

BOARD ENCLOSURE

June 6, 2016

Item No. 5

Public Hearing **on the** **2016-2017 General Fund Budget**

June 6, 2016



"Tradition of Excellence"

Budget Presentation

- **2015-2016 Final Proposed Budget Amendment**
 - Major changes since December
- **Proposed 2016-2017 Sinking Fund and Debt Retirement budgets**
- **General Fund Budget Background and History**
 - Operating vs Capital Budgets
 - Revenue & Expense Trends
 - Fund Balance History
 - History of Budget Reductions
- **Budget Assumptions and Projected Trends**
 - State Funding / Other Revenues
 - Student Enrollment
 - Personnel Costs / Staffing
 - State Retirement
- **2016-2017 Proposed General Fund Budget and Future Year Projections**
 - Potential Budget Adjustments
- **Discussion/Questions**

2016-2017 General Fund Budget

- The Budget is a product of our Strategic Plan
 - *“Educating and inspiring each student to navigate successfully in a global community”*
- Budget is limited to the resources received
- Budget is a financial roadmap that changes daily
- Budget has been structurally deficient since 2008-2009
 - \$4.3 million in cuts/increased revenue since 2009
 - \$3.2 million in fund reserves used from 2009-2010 to 2014-2015
- Use of fund reserves no longer an option
- Future years will bring additional financial challenges to overcome
- Providing the strongest educational experience while developing & maintaining a structurally balanced budget for next year & the future is the goal
 - Can include reductions in one area and additions in another to provide the strongest educational experience

2015-2016 Final Budget Amendment

2015-2016 Final Budget Amendment

	December Amendment	Amended w/revised sale of assets	Proposed Final	Amended to Final Variance
Revenues	\$29,482,265	\$29,211,529	\$29,223,451	\$11,922
Expenses	<u>\$28,865,654</u>	<u>\$28,865,654</u>	<u>\$28,869,588</u>	<u>\$3,934</u>
Change in Fund Reserve	\$616,611	\$345,875	\$353,863	\$7,988
Chg. In Structural Fund Reserve	(\$137,125)	(\$137,125)	(\$129,137)	
Sale of Assets	\$753,736	\$483,000	\$483,000	
Beginning Fund Reserve	\$1,692,479	\$1,692,479	\$1,692,479	
Ending Fund Reserve	\$2,309,000	\$2,038,354	\$2,046,342	
Ending Fund Reserve %	8.0%	7.1%	7.1%	

Variances from Amended

- **Change in Revenues: Increase of \$11,922**
 - Early Childhood: \$70,000
 - State Funding: (\$20,865)
 - Special Education Transportation: (\$20,360)
 - Medicaid Reimbursements: (\$18,000)
 - Others: \$1,147
- **Change in Expenses: Increase of \$3,934**
 - Early Childhood Staffing: (\$40,000)
 - Administrative Savings: (\$15,000)
 - Textbook/Materials Pull-Ahead: \$40,000
 - Utilities: \$10,000
 - Others: \$8,934

2016-2017 Sinking Fund Budget

	<u>2015-2016</u>	<u>2016-2017</u>
Revenue	\$330,000	\$350,000
Expenses	<u>\$500,000</u>	<u>\$240,000</u>
Net Change	(\$170,000)	\$110,000
Ending Fund Balance	\$465,598	\$575,598

Long Term Sinking Fund Plan

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beginning Balance	\$465,598	\$575,598	\$690,598	\$778,598	\$893,598	\$848,598	\$998,598
Revenues	\$350,000	\$355,000	\$360,000	\$365,000	\$370,000	\$375,000	\$380,000
Athletic Turf Fund	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Memorial Bleachers					\$250,000		
Parking Lot Resurfacing			\$82,000	\$60,000		\$60,000	
Others	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$125,000</u>	<u>\$125,000</u>	<u>\$125,000</u>
Total Expenses	\$240,000	\$240,000	\$272,000	\$250,000	\$415,000	\$225,000	\$165,000
Ending Balance	\$575,598	\$690,598	\$778,598	\$893,598	\$848,598	\$998,598	\$1,213,598

2016-2017 Debt Fund Budget

	<u>2015-2016</u>	<u>2016-2017</u>
Tax Collections	\$6,462,421	\$6,673,830
School Bond Loan Fund	<u>\$2,919,099</u>	<u>\$2,903,280</u>
Total Revenues	\$9,381,520	\$9,577,110
Expenses	<u>\$9,381,520</u>	<u>\$9,577,110</u>
Net Change	\$0	\$0
Ending Fund Balance	\$97,618	\$97,618
Millage Levied	9.95	9.95

