



Spring-Ford Area School District Budget Financial Challenges

*Monday, February 28, 2011
7:00 P.M.*



Welcome

Board of School Directors

- ❖ Mr. Joseph P. Ciresi, President
- ❖ Mr. Thomas J. DiBello, Vice-President
- ❖ Mr. Mark P. Dehnert
- ❖ Mr. Edward T. Dressler, Jr.
- ❖ Ms. Clara M. Gudolonis
- ❖ Mrs. Julie A. Mullin
- ❖ Mr. Bernard F. Pettit
- ❖ Mr. David R. Shafer
- ❖ Mrs. Donna L. Williams

Focus of Tonight's Meeting

- What is the impact of the current economy on the Spring-Ford Area School District?
- What are the financial challenges the District is currently facing?
- What decisions do we make as we move into the future?

Current economic conditions will create challenges for school districts

- **Schools Expect Budget Cuts as Economy Sours-
*US News***
- **Schools Victim to Economy – *US News Education***
- **Shaky Economy Hitting Schools Hard – *Local News***
- **Economy Puts School in Tough Positions – *N.Y. Times***
- **Students, Schools Adjust for Struggling Economy -
*U.S. Today***

Impact of Recession

Federal – State - Local

Federal – 1% of District's Budget

- ❖ \$1.6 Trillion Deficit
- ❖ Loss of Federal Stimulus (ARRA)
- ❖ Potential Impact on the District's Grants
 - ❖ IDEA
 - ❖ Title I
 - ❖ Title II
 - ❖ Title V

State – 17% of District's Budget

- ❖ \$4 to \$5 Billion Deficit
- ❖ Loss of Basic Education Funding Subsidy

Impact of Recession

Federal – State - Local

Local – 82% of District's Budget

Revenue

- ❖ Assessment Appeals –
 Significant Annual Loss
- ❖ Reduction in:
 - ❖ Real Estate Interims
 - ❖ Interest Incomes
 - ❖ Real Estate Transfer Tax
 - ❖ Earned Income Tax

Expenses

- ❖ Increase in:
 - ❖ Health Care Costs
 - ❖ PSERS Retirement
- ❖ Tuition Increase in:
 - ❖ Vocational Education
 - ❖ Charter School
 - ❖ Cyber School
- ❖ Special Education Services
- ❖ Utilities
- ❖ Transportation
- ❖ Contracted Services

Underfunded or Unfunded State and Federal Mandates

- No Child Left Behind
- Special Education
- English Language Learners
- Education of Homeless Students
- Homebound Instruction
- Alternative Education
- Charter/Cyber Schools
- Nursing Services
- Safe Schools
- Gifted/Talented Program
- PSERS Retirement
- Staff Development
- Transportation
- Testing/Assessments

2010/11 Cost Savings Measures - \$4.8 M

1. Personnel Reductions

- ❖ Administration Reductions (2)
- ❖ Professional Staff Reductions (5)
- ❖ Support Staff Reductions (7)
- ❖ Custodial Staff Reductions (4)
- ❖ Elimination of Lunch and Playground Aides (20)
- ❖ Reduction in Use of Substitutes
- ❖ Reduction in Overtime Costs

2. Benefit Savings

- ❖ Switched to Self-Insured Medical and Vision Plans
- ❖ Administrative and Support Staff
 - ❖ Changed Medical Plan and Prescription Plan Designs
 - ❖ Initiated a Co-Payment on Prescription, Dental and Vision Plans

2010/11 Cost Savings Measures - \$4.8 M

3. Other Cost Reductions

- ❖ Refinanced General Obligation Bond of 2002
- ❖ Initiated Energy Conservation Measures
- ❖ Reduced Curriculum and Instruction Budget
- ❖ Reduced Technology Budget
- ❖ Reduced Building Budgets
- ❖ Eliminated Elementary Programs (*Math Support and Globe Science*)
- ❖ Curtailed Elementary Programs (*Art, Music, Physical Ed., Library*)
- ❖ Eliminated Late Bus Transportation



2011/12

Preliminary Budget

2011/12 Preliminary Budget

	2010/11	2011/12	Difference
Revenue	\$125,463,931	\$120,922,974	(\$4,540,957)
Expense	\$125,463,931	\$131,627,455	\$6,163,524
Total Difference	\$ 0	\$10,704,481	\$10,704,481

