



# Board of Education



## Budget Presentation

Thursday,  
April 26, 2007

# Budget Overview 2007-08

- ◆ We have financial challenges:
  - ✓ We're not alone
  - ✓ Declining enrollment
  - ✓ Reliance on State of Michigan for funding
  - ✓ Foundation allowance not keeping up with inflation
  - ✓ Retirement and health care costs
  - ✓ Special Education tuition
  - ✓ Utility costs
  - ✓ Wage costs
- ◆ Bottom line is:
  - ✓ Our revenues are declining
  - ✓ Our expenditures are increasing

# Budget Overview 2007-08

- ◆ Funding is based upon:
  - ✓ Number of students
  - ✓ Foundation allowance per student
- ◆ Number of Students:
  - ✓ February Count (25%)
  - ✓ September Count (75%)
  - ✓ 25/75 Blend
  - ✓ Fewer students means less revenue
- ◆ Foundation Allowance:
  - ✓ Amount received for each student
  - ✓ Current year amount is \$9,236
  - ✓ Has not kept up with inflation
  - ✓ Any increase is dependent upon State of Michigan's economic performance

# Budget Overview 2007-08

- ◆ Foundation Allowance is comprised of:
  - ✓ Non-Homestead Millage
  - ✓ Hold Harmless Millage
  - ✓ State of Michigan
- ◆ The financial magnitude of student loss is significant:

<u>Student Loss</u>	<u>Revenue Loss</u>
- 1 student	- \$ 9,236
- 10 students	- 92,360
- 100 students	- 923,600
- 150 students	- 1,385,400
- 200 students	- 1,847,200
- 250 students	- 2,309,000
- 300 students	- 2,770,800

- ◆ Districts cannot generate additional operating revenues through millage elections

# Budget Overview 2007-08

- ◆ State of Michigan's Economy
  - ✓ State School Aid Fund provides revenue to all public schools
    - Foundation Allowance
    - Categorical Programs
  - ✓ The State makes financial commitments to schools based upon revenue projections
    - Increases in Foundation Allowance
    - Increases in Categorical Programs
    - New Categorical Programs
  - ✓ If revenue projections are lower than anticipated. . . money previously promised to schools is taken away. This is called a State Aid Proration
- ◆ Current School Year:
  - ✓ A significant State School Aid Fund shortfall is projected
  - ✓ Proration of \$90 - \$125 per student is possible

# Budget Overview 2007-08

- ◆ All school districts are “people intensive” organizations
  - ✓ Overwhelming share of expenditures are salaries and benefits
  - ✓ Health insurance and retirement costs pose significant challenges
- ◆ Utility costs impact us just like homeowners
- ◆ To recap:
  - ✓ We are a declining enrollment district
  - ✓ Our revenue is primarily based upon student enrollment
  - ✓ We lose students, we lose revenue
  - ✓ We rely on the State of Michigan for funding
  - ✓ State of Michigan financial problem = our financial problem
  - ✓ And . . . expenditures continue to rise

# Budget Overview 2007-08

- ◆ Long Range Forecasting is critical:
  - ✓ Enrollment forecast
  - ✓ Five year financial forecast
- ◆ Long Range Forecasting:
  - ✓ Identifies financial problems before they occur
  - ✓ Allows for proactive decision making
  - ✓ We have used this model effectively
- ◆ Doing nothing is not an option
  - ✓ Operating deficiency will continue to grow

# Budget Overview 2007-08

- ◆ Fund Equity
  - ✓ Needed for the following reasons
    - Cash Flow
    - Prevents borrowing
    - Unforeseen emergencies
    - Interest revenue
  - ✓ Designated for specific purposes
    - Carryover
  - ✓ One-time money
    - Not to be used for on-going expenditures
  - ✓ Target goal of 15% of expenditures
- ◆ We have used fund equity as a means to preserve program
  - ✓ We reduced fund equity in 2005-06
  - ✓ We will reduce fund equity again in 2006-07
  - ✓ We plan to reduce fund equity again in 2007-08

# General Fund 2007-08 Budget Guidelines

- ◆ We began budget development with a projected \$5 million shortfall
- ◆ Focus on operating deficiency
  - ✓ Difference between revenues and expenditures
- ◆ Recognition of favorable budget variance
  - ✓ Averages \$1,500,000
- ◆ Recommendation of an operating deficiency target goal of (\$1,000,000)
  - ✓ Finance Committee discussion
  - ✓ Utilize fund equity
  - ✓ Means to maintain instructional programs

