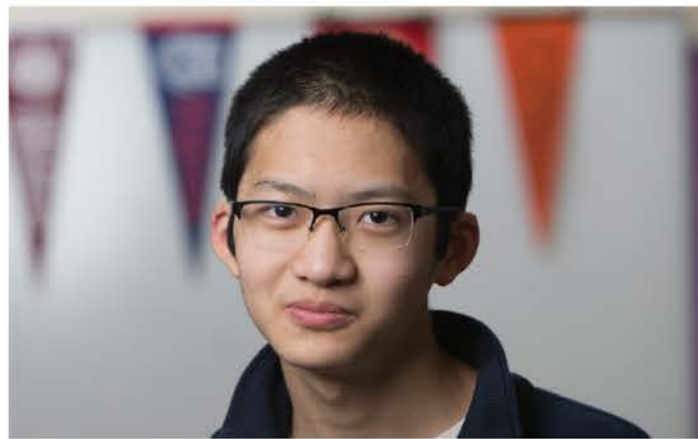


2021 General Fund Budget Update




Expect great things.

2021 Preliminary Budget

- Expenditures for 2021 are budgeted at **\$668.6 million**:
 - Represents a **0.5% increase** from 2020 adopted budget
 - Includes an operating deficit of **\$32 million** in 2021
 - 2020 adopted budget had an operating deficit of **\$25 million**
- Does not adhere to Board's minimum **5 percent fund balance policy** for the General Fund through 2021 based on assumptions to date
- 2020 Projections indicate final expenditures of **\$646.7 million** and an operating deficit of \$19.1 million.
- The 2020 Budget as currently proposed does not include a tax increase
 - Maximum allowable tax increase is 2.6% (Act 1 Index).
- **This would be an increase from 9.95 Mills to 10.21 Mills**

Financial Forecast (November 12, 2020)

	Adopted Year Ended 2020	Projected Year Ended 2020	Preliminary Year Ended 2021	Projected Year Ended 2022	Projected Year Ended 2023	Projected Year Ended 2024
Total Revenues	\$639,805,733	\$627,573,052	\$636,541,590	\$644,970,741	\$653,169,042	661,335,670.09
Total Expenditures	\$664,814,155	\$646,712,995	\$668,585,381	\$676,694,182	\$682,397,401	690,311,090.83
Beginning Balance	\$81,631,443	\$88,834,882	\$69,694,938	\$37,651,147	\$5,927,706	(\$23,300,653)
Operating Surplus/(Deficit)	(\$25,008,422)	(\$19,139,944)	(\$32,043,791)	(\$31,723,441)	(\$29,228,359)	(28,975,420.74)
Ending Fund Balance	\$56,623,021	\$69,694,938	\$37,651,147	\$5,927,706	(\$23,300,653)	(\$52,276,074)
Less Projected Reservations	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
Less Committed Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
Less Assigned Fund Balance	(\$20,879,089)	(\$32,043,791)	(31,723,440.85)	(29,228,359.14)	(28,975,420.74)	(\$26,853,009)
Unassigned Fund Balance	\$33,243,933	\$35,151,147	\$3,427,706	(\$25,800,653)	(\$54,776,074)	(\$81,629,083)
% Budgeted Expenditures	5.00%	5.44%	0.51%	-3.81%	-8.03%	-11.82%
Minimum Fund Balance per Board Policy #721	\$33,240,708	\$32,335,650	\$33,429,269	\$33,834,709	\$34,119,870	\$34,515,555
Compliance with Fund Balance Policy	Yes	Yes	No	No	No	No
Funds needed to comply with Fund Balance Policy			\$30,001,563	\$59,635,362	\$88,895,944	\$116,144,637

Expect great things.



Changes since the release of the 2021 Preliminary Budget

- Charter School Tuition Increases
 - 0.3% for regular and 8.4% for special education
 - \$3.9 million increase to the 2021 budget
- Addition of Academic Coaches due to reduced Title 1 Carryover
 - \$1.4 million increase to salaries and benefits
- Total increase in expenditures of \$5.3 million

We have identified additional reductions

- Reduced the budget for contingencies by \$1.1 million
 - Reduction to reserve for additional teachers
 - Elimination of reserve for professional services and software
 - 75% reduction to budgetary reserve
- Elimination of some vacant central office positions
 - 6.2 FTEs
 - \$850,000 reduction to salaries and benefits



Financial Forecast (November 30, 2020)

	Adopted Year Ended 2020	Projected Year Ended 2020	Preliminary Year Ended 2021	Projected Year Ended 2022	Projected Year Ended 2023	Projected Year Ended 2024
Total Revenues	\$639,805,733	\$622,343,844	\$636,541,590	\$644,764,182	\$653,064,295	\$661,334,225
Total Expenditures	\$664,814,155	\$645,446,163	\$671,346,624	\$678,223,631	\$683,970,383	\$691,912,588
Beginning Balance	\$81,631,443	\$88,834,882	\$65,732,562	\$30,927,528	(\$2,531,920)	(\$33,438,008)
Operating Surplus/(Deficit)	(\$25,008,422)	(\$23,102,319)	(\$34,805,034)	(\$33,459,449)	(\$30,906,088)	(30,578,362.89)
Ending Fund Balance	\$56,623,021	\$65,732,562	\$30,927,528	(\$2,531,920)	(\$33,438,008)	(\$64,016,371)
Less Projected Reservations	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
Less Committed Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
Less Assigned Fund Balance	(\$20,879,089)	(\$34,805,034)	(33,459,448.52)	(30,906,087.91)	(30,578,362.89)	(\$28,379,369)
Unassigned Fund Balance	\$33,243,933	\$28,427,528	(\$5,031,920)	(\$35,938,008)	(\$66,516,371)	(\$94,895,740)
% Budgeted Expenditures	5.00%	4.40%	-0.75%	-5.30%	-9.73%	-13.71%
Minimum Fund Balance per Board Policy #721	\$33,240,708	\$32,272,308	\$33,567,331	\$33,911,182	\$34,198,519	\$34,595,629
Compliance with Fund Balance Policy	Yes	No	No	No	No	No
Funds needed to comply with Fund Balance Policy		\$3,844,780	\$38,599,252	\$69,849,190	\$100,714,890	\$129,491,369

Expect great things.



Additional issues affecting our budget

- Shortfall in gambling revenues cause \$5 million shortfall in our property tax reduction allocation
- The projected unassigned fund balance at the end of 2021 will be $-.71\%$ of budgeted expenditures
 - \$39 million short of the fund balance policy requirement
- Uncertain State and Federal funding in 2021 and beyond
- Limited ability to increase local revenue

Effect of property tax reduction

- We have two options for addressing this shortfall
 - Option One – provide the full homestead exemption to taxpayers
 - Will result in a \$5 million reduction in property revenue for 2021
 - Option Two – adjustment the homestead exemption based on the allocation received to date
 - Will result in a reduction to exemption available to each eligible taxpayer



Impact on eligible taxpayers

Homestead Comparison

	2021 (Preliminary - June 2020)	2021 (Projected - November 2020)
Millage Rate	9.95	9.95
Property Tax Relief Revenue	\$ 15,579,897.02	\$ 10,562,217.17
Lowered Assessment Amount	\$ 29,451.00	\$ 19,757.00
Maximum Relief/ Homestead	\$ 293.04	\$ 196.58
Total Homestead Properties	54,019	54,019
Properties Paying No Tax Due to Relief	3,116	1,029



Options for increasing local tax revenue

Tax Increase	Millage	2021 Current Real Estate Revenue	Increase in Revenue
0.00%	9.95	\$ 177,112,861	\$ -
0.50%	10.00	\$ 177,998,425	\$ 885,564
1.00%	10.05	\$ 178,883,990	\$ 1,771,129
1.50%	10.10	\$ 179,769,554	\$ 2,656,693
2.00%	10.15	\$ 180,655,118	\$ 3,542,257
2.60%	10.21	\$ 181,717,795	\$ 4,604,934

Estimated tax increases based on market value

Millage Rate	Market Value					Additional Tax Paid from Homestead Exemption Decrease
	\$ 50,000	\$ 84,500	\$ 100,000	\$ 150,000	\$ 200,000	
9.95 (2020 Level)	\$ 497.50	\$ 840.78	\$ 995.00	\$ 1,492.50	\$ 1,990.00	\$ 96.46
10.00 (0.5% Increase)	\$ 2.50	\$ 4.22	\$ 5.00	\$ 7.50	\$ 10.00	\$ 96.94
10.05 (1% Increase)	\$ 5.00	\$ 8.45	\$ 10.00	\$ 15.00	\$ 20.00	\$ 97.42
10.10 (1.5% Increase)	\$ 7.50	\$ 12.67	\$ 15.00	\$ 22.50	\$ 30.00	\$ 97.91
10.15 (2% Increase)	\$ 10.00	\$ 16.90	\$ 20.00	\$ 30.00	\$ 40.00	\$ 98.39
10.21 (2.6% Increase)	\$ 13.00	\$ 21.97	\$ 26.00	\$ 39.00	\$ 52.00	\$ 98.98

In order to reduce our \$34.8 million deficit

- We will have to do the following:
 - Additional workforce reductions effective July 1, 2021
 - Administrative and School-Based Personnel
 - Reductions to capital budget/school closures
 - Estimated annual savings of \$1.7 million per building
 - Reductions to programs
 - i.e. Summer Dreamers Academy
 - Additional future tax increases
 - Consecutive years of increases to the Act 1 Index
 - Recapture EIT revenue diverted to the City of Pittsburgh
 - Estimated \$20.5 million (.25%)

