

Fox Chapel Area School District  
Resource Planning Committee Meeting  
April 15, 2020  
5:30 p.m.  
Via Zoom Meeting Platform

Members in Attendance:

Greg Dolan  
Tim Lang  
Robert Marsh  
Richard Meyer  
Kevin Romango  
Joel Weinstein  
Bryan Elder  
Sommer Obernauer Jr.  
Marybeth Dadd  
Eric Hamilton  
Ron Frank  
David McCommons  
Kimberly Pawlishak

Members Absent:

None

Bonnie Berzonski, Liz Dessell, and Kathleen Anuszek were in attendance. One member of the public was in attendance.

I. 2019-2020 ESTIMATES

- a. Ms. Pawlishak presented how COVID-19 is affecting the 2019-2020 estimated actuals. In terms of expenditures, Ms. Pawlishak presented that expenses continue even throughout the closure.
  - i. Salaries and Benefits continue for all regular staff that were employed as of March 13<sup>th</sup> 2020 as per legislation.
  - ii. Tuition payments are still to be paid out based on enrollments as of March 13<sup>th</sup> 2020. Charter and Cyber schools are not allowed new enrollees OR to remove enrollments during the closure.
  - iii. Contracted payments are to continue as if the school was open. This includes AW Beattie payments, AIU services, Printer lease, as well as other support services.
  - iv. Transportation Contract requires more guidance. While legislation stated that transportation contracts were to continue to be paid as if schools were open, part of the legislation was based on the fact that the companies continued to pay their staff as of March 13<sup>th</sup> 2020. ABC Transit had furloughed their employees and therefore there is uncertainty on whether the district is required to continue payments for the year.

1. Ms. Pawlishak explained that in light of these unknowns, for 2019-2020 she is estimating that the district will still pay 80% of what is left towards the contract, roughly \$1.3 out of \$1.5 million.
  2. These numbers may change, but it's worth pointing out that the total amount paid in 2019-2020 is what will be used for calculation of the 2020-2021 transportation subsidy.
- v. There are also a number of refunds/reimbursements that may be due to the district based on cancelled events. There are also a number of expenses that are being credited towards future years and the expenses are being recoded for 2020-2021.
- b. Revenues are impacted as well.
- i. Collectable taxes:
    1. Earnings on Investments (interest) is reduced due to the cut interest rates.
    2. Earned Income taxes are estimated at a reduction relating to the likelihood that residents are not receiving salaries, therefore not having local tax withheld to be remitted.
    3. Delinquent tax collection is reduced relating to lack of income to residents making it impossible to pay their delinquent taxes. This is the time of year where most of our delinquent tax income is received.
  - ii. State revenues for 2019-2020 are not supposed to be affected and all communication states that subsidies and reimbursements will be paid in their entirety. What has not been communicated is the timeline of receiving the payments. They may be delayed leading to cash flow questions.
  - iii. There are no known changes to federal revenues at this time.
- c. Ms. Pawlishak continued to state that there are MANY unknowns regarding COVID-19 and the true effects. These effects won't fully be known until well after the school year is over. For estimation purposes, the best estimate is to plan on reduced revenues while expenditures stay relatively normal.
- i. Not all line items are anticipated to be spent to budget this year. In light of the closure certain line items have \$0 in estimated expenses through the end of the year, this includes meals & refreshments, field trip transportation, etc.
- d. Revenues are anticipated to come in 0.8% below original budget, and expenditures 1.7% over original budget. The large cause of the expenditures relates to the \$1.4 million that was added to the budget this year in relation to fund transfers to capital projects to cover paving projects for Ohara and Fairview.
- e. The current estimate projection is set to show a \$4.7 million-dollar drawdown of the fund balance. Originally \$2.2 million was set in the original budget to draw down from fund balance in lieu of raising taxes for the 2019-2020 school year. This estimate presents an additional \$2.3 million to be drawn down, \$1.5 is relating to the capital projects fund transfer plus Kerr building expenses and that will come from the Assigned Capital Projects portion of the fund balance. For projection purchases Ms. Pawlishak has prepared an additional \$750k drawn

down from PSERS Committed (bringing the total drawdown from PSERS for 2019-2020 to \$1.5 million). The remaining difference is drawn down from unassigned fund balance, assigned athletic fund balance and committed GALA fund balance. Athletics and GALA are tied directly to purchases throughout the year.

