

SOUTHERN YORK COUNTY SCHOOL DISTRICT

THE 2010-2011 PROPOSED FINAL GENERAL FUND BUDGET

BUDGET OVERVIEW

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Board Secretary**

This budget summary is intended to provide you with the information needed to understand the proposed 2010-2011 Final General Fund Budget.

The 2010-11 proposed final budget has been the most difficult in our memories. The community and country continue to be in the midst of a recession, which has drastically reduced many of the School District's revenue sources. For example, due to low interest rates, investment income has fallen from a high of nearly \$600,000 to less than \$100,000 and the housing crisis has led to a severe reduction in real estate transfer tax.

The budget process included a reduction of current building and area expenditures of 5% in order to make sure we carry over a surplus of \$700,000 from 2009-10 to 2010-11, a surplus that will be used to minimize the tax increase needed to balance the budget. This is the second time in two years that all building and area budgets were cut by 5%. The process included the difficult undertaking of removing more than \$600,000 of current staff and programs from the budget and included an evaluation of every budget line item. These measures were needed in order to finish with a 2010-11 proposed final budget that maintains the integrity of our outstanding educational program, yet minimizes a tax increase.

There are also challenges from the expense side of the 2010-11 proposed final budget. Health insurance costs are increasing at a rate of nearly 10%, which is less than trends in our area of the state, but nonetheless a significant amount. The School District's legislated contribution to the Pennsylvania State Employee's Retirement Fund is nearly doubling (4.78% of payroll to 8.4% of payroll), shooting up close to an additional \$1 million.

"This budget is mindful of our responsibility to maintain an excellent education for our students, yet sensitive to the current economic conditions of our community and country."

Dr. Thomas Hensley,
Superintendent of Schools

State mandated costs for cyber charter schools and highly regulated special education expenses continue to grow rapidly without relief in sight. Finally, 2010-11 will be the final year of a 3-year contract with our professional staff - a contract that set out to compensate our teachers at a rate slightly higher than the County average; a reasonable position since our academic success is at the top or near the top in all areas - a direct result of an excellent faculty.

As the budget now stands, it will require a real estate tax increase of 0.40 mills (2.47%) to balance. This increase equates to \$69.60 for the median residential property, which is assessed at \$174,000.

The Board of Education, administrators, faculty and staff take very seriously the financial contribution that each member of our community makes to ensure our students have an excellent education. We remain dedicated to managing each and every dollar carefully. We embrace the importance of open, thorough, and regular communication with our citizens.

In addition to this budget summary, the School District's business office is readily available to meet with you individually or in groups to present and discuss budget and financial information related to the School District. It is our desire that the budget process and financial affairs of the School District are open and understood by the citizens of our community. This is our pledge to you. Detailed budget information is available at all District offices and on the District website at:

www.syc.k12.pa.us.

2010-2011 PROPOSED FINAL GENERAL FUND BUDGET

BUDGET SUMMARY

The Southern York County School District’s proposed final budget for 2010-11 is \$46,666,331. The proposed final budget includes a 2.47% real estate tax increase (0.40 mills) over the current budget.

The proposed increase is 1.03% below the Pennsylvania Department of Education (PDE) index. The current PDE index for 2010-11 is 3.5%. The index is the amount determined by PDE as the allowable tax increase for the Southern York County School District.

It is worth mentioning that the strategy of many school districts is to tax at or near the PDE index – a strategy that is difficult to dispute due to the uncertainties of revenue sources and known expenditure increases. It should be noted, however, that this is not the strategy of our Board of Education. The strategy of our Board of Education is to do everything possible to maintain the lowest possible tax rate necessary to carry on our outstanding educational program. In short, we are not taxing to build up a surplus.

What is a Mill?

A mill is a unit of currency that is equivalent to 1/1000 of a United States dollar (1/10 of one cent or \$.001). A mill levy is the number of dollars a taxpayer must pay for every \$1,000 of assessed value. For example, the current 2009-10 real estate tax rate of 16.22 mills results in a tax bill of \$1,622 for a home assessed at \$100,000. With the proposed 2010-11 real estate tax rate of 16.62 mills, the same taxpayer would pay \$1,662 annual real estate taxes - \$40 more than last year.

What is an Equalized Mill?

An equalized mill is a standard millage calculated by dividing a school district’s total taxes by its total market value. In other

“The significant events, which have derailed our national economy, have heightened our duty to carefully manage the School District’s resources.”

*Mr. Robert Schefter,
President of the Board of Education*

words, equalized mills express tax rates as a percentage of market value. Equalized mills are used to provide real comparisons of actual tax efforts across district lines. This comparison is important because the calculation includes the entire market value of school districts, including residential and commercial properties. **Southern York County School District remains next to the lowest in York County for equalized millage rates.**

York County Tax Rates

	2009-10 Real Estate Tax Rates	2007-08 Equalized Mills *
York City	29.54	38.5
Northeastern	22.39	27.8
Dallastown	21.53	25.0
Red Lion	21.23	24.4
South Eastern	19.7326	24.4
Dover	19.57	26.3
York Suburban	19.508	25.5
West York	19.1237	22.3
Hanover	18.69	24.5
Spring Grove	18.45	23.1
Eastern	18.34	24.0
Central	17.26	22.1
Southern	16.22	20.8
South Western	15.62	19.3

*2007-08 is the most recent data on equalized mills

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COST CONTROL

As mentioned in the budget overview, the 2010-11 proposed final budget includes the following budget reductions, totaling more than \$600,000:

- The reduction of three teachers – positions not filled due to attrition.
- One full time and one part time custodian positions will not be filled.
- The elimination of two full size buses - the bus fleet will consist of 29 full size buses, creating the need for two additional double runs. A double run is when the same bus is used for more than one trip to the same school in the morning and afternoon. The impact will be longer rides and more crowded buses.
- The number of working days beyond school days for guidance counselors, librarians and reading specialists is reduced.
- There will be no new athletic or band uniforms for the 2010-11 school year.
- There will be no new equipment District-wide for the 2010-11 school year.
- Half of the technology replacement budget has been cut from the current budget. This money was intended to update existing technology in the elementary classrooms.

