



Financial Review

Erie City

School District

June 29, 2016



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District Overview

Enrollment & Building Configuration

- On October 1, 2015, the District reported 11,666 students, including:
 - 171 in full-day Pre-K
 - 3,334 in grades 9-12
- In addition to the District's 11,666 students, according to the October 1, 2015 enrollment snapshot there are 2,129 District students enrolled in charter schools
 - B&M Enrollment – 1,643
 - Cyber Enrollment – 486
- For 2016-17, the District anticipates:
 - 7 K-5 or Pre-K-5 elementary schools
 - 5 K-8 or PreK-8 schools
 - 2 6-8 middle schools
 - 4 high schools (2 comprehensive, 1 vo-tech, 1 magnet)
 - Cyber school with a campus at the vo-tech
 - City residents also attend 4 brick & mortar charter schools, 6 cyber charters, parochial and private schools

Sources: October 1, 2015 Enrollment Snapshot from District, PDE Oct. 1, 2015 Charter Enrollment

Enrollment Trends

- Overall, enrollment has grown only slightly in the past decade
- District enrollment has declined by about 1,000 students

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	% Change 2005-06 to 2015-16
Enrollment	12,618	12,508	12,504	12,400	12,423	12,452	12,324	11,908	11,740	11,815	11,666	
% Change		-0.87%	-0.03%	-0.83%	0.19%	0.23%	-1.03%	-3.38%	-1.41%	0.64%	-1.26%	-5.63%

- Enrollment in charter schools has increased by about 1,200 students over the same period

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	% Change 2005-06 to 2015-16
Total Charter Enrollment	895	888	1,079	1,019	1,109	1,175	1,480	1,556	1,958	2,015	2,129	
% Change		-0.78%	21.51%	-5.56%	8.83%	5.95%	25.96%	5.14%	25.84%	2.91%	5.66%	137.88%
B&M Enrollment	806	776	930	841	905	976	1,204	1,164	1,537	1,581	1,643	
% Change		-3.72%	19.85%	-9.57%	7.61%	7.85%	23.36%	-3.32%	32.04%	2.86%	3.92%	103.85%
Cyber Enrollment	89	112	149	178	204	199	276	392	421	434	486	
% Change		25.84%	33.04%	19.46%	14.61%	-2.45%	38.69%	42.03%	7.40%	3.09%	11.98%	446.07%

Sources: PDE October 1 District and Charter Enrollment Reports

Staffing

- The District's budget for 2016-17 anticipates 1,292 positions, a reduction of 42 positions from 2015-16
- The 2016-17 budget has 349, or 21% fewer positions than the District had in 2010-11

Classification	2010-11	2015-16	Projected 2016-17	Change 2010-11 to 2016-17	Percent Change
Administrators/Supervisors	112	64	54	(58)	(52%)
Professionals/Instructional	1,099	877	857	(242)	(22%)
Support/Custodial/Maint	430	393	381	(49)	(11%)
Total Employees	1,641	1,334	1,292	(349)	(21%)

Source: ECSD estimated number of positions by classification.

Major Spending Categories

- Over the past several years ECSD's expenditures, driven by healthcare, PSERS contributions, and charter tuition payments, have grown faster than revenues:

	4- Year CAGR ¹ (2011-12 to 2015-16)
Total Revenues²	3.3%
Current Real Estate Taxes	1.7%
BEF and RTL	4.2%
PSERS Reimbursement	34.2%
Total Expenditures³	3.9%
Healthcare Contributions	4.2%
PSERS Contributions	38.5%
Charter Tuition Payments	10.7%

- Compound Annual Growth Rate (CAGR) is the average annual growth rate for a period of time.
- Excludes 9000-level revenues "Other Funding Sources."
- Excludes 900-level expenditures "Other Financing Uses."

Sources: ECSD AFR data and PDE Summaries of AFR Data.

