

EXECUTIVE BUDGET SUMMARY

TO: President Evans and Members of the Board of Education
FROM: Bolgen Vargas
DATE: March 25, 2013
SUBJECT: 2013-14 Draft Budget Executive Summary

Today I am pleased to submit the 2013-14 Draft Budget proposal. It represents our efforts to accelerate progress on the District's goals of student achievement and growth, parental and family involvement, communication and customer service, effective and efficient allocation of resources, and management systems to support these goals. The budget reflects the input of more than 200 parents and other stakeholders who participated in public forums, and it supports the goals and priorities developed by the Board of Education for 2013-14.

The 2013-14 Draft Budget estimate of \$728,267,569 is \$515,984 less than the 2012-13 amended budget of \$728,783,553. I anticipate that New York State will enact its budget later this week, and we will modify our budget proposal accordingly. In addition, we continue to seek and apply for competitive grants that will further help to fund our priorities.

Major Assumptions

This draft budget proposal assumes that Governor Cuomo's pension smoothing proposal will be enacted and save the District \$17.2 million. It assumes no reduction of Federal grant funds due to sequestration. The New York State Aid assumptions are based upon the Governor's Proposed Budget. This message also outlines a contingency plan for reductions if these assumptions are not valid.

The Challenge

The Rochester City School District faces serious educational challenges: 55 out of 60 schools in urgent need of improvement, the lowest test scores in the State, a graduation rate of 48 percent, a dropout rate of 20.3 percent after four years, and a loss of enrollment to charter schools.

We also face an immediate financial challenge: the need to close a projected \$50.2 million budget gap for 2013-14, while funding our priorities to improve student achievement. The budget gap was driven primarily by four factors: increases in required contributions to the Teachers Retirement and the Employees Retirement Systems, required salary increases due to collective bargaining agreements, an increase in required payments to charter schools, and health and dental insurance cost increases.

These challenges require the District to act with a sense of urgency to transform our organization and create a culture of accountability. We must develop schools that families want to choose, and provide our children with an education that prepares them for college and careers in the 21st century economy.

EXECUTIVE BUDGET SUMMARY (CONTINUED)

Parental and Community Involvement in Budget Preparation

To develop a budget that meets these challenges, we gathered input from parents and the community at the School Choice Expo in January and three Budget Open House sessions in February. We received feedback from more than 200 participants. Four themes emerged from these sessions that helped guide our efforts to better serve our students, parents and community.

1. Student Achievement: The participants' highest priority was to improve student achievement and prepare our students for college and career readiness. To achieve this goal, the participants noted it is important to keep students interested in school and engaged in learning.
2. Neighborhood Schools: Parents are generally supportive of their children attending school closer to their homes. However, some raised questions about services and choices that might be gained or lost in the transition toward neighborhood schools (e.g., child care).
3. Customer Service and Accountability: Information transparency, open communication and a welcoming school environment are very important for parents. We need to improve our customer service practice by ensuring all District employees are welcoming to parents and promptly responding to their communications.
4. Opportunities for Efficiency: Participants identified various areas of District operations where they believe the District could be more efficient. Some believe that moving toward neighborhood schools and optimizing facilities would generate significant efficiencies. Participants also suggested coordinating services between the District and the City or County, and between the various departments within the District.

Framework for Student Achievement

To make a dramatic shift from our current outcomes, we have embraced the New York State Education Department Accountability System as adopted by the Board of Regents. We are implementing rigorous and comprehensive plans to improve educational outcomes for all students to close achievement gaps, increase equity, and improve the quality of instruction. Given our large number of programs designated by the State as either Focus or Priority schools, we have adopted the "Whole School Reform Model". It requires schools to implement seven tenets, which include strengthening the school's instructional program to align with the Common Core and implementing expanded learning; New York State is one of 45 states to adopt Common Core standards. According to the United States Department of Education, academic curriculum participation is still the strongest indicator of momentum toward college and career readiness. High school curriculum reflects 41 percent of the resources that students bring to their higher education.

