



STATE COLLEGE AREA SCHOOL DISTRICT

Office of Finance and Operations

240 VILLA CREST DRIVE • STATE COLLEGE PENNSYLVANIA • 16801

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To: Finance and Audit Committee

From: Bob O'Donnell, Randy Brown and Donna Watson

Subject: Budget Development 2020-21

Date: February 13, 2020

The budget development process generates requests for resources to meet needs in the district. This discussion provides an opportunity for the committee to gain an understanding of the types of requests generated.

Where do these requests come from?

The requests originate from instructional and non-instructional areas across the district. This list resulted from work with our administrative team. The department coordinators and various teams throughout the district have had input into this process.

How will these requests be met?

Similar to prior years, requests are received throughout the year. Many times resources are available to meet these requests through the current year budget, whether a department, building, or district-level budget. In some cases, budget transfers between various budgets are necessary. Occasionally, these requests result in decisions to defer previously budgeted items due to severity of need.

When budget resources are not available or sufficient, needs generate a budget request resulting in an increase in the proposed budget.

Where are we in the process?

The needs are being evaluated for opportunities to resolve with current resources, defer to a future time period, or include in the budget request for additional resources.

Work with the administrative team continues to increase our understanding of the needs and possible resolutions.

Next steps

The budget requests which will be included in the proposed final budget will be presented to the Board in March. These requests will be identified as an increase to the budget providing support for a potential tax rate increase.



Requests for increased budget resources (Needs)

Class Coverage/Substitute Shortage
Student Mental Health/Behavior Challenges
Lower Class Size
Counseling: Elementary counseling services and instruction
Gifted Services: increased student services
Special Education: student Life Skills support
Increase Psychological Services to better manage MDE & GMDE timeline requirements
HS unmet student course requests for art
HS unmet student course requests for International Baccalaureate
HS class size for Math courses
Student Activities (increased financial support for certain clubs)
Student Athletics (increased financial support for athletic clubs)
HS increased activities for students with special needs
Nurse shortage (primarily for field trips)
Bus driver shortage
Food service shortage
Custodial shortage
Clerical support for various program areas
Consistency in supplies
Consistency in funding all K-12 field trips (curriculum)
resources for HS due to new/rewritten curriculum
Training and resources for expanding MTSS
Storage facilities for athletics department
Gray's Woods parking lot improvements
Elementary classroom/space needs for ESL & STEM programs
Increased Instructional coaching in every elementary buildings
Expanding funding for equity office programming
Increased funding request for Bridging Divides field trip
Decreased federal Title funding for summer camp (increased district budget)
Increased enrollment in virtual program
Increased demand HEARTS program
Maintaince in facilities with more effective solution

To: Board of School Directors
Dr. Robert O'Donnell, Superintendent

From: Megan Schaper, Food Service Director

RE: Report on Food Service Operations

Date: February 12, 2020

I appreciate this opportunity to share information about the Food Service Department with the Board. This department strives to help our students succeed by providing them with fresh, healthy, well-prepared meals that they enjoy eating while at school.

Financial Overview

We work hard to control costs so that school meals are affordable to families and with the goal of operating at a minimal cost to the district.

I am very pleased to share that this department ended the 2019 school year with a profit of \$61,100. This was the first time that the department ended the year in the black since 2011. A recap of the financial results can be found below, including projections for the current year.

	2020			2019		2018	
	PROJECTED		BUDGET	ACTUAL		ACTUAL	
Lunch Price (Elem-MS-HS)	\$2.70 - \$2.95 - \$3.50			\$2.65 - \$2.90 - \$3.50		\$2.60 - \$2.85 - \$3.05/\$3.50	
Lunches Sold	679,200		691,000	671,224		639,399 (scasd) + 30,976 (olv)	
Brkfst Price (Elem-Sec)	\$1.45 - \$1.95			\$1.45 - \$1.95		\$1.35 - \$1.85	
Brkfst Sold	158,900		151,400	141,089		129,424	
LUNCH SALES	\$ 1,605,800		\$ 1,641,800	\$ 1,540,311		\$ 1,475,153	
MILK SALES	\$ 21,800		\$ 22,300	\$ 20,679		\$ 23,104	
BREAKFAST SALES	\$ 168,400		\$ 134,000	\$ 129,641		\$ 103,320	
ALA CARTE SALES	\$ 702,900		\$ 662,000	\$ 654,159		\$ 623,699	
ADULT SALES	\$ 97,200		\$ 94,500	\$ 88,231		\$ 83,034	
SPECIAL FUNCTIONS	\$ 83,300		\$ 87,800	\$ 94,233		\$ 73,174	
CONTRACTED SALES	\$ 189,000		\$ 165,000	\$ 178,155		\$ 184,347	
STATE SUBSIDY	\$ 97,440		\$ 98,200	\$ 95,432		\$ 90,055	
FEDERAL SUBSIDY	\$ 855,500		\$ 850,000	\$ 838,328		\$ 789,367	
SOCIAL SECURITY	\$ 58,000		\$ 56,700	\$ 54,486		\$ 52,922	
RETIREMENT	\$ 256,100		\$ 254,050	\$ 238,098		\$ 225,316	
INTEREST	\$ 1,500		\$ 700	\$ 1,693		\$ 710	
TOTAL INCOME	\$ 4,136,940		\$ 4,067,050	\$ 3,933,446		\$ 3,724,201	
		% SALES			% SALES		% SALES
PAYROLL	\$ 1,528,650	37.0%	\$ 1,473,850	\$ 1,405,117	35.7%	\$ 1,350,988	36.3%
MEDICAL INSURANCE	\$ 336,400	8.1%	\$ 351,450	\$ 296,149	7.5%	\$ 313,814	8.4%
SOCIAL SECURITY	\$ 116,600	2.8%	\$ 113,400	\$ 106,312	2.7%	\$ 103,445	2.8%
RETIREMENT	\$ 511,500	12.4%	\$ 508,100	\$ 462,421	11.8%	\$ 434,272	11.7%
OTHER BENEFITS	\$ 79,150	1.9%	\$ 65,276	\$ 66,495	1.7%	\$ 67,358	1.8%
TOTAL COST OF LABOR	\$ 2,572,300	62.2%	\$ 2,512,076	\$ 2,336,494	59.4%	\$ 2,269,877	60.9%
FOOD	\$ 1,234,300	29.8%	\$ 1,170,000	\$ 1,134,856	28.9%	\$ 1,103,918	29.6%
MILK	\$ 189,875	4.6%	\$ 182,000	\$ 182,090	4.6%	\$ 176,801	4.7%
OTHER DIRECT EXPENSES	\$ 233,370	5.6%	\$ 230,525	\$ 194,744	5.0%	\$ 190,086	5.1%
TOTAL EXPENSE	\$ 4,229,845	102.2%	\$ 4,094,601	\$ 3,848,184	97.8%	\$ 3,740,682	100.4%
OPERATING P/L	\$ (92,905)	-2.2%	\$ (27,551)	\$ 85,262	2.2%	\$ (16,481)	-0.4%
DEPRECIATION	\$ 37,000		\$ 36,945	\$ 24,162		\$ 25,572	
PROFIT/LOSS	\$ (129,905)		\$ (64,496)	\$ 61,100		\$ (42,053)	

*all years excludes GASB 68/OPEB adjustments, and 2018 excludes loss on sale of assets

The primary driver for the financial success in 2019 was the High School food court. Meal and a la carte sales have increased nicely at the high school as a result of the new facilities. We also saw improvements in meal sales at the middle schools last year with the expansion of the special pizza day offering from once per month to once per week.

Elementary school lunch sales dropped last year as illustrated below. We surveyed families and held focus group discussions with students last spring but were unable to pinpoint any particular causes. The feedback received was very mixed. We have incorporated some of the suggestions received, such as adding grilled chicken sandwiches and hummus to the menu choices this year. Sales continue to be weak in the elementary schools this year.

