



ORDER
ADOPTING THE THIRD AMENDED FISCAL YEAR 2012-2013 BUDGET
FOR THE SCHOOL DISTRICT OF THE CITY OF DETROIT

Order 2013-EMRR-21

BY THE POWER AND AUTHORITY VESTED IN THE EMERGENCY
MANAGER FOR THE SCHOOL DISTRICT OF THE CITY OF DETROIT,
MICHIGAN (“EMERGENCY MANAGER”) PURSUANT TO MICHIGAN’S
PUBLIC ACT 436 OF 2012, THE LOCAL FINANCIAL STABILITY AND
CHOICE ACT;

ROY S. ROBERTS, THE EMERGENCY MANAGER,
ISSUES THE FOLLOWING ORDER:

Whereas on March 28, 2013, the Local Financial Stability and Choice Act, Public Act 436 of 2012, (“Public Act 436”) became effective and was enacted to, among other matters, safeguard and assure the financial accountability of local units of government and school districts; to preserve the capacity of local units of government and school districts to provide or cause to be provided necessary services essential to the public health, safety, and welfare; to provide for review, management, planning, and control of the financial operation of local units of government and school districts and the provision of services by local units of government and school districts; to provide for the appointment and to prescribe the powers and duties of an emergency manager for a local unit of government or school district; and to provide for the modification or termination of contracts under certain circumstances; and

Whereas Public Act 436 replaced and succeeds the Local Government Fiscal Responsibility Act of 1990 (“Public Act 72”) and any existing Emergency Financial Managers appointed and serving immediately prior to the effective date of Public Act 436 shall continue under Public Act 436 as an emergency manager for the local government; and

Whereas, pursuant to that certain contract titled *Contract For Emergency Manager Services* dated March 28, 2013, between Governor Rick Snyder and Roy S. Roberts, Roy S. Roberts was affirmed as the Emergency Manager under Public Act 436 for the School District of the City of Detroit (the "District"); and

Whereas, pursuant to Public Act 436, the Emergency Manager acts in place of local officials, specifically the Detroit Board of Education and the Chief Administrative Officer of the District, and unless the Emergency Manager delegates specific authority; the Emergency Manager is empowered to exercise any powers of the Chief Administrative Officer and/or the Board under the Revised School Code, State School Aid Act; or any other law which prescribed authority to the local Superintendent or school board; and

WHEREAS, the District's Fiscal Year 2012 - 2013 Budget was approved as of June 27, 2012 by the Emergency Manager, to be effective as of July 1, 2012 (the "2013 Budget"); and

WHEREAS, the 2013 Budget may be revised and/or amended to more accurately reflect the changes in revenues and/or expenditures as deemed necessary by the Emergency Manager in accordance with Public Act 436; and

WHEREAS, the 2013 Budget was previously amended by that certain Order 2013 -EFMRR-10 Adopting the Amended Fiscal Year 2012-2013 Budget for the School District of the City of Detroit dated October 12, 2012 and further amended by that certain Order 2013-EFMRR-14 Adopting the Second Amended Fiscal Year 2012-2013 Budget for the School District of the City of Detroit dated November 28, 2012; and

WHEREAS, the Emergency Manager has deemed it necessary to further revise and amend the FY 2013 Budget as more particularly set forth in the Third Amended FY2013 Budget for the School District of the City of Detroit attached hereto as Exhibit "A" (the "Third Amended Fiscal Year 2012- 2013 Budget").

NOW, THEREFORE IT IS HEREBY ORDERED THAT:

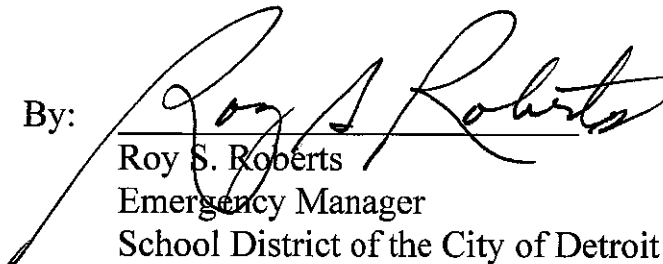
1. Pursuant to the powers granted under Public Act 436, the Emergency Manager hereby adopts the Third Amended FY 2012 - 2013 Budget in the form attached hereto as Exhibit "A".

