

To: Local District Boards of Education

From: Scott Thomas, Assistant Superintendent for Business Services

Date: April 24, 2020

Subject: Kalamazoo RESA 2020-2021 Original General Education Fund Budget Narrative and Resolution

The Kalamazoo RESA (KRESA) 2020-2021 Original General Fund budget shows an overall increase in revenues of approximately 1.7% and an overall increase in expenditures of approximately 1.0%, which is primarily due to the impact of an increase in taxable values, grant funding and shared service agreements on the various departments discussed in more detail below. The budget anticipates an overall surplus of \$339,721. This will leave the General Fund with an estimated unassigned fund balance at June 30, 2021 of \$7,297,213 or 14.1% of annual expenditures. KRESA's overall fund equity is approximately 7.7% of total program expenditures when combined with the Special Education Fund (which is estimated to have a 2.0% fund balance).

KRESA's sources of General Fund revenues include an operating tax levy of 0.1444 mills on all property in the KRESA area. We are anticipating that property taxable values will increase by 3.50% and that property tax revenue will increase by \$40,426. State aid is received through Section 81 of the State Aid Act and this budget assumes Section 81 State Aid will remain flat. Grants make up a large portion of the revenue received by KRESA, as well as departments that provide services on a fee for service basis or shared service agreements.

KRESA's expenditures include the following assumptions: 3.0% increase in health insurance costs, retirement cost to increase based on published rates effective 10-1-2021 and a compensation adjustment for staff that includes a 2% increase on pay schedules and no step advancements. KRESA has mitigated rising expenditures by implementing the hard cap (instead of 80/20 premium share) for health insurance, charging employees contributions and modifying the level of benefits, so that the actual cost paid by KRESA is lower than what is allowed under the hard cap. KRESA also implemented single subscriber coverage for new full-time employees in grades 12 or below at the beginning of the 2013-2014 school year, which continues to generate savings each year as seasoned employees retire.

**COVID-19 Update:** KRESA's budget preparation began January 2020 and is finalized early April 2020 to meet State budget requirements for ISDs. KRESA is continuing to monitor the economic climate and State revenues to determine the impact on the 20/21 State Aid budget. KRESA's budget assumptions will be adjusted as necessary once we have a clearer picture on the State Aid budget. 2020 property tax revenues will be less impacted by COVID-19 for the 20/21 budget year compared to other revenue sources.

KRESA's revenues and expenditures are categorized as follows:

General Administration and Maintenance: These expenses include the General Fund portion of the Board of Education, Superintendent's Office, Communications, Human Resources Department, Business Office, Truancy Office, and Maintenance and Operations departments. These departments are primarily funded through property tax revenue and Section 81 State Aid revenue.

Technology Services: The Technology Services department supports the technology needs of KRESA programs, state reporting compliance, on-site technology support staff to schools, internet bandwidth and phone service to local schools, network engineering and customer service support personnel. Many of the services provided are on a fee for service model and direct support is charged back to the various KRESA departments. KRESA's General Fund budget is projected to contribute an additional \$374,441 to support this department.

Seeds for Success and Great Start Readiness Program (GSRP): This budget includes the birth to five year old programs county-wide. Funding includes state and local grants, local district contributions and \$136,144 in direct support from KRESA's General Fund budget. The budget assumes funding for 2,094 GSRP preschool slots with 1,784 of these slots being provided to local districts and private providers.

REMC and Print Center: REMC is funded with local district membership fees and both receive fee for service in the areas of our full print shop, graphic arts services, county-wide delivery services, shredding services, video and media library, and other various services. The departments operate much like a business and schools who participate in the program pay a fee for the services they purchase. It is projected that REMC will operate with a slight surplus of \$639 and the Print Center with a slight surplus of \$4,884.

Instructional Services: The Instructional Services department is funded with state and federal grants along with local district professional development consortium contributions, fee for service coaching billings and a direct contribution from the KRESA General Fund budget of \$487,981. The expenditures include the following grants: Title I Regional Assistance, Early Literacy, MiSTEM Network Regions, Sec 31n Mental Health, United Way Early Reading and MiBLSi grants. Instructional Services leads workshops through the professional development consortium and provides instructional coaching services to local school districts.

