

Budget Adoption

Fiscal Year 2017-2018

May 25, 2017

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BUDGET ADOPTION & CHANGES SINCE LUMP SUM

Lump Sum Statement

- The SRC adopted the FY17-18 Lump Sum Statement on March 23, 2017 with a projected ending fund balance of \$104.8M in FY17 and \$33.1M in FY18.

Lump Sum Statement March 2017		
(Amounts in Thousands)	Projected 2016/2017	Proposed 2017/2018
Total Revenues and Sources (excl. refunding)	\$2,821,309	\$2,870,909
Total Expenditures and Uses (excl. refunding)	\$2,745,113	\$2,927,978
Operating Surplus/(Deficit) (excl. refunding)	\$76,196	(\$57,069)
Refunding Revenues and Sources	\$1,306,745	\$0
Refunding Expenditures and Uses	\$1,315,876	\$0
Net Impact of Refunding	(\$9,131)	\$0
Prior Year Fund Balance (Deficit) July 1	\$131,228	\$104,848
Prior Period Adjustment	(\$83,744)	\$0
Fund Balance Prior to Changes in Reserves	\$114,549	\$47,778
Changes in Reserves	(\$9,702)	(\$14,702)
Fund Balance (Deficit) June 30	\$104,848	\$33,077

Changes Since Lump Sum

Significant changes subsequent to the SRC's adoption of the FY17-18 Lump Sum Statement include:

- Finalized school budgets
 - School budgets were completed at the end of March
 - Expenditures were updated to reflect finalized school budgets
- New City revenues
 - The City informed the District of its commercial property reassessments on March 30, 2017
 - The commercial property reassessments are projected to result in approximately \$65M of additional annual real estate tax revenues beginning in FY18
- New investments
 - Hold harmless at leveling for grades K-3
 - Elimination of 1st and 2nd grade combined classes
 - 18 additional bilingual counseling assistants funded through operating and Title III grant dollars
 - 10 additional ESOL teachers
- Title II Reserve
 - Created a reserve for projected federal grant cuts related to proposed elimination of Title II beginning in FY18

2016-17 Amended and 2017-18 Adopted Budget Summary

- The FY17 Amended Budget results in an ending fund balance of \$108.1M, and the FY18 Adopted Budget results in an ending fund balance of \$89.8M.

Budget Adoption May 2017		
(Amounts in Thousands)	Amended 2016/2017	Adopted 2017/2018
Total Revenues and Sources (excl. refunding)	\$2,819,255	\$2,949,508
Total Expenditures and Uses (excl. refunding)	\$2,739,770	\$2,953,104
Operating Surplus/(Deficit) (excl. refunding)	\$79,485	(\$3,596)
Refunding Revenues and Sources	\$1,306,745	\$0
Refunding Expenditures and Uses	\$1,315,876	\$0
Net Impact of Refunding	(\$9,131)	\$0
Prior Year Fund Balance (Deficit) July 1	\$131,228	\$108,137
Prior Period Adjustment	(\$83,744)	\$0
Fund Balance Prior to Changes in Reserves	\$117,838	\$104,541
Changes in Reserves	(\$9,702)	(\$14,702)
Fund Balance (Deficit) June 30	\$108,137	\$89,839

