

# **DETROIT FINANCIAL REVIEW COMMISSION**

## **SPECIAL MEETING**

Friday, June 24, 2016 at 10:30 a.m.

### **Please Note Meeting Room Change:**

Michigan Gaming Control Board  
Cadillac Place, Suite L-700 (Lobby Floor, Annex)  
3062 West Grand Boulevard  
Detroit, MI 48202

## **AGENDA**

- I. Call to Order**
- II. Roll Call**
- III. Executive Director's Report**
- IV. Old Business - None**
- V. New Business**
  - a. Presentation on the Financial Review Commission's new oversight responsibilities for Detroit's school district
  - b. Consideration of the amended Financial Review Commission Bylaws per MCL 141.1635(9) (FRC Resolution 2016-11)
  - c. Consideration of the amended Financial Review Commission Ethics Policy per MCL 141.1635(12) (FRC Resolution 2016-12)
  - d. Presentation of the Detroit Public Schools Community District's FY 2017 Budget submission
- VI. Public Comment**
- VII. Next Meeting Date**
  - a. City Regular Meeting: Monday, June 27, 2016 at 2:30 p.m. at Cadillac Place, 3062 West Grand Boulevard, Suite L-150, Detroit, MI 48202
  - b. School District Regular Meeting: Monday, June 27, 2016 following the City Meeting, beginning no earlier than 3:30 p.m. at Cadillac Place, 3062 West Grand Boulevard, Suite L-150, Detroit, MI 48202
- VIII. Adjournment**

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## MEMORANDUM

**TO:** Interested Parties

**FROM:** Steven C. Liedel

**RE:** Amendments to Michigan Financial Review Commission Act and New Detroit Public Schools Community District

**DATE:** June 22, 2016

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On Tuesday, June 21, 2016, Governor Rick Snyder signed into law six bills<sup>1</sup> intended to address the continuing financial emergency within the School District of the City of Detroit (the “**Old District**”). Primary components of the legislation include:

- ***New Community District.*** Creation of a new community school district with the same geographic boundaries as the Old District (the “**Community District**”) upon the enactment of Public Act 192 of 2016 (“**Act 192**”);
- ***Transfer to Community District.*** Transfer of the functions, and responsibilities, of the Old District and its school board and officers for providing public educational services to the residents of Detroit and the assets of the Old District from the Old District to the new, debt-free Community District on July 1, 2016, with operations funded by state school aid;
- ***Retention of Debt by Old District.*** Retention of the legacy debt by the Old District, which will retain a separate limited identity after July 1, 2016 for the purpose of the repayment of debt primarily using school operating taxes levied by the Old District<sup>2</sup>;

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<sup>1</sup> The legislation includes: Public Act 192 of 2016 (Enrolled House Bill 5384) amending The Revised School Code of 1976; Public Act 193 of 2016 (Enrolled House Bill 5383) amending the Michigan Trust Fund Act; Public Act 194 of 2016 (Enrolled House Bill 5387) amending Michigan’s public employee relations law; Public Act 195 of 2016 (Enrolled Senate Bill 711) amending the Michigan Financial Review Commission Act; Public Act 196 of 2016 (Enrolled Senate Bill 820) amending Michigan’s incompatible public office law; and Public Act 197 of 2016 (Enrolled Senate Bill 822) amending the Emergency Municipal Loan Act.

<sup>2</sup> The Community District would not be authorized to levy local school operating taxes in a year in which the Old District levies school operating taxes for legacy debt repayment.

- **Financing.** Provision for the restructuring of the debt of the Old District via the issuance of school financing stability bonds and a state emergency loan of up to \$150 million, with loan proceeds transferrable to the Community School district for the payment of transitional costs; and
- **Oversight by Financial Review Commission.** Oversight of the finances of the Community District by the Financial Review Commission for the City of Detroit under an amended Michigan Financial Review Commission Act.

### ***Transition Manager for Community District***

Until a new school board for the Community District is elected at the November 8, 2016 general election and takes office on January 1, 2017, the functions and responsibilities of the Community District will be exercised by a transition manager (the “**Transition Manager**”). Governor Snyder has designated Judge Steven W. Rhodes, the emergency manager for the Old District under the Local Financial Stability and Choice Act, 2012 PA 436, MCL 141.1541 to 141.1575 (“**Act 436**”), to also serve as the Transition Manager for the Community District. An emergency manager will remain in place for the Old District under Act 436 until the governor determines under that law that the Old District’s financial emergency has been rectified. To assist the Transition Manager in exercising the functions and responsibilities of the Community District, Act 192 permits the Transition Manager to appoint an interim superintendent of schools for the Community District to serve until the initial school board of the Community District takes office.

One of the first responsibilities of the Transition Manager is the adoption of a budget for the Community District for its 2016-2017 fiscal year, which begins on July 1, 2016. That budget will be the first opportunity for interaction between the Financial Review Commission and the new Community District.

### ***Financial Review Commission for the Community District***

Public Act 195 of 2016 (“**Act 195**”) amends the Michigan Financial Review Commission Act, 2014 PA 181, as amended MCL 141.1631 to 141.1643, (the “**FRC Act**”) to create a financial review commission for the Community District and subjects the Community District to oversight similar to that provided of the City of Detroit under the FRC Act. A copy of Act 195 is attached.

Under section 4(2) of the FRC Act, as amended by Act 195, the financial review commission for the City of Detroit also became the financial review commission for the Community District on June 21, 2016 upon the enactment of Act 192 and Act 195. This occurred because the Community District is a qualified school district<sup>3</sup> with the same geographic boundaries as the City of Detroit.

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<sup>3</sup> Under section 3 of the FRC Act a “qualified school district” is a school district with a population of 600,000 or more.

As a result, under section 5(2) of the FRC Act, the membership of the financial review commission for the City of Detroit and the Community District was expanded by two members to include:

- (1) the superintendent of schools of the Community District; and
- (2) the chairperson of the school board of the Community District.

On matters relating to the City of Detroit, these two new members will not have a vote. On matters relating to the Community District, the mayor of the City of Detroit and the president of the city council of Detroit will not have a vote. On all other matters, such as administrative matters of the financial review commission, all members will have a vote.

The two new financial review commission positions for the superintendent of schools and chairperson of the school board of the Community District may remain vacant for a period of time. The Transition Manager may appoint an interim superintendent of schools, but is not required to do so. If the Transition Manager does appoint an interim superintendent, that individual will serve as a member of the financial review commission for the City of Detroit and the Community District. There will be no chairperson of the school board of the Community District until after the new school board is elected and takes office in January of 2017. As a result, there will be at least one vacancy on the financial review commission for the City of Detroit and the Community District until that time.

### ***Responsibilities of Financial Review Commission for Community District***

Similar to its responsibilities for the City of Detroit, the Financial Review Commission will exercise the following functions and responsibilities relating to the Community District:

- certifying by October 1 of each year that the Community District is in substantial compliance with the FRC Act (§ 6(2) of the FRC Act);
- ensuring that the school district is in compliance with the Publicly Funded Health Insurance Contribution Act, the Revised Municipal Finance Act, the Uniform Budgeting and Accounting Act, The Revised School Code, Article I of The State School Aid Act of 1979, and the Public School Employees Retirement Act of 1979 (§6(3) of the FRC Act);
- establishing and maintaining programs and requirements for the fiscal management of the Community District (§6(5) of the FRC Act);
- reviewing and approving applicable contracts of the Community District (§6(6) of the FRC Act);
- reviewing written reports on the fiscal stability of the Community District (§6(7) of the FRC Act);

- auditing or inspecting financial statements, actuarial reports, revenue estimates, and any and all other documents, data, reports, or findings of the Community District as considered necessary (§6(7) of the FRC Act);
- reporting twice a year on the Community District (§6(8) of the FRC Act);
- approving collective bargaining agreements and addendums of the Community District (§6(9) of the FRC Act);
- reviewing debt service reports of the Community District (§6(11) of the FRC Act);
- reviewing, modifying, and approving proposed and amended operational budgets of the Community District (§7(c) of the FRC Act);
- requiring the chief financial officer of the Community District to provide financial information and attend meetings (§7(d) of the FRC Act);
- reviewing and approving requests by the Community District to issue debt (§7(e) of the FRC Act);
- reviewing compliance by the Community District of any deficit elimination plan submitted under The State School Aid Act of 1979 (§7(f) of the FRC Act);
- approving the appointment or termination of the chief financial officer of the Community District, without votes by the Community District representatives on the financial review commission (§7(h) of the FRC Act);
- approving the alteration of contract terms and conditions or termination of the superintendent of the Community District, without votes by the Community District representatives on the financial review commission (§7(i) of the FRC Act);
- requiring the development and implementation of financial best practices by the Community District (§7(j) of the FRC Act);
- recommending the adoption of bylaws, ordinances, policies or operating procedures by the Community District (§7(k) of the FRC Act);
- requiring the pursuit of financial or managerial training to ensure the proper discharge of duties by the Community District (§7(l) of the FRC Act);
- requiring the production of information and attendance of meetings by Community District officers, employees, and agents (§7(o) of the FRC Act);

- performing receivership transition advisory board functions under Act 436 for the Community District (§7(p) of the FRC Act); and
- approving all reimbursement to Community District school board members, officials, and employees for travel outside Michigan (§7(q) of the FRC Act).

