

Cleveland Municipal School District Financial Update

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**PRESENTED TO THE BOARD OF EDUCATION
SEPTEMBER 13, 2011**

Cleveland Municipal School District September 2009 Five Year Forecast

(in millions of dollars)

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	2009 – 2010	2010 – 2011	2011 – 2012	2012 – 2013	2013 – 2014
Beginning Cash Balance	\$ 50.4	\$ 7.0	\$ (45.8)	\$ (125.9)	\$ (217.3)
Total Revenues	659.7	655.1	638.5	631.7	627.1
Total Expenses	703.1	707.9	718.6	723.1	728.6
Revenue over Expense	(43.4)	(52.8)	(80.1)	(91.4)	(101.5)
Ending Cash Balance	7.0	(45.8)	(125.9)	(217.3)	(318.8)
Encumbrances/Reserves	7.0	7.0	7.0	7.0	7.0
Unencumbered Balance	\$ 0.0	\$ (52.8)	\$ (132.9)	\$ (224.3)	\$ (325.8)

How we closed a \$52.8M deficit in FY 2011

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Salaries:

322 positions eliminated due to school closings	\$ 14,289,568	
195 Teaching positions moved to stimulus funds	11,700,000	
4.62% reduction for at-will employees	904,477	
4.62% reduction for principals and assistant principals	719,498	
Reduction of 3 voluntary professional days for teachers	3,100,000	
Reduction of 3 professional development days for teachers	2,919,231	
75% step freeze for teachers (only received 25% of their step increase)	2,931,288	
All Other unions wage concessions	3,165,530	
Eliminate vacation payout	1,400,000	
Total Salaries		\$ 41,129,592

Employee Benefits:

322 positions eliminated due to school closings	2,750,417	
195 Teaching positions moved to stimulus funds	1,665,625	
Increase in monthly employee contribution beginning Aug. 1, 2010	1,968,044	
Prescription Drug manager beginning Jan. 1, 2011	287,000	
Working Spouse removal Jan. 1, 2011	205,000	
Total Employee Benefits		\$ 6,876,086

How we closed a \$52.8M deficit in FY 2011

(cont'd)

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Purchased Services:

Utilities Negotiated Cost (electricity, water & sewage and gas)	\$ 2,081,324	
5% reduction in central office non-personal budgets	1,028,000	
Bus lease purchase agreement completed	607,491	
Tuition and Special Ed Indistrict Payments (shifted \$5.7 million to fund 516 in FY 2011. \$3.2 million in FY 2010.	2,500,000	

Total Purchase Services

2,500,000 **6,216,815**

Materials and Supplies / Equipment

Reduced Textbook Allocation by 50%	2,647,483	
Eliminated Student Uniform Program from the General Fund	747,000	

Total Employee Benefits

747,000 **3,394,483**

Projected Saving in FY 2011 From 2010

\$ 57,616,976

Cleveland Municipal School District

October 2010 Five Year Forecast

(in millions of dollars)

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	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Cash Balance	\$90.6	\$82.0	\$50.4	\$13.0	\$25.6	\$(51.4)	\$(151.4)	\$(268.6)
Total Revenues	672.5	668.2	662.7	676.1	625.4	616.4	612.0	607.4
Total Expenses	681.1	699.8	700.1	663.5	702.4	716.4	729.2	742.5
Revenue over Expenses	(8.6)	(31.6)	(37.4)	12.6	(77.0)	(100.0)	(117.2)	(135.1)
Ending Cash Balance	82.0	50.4	13.0	25.6	(51.4)	(151.4)	(268.6)	(403.7)
Encumbrances/Reserves	10.7	7.0	6.5	7.0	7.0	7.0	7.0	7.0
Unencumbered Balance	\$71.3	\$43.4	\$6.5	\$18.6	\$(58.4)	\$(158.4)	\$(275.6)	\$(410.7)

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October 2010 Five Year Forecast

(in millions of dollars)

