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DETROIT PUBLIC SCHOOLS
Darnell Earley, ICMA-CM, MPA
Emergency Manager



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Order 2015-EMDE- 19

ORDER

**ADOPTING THE FOURTH AMENDED FISCAL YEAR 2014-2015 BUDGET FOR THE SCHOOL
DISTRICT OF THE CITY OF DETROIT**

BY THE POWER AND AUTHORITY VESTED IN
THE EMERGENCY MANAGER FOR THE
SCHOOL DISTRICT OF THE CITY OF DETROIT, MICHIGAN (“EMERGENCY MANAGER”) THROUGH
MICHIGAN COMPILED LAWS
 (“MCL”) §§ 380.1 – 380.1853, 388.160 – 388.1772, 141.1541 et. seq., 423.201 – 423.217 AND
 38.71 – 38.191, THE EMERGENCY MANAGER, DARNELL EARLEY
HEREBY ISSUES THE FOLLOWING

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, pursuant to that certain contract titled *Contract For Emergency Manager Services* dated January 13, 2015, between Governor Rick Snyder and Darnell Earley (“Earley”), Earley was appointed 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 the governing body, specifically the Detroit Board of Education (the “Board”) 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 prescribes authority to the local Superintendent or school board; and

WHEREAS, the District's Fiscal Year 2014 - 2015 Budget was approved as of June 30, 2014 by the Emergency Manager by that certain Order 2014-EMJM-40, to be effective as of July 1, 2014 (the “2015 Budget”); and

WHEREAS, the 2015 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 MCL § 141.1552(1)(b); and

WHEREAS, the 2015 Budget was previously amended by that certain Order 2015 – EMJM-05 Adopting the Amended Fiscal Year 2014-2015 Budget for the School District of the City of Detroit dated August 13, 2014, and was further amended by that certain Order 2015-EMJM-11 Adopting the Second Amended Fiscal Year 2014-2015 Budget for the School District of the City of Detroit dated December 15, 2014 and by that certain Order 2015-EMDE-05 Adopting the Third Amended Fiscal Year 2014-105 Budget for the School district of the City of Detroit dated February 2015 (the “Third Amended FY 2015 Budget”); and

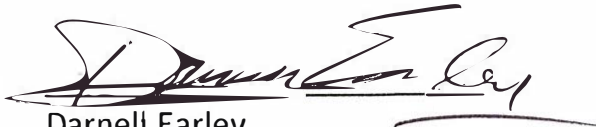
WHEREAS, the Emergency Manager has deemed it necessary to further revise and amend the Third Amended FY 2015 Budget as particularly set forth in the Fourth Amended Fiscal Year 2014- 2015 Budget for the School District of the City of Detroit attached hereto as Exhibit “A” (the “Fourth Amended FY 2015 Budget”).

NOW, THEREFORE IT IS HEREBY ORDERED THAT:

1. Pursuant to the powers granted under Public Act 436, the Emergency Manager hereby adopts the Fourth Amended FY 2015 Budget in the form attached hereto as Exhibit “A”.
2. Pursuant to Public Act 436, this Order is issued and directed to the Board, all administrators of the District and all employees of the District.
3. All District executives, board members, administrators, staff, consultants, parents, students and or contractors shall abide by the Orders and directives of the Emergency Manager as it relates to District finances, operations and educational initiatives. Failure to abide by the Orders and directives of the Emergency Manager may result in discipline and suspension, as well as the consequences set forth in

Public Act 436, including, but not limited to, restricted access to the District's facilities, electronic mail and internal information systems, court action, or other appropriate action or remedy provided by law.

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

By: 
Darnell Earley
Emergency Manager
School District of the City of Detroit

Dated: June 19, 2015

EXHIBIT A



TO: Darnell Earley, Emergency Manager

FROM: Delores A. Brown, Acting Chief Financial Officer/Deputy Chief Financial Officer

SUBJECT: Fiscal Year 2015 Budget Amendment # 4

DATE: June 22, 2015

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

Marc Ingram, Acting Executive Director, Office of Management & Budget

The Fiscal Year 2014-2015 (FY 2015) budget amendment No. 4 is based on a comprehensive review of actual and projected financial data and analysis. The following is a summary of the significant changes to the General Fund by function since budget amendment No. 3. Significant changes are defined as variances greater than or equal to 10% or variances greater than or equal to \$1,000,000.

REVENUES

Property Taxes – The District anticipates receiving \$9.1 million less for property taxes based on the best available information.

Local Sources – The anticipated revenues from the Education Achievement Authority decreased \$2.0 million based on the best available information.

Various other revenue increases totaling \$230,000 account for the total change in this functional category.

