

SULLIVAN WEST CENTRAL SCHOOL



Fiscal Condition & Future Prognosis

Public Forum

December 8, 2011

Sullivan West High School Library

Sullivan County School Districts' Fiscal Profiles

	<i>ECSD</i>	<i>FCSD</i>	<i>LCSD</i>	<i>LMCSD</i>	<i>MCSD</i>	<i>RCSD</i>	<i>SWCSD</i>	<i>TVCSD</i>	<i>NYS 08-09</i>	<i>USA 2008</i>
2010-11 Budget	\$16.8 m	\$35.6 m	\$39.1 m	\$14.7 m	\$75.9 m	\$7.3 m	\$32.6 m	\$29.8 m		
2011-12 K-12 Enrollment	650	1,390	1,586	498	3,151	249	1,213	1,092		
Annual Expenditure/Pupil	\$25,850	\$25,660	\$24,650	\$29,500	\$24,100	\$29,300	\$26,850	\$27,300		
2011-12 # Teachers & Profs 2011-12 # Students/Teacher	68 (10)	136 (10.2)	163 (9.7)	47 (10.2)	364 (8.8)	36 (6.9)	108 (11.2)	129 (9.2)	(13.2)	(15.8)
2011-12# Paras 2011-12 # Students/Para	19 (35.7)	33 (50.4)	49 (46.2)	17 (29)	102 (31.2)	10 (27.9)	43 (30)	28 (42.3)		
2009 Combined Wealth Ratio	1.0	.62	.71	.79	.79	1.1	.89	.93	1.0	
2010 % Free/Reduced Lunch	26%	54%	60%	49%	50%	40%	34%	36%	51%	
% SPENT ON 2009										
Instruction	67%	74%	72%	74%	78%	68%	65%	71%		
Central Administration	2.4%	1.9%	1.3%	3.0%	1.1%	3.5%	1.5%	2.3%	2%	2%
Transportation	7.1%	6.9%	6.5%	4.6%	5.2%	6.8%	6.7%	7.4%	5%	
Debt	4.9%	7.0%	2.5%	5.1%	5.6%	4.2%	13.4%	5.5%	5%	

Mid-Hudson School Study Council

Selected Expenses/Pupil Comparisons

	SWCSD Rank* 2010-11	SWCSD Cost/Pupil	Average MHSSC Cost/Pupil
General Support	5	\$2,919	\$2,132
Instruction	31	\$10,195	\$10,229
• Teacher Salaries K-3	34	\$1,212	\$1,218
• Teacher Salaries 4-6	36	\$909	\$979
• Teacher Salaries 7-12	24	\$2,577	\$2,460
• Total Pupil Services	37	\$791	\$859
Employee Benefits	20	\$4,003	\$3,807
Pupil Transportation	14	\$1,435	\$1,059
Undistributed	5	\$6,551	\$5,025
• Debt Service	1	\$2,403	\$ n/a

*#1=highest cost among 59 districts

#59=lowest cost among 59 districts

Sullivan West CSD Reserve Funds & Balances

- State law allows a school district to keep only 4% of its budget as unappropriated fund balance for the following year. Beyond this 4% limit, the only way that school districts can be prepared for possible expenses beyond the approved annual school budget is through creating and maintaining Reserve Funds.
- State law restricts school districts in the types of reserve funds that can be created and funded.

Sullivan West CSD Reserve Funds & Balances
September 2011

\$ Tax Certiorari Reserve \$145,412

- *Created to pay judgments and claims from existing or known tax assessment challenges. May not exceed the amount reasonably necessary to settle claims.*

Sullivan West CSD Reserve Funds & Balances
September 2011

\$ Workers Compensation Reserve \$1,222,131

- *Created to pay for compensation benefits that may arise from claims of injured employees or the expenses of administering our self-insured program.*

Sullivan West CSD Reserve Funds & Balances
September 2011

\$ Unemployment Reserve **\$192,848**

- *Created to reimburse the State Unemployment Insurance Fund for payments made to claimants.*

Sullivan West CSD Reserve Funds & Balances

September 2011

\$ Capital Reserve \$6,417,265

***capped at \$8 million**

- *Created to pay in whole or in part, cost of objects or purposes for which a school may issue bonds. Use requires voter approval, and only for the specific purposes stated in the referendum.*

