



ANN ARBOR PUBLIC SCHOOLS
LEAD. CARE. INSPIRE.

2018-19 Annual Financial Audit

Superintendent's Introduction

Board of Education
November 20, 2019

AAPS Budget: Highlights

Congratulations on successful passing of **2019 Capital Bond**

- ▶ To meet AAPS infrastructure facility needs & protect General Fund dollars

\$10.1 million Technology Bond & 2015 Bond

- ▶ in current year capital investment to provide technology, playgrounds, & essential equipment

\$19.8 million Sinking Fund Investment

- ▶ critical to overall building repair needs for aged buildings & infrastructure

AAPS Budget: Ongoing Challenges

- ▶ Under current Michigan school funding law, local districts are **not permitted** to place a bond or levy to support daily district operating costs – general fund
- ▶ Year over year increases in required **retirement & healthcare** contributions continues as a threat to precious district General Fund dollars – the only fund from which districts can pay salaries & benefits
- ▶ Continue to offer a quality educational experience – expected in the AAPS - to meet the needs of our students to retain/increase enrollment from within the AAPS

Steps Taken to Preserve & Protect Funds

2019

2015 Bond

\$10,000,000

Capital Investment: Buses, Playgrounds, Security etc.

Increased Enrollment

\$13,837,560 Recurring Annual Revenue

Approx 1,452 Students Added

2017 Sinking Fund

\$19,784,574

Building Investment: Repairs & Enhancements

2017 Special Ed Millage Renewal

\$31,397,107

Recurring Reimbursements to General Fund

2019 Bond

\$1B

Investment in Facilities

Preserving Funds: Prohibited Options



LEVY FOR ADDITIONAL OPERATING DOLLARS

Proposal A prohibits local school districts from levying a millage for additional operating funds.



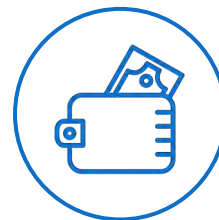
DEplete FUND EQUITY

State law requires a minimum fund balance of 5% to prevent financial penalty and Treasury appointment of emergency manager.



DEFICIT BUDGETING/SPENDING

State law requires school districts pass a balanced budget, and prohibits districts from operating in deficit.



USE BOND/SINKING FUND DOLLARS FOR SALARIES & OPERATIONAL COSTS

State law prohibits the use of revenue from Bond and Sinking Fund millages to be used for these purposes.

AAPS Goal

Despite continued challenge in Michigan education funding every year over the last decade, AAPS has remained dedicated to the goal of employing & retaining the best & brightest in Michigan:

- ▶ The most **competent and caring** teachers, staff, & leaders
- ▶ The **best supported** teachers, staff, & leaders in Michigan
- ▶ **Among the highest compensated** teachers, staff, & leaders

Challenges & Negative Impact for Teachers & Staff

While the AAPS has consistently remained at or above the 96th percentile in Michigan state salary ranking over the previous decade, a number of changes in state law **have negatively impacted take home pay for teachers and district staff**, including:

- ▶ **2011 Public Act 152**

Requirement that mandates set contributions from employees for **healthcare**, and limits the amount that school districts can pay in healthcare contributions

- ▶ **2012 Public Act 300**

Based on their selection, employees had to begin contributing or increase their existing contribution to **retirement MPSERS**

- ▶ **2017 Public Act 92**

Increased contributions required for participants hired since September 4, 2012; also established new employer contributions schedules

Challenges & Negative Impact for District

While the AAPS has consistently remained at or above the 96th percentile in Michigan state salary ranking over the previous decade, a number of changes in state law **have negatively impacted the ability of the District to provide salary increases**, including:

- ▶ Increased costs of **retirement**
currently the AAPS is required to pay \$.42 per salary in retirement contributions for every employee
- ▶ Increased district costs for **healthcare**
AAPS invests in healthcare at an 80/20 rate, at increasing cost each year
- ▶ Significant increase in **needs among our students** require staff and services to ensure student needs are met
- ▶ Increased costs required for **daily operations** to maintain the same level of service

Steps We Have Taken in the AAPS

The AAPS has consistently remained at or above the 96th percentile in Michigan state salary ranking over the previous decade **as a result of focused effort:**

