

# Cost Containment

## PRELIMINARY RECOMMENDATIONS

### General Fund Financial Forecast

At the December 22, 2023 special meeting of the school board, the District administration presented its updated five-year forecast of general fund revenues, expenditures, and changes in fund balances for fiscal years 2025 through 2029. The forecast also restated the base year of the forecast, fiscal year 2024, due to a significant variance to salaries and benefits from the original budget approved by the school board in June of 2023.

The administration utilized the combination of level-services and revenue-based budgeting methodologies to refresh its forecast, meaning that the District assumes it will offer the same educational programming, support services, and administrative services that it currently offers in future years, adjusted for changes in enrollment and revenues generated locally and from state and federal agencies. The District administration applies a certain level of conservatism to all of its assumptions and projections, particularly in the areas of enrollment, additional revenue appropriations from the state, and staff compensation.

The detailed memorandum presented to the school board and public can be found on the District's [fiscal year 2025 budget planning website](#). The summary and findings of the forecast are that if the District continues to operate in fiscal year 2025 the same way that it is in the current fiscal year, the unassigned fund balance of the District is anticipated to be 3.92 percent, well short of the 6.00 percent required by school board [policy 702](#).

The District's fund balance policy states that if at any time the administration believes that the general fund unassigned fund balance will fall below the minimum of 6.00 percent, the administration must present a plan to the school board to reestablish the fund balance to an acceptable level. At the January 8, 2024 regular meeting of the school board the District administration presented three different cost containment options that would satisfy the board's unassigned fund balance policy. To achieve a 6.00 percent unassigned fund balance at the end of fiscal year 2025 the District would need to adjust its operations in the amount of approximately \$2,560,000. To achieve a 6.90 percent unassigned fund balance, the same percentage as the end of fiscal year 2023, the adjustment would need to be approximately \$3,620,000. The District ended the 2022 fiscal year with an unassigned fund balance of 7.45 percent. To get back to that level of unassigned fund balance at the end of fiscal year 2025, the District would need to adjust its operations to the tune of \$4,270,000.

After a review and discussion of these various options by senior administrators as well as the Finance Committee of the Board, the District administration recommended that the school board approve an overall cost containment for fiscal year 2024 of \$3,620,000, or an estimated fund balance of 6.90 percent. This will achieve a comfortable level of unassigned fund balance at the end of fiscal year 2025 and would result, *conservatively*, with two full fiscal years of financial stability and minimal additional cost containments.

## Budget Reduction, Reallocation, and Revenue Generation

After notifying the school board of the budget shortfall and resulting impact on the fund balance, the District administration immediately began its cost containment process for fiscal year 2025, formally known as *Budget Reduction, Reallocation, and Revenue Generation* (BRRRG). The BRRRG is an intensive process that involves engaging with stakeholders throughout our District's large, vibrant community.

The process included meetings among senior-leadership, school principals, in-person information and feedback sessions specific to each of the District's school communities, video recordings, live virtual feedback sessions, meetings with staff, surveys and engagement with the District's Finance and Facilities Committee. The goals of the various sessions were to educate stakeholders as to why the District is faced with cost containment, to understand what priorities stakeholders have or areas of the District's budget they do not wish to see reduced or eliminated, and to generate ideas that would address the \$3,620,000 cost containment target. The community engagement schedule is outlined below:

- Highlands and Countryside communities - Thursday, January 25, 2024 from 6:00-7:00 pm at Countryside Elementary
- Concord, Early Learning Center, Normandale, and South View communities - Monday, January 29, 2024, 6:00-7:00 pm at South View Middle Schools
- Transportation staff - Tuesday, January 30, 2024 from 9:45-10:45 am at the Transportation Center
- Edina High School and Valley View communities - Wednesday, January 31, 2024 from 6:00-7:00 pm at the Edina Performing Arts Center
- Cornelia and Creek Valley communities - Thursday, February 1, 2024 from 6:00-7:00 pm at Cornelia Elementary
- District administrative staff - Thursday, February 1, 2024 from 8:30-9:30 am at the District Offices
- Virtual session - Tuesday, February 6, 2024 from 6:30-7:30 pm

As previously mentioned, the District used surveys as a tool to reach stakeholders and gather feedback, understand priorities, and generate cost containment ideas. Similar to last year's BRRRG, the *ThoughtExchange* platform was used to engage staff throughout the district. Staff input ideas (thoughts), which are rated by ThoughtExchange participants on a scale of 1 to 5 (with 5 being the highest rating) based on how much they like or agree with an idea or how important they think it is for the administration to consider. In total **302** individuals participated in the ThoughtExchange, generating **192** unique thoughts and **9,767** ratings. The resulting "ratings ratio" of **51** is a great indicator of the reliability of the survey, as ThoughtExchange consultants advise that a "reliable and robust" dataset is established when participants rate at least 30 thoughts each. After the ThoughtExchange survey was concluded, district administration reviewed and categorized responses. Certain themes quickly became apparent and have been organized in a broad format, so that related items are classified together and noted for frequency. The following are ThoughtExchange developed summaries and visuals of data:

The responses suggest a variety of strategies for reducing district spending and increasing revenues. These include eliminating certain programs and positions, such as the student prep option at the high school, historically low enrollment courses, and certain board/director level positions. Some respondents suggested increasing revenue through third-party reimbursement and offering more community education classes. There were also suggestions to reduce funding for extracurriculars and lower the retirement age. However, many respondents emphasized the importance of preserving teacher salaries and not increasing class sizes beyond the School Board's guidelines. Other ideas included adopting solar power, allowing students to bring their own devices to reduce maintenance costs, and seeking corporate sponsorships.



## Top 10 Rated ThoughtExchange Thoughts – Highest to Lowest

<p>Teachers and support staff are crucial to directly impacting students and their growth. Cuts should not impact these positions.</p> <p>It is already difficult enough with the number of teachers and staff currently. Making the number smaller does not help our students.</p>	<p>🙄 Negative</p> <p>69</p>	<p>★★★★☆ 4.6</p> <p>Ranked #1 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>Do we need all of the new cabinet positions that have been created in the last few years? How expensive is that?</p> <p>If staffing is such a large part of our budget, where can we trim? We can't trim staff that are directly working with students - we are drowning.</p>	<p>😐 Neutral</p> <p>72</p>	<p>★★★★☆ 4.5</p> <p>Ranked #2 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>Look at DO positions to see which ones are necessary and which could be cut.</p> <p>Kids must be thought of first. Teachers need as much support IN CLASSROOM as possible- we can't afford to cut teaching positions.</p>	<p>😐 Neutral</p> <p>72</p>	<p>★★★★☆ 4.5</p> <p>Ranked #3 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>Decrease administrative positions who are furthest from direct student impact</p> <p>Many roles in the DO do not seem to directly impact teachers' or students' day to day experience, and that daily student experience matters most</p>	<p>😐 Neutral</p> <p>72</p>	<p>★★★★☆ 4.4</p> <p>Ranked #4 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>Trim fat at the DO. We're paying TWO HS principals. We've added many admins with vague titles &amp; duties, and no connection to kids &amp; classrooms.</p> <p>These expenditures are having zero positive impacts on students. In addition, they contribute little to teachers, other than additional workload.</p>	<p>🙄 Negative</p> <p>72</p>	<p>★★★★☆ 4.4</p> <p>Ranked #5 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>Start from the top. Large cabinet group</p> <p>More people at the DO equals less people in front of kids.</p>	<p>😐 Neutral</p> <p>63</p>	<p>★★★★☆ 4.4</p> <p>Ranked #6 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>Do we need assistant directors in the District Office for every member of the cabinet?</p> <p>Why are they not on the same salary scale as teachers?</p>	<p>😐 Neutral</p> <p>57</p>	<p>★★★★☆ 4.4</p> <p>Ranked #7 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>Too many positions at the DO - can we combine roles/ duties? Stop creating non-student contact positions</p>	<p>😐 Neutral</p> <p>51</p>	<p>★★★★☆ 4.4</p> <p>Ranked #8 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>We have too many high-dollar staff at the district leadership level. I am confused why more positions were created this year.</p> <p>District leadership has a critical role, but bloat at this level is a poor use of resources and breeds resentment at the building level.</p>	<p>😐 Neutral</p> <p>51</p>	<p>★★★★☆ 4.4</p> <p>Ranked #9 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>
<p>What district office and administrative positions can be consolidated? What is our director of strategic operations doing now that SDL is at CS?</p> <p>We continue to cut from student-impacting positions! We can't continue to increase class sizes and lower para hours and consider ourselves "excellent"</p>	<p>😐 Neutral</p> <p>37</p>	<p>★★★★☆ 4.4</p> <p>Ranked #10 of 192</p> <p>5 ★ 4 ★ 3 ★ 2 ★ 1 ★</p>

## Administrative Recommendation

More than 80% of the District's total operating expenditures are spent in the classroom or in services that directly support learning. That means the District is doing an extremely efficient job minimizing its administrative expenses, which are among the leanest in the metro area at 3.9 percent. As the District becomes more efficient and leaner, it becomes more and more difficult to contain costs in non-instructional areas. Approximately 80% of the District's \$4,000,000 cost containment for fiscal year 2024 was focused outside of the classroom and away from services that directly impact students. While the administration's recommendations do include district level cost containments for fiscal year 2025, several recommendations reflect closer proximity to student learning. District administration worked to honor the requests to maintain paraprofessionals and preserve teacher salaries.

