

# Operating Budget Adoption

# Capital Budget Adoption

---

Amended FY 2018

Adopted FY 2019

May 24, 2018

The School District of Philadelphia's Presentation of the FY19 Budget Adoption represents forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, reduced governmental allocations, changes in economic conditions, mandates from other governments, and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this presentation on May 24, 2018. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

---

If you have a disability and the format of any material on our web pages interferes with your ability to access the information or you have a question regarding the School District's website accessibility, please contact us via any of the following means for assistance:

The School District of Philadelphia  
Office of Family and Community Engagement  
440 N. Broad Street, Suite 114  
Philadelphia, PA 19130-4015  
Email: [ask@philasd.org](mailto:ask@philasd.org)  
Tel: (215) 400-4000  
Fax: (215) 400-4181

To help us respond in a manner most helpful to you, please indicate the nature of the accessibility problem, the web address of the requested material, your preferred format in which you want to receive the material (electronic format (ASCII, etc.), standard print, large print, etc.), and your contact information (name, email, telephone, and physical mailing address).

# The Investment Plan is Working, and there is Progress is to Celebrate

- The District introduced an investment plan in 2016 that focuses on literacy and college and career readiness. These investments have continued and been expanded through the FY19 Adopted budget.
- **Our focus on literacy is creating real results**
  - 5% point increase in the number of 3rd grade students reading on grade level
  - Students at every grade level from 3rd to 7th showed improvements in reading
  - Over 1,500 fewer 3rd-7th graders are reading at the lowest level (Below Basic)
- **Graduation rate is the highest it has been in more than a decade**
  - Increase in graduation rate, 67% (up 1% point)
  - 31 high schools saw improvement in their 2016-2017 graduation rate compared to the previous year



# Expanding Our Literacy & High School Investments

- Eliminating all 1st / 2nd grade split classrooms, resulting in reduced class size
- Expanding the early literacy work to grades 4 and 5
- Adding 30 ELL teachers to support students learning English
- Modernizing more than 160 classrooms in 11 schools for Phase II of our efforts to help improve literacy in PreK - 3<sup>rd</sup> grade
- Expanding 9th Grade Academies to 8 more high schools
- Increasing funding for credit recovery and grade improvement for high school students
- Creating new opportunities for students to access CTE programs
- Continuing to offer free PSAT/SAT testing to all High School students
- Adding 7 vocational special education teachers



# Additional Investments to Support Schools

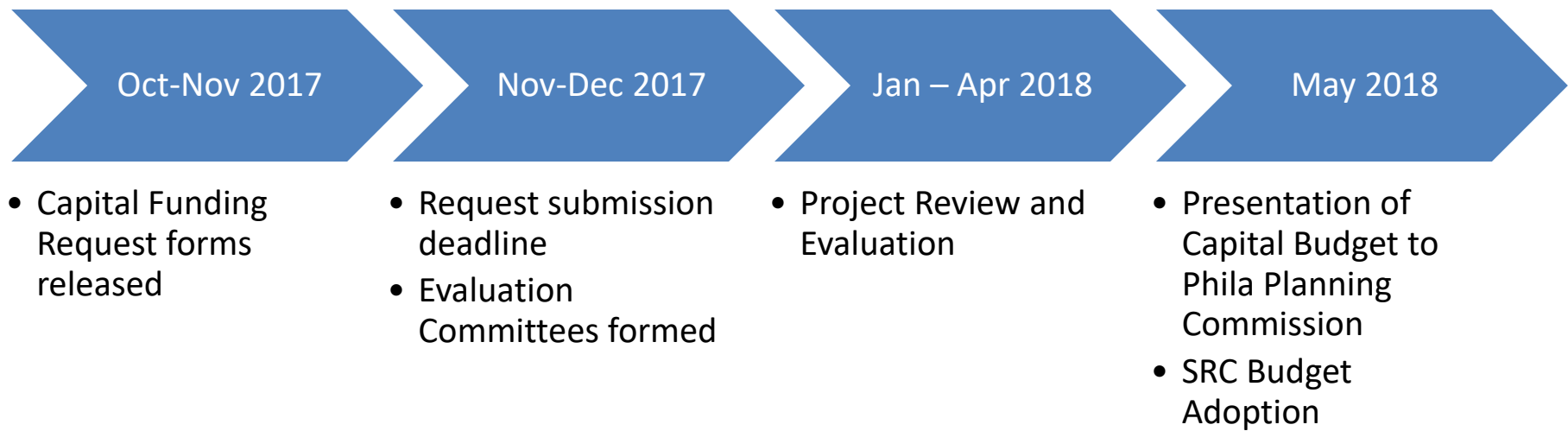
- Arts/music funds to increase the number of itinerant music teachers and fund art and music supplies
- Increased financial support for our lowest performing schools
- Additional bilingual counseling assistants (BCAs)
- Additional Language Coordinators
- 10 new emotional support programs
- Climate Support for schools including:
  - Professional Development
  - PBIS coaches
  - Attendance coaches
  - Prevention and intervention supports



