



ORDER
ADOPTING THE AMENDED FISCAL YEAR 2012-2013 BUDGET FOR
THE SCHOOL DISTRICT OF THE CITY OF DETROIT

Order 2013-EFMRR-10
Restated and Corrected Exhibit A

BY THE POWER AND AUTHORITY VESTED IN THE EMERGENCY FINANCIAL MANAGER (“EMERGENCY FINANCIAL MANAGER”) FOR THE SCHOOL DISTRICT OF THE CITY OF DETROIT, MICHIGAN (“SCHOOL DISTRICT”) THROUGH MICHIGAN COMPILED LAWS (“MCL”) §§ 141.1201 – 141.1291, 380.1 – 380.1853, 388.1601 – 388.1772, 141.421 – 141.440A, 423.201 – 423.217 AND 38.71 – 38.191, THE EMERGENCY FINANCIAL MANAGER, ROY S. ROBERTS HEREBY ISSUES THE FOLLOWING:

WHEREAS, prior to his appointment as Emergency Financial Manager, Roy S. Roberts served at the Emergency Manager of the District under Public Act 4 of 2011, the Local Government and School District Fiscal Responsibility Act (“Public Act 4”); and

WHEREAS, the District's Fiscal Year 2012 - 2013 Budget was approved as of June 27, 2012 by the Emergency Manager, to be effective as of July 1, 2012 (the “2013 Budget”); and

WHEREAS, the Local Government Fiscal Responsibility Act, Public Act 72 of 1990 (“Public Act 72”) was enacted to provide, among other matters, for the review, management, planning, and control of the financial operation of units of local government, including school districts, and the appointment of, the prescription of the powers and duties of an emergency financial manager; and to require the development of financial plans to regulate expenditures and investments by a local government in a state of financial emergency; and

WHEREAS, Governor Rick Snyder appointed Roy S. Roberts as the Emergency Financial Manager (the “Emergency Financial Manager”) for the School District of the City of Detroit (the “District”); and

WHEREAS, the Emergency Financial Manager assumed immediate control over all fiscal matters of the School District of the City of Detroit as provided in MCL § 141.1241; and

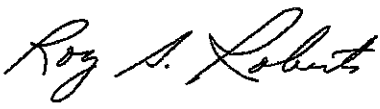
WHEREAS, the 2013 Budget may be revised and/or amended to more accurately reflect the changes in revenues and/or expenditures as deemed necessary by the Emergency Financial Manager in accordance with MCL § 141.1241(e); and

WHEREAS, the Emergency Financial Manager has deemed it necessary to revise and amend the FY 2013 Budget as particularly set forth in the Amended FY 2013 Budget for the School District of the City of Detroit attached hereto as Exhibit "A" (the "Amended Fiscal Year 2012- 2013 Budget").

NOW, THEREFORE IT IS HEREBY ORDERED THAT:

1. Pursuant to the powers granted under Public Act 72, the Emergency Financial Manager hereby adopts the Amended FY 2012 - 2013 Budget in the form attached hereto as Exhibit "A".
2. Pursuant to MCL §§ 141.1239, 141.1241 and 141.1243 and other powers granted under Public Act 72, this Order is issued and directed to the Board of Education for the School District of the City of Detroit ("School Board"), all administrators of the School District and all employees of the School District; and
3. This Order may be amended, modified, repealed or terminated by any subsequent Order issued by the Emergency Financial Manager.

Dated: October 12, 2012

By: 

Roy S. Roberts
Emergency Financial Manager
School District of the City of Detroit

EXHIBIT A



TO: Roy S. Roberts, Emergency Financial Manager

FROM: William E. Aldridge, CPA, and Chief Financial Officer

SUBJECT: Fiscal Year 2013 Budget Amendment # 1

DATE: October 11, 2012
Revised December 12, 2012

CC: Kevin A. Smith, Esq., Chief of Staff

Delores A. Brown, Deputy Chief Financial Officer/Chief Accounting Officer

Dennis L. Johnson, Executive Director, Office of Management & Budget

The Fiscal Year 2012-2013 amended budget is based on a comprehensive review of financial data and documents and an in-depth review of the current operations of the District. The following is a summary of the changes to the General Fund since the adoption of the FY 2012-2013 budget on June 27, 2012.