Although there will be a greater impact on schools for fiscal year 2025, the District will continue to provide the services and programs that make Edina Public Schools an exemplar in Minnesota and across the country. The District administration submits a primary (A) and secondary (B) set of BRRRG recommendations for school board consideration:

Option	Category	Amount	
		A	B
Administrative Staff Adjustment	Budget Reducton	\$ 243,450	\$ 243,450
Business Services Staff Adjustment	Budget Reducton	90,600	90,600
Multilingual and Achievement & Integration Reorganization	Reallocation	7,300	7,300
School Board & Superintendent Office Non-Salary Pause	Budget Reducton	150,000	150,000
Curriculum Capital Deferral	Budget Reducton	100,000	100,000
Buildings & Grounds, Transportation Capital Deferral	Budget Reducton	275,000	245,000
School Site Capital Deferral	Budget Reducton	260,000	260,000
Professional Development Adjustment	Budget Reducton	50,000	50,000
Medical Bill Reconciliation	Revenue Generation	48,615	48,615
Student Support Personnel Aid	Revenue Generation	161,019	161,019
Athletic Event Ticket Fee Adjustment	Revenue Generation	23,000	23,000
Athletics and Activities Participation Fee Adjustment	Revenue Generation	27,000	27,000
High School Parking Fees (+\$150)	Revenue Generation	49,500	49,500
Elementary Specialist Rotation Adjustment	Budget Reducton	-	483,800
Licensed Media Specialists	Budget Reducton	532,637	-
Licensed School Nurse Adjustment	Budget Reducton	451,200	532,637
Counseling Extra Duty Day Adjustment	Budget Reducton	73,975	73,975
Transportation Staff Adjustment	Budget Reducton	77,750	77,750
Student Support and Related Service Adjustment	Budget Reducton	300,000	300,000
Class-Size Midpoint Open Enrollment	Revenue Generation	215,000	215,000
Talent Development Licensed Staff Adjustment	Budget Reducton	177,546	177,546
Elementary School Licensed FTE Efficiency	Budget Reducton	118,364	118,364
Middle School Licensed FTE Efficiency	Budget Reducton	189,382	189,382
Total		\$ 3,621,338	\$ 3,623,938

### Preliminary Recommendations - Descriptions

- **Administrative Staff** - 1.00 FTE - \$243,450 - The District administration recommends the elimination of non-instructional administrative staff whose duties can be absorbed by the remaining administrative staff.
- **Business Services Staff** – 1.00 FTE - \$90,600 – The Business Services staff was allocated 8.00 FTE of staff for fiscal year 2023. During the BRRRG process for fiscal year 2024, the Business Services department eliminated 1.00 FTE with the intention of restaffing in fiscal year 2025. The administration recommends continuing to staff the Business Services department less than 1.00 FTE for a total staffing of 8.00 FTE.
- **Multilingual Learner and Achievement & Integration Department Reorganization** \$7,300 - For the current school year the District administration reorganized multilingual learner program administration and achievement & integration program administration resulting in the creation of a 1.00 FTE position and the elimination of 2.00 FTE. Continuing this reorganization into the subsequent fiscal year will reduce District costs by the indicated amount.
- **School Board and Office of the Superintendent Discretionary Budget Reduction** \$150,000 - The School Board and Office of the Superintendent are allocated discretionary budgets that are utilized to advance the District's vision, mission, and strategic direction. The District administration believes that it can continue to make advancements while reducing the overall budget for at least one fiscal year.
- **Deferral of Capital Expenditures** - \$605,000-635,000 – The District administration believes that it can defer the purchase of certain capital items to the subsequent fiscal year. \$100,000 of curriculum purchases would be deferred from the Teaching & Learning department, \$275,000 from the Buildings & Grounds and Transportation departments, and \$260,000 from the 9 school sites. None of the affected departments will be able to defer past fiscal year 2025 and will need a return of their respective allocations in fiscal year 2026.
- **Professional Development Reduction** - \$50,000 – As the District continues to build capacity to provide direct professional development opportunities to licensed staff without incurring additional hours outside of the workday or the need to hire substitute teachers to allow staff to attend professional development, the District can continue to be more efficient with its overall professional development budget.
- **Medical Bill Reconciliation** - \$48,615 – The District currently pays a third-party to reconcile medical insurance expenditures paid for by the District for covered employees. The District now has the expertise on its staff to perform those duties in-house, eliminating the need for the third-party.
- **Student Support Personnel Aid** - \$161,019 - Education laws 2023 were updated to add a new funding source for school districts that must be used to hire additional licensed school nurses, licensed counselors, licensed social workers, or licensed school psychologists. The funding can also be used to maintain staff that would otherwise be eliminated.

