



Discussion and Report to Board
on Reduction Options and Community Input

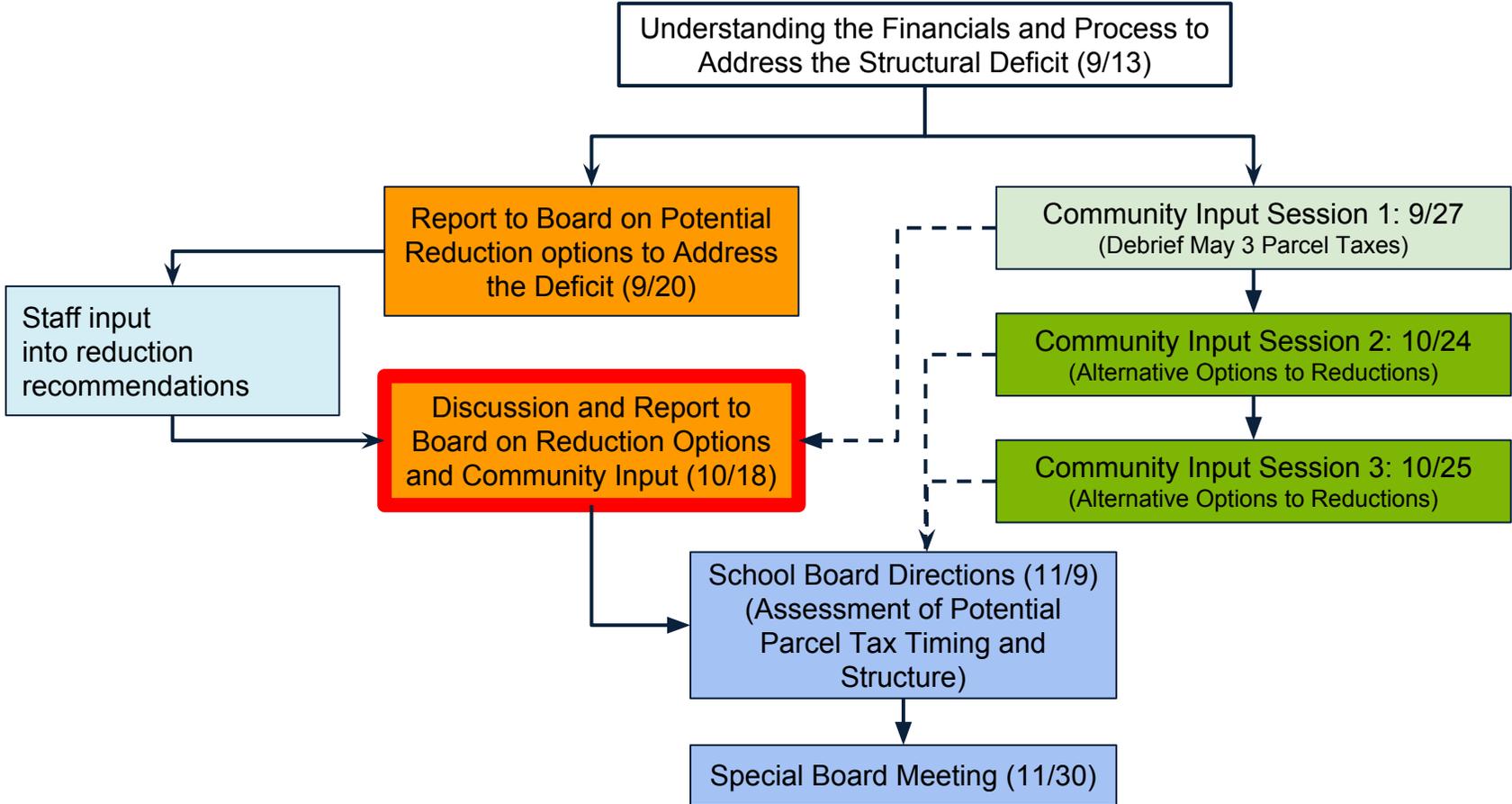
October 18, 2016

Agenda

- Recap and Review
 - Planning and Input Process
 - Structural Deficit
 - Reductions Levers and Framework
 - Reduction Considerations and Process
- Preliminary Reduction List
- Other Potential Reductions
- Updated Financial Model
- Parcel Tax Scenarios
- Next Steps



Planning Process



Recap: Structural Deficit

- Operating Deficit grows from \$1.7M in 2016/17 to \$5.3M in 2021/22
- District Economic Uncertainty Reserves fall below 10% in 2018/19 and are depleted by 2019/20
- District can not sustain current operations financially beyond 2018/19



**District must
reduce
expenditures,
increase
revenues,
or both**

Why is the District facing a structural deficit?

