

Scranton School District Recovery Plan Update

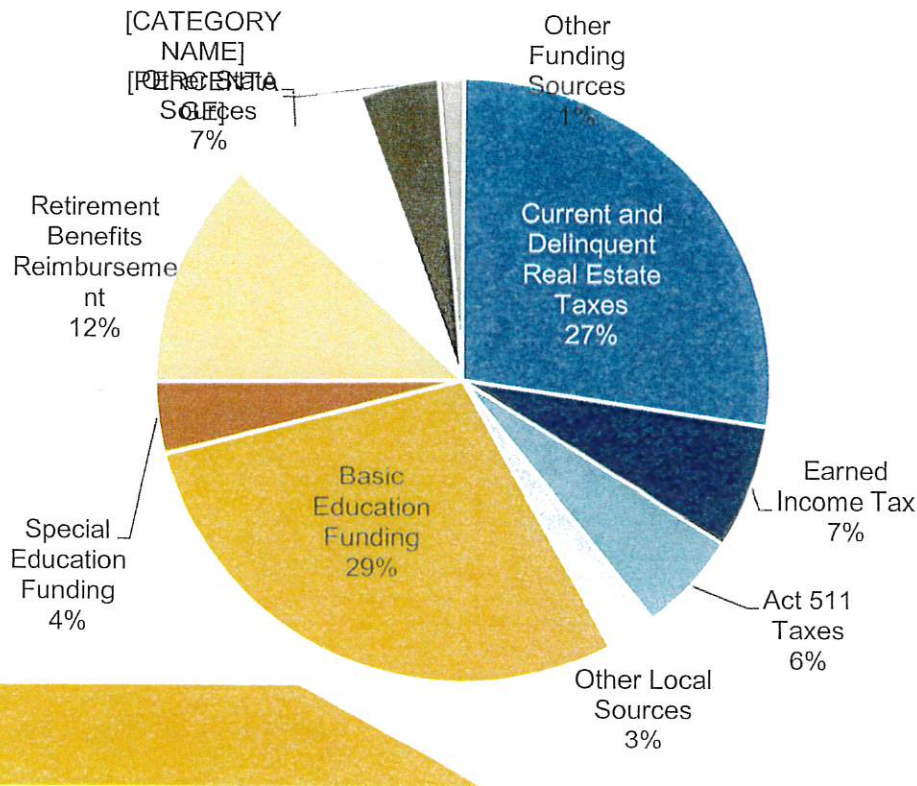
Current Baseline Projection

Candis Finan, Chief Recovery Officer
May 8, 2019

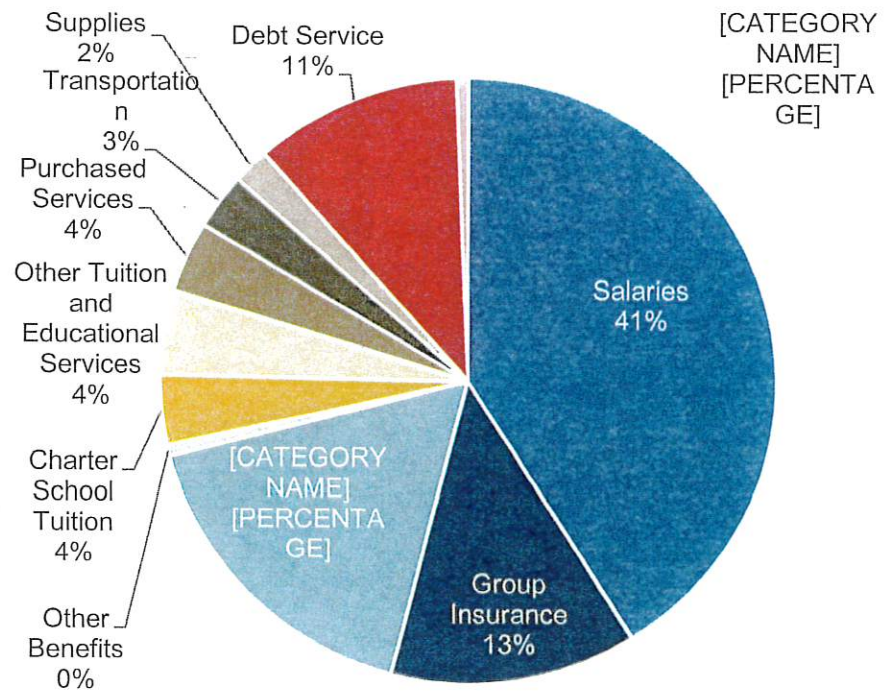
Starting Year: 2019 Adjusted Budget (~ \$166 Million)