REVENUES

Property Tax Collections – Based on historical data, the District has increased the uncollectable property tax revenues by \$1.5 million. Consequently, the property tax revenues have been reduced by \$1.5 million

Reduction in Best Practices Incentive Payment – The adopted budget is based on the assumption the District would receive \$100 per pupil from the State of Michigan if the District maintained best practices. After the budget was submitted for approval by the Emergency Financial Manager, the State of Michigan reduced the appropriation per pupil from \$100 to \$52 under Public Act 201 of 2012. As a result, the revenues from the Best Practices Incentive Payment have been reduced by \$2.4 million.

MPSERS Cost Offset – The budget for the MPSERS Cost Offset was increased by \$1.4 million to match the amount received in FY2012.

Contributions – The District expects to receive \$546,000 in contributions for the Detroit School of Arts.



EXPENDITURES

Adjustment of Teacher Positions – The District has taken an aggressive approach to level Teacher Service on an on-going basis. As a result, the District has eliminated 104 teacher positions at schools where pupil FTE was less than projected resulting in a reduction of \$9.6 million. In addition, the District also approved the creation of 71 additional teacher positions at a cost of \$6.5 million based on actual attendance and student FTE information relating to schools where FTE exceeded projections and other urgent needs to ensure classrooms are properly staffed.

Transfer of textbook and bus passes cost to Grants – Expenditures for textbooks (\$4.0 million) and bus passes (\$1.0 million) have been transferred to grant funds.

Incorrect Employer Contribution Rate used from July through August – The adopted budget was based on the assumption the employer contribution rate to the State retirement system would be 27.37% for the entire fiscal year (July 1, 2012 – June 30, 2013). However, the contribution rate from July through September was 24.46%. Thus, the pension costs were reduced by \$1.0 million from July through September.

Employer Contribution Rate to State Retirement System – Upon the passage of Public Act 300 of 2012, the District assumed the employer contribution rate to the State retirement system would remain at 24.46% for the entire fiscal year. Due to a temporary restraining order (TRO), full implementation of the Act is not possible. Therefore, the corresponding employer contribution rates could not be reduced as much as they would have been with full implementation of PA 300 of 2012. The new contribution rate is 25.36% as of October 1, 2012, and this resulted in a \$2.5 million increase in pension costs.

Title I Carryover to Fund Second Half of Full-Day Kindergarten – Title I Carryover funding is expected to fund the second half of full-day Kindergarten in the amount of \$500,000. This is pursuant to a September 25, 2012 memorandum from the Michigan Department of Education confirming that this is an allowable use of Title I funds for those districts that have been using Title I for this purpose for the past two years.

System Changes – The budget for system enhancements purchased services has been increased by \$1.0 million because of planned system changes.

Physical Plant Operations – Based on information provided by the Chief Operating Officer, the budget for Physical Plant Operations has been increased by \$438,647.

Office of Public Safety – The overtime budget for the Office of Public Safety has been increased by \$376,312 (including fringe benefits) based on analysis provided by the Inspector General and the Police Chief.

Bridge to Retirement – The District is budgeting \$338,037 to fund a staff retirement program.

