<u>Board Meeting Statement 8.21.2017</u>

Beginning of Meeting: The Board of Education and Coleman Education Association (CEA) are currently in mediation. No information can be shared outside of mediation unless it has been considered a formal proposal. We will gladly listen to your comments, take down your name and comments and get back to you with any answers.

End of Meeting: The Coleman Board of Education has a responsibility to spend taxpayer dollars wisely with a long-term view toward students' success. The Board is elected and charged with ensuring the school district remains financially stable and maintains a fund equity of 15% or more. A 15% fund equity is approximately 2 months of the district expenditures. This does not provide much leeway, particularly when we do not know our revenues from the State until October, a third of the way into your fiscal year because it is dependent on student enrollment.

"As a general rule, Michigan School Board Organization (MSBO) recommends that districts have a fund balance of 15 to 20 percent of their total expenditures and operating transfers budget... Additionally, it is important to have a sufficient fund balance to allow a school district to absorb cuts in state funding such as those that have occurred in recent years, and may occur again next year. Having a financial cushion allows a district to avoid drastic changes in educational programs and/or employee layoffs during the school year."

The quality of education in a community is a key factor in its economic stability/growth and keeping Coleman a preferred district for our students. The district must live within its means and protect its future financial stability through responsible budget decisions. We are confident that with all information that has been shared, we can come to an equitable and financially sound resolution together.

COLEMAN COMMUNITY SCHOOLS

Academics, Arts, Athletics, Agriculture – Growing for the Future!

Administrative Offices
4823 N. Coleman Schools Dr., Coleman, MI 48618
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August 21, 2017

As you may be aware the Coleman Board of Education has been in contract negotiations with the Teachers' (CEA) and Support Staffs' (CESPA) Unions. We have met multiple times in informal (off-the-record) bargaining and formal bargaining with both groups. **We have a Tentative Agreement through mediation with the CESPA (Support Staff) which will be voted on at the Board Meeting ________.** We are still in mediation with the CEA (Teachers). Below is a summary of proposals made from each group and the Board.

- **Please note:**
  - **Both Associations were offered either MESSA Blue Cross/ Blue Shield or multiple Blue Cross/ Blue Shield (non-MESSA) options.**
  - **Due to MESSA cost to the district, potential salary increases are limited (?).**
  - **Non-MESSA BC/BS options provide personal savings to the employee in premium and Health Savings Account (HSA)- see attached "Cost Comparisons for Insurance Options" AND potential salary increases.**
  - **By moving to BC/BS (non-MESSA) there would be an greater likelihood of the fund balance increasing, therefore providing higher potential additional salary increases to staff.**

Coleman Education Association (CEA)

	Board of Education	**CEA**
# of Informal (Off-the-Record) Bargaining Meetings- 6		
# of Formal Bargaining Meetings- 2		
# of Mediation Meetings- 2		
Proposals as of 7.12.2017	See attached- July 12, 2017 Board Package Proposal **12:00 p.m.** AND See attached- Board Package Proposal 7.12.2017 **1:20 p.m.**	CEA Counter Proposal 7.12.2017 **3:11 p.m.** -2-year contract -Current MESSA- ABC Plan 1 -District will pay maximum State hard cap -District will pay HSA deductible & premium amount to the hard cap Steps, longevity, lane change If fund balance is 19% on 2016-17 audit- .5% off schedule salary -If Fall Count 655 or above .5% off salary schedule
Mediation dates- both groups met in Mediation on 7.31.2017 8.11.2017		
Next Mediation date set for 8.23.2017		

Coleman Community Schools Board of Education

And

Coleman Education Association

July 12, 2017

Board Package Proposal (12:00 p.m.)

If the package is rejected, the Board reserves the right to withdraw the proposal in whole or in part.

Please see provided below the rationale and proposal for Professional Compensation and Insurance. Numbers in red are negative or an additional cost.

