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

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollment</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>3805</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>3739 (66)</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>3714 (25)</td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>3649 (65)</td>
<td></td>
</tr>
<tr>
<td>2015-16 projected</td>
<td>3571 (78)</td>
<td></td>
</tr>
</tbody>
</table>

Summary

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

Teacher Staffing

<table>
<thead>
<tr>
<th>Year</th>
<th>Staffing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>220*</td>
</tr>
<tr>
<td>2014-15</td>
<td>200*</td>
</tr>
</tbody>
</table>

* 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?

<table>
<thead>
<tr>
<th>Year</th>
<th>Deficit</th>
<th>Fund Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td>$6,286,857</td>
</tr>
<tr>
<td>2012</td>
<td>$1,570,034</td>
<td>$4,716,823</td>
</tr>
<tr>
<td>2013</td>
<td>$1,410,392</td>
<td>$3,306,431</td>
</tr>
<tr>
<td>2014</td>
<td>$1,940,720</td>
<td>$1,365,711</td>
</tr>
<tr>
<td>2015 Projected</td>
<td>$2,593,040</td>
<td>$(1,227,329)</td>
</tr>
</tbody>
</table>
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)

Total: $(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.
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

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

#### 2016-17 Budgeting

<table>
<thead>
<tr>
<th></th>
<th>Reducing the Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>High school switches to semester schedule for 2016-17</td>
</tr>
<tr>
<td>7</td>
<td>Reduction of staffing due to decline in enrollment</td>
</tr>
<tr>
<td>8</td>
<td>State Funding increase for 2016-17 ($50 per student)</td>
</tr>
<tr>
<td>9</td>
<td>Early Retirement Incentive will not continue in 2016-17</td>
</tr>
<tr>
<td></td>
<td>Total structural changes happening in 2016-17</td>
</tr>
<tr>
<td>10</td>
<td>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</td>
</tr>
<tr>
<td>11</td>
<td>Amount needed in concessions to balance budget each year ongoing</td>
</tr>
<tr>
<td>12</td>
<td>Reductions to budget due to staff concessions</td>
</tr>
</tbody>
</table>
## Developing the Plan

<table>
<thead>
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<th></th>
<th>Reductions to budget due to staff concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Teachers (concessions based upon 61% of budget)</td>
</tr>
<tr>
<td>14</td>
<td>Curriculum/Technology Reductions from 2015-16 Budget</td>
</tr>
<tr>
<td>15</td>
<td>Secretaries/Aides 6% reduction, 5 furlough days, eliminate one vacation day (Tentative Agreement)</td>
</tr>
<tr>
<td>16</td>
<td>Administrators (TA)</td>
</tr>
<tr>
<td>17</td>
<td>Custodians/Maintenance reductions (TA)</td>
</tr>
<tr>
<td>18</td>
<td>Food Service</td>
</tr>
<tr>
<td>19</td>
<td>Transportation (Tentative Agreement)</td>
</tr>
<tr>
<td>20</td>
<td>Non-Affiliated Staff at Central Office</td>
</tr>
</tbody>
</table>

### Total Changes from 2015-16 Original Budget to amended 2015-16 Budget and 2016-17 Budget

<table>
<thead>
<tr>
<th></th>
<th>TOTAL CHANGES FROM 2015-16 Original Budget to amended 2015-16 Budget and 2016-17 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Projected fund balance on June 30, 2016</td>
</tr>
<tr>
<td>23</td>
<td>Projected fund balance on June 30, 2017</td>
</tr>
<tr>
<td>24</td>
<td>Projected fund balance on June 30, 2018</td>
</tr>
</tbody>
</table>

Projected fund balance on June 30, 2016: ($453,000)
Projected fund balance on June 30, 2017: $479,000
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!

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