

BUDGET BRIEFING FROM SUPERINTENDENT

2013-14 Final Budget

The 2013-14 School District budget process has been challenging and reflects significant cost increases from pensions, charter school tuition, and special education. At the same time, federal revenues are projected to decrease sharply. The budget also reflects investments in the District's initiatives to leverage technology to enhance instruction for the 21st century, maintain manageable class sizes, and expand school-wide security. A high number of staff retirements for 2013-14 impact the budget favorably. However, the loss of key employees' experience and skills challenges the District to recruit and develop replacement staff who will maintain and surpass the high District standards.

Millage Rate

The 2012 tax increase was enacted with a two-year plan. Therefore, no property tax increase is included in the budget. The millage rate for 2013-14 was lowered by 16.7% to reflect the countywide reassessments. School districts are required to establish the new millage rates based upon realizing the same amount of real estate revenues in 2013-14 as reflected in the 2012-13 budget plus any tax increase as allowed under Act 1, thus no windfall is permitted. Because there is no school tax increase for Upper St. Clair residents in the 2013-14 budget, residents will see an "apples to apples" comparison. For example, the millage rate in 2012-13 was 25.718 mills and the real estate tax for each \$100,000 of assessment was \$2,572. In 2013-14, the millage rate was set at 21.4130 mills and the taxes will be \$2,141 for each \$100,000 of assessment, resulting in a 16.7% reduction.

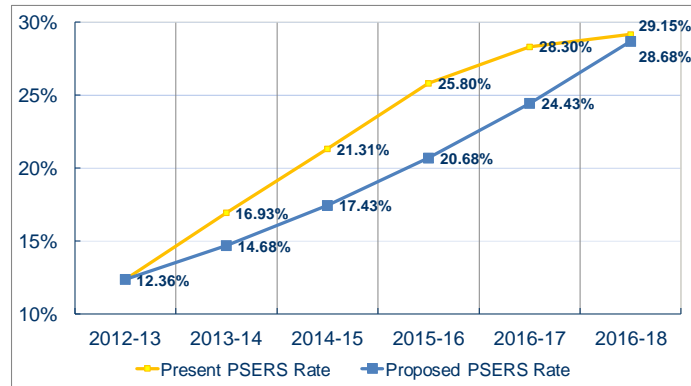
Contract Negotiations

The budget cuts have been tempered by cooperative negotiations with the labor unions representing District staff. All three labor unions negotiated agreements with salary reductions, freezes, and/or minimal increases for 2012 and beyond. All District administrators and non-represented staff took a salary freeze as well. As a result of these negotiations and a high number of employee retirements, the salary cost in 2013-14 is projected to increase about \$160,000 above the 2012-13 level. The projected 2013-14 salary level is lower than the actual salary expense in 2011-12 by over \$1.1 million.

Pension Costs

The District is projecting an increase to its state-mandated pension costs of approximately \$1,400,000 for 2013-14. The state reimburses the District for half of this cost. The result is a net cost increase of about \$700,000 for 2013-14. This is incremental to the net increase of over \$500,000 in 2012-13. Longer term, the state-

mandated pension cost increases are significant for all school districts as well as the state government. Governor Corbett has proposed a lower state-mandated cost increase for school districts as reflected in the chart below:



Federal and State Revenue

The post-recession funding shortfalls from the state and federal sources continue. The federal “sequestration” is projected to decrease District revenues by \$462,000 due primarily to federal budget cuts to Medicare programs that affect our special education funding and a reduction to the federal reimbursement associated with the Build America Bonds. State revenues for the District are dependent upon several unknown variables such as the state budget, pension reform, liquor store privatization, etc. As in past years, the burden of funding schools at the District falls primarily (over 75%) to the local taxpayer.

Debt Increase

As a result of a number of refinancings over the past two years, the District was able to manage the phase-in of the additional debt related to the renovation of the middle schools. The \$60 million financing for the middle schools was announced at the 2009 public hearings on the projects with a four year phase-in plan. In 2013-14, debt service increases by approximately \$1.3 million as the final phase-in of the additional debt for the projects. Thereafter, the District’s annual debt service payments are projected to remain at about \$8 million.

Debt Restructuring

On April 2, 2013, the District sold \$11,365,000 of new bonds to refinance \$9,860,000 of the 2007 bonds in a favorable bond market. The refinancing, closed on May 15, 2013, will result in a savings on a net present value basis of over \$1.3 million or 13.34%.

Approximately \$975,000 of the savings received at closing was placed into the Capital Reserve Fund to be used toward the cost of the various capital projects currently under discussion and the remaining savings will be used to reduce debt service payments over the 30 year life of the bonds with the most significant debt service reductions of \$239,063 and \$80,516 occurring in 2013-14 and 2014-15, respectively.

