

# MEMORANDUM



**TO:** Steve Cousins, Superintendent  
Board Finance/Operations Committee

**FROM:** Paul Soma

**DATE:** January 9, 2013

**RE:** AMENDMENT I to 2013 GENERAL FUND BUDGET

**Paul A. Soma, CPA**  
Chief Financial Officer  
Chief Operations Officer

Michele Greenan  
Executive Assistant

---

Attached please find the proposed first amendment to the 2012-2013 General Fund budgets. This amendment aligns our budgets with our most current information and expectations.

As in the past, the general fund budget is shown in total and encompasses all federal and state programs ("restricted funding sources") that are included in the general fund. Additionally, I have included a breakout that segregates the "restricted" funding sources from the "unrestricted" funding sources. Separate breakouts are included for federal programs, state programs, local restricted grants, and student activities (student bookstore and student yearbook). This level of detail provides greater clarity as to what circumstances are actually impacting our bottom line fund equity.

As you are aware, it is our unrestricted budget that determines whether we will contribute to, or spend down, our fund equity. All "restricted" state and federal grants have no bottom line fund equity impact on our operation because revenues always match expenditures. A detailed breakdown of every grant included in the restricted funding sources is included as an attachment to the budget.

In the past two years (fiscal year 2011 and fiscal 2012) the district received unrestricted federal stimulus revenue in the form of federal "ED Jobs" bill allocation. The District received approximately \$2.2 million from these sources which was divided equally in fiscal 2011 and 2012 (\$1.1 million per year). These funds came on the heels of federal ARRA money the previous two years (fiscal year 2009 and 2010). All federal unrestricted funds have now been exhausted and hence this fiscal year is the first since 2008 that no federal unrestricted dollars are available to help offset the dramatic declines in state funding.

Please remember that the information contained in the attached budgets is still subject to change. At the present time, the state revenue picture for this current fiscal year looks stable. The state ended its prior fiscal year with an expected surplus. That surplus is being used to cover obligations in both the School aid and state general fund budget. This means that there is no threat of a mid-year funding pro-ration and the revenue assumptions regarding state funding remain solid.

On the other hand, the state's initial look at 2014 fiscal year shows a potential shortfall that could run into the \$100's of millions. We also know that the state has upwards of \$750 million or more in escrow pending the outcome of retirement reform legal battles. We will continue to monitor the condition of the 2014 budget as information unfolds and will report on our projections at the February Board Finance and Operation committee meeting.

You can see from the budget documents that our amended budgeted shortfall is higher than the original shortfall by \$641,545, with a current shortfall of \$3.2 million budgeted versus the original shortfall of \$2.5 million.

From a high level perspective, the items that contributed to this variance include:

- An increase in the retirement rate of approximately \$100,000.
- An increase in the utility budget due to increases in electric costs of \$60,000.
- Moving department and building carry over amounts of approximately \$600,000 from reserved fund balance into the budget.
- Miscellaneous positive adjustments that net to approximately \$100,000.

It is important to note that, while the budgeted shortfall is approximately \$3.2 million due to normal and expected positive budget variances, I am projecting an actual shortfall of approximately \$1.5 million. This will leave our district with total fund equity of approximately \$6.7 million at June 30 of this year, which will be below the board-established target of 10%.

Our district has been responsible in the intentional spend down of fund equity to help soften budget reductions due to major funding reductions and large increases in retirement and health costs over the years. Having dropped below our fund balance target, the board and administration will have to review this condition to develop a plan that eliminates annual revenue shortfalls and replenishes the fund balance to its targeted level.

As always, we will keep you informed of any new developments. If major changes occur prior to the end of this year, we will be back with another budget amendment to the current year budget. Otherwise, you can expect our final amendment to be presented with our 2014 original budget to the full Board of Education in June.

