

Budget Message

August 17, 2011

The 2011-2012 school year original budget for the General Fund, presented to the Board of Education, is a representation of the revenues and appropriations anticipated for the 2011-12 fiscal year. A budget is a projection of what is anticipated and as with any estimation, unforeseen occurrences can transpire to change these estimations. When and if this occurs, the Board of Education will be apprised of the situation so that proper action may be taken.

The General Fund revenue for the 2011-2012 school year projects a reduction in overall revenue by approximately \$1.2 m. The loss of ARRA funding will translate to an approximate loss in Federal grant revenue of \$2.1m. Although the per pupil foundation allowance from the State is being reduced by \$270 per pupil, the projected increase of 55 students will almost make up for the decrease in State funding. The district will see a big reduction (approximately \$256,000) in property tax collections. The reasons for this are twofold; a reduction in the allowable supplemental hold harmless millage levy and the reduction in non-homestead tax collections due to the millage not passing.

On the positive side, there are three revenue line items that are either one-time or non-recurring that will help to reduce the reductions above. First, the district expects to receive the second and final installment payment of \$250,000 from the Community Foundation for a class action lawsuit that was settled last year. The second is the projected proceeds of \$450,000 from

the sale of one of the district's buildings currently occupied by lessees. And finally, it is expected that there will be a favorable resolution in the Honeywell (Citicorp) contract dispute. This would enable the district to "write off" the liability currently on the books for \$687,620. The above three revenue items totaling \$1,387,620 are the primary reasons the 2011-12 budget is balanced.

The original General Fund budget expenditure appropriations for the 2011-2012 school year is projected to decrease by approximately \$2.6 m. Some of the expenditure reduction correlates to the loss of ARRA Federal funding. Many items such as computers, whiteboards and added professional development were funded through the ARRA funds the last two years. A second, and important reason, for expenditure reductions is that the district settled a new contract with the RREA that will reduce salary costs by 15% for instructional personnel and reduce the district's rapidly increasing health care premiums. The agreed upon "hard cap" of \$1,600 in total health premiums will also help to stabilize the budget for the next three years. Unfortunately the State is increasing the retirement rate another 3.8% in 2011-12 therefore reducing some of the savings. Finally, as discussed above the district anticipates a favorable Honeywell "Citicorp" resolution. Because of this anticipated outcome, the annual payment of \$343,810 is not included as an expenditure line item in the 2011-12 budget.

As a result of the projected positive operating budget for 2011-12 in the amount of \$1,244,312, the general fund deficit is projected to decrease by that amount to (\$1,937,020). This projected deficit keeps the district in compliance with the approved deficit elimination plan with the Michigan Department of Education. However, it is important to keep in mind that the

budget is dependent on a slight student increase and includes the three one-time non-recurring revenue items. For 2012-13 and beyond, the district will need to increase students or find alternative revenue sources in order to stay in compliance with the deficit elimination plan.