



2018-19 Proposed Budget

Focus on the General Fund

As Presented to the Board of Education on
April 24, 2018

Agenda

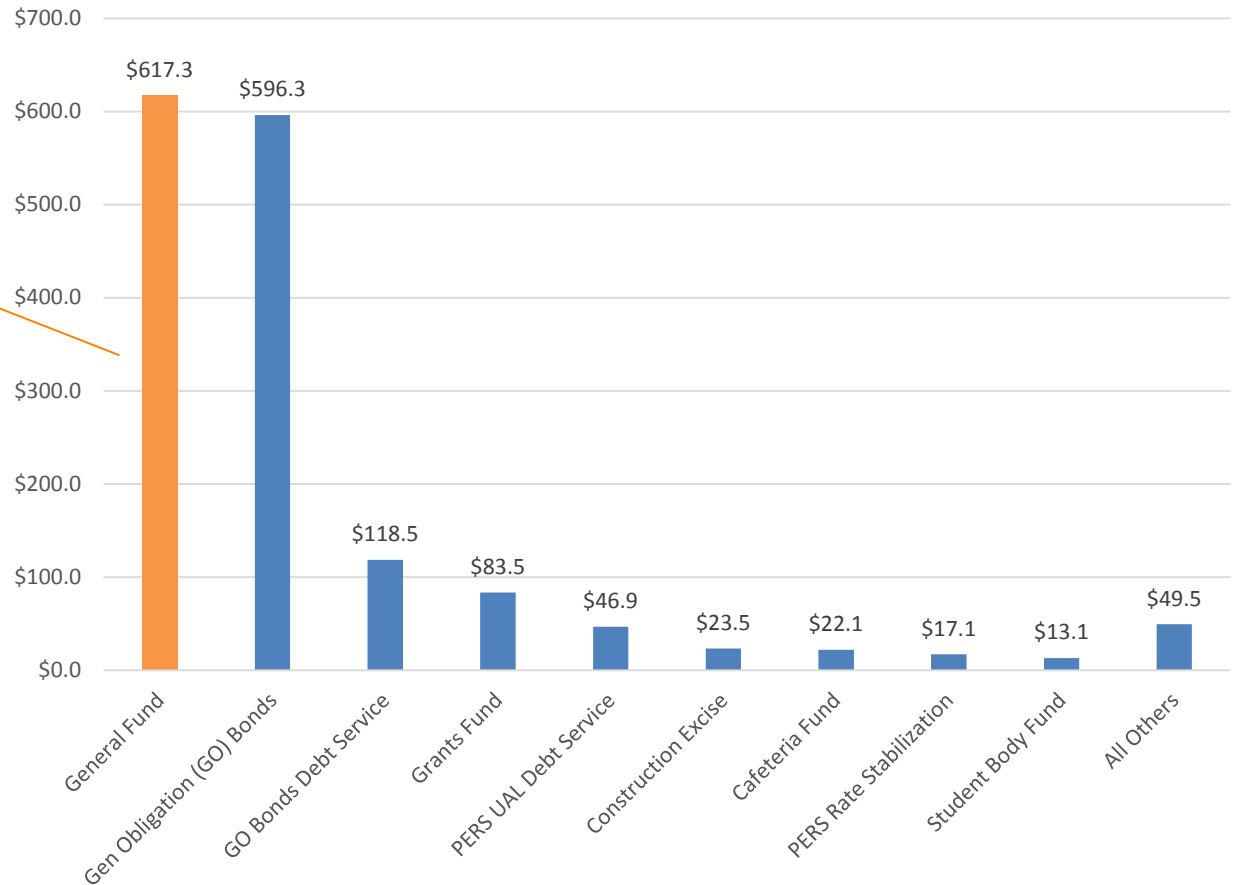


- Major Changes
- Resources
- Spending
- Budgeted Reserve

PPS Funds and Today's Focus



General Fund is largest fund and source of funding for majority of personnel and operating expenses



