

**Recovery Plan  
Third Amendment**

Duquesne City School District  
Allegheny County, Pennsylvania

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***Purpose***

The Duquesne City School District (DCSD) Recovery Plan was approved on April 2, 2013 and has been amended twice: first, on December 19, 2013 and again on November 18, 2014. Since that time, progress has been made in achieving the Plan's dual goals of financial stability for DCSD and improved education for the students of Duquesne Elementary School (DES). However, there have been unforeseen setbacks in the financial progress for the DCSD. This third amendment to the recovery plan (Third Amendment) addresses this new reality and has the specific purposes set forth below.

1. Confirm the status of continuing operations of DCSD.
2. Incorporate updated information for student enrollment, staffing and finance.
3. Update strategy and goals for financial and educational recovery.
4. Re-affirm a clear commitment for the support of the District Level Comprehensive Plan and the School Level Comprehensive Plan.
5. Update the criteria for the DCSD to exit financial recovery status.

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Unless changed by this amendment, the recovery plan and previous amendments to the plan remain in effect. Should any ambiguity exist between the original recovery plan, the first amendment, the second amendment and the third amendment, the third amendment shall take precedence.

The original recovery plan and amendments to it were based on enrollment, staffing and financial data then available. The third amendment is based on data from fiscal year 2017-18 and after, which has been provided by the administration of the DCSD. Technical assistance for preparation of the third amendment has been provided by Public Financial Management (PFM).

***Background***

Detailed information on DCSD's severe recovery status, the recovery plan, the amendments to the recovery plan, and other information including quarterly progress reports is available on the DCSD web page ([dukecitysd.org](http://dukecitysd.org)). Central to the district's recovery plan are options for educating elementary students, which are enumerated in the recovery plan and remain in place for possible consideration should circumstances change. For purposes of this amendment the intent is for current operations to continue.

***Student Enrollment***

The student enrollment for the 2018-19 school year has increased since the start of the school year. These enrollment numbers are relatively high historically and the district still has the capacity to add students with insignificant marginal costs. With the exception of EL students who require additional services, any additional student enrollment at DCSD, particularly from charter schools, will improve the financial situation. Detailed enrollment figures are available in the most recent quarterly progress report found on the DCSD web page ([dukecitysd.org](http://dukecitysd.org)). It is noteworthy to add that the EL population in DCSD has increased from seven in September 2018 to 29 as of February 1, 2019. This will have budget implications in both fiscal 2018-19 and 2019-20.

***Current Plan***

Since there have been no changes in the operation of DCSD, option 1, i.e. operation of pre-kindergarten through sixth grade at DES for the foreseeable future, will be continued. Nevertheless, conditions to enable any of the other options outlined in the recovery plan will be monitored. If, in comparison to option 1, any one of the other options were to convincingly present a more efficient and/or quicker path to improved education and stable finances, that option would be activated. If more than one recovery plan option were to become viable, in addition to option 1, all viable options would be compared. With due consideration for timeliness

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and efficiency, the option most likely to achieve improved education and financial stability would be pursued.

In regard to DCSD's educational recovery under current operations, needs, strategies, goals, action plans and measures of effectiveness are laid out in DCSD's District Level Comprehensive Plan and School Level Comprehensive Plan. It is the intent of this third amendment to establish a clear commitment to the financial, administrative and governance support for the accomplishment of these comprehensive plans and any future revisions to them.

DCSD's financial recovery under current operations depends on progress toward improved education of DCSD students as presented in the District Level Comprehensive Plan and the School Level Comprehensive Plan. The rationale for this connection of education and finance is outlined in the following strategy.

1. As resources are invested to improve education, higher quality education will be achieved, and the reputation of the DES in the community will be enhanced.
2. The improved reputation will build the confidence and involvement of DCSD parents and guardians in DES.
3. Parents and guardians will become more likely to place their children in DES, and less likely to enroll their children in charter schools.
4. Reduced charter school enrollments will benefit the DCSD financially, which will enable continued and even increased investment in educational improvements for DES.
5. As the cycle of investment, improvement, enhanced reputation and increased confidence repeats again and again, high quality education and stable finances will eventually result.
6. Efforts have been and continue to be made to improve and expand DCSD's social media presence to enhance potential contacts with parents and guardians.
7. A more aggressive approach to bringing Duquesne resident students back to DCSD has been implemented and refined and will continue in partnership with the Communications Services Department of the Allegheny Intermediate Unit. As of this date, this effort is estimated to have returned 17 students to the DCSD in 2018-19 resulting in an annual reduction of approximately \$340,000 in tuition costs.

