

Bloomfield Hills Schools 2015/16 Budget Update

June 2, 2016



Outline

- Strategic Budget Planning
- Latest Budget Revision for Current Year
- Board of Education Fund Balance Policy
- 2016/17 Budget Development
- General Fund History and Trends



Strategic Budget Planning



Funding Trend

- Foundation Allowance is $\frac{3}{4}$ of our operating revenue
- Good Economy = foundation increases as much as \$300 through FY09 to **\$12,443**
- Declining Economy = proration and executive order cuts through FY12 to **\$11,854**
- ***Net, about \$600 less per pupil is \$3 million less in revenue!***
- Flat for a couple years and increases in FY14, FY15 and FY16 to **\$12,004**, offset by decreases in categorical funding that results in net increases of \$5, \$20 & \$25
- Cumulative CPI is almost 64% and our foundation allowance grew cumulatively by only 15% through June 30, 2016



Strategic Decisions

- We continue to live with the significant decline in revenue and are still at 2005/2006 levels.
- We made proactive, prudent decisions that began long before the big decline, including elementary consolidation, pay freezes, reductions, and a unified high school.
- Ongoing budget balancing of around \$2 million or more annually is our new reality absent a positive, impactful change in funding.
- Furthermore, under the State Aid Act, hold harmless districts are limited to the lesser of the maximum Foundation Allowance increase or inflation. This is determined annually. For BHS, this means a cap of about \$24 for next year based on the inflation factor used. Should the State budget approve more, we would not be allowed to levy and collect it. Thankfully the final budget just released includes a separate categorical to allow us to collect the full increase of \$60 next year.
- We must and are changing the way we operate, but we are doing so strategically and aligned with our many other initiatives district-wide.



Structural Deficit – The Plan

- Ongoing budget balancing of around \$2 million annually IS our new reality absent a positive financial, impactful change in public school support.
- Continuing to change the way we operate re: our biggest cost drivers, in strategic alignment with our district mission and priorities, e.g.:
 - Classroom utilization – filling to optimal levels across the system
 - Scheduling efficiencies
- Continuing with...
 - Support staff reductions through attrition wherever possible
 - Privatization efforts (food services, custodial services)
 - Streamlining, efficiency efforts
 - Zero based budgeting concept for non-personnel costs...*Instead of “How much do I have left to spend this year,” ask, “What do I need for student learning?”* Building a budget based on needs centered around learning.
- With people being our largest costs, contractual increases must be offset by savings elsewhere or additional funding must be identified to prevent the recurring structural deficit.