Concerns	Other	Total Cost
Enrollment decline trend is a: -decrease of 24 students/yr. for last 10 years -decrease of 27 students/yr. for last 20 years -decrease in 2016-2017 of 35 students **(See attached)**	2016-2017 $7511 per pupil State allotment	2016-2017 $7511 x 35 student loss= -$262,885
Moody's Credit Rating decline from A1 to A2 June 2017 **(See attached)**	Based on "enrollment declines, emerging trend of operating deficits" (dipping into the fund balance) "which could significantly narrow the district's currently satisfactory reserves, exposure to underfunded cost-sharing retirement system" (all schools in State get same rating)	Impact on credit rating should borrowing be necessary; we are not currently borrowing; may be necessary in November/ December 2017 to complete payroll
Declining fund balance **Goal: Stop/decrease the spend down of fund balance** 27% fund balance at end of 2015-2016 anticipate approx. 16% unrestricted at end of 2016-2017 anticipate approx. 13-14% unrestricted at end of 2017-2018 **(See attached- Fund balance)**	$272K was spent from it in 2015-2016 school year. Due to flat budget set in June 2016 and decrease of 35 students in 2016-2017 fund balance spending was approximate $413K. Districts reaching 5% fund balance receive Early Warning Notice & review by the State. Conservatively if $272K is spent each year, fund balance will be below 5% by 2020-21.	Currently -$200,000-$300,000 spent from fund balance per year

Cost of interest in borrowing	Currently Coleman has not borrowed in several years. Based on when State Aid payments are sent to districts and reduction in general fund, it may be necessary to borrow in November/ December 2017	-$3000-$5000 in interest payments
Decrease in Title Federal Grant funding	Costs had to be shifted; staff used in other areas	-$45,000
Rising cost of insurance	2016-2017 State Hard Cap w/ MESSA (district may pay to the cap as in previous contract) Single $6142 Family $16751 Double $12845 2017-2018 State Hard Cap w/ MESSA (district may pay to the cap)- increase of 3.3% Single $6344 Family $17304 Double $13268	Total district cost -$637,341 (CEA) inclusive of dental/vision Total district cost if paying hard cap 2017-18- $648,587 (3 CEA member changed insurance status) inclusive of dental/vision Total district cost if paying hard cap 2018-19 - $662,743 inclusive of dental/ vision
Pre-Funding of Health Savings Account (HSA) per IRS	As of 2016-2017 contract, Association members' HSA were fully pre-funded in January and anything over the State Hard Cap is repaid by the Association member. We received notification from IRS earlier this spring that we cannot recoup pre-funded HSA monies should an Association member leave mid-year and choose not to repay; this is a liability for the district which causes us to no longer be able to pre-fund HSA accounts on a yearly basis for Association members.	
Increased costs to Midland County Educational Service Agency	Increase in county shared cost based on student need	-$115,091 additional next year
Abatement- Hutamaki	Hutamaki is contesting its taxes and have requested an abatement which will likely reduce our revenue	-$33,000

Efforts to Save 2016-17 & for 2017-18	Other	Total Cost
Salary- 52.5% of general fund budget 2016-2017 51% of general fund budget 2017-2018	This is in line with costs at other districts based on total overall budget	
Staffing 3 teachers not replaced (1 retirement; 1 move to other district; 1 leave of absence- may returning in following year) 1 paraprofessional not replaced	Numbers of students per class and caseload will be within acceptable class size and consistent with area class sizes even if we do not lose 25 students; this will continue to be monitored as we see students when school resumes; Kindergarten numbers will be monitored throughout the summer (2017-18) Review of bus routes/ drivers in late summer Technology support adjusted to provide some direct instructional support to teachers	Reduction for 4 non-replace 2017-2018: $239,370
Shift in costs	Cost of paraprofessional staff shifted to at-risk which increased (2017-18) Referee payments shifted to Arbitor- reduction in retirement costs (2016-17)	$67,000 shifted to at-risk 2017-2018 which increased $83,000 $8,000 reduction beginning Jan. 2017
Insurance Quotes and Committee- Insurance costs continue to rise. Both unions and any of their members were invited to attend all committee meetings where both MESSA (Blue Cross/Blue Shield) and Kapnick (Blue Cross/ Blue Shield) presented on multiple occasions. 2016-2017 contract indicates MESSA (BC/BS) Insurance	2017-2018 MESSA (BC/BS) is additional cost to district and staff BC/BS is under the cap with multiple options **(See attached quotes)**	2017-2018 MESSA (BC/BS) additional staff cost -Single $573 + HSA -Double $2242 + HSA -Family $2019 + HSA MESSA (BC/BS) additional district cost -$11,000 Savings w/ Blue Cross/ Blue Shield (BC/BS) -No premium cost to all CEA members except "doubles" -District savings BC/BS 100% option- $80,442 -District savings BC/BS 80%/20% option- $143,248 -District savings with 2 options BC/BS 80/20 OR 100%- $111,000-$124,406

