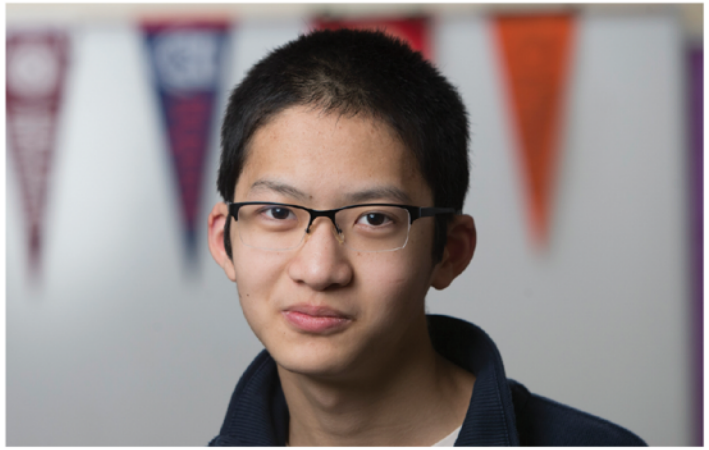
October 2021 Budget Workshop









Expect great things.

Pittsburgh Public Schools

Budget Workshop Goals

- Understanding our current financial situation
- Review possible courses of action and recommendations for addressing our situation
- Agreement on next steps for the 2022 budget

Priorities for the 2022 Budget

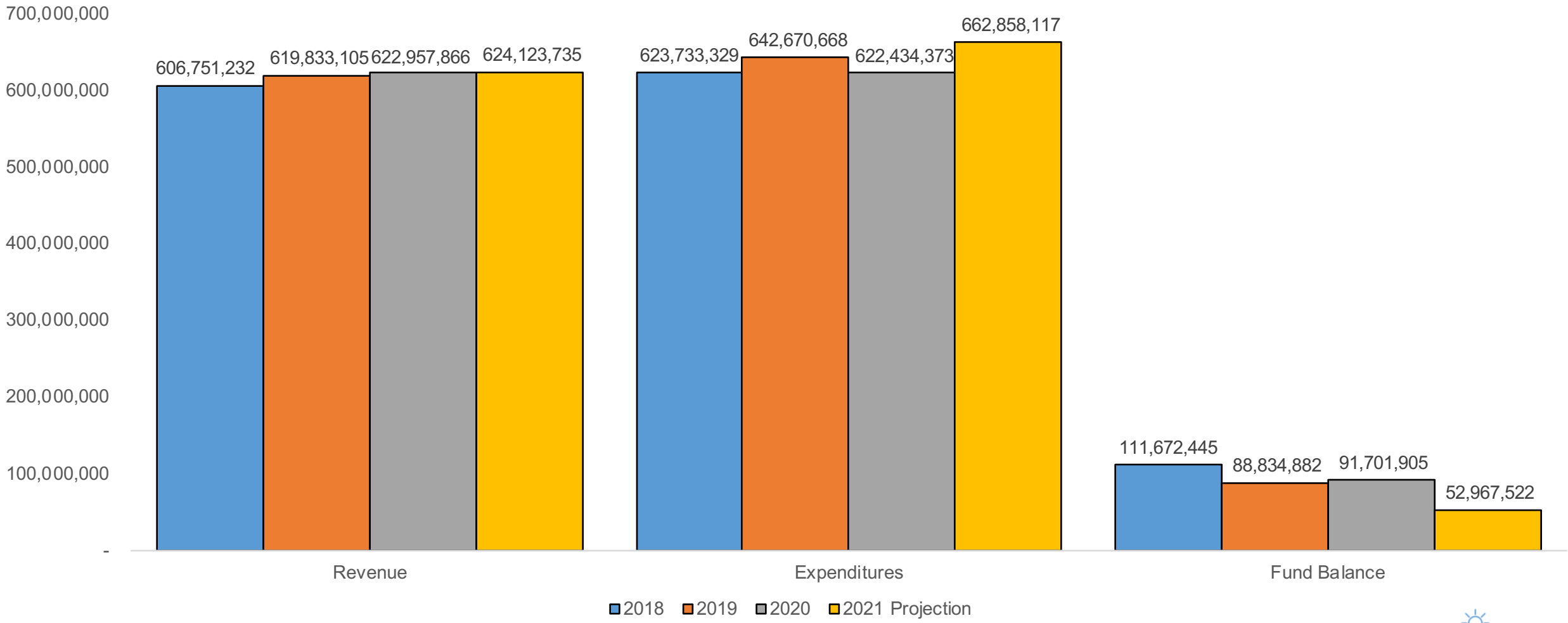
- Preserve student supports and programs
- Update school feeder patterns
- Address excess building capacity and modernize our footprint
- Reduce operating costs wherever possible

Forecast through June 30, 2021

	Adopted Year Ended 2021	Projected Year Ended 2021	Projected Year Ended 2022	Projected Year Ended 2023	Projected Year Ended 2024
Total Revenues	$631,914,258	$624,123,735	$632,601,337	$640,595,720	$648,546,934
Total Expenditures	$671,348,058	$662,858,117	$676,559,298	$682,348,630	$690,288,135
Beginning Balance	$73,234,205	$91,701,905	$52,967,522	$9,009,562	($32,743,349)
Operating Surplus/(Deficit)	($39,433,800)	($38,734,382)	($43,957,961)	($41,752,910)	($41,741,200)
Ending Fund Balance	$33,800,405	$52,967,522	$9,009,562	($32,743,349)	($74,484,549)
Less Projected Reservations	($2,500,000)	($2,500,000)	($2,500,000)	($2,500,000)	($2,500,000)
Less Committed Fund Balance	$0	$0	$0	$0	$0
Less Assigned Fund Balance	(38,980,987)	(43,957,961)	(41,752,910)	(41,741,200)	($39,867,414)
Unassigned Fund Balance	($7,680,582)	$6,509,562	($35,243,349)	($76,984,549)	($116,851,963)
% Budgeted Expenditures	-1.14%	0.98%	-5.21%	-11.28%	-16.93%
Minimum Fund Balance per Board Policy #721	$33,567,403	$33,142,906	$33,827,965	$34,117,432	$34,514,407
Compliance with Fund Balance Policy	No	No	No	No	No
Funds needed to comply with Fund Balance Policy	$41,247,985	$26,633,344	$69,071,314	$111,101,981	$151,366,370

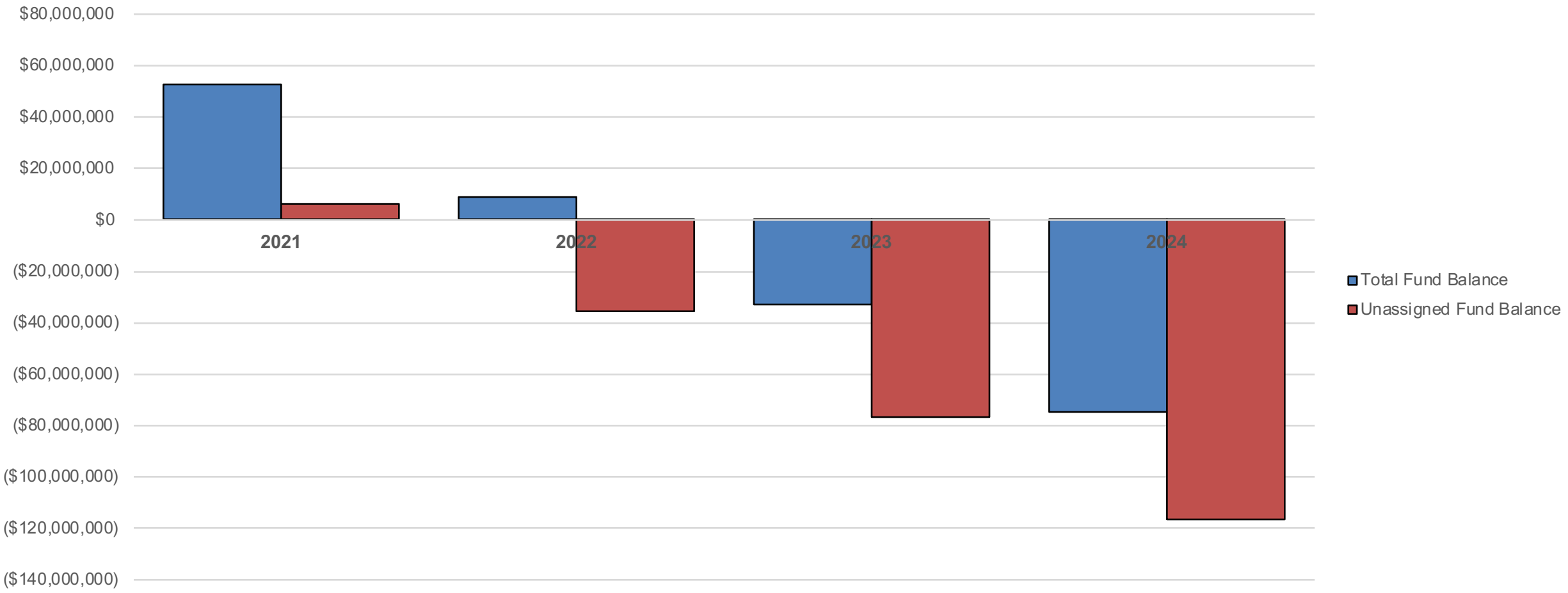
Expect great things.