After three consecutive years with a balanced budget, the Community District would be eligible for waiver of these oversight functions as provided under section 8 of the FRC Act and complete release from oversight after as provided under section 10 of the FRC Act.

### *Oversight of Old District*

While the Old District is and will continue to be a qualified school district under the FRC Act, the Old District is not currently subject to oversight under the FRC Act. Under section 12(4) of the FRC Act, a qualified school district like the Old District subject to an emergency manager under Act 436 is not subject to oversight by a financial review commission under the FRC Act. If the financial emergency within the Old District is rectified under Act 436 and an emergency manager is no longer in place for the Old District, the Old District would then be subject to oversight by the financial review commission for the City of Detroit and the Community District. However, the members authorized to vote on matters relating to the Old District will only include the members authorized to vote on matters relating to the City of Detroit under section 5(2) of the FRC Act.

Attachment

4847-0063-7747.1

**STATE OF MICHIGAN  
98TH LEGISLATURE  
REGULAR SESSION OF 2016**

Introduced by Senators Hansen and Meekhof

# ENROLLED SENATE BILL No. 711

AN ACT to amend 2014 PA 181, entitled “An act to create the Michigan financial review commission act; to provide for the operation of certain commissions; to create funds and accounts; to prescribe the powers and duties of certain commissions, the state treasurer, certain other state officials and state employees, and certain local officials; to provide for the dissolution of certain commissions; and to make certain appropriations,” by amending sections 3, 5, and 7 (MCL 141.1633, 141.1635, and 141.1637), as amended by 2016 PA 53.

*The People of the State of Michigan enact:*

Sec. 3. As used in this act:

(a) “Applicable contract” means a contract for goods or services proposed or entered into by a qualified city or school district that either exceeds \$750,000.00, or a higher amount as determined by the commission, or is for a term exceeding 2 years. Applicable contract also includes multiple contracts for less than \$750,000.00, or the higher amount determined by the commission, with 1 entity that, in the aggregate, exceed \$750,000.00, or a higher amount as determined by the commission, within a 12-month period.

(b) “Federal bankruptcy code” means the federal bankruptcy code, 11 USC 101 to 1532.

(c) “Financial review commission” or “commission” means a financial review commission created in section 4.

(d) “Operating expenses” means the reasonable operating expenses of the commission, including without limitation the cost of preparing accounting and other reports, costs of commission meetings or other required activities of the commission, counsel fees, including fees of the attorney general, and fees and expenses incurred for consultants and fiduciaries required to carry out the purposes of this act.

(e) “Person” means an individual, corporation, limited or general partnership, association, joint venture, limited liability company, a governmental entity, including this state.

(f) “Plan for adjustment” means the plan for the adjustment of debts of a qualified city approved and entered by a United States bankruptcy court under chapter 9 of title 11 of the United States Code, 11 USC 901 to 946.

(g) “Professional services” means services that require a high degree of intellectual skill, an advanced degree, or professional licensing or certification. Those providing the professional services are distinguished based on their specialized knowledge, experience, and expertise. Professional services include, but are not limited to, accounting, actuarial, appraisal, auditing, investment advisor, and legal services.

(h) “Qualified city” means a city with a population of more than 600,000 that is subject to a plan for adjustment.

(i) “Qualified school district” means a school district with the same boundaries as a city with a population of 600,000 or more.



(j) "State treasurer" means the treasurer of this state or his or her designee who shall be designated by a written instrument signed by the state treasurer and maintained in a permanent file and whose signature shall have the same force and effect as the signature of the state treasurer for all purposes under this act.

Sec. 5. (1) Except as otherwise provided in subsection (2), each commission shall consist of the following 9 members:

(a) The state treasurer, who shall serve for the duration of his or her term of office.

(b) The director of the department of technology, management, and budget or successor agency, or his or her designee, who shall serve for the duration of his or her term of office.

(c) Three members appointed by the governor who have knowledge, skill, or experience in the field of business or finance and who shall possess knowledge, training, skill, or experience in budgeting, revenue forecasting, debt management or borrowing, actuarial science, law, or business operations, at least 1 of whom is a resident of that qualified city or qualified school district, and at least 1 of whom is a resident of this state who is not a resident of a qualified city or qualified school district.

(d) The mayor or chief executive officer of that qualified city or qualified school district other than a qualified school district described in section 4(2), or his or her designee, who shall serve for the duration of the mayor's or chief executive officer's term of office.

(e) One member appointed by the governor from a list of 3 or more individuals nominated by the senate majority leader who have knowledge, skill, or experience in the field of business or finance, and who shall possess knowledge, training, skill, or experience in budgeting, revenue forecasting, debt management or borrowing, actuarial science, law, or business operations, and 1 of whom is a resident of that qualified city or qualified school district.

(f) One member appointed by the governor from a list of 3 or more individuals nominated by the speaker of the house of representatives who have knowledge, skill, or experience in the field of business or finance, and who shall possess knowledge, training, skill, or experience in budgeting, revenue forecasting, debt management or borrowing, actuarial science, law, or business operations, and 1 of whom is a resident of that qualified city or qualified school district.

(g) The president or chairperson of the qualified city's governing body or qualified school district's school board other than a qualified school district described in section 4(2), or his or her designee, who shall serve for the duration of the president's or chairperson's term of office.

(2) If a financial review commission is the financial review commission for both a qualified city and a qualified school district under section 4(2), in addition to the mayor or chief executive officer of the qualified city or his or her designee under subsection (1)(d) and the president or chairperson of the qualified city's governing body or his or her designee under subsection (1)(g), the financial review commission also shall include as members the superintendent of the qualified school district and the chairperson of the school board of the qualified school district. The superintendent of the qualified school district and the chairperson of the school board of the qualified school district shall not have a vote on matters relating to the qualified city. The mayor or chief executive officer of the qualified city, or his or her designee under subsection (1)(d) and the president or chairperson of the qualified city's governing body or his or her designee under subsection (1)(g), shall not have a vote on matters relating to the qualified school district. This subsection does not apply to a qualified school district whose functions and responsibilities have been transferred to another school district under the revised school code, 1976 PA 451, MCL 380.1 to 380.1852.

(3) The appointed members shall serve for a term of 4 years, except that of the 5 members first appointed, the appointees of the governor shall serve a term of 1, 2, and 4 years respectively, the appointee of the governor who was nominated by the speaker of the house of representatives shall serve a term of 2 years, and the appointee of the governor who was nominated by the senate majority leader shall serve a term of 3 years. Appointed members serve at the pleasure of, and may be removed by, their respective appointing official.

(4) Members of a commission shall serve without compensation but may receive reasonable reimbursement for necessary travel and expenses incurred in the discharge of their official duties.

(5) The state treasurer or his or her designee shall serve as chairperson of a commission.

(6) A majority of the eligible voting members of the commission shall constitute a quorum of the commission for the transaction of business. The commission shall meet no less than monthly and at times and places designated by the chairperson. Actions of the commission shall be approved by a majority of the members.

(7) The commission shall conduct its business at public meetings in compliance with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275. However, members of the commission may attend and participate in a meeting of the commission by the use of telecommunication or other electronic equipment if their attendance and participation by the use of telecommunication or other electronic equipment is authorized by the bylaws of the commission and that meeting is otherwise conducted in compliance with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

(8) A writing prepared, owned, used, in the possession of, or retained by the commission in the performance of an official function is subject to the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(9) The commission shall adopt bylaws for governance of the commission, which shall, at a minimum, address the procedures for conducting meetings, including voting procedures, and the requirements of its members to attend meetings. Procedural rules required by this section are not subject to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

(10) The commission may contract for professional services, as it requires, and shall determine the qualifications it considers necessary.

(11) The members of the commission and contractors or agents of the commission are subject to 1968 PA 317, MCL 15.321 to 15.330, and 1968 PA 318, MCL 15.301 to 15.310.

(12) A member of the commission, and any person the commission contracts with, shall discharge the duties of his or her position in a nonpartisan manner, with good faith, and with that degree of diligence, care, and skill that an ordinarily prudent person would exercise under similar circumstances in a like position. The commission shall adopt an ethics policy governing the conduct of commission members and officers and employees of the commission.

(13) Commission members shall take and subscribe to the constitutional oath of office under section 1 of article XI of the state constitution of 1963. The oath shall be filed with the secretary of state.

Sec. 7. A commission may do 1 or more of the following for its qualified city or qualified school district:

(a) For a qualified city, review and approve that qualified city's consensus revenue estimate under section 4t of the home rule city act, 1909 PA 279, MCL 117.4t. The commission may also, after consultation with the qualified city or qualified school district, revise a revenue estimate prepared in connection with a budget, budget modification, financial plan, or financial plan modification, if the commission determines that the revenue estimate was not based on assumptions and methods of estimation reasonable and appropriate under the circumstances and in view of the objectives and purposes of this act. After consultation with the qualified city or qualified school district, the commission may determine the estimated revenues for the qualified city or qualified school district, but any revenue estimate adopted by the commission shall be based on the same requirements as the qualified city's or qualified school district's initial revenue estimate.