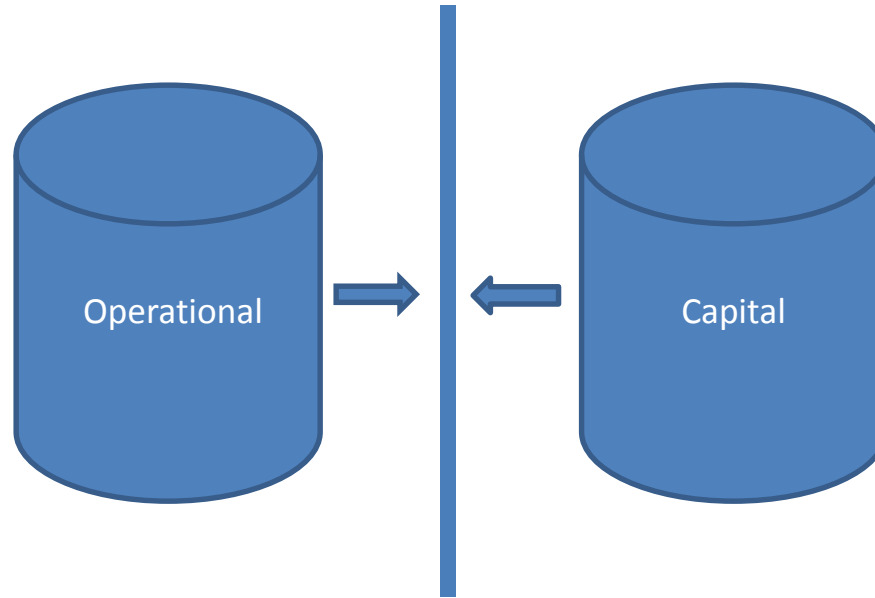
Debt Repayment Schedule

	Tax Collections	School Bond Loan Fund	Debt Service
2016-2017	\$6,673,830	\$2,903,280	\$9,577,110
2017-2018	\$6,874,045	\$2,708,820	\$9,582,865
2018-2019	\$7,080,266	\$2,502,529	\$9,582,795
2019-2020	\$7,292,674	\$2,279,271	\$9,571,945
2020-2021	\$7,511,454	\$507,986	\$8,019,440
2021-2022	\$7,736,798	\$278,062	\$8,014,860
2022-2023	\$7,968,902	(\$2,786,852)	\$5,182,050
2023-2024	\$8,207,969	(\$3,043,919)	\$5,164,050
2024-2025	\$8,454,208	(\$3,334,508)	\$5,119,700
2025-2026	\$8,707,834	(\$3,637,984)	\$5,069,850
2026-2027 *	\$8,969,069	(\$2,324,066)	\$5,049,400

* School Bond Loan Fund would be fully repaid at the end of the 2026-2027 school year, leaving room for additional debt capacity, or a lowering of the debt millage rate

General Fund Budget Background & History

Operational vs. Capital Funding in Public Schools



- Unlike most industries, operational and capital funding exist in separate silos
- Capital funding cannot be used to pay for employee salaries, benefits, or supplies to support programs and services or other operating expenses
- Operational funding is not required to assist in the servicing of debt
 - District issues voter approved “unlimited tax qualified bonds”, which provides the Board of Education the authority and obligation to set the necessary tax rate for debt retirement annually.

State Funding History

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (Budget)	2016-17 Vs 2008-09
Foundation Allowance	\$7,867	\$7,867	\$7,867	\$7,397	\$7,397	\$7,450	\$7,500	\$7,628	\$7,737	(\$130)
Section 147(a)	\$0	\$0	\$0	\$102	\$106	\$69	\$78	\$78	\$78	
Section 20(f) Hold Harmless	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17	\$17	
Best Practices Grant	\$0	\$0	\$0	\$100	\$52	\$52	\$50	\$0	\$0	
Performance Funding Grant	\$0	\$0	\$0	\$0	\$0	\$40	\$70	\$0	\$0	
Total State Funding	\$7,867	\$7,867	\$7,867	\$7,599	\$7,555	\$7,611	\$7,698	\$7,723	\$7,832	(\$35)

Student Enrollment History

1999-2000	2,646
2000-2001	2,700
2001-2002	2,778
2002-2003	2,854
2003-2004	2,878
2004-2005	2,893
2005-2006	2,972
2006-2007	3,009
2007-2008	3,010
2008-2009	2,977
2009-2010	2,998
2010-2011	3,005
2011-2012	2,992
2012-2013	2,987
2013-2014	2,996
2014-2015	2,940
2015-2016	2,952

Blended Full Time Equivalent (FTE) is calculated using 10% of the prior spring count and 90% of the current year (fall count)

Salary/Wage History

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017 Budget	Total for last 7 years
Teacher	1.00% + Step	0.00% + Step	0.00%	0.00% + Step	0.00%	0.00%	1.00%	2.00% + 3 steps
Administration	(2.00%)	1.00% + Step	0.00%	0.00% + Step	0.00%	(2.00%)	1.00%	(2.00%) + 2 steps
Custodian	(15.00%)	0.00% + Step	1.00%	1.00% + Step	0.00%	0.00%	1.00%	(12.00%) +2 steps
Support Staff	1.00% + Step	0.00% + Step	0.00%	1.00% + Step	0.00%	0.00%	1.00%	3.00% + 3 steps