- ▶ **Innovated** additional **revenue streams**, including lease of cell towers, sale of interests in AADL, and sale of property
- ▶ **Reduced costs** through outsourcing of essential services and continued reduction of positions
- ▶ Worked to **attract students from within the AAPS attendance area** to return to AAPS schools to ensure increased enrollment which is the only mechanism for increasing operating costs via per pupil foundation funding
- ▶ Consistently **placed millage and bond referenda** to continue to protect & reduce pressure on the general fund, ensuring maximum funds are available for salaries and benefits

Sinking Fund 2013 & 2017; Special Education X2; 2015 Bond; 2018 Operating Millage (w/ cushion to prevent rollback impact); & 2019 Bond

AAPS State Average Teacher Salary Trend

Year	Total # Districts in State	AAPS State Salary Ranking #	AAPS State Salary Percentile Ranking	AAPS Average Teacher Salary
2017/18	825	28	96.60%	\$71,546
2015/16	839	29	96.54%	\$71,564
2013/14	829	27	96.74%	\$72,550
2011/12	797	31	96.11%	\$72,122

Source: Michigan Department of Education Bulletin 1014

2017-18 Washtenaw County Districts Average Teacher Salaries Comparison

District Name	Enrollment	State Enrollment Ranking	Average Teacher Salary	State Rank Teacher Salary
Saline Area Schools	5,271	57	\$72,388	23
Ann Arbor Public Schools	17,730	4	\$71,546	28
Lincoln Consolidated School District	3,777	96	\$70,092	34
Chelsea School District	2,449	177	\$66,217	68
Milan Area School District	2,185	191	\$63,139	116
Manchester Community Schools	987	361	\$59,261	252
Dexter Community School District	3,628	104	\$57,263	197
Whitmore Lake Public School District	781	420	\$55,655	306
Ypsilanti Community Schools	3,904	87	\$48,391	451

