

**The Duquesne City School District
300 Kennedy Avenue
Duquesne, PA 15110**

**Recovery Plan
Quarterly Progress Report**

April 15, 2018

Purpose

This report updates progress on the Duquesne City School District Recovery Plan, which was issued on February 11, 2013 and implemented on April 2, 2013. Section 672-A(b)(2) of the Public School Code of Pennsylvania requires this report. The period covered is the third quarter of fiscal year 2017-2018, i.e. January 1, 2018 through March 31, 2018. The previous quarterly progress report in the series is dated January 15, 2018.

Executive Summary

Several highlights from the third quarter of fiscal year 2017-2018 follow.

- Recovery Plan implementation continued.
- The Duquesne City School District (DCSD) continues to operate pre-kindergarten through sixth grade at the Duquesne Elementary School (DES).
- Operation of DES is planned for the foreseeable future.
- Student enrollment at DES is 373, up from 331 at the beginning of the current school year and 335 a year ago. This is seen as a favorable trend, perhaps indicative of increased confidence of parents and guardians in DES.
- Efforts continue to improve curriculum and instruction at DES. See details in the section of this report marked *Education*, which begins on page 2.
- DCSD finances had been stable through the first two quarters of the fiscal year. However, a year-end deficit of \$645,089 is projected, due primarily to unbudgeted increases in tuition expense and human resources related expenses. See the fund balance analysis in the section marked *Finance*, beginning on page 6.
- A major aspect of financial management at Duquesne is tuition for students attending school elsewhere. The overall number of tuition enrollments has been relatively stable, outside enrollments of special needs students has increased (an adverse change), but charter school enrollments have decreased (a favorable change). See details beginning on page 9.
- Annual tuition to be paid by Duquesne for students attending school elsewhere in 2017-2018 is projected to be \$8,007,015, a small decrease from the previous quarter, but an increase of \$400,437 over the projection from July 2017.
- An analysis of the destabilization of finances at the DCSD due to tuition expense is presented on page 10.
- There were no unpaid or contested invoices or debt service obligations during the quarter, and all payroll, benefit expenditures and tuition payments were made in a timely manner.
- Work has begun on the Third Amendment to the Recovery Plan, which was implemented five years ago.

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- Paul J. Rach, Ed.D. was nominated by the Secretary of Education and appointed by the Court of Common Pleas of Allegheny County to become the Receiver for the Duquesne City School District. Dr. Rach took office as Receiver on March 1, 2018.
- Sue A. Moyer, M.Ed., took office as Superintendent of the Duquesne City School District on March 1, 2018. She emerged as the appointee from a pool of 22 applicants.

Supplemental Information

Please see the DCSD website, dukecitysd.org, for an historical summary of the School District's severe financial recovery status, its receivership and criteria for exiting recovery status. Quarterly Recovery Plan Progress Reports are also available there.

Implementation Narrative

Information on Recovery Plan implementation is set forth in the following three sections of this report:

1. Education (page 2)
2. Finance (page 6)
3. Governance and Administration (page 11)

Education

Historic and current DES enrollments are displayed on the following table. It is noteworthy that the current DES enrollment of 373 students is 18 more than in December 2017, 42 more than in September 2017 and 38 more than in March 2017. Furthermore, the current DES enrollment is at a high point for the last three years. The increasing enrollment may reflect improved levels of parental and guardian confidence in the school. This, in turn, may be a result of increased outreach to families and a new public information initiative that was begun early in the school year.

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Duquesne Elementary School Student Enrollment March 31, 2017									
Grade >	Pre-K	K	1	2	3	4	5	6	Total
Sep 2015	24	56	48	50	59	39	36	40	352
Dec 2015	24	59	45	45	62	38	36	40	349
Mar 2016	27	60	46	45	58	39	36	37	348
Jun 2016	26	57	48	43	59	41	37	39	350
Sep 2016	23	50	45	42	35	52	39	34	320
Dec 2016	26	51	43	41	33	54	42	34	324
Mar 2017	29	54	44	40	33	58	42	35	335
Jun 2017	26	53	47	40	34	57	43	36	336
Sep 2017	29	39	47	46	42	35	52	41	331
Dec 2017	29	46	51	49	39	40	56	45	355
Mar 2018	30	48	54	52	42	41	60	46	373

Another look at enrollment is the following tabulation of current regular education sections and average class size at each grade.

