



Finance & Facilities Committee Meeting
September 6, 2018

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THE SCHOOL DISTRICT OF
PHILADELPHIA

Budget 101: The School District's Annual Budget Process

Finance and Facilities Committee

September 6, 2018

Budget Process – Key Topics for Discussion

- **What guides the School District of Philadelphia in establishing budget priorities?**
- **Within the annual timeline for developing the budget, what opportunities exist for public input and discussion?**
- **How is a school budget determined?**
- **What information about the School District's budget is available to the public?**

Action Plan 3.0 – Our Bold Goals

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

5 year milestone: 80% graduation rate

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

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

5 year milestone: Five-Year balanced budget projections

Annual Budget Timeline

- July – Board authorizes the issuance and sale of Tax Revenue Anticipation Notes (TRAN) (if necessary)
- Aug. – Submission of Comprehensive School Plans to the State
– Release of previous Fiscal Year, Quarter 4 Quarterly Report
- Oct. – Leveling finalized and staff in buildings
- Nov. – Release of current Fiscal Year, Quarter 1 Quarterly Report
- Dec-Jan – Development of School Allocation Formulas
– Identification of new Investments to Support Action Plan goals
- Feb. – Governor’s Proposed Budget for next Fiscal Year
– Release of current Fiscal Year, Quarter 2 Quarterly Report
- March – Mayor’s proposed budget for next Fiscal Year
– School Budget process (based on allocation formulas and Comprehensive School Plans)
– Board approval of Lump Sum statement
- April – Comprehensive School Plans created (through June)
– Public Budget Hearing
– Budget Books published
- May – City Council School Budget Hearing
– City Council adoption of City Budget, including bill authorizing District to levy taxes
– Release of current Fiscal Year, Quarter 3 Quarterly Report
– Board adoption of School District Budget and authority to levy and assess taxes
- June – Enactment of State budget

Components of a School's Budget

- School-Based Allocations
 - Operating Resources
 - Administration & Support (principal, assistant principal, counselor, secretary, student climate support)
 - Enrollment driven + prep teachers
 - Per Pupil Allocations
 - Grant Resources
 - Title I
 - School Improvement Grants
 - Other
- Centrally-Allocated Resources
 - Special Education, Nurses, English for Speakers of Other Languages (ESOL), Facilities, Security, etc.

Operating Funds: FY19 Allocation Method

Position/ Resource	Allocation Method	
Teachers	Schools are allotted regular education teachers to meet specified class size limits and to provide prep time for each teacher. Class size limits are: Grades K-3: 30 students Grades 4-12: 33 students CTE Schools: 24 students Kindergarten teachers are entirely funded by grants.	
Principal	One principal per school	
Assistant Principals	700-1,349 students: 1 assistant principal 2,650-3,299: 4 assistant principals 1,350-1,999 students: 2 assistant principals Over 3,299 students: 5 assistant principals 2,000-2,649: 3 assistant principals Neighborhood high schools are provided one additional assistant principal to support ninth grade	
Counselors	All schools are provided at least one counselor 0-949 students: 1 counselor 2,250-2,899 students: 4 counselors 950-1,599 students: 2 counselors Over 2,899 students: 5 counselors 1,600-2,249 students: 3 counselors	
Secretaries	0-1,149 students: 1 secretary 2,250-3,349 students: 3 secretaries 1,150-2,249 students: 2 secretaries Over 3,349 students: 4 secretaries	
Student Climate Support (SCS) 3 hour	0-449 students: 3 SCS 950-1,249 students: 7 SCS 450 -599 students: 4 SCS 1,250-1,599 students: 8 SCS 600-749 students: 5 SCS 1,600 – 1,999 students: 10 SCS 750-949 students: 6 SCS Over 1,999 students: 12 SCS Additional student climate staff are provided to schools with more than one building: 2 buildings: 2 SCS 3 buildings: 4 SCS	

Operating Funds: Allocation Method (cont.)

