

2021-2022 Midyear Review

Overview of the District

The Board has managed to turn the District around financially. The District went from a negative \$19 million fund balance in 2014-2015 to a \$7.4 million fund balance in 2020-2021. That is a phenomenal turnaround.

Finances in the Current Year

The current budget is \$94.5 million. This year the District budgeted \$2,807,836 in ESSER 2 Funds and \$4,077,878 in ESSER 3 and the 7% ESSER set asides. The application process for these Federal Funds required that the Board submit one application for each. At the time of application, the Board could not determine all the facility upgrades nor all the technology purchases over the next two years for ESSER 2 funding and over the next three years for ESSER 3. The applications were submitted maintaining 29 teacher positions in the middle school for ESSER 2 funding and 35.5 teacher positions for ESSER 3 funding. ESSER funding requires that 20% be spent on Learning Loss. The Board hired eight Reading Specialists to accelerate student achievement. \$882,840 in ESSER 3 7% set asides funding will be used for Learning Loss, Summer Enrichment and After School Learning.

The “freed-up” General Fund money from paying for 64.5 teacher positions was designated to be used for Technology and Facility Upgrades. The Board budgeted to spend \$972,837 in technology. To date, technology has spent \$949,693.99 in those designated funds. The Board budgeted to spend \$2,806,363 on Facility Upgrades. To date, \$122,594.43 is spent however the Engineering Firm is putting plans together to provide renovations in all three schools. The expectation is that all the \$2.8 million budgeted for facility upgrades this year will not be spent by year end. There will be some carryover.

As of December 31, 2021, the District has spent 42% of its budgeted expenditures while collecting 64% of its budgeted revenues. This is comparable to where the District was financially last year at this time. By refinancing the 2012C Bonds in August 2021, the Board saved \$813,000 this year and approximately \$65,000 for the next four years.

It is the expectation in the Business Department that the District will end the year with additional funds added to the Fund Balance due to the bond interest savings and moving the Facility Upgrade expenditures into next year.

Challenges we face in the New Year

There are a few challenges the District faces with the new Budget in 2022-2023. One of the challenges is absorbing the impact of the \$1.7 million debt service spike due to the refinancing of the 2009B and 2013 General Obligation Bonds in 2020. Without the refinancing of the 2020 Bonds the increase in debt service would have doubled. Refinancing the debt service in 2020 was a fiscally responsible decision by the Board.

The Technology and Facility Upgrades budgeted in 2021-2022 were less than the revenue ESSER 2 and ESSER 3 budgeted. Part of that funding was used to balance the budget. That will most likely happen in the 2022-2023 budget too.

Challenges include absorbing negotiated increases in salaries and increases in health insurance and employer retirement contributions. The health insurance increase may be around 8% and the increase in retirement contributions will rise from 34.94% to 35.26%.

The same level of ESSER 2 and ESSER 3 funding will be available for 2022-2023 however ESSER 2 funding diminishes in 2023-2024.

Any increases in Fund Balance over 8% of the Budgeted Expenditures the Board can designate for future expenditures such as Technology, Facilities, etc.

Financially, the District is in a very good position.

Conclusion:

In 2020-2021, it is confirmed the Penn Hills School District achieved the 5% of budgeted expenditures in positive fund balance necessary to qualify as Year 1 eligible for exiting from Financial Recovery.

It seems we will qualify for Year 2 exit of Financial Recovery once the 2021-2022 financials are audited.

Our goal is to maintain momentum and to qualify for Year 3 exit eligibility in 2022-2023.

Sound financial decisions based on accurate information remain key.