

<p><b>DS-4511-C Pg. 1 (Electronic) Rev. 8/07</b></p> <p>AUTHORITY: Section 102, Act 94, P.A. 1979, as amended.</p> <p>COMPLETION: REQUIRED. (Failure to file will result in withholding of state aid funds.)</p>	<p>Michigan Department of Education OFFICE OF STATE AID AND SCHOOL FINANCE P.O. Box 30106, Lansing, Michigan 48909</p>	<p>Direct questions regarding this form to Phil Boone at (517) 335-4059 or BooneP2@Michigan.gov</p>
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## SCHOOL DISTRICT PLAN FOR ELIMINATING A DEFICIT BUDGET

<b>EDUCATIONAL AGENCY</b>	Legal Name of School District Willow Run Community Schools	District Code 81150	Contact Person David M. Houle	Telephone (Area Code) (734) 961-6308
	Address 235 Spencer Lane	City Ypsilanti	Zip Code 48198	

**SUBMISSION INSTRUCTIONS:** Return ONE copy within 30 days of receipt to the State address indicated above, or send as an email attachment to BooneP2@Michigan.gov, or fax to (517) 241-0196 Attention Phil Boone.

### A. FINANCIAL DATA

<p><b>* Be Prepared to explain any variance greater than 10% from the previous year in section E</b></p>		Actual 2006-2007	Estimated 2007-2008	% Change from Previous Year*	Estimated 2008-2009
		(1)	(2)	(3)	(4)
1.	BEGINNING FUND EQUITY	(\$1,775,233)	(\$1,852,750)		(\$1,852,750)
2.	(1XX) ADD: Revenues Local Sources	\$6,828,263	\$6,607,530	-3.23%	\$6,607,530
3.	(2XX) Other Political Subdivisions	\$0	\$0	0.00%	\$0
4.	(3XX) State Sources	\$18,480,471	\$17,801,169	-3.68%	\$18,396,219
5.	(4XX) Federal Sources	\$2,661,713	\$3,336,484	25.35%	\$3,336,484
6.	(5XX) Incoming Transfers & Other Transactions	\$492,803	\$0	-100.00%	\$0
7.	(6XX) Fund Modification (Incoming)	\$110,418	\$0	-100.00%	\$0
8.	TOTAL REVENUES, INCOMING TRANSFERS AND OTHER TRANSACTIONS	\$28,573,668	\$27,745,183		\$28,340,233
9.	TOTAL RESOURCES AVAILABLE	\$26,798,435	\$25,892,433		\$26,487,483
	LESS: Expenditures				
10.	(1XX) Instruction	\$14,360,216	\$13,206,290	-8.04%	\$12,597,946
11.	(21X) Support Services: Pupil	\$3,635,682	\$3,542,149	-2.57%	\$3,542,149
12.	(22X) Instructional Staff	\$1,543,197	\$1,919,848	24.41%	\$1,670,742
13.	(23X) General Administration	\$239,539	\$418,870	74.87%	\$418,870
14.	(24X) School Administration	\$1,528,372	\$1,475,975	-3.43%	\$1,383,167
15.	(25X) Business	\$770,183	\$828,277	7.54%	\$780,028
16.	(26X) Operations and Maintenance	\$3,523,202	\$3,254,175	-7.64%	\$3,254,175
17.	(27X) Transportation	\$1,372,550	\$1,552,326	13.10%	\$1,552,326
18.	(28X) Central	\$672,385	\$538,866	-19.86%	\$431,302
19.	(29X) Other	\$0	\$0	0.00%	\$0
20.	(3XX) Community Services	\$257,946	\$352,090	36.50%	\$352,090
21.	(4XX) Outgoing Transfers and Other Transactions	\$251,765	\$224,300	-10.91%	\$224,300
22.	(5XX) Debt Service			0.00%	
23.	(6XX) Fund Modifications	\$496,148	\$432,017	-12.93%	\$280,388
24.	TOTAL EXPENDITURES, OUTGOING TRANSFERS AND OTHER TRANSACTIONS	\$28,651,185	\$27,745,183		\$26,487,483
25.	<b>ENDING FUND BALANCE:</b>	(\$1,852,750)	(\$1,852,750)		\$0

