

DETROIT PUBLIC SCHOOLS



# Revised Budget Reduction Strategy Update

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December 1, 2008

Detroit Public Schools  
 Budget Reduction Strategy Update Report (\$Millions)  
 Prepared by Walter Esaw – Executive Director of Budget  
 As of: December 1, 2008

Strategy # <b>A</b>	Strategy Description <b>B</b>	Committee <b>C</b>	Current Status, Explanations and Process <b>D</b>	Revised DEP Projected Savings FY 2008 -2009 <b>E</b>	Actual Savings FY 2008-2009 <b>F</b>	Projection Difference FY 2008-2009 <b>G</b>	Projected Savings FY 2009 – 2010 <b>H</b>	Projected Savings FY 2010 –2011 <b>I</b>
1	<p>Declining Enrollment – Alignment of 700 non-instructional and central administration positions in 2008-2009 to equal declining enrollment.</p> <p>Declining Enrollment – Alignment of 400 non-instructional and central administration positions in 2009-2010 to equal declining enrollment.</p> <p>Source: Consent Agreement Council of Great City Schools</p>	CFO, Budget, HR	<p>Lay-off of: 642 employees 305 - by: 10/31/2008 337 – by: 12/30/2008</p> <p><i>The District laid off or issued layoff notices to over 642 employees since July 1, 2008 Adopted Budget; 305 effective October 31, 2008; 337 effective December 31, 2008. Identified savings \$28 million</i></p>	\$40.0	\$36.7	\$(3.3)	\$30  Based on the projected reduction of 7,647 FTE	\$20.0  Based on the projected reduction of 6,840 FTE
2  Target Met- 2008-2009	<p>Declining Enrollment – Alignment of 818 instructional-related positions to equal the current projected enrollment and revenue.</p> <p>Additional Considerations 2009-10</p> <ul style="list-style-type: none"> <li>• The district will review the feasibility of a student recruiting campaign.</li> <li>• Discontinue extended work year for literacy coaches and instructional specialists</li> <li>• Eliminate the “Dean of Students” position</li> <li>• Align prep periods and oversize classroom to reduce excessive staff</li> <li>• Reevaluate IEP Compliance Specialist, Behavioral Specialist, and Compliance Specialists positions for General Fund savings.</li> <li>• Discontinue early return of counselors.</li> </ul> <p>Source: Consent Agreement Council of Great City Schools</p>	HR, Budget, Chief Labor Relations	<p>230 Layoffs excess staff 471 Funded positions, 117 Positions eliminated</p> <p><i>The projected declining enrollment for fiscal year 2008-2009 was 7,000 FTE's. Using this data the District leveled staff in the schools by 818 positions, deleted 117 vacant positions, laid off 230 staff, deleted 471 filled positions on the General Funds, but reassigned those staff to funded vacancies in Special Education Grants, and General Fund vacancies.</i></p>	\$43.0	\$43.0	\$0.0	\$35.0  Based on the projected reduction of 7,647 FTE	\$30.0  Based on the projected reduction of 6,840 FTE

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3  Target Met – 2008-2009	<p>Declining Enrollment – Alignment of 142 vacant central office position authorizations in 2008-09 to equal declining enrollment.</p> <p>Declining Enrollment – Alignment of 47 central office position authorizations in 2009-10 to equal declining enrollment.</p> <p>Source: Consent Agreement Council of Great City Schools</p>	CFO, Budget, HR	<p>142 vacant central office Positions eliminated from budget.</p> <p><i>Due to the projected declining enrollment, 142 vacant central office positions were eliminated. Positions include: – program supervisors, program associates, general counsel, directors, assistant principals, divisional director, financial specialist, public safety officers. Change made July 1, 2008.</i></p>	\$7.0	\$7.5	\$0.5	\$3.5	\$1.0
4	<p>Declining Enrollment – Adjust 236 filled salary positions (schools &amp; central office) for projected 2<sup>nd</sup> semester attrition and retirements in 2008-09.</p> <p>Declining Enrollment – Adjust 83 filled salary positions (schools &amp; central office) for projected 2<sup>nd</sup> semester attrition and retirements in 2009-10.</p> <p>Source: Consent Agreement Council of Great City Schools</p>	CFO, Budget, HR	<p>Draft policy prepared on 10/6/08 addressing policy for reporting intent to retire. This is a 2<sup>nd</sup> semester savings</p> <p><i>The District adjusted vacant positions not filled in the first three months of the school year, and positions vacated due to retirements since budget Adoption July 1, 2008. The District continues to adjust salaries and freeze the re-filling of positions vacant due to anticipated attrition in the second semester.</i></p> <p><i>The District has introduced a draft policy prepared on October 6, 2008 addressing employees reporting their intent to retire by April 1, 2009, in order to accurately submit layoff notices in a timely manner thereby reducing the cost of carrying employees an additional 30-60 days to comply with union contract agreements. Savings to the District will be approximately \$6 - \$8 million.</i></p>	\$5.0	\$4.7	\$(0.3)	\$3.5	\$0.5

