



Financial Recovery Plan: A Comprehensive Review

Duquesne City School District

March 1, 2022

A. State Statute

Pursuant to the Financial Recovery Act 141 of 2012, the Secretary of Education appointed Dr. Paul Long as Chief Recovery Officer (CRO) on December 12, 2012 for the Duquesne City School District.

B. Historical Account of Chief Recovery Officers and Receivers

Dr. Paul Long, Chief Recovery Officer, issued the Financial Recovery Plan on February 11, 2013 to the Board of School Directors and subsequently the plan was rejected by the Board. Based on that rejection, the Financial Recovery Plan was implemented on April 2, 2013, and the School District was placed in Receivership. Therefore, Dr. Long was recommended for reassignment as the Receiver by the Secretary of Education and final approval was granted by the Allegheny County Court of Common Pleas. In July 2013, Dr. Paul Rach was appointed by the Education Department as the Chief Recovery Officer to oversee the fiscal recovery of the School District and assist the administrative leadership team in leveraging resources to support academic achievement. Dr. Long retired as Receiver on February 28, 2018, and Dr. Rach was appointed as Receiver, effective March 1, 2018, by the Education Department and approved by the Allegheny County Court of Common Pleas. Dr. William Kerr was appointed as Chief Recovery Officer, serving from October 1, 2019 through March 31, 2021 until the retirement of Dr. Rach. Dr. Kerr was recommended for reassignment as Receiver by Noe Ortega, Secretary of Education, and final approval was granted by Judge Alan Hertzberg, Allegheny County Court of Common Pleas, and effective April 1, 2021 through March 31, 2022. Currently, the School District does not have a Chief Recovery Officer.

C. Recovery Plan Implementation and Amendment

The powers, duties and responsibilities of the Receiver regarding implementation of the Recovery Plan and its amendments are enumerated in Article VI-A of the Public School Code of Pennsylvania. The Receiver may initiate an amendment to the Recovery Plan. Any amendment to the Recovery Plan is subject to review by the Pennsylvania Department of Education and final approval by the Allegheny County Court of Common Pleas.

On November 12, 2020, a Fourth Amendment was approved by the Pennsylvania Department of Education and final approval was granted by the Allegheny County Court of Common Pleas on

November 16, 2020. The Fourth Amendment is designed with visionary, strategic, and operational goals and objectives for continued academic and financial success.

D. School District Benefits of Receivership

Receivership of the School District was a result of fiscal instability and poor academic performance, taking into account all aspects of financially distressed operations. The benefits of Receivership have preserved, protected, and enhanced the value of assets through a variety of assistance including, but not limited to, an advance of state subsidies, a transitional loan, targeted grants, and professional development programs funded by the Pennsylvania Department of Education. Under Receivership, the School District has been able to be more efficient and expeditious to secure, manage, and stabilize assets from further deterioration. Equally important, liabilities and contested financial matters have been eliminated. District policies and procedures have been implemented and restrictions enacted for proper accounting by effectively managing cash flow, debt service, and timely payment of all financial obligations. Receivership has provided an intense level of intervention for student achievement and growth, professional development, and financial accountability – a triangular inter-relationship and considered a work in progress for continuous school improvement. Pursuant to Act 141 of 2012 and the implementation of the Financial Recovery Plan in 2013, the various Court appointed Receivers and the Department of Education assigned Chief Recovery Officers for the Duquesne City School District have been an integral part of the Financial Recovery Plan, as amended, in collaboration with key stakeholders of the School District, Pennsylvania Department of Education, Allegheny Intermediate Unit, and Public Financial Management.

E. Fourth Amendment / Executive Summary – November 9, 2020

The purpose of this Fourth Amendment is to establish the new directions of the DCSD. Included in the following outline of the amendment are the most important elements to be considered. Approval of the Fourth Amendment will allow District leadership to take Duquesne into the future. It is a transformational change in focus for the organization, and it is a concept embraced by the school and the community.

In addition to affirming and amending the first five items which are carried over from the Third Amendment, numbers six through eleven have been added in this Fourth Amendment:

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. Reaffirm a clear commitment for the support of the District Level Comprehensive Plan and the School Level Comprehensive Plan.
5. Update the criteria for DCSD to exit financial recovery status.
6. Address administrative reorganization brought about by departures.

7. Address facility needs and maintenance of physical assets including a limited feasibility study.
8. Reestablish a Pre-K through grade 8 configuration and allow for a District cyber option.
9. Reaffirm the commitment to community-school partnerships.
10. Revise fiscal restrictions to allow restructuring current debt, adding to the length of current debt payments, new borrowing for major repairs and necessary replacements, and maintenance of physical assets, with revised annual debt service limits.
11. Establish an education foundation with strong community participation to assist with maintaining facilities which are used primarily by community groups and other District programs.

F. Fourth Amendment / Executive Summary – Updated/Revised March 1, 2022

1. Status of Continuing Operations

The Duquesne City School District (DCSD) operates pre-kindergarten through seventh grade at the Duquesne Education Center (DES), noting that the Pennsylvania Department of Education, School Services Division, officially approved a 7th Grade Reconfiguration Plan on July 21, 2021. In accordance with 22 Pa. Code § 4.41(c) and following official action at the May 10, 2022 Receiver Business Meeting, the School District intends to submit an 8th Grade Reconfiguration Plan to the Pennsylvania Department of Education (PDE). The primary goal of the Duquesne Education Center is to be recognized as a Pre-K-8 “turnaround school” and a model for rebuilding educational programs, services, and activities in a financially distressed school district.

During the past four years, visionary and strategic actions have contributed to extraordinary progress: a new chief school administrator and business manager; newly aligned administrative leadership team; adoption of new curricula aligned with state standards; improved accountability and fiscal management; acceptable and effective use of all federal funds; continuous recruitment efforts of charter school students; a health and safety plan to manage the pandemic for the safety of all students and staff; an education foundation; and expanded school community collaboration.

There is a concerted effort for continuous school improvement of curriculum, instruction, and assessment. Each component is an integral part of the Duquesne City delivery system for educational programs and services based on collaborative and professional working relationships. Financial sustainability, transparency, and accountability, including updates of projections as part of the Annual Budget planning and approval process, are also an integral part of continuous efforts for school improvement.