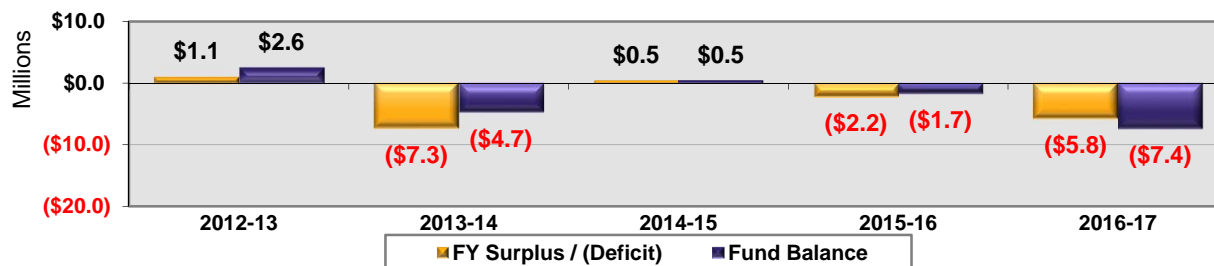
Erie City SD's Financial Trends

- The data provided by the District reveals several major trends in ECSD finances
 - Excluding state subsidy and local taxes, revenues have declined slightly over the past several years
 - Modest growth or declines in most spending categories have been outstripped by significant growth in charter tuition, health care and retirement costs
- After completing a cash flow analysis, the District has expressed concerns about its ability to make payroll in mid-July 2016
 - PDE is working with the District to review the analysis and provide support in prioritizing payments

Erie City SD's Financial Situation

- Due to several years of negative or only slightly positive year-end results, ECSD's fund balance has been significantly reduced
- Using recent estimates provided by the District, the fund balance is expected to be completed exhausted in 2015-16 and negative year-end results are also projected for the following year

FY2013 - FY2017 General Fund Budget Projections¹



	2012-13 Actual	2013-14 ² Actual	2014-15 Actual	2015-16 Anticipated	2016-17 Budgeted
Total Revenues	\$165,364,299	\$168,695,986	\$180,464,059	\$182,961,174	\$181,231,493
Total Expenditures	\$164,238,590	\$176,027,613	\$179,967,710	\$185,135,796	\$186,992,626
FY Surplus/Deficit	\$1,125,709	(\$7,331,627)	\$496,349	(\$2,174,622)	(\$5,761,133)
Fund Balance	\$2,596,902	(\$4,734,725)	\$521,758	(\$1,652,864)	(\$7,413,997)

1. 2011-12 was excluded from the table above because the revenues and expenditures associated with financing made the annual results anomalous compared to subsequent years.
2. The year-end fund balance for 2013-14 was restated to show a positive \$25,419 in the following school year's audited financial statements to account for funding sources that were not included in the original audit.

Source: ECSD historical budget data and 2016-17 budget projections.