**B. STATE SCHOOL AID MEMBERSHIP PROJECTIONS**

Please list your State School Aid Membership **projection** as defined by the State School Aid Act Section 6 (4):

YEAR:	2007-2008	2008-2009	2009-2010
ENROLLMENT:	2,253.00	2,328.00	2,403.00

**C. TAXABLE VALUE DATA**

	2007-2008	2008-2009 (Projected)
Homestead Taxable Value	\$283,557,560	\$297,811,814
Non-Homestead Taxable Value:	\$175,094,021	\$175,532,529

**D. SALARIES AND UNEMPLOYMENT BENEFITS**

1. Estimated Gross Savings as a Result of Staff Reductions (FTE) reflected in Part A:

FUNCTION	STAFF REDUCTIONS in FTE		Amount of Savings Reflected in Part A	Additional Savings Projected in Part A
	2007-2008	2008-2009	2007-2008	2008-2009
	(1)	(2)	(3)	(4)
Instructional	7	17	\$522,524	\$885,820
Support Services	1	9	\$130,623	\$649,357
Community Services	0	0	\$0	\$0
<b>TOTAL</b>	<b>8</b>	<b>26</b>	<b>\$653,147</b>	<b>\$1,535,177</b>

2. Estimated Cost of Unemployment Benefits as a Result of Staff Reductions:

	2007-2008	2008-2009
<b>TOTAL</b>	<b>\$31,536</b>	<b>\$123,500</b>

## E. OTHER REQUIRED DATA

1. For which employee groups have negotiations been completed for 2007-2008?  
Answer: See attached narrative.
2. For which employee groups have negotiations not been completed for 2007-2008?  
Answer: See attached narrative.
3. For which employee groups have negotiations been completed for 2008-2009?  
Answer: See attached narrative.
4. For which employee groups have negotiations not been completed for 2008-2009?  
Answer: See attached narrative.
5. When is the next year employee negotiations will be open?  
Answer: See attached narrative.
6. Are projected savings from employee negotiations included in Section A for 2007-2008?  
Answer: See attached narrative.
7. Are projected savings from employee negotiations included in Section A for 2008-2009?  
Answer: See attached narrative.
8. What factors caused the school district's deficit?  
Answer: See attached narrative.
9. What is the school district's plan to eliminate the deficit?  
Answer: See attached narrative.
10. What subjects or instructional programs is the district proposing to discontinue or curtail?  
Answer: See attached narrative.
11. What support services would be reduced or eliminated?  
Answer: See attached narrative.
12. What specific steps have been initiated to carry out the plan?  
Answer: See attached narrative.
13. Please give the details of staff reductions for instruction, support services, and community services.  
Answer: See attached narrative.
14. Please give the details of any proposed employee wage concessions. Have any of those concessions been adopted?  
Answer: See attached narrative.
15. Please submit the most recent board approved budget along with the board resolution with which it was adopted or provide the URL at which it is located.  
Answer: See attached narrative.
16. Please submit the Board Resolution showing approval of this Deficit Elimination Plan.  
Answer: See attached narrative.
17. List expected savings to be achieved by eliminating specific extra-curricular activities.  
Answer: See attached narrative.
18. Do you have a sinking fund? If so, what is it designated for?  
Answer: See attached narrative.
19. Explain any variances of 10% or more from section A.

### Revenues

(1XX) N/A

(2XX) N/A

(3XX) N/A

(4XX) Federal Sources 25.35% Change

The Federal Source Revenue Budgets for the 2006-2007 and 2007-2008 were based on estimated expenditure levels for Federal Grants, consisting mainly of Title I and Title II funding as approved in the Consolidated Grant application. Actual Federal expenditures for 2006-2007 fell short of the Budget by \$609,771, with the unexpended balance of Federal revenue being deferred as "Carryover" funding for 2007-2008. The 2007-2008 Budget will most likely exceed the actual funds to be used by a similar amount.