Revenue Loss

- Funding from Measure C (2010) Parcel Tax expires in 2016/17

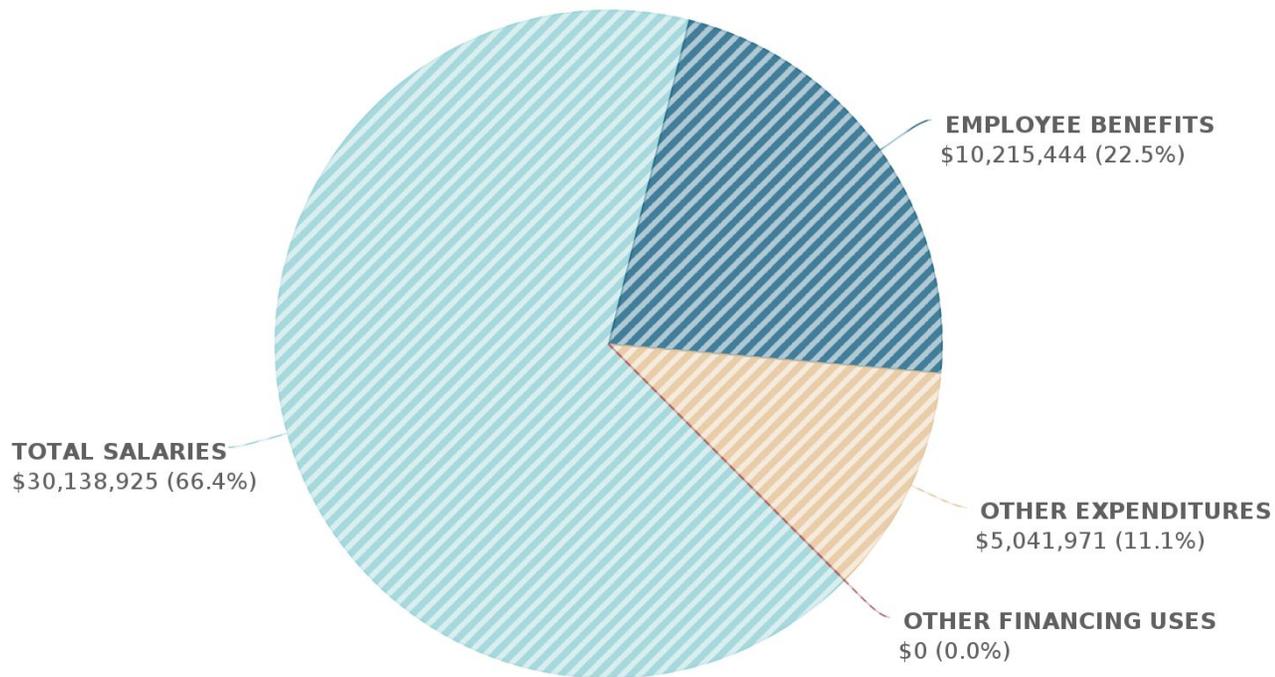
Expenditure Increases

- Increased costs as a result of enrollment growth
- Increased employee pension costs (required by State)

To learn more about the District's finances, please see the Interactive Portal at the following link: <http://district.mpcsd.org/Page/1685>



Distribution of 2016-17 Expenditures



Salaries and Benefits account for 89% of all Expenditures

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Any meaningful reductions likely to have direct impact on student experience

Framework on Reductions

- Priorities to align with Guiding Principles and Strategic Directions:
 - Teaching and Learning, Talent, Wellness, Technology, Vertical Experience
 - Program priority overrides its start date
- Preserve District Academic Programs in special education, math, ELA, science, social science, PE, visual/performing arts, and world language
- Plan reductions in a multi-year effort to minimize impacts and adhere to Board Policy 3470 on reserve levels
- Reductions shall not be supplanted by PTO funds
- The \$900K of reductions included in the 2016/17 Budget shall be re-evaluated through this framework
- *Added: Reduce programs/positions that may be restored expediently as funding improves*

