

# **SALISBURY TOWNSHIP SCHOOL DISTRICT**

## **Operations Subcommittee Meeting Administration Building, Monday, January 20, 2014**

**Committee Members Present:** Mr. Frankenfield, Chair

**Other Board Members Present:** Mr. Fischer, Mrs. Frick, Mr. Gatanis,  
Mr. Giordano, Mr. Mantz, Dr. Spedaliere, Mrs. Ziegler

**Administrators Present:** Mr. Bruchak, Mrs. Nickischer, Mr. Roth

### **I. Call to Order**

The meeting was called to order by Mr. Frankenfield at 7:15 p.m.

### **II. 2014-2015 Budget Update**

Mr. Bruchak stated that the proposed preliminary budget will be on the agenda for formal board approval on February 12 and that the administration will continue to work on the numbers within the budget.

The goals are to review the budget process/timeline under Act 1 regulations. Challenges and drivers of revenues and expenditures will be identified. Revenues generated by Act Index of 2.1% will be reviewed. Challenges and drivers of revenues and expenditures will be identified. Review revenues generated by Act 1 and available exceptions above Act 1 Index. Administrative recommendations for adopting a Preliminary 2014-2015 Budget will be presented.

Act 1 requires school district to seek voter approval through referendum for tax rate increases over an annually determined "index". The calculated index from PDE for 2014-2015 is 2.1% . Exceptions provide for exemption from referendum for certain budgeted expenditures with either court or PDE approval. An accelerated budget schedule is required to accommodate the exception and referendum process under Act 1. The accelerated schedule means the school board must vote to stay within Act 1 Index or pass a preliminary budget.

Tonight's meeting is the presentation of the preliminary 2014-2015 budget. Any changes of the preliminary 2014-2015 budget will be presented at the February 3 Operations meeting. The preliminary budget will be on the February 12 school board agenda for adoption. The deadline to submit the preliminary budget with proposed tax rate increase to PDE is February 24. The deadline for PDE to issue ruling on school district's petition for exceptions is March 26. Public presentation of the Proposed Final Budget will be available on May 14. The final budget adoption will be at the June 18 school board meeting.

## **II. 2014-2015 Budget Update (continued)**

Salisbury's revenue challenges we are a small district with limited economies of scale. The district is primarily residential tax base. There are some assessment appeals that are not settled at this time. There is a slow economic recovery.

The value of a mill for 2014-2015 is \$1,278,904. Local revenues, other than proposed real estate taxes, are projected to remain primarily level. The state budget subsidy is to remain level, which was decreased to 2008-2009 levels in the 2011-2012 and subsequent budgets. The federal revenues remain level.

Expenditure challenges for the district are PSERS, charter and cyber charter costs, healthcare costs, transportation costs for non-public and charter school students, special education, and capital improvement plan needs.

Budgeted expenditures in salaries include KidsPeace since the contract is not consummated, an additional half special education position, and existing contracted positions. PSERS retirement rate will increase to 21.4%, the current rate is 16.93%. There is a 15 increase in health insurance. All department allocations have held at the 2013-2014 levels.

Mr. Bruchak reviewed actual to budget numbers in the area of benefits. The actual 2012-13 amount was \$5,234,789. The budgeted amount for 2013-2014 is \$6,022,760 and the proposed preliminary for 2014-15 is \$7,067,191. This is an increase of \$1,044,431.

The building budgets were reviewed which showed an increase of \$12,012 between the four buildings and a decrease in enrollment of 6 students. The four building budgets add up to \$447,570 of the overall budget.

The maintenance budget has been increased due to adding a software package for inputting and tracking work orders. This will improve efficiencies in the department.

The other educational services include CLIU, Charter Schools, other LEA's, LCTI, and LCCC. The amount budgeted in 2013-2014 is \$1,841,730 and the proposed amount for 2014-2015 is \$1,926,370 which is an increase of \$84,640. The increase is mainly due to the cost increases for CLIU and charter schools.

The technology budget has increased by \$7,000 primarily due to the decrease in E-rate reimbursement.

The 2014-15 special education budget has been increased by \$145,603. This area of the budget can fluctuate greatly due to students moving in or out of the district and the extent of their needs. The district currently has two emotional support classrooms at Harry S Truman that are run by the IU. These are IU programs that are housed within our district. The emotional support classrooms that are run at the middle school and high school are staffed by our employees. The IU provides many services to our district students. Administration continues to analyze the program costs and ask at which point

**II. 2014-2015 Budget Update (continued)**

Salisbury considers not contracting with the IU for a service and provide that service in-house. The district has in the past taken over a few programs from the IU and showed a cost-savings. It is not being recommended at this point to take over the emotional support classes at the elementary level.