### Explanation:

(5XX) Incoming Transfers & Other Transactions 100% Change

During 2006-2007 the District had revenue from the proceeds of the sale of an asset. The District sold its former Administration Building and adjacent property. By its nature, that transaction was a one-time event and no other assets have been targeted for liquidation in the short-run.

### Explanation:

(6XX) Fund Modification (Incoming) 100% Change

**Explanation:**

In 2006-2007 the Food Service area generated a contribution to the General fund to offset indirect costs of operation. In light of enrollment changes and other factors, including a meal price freeze at current levels, the 2007-2008 Budget contemplates a modest contribution from the General Fund to the Food Service Fund (\$6,681).

**Expenditures**

(1XX) N/A

(21X) N/A

(22X) 24.41% Change

**Explanation:**

The Support Services for Instructional Staff Budget for the 2006-2007 was based on estimated expenditure levels for Federal and State Grants. Actual expenditures fell short of the Budget by \$519,436. The changes occurred mainly in State At-Risk funds of approximately \$120,000, Federal Title I funds of approximately \$100,000, Federal Title II funds of approximately \$130,000 and other sundry grants approximating \$20,000. For the 2007-2008 Budget year the Grant funded portion for this function was adjusted downward by approximately \$140,000. As compared to last year's variance, the balance of approximately \$375,000 represents the preliminary funding level before approval of the Consolidated Grant application. The Budget for 2007-2008 will most likely exceed the actual funds to be used by a similar amount.

(23X) 74.87% Change

**Explanation:**

The District has restructured its Executive Operations and has hired a new Superintendent effective early July 2007. For the 2006-2007 year that District operated with the former Human Resource Director serving in the capacity of Superintendent with compensation being charged to function 283.

(24X) N/A

(25X) N/A

(26X) N/A

(27X) 13.1% Change

**Explanation:**

The Transportation Budget for 2007-2008 is predicated on estimated employee benefit expenses based on the employees' eligibility, with the presumption that all eligible staff will select all benefits available. In actuality, some staff forgo certain benefits for personal or financial reasons and the cost to the District is thereby reduced

(28X) 19.86% Change

**Explanation:**

As indicated above under function 23X, the District restructured its Executive Operations and hired a new Superintendent effective early July 2007. For the 2006-2007 year that District operated with the former Human Resource Director serving in the capacity of Superintendent with compensation being charged to this function.

(29X) N/A

(3XX) Community Services 36.5% Change

**Explanation:**

The Community Services Budget for the 2006-2007 was based on estimated expenditure levels for Federal and State Grants and fell short of the Budget by \$101,897. Of that total \$91,170 was generated from actual grant expenditures falling short of budget for mainly Title I and State "Early On" programs. The Budget for 2007-2008 will most likely exceed the actual funds to be used by a similar amount.

(4XX) Outgoing Transfers and Other Transactions 10.91% Change

**Explanation:**

The Outgoing Transfer section of the 2006-2007 financial results included approximately \$33,000 of prior period adjustments that were classified in this function. This was caused mainly from a \$24,000 adjustment to receivables for unpaid invoices to the teachers union for reimbursement of substitutes hired to replace teacher union functionaries while conducting union business during the normal work day.

(5XX) N/A

(6XX) Fund Modifications 12.93% Change

**Explanation:**

The Fund Modification Budget for 2007-2008 is predicated on the closure of the District subsidized Day Care operation that was accounted for in the Community Service Fund group.

**Note: Please attach any other data that are pertinent to the school district's plan to eliminate its deficit.**



**Willow Run Community Schools  
Business Services Office**

734.481.8200 Fax 734.481.8227

David M. Houle, Director of Finance (6308)

Janette Allen, Administrative Assistant (6311)

Cecilia Queener, Human Resources / Payroll (6305)

Rod Ranger, Accounting Facilitator (6316)

## Internal Memorandum

To: Willow Run Board of Education

From: David M. Houle, WISD Director – WRCS Finance and Operations

Date: December 12, 2007

**RE: DEFICIT ELIMINATION PLAN – OTHER REQUIRED DATA**

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This memorandum is prepared to address data required under §E of the District's Deficit Elimination Plan (DEP).

