



ANN ARBOR PUBLIC SCHOOLS
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ANN ARBOR PUBLIC SCHOOLS BUDGET UPDATE

Presentation to the Board of Education
April 11, 2024

Comparison of Summary of All Funds Report YTD March 31, 2023 and March 31, 2024

	Prior Year-to-Date 2022-2023	Year-to-Date 2023-2024	Income Statement Comparison	Percent Changes
<u>Revenue</u>				
General Fund	214,648,154	\$224,001,458	\$9,353,304	4.4%
Community Services Fund	3,957,998	4,098,825	140,827	3.6%
Food Service Fund	3,824,812	5,532,304	1,707,492	44.6%
Student/School Activity Fund	689,906	999,471	309,565	44.9%
TOTAL	\$223,120,870	\$234,632,058	\$11,511,188	5.2%
<u>Expenditures</u>				
General Fund	\$192,891,454	\$205,823,990	\$12,932,536	6.7%
Community Services Fund	3,271,127	3,634,059	362,932	11.1%
Food Service Fund	3,849,917	5,125,626	1,275,709	33.1%
Student/School Activity Fund	621,857	850,519	228,662	36.8%
TOTAL	\$200,634,355	\$215,434,194	\$14,799,839	7.4%

Comparison of Summary of All Funds Report YTD March 31, 2023 and March 31, 2024 (cont'd)

	Prior Year-to-Date 2022-2023	Year-to-Date 2023-2024	Income Statement Comparison	Percent Changes
<u>Addition (Reduction) to Fund Balance</u>				
General Fund	\$21,756,700	\$18,177,468	\$(3,579,232)	(16.5)%
Community Services Fund	686,871	464,766	(222,105)	(32.3)%
Food Service Fund	(25,105)	406,678	381,573	1519.9%
Student/School Activity Fund	68,049	148,952	80,903	118.9%
TOTAL	\$22,486,515	\$19,197,864	\$(3,338,661)	(14.8)%
<u>Beginning Fund Balance</u>				
General Fund	\$19,682,482	\$12,875,365	\$(6,807,117)	(34.6)%
Community Services Fund	862,881	1,239,203	376,322	43.6%
Food Service Fund	592,567	583,906	(8,661)	(1.5)%
Student/School Activity Fund	1,233,455	1,295,050	61,595	5.0%
TOTAL	\$22,371,385	\$15,993,524	\$(6,377,861)	(28.5)%
<u>Ending Fund Balance</u>				
General Fund	\$41,439,182	\$31,052,833	\$(10,386,349)	(25.1)%
Community Services Fund	1,549,752	1,703,969	154,217	10.0%
Food Service Fund	567,462	990,584	423,122	74.6%
Student/School Activity Fund	1,301,504	1,444,002	142,498	10.9%
TOTAL	\$44,857,900	\$35,191,388	\$(9,666,512)	(21.5)%

FIVE-YEAR FINANCIAL SCENARIOS

Five-Year Assumptions with Attrition Only *No Other Reductions*

Revenue:

- \$200 Increase to the Foundation Allowance annually
- 105 Student loss annually
- Increase from WISD \$2M annually

Expenditures:

- Steps annually
- 1.5% Annual salary increases
- Retirement increase of 1.5% annually
- Health insurance increase of 5% annually
- All vendors increase of 2.5% annually
- 35 staff decrease annually via attrition

Ann Arbor Public Schools

2025-2029 Projected General Fund Budget

	2023-2024 Amended Budget March 13, 2024	Year 1 2024-2025 Projected Budget	Year 2 2025-2026 Projected Budget	Year 3 2026-2027 Projected Budget	Year 4 2027-2028 Projected Budget	Year 5 2028-2029 Projected Budget
Total Revenue	\$ 314,856,095	\$ 315,364,014	\$ 320,275,536	\$ 325,048,095	\$ 329,778,668	\$ 334,467,241
Total Expenditures	\$ 321,432,387	\$ 329,156,874	\$ 335,964,204	\$ 343,910,042	\$ 351,990,668	\$ 360,208,497
Revenue Over (Under) Expenditures	\$ (6,576,292)	\$ (13,792,860)	\$ (15,688,668)	\$ (18,861,947)	\$ (22,212,000)	\$ (25,741,256)
Fund Balance - Beginning of Year, Audited	\$ 12,875,365	\$ -				
Fund Balance - Beginning of Year, Projected	\$ -	\$ 6,299,073	\$ (7,493,787)	\$ (23,182,455)	\$ (42,044,402)	\$ (64,256,402)
Fund Balance - End of Year, Projected	\$ 6,299,073	\$ (7,493,787)	\$ (23,182,455)	\$ (42,044,402)	\$ (64,256,402)	\$ (89,997,658)
Fund Balance as a Percent of Revenues	2.00%	-2.38%	-7.24%	-12.93%	-19.48%	-26.91%
Fund Balance as a Percent of Expenditures	1.96%	-2.28%	-6.90%	-12.23%	-18.26%	-24.98%

