

Fox Chapel Area School District
Resource Planning Committee Meeting
February 26, 2020
6 p.m.
Staff Development Room
Fox Chapel Area School District Administrative Offices
611 Field Club Road, Pittsburgh, PA 15238

Members in Attendance:

Greg Dolan	Marybeth Dadd
Richard Meyer	Eric Hamilton
Joel Weinstein	Ron Frank
Bryan Elder	David McCommons
Somer Obernauer Jr.	Kimberly Pawlishak

Members Absent:

Tim Lang
Robert Marsh
Kevin Romango

Daniel DiDesiderio and Kathleen Anuszek were in attendance. One member of the public was in attendance.

I. 2019-2020 ESTIMATES

- a. Ms. Pawlishak presented that there have been several adjustments from the original budget that was approved in June 2019 to present. Original budget projected a \$2.3 million deficit, which was to be drawn down from fund balance, there was no tax increase in 19.20. Adjusted budget shows a deficit of \$4.1 million which is an increase of \$1.8 million.
- b. Ms. Pawlishak explained where some of those adjustments came from; paving projects, personnel changes at time of budget vs actual needs and hires, grant funds and expenditures that were not finalized at time of budget as well as other expenditure changes.
- c. Ms. Pawlishak also addressed the estimated actuals for 2019-20 explaining the conservative methodology used. The 2019-20 estimated actual variance is projected to be a negative \$3.7 million, which is a \$1.4 million increase from original budget. This number related most to the paving projects and few Kerr expenditures which will all be drawn down from the Capital Improvement Fund Balance. 2019-20 is estimated to have an ending fund balance total of \$20.1 million.
- d. Ms. Pawlishak explained that there are still multiple variables to the estimated actuals and there is still room for that \$3.7 figure to change. One such variable relates to the HS Paving project which is currently paid out of the Construction Fund, but once the bond proceeds are exhausted, the remaining expenses will need to be covered by Fund 10. Any amount would be drawn down from the Capital Improvement Fund Balance.

II. 2020-2021 BUDGET

a. Preliminary budget numbers & summaries

- i. Ms. Pawlishak presented a draft version of the 2020-21 preliminary budget. She went over revenues stating that in order to establish a base line, revenues are reported as if there will be no tax increase. There has been an effort to bring budgeting to closer reflect the actuals received. In the past revenues were under-budgeted with expenditures over budgeted which resulted in a projected deficit at budget time, but the year would actually end as a positive. The budgets now are being done closer to the actuals and while there may still be room for savings and variances, it won't be as great as in years past. The gap between budget to actual is narrowing.
- ii. Local revenues still make up the largest portion of our revenues. This is really the only section of revenue that the district has some control on in regards to bringing in more funds.
- iii. State and Federal Revenues are budgeted based on 19.20 numbers as most amounts are provided to us based on calculations. PA State budget has not been passed so the final subsidy amounts are still not known, which is why 19.20 numbers are used.
- iv. Expenditures are being presented in a new way this budget year. For the purpose of budgeting, they are divided into 3 groups: Personnel, Mandated/Contractual, and Non-Personnel/Non-Mandated.
- v. Personnel for 20-21 makes up the largest portion of the budget, 73.3%. Wage increases are based on contractual increases as well as high end estimates for those contracted positions whose increases result from their evaluations, there is minimal room for savings here.
- vi. Benefits are predominately comprised of PSERS employer costs as well as insurance costs and employer taxes.
- vii. Contractual/Mandated costs comprise of 19.1% of the total budget. For the most part these are items that there isn't much wiggle room or savings in at the moment.
- viii. The final group of costs, Non-Personnel/Non-Mandated costs comprise of \$7.9 million and make up 7.6% of the budget, a decrease of 3% from 19.20 original budget. A large portion of this is budgetary reserve, which is made available for unforeseen, emergency expenses, yet not expected to spend fully to budget. There is also an amount in this section relating to the capital improvements plan, \$694k total for the year, which will be drawn down from the capital improvement fund balance at the end of the year.
- ix. Total 2020-21 budget projects a deficit of \$3.1 million. If no reductions are made from the budget, then the 2 options are to either have no tax increase and draw the full deficit down from fund balance, which brings the fund balance to \$17 million, or have a tax increase to off-set the deficit. A full tax increase, 2.6%, would bring in an additional \$1.7 million and keep the ending fund balance at \$18.6 million.
- x. There are still a few variables left that can change these numbers, most importantly being a change to the current projected staffing for the year. 28 teachers are retiring at the end of the current year with 20 set to still be replaced. For every additional teacher that won't have to be replaced, there would be a reduction of \$100k in the budget.

