

Proposed 2020-2021 Final Budget

“Sustaining Excellence”



Customizing Learning,
Nurturing Potential...
Delivering Excellence

May 26, 2020

Purpose of Tonight's Presentation

- ✓ Restate the priorities of 2020-2021 budget.
- ✓ Update proposed revenues and expenditures.
- ✓ Review budgetary impact of the current pandemic on the current year and 2020-21 (including items already removed from the 20-21 budget).
- ✓ Share additional expenditure reductions since May 11th presentation.
- ✓ Present current budget status and identify additional work that will coincide with the timeline to approve the final budget.
- ✓ Present the Board with a proposed final budget for approval.

Priorities of 2020-2021 Budget

- ✓ Maintain a high quality education for our students.
- ✓ Balance the needs of the School District while recognizing our fiduciary responsibilities to the community.
- ✓ Remain cognizant of the interdependence of all aspects that directly and indirectly affect our students' school experience.

Sustaining Excellence



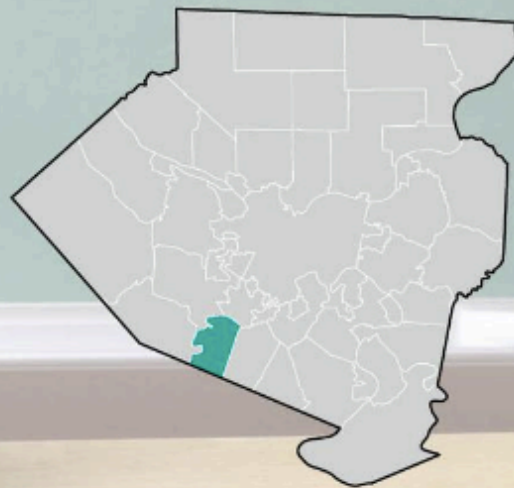
Sustaining Excellence

PITTSBURGH BUSINESS TIMES

2020 HONOR ROLL RANK:
LOCAL PUBLIC DISTRICTS

#1

UPPER ST. CLAIR
SCHOOL DISTRICT



ALLEGHENY COUNTY



Unionville-Chadds Ford School District held onto the No. 1 spot in the Business Times annual statewide school rankings, but Upper St. Clair School District, which moved up from No. 3 to No. 2, is coming strong up behind them.

This is the seventh straight year the Chester County district topped the statewide list, which ranks the highest-scoring school districts based on three years of state standardized test scores. Upper St. Clair was 10th in 2017 and jumped to fifth in 2018 as it continued to close the gap.

2020-2021 Budget Overview

- ✓ Act 1 Index is set at 2.6% for 2020-21.
- ✓ Expenditures are budgeted to increase \$1.9 million dollars.
- ✓ Current year budget (2019-20) has a millage rate of 26.3775.
- ✓ One (1) mill is valued at approximately \$2,172,028.

Pandemic Impact on 19/20

- ✓ All employees continue to be paid as per legislation passed in March. (Act 13 of 2020). (Salary + benefits = 73.56% of total budgeted expenditures)
- ✓ Expenditures > some savings in employee OT, substitute teacher costs, contracted services (transportation) and utilities.
- ✓ Revenue > decrease in interim real estate tax, earned income tax, mercantile tax and interest income.
- ✓ The net income effect of COVID-19 on the current year is yet to be determined. The longer the economy is closed, the higher likelihood we will see a negative impact.

Projected Pandemic Revenue Impact

The following revenue streams were adjusted for the downturn in the economy through the end of April. Listed below are the estimated reductions for the 2020-21 budget:

- 1) Real estate growth was reduced by \$3.5 million. The reduction of revenue ranges from \$92,321 to \$94,722.
- 2) A 3% increase to Earned Income Tax (EIT) was removed resulting in a decrease of \$170,057.
- 3) Mercantile tax was reduced by \$25,000.
- 4) Interest income was reduced from \$550,000 to \$100,000.
- 5) Transportation subsidy was reduced \$250,000 to reflect a reduction in the reimbursement for contracted bus services. Subsidy is paid to District the following year.
- 6) State subsidy (Basic Education funding & Special Education funding) has been budgeted to remain the same as the current year. There is a potential the State could cut subsidy for next year. In 2019-20, the District received an increase of approximately \$140,000.

