2015-16 Preliminary Budget

South Lyon Community Schools

Presentation Outline

- The State of the State
- 2015-16 Preliminary Budget
- What about SLCS?
- Financial Forecast

The State of the State

2015-16 Preliminary Budget
Summary of Proposals

	Governor	House	Senate	P. Budget
Per Pupil Foundation	$ 7,326	$ 7,550	$ 7,351	$ 7,421
Best Practices	20	0	20	0
Performance Funding	0	0	0	0
MPSERS Offset	0	-31	0	0
At Risk	24	0	24	0
Net Per Pupil	$ 7,370	$ 7,519	$ 7,395	$ 7,421
Net Increase $ From 2014-15	$ -1	$ 148	$ 24	$ 50
Net Increase % From 2014-15	0%	2.0%	0.3%	0.7%

State Budget Challenges/Opportunities

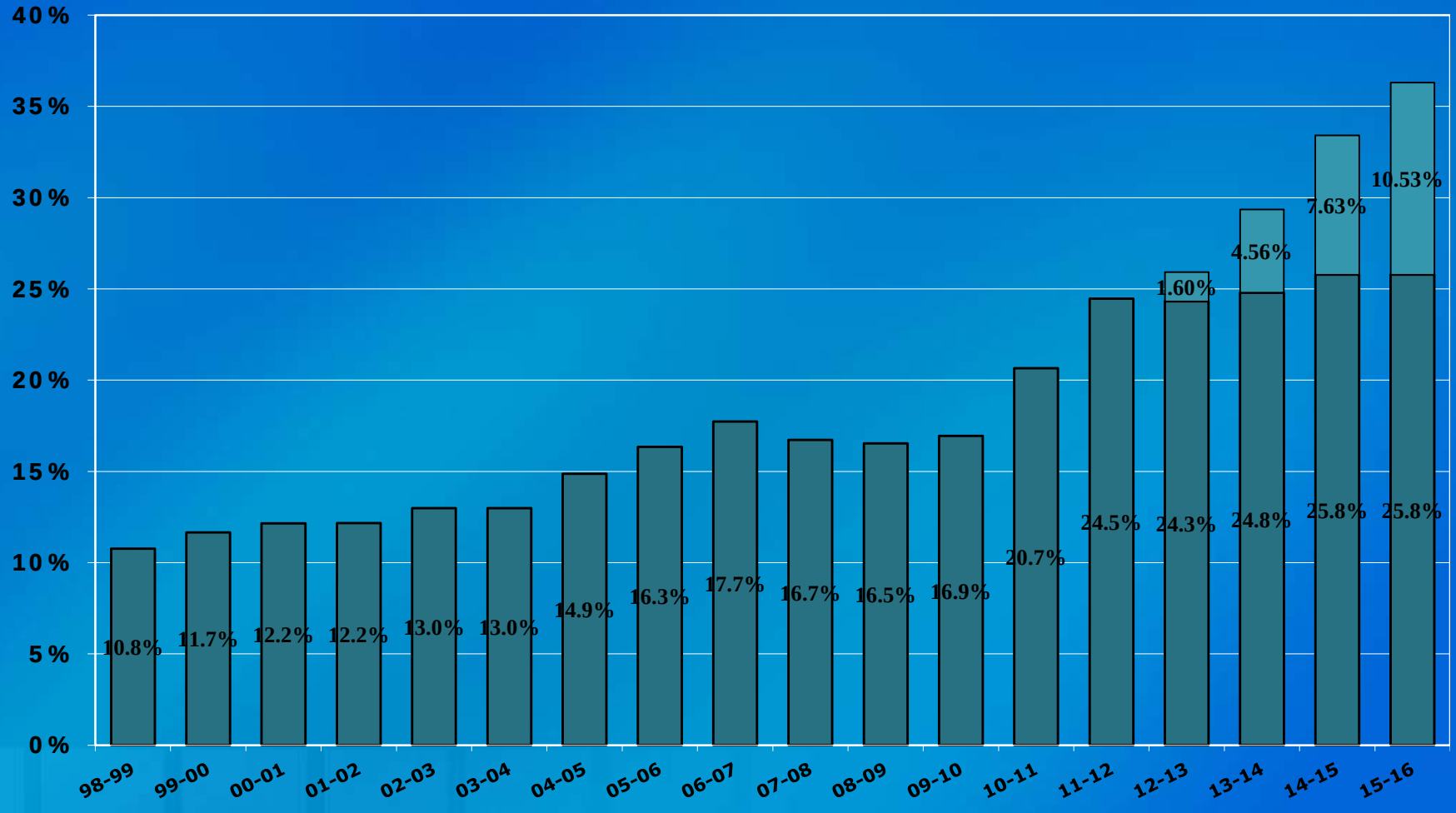
- Retirement costs
- Tax credits
- Road ballot question

State Budget Challenges/Opportunities
Retirement Costs

- Significant increases over since 2009-10
- Gross versus net approach
- Are we nearing the high water mark?