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5	Union Concession. Half the year 2008-2009 Full year 2009-2010  Source: Consent Agreement	Chief Labor Relations	To be negotiated  <i>Negotiations are ongoing between District and Labor Unions.</i>	\$19.0	\$0.0	\$(19.0)	\$30.0	\$0.0
6  Target Met and exceeded 2008-2009	Hire 100 Noon Hour Aides for lunchroom duty for secondary schools to lower hourly costs and give teachers more instruction time.	CFO, Budget, HR	FY08-Lunchroom Duty-Cost \$1.4 million. FY09-Lunch-room duty cost \$432,000 for 100 noon-hour aides; hired 75 to date.  <i>In fiscal year 2008-2009 the District eliminated paying full time staff at an hourly rate to perform lunchroom duty, and replaced them with part-time noon hour aides. The total cost to the District in 2007-2008 was \$1.4 million. The estimated 2008-2009 cost using noon hour aides is \$332,000, a savings of \$1.1 million. Change made September 1, 2008</i>	\$0.9	\$1.1	\$0.2	\$0.0	\$0.0
7  Target Met-2008-2009  Appendix Attachment 7	Reduce Districts Central Office non-salary budgets , supplies, purchased services, travel, and equipment by 50% in 2008-09.  Reduce Districts Central Office non-salary budgets , supplies, purchased services, travel, and equipment by 40% in 2009-10.  Source: Consent Agreement Council of Great City Schools	CFO, Budget, HR	Reduced central office non-salary by 50%  <i>The District continued to review its Purchase Service Contracts and monthly expenditures. Central Office non-salary budgets were reduced by (50%) \$25 million in 2008-2009; instituted a Budget Certification Request Form for all General Fund non-salary spending. Change made July 1, 2008.</i>	\$25.0	\$25.0	\$0.0	\$20.0	\$15.0

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8a  Appendix Attachment 8a, 8a1, 8a2, 8a3, 8a4, 8a5, 8a6, 8a7 and Attachment A	Outsourcing/Operational Efficiencies <ul style="list-style-type: none"> <li>• Transportation</li> <li>• Custodial</li> <li>• Payroll</li> <li>• Substitute Services</li> <li>• Explore the termination of PMT Contract</li> </ul> Source: Consent Agreement Council of Great City Schools United States Department of Education	Facilities, HR Curriculum, Finance	Preliminary Outsourcing Report submitted to MDE for review 11/14/08 report due 12/31/08, ongoing cost analysis  <i>The District began reviewing all contracts and suppliers utilizing and enforcing the Vendor Process (see attachment A vendor process form). Through this process the District anticipates a \$2 million savings in 2008-2009.</i>	\$2.0	\$0.0	\$(2.0)	\$8.0	\$5.0
8b  Appendix Attachment 8b1, 8b2, 8b3	Non-Outsourcing/Operational Efficiencies <ul style="list-style-type: none"> <li>• Review Transportation Routes</li> <li>• Athletics</li> </ul> Source: Consent Agreement Council of Great City Schools United States Department of Education	Assistant Superintendents, Facilities, Curriculum, Budget, OREA	<i>Athletic receipts currently in individual school accounts will be placed in General Fund account to subsidize and reduce the athletic budget. Change to take effect February 2009.</i>	\$0.05	\$0.05	\$0.0	\$0.0	\$0.0

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9  Appendix Attachment 9	<p>Reduce Special Education Transfer due to reduced special education costs.</p> <ul style="list-style-type: none"> <li>Explore shared costs with Wayne RESA</li> </ul> <p>Source: Consent Agreement Council of Great City Schools United States Department of Education</p>	CFO, Budget, HR Curriculum, Security, Chief Labor Relations	<p>This is an end of the year budget Adjustment, based on expenditures for the year.</p> <p><i>The General Fund (11) subsidizes Special Education Fund (22) for expenditures exceeding Local and State funding received by the District, through the process of a budget transfer. Funds not expended during the fiscal year are transferred back to the General Fund (11) thru an accounting adjustment at year end. Based on projected expenditures the District anticipates an \$8 million transfer back to the General Fund at the end of the 2008-2009 fiscal year.</i></p>	\$8.0	\$8.0	\$0.0	\$6.0	\$4.0
10	Transfer Applied Academic costs to Section 31A – accounting adjustment.	CFO, Budget, HR	<p>This is an annual accounting transfer adjustment, based on expenditures for the year.</p> <p><i>The estimated Applied Academic cost the District approx. \$8- 10 million. These are 31a expenditures charged to the General Fund and transferred at year end to the 31a grant. The District is exploring quarterly expenditure transfers to eliminate end of the year transfers.</i></p>	\$8.0	\$8.0	\$0.0	\$6.0	\$4.0