Every fiscal quarter since 2013-2014, the Duquesne City School District has been in good financial standing. There have been no unpaid or contested invoices; and, all payroll, benefit expenditures, debt service obligations and tuition payments have been made in a timely manner.

As of the June 30, 2021 Annual Financial Report and Local Audit, there is no threatened or pending litigation against Duquesne City School District. Further, the School District is unaware of any other unasserted claims or assessments involving the School District.

Although the School District continues to face long-term financial challenges, it should be able to maintain its operations for the next several years. During that time, the School District will continue to use its long-term planning process to take steps to ensure that these challenges are addressed comprehensively. These items will be discussed in further detail in the remainder of the report.

**2. Pre-K-12 Student Enrollment; Average Student Attendance; Receiving School Tuition Enrollment, including East Allegheny and West Mifflin; and Charter School Tuition Enrollment, including Non-Special and Special Education
(Attachments C, D, E, F, G)**

Student enrollment at Duquesne Education Center is 429, reflecting the continued impact of the pandemic. Elementary ELL student enrollment is 45.

Current secondary enrollment of Duquesne students at East Allegheny and West Mifflin Area School Districts is 288. Current charter school enrollment, including non-special and special education, K-12 is 223.

The School District faculty, with the support of the Administration, continues to ensure that every student is accounted for during both in-person and virtual instruction. Students who report connectivity issues are assisted by members of the administrative team to resolve those issues.

After personnel costs for the Duquesne City School District's staff, the next largest categories of spending are tuition costs for secondary schools and charter schools. These two costs contribute to the School District's long-term financial challenges for a variety of reasons.

In the case of secondary students, the tuition rate is determined by the greater of the annual increase in the District's revenue budget or the District's Act 1 Index. Based on current estimates from the Commonwealth's Independent Fiscal Office, the District's Act 1 Index is expected to increase significantly over the next several years as shown in the table below.

Duquesne City School District, Act 1 Index, 2021-2022 — 2025-2026

2021-2022 Actual	2022-2023 Actual	2023-2024 Projected	2024-2025 Projected	2025-2026 Projected
4.9%	5.6%	7.1%	7.1%	5.9%

The annual tuition rate for DCSD students who attend school at West Mifflin Area and East Allegheny is \$14,978.36 for the 2021-2022 school year. Tuition was calculated by PDE and communicated to the District, with the District given an opportunity for comment. The tuition rate formula will continue to be an ever-growing financial burden for the District because it will never

remain flat or decrease. As noted above, it will continue to grow by at least the District's Act 1 Index or the annual growth in the District's revenue budget. When the projected Act 1 Index figures are taken from the Independent Fiscal Office, the District's tuition rate will grow to over \$20,000 by the end of the 5-year projections considered in this report.

Secondary-level enrollment in East Allegheny and West Mifflin decreased in 2021-2022 due to the addition of 7th grade in the District, and there will be a further change next school year when DES expands to 8th grade. In current figures for budget planning, the District estimates that there are approximately 235 secondary students in grades 9-12 at East Allegheny and West Mifflin. Tuition costs for these students is expected to increase by \$197,000 in the school year 2022-2023. Raising taxes to the Act I Index still fails to cover one-half of that annual increase.

The School District is developing a strategy to address the annual percentage increases of tuition with East Allegheny and West Mifflin Area school officials. The intent is to seek a more reasonable secondary student tuition formula near a 2% to 3% annual increase for such services.

In the case of charter schools, enrollment in charter schools has remained high compared to pre-pandemic levels, and the charter school tuition rate continues to grow significantly each year. The existing flawed charter school funding system for regular and special education requires immediate attention by the General Assembly. Due to the rising costs of tuition, the School District continues to find itself struggling financially to meet general fund obligations. Absent significant changes in enrollment or tuition rate calculations, growth in charter school tuition costs may require cuts in funds intended for educational programs and services at DES. Legislative remedies are needed that address accountability to control the quality and cost of these charter school programs. The Receiver, acting as the Board of School Directors, will adopt a Board Resolution with updated financial data in March 2022 on school funding reform for charter schools. The Resolution will ask the General Assembly to ensure that school districts and taxpayers no longer overpay charter schools for profit-making above and beyond reasonable costs for online instruction.

Tuition rate calculations are based on budgeted costs to arrive at estimated levels of spending per student. Actual charter school rates, as calculated on the PDE-363, are significantly higher in FY 2021-2022. The annual tuition rate for each non-special education charter school student for 2021-22 is \$15,763.97, which is approximately 8 percent higher than the original budgeted amount. The special education charter school tuition rate is \$38,644.69 (12% higher than budgeted). The structure of the special education tuition rate calculation continues to affect the District. Currently, the formula assumes that 16% of the District's population is identified as special education. Because the District's special education population is appreciably higher, the formula incorrectly divides total special education expenditures by a small number of students than are actually enrolled at Duquesne, thereby artificially increasing the special education tuition amount.

3. Strategic and Operational Goals for Educational and Financial Recovery

Educational recovery under current strategies, goals, action plans and measures of effectiveness are addressed in DCSD's District Level Comprehensive Plan and School Level Comprehensive Plan. The Fourth Amendment establishes a clear commitment to the financial, administrative and

governance support for the accomplishment of the comprehensive plans and any future revisions to those plans.

DCSD's financial recovery is now benefitting from the decrease in the percentage of students attending charter schools, but enrollment remains above pre-pandemic levels. The School District continues to recruit charter school students back to Duquesne through its 2021-2022 Marketing/Recruitment Plan.

Additionally, the effective use and impactful nature of federal ESSER II pandemic relief funds have had a significant effect on school operations. The School District has utilized these funds to ensure the continuity of services to maintain existing educational service levels, provide resources to ensure the health and safety of staff, and to address learning loss as a result of the pandemic. The return of 7th grade students to Duquesne in 2021-2022 and the eventual return of 8th grade students for 2022-2023 will have a significant long-term effect on School District finances. The cost of educating Duquesne students at their home school versus paying secondary tuition costs at neighboring school districts is financially advantageous for the budget. Stable finances are a critical component to ensure that the District can maintain its investments in students and classrooms.

4. District Level and School Level Comprehensive Plans Correlation to Future Ready Index, Current Future Ready Index Data and Analysis, and Strategies Used to Avoid CSI, TSI, and ATSI.