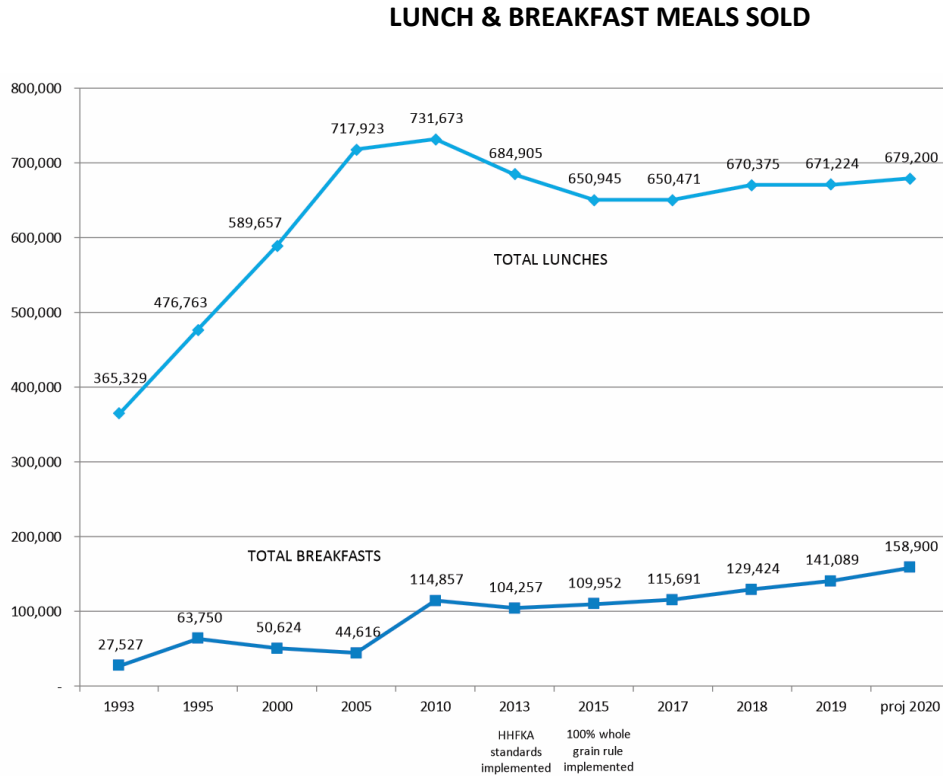
LUNCHES PER DAY

	Fall 2017		Fall 2018		Fall 2019	
	Meals/Day	% Partic	Meals/Day	% Partic	Meals/Day	% Partic
Corl Street	153	64.8%	148	65.9%	147	58.5%
Easterly Pkwy	215	64.4%	209	61.4%	174	54.3%
Ferguson Twp	246	69.5%	228	66.5%	214	66.2%
Grays Woods	257	57.8%	218	49.7%	208	48.0%
Spring Creek	203	60.1%	218	59.3%	210	56.1%
Mt Nittany E	232	65.1%	221	61.1%	220	57.1%
Park Forest E	306	59.8%	300	61.0%	279	57.0%
Radio Park	255	62.5%	218	58.2%	228	58.6%
TOTAL ELEM	1867		1760		1680	
Delta	104	37.8%	97	35.0%	123	45.5%
MNMS	441	60.5%	481	62.9%	449	62.7%
PFMS	408	54.3%	429	55.8%	416	57.1%
High School	941	43.5%	1074	48.8%	1179	52.9%
TOTAL ALL	3761		3841		3847	

Breakfast participation has been increasing at all grade levels. The bake shop at the high school provides freshly baked bagels, scones, muffins, and breakfast bread slices that have been very popular. We have been able to incorporate some of those “homemade” items at the middle schools and Delta, as well. Breakfast counts increased by 86 per day in 2019. Breakfast participation has continued to expand – especially as a result of the opening of the snack bar/coffee shop at the high school in October. Breakfast sales for 2020 have increased by 143 per day district wide.

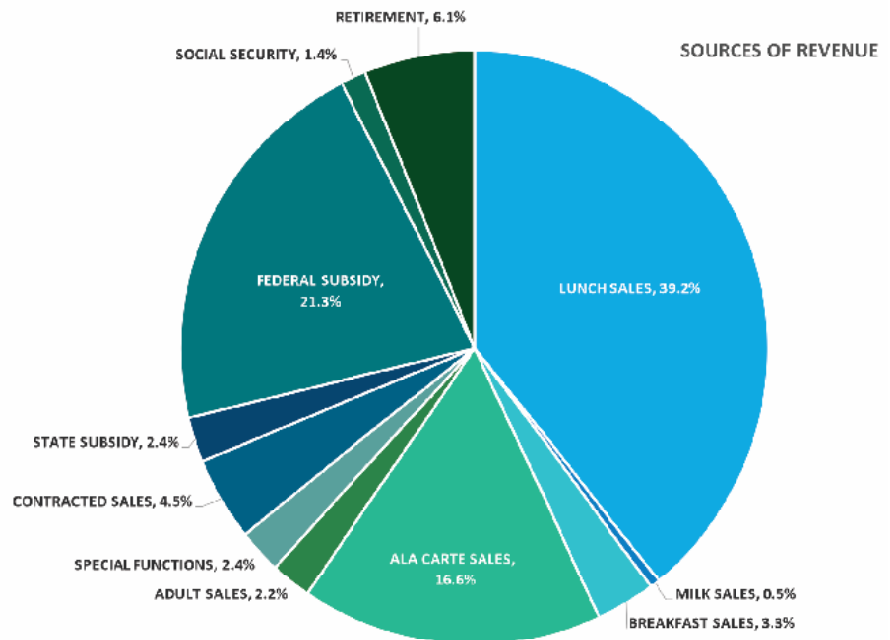


Meal sales trends are illustrated below:



A la carte sales, the sale of any food item to a student that is not a federally reimbursable meal, increased by a little more than \$30,000 last year. \$20,000 of this was earned at the high school and the remaining increase is attributable to the middle schools. We are projecting continuing increases at the high school as the snack bar is now fully functioning. We are able to keep the snack bar service area open until 4:30 each day to support students who are staying for after school activities. A la carte sales totaled \$623,699 last year, nearly 17% of total income.

State and federal subsidies are tied directly to the number of meals sold to students. The reimbursement rate for a free breakfast and lunch in 2019 was \$1.89 and \$3.09 respectively. We received \$.41 and \$.49 in reimbursement for each “full-price” breakfast and lunch served last year.





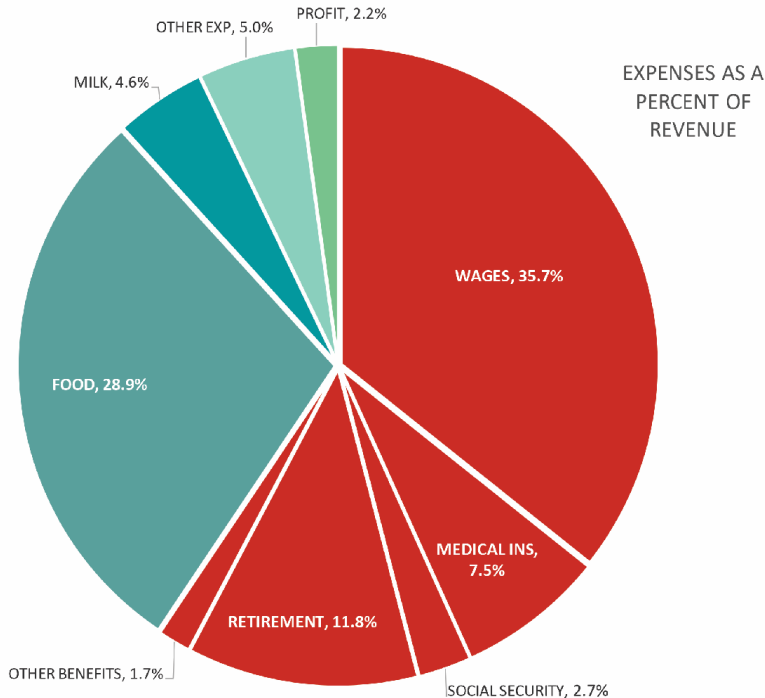
Other revenue sources include sales to adults, milk sales, special functions, and contracted sales to daycares and charter schools.

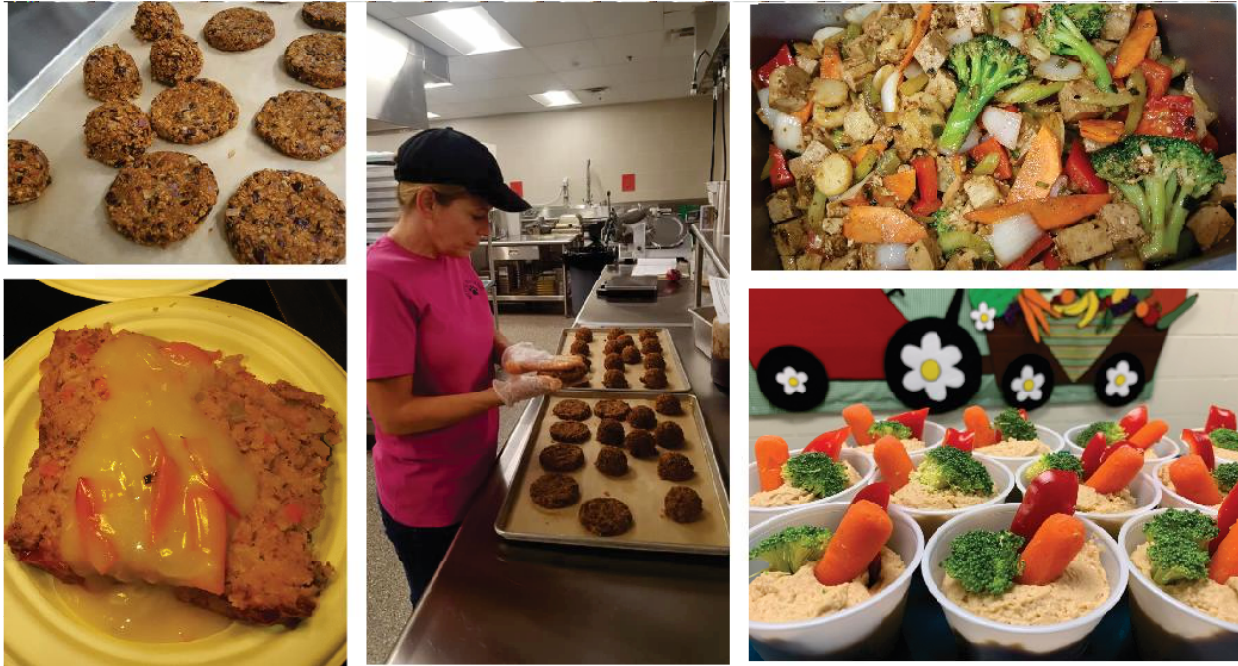
Strong sales in 2019 resulted in more than \$209,000 increase in revenues over the previous year. In the same time period, program expenses only increased by \$107,000.

