

**School District of the City of Muskegon Heights
Receivership Transition Advisory Board Agenda
Wednesday, April 19, 2017, 4:00 PM
2603 Leahy St
Muskegon Heights, MI 49444**

I. CALL TO ORDER

- A. Roll Call
- B. Approval of RTAB Meeting Minutes
 - i. March 15, 2017 (attachment #1)

II. OLD BUSINESS

III. NEW BUSINESS

- A. News and Updates
 - i. District Visit
 - ii. Epicenter
- B. Monthly Reports (attachment #2)
 - i. Liabilities report (attachment #3)
 - ii. Cash flow projections (attachment #4)
 - iii. Comparison of budgeted revenue and expenditure to actual (attachment #5)

IV. PUBLIC COMMENT

V. ADJOURNMENT

School District of the City of Muskegon Heights
Receivership Transition Advisory Board Meeting

Wednesday, March 15, 2017
Conference Room
2603 Leahy St.
Muskegon Heights, MI 49444

MINUTES

I. Call to Order

Chair Ann Storberg called the meeting to order at 4:04pm.

A. Roll Call

Members Present – 5

Patrice Johnson
Dale Nesbary
John Schrier
Ann Storberg
Clinton Todd

Members Absent – 0

(None)

A quorum was present.

Three members of the Muskegon Heights Public School Board of Education (the “District Board”) were in attendance.

B. Approval of Minutes

Motion by Mr. Schrier to approve the draft minutes of the Board’s January 18, 2017 meeting as presented. Motion moved and seconded by Ms. Johnson. The Board approved the minutes of the January 18, 2017 meeting as presented by voice vote.

After approval of minutes, Chair Storberg asked the members of the Muskegon Heights School Board of Education to introduce themselves. Board members, Trinell Scott, Estelita Rankin and Mark Glover introduced themselves. Gary Britton, the appointed attorney for the district was also present.

II. Old Business

None.

III. New Business

A. News and Updates

i. School Reform Office

Chair Storberg provided information regarding the School Reform/Redesign Office (SRO) and Muskegon Heights Public School Academy System (the “System”).

Explanation was provided as to why the high school is on the list of schools ranked in the bottom 5 percent based on academic performance. The System is in discussions with the Michigan Department of Education (MDE) on a Partnership Agreement that will allow the System to continue operating its high school for the next 18 months. During this time the System must improve its academic performance. The System will also will be provided resources and are required to work with various partners.

The System is currently working with Dr. Teasley from MDE to create an academic plan in combination with a 5-year strategic plan. The System has invited students, teachers, and community members to a series of ongoing strategic meetings to address the academic goals of the district and is hoping to develop consistency in its academic curriculum.

Discussion began with members of the RTAB Board and District Board expressing support for increased transparency regarding actions on academic performance measures. Additional discussion ensued regarding community involvement. District Board members brought up concerns that letters sent to parents by SRO have increased the level of uncertainty that the high school will remain open and this may negatively impact enrollment.

Additional discussion occurred regarding the methods to be used between SRO and MDE to measure academic performance over the next 18 months. Details of the agreement have not been made public yet, but the District Board should have access to quarterly financial reports and academic information from the System by virtue of their role as Authorizer.

B. Monthly Reports

i. Liabilities Report

Mr. Lewis reviewed the liabilities report noting the next debt service payments are due April 25 and that the district will need to borrow from the school bond loan fund in June.

Discussion ensued regarding the additional amount needed to be borrowed this fiscal year from the school bond loan fund. Mr. Lewis stated that he is waiting to hear from the Muskegon Height City Treasurer to confirm the amount collected from the City's winter levy, which is normally submitted to the district in February. This information will allow a better projection of the district's cash position for the remainder of this fiscal year.

Mr. Lewis continued to report that a payment to the Office of Retirement Services (ORS) is scheduled to occur in August, and a Qualified Zone Academy Bonds (QZAB) payment is due January 1st. Discussion ensued regarding the amount due to Unemployment Insurance Agency (UIA). Mr. Lewis reported that he is still not able to confirm the amount due to UIA and believes UIA is reporting a higher outstanding balance than what is actually owed by the district. He will continue working with UIA to resolve this discrepancy. The RTAB members agreed that this issue needs to be resolved as soon as possible, and also stated that the district should consider making payments towards the outstanding balance. Mr. Lewis stated that he would like to wait until the tax revenues are recorded to ensure the district's cash flow projections are sufficient.

ii. Cash Flow Projections

Mr. Lewis reviewed the District's projected monthly one-year cash flow report. Mr. Lewis noted that the cash balance is expected to decrease through August when a \$604,000 payment is due to ORS. Mr. Lewis expressed concerns with making this payment due to uncertain tax revenues.