# Development of the FY2018-19 Capital Budget

The proposed FY2019 capital budget was developed over seven months.

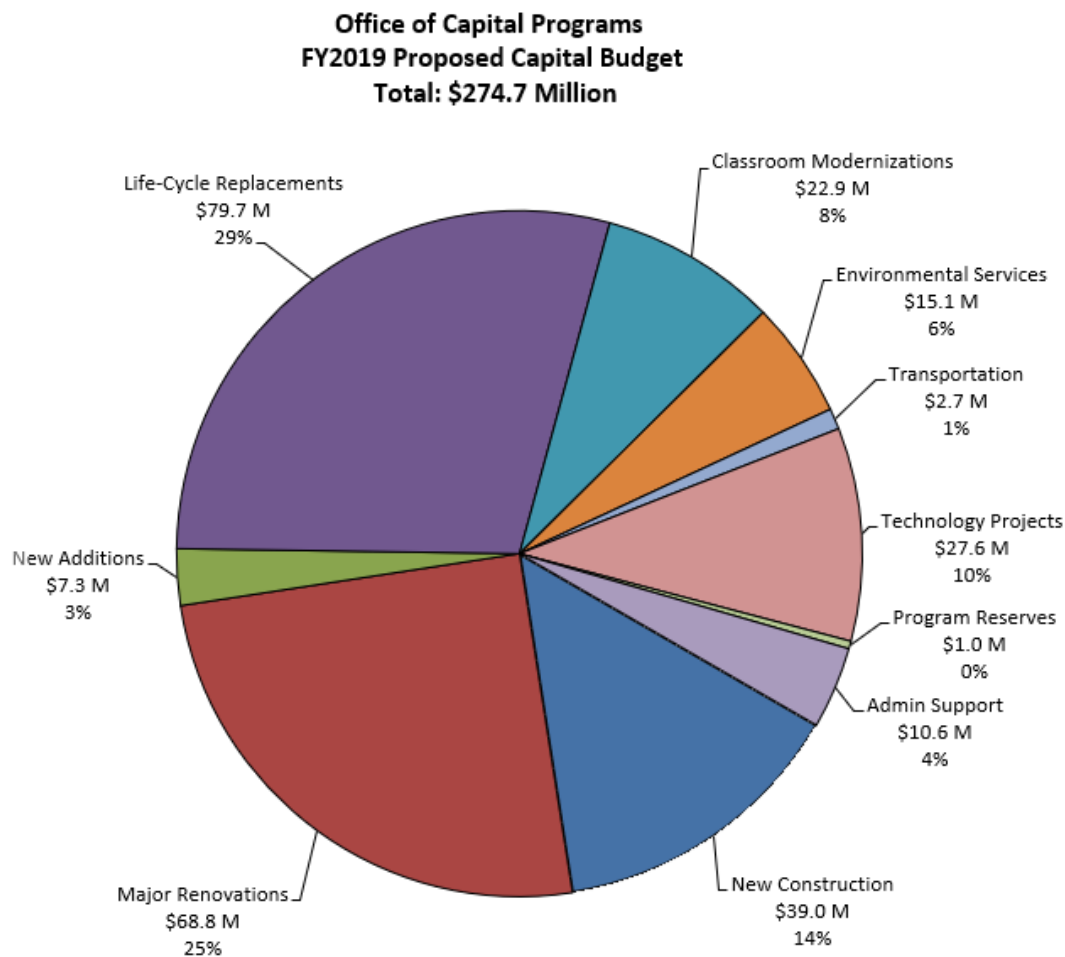
Evaluation teams representing Operations and Academics participated in the evaluation and recommendation of capital projects.