****The total projected revenue losses attributed to the pandemic are approximately \$1,140,000 with the potential for additional reductions.****

Investments/ Expenditures

Previous Expenditure Adjustments

(In Budget Prior To Closure)

- ✓ 3.0 operational positions
 - ✓ Newly added positions and positions that formerly existed
- ✓ Deferral of leases for buses/vans
- ✓ Technology leases
 - ✓ Teacher laptops and MS Active Panels
- ✓ 4.25 teaching positions
 - ✓ Newly added positions and positions that formerly existed

Previous Expenditure Adjustments

(April 27 - May 11)

- ✓ Contracted services
 - ✓ AHN
 - ✓ Real estate legal services
- ✓ Professional development
 - ✓ Focus on virtual training
- ✓ Technology leases
 - ✓ Teacher devices
- ✓ Adjustment to staffing benefits (reduction due to waiver)
- ✓ Budgetary reserve reduction

New Key Expenditure Adjustments

(May 12 – May 26)

Key Reductions

- ✓ Attritional cuts (3 of 4 teaching positions)
 - HS Librarian (as of 10/2020), Boyce Math Resource, Elementary Teacher
- ✓ Budgetary Reserve Account (contingency funds)
 - Reduced an additional \$100,000 to \$0
 - Typically budgeted at \$250,000
- ✓ Elimination of Central Office Administrator
- ✓ All administrators taking voluntary pay freeze
- ✓ Anticipated reduction in classified staff positions
 - Still in process w/ ERI
- ✓ Negotiated operations contract decreases
 - Revised approach to HVAC contract w/ Siemens
- ✓ Curriculum expense reductions (supplies)

Key Additions

- ✓ Technology leases
 - Increase access for emergency education planning
- ✓ 1 additional sabbatical request

