

DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT

TO: Judge Steven Rhodes, Transition Manager

FROM: Marios Demetriou, Deputy Superintendent of Finance and Operations

SUBJECT: Fiscal Year 2017 Budget Amendment # 3

DATE: December 19, 2016

CC: Alycia Meriweather, Interim Superintendent
Delores Brown, Executive Director, Finance
Michael Bridges, Deputy Executive Director, Finance
Marc Ingram, Deputy Executive Director, Finance

The Fiscal Year 2016-2017 (FY 2017) budget amendment No. 3 is based on a comprehensive review of actual and projected financial data and analysis. The following is a summary of some of the notable changes to the General Fund by function since the budget was adopted.

REVENUES

Special Education Millage – The adopted Special Education Millage allocation was an estimate based upon the best available information during this past spring. Subsequent to the budget adoption, Wayne Regional Educational Service Agency (RESA) has provided the actual FY 2017 Special Education Millage allocation.

Revenue Enhancement Millage – Subsequent to the budget adoption, Wayne County voters approved a Wayne County Regional Educational Enhancement Millage, which is assumed will generate \$365 per student or \$16,482,670.

Payments from the EAA – Subsequent to the budget adoption, the Educational Achievement Authority agreed to pay \$2,449,999 to the Detroit Public Schools Community District (DPSCD) for past debts.

Other Local Sources – DPSCD received \$137,500 from the United Auto Workers for scholarships for Cass Technical High School and \$81,515 for the Fine Arts. Various revenue increases totaling \$72,298 account for the total change in this revenue source.

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State Sources – DPSCD removed the \$4,558,819 budgeted for the Renaissance Zone because this money will go to Detroit Public Schools. State Aid is projected to decline \$959,209 based upon the revised enrollment and updated Special Education costs.

Conversely, the MPSERS UAAL Rate Stabilization allocation increased \$1,273,832. Various revenue increases totaling \$118,899 account for the total change in this revenue source.

Federal Sources – The following federal source allocations increased subsequent to the budget adoption:

- Student Improvement Grant (SIG) Cohort - \$1,500,000
- SIG - \$1,346,258
- Title IA - \$912,671
- Title IIA - \$531,637

Various revenue increases totaling \$48,321 account for the total change in this revenue source.

EXPENDITURES

Instruction – Payroll expenses increased \$6,908,093 as a result of the recently approved contractual bargaining agreements. Teacher compensation increased \$3,723,480 as a result of teacher leveling and granting other staffing exceptions. The Title IIA budget increased \$2,737,328 primarily attributed to paying bonuses for teachers. The Section 31A budget increased \$1,928,680 primarily attributed to personnel expenses.

Conversely, payroll expenses declined \$8,124,201 due to vacant position savings. The Employee Severance Plan (ESP) expenses will be moved to Detroit Public Schools. As a result, expenses will decline \$4,911,130. Various budget increases totaling \$287,299 account for the total change in this functional category.

Pupil Services –The Title IA budget declined \$1,084,339 primarily attributed to a reduction in purchased services and supplies. Payroll expenses declined \$1,072,385 million due to vacant position savings. Various budget increases totaling \$168,772 account for the total change in this functional category.

Instructional Staff – The Title IA budget increased \$2,184,218 primarily attributed to personnel costs. Payroll expenses increased \$724,338 due to recent agreed upon contractual bargaining agreements.

Conversely, the Title IIA budget decreased \$2,153,655 decreased primarily attributed to Instructional Specialists. The Section 31A budget decreased \$1,928,642 decreased primarily attributed to the Office of

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Language Arts. Various budget decreases totaling \$148,430 account for the total change in this functional category.

General Administration – The Office of the Inspector General’s budget was moved from Business Services to Executive Administration to be in agreement with the State of Michigan Accounting Manual. This resulted in a \$511,504 increase to Executive Administration. Various budget increases totaling \$178,938 account for the total change in this functional category.

