



Go! Outdoors students and families learning, living & experiencing the outdoors.

**FINANCIAL UPDATE**

**HIGH SCHOOL BOUNDARY RECOMMENDATIONS**

**ENVIRONMENTAL & UTILITY SERVICES UPDATE**

# The State of the District Financial Update

*Our primary goal is to resolve the current budget issues by finding strategies that will enable us to provide high quality education for all students, in a way that is both efficient and effective.*

For many years, thanks to strong community support and prudent planning, the Ann Arbor Public School District benefited from a healthy financial base. However, since the introduction of Proposal A in 1994, District revenue growth has not been sufficient to meet the simultaneous growth in expenses. This has led to a structural deficit for the past few years. During this time, as expenses have outpaced revenues, AAPS has used its fund equity (the District savings account) to balance the budget.

Since the implementation of Proposal A, per-pupil funding in Michigan has been established by the state. Local school districts, such as ours, have been severely limited in their ability to generate revenues – despite the overwhelming support of public education by AAPS taxpayers. Currently, the District’s primary means of increasing revenue is through enrollment gains.

The financial impact of the slow recovery of the State’s economy, Proposal A and the rising cost in retirement, increases in retirement contribution rates, benefit costs and utilities continue to add to the District’s overall expenses, with no real end in sight. The result is an ongoing structural deficit, with costs consistently exceeding revenues.

On the positive side, this financial shortfall is forcing the District to examine how it conducts the business of educating students.

## What does all this mean in practical terms?

It means that the District must confront the hard financial realities facing the State of Michigan, all public schools, higher education, the auto industry and suppliers and the The AAPS, in particular.

- District expenses are increasing at 6% per year. Some costs can be moderated, but others – such as energy and insurance – are beyond the District’s direct control. Revenues are increasing on an average of less than 2% per year. This ongoing expense increase at three times the revenue rate leads to a structural deficit.
- The District has been carefully monitoring developments at the state level. In the short term, there are no "silver bullets" – no major funding increase that will dramatically alter the financial picture.
- The District cannot continue to spend down its savings account. Recognizing that this finite resource should not be used to fund ongoing expenses, the Board of Education has directed the administration to balance the budget – one in which expenses are equal to or less than revenues–by Fiscal Year 2007/08.

*(Continued on page 2)*

# The State of the District Financial Update

continued

## What is the District doing to solve the problem?

We are taking a number of steps:

- This year, all senior administrators were subject to a salary freeze.
- The District has been meeting with all bargaining units in an attempt to structure fair contracts.
- The District has also been evaluating all operations and processes in an effort to locate potential savings.
- Last spring, all central administration functions were consolidated into one building. This not only reduced operational expenses significantly but also improved communication among administrators.
- The District has been carefully reviewing its instructional programs. Formation of these programs will be done for the cost vs. academic benefit to insure that every student has opportunities to succeed in the Ann Arbor Public Schools.
- Over 150 staff and community members have submitted suggestions for further savings through **savingsideas@aaps.k12.mi.us**. Some of the recommendations have already been implemented, such as energy costs. Other suggestions are being evaluated. We thank everyone who contributed their ideas.
- The District will continue to demonstrate the excellent curriculum programs to increase enrollment. There is an increase in revenue with an increase in enrollment. Last fall, a baseline survey was conducted to gauge parent, community and staff perspectives on AAPS educational programs. Particular attention is being paid to comments from parents.

Thurston Multi-Purpose  
and Preschool  
classroom construction



Preschool construction  
"Hearth and Home"



Allen Preschool room construction

## Answers to your questions:

### What are operating expenditures?

District salaries, benefits, supplies, utilities, and fuel are all paid for by operating funds, which are provided by Proposal A and the State of Michigan.

### What are capital expenditures?

Capital expenditures are those items that are specifically funded by bonds and sinking funds. These include construction costs for the new high school as well as renovation work, technology, buses, and musical instruments, which are being paid for by voter-approved bond/sinking fund programs.

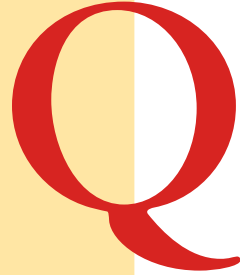
### Can bonds and sinking funds be used for operating costs, such as operating the new high school?

No. State law prevents school districts from using bonds or sinking funds to pay for operating costs. All bond projects must be carefully supervised, and any overages in individual contracts must be managed within these legal constraints, to prevent the use of operating funds.

Any cost overruns with bond or sinking fund projects cannot be paid for with operating funds. Bond and sinking fund dollars must be used to cover any overruns.