(b) For a qualified city, require the qualified city to submit the 4-year financial plan required in section 4t of the home rule city act, 1909 PA 279, MCL 117.4t, in a form and manner the commission considers appropriate. The requirement to submit a 4-year financial plan is not subject to waiver under section 8.

(c) Review, modify, and approve proposed and amended operational budgets of a qualified city or qualified school district. A proposed budget or budget amendment does not take effect unless approved by the commission.

(d) Require the chief financial officer of the qualified city or qualified school district to provide the commission with information it requests related to the qualified city's or qualified school district's finances. The commission may also require the chief financial officer to attend commission meetings. If the chief financial officer fails to comply with the provisions of this subdivision, the commission may require the qualified city, or qualified school district to remove the chief financial officer and appoint a successor.

(e) Review and approve requests by a qualified city or qualified school district to issue debt under the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, or any other law governing the issuance of bonds or notes. The commission may develop rules for the issuance of debt, including limitations that are greater than those provided in sections 401 to 405 of the revised municipal finance act, 2001 PA 34, MCL 141.2401 to 141.2405. The debt described in this subdivision may not be issued unless and until approved by the commission and the commission's approval shall be in addition to any approval of the department of treasury as required by law.



(f) Review compliance by a qualified city with a deficit elimination plan submitted under section 21 of the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.921, or by a qualified school district with a deficit elimination plan submitted under article I of the state school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1772.

(g) Approve the appointment of a qualified city's chief financial officer. If that appointment is not approved by the commission within 45 days of written submission of the appointment by the qualified city, the appointment is denied. The commission may require that any effort to terminate the chief financial officer be subject to commission review and approval.

(h) Approve the appointment of the qualified school district's chief financial officer. If that appointment is not approved by the commission within 45 days of written submission by the qualified school district, the appointment is denied. A qualified school district may not terminate its chief financial officer without the approval of the commission. The superintendent and the chairperson of the school board of the qualified school district shall not have a vote on an approval under this subdivision.

(i) For a qualified school district, provide that a qualified school district may not alter the terms and conditions of an employment contract with or the benefits of its superintendent or terminate its superintendent without the approval of the commission. The superintendent and the chairperson of the school board of the qualified school district shall not have a vote on an approval under this subdivision.

(j) Require the development and implementation of financial best practices for a qualified city or qualified school district.

(k) Recommend the adoption or amendment of certain charter provisions, bylaws, ordinances, policies, or operating procedures for the qualified city or qualified school district, as applicable.

(l) Require the pursuit of financial or managerial training to ensure the proper discharge of duties for the qualified city or qualified school district.

(m) Make and execute contracts necessary to carry out the purposes of this act.

(n) Sue or be sued. The commission may retain legal counsel to enforce any provisions of this act.

(o) Require the qualified city or qualified school district and the employees or agents of the qualified city or qualified school district to timely produce and share all information and documents, and provide access to all information on assets, services, records, and any other materials or documents the commission determines are necessary to carry out its responsibilities under this act. The commission may require the officers or employees of the qualified city or qualified school district to attend commission meetings for any purpose necessary to carry out its responsibilities under this act.

(p) Perform any duty provided by law that a receivership transition advisory board as described in section 23 of the local financial stability and choice act, 2012 PA 436, MCL 141.1563, may perform.

(q) For a qualified school district, approve all reimbursement to school board members, officials, and employees for travel outside this state.

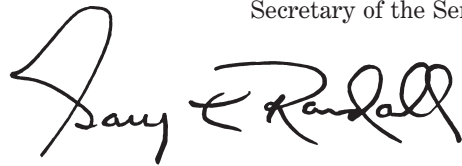
(r) Perform any other duties assigned by the governor that are not inconsistent with the purposes of this act.

Enacting section 1. This amendatory act does not take effect unless House Bill No. 5384 of the 98th Legislature is enacted into law.

This act is ordered to take immediate effect.



Secretary of the Senate



Clerk of the House of Representatives

Approved .....

.....  
Governor

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STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

**DETROIT FINANCIAL REVIEW COMMISSION**

**RESOLUTION 2016-11**

**APPROVING THE COMMISSION'S AMENDED BYLAWS**

WHEREAS, Public Act 181 of 2014, the Michigan Financial Review Commission Act (the "Act"), allows for the creation of the Detroit Financial Review Commission (the "Commission") within the Michigan Department of Treasury; and

WHEREAS, Section 5(9) of the Act provides that "[t]he commission shall adopt bylaws for governance of the commission, which shall, at a minimum, address the procedures for conducting meetings, including voting procedures, and the requirements of its members to attend meetings"; and

WHEREAS, the members of the Commission wish to amend the Detroit Financial Review Commission Bylaws to reflect enacted amendments to the Act, including the Commission's new oversight responsibilities for Detroit's school district.

NOW THEREFORE, be it resolved by the Detroit Financial Review Commission as follows:

1. That the Commission's amended bylaws, attached as **Exhibit A** to this Resolution, is hereby approved and adopted.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

IN WITNESS WHEREOF, the eligible voting members of the Commission, or their designees, have signed and adopted this Resolution.

DETROIT FINANCIAL REVIEW COMMISSION

By \_\_\_\_\_  
Darrell Burks, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Michael Duggan, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Stacy Fox, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Lorron James, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Brenda Jones, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Nick A. Khouri, State Treasurer and Detroit Financial Review Commission Member

By \_\_\_\_\_  
William Martin, Detroit Financial Review Commission Member

By \_\_\_\_\_  
John S. Roberts, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Tony Saunders, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Detroit Public Schools Community District Superintendent,  
Detroit Financial Review Commission Member

By \_\_\_\_\_  
Detroit Public Schools Community District School Board  
Chairperson, Detroit Financial Review Commission Member

Date: \_\_\_\_\_  
Detroit, Michigan

## **DETROIT FINANCIAL REVIEW COMMISSION**

### **Bylaws**

#### **ARTICLE I**

##### **Adoption of Bylaws**

The Financial Review Commission (the "Commission") for the qualified city (the "City") and the qualified school district (the "School District"), as defined by section 3 of 2014 PA 181, MCL 141.1633, adopts these Bylaws to govern its organization and operations pursuant to the Michigan Financial Review Commission Act, Act No. 181, Michigan Public Acts of 2014 (the "Act").

#### **ARTICLE II**

##### **Members - Term of Office**

The members of the Commission, their terms of office, and the method of selecting the members shall be as set forth in Sections 5(1) and (2) of the Act. Appointed members of the Commission serve at the pleasure of, and may be removed by, their respective appointing official. A vacancy on the Commission occurring other than by expiration of a term shall be filled by the Governor of the State of Michigan in the same manner as the original appointment for the balance of the unexpired term. Each member of the Commission shall take and subscribe to the constitutional oath of office under Section 1 of Article XI of the Constitution of Michigan of 1963. The oath shall be filed with the Secretary of State of the State of Michigan.

#### **ARTICLE III**

##### **Officers and Employees**

Section 1. Officers. The officers of the Commission shall be the Chairperson and, if applicable, the Vice-Chairperson.

Section 2. Chairperson. The State Treasurer of the State of Michigan (the "State Treasurer") or his or her designee shall be the Chairperson of the Commission. The Chairperson shall preside at all meetings of the Commission.

Section 3. Vice-Chairperson. The Chairperson may select a Vice-Chairperson who shall serve at the pleasure of the Chairperson. The Vice-Chairperson shall preside at all meetings of the Commission upon request of the Chairperson, including in the absence of the Chairperson. The Vice-Chairperson shall have the other duties and responsibilities as delegated by the Chairperson and as permitted by law.

Section 4. Absence of Chairperson and Vice-Chairperson. Whenever the Chairperson and Vice-Chairperson (if one has been selected) are unable to attend a meeting of the Commission, the members present at that meeting shall designate a temporary presiding officer from among the members present, who shall preside at the meeting.

Section 5. Vice Chairperson Vacancy. Should the office of Vice-Chairperson become vacant and the Chairperson desires to appoint a replacement, the Chairperson shall select a successor from the Commission membership.

Section 6. Sub-Committees. The Chairperson may designate and appoint Commission members to one or more sub-committees to advise the Commission. The Chairperson or his or her designee shall chair the sub-committees and preside at all meetings of the sub-committees.

Section 7. Executive Director. In accordance with Section 4 of the Act, the State Treasurer may appoint up to two Executive Directors, each of whom shall serve at the pleasure of the State Treasurer. If one Executive Director is appointed, he or she shall be the chief executive officer of the Commission and shall be responsible for the general supervision over and administrative charge of the business and affairs of the Commission. If two Executive Directors are appointed, one will be the co-chief executive officer of the Commission and shall be responsible for oversight of the School District, and the other one will be the co-chief executive officer of the Commission and shall be responsible for oversight of the City. A member of the Commission is not eligible to hold the position of Executive Director.