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	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Cash Balance	\$90.6	\$82.0	\$50.4	\$13.0	\$25.6	\$(51.4)	\$(151.4)	\$(268.6)
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Revenue over Expenses	(8.6)	(31.6)	(37.4)	12.6	(77.0)	(100.0)	(117.2)	(135.1)
Ending Cash Balance	82.0	50.4	13.0	25.6	(51.4)	(151.4)	(268.6)	(403.7)
Encumbrances/Reserves	10.7	7.0	6.5	7.0	7.0	7.0	7.0	7.0
Unencumbered Balance	\$71.3	\$43.4	\$6.5	\$18.6	\$(58.4)	\$(158.4)	\$(275.6)	\$(410.7)

Increase in Expenditures FY2012

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The two primary reasons for this increase in expenditures in FY2012 are:

- 246 employees will be shifted from stimulus funds back to the General Fund. Again in FY10 51 teachers were moved to Title 1 stimulus funds and in FY11 an additional 195 teachers were moved to Title 1 stimulus funds.
- Certain union contract modifications expired on June 30 2011.

Develop Strategy

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- Conducted deep analysis of revenues and expenditures.
- Engagement with business community.
- Communicated with key internal and external stakeholders.
- Developed a strategy of 2 years of fiscal sustainability.

Specific Recommendations

Area	Action	Savings	Notes
Personnel	Central Office –Compensation/Benefit Reductions and Reduction in Force School Based Attrition – 135 employees School Based Layoffs – 835 employees	\$ 3,850,000 \$ 12,800,000 \$ 46,000,000	School Based layoffs include teachers, nurses, social workers, guidance counselors, community aides, hearing officers, PCIA, educational aides, school secretaries, resource officers, and part time security officers
Non-Personnel	Reduce Textbooks Budget Reduce Central Office Non Staff Budget Transportation Services Academic Programming Extracurricular Activities Reduction Reduce Outside Legal Fees Outsourcing some Support Services	\$ 0 \$ 1,200,000 \$ 1,000,000 \$ 1,400,000 \$ 0 \$ 500,000 TBD	Academic programming reductions include professional development expenses, student ID expansion, administrator scheduling stipends, shifting programming to RttT, etc.
Facilities	Close 7 schools – 79 positions Sell Unneeded School Buildings Sell Administration Building (a) (a) Amount represents only net operational savings	\$ 2,000,000 \$ 2,000,000 \$ 400,000	Cost savings include principals, assistant principals, secretaries, custodial staff, internal suspension room aides, security, differentials, custodian overtime, rubbish collection, electric, gas and water and sewage
Revenue	Gain Timely Reimbursements for Medicaid Improved Tax Collection Levy	\$ 1,500,000 TBD TBD	
Total		\$72,650,000	

Cleveland Municipal School District

May 2011 Five Year Forecast

(in millions of dollars)

