
EAST GRAND RAPIDS PUBLIC SCHOOLS
2915 Hall Street SE
East Grand Rapids, MI 49506

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Superintendent

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MINUTES

The *SPECIAL MEETING* of the Board of Education was held on **Monday, February 16, 2009 at 7:00 p.m.** in the Community Board Room at the James E. Morse Administration Center at Woodcliff, 2915 Hall Street SE, Grand Rapids, Michigan 49506.

Board of Education:

Present: Mr. Brian Ellis, Mr. Steve Edison, Mrs. Stacy Trierweiler, Mrs. Julie Ridenour, Mr. Peter Ruppert, Mrs. Michelle Rabideau and Mr. Robert Minnema

Administration: Dr. Sara Shubel, Mrs. Jeanne Glowicki, and Mr. Kevin Philipps

Meeting Called to Order

Mr. Ellis called the meeting to order at 7:00 p.m.

Acknowledgement of Guests - None

Public Comment - None

2009-10 Budget Workshop (Enclosure #3)

Mr. Ellis introduced Kevin Philipps, Assistant Superintendent of Business. Mr. Philipps presented a power point presentation to inform the Board of Education of the current budget situation in the state of Michigan and the impact for the East Grand Rapids School District's budget. Mr. Philipps discussed the history of per-pupil funding for the past seven years. Governor Granholm, in her budget proposal included a \$59 per-student reduction in funding for K-12 education for the 2009-2010 school year. Mr. Philipps is recommending a \$75 per pupil reduction assumption due to the uncertainty of how the Legislature will receive her budget proposal.

Mr. Philipps and Dr. Shubel also discussed the change in funding for Young 5's and Kindergarten programs because this year it has been mandated by the state that Young 5's must be a full time program to be fully funded. Our district has decided to absorb the added cost of this program and keep it at half time for this year until next year. In the school year 2010-2011 kindergarten must be at 60% of grades 1-12 to receive full funding. This added time would require our district to add additional staff and classrooms at a potential cost of \$150,000 for Young 5's and \$450,000 - \$500,000 for Kindergarten if they are made full time programs. If the district chooses to stay at half time for these programs the financial impact could be \$200,000 for Young 5's and as much as \$750,000 for Kindergarten.

The district's estimated enrollment for the 2009-2010 school year is 2,965. This number is down from 2,978 this year and the recent high of 3,011. Mr. Philipps reported that the state of Michigan lost 31,000 students this year and are projecting a decrease of 30,000 for the upcoming school year. The state is attributing the loss of students primarily to birth rates. Mr. Philipps also indicated that the economy in Michigan is also forcing people to leave the state to look for employment. The loss of students also greatly impacts districts in Michigan because of the per pupil funding that is in place.

The Federal stimulus program could benefit East Grand Rapids. Recent estimates indicate additional funding of \$86,000 in Title 1 money, Stabilization Funds of \$226,000, Infrastructure funds of \$93,000 and Special Education \$560,000. The only concern about these funds is that they only last for two years. There are also unclear rules surrounding the way these monies may be spent. It is especially unclear in the area of Special Education. The district does not want to adopt new programs that it cannot sustain over a long period of time.

The district faces increased expenses in health care, retirement costs, and personnel costs. MESSA is going to change the way they price insurance based on the size of districts and claim histories. Currently districts in the area are pooled into one big group for health care. Now districts that have more than 500 employees will be priced on their own claim data. Districts with between 100-499 employees will be partially priced on their claims and partially pooled with other districts. This will mean that each district will receive a different premium for health insurance. MESSA is doing this because Public Act 106, which requires districts to receive claims data upon request and competitively bid has made it more difficult to lump all of the districts together. MESSA fears they will be "cherry-picked" with "healthy districts" and they won't remain competitive. The rate spread with the new pricing model could be as high as 25-30% from district to district. Mrs. Ridenour asked if MESSA is legally allowed to change our rates during a contract period. Mr. Philipps said yes they are. He reminded the Board that the district and the teachers have agreed within the current contract that if insurance premiums go up the teachers get a lesser pay increase.

Mr. Philipps reminded the Board that the contribution to MSPERS Retirement System has decreased in the last two years. It peaked at 17.4% and is currently at 16.54%. The rate for the 2009-2010 school year is 16.94%. This number is based on the investment portfolio measurement on 9/30/08. The concern is that the investment performance has most likely decreased due to the market situation. If the market doesn't rebound, there may be an additional 1% added to the rate each of the next four years. If the MEA retirement proposal were to happen the district will also see an increase in expenses in this area.

In summary: the revenue assumptions include a \$75 decrease in per pupil funding, a decrease in 13 students to the district, a 2% increase in the Recreational Millage, 0% increase in county special education funding, 50% reduction in Young 5's funding, 66% reduction in Beverage Consortium revenues and no stimulus funds at this point.

In summary the expenditure assumptions include: staffing: no increase or decrease, base salaries: 2.0% - 2.25%, health insurance: 7.5% increase, Utilities: 7.5% decreasing, other insurances: 5% increase, everything else: 0% increase.

Mr. Philipps presented a best case scenario A net change of -\$1,129,701, worst case scenario a net change of -\$2,031,981, and a most likely scenario of a net change -\$1,609,409 for the 2009-2010 budget.

Mrs. Trierweiler asked when the budget committee would begin working on proposed cuts to help balance the upcoming budget. Mr. Philipps said that they have met to be given the parameters for how much is needed to be cut and that everything should be open for discussion. Mr. Ellis said that school of choice will also be a consideration for the budget committee and the finance committee to bring to the board.

Mr. Philipps said the most important thing to consider is to look long term. The next few years are probably going to be challenging financially in the state and therefore for the district. In the past several years, the Board has been very careful to continue to grow the district's fund equity and it may be time now to begin to use a little of it to offset cutting too much. The balance is currently at 17%. He proposes that the Board consider targeting 10% as a floor three years from now and manage each year as conditions dictate.

Mr. Edison asked that the budget committee and the School Board keep an open mind to everything. That it is time to think "outside the box" at this time. Mr. Ruppert pointed out that \$0.87 of every \$1.00 of the district's general fund is spent on people. He asked if there would be a possibility of reducing staff. Mr. Philipps said that everything is on the table and that with a \$1.6 million deficit that would be very likely.

Mr. Edison asked how the administration plans on communicating this news to the public. Mr. Philipps said there would be information on the website. He has also been attending the PTA meetings. They plan on having an article in the Cadence and possibly a public forum with the Board of Education and the community after the budget committee comes back with their proposal and before the Board votes on the budget. Mr. Ellis suggested that they plan on reserving an area where there can be a lot of people. The public hearing will be sometime in late May or early June. The Board will vote on the budget at the June 8th Board of Education meeting.

Mr. Ellis suggested the Board consider reducing as much now as possible so it can avoid more cuts in the future.

Any other matters that come before the Board - None

Adjournment

Mr. Ellis adjourned the meeting at 8:26 p.m.

Respectfully submitted,

Stacy L. Trierweiler, Secretary
East Grand Rapids Board of Education

* Minutes for this meeting will be available in the Superintendent's Office at 2915 Hall St. SE, East Grand Rapids, MI 49506. The phone number is 235-3535.

** If you plan to attend and have a special need and require accommodation to attend this meeting, please contact Dr. Sara Magaña Shubel at 235-3535 aht 02/23/09