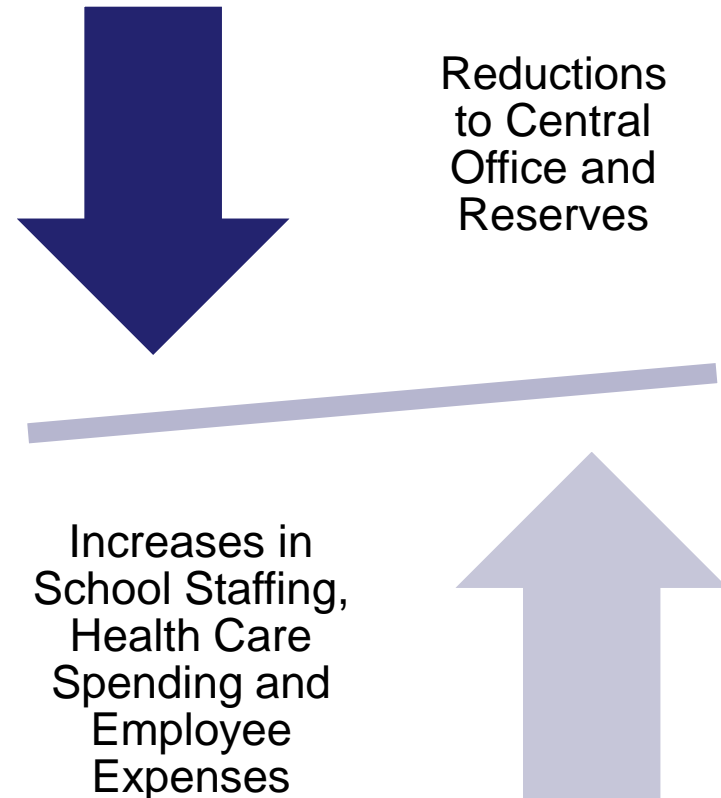
USD in millions
2017-18 Budgeted Expenditures for Reference

Balancing the Budget

General Fund



- Oregon Department of Education appropriating \$8.2B for biennium
 - Split 50/50 between years
 - State funding nearly \$2B short of fully implemented Quality Education Model¹
 - Estimated Impact to PPS = \$180M over two years



¹Quality Education Commission's Quality Education Commission Report, 2016

General Fund Overview



USD in Millions

Financial Summary	2017-18 Budget¹	2018-19 Proposed
Beginning Balance	\$ 19.9	\$ 33.1
Total Revenue	597.4	617.5
Total Resources	\$ 617.3	\$ 650.5
Total Expenses	597.6	626.7
Budgeted Reserve	19.7	23.8
Total Requirements	\$ 617.3	\$ 650.5
<i>Reserve % of Total Requirements</i>	<i>3%</i>	<i>4%</i>

¹2017-18 Budget as Amended in October, 2017

Expenditures + Budgeted Reserve Trends



USD in Millions

	2016-17 Actual	2017-18 Budget ¹	2018-19 Proposed
School Site	\$ 287.8	\$ 289.8	\$ 310.5
Central Office ²	260.5	307.8	316.2
Budgeted Reserve	14.1	19.7	23.8
Total Requirements	\$ 562.4	\$ 617.3	\$ 650.5

