

WEST BLOOMFIELD SCHOOL DISTRICT

WILLIAM D. MULL
ASSISTANT SUPERINTENDENT FOR
BUSINESS AND OPERATIONS



MEMORANDUM
January 22, 2015

TO: Superintendent Hill & Board of Education

FROM: William Mull, Asst. Superintendent for Business

RE: January 26, 2015 Board Meeting Agenda Item:
2014-15 Budget Amendment # 1
General Fund and Community Services Fund

The administration asks the Board to approve the first budget amendment for 2014-15 this evening. Proposed are amendments to the General Fund and the Food Service Fund.

| <u>GENERAL FUND</u> | <u>Amended</u> | <u>Change</u> | <u>Original</u> |
|---|---------------------|---------------|-----------------|
| Beginning Fund Balance | \$ 1,311,018 | - | \$ 1,311,018 |
| Revenue | 63,348,801 | 689,458 | 62,659,343 |
| Expenditures | <u>(64,587,938)</u> | 1,825,835 | (62,762,103) |
| Surplus (Deficit) | (1,239,137) | (1,136,377) | (102,760) |
| Ending Fund Balance | \$ 71,881 | (1,136,377) | \$ 1,208,258 |
| Ending Fund Balance as % of Expenditures | 0.12% | (1.81%) | 1.93% |

All revenue and expenditure line items have been analyzed and updated to reflect the revised forecast for 2014-15. Attached is a 3-pp. spreadsheet that details the change in broad categories for both revenues and expenditures. To summarize the major component changes for the amended budget:

REVENUES

Net Change

Pupil Count and Foundation Revenue

The original budget was predicated on total funded pupil FTE membership of 5,741. The amended budget is predicated on 5,713 funded FTE's which is a difference of -28. At \$8,726 per FTE the estimated revenue reduction is:

\$(244,328)

Grants and Categorical Revenue

Actual Grant and Categorical Revenues have been adjusted to match audited carryover amounts from 2013-14; grant award letters now received for 2014-15, and adjustments to match the current State Aid Status Report. Changes in grant revenues also have equal offsetting changes to grant-funded expenditures. The net effect of these combined changes to revenue is:

341,301

MIPSRs Categorical Revenue

The State has adjusted both the retirement rate on the expenditure side of the budget and the categorical revenue that only partially offsets total expenditures for retirement expense. The increase in categorical revenue for this line item is fully offset by an identical increase in expenditures for employee pension costs remitted by the district

670,673

Miscellaneous other adjustments

Budget analysis based on audited results from 2013-14 as well as review of year-to-date actual operations projected for the full year resulted in miscellaneous adjustments to revenue over multiple account numbers in the amount of:

(78,188)

TOTAL NET CHANGE TO GENERAL FUND REVENUES

\$ 689,458

EXPENDITURES

Net Change

Mid-Year Budget Reductions

On January 12, The Board of Education approved the following mid-year budget reductions to be incorporated into the budget amendment that is proposed tonight:

| | | |
|--------------------------|---|-----------------|
| Business Office | Eliminate 1.0 clerical (pupil accounting) | \$ (41,000) |
| Maintenance & Operations | Eliminate 0.5 clerical position | (20,500) |
| Community Services Fund | Eliminate 0.5 clerical position | (20,500) |
| Special Education | Eliminate 0.5 clerical position | (20,500) |
| Curriculum & Instruction | Eliminate 0.5 clerical position | (20,500) |
| Instructional Technology | Partial reduction in contracted services | (25,000) |
| Substitute Teacher costs | Reduction will curtail out-of-district Professional Development opportunities | (30,000) |
| Maintenance & Operations | Increase reliance on Sinking Fund for facilities repairs | (25,000) |
| Various Schools/Depts. | Reduce budgets for discretionary/supplies | <u>(64,600)</u> |
| | Sub-total mid-year budget reductions | \$ (267,500) |

Grants and Categorical Program Expenditures

Actual Grant and Categorical Programs have been adjusted to match audited carryover amounts from 2013-14; grant award letters now received for 2014-15, and adjustments to match the current State Aid Status Report. There are identical offsetting increases to Revenue that fund these increases in expenditures

341,301

MIPSRs Categorical Revenue

The State has adjusted both the retirement rate on the expenditure side of the budget and the categorical revenue that only partially offsets total expenditures for retirement expense. The increase in categorical expenditures for this line item is fully offset by an identical increase in revenue for employee pension costs remitted by the district

670,673

Salaries & Wages

Net Change

Changes in salaries reflect revised staff and departmental rosters/FTE's to match projected final year-end expenditures

General Fund Budget Clusters (except Grant-funded)

| | |
|--|---------------|
| ELEMENTARY BASIC EDUCATION | 192,296 |
| MIDDLE SCHOOLS BASIC EDUCATION | 28,616 |
| HIGH SCHOOL BASIC EDUCATION | 116,674 |
| HIGH SCHOOL VOCATIONAL EDUCATION | 60,257 |
| OAKLAND EARLY COLLEGE | 37,231 |
| OAKLAND SCHOOLS TUITON-BASED PRGS | (5,021) |
| INTERNATIONAL ACADEMY | 1,719 |
| GUIDANCE COUNSELORS | 25,141 |
| MEDIA CENTERS PRG | (4,176) |
| SPECIAL EDUCATION | 148,041 |
| WEST BLOOMFIELD TRANSITIONS SPECIAL ED | 38,234 |
| PROJECT SEARCH SPECIAL EDUCATION | 12,491 |
| ESL BI-LINGUAL PRG | 42,612 |
| MANDARIN CHINESE PRG (all contracted services) | - |
| SUMMER SCHOOL PRG | (4,888) |
| NON-PUBLIC SCHOOLS | (14,829) |
| ATHLETICS | (4,121) |
| CURRICULUM & INSTRUCTION | (9,926) |
| INSTRUCTIONAL TECHNOLOGY | (4,642) |
| SCHOOL LEVEL ADMINISTRATION | (8,078) |
| SUPERINTENDENT'S OFFICE | (720) |
| COMMUNITY RELATIONS | - |
| HUMAN RESOURCES | (11,699) |
| BUSINESS OFFICE/PUPIL ACCOUNTING | - |
| PUPIL TRANSPORTATION | 1,920 |
| MAINTENANCE AND OPERATIONS | - |
| CROSSING GUARDS AND SECURITY PERSONNEL | 7,076 |
| AUDITORIUM | - |
| DISTRICT-WIDE Severance Payouts for Sick/Vaca | <u>92,433</u> |
| Sub-Total Salaries & Wages | 736,641 |