To create a framework for consistent implementation of the Core Instructional Program, Deputy Superintendents Anita Murphy and Beverly Burrell-Moore have developed District-wide master schedules for elementary, middle and high school. These master schedules will deliver

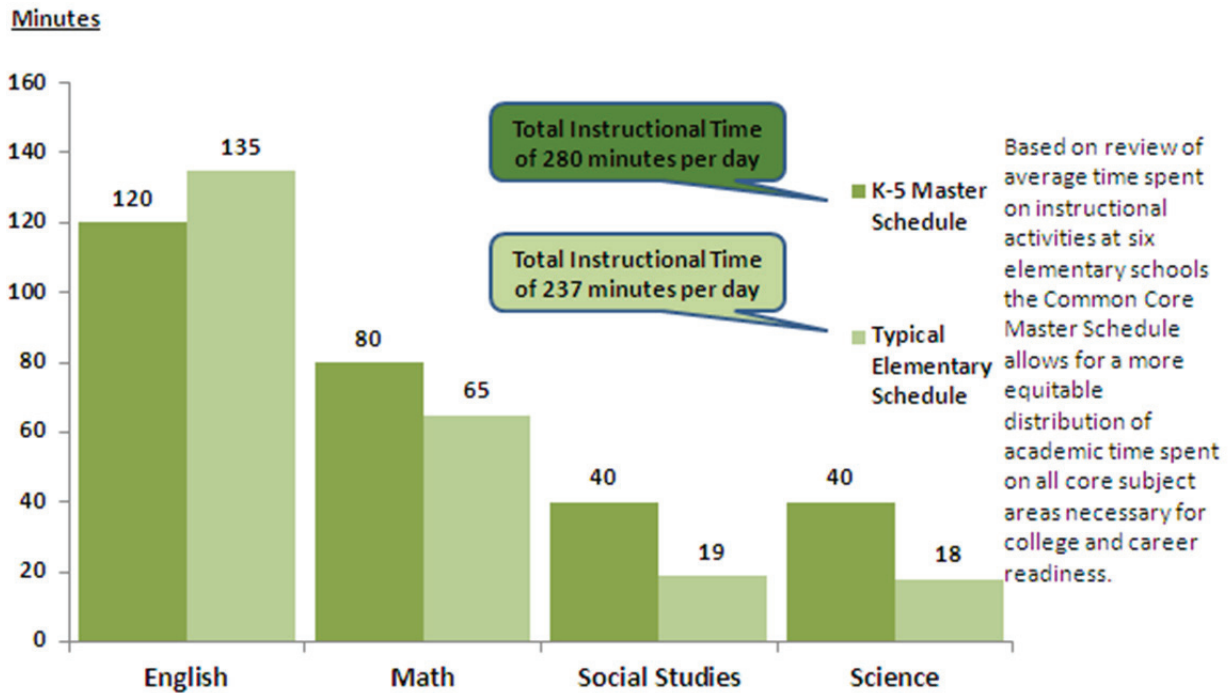
EXECUTIVE BUDGET SUMMARY (CONTINUED)

deliberate instruction in the Core Curriculum, provide flexibility of time and pace for learning, and add social-emotional support for students.

This shift to a master schedule to implement the Core Instructional Program will increase elementary instructional time during the regular school day for math, social studies, science, art, music, library, and physical education.

The consistent schedule and course offerings will be a huge improvement for many students. Our previous system, wherein each principal developed the schedule for his or her own school, resulted in many students losing continuity in their academic studies when they changed schools.

Implementation of Common Core Elementary K-5 Master Schedule in 2013-14 Supports a Comprehensive Approach to Providing Students With More Academic Time Dedicated to All Core Subject Areas



The Common Core Master Schedule will allow for a more equitable distribution of time spent on all academic subject areas necessary for college and career readiness. The additional instructional time estimate is based on a review of average time spent on instructional activities at six elementary schools.

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Funding Our Priorities

This budget is a statement of educational priorities in action. The budget was developed by focusing first on student achievement and properly funding our classrooms before providing support outside the classroom.