¹2017-18 Budget as Amended in October, 2017

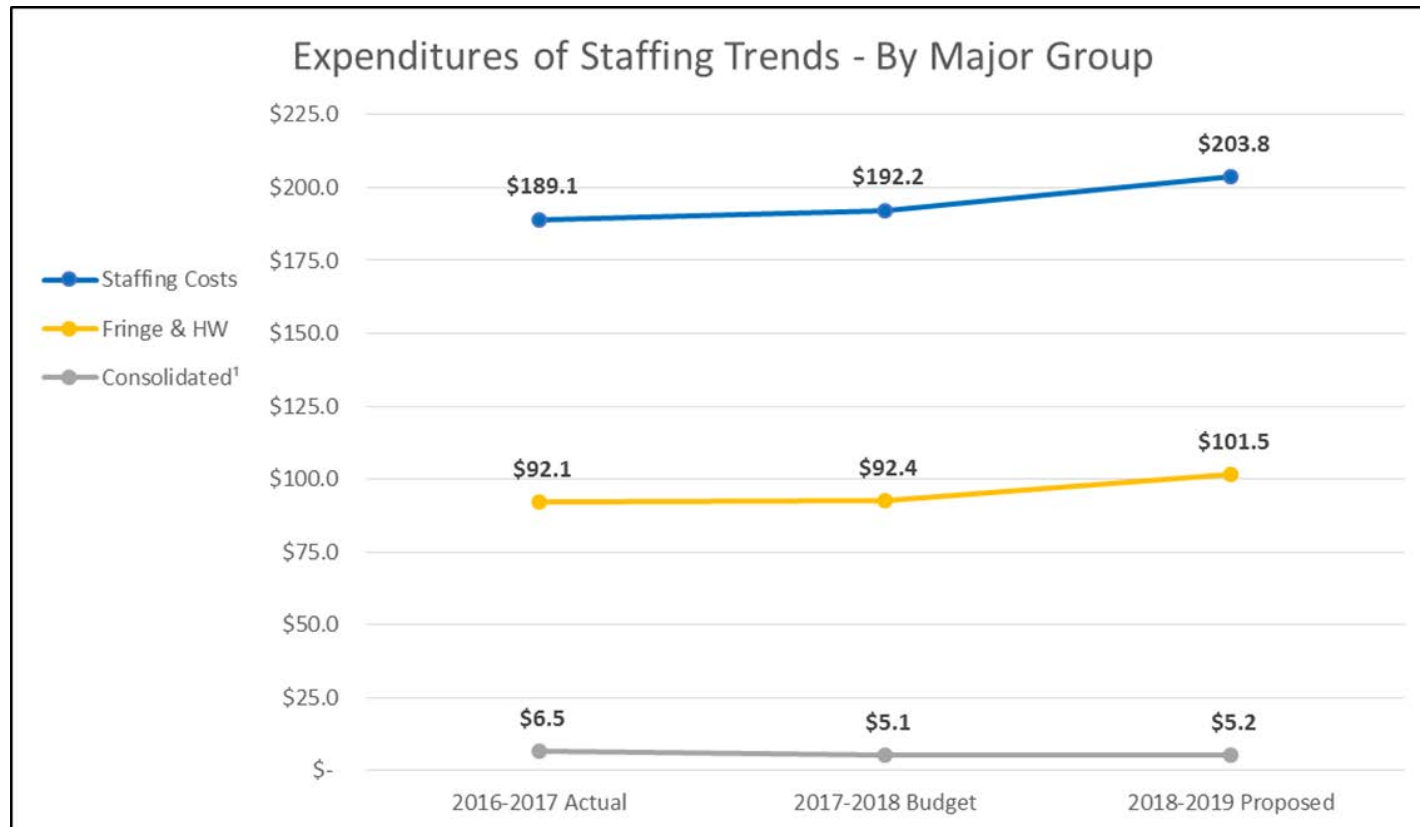
²Includes Centrally Administered School Resources (e.g., Special Education, English as a Second Language, Transportation, Facility Management, and Others

Investment Priorities



- Investment in Schools
 - Implementation of an equitable school staffing model
 - Rigorous, standards-based curriculum for all students
 - Culturally relevant pedagogy
 - Professional development
- Equity 2.0
 - Culturally responsive community partnerships
 - Student-specific initiatives
 - Strategic talent diversity
- Planning for the Future

School Site Budgets



- Despite constrained revenues, we are investing more in our classrooms by streamlining the Central Office