(Attachment H, I)

Based on the Future Ready Index (ELA, Math, Science) published by the Department of Education for Duquesne Elementary School, state assessment data indicates general improvement for the 2020-2021 school year. Noting that the COVID-19 pandemic crisis had an effect on loss of student learning, collective and focused efforts with teaching and learning strategies are underway across all state assessment areas to increase student achievement, especially math assessments. The PSSA goal for the 2021-2022 school year is to increase advanced and proficient categories between three (3) and five (5) percent. Based on the Future Ready Index, Duquesne Elementary School continues to meet the PVAAS growth standard by exceeding the average state percentage; however, Duquesne has a strong desire to maintain and/or continue student growth in this area.

Based on the federal Every Student Succeeds Act (ESSA) and eligibility determined by the Pennsylvania Department of Education, Duquesne Elementary School was not identified in fall 2019 as Comprehensive Support and Improvement (CSI), Targeted Support Improvement (TSI), or Additional Target School Improvement (ATSI). This accomplishment was attained by taking a proactive approach for effective teaching and learning, realigning and restructuring the administration, creating a positive and supportive school culture, developing a curriculum aligned with state standards, and providing instructional resources to support the standards. Common assessments, vertical and horizontal team meetings, and data-driven lesson plans were all created to support the new curriculum.

The District Level Comprehensive Plan was developed and aligned to respective curriculum, instruction, and assessment changes for effective teaching and learning and continuous school improvement, including an alignment with the federal Title funds for programs and services. The District Comprehensive Plan will be updated in the summer of 2022 due to the return of 7th and 8th grade students respectively. The School Level Comprehensive Plan will continue to update annually to ensure it mirrors the District Level Plan.

5. Administrative, Professional, and Support Staff Personnel / 2021-2022

Professional staff	40.5	Administrators	4
Instructional support staff	22	Coordinators and supervisors	3
Other support staff	11.5	Confidential exempt staff	5

6. Debt Service and Bond Notes; General Fund Balance (Attachments J, K)

On March 3, 2021, the District issued two series of General Obligation Notes. Series A of 2021 served to restructure the existing debt from the 2013 Series General Obligation Bonds which had \$1,420,000 in outstanding principal due in 2022. The restricted debt will be retired in 2025, and due to a favorable interest rate environment, will save the District approximately \$6,000 on a present value basis. More importantly, the size and timing of debt service payments will provide relief to cash flow burdens anticipated over the coming two fiscal years. Series B of 2021 totaled \$9,950,000 and will finance the District's planned capital improvements to extend the life of the Duquesne Education Center by 20 years. Net debt service expense is structured to comply with the Fourth Amendment to the Recovery Plan and will remain at 4% or lower of the District's annual operating budget.

The restructuring of existing debt and the issuance of new debt has helped the School District financially, noting cost-effectiveness and efficiencies through facility upgrades and energy savings. While outstanding debt has increased to \$12,391,667 as of June 30, 2021, net debt service expense for the 2021-22 school year was reduced by \$288,049 (25.3%) which will assist the District's cash flow in the near-term future.

Due to cost saving measures and additional revenues, primarily from federal stimulus packages, the 2020 – 2021 budgeted deficit of nearly \$2.5M was reduced. Based on the audited Annual Financial Report for the 2020-2021 school year, the School District had a deficit of \$1,520,663 and a fund balance of \$1,017,081.

The Guaranteed Energy Savings Program, under the contracted services of the McClure Group, began in May 2021 and was substantially completed by September 30, 2021. Renovation upgrades provided comprehensive investments in facilities to address aging infrastructure including the roof, building envelope, HVAC systems, and electrical systems. Contingency funds were used to purchase and install new condenser units for food service refrigeration operations and additional energy savings.

7. District Cyber Academy and Marketing/Recruiting Plan

The District Cyber Academy, in partnership with Allegheny Intermediate Unit/Waterfront Learning, provides asynchronous online learning through the platform, Accelerate. Parents inquiring about cyber education are encouraged to take advantage of the District Cyber Academy. School District teachers provide the online instruction and are available for student and parent consultations. The District Cyber program is research-based and embraces best practices for online learning, offering Duquesne children a flexible and high-quality curriculum and instruction. A District cyber student has all the benefits of a Duquesne student, including participation in all programs, activities, sports, and clubs.

The Marketing/Recruiting Plan, as amended, for 2022-2023 aims to increase the overall student enrollment at the Duquesne Education Center as a Pre-K-8 school and to reduce the amount of charter school tuition paid by the School District. The plan includes the use of current resources, social media, and personnel to engage the community in legacy-building and to share the traditions, pride, and history of Duquesne City School District. The Administration will introduce plans for a new theme and rebranding from “Bring Your Kids Home” to “Rediscover Duquesne!” to further promote a flexible, online cyber education option for parents and families.

8. Duquesne City School District

Baseline Financial Projections / 2022-2023 – 2026-2027

Attachment A includes the summary for the 5-year financial projections. In the financial projections, several adjustments are made to the 2021-2022 school year budget to account for known changes since its adoption. Revenues are increased to account for the final state allocations of Basic and Special Education Funding for the school year, and for the estimated pass-through of federal Title and Medicaid ACCESS revenue from the Allegheny County Intermediate Unit. These two items have a total estimated positive impact of approximately \$635,000. Tuition costs for secondary schools and charter schools are adjusted to reflect the current tuition rates and enrollment levels for a net increase in costs of approximately \$11,000.

Before the inclusion of the federal ESSER funds, total revenues are projected to grow by approximately 2.3 percent per year from the adjusted current year budget of \$19.4 million to \$21.6 million in 2026-2027. Revenue growth is mostly driven by the increase in State Sources through the Basic and Special Education Subsidies, and projected growth in reimbursements for Social Security and PSERS. Given the Commonwealth’s ongoing budget discussions for the 2022-2023 school year, the projections assume a continuation of the increase in funding received in 2021-2022 followed by a return to historical growth rates beginning in 2023-2024. Additional revenue growth comes from the annual half mill (0.5) increases in the real estate tax rate as outlined in the Enhancement Program for Increased Real Estate Tax Revenue, and projected growth in the District’s earned income taxes. Estimated uses of ESSER funds are included in the school years from 2021-2022 to 2023-2024 to reflect the use of the District’s remaining ESSER II and ARP ESSER allotments to support the continuity of operations at the DES.