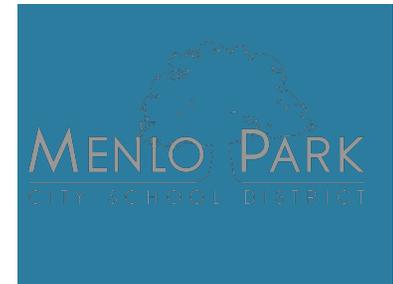


The entire framework is centered on the student experience

Reduction Considerations and Process

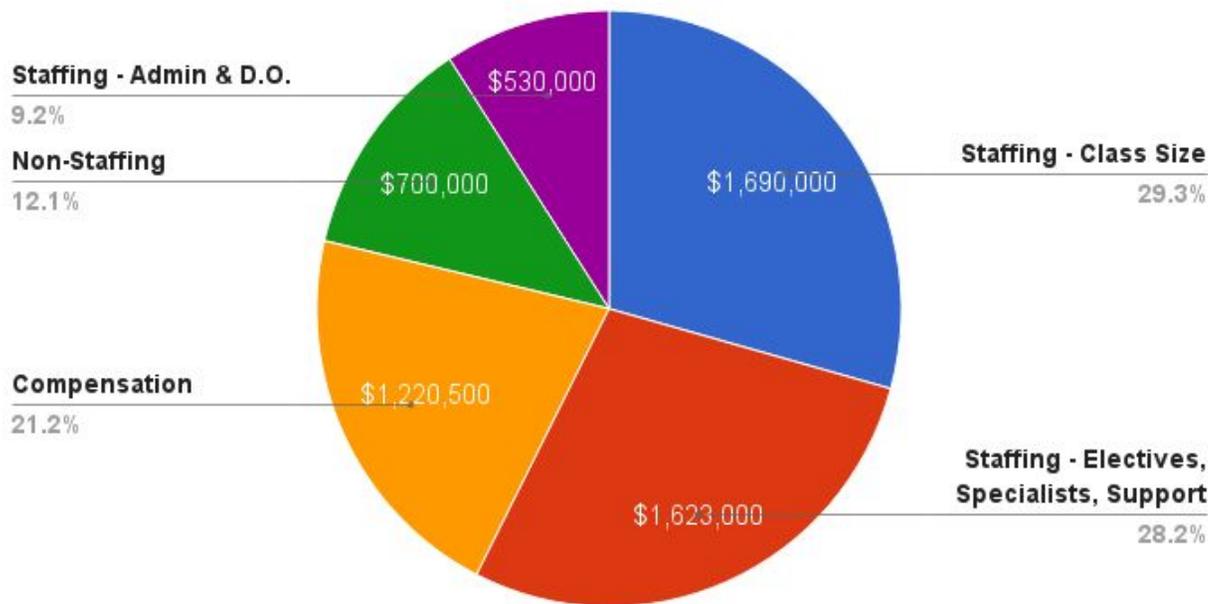
- Considerations
 - We VALUE all our programs and team members
 - There simply isn't a way to get to \$5.3 million without reducing programs we VALUE
 - These programs and people matter to our students and their success

- Process
 - Input from District's Leadership Team, MPEA, CSEA, and District Council
 - Superintendent Cabinet reviewed input against Framework
 - Superintendent presents preliminary recommendations on October 18 for Board discussion, public comment, direction...



Potential Reductions Distribution

\$5.76 M in Potential Reductions



- Exhaustive reduction assessment
- Preliminary
- Non-prioritized
- More than necessary (\$5.76M identified vs. compounded \$4.5M required)
- List of reductions in the following slides need further evaluations

Potential Reductions (3-Year Phase In)

(1 of 4)

Reduction	Amount	Total	Discussion
Staffing - Admin and District Office			
Educational Services Reductions	\$230,000		Reorganization of Educational Services Department (e.g., curriculum, instruction, and testing & assessment)
Eliminate TOSA Positions	\$250,000		Elimination of Math/Science and ELA/SS teacher & curriculum training and support specialists
Business Office Reduction	\$50,000		Reorganization of Business Office
<i>Subtotal</i>		<i>\$530,000</i>	
Staffing - Class Size			
Increase K-5 Class Size Average by Two: 1:24	\$1,040,000		Current K-5 class size average is 1:22; this would increase class size average by two students
Increase 6-8 Class Size Average by Three: 1:27	\$650,000		Current 6-8 class size average is 1:24 (rounded); this would increase class size average by three students
<i>Subtotal</i>		<i>\$1,690,000</i>	

Potential Reductions (3-Year Phase In)

(2 of 4)

Reduction	Amount	Total	Discussion
Staffing - Admin and District Office			
Reduction of Hillview Electives (1.7 FTE)	\$220,000		Fewer middle school electives (TBD)
Reduction of 4th and 5th Grade Music Time by 50%	\$190,000		Reduce from ~90 min per week to ~45 min per week for each 4th and 5th grade class music program
Modification of Library Program	\$250,000		Libraries staffed by aides with a certificated District Librarian; teacher will need to be present at library with classified personnel
Elimination of District's K-5 World Language Program	\$210,000		Elementary World Language will be limited to Spanish Immersion or after school programs
Modification of Elementary Art Program	\$206,000		Art program staffed by aides, teacher will need to be present at art time with classified personnel
Elimination of Elementary Science Aides	\$127,000		Maintain one aide to manage Foss kits; teachers will teach science
Reduction of Instructional Aides except for Kindergarten	\$360,000		Grade 1-3 aide support eliminated (1 hour per week, per class): needs to be negotiated with teachers' union
Custodial Reductions (1 FTE)	\$60,000		One fewer night custodian - night custodian reduced by 1 FTE as part of \$900K reductions for 2016/17
<i>Subtotal</i>		\$1,623,000	

