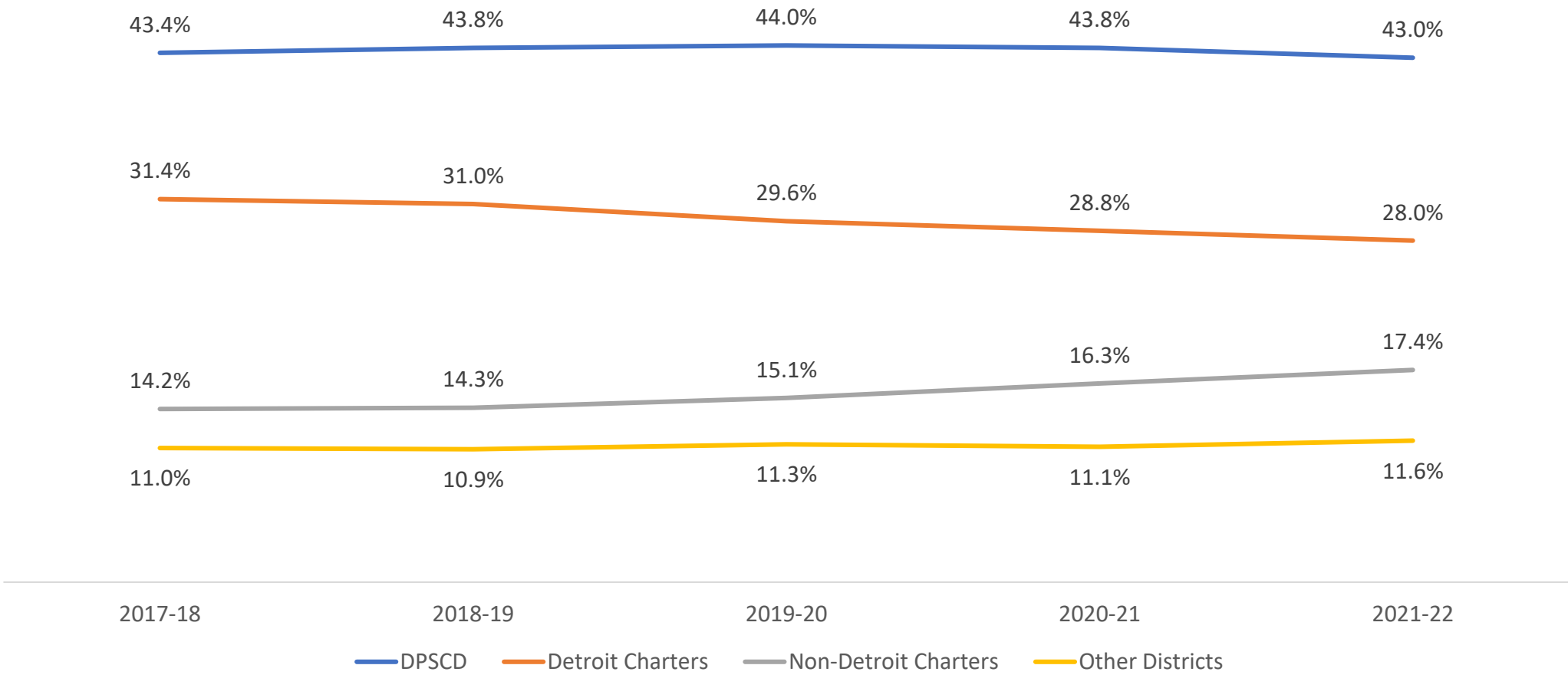

FY 23 PROPOSED GENERAL FUND BUDGET



Local Pandemic Enrollment Trends



What proportion of Detroit students attend DPSCD, Detroit Charter Schools, other School Districts, and Non-Detroit Charters?





The State budget outlook is positive, and forecasts increased recurring funding. While school funding is expected to increase, potential tax cuts may have a negative impact on future tax revenue collections and future per pupil funding increases.

The Governor, Senate and House appropriations committees all recommend increases in general fund and categorical grant fund allocations.