Proposal- Anything in red is a negative (cost) amount All offers are inclusive of FICA & Retirement as applicable	Cost/ Savings to District	Other
Proposal 1:		
-1 year contract	---	
-Keep MESSA 100% w/ 2016-2017 hard cap	$0	
-Freeze steps/lanes/longevity	$52,000	
-no pre-fund of HSA	--	
POTENTIAL REDUCTION IN DECREASED FUND BALANCE	***$52,000 savings***	
-if fund balance is at 18% ($100,00 difference from projected) or higher as of 2016-17 audit a .5% ($14,524) increase off-schedule inclusive will be given		
POTENTIAL REDUCTION IN DECREASED FUND BALANCE	***$85,476***	
Proposal 2:		
-Whole group on BC/BS Option 2 (80%/20%)	$143,248 (includes CEA & CESPA)	
-2 year contract	--	
-**Year 1:** $47000 off schedule to be given to staff to determine how best to spend	-$47,000	
-2017-2018 hard cap		
-pre-fund HSA monthly paid back by staff	-$11,000 (additional) total of -$648,587 for 2017-18; -$662,743 for 2018-19)	
-insurance will be quoted yearly if an increase is 7% or greater		
-beginning in 2018-2019 100% BC/BS & 80/20 option written into contract		
SUBTOTAL POTENTIAL REDUCTION IN DECREASED FUND BALANCE Year 1	***$85,248***	
-**Year 1 additional**: If fund balance is at 18% or higher as of 2016-17 audit, a .5% ($14,524) increase off-schedule will be given	$85,476 difference if 18%+	
POTENTIAL REDUCTION IN DECREASED FUND BALANCE	***$170,724***	
-**Year 2:** Wage increases for the 2018-2019 school year shall be tied to the fall 2018 student enrollment blended count using the estimated blended count of Fall 2017 as a base for calculation of wages. The student blended enrollment count shall be provided no later than November 30, 2018, to the CEA. Bargaining unit members shall receive the following compensation for 2018-2019 no later than February 2019 payable in one lump sum.		
•0% increase on 2016-2017 salary schedule and step/ lane/ longevity freeze if fall student enrollment is less than or equal to Fall 2017 count.	---	
•All bargaining unit members shall receive off schedule steps and longevity ($50,000) if enrollment count is equal to or greater than 25 students above blended Fall 2017 ($7631 *25=$191,000).		

