



Harrisburg School District Amended Recovery Plan

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Presentation to the School Board
April 21, 2014

Overview

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- The purpose of this presentation is to provide the Board with information on the proposed revised Amended Recovery that address concerns expressed by the School District based on the plan presented January 21, 2014.
- The presentation focuses on :
 - ▣ The current financial circumstances and projections of the District with a focus on restoring the salary cut from 2013.
 - ▣ Clarifying language for aspects of the Act 141 plan in relation to the position of CFO.
 - ▣ New academic improvement benchmarks recognizing the state's shift to measure through School Performance Profiles.



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Conclusions

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- The baseline financial forecast prepared by the CRO's consultants indicates that the District would not be financially stable if current trends continue, even given higher-than-expected reserves (fund balance).
- The improved estimated fund balance does not provide a solution to the District's financial challenges because the revised baseline forecast shows a continuing structural deficit caused by growing expenditures for such items as benefits and charter schools, while revenue sources are flat or growing only slightly.
- The Board, the Administration and staff of the District must continue to take actions to attain and maintain financial stability.
- There are financial resources to provide for some academic program enhancements and address the pay cut implemented in July 2013; however, these resources are only available going forward if the District successfully implements a number of cost saving and revenue enhancement initiatives including raising property taxes.
- The 5% salary cut from 2013 can be restored immediately with a lump sum payment but the salary base cannot be restored until the financial forecasts improve or the Board provides sustainable revenue sources or expense cuts to cover the cost of recurring salary restoration.
- Recognizing that longer term forecasts are subject to change based on District actions and external factors, the Amended Plan provides a process for achieving additional goals if there are sufficient financial resources. The Amended Plan proposes a "shared savings" approach to future positive financial results.

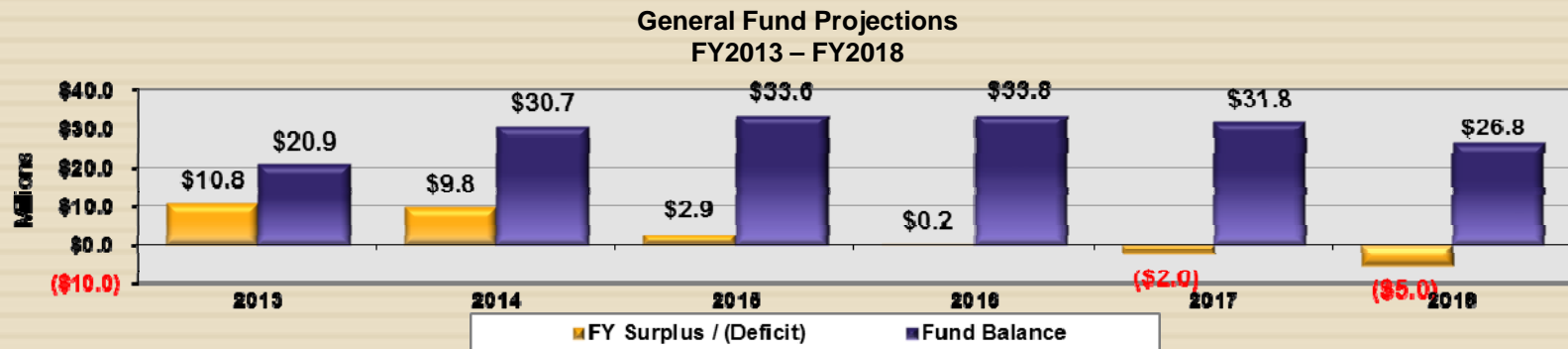


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Baseline Scenario - Updated

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- The “updated baseline” accounts for the latest information from the District’s CFO and Business Manager,
- Other assumptions in the baseline include:
 - ▣ Projected savings from unfilled vacancies in FY2014, which are projected to be filled in FY2015 and beyond
 - ▣ No salary increases or salary restorations (no additional salary cut in 2014-15)
 - ▣ No tax increases
 - ▣ 13.6% annual charter school enrollment increase
- No other revenue-generating and cost-saving initiatives accomplished
- Conclusion – Even with revised financial results for 2012-13 and 2013-14, the baseline forecast does not meet Act 141’s requirements for long-term fiscal stability. Over time there is a deepening structural deficit in District finances.
- A positive fund balance is retained through the forecast; however annual operating shortfall exists from 2016 onward and the shortfall grows



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Amended Recovery Plan - Specifics

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The Amended Recovery Plan contains the following initiatives:

- Restore full day kindergarten in 2014-15
- Salary cut from 2013 paid back before June 30, 2014 – active employees receive a lump sum payment of 5% cut from salary in July 2013, salary base is not restored for either 2013-14 or 2014-15
 - ▣ Possible lump sum payment of 5% cut from salary in July 2013 in second half of 2014-15 based on audited financial results from 2013-14
 - ▣ Restoration of 5% to salary base in 2015-16 based on financial results of 2014-15 and/or identification of sustainable revenue sources or ongoing expenditure reductions to cover salary cost
- Property tax increases at Act 1 index for 2016-17 and 2017-18, with each tax increase potentially eliminated based on shared savings approach
- Improved District academic performance reduces charter school enrollment growth to:
 - ▣ 11% in 2014-15
 - ▣ 8% in 2015-16
 - ▣ 5% in 2016-17
 - ▣ 3% in 2017-18



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Amended Recovery Plan - Specifics, cont'd

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- District share of health care cost growth capped at 5% beginning in 2016-17 with possible adjustment based on shared savings approach
- Amount of employee health insurance opt-out payments reduced by half beginning in 2016-17 with possible adjustment based on shared savings approach
- Eliminate Food Service transfer from the General Fund (phased in from 2014-15 through full elimination of subsidy in 2017-18)
- Optimize ACCESS utilization (2014-15 to 2017-18)
- Increase delinquent tax collection (2014-15 to 2017-18)
- Increase energy efficiency (achieve some savings in 2015-16, all savings by 2017-18)



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Financial Impact of Amended Plan Initiatives on Long Range Forecast

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Initiative	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Expenditures						
Full Day K	\$0	\$1,125,000	\$1,125,000	\$1,125,000	\$1,125,000	\$4,500,000
Salary Restoration	\$1,899,709	\$1,947,961	\$1,991,561	\$1,991,561	\$1,991,561	\$9,822,351
Health Care Cap	\$0	\$0	\$0	(\$641,112)	(\$1,386,075)	(\$2,027,186)
Opt-Out Cap	\$0	\$0	\$0	(\$130,000)	(\$130,000)	(\$260,000)
Charter Enrollment	\$0	(\$268,457)	(\$987,074)	(\$2,380,661)	(\$4,410,931)	(\$8,047,123)
Food Service	\$0	(\$100,000)	(\$200,000)	(\$300,000)	(\$300,000)	(\$900,000)
Energy Efficiency	\$0	\$0	(\$35,000)	(\$282,000)	(\$289,000)	(\$606,000)
Revenues						
Local Taxes	\$0	\$0	\$0	\$1,126,232	\$2,404,451	\$3,530,683
Delinquent Tax	\$0	\$250,000	\$500,000	\$550,000	\$550,000	\$1,850,000
Access	\$0	\$0	\$250,000	\$300,000	\$350,000	\$900,000