Labor is the most significant cost of our operations. In 2019, we spent an additional \$66,600 on wages and benefits. This represented a decrease in the cost of labor as a percentage of sales. Contributing to that, the high school snack bar was not yet completed so all areas of service at the high school were concentrated in the food court. While this resulted in some congestion for students, it also allowed us to utilize labor very efficiently. We also reduced a small amount of staff hours, through attrition, in the later half of the school year when the elementary kitchens were closed for construction.

The department employed 75 staff members last year. They receive their contractually agreed upon rate increases, averaging 5.8%, to an average hourly wage of \$14.58 per hour. In addition to kitchen staff, the department employs 2 truck drivers, 5 supervisors, a secretary, and a bookkeeper.

The overall cost of labor has increased significantly from year to year and more than can typically be absorbed by increasing meal prices. Twenty years ago, the cost of labor (wages and benefits) equaled 46% of program revenues. Ten years ago, the cost was 51% of revenues. In 2019, the cost of labor is 59% of revenues. In that time, our labor efficiency – the number of meals produced per labor hour worked – has remained fairly consistent.





We're often asked about our vegetarian offerings – homemade veggie burgers and tofu stir fry are often available at the High School and Delta. Our homemade hummus is available everywhere. We even tried out vegan meatloaf at Delta last week!

The cost of food supplies is our next largest expense, accounting for 33.6% of revenue for food and milk. As a percentage of sales, this was also a slight decrease over the previous year. The decrease is in part thanks to the aggressive pricing received on the Pittsburgh Regional Food Service Directors' cooperative bid.

It is also a reflection of a very good year for USDA commodity foods. We were allocated \$217,200 from USDA to spend on commodity foods over the course of the year. Commodity items include fresh produce, cheese, chicken, beef, frozen vegetables, and canned and frozen fruit. We were able to request extra items that other districts were not using and ultimately received \$293,450 worth of "free" food last year.

Other expenses include the costs of paper and cleaning supplies, repairs, transportation, uniforms, office supplies, liability, postage, printing, and point-of-sale support.

Strong sales and controlled costs resulted in program profit for 2019. Unfortunately, it does not look like that will be a continuing trend. The financial information on the following pages breaks projected financials for the current year and the proposed budget for next by building location.

**2020-21 Budget
Food Service Dept.**

		2018-19 Actual	2019-20 Projected	2020-21 Budget	Projected to Budget
Revenue:					
Lunch Sales	elem	686,182	674,000	703,000	\$.05 incr at Delta and elems; \$.10 incr at HS; no incr at MS
	mnms	178,210	179,800	180,000	
	pfms	174,109	172,000	175,000	
	hs	501,810	580,000	595,700	
		1,540,311	1,605,800	1,653,700	47,900
Milk Sales	elem	18,753	20,000	22,000	\$.05 incr
	mnms	658	650	700	
	pfms	539	600	650	
	hs	729	550	600	
		20,679	21,800	23,950	2,150
Breakfast	elem	57,532	65,000	67,145	\$.05 incr at Delta, elems, and HS; no inc @ MS
	mnms	18,276	19,600	19,600	
	pfms	15,032	15,800	16,800	
	hs	38,801	68,000	73,000	
		129,641	168,400	176,545	8,145
A la Carte Sales	elem	94,927	92,000	94,000	
	mnms	83,102	68,900	70,000	
	pfms	96,780	82,000	84,000	
	hs	379,350	460,000	495,000	
		654,159	702,900	743,000	40,100
Adult Sales	elem	28,379	27,000	28,000	\$.05 incr at Delta and elems; \$.10 incr at HS; no incr at MS
	mnms	6,521	7,200	7,500	
	pfms	15,906	14,000	14,000	
	hs	37,425	49,000	50,000	
		88,231	97,200	99,500	2,300
Special Functions	elem	44,428	52,000	52,000	
	mnms	10,636	8,000	8,000	
	pfms	782	1,300	1,300	
	hs	38,387	22,000	30,000	
		94,233	83,300	91,300	8,000
Contracted Sales	elem	178,155	189,000	175,000	
	mnms	-	-	-	
	pfms	-	-	-	
	hs	-	-	-	
		178,155	189,000	175,000	(14,000)
State Subsidy	elem	47,306	46,440	48,000	
	mnms	12,007	11,650	12,000	
	pfms	10,054	9,550	10,500	
	hs	26,065	29,800	31,000	
		95,432	97,440	101,500	4,060
Soc Security	elem	26,010	27,200	26,950	
	mnms	6,164	6,450	6,600	
	pfms	6,291	5,850	6,400	
	hs	16,021	18,500	21,700	
		54,486	58,000	61,650	3,650
Retirement	elem	114,378	118,000	120,000	
	mnms	26,144	28,700	29,800	
	pfms	26,719	26,400	28,750	
	hs	70,857	83,000	97,750	
		238,098	256,100	276,300	20,200
Fed Subsidy	elem	409,006	405,000	409,000	
	mnms	119,472	113,500	116,000	
	pfms	78,793	72,000	75,000	
	hs	231,057	265,000	270,000	
		838,328	855,500	870,000	14,500
Total Revenue	elem	1,705,056	1,715,640	1,745,095	
	mnms	461,190	444,450	450,200	
	pfms	425,005	399,500	412,400	
	hs	1,340,502	1,575,850	1,664,750	
Interest		1,693	1,500	1,500	
		3,933,446	4,136,940	4,273,945	137,005

Expenses:		2018-19		2019-20		2020-21		Projected to
		Actual		Projected		Budget		Budget
Payroll	elem	672,988		708,025		705,250		
	mnms	153,392		170,400		172,700		
	pfms	158,378		159,900		166,750		
	hs	420,359		490,325		566,650		
		1,405,117	35.7%	1,528,650	37.0%	1,611,350	37.7%	82,700
Medical	elem	143,021		163,900		183,700		
	mnms	29,103		33,700		38,300		
	pfms	71,495		81,100		92,000		
	hs	52,529		57,700		68,900		
		296,149	7.5%	336,400	8.1%	382,900	9.0%	46,500
Soc Sec	elem	50,764		54,400		53,900		
	mnms	11,630		12,900		13,200		
	pfms	11,895		11,700		12,800		
	hs	32,023		37,600		43,400		
		106,312	2.7%	116,600	2.8%	123,300	2.9%	6,700
Retirement	elem	221,481		236,000		240,000		
	mnms	50,804		57,400		59,600		
	pfms	51,705		52,800		57,500		
	hs	138,431		165,300		195,500		
		462,421	11.8%	511,500	12.4%	552,600	12.9%	41,100
Other Benefits 50-3100-212	elem	32,410		30,125		32,700		
	mnms	7,386		10,890		8,265		
	pfms	8,585		11,025		8,430		
	hs	18,114		27,110		20,800		
		66,495	1.7%	79,150	1.9%	70,195	1.6%	(8,955)
Other Direct Expenses (training, repairs, travel, tech support, liability, printing, postage, storage)	elem	18,370		18,850		20,850		
	mnms	4,963		3,305		5,000		
	pfms	3,686		4,050		5,000		
	hs	11,640		12,175		13,700		
		38,660	1.0%	38,380	0.9%	44,550	1.0%	6,170
Supplies (general, cleaning, office, uniforms, tech)	elem	71,040		87,400		81,100		
	mnms	18,665		14,120		15,500		
	pfms	14,011		18,170		16,550		
	hs	52,369		75,300		79,800		
		156,085	4.0%	194,990	4.7%	192,950	4.5%	(2,040)
Food & Milk	elem	563,613		623,000		635,200		
	mnms	146,164		146,700		149,100		
	pfms	136,172		135,175		137,800		
	hs	470,997		519,300		529,900		
		1,316,946	33.5%	1,424,175	34.4%	1,452,000	34.0%	27,825
Total Expenses	39	1,773,686		1,921,700		1,952,700		
	61	422,107		449,415		461,665		
	62	455,929		473,920		496,830		
	81	1,196,462		1,384,810		1,518,650		
Depreciation		24,162		37,000		37,000		
		3,872,346		4,266,845		4,466,845		200,000
	39	(68,630)		(206,060)		(207,605)		
	61	39,083		(4,965)		(11,465)		
	62	(30,924)		(74,420)		(84,430)		
	81	144,040		191,040		146,100		
Profit/Loss		61,100		(129,905)		(192,900)		

As you can see, despite price increases planned for breakfast, lunch and milk, projected sales are not expected to keep up with costs. We will continue look for ways to increase participation, especially in the elementary schools, but I believe that these are realistic projections.