**DETROIT PUBLIC SCHOOLS
FY 2013
PROPOSED AMENDED BUDGET
GENERAL FUND¹
June 30, 2013**

	FY 2013 Adopted	FY 2013 Amendment # 1	Increase (Decrease)	% Increase (Decrease)
Revenue:				
Local sources				
Special education millage	\$ 42,660,000	\$ 42,660,000	\$ -	0%
Property Taxes	76,339,168	74,802,205	(1,536,963)	(2%)
Other	31,253,985	31,850,775	596,790	2%
Total local sources	<u>150,253,153</u>	<u>149,312,980</u>	<u>(940,173)</u>	<u>(1%)</u>
State sources	371,983,861	376,387,874	4,404,013	1%
Federal sources	233,463,756	238,085,380	4,621,624	2%
Total Revenue	<u>755,700,770</u>	<u>763,786,234</u>	<u>8,085,464</u>	<u>1%</u>
Expenditures:				
Instruction	360,212,647	354,275,577	(5,937,070)	(2%)
Support services				
Pupil services	55,865,871	57,558,180	1,692,309	3%
Instructional staff support	60,814,004	63,743,882	2,929,878	5%
General administration	8,283,785	8,220,309	(63,476)	(1%)
School administration	34,922,623	35,480,139	557,516	2%
Business office	13,475,836	14,492,351	1,016,515	8%
Operations & maintenance	62,680,336	68,546,399	5,866,063	9%
Transportation	25,345,453	25,329,839	(15,614)	0%
Central support service	27,989,630	27,774,102	(215,528)	(1%)
Other support service	46,182,315	46,179,288	(3,027)	0%
Total support services	<u>335,559,853</u>	<u>347,324,489</u>	<u>11,764,636</u>	<u>4%</u>
Community service	5,096,141	4,454,649	(641,492)	(13%)
Facilities acquisitions and improvement	100,000	100,000	-	0%
Debt service	53,001,761	53,001,761	-	0%
Total Expenditures	<u>753,970,402</u>	<u>759,156,476</u>	<u>5,186,074</u>	<u>1%</u>
Other Financial Sources (Uses)				
Sources				
Proceeds from sale of capital assets	1,502,000	1,502,000	-	0%
Transfers In	27,021,180	27,354,130	332,950	1%
Total Sources	<u>28,523,180</u>	<u>28,856,130</u>	<u>332,950</u>	<u>1%</u>
Uses				
Transfers Out	(27,021,180)	(27,354,130)	332,950	1%
Prior Year Adjustments	(3,232,368)	(3,232,368)	-	0%
Total Uses	<u>(30,253,548)</u>	<u>(30,586,498)</u>	<u>332,950</u>	<u>1%</u>
Total Other Financial Sources (Uses)	<u>(1,730,368)</u>	<u>(1,730,368)</u>	<u>-</u>	<u>0%</u>
Excess (deficiency) of Revenue Over (Under) Expenditures and Other Financial Sources	<u>\$ -</u>	<u>\$ 2,899,390</u>	<u>\$ 2,899,390</u>	<u>100%</u>

¹ General Fund includes Funds 11 through 25.

Detroit Public Schools
FY 2013 PROPOSED AMENDED BUDGET - BY FUND
Revenues, Expenditures, Sources and Uses

	FY 2013 Adopted	FY 2013 Amendment # 1	Increase (Decrease)	% Increase (Decrease)
Fund 11				
Revenue	\$ 389,026,399	\$ 386,931,256	\$ (2,095,143)	-1%
Expenditures	389,026,399	384,031,866	(4,994,533)	-1%
Surplus (Deficit)	\$ -	\$ 2,899,390	\$ 2,899,390	
Fund 13				
Revenue	5,798,143	5,798,143	-	0%
Expenditures	5,798,143	5,798,143	-	0%
Surplus (Deficit)	\$ -	\$ -	\$ -	
Fund 14				
Revenue	221,085,215	231,275,822	10,190,607	5%
Expenditures	221,085,215	231,275,822	10,190,607	5%
Surplus (Deficit)	\$ -	\$ -	\$ -	
Fund 18				
Revenue	10,257,883	10,257,883	-	0%
Expenditures	10,257,883	10,257,883	-	0%
Surplus (Deficit)	\$ -	\$ -	\$ -	
Fund 16				
Revenue	55,444,424	55,444,424	-	0%
Expenditures	55,444,424	55,444,424	-	0%
Surplus (Deficit)	\$ -	\$ -	\$ -	
Fund 22				
Revenue	56,262,215	56,585,165	322,950	1%
Expenditures	56,262,215	56,585,165	322,950	1%
Surplus (Deficit)	\$ -	\$ -	\$ -	
Fund 25				
Revenue	46,349,671	46,349,671	-	0%
Expenditures	46,349,671	46,349,671	-	0%
Surplus (Deficit)	\$ -	\$ -	\$ -	