- **Athletic Event Ticket Fees** - \$23,000 - The District currently charges \$5 and \$7 to students and adults respectively to attend athletic events. Based on historical ticket sale volume, the administration believes that a \$1 per ticket increase to \$6 and \$8 would increase overall revenue by the indicated amount.
- **Athletics and Activities Participation Fees** - \$27,000 - Approximately 1,835 students pay to participate in school-sponsored athletics and activities. A yearly increase of \$15 on average per student would yield an additional \$27,000 of revenues. Students in need would still have access to aid.
- **High School Parking Fees** - \$49,500 - There are currently 330 parking spots at Edina High School available to students for a yearly cost of \$300 per spot. An increase of \$150 per year will result in an additional \$49,500 of revenue. The District has not increased fees in 16 years. Had the District raised the fee by 2.50 percent per year on average over the last 16 years, the current yearly cost would be \$445.
- **Licensed Physical Education and Choral Music Staff** - 4.10 FTE - \$483,800 - Adjust the specialist “rotation” at the elementary level to include media specialists, which would require an adjustment to the total number of physical education and choral music staff at the elementary level (this containment is an alternative to the “Licensed Media Specialists” containment option).
- **Licensed Media Specialists** – 4.50 FTE - \$532,637 - Adjust the media specialist model to 4.50 full-time equivalents (FTE) across the district. The change of 4.50 FTE of media specialists district-wide would result in each site having 0.50 FTE during the 2024-25 school year. State law requires one licensed media specialist in each district. Each school will continue to staff a part-time media assistant (this containment is an alternative to the “Licensed Physical Education and Choral Music Staff” containment option).
- **Licensed School Nurses** – 4.50 to 5.00 FTE - Adjust the school nurse model to 4.50 to 5.00 FTE resulting in a cost containment of \$451,200-532,637. Medical needs of students have been taken into consideration and the current health service assistant model will be maintained.
- **Extra Duty Days for Counselors** - \$73,975 - Adjust the number of additional days afforded to school counselors, resulting in a cost containment. Each licensed school counselor has historically worked an additional 18.50 days in the summer, paid at their prorata hourly rate. The administration recommends adjusting this amount by 8.50 days for each counselor.
- **Regular Transportation Staff** – 2.00 FTE - \$77,750 – After analyzing route patterns the Transportation department has identified more efficient routing that would maintain current service levels with two fewer drivers. The District administration believes that the reduction can be achieved through natural attrition and turnover.

- **Student Support and Related Service Adjustment** –\$300,000 - 2.80 FTE - The District administration believes that it can leave vacant or adjust the following unfilled roles with no disruption to services: the 504 coordinator at the High School, occupational therapy, psychology, deaf and hard of hearing, and developmental adapted physical education.
- **Class-Size Midpoint Open Enrollment** - \$215,000 – The school board has established class-size ranges at each grade level that are used to determine the number of licensed general education staffing allocated to each school. Enrollment in various sections kindergarten through 5<sup>th</sup> grade are currently below the midpoint of the board's desired ranges. The District administration believes that additional enrollment to the midpoint would efficiently generate additional revenues to the school district, net of additional support services that may be required.
- **Talent Development Licensed Staff** - 1.20 FTE - \$177,546 - Adjust the allocation of talent development staff at the elementary level from 1.50 FTE per site to 1.30 FTE. The District will continue to identify talent within its elementary student body and will adopt tools such as the CogAT which have proven to be effective.
- **Elementary School Licensed Staff Realignment** - 1.00 FTE - \$118,364 - During the current school year an additional full-time teacher was added due to one section being outside of the board's desired class-size range. As the cohort advances to the next grade, the class-size range becomes larger, allowing the District to reduce staff and still maintain section sizes within the desired range.
- **Middle School Licensed Staff Realignment** - 1.60 FTE - \$189,382 - During the 2022-23 school year the District administration identified that the middle schools, in aggregate, were staffed at a level that was greater than what the board's desired class-sizes indicated. Significant "right-sizing" was achieved during the prior BRRRG however a slight inefficiency remains.

### **Moving Forward - Next Steps**

The BRRRG ideas above can be combined to yield the District administration's cost containment target of approximately \$3,620,000, which will result in an anticipated unassigned fund balance in the general fund at the end of fiscal year 2025 that adheres to school board policy, provides adequate short term financial stability, will allow the District to maintain its excellent programs and services, and will allow the District to continue to provide competitive wage increases to its staff. The administration will seek formal approval of its recommended cost containment strategy at the March 4, 2024 regular meeting. Upon approval of cost containment strategies, the administration will begin formal budgeting activities with school sites and departments. This process will involve the allocation and reconciliation of staff, distribution of non-salary and supply budgets, and posting of authorized positions that are vacant. The District administration will continue to update its assumptions and estimates as more reliable information becomes available, and will present the complete budget at the June 10, 2024 regular meeting.