- The charts below show the major categories of District revenues and expenditures
 - Local sources account for over 42 percent of revenue, while state sources provide almost 52 percent
 - Employee salaries and benefits make up nearly 72 percent of District spending

General Fund Revenues



General Fund Expenditures



Major Revenue Assumptions

◆ Local Sources:

- Assessed value declines based on historical trends, and no increases in tax rates
- Growth for other local taxes based on historical trends
- Borrowing to close deficit is removed from the 2019 budget and subsequent years
- One-time revenues are removed after 2019 (grant, transfer, and delinquent taxes)

◆ State Sources:

- Basic Education and Special Education Funding are adjusted based on the Governor's proposed 2019-20 budget, and are grown using the District's share of formula-based funding
- \$6 million one-time supplemental Ready to Learn Block Grant is removed after 2019 (sum transferred to BEF in Governor's budget proposal)
- Reimbursement for Social Security and PSERS based on changes in salaries and projected PSERS rates published by the Commonwealth

◆ Federal Sources and Food Service Transfer: Held flat

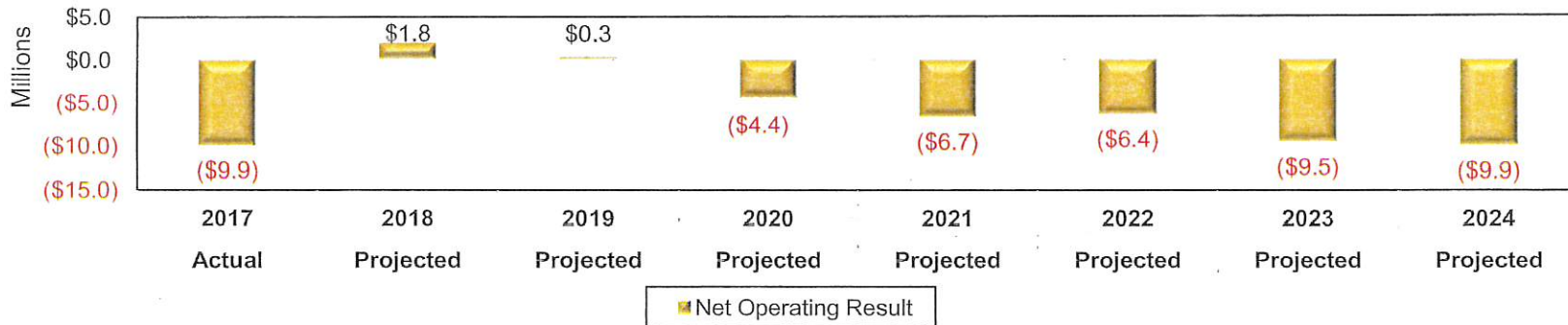
Major Expenditure Assumptions

- ◆ **Salaries:** Proposed amounts in the 2019 budget are used as the base; salaries for 66 teachers are adjusted based on the Governor's \$45,000 minimum salary proposal; no other salary increases are included in the baseline projections
- ◆ **Staffing Levels:** Social work positions supported by the Moses Taylor grant are removed after 2019; no other changes in headcount are made in the baseline
- ◆ **Employee Benefits:** Healthcare growth rate of 7.2 percent based on national trends; Social Security, unemployment, and workers' compensation expenditures change with salaries; PSERS contributions change with salaries and projected PSERS rates
- ◆ **Charter School Tuition:** Annual increase of 20 regular education and 10 special education charter school students based on preliminary review of historical trends; tuition rates re-calculated each year based on the state's PDE-363 formula
- ◆ **Other Non-Personnel Expenditures:** Inflationary rate for all non-personnel related expenditures (except for Other Objects and Other Use of Funds) based on CPI
- ◆ **Debt Service:** Approximately \$55.6 million in new capital borrowing split between 2020 and 2022 to address critical building needs identified in the facilities study
- ◆ **Curriculum/Textbooks:** Additional \$300,000 per year, growing at inflation