Included with this report is the annual memo requesting approval of meal prices for next school year.

Program Activities & Information

Like many others in the district, the food service department and staff have been quite busy over the past year with all the activities that came with the construction projects. From working around on-going construction to learning how to use new equipment to prepare new recipes, it has been an eventful year.

As things are finally settling into place, we are making good use of the equipment and space made available to us for preparing high quality meals. While still providing student favorites like popcorn chicken and Italian dunkers, transitioning to more home-style/less processed foods is a priority. The elementary school menu was modified for the current year to add items such as bbq chicken, chicken parmesan, pasta with meatballs, and hummus with pita chips.

Menu upgrades at the high school have been even more significant thanks to the highly skilled staff, who work in that kitchen. Menus for all our schools can be found on the [district web page](#).

The high school chefs are cross-training staff not only in their own kitchen, but we have used them to provide training for staff from other kitchens, as well. Additional training is planned for the coming summer to help us continue to improve our offerings at all grade levels.

Making sure that our staff is well trained is an on-going concern. Summer in-service this year included training on food allergies and resulted in all being certified to administer an epi-pen. Other sessions at this year's training included federal meal regulations, equipment care and maintenance, and inclusion and diversity training. We also included a short training for staff on the environmental impact of our operations, encouraging staff to participate in school and borough composting programs and to reduce the use of single use plastics.

Our department has been making strides to reduce the use of disposable plastics in the school kitchens. Over the past three years we have eliminated plastic straws and have switched all disposable plates and trays to compostable paperboard. Corl Street, Radio Park, and Spring Creek Elementary Schools are using permanent/washable fruit cups. All of the remaining elementary schools will receive these same dishes at the start of next year. In the secondary schools, compostable paper fruit cups have replaced single-use plastic for most applications. And students are provided with the choice of "real" silverware in all our cafeterias. There are still items that we'd like to eliminate, and we are working to find affordable alternatives to the plastic containers used for grab-and-go salads and sandwiches. It is a work in progress, but we have made great progress so far.

We have made a little less progress with regards to student IOUs. Even with letters, phone calls, and weekly emails to families who owe money for cafeteria purchases, our IOUs now average \$5,000 - \$6,000 dollars at any given time. Many of the families with larger IOUs ultimately end up being approved for free school meals, but their meal charges cannot be recalculated to the free rate beyond the calendar month. To help these families, we encourage the families of graduating seniors to donate remaining balances at year end. We occasionally also receive donations from the community. In December, we received \$600 from Everhart Life Sport Recovery and \$426 from the Food Service Department staff. To date, we have been able to repay just over \$3,000 worth of IOUs this school year.

Finally, I'd like to share a quick update on the Trump Administration's proposed changes to school meals that were announced several weeks ago. These are the more significant changes that are being proposed:

- Change the Administrative Review Cycle from 3 years back to 5 years, as it was prior to the Healthy, Hunger Free Kids Act. At-risk programs would receive additional oversight. Pennsylvania currently has a temporary waiver allowing for 5-year review cycles over the next 5 years. SCASD was scheduled to be reviewed this year but have been rescheduled for 2021-22.
- Allow portions of the Administrative Review requirements to be met outside of the review process. For instance, using the annually submitted Child Nutrition Financial Report to satisfy identical items that are looked at in the Administrative Review.
- Allow all 5 sub-group vegetables to have the same minimum weekly requirement. Currently, a minimum of $\frac{3}{4}$ cup of red orange vegetables must be served weekly. The other sub-groups (leafy greens, legumes, starchy, and other) have minimum requirements of $\frac{1}{2}$ cup per week. The proposed rule would standardize the minimum serving to $\frac{1}{2}$ cup for all sub groups but does not change the weekly total required servings for vegetables.
- Allow legumes served as a meat alternative to also count as meeting the weekly legume sub-group requirement. Students must still be offered the required quantity of vegetables with their meal.
- Flexibility to offer meat as a reimbursable component at breakfast. Currently meat only counts at breakfast if you are already offering a grain item, and then (I'm not kidding you) the meat item counts as the second required grain item. -Would allow for yogurt or eggs to count as a breakfast entrée without having to pair it with a grain.
- Flexibility to offer only $\frac{1}{2}$ cup of fruit instead of 1 cup of fruit with breakfast – but only for alternative breakfast service methods like breakfast in the classroom.
- Expand the free water rule to include calorie-free water that has been naturally flavored. Currently, if you put a water dispenser in the cafeteria for kids to access water, it does not meet the free water rule if you enhance it with some citrus slices.
- Entrees served at lunch would be Smart Snack exempt on the day that they are served on the menu and for two days after. The rule currently only allows for one day after.
- Making permanent the currently flexibility that allows schools to serve any vegetable in place of fruit with breakfast. This is specifically seeking to allow hash browns at breakfast.

Should these be approved, most of these changes are inconsequential. There are a few, like the legume and the hash brown rules, that I don't think really move school meals forward. But, federal rules are always the least that is required of us. We have local control of our program and can choose to embrace the changes that are helpful and to not implement those that are not.

My staff and I work hard to find the best balance between nutrition, affordability, and student acceptance. It is tricky, but the meals served in our school cafeterias are great. That said, we are always working to make them even better. Please stop by the school cafeteria the next time you are in a building. I think that you will be impressed!

Thank you for your time. Please do not hesitate to reach out to me if you have any questions or concerns.

MEMORANDUM

TO: Board of School Directors
Robert J. O’Donnell, Superintendent

FROM: Megan Schaper, SNS
Food Service Director

RE: Food Service Pricing for 2020-2021

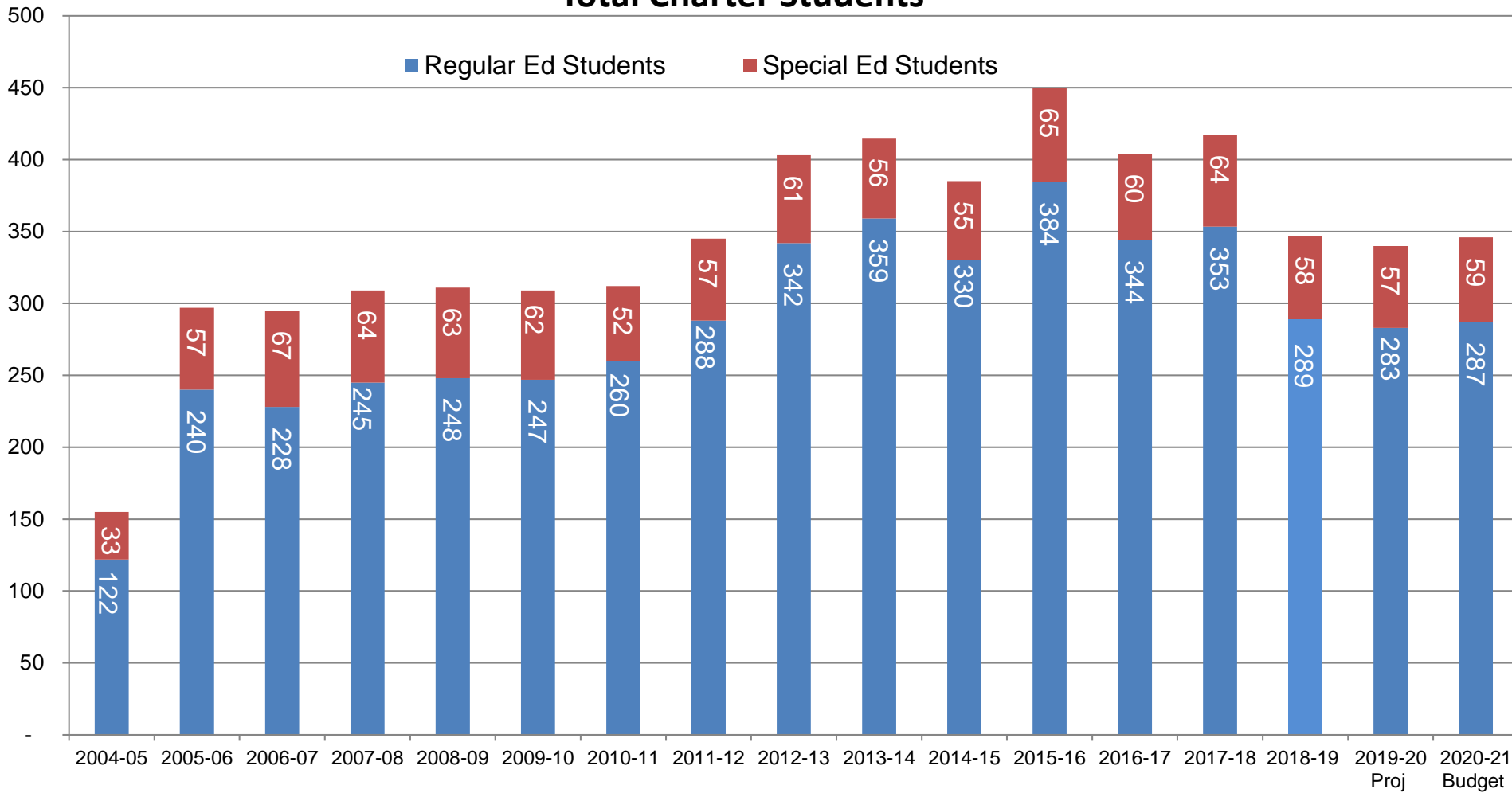
DATE: February 12, 2020

The administration requests approval of the school meal price structure as listed below for the 2020-21 school year. These prices were used in the development of the Food Service Department budget. The current reimbursement provided by state and federal subsidies for free school meals is \$3.60 for lunch and \$1.94 for breakfast.

