

6:00 p.m. EXECUTIVE SESSION: Under provisions of ORS 192.610 – 192.690, Open Meeting Laws, the Board of Directors will conduct an Executive Session for the following purpose:

To conduct deliberations with persons designated by the governing body to carry on labor negotiations, pursuant to ORS 192.660 (2) (d)

7:00 p.m. Regular Board Meeting

TO: Board of Directors

**FROM: George Russell
Superintendent of Schools**

RE: Reports and Recommendations – Corrected on January 11

III. ITEMS FOR INFORMATION

1. **Receive Information Regarding a Proposed Bond Measure for Capital Improvements** (Staff: Jon Lauch)

Background

A Long-Range Facilities Plan was approved by the Board in February 2002. The 24-year plan was developed by the Strategic Facilities Planning Advisory Committee, a group of 21 community members, parents, students, teachers, classified staff, administrators, and school board members appointed by the superintendent to develop a plan to address the district's aging facilities, rising facilities operating costs and declining enrollment.

The committee reviewed recommendations made by the Schools of the Future Committee (1999–00) and the School Closure, Consolidation and Replacement Committee (2000–01) as well as district financial and enrollment projections, demographic and geographic information, building operating costs, and capital needs.

The Long-Range Facilities Plan includes the following strategic direction:

- Replace or fully renovate aging elementary and middle school buildings that no longer adequately serve students.
- Remodel high schools in stages, replacing portable classrooms and improving instruction and student activity spaces.
- More closely match available space with enrollment at the elementary level, through school consolidations.

- Replace and upgrade capital systems, such as roofs, wiring, plumbing, and fire and security systems as needed to prolong the useful life of the buildings and to upgrade the technology infrastructure to support current instructional needs.
- Dispose of surplus property that will not be needed in the future for educational purposes or seek long-term leases that would financially benefit the district.
- Improve instructional spaces throughout the district.

The plan calls for four bond elections, approximately six years apart. Voters approved the first bond in May 2002 for \$116 million. A second bond election, originally planned for November 2008, is currently under consideration for May 2011.

The second cycle of the Long-Range Facilities Plan identified the following elements for funding:

- Replace Roosevelt Middle School
- Replace one elementary school in the south region (possibly a consolidation of two schools, depending upon enrollment)
- Replace one elementary school in the north region (possibly a consolidation of two schools, depending upon enrollment)
- Replace an additional elementary school and complete the remodel of Willagillespie Elementary school
- Make capital system upgrades, some remodels and continued staged renovations at the high schools.

The Long-Range Plan further suggests that analysis of enrollment trends will be necessary to inform consolidation and replacement decisions.

Rationale for Bond Measure

State funding for education does not adequately provide for ongoing funding for capital infrastructure beyond daily maintenance and repair. Most, if not all, Oregon school districts depend on bond funding to provide for the initial cost of facilities and to provide for the ongoing costs of capital systems replacements and upgrades, rather than to further strain limited operating budgets for infrastructure. As buildings and their components age, the ongoing maintenance costs and frequency of repairs increase. Systematic replacement and upgrade of critical building elements is necessary in order to prevent the escalation of maintenance costs, to reduce operating costs, and to extend the useful life of the building. Recent replacement of old buildings in this district has demonstrated dramatic operating cost savings and significantly improved educational environments.

There is also additional rationale that favors a May 2011 bond election as opposed to deferring an election to November 2011 or later.

- If we are able to pass a bond measure in May 2011, we are assured of an allocation of \$15 million of federally funded Qualified School Construction Bonds (borrowing authority) which could save about \$17 million over the life of the bond.
- Property tax levels for support of school district bonds would remain flat, whereas, a tax increase would be required in November assuming the same bond size.
- \$ 1 million of annual maintenance costs (now in the General Fund operating budget) could be shifted to bond measure funding beginning in fiscal year 2011-2012.

- Takes advantage of 2011 construction season for critical needs such as roofing and synthetic turf field replacements, utilizing bond funds as opposed to rapidly dwindling capital reserves.
- Retains qualified and experienced capital program staff that allows us to “hit the ground running”, rather than to lay off staff and rebuild program from scratch later.
- Provides a second opportunity in November if a May election fails. In this case, information or insight would be gained, increasing the chances for success in November.

