



Baldwin-Whitehall Budget Review Committee Report
2008 – 2009
June 4, 2008

Presented by:

Mrs. Nancy Crowder
Mr. Paul Hayhurst
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Budget Review Committee Report – Executive Summary

The Budget Review Committee strongly recommends that the Baldwin-Whitehall School Board retain the millage rate for 2008 – 2009 at 24.61 mills. We believe 2008-2009 will be a time of operational and educational change as Dr. Korchnak implements his vision for the District. Resources will likely be required to effect this change. Furthermore, the District must exercise it's responsibility to ensure our long term fiscal health by setting aside funds now to avoid the need for millage increases or additional borrowing if we face unexpected future costs. The priority would then be to return money to the taxpayers if several years from now our long term fiscal health is determined to be sound.

- Costs related to food, utilities, and transportation are highly likely to increase over the next school year due to factors outside of the Districts control. Other costs of doing business are likely to increase requiring heightened expense control. i.e. Costs of day-to-day operations at the high school.
- The current Teachers contract will expire in June of 2009. Preparations need to start as soon as possible. Resolution of the Medical, Dental, and Vision Premium imbalance is imperative. The current employee contributions levels are unsustainably low and expose the district to unnecessary financial risks.



Budget Review Committee Report – Executive Summary

- Action needs to be taken immediately to determine options related to funding the Pennsylvania State Employees Retirement System (PSERS). Over the next 5 years the District contribution rate to support this significant benefit will increase by 237%. (4.73% vs 11.23%).
- Policies and practices need to be put into place for projects of \$50,000 or more requiring a Cost-Benefit Analysis along with a Return on Investment over the life of the project. The current example is the Football Field and Track Replacement Project that has been approved for 1.15 Million along with 33K for a construction manager. The financial implications and timing of the approval of this project are troubling. The Board appeared to be in a rush to approve the project without a complete analysis being done.
- Every 1 mil decrease in millage saves homeowners on average \$91 per year. While every penny is important to taxpayers, each mil reduction also reduces available district funds by approximately \$1.4M. In these uncertain times, the long term financial stability of the district needs to be ensured before short term millage decreases are enacted, otherwise even larger millage increases in the near future are a distinct possibility.



Budget Review Committee Report – Executive Summary

- We recommend maintaining Refugee Student Services at levels commensurate with enrollment however additional community resources and services are need to assist the District as the current system is showing strain. The placing agencies need to provide additional ongoing support and ideas so that this program can continue to meet the high standards currently established. Additionally the District must request assistance from those who have completed and benefited from the program.
- The District needs to put into place a minimum 5-year Strategic Plan governing the districts actions and operations. Progress and variance from this plan should be reported to the general public each February in Executive Summary form. It should be used as input into the next budget cycle. This is separate from the Educational Strategic Plan which is currently past due.
- The Board and Administration should reconsider recommendations from the Fiscal Recovery Study. We paid for it. We should review it in light of current conditions facing the District.



Recommendations and Details



Budget Review Committee Report –

Costs related to food, utilities, and transportation

- Energy costs have increased by substantial amounts over the past year and will likely continue higher. It is possible the District's ability to conduct business may be impacted.
- In April 2008 the Pittsburgh Business Times reported that the cost of gasoline in this area had increased \$.65 per gallon in the last calendar year. At that time the average was \$3.36.
- On the weekend of May 17th gasoline averaged in the mid \$3.70's. Currently it is in the mid \$3.90's.
- Total district utility costs last year were about \$1.4M (Electricity \$780K – 54%, Natural Gas \$560K – 39%, Water \$67K – 5%, Sewage \$35K – 2%)
Electricity supplied by Strategic Energy – what effect will full deregulation have by the end of 2010 have?
- The Administration at the Board's request prepared a projected budget to 2010-2011 for a ½ mil decrease showing very close to balanced budgets over this period. However, an approximately \$2.4M deficit results if projected costs are even 2% higher and projected revenues are even 2% lower (a very real possibility as result of declining property values). Such uncertainty cannot be ignored.



Budget Review Committee Report –

Costs related to food, utilities, and transportation –

Recommendations

1. Re-structure bus routes where possible. Review and follow Industry Best-Practices.
2. Engage the utility companies servicing this District to do:
 - a Energy audits. – Duquesne Light, Columbia Gas, Equitable Gas, Honeywell, etc.

This may assist us in learning and implementing conservation best practices. Additionally this can provide an educational opportunity for the student population.