POTENTIAL REDUCTION IN DECREASED FUND BALANCE •Bargaining unit members shall receive one-half (.5%) ($14,524) of base off schedule if student enrollment count is equal to or greater than 10 students above blended Fall 2017 (10 * $7632= $76320). ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE***	***$141,000*** ***$61,796***	
Proposal 3 -Whole group chooses either BC/BS Option 1 (100%) or Option 2 (80/20) -2 year contract **-Year 1:** 1% off schedule increase ($29048) -2017-2018 hard cap -Pre-fund HSA monthly paid back by staff -Insurance will be quoted yearly if an increase is 7% or greater -Both options written into contract ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE*** **-Year 1 additional**: If fund balance is at 18% or higher as of 2016-17 audit, a .5% ($14,524) increase off-schedule will be given ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE*** **-Year 2:** Wage increases for the 2018-2019 school year shall be tied to the fall 2018 student enrollment blended count using the estimated blended count of Fall 2017 as a base for calculation of wages. The student blended enrollment count shall be provided no later than November 30, 2018, to the CEA. Bargaining unit members shall receive the following compensation for 2018-2019 no later than February 2019 payable in one lump sum. •0% increase on 2016-2017 salary schedule and step/ lane/ longevity freeze if fall student enrollment is less than or equal to Fall 2017 count. •All bargaining unit members shall receive off schedule steps and longevity if enrollment count is equal to or greater than 25 students above blended Fall 2017. ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE*** •Bargaining unit members shall receive one-half (.5%) of base off schedule if student enrollment count is equal to or greater than 10 students above blended Fall 2017. ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE***	$111,845-$124,406 (includes CEA & CESPA) -$29,048 -$11,000 ***$71,797- $84358*** $85,476 difference if 18%+ ***$157,455-$169,834*** ***$141,000*** ***$61,796***	
Proposal 4 -Whole group on BC/BS Option 1 (100%) Only -2 year contract **-Year 1:** .5% off schedule ($14,524) -2017-2018 hard cap	$80,442 (includes CEA & CESPA) -$14,524 -$11,000	

-pre-fund HSA monthly paid back by staff -insurance will be quoted yearly if an increase is 7% or greater -beginning 2018-2019 100% BC/BS and 80/20 option written into contract ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE*** **-Year 1 additional**: If fund balance is at 18% or higher as of 2016-17 audit, a .5% ($14,524) increase off-schedule will be given ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE*** **-Year 2:** Wage increases for the 2018-2019 school year shall be tied to the fall 2018 student enrollment blended count using the estimated blended count of Fall 2017 as a base for calculation of wages. The student blended enrollment count shall be provided no later than November 30, 2018, to the CEA. Bargaining unit members shall receive the following compensation for 2018-2019 no later than February 2019 payable in one lump sum. •0% increase on 2016-2017 salary schedule and step/ lane/ longevity freeze if fall student enrollment is less than or equal to Fall 2017 count. •All bargaining unit members shall receive off schedule steps and longevity if enrollment count is equal to or greater than 25 students above blended Fall 2017. ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE*** •Bargaining unit members shall receive one-half (.5%) of base off schedule if student enrollment count is equal to or greater than 10 students above blended Fall 2017. ***POTENTIAL REDUCTION IN DECREASED FUND BALANCE***	***$54,918*** $85,476 difference if 18%+ ***$140,394*** ***$141,000*** ***$61,796***	

120pm

Board Package

~~CEA~~ Counter Proposal 7-12-2017

****Anything not delineated below or as indicated in red on the counter proposal will stand with current contract language.**

Proposal expires 7/19

Insurance

- Current MESSA plan—ABC Plan 1
- District will pay the maximum hard cap as defined annually by the State of Michigan
- ~~Premium share will include HAS deductible and premium amount above the annual maximum hard cap determined by the State of Michigan~~

HSA Board maximum monthly contribution
Single ~~$573~~ $528
2P ~~$1128~~ $1105
FF. $1442

all other insurance Current contract

Salary

- ~~Steps, longevity, lane change~~ lane Changes
- If Fund Balance is ~~18%~~ 19% on 2016-17 audit or higher a .5% will be applied ~~on~~ the salary schedule starting Oct. 1. Additionally, if the student count as a result of the Fall Count is at ~~630 640~~ 655 or above an additional .5% will be applied to the salary schedule. off

  off

  i.e. If both the19% fund balance results and the Fall Count is above ~~640~~ 655, 1% in total will be applied to ~~the~~ salary schedule. If neither occur, 0% will be added to the salary schedule, but ~~steps, longevity and~~ lane changes would continue

  off

Calendar

- As previously completed by the team

Open House

- As previously discussed

Schedule B per discussion

Prohibited Subjects

- ~~Prohibited as a result of Tenure—placed in a special section in Article XXVIII~~ PERA
- Prohibited as a result of Case Law applied to ~~School Code~~—UniServ Director and District Attorney will ~~meet to eliminate.~~ discuss where disagreement.