For which employee groups have negotiations been completed for 2007-2008?

1. None. Constructive negotiations continue with District Administrators for the Agreement that expired June 2007. A tentative agreement with this group is anticipated in the near future. Negotiations will soon be opened for AFSCME Local 3451 Support Staff who's agreement expired in June 2007. Negotiations are incomplete, yet ongoing, for all other bargaining groups. Negotiations with teachers are going through a second round of mediation and completed a Fact Finding hearing in Spring 2007. The District continues to bargain with all groups.

For which employee groups have negotiations not been completed for 2007-2008?

2. The following is a list of the District's bargaining units and their corresponding contract expiration dates:
  - WREA (Teachers) – expired 8/31/05 – currently negotiating under impasse
  - Management Support Unit (Secretaries) – expired 6/30/04 – currently negotiating
  - WRAEA (Adult Educators) – expired 6/30/06 - currently negotiating
  - WR Para Educators – expired 7/1/04 – currently negotiating
  - WRAA (Building Administrators) – expired 6/30/2007 – near tentative agreement

For which employee groups have negotiations been completed for 2008-2009?

3. None.

For which employee groups have negotiations not been completed for 2008-2009?

4. Negotiations are incomplete for all bargaining groups for 2008-2009.

When is the next year employee negotiations will be open?

5. Negotiations are currently open and ongoing.

Are projected savings from employee negotiations included in Section A for 2007-2008?

6. Yes. The 2007-2008 Budget contemplated approximately \$870,000 in savings from replacing a former health insurance product with a lower cost Preferred Provider Plan providing substantially similar, if not improved coverage. For the Teachers group, this change was made effective November 1, 2007 after the Board of Education declared an impasse in Teacher negotiations in August 2007. The Board then imposed its last best offer. The new plan has a high deductible and the employee is responsible for meeting the deductible prior to insurance coverage. The plan includes much preventative care, not provided under the former product and not subject to the deductible. Prescriptions are without a co-pay once the deductible is met. Additionally, the 2007-2008 Projection assumes approximately \$254,000 in savings by substantially reducing the "cash in lieu" payments from opting-out of District health insurance. Also, the 2007-2008 Projection does not include compensation increases, including step and lane changes for any employee group.

Are projected savings from employee negotiations included in Section A for 2008-2009?

7. Yes. The 2008-2009 Projection assumes a continuation of the health care coverage and salary freeze from 2007-2008.

What factors caused the school district's deficit?

8. A variety of factors have contributed to the District's current financial condition. Primarily, declining enrollment has eroded the economic base of the District relative to its infrastructure and staffing. In recent years, Willow Run's annual rate of enrollment decline has exceeded the general trend in South East Michigan. This suggests that factors unique to the District may be in play that discourage the Community from availing District educational services. Clearly, the District has experienced more than its share of public relations drama in recent years however, other factors may well have influenced parental choices away from the District and toward educational alternatives. One factor may be how the ennui and rancor of a few teaching staff members can send a negative message that seeps into a classroom and then oozes its way into the Community. To mix student learning with shades of labor discontent is unprofessional and self destructive, particularly in a climate of bankruptcy and while operating under deficit rehabilitation. When negative messages enter the Community, reasonable families question the value and quality of services delivered, irrespective of who or what they may choose to blame for the labor discontent. This hurts the students, the teachers and ultimately, the Community as the District suffers.