An appropriate motion to adopt this amendment would be:

**Moved by \_\_\_\_\_, Supported by \_\_\_\_\_, to approve Amendment I to the 2012-2013 General Fund Budgets, as attached.**

**Traverse City Area Public Schools  
General Fund Budget  
For the Fiscal Years Ending June 30**

<b>Revenue</b>	2012-2013 Original	2012-2013 Amend 1*	Variance*
Local Restricted and Unrestricted	32,468,470	32,590,741	122,271
State Unrestricted	42,115,188	42,486,222	371,034
State Restricted	2,064,217	2,798,839	734,622
Federal Stabilization	0	0	0
Federal EdJobs	0	0	0
Federal Restricted	1,912,880	2,772,104	859,224
Incoming Transfers/Other	2,635,115	3,002,144	367,029
<b>Total Revenues</b>	<b>81,195,870</b>	<b>83,650,050</b>	<b>2,454,180</b>

<b>Expenditures</b>			
<b>Instruction</b>			
Basic Instruction	41,354,607	42,309,025	954,418
Added Needs	9,511,961	9,841,279	329,318
<b>Total Instruction</b>	<b>50,866,568</b>	<b>52,150,304</b>	<b>1,283,736</b>
<b>Support</b>			
Pupil	3,207,512	3,236,466	28,954
Instructional Staff	3,704,735	4,493,038	788,303
General Administration	601,143	576,910	(24,233)
School Administration	5,911,452	5,880,813	(30,639)
Business Services	1,574,648	1,597,829	23,181
Operations and Maintenance	8,467,784	8,638,193	170,409
Pupil Transportation	4,582,457	5,150,334	567,877
Central Services	2,567,461	2,528,541	(38,920)
Student Support Services	1,502,424	1,570,501	68,077
<b>Total Support Services</b>	<b>32,119,616</b>	<b>33,672,625</b>	<b>1,553,009</b>
Community Services	198,008	287,290	89,282
Other Uses - Outgoing Transfers & Other	525,916	695,614	169,698
<b>Total Expenditures</b>	<b>83,710,108</b>	<b>86,805,833</b>	<b>3,095,725</b>
Excess Revenue/(Expenditures)	(2,514,238)	(3,155,783)	(641,545)
Fund Balance - July 1	8,206,985	8,206,985	0
Fund Balance - June 30	5,692,747	5,051,202	(641,545)
Less Non-Spendable and Assigned	1,782,476	1,773,854	(8,622)
<b>Unassigned Fund Balance</b>	<b>3,910,271</b>	<b>3,277,348</b>	<b>(632,923)</b>

<b>Fund Equity Non-Spendable and Assigned</b>			
Non-Spendable for Inventories	50,000	50,000	0
Non-Spendable for Prepaids	100,000	100,000	0
Assigned for Unrestricted "At Risk" Activities	0	0	0
Assigned for Curriculum Development	0	0	0
Assigned for Building Carryover	732,476	723,854	(8,622)
Assigned for Department Carryover	0	0	0
Assigned for Building Staff Carryover	0	0	0
Assigned for Computer Notes and Leases	0	0	0
Assigned for Severance Pay	900,000	900,000	0
Assigned for Building Supplies	0	0	0
Assigned for Budget Stabilization	0	0	0
<b>Total Fund Equity Non-Spendable and Assigned</b>	<b>1,782,476</b>	<b>1,773,854</b>	<b>(8,622)</b>

\* See attached pages for detailed breakdown of budget and explanation of fluctuations.

**Traverse City Area Public Schools  
Foundation Allowance Analysis  
December 31, 2012**

<b>Calculation of Projected FTE Students</b>			<b>2013</b>	<b>2012</b>
February Student Count (actual)	9,961	10%	996	1,004
September Student Count (actual)	10,053	90%	9,048	9,069
<b>Total Fiscal year FTE (see note)</b>			<b>10,044</b>	<b>10,073</b>

<b>Total Foundation Allowance Calculation</b>		<b>2013</b>	<b>2012</b>
Total Fiscal year FTE		10,044	10,073
Foundation Amount per Student		\$6,966	\$6,846
<b>Total Foundation Allowance</b>		<b>\$69,966,504</b>	<b>\$68,959,758</b>