Expenditures are projected to grow by approximately 2.3 percent per year from the adjusted current year budget of \$21.3 million to \$23.9 million in 2026-2027. Expenditure growth is largely driven by the future growth in personnel costs, which include salary increases for staff, as well as continued growth in the costs of health and retirement benefits. After personnel expenditures, increases in tuition costs for secondary schools and charter schools account for most of the remaining growth in expenditures. These costs are driven by the factors described in other sections of this report. To show the impact of preliminary items expected to be included in the 2022-2023 budget, the projection includes investments in the District's athletics program with the goal of incorporating the enhancements into the District's outreach strategy for parents and families. The projections also include the reduction of 12 students in charter schools as part of this initiative.

Overall, the District continues to make strides in reducing its annual deficit, and the ESSER funds should allow the District to maintain operations for the next two school years. The District has used federal funds and other grant sources to update curriculum and classroom materials, and to provide professional development for staff. Last year's bond issuance allowed the District to make comprehensive investments in its facilities to address aging infrastructure including the roof, building envelope, HVAC systems, and electrical systems. These investments have helped to reduce some of its annual maintenance and repair costs. The return of 7th grade students provided some budgetary relief in 2021-2022, and the expansion to 8th grade next school year will offset some of the increases in tuition costs for the District. However, there are several long-term issues that will require additional attention over the next several years to ensure that the progress made can be maintained.

Attachment B, includes a proposal for a modest real estate property tax increase to help support academic programs, athletic fund investments, or ongoing facilities maintenance. For example, as a starting recommendation, an annual half-mill (0.5) increase in the real estate tax rate could be considered for each of the next five school years. For revenues, regular increases in the real estate tax rate could provide local support for improvement efforts, and to sustain those investments in future years. The District has limited means to impact other areas of its revenue budget, and the level of future increases in Commonwealth support through the major state subsidies will have a significant impact on the overall trend of future revenue growth.

On the expenditure side of the budget, the District will need to evaluate the affordability of increase in salary and healthcare costs during the collective bargaining process. Given the estimated increases in the Act 1 Index, controlling the growth in the secondary tuition rate will be an important component of stabilizing cost growth in future years. Finally, given the dynamics of the charter school tuition rate calculations, potential reform in those policies would provide the District with more stability in managing future costs. This would allow the District to maintain the investments in students and classrooms that have been made in recent years.

9. Impactful Nature of Federal ESSER Funds

Based on the acceptable use of federal ESSER funds, the School District has utilized funds to ensure the continuity of services to maintain existing educational service levels, provide resources to ensure the health and safety of staff, and to address learning loss because of the pandemic.

Funds were used to help reopen and sustain the safe operations of school and to address the impact of the pandemic on students. Further, intentional uses were based on equity-based allocations across all grade levels for students and staff. In-person learning required expenses related to air quality, individual scanned temperature reading devices, support for social distancing, desk-top dividers, and personal protective equipment. Advanced technologies and devices for remote learning, educational program licenses, professional development, and Communities in Schools (CIS) integrated student support were used for maintaining educational programs and services. Equally important, ESSER funds were allocated for continuity of service levels to avoid furloughs of professional, paraprofessional, and administrative staff.

10. Duquesne City Education Foundation

The School District established articles of incorporation and by-laws for the Duquesne City Education Foundation, elected officers for 2021-2022, and filed IRS Form 1023 with supporting documents for 501 (c) (3) not-for-profit status approval. Final approval is pending.

The Foundation will support and strengthen Duquesne City School District by encouraging innovation, recognizing excellence, creating vital partnerships, and developing community philanthropy. All programs, activities, and projects will be aligned with the Mission and District/School Level Comprehensive Plans, with all funds directly used for District-related initiatives. The Foundation is in the process of establishing contacts with regional philanthropic organizations in addition to individual appeals for targeted funding which will help support academic programs, athletic fund investments, ongoing facilities maintenance, or other school community activities.

11. Criteria to Exit Financial Recovery

The criteria for Duquesne City School District to exit financial recovery status, set in the original Recovery Plan, are affirmed, revised, or updated as follows: *(Note: *indicates a revision)*

- a) Noting that the COVID-19 pandemic crisis had an effect on loss of student learning, collective and focused efforts with teaching and learning strategies are underway across all state assessment areas to increase student achievement, especially noting math assessments. The PSSA goal for the 2021-2022 school year is to increase advanced and proficient categories between three (3) and five (5) percent. Based on the Future Ready Index, the School District continues to meet the PVAAS growth standards by exceeding the average state percentage; however, Duquesne has a strong desire to maintain and/or continue student growth in this area. *
- b) Based on the Every Student Succeeds Act (ESSA) and eligibility determined by the Department of Education, Duquesne Elementary School was not identified in fall 2019 as CIS, TSI, or ATSI. This accomplishment was attained through a proactive approach for effective teaching and learning, realigning and restructuring the administration, creating a positive and supportive school culture, developing a curriculum aligned with state standards, and providing instructional resources to support the standards. Common

assessments, vertical and horizontal team meetings, and data-driven lesson plans were all created to support the new curriculum. *

- c) The District Level Comprehensive Plan was developed and aligned to respective curriculum, instruction, and assessment changes for effective teaching and learning and continuous school improvement, including an alignment with the federal Title funds for programs and services. The District Comprehensive Plan will be updated in the summer of 2022 due to the return of 7th and 8th grade students respectively. The School Level Comprehensive Plan will continue to update annually to ensure it mirrors the District Level Plan. *

- d) The DCSD will maintain a positive annual general fund balance of at least three percent for a minimum of three years, beginning at the close of fiscal year 2016 – 17, as reported on audited annual financial statements. (*Original criterion Accomplished*) *

Based on the current 5-year financial projections, the District should be able to maintain the minimum fund balance requirement for all 5 years of the analysis. However, future growth in the District's deficit would exhaust the fund balance in year 6 if current trends continue. *

- e) For at least three years, the DCSD will not have requested or required an advance on its basic education subsidy. (*Currently Accomplished*)
- f) For at least three years, all DCSD employee salaries, wages and withholdings will have been paid on time. (*Currently Accomplished*)
- g) 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. (*Currently Accomplished*)
- h) Scheduled annual debt service will not exceed \$750,000 per year beginning after all current debt is satisfied. Until then, the debt service may exceed that amount as new debt may be incurred for necessary repairs and replacements in the interim. However, new debt must meet the \$750,000 annual threshold once the existing debt is fully paid. *(*Currently Accomplished*)
- i) 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.
- j) While the City of Duquesne remains in Act 47 status, DCSD will either be in recovery status or transition/oversight status under section 625-A of the School Code, 24 P.S. 6-625-A.

