




Board of Education Budget Workshop

Saturday,
February 5, 2011





Agenda



1. Budget Timeline
2. Projected Budget Shortfall
 - Operating Deficiency
3. Financial Overview – Significant Impact Items
 - Revenues
 - Expenditures
 - Fund Equity
4. Budget Recommendations
5. Budget Considerations
6. Facility Maintenance
 - Identified Building Needs
 - Funding Options
7. Other Information
 - Five Year Financial Forecast
 - Program Cost Report

BUDGET TIMELINE

January 3 – April 29

Budget preparation

April 29

Recommended budget developed

May 26

Public Hearing and Millage Rate adoption

June 9

Budget adoption

OPERATING DEFICIENCY

- Operating deficiency is the difference between revenues and expenditures
 - Also referred to as a Structural Deficit
- Budgetary approach will focus on operating deficiency
- Operating deficiency can be eliminated or reduced through:
 - Additional revenue
 - Reduced expenditures
 - ✓ Program restructuring
 - ✓ Program elimination
 - ✓ Cost containment initiatives
 - Good News

OPERATING DEFICIENCY

- Projected operating deficiency for 2011-12:

| | |
|---------------------------------------|-----------------------------|
| Projected Revenue | \$54,510,259 |
| Projected Expenditures | <u>58,552,897</u> |
| Projected Operating Deficiency | <u>\$(4,042,638)</u> |

- This projected operating deficiency will fluctuate as additional information is received
 - Governors budget recommendation to be delivered February 17
 - Michigan Business Tax
 - MPSERS Rate
 - Community College shift
 - Proration
 - Other
 - Health Insurance rates

FINANCIAL OVERVIEW

Significant Impact Items

Enrollment

- We are projected to be a declining enrollment district
- Funding is based upon student enrollment
- 25/75 Blended Count
 - 25% previous February Count
 - 75% of current September Count
- Projected student decline (head count) is as follows:

| | <u>Resident</u> | <u>SOC</u> | <u>Total</u> |
|---------|-----------------|------------|--------------|
| 2011-12 | (51) | (37) | (88) |
| 2012-13 | (16) | (25) | (41) |
| 2013-14 | (19) | (30) | (49) |
| 2014-15 | 11 | (20) | (9) |
| 2015-16 | (17) | (16) | (33) |

FINANCIAL OVERVIEW

Significant Impact Items

Enrollment

- Blended count – Student loss

| | |
|----------------|-----------------|
| 2011-12 | (108.50) |
| 2012-13 | (48.38) |
| 2013-14 | (47.37) |
| 2014-15 | (15.25) |
| 2015-16 | (30.50) |

- Student loss = revenue loss

FINANCIAL OVERVIEW

Significant Impact Items

Foundation Allowance

- Revenue generated for each student
- Comprised of three components:
 - Non-Homestead Millage
 - Hold Harmless Millage
 - State of Michigan
- Projected 2011-12 per pupil funding:

| | |
|-----------------------------|----------------|
| Per Pupil Foundation | \$9,078 |
| Projected Proration | <u>(273)</u> |
| Projected Per Pupil Funding | <u>\$8,805</u> |
- Over 83% of revenue is comprised of foundation allowance (# of students x Per Pupil Foundation Allowance)

FINANCIAL OVERVIEW

Significant Impact Items

- Loss in revenue resulting from student enrollment:

| | |
|----------------------|-------|
| Blended Student Loss | 108.5 |
|----------------------|-------|

| | |
|-----------------------------|----------------|
| Projected Per Pupil Funding | <u>\$8,805</u> |
|-----------------------------|----------------|

| | |
|---------------------|-------------------------|
| Revenue Loss | <u>\$955,343</u> |
|---------------------|-------------------------|

- Loss in revenue from proration:

| | |
|----------------------|----------|
| Projected Enrollment | 5,171.50 |
|----------------------|----------|

| | |
|---------------------|--------------|
| Projected Proration | <u>\$273</u> |
|---------------------|--------------|

| | |
|---------------------|---------------------------|
| Revenue Loss | <u>\$1,411,820</u> |
|---------------------|---------------------------|

FINANCIAL OVERVIEW

Millage Rates

- Hold Harmless Millage Rate
 - Paid by homeowners
 - Generates \$851 per student
 - Projected rate:

| | |
|--------------------|---------------------|
| 2011-12 | 3.0605 mills |
| 2010-11 | <u>3.0212</u> mills |
| Projected Increase | 0.0393 mills |

- Millage rate increase results from decline in taxable valuations and is mitigated by the loss in students
- Authorized millage rate is 3.5030 mills
- Non-Homestead millage rate is expected to remain unchanged at 18.0 mills

