



TO: Judge Steven Rhodes, Transition Manager

FROM: Marios Demetriou, Deputy Superintendent of Finance and Operations

SUBJECT: Fiscal Year 2016 Budget Amendment # 3

DATE: June 29, 2016

CC: Alycia Meriweather, Interim Superintendent  
Delores Brown, Executive Director, Finance  
Michael Bridges, Financial Controller  
Marc Ingram, Acting Executive Director, Office of Management & Budget

---

The Fiscal Year 2015-2016 (FY 2016) 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 significant changes to the General Fund by function since budget amendment No. 2. Significant changes are defined as variances greater than or equal to 10% or variances greater than or equal to \$1,000,000.

## GENERAL FUND

### REVENUES

**Property Taxes** – The District anticipates receiving \$6.9 million less from property taxes based upon the best available information.

**Other Local Sources** – The District anticipates receiving less revenue from the following three local sources based upon the best available information.

1. Rent from School Property - \$630,000
2. Tuition from Non Residents - \$140,000
3. Community Use - \$120,000

Various other revenue decreases totaling \$420,000 account for the total change in this category.

**State Sources** – The District anticipates receiving \$4.9 million more from the Great Start Readiness Program due to carryover funding. The District anticipates receiving \$1.9 million for the Prop A Obligation based upon the June 2016 State Aid Financial Status Report

Various other revenue decreases totaling \$520,000 account for the total change in this category.



**Federal Sources** – The Title III budget increased \$480,000 due to carryover funding. Various other revenue increases totaling \$1.1 million account for the total change in this functional category.

## **EXPENDITURES**

**Instruction** – Teaching salaries (\$4.8 million) and insurance expenses (\$1.1 million) declined due to teaching vacancies. Purchased services (\$1.6 million) declined primarily attributed to Special Education. Various other decreases totaling \$740,000 account for the total change in this functional category.

**Pupil Services** – Personnel expenses (\$2.1 million) and purchased services (\$1.3 million) decreased primarily attributed to Special Education. Various other decreases totaling \$990,000 account for the total change in this functional category.

**Instructional Staff** – Personnel expenses (\$5.4 million) and purchased services (\$3.8 million) decreased primarily attributed to Title IA funding for Network 1 (Priority Schools). Various other decreases totaling \$180,000 account for the total change in this functional category.

**School Administration** – Personnel expenses declined \$1.2 million primarily attributed to administrative vacancies. The District anticipates spending \$470,000 less on purchase card expenditures than was assumed during Budget Amendment # 2. Various other decreases totaling \$930,000 account for the total change in this functional category.

**Business Office** – The \$6.5 million State Anticipation Note (SAN) Interest expense associated with Note 2015E has been moved from Debt Service to Business Office. Various budget increases totaling \$470,000 account for the total change in this functional category.

**Operations & Maintenance** – Purchased services increased \$9.1 million primarily attributed to inspections by the City of Detroit and security services. The District anticipates spending \$1.3 million more in utility costs than was assumed in Budget Amendment # 2. Personnel expenses increased \$690,000 primarily attributed to the Detroit Public Schools Police Department. Various budget increases totaling \$880,000 account for the total change in this functional category.

**Transportation** – The Section 31A Transportation budget decreased \$2.8 million primarily attributed to the Office of Student Transportation. Various other decreases totaling \$590,000 account for the total change in this functional category.

**Central Support** – The District anticipates spending \$1.8 million more for severance payments than was assumed for Budget Amendment # 2. Various budget increases totaling \$930,000 account for the total change in this functional category.

**Other Central Support** – The Office of Athletics Education budget increased \$300,000 primarily attributed to personnel expenses. Various budget increases totaling \$170,000 account for the total change in this functional category.



**Facilities Acquisition** – The District does not anticipate spending any funds for facilities acquisition and improvement during FY 2016.

**Debt Service** - The \$6.5 million SAN Interest expense associated with Note 2015E has been moved from Debt Service to Business Office.

### **OTHER FINANCING SOURCES**

**Sale of Capital Assets** – The District anticipates only selling the former Trombly Elementary School for \$201,000 during FY 2016.

