Proposed 2020-2021 Final Budget

"Sustaining Excellence"

Customizing Learning,
Nurturing Potential...
Delivering Excellence

June 15, 2020

Purpose of Tonight's Presentation

Restate the priorities of 2020-21 budget.

Review budgetary impact of the current pandemic.

Provide detailed information related to taxing options and impact on homeowners.

Present summary of expenditure reductions.

Review capital expenditures.

Share an overview of fund balance and appropriate use in the budget process.

Provide additional details that relate to the preparation of the final budget recommendation.

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.

Pandemic Impact on 19/20

All employees continue to be paid as per legislation passed in March. (Act 13 of 2020). (Salary + benefits = 73% 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 Food Service fund will end the year with approximately a $500k deficit. Because Act 13 requires the District to pay cafeteria employees without any food sales, the deficit will increase from $200k to $500k by June 30, 2020. The liability balance is owed to the General Fund. The deficit balance will be written off as an expenditure by the General Fund in the current school year.

The net income effect of COVID-19 on the current year will not be known until August. (Final quarter EIT revenue received in August.)

2020-2021 Budget Overview

Act 1 Index is 2.6% for 2020-21.

Expenditures are budgeted to increase $1.9 million dollars.

Proposed Final Budget adopted on May 26th included a millage increase of 1.9%.

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

The tuition rate certified by PDE in May 2020 is $14,302.40 for elementary students and $14,195.35 for secondary students. The rates are calculated using financial information reported by each school district on the Annual Financial Report, PDE-2057. ***The rates do not contain transportation, extra-curricular activities, athletics and debt service costs.***

Summary of Reductions

Staff	Technology/Equipment	Other
• 3.0 operational positions • 4.25 teaching positions (newly added positions) • Adjustment to staffing benefits • Attritional cuts (3 of 4 teaching positions) • Elimination of Central Office Administrator • Anticipated reduction in classified staff position	• Deferral of leases for buses/vans • Technology leases	• Contracted services • Professional development • Budgetary reserve reduction • All administrators taking voluntary pay freeze • Negotiated operations contract decreases

No educational program cuts

Estimated Reductions: $2,196,000

Capital Reserve Budget

	2020-21	2021-22	2022-23	2023-24	2024-25
HS Paving & Truxton Hillside Project	$350,000 (Bond Proceeds)	$3,000,000 (New Bond Issue)			
Electrical Power Upgrade	$250,000				
District HVAC Unit Repairs / Replacement	$55,000	$65,000	$65,000	$75,000	$75,000
HVAC Software and Panel Upgrades		$45,000 Software Upgrade	$80,000 Panel Upgrade	$80,000 Panel Upgrade	$80,000 Panel Upgrade
District Roof Repair / Renovation / Replacement		$435,000 HS Old Pool and Stage Roofs 30 yr. Replace	$1.9 Million HS 10 yr. Restore or $5.6 Million 32 yr. Replace	$1 Million Eisenhower 20 yr. Restore	
Boyce Field Replacement			$750,000		
General School Upgrades		$20,500 Baker Fire Panel	$45,000 Baker Window Caulking		
Totals	**$655,000**	**$3,555,500**	**$2,840,000**	**$1,155,000**	**$155,000**

Fund Balance

Fund balance is the difference between assets and liabilities in a government fund.

Using fund balance for reoccurring expenditures creates a deficit that carries over to the following budget year. Such practices are not recommended for financial stability.

A positive fund balance allows schools to:

- avoid excessive short term borrowing thereby avoiding associated interest cost;
- accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs;
- demonstrate financial stability which preserves and enhances the bond rating, thereby lowering debt issuance costs. Upper St. Clair SD currently has a AA rating. The District was downgraded from AA+ in 2016 due to repeated usage of fund balance.

Act 48 of 2003 limits Unreserved Undesignated Fund Balance to eight percent (8%) as a percentage of Total Budgeted Expenditures.

Fund Balance

The proposed budget currently contains the use of $380,000 of fund balance. If you include budgetary reserve previously eliminated from the budget, the deficit is actually $630,000.