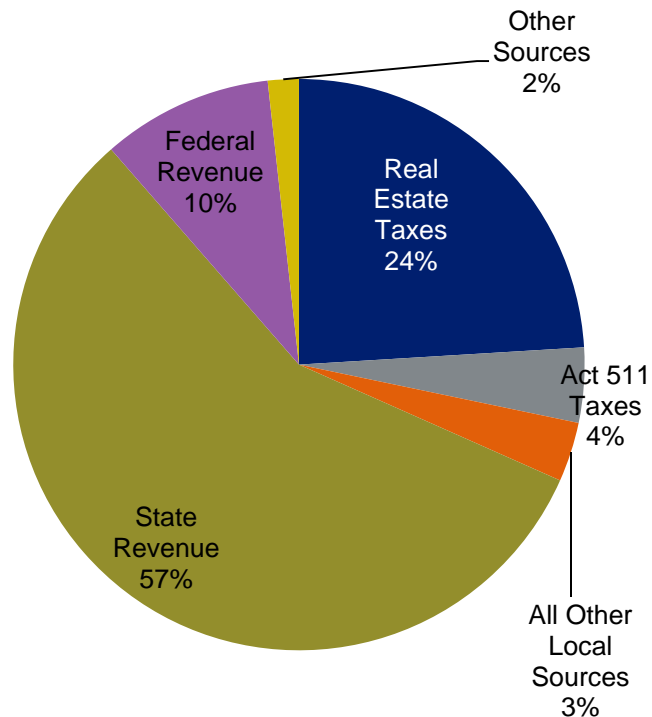


Budget Overview

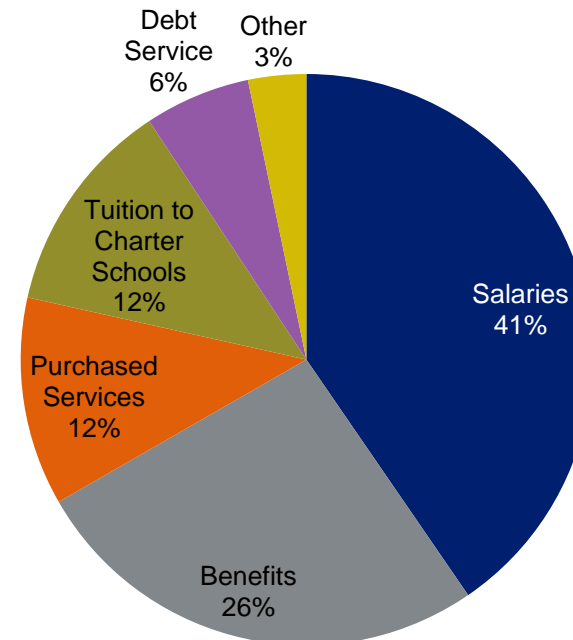
Overview of Budgeted Revenues & Expenditures

- 81 percent of ECSD's revenues are from the Commonwealth and from local real estate taxes
- 67 percent of ECSD's expenditures are driven by staffing costs

Major Revenue Sources 2015-16 School Year



Major Expenditures 2015-16 School Year



Source: ECSD 2015-16 estimated budget results.

Local Tax Effort

- The District has completed an analysis of their financial situation relative to other Erie County schools and Commonwealth averages
- On the whole, the analysis completed by the District aligns with the findings from a review conducted by PDE, and PFM’s analysis of equalized mills
 - Erie City SD’s equalized millage rate is high compared to other School Districts within the County and just below the first quartile of Districts statewide
 - Relative to the four Act 141 Recovery Districts and other financially-distressed districts statewide, Erie City SD is low or average

Equalized Millage Rate	21.2000
Statewide Rank	126 of 500
Erie County Rank	1 of 12
Act 141 Rank ¹	4 of 5
Erie City SD Statewide Peer Group ²	6 of 11

1. Act 141 group includes Harrisburg, York, Duquesne and Chester Upland SDs, plus Erie
2. Peer group taken from the ECSD State Funding Analysis presentation.

Sources: PDE Financial Data Elements – 2013-14 Miscellaneous Selected Data.

Recent Millage and Current Real Estate Tax Revenue

- History of District millage and current real estate tax receipts:

<u>Year</u>	<u>Millage</u>	<u>Current RE Revenue</u>
2009-10	17.0687	\$31,554,648
2010-11	17.8026	\$33,806,133
2011-12	18.7626	\$35,007,892
2012-13	18.7626	\$34,521,109
2013-14	16.6233	\$37,286,595
2014-15	16.6233	\$37,048,387
2015-16	16.6233	\$37,500,000 (budgeted)
2016-17	16.6233	\$37,500,000 (projected)

- Countywide reassessment applied in 2013-14
- MV/PI Aid Ratio of 77.67% in 2015-16

Sources: PDE Financial Data Elements – Real Estate Tax Rates, and Summaries of AFR Data.