Five-Year Assumptions with Attrition and \$15M Reductions

Revenue:

- \$200 Increase to the Foundation Allowance annually
- 105 Student loss annually
- Increase from WISD \$2M annually

Expenditures:

- \$15M reductions in ongoing expenditures
- Steps annually
- 1.5% annual salary increases
- Retirement increase of 1.5% annually
- Health insurance increase of 5% annually
- All vendors increase of 2.5% annually
- 35 staff decrease annually via attrition

Ann Arbor Public Schools

2025-2029 Projected General Fund Budget with **\$15M Reductions**

	2023-2024 Amended Budget March 13, 2024	Year 1 2024-2025 Projected Budget	Input \$15,000,000 (Reductions)	Year 2 2025-2026 Projected Budget	Year 3 2026-2027 Projected Budget	Year 4 2027-2028 Projected Budget	Year 5 2028-2029 Projected Budget
Total Revenue	\$ 314,856,095	\$ 315,364,014		\$ 320,275,536	\$ 325,048,095	\$ 329,778,668	\$ 334,467,241
Total Expenditures	\$ 321,432,387	\$ 314,156,874	\$ (15,000,000)	\$ 320,964,204	\$ 328,910,042	\$ 336,990,668	\$ 345,208,497
Revenue Over (Under) Expenditures	\$ (6,576,292)	\$ 1,207,140		\$ (688,668)	\$ (3,861,947)	\$ (7,212,000)	\$ (10,741,256)
Fund Balance - Beginning of Year, Audited	\$ 12,875,365	\$ -					
Fund Balance - Beginning of Year, Projected	\$ -	\$ 6,299,073		\$ 7,506,213	\$ 6,817,545	\$ 2,955,598	\$ (4,256,402)
Fund Balance - End of Year, Audited							
Fund Balance - End of Year, Projected	\$ 6,299,073	\$ 7,506,213		\$ 6,817,545	\$ 2,955,598	\$ (4,256,402)	\$ (14,997,658)
Fund Balance as a Percent of Revenues	2.00%	2.38%		2.13%	0.91%	-1.29%	-4.48%
Fund Balance as a Percent of Expenditures	1.96%	2.39%	-	2.12%	0.90%	-1.26%	-4.34%

Five-Year Assumptions with Attrition and \$20M Reductions

Revenue:

- \$200 Increase to the Foundation Allowance annually
- 105 Student loss annually
- Increase from WISD \$2M annually

Expenditures:

- \$15M reductions in ongoing expenditures
- Steps annually
- 1.5% Annual salary increases
- Retirement increase of 1.5% annually
- Health insurance increase of 5% annually
- All vendors increase of 2.5% annually
- 35 staff decrease annually via attrition

Ann Arbor Public Schools

2025-2029 Projected General Fund Budget with **\$20M Reductions**

	2023-2024 Amended Budget March 13, 2024	Year 1 2024-2025 Projected Budget	Input \$20,000,000 (Reductions)	Year 2 2025-2026 Projected Budget	Year 3 2026-2027 Projected Budget	Year 4 2027-2028 Projected Budget	Year 5 2028-2029 Projected Budget
Total Revenue	\$ 314,856,095	\$ 315,364,014		\$ 320,275,536	\$ 325,048,095	\$ 329,778,668	\$ 334,467,241
Total Expenditures	\$ 321,432,387	\$ 309,156,874	\$ (20,000,000)	\$ 315,964,204	\$ 323,910,042	\$ 331,990,668	\$ 340,208,497
Revenue Over (Under) Expenditures	\$ (6,576,292)	\$ 6,207,140		\$ 4,311,332	\$ 1,138,053	\$ (2,212,000)	\$ (5,741,256)
Fund Balance - Beginning of Year, Audited	\$ 12,875,365	\$ -					
Fund Balance - Beginning of Year, Projected	\$ -	\$ 6,299,073		\$ 12,506,213	\$ 16,817,545	\$ 17,955,598	\$ 15,743,598
Fund Balance - End of Year, Audited							
Fund Balance - End of Year, Projected	\$ 6,299,073	\$ 12,506,213		\$ 16,817,545	\$ 17,955,598	\$ 15,743,598	\$ 10,002,342
Fund Balance as a Percent of Revenues	2.00%	3.97%		5.25%	5.52%	4.77%	2.99%
Fund Balance as a Percent of Expenditures	1.96%	4.05%		5.32%	5.54%	4.74%	2.94%