# Proposed FY19 Capital Budget

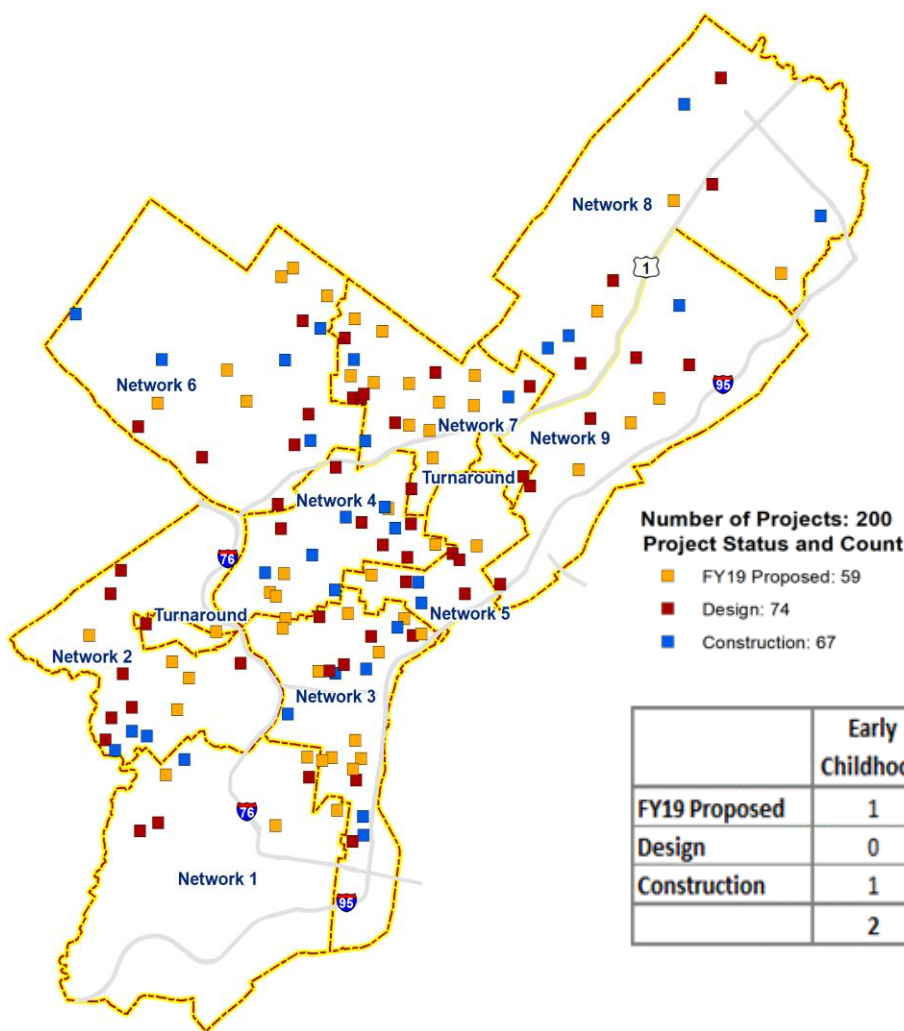
The proposed FY2019 capital budget is \$274.7M. Capital investments focus on five areas:

- 1. New construction and major renovations
- 2. New additions to address capacity deficiencies
- 3. Life-cycle replacements
- 4. Educational improvements in support of classroom modernization early literacy initiative & career tech education
- 5. District-wide technology and safety investments





# Geographic Distribution of Capital Projects



- Capital Projects are well distributed across the School District

	Early Childhood	Elementary School	High School	K-12 School	K-8 School	Middle School	Middle Secondary	Total
FY19 Proposed	1	17	8	0	26	1	6	59
Design	0	21	10	1	35	3	4	74
Construction	1	20	13	0	31	1	1	67
	2	58	31	1	92	5	11	200



# Addressing Environmental Conditions in Schools

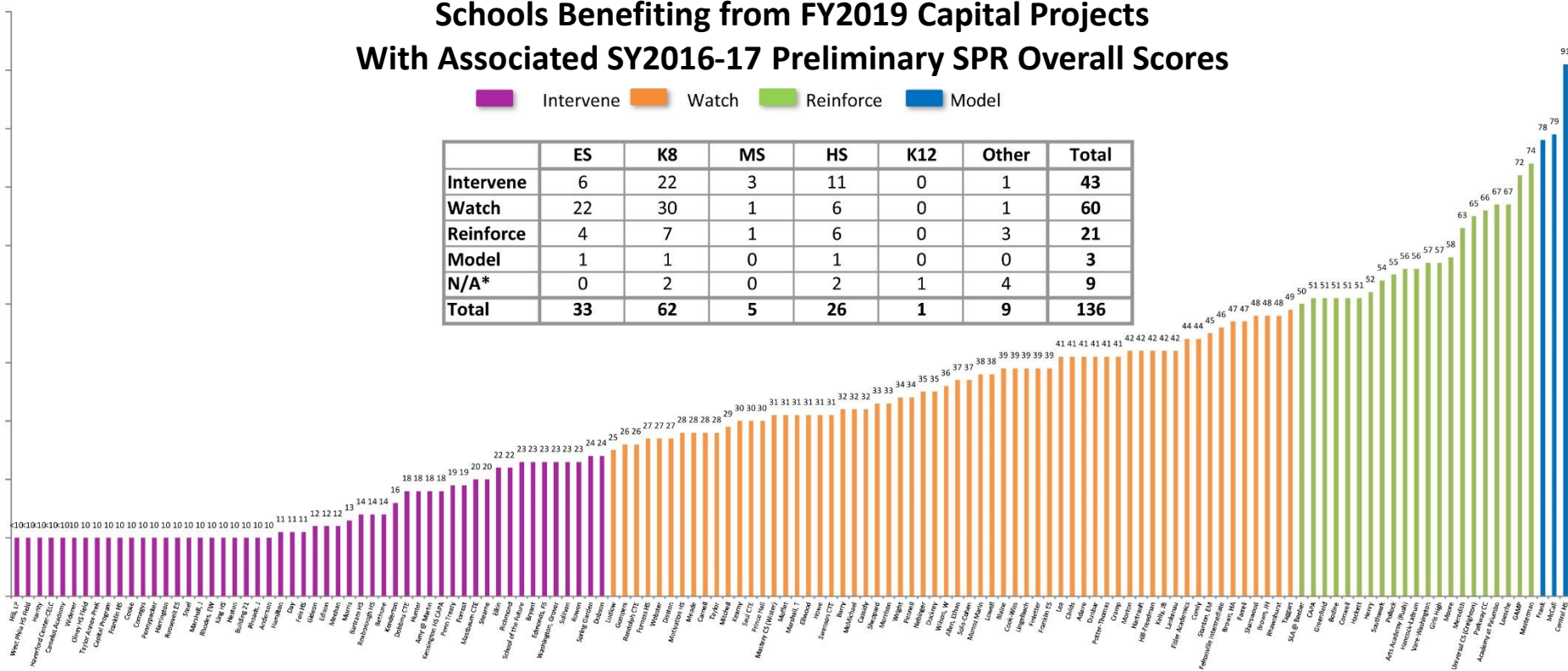
The Capital Budget funds 20 positions in the Office of Environmental Management and Maintenance. Capital Programs manages environmental consultant contracts valued at \$12.1 M. These consultants complete building inspections and implement regulatory testing, monitoring and oversight as required by city, state, and federal guidelines.