Projection of Act 1 Index Millage Limits

- Five year history Act 1 index increases for ECSD

	<u>Base Index</u>	<u>ECSD Adjusted Index</u>
2012-13	1.7%	2.6%
2013-14	1.7%	2.6%
2014-15	2.1%	3.2%
2015-16	1.9%	2.9%
<u>2016-17</u>	<u>2.4%</u>	<u>3.7%</u>
Average	1.96%	3.00%

- Projection of Act 1 index millage rate limits beginning in 2017-18 based on five year average index

Budget Year ¹	Index	Millage Increase ²	Total Mills	Estimated Additional Collected Revenue ³	Cumulative Revenue
2016-17	3.7%	0.0	16.6233	\$0	\$0
2017-18	3.0%	0.4987	17.1220	\$1,097,138	\$1,097,138
2018-19	3.0%	0.5137	17.6357	\$1,130,052	\$2,227,190
2019-20	3.0%	0.5291	18.1647	\$1,163,953	\$3,391,143
2020-21	3.0%	0.5449	18.7097	\$1,198,872	\$4,590,015
2021-22	3.0%	0.5613	19.2710	\$1,234,838	\$5,824,854

1. Assumes no reassessment.

2. Estimated millage rates do not include exemptions that may apply to the District. Current District budget has no 2016-17 increase.

3. Assumes value of mill continues at a constant amount of \$2.2 million.

Sources: PDE Base Index History and Adjusted Index History.

Act 511 Tax Collections

- ECSD's Act 511 tax collections have not returned to pre-recession levels
- Although improved since the recession, estimated 2015-16 and budgeted 2016-17 revenues are at about the same level as 2012-13 collections

Budget Year	Local Services Taxes	Earned Income Taxes	Real Estate Transfer Taxes	Other Act 511 Taxes	Total Act 511 Taxes
2007-08	\$198,882	\$7,189,716	\$826,976	\$0	\$8,215,575
2008-09	\$184,402	\$6,107,768	\$641,631	\$3,180	\$6,936,981
2009-10	\$234,565	\$5,768,987	\$638,203	\$780	\$6,642,536
2010-11	\$250,781	\$6,034,809	\$556,203	\$0	\$6,841,793
2011-12	\$251,063	\$6,219,486	\$639,618	\$0	\$7,110,168
2012-13	\$275,279	\$6,789,879	\$620,734	\$0	\$7,685,892
2013-14	\$254,723	\$6,670,921	\$549,953	\$0	\$7,475,597
2014-15	\$246,635	\$6,707,527	\$696,326	\$0	\$7,650,488
2015-16 ¹	\$246,000	\$6,740,000	\$700,000	\$0	\$7,686,000
2016-17 ²	\$246,000	\$6,770,000	\$700,000	\$0	\$7,716,000

1. Estimated collections for 2015-16 from the District.
2. District's budgeted amount for 2016-17.

Sources: PDE Summaries of AFR Data and ECSD budget data.

State Aid Trends

- The table below shows the recent trends in ECSD's Basic Education Subsidy and Ready to Learn Grant revenues, and the 2016-17 amount for Erie in the Governor's original budget proposal:

State Aid	2011-2012	2012-2013	2013-2014	2014-15	2015-2016	2016-17
	Actual	Actual	Actual	Actual	Estimated	Proposed
BEF and RTL	\$53,041,719	\$55,971,869	\$57,102,102	\$59,361,133	\$62,516,942	\$65,906,967

- If the proposed 2016-17 recommended allocation increases at 2.0 percent, the approximate historical level of growth, Erie's state aid would grow to the following amounts over five years:

State Aid	2016-2017	2017-2018	2018-19	2019-2020	2020-21	2021-22
	Proposed	Projected	Projected	Projected	Projected	Projected
Governor's Orig. Proposal + 2% growth	\$65,906,967	\$67,225,106	\$68,569,608	\$69,941,001	\$71,339,821	\$72,766,617

Sources: PDE Summaries of AFR Data; 2015-16 Estimated Basic Education Funding; and 2016-17 Proposed Basic Education Funding.