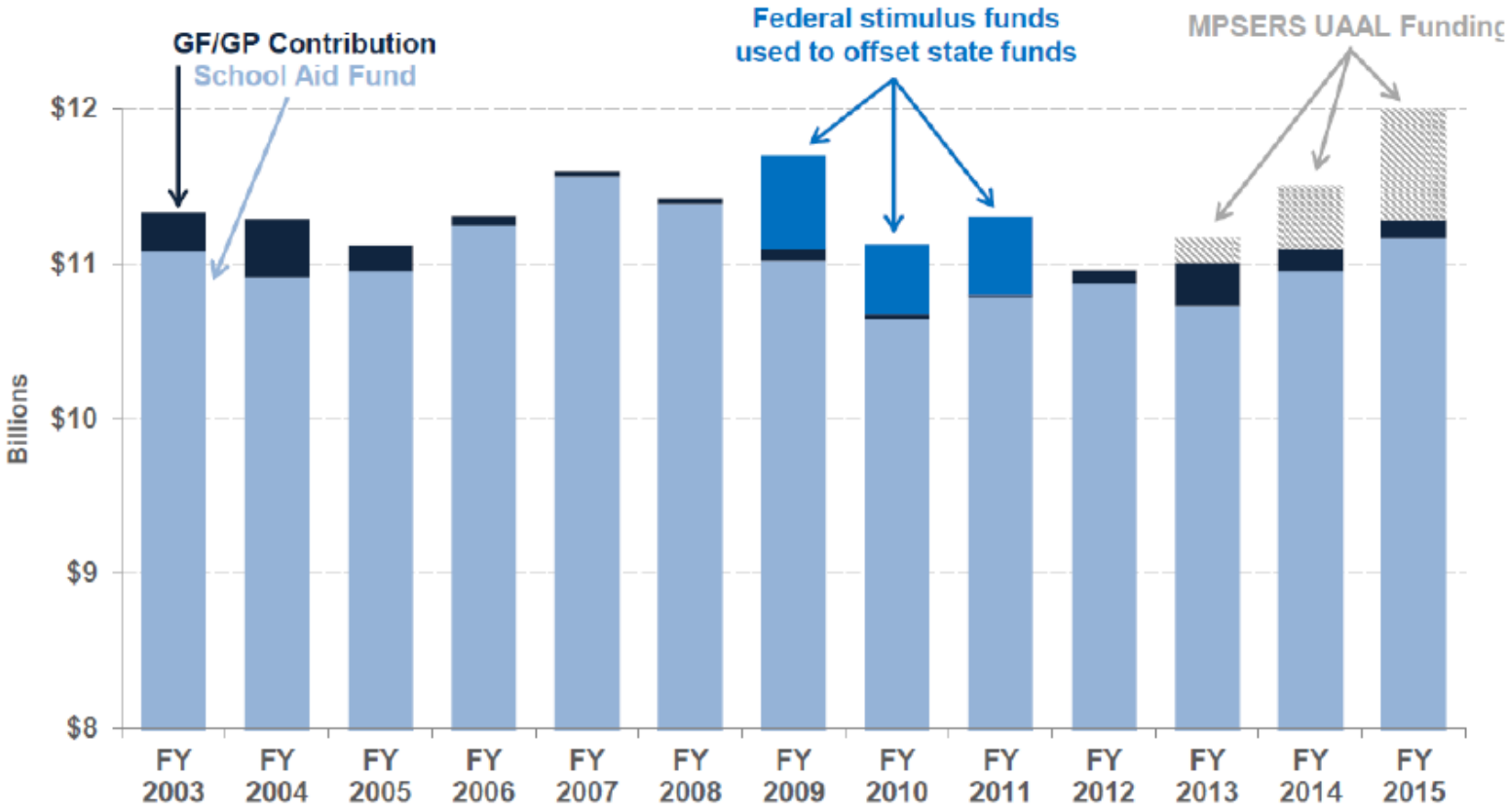
MPSERS Retirement Rates

District Contribution



School Aid Appropriations

$783 million has been added to hold districts harmless from increasing retirement liability costs. Total funding for foundation allowances and other operational costs is still below previous peaks.