<b>State and Local Portion of Foundation</b>		<b>Current Year</b>	<b>Prior Year</b>
non-Principal Residence Exemption		1,671,659,762	1,680,849,582
18 mills		0.0180	0.0180
<b>Local Portion of Foundation</b>		<b>30,089,876</b>	<b>30,255,292</b>
<b>State Portion of Foundation</b>		<b>39,876,628</b>	<b>38,704,466</b>

**Traverse City Area Public Schools  
General Fund Budget - Unrestricted Revenues  
For the Fiscal Years Ending June 30**

<b>Revenue</b>	2012-2013 Original	2012-2013 Amend 1	Variance	Note
Local Unrestricted	32,233,389	32,269,501	36,112	
State Unrestricted	42,115,188	42,486,222	371,034	1
State Restricted	0	0	0	
Federal Stabilization	0	0	0	
Federal EdJobs	0	0	0	
Federal Restricted	11,090	11,090	0	
Incoming Transfers/Other	2,535,115	2,821,839	286,724	2
<b>Total Revenues</b>	<b>76,894,782</b>	<b>77,588,652</b>	<b>693,870</b>	

<b>Expenditures</b>				
<b>Instruction</b>				
Basic Instruction	40,921,484	41,837,315	915,831	3
Added Needs	7,027,436	6,648,391	(379,045)	3
<b>Total Instruction</b>	<b>47,948,920</b>	<b>48,485,706</b>	<b>536,786</b>	
<b>Support</b>				
Pupil	2,801,375	2,833,069	31,694	
Instructional Staff	3,225,293	3,377,009	151,716	3
General Administration	601,143	576,910	(24,233)	
School Administration	5,911,452	5,880,813	(30,639)	
Business Services	1,574,648	1,587,079	12,431	
Operations and Maintenance	8,418,804	8,564,406	145,602	4
Pupil Transportation	4,571,104	5,053,158	482,054	5
Central Services	2,566,461	2,526,541	(39,920)	
Student Support Services	1,335,243	1,388,713	53,470	
<b>Total Support Services</b>	<b>31,005,523</b>	<b>31,787,698</b>	<b>782,175</b>	
Community Services	0	0	0	
Other Uses - Outgoing Transfers & Other	454,577	471,031	16,454	
<b>Total Expenditures</b>	<b>79,409,020</b>	<b>80,744,435</b>	<b>1,335,415</b>	
Excess Revenue/(Expenditures)	(2,514,238)	(3,155,783)	(641,545)	
Fund Balance - July 1	8,206,985	8,206,985	0	
Fund Balance - June 30	5,692,747	5,051,202	(641,545)	
Less Non-Spendable and Assigned	1,782,476	1,773,854	(8,622)	
<b>Unassigned Fund Balance</b>	<b>3,910,271</b>	<b>3,277,348</b>	<b>(632,923)</b>	

<b>Fund Equity Non-Spendable and Assigned</b>				
Non-Spendable for Inventories	50,000	50,000	0	
Non-Spendable for Prepaids	100,000	100,000	0	
Assigned for Unrestricted "At Risk" Activities	0	0	0	
Assigned for Curriculum Development	0	0	0	
Assigned for Building Carryover	732,476	723,854	(8,622)	
Assigned for Department Carryover	0	0	0	
Assigned for Building Staff Carryover	0	0	0	
Assigned for Computer Notes and Leases	0	0	0	
Assigned for Severance Pay	900,000	900,000	0	
Assigned for Building Supplies	0	0	0	
Assigned for Budget Stabilization	0	0	0	
<b>Total Fund Equity Non-Spendable and Assigned</b>	<b>1,782,476</b>	<b>1,773,854</b>	<b>(8,622)</b>	

