

School District of the City of Royal Oak
MEMORANDUM

TO: Thomas L. Moline
FROM: John R. Schwartz
DATE: March 5, 2010
SUBJECT: 2010-11 Budget Development Update
General Fund

The budget development process for the General Fund has been ongoing since December. A line item budget report has been printed and is currently being reviewed for completeness. The following is the budget status as of March 5:

Projected Revenue	\$55,454,243
Projected Expenditures	<u>58,068,239</u>
Projected Revenues Over (Under)	
Projected Expenditures	(\$2,613,996)
Anticipated Favorable Budget Variance	<u>1,000,000</u>
Operating Deficiency – March 5	<u>(\$1,613,996)</u>

Our goal, which will be repeated throughout the budget process, is to preserve and maintain, as much as possible, the instructional programs offered to our students. To meet this goal in a declining revenue and increasing cost environment, budgetary reductions through the elimination and restructuring of programs and services will be necessary. The following is a summary of the most recent, significant developments:

Revenue

- The projected loss in student enrollment (blended count) for the 2010-11 budget is -35.68 fte. The blended count is the weighted average of the February 2010 count (25%) and the September 2010 count (75%). The projected loss in blended student enrollment includes both resident (-3.65 fte) and Schools of Choice (-32.03 fte) students. This represents a loss in revenue of approximately \$308,000. It should be noted that the enrollment projection for 2010-11 utilized the Plante Moran forecast as adjusted for kindergarten and K-1 retention.

- The per pupil foundation allowance included in the preliminary budget is as follows:

Beginning Foundation Allowance	\$9,078
Per pupil reduction carried forward	(165)
Projected per pupil budget shortfall	<u>(268)</u>
2010-11 Foundation Allowance	<u>\$8,645</u>

While we will continue to demand that Section 20j funding be restored, it is not included in the foundation allowance indicated above. The possibility of Section 20j being restored is considered remote.

- Federal grant revenue has been adjusted to reflect anticipated funding for specific programs. There is no ARRA stimulus funding included in the 2010-11 budget.
- PA 18 funding has been reduced by \$434,076 from the current year allocation. This is based upon information received from Oakland Schools on March 2, 2010. This funding is generated from the county-wide special education millage and distributed to each district by Oakland Schools. The reduction in funding is the direct result of declining taxable values.

Expenditures

- Elementary classroom teacher allocations include the following changes from the current year:

+1.2 fte Upton Elementary

All other elementary classroom teacher allocations in other buildings remain unchanged from the current year. As additional enrollment information is received, staffing allocations may be adjusted.

- Middle School instructional staff changes are as follows:

-0.5 fte Counselor
-4.6 fte Classroom Teachers
-5.1 fte

The reduction in classroom teacher allocations at ROMS is primarily the result of the elimination of team planning release time and the reduction in the Life Management program.

- High School instructional staff changes are as follows:

-1.0 fte	Counselor
-0.8 fte	Classroom Teachers
-0.2 fte	PE Coordinator
<u>-1.0 fte</u>	Attendance Teacher
<u>-3.0 fte</u>	

A meeting is scheduled for next week with Cheryl Goodgine and ROHS administration to discuss and review next year's staffing. Adjustments are expected.

- Other District-wide instructional staff changes include the following:

-0.2	ESL Teacher
-0.2	Music Coordinator

- Four (4) unallocated teaching positions are included in the preliminary budget. This is consistent with prior years. This represents two (2.0) elementary, one (1.0) secondary, and one (1.0) special education position. These positions will only be used if absolutely needed to alleviate significant class size overages.

- All related costs associated with the Moderately Cognitively Impaired Program (MOCI) and the Physically Impaired Program (POHI) have been included in the General Fund. This is the result of the District no longer being considered a center program operator in 2010-11. Staffing for these programs will be reviewed to ascertain that it is aligned with actual student enrollment.

- Special education services are currently being reviewed for restructuring. The restructuring was initiated to improve services, to close the achievement gap, and as a part of the ARRA stimulus funding and the 50% Maintenance of Effort Rule. But more importantly, the changes may result in improved special education services to students. Some of the staffing changes in special education are tentatively described as follows:

-1.5	Early Childhood Center Teacher
-2.0	Social Workers
-1.5	Early Childhood Paraprofessionals
-1.5	Least Restrictive Environment Paraprofessionals

The teaching, ancillary and paraprofessional staffing levels in special education is currently being evaluated with additional changes expected.

- Three (3) secretarial positions are recommended to be eliminated at the Administration Offices. Duties will be reassigned to remaining staff.
- One (1) secretarial position and one (1.0) media clerk position are recommended to be eliminated at Royal Oak High School. One media tech will remain.

- Three (3.0) Elementary media tech positions are recommended to be eliminated in 2010-11. Currently, each elementary school has a full-time media tech. Next year, each building will have a 0.5 fte media tech and will share the position with another elementary building.
- One (1.0) class-size relief paraprofessional will be reduced for next year. A sufficient staffing level of 2.0 class-size relief paraprofessionals is still included in the budget.
- The retirement rate has been increased from the current rate of 16.94% of wages to 19.41% of wages in 2010-11. This represents a significant increase with additional costs to the General Fund of over \$800,000.
- The savings associated with the elimination of general education transportation are included in the budget.
- The savings associated with the privatization of custodial, maintenance, grounds, and special education transportation are included in the budget. The actual amount of the savings will not be known until the bids are received. Budgeted savings are estimated to be \$900,000.
- The increase in health insurance premiums is budgeted at 8.0% for MESSA programs and 10.0% for the Flexible Blues 2 program. Actual rates are expected to be received in April.
- All supply, material, and capital outlay allocations are reduced by 5% from current allocations. Carryover amounts were not reduced.
- Two (2.0) Executive Director positions have been eliminated with duties allocated to the remaining administrative staff.
- Thirty-four (34.0) ROEA members have submitted their resignation for retirement effective at the end of the school year. Staffing changes that result from the retirements are reflected in the preliminary budget. A detailed analysis of the savings is currently being performed.
- The allocation of \$14,000 for crossing guards has been eliminated from the budget. The City of Royal Oak is responsible for providing these services.

The remaining operating deficiency of \$1.6 million will be addressed over the next few months. While any upcoming budget reductions will be difficult, they will be necessary to reduce the remaining operating deficiency. We will continue to pursue cost reduction strategies to further reduce the shortfall.

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