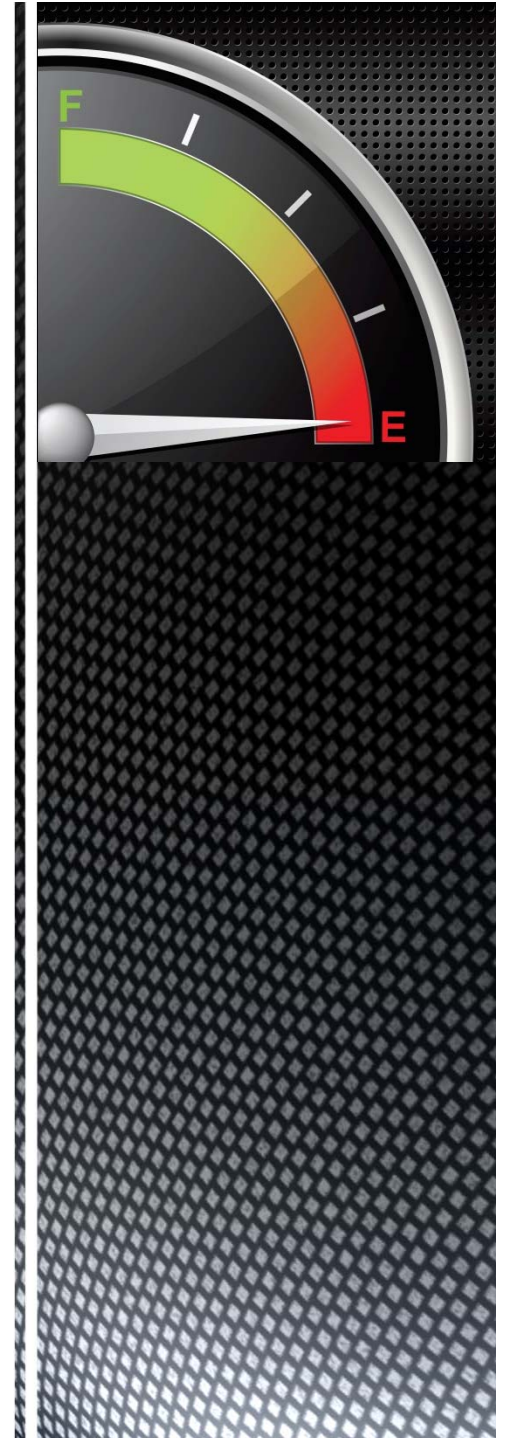


# Running on Empty: Muskegon Heights Public Schools

May 30, 2012

Don Weatherspoon  
Emergency Manager





## Goals for the Evening

- Provide an overview of the **financial crisis**
- Explain the role of the Emergency Manager
- Share the plan to create a new Muskegon Heights Public School Academy System
- Explain what this means to families
- Collect feedback on the plan to create a new public school academy system



## What Caused the Financial Crisis?

1. Rising expenses (fuel, utilities, etc.)
2. Soaring costs of pension and retiree benefits
3. Skyrocketing cost of health benefits
4. Years of borrowing money, and then borrowing more money to pay back the money owed
5. More money going out than coming in
6. Overspending the budget for years
7. Decline in taxable value/unpaid taxes



# State Aid Per Pupil 2010-11



Fruitport	\$6,457
Holton	\$7,038
Mona Shores	\$6,244
Montague	\$5,321
Muskegon	\$7,424
<b>Muskegon Heights</b>	<b>\$8,296</b>
N Muskegon	\$6,288
Oakridge	\$6,878
Orchard View	\$6,995
Ravenna	\$6,776
Reeths-Puffer	\$6,691
Whitehall	\$6,380



# Fall Student Count Five-Year Comparison

2007-08	1,906 students
2008-09	1,856 students
2009-10	1,595 students
2010-11	1,538 students
2011-12	1,400 students

**Loss of 506 students (26.55%)**



# Audited General Fund Balance July 1 – June 30

- 2006-07 (\$ 771,379)
- 2007-08 (\$ 502,864)
- 2008-09 (\$1,340,712)
- 2009-10 (\$4,195,864)
- 2010-11 (\$8,472,543)
- 2011-12 (\$11,766,233) Projected



# General Fund Balances as of June 30, 2011

Fruitport	\$4,080,840
Holton	\$1,595,637
Mona Shores	\$3,991,611
Montague	\$ 898,221
Muskegon	\$2,617,624
Muskegon Heights	(\$8,472,543)
N Muskegon	\$1,213,404
Oakridge	\$1,181,469
Orchard View	\$2,075,246
Ravenna	\$ 385,290
Reeths-Puffer	\$4,982,526
Whitehall	\$1,719,264

A school district's General Fund Balance is made up of State Aid dollars the district saves. This money is used for emergencies including covering payroll when State Aid payments don't coincide with payday.