District's State Aid Assumptions

- The District's 2016-17 budget assumes that the BEF subsidy will be at 50 percent of the level in the Governor's original budget proposal

State Aid	2016-2017	2017-2018	2018-19	2019-2020	2020-21	2021-22
ECSD Budget + 2% growth	\$64,200,000	\$65,484,000	\$66,793,680	\$68,129,554	\$69,492,145	\$70,881,988
Governor's Proposal + 2% growth	\$65,906,967	\$67,225,106	\$68,569,608	\$69,941,001	\$71,339,821	\$72,766,617
Difference	(\$1,706,967)	(\$1,741,106)	(\$1,775,928)	(\$1,811,447)	(\$1,847,676)	(\$1,884,629)

Sources: ECSD budget data and PDE Proposed Basic Education Funding.

District's Revenue Assumptions, Cont'd.

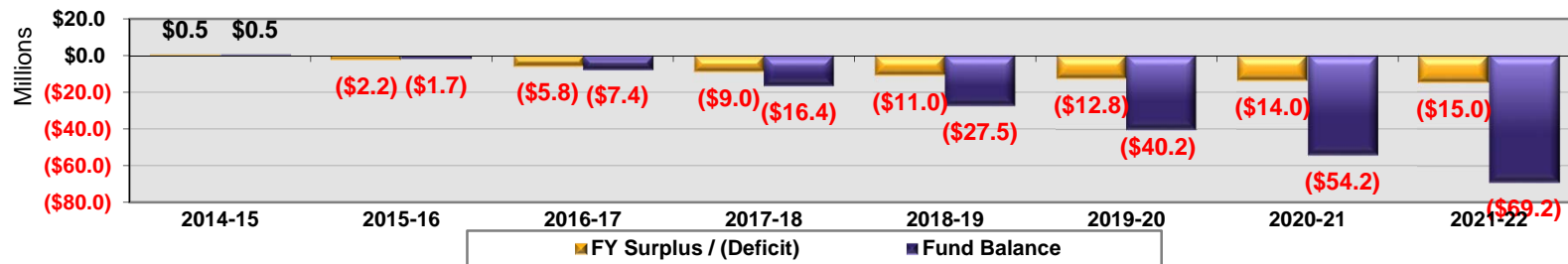
- Other Local Sources of District revenue will decline by \$2.0 million beginning in 2016-17 due to the termination of the General Electric Developing Futures Program
 - This program funded the implementation of Common Core Standards and related professional development
 - The District eliminated the associated expenditures and positions in their 2016-17 budget
- The District's budget assumes that the PlanCon reimbursement will resume in 2016-17, and the District will receive approximately \$1.6 million.¹
- In approximately 2012-13 the District entered into a long-term lease-leaseback for four administrative buildings to generate one-time cash and avoid an unfunded debt issue

¹Based on the 2015-16 state budget and PDE estimates, PFM's financial model assumes the District will eventually receive \$1.6 million in PlanCon for 2015-16, but that the amount will decline to \$1.33 million in future years

Baseline Budget Projections

- Using financial data from the District, preliminary estimates from PFM show a growing long-term structural deficit in the ECSD budget if no changes are made to current trends in revenues and spending