Duquesne Elementary School Regular Education Sections and Class Size March 31, 2017									
Grade >	Pre-K	K	1	2	3	4	5	6	Total
Sections	2	3	3	3	2	2	3	2	20
Average	15.0	16.0	18.0	17.3	21.0	20.5	20.0	23.0	18.7

The Curriculum Steering Committee (CSC) has continued its work with implementation and oversight of educational initiatives at Duquesne. Under the leadership of Principal Jennifer Jennings, the committee meets regularly to discuss issues of student achievement, curriculum, effective instruction, professional development, comprehensive planning and administrative support at DES. Other members of the Steering Committee are Superintendent Sue Moyer, Associate Principal Stanley Whiteman, Special Education Consultant Debra Zimarowski, Federal Programs Consultant Nancy Olenik, and DES's four instructional coaches: Michelle Kimmell, Celeste Rudge, Jamie Schmidt and Samantha Utley. Academic Recovery Liaison (ARL) Barbara Mehalov, who used to advise the CSC, ended her work on the CSC and at the DCSD with the termination of the ARL program.

During the third quarter the Curriculum Steering Committee has worked in several areas of interest. First, the Committee was preparing for the arrival of the new superintendent, Sue Moyer, and since March 1 has been working to inform and orient Ms. Moyer on matters of curriculum and instruction.

Second, the CSC has focused on Culturally Responsive School Wide Positive Behavior Supports. This has involved students from Duquesne University who have assisted with

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implementation and data collection. On a related topic, the CSC has continued planning and preparation for new social and emotional curriculum, Second Step.

A third area of CSC action has been monitoring of the use of Daily 5 and Daily 3 instructional frameworks. The former is for ELA and the latter for math.

Fourth, the CSC has been working to incorporate the new Career Readiness Standards into the existing written curriculum. This will involve the proper development of topical curriculum from the standards, incorporation of standards and curriculum into every day teaching and acquisition of artifacts to support implementation.

Finally, the CSC maintains a constant effort to evaluate benchmark and progress monitoring data, which provides for supporting the instructional work of teachers.

There were several assist and monitoring visits during the quarter. Academic Recovery Liaison (ARL) Barbara Mehalov visited DES on January 12 and 25 to meet with DES Principal Jennifer Jennings and Associate Principal Stanley Whiteman. Also, a McKinney Vento Homeless Act monitoring visit was conducted on March 26 to ascertain how well mandated updates have been implemented.

During the quarter there has been an increase in the number of students identified for special education, with six new enrollments and eight students newly classified. The current incidence of special needs students stands at 35%, well above the PDE target of 16%. The unusually high incidence of special education students is believed to be an accurate reflection of students' needs and their rights to free and appropriate public education in the least restrictive environment. The 35% incidence of special needs students is not a result of over classification. On a related matter, there are an additional eight students who are being evaluated for classification.

Benchmarking and diagnostic assessments are regularly conducted at DES. The following tables display recent results from On-Hand assessments in ELA and mathematics since the beginning of the school year. In general, improvement can be seen on successive assessments.

