

DETROIT PUBLIC SCHOOLS

William E. Aldridge, CPA
Chief Financial and Administrative Officer

*Division of Finance
3011 W. Grand Blvd.
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Detroit, MI 48202*



June 28, 2013

Mr. Daniel Hanrahan, Director State Aid and School Finance
Michigan Department of Education
608 West Allegan Street
Lansing, MI 48909

**RE: Adopted General Fund Budget – Year Ending June 30, 2014
4th Amendment to the FY 2013 Budget**

Dear Mr. Hanrahan:

Attached are the Detroit Public Schools FY 2013-2014 Adopted Budget and the 4th Amendment to the FY 2013 Budget for the School District of the City of Detroit.

If you have any questions or would like to discuss this matter, please contact me at (313) 873-4147 or by cell at (313) 617-8520.

Respectfully submitted,



William E. Aldridge, CPA
Chief Financial and Administrative Officer

Attachments

pc: Michael Flanagan, Superintendent of Public Instruction
Thomas F. Saxton, Deputy State Treasurer, Department of Treasury
Glenda Rader, Asst. Director State Aid & School Finance
Roy S. Roberts, Emergency Manager
Delores A. Brown, Deputy CFO/Chief Accounting Officer
Dennis L. Johnson, Executive Director, Office of Management and Budget



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

Order 2013-EFMRR-27

BY THE POWER AND AUTHORITY VESTED IN THE EMERGENCY
MANAGER FOR THE SCHOOL DISTRICT OF THE CITY OF DETROIT,
MICHIGAN (“EMERGENCY MANAGER”) PURSUANT TO MICHIGAN’S
PUBLIC ACT 436 OF 2012, THE LOCAL FINANCIAL STABILITY AND
CHOICE ACT;

ROY S. ROBERTS, THE EMERGENCY MANAGER,
ISSUES THE FOLLOWING ORDER:

Whereas on March 28, 2013, the Local Financial Stability and Choice Act, Public Act 436 of 2012, (“Public Act 436”) became effective and was enacted to, among other matters, safeguard and assure the financial accountability of local units of government and school districts; to preserve the capacity of local units of government and school districts to provide or cause to be provided necessary services essential to the public health, safety, and welfare; to provide for review, management, planning, and control of the financial operation of local units of government and school districts and the provision of services by local units of government and school districts; to provide for the appointment and to prescribe the powers and duties of an emergency manager for a local unit of government or school district; and to provide for the modification or termination of contracts under certain circumstances; and

Whereas PA 436 replaced and succeeds the Local Government Fiscal Responsibility Act of 1990 (Public Act 72”) and any existing Emergency Financial Managers appointed and serving immediately prior to the effective date of PA 436 shall continue under PA 436 as an emergency manager for the local government; and

Whereas, pursuant to that certain contract titled *Contract For Emergency Manager Services* dated March 28, 2013, between Governor Rick Snyder and Roy S. Roberts, Roy S. Roberts was affirmed as the Emergency Manager under Public Act 436 for the School District of the City of Detroit (the "District"); and

Whereas, pursuant to Public Act 436, the Emergency Manager acts in place of local officials, specifically the Detroit Board of Education and the Chief Administrative Officer of the District, and unless the Emergency Manager delegates specific authority; the Emergency Manager is empowered to exercise any powers of the Chief Administrative Officer and/or the Board under the Revised School Code, State School Aid Act; or any other law which prescribed authority to the local Superintendent or school board; 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 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 Manager in accordance with Public Act 436; and

WHEREAS, the 2013 Budget was previously amended by that certain Order 2013 -EFMRR-10 Adopting the Amended Fiscal Year 2012-2013 Budget for the School District of the City of Detroit dated October 12, 2012 and further amended by that certain Order 2013-EFMRR-14 Adopting the Second Amended Fiscal Year 2012-2013 Budget for the School District of the City of Detroit dated November 28, 2012 and by that certain Order 2013-EFMRR-21 Adopting the Third Amended Fiscal Year 2012-2013 Budget for the School District of the City of Detroit dated March 28, 2013.

WHEREAS, the Emergency Manager has deemed it necessary to further revise and amend the FY 2013 Budget as more particularly set forth in the Fourth Amended FY2013 Budget for the School District of the City of Detroit attached hereto as Exhibit "A" (the "Fourth Amended Fiscal Year 2012- 2013 Budget").