	2020 Bald Eagle	2020 Penns Valley	2020 Bellefonte	2018 SCASD	2019 SCASD	2020 SCASD	2021 SCASD Proposed
% Fr/Red	42%	32%	30%	17%	17%	16%	
Elementary Lunch	\$2.30	\$2.35	\$2.40	\$2.60	\$2.65	\$2.70	\$2.75
MS Lunch	\$2.50- \$2.75		\$2.70	\$2.85	\$2.90	\$2.95	\$2.95
HS Lunch	\$2.50- \$2.75	\$2.60	\$2.70	\$3.05/ \$3.50*	\$3.50	\$3.50	\$3.60
Adult Lunch	\$3.60	\$3.35	\$3.50	+.75 per USDA regulation	+.75 per USDA regulation	+.75 per USDA regulation	Increase as required by USDA regulation
Elementary Breakfast	\$1.10	\$1.15	\$1.00	\$1.35	\$1.45	\$1.45	\$1.50
Secondary Breakfast	\$1.10	\$1.25	\$1.00	\$1.85	\$1.95	\$1.95	\$1.95/\$2.00
Milk	\$.50	\$.50	\$.60	\$.65	\$.65	\$.65	\$.70

*High school price increase with opening of the new food court.

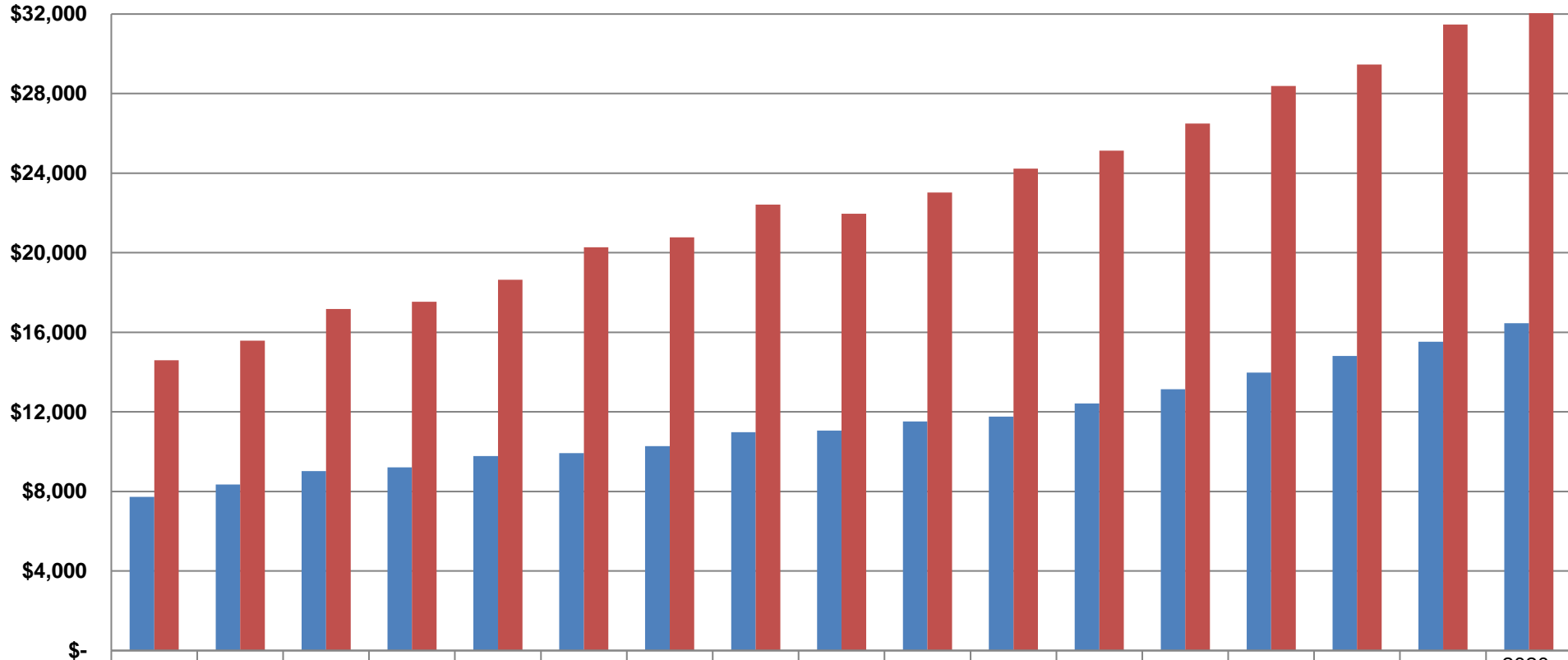
Total Charter Students



Total	155	297	295	309	311	309	312	345	403	415	385	450	404	417	347	340	346
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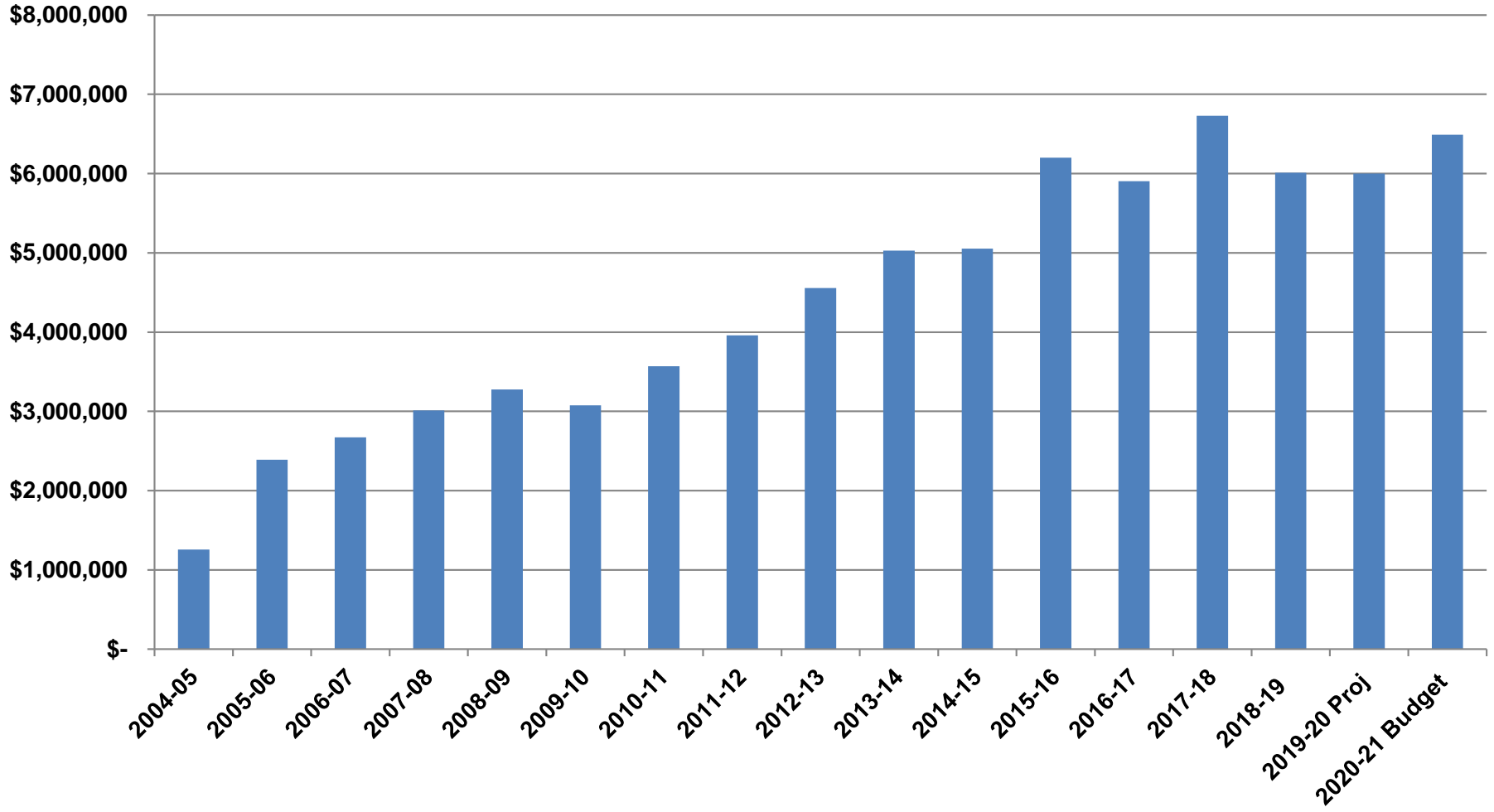
Proj Budget

