

DETROIT FINANCIAL REVIEW COMMISSION

SCHOOL DISTRICT REGULAR MEETING

Monday, June 24, 2019
Following the City Regular Meeting
(Begins no earlier than 1:30 p.m.)
Cadillac Place, Suite L-150
3062 West Grand Boulevard
Detroit, MI 48202

MINUTES

Approved: July 29, 2019

I. Call to Order

Madam Chair, Rachael Eubanks called the meeting to order at 1:25 p.m.

II. Roll Call

Members Present – 7

Rachael Eubanks
Chris Kolb
Ike Mckinnon (via teleconference)
David Nicholson
Iris Taylor (via teleconference)
Nicholai Vitti
John Walsh (via teleconference)

Members Absent – 4

Stacy Fox
Brenda Jones (non-voting)
Dave Massaron (non-voting)
Ron Rose

Let the record show that 7 Commission members eligible to vote were present. 4 participated in person, and 3 participated via teleconference. A quorum was present.

III. Approval of Proposed Minutes from the May 20, 2019 School District Meeting

Motion made to approve the draft minutes of the Commission's May 20, 2019 School District Meeting as presented. Motion moved and supported; the Commission approved the minutes of the May 20, 2019 meeting as presented.

IV. Old Business

a. DPSCD – Five-Year Projection

Mr. Vidito presented an overview of the five-year budget projection to the Commission, noting that based on preliminary assumptions, DPSCD is projecting a balanced budget through FY2024, and an annual \$7-8M contingency through 2022.

He further stated that the enhancement millage revenue is forecast at a reduced rate starting in 2023 which nearly eliminates contingency funds and noted that if the millage is not renewed in 2022, revenues will be reduced by \$13M requiring expense reductions to maintain a balanced budget. He addressed questions from the Commission.

b. Consideration of the Detroit Public Schools Community District's FY 2020 Food Service Budget submission per MCL 141.1637 (c) (FRC School District Resolution 2019-14)

Mr. Vidito presented the proposed FY20 food service budget to the Commission for consideration. He stated that the proposed budget included a one-time investment in equipment and capital approved by the Michigan Department of Education to spend down the fund balance. The overall increase in revenue of \$0.5 million results from the one percent increase in student enrollment. Total expenditures increase of \$12.9 million are associated with the increase in equipment and capital to renovate kitchens and support improvements to the school lunch program.

Motion move to consider and approve the Community District's (DPSCD) FY 2020 food service budget requests (FRC School District Resolution 2019-14). Motion moved and supported. The Commission approved School District Resolution 2019-14 as presented.

c. Consideration of the Detroit Public Schools (DPS) FY2020 Budget submission per MCL 141.1637 (c) (FRC Detroit Public Schools Resolution 2019-1)

Mr. Vidito presented an overview of the proposed FY 2020 budget to the Commission for consideration. Mr. Vidito stated that the proposed budget is based on conservative revenue, and expense-framework. The proposed budget uses the following assumptions: Revenue based on conservative property tax value increase of one percent of current FY 2019 collections; Support services include expenses for audit and staff expenses associated with the administration of DPS; Debt service expense includes both interest and principal for the stabilization bonds based on debt schedules and \$6.9 million transfer to DPSCD for legacy obligations that were incurred during the restructuring. He addressed questions from the Commission.

Motion moved to approve Detroit Public Schools (DPS) FY 2020 Budget (Detroit Public Schools Resolution 2019-1) as presented. Motion moved and supported. The Commission approved Detroit Public Schools (DPS) Resolution 2019-1 as presented.

V. New Business

a. DPS Financial Report

Chief Financial Officer Jeremy Vidito presented the Financial Report for DPS and stated that DPS is primarily a wind-down entity whose purpose is the satisfaction of legacy debt obligations.

He further stated that the District's cash and debt payment forecast report shows the projected revenues for FY 2019 of \$77.4 million and expenditures related to emergency loan and bond payments of \$41.4 million. Tax collections for April were \$1.0 million from the 13 mills levy and \$0.5 million from the 18 mills levy. Total tax collections to date is \$65.5 million from the 13 mills levy and \$55.5 million from the 18 mills levy.

As of April 30, 2019, DPS's cash balance is \$5.7 million. As of May 10, 2019, DPS's cash balance is \$5.7 million and the projected year-end cash balance for FY 2019 is \$5.7 million. He addressed questions from the Commission.

b. Presentation of the Community District's Monthly Financial Report

Chief Financial Officer Jeremy Vidito presented the monthly financial report and stated that based on actual results through April 2019, DPSCD has a surplus of \$68.5 million of revenues over expenditures; the projected budget showed a \$67.2 million surplus, which is a \$1.2 million negative variance. The District is behind plan by \$25.5 million on the April YTD in the receipt of budgeted revenues. The projected variance is due to federal and state

reimbursement revenue was below based on lower than expected costs for purchased services and salaries.