- **Lead Paint**: Peeling and crumbling paint will be removed at all locations scheduled for Major Renovations and Early Literacy Investments.
- **Asbestos**: an environmental specification is included in all construction bid packages noting asbestos containing materials and the District's abatement protocol. The School District requires contractors to comply with the Philadelphia Department of Health's abatement and testing protocol.
- **Water Quality**: Installation of new hydration stations are included in all New Construction and Major Renovations.

## Schools Benefiting from FY2019 Capital Projects With Associated SY2016-17 Preliminary SPR Overall Scores

Intervene Watch Reinforce Model

	ES	K8	MS	HS	K12	Other	Total
<b>Intervene</b>	6	22	3	11	0	1	<b>43</b>
<b>Watch</b>	22	30	1	6	0	1	<b>60</b>
<b>Reinforce</b>	4	7	1	6	0	3	<b>21</b>
<b>Model</b>	1	1	0	1	0	0	<b>3</b>
<b>N/A*</b>	0	2	0	2	1	4	<b>9</b>
<b>Total</b>	<b>33</b>	<b>62</b>	<b>5</b>	<b>26</b>	<b>1</b>	<b>9</b>	<b>136</b>



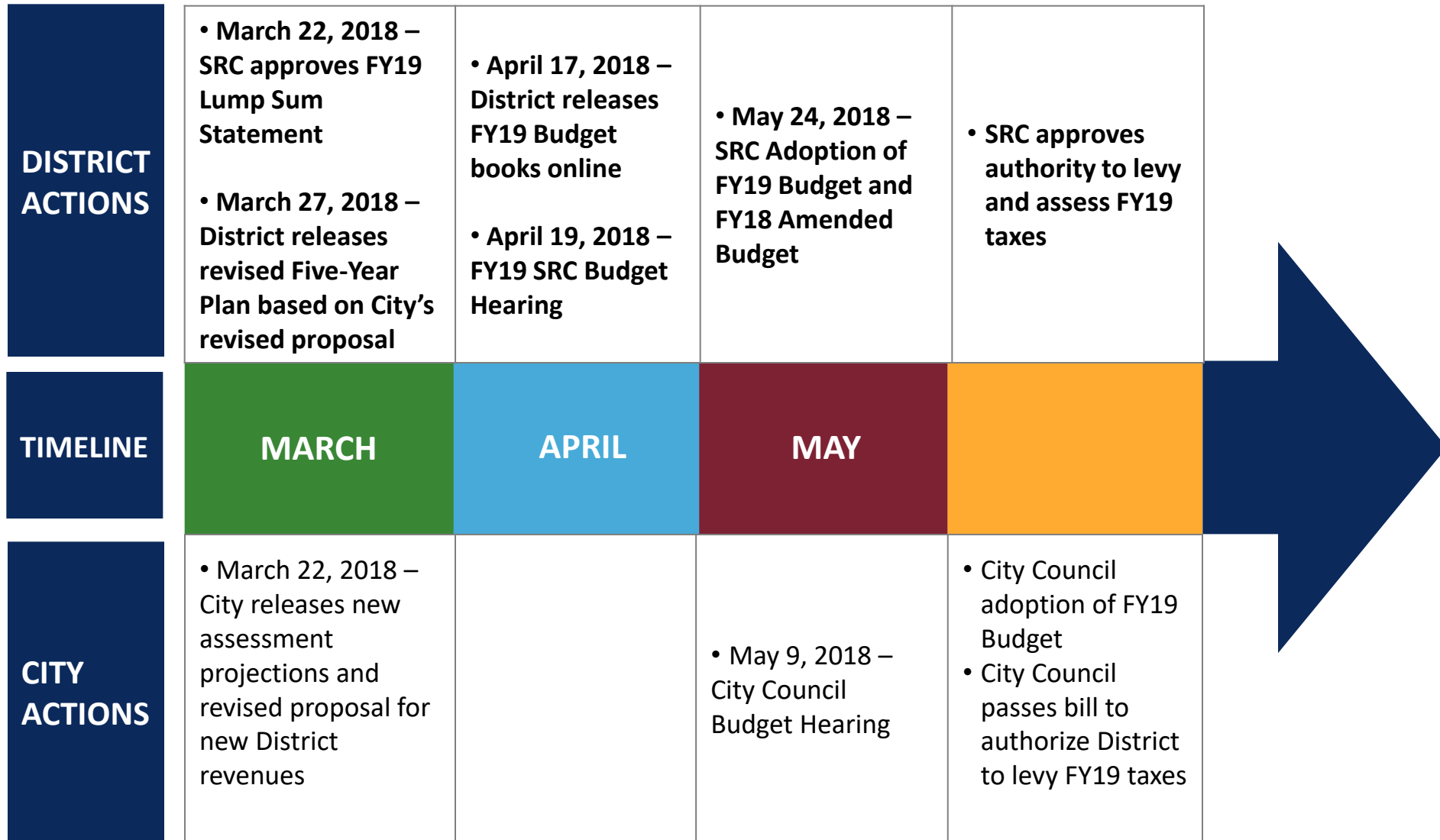
# FY18 Amended and FY19 Proposed Capital Budget Summary Presented for SRC Consideration and Action

- The Amended FY2018 Budget is \$155.5 million
- The Proposed FY2019 Budget is \$274.7 million

Budget Adoption May 2018		
(Amounts in Thousands)	Amended 2017/2018	Proposed 2018/2019
New Construction	\$2,714	\$38,970
Major Renovations	\$39,701	\$68,816