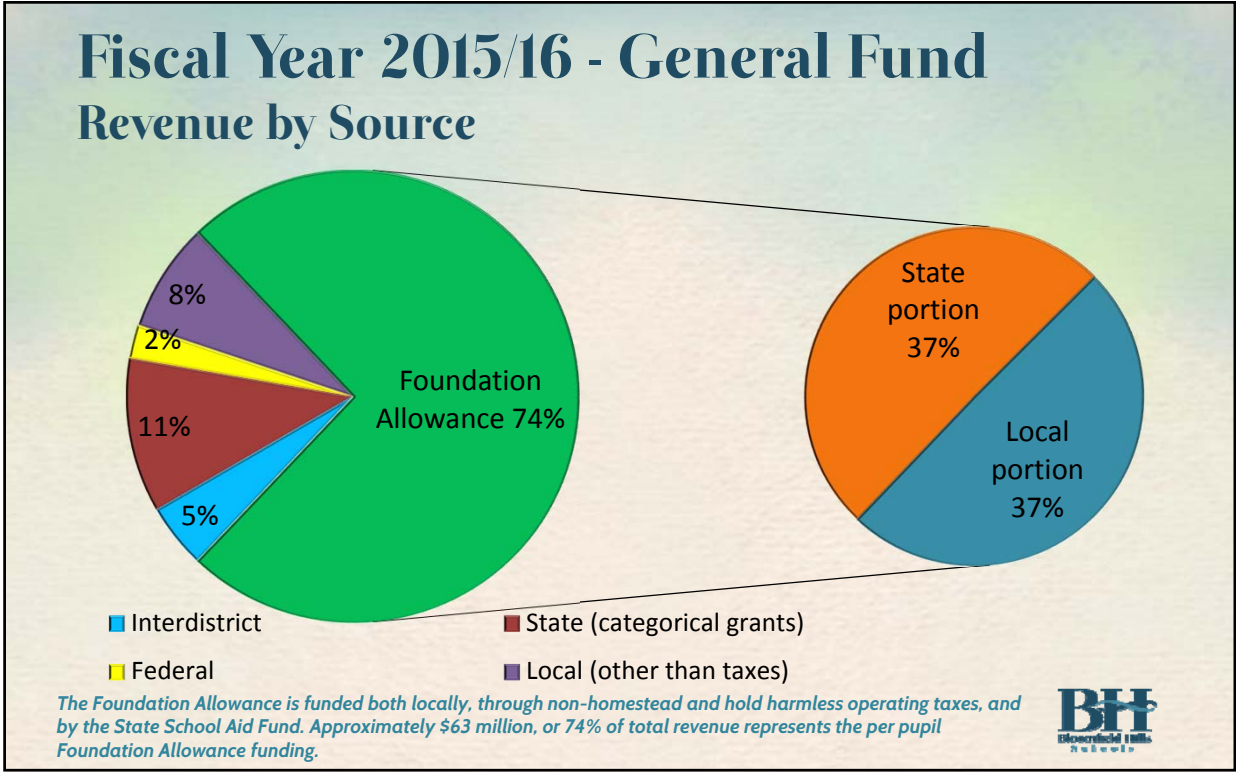
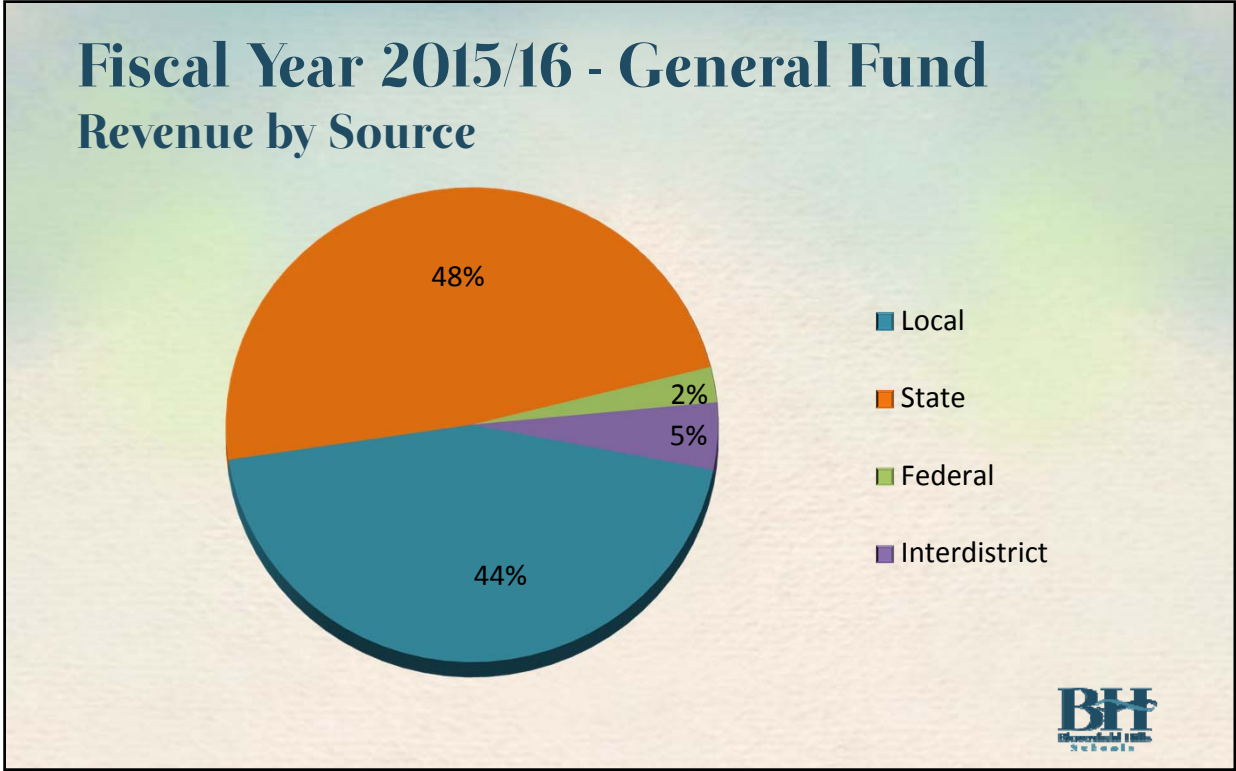
General Fund Latest Budget Revision at Midyear Fiscal Year 2015/16