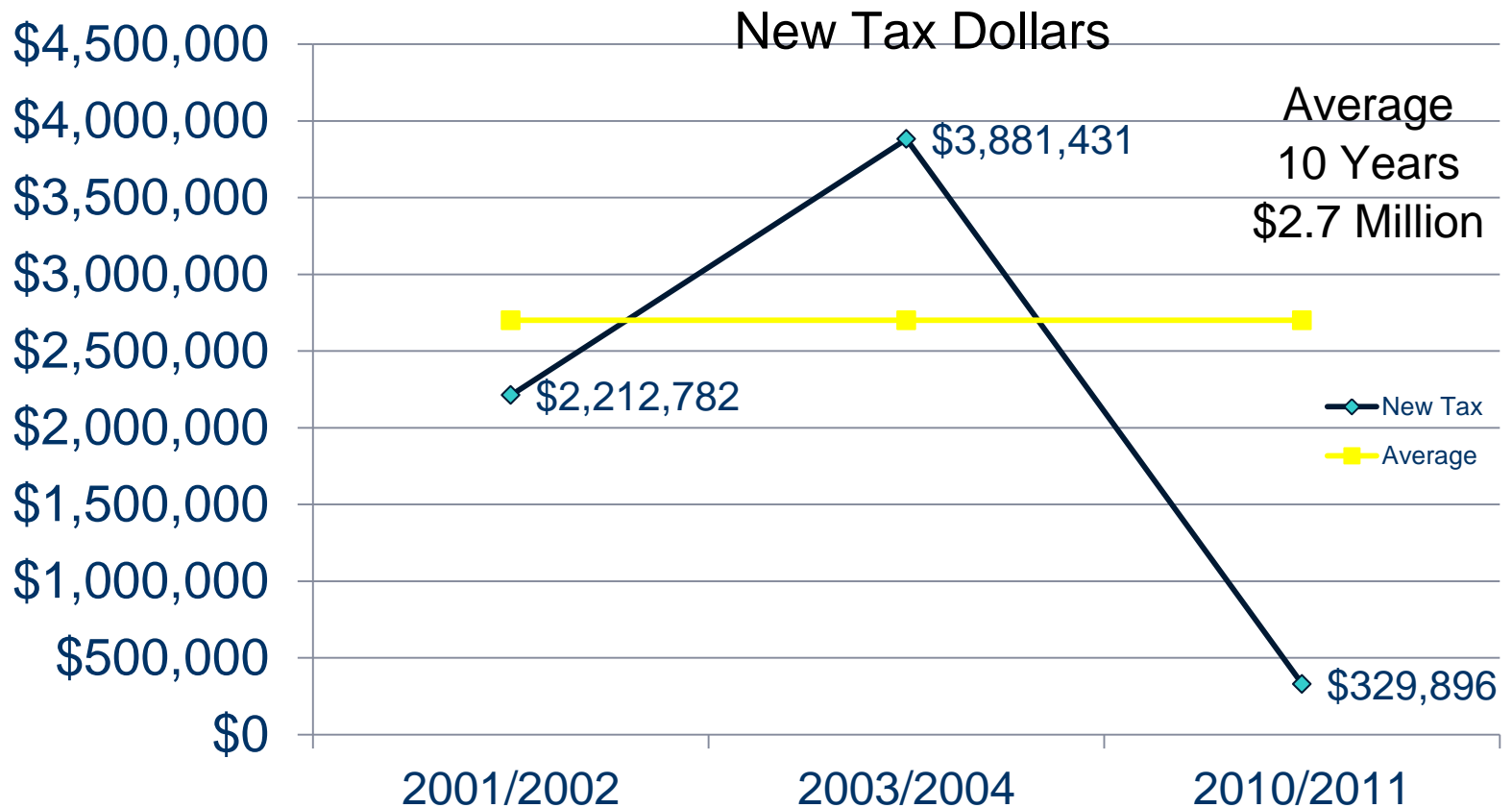
2011/12 Preliminary Budget Revenue Changes

Real Estate Taxes - Assessment Appeals – Potential Loss		(\$3,000,000)
State-Basic Education Subsidy (Federal Stimulus Portion)		(\$1,044,666)
Exelon	5 year Agreement (Year 3 of 5) \$1,704,604 to \$1,600,432	(\$104,172)
Interest	Investments Rate of Return	(\$450,000)
Federal Stimulus Funds		(\$750,100)
Basic Education Subsidy Adjustment		\$469,231
Social Security and Retirement		\$217,542
Other		\$121,208
Total Revenue Changes		(\$4,540,957)

2011/12 Preliminary Budget Expense Changes

Salary	Support/Administration	\$1,433,417	
Benefits	Hospitalization Retirement Prescription Vision	Social Security Tuition Workers Compensation Dental	\$3,735,081
Curriculum		\$ 427,000	
Charter Schools and Cyber Charter Schools		\$ 400,000	
Western Montgomery Career & Technical Center		\$ 121,446	
Other		\$ 46,580	
Total Expense Changes		\$6,163,524	

Historical Fiscal Year Assessment Changes



On-Going Assessment Appeals

Possible Annual \$3 Million Tax Loss

Assessment appeal judgments will also affect back taxes and accounting adjustments to prior years 2009/10; 2010/11; 2011/12; and future years

	Annual Loss	Back Taxes
SmithKline Beecham	\$1,870,879	\$5,531,077
SEI Corporation	\$887,113	\$1,778,883
Raven's Claw Investors	\$102,152	\$43,716
Oaks Association	\$43,301	\$25,102
Spring-Ford Country Club *	\$34,769	TBD
Limerick Aviation *	\$155,704	TBD
Quest Diagnostics *	\$65,217	TBD
Spruce Street Properties	\$26,429	\$26,429
Reitnour Investment Properties	\$57,602	\$24,201