Secondarily, education funding within the State of Michigan continues to be a formidable challenge. Although the legislature appropriated a \$210 per pupil increase to the foundation allowance for the 2006-2007 school year, those funds paled in comparison to the cost increases experienced from structural step increases, retirement costs and

health insurance expenses. Michigan districts had not experienced an increase to the foundation allowance for the prior three years. During two of those years (2002-03, and 2003-04) districts experienced a mid-year reduction (proration) to the foundation allowance. In light of the State of Michigan's fiscal dilemma, the \$275 per pupil increase for 2007-2008 is tenuous.

Of the many challenges currently faced by the District, significant issues affecting the revenue base for the 2007-2008 budget include:

- Declining student enrollment (*Fall 2007 - 2,184 FTE, down 1,076 from 2001*)
- Inadequacy and uncertainty regarding educational funding
- Southeast Michigan current unfavorable economic climate
- Protracted contract negotiations

What is the school district's plan to eliminate the deficit?

9. Willow Run Community Schools approached its Deficit Elimination process in two (2) phases. The first phase focused on both communicating the fiscal reality of the District to its stakeholders and developing consensus for adoption of a balanced 2007-2008 budget. The Board of Education adopted the balanced budget for 2007-2008 on June 21, 2007. The budget contemplated increased revenues and cost reductions netting approximately 2.8 Million Dollars. This communication phase continues today as we share the message of the Districts fiscal challenge and recovery.

The second phase led to long-term remedies designed to replenish fund balance over time and allow the District to operate safely within its resource base. Initially, the District seeks to rectify its fund balance deficit within two years, as required by law. A long term objective would be to rebuild sufficient fund balance to provide necessary working capital and reduce or eliminate the need for annual cash borrowing and the interest expense that accompanies it. Current cash and working capital requirements resulting from the cumulative effect of past annual operating losses now approximate \$8,000,000.

The DEP will address long-term initiatives targeted to enhance and improve student achievement while reducing operating costs. Highlights of cost reduction initiatives are outlined in response to question #12 below. As the traditional delivery systems of pedagogy are labor intensive, nearly 84 cents of every dollar spent by the District is for salaries and related benefits. Given this, there was the inescapable reality that cost saving initiatives would most certainly result in some form of reduced salary and/or benefit costs while attempting to improve achievement for the District's most crucial stakeholders, its students. The implementation of the cost savings initiatives have been carried out methodically, consistent with the original DEP.

What subjects or instructional programs is the district proposing to discontinue or curtail?

10. Past cost reductions implemented in 2005-2006 included the reduction of many elective courses at the Secondary level and the curtailment of many Advanced Placement courses. Parents and students have expressed concern that those changes may have suppressed student achievement and exacerbated an already vexing enrollment decline. Therefore, the Superintendent has implemented an enhanced academic menu for students and the Community. A Parent Academy has been established to engender a

closer relationship between the Community and the School. A Superintendent's Student Advisory Group has been established and meets monthly with the Superintendent to discuss school issues and share suggestions for improving the District from the students' perspective. Saturday courses are being added in computer education and German for parents. Qualitatively, the District has taken steps to address compliance deficiencies with State and Federal regulations for Head Start, Title I and Bilingual services. The District has recently received approval for an advanced placement course in Biology and new programs are under construction. The Districts remains in contact with area colleges and universities to forge creative alliances to better serve students. The District has hosted two College / Career fairs and two additional sessions to assist parents with financial aid applications and college savings plans. To enhance enrollment and academic achievement the Superintendent has restructured and reorganized the truancy/attendance, academic services and student counseling functions. To enhance Community involvement the District has hosted a Fall Frolic in October 2007 for children and their families. Additionally, in December 2007 a Holliday Feast was held to feed community members in need. To help guide the financial restructuring the Superintendent has assembled a "Cost Cutting" team and a "Marketing" team to provide needed community participation in the decision making on the most critical issues facing the District. Through these efforts the Superintendent has crafted district wide planning goals to establish and maintain fiscal soundness. A highlight of this initiative is the goal to enroll 75 new students annually as the District revitalizes. Also, efforts to "right-size" staffing with enrollment and a grant solicitation endeavor are central to the planning goals. Given the limited financial resources of the District, it continues to examine sizing and deployment of staff relative to enrollment as well as utilization of fixed assets and infrastructure. Needless to say, all budgetary items remain open for review, particularly in light of the recent enrollment patterns experienced by the District.