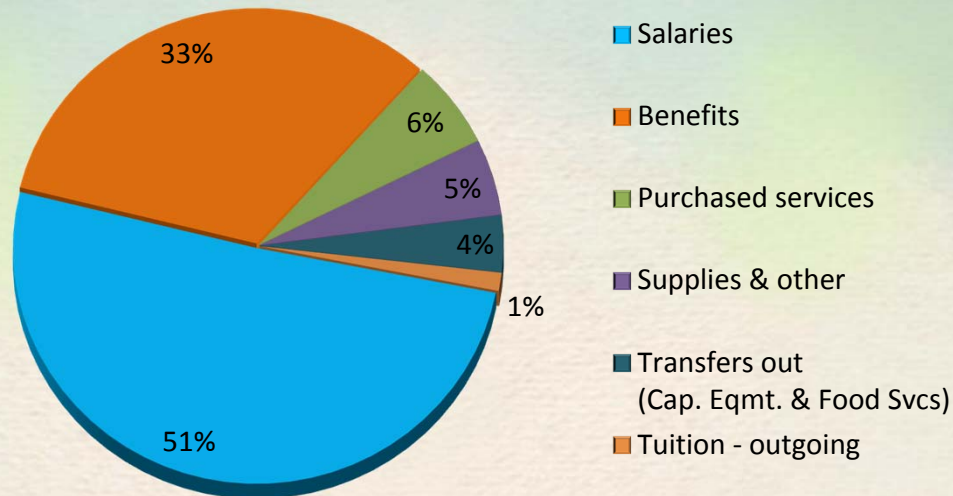
General Fund - Fiscal Year 2015/16

| | | Midyear Update |
|--|---------------|----------------------|
| General Fund - Fund balance as of July 1, 2015 (audited) | | \$ 19,371,689 |
| Revenue | 84,709,712 | |
| Expenditures | (86,408,246) | |
| Expenditures over revenue | | (1,698,534) |
| General Fund - Fund balance as of June 30, 2016 (projected) | | \$ 17,673,155 |
| Fund balance as a percentage of expenditures | | 20.5% |





Fiscal Year 2015/16 - General Fund Expenditures by Object



Our largest cost is our staff totaling about \$72 million, which comprises around 84% of our total General Fund expenditures.



General Fund – Key Assumptions

Revenue

- 75% of our revenue comes from the Foundation Allowance per pupil established by the State annually during their budget process.
- Enrollment based on latest projections, which include a slight increase.
- Foundation Allowance increased by \$70.

Expenditures

- Salary/wages in accordance with contracts.
- Retirement rate varies by employee elections and is monitored during the year based on the effective rate being paid on payroll, which is about 26%.
- Health care cost projections will continue to be updated based on claims trends. The district is limited by the medical benefit hard cap, which is adjusted annually based upon the Consumer Price Index change.
- Budget balancing actions continue with an added \$3.8 million for 2015/16 (tracking at \$3.5 million so far), adding to the \$2 million in 2014/15.



Budget Balancing Actions Implemented Fiscal Year 2015/16

- Reduced software license fees, membership dues, subscriptions, and other fees
- Reduced district vehicles (eliminates replacement costs of about \$50k)
- Reduced communications non-personnel costs
- Reduced contracted assignment costs
- Reduced strategic plan budgeted costs
- Reinstated tuition program for new students as space allows
- Further "right-sized" our print/copy/fax/scan footprint
- Adjusted tuition rates annually (inflationary increase)
- Energy savings program
- Non-instructional reduction through attrition at Booth Center
- Reduced secretarial & administrative support costs district-wide (attrition)
- Reduction of 1 support position (attrition) dependent on additional new technologies
- IT personnel savings through attrition (2014/15 departure) & non-personnel savings
- Reduced paraprofessional costs K-12
- Reduced psychologist costs