2. Pursuant to the powers granted under Public Act 436, this Order is issued and directed to the Board of Education for the School District of the City of Detroit, all administrators of the District and all employees of the District.

3. This Order may be amended, modified, repealed or terminated by any subsequent Order issued by the Emergency Manager.

Dated: March 28, 2013

By:



Roy S. Roberts
Emergency Manager
School District of the City of Detroit

Exhibit A



TO: Roy S. Roberts, Emergency Manager

FROM: William E. Aldridge, CPA, and Chief Financial Officer

SUBJECT: Fiscal Year 2013 Budget Amendment # 3

DATE: April 15, 2013

CC: Kevin A. Smith, Esq., Chief of Staff

Delores A. Brown, Deputy Chief Financial Officer/Chief Accounting Officer

Dennis L. Johnson, Executive Director, Office of Management & Budget

The Fiscal Year 2012-2013 (FY 2013) budget amendment No. 3 is based on a comprehensive review of actual and projected financial data and analysis. The following is a summary of the projected significant changes to the General Fund by function since the last budget amendment which was approved on November 28, 2012. Significant changes are defined as variances greater than or equal to 10% or variances greater than or equal to \$1,000,000.

REVENUES

Special Education Millage – Special education millage or ACT 18 revenue is comprised of funds received from the collection of property taxes collected by Wayne County Regional Educational Service Agency (Wayne RESA). The amended budget included \$42.7 million for the special education millage. DPS was recently informed of an overpayment of \$17.9 million relating to FY 2010. The overpayment was not previously recorded and therefore this overpayment reduced the projected ACT 18 revenue to \$24.8 million.

Property Tax Collections – The amended budget assumed a 91% property taxes collection rate or collection of \$74.8 million in property tax revenues. Current projections assume the District will have an 89% collection rate or collection of \$73.3 million, a reduction of \$1.5 million from the amended budget.

State Sources - Based on the March 2013 State Aid Financial Status Report, DPS has received \$23.5 million in prior year adjustments, which is \$22.5 million greater than anticipated.

- Proposition A Obligation - \$17.6 million
- Discretionary Payment - \$5.8 million
- Renaissance Zone - \$100,000

In addition, the Section 31a budget has been increased by \$8.2 million from \$26.8 million to \$35.0 million as a result of the Section 31a Carryover. In FY 2012, DPS over-accrued a liability for the State of Michigan Attendance Penalty that will result in \$2.9 million of additional revenues in FY 2013. These

April 15, 2013



increases are offset by a \$6.8 million reduction in Special Education funding, as a result of a prior period adjustment. Furthermore, the District will receive \$8.6 million for the MPSERS Cost Offset, which is \$810,000 lower than expected. Various other minor adjustments totaling \$80,000 account for the total change in this functional category.

Federal Sources – The Title I budget has been decreased by \$30.3 million from \$139.9 million to \$109.6 million, as a result of the removal of the Title I Carryover. The District’s Individuals with Disabilities Education Act (IDEA) budget has been reduced by \$1.3 million to bring the budget in line with the award amount. These decreases are offset by a \$4.2 million increase in the Title IIa budget to bring the budget in line with the base allocation. Various other minor adjustments totaling (\$315,000) account for the total change in this functional category.

EXPENDITURES

Instruction – DPS anticipates spending \$10.2 million less on Title I School Wide Teachers and \$6.7 million less on Title I No Child Left Behind expenses than the amended budget. These decreases are offset by a \$5.8 million increase in the summer school budget - funded by the Section 31a Carryover. Various other minor adjustments totaling (\$860,000) account for the change in this functional category.

