

# **CMSD Budget Restoration Recommendations and Implementation Timeline**

Tuesday, December 13, 2011



“The Primary Goal of the Cleveland Metropolitan School District is to become a premier school district in the United States of America.”

# October 2011 Five-Year Forecast

(in millions of dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Beginning Cash Balance</b>	\$82.0	\$50.4	\$13.0	<b>\$33.0</b>	\$7.1	<b>(\$59.0)</b>	<b>(\$144.7)</b>	<b>(\$246.1)</b>
<b>Total Revenues</b>	668.2	662.7	666.4	<b>643.4</b>	611.1	608.3	610.2	613.3
<b>Total Expenses</b>	699.8	700.1	646.4	<b>669.3</b>	677.2	694.0	711.6	729.8
<b>Revenue over Expenses</b>	<b>(31.6)</b>	<b>(37.4)</b>	20.0	<b>(25.9)</b>	<b>(66.1)</b>	<b>(85.7)</b>	<b>(101.4)</b>	<b>(116.5)</b>
<b>Ending Cash Balance</b>	50.4	13.0	33.0	<b>7.1</b>	<b>(59.0)</b>	<b>(144.7)</b>	<b>(246.1)</b>	<b>(362.6)</b>
<b>Encumbrances/Reserves</b>	7.0	6.5	8.2	<b>7.0</b>	7.0	7.0	7.0	7.0
<b>Unencumbered Balance</b>	\$43.4	\$6.5	\$24.8	<b>\$0.1</b>	<b>(\$66.0)</b>	<b>(\$151.7)</b>	<b>(\$253.1)</b>	<b>(\$369.6)</b>



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# Changes to revenue/expenditures

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- On Friday, December 2, 2011 – Local 777 (Custodians) ratified their contract
- On Tuesday, December 6, 2011 – the Board approved a resolution ratifying the Local 777 (Custodians) contract
- Projected savings from this contract are:

2011-12 School Year (current)	2012-13 School Year (next)
\$328,880	\$424,113



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# Changes to revenue/expenditures

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- On Friday, December 2, 2011 – Local 279 (Cleveland Teachers Union) and CMSD reached a Tentative Agreement
- CTU members will vote on this Tentative Agreement on December 15, 16, 19, 20, and 21
- The Board may consider this Tentative Agreement on or after December 21
- Projected savings if this Tentative Agreement is ratified are:

2011-12 School Year (current)	2012-13 School Year (next)
\$7,773,033	\$2,719,216



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# Changes to revenue/expenditures

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- *Pending ratification of CTU contract*, combined changes to revenue/expenditures to date will be:

	2011-12	2012-13
Local 777 (custodians)	\$328,880	\$424,113
Local 279 (CTU)	\$7,773,033	\$2,719,216
<b>TOTAL</b>	<b>\$8,101,913</b>	<b>\$3,143,329</b>



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# District Goals

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- Restore critical programs and services for the current year
- Continue to address the projected deficit for the 2012-13 school year



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# Goal 1: Restore critical programs and services

Program/Service	Maximum cost to District
Restore planned pre-school programming reductions	\$741,000
Restore planned high school transportation reductions	\$1,550,013
Restore planned spring athletics reductions	\$568,260
Restore student clubs/activities (effective 2nd Semester)	\$276,223
Restore 12 school nurse positions (effective January 9)	\$466,931
Restore planned principal/assistant principal reductions	\$727,000
<b>TOTAL VALUE OF RESTORED PROGRAMS/SERVICES</b>	<b>\$4,329,427</b>



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# Goal 1: Restore critical programs and services

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- CMSD continues to negotiate with other District unions, including:
  - Building Trades
  - Carpenters
  - Local 1199 (Secretaries, Cleaners, etc.)
  - Local 436 (Safety and Security)
  - Local 860 (Assistant Custodians, Laborers, Mechanics)
- Pending outcome of these negotiations, future considerations might include:
  - Restoring additional cleaners
  - Restoring additional security officers

# Goal 1: Restore critical programs and services

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- Additional considerations might include:
  - Summer school programming
  - Facilities maintenance, as necessary
  - Adjustments to school building budgets, as necessary



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## Goal 2: Continue to address 2012-13 deficit

- October Five Year Forecast projects a \$66 million deficit
- Currently projected savings, *pending ratification of CTU contract*, are:

	2011-12	2012-13
Local 777 (custodians)	\$328,880	\$424,113
Local 279 (CTU)	\$7,773,033	\$2,719,216
<b>TOTAL PROJECTED SAVINGS</b>	<b>\$8,101,913</b>	<b>\$3,143,329</b>
- 2011-12 program restoration costs	\$4,329,427	
<b>TOTAL REMAINING SAVINGS</b>	<b>\$3,772,486</b>	<b>\$3,143,329</b>



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# Goal 2: Continue to address 2012-13 deficit

- Impact on current Five Year Forecast projections:

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Beginning Cash Balance	\$82.0	\$50.4	\$13.0	\$33.0	\$10.8	(\$57.9)	(\$149.4)	(\$256.6)
Total Revenues	668.2	662.7	666.4	643.4	611.1	608.3	610.2	613.3
Total Expenses	699.8	700.1	646.4	665.6	679.8	699.8	717.4	735.6
Revenue over Expenses	(31.6)	(37.4)	20.0	(22.2)	(68.7)	(91.5)	(107.2)	(122.3)
Ending Cash Balance	50.4	13.0	33.0	10.8	(57.9)	(149.4)	(256.6)	(378.9)
Encumbrances/Reserves	7.0	6.5	8.2	7.0	7.0	7.0	7.0	7.0
Unencumbered Balance	\$43.4	\$6.5	\$24.8	\$3.8	(\$64.9)	(\$156.4)	(\$263.6)	(\$385.9)

NOTE: CHANGES ONLY REFLECT UNION CONCESSIONS AND CEO BUDGET RESTORATION RECOMMENDATIONS



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## Goal 2: Continue to address 2012-13 deficit

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- **If we assume that the restored programs and services will continue next school year, the projected deficit for 2012-13 is \$64.9 million (*pending CTU/CMSD ratification of contract*)**

# Goal 2: Continue to address 2012-13 deficit

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- Three strategies for addressing deficit:
  - 1) Continued cost containment/reduction of expenses
    - 2012-13 wage reopeners with CTU and several other unions will require continued negotiations
  - 2) Structural changes to CMSD budget
    - Redesign of core academic services to provide same or better services at reduced costs (e.g., move from textbooks to Nook e-books)
  - 3) Increased revenue
    - Potential levy/bond issue in 2012



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# Goal 2: Continue to address 2012-13 deficit

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- Update on Levy Options
  - The Ohio legislature has a scheduled primary election on June 12, 2012
    - U.S. House of Representatives and Presidential Primary
    - Levy filing deadline: March 14, 2012
  - Ohio legislature has considered replacing both March 6 and June 12 primary elections with:
    - A single primary on April 24, 2012 (Levy filing deadline: January 25, 2012)
    - A single primary on May 8, 2012 (Levy filing deadline: February 8, 2012)
  - General Election is November 6, 2012
    - President, U.S. House, and U.S. Senate Election
    - Levy filing deadline: August 8, 2012
    - Does not allow for budget planning in 2012-13 school year



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# Goal 2: Continue to address 2012-13 deficit

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- Recent comments from Financial Ratings Agencies
  - *“Management has taken aggressive steps to address its budget imbalance by successfully implementing sizable spending reductions. While the budget is balanced through June 30, 2012, Fitch Ratings believes the district’s current cost structure is unsustainable, and passage of a new property levy and/or further cost reductions will be required to address the forecast deficits starting in fiscal 2013.”*
  - *“Somewhat offsetting Fitch’s concerns over the district’s financial profile is a strong and experienced management team, which has implemented a sophisticated academic transformation plan (ATP) and has been proactive in reducing expenditures to help stabilize operations.”*
  - **PRELIMINARY RATING – “AA, Stable outlook”**

Source: Fitch Ratings



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# Goal 2: Continue to address 2012-13 deficit

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- Recent comments from Financial Ratings Agencies
  - *STRENGTHS*  
*Willingness to enact substantial expenditure reductions to close budget gaps, as evidenced by \$104 million in cuts over last two years*
  - *CHALLENGES*  
*Sizeable \$66 million budget gap currently forecasted for fiscal 2013*  
*The need to approach voters for additional operating revenues in near term*
  - **PRELIMINARY RATING – “AA, Stable outlook”**

Source: Moody’s Corporation



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# Summary of Recommendations and Next Steps

Program/Service	Maximum cost to District
Restore planned pre-school programming reductions	\$741,000
Restore planned high school transportation reductions	\$1,550,013
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Restore student clubs/activities (effective 2nd Semester)	\$276,223
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Restore planned principal/assistant principal reductions	\$727,000
<b>TOTAL VALUE OF RESTORED PROGRAMS/SERVICES</b>	<b>\$4,329,427</b>
<b>11-12 SAVINGS APPLIED TO 12-13 DEFICIT REDUCTION</b>	<b>\$3,772,486</b>



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# Summary of Recommendations and Next Steps

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- CTU members must vote on contract
  - Membership voting is scheduled for December 15, 16, 19, 20, and 21
- Pending ratification of contract by CTU members, Board must vote to ratify CTU contract
  - Consider resolution to ratify contract at a Special Board Meeting, Wednesday, December 21 @ 7:00 PM at Board of Education Building
- Pending approval of CTU contract by both parties, Board must vote to restore positions and programs
  - Consider any resolutions necessary to rescind layoffs and restore programs and services at Special Board Meeting



The primary goal of the Cleveland Metropolitan School District is to become a premier school district in the United States of America.