



PART II

FISCAL YEAR 2014 BUDGET AMENDMENT # 2

DETROIT PUBLIC SCHOOLS

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

William E. Aldridge, CPA
Chief Financial and Administrative Officer



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November 25, 2013

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

Re: 2nd Amendment to the FY 2014 Budget

Dear Mr. Hanrahan:

Attached is the 2nd^d Amendment to the FY 2014 Budget for the School District of the City of Detroit. This amendment is based on a comprehensive review and analysis of actual and projected financial data and information. Also provided is the Order from the Emergency Manager amending the School District of the City of Detroit's FY 2014 Budget. This budget amendment aligns the District's budget with current information and reduces the effect of the increase in the deficit reported at June 30, 2013.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'William E. Aldridge'.

William E. Aldridge, CPA
Chief Financial and Administrative Officer

cc: Michael P. Flanagan, Superintendent of Public Schools
Thomas F. Saxton, Deputy State Treasurer, Department of Treasury
Carol Wolenberg, Deputy Superintendent Office of School Aid and School Finance
Glenda Rader, Asst. Director State Aid & School Finance
Jack Martin, Emergency Manager
Kevin Smith, Chief of Staff – Emergency Manager
Jean-Vierre Adams, General Counsel
Delores A. Brown, Deputy CFO/Chief Accounting Officer
Dennis L. Johnson, Executive Director – Office of Management and Budget



Order 2014-EMJM-11

ORDER
ADOPTING THE SECOND AMENDED FISCAL YEAR 2013-2014 BUDGET FOR THE
SCHOOL DISTRICT OF THE CITY OF DETROIT

BY THE POWER AND AUTHORITY VESTED IN
THE EMERGENCY MANAGER FOR THE
SCHOOL DISTRICT OF THE CITY OF DETROIT, MICHIGAN (“EMERGENCY
MANAGER”) THROUGH MICHIGAN COMPILED LAWS
 (“MCL”) §§ 380.1 – 380.1853, 388.160 – 388.1772, 141.1541 et. seq., 423.201 – 423.217
 AND 38.71 – 38.191, THE EMERGENCY MANAGER, JACK MARTIN
 HEREBY ISSUES THE FOLLOWING

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, pursuant to that certain contract titled *Contract For Emergency Manager Services* dated July 15, 2013, between Governor Rick Snyder and Jack Martin (“Martin”), Martin was appointed 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 the governing body, specifically the Detroit Board of Education (the “Board”) 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 prescribes authority to the local Superintendent or school board; and

WHEREAS, the District's Fiscal Year 2013 - 2014 Budget was approved as of June 28, 2013 by the Emergency Manager, to be effective as of July 1, 2013 (the "2014 Budget"); and

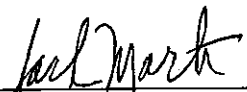
WHEREAS, the 2014 Budget may be revised and/or amended to more accurately reflect the changes in revenues and/or expenditures as deemed necessary by the Emergency Manager in accordance with MCL § 141.1552(1)(b); and

WHEREAS, the 2014 Budget was previously amended by that certain Order 2014 - EMJM-08 Adopting the Amended Fiscal Year 2013-2014 Budget for the School District of the City of Detroit dated November 6, 2013; and

WHEREAS, the Emergency Manager has deemed it necessary to further revise and amend the FY 2014 Budget as more particularly set forth in the Second Amended FY2014 Budget for the School District of the City of Detroit attached hereto as Exhibit "A" (the "Second Amended Fiscal Year 2013- 2014 Budget").

NOW, THEREFORE IT IS HEREBY ORDERED THAT:

1. Pursuant to the powers granted under Public Act 436, the Emergency Manager hereby adopts the Second Amended FY 2013-2014 Budget in the form attached hereto as Exhibit "A".
2. Pursuant to Public Act 436, this Order is issued and directed to the Board, all administrators of the District and all employees of the District.
3. This Order may be amended, modified, repealed or terminated by any subsequent Order issued by the Emergency Manager.