### **FUND BALANCE**

The District expects FY 2016 expenses to exceed revenues by \$12.2 million. This will increase the legacy deficit to \$228.1 million.

**DETROIT PUBLIC SCHOOLS  
GENERAL FUND  
BUDGET AMENDMENT # 3  
YEAR ENDING JUNE 30, 2016**

	<b>FY 2015 - Actuals</b>	<b>FY 2016 - Budget Amendment # 2</b>	<b>FY 2016 - Budget Amendment # 3</b>	<b>FY 2016 - Year to Date as of May 31, 2016</b>	<b>FY 2016 - Budget Amendment # 3 Increase (Decrease) Over FY 2016 - Budget Amendment # 2</b>	<b>FY 2016 - Budget Amendment # 3 (Over) Under FY 2016 - YTD</b>
<b>Revenue:</b>						
Local sources						
Special education millage	\$ 30,085,680	\$ 31,777,479	\$ 31,777,479	\$ 30,428,251	\$ -	\$ 1,349,228
Property Taxes	65,981,648	68,909,286	62,000,000	52,307,172	(6,909,286)	9,692,828
Other	9,255,286	13,934,450	12,628,127	4,512,225	(1,306,323)	8,115,902
Total local sources	105,322,614	114,621,215	106,405,606	87,247,648	(8,215,609)	19,157,958
State sources	385,812,644	429,660,056	435,838,187	386,493,577	6,178,131	49,344,610
Federal sources	169,259,155	160,941,659	162,493,093	142,658,861	1,551,434	19,834,232
<b>Total Revenue</b>	<b>660,394,413</b>	<b>705,222,930</b>	<b>704,736,886</b>	<b>616,400,086</b>	<b>(486,044)</b>	<b>88,336,800</b>
<b>Expenditures:</b>						
Instruction	335,669,371	339,505,433	331,569,819	279,455,494	(7,935,614)	52,114,325
Support services						
Pupil services	52,375,223	57,706,830	53,320,986	45,629,131	(4,385,844)	7,691,855
Instructional staff support	62,830,196	71,701,361	62,324,702	51,230,007	(9,376,659)	11,094,695
General administration	7,583,101	4,464,900	4,849,303	4,342,387	384,403	506,916
School administration	35,378,176	37,594,136	34,994,099	32,573,272	(2,600,037)	2,420,827
Business office	16,031,649	8,994,005	16,032,671	13,789,375	7,038,666	2,243,296
Operations & maintenance	79,307,554	74,835,192	86,807,896	75,084,854	11,972,704	11,723,042
Transportation	32,840,089	37,194,522	33,706,358	26,208,290	(3,488,164)	7,498,068
Central support service	29,780,386	29,522,183	32,255,332	26,106,558	2,733,149	6,148,774
Other support service	2,023,495	885,007	1,359,792	1,169,008	474,785	190,784
Total support services	318,149,869	322,898,136	325,651,139	276,132,882	2,753,003	49,518,257
Community service	3,301,079	4,596,346	4,777,574	4,637,574	181,228	140,000
Facilities acquisitions and improvement	14,721	577,896	-	-	(577,896)	-
Debt service	56,895,055	63,849,494	57,348,386	52,193,521	(6,501,108)	5,154,865
<b>Total Expenditures</b>	<b>714,030,095</b>	<b>731,427,305</b>	<b>719,346,918</b>	<b>612,419,471</b>	<b>(12,080,387)</b>	<b>106,927,447</b>
<b>Other Financial Sources (Uses)</b>						
<b>Sources</b>						
Proceeds from sale of capital assets	5,401,970	3,046,000	201,000	-	(2,845,000)	201,000
Transfers In	1,762,100	2,256,058	2,256,058	881,050	-	1,375,008
<b>Total Sources</b>	<b>7,164,070</b>	<b>5,302,058</b>	<b>2,457,058</b>	<b>881,050</b>	<b>(2,845,000)</b>	<b>1,576,008</b>
<b>Total Other Financial Sources (Uses)</b>	<b>7,164,070</b>	<b>5,302,058</b>	<b>2,457,058</b>	<b>881,050</b>	<b>(2,845,000)</b>	<b>1,576,008</b>
<b>Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(46,471,612)</b>	<b>(20,902,317)</b>	<b>(12,152,974)</b>	<b>4,861,665</b>	<b>8,749,343</b>	<b>(17,014,639)</b>
<b>Beginning Fund Balance</b>	<b>(169,460,307)</b>	<b>(215,931,919)</b>	<b>(215,931,919)</b>	<b>(215,931,919)</b>		
<b>Ending Fund Balance</b>	<b>\$ (215,931,919)</b>	<b>\$ (236,834,236)</b>	<b>\$ (228,084,893)</b>	<b>\$ (211,070,254)</b>		

