

Board of Education

Mid-Year

Budget Update

February 7, 2013



Overview:
General Fund
Special Revenue Funds
Debt Service Fund
Cocurricular Endowment Fund



Mid-Year Budget Update
Fiscal Year 2012/13

General Fund – Fund balance as of July 1, 2012 (audited)	\$ 24,754,777
Revenue	\$ 80,778,239
Expenditures	<u>(\$83,484,314)</u>
Expenditures over (under) revenue	<u>(\$2,706,075)</u>
General Fund – Fund balance as of June 30, 2013 (projected)	\$ 22,048,702



Mid-Year Budget Update Fiscal Year 2012/13

Special Revenue Funds –

Fund balance as of July 1, 2012 (audited)		\$ 7,559,720
Revenue	\$ 21,716,777	
Expenditures	<u>(\$ 21,607,348)</u>	
Revenue over (under) expenditures		<u>\$ 109,429</u>

Special Revenue Funds –

Fund balance as of June 30, 2013 (projected)		\$ 7,669,149
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Special revenue funds include: Center Programs, International Academy, Recreation/Community Service, Recreation Millage, and Food Service.



Mid-Year Budget Update Fiscal Year 2012/13 Special Revenue Funds

	Center Programs	International Academy	All Other Special Revenue Funds
Revenue	\$ 12,506,915	\$ 5,511,680	\$ 3,698,182
Expenditures	<u>11,907,931</u>	<u>5,930,334</u>	<u>3,769,083</u>
Revenue over (under) expenditures	598,984	(418,654)	(70,901)
Fund balance, Beginning of year (audited)	<u>4,264,252</u>	<u>2,265,428</u>	<u>1,030,040</u>
Fund balance, End of year (projected)	\$ 4,863,236	\$ 1,846,774	\$ 959,139



Mid-Year Budget Update Fiscal Year 2012/13 Debt Service & Cocurricular Endowment Fund

	Debt Service Fund	Cocurricular Endowment Fund
Revenue	\$ 3,142,790	\$ 3,310
Expenditures	<u>2,815,241</u>	<u>-</u>
Revenue over (under) expenditures	327,549	3,310
Fund balance, Beginning of year (audited)	<u>134,405</u>	<u>396,838</u>
Fund balance, End of year (projected)	\$ 461,954	\$ 400,148



Mid-Year Budget Update Fiscal Year 2012/13 General Fund – A Closer Look



General Fund Current Year Budget Progression

<u>Fiscal Year 2012/13</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue over (under) Expenditures</u>	<u>Projected Fund Balance</u>
Original Budget	\$ 79,203,148	\$ 82,715,779	(\$ 3,512,631)	\$ 21,242,146
Budget Update – December 2012 & January 2013	\$ 80,730,860	\$ 83,436,935	(\$ 2,706,075)	\$ 22,048,702
Mid-Year Budget	\$ 80,778,239	\$ 83,484,314	(\$ 2,706,075)	\$ 22,048,702
<i>Better or (Worse) from Original Budget</i>			\$ 806,556	



Fiscal Year 2012/13 - General Fund Summary of Revenue & Expenditure Changes

<u>Description</u>	<u>Impact on Fund Balance Increase (Decrease)</u>
Original Budget – Expenditures over Revenue	(\$ 3,512,631)
Enrollment (blended membership) increased over projections by 93 FTEs (full time equivalents)	1,102,422
Staffing, net wage & salary increase	(399,674)
Staffing, net FICA (social security & Medicare) tax increase	(30,309)
Retirement costs – Net change	503,489
Transition costs estimate	(220,000)
NWEA (assessment program) and Novus Solutions (Board meeting content software)	(58,945)
Other adjustments – net	(90,427)
Midyear Budget – Expenditures over Revenue	(\$ 2,706,075)



Current Year Revenue Update



Fiscal Year 2012/13 General Fund Key Revenue Factors

- Foundation Allowance \$11,854 per pupil
- Blended enrollment, 5316 (5517 total with 201 in the Center Program Fund)
- One-time State revenue items:
 - Performance incentive, \$218,351
 - MPSERS offset, \$1,057,779
 - Best practices – detail analysis in process, estimated \$276k not included in the mid-year budget
- Federal & state grants based on award estimates



Blended Enrollment History

School Year:	General Fund	Center Programs Fund	State Aid Membership (all funds)	Winter (preceeding school year)	Fall (current school year)	Blend:
2012/13	5316	+ 201	= 5517	5462	5523	10% / 90%
2011/12	5252	+ 207	= 5459	5492	5455	10% / 90%
2010/11	5259	+ 218	= 5477	5532	5459	25% / 75%
2009/10	5302	+ 218	= 5520	5583	5498	25% / 75%

State Aid Membership is a blended count of the preceeding school year's winter count and the current school year's fall count

Note: The foundation allowance per pupil multiplied by the blended State Aid Membership determines the Foundation revenue amount for the fiscal year, including general education, center & non-center special education students.



