OPERATING REFERENDUM ADOPTION DISCUSSION

Dr. Lewis D. Ferebee, Superintendent
Ahmed Young, Chief of Staff & General Counsel

July 17, 2018
Overview

1. About IPS
2. Financial Landscape
3. Investing in Teachers
4. Indy Chamber Recommendations
5. IPS Referendum Request
IPS empowers and educates all students to think critically, creatively, and responsibly, to embrace diversity and to pursue their dreams with purpose.

IPS is a family of excellent public schools in which every student has the opportunity to succeed and the power to create their own future.
Teachers and school leaders are the **most important** factors determining student success and are the **most knowledgeable** about the unique needs of individual students and school communities.

Autonomous schools are those in which teachers and school leaders have the power to make decisions in the best interest of the students they serve and take responsibility for student learning.

Therefore, if the IPS central administration is a high-performing organization which exists solely to support, empower and hold accountable a system of autonomous schools.

Then IPS will accomplish our mission and realize our vision for the students we proudly serve.
IPS Serves a Diverse Student Population

- African American: 22%
- Asian: 4%
- Caucasian: 45%
- Latino: 28%
- Two or More Races: 1%

- General Education: 81%
- Special Education: 19%

- English As A First Language: 84%
- English Language Learner: 16%
## About IPS

<table>
<thead>
<tr>
<th>About IPS</th>
<th>More than 80% of IPS' total costs are related to its over 4,500 employees.</th>
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</table>

IPS buses travel more than **22,000 miles** every day to get over **25,000 students** to and from school.

IPS’ graduation rate continues to rise even while the state’s graduation rate falls.

- In 2007, the rate was 47%; in 2017, the rate was 82%.
- Also, IPS is issuing fewer graduation waivers.
25% of the IPS district consists of tax-exempt properties.

IPS has not pursued a referendum since 2008 — since then dozens of school districts across the state have done so.

The median assessed property value in the IPS district is $75,000, which is the lowest in Marion County versus $180,000 in Washington Township (the highest) (1)

Note 1: Based on 2018 Marion County property tax billing data. See IPS BoardDocs for IPS Finance Committee meeting May 16, 2018. Policy Analytics presentation, slide 11.
IPS has lost significant funding over the last several years and has made cuts without sacrificing academic services and quality.

A. IPS has lost an average of $9.4M annually since 2011 in state per-pupil funding. However, over the last three years the impact has been $15.5M annually.

B. IPS received $14.2M less in federal funding in SY 2016–17 compared to SY 2010–11.

C. IPS has lost an average of $16.8M annually since 2011 due to property-tax caps.

D. IPS has lost $40M annually from reduced state, federal and local funding, while investing over $8.8M annually from SY 2015–16 to SY 2017–18 to provide teacher raises and maintain cost-neutral benefits.
IPS administration has reduced expenses by $18M+ without altering academic programs and service quality. Highlights below:

1. Sold former Coca-Cola Bottling Plant for mixed-use redevelopment (Mass Ave.) to realize $12M in one-time revenue. Bus fleet maintenance is now outsourced.

2. Rightsizing the IPS central office to reduce expenditures by $5.3M annually.

3. Sold P.R. Mallory/Ford building for redevelopment (Washington St.) to realize $1.65M in one-time revenue. District warehousing is now outsourced.

4. Refinanced the district’s debt portfolio, taking advantage of favorable interest rates to lower debt service by approximately $1.5M annually.
Continued: IPS administration has reduced expenses by $18M+ without altering academic programs and service quality.

5. Listed FMD property for sale and sold three properties for an estimated $4.25M in one-time revenue. Operations functions have been relocated to school facilities and we are issuing an RFI for the Ed. Center.

6. Sold unused school facilities to realize $1.15M in one-time revenue for the district, while also spurring redevelopment for the city.