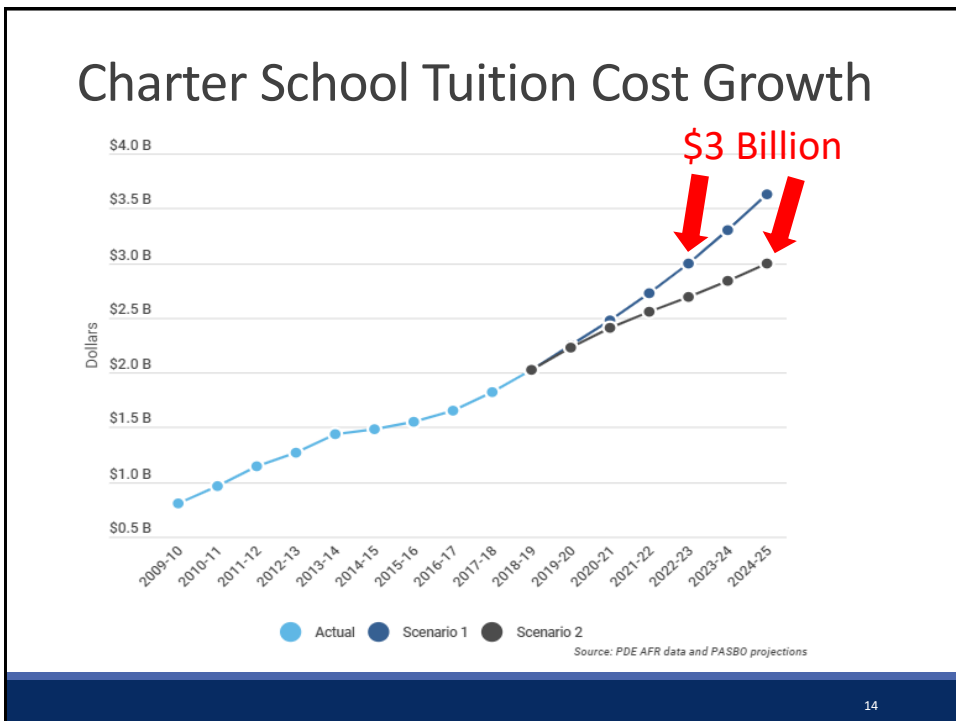
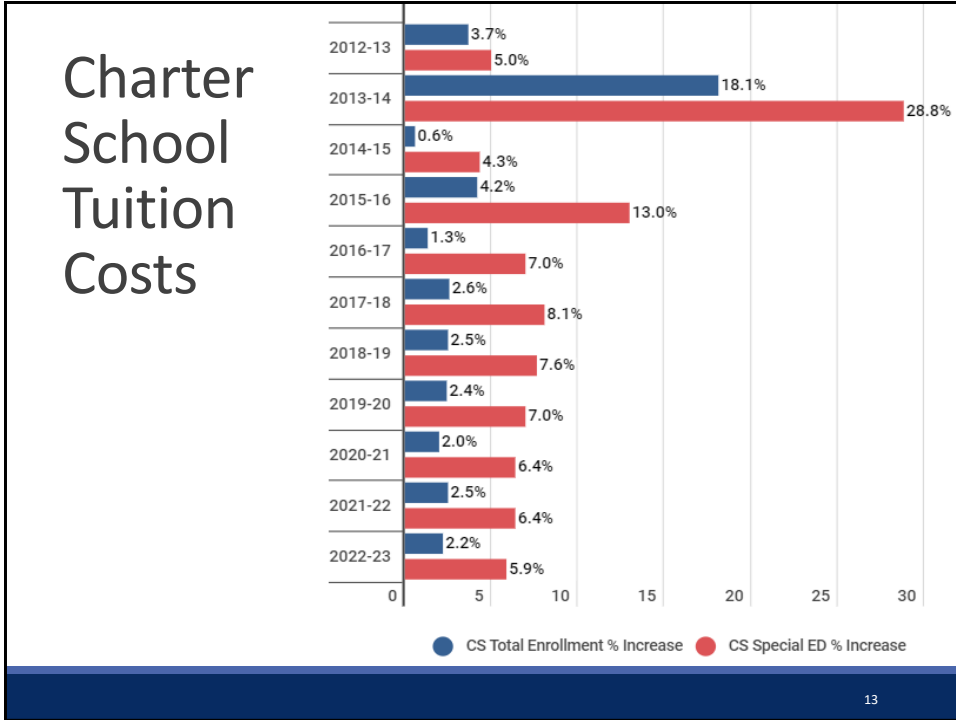
Charter School Cost Per Student



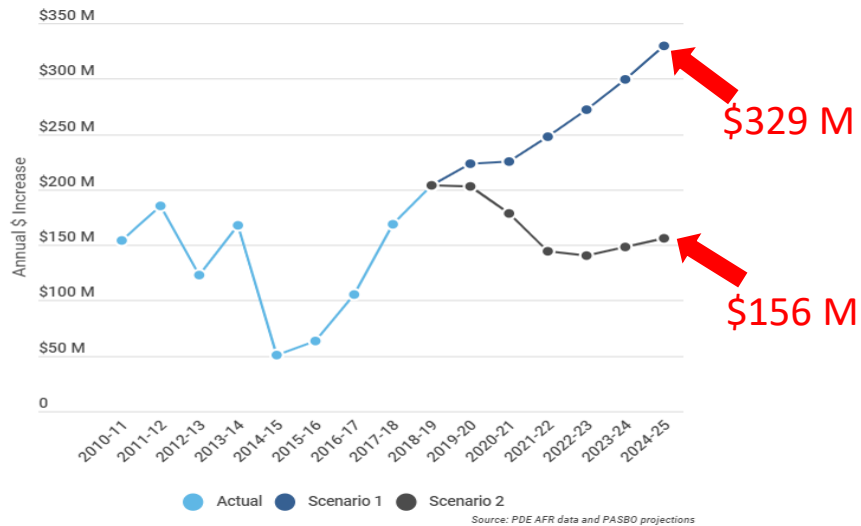
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Proj	2020-21 Budget
Regular Ed	7,729.	8,352.	9,026.	9,209.	9,774.	9,930.	10,273	10,972	11,054	11,512	11,759	12,416	13,138	13,979	14,815	15,520	16,451
Special Ed	14,590	15,581	17,166	17,540	18,648	20,272	20,777	22,419	21,961	23,022	24,229	25,125	26,500	28,381	29,459	31,469	33,358

Charter School Expense





Charter School Tuition Cost Growth



Charter School Funding Reform: The Good

Cyber CS savings derived from:

- Setting a flat \$9,500 rate for regular education (calculated annually based on CS costs)
- Applying the SE category weights to the regular education tuition rate to target SE tuition to SE costs
 - Category 1: 1.51 multiplier
 - Category 2: 3.77 multiplier
 - Category 3: 7.46 multiplier

\$133 million in SAVINGS (based on 17-18 data!)

- 478 school districts SAVE \$s
- 2 school districts no impact
- 20 school districts LOSE \$s (\$875k)

Charter School Funding Reform: The Good

- PDE will calculate/post brick and mortar/cyber CS tuition rates annually (regular and special education)
- CSs must use the rates posted by PDE
- CSs may only request a subsidy deduction for students enrolled and at the rate posted
- PDE shall not make a deduction unless the CS provides documentation that the SD had an opportunity to pay and did not

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Charter School Reform: **The Bad**

- There is less than a minimal chance that the proposed legislation and SAVINGS will pass in its entirety
- It is NOT realistic to build these savings into your budgets
- The legislature can't even pass \$34 million in savings to SDs OVER 3 YEARS....

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STATE COLLEGE AREA SCHOOL DISTRICT

Office of Finance and Operations

240 VILLA CREST DRIVE • STATE COLLEGE PENNSYLVANIA • 16801

TELEPHONE: 814-231-1021 • FAX: 814-272-8790

To: Finance Committee

From: Randy Brown and Donna Watson

Subject: PSERS Fund Balance

Date: February 12, 2020

The PSERS rate for 2020-21 was released in December 2019, along with the updated actuarial projection of rates through 2027-28. The attached schedules include graphs of historical and projected rate increases, the projected impact on the District's PSERS expense and potential options for funding and use of PSERS assigned fund balance.