Position/ Resource	Allocation Method
\$100 Teacher Allotment	\$100 per teacher type position (i.e. teacher, counselor)
Summer Reorganization	Schools must pay staff for Summer Registration/ Reorganization days. <div> <div> <u>Elementary Schools</u> 10 days for secretaries (daily rate=\$244.11) </div> <div> <u>Middle and High Schools</u> 10 days for secretaries (daily rate=\$244.11) 10 days for roster chair (daily rate=\$469.21) </div> </div>
Discretionary Funds	<ul style="list-style-type: none"> - \$140 per student for schools identified as Model or Reinforce according to SDP's SPR - \$165 per student for schools identified as Watch of Intervene according to SDP's SPR These funds may be used for staff, supplies, textbooks, computers, extra-curricular activities, parent outreach, etc.
Extra-Curricular	120 hours per Elementary School (\$7,022 per Elementary School)
Small Schools	Schools with enrollment less than 325 students receive up to an additional \$50,000
Art	\$10 per pupil for Elementary Schools, \$15 per pupil for Middle Schools, \$20 per pupil for High Schools Arts programs: \$50,000 for schools with designated arts programs
School Redesign	\$50,000 for each school selected for the School Redesign Initiative
International Baccalaureate	International Baccalaureate (IB) programs: Schools with IB programs receive an additional 1.6 teachers

Selected Centrally Allocated Resources

Certain additional resources are allocated across all schools, including:

- Special Education Teachers
- Special Education Classroom and 1:1 Assistants
- Nurses
- Career and Technical Education Teachers
- ESOL Teachers
- Bilingual Counseling Assistants
- School Police Officers
- Psychologists
- Facilities
- Food Services

Publicly Accessible Resources

Many resources are available to the public related to the District Budget process, including:

- [Quick Budget Facts](#)
- [Budget Timeline](#)
- [2018-19 School Budget Book](#) (Budget information for each school)
- [2018-19 Guide to School Budgets](#) (including allocations & methodology)
- [FY19 Consolidated Budget](#) (District wide Budget Information)
- [Budget 101 – Guide to Reading Budget Books](#)
- [Public Budget Documents](#) (including Quarterly Reports and Historic Data from FY10 to FY19)
- [Comprehensive Annual Financial Reports](#) (FY2004 through FY2017)
- [Comprehensive School Plans](#)



Main Information
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THE SCHOOL DISTRICT OF
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Quarterly School Manager's Report – FY2018, Q4