\$842
difference

Source: MDE 2016-17 Bulletin 1014

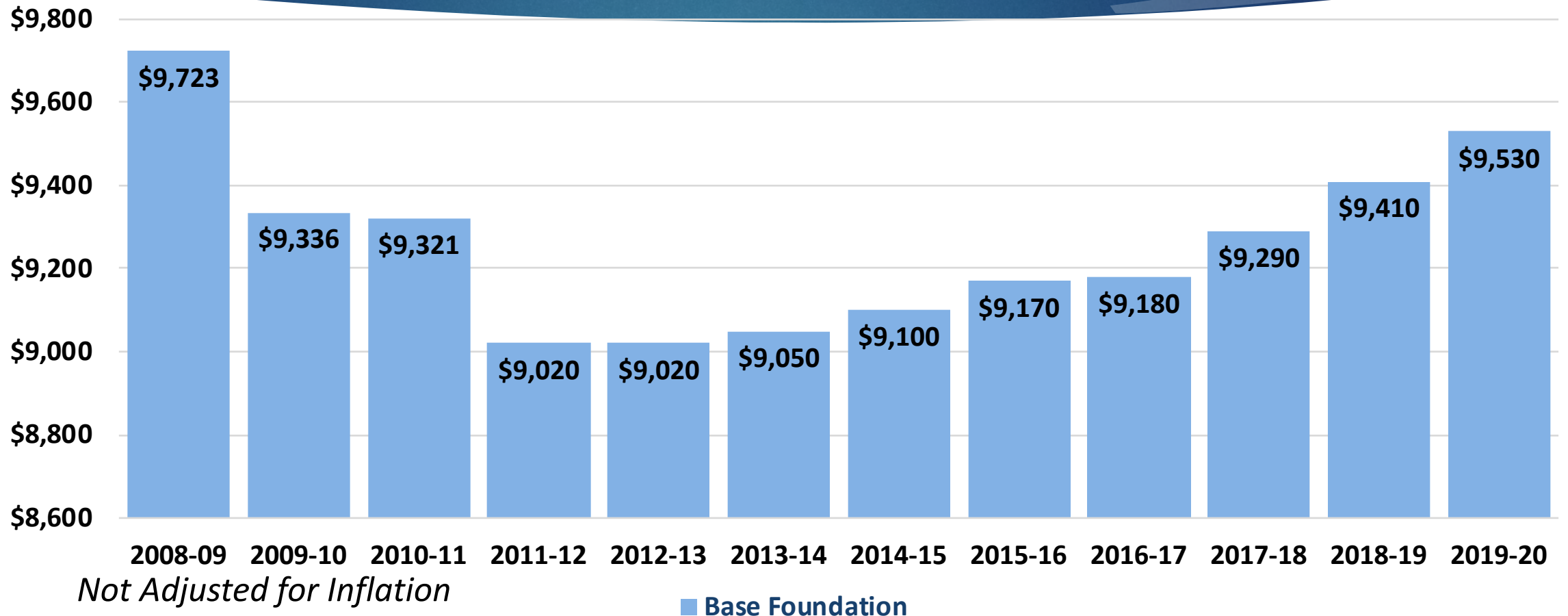
2016-17 National Average Teacher Salary

STATE	RANK	AVG TEACHER SALARY
New York	1	\$ 78,576
Connecticut	2	\$ 78,330
California	3	\$ 77,429
Alaska	4	\$ 77,307
Massachusetts	5	\$ 74,468
2017-18 Ann Arbor Public Schools	--	\$ 71,546
Rhode Island	6	\$ 69,795
New Jersey	7	\$ 68,893
Oregon	8	\$ 67,384
Maryland	9	\$ 65,852
Washington	10	\$ 64,987
Virginia	11	\$ 63,827
Pennsylvania	12	\$ 63,171
Michigan	13	\$ 62,442
2017-18 Michigan	--	\$ 61,908

Source: 24/7 Wall Street, 5/16/18 (<https://usat.ly/2rOcrnl>)

Per Pupil Foundation Allowance

2008 – 2019 = **\$193** Less Per Pupil Funding



AAPS Only District In County Receiving Less Funding Per Student Than 11 Years Ago

	<u>2008-09</u>	<u>2019-20</u>	<u>Incr./(Decr.) Per Student</u>
Ann Arbor	\$9,723	\$9,530	(\$193)
Ypsilanti	\$7,953	\$8,357	\$404
Chelsea	\$7,650	\$8,138	\$488
Dexter	\$7,938	\$8,328	\$390
Lincoln	\$7,316	\$8,111	\$795
Manchester	\$7,513	\$8,111	\$598
Milan	\$7,316	\$8,111	\$795
Saline	\$7,643	\$8,133	\$490
Whitmore Lake	\$7,316	\$8,111	\$795

\$409M Loss of Revenue Since 2005-06 Based On The Consumer Price Index (Inflation)

From Year	To Year	CPI %	AAPS Foundation Allowance With CPI	Actual AAPS Foundation Allowance	FTE Enrollment	Foundation Allowance Variance (Actual-With CPI)	AAPS Cumulative Addition (Reduction) Due To Foundation	Compounded CPI	
2005	2006		\$ 9,409	\$ 9,409	16,852.47			100.00%	
2006	2007	3.20%	\$ 9,710	\$ 9,619	16,730.56	\$ (91)	\$ (1,523,953)	103.20%	
2007	2008	2.80%	\$ 9,982	\$ 9,667	16,517.79	\$ (315)	\$ (5,202,616)	106.09%	
2008	2009	3.80%	\$ 10,361	\$ 9,723	16,438.53	\$ (638)	\$ (10,492,473)	110.12%	
2009	2010	-0.40%	\$ 10,320	\$ 9,336	16,432.29	\$ (984)	\$ (16,166,747)	109.68%	
2010	2011	1.60%	\$ 10,485	\$ 9,320	16,562.44	\$ (1,165)	\$ (19,294,541)	111.44%	
2011	2012	3.20%	\$ 10,820	\$ 9,020	16,657.71	\$ (1,800)	\$ (29,991,812)	115.00%	
2012	2013	1.70%	\$ 11,004	\$ 9,020	16,681.65	\$ (1,984)	\$ (33,103,473)	116.96%	
2013	2014	1.50%	\$ 11,169	\$ 9,050	16,479.79	\$ (2,119)	\$ (34,928,762)	118.71%	
2014	2015	0.80%	\$ 11,259	\$ 9,100	16,834.32	\$ (2,159)	\$ (36,342,716)	119.66%	
2015	2016	0.70%	\$ 11,338	\$ 9,170	17,113.37	\$ (2,168)	\$ (37,095,944)	120.50%	
2016	2017	2.10%	\$ 11,576	\$ 9,180	17,460.62	\$ (2,396)	\$ (41,831,270)	123.03%	
2017	2018	2.10%	\$ 11,819	\$ 9,290	17,698.56	\$ (2,529)	\$ (44,756,830)	125.61%	
2018	2019	2.50%	\$ 12,114	\$ 9,410	17,945.78	\$ (2,704)	\$ (48,530,973)	128.75%	
2019	2020	1.74%	\$ 12,325	\$ 9,530	17,855.78	\$ (2,795)	\$ (49,908,694)	130.99%	
							27.34%	\$ (409,170,805)	

