THE SCHOOL DISTRICT OF PHILADELPHIA

Recommended Dissolution of the School Reform Commission

November 16, 2017

Agenda

- Statutory Framework and Criteria outlined in Section 691 of the Public School Code
- Academic Accomplishments
- Financial Management
- Charter Schools Office
- Office of the Inspector General
- Plan for Continuity
- Questions and Answers

Statutory Framework: Dissolution of the SRC

Background: December 21, 2001 – Pa. Secretary of Education declared The School District of Philadelphia as a distressed school district for the reasons that it:

- Failed to adopt a valid budget; and
- Failed or will fail to provide an educational program in compliance with State laws and regulations.

Dissolution process: As per Section 696(n) of the Public School Code:

- SRC deliberates and votes to adopt a resolution recommending the dissolution of the SRC.
- Secretary of Education may then issue a declaration to dissolve the SRC.

Timeline for dissolution: The Secretary's declaration must be issued at least 180 days prior to the end of the current school year and becomes effective at the end of that school year. The current school year ends June 30th, 2018.

Criteria: Section 691 Public School Code

Section 691 of the Public School Code outlines the circumstances when a school district is distressed that, along with a proper investigation of a school district's financial condition and administrative practices of the Board, may lead the Secretary of Education to issue a declaration of distress

These criteria for distress include the following:

- Whether the salaries of employees have remained unpaid for 90 days.
- Whether tuition due another school district remains unpaid.
- Whether the District has defaulted on any bond payments or contracted any loan not authorized by law.
- Whether the District has operated with a deficit equal to 2% or more of the assessed valuation of taxable real estate for two successive years.
- Whether the District failed to adopt a valid budget or to transfer revenues in order to operate the school district for a minimum instructional year.
- Whether the District failed to provide for an educational program in compliance with applicable law or standards.

The School District of Philadelphia no longer meets these circumstances for distress.

Academic Accomplishments

- Improved academic outcomes for students in all grades
  - Increased rate of 3rd graders reading on grade level to 36%
    - Students at every grade level from 3rd to 7th have shown improvements in reading
    - More students are reading at the very highest level (Advanced) and fewer students are reading at the lowest level (Below Basic)
  - Improved student scores for the Algebra I, Biology, and Literature Keystone exams
  - Increased district-wide graduation rate to 67%
- Safe, welcoming schools
  - Zero “persistently dangerous” schools for three consecutive years
  - Reduced suspensions and created a successful diversion program
  - City-wide focus on increasing attendance
- Successful teacher staffing
  - 99% teacher fill rate - over 2,150 teachers submitted applications for SY17-18
  - 85% substitute teacher fill rate

Financial Management

Over the past few years the District has undertaken numerous initiatives to increase recurring revenue, improve the efficient and effective use of public dollars, and plan for sustainable investments

- Obtained recurring revenue from the State
  - Cigarette tax (originally slated to sunset in FY18) made permanent, and has an annual $58 million floor
  - New rideshare fee revenues, estimated at $2.5 million annually
- Introduced a sustainable, multi-year strategic investment plan, including:
  - New instructional materials for K-8 math and new reading anthologies
  - Increased funding for AP courses, gifted education, and PSAT/SAT administration
  - Counselors for every school and nurses in every school building
- Completed a bond refunding of over $1 billion in high interest debt which will save the District over $100 million in debt service interest over the next 20 years

Financial Management

- Ratified collective bargaining agreements with all of the District's bargaining units.
- As of FY17, the District is considered a Best Practice model of grant compliance and management by the US Department of Education (ED).
- Secured a fix for the state reimbursement formula (AVI issue) which prevents the loss of over $250 million in state reimbursement revenues through FY22.
- On September 8, 2017, the District received a ratings upgrade by Moody's Investors Service, the first upgrade since 2010. The upgrade opinion noted that:
    - "Structural balance and operating surpluses for the last three years show a significant improvement over years of deficits."

Financial Management

Five-Year Financial Plan

- The District has implemented a Five-Year budget and spending plan which strives for structural balance, while providing for investments designed to achieve the mission of equity in educational opportunity for all children.
- The Five-Year Plan utilizes reasonable projections for revenues and expenditures and establishes baseline financial projections to enable dialogue among all District funders to identify pathways to long-term structural balance.
- The Five-Year Plan assumes funding for maintaining current service levels and investments
- The District projects to end FY18 with a positive fund balance ($85.6 million), the 4th consecutive year of a year-end positive fund balance.