DETROIT PUBLIC SCHOOLS
FY 2013 PROPOSED AMENDED BUDGET
Revenues and Other Sources - All Funds

Fund	FY 2013 Adopted	FY 2013 Amendment # 1	Increase (Decrease)	% Increase (Decrease)
Fund 11 General Fund				
Property Tax Gross	\$ 88,003,836	\$ 88,003,836	\$ -	0%
Uncollectable	(11,664,668)	(13,201,631)	(1,536,963)	13%
Property Tax Net	76,339,168	74,802,205	(1,536,963)	(2%)
State Aid				
22a Prop A Obligation	202,935,952	202,935,952	-	0%
22b Discretionary Payment	50,538,122	50,538,122	-	0%
152a Headlee Obligation - Adair & 94a.9	1,452,457	1,452,457	-	0%
26a Renaissance Zone	4,850,159	4,850,159	-	0%
22f Best Practice Incentive	5,192,701	2,700,205	(2,492,496)	(48%)
147a MPSEs Cost Offset	8,049,737	9,411,058	1,361,321	17%
29 Declining Enrollment	-	-	-	0%
61a Vocational Education	1,143,719	1,143,719	-	0%
Prior Year Adjustments	1,000,000	1,000,000	-	0%
Other				
Earnings on Investments	300,000	300,000	-	0%
Medicaid Reimbursement	11,962,025	11,962,025	-	0%
JROTC	2,088,141	2,088,141	-	0%
Charter School Administration Fee	1,023,192	1,023,192	-	0%
Other	5,131,368	5,703,363	571,995	11%
Indirect Cost Revenue	4,924,294	4,925,294	1,000	0%
Payment from EAA - Debt Service Offset	10,024,560	10,024,560	-	0%
Payment from EAA - Services	2,070,804	2,070,804	-	0%
Total Fund 11	389,026,399	386,931,256	(2,095,143)	(1%)
Fund 13 Adult Education				
State Aid	4,798,143	4,798,143	-	0%
Deferred Revenue	1,000,000	1,000,000	-	0%
Total Fund 13	5,798,143	5,798,143	-	0%
Fund 14 Grants				
Title I	135,707,952	138,166,985	2,459,033	2%
Title I / Title II / Title III Carryover	-	2,158,590	2,158,590	100%
31a At Risk	26,854,473	31,854,473	5,000,000	19%
IDEA	18,277,470	18,277,470	-	0%
Title II	16,726,810	16,726,810	-	0%
Great Start Readiness	13,839,706	14,361,600	521,894	4%
Other Grants	9,678,804	9,729,894	51,090	1%
Total Fund 14	221,085,215	231,275,822	10,190,607	5%
Fund 16 Special Education Center Based Programs				
Act 18	42,000,000	42,000,000	-	0%
Follow That Child	660,000	660,000	-	0%
Transfer from Fund 11	12,784,424	12,784,424	-	0%
Total Fund 16	55,444,424	55,444,424	-	0%
Fund 18 ARRA				
ARRA School Improvement	10,257,883	10,257,883	-	0%
Total Fund 18	10,257,883	10,257,883	-	0%
Fund 22 Special Education				
State Aid	49,071,739	49,071,739	-	0%
Transfer from Fund 11	7,190,476	7,513,426	322,950	4%
Total Fund 22	56,262,215	56,585,165	322,950	1%
Fund 25 Food Service				
USDA Free & Reduced Lunch	42,348,600	42,348,600	-	0%
Food Sales to Pupils	1,629,350	1,629,350	-	0%
School Lunch Grant State Aid	1,122,000	1,122,000	-	0%
Other	1,249,721	1,249,721	-	0%
Total Fund 25	46,349,671	46,349,671	-	0%
Total	\$ 784,223,950	\$ 792,642,364	\$ 8,418,414	1%