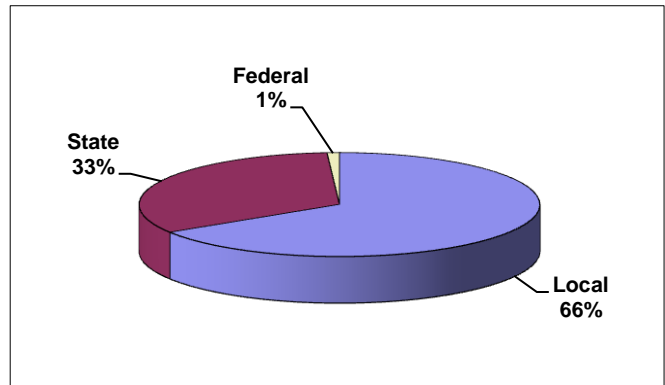
In addition to the cuts mentioned above, all building and area budgets are frozen at 2009-10 levels. Finally, the long range capital plan, which funds ongoing maintenance projects such as roofing and paving, has been reduced to fund only projects of an emergency nature.

It is important to note that these cuts should not be considered permanent in nature. While we all agree that it is necessary to make the cuts in these unusual economic times, each cut will have a negative impact on the quality of our children's education and the District's physical plant if continued beyond the short term.

REVENUE

Like all school districts in Pennsylvania, the Southern York County School District receives revenue from three primary sources: local, state and federal. The individual revenue breakdown is as follows:

- Local: 66%
- State: 33%
- Federal: 1%



Total revenue for 2010-11 from all sources is budgeted to increase 1.3%. This includes a budget-to-budget increase in local revenue of 0.1% and an increase in state revenue of 3.3% (primarily due to the nearly \$1 million increase in the School District's expense for retirement, ½ of which is reimbursed by the state).

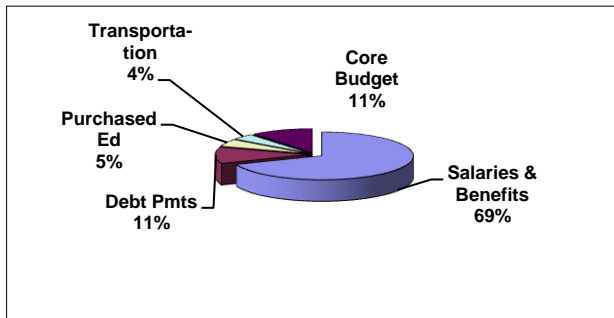
The 2010-11 proposed final budget includes no increase in special education subsidy – the second year in a row the state has frozen special education subsidy. In addition, the budget includes no state subsidy for alternative education – a mandated program.

Finally, the state formula for determining basic education subsidy for school districts includes a provision for minimizing subsidy to school districts that have an equalized millage below an established level. Southern's equalized millage falls below this level, which has resulted in consecutive years of minimal basic education funding. One could argue that the funding formula penalizes school districts with low tax rates.

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EXPENDITURES

Total expenditures are projected to increase 5.2%, primarily due to areas already mentioned: legislated contributions to the state retirement system, state mandated payments for cyber charter schools (Purchased Ed), increased health insurance premiums and expanded special education expenses.



BALANCING THE BUDGET

In addition to a tax increase of 2.47% needed to balance the budget, approximately \$1.4 million of fund balance will be used. This includes the normal use of \$300,000 from the general fund unreserved fund balance, \$675,000 of designated fund balance (designated for the purposes of health insurance, retirement contributions and technology), and \$464,000 from the debt service fund – money from the recent refinancing of existing debt.

EXCELLENT FINANCIAL CONDITION

We are pleased to report that the School District is in excellent financial condition. This is a result of mandated internal expenditure control, which is projected to generate a surplus of approximately \$700,000 during the current budget year, as well as sound and conservative management practices.

Demonstrated examples of sound management practices include our student transportation services, which operate on a per student basis \$1.9 million less than other school districts in the Lincoln Intermediate Unit area. In addition, a recent benchmarking study conducted by the

Pennsylvania Association of School Business Officials revealed that total operation and maintenance costs are \$975,800 less than other school districts in Pennsylvania of similar size.

Finally, the general fund unreserved fund balance meets the target of 5% of the budget and is below the State limit of 8%. Additionally, the School District's physical plant is in excellent condition due to an ongoing capital program.

RETURN ON INVESTMENT

The Annual Report to the Community details sustained success on many levels: students' test scores reflect a strong educational program and in many cases are #1 in York County, SAT scores top state and national averages, and our students continue to be tremendously successful outside the classroom. The entire Annual Report to the Community is found on the District's website.

TAXPAYER RELIEF

The 2006 Taxpayer Relief Act created the State Property Tax Relief Fund as a way to use State gaming revenue to reduce property taxes. Last year, the relief fund reduced the average residential property taxes by \$177.88. According to information received from the Governor's office, broad-based property tax relief will again be provided from the State's Property Tax Relief Fund – an amount to be determined in May 2010.

Approved homeowners will see the property tax reduction itemized on their real estate tax bill, which will be issued July 1, 2010. The amount will be based upon State funds divided by the number of District properties approved. According to State law, all approved homestead properties in the school district will see the same reduction on their real estate tax bill, regardless of the property assessment.