Education for the Arts (EFA) and Education for Employment (EFE): These programs provide arts education and career and technical education opportunities to all students within the Kalamazoo RESA area. They are funded with a combination of state, federal and local grants, and local district and KRESA funding. Both programs have advisory boards that include local district superintendents that complete annual reviews of the programs including program budgets. Local school districts contribute to the high school programs for both EFA and EFE, as well as support for administrative costs for EFA. The KRESA General Fund budget directly contributes \$97,344 to the administration of the EFA program. The CTE millage was passed in 2019 with the collection of property tax revenue beginning the summer of 2020. Career Awareness & Exploration and administration costs that were paid for by local district contributions and KRESA's general fund will be paid from the Career Technical Education fund beginning with the 20/21 budget.

Youth Opportunities Unlimited (YOU): YOU operates programs that serve youth and adults in Kalamazoo, Calhoun, St. Joseph and Branch counties. YOU provides job training and education assistance and oversees operations of the Michigan Works! Service Centers in Kalamazoo, Three Rivers, Battle Creek and Coldwater. YOU is funded with a combination of federal and local grants, and this budget includes \$4,800,324 in revenues and expenses to operate the program.

Regional Transportation Safety Institute (RTSI): RTSI provides training of transportation staff for a nine-county consortium. This includes required training for beginning school bus drivers, continuing education for all bus drivers, and training for transportation supervisor staff. RTSI is a provider for CDL/GDL and

motorcycle testing for the State of Michigan, handles the mandatory drug testing program and runs the Eaton Proving Grounds program to teach defensive driving classes to school bus drivers. This program is funded through a fee for service model and Section 74 State Aid funding.

Head Start Grant: The budget includes \$6,378,338 in grant revenues and expenses to operate KRESA's Head Start program, which serves 596 three and four year olds within in the County with preschool, family and health support services.

Enhancement Millage: This budget includes \$12,841,618 in revenue for the enhancement millage approved by voters in 2017 and on the May 5, 2020 ballot for renewal. Enhancement millage revenue is distributed back to the local districts and public school academies to support their operations.

Attached to this budget narrative please find the Resolution for Local District Vote on ISD Budget and KRESA's proposed 2020-2021 General Fund budget resolution. Local district Boards of Education are required to adopt a resolution expressing its support or disapproval of KRESA's proposed budget and submit to KRESA's Board of Education any specific objections and/or proposed changes prior to June 1, 2020.

Please contact me at 269.250.9363 for any questions related to KRESA's 2020-2021 Original General Fund budget. Thank you.

RESOLUTION FOR LOCAL DISTRICT VOTE ON ISD BUDGET

Kalamazoo Regional Educational Service Agency  
("ISD")  
GENERAL EDUCATION FUND BUDGET  
RESOLUTION

A \_\_\_\_\_ meeting of the Board of Education of the \_\_\_\_\_  
School District was held at the \_\_\_\_\_ on \_\_\_\_\_,  
2020, at \_\_\_\_\_.

Members present were: \_\_\_\_\_  
\_\_\_\_\_

The following preamble and resolution were offered by Member \_\_\_\_\_  
and seconded by Member \_\_\_\_\_.

WHEREAS:

This Board received the Kalamazoo Regional Educational Service  
Agency General Education Fund Budget on or before May 1, 2020;  
and

WHEREAS:

In accordance with Section 380.624 of the Revised School Code, this  
Board must now adopt a resolution expressing its support or  
disapproval of the proposed ISD budget, and must submit to the ISD  
Board any specific objections and/or proposed changes the Board may  
have to the budget prior to June 1, 2020.

THEREFORE, BE IT RESOLVED THAT:

The ISD General Education Fund Budget for the 2020-2021 school  
year be ("supported" or "disapproved for the reasons attached hereto"),  
and that the Secretary of the Board is hereby directed to submit a copy  
of this Resolution to the Secretary of the ISD Board of Education,  
along with any specific objections or proposed changes to the budget.

Ayes: Members \_\_\_\_\_

Nays: Members \_\_\_\_\_

Motion declared \_\_\_\_\_.

The undersigned duly qualified and acting Secretary of the Board of Education of \_\_\_\_\_, Michigan hereby certifies that the foregoing is a true and complete copy of a resolution adopted by the Board at a \_\_\_\_\_ meeting held on \_\_\_\_\_, 2020, the original of which resolution is a part of the Board's minutes, and further certifies that notice of the meeting was given to the public under the Open Meetings Act, 1976 PA 267, as amended.

