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# Building a Sustainable District

## *Phase 3: Additional Cost Saving Measures on the Path to Sustainability and Student Success*

March 2012



Pittsburgh  
Public Schools

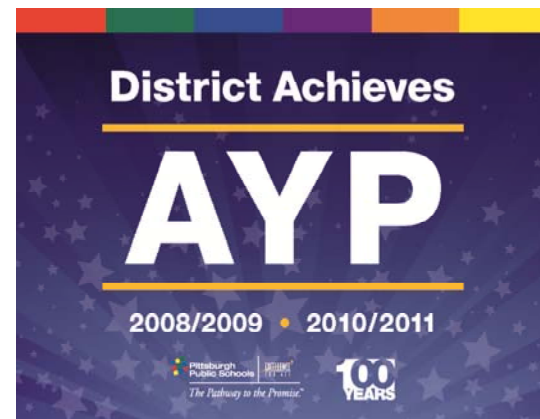


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*The Pathway to the Promise.™*

# Our District is making strong progress

- Nationally recognized
- Largest Promise scholarship program in the nation
- 3,200 PPS Promise Scholars to date
- PSSA scores are on the rise
- Made AYP two of past three years





**And...we know we have a serious problem that has been compounding for years**

- **Expenditures have exceeded revenues over past 5 years as student enrollment declined.**
- **In the past, District has relied on what had been a healthy fund balance (reserves) to make up the difference.**
- **Our state government has provided a ‘wake-up call’ that there will not be an “ever increasing stream of revenue” from the Commonwealth**