To ensure adequate resources are provided to all of our schools, we developed a staffing plan for each school under the leadership of our Executive Director of School Operations, Vicky Ramos. To support student learning, average class sizes were targeted as follows:

- 22 for kindergarten to third grade
- 24 for fourth through sixth grade
- 25 for seventh through twelfth grade

In addition to classroom teachers, the budget provides additional instructional support. Math, ELA and Technology coaches will be deployed in the schools but managed centrally to maximize efficiency and target support where it is most needed. Registrars will also be centralized to improve accountability and efficiency in the management of the master schedule and Common Core curriculum.

Expanded Learning

High quality expanded learning opportunities are needed to prepare students for success in academic learning, life, and the global economy. The 2013-14 Draft Budget includes \$1.2 million to support the development of expanded learning programs at up to 10 schools. The traditional school calendar, which limits time to 180 school days of 6 hours and 20 minutes each, does not allow for the differentiated supports our students need. Expanded learning opportunities can close the achievement and opportunity gaps for our children. It will improve academic outcomes, as well as increase overall student engagement and motivation for learning. The Rochester City School District has engaged with the National Center on Time & Learning (NCTL) to guide the planning in eight elementary schools (Schools 3, 9, 10, 19, 23, 34, 45, and 46) toward high-quality expanded learning. These schools are redesigning the traditional school day and/or year to give students at least 300 additional hours to improve student achievement based on their needs and the school's priorities. All student schedules will reflect rigorous academics with differentiated student supports, including academic intervention or acceleration, social-emotional learning, and engaging enrichment. Frequent data cycles and targeted teacher development will create an enhanced school culture of high expectations, utilizing a systemic approach to analyze and respond to data and strengthen instruction. This work was made possible by a grant from the Ford Foundation.

Additionally, the District is responding to New York State School Accountability mandates, which include expanded learning time as part of a whole school reform plan in all priority schools. Several schools have submitted School Innovation Fund (SIF) or School Improvement

EXECUTIVE BUDGET SUMMARY (CONTINUED)

Grant (SIG) applications to fund the delivery of expanded learning as part of their school improvement efforts. Schools 9 and 34 have been approved for SIF with a strong focus on expanded learning. A pending SIG application for School 17 focuses on the development of a community school model, including dual language programming and expanded learning. Additional SIG applications for Schools 3 and 45 will be submitted, as was a 21st Century Community Learning Center Grant. Monroe, Northeast College Preparatory, and Northwest College Preparatory High Schools must include expanded learning as part of their school improvement plans. Additional technical assistance for expanded learning planning has been requested from The After-School Corporation (TASC) and Generation Schools of Brooklyn.

The Rochester City School District cannot do the work of expanded learning alone. Community partnerships and full integration of wrap-around services are required to support our expanded learning programs. By leveraging current investments and relationships, we are working toward a more coordinated service delivery model to ensure sustainable expanded learning offerings. This effort is being supported by joint grant applications with the City of Rochester and others. A community-wide Request for Proposals will help ensure complementary partnerships which support academic learning and youth development in our schools.

Mastery of Reading

Reading at grade level by third grade is one of the strongest indicators of a student's likelihood to graduate. Students must learn to read by third grade and read to learn for the rest of their lives. In support of mastery of reading, a reduction in administrative positions enables 10 new reading teachers to be supported by Federal IDEA funding.

Athletics

Enhancing our sports and athletics program is fundamental to our priorities. In the 2013-14 Draft Budget, \$1.5 million has been provided to enhance the athletic program. Under the leadership of our Executive Athletic Director, Carlos Cotto, the interscholastic athletic program for 2013-14 will continue to implement the development of the "Grow-Out" schools with the phasing in of the sports programs for the modified and interscholastic teams. The additional funding will be used to establish teams for these schools and provide them with the necessary resources for success (i.e., coaches, uniforms, equipment, supplies, etc.). As part of this initiative, we must also continue to upgrade physical facilities to accommodate the additional sports teams and provide an equal playing field with our suburban counterparts. The interscholastic sports program will continue its emphasis on academic eligibility, sportsmanship, and character education in preparing our student athletes for the future.