**Net Impact of
May 12-26 Adjustments:
\$~856,000**

2020-2021 Proposed Expenditures

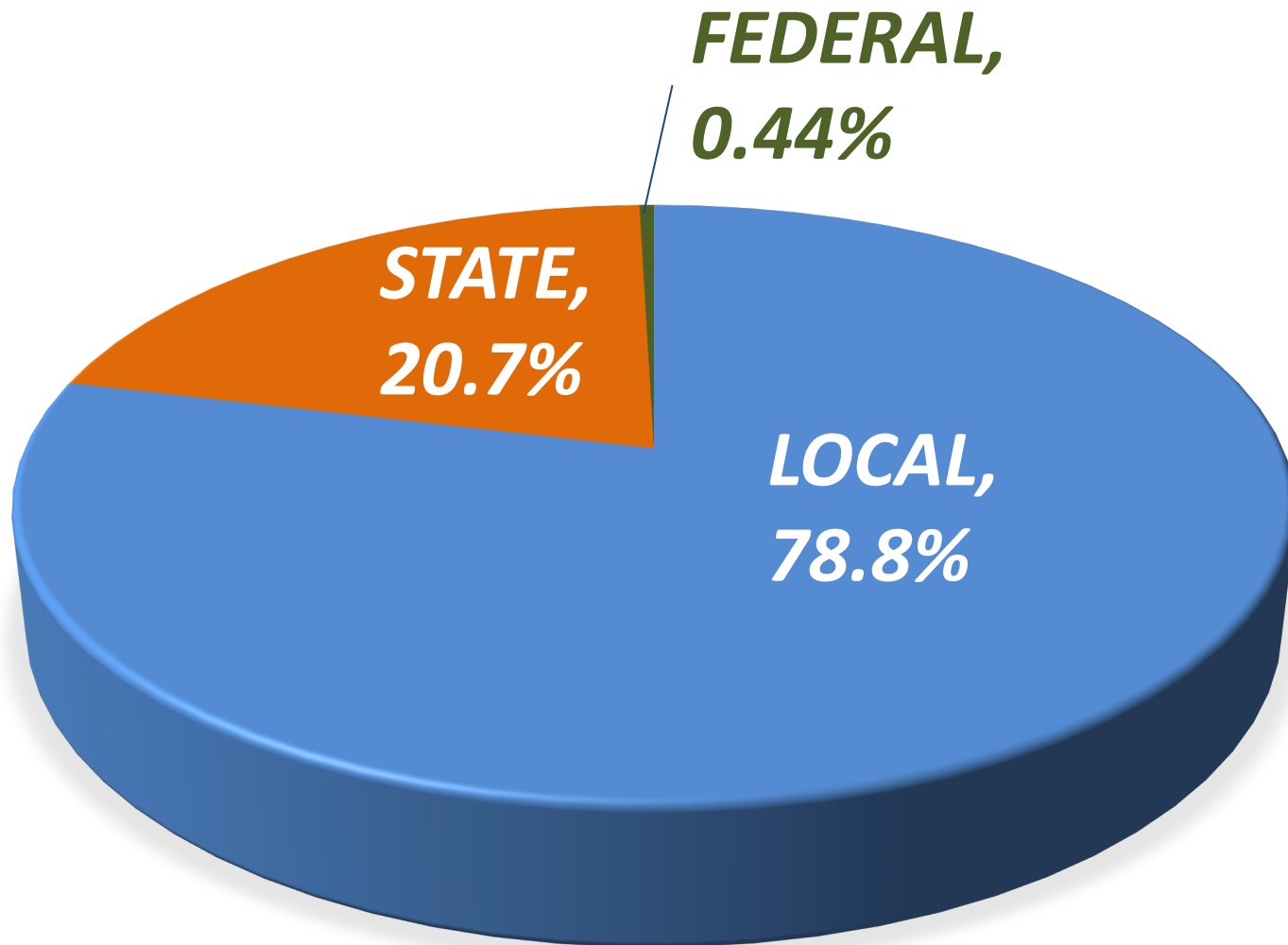
Function	2018-19 ACTUAL	2019-20 BUDGET	2020-21 BUDGET	% of BUDGET
Regular Ed	34,228,641	35,462,608	36,275,645	41.43%
Special Ed	10,084,369	10,612,975	10,618,294	12.13%
Vocational Ed	295,551	270,000	261,240	0.30%
Other programs	281,861	223,491	170,500	0.19%
Student Support	2,479,120	2,759,267	3,067,550	3.50%
Instructional Support	2,708,169	2,729,372	2,862,304	3.27%
Administration	4,985,654	5,240,774	5,084,088	5.81%
Nursing Services	582,301	697,826	719,444	0.82%
Business	1,063,034	1,037,202	1,074,675	1.23%
Operations	8,050,173	7,904,724	7,957,133	9.09%
Security	1,234,396	1,117,788	1,258,646	1.44%
Transportation	4,420,294	4,518,520	4,724,479	5.40%
Tech & HR	1,370,612	1,440,206	1,563,526	1.79%
Other Support	278,782	61,751	62,651	0.07%
Student Activities	1,751,359	1,843,830	1,945,661	2.22%
Debt Service/Cap Leases	10,656,755	9,721,794	9,907,790	11.32%
	84,471,071	85,642,128	87,553,625	100.00%

Revenues

Notable Revenue Considerations

- ✓ Act 1 Resolution set index of 2.6%.
- ✓ No application for budget exceptions was submitted to PDE.
- ✓ Revenue projections with percentage increments up to the 2.6% Act 1 index maximum are provided for consideration.
- ✓ The total revenue losses attributed to the pandemic are approximately \$1,140,000 with the potential for additional reductions.
- ✓ State subsidy (Basic Education funding & Special Education funding) has been budgeted to remain the same as the current year. There is a potential the State could cut subsidy for next year. In 2019-20, the District received an increase of approximately \$140,000.
- ✓ Growth in the assessed property value from \$2,270,288,341 to \$2,316,969,441 or \$46,681,100.