The financial strategy to enable the above recovery under current operations is outlined in terms of relative precedence for the expenditure of resources, as follows.

1. Fund essential health and safety items.
2. Fund legal obligations, contracts and mandates.
3. Continue to fund, and as possible increase funding for educational programs, instructional materials and staffing which have proven to lead to the accomplishment of goals in the District Level Comprehensive Plan and the School Level Comprehensive

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Plan, provided that accomplishment of these goals produces academic achievement per the PSSA and growth from PVAAS as categorized on PA's Future Ready Index. This category of expenditure shall include authority to approve justifiable increases in employee salaries, wages and benefits through collective bargaining, in meet-and-discuss sessions for the administrators and supervisors group, in the formulation of compensation for exempt employees and in the development of contracted compensation for the Superintendent, the Business Manager, or any other position or operation fulfilled by a third party contractor.

4. Fund new educational programs and staffing which are compelling in terms of their prospective potential to lead to the accomplishment of goals in the District Level Comprehensive Plan and the School Level Comprehensive Plan.
5. Other than items 1 through 4 above, carefully constrain expenditures. For both operating and capital needs, ensure that expenditures are financially prudent and efficacious.

Other strategic measures to promote the educational and financial recovery of the DCSD follow:

1. Aggressively promote the curriculum, programs and services at DES, as well as the academic achievement of its students, to parents and guardians, especially those with children enrolled in charter schools by any means available, including social media.
2. Pursue prudent revenue enhancements.
3. Maintain local real estate tax revenue at a minimum of \$1,200,000.
4. Refinance or retire outstanding long-term debt when financially prudent to do so, to potentially include the use of the Transition Loan Program, without increasing outstanding principal (except as noted on Page 7, #8) and without lengthening of maturities of interest-bearing debt.
5. Vigorously pursue grants that are supportive of the District Level Comprehensive Plan and the School Level Comprehensive Plan and which are compatible with the Recovery Plan, as amended.
6. Revise section BU04. - Contingency Reserve. *This section targets \$1,000,000 in funding for extraordinary costs and unplanned events. DCSD has never approached the current figure of \$1,000,000, and the recommendation below reduced that figure to \$500,000. The change would allow more fiscal flexibility in this period of declining fund balance.*

As the DCSD continues to transition to new educational structures based on the needs of the students, unexpected costs may result. For example, some of the students that are sent to receiving school districts may require special education services that exceed the cost of tuition paid to the receiving schools, or the costs of regular education tuition may increase due to enrollment increases or other unexpected events. In addition, other district costs may differ from year-to-year, which could generate a need for temporary supplemental funding. In order to create a reserve to support these costs, the district shall

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set up a contingency reserve of \$500,000 or more from the projected fund balance as the budget allows. This reserve shall only be drawn on for items approved by the district's receiver. Efforts will be made in subsequent years to replenish this fund to at least the \$500,000 level.

7. After careful internal study of the data, engaging in in-depth conversations with staff members, and considering the future operation of DCSD, the superintendent recommended the personnel changes that are outlined below. These changes were supported by the receiver and implemented for the 2018-19 school year.

Administration – no additional personnel added; special education contract position length reduced, federal program/grant contract position reduced

- Move the associate principal to director of curriculum and instruction, assessment, instructional technology, and LEA.
- Reduce the number of days in the special education consultant and federal program/grant contracts.
- Move one academic coach to dean of students with responsibility for coaching classroom management and positive behavior support.
- Financial impact – neutral

Business office – replace personnel as necessary and study reorganization of the department

- Employ a business manager or contract the business manager position to the Allegheny Intermediate Unit (AIU) to replace the transferred business manager. The district entered into a contract with the AIU.
- Phase out the business consultant position for 2019-20 if feasible.
- Study the business office operation as a whole in partnership with the AIU business office with the goal of more efficient operations of the department.
- Resignations of two members of the business department during the fiscal year resulted in replacement by lower salaried personnel and a decision to contract services for payroll.
- Financial impact – a savings of \$45,000.