**Traverse City Area Public Schools  
General Fund Budget - Variance Explanation  
For the Fiscal Years Ending June 30**

- (1) Variance is the result of 44 more students than what was in the original budget. Also, there is an adjustment between local and state funding for the foundation allowance related to actual property tax values.
- (2) Increase is the result of our contract with Kingsley Area Schools to provide transportation services. Also, the increase was partially offset from netting operating transfers between the general fund and community service fund.
- (3) Variance is the result of actual placement of staff and benefit costs compared to original budget, adjusting for increased staff from additional students, and accounting for site and department carryover items from the 2012 fiscal year.
- (4) Increase is the result of higher utility costs, lease of space to The Greenspire School and two lightning strikes. The lease of space and lightning strikes were offset by additional local revenue.
- (5) Increase is the result of our contract with Kingsley Area Schools to provide transportation services. Also, the increase is the result of higher diesel fuel costs as well as increased cost for special education transportation that can no longer be absorbed from variances in other transportation line items.

**Traverse City Area Public Schools  
General Fund Budget - Restricted Local Funds  
For the Fiscal Years Ending June 30**

<b>Revenue</b>	2012-2013 Original	2012-2013 Amend 1	Variance	Note
Local Restricted	62,000	146,545	84,545	6
State Unrestricted			0	
State Restricted			0	
Federal Stabilization			0	
Federal EdJobs			0	
Federal Restricted			0	
Incoming Transfers/Other	100,000	180,305	80,305	6
<b>Total Revenues</b>	<b>162,000</b>	<b>326,850</b>	<b>164,850</b>	

<b>Expenditures</b>				
<b>Instruction</b>				
Basic Instruction	7,659	17,921	10,262	6
Added Needs	95,154	132,320	37,166	6
<b>Total Instruction</b>	<b>102,813</b>	<b>150,241</b>	<b>47,428</b>	
<b>Support</b>				
Pupil	11,261	11,093	(168)	6
Instructional Staff	1,000	19,249	18,249	6
General Administration			0	
School Administration			0	
Business Services	0	10,750	10,750	6
Operations and Maintenance	43,080	67,880	24,800	6
Pupil Transportation			0	
Central Services			0	
Student Support Services	0	10,000	10,000	6
<b>Total Support Services</b>	<b>55,341</b>	<b>118,972</b>	<b>63,631</b>	
Community Services	0	52,313	52,313	6
Other Uses - Outgoing Transfers & Other	3,846	5,324	1,478	6
<b>Total Expenditures</b>	<b>162,000</b>	<b>326,850</b>	<b>164,850</b>	
Excess Revenue/(Expenditures)	0	0	0	
Fund Balance - July 1	0	0	0	
Fund Balance - June 30	0	0	0	
Less Non-Spendable and Assigned	0	0	0	
<b>Unassigned Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	

(6) These variances are the result of additional local grants awarded subsequent to our original budget adoption. Please see attached schedule for detail of all local restricted grants currently operated by TCAPS.

**Traverse City Area Public Schools  
General Fund Budget - Restricted State Funds  
For the Fiscal Years Ending June 30**

<b>Revenue</b>	2012-2013 Original	2012-2013 Amend 1	Variance	Note
Local Restricted			0	
State Unrestricted			0	
State Restricted	2,064,217	2,798,839	734,622	7
Federal Stabilization			0	
Federal EdJobs			0	
Federal Restricted			0	
Incoming Transfers/Other			0	
<b>Total Revenues</b>	<b>2,064,217</b>	<b>2,798,839</b>	<b>734,622</b>	

<b>Expenditures</b>				
<b>Instruction</b>				
Basic Instruction	425,464	448,470	23,006	7
Added Needs	1,204,132	1,805,005	600,873	7
<b>Total Instruction</b>	<b>1,629,596</b>	<b>2,253,475</b>	<b>623,879</b>	
<b>Support</b>				
Pupil	286,705	296,940	10,235	7
Instructional Staff	46,396	50,405	4,009	7
General Administration			0	
School Administration			0	
Business Services			0	
Operations and Maintenance			0	
Pupil Transportation	100	80,519	80,419	7
Central Services			0	
Student Support Services			0	
<b>Total Support Services</b>	<b>333,201</b>	<b>427,864</b>	<b>94,663</b>	
Community Services	101,420	117,500	16,080	7
Other Uses - Outgoing Transfers & Other	0	0	0	
<b>Total Expenditures</b>	<b>2,064,217</b>	<b>2,798,839</b>	<b>734,622</b>	
Excess Revenue/(Expenditures)	0	0	0	
Fund Balance - July 1	0	0	0	
Fund Balance - June 30	0	0	0	
Less Non-Spendable and Assigned	0	0	0	
<b>Unassigned Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	