| | <u>Net Change</u> |
|--|-------------------|
| Employment Benefits | |
| FICA expense directly attributed to increased salaries & wages | \$ 56,353 |
| Retirement expense directly attributed to increased salaries & wages | 162,871 |
| Health Insurance expense (open enrollment and staffing adjustments) | 199,577 |
| All other employment benefits (net; combined) | <u>(79,396)</u> |
| Sub-total Employment Benefits | 339,405 |

All Other (Non-Personnel Operating Costs (Net; combined) 5,315

TOTAL NET CHANGE TO GENERAL FUND EXPENDITURES \$1,825,835

ENDING FUND BALANCE

Assuming actual revenue collections and expenditures of 100% the district would finish the school year with a fund balance of \$71,881 (0.12% of budgeted expenditures) thus narrowly avoiding a Fund Deficit. It is expected that there will be adjustments both favorable and unfavorable between now and when the budget is expected to be amended again on June 22. Should the district finish the school year in a Fund Deficit position it will be necessary to develop and apply for approval of a Deficit Elimination Plan with the State of Michigan Department of Education. A balanced budget for 2015-16 with an operating surplus at least equal to any Fund Deficit that may be incurred for 2014-15 would be a deficit elimination plan that would likely meet MDE approval.

The district has implemented a spending freeze for the remainder of the year except for only those items that are necessary to continue daily operations and educational programs. In addition all positions that become vacant between now and the end of the year will be carefully reviewed to see if we are able to make the rest of the year without filling said positions.

| COMMUNITY SERVICES FUND | <u>Amended</u> | <u>Change</u> | <u>Original</u> |
|--------------------------------|---------------------|-----------------|---------------------|
| Beginning Fund Balance | \$ - 0 - | \$ (65,805) | \$ - 0 - |
| Revenue | 2,136,314 | (65,805) | 2,202,119 |
| Expenditures | <u>(2,136,314)</u> | <u>(65,805)</u> | <u>(2,202,119)</u> |
| Surplus (Deficit) | - | - | - |
| Ending Fund Balance | \$ - 0 - | (157,631) | \$ - 0 - |

Both revenues and expenditures have been analyzed on a line item basis and adjusted to reflect the revised forecast for 2014-15.

Of note is that included in the expenditures budget is an operating transfer out to the General Fund in the amount of \$150,000. The original budget was predicated on an operating transfer out to the General Fund in the amount of \$250,000. The amended budget is more in line with the actual transfer that occurred for last year in the amount of \$165,981.

For the last several years, the amount that the Community Services Fund has been able to transfer out to the General Fund is recapped below:

| <u>TRANSFER OUT TO GENERAL FUND</u> | | <u>RETIREMENT EXPENSE</u> | | <u>% of SALARIES</u> |
|-------------------------------------|------------------|---------------------------|------------------|----------------------|
| 2010-11 | \$ 252,137 | 2010-11 | \$ 241,724 | 19.2% |
| 2011-12 | 204,834 | 2011-12 | 283,458 | 22.9% |
| 2012-13 | 268,491 | 2012-13 | 270,065 | 23.7% |
| 2013-14 | 165,981 | 2013-14 | 314,503 | 28.9% |
| 2014-15 | 150,000 Budgeted | 2014-15 | 380,787 Budgeted | 34.5% |

Retirement Expense has had a significant impact on the Fund's bottom line. The Community Services Fund does not receive any of the MIPSRS Categorical Revenue that helps to partially offset Retirement Expense. That revenue is applied to General Fund Operations only. The total retirement expense has been the primary factor why the Operating Transfer to the General Fund has decreased over the past several years.

BUDGET ADOPTION CALENDAR FOR 2015-16

In order to comply with legal requirements for the Board of Education to adopt a budget for the 2015-16 school year no later than June 30, 2015 the following budget calendar is recommended:

| | | | |
|-------------|---------------|---|--|
| February 23 | Board Meeting | Preliminary discussion of the 2015-16 Budget | |
| March 9 | Study Session | Budget Analysis Report Update | |
| March 23 | Board Meeting | (Tentative) | Ongoing Budget Discussion |
| April 13 | Study Session | (Tentative) | Ongoing Budget Discussion |
| April 27 | Board Meeting | (Tentative) | Ongoing Budget Discussion |
| May 11 | Study Session | (Tentative) | Ongoing Budget Discussion |
| May 18 | Board Meeting | Administrative Budget Recommendations for 2015-16 | |
| June 8 | Study Session | (Tentative) | Ongoing Budget Discussion |
| June 10 | Sunday | Publish required Notice of Public Hearing | |
| June 22 | Board Meeting | 6:30PM | Public Hearing on the 2015-16 Budget |
| | | 7:00PM | Regular Board Meeting, Approve Budgets for 2015-16 |

RECOMMENDATION:

The administration recommends that the Board of Education approve the enclosed resolutions in order to amend the 2014-15 budgets for the General Fund and the Community Services Fund.