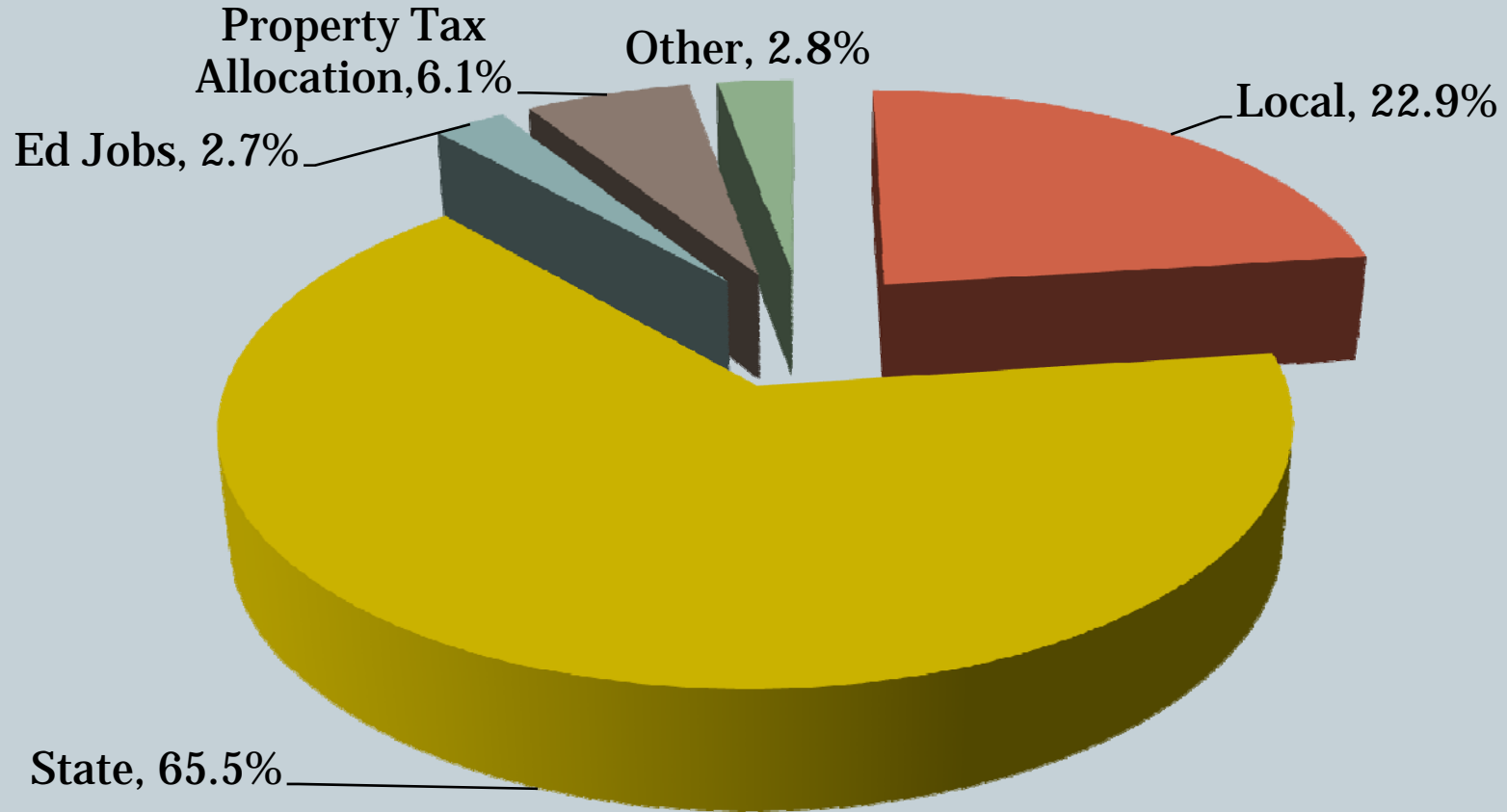
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	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Cash Balance	\$90.6	\$82.0	\$50.4	\$13.0	\$23.3	\$30.6	\$7.8	\$(42.1)
Total Revenues	672.5	668.2	662.7	666.5	645.8	608.2	594.2	594.2
Total Expenses	681.1	699.8	700.1	656.2	638.5	631.0	644.1	658.8
Revenue over Expenses	(8.6)	(31.6)	(37.4)	10.3	7.3	(22.8)	(49.9)	(64.6)
Ending Cash Balance	82.0	50.4	13.0	23.3	30.6	7.8	(42.1)	(106.7)
Encumbrances/Reserves	10.7	7.0	6.5	7.0	7.0	7.0	7.0	7.0
Unencumbered Balance	\$71.3	\$43.4	\$6.5	\$16.3	\$23.6	\$0.8	\$(49.1)	\$(113.7)