USC 2020-21 Proposed Revenue



Taxing Options for Consideration

Deficit summary based on tax increase percentage

	2020-21 BUDGET NO Real Estate Tax increase	2020-21 BUDGET 1.0 % Real Estate Tax increase	2020-21 BUDGET 1.9% Real Estate Tax increase	2020-21 BUDGET 2.12% Real Estate Tax increase
REVENUES	\$86,038,472	\$86,635,921	\$87,173,625	\$87,305,064
EXPENDITURES	\$87,553,625	\$87,553,625	\$87,553,625	\$87,553,625
FUND BALANCE FOR ONE TIME REDUCTION IN TRANSPORTATION SUBSIDY	\$250,000	\$250,000	\$250,000	\$250,000
TOTAL DEFICIT	(\$1,265,153)	(\$667,704)	(\$130,000)	\$1,439

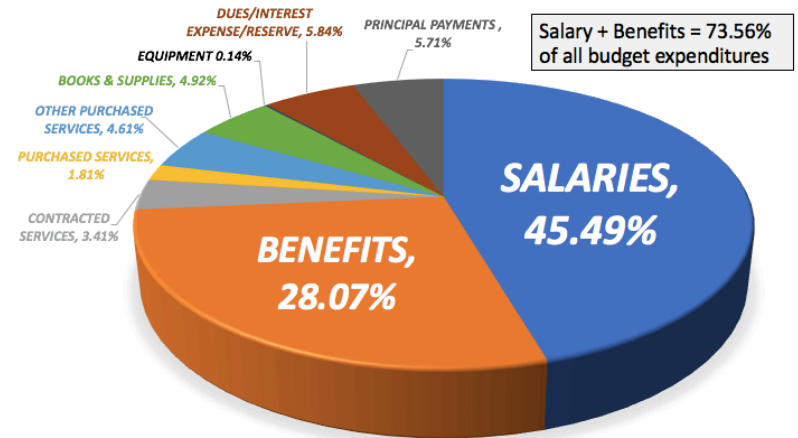
% INCREASE	Millage Rate
CURRENT	26.3775
+1.0%	26.6413
+1.9%	26.8787
+2.12%	26.9368
+2.6%	27.0633

Each half percent (.5%) of millage increase represents approximately \$300,000 in revenue.

Financial Considerations

Fixed Cost Impact

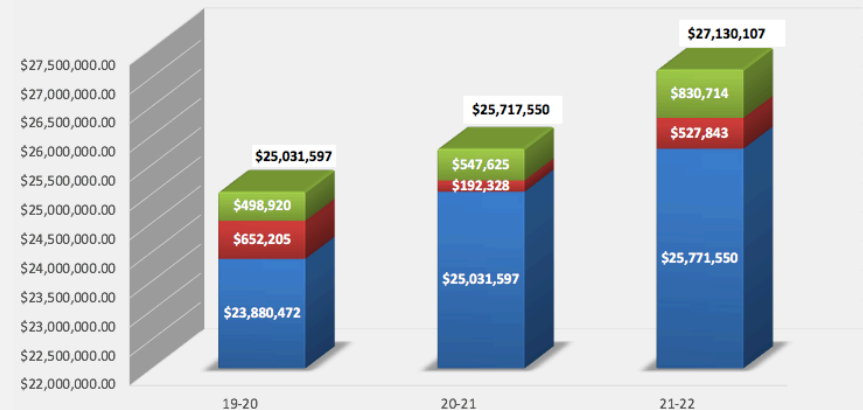
45.5% = Salaries
 +28.1% = Benefits
+11.4% = Debt Services
 85.0% = Fixed Costs Annually



Projected Teaching Staff Salary Increase Impact

(Significant jump step #s)

19/20 → 20/21: +~\$685,000
 20/21 → 21/22: + ~\$1,400,000
 21/22 → 20/21: TBD (new teacher CBA)



Net PSERS Impact

~+\$245,000 = Increase for 20/21
 ~+\$388,000 = Proj. Inc. for 21/22
 +\$103,000 for each .5% increase above projected rate