Budget Balancing Actions Implemented Fiscal Year 2015/16 - continued

- Eliminated health care nurse
- Eliminated 5th grade sports
- Begin orchestra & band in 5th grade
- Captured savings with aligned middle school scheduling
- Reduced 1 middle school counselor
- Eliminated return transportation from athletic events
- Captured efficiencies with Model on HS campus
- Reduced 1 high school counselor in accordance with consolidation plans
- Reduced 1 high school parking lot paraprofessional
- Realigned high school hall monitor/paraprofessional positions
- Reduced 1 high school athletic coordinator in accordance with consolidation plans
- Reduced 1 police liaison position
- Single campus high school transportation savings
- Shared services

Total projected savings \$3.8M, adjusted to \$3.5M midyear



Budget Balancing Actions Implemented Fiscal Year 2014/15

- Custodial staffing reductions
- Custodial substitutes outsourced
- Custodial replacements outsourced
- K-12 overall staffing decrease
 - Elementary, no net change
 - Middle Schools, net increase of .5 FTE
 - BHHS, net 2.37 reduction
 - Additional, recent changes decreased paraprofessional staffing by 1.5 FTE
 - Eliminated an administrator in a support position
- Social worker staffing reduction



Budget Balancing Actions Implemented Fiscal Year 2014/15 - continued

- Energy procurement savings – gas supply beginning April 2015 and electric supply beginning January 2016
- Accept tuition enrollments
- Eliminate staff meals/food purchases from non-Hills funds
- Reduce professional development costs by only allowing that which is specifically aligned to our strategic goals
- 10% reduction for all discretionary budgets
- Reduce vehicle/equipment needs
- Identify transportation savings opportunities and begin dialogues

Total savings \$2,000,000





Board of Education Policy 3110
Annual Operating Budget and Fund Balance

The Superintendent shall provide the public and the Board of Education ("the Board") with a balanced operating budget each year.

The annual operating budget will be subject to the review of the Board prior to submitting it for general distribution, publication and public hearing.

If a five-year forecast provided to the Board shows that the General Fund fund balance would go below 20% of projected expenditures in any year, the matter will be brought to the attention of the Board for discussion at the next scheduled Board meeting or at a special meeting convened sooner.

The Board will not approve an annual operating budget that is based on a five-year forecast showing that the General Fund fund balance would go below 15% of projected expenditures in any year, unless the Board contemporaneously passes a separate motion permitting same for that year.

2016/17 General Fund Original Budget Development



General Fund Assumptions 2016/17 Original Budget Development

Revenue

- Enrollment - based on change in recent CRESA report
- Foundation Allowance
 - \$60 for next year (foundation capped increase + categorical to get to \$60)
 - \$25 guesstimate in subsequent years

Expenditures

- Salary/wages are pending the outcome of current negotiations.
- Average turnover savings factored in as in past years.
- Retirement Rate - our portion decreases next year, with future years projected to be back up.
- Health care cost change driven by hard cap inflationary change, using 2-2.25%
- Everything else, about \$14M non-employee costs estimated at 1%/year
- Impact of budget balancing actions & non-recurring costs (still in process):
FY17 \$1,110,000, FY18 \$680,000, FY19 \$650,000, FY20 \$0