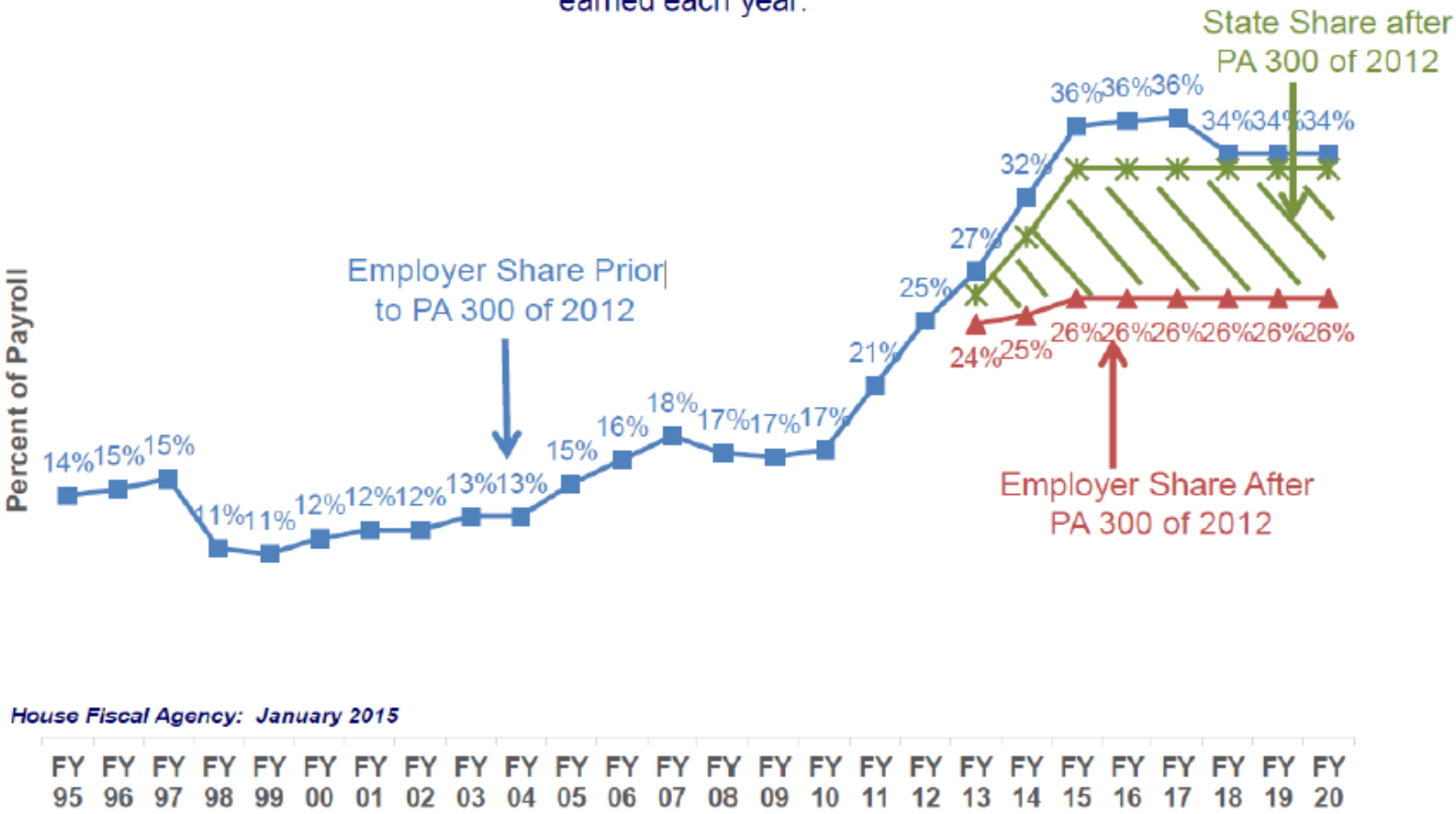


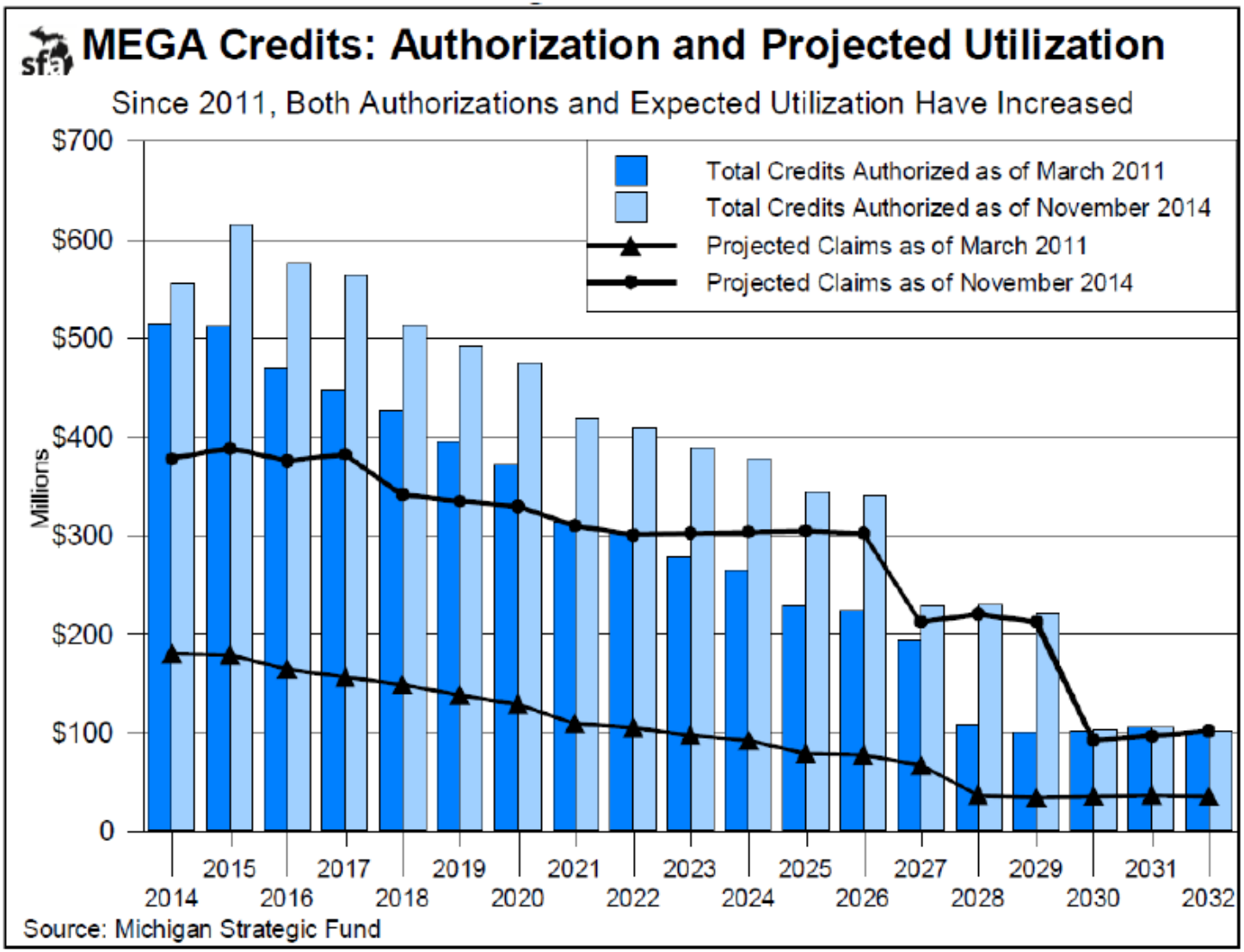
NOTES: 1) Beginning in FY 2009, state funds increased by about $350 million to replace local revenue due to personal property tax reductions.
2) FYs 2012 and 2013 appropriations do not include funding set aside for future MPSERS payments, which was re-appropriated for MPSERS payments in FYs 2014 and 2015.

House Fiscal Agency: January 2015

MPSERS Employer Contribution Rates History and Future Projections

The state portion of the MPSERS contribution rate is $675 million in FY 2014-15 and is expected to increase to $908 million in FY 2015-16. The employer contribution rate is capped at 20.96% for the unfunded liability plus the normal costs for retirement benefits newly earned each year.




MEGA Credits: Authorization and Projected Utilization
Since 2011, Both Authorizations and Expected Utilization Have Increased
Total Credits Authorized as of March 2011
Total Credits Authorized as of November 2014
Projected Claims as of March 2011
Projected Claims as of November 2014
Millions
$700
$600
$500
$400
$300
$200
$100
0
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
Source: Michigan Strategic Fund

State Budget Challenges/Opportunities
Road Ballot Question

- Increases sales tax from 6% to 7%
- Some additional dollars to School Aid Fund
- No guarantee dollars would go directly to K-12
  - Could still go to community colleges, tech schools
  - However, no more transfers to universities

2015-16 Preliminary Budget

The 2015-16 Preliminary Budget is based on a net $50 dollar increase in per pupil funding

Finance Committee

- Met April 1, 2015
  - Reviewed 2015-16 Preliminary Budget

2015-16 Preliminary Budget
General Fund Overview

Total Revenues	$71,573,748
Total Expenditures	71,446,451
Net Operating (Loss) Income	$327,297
Transfers to Other Funds	$200,000
Net Increase in Fund Balance	$127,297

Revenues

2015-16 Preliminary Budget
Revenues: Base State Aid Formula

2014-15 Per Pupil Allocation	$7,251
2015-16 Per Pupil Increase	170