Duquesne Elementary School ELA On-Hand October 2017				
Grade	% Below Basic	% Basic	% Proficient	% Advanced
3	44	44	13	0
4	31	44	22	3
5	44	38	16	2
6	30	62	5	3

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Duquesne Elementary School ELA On-Hand January 2018				
Grade	% Below Basic	% Basic	% Proficient	% Advanced
3	39	46	15	0
4	42	39	14	5
5	31	49	18	2
6	37	51	12	0

Duquesne Elementary School ELA On-Hand March 2018				
Grade	% Below Basic	% Basic	% Proficient	% Advanced
3	26	52	19	2
4	19	58	17	6
5	26	52	20	2
6	32	50	13	5

Duquesne Elementary School Math On-Hand October 2017				
Grade	% Below Basic	% Basic	% Proficient	% Advanced
3	89	8	3	0
4	34	43	11	11
5	38	49	13	0
6	31	37	29	3

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Duquesne Elementary School				
Math				
On-Hand				
January 2018				
Grade	% Below Basic	% Basic	% Proficient	% Advanced
3	78	15	5	2
4	50	31	14	5
5	57	32	7	4
6	26	56	16	2

Duquesne Elementary School				
Math				
On-Hand				
March 2018				
Grade	% Below Basic	% Basic	% Proficient	% Advanced
3	50	29	9	12
4	23	17	20	40
5	38	38	17	7
6	5	17	46	32

The Education Advisory Committee (EAC), led by PDE Deputy Secretary of Education for Administration Debbie Reeves, met once during the quarter. The purpose of the EAC is to monitor and report on the transition and education of Duquesne secondary students who attend at West Mifflin Area and East Allegheny schools. The EAC meeting was on January 19 at West Mifflin High School. The highlight of the meeting was the introduction of several Duquesne resident students who attend West Mifflin High School (WMHS). Each student spoke favorably about his/her education and experiences at WMHS. The next meeting of the EAC is scheduled for April 13 at East Allegheny High School.

Finance

Execution of the 2017-2018 General Fund Budget continued routinely during the third quarter, except in regard to over-budget expenditures that will result in a year-end general fund deficit. There have been no unpaid or contested invoices or debt service obligations during the quarter. Furthermore, all payroll, benefit expenditures and tuition payments have been made on time.

The following fund balance analysis is based on audited year-end results for 2016-2017 and the DCSD General Fund Budget for 2017-2018, with estimates of expenditure changes due to increases in tuition expense and human resources related expenses, as well as potential revenue changes. A year-end general fund deficit of \$645,089 is projected.

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Duquesne City School District General Fund Fund Balance Analysis March 31, 2018		
Non-spendable		
Prepays	\$ 197,288	
Other	0	
Total non-spendable		\$ 197,288
Restricted		0
Committed		
Committed for extraordinary educational needs	\$ 1,000,000	
Committed for increases in PSERS contributions	284,666	
Committed for increases in health benefit expense	934,442	
Committed for capital improvements	250,000	
Committed to refund Series 2013 Bonds when callable	2,800,000	
Total committed		5,269,108
Assigned		0
Unassigned		403,390
Total fund balance as of June 30, 2017 (audited)		5,869,786
Fund balance appropriation for the 2017-2018 budget		0
Projected surplus (deficit) for the 2017-2018 budget		(645,089)
Total projected fund balance as of June 30, 2018		\$5,224,697

A key component of the DCSD's financial recovery is reduction long term liabilities, most importantly interest bearing debt. A summary of bonds and notes payable is shown on the following table.

Duquesne City School District Bonds and Notes Payable March 31, 2018			
Fiscal Year Ending June 30	Bonds Payable	Notes Payable	Total Bonds and Notes Payable
2012*	\$14,124,167	0	\$14,124,167
2013*	13,173,333	0	13,173,333
2014*	9,272,501	\$1,000,000	10,272,501
2015*	6,616,667	2,335,000	8,951,667
2016*	6,110,833	1,500,000	7,610,833
2017*	5,590,000	1,000,000	6,590,000
2018**	5,054,167	1,000,000	6,054,167
2019**	\$4,503,333	\$ 850,000	\$5,353,333

* Audited financial statements

** Projected

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DCSD Series 2013 bonds are callable in January 2019. It is the intention of the DCSD to call some or all of the 2013 bonds at that time. Cash to liquidate 2013 bonds is planned to come from fund balance committed for that purpose. Additionally, the proceeds of an interest free loan from PDE's Transition Loan Program may be utilized, if transition loan funds are available and a loan is approved by PDE.