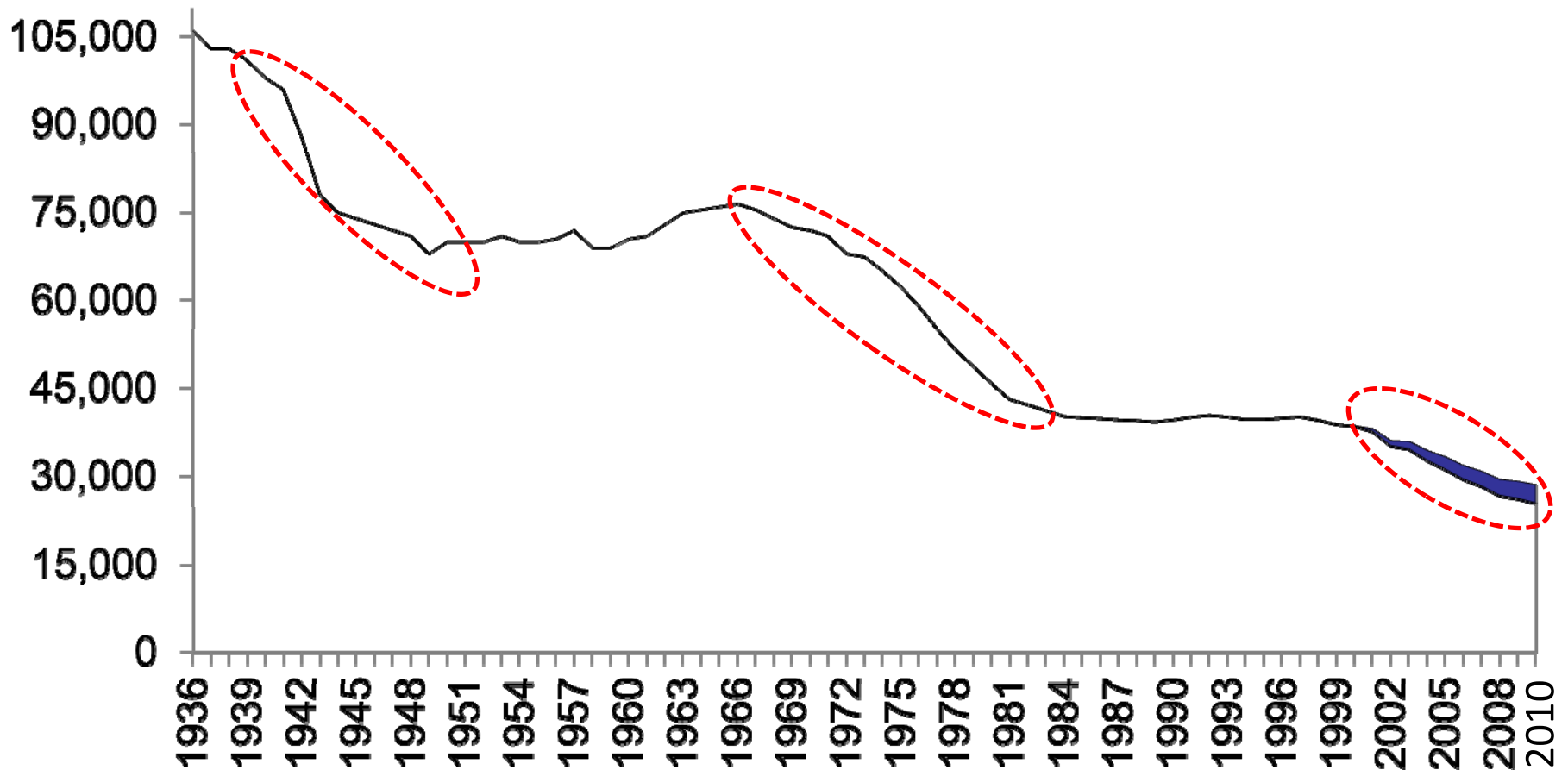
## **Our problem is complex**

- **Uncertain federal and state funding**
- **Declining student enrollment**
- **Greater competition from Charter Schools**
- **Underutilized classrooms**
- **Facility capacity is still larger than current enrollment requires**
- **No desire to raise taxes**
- **Increasing costs – retirement, utilities, transportation, health care, salaries**

# Our Current Enrollment Decline Continues to Present Challenges to Sustainability

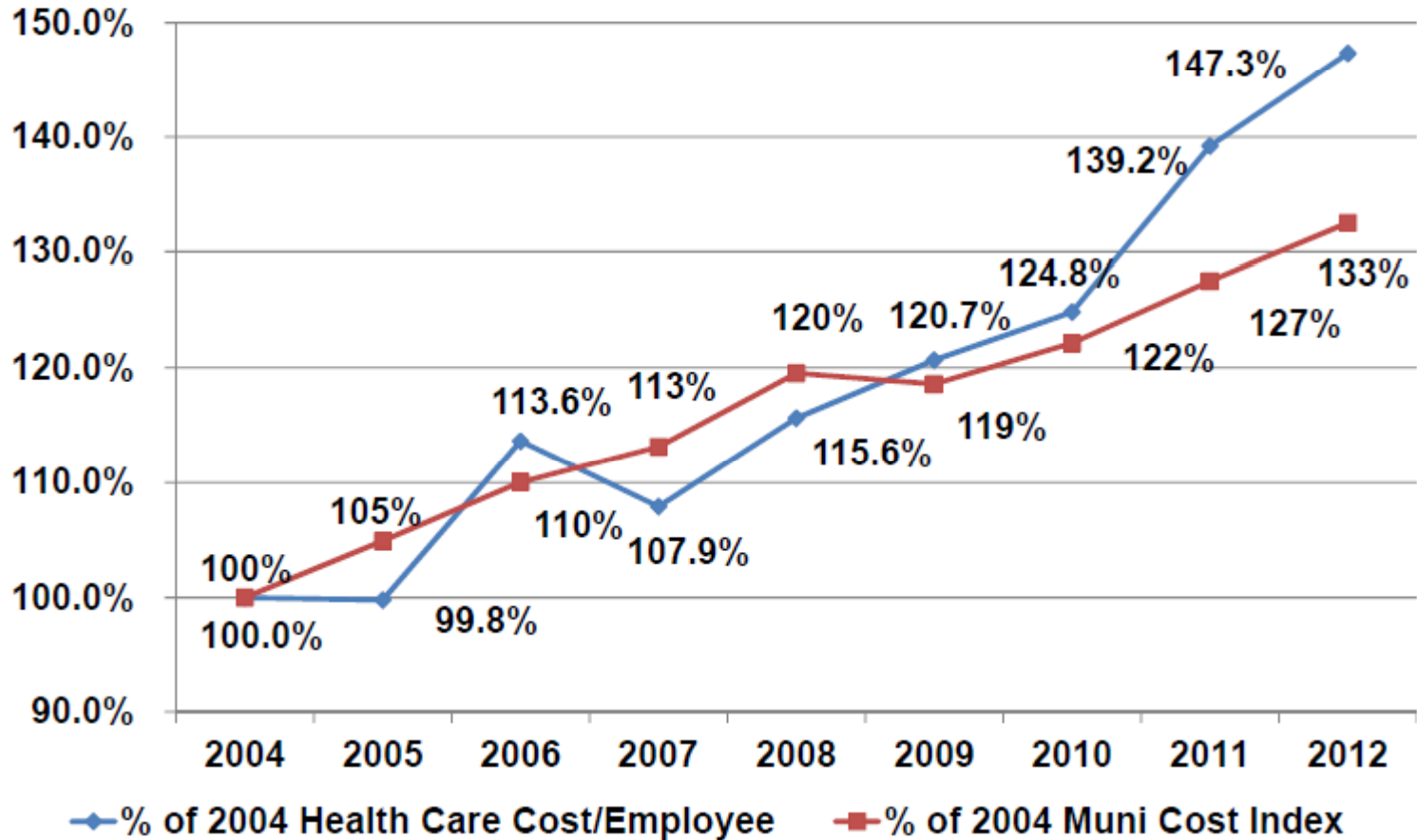
Average Daily Membership (ADM) 1936 until Present