Section 8. Retention of Professionals. The Commission may contract for professional services, as it requires, and shall determine the qualifications it considers necessary. "Professional services" means services that require a high degree of intellectual skill, an advanced degree, or professional licensing or certification. Those providing the professional services are distinguished based on their specialized knowledge, experience, and expertise. Professional services include, but are not limited to, accounting, actuarial, appraisal, auditing, investment advisor, and legal services. Any use of or contract for legal services requires prior approval by the Department of Attorney General.

Section 9. Budgeting, Procurement, Personnel, and Related Management Functions. Except as otherwise provided in the Act, the Commission shall exercise its powers, duties, functions, and responsibilities under the Act independently of the State Treasurer. The budgeting, procurement, personnel, and related management functions of the Commission shall be performed under the direction and supervision of the State Treasurer.

Section 10. Compensation. Members of the Commission shall serve without compensation for their service on the Commission, but may receive reasonable reimbursement for necessary travel and expenses incurred in the discharge of their official duties.

## ARTICLE IV

### Meetings

Section 1. Regular and Special Meetings. Regular Meetings of the Commission shall be held no less than monthly at the times and places determined by the Chairperson. Special Meetings of the Commission shall be held at such times and such places as may be determined by the Commission at any Regular or Special Meeting, or at any other times and places as determined by the Chairperson. At the discretion of the Chairperson, he or she may hold two Regular Meetings instead of one Regular Meeting so that matters that apply to the City only may be acted upon at one Regular Meeting and matters that apply to the School District only may be acted upon at the other. The call for a Regular Meeting, specifying the time and place of the meeting and the suggested agenda shall be delivered in person, mailed, faxed, or emailed to each member of the Commission prior to the date of such meeting. The call for a Special Meeting specifying the time and place for such meeting may be emailed or given by telephone to the business or home address or cell phone of each member of the Commission not less than 18 hours before the time of the meeting. Notice, posting and other procedures for the call of Regular or Special Meetings shall always be performed in accordance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976.



Section 2. Attendance. Members of the Commission and their statutorily-authorized designees shall make all reasonable efforts to attend meetings of the Commission. If a member of the Commission is unable to attend a Regular or Special Meeting, he or she shall inform the Chairperson prior to the meeting. Any absence shall be noted in the minutes for that meeting. A member of the Commission who is present at a meeting may by motion request that one or more members who are unable to attend the meeting be granted an excused absence from that meeting. If a meeting concerns only the City or only concerns the School District, members of the Commission that are not permitted to vote on any of the matters on the agenda for such meeting are automatically excused.

Section 3. Quorum. A majority of the members of the Commission shall constitute a quorum of the Commission for the transaction of business at a meeting, or the exercise of a power or function of the Commission. Notwithstanding the previous sentence, if the agenda of a meeting applies only to the City or only to the School District, the majority of voting members of the Commission permitted by statute and these Bylaws to vote on such matters constitutes a quorum. If at any time during a meeting a quorum is not present, the meeting shall automatically adjourn.

Section 4. Telephonic Attendance at Meetings. Members of the Commission may attend and participate in a meeting of the Commission by the use of telecommunication or other electronic equipment so long as all persons participating in the meeting may hear each word and if the meeting is otherwise conducted in compliance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976.

Section 5. Action by the Commission. The Commission shall only take the actions approved by a resolution or motion of the Commission which had a concurring vote of a majority of the members of the Commission entitled to vote on such resolution or motion.

Section 6. Manner of Voting. The voting on a resolution shall be by a roll call vote. The voting on all other questions at a meeting of the Commission shall be by a voice vote, unless a member requests a roll call. In the case of a roll call vote, the individual yeas and nays shall be entered in the minutes of that meeting. For all matters that apply to the City and the School District, all members of the Commission shall have the power to vote. For all matters subject to a vote that apply only to the School District, the City's Mayor and City Council President (or either or both of their designees) shall not be entitled to vote. For all matters subject to a vote that apply only to the City, the School District's Board Chairperson and the School District's Superintendent shall not be entitled to vote. If any issues are raised as to whether a matter applies only to the City, or only to the School District, the issue shall be resolved by the presiding officer of the meeting.

Section 7. Public Meetings. All meetings of the Commission shall be held in compliance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976.

Section 8. Minutes. Minutes of all the Commission meetings, including all votes, shall be kept on file in the Department of Treasury. Proposed minutes for a Commission meeting shall be prepared within eight business days of the meeting. The minutes shall be corrected and approved at the succeeding meeting. If corrected, the minutes shall show both the original entry and the correction. The minutes for each meeting of the Commission shall be open and available to the public in compliance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976 and the Freedom of Information Act, Act No. 442, Michigan Public Acts of 1976.

Section 9. Resolutions and Effective Date. All resolutions shall be in writing and shall be kept on file in the Department of Treasury. Resolutions shall become effective on the day of passage, upon adjournment of the meeting, unless otherwise stated in the resolution.

## ARTICLE V

### Liability of Members, Officers, and Employees

Section 1. Immunity. MCL 691.1407 generally permits governmental immunity as a defense to a member's alleged negligence in violating his or her duties and responsibilities, so long as the member:

- a. is acting, or reasonably believes he or she is acting, within the scope of his or her authority; and
- b. his or her conduct does not amount to gross negligence that is the proximate cause of the injury or damage ("gross negligence" means conduct so reckless as to demonstrate a substantial lack of concern for whether an injury results).

## ARTICLE VI

### Miscellaneous Provisions

Section 1. Fiscal Year. The fiscal year of the Commission shall be the same as the State's fiscal year.

Section 2. Execution of Documents. The Commission may authorize by resolution the execution of documents or certificates on behalf of the Commission by the members of the Commission and other authorized officers of the Commission as it considers appropriate.

Section 3. Conflict of Interest. Members of the Commission and contractors or agents of the Commission shall be subject to the provisions of Act No. 317, Michigan Public Acts of 1968 and Act No. 318, Michigan Public Acts of 1968 as well as any ethics policy adopted by the Commission.

Section 4. Conflict with the Act. To the extent that there is any conflict between these Bylaws and the Act or the underlying statutes, the Act and the underlying statutes shall control.

Section 5. Ethical Duties. Members of the Commission and contractors or agents of the Commission shall be subject to the provisions of the State Ethics Act, Act No. 196, Michigan Public Acts of 1973 as well as any ethics policy adopted by the Commission.

## ARTICLE VII

### Amendment and Suspension of Bylaws

Section 1. Amendment. These Bylaws may be amended by resolution adopted by the affirmative vote of a majority of the members. Advance notice of motions to amend the Bylaws need not be given.

Section 2. Suspension. Any and all of the provisions of the Bylaws, except those required by state law, may be suspended by the affirmative vote of a majority of the members.

As modified June \_\_, 2016



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

**DETROIT FINANCIAL REVIEW COMMISSION**

**RESOLUTION 2016-12**

**APPROVING THE COMMISSION'S AMENDED ETHICS POLICY**

WHEREAS, Public Act 181 of 2014, the Michigan Financial Review Commission Act (the "Act"), allows for the creation of the Detroit Financial Review Commission (the "Commission") within the Michigan Department of Treasury; and

WHEREAS, Section 5(12) of the Act provides that "[t]he commission shall adopt an ethics policy governing the conduct of commission members and officers and employees of the commission"; and

WHEREAS, the members of the Commission wish to amend the Detroit Financial Review Commission Ethics Policy to reflect enacted amendments to the Act, including the Commission's new oversight responsibilities for Detroit's school district.

NOW THEREFORE, be it resolved by the Detroit Financial Review Commission as follows:

1. That the Commission's amended ethics policy, attached as **Exhibit A** to this Resolution, is hereby approved and adopted.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.

IN WITNESS WHEREOF, the eligible voting members of the Commission, or their designees, have signed and adopted this Resolution.

DETROIT FINANCIAL REVIEW COMMISSION

By \_\_\_\_\_  
Darrell Burks, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Michael Duggan, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Stacy Fox, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Lorron James, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Brenda Jones, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Nick A. Khouri, State Treasurer and Detroit Financial Review Commission Member

By \_\_\_\_\_  
William Martin, Detroit Financial Review Commission Member

By \_\_\_\_\_  
John S. Roberts, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Tony Saunders, Detroit Financial Review Commission Member

By \_\_\_\_\_  
Detroit Public Schools Community District Superintendent,  
Detroit Financial Review Commission Member

By \_\_\_\_\_  
Detroit Public Schools Community District School Board  
Chairperson, Detroit Financial Review Commission Member

Date: \_\_\_\_\_  
Detroit, Michigan

**DETROIT FINANCIAL REVIEW COMMISSION****Standards of Conduct, Conflicts of Interest, and Ethics Policy**

This Standards of Conduct, Conflicts of Interest, and Ethics Policy (this “Code”) for the members of the Financial Review Commission (the “Commission”) for the qualified city (the “City”) and the qualified school district (the “School District”), as defined by section 3 of 2014 PA 181, MCL 141.1633, is designed to maintain the standards of conduct of the Commission, and to assure compliance with all applicable laws including, but not limited to, (i) 1968 PA 317, MCL 15.321 to 15.330, (ii) 1968 PA 318, MCL 15.301 to 15.310, and (iii) 1973 PA 196, MCL 15.341 to 15.348. To the extent there is conflict between this policy and applicable law, the applicable law shall govern.