There has been much discussion regarding the economy and the timing of a bond measure. Passing a bond measure would stimulate the local economy without increasing the annual property tax rate above current levels (although the liability is spread into future years). In addition, the best value for the district is to bid construction work in a competitive market which will stretch available capital dollars to the greatest extent possible.

Magnitude of Proposed Bond Measure

Financial Services staff, in consultation with Bond Counsel, has determined that debt service of a \$130 million bond measure could be structured without increasing property taxes. This presumes the timing of a May 2011 election would take advantage of a modest property tax “gap” or reduction that would otherwise occur when tax assessments are updated in November 2011. A \$130 million bond measure would allow for the potential for roughly \$30 million in additional indebtedness without increasing taxes when the next potential gap is projected to occur in 2018.

The \$116 million bond measure in 2002 would be roughly equivalent to in excess of \$160 million bond measure today, considering construction cost escalation and general inflation over the past nine years. A \$130 million bond measure would not adequately fund all of the improvements suggested by the Long-Range Plan for the second bond cycle. With the projected needs for capital systems replacements for existing infrastructure (e.g. roofing, asphalt, technology, heating systems, etc.), funding for school replacements is expected to be limited to one middle school and one elementary school. Therefore, the proposed bond measure would be weighted more heavily toward maintaining and improving existing infrastructure in order to reduce ongoing operating and maintenance costs, and much less toward school replacements than the previous bond measure.

General Make-up of Bond Projects

The general categories and relative proposed funding for each are as follows:

- School replacements (new construction, including equipment and furnishings): \$63 million
- Additions/remodels (includes school closure/consolidation projects: \$11.5 million
- Maintenance and repair – General Fund Off-Load: \$7 million
- Capital systems replacements/improvements (roofing, paving, plumbing, heating, electrical, fire alarms, safety/security, technology, energy conservation measures, etc.): \$48.5 million
- Costs for Bond Issuance, Administration, and Construction Management are included in the above numbers.

Staff will be available to respond to questions and to provide additional information as desired.

IV. Items for Action at a Future Meeting

1. Approve the Superintendent's Sustainable Budget Final Recommendations and/or Alternate Options, Including School Closure/Consolidation Proposals

BACKGROUND

The board has a goal to “provide prudent stewardship of district resources to best support student success, educational equity and choice.” The goal states that “the board will direct district resources to support the instructional core and to provide educational equity and choice while maximizing administrative and operational efficiency with a sustainable budget. The district must also respond to declining enrollment, regional enrollment patterns, a student population with more diverse needs, uncertain revenue streams and escalating costs.”

The board's revised sustainable budget goal provides that

By 2014-15, the district will implement a sustainable budget that:

- maintains reserves at or above board targets,
- minimizes the use of one-time funds for ongoing expenses,
- optimizes the use of short-term resources to improve student achievement, and
- increases operational efficiency while reducing long-term capital needs.

The superintendent's goal for achieving the board's goal provides that I will “develop strategy options for achieving the board's sustainable budget goal and present a proposal to the board and Budget Committee by February 2011.”

At the November 3, 2010 board meeting, I presented my preliminary recommendations for achieving a sustainable budget, including school closure and/or consolidation proposals. At the December 8, 2010 board meeting, I presented my revised recommendations based on board discussion, public comments and discussions with the superintendent's staff.

The revised recommendations offered a modified strategy for achieving a sustainable budget that balances operating costs with projected revenues for the long-term. The district's five-year financial forecast shows a 15-20% operating deficit for 2011-12 and smaller but ongoing deficits in future years due to increasing costs and decreasing resources.

The revised recommendations were based upon some modified assumptions that included:

1. Revised financial assumptions. The target for decreasing expenses and increasing revenues was changed from \$30 million to \$22 million based on an assumption that state funding will not decrease.
2. Adjusted target date and a three-year plan setting a course for change. The board adjusted its target date for achieving a sustainable budget from 2012-13 to 2014-15.
3. More study on grade reconfiguration. Establishing a task force to study the issue of grade reconfiguration and recommend whether changes should be implemented for 2013-14.
4. Retaining more teachers and preserving more jobs. With a lower financial target,

I was able to propose a smaller decrease in staffing for 2011-12.