Count of K-12 students enrolled at PPS (or Charter LEA post 1999)



Source: PPS Historic General Fund Budgets, 1980 through present

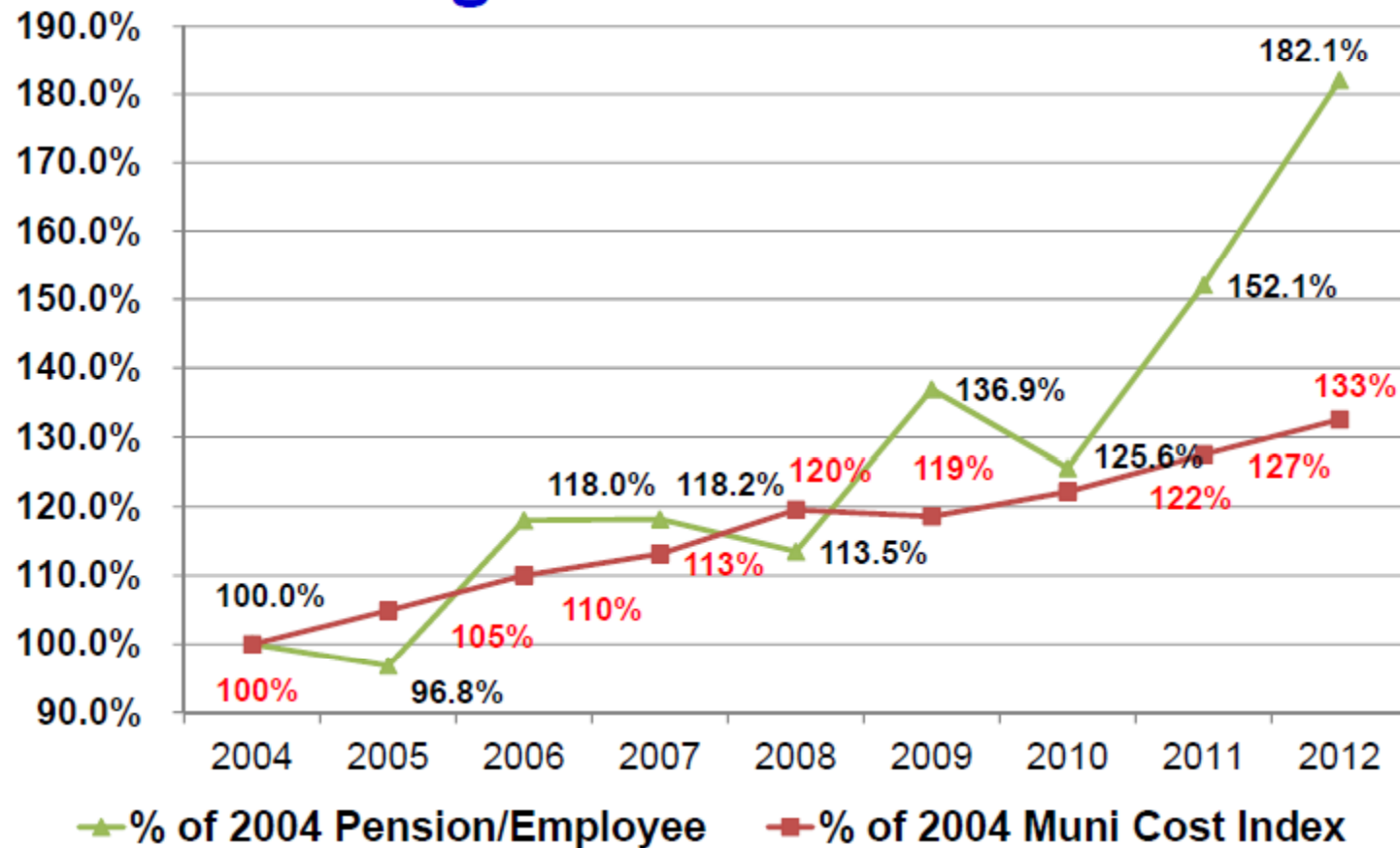
# Employee health care costs, which are market-driven, have been increasing more quickly than general inflation