As in almost all school districts, the paramount aspect of finance at Duquesne is management of salary and benefit expenses. The following chart presents a summary of staffing at the DCSD as of March 31. There were two changes in the number of staff members in each category in comparison to the previous report. First, the number of administrators increased by one with the appointment of a permanent Superintendent of Schools. Second, the number of instructional support staff increased because of Individual Education Plan (IEP) requirements for special needs students.

Duquesne City School District 2017-2018 Staffing Summary March 31, 2018			
Professional staff	39	Administrators*	4
Instructional support staff	21	Coordinators and supervisors*	4
Other support staff	12	Confidential exempt staff	2

* In addition to DCSD staff, part time consultants have been utilized to assist in the following areas: special education administration (Debra Zimarowski), business administration (James Graham), federal programs administration (Nancy Olenik) and communications coordination (Sarah McCluan). Also, during January and February the part time Chief Recovery Officer (CRO), Paul J. Rach, Ed.D. and the full time Receiver, Paul B. Long, Ed.D, both compensated by PDE, participated in administration and governance of the DCSD. As of March 1, the CRO position was discontinued by PDE when Dr. Rach was appointed as Receiver to replace Dr. Long, who has since then served as a consultant.

On March 1, Sue A. Moyer, M.Ed., took office as Superintendent. Ms. Moyer's appointment was a result of a regional search that garnered 22 applications, which were vetted through a process that involved three rounds of interviews, credential verifications and reference checks. Moreover, Ms. Moyer met with the School Board, the Administrative Team, a group of teacher leaders, and a larger group of teachers. Ms. Moyer holds a bachelor's degree in education from Indiana University of Pennsylvania, a master's degree in education from Gannon University, and she is studying for a doctorate at Shippensburg University. Her experience includes teaching at the elementary level, as well as administrative experience as a high school assistant principal, a K-8 principal and a central administrator. She holds a Pennsylvania Superintendent Letter of Eligibility.

It is noteworthy that Academic Recovery Liaison (ARL) program was discontinued as of January 31. Barbara Mehalov, who had been serving as the ARL to DES, ended her work at DES on that date.

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The collective bargaining agreement between the DCSD and the Duquesne Education Association (DEA) expired on June 30, 2017. Negotiations for a new contract began on February 21, 2017 and concluded on February 16, 2018 with a tentative agreement (TA), which was subsequently ratified by both the DEA membership and the Receiver acting as the Duquesne City Board of School Directors. The new DEA collective bargaining agreement runs through June 30, 2020.

The collective bargaining agreement between the DCSD and the Duquesne Educational Support Professionals Association (DESPA) runs until June 30, 2018. A TA was reached on November 17, 2017 in regard to the inclusion of para-educators and personal care assistants in the bargaining unit, which was ratified. Collective bargaining continued on January 23 for a replacement contract for the entire bargaining unit. On that date a TA was reached, which was duly ratified. The new DESPA collective bargaining agreement runs through June 30, 2021.

A major aspect of financial management at Duquesne is tuition for students attending school elsewhere. Current tuition enrollments are tabulated below.

Duquesne City School District Tuition Enrollments March 31, 2018				
Receiving Schools	Grades	Students December 31	Students March 31	Projected 2017-2018 Tuition
West Mifflin Area School District	7-12	295	295	\$3,751,878
East Allegheny School District	7-12	33	36	457,856
Charter schools, regular education	K-6	142	137	1,793,044
Charter schools, special education	K-6	20	21	672,400
Charter schools, regular education	7-12	47	43	562,780
Charter schools, special education	7-12	15	11	352,210
Special education schools	K-12	15	22	378,352
Other schools	K-12	9	9	108,495
Totals		576	574	\$8,077,015

Changes in individual tuition enrollments in the categories of receiving schools during the third quarter can be seen by comparing enrollments from December 31 to March 31 on the above table. Enrollment of Duquesne resident secondary students at WMA and EA remained relatively stable, with an increase of three students at EA. Charter school enrollment decreased by twelve students. DCSD special needs students placed outside the school district increased by seven. The total number of tuition students decreased by two students. Projected overall tuition decreased by \$55,318 compared to what was projected three months ago.