(7) These variances are the result of fully implementing state restricted programs once final numbers became known. These grants include the At-Risk grant and the At-Risk carryover, Great Start Readiness Program and other. Please see attached schedule for detail of all state programs currently operated by TCAPS.



**Traverse City Area Public Schools  
General Fund Budget - Restricted Federal Funds  
For the Fiscal Years Ending June 30**

<b>Revenue</b>	2012-2013 Original	2012-2013 Amend 1	Variance	Note
Local Restricted			0	
State Unrestricted			0	
State Restricted			0	
Federal Stabilization			0	
Federal EdJobs			0	
Federal Restricted	1,901,790	2,761,014	859,224	8
Incoming Transfers/Other			0	
<b>Total Revenues</b>	<b>1,901,790</b>	<b>2,761,014</b>	<b>859,224</b>	

<b>Expenditures</b>				
<b>Instruction</b>				
Basic Instruction	0	5,319	5,319	8
Added Needs	1,185,239	1,255,563	70,324	8
<b>Total Instruction</b>	<b>1,185,239</b>	<b>1,260,882</b>	<b>75,643</b>	
<b>Support</b>				
Pupil	108,171	95,364	(12,807)	8
Instructional Staff	432,046	1,046,375	614,329	8
General Administration			0	
School Administration			0	
Business Services			0	
Operations and Maintenance			0	
Pupil Transportation	11,253	16,657	5,404	8
Central Services	1,000	2,000	1,000	8
Student Support Services		3,000	3,000	8
<b>Total Support Services</b>	<b>552,470</b>	<b>1,163,396</b>	<b>610,926</b>	
Community Services	96,588	117,477	20,889	8
Other Uses - Outgoing Transfers & Other	67,493	219,259	151,766	8
<b>Total Expenditures</b>	<b>1,901,790</b>	<b>2,761,014</b>	<b>859,224</b>	
Excess Revenue/(Expenditures)	0	0	0	
Fund Balance - July 1	0	0	0	
Fund Balance - June 30	0	0	0	
Less Non-Spendable and Assigned	0	0	0	
<b>Unassigned Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	

(8) These variances are the result of fully implementing federal restricted programs once final numbers became known. Please see the attached schedule for detail of all federal programs currently operated by TCAPS.

**Traverse City Area Public Schools  
General Fund Budget - Student Activities  
For the Fiscal Years Ending June 30**

<b>Revenue</b>	2012-2013 Original	2012-2013 Amend 1	Variance	Note
Local Unrestricted	173,081	174,695	1,614	
State Unrestricted			0	
State Restricted			0	
Federal Stabilization			0	
Federal EdJobs			0	
Federal Restricted			0	
Incoming Transfers/Other			0	
<b>Total Revenues</b>	<b>173,081</b>	<b>174,695</b>	<b>1,614</b>	

<b>Expenditures</b>				
<b>Instruction</b>				
Basic Instruction			0	
Added Needs			0	
<b>Total Instruction</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Support</b>				
Pupil			0	
Instructional Staff			0	
General Administration			0	
School Administration			0	
Business Services			0	
Operations and Maintenance	5,900	5,907	7	
Pupil Transportation			0	
Central Services			0	
Student Support Services	167,181	168,788	1,607	
<b>Total Support Services</b>	<b>173,081</b>	<b>174,695</b>	<b>1,614</b>	
Community Services	0	0	0	
Other Uses - Outgoing Transfers & Other	0	0	0	
<b>Total Expenditures</b>	<b>173,081</b>	<b>174,695</b>	<b>1,614</b>	
Excess Revenue/(Expenditures)	0	0	0	
Fund Balance - July 1	0	0	0	
Fund Balance - June 30	0	0	0	
Less Non-Spendable and Assigned	0	0	0	
<b>Unassigned Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	