Pupil Services – The District anticipates spending \$1.7 million less on Title I School Transportation expenses and \$730,000 less on Title I No Child Left Behind expenses than the amended budget. Student attendance expenses have been reduced by \$430,000 primarily attributed to a reduction in the Title I projection. The IDEA budget for non-enrolled students has been reduced by \$420,000. Various other minor adjustments totaling (\$520,000) account for the change in this functional category.

Instructional Staff Support - The Department of Curriculum is expected to have a \$3.9 million surplus for purchased services as a result of over-accruing a liability for textbooks in FY 2012. DPS anticipates spending \$1.8 million less on Title I Accelerating Change expenses and \$1.3 million less on Title I Central Office administrative expenses than the amended budget projected. Various other minor adjustments totaling \$100,000 account for the change in this functional category.

General Administration – Expenditures are expected to decline \$470,000 due to a reduction in contributions to outside organizations. Audit services are projected to be \$275,000 less than the amended budget. Personnel costs for the Office of the Inspector General are anticipated to be \$100,000 less than the amended budget due to vacancies within the office. Various other minor adjustments totaling (\$55,000) account for the change in this functional category.

Business Office - Several Detroit Rising Schools qualified for the Title I School Wide Consolidation Program. This allowed for a reallocation of funds between Detroit Rising’s Central Office and schools who qualified for consolidation. As a result of the consolidation, additional funds were recognized that could be used at the school level and further reduce the expenditures at the Central Office by \$1.9 million. The budget for other purchased services is anticipated to be \$400,000 less than the budget for the Finance



Division. Various other minor adjustments totaling (\$360,000) account for the total change in this functional category.

Operations and Maintenance – The DPS Police Department is projected to exceed its general purpose fund budget by \$3.0 million. The amended budget did not take into account summer school and additional day programs for security. The DPS Police Department's Section 31a budget has been increased by \$1.0 million because of available carryover funds. Utilities, including electric (\$2.5 million) and water/sewage (\$2.3 million), are projected to exceed the amended budget. Physical Plant Operations is projected to need an additional \$3.3 million to cover vendor costs. The amended budget assumes other purchased services for the Operations Group would be reduced by \$1.3 million as a result of savings from strategic sourcing. Although some savings have been realized the current pace of expenditures mitigates these savings. Various other minor adjustments totaling (\$140,000) account for the total change in this functional category.

Transportation – The Office of Student Transportation is projected to need an additional budget allocation of \$3.3 million to cover transportation services added after the budget development process. These are shuttle services for Educational Achievement Authority (EAA) Special Education students to the District. Various other minor adjustments totaling \$100,000 account for the total change in this functional category.

Central Support Service - The amended budget assumes other purchased services for the Division of Technology and Information Systems would be reduced by \$3.4 million as a result of savings from strategic sourcing. Although some savings has been realized the current pace of expenditures mitigates these savings. The amended budget did not include Payouts of sick banks to employees worth \$2.8 million. Staff development expenses have increased by \$1.4 million. Various other minor adjustments totaling \$70,000 account for the change in this functional category.

Other Support Service – DPS anticipates a \$930,000 surplus in the budget for high school athletics, as a result of an assumption error in the payment of Coaches Stipends in the amended budget. Various other minor adjustments totaling \$30,000 account for the change in this functional category.

Community Service – The Title IIa budget for learning services provided by outside vendors has increased by \$900,000 since the budget was amended. Various other minor adjustments totaling \$20,000 account for the change in this functional category.

Facilities Acquisition and Improvement – Self-Governing Schools have incurred \$966,000 in repair and renovation expenses, which were not included in the amended budget. Various other minor adjustments totaling \$6,000 account for the change in this functional category.

Debt Service / Proceeds from EAA Borrowing - As provided for in the Inter-governmental agreement between the EAA and the District, DPS facilitated the issuing of note obligations amounting to \$12.2 million for the EAA. The issuance of the related notes was not included in the amended budget.



