

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.

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 - 3rd 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

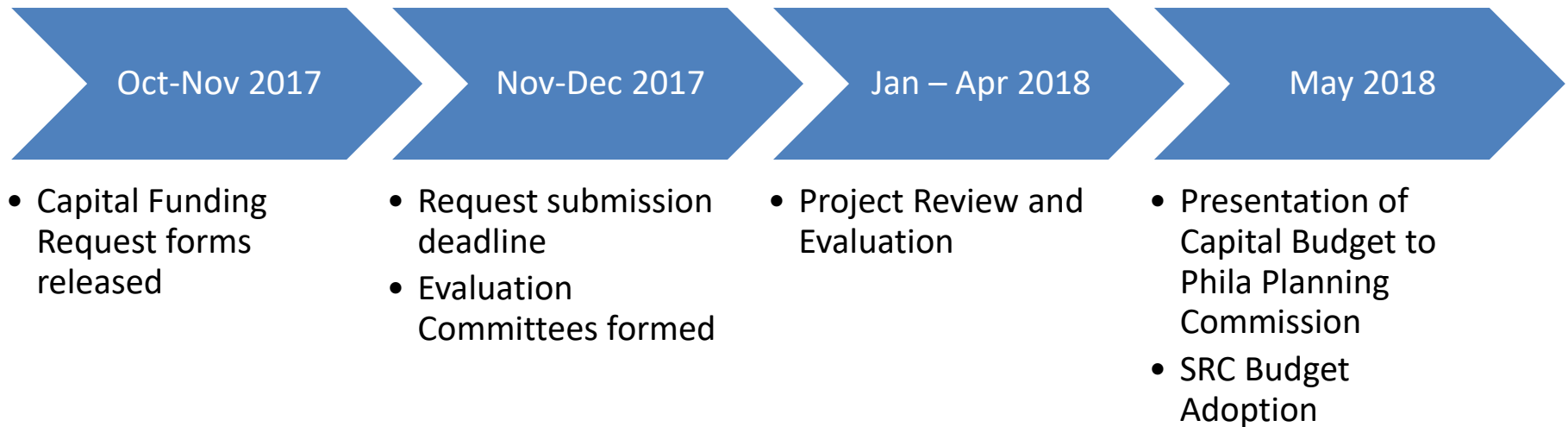
- Arts/music funds to increase the number of itinerant music teachers and fund art and music supplies
- Increased financial support for our lowest performing schools
- Additional bilingual counseling assistants (BCAs)
- Additional Language Coordinators
- 10 new emotional support programs
- Climate Support 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.

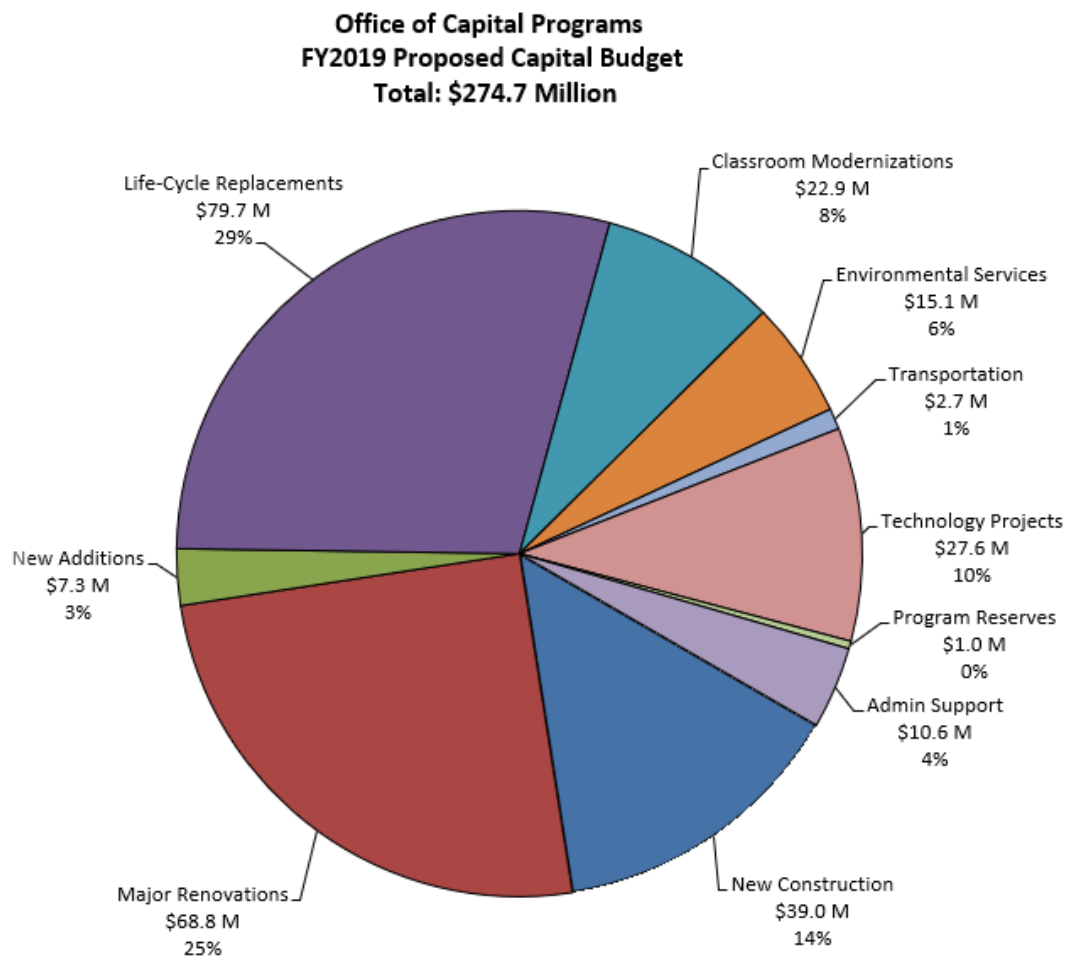
Evaluation teams representing Operations and Academics participated in the evaluation and recommendation of capital projects.



