




MASB
MICHIGAN ASSOCIATION
OF SCHOOL BOARDS

**Negotiations – Case Study
Gibraltar Deficit Situation**

MASB Labor Relations Conference

Dr. Rodney Green, MASB Consultant and Amy Conway, Gibraltar
Superintendent
February 26, 2016



MASB
MICHIGAN ASSOCIATION
OF SCHOOL BOARDS

Introduction

- Dr. Rod Green, former superintendent for 24 years in East China, Grant, and Norway-Vulcan
- Ph.D. from Michigan State University with emphasis in Labor Industrial Relations
- MASB consultant since 2013 and bargained contracts in Howell, St. Johns, Brandon, Whiteford, Northwest, Houghton Lake, Harrison, Mason Consolidated
- Amy Conway, previously principal in Wayne Westland and Ann Arbor; assistant superintendent and superintendent in Gibraltar

Getting Started



- Superintendent was let go in March
- Amy was appointed interim superintendent
- Board had just turned down tentative agreements reached with six union groups
- Board members and unions thought that \$700,000 in concessions was needed to solve the problem
- Fund balance was 19% four years prior
- Now fund balance was only 4%, but the budget adopted was not real
- As we began the work, we realized very quickly that the problem was much bigger

Developing Strategy



- The 2014-15 budget had been adopted in June 2014, but several factors were known to not be true
- Normal budget amendment had been avoided with hopes of concessions being reached so that the budget amendment would not show a deficit
- Unions were cooperative, but the strategy was flawed
- Superintendent did not address the problem early enough or strong enough

Developing Strategy



- Top Priority: Get the budget amendment going and understand the problem
- Enrollment and staffing projections
- The District had just done a buyout as a partial solution, which really was not a positive
- Buyouts do not solve the problem, they actually can cost money both short and long term
- All of those teachers would have left once they realized they would have concessions to salary for 2015-16

Developing Strategy



- As we realized the extent of the problem, we knew we were going to need to communicate with everyone
- We put together a powerpoint to show some of the issues
- Set up meetings with each of the six union groups
- Showed the powerpoint at a public board meeting
- Went over the issues with each of the union groups

Gibraltar School District



Amended General Fund Budget
for
2015-16

April 16, 2015

Agenda

Enrollment



Staffing

Fund Equity

2015-16 Projected Budget

Enrollment


	2007-08	3805	
	2010-11	3739	(66)
	2013-14	3714	(25)
	2014-15	3649	(65)
	2015-16 projected	3571	(78)

Summary

Gibraltar School District has 234 fewer students than in 2007-08

Teacher Staffing	2007-08	220*
	2014-15	200*

* Need to verify



Enrollment Affects Funding

Projected for 2015-16
 Gibraltar receives \$7126 base foundation
 +
 \$125 equity payment =

 \$7251 per pupil

 \$7251 x 78 pupil loss = \$565, 578

What About the District Fund Equity?

Year	Deficit	Fund Equity
2011		\$6,286,857
2012	\$1,570,034	\$4,716,823
2013	\$1,410,392	\$3,306,431
2014	\$1,940,720	\$1,365,711
2015 Projected	\$2,593,040	(\$1,227,329)

Can Fund Equity Be Negative?



- No, Michigan budget laws do not allow a school district to carry a negative fund balance
- The District has 30 days to submit a deficit elimination plan with the state after notification from MDE or after the State School Aid bill is passed and signed, whichever is later
- This Deficit Elimination Plan must be approved by the state
- It must contain reasonable assumptions including student enrollment, state funding, employee concessions, and staffing levels

Projected Budget 2015-16

(without changes as will be required for DEP)



Starting point	(\$1,227,329)
Decline in enrollment for 2015-16 (78 pupils)	(\$565,578)
Increase in per pupil funding (\$50 per pupil projected)	\$178,550
Existing ongoing yearly deficit without changes	(\$2,593,040)
	(\$4,207,397)
Early Retirement Incentive (13 teacher participants)	\$475,000
This is the amount of budget adjustments needed for 2015-16 to not be in deficit. Going forward into 2016-17, there will be additional adjustments needed to the budget due to declining enrollment and other factors	(\$3,732,397)

Next Steps



- The District will be notifying Michigan Department of Education of the budget deficit immediately
- We will begin contacting employee bargaining groups for discussions on concessions
- Administrative team will begin 2015-16 staffing process
- Budget work for 2015-16 will begin