Signed:

\_\_\_\_\_  
Secretary, Board of Education

**RESOLUTION FOR ADOPTION BY THE BOARD OF EDUCATION OF  
KALAMAZOO REGIONAL EDUCATIONAL SERVICE AGENCY  
2020-2021 ORIGINAL GENERAL EDUCATION FUND BUDGET**

RESOLVED, that this resolution shall be the appropriations of Kalamazoo Regional Educational Service Agency for the 2020-2021 fiscal year; a resolution to make appropriations; to provide for the expenditure of the appropriations; and to provide for the disposition of all revenues received by Kalamazoo Regional Educational Service Agency.

BE IT FURTHER RESOLVED, that the total revenues and unappropriated fund balance estimated to be available for appropriation in the GENERAL EDUCATION FUND of the Kalamazoo Regional Educational Service Agency for fiscal year 2020-2021 is as follows:

|                      | ACTUAL<br>2018-19 | ORIGINAL<br>2019-20 | REVISED<br>2019-20 | ORIGINAL<br>2020-21 |
|----------------------|-------------------|---------------------|--------------------|---------------------|
| <b>REVENUES:</b>     |                   |                     |                    |                     |
| Local                | 16,884,034        | 17,371,601          | 17,664,353         | 18,032,367          |
| State                | 15,007,559        | 15,156,639          | 16,449,937         | 16,487,764          |
| Federal              | 9,246,752         | 9,515,196           | 10,550,993         | 10,476,760          |
| Other Sources        | 7,004,148         | 7,130,349           | 6,608,598          | 7,153,527           |
| <b>Total Revenue</b> | <b>48,142,493</b> | <b>49,173,785</b>   | <b>51,273,881</b>  | <b>52,150,418</b>   |

BE IT FURTHER RESOLVED, that \$51,810,697 of the total available to appropriate in the GENERAL EDUCATION FUND is hereby appropriated in the amounts and for the purpose set forth below:

|                               |                   |                   |                   |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Instruction:</b>           |                   |                   |                   |                   |
| Basic Programs                | 4,682,075         | 4,533,268         | 4,705,489         | 4,806,863         |
| Added Needs                   | 12,461            | 1,500             | 77,185            | 50,500            |
| <b>Support Services:</b>      |                   |                   |                   |                   |
| Pupil                         | 1,294,664         | 1,321,935         | 1,794,505         | 2,104,132         |
| Instructional staff           | 5,669,058         | 5,454,580         | 5,064,962         | 4,739,470         |
| General Administration        | 501,318           | 547,486           | 539,374           | 482,356           |
| School Administration         | 428,849           | 460,485           | 421,585           | 402,177           |
| Business                      | 1,031,371         | 1,027,483         | 1,082,339         | 1,102,869         |
| Operations and Maintenance    | 1,170,458         | 1,333,186         | 1,319,924         | 1,143,829         |
| Transportation                | 705,025           | 841,027           | 953,101           | 913,236           |
| Central                       | 9,071,515         | 9,738,741         | 9,064,674         | 9,685,465         |
| Community Services            | 4,760,927         | 4,577,160         | 6,009,763         | 6,055,241         |
| Other Financing Uses          | 18,693,081        | 19,533,486        | 20,281,985        | 20,324,559        |
| <b>Total Expenditures</b>     | <b>48,020,802</b> | <b>49,370,337</b> | <b>51,314,886</b> | <b>51,810,697</b> |
| Revenues over Expenses        | 121,691           | (196,552)         | (41,005)          | 339,721           |
| <b>FUND BALANCE - July 1</b>  | <b>6,876,806</b>  | <b>6,838,386</b>  | <b>6,998,497</b>  | <b>6,957,492</b>  |
| <b>FUND BALANCE - JUNE 30</b> | <b>6,998,497</b>  | <b>6,641,834</b>  | <b>6,957,492</b>  | <b>7,297,213</b>  |

FURTHER RESOLVED, that no board of education member or employee of the school district shall expend any funds or obligate the expenditure of any funds, except pursuant to appropriations made by the board of education and in keeping with the budgetary policy statement hitherto adopted by the board. Changes in the amount appropriated by the board shall require approval by the board.

BE IT FURTHER RESOLVED, that the Superintendent is hereby charged with general supervision on the execution of the budgets adopted by the board and shall hold the department heads responsible for performance of their responsibilities within the amounts appropriated by the board of education and in keeping with the budgetary policy statement hitherto adopted by the board. (Resolution effective 6/11/2020)

Note: The General Education tax levy for 2020 is proposed to be 0.1444 mills and the Regional Enhancement tax levy for 2020 is proposed to be 1.5000 mills. These millages will be levied on all properties to be used for operating purposes as described above.