History of Sports Offerings and Participating Numbers

- 2009-10: 389 Sports Programs, average 6,110 participants (15 per team)
- 2010-11: 319 Sports Programs, average 5,060 participants (15 per team)
 - Consolidated overall program district wide (Participation/Sustainability)
- 2011-12: 229 Sports Programs, average 3,710 participants (15 per team) - ESF impact
- 2012-13: 252 Sports Programs, average 4,055 participants (15 per team)
 - All funds used for programs only – very little uniform/equipment/supplies purchased
- 2013-14: 325 Sports Programs, average 5,150 participants (15 per team)
 - Adding 73 additional programs and increasing participation numbers

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We are also exploring a collaborative initiative with the City of Rochester to upgrade up to four of our athletic fields by replacing existing grass fields with artificial turf. Two of the fields could be refurbished by 2015 to support an expansion of our sports teams, additional outdoor physical education classes, and enable more community use of our fields. Currently, the combination of heavy field usage and the Rochester climate limits the availability of our fields, particularly in the late fall and early spring of each year.

Parent Involvement

Eight additional parent liaison positions are funded to increase parental outreach and involvement. Each school will have either a parent liaison or a home school assistant. The Office of Parent Engagement will also work to ensure parent participation on all of the School Based Planning Teams (SBPT).

Closing the Budget Gap

In summary, the projected \$50.2 million gap was closed in the proposed Draft Budget by:

- \$ 17.2 million Pension smoothing plan
- \$ 8.5 million Four program consolidations
- \$ 7.3 million Elimination of 84.3 FTE non-classroom teacher on assignment positions
- \$ 3.7 million Redesign of Special Education service delivery model
- \$ 3.8 million Reduction in teaching and clerical substitutes and vacation cash-out payments
- \$ 1.9 million Net reduction of 22 Math, ELA, and Technology coaches
- \$ 1.6 million Reduction in vendor contracts
- \$ 1.2 million Redesign of in-school suspension delivery model
- \$ 1.2 million Closure of School 30
- \$ 6.2 million Use of fund balance
- (\$ 2.4 million) Net of other changes

Employment Impact

The District workforce will decrease by 161 FTEs, from 5,541 to 5,380. Existing vacancies, anticipated retirements, and turnover should assist in limiting the number of displacements. Please note that approximately 300 employees leave District employment each year due to retirement or other reasons.

Reduction in Teacher on Assignment Positions

Teacher on Assignment positions were reduced by 84 FTEs. This change is consistent with our priority to keep reductions away from the classroom. Although people in these positions are performing valuable services, our first priority is to fund the teachers in front of our students. Each school is budgeted to have equitable teacher and administrative staffing.

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Reduction in Substitute and Vacation Cash-Out Costs

We are counting on support from our employees to reduce absenteeism and the amount of vacation time cashed in to generate a total of \$3.8 million in savings. Short-term clerical vacancies will no longer be back-filled with substitutes. We need to work together to cover for these short-term clerical absences without paying overtime. We will monitor this effort monthly and will have to make further employment reductions if we cannot sustain these budgeted savings.

I appreciate the willingness of members of the Association of Supervisors and Administrators of Rochester (ASAR) to use their vacation days and cash in less vacation time. In 2011-12, District employees cashed in an average of five weeks of vacation at a total cost to the District of \$3.9 million.

Pension Smoothing

We anticipate taking advantage of the smoothing of retirement costs as proposed by Governor Cuomo. Using the proposed rate of 12.5%, versus the initial Teachers Retirement System rate of 16.25%, will enable us to have stable retirement rates for many years and avoid making an additional \$10.9 million in budget reductions. We also currently assume taking advantage of the proposed 12.0%, versus the initial Employees Retirement System rate of 20.5%, which would save the District an additional \$6.3 million. We understand the Governor, State Comptroller and the Teachers Retirement System Board of Directors have recently agreed to a modification of the Governor's proposed smoothing plan. Once the revised plans are formalized, they will be analyzed and a final recommendation made.

Program Consolidations and Closure of School 30

The School 30 instructional program will be closed and School 54 will be moved into the School 30 building. Neighborhood students from School 30 will attend School 54, and other students will receive customized placement services to find a new school that best meets their needs. This will produce \$1.2 million in savings.