Insurance has been increasing lately especially in school board legal for all school districts. The budgeted amount for 2013-14 is \$169,000 and the proposed preliminary budget includes \$210,000 for insurance, which is a \$41,000 increase. This is a pre-claim estimate. This amount may rise due to the large claim for the high school.

The district will have a debt savings of \$307,352 in the 2014-15 budget of the prior year budget. This savings includes all district bonds. The GOB 2008 bond was refunded to show a savings of approximately \$600,000. The current year budget showed \$155,697 of that savings and \$431,813 will be shown in next years' budget. The debt service was increased with the financing of the HVAC system at the administration building.

The athletics budget has been held for several years. The booster clubs have helped maintain this budget by their donations. The increase of \$13,320 in the 2014-15 budget is the result of replacement of some uniforms and additional transportation costs.

The middle school student activities have a budgeted decrease of \$4,960 primarily due to equipment costs in the 2013-2014 budget. The high school student activities have increased \$3,469 mainly due to supplies.

The current millage rate is 16.9203. The 2.1% millage increase under the Act 1 Index is 0.3553. The total allowable millage is 17.2756. The value of a mill would be \$1,278,904. The allowable increase in real estate tax revenue is \$454,395.

The preliminary budget to date is \$33,009,871. This requires a millage rate of 18.0734 mills. It would be an increase of 1.1531 mills or 6.81%; this rate exceeds the maximum allowed under Act 1. The allowable increase under Act 1 is 0.3553 mills at a 2.1% index or \$454,394. The available exceptions that the district should qualify and approved by PDE for would be PSERS and special education. The PSERS exception would be 0.2967 mills or \$379,450 and the special education exception would be 0.3578 of \$457,625. The total value of allowable exceptions and Act 1 Index would be 1.0098 mills or \$1,291,467. The district will use the most recent financial report for the special education exception comparison. The comparison would be between the 2011-12 and 2012-13 school years.

The 2014-15 budget with projected expenses of \$33,009,871 and potential revenue of \$31,535,099 with no tax increase leaves a gap of \$1,474,772. By increasing taxes by the Index only of 2.10% would increase revenues to \$31,989,494 but still leaves a gap of \$1,020,377 and increases tax to the average assessed value by \$82.53. Using the Index and the PSERS exception of 3.85% increases revenue to \$32,368,941 and leaves a difference of \$640,930 and is a \$151.45 to the average assessed value. With use of the Index and all exceptions that has a tax increase of 5.960% increases the revenue

**II. 2014-2015 Budget Update (continued)**

to \$32,826,566 and would be \$234.56 to the average assessed value but still leaves a difference of \$183,305.

The administrative recommendation is to adopt a preliminary budget of \$33,009,871 with a rate of 17.9301 mills at the February 12 board meeting with the preliminary tax increase of 1.0098 mills. The preliminary budget does not increase taxes but allows the district to apply for exceptions and time to work on the budget and the unresolved factors at this time. The Act 1 Index of 2.1% or .3553 mills totals \$454,395. Act 1 PERS exception of .75% or .2967 mills and totals \$379,447. Act 1 Special Education exception of 2.11% or .3578 total \$457,625. PSERS will get close to 30% before it starts to come down unless legislator approaches it differently than it has. PSERS and health care will be the two largest cost factors moving forward. If there were no charter school tuitions or increase in PSERS, there would be no tax increase. The district is continually trying to reach out to students of charter school through social media and other outlet to show what Salisbury has to offer and bring them back to our schools.

Mr. Giordano handed out an article related to the profits that founders of the charter school are making. Charter schools are free to students to attend but the costs is passed on to the home district who in turns passes this cost on to all taxpayers.

The unresolved factors influencing the final budget are local, state, and federal revenues, retirements, March interims, tax assessment appeals, diesel prices, CLIU special education services, KidsPeace contract, charter school enrollments, budget reduction actions, and the five year projection model.

The next action will be for the administration to review and adjust the preliminary budget numbers which will be presented at the February 3 Operations meeting and then on the regular board meeting agenda for formal board adoption.

At upcoming meeting it will be discussed how the governor's budget and unfunded mandates impact the budget as well as all of the current unresolved factors.

**III. Other**

None

**IV. Citizens' comments**

Rebecca Glenister, Allentown, commented that it is important to point out that the cost of everything goes up and that it may not be possible to not have a tax increase. It may be impossible for the district to stick with the same budget as last year.

**V. Next meeting**

The next meeting will be a held on February 3, 2014

**VI. Adjournment**

Mr. Frankenfield adjourned the meeting at 8:35 p.m.

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Robert P. Bruchak  
Business Administrator/Board Secretary