# General Fund 2007-08 Revenue Status

- ◆ Declining enrollment is one of our biggest financial challenges
- ◆ Projected student count of 5,397
  - ✓ 25/75 Blend
  - ✓ Reflects anticipated loss of 209 students
  - ✓ Loss of approximately \$1.9 million in foundation revenue
- ◆ Projected per pupil foundation allowance of \$9,236
  - ✓ No increase over current year
  - ✓ Unfortunately, this may be a best case scenario
- ◆ Projected hold harmless millage rate of 2.943 mills
  - ✓ Estimated reduction of approximately .05 mills
- ◆ Projected revenues of \$59.8 million
  - ✓ We will have less revenue next year than we have this year

# General Fund Expenditures 2007-08 Recommendations

- ◆ Savings from building consolidation
- ◆ Additional overhead costs of opening “new” buildings:
  - ✓ Larger (square footage) elementary
  - ✓ Larger (square footage) middle school
- ◆ Reduce allocations for the following by 10%:
  - ✓ Supplies and Materials
  - ✓ Capital Outlay
  - ✓ Field Trips

# General Fund Expenditures 2007-08 Recommendations

- ◆ MPERS Retirement Rate:
  - ✓ Determined by the State of Michigan
  - ✓ Paid on all reportable wages
  - ✓ Anticipated rate reduction for next year:
    - Rate is projected to be 16.72% of wages
    - Depends upon legislative action to revalue MPERS investment holdings
  - ✓ Budgeted expenditure of \$6.0 million
- ◆ Social Security Rate:
  - ✓ We are required to pay the employers share
  - ✓ Rate unchanged at 7.65% of wages
  - ✓ Budgeted expenditure of \$2.7 million
- ◆ Collectively, the required retirement and social security contributions:
  - ✓ Equals 24.37% of wages
  - ✓ \$8.7 million of General Fund expenditures

# General Fund Expenditures 2007-08 Recommendations

- ◆ Health Insurance:
  - ✓ Anticipated rate increase of less than 3%
  - ✓ Better than expected
- ◆ History of Health Insurance Premium Increases:

2007-08	less than 3% (est)
2006-07	1.96%
2005-06	12.00%
2004-05	17.34%
2003-04	11.94%
2002-03	15.70%
- ◆ Budgeted expenditures for fringe benefits:
  - ✓ Exceeds \$8.1 million

# General Fund Expenditures 2007-08 Recommendations

- ◆ We face significant staff reductions:
  - ✓ Administrative
  - ✓ Teaching
  - ✓ Instructional Support
  - ✓ Secretarial
  - ✓ Paraprofessional
  - ✓ Custodial
  - ✓ Maintenance
  - ✓ Hall Guards
- ◆ Programs for students will be maintained

# General Fund Expenditures 2007-08 Recommendations

- Staff reductions:

<u>Elementary</u>	<u>FTE</u>
Administrators	(2.0)
RCRTs	(2.0)
PYP Coordinator	0.5
Classroom Teachers	(5.5)
Specials:	
Physical Education	(0.6)
Vocal Music	(0.8)
Instrumental Music	(0.2)
Art	(0.3)
Foreign Language	(0.2)

# General Fund Expenditures 2007-08 Recommendations

<u>Middle School</u>	<u>FTE</u>
Administrators	(1.0)
Counselors	(0.5)
Media Specialist	(1.0)
RCRTs	(1.0)
Classroom Teachers	(2.0)
Specials:	
Physical Education	(1.0)
Vocal Music	(0.6)
Instrumental Music	(0.4)
Art	(0.1)

# General Fund Expenditures 2007-08 Recommendations

## High School

## FTE

Counselors

(0.5)

Classroom Teachers

(4.3)

## Special Education

Classroom Teachers

(3.5)

Speech Therapist

(0.5)

Psychologist

(1.0)

Social Work

(1.4)

Physical Therapist

(0.6)

Occupational Therapist

(0.8)