Building Additions	\$9,481	\$7,354
Life Cycle Replacements	\$58,787	\$79,679
Action Plan Investments	\$8,909	\$22,891
Environmental Management	\$11,780	\$15,070
Program Reserves	\$1,000	\$1,000
Central Office Support	\$13,141	\$30,331
Administrative Support Services	\$9,976	\$10,637
	<b>\$155,488</b>	<b>\$274,748</b>
Prior Year Fund Balance July 1	\$196,994	\$318,065
Total Revenue Sources	\$276,559	\$1,623
<b>Fund Balance June 30</b>	<b>\$318,065</b>	<b>\$44,940</b>

# Operating Budget Timeline

2018 →



# FY18 Amended and FY19 Adopted Operating Budget Summary Presented for SRC Consideration and Action

## Changes from Lump Sum include:

- **Revenues:**
  - Revised City proposal and updates based on real-time data
- **Expenditures:**
  - Final school budget decisions (school budgets were completed on March 28th)
  - Additional capital borrowing of \$150M in FY19
  - Updates based on real-time data

<b>Budget Adoption May 2018</b>		
(Amounts in Thousands)	Amended 2017/2018	Adopted 2018/2019
Total Revenues and Sources	\$3,010,915	\$3,188,315
Total Expenditures and Uses	\$2,972,338	\$3,129,518
Operating Surplus/(Deficit)	\$38,577	\$58,797
Prior Year Fund Balance (Deficit) July 1	\$124,697	\$148,572
Fund Balance Prior to Changes in Reserves	\$163,274	\$207,369
Changes in Reserves	(\$14,702)	(\$12,867)
<b>Fund Balance (Deficit) June 30</b>	<b>\$148,572</b>	<b>\$194,502</b>