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11  Appendix Attachment 11a, 11b, 11c	Reductions in Risk Management Cost <ul style="list-style-type: none"> <li>• Unemployment</li> <li>• Workers Compensation</li> <li>• Insurances</li> <li>• Assess language in labor agreements relative to assault pay and disability.</li> <li>• Re-bid third party services for worker's compensation</li> </ul> Source: Consent Agreement Council of Great City Schools	Facility, Finance, Human Resources, Chief Labor Relations	<i>The District has made it a priority to review its unemployment and workers compensation programs, and anticipate approx. \$2 million in savings in 2008-2009 and approx. \$4 million in 2009-2010. To date the District has identified \$400,000 in 2008-2009.</i>	\$2.0	\$0.4	\$(1.6)	\$4.0	\$9.0
12  Target Met – 2008-2009	E-Rate telephone bill changes from reimbursement to direct bill.  Source: Consent Agreement Council of Great City Schools	IT, CFO, Budget, HR	Vendor transition to direct bill completed.  <i>The District changed its method of utilizing the Federal School and Libraries Funds to pay telephone bills. Instead of paying 100% up front and recurring a reimbursement of 85%, the District will now pay 15% and the telephone vendors will be reimbursed by the federal government. This billing change will save the District \$5.6 million in the current 2008-2009 year.</i>	\$5.6	\$5.6	\$0.0	\$0.0	\$0.0

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13  Target Met- 2008-2009	Incorporate ROTC staff (75) into teacher service. Must be noticed August 27, 2008 effective October 27, 2008. If not laid off additional cost of \$5.6 million. Includes transition medical costs for 1 month.	CFO, Budget, HR	Savings will not be realized until November 2008, due to union contract for noticing employees for lay-off. The projected savings was based on reducing 75 staff for \$5.6 million and the actual savings is based on reducing 35 staff for a savings of \$1.9 million.  <i>In fiscal year 2008-2009 the District placed its 75 JROTC instructors back into its High School Teacher Service Formula. By doing so the District was able to reduce its teacher service by 35 positions without affecting the contractual student teacher ratio, saving the District approx. \$1.9 million. Change made September 1, 2008.</i>	\$1.9	\$1.9	\$0.0	\$0	\$0.0
14  Target Met – 2008-2009	Adjust secondary schools and Career Tech teacher service allocation.	CFO, Budget, HR	Teacher service for H.S. and Career tech centers was modified to bring staffing in line with FTE.  <i>In fiscal year 2008-2009 the District adjusted the High School Teacher Service Formula to account for students attending the Career and Technical Centers for half the day. The change in this formula reduced high school staffs by 20 positions for a savings of approximately \$1.4 million. Change made September 1, 2008.</i>	\$1.4	\$1.4	\$0.0	\$0.0	\$0.0

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15  Appendix Attachment 15	Reductions in Utility Costs, <ul style="list-style-type: none"> <li>• decommissioning closed bldg in a timely manner</li> <li>• Utility credits</li> <li>• Review Billings</li> </ul> Source: Consent Agreement Council of Great City Schools	Finance, Facilities, General Counsel	RFI <i>The District continues to review it past and current utility bills from closed schools. Overpayments have been discovered. The District is seeking reimbursements or utility credits for overpayments. Estimated 2008-2009 reimbursement \$1 million; estimated 2009-2010 \$5 million.</i>	\$1.0	\$0.0	\$(1.0)	\$5.0	\$8.0  Based on the additional 2009-2010 school closures