Fiscal Year 2012/13 - General Fund Largest Revenue Source

Our largest source of revenue is the foundation allowance totaling about **\$63 million**, which comprises around 78% of our total General Fund revenue:

$$\text{foundation per pupil} \times \text{BHS General Fund blended membership}$$

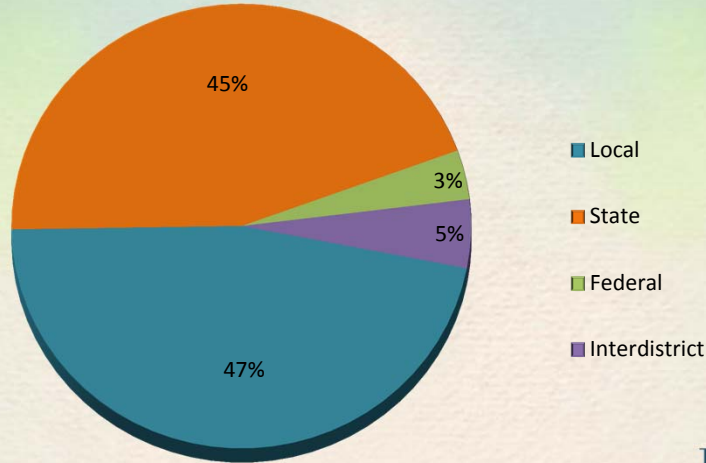
$$\$11,854 \times 5,316$$

Blended BHS membership is a weighted average of the winter & fall counts – 10% winter 2012 + 90% of fall 2012

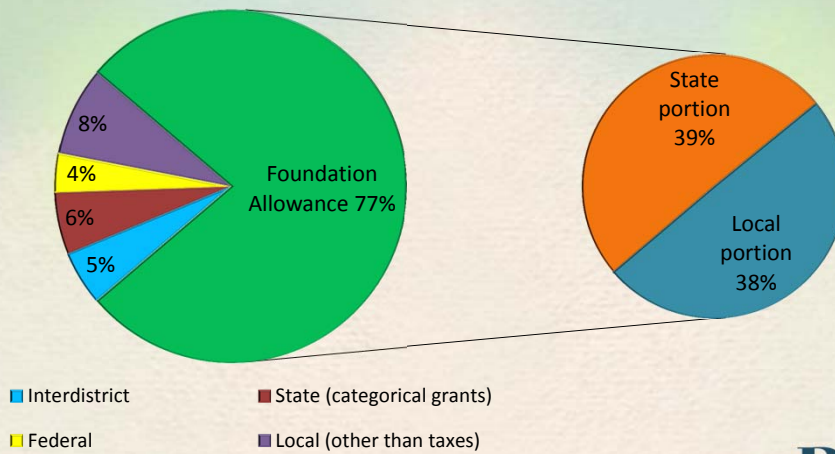
*The Foundation was re-based last year, which resulted in a decrease of \$470 from \$12,324 to \$11,854 per pupil. The previous 2 fiscal years included reductions of \$154 and \$170, respectively. Last year's per pupil funding of \$11,854 reflected an additional \$300 reduction that remained in effect this year.



Fiscal Year 2012/13 - General Fund Revenue by Source



Fiscal Year 2012/13 - General Fund Revenue by Source



The Foundation Allowance is funded both locally, through non-homestead and hold harmless operating taxes, and by the State School Aid Fund. Approximately \$63 million, or 77% of total revenue represents the per pupil Foundation Allowance funding.