Finance and Facilities Committee

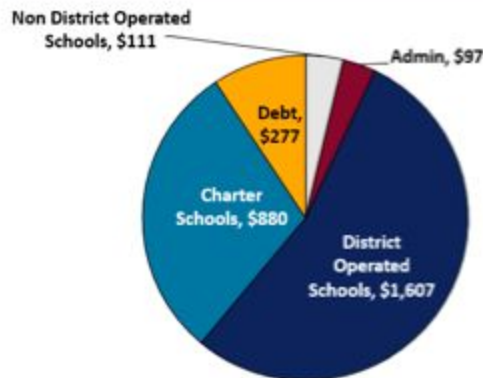
September 6, 2018

Operating Budget Update – Current Projection

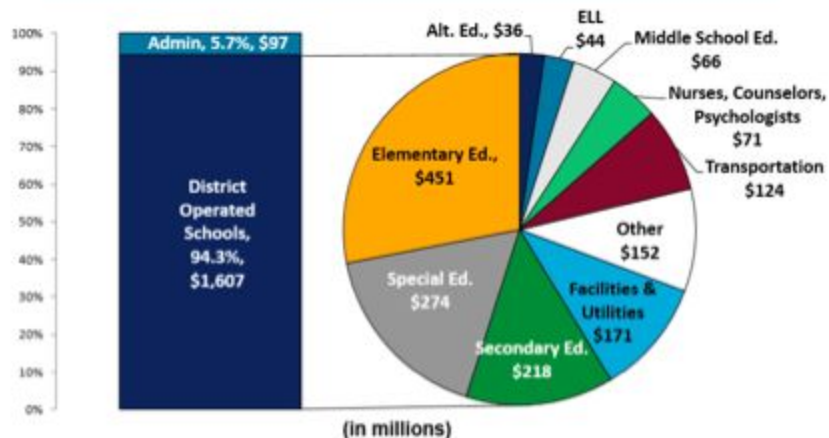
	FY18 Amended Budget	FY18 Current Projection	Current Projection Over (Under)
A. Local Tax Revenue	1,268,555,000	1,277,401,898	8,846,898
B. Local Non Tax Revenue	136,505,000	141,216,520	4,711,520
C. State Revenue	1,585,809,000	1,586,705,207	896,207
D. Federal Revenue	16,976,000	16,967,649	(8,351)
E. Other Financing Sources	3,070,000	3,037,208	(32,792)
Total Operating Revenues	3,010,915,000	3,025,328,481	14,413,481
A. District Operated Schools	1,626,104,582	1,627,413,127	1,308,545
B. Debt Service	274,971,058	274,925,034	(46,024)
C. Charter Schools	843,740,795	852,249,101	8,508,306
D. Charter Transportation	36,719,567	36,664,150	(55,417)
E. Other Non District Operated Schools	111,152,361	110,810,670	(341,691)
F. Administration	98,384,542	94,237,386	(4,147,156)
G. Undistributed Budgetary Adjustments	(22,186,206)	(28,435,866)	(6,249,660)
H. Other Financing Uses	3,451,541	3,486,272	34,731
Total Obligations & Other Uses	2,972,338,241	2,971,349,874	(988,367)
Operating Surplus (Deficit)	38,576,759	53,978,607	15,401,848
Change in Reserves	(14,701,738)	(14,701,738)	-
Operating Surplus/(Deficit) including Change in Reserves	23,875,022	39,276,870	15,401,848
Prior Year Fund Balance	124,696,689	124,696,689	-
Adjustment of Prior Year Balance	-	-	-
Prior Year Fund Balance after Adjustment	124,696,689	124,696,689	-
Year End Fund Balance	148,571,711	163,973,559	15,401,848

Operating Expenditures

Operating Fund Overview



School Expenditures by Category



Title I Spending

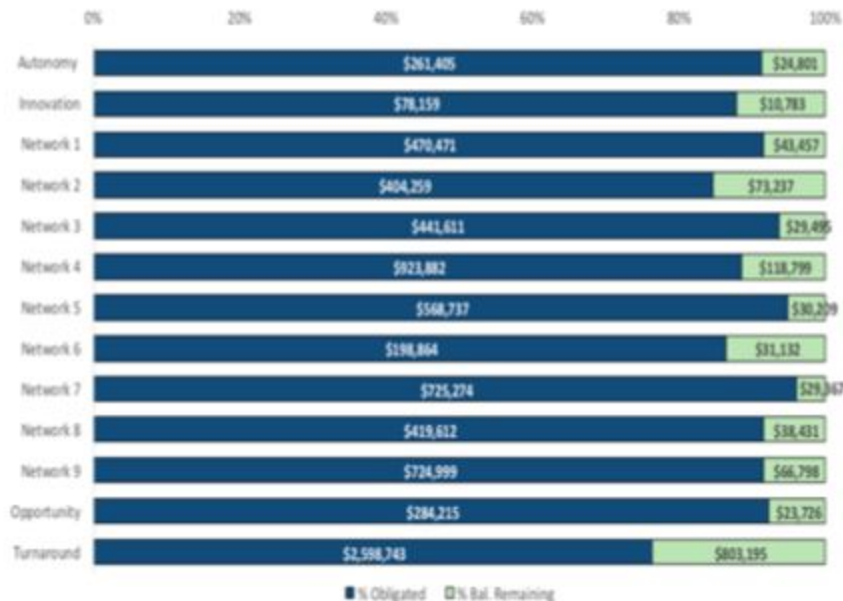
TITLE I SPEND

Title I is a 100% Federally funded supplemental education program that provides financial assistance to students who are educationally disadvantaged or at risk of failing to meet state requirements.