Transfers In and Transfers Out – The General Purpose Fund to Special Education transfer is anticipated to increase \$24.7 million. This is attributed to the FY 2010 special education millage overpayment and a decrease in state aid due to a prior-year adjustment. Furthermore, the Special Education transfer will be increased by an additional \$2.4 million to fund payroll excess account expenditures moved from the General Purpose Fund to Special Education. The transfer from the Food Service Fund to the General Purpose Fund is expected to increase \$325,000 due to a surplus in the Food Service Fund. These increases are offset by an anticipated \$2.4 million decrease in the transfer from Title I to the General Purpose Fund because of the removal of the Title I Carryover. Furthermore, the budgeted transfer from IDEA to the General Purpose Fund has been reduced by \$55,000. The IDEA budget was realigned after receiving the actual award amounts.

**DETROIT PUBLIC SCHOOLS
GENERAL FUND¹
BUDGET AMENDMENT # 3
YEAR ENDING JUNE 30, 2013**

	FY 2013 Amended Budget	Budget Amendment # 3 Increase (Decrease)	FY 2013 Amended Budget
Revenue:			
Local sources			
Special education millage	\$ 42,660,000	\$ (17,860,000)	\$ 24,800,000
Property Taxes	74,802,205	(1,496,044)	73,306,161
Other	31,044,006	(521,425)	30,522,581
Total local sources	<u>148,506,211</u>	<u>(19,877,469)</u>	<u>128,628,742</u>
State sources	372,404,602	26,837,814	399,242,416
Federal sources	<u>194,841,341</u>	<u>(27,715,554)</u>	<u>167,125,787</u>
Total Revenue	<u>715,752,154</u>	<u>(20,755,209)</u>	<u>694,996,945</u>
Expenditures:			
Instruction	<u>351,870,818</u>	<u>(11,963,953)</u>	<u>339,906,865</u>
Support services			
Pupil services	58,719,258	(3,769,714)	54,949,544
Instructional staff support	58,841,746	(6,920,262)	51,921,484
General administration	8,452,483	(904,603)	7,547,880
School administration	39,109,541	926,039	40,035,580
Business office	14,655,899	(2,661,446)	11,994,453
Operations & maintenance	68,379,292	13,264,395	81,643,687
Transportation	25,386,261	3,402,302	28,788,563
Central support service	27,926,011	7,672,538	35,598,549
Other support service	<u>2,054,374</u>	<u>(897,489)</u>	<u>1,156,885</u>
Total support services	<u>303,524,865</u>	<u>10,111,760</u>	<u>313,636,625</u>
Community service	<u>4,533,792</u>	<u>918,114</u>	<u>5,451,906</u>
Facilities acquisitions and improvement	<u>100,000</u>	<u>971,666</u>	<u>1,071,666</u>
Debt service	<u>53,001,761</u>	<u>12,200,000</u>	<u>65,201,761</u>
Total Expenditures	<u>713,031,236</u>	<u>12,237,587</u>	<u>725,268,823</u>
Other Financial Sources (Uses)			
Sources			
Proceeds from sale of capital assets and other	2,400,000	-	2,400,000
Proceeds from EAA borrowing	-	12,200,000	12,200,000
Transfers In	<u>32,000,466</u>	<u>24,976,241</u>	<u>56,976,707</u>
Total Sources	<u>34,400,466</u>	<u>37,176,241</u>	<u>71,576,707</u>
Uses			
Transfers Out	(29,869,481)	24,649,257	(54,518,738)
Prior Year Adjustments	<u>(3,232,368)</u>	<u>-</u>	<u>(3,232,368)</u>
Total Uses	<u>(33,101,849)</u>	<u>24,649,257</u>	<u>(57,751,106)</u>
Total Other Financial Sources (Uses)	<u>1,298,617</u>	<u>12,526,984</u>	<u>13,825,601</u>
Excess (deficiency) of Revenue Over (Under) Expenditures	<u>4,019,535</u>	<u>(20,465,812)</u>	<u>(16,446,277)</u>
Beginning Fund Balance - July 1, 2012	<u>(76,303,384)</u>		<u>(76,303,384)</u>
Ending Fund Balance - June 30, 2013	<u>\$ (72,283,849)</u>		<u>\$ (92,749,661)</u>

¹ General fund includes Funds 11 through 22.