Revenue, Expenditure, and Fund Balance Trends



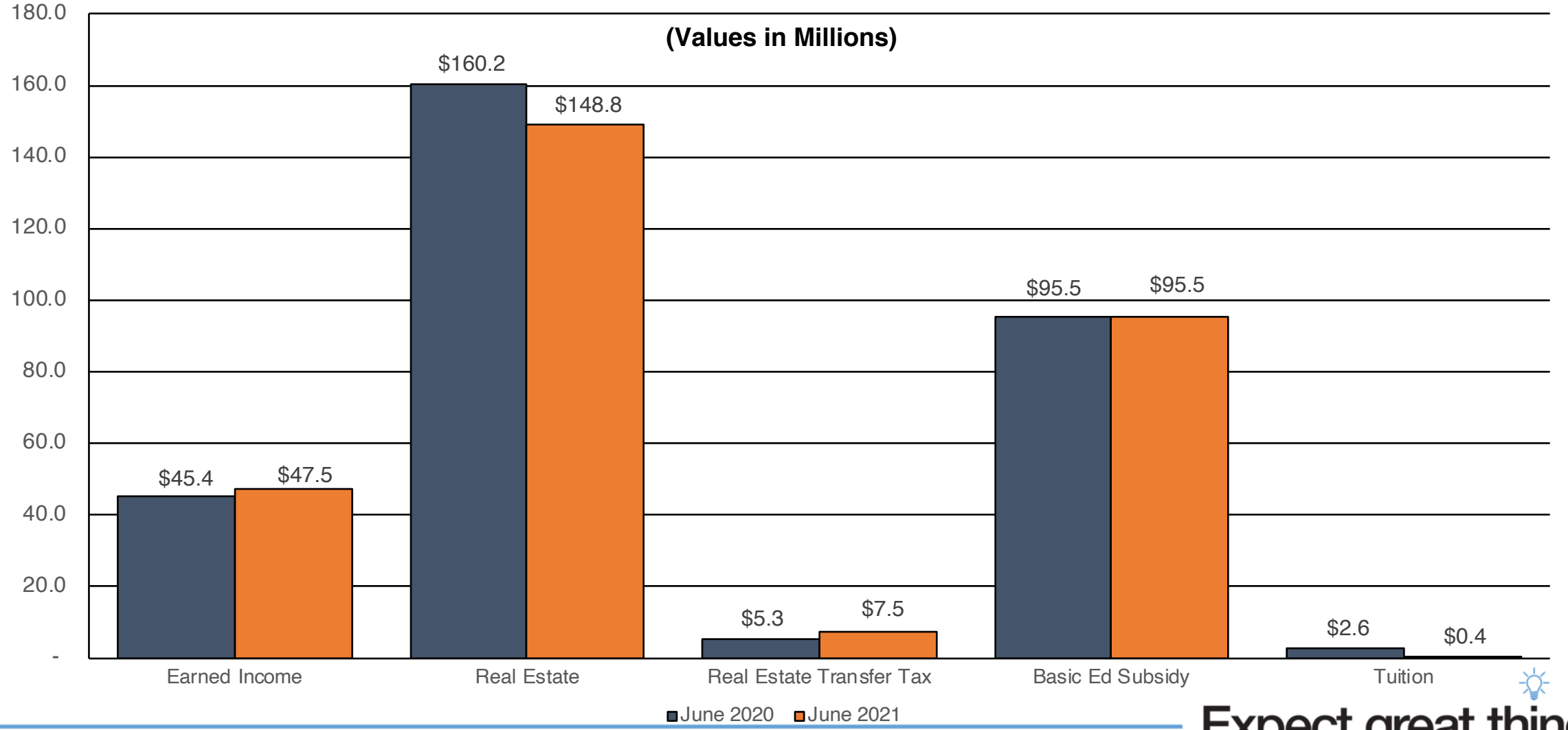
Expect great things.

We Continue to Exhaust Our Reserves



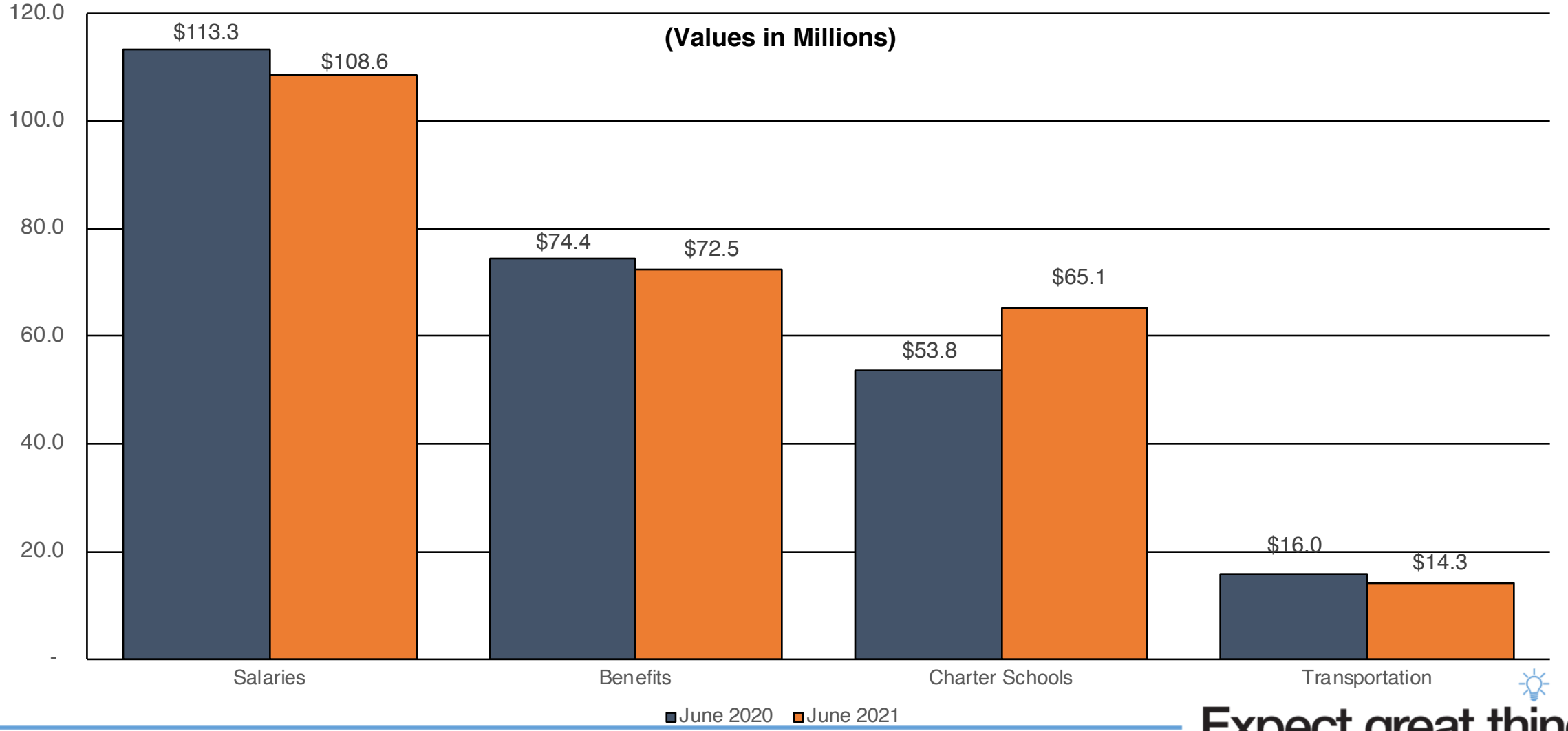
Expect great things.

Real Estate Revenue is Down 7%



Expect great things.

Charter Schools Expenditures Are Up 21%



Expect great things.