Full Time Salaries and Benefits

Category (\$ in thousands)	FY18 Budget	Expended YTD 6/30/18	% Bal. Remaining
Full Time Salaries	71,429	70,889	1%
All Benefits	51,655	47,537	8%
Total	123,084	118,426	4%

Part-Time Salary & Non-Personnel Obligated by Network



Top 10 Vendor Payments (Through June 30, 2018)

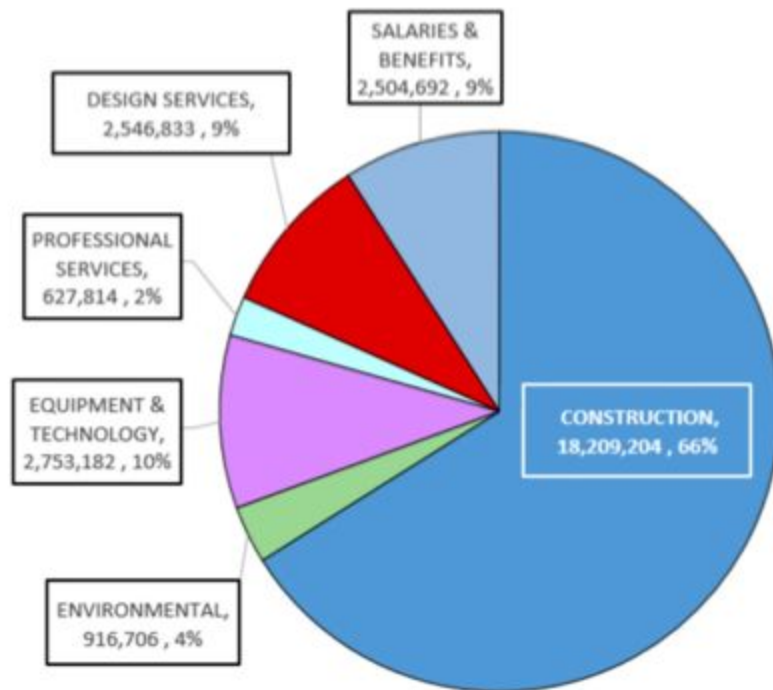
QUARTERLY SCHOOL MANAGER REPORT
VENDOR PAYMENTS YTD IN EXCESS OF \$100,000
CASH ACTIVITY
FOR THE PERIOD ENDED JUNE 30, 2018

VENDOR #	VENDOR NAME	VOUCHER-AMT
0096351	INDEPENDENCE BLUE CROSS	84,771,803
0044603	KEYSTONE HEALTH PLAN EAST INC	76,921,413
0096338	PHILA FEDERATION OF TEACHERS	41,630,854
0080945	SOUTHEASTERN PA TRANSPORTATION	35,113,939
1017489	BUILDING SERVICE 32BJ BENEFIT	30,133,639
C100004	PHILA PERFORMING ARTS CHARTER	27,544,135
1023700	KELLY SERVICES INC	27,250,777
C100093	OLNEY CHARTER HIGH SCHOOL	24,037,202
C100025	FIRST PHILADELPHIA CHARTER	22,503,973
1022085	DURHAM SCHOOL SERVICES LP	20,593,829

Q4 Capital Spending

Q4 Capital Spending

\$27.6 million





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Summer Facility Renovations and Remediations

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September 6, 2018



The mission of the Division of Operations is to provide a safe, comfortable, and welcoming environments conducive to learning for students, faculty, and community and to do so in a way that's cost-effective and forward-thinking.

Our Goals:

1. Healthy, safe and clean environments for District students, staff and community
2. Implementation of safe work practices aligned with city, state and/or federal regulations
3. Customer service that is best in class
4. Provide information in a timely manner

Project Overview

- Paint & Plaster Stabilization Project
 - 43 schools identified for lead paint stabilization
- Renovation Projects
 - Early Literacy classroom investments
 - Major Renovations and New Construction
 - Maintenance Summer Work
- Environmental Projects
 - Asbestos abatement
 - Mold remediation
- Preparing Buildings for School Opening
 - 224 buildings readied for the first day of school.