- f. This projects the ending Fund balance at \$19.1 million. The ending unassigned fund balance portion is at \$1.6 million. Unassigned fund balance is what is used towards budgetary reserve for the following year's budget so it's important to ensure that it ends the year at over \$1.5 million, which is what the 2020-2021 budgetary reserve is currently set at.

## II. 2020-2021 BUDGET

- a. Ms. Pawlishak began the 2020-2021 budget overview with the COVID-19 impact on the budget.
  - i. Revenues are anticipated to be reduced due to the closures.
    - 1. This includes all collectible taxes:
      - a. Current real estate taxes
      - b. Delinquent taxes
      - c. Act 511 taxes (earned income, real estate transfer tax)
    - 2. State Revenues are likely to change, but still unknown at this time. Transportation subsidy is likely to be reduced as it's tied to the actual expenses in the 2019-2020 school year, and as stated earlier total amount to be paid out in 2019-2020 is still awaiting further guidance.
    - 3. There is no guidance on any other revenue changes including federal.
  - ii. There were no changes at this budget iteration at this time. Budgeting is still based on a full year of service.
- b. Total Revenues = \$98,986,524 (not counting unassigned fund balance)
  - i. Local Revenues - \$77,801,714
    - 1. While Current Real Estate assessments have increased, due to COVID-19, collection rate was calculated at 95% even though historical collections are around 96%. Discussion with the group is to lower that even more. And to look back to 2009/2010 to check the collection rates after the last recession.
    - 2. Act 511 and Delinquent taxes are budgeted at the same rate of prior year, but discussion as to decrease those as well. Earned Income tax for 2020-2021 includes September through August. The depending on how long the closure lasts it may be a while before residents are all back to work. If they aren't collecting a salary there is no local tax being withheld.
    - 3. Other Local Income is drastically reduced relating to the drop in interest rates.
  - ii. State Revenues - \$19,858,772

1. No change is budgeted for Basic Ed and Special Ed subsidies. These are unknown however. The numbers are formula based and based on PA State budget, which is not known at this time.
2. Reduction in Other State Revenue related to a reduced transportation subsidy. Other State Revenue also includes Reimbursement of PSERS, which is increased from prior year, based on expenditures.
  - a. State Revenue numbers are provided directly from the state or are based on expenditures in the budget.
- iii. Federal Revenues - \$813, 971
  1. Based on prior year budget/actual received.
  2. No further guidance at this time regarding federal revenues
- iv. Other Revenues - \$512, 007
  1. Relates to lease proceeds from the new technology lease (tied directly to an expense) and anticipated sales of fixed assets.
- v. In terms of historical budget to actual, typically the district does receive higher than budget, but due to COVID-19 there are still unknowns on this trend continuing next year.
- vi. There are also a number of variables relating to revenues for 2020-2021.
  1. Actual reductions to revenues relating to COVID-19 are unknown and likely will not be known for years to come.
  2. PA Dept of Ed subsidies are not finalized yet.
  3. PA Budget is also not finalized and that drives the subsidies.
  4. Federal Stimulus fund amounts are not yet known and they are also ties to specific expenses.
  5. Any millage increase from raising property taxes would increase total revenues.
    - a. This is assuming the district is able to increase property taxes
    - b. This is also assuming that collections continue for property taxes. There have been discussion on “pauses” to property tax collection. Ms. Pawlishak explained that this would not be a good option for the district as most of the district revenue comes from property taxes. A pause on collection would have an extremely negative impact on available cash reserves and cash flow. We need to still be able to collect taxes from those residents that are still able to, as well as the ones that have their taxes already in existing escrow accounts.
- c. Total Expenditures = \$103,811,264 (not counting budget reserve)
  - i. Expenditures are broken out into 3 categories in terms of budgeting:
  - ii. Category 1 is Personnel Costs (Wages & Benefits)
    1. Personnel accounts for over 72% of overall budget and is at a slight decrease from prior year in terms of total cost.
    2. Personnel changes for 2020-2021 include wage increases relating to Collective Bargaining Agreements (CBA) and estimated

evaluation increases for contracted personnel. There are also increases to benefits including a 3.5% increase to medical insurance premiums, 6% for dental and 7% for vision. Employee contributions are tied to CBAs/contracts.