State Funding Will Not Improve Our Outlook

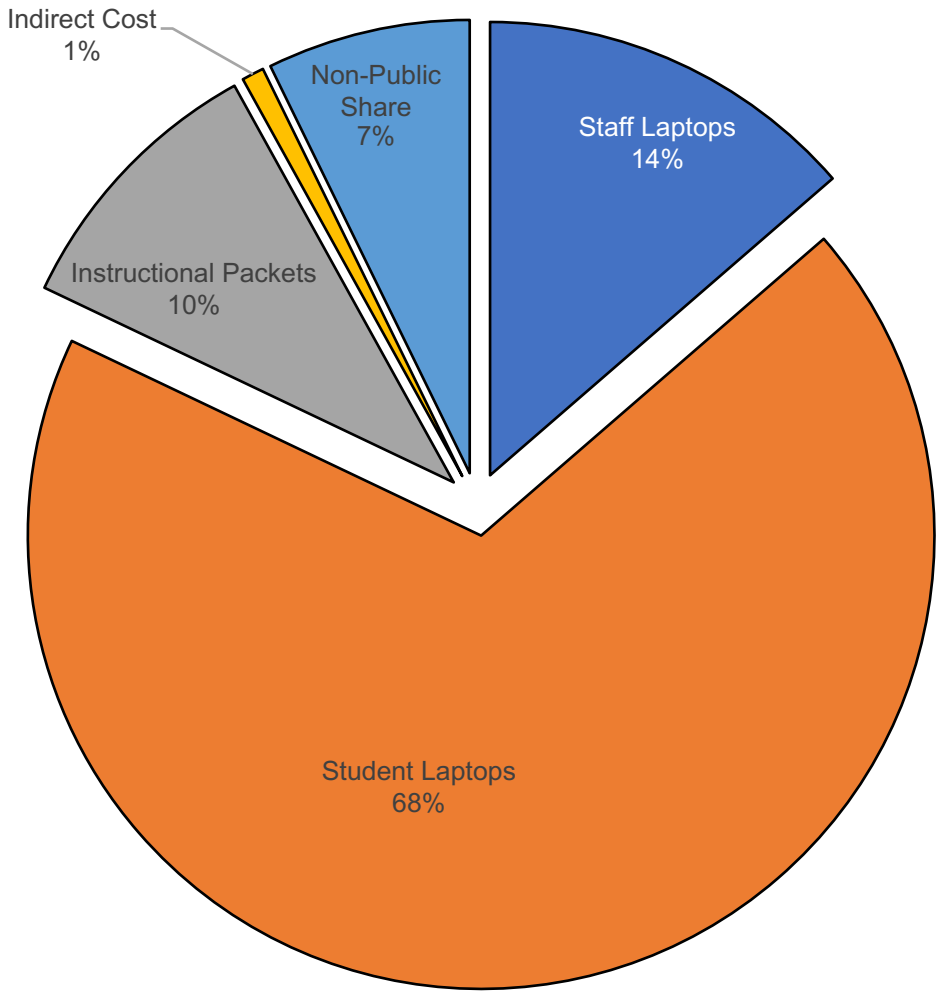
- Basic Education Funding increased by $451,052 (0.28% increase)
- Special Education Funding increased by $41,054 (0.14% increase)
- Statewide Basic Education Funding increased by 4.0%
- Statewide Special Education Funding increased by 4.2%
- Ready to Learn Block Grant remained at level funding for all districts

Current Utilization of Elementary and Secondary School Emergency Relief (ESSER) Funding

- Allocated a total of $161.2 million
  - ESSER I – $11.1 million
  - ESSER II – $49.5 million
  - ESSER III – $100.2 million

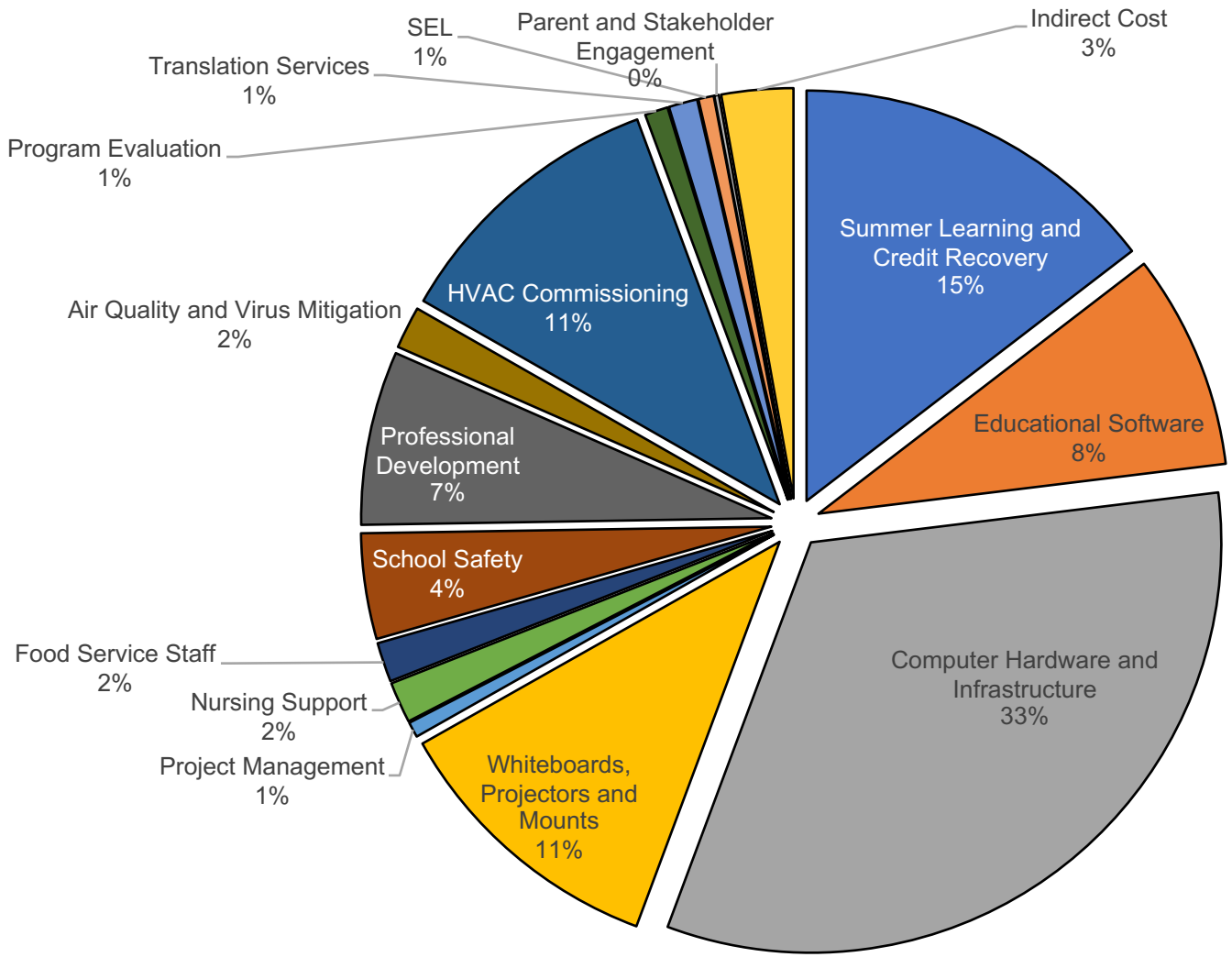
- ESSER I funds primarily used to purchase student and staff devices
- ESSER II funds are tentatively being allocated to fund computer purchases, building technology infrastructure, cost incurred for continuing district operations, summer learning, and educational materials and software
- ESSER III spending plan is currently being developed

ESSER I Usage Overview



Expect great things.

ESSER II Usage Overview



Expect great things.