The annual tuition rate for Duquesne students who attend school in WMA will be \$12,718.23, as required by the recently executed Release and Settlement Agreement. This rate of tuition has also been applied to Duquesne students attending EA. In both cases a rate of \$11,472.33 was

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budgeted. On the above chart, the larger tuition rate of \$12,718.23 is used to calculate the projected tuition for both WMA and EA. As in the past, the same rate is paid for both regular education students and special education students. The impact of increasing tuition rates for West Mifflin and East Allegheny for 2017-2018 is estimated to be \$412,393 over budget.

Charter school tuition rates are normally set and regularly adjusted by PDE. The current annual tuition for each regular education student charter school student is \$13,087.91. For each special education student who attends a charter school, the current annual tuition is \$32,019.05. PDE is expected to make future adjustments to these rates, but to date the changes have not been announced. The full impact of increasing charter school tuition in 2017-2018 could be as much as \$766,400.

Enrollments of Duquesne students in charter schools at key months over the last several years are depicted below.

Duquesne City School District Charter School Enrollments March 31, 2018				
Month	Year	Elementary	Secondary	Total Enrollment
September	2015	132	54	186
March	2016	129	60	189
June	2016	131	61	192
September	2016	172	58	230
March	2017	145	62	207
June	2017	145	58	203
September	2017	160	52	212
December	2017	162	62	224
March	2018	158	54	212

Two issues will soon lead to the destabilization of finances at the DCSD. These issues are rooted in the manner by which charter and secondary school tuitions are calculated. Both of these calculations are based on statutory requirements of the Public School Code of Pennsylvania. If unresolved, these issues will likely lead to much reduced quality of education at DES and financial insolvency of the DCSD.

First, consider charter school tuition. The process for calculating charter school tuition rates is prescribed in Section 1725-A (2) of the School Code. The calculation of the non-special education tuition rate is essentially the School District's total of expenditures for the prior year, less a few categories of expenditures that are exempted, divided by the total student enrollment. The special education tuition is the non-special education rate plus an additional amount, which is essentially the School District's total special education expenditure divided by 16% of the School District's total student enrollment. That 16% is ostensibly the portion of the district's enrollment that are special education students. The problem is that Duquesne has a much higher incidence of special education students, currently 35%. Therefore, Duquesne's calculation of charter school tuition for special education students is more than twice (35% / 16%) what it

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reasonably should be. Furthermore, the excessive special education tuition rate is included in subsequent calculations of non-special education charter school tuition, which becomes a negative feedback loop. In other words, if enrollment remains constant, increased tuition expenditure directly causes the tuition rate to increase.

The 2017-2018 non-special education tuition rate is \$13,087.91. Although not yet announced, the rate may increase to about \$15,800. The increase is attributed to increases in general fund expenditures. The current special education tuition rate is \$32,019.05, which may increase to about \$40,200, again, not yet announced. The increase is attributed to higher expenditures for special education instruction and services, mostly due to the increased number of special needs students. Projections of impact for 2018-2019 and beyond are difficult because of uncertainty in regard to enrollments and costs, but it is likely that charter school tuition expense will increase, as they are driven by escalating tuition rates and increases in other expenditures.

The second issue that is leading to Duquesne's financial instability is the increasing tuition rate for secondary students who attend West Mifflin Area and East Allegheny schools. This tuition rate is prescribed in Section 1607(b)(4) of the School Code, which calls for an annual increase of either Duquesne's increase in budgeted revenue or Duquesne's increase in its Tax Payer Relief Act (Act 1) index, whichever is larger. Normally Duquesne's Act 1 index is greater than its increase in budget revenue. The current Act 1 index for the DCSD is 4.0%, and is expected to be at or near that value in the future.