5. School closures and consolidations are necessary. I proposed closing four schools in 2011-12 and one more in 2012-13. I also proposed taking another look at language immersion and alternative schools in 2011-12.
6. Seeking out new sources of revenue. I proposed a \$130 million bond measure for the May ballot and working with others, including the City of Eugene, to explore additional options for new revenue sources.

I also proposed as part of my revised recommendations that the 2011-12 budget balancing scenario be shaped as:

- 50% ongoing reductions: \$11 million.
- 25% reserves/one-time funds: \$5.5 million.
- 25% compensation-related adjustments: \$5.5 million.

DISCUSSION

The recent Shaping 4J's Future process built upon ongoing instructional planning and previous district plans. It focused on critical long-range facility and service options that arose from enrollment and student population trends and from related issues that were not fully resolved from the Schools of the Future Report of 1999, School Closure and Consolidation Report of 2001, and the Access and Options Report of 2004.

In the Shaping 4J's Future report, I suggested that the core values of excellence, equity and choice should guide our decisions for the future. At the time, I provided my definitions of excellence, equity and choice and then posed some goals and principles to help in guiding our deliberations around the challenges we're now trying to solve. These were shared with the board as a part of the report the board received in January 2008. The board had considerable discussion about the proposed goals and principles, and suggested some revisions that were subsequently incorporated into the final actions on Shaping 4J's Future. A number of the recommendations included in the Shaping 4J's Future report were discussed or at least re-visited as part of the sustainable budget conversation. For that reason, as a refresher I will take a few minutes at the meeting to point out how some of the previous recommendations and actions have contributed to or informed the thinking about strategy options available for consideration as we look at adopting a sustainable budget plan.

At the time I presented the Shaping 4J's Future recommendations, I noted then that I did not expect those scenarios would necessarily play out as recommended, but that it was important they be considered and discussed as part of the process. That same prediction has clearly played out over the past several months as staff, parents and the community have had the opportunity to weigh in with their opinions and viewpoints regarding the various scenarios presented in the sustainable budget process. Through the course of board work sessions and public hearings, the multitude of meetings, emails and other correspondence and communication received by the board, hundreds of people have expressed their concerns, objections, and in some cases, disdain for the recommendations as initially presented or revised. While many do not agree with the recommendations, for me this public discourse has demonstrated the process is working as intended. And while in the end not everyone will be happy with the outcomes, I do believe that the process has provided opportunity for many voices and differing opinions to be heard.

It's important to remember that many of these recommendations are not entirely within the board's control. The actions proposed fall into the following decision categories for the board:

- a) Decisions That Are Within the Control of the Board. The board can unilaterally make the decisions that fall within this category without having to consult, negotiate or depend on others to make it happen. The board may consider input and feedback from various stakeholders, but it ultimately makes the decision. The decisions that will be most impactful on the overall budget picture will be those that are ongoing and sustainable, such as reducing staff and eliminating programs or services; changing the staffing ratios resulting in more teacher layoffs; closing and consolidating schools. The board could also elect to spend down reserves or use other one-time sources of money to buy some more time. As mentioned earlier, since these would be unsustainable sources of funds this would require deeper cuts in subsequent years.
- b) Decisions That Require Engagement or Negotiations With Others. These are decisions that typically cannot be made unilaterally by the board and would require the negotiation, engagement or consultation with others in order for a decision to be made and implemented. Primarily, these recommendations would require negotiation and agreement with the labor organizations to implement. These include both ongoing strategies such as salary freezes or reductions in compensation or benefits, or more temporary measures such as furlough days and reducing the school year with an expectation that some or all could be restored in better times.
- c) Decisions That the Board Can Influence But Not Control the Outcome. The board can try to achieve a certain outcome but must rely on decisions of others for it to happen. While the board can make decisions about when and what to put on the ballot as a bond measure, for example, they would have to work with stakeholders and rely on voters to ensure a successful election. In the case of other revenue matters, such as a City local option or ordinance, the board would have to convince the Council or others to take such a step to benefit the school district.