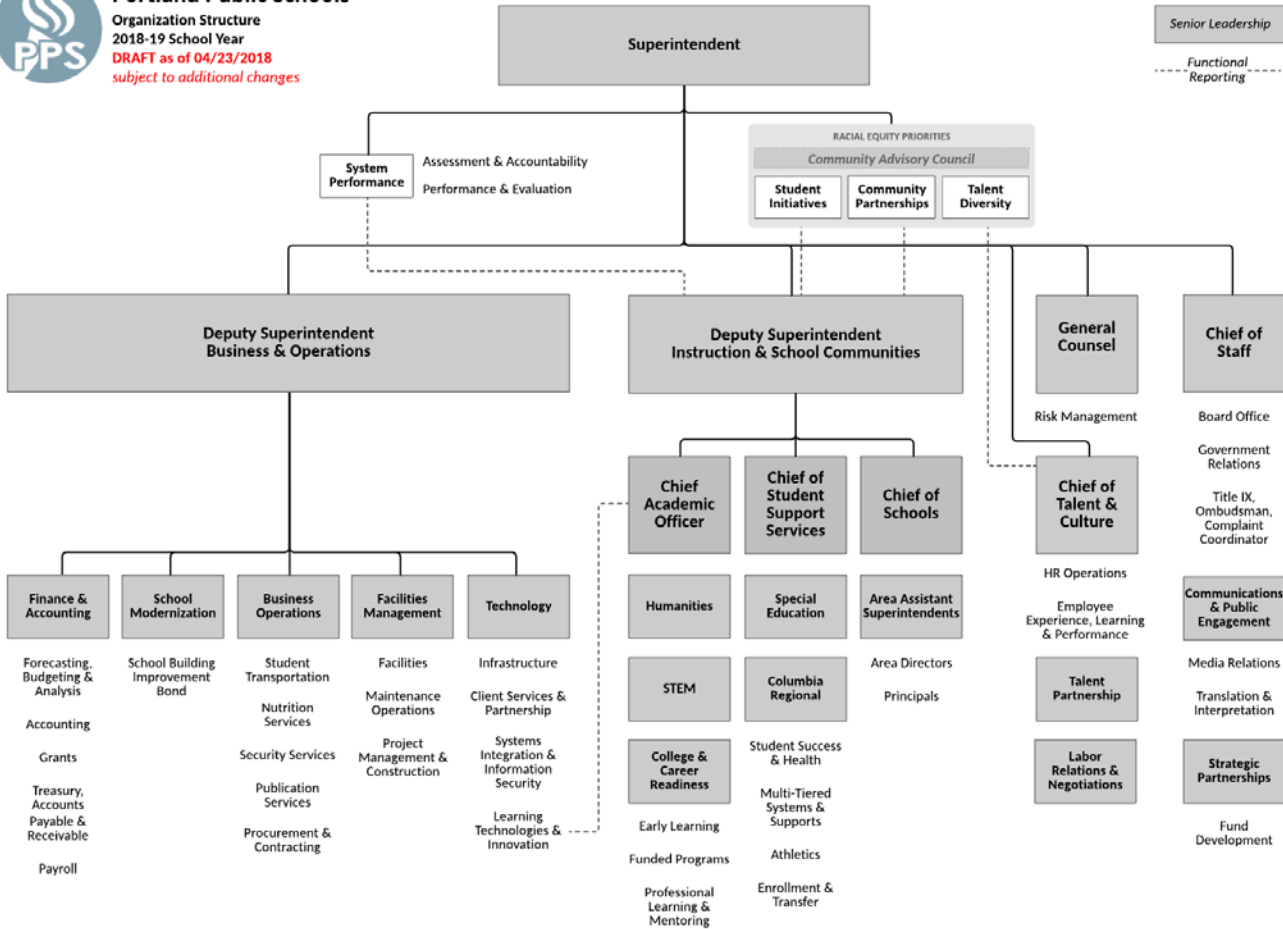
¹ Consolidated School Budgets support non-FTE spend, such as supplies, extended responsibility, and limited-term personnel

Leadership Organization Chart



Portland Public Schools

Organization Structure
 2018-19 School Year
 DRAFT as of 04/23/2018
 subject to additional changes



Centrally Administered School Resources (CASR)

