

Administrative Procedures for Budget Preparation (Attachment for Policy No. 603)

Purpose

The purpose of this policy is to develop a budget that supports the School District of Philadelphia's ("District") educational plan and provide funding in a comprehensive and efficient manner to support the educational programming at District schools, maintain District facilities, and-honor District obligations.

Definitions

Appropriation: An allocation of funding to a specific function or purpose.

Budget Allocation Model: The District uses a series of formulas to allocate funding to schools for staff and other resources. The Budget Allocation Model reflects those formulas, which are primarily driven by student enrollment, but also include other factors such as the number of buildings at the school, and school progress report performance.

Capital Budget: The Capital Budget is the current and the adopted fiscal year budget for projects and administrative support costs that are funded with available cash. It is a balanced budget as required by the Home Rule Charter.

Capital Budget Plan: The Capital Budget Plan is a projected five (5) year budget for ongoing and additional capital improvement projects. It reflects the prioritized capital improvement needs of the District and requires future bond issuance. The plan is not executed until funding is secured and available.

Capital Improvement Plan/Program ("CIP"): The CIP is a set of projects to build, rebuild, replace and renovate tangible, long-term assets, within the District's facilities, and which details the District's plan of such projects for the ensuing six years. The Capital Budget and Capital Budget Plan are parts of the Capital Improvement Plan.

Lump Sum Statement: A summary level statement of revenues and expenditures to show, at a high level, the District's proposed budget.

Operating Budget: The District's operating budget includes revenue and expenditures associated with the General Fund, Intermediate Unit Fund, and Debt Service Fund, and are made up of funding sources that can be used for those general purposes (i.e. unrestricted, non-grant funds).

Surplus/Deficit: A surplus refers to funds remaining after all expenses have been met. A deficit is the opposite case in which there is insufficient funding available to cover all expenses, which causes a negative funding balance.

Procedures

The Superintendent designates the [Office of Finance](#) and [Office of Capital Programs](#) as responsible for implementing and maintaining the requirements of this policy and its procedures.

Budget Preparation Considerations

The educational program and school services that the District plans to offer its students are the foundation of the annual school district budget. The Chief Financial Officer, in partnership with the [Office of Management and Budget](#), and [Office of Grant Compliance and Fiscal Services](#) will work with school based and central office staff to develop a proposed budget that meets the district's needs while recognizing fiscal limitations. This includes consideration of any initiatives, staffing changes, benefit changes, strategic actions, collective bargaining changes, salary savings etc. The District also uses the Governor's and Mayor's annual budget proposals and final budgets to project state and local revenue.

Budget Preparation Stages

Budget preparation by the District's administrators includes the following budget stages:

- Baseline Budget: October-January
- Lump Sum Budget: January-March
- Budget Book & Budget Hearings: March-May
- Amended/Adopted Budget: May

Five Year Plan

In each of these stages, the [Office of Management and Budget](#) works with the Chief Financial Officer to develop a five year financial plan. The five year plan is based on educational programs and school services that the District plans to offer its students and incorporates any known initiatives, staffing changes, benefit changes, strategic actions, collective bargaining agreement changes, salary savings, etc. into the current budget year, as well as a five year projection. The five year plan also includes any known or anticipated revenue or expenditure changes (for example, known increases in debt service payments, known estimates for curriculum or technology purchases, etc.). The five year projection is presented publicly to the Board and is made available on the District's website at the Lump Sum, Budget Book, and Amended/Adopted budget stages. The baseline five year plan is used to establish an initial projected budget of expenditures and revenue for the current year and ensuing year.

Capital Improvement Program ("CIP")

[The Office of Capital Programs](#) produces a capital budget and a capital budget plan. The capital budget, also called the CIP, is dependent on a stable cash flow. The Capital Budget Plan is a projected five (5) year budget for ongoing and additional capital improvement projects. Projects are selected for inclusion based on a facilities condition assessment ("FCA"), work order and

deferred maintenance data, input from school administrators, input from central office leadership, and priorities identified in the Superintendent's Strategic Action Plan. Central Office requests are also reviewed against other priorities and included in the CIP based on cash availability.

School Selection and Enrollment Projections

Over the course of each year, the District also completes the school selection process and enrollment projections process (October-February). These processes are completed through cooperation across multiple District offices, and ultimately lead to the development of enrollment projections for each District school. These enrollment projections are then used to develop the individual school's budgets.