At the work session on the revised recommendations on January 5, 2011 the board provided the superintendent with some additional guidance. Also, the additional feedback from staff, parents and community, has helped shape the final recommendations. Most recently, Governor-elect Kitzhaber released his draft budget proposal for K-12 for the next biennium, in which he indicated that \$5.357 billion would be the starting point for the State School Fund allocation. In his draft budget message, Dr. Kitzhaber says: "the question is not *'what are we going to cut'* but rather *'how do we take the revenue we know we have and invest it differently going forward to create a solid foundation on which to build our future?'* The challenge for us is that we will have no accurate picture of what the final budget number will be for the State until later in the spring. As a result, the final recommendations offer an alternate funding assumption in addition to that reflected in the revised recommendations.

RECOMMENDATIONS

Based on the discussion at the board work session on January 5 there appeared to

be support emerging around a number of the recommendations. However, there were also some recommendations where the board expressed a desire to see some alternate or revised options that could be considered as well. Alternate options are provided in addition to the recommended action in case the board wishes to adopt one of these alternatives.

Financial Assumptions. In these final recommended scenarios, I've tried to identify the disinvestment strategies that would provide for ongoing and sustainable savings. Still underlying these strategies is the assumption that we are willing to transform the system by doing some things dramatically different in the future. I still identify some one-time or shorter term strategies that can be used to help us bridge some of our educational programs and services into the future, while seeking to find longer-term solutions that may require a little more time to develop and implement.

The Final Recommendations include the revised financial assumption of a \$22 million target, and an alternate option with a \$26 million target, for 2011-12 that provides for a combination of a) ongoing and sustainable reductions; and, b) one-time and short-term "bridging" strategies. These final scenarios look at each of the strategy option areas previously identified and propose reduction scenarios within each, where appropriate. Most of the final strategies have a 3-year plan that outlines the proposed actions in each of those years. Some of the proposed actions are dependent on other things happening, either in the previous year or same year. For example, without a bond measure passing to support ongoing critical needs or facilities modifications, one or more of the school closures or mergers could not occur without overcrowding some of the receiving schools.

Again, the alternate final proposed target for 2011-12 is \$26 million rather than the previously revised target of \$22 million. The alternate strategy goal is to achieve a balanced approach that still includes 50% ongoing or sustainable strategies through staff reductions, ratio changes, and service/program reductions of about \$13 million; about 25% through use of one-time dollars from reserves or other short-term sources for about \$6.5 million; and another 25% through compensation-related savings from a combination of fewer days (furloughs) and less in salary/benefits for around \$6.5 million.

Strategy Options. The following recommendations represent the final recommended strategy options that I am recommending. In some cases, there are also alternate scenarios requested by the board that could be considered in lieu of my recommendations. In many cases there are no changes from those proposed as part of the preliminary recommendations, but in others there are some fairly significant revisions from what was recommended earlier, and as a result of the \$26 million assumption some changed strategy options. With the changed financial assumption, the major areas in which substantial revisions occurred are staff and program reduction; staffing ratios; closure and consolidation (reconfiguration); school/workday reductions (furloughs); and, other compensation-related adjustments. The strategy options I will be recommending, and any alternate options, are presented below:

1. Reduce Staffing/Services & Programs:

As I looked at the numbers and the impacts on specific schools, I became convinced that the staffing ratio change of 4-5-6 for next year as originally proposed would be just too devastating for schools and programs. One of the

major benefits of revising the forecast downward was that it allowed me to propose a smaller increase in the staffing ratio for next year. I'm still suggesting two options: a 2 increase at elementary and a 3 for secondary; or a 3 at elementary or 4 at secondary. This "either/or" approach will require schools to develop two staffing plans. In the alternate scenario, the staffing ratio is increased overall by 4, and could be differentiated by either level or on the basis of student/school need. Which staffing ratio increase is implemented will depend on how the other scenarios play out through the budget and negotiations processes. Long-term, this adjustment may mean that we have to increase the staffing ratio again for the following year (2012-13), unless something changes.

