Deficit Reduction Plan Narrative:

Quincy Public School District recognizes the severity of the current financial crisis and proposes the following steps to address the issues contributing to its financial problems.

**Education Fund Deficit and Line of Credit:** The district proposes to sell working cash bonds in an amount to eliminate the deficit in the education fund and eliminate the need to borrow money via tax warrants on a yearly basis. The deficit is a significant factor in our bond rating (BBB-) and our low score on the annual financial profile. The short term borrowing (line of credit, TAW) contributes to the same but also annually takes $30,000-$40,000, paid in interest, away from the education fund. The working cash bonds can be sold without raising the current overall tax rate. The working bonds are subject to referendum if enough signatures can be gathered via petition. The back-up to this plan would be to continue to use a line of credit each year to provide adequate cash flow.

**Balancing the Budget Annually:** The district has been proactive in reducing costs over the past three years. Salaries and benefits paid from the education fund were less in 2011 than what was paid in 2009. To continue this pattern the district proposes the following:

- **Negotiate “no new money” contracts:** In 2010-2011, the district negotiated a one-year contract with the teachers union that shifted money from benefits to salaries. The result was no new money was needed to fund the contract. The district will try to negotiate each contract that comes up in the next three years the same way. The financial impact to the district is $700,000 to $800,000 annually.
- **Additional Reductions:** As a part of or as a back-up to the new contracts, the district could seek further reductions. Items discussed for reduction are a decrease of staff (10), eliminating elementary art, music, and physical education, eliminating all extra-curricular activities. Each of these would generate a reduction of $400,000 to $500,000 annually.
- **Tax Rate Increases:** The district could seek rate increases in both the education fund and the special education fund. The education fund rate is currently $1.84 and does not generate enough revenue to fund the current instructional and support programs. Special education funding, as with all districts, covers only about 40% of mandated costs. These rate changes would have to be approved by the voters.
- **County Sales Tax:** The district can promote and support a 1% county sales tax. The revenue will reduce dependence on the Debt Service Fund for dollars to build and maintain buildings. Additionally, CPPRT dollars used in the building funds for maintenance could be shifted to the education fund. The tax will generate around $4,000,000 annually and will reduce the property tax by about 7% ($.30).
- **Capital Development Program:** The district can look at ways to re-configure and replace existing buildings. New buildings would be more energy efficient, less expensive to maintain, more functional, and more efficiently staffed than the existing buildings. Current debt service amounts and pay offs will allow district to raise funds for buildings without increasing the tax rate.
The district believes that this is a viable plan. It is made up of actions that the district “can do” and also things the district “can try to do.” The end result of this plan would be a positive balance in each and all of the four operating funds, elimination of the annual cash flow issues, and removal of the working cash fund as an annual subsidy of the education fund.