FINANCIAL OVERVIEW

Significant Impact Items

Interest Earnings

- Revenue generated from invested cash
- Steadily declined:
 - Less cash available to invest
 - Lower interest rate environment
- Interest revenue History:

| | | |
|---------|-------------|----------|
| 2006-07 | \$1,065,001 | actual |
| 2007-08 | 617,720 | actual |
| 2008-09 | 170,137 | actual |
| 2009-10 | 28,890 | actual |
| 2010-11 | 50,000 | budgeted |

FINANCIAL OVERVIEW

Significant Impact Items

PA 18 Funding

- County-wide Special Education Millage
- Distributed to local districts by Oakland Schools based upon a formula that:
 - Penalizes for efficiency
 - Rewards overspending
- Tax revenue generated will decline significantly due to lower taxable values
- Our PA 18 allocation is projected to be as follows:

| | <u>Allocation</u> | <u>Change</u> |
|----------------|-------------------|------------------|
| 2009-10 | \$4,926,074 | - |
| 2010-11 | 4,535,000 | (\$391,074) |
| 2011-12 | 3,746,000 | (789,000) |
| 2012-13 | 3,393,080 | (352,920) |
| 2013-14 | 3,392,189 | (891) |
| 2014-15 | 3,471,349 | 79,160 |

FINANCIAL OVERVIEW

Significant Impact Items

Federal Revenue

- 2010-11 budgeted at \$2,925,870
 - Includes one-time Stimulus Funding
- 2011-12 Federal revenue is projected at \$2,158,362
 - No Federal Stimulus revenue for:
 - Stabilization
 - IDEA
 - IDEA Preschool
 - Title I
 - Education Jobs funding is available
 - Allocation of \$603,167
 - One-time funding
 - Recommended to be used in 2011-12

FINANCIAL OVERVIEW

Significant Impact Items

Wages

- Current year budgeted amount for all groups is \$28,438,000
- Increments are an annual cost
 - 1/2 steps in ROEA contract
- Represents approximately 48% of total budgeted expenditures 2010-11
- Wages are negotiated:
 - Four bargaining units
 - Unclassified employees

FINANCIAL OVERVIEW

Significant Impact Items

Fringe Benefits

- Current year budgeted amount for all groups is \$7,923,000
- Includes health, dental, vision, life and LTD
- Largest component is health insurance
 - Projected increase in premiums is 10%
 - Yields a cost increase of \$664,000
- Represents approximately 13% of total budgeted expenditures in 2010-11
- Fringe benefits are also negotiated

FINANCIAL OVERVIEW

Significant Impact Items

Retirement

- Districts must make mandatory contributions to the Michigan Public School Employees Retirement System (MPSERS)
 - Paid as a percentage of reportable wages
 - Budgeted expenditure is \$5,708,000

- MPSERS recent rate history

| | | |
|----------------|---------------|-----------|
| 2007-08 | 16.72% | |
| 2008-09 | 16.54% | |
| 2009-10 | 16.94% | |
| 2010-11 | 20.66% | |
| 2011-12 | 26.66% | projected |

FINANCIAL OVERVIEW

Significant Impact Items

Retirement

- Each 1% increase in the retirement rate = \$284,000
 - A 6% increase in the rate is expected
 - Will increase expenditures by \$1,706,000
- This devastating increase in the MPSERS rate is the result of:
 - Fewer active employees
 - Cost of the Retirement incentive
 - Investment performance
 - Reconciliation

FINANCIAL OVERVIEW

Significant Impact Items

Social Security

- Current rate and budgeted expenditures are as follows:
 - Rate is 7.65% of wages
 - Budgeted expenditure is \$2,232,000 in 2010-11
- Employer portion of the rate is expected to be the same for next year

FINANCIAL OVERVIEW

Significant Impact Items Summary

The Big Five

- Student loss
- State Funding
- PA18 Special Education funding
- Health Insurance Premiums
- Retirement Costs

FINANCIAL OVERVIEW

FUND EQUITY

- Importance
 - Cash Flow
 - Prevents borrowing
 - Interest revenue
 - Emergencies
- Target Goal
 - Auditor's recommendation
 - Board of Education established target of 15%
- Appropriate Use
 - One-time money
 - Designated for specific purposes
 - Not for on-going expenditures

FINANCIAL OVERVIEW

FUND EQUITY

- Recent fund equity trend:

| | | |
|---------|--------------|-----------|
| 2004-05 | \$16,102,569 | |
| 2005-06 | 14,224,820 | |
| 2006-07 | 11,873,015 | |
| 2007-08 | 12,106,196 | |
| 2008-09 | 6,331,051 | |
| 2009-10 | 6,770,273 | |
| 2010-11 | 6,161,557 | projected |

- 2010-11 budget will be amended in April
 - Expect fund equity to be higher after amendment
- We must strategically use fund equity during budget development