2015-16 Total Per Pupil Allocation	$7,421

2015-16 Preliminary Budget
Revenues: "Best Practices" State Aid Formula

2014-15 Per Pupil Allocation	$50
2015-16 Per Pupil Increase	-50
2015-16 Total Per Pupil Allocation	$0

2015-16 Preliminary Budget
Revenues: "Performance" State Aid Formula

2014-15 Per Pupil Allocation	$70
2015-16 Per Pupil Increase	-70
2015-16 Total Per Pupil Allocation	$0

2015-16 Preliminary Budget
Revenues: Overall State Aid Formula

2014-15 Overall Per Pupil Allocation	$7,371
2015-16 Per Pupil Increase	50
2015-16 Total Per Pupil Allocation	$7,421

2015-16 Preliminary Budget
Revenues: Enrollment

2014 Fall Student Count	7,659
2015 Est. Increase (1.75%)	134
2015 Est. Fall Student Count	7,793

2015-16 Preliminary Budget
Revenues: State Aid Formula

Fall 2015 Est. Student Count	7,793
Winter 2016 Est. Student Count	7,792
Weighted Avg. Student Count (90%/10%)	7,793
2015-16 Total Per Pupil Allocation	$7,421
2015-16 Total Foundation Revenues	$57,830,226

2015-16 Preliminary Budget
Revenues: State Aid Formula

2015-16 Total Foundation Revenues	$ 57,830,226
Less: 18 Mills Levied on Non-Homesteads	$ 8,000,000
State Portion of Foundation Allowance	$ 49,830,226
18 Mills Levied on Non-Homesteads	$ 8,000,000
Less: Delinquencies (0.50%)	-$ 40,000
Amount of Local Taxes	$ 7,960,000

2015-16 Preliminary Budget
Revenues: MPSERS Partial Offset

2014-15 MSPERS Offset	$458,358
2015-16 Estimated MSPERS Offset Increase	$53,353
2015-16 Estimated MSPERS Offset	$511,711

2015-16 Preliminary Budget
Revenues: Headlee Obligation

2014-15 Headlee Obligation	$184,081
2015-16 Estimated Increase	$6,549
2015-16 Estimated Headlee Obligation	$190,630

2015-16 Preliminary Budget
Revenues: 147C

2014-15 MPSERS Rate Stabilization	$3,048,480
2015-16 Estimated Increase	$701,540
2015-16 MPSERS Rate Stabilization	$3,750,020

While Proposal A was never intended to fund all schools equally, the question must still be asked, “Are South Lyon students worth millions of dollars less than the an average district in the State?”