Cleveland Municipal School District

Where the Money Comes From
FY 2011-2012

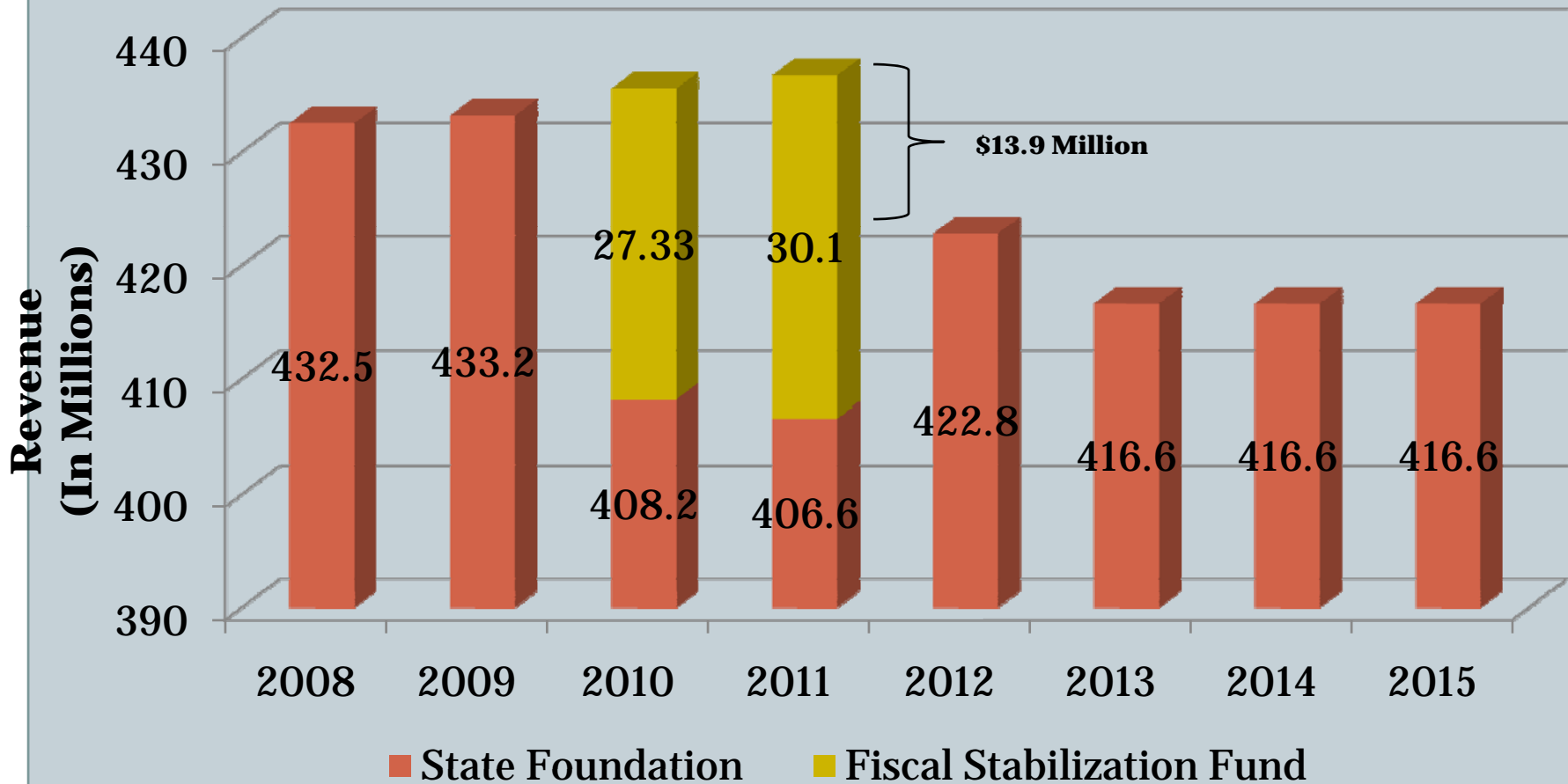
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Cleveland Municipal School District