Attachments A - K

A. Duquesne City School District Baseline Financial Projections 2022-2023 – 2026-2027

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Projected	Projected	Projected	Projected	Projected	Projected
SUMMARY						
REVENUES						
Current Real Estate Taxes	1,245,000	1,263,491	1,306,982	1,350,474	1,393,965	1,437,456
Earned Income Taxes	280,000	288,400	297,052	304,627	312,395	320,361
Delinquent Real Estate Taxes	220,000	238,199	257,111	265,667	274,223	282,778
Other Local Revenue	259,420	261,897	262,175	262,418	262,667	262,923
Local Sources	2,004,420	2,051,988	2,123,321	2,183,186	2,243,250	2,303,518
Basic Education Funding	12,689,268	13,310,007	13,543,989	13,783,118	14,027,508	14,277,275
Special Education Funding	786,063	825,048	849,499	874,536	900,175	926,429
Other State Revenue	2,995,704	3,008,554	3,089,829	3,156,425	3,172,836	3,247,490
State Sources	16,471,035	17,143,609	17,483,317	17,814,080	18,100,520	18,451,194
Federal Sources	3,276,184	3,300,845	3,300,845	891,235	891,235	891,235
Other Funding Sources	0	0	0	0	0	0
Total Revenues	21,751,639	22,496,442	22,907,483	20,888,501	21,235,005	21,645,948
EXPENDITURES						
Salaries	4,934,225	5,112,252	5,265,679	5,423,711	5,586,487	5,754,147
Benefits	3,575,979	3,687,246	3,812,957	3,937,567	4,073,439	4,204,855
WMASD/EASD Tuition	4,268,833	3,717,030	3,980,939	4,263,586	4,515,137	4,781,530
Charter School Tuition	4,661,429	4,264,070	4,040,826	4,133,700	4,878,103	5,232,708
Debt Service	1,077,524	1,020,402	925,202	813,602	751,252	749,052
Other Expenditures	2,752,928	2,861,399	2,906,986	2,984,618	3,064,352	3,146,244
Total Expenditures	21,270,917	20,662,398	20,932,589	21,556,785	22,868,770	23,868,537
Operating Result	480,722	1,834,045	1,974,894	(668,284)	(1,633,765)	(2,222,589)
Operating Result (%) Expenditures)	2.3%	8.9%	9.4%	(3.1%)	(7.1%)	(9.3%)
Total Fund Balance	1,497,803	3,331,848	5,306,742	4,638,458	3,004,693	782,104
Total Fund Balance (%) Expenditures)	7.0%	16.1%	25.4%	21.5%	13.1%	3.3%
REVENUES						
Local Sources						
6111 Current Real Estate Taxes	1,245,000	1,263,491	1,306,982	1,350,474	1,393,965	1,437,456
6143 Local Services Taxes	4,892	7,100	7,100	7,100	7,100	7,100
6151 Earned Income Taxes	280,000	288,400	297,052	304,627	312,395	320,361
6153 Real Estate Transfer Taxes	15,000	15,000	15,000	15,000	15,000	15,000
6411 Delinquent Real Estate Taxes	220,000	238,199	257,111	265,667	274,223	282,778
6451 Delinquent EIT	8,983	9,252	9,530	9,773	10,022	10,278

		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
6510	Interest	10,000	10,000	10,000	10,000	10,000	10,000
6832	IDEA Pass Through	145,000	145,000	145,000	145,000	145,000	145,000
6910	Rentals	35,000	35,000	35,000	35,000	35,000	35,000
6XXX	Other Local Revenue	40,545	40,545	40,545	40,545	40,545	40,545
	Local Sources Subtotal	2,004,420	2,051,988	2,123,321	2,183,186	2,243,250	2,303,518
	State Sources						
7110	Basic Education Funding	12,689,268	13,310,007	13,543,989	13,783,118	14,027,508	14,277,275
7160	Tuition for Orphans	22,688	22,688	22,688	22,688	22,688	22,688
7170	Empowerment Grant	0	0	0	0	0	0
7271	Special Education Funding	786,063	825,048	849,499	874,536	900,175	926,429
7292	Pre-K Counts	289,000	289,000	289,000	289,000	289,000	289,000
7310	Transportation Subsidy	399,087	404,175	409,329	414,548	419,833	425,186
7320	PlanCon	215,543	167,707	176,478	62,481	0	0
7340	Property Tax Reduction	367,456	367,456	367,456	367,456	367,456	367,456
7505	Ready To Learn Block Grant	202,807	202,807	202,807	202,807	202,807	202,807
7810	Social Security Reimbursement	150,724	157,451	165,560	283,578	292,085	300,848
7820	PSERS Reimbursement	1,343,074	1,391,944	1,451,186	1,508,543	1,573,642	1,634,181
7XXX	Other State Revenue	5,325	5,325	5,325	5,325	5,325	5,325
	State Sources Subtotal	16,471,035	17,143,609	17,483,317	17,814,080	18,100,520	18,451,194
	Federal Sources						
8514	Title I Funding	663,225	663,225	663,225	663,225	663,225	663,225
8515	Title II Funding	56,758	56,758	56,758	56,758	56,758	56,758
8517	Title IV Funding	49,835	49,835	49,835	49,835	49,835	49,835
8732	QSCB Reimbursement	33,808	33,808	33,808	33,808	33,808	33,808
8800	Medicaid ACCESS	86,609	86,609	86,609	86,609	86,609	86,609
8C	Federal COVID Grants	2,384,949	2,409,610	2,409,610	0	0	0
8XXX	Other Federal Revenue	1,000	1,000	1,000	1,000	1,000	1,000
	Federal Sources Subtotal	3,276,184	3,300,845	3,300,845	891,235	891,235	891,235
	Other Financing Sources						
9930	Fund Transfers	0	0	0	0	0	0
	Other Financing Sources Subtotal	0	0	0	0	0	0
	Total Revenues	21,751,639	22,496,442	22,907,483	20,888,501	21,235,005	21,645,948
	EXPENDITURES						
	Salaries	4,934,225	5,112,252	5,265,679	5,423,711	5,586,487	5,754,147
110	Administrators	561,068	577,900	595,237	613,094	631,487	650,432
120	Teachers	3,109,072	3,202,344	3,298,415	3,397,367	3,499,288	3,604,267
130	Nurse / Attendance Improvement & Facilities	110,217	143,524	147,889	152,388	157,024	161,800
140	Network & Technology Support	53,165	54,759	56,402	58,094	59,837	61,632
143	Extended Day Program	0	0	0	0	0	
150	Clerical Staff	172,471	177,645	182,974	188,463	194,117	199,941
180a	Custodians & Maintenance Worker	279,191	287,567	296,194	305,079	314,232	323,659