State Sources – The Section 31a budget increased \$8.9 million since budget amendment No. 3 due to carryover funding. The District anticipates receiving \$2.4 million from the State of Michigan under Proposal A based on the June 2015 State Aid Financial Status Report.

On the other hand, the District reduced its revenue projections for the MPERS One Time Liability Payment (\$3.7 million) and the Section 25 Pupil Transfer Adjustment (\$520,000). Various other revenue decreases totaling \$160,000 account for the total change in this functional category.

Federal Sources – The Title IIa budget increased \$14.0 million since budget amendment No. 3 due to carryover funding.

Various other revenue increases totaling \$380,000 account for the total change in this functional category.



EXPENDITURES

Instruction – Personnel costs (excluding Section 31a) increased \$25.3 million primarily attributed additional teaching costs. The Section 31a budget increased \$8.5 million primarily attributed to carryover funding. Various other budget increases totaling \$520,000 account for the total change in this functional category.

Pupil Support – Purchased services increased \$3.1 million primarily attributed to Center Based Special Education. Various other budget increases totaling \$240,000 account for the total change in this functional category.

Instructional Staff – The Title IIa budget increased \$10.3 million primarily attributed to workshops and purchased services. General Purpose Fund insurance costs increased \$1.1 million based upon on the most current payroll information. The Section 22.i Technology budget was established for \$470,000. Various other budget increases totaling \$140,000 account for the total change in this functional category.

School Administration – Personnel costs decreased \$4.8 million primarily attributed to vacant school administrator and clerical positions. Various other budget decreases totaling \$340,000 account for the total change in this functional category.

Operations and Maintenance – Budget amendment no. 3 assumed the District would receive an \$11.6 million electric bill credit in FY 2015 from the City of Detroit in exchange for 77 properties. Based on the best available information, the District only anticipates recognizing a \$5.0 million expense in FY 2015. Therefore, budget utility expenses increased \$6.6 million. Purchased services increased \$3.8 million primarily attributed to DPS Police and Physical Plant Operations. Various other budget increases totaling \$520,000 account for the total change in this functional category.

Transportation – Purchased services decreased \$2.6 million primarily attributed to the reclassification of expenses from transportation to instruction.

Central Support – Personnel costs increased \$2.1 million primarily attributed to severance payments to employees. Various other budget increases totaling \$290,000 account for the total change in this functional category.

Other Support – The \$300,000 General Purpose Fund budget for the Office of School Nutrition was removed from the budget. Various other budget decreases totaling \$100,000 account for the total change in this functional category.

Community – The Title IIa budget increased \$430,000 solely attributed to the Department of Curriculum. Various other budget increases totaling \$110,000 account for the total change in this functional category.



OTHER FINANCIAL SOURCES

Proceeds from the Sale of Assets – The District reclassified \$3.4 million in revenues from the Proceeds from the Sale of Assets to Local Sources. Furthermore, the District anticipates receiving \$1.8 million less from the sale of assets based upon the best available information.

OTHER FINANCIAL USES

Prior Year Adjustments – Based on the June 2015 State Aid Financial Status Report, the District expects to receive \$5.0 million less in Prior Year Adjustments than anticipated.