**DETROIT PUBLIC SCHOOLS
FY 2013
PROPOSED AMENDED BUDGET
EXPENDITURES AND OTHER USES - GENERAL FUND**

	FY 2013 Adopted	FY 2013 Amendment # 1	Increase (Decrease)	% Increase (Decrease)
Fund 11 General Fund				
Personnel	\$ 209,877,699	\$ 201,422,666	\$ (8,455,033)	(4%)
Purchased Services	78,435,079	82,363,690	3,928,611	5%
Supplies	10,197,491	10,054,130	(143,361)	(1%)
Equipment & Capital	41,500	38,500	(3,000)	(7%)
Utilities	14,255,600	13,539,900	(715,700)	(5%)
Restricted	3,242,368	3,313,368	71,000	2%
Principal & Interest	53,001,761	53,001,761	-	0%
Transfers	19,974,901	20,297,851	322,950	2%
Total Fund 11	389,026,399	384,031,866	(4,994,533)	(1%)
Fund 13 Adult Education				
Personnel	2,569,684	4,420,076	1,850,392	72%
Purchased Services	775,500	703,066	(72,434)	(9%)
Supplies	2,452,959	675,001	(1,777,958)	(72%)
Total Fund 13	5,798,143	5,798,143	-	0%
Fund 14 Grants				
Personnel	160,394,611	169,529,354	9,134,743	6%
Purchased Services	43,296,925	43,777,033	480,108	1%
Supplies	6,857,711	10,311,821	3,454,110	50%
Equipment & Capital	524,662	528,112	3,450	1%
Utilities	7,100	9,500	2,400	34%
Restricted	5,079,912	2,194,708	(2,885,204)	(57%)
Transfers	4,924,294	4,925,294	1,000	0%
Total Fund 14	221,085,215	231,275,822	10,190,607	5%
Fund 16 Special Education Center Based Programs				
Personnel	51,937,464	50,206,241	(1,731,223)	(3%)
Purchased Services	2,685,799	4,416,322	1,730,523	64%
Supplies	617,558	618,258	700	0%
Equipment & Capital	203,603	203,603	-	0%
Total Fund 16	55,444,424	55,444,424	-	0%
Fund 18 ARRA				
Personnel	6,846,706	6,730,878	(115,828)	(2%)
Purchased Services	2,653,051	2,786,743	133,692	5%
Supplies	449,095	336,231	(112,864)	(25%)
Equipment & Capital	309,031	404,031	95,000	31%
Total Fund 18	10,257,883	10,257,883	-	0%
Fund 22 Special Education				
Personnel	51,937,473	52,260,423	322,950	1%
Purchased Services	3,275,234	3,275,234	-	0%
Supplies	989,508	989,508	-	0%
Equipment & Capital	60,000	60,000	-	0%
Total Fund 22	56,262,215	56,585,165	322,950	1%
Fund 25 Food Service				
Personnel	18,324,577	18,628,955	304,378	2%
Purchased Services	1,219,500	1,219,500	-	0%
Supplies	21,192,500	20,995,884	(196,616)	(1%)
Equipment & Capital	3,491,109	3,374,347	(116,762)	(3%)
Transfers	2,121,985	2,130,985	9,000	0%
Total Fund 25	46,349,671	46,349,671	-	0%
Total	\$ 784,223,950	\$ 789,742,974	\$ 5,519,024	1%