PSERS	2019-20	2020-21	2021-22	2021-22
Total Salaries <i>(Projected for 2021-22)</i>	\$38,405,259	\$39,582,741	\$41,305,659	\$41,305,659
Expense	\$13,169,163	\$13,660,004	\$14,436,328	\$14,642,856
PSERS Employer Rate	34.29%	34.51%	34.95%	35.45%
Net PSERS Expense	\$6,584,582	\$6,830,002	\$7,218,164	\$7,321,428
Net PSERS Increase		\$245,420	\$388,162	\$103,264 ^^

^^ Net increase calculated from the projected rate in 2021-22 of 34.95%

Proposed Revenue and Tax Recommendation

REVENUE SOURCE	2018-19 ACTUAL	2019-20 BUDGET	2020-21 BUDGET with 1.9% Millage Increase	PERCENT OF BUDGET
LOCAL REVENUE	65,521,755	67,130,450	68,646,460	78.75%
STATE REVENUE	17,569,182	18,105,651	18,146,138	20.82%
FEDERAL REVENUE	1,857,337	381,027	381,027	0.44%
NET PROCEEDS FROM REFUNDING OF BONDS	1,933,239	0	0	
SALE OF FIXED ASSETS	64,924	25,000	0	0.00%
TOTAL REVENUE	\$86,946,437	\$85,642,128	\$87,173,625	100.00%

Millage Impact on Cumulative Revenue

Estimated Tax/Revenue Impact

% millage increase for 2020/21	Increase in 2020/21 real estate taxes for an assessed home of \$250K.	Revenue reduction in 2020/21 below 2.6% (1 year impact)	Cumulative reduction of revenue in 2025/26 (5 year impact)	Cumulative reduction of revenue in 2030/31 (10 year impact)
1.90%	\$10.43 /month	(\$418,214)	(\$2,176,341)	(\$4,579,264)
2.12%	\$11.64/month	(\$286,775)	(\$1,492,388)	(\$3,140,102)
2.60%	\$14.29/month	-	-	-