Revised Five-Year Plan

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

	FY17 Q4 Projection	FY18 Q1 Projection	FY19 Projected	FY20 Projected	FY21 Projected	FY22 Projected	CAGR FY17 to FY22
REVENUES & OTHER FINANCING SOURCES (Excluding Refunding)							
Local Tax Revenues	$1,139,177	$1,236,963	$1,283,168	$1,300,390	$1,339,095	$1,368,703	3.7%
Local Non-Tax Revenues	$134,201	$122,892	$123,315	$123,815	$124,308	$124,550	-1.5%
State Revenues	$1,527,947	$1,606,899	$1,631,112	$1,677,835	$1,715,018	$1,752,204	2.8%
Federal Revenues	$13,083	$16,713	$16,615	$16,516	$16,400	$16,283	4.5%
Other Financing Sources	$6,798	$289	$789	$289	$789	$289	-46.8%
TOTAL REVENUES & OTHER SOURCES	**$2,821,205**	**$2,983,756**	**$3,054,999**	**$3,118,845**	**$3,195,610**	**$3,262,029**	**2.9%**
EXPENDITURES & OTHER FINANCING USES (Excluding Refunding)							
District Operated Schools	$1,482,916	$1,629,202	$1,660,887	$1,717,311	$1,742,262	$1,753,502	3.4%
Charter Schools (Incl. Transportation)	$808,923	$885,024	$994,500	$1,079,080	$1,160,900	$1,228,710	8.7%
Other Non-District Operated Schools (Incl. Transportation)	$108,010	$110,720	$111,611	$112,522	$113,451	$114,401	1.2%
Debt Service	$267,859	$271,891	$291,955	$282,283	$286,309	$291,925	1.7%
Administrative Support Operations (Central Offices)	$82,742	$96,580	$97,995	$99,322	$100,282	$101,360	4.1%
Undistributed Budgetary Adjustments	($18,053)	($9,458)	($9,442)	($9,425)	($9,407)	($9,389)	-12.3%
Other Financing Uses	$1,806	$2,627	$2,627	$2,627	$2,627	$2,627	7.8%
Reserve for Federal Cuts	$0	$12,500	$17,500	$17,500	$17,500	$17,500	N/A
TOTAL EXPENDITURES & OTHER USES	**$2,734,203**	**$2,999,086**	**$3,167,634**	**$3,301,222**	**$3,413,925**	**$3,500,636**	**5.1%**
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)	**$87,002**	**($15,330)**	**($112,636)**	**($182,377)**	**($218,315)**	**($238,607)**	
Net Impact of Refunding	($9,130)	$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**	**$115,656**	**$85,624**	**($22,378)**	**($218,076)**	**($449,711)**	
Prior Period Adjustment	($83,744)						
Restated Fund Balance at Beginning of Year - July 1	**$47,485**	**$115,656**	**$85,624**	**($22,378)**	**($218,076)**	**($449,711)**	
ENDING FUND BALANCE							
Fund Balance at End of Year - June 30	**$115,656**	**$85,624**	**($22,378)**	**($218,076)**	**($449,711)**	**($701,639)**	
% of Total Revenues	*4.1%*	*2.9%*	*-0.7%*	*-7.0%*	*-14.1%*	*-21.5%*	

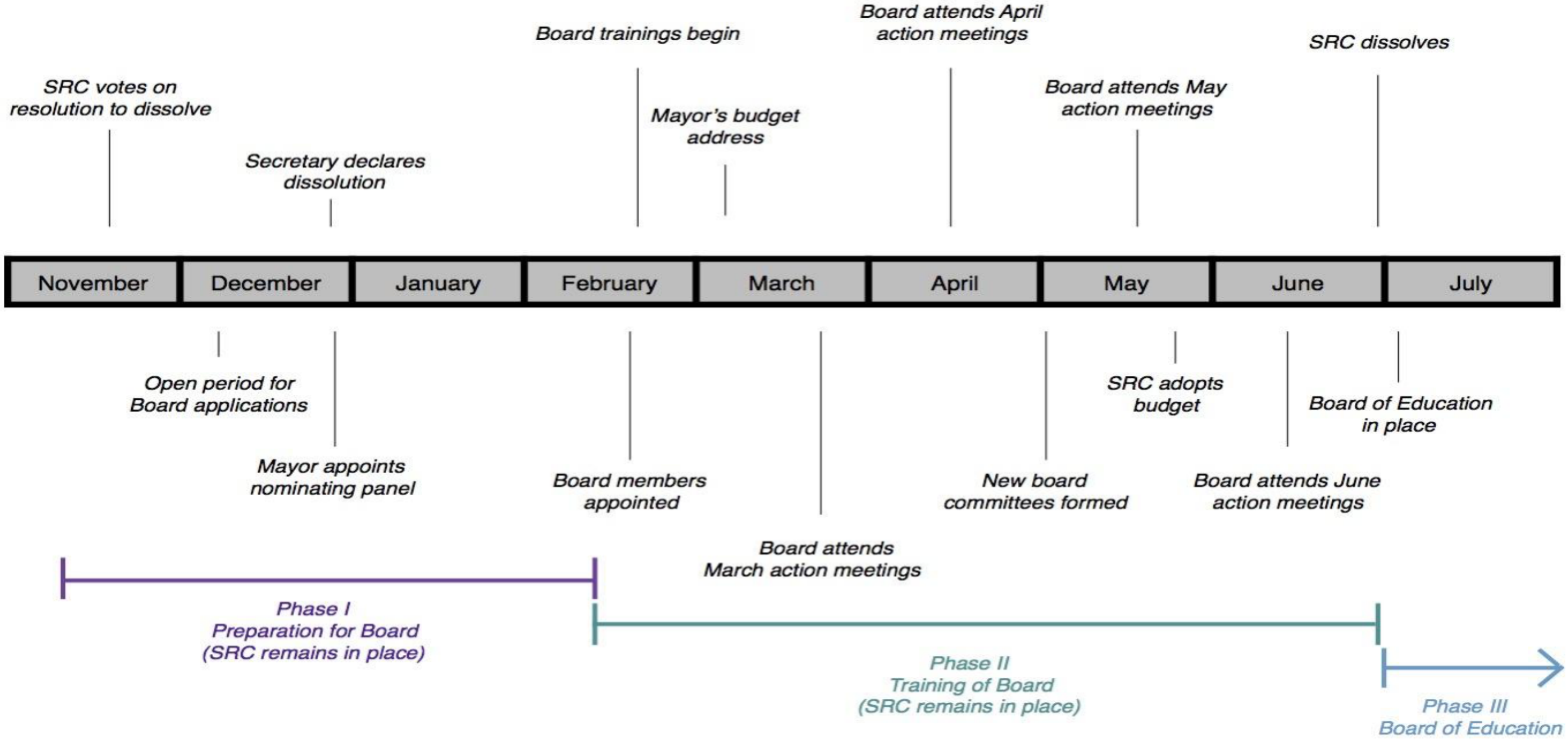
Charter Schools Office (CSO)