State Foundation Revenue

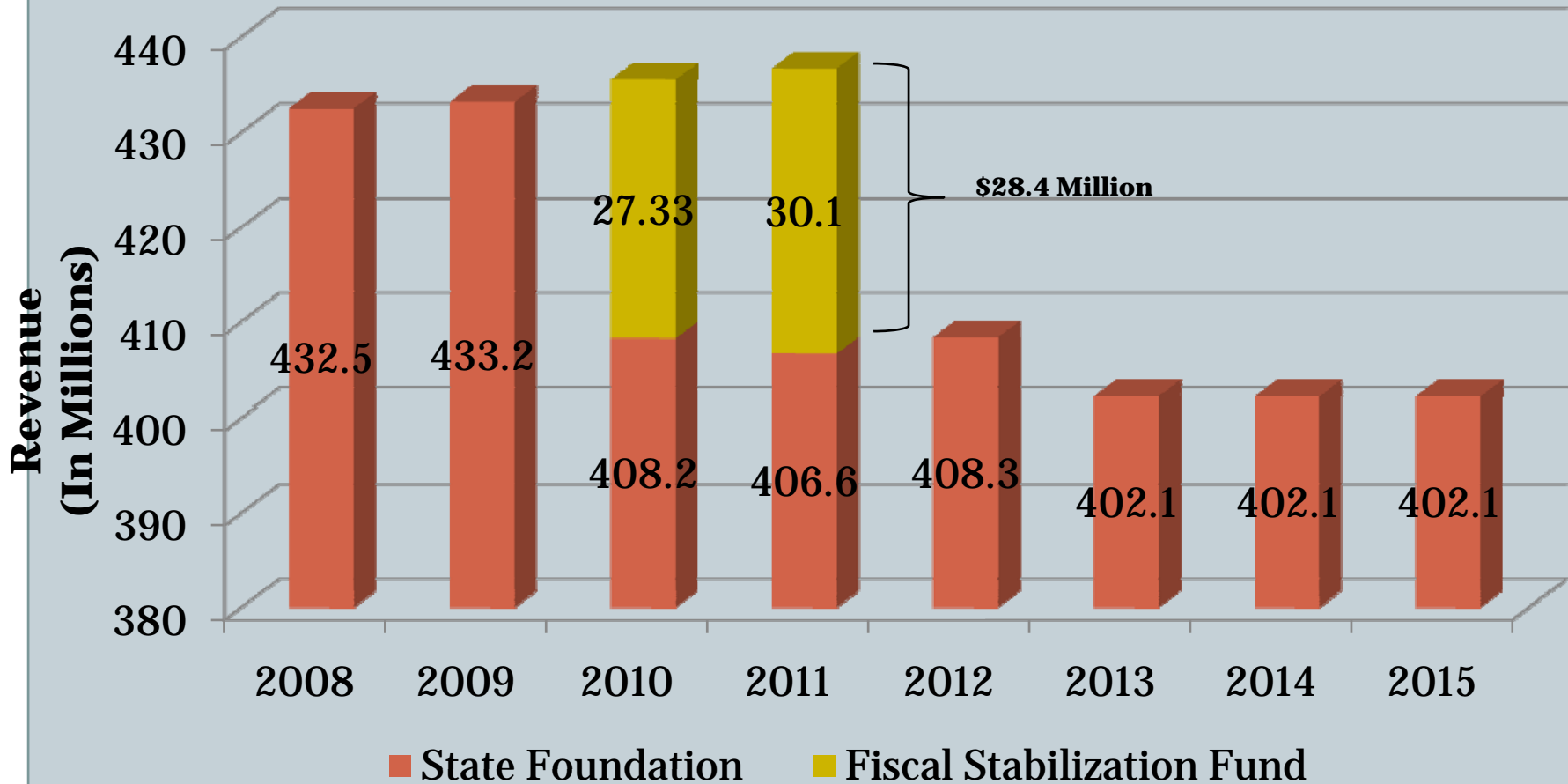
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Cleveland Municipal School District