3. Research State & Federal grants available to assist the District in following best practices.
4. If not already, include fuel efficiency as part of the vehicle purchase criteria where possible.
5. Consider an Energy Czar position to monitor and manage the situation.

The Budget Review Committee is willing to assist in the process.



Budget Review Committee Report –

The current Medical, Dental, and Vision Insurance situation is financially unsustainable. Under the current agreement the Teachers pay only 5% of their Health Insurance premiums while receiving free Dental and Vision care. Typical contributions by employees in other industries is 25% of the premium.

➤ Recommendations

1. Expand the options for low premium high deductible plans that may meet portions of the staffs needs should they not require extensive care.
2. Provide an Opt-Out program where personnel can get up to 3% of their of their salary should they opt out of Medical, Dental, and Vision Coverage.
3. Set up a research group that includes School Administration, residents/taxpayers, teachers, service employees, and local businesses. The objective is to bring the benefits programs up to date and in line with the community while providing the District flexibility and long-term cost control.
4. If coverage can be obtained through a spouses/partners employer and they elect to take the Districts coverage a penalty fee needs to be imposed.
5. See the Appendix for an example. Premium changes should be passed along in percentages consistent with the premium contribution schedule.



Budget Review Committee Report –

The teachers should be asked to pay a larger proportion of their health benefits because starting in 2012-2013 the district (i.e., tax payers) will be forced by law to sharply increase our contribution to the Pennsylvania State Employees Retirement System (PSERS) – see next slide.

PSERS provides a guaranteed pension, which is significant, long-term benefit most people today do not have.

The teachers cannot expect the taxpayers to provide extra funds for their retirement without making a significant concession on their health benefit premium payments.

Some PSERS facts:

1. \$67.4 billion in assets as of 12/31/07.
2. Average of \$26K in pension and post employment benefits.
3. Over 80% of assets provided by investment income. Teachers contribute 7% - **with no planned increase.**
4. Recent returns: FY 03-04 19.67%; FY 04-05 12.87%; FY 05-06 15.26%; FY 06-07 22.92% **BUT** only 13.82% for CY ending 12/31/07 because of 0.74% 4th quarter loss.
5. PSERS Chairman Melva Vogler 12/13/07: “While these impressive figures seem to call for a significant reduction in the previously forecast rate increase for fiscal year 2012/2013 [which was 27%], the latest projections are in no way guaranteed, and could be reversed if market conditions change and investment performance weakens over the next few years.”

TRANSLATION:

If investment performance tanks, the taxpayers make up the difference!!!



Budget Review Committee Report – Preparations required for sizeable increases in the Pennsylvania State Employees Retirement System.

From 2007 though 2014 the PSERS contribution the District is accountable for will vary from 7.13% of salaries to 11.23% at its peak. If funded at the state required rate by 2012 – 2013 the District will need to come up with an additional \$1.7 million to satisfy funding obligations.

School Year	Salaries	% District Contribution to PSERS	Funded at Yearly Rate		Funded at 7.13% of Current Salaries	
			\$ Contribution	Fund Balance	\$ Contribution	Fund Balance
9/2007 - 6/2008	\$27,203,310	7.13%	\$1,939,596	\$0	\$1,939,596	\$0
9/2008 - 6/2009	\$28,888,038	4.69%	\$1,354,849	\$0	\$2,059,717	\$704,868
9/2009 - 6/2010	\$29,754,679	4.74%	\$1,410,372	\$0	\$2,121,509	\$1,416,005
9/2010 - 6/2011	\$30,647,320	4.74%	\$1,452,683	\$0	\$2,185,154	\$2,148,476
9/2011 - 6/2012	\$31,566,739	4.74%	\$1,496,263	\$0	\$2,250,708	\$2,902,921
9/2012 - 6/2013	\$32,513,741	11.23%	\$3,651,293	\$0	\$2,318,230	\$1,569,858
9/2013 - 6/2014	\$33,489,154	9.44%	\$3,161,376	\$0	\$2,387,777	\$796,258
Assumption: 3% annual increase						
Does not include investment income						

We suggest the District build a stabilization fund from which the PSERS obligations are drawn. This fund should be funded at 7.13% annually. If done in a disciplined manner the District will be able to fund requirements, build some interest income, and potentially return money to the taxpayers. Planning for years beyond 2013 – 2014 will be required as we move through the next 5 years.