**DETROIT PUBLIC SCHOOLS
REVENUES, EXPENDITURES, SOURCES AND USES
BUDGET AMENDMENT # 3
YEAR ENDING JUNE 30, 2013**

	FY 2013 Amended Budget	Budget Amendment # 3 Increase (Decrease)	FY 2013 Amended Budget
Fund 11 - General Purpose Fund			
Revenues and Sources	\$ 393,227,401	\$ 32,541,703	\$ 425,769,104
Expenditures and Uses	<u>389,207,866</u>	<u>53,007,515</u>	<u>442,215,381</u>
Surplus (Deficit)	\$ 4,019,535	\$ (20,465,812)	\$ (16,446,277)
Fund 13 - Adult Education			
Revenues and Sources	7,998,143	-	7,998,143
Expenditures and Uses	<u>7,998,143</u>	<u>-</u>	<u>7,998,143</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 14 - Grants			
Revenues and Sources	226,639,604	(17,585,838)	209,053,766
Expenditures and Uses	<u>226,639,604</u>	<u>(17,585,838)</u>	<u>209,053,766</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 18 - ARRA Stimulus			
Revenues and Sources	10,257,883	(961,877)	9,296,006
Expenditures and Uses	<u>10,257,883</u>	<u>(961,877)</u>	<u>9,296,006</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 16 Special Education Center Based Programs			
Revenues and Sources	55,444,424	502,307	55,946,731
Expenditures and Uses	<u>55,444,424</u>	<u>502,307</u>	<u>55,946,731</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 22 - Special Education			
Revenues and Sources	56,585,165	1,924,736	58,509,901
Expenditures and Uses	<u>56,585,165</u>	<u>1,924,736</u>	<u>58,509,901</u>
Surplus (Deficit)	\$ -	\$ -	\$ -

**DETROIT PUBLIC SCHOOLS
REVENUES AND OTHER SOURCES - GENERAL FUND
BUDGET AMENDMENT # 3
YEAR ENDING JUNE 30, 2013**

Fund	FY 2013 Amended Budget	Budget Amendment # 3 Increase (Decrease)	FY 2013 Amended Budget
Fund 11 General Purpose Fund			
State Aid			
22a Prop A Obligation	\$ 204,259,416	\$ 2,835,012	\$ 207,094,428
22b Discretionary Payment	50,014,819	6,986	50,021,805
152a Headlee Obligation - Adair & 94a.9	1,248,068	9,612	1,257,680
26a Renaissance Zone	4,566,914	-	4,566,914
22f Best Practice Incentive	2,700,205	(31,340)	2,668,865
147a MPSEs Cost Offset	9,411,058	(814,929)	8,596,129
61a Vocational Education	769,919	15,403	785,322
Prior Year Adjustments	1,000,000	22,489,705	23,489,705
Local			
Property Tax Net	74,802,205	(1,496,044)	73,306,161
Earnings on Investments	300,000	(230,711)	69,289
Medicaid Reimbursement	11,962,025	(1,000,000)	10,962,025
JROTC	2,088,141	(1,395,100)	693,041
Charter School Administration Fee	1,023,192	(74,527)	948,665
Other	2,883,459	2,381,213	5,264,672
Federal			
Indirect Cost Revenue	9,571,631	(2,455,068)	7,116,563
Other			
Proceeds from Debt Refinancing	-	12,200,000	12,200,000
Services to Other Schools	-	746,359	746,359
Payment from EAA - Debt Service Offset	10,024,560	(971,853)	9,052,707
Payment from EAA - Services	2,070,804	-	2,070,804
Proceeds from sale of capital assets and other	2,400,000	-	2,400,000
Transfer from Fund 25	2,130,985	326,985	2,457,970
Total Fund 11	393,227,401	32,541,703	425,769,104
Fund 13 Adult Education			
State Aid	4,798,143	-	4,798,143
Deferred Revenue	3,200,000	-	3,200,000
Total Fund 13	7,998,143	-	7,998,143
Fund 14 Grants			
Title I	138,166,985	(30,282,377)	107,884,608
Title I / Title II / Title III Carryover	2,158,590	-	2,158,590
31a At Risk	26,854,473	8,115,100	34,969,573
IDEA	18,277,470	(1,132,717)	17,144,753
Title II	16,726,810	4,196,019	20,922,829
Great Start Readiness	14,361,600	-	14,361,600
Other Grants	10,093,676	1,518,137	11,611,813
Total Fund 14	226,639,604	(17,585,838)	209,053,766
Fund 16 Special Education Center Based Programs			
Act 18	42,000,000	(17,860,000)	24,140,000
Follow That Child	660,000	-	660,000
Transfer from Fund 11	12,784,424	18,362,307	31,146,731
Total Fund 16	55,444,424	502,307	55,946,731
Fund 18 ARRA Stimulus			
ARRA School Improvement	10,257,883	(961,877)	9,296,006
Total Fund 18	10,257,883	(961,877)	9,296,006
Fund 22 Special Education			
State Aid	49,071,739	227,409	49,299,148
Prior Year Adjustment	-	(7,044,690)	(7,044,690)
Transfer from Fund 11	7,513,426	8,742,017	16,255,443
Total Fund 22	56,585,165	1,924,736	58,509,901
Total	\$ 750,152,620	\$ 16,421,031	\$ 766,573,651