Preliminary Baseline Multi-year Projection

- The chart and table below show the District’s preliminary baseline budget projection using the assumptions described on the previous slides
- This is a *status quo* projection, assuming no corrective action is taken

General Fund Budget Projections 2019 to 2024



	2017	2018	2019	2020	2021	2022	2023	2024
	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Total Revenues	\$146,186,568	\$157,509,587	\$166,269,446	\$164,277,949	\$166,610,746	\$169,010,089	\$171,495,228	\$173,892,577
Total Expenditures	\$156,071,820	\$155,693,738	\$166,014,835	\$168,709,610	\$173,262,930	\$175,362,266	\$180,974,625	\$183,803,072
Net Operating Result	(\$9,885,252)	\$1,815,849	\$254,610	(\$4,431,661)	(\$6,652,183)	(\$6,352,177)	(\$9,479,397)	(\$9,910,495)

Major Areas of Investigation for Gap Closing

- ◆ Transportation efficiencies (routing, contracts)
- ◆ Reduced growth in charter school enrollment
- ◆ Rebid energy contracts for savings
- ◆ Building consolidation (including debt service savings from avoided costs from closed facilities)
- ◆ Property tax increases
- ◆ Reduced health care expense growth
- ◆ Workforce initiatives

Required Initiatives in the Recovery Plan

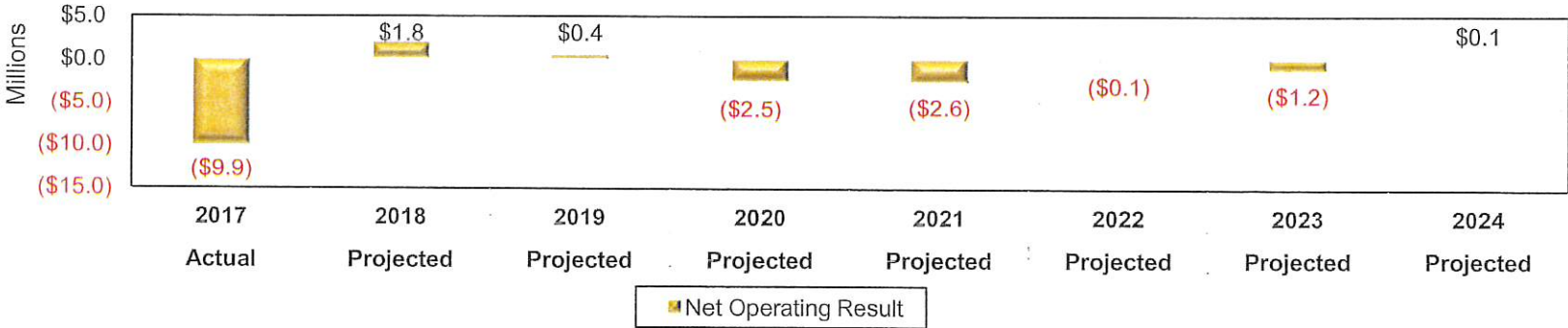
- Before adding the impact of salary increases to the multi-year projections, the Recovery Plan will show a number of initiatives that the District will be required to implement