- Improvements in staffing, CSO capacity.
  - Capacity increased from 8 FTE to 16 FTE in three years, school to staff ratio reduced from 10.4:1 to 5.25:1.
- Strengthened authorizing practices through the Authorizing Quality Initiative.
  - Aligned CSO authorizing activities to the charter school performance framework.
  - Implemented new tools for school quality and transparency including informational charter profiles (2015), Annual Charter Evaluations (2016), notices of deficiency (2016) and new website (2017).
  - Instituted board check-ins (2016) for schools with areas of concern in Annual Charter Evaluations and mid-charter term check-ins (2017) to identify schools as being on or off-track for renewal (2017).
  - Revised charter performance framework (2017) based on charter sector feedback, new Every Student Succeeds Act (ESSA) performance expectations and feedback from SRC and the National Association of Charter School Authorizers (NACSA).

Office of the Inspector General (OIG)

- Innovative Partnership
  - Pursuant to a 2015 MOU, the School District engaged the Philadelphia Office of the Inspector General to assume authority for the District OIG.
  - MOU leveraged Philadelphia's recognized Office of the Inspector General to lead in structuring, staffing and operating the District's OIG.
- Strong Outcomes
  - Created a comprehensive case management system.
  - Established 'best practices' investigative protocols.
  - Communicated across District to inform employees about the office.
  - Issued over 20 Reports of Investigation and made extensive recommendations.
  - District OIG is on track to duplicate the financial viability that the City OIG has demonstrated.

Plan for Transition



Questions

Charter School Amendment Recommendation

Presentation to the School Reform Commission

Charter Schools Office

November 16, 2017

Charter School Amendments

- Amendments are modifications to a Charter, amendment requests can be submitted during the charter term or at renewal
- Amendment requests commonly are made to propose changes in the educational program, enrollment, location, school name, operations or charter management organization
- Amendments may be material or non-material; material amendment requests receive a comprehensive review by the CSO including a report
- Material amendments include:
  - Change to grade levels and/or number of students authorized to enroll
  - Change in building location or addition of new facility
  - Name change of a charter school
  - Significant change to a charter school's mission, program, or educational plan
  - Change to the charter school's management organization

Independence Charter School

Amendment: **Increase Authorized Enrollment by 25 seats**

Recommendation: ***Approve***

Rationale:
The Charter School seeks to add 25 seats in existing grades, primarily in the middle school grades, to align class size and grade level enrollment across all grades, Kindergarten through Grade 8. The expansion would begin upon approval for the 2017-18 school year. Some of the new seats will go to currently enrolled students above the authorized enrollment with remaining seats for applicants on the waitlist adding new quality seats to the sector. The Charter School submitted a sound staffing plan and budget and has sufficient space in its existing facility. Additionally, the Charter School exceeds the academic performance standards as per the Charter Schools Office's charter performance framework, has minimal concerns in organizational compliance and financial health, and has demonstrated evidence of community support for these additional seats in Philadelphia.

Enrollment Proposed in Amendment Request:

	2016-2017	2017-2018	2018-2019	2019-2020
Total Authorized Enrollment	800	825	825	825