GENERAL FUND BUDGET RECOMMENDATIONS 2011-12

- Eliminate Director, Maintenance and Transportation Services position (-1.0 fte) \$128,000
- Eliminate Secretarial position at MTC (-1.0 fte) 73,000
- Increase class size – all levels
 - Elementary – 30 (-6.0 fte) 412,000
 - ROMS – 35 TBD
 - ROHS – 35 TBD
- Restructure ROHS Attendance Office 55,000
 - Eliminate teacher position (-0.8 fte)
- Eliminate NCA teacher position at ROHS (-0.2 fte) 14,000
- Eliminate Student Government teacher position at ROHS (-0.2 fte) 14,000

GENERAL FUND BUDGET RECOMMENDATIONS 2011-12

- Tighten teacher schedules
 - Vocal and Instrumental Music TBD
- Eliminate all low enrollment classes TBD
 - Establish minimum class size
- Keller IB Program \$137,000
 - Higher class sizes will be necessary
 - This item represents cost avoidance
- Eliminate ROYA contribution 20,000
- Implement Club and Activity Fee TBD
 - ROMS
 - ROHS
- Eliminate Enrichment Program 10,000
- Restructure clerical duties at Administrative Offices (-1.0 fte) 98,000

GENERAL FUND BUDGET RECOMMENDATIONS 2011-12

- Establish minimum participation levels for clubs
- Restructure Churchill Community High School Administration \$27,000
- Formalize an advertising initiative
 - Revenue generation
- Increase Student Parking Fees at ROHS 8,000
- Increase charges for Fee-for-Service Programs 31,000
 - Acorn
 - Young Oaks
 - Preschool
 - Childcare
 - Summer Camps
- Restructure Athletic Pay-to-Participate at ROMS 7,000
 - Per sport fee

GENERAL FUND BUDGET CONSIDERATIONS 2011-12

- Increase fees for Open Swim and Swim program \$9,000
- Eliminate All-Day Kindergarten program (-3.0 fte) 206,000
- Eliminate IB Program at Keller Elementary 178,000
 - Cost of no combination classes (-2.0 fte)
 - Coordinator (-0.5 fte)
 - Fee
- Discontinue efforts for Middle Years Program (MYP) (-0.5 fte) 34,000
- Reduce supply, material, and capital outlay allocations by 5% 70,000

GENERAL FUND BUDGET CONSIDERATIONS 2011-12

- Shared principal – Elementary Schools \$468,000
 - One principal for two buildings (-3.0 fte)
- Shared assistant principal – ROMS/ROHS (-1.0 fte) 148,000
- Piano accompanists – self funded 14,000
- Phase out IB participation – Bloomfield Hills
 - Savings begin in 2012-13 - \$40,000 annually in each of the first four years
- Restructure Foreign Language program 172,000
 - Elementary and Middle School
 - Cost avoidance (2.5 fte)
- Privatize secretarial, clerical, and technical staff TBD

GENERAL FUND BUDGET CONSIDERATIONS 2011-12

- Privatize technology services TBD
- Privatize Special Education ancillary staff where allowable TBD
- Eliminate funding for Police Liaison Officer \$70,000
- Combine Accounting Manager and Accountant Positions (-1.0 fte) 100,000
- Restructure clerical duties at ROHS (-1.0 fte) 73,000
- Eliminate one wrestling coach at ROMS 3,500
- Combine football teams at ROMS 8,000

GENERAL FUND BUDGET CONSIDERATIONS 2011-12

- Golf team at ROHS (boys and girls) \$13,000
 - Fund coaches only
 - Self-funded program
 - Eliminate
- Eliminate conditioning of plumbing system throughout the District 30,000

Facility Needs

- Facility assessment was completed in September 2009
 - Sites
 - Buildings
 - Roofs
 - Mechanical
 - Electrical
- 2005 Bond Issue and subsequent property sales did not provide sufficient funding

Facility Needs

- Facility assessment estimated the cost of the many building and site needs:

| | |
|------------|----------------------------|
| Site | \$2,870,105 |
| Building | 5,331,170 |
| Roofing | 1,470,773 |
| Mechanical | 8,106,143 |
| Electrical | <u>284,319</u> |
| Total | <u><u>\$18,062,510</u></u> |

- The District has no funding source to address the identified building and site projects

Facility Needs

Funding Options

1. Sinking Fund Millage

- Voter approval required
- Up to 5 mills
- No more than 20 years
- Provides stream of tax revenue with no interest costs
- Used for major building renovations and repairs
- Recommended option of the Finance Committee and the Building and Site Committee

Facility Needs

Funding Options

2. Bond Issue

- Voter approval required
- Provides a one-time influx of funding
- Interests costs are incurred
- Used for major building renovations and repairs
- Millage levied to pay principal and interest

3. Find Funding Within General Fund Budget

- No millage election
- Deeper program cuts must happen to free up funding
- Will be insufficient to address the needs