- Increase in Per Pupil Allocation: the Governor is currently proposing an \$435 increase in per pupil, while the Senate proposes a \$450 increase and the House a \$300 increase. The FY 23 proposed budget estimates an increase of \$400 in per pupil funding (~\$18.9M).
- MPSEs retirement reimbursements are maintained with some proposals paying down the pension debt.
- Some proposals call for moderate increases (2-3%) in GSRP, ESE Reimbursement, At-Risk (31a), CTE and ELL funding. The District budget includes an additional ~\$6.2M in new grant funds.
- The Governor's proposal includes one-time funding for capital projects, while the House version includes competitive grants for capital projects. The District did not include one-time capital funding, if the funding is approved, we will include it in FY 23 Budget Amendment 1.
- The Board is required to adopt the FY23 budget by June 30, typically before the state adopts its final allocations. The District will monitor future budget proposals and prepare a budget amendment for Fall 2022 that includes final State allocations and Fall student FTE Count.

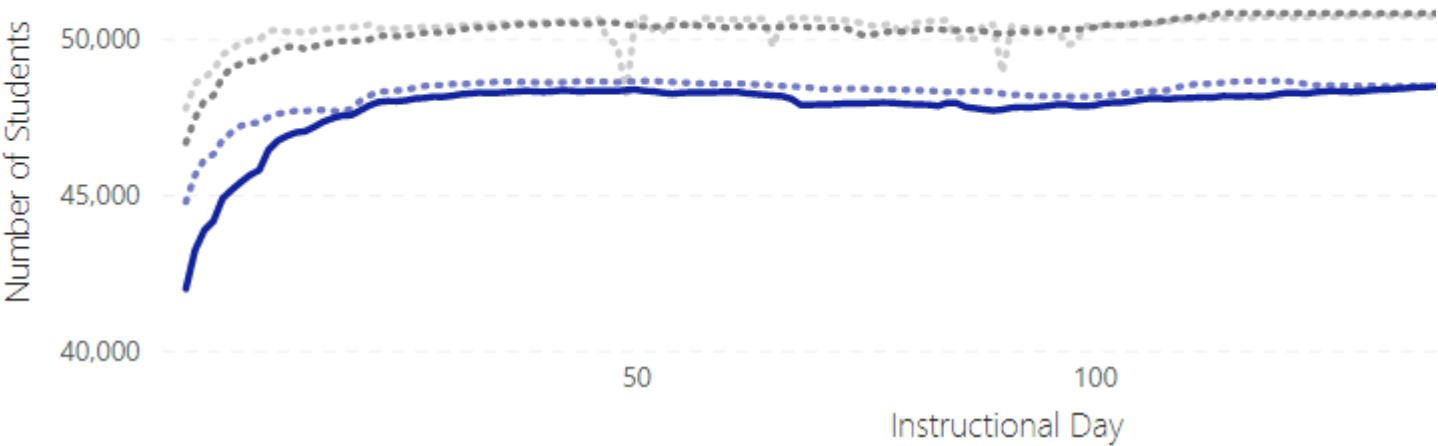
Student Enrollment and FTE



Student headcount enrollment and FTE continue to remain below pre-pandemic levels. While Kindergarten enrollment has increased since last year, all grade levels K-4 are lower than pre-pandemic levels. Based on the current Spring FTE count, the District will lose ~\$29.1 M in recurring revenue. One-time COVID funds will be used to balance the budget for FY 23. If enrollment does not return to pre-pandemic levels by FY 24, the District will have to make reductions to balance the budget.

Daily Enrollment

Year 18-19 19-20 20-21 21-22



FTE Type	Fall 19, Audited	Spring 20, Audited	Fall 21, Pre-Audit	Spring 22, Pre-Audit	Fall 19 to Fall 22 Change	Spring 20 to Spring 22 Change
Total FTEs	50,392.23	50,421.68	47,568.99	47,118.53	(2,823.24)	(3,303.15)
SpEd FTEs	3,101.68	3,309.83	2,567.43	2,786.19	(474.87)	(523.64)

Local Pandemic Enrollment Trends



How does DPSCD’s pandemic era enrollment trends compare Detroit Charters and the State overall?