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16  Appendix Attachment 16	<p>Per original DEP, and Consent agreement school closures effective FY 2009-2010 (August 2009) based on enrollment targets, second year reprieve, and facility condition.</p> <ul style="list-style-type: none"> <li>• Explore standard K-8 and high school model</li> <li>• Explore consolidation of career technical centers into full high schools</li> </ul> <p>Source: Consent Agreement Council of Great City Schools United States Department of Education</p>	Assistant Superintendents., Facilities, HR, OREA, Curriculum, Budget, Communications	<p>Based on the criteria there are 18 schools on the primary list for consideration.</p> <p><u>Initial</u> 6 parameters developed to identify pool for composite score of 100%. They are:</p> <ol style="list-style-type: none"> <li>1. AYP Phase 4 or Higher (.30)</li> <li>2. Enrollment of 350 or less (.05)</li> <li>3. Past enrollment decline of 30% or more (.05)</li> <li>4. Future enrollment projection (.10)</li> <li>5. Capacity utilization (.10)</li> <li>6. Facility condition (.40)</li> </ol> <p><i>In compliance with the Consent Agreement, the original Deficit Elimination Plan, and the steady decline in student enrollment, the District is exploring additional school closures in 2009-2010.</i></p>	\$0.0	\$0.0	\$0.0	\$1.5	\$8.0

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17 Appendix Attachment 16	<p>Implementation costs for school closures effective FY 2009-2010 (August 2009) based on enrollment targets, second year reprieve, and facility condition.</p> <p>Source: Council of Great City Schools</p>	Assistant Superintendents., Facilities, HR, OREA Finance, Curriculum, Communications	<p>See 16 above</p> <p><i>The Planning costs associated with school closures will cost the District approximately \$500,000 in 2008-2009 and a net (savings less expenses) cost of approximately \$2.5 million for board-ups, security, and moving costs in 2009-2010.</i></p>	\$(0.5)	\$0.0	\$0.5	(\$2.5)	\$0.0
18 Appendix Attachment 18, and Attachment A	<p>Strategic Sourcing – analysis enforcing the districts vendor process</p> <ul style="list-style-type: none"> <li>• What to purchase</li> <li>• When to purchase</li> <li>• From whom to purchase</li> <li>• Bundling</li> </ul> <p>Source: Council of Great City Schools</p>	Procurement, Finance, Facilities, IT, General Counsel	<p>Reviewing all</p> <ul style="list-style-type: none"> <li>• vendor contracts</li> <li>• material suppliers</li> <li>• seasonal purchases</li> </ul> <p><i>The District is reviewing Strategic Sourcing beginning with the review of all District contracts and suppliers, utilizing and enforcing the vendor process, (see attachment A vendor process form). In this review, the District anticipates a saving of approx. \$3 million in 2008-2009 and \$15 million in 2009-2010.</i></p>	\$3.0	\$0.0	\$(3.0)	\$20.0	\$12.0
19 Appendix Attachment 19	<p>Employee and Contract Enforcement</p> <ul style="list-style-type: none"> <li>• Enforce married staff insurance policy guidelines</li> <li>• Explore new substitute classification structure</li> </ul> <p>Source: Consent Agreement</p>	Human Resources, Chief Labor Relations	<p><i>The enforcement of the districts policy on married staff Insurance is estimated to save the district _____. Taking full advantage of the DFT contract utilizing sub I's and II's which are \$28 less per hr than sub III's is estimated to save the district \$1.6 million.</i></p>	\$0.0	\$0.0	\$0.0	\$3.0	\$0.0