Summary



- Projected deficit for 2014-15 of \$2.5 million
- As of June 30, 2015 the Fund Equity will be below zero - \$1.2 million
- Deficit Elimination Plan will be required
- Deficit must be eliminated within two years
- Concessions will be required from employee groups
- Other changes will need to take place

First Meetings



- We began to set up bargaining sessions with each group
- Initial meetings were setting the stage for bargaining
- We went over the numbers
- We strived to make sure everyone was understanding
- We talked about state requirements and issues that could happen if the deficit plan was not approved
- There was a lot of disbelief and then there was resignation as our story began to make sense
- We had to obtain all sorts of data
 - Benefits – plans, costs, opt outs
 - Payroll for the group including retirement, FICA
 - Cost of steps for group, history
 - Budget, funding, other groups, other trends

Fairness – Sharing the Pain



- The union had developed a “equity of sacrifice” concept
- They wanted everyone to take the same percentage cut
- Now, though, we were looking at a \$3 million issue and the cut would be more like 10% across the board
- We realized that would not work
- Plus, it was evident that our cost for support groups was out of whack compared to other districts

Strategy of RFPs for Outsourcing



- The Board had considered putting together RFPs for outsourcing, but the work had not been done
- The Board was generally against outsourcing and was concerned that even doing RFP would be problematic
- As I came on board, I offered to put the RFPs together so we could get an idea of the market cost of support group work
- Unions were apprised that this was the plan and we would be looking at the market cost as well as “equity of sacrifice”

Developing the Plan



- At the same time, we were continuing to refine the 2014-15 budget
- We were beginning to look at changes needed for 2015-16 such as right sizing staff
- We wanted to switch to semesters from trimesters but decided 2016-17 would be more appropriate
- Other changes were needed
- We needed an overall plan to help us understand how much for concessions

Developing the Plan

1	Projected Fund Balance June 2015 (\$591,000)	2015-16	2016-17
2	2015-16 Budget Ongoing Deficit (\$1,559,000)	(\$1,559,000)	(\$1,559,000)
Deficit Elimination Plan Over 2015-16 and 2016-17			
3	Replace Negative Fund Balance over two years	(300,000)	(\$300,000)
4	Three Buses need to be purchased each year	(241,000)	(\$241,000)
		(\$2,100,000)	(\$2,100,000)
5	Decline in enrollment for 2016-17 (75 students)		(\$547,000)



Developing the Plan

6	High school switches to semester schedule for 2016-17		\$300,000
7	Reduction of staffing due to decline in enrollment		\$187,000
8	State Funding increase for 2016-17 (\$50 per student)		\$175,000
9	Early Retirement Incentive will not continue in 2016-17		\$375,000
	Total structural changes happening in 2016-17		\$500,000
10	Apply portion of structural changes happening in 2016-17 to create sustainable plan for both 2015-16 and 2016-17 and going forward into future	\$200,000	\$200,000
11	Amount needed in concessions to balance budget each year ongoing	(\$1,900,000)	(\$1,900,000)
12	Reductions to budget due to staff concessions		



Developing the Plan



12	Reductions to budget due to staff concessions		
13	Teachers (concessions based upon 61% of budget)	\$1,160,000	\$1,160,000
14	Curriculum/Technology Reductions from 2015-16 Budget	\$60,000	\$60,000
15	Secretaries/Aides 6% reduction, 5 furlough days, eliminate one vacation day (Tentative Agreement)	\$69,000	\$69,000
16	Administrators (TA)	\$65,000	\$65,000
17	Custodians/Maintenance reductions (TA)	\$387,000	\$419,000
18	Food Service	\$120,000	\$120,000
19	Transportation (Tentative Agreement)	\$67,000	\$67,000
20	Non-Affiliated Staff at Central Office	\$10,000	\$10,000

Developing the Plan



21	TOTAL CHANGES FROM 2015-16 Original Budget to amended 2015-16 Budget and 2016-17 Budget	\$1,938,000	\$1,979,000
22	Projected fund balance on June 30, 2016	(\$453,000)	
23	Projected fund balance on June 30, 2017		\$479,000
24	Projected fund balance on June 30, 2018		\$779,000

Believing the Numbers



- Had to develop credibility with the numbers
- Options – brainstorming
- Listening to the other side
- Working with all groups
- What was the fair number for teacher group?
- Proposals were received for
 - Custodial/maintenance
 - Transportation
 - Secretarial Services
 - Food Service

Should We Outsource?