		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
180b	Security	52,986	54,575	56,213	57,899	59,636	61,425
190	Paraprofessionals / PCAs / Crossing Guards	596,056	613,937	632,356	651,326	670,866	690,992
	Benefits	3,575,979	3,687,246	3,812,957	3,937,567	4,073,439	4,204,855
211	Medical Insurance	1,312,863	1,345,684	1,379,327	1,413,810	1,449,155	1,485,384
220	Social Security	377,353	388,792	400,456	412,470	424,844	437,589
230	PSERS	1,719,625	1,782,196	1,858,048	1,931,485	2,014,836	2,092,347
2XX	Other Benefits	166,138	170,573	175,127	179,803	184,604	189,535
	Personnel Subtotal	8,510,204	8,799,497	9,078,636	9,361,278	9,659,926	9,959,002
	Operating Expenditures						
322	IU Services	480,254	492,501	505,060	517,939	531,146	544,690
3XX	Purchased Services	506,771	519,694	532,946	546,536	560,473	574,765
420/620	Utilities	176,763	181,271	185,893	190,634	195,495	200,480
4XX	Property Services	90,247	92,548	94,908	97,328	99,810	102,355
510	Transportation	848,599	874,057	900,278	927,287	955,105	983,758
	Total Tuition	9,179,437	8,236,628	8,283,809	8,666,013	9,668,820	10,296,845
561	WMASD/EASD Tuition	4,268,833	3,717,030	3,980,939	4,263,586	4,515,137	4,781,530
562	Charter School Tuition	4,661,429	4,264,070	4,040,826	4,133,700	4,878,103	5,232,708
564	Steel Center	154,850	158,799	162,848	167,001	171,259	175,626
560	Other Tuition	94,325	96,730	99,197	101,726	104,320	106,981
5XX	Other Purchased Services	191,989	196,885	201,905	207,054	212,334	217,748
610/630	Supplies & Meals	108,880	111,656	114,504	117,424	120,418	123,488
640/650	Books and Technology	78,796	80,805	82,866	84,979	87,146	89,368
700	Property	0	35,000	5,128	5,258	5,392	5,530
8XX	Other Objects	21,453	21,453	21,453	21,453	21,453	21,453
800/900	Debt Service	1,077,524	1,020,402	925,202	813,602	751,252	749,052
9XX	Other Financing Uses	0	0	0	0	0	0
	Operating Expenditures Subtotal	12,760,713	11,862,901	11,853,952	12,195,506	13,208,844	13,909,534
	TOTAL EXPENDITURES	21,270,917	20,662,398	20,932,589	21,556,785	22,868,770	23,868,537
	Operating Result	480,722	1,834,045	1,974,894	(668,284)	(1,633,765)	(2,222,589)
	Total Fund Balance	1,497,803	3,331,848	5,306,742	4,638,458	3,004,693	782,104

B. An Enhancement Program for Increased Real Estate Revenue

Duquesne City School District has made great progress to maximize financial and human resources, minimize duplication of efforts, and eliminate wasteful spending. Key stakeholders have demonstrated fiscal stewardship by providing long-term projections of revenues, expenditures, and debt service. These collective efforts to monitor expenditures and reduce the deficit have helped the School District on its path toward financial stability.

Despite these improvements to manage expenditures, however, Duquesne City School District continues to face a revenue challenge. The School District's revenue remains less than adequate to meet normal operating expenses. This challenge is not unique to the Duquesne City School District. Across Pennsylvania, the tax base for many school districts is usually stagnant or declining. Annual growth in expenditures typically outpaces growth in major state subsidies or federal grants.

Complicating Duquesne City School District's revenue problems is the fact that the School District has not increased local real estate property taxes for 21 years. This has forced the Duquesne City School District to rely heavily on state subsidies, federal revenues, and its own fund balance to support continued operations in recent years. If current trends continue, it is projected that the District's deficit will exhaust its fund balance approximately six years from now.

To address these revenue challenges, the Receiver proposes a solution to increase real estate revenue to stabilize finances. **An Enhancement Program for Increased Real Estate Revenue** is presented as a strategy to generate additional real estate tax revenue, to meet changing school operation needs, and to help bring financial stability to the School District. This is proposed to be part of the Financial Recovery Plan.

The Enhancement Program for Increased Real Estate has three distinct components, and each is inter-related to the overall goal of increasing real estate revenue to sustain financial stability.

The components are, as follows:

1) Residential and Commercial Real Estate Tax Assessment Appeals Program

In Pennsylvania, tax valuations for real estate are mostly related to the reassessment process, which in most cases is determined by counties. Pennsylvania counties typically conduct a property valuation reassessment very infrequently. Allegheny County conducted its most recent reassessment in 2013, and many counties have an assessment year that is many decades old. As a result, absent significant economic development, valuations tend to decrease over time as property owners appeal valuations for a lower amount. Due to these factors, real estate tax valuations for Pennsylvania school districts and municipalities are usually flat unless there are substantial amounts of new development added to the tax rolls.

Residential Properties

Real Estate Residential Tax Assessment Appeals. For residential properties recently sold in Duquesne and assessed in 2021 lower than the purchase price, an appeal will be filed with the Allegheny County Assessment Board by Andrews and Price LLC, Pittsburgh, on behalf of the School District. Appeals will be filed by March 31, 2022. Appeals, where the County's assessment is at least \$10,000 or lower than the recent purchase price, are subject to the same criteria adopted at a Receiver Business Meeting in 2021. The Appeals Boards and Courts apply the County's Common Level Ratio, as adjusted beginning in 2022, to ensure fair market value determinations are consistent with uniform assessments.