Budget Review Committee Report – Preparations required for sizeable increases in the Pennsylvania State Employees Retirement System.

Recommendations

1. Petition the state for recommended solutions to this situation. Included in this is to request a ceiling and floor as a way to ensure cost certainty.
2. Petition the state for an opt out study ruling.
3. We agree with the establishment of a Benefits Stabilization Fund. This fund's intended purpose is to provide funding for the PSERS requirements of the district. Included in these guidelines are that this fund cannot be used for other purposes and overages past 2014 are to be returned to the taxpayers on a planned and scheduled basis.

Question for the Board:

If the PSERS investments do poorly in a year is this performance problem made up by the taxpayers? If the answer is yes, then such a system needs to change. No one guarantees our 401k's.



Budget Review Committee Report –

Policies and practices need to be put into place for projects of \$50,000 or more requiring a Cost-Benefit Analysis along with a Return on Investment over the life of the project.

On May 14, 2008 the Board heard a presentation from Athletic Director Vincent Sortino and the architect for the Football Field and Track Replacement Project. Immediately the Board authorized \$1.15 Million for the project along with assigning \$33k to engage PJ Dick as Project Manager.

➤ Questions:

1. Did the Board see the Cost-Benefit Analysis?
2. Did the Board see the Return on Investment?
3. Did the public see either?
4. Have other Districts been interviewed who have done such projects?
5. Have the findings been documented?
6. If we're hiring a reputable firm for the work, why the need for three full months of project management?
7. Why is the cost added as a new line item, separate from the original \$2.1M planned for district field repairs? The resulting combined \$3.3M for field work is unacceptable.



Budget Review Committee Report –

Policies and practices need to be put into place for projects of \$50,000 or more requiring a Cost-Benefit Analysis along with a Return on Investment over the life of the project.

➤ Recommendation

1. Put in place a policy requiring a Cost-Benefit Analysis and Return on Investment Analysis for sizeable projects.
2. Require the Board to delay a vote until the next meeting. This will give the Board and the Public time to analyze the numbers, ask important questions, and consider potential alternatives.
3. The presenter/requestor needs to be accountable for the Return on Investment, the Cost-Benefit Analysis, and periodic progress reports to the Board and Public. Of particular interest is there an additional revenue stream being generated by the project.



Budget Review Committee Report – Full district Strategic Plan

The District needs to put into place a minimum 5-year Operational Strategic Plan governing the districts actions and operations.

Businesses of this size require such a plan to ensure growth, long-term financial stability, better forecasting and business efficiency, and to help balance the stresses in rapidly changing environments.

➤ Recommendation

1. It is our understanding that the Transportation Department has a 5-year Plan. All department should be required to complete such a plan.
2. The plans should be consistent in nature and be reported to the Business Manager for development of the overall District plan.
3. Progress and analysis should be reported to the Board each February. This plan should be revised and used as input into the budgeting process.
4. Where possible the Fiscal Recovery Plan should be referenced and progress on those points noted.



Budget Review Committee Report – Refugee Students

The district should be proud of and has received well deserved recognition for our support of refugee students. We, therefore, recommend maintaining Refugee Student Services at existing levels, however, additional community resources and services need to assist the District as the current system is showing strain. The placing agencies need to provide additional ongoing support and ideas so that this program can continue at current levels. An example is to require assistance from those who have completed the program and are working in the community.

While we do not have a lot of supporting documentation recent events surrounding the Student Success Center and at Paynter Elementary point out the strain the District is under. Other community resources need to be engaged and new solutions need to be considered as the environmental factors have changed.



Appendix



Budget Review Committee Report –

Ongoing costs related to Medical/Dental/Vision Premiums for Baldwin-Whitehall personnel.

- The current Medical, Dental, and Vision Insurance situation is financially unsustainable. Consider the following changes:

Healthcare					< \$40,000 Annual Income		\$40,000 - \$49,999 Annual Income		≥ \$50,000 Annual Income	
HMO	Monthly	Annual	Current Monthly Payment 5%	Current Annual Payment 5%	Proposed Monthly 5%	Proposed Annual 5%	Proposed Monthly 15%	Proposed Annual 15%	Proposed Monthly 25%	Proposed Annual 25%
Individual	\$402.59	\$4,831.08	\$20.13	\$241.55	\$20.13	\$241.55	\$60.39	\$724.66	\$100.65	\$1,207.77
Parent & Child	\$902.99	\$10,835.88	\$45.15	\$541.79	\$45.15	\$541.79	\$135.45	\$1,625.38	\$225.75	\$2,708.97
Parent & Children	\$993.29	\$11,919.48	\$49.66	\$595.97	\$49.66	\$595.97	\$148.99	\$1,787.92	\$248.32	\$2,979.87
Husband & Wife	\$1,093.65	\$13,123.80	\$54.68	\$656.19	\$54.68	\$656.19	\$164.05	\$1,968.57	\$273.41	\$3,280.95
Family	\$1,137.17	\$13,646.04	\$56.86	\$682.30	\$56.86	\$682.30	\$170.58	\$2,046.91	\$284.29	\$3,411.51

Healthcare					< \$40,000 Annual Income		\$40,000 - \$49,999 Annual Income		≥ \$50,000 Annual Income	
PPO	Monthly	Annual	Current Monthly Payment 5%	Current Annual Payment 5%	Proposed Monthly 5%	Proposed Annual 5%	Proposed Monthly 15%	Proposed Annual 15%	Proposed Monthly 25%	Proposed Annual 25%
Individual	\$422.89	\$5,074.68	\$21.14	\$253.73	\$21.14	\$253.73	\$63.43	\$761.20	\$105.72	\$1,268.67
Parent & Child	\$948.14	\$11,377.68	\$47.41	\$568.88	\$47.41	\$568.88	\$142.22	\$1,706.65	\$237.04	\$2,844.42
Parent & Children	\$1,042.95	\$12,515.40	\$52.15	\$625.77	\$52.15	\$625.77	\$156.44	\$1,877.31	\$260.74	\$3,128.85
Husband & Wife	\$1,148.82	\$13,785.84	\$57.44	\$689.29	\$57.44	\$689.29	\$172.32	\$2,067.88	\$287.21	\$3,446.46
Family	\$1,194.46	\$14,333.52	\$59.72	\$716.68	\$59.72	\$716.68	\$179.17	\$2,150.03	\$298.62	\$3,583.38

Premium changes should be passed along in the 5%, 15%, and 25% increments as proposed commensurate with Annual Income.



Budget Review Committee Report –

Ongoing costs related to Medical/Dental/Vision Premiums for Baldwin-Whitehall personnel continued.

Dental	Monthly	Annual	Current Payment	Proposed Monthly	Proposed Annual
Individual	\$25	\$302	\$0	\$6	\$76
Family	\$83	\$995	\$0	\$21	\$249

Vision	Monthly	Annual	Current Payment	Proposed Monthly	Proposed Annual
Individual	\$3.51	\$42.12	\$0.00	\$0.88	\$10.53
Family	\$8.57	\$102.84	\$0.00	\$2.14	\$25.71

Note: Premium rate changes will be passed along in the same contribution rate. (25%)



Sources: PGH Business Times
Zipskinny.com

	West Jefferson Hills	Baldwin-Whitehall	Elizabeth Forward	Upper St. Clair
Enrollment	2,666	4,237	2,723	4,103
Average Teacher Salary	\$63,458	\$54,923	\$49,091	\$62,360
Number of Teachers	156	284	195	274
07-08 Budget	35,004,166	56,814,997	31,470,485	53,357,039
Millage	19.99	24.61	21.36	22.45
Economically Disadvantaged	11.30%	26.70%	26.20%	3.1%
Budget per Student	13,130	13,409	11,557	13,004
Est % of Teachers Salaries in Budget	28.3%	27.5%	30.4%	32.0%
Avg Students per Teacher	17.1	14.9	14.0	15.0
ZIP	<u>15025</u>	<u>15236</u>	<u>15227</u>	<u>15037</u>
Population:	17,341	30,630	29,621	11,676
Density*:	992.5	3,076.9	4,875.0	443.7
Housing Units:	7,974	13,425	13,461	4,859
Land Area (sq. mi.):	17.5	10.0	6.1	26.3
Water Area (sq. mi.):				0.0

* People per square land mile

Educational Achievement:

	<u>15025</u>	<u>15236</u>	<u>15227</u>	<u>15037</u>	<u>15241</u>
ZIP					
<9th grade:	4.1%	2.4%	2.9%	3.8%	0.9%
9-12th:	10.1%	7.3%	9.3%	7.9%	2.4%
H.S. grad:	41.6%	36.6%	40.8%	46.5%	14.7%
Some coll.:	17.4%	18.5%	18.4%	17.2%	12.5%
2 yr deg.:	7.4%	7.0%	8.0%	9.6%	4.9%
4 yr deg.:	12.7%	18.5%	14.5%	10.7%	38.2%
Grad/prof:	6.7%	9.6%	6.0%	4.3%	26.3%
H.S.+:	85.8%	90.3%	87.8%	88.2%	96.7%
4 yr+:	19.3%	28.1%	20.5%	15.0%	64.5%



Sources: PGH Business Times
Zipskinny.com

West Jefferson Hills Baldwin-Whitehall Elizabeth Forward Upper St. Clair

Marital Status:

ZIP	<u>15025</u>	<u>15236</u>	<u>15227</u>	<u>15037</u>	<u>15241</u>
Never married:	26.4%	20.8%	27.2%	20.3%	16.0%
Married:	52.6%	61.4%	52.1%	62.5%	71.5%
Separated:	1.6%	1.1%	1.4%	1.7%	0.9%
Widowed:	10.5%	10.3%	9.1%	8.7%	7.5%
Divorced:	9.0%	6.4%	10.1%	6.8%	4.1%

Stability/Newcomer Appeal:

ZIP	<u>15025</u>	<u>15236</u>	<u>15227</u>	<u>15037</u>	<u>15241</u>
Same home 5+ yrs:	71.3%	73.2%	68.8%	75.7%	67.6%

Household Income:

ZIP	<u>15025</u>	<u>15236</u>	<u>15227</u>	<u>15037</u>	<u>15241</u>
<\$10,000:	11.6%	5.0%	7.0%	6.9%	2.1%
\$10,000-\$14,999:	8.9%	5.8%	8.4%	6.8%	1.8%
\$15,000-\$24,999:	15.5%	11.9%	16.1%	13.5%	4.2%
\$25,000-\$34,999:	12.5%	12.7%	14.8%	15.5%	6.8%
\$35,000-\$49,999:	16.4%	17.7%	18.0%	17.9%	11.3%
\$50,000-\$74,999:	17.6%	23.3%	19.0%	23.5%	17.8%
\$75,000-\$99,999:	9.5%	12.9%	10.6%	8.6%	14.8%
\$100,000-\$149,999:	5.5%	7.7%	5.0%	5.3%	19.2%
\$150,000-\$199,999:	1.3%	1.6%	0.7%	0.9%	9.3%
\$200,000+:	1.1%	1.3%	0.5%	1.2%	12.7%
Median:	\$35,989	\$46,913	\$38,439	\$39,774	\$85,102



Sources: PGH Business Times
Zipskinny.com

West Jefferson Hills Baldwin-Whitehall Elizabeth Forward Upper St. Clair

Occupation:

ZIP	15025	15236	15227	15037	15241
Mgt./Prof.:	33.2%	36.8%	31.4%	28.2%	58.8%
Service:	18.1%	13.8%	15.7%	15.7%	5.5%
Sales/Office:	25.8%	31.2%	31.7%	26.5%	28.8%
Fish./Farm./Forest.:		0.1%			
Constr./Extr./Maint.:	8.6%	8.6%	9.9%	11.6%	3.0%
Prod./Trans.:	14.3%	9.5%	11.3%	18.0%	3.9%

Unemployment/Poverty:

ZIP	15025	15236	15227	15037	15241
Unemployed:	3.4%	2.3%	3.3%	4.6%	1.1%
Below Pov. Line:	11.5%	4.8%	7.1%	8.3%	2.3%

Race:

ZIP	15025	15236	15227	15037	15241
Hispanic/Latino:	0.7%	0.5%	0.7%	0.3%	0.7%
White*:	82.8%	96.3%	96.7%	97.0%	94.0%
Black*:	14.5%	1.9%	1.2%	1.6%	0.6%
Native American*:					
Asian*:	0.7%	0.7%	0.7%	0.3%	4.0%
HI/Pac. Isl.*:					
Other*:	0.1%	0.1%	0.1%	0.1%	
Multi*:	1.2%	0.5%	0.6%	0.6%	0.6%

* Does not include individuals in this racial group who identify as Hispanic/Latino.

Age/Sex:

ZIP	15025	15236	15227	15037	15241
Males:	46.6%	47.4%	47.6%	47.4%	48.2%
Females:	53.4%	52.6%	52.4%	52.6%	51.8%
Median Age:	41.3	43.2	40.9	43.6	42.5



Thank You