State Foundation Revenue

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State Funding

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Pre K – 12 Enrollment as of 9-9-11	43,411
K-12 Enrollment as of 9-9-11	42,468
Estimated Decline in Enrollment	1,000
Estimated Enrollment to ADM	797
Projected October 2011 ADM	40,671

- FY12 state funding will be based on the October 2011 Average Daily Membership – ADM for K-12.
- October 2010 ADM (K-12) was 43,691. (3,020 higher than projected October 2011 ADM)
- Additional loss of \$14,500,000 in State funding vs. May 2011 5 year forecast.
- Per pupil funding in FY12 is \$7,418.

Cleveland Municipal School District

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Issues

- **Less State Funding**
- **Increased expenditures**
- **No new revenue identified.**
- **Large future deficits**

Scenario A

May 2011 5 Year Forecast adjusted for:

FY11 – State Funding- Additional Teachers - **Recalled Teachers Working 31 Days**

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	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Cash Balance	\$90.6	\$82.0	\$50.4	\$13.0	\$33.0	\$11.1	(\$37.8)	(\$113.8)
Revenues	672.5	668.2	662.7	666.4	645.8	608.2	594.2	594.2
State Funding	0.0	0.0	0.0	0.0	(14.5)	(14.5)	(14.5)	(14.5)
Total Revenues	672.5	668.2	662.7	666.4	631.3	593.7	579.7	579.7
Expenses	681.1	699.8	700.1	646.4	638.5	631.0	644.1	658.8
Additional contracted teachers working all year	0.0	0.0	0.0	0.0	10.3	11.6	11.6	11.6
Recalled teachers working 31 days	0.0	0.0	0.0	0.0	4.4	0.0	0.0	0.0
Total Expenses	681.1	699.8	700.1	646.4	653.2	642.6	655.7	670.4
Revenue over Expenses	(8.6)	(31.6)	(37.4)	20.0	(21.9)	(48.9)	(76.0)	(90.7)
Ending Cash Balance	82.0	50.4	13.0	33.0	11.1	(37.8)	(113.8)	(204.5)
Encumbrances/Reserves	10.7	7.0	6.5	8.3	7.0	7.0	7.0	7.0
Unencumbered Balance	\$71.3	\$43.4	\$6.5	\$24.7	\$4.1	(\$44.8)	(\$120.8)	(\$211.5)

Scenario B

May 2011 5 Year Forecast adjusted for:

FY11 – State Funding- Additional Teachers - **Recalled Teachers Working all Year**

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	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Cash Balance	\$90.6	\$82.0	\$50.4	\$13.0	\$33.0	(\$4.1)	(\$80.6)	(\$184.2)
Revenues	672.5	668.2	662.7	666.4	645.8	608.2	594.2	594.2
State Funding	0.0	0.0	0.0	0.0	(14.5)	(14.5)	(14.5)	(14.5)
Total Revenues	672.5	668.2	662.7	666.4	631.3	593.7	579.7	579.7
Expenses	681.1	699.8	700.1	646.4	638.5	631.0	644.1	658.8
Additional contracted teachers working all year	0.0	0.0	0.0	0.0	10.3	11.6	11.6	11.6
Recalled teachers working 195 days	0.0	0.0	0.0	0.0	24.4	27.6	27.6	27.6
Unemployment Compensation reduction	0.0	0.0	0.0	0.0	(4.8)	0.0	0.0	0.0
Total Expenses	681.1	699.8	700.1	646.4	668.4	670.2	683.3	698.0
Revenue over Expenses	(8.6)	(31.6)	(37.4)	20.0	(37.1)	(76.5)	(103.6)	(118.3)
Ending Cash Balance	82.0	50.4	13.0	33.0	(4.1)	(80.6)	(184.2)	(302.5)
Encumbrances/Reserves	10.7	7.0	6.5	8.3	7.0	7.0	7.0	7.0
Unencumbered Balance	\$71.3	\$43.4	\$6.5	\$24.7	(\$11.1)	(\$87.6)	(\$191.2)	(\$309.5)