The Board began authorizing assignment of fund balance in 2011-12 to fund the impact of projected significant increases in the PSERS contribution percentage. The PSERS Pay Forward model provided for proposed additions and use of fund balance in an effort to smooth the impact of these significant increases. PSERS contribution percentages from 2011-12 to 2017-18 increased from 8.65% to 32.57%, or an average of 3.99% annually. The increase in the contribution percentage has slowed since 2017-18 to an average of .65% annually from 2017-18 to 2020-21. The projected average annual increase from 2020-21 to 2027-28 is .52%.

When comparing the December 2019 projected PSERS rates to prior year projections, the addition of four projected years with continued rate increases have a substantial impact on projected costs. The impact of these changes are shown in the attached schedules.

Attached schedules include:

Attachment 1 - Graph of historical PSERS contribution rates

Attachment 2 - Graph of PSERS projected rates as published each December. Projections for the past few years have included only four projected years. In the multi-year projections, rates in

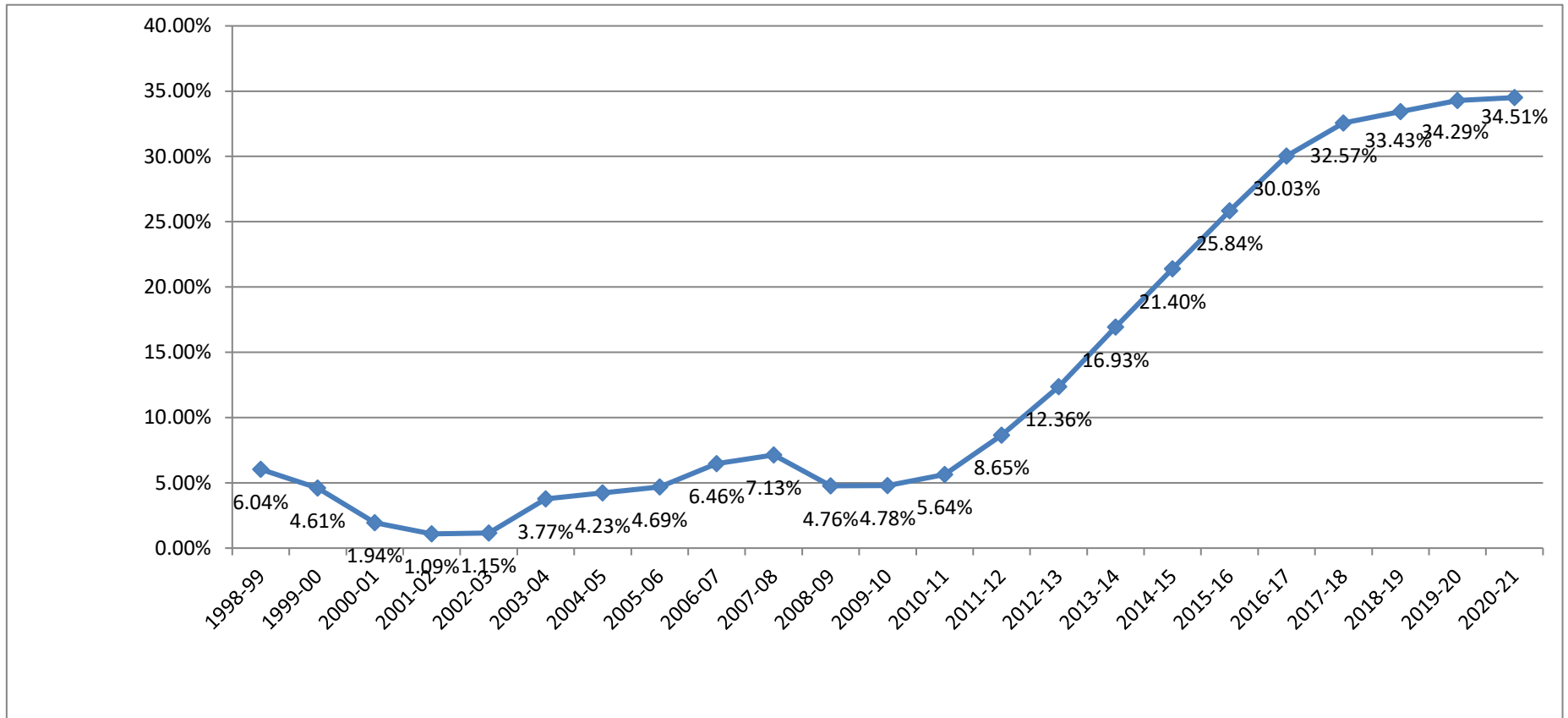
later years were assumed to remain flat based upon previously provided longer term projections. The December 2019 projection includes eight projected years, with rate increases each year.

Attachment 3 - Provides projected PSERS expense using the December 2018 vs. 2019 PSERS projections. These calculations are based on the multi-year projection presented in November 2019. The impact of salary increases vs. PSERS rate increases are shown for each projected year. The rate impact net of the 50% state reimbursement is also provided.

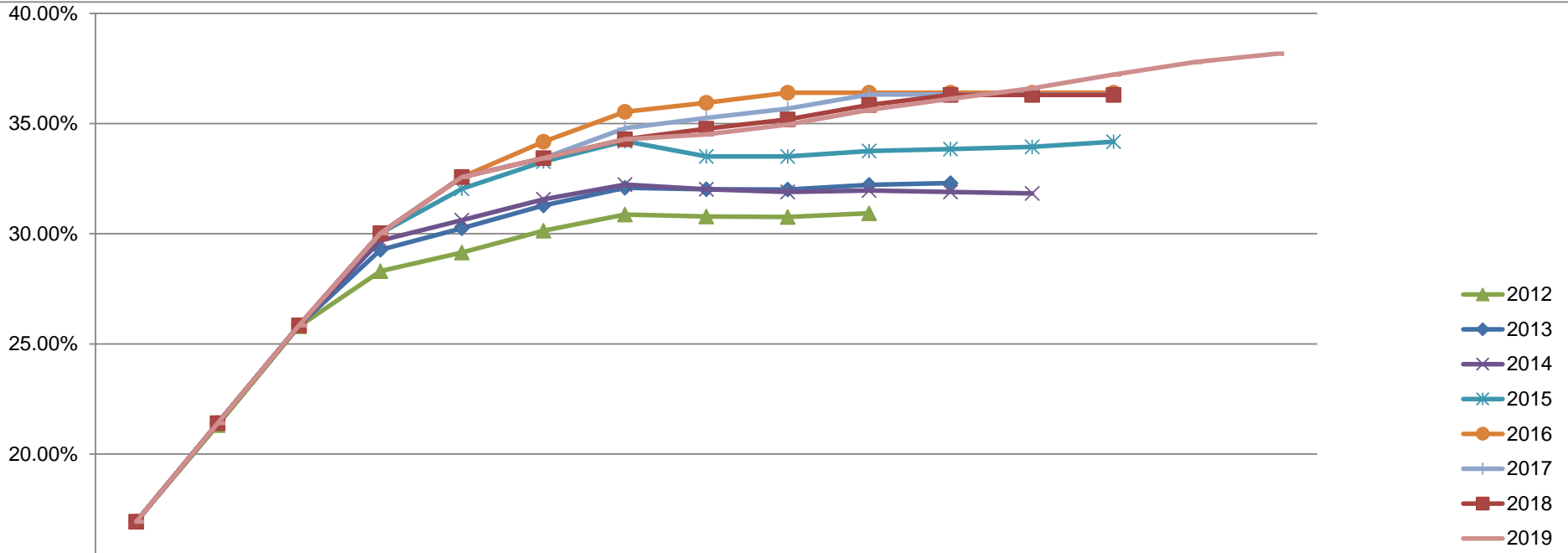
Attachment 4 and 5 - Compares the most recent multi-year PSERS fund balance projection to some potential options. Attachment 4 assumes funding the gross impact of the PSERS rate increases (as shown on attachment 3, line 25) and attachment 5 assumes funding the PSERS rate impact, net of 50% state reimbursement (as shown on attachment 3, line 28).

The cumulative impact of the December 2019 published rates on the General Fund fund balance in the multi-year projection is approximately \$2.5 million. Any change in the funding or use of PSERS fund balance will also impact the General Fund. Administration will continue to analyze these impact of funding options.