Sullivan West CSD Reserve Funds & Balances
September 2011

\$ Repair Reserve

\$81,703

- *Created to pay for repairs to capital improvements or equipment which are of a type that do not recur annually.*

Sullivan West's Recent Fiscal Record

(millions)

<i>Year</i>	<i>Budget</i>	<i>State Aid</i>	<i>Fund Balance Budgeted</i>	<i>Local Tax Levy</i>	<i>Local Tax Levy Change % +/-</i>
2006-07	\$31.9	\$13.6	\$1.7	\$16.2	
2007-08	\$33.3	\$14.6	\$3.1	\$15.3	-5.8%
2008-09	\$33.3	\$15.4	\$1.5	\$16.0	+4.5%
2009-10	\$32.7	\$15.4	\$1.3	\$16.0	0
2010-11	\$32.6	\$14.4	\$1.8	\$16.2	+1.3%
2011-12	\$32.6	\$13.2	\$2.1	\$16.5	+2.04%

5 Year Change = 2.1%

How Did We Contain Costs & Taxes in Recent Years?

- Retirement incentives, attrition, and a few lay-offs resulting from enrollment declines
- Reducing administrative costs
- Reducing legal costs
- Shared Services (CBO etc.)
- Staff realignment
- Reducing or eliminating programs
- Managing health insurance costs
- **Yet, at the same time we've reduced class section sizes, improved achievement in grades k-12, and added college credit classes, while holding budgets for classroom equipment and supplies constant, and increasing extracurricular activities for our students.**

Fiscal Challenges & Fiscal Contexts

- Today's severe recession will likely continue for at least one or two more years.
- The community we serve is struggling economically. The median annual household income today is under \$45,000 and has dropped in each of the past two years. It's far below the state or national averages.
- Measured as a % of household income, property taxes in Sullivan County are among the highest in the nation.
- In the past two years SWCSD's state aid has dropped by \$2.2 million, -14%.
- NYS Legislature promised an increase in total state aid of \$800 for 2012-23, and is now revising the tax code to provide necessary revenue. But until we "see the money" we should plan for flat state aid, the same level as this year.
- As expected, the "2% tax levy limit" has become law.
- Student enrollment dropped almost 5% during the past year (-63 students), faster than expected. We expect it to drop by 4% next year.
- The economic and demographic impact of future gas drilling is uncertain.

COMMUNITY RESOURCES WILL BE STRAINED

Our Strategic Plan

commits us to:

- Provide important educational programs and services to all of our students.
- Keep class section sizes small, especially in primary grades.
- Ensure stability and predictability for taxes and revenues.
- Employ a highly-qualified faculty and staff.
- Provide faculty and staff with the resources needed to teach our children.
- Maintain clean, safe, and attractive facilities.
- Inform community residents of major issues facing the District.
- Provide students with valuable extracurricular activities.

What's Likely for Sullivan West in 2012-13?

- Yesterday's revision of the NYS tax code may permit the legislature to deliver on its promise of a slight increase in state aid. We'll know more next month when the Executive Budget is released. Until then I am (hopefully) planning for the same level of state aid in 2012-13 that we had this year -- \$13.2 million.

Property Tax Cap

- New York State passed Chapter 97 of the Laws of 2011 which limits most local governments' tax raising authority to the lesser of a calculated cap on the total levy or the rate of inflation starting with the 2012-2013 school year budget.
- The Tax Cap does not limit the amount a district can tax. It sets a higher threshold for voter approval for a tax levy increase that exceeds the Tax Cap.
- An override to the annual Tax Cap will require 60% or a “super majority” of the budget voters instead of the simple majority of greater than 50%.

Property Tax Cap (continued)

- If the proposed budget is not approved by the required margin:
 - the district may resubmit the original budget or submit a revised budget to the voters in June or
 - adopt a contingency budget that levies a tax no greater than that of the prior year's.
- If the resubmitted/revised budget is not approved by the required margin:
 - the Board of Education must adopt a budget that will not increase the tax levy from the prior year and is subject to contingent budget requirements.