Proposal A Funding Gap
Revenues: Compared to Other Districts

District	2014-15 Per Student Base Foundation	Additional Per Pupil Dollars based on South Lyon Student Count of 7,637
Southfield	$ 10,901	$ 28,829,675
Farmington	$ 9,975	$ 21,757,813
Novi	$ 8,409	$ 9,798,271
County Avg.	$ 8,337	$ 9,251,407
State Avg.*	$ 7,544	$ 3,192,266
South Lyon	$ 7,126	$ 0

* Estimate

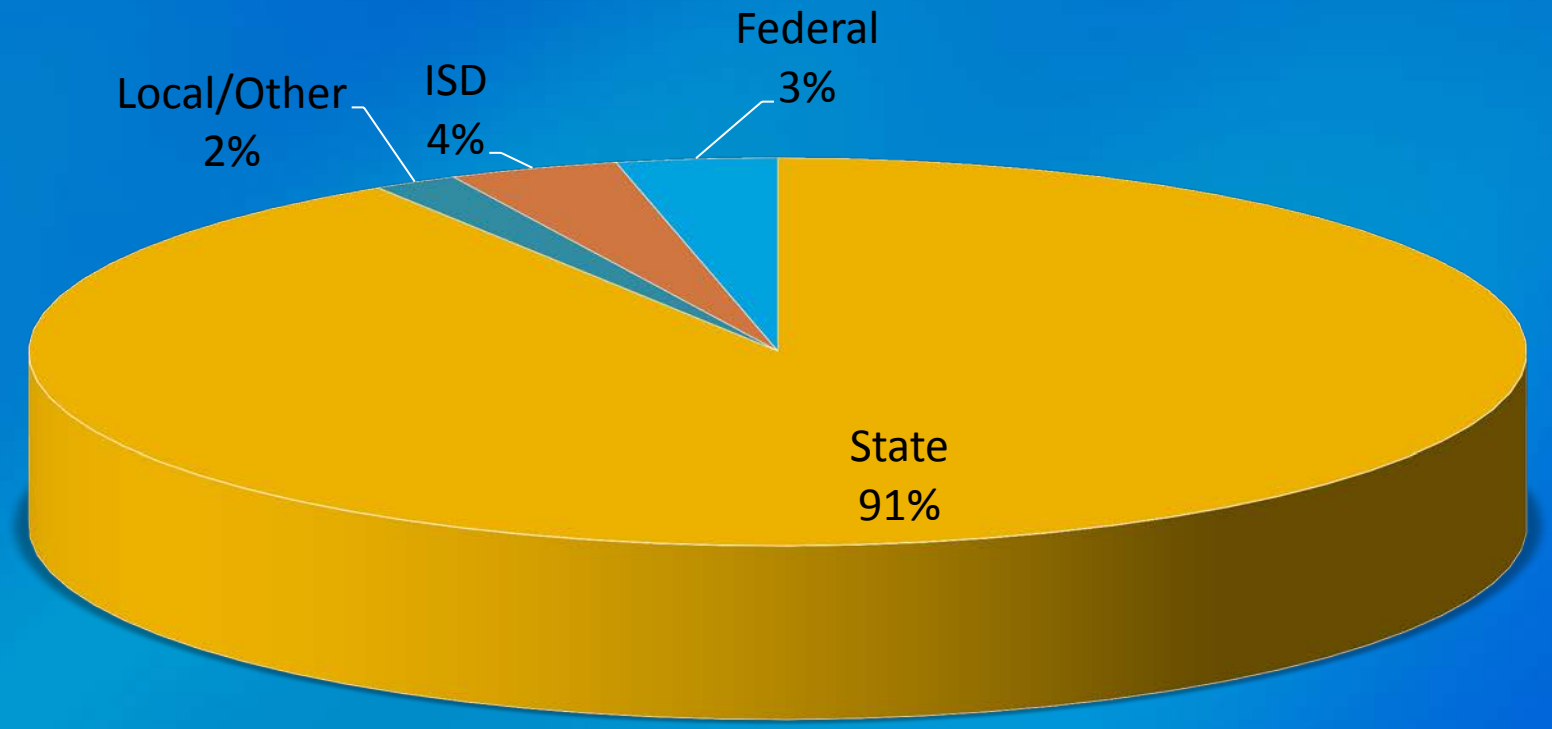
Oakland County – Total Revenues Per Student 2013-14*

DISTRICT	Revenues	Rank	DISTRICT	Revenues	Rank	DISTRICT	Revenues	Rank
Bloomfield	$14,894	39	Oak Park	$10,319	141	Hazel Park	$9,648	230
Southfield	$13,329	47	Rochester	$10,373	137	Madison	$9,609	242
Birmingham	$13,923	44	West Bloomfield	$10,156	157	Berkley	$9,577	249
Farmington	$12,525	60	Clarenceville	$10,254	145	Clarkston	$9,234	324
Clawson	$12,065	66	Lake Orion	$10,204	150	Huron Valley	$9,060	384
Pontiac	$16,833	30	Walled Lake	$10,201	151	Brandon	$9,077	376
Troy	$10,441	133	Waterford	$9,691	224	Oxford	$8,752	518
Royal Oak	$10,625	115	Holly	$10,094	163	*South Lyon*	$8,645	571
Lamphere	$10,763	104	Avondale	$9,746	215			
Novi	$10,565	121	Ferndale	$9,880	190			