Chair Storberg noted that based on the Remediation Agreement with ORS, the next lump sum payment is in June and requested Mr. Lewis review the agreement to confirm timing of next required payment.

Discussion ensued regarding various expenditures. Mr. Lewis reported that the increase in Other Expenditures in September is due to property

insurance to an amount between \$30,000-40,000. Mr. Lewis explained that the district has shopped for insurance on several occasions, but Middle Cities is the only venter willing to insure the district due to its unique operating structure. The district is also required to insure the System's buildings.

Mr. Schrier asked what activity is being done to sell buildings. Mr. Lewis noted that all buildings owned by the district are being used. Chair Storberg asked whether the unused space in the administrative building is being rented out. Mr. Lewis noted one current tenant and another that has expressed interest but is not bound by any agreement at this time.

Chair Storberg noted the district pays for a maintenance employee and asked about the extent of their responsibilities. Mr. Lewis answered that the employee is half time and clears snow, maintains the grounds, and makes repairs.

It was noted that while Other Expenditures decreases after September, the amount is still higher than normal for October. Mr. Lewis was not able to identify the exact reason but can get that information to the Board.

Discussion ensued regarding revenue estimates. Mr. Lewis responded that the revenue estimates are very conservative and that he uses decreasing tax values in the district projections. He continued that the City provides some tax information, but he uses the county equalization data as it is more accurate.

Mr. Lewis continued noting that the district should receive delinquent taxes by the end of May or early June. Mr. Lewis added that State Aid Fund is sent to the District and is passed through to the System.

iii. Comparison of Budgeted Revenue and Expenditure to Actual

Mr. Lewis reviewed the comparison of budgeted revenue and expenditure to actual for the District. He noted that the current budget does not include a technology millage that it receives from Muskegon Area ISD. This millage flows through the district and is passed through to the System. The Two-Year budget for the district will require an amendment due to this millage.

Ms. Johnson asked about the technology millage and how the System's use of the funds is monitored. The funds are used for updating computers, devices, and technology in the System.

Mr. Lewis noted that Qualified Zone Academy Bonds were for energy controls that were installed in district buildings. The projected savings from the energy controls installed in the District's building were expected to cover the service debt, however, most of the buildings have been sold and these savings were never realized.

Mr. Lewis also provided an update on GASB changes in reporting other post-employment benefits (OPEB). He stated that the changes take effect in 2018 and that Michigan Public School Retirement System will be providing individual district calculations similar to how pension information is now provided.

IV. Receivership Transition Advisory Board and Muskegon Heights Board Comments

The RTAB members welcomed the District Board members to the meeting. Discussion ensued regarding the roles and authorities of the two boards. There was additional discussion regarding the District board's role as the authorizer for the System.

V. Public Comment

None

VI. Adjournment

Motion made to adjourn by Mr. Nesbary. Motion moved and seconded by Mr. Todd. The Board approved the motion to adjourn by voice vote.

There being no further business, the meeting adjourned at 6:03pm.



Muskegon Heights Public Schools

2603 Leahy Street • Muskegon Heights, MI 49444 • Phone 231-830-3221 Fax 231-830-3560

Date: April 7, 2017

To: Receivership Transition Advisory Board (RTAB)
Muskegon Heights Public Schools Board of Education

From: John Lewis, Assistant Superintendent

Re: Board Meeting Packet for April 19, 2017

Attached, please find the Muskegon Heights Public Schools Budget to Actual Revenue and Expenditure Report, Cash Flow Statement, and Liabilities Report as of April 7, 2017 for your review.

Budget to Actual Revenue and Expenditure Report

Non-homestead property tax revenues received to date equal \$784,163. This amount represents 80% of expected tax revenue for fiscal year 2016/17. The remaining amount of tax revenue for the year is expected to be received in mid-May or early June from the Muskegon County Treasurer. As of April 7, 2017, the 2016 Settlement Data is not available on the Muskegon County Treasurer website, making the exact figure unknown at this time.

The MAISD Technology Millage revenues continue to be received by the district and paid out to The Muskegon Heights Public School Academy (MHPSA). The final amount of this millage for FY 2016/17 is yet to be determined as this millage follows the same disbursement schedule as the non-homestead and debt service tax distributions of the district (summer/winter split levy).