"ok" per discussions become TA's ~~(Art III Teacher Rights)~~

Other Proposed Changes

- ~~Remain current contract language~~

Deduct days cease

Art VII Teaching Hours 186 T days / 180 Stud days

Art XXII Compensation
6. $1000 lumpsum if notify retirement by 4/1
Delete 2% salary.

2016-2017: MESSA

	Premium	Taxes	Total Annually	Current Cap	Total Employee Portion	H SA	**Total Annually Employee Pays**
Single	510.44	24.94	6424.56	6142	$ 282.56	1300	$ 1,582.56
2Person	1146.63	55.34	14423.64	12845	$ 1,578.64	2600	$ 4,178.64
Full Family	1426.53	74.2	18008.76	16751	$ 1,257.76	2600	$ 3,857.76

17-18: MESSA No savings to the district

	Premium	Taxes	Total Annually	Current Cap	Total Employee Portion	H SA	**Total Annually Employee Pays**	Difference in Cost Compared to Prior Year
Single	547.81	11.79	6715.2	6344.8	$ 370.40	1300	$ 1,670.40	$ 87.84
2Person	1230.71	26.54	15087	13268.93	$ 1,818.07	2600	$ 4,418.07	$ 239.43
Full Family	1531.16	33.04	18770.4	17304.02	$ 1,466.38	2600	$ 4,066.38	$ 208.62

BCBS Option 2 Plan 80/20 $143,000 in savings to district; potential raises for staff

	Premium	Taxes (Already Included in Prem.)	Total Annually	17-18 Cap	Total Employee Portion	H SA	**Total Annually Employee Pays**	Difference in Cost Compared to MESSA 2017-2018
Single	402.64	0	4831.68	6344.8	$ (1,513.12)	1350	$ 1,350.00	$ (320.40)
2Person	966.35	0	11596.2	13268.93	$ (1,672.73)	2700	$ 2,700.00	$ (1,718.07)
Full Family	1207.93	0	14495.16	17304.02	$ (2,808.86)	2700	$ 2,700.00	$ (1,366.38)

BCBS Option 2 Plan 100% $80,000 savings to district; potential raises for staff

	Premium	Taxes (Already Included in Prem.)	Total Annually	17-18 Cap	Total Employee Portion	H SA	**Total Annually Employee Pays**	Difference in Cost Compared to MESSA 2017-2018
Single	431.97	0	5183.64	6344.8	$ (1,161.16)	1350	$ 1,350.00	$ (320.40)
2Person	1036.73	0	12440.76	13268.93	$ (828.17)	2700	$ 2,700.00	$ (1,718.07)
Full Family	1295.92	0	15551.04	17304.02	$ (1,752.98)	2700	$ 2,700.00	$ (1,366.38)

Note: Anything with () means a negative number

BC/BS Combination 100% OR 80/20 Option has been given as well. Employee chooses which plan they want.
District savings $80,000-$124,000.

