FINANCE MEETING
MINUTES
Monday, December 19, 2011
Immediately following the Voting Meeting
EDUCATION CENTER

1. Mr. Naylon presented the following 2012-2013 budget outlook:

<u>Revenue & Expenditure Projections</u>

At our last finance meeting we were anticipating an overall expenditure over revenue difference of $1,557,000 for the fiscal year 2012-2013. This deficit centers around a $442K, or 9%, increase in defined health care benefits, a $557K increase in retirement contributions due to a state-imposed rate increase of .0846 to .1236, and a budgeted 2% salary increase for all staff. The deficit figure took into account a revenue-neutral projection for the next fiscal year, since a projected increase in state revenue will neutralize our losses from declining local revenue.

As a side note, there are three staff groups without contracts and two groups with contracts. The groups with contracts account for approximately 8% of the budgeted salary increases. If we consider a budget scenario in which no staff groups take increases for 2012-2013, our deficit would decrease by $613K.

Unfortunately, there is more bad news. Since our last meeting, we have received updated projections for special education enrollments that will affect the 2012-2013 school year. The enrollments are for out-of-district placements and total $400K, which was not included in the previous expenditure estimate. Therefore, the district now anticipates a total deficit of just under $2 million.

We have some ideas for how to minimize the cost impact of the special education placements. We are working with two groups, the BCIU and Ellwyn, to bring the students back to Governor Mifflin schools. This alternative requires hiring some new teachers, aides and OPTP services, but should reduce the overall cost to the district. We are currently reviewing the students' IEPs, the students' age groups and our classroom availability to see how we can deliver this program in a cost-effective manner. We do anticipate saving money; but, at this point in time, we do not have concrete numbers.

<u>Act 1 Requirements</u>

The Act 1 Index for Governor Mifflin School District is 2.1%, or .5 mils/$775K. As I noted at the last meeting, Governor Mifflin is eligible for only one exception, totaling $475K, for special education. Therefore, the maximum increase that Governor Mifflin could impose is .8 mils or $1,250,000 in tax increases.

In January we will submit a preliminary budget reflecting a budget that exceeds the Act 1 Index. The state will respond with a notice that we must reduce the budget by at least $750K or else go to referendum. Between February and June 30, the district will reduce its budget.

<u>Budget Process & Priorities</u>

Last month, the Board directed the administration to study the district's student programs and professional, supportive and administrative staffing needs. As we do this, for the purpose of reducing our budget, it is our understanding that:

- The GMSD community wishes to maintain the current programs & current services at a reasonable cost.
- The Governor Mifflin Board of School Directors wishes to furlough employees <u>only if necessary</u> and with the least amount of disruption to the educational programming of the school district.

- The GMSD administration will establish priorities in conducting the Budget Study.
- The GMSD administration will focus on preserving current class size, programs and staff, and priorities during the Budget Study.

While we work on trimming the budget, the administration will adhere to the following criteria for making budgetary recommendations:

- GMSD will not violate law or negotiated agreements
- GMSD will adhere to the mission statement of the district
- GMSD will consider reducing operational expenses before reducing personnel
- GMSD will consider suggestions from the community and staff
- GMSD will identify calculated savings rather than wide-ranging reductions
- GMSD will promote operational savings and practices
- GMSD will seek additional revenue sources

Over the past two years, staff retirements have accounted for the majority of our budgetary savings. This year we do not have the same luxury, as we are not anticipating any retirements. However, with the goal of saving costs, the district will consider resignations and other staff movements as opportunities for changing the delivery of certain programs.

When making any changes, the administration's priorities will be based on the needs of our students. The first area of expenditures that we will examine will be supplies, textbooks, equipment and operations. Co-curricular activities and transportation will also be reviewed. In addition, we will take a look at non-mandated versus mandated instructional programs as defined by Chapter 4. There will be a concurrent analysis of staffing and administration needs in all of these arenas and beyond.

<u>Bottom Line</u>

Next spring, the administration will present a budget recommendation to the School Board. In the coming months, the administration would like to hold specific discussions with the Board on the following topics:

- Operational costs of the district
- Co-curricular costs district
- Legal requirements for furloughs and demotions for supportive, professional and administrative staff
- Chapter 4 requirements as they pertain to Grades K-4, 5-6, 7-8, and 9-12
- Uses of fund balance

These discussions will illuminate the constraints within which we must operate to trim the budget. They will also be useful in helping the Board establish its budgetary goals and tax increase parameters.

Based upon current projections for both revenue and expenditures, without an increase in taxes we anticipate program cuts and furloughs. However, the administration will work diligently to find ways to increase revenue and reduce costs over the next several months.

2. Post-Presentation Discussion:

- Board members noted that the projected GMSD deficit is the result of defined benefit costs and other expenses mandated by the state and federal government.
- The board also noted that it is in control of only 9% of the district's budget. Contractual and state/federal mandated expenses control the remainder of the budget.
- The district continues to lose local revenue. There is no development bringing new revenue to the district.
- The Board needs to be open-minded and flexible as it directs the administration on how to reduce the deficit.