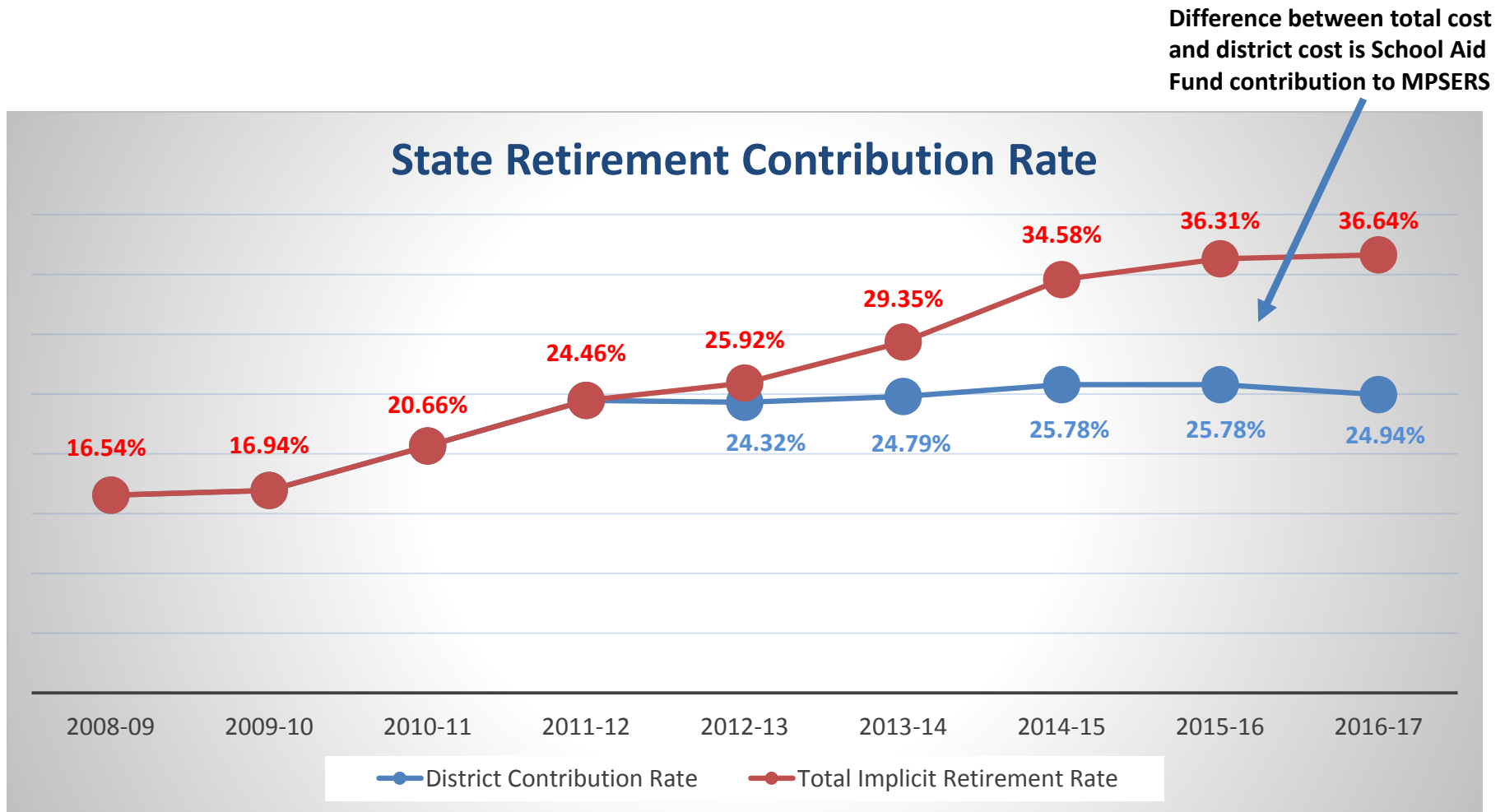
Health Insurance History

(Annual Cost for Family Coverage)

	MESSA	District Cost	WMHIP	District Cost	State Cap
2010-2011	\$16,367	\$16,367	\$14,830	\$14,830	n/a
2011-2012	\$16,570	\$16,090	\$16,066	\$12,853	n/a
2012-2013	\$16,128	\$15,000	\$16,737	\$13,390	\$15,000
2013-2014	\$14,141	\$14,141	\$15,203	\$15,203	\$15,525
2014-2015	\$15,000	\$15,000	\$14,975	\$14,975	\$15,975
2015-2016	\$16,768	\$16,343	\$15,125	\$15,125	\$16,343
2016-2017	\$19,206	\$16,751	\$15,911	\$15,911	\$16,751

- In 2013-2014, employees receiving MESSA insurance moved to a \$1,300/\$2,600 high deductible plan, lowering premiums
- In 2011-2012, administration began contributing for 20% of the medical premium
- In 2013-2014, administration/non-collective bargaining support staff moved to a Blue Cross High Deductible plan
- In 2014-2015, administration/non-collective bargaining support staff moved to a \$1,300/\$2,600 high deductible plan with Priority Health

MPERS State Retirement History



Personnel Expense Trend

(2008-2009 to 2015-2016 Budget)