Our Finances Require Immediate Action

- Projected general fund deficit of $38.7 million in 2021
  - $43.9 million in 2022
- Projected to be out of compliance with fund balance by the end of 2021
- Projected to exhaust operating budget fund balance in 2023
- Need to dramatically increase revenues and/or decrease expenditures

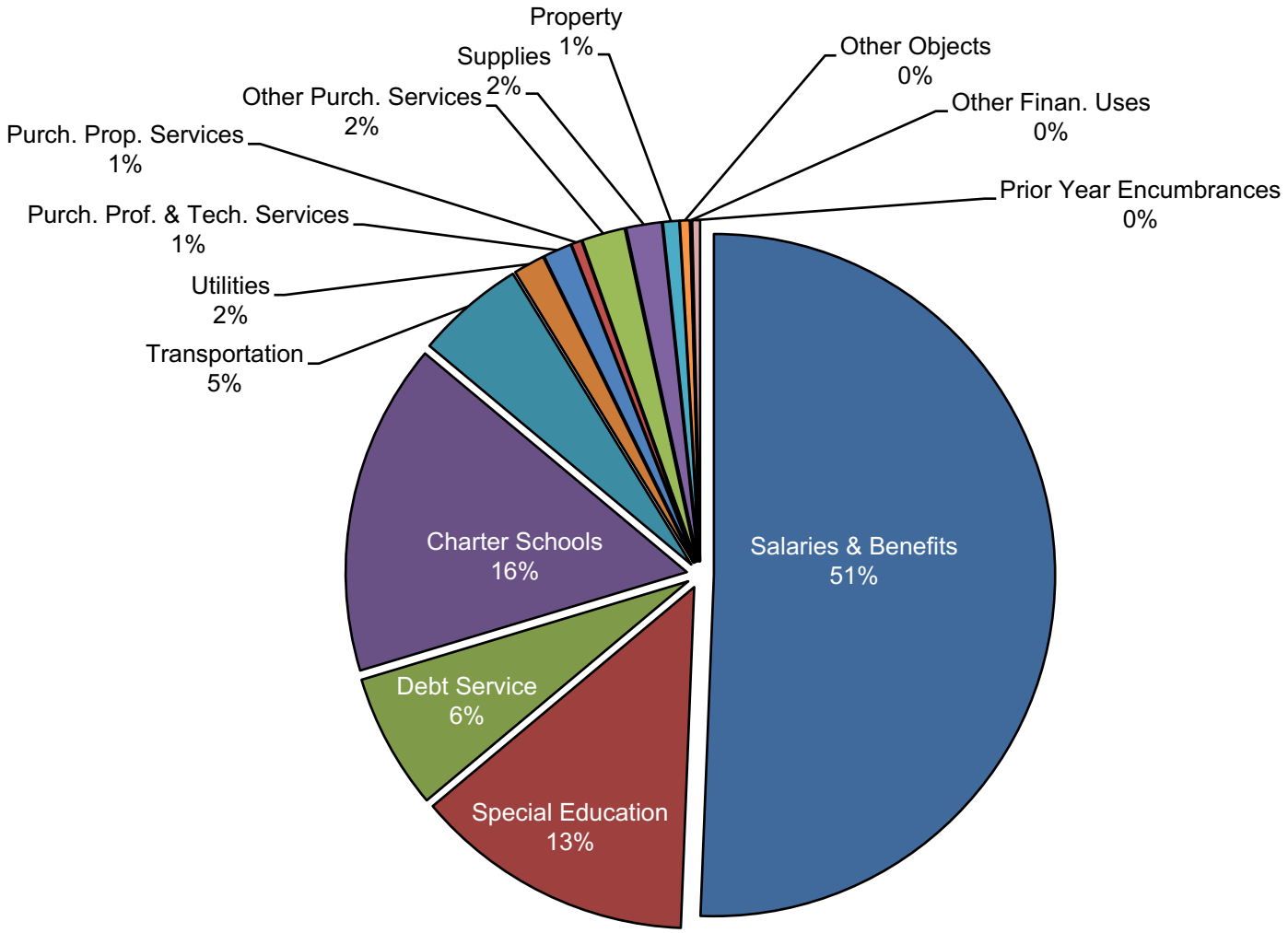
Possible Courses of Action

- Workforce Reductions due to Enrollment Decline
- Programmatic Reductions
- Program Consolidation
- Reductions to Capital Plan
- Millage Increase

Possible Courses of Action

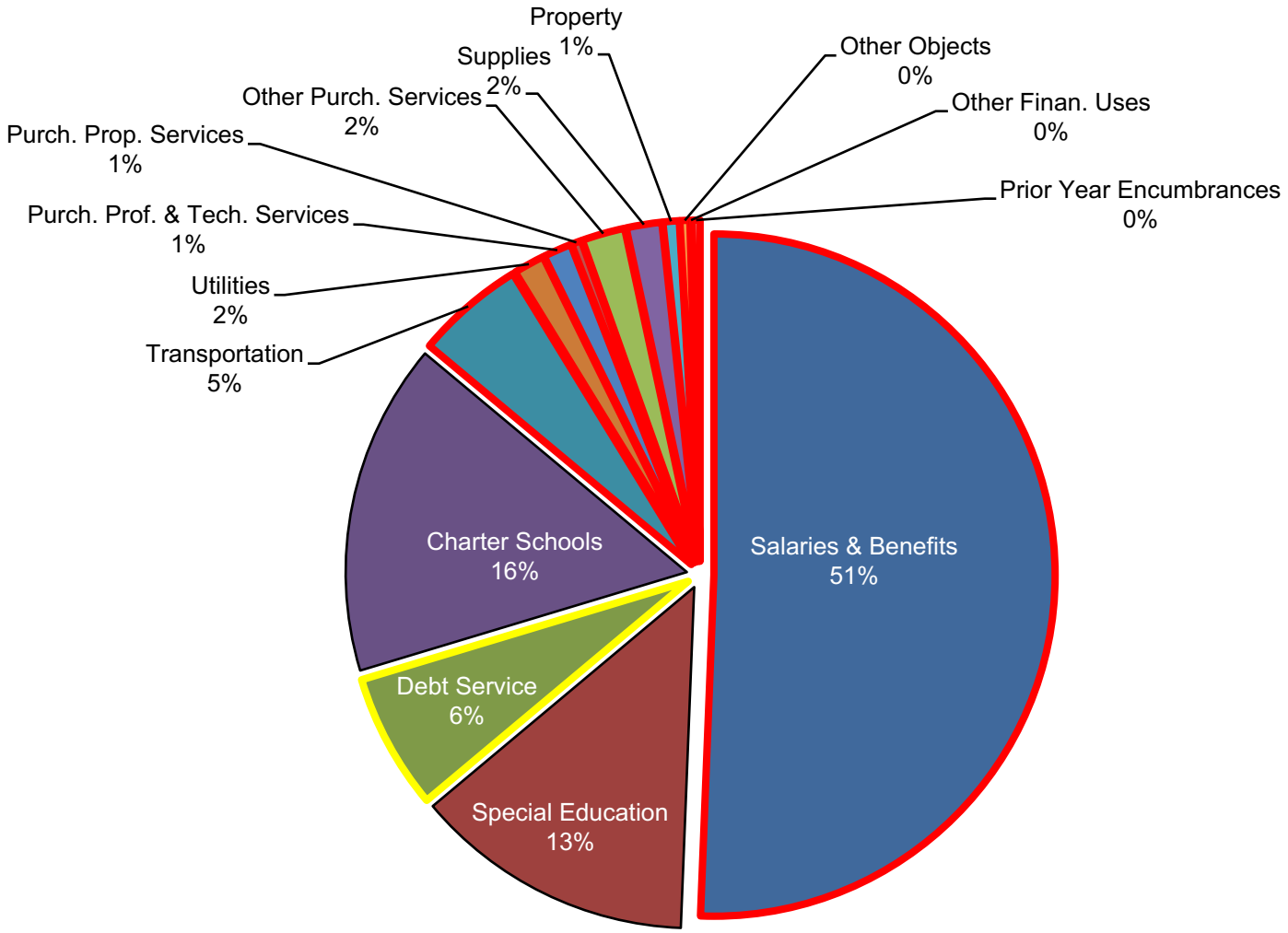
- **Workforce Reductions due to Enrollment Decline**
- Programmatic Reductions
- Program Consolidation
- **Reductions to Capital Plan**
- **Millage Increase**