Mr. Vidito also reported that DPSCD's cash balance as of April 30, 2019, is \$163.3 million and the projected year-end cash balance for FY 2019 is \$143.7 million. As of April 30, 2019, the District's internal service and fiduciary account cash balance is \$24.0 million and the projected year-end cash balance for FY 2019 is \$22.0 million. The District's capital projects account cash balance is \$3.0 million. The District's rainy-day account cash balance is \$35.6 million. He addressed questions from the Commission.

c. Detroit Public Schools (DPS) June 2019 Budget Amendment #2 – Update

Mr. Vidito gave an update on Detroit Public Schools (DPS) June 2019 Budget Amendment #2. He stated that Budget Amendment No. 2 increases the projected surplus to \$17.0 million at the end of the fiscal year; an increase in total revenue and sources of \$8.7 million, primarily due to an increase in local sources based on current tax collections as well as a conservative forecast for the remaining months. Total expenditures increased by \$5.9 million based on additional principal and interest payments made on the debt service expense. Per the master debt indenture excess funds collected from the combined 18 non-homestead mills and property tax abatements (Renaissance Zone) must be applied to the outstanding debt on the stabilization bonds, MPERS liability and emergency loan service in order to accelerate repayment.

d. Detroit Public Schools Community District's (DPSCD) June 2019 Budget Amendment #2 – Update

Mr. Vidito gave an update on Detroit Public Schools Community District's (DPSCD's) June 2019 Budget Amendment #2. He stated that Budget Amendment No. 2 increases the projected surplus to \$39.7 million at the end of the fiscal year. A decrease in total revenue and sources of \$32.7 million based on actual expenditures through April 30, 2019 and projected expenditures for May and June. The remaining revenue will be carried over and spent in FY 2020. Total expenditures decrease by \$66.6 million based on the projected salary and contract expenses. In addition, funding for all vacancies were removed creating savings.

e. Consideration of the Community District's May 2019 contract approval requests per MCL 141.1636 (6) (FRC School District Resolution 2019-15)

Public Act 181 of 2014 requires the Financial Review Commission to review and approve contracts meeting any of the three criteria: 1) the contract exceeds \$750,000; 2) the contract has a term exceeding 2 years; and 3) multiple contracts within a single entity that exceed \$750,000 in aggregate.

Chief Financial Officer, Jeremy Vidito gave a brief overview of the Community District's 10 contract approval requests and addressed questions from the Commission. All contracts have been reviewed by the FRC Advisory Subcommittee on Contracts and Procurement.

Motion made to consider and approve the 10 Community District's June 2019 contract approval request (FRC School District Resolution 2019-15). Motion moved and supported. The Commission approve School District Resolution 2019-15 as presented.

f. Consideration of the Community District's June 2019 out-of-state travel reimbursement requests per MCL 141.1637 (q) (FRC School Resolution 2019-16)

Public Act 181 of 2014 requires the Financial Review Commission to review and approve the Community District's out-of-state travel reimbursements to school board members, officials, and employees. Mr. Vidito presented 3 requests for the month of June 2019 for the Community District.

Motion made to approve the Community District's June 2019 out-of- state travel reimbursement requests (FRC School District Resolution 2019-16) as presented. Motion moved and supported. The Commission approved School District Resolution 2019-16 as presented.

VI. Public Comment

Michele George

VII. Next Meeting Date

School District Regular Meeting: July 29, 2019, following the City Meeting, beginning no earlier than 1:05 p.m. at Cadillac Place, 3062 West Grand Boulevard, Suite L-150, Detroit, MI 48202.

VIII. Adjournment

Motion made to adjourn. Motion moved and supported, the Commission approved the motion to adjourn.

There being no further business, the meeting adjourned at 1:56 p.m.

FRC Committee Monthly Meeting
 Detroit Public Schools (DPS)
Resolution Roll Call
 Monday, June 24, 2019

FRC 6/24/2019 Meeting (DPS)	School District Resolution 2019-1 (Consideration of DPS FY 2020 Budget Submission) Roll Call
Ms. Eubanks	Yes
Ms. Fox	Absent
Ms. Jones	Absent
Mr. Kolb	Yes
Mr. Massaron	Absent
Mr. McKinnon	Yes
Mr. Nicholson	Yes
Mr. Rose	Absent
Mr. Walsh	Yes

Signed by: B. Greaves
 Beverly C. Greaves- Secretary

Date: 6-24-2019.

FRC Committee Monthly Meeting
Detroit Public Schools Community District (DPSCD)
Resolution Roll Call
Monday, June 24, 2019

FRC 6/24/2019 Meeting (DPSCD)	School District Resolution 2019-14 (Consideration of DPSCD's FY 2020 Food Service Budget)	School District Resolution 2019-15 (Consideration of SD June Contracts Requests)	School District Resolution 2019-16 (Consideration of SD June out-of-state travel Requests)
	Roll Call	Roll Call	Roll Call
Ms. Eubanks	Yes	Yes	Yes
Ms. Fox	Absent	Absent	Absent
Mr. Kolb	Yes	Yes	Yes
Mr. McKinnon	Yes	Yes	Yes
Mr. Nicholson	Yes	Yes	Yes
Mr. Rose	Absent	Absent	Absent
Ms. Taylor	Yes	Yes	Yes
Mr. Vitti	Yes	Yes	Yes
Mr. Walsh	Yes	Yes	Yes

Signed by: B. Greaves
 Beverly C. Greaves- Secretary

Date: 6-24-2019.