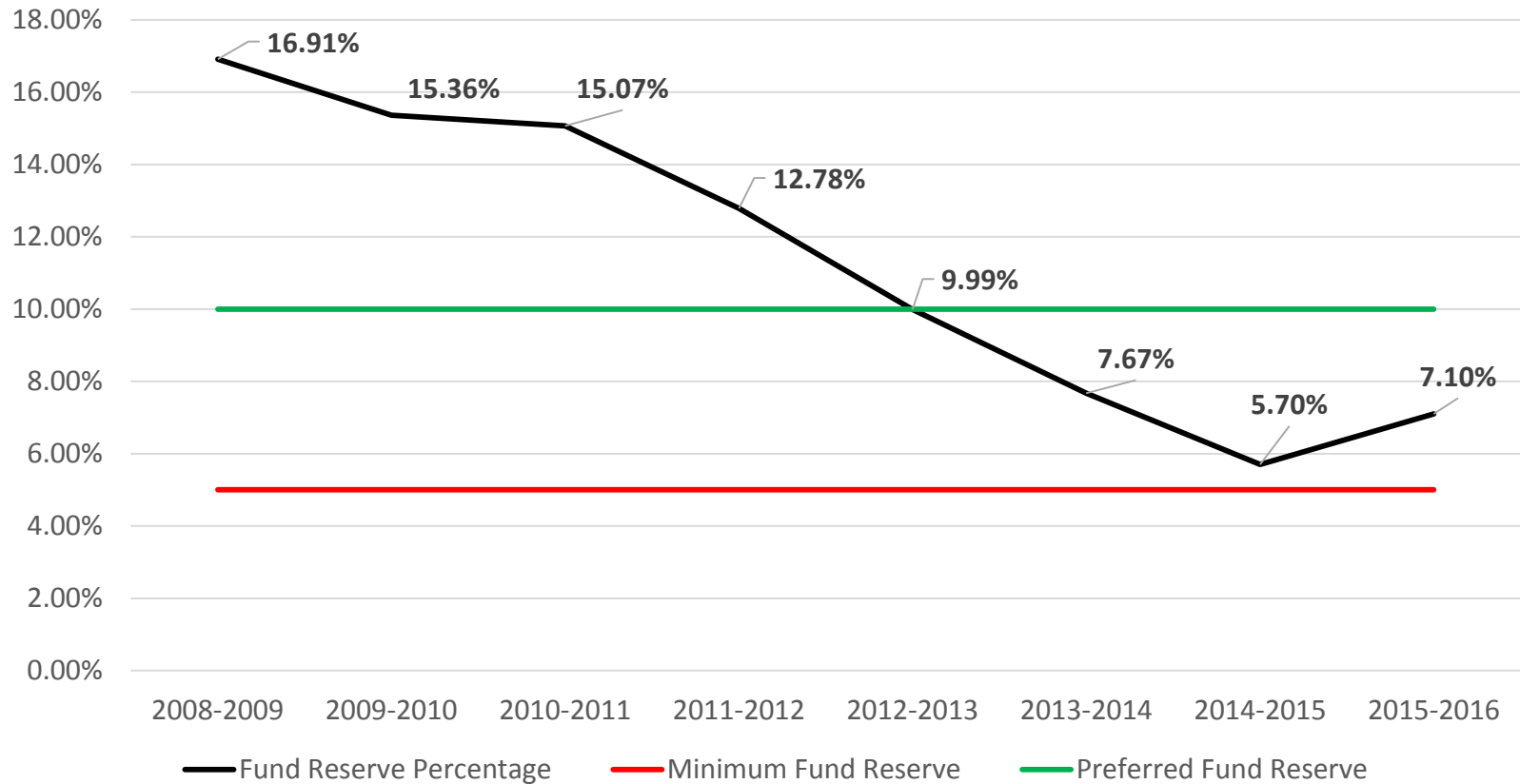
	Wages	Health	Total Retirement	Retirement Offsets	Net Retirement
2008-2009	\$15,773,478	\$2,890,277	\$2,594,430	\$0	\$2,594,430
2009-2010	\$16,001,020	\$2,925,490	\$2,634,789	\$0	\$2,634,789
2010-2011	\$15,792,998	\$2,908,473	\$3,101,768	\$0	\$3,101,768
2011-2012	\$15,824,414	\$3,092,473	\$3,734,246	\$304,634	\$3,429,612
2012-2013	\$15,764,475	\$2,471,727	\$4,145,622	\$618,763	\$3,526,859
2013-2014	\$15,533,137	\$2,509,419	\$4,628,377	\$1,058,811	\$3,569,566
2014-2015	\$15,430,045	\$2,720,728	\$5,429,796	\$1,687,786	\$3,742,010
2015-2016 (Budget)	\$14,656,464	\$2,740,931	\$5,495,971	\$1,721,212	\$3,774,759
Net Change since 2008-2009	(\$1,117,014)	(\$149,346)	\$2,901,541	\$1,721,212	\$1,180,329