Final Recommendations:

2011-12

- Reduce administrative and classified staff by 7.0% (43 fte) - \$2.6M
 - including, restructure and consolidate Central Office departments, reduce administration
- Change staffing ratio by range of 2/3, or 3/4* (e.g.; 2@ES, 3@MS; 3@HS) = 56-75 fte @ \$4.6 to \$6.3M
- Eliminate or reduce teachers on special assignment and staff development specialists - \$0.5M
- Cost/Savings Target: \$7.7 – \$9.2M

2012-13

- TBD

2013-14

- TBD

Alternate Recommendations:

2011-12

- Reduce administrative and classified staff by 10% (62 fte)– \$3.5M
 - including restructure and consolidate Central Office departments, reduce administration
- Change staffing ratio by 4 = 84 fte @ \$7.0M
- Eliminate or reduce teachers on special assignment and staff development specialists - \$0.5M
- Cost/Savings Target: \$11.0M

2012-13

- TBD

2013-14

- TBD

Impacts/Assumptions:

1. Reduced services and programs to support schools. Determinations regarding service/program elimination or reduction based on district values and priorities, and as part of budget development process.
2. Reorganization and restructuring of central administration
3. Larger class sizes and fewer specialists

2. Fewer School/Work Days

For 2009-10, teachers took 7 furlough days, classified staff took 3 furlough days and used insurance reserves, and administrators agreed to no cost of living. These concessions equated to 3-3.25% of employee salary/benefits. For 2010-

11, teachers and classified staff agreed to 7 furlough days and administrators agreed to 9. Several employees' salaries were reduced from 2009-10 to 2010-11 due to the furlough days. Under the \$26 million alternate scenario option, I am proposing an additional furlough day for another .5 million.

Final Recommendations:

2011-12

- 9-12 Furlough Days (6 less school days) – one/month based on work year and school-based staff reduced 9/10 days (6 fewer school days)
- Cost/Savings Target: \$4.0M

2012-13

- Continue 9-12 Furlough Days (6 less school days) – one/month based on work year
- Consider 4-day work (32 hrs) and school weeks if necessary
- Cost/Savings Target: \$4.0M

2013-14

- Continue 9-12 Furlough Days (6 less school days) – one/month based on work year
- Continue 4-day work (32 hrs) and school weeks if necessary
- Cost/Savings Target: \$4.0M

Alternate Recommendations:

2011-12

- 10-13 Furlough Days (6 less school days) – one/month based on work year plus one additional day
- Cost/Savings Target: \$4.5M

2012-13

- Continue 10-13 Furlough Days (6 less school days) – one/month based on work year plus one additional day
- Consider 4-day work (32 hrs) and school weeks if necessary
- Cost/Savings Target: \$4.5M

2013-14

- Continue 10-13 Furlough Days (6 less school days) – one/month based on work year plus one additional day
- Continue 4-day work (32 hrs) and school weeks if necessary
- Cost/Savings Target: \$4.5M

Impacts/Assumptions:

1. All employees would take furlough days based on their work year: 12 month = 12 days; 11 month = 11 days; 10 month = 10 days; 9 months = 9 days. One additional day would be added under the \$26 million assumption. Assumption is these are temporary and the days could be added back to work year when financial picture improves.
2. Shortened school year and less paid workdays with reduced pay for all employees.
3. Presumes ability to negotiate reduced work days or furloughs with labor organizations.

3. School Closures/Consolidations

No community wants to see its neighborhood school closed, but staff in those schools understand that with continuing decreases in staffing there comes a

point when staying open just doesn't make good instructional or financial sense. Closure of Coburg, Crest Drive, Twin Oaks and Parker will result in savings from having four less schools with their ongoing operational costs. While consolidation of Meadowlark with Willagillespie will not necessarily save any dollars, even under the staffing ratio increase of 2, Meadowlark would lose close to 1.5 positions (full time equivalent/FTE). Under a scenario with a ratio change of 4, they would lose close to 3.0 fte teacher positions. After consolidation with Willagillespie, the combined school would have far more flexibility in both staffing resources and facilities.

The revised recommendation anticipates continuation of the language immersion schools for now as K-5 elementary schools. However, I still recommend moving the Charlemagne French Immersion to the Parker site, or another more centralized location. In 2011-12, I suggest taking another look at non-language immersion schools such as Corridor and Family School to determine their future in the district and whether they remain distinctive in their approach as provided in the board's alternative school review criteria. Although we have closed or merged some alternative schools over the last few years, we need to periodically explore this question as district enrollment grows smaller. We also need to reconsider language immersion and alternative schools for the longer-term and examine whether there is a way to provide a second language experience in all of our neighborhood elementary schools.