* Estimated Annual Loss may be greater

History of Act 1 Index

School Districts capped at Base Index and allowed exceptions for extraordinary expenses

Operational Year	Base Index	Value of Maximum Exceptions	Allowable Tax Increase	Actual Tax Increase
2012/13	1.1% Estimated			
2011/12	1.40%	6.20% *	7.60%	TBD
2010/11	2.90%	6.72%	9.62%	2.00%
2009/10	4.10%	2.02%	6.12%	3.95%
2008/09	4.40%	3.31%	7.71%	4.32%
2007/08	3.40%	2.18%	5.58%	4.27%

**Estimated Maximum Exception*

2011/12 Referendum Exceptions

Maintenance of Local or Actual Instructional Expense per A.D.M. (TBD)	\$ 2,134,323
Special Education Expenditures	\$ 778,400
Health Care	\$ 1,252,933
Retirement Contributions	\$ 837,108
	Total \$ 5,002,764

This represents an additional 6.20% that could be used for allowable millage over the Act 1 index of 1.4%.

Millage Comparison of Surrounding School Districts

2010/11 Millage and Assessment Values			
	Millage	Tax per \$100,000 Assessed Value	Tax per \$200,000 Assessed Value
Spring-Ford Area School District	23.53	\$2,353	\$4,706
Methacton School District	25.58	\$2,558	\$5,116
Owen J. Roberts School District	26.17	\$2,617	\$5,234
Phoenixville School District	27.06	\$2,706	\$5,412
Perkiomen Valley School District	28.14	\$2,814	\$5,628
Norristown Area School District	29.637	\$2,964	\$5,927
Pottsgrove School District	34.398	\$3,440	\$6,880
Pottstown School District	36.124	\$3,612	\$7,225

The New Fiscal Reality

- ❖ **Prolonged recession impacts all revenue sources**
 - ❖ Local revenues down with little hope for full rebound to prior levels in the near future.
 - ❖ Significant State Revenue Deficit - \$4 Billion to \$5 Billion
 - ❖ Federal Deficit - Estimated \$1.6 Trillion

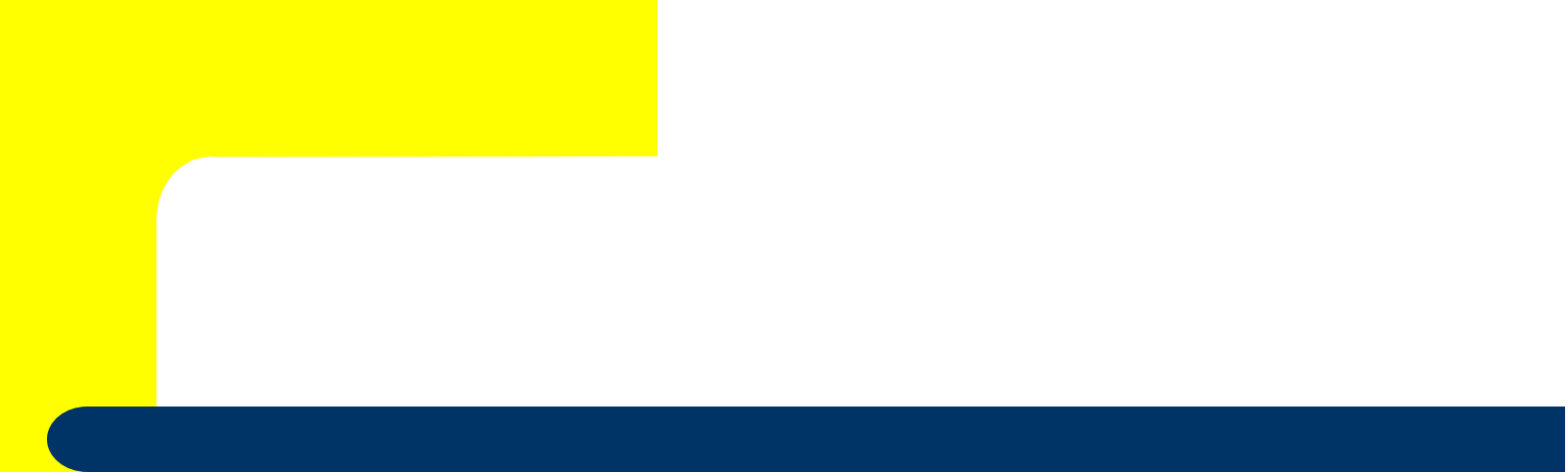
Financial hardships by the State and Federal Government and loss of Federal Stimulus Funds will significantly impact the school district's future budgets.



**Where do we go
from here?**

Where Do We Go From Here?

- As residents and parents, what programs/services can you live without?
- Which ones do you feel must remain in place?
- Your comments tonight will be considered as we make budgetary decisions moving forward.



Tonight is an opportunity
for you to provide us
with your input.

Procedures for Speaking

- Please identify yourself with your name along with your municipality of residence
- Please limit your comments to approximately two (2) minutes
- Cards will be distributed to anyone who would like to make a comment without having to speak publically
- A survey will be distributed at the conclusion of tonight's session to gather your input.