The district is planning on finalizing its budget amendment proposal to the Muskegon Heights Public Schools Board in May 2017 as I feel we should be able to draw a more solid conclusion on tax revenues at that time. My hope is to have that ready by the May board meeting, but if information regarding delinquent tax revenues is unavailable prior to that meeting, the budget amendment proposal will be submitted for the June 2016 meeting.

Cash Flow Statement

Winter non-homestead tax revenues were received by the district in late March. The district estimated to receive \$360,000 in March, but that figure was slightly higher than the \$353,067 actually received from the City of Muskegon Heights. This amount represents the final amount expected to receive for FY 2016/17 from the city, as the

remainder will be coming from Muskegon County after the final settlement for this tax year is calculated. The district is also planning on collecting its outstanding receivables from Highland Park Public Schools (\$47,481.68) and Orchard View Schools (\$850) in April 2017.

The final Emergency Loan payment for this fiscal year is scheduled to be withdrawn from the district's tax revenue account on April 25, 2017. This payment represents interest only on the outstanding loans as the principal is paid down in October of any given year. \$604,000 is also scheduled to be paid to the Office of Retirement Services (ORS) in June 2017 per the district's payment agreement.

Unlike past cash flow statements supplied to the RTAB, I have also included a breakdown of estimated monthly cash outflows as I know some members of the board were wondering what items made up the expense amounts in the Cash Flow Statement.

Liabilities Report

As stated in the previous section, the district is currently in a payment agreement with ORS and will be paying an additional \$604,000 in June towards its outstanding balance. The amount owed to the Unemployment Insurance Agency (UIA) was taken from the current balance on the MiWAM system, but is currently being disputed by the district. My hope is to determine the true outstanding balance owed to them and to come to an agreement with UIA by the May board meeting.

The district will be borrowing \$455,683 from the School Bond Loan Fund (SBLF) for its upcoming April debt service bond payment. At the time of completing the SBLF borrowing application, the debt service fund had cash on hand equal to \$723,431.51, which is short by \$455,683 of the total amount needed to pay the debt service bond obligation due in April of \$1,179,115. The Emergency Loan debt obligation (\$149,504) will be met using cash on hand in the general fund tax revenue account.

Liabilities Report

Attachment #3

Description	Long or Short Term	Principal	Interest	Total Amount	Projected Maturity Date	As of Date
ORS	Short			\$ 1,991,087.46	N/A	4/4/2017
Payable to MDE - At-Risk Payback	Short			\$ 371,435.77	N/A	4/7/2017
UIA	Short			\$ 904,458.46	N/A	4/7/2017
Emergency Loan #1 - 2012	Long	\$ 7,130,000.00	\$ 2,641,467.50	\$ 9,771,467.50	11/1/2041	4/7/2017
Emergency Loan #2 - 2012	Long	\$ 3,235,000.00	\$ 1,128,705.00	\$ 4,363,705.00	11/1/2041	4/7/2017
Emergency Loan #3 - 2012	Long	\$ 1,400,000.00	\$ 1,025,685.00	\$ 2,425,685.00	4/3/2044	4/7/2017
2007 Energy Conservation Improvement Bonds	Long	\$ 3,149,000.00	\$ -	\$ 3,149,000.00	12/19/2022	4/7/2017
2016 Refunding Bonds, Series A	Long	\$ 14,470,000.00	\$ 4,990,421.89	\$ 19,460,421.89	5/1/2029	4/7/2017
2016 Refunding Bonds, Series B	Long	\$ 5,240,000.00	\$ 266,803.79	\$ 5,506,803.79	5/1/2021	4/7/2017
School Bond Loan Fund	Long	\$ 2,211.92	\$ 56.96	\$ 2,268.88	5/1/2035*	4/7/2017
School Loan Revolving Fund	Long	\$ 245,329.00	\$ 5,770.68	\$ 251,099.68	5/1/2035*	4/7/2017
		\$ 34,871,540.92	\$ 10,058,910.82	\$ 48,197,433.43		