	19 - 20 School Year	20 - 21 School Year	21 - 22 School Year	19-20 to 20-21 Change	20-21 to 21-22 Change	Net Change Since 2019-20
DPSCD	50,554	48,875	48,277	-3.3%	-1.2%	-4.5%
Detroit Charters	35,104	33,501	33,177	-4.6%	-1.0%	-5.5%
State of Michigan	1,499,552	1,437,612	1,443,456	-4.13%	+0.41%	-3.7%

Summary of Proposed FY 23 Budget



The proposed FY 23 budget maintains investments in student services, funds all collective bargaining commitments, school and district level positions, as well as funds Board approved Facility Master Plan investments. The proposed budget:

Expected Revenue - Per pupil funding is projected to increase by \$400/student, with recurring state and federal grant revenue remaining constant or with modest increases. The budget reflects a decrease in Enhancement Millage funds due to mandatory revenue sharing with charter schools starting in FY 2023.

Expectation of Next Year's Reductions - Central Office personnel and non-personnel budgets are reduced for FY 23. School level positions are closely tied to Spring enrollment. Additions will be added with actual Fall enrollment.

Strategic Investment of COVID Funds - COVID funding will allow the District to maintain strategic investments to focus on student outcomes. In alignment with District plans, the following one-time investments are included in the FY 23 budget:

- Maintain expansion of academic support (tutoring, enrichment, after school and summer) ~\$20M
- Additional \$540/student funding for school-based interventions, incentives, student programming, field trips and other wrap-around supports ~\$25M
- Continued focus on student attendance and credit recovery ~\$3M
- Supplemental instructional materials, 1-1 technology and student connectivity ~\$18M
- Continuation of supplemental mental health services and nursing services ~\$22M
- IT System Upgrades and equipment purchases ~ \$25M
- One-time budget transfer to fund Facility Master Plan ~\$245M



FY23 School Staff & Resource Allocations

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Position	Allocation
Assistant Principal	Minimum of 1 per school
Dean of Culture	<ul style="list-style-type: none">All Partnership schools: 1Schools with enrollment >350: 1
Master Teacher	<ul style="list-style-type: none">Elementary, Middle Schools, K-8s enrollment <350, High Schools: 2K-8s with enrollment 350+ : 4
Teachers	K-3: 1 per 25 students 4-5: 1 per 30 students 6-12: 1 per 35 students
Long-Term Substitute	1 per school
Guidance Counselor	K8s: 1 per 500 students HS: 1 per 400 students
College Transition Advisors	HS: 1 per school
Nurse	1 per school (employee or contractor)
Attendance Agent & School Culture Facilitator	1 per school
Academic Interventionist	Grades 1 – 8: 1 per 150 students Grades 9-12: 1 per 400 students
ParaEducators	Grades PK/K and Montessori
Clerical	Minimum of 2 per school