### How will the District operate the new high school?

Prior to the June 2004 passage of the Bond and Sinking Funds, the District allocated a portion of its operating budget to support capital needs. This included the replacement of buses, technology upgrades, and enhancements to District facilities. Previously, \$7 million of the District budget was used to cover these costs. By paying for technology, buses and facility improvements through the bond, the District was able to redirect these general fund dollars to cover additional operating costs of the third comprehensive high school. The District benefited from these funds in fiscal years 2005 and 2006, before the costs of the new high school come on line.

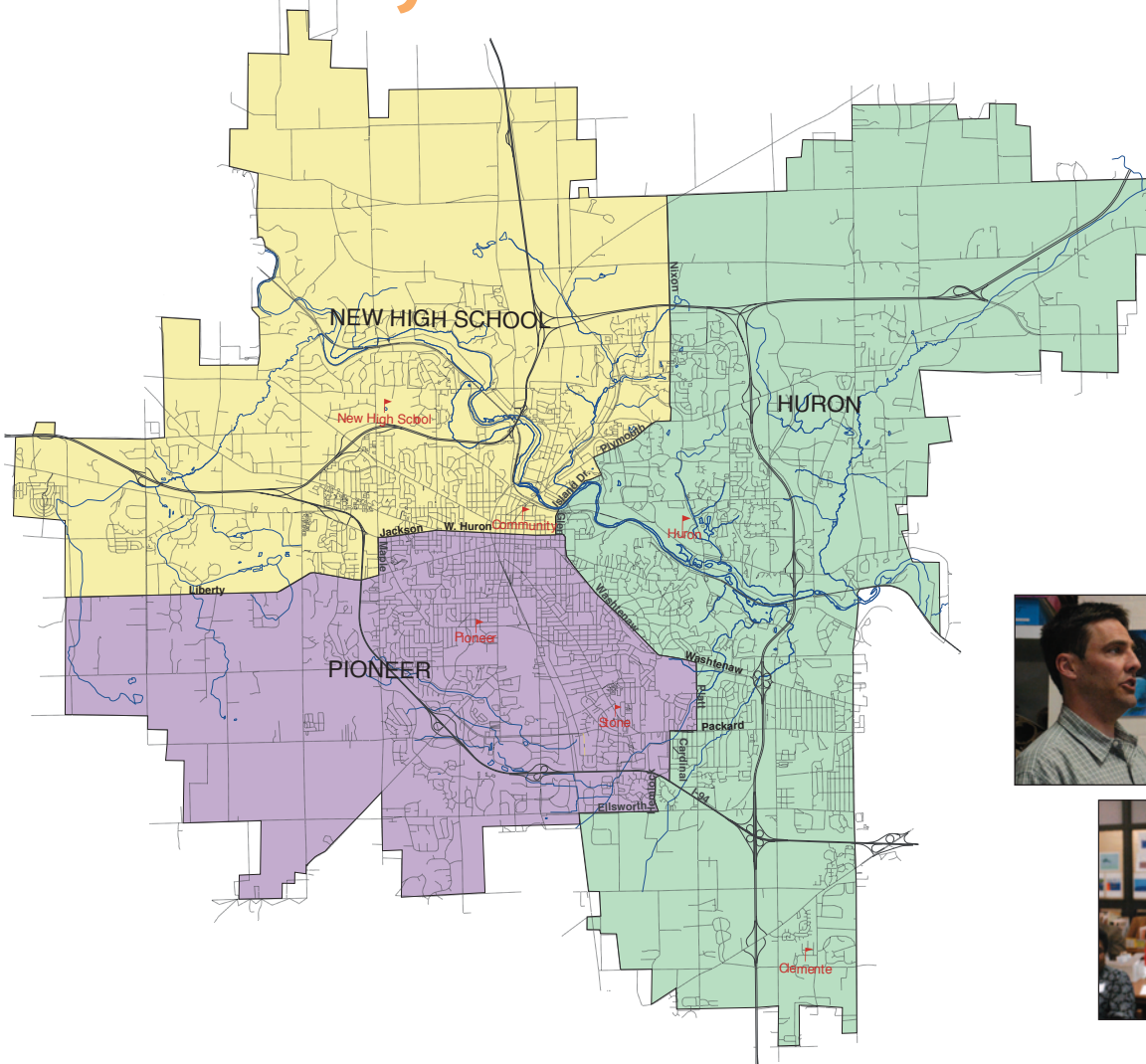


# High School Attendance Boundary Recommendation

COMMUNITY  
INPUT

Your Opportunity  
to Review the  
Recommendations  
and Offer Feedback

The Board of Education  
welcomes your  
comments on the new  
high school boundary  
areas. Please submit  
your comments to:  
boe@aaps.k12.mi.us  
or call 994-2232.