NOW, THEREFORE IT IS HEREBY ORDERED THAT:

1. Pursuant to the powers granted under Public Act 436, the

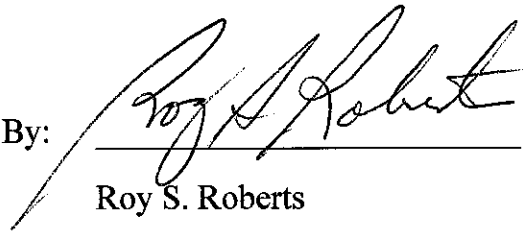
Emergency Manager hereby adopts the Fourth Amended FY 2012 - 2013 Budget in the form attached hereto as Exhibit "A".

2. Pursuant to the powers granted under Public Act 436, 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 Manager.

Dated: June 27, 2013

By:

A handwritten signature in cursive script, appearing to read "Roy S. Roberts", is written over a horizontal line.

Roy S. Roberts

Emergency Manager

School District of the City of Detroit

EXHIBIT A



TO: Roy S. Roberts, Emergency Manager

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

SUBJECT: Fiscal Year 2013 Budget Amendment # 4

DATE: June 27, 2013

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 (FY 2013) budget amendment No. 4 is based on a comprehensive review of actual and projected financial data and analysis. The following is a summary of the significant changes to the General Fund by function since the last budget amendment which was approved on March 28, 2013. Significant changes are defined as variances greater than or equal to 10% or variances greater than or equal to \$1,000,000.

REVENUES

State Sources – Detroit Public Schools (DPS) will receive \$2.0 million in technology grants from the State of Michigan. This is offset by an \$800,000 reduction in Prop A Obligation revenues.

Federal Sources – The Title I Carryover worth \$41.4 million has been restored to the budget. In addition, the Title IIa Carryover worth \$15.0 million has been added to the budget. Various other minor adjustments totaling \$960,000 account for the total change in this functional category.

EXPENDITURES

Instruction – With the restoration of the Title I Carryover, Title I expenses have increased by \$19.6 million with the largest increases in teaching salaries and after-school teaching assignments. Various other minor adjustments totaling (\$1.1 million) account for the total change in this functional category.

Pupil Services – Title I expenses have increased by \$4.3 million with the largest increase in counseling salaries. Various other minor adjustments totaling (\$700,000) account for the total change in this functional category.

Instructional Staff Support – Title I expenses have increased by \$11.5 million with the largest increase in purchased services. Title II expenses have increased by \$9.2 million with the largest increases in workshops, purchased services and equipment. Various other minor adjustments totaling \$900,000 account for the change in this functional category.



Transportation – Title I expenses have increased by \$2.7 million with the largest increase in transportation for field trips. Various other minor adjustments totaling \$250,000 account for the total change in this functional category.

Central Support Service - The Office of the Chief Financial Officer contains a budget of \$1.0 million for the PeopleSoft Upgrade to Version 9.1. This budget has been reclassified from the business office functional category to this functional category to be complaint with the State of Michigan. Title II expenses have increased by \$700,000 with the largest increases in purchased services and supplies. Various other minor adjustments totaling \$400,000 account for the change in this functional category.

Community Service – The Title IIa budget for learning services provided by outside vendors has increased by \$990,000. Various other minor adjustments totaling \$80,000 account for the change in this functional category.

Transfers In and Transfers Out – The Title I transfer to the General Purpose Fund has increased by \$2.4 million. Various other minor adjustments totaling \$180,000 account for the change in this functional category.

Prior Year Adjustments – The Prop A Obligation Prior-Year Adjustment has increased by \$1.0 million (a credit). Various other minor adjustments totaling (\$310,000) account for the change in this functional category.