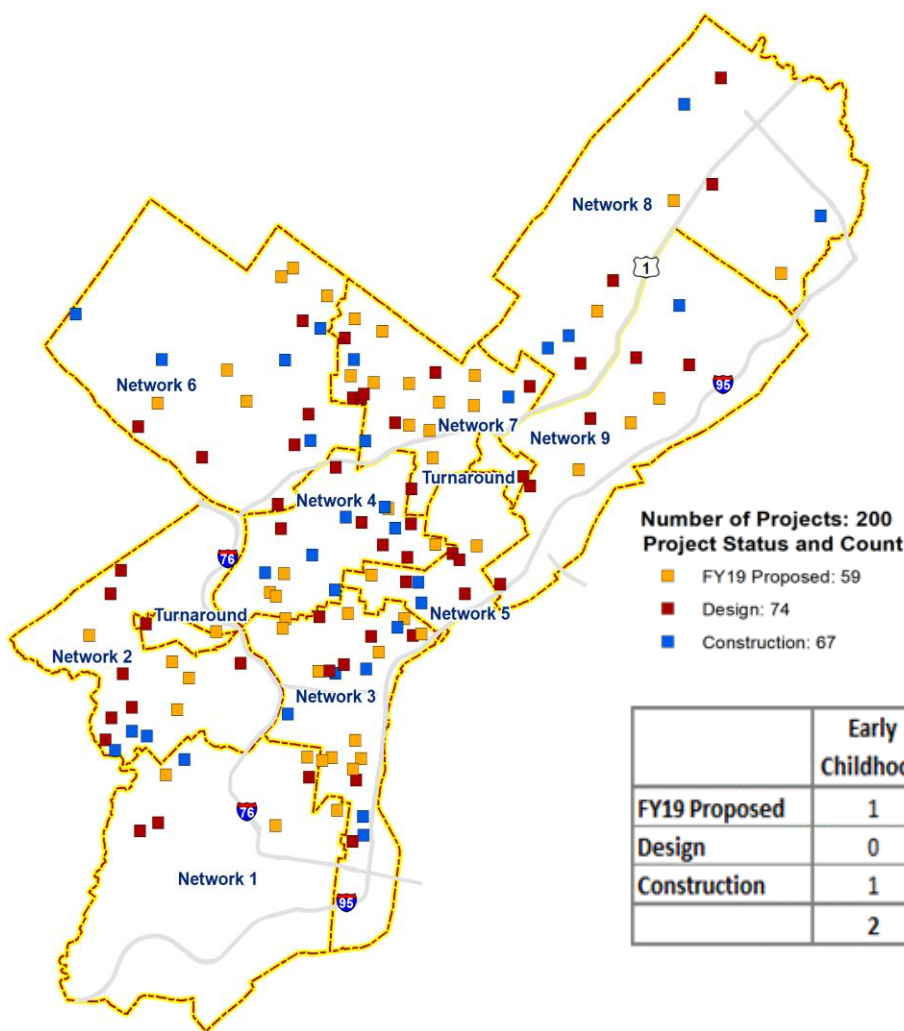
Proposed FY19 Capital Budget

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

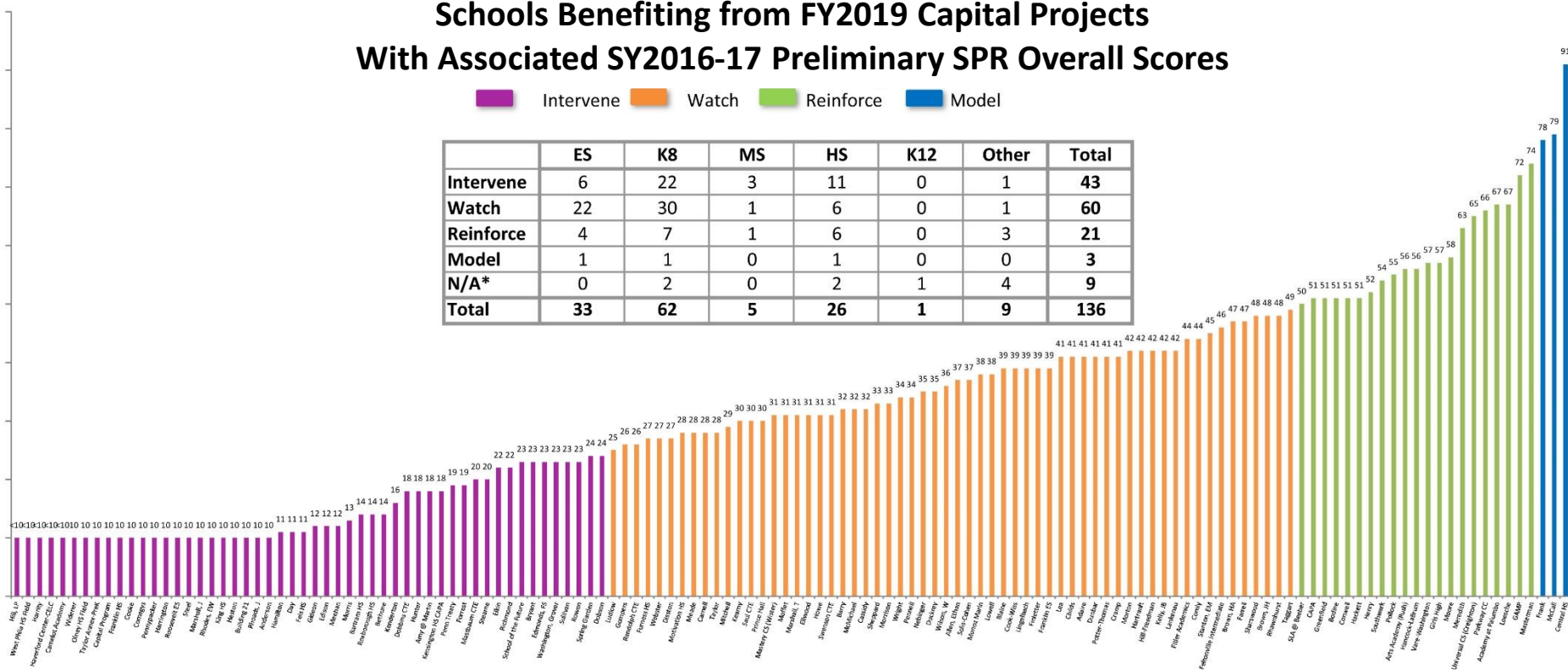
The Capital Budget funds 20 positions in the Office of Environmental Management and Maintenance. Capital Programs manages environmental consultant contracts valued at \$12.1 M. These consultants complete building inspections and implement regulatory testing, monitoring and oversight as required by city, 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
Intervene	6	22	3	11	0	1	43
Watch	22	30	1	6	0	1	60
Reinforce	4	7	1	6	0	3	21
Model	1	1	0	1	0	0	3
N/A*	0	2	0	2	1	4	9
Total	33	62	5	26	1	9	136