Five-Year Assumptions with **Attrition and \$25M Reductions** *\$12.5M Each Year over Two Years*

Revenue:

- \$200 Increase to the Foundation Allowance annually
- 105 Student loss annually
- Increase from WISD \$2M annually

Expenditures:

- \$15M reductions in ongoing expenditures
- Steps annually
- 1.5% Annual salary increases
- Retirement increase of 1.5% annually
- Health insurance increase of 5% annually
- All vendors increase of 2.5% annually
- 35 staff decrease annually via attrition

Ann Arbor Public Schools

2025-2029 Projected General Fund Budget with **\$25M Reductions** \$12.5M Each Year Over Two Years

	2023-2024 Amended Budget March 13, 2024	Year 1 2024-2025 Projected Budget	2024-2025 Input \$12,500,000 Reduction	Year 2 2025-2026 Projected Budget	2025-2026 Input 12,500,000 Reduction	Year 3 2026-2027 Project Budget	Year 4 2027-2028 Projected Budget	Year 5 2028-2029 Projected Budget
Total Revenue	\$ 314,856,095	\$ 315,364,014		\$ 320,275,536		\$ 325,048,095	\$ 329,778,668	\$ 334,467,241
Total Expenditures	\$ 321,432,387	\$ 316,656,874	\$ (12,500,000)	\$ 310,964,204	\$ (12,500,000)	\$ 318,910,042	\$ 326,990,668	\$ 335,208,497
Revenue Over (Under) Expenditures	\$ (6,576,292)	\$ (1,292,860)		\$ 9,311,332		\$ 6,138,053	\$ 2,788,000	\$ (741,256)
Fund Balance - Beginning of Year, Audited	\$ 12,875,365	\$ -						
Fund Balance - Beginning of Year, Projected	\$ -	\$ 6,299,073		\$ 5,006,213		\$ 14,317,545	\$ 20,455,598	\$ 23,243,598
Fund Balance - End of Year, Audited								
Fund Balance - End of Year, Projected	\$ 6,299,073	\$ 5,006,213		\$ 14,317,545		\$ 20,455,598	\$ 23,243,598	\$ 22,502,342
Fund Balance as a Percent of Revenues	2.00%	1.59%		4.47%		6.29%	7.05%	6.73%
Fund Balance as a Percent of Expenditures	1.96%	1.58%		4.60%		6.41%	7.11%	6.71%

Five-Year Assumptions with **Attrition and \$25M Reductions Over 4 Years** *\$10M First Year, and \$5M for Three Years*

Revenue:

- \$200 Increase to the Foundation Allowance annually
- 105 Student loss annually
- Increase from WISD \$2M annually

Expenditures:

- \$15M reductions in ongoing expenditures
- Steps annually
- 1.5% Annual salary increases
- Retirement increase of 1.5% annually
- Health insurance increase of 5% annually
- All vendors increase of 2.5% annually
- 35 staff decrease annually via attrition

Ann Arbor Public Schools

2025-2029 Projected General Fund Budget with **\$25M Reductions Over 4 Years** **\$10M First Year, and \$5M Each Year Over Three Years**

	2023-2024 Amended Budget March 13, 2024	Year 1 2024-2025 Projected Budget	2024-2025 Input \$10,000,000 Reduction	Year 2 2025-2026 Projected Budget	2025-2026 Input \$5,000,000 Reduction	Year 3 2026-2027 Project Budget	2026-2027 Input \$5,000,000 Reduction	Year 4 2027-2028 Projected Budget	2027-2028 Input \$5,000,000 Reduction	Year 5 2028-2029 Projected Budget
Total Revenue	\$ 314,856,095	\$ 315,364,014		\$ 320,275,536		\$ 325,048,095		\$ 329,778,668		\$ 334,467,241
Total Expenditures	\$ 321,432,387	\$ 319,156,874	\$ (10,000,000)	\$ 320,964,204	\$ (5,000,000)	\$ 323,910,042	\$ (5,000,000)	\$ 326,990,668	\$ (5,000,000)	\$ 335,208,497
Revenue Over (Under) Expenditures	\$ (6,576,292)	\$ (3,792,860)		\$ (688,668)		\$ 1,138,053		\$ 2,788,000		\$ (741,256)
Fund Balance - Beginning of Year, Audited	\$ 12,875,365	\$ -								
Fund Balance - Beginning of Year, Projected	\$ -	\$ 6,299,073		\$ 2,506,213		\$ 1,817,545		\$ 2,955,598		\$ 5,743,598
Fund Balance - End of Year, Audited										
Fund Balance - End of Year, Projected	\$ 6,299,073	\$ 2,506,213		\$ 1,817,545		\$ 2,955,598		\$ 5,743,598		\$ 5,002,342
Fund Balance as a Percent of Revenues	2.00%	0.79%		0.57%		0.91%		1.74%		1.50%
Fund Balance as a Percent of Expenditures	1.96%	0.79%		0.57%		0.91%		1.76%		1.49%