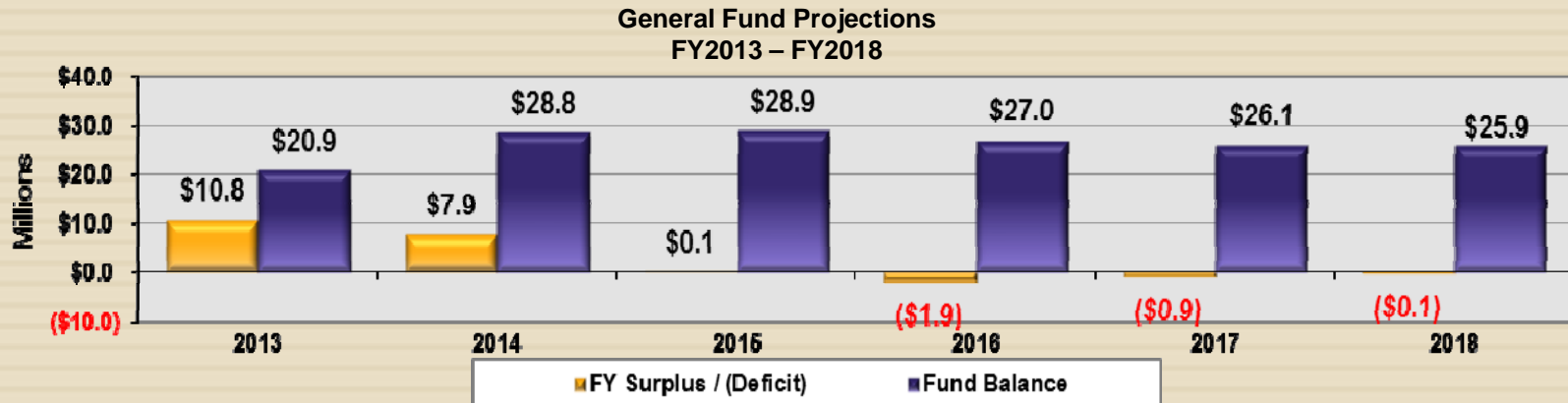


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Revised Plan Projection

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- In contrast to the baseline forecast, which had declining annual results with negative operating balances for 2015-16 and subsequent years, this projection shows near-balance in all years and an improving annual operating trend from 2015-16 to 2017-18.
- The forecast indicates long term fiscal stability as required by Act 141 and also retains adequate reserves to allow the District to operate without dramatic swings in operation from year to year.



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Implications for Employee Salaries based on Amended Recovery Plan

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Fiscal Year	Action in Relation to Employee Salaries
2013-14	Before June 30, lump sum payment of 5% salary cut. Base salary not increased by 5% for 2014-15 year
2014-15	Lump sum payment of 5% salary cut from base after January 1, 2015 if audited financial statements from 2013-14 show a positive operating result of greater than \$5 million
2015-16	5% cut may be restored to salary base if 2014-15 audited results are better than forecast or if the School Board identifies sustainable revenue sources or expenditure decreases to fund the cost <ul style="list-style-type: none">• Opportunity for a salary increase above salary restoration if financial results warrant under shared savings approach



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Shared Savings Approach

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- To the extent that the District improves academic performance and has better financial results than projected, there will be opportunity to fund programs or activities related to educational enrichment, and also to mitigate the salary and tax initiatives of the Amended Recovery Plan. As additional dollars are available, it is the intention of this Amended Financial Recovery Plan to allocate a portion of these dollars, in to the following:
 - ▣ Supporting curriculum, training and technology investments
 - ▣ Eliminating tax increases otherwise required in 2016-17 and 2017-18
 - ▣ Increasing employee salaries (which are otherwise frozen)
 - ▣ Eliminating or moderating changes to employee health care provisions
- Alternatively, if the District fails to meet its academic and financial goals, no dollars will be available for enhancements. Instead, further cost control efforts will have to be implemented.



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Shared Savings Approach

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- In order to share savings if results are better than anticipated in this Amended Recovery Plan, the District will assess its financial situation within 30 days of completion of the annual audit of the School District.
- If the District has a positive fund balance, and if there is a positive annual operating result (revenues less expenditures for the year are positive), a sum up to the amount of the positive annual operating result may be allocated to the operating budget in for the next fiscal year as shown on the following slides.



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Shared Savings Matrix

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Objective	2014-15	2015-16	2016-17	2017-18
Support curriculum, training and technology investments or fund balance	Not Applicable	50% (or more if full 50% is not needed for salary increase)	If tax and benefit goals are met, and funds remain, half may be used for these purposes	If tax and benefit goals are met, and funds remain, half may be used for these purposes
Eliminate tax increases	Not Applicable	Not Applicable	Up to 50% of any available positive operating result	Up to 50% of any available positive operating result



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Shared Savings Matrix

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Objective	2014-15	2015-16	2016-17	2017-18
Adjust employee salaries and benefits	If audited operating balance from 2013-14 > +\$5m, funds may be used to make a lump sum payment to employees equal to the 5% cut from salaries	Up to 50% of any available positive operating result may be used to permanently restore the 5% salary cut, and fund an additional salary increase of up to 2.5%	If tax and benefit goals are met, and funds remain, half may be used for a salary increase of up to 2.5% if Plan academic goals are also met	If tax and benefit goals are met, and funds remain, half may be used for a salary increase of up to 2.5% if Plan academic goals are also met
Moderating employee health care changes (capping District health care growth at 5% and reducing size of opt-out benefit by ½)	Not Applicable	Not Applicable	Up to 50% of any available positive operating result may be used to moderate or eliminate the required 5% cap on District spending for employee health care and/or eliminate or moderate the reduction in the opt-out benefit	Up to 50% of any available positive operating result may be used to moderate or eliminate the required 5% cap on District spending for employee health care and/or eliminate or moderate the reduction in the opt-out benefit



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Other Amended Recovery Plan Provisions

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- **Academic Improvement Benchmarks** - The District shall be accountable for attaining the minimum performance improvement benchmarks as outlined on slides 15. The performance benchmarks are now based on the school performance profile. At a later date the District will be provided with performance benchmarks for the 2016-17 and 2017-18 school years. The District is also required to meet revised timelines for standards-aligned curriculum and related professional development as outlines on slide 16.
- **Role of the CFO** - The Recovery Plan defined the new position of CEO and outlined duties and responsibilities for that position as well as the reporting relationship of the CEO to the Harrisburg School Board. The plan is amended to substitute the title CFO (Chief Financial Officer) for CEO and the duties and reporting relationship of the CFO are amended as stated on Slide 17.