* From State of Michigan Bulletin 1014 Total of 813 Public and Charter Schools

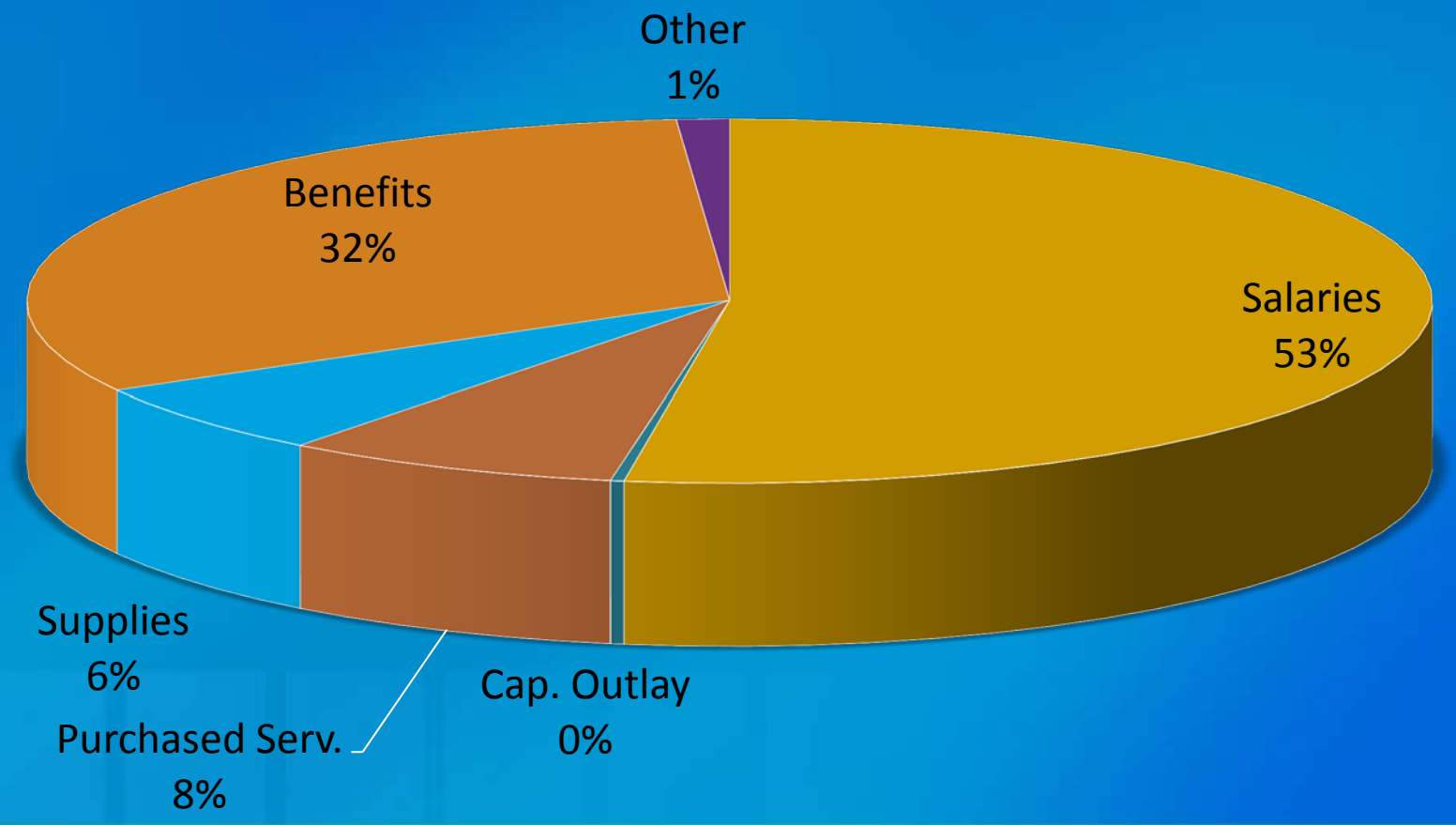
2015-16 Preliminary Budget

General Fund Sources of Revenues
State versus Local Control



Expenditures

2015-16 Preliminary Budget
General Fund Expenditures



2015-16 Preliminary Budget
Expenditures: Compensation

- Salaries:
  - 62.5% of Per Pupil Increase of 0.68% = 0.42%
    - Exception is minimum of 1% for top step teachers and administrators
- Fringe Benefits:
  - Includes impact of PA 152
    - Cap increased by Medical CPI (2.3%)
    - Difference paid by employee

2015-16 Preliminary Budget
Expenditures: Compensation

- Retirement:
  - 25.78% Avg. Retirement Rate
  - 10.53% MPSERS Stabilization
  - 36.31% Total Rate

2015-16 Preliminary Budget
Expenditures: Changes by Object

Object	2014-15 A. Budget	2015-16 P. Budget	+/- in Dollars	+/- in %
Salaries	$35,196,924	$36,489,430	$1,292,506	3.7%
Benefits	22,656,437	24,091,524	1,435,087	6.3
Services/Supplies Capital/Other	11,585,841	10,865,496	-720,345	(6.2)
TOTAL	$69,439,202	$71,446,451	$962,235	2.9%

2015-16 Preliminary Budget

Staffing Changes (FTE*)

Position	2015-16 P. Budget
Elementary Teachers	6.0
Middle School Teachers	1.0
Special Education Teachers	2.0
Special Ed. Para Pros	2.0
Contracted Special Ed.	0.7
TOTALS	11.7

* Full Time Equivalent

2015-16 Preliminary Budget
Elementary Avg. Class Size Grades K-5

Year	Avg. Class Size
2011-12	25.3
2012-13	25.3
2013-14	25.5
2014-15	25.7
2015-16	25.7

Financial Forecast

Forecast Assumptions

- Previous budget adjustments continue
- Include revenue and expenditure changes since May of 2014
- Includes revised state aid and enrollment projections

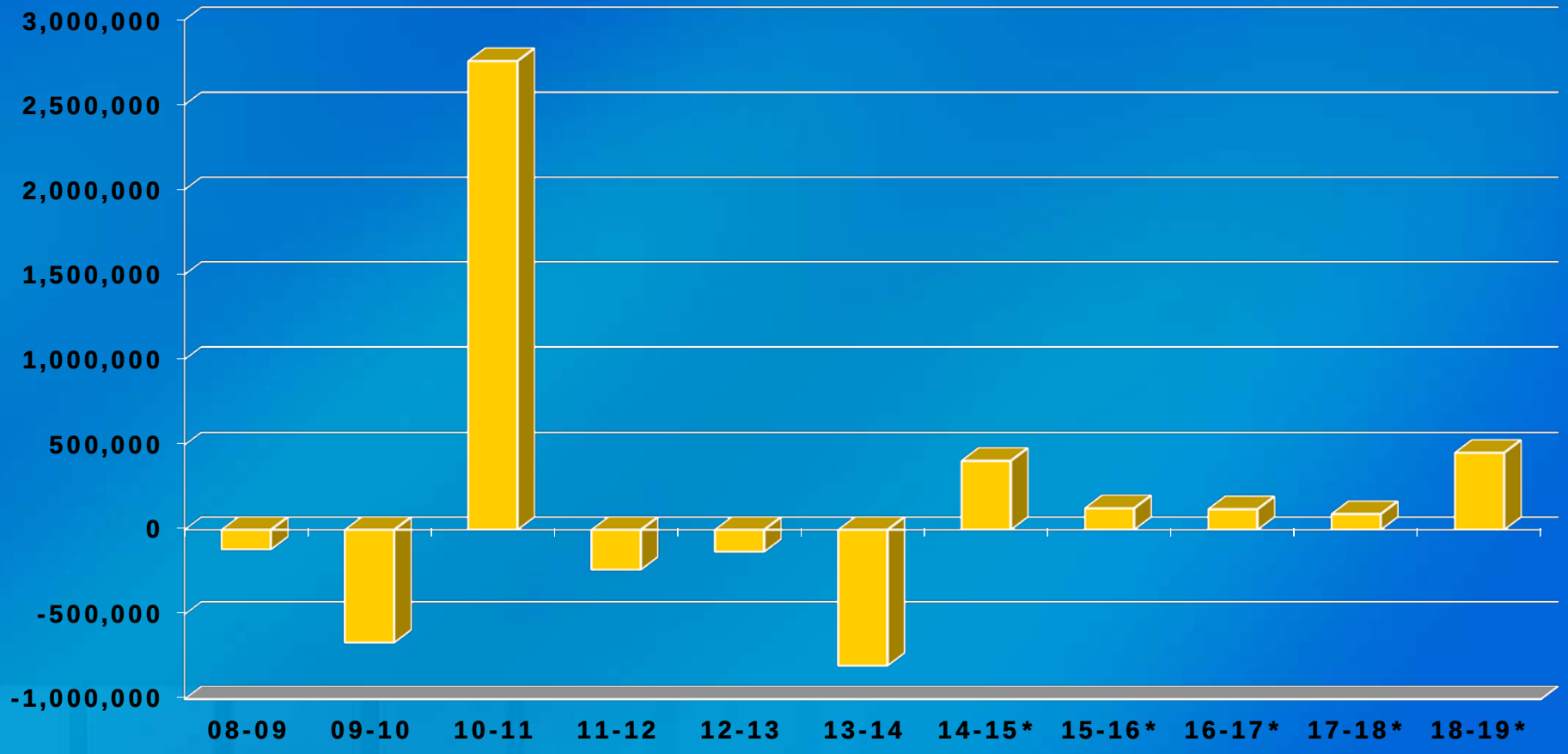
2015-16 through 2017-18
Forecasted Enrollment/State Aid