*Indicates Mandatory Repayment Date

Projected Monthly Cash Flow - One Year Projection

Date 4/7/2017

Attachment #4

School District
Muskegon Heights Public Schools

	April 17	May 17	June 17	July 17	August 17	September 17	October 17	November 17	December 17	January 18	February 18	March 18
Beginning Balance	\$ 924,401	\$ 816,108	\$ 809,158	\$ 406,261	\$ 399,432	\$ 672,602	\$ 638,857	\$ 263,824	\$ 308,194	\$ 154,211	\$ 147,581	\$ 320,451
Estimated Receipts												
Taxes			\$ 195,837		\$ 280,000	\$ 40,000		\$ 50,000	\$ 50,000		\$ 180,000	\$ 180,000
Authorizer Fees	\$ 15,369	\$ 15,369	\$ 15,369	\$ 15,369	\$ 15,369		\$ 15,369	\$ 15,369	\$ 15,369	\$ 15,369	\$ 15,369	\$ 15,369
Note Proceeds												
Other Revenue	\$ 48,332	\$ 1,000	\$ 16,808	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Total Available Funds	\$ 988,102	\$ 832,477	\$ 1,037,172	\$ 422,630	\$ 695,801	\$ 713,602	\$ 655,226	\$ 330,193	\$ 374,563	\$ 170,580	\$ 343,950	\$ 516,820
Less Estimated Expenditures:												
Payrolls	\$ 15,969	\$ 15,629	\$ 20,140	\$ 15,629	\$ 15,629	\$ 18,175	\$ 15,629	\$ 15,629	\$ 20,140	\$ 15,629	\$ 15,629	\$ 18,175
Other Expenditures	\$ 6,521	\$ 7,690	\$ 6,770	\$ 7,570	\$ 7,570	\$ 56,570	\$ 16,270	\$ 6,370	\$ 18,120	\$ 7,370	\$ 7,870	\$ 7,870
Emergency Loan Payment	\$ 149,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,504	\$ -	\$ -	\$ -	\$ -	\$ -
ORS Repayment	\$ -	\$ -	\$ 604,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liens/Loans (Totals)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,092	\$ -	\$ -	\$ -
Estimated Ending Balance	\$ 816,108	\$ 809,158	\$ 406,261	\$ 399,432	\$ 672,602	\$ 638,857	\$ 263,824	\$ 308,194	\$ 154,211	\$ 147,581	\$ 320,451	\$ 490,775

Expenses by Month

	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Totals
Payrolls (including contracted staff)	\$ 14,456	\$ 14,116	\$ 18,627	\$ 14,116	\$14,116	\$16,662	\$ 14,116	\$ 14,116	\$ 18,627	\$ 14,116	\$ 14,116	\$ 16,662	\$ 183,844
Health Insurance	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 1,513	\$ 18,156
Consumers - electric	\$ 700	\$ 800	\$ 1,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 700	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 11,700
DTE - natural gas	\$ 951	\$ 800	\$ 400	\$ 200	\$ 200	\$ 200	\$ 200	\$ 500	\$ 1,000	\$ 1,500	\$ 2,000	\$ 2,000	\$ 9,951
Waste & Water utility	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 2,640
Audit Fees							\$ 10,000		\$ 5,000				\$ 15,000
Legal Fees	\$ 2,000	\$ 3,220	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 30,220
Property Insurance						\$49,000							\$ 49,000
Misc.	\$ 2,650	\$ 2,650	\$ 2,650	\$ 2,650	\$ 2,650	\$ 2,650	\$ 2,650	\$ 2,650	\$ 8,900	\$ 2,650	\$ 2,650	\$ 2,650	\$ 38,050
EL Loan Payments	\$149,504						\$359,504						\$ 509,008
ORS Repayment			\$604,000										\$ 604,000
QZAB Energy Bonds									\$182,092				\$ 182,092
Totals	\$171,994	\$ 23,319	\$630,910	\$ 23,199	\$23,199	\$74,745	\$391,402	\$ 21,999	\$220,353	\$ 22,999	\$ 23,499	\$ 26,045	\$1,653,661

Muskegon Heights Public Schools
 Revenues, Expenditures, and Fund Balance
 2016-2017
 As of 4/7/17

	Budget 2016-17	Actuals to Date	Under/(Over) to Date
Beginning Fund Balance	\$ (2,007,918)	\$ (2,007,918)	
Revenue			
Property taxes	\$ 980,000	\$ 784,163	\$ 195,837
Oversight fees	\$ 166,740	\$ 94,603	\$ 72,137
Transfers and Other	\$ 111,490	\$ 109,170	\$ 2,320
Total Revenue	\$ 1,258,230	\$ 987,936	
Expenditures			
Data Technology	\$ 6,750	\$ 7,811	\$ (1,061)
Board of Education	\$ 49,820	\$ 43,870	\$ 5,951
Executive Administration	\$ 90,870	\$ 50,008	\$ 40,862
Business Services	\$ 273,320	\$ 142,434	\$ 130,886
Building Services	\$ 100,500	\$ 91,868	\$ 8,632
District Technology	\$ 3,460	\$ 1,713	\$ 1,747
Emergency Loan Payments	\$ 506,490	\$ 356,980	\$ 149,510
Transfers and Other	\$ 182,100	\$ 283,077	\$ (100,977)
Total Expenditures	\$ 1,213,310	\$ 977,761	
Revenues Less Expenditures	\$ 44,920	\$ 10,175	
Projected Ending Fund Balance	\$ (1,962,998)	\$ (1,997,743)	