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School Performance Profile Benchmarks – By Building

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District	School	2012-13	2013-14 PR	2013-14	2014-15	2015-16	3 Year Expected SPP Improvement	Comments
Harrisburg City	NA	57.8	NA	62.0	69.3	73.9	16.1	District Level
Harrisburg City	Scott School	60.0	62.4	65.1	69.2	73.6	13.6	K-4 School
Harrisburg City	Foose School	53.7	56.2	59.8	63.6	68.6	14.9	K-6 to K-4 School in 2013-14
Harrisburg City	Benjamin Franklin School	58.1	63.5	65.6	71.0	75.3	17.2	K-8 to K-4 School in 2013- 14
Harrisburg City	Downey School	61.4	65.5	67.5	71.4	75.6	14.2	K-8 to K-4 School in 2013- 14
Harrisburg City	Melrose School	64.5	67.8	69.7	73.5	77.6	13.1	K-8 to K-4 School in 2013- 14
Harrisburg City	Camp Curtin School	56.6	57.8	60.3	68.6	73.1	16.5	K-8 to 5-8 School in 2013- 14
Harrisburg City	Marshall School	57.2	59.1	61.4	68.3	72.9	15.7	K-8 to 5-8 School in 2013- 14
Harrisburg City	Rowland School	49.7	52.2	56.5	65.0	69.9	20.2	5-8 School
Harrisburg City	Harrisburg HS	52.5	NA	57.6	63.0	68.2	15.7	9-12 School
Harrisburg City	Harrisburg HS SciTech Cmp	69.9	NA	72.3	79.8	83.5	13.6	9-12 School
High Performing School								
Harrisburg City	Math Science Academy	92.2	92.4	94.2	94.3	95.2	3.0	5-8 School



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Revised Academic Achievement Timelines

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The District has not achieved several critical academic goals of the original Plan. The Revised Plan includes new timelines for implementing the standards-aligned curriculum and related professional development. Achieving these Plan elements is critical to meeting the academic performance and enrollment assumptions of the Revised Plan.

- By August 11, 2014 the District shall insure that all students served have access to curriculum, instruction and assessments aligned to Pennsylvania's academic standards and related exams. Key milestone events include:
 - ▣ By June 1, 2014 District to identify and contract with a qualified outside agency to evaluate the new curriculum and assessments
 - ▣ K-12 curricula for ELA, Mathematics, Science and Social Studies submitted to outside agency for evaluation by July 21, 2014; by August 18, 2014, detailed schedule for the finalization/implementation/approval of the remainder of the Core Curriculum and electives
 - ▣ By July 21, 2014 detailed Professional Development Calendar outlining how teaching staff will be trained on the implementation of the new curriculum during the 2014-15 school year
- At the April 2015 Board of School Directors meeting central office staff will present a completed curriculum including assessments for consideration and approval by the School Board. Prior to presentation to the Board the curriculum will have been evaluated by the designated outside agency.



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CFO Position

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1. Plan is amended to substitute the title CFO (Chief Financial Officer) for any reference to CEO or COO (Chief Operating Officer)
2. CFO is responsible to manage the financial and non-academic affairs of the District and reports to the Superintendent.
3. The CFO is responsible for reporting to the Superintendent and the Board regarding the status of any Act 141 initiatives related to finance or operation that fall under the responsibility of the CFO.
4. The School Board may direct the CFO to produce any financial or operational analysis or report deemed necessary to carry out its role in overseeing the District and its compliance with the Act 141 Plan.
5. The CFO shall be responsible for all areas of District finance and operation included in the job description and in relation to the Act 141 plan the CFO is specifically responsible for the following:
 - Development of annual budgets.
 - Preparation of monthly annual financial reports.
 - Management of the District's human resources department and payroll office.
 - Management of the business office and transportation, food service and facilities department.
 - Management of financial aspects of federal grants.
 - Liaison with the District's foundation and other outside donors of funds and services.
 - Implementation of new revenue initiatives.
 - Oversight of debt and debt issuance.
 - Management of the collective bargaining process.



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