FY2015 - FY2022 General Fund Budget Projection Baseline

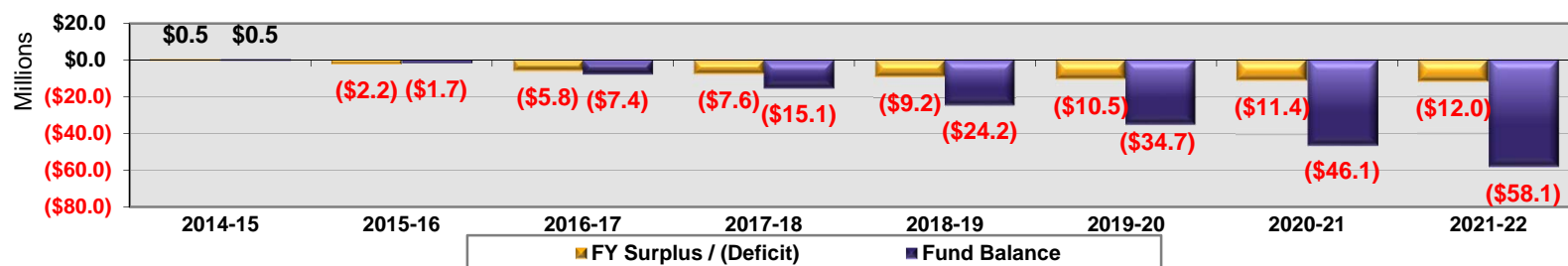


	2014-15 Actual	2015-16 Anticipated	2016-17 Budgeted	2017-18 Projected	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected
Total Revenues	\$180,464,059	\$182,961,174	\$181,231,493	\$183,011,405	\$185,631,252	\$188,134,381	\$189,854,003	\$191,958,805
Total Expenditures	\$179,967,710	\$185,135,796	\$186,992,626	\$192,031,054	\$196,654,226	\$200,903,883	\$203,822,383	\$206,925,487
FY Surplus/Deficit	\$496,349	(\$2,174,622)	(\$5,761,133)	(\$9,019,650)	(\$11,022,974)	(\$12,769,502)	(\$13,968,381)	(\$14,966,682)
Fund Balance	\$521,771	(\$1,652,851)	(\$7,413,984)	(\$16,433,634)	(\$27,456,608)	(\$40,226,110)	(\$54,194,491)	(\$69,161,173)

Budget Projection Scenario

- Narrowing the structural deficit will require new revenue and controlling growth in key expenditures, including those noted below. In this scenario, even when cost control and additional revenue are added to the baseline, structural deficits plateau but continue:
 - 2.0 percent annual increases in salaries beginning in 2017-18
 - Real estate tax millage increased to the Act 1 Index in all years between 2017-18 and 2021-22
 - \$200,000 in healthcare savings by implementing a three-tiered system in 2017-18 for active teachers
 - \$500,000 in healthcare savings due to re-structuring benefits for retired teachers in 2017-18, with annual savings accumulating to \$2.5 million by 2021-22
 - Reduction in charter enrollment growth beginning in 2017-18, generating cumulative savings of approximately \$8.4 million
 - Regular education charter enrollment growth of 4.0 percent in 2016-17, which is reduced by one percentage point each year beginning in 2017-18
 - Special education charter enrollment growth of 3.0 percent in 2016-17, which is reduced by one percentage point each year beginning in 2017-18

FY2015 - FY2022 General Fund Budget Projections



	2014-15 Actual	2015-16 Anticipated	2016-17 Budgeted	2017-18 Projected	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected
Total Revenues	\$180,464,059	\$182,961,174	\$181,231,493	\$184,472,809	\$188,628,549	\$192,735,717	\$196,069,840	\$199,865,284
Total Expenditures	\$179,967,710	\$185,135,796	\$186,992,626	\$192,120,951	\$197,781,950	\$203,267,239	\$207,425,111	\$211,854,682
FY Surplus/Deficit	\$496,349	(\$2,174,622)	(\$5,761,133)	(\$7,648,142)	(\$9,153,401)	(\$10,531,522)	(\$11,355,270)	(\$11,989,398)
Fund Balance	\$521,771	(\$1,652,851)	(\$7,413,984)	(\$15,062,127)	(\$24,215,528)	(\$34,747,049)	(\$46,102,320)	(\$58,091,718)



Workforce

Workforce Overview

- District employees are members of one of five bargaining units and all of the District's bargaining units except Act 93 employees have contracts that will expire by June 2016:

Bargaining Unit	Total Members 2015-16	Contract Expiration
Erie Education Association	887	June 30, 2014
Erie Educational Secretaries and Support Professionals	54	June 30, 2014
Operating Engineers Local #95	40	June 30, 2016
Painters & Allied Trades Local #1968	205	June 30, 2016
Act 93/Administrative Personnel	94	June 30, 2018
Total	1,335	

Note: Data based on report from District provided on 6/13/2016.

