Amended Financial Recovery Plan

AMEND 1	The PHSD shall increase real estate taxes.	
	Target Date(s)	Start: July 2019; End: June 2020 Start: July 2020; End: June 2021 Start: July 2021; End: June 2022 Start: July 2022 and Beyond
	Multi-Year Financial Impact **NOTE: This Amendment Shall be Approved PRIOR to the Vote to Approve the 20-21 Budget.**	**2019-2020: Approximately $2.8 Million (1.4 to the index and 1.4 over the index to the approved exceptions) NOT APPROVED BY THE SCHOOL BOARD** **2020-2021: The Board SHALL approve at least a .75 mil increase, generating $1M** **(Recommend* taxes to include exceptions $2.2M)** **2021-2022: The Board SHALL approve at least a property tax increase to the Index, generating approx. $1.5M **** **(Recommend* taxes to include exceptions approx. $2M**)** ***NOTE: Any tax increase below the recommended level may result in more expenditure cuts** ****NOTE: Index/Exceptions TBD** **2022/Beyond The CRO shall present an amended plan based upon the progress made in the first three years.** **Target Date: February 1, 2022**
	Responsible Parties	School Board, Superintendent, Business Manager, CRO

Rationale:

The preliminary budget approved by the board in February 2019, included a $10 million deficit. Since that date, the school board reacted responsibly to reduce expenditures by approximately $12 million while minimizing the impact on educational programming. However, a revenue void was created due to the board's reluctance to raise real estate taxes to balance the budget in June 2019. The District's current

struggle with balancing its 20-21 budget is rooted in their decision to forego a tax increase.

Strategically, the recovery plan reflects 75% in expenditure reductions ($12M) and 25% in tax revenue increases ($3M). This ratio was established because the District cannot tax its way out of recovery. They need an approach that includes strategic cuts ($12M) that protect the integrity of the educational program, and an appropriate level of tax revenue ($3M) to support the District's assets.

To support the District in this time of uncertainty brought on by the COVID -19 pandemic, the board shall raise taxes at least to .75 mil in the 2020-2021 budget. Considering the plight of the community, this increase represents a modest attempt to mitigate the anticipated damage to the budget due to the pandemic.

To recover revenue lost due to over-reliance on one-time funds to balance the 20-21 budget, the board shall raise taxes at least to the Index for the 21-22 budget. Without a tax increase, a large deficit will return. The planning for 21-22 begins in six months.

The estimated tax revenue generated through two consecutive years replaces revenue lost in 19-20. However, it is highly recommended to maximize property tax revenue to minimize further cuts that may impact educational programming.

Moving forward, the District shall follow sound financial business practices to balance future budgets, appropriately utilizing both recurring tax revenue and one-time revenue streams to balance its budget. Future budget planning should include a minimum three-year budgetary projection for the Board to review. This practice will enable the district to avoid an overreliance on one-time funds to manage its operational budget. The Board shall also attempt to keep 0.5% of its operational budget in a reserve line for unexpected expenses. An important exit criterion for recovery districts requires that the fund balance reach the state-recommended level, which is 5% of the total expenditures for Penn Hills. The Board shall follow the revised Fund Balance Policy #620, which requires tax increases when the fund balance is in a deficit position.

Due to COVID – 19, the CRO shall re-visit the FRP during the 21-22 school year and provide an amended plan based upon the progress impacted by the pandemic and/or other factors.