

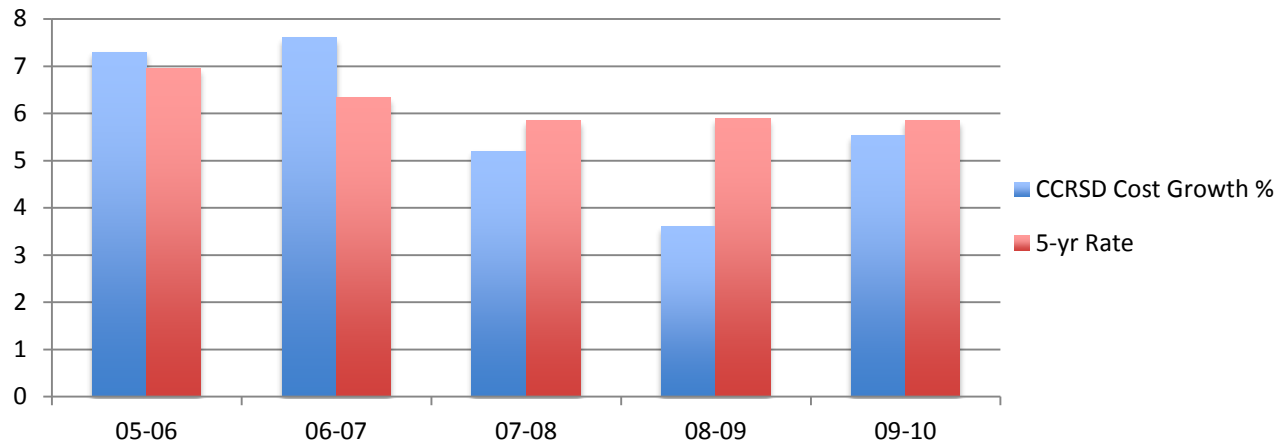
# **Historical Review and Cost Growth Analysis**

## **CCRSD Operating Budget**

October 9, 2014

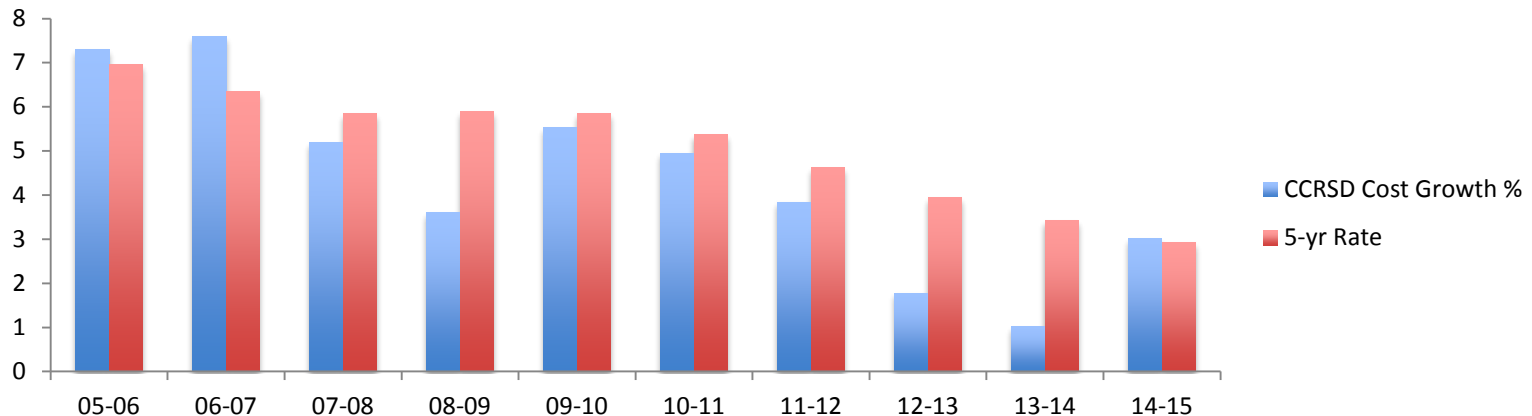
# Historical Cost Growth: FY05 – FY10

- Yearly increases ranged from 3.6% to 7.6%.
- Annualized 5-year rate of growth for Fiscal Years 2005 - 2010 was 5.85%.



# Cost Growth: FY10 – FY15

- FY10-FY14: Growth declined from 4.95% to 1.01%.
- FY14-FY15: Growth of 3.01%.
- Annualized 5-year rate of growth for FY10 – FY15 decreased to 2.9%.
- Steady deceleration from the previous five-year period's annualized growth rate of 5.9%.



# Drivers of Reduced Cost Growth FY13 & FY14

- Out of district special education costs lowered; more students and services in-house. Some graduations.
- Focus on managing non-personnel costs (insurance, utilities, other operating costs).
- Reduced FY14 OPEB contribution significantly below target.
- Fiscal Year 2013 operating budget increase was 1.8% (was 3.3% prior to reduced drivers).
- Fiscal Year 2014 operating budget increase was 1.0% (was 5.2% prior to reduced drivers).
- These are unsustainably low increases that were the benefit of one-time credits.

# Current Year -- Budget for FY15

- Budget approved at 3.01% increase (requested 3.25).
- Due to required fixed costs (steps, lanes, scale, OPEB, SPED tuition, transportation), FY15 proposed budget required cuts of \$327,434 to meet FINCOM guideline (cut some FY14 level funding and some planned FY15 increases).
- Reductions: 1.0 Admin Assistant, computer hardware, utilities, legal, maintenance, insurance, textbooks/supplies (science, foreign language, music, art, social studies), professional development.

# FY15 – Budget Growth of 3.01%

3.01% = \$719,042 increase

- OPEB – increase of \$273,046 accounted for 38% of total budget growth.
- Teachers – increase of \$497,369 due to contractual steps, lanes and scales accounted for 69% of total budget growth.

•Note on OPEB (Other Post Employment Benefits) – these are benefits that retired employees receive (not pension; e.g. healthcare). We feel a moral obligation to fund OPEB to ensure the future benefits of our employees and a fiscal responsibility to maintain our Aaa bond rating. The target was \$350,000 per year and is increasing to \$675,000 in FY16.

# FY16 - Cost Growth Analysis

- Operating Budget includes:
  - Employee Costs (65%)
    - Teachers (70%)
    - Other Employees (30%)
  - Non-Employee Costs (35%)

# FY16 - Cost Growth Analysis

## 1. EMPLOYEE COSTS

### A. Teachers

Teacher salary costs account for 46% of CCRSD operating budget.

- 56% of these teacher costs associated with a STEP table.
  - 4% STEP increase + 2% COLA = 6% increase
  - **1.55%** impact in yearly operating budget cost increase
- 44% of these teacher costs occur on the top STEP.
  - 2% COLA
  - **0.40%** impact in yearly operating budget cost increase

**1.95% increase in annual operating budget based on teacher salary assuming a 2% COLA**



# FY16 - Cost Growth Analysis

## B. Other Employees

All other employees account for 20% of operating budget.

- Assume average 3% cost growth
- **0.6%** impact in yearly operating budget cost increase

**2.55% increase in annual operating budget based on all CCRSD salaries assuming no new programs or student population growth.**

## 2. NON-EMPLOYEE COSTS

Non-employee costs, less OPEB, are 33.6% of operating budget (SPED, utilities, insurance).

- Assume 2% cost growth
- **0.67%** impact in yearly operating budget cost increase

OPEB is 1.4% of operating budget

- Assume 93% cost growth
- **1.3%** impact in yearly operating budget cost increase

**1.97% increase in annual operating budget based on all Non-Employee Costs.**

# FY16 - Cost Growth Analysis

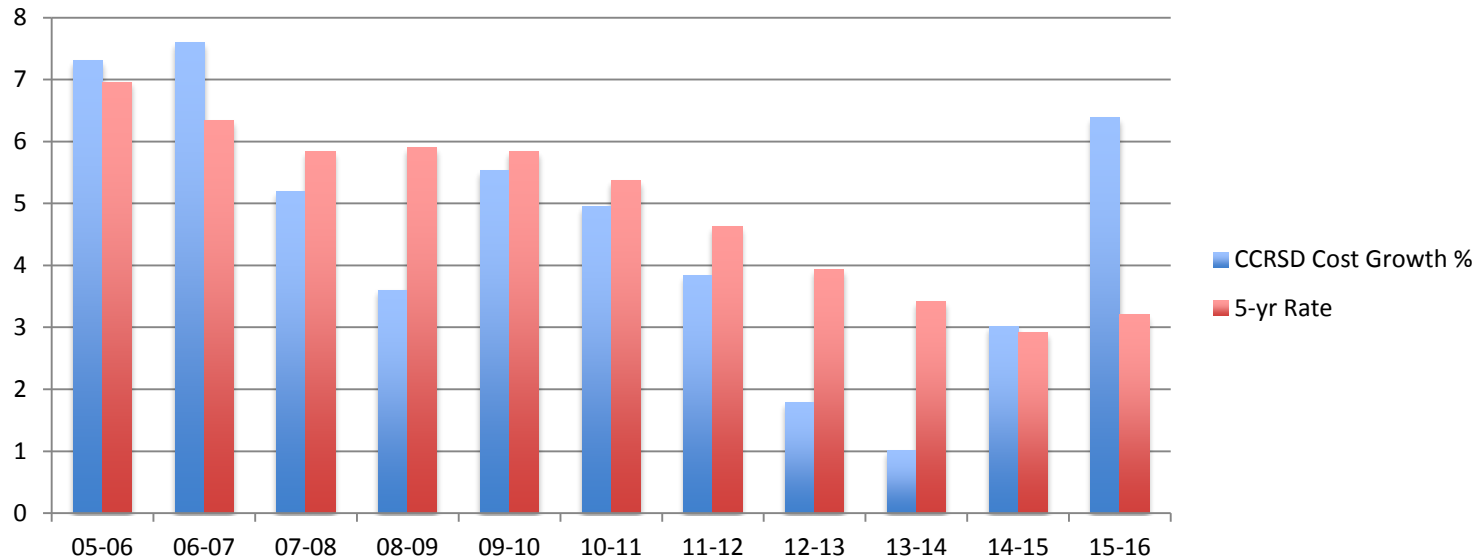
## 3. ANNUAL COST GROWTH

<b>Employee cost growth</b>	<b>2.55%</b>
<b><u>Non-employee cost growth</u></b>	<b>+ 1.97%</b>
<b>Total annual cost growth</b>	<b>4.52%</b>

- Underlying fixed costs growth alone require an operating budget increase of 4.52%.
- This assumes no new programs and no increase in enrollment (current CCHS student population is +27 students from October 2013 to October 2014).

# FY16 Preliminary Budget

- The proposed FY16 increase (6.38%) acknowledges student growth and the need to improve our programs. This reflects only a 0.3% impact on the 5-year annualized growth rate (from 2.9% to 3.2%).



# Summary

- Analysis of underlying fixed cost growth, assuming no new programs or student growth, is in the 4.5% range.
- We have student growth and a need for program improvement and enhancements.
- We desire to pursue a cost growth path that both supports our educational needs and is also sustainable within the Towns' forecasted resources.