2016 Preliminary Millage Rate Summary

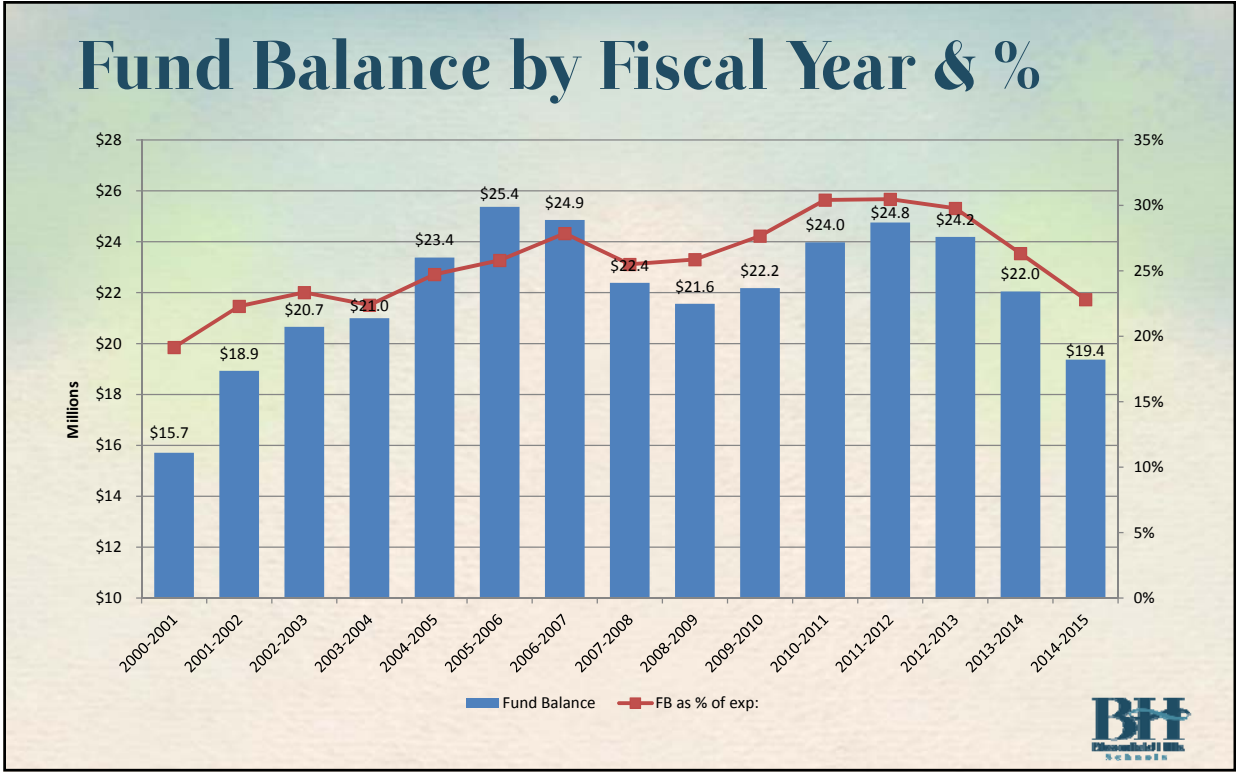
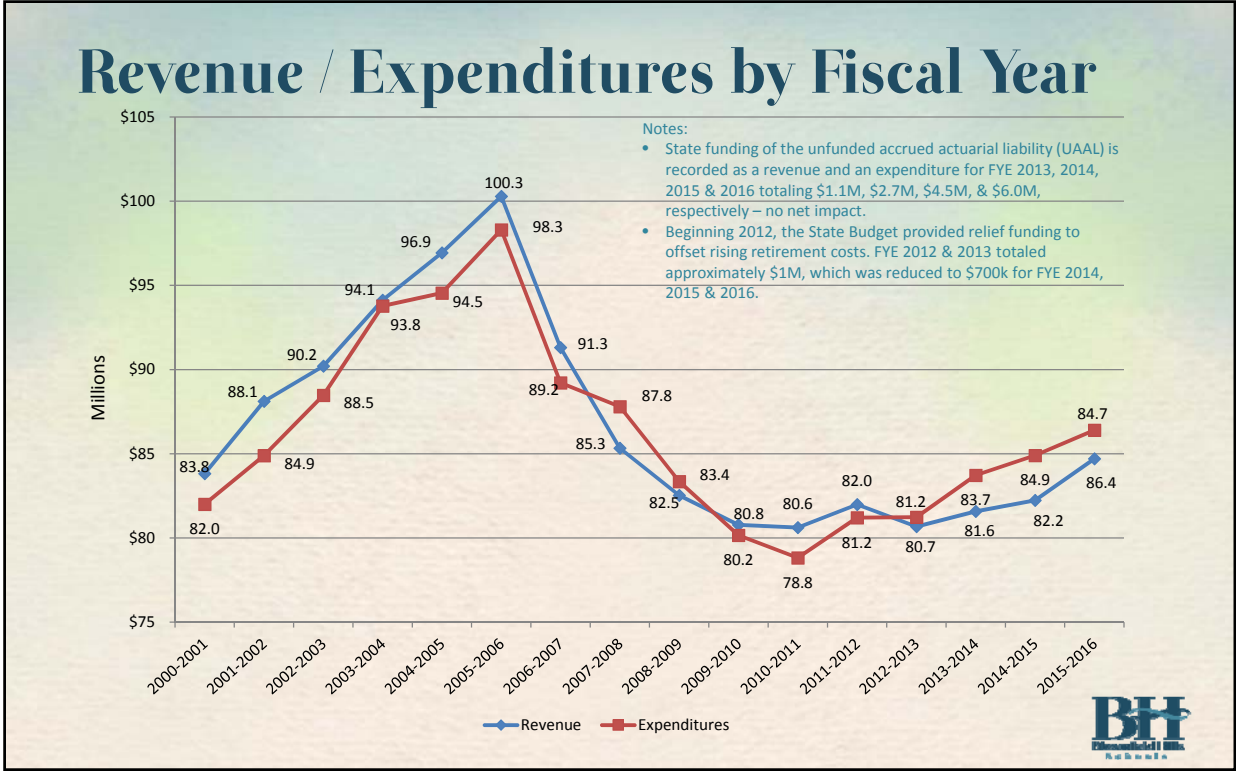
| Tax Base | Purpose | # of Mills |
|---------------------------------|------------------------------|------------------|
| Non-Homestead | General Operating | 18.0000 |
| Commercial Personal Property | General Operating | 13.7608 |
| Homestead | General Operating | 7.7608 |
| All Classifications of Property | Debt Service & Sinking Fund* | 0.9500 0.7239 |