The alternate scenario option calls for closure of Adams Elementary School and keeping open both Parker and Crest Drive as neighborhood schools. Under this scenario, Charlemagne would be relocated to the Adams building instead of to Parker.

Final Recommendations:

2011-12

- Close Coburg, Crest Drive and Parker in 2011
- Consolidate Meadowlark at Willagillespie
- Move Charlemagne K-5 to Parker
- Cost/Savings Target: \$1M

2012-13

- Close Twin Oaks
- If Bond Measure passes, consolidate Twin Oaks with McCornack after addition
- Cost/Savings Target: \$0.3M

2013-14

- Possible closure/merger of non-language alternative schools with neighborhood schools
- Cost/Savings Target: TBD

Alternate Recommendations:

2011-12

- Close Coburg, Adams in 2011 (leaves Parker & Crest Drive open)
- Consolidate Meadowlark at Willagillespie
- Move Charlemagne K-5 to Adams
- Cost/Savings Target: \$0.5M, requires additional \$0.5M of ongoing reductions to be identified

2012-13

- Close Twin Oaks
- If Bond Measure passes, consolidate Twin Oaks with McCornack after addition
- Cost/Savings Target: \$0.3M

2013-14

- Possible closure/merger of non-language alternative schools with neighborhood schools
- Cost/Savings Target: TBD

Impacts/Assumptions:

1. Closure of some smaller neighborhood elementary schools.
2. Moves and transitions for some students and staff and merging of school teams.
3. Consolidated elementary schools will have more students and staff, and therefore, more flexibility in serving students.
4. Fewer school buildings to maintain and support through central services, including special education.
5. Maintains four viable high schools.
6. Some redrawing of boundaries will be required.

4. Shared Services/Contracting Out

We will continue to explore ways to gain efficiencies by sharing work that can be done in partnership with others or by finding different ways to deliver the services we provide. Starting with the local ESD and finding better ways to take advantage of the services they currently provide will be a positive step in that direction.

Final Recommendations:

2011-12

- Identify additional services that can be provided by Lane ESD
- Determine what current services can be transferred to Lane ESD
- Cost/Savings Target: \$0.5M

2012-13

- Explore service sharing options with other districts that could reduce costs
- Look at contracting out some services
- Cost/Savings Target: TBD

2013-14

- Contract out or consolidate some services with other school districts or provide through private sector
- Cost/Savings Target: TBD

Impacts/Assumptions:

1. Shifting of services to ESD that may currently be provided by district
2. Ability to work within current ESD Local Service Plan to find savings
3. Collective bargaining required in most instances; impact bargaining in others.

5. Materials & Supplies/Services

This is an area where we've continued to cut away over the years. We still have teachers and other staff who dig into their own pockets to ensure that students

have adequate supplies and materials to work with, and parents who are expected to pay more for supplies and to support school activities.

Final Recommendations:

2011-12

- 15% reduction in materials & supplies, contracted services budget
- Centralize purchasing of materials & supplies, equipment
- Cost/Savings Target: \$1.1M

2012-13

- TBD

2013-14

- TBD

Impacts/Assumptions:

1. Substantial reduction in materials and services budget, including contracted services.
2. Some fixed costs such as utilities and fuel expense reductions will be achieved through efficiencies

6. School Instruction/Redesign

Grade reconfiguration needs more time and thought. While staff may understand the necessity for reconfiguration to get to a more sustainable future and maintain a viable instructional program in the years ahead, we have just not done a good enough job of convincing the board or the public. While the revised recommendations do not propose reconfiguration of schools for 2011-12, I do believe that some kind of reconfiguration will be necessary to maintain strong instructional programs into the future if we are to keep four viable regions and four high schools.

The K-3 and 4-8 model that was recommended was based on some assumptions about the benefits to teaching and learning that would allow for greater flexibility in staffing and providing instruction. However, at this point there is no common ground even within the district about reconfiguration and the best model for moving forward into the future.