Initiatives	Estimated Annual Impact
Increase real estate taxes annually to the Act 1 Index (3.5%)	\$1.6 million in additional revenue each year
Implement all required transportation initiatives <ul style="list-style-type: none"> Reduce the number of vehicle routes (6 per vendor) Rebid Red Top contract in 2020 and DeNaples contract in 2022 Improve route efficiencies to increase the transportation subsidy 	\$130,000 in 2019 growing to \$500,000 by 2021 \$40,000 in 2020 growing to \$400,000 in 2023 \$100,000 in 2020 growing to \$450,000 in 2024
Re-configure buildings for operational and capital savings <ul style="list-style-type: none"> Savings from staff reductions Savings from building utilities and leased building Estimated increase of 7 buses 	\$70,000 in 2020 growing to \$800,000 by 2024 \$12,000 in 2020 growing to \$160,000 in 2024 Net increase of \$150,000 in 2020 growing to \$200,000 by 2023
Rebid energy contracts for savings	\$230,000 in 2021 and grown at inflation

Budget Scenario: Required Plan Initiatives

- The chart and table below show the financial impact of the initiatives described on the previous slide
- As noted before, these projections do not include salary increases after the impact of the Governor’s minimum salary proposal

General Fund Budget Projections
2019 to 2024

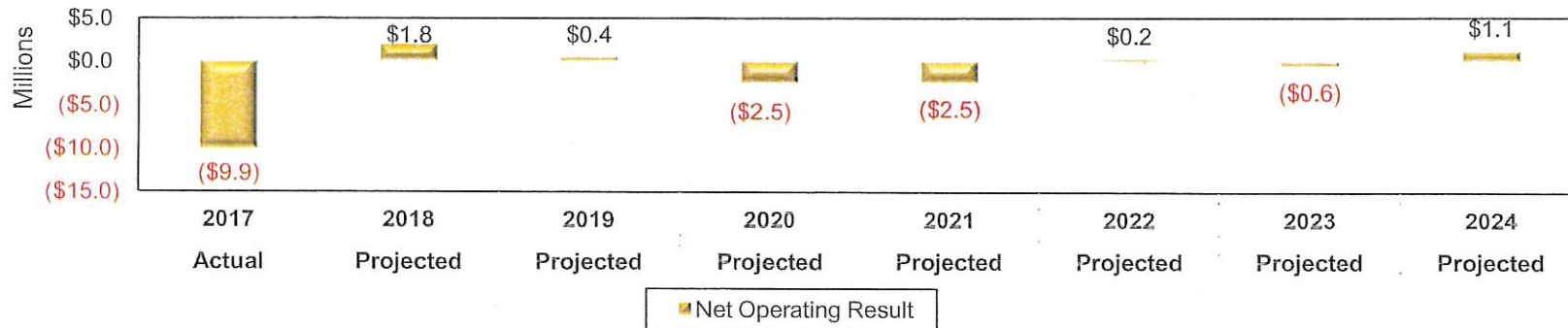


	2017	2018	2019	2020	2021	2022	2023	2024
	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Total Revenues	\$146,186,568	\$157,509,587	\$166,269,446	\$165,799,364	\$169,689,259	\$173,672,834	\$177,778,622	\$181,873,258
Total Expenditures	\$156,071,820	\$155,693,738	\$165,884,373	\$168,311,260	\$172,302,011	\$173,808,339	\$179,001,122	\$181,746,389
Net Operating Result	(\$9,885,252)	\$1,815,849	\$385,073	(\$2,511,896)	(\$2,612,752)	(\$135,505)	(\$1,222,500)	\$126,869

Plan Initiatives and Charter School Enrollment Assumptions

- The chart and table below show the financial impact of the alternative charter school enrollment assumptions on the projections with the required plan initiatives
- These enrollment assumptions will be incorporated into the budget projections with the other required Plan initiatives

General Fund Budget Projections
2019 to 2024



	2017	2018	2019	2020	2021	2022	2023	2024
	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Total Revenues	\$146,186,568	\$157,509,587	\$166,269,446	\$165,799,364	\$169,689,259	\$173,672,834	\$177,778,622	\$181,873,258
Total Expenditures	\$156,071,820	\$155,693,738	\$165,884,373	\$168,311,260	\$172,200,511	\$173,492,289	\$178,374,241	\$180,787,216
Net Operating Result	(\$9,885,252)	\$1,815,849	\$385,073	(\$2,511,896)	(\$2,511,252)	\$180,545	(\$595,619)	\$1,086,042