What support services would be reduced or eliminated?

11. Various Support Services have been retrenched from prior service levels. For the 2007-2008 Budget, the District closed its Child Care facility, thereby eliminating the troublesome \$60 Thousand annual subsidy from the General Fund. Under this operating plan, at-risk families will now receive service from independent providers. A continuing process to examine all support service delivery systems will be conducted by the "Cost Cutting" team in an effort to achieve the surplus operations required to restore the District's Fund Balance.

What specific steps have been initiated to carry out the plan?

12. The specific steps to carry out this plan include the following:
  - a. Building consensus and acknowledgement of the financial challenge of the District by all stakeholders of the District (Board of Education, Staff, Teachers, Parents, Students, Community)
  - b. Assembled a "Cost Cutting" team (Superintendent, 2 Board members, 1 parent, 13 staff members) and a "Marketing" team (Superintendent, 2 Board members, 1 parent, 5 staff members) to provide needed community participation to explore all financial options to increase revenue, decrease expense and employ all assets/resources effectively to generate the required surplus to replenish fund balance.

- c. Continued contract with the Washtenaw Intermediate School District to provide technical expertise to oversee the financial processes at the District
- d. The Audited Financial Statements for the period ending June 30, 2007 indicate that the District has made a huge stride to correct its financial condition. The District nearly achieved balanced fiscal operations for 2006-2007 with only a \$77,515 operating loss. *(This indicates a major shift in operations and compares most favorably prior losses of (\$1,969,502) for FYE-2006, (\$2,276,492) for FYE-2005, and (\$1,646,777) for FYE-2004)*
- e. Maintain a balanced 2007-2008 Operating Budget *(Budget to be revisited in detail in early 2008)*
- f. File a Deficit Elimination Plan (DEP) with the State of Michigan DOE

Other specific steps initiated as part of the 2007-2008 Budget Process include the following:

- g. The Budget for the 2007-2008 fiscal year is based on a Blended Count enrollment of 2,344. Initial pre-audit results indicate that actual General Ed enrollment for the Fall 2007 will be 2,119.91. If this count comes to fruition, the actual Blended Count would fall short of the Budget by 154.57 students. Partially offsetting this, the Foundation Allowance was budgeted at \$7,422. The Foundation Allowance for the 2007-2008 year is currently \$7,743, or \$321 above the budget. The fiscal impact of these changes could reduce State Aid by a net reduction in State Aid of \$444,370. The decline in enrollment of \$1,147,219 ( $7,422 \times \$154.57$ ) and the increase in the Foundation Allowance of \$702,849 ( $2,189.56 \times \$321$ ) comprise this net change. The stabilization of enrollment will require actual growth in order to offset routine attrition and the negative sloped general enrollment trend. Clearly, if the District chose to operate all of its current facilities for the long-term, enrollment must increase substantially. Feedback from parents and students indicates that some portion of the enrollment declines experienced may have been fostered by general negative perceptions about the District, its safety and security. Again, the "Marketing" team (Superintendent, 2 Board members, 1 parent, 5 staff members) will examine these matters in detail to develop both retention and recruitment strategies for students. Consistent with their work, the Superintendent has launched a marketing initiative to help correct and shape community perceptions towards a more inclusive, engaging and collaborative Community–District relationship paradigm. A shift in perceptions may go far to reacquaint the District with Community members who may have, for a variety of reasons, become disenfranchised and have sought educational alternatives other than Willow Run Community Schools.
- h. The Foundation Allowance was Budgeted at \$7,422 for the 2007-2008 year. The Foundation Allowance for the 2007-2008 year is currently \$7,743, or \$321 above the budget. The original DEP included the expectation of a \$210 increase predicated on the reasonable expectation that if the District is to correct its fiscal affairs within a specified two-year time line, the State will uphold its portion of funding responsibilities during that same period.
- i. Although the 2007-2008 budget was balanced, cursory assessment of subsequent events portends a loss of revenue for the year in the range of \$444,370 due solely to a significant enrollment declines for the Fall 2007. To develop its 2007-2008 budget, the District utilized a 5-year "survivor rate" enrollment projection. That projection contemplated approximately a four percent (4%) enrollment decline. The initial pre-audit count for the Fall 2007 indicates