- One-time adjustment for a reduction in transportation subsidy. Transportation subsidy was reduced $250,000 to reflect a decrease in State funding as a result of not paying the contracted carriers during COVID-19. Subsidy is paid to District the following year.

- Additional use of $130k was included in the Proposed Final Budget. (Not designated to cover one-time expenses)

High probability that the District will use additional fund balance for the current and 2020-21 school years.

- Write-off the Food Service fund deficit in the current year (anticipated liability of $500k owed to the General Fund at year end).

- Potential deficit for the current year related to COVID-19. (Decrease in revenue)

- Unanticipated expenditures. (Budgetary Reserve removed in 2020-21)

- New expenditures related to increased enrollment and/or restrictions related to opening school in the fall.

Comparison of Neighboring Districts

District	Proposed % Increase	Proposed Fund Balance Used	Administrative Increases for 2020-21
1	3.7%	$0	Yes
2	3.64%	$5,532,767	Yes
3	2.60%	$600,000	Yes
4	2.53%	$691,180	Yes
USCSD	1.9%	$630,000 *	No
5	0%	$2,775,000	Yes
6	0%	$6,085,401	Yes

* Includes budgetary reserve previously eliminated from the budget

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.

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)**

Estimated Tax/Revenue Impact for Residents

Residential Assessed Value	Millage Increase 1.9%		Millage Increase 2.12%		Millage Increase 2.60%	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
$200,000	$8.34	$100.13	$9.31	$111.74	$11.43	$137.18
$265,000 **	$11.06	$132.67	$12.34	$148.06	$15.15	$181.77
$300,000	$12.52	$150.19	$13.97	$167.62	$17.15	$205.78
$400,000	$16.69	$200.26	$18.62	$223.49	$22.86	$274.37
$500,000	$20.86	$250.32	$23.28	$279.36	$28.58	$342.96
$600,000	$25.03	$300.38	$27.94	$335.23	$34.30	$411.55
$700,000	$29.20	$350.45	$32.59	$391.10	$40.01	$480.14

** $265,000 is the average residential assessed value in USC

Continued Steps in Budget Process

Examine potential for realignment of staffing and resources.

- Seven employees accepted the early retirement incentive program offered to eligible full-time classified employees. The staffing needs are being evaluated to determine which of the positions will need to be filled. Also, a potential savings exists if the positions are replaced at a lower step.

Continue to evaluate student needs. Staff and resources may need to be added to the budget.