- We figured we needed \$1.9 million in concessions
- Outsourcing custodial and maintenance would save about \$1 million
- Outsourcing secretarial would save about \$70,000
- Outsourcing transportation would save about \$70,000
- Outsourcing Food Service would save about \$120,000

Strategy



- Should we outsource everything to take the savings?
- Many districts have outsourced all support services
- Teaching and learning is the main business of the school district
- Valued long term employees are in the support staff groups
- Teacher would probably take fewer concessions if support staff takes more
- What is the right strategy?

Teacher Group Concessions



- The contract did not expire until June 2016, so we could not really do much on language issues
- How do you develop the right number for concessions for this group?
- Deficit Elimination Plan is over two years so we determined to negotiate a two year letter of agreement that would dictate financial terms for the agreement
- We decided to start looking at the total cost of the group compared to the total cost of the budget and then take that percentage of the deficit
- \$1.9 million ongoing deficit @61% = \$1,160,000

Involving the Board



- Tried to keep the Board above the action, but completely updated
- Went over parameters and confidentiality early in the process, but did not go into executive session every Board meeting
- The main thing was to explain the strategy to the Board and also go over the plan with the numbers
- As we completed tentative agreements, we got approval from the Board

Teacher Agreement



- The salary schedule reduced by 3.75% and no staff will be moved on steps or lanes. Step Zero added to Salary Schedule at 95.5% of Step One for all teachers hired for 2015-16 school year. All other contractual stipends shall reflect a reduction of 20% - \$633,000
- All stipends covered by Schedule B and C will be calculated by new BA step 1 and will be reduced by 12.5% for GEA and 20% for non-GEA - \$74,000
- Three (3) days unpaid for each school year - \$261,000
- Longevity eliminated - \$24,000
- Curriculum study day eliminated - \$5,000
- Cash in Lieu payments reduced to \$1000 annually - \$155,000
- Rate for staff subbing during prep reduced 20% - \$8,000

Bus Driver Agreement



- The hourly wage rate schedule is reduced by five percent (5%) – \$34,350
- Two (2) Standard Vacation Days and two (2) holidays are eliminated – \$14,582
- The Short Term Disability Insurance eliminated and LTD revised – \$7,662
- Insurance changed, overtime reduced, sick days changed, other – \$10,682

Secretary/Aides



- The salary schedule will be reduced by 6.0% for all employees and no staff will be moved on steps - \$52,407
- All eligible employees shall have their vacation allotment reduced by one (1) vacation day - \$3,054
- Work year shall be reduced by five (5) days for secretaries - \$13,110

Custodial/Maintenance

- The wage schedule for day is reduced by 15% and night by 25% - \$291,000
- New wage and benefit schedule for employees hired after July 1, 2015
- Four furlough days total - \$23,000
- Employees use 10 vacation days on days with no sub needed – \$21,000
- Change health insurance – \$22,000
- Add Saturday shift & overtime paid only after working 40 hours per week – \$18,000
- Night workers not paid for Act of God days and no new uniforms – \$12,000



Administrators

- 3.75 % reduction in Wage Schedules and no staff will be moved on steps - \$37,000
- Two (2) days shall be unpaid for each school year - \$15,000
- \$500 transportation stipend is eliminated and education reimbursement reduced - \$13,000



Other Reductions



- Food Service was outsourced with a savings of \$120,000
- Non-affiliated administrators and staff took similar concessions with a savings of \$14,420
- Medical assistance aides were eliminated
- Only two layoffs were required
- Three new buses were planned for each year going forward

Summary



- Concessions for all groups \$1.9 million
- Other changes included reduction in staff, changing to semesters for 2016-17, strategy of sinking fund election, switching to 24 pays, eliminating medical assistance aides
- Deficit Elimination Plan for 2015-16
 - \$1.9 million bargaining concessions
 - \$3.3 million total lower expenditures
 - \$31.7 million in revenue with \$31.0 in expenditures (some of surplus needed to pay back deficit)

Summary

- District is now set up for sustainable balanced budget
- Sinking fund passed which will be helpful
- Deficit will be eliminated no later than June 2017, but may be eliminated in June 2016
- Declining enrollment will still be an issue
- Other spending pressures will occur
- It will be difficult to give increases to staff in the future without significant increases in funding from the state



THANK YOU!

Contact Information:

Dr. Rodney Green
MASB Consultant
rodgreen11@gmail.com
810-852-1189

Amy Conway, Superintendent
Gibraltar School District
conwaya@gibdist.net
734-379-6351