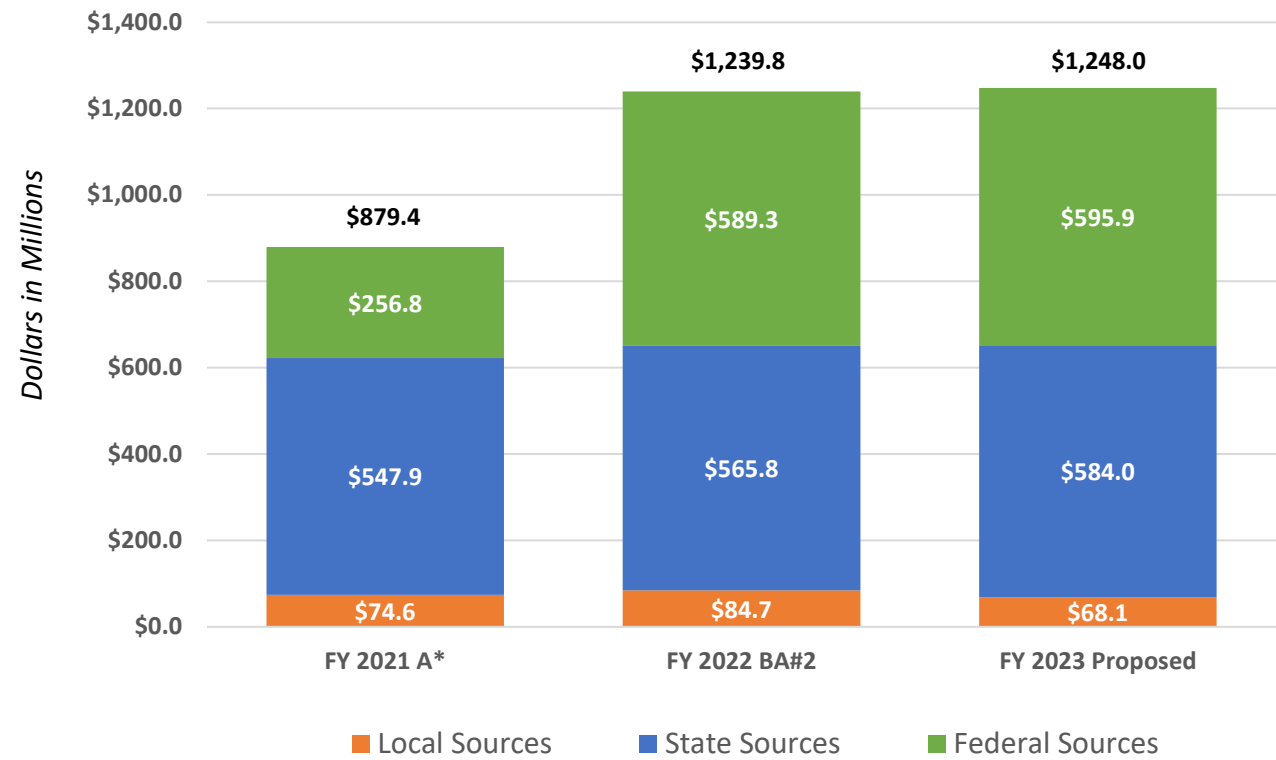
Staff Model

- ✓ Staff allocations are based on Spring Enrollment, schools are not held harmless for enrollment declines.
- ✓ The District is returning to pre-pandemic student/teacher ratios.
- ✓ Surplus staff may be transferred to open positions in order to be fully staffed for school opening.
- ✓ In FY 24, the District may have to consider reductions in school staffing at small schools (those with enrollment less than 450).

Supplemental COVID Allocations

- ✓ District will continue to fund expansion of student and classroom laptops and other technology.
- ✓ All schools will continue to receive contract nurses, mental health specialists and long-term substitutes.
- ✓ Schools will receive a supplemental \$540/student ARPA allocation to fund student intervention (before/after school programs, Intervention Teachers, or supplemental programs).