## **FOOD SERVICE FUND**

The District anticipates receiving additional funding from the National School Lunch (\$1.5 million) and National School Breakfast (\$740,000) programs. Various other revenue increases totaling \$260,000 account for the total changes in revenues.

With the additional revenues, the District increased the budget for food supplies (\$2.1 million) and purchase card expenses (\$360,000). Various other expense increases totaling \$40,000 account for the total change in expenses.

As a result, the District expects the Food Service Fund to maintain its legacy surplus of \$6.1 million.

**DETROIT PUBLIC SCHOOLS  
FOOD SERVICE FUND  
BUDGET AMENDMENT # 3  
YEAR ENDING JUNE 30, 2016**

	FY 2015 - Actuals	FY 2016 - Budget Amendment # 2	FY 2016 - Budget Amendment # 3	FY 2016 - Budget Amendment # 3 (Over) Under FY 2015 - Actuals	FY 2016 - Budget Amendment # 3 Increase (Decrease) Over FY 2016 - Budget Amendment # 2
<b>Revenue:</b>					
Local sources					
Other	\$ 906,280	\$ -	\$ -	\$ 636,470	\$ -
Total local sources	906,280	-	-	636,470	-
State sources	1,653,364	2,800,000	2,800,000	344,531	-
Federal sources	43,044,669	43,570,897	46,070,897	4,269,054	2,500,000 <sup>1</sup>
<b>Total Revenue</b>	<b>45,604,313</b>	<b>46,370,897</b>	<b>48,870,897</b>	<b>5,250,055</b>	<b>2,500,000</b>
<b>Expenditures:</b>					
<b>Support services</b>					
Personnel	13,529,815	15,674,476	15,657,239	961,962	(17,237)
Purchased Services	1,385,739	2,315,065	2,340,080	100,347	25,015
Supplies	24,424,489	23,356,647	25,848,869	3,030,476	2,492,222 <sup>1</sup>
Equipment & Capital	1,798,665	1,218,651	1,218,651	787,094	-
Discounts on Food Service Sales	1,529,223	1,550,000	1,550,000	1,529,223	-
<b>Total support services</b>	<b>42,667,931</b>	<b>44,114,839</b>	<b>46,614,839</b>	<b>6,409,102</b>	<b>2,500,000</b>
<b>Total Expenditures</b>	<b>42,667,931</b>	<b>44,114,839</b>	<b>46,614,839</b>	<b>6,409,102</b>	<b>2,500,000</b>
<b>Other Financial Sources (Uses)</b>					
<b>Uses</b>					
Transfers Out	(1,762,100)	(2,256,058)	(2,256,058)	881,050	-
<b>Total Uses</b>	<b>(1,762,100)</b>	<b>(2,256,058)</b>	<b>(2,256,058)</b>	<b>881,050</b>	<b>-</b>
<b>Total Other Financial Sources (Uses)</b>	<b>(1,762,100)</b>	<b>(2,256,058)</b>	<b>(2,256,058)</b>	<b>(881,050)</b>	<b>-</b>
<b>Excess (deficiency) of Revenue Over (Under) Expenditures</b>	<b>1,174,282</b>	<b>-</b>	<b>-</b>	<b>(2,040,097)</b>	<b>-</b>
<b>Beginning Fund Balance</b>	<b>4,971,775</b>	<b>6,146,057</b>	<b>6,146,057</b>		
<b>Ending Fund Balance</b>	<b>\$ 6,146,057</b>	<b>\$ 6,146,057</b>	<b>\$ 6,146,057</b>		