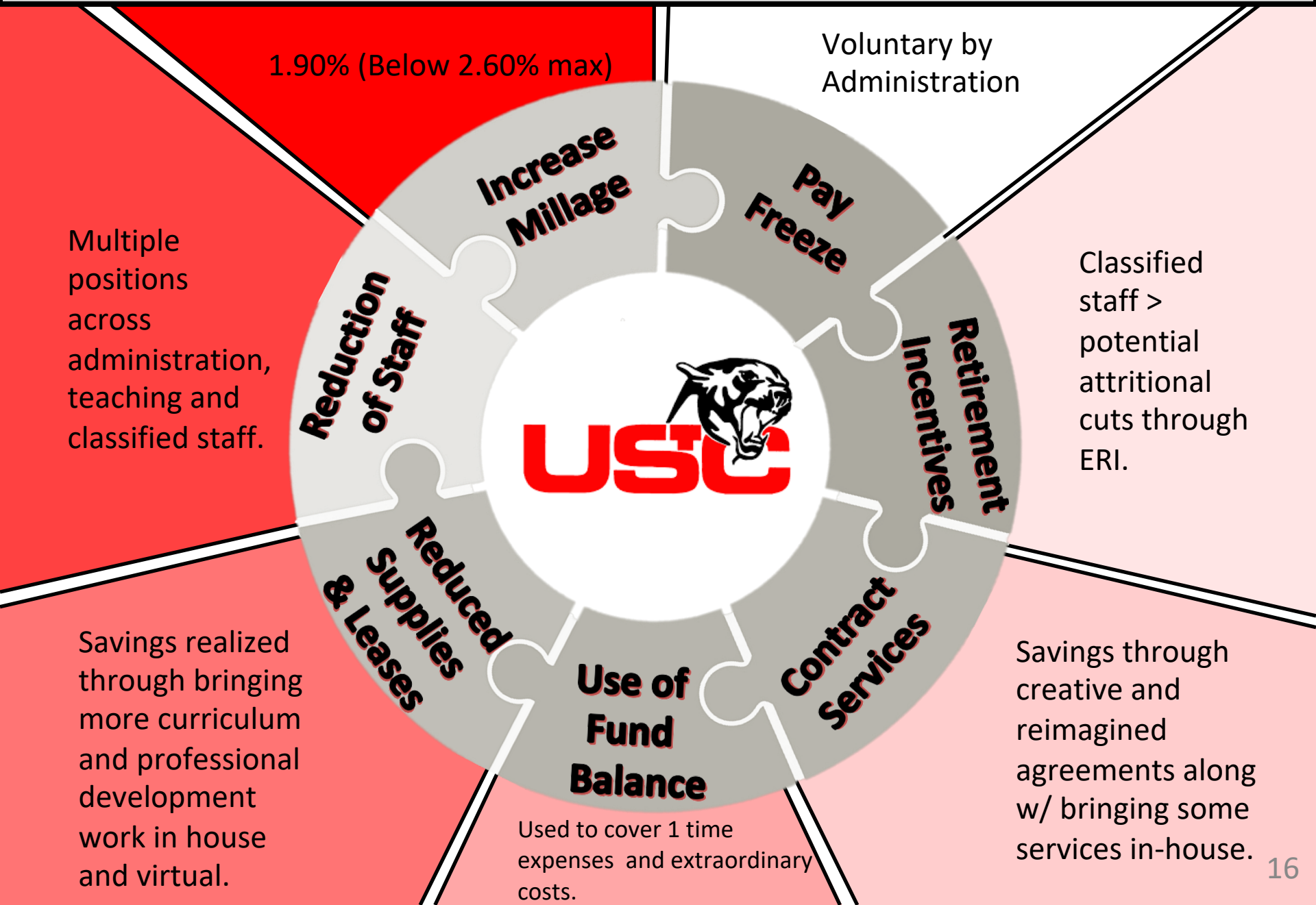
Monitor enrollment data and class size.

Continue to monitor and evaluate the impact of the pandemic.

- New safety and operational protocols required to open the District to students in the fall.
- Additional temporary staffing necessary to comply with CDC and State requirements.
- The State legislation (Act 13), requiring the District to pay employees, expires June 30th.
- Transportation may be impacted by social distancing guidelines.

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.

The proposed budget contains the use of $380,000 of fund balance. However, there is the potential to use additional fund balance for the Food Service fund deficit, potential shortfall for the current year related to COVID-19, unanticipated expenditures in 2020-21 (budgetary reserve removed) and new expenditures related to increased enrollment and COVID-19.

Additional changes will be made prior to final approval on June 29, 2020.

Key Takeaways

Considered long-term financial stability for subsequent years

Budget includes investment in technology to ensure individual access for every student in the District.

Fund balance may be used across multiple years.

Uncertainty regarding Act 1 index in future years.

Last 2 years have been the lowest tax increases since 2011-12.

To sustain excellence, we believe it is our duty to maintain a shared responsibility to balancing our budget. Balancing operation expenses with District revenues is paramount for long-term stability, educational value, and success.

Value of an Upper St. Clair Education- Estimated Average



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STW

#1 in Region SAT

	1 Student	2 Students
Average combined cost to educate an Upper St. Clair student*	**$14, 248.88**	**$28,497.76**
Average school real estate tax bill**	**$7,120.00**	**$7,120.00**

Note: Pittsburgh Area Private School Range: $28,885 - $32,995 per year.

*Not including transportation, extra-curricular activities, athletics and debt service costs, is $14,302.40 for elementary students and $14,195.35 for secondary students. Combined average: $14,248.88. These additional costs are partially offset by EIT.

**Average home assessed at $265,000. (Increase for 2020-21 is $132.67 based on a millage increase of 1.9%. is included).

USC 2020-21 Budget Timeline

Date	Budget Action
June 29, 2020	Adopt 2020-21 Final Budget
2020/21 School-Year	Create a Sustaining Excellence Ad-Hoc Committee











Questions?