- xi. Final takeaways – there needs to be some sort of tax increase for the 2020-21 year. In an effort to keep a healthy fund balance, including a healthy unassigned portion of the fund balance, some type of increase is needed. There also should be an emphasis to looking into staffing ratios and schedules. We need to schedule responsibly. The largest room for savings is related to personnel costs.
 - b. Tax increase options & millage impact
 - i. Will be discussed in more detail at the next meeting.
- III. 2020-2021 ENROLLMENT
- a. Presentation by Dr. Daniel DiDesiderio.
 - b. Mr. DiDesiderio presented a new presentation on enrollment projections. This is different than what was used in the past and emphasizes on regional live births, not just district zip codes. The overall trend is that enrollment projections are decreasing and 20-21 is estimated to have a total enrollment of 4053. This is as a result of an outgoing senior class higher than an estimated incoming kindergarten class.
- IV. DISCUSSION AND QUESTIONS
- a. More time is needed for projections regarding how many teachers will be replaced. Some teachers would like to move to open positions, which needs to be worked out first.
 - b. A full presentation of the budget will be available in May at the School Board meeting.

Questions:

1. How many additional administrators and security guards have been hired?
 - a. Answered during the meeting: Last year we added 1 new administrative position, Safety & Security Coordinator, which was a mandated new position from the state for districts to have. In addition to the school resource officers that have already been in place at the HS and DMS, the district has 7 police officers. 2.5 of which are paid via the safety and security grant awarded the end of 2018-19. The grant funds are allocated through the 20-21 school year.
2. How does the district pay for the new School Safety and Security Coordinator?
 - a. Answered during the meeting: This position, which was mandated by the state, is paid via district funds. This is not paid with any of the safety grants received.
3. Out of what fund was the asbestos abatement paid?
 - a. Answered during the meeting: This is in regards to Kerr construction. These costs were and are paid via Fund 33, Construction Fund, which is funded from the bond proceeds of the 2017 Bond.
4. *What is the estimated overage or underage from the bond issue?*
 - a. *Answer will be further researched and provided by the next meeting. Additional personnel are needed to provide the up to date information.*
5. *Is 95.5% for real estate tax collections similar to neighboring districts?*
 - a. *Answer will be further researched and provided by the next meeting.*

6. What is the formula for special education funding from the state? What is it based on?
 - a. Answered partly in meeting: Funding formula is state derived. Based on a weighted number of special education students with district ratios also taken into account. A more detail answer including the actual funding formula itself will be provided.
7. What percentage of students in the district are special education?
 - a. Answered in the meeting: 11% special education students, an additional 7-8% gifted education students.
8. Have we received PlanCon reimbursements from the state? How do we handle it financially if we do not receive reimbursements? Did we receive PlanCon for the new Kerr?
 - a. Answered in the meeting: At the moment we receive PlanCon reimbursements for our 2013 Bond Issue. There is currently state funding for this program so we still budget for the reimbursement. If the program would not have funding at the state level then additional information and guidance from auditors would be needed on the proper way to account for the funds. Likely, it would be counted as revenue to be received.
 - b. At the time of the beginning stages of the Kerr project, there was (and still is) a moratorium on PlanCon projects with no new projects receiving reimbursements. The project itself has completed every appropriate PlanCon step so that if the moratorium is ever reversed we can still see about submitting for the reimbursement, however the 2017 Bond Issue was completed with the thought that we would not be receiving any reimbursements.
9. Is there any funding for the new Pre-K program?
 - a. Answered in the meeting: We do not receive any additional funding specifically for the Pre-K program, however the district does receive an annual Ready to Learn Grant from the state that is able to be used for Kindergarten and Pre-K programs. Part of this grant is used to offset salaries and benefits of the Pre-K program teacher.
10. What percentage of health insurance premiums do district employees pay?
 - a. Answered in the meeting: Employee contributions are based on Collective Bargaining Agreements (CBAs). For 20-21 most CBAs are set to have employees contributing 10% of the premium, Support Staff are set to contribute 9.75%. These rates increase annually based on how the CBA is set.
11. Question about PSERS. Is the amount of PSERS reflected in the expenditures the full contribution or does it include the reimbursement from the state?
 - a. Answered in meeting: The full employer contribution is reported as an expenditure. The reimbursement received from the state is then recorded as a revenue.
12. *What is the explanation of increases on page 8; Function 2800, Account 100's and 200's?*
 - a. *Answer will be further researched and provided by the next meeting.*
13. What are other objects on page 8, 2800?