3rd quarter rates
5.16.2017

Medical Options - Coleman Community Schools

Period: 07/01/2017 -06/30/2018

	Current	Option 1	Option 2
CARRIER	Public Act 152 2017	Blue Cross Blue Shield	Blue Cross Blue Shield
Benefit Plan		Simply Blue HSA 1250 100%	Simply Blue HSA 1250 20%
Plan Type/Network			
Deductible		*Aggregate*	*Aggregate*
In-Network	**2017 State Hard Caps**	$1300/2600	$1300/2600
Out-of-Network		$2600/5200	$2600/5200
Coinsurance	**Single: $6,344.80**		
In-Network	**Double: $13,326.93**	100%	**80/20%**
Out-of-Network	**Fmally: $17,304.02**	80/20%	**60/40%**
Coinsurance Maximum			
In-Network		N/A	N/A
Out-of-Network		N/A	N/A
Out-of-Pocket Maximum		*Aggregate*	*Aggregate*
In-Network		**$2250/4500**	**$2250/4500**
Out-of-Network		**$4500/9000**	**$4500/9000**
Office Visit Copay		Subject to deductible	Subject to deductible
Specialist Office Visit Copay		Subject to deductible	Subject to deductible
Chiropractic Copay		Subject to deductible 12 visits max.	Subject to deductible 12 visits max.
Urgent Care Copay		Subject to deductible	Subject to deductible
Emergency Room Copay		Subject to deductible	Subject to deductible
Prescription Drugs		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**	**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**
Employer Required Contribution:			
Participation		Minimum 2 enrolled	Minimum 2 enrolled
A.M. Best Rating		A- (Excellent)	A- (Excellent)
Rate	Monthly Cap		
	Single 7 $528.73	Single 7 $431.97	Single 7 $394.48
	Two-Party 9 $1,105.74	Two-Party 9 $1,036.73	Two-Party 9 $946.75
	Family 37 $1,442.00	Family 37 $1,295.92	Family 37 $1,183.44
Monthly Premium	53 $67,006.77	53 $60,303.25	53 $55,069.37
Estimated Taxes & Fees		Included in Rates	Included in Rates
Total Monthly Cost	$67,006.77	$60,303.25	$55,069.37
Total Annual Cost	$804,081.24	$723,638.99	$660,832.39
Difference		*-$80,442.25*	*-$143,248.85*
% Difference			

Option Tier Level Rates shown include Michigan claim taxes and mandatory fees/taxes due to the Patient Protection and Affordable Care Act (PPACA)

Medical Options - Coleman Community Schools

Period: 07/01/2017 -06/30/2018

	Current		Option 1				Option 2			
CARRIER	Public Act 152 2017		Blue Cross Blue Shield		Blue Cross Blue Shield		Blue Cross Blue Shield		Blue Cross Blue Shield	
Benefit Plan			Simply Blue HSA 1250 100%		Simply Blue HSA 1250 20%		Simply Blue HSA 1250 100%		Simply Blue HSA 1250 20%	
Plan Type/Network										
Deductible			*Aggregate*		*Aggregate*		*Aggregate*		*Aggregate*	
In-Network	**2017 State Hard Caps**		$1300/2600		$1300/2600		$1300/2600		$1300/2600	
Out-of-Network			$2600/5200		$2600/5200		$2600/5200		$2600/5200	
Coinsurance	**Single: $6,344.80**									
In-Network	**Double: $13,326.93**		100%		**80/20%**		100%		**80/20%**	
Out-of-Network	**Fmally: $17,304.02**		80/20%		**60/40%**		80/20%		**60/40%**	
Coinsurance Maximum										
In-Network			N/A		N/A		N/A		N/A	
Out-of-Network			N/A		N/A		N/A		N/A	
Out-of-Pocket Maximum			*Aggregate*		*Aggregate*		*Aggregate*		*Aggregate*	
In-Network			**$2250/4500**		**$2250/4500**		**$2250/4500**		**$2250/4500**	
Out-of-Network			**$4500/9000**		**$4500/9000**		**$4500/9000**		**$4500/9000**	
Office Visit Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Specialist Office Visit Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Chiropractic Copay			Subject to deductible 12 visits max.		Subject to deductible 12 visits max.		Subject to deductible 12 visits max.		Subject to deductible 12 visits max.	
Urgent Care Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Emergency Room Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Prescription Drugs			**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**	
Employer Required Contribution:										
Participation			Minimum 2 enrolled		Minimum 2 enrolled		Minimum 2 enrolled		Minimum 2 enrolled	
A.M. Best Rating			A- (Excellent)		A- (Excellent)		A- (Excellent)		A- (Excellent)	
Rate		**Renewal Rate**								
Single	7	$528.73	2	$431.97	5	$394.48	4	$431.97	4	$394.48
Two-Party	9	$1,105.74	3	$1,036.73	6	$946.75	5	$1,036.73	5	$946.75
Family	37	$1,442.00	11	$1,295.92	26	$1,183.44	19	$1,295.92	19	$1,183.44
Monthly Premium	53	$67,006.77	16	$18,090.97	37	$38,548.56	27	$30,151.62	27	$27,534.68
Estimated Taxes & Fees		Included in Rates		Included in Rates		Included in Rates		Included in Rates		Included in Rates
Monthly Cost		$67,006.77		$18,090.97		$38,548.56		$30,151.62		$27,534.68
Annual Cost		$804,081.24		$217,091.70		$462,582.68		$361,819.50		$330,416.20
Total Monthly Cost		$67,006.77				$56,639.53				$57,686.31
Total Annual Cost		$804,081.24				$679,674.37				$692,235.69
Difference						*-$124,406.87*				*-$111,845.55*
% Difference										