The Commission is committed to conducting its business in accordance with the highest ethical standards. It is the policy of the Commission to conduct its business fairly, ethically, and in compliance with applicable law.

This Code requires not only the avoidance of misconduct, but also the avoidance of acts or omissions by a Commission member that give the appearance of misconduct or impropriety, as well as the obligation to report misconduct. Commission members shall not enter into any activity or incur any expense or liability which would compromise the Commission’s commitment to these high standards.

**I. Definitions.**

- A. “Affiliate” means a person who directly or indirectly owns or controls, is owned or controlled by, or is under common ownership or control with, another person.
- B. “Immediate family member” means a person’s spouse, child, sibling, or parent (including stepchildren, stepsiblings, stepparents, and adoptive relationships) or a relative of any degree residing in the same household as that person.
- C. “State Board of Ethics” means the board created by MCL 15.343.

**II. Disclosure of Financial Interests.** All Commission members must disclose any financial interests held that could create the appearance of impropriety. This must be done at any point during a Commission member’s term, at the next scheduled meeting of the Commission, after an apparent conflict related to any matter before the Commission arises and before the Commission takes any action with respect to such matter.

**III. Conflicts of Interest.** A Commission member’s duty to the Commission demands avoiding and disclosing actual, potential, and apparent conflicts of interest, including strict adherence to MCL 15.342, MCL 15.342a, and any other applicable law. A conflict of interest exists where the interests or benefits of a Commission member, or any of their affiliates or immediate family members conflicts with the interests or benefits of the Commission, the City, or the School District. A Commission member also has a conflict of interest if, in the course of performing his or her duties for the Commission, such Commission member’s judgment and discretion is or may be influenced by considerations of personal gain or benefit, or gain or benefit to a third party other than the Commission, the City, or the School District. Notwithstanding anything in this policy to the contrary, nothing herein shall be deemed to preclude the City’s Mayor, City Council President, School District’s Board Chairperson, School District’s Superintendent, State Treasurer and State Budget Director from fulfilling the duties of their respective offices.

- A. Commission members shall not engage in any conduct that constitutes a conflict of interest and shall immediately advise the Commission in writing of any incident or circumstance that may present the existence of an actual, potential or apparent conflict of interest. The Commission shall immediately notify in writing the State Board of Ethics of any actual, potential or apparent conflicts of interest.
- B. A Commission member with a conflict of interest related to any matter before the Commission shall disclose the conflict of interest before the Commission takes any action with respect to such matter, which disclosure shall become a part of the record of the Commission's official proceedings.
- C. The Commission member shall refrain from doing **all** of the following with respect to the matter that is the basis of the conflict of interest:
  - 1. voting in the Commission's proceedings related to the matter;
  - 2. participating in the Commission's discussion of and deliberation on the matter; and
  - 3. discussing the matter with any other Commission member.
- D. Commission members shall disclose and recuse themselves from voting on any matters involving immediate family members who are officers or employees of the City or School District or who directly or indirectly through an affiliate (i) do business with the City or School District, (ii) have any contracts with the City or School District, (iii) respond to any request for proposals of the City or School District, or (iv) seek any no-bid contracts (pending or future) of the City or School District.

**IV. Confidential Information.** During and after their service with the Commission, Commission members shall not knowingly disclose to third parties, or appropriate for their own use or the use of others, any Confidential Information obtained during his or her service with the Commission. "Confidential Information" means any information concerning the Commission's, the City's, or the School District's assets, employees, property, affairs, customers, service providers, processes, technology, data, financial information and any other information or data concerning the operation of the Commission, the City, or the School District that is not public information.

**V. Fair Dealing.** The Commission is committed to conducting its business fairly and in accordance with the highest ethical standards. No Commission member shall:

- A. use unfair techniques, such as misrepresentation of material facts or improper concealment of information, to gain an advantage;
- B. offer or accept a bribe, kickback or improper favor in order to secure a business advantage;
- C. knowingly use his or her official position, in violation of applicable law, to improperly influence a decision of the Commission, the City's Mayor, the City Council, the School District's Board, the School District's Superintendent, or any other employees of the City or School District; or
- D. attempt to influence any decision to fill a City or School District employment position with an immediate family member.

**VI. Reporting of Illegal or Unethical Behavior and Violations of this Code.** A Commission member shall report promptly any actual, attempted, potential, or apparent violation of this Code. If a

violation is observed or reported, or is indicated by records or other information of which a Commission member becomes aware, then the matter shall be immediately reported to the State Board of Ethics. In no event shall the Commission take or threaten any action against a Commission member for making a complaint or disclosing information in good faith concerning an actual, attempted, potential, or apparent violation of this Code.

As modified June \_\_, 2016

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DETROIT PUBLIC SCHOOLS



# **PROPOSED OPERATING BUDGET YEAR-ENDED JUNE 30, 2017**

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# DETROIT PUBLIC SCHOOLS

**Judge Steven Rhodes,  
Transition Manager**



Dear Detroit Community:

This document proposes a budget for an organization that will begin operations on July 1, 2016. As a result of State legislation, the Detroit Public Schools Community District will then have the responsibility to educate more than 45,000 children in the city of Detroit. This new school district will give the students, teachers, and staff who currently make up the Detroit Public Schools the opportunity for a fresh start.

The Detroit Public Schools have faced many challenges over the last several years. The budget presented here begins to address those challenges. Thanks largely to the State's recent investment in the District and the right-sizing of our central office over the past year, the budget proposed here is a balanced budget and is based on realistic assumptions, without the need to issue new debt. This honest budget will enable the new district to pay its hard-working staff and vendors when our obligations are due, allowing us to regain the public's trust and attract and retain the best people to work in our schools.

This budget does more than just meet our current and historical financial obligations – it also makes important investments in academic innovation, student safety, and improved facilities. This year, we will offer several new academic programs for our students, such as the first public Montessori/Open School program in Detroit, enhanced blended learning at A.L. Holmes Elementary-Middle School, an over-age English Language Learner classroom at Priest Elementary-Middle School, and the Cooke S.T.E.M. Academy in North Rosedale Park. The District has made investments in improving its financial accountability and transparency as well; chief among them is the reinstatement of the Office of the Inspector General to ensure that the fraudulent actions of a few individuals do not stain the reputation of the District and its dedicated and committed employees.

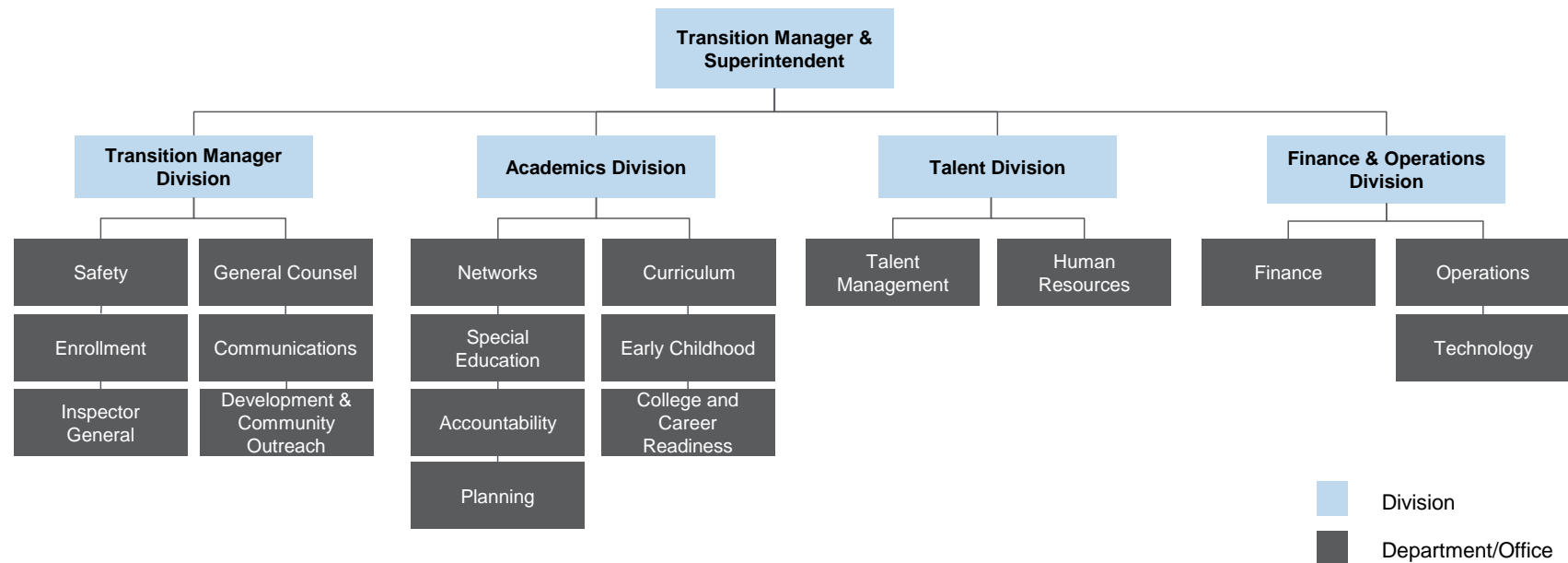
We will also continue to push forward in areas of recent success. Since 2008, the DPS graduation rate has risen more than 19 percent and is just 2.4 percent from the state average. Our graduating seniors have earned more than \$164 million in scholarships and grants for the second consecutive year, \$75 million of which are from academic subsidies alone. Six DPS seniors have earned the prestigious Gates Millennium Scholarship, which provides them with a full-ride to the college or university of their choice and continues to support them through graduate school.