What does a 2% Tax Levy Increase Mean for Sullivan West?

- Our total local tax levy equals \$16.55 million (about 51% of our total annual budget)
- **2% of \$16.55 m = \$331,000**
- A salary increase of 3% for our entire faculty & staff = \$330,000
- An increase of 10% in benefits for our entire faculty & staff = \$500,000
- A 10% increase in costs of student transportation = \$200,000

What Needs Will Drive Future School Budgets?

- Maintaining the excellent faculty, staff, programs and services we presently have.
- Implementing new state curricula (Common Core Curricular Standards) and unfunded mandates (APPR, Dignity for all Students Act, etc.).
- Providing Remedial and Compensatory Academic Services to struggling students (AIS, summer school, Title I, SPED, etc.)

What Needs Will Drive Future School Budgets? (continued)

- Maintaining and retaining effective instructional initiatives (Guided Reading, Balanced Math, small primary class sizes, etc.)
- Preserving valuable enrichment, extracurricular, and athletic programs in the face of financial shortages.
- Continuing to make Career & Technical Education opportunities available.
- Maintaining College Level Programs for our high school students.

What Needs Will Drive Future School Budgets? (continued)

- Providing necessary student transportation services.
- Planning and budgeting for Facility Maintenance.
- Budgeting for rising utility and energy costs.
- Addressing all health and safety concerns.
- Providing fair and equitable Collective Bargaining Agreements for our employees.
- Planning for post-employment financial obligations (including TRS and ERS contributions and health care cost for retirees).

Possible Future Budgets & Revenues *(with a 2% cap on the local tax levy)*

<i>Year</i>	<i>Budget</i>	<i>State Aid</i>	<i>Fund Balance Budgeted</i>	<i>*Local Revenue</i>	<i>Local Tax Levy</i>	<i>% +/-</i>
2010-11	\$32.6 m	\$14.4 m	\$1.8 m	\$0.3 m	\$16.2 m	+1.3%
2011-12	\$32.6 m	\$13.2 m	\$2.1 m	\$0.6 m	\$16.5 m	+2.0%
2012-13	\$32.4 m	\$13.2 m	\$1.1 m	\$1.1 m	\$16.9 m	+2.0%
2013-14	\$32.2 m	\$13.2 m	\$0.8 m	\$1.0 m	\$17.2 m	+2.0%

** Included in these monies is approximately \$1.8 million that we have in earned interest in our debt service fund. The budget plan shown above uses all of this \$1.8 million over the next three budgets. After that it will be gone. This is our “bridge” through the recession.*

Next Year's Budget (2012-13)

How can we do it?

Budget	State Aid	Fund Balance	Local Revenues	Tax Levy	% +/-
\$32.4 m	\$13.2 m	\$1.1 m	\$1.1 m	\$16.9 m	+2%

- Declining enrollment will likely result in faculty and staff RIFs (Reduction in Force).
- When possible, positions of retirees will not be filled.
- Apply \$1.1 million in Fund Balance toward the Budget.
- Apply \$1.1 million in Local Revenues (Debt Service Interest) to the Budget.
- Continue to search for opportunities for efficiencies and additional savings.

Summary & Recommendations

1. We're in the midst of the worst recession since the Great Depression. Unlike all other post-WWII recessions, this one is prolonged with continued high unemployment and anemic tax receipts. We should expect hard times to last at least another two years. NY State Government's ability to provide aid is stressed.
2. Local revenues will be severely constrained by state aid cuts and by the tax levy limit.
3. A mitigating factor in our revenue shortage is the continued decline in student enrollment, likely resulting in a RIF (Reduction in Force) of faculty and staff.

Summary & Recommendations

4. Local revenues – \$1.8 million in capital fund interest – will be applied toward the 2012-13, 2013-14, and 2014-15 district budgets. Then those funds will be gone. We hope that the recession ends by then, allowing for increased state revenues for our district.
5. Our Reserves are adequately funded.
6. We should establish a new Capital Reserve Fund to...
 - ensure adequate maintenance of our buildings and grounds
 - facilitate prudent management of annual Fund Balances, and to
 - allow us to avoid any future bonding (borrowing)
7. We will actively market our unused school buildings.