7. Sold Center for Instructional Radio & Television (CIRT) property (Fountain Sq.) for $1.1M in one-time revenue.

8. Leasing facilities to education partners, capturing $736.5K in annual lease revenue.
## Financial Landscape

### Implemented Cost Saving strategies

<table>
<thead>
<tr>
<th>Annualized (Yearly)</th>
<th>Decrease in # FTE</th>
<th>Avg Salary</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Administrative &amp; Business Services</td>
<td>62</td>
<td>65,000</td>
<td>4,030,000</td>
</tr>
<tr>
<td>Security Officers</td>
<td>20</td>
<td>55,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5,130,000</td>
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<tr>
<td>Disposal of Buildings - Complete &amp; Under Contract</td>
<td></td>
<td></td>
<td>500,000</td>
</tr>
<tr>
<td>Reuse/Rental of Buildings</td>
<td></td>
<td></td>
<td>736,500</td>
</tr>
<tr>
<td><strong>Total Annualized</strong></td>
<td></td>
<td></td>
<td><strong>6,366,500</strong></td>
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</table>

<table>
<thead>
<tr>
<th>One-Time</th>
<th>Sale Proceeds</th>
<th>Decreased Overhead Costs</th>
<th>Deferred Maintenance</th>
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</thead>
<tbody>
<tr>
<td>Disposal of Buildings - Complete &amp; Under Contract</td>
<td>19,240,500</td>
<td>500,000</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Disposal of Buildings - Proposed</td>
<td>Unknown</td>
<td>1,594,687</td>
<td>85,421,257</td>
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<tr>
<td><strong>Total One-Time</strong></td>
<td><strong>19,240,500</strong></td>
<td><strong>2,094,687</strong></td>
<td><strong>91,421,257</strong></td>
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</table>
Investing in Teachers

Increasing Teacher Pay Will Continue To Be An IPS Priority

IPS Teacher Salary Schedules

Summary

- 12% increase in starting base salary
- 4% increase in maximum base salary
- Faster path to maximum salary
- $5–6M incremental annual cost to IPS

IPS payroll and HR data
IPS invested more than $8.8M annually from SY 2015–16 to SY 2017–18 to provide teacher raises and maintain cost-neutral benefits (despite significant increases in health care costs).
Investing In Teachers

Teacher Compensation

Salary Level


Actual


Vision

+3%

+3%

+2%

+3%
Indy Chamber Recommendations

Devastating consequences for IPS families based on unrealistic assumptions

*Summary of Indy Chamber Operational Assessment*
Unrealistic Assumptions

The proposed transportation recommendations:

• Imply that IndyGo could serve all high school students on a timeline inconsistent with IndyGo plans.
• Rely on full outsourcing to drive savings but don’t account for service quality, continuity and safety risks.
• Contain significant uncertainty about the cost per mile of outsourced transportation.
The transportation recommendations would:

• Significantly impact access to high quality programming.
• Place all IPS high school students on IndyGo before IndyGo is able to provide tested safety measures and convenient access for ALL neighborhoods.
• Reduce or eliminate field trips and after-school activities.
The proposed facilities recommendations:

• Are based on average-cost methodology, which doesn’t account for the complexity of seat reduction (i.e., redistricting, transportation costs, vacant properties, $1 charter law).

• Imply the closure of at least 15 schools, but don’t account for time and cost of planning, community engagement and academic transition support.

• Do not account for current law, which would make vacated buildings available to charter operators for $1 lease or sale.

• Give no consideration to community or academic impacts of rapid and widespread school closure.