With this fresh start will come tremendous change. The 2016-17 school year will see the end of state control of Detroit Public Schools, the election of a duly elected school board, and a re-negotiation of our collective bargaining agreements. We are optimistic that these changes will lead to improved academic outcomes while retaining financial responsibility.

A generation ago, the Detroit Public Schools were healthy and thriving. We believe that this budget, the first budget of the new Detroit Public Schools Community District, will set our new district back on a path to excellence.

Sincerely,  
Judge Steven Rhodes  
Transition Manager

## II. ORGANIZATIONAL CHART





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DETROIT PUBLIC SCHOOLS



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## **III. MAJOR PLANNING ASSUMPTIONS**

## District Budget Priorities

The FY 2017 (the 2016-17 school year) budget is based on five key priorities:

Priority	Why is this important?	How is this reflected in the budget?
Meet financial obligations	By paying money owed to employees, vendors, and others, <b>the District can regain the public's trust</b> and attract and retain the best people to work in and support schools	The FY 2017 budget allocates a significant portion of the \$150 million in state transition funds to meeting DPS obligations from FY 2016 (26-pay, etc.)
Balance the budget in a realistic way	A realistic balanced budget will set the District on a <b>fiscally responsible path</b> and allow the District to continue to meet financial obligations in the future	Revenues in FY 2017 are projected to equal expenditures based on a set of reasonable assumptions
Support academic innovation	Business as usual at the District won't <b>improve student achievement</b> ; we must experiment with innovative ways to educate students	A portion of state transition funds will be dedicated to the most innovative academic programs proposed by the DPS community
Improve student safety	Students have the right to learn in a <b>safe and secure environment</b>	A portion of state transition funds will be invested in additional security personnel, technology, and capital needs
Improve facilities	DPS has underinvested in facilities maintenance, and <b>many buildings are in need of repair</b>	A portion of state transition funds will be invested in the most urgent building maintenance needs

## Facility and Program Plans

The District will not close any school facilities in FY 2017. We believe that a duly elected school board should be responsible for any school closure decisions.

## Student Enrollment Projections (FTE):

In recent years, the District has devoted significant time and energy towards student recruitment and retention, and the District's enrollment decline has begun to stabilize. For FY 2017, this budget assumes a 1.8% decline in enrollment from the current year (FY 2016). This decline is in line with recent years and would lead to a District membership (for State funding purposes) of 41,626 for general membership and 3,885 for special education students for a total of 45,511 students in FY 2017.

**REVENUES**

The FY 2017 General Fund budget reflects total budgeted revenues of \$638.4 million. The District's anticipated revenues can be broken down by their source:

- \$445.8 million from the State of Michigan (includes Foundation Allowance of \$7,552 per student, which is a \$118 increase from FY 2016)
- \$141.8 million in federal funds
- \$50.8 million in local revenues

**Other Sources:****Sale of Capital Assets**

DPS anticipates receiving \$6.0 million for the sale of capital assets.

**Food Service Transfer**

The transfer from Fund 25 to Fund 11 is expected to be \$2.3 million. The amount of these transfers has been relatively consistent over recent years.

**Transfer from Other School Districts**

Due to recent legislation, Detroit Public Schools will receive \$150.0 million in transition funds from the State. \$125.0 million of these funds will remain with Detroit Public Schools to pay legacy DPS obligations, such as 26-pay for teachers, June 2016 payroll, and vendor liabilities. \$25.0 million will be transferred to the Detroit Public Schools Community District for investment in academic programs, safety enhancements, and facilities maintenance. \$7.7 million of those funds will be expended during FY 2017 and are included in the Expenditures section of the budget. The remaining \$17.3 million – which appears as the Fund Balance Designated for Future Investments in the Detroit Public Schools Community District's budget – will be reserved for continued investment in subsequent years.



## **EXPENDITURES**

The FY 2017 proposed budget reflects a 12% decline in total expenditure, with most of that decline due to legislation separating the District from the debt. Excluding the reduction in debt, total expenditure is down 2% from FY 2016 and 0.5% from FY 2015. Spending on instruction and pupil services is up slightly from FY 2015 (and down slightly from FY 2016) while spending on the central office (“General Administration” and “Business Office”) is down \$10 million from FY 2015, reflecting the Central Office Transformation which took effect in January 2016.

### **Personnel Costs**

Since FY 2015, spending on personnel costs has declined, largely as a result of the FY 2016 Central Office Transformation and due to adjustments in school staffing because of declining enrollment.

The FY 2017 General Fund Budget assumes a wage and compensation structure for all employee groups and non-union personnel that includes:

- **Salary & Wage Levels:** The budget maintains current salary levels for all employees. The budget will have to be modified to accommodate any salary or benefit increases for union personnel due to pending collective bargaining negotiations.
- **Health/Dental/Life/Vision (HDLV) Insurance:** The budget assumes a 20% increase in health care costs mid-way through FY 2017, leading to a net increase of 10% for the year. The District is actively considering how to best manage health care costs for FY 2017 and beyond.
- **State of Michigan Employer Pension:** The budget assumes a pension rate of 25.15% (down slightly from the FY 2016 rate of 25.78%) and a UAAL rate of 11.41% (up slightly from the FY 2016 rate of 10.53%).

### **Teacher Staffing Assumptions**

Each school’s general fund core teacher staffing allocation is based on its projected enrollment and the District’s instructional staffing assumptions.

During FY 2017, teachers will be staffed based on the following targeted class sizes, which are consistent with those in FY 2016:

	FY 2016	FY 2017	FY 2017
Grade	Class Size	Class Size	Preps
K-3	25	25	4
4-5	33	33	4
6-8	38	38	4
9-12	38	38	4

The staffing was based on the ratios above and took into account the actual filled positions at each school in FY 2016. The class size assumptions have not changed for the 2016-17 school year. Schools submitted appeals for 45 additional teachers and over 95 percent (43 teachers) were granted in order to maintain and improve academic programming at those schools. The District will actively work with schools to maintain the smallest class size possible.



**Debt Service**

The District will not have any Debt Service for FY 2017 due to the transition from Detroit Public Schools to Detroit Public Schools Community District.

**BALANCED BUDGET**

Excluding revenues and expenditures related to state transition funds, the District's budget is balanced, whether considering one-time occurrences, recurring revenues and expenditures, or both in combination. There is a one-time \$6.0 million inflow from asset sales in FY 2017; there is also a corresponding \$6.1 million outflow for Employee Severance Pay for early retirement that will not recur after FY 2017. Overall revenues plus other sources of funding are equal to \$646.6 million, and expenditures are equal to \$646.6 million.

	Amount (\$ millions)
Regular Operating Budget (Excluding State Transition Funds)	
Revenue & Other Sources	646.6
Expenditures Before State Transition Funds	646.6
Excess / (Deficiency)	0.0

In total, the State allocated \$150.0 million in transition funds for the change from Detroit Public Schools to Detroit Public Schools Community District. \$125.0 million of those funds will remain with Detroit Public Schools and be used to pay the legacy DPS obligations (26-pay for teachers, June payroll, vendor liabilities, etc.).

The remaining \$25.0 million in state transition funds will be transferred to Detroit Public Schools Community District from Detroit Public Schools. These funds appear as an inflow in the proposed general fund budget shown in Section IV as "Payments from Other School Districts" under "Other Financial Sources (Uses)." The budget also includes \$7.7 million in expenditures funded by these state transition funds. The rest of the \$25.0 million in state transition funds (\$17.3 million) will be spent after the close of the FY 2017 school year. This amount shows up as the "Fund Balance Designated for Future Investments" in the proposed general fund budget in Section IV.