Final Recommendations:

2011-12

- Stakeholder Task Force to recommend reconfiguration to Superintendent and Board for implementation 2012-13
- Redesign instructional delivery model for secondary schools to accommodate fewer students & less resources
- Cost/Savings Target: TBD

2012-13

- Revise school calendar
- Shorter summer breaks
- Consider 4 day school weeks
- Implementation of reconfiguration recommendations, if any
- Cost/Savings Target: TBD

2013-14

- TBD

Impacts/Assumptions:

1. Extends timeline for consideration of reconfiguration of schools and establishes broad stakeholder task group
2. Future review of status and efficacy of alternative schools, including language immersions
3. Looks at redesign of instructional delivery models
4. Possible revisions to school calendars

7. Non-Instructional/Student Support Programs

This recommendation has not changed since the preliminary recommendations were put forth. It anticipates that the reduction will affect programs in schools that support student activities and athletics. While some schools may be able to off-set some of this reduction by expanded fundraising or community support, it will impact some of those things that help connect students to their schools. I worry about the extra burden we place on students and parents as we cut back in this area, and some of the equity issues that can occur with respect to different schools' ability to raise funds in their communities. For that reason, I have not anticipated at this time further reductions into the future.

Final Recommendations:**2011-12**

- Reduce General Fund support for athletics programs and other extracurricular offerings by 25%
- Cost/Savings Target: \$0.5M

2012-13

- TBD

2013-14

- TBD

8. Reserves/One-time Funds

I've noted several times that there was some risk to spending down our reserves and counting on one-time resources. Governor-elect Kitzhaber noted in his draft budget that over the current biennium many public services have been propped up by using one-time revenues, including public schools. With the uncertainty of the State funding picture, it may be even more important that we retain a reasonable and prudent reserve as a hedge for any additional cuts that might occur in the State budget. Our strategy for future years assumes that we would balance each year's budget by using some reserves and one-time resources. By doing that we are pushing part of our financial gap forward. Consequently, we will need to make further reductions in each of the subsequent years or find additional revenue. That is, the more we utilize reserves or one-time strategies for 2011-12, the more we will have to make up for in 2012-13 and/or 2013/14.

Final Recommendations:**2011-12**

- Use up to \$5.5M reserves/one-time funds to maintain and bridge to 2012-13
- Cost/Savings Target: \$5.5M

2012-13

- Use up to \$3M from sales of surplus property or lease revenue

- Cost/Savings Target: \$3M
- 2013-14
- GF Reserve and Contingency = 90% of Board Targets
- Cost/Savings Target: TBD
- 2014-15
- GF Reserve and Contingency = Board Targets

Alternate Recommendations:

- 2011-12
- Use up to \$6.5 million in reserves/one-time funds to maintain and bridge to 2012-13
- Cost/Savings Target: \$6.5M

- 2012-13
- Use up to \$3Mn from sales of surplus property or lease revenue
- Cost/Savings Target: \$3M

- 2013-14
- GF Reserve and Contingency = 90% of Board Targets
- Cost/Savings Target: TBD

- 2014-15
- GF Reserve and Contingency = Board Targets

Impacts/Assumptions:

1. Use of combination of reserves to mitigate 2011-12 and 2012-13 reductions. Assumes back to 90% board targets by 2013-14 and on sustainable path for 2014-15.
2. Presumes passage of bond measure in 2011-12 that carries forward General Fund offload
3. Uses sale of surplus property to replenish capital reserve accounts
4. Eliminates or reduces transfers to non-General Fund accounts

9. Compensation/Benefits

While the intent is not to build this budget on the “backs of employees”, our continuing reality is that over 85% of our budget is in personnel costs. Which means we will have fewer people working for the district and/or those who do work for us will have to share in the sacrifice to help mitigate some of the impacts so we don’t have to eliminate as many jobs or services. As we increase the ratio substantially, the impact will be both on students and staff, and that’s not a scenario that is consistent with our hierarchy of values, goals and priorities.