however, that the District sustained nearly a ten percent (10%) enrollment decline from Fall 2006. Following submission of this DEP, the District will undertake a detailed analysis to revise its annual operating budget for the 2007-2008 year. These changes, when available, will be incorporated in the monthly reporting to the MDE as part of the continuing obligations under the DEP process.

- j. The 2007-2008 Budget assumed \$870,000 in savings from replacing the teachers former high cost health insurance products with a lower cost high deductible Preferred Provider plan that provides substantially similar, if not improved coverage. This change was implemented November 1, 2007 for the teaching staff and for Non-Affiliated staff. The Board continues to look at other "cafeteria" options for health care that can provide excellent medical coverage without the requirement of a high deductible. Health care changes are a topic of discussion for all bargaining groups.
- k. The 2007-2008 projection assumed \$800,000 in Instructional cost savings, mainly from sizing instructional and administrative staff commensurate with student enrollment. To this end, the Board laid-off twelve teaching staff positions and had six other teaching staff reductions as part of the Budget. At the beginning of the school year however, the Administration recalled 7 of the twelve laid-off positions. The Superintendent is working to develop a sound educational plan to provide exceptional student achievement through a fiscally responsible deployment of instructional staff.
- l. In August 2006 the electorate voted for approval of a 3 Mill, Headlee Override Millage. This allows the District to levy its full statutory required 18 Mills on Non-Homestead property in the Willow Run Community Schools District. Formerly, as a result of prior Headlee Millage Reduction Fractions, (MLF) the District's local tax levy was limited to 17.1620 Mills on Non-Homestead property. The additional .8380 Mills allows the District to realize its full statutory foundation allowance and will increase revenues by approximately \$155,723 for the 2007-2008 School Year.
- m. As planned in the 2006-2007 budget, the District sold its Administration Building and adjacent property
- n. No funds have been provided for the bus replacement cycle of the District.
- o. All teaching supply line item budgets were increased to \$50 per student for the 2007-2008 school year.
- p. Pursuant to the recommendation of the 2005-2006 Budget Task Force, Board of Education Travel and Conference expense was eliminated. A more enlightened approach to staff professional development indicates that some judicious expenditures for professional development activities can pay great dividends in productivity and academic achievement.
- q. Pursuant to the recommendation of the 2005-2006 Budget Task Force, funding for pay telephones in all buildings was eliminated and the telephone contracts canceled.
- r. Utility costs for Gas, Electric, Telephone, Water & Sewage were budgeted to remain constant at 2006-2007 levels. In light of the extraordinary rate increases experienced for natural gas during the 2005-2006 school year, budgets for utility expenses have been held at current year rates for the 2007-2008 operating budget. An mild heating season during the first two quarters of 2006 and 2007 yielded savings relative to budget. A district-wide energy study was recently completed by the State of Michigan Department of Labor & Economic Growth

- under the “Rebuild Michigan” Energy Services grant program in order to explore energy saving initiatives to help the District operate within its limited resources.
- s. In the 2007-2008 Operating Budget, the area of Outgoing Transfers has been adjusted down from prior year levels to decrease the subsidy to the Athletics Fund and to eliminate the subsidy to the Community Service Fund (Child Care). The Food Service fund was projected to nearly break even for the 2007-2008 fiscal year (\$6,681). Pursuant to the recommendation of the 2005-2006 Budget Task Force, the planned transfer for Athletics was reduced from 2005-2006 levels by \$40,000, or approximately 10 percent. The transfer required to subsidize the projected loss in the Community Service Fund, resulting mainly from the child care operations, has been budgeted at zero for the 2007-2008 fiscal year following the decision to close the District’s Child Care operation.
  - t. Line item budgets for Directors and Principals for furniture & equipment have been eliminated, as well as “miscellaneous” expense lines.