Our Progress

- **Paint Stabilization Project**
 - **6 projects** currently underway
 - At the end of the project, more than **30,000 students** will be served in improved classrooms.
 - An estimated **330,000 square feet** of space will be improved and made safer.
- **Renovation Projects**
 - **3,684** Pre-Kindergarten through third grade students will be served in **160 modernized classrooms** across 11 schools.
 - Completion of two heating and air conditioning capital projects to prevent mold at 2 schools.
 - Start of major construction at **6 locations**
 - **32,432 trade hours** dedicated to support SGS schools and enrollment expansion
- **Environmental Projects**
 - During the summer of 2018, OEMS responded to **eighty-one (81) indoor environmental quality (IEQ) concerns**.
- **Preparing Buildings for School Opening**
 - By school opening, **24.3 million square feet** of building space cleaned and scrubbed.
 - The District's **9,638 classrooms** ready to serve students.

Paint Stabilization Project



Why remove lead paint from schools?

- Advances our goal to create healthy, safe and welcoming environments
- Reduces risk of lead exposure to children
- Provides opportunity to address root causes in buildings that result in peeling and flaking paint

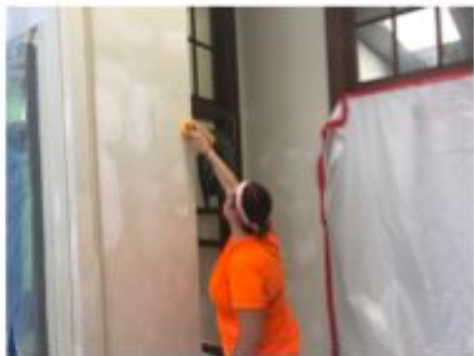
Current Project Status

- There are forty-three (43) schools identified to receive paint and plaster stabilization
- Stabilization work began the week of July 30 at six (6) locations
- Assessments by Environmental Consultants began July 30 and anticipated to be complete by October 17.

# of Active Project Locations	6
# of Locations with Completed Assessments	22
# of Locations Remaining for Assessments by Environmental Consultant	15

**as of August 31, 2018*

Sample Project Photos



Renovation Projects



Why renovate buildings?

- Advances our goal to create healthy, safe and welcoming environments
- Replaces critical building systems that have exceeded their life expectancy based on the Facilities Condition Assessment (FCA)
- Supports implementation of instructional programming aligned to today's standards
- Supports the District's Action Plan and complements academic interventions and program changes in schools

Classroom Modernization

"By improving the physical spaces and equipping our teachers with cutting edge teaching tools we will help our students learn and succeed. This investment will allow them to develop early academic and cognitive skills through fun, interactive, applied learning centers, as supported by research about how young children learn best." Dr. Hite

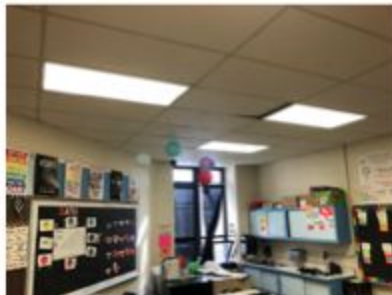
Modernized and redesigned classrooms will ensure we reach **Anchor Goal 2:** 100% of 8 year old students reading on grade level.

Improvements in the classroom include:

- New desks, chairs and other seating options better suited for students' age groups.
- Improved lighting, new paint, and new casework.
- Interactive Panel Board and manipulatives in each classroom to support small-group instruction.

Sample Project: Edward Steel ES

- Edward Steel Elementary School is one of 11 schools undergoing a classroom modernization.
- Renovations completed in 14 classrooms serving grades PK to 3.
- The renovations will provide the students with a welcoming learning environment complete with new lighting, paint, flooring, improved electrical and data access, window treatment, new display boards and Interactive Panel Boards.
- Project budget for 11 schools: \$19 million



New Construction/Renovations

Annually, the Board of Education is required to approval a capital budget.

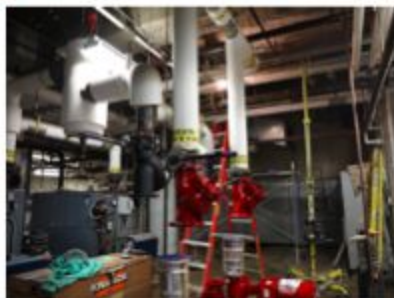
The approved FY 2019 capital budget is \$275M.