Bulletin 1014 – 5 year trend

	2010-11	2011-12	2012-13	2013-14	2014-15
Total Sample	786	797	813	829	841
General Fund Revenues	282 nd	186 th	253 rd	288 th	304 th
Expenses:					
• Basic Program	101 st	52 nd	59 th	60 th	58 th
• Added Needs	695 th	703 rd	706 th	735 th	735 th
• Instructional Support	148 th	147 th	192 nd	180 th	203 rd
• Operations & Maintenance	303 rd	309 th	658 th	638 th	675 th
• Business & Administration	386 th	476 th	482 nd	523 rd	498 th
Total GF Expenses	254 th	202 nd	236 th	241 st	242 nd
Avg. Teacher Salary	47 th	44 th	53 rd	45 th	42 nd

* 2012-13 drop in rankings for general fund revenues and operations & maintenance is the result of separating recreational millage revenue and related expenses from the General Fund

Fund Reserve History



History of Budget Reductions

History of Budget Reductions

SUPPORT SERVICES

Custodial: \$425,000

- 15% pay reduction in 2010
- Several positions eliminated
- Two positions outsourced

Central Office Support: \$285,000

- 6.3 of 12.6 positions eliminated (50%)
- Print Center services eliminated
- 4.3 secretarial positions consolidated to 2.0
- Front desk receptionist vacated
- Payroll consolidated with Accounting Supervisor

Building Secretarial: \$225,000

4.5 positions eliminated

- 1.0 Middle School Office
- 2.0 High School Office
- 1.0 Food Service
- 0.5 High School Media Center

History of Budget Reductions

SUPPORT SERVICES

Technology Staff: \$133,000

- 1.6 staff positions reduced
- Teacher Building Coordinator stipends eliminated

Energy Manager: \$30,000

- Program eliminated, Director of Operations oversees energy management

PAC Management: \$25,000

- Net cost reduced through increased rentals, reduced supply budget

ADMINISTRATIVE SERVICES/COSTS: \$310,000

- Two 2% pay reductions (2010-2011 and 2015-2016)
- Health Care efficiencies
- Director of Operations assumed oversight of transportation
- Director of Special Education assumed Early Childhood (2011-2015)

History of Budget Reductions

CO-CURRICULARS

Athletics: \$285,000

- Eliminated funding support for middle school athletics
- Eliminated funding support for wrestling and softball
- Shift to “drop only” transportation
- Pay-to-Participate from \$100 to \$250 per sport

Non-Athletics: \$90,000

- Eliminated funding support for high school clubs
- Pay-to-Participate program for drama program

History of Budget Reductions

CLASSROOM SUPPORT

Building Supply Budgets: \$250,000

- Three 10% reductions since 2009

Media Center Staffing: \$400,000

- 100% reduction
- Three media specialists eliminated
- Paraeducators in each building eliminated

Guidance Counseling: \$153,000

- 1.0 Counselor at middle school
- 1.0 Counselor at high school

Intervention Specialist: \$80,000

- Elimination of 0.8 FTE position

Youth Development: \$50,000

- Elimination of funding support for program/services

History of Budget Reductions

CLASSROOM

Special Education Teaching: \$430,000

- 4.8 FTE reduction due to less students requiring services
- All services maintained
- District have met Federal Maintenance of Effort standards every year
 - Increase in total dollars, or dollars per student each year

Special Education Paraeducators/Teacher Assistants: \$170,000

- 3.0 Teacher Assistants eliminated
- 1.5 Paraeducator positions

General Education Teaching: \$400,000

- 4.5 FTE reduction due to lower student counts, increased class sizes across all buildings, reduced support classes, scheduling efficiencies

Classroom Paraeducators: \$140,000

- Two hours/day in half day Young 5 classrooms
- Two hours/day in full day Kindergarten & 1st grade classrooms

Reading Support: \$90,000

- Reduction from 4.0 to 3.0 reading support teachers

2016-2017 Budget Assumptions

State Funding Projection

(In Millions \$)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
School Aid Fund Revenues	\$11,520.5	\$11,747.1	\$12,067.4	\$12,402.4	\$12,760.8	\$13,121.5
Year over Year Growth		\$226.6	\$320.3	\$335.0	\$358.4	\$360.7
Growth %		2.0%	2.7%	2.8%	2.9%	2.8%
MPSERS Contribution		(\$274.0)	(\$216.5)	(\$90.0)	(\$5.0)	?
Net Incremental Funds		(\$47.4)	\$103.8	\$245.0	\$353.4	\$360.7
Projected Students		1,500,000	1,496,000	1,484,000	1,474,500	1,474,500
Incremental Funds/student		(\$32)	\$69	\$165	\$240	\$245
Actual/Projected Increase in Funding/pupil		\$50	\$25	\$109	\$75	\$100
GF Contribution to SAF			\$45.9	\$226.0	\$57.4	\$57.4