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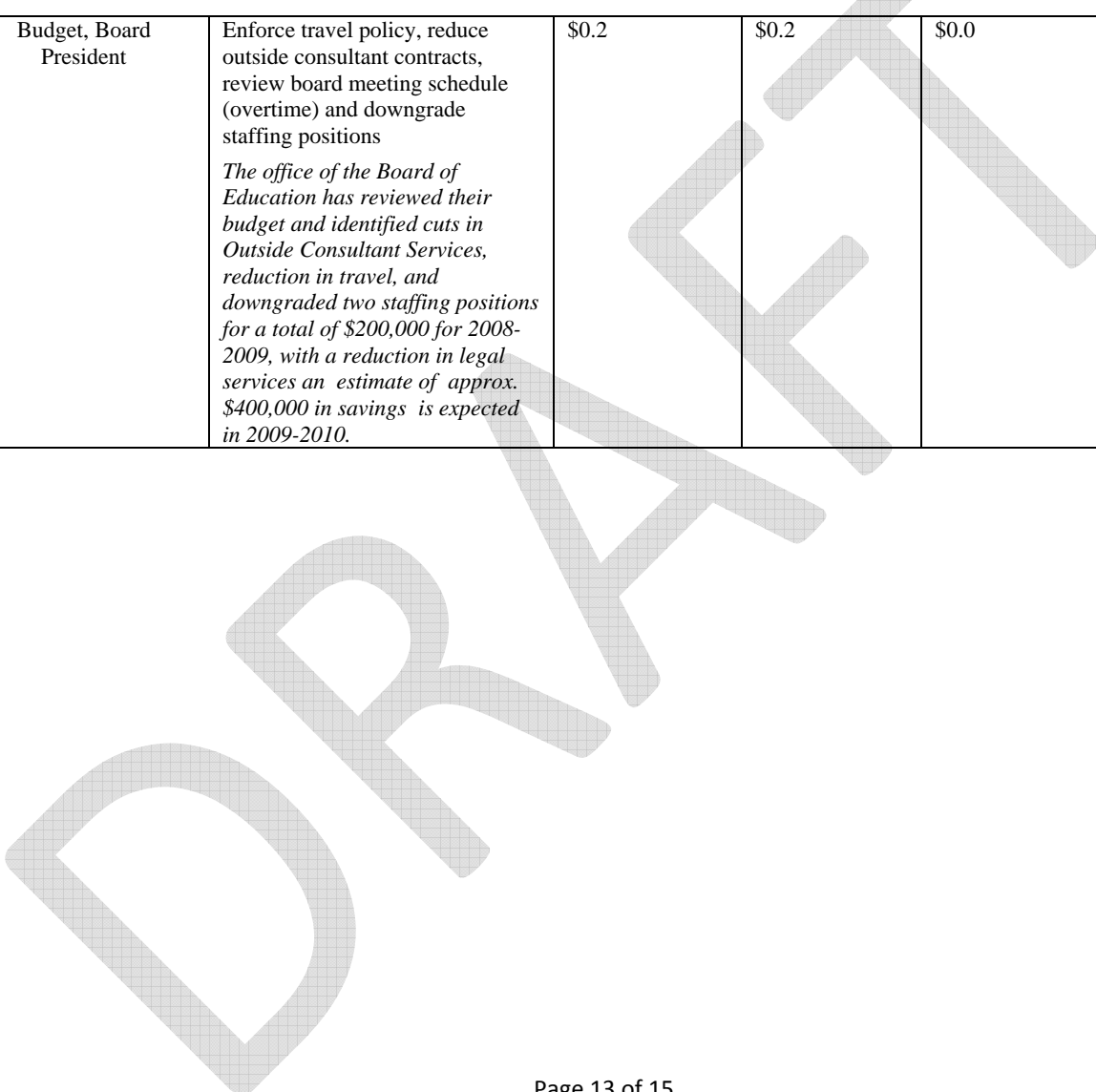
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20	Reduction in Board Budget <ul style="list-style-type: none"> <li>• Travel</li> <li>• Discretionary</li> <li>• Legal</li> <li>• Staffing</li> <li>• Overtime</li> <li>• Organization Chart</li> <li>• Home Office</li> </ul> Source: Consent Agreement Council of Great City Schools United States Department of Education	Budget, Board President	Enforce travel policy, reduce outside consultant contracts, review board meeting schedule (overtime) and downgrade staffing positions  <i>The office of the Board of            Education has reviewed their            budget and identified cuts in            Outside Consultant Services,            reduction in travel, and            downgraded two staffing positions            for a total of \$200,000 for 2008-            2009, with a reduction in legal            services an estimate of approx.            \$400,000 in savings is expected            in 2009-2010.</i>	\$0.2	\$0.2	\$0.0	\$0.4	\$0.0



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21  Appendix Attachment 21	<p>District Administrators will submit policy recommendations to the Board that has fiscal impact on the budget, for their approval</p> <p>Source: Consent Agreement Council of Great City Schools</p>		<p>Place an incentive driven budget reduction hotline on the web for employees to report fraud, budget reductions or revenue enhancements</p> <p><i>District Administrators will submit policy recommendations to the Board for their approval with urgency when proposed policy has as a fiscal impact on the District budget. Examples include:</i></p> <ol style="list-style-type: none"> <li><i>1. Administration recommends to the board a policy to limit the amount of time an employee is paid during the appeal process.</i></li> <li><i>2. Administration will recommend to the board a policy to determine a date by the beginning of April in which all employees will state their intent for employment thereby giving the District information on who is going to retire and be retained to support staffing levels.</i></li> <li><i>3. Administration will recommend to the board a policy to limit out of District waiver transfer which has a fiscal impact of approx. \$7,500 per student.</i></li> </ol>	\$0.1	\$0.0	\$(0.1)	\$1.0	\$0.0

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	<b>GRAND TOTAL:</b>			<b>\$172.6</b> Due by 6/20/2010	<b>\$143.5</b> Savings as of 11/24/2008	<b>\$29.05</b> Balance due by 6/30/2010	<b>\$174.4</b> Due by 6/30/2011	<b>\$116.5</b> Due by 6/30/2011

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