Original (May 2014)	15-16	16-17
Enrollment	1.50%	1.50%
State Aid	1.40%	1.40%

Revised (April 2015)	15-16	16-17	17-18
Enrollment	1.75%	1.75%	1.75%
State Aid	0.68%	1.40%	1.40%

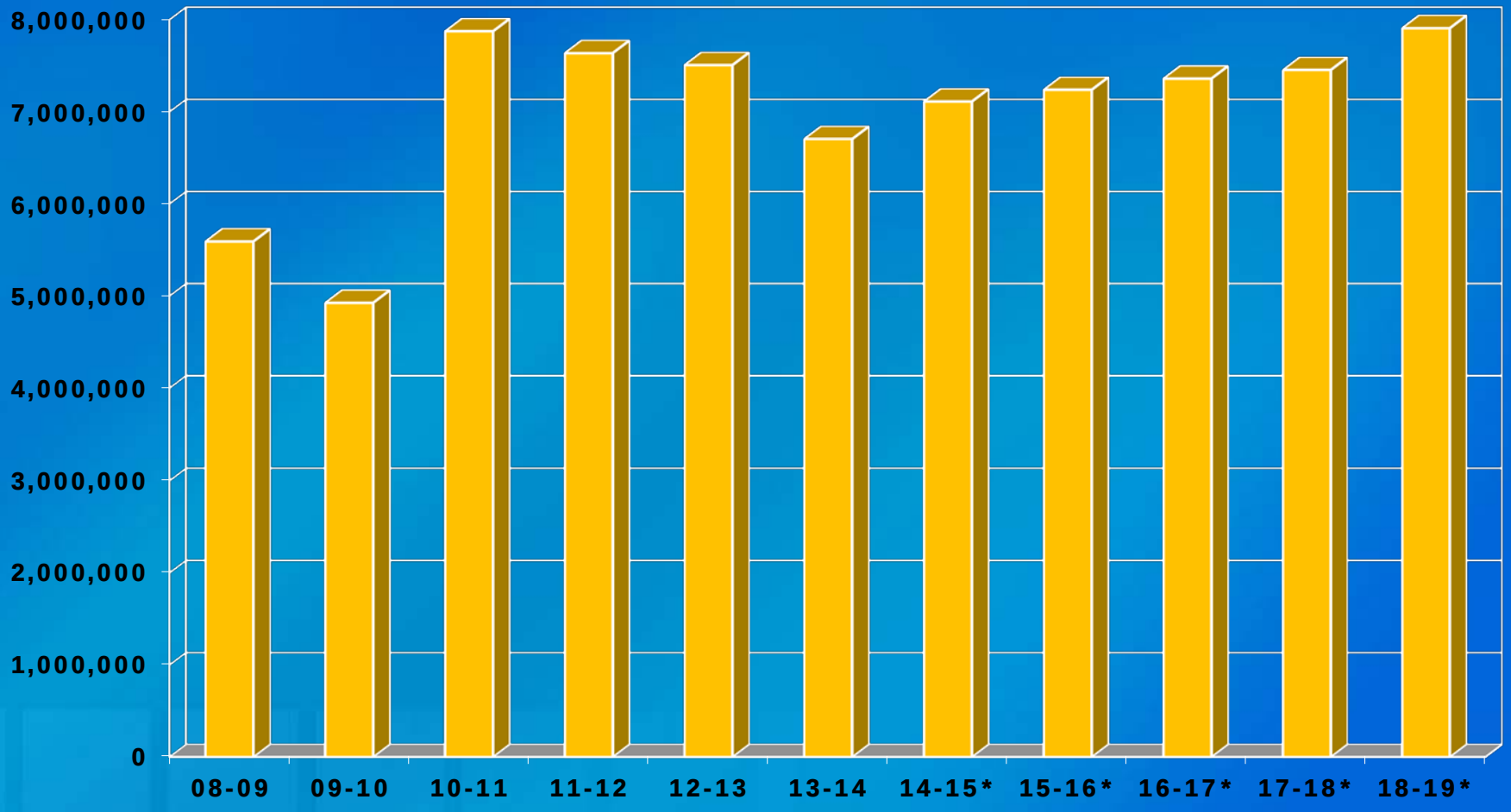
2008-09 through 2018-19

Annual Revenues over Expenditures - General Fund



* Estimated

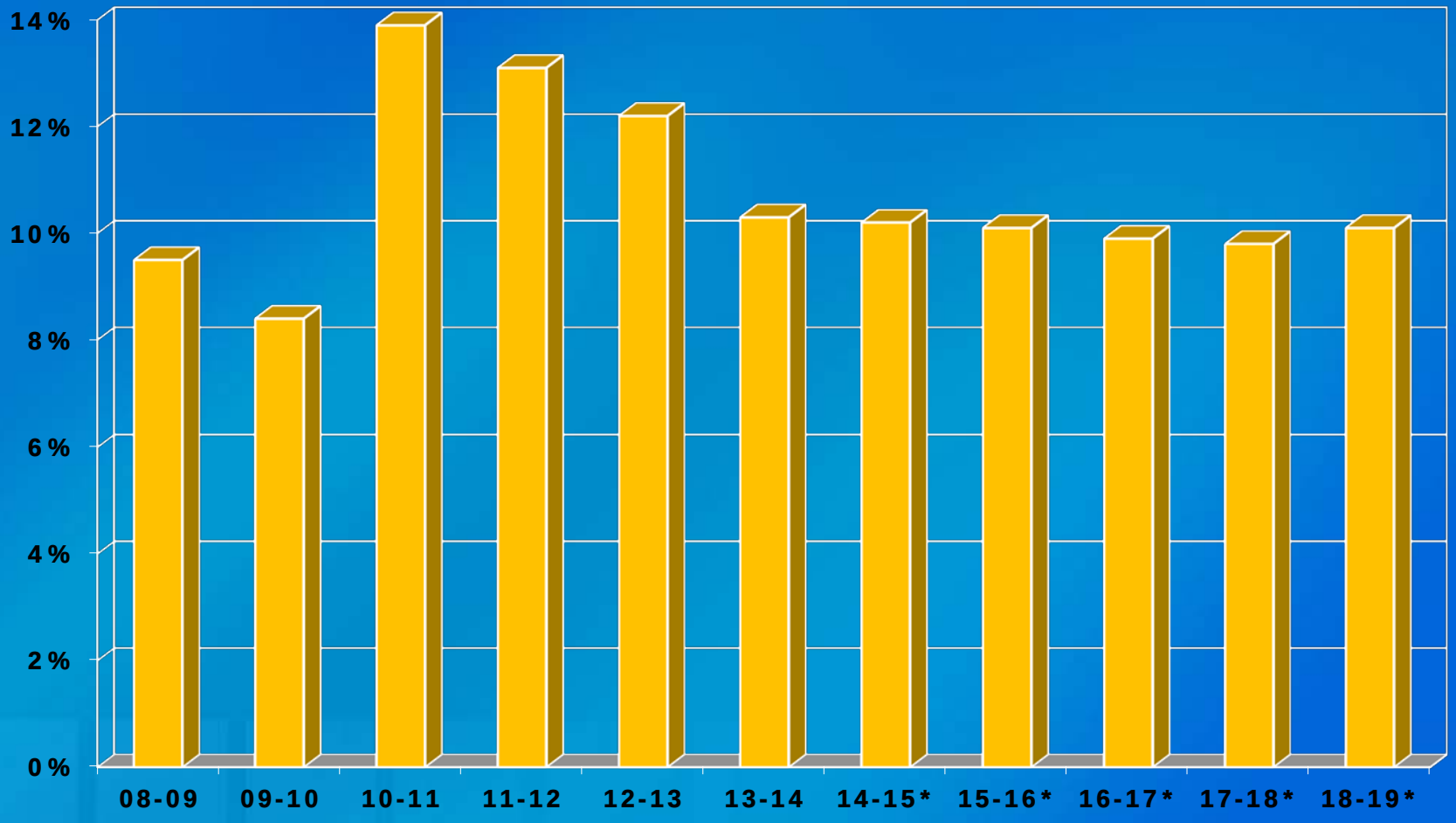
2008-09 through 2018-19
Fund Balance (General Fund)



* Estimated

2008-09 through 2018-19

% Fund Balance (General Fund)



* Estimated

What about SLCS?

What has SLCS Done?

- SLCS was one of first districts in Michigan to introduce cost containment measures for wages and benefits (started in 1997)
- SLCS has used long term forecast models since mid 1990's
- SLCS has quietly made over $30.6 million in cumulative budget reductions from 2005-06 through 2013-14

What Else?

We Were Transparent Before Transparent Was Cool

- SLCS has received the Certificate of Excellence in Financial Reporting each year since 1997
- SLCS has received the Meritorious Budget Award each year since 1995
- We are one of only 3 districts in Michigan to receive national recognition for both awards from the Association of School Business Officials International
  - Awards are intended to provide transparency for both a district's budget as well as financial statements