The Facilities Condition Assessment (FCA) is the baseline for project selection.

	Count	Capital Project Budget
New Construction/Additions	1 project/ 1 location	\$6,304,727
Major Renovations	7 projects/ 6 locations	\$102,637,925
Classroom Modernizations	11 projects/11 locations	\$12,913,700
System Replacements	24 projects/ 24 locations	\$16,862,604
Site Improvements	5 projects/ 5 locations	\$3,573,810
Environmental	1 project/ 1 location	\$344,000
ESCO	1 projects/ 3 locations	\$23,302,749

Sample Project: Hon. Luis Munoz-Marin Elementary School

- In August of 2017, prior to the start of the school year, the Munoz-Marin School experienced a mold and moisture problem because the heating, ventilation and air-conditioning system (HVAC) system was unable to adequately remove humidity from the air.
- The scope of work includes replacement of unit ventilators and temperature controls in the classrooms, duct cleaning, and cooling plant, and various mechanical components.
- Students and staff will experience a greater level of thermal control and ventilation because of the new system. Humidity levels will be controlled and mold will not reoccur.
- Project budget: \$2.75 million



Sample Project: Solis-Cohen Elementary School

- On June 5, 2018 we broke ground for the new \$50 million Solis-Cohen Elementary School, opening in 2020 to accommodate 1,400 students in grades Pre-K to 5.
- The new building will feature grand learning stairs to create the heart and center of the school, where students will learn and socialize.
- The cafetorium will have an indoor/outdoor feel while the gym will provide the opportunity for students to exercise and compete in sports.
- In May 2018, the District received a \$2 million grant from the Pennsylvania Department of Community and Economic Development. The grant will be used to design the school to meet U.S. Green Building Council LEED Gold Certification.



Maintenance Summer Projects

District maintenance staff completed projects at 15 locations.

Work included work at the 6 schools that are part of the Systems of Great Schools (SGS) initiative, 9 schools that experienced enrollment growth, and various school beautification projects.

Improvements included new lighting, new flooring, ceiling tile replacement and new furniture; painting refresh of common areas; installation of marker boards, and addition of window A/C units.



Environmental Projects



Why do we do environmental remediations?

- Improve the Indoor Environmental Quality (IEQ) by reducing conditions that can affect occupant health.
- Remove loose or damaged material that pose a risk.
- Reduce the risk of occupant exposure to hazardous conditions.

Sample Project: George Nebinger Elementary School

- Removed 109 linear feet of asbestos containing materials.
- Done in partnership with Philadelphia Dept. of Health and US Environmental Protection Agency (EPA).
- The removal prevents exposure to hazardous conditions.