	Amount (\$ millions)
State Transition Funds	
Transfer from Detroit Public Schools	25.0
Investments from State Transition Funds in FY 2017*	7.7
State Transition Funds to Be Invested After FY 2017	17.3

\* Includes \$1.9 million in academic programs, \$0.8 million in student safety, and \$5.0 million in facilities improvements



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DETROIT PUBLIC SCHOOLS



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## **IV. PROPOSED BUDGETS FOR DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT**

**DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
GENERAL FUND  
PROPOSED BUDGET  
YEAR ENDING JUNE 30, 2017**

	<u>FY 2017 - Proposed</u>
<b>Revenue:</b>	
Local sources	
Special education millage	\$ 38,826,853
Property Taxes	-
Other	11,925,615
Total local sources	50,752,468
State sources	445,820,225
Federal sources	141,820,618
<b>Total Revenue</b>	<b>638,393,311</b>
<b>Expenditures:</b>	
Instruction	332,136,275
Support services	
Pupil services	61,098,044
Instructional staff support	55,406,594
General administration	3,177,970
School administration	38,695,133
Business office	9,992,727
Operations & maintenance	84,826,740
Transportation	35,049,312
Central support service	28,356,986
Other support service	769,593
Total support services	317,373,099
Community service	4,189,662
Facilities acquisitions and improvement	606,809
Debt service	-
<b>Total Expenditures</b>	<b>654,305,845</b>
<b>Other Financial Sources (Uses)</b>	
<b>Sources</b>	
Transfers from other school districts	25,000,000
Proceeds from sale of capital assets	6,000,000
Transfers In	2,256,058
<b>Total Sources</b>	<b>33,256,058</b>
<b>Total Other Financial Sources (Uses)</b>	<b>33,256,058</b>
<b>Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>17,343,524</b>
<b>Beginning Fund Balance</b>	-
Fund Balance Designated for Future Investments	17,343,524
Unrestricted Fund Balance	-
<b>Ending Fund Balance</b>	<b>\$ 17,343,524</b>

**Detroit Public Schools Community District vs. DPS Prior Years  
(For Comparison Purposes)**

**DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
GENERAL FUND  
PROPOSED BUDGET  
YEAR ENDING JUNE 30, 2017**

	<b>FY 2015 - Actual</b>	<b>FY 2016 - 2nd Amendment</b>	<b>FY 2017 - Proposed</b>	<b>FY 2017 - Proposed Increase (Decrease) Over FY 2015 - Actual</b>	<b>FY 2017 - Proposed Increase (Decrease) Over FY 2016 - Amended</b>
<b>Revenue:</b>					
Local sources					
Special education millage	\$ 30,085,680	\$ 31,777,479	\$ 38,826,853	\$ 8,741,173	\$ 7,049,374
Property Taxes	65,981,648	68,909,286	-	(65,981,648)	(68,909,286)
Other	9,255,286	13,934,450	11,925,615	2,670,329	(2,008,835)
Total local sources	105,322,614	114,621,215	50,752,468	(54,570,146)	(63,868,747)
State sources	385,812,644	429,660,056	445,820,225	60,007,581	16,160,169
Federal sources	169,259,155	160,941,659	141,820,618	(27,438,537)	(19,121,041)
<b>Total Revenue</b>	<b>660,394,413</b>	<b>705,222,930</b>	<b>638,393,311</b>	<b>(22,001,102)</b>	<b>(66,829,619)</b>
<b>Expenditures:</b>					
Instruction	335,669,369	339,505,433	332,136,275	(3,533,094)	(7,369,158)
Support services					
Pupil services	52,375,223	57,706,830	61,098,044	8,722,821	3,391,214
Instructional staff support	62,830,196	71,701,361	55,406,594	(7,423,602)	(16,294,767)
General administration	7,583,101	4,464,900	3,177,970	(4,405,131)	(1,286,930)
School administration	35,378,176	37,594,136	38,695,133	3,316,957	1,100,997
Business office	16,031,649	8,994,005	9,992,727	(6,038,922)	998,722
Operations & maintenance	79,307,554	74,835,192	84,826,740	5,519,186	9,991,548
Transportation	32,840,089	37,194,522	35,049,312	2,209,223	(2,145,210)
Central support service	29,780,386	29,522,183	28,356,986	(1,423,400)	(1,165,197)
Other support service	2,023,495	885,007	769,593	(1,253,902)	(115,414)
Total support services	318,149,869	322,898,136	317,373,099	(776,770)	(5,525,037)
Community service	3,301,079	4,596,346	4,189,662	888,583	(406,684)
Facilities acquisitions and improvement	14,721	577,896	606,809	592,088	28,913
Debt service	56,895,055	63,849,494	-	(56,895,055)	(63,849,494)
<b>Total Expenditures</b>	<b>714,030,093</b>	<b>731,427,305</b>	<b>654,305,845</b>	<b>(59,724,248)</b>	<b>(77,121,460)</b>
<b>Other Financial Sources (Uses)</b>					
<b>Sources</b>					
Transfers from other school districts	-	-	25,000,000	25,000,000	25,000,000
Proceeds from sale of capital assets	5,401,970	3,046,000	6,000,000	598,030	2,954,000
Transfers In	1,762,100	2,256,058	2,256,058	493,958	-
<b>Total Sources</b>	<b>7,164,070</b>	<b>5,302,058</b>	<b>33,256,058</b>	<b>26,091,988</b>	<b>27,954,000</b>
<b>Total Other Financial Sources (Uses)</b>	<b>7,164,070</b>	<b>5,302,058</b>	<b>33,256,058</b>	<b>26,091,988</b>	<b>27,954,000</b>
<b>Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(46,471,610)</b>	<b>(20,902,317)</b>	<b>17,343,524</b>	<b>63,815,134</b>	<b>38,245,841</b>
<b>Beginning Fund Balance</b>	<b>(169,460,307)</b>	<b>(215,931,917)</b>	<b>-</b>		
Fund Balance Designated for Future Investments	-	-	17,343,524		
Unrestricted Fund Balance	-	-	-		
<b>Ending Fund Balance</b>	<b>\$ (215,931,917)</b>	<b>\$ (236,834,234)</b>	<b>\$ 17,343,524</b>		



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## **V. PROPOSED BUDGETS FOR DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT OTHER GOVERNMENTAL FUNDS**

**Food Service**

The District records food service economic transactions in Fund 25, which is a special revenue fund that is not a part of the General Fund and as such is presented separately. This Fund continues to maintain a positive fund balance while providing high quality food service to our students. Following is the FY 2017 budget for the District's food service operations:

**DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
FOOD SERVICE FUND  
PROPOSED BUDGET  
YEAR ENDING JUNE 30, 2017**

	<b>FY 2017 - Proposed</b>
<b>Revenue:</b>	
Local sources	
Other	\$ 980,500
Total local sources	980,500
State sources	1,283,000
Federal sources	47,340,473
<b>Total Revenue</b>	<b>49,603,973</b>
<b>Expenditures:</b>	
Support services	
Personnel	15,190,201
Purchased Services	2,644,775
Supplies	28,412,939
Equipment & Capital	1,100,000
Total support services	47,347,915
<b>Total Expenditures</b>	<b>47,347,915</b>
<b>Other Financial Sources (Uses)</b>	
<b>Sources</b>	
Transfers from Other School Districts	6,146,057
<b>Total Sources</b>	<b>6,146,057</b>
<b>Uses</b>	
Transfers Out	(2,256,058)
<b>Total Uses</b>	<b>(2,256,058)</b>
<b>Total Other Financial Sources (Uses)</b>	<b>3,889,999</b>
<b>(Under) Expenditures</b>	<b>6,146,057</b>
<b>Beginning Fund Balance</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 6,146,057</b>

**Detroit Public Schools Community District vs. DPS Prior Years  
(For Comparison Purposes)**

**DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
FOOD SERVICE FUND  
PROPOSED BUDGET  
YEAR ENDING JUNE 30, 2017**