### Federal Grants Summary for Fiscal Year 2012-2013

Restricted Federal Funds (14)	Allocation
IDEA Pre-School Incentives	\$ 75,420.00
National Science Foundation (High School Enterprise)	\$ 2,500.00
Smaller Learning Communities Consortium	\$ 304,407.00
State Match Grant - PE Nut (Oct-Jun)	\$ 58,230.00
State Match Grant - PE Nut (Jul- Sep)	\$ 2,439.00
Title I	\$ 1,310,501.00
Title I Carryover	\$ 123,537.00
Title II Part A	\$ 419,106.00
Title II Part A Carryover	\$ 235,342.00
Title III LEP	\$ 21,113.00
Title III LEP Carryover	\$ 31,663.00
Title IX Indian Education	\$ 67,021.00
Title X McKinney Vento (Homeless Assistance)	\$ 75,322.00
Title X McKinney Vento (Homeless Assistance) Carryover	\$ 27,413.00
Safe Routes to Schools	\$ 7,000.00

Total: \$ 2,761,014.00

### Federal Grants Summary for Fiscal Year 2012-2013

Restricted Federal Funds (25)	Allocation
Fresh Fruit & Vegetable - BL	\$ 20,328.00
Fresh Fruit & Vegetable - TH	\$ 19,272.00

Total: \$ 39,600.00

**State Grants Summary for Fiscal Year 2012-2013**

<b>Restricted State Funds (13)</b>	<b>Allocation</b>
At Risk	\$ 1,550,000.00
At Risk Carryover	\$ 596,409.00
Golden Apple Carryover	\$ 1,568.00
Great Start Preschool- 32J Money	\$ 16,500.00
Great Start Readiness Program - Leelanau (Carryover)	\$ 13,592.00
Great Start Readiness Program	\$ 489,600.00
Great Start Readiness Program Carryover	\$ 75,234.00
Vocational Education	\$ 55,689.00
Vocational Education Carryover	\$ 247.00

Total: \$ 2,798,839.00

**Community Service Grants Summary for Fiscal Year 2012-2013**

<b>Restricted Community Service Funds (2F)</b>	<b>Allocation</b>
21st Century CLC	\$ 123,296.00

Total: \$ 123,296.00

**Local Grants Summary for Fiscal Year 2012-2013**

<b>Restricted Local Funds (2X)</b>	<b>Allocation</b>
LEAP	\$ 20,000.00

Total: \$ 20,000.00

**Local Grants Summary for Fiscal Year 2012-2013**

<b>Restricted Local Funds (12)</b>	<b>Allocation</b>
Alcoa Foundation-Cherry Knoll Carryover	\$ 1,896.00
Blue Cross Blue Shield - Building Healthy Communities - TH	\$ 15,661.00
GTB ActivBoard Carryover	\$ 214.00
GTB Assembly Carryover	\$ 300.00
GTB Enrichment - Old Mission Carryover	\$ 1,101.00
GTB Gender Equity Carryover	\$ 4,871.00
GTB Homeless	\$ 5,000.00
GTB Homeless Carryover	\$ 15,882.00
GTB Indian Education	\$ 100,000.00
GTB Indian Education Carryover	\$ 38,430.00
GTB Printing Equipment	\$ 10,750.00
GTB Sci-Ma-Tech Carryover	\$ 318.00
GTB Special Ed Swimming Carryover	\$ 2,689.00
GTB Tribal Flags - West Middle School Carryover	\$ 750.00
Learning Points #1 Carryover	\$ 18,249.00
Way to Grow - Matching	\$ 13,640.00
Front Street Writers	\$ 80,880.00
Untied Way- Homeless	\$ 6,219.00
Youth Corps	\$ 10,000.00

Total: \$ 326,850.00