Foundation Allowance History Cumulative Change compared to CPI

Foundation allowance history	Fiscal Yrs:							Cumulative
	1994/95	2007/08	2008/09	2009/10*	2010/11*	2011/12	2012/13	
Minimum foundation allowance	\$ 4,200	\$ 7,204	\$ 7,316	\$ 7,162	\$ 7,146	\$ 6,846	\$ 6,846	Note: Min & basic did increase to \$6,966 this year
Increase (decrease)		119	112	(154)	(16)	(300)	-	
Percent change		1.68%	1.55%	-2.10%	-0.22%	-4.20%	0.00%	
Basic foundation allowance	\$ 5,000	\$ 7,204	\$ 7,316	\$ 7,162	\$ 7,146	\$ 6,846	\$ 6,846	
Increase (decrease)		119	112	(154)	(16)	(300)	-	
Percent change		1.68%	1.55%	-2.10%	-0.22%	-4.20%	0.00%	36.92%
Maximum (Hold-harmless) foundation	\$ 6,500	\$ 8,433	\$ 8,489	\$ 8,335	\$ 8,319	\$ 8,019	\$ 8,019	
Increase (decrease)		48	56	(154)	(16)	(300)	-	
Percent change		0.57%	0.66%	-1.81%	-0.19%	-3.61%	0.00%	23.37%
Bloomfield Hills Schools Foundation	\$ 10,454	\$ 12,387	\$ 12,443	\$ 12,170	\$ 12,154	\$ 11,854	\$ 11,854	
Increase (decrease)		48	56	(273)	(16)	(300)	-	
Percent change		0.39%	0.45%	-2.19%	-0.13%	-2.47%	0.00%	13.39%
Consumer Price Index (CPI)	144.5	201.6	207.3	215.3	214.4	218.1	224.9	
Percent change		3.20%	2.80%	3.80%	-0.40%	1.68%	3.20%	55.64%

*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.

Note: Our pupil funding levels for this year & last year haven't been this low since 2001/02.



Current Year Expenditures Update

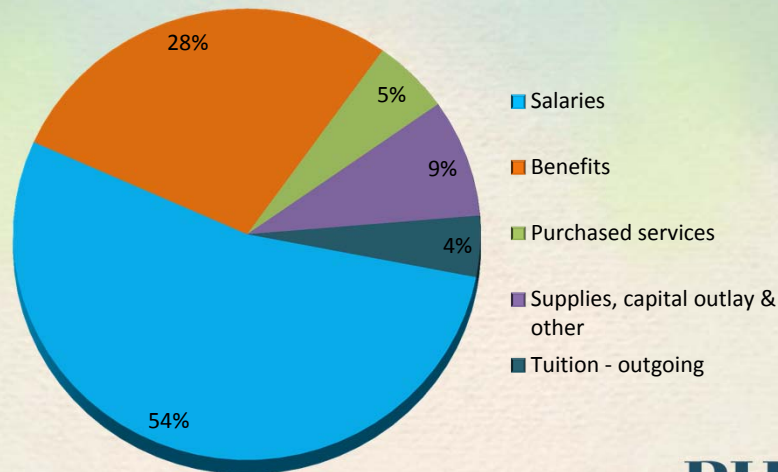


Fiscal Year 2012/13 Key Expenditure Factors

- 1st semester staffing levels
- Salary/wages in accordance with contracts
- Retirement rate of 25.36%, down from the original budgeted rate of 27.37%
 - Pension reforms, litigation and a Temporary Restraining Order had this year’s rate change frequently, including delaying anticipated reform savings, resulting in an increased rate for a period of time
 - There are several different rates depending on when staff were hired and based upon their pension/retiree healthcare election.
 - More analysis will be done for a final budget revision in the spring given the rate fluctuations and options
- Health care costs - net savings estimated conservatively around \$800,000 until claims reports are available. Additional savings are anticipated as a result of significant plan design changes and increased staff cost sharing
- Federal & state grant spending equal to award estimates
- No unspent budget monies from last year (carryover) have been added to this year’s budget



Fiscal Year 2012/13 - General Fund Expenditures by Object



Our largest cost is our staff totaling about \$68 million, which comprises around 82% of our total General Fund expenditures.