• Fail to recognize IPS’ leadership in garnering philanthropic resources for a long-range strategic facilities planning process in collaboration with the city and charter sector.
The facilities recommendations would:

- Close at least 15 schools without enough time for valuable community input and planning to support students.
- Most likely increase transportation costs.
- Require significant redistricting with an overly aggressive timeline.
- Require sale of closed buildings to charter schools for $1.
Unrealistic Assumptions

The proposed teacher reduction recommendations:

- Claim to utilize attrition but fail to account for the composition of attrition versus academic needs (e.g., elementary teachers leave but there are Special Education vacancies).
- Do not align with IPS’ practice of student-based budgeting (i.e., IPS assigns resources based on student need, not student-teacher ratios).
- Contradict IPS’ strategy of increasing school autonomy (staff reductions through attrition handicap principal hiring flexibility).
- Ignore the facilities requirements of achieving efficient scale of schools (i.e., IPS has many small schools with large grade spans).
The teacher reduction recommendations would:

• Eliminate 260 teaching positions.
• Increase class sizes.
• Limit principals’ ability to choose teachers and staff.
The proposed Central Services recommendations…

• Do not consider the 30% reductions which have occurred under the current administration.

• Fundamentally misunderstand the staffing requirements for increasing autonomy versus a district comprised of a majority of innovation charter schools.

• Do not address the staffing requirements of implementing some or many of the identified ‘efficiency options’.

• Are not based on analysis of central services staffing at comparable districts nationwide. (IPS is currently in the bottom quartile of central services cost rates compared to benchmark peers.)
The Central Services recommendations would:

- Reduce school safety personnel.
- Reduce special education personnel.
- Erode customer service offerings.
- Decrease oversight and support for state and federally required civil rights, special education, English language learner and anti-poverty programs.
IPS collaborated with the Indy Chamber to explore options for greater efficiency. Some of the Chamber’s greatest assumed cost savings would:

- Close 15 more IPS schools without community input or planning.
- End high school bus service and reduce or eliminate after-school activities and field trips across all grade levels.
- Create larger class sizes and more crowded schools.
- Eliminate 260 teachers.
IPS has been responsive to community feedback and presents a revised operating request. This reduced ask includes significant trade-offs.
Cash Flow Assumptions

Revenue Estimates

- Basic Grant revenue is based upon enrollment trends provided by School Officials.
  - Assumed stable general education student enrollment and a slight decline in Special Education enrollment, based on recent trends.
- No assumed annual growth in state and local revenue sources.
- Property tax revenue for operational funds (Capital Projects and Transportation Funds) expected to decrease due to circuit breaker credit projections.

Expenditure Estimates

- 2% inflationary annual operational increases.
- Disbursements for Capital Projects are based upon discussions with School Officials.
- Disbursements for Transportation are based upon discussions with School Officials.

*Provided by H.J. Umbaugh & Associates
BOARD'S CORE COMMITMENTS and BELIEFS
1. All IPS students can achieve their full potential, learn at high levels, and graduate prepared to succeed in school, career and life.
2. Effective teachers and great schools are the key to students' success.
3. All IPS schools must be great places to teach and great places to learn.
   1. Effective teachers and principals are valued professionals.
   2. Teachers and principals control and are accountable for what happens in their schools, and have the power to make decisions in the best interest of the students they serve.
   3. Students learn best in schools that are safe, clean, nurturing and respectful environments.
   4. Schools are diverse, vibrant and welcoming communities with strong academic, co-curricular, and extracurricular opportunities.
4. The IPS Central Administration exists solely to support the work of teachers and schools, and must be a high-performing organization.
   1. All district functions are aligned to support and empower a system of autonomous schools that are held accountable to clear performance metrics.
   2. The district demonstrates diversity, innovation and best practice at all levels of the organization.
   3. District resources are allocated fairly and equitably among schools through the use of weighted student funding.
   4. The district maintains efficient instructional and business systems that operate in a transparent and ethical way.
5. IPS families and the entire Indianapolis community have a shared responsibility for student success and will benefit from this success.

Trade-offs
1. Do not expand Transportation Services
2. Increase potential transportation service quality impacts
3. Defer maintenance further
4. Defer capital improvements further
5. Increase the risk of insufficient cash reserve (from 2 mos. to 1 mo.)

2018 Operating Referendum
Arriving at the number

Strategic Priorities
1. Addressing Compensation
2. Closing State Funding Gap
3. Maintaining Services to Students and Families (SpEd, ELL, etc.)