School Administration – Payroll expenses declined \$1,240,637 due to vacant position savings.

Payroll expenses increased \$770,450 as a result of the recently approved bargaining unit agreements. The SIG budget increased \$285,569 as a result of the allocation increase. In addition, the lowest paid principals (making less than \$90,000) will receive a salary adjustment, which will increase payroll expenses \$211,564. Various increases totaling \$144,996 account for the total change in this functional category.

Business Services – Audit costs decreased \$400,000 on the expectation these costs will be paid by DPS. The Title IA budget decreased \$299,292 primarily attributed to purchased services. Various decreases totaling \$90,120 account for the total change in this functional category.

Operations and Maintenance – The budget increased \$1,500,000 for the installation of artificial turf at Cass Technical High School. The Title IA budget increased \$327,286 primarily attributed to community use. The budget increased \$300,000 for auditorium repairs. Payroll expenses increased \$158,435 as a result of the recently approved bargaining unit agreements. The Academy of the Americas budget increased \$113,280 for lease payments to St. Anne. Various budget increases totaling \$29,981 account for the total change in this functional category.

Transportation – The Title IA budget increased \$794,700 primarily attributed to purchased services for the Department of Curriculum. Various budget decreases totaling \$9,347 account for the total change in this functional category.

Central Support Services – The Office of Community Schools’ budget increased \$968,928. Various budget increases totaling \$81,175 account for the total change in this functional category.

Other Support Services – The following budgets increased subsequent to adoption:

- The Office of Athletics - \$467,030
- K-8 Athletics - \$197,302

Payroll expenses increased \$318,214 as a result of the recently approved bargaining unit agreements. Various budget increases totaling \$86,386.



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Community Service – The Title IA budget increase \$865,017 primarily attributed to purchased services. Furthermore, the following budgets increased as a result of their respective allocation increases.

- SIG - \$199,648
- SIG Cohort - \$155,182

Various budget decreases totaling \$58,745 account for the total change in this functional category.

OTHER FINANCING SOURCES (USES)

Sale of Capital Assets – DPSCD expects to receive \$3.0 million from the sale of the old Cass Technical High School property.

Payments from Other School Districts – DPSCD will receive DPS' remaining \$15,269,308 cash balance.

FUND BALANCE

The Detroit Public Schools Community District expects the FY 2017 surplus to increase to \$48,201,105.

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DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT GENERAL FUND BUDGET AMENDMENT # 3 YEAR ENDING JUNE 30, 2017