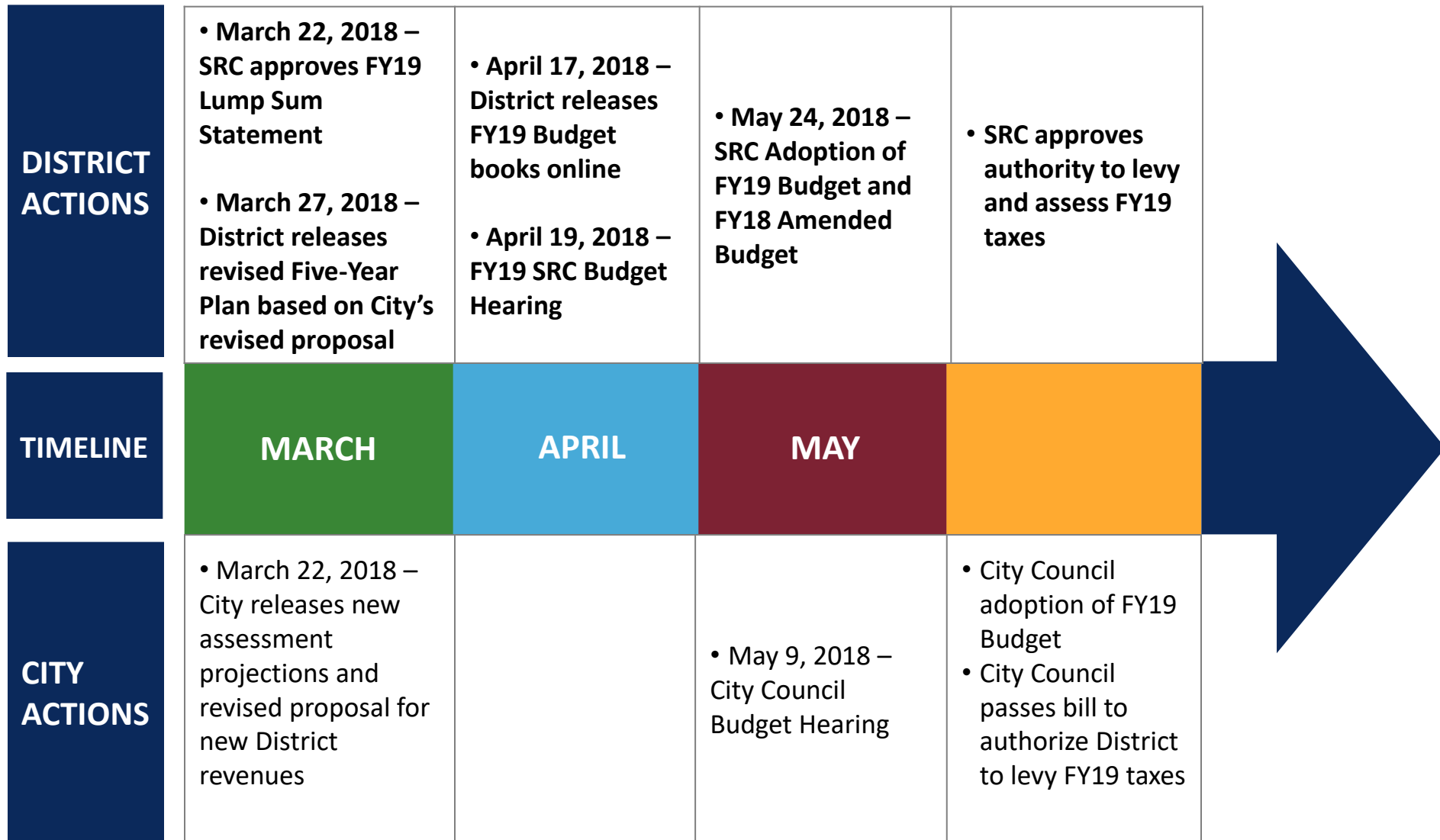
FY18 Amended and FY19 Proposed Capital Budget Summary Presented for SRC Consideration and Action

- 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
	\$155,488	\$274,748
Prior Year Fund Balance July 1	\$196,994	\$318,065
Total Revenue Sources	\$276,559	\$1,623
Fund Balance June 30	\$318,065	\$44,940

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

Budget Adoption May 2018		
(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)
Fund Balance (Deficit) June 30	\$148,572	\$194,502