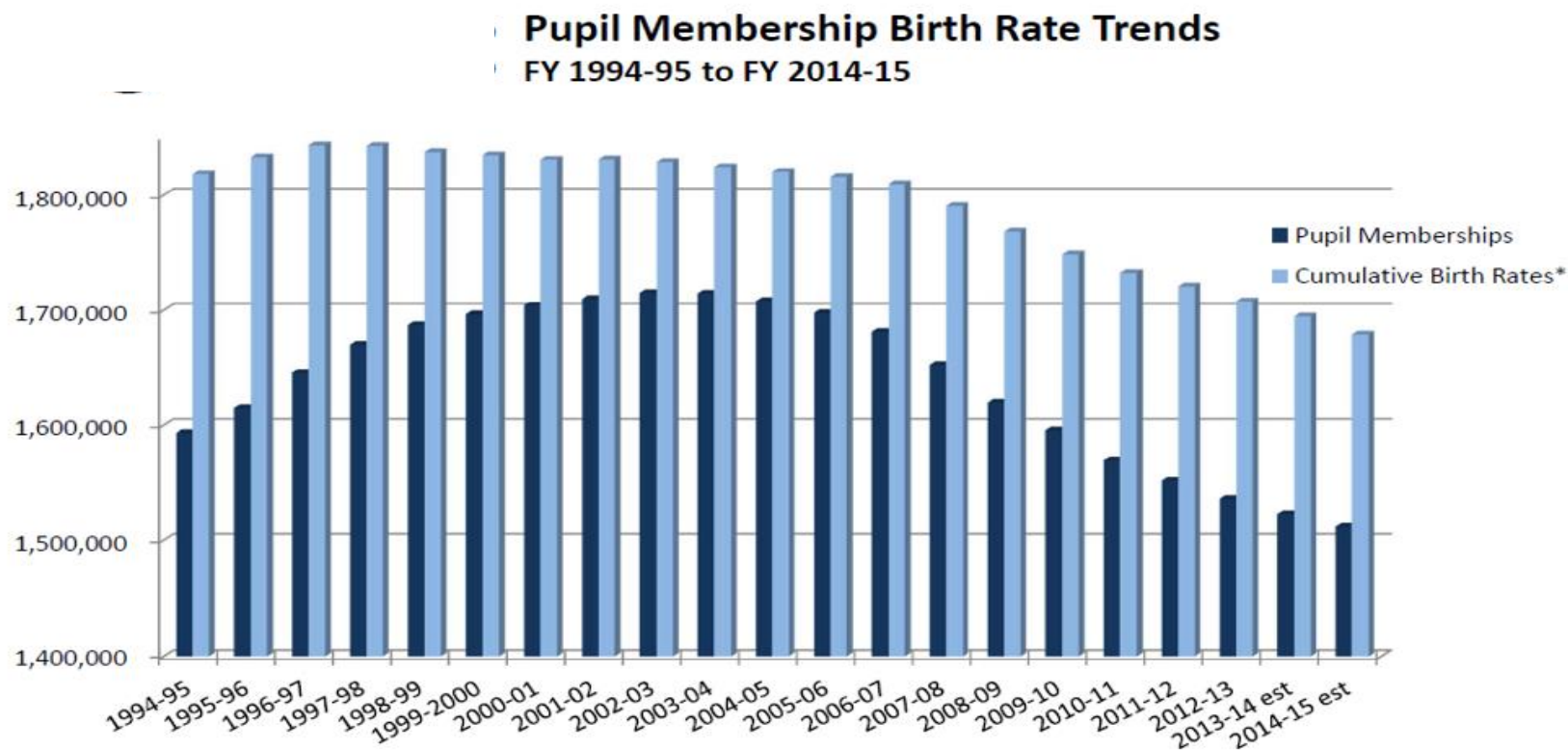
Increase in GF contribution is the main reason for the \$109/pupil increase for 2016-2017. GF contribution not budgeted for 2017-2018.



EGRNow! Contributions

2012-2013	\$520,470
2013-2014	\$270,855
2014-2015	\$145,400
2015-2016	\$255,310
2016-2017	\$400,000
5-Year Average	\$318,407
2017-2018 (Budget)	\$250,000
2018-2019 (Budget)	\$250,000