Sources:

Municipal Cost Index: <http://americancityandcounty.com/> and PPS Financials as of 11/3/2011

## Pension costs, which are set by the State, have been increasing more quickly than general inflation



Sources:

Municipal Cost Index: <http://americancityandcounty.com/> and PPS Financials as of 11/3/2011



## **The Board has Been Committed to Making Difficult but Necessary Reductions**

- **For the 2012 budget, we made reductions of nearly \$32 million**
- **Although this is great progress, it is insufficient for ongoing sustainability**

**Sustainability means that our expenses do not exceed revenues, and we are not using fund balance (our savings account) to balance the budget.**





# PPS Continues to Spend More than it Takes In

Adopted 2012 Budget (December 7, 2011)

<b>2012 Revenues</b>	<b>\$508M</b>
<b>2012 Expenditures</b>	<b>\$529M</b>
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<b>2012 Operating Deficit</b>	<b>\$ 21M</b>
<i>(\$21M deficit results in budgeted year-end reserves of \$42.8M for 2012)</i>	

**When 2012 Budget was adopted, we explained that further 2012 reductions would be necessary as part of Phase 3 in order to build sustainability.**

# Without further reductions, PPS runs out of money by mid-2015\*

	2013 est.	2014 est.	2015 est.
Revenue (Millions)	\$ 511.68	\$ 512.13	\$ 518.43
Operating Expenses	\$ 524.58	\$ 535.07	\$ 548.96
Operating Deficit (Funding Gap)	<b>(\$ 12.90)</b>	<b>(\$ 22.94)</b>	<b>(\$ 30.53)</b>
Beginning Fund Balance (Reserves)	\$ 42.86	\$ 29.96	\$ 7.02
Year-end Fund Balance (Reserves)	\$ 29.96 (meets \$26.23 fund balance requirement)	\$ 7.02 (below \$26.75 fund balance requirement)	<b>(\$ 23.51)</b> (below \$27.44 fund balance requirement)
Meets 5% Fund Balance Requirement?	Yes	<b>No</b>	<b>No</b>

# These are not just PPS Challenges


## Statewide Challenges:

- Schools and teachers will need to adjust to larger class sizes and case loads
- Fewer dollars will be available at school sites for services outside the school day (after school tutoring, contracted services, events etc.)
- Chester Upland School District was recently profiled in Ed Week as a PA District facing severe financial distress



*Financial problems have haunted the Chester Upland school district in Pennsylvania's Delaware Valley for nearly two decades. Now, the district is teetering on the brink of financial collapse once again.*

—Ed Week Feb 22, 2012



# **There is Good News: PPS is in a better position than other districts facing the same challenges**

## **Unique Opportunities for PPS:**

- \$90M investment (grant funded) to improve the effectiveness of teachers, staff & systems in PPS
- Increasing partnerships to provide for afterschool and out of school time


# We have taken a thoughtful, strategic and multi-phased approach

<b>Stages</b>	<b>Phase 1</b>	<b>Phase 2</b>	<b>Phase 3</b>
<b>Discussed with Board</b>	March 2011	October 2011	March 5, 2012 (today)
<b>Community input</b>	March - May 2011	August – November 2011	March -May 2012
<b>Any necessary Board action</b>	June 2011	November 2011	June 2012
<b>Implemented</b>	June 2011	September 2012	Immediately and September 2012
<b>Cost savings in millions (M)</b>	\$11.1M	\$29.1M	\$10-13M



## **Completed Phase 1: Central Office Reductions**

- **Workforce reductions approved at Board's June 22, 2011 Legislative Meeting.**
- **217 positions were eliminated resulting in 147 staff furloughs or layoffs.**
- **Decreases the District's total funding gap by ~\$11 million annually.**



## Implementing Phase 2: Adjustments to our Educational Delivery Model are being made with Increased Equity

- District realignment is achieved through three strategies.
  - *School closings and reconfigurations*
  - *Feeder pattern changes*
  - *Educational delivery model adjustments*
- Operating efficiencies achieved through the above strategies result in workforce reductions.
- A combination of all the above will decrease our funding gap by additional ~\$29.1 million.