FY19-23 Five-Year Plan Operating Projections

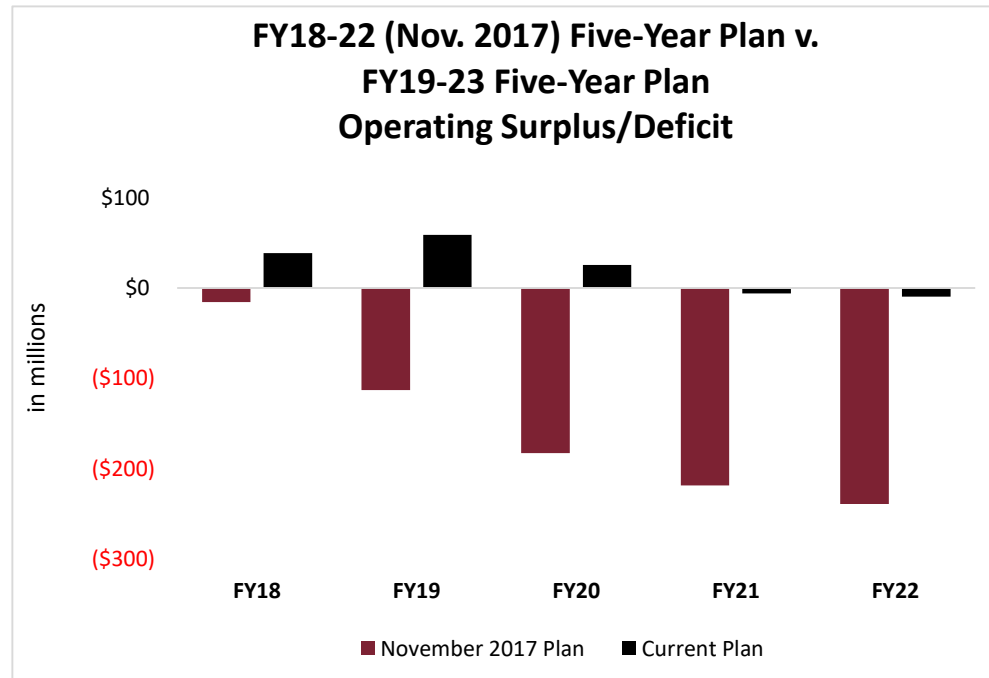
(in thousands)

MAY FINAL UPDATE	FY18 Amended	FY19 Adopted	FY20 Projected	FY21 Projected	FY22 Projected	FY23 Projected	CAGR FY18 to FY23
REVENUES & OTHER FINANCING SOURCES							
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 ¹	\$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%
TOTAL REVENUES & OTHER SOURCES	\$3,010,915	\$3,188,315	\$3,289,313	\$3,366,736	\$3,445,054	\$3,513,154	3.1%
EXPENDITURES							
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) ¹	\$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%
TOTAL EXPENDITURES & OTHER USES	\$2,972,338	\$3,129,518	\$3,263,795	\$3,372,719	\$3,454,568	\$3,553,040	3.6%
OPERATING/FUND BALANCE							
Operating Surplus/(Deficit)	\$38,577	\$58,797	\$25,518	(\$5,983)	(\$9,513)	(\$39,886)	
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)	
Fund Balance at Beginning of Year - July 1	\$124,697	\$148,572	\$194,502	\$189,200	\$152,396	\$112,063	
ENDING FUND BALANCE							
Fund Balance at End of Year - June 30	\$148,572	\$194,502	\$189,200	\$152,396	\$112,063	\$82,936	
<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>	

¹Starting 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)



New Charter Application Resubmissions

Presentation to the School Reform Commission
Charter Schools Office

May 24, 2018

New Charter Applications - Charter School Law

In Pennsylvania, the CSL* specifies guidelines for reviewing charter applications:

- Demonstrated, sustainable support for the charter school plan by teachers, parents and other community members and students, including comments received at the public hearing
- Capability of the applicant, in terms of support and planning, to provide comprehensive learning experiences to students
- Extent to which the application considers the information specified in 1719-A and conforms to the legislative intent outlined in 1702-A of the CSL
- Extent to which the charter school may serve as a model for other public schools

*Section 17-1717-A CSL

Denied Applications – Charter School Law

- In Pennsylvania, the CSL provides denied applicants with either:
 - Right to appeal to the State Charter Appeal Board (CAB)
 - OR**
 - Right to resubmit the new charter application as a revised application
- If the applicant submits a revised application to the School District:
 - Per the CSL, the School Reform Commission is required to vote at the first scheduled public board meeting held *at least 45 days after receiving a revised application*