State Enrollment/Birth Rate Trends

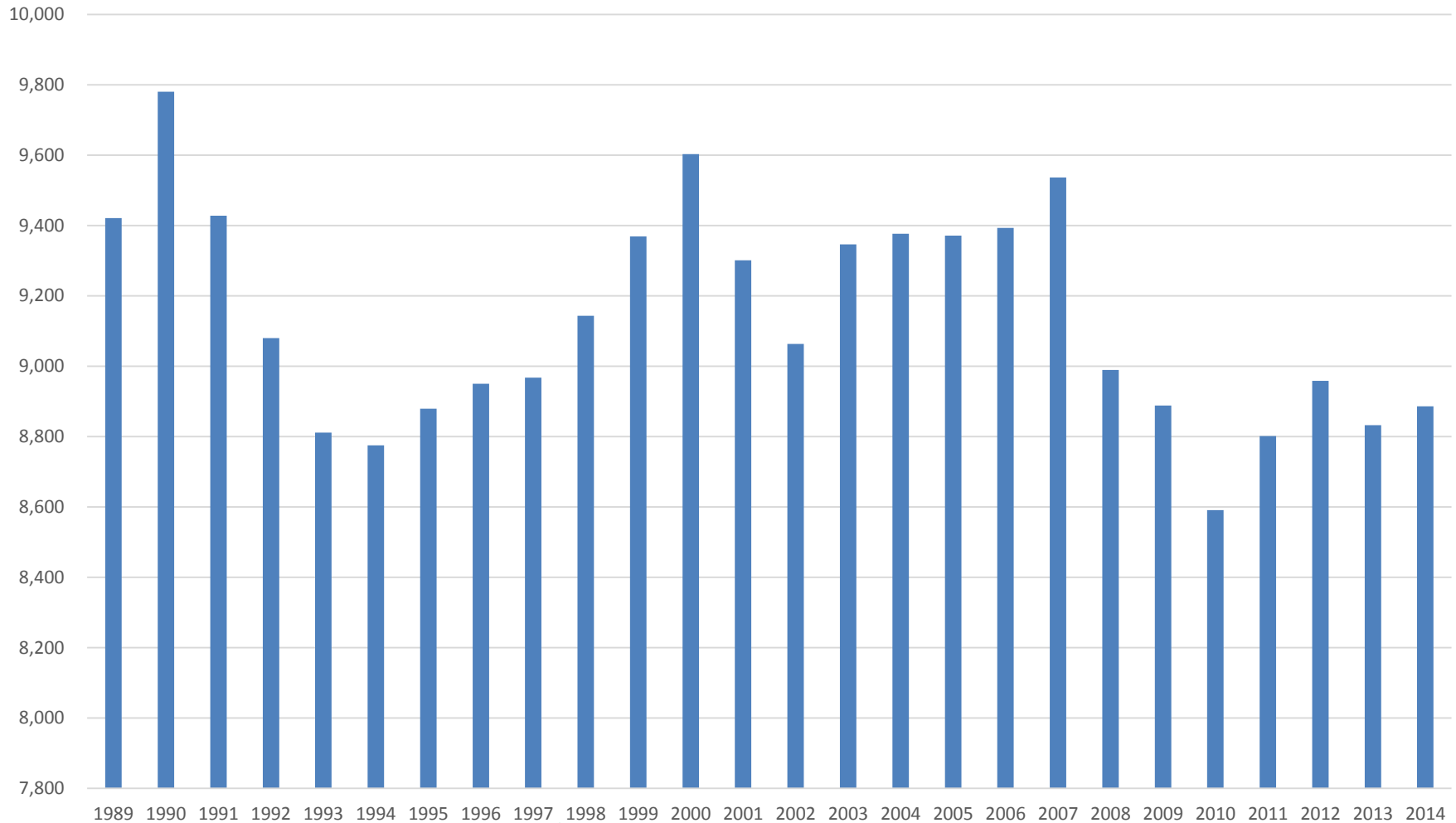


* This figure is calculated by summing up all Michigan births from the previous 18 years, assuming all children born in Michigan attend school in Michigan. This is to illustrate declining birth rates and the correlation with declining school populations.

Source: Senate Fiscal Agency



Live Births in Kent County



Class of 2016, 227 students

Class of 2017 & 2018, 248 & 264 students

2014-15 K = 197

2015-16 K = 187

2016-17 K = 165 (Bdgt.)

Enrollment Projections

	2015-2016	2016-2017	2017-2018	2018-2019
Previous Year Enrollment	2,940	2,952	2,945	2,925
Graduating Seniors	234	226	248	264
Incoming K/Young 5s	187	165	180	180
Schools Of Choice	55	24	25	25
Community Growth	4	30	23	24
Actual / Projected Growth	2,952	2,945	2,925	2,890

Salary & Health Benefit Assumptions

- **Salary:**

- Budget assumption for all employees is based on the salary formula in place with collective bargaining employees
- Based on 2,945 students and \$109/student increase in state funding, formula would provide a **1% scale increase, with no seniority step increase**
- Student enrollment over 2,950 would provide a seniority step increase, and no scale increase
- Student enrollment below 2,925 would provide no increase in salary

- **Health Care/Dental**

- **Health:**

- State contribution cap is increasing by 2.5% for 2016-2017
- Cost of MESSA increasing 16.3%, employees responsible for difference between 16.3% and 2.5%.
- Cost of WMHIP increasing 5.2%. Plans are underneath state cap, so district increase will be 5.2%

- **Dental:** 5% increase budgeted (100% self funded plan)

State Retirement Assumptions and Projections

- **District Cost: Maintain current contribution rate of 24.94%**
 - Unfunded liability to current retirees capped at 20.96%
 - Difference between 24.94% and 20.96% is the cost of an additional year for current employees (“normal cost”)
 - Assumption is for the “normal cost” to be stable in the near future
- **School Aid Fund cost: Currently 11.70%**
 - School Aid fund contributes whatever the retirement system needs above the 20.96% to make required payments to current retirees
 - Investment rate of return, performance of other actuarial assumptions critical to the required contribution of the School Aid Fund
 - Current state assumption is for the contribution from the School Aid Fund to level off and stay consistent in near future
 - District assumption is the School Aid fund will contribute more in near future, which shows up in state funding assumption.

