooks
 - Professional development
 - Intervention and remediation programs

Highlights of 2014-15 Budget

- Provides additional funds for closing the achievement gap:
 - Alternative Education
 - Special Education
 - English as a Second Language
- Provides additional funds for technology improvements
- Provides funding for the development of a cyber education program.

Highlights of 2014-15 Budget

- Provides funding for wage adjustments
- Provides funding for proper staffing:
 - Finance Office
 - Human Resources Office
 - Academic Office

Projected Fund Balance

- As of June 30, 2013: \$10,828,770
- 2013-14 Unexpended Revenues: 6,539,353
- **PROJECTED FUND BALANCE:** **\$17,368,123**

Projected Fund Balance

➤ **PROJECTED FUND BALANCE: \$17,368,123 (7.6%)**

Recommend:

➤ General Fund Balance: \$10,368,123

➤ Capital Reserve: \$5,000,000

➤ Medical Reserve: \$2,000,000

❖ Establishment of a Capital Reserve enables District to utilize the remaining \$7,000,000 in bond revenue to renovate selected elementary schools.

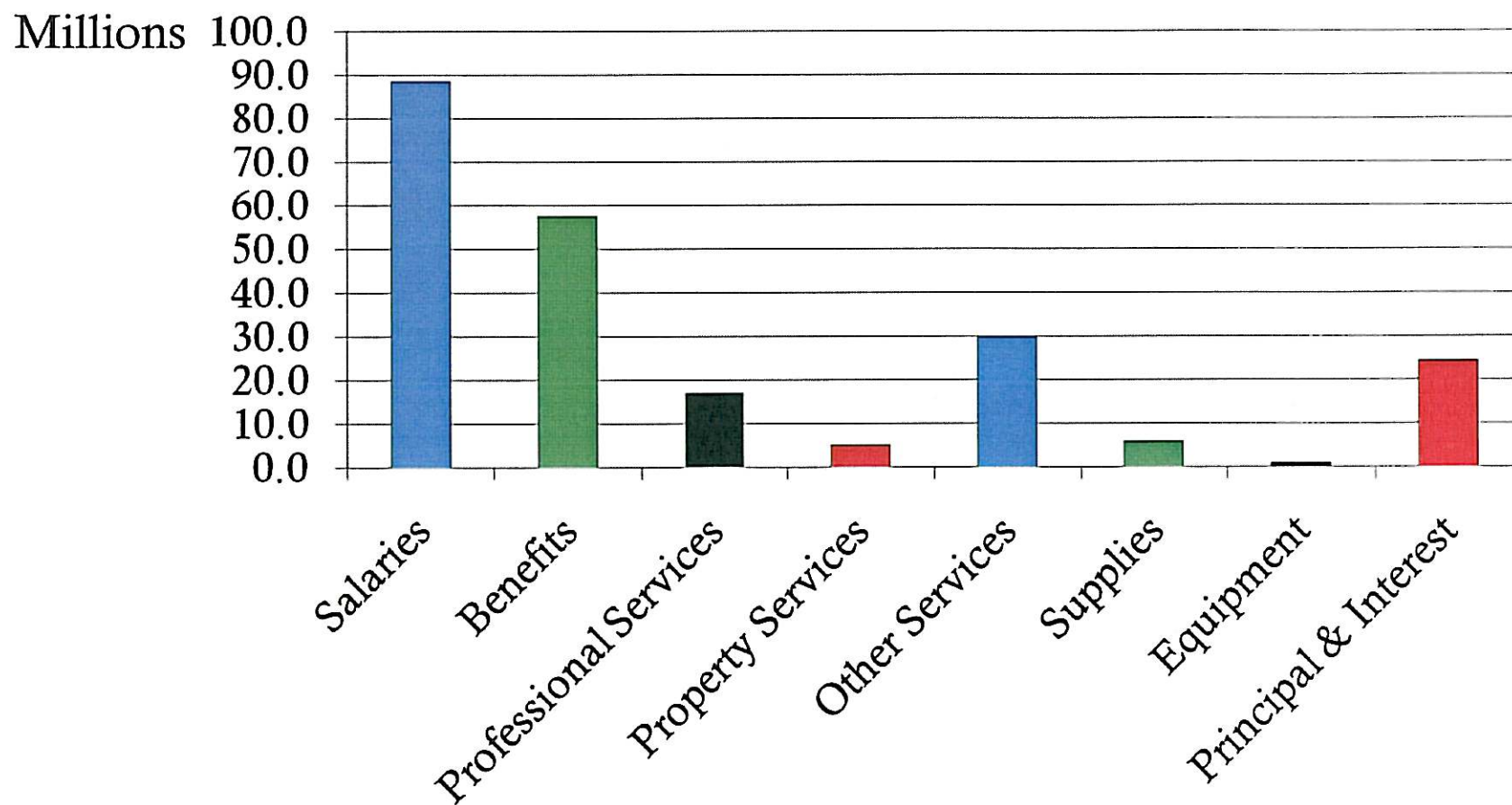
Actions Taken

- Efficient use of Title I funding
- Refinancing bonds
- Adjusted allocation of Food Services revenue
- Fixed rates on utilities

2014-15 Expenditures

Salaries	\$88,375,224	38.7%
Benefits	57,456,129	25.1%
Professional Services	16,993,753	7.4%
Property Services	4,866,492	2.1%
Other Services	29,904,118	13.1%
Supplies	5,930,274	2.6%
Equipment	718,154	.3%
Principal & Interest	<u>24,296,457</u>	10.6%
TOTAL	\$228,540,601	