Erie Education Association

- The EEA contract expired in 2014 and bargaining is proceeding, but there is a lack of agreement on key terms
 - The bargaining unit has rejected the District's retiree health care offer
 - Surrounding districts offer retiree health care to age 65 at COBRA rate; allow retiring teachers to apply sick leave payout to that rate
 - \$110/day up to \$25,000, put in HRA
 - ECSD offers \$80/day on sick leave payout, but pays all retiree health care costs to age 65
 - If shifted to the regional model for new retirees, would save ~\$500,000 per year, increasing to \$3.0 million annually over six years
- If the District is unable to negotiate a 3-tier health care agreement with EEA, all of the other bargaining units can default back to a 1-tier health plan
 - The estimated cost of the bargaining units all returning to the 1-tier health plan is between \$80,000 and \$180,000

Wage Increases

- Given the District's upcoming labor negotiations, it is likely that the District will experience some growth in compensation during the projected years
- The table below shows the cost of 2.0 percent annual increases in salaries beginning in 2016-17 net of retirement costs and reimbursement

	2016-2017	2017-2018	2018-19	2019-2020	2020-21	2021-22
	Projected	Projected	Projected	Projected	Projected	Projected
Annual Impact	\$1,347,459	\$2,890,010	\$4,473,422	\$6,094,914	\$7,729,659	\$9,405,777

- The alternative initiative below estimates the cost of the increases beginning in 2017-18; this version is included in the projection scenario on slide 20

	2016-2017	2017-2018	2018-19	2019-2020	2020-21	2021-22
	Projected	Projected	Projected	Projected	Projected	Projected
Annual Impact	\$0	\$1,515,365	\$3,071,033	\$4,664,217	\$6,270,114	\$7,916,795



General Services

Transportation

- District's Current Transportation Arrangement:
 - 2,500* non-charter school students use Erie Metropolitan Transit Authority (EMTA) passes provided by the District
 - Charter students are bused by District using contract services
 - The District directly provides busing for District's special education students
- District's Proposed Transportation Plan
 - District is working with EMTA to eliminate charter school busing and provide passes in 2016-17, which is estimated to save ~ \$250,000
 - District also proposed increasing the busing distance for elementary students from 1.0 miles to 1.5 miles in 2016-17, estimated to save ~ \$300,000

* Includes non-charter and non-public student transportation

Note: The savings from the proposed changes to transportation are included in the District's 2016-17 budget.



Capital/Buildings

Current District Configuration

- For 2016-17, the District anticipates:
 - 7 K-5 or Pre-K-5 elementary schools
 - 5 K-8 or PreK-8 schools
 - 2 6-8 middle schools
 - 4 high schools (2 comprehensive, one vo-tech, one magnet)
 - Cyber school with a campus at the vo-tech
 - City residents also attend 4 brick & mortar charter schools, 6 cyber charters, parochial and private schools
- In 2012-13 the District completed a facilities Optimization Plan produced by McKissick Associates InSights and LPCiminelli Solutions
 - However the District's finances and debt capacity would not accommodate the additional borrowing required to carry out the recommendations
 - Plan options ranged in cost from approximately \$270-\$306 million (in 2013 dollars)
 - All Plan options assumed the closing and reconfiguration of the District's schools
 - Since the development of the Plan, the District has closed three schools, one which was sold; the other two remain with the District for overflow

Building Efficiency – Steam Boilers

- Due to City ordinance, the District must maintain full-time building engineers (sometimes called “firemen”) on duty at each of six buildings with a steam boiler
 - Engineers earn ~ \$70,000 plus overtime
- Board passed 1997 resolution requiring certified boiler-tenders in all buildings
 - If the District could use the head custodian job title in buildings without steam boilers, would save ~ \$180,000 per year
- The District has a preliminary report from Siemens on a potential ESCO project that would retire steam boilers
 - This could save the District ~ \$350,000 in annual salary costs at schools with steam boilers
 - However, savings might be offset by other ESCO elements

Note: Savings estimated by the District.