# General Fund Expenditures 2007-08 Recommendations

<u>Instructional Support Staff</u>	<u>FTE</u>
Elementary Secretarial	(2.0)
Elementary Media Tech	(2.0)
Middle School Secretarial	(1.0)
<u>Support Staff</u>	
Hall Supervisors – High School	(2.0)
Custodian High School	(1.0)
Custodian Keller Elementary	(1.0)
Skilled Maintenance	(1.0)
Central Office Secretarial	(1.0)

# General Fund Projected Operating Deficiency 2007-08

Projected Revenue	\$59,788,572
Projected Expenditures	<u>62,845,810</u>
Operating Deficiency	(\$3,057,238)
Projected Favorable Budget Variance	1,500,000
Recommended Use of Fund Equity	<u>1,000,000</u>
Net Operating Deficiency	<u>(\$ 557,238)</u>

# Special Education Center Program Fund 2007-08

- ◆ Accounts for the revenue and expenditure activities for the special education services provided to eligible center program students
- ◆ Revenues include:
  - ✓ State categorical revenue
  - ✓ State foundation revenue
  - ✓ Tuition revenue
  - ✓ General Fund incoming transfer
- ◆ Expenditures include:
  - ✓ Program operation
  - ✓ Tuition payments for resident students sent to other districts
    - Approximately \$2.2 million

# Special Education Center Program Fund 2007-08

- ◆ Closure of one (1) Hearing Impaired classroom:
  - 1.0 fte Teacher
  - 1.0 fte Paraprofessional
- ◆ POHI Program:
  - 0.5 fte Teacher
  - 1.0 fte Paraprofessional
- ◆ Ancillary Staff:
  - 0.4 fte Physical Therapist
  - 0.2 fte Occupational Therapist
  - 0.3 fte Speech Therapist
  - 0.1 fte Adaptive PE
  - 0.4 fte Professional Other

# Athletic Fund 2007-08

- ◆ Accounts for the co-curricular athletic activities of the District
  - ✓ Middle School
  - ✓ High School
- ◆ Primarily supported by the General Fund
  - ✓ Transfer of approximately \$700,000
  - ✓ Other revenues include:
    - Gate Receipts
    - Self-funded sport contributions

# Athletic Fund 2007-08 Recommendations

- ◆ Increase in ticket prices of \$1
  - ✓ \$5 adult
  - ✓ \$4 student
- ◆ Continue gate receipt value options:
  - ✓ Student Annual Pass \$40
  - ✓ Family Annual Pass \$80
  - ✓ Punch Card (10 events) \$30
- ◆ Continue to offer the same athletic opportunities as in current year



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# Athletic Fund 2007-08 Recommendations

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- ◆ Elimination of an assistant coach in boys and girls swimming
- ◆ Middle School consolidation savings of approximately \$40,000
- ◆ Advertising will be pursued as an opportunity to raise revenue
- ◆ Sport camps run and operated by the District in Summer of 2008



# Athletic Fund 2007-08 Recommendations

- ◆ Items for further consideration:
  - ✓ Pay to participate
  - ✓ Gymnastics Assistant Coach
  - ✓ Bowling as a self-funded sport

# Community Service Fund 2007-08

- ◆ Accounts for the revenue and expenditures of the preschool, childcare, latchkey and alternative education programs
- ◆ Revenue is generated from:
  - ✓ Program tuition and fees
  - ✓ Pupil membership
  - ✓ MSRP State Program
  - ✓ Building Rental
  - ✓ General Fund Transfer

# Community Service Fund 2007-08 Recommendations

- ◆ Increase monthly tuition for fee-for-service programs
  - ✓ Offset increased cost of “doing business”
  - ✓ Approximately a 3% increase
  - ✓ May need adjustment in Latchkey rates to reflect possible change in elementary school start time
- ◆ Elimination of the Infant Program
  - ✓ Revenue does not cover costs of operation
  - ✓ Low staff to student ratio of 1:4
  - ✓ Children age 2 ½ and younger

# Community Service Fund 2007-08 Recommendations

- ◆ Overhead savings from closure of Lincoln ECC
  - ✓ Custodial
  - ✓ Utilities
  - ✓ Maintenance of the facility
  - ✓ Savings of approximately \$140,000



# Debt Retirement Fund 2007-08



- ◆ Accounts for tax collections and interest revenue used for payment of principal and interest on bonded debt
- ◆ No change in debt retirement millage rate
  - ✓ 4.71 mills