- a. Answered in meeting: “Other Objects” in terms of accounts is classified by the PDE Chart of Accounts. These are all accounts in the 800s. For most functions (including the 2800 functions), these are account 810, Dues & Fees. Debt Service will also have account 830, Interest and Legal Services will have account 820, Claims & Judgements.
14. What is the total for constructions services on page 11, 4600?
- a. Answered in meeting: These are costs associated with facilities, and include capital improvement planning items.
15. What is the total for property services on page 12, 4400?
- a. Answered in meeting: Same as 4600, there are costs associated with facilities and include capital improvement planning items.
16. Should we be concerned that the fund balance is shrinking? Is a 20% fund balance suspect?
- a. Discussed in meeting: Yes, there is a concern regarding the continued drawing down of the fund balance. Most of the fund balance is allocated to Assigned or Committed projects meaning that the district can only draw down from those sections for expenditures relating to the specific projects. Unassigned fund balance is the amount that can be allocated for future years’ budgetary reserve and are seen as contingency funds for emergency or unplanned expenses that may occur; such was the case in 2018-19 with the mold issues the district faced.
 - b. Further discussion occurred with members stating that the PA Auditor General DePasquale recommends district fund balances should not exceed 20% of total spending or else it should be questioned. The current fund balance total meets that threshold however more than 80% of the fund balance is either assigned or committed. The state mandates that unassigned should not be more than 8% of the total expenditures, Ms. Pawlishak recommends that the district maintains and unassigned fund balance of around 2% of expenditures to keep a healthy amount available for budgetary reserve.
17. *When will the 5-year plan be completed?*
- a. *Answer will be further researched and provided by the next meeting. Additional personnel are needed to provide the up to date information.*
18. Regarding PSERS, can we draw down as much as we want?
- a. Answered in meeting: Technically yes, the amount that is drawn down from the PSERS Committed Fund Balance is an arbitrary number and can be drawn down in it’s entirety as the total expenditures relating to PSERS are the budget far exceed the PSERS fund balance. This is obviously not recommended, but in an effort to keep the unassigned fund balance at the 2% recommendation, we can definitely draw a larger amount from PSERS fund balance. Current preliminary budget has \$750k set to be drawn down, but this could increase to \$1 million just to off-set the amount drawn down from unassigned.
19. *Regarding the Pre-K program on page 6, \$329,000 increase, how can we support that increase? Is this sustainable? Isn’t that a lot for one classroom?*
- a. *Answer will be further researched and provided by the next meeting.*

20. *What is the operations & maintenance 13% increase on page 8, 2600? Has this been going up each year?*
- a. *Answer will be further researched and provided by the next meeting.*

Closing discussion: Minutes from tonight will be presented to the school board and posted online. The school board can direct any additional areas of cost-savings measures to look into in addition to areas discussed by the group tonight , including in the areas of staffing projections. Those may be reflected in the numbers at the next resource planning meeting.

V. SCHEDULE NEXT MEETING

The next meeting will be held on Monday, March 16, 2020, at 6 p.m. in the staff development room.

VI. ADJOURNMENT

The meeting ended at 8 p.m.