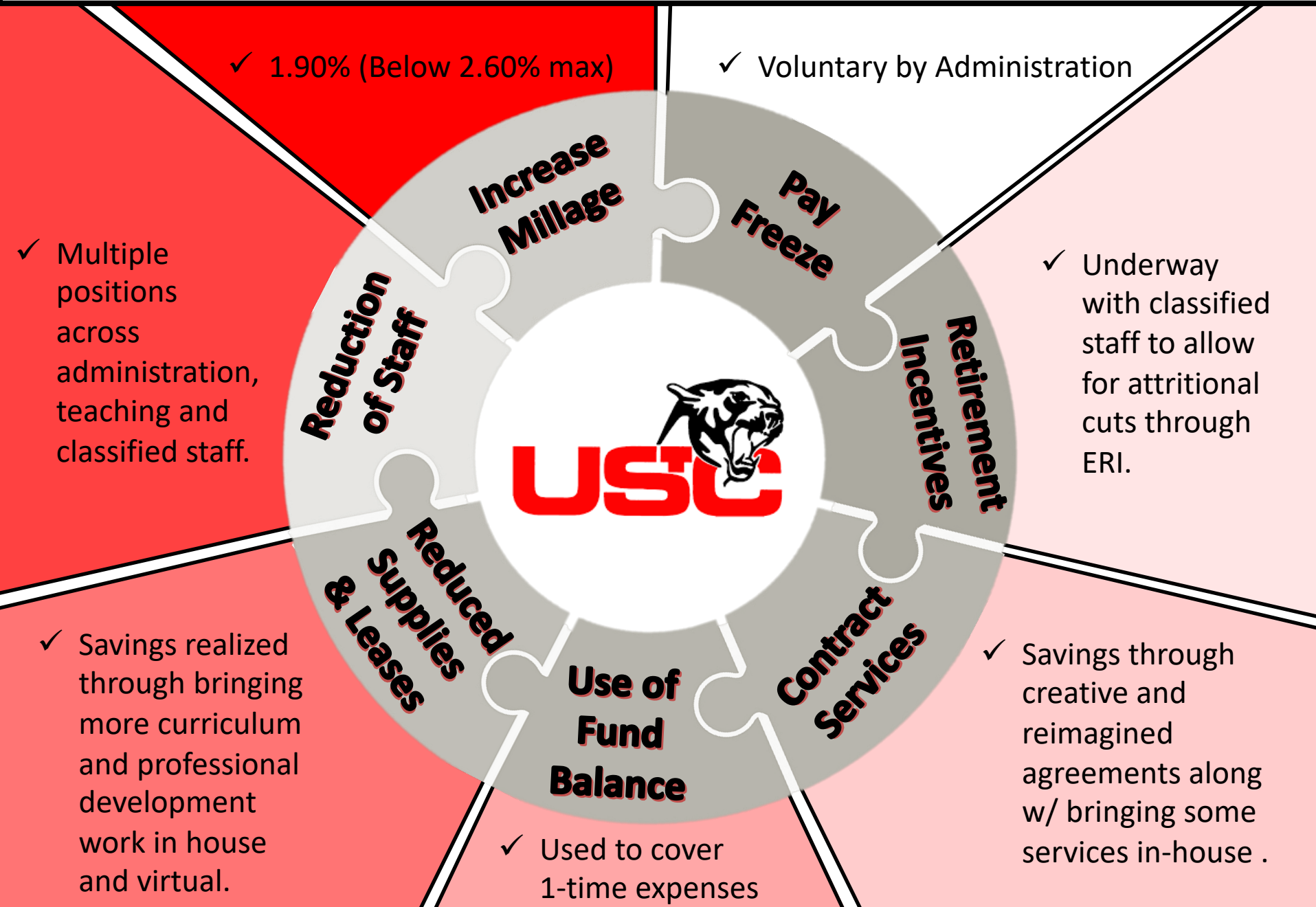
- ✓ Median taxable residential value in USC = \$228,700
- ✓ The chart above uses a 2.6% tax increase as a baseline to calculate revenue reduction
- ✓ *Assumes 2% average annual millage rate increase moving forward*
- ✓ *Proposed millage is 26.8787 mills (1.90% increase)*

Continued Steps in Budget Process

- ✓ Dissect all budget categories to yield additional reductions.
- ✓ Examine potential for realignment of staffing and resources.
- ✓ Examine process re-engineering to drive cost efficiencies.
- ✓ Monitor and evaluate the impact of the pandemic.
- ✓ Continue to work with local and state officials to advocate support for public education.
- ✓ Early retirement incentive program offered to eligible full-time classified employees; program open until June 8.

Final Thoughts

Sustaining Excellence: A Shared Responsibility



Key Takeaways

- ✓ We are committed to maintaining high quality programs and services.
- ✓ The financial outcome of the 2019/20 school-year is still to be determined.
 - Potentially decreased revenues
 - ~95% of expenditures still paid during the closure (Legal and contractual obligations, debt service, capital leases and utilities remain).
- ✓ We are estimating a significant reduction in various revenue streams for the 2020/21 school-year.
- ✓ Difficult decisions have been made to reduce budget deficit.
- ✓ Public education has limited flexibility to reduce expenditures due to federal and state mandates.
- ✓ Fund balance dollars may be used to balance the one-time reduction in transportation subsidy for next year. Fund balance dollars will be considered to offset revenue volatility related to the pandemic for the 2020-21 school year.
- ✓ To sustain excellence, we believe it is our duty to maintain a shared responsibility to balancing our budget.
- ✓ Additional changes may be made prior to final approval on June 29.

USC 2020-21 Budget Timeline

Date	Budget Action
May 26, 2020	Adopt 2020-21 Proposed Final Budget (PDE 2028)
June 15, 2020	Budget Update & Capital Reserve Budget Presentation
June 29, 2020	Adopt 2020-21 Final Budget
2020/21 School-Year	Create a Sustaining Excellence Ad-Hoc Committee



Questions?

