

# **Livonia Public Schools**

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## ***Business Services Office***

Date: November 26, 2013

To: Randy Liepa, Ph.D., Superintendent

From: Lisa Abbey, Director of Business Services

Re: 2013-2014 First Budget Amendment

Each year we amend the budget to reflect the most current information available. We have reviewed our projected revenues and expenditures for the year and made adjustments on various line items. Attached please find the 2013-2014 Summary General Fund Budget with the changes in revenue, expenditures and fund balance for 2013-14 Budget Amendment #1. We are in the process of finalizing the budget and we will bring the budget detail to the Finance Committee meeting for discussion on Monday, December 2, 2013.

**As we look forward for the remainder of the school year** there are budget items that we will be monitoring over the next several months that may adjust future budget amendments including the following items:

You may recall that in 2013 the state provided a categorical revenue to assist District's with the increase in retirement rate. From the District's budget standpoint, this was a fund balance neutral transaction. While we received revenue of approximately \$1.9 million, we also had increased retirement expenditures equal to this amount. For fiscal year 2014, the State has increased the retirement rate by approximately 4.5% and we are required to record expenditures for this amount. We will again receive an offset amount in monthly State Aid that should equal the expenditures (approximately \$5 million). We are just now receiving additional guidance from Michigan Department of Education (MDE) on how to record these transactions. While this will affect overall revenues and expenditures for the next budget revision, it should not affect the fund balance.

We are also monitoring health care costs for fiscal year 2014. In January 2014 we are moving to fully insured MESSA plans for all of our employees for health insurance. We have estimated the final costs for the current self-insured Blue Cross plan and estimates for the new MESSA plan based on current data. We are in the open enrollment period for all employees and we will have more detailed information and better estimates when the process is concluded.

For fiscal year 2014 the state changed how we calculate enrollment on a blended count basis. The rate for the fall 2013 count remains at 90%, however, instead of counting last February (2013) enrollment at 10%, we now count next February (2014)

at 10% of enrollment. This change means that for the fall amendment, we are still estimating our enrollment based on prior year trends.

We are also monitoring prior year revenue amounts that were unusually high compared to prior years. Generally these revenues occur when property taxes for past years are reduced (by courts) and the District has to make tax refunds. We will not know the amount of prior year revenues until later in the year.

While our beginning fund balance was greater than anticipated, changes in enrollment estimates, prior year revenues, and health care estimates create an uncertain budget as we move forward this year and as we begin to project the proposed budget for 2015. We will continue to monitor the budget carefully and provide the Board of Education with updates when they are available.

Please let me know if there are any questions.

LA/kp