Potential Reductions (3-Year Phase In)

(3 of 4)

Reduction	Amount	Total	Discussion
Non-Staffing Reductions			
Reduction in Technology Budget	\$150,000		Significant curtailment/elimination of iPad program and other tech initiatives (This is in addition to the the \$100K decrease implemented with \$900K reductions for 2016/17)
Elimination of Middle School Mini Courses	\$80,000		Option to maintain Mini Course Program for one grade level which would result in a reduction of about \$53,000
Reduction of Site Budgets	\$200,000		Approx. 1/3 reduction in site budgets for supplies, professional development / training, etc. (not including grant funding)
Elimination of Summer School	\$120,000		Elimination of regular summer school classes for students needing additional support; maintain mandatory Extended School Year as required by IEP for Special Education students & Middle School Math Bridge
Reduction in Professional Development	\$100,000		District's professional development budget reduced by nearly 1/3
Reduction in District Instructional Online Subscriptions	\$50,000		Eliminate Tenmarks, Dreambox, and various smaller online support programs
<i>Subtotal</i>		<i>\$700,000</i>	

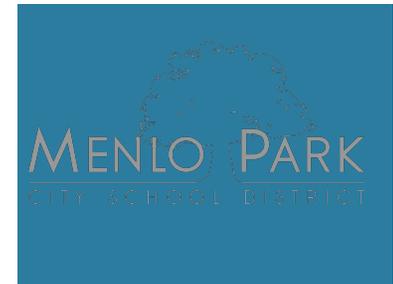
Potential Reductions (3-Year Phase In)

(4 of 4)

Reduction	Amount	Total	Discussion
Compensation			
Reduction of Teacher Work Year by 3 Days	\$375,000		Suspend three paid teacher professional development days, moving from a 189-day contract to a 186-day contract (Must be negotiate)
Reduction in Principal, Director, AP Contract Day by 5 Days	\$45,500		Suspend five work days for site and district administration
Reduction of 0.5% in Compensation Increases (financial impact by year 4)	\$800,000		Slow salary rate Increases through annual negotiations process
<i>Subtotal</i>		\$1,220,500	
GRAND TOTAL		\$5,763,500	

Other Potential Options

- **Early Retirement Incentive**
 - One time money to encourage the retirement of teachers higher on the salary schedule (purchase 2 years of service credit)
 - Potential savings opportunity after 2 years to recoup outlay
 - Long range financial model already takes some retirements into account
- **Half-Day Kindergarten**
 - Only way to save money is to require kinder teachers to replace duties of other current staff (e.g. Intervention); savings does not occur by reducing kinder teachers
 - Not required to offer full-day; however, there is a potential negative impact of returning to half day
- **Eliminate and Outsource Transportation**
 - Eliminating neighborhood busing would increase Transportation costs by \$20,000
 - Outsourcing all busing will actually cost District & PTO more money (~\$60,000)
 - District provides greater service and in a safer environment



Updated Financial Model with Reductions

<u>No New Parcel Tax</u>	2017/18	2018/19	2019/20	2020/21	2021/22
\$4.5M Budget Reductions*	(\$1.5M)	(\$1.5M)	(\$1.5M)	\$-0-	\$-0-
Operating Surplus/(Deficit)	(\$1.9M)	(\$0.8M)	\$0.5M	\$0.3	\$0.1M
Reserve for Econ Uncertainty	\$7.5M	\$6.8M	\$7.5M	\$7.8M	\$7.7M
Reserve as % of Expenditures	16%	14%	16%	15%	15%

Amount of cuts needed over a three-year period to reduce deficit spending and maintain board policy reserve levels through 2021/22.



Reductions early on result in compound savings that provide a higher return to solve the \$5.3M deficit projected for fiscal year 2021/22.

***This is in addition to \$900,000 in budget reductions already implemented for 2016/17**

Parcel Tax Scenarios



Budget Reductions Needed to Solve Projected Deficit of \$5.3M in 2021/22

Next Steps

- Receive Directions from the Board tonight
- Community Input Meetings
 - October 24 at 9 a.m. (Hillview PAC)
 - October 25 at 6 p.m. (Hillview PAC)
- Specific reduction recommendations presented to the School Board on November 9, 2016 at 6 p.m. (Hillview PAC)