Updates to General Fund Long-term Forecast through 2016/17



Preliminary Long-term Forecast General Fund

	<u>Last year 2011-12</u>	<u>Current year 2012-13</u>	<u>Next year 2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Fund balance, beginning of year	\$ 23,977,477	\$ 24,754,777	\$ 22,048,702	\$ 18,769,449	\$ 15,687,284	\$ 13,650,273
Revenue	81,984,513	80,778,239	80,606,595	80,725,784	80,858,118	80,987,339
Expenditures	<u>81,207,213</u>	<u>83,484,314</u>	<u>83,885,848</u>	<u>83,807,949</u>	<u>82,895,129</u>	<u>80,975,973</u>
Annual surplus (deficit)	<u>777,300</u>	<u>(2,706,075)</u>	<u>(3,279,253)</u>	<u>(3,082,165)</u>	<u>(2,037,011)</u>	<u>11,366</u>
Fund balance, end of year	\$ 24,754,777	\$ 22,048,702	\$ 18,769,449	\$ 15,687,284	\$ 13,650,273	\$ 13,661,639
<i>Fund balance, as a percent of expenditures</i>	30%	26%	22%	19%	16%	17%

Note: The above projections are preliminary and updated for fiscal year 2011/12 actual results and the fiscal year 2012/13 mid-year budget revisions. Forecast assumptions continue to change as new information becomes available and further analysis is performed.



Preliminary Long-term Forecast General Fund – Key Assumptions

Revenue

- Enrollment stable at this year's level.
- Foundation Allowance flat at the current level.

Expenditures

- Salary/wages in accordance with contracts.
- Retirement rate is capped in accordance with recent reform law.
- Health care cost projections will be done in the spring; currently flat for next year and 3-5% increases thereafter.
- High School savings are phased in conservatively below original estimates, which are currently being reviewed and updated for future projections.



Future Forecasts Continued monitoring of...

State Legislative Actions

- State of the State address indicated early childhood is a priority; where will funding come from? There is speculation that the current MPSERS offset funding will be reallocated towards early childhood or other priorities. The offset revenue helped defray current retirement costs and amounts to approximately \$1M for BHS this year.
- Michigan Education Finance Project – When? Budget impact? What for an education summit in April.



Future Forecasts

Continued monitoring of...

State Legislative Actions

- Executive/Governor, Senate & House must concur on one budget with a completion goal of June 1st. The Revenue Estimating Conference in January kicked off the process. The Governor's budget was presented this morning. Highlights include:
 - \$8 million for EAA.
 - MPSERS rate capped for the UAL portion at 20.96%. Funding provided for the portion of the UAL over the cap - \$403.3 million (\$250 per pupil)
 - Equity payment of up to \$34 per pupil for districts at or near minimum, bringing minimum up to \$7000. For all others, the foundation allowance is flat.
 - Best Practices for local districts brings in \$16 per pupil (25 million)



Future Forecasts

Continued monitoring of...

PPACA – Federal health care changes will increase costs beginning January 2014 – current forecasts include cost increases, but is it enough? Further analysis will be performed as more information becomes available.

Michigan Public School Employees Retirement System (MPSERS)

- Retirement reform laws capped the employer contribution with additional required contributions being paid by the School Aid Fund.
- Reform 2010 - Outcome of the litigation related to the MPSERS additional employee 3% contribution toward retiree health care (began July 1, 2010) - - - still in escrow.



State Economic & Budget Considerations

Economy

- January revenue estimating conference reported stagnant growth in jobs, housing, and overall revenues looks like the “new normal.”
- The University of Michigan economists reported:
 - Michigan is beginning its 4th year of recovery after a nearly decade long recession.
 - Michigan has improved its competitive position compared to other states
 - They predict a sustained, moderately paced recovery through 2015.
 - There’s a potential pickup in job growth.
 - They see relatively tame price inflation.
 - Michigan has a ways to go, but they see Michigan making forward progress nonetheless.

Budget

- Remember that the School Aid Fund also partially funds community colleges & universities, which amounted to \$459.6 million for 2011/12.
- The School Aid Fund will subsidize the required retirement system contribution over the cap (Public Act 300 of 2012).



MPSERS Employer Contribution Rates History and Future Projections



Note: Future projected rates are from Office of Retirement Services based on current actuarial valuation.

School Aid Fund (SAF) Revenue

- SAF provides the majority of state funding for schools.
- Certain taxes are earmarked, or reserved, for deposit into the SAF to pay for school operations.
- State Constitution requires SAF to be used exclusively for schools, higher education, and school employee retirement benefits.
- SAF will receive approximately \$11.2 billion in revenue for FY2012/13.



SAF Revenue Sources

FY 2012-13 Total = \$11,157.4 Million