2021 Expenditures at Budget Adoption



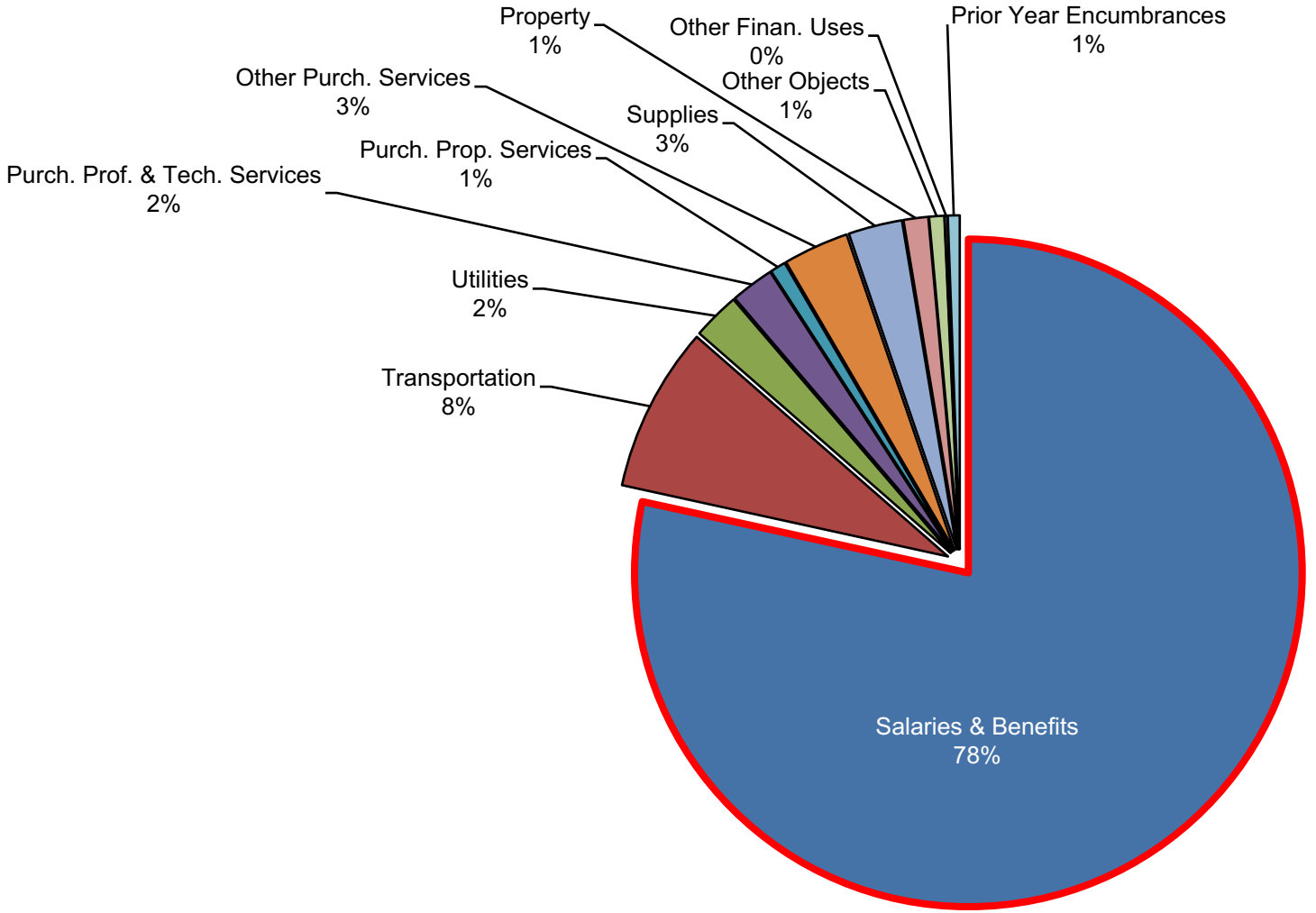
Expect great things.

Addressable Portion of the 2021 Budget



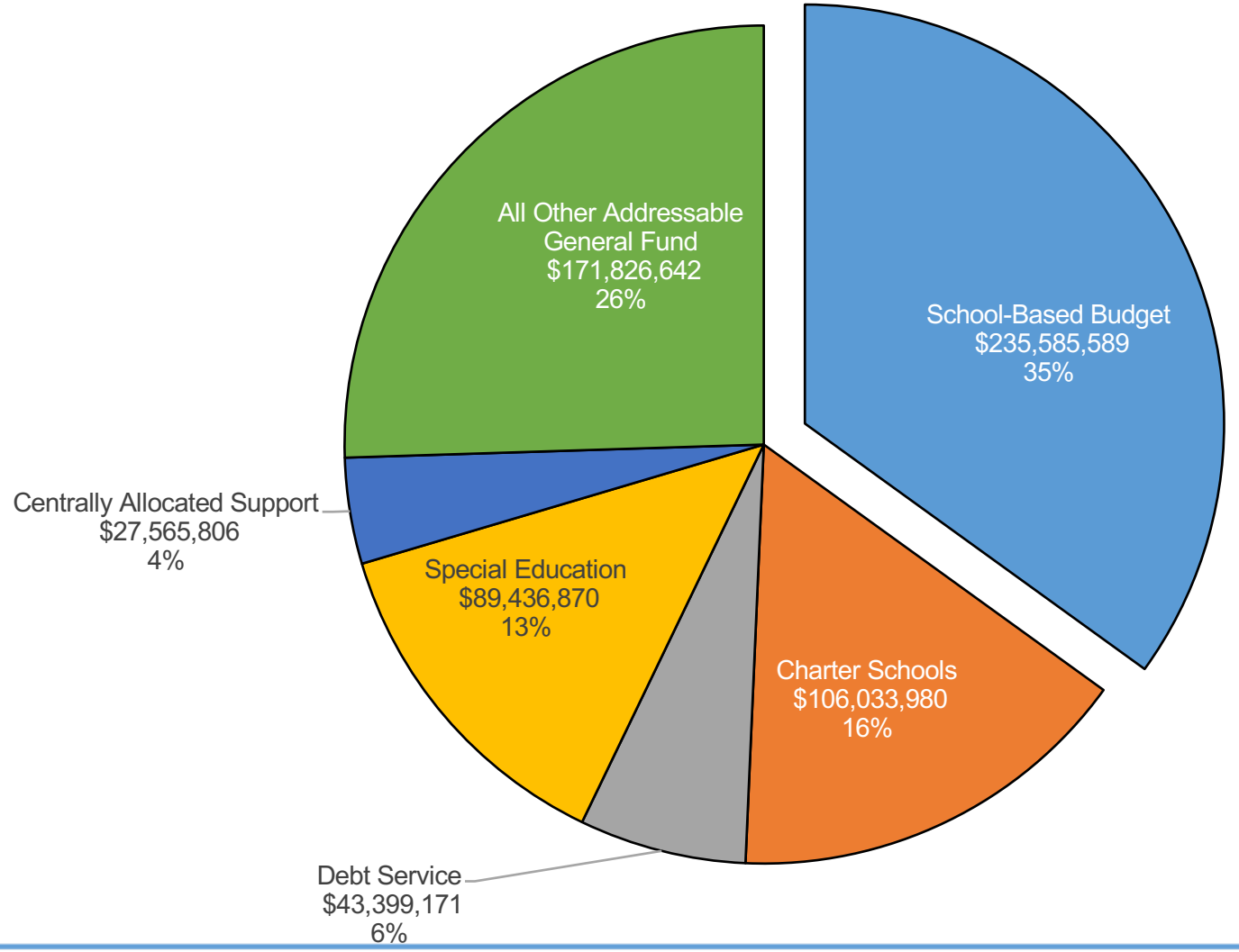
Expect great things.

Salaries and Benefits Represent Our Largest Variable Cost



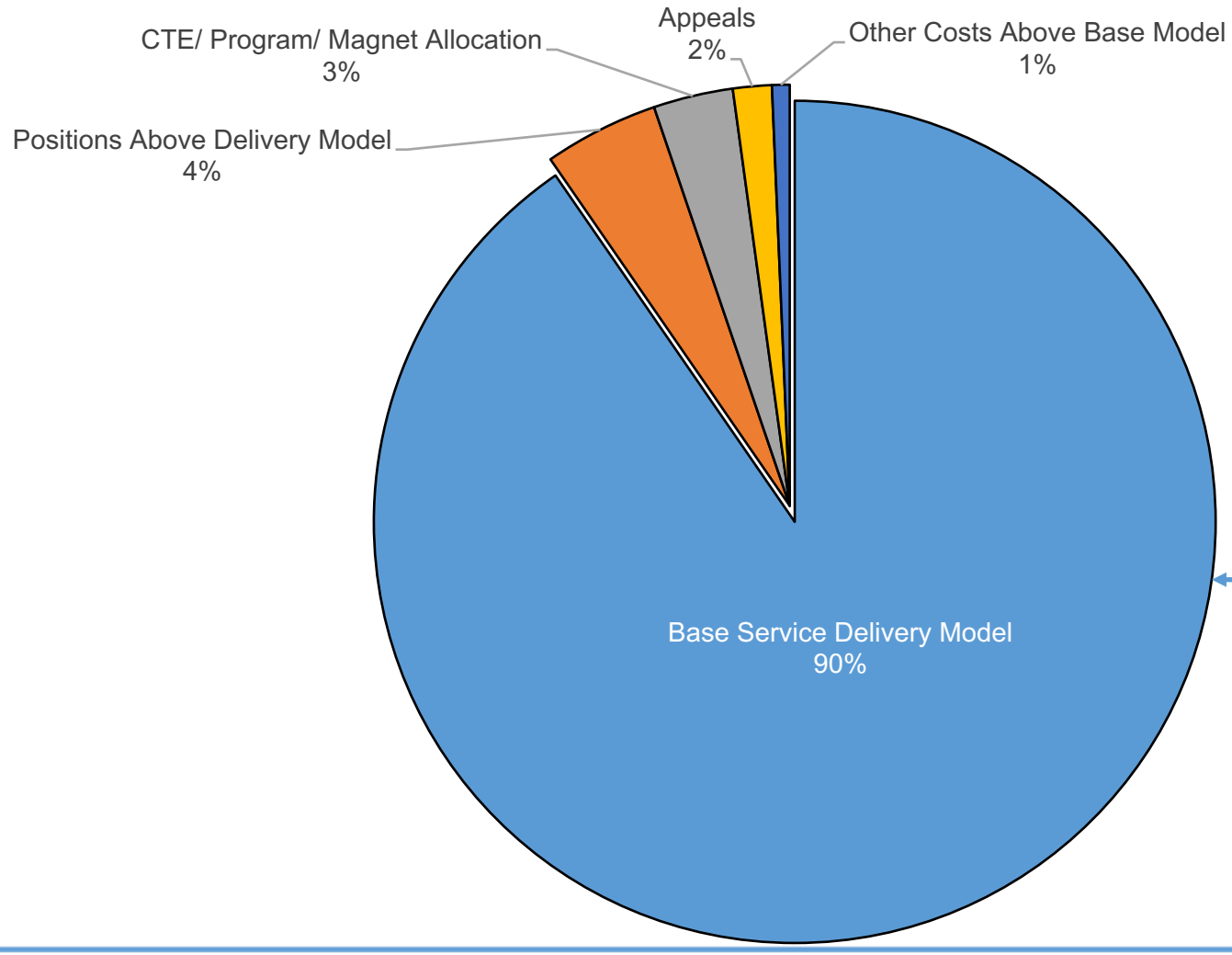
Expect great things.