** The authorized rate of .7400 is subject to rollback under the Headlee Amendment. Headlee requires a rollback of the rate when annual growth on existing property is greater than the rate of inflation.*



General Fund History & Trends





Projected amounts are subject to future changes

Our primary funding source is not within our control & it has not kept pace with inflation...

All costs are NOT within our control -
MPSERS



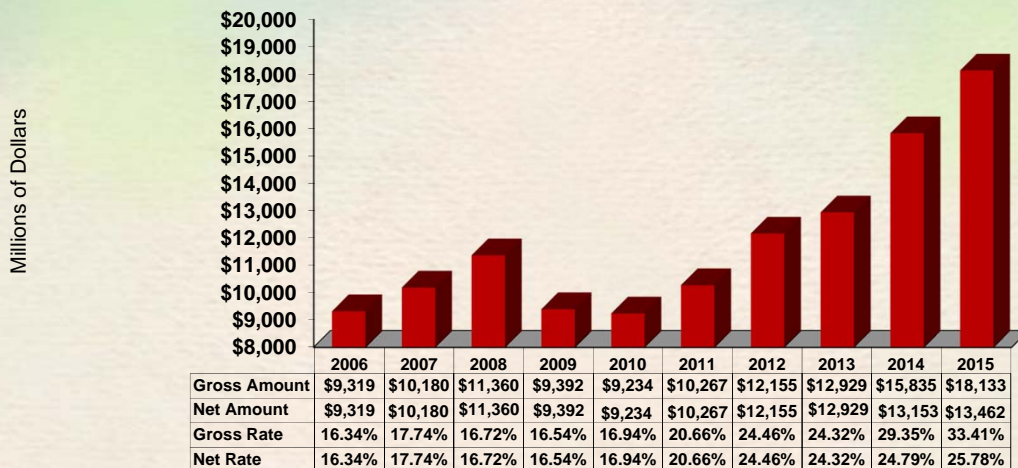
Foundation Allowance History Cumulative Change compared to CPI