Debt and Cash Flow Issues

- Major current concern is imminent downgrade by S&P making letter of credit (LOC) and SWAP callable
 - Variable rate bonds with a cost of approximately \$9.6 million, payable within 30 days
 - News on downgrade due week of June 14, 2016
 - Meeting with PNC on June 21st, 2016
- If the District is downgraded, they could be responsible for paying back \$9.6 million within 30 days
- The District has received only one bid for its 2016-17 TRAN, which would involve interest cost of \$500,000 for a \$15m loan

General Debt Information

- The District has about \$79 million in principal amount of debt outstanding
- The net annual debt service payment is just under \$8 million
- Debt is a combination of fixed and variable rate, with large variable-to-fixed rate SWAP
- Limited options available to benefit from refunding/restructuring debt
- Cafeteria Fund has some callable bonds, but benefit would stay within the Fund if transaction happens now
- District has a SWAP agreement that it would like to exit if market conditions were right and funds were available



Education

Key Issues

- The District is currently exploring the following initiatives to improve educational outcomes and increase program efficiency:
 - Bringing special education students back in to the District, including students in out-of-district placements
 - See following slide for a breakdown of estimated charter enrollment and tuition for 2015-16
 - Moving alternative education programs in house or outsource programs
 - District maintains an online alternative education option for high school students
 - Currently contracting with the Sarah A. Reed Children's Center for hybrid elementary/middle school program with Sarah Reed providing counseling and facilities for grades 3-8
 - Regional vocational education consolidation opportunities
 - Expanding the District's in-house cyber school
 - Full implementation of the K-8 model
 - Block scheduling (recently implemented)

Charter Schools

- 2016-17 Erie SD budget assumes charter school tuition costs grow by 8.5% and that the District's cyber school enrollment is flat
- Erie SD 2015-16 charter tuition totals are based on District estimates:

Charter Enrollment	Regular	Special Education	Total
ADM	1,684	421	2,105
Tuition Rate	\$9,089	\$17,039	
Total Payment	\$15,306,194	\$7,177,267	\$22,483,461



Possible Areas of Financial Improvement

Additional Areas for Financial Improvement

- The District could explore the following options to improve the budget and the District's facilities in the coming years:
 - Stabilize and eventually reduce charter school enrollment
 - Negotiate health care cost containment for retired teachers
 - Reduce the hourly overtime rate
 - Pursue ESCO project to replace steam boilers
 - Develop alternative plans to address capital needs and right-size the District's facilities
 - Continue to right-size staffing levels
 - Continue to seek payments in lieu of taxes (PILOTs)
 - District received \$1.4m in payments in 2014-15, anticipates \$1.27m in 2015-16, and budgeted \$1.24m in 2016-17
 - Explore the option of contracting out maintenance services

Stabilization of Charter Enrollment

- Stabilize or Reduce Charter Enrollment
 - The District recently hired a Principal responsible for compliance, alternative education, and the District's cyber school to help bring students back in to the District
 - The District should develop a plan, with specific targets for the total number of students they plan to bring back to the District each year over a five year period starting in 2016-17
 - The District's cyber school only serves upper middle and high school students but about half of their out-of-district placements are in K-8 cyber charter schools
 - The District should explore the feasibility and cost of adding elementary programs to its cyber school

Health Care and Overtime Cost Containment

- Health care cost containment
 - The District is working to negotiate a 3-tier health care plan with EEA and a retiree health benefit plan for future retirees that is comparable to surrounding school districts
 - The District needs to finalize these negotiations soon to ensure that the “me too” clause in the other bargaining agreements does not push the other bargaining units back in to a 1-tier, more expensive health care plan
- Overtime cost containment
 - The District aims to reduce the overtime rate (currently \$31/hour) for employee overtime unrelated to instruction (i.e. bus duty)
 - The District should continue to pursue this in its current negotiations with bargaining units

Replacement of Steam Boilers

- Pursue ESCO project to replace steam boilers
 - It may be difficult to change the “fireman” requirement in the absence of a broader HVAC shift. If the District can put together an ESCO project aimed at replacing the steam boilers in all of the buildings, that would phase out those positions and provide additional energy savings