

West Chester Area School District 2014-15 Preliminary Budget Message

At a special meeting held on February 18, 2014 the West Chester Area School Board voted 6-3 in favor of adopting the 2014-15 preliminary budget totaling \$224,093,000 - an increase of 7.5%, or \$15.7 million over the current-year budget. Spending increases are due primarily to mandated expenses over which the district has no control, including the state pension program known as PSERS, special education, debt service and charter school funding. The increase in spending leaves the District with a \$14.9 million budget gap for the coming school year.

Of the total \$15.7 million spending increase, 92% is based on the following three areas:

1. A state-mandated pension contribution rate increase amounting to \$4.7 million
2. Salary and healthcare benefit cost increases
3. Debt service obligations on building renovation projects

Other additions to spending due to state and federal mandates include the hiring of three biology teachers and two special education teachers for 2014-15.

The most critical source of funding for the district's budget, local revenue, has stabilized after suffering through several years of declining property values and assessment appeals that cost the District tens of millions of dollars in total assessed property value. By contrast, state and federal subsidies have not kept pace with a variety of mandates.

Despite the stabilization of local revenue sources, the District will be forced to draw from the fund balance to help further reduce the \$14.9 million budget gap. School Board President Dr. Rick Swalm said, "The Board has been planning for large increases in retirement and health care costs and established fund balances to help reduce the burden on our taxpayers. This will be one of those years in which we will need to draw on those reserves to close the budget gap."

To close the \$14.9 million budget gap for 2014-15, the WCASD may rely on \$7.1 million drawn from reserve funds, in addition to the 2.1% Act 1 index that will generate an additional \$3.1 million, and \$1.9 million from a 1.4% increase in available Act 1 exceptions.

The projected spending increase in the preliminary budget allows for an allocation of \$3.9 million towards teacher salary expenditures in the upcoming budget year, an amount that was approved by the previous Board. The current Board is presently engaged with the Teachers Union in negotiations to reach agreement on a new contract.

2014-15 District Tax Rates

The tax rate for the West Chester Area School District continues to be the lowest in Chester County and also offers the lowest rates for those residents in the Delaware County portion of the District. For more than a decade the WCASD average tax burden has remained in the lowest 10% among school districts in the Commonwealth of Pennsylvania.

Based on the preliminary budget figures, the real estate tax rate for Chester County would have to increase by 1.02 mills, to 19.7 mills, up 5.5%, and the rate for Delaware County will increase by 0.37 mills, to 13.99 mills, an increase of 2.7% over 2013-14. Those rates cannot be applied because, legally, the budget must include tax increases of no more than the Act 1 index-allowed 2.1% and exceptions to the index of 1.4% for a total of 3.5%. The average assessed home value in Chester County is now \$190,635 and in the Delaware County portion of the District the average value is \$287,525. Assessed value is approximately one-half of a home's actual market value. At a 3.5% rate increase the average tax hike would be \$125 for Chester County residents. Residents living in Delaware County would see an average increase of \$67. The differences in county average assessments account for formula differences resulting in the differing tax rates.

Expenditure Increases

Debt service continues to form a relatively large portion of the total budget, reflecting previous investments made in new school construction for Bayard Rustin High School and major renovations to East and B. Reed Henderson High Schools. Major middle school renovations were also made, and spending continues on the current plan to renovate our elementary school buildings. The District has strived to minimize expenses across all operations.

The District has also implemented higher employee cost sharing for healthcare. The still-to-be-settled teacher contract may offer additional areas in which the rate of growth in employee benefits can be better controlled.

Many expenses are typically not under the District's control such as utilities and increases for charter school tuition costs - increasing \$352,000 in the 2014-15 school year - have added to the annual budget. Where possible the District has pursued cost saving measures in these areas. For example, the District has participated in a bidding consortium with other schools in Chester County to monitor the market price of fuel. As a result, the District has been able to avoid making any cuts to core programs even as the economy suffered through the dramatic recession which began in 2008.

The Board will continue to seek expense reductions in order to avoid taking the maximum allowable tax increase.

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