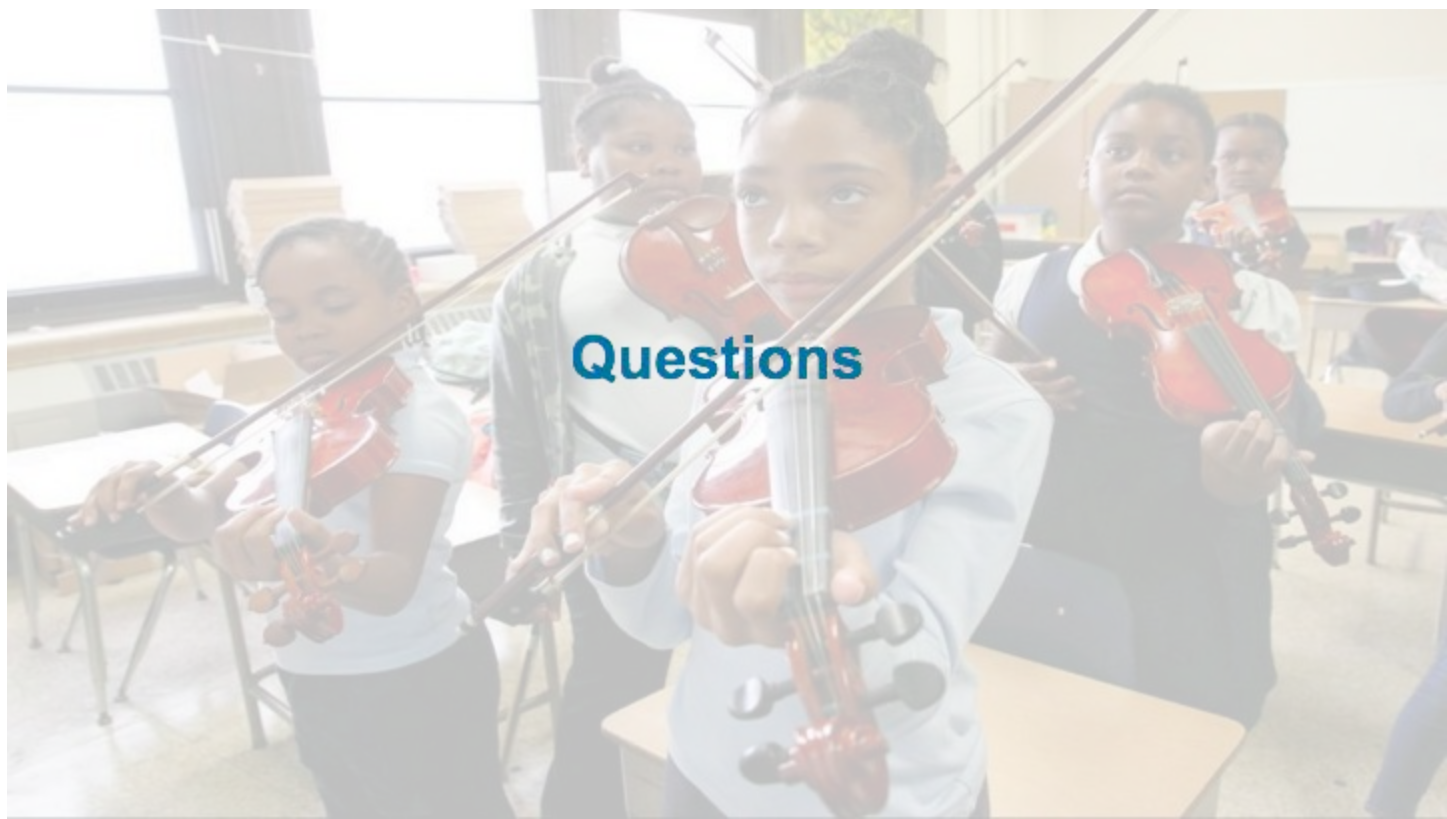
Preparing Buildings for School Opening



Summer Cleaning

- **Classrooms:** Deep cleaning starts with the removal of all of the student desks and any other furniture that is movable. This furniture is then cleaned with a general cleaner solution and stacked in the adjacent hallway. Floors are mopped and cleaned using a rotary scrub machine to remove surface dirt as well as any remaining layers of floor finish. A minimum of four coats of floor finish is applied. Furniture is then replaced in the rooms after the floor finish has hardened completely.
- **Hallways/Stairways:** Walls, ledges, window sills, chair rails and baseboards are washed. Radiators are cleaned as well as the exterior of all HVAC units. A floor scrubbing process is conducted with mop and bucket, rotary scrub machine as well as wet/dry vacuums. Floor finish is applied when floors are completely stripped of old wax and dirt.
- **Bathrooms:** All walls, panels and fixtures are thoroughly sanitized with a disinfectant / germicidal solution. Floors (where applicable) are scrubbed with a rotary disc scrubber. Where applicable a power washer may be used. All dispensers are cleaned and checked for proper operation or replaced as needed.





Questions



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CITY OF PHILADELPHIA
DEPARTMENT OF COMMERCE

School District of Philadelphia
Finance Committee

Keystone Opportunity Zone (KOZ) Program

September 6, 2018

An aerial photograph of a city skyline, likely New York City, showing a dense cluster of skyscrapers and buildings. A river, possibly the Hudson River, flows through the upper left portion of the image. A solid green vertical bar is positioned on the right side of the image, partially overlapping the city view.