Option Tier Level Rates shown include Michigan claim taxes and mandatory fees/taxes due to the Patient Protection and Affordable Care Act (PPACA)

Fund Balance and Related Issues

This is to inform you of the Michigan School Business Officials (MSBO) recommendations and position on the establishment and use of what is commonly referred to as a "fund balance" or fund equity. Fund balance is commonly mistaken to be 100 percent spendable cash, when in fact this is an accounting term that indicates the difference between total assets and total liabilities.

One must be careful in generalizing about fund balances because, although there are some commonalities, circumstances vary from district to district that may affect what a fund balance represents and/or how much of a fund balance is necessary for the financial stability of a school district.

A typical fund balance in a school district is composed of three components:

1) Cash on hand – these funds may be in short term, highly liquid investments or in a checking or savings account. These funds are available for district use.

2) Accounts receivable – because of a timing difference between a school district's fiscal year (which ends June 30) and the state's fiscal year (which ends September 30) there are two payments out of the eleven state aid payments that are actually received after the district's fiscal year has ended. Using accrual accounting, the payments are "booked" at the end of the school district's fiscal year and included in calculating fund balance. These funds are not available to the school district until they are actually received in July and August.

3) Inventory and pre-paid assets – includes teaching, custodial and office supplies, and fuel in storage tanks. These are typically modest amounts and are obviously not available to expend.

Other considerations in discussing fund balance include:

A. **The level of non-homestead tax base in the district.** The 18-mill levy is only on non-homestead property. Since the main sources of funding for a district come from local property taxes and state aid, the level of non-homestead property in the district determines the amount received locally. If the district has a low non-homestead tax base, it will result in greater funds received from the state, which means the district will probably have to borrow funds to operate if their fund balance isn't sufficient.

B. **The tax collection practice of the school district.** A 100% summer collection allows a district to receive the local share of its funding up front with the July tax levy. If a 50/50 collection exists they will receive half in the summer and half in the winter collection. A 100% winter collection means the local taxes are collected during the winter only.

C. **The trend of the fund balance level.** Districts spending more than they receive can create a structural deficit, which eventually has to be addressed. The reason for the deficit will determine the level of concern necessary. For example if fund balance is used to purchase a capital asset (buses, technology), that is preferable to spending the fund balance on recurring costs (employee costs).

D. **Future obligations.** Some obligations are large enough to require a greater level of spending such as opening a new building. Districts can build up their fund balance in order to meet the increased obligations of a larger operation.

E. **Declining enrollment presents a myriad of problems for a school district.** The presence of a fund balance allows the district to better manage the decline.

F. **The absence of sufficient fund balance will likely result in borrowing to meet cash flow needs.** If a district borrows money it will pay a related interest cost and closing fees, which is charged to the general operating budget.

G. **Bond practices**. The presence of a reasonable fund balance along with a stable trend in the level of fund balance is viewed favorably by the bond rating agencies. This benefits local taxpayers with lower interest costs on bonds that are issued.

Probably the most important reason in our current climate is that a fund balance provides flexibility in dealing with unanticipated emergencies such as mid-year reductions in state funding.

As a general rule, MSBO recommends that districts have a fund balance of 15 to 20 percent of their total expenditures and operating transfers budget. We selected that amount based on the above listed considerations. In simple terms this level of fund balance is necessary to avoid borrowing during the four-month period between July 1 and October State Aid payment on Oct. 20. Additionally it is important to have a sufficient fund balance to allow a school district to absorb cuts in state funding such as those that have occurred in recent years, and may occur again next year. Having a financial cushion allows a district to avoid drastic changes in educational programs and/or employee layoffs during the school year.