Salary Initiatives

- In the table below, salary initiatives are described along with the estimated annual impact to the projections

Initiatives	Estimated Annual Impact
Teacher Alternatives <ul style="list-style-type: none"> • Step movement from 2018-19 to 2020-21 and inflationary increases for remaining years • One-time bonus payments of \$2,500 from 2018-19 to 2020-21 and bump step spread over 3 years for 29 teachers 	<ul style="list-style-type: none"> • \$1.9 million in 2019 growing to \$8.9 million in 2024 • \$1.4 million in 2019 growing to \$4.5 million in 2024
Inflationary growth for teacher extra pay	\$20,000 in 2019 growing to \$330,000 in 2024
Inflationary salary growth for all other bargaining units	\$150,000 in 2019 growing to \$2.7 million in 2024

- Based on PFM's understanding of the 2019 budget, there is no money set aside for salary increases for any of the District's bargaining units
- As shown in the following slides, the total amounts of salary increases and the timing of payments will have significant impact on the budget projections



Salary Scenario 1: Teacher Step Movement

- The chart and table below show the financial impact of teacher step movement and salary increases for all bargaining units beginning in 2018-19

General Fund Budget Projections
2019 to 2024



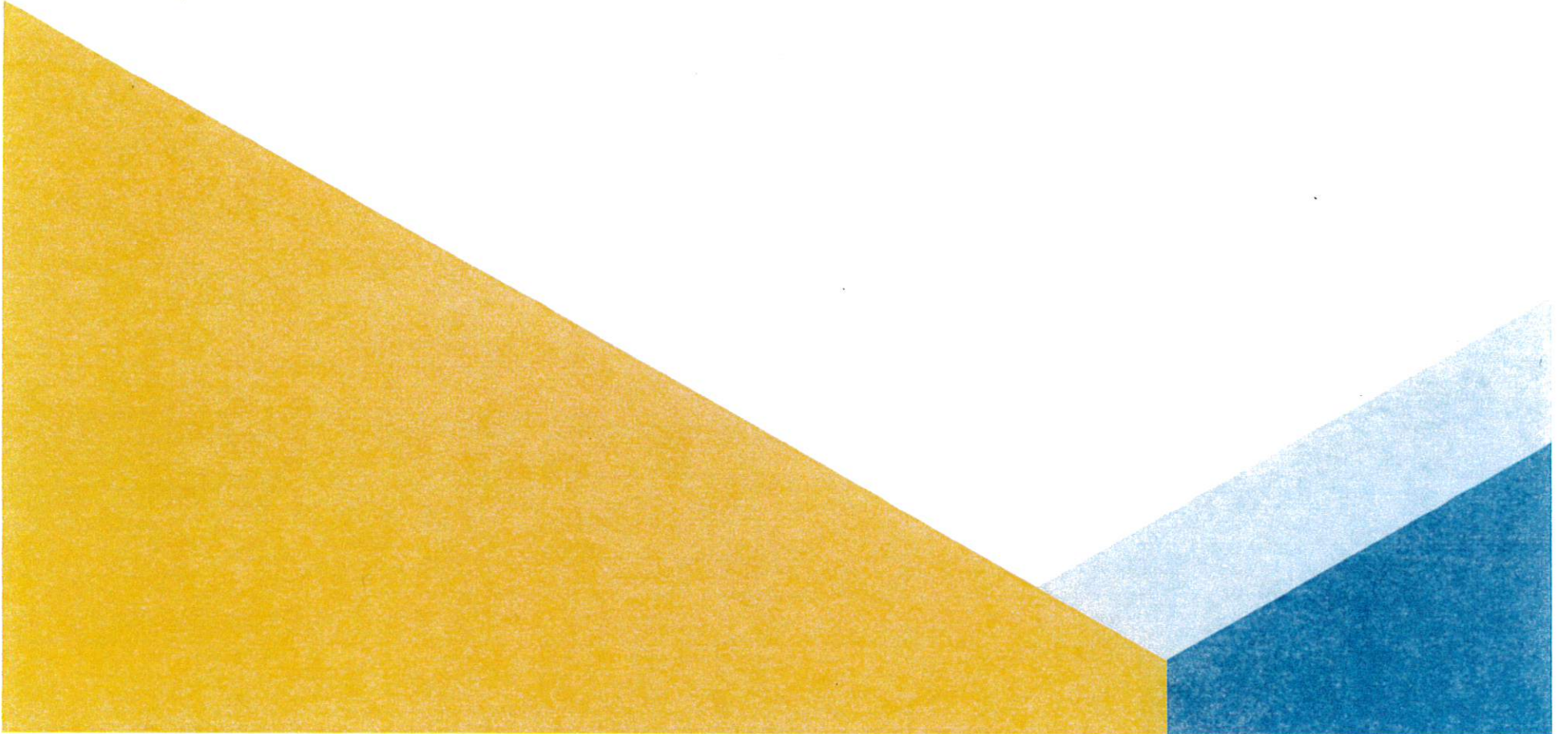
	2017	2018	2019	2020	2021	2022	2023	2024
	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Total Revenues	\$146,186,568	\$157,509,587	\$166,805,570	\$166,992,705	\$171,444,373	\$175,932,136	\$180,571,533	\$185,202,413
Total Expenditures	\$156,071,820	\$155,693,738	\$168,455,034	\$173,895,264	\$180,660,529	\$184,384,310	\$191,755,564	\$196,710,989
Net Operating Result	(\$9,885,252)	\$1,815,849	(\$1,649,464)	(\$6,902,559)	(\$9,216,156)	(\$8,452,173)	(\$11,184,031)	(\$11,508,576)