**DETROIT PUBLIC SCHOOLS
GENERAL FUND
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2013**

	FY 2013 Amended Budget	Budget Amendment # 4 Increase (Decrease)	FY 2013 Amended Budget
Revenue:			
Local sources			
Special education millage	\$ 42,660,000	\$ -	\$ 42,660,000
Property Taxes	73,306,161	-	73,306,161
Other	31,000,464	37,074	31,037,538
Total local sources	146,966,625	37,074	147,003,699
State sources	382,801,139	1,206,723	384,007,862
Federal sources	167,125,787	57,347,566	224,473,353
Total Revenue	696,893,551	58,591,363	755,484,914
Expenditures:			
Instruction	340,384,748	18,472,432	358,857,180
Support services			
Pupil services	54,949,544	3,555,338	58,504,882
Instructional staff support	51,921,484	21,599,906	73,521,390
General administration	7,547,880	(228,366)	7,319,514
School administration	40,035,580	(187,082)	39,848,498
Business office	11,994,453	(925,268)	11,069,185
Operations & maintenance	81,643,687	288,331	81,932,018
Transportation	28,788,563	2,942,196	31,730,759
Central support service	35,598,549	2,088,289	37,686,838
Other support service	1,156,885	(14,251)	1,142,634
Total support services	313,636,625	29,119,093	342,755,718
Community service	5,451,906	1,079,535	6,531,441
Facilities acquisitions and improvement	1,071,666	7,500	1,079,166
Debt service	65,201,761	-	65,201,761
Total Expenditures	725,746,706	48,678,560	774,425,266
Other Financial Sources (Uses)			
Sources			
Proceeds from sale of capital assets and other	2,400,000	-	2,400,000
Proceeds from EAA borrowing	12,200,000	-	12,200,000
Transfers In	56,976,707	2,582,713	59,559,420
Total Sources	71,576,707	2,582,713	74,159,420
Uses			
Transfers Out	(54,518,738)	2,582,713	(57,101,451)
Prior Year Adjustments	(4,651,091)	(689,518)	(3,961,573)
Total Uses	(59,169,829)	1,893,195	(61,063,024)
Total Other Financial Sources (Uses)	12,406,878	689,518	13,096,396
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(16,446,277)	10,602,321	(5,843,956)
Beginning Fund Balance - July 1, 2012	(76,303,384)		(76,303,384)
Ending Fund Balance - June 30, 2013	<u>\$ (92,749,661)</u>		<u>\$ (82,147,340)</u>

**DETROIT PUBLIC SCHOOLS
REVENUES, EXPENDITURES, SOURCES AND USES
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2013**

	Budget Amendment # 4		
	FY 2013 Amended Budget	Increase (Decrease)	FY 2013 Amended Budget
Fund 11 - General Purpose Fund			
Revenues and Sources	\$ 402,761,021	\$ 1,795,435	\$ 404,556,456
Expenditures and Uses	419,207,298	(8,806,886)	410,400,412
Surplus (Deficit)	\$ (16,446,277)	\$ 10,602,321	\$ (5,843,956)
Fund 13 - Adult Education			
Revenues and Sources	7,998,143	-	7,998,143
Expenditures and Uses	7,998,143	-	7,998,143
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 14 - Grants			
Revenues and Sources	209,053,766	60,686,856	269,740,622
Expenditures and Uses	209,053,766	60,686,856	269,740,622
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 18 - ARRA Stimulus			
Revenues and Sources	9,296,006	(1,308,215)	7,987,791
Expenditures and Uses	9,296,006	(1,308,215)	7,987,791
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 16 Special Education Center Based Programs			
Revenues and Sources	73,806,731	-	73,806,731
Expenditures and Uses	73,806,731	-	73,806,731
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 22 - Special Education			
Revenues and Sources	65,554,591	-	65,554,591
Expenditures and Uses	65,554,591	-	65,554,591
Surplus (Deficit)	\$ -	\$ -	\$ -

**DETROIT PUBLIC SCHOOLS
REVENUES AND OTHER SOURCES - GENERAL FUND
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2013**