FY23 Revenue

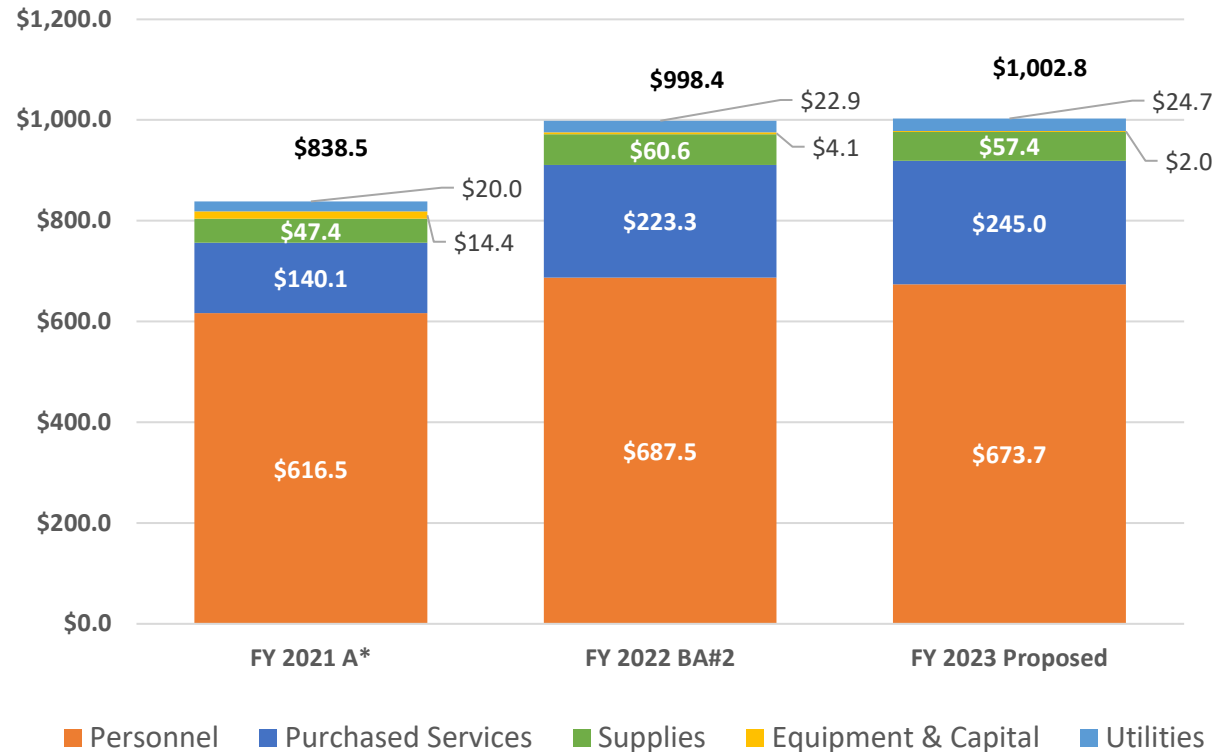


*NOTE: FY21 Revenue from final Audit

The District is projecting \$464M in one-time COVID funding in FY 23, which is consistent with FY 22 BA2.

- State sources includes a \$400 increase in per-pupil funding, and a 2.5% increase in ESE reimbursement.
- Recurring state and federal grant revenue is projected to remain constant at pre-pandemic levels.
- Local Revenue is projected to be lower as Enhancement Millage revenue will decline in FY 23 as revenue is required to be shared with Charter Schools. Act 18 (District Center-Based programs) and other private revenue remains constant.

FY23 Expenses



*NOTE: FY21 Expenses from final Audit

The budget invests in student services, facility improvements, and one-time staff bonuses, while continuing to respond to COVID-19.

Personnel:

- Salary costs reflect approved CBA increases and bonuses.
- Benefit costs reflect a 7% increase in healthcare costs
- All supplemental COVID positions (C&I, FACE, Health, Operations, Schools) will sunset at the end of the COVID grant period.
- Total number and cost of Central Office personnel was reduced from FY 22.

Purchased Services: Central Office reduced discretionary expenditures despite significant cost increases due to higher labor costs and inflation.

Supplies: Continued increase in one-time spending for student supplies/materials and technology through COVID funding.

Equipment & Capital: Includes one-time investments in IT to support 1-1 expansion, network security and infrastructure.

Utilities: Expenses reflect 10% increase based on anticipated rate changes and increased usage.

FY23 Revenues and Expenditures Comparison

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DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT
GENERAL FUND
FY 2023 PROPOSED BUDGET
YEAR ENDING JUNE 30, 2023