# FY19-23 Five-Year Plan Operating Projections

(in thousands)

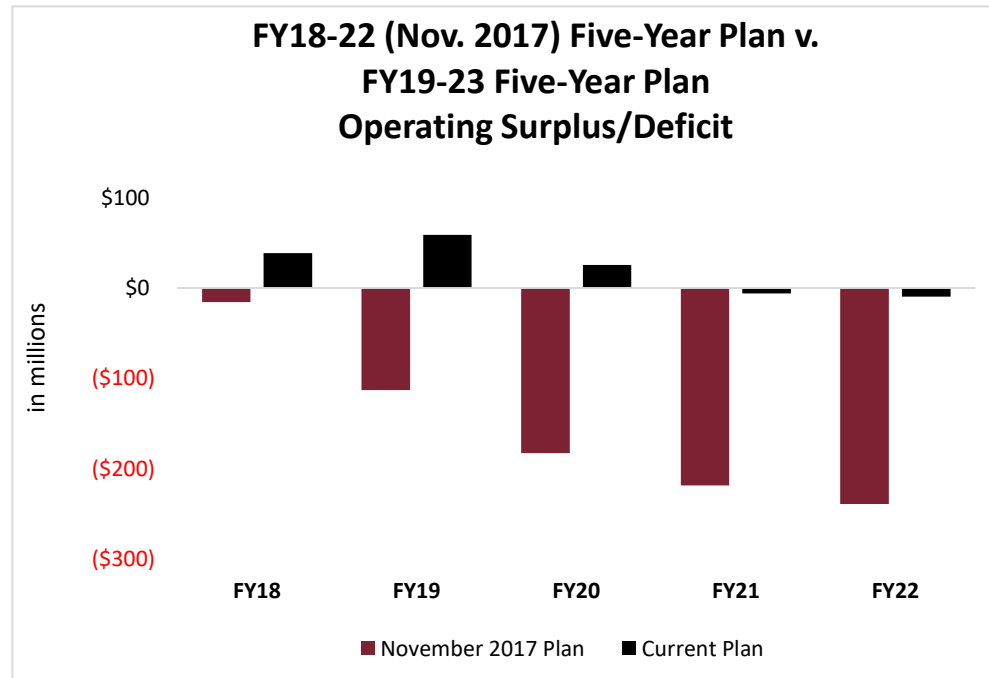
MAY FINAL UPDATE	FY18 Amended	FY19 Adopted	FY20 Projected	FY21 Projected	FY22 Projected	FY23 Projected	CAGR FY18 to FY23
<b>REVENUES &amp; OTHER FINANCING SOURCES</b>							
Local Tax Revenues	\$1,268,555	\$1,357,355	\$1,391,983	\$1,428,894	\$1,468,072	\$1,509,171	3.5%
Local Non-Tax Revenues	\$136,505	\$202,890	\$225,788	\$255,911	\$270,285	\$273,385	14.9%
State Revenues <sup>1</sup>	\$1,585,809	\$1,609,892	\$1,654,724	\$1,664,724	\$1,690,108	\$1,713,634	1.8%
Federal Revenues	\$16,976	\$16,633	\$16,529	\$16,419	\$16,301	\$16,175	-1.0%
Other Financing Sources	\$3,070	\$1,545	\$289	\$789	\$289	\$789	-23.8%
<b>TOTAL REVENUES &amp; OTHER SOURCES</b>	<b>\$3,010,915</b>	<b>\$3,188,315</b>	<b>\$3,289,313</b>	<b>\$3,366,736</b>	<b>\$3,445,054</b>	<b>\$3,513,154</b>	<b>3.1%</b>
<b>EXPENDITURES</b>							
District Operated Schools	\$1,626,105	\$1,667,945	\$1,726,164	\$1,745,430	\$1,751,550	\$1,768,712	1.7%
Charter Schools (Incl. Transportation)	\$880,460	\$971,462	\$1,050,301	\$1,131,452	\$1,197,649	\$1,243,918	7.2%
Other Non-District Operated Schools (Incl. Transp) <sup>1</sup>	\$111,152	\$100,598	\$102,676	\$103,345	\$104,030	\$104,729	1.6%
Debt Service	\$274,971	\$302,924	\$295,642	\$301,595	\$309,982	\$343,601	4.6%
<i>Debt Service as a % of Total Expenditures</i>	<i>9.3%</i>	<i>9.7%</i>	<i>9.1%</i>	<i>8.9%</i>	<i>9.0%</i>	<i>9.7%</i>	<i>-</i>
Administrative Support Operations (Central Offices)	\$98,385	\$104,942	\$108,864	\$110,748	\$111,210	\$111,933	2.6%
<i>Central Offices as a % of Total Expenditures</i>	<i>3.3%</i>	<i>3.4%</i>	<i>3.3%</i>	<i>3.3%</i>	<i>3.2%</i>	<i>3.2%</i>	<i>-</i>
Undistributed Budgetary Adjustments	(\$22,186)	(\$20,084)	(\$21,584)	(\$21,584)	(\$21,584)	(\$21,584)	-0.5%