Context of School-Based Budgets Within the General Fund



Expect great things.

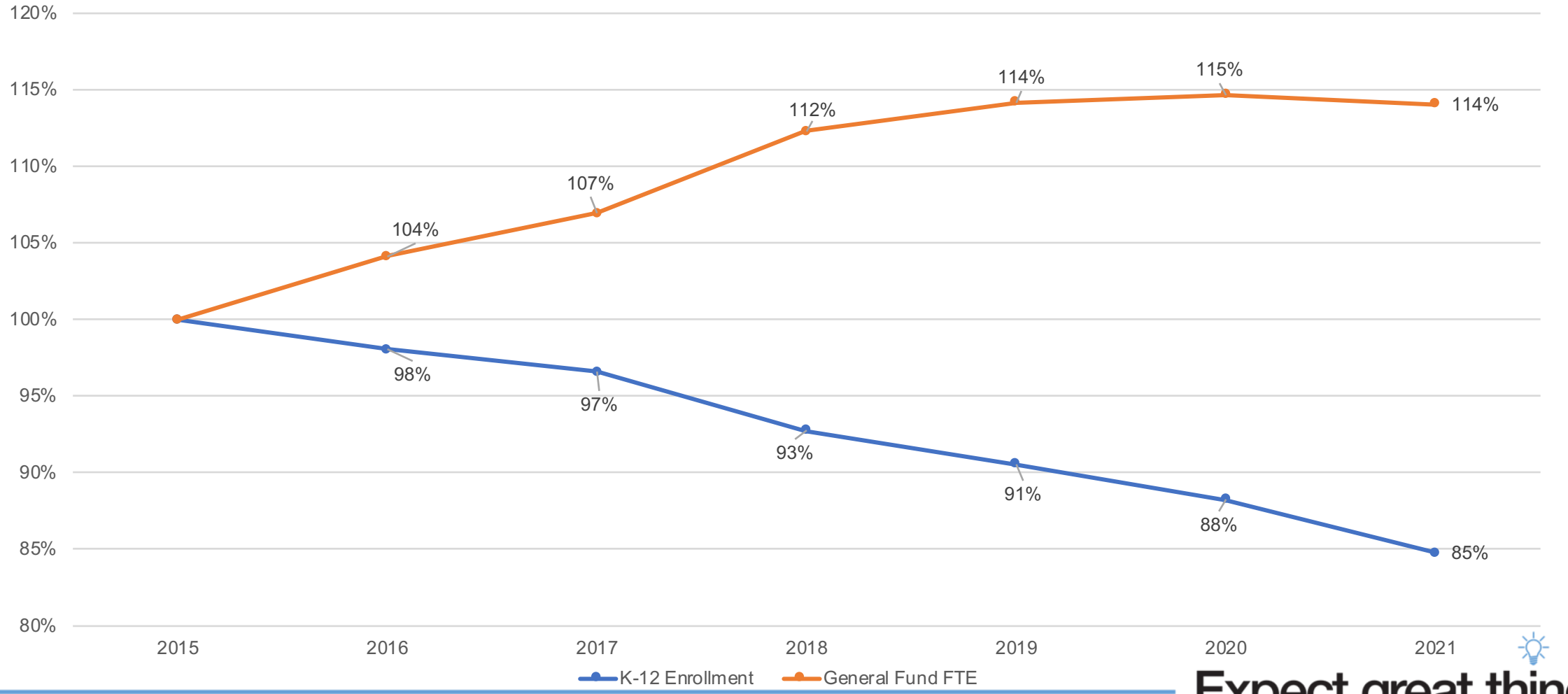
Composition of School-Based Budgets



Does not include funding for ESL and PSE teachers and para, Academic Coaches, PreK Teachers and paras, School Nurses, Custodian, Food Services Workers, or School Safety Personnel

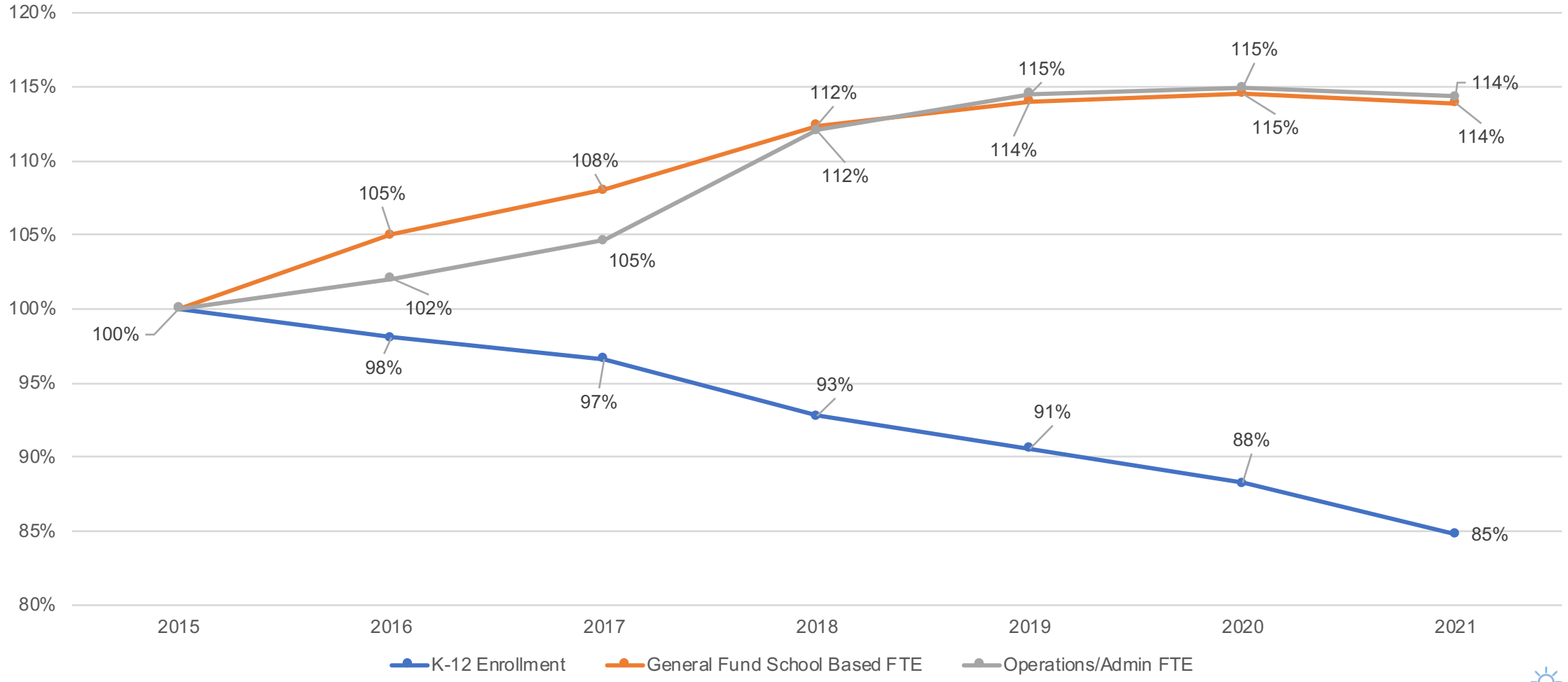
Expect great things.