Additional Initiatives to Close the Gap

- Additional savings measures will be required to close the projected deficits for the Scranton School District
- The table below shows the impact of additional initiatives targeted to generate savings from the District's personnel costs, which is the largest category of spending

	2019 Projected	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	Cumulative Impact
Salary Scenario 2 (1x Bonus)							
Net Operating Result	(\$1,210,769)	(\$5,003,944)	(\$5,827,577)	(\$4,042,031)	(\$6,597,605)	(\$6,805,483)	(\$29,487,408)
Final Gap Closing							
Immediate 10% cut in healthcare spending	\$2,152,042	\$2,304,619	\$2,586,261	\$2,777,412	\$2,981,372	\$3,200,210	\$16,001,916
6th period at secondary level	\$306,203	\$1,049,026	\$1,489,109	\$1,799,752	\$1,971,259	\$2,047,150	\$8,662,499
Reduce healthcare spending growth by 1%	\$0	\$214,764	\$468,301	\$755,624	\$1,081,193	\$1,447,844	\$3,967,726
Reduce all overtime and teacher extra pay	\$219,038	\$672,759	\$732,821	\$753,818	\$772,811	\$791,649	\$3,942,896
5 furlough days in 2019-20 only	\$654,713	\$1,311,619	\$89,230	\$5,131	\$315	\$21	\$2,061,029

Facts



Academics

- U.S. News Best High Schools Rankings
 - Scranton High School
 - 466th in PA
 - 16% AP participation rate
 - 51% minority enrollment
 - 66% economically disadvantaged
 - 77% Graduation Rate
 - 11.4 College Readiness
 - 1,755 Enrollment 9-12

Academics

- U.S. News Best High Schools Rankings
 - Scranton High School
 - 11,579 in National Rankings
 - 32.85 Scorecard
 - 9,140 College Readiness Index Rank
 - 6,639 College Curriculum Breadth Index Rank
 - 13,408 Math and Reading Proficiency Rank
 - 10,183 Math and Reading Performance Rank
 - 15,639 Graduation Rate Rank