3. There are 28 teachers retiring from the Early Retirement Incentive, currently 20 are still set to be replaced.
  4. Total wages = \$47,417,511, a \$400k decrease from prior year.
    - a. The reduction is likely tied to the ERI, further research will be completed by the next meeting to show the cost savings relating to the ERI.
  5. Total Benefits = \$29,304,976, a \$200k decrease from prior year.
- iii. Category 2 is Contractual/Mandated Costs
    1. These costs comprise of 19.6% of the total budget, \$20,690,834.
    2. There may be some room for savings here, but not much as they do related to existing contracts and other state mandates.
  - iv. Category 3 is Non-Personnel/Non-Mandated Costs.
    1. These make up 7.6% of the budget, \$7,897,943.
    2. Non-Personnel/Non-Mandated include Supplies, textbooks, capital improvement plans, equipment (including tech leases), staff development, meals and refreshments an budgetary reserve.
  - v. Typically, we spend less than we budget for, but over the past few years we've been budgeting closer to actual.
  - vi. Variables to expenditures
    1. COVID-19 – there is no known start date and still unsure how long closures will last.
    2. Staffing – staffing is not finalized
    3. Program changes could affect budget
    4. 2020 Apple Lease is not finalized
    5. 2020 Liability Insurance renewal is not finalized
- d. Total Revenues less Expenditures = net deficit of <\$4,824,740>
    - i. If no tax increase, full deficit will draw down fund balance to \$14.3 million. With full index tax increase, fund balance will be drawn down to \$15.9 million.
      1. Budget includes a \$1.5 million draw down from PSERS, \$1.5 drawdown from capital projects relating to capital improvement plans and a fund transfer to cover HS paving project costs currently being paid out of the construction fund.
  - e. Tax increase options & millage impact
    - i. The group did not reach a decision on tax increase options. Any further discussion into tax increases are on hold until the administration is able to come up with cost savings/cuts to the budget. While a tax increase is likely, if able, it would not be to full index.

### III. DISCUSSION AND QUESTIONS

1. Contracted payments – does that include the bus contract?
  - a. Answered in the meeting, included in the notes above. Transportation needs more guidance.
2. How is the gasoline consumption? Is that a separate issue?
  - a. Answered in the meeting. The gasoline contract is an issue that is currently being discussed. Once there is an update it will be provided.
3. What is your estimate of what that is in aggregate? (refunds/reimbursements)
  - a. Answered in the meeting. There is no answer at this time as information is still being reported to administration.
4. A portion of the earned income will come later. With the delays, we won't see it until probably the fall?
  - a. Answered during the meeting. This is correct with the delays that are occurring, and we are likely not going to know the true effect or reduction of earned income tax until after the school year is over.
5. Have we gone line by line to look at each individual item to see where we can renegotiate contracts or agreements because we're not getting the services? I can see we have contracts with attorneys, other services, insurance that I'm sure we can get rebates from.
  - a. Answered during the meeting. This is something that we have not reached the point of, however it is likely to be a process that will need done if this closure continues.
6. Is the high school paving project in this year's budget?
  - a. Answered in the meeting. Originally the timeline of the HS Paving was to be completed by 6/30/2020. That coupled with the Kerr project are being paid out the construction fund, which currently still has bond proceeds. Because of the delay of construction relating to the closure, it's estimated now that the transfer to construction to fund costs beyond what is left of the bond will not occur until after July 1<sup>st</sup>. Therefore, it has been added into the 2020-2021 budget.
7. Where does the substitute expenditures fall?
  - a. Answered in the meeting. Substitute staffing is a purchased professional service (329 account number). It's showing a reduction in expenses for the current year relating to the closure. There has been no change yet in substitute expenditures relating to 2020-2021.
8. If we get more revenues, and enable some things that cause less expenditures, is anything that you have gone over other than the bus contract that could affect our 20-21 budget for subsidizing that we're not accounting for it so we're going to get paid less for it in some type of subsidy next year. Unless there's something that we're not gaining a subsidy for, all the utilities and whatever else, that might go down, might go up, it's going to affect our unassigned budget at the end. Is there anything that we're aware of that we're going to get lesser subsidy or less funded because of how we're estimating it this year?