Healthcare

District healthcare increases have been relatively low in recent years (0% in 2011 and 4.75% in 2012). However, the 7 % increase for 2013-14, as determined by the Allegheny County Schools Health Insurance Consortium, represents a \$610,000 increase.

Special Education

The demands and costs for special education increases each year due to state and federal regulations, however state reimbursement has remained flat for the past four years and federal funding is being significantly reduced. In addition, transportation for out of District student placements also significantly impacts the budget

Technology Enhancements

Twenty-first century instruction leverages technology to enhance classroom instruction. The 2013-14 budget includes the replacement of 500 computers at the high school and an expansion of the iPad initiative at the middle schools. Private funding is also being used to advance this initiative.

Private Advancement Funding

The District's initiative to cultivate alternative funding has resulted in well over \$300,000 of commitments/contributions over several years from grants, the 2011 and 2012 Gala events, signage at the High School stadium and gyms, Educational Improvement Tax Credit programs, and other fundraising sources.

Security Enhancements

Prior to 2013, the focus of our security personnel costs targeted the High School coverage. The 2013-14 budget includes a \$64,000 increase to expand security personnel coverage at all District schools.

Staffing Increase to Address Increases in Class Size

Additional classroom sections at Baker and Boyce will add approximately \$77,000 of personnel expenses to the 2013-14 budget.

Possible Decrease to Staffing

Administration is examining the replacement plan for retiring teachers to determine whether positions can be cut to reduce costs with minimal disruption to programs and instruction.

Capital Budget

The current Capital Reserve Fund that provides for the repair and maintenance of the District facilities is virtually depleted. In order to properly maintain our facilities over the long term, there are a number of projects that have been identified and prioritized into two phases. The first group of projects is listed below and encompasses projects ranging from repairing concrete to replacing our aging High School chiller. There are a number of funding sources that have been identified for the various projects including the \$975,000 to be provided by the debt refinancing and the Gala proceeds.

Projects in excess of \$18,500 for bidding or state contracts.

					FUNDING SOURCES				
Priority 1 Projects					Bond Proceeds	Guaranteed Energy Savings Project	Gala - Technology	Gala - PA System	Gala - Undesignated
Bldg.	Capital Project List	2012-13	2013-14	2014-15	\$975,000	\$415,200	\$52,800	\$17,295	\$11,075
Baker	Gym floor tile repair	\$2,000			\$2,000				
Baker	Gym lobby tile repair	\$2,000			\$2,000				
Baker	HVAC drive repair	\$3,900			\$3,900				
Baker	Carpet replacement	\$7,000	\$7,000	\$7,000	\$7,000				
BO & FC	100 IPADS	\$50,000					\$50,000		
Boyce	Repair/replace gravel at stadium parking lot	\$3,000			\$3,000				
Boyce	Partition door repairs	\$5,000			\$5,000				
Boyce	Upgrade 2 old bleachers to electrical movements	\$16,000			\$16,000				
Boyce	Water line replacement	\$34,000				\$34,000			
Bus	Bus/Van Replacement	\$170,000	\$170,000	\$85,000	\$170,000				
District	Concrete work repairs	\$10,000			\$10,000				
District	MDF Room	\$60,000			\$60,000				
Eisenhower	Gym blinds repair/replacement	\$2,400			\$2,400				
Eisenhower	350A circuit breaker repair/replacement	\$3,700			\$3,700				
High School	Door replacement in Principal's area	\$2,257			\$2,257				
High School	Card swipe on new door	\$2,975			\$2,975				
High School	Install fence on retaining wall in back of school	\$5,200			\$5,200				
High School	Child/Day Care ramp repair/replacement	\$17,500			\$17,500				
High School	Repair/replacement stairs by "USC" at stadium	\$21,500			\$21,500				
High School	Stadium PA System	\$35,180			\$6,810		\$17,295	\$11,075	
High School	Upgrade of normal/emergency electrical distribution system	\$45,000			\$45,000				
High School	Bleacher repairs	\$50,000			\$50,000				
High School	Handicap Access Bridge Redecking	\$56,200				\$56,200			
High School	Chiller replacement	\$325,000				\$325,000			
Streams	Gym blind repair/replacement	\$2,100			\$2,100				
GRAND TOTAL - Priority 1		\$981,912	\$177,000	\$92,000	\$438,342	\$415,200	\$50,000	\$17,295	\$11,075
Remaining Funds Available					\$536,658	\$0	\$2,800	\$0	\$0

There are other projects under consideration including the High School track replacement.