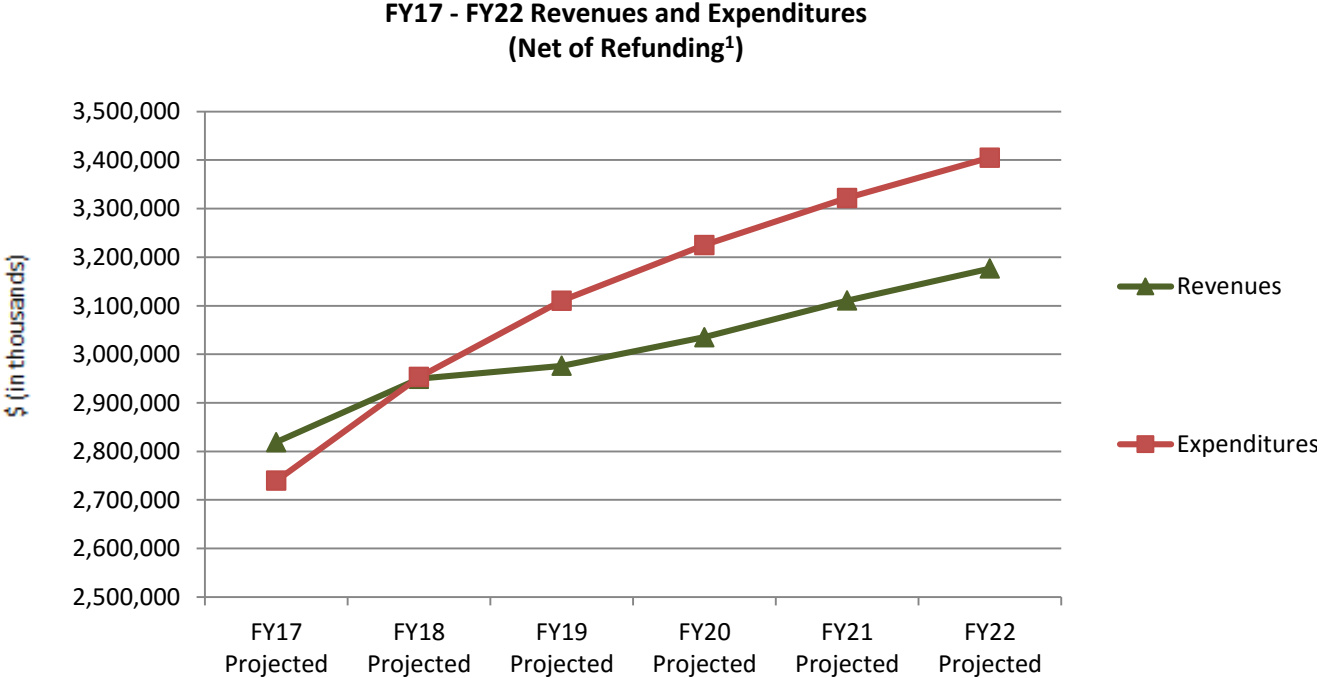
Five-Year Plan Projections

FY18-FY22 FINANCIAL PLAN – OPERATING FUNDS May Final Update (in thousands)

	FY17 Amended	FY18 Adopted	FY19 Projected	FY20 Projected	FY21 Projected	FY22 Projected	CAGR FY17 to FY22
REVENUES & OTHER FINANCING SOURCES (Excluding Refunding)							
Local Tax Revenues	\$1,139,970	\$1,236,963	\$1,283,168	\$1,300,390	\$1,339,095	\$1,368,703	3.7%
Local Non-Tax Revenues	\$134,319	\$122,892	\$123,315	\$123,815	\$124,308	\$124,550	-1.5%
State Revenues	\$1,530,603	\$1,572,651	\$1,552,410	\$1,594,188	\$1,630,254	\$1,666,945	1.7%
Federal Revenues	\$13,054	\$16,713	\$16,615	\$16,516	\$16,400	\$16,283	4.5%
Other Financing Sources	\$1,309	\$289	\$789	\$289	\$789	\$289	-26.1%
TOTAL REVENUES & OTHER SOURCES	\$2,819,255	\$2,949,508	\$2,976,296	\$3,035,198	\$3,110,846	\$3,176,770	2.4%
EXPENDITURES & OTHER FINANCING USES (Excluding Refunding)							
District Operated Schools	\$1,480,294	\$1,578,220	\$1,619,568	\$1,658,524	\$1,674,857	\$1,688,763	2.7%
Charter Schools (Incl. Transportation)	\$807,250	\$885,024	\$978,754	\$1,061,748	\$1,136,447	\$1,197,911	8.2%
Other Non-District Operated Schools (Incl. Transportation)	\$108,017	\$110,720	\$111,611	\$112,522	\$113,451	\$114,401	1.2%
Debt Service	\$267,794	\$271,891	\$291,955	\$282,283	\$286,309	\$291,925	1.7%
Administrative Support Operations (Central Offices)	\$84,739	\$96,580	\$97,995	\$99,322	\$100,282	\$101,360	3.6%
Undistributed Budgetary Adjustments	(\$10,675)	(\$9,458)	(\$9,442)	(\$9,425)	(\$9,407)	(\$9,389)	-2.5%
Other Financing Uses	\$2,352	\$2,627	\$2,627	\$2,627	\$2,627	\$2,627	2.2%
Reserve for Federal Cuts	\$0	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500	N/A
TOTAL EXPENDITURES & OTHER USES	\$2,739,770	\$2,953,104	\$3,110,570	\$3,225,102	\$3,322,067	\$3,405,097	4.4%
Refunding Revenues and Sources	\$1,306,745	\$0	\$0	\$0	\$0	\$0	
Refunding Expenditures and Uses	\$1,315,876	\$0	\$0	\$0	\$0	\$0	
OPERATING/FUND BALANCE							
Operating Surplus/(Deficit)	\$79,485	(\$3,596)	(\$134,274)	(\$189,904)	(\$211,221)	(\$228,327)	
Net Impact of Refunding	(\$9,131)	\$0	\$0	\$0	\$0	\$0	
Transfers from Reserves	(\$9,702)	(\$14,702)	\$4,633	(\$13,321)	(\$13,321)	(\$13,321)	
Fund Balance at Beginning of Year - July 1	\$131,228	\$108,137	\$89,839	(\$39,801)	(\$243,026)	(\$467,568)	
Prior Period Adjustment	(\$83,744)						
Restated Fund Balance at Beginning of Year - July 1	\$47,485	\$108,137	\$89,839	(\$39,801)	(\$243,026)	(\$467,568)	
ENDING FUND BALANCE							
Fund Balance at End of Year - June 30	\$108,137	\$89,839	(\$39,801)	(\$243,026)	(\$467,568)	(\$709,216)	
<i>% of Total Revenues</i>	3.8%	3.0%	-1.3%	-8.0%	-15.0%	-22.3%	

Five-Year Plan Projections

- The FY18 projected positive ending fund balance of \$89.8 million is considered inadequate by many standards and represents less than two weeks of operating revenues. In addition, due to the structural imbalance caused by expenditures growing at nearly twice the rate of revenues, the District is projected to face a negative fund balance by FY19.



