



April 4, 2017  
Finance Committee



# Financial Performance

- The Department of the Auditor General issued a finding on the “Persistent Operational Deficits”
  - It was highlighted that use of fund balance in lieu of raising property taxes or decreasing educational services will be unsustainable in the future
  - The debt service was considered excessive being over 10% of the total expenditure, “the District should be very wary of taking on more debt”
  - The recommendations were to develop a long range financial plan, implement a business model to monitor operational expenses
- S&P Global Ratings Lowered its long term rating 3 notches from A to BBB
  - It was highlighted that the negative fund balance of \$454,000 was low and the expenditures continue to outpace static revenue, “we have concerns about the district’s ability to cut costs and increase revenues sufficiently to restore structural balance”
  - The overall net debt of 11.2% was considered high and amortization is slow, “there is a one-in-three chance the rating could lower”
  - The recommendation from S&P was to perform long term financial planning and develop formal debt and reserve policies.



# 2017-2018 Budget Preparation

- PBSD is one of 23 public schools in PA with a negative fund balance at year ending 2014-15 (-\$453,838)
- The balanced budget passed and submitted for 15-16 finished with a negative \$4,403,445
- The total fund balance at year ending 15-16 was a negative \$4,857,283
- The District used bond proceeds to cover the nearly \$5 million deficit for the 2016-2017 school year, without the bond proceeds the fund balance deficit would be almost \$10 million
- Currently our budget is nearly balanced based on assumptions regarding several key decisions yet to be finalized



# What Does This Mean

- The District should be able to finish the current school year with enough funds to make payroll
- The District has to report any PSERS bond debt to the auditor general's office
- The District's ability to take on additional debt will be increasingly difficult
- The District does not have the ability to address this deficit gradually due to the lack of fund balance
- The negative fund balance will create additional scrutiny from state officials

# Revenue Targets

PBSD Summary of Revenues By Source		
Estimated Revenues and Other Financing Sources		
	<b><u>Preliminary 17-18</u></b>	<b><u>17-18 Revised 4/5/17</u></b>
6000 Revenue from Local	35,304,941	35,636,703
7000 Revenue from State	27,025,842	26,948,812
8000 Revenue from Federal	1,146,162	1,238,162
9000 Other Revenue	0	1,500,000
Total Estimated Revenues and Other Financing Sources	63,476,946	65,323,677
Difference		<b>1,846,732</b>

Beginning of Year Estimated Fund Balance (Est.)	-4,173,872
End of Year Estimated Fund Balance	-4,212,032
Operating Surplus/(Deficit)	-38,160

# Local Revenue

Local Revenues			
<u>Acct #</u>	<u>Acct Desc.</u>	<u>17-18</u>	<u>Notes</u>
6111	Current Real Estate Taxes	28,000,010	Act 1 tax inc.
6112	Interim Real Estate Taxes	35,000	Historical
6113	Public Utility Realty Tax (PURTA)	35,000	Historical
6120	Current Per Capita Tax Sect. 679	85,000	Historical
6141	Current Act 511 Per Capita Tx	82,000	Historical
6143	Local Service Tax (LST) Act 511	31,000	Historical
6151	Current Act 511 Earned Income Tax	3,807,601	Trend Up 2%
6153	Current Act 511 Real Estate Transf.	275,000	Historical
6411	Delinquent Real Estate Taxes	1,800,000	Average and Sale of Tax
6461	Delinquent Earned Income Taxes	0	
6510	Int/Invest & Invest Bear Cks	10,000	
6690	Other Food Service Revenues	0	
6710	Athletic Department	70,000	
6740	Student Fees	24,000	Student Fees
6790	Other Student Activity Income	0	
6829	State Rev Other Inter Sources	0	
6831	Fed. Rev. From Other Public Sch.	0	
6832	Federal IDEA Revenue Rec. as Pass Through	415,782	Trent Down 6% (will have exact)
6836	ARRA Race to the Top - Pass Thru	0	
6910	Rentals	25,000	Historical and advertising
6920	Contribution/Donation - Private	30,000	Historical
6940	Tuition From Patrons	101,710	Chinese/Tuition Other Districts
6941	Regular Day Sch Tuition	0	
6944	Rev From Other Leas	63,000	3 SE Students
6949	Other Tuition - Nursery Sch.	0	
6950	Transportation Fees	25,000	
6960	Sale of Buildings	675,000	New Bus Facility and 606
6990	E-Rate Subsidy, Miscellaneous Rev	25,000	
6991	Refund to Prior Yr Expenditure Acct	0	
6999	Royalty Distributions	21,600	
		<u>35,636,703</u>	

# Real Estate History

## REAL ESTATE TAX HISTORY AND PROJECTIONS - PBSB

Tax Year	Assessed Value	Homestead Value	Net Taxable	Milage Rate	Gross Revenues	Longwood Payment	Discount Allowance	Est. Collection at 100%	Actual Collection	Est. Uncollected 12/31	Budgeted Real Estate and Interim Difference
Actual											
2014	1,547,171,865	88,187,980	1,437,861,405	0.018758	26,971,404	498,400	539,428	26,930,376	25,305,986	1,624,390	26,331,501 -1,025,515
2015	1,535,418,442	88,142,800	1,424,511,932	0.018758	26,720,995	505,520	534,420	26,692,095	25,259,326	1,432,769	27,101,059 -1,841,733
2016	1,545,679,394	88,159,600	1,434,435,474	0.018758	26,907,141	512,640	538,143	26,881,638	25,530,493	1,351,145	27,994,767 -2,464,274
											-5,331,522
Actual	Assessed Value	Homestead Value	Net Taxable	Milage Rate	Gross Revenues	Longwood Valuation	Discount Allowance	Est. Collection at 100%	Actual Collection	Est. Uncollected 12/31	Budgeted Real Estate and Interim Difference
2017	1,556,270,294	85,325,376	1475510930	0.019377	28,590,996	654,321	571,820	27,364,855	26,581,902	782,953	26,400,705 181,197

# Real Estate Projection

No Tax Increase, \$30,000 Interim Budget .30 CPI

Tax Year		Homestead		Milage	Gross	Longwood	Discount	Est.	Budgeted		Additional
Version 2	Assessed Value	Value	Net Taxable	Rate	Revenues	Valuation	Allowance	Collection at 100%	Real Estate and Interim	Difference	Revenue with Tax Increases (3 Years)
2018	1,565,418,594	85,325,437	1,480,093,157	0.019377	28,679,765	654,321	573,595	27,451,849	26,666,407		
2019	1,568,549,431	85,325,437	1,483,223,994	0.019377	28,740,431	654,321	574,809	27,511,302	26,724,159		
2020	1,571,686,530	85,325,437	1,486,361,093	0.019377	28,801,219	654,321	576,024	27,570,874	<u>26,782,026</u>		
									80,172,593		

Tax to Index (Assume 3.4% per year), \$30,000 Interim Budget

											Additional Revenue with Tax Increases (3 Years)
Tax Year	Assessed Value	Homestead Value	Net Taxable	Milage Rate	Gross Revenues	Longwood Valuation	Discount Allowance	Est. Collection at 100%	Budgeted Real Estate and Interim	Difference	
2018	1,565,418,594	82,519,765	1,482,898,829	0.020036	29,711,091	676,568	573,595	28,460,928	27,691,261		1,188,094
2019	1,568,549,431	79,806,349	1,488,743,082	0.020717	30,842,344	699,571	574,809	29,567,964	28,721,977		2,186,159
2020	1,571,686,530	77,182,156	1,494,504,374	0.021421	32,014,398	723,357	576,024	30,715,017	<u>29,836,211</u>		<u>3,267,631</u>
									86,249,449		6,641,883

Tax to Index With Exemptions(Assume 3.4% per year), \$30,000 Interim Budget

											Additional Revenue with Tax Increases (3 Years)
Tax Year	Assessed Value	Homestead Value	Net Taxable	Milage Rate	Gross Revenues	Longwood Valuation	Discount Allowance	Est. Collection at 100%	Budgeted Real Estate and Interim	Difference	
2018	1,565,418,594	81,675,196	1,483,743,398	0.020243	30,035,418	683,564	573,595	28,778,258	28,000,010		308,749
2019	1,568,549,431	78,180,527	1,490,368,904	0.021148	31,518,116	714,119	574,809	30,229,188	29,364,282		642,306
2020	1,571,686,530	74,835,385	1,496,851,145	0.022093	33,070,189	746,040	576,024	31,748,124	30,839,759		1,003,548
									88,204,052		1,954,602

Total Additional Revenue

8,596,486



# State Revenue

State Revenues			
<u>Acct #</u>	<u>Acct Desc.</u>	<u>17-18</u>	<u>Notes</u>
	7110 Basic Instructional Subsidy	12,948,909	From State Budget Feb
	7140 Charter School Reimbursement	0	
	7160 Tuition Placed & Institution	35,000	
	7220 Vocational Education	0	
	7230 Student Focused Funding Supp. (New)	618,344	From State Budget Feb
	7271 Special Ed.-Reg. Prog.	2,426,643	From State Budget Feb
	7310 Transport (Reg & Additional)	1,417,225	4% increase and resubmission
	7320 Rentals & Sink Fund Payments	874,978	From Bond worksheet
	7330 Medical & Dental Services	73,300	
	7340 PA Property Tax Relief Payment	1,653,381	Provided by state
	7360 Safe Schools	0	
	7501 PA Accountability Grant	0	
	7502 Dual Enrollment Funding	0	
	7505 Revenue received from Commonwealth of PA	0	
	7599 Other State Revenue	0	
	7810 Social Security / Reimbursement	1,312,603	58% reimburse of SS costs
	7820 Retirement / PSERS Reimbursement	5,588,429	58% reimburse of PSERS costs
		26,948,812	

# Federal Revenue

Federal Revenues			
<u>Acct #</u>	<u>Acct Desc.</u>	<u>17-18</u>	<u>Notes</u>
8190	Build America Bonds Reimbursement	437,572	From Bond schedule
8514	Title I - Ed Of Disab Child-ESEA	360,695	Provided by state
8515	Title II IDEA,Section 619	99,895	Provided by state
8516	Title II NCLB	0	
8670	Air Force Reimbursement - MIP	65,000	Based on current reimbursement
8709	ARRA Education Jobs Fund	0	
8810	Medical Assist. Access	270,000	Access drawdown
8820	Medical Assistance Reimbursements	5,000	Quarterly with SE tea
		1,238,162	



# Current Estimated Expenditures

- The current estimated operational budget for next year is \$65,361,837
  - \$47,543,881 is estimated for payroll costs- These costs are current considering retirements, replacements, salary increases, and benefit increases
    - \$29,896,092 is for salaries
    - \$17,647,789 is for benefits
    - The represents 72% of the budgeted expenses
  - \$7,704,505 is the cost of the debt service, 11.7% of overall budget
  - Capital Projects are not included within the general fund



# The 17-18 Budget

- The 2017-18 Budget is very close in its current state to a balanced budget
  - The concerns about the budget are the non recurring revenue including PSERS bond, sale of property and delinquent property tax sale
  - In Allegheny County, the District ranks 6<sup>th</sup> highest overall in average teacher salary and 36<sup>th</sup> in real estate tax collection per student
  - Several contracts remain unsettled for long term planning purposes
  - Longer term outlook has marginally improved but financial improvements are still critical for financial health



# What Can We Do

- Build a strategy to generate revenue to sustain programs
- Build a strategy to prioritize expenditures most valued to the District
- Align our strategy with our financial resources



# Budget Process

- **4 Disciplines**

- Build and maintain a cohesive leadership team
  - Openly engage in constructive ideological conflict
  - Holding one another accountable
  - Commitment to group decisions
- Create Organizational Clarity
  - What are our plans
  - What behaviors are fundamental
  - Who is responsible for what
- Over Communicate Organizational Clarity
  - Repetition, Simplicity, Cascading messages
- Reinforce Organizational Clarity Through Human Systems
  - Managing performance

# How a Vision-Based Framework Works



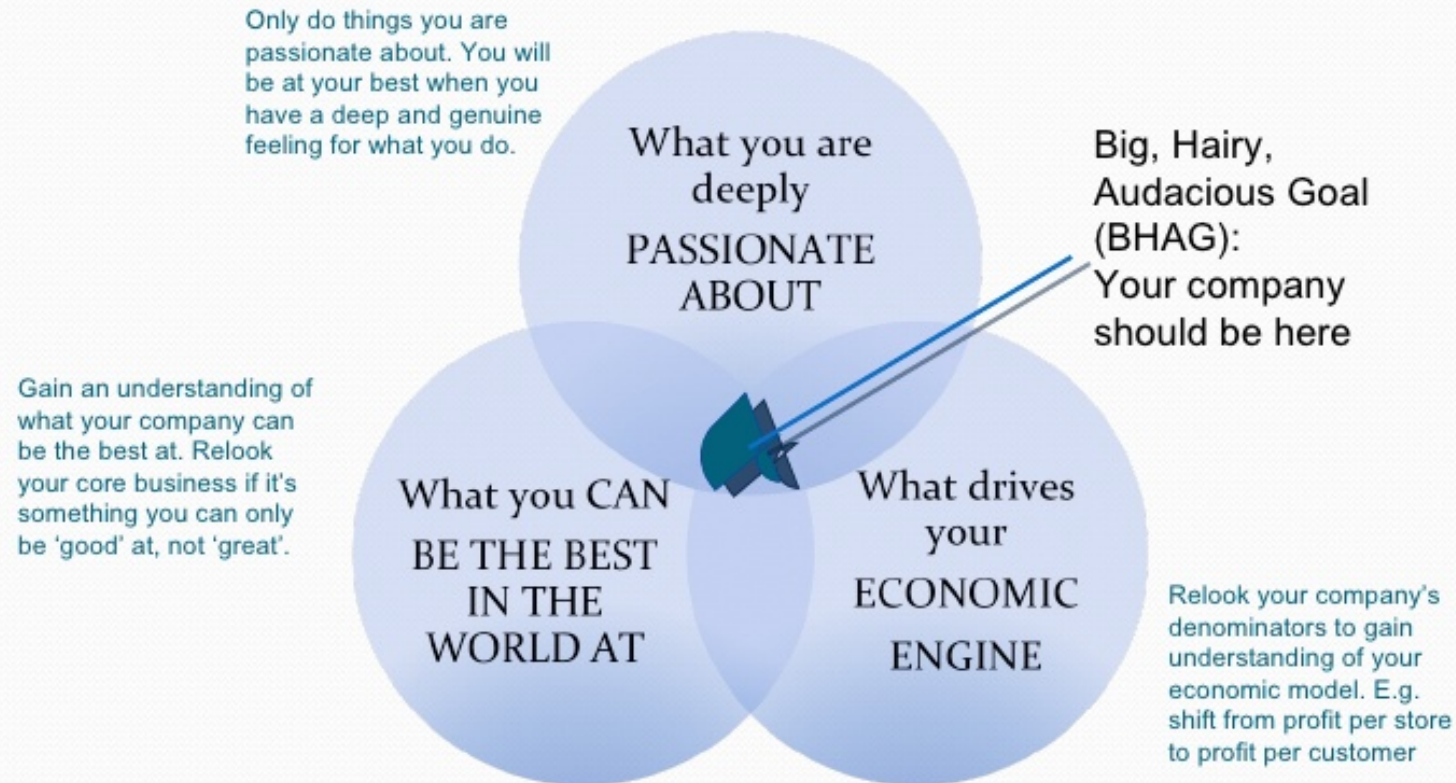


# Overview of Planning Process

- Core Ideology
  - Core Values (What we believe in)
  - Core Purpose (Why do we exist)
- SWOT Review
  - Strengths, Weakness- Internal
  - Opportunity, Threats- External



# The Hedgehog Concept: 3 circles





# Financial Alignment

- Align to the strategy of the District
- Fund programs that are aligned to the strategy
- Set priorities to meet the financial constraints
- Find creative ways to rely less upon tax \$ (Local, state and federal)
- Find ways to secure our future
- What will additional local real estate tax dollars fund