2016-2017 Proposed General Fund Budget & Future Years Forecast

Budget Balancing options from May

- One year pause for budgeted part time central office support staff position: (\$45,000)
- Reduce Net Cost of Athletics: (\$25,000)
 - District support of Barwis Methods student conditioning program reduced to \$8,000 for 2016-2017, as part of a 3-year phase towards 100% private support (\$20,000)
 - Other expense efficiencies: (\$5,000)
- Administrative consolidation: (\$70,000)
 - Management of the High School Performing Arts Center and Pioneer Auditorium transferred to the Director of Technology & Assessment and technology staff
 - Elimination of the Performing Arts Center director position
 - 15-20 hour/week increase in technology staffing

Savings Analysis:	
PAC Director Salary	\$63,086
PAC Director Retirement/FICA	\$28,073
PAC Director Health/Dental	<u>\$14,124</u>
Total Cost of PAC Director	\$105,283
Reduction in Rental Revenues	(\$15,000)
Addt'l. Tech Help/Contract Svcs.	<u>(\$20,000)</u>
Net Budget Savings	\$70,283

Revised Budget Adjustments

- **Recommended Budget Savings for 2016-2017:**
 - One year pause for budgeted part time central office support staff position: (\$45,000 savings)
 - Reduce Net Cost of Athletics: (\$25,000 savings)
 - District support of Barwis Methods student conditioning program reduced to \$8,000 for 2016-2017, as part of a 3-year phase towards 100% private support (\$20,000)
 - Other expense efficiencies: (\$5,000)
- **Recommended items funded by EGRNow! contributions in excess of \$250,000 for 2016-2017:**
 - Administrative Consolidation: (\$70,000)
 - Performing Arts Center director position will be maintained, and not consolidated with the Director of Technology & technology staff
 - Reinstatement of Kindergarten & 1st grade classroom paraeducators (\$108,000 addition to budget)
 - 2 hours per day of service in each K and 1st grade section
 - Positions are only in the 2016-2017 budget, as EGRNow! is budgeted at \$250,000 for 2017-2018 and 2018-2019.

2016-2017 Proposed Budget

	2016-2017 Forecast	2017-2018 Forecast	2018-2019 Forecast
Revenues	\$29,123,816	\$29,058,901	\$29,098,625
Expenses	<u>\$29,074,009</u>	<u>\$29,258,719</u>	<u>\$29,352,609</u>
Change in Fund Reserve	\$49,807	(\$199,818)	(\$253,984)
Beginning Fund Reserve	\$2,046,342	\$2,101,503	\$1,896,331
Ending Fund Reserve	\$2,096,148	\$1,896,331	\$1,642,346
Ending Fund Reserve %	7.2%	6.5%	5.6%

2016-2017 Budget Sensitivity Analysis

	2,920 students	2,930 students	2,945 students	2,951 students	2,965 students
Revenues	\$28,915,821	\$29,007,769	\$29,123,816	\$29,190,706	\$29,299,024
Expenses	<u>\$28,867,074</u>	<u>\$29,074,009</u>	<u>\$29,074,009</u>	<u>\$29,301,638</u>	<u>\$29,301,638</u>
Change in Fund Reserve	\$48,747	(\$66,240)	\$49,807	(\$110,932)	(\$2,614)
Beginning Fund Reserve	\$2,046,342	\$2,046,342	\$2,046,342	\$2,046,342	\$2,046,342
Ending Fund Reserve	\$2,095,089	\$1,980,101	\$2,096,148	\$1,935,410	\$2,043,728
Ending Fund Reserve %	7.3%	6.8%	7.2%	6.6%	7.0%
Salary Formula	No increase	1% scale increase	1% scale increase	Step Increase (2.1%)	Step Increase (2.1%)

Summary

- **Proposed Budget for 2016-2017 is structurally balanced**
 - Structural balance does include the incredible contributions of EGRNow!
 - Significant improvement over last two years to achieve structural balance
 - Collaboration with collective bargaining groups, reductions, efficiencies
- **Can structural balance be maintained?:**
 - \$200K - \$250K deficits in 2017-2018 and 2018-2019
 - Includes \$250,000 in EGRNow! contributions for both years
 - State Funding: Michigan unemployment low, auto sales high, yet net funding increases have been \$50 (0.7%), \$25 (0.3%), \$109 (1.4%) last 3 years. What happens when auto sales slow, which is directly correlated to jobs in Michigan?
 - Retirement system: Does the School Aid Fund contribution level off, or continue to increase?
- **Student Enrollment challenges**
 - Grades K-6: 209 per class, Grades 7-12: 249 per class
 - Birth rates at lowest levels in 20 years
 - Revenue decreases at a much higher rate than expenses with declining enrollment
- **2016-2017 Budget provides the best possible educational program for students based on the resources received**

Questions/Discussion?