Staff Growth Outpaces Enrollment Decline



Expect great things.

We Would Need to Reduce 648 Positions to be in Alignment with Enrollment Decline



Expect great things.

ESSER Funding is Intended to Provide Support During the Pandemic

- Funding activities that are necessary to maintain operation of and continuity of and services, including continuing to employ existing or hiring school staff is an intended use of ESSER

- We are required to use 20% of funding to address learning loss through evidence-based interventions

- Maintaining school-based staff will create the normalcy needed to allow us to address learning loss

Options for Workforce Adjustment

- **Option 1:** Elimination of **all Appeal Allocations** and **all positions beyond district's base Service Delivery Model** beginning with the **2022-23 school year**. Estimated elimination of 161 school-based positions for 2022-23.

Budget Year	2022	2023	2024
General Fund Cost Savings	$ 8,414,775	$ 21,036,937	$ 21,036,937

- **Option 2:** Elimination of **all Appeal Allocations for 2022-23** and **all positions beyond district's base Service Delivery Model for 2023-24** school year. Estimated elimination of 24 school-based positions for 2022-23, and 137 additional positions for 2023-24.

Budget Year	2022	2023	2024
General Fund Cost Savings	$ 1,301,636	$ 10,367,228	$ 21,036,937

Options for Workforce Adjustment Using ESSER III Funding

- **Option 1: All positions maintained through 2022-23 school year**. Elimination of all appeal allocations and all allocations beyond the Base Service Delivery Model for 2023-24 and beyond. Estimated elimination of 161 school-based positions for 2023-24. Would require an estimated $33.7 million in total ESSER Funding beginning January 1, 2022.

Budget Year	2022	2023	2024
General Fund Cost Savings	$21,036,937	$ 21,036,937	$ 21,036,937
ESSER Funding Required	$21,036,937	$ 12,622,162	$ 0

- **Option 2: Elimination of all Appeal Allocations for 2022-23 and all positions beyond district's base Service Delivery Model eliminated for 2023-24 school year**. Estimated elimination of 24 school-based positions for 2022-23, and 137 additional positions for 2023-24. Would require an estimated $30.4 million in total ESSER funding beginning January 1, 2022.

Budget Year	2022	2023	2024
General Fund Cost Savings	$21,036,937	$ 21,036,937	$21,036,937
ESSER Funding Required	$19,735,301	$ 10,669,709	$ 0

Using ESSER to Maintain School-Based Staffing through 2022-23

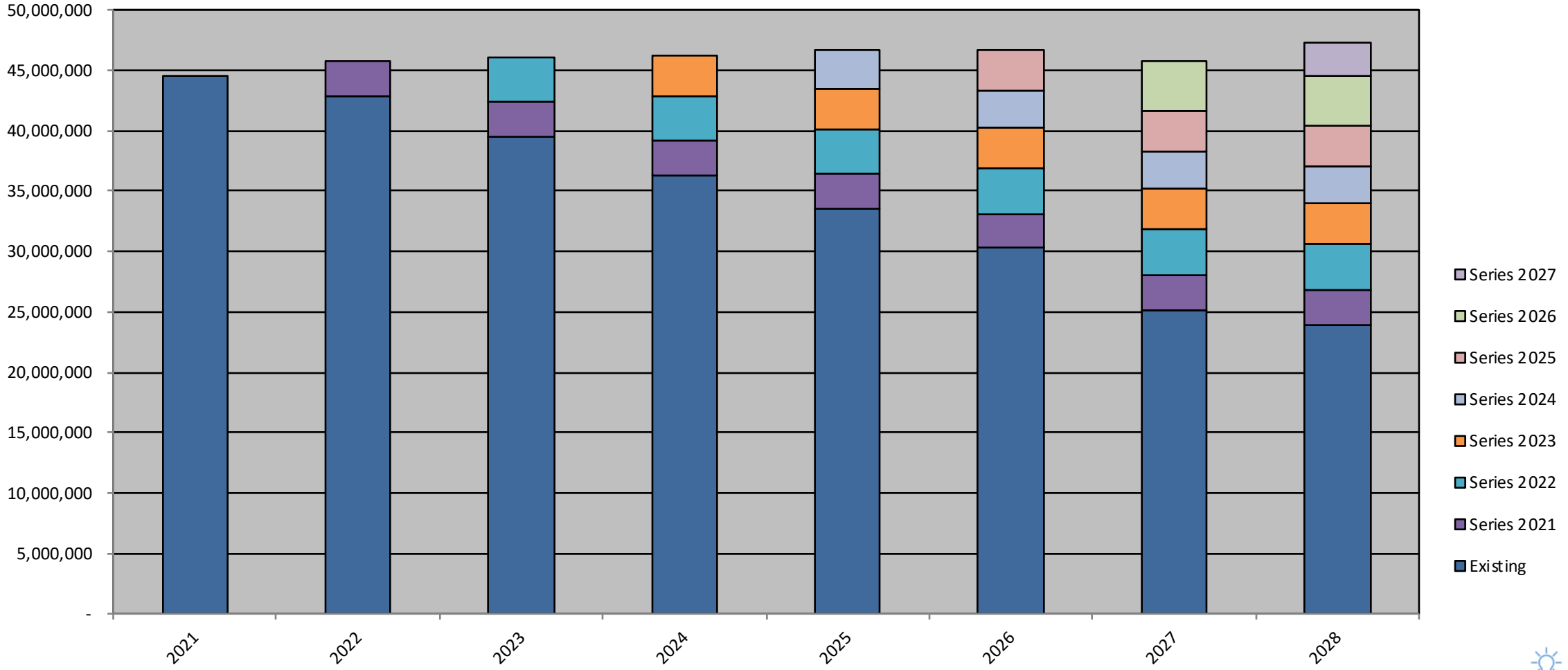
	Adopted Year Ended 2021	Projected Year Ended 2021	Projected Year Ended 2022	Projected Year Ended 2023	Projected Year Ended 2024
Total Revenues	$631,914,258	$624,123,735	$629,472,415	$637,466,797	$645,418,012
Total Expenditures	$671,348,058	$662,858,117	$655,522,361	$661,311,693	$669,251,196
Beginning Balance	$73,234,205	$91,701,905	$52,967,522	$26,917,576	$3,072,680
Operating Surplus/(Deficit)	($39,433,800)	($38,734,382)	($26,049,946)	($23,844,896)	($23,833,185)
Ending Fund Balance	$33,800,405	$52,967,522	$26,917,576	$3,072,680	($20,760,503)
Less Projected Reservations	($2,500,000)	($2,500,000)	($2,500,000)	($2,500,000)	($2,500,000)
Less Committed Fund Balance	$0	$0	$0	$0	$0
Less Assigned Fund Balance	(38,980,987)	(26,049,946)	(23,844,896)	(23,833,184)	($21,959,398)
Unassigned Fund Balance	($7,680,582)	$24,417,576	$572,680	($23,260,503)	($45,219,901)
% Budgeted Expenditures	-1.14%	3.68%	0.09%	-3.52%	-6.76%
Minimum Fund Balance per Board Policy #721	$33,567,403	$33,142,906	$32,776,118	$33,065,585	$33,462,560
Compliance with Fund Balance Policy	No	No	No	No	No
Funds needed to comply with Fund Balance Policy	$41,247,985	$8,725,330	$32,203,438	$56,326,088	$78,682,461

Expect great things.