	FY 2017 - Adopted	FY 2017 - Budget Amendment # 1	FY 2017 - Budget Amendment # 2	FY 2017 - Budget Amendment # 3	FY 2017 - Proposed Increase (Decrease) Over FY 2017 - Adopted
Revenue:					
Local sources					
Special education millage	\$ 38,826,853	\$ 38,826,853	\$ 38,826,853	\$ 37,784,426	\$ (1,042,427)
Revenue enhancement millage	-	-	-	16,482,670	16,482,670
Payments from the EAA	-	-	-	2,449,999	2,449,999
Other	11,925,615	12,228,981	14,228,981	12,216,928	291,313
Total local sources	50,752,468	51,055,834	53,055,834	68,934,023	18,181,555
State sources	445,820,225	445,820,225	441,320,225	441,694,928	(4,125,297)
Federal sources	141,820,618	142,198,114	142,198,114	146,159,505	4,338,887
Total Revenue	638,393,311	639,074,173	636,574,173	656,788,456	18,395,145
Expenditures:					
Instruction	332,136,274	334,818,295	341,551,248	334,685,823	2,549,549
Support services					
Pupil services	61,098,046	60,851,687	62,033,509	59,110,094	(1,987,952)
Instructional staff support	55,406,594	53,634,411	53,967,452	54,084,423	(1,322,171)
General administration	3,177,970	3,836,974	3,836,974	3,868,412	690,442
School administration	38,695,133	38,454,265	38,487,534	38,867,075	171,942
Business office	9,992,727	9,481,223	9,481,223	9,203,315	(789,412)
Operations & maintenance	84,826,740	84,854,606	84,854,606	87,255,722	2,428,982
Transportation	35,049,312	35,031,312	35,031,312	35,834,665	785,353
Central support service	28,356,987	28,331,822	28,339,379	29,407,090	1,050,103
Other support service	769,593	842,576	842,576	1,838,525	1,068,932
Total support services	317,373,102	315,318,876	316,874,565	319,469,321	2,096,219
Community service	4,189,662	4,242,729	4,257,403	5,350,764	1,161,102
Facilities acquisitions and improvement	606,809	606,809	606,809	606,809	-
Total Expenditures	654,305,847	654,986,709	663,290,025	660,112,717	5,806,870
Other Financial Sources (Uses)					
Sources					
Proceeds from sale of capital assets	6,000,000	6,000,000	9,000,000	9,000,000	3,000,000
Payments From Detroit Public Schools	25,000,000	25,000,000	42,300,000	40,269,308	15,269,308
Transfer from Food Service Fund	2,256,058	2,256,058	2,256,058	2,256,058	-
Total Sources	33,256,058	33,256,058	53,556,058	51,525,366	18,269,308
Total Other Financial Sources (Uses)	33,256,058	33,256,058	53,556,058	51,525,366	18,269,308
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	17,343,522	17,343,522	26,840,206	48,201,105	30,857,583
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	17,343,522	17,343,522	26,840,206	48,201,105	30,857,583
Beginning Reserves	-	-	-	-	
Ending Reserves	\$ 17,343,522	\$ 17,343,522	\$ 26,840,206	\$ 48,201,105	
Restricted Reserves				\$ 32,750,000	
Unrestricted Reserves				\$ 15,451,105	



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FOOD SERVICE FUND

Personnel costs increased \$785,968 primarily attributed to recently approved bargaining unit agreements and the creation of new positions. To fund the additional personnel costs, funds were moved from the following objects:

- Purchased services - \$408,171
- Supplies - \$377,197

The FY 2017 budget remains balanced.

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DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT FOOD SERVICE FUND BUDGET AMENDMENT # 3 YEAR ENDING JUNE 30, 2017

	FY 2017 - Adopted	FY 2017 - Budget Amendment # 1	FY 2017 - Budget Amendment # 2	FY 2017 - Budget Amendment # 3	FY 2017 - Proposed Increase (decrease) Over FY 2017 - Adopted
Revenue:					
Local sources					
Other	\$ 980,500	\$ 980,500	\$ 980,500	\$ 980,500	\$ -
Total local sources	980,500	980,500	980,500	980,500	-
State sources	1,283,000	1,283,000	1,283,000	1,283,000	-
Federal sources	47,340,473	47,340,473	47,340,473	47,340,473	-
Total Revenue	49,603,973	49,603,973	49,603,973	49,603,973	-
Expenditures:					
Support services					
Personnel	15,190,201	15,190,201	15,190,201	15,976,169	785,968
Purchased Services	2,644,775	2,644,775	2,644,775	2,236,604	(408,171)
Supplies	28,412,939	28,412,939	28,412,939	28,035,142	(377,797)
Equipment & Capital	1,100,000	1,100,000	1,100,000	1,100,000	-
Total support services	47,347,915	47,347,915	47,347,915	47,347,915	-
Total Expenditures	47,347,915	47,347,915	47,347,915	47,347,915	-
Other Financial Sources (Uses)					
Uses					
Transfers Out	(2,256,058)	(2,256,058)	(2,256,058)	(2,256,058)	-
Total Uses	(2,256,058)	(2,256,058)	(2,256,058)	(2,256,058)	-
Total Other Financial Sources (Uses)	(2,256,058)	(2,256,058)	(2,256,058)	(2,256,058)	-
Excess (deficiency) of Revenue Over (Under) Expenditures	-	-	-	-	-
Beginning Fund Balance	-	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -	-