- a. Answered in the meeting. At this time there are a lot of unknowns, but the transportation contract is the only contractual item right now that will directly affect 2020-2021 revenues.
9. Explain the high school paving project. Will the project be completed but the bill come after July? Will the project be done in the next several months?
  - a. Answered in the meeting. Dr. McCommons explained that because of the closure some of our construction companies are awaiting insurance to allow them to work during the closure. Because of this there are some projects experiencing delays, HS Paving is one of them.
10. Could you have more unassigned fund balance than budgetary reserve?
  - a. Answered in the meeting. Yes. Budgetary Reserve is based on the unassigned fund balance. Previously FCASD would allocate the entire unassigned fund balance as budgetary reserve, sometimes that was over \$2.5 million. Budgetary Reserve can be any amount up to the balance of unassigned fund balance. It cannot be more than what is in unassigned however.
11. What was total expenditures for PSERS for 19-20?
  - a. Answered in the meeting. The total PSERS expenditures for 2019-2020 was approximately \$16 million (50% reimbursed by the state and included under revenues).
  - b. Exact amount estimated for 2019-2020 is \$16,082,084
12. Concern is drawing down the unassigned budget to a level and having too much in PSERS for 20-21 that we can't transfer someplace else.
  - a. Discussed during the meeting. The amount in PSERS fund balance is committed and the amount of drawdown can be no more than the total PSERS expenditures of the year. We do not want unassigned fund balance to be drawn down too much as the available balance at the end of the year is what is available towards budgetary reserve in the future budget.
13. Will that be the only recommendation to the Board is the shift of the 750?
  - a. Answered during the meeting. For the 2019-2020 year, yes. The only change would be to have wording to up the PSERS drawdown to account for the change from what was budgeted.
14. We have been running on a structural deficit for the last 2-3 years?
  - a. This was more of a comment, statement during the meeting.
15. We have to prepare and be cautious about overspending.
  - a. This was more of a comment, statement during the meeting.
16. It looks like we are going to raise taxes and still incur a deficit.
  - a. This was more of a comment, statement during the meeting.

17. Our revenue estimates are too high.
  - a. Discussed during the meeting. Based on discussions with the continued closures, Ms. Pawlishak will be reducing the budgeted revenue estimates. She will look into what happened in 2009 to see how to project this current year and see how FCASD rebounded from the previous recession.
18. Need to be proactive to control expenditures.
  - a. This was more of a comment, statement during the meeting.
19. Look at what happened in 2009 – collection rate.
  - a. Discussed in the meeting. Ms. Pawlishak will do research into that timeframe.
20. Earned Income Tax? Going to take the biggest hit.
  - a. Discussed in the meeting. If residents are not working, they aren't receiving a paycheck which means that local tax is not being withheld.
21. Will there likely be legislation to correct that reduction? Transportation subsidy.
  - a. Discussed in the meeting. It is unknown at this time.
22. Should be conservative on the revenue side – earned income and tax collections may be worse than expected. May want to take action as a district to pause collections temporarily. We may be under pressure to do so voluntarily.
  - a. This was more of a comment, statement during the meeting.
23. For cash flow reasons, we should be cautious about adding an additional discount and causing a shortfall.
  - a. This was more of a comment, statement during the meeting.
24. How much is the salary increase impacting the budget? What is the dollar estimate of the .5%? Isn't there an automatic increase for next year? What is the increase going to add to the budget? for existing employees, what is the impact on our budget? We're going to have to go line by line to see how we can cut costs. Maybe we will need to ask for a wage freeze.
  - a. Ms. Pawlishak will be doing further research and create a bigger report regarding personnel.
25. Aren't there savings because of all the retirements? Why isn't the ERI impacting the wages. // Do a bridge analysis for the last few years, looking at groups of people by cohort, and look at the costs. 17-18, 18-19, 19-20, 20-21
  - a. Ms. Pawlishak will be doing further personnel research, including an ERI report.
26. Do the number of replacements have to be filled until we have clarity on what will happen next year?
  - a. Dr. McCommons answered during the meeting that there is still further work being done in regards to staffing.