School Budget Development

As noted above, enrollment projections are used to develop school budgets. The District also uses an "average cost" for each position within a school's budget, and those position allocations based on that average cost formula are used in developing school budgets. Between the Lump Sum Budget, budget book, and budget hearing stage, the District engages in the school budget development process which includes:

- Principals solicit participation from teachers and building staff in developing schoolwide plans that will then be aligned with a budget compatible with District and school level goals and requirements (for ex: curriculum requirements, professional development, etc.).
- School based and Central Office staff are provided with an annual Guide to School Budgets which is created by the [Office of Management and Budget](#) in coordination with various other Central Offices.
- Staffing allocations and non-personnel funding allocations based on an annually established allocation formula for all operating budget funded positions and discretionary funding; this formula is primarily driven by enrollment;
- Staffing allocations and non-personnel funding allocations based on federal and state grant funding formulas or requirements; and
- Central office staffing and non-personnel funding allocations based on individual school needs.

Over a period of three weeks (typically in March), each District school develops their budgets based on the plans and allocations noted above. These meetings include the Assistant Superintendent, Principal, representatives from the [Office of Management and Budget](#), [Office of Grant Compliance and Fiscal Services](#), Office of School Organization and Management, [Office of Talent](#), [Office of Special Education and Diverse Learners](#), [Office of Evaluation, Research, and Accountability](#), [Office of Climate and Culture](#), and other representatives as needed (ex: Teaching and Learning, Family and Community Engagement, Educational Technology, etc).

Central Office Budget Development

Throughout each year, the [Office of Management and Budget](#) and [Office of Grant Compliance and Fiscal Services](#), work closely with Central Offices on adjustments to their budgets (as needed) within existing funding allocations. If an office no longer needs that full funding allocation, or the staffing of an office or a program has changed or been discontinued, funding will be reduced from that budget. When there is additional funding available, Central Offices are able to make requests for additional funding. Those funding requests are vetted by the Superintendent's leadership team and allocated to those offices based on decisions from the Superintendent's leadership team, and in alignments with the District's goals and priorities within the Superintendent's strategic plan.

Development of the Capital Budget

The Capital Budget, also called the Capital Improvement Plan ("CIP"), is a continuation of projected cash flows for active projects in various phases and on-going administrative support costs. The development of the capital budget is a complex process of integrating data from multiple sources and presenting the data in various formats as requested by stakeholders (ie. Board, Councilmembers, City Planning Commission, etc.)

Project cost projections are estimated under the assumption that monthly project payments follow a normal distribution based on the contracted duration of each individual project. The schedules are maintained in the Project Management Information System ("PMIS") and managed by the Design, Construction and Controls teams. The cost by project in the CIP is projected based on the remaining cost of the project and anticipated contingency for change orders, environmental remediation/testing and purchase of furniture, fixtures and equipment ("FF&E").

Based on the availability of funds, the Capital Program Office will engage with leadership to include high priority, essential, capital projects in the CIP. Recommendations from the City Planning Commission, the Board, Superintendent and other sponsors of a capital need is also evaluated and included if approved by the Chief Operations Officer.

Budget Documents

At minimum, the District releases the following budget or budget related documents each fiscal year:

- Lump Sum Budget
- Budget Books
 - Consolidated Book
 - School Budget Book
- Amended/Adopted Budget
- Quarterly Reports
- Capital Budget
- Capital Budget Plan

This information is made available publicly through the District's Office of Management and Budget [website](#) and the District's Capital Programs [website](#).

At minimum, each year the District also presents budget information during the following public hearings:

- Lump Sum Budget Hearing
- Board Budget Hearing
- City Council Budget Hearing
- Amended/Adopted Budget Hearing
- City Planning Commission (Capital)

The District also presents budget information to Philadelphia City Council, at least quarterly, during meetings associated with the Quarterly Reports.

Board Review of Budget

The Superintendent and Chief Financial Officer present the proposed budget and related documents to the Board, and will ensure that Board Members have the information they need and adequate time to study the proposed budget and provide feedback.

For the Capital Budget, the Board must request recommendations from the City Planning Commission before adopting a capital program as outlined in Policy 604. Additionally, at least thirty (30) days prior to the time any capital program or amendment to the program is adopted, the Board must conduct at least one (1) public hearing as outlined in Policy 604.

Board Members ask questions or request additional information on the budget during all Board presentations. The budget hearing takes place at the April Board Meeting annually, and includes opportunities for the public to also ask questions and provide comments. A hearing with City Council also takes place in April or May annually allowing Councilmembers to ask questions and provide comments.

In the event that the District's budget must be significantly altered due to changes in anticipated revenue or expense, at the direction of the Superintendent, the Chief Financial Officer will provide the Board of Education and the public with an updated budget and five-year financial projection. This would be in addition to the budget presentations already included in the annual budget calendar, and only conducted when necessary to make substantial changes to the budget in light of significantly altered revenue and/or expenses.

Maintenance Schedule

These administrative procedures shall be reviewed upon the review of the policy, or upon the occurrence of a triggering event.

Related Information:

- [Policy 602](#) - Budget Planning & Engagement
- [Policy 604](#) - Budget Adoption