Final Recommendations:

- 2011-12
- Negotiate pay freeze, including no step/column increase
- Negotiate no increased benefits costs
- GF Costs/Savings Target: \$1.5M

- 2012-13
- Negotiate contract adjustments that minimize and contain ongoing costs to district
- General Fund Costs/Savings Target: TBD

- 2013-14
- TBD

Alternate Recommendations:

2011-12

- Negotiate pay freeze, including no step/column increase
- Negotiate \$210,000 decrease in benefits costs
- GF Costs/Savings Target: \$1.7 M

2012-13

- Negotiate contract adjustments that minimize and contain ongoing costs to district
- GF Costs/Savings Target: TBD

2013-14

- TBD

Impacts/Assumptions:

1. Dual impact on remaining employees with decreased work years (furloughs) and no compensation increases.
2. Workload impact as fewer people around to do the work.
3. This scenario once again asks employees to sacrifice in order to preserve services into the future. Employees have stepped up as we've asked them to do more with less, and now we'll be asking them sacrifice even more as we struggle to balance our budget going forward.

10. Revenue Enhancements

This strategy option calls for the district to find additional sources of revenue to support its General Fund operating budget and maintain its capital infrastructure. Because the district is limited in the ways it can raise revenue due to the limitations imposed by state law and various ballot measures, the options in this area are fairly limited in terms of the actual amount of potential revenue to be raised.

Final Recommendations:

2011-12

- Bond Measure \$130M in May 2011 for critical needs, technology & new school (offload of GF = \$1M)
- Increase community use fees by 20% (\$20K)
- Lease closed schools to charters/others (\$200K)
- Revenue Target: \$1.2M GF

2012-13

- Sell Civic, Willard, or other vacant facilities w/50% proceeds to GF Reserve (\$3-5M)
- Local tax to support local schools in 2012-13 (\$10 M for 3 yrs) – Nov 2011
- Revenue Target: TBD

2013-14

- Implementation of any new revenue sources to mitigate reductions
- Revenue Target: TBD

Impacts/Assumptions:

1. Pass bond measure in May to support purchase of technology, address critical facilities maintenance and repair needs, and construct new school/s. If doesn't pass, re-try in Nov 2011.
2. Increase in user fees to current fee payers and adding fees for User Class 1. (Assumes that community organizations can afford to pay fee increases.)
3. Increases lease fees to provide for a profit margin for the district. Some

lessees may look elsewhere.

11. Other Options

These are other possible options that may result in savings, primarily over the long-term. Some additional analysis would be needed to determine the efficacy of these options.

Final Recommendations:

- Consider early retirement incentives
- Adopt single-platform technology systems for centralized purchasing & technical support
- Minimize site-based decision making and increase centralized direction for staffing; e.g., program staffing for student support services
- GF Costs/Savings Target: TBD

Impacts/Assumptions:

1. Determine whether these options would result in actual cost-savings or more efficient operations.

The superintendent recommends approval of recommendations 1 through 10 as provided above, or as the board may determine to adopt any of the alternative options identified above or as otherwise modified upon discussion of the board.

Copies of the superintendent's final recommendations will be provided at the Wednesday, January 12, 2011 meeting. The board will seek more stakeholder input before arriving at a final decision on February 2, 2011.

V. Items Raised by the Audience

VI. Comments by Employee Groups

VII. Comments and Committee Reports by Individual Board Members

VIII. Adjourn

Calendar for Board Members

Wednesday, January 12	Executive Session Regular Board Meeting	6 pm 7 pm
Wednesday, January 19	Board Meeting & Public Hearing Churchill High Cafeteria	6 pm
Monday, January 24	Budget Committee Meeting	7 pm
Tuesday, January 25	Board Meeting	7 pm
Wednesday, January 26	Celebration of Business And Future 1 st Citizen Award	5:30 pm
Wednesday, February 2	Regular Board Meeting	7 pm

Wednesday, February 16	Regular Board Meeting	7 pm
February 14-25	Board interviews with superintendent finalist candidates	to be scheduled
Wednesday, March 2	Regular Board Meeting	7 pm
March 7-11	Community forums with Superintendent finalists	to be scheduled
Wednesday, March 16	Regular Board Meeting	7 pm

Hold for spring Board Retreat (date to be selected after mid-March):

Friday, April 15 afternoon and Saturday, April 16

Friday, May 20 afternoon and Saturday, May 21