27. We're making a lot of assumptions which could be way off in terms of the impact of revenue. We need to plan to make tough decisions in case things get worse. We should be thinking about it.
  - a. This was more of a comment, statement during the meeting.
28. We have various contracts that will last the next several years so we have to live within those contracts as well.
  - a. This was more of a comment, statement during the meeting.
29. Superintendent salary same as current year?
  - a. This was discussed during the meeting. There is room for savings, Mr. Frank noted that hopefully a solid number will be provided in the next few weeks regarding the superintendent search.
30. Has there been any thought to refinancing our debt?
  - a. Answered during the meeting. Ms. Pawlishak did reach out regarding possible refinance of any of our bonds. The earliest we can expect to be able to refinance via non-taxable means is not until 2023. There could be an ability to refinance prior but they would be taxable bonds. Since the district already had low interest rates to begin with on the bonds there may not be much savings to be had.
31. What is the interest rate on the bond?
  - a. The 2013 bond has an interest rate of 3.13%, the 2017 has an interest rate of 4%.
32. Any chance of adjusting the rates on the bonds? Term changes?
  - a. Discussed during the meeting. Mr. Meyer and Mr. Marsh both spoke regarding this topic and said that there has been no discussion in the financial sector regarding bond rate adjustments or term changes/delayed payments.
33. Without any tax increase \$4.8 million deficit without tax increase – will be more with decreased revenue, PSERS drawdown backed into 4.8. \$1.9 unassigned fund balance? Numbers off? Still need to find \$2-3 million?
  - a. Discussed during meeting. With no tax increase, unassigned fund balance will be \$34k, not \$1.9 million.
34. Is this a short term 20-21 problem? One tough year? Lean on reserves?
  - a. Discussed during meeting. This is likely to be a multi-year problem. Now is the time to look into cost savings measures. We do have fund balance, but we do not want to draw our fund balance down to \$0.
35. Need to prepare more aggressive options. Don't rely on taxes and reserves.
  - a. This was more of a comment, statement during the meeting.
36. Need to start planning now.
  - a. This was more of a comment, statement during the meeting.

37. What do we build into the budget? Need \$1-2 million additional options, not just a tax increase, and not a full tax increase.
- a. This was more of a comment, statement during the meeting.
38. No savings on security side? Now a \$1.2 million expenditure in security and grants aren't covering it. How much of this security can we afford?
- a. This was more of a comment, statement during the meeting.

Future steps:

- Reconvene in 2 weeks with some drastic steps. No full tax increase.
- Asking Kim and Dave to revisit the budget and take out \$4.8 million?
- Not sold on maximum tax increase or at all. Definitely not maximum.
- Not comfortable underfunding the facilities – we will need them again someday and don't want to get behind.
- Look at Spanish Immersion, PreK, programs, all contracts that are expiring.
- Administration come back with a list of what is feasible to cut \$5 million deficit. Also, these are uncertain times which is why we have a reserve.
- Be prepared for two special meetings due to timeline between proposed and final adoption of budget.
- Come up with some sort of tax increase and other options to cut and consequences. Try not to dip into savings.
- We may need to cut programs.
- We need to go line by line.
- The Board wants to see some options on the table.

#### IV. SCHEDULE NEXT MEETING

The next meeting will be held on Wednesday, April 29, 2020, at 5:30 p.m. via Zoom meeting platform.

#### V. ADJOURNMENT

The meeting ended at 8 p.m.