**DETROIT PUBLIC SCHOOLS
GENERAL FUND
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2015**

	<u>FY 2015 - Amended</u>	Budget Amendment # 4 Increase (Decrease)	<u>FY 2015 - Amended</u>
Revenue:			
Local sources			
Special education millage	\$ 40,731,764	\$ -	\$ 40,731,764
Property Taxes	71,780,507	(9,072,852)	62,707,655
Other	28,345,645	(1,767,379)	26,578,266
Total local sources	<u>140,857,916</u>	<u>(10,840,231)</u>	<u>130,017,685</u>
State sources	380,525,499	6,927,838	387,453,337
Federal sources	<u>173,588,598</u>	<u>14,381,067</u>	<u>187,969,665</u>
Total Revenue	<u>694,972,013</u>	<u>10,468,674</u>	<u>705,440,687</u>
Expenditures:			
Instruction	<u>337,267,613</u>	<u>34,316,866</u>	<u>371,584,479</u>
Support services			
Pupil services	64,126,492	3,336,925	67,463,417
Instructional staff support	66,784,538	12,008,290	78,792,828
General administration	6,421,882	40,196	6,462,078
School administration	38,232,832	(5,141,714)	33,091,118
Business office	13,521,556	298,305	13,819,861
Operations & maintenance	65,983,624	10,919,456	76,903,080
Transportation	29,116,831	(2,642,401)	26,474,430
Central support service	26,100,963	4,094,715	30,195,678
Other support service	<u>1,518,704</u>	<u>(398,775)</u>	<u>1,119,929</u>
Total support services	<u>311,807,422</u>	<u>22,514,997</u>	<u>334,322,419</u>
Community service	<u>4,752,531</u>	<u>541,861</u>	<u>5,294,392</u>
Facilities acquisitions and improvement	<u>455,346</u>	<u>-</u>	<u>455,346</u>
Debt service	<u>53,005,586</u>	<u>-</u>	<u>53,005,586</u>
Total Expenditures	<u>707,288,498</u>	<u>57,373,724</u>	<u>764,662,222</u>
Other Financial Sources (Uses)			
Sources			
Proceeds from sale of capital assets	10,436,172	(5,231,851)	5,204,321
Transfers In	2,400,000	-	2,400,000
Total Sources	<u>12,836,172</u>	<u>(5,231,851)</u>	<u>7,604,321</u>
Uses			
Prior Year Adjustments	<u>2,581,206</u>	<u>5,047,693</u>	<u>(2,466,487)</u>
Total Uses	<u>2,581,206</u>	<u>5,047,693</u>	<u>(2,466,487)</u>
Total Other Financial Sources (Uses)	<u>15,417,378</u>	<u>(10,279,544)</u>	<u>5,137,834</u>
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>3,100,893</u>	<u>(57,184,594)</u>	<u>(54,083,701)</u>
Beginning Fund Balance	(169,460,307)		(169,460,307)
Ending Fund Balance	<u>\$ (166,359,414)</u>		<u>\$ (223,544,008)</u>

DETROIT PUBLIC SCHOOLS
REVENUES AND OTHER SOURCES - GENERAL FUND
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2015

Fund	FY 2015 - Amended	Budget Amendment # 4 Increase (Decrease)	FY 2015 - Amended
Fund 11 General Purpose Fund			
State Aid			
22a Prop A Obligation	\$ 39,041,424	\$ 13,769,847	\$ 52,811,271
22b Discretionary Payment	52,125,622	(535,906)	51,589,716
152a Headlee Obligation - Adair & 94a.9	1,180,071	(1,869)	1,178,202
26a Renaissance Zone	4,495,431	-	4,495,431
22f Best Practice Incentive	2,479,943	(121,887)	2,358,056
147a MPSEs Cost Offset	4,661,097	-	4,661,097
147c MPSEs UAAL Rate Stabilization	28,551,596	-	28,551,596
147d MPSEs One Time Liability Payment	4,570,266	(3,739,392)	830,874
61a Vocational Education	435,232	(16,665)	418,567
Pupil Transfer Adjustment	574,881	(523,881)	51,000
20f Hold Harmless Guarantee	1,081,778	(2,732)	1,079,046
Prior Year Adjustments	-	(14,141)	(14,141)
Local			
Property Tax Net	71,780,507	(9,072,852)	62,707,655
Earnings on Investments	31,892	(4,693)	27,199
Medicaid Reimbursement	4,000,000	897,078	4,897,078
JROTC	1,035,481	(88,896)	946,585
Charter School Administration Fee	759,256	38,471	797,727
Services to Other Schools	3,303,574	(2,822,068)	481,506
Payment from EAA - Debt Service Offset	6,988,269	(988,269)	6,000,000
Payment from EAA - Services	3,944,864	(1,044,864)	2,900,000
Other	5,911,304	2,095,000	8,006,304
Financing Sources			
Proceeds from sale of capital assets and other	10,436,172	(5,231,851)	5,204,321
Transfer from Fund 25	2,400,000	-	2,400,000
Total Fund 11	249,788,660	(7,409,570)	242,379,090
Fund 13 Adult Education			
State Aid	4,197,063	-	4,197,063
Deferred Revenue	1,599,501	-	1,599,501
Other - Local Sources	208,000	-	208,000
Total Fund 13	6,004,564	-	6,004,564
Fund 14 Grants			
Title I	62,246,813	114,542	62,361,355
31a At Risk	19,410,743	8,991,911	28,402,654
IDEA	14,883,995	-	14,883,995
Title II	18,791,224	12,917,969	31,709,193
Great Start Readiness	20,813,502	-	20,813,502
Other Grants	14,659,275	951,138	15,610,413
Total Fund 14	150,805,552	22,975,560	173,781,112
Fund 16 Special Education			
State Aid	42,870,698	-	42,870,698
Total Fund 16	42,870,698	-	42,870,698
Fund 19 Consolidated Funds			
Prop A Obligation	150,399,068	(11,418,838)	138,980,230
Title I	63,631,739	-	63,631,739
Title IIa	944,500	1,089,671	2,034,171
Section 31a	1,189,924	-	1,189,924
Total Fund 19	216,165,231	(10,329,167)	205,836,064
Fund 22 Special Education Center Based Programs			
Act 18	40,731,764	-	40,731,764
Follow That Child	1,441,716	-	1,441,716
Total Fund 22	42,173,480	-	42,173,480
Total	\$ 707,808,185	\$ 5,236,823	\$ 713,045,008