State College Area School District PSERS Percentage Employer Contributions



Projected Employer PSERS Rates



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
2012	16.93%	21.31%	25.80%	28.30%	29.15%	30.14%	30.87%	30.78%	30.76%	30.93%					
2013	16.93%	21.40%	25.84%	29.27%	30.25%	31.28%	32.08%	32.02%	32.01%	32.22%	32.30%				
2014	16.93%	21.40%	25.84%	29.69%	30.62%	31.56%	32.23%	32.02%	31.90%	31.96%	31.90%	31.83%			
2015	16.93%	21.40%	25.84%	30.03%	32.04%	33.27%	34.20%	33.51%	33.51%	33.75%	33.84%	33.94%	34.18%		
2016	16.93%	21.40%	25.84%	30.03%	32.57%	34.18%	35.53%	35.95%	36.40%	36.40%	36.40%	36.40%	36.40%		
2017	16.93%	21.40%	25.84%	30.03%	32.57%	33.43%	34.79%	35.26%	35.68%	36.32%	36.32%	36.32%	36.32%		
2018	16.93%	21.40%	25.84%	30.03%	32.57%	33.43%	34.29%	34.77%	35.19%	35.84%	36.30%	36.30%	36.30%		
2019	16.93%	21.40%	25.84%	30.03%	32.57%	33.43%	34.29%	34.51%	34.95%	35.62%	36.12%	36.60%	37.23%	37.79%	38.17%

Notes:

- (1) Projected PSERS rates are published in December of each year. The years in the table above relate to these December projections.
- (2) **Bold** PSERS rates are years that SCASD assumed the same rate as the previous year for projection purposes.
- (3) The most recent PSERS rate projection published as of December 2019 extended projected rates from 4 to 8 years. The cumulative impact of the December 2019 published rates on the multi-year projection is \$2.5 million (net of 50% reimbursement).

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Components of PSERS Expense Increase												
2	PSERS Rate vs Salary Increases												
3													
4													
5	<i>Calculations based on December 2018 published rates:</i>												
6													
7	Components of PSERS Expense Increase	Actual 2018-19	Projected 2019-2020	Projected 2020-2021	Projected 2021-2022	Projected 2022-2023	Projected 2023-2024	Projected 2024-2025	Projected 2025-2026	Projected 2026-2027	Projected 2027-2028	Projected 2028-2029	PSERS Rate impact
8	PSERS Projected Expense	\$ 22,561,701	\$ 24,290,626	\$ 25,339,502	\$ 26,200,000	\$ 27,300,000	\$ 28,300,000	\$ 28,800,000	\$ 29,400,000	\$ 30,000,000	\$ 30,600,000	\$ 31,200,000	
9	Increase		\$ 1,728,925	\$ 1,048,876	\$ 860,498	\$ 1,100,000	\$ 1,000,000	\$ 500,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	
10													
11	Salary		\$ 1,080,205	\$ 708,850	\$ 557,856	\$ 602,948	\$ 634,515	\$ 500,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	
12	PSERS Rate		648,720	340,026	302,642	497,052	365,485	-	-	-	-	-	\$ 2,153,927
13	Total		\$ 1,728,925	\$ 1,048,876	\$ 860,498	\$ 1,100,000	\$ 1,000,000	\$ 500,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	
14													
15	PSERS Rate incr, net of reimbursement		\$ 324,360	\$ 170,013	\$ 151,321	\$ 248,526	\$ 182,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,076,963
16													
17													
18	<i>Calculations based on December 2019 Published rates:</i>												
19													
20	Components of PSERS Expense Increase	Actual 2018-19	Projected 2019-2020	Projected 2020-2021	Projected 2021-2022	Projected 2022-2023	Projected 2023-2024	Projected 2024-2025	Projected 2025-2026	Projected 2026-2027	Projected 2027-2028	Projected 2028-2029	PSERS Rate impact
21	PSERS Projected Expense	\$ 22,561,701	\$ 24,290,626	\$ 25,149,164	\$ 26,100,000	\$ 27,200,000	\$ 28,100,000	\$ 29,100,000	\$ 30,200,000	\$ 31,200,000	\$ 32,200,000	\$ 32,800,000	
22	Increase		\$ 1,728,925	\$ 858,538	\$ 950,836	\$ 1,100,000	\$ 900,000	\$ 1,000,000	\$ 1,100,000	\$ 1,000,000	\$ 1,000,000	\$ 600,000	
23													
24	Salary		\$ 1,080,205	\$ 702,848	\$ 605,100	\$ 593,416	\$ 552,740	\$ 604,327	\$ 596,272	\$ 574,778	\$ 667,998	\$ 600,000	
25	PSERS Rate		648,720	155,690	345,736	506,584	347,260	395,673	503,728	425,222	332,002	-	\$ 3,660,617
26	Total		\$ 1,728,925	\$ 858,538	\$ 950,836	\$ 1,100,000	\$ 900,000	\$ 1,000,000	\$ 1,100,000	\$ 1,000,000	\$ 1,000,000	\$ 600,000	
27													
28	PSERS Rate incr, net of reimbursement		\$ 324,360	\$ 77,845	\$ 172,868	\$ 253,292	\$ 173,630	\$ 197,837	\$ 251,864	\$ 212,611	\$ 166,001	\$ -	\$ 1,830,308

	A	B	C	E	G	J	M	P	S	U	V	W	X	Y	Z	AA	AB	AC	AD
1	State College Area School District																		
2	PSERS Assigned Fund Balance																		
3	Assumes Funding of PSERS Rate Increase Impact																		
4																			
5			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
6			<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>
7																			
8	Projection as of 11/12/2019:																		
9	Beginning Balance		11,000,000	\$8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	1,980,794	1,584,635	1,188,476	792,317	396,158	-	-	-	-
10																			
11	Additions		515,818	56,182															
12	Planned Uses		(3,000,000)		-	(1,258,281)	(1,829,004)	(1,636,728)	(1,207,573)	(659,620)	(396,159)	(396,159)	(396,159)	(396,159)	(396,158)	-	-	-	-
13																			
14	Ending Fund Balance		8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	1,980,794	1,584,635	1,188,476	792,317	396,158	-	-	-	-	-
15																			
31																			
32	Assuming use of fund balance based on December, 2019 PSERS projected rate increases:																		
33																			
34	Beginning Balance		11,000,000	\$8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	1,991,694	1,836,004	1,490,268	983,684	636,424	240,751	-	-	-
35																			
36	Additions		515,818	56,182															
37	Planned Uses		(3,000,000)		-	(1,258,281)	(1,829,004)	(1,636,728)	(1,207,573)	(648,720)	(155,690)	(345,736)	(506,584)	(347,260)	(395,673)	(240,751)	-	-	-
38																			
39	Ending Fund Balance		8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	1,991,694	1,836,004	1,490,268	983,684	636,424	240,751	-	-	-	-
40																			
41																			
42	Assuming assignment of fund balance to fund projected PSERS rate increases:																		
43																			
44	Beginning Balance		11,000,000	\$8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	3,011,895	2,856,205	2,510,469	2,003,885	1,656,625	1,260,952	757,224	332,002	-
45																			
46	Additions		515,818	56,182							1,020,201								
47	Planned Uses		(3,000,000)		-	(1,258,281)	(1,829,004)	(1,636,728)	(1,207,573)	(648,720)	(155,690)	(345,736)	(506,584)	(347,260)	(395,673)	(503,728)	(425,222)	(332,002)	-
48																			
49	Ending Fund Balance		8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	3,011,895	2,856,205	2,510,469	2,003,885	1,656,625	1,260,952	757,224	332,002	-	-

	A	B	C	E	G	J	M	P	S	U	V	W	X	Y	Z	AA	AB	AC	AD
1	State College Area School District																		
2	PSERS Assigned Fund Balance																		
3	Assumes Funding of Net PSERS Rate Increase Impact																		
4																			
5			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
6			<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2027-2028</u>	<u>2028-2029</u>
7																			
8	Projection as of 11/12/2019:																		
9	Beginning Balance		11,000,000	\$8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	1,980,794	1,584,635	1,188,476	792,317	396,158	-	-	-	-
10																			
11	Additions		515,818	56,182															
12	Planned Uses		(3,000,000)		-	(1,258,281)	(1,829,004)	(1,636,728)	(1,207,573)	(659,620)	(396,159)	(396,159)	(396,159)	(396,159)	(396,158)	-	-	-	-
13																			
14	Ending Fund Balance		8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	1,980,794	1,584,635	1,188,476	792,317	396,158	-	-	-	-	-
15																			
31																			
32	Assuming use of fund balance to fund net impact of PSERS projected rate increases (expense, net of 50% state reimbursement):																		
33																			
34	Beginning Balance		11,000,000	\$8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	2,316,054	2,238,209	2,065,341	1,812,049	1,638,419	1,440,583	1,188,719	976,108	810,107
35																			
36	Additions		515,818	56,182															
37	Planned Uses		(3,000,000)		-	(1,258,281)	(1,829,004)	(1,636,728)	(1,207,573)	(324,360)	(77,845)	(172,868)	(253,292)	(173,630)	(197,837)	(251,864)	(212,611)	(166,001)	-
38																			
39	Ending Fund Balance		8,515,818	8,572,000	8,572,000	7,313,719	5,484,715	3,847,987	2,640,414	2,316,054	2,238,209	2,065,341	1,812,049	1,638,419	1,440,583	1,188,719	976,108	810,107	810,107