REVENUES

Actual

11-0111-0000-000-0000-000000-000000-	PROPERTY TAXES CURRENT	-777,330.90
11-0151-0000-000-0000-000000-000000-	EARNINGS ON INVEST & DEPOSITS	-0.72
11-0191-0000-000-0000-000000-000000-	RENTALS	-3,400.00
11-0199-0000-000-0000-000000-000000-	MISCELLANEOUS	-105,769.72
11-0321-0000-000-0000-000000-000000-	PPT REIMBURSEMENT	-6,832.20
11-0519-0000-001-0000-000000-000000-	3% AUTHORIZER FEE - MHPSA	-94,602.95
		-987,936.49

EXPENDITURES

Actual

Sums

11-1-225-5910-000-0000-000000-000000-	OFFICE SUPPLIES	-190.00		
11-1-225-7410-840-0000-000000-000000-	LICENSING FEES & RENEWALS	7,630.35		
11-1-226-4220-899-0000-000000-000000-	COPY MACHINE	370.80	\$	7,811.15
11-1-231-3170-000-0000-000000-000000-	LEGAL SERVICES	24,929.50		
11-1-231-3180-000-0000-000000-000000-	AUDIT SERVICES	16,315.00		
11-1-231-7410-000-0000-000000-000000-	DUES & FEES	2,625.00	\$	43,869.50
11-1-232-3150-000-0000-000000-000000-	CONTRACTED SERVICES	42,435.20		
11-1-232-3210-000-0000-000000-000000-	COST OF TRAVEL (MILEAGE)	1,706.36		
11-1-232-3430-000-0000-000000-000000-	MAILING	371.55		
11-1-232-7910-000-0000-000000-000000-	MISCELLANEOUS	5,495.28	\$	50,008.39
11-1-252-1620-033-0000-000000-000000-	ACCOUNTING SPECIALIST	62,609.83		
11-1-252-2130-000-0000-000000-000000-	HOSPITALIZATION	15,540.31		
11-1-252-2820-033-0000-000000-000000-	CONTRIB TO ST&LOC RETIRE FUNDS	15,240.14		
11-1-252-2830-033-0000-000000-000000-	EMPLOYER SOCIAL SECURITY	4,789.63		
11-1-252-2840-033-0000-000000-000000-	WORKMAN'S COMPENSATION	48.11		
11-1-252-3150-030-0000-000000-000000-	CONTRACTED SERVICES	39,897.08		
11-1-252-3220-030-0000-000000-000000-	TRAVEL & CONFERENCE	1,190.75		
11-1-252-5910-030-0000-000000-000000-	OFFICE SUPPLIES	326.73		
11-1-252-7410-000-0000-000000-000000-	INTEREST & FEES EXPENSE	2,791.22	\$	142,433.80
11-1-261-3190-100-0000-000000-000000-	CONTRACTED SERVICES	19,444.45		
11-1-261-3410-000-0000-000000-000000-	TELEPHONE CHARGES	3,191.46		
11-1-261-3830-000-0000-000000-000000-	WATER & SEWAGE	1,176.86		
11-1-261-3840-000-0000-000000-000000-	WASTE & TRASH DISPOSAL	462.00		
11-1-261-3910-000-0000-000000-000000-	INSURANCE	48,592.02		
11-1-261-4110-000-0000-000000-000000-	LAND AND BLDGS-REPAIRS & MAINT	5,782.93		
11-1-261-5510-000-0000-000000-000000-	HEATING FUEL	5,969.51		
11-1-261-5520-000-0000-000000-000000-	ELECTRICITY	7,248.44	\$	91,867.67
11-1-284-3410-000-0000-000000-000000-	CELL PHONE CHARGES	1,713.41	\$	1,713.41
11-1-411-8910-000-0000-000000-000000-	TRANSFERS TO MHPSA	100,984.87		
11-1-511-7110-994-0000-000000-000000-	PRINCIPAL PMT - EMERGENCY LOAN	205,000.00		
11-1-511-7230-994-0000-000000-000000-	INTEREST PMT - EMERGENCY LOANS	151,980.00	\$	356,980.00
11-1-634-8110-000-0000-000000-000000-	QZAB TRANSFER - DEBT RETIREMEN	182,092.42	\$	283,077.29
				\$ 977,761.21