Scenario C

May 2011 5 Year Forecast adjusted for:

FY11 State Funding- Additional Teachers - **Recalled Teachers Working all Year - Guidance Counselor, Nurses, Social Workers Recalled**

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	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Cash Balance	\$90.6	\$82.0	\$50.4	\$13.0	\$33.0	(\$7.6)	(\$89.0)	(\$197.5)
Revenues	672.5	668.2	662.7	666.4	645.8	608.2	594.2	594.2
State Funding	0.0	0.0	0.0	0.0	(14.5)	(14.5)	(14.5)	(14.5)
Total Revenues	672.5	668.2	662.7	666.4	631.3	593.7	579.7	579.7
Expenses	681.1	699.8	700.1	646.4	638.5	631.0	644.1	658.8
Additional contracted teachers working all year	0.0	0.0	0.0	0.0	10.3	11.6	11.6	11.6
Recalled teachers working 195 days	0.0	0.0	0.0	0.0	24.4	27.6	27.6	27.6
Recall Guidance Counselors - 13 working 195 day	0.0	0.0	0.0	0.0	0.9	1.0	1.0	1.0
Recall Nurses - 30 working 195 days	0.0	0.0	0.0	0.0	2.3	2.6	2.6	2.6
Recall 14 Social Workers working 195 days	0.0	0.0	0.0	0.0	1.2	1.3	1.3	1.3
Unemployment Compensation reduction	0.0	0.0	0.0	0.0	(5.6)	0.0	0.0	0.0
Total Expenses	681.1	699.8	700.1	646.4	671.9	675.1	688.2	702.9
Revenue over Expenses	(8.6)	(31.6)	(37.4)	20.0	(40.6)	(81.4)	(108.5)	(123.2)
Ending Cash Balance	82.0	50.4	13.0	33.0	(7.6)	(89.0)	(197.5)	(320.7)
Encumbrances/Reserves	10.7	7.0	6.5	8.3	7.0	7.0	7.0	7.0
Unencumbered Balance	\$71.3	\$43.4	\$6.5	\$24.7	(\$14.6)	(\$96.0)	(\$204.5)	(\$327.7)

Summary of Scenarios (+,-)

Scenario A	Scenario B	Scenario C
Significant class size increase	Class size increase minimized	Class size increase minimized
Lower expenses and balanced budget.	Budget Deficit in the 2011-2012 school year.	<ul style="list-style-type: none"> •Additional Budget Deficit in the 2011-2012 school year. •Will make balancing 2012 – 2013 school year more challenging.
		Additional Student Resources

Primary CMSD Actions

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Action	FY 2010-2011	FY 2011-2012
Layoffs	322 positions	870 positions
Close Schools	Closed 16 schools	Closed 7 schools
Use Stimulus Funds	\$20.2 million - 246 teaching positions	None
	\$5.7 million - tuition fees	None
	\$2.7 million - transportation fees	None
Reduce Other Costs	<ul style="list-style-type: none"> •Reduce textbook budget •Reduce central office non-personal budget 	<ul style="list-style-type: none"> •Reduce legal costs •Sell unneeded buildings •Further reduce central office non-personal budget
Reduce Central Office Costs	<ul style="list-style-type: none"> • 4.62% wage concession • Increase in health care contribution • Reduction in force 	<ul style="list-style-type: none"> •5.0% wage concession • Increase in health care contribution to 10% • Additional reduction in force
Union Contract Modifications	<ul style="list-style-type: none"> •4.62% wage concessions or similar for 1 year. •Increase in monthly healthcare contributions. 	<p>None</p> <p>Currently in negotiations with all unions except two</p>

Cleveland Municipal School District Financial Update

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QUESTIONS