- Edison Business School is phased out, saving \$3.7 million.
- The Freddie Thomas 8th grade is phased out, saving \$2.8 million.
- The Young Adult Evening High School and I'm Ready programs are consolidated into All City High School, saving \$2 million.

Central Office Reorganization

To increase efficiency and focus our efforts on student achievement, the Administration, Finance, and Teaching & Learning Departments redesigned their operations and staff functions. These changes in Central Office will save \$875,000.

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Redesign of Special Education

The special education budget for the 2013-2014 school year focuses on providing the resources needed to address the achievement, programming, and compliance issues with regard to students with disabilities. The proposed budget includes a reduction of one Zone Director. The remaining Zone Director positions will align with the reorganization of the School Chiefs. Their role is to work with School Chiefs to address student achievement and instruction for students with disabilities.

Included in the Special Education redesign is the elimination of the 24 Teacher Coordinator of Special Education (TCOSE) positions with an increase of eight Coordinating Administrator of Special Education (CASE) positions. The purpose of this change is to centralize and coordinate the work of these administrators. We will assign them to school clusters to guide and support school leaders with special education compliance and consistency of programming for students with disabilities.

In total, \$3.7 million in savings is anticipated from the special education redesign. School Psychologist staffing will be reduced, recognizing that the student population has decreased over the past few years. We will redirect their services to meet the primary functions of testing and evaluation, assisting schools with the Response To Intervention (RTI) process, and supporting special education across the district.

In-School Suspension Redesign

The In-School Suspension Program has been redesigned, enabling each school to have a dedicated teaching assistant. The teaching assistants will coordinate with classroom teachers to meet the needs of students on short-term suspensions while saving \$1.2 million. This redesign will also enhance diversity of staffing in our schools.

Reduction in Vendor contracts

The District currently maintains an estimated total of \$58 million in vendor contracts to support educational programs and operational services. Of this amount, \$23.6 million is paid from the General Fund, \$19.4 million is supported by grant revenue, \$8.2 million is paid from the Capital Fund, and \$6.5 million is paid through the Lunch Fund. The 2013-14 draft budget includes an estimated total of \$55 million in vendor contracts in all funds, a reduction of approximately \$3 million from the current year.

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As part of our effort to close the budget gap, approximately \$839,000 in contracts supported by the General Fund would be discontinued.

- The Center for Youth Services has the largest contract that will be impacted. This vendor manages the Alternative to Suspension program at an annual cost of \$750,000 (\$350,000 is paid from the General Fund, and the remaining \$400,000 is paid from the Federal IDEA EIS set-aside). The redesign of the In-School Suspension program will allow this service to be delivered by District staff.
- A \$250,061 lease will be discontinued at the Cathedral Community Church. The leased building is no longer needed for Flower City School 54, which is moving to the School 30 building.
- An \$87,754 contract with the Rochester Institute of Technology to support a college preparedness program for selected students will be discontinued because the program is no longer needed.
- A \$43,871 contract with Hillside Children's Center for lead agency services will be discontinued.
- The remaining \$107,500 includes consultant services provided by the University of Rochester and the New York Literacy Center and programs provided by Junior Achievement and Generation Two.

An additional \$2 million in contract-related savings will come from grants. Of this amount, \$1 million is due to programmatic decisions and includes the \$400,000 from the Center for Youth Services contract paid from the IDEA grant enabling the hiring of ten reading teachers. The other \$1 million represents various other contracts that were designed to implement specific grants and were supported by grant revenue. These are expected to be discontinued due to the completion of the grants.

Neighborhood Schools and Transportation Plan

We continue to pursue strategies to make neighborhood schools the first choice for most families. The Home School Guarantee was an important first step. Beginning this spring, we solicited the support of our State Legislature to help students be better connected to school with less time in transit and more time available for learning.

We currently provide transportation to all elementary students who live more than 1.5 miles from their school, but plan to begin providing transportation to those who live more than 0.5 miles from their schools. This will help ensure that students travel to and from school safely and will hopefully result in higher attendance rates. By reducing the minimum distance, we will reduce the number of students who walk to school by half, from 4,600 to 2,300.

