
MEMORANDUM

TO: Keevin O'Neill, Superintendent
Members of the Board of Education

FROM: Stephen Goss, Assistant Superintendent

DATE: June 12, 2023

RE: 2022-2023 June Amended Budget
2023-2024 Preliminary Budget

Attached for your review are the proposed amendments to the 2022-2023 budgets along with the preliminary budgets for 2023-2024.

The proposed General Fund amendment includes significant revisions to both revenues and expenditures, the net effect of which results in an improvement to the projected final budget, as detailed below.

June Amendment to the 2022-2023 General Fund Budget:

The General Fund is projected to end the year with a surplus of approximately \$1.18 million, an increase of \$433,000 compared to the initially budgeted surplus of approximately \$749,000. Total projected general fund revenues and other financing sources, and total expenditures and other financing uses, are projected to increase by approximately \$3.1 million and \$2.7 million, respectively. The major components of the revised revenues and expenditures are summarized in the following tables:

Changes to revenue assumptions (2022-2023):

Description	Increase (decrease)
Increase in projected investment earnings	\$ 118,000
Increase in enrollment and foundation allowance	665,000
Increased MPSERS-related funding (Sec. 147)	1,904,000
Increase in state categorical funding (i.e. Secs 31, 97, 98)	604,000
Decrease in estimated federal grant revenue	(319,000)
Decrease in consortium revenue (Spec. Ed., CTE, Enhance. millage)	(162,000)
Other revenue items, net	146,000
Proceeds from insurance claims	155,000
Net increase in revenues and other financing sources	<u>\$ 3,111,000</u>

Changes to expenditure assumptions (2022-2023):

Description	Increase (decrease)
Employee Compensation:	
Increase in projected salary costs	\$ 420,000
Increase in MPSERS costs re: Sec. 147c(1)/(2)	1,904,000
Other benefit costs adjustments, net	(101,000)
Purchased services:	
Related to instruction and instructional support services	412,000
Related to facilities and operations	101,000
Related to all other functions	53,000
Supplies	
Facilities, transportation	(165,000)
Other supply budget adjustments, net	4,000
Net increase in other expenditures, including capital outlay	50,000
Net increase in expenditures and other financing uses	\$ 2,678,000

Approximately 71% of the increase in total projected General Fund expenditures is attributable to increases in Sec. 147c funding enacted during the school year, and as reflected in the revised revenue estimates. Increases in salary costs are attributable to the settlement of collective bargaining agreements, as well as additional hiring at the start of the school year.

The increase in purchased services is largely attributable to grant-related activities, increased enrollment in the district's virtual program offerings, and increased substitute staffing costs.

As a result of the projected increases in revenues and expenditures, the district's year-end financial position is forecast to improve by \$433,000 or 1.29% compared to originally budgeted total revenues.

Proposed 2023-2024 Preliminary General Fund Budget:

The preliminary 2023-2024 General Fund budget is based on the following key assumptions:

- **Enrollment:** Total enrollment is projected to decline by 30 students, with an estimated blended pupil count of 2,640. This anticipated decline is largely due to a larger than normal graduating class combined with slower than normal kindergarten enrollments.
- **Foundation Allowance:** The preliminary budget is based on the Michigan Senate's proposal, which would increase the per-pupil foundation allowance by \$550, or 6.0%, from \$9,150 to \$9,700. It should be noted that the Governor's and Michigan House proposed foundation allowances are lower, and this amount is subject to change.
- **Federal Funding:** The preliminary budget assumes approximately \$1.0 million in federal funding, of which approximately \$700,000 is related to ESSER funding. At this time, it is anticipated that the District will fully expend all remaining federal pandemic-related funding in the 2023-2024 fiscal year.

- **MPSERS related funding:** The preliminary budget assumes Section 147c funding will decrease by approximately \$1.37 million, primarily as a result of the one-time appropriation of Sec. 147c(2) funding in the current year. Note that amounts received under Section 147c are offset by a corresponding expenditure, as these funds merely pass through the school district, so increases and decreases in this line item have no impact on the school district's operating results.

Section 147a funding, intended to offset increases in the normal retirement rate, is projected to increase by approximately \$450,000 as the retirement rate is expected to increase by approximately 3% next year, resulting in increased retirement costs by approximately the same amount.

- **Total Revenues:** Based on the above, total revenues are projected to increase by approximately \$0.54 million, to \$37.0 million.
- **Total Expenditures:** Compared to the revised 2022-2023 budget, total expenditures are anticipated to increase by \$1.0 million, from \$35.3 million to \$36.3 million.
- Total employee salaries and benefits are projected to increase by approximately \$575,000 to \$29.6 million, or approximately 2.0%. However, after eliminating the impact of changes to MPSERS related funding, total compensation costs are projected to increase by \$1.49 million, or 6.2%. These projections are subject to change based on the outcome of collective bargaining and final staffing decisions.
- Combined supplies and purchased services are projected to increase nominally, by \$85,000 or 1.4%.
- Capital outlay is anticipated to increase by approximately \$345,000 reflecting the fact that several planned capital purchases have been delayed due to supply chain concerns.
- **Fund Equity:** Based on the above assumptions, total fund equity is projected to end the 2023-2024 fiscal year at a healthy \$7.9 million, or approximately 21% of the annual budget. This is a healthy, but by no means an excessive amount of fund balance.

Please remember that this preliminary budget is based on significant assumptions that will take time to become more clear. As always, significant revisions are possible as the state budget, collective bargaining, actual enrollment, and final staffing are all pending.

While the District is currently in a relatively strong financial position, significant risks and uncertainties remain, including but not limited to: continued high inflation, the possibility of an economic recession, and the expiration of the extremely high levels of federal funding, to which the district has become accustomed.

I look forward to discussing the budget in more detail Monday evening. In the meantime, please feel free to contact me if you have questions ahead of the Board meeting.