RECOMMENDATION

Five-Year Assumptions with Attrition and \$25M Reductions

Revenue:

- \$200 Increase to the Foundation Allowance annually
- 105 Student loss annually
- Increase from WISD \$2M annually

Expenditures:

- \$15M reductions in ongoing expenditures
- Steps annually
- 1.5% Annual salary increases
- Retirement increase of 1.5% annually
- Health insurance increase of 5% annually
- All vendors increase of 2.5% annually
- 35 staff decrease annually via attrition

Ann Arbor Public Schools

2025-2029 Projected General Fund Budget with **\$25M Reductions**

	2023-2024 Amended Budget March 13, 2024	Year 1 2024-2025 Projected Budget	Input \$25,000,000 (Reductions)	Year 2 2025-2026 Projected Budget	Year 3 2026-2027 Projected Budget	Year 4 2027-2028 Projected Budget	Year 5 2028-2029 Projected Budget
Total Revenue	\$ 314,856,095	\$ 315,364,014		\$ 320,275,536	\$ 325,048,095	\$ 329,778,668	\$ 334,467,241
Total Expenditures	\$ 321,432,387	\$ 304,156,874	\$ (25,000,000)	\$ 310,964,204	\$ 318,910,042	\$ 326,990,668	\$ 335,208,497
Revenue Over (Under) Expenditures	\$ (6,576,292)	\$ 11,207,140		\$ 9,311,332	\$ 6,138,053	\$ 2,788,000	\$ (741,256)
Fund Balance - Beginning of Year, \$ Audited	12,875,365	-					
Fund Balance - Beginning of Year, \$ Projected	-	\$ 6,299,073		\$ 17,506,213	\$ 26,817,545	\$ 32,955,598	\$ 35,743,598
Fund Balance - End of Year, Audited							
Fund Balance - End of Year, Projected	\$ 6,299,073	\$ 17,506,213		\$ 26,817,545	\$ 32,955,598	\$ 35,743,598	\$ 35,002,342
Fund Balance as a Percent of Revenues	2.00%	5.55%		8.37%	10.14%	10.84%	10.47%
Fund Balance as a Percent of Expenditures	1.96%	5.76%		8.62%	10.33%	10.93%	10.44%

Reasons For The Recommendation

- \$25M is the amount that is compliant with Early Warning Legislation (5% of Revenues) and Board of Education Policy (6% of Expenditures) most consistently
- Reducing the \$25M over one year yields the best financial results
- Provides the district with long term financial stability based on our assumptions
- The district avoids uncertainty over multiple years
- After the \$25M reduction (which is 8% of the operating budget) the district will have a budget of approximately \$304M.

Per Pupil Expenditures

District	Per Pupil Expenditure 2023-2024	Per Pupil Expenditure After \$25M Reduction 2024-2025
Plymouth-Canton	\$13,146	
Novi	\$15,000	
Rochester	\$15,317	
Saline	\$15,833	
Birmingham	\$18,817	
Ann Arbor	\$19,085	\$18,176
Bloomfield Hills	\$21,557	

PRELIMINARY CENTRAL OFFICE AND ADMINISTRATIVE REDUCTIONS

Approximate Central Office, Administrative, and District Reductions:

- Central office and administrative positions reductions = approximately \$3.5M
- Renegotiated Vendor Contracts = \$1.2M
- Additional grant allotment (allows moving existing staff that qualify into the grant to offset general fund expenses) = \$1M
- District Department Reductions = \$1.3M
 - Instructional Technology
 - Facilities and Operations
 - Human Resources
 - Teaching and Learning

Potential Additional Revenue Sources

- Marketing and Enrollment Committee – attract families and increase enrollment
- Exploring the possibility of selling the Balas Administration Building and vacant properties

Next Steps:

- Staff and Community engagements
- After Staff and Community engagements, develop recommendations for District Comprehensive Budget Plan
- Developing procedures for increased transparency in financial reporting and in the reporting of newly hired and existing personnel
 - Best practices in other school districts and will be bring those structures forward once we finishing our homework and research
 - Organizational charts for district departments