**DETROIT PUBLIC SCHOOLS
EXPENDITURES AND OTHER USES - GENERAL FUND
BUDGET AMENDMENT # 3
YEAR ENDING JUNE 30, 2013**

	FY 2013 Amended Budget	Budget Amendment # 3 Increase (Decrease)	FY 2013 Amended Budget
Fund 11 General Purpose Fund			
Personnel	\$ 206,601,153	\$ (1,734,394)	\$ 204,866,759
Purchased Services	82,659,849	9,979,093	92,638,942
Supplies	9,752,484	(29,476)	9,723,008
Equipment & Capital	41,500	(6,974)	34,526
Utilities	13,539,900	2,908,080	16,447,980
Restricted	3,313,368	2,586,862	5,900,230
Principal & Interest	53,001,761	12,200,000	65,201,761
Transfers	20,297,851	27,104,324	47,402,175
Total Fund 11	389,207,866	53,007,515	442,215,381
Fund 13 Adult Education			
Personnel	4,420,076	(114,850)	4,305,226
Purchased Services	703,766	311,109	1,014,875
Supplies	674,301	8,188	682,489
Equipment & Capital	2,200,000	(204,447)	1,995,553
Total Fund 13	7,998,143	-	7,998,143
Fund 14 Grants			
Personnel	165,197,844	(29,925,127)	135,272,717
Purchased Services	41,035,524	10,760,789	51,796,313
Supplies	10,012,788	2,542,201	12,554,989
Equipment & Capital	457,613	1,437,715	1,895,328
Utilities	9,500	700	10,200
Restricted	354,704	52,952	407,656
Transfers	9,571,631	(2,455,068)	7,116,563
Total Fund 14	226,639,604	(17,585,838)	209,053,766
Fund 16 Special Education Center Based Programs			
Personnel	50,206,241	518,992	50,725,233
Purchased Services	4,414,322	3,850	4,418,172
Supplies	566,872	(20,535)	546,337
Equipment & Capital	256,989	-	256,989
Total Fund 16	55,444,424	502,307	55,946,731
Fund 18 ARRA Stimulus			
Personnel	6,629,503	(571,715)	6,057,788
Purchased Services	2,451,752	(211,885)	2,239,867
Supplies	893,019	(68,329)	824,690
Equipment & Capital	283,609	(109,948)	173,661
Total Fund 18	10,257,883	(961,877)	9,296,006
Fund 22 Special Education			
Personnel	52,260,423	1,924,736	54,185,159
Purchased Services	3,275,234	6,300	3,281,534
Supplies	989,508	(26,300)	963,208
Equipment & Capital	60,000	20,000	80,000
Total Fund 22	56,585,165	1,924,736	58,509,901
Total	\$ 746,133,085	\$ 36,886,843	\$ 783,019,928