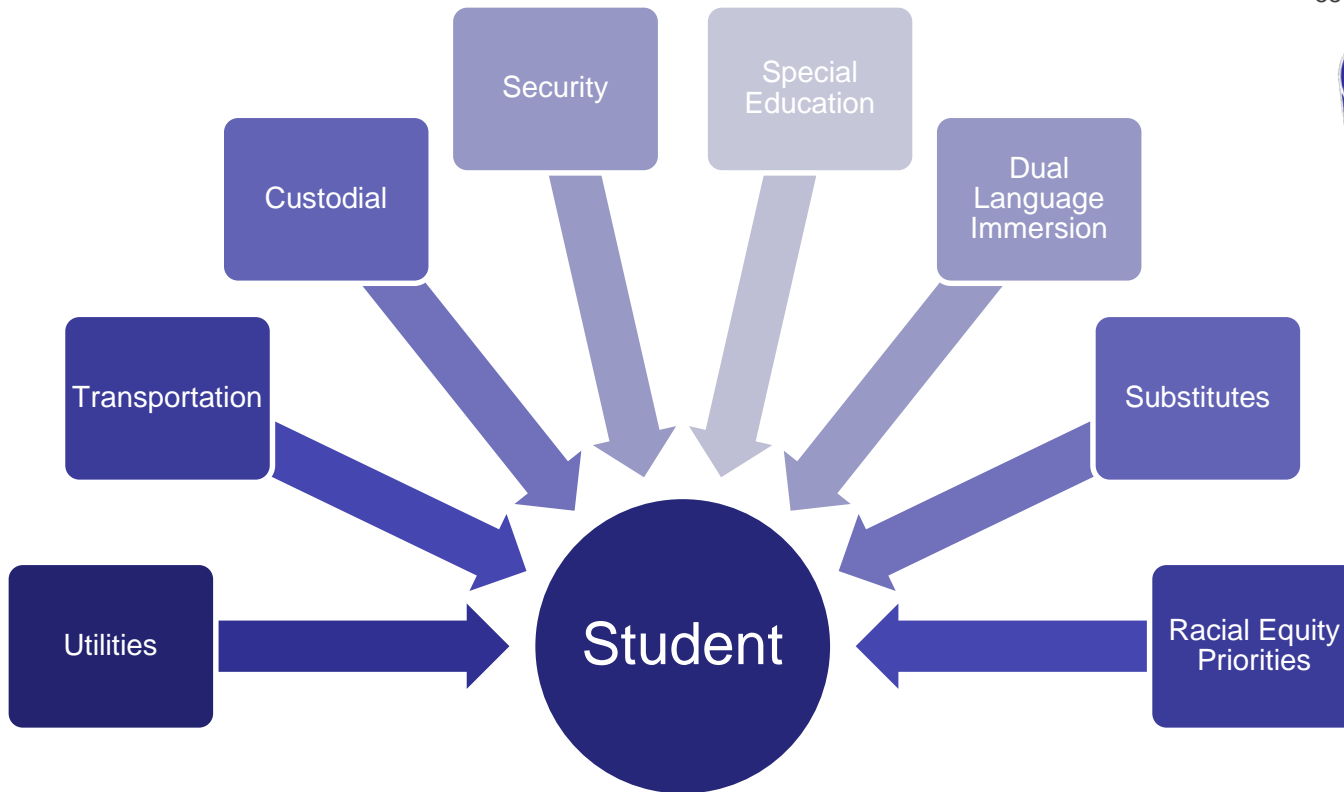
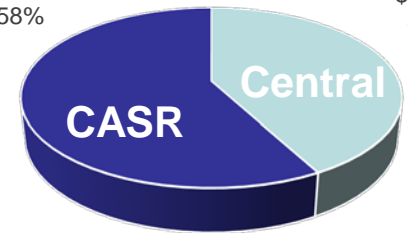


USD in Millions

2018 -19 Proposed Budget

\$183.1
58%

\$133.1
42%



Central Office Summary



USD in Millions

Central Office by Department	2018-19 Proposed Budget		
	CASR	Central	Total
Schools	\$ 27.3	\$ 8.1	\$ 35.4
Student Support Services	52.0	32.2	84.2
Teaching and Learning	17.5	22.1	39.7
Racial Equity Priorities	8.3	-	8.3
Chief of Staff	-	7.0	7.0
IT	-	13.4	13.4
Finance ¹	5.9	22.8	28.7
Human Resources	12.8	6.4	19.2
General Counsel	-	3.2	3.2
Operations	59.1	17.9	77.1
Total Requirements	\$ 183.1	\$ 133.1	\$ 316.2
	58%	42%	