Fund	FY 2013 Amended Budget	Budget Amendment # 4 Increase (Decrease)	FY 2013 Amended Budget
Fund 11 General Purpose Fund			
State Aid			
22a Prop A Obligation	\$ 207,094,428	\$ (807,027)	\$ 206,287,401
22b Discretionary Payment	50,021,805	33,942	50,055,747
152a Headlee Obligation - Adair & 94a.9	1,257,680	1,048	1,258,728
26a Renaissance Zone	4,566,914	-	4,566,914
22f Best Practice Incentive	2,668,865	(318)	2,668,547
147a MPSEs Cost Offset	8,596,129	-	8,596,129
61a Vocational Education	785,322	-	785,322
Pupil Transfer Adjustment	3,739	(20,923)	(17,184)
Prior Year Adjustments	-	-	-
Local			
Property Tax Net	73,306,161	-	73,306,161
Earnings on Investments	69,289	-	69,289
Medicaid Reimbursement	10,962,025	-	10,962,025
JROTC	1,170,924	-	1,170,924
Charter School Administration Fee	948,665	-	948,665
Other	5,264,672	6,000	5,270,672
Federal			
Indirect Cost Revenue	7,116,563	2,582,713	9,699,276
Other			
Proceeds from Debt Refinancing	12,200,000	-	12,200,000
Services to Other Schools	746,359	-	746,359
Payment from EAA - Debt Service Offset	9,052,707	-	9,052,707
Payment from EAA - Services	2,070,804	-	2,070,804
Proceeds from sale of capital assets and other	2,400,000	-	2,400,000
Transfer from Fund 25	2,457,970	-	2,457,970
Total Fund 11	402,761,021	1,795,435	404,556,456
Fund 13 Adult Education			
State Aid	4,798,143	-	4,798,143
Deferred Revenue	3,200,000	-	3,200,000
Total Fund 13	7,998,143	-	7,998,143
Fund 14 Grants			
Title I	107,884,608	41,626,400	149,511,008
Title I / Title II / Title III Carryover	2,158,590	-	2,158,590
31a At Risk	34,969,573	-	34,969,573
IDEA	17,144,753	358,850	17,503,603
Title II	20,922,829	14,967,623	35,890,452
Great Start Readiness	14,361,600	-	14,361,600
Other Grants	11,611,813	3,733,983	15,345,796
Total Fund 14	209,053,766	60,686,856	269,740,622
Fund 16 Special Education Center Based Programs			
Act 18	42,000,000	-	42,000,000
Follow That Child	660,000	-	660,000
Transfer from Fund 11	31,146,731	-	31,146,731
Total Fund 16	73,806,731	-	73,806,731
Fund 18 ARRA Stimulus			
ARRA School Improvement	9,296,006	(1,308,215)	7,987,791
Total Fund 18	9,296,006	(1,308,215)	7,987,791
Fund 22 Special Education			
State Aid	49,299,148	-	49,299,148
Transfer from Fund 11	16,255,443	-	16,255,443
Total Fund 22	65,554,591	-	65,554,591
Total	\$ 768,470,258	\$ 61,174,076	\$ 829,644,334

**DETROIT PUBLIC SCHOOLS
EXPENDITURES AND OTHER USES - GENERAL FUND
BUDGET AMENDMENT # 4
YEAR ENDING JUNE 30, 2013**

	FY 2013 Amended Budget	Budget Amendment # 4 Increase (Decrease)	FY 2013 Amended Budget
Fund 11 General Purpose Fund			
Personnel	\$ 204,866,758	\$ (7,956,287)	\$ 196,910,471
Purchased Services	93,045,923	(340,747)	92,705,176
Supplies	9,723,008	714,320	10,437,328
Equipment & Capital	53,898	(19,372)	34,526
Utilities	18,346,671	(149,100)	18,197,571
Restricted	(19,432,896)	(1,055,700)	(20,488,596)
Principal & Interest	65,201,761	-	65,201,761
Transfers	47,402,175	-	47,402,175
Total Fund 11	419,207,298	(8,806,886)	410,400,412
Fund 13 Adult Education			
Personnel	4,305,226	(296,139)	4,009,087
Purchased Services	1,014,875	158,649	1,173,524
Supplies	682,489	(8,649)	673,840
Equipment & Capital	1,995,553	-	1,995,553
Restricted	-	146,139	146,139
Total Fund 13	7,998,143	-	7,998,143
Fund 14 Grants			
Personnel	135,272,718	60,653,050	195,925,768
Purchased Services	52,203,968	(9,733,469)	42,470,499
Supplies	12,554,989	4,792,931	17,347,920
Equipment & Capital	1,895,328	2,391,631	4,286,959
Utilities	10,200	-	10,200
Restricted	-	-	-
Transfers	7,116,563	2,582,713	9,699,276
Total Fund 14	209,053,766	60,686,856	269,740,622
Fund 16 Special Education Center Based Programs			
Personnel	50,725,233	-	50,725,233
Purchased Services	4,418,172	-	4,418,172
Supplies	546,337	-	546,337
Equipment & Capital	256,989	-	256,989
Restricted	17,860,000	-	17,860,000
Total Fund 16	73,806,731	-	73,806,731
Fund 18 ARRA Stimulus			
Personnel	6,057,788	(1,323,805)	4,733,983
Purchased Services	2,239,867	(91,695)	2,148,172
Supplies	824,690	(504,075)	320,615
Equipment & Capital	173,661	611,360	785,021
Total Fund 18	9,296,006	(1,308,215)	7,987,791
Fund 22 Special Education			
Personnel	54,185,159	-	54,185,159
Purchased Services	3,281,534	(2,871)	3,278,663
Supplies	963,208	798	964,006
Equipment & Capital	80,000	2,073	82,073
Restricted	7,044,690	-	7,044,690
Total Fund 22	65,554,591	-	65,554,591
Total	\$ 784,916,535	\$ 50,571,755	\$ 835,488,290