	FY 2015 - Actual	FY 2016 - 2nd Amendment	FY 2017 - Proposed	FY 2017 - Proposed Increase (Decrease) Over FY 2015 - Actual	FY 2017 - Proposed Increase (Decrease) Over FY 2016 - Amended
<b>Revenue:</b>					
Local sources					
Other	\$ 906,280	\$ -	\$ 980,500	\$ 74,220	\$ 980,500
Total local sources	906,280	-	980,500	74,220	980,500
State sources	1,653,364	2,800,000	1,283,000	(370,364)	(1,517,000)
Federal sources	43,044,669	43,570,897	47,340,473	4,295,804	3,769,576
<b>Total Revenue</b>	<b>45,604,313</b>	<b>46,370,897</b>	<b>49,603,973</b>	<b>3,999,660</b>	<b>3,233,076</b>
<b>Expenditures:</b>					
Support services					
Personnel	13,529,815	15,674,477	15,190,201	1,660,386	(484,276)
Purchased Services	2,914,962	3,865,065	2,644,775	(270,187)	(1,220,290)
Supplies	24,424,489	23,356,646	28,412,939	3,988,450	5,056,293
Equipment & Capital	1,798,665	1,218,651	1,100,000	(698,665)	(118,651)
Total support services	42,667,931	44,114,839	47,347,915	4,679,984	3,233,076
<b>Total Expenditures</b>	<b>42,667,931</b>	<b>44,114,839</b>	<b>47,347,915</b>	<b>4,679,984</b>	<b>3,233,076</b>
<b>Other Financial Sources (Uses)</b>					
<b>Sources</b>					
Transfers from Other School Districts	-	-	6,146,057	6,146,057	6,146,057
<b>Total Sources</b>	<b>-</b>	<b>-</b>	<b>6,146,057</b>	<b>6,146,057</b>	<b>6,146,057</b>
<b>Uses</b>					
Transfers Out	(1,762,100)	(2,256,058)	(2,256,058)	493,958	-
<b>Total Uses</b>	<b>(1,762,100)</b>	<b>(2,256,058)</b>	<b>(2,256,058)</b>	<b>493,958</b>	<b>-</b>
<b>Total Other Financial Sources (Uses)</b>	<b>(1,762,100)</b>	<b>(2,256,058)</b>	<b>3,889,999</b>	<b>5,652,099</b>	<b>6,146,057</b>
<b>(Under) Expenditures</b>	<b>1,174,282</b>	<b>-</b>	<b>6,146,057</b>	<b>4,971,775</b>	<b>6,146,057</b>
<b>Beginning Fund Balance</b>	<b>4,971,775</b>	<b>6,146,057</b>	<b>-</b>		
<b>Ending Fund Balance</b>	<b>\$ 6,146,057</b>	<b>\$ 6,146,057</b>	<b>\$ 6,146,057</b>		





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## **VI. PROPOSED BUDGETS FOR DETROIT PUBLIC SCHOOLS**

The Detroit Public Schools Budget is presented separately below:

**DETROIT PUBLIC SCHOOLS  
GENERAL FUND  
PROPOSED BUDGET  
YEAR ENDING JUNE 30, 2017**

	FY 2015	FY 2016 - 2nd Amendment	FY17	FY 2017 - Proposed Increase (Decrease) Over FY 2015 - Actual	FY 2017 - Proposed Increase (Decrease) Over FY 2016 - Amended
<b>Revenue:</b>					
Local sources					
Special education millage	\$ 30,085,680	\$ 31,777,479	\$ -	\$ (30,085,680)	\$ (31,777,479)
Property Taxes	65,981,648	68,909,286	66,000,000	18,352	(2,909,286)
Other	9,255,286	13,934,450	-	(9,255,286)	(13,934,450)
Total local sources	105,322,614	114,621,215	66,000,000	(39,322,614)	(48,621,215)
State sources	385,812,644	429,660,056	-	(385,812,644)	(429,660,056)
Federal sources	169,259,155	160,941,659	-	(169,259,155)	(160,941,659)
<b>Total Revenue</b>	<b>660,394,413</b>	<b>705,222,930</b>	<b>66,000,000</b>	<b>(594,394,413)</b>	<b>(639,222,930)</b>
<b>Expenditures:</b>					
Instruction	335,669,369	339,505,433	-	(335,669,369)	(339,505,433)
Support services					
Pupil services	52,375,223	57,706,830	-	(52,375,223)	(57,706,830)
Instructional staff support	62,830,196	71,701,361	-	(62,830,196)	(71,701,361)
General administration	7,583,101	4,464,900	300,000	(7,283,101)	(4,164,900)
School administration	35,378,176	37,594,136	-	(35,378,176)	(37,594,136)
Business office	16,031,649	8,994,005	700,000	(15,331,649)	(8,294,005)
Operations & maintenance	79,307,554	74,835,192	-	(79,307,554)	(74,835,192)
Transportation	32,840,089	37,194,522	-	(32,840,089)	(37,194,522)
Central support service	29,780,386	29,522,183	-	(29,780,386)	(29,522,183)
Other support service	2,023,495	885,007	-	(2,023,495)	(885,007)
Total support services	318,149,869	322,898,136	1,000,000	(317,149,869)	(321,898,136)
Community service	3,301,079	4,596,346	-	(3,301,079)	(4,596,346)
Facilities acquisitions and improvement	14,721	577,896	-	(14,721)	(577,896)
Debt service	56,895,055	63,849,494	65,000,000	8,104,945	1,150,506
<b>Total Expenditures</b>	<b>714,030,093</b>	<b>731,427,305</b>	<b>66,000,000</b>	<b>(648,030,093)</b>	<b>(665,427,305)</b>
<b>Other Financial Sources (Uses)</b>					
<b>Sources</b>					
Proceeds from sale of capital assets	5,401,970	3,046,000	-	(5,401,970)	(3,046,000)
Loan Proceeds	-	-	150,000,000	150,000,000	150,000,000
Transfers In	1,762,100	2,256,058	-	(1,762,100)	(2,256,058)
<b>Total Sources</b>	<b>7,164,070</b>	<b>5,302,058</b>	<b>150,000,000</b>	<b>142,835,930</b>	<b>144,697,942</b>
<b>Uses</b>					
Transfer to DPS Community District	-	-	(25,000,000)	(25,000,000)	(25,000,000)
<b>Total Uses</b>	<b>-</b>	<b>-</b>	<b>(25,000,000)</b>	<b>(25,000,000)</b>	<b>(25,000,000)</b>
<b>Total Other Financial Sources (Uses)</b>	<b>7,164,070</b>	<b>5,302,058</b>	<b>125,000,000</b>	<b>117,835,930</b>	<b>119,697,942</b>
<b>Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(46,471,610)</b>	<b>(20,902,317)</b>	<b>125,000,000</b>	<b>171,471,610</b>	<b>145,902,317</b>
<b>Beginning Fund Balance</b>	<b>(169,460,307)</b>	<b>(215,931,917)</b>	<b>(236,834,234)</b>		
<b>Ending Fund Balance</b>	<b>\$ (215,931,917)</b>	<b>\$ (236,834,234)</b>	<b>\$ (111,834,234)</b>		



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## **VII. PROPOSED BUDGETS FOR DETROIT PUBLIC SCHOOLS OTHER GOVERNMENTAL FUNDS**

**Food Service**

The District records food service economic transactions in Fund 25, which is a special revenue fund that is not a part of the General Fund and as such is presented separately. This Fund has historically had a positive fund balance, which will be transferred to Detroit Public Schools Community District in FY 2017.

**DETROIT PUBLIC SCHOOLS  
FOOD SERVICE FUND  
PROPOSED BUDGET  
YEAR ENDING JUNE 30, 2017**

	FY 2015 - Actual	FY 2016 - 2nd Amendment	FY 2017 - Proposed	FY 2017 - Proposed Increase (Decrease) Over FY 2015 - Actual	FY 2017 - Proposed Increase (Decrease) Over FY 2016 - Amended
<b>Revenue:</b>					
Local sources					
Other	\$ 906,280	\$ -	\$ -	\$ (906,280)	\$ -
Total local sources	906,280	-	-	(906,280)	-
State sources	1,653,364	2,800,000	-	(1,653,364)	(2,800,000)
Federal sources	43,044,669	43,570,897	-	(43,044,669)	(43,570,897)
<b>Total Revenue</b>	<b>45,604,313</b>	<b>46,370,897</b>	<b>-</b>	<b>(45,604,313)</b>	<b>(46,370,897)</b>
<b>Expenditures:</b>					
Support services					
Personnel	13,529,815	15,674,477	-	(13,529,815)	(15,674,477)
Purchased Services	2,914,962	3,865,065	-	(2,914,962)	(3,865,065)
Supplies	24,424,489	23,356,646	-	(24,424,489)	(23,356,646)
Equipment & Capital	1,798,665	1,218,651	-	(1,798,665)	(1,218,651)
Total support services	42,667,931	44,114,839	-	(42,667,931)	(44,114,839)
<b>Total Expenditures</b>	<b>42,667,931</b>	<b>44,114,839</b>	<b>-</b>	<b>(42,667,931)</b>	<b>(44,114,839)</b>
<b>Other Financial Sources (Uses)</b>					
<b>Uses</b>					
Transfers Out	(1,762,100)	(2,256,058)	-	(1,762,100)	(2,256,058)
Transfers to Other School Districts	-	-	(6,146,057)	6,146,057	6,146,057
<b>Total Uses</b>	<b>(1,762,100)</b>	<b>(2,256,058)</b>	<b>(6,146,057)</b>	<b>4,383,957</b>	<b>3,889,999</b>
<b>Total Other Financial Sources (Uses)</b>	<b>(1,762,100)</b>	<b>(2,256,058)</b>	<b>(6,146,057)</b>	<b>(4,383,957)</b>	<b>(3,889,999)</b>
<b>Excess (deficiency) of Revenue Over (Under) Expenditures</b>	<b>1,174,282</b>	<b>-</b>	<b>(6,146,057)</b>	<b>(7,320,339)</b>	<b>(6,146,057)</b>
<b>Beginning Fund Balance</b>	<b>4,971,775</b>	<b>6,146,057</b>	<b>6,146,057</b>		
<b>Ending Fund Balance</b>	<b>\$ 6,146,057</b>	<b>\$ 6,146,057</b>	<b>\$ -</b>		