By: 

Jack Martin
Emergency Manager

Dated: November 19, 2013 School District of the City of Detroit

Exhibit A



TO: Jack Martin, Emergency Manager

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

SUBJECT: Fiscal Year 2014 Budget Amendment # 2

DATE: November 19, 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 2013-2014 (FY 2014) budget amendment No. 2 is based on a comprehensive review of actual and projected financial data and information. The following is a summary of the recommended significant changes to the General Fund Budget by function since budget amendment No. 1. Significant changes are defined as variances greater than or equal to 10% or variances greater than or equal to \$1,000,000.

REVENUES

Property Taxes – Anticipated property tax revenues have increased \$1.9 million because of enhanced administrative controls and an expected reduction in charge-backs.

Other Local Sources – The District anticipates an additional \$1.0 million in school property rentals. The Educational Achievement Authority (EAA) code violation repair costs off-sets are expected to decline by the same amount resulting in the additional income. Community Use revenues are expected to increase \$400,000 with the implementation of Community Schools expansion of food services to K-8 and K-8 athletic participants. Various other minor adjustments totaling \$26,000 account for the total change in this category.

State Sources – Budget amendment No. 2 is based on a blended count of 48,876, a gain of 97 students over the first budget amendment. Therefore, the Prop A Obligation and Discretionary Payment budgets have been increased by an aggregate \$1.1 million. In addition, the District expects to generate \$951,000 in revenues under Section 25e of the State School Aid Act of 1979 from students transferring to the District after the Fall Count Day. These increases are offset by declines in the Renaissance Zone (\$335,000) and Vocational Education (\$310,000) budgets per the October 2013 State Aid Financial Status Report. Various other minor adjustments totaling (\$24,000) account for the total change in this category.

November 19, 2013 3:00 p.m.



EXPENDITURES

Instructional Staff Support - The Self-Governed Schools budget has been increased by \$1.0 million to cover a projected shortfall. The workshop budget has been increased by \$280,000 attributed to Title IIa and the School Improvement Grants (SIG). The SIG budget for staff development and training has been increased by \$230,000. Various other adjustments totaling \$228,000 account for the total change in this category.

General Administration - The first budget amendment assumed central administrative staff would have biweekly furlough days beginning in November. Based on the steps and time required to implement a furlough plan for union members, the District has decided not to include furlough savings in the FY 2014 budget. As a result, personnel costs have increased \$550,000. Various other minor adjustments totaling \$50,000 account for the total change in this functional category.

Business Office – Personnel costs have increased by \$1.0 million because the District is no longer implementing a biweekly furlough plan. Furthermore, the first budget amendment assumed all General Purpose central administrative vacancies would be eliminated for the remainder of the fiscal year. However, three positions needed to be restored to the budget at a cost of \$245,000. Moreover, the first budget amendment assumed central administrative staff would be laid off by November 1, 2013. Budget amendment No. 2 assumes the layoffs beginning in January 2014. Therefore, personnel costs have increased by \$94,000. Various other minor adjustments totaling \$251,000 account for the total change in this functional category.

Central Support Service – Technology and Information Systems' budget has been increased by \$2.9 million as the District upgrades its computer operating system from Microsoft XP and the PeopleSoft 9.2 Implementation. The Wayne RESA Outsourcing budget has been increased \$350,000 to match the adopted budget. Various other minor adjustments totaling (\$105,000) account for the total change in this functional category.

Other Support Services – Since the first budget amendment, the District has realigned the budget for the United Auto Workers (UAW) funding. During the realignment, (\$428,000) was moved from Other Support Services to Instruction and Instructional Staff Support. Various other minor adjustments totaling (\$8,000) account for the total change in this functional category.

OTHER FINANCING SOURCES (USES)

Proceeds from sale of capital assets – Based on the latest analysis provided by the Operations Group, the District is projecting to generate \$6.3 million in real estate sales, an increase of \$4.1 million.

Prior Year Adjustments – The District has revised its Prior Year Medicaid deduction calculation. As a result, the Act 18 Prior Year Adjustment budget has decreased (\$1.5 million).