Academics – add one teaching position by transferring a teacher on assignment to a classroom and employ one long term substitute to replace a teacher on maternity leave

- Reduce class size by adding one classroom teaching position.
- Maintain current instructional and support programs.
- Financial impact – neutral

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- 8 . Evaluate funding sources and financial opportunities, including a transition loan, when economic conditions warrant such actions.

***Financial Projections***

Projections of DCSD revenues, expenditures and year-end financial positions for five years have been prepared by PFM with assistance from the DCSD administration. These projections are based on continued operation of a Pre-K through sixth grade program at DES (Option 1). Appendix 2 contains the projections and related narrative.

***Exit Criteria***

The criteria for the DCSD to exit financial recovery status, set in the original recovery plan, are affirmed, revised, or up-dated as follows.

\* - indicates a revision

1. The Pennsylvania School Performance Profile score for DES will reach or exceed 70.0.
2. DES will have exited federal Title I Priority School status. (completed – District did not receive a CSI designation)
3. The current DCSD District Level Comprehensive Plan and the DES School Level Comprehensive Plan, or their successor plans, will have been substantially accomplished. (completed – however, the plan is now updated every year and as a result this has become an annual goal)
4. The DCSD will maintain a positive annual general fund balance of at least three percent for at least three years, beginning at the close of fiscal year 2017-18, as reported on audited annual financial statements. \* (original criterion completed)
5. For at least three years, the DCSD will not have requested or required an advance on its basic education subsidy.
6. For at least three years, all DCSD employee salaries, wages and withholdings will have been paid on time.
7. From July 1, 2014, the DCSD will not have defaulted on any bonds, notes or lease rentals and is not subject to withholdings by the Secretary of Education for debt service payments under Section 633 of the Public School Code.
8. Scheduled annual debt service will not exceed \$250,000 per year beginning in 2023-24. \* (This will allow adding approximately \$150,000 to the annual debt service after a

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majority of debt is satisfied in order to provide for major repairs if needed i.e. roof, heating system)

9. The DCSD will not satisfy the criteria for determination of recovery status, as established in regulations promulgated under section 621-A(a)(2) of the Public School Code of Pennsylvania, 24 P.S. § 6-621-A(a)(2) and/or as contained in State Board of Education Regulations, Chapter 18, Financial Recovery.
10. While the City of Duquesne remains in Act 47 status DCSD will either be in recovery status or transition/oversight status under 625-A. \*

***Recovery Plan Implementation and Amendment***

The powers, duties and responsibilities of the receiver in regard to implementation of the Recovery Plan and its amendments are enumerated in Article VI-A of the Public School Code of Pennsylvania 24 P.S. §§6-601-A-6-695-A.

The Receiver may initiate amendment to the recovery plan. However, any amendment to the recovery plan is subject to review by the Pennsylvania Department of Education and approval by the Court of Common Pleas of Allegheny County.

*Appendices*

Appendix 1: Third Amendment Documents

The Recovery Plan Third Amendment Petition and Court Order are included at Appendix 1.

IN THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY, PENNSYLVANIA

**Appendix 2: Financial Projections**

Updated five year financial projections for the DCSD with continued implementation of Option 1 are included at Appendix 2. Projections were done in partnership with Public Financial Management (PFM) using 2017-18 audited figures and assumptions as noted in the document.

1. Tuition rates for the secondary students at East Allegheny and West Mifflin and DCSD’s charter school tuition rates have unexpectedly risen dramatically due to events beyond the control of DCSD. These increases have a profound effect on Duquesne’s financial status and are the primary movers behind the rapidly declining fund balance.
2. Raising taxes in Duquesne would provide minimal revenue increases based on actual dollars collected. We estimate that a tax increase at the index maximum would result in an increase of approximately \$44,000 in revenues.