Duquesne's budget for 2017-2018 was calculated on a tuition rate of \$11,472.23 for students attending school in West Mifflin. In accordance with a settlement of a lawsuit brought by West Mifflin, PDE increased the tuition rate to \$12,718.23. If this rate is increased by 4.0% for 2018-2019, a rate of \$13,227 will result for 2018-2019. If enrollment remains constant, the tuition expense is projected to increase by about \$150,075. If the tuition rate is increased annually at 4.0% per year, in five years the tuition will be \$15,474, which is 21.7% greater than the current rate. The increase in tuition expense for five years is projected to be \$812,855.

Incidentally, the School Code process for setting tuition rates for Duquesne students attending West Mifflin or East Allegheny suggests that Duquesne's real estate tax (RET) rate could be increased by the Act 1 index to generate revenue to cover increased tuition. That suggestion is not realistic. In 2016-2017, a total of \$1,179,973.74 of current RET was collected by the DCSD. The RET collection rate for the DCSD is generally about 79%. If the DCSD RET rate were increased by the Act 1 index of 4.0%, and the collection rate remained at 79%, \$37,287 might be expected to be collected, far short of projected increases in tuition expenses.

Governance and Administration

The DCSD Superintendent of Schools is Sue A. Moyer. She is supervised by Receiver Paul J. Rach, Ed.D. Both Ms. Moyer and Dr. Rach took their respective offices on March 1, 2018. Dr. Rach reports to the Duquesne City Board of School Directors, the Pennsylvania Department of Education (PDE) and the Allegheny County Court of Common Pleas (ACCCP). At PDE, Dr. Rach reports to Secretary of Education Pedro A. Rivera via Executive Deputy Secretary of

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Education David W. Volkman, D.Ed. and Deputy Secretary of Education for Administration Debbie Reeves. At the ACCCP, Dr. Rach reports to Senior Judge Judith L.A. Friedman. The Duquesne City Board of School Directors consists of the following members.

1. Board President DeWayne Tucker
2. Board Vice President Calvin Harris
3. School Director Sonya Gooden
4. School Director Burton Comensky
5. School Director Laura Elmore
6. School Director Christine Matsko
7. School Director Rosia Reid
8. School Director Cedric Robertson
9. School Director Maxine Thomas

Members of the Duquesne City Board of School Directors participated in three receiver business meetings in the third quarter: January 23, February 30 and March 27. Mrs. Thomas was appointed to fill a vacancy on the School Board at the March 27 meeting.

The Receiver Advisory Council met twice during the third quarter: February 13 and March 13.

Inasmuch as the Recovery Plan was implemented nearly five years ago, on April 2, 2013, portions of it are out of date. Similarly, certain parts of the Second Amendment to the Recovery Plan, implemented on November 17, 2014, are no longer current. Furthermore, as addressed above, the School District's emerging financial instability needs to be addressed in the Recovery Plan. Therefore, work has begun on a Third Amendment to the Recovery Plan.

Next Report

The next quarterly Recovery Plan Progress Report will cover the fourth quarter of fiscal year 2017-2018, i.e. April 1 through June 30, 2018. That report is expected to be filed in July.

Acknowledgements

The following individuals contributed to this report.

1. Paul J. Rach, Ed.D., Receiver, DCSD
2. Sue A. Moyer, M.Ed., Superintendent of Schools, DCSD
3. Nedene M. Gullen, Business Manager, DCSD
4. Jennifer M. Jennings, M.Ed., Principal, DES
5. Stanley B. Whiteman III, M.Ed., Associate Principal, DES
6. James E. Miller III, Technology Coordinator, DCSD
7. Debra M. Zimarowski, Special Education Consultant
8. James B. Graham, Business Consultant
9. Paul B. Long, Ed.D., Education and Finance Consultant

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Dr. Rach provided guidance and supervision of the drafting process. Dr. Long assembled data and drafted substantial portions of the report. Ms. Moyer assisted with editing. Mrs. Gullen, Mrs. Jennings, Mr. Whiteman, Ms. Zimarowski, and Mr. Graham conducted research and made inputs. Mr. Miller posted the report on the School District website.