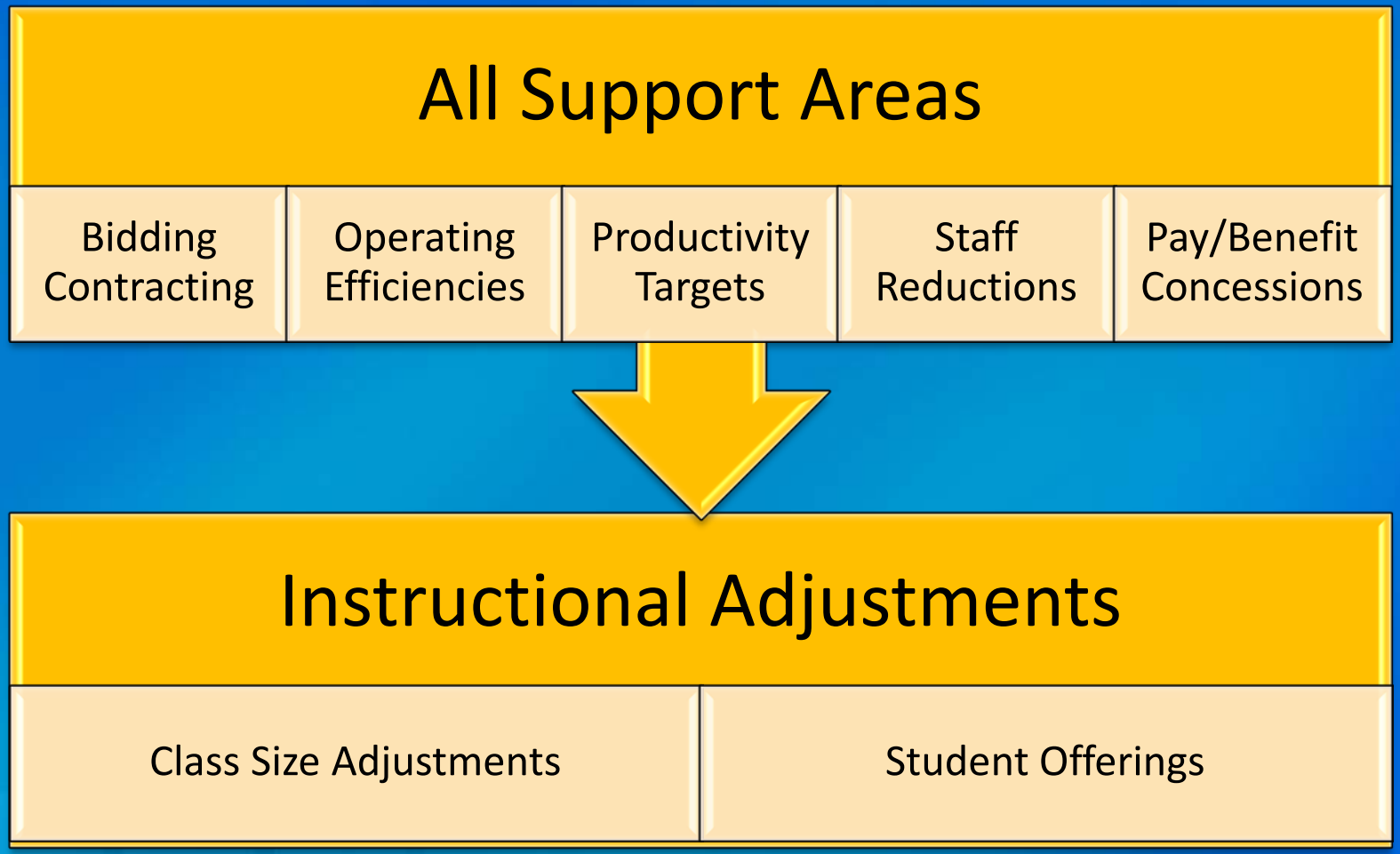
Employee Concessions

- In Last Five Years:
  - Employee pay cuts
  - Employee pay freezes
  - Employee step freezes
  - Increased hours required for benefits
  - Reduction in district paid benefits
  - Increase in employee retirement contributions for both pension and health care
  - Reduced and eliminate positions

What has SLCS Done?
Categories of Budget Reductions

Reduced Technicians	Early Retirement Incentive for Teachers
Reduced Building Allocations	Eliminated Elementary Media Specialists
Increased Sports/Activity Fees	Eliminated Out of State Travel
Reduced Support Overtime	Technology Efficiencies
Optimized SLEHS Staffing	Changed Building Cleaning Schedule
Eliminated Administrative Positions	Energy Management Savings
Increased Indirect Cost Charge	7 Period Day to 6 Period Day at MS
Reduced Custodial Positions	Reduced Clerical Positions
Contracted Out Certain Positions	Reduced Administration Budgets
Bus Routing Efficiencies	CITA Budget Savings
Reduced Some Teaching Staff	Bidding Savings
Reduced Building Engineers	Contract Concessions

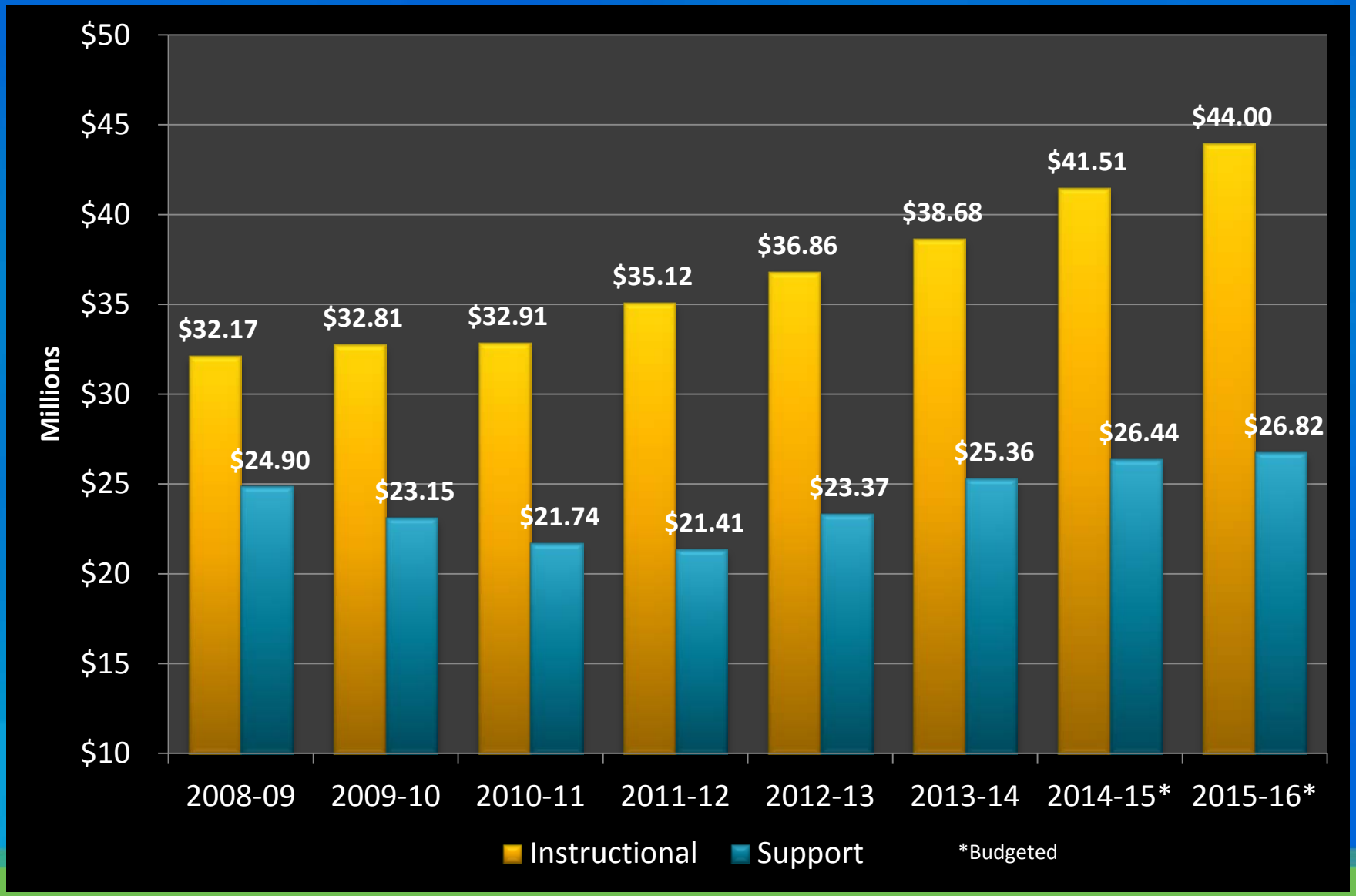
Sequencing of Budget Adjustments



Instructional vs. Support Costs

- Instruction is defined as direct classroom costs
  - Does not include costs such as guidance counselors, media specialists, social workers, nurses, PT and OT
- Budget adjustments have been focused on non-instructional areas
- In 2008-09 $7.2 million more spent on instructional costs versus support costs
- For 2015-16 Preliminary Budget, gap increases by 239% to $17.2 million

Instructional vs. Support Costs



Employee Contracts

- SLAA Contract (Administrators) expires June 2016
- SLEA Contract (Teachers) expires August 2016
- Teamsters Contract (Expires June of 2018)
- MESPA Contract (Expires June of 2019)

2015-16 Preliminary Budget
What's Next?

- Finance Committee Review Meeting May 11
- State Revenue Consensus Meeting May TDB
- Public Hearing on May 18
- State's Intended Budget Approval Date May 30
- Board Approval on June 1 or 15
- Finalize Budget Document in June/July
- Amend Budget in Fall based on actual student enrollment