	FY 2021 Audited	FY 2022 BA #2	FY 2023 Proposed	FY 23 Proposed Variance from FY 22 BA #2
Revenue:				
Local sources	36,873,167	48,418,864	31,782,435	(16,636,429)
State sources	547,949,883	565,805,419	583,998,091	18,192,672
Federal sources	256,841,186	589,301,064	595,934,437	6,633,373
Intergovernmental	37,733,123	36,285,794	36,310,654	24,860
Total Revenue	879,397,359	1,239,811,141	1,248,025,617	8,214,476
Expenditures:				
Instruction	413,897,994	474,621,313	434,465,299	(40,156,014)
Support services				
Pupil services	101,101,978	142,595,433	146,915,407	4,319,974
Instructional staff support	62,368,256	79,321,353	93,771,630	14,450,277
General administration	7,110,202	7,494,411	9,137,971	1,643,560
School administration	49,872,063	49,389,739	56,298,541	6,908,802
Business office	12,592,112	17,734,482	16,334,695	(1,399,787)
Operations & maintenance	91,715,566	108,852,029	114,085,100	5,233,071
Transportation	29,591,742	26,574,063	45,092,830	18,518,767
Central support service	60,817,015	79,926,601	69,378,946	(10,547,655)
Other support service	2,373,423	3,999,244	4,216,788	217,544
Total support services	417,542,357	515,887,355	555,231,908	39,344,553
Community service	7,039,672	7,906,622	13,143,855	5,237,233
Total Expenditures	838,480,023	998,415,290	1,002,841,062	4,425,772

FY23 Revenues and Expenditures Comparison

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DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT
GENERAL FUND
FY 2023 PROPOSED BUDGET
YEAR ENDING JUNE 30, 2023

	FY 2021 Audited	FY 2022 BA #2	FY 2023 Proposed	FY 23 Proposed Variance from FY 22 BA #2
Other Financial Sources (Uses)				
Sources				
Proceeds from sale of capital assets	-	-	-	-
Transfer from Food Service Fund	-	1,500,000	-	(1,500,000)
Total Sources	-	1,500,000	-	(1,500,000)
Uses				
Transfers Out	(80,992,704)	-	-	-
Contingency	-	-	-	-
Total Other Financial Sources (Uses)	(80,992,704)	1,500,000	-	(1,500,000)
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(40,075,368)	242,895,851	245,184,555	2,288,704
Fund Balance - Beginning	141,666,874	101,591,506	344,487,357	
Fund Balance - Ending	<u>\$ 101,591,506</u>	<u>\$ 344,487,357</u>	<u>\$ 589,671,912</u>	

DPSCD THREE-YEAR BUDGET PROJECTIONS





One-time Federal COVID funding provided nearly equitable funding to DPSCD for the first time. In FY 2024, supplemental COVID funds will end, and the District will have to balance the budget solely on recurring revenue. While the state is proposing increasing per pupil funding 4.5% for FY 23, District costs are increasing much faster. COVID funded initiatives and positions will be eliminated after this school year.

The state funding for school districts is inequitable – the highest property value communities get the most general fund revenue. DPSCD will receive \$3,441 less per student in general fund revenue than the highest funded SE Michigan school districts. This equates to \$165M less in available general fund dollars to fund salary increases, cover the rising cost of goods, materials and supplies, as well as maintain and improve our buildings.

Additionally, District costs are increasing faster than state funding, which will require the District to make reductions in FY 24 to balance the budget.