# New Educational Delivery Model Focuses on Equity & Promise-Readiness

## Every PPS student will have:

- Rigorous academic classes (e.g. English Language Arts (ELA), Science, Math, Social Studies)
- Arts and music education
- Opportunities to accelerate and remediate as needed
- School library services
- Dedicated full time certified student services staff (e.g. counselor(s) or social worker)
- Center for Advanced Studies (CAS) and Advanced Placement (AP) offerings at the secondary level
- Career & Technical Education (CTE) opportunities at the secondary level
- Expanded access to electives already offered
- Family and community engagement opportunities





## **Recommending Phase 3: Additional 2012 Budget Reductions**

- Worked with independent, consulting firm of Alvarez and Marsal to identify additional cost saving opportunities
- Each central office department reviewed their budgets and current programmatic offerings to determine additional ways to reduce expenditures in 2012



## **These two actions led to three clear areas of possible savings:**

- Further central office workforce reductions
- Reductions or restructuring of Centralized Programs
- Savings through contracted services, technical services, supplies, travel etc. that are non staff related

**A combination of all the above could decrease our funding gap by additional \$10-13 million.**



# 1. Further Central Office Workforce Reductions (\$2.0M)

## Reduction of 20-25 Central Office positions

- In some cases these positions will be layoffs or furloughs
- In other cases these positions are held by staff who hold a certificate and based on their system seniority are entitled to reenter the school work force at the beginning of this school year
- Positions would be eliminated June 2012



## 2. Reductions or Restructuring of Centralized Programs (\$5-8M)

### Recommendations for September 2012

- **Credit recovery for students in grades 9-12 (\$615K)**

We will work with community partners to offer opportunities for students to access make up course work as necessary and monitor this centrally to provide information to students in need of these services
- **Middle school sports(\$215K)**

Eliminate middle school softball and baseball. These are sports that are offered in virtually all City neighborhoods and therefore students can be afforded those opportunities outside of PPS
- **Technology (\$1.0M)**

Reducing the PC refresh (replacement) of computers in the District from 2.6 M to 1.6M



## 2. Reductions or Restructuring of Centralized Programs (\$5-8M) cont'd

- **Communications (\$150K)**
  - Reducing the number and frequency of District wide mailings and design support for internal departments for their communications
- **Natural Gas (\$1.0M)**
  - We have worked to lock in natural gas rates for the rest of 2012
- **Debt Service (\$1.5M)**
  - Since we have fewer buildings, our debt service will be eliminated for those properties
- **Transportation (~\$1.4M)**
  - Establishing new ways to “hook up” buses in the mornings and afternoons that could affect start and end times for both PPS and non public school students



### **3. Additional Non-Staff Reductions (\$4.2M)**

**These are reductions that are not staff related and are less visible to the public as they mainly reflect:**

- **Cutbacks or elimination in contracted services**
- **Technical services**
- **Supplies**
- **Travel**



**Phase 3 Reductions: Allowing us to  
Balance our Budget in 2013 without  
dipping into our reserves**

***Phase 3 would reduce our deficit by  
an additional \$10-13M, which  
would result in us spending no  
more than we take in for 2013***

**Even after Phase 3, if we continue business as usual,  
operating and employee compensation costs will make us  
unsustainable**

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Operating Expenses	\$514.58	\$525.07	\$538.96
Operating Deficit (Funding Gap)	<b>(\$2.90)</b>	<b>(\$12.94)</b>	<b>(\$20.53)</b>
Beginning Fund Balance (Reserves)	\$42.86	\$39.96	\$27.02
Year-end Fund Balance (Reserves)	\$39.96 (meets \$25.73 fund balance requirement)	\$27.02 (meets \$26.25 fund balance requirement)	\$6.49 (below \$26.95 fund balance requirement)
Meets 5% Fund Balance Requirement?	Yes	Yes	<b>No</b>





## **In Spite of the Challenges Ahead of us, We Believe We Are On the Path to Continue to Accelerate Student Achievement**

- **In the last year:**
  - **The percentage of students scoring proficient or advanced in reading increased from 56.6 percent to 60.7 percent (up from 48.9 percent in 2004)**
  - **The percentage of students scoring proficient or advanced in math increased from 62.4 percent to 66.2 percent (up from 39.2 percent in 2004).**
- **Our Empowering Effective Teacher (EET) work is being recognized nationally as a model for how to ensure students receive the best instructional possible**
- **We were recently awarded one of only 13 nationwide Advanced Placement (AP) grants (\$1.2M)**

# Our Focus Must be on Student Achievement



**3,200 Pittsburgh Public School graduates have benefited from The Pittsburgh Promise®.**

**Our vision is 80% of our students will complete a four year college degree or workforce certification.**

