

Livonia Public Schools

Finance Office

Date: April 22, 2020

To: Andrea Oquist, Superintendent

From: Alison Smith, Director of Finance

Re: Budget Update

At the April 27, 2020 Finance Committee meeting I would like to update the Board of Education on the 2019-20 budget, as well share information on 2020-21 state funding that will have an impact on the district's 2020-21 budget.

COVID-19 has not only had an impact on the way we connect with students and provide instruction, it has also had an impact on our General Fund revenues and expenditures.

I anticipate our 2019-20 General Fund revenue may be down as much as \$1.5 million from our last budget amendment that I shared with the Board in January. We are not operating our fee-based programs such as Before and After School Care, Daycare, and Preschool. Between refunds for fees collected for services between March 13-31 and assuming these programs do not resume this school year, this revenue category will be down \$918,333. With the closure of our buildings, we are also not able to rent out our facilities. I anticipate this revenue source to be down \$320,633. The spring athletic season has been cancelled. The district has issued refunds for spring only Pay-to-Participate fees. Also, with no games taking place, there will be no ticket sales. Between these two categories, we will be down an estimated \$202,303. I anticipate our revenues to be down an additional \$145,922 across 15 other revenue line items. On a positive note, our Special Education Transportation reimbursement from Wayne RESA was \$78,722 higher than budgeted. The net impact of these changes will decrease 2019-20 General Fund revenue by as much as \$1.5 million from our last budget amendment.

The district's revenues are projected to be down, but so are the expenditures. Some of the expenditure adjustments I will discuss are costs savings because the district is not operating in it's normal capacity. Some, on the other hand, are simply costs that won't be incurred before June 30 and will need to be deferred to the 2020-21 school year. The transportation category is a great example of this. I anticipate the transportation category to be down \$1,373,842 from our last amendment. A large chunk of this is a budgeted school bus purchase that will be postponed until the 2020-21 school year. The rest, though, are cost savings from not transporting our students to and from school. We continue to pay our transportation staff during the closure and have found other responsibilities for them, but some line items will truly

see cost savings such as fuel, contracted transportation, overtime, and stipends for bus duty. Other categories that we can anticipate cost savings are Internal and Contracted Substitutes (\$590,159), Additional Duty Stipends/Overtime (\$216,616), Contracted Security Personnel (\$202,230), Athletics (\$111,916), Taxes Written Off (\$151,434), and other various salaries, benefits, contracted services and supplies not incurred (\$186,158). Some costs that were budgeted for, but will be deferred until the 2020-21 school, are textbooks (\$616,324), teaching supplies (\$157,642) and the additional building allocations that were approved by the Board in January but in some instances not yet spent; including purchases for classroom libraries, supply lists, supplemental secondary teaching supplies, and building beautification supplies (\$279,851). The net impact of these changes will be 2019-20 General Fund expenditures being down as much as \$3.9 million from our last budget amendment. We are hopeful that some of these much-needed purchases can take place before June 30; and if that is the case, I will update the Board in our next Budget Update/Amendment.

To give a big picture summary, the district started this school year off with a \$30.9 million or 20.4% fund balance. A 15-20% fund balance is recommended by the Michigan School Business Officials. We planned to spend some of that fund balance this year, while staying within the recommended range, but as a result of the changes described above, we will most likely add to our fund balance this year which will help us as 1) a number of the planned purchases described above will take place in 2020-21 and therefore will need to be budgeted for; and 2) we are hearing preliminary information that school districts should anticipate a sizeable per-pupil foundation allowance decrease for next year. More information on that to be shared at the Finance Committee meeting.

Thank you.

AS/kp

c: Board of Education