¹*Includes interest payments and general fund transfers*

PERS Rates Flat...For Now



USD in millions

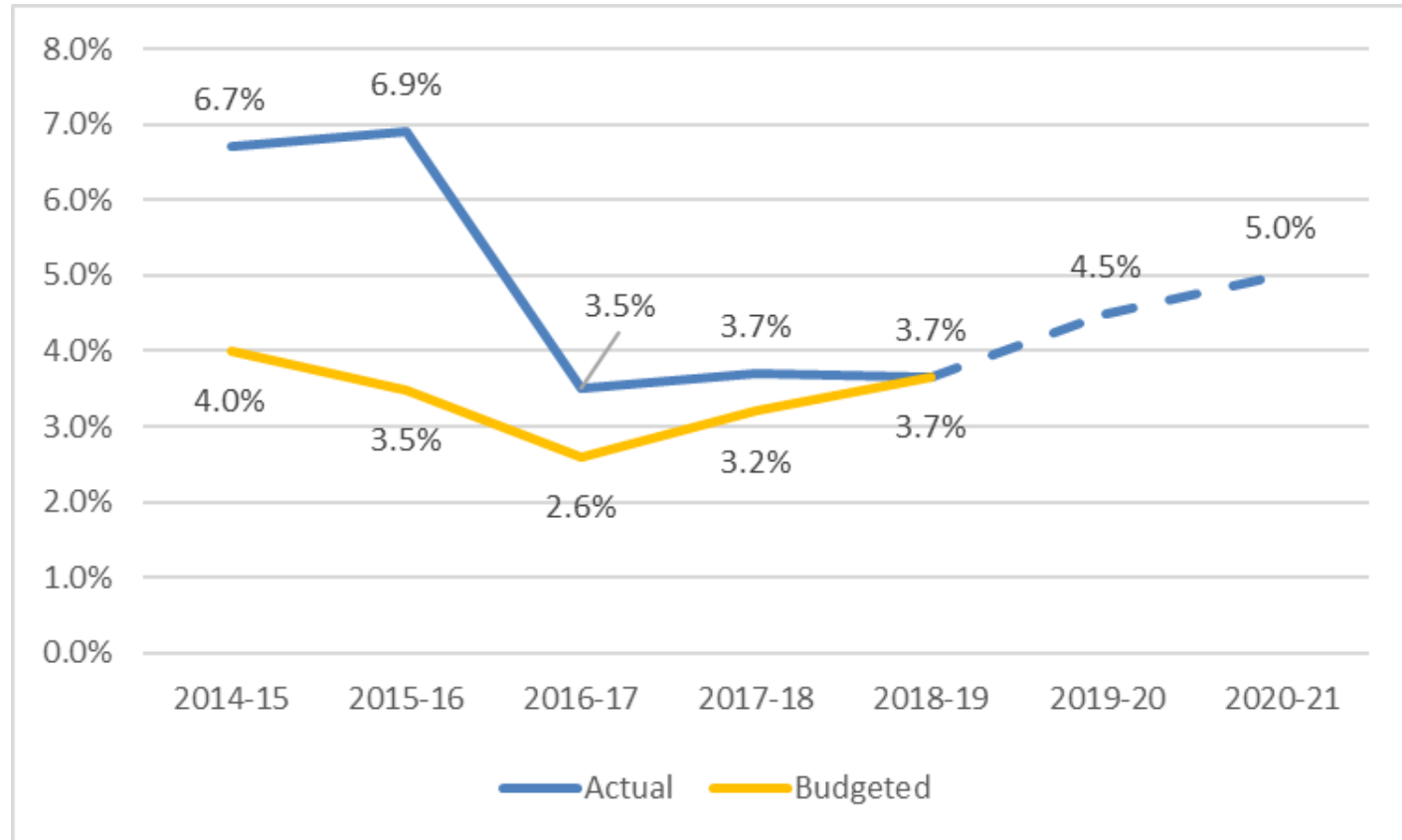
PERS Rates and Expense Estimates	2017-18	2018-19	2019-20
Tier1/Tier2	6.66%	6.66%	13.07%
OPSRP	1.33%	1.33%	7.45%
Weighted Rate	2.57%	2.57%	8.63%
Estimated Expense	\$ 9.8	\$ 11.5	\$ 35.5

