A Budