

# 2012 and 2013 Budget Update

**Board Committee Meeting  
October 1, 2012**



## **Change is our new constant.**

We face many challenges, and we know we must constantly assess and adjust our financial picture in order to meet our goals of accelerating student achievement, eliminating racial disparities, and becoming a District of first choice.



**To reach our goals – we must build a Sustainable District. This requires us to continue following our five principles**

- 1. Preserve core programs and reform agenda**
- 2. Accelerate academic achievement**
- 3. Build community and family support for work**
- 4. Build human capital and leadership**
- 5. Attain fiscal health and sustainability**

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**We made many tough decisions  
We implemented a multi-year plan**

- Phase 1 (approximately \$11 million annual savings)
  - 217 positions were eliminated resulting in 147 staff furloughs or layoffs.
- Phase 2 (approximately \$29 million annual savings)
  - District realignment was achieved through three strategies.
    - *School closings and reconfigurations*
    - *Feeder pattern changes*
    - *Educational delivery model adjustments*
- Phase 3 (approximately \$8-11 million annual savings)
  - Further central office workforce reductions, reductions or restructuring of Centralized Programs, non-staff reductions, renegotiated transportation contracts

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**This is a journey. We must continue to learn and adjust to make our District more sustainable and competitive.**



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## **Where we are as of October 1, 2012 on 2013 General Fund and Capital Budgets**

**District's budget is on a calendar year (Jan. 1 - Dec. 31)**

- 1. Budget Forecast**
- 2. Summary of the 2013 Budget**
- 3. Financial and Economic Budget Drivers**
- 4. Revenues**
- 5. Expenditures**
- 6. Conclusion**

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# 1 Budget Forecast

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## We have done a lot to reduce our projected deficits in 2012 and 2013

(values in millions)

	2012	2013
<b>Projected Deficit on 12/7/11 (2012 budget adoption)</b>	<b>(\$21.71)</b>	<b>(\$12.90)</b>
Phase 3 Reductions	\$8.00	\$11.00
Expenditure Updates	\$10.44	(\$1.86)
Revenue Updates	\$0.50	\$0.30
Salary/Benefit Updates	(\$1.74)	(\$0.40)
Charter School Expenditure Updates	(\$3.20)	(\$0.80)
<b>Total Projected Deficit on 10/1/12</b>	<b>(\$7.71)</b>	<b>(\$4.66)</b>

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# We still have major work to do to reduce deficits for 2014 through 2016

	2012 est.	2013 est.	2014 est.	2015 est.	2016 est.
Revenue (Millions) (a) (b)	\$ 508.55	\$ 511.97	\$ 512.41	\$ 516.13	\$ 518.24
Operating Expenditures (c)	\$ 516.26	\$ 516.63	\$ 534.86	\$ 550.31	\$ 561.88
Operating Deficit	\$ (7.71)	\$ (4.66)	\$ (22.45)	\$ (34.18)	\$ (43.63)
Beginning Fund Balance	\$ 72.40	\$ 64.69	\$ 60.03	\$ 37.58	\$ 3.40
Budgeted Year-end Fund Balance	\$ 64.69	\$ 60.03	\$ 37.58	\$ 3.40	\$ (40.24)
Fund Balance Compliance	Yes	Yes	Yes	No	No
Minimum Fund Balance per Board Policy #721 (d)	\$ 25.81	\$ 25.83	\$ 26.74	\$ 27.52	\$ 28.09

Funds required to comply with Fund Balance Policy	\$34.20	\$10.83	(\$24.12) (e)	(\$68.33)
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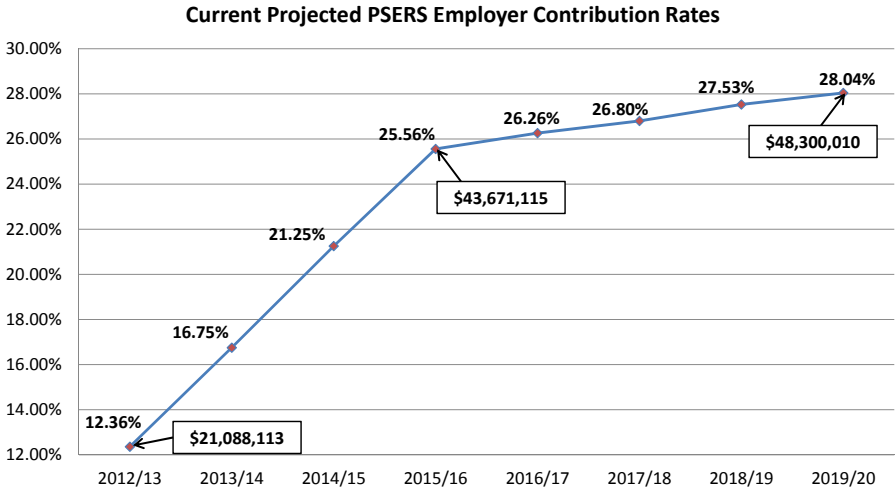
- Notes:
- (a) Revenues from Real Estate Tax, Earned Income Tax, and Basic Education Subsidy are projected to be flat
  - (b) Revenue increases can be attributed to Retirement reimbursement from the State
  - (c) Increasing costs - retirement, utilities, transportation, health care, salaries
  - (d) Requires 5% of current year's budgeted operating expenditures
  - (e) Assumes previous year fund balance is not restored to 5%

**There are many factors that we cannot control.**

## Sources of Major Increases

	2014 est.	2015 est.	2016 est.
Salaries	\$7.60	\$2.60	\$1.20
Health Care	\$3.00	\$3.20	\$2.90
PSERS	\$4.80	\$7.20	\$3.40
Transportation, Utilities, Etc.	\$2.83	\$2.45	\$4.07
<b>Total</b>	<b>\$18.23</b>	<b>\$15.45</b>	<b>\$11.57</b>

## Current Projected PSERS Employer Contribution Rates



\*A stable workforce was assumed when calculating the projected PSERS expenditures.

## 2 Summary of Proposed 2013 Budget

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## The District's Budget is Composed of Two Parts

### **Governmental Funds**

- Calendar Year Budget Cycle
- Examples
  - General Fund
  - Capital Projects
  - Food Service

### **Supplemental Funds**

- Restricted Uses
- Examples
  - Title 1
  - IDEA
  - Head Start
  - Perkins
  - TIF
  - Gates Foundation
  - Fund for Excellence

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## Overview of Proposed 2013 District Budget

- Expenditures for 2013 are budgeted at **\$516.6 million**:
  - Represents a **2.5 % decrease** from 2012 adopted budget
  - Includes an operating deficit of **\$4.7 million** in 2013
- Adheres to Board's minimum **5 percent fund balance policy** for general fund through 2014 based on assumptions to date – required fund balance of **\$25.8 million**
- Imposes no new taxes
- Proposed Capital budget for 2013 of **\$13.9 million**
  - 2012 Capital budget was **\$13.4 million**

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## Budget Assumptions

### Revenue


- No tax increase
- Flat Real Estate and Earned Income Revenue
- Flat Basic Education Funding
- Stable enrollment

### Expenditures

- No additional school closures
- Stable workforce
- Increasing retirement, health care, utility and transportation cost
- No additional charter schools

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**There is much work to be done.**

We must be diligent, flexible and creative as we move forward.

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**3** **Financial and Economic Budget Drivers**

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## **Our problem is complex since there are many challenges at the same time**

- **Uncertain federal and state funding**
  - Sequestration – Automatic cuts to discretionary Federal programs over the next decade
  - Basic Education Subsidy – Change in Allocation Formula
- **Student Enrollment Decline**
- **Increase in Charter Schools**
- **Rising cost of retirement, utilities, transportation, health care, and salaries**
- **Opportunity Scholarship Tax Credit Program**

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## **4 General Fund Revenues**

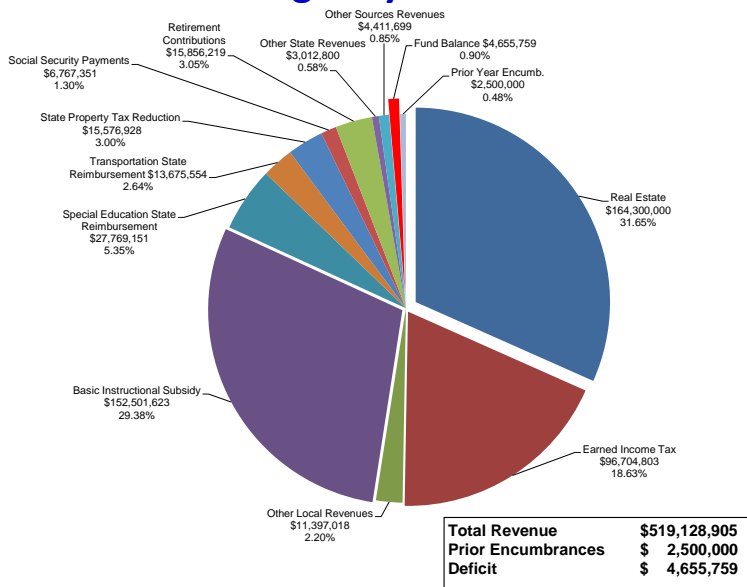
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## Real Estate Reassessments

- Allegheny County is required to certify the Assessment of property values by December 17, 2012.
- The District is required to set its resulting recalculated millage rate for 2013 and Homestead Exemption from Gaming Revenues for 2013 based on the certified assessments by December 31, 2012.
- Our goal is to have the Board approve the 2013 General Fund Budget and millage rate for 2013 at the Legislative Meeting on December 19, 2012.

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## 2013 Budget by Revenue Source



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## 2013 Budget by Revenue Source

LOCAL SOURCES	PROJECTED REVENUES	PERCENT OF TOTAL	
Real Estate	\$164,300,000	31.65%	
Earned Income Tax	\$96,704,803	18.63%	
Other Local Revenues	\$11,397,018	2.19%	
Total - Local Sources	\$272,401,821	52.47%	
STATE SOURCES			
Basic Instructional Subsidy	\$152,501,623	29.38%	
Special Education State Reimbursement	\$27,769,151	5.35%	
Transportation State Reimbursement	\$13,675,554	2.64%	
State Property Tax Reduction	\$15,576,928	3.00%	
Social Security Payments	\$6,767,351	1.30%	
Retirement Contributions	\$15,856,219	3.05%	
Other State Revenues	\$3,012,800	0.58%	
Total - State Sources	\$235,159,626	45.30%	
REVENUE FROM OTHER SOURCES			
	\$4,411,699	0.85%	
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FROM FUND BALANCE			
	\$4,655,759	0.90%	
	\$4,655,759	0.90%	
RESERVE FOR PRIOR YEAR ENCUMBRANCES			
	\$2,500,000	0.48%	
	\$2,500,000	0.48%	
TOTAL	\$519,128,905	100.00%	

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## General Fund Expenditures

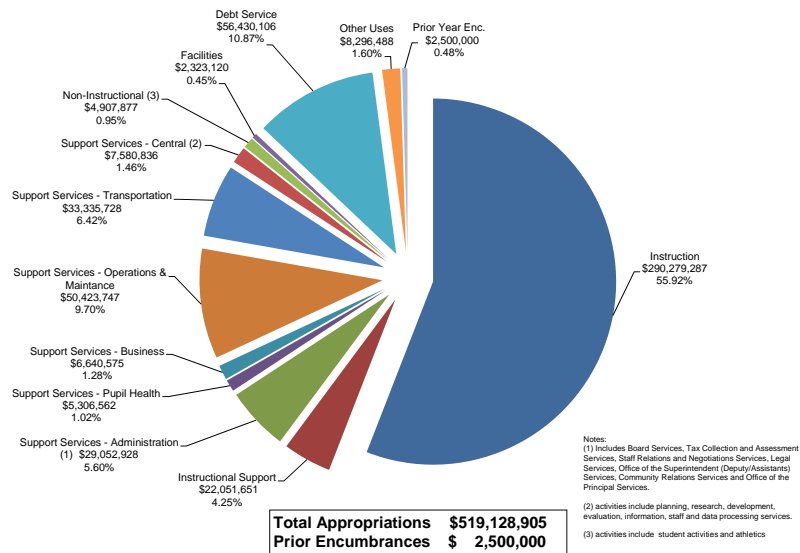
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## What are functions and objects?

- A function is a 4-digit code that describes that activity or program that an expenditure is supporting (i.e. Instruction, Administration)
- An object is a 3-digit code that describes the service or item that is being purchased (Salaries & Benefits, Supplies)

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## 2013 General Fund Budget By Function



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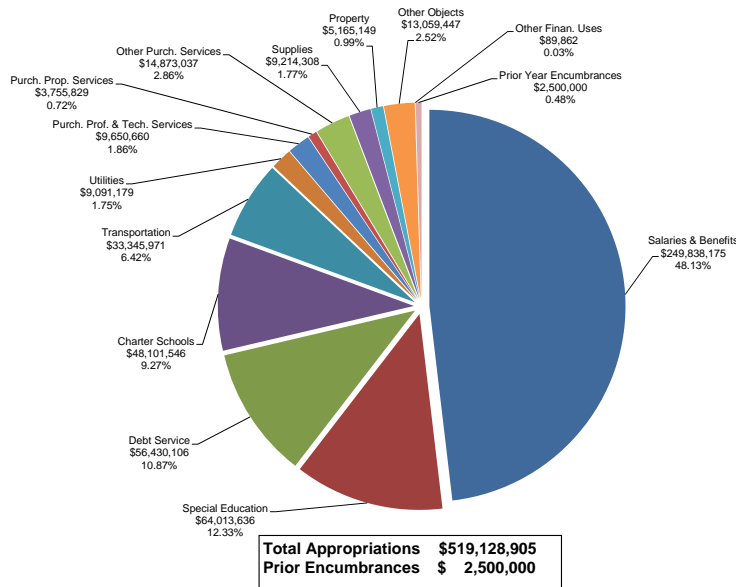
## 2013 General Fund Budget By Function

FUNCTIONS	PROJECTED APPROPRIATIONS	PERCENT OF TOTAL
Instruction	\$290,279,287	55.92%
Instructional Support	\$22,051,651	4.25%
Support Services - Administration (1)	\$29,052,928	5.60%
Support Services - Pupil Health	\$5,306,562	1.02%
Support Services - Business	\$6,640,575	1.28%
Support Services - Operations & Maintenance	\$50,423,747	9.70%
Support Services - Transportation	\$33,335,728	6.42%
Support Services - Central (2)	\$7,580,836	1.46%
Non-Instructional (3)	\$4,907,877	0.95%
Facilities	\$2,323,120	0.45%
Debt Service	\$56,430,106	10.87%
Other Uses	\$8,296,488	1.60%
Prior Year Enc.	\$2,500,000	0.48%
<b>TOTAL</b>	<b>\$519,128,905</b>	<b>100.00%</b>

\*Technology – Appropriations for Departments in the 5000 Series and 4600 (Instructional Technology) total \$11,174,691 or 2.15% of the total budget. These appropriations are distributed across various functions.

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## 2013 General Fund Budget by Major Object



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## 2013 General Fund Budget by Major Object

PROJECTED APPROPRIATIONS    PERCENT OF TOTAL

Salaries & Benefits	\$249,838,175	48.13%
Special Education	\$64,013,636	12.33%
Debt Service	\$56,430,106	10.87%
Charter Schools	\$48,101,546	9.27%
Transportation	\$33,345,971	6.42%
Utilities	\$9,091,179	1.75%
Purch. Prof. & Tech. Services	\$9,650,660	1.86%
Purch. Prop. Services	\$3,755,829	0.72%
Other Purch. Services	\$14,873,037	2.86%
Supplies	\$9,214,308	1.77%
Property	\$5,165,149	0.99%
Other Objects	\$13,059,447	2.52%
Other Finan. Uses	\$89,862	0.03%
Prior Year Encumbrances	\$2,500,000	0.48%
<b>GRAND TOTAL</b>	<b>\$519,128,905</b>	<b>100.00%</b>

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## 2013 Capital Budget Summary

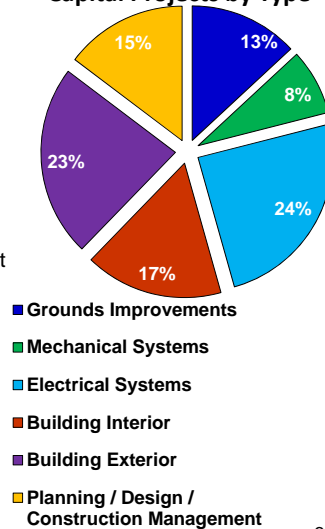
**Proposed capital budget: \$13.9 million**

**Summary of significant capital projects planned for 2013 and 2014:**

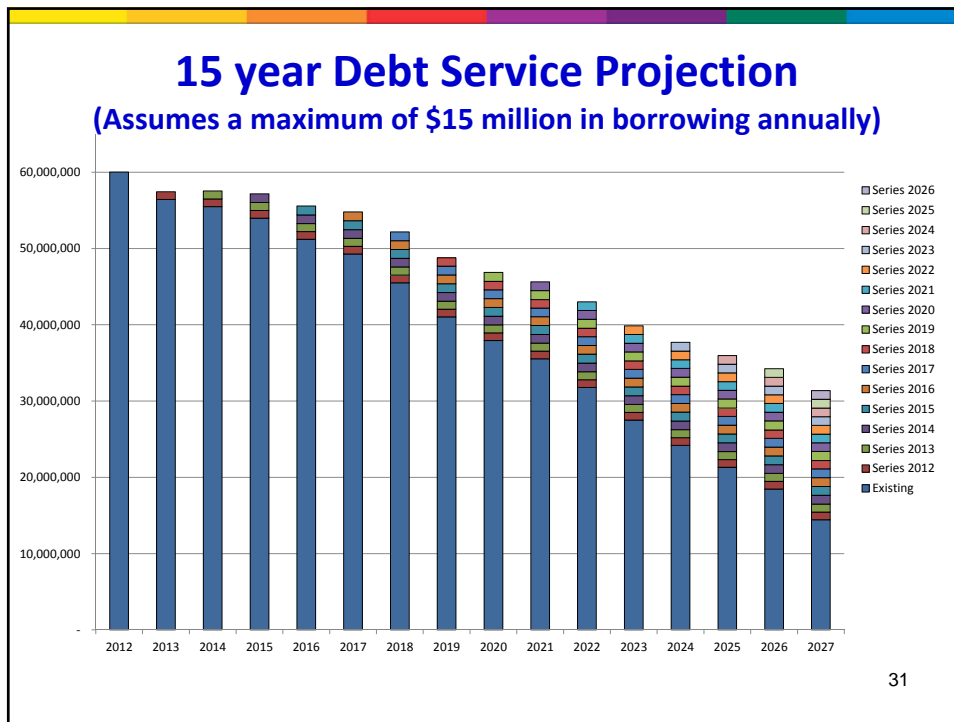
- **Allderdice** – Chemistry Labs Renovation
- **Beechwood** – Elevator Installation
- **Linden** – Elevator Installation
- **Obama (Peabody Bldg.)** – Window Replacement
- **Whittier** – Elevator Installation

**The proposed capital budget is focused on building maintenance.**

**Capital Projects by Type**



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- ### 2013 General Fund Budget Adoption Timeline
- June 27, 2012      Board certified no tax increase beyond 2013 index
  - October 1, 2012      Board Committee Meeting
  - October 24, 2012      Regular Public Hearing
  - November 5, 2012      Board Committee Meeting
  - November 14, 2012      Release of Preliminary 2013 Budget
  - December 3, 2012      Special Noontime Budget Public Hearing
  - December 3, 2012      Board Committee Meeting
  - December 12, 2012      Agenda Review
  - December 19, 2012      Regular Legislative Meeting - 2013 Budget Adoption
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# 6 Conclusion

## October 1, 2012: General Fund Financial Summary 2012 - 2016

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## Long Term Visioning and Planning

- We can't afford to deliver education the same way we did 100 years ago.
- Change is needed in order for the District to achieve long term fiscal stability and become a world class 21<sup>st</sup> century school district.
- It will take creativity, financial, business, and educational expertise to create this new model as well as build the transition from our current model to the new one.
- We must "re-envision school" and continue to explore new ways of reallocating and reducing our resources so we can continue to meet our goals of increasing student achievement, achieving racial equity and becoming a District of first choice.

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