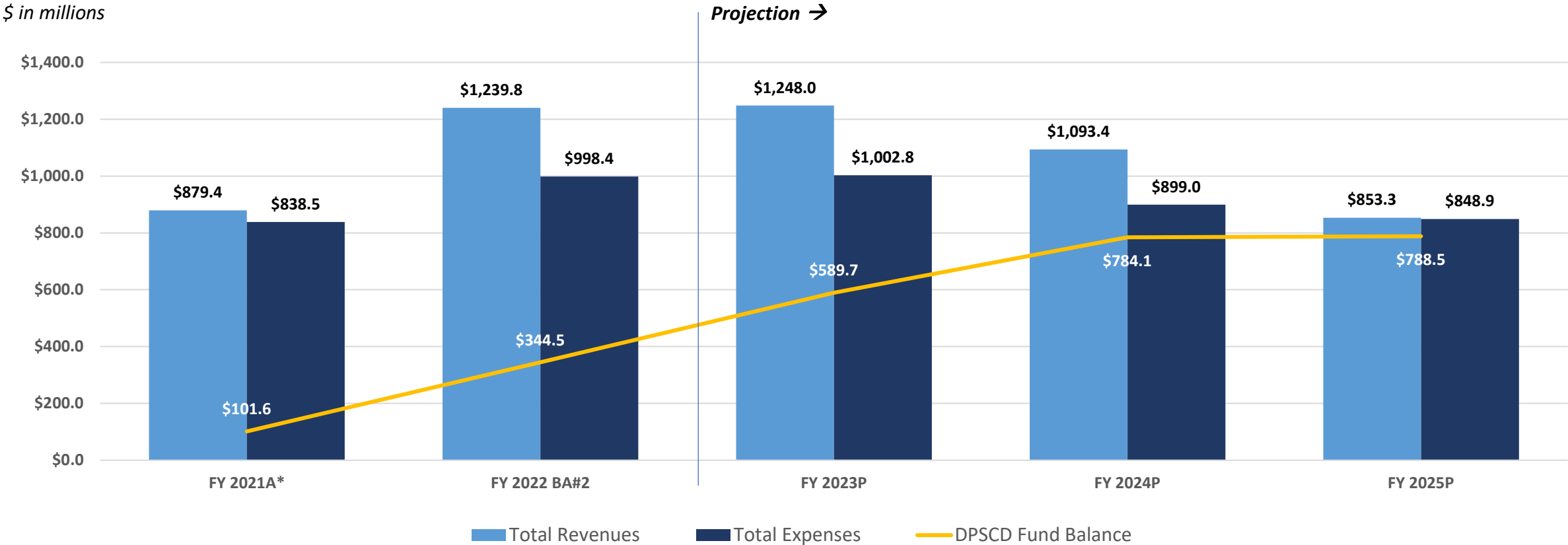
- Energy costs are up 13% through FY 22 and are projected to continue to increase due to inflation, and higher school usage rates.
- District costs for supplies, equipment, and materials are projected to rise with inflation as much as 10% in the coming years.
- Costs for employee health coverage have increased 41% since 2017 and are projected to increase 5 – 7% per year due to the increased health care costs associated with the pandemic.
- The District has increased personnel costs through the implementation of a living wage at \$15 per hour, providing significant increases in teacher salaries and increases to all school-based staff.
- Federal revenue has remained flat, despite recommendations from the Biden administration.

DPSCD Projected Budget through 2025



Based on preliminary assumptions, DPSCD is projecting a balanced budget through FY 2025, while also successfully fully funding the \$700M capital projects program in FY 2024.

- Revenues – The FY 24 and FY 25 budgets project enrollment returns to pre-Covid levels (50,400) and the State maintains annual 4% increases in Per Pupil general fund revenue, all other revenue increases by 1% annually.
- Expenses – Projection assumes District returns to pre-Covid staffing levels. Board approved CBA increases are included in FY 23, but only modest (2-3%) one-time bonus payments (no recurring wage increase) are included in FY 2024 and FY 2025. Includes increased costs for non-personnel supplies, materials and contracted services (e.g., transportation and custodial services) overall increases are held to 0% to 2% annually.



*NOTE: FY21 Revenue and Expenses from final Audit

Long Term Budget Risks/Opportunities



Revenue

- The three-year budget projection is balanced based on the assumption that student enrollment returns to 50,400 students by FY 2025. If enrollment stays constant at its current level (~47,000) then the District will have to absorb a deficit of \$27.5M in FY 2025.
- The District three-year budget assumes an annual increase in the foundation allowance of 4% and a return to 50,400 students. If the foundation allowance increases by only 2% in FY 24 and FY 25, the District will need to absorb a deficit of \$25.7M in FY 2025.

Expenditures

- The projection assumes that all supplemental COVID funded positions will end by June 30, 2023. If the District maintains COVID funded positions, the District will have to identify \$55.8M in other reductions to balance the budget.
- The three-year budget model includes costs for Board approved CBAs in 2023. For FY 2024 and FY 2025 the projection does not include any recurring wage increases, only one-time bonus payments of 2 – 3%. If the District were to extend the average wage increases included in the FY 2022 CBA agreements through FY 2025, the District will have to identify \$33.8M in other reductions in order to balance the budget.
- The budget projection assumes the District is able to hold Operational and Transportation increases to 2% after FY 2024 and maintain a 0% increase for other goods, materials and services. For every one percent increase in total non-personnel costs the District will need to identify \$5.7M in other reductions in order to balance the budget.