On February 8, 2006, Superintendent George Fornero presented the Trustees with his recommendation for the new high school boundaries. This recommendation was derived from a process that began in August and included a 27-member committee of students, staff, administrators, parents, and community members.

In a series of meetings, the group developed guidelines and general parameters, created a web survey, conducted 6 community forums, and made 4 neighborhood center visits. The committee then carefully considered 9 scenarios and thoroughly reviewed data, best practices and detailed research before arriving at the recommendation presented in February by the Superintendent.

## Strengths of the Recommendation:

- Ensures solid geographical enrollment base at the new high school.
- Does not splinter off small portions of either Forsythe or Clague.

- Follows current Forsythe and Slauson attendance boundaries.
- Assures that a significant number of Clague students (approximately 400) will attend the new high school.
- Uses a major geographical break to establish the boundary between Huron and the new high school.
- Maintains a balance of diversity at all 3 high schools.
- Does not splinter any neighborhood group.
- Reduces enrollment at both Huron and Pioneer.
- Makes 300 choice seats available at the new high school.
- Is supported by AATA's commitment to provide public bus service to the new high school.
- Assures that the new high school can be reached from the northeast, with or without accessing M-14.

The Board of Education will vote on the recommendation at their June 14, 2006 meeting.



# Environmental & Utility Services DEPARTMENT

## Annual Notifications - 2005-2006

### Integrated Pest Management Notification

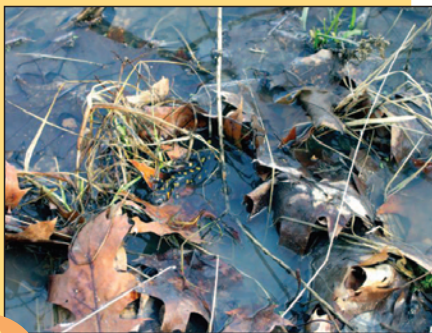
As part of the Ann Arbor Public Schools integrated pest management program, pesticides may be occasionally applied. You will be informed prior to any pesticide application made to the school grounds or buildings. Pesticide applications for stinging insects and bait station placement in inaccessible areas for ants may take place without prior notice, but you will be provided notice following any such application.

### Indoor Air Quality Procedures

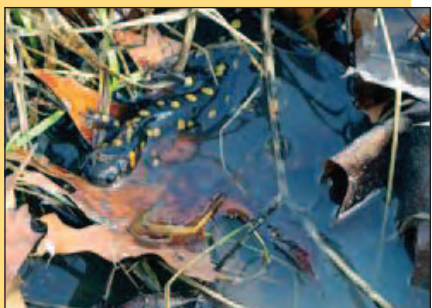
The Ann Arbor Public Schools, in accordance with its Environmental Advisory Committee IAQ (indoor air quality) procedure, asks all students, parents, and staff to inform building administrators of issues regarding unsatisfactory indoor air quality. The administrator will inform the Maintenance Department to address the concern. If the maintenance staff cannot resolve the problem, the matter will be referred to the Environmental & Utility Services Department for action.

### 2005 – 2006 Annual Notification of Asbestos-Related Activities and Availability of Management Plans

In accordance with Federal Law (AHERA), the Ann Arbor Public Schools must inform all parents/guardians and staff of asbestos-containing building materials present within the buildings. Each facility has on file, in the main office or library, a copy of the approved AHERA Management Plan for review. The entire District plan is available in the office of a designated individual (Project Crew Chief for Environmental & Utility Services Department), located at Balas 1, 2555 S. State Street, phone (734) 994-8118. Specific highlights of the plan include: response actions taken or planned, locations of asbestos-containing building materials, inspections, and general building data. Response actions are planned for Scarlett Middle School, Allen Elementary School, Haisley Elementary School, Thurston Elementary School, Stone High School, Huron High School, and Pioneer High School.



The new frog pond at the new High School site, with active Amphibian – March 2006



From **A to Z**

A QUARTERLY PUBLICATION OF THE ANN ARBOR PUBLIC SCHOOLS

Communications Office  
2555 S. State Street  
Ann Arbor, MI 48104

Phone (734) 994-2200  
Fax (734) 994-2414  
[www.aaps.k12.mi.us](http://www.aaps.k12.mi.us)

NON-PROFIT  
U.S. POSTAGE  
PAID  
ANN ARBOR, MI  
PERMIT NO. 140