Commercial Properties

Real Estate Commercial Tax Assessment Appeals. Property sales with a purchase price of \$10,000 or more above the current assessed valuation will result in an appeal, subject to the same criteria used for residential assessment appeals. The Appeals Boards and Courts apply the County's Common Level Ratio, as adjusted beginning in 2022, to ensure fair market value determinations are consistent with uniform assessments.

Taxpayers' Appeals. All residential and commercial properties assessed over \$200,000 where the owners are appealing the assessment will be monitored by Andrews and Price LLC, including attendance at hearings. Once the Appeals Board issues decisions, including a review of any submitted documents, Andrews and Price, LLC will determine whether reductions are justified and whether appeals to the Court on behalf of the School District are warranted. The same criteria and process used previously will be followed in 2022.

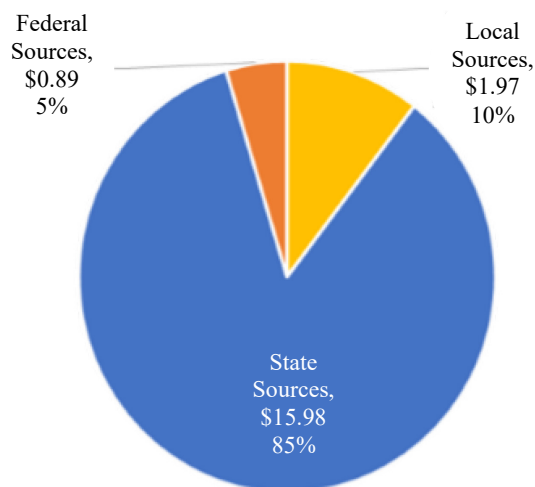
2) Delinquent Tax Collections

The School District has a Service Agreement with Kratzenberg & Associates, Pittsburgh, as special counsel, and with Keystone Municipal Collections as the agency for collection of delinquent real estate taxes. Services include, but are not limited to, letters, notices, rental attachments, and the selection of legal proceedings against delinquent taxpayers before a local magisterial judge or any other court of law in Allegheny County. Filing of initial tax liens, bankruptcy claims, sheriff proceedings claims, or real estate claims and providing for legal representation by the special counsel are included in the professional services.

The Service Agreement with Katzenberg includes provisions for delinquent real estate collections based on the most recent tax year and can further file a judgment for delinquent taxes based on a 5-year statute of limitations or consider filing a lien within 3 years of the real estate property. Recently, discussions have focused such filings based on a specific threshold owed on real estate property taxes.

3) Local Real Estate Taxes

Based on the audited Annual Financial Report for the 2020-2021 school year, the School District had a deficit of \$1,520,663 and a fund balance of \$1,017,081. The School District's 2021-2022 school year General Fund Budget for revenues is shown in the chart to the right. The revenue budget totals \$18,840,218, and it reflects an approved 17.5 millage rate, with an adjusted millage rate of 16.5673. The expenditure budget is \$21,260,252, and the budget draws on nearly \$2.4 million in fund balance and one-time ESSER funds.



School District Budgeted Revenues,
2021-2022 school year (in millions)

To that end, the School District continues to make slow but steady progress in addressing its annual deficits to efficiently support normal operating costs and maintain a modest fund balance. This progress has been highlighted in previous Receiver's reports, and in the period updates to the 5-year financial projections. Although the School District has benefited from increases in state support through the Basic Education Funding subsidy and other sources, its local taxes have been relatively flat. The School District has not increased local real estate property taxes for 21 years, and more recent school years' financial results have relied heavily on state subsidies, federal revenues, and fund balance to support continued operations.

To establish financial stability for the Duquesne City School District, key stakeholders should embrace the belief that good schools are a great investment. Therefore, full consideration should be given for annual modest real estate property tax increases, staying well within the Act 1 Index for inflationary purposes.

For example, as a recommendation, an annual half-mill (0.5) increase in the real estate tax rate could be considered for each of the next 5 school years, staying well within the Act 1 Index. Regular increases in the real estate tax rate will provide local support for improvement efforts, and to sustain those investments in future years. The District has limited means to impact other areas of its revenue budget, and the level of future increases in Commonwealth support through the major state subsidies will have a significant impact on the overall trend of future revenue growth.

As noted above, the tax base for real estate taxes is usually stagnant or declining for most Pennsylvania school districts. Annual growth in expenditures typically outpaces growth in major state subsidies or federal grants. Regular increases in the real estate property tax rate will demonstrate a shared financial commitment and responsibility to make Duquesne City a "turnaround school district" in a partnership with state and federal agencies. Funds from the tax increases should be identified to provide local support for important priorities of the School Board and local stakeholders. This can include supporting academic programs, athletic fund investments, or ongoing facilities maintenance.

This strategy is consistent with a 2021-2022 Board Resolution by the Receiver, acting on behalf of the Board of School Directors, titled, **A Resolution for Sound Fiscal Management and Accountability**. The Resolution underscores the School District's plan for a new 5-year financial projection of revenues, expenditures, and debt service, including updates of projections as part of the Annual Budget planning and approval process. Long-term planning has been a core component of the School District's stabilization and improvement over the past several years, and it will continue to be critical to maintain these gains.