Fund Balance

- The fund balance is expected to grow to \$784M in FY 24, of which \$700M would be assigned to fund the Facility Master Plan projects, ~\$40M would be set aside for the rainy-day fund, and the remaining \$44M would be unrestricted general fund surplus.

FY 23 FOOD SERVICE & STUDENT ACTIVITY BUDGETS



FY23 Food Service Budget

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DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT FOOD SERVICE FUND FY 2023 PROPOSED BUDGET

	<u>FY 2021 Actuals</u>	<u>FY22 Budget Amendment #1</u>	<u>FY23 Proposed Budget</u>	<u>Variance from FY22 Adopted</u>
Revenue:				
Local sources	\$ 43,176	\$ 68,000	\$ 325,000	\$ 257,000
Total local sources	43,176	68,000	325,000	257,000
State sources	2,854,788	1,202,950	2,250,000	1,047,050
Federal sources	13,203,274	36,175,560	39,175,560	3,000,000
Other Sources	-	-	-	-
Total Revenue	16,101,238	37,446,510	41,750,560	4,304,050
Expenditures				
Support Services				
Salaries Personnel	14,693,537	15,336,355	16,641,161	1,304,806
Purchased Services	83,454	2,109,500	1,237,000	(872,500)
Supplies	7,202,106	14,182,118	20,200,000	6,017,882
Equipment & Capital	6,420,042	20,000	290,000	270,000
Misc	-	288,765	135,000	(153,765)
Total Expenditures	28,399,139	31,936,738	38,503,161	6,566,423
Excess (deficiency) of Revenue Over (Under) Expenditures	(12,297,901)	5,509,772	3,247,399	(2,262,373)
Other Sources (Uses)				
Sale of Capital Assets	41,164	-	-	-
Transfers in	992,704	-	-	-
Transfers out	-	(1,500,000)	(1,500,000)	-
Total Sources (Uses)	1,033,868	(1,500,000)	(1,500,000)	-
Total Other Financial Sources (Uses)	1,033,868	(1,500,000)	(1,500,000)	-
Beginning Fund Balance	11,264,033	-	4,009,772	4,009,772
Ending Fund Balance	\$ -	\$ 4,009,772	\$ 5,757,171	\$ 1,747,399

FY 23 Budget Takeaways

The FY 23 Food Service Budget is projected to be balanced.

Revenue

- ✓ Supplemental federal meal reimbursement revenue due to COVID is expected to end, returning to the standard reimbursement.
- ✓ Student meal participation rates are expected to return to pre-pandemic levels.

Expenses

- ✓ Staffing costs reflect negotiated CBA increases and bonuses. Current staffing levels are projected to remain constant.
- ✓ Purchased Services and Supplies are projected to increase as the number of meals served will increase and the cost of food is increasing with inflation.

Ending Fund Balance

- ✓ Budget includes \$1.5M transfer to General Fund to offset District administrative costs for operating the nutrition program.
- ✓ The District projects an ending fund balance of \$5.7M.

FY23 Student Activity Account Budget

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DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT
STUDENT ACTIVITIES FUND
FY 2023 PROPOSED BUDGET FOR THE YEAR ENDING JUNE 30, 2023

	FY 2022 Adopted Budget	FY 2022 Proposed Budget	Variance from FY 22
Revenue:			
Local Sources	\$ 1,500,000	\$ 2,200,000	\$ 700,000
Total Revenue	1,500,000	2,200,000	700,000
Expenditures:			
Student Activities	1,500,000	1,850,000	350,000
Total Expenditures	1,500,000	1,850,000	350,000
Excess of Revenue over Expenditures	-	350,000	
Beginning Fund Balance	1,666,433	1,666,433	
Ending Fund Balance	\$ 1,666,433	\$ 2,016,433	

FY 23 Budget Takeaways

Revenue

- ✓ Revenue consists of school fundraisers, student activity fees, and donations less than 10k.
- ✓ Revenue is expected to return to pre-pandemic levels.

Expenses

- ✓ Expenditures consist of field trips, student events, and fundraiser expenses.