Other Financing Uses	\$3,452	\$1,731	\$1,731	\$1,731	\$1,731	\$1,731	-12.9%
<b>TOTAL EXPENDITURES &amp; OTHER USES</b>	<b>\$2,972,338</b>	<b>\$3,129,518</b>	<b>\$3,263,795</b>	<b>\$3,372,719</b>	<b>\$3,454,568</b>	<b>\$3,553,040</b>	<b>3.6%</b>
<b>OPERATING/FUND BALANCE</b>							
<b>Operating Surplus/(Deficit)</b>	<b>\$38,577</b>	<b>\$58,797</b>	<b>\$25,518</b>	<b>(\$5,983)</b>	<b>(\$9,513)</b>	<b>(\$39,886)</b>	
Transfers from Reserves	(\$14,702)	\$4,633	(\$13,321)	(\$13,321)	(\$13,321)	\$28,259	
Reserve for Federal Cuts	\$0	(\$17,500)	(\$17,500)	(\$17,500)	(\$17,500)	(\$17,500)	
<b>Fund Balance at Beginning of Year - July 1</b>	<b>\$124,697</b>	<b>\$148,572</b>	<b>\$194,502</b>	<b>\$189,200</b>	<b>\$152,396</b>	<b>\$112,063</b>	
<b>ENDING FUND BALANCE</b>							
<b>Fund Balance at End of Year - June 30</b>	<b>\$148,572</b>	<b>\$194,502</b>	<b>\$189,200</b>	<b>\$152,396</b>	<b>\$112,063</b>	<b>\$82,936</b>	
<i>Fund Balance as % of Total Revenues</i>	<i>4.9%</i>	<i>6.1%</i>	<i>5.8%</i>	<i>4.5%</i>	<i>3.3%</i>	<i>2.4%</i>	

<sup>1</sup>Starting in FY19, approximately \$15M of revenues and expenditures associated with Act 89 transfer to Categorical. For the FY18 to FY23 CAGR calculation, these funds are excluded for FY18.



# Five-Year Plan: Aiming for Structural Balance

- The District is better positioned than in prior years to achieve structural balance, having expenditures approximately equal to revenues on an annual basis
- As compared to last year, the FY19-23 five-year plan nears structural balance



- Structural balance results in a current projected FY22 ending fund balance of a positive \$112.1M as compared to the prior year's projected ending fund balance of a negative (\$701.6M)