**DETROIT PUBLIC SCHOOLS
GENERAL FUND
BUDGET AMENDMENT # 2
YEAR ENDING JUNE 30, 2014**

	FY 2014 Amended Budget	Budget Amendment # 2 Increase (Decrease)	FY 2014 Amended Budget
Revenue:			
Local sources			
Special education millage	\$ 44,193,718	\$ -	\$ 44,193,718
Property Taxes	68,557,170	1,900,000	68,457,170
Other	32,336,831	1,426,011	33,762,842
Total local sources	143,087,719	3,326,011	146,413,730
State sources	356,666,525	1,382,720	358,049,245
Federal sources	191,651,765	12,000	191,663,765
Total Revenue	691,406,009	4,720,731	696,126,740
Expenditures:			
Instruction	334,493,210	889,170	335,382,380
Support services			
Pupil services	59,263,813	227,939	59,491,752
Instructional staff support	66,468,062	1,738,200	68,206,262
General administration	5,759,244	599,828	6,358,872
School administration	34,399,018	100,187	34,499,205
Business office	5,815,545	1,589,659	7,405,204
Operations & maintenance	67,436,250	359,956	67,796,206
Transportation	24,400,581	254,342	24,654,923
Central support service	27,927,788	3,144,763	31,072,549
Other support service	1,312,322	(436,089)	876,233
Total support services	292,782,621	7,578,585	300,361,206
Community service	4,541,799	115,522	4,657,321
Facilities acquisitions and improvement	-	-	-
Debt service	56,329,265	-	56,329,265
Total Expenditures	688,146,895	8,583,277	696,730,172
Other Financial Sources (Uses)			
Sources			
Proceeds from sale of capital assets	2,343,000	4,111,000	6,454,000
Transfers In	89,124,844	141,044	89,265,888
Total Sources	91,467,844	4,252,044	95,719,888
Uses			
Transfers Out	(86,724,844)	51,044	(86,775,888)
Payment to bond escrow agent	-	-	-
Prior Year Adjustments	2,557,552	(1,500,000)	4,057,552
Total Uses	(84,167,292)	(1,448,956)	(82,718,336)
Total Other Financial Sources (Uses)	7,300,552	5,701,000	13,001,552
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	10,559,666	1,838,454	12,398,120
Beginning Fund Balance	(93,881,924)		(93,881,924)
Ending Fund Balance	\$ (83,322,258)		\$ (81,483,804)

**DETROIT PUBLIC SCHOOLS
REVENUES, EXPENDITURES, SOURCES AND USES - GENERAL FUND
BUDGET AMENDMENT # 2
YEAR ENDING JUNE 30, 2014**

	FY 2014 Amended Budget	Budget Amendment # 2 Increase (Decrease)	FY 2014 Amended Budget
Fund 11 - General Purpose Fund			
Revenues and Sources	\$ 202,509,887	\$ 7,973,274	\$ 210,483,161
Expenditures and Uses	<u>191,950,221</u>	<u>6,134,820</u>	<u>198,085,041</u>
Surplus (Deficit)	\$ 10,559,666	\$ 1,838,454	\$ 12,398,120
Fund 13 - Adult Education			
Revenues and Sources	4,990,624	-	4,990,624
Expenditures and Uses	<u>4,990,624</u>	<u>-</u>	<u>4,990,624</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 14 - Grants			
Revenues and Sources	166,632,736	29,884	166,662,620
Expenditures and Uses	<u>166,632,736</u>	<u>29,884</u>	<u>166,662,620</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 18 - ARRA Stimulus			
Revenues and Sources	6,059,706	-	6,059,706
Expenditures and Uses	<u>6,059,706</u>	<u>-</u>	<u>6,059,706</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 19 - Consolidated Funds			
Revenues and Sources	234,591,400	918,573	235,509,973
Expenditures and Uses	<u>234,591,400</u>	<u>918,573</u>	<u>235,509,973</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 16 Special Education Center Based Programs			
Revenues and Sources	75,452,211	(553,718)	74,898,493
Expenditures and Uses	<u>75,452,211</u>	<u>(553,718)</u>	<u>74,898,493</u>
Surplus (Deficit)	\$ -	\$ -	\$ -
Fund 22 - Special Education			
Revenues and Sources	92,637,289	604,762	93,242,051
Expenditures and Uses	<u>92,637,289</u>	<u>604,762</u>	<u>93,242,051</u>
Surplus (Deficit)	\$ -	\$ -	\$ -