We are asking the Legislature to support this proposal, with the assurance that it will be cost neutral to the State and the expectation that it will reduce costs in future years as most families choose neighborhood schools. Savings identified in the budget will allow the District to fully fund the new transportation policy next year.

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Competitive Grants Concluded

A total of \$13.6 million in competitive grants are concluded in 2012-13. However, we anticipate applying for \$20 to \$30 million in competitive grants as they become available that will further support our priorities in 2013-14.

Listed in the table below are potential competitive grants that the District has applied for or are in the process of submitting grant applications, but these are not included in the 2013-14 Draft Budget.

| Grant | Supports: |
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| 21 st Century Learning Centers | Application Pending for non-school hours academic enrichment |
| Arts in Education Model Development and Dissemination | Integrating and strengthening arts in the core elementary and middle school curricula to improve student performance |
| Carol M. White Physical Education | Programs to initiate, expand, or enhance physical education programs, including after-school programs |
| Community Schools | Innovative programs designed to transform schools into community hubs. The community schools will integrate social, health and other services, as well as after-school programming to support students and their families |
| Early College High School | Programs to improve college access and success |
| Expanded Learning | High-quality extended school day or extended school year programs, with academically enriched programming |
| Fresh Fruits and Vegetables | Buying, preparing and serving fresh fruits and vegetables for schools with the highest poverty level |
| Full-Day Pre-Kindergarten | Full-day pre-kindergarten program targeted toward higher need students in lower wealth school districts via a competitive process |
| Gates Fiscal Planning | Resources to develop a 5-year budget and resource allocation plan |
| Greater Rochester Health Foundation | Health, wellness and physical activity grants for students |
| Investing in Innovation (I3) | Improving student achievement or student growth, closing achievement gaps, decreasing dropout rates, increasing graduation rates, or increasing college enrollment and completion rates |
| Local Government Efficiency | Collaboration with City for shared services |
| Local Government Records Management | Local governments in establishing records management programs or develop new program components |
| Management Efficiency | Investments in comprehensive and innovative strategies that lead to improved results for students, long-term gains in school and school system capacity, and increased productivity and effectiveness |
| Master Teacher | Annual stipends of \$15,000 for four years to the most effective math and science teachers |
| Math and Science High Schools | Optics classes and materials at East High School |

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| Mathematics and Science Partnerships | Programs designed to improve the content knowledge of teachers and the performance of students in the areas of mathematics and science |
| School District Improvement | Public school districts that have demonstrated the most success in increasing student performance, narrowing the achievement gap, and increasing academic performance among students with the greatest educational needs, and have submitted a high quality plan showing promise of building upon this success |
| School Improvement 1003 (A) | Title I Priority and Focus schools to meet their progress goals |
| School Improvement Grants (SIG 1003 G) | Title I schools identified as Priority Schools and are targeted to support implementation of the fundamental changes needed to turn around lowest-achieving schools. |
| Teacher Centers | Teachers Centers who are supporters and trainers of the development and implementation of New York’s Professional Development Plan requirement |

Note: Federal education funding now operates under the FY2013 Continuing Resolution (CR). Until a final appropriations measure is enacted, the current funding levels for education are subject to change.

Contingency Plan

The Draft Budget assumes the amount of State Aid included in the Governor’s Proposed Budget. It is anticipated that the adopted New York State budget will include additional State Aid, but the amount is uncertain. The major cost assumptions at risk are pension smoothing for ERS (\$6.3 million risk), TRS (\$10.9 million risk), and the possible sequestration of Federal grant funds (\$1.9 million risk).

If additional revenue exceeds additional expense, the budget will be balanced by reducing the amount of Fund Balance used. If additional expenses exceed additional revenue, the District will have to propose a further reduction in Math, ELA and Technology coaches, reduce the number of reading teachers and make other adjustments.

Conclusion

This proposal supports the educational needs of our students, the goals of our District, and the Board of Education budget priorities for 2013-14. My team is eager to begin implementing the master schedule and Core Instructional Program that will increase instructional time and result in more teachers in front of a classroom, helping our students to achieve the high expectations we must set for them.

I look forward to your review of my draft proposal and commit to being responsive to your questions and concerns.