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Board of Education's January 28, 2026 statement

The Board of Education recognizes that our teachers and members of other labor groups have been working without a collective bargaining agreement throughout the current school year. By mutual agreement, the previous agreement with our teachers was allowed to expire, with negotiations scheduled to begin after the State of Michigan passed its budget. Negotiating before both parties know the State's budget, and available school funding, would require speculation and assumptions, rather than an understanding of actual revenue. The State budget was passed in mid-October, and negotiations began shortly thereafter.

We are currently in mediation with the Milan Education Association (MEA), the union representing our teachers. Mediation is a step in the collective bargaining process that occurs when the parties have reached an impasse in negotiations. Mediation involves a neutral, independent third party who works with both sides to find common ground. The mediator does not make decisions or take sides, but instead listens to both parties, clarifies positions, and offers suggestions to help identify potential areas of compromise.

During our first mediation session, the mediator presented a proposal to both parties, but it was not mutually agreed upon by the parties. Our bargaining teams are scheduled to meet again for mediation tomorrow evening.

While some contract language items remain under discussion, negotiations have primarily focused on salary compensation. The most recent offer made by the Board includes an average salary increase of 3.23% for teachers. For some teachers, depending on where they would fall on the salary schedule, this proposal equates to an effective increase of up to 15–19% compared to last year. The Board believes this offer is fair and reasonable. Given the district's current financial conditions, the Board is concerned that additional increases would not be prudent or fiscally responsible.

The Board has a fiduciary responsibility to ensure the long-term financial stability of the district, a responsibility we take very seriously. Providing additional pay increases beyond the district's financial capacity could result in teacher layoffs, increased class sizes, and reductions to academic and extracurricular programs. Districts across the state have already been forced to implement such measures, including pay-to-play models. Maintaining access to extracurricular activities is critical for student engagement, connection to the school community, and leadership development. Likewise, keeping class sizes as small as possible—especially for our youngest learners—is essential for academic success.

One key indicator of a district's financial health is its fund balance, which reflects the percentage of unencumbered funds available at the end of a fiscal year. The Board's goal is to maintain a fund balance of at least 10%, though our auditors recommend a range closer to 15–18%. A fund balance below 5% triggers state oversight and intervention.

At the end of the 2024 fiscal year, the district's fund balance stood at 15.3%. Following several planned expenditures—including last year's collaboratively developed compensation package with the MEA—the fund balance at the end of fiscal year 2025 declined to 10.89%. For the current 2026 fiscal year, the approved budget reflects a projected fund balance of 2.73%, with no wage increases for employees above guaranteed increases based on years of service. Based on the Board's most recent offer made to the MEA on December 8, 2025, projections indicate the fund balance could fall to 1.59%, a level that would likely require coordination with the State on a debt elimination plan.

A fund balance of 1.59% leaves virtually no margin for unforeseen expenses—expenses districts commonly encounter. For example, this school year began with a mold remediation project at Paddock Elementary School resulting in a significant expense not entirely covered by insurance and not eligible for sinking fund use. It is crucial that the Board maintain sufficient funds to address unforeseen events like this.

Regarding the district's sinking fund, Superintendent McMahon provided an update at the November 12, 2025, Board of Education meeting. The sinking fund was approved for a 10- year period (2025–2034). To date, the district has received \$528,424 in revenue generated by the sinking fund. Because this is the first year of tax collection for this levy, we will not receive a full year of the sinking fund revenue until the end of this fiscal year.

By law, sinking fund dollars cannot be used for employee wages or benefits. These funds are restricted to specific capital purposes for replacement (but not repair) of items such as roofs, parking lots, sidewalks, heating and cooling systems, flooring, lighting, safety and security upgrades, buses, and instructional technology. Due to aging facilities, many of these needs are occurring simultaneously and at an accelerated pace. Use of sinking fund dollars must meet strict legal requirements, and we have encountered situations this year where we could not use sinking fund dollars to cover significant expenses (for example, the mold remediation).

We hold deep respect and appreciation for our teachers and all employees, who are essential to the success and well-being of our students and community. The Board remains committed to supporting our educators to the fullest extent possible within our financial reality. Unfortunately, the district does not have additional unrestricted funds available for additional employee compensation beyond what the Board has already offered without risking significant financial hardship, deep cuts to district programs and services, and potential state intervention.

We remain committed to open, transparent, and respectful dialogue and will continue working with the MEA in good faith during mediation, seeking creative solutions wherever possible. Thank you for your continued dedication to Milan students.