Academics

◆ U.S. News Best High Schools Rankings

- West Scranton High School
 - 516-673rd in PA
 - 17% AP participation rate
 - 36% minority enrollment
 - 62% economically disadvantaged
 - 86% Graduation Rate
 - 12.9 College Readiness
 - 916 Enrollment 9-12

Academics

- ◆ U.S. News Best High Schools
 - 12,935-17,245 in National Rankings
 - No Scorecard
 - 12.2 College Readiness Index Rank
 - 45% Math Proficiency
 - 56% Reading Proficiency

Governor's Proposal

• \$10,519,204

- \$6,000,000 Supplemental Ready to Learn Block Grant BEF
- \$1,836,814 Ready to Learn into BEF
- \$377,404 Teacher Minimum Salary Increase to \$45,000
- \$2,304,986 New Money

There is also an increase of \$449,191 for Special Education Funding

Act I Index

- Increase to the Act I Index of 3.5% --estimated \$1.6 Million in additional revenue each year

Energy Contracts

- ◆ Rebid Energy Contract—estimated annual savings of \$230,000 in 2021 and will grow with inflation

Re-configure Buildings

- Reconfiguration of buildings for operational savings
 - Savings from staff reductions—estimated annual impact of \$70,000 (2020) growing to \$800,000 (2024)
 - Savings from building utilities and leased costs—estimated annual impact of \$12,000 (2020) growing to \$160,000 (2024)
 - Estimated increase of 7 buses—estimated annual impact of net increase of \$150,000 (2020) growing to \$200,000 (2023)

Facilities Needs Summary

Scranton School District Facilities Needs Summary - Years 1-3

Line #	Building	Area (sf)	Grades	Item	Amount	Notes
0	District wide, general needs				\$1,000,000	Entry controls; PA/phone system, Fire alarm system upgrades, parking lot repairs
1	Admiral Bldg.	40,000		Roof Entrance canopy	\$200,000 \$50,000	s.t. and roof est. unknown, drawing of roof not available for review Needs further study for an accurate estimate
2	Adams ES	40,380	K-5	Sidewalk	\$15,000	Repair/replace
3	Age Strong ES	77,750	K-5			
4	Bancroft ES	24,740	K-5	Front steps	\$20,000	Repair/replace
5	Keane ES	41,390	K-5			
6	McDonnell ES	42,000	K-5	Exit steps Fire alarm system	\$100,000 \$100,000	Repair/replace Upgrade
7	Morris ES	43,000	K-5	Roof Ext. wall	\$376,000 \$100,000	Replace "old" existing roof (age uncertain) Exterior wall is collapsing - repair
8	Prescott ES	28,000	K-5	Entrance control	\$50,000	Needs further study for an accurate estimate
9	Sumner ES	34,020	K-5	Fire alarm system PA/phone system	\$85,000 \$15,000	Replace Upgrade, Needs further study for an accurate estimate
10	Whiner ES	44,391	K-5	Playground surface	\$75,000	
11	Wilder ES	48,920	K-5	Roof Playground surface	\$430,000 \$25,000	Replace "old" existing roof (age uncertain)
12	Tapp ES	92,602	K-5			
13	North East Int.	208,121	6-8	Roof Exit control Front entrance wall Roof parapet wall	\$1,300,000 \$50,000 \$100,000 \$200,000	Roof is 1968 vintage due to replacement, needs further study Needs further study for an accurate estimate Repair/replace Structural cracks leaning
14	W. Scranton Int.	182,734	6-8	Emergency gen. Sidewalk	\$100,000 \$75,000	Repair/replace
15	W. Scranton Int.	124,180	6-8	Front windows	\$200,000	
16	Scranton HS	293,000	6-12	A/C chiller	\$-300,000	Replace
17	W. Scranton HS	285,000	9-12	Roof Stage lighting	\$2,000,000 \$100,000	26 years old - needs further study Needs further study for an accurate estimate
Totals		6,673,667			\$7,315,000	

Questions?

- ◆ Next Meeting—June 4, 2019 6:00-7:30 pm