## Taxable Value 5-Year Decline

- 2005-06: \$138,070,462
- 2006-07: \$130,828,145
- 2007-08: \$133,600,046
- 2008-09 \$135,095,634
- 2009-10 \$130,676,416
- 2010-11 \$121,695,544

**12% Decline in Five Years Time**





## Cash Flow Crisis

- District Borrowed **\$7.9M** for 2011-12
- State has been garnishing State Aid to repay debt since February 2012 (**\$82,785** to date)
- The final re-payment to the state is due in August (**100% / \$6.3 M**) = **NO MONEY** to start the year
- District could only borrow \$5.8M for 2012-13
- MHPS spent \$672,905 in financing costs (past 5 years)



Remaining Debt =  
**\$4.3 Million**

■ MPSERS	\$1,276,228
■ MESSA	\$1,645,504
■ MEBS (Insurance)	\$ 71,723
■ Priority Health	\$ 147,545
■ Xerox	\$ 113,777
■ Chartwell (Food Service)	\$ 392,413
■ DTE	\$ 249,520



## Board Actions Kept District Open

- Audit Completed to Get State Aid Flowing
- Deficit Elimination Plan Submitted
- Privatized Clerical and Custodial Staff
- Eliminated Some Positions
- Closed Alternative Ed – Moved Students to HS
- Contracted Financial Services to MAISD



## Board Actions Kept District Open

- Contracted with PESG for substitute teachers (\$100,000 sub costs since January)
- Eliminated retiree health insurance through MESSA and shifted retirees to state retirement program
- Transitioned Great Start Readiness Program and Head Start to MAISD July 1, 2012
- Result: **Avoided a \$15 million deficit**



## Who said there's a crisis?

- Independent Auditors
- Elected Board of Education
- Muskegon Area ISD
- Preliminary Review Team from Michigan Department of Treasury
- Six Member Review Team from State
- State Superintendent
- State Treasurer
- Governor Snyder
- Emergency Manager



## Emergency Manager Role

Provide children who live within Muskegon Heights access to a **FREE, QUALITY** public education – this means addressing both finances and academics.



# 2011-12 MEAP Proficiency Levels

Location	Grade levels	% Students Proficiency Reading	% Students Proficiency Writing	% Students Proficiency Math	% Students Proficiency Science	% Students Proficiency Social Studies
<b>Statewide</b>	<b>3</b>	<b>62</b>		<b>36</b>		
Muskegon Heights	3	34		4		
<b>Statewide</b>	<b>4</b>	<b>68</b>	<b>45</b>	<b>40</b>		
Muskegon Heights	4	29	9	2		
<b>Statewide</b>	<b>5</b>	<b>69</b>		<b>40</b>	<b>15</b>	
Muskegon Heights	5	29		5	1	
<b>Statewide</b>	<b>6</b>	<b>67</b>		<b>37</b>		<b>28</b>
Muskegon Heights	6	19		1		0
<b>Statewide</b>	<b>7</b>	<b>60</b>	<b>47</b>	<b>37</b>		
Muskegon Heights	7	17	11	2		
<b>Statewide</b>	<b>8</b>	<b>61</b>		<b>29</b>	<b>16</b>	
Muskegon Heights	8	14		0	0	
<b>Statewide</b>	<b>9</b>					<b>29</b>
Muskegon Heights	9					1



# ACT College Readiness Benchmarks for Muskegon Heights Spring 2012

Location	Grade Levels	% Students at/above Benchmark English	% Students Below Benchmark English	% Students at/above Benchmark Math	% Students Below Benchmark Math	% Students at/above Benchmark Reading	% Students Below Benchmark Reading	% Students at/above Benchmark Science	% Students Below Benchmark Science
Statewide*	Class of 2011	58		35		44		26	
Muskegon Heights	Grade 11	9	91	4	96	4	96	0	100
Muskegon Heights	Grade 12	0	100	0	100	0	100	0	100

\*class of 2012 not available





# MME Performance Levels-School

Muskegon Heights High School Levels 1 and 2/Met or above  
Spring 2012

Location	Grade Level	No. of Students Assessed	Reading	No. of Students Assessed	Writing	No. of Students Assessed	Math	No. of Students Assessed	Science	No. of Students Assessed	Social Studies
Muskegon Heights	11	72	11%	74	5%	71	3%	74	0%	71	3%
Muskegon Heights	12	2	0%	3	0%	1	0%	1	0%	1	0%



What are the options to refuel the district?