- 2017-18 expense lower with credit
 - Will create ~\$10M of additional Ending Fund Balance
- Recommend transferring to targeted reserve
 - One-time savings; use to offset large increases expected in 2019-20

Budgeted Reserve



- 4% = \$24M
- Equivalent to about 15 days of district spending
- Monthly Payroll = \$30M
- 5% = 2021 Board Goal



Proposed Investments



Proposal	Proposed By	Estimated Spend
Learning Gardens	Board Member	\$155 - \$235K (12 - 18 Schools @ \$13K per School)
Vision and Strategic Plan Development	Board Member	\$150 - \$250K (estimate)
Support for Boundary Reviews and Adjustments (to include community engagement)	Board Member	\$150 - \$250K (estimate)
Districtwide Focus Option Review	Board Member	\$50 - \$150K (estimate)
Policy Development Capacity	Board Member	\$50 - \$150K (estimate)
Resources and Capacity for Future Bond Planning, Long-Term Facilities Planning, and Health/Safety/Accessibility Strategy Development	Board Member	\$150 - \$250K (estimate)

- Estimates based on assumed scope

Risks to Budget



Event	Risk	Estimated Impact (\$)	Likelihood
Middle School Transition Costs	Routes/Build out Costs	\$1 to \$1.5 million	High
PERS Debt Payment	Estimate based on employee count is incorrect	\$2 to \$3 million	Low
Actual salaries for newly hired teachers may be higher than expected	Higher personnel expenses	\$1 to \$3 million	Low
Health and Welfare Trust Board has not voted on or approved reduced rates associated with a buy-down of the surplus	Higher Health and Welfare expenses	\$2 to \$4 million	Medium

Analyses and Opportunities for Improvement



- Reduce reliance on substitutes
- Evaluate comprehensive transportation plan
- Reduce Worker's Comp rate
- Analyze likely pressure from Fed Grants
- Various process, data, and system improvements

Positioning the District for 2019-20



Financial Relief

- New Biennium and Funding Levels
 - \$9.0B would represent 9.7% increase
- Anticipate ~flat enrollment

Financial Pressures

- PERS Cost will Increase ~3X
- Health and Welfare Cost will Increase
- Target Budgeted Reserves of 4.5%; on path to 5% target by 2021