C. Regular Student Enrollment

Duquesne Elementary School Regular Student Enrollment December 31, 2021

Grade >	Pre-K	K	1	2	3	4	5	6	7	Total
Sept 2018	32	60	45	44	53	38	37	59	-	368
Dec 2018	31	58	43	47	52	35	37	60	-	363
Mar 2019	30	58	43	47	52	35	37	60	-	363
Jun 2019	30	58	54	53	58	39	42	55	-	389
Sept 2019	41	62	60	55	55	57	42	47	-	419
Dec 2019	42	62	58	55	47	55	43	44	-	406
March 2020	42	65	58	53	51	57	43	48	-	417
June 2020	42	65	58	53	51	58	43	48	-	418
Sept 2020	13	54	61	51	47	55	52	42	-	375
Dec 2020	12	51	54	46	43	53	51	39	-	349
March 2021	12	51	55	47	43	52	53	40	-	353
June 2021	13	51	57	48	44	53	53	41	-	360
Sept 2021	15	54	54	58	49	46	51	55	43	425
Dec 2021	14	49	51	57	48	43	49	52	45	408

D. Regular Education – Sections, Class Size, and ESL Data

Duquesne Elementary School Regular Education Sections, Class Size, and ESL Enrollment December 31, 2021

Grade	Pre-K	K	1	2	3	4	5	6	7	Total
Sections	1	3	3	3	2	2	3	3	2	22
Per Class Avg.	15	18	18	19.3	24.5	23	17	18.3	21.5	19.4
Total by Grade	14	49	51	57	48	43	49	52	45	408
ESL by Grade	1	3	3	3	6	6	7	6	4	39

E. Average Student Attendance

2020-2021 School Year

Month	Day Count	Avg. Monthly % Present	Avg. % Absent Count	Avg. Excused Count	Avg. Unexcused Count	Avg. Unlawful Count
Aug	9	94.69%	5.31%	4.11	12.88	0
Sep	22	92.11%	7.89%	6.72	19.4	0
Oct	22	92.63%	7.37%	4.59	19.45	0
Nov	21	88.3%	11.7%	10.61	22.28	0
Dec	23	89.77%	10.23%	3.54	18.26	0
Jan	21	91.1%	8.9%	4.52	20.14	0
Feb	20	91.47%	8.53%	3.64	22.19	0
Mar	23	91.16%	8.84%	3.58	23.13	0
Apr	22	87.15%	12.85%	5.88	29.59	0
May	21	87.47%	12.53%	4.9	32.33	0
Jun	3	87.96%	12.04%	0	33	0
Total	207	90.41%	9.59%	5.18	22.64	0

2021-2022 School Year

Month	Day Count	Avg. Monthly % Present	Avg. % Absent Count	Avg. Excused Count	Avg. Unexcused Count	Avg. Unlawful Count
Sep	18	92.23%	7.77%	12.94	5.33	0
Oct	20	91.48%	8.52%	10.77	8.5	0
Nov	22	91.33%	8.67%	6.47	13.04	0
Dec	23	92.59%	7.41%	4.21	12.23	0
Total	83	91.9%	8.09%	8.60	9.78	0

F. Charter School Enrollment and Projected Tuition Costs

Duquesne City School District Charter School Enrollments December 31, 2021

Month	Year	Elementary	Secondary	Total Enrollment
September	2018	152	51	203
December	2018	156	52	208
March	2019	154	56	210
June	2019	135	78	213
September	2019	109	95	204
December	2019	112	98	210
March	2020	128	73	201
June	2020	127	72	199
September	2020	137	87	224
December	2020	141	83	224
March	2021	141	84	225
June	2021	135	79	214
September	2021	141	75	216
December	2021	147	76	223

G. Receiving Schools, Tuition Enrollments, and Projected Costs (includes Special Education, East Allegheny and West Mifflin)

Duquesne City School District Tuition Enrollment December 31, 2021

Receiving Schools	Grades	Students September 30	Students December 31	Projected 2021-2022 Tuition
West Mifflin Area School District	8- 12	271	273	\$4,089,902
East Allegheny School District	8 - 12	15	15	224,675
Charter schools, regular education	K - 6	115	118	1,860,148
Charter schools, special education	K - 6	26	29	1,120,696
Charter schools, regular education	7 - 12	50	51	803,962
Charter schools, special education	7 - 12	25	25	966,117
Special Education schools	K - 12	17	17	723,314
Other schools	K - 12	0	0	0
Totals		519	528	\$9,788,004

Notation: The previous table includes Allegheny Intermediate Unit special education classroom tuition, whereas the tuition schedule on the Annual Financial Report does not include these costs.

H. PSSA Historical Data

Duquesne City School District-PSSA

2016-2017 2017-2018 2018-2019 2020-2021 2021-2022

ELA

3rd	22.60%	15.80%	14.60%	23%
4th	16%	24.20%	18.20%	18%
5th	12%	16.70%	21.90%	10%
6th	13.80%	12.50%	8.20%	16%

Math

3rd	13%	10.08%	12.50%	4%
4th	4.00%	11.80%	9.10%	0%
5th	8.80%	3.80%	9.40%	6%
6th	6.90%	7.50%	2.00%	5%

Science

4th	32.60%	39.40%	50%	32%
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I. PVAAS Historical Data

Duquesne City School District PVAAS

	2017-2018	2018-2019	2019-2020
ELA			
4th	-1.6	0.3	1.82
5th	-1.49	4.5	-1.17
6th	-0.06	-3	-0.7
Math			
4th	-1.6	1.8	0.77
5th	1.36	-0.8	1.9
6th	1.9	-1.5	-1.13
Science			
4th	-2.29	6.1	0.18

Key – These colors indicate the level of academic growth as measured by the PA Academic Growth Standard

Dark blue – indicates strong evidence of exceeding the growth standard

Light blue – indicates moderate evidence of exceeding the growth standard

Green – indicates evidence of meeting the growth standard

Yellow – indicates moderate evidence that the school did not meet the growth standard

Red- Significant evidence that the LEA/district did not meet the growth standard

J. General Fund Balance Analysis

Duquesne City School District General Fund Balance Analysis June 30, 2021

Non-spendable		
Pre-paid	\$142,377	
Other	-	
Total non-spendable		\$142,377
Restricted		-
Committed		-
Assigned for extraordinary educational needs	\$500,000	
Total Assigned		\$500,000
Unassigned		\$374,704
Total fund balance as of June 30, 2020 (audited)		\$2,537,744
Surplus (deficit) for FY 2020-2021		(\$1,520,663)
Total fund balance as of June 30, 2021 (audited)		\$1,017,081

K. Debt Service and Bond Notes

Bonds and Notes Payable December 31, 2021

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*	6,110,883	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
2020*	3,122,500	790,000	3,912,500
2021**	11,661,667	730,000	12,391,667
2022**	10,980,834	665,000	11,645,834
2023**	10,935,000	0	10,935,000
2024**	10,319,167	0	10,319,167
2025**	\$9,803,334	0	\$9,803,334

* Audited financial statements

** Projected