End of Year Fund Balance of Current Five-Year Plan	\$108,137	\$89,839	(\$39,801)	(\$243,026)	(\$467,568)	(\$709,216)
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¹ The chart is adjusted to exclude the effects of a refunding in FY17, which accounts for \$1,306.7 million of FY17 revenues and \$1,315.9 million of FY17 expenditures.

Action Plan 3.0 – Our bold goals

Anchor Goal 1: 100% of our students will graduate, ready for college and career

Current: 66% graduation rate

5 year milestone: 80% graduation rate

Anchor Goal 2: 100% of 8-year-olds will read on grade level

Current: 30% on grade level at age 8

5 year milestone: 66% on grade level at age 8

Anchor Goal 3: 100% of schools will have great principals and teachers

5 year milestone: Engaged and supported principals and teachers with strong instructional skills

Anchor Goal 4: SDP will have 100% of the funding we need for great schools, and zero deficit

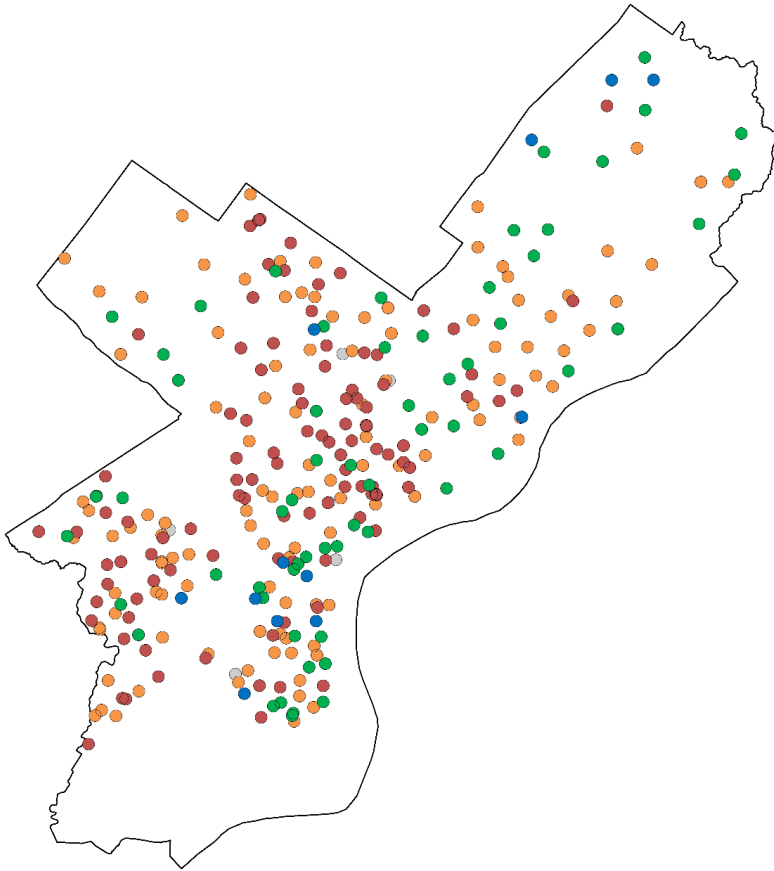
Current: Narrow current fiscal year surplus with projected out-year deficits

5 year milestone: Five-Year balanced budget projections

Investments

- Investments introduced in FY16, which are maintained through FY22, total over \$526 million, and focus on literacy, college and career readiness, and talent/workforce investment
- New investments introduced this year include:
 - Hydration stations, a special education pilot program, additional resources for teacher recruitment, alternative education programs, a new middle-college program, additional bilingual counseling assistants and ESOL teachers, and other school-based investments
- Additional investments made possible with new City revenues include:
 - Holding K-3 grades harmless at leveling and eliminating 1st and 2nd grade combined classes
- The District has also been investing in new capital projects, such as:
 - Classroom modernizations, major school renovations, new playgrounds, and site improvements

Where we are today



- We have made investments to improve performance:
 - Additional literacy coaches
 - Additional alternative education seats
- There are accomplishments to celebrate:
 - 174 schools increased in overall SPR score from 2014-15 to 2015 -16 (115 District, 59 Charter)
 - 71 schools went up an overall SPR tier (43 District, 28 Charter)
 - Increased attendance
 - Increase in graduation rate

Next Steps

- **May 25:** SRC Budget Vote
- **June:** City Adoption of Tax Measures for School District
- **June:** State Budget Adoption