Expenditures Outpace Revenue



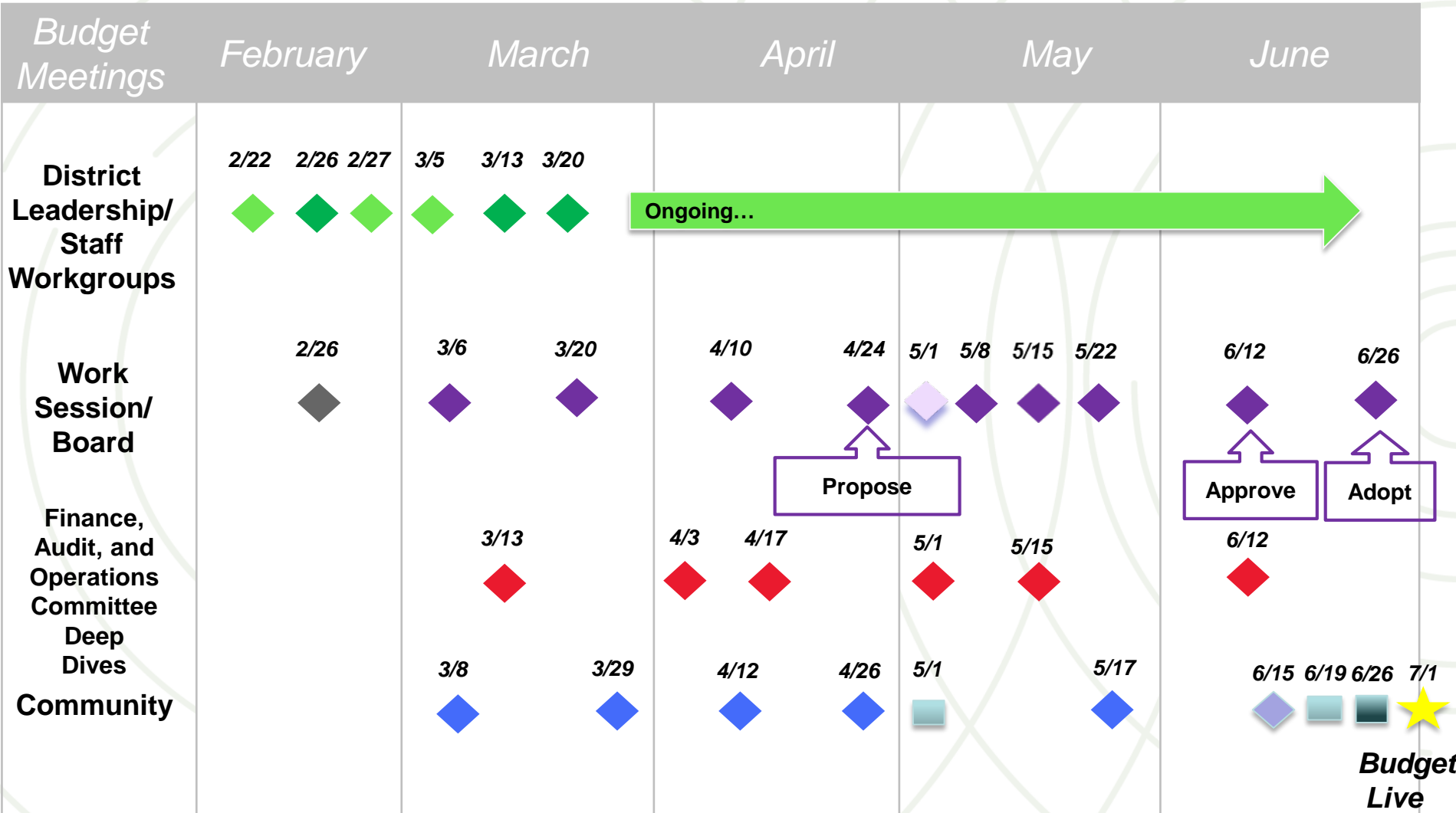
<i>USD in Millions</i>	Baseline		Moderate Recession		Severe Recession	
	2019-20 Forecast	2020-21 Forecast	2019-20 Forecast	2020-21 Forecast	2019-20 Forecast	2020-21 Forecast
Cumulative Changes vs. 2018-19						
Increase in Revenue	\$31.2	\$63.2	\$18.5	\$41.6	\$7.1	\$15.9
Known Increases in Expenditures						
PERS	\$20.0	\$20.7	\$20.0	\$20.6	\$20.0	\$20.5
Health and Welfare	\$4.2	\$4.4	\$4.2	\$4.4	\$4.2	\$4.4
Personnel Cost Increase	\$13.6	\$27.6	\$11.6	\$23.6	\$9.7	\$19.6
Increase in Contingency (align to BOE target)	\$5.2	\$10.0	\$4.6	\$9.0	\$4.1	\$7.7
Total Increases in Expenditures	\$43.0	\$62.8	\$40.5	\$57.6	\$38.0	\$52.2
Surplus/(Shortfall)	(\$11.8)	\$0.4	(\$21.9)	(\$16.0)	(\$30.9)	(\$36.3)

- Budgetary pressures on near-term horizon (2019-20)
- “Recession” scenarios create budget shortfalls
- Driven by known increases; analysis excludes technology, school, and other strategic investments

2018 / 2019 PPS Budget Timeline

* Depicts only those Board and FAO meetings with budget-specific content

Effective 4/23/2018



- Board Work Sessions
- Finance, Audit, and Operations meetings
- School Leadership Activities
- Community Budget Review Committee
- Tax Supervising & Conservation Commission Hearing
- Board Meetings
- Submit to Tax Supervising & Conservation Commission
- Superintendent Leadership Team
- Listening Session
- Budget Committee meeting

Budget Live