**DETROIT PUBLIC SCHOOLS
REVENUES AND OTHER SOURCES - GENERAL FUND
BUDGET AMENDMENT # 2
YEAR ENDING JUNE 30, 2014**

Fund	FY 2014 Amended Budget	Budget Amendment # 2 Increase (Decrease)	FY 2014 Amended Budget
Fund 11 General Purpose Fund			
State Aid			
22a Prop A Obligation	\$ 24,425,747	\$ (376,411)	\$ 24,049,336
22b Discretionary Payment	50,230,308	562,552	50,792,860
152a Headlee Obligation - Adair & 94a.9	1,258,391	(32,876)	1,225,516
26a Renaissance Zone	4,846,186	(335,138)	4,511,048
22f Best Practice Incentive	2,536,517	5,048	2,541,565
147a MPSEs Cost Offset	8,140,681	-	8,140,681
61a Vocational Education	814,757	(306,325)	508,432
Pupil Transfer Adjustment	3,739	947,298	951,037
Local			
Property Tax Net	66,557,170	1,900,000	68,457,170
Earnings on Investments	69,289	-	69,289
Medicaid Reimbursement	11,829,636	-	11,829,636
JROTC	1,056,614	-	1,056,614
Charter School Administration Fee	774,750	-	774,750
Other	5,475,310	1,408,125	6,883,435
Federal			
Indirect Cost Revenue	7,693,059	-	7,693,059
Other			
Services to Other Schools	1,751,429	-	1,751,429
Payment from EAA - Debt Service Offset	8,232,500	-	8,232,500
Payment from EAA - Services	2,070,804	-	2,070,804
Proceeds from sale of capital assets and other	2,343,000	4,111,000	6,454,000
Transfer from Fund 25	2,400,000	90,000	2,490,000
Total Fund 11	202,609,887	7,973,274	210,483,161
Fund 13 Adult Education			
State Aid	4,990,624	-	4,990,624
Total Fund 13	4,990,624	-	4,990,624
Fund 14 Grants			
Title I	57,760,802	12,000	57,772,802
Title I / Title II / Title III Carryover	20,879,239	-	20,879,239
31a At Risk	26,299,256	-	26,299,256
IDEA	13,318,500	-	13,318,500
Title II	18,255,551	-	18,255,551
Great Start Readiness	17,863,285	-	17,863,285
Other Grants	12,236,103	17,884	12,253,987
Total Fund 14	168,632,736	29,884	168,662,620
Fund 16 Special Education Center Based Programs			
Act 18	43,188,886	-	43,188,886
Follow That Child	1,004,832	-	1,004,832
Transfer from Fund 22	31,258,493	(553,718)	30,704,775
Total Fund 16	75,452,211	(553,718)	74,898,493
Fund 18 ARRA Stimulus			
ARRA School Improvement	6,059,706	-	6,059,706
Total Fund 18	6,059,706	-	6,059,706
Fund 19 Consolidated Funds			
Transfer from Fund 11	-	-	-
Transfer from Fund 14	-	-	-
Prop A Obligation	168,926,110	918,573	169,844,683
Title I	63,534,848	-	63,534,848
Title IIa	835,415	-	835,415
Section 31a	1,295,027	-	1,295,027
Total Fund 19	234,591,400	918,573	235,509,973
Fund 22 Special Education			
State Aid	44,863,997	-	44,863,997
Transfer from Fund 11	40,052,692	604,762	40,657,354
Transfer from Fund 16	7,720,700	-	7,720,700
Total Fund 22	92,637,289	604,762	93,242,051
Total	\$ 782,873,853	\$ 8,972,775	\$ 791,846,628