Timeline: APM Community Charter School

- February 22, 2018: SRC denied the original new charter application and approved adjudication
- April 9, 2018: APM Community CS submitted a revised application
 - Revised application was evaluated using the 2017-18 new charter application, guidelines and criteria
 - Revised application narrative posted to the CSO website for public review
- Staff with relevant subject matter expertise conducted a comprehensive review of the revised application
- CSO created a new evaluation report for the revised application based on the resubmission
- May 24, 2018: the first SRC action meeting at least 45 days after date of resubmission
 - SRC to take action on the revised application this evening

APM Community Charter School

	Original Application	Revised Application
Grade Range at Scale	K – 8	K - 8
Total Enrollment at Scale	702	702
Location	Feltonville (19120)	Feltonville (19120)
Proposed Opening Year	2018-19	2019-20
Targeted Students	19122, 19133 and 19140	19122, 19133 and 19140
Academic Program	<ul style="list-style-type: none"> • Community School model • Seeks to prepare students for HS and beyond as engaged citizens and leaders with 21st Century skills 	<ul style="list-style-type: none"> • Community School model • Seeks to prepare students for HS and beyond as engaged citizens and leaders with 21st Century skills
Management Organization	Asociación Puertorriqueños en Marcha, Inc. (APM)	Asociación Puertorriqueños en Marcha, Inc. (APM)

Timeline: Philadelphia Hebrew Public Charter School

- February 22, 2018: SRC denied the original new charter application and approved adjudication
- April 2, 2018: Philadelphia Hebrew Public CS submitted a revised application
 - Revised application was evaluated using the 2017-18 new charter application, guidelines and criteria
 - Revised application narrative posted to the CSO website for public review
- Staff with relevant subject matter expertise conducted a comprehensive review of the revised application
- CSO created a new evaluation report for the revised application based on the resubmission
- Although May 17, 2018 was the first SRC action meeting at least 45 days after date of resubmission, the applicant agreed to an extension
 - SRC to take action on the revised application this evening

Philadelphia Hebrew Public Charter School

	Original Application	Revised Application
Grade Range at Scale	K – 8	K - 8
Total Enrollment at Scale	702	702
Location	East Falls (19129)	East Falls (19129)
Proposed Opening Year	2019-20	2019-20
Targeted Students	Citywide, focus on a 2.5 miles radius	Citywide, targeted engagement of students in 19111, 19120, 19121, 19122, 19129, 19132, 19140 and 19144
Academic Program	<ul style="list-style-type: none"> • Dual-language program (Modern Hebrew) seeking to prepare students to be productive and ethical global citizens • Diverse-by-design student recruitment model 	<ul style="list-style-type: none"> • Dual-language program (Modern Hebrew) seeking to prepare students to be productive and ethical global citizens • Diverse-by-design student recruitment model
Management Organization	Hebrew Public (NY)	Hebrew Public (NY)



Charter School Amendment Recommendation

*Presentation to the School Reform Commission
Charter Schools Office*

May 24, 2018

Charter School Amendments

- Amendments are modifications to a Charter, amendment requests can be submitted during the charter term or at renewal
- Amendments may be material or non-material; material amendment requests receive a comprehensive review by the CSO including a report
- The process, eligibility requirements and evaluation criteria for mid-term charter amendments are specified in SRC Policy 406 – Charter Amendments
- Material Amendments Requiring SRC Approval Include:
 - Enrollment expansion of 10% or fewer of the current maximum authorized enrollment or 100 seats, whichever is less
 - Change to grade levels served
 - Change in building location or addition of new facility due to business-need, unavailability of current facility and/or emergency
 - Name change of a Renaissance charter school due to business need or legal requirement
 - Significant change to mission or fundamental change to educational plan
 - Change to the charter school's management organization

Ad Prima Charter School

Amendment:	Change in Facility/Location
Recommendation:	<i>Approve</i>
Existing Locations:	1922 North 63rd Street, 19151 3556 Frankford Avenue, 19134
Proposed Locations:	1922 North 63rd Street, 19151 8034 Thouron Avenue, 19150

Rationale:

- The Charter School seeks to change facilities for one of its K-8 campuses from the current facility Kensington to the proposed facility in Cedarbrook.
- The Charter School has demonstrated a business need for the mid-term charter amendment as the current facility raises concerns for consistent temperature regulation, student safety, lack of suitable and sufficient instructional space, and accessibility.
- The Charter School has demonstrated the sufficiency of the proposed facility for its K-8 educational program, presented evidence of engagement of the school community regarding the proposed move, and presented a budget with reasonable and appropriate expenses and revenues.
- Although the distance of the proposed facility from the current neighborhood remains a concern, the new facility would likely provide a safer and more suitable instructional environment for students and staff.