Overview of our Capital Improvement Plan

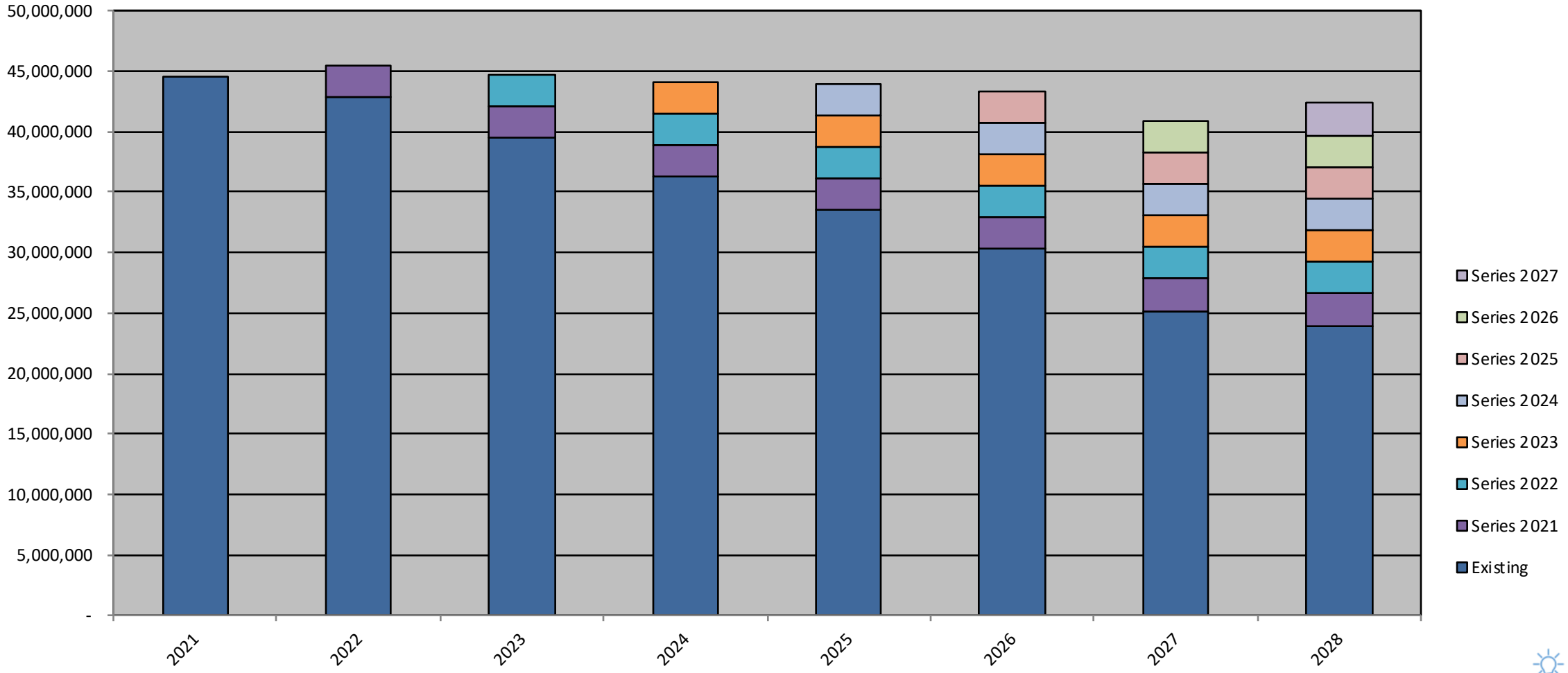
- 7-year plan that spans 2021 through 2027
- Total cost is $311.2 million
  - Long Term - $251 million
  - Major Maintenance - $60.2 million
- Funding by issuing General Obligations Bonds each year
- The cost of bond repayment is reflected in our annual appropriation for debt service

Current 8 Year Debt Service Projection



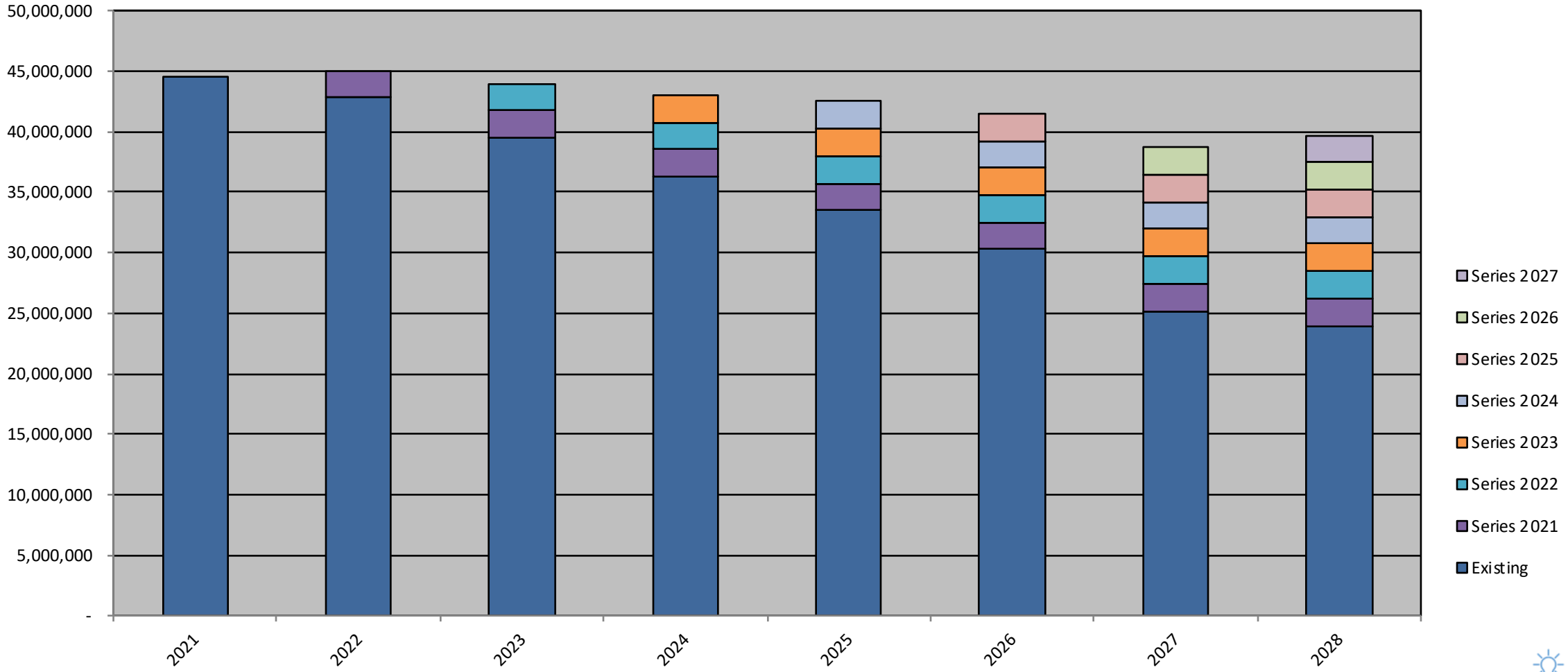
Expect great things.

8 Year Debt Service ($35 million budget)



Expect great things.

8 Year Debt Service ($30 million budget)



Expect great things.

Impact of Possible Tax Increase

- 2021-22 Act 1 Index for the district is 3.0%
- Current Millage rate is 9.95 Mills

% Increase	Mills	2022 Estimated Real Estate Revenue	Increase over Existing Projection
No Increase	9.95	$ 183,623,498	$ -
0.50%	10.00	$ 184,511,615	$ 888,117
1.00%	10.05	$ 185,399,733	$ 1,776,235
1.50%	10.10	$ 186,287,850	$ 2,664,352
2.00%	10.15	$ 187,175,968	$ 3,552,470
2.50%	10.20	$ 188,064,085	$ 4,440,587
3.00%	10.25	$ 188,952,203	$ 5,328,705

Long-Term Action Steps

- Aggressively advocate for Charter School Funding Reform
- Identify and implement strategies for recapturing our diverted earned income tax revenue
- Identify and implement strategies for increasing student enrollment
  - Utilizing ESSER funding can provide the stability needed to improve and attract back families
- Dedicate future millage increases to expanding the capital improvement budget

Short-Term Action Steps

- Utilize ESSER III funding to prevent school-based workforce reductions in 2022-2023
  - Up to $33.7 million is requested
- Continue to evaluate and identify additional workforce reductions to be implemented in 2022 and beyond
- Increase local revenue by increasing the millage rate
- Reduce annual capital improvement budget to $30 – $35 million
- Revise feeder patterns and modernize our footprint

Budget Approval Timeline

- October 4, 2021 – October Budget Workshop
- October 25, 2021 – Public Hearing
- November 3, 2021 – November Budget Workshop
- November 17, 2021 – Preliminary Budget Released
- November 22, 2021 – Public Hearing
- December 6, 2021 – Special Budget Public Hearing
- December 8, 2021 – December Budget Workshop
- December 20, 2021 – Public Hearing
- December 22, 2021 – Legislative Meeting

In Closing

- Workforce reductions to align with enrollment decline are needed
- ESSER III can provide short term stability, but further action is needed to address out deficit
- Strong consideration should be given to millage increases in upcoming years to increase local tax revenue
- Reduction to the capital plan is needed to maintain level debt service