As a reminder...

- ▶ AAPS, just like other districts, is levying the maximum millage allowed by Michigan law for operating purposes
- ▶ AAPS passed an additional 3 mills 'cushion' in 2018 so funding is not lost due to impact of the Headlee Amendment rollback
- ▶ AAPS **cannot** raise funds for salaries through a Bond Issue or Sinking Fund
- ▶ All Bond and Sinking fund work must be contracted
- ▶ **None** of the funds raised by either Bond Funds or Sinking Funds can be used to pay AAPS employees
- ▶ Importance of Bond and Sinking Funds is to protect General Fund dollars

AAPS Reality

- ▶ In 2019-20, the district is receiving **\$193 less** per student from the State of Michigan than it did in 2008-09
- ▶ **Various Michigan Public Acts have required public school employees to contribute significantly more to their health care and retirement plans**
- ▶ AAPS is the **only district in the county** receiving less per student; **other districts are receiving up to \$795 more per student** since 2008-09
- ▶ 2017-18 **AAPS average teacher salaries** ranks 28th out of 825 districts in Michigan at **\$71,546**
- ▶ 2017-18 **State of Michigan** average teacher salary is **\$61,908**
- ▶ Current teacher salary schedule starts at **\$41,342 and ends at \$87,721** w/ Longevity Pay
- ▶ In factoring just for the consumer price index (inflation) **AAPS has lost \$409M** in revenue since 2005-06
- ▶ **AAPS loss of revenue for 2019-20 is \$49.9M**

What We Have Achieved Together in the AAPS Despite Challenges of Current Michigan Education Funding Reality

- ▶ AAPS continues as a high-performing, successful school district
- ▶ AAPS remains at the 96th percentile in Michigan teacher salaries ranking
- ▶ AAPS continue to attract and retain high-performing teachers, staff, & leaders
- ▶ AAPS continues performing arts & specialized program offerings essential to student engagement & achievement—programs parents & community request & expect
- ▶ Quality teachers, along with quality programs, are integral to sustaining strong student enrollment numbers
- ▶ Continue to offer a quality AAPS educational experience

Next Steps in Michigan Advocacy Work

- ▶ **Continue work in support of a new Michigan School Funding Model**
with the School Finance Research Collaborative & other state efforts
- ▶ **Support Governor's efforts to enhance education funding**
specifically a differentiated funding model
- ▶ **Ensure Public Education Supportive Legislative Representation**
at all levels – who will support quality public schools, support strong education funding & solid policy

AAPS Next Steps: Seeking Solutions for Sustainability



3-YEAR BUDGET FORECAST

Evaluate sustainable recurring expenditures



MONITOR FUND EQUITY

Maintaining a strong fund balance will ensure sustainability of the organization



CONTINUE INNOVATION

Develop revenue streams in addition to traditional funding

2018-19 Audit

- ▶ **Clean, unmodified audit**
The highest opinion rendered by auditors
- ▶ **Revenue and expenditures, actual to budget**
Less than 1% variance
- ▶ **Final audited fund balance at 6.8%**
Will require monitoring to reverse downward trend
- ▶ **Continue to balance short, medium and long-term needs**
to ensure fiscal strength and sustainability

THANK YOU

AAPS Employees

For your hard work toward quality education ensuring we continue to deliver the Ann Arbor Public Schools' difference

Board of Education

For your support, advocacy and courageous decision-making toward the sustainability and strength of our district

Community

For your ongoing support of the Ann Arbor Public Schools