**DETROIT PUBLIC SCHOOLS
EXPENDITURES AND OTHER USES - GENERAL FUND
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2015**

		Budget Amendment # 4	
	FY 2015 - Amended	Increase (Decrease)	FY 2015 - Amended
Fund 11 General Purpose Fund			
Personnel	\$ 65,695,902	\$ 38,239,459	\$ 103,935,361
Purchased Services	86,710,799	1,206,626	87,917,425
Supplies	5,484,976	(1,786,159)	3,698,817
Equipment & Capital	7,634	(13,444)	(5,810)
Utilities	7,451,311	7,822,591	15,273,902
Restricted	(9,632,817)	4,772,475	(4,860,342)
Principal & Interest	53,005,586	-	53,005,586
Total Fund 11	208,723,391	50,241,548	258,964,939
Fund 13 Adult Education			
Personnel	3,005,170	153,267	3,158,437
Purchased Services	1,238,054	120,447	1,358,501
Supplies	552,346	(273,714)	278,632
Equipment & Capital	1,137,107	-	1,137,107
Utilities	71,887	-	71,887
Total Fund 13	6,004,564	-	6,004,564
Fund 14 Grants			
Personnel	108,243,160	8,642,004	116,885,164
Purchased Services	28,270,446	10,558,994	38,829,440
Supplies	10,533,144	3,320,530	13,853,674
Equipment & Capital	1,055,606	(12,492)	1,043,114
Total Fund 14	148,102,356	22,509,036	170,611,392
Fund 16 Special Education			
Personnel	50,558,570	(715,700)	49,842,870
Purchased Services	5,010,488	703,261	5,713,749
Supplies	867,200	18,632	885,832
Equipment & Capital	60,000	(6,193)	53,807
Total Fund 16	56,496,258	-	56,496,258
Fund 19 Consolidated Funds			
Personnel	201,343,186	(10,885,558)	190,457,628
Purchased Services	9,342,092	431,768	9,773,860
Supplies	5,327,699	124,623	5,452,322
Equipment & Capital	152,254	-	152,254
Total Fund 19	216,165,231	(10,329,167)	205,836,064
Fund 22 Special Education Center Based Programs			
Personnel	54,210,553	(1,138,965)	53,071,588
Purchased Services	3,243,987	1,138,965	4,382,952
Supplies	510,012	-	510,012
Equipment & Capital	208,345	-	208,345
Restricted	11,042,595	-	11,042,595
Total Fund 22	69,215,492	-	69,215,492
Total	\$ 704,707,292	\$ 62,421,417	\$ 767,128,709

**DETROIT PUBLIC SCHOOLS
FOOD SERVICE FUND
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2015**

	<u>FY 2015 - Amended</u>	<u>Budget Amendment # 4 Increase (Decrease)</u>	<u>FY 2015 - Amended</u>
Revenue:			
Local sources			
Other	1,638,850	10,000	1,648,850
Total local sources	<u>1,638,850</u>	<u>10,000</u>	<u>1,648,850</u>
State sources	1,016,641	68,348	1,084,989
Federal sources	<u>44,484,145</u>	<u>97,117</u>	<u>44,581,262</u>
Total Revenue	<u>47,139,636</u>	<u>175,465</u>	<u>47,315,101</u>
Expenditures:			
Support services			
Personnel	17,392,731	(2,639,900)	14,752,831
Purchased Services	2,369,886	282,605	2,652,491
Supplies	24,486,358	542,162	25,028,520
Equipment & Capital	<u>490,661</u>	<u>1,990,598</u>	<u>2,481,259</u>
Total support services	<u>44,739,636</u>	<u>175,465</u>	<u>44,915,101</u>
Total Expenditures	<u>44,739,636</u>	<u>175,465</u>	<u>44,915,101</u>
Other Financial Sources (Uses)			
Uses			
Transfers Out	<u>(2,400,000)</u>	-	<u>(2,400,000)</u>
Total Uses	<u>(2,400,000)</u>	-	<u>(2,400,000)</u>
Total Other Financial Sources (Uses)	<u>(2,400,000)</u>	-	<u>(2,400,000)</u>
Excess (deficiency) of Revenue Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Beginning Fund Balance	4,971,785		4,971,785
Ending Fund Balance	<u>\$ 4,971,785</u>		<u>\$ 4,971,785</u>