### What won't work:

- Adult centered decisions
- Decisions that focus on keeping things the same
- Consolidation, Annexation, Transfer of Territory: not enough time; no interest from other districts as they would be required to take on the debt
- Bankruptcy: Don't meet requirements currently; does not stop financial crisis



## How do we refuel the district?

### What will work:

- The only viable option = Create a new Muskegon Heights Public School Academy System
- Experienced management company operates the new system with a focus on academics
- The new system becomes competitive
- EM focuses on restructuring and repaying the debt



## What are the Steps?

1. Draft Plan to Create a new Muskegon Heights Public School Academy System  
Collect Feedback
2. Request for Applications issued  
FREE for ALL students K-12, Expectation to offer Sports (Tiger Legacy Continues), Bussing, Hot Lunch, Advanced Courses Include Foreign Languages
3. Select a Company to Operate the New System

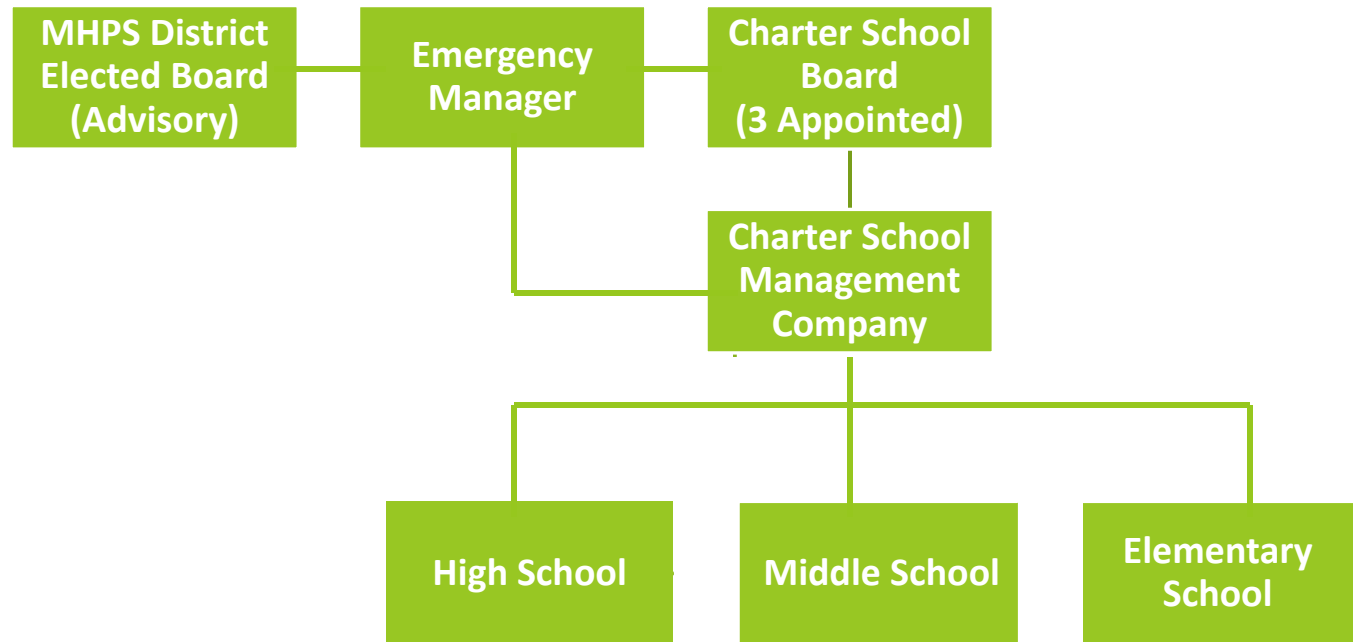


## What are the Steps (continued)?

- EM Appoints a three-member Charter Board
- Sign Contract  
Lease Agreements & Capital Improvements
- Submit the Plan to Michigan Dept. of Ed & Treasury for Approval
- New System Management Company hires ALL staff
- New System Management Company enrolls Students



# Organization





# Benefits: Public School Academy System

- Rising debt and interest stops – Crisis is contained
- Charter System begins with clean slate – ZERO DEBT!
- Neighborhood schools remain here in Muskegon Heights
- District continues to exist in its legal form & pay off debt
- No tax increase; debt repaid through existing taxes
- Once debt is paid, community could reopen school district
- Students no longer live under burden of debt
- FULL per-pupil payment benefits students
- Current district staff can apply for jobs at the charter



## How does this impact families?

- Comprehensive curriculum delivered by well-trained, highly-qualified, and certified staff
- Entire per-pupil funding is spent on education of students – not on debt/financing charges
- Opens door to collaboration for sharing services with local government
- Improved academic program makes district competitive – brings students back to their home district





## Quality Assurance

- Charter school board
- Progress reports to EM
- EM must make quarterly reports to Treasury and Michigan Dept. of Ed
- EM must re-examine plan every six months
- Plan may be changed by EM after notifying the Treasurer and State Superintendent



# Feedback & Questions