KOZ History & Purpose

The Keystone Opportunity Zone program was started in 1999 as a state-wide real estate incentive. Its purpose is to be a catalyst to spur re-development of blighted, vacant, and highly underutilized properties and land.

An aerial photograph of a city skyline, likely Philadelphia, showing a river winding through the urban landscape. The image is in a blue-tinted, semi-transparent style, serving as a background for the title.

Keystone Opportunity Zone (KOZ)

**Targeted geographic areas where
specific state and local taxes are
abated for up to 10 years.**

Company Benefits

Businesses located in KOZs receive tax reductions, exemptions, abatements, or credits.

State Tax Abatements

- Corporate net income Tax
- PA personal Income Tax
- PA sales & use Tax
- PA capital stock/foreign franchise tax
- PA bank shares Tax
- PA mutual thrift institutions tax

City Tax Abatements

- Net profits tax
- Business income and receipts tax
- Use and occupancy tax
- Sales, use and hotel occupancy tax
- Wage tax (on residential use only)
- Real estate tax*

An aerial photograph of a city skyline, likely Philadelphia, showing a dense cluster of skyscrapers and buildings. A river, possibly the Schuylkill River, winds through the upper left portion of the image. A solid green vertical bar is positioned on the right side of the image, partially overlapping the city view.

Payment in Lieu of Taxes (PILOT)

To ensure continued revenue for taxing bodies, such as the School District, the City of Philadelphia applies a Payment in Lieu of Taxes (PILOT) to all KOZs.

The PILOT amount is set at **110%** of the most recent assessment.

The School District receives 110% of its share of property taxes (55% of total).

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Considerations for the School District

The School District will collect more property taxes on KOZ parcels than it does today.

Because KOZ parcels are mostly unutilized, there is little to no U&O collected today.

Commerce carefully selects parcels that are deemed to require subsidy to be developed, thereby catalyzing future tax revenue.

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Scoring Criteria

Primary criteria for parcel selection:

1. But-For: the City seeks to include parcels that are unlikely to be developed for commercial purposes “but-for” KOZ designation (rate and type of development in surrounding area, condition of property).

2. Community Revitalization: preference given to parcels with high potential to revitalize communities (unemployment, poverty rate, blight).

An aerial photograph of a city skyline, likely New York City, showing a dense cluster of skyscrapers and buildings. A river, possibly the Hudson River, is visible on the left side of the image. A solid green vertical bar is positioned on the right side of the image, partially overlapping the city view.

Scoring Criteria

Primary criteria for parcel selection:

3. Economic Impact/Job

Creation: preference given to parcels with high potential to spur economic growth and job creation (potential use, zoning).

4. Size: preference given to large parcels and those that are part of an assemblage with capacity for significant development.



Current Status

The Commonwealth has opened a new RFP for KOZs due by Oct 1, 2018.

KOZ applications require official approval from taxing authorities:

- City Council legislation
- School Board resolution

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2018 KOZ application

- To include parcels that are blighted lots and vacant buildings
- To include large unused industrial buildings that would be very difficult to repurpose for industry or commercial use without subsidy
- Examples of properties to be included in the application:
 - *Shuttered PECO plant on Delaware Avenue*
 - *Blighted lots on American Street*
 - *Large vacant building at Broad and Lehigh*
 - *The Arsenal Complex in Bridesburg*

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Timeline

Requesting City Council amend the
KOZ ordinance on
**9/13/18 and provide final passage
on 9/20/18.**

Requesting School Board resolution
authorizing the City to submit its KOZ
application at **9/20/18 meeting.**

The deadline for the City's KOZ
application to the State is **10/1/18.**

A faded background image of the Philadelphia skyline, featuring prominent skyscrapers like the Comcast Center and the Liberty Bell Center, with the city's historic architecture visible in the foreground.

THANK YOU!

Sylvie Gallier Howard- First Deputy Commerce Director Sylvie.GallierHoward@phila.gov - 215.683.2009

Duane Bumb- Senior Deputy Director of The Philadelphia Department of Commerce
Duane.Bumb@phila.gov – 215.683.2005



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