Community Feedback
"Reduce the Ask" &
"Tighten the belt as much as possible"

General Fund, $66.4M
Capital Projects Fund, $11.7M
School Transportation Fund, $14.3M

$92.4M/year for 8 years
Initial Referendum Proposal

Estimated Taxpayer Impact
Total Revenue $65,690,000
<table>
<thead>
<tr>
<th>Market Value of Home</th>
<th>Net Assessed Value</th>
<th>Annual</th>
<th>Monthly</th>
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<tbody>
<tr>
<td>$123,500 (*)</td>
<td>$48,025</td>
<td>$212.41</td>
<td>$17.70</td>
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<tr>
<td>$100,000 Commercial/Rental Property</td>
<td>$442.30</td>
<td>$36.86</td>
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</tr>
</tbody>
</table>

(*) Median home value within IPS, per 2015 American Community Survey 1-year estimates.
Revised Proposal

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Cash Flow Assumptions

Revenue Estimates

• Basic Grant revenue is based upon enrollment trends provided by School Officials.
  • Assumed stable general education student enrollment and a slight decline in Special Education enrollment, based on recent trends.
• Assumed 1% per pupil annual growth in state revenue sources.
• Property tax revenue for operational funds (Capital Projects and Transportation Funds) expected to decrease due to circuit breaker credit projections.
• Property tax revenue based on upon FY 2018 1782 Notice Actuals

Expenditure Estimates

• 2% inflationary annual operational increases.
• Disbursements for Capital Projects are based upon 2% annual operational increases and $5,000,000 Capital Outlay reductions per year
• Disbursements for Transportation are based upon maintaining current operations.
• Disbursements for Purchased Services are based upon a 10% reduction through 2026 (Approximately 1.25% Reduction per Year)
By reducing the ask further from the February 2018 amount, IPS may be required to:

- Close some schools.
- Reduce transportation service for magnet/choice schools, field trips and after-school activities.
- Slow the pace of teacher and employee compensation increases.
- Increase benefits costs for employees.
A referendum is based on a single political question that has been referred to the body of voters for a pass/fail decision.

An operating referendum allows school districts to seek additional funding for teacher salaries and academic services from local taxpayers through a vote.

The operating referendum would seek to:

- Obtain a local property-tax levy of **no more than** $0.2806 on each $100 of assessed valuation.
- Provide employees with more competitive salaries and wages.
- Maintain competitive health care benefits for employees.
- Continue to provide excellent services for students with special needs.
Allocation of Operating Referendum Funds (Projected $39.4 mm annual allocation)

- Personnel: $34,200,000, 87%
- Building/Equipment: $600,000, 1%
- Services/Supplies: $2,400,000, 6%
- Transportation: $2,200,000, 6%
To ensure continued pursuit of efficiency and transparency on the use of taxpayer dollars, IPS proposes:

- Implementing some efficiency opportunities on a reasonable timeline.
- Continued monitoring of cash balance informed by the Board’s current cash balance policy.
- An annual review of IPS operations and finances by an expert group of community stakeholders to determine:
  - Progress on implementing efficiency strategies.
  - Financial needs for the upcoming year.
  - The recommended amount of levying authority to utilize based on financial needs and efficiency savings.
Without referendum funds, IPS could be forced to:

- **FREEZE** teacher and employee compensation and reduce 260 teachers.

- Significantly **REDUCE** educational programs for students.

- **REDUCE** the quality of some services for students with special needs.

- **REDUCE** transportation services.
WITH additional taxpayer dollars, IPS will:

**CONTINUE** on its path of progress.

Significantly **RAISE** pay for teachers.

**EXPAND** choice and other academic offerings.

**CONTINUE** to provide **excellent services** to students with special needs.
We need additional resources to continue our path of progress and preserve services to students and families.

Raise funds for more competitive wages.

IPS administration has reduced expenses by $18M+ without altering academic programs and service quality.

Responsive to our constituents reduced proposal with capital and transportation trade-offs.

Declining revenue and investments in teacher and employee compensation.
myIPS