**DETROIT PUBLIC SCHOOLS
EXPENDITURES AND OTHER USES - GENERAL FUND
BUDGET AMENDMENT # 2
YEAR ENDING JUNE 30, 2014**

	FY 2014 Amended Budget	Budget Amendment # 2 Increase (Decrease)	FY 2014 Amended Budget
Fund 11 General Purpose Fund			
Personnel	\$ 24,303,751	\$ 1,258,112	\$ 25,561,863
Purchased Services	71,412,465	4,328,635	76,741,100
Supplies	2,545,158	(56,689)	2,488,469
Equipment & Capital	(238,239)	-	(238,239)
Utilities	16,436,978	-	16,436,978
Restricted	(18,891,749)	-	(18,891,749)
Principal & Interest	56,329,265	-	56,329,265
Transfers	40,052,592	604,762	40,657,354
Total Fund 11	191,950,221	6,134,820	198,085,041
Fund 13 Adult Education			
Personnel	3,416,261	39,561	3,455,822
Purchased Services	936,600	60,939	997,539
Supplies	594,763	(100,600)	494,263
Equipment & Capital	43,000	-	43,000
Total Fund 13	4,990,624	-	4,990,624
Fund 14 Grants			
Personnel	122,044,355	314,288	122,358,643
Purchased Services	28,297,367	(300,589)	27,996,768
Supplies	8,264,395	16,185	8,280,580
Equipment & Capital	242,976	-	242,976
Utilities	90,594	-	90,594
Transfers	7,693,059	-	7,693,059
Total Fund 14	166,632,736	29,884	166,662,620
Fund 16 Special Education Center Based Programs			
Personnel	51,053,934	946,282	52,000,216
Purchased Services	3,247,200	-	3,247,200
Supplies	507,640	-	507,640
Equipment & Capital	200,534	-	200,534
Transfers	7,720,700	-	7,720,700
Restricted	12,722,203	(1,500,000)	11,222,203
Total Fund 16	75,482,211	(553,718)	74,928,493
Fund 18 ARRA Stimulus			
Personnel	3,876,079	(637,699)	3,238,380
Purchased Services	1,774,312	569,966	2,344,278
Supplies	139,516	68,233	207,749
Equipment & Capital	269,799	(500)	269,299
Total Fund 18	6,059,706	-	6,059,706
Fund 19 Consolidated Funds			
Personnel	204,776,832	(279,655)	204,497,177
Purchased Services	21,724,686	1,222,195	22,946,880
Supplies	7,896,191	(23,967)	7,872,224
Equipment & Capital	193,692	-	193,692
Total Fund 19	234,591,400	918,573	235,509,973
Fund 22 Special Education			
Personnel	52,901,379	1,158,480	54,059,859
Purchased Services	3,088,266	-	3,088,266
Supplies	886,000	-	886,000
Equipment & Capital	68,000	-	68,000
Transfers	31,268,493	(553,718)	30,704,775
Restricted	4,435,151	-	4,435,151
Total Fund 22	92,637,289	604,762	93,242,051
Total	\$ 772,314,137	\$ 7,134,321	\$ 779,448,508

November 19, 2013 3:00 p.m.

**DETROIT PUBLIC SCHOOLS
FOOD SERVICE FUND
BUDGET AMENDMENT # 2
YEAR ENDING JUNE 30, 2014**

	FY 2014 Amended Budget	Budget Amendment # 2 Increase (Decrease)	FY 2014 Amended Budget
Revenue:			
Local sources			
Special education millage	\$ -	\$ -	\$ -
Property Taxes	-	-	-
Other	1,638,850	-	1,638,850
Total local sources	<u>1,638,850</u>	-	<u>1,638,850</u>
State sources	1,122,000	-	1,122,000
Federal sources	43,588,821	-	43,588,821
Total Revenue	<u>46,349,671</u>	-	<u>46,349,671</u>
Expenditures:			
Support services			
Personnel	19,576,942	156,400	19,733,342
Purchased Services	2,464,886	-	2,464,886
Supplies	23,023,672	-	23,023,672
Equipment & Capital	5,284,171	(156,400)	5,127,771
Total support services	<u>50,349,671</u>	-	<u>50,349,671</u>
Total Expenditures	<u>50,349,671</u>	-	<u>50,349,671</u>
Other Financial Sources (Uses)			
Uses			
Transfers Out	(2,400,000)	-	(2,400,000)
Prior Year Surplus	6,400,000	-	6,400,000
Total Uses	<u>4,000,000</u>	-	<u>4,000,000</u>
Total Other Financial Sources (Uses)	<u>4,000,000</u>	-	<u>4,000,000</u>
Excess (deficiency) of Revenue Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Beginning Fund Balance	10,498,385		10,498,385
Ending Fund Balance	<u>\$ 10,498,385</u>		<u>\$ 10,498,385</u>