

GENERAL FUND

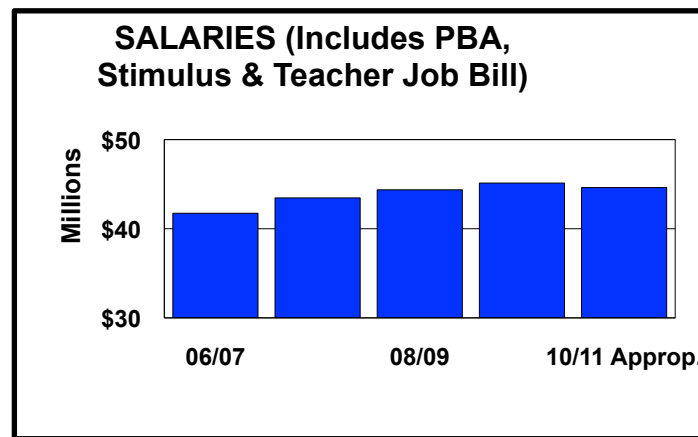
EXPENDITURES

Wages & Salaries

Public school districts are labor intensive entities. As such, the bulk of any school district's expenditures are spent on employee wages and benefits, typically 80% to 85%. Wages comprise the majority of that amount. Over the last several years, wages as a percentage of total expenditures in Euclid have been about 58%. Key factors that need to be taken into account when developing salary appropriations and forecasts always include staffing levels, salary schedules set forth in collective bargaining agreements, years of experience and longevity of employees and substitute employee and overtime needs of the district.

Fiscal Year 2009-10

Salaries and wages totaled \$45.1 million in fiscal 09-10. This was an increase from \$44.4 million in fiscal 08-09. Negotiated wage increases, along with salary schedule advancement were the driving forces of the increase. The certificated staffing level was decreased by 25.05 FTE's, and the support staffing level was decreased by 3.2 FTE's in fiscal 09-10. Certificated salaries rose 1.9% while non-certified wages increased by 1.2%.



Fiscal Year 2010-11

The total proposed salary and wage appropriation is \$44.6 million in fiscal year 10-11. This represents a 1.1% decrease from actual paid in fiscal 09-10. Economic factors required a significant reduction in staffing levels. The certificated staffing level was decreased by 41.3 full time equivalents (FTE's) while the support staff level was decreased by 13.3 FTE's. These numbers reflect the anticipated recalling of 15 building substitutes and 2 middle school

counselors provided by the Federal Education Jobs Bill funds. Although labor negotiations are still in progress as of this writing, this appropriation assumes an across the board pay freeze for all employees, similar to the negotiated pay freeze with the Teacher’s Association. The full time equivalency comparison to last year is as follows:

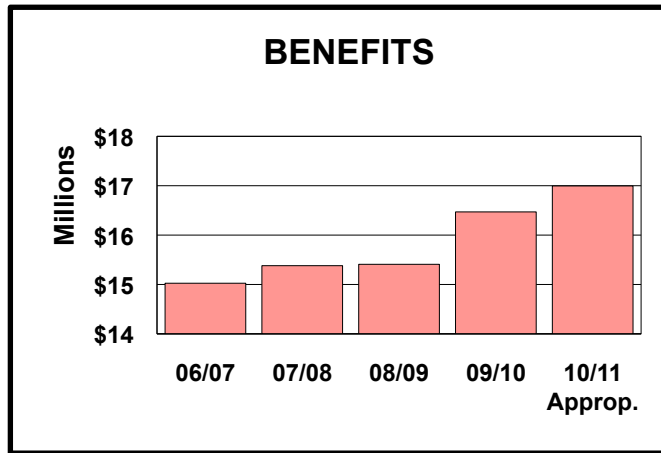
	<u>FY10</u>	<u>FY11</u>
Certified FTE	496.60	455.24
Non-Certified FTE	<u>283.09</u>	<u>269.80</u>
Total	779.69	725.04

Employee Benefits

The single most expensive employee benefit in the District’s budget is the required contribution to the State Teacher’s Retirement System (STRS) and the School Employee’s Retirement System (SERS). The District must contribute 14% of all salaries of its employees to their respective systems. Contributions must be made to STRS on behalf of the certified staff and to SERS on behalf of all support staff. In addition, the District must pay SERS a surcharge for part-time employees. The total SERS surcharge has been increasing yearly and now exceeds \$225,000 per year. Also, the District must pay a 1.45% Medicare tax for all employees hired since 1986. District employees are also entitled to medical, prescription drug, dental, vision and life insurance coverage.

Fiscal Year 2009-10

Employee benefits totaled \$16.5 million in fiscal 09-10, compared to \$15.4 million spent in 08-09. The fully insured equivalent rates which are used for funding the medical self insurance reserve fund increased by 12.5% in January 2010; likewise, the prescription drug rate increased by 20.7%. Claim activity and market forces caused these respective increases. Additionally, medical premium holidays taken in fiscal 08-09 to reduce an over-funded reserve levels were not repeated in fiscal 09-10 although two months of premium holidays were taken with prescription drug premiums. Payments for the employer’s share of retirement system contributions, Medicare and workers compensation rose slightly in line with the increased salary and wage expenditures.



Fiscal Year 2010-11

The proposed employee benefit appropriation is \$17.0 million. This reflects a 3.2% increase over FY09-10. Prescription drug premium holidays totaling approximately \$200,000 will be taken again this year to reduce excess reserves in that reserve fund. Employee benefits based on wages, such as retirement system contributions, medical and worker's compensation will parallel changes in salary and wage expenditures.

Negotiations with the Teacher's Association resulted in an agreement to change the medical benefit design, which includes office co-pays, and to increase prescription drug co-payments as cost saving measures. As of this writing, negotiations with other bargaining units are continuing. It is assumed here for budgetary purposes that these groups will agree to essentially the same coverages. These savings, however, only offset the general rise in health care costs, and additional costs caused by the federal healthcare reform, generally predicted to be about 4%. Additionally, due to the significant number of layoffs, unemployment compensation will increase dramatically in fiscal 2010-11. A provision of \$385,000 has been made which is an increase from \$64,000 last year. Overall medical premiums are projected to increase 8% and prescription drug expenditures are estimated to rise 8% as the District's claim experience continues to be favorable.

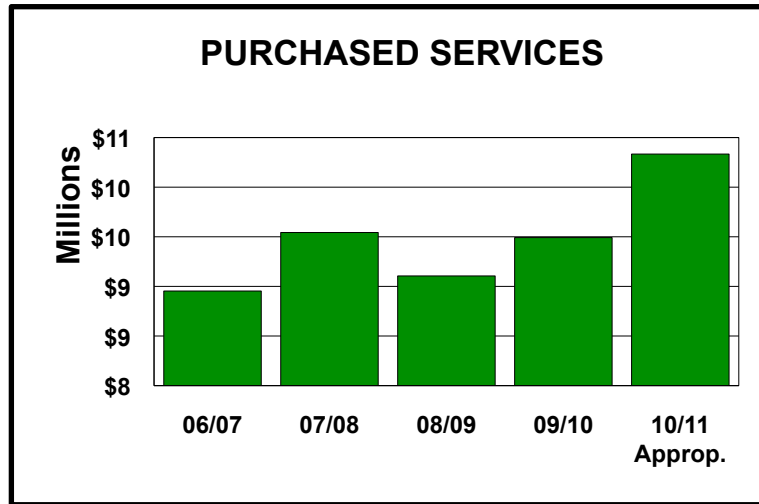
Purchased Services

Purchased services include such items as utilities, vocational and special education tuition, services purchased through the Cuyahoga County Educational Service Center, copier leases, repairs, legal expenses, professional services and mileage reimbursements. These expenditures typically comprise about 10 to 12% of the District's total appropriations.

Fiscal Year 2009-10

Purchased services expenditures totaled \$9.5 million in fiscal 09-10 compared to \$9.1 million in fiscal 08-09, a 4.4% increase. Special and vocational education tuition costs increased from

\$4.4 million in fiscal 08-09 to \$4.8 million in fiscal 09-10. Total utility costs decreased from \$1.8 million in fiscal 08-09 to \$1.5 million in fiscal 09-10. Legal services dropped from \$80,000 in fiscal 08-09 to \$75,000 in fiscal 09-10. Postage expenditures decreased in the 08-09 fiscal year from \$135,000 to \$113,000. Increases in expenditures were realized in telephone (from \$38,100 to \$64,000), and contracted special education transportation (from \$695,000 to \$977,000).



Fiscal Year 2010-11

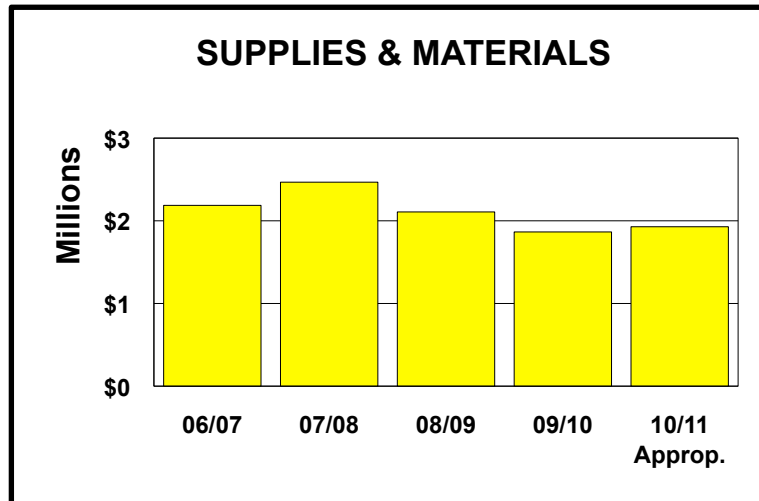
The proposed purchased service appropriation for fiscal 10-11 is \$10.3 million. This reflects an increase of \$525,000 from last year’s appropriations or 3.2%. A provision for a 5% increase in utilities has been made for a total of \$1.6 million in fiscal 10-11. Other significant purchased service items include special education tuition (\$4.2 million), special education contracted transportation (\$906,000), and legal fees (\$115,000).

Materials & Supplies

This category of expenditures includes instructional materials, textbooks, office supplies, software, media center books and periodicals, fuel, tires and maintenance supplies. Typically, there is a 50/50 split in these expenditures between instructional and non-instructional items

Fiscal Year 2009-10

Material and supply expenditures totaled \$1.9 million in fiscal 09-10 compared to \$2.1 million in fiscal 08-09, an 11.5% decrease. Due to budgetary reductions and the timing of expenditures posted for a textbook adoption (after fiscal year end) total material and supply expenditures dropped in FY 09-10.



Fiscal Year 2010-11

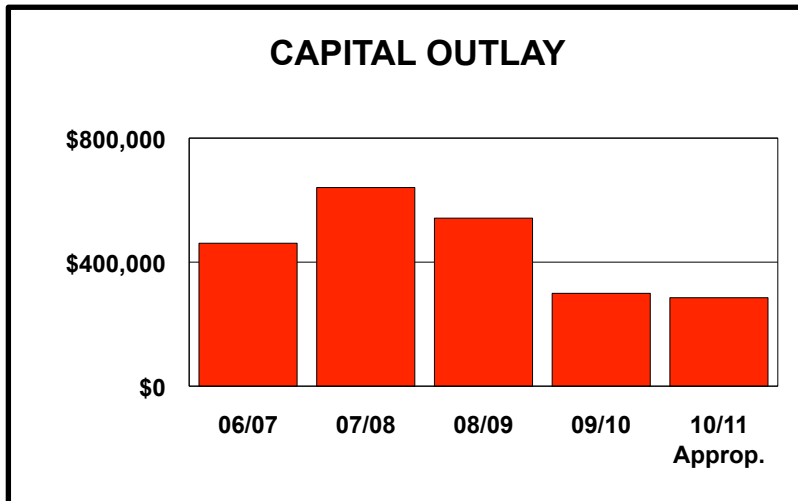
The total proposed material and supply appropriation for fiscal 10-11 is \$1.9 million. This represents a decrease of \$800,000 from last year's appropriation. Last year's 10% discretionary budget cuts are continued this year. However, the most significant cut is a delay of textbook purchases originally scheduled to take place this year.

Capital Outlay

Capital outlay includes the purchase of items determined to be assets. Basically, an asset is an item with a life expectancy of five years or more. These items include computer equipment, office equipment, buses, vehicles, maintenance equipment, furniture, and building improvements. The majority of the district's capital investments are funded by the Permanent Improvement Levy passed in 2004. However, school principals and department heads will typically earmark a portion of their budgetary allocations for some equipment needs.

Fiscal Year 2009-10

The total General Fund Capital Outlay was \$299,000 in fiscal 09-10 compared to \$542,000 in fiscal 08-09. Budget reductions affected this category as these expenditures are often discretionary.



Fiscal Year 2010-11

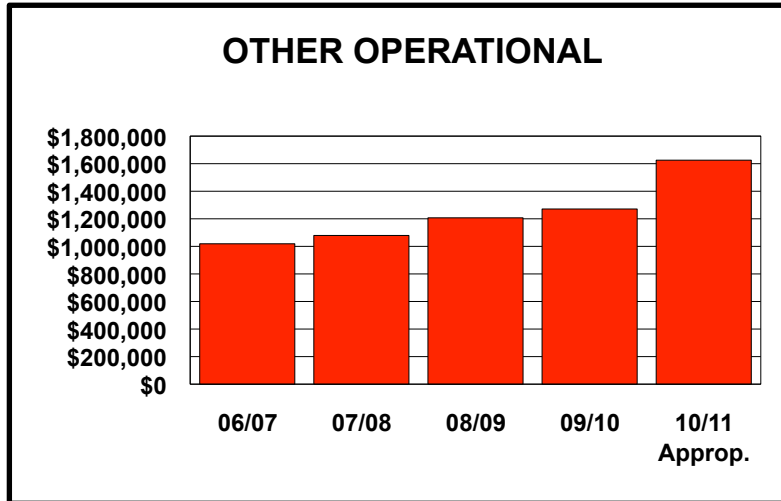
The total proposed capital outlay appropriation is \$285,000. This is a reduction from last year's original appropriation of \$481,000. The difference comes down to how principals and department heads budgeted their allocations for the upcoming year in addition to budgetary cuts enacted.

Other Operational

Other operational expenses include County Auditor and Treasurer's fees, election expenses, property and liability insurance, auditing charges, and County Board of Election fees. County Auditor and Treasurer's fees charged for the collection and distribution of property taxes, comprise the largest portion of this category. The District has little control in the level of spending in this category with the exception of the District Contingency provision.

Fiscal Year 2009-10

Other expenditures totaled \$1.3 million in fiscal 09-10 compared to \$1.2 million in fiscal 08-09. Increases encountered in this category include County Treasures and Auditor fees (\$98,000) and liability insurance (\$28,000).



Fiscal Year 2010-11

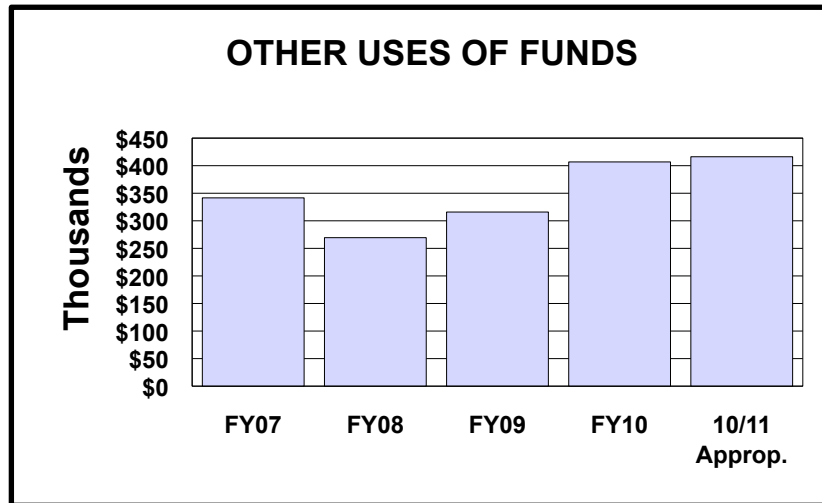
The total proposed appropriation for the Other Operational expense category is \$1.6 million compared to \$1.5 million last year. Significant items in this category include audit fees (\$45,000), County Auditor & Treasurer’s fees (\$700,000), election expense (\$30,000), delinquent/income tax collection fees (\$200,000), and contingency (\$200,000).

Other Uses of Funds

As the term implies, this category of expenditures are typically not relevant to the operations of the district. Items such as transfer, advances, and other adjustments are included.

Fiscal Year 2009-10

Other Uses of Funds expenditures totaled \$407,000 in fiscal 2009-10. The majority of this account includes transfers to the Debt Service Fund to pay down debt related to two energy retrofitting projects.



Fiscal Year 2010-11

The proposed appropriation for this category for fiscal 10-11 is \$416,000. This represents transfers of funds to the Debt Service Fund for the annual debt service on two House Bill 264 projects for energy retrofitting.