Please give the details of staff reductions for instruction, support services, and community services.

13. For the 2007-2008 Budget and subsequent staffing reductions, the following selected positions were not included in the 2008-2009 Estimate on Schedule A. A summary of the staffing retrenchment is as follows:

- Custodial savings related to sale of Administration Building
- Custodial savings related to closure of Thurston ECDC
- Eliminate Technology Stipends
- Layoff / Reduce five (12 layoff, 7 call back) Teaching staff positions
- Layoff / Reduce ten additional Teaching staff positions or find other operational support cost savings via additional building closures and/or outsourcing of services or increased enrollment in addition to the 75 students targeted
- Reduce seven Para Educators positions
- Eliminate three Professional positions (HR, Tech, Contracted Principal)
- Eliminate four Clerical Support staff positions

Please give the details of any proposed employee wage concessions. Have any of those concessions been adopted?

14. Various Support groups have made concessions and accommodations to assist the District through its fiscal transition. Para professionals have worked with the Superintendent to facilitate reductions of staff to meet the fiscal challenges in a way that maintains service to students. Last year, Administrators agreed to health care changes and continue to explore lower cost options as part of the bargaining process. Custodial and Non-Affiliated Support staff have taken on additional responsibilities to cover the work previously done by former staff members and also volitionally agreed to health care changes. Teaching staff have not made volitional wage or benefits concessions however, with the imposition of the last best offer the teachers health care changed effective November 1, 2007 to a high deductible plan where the employee is responsible for meeting the deductible prior to insurance coverage. The plan includes much preventative care, not provided under the former product and not subject to the deductible. Prescriptions are without a co-pay once the deductible is met. Additionally, “cash in lieu” payments for opting-out of District health insurance have been reduced to

reasonable levels. The Administration continues to examine options for providing excellent health care coverage for its staff members and these options are being explored through the collective bargaining process. Also, the 2007-2008 Projection does not include compensation increases, including step and lane changes for any employee group. As we move toward the 2008-2009 fiscal year, the District will need to explore various labor cost reduction initiatives, including the following:

- Develop initiatives to increase student enrollment by at least 75 students through both new students and increased retention of current students. (See Marketing team and Superintendent Community initiatives discussed in 10, 11, and 12 above)
- Continue wage freeze at 2005-2006 salary levels
- Renegotiate the compensation for “extra duty” and other “stipends”
- Explore outsourcing options for Support Services

Other cost saving / increased revenue initiatives will need to include the following:

- Explore additional building closure for cost savings and evaluate the potential of consequential revenue implications from further enrollment declines via a professionally contracted public opinion survey
- Explore other major assets for sale or liquidation

Please submit the most recent board approved budget along with the board resolution with which it was adopted or provide the URL at which it is located.

15. Board Budget Adoption Resolution for the 2007-2008 operating budgets to be included

Please submit the board resolution showing approval of this Deficit Elimination Plan.

16. Deficit Elimination Plan Adoption Resolution for the 2008-2009 operating projection to be included

List expected savings to be achieved by eliminating specific extracurricular programs.

17. Teacher stipends of approximately \$100,000 could be avoided by the elimination of all remaining extracurricular activities, but not without substantial harm to student achievement given the already reduced elective course options at the secondary level and the current community funded activities previously funded by the District.

Do you have a sinking fund? If so, what is it designated for?

18. The District does not have a sinking fund.

19. Explanation of changes: (See DEP form, page 3 continued)

The Board of Education of Willow Community Schools recognizes the gravity of the District's financial condition and respectfully requests the Michigan Department of Education to approve the Deficit Elimination Plan as submitted with the proviso that monthly reporting to the DOE will be forthcoming and an earnest plan to replenish the District's fund balance will be developed with the support of the Board and the Willow Run Community.