| Foundation allowance history | Fiscal Yrs: | | | | | | | | | | |
|-----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------|
| | 1994/95 | 2007/08 | 2008/09 | 2009/10* | 2010/11* | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Cumulative |
| Min. foundation allowance | \$ 4,200 | \$ 7,204 | \$ 7,316 | \$ 7,162 | \$ 7,146 | \$ 6,846 | \$ 6,966 | \$ 7,026 | \$ 7,126 | \$ 7,391 | |
| Increase (decrease) | | 119 | 112 | (154) | (16) | (300) | 120 | 60 | 100 | 265 | |
| Percent change | | 1.68% | 1.55% | -2.10% | -0.22% | -4.20% | 1.75% | 0.86% | 1.42% | 3.72% | 75.98% |
| Basic foundation allowance | \$ 5,000 | \$ 7,204 | \$ 7,316 | \$ 7,162 | \$ 7,146 | \$ 6,846 | \$ 6,966 | \$ 7,026 | \$ 7,126 | \$ 7,391 | |
| Increase (decrease) | | 119 | 112 | (154) | (16) | (300) | 120 | 60 | 100 | 265 | |
| Percent change | | 1.68% | 1.55% | -2.10% | -0.22% | -4.20% | 1.75% | 0.86% | 1.42% | 3.72% | 47.82% |
| Max. (Hold-harmless) foundation | \$ 6,500 | \$ 8,433 | \$ 8,489 | \$ 8,335 | \$ 8,319 | \$ 8,019 | \$ 8,019 | \$ 8,049 | \$ 8,099 | \$ 8,169 | |
| Increase (decrease) | | 48 | 56 | (154) | (16) | (300) | - | 30 | 50 | 70 | |
| Percent change | | 0.57% | 0.66% | -1.81% | -0.19% | -3.61% | 0.00% | 0.37% | 0.62% | 0.86% | 25.68% |
| Bloomfield Hills Schools | \$ 10,454 | \$ 12,387 | \$ 12,443 | \$ 12,170 | \$ 12,154 | \$ 11,854 | \$ 11,854 | \$ 11,884 | \$ 11,934 | \$ 12,004 | |
| Increase (decrease) | | 48 | 56 | (273) | (16) | (300) | - | 30 | 50 | 70 | |
| Percent change | | 0.39% | 0.45% | -2.19% | -0.13% | -2.47% | 0.00% | 0.25% | 0.42% | 0.59% | 14.83% |
| Consumer Price Index (CPI) | 144.5 | 201.6 | 207.3 | 215.3 | 214.4 | 218.1 | 224.9 | 229.6 | 233.0 | 236.7 | |
| Percent change | | 3.23% | 2.83% | 3.86% | -0.42% | 1.73% | 3.12% | 2.09% | 1.48% | 1.59% | 63.81% |

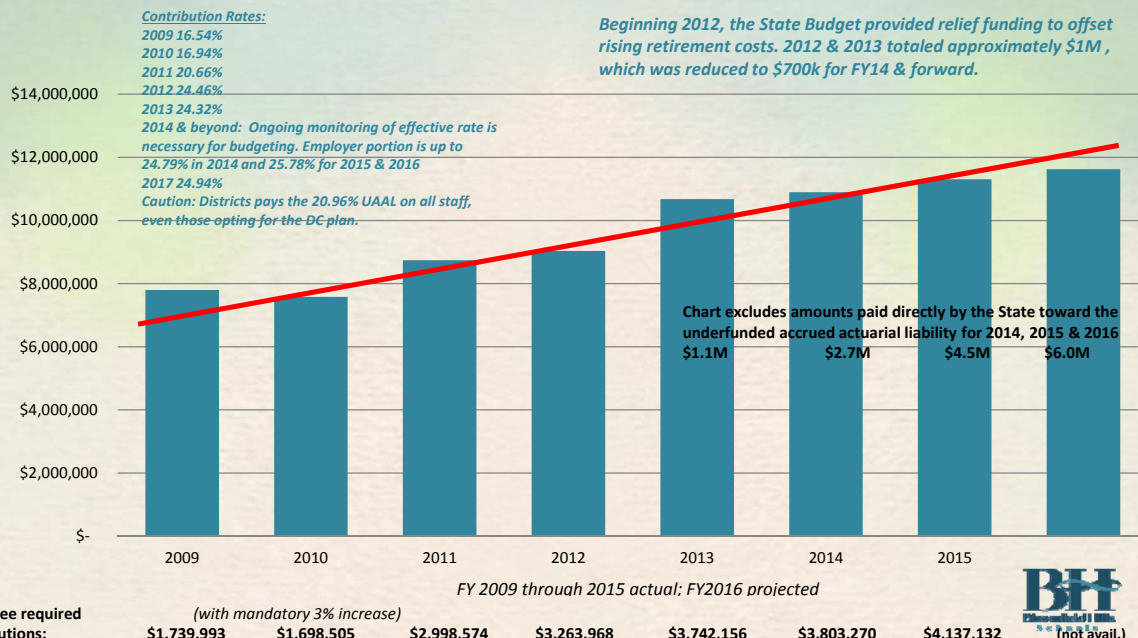
*Fiscal yrs 2009/10 & 2010/11 are based on the effective foundation allowance, which is less than the published nominal foundation per pupil due to State budget actions.



Bloomfield Hills Schools Retirement Funding MPERS Expense Years Ended June 30



MPERS Contribution History



Projected amounts are subject to future changes