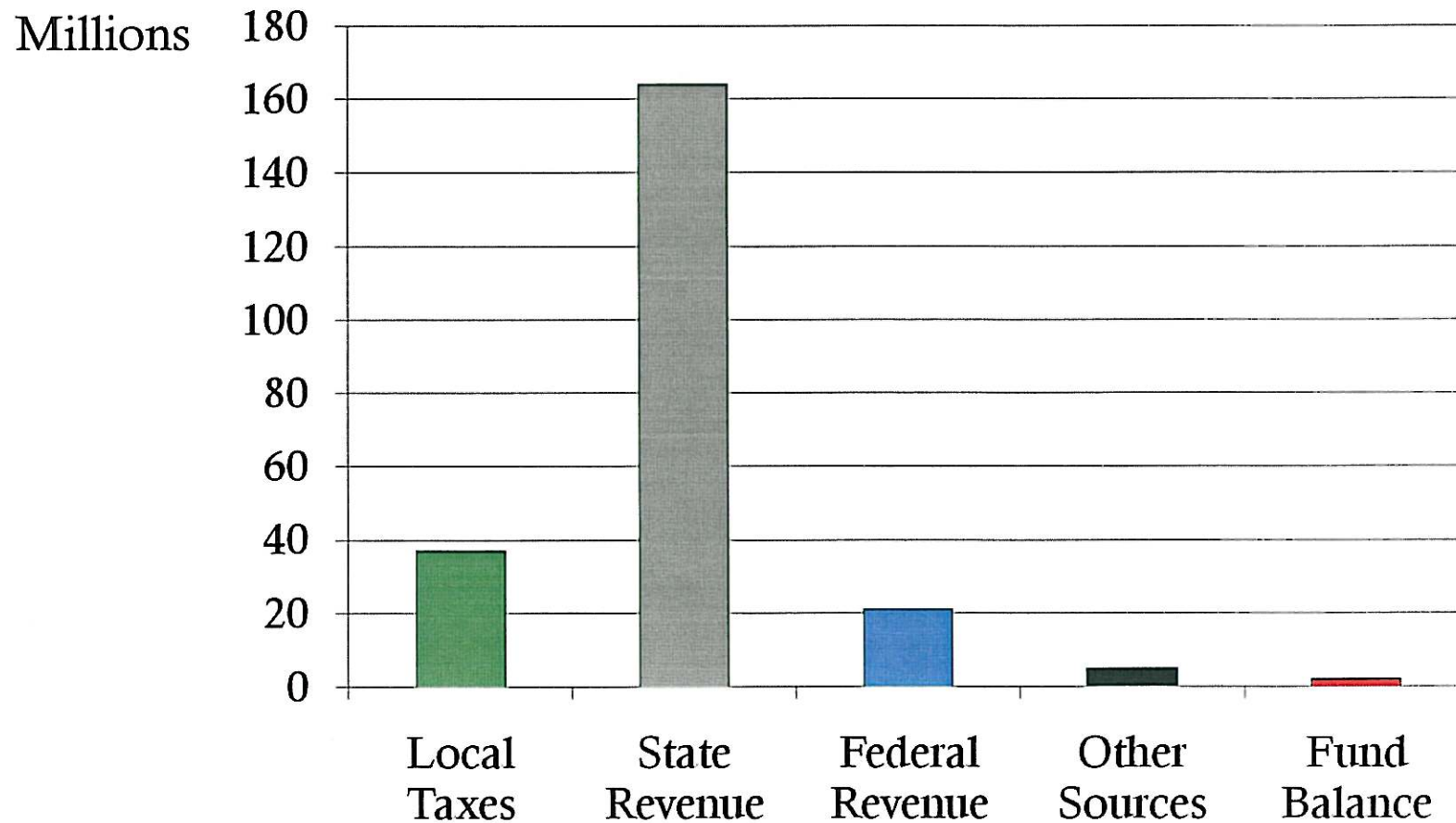
Expenditure Chart



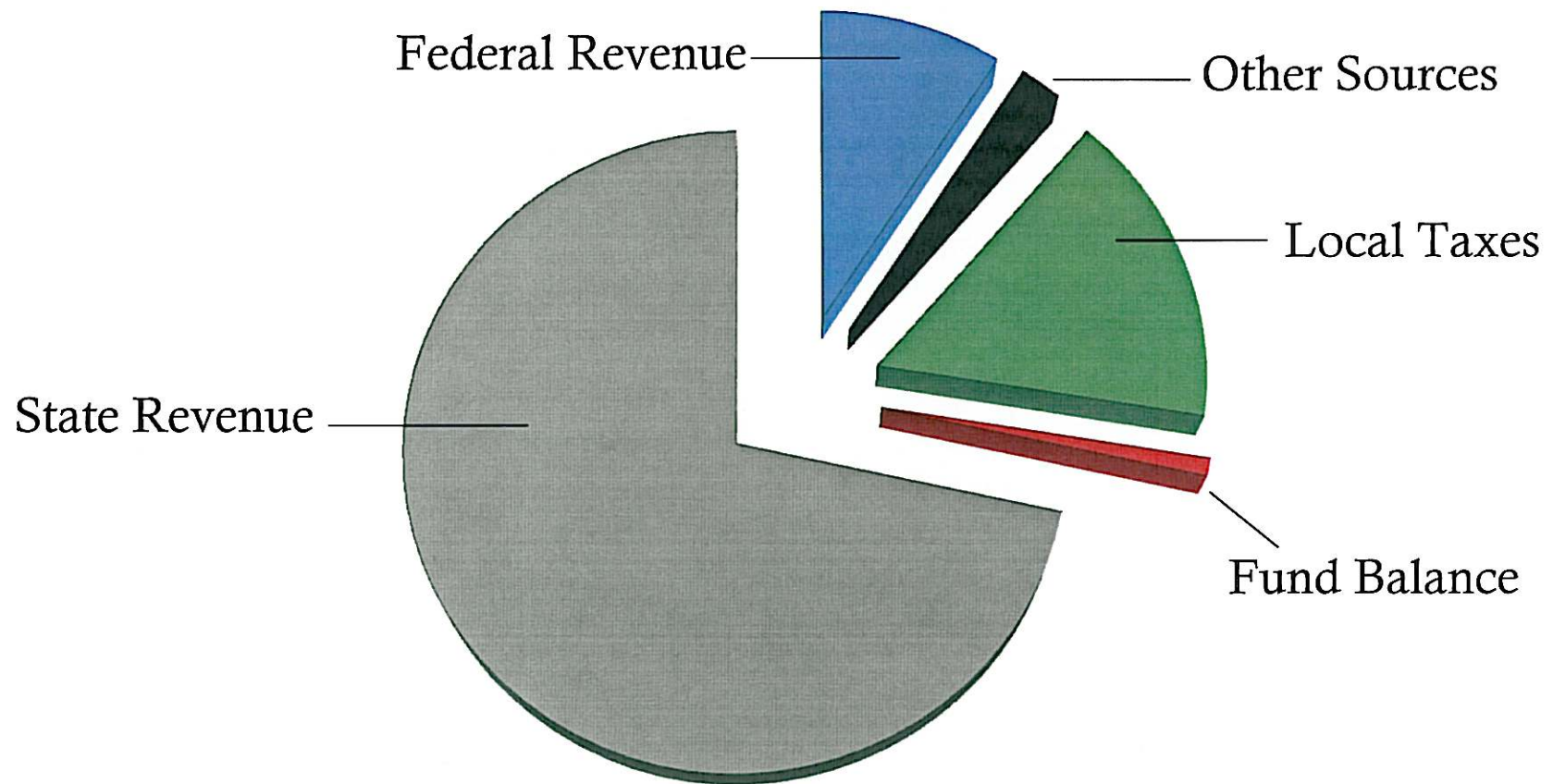
2014-15 Revenue Sources

Local Revenues	\$36,764,838	16.09%
State Revenue	\$164,210,251	71.85%
Federal Revenue	\$20,851,868	9.12%
Other Sources	5,085,000	2.22%
Fund Balance	<u>1,628,644</u>	0.71%
TOTAL	\$228,540,601	

Revenue Chart



Revenue Chart



Assumptions/Decisions

EXPENSES

Wages	\$860,185	1.0%
Medical Expenses	\$2,494,914	7.45%
Charter Schools	\$140,262	1.47%
		18.5% increase over budget
Alternative Education	\$500,000	14.3%

Assumptions/Decisions

REVENUES

Governor's Budget	\$5,383,400
Represents 85%, or \$1,000,000 less than proposed	
Property Tax Increase – 2.89%	\$606,219
Assumes 88% collection rate	
Retiree Medical – 25%	\$1,858,527
Bond Refinancing	\$518,000

Assumptions/Decisions

ACCOUNTING ADJUSTMENTS

Reallocation of Food Service	\$295,000
Federal Programs Indirect Cost (2%)	\$400,000
Title I	\$846,526

Title I Available Revenue

	2013 - 2014 <u>Carry Over</u>	2014 – 2015 <u>Base Allocation</u>
New Personnel	\$0	*\$1,500,000
Curriculum	\$3,100,000	\$900,000
Technology	\$1,092,026	\$500,00
TOTAL	\$4,192,026	\$2,900,000

*personnel equals 75% of total allocation

Title I 2014-15 Allocation

\$13,804,516

Current Personnel	\$8,858,808
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New Personnel	\$1,500,000
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Total Personnel	\$10,358,808
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PERSONNEL PERCENTAGE

75%

Tax Impact of 2.89% Increase

Residential Assessment (Median)	\$40,800
Estimated 2014 Homestead Credit	\$355.16
2013-14 Tax Bill	\$345.17
2014-15 Tax Bill	\$355.16
Annual Increase	\$9.99

Looking Forward: Timelines

- Adopt Preliminary Budget
- 10 day public inspection
- Final Budget Approval - June 25, 2014
- 3 year Budget Forecast – Fall, 2014
- Analysis by Program (e.g., Special Education, Maintenance, English as a Second Language)

Looking Forward: Challenges

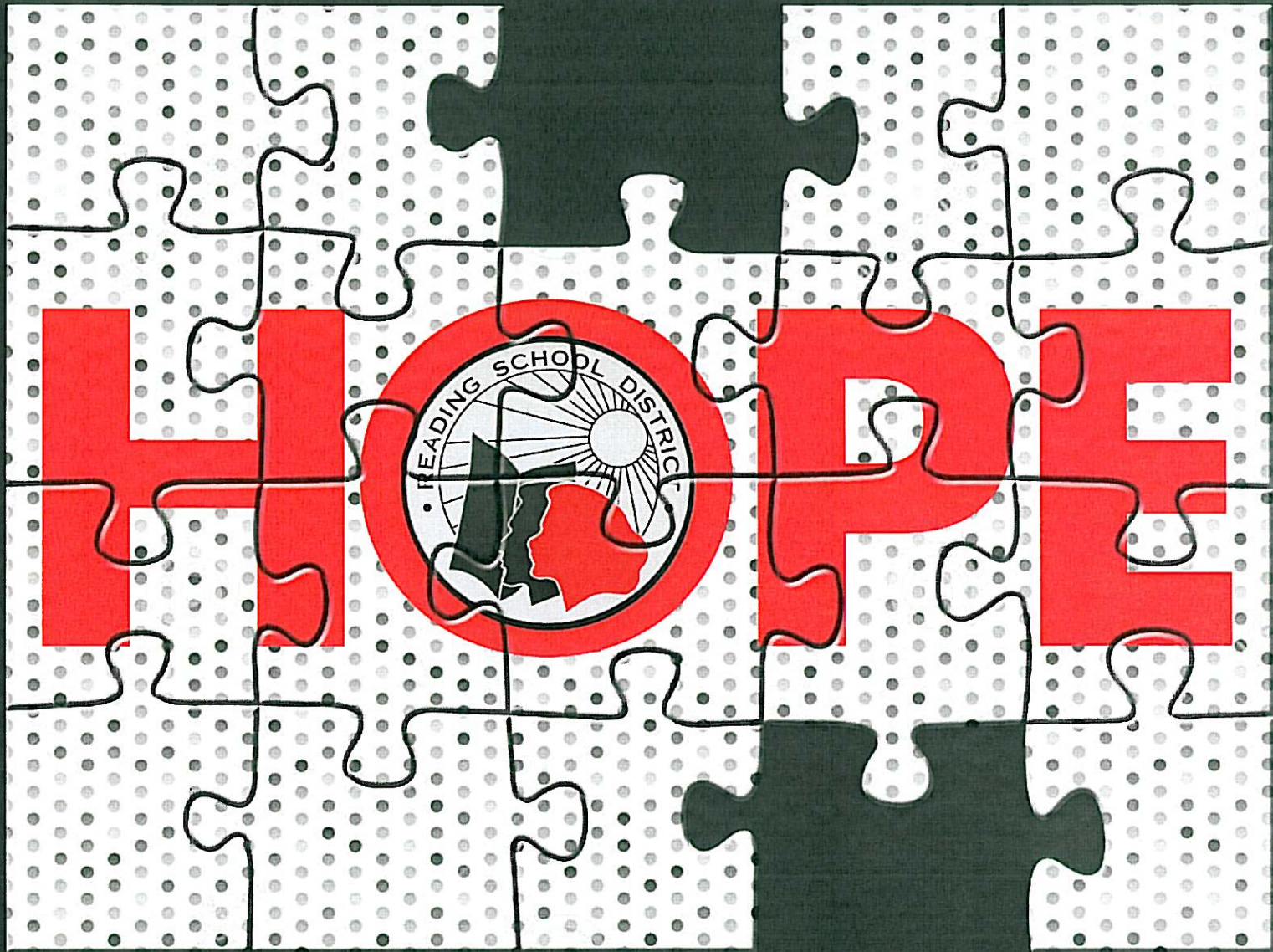
- 2015-16 Revenue Shortfall
 - Loss of \$4,000,000 debt payment
 - \$1,600,000 of fund balance for 2014-15
 - PSERS, Medical, and Inflationary increases

Looking Forward: Solutions

- Improve curriculum, instruction, and behavior management, which will reduce the number of students needing special education and alternative education
- Develop in-house cyber education program
- Improve safety and security measures in all schools
- Reduce overtime expenses
- More efficient scheduling of the school day
- Improved efficiency in service delivery of each program
- Negotiate cost effective labor contracts

Looking Forward: Solutions

- Urge the General Assembly to pass the special education funding bill that corrects the special education funding formula for students enrolled in charter schools.
- Urge the General Assembly to fix the broken Basic Education Funding formula so that state allocations are based on student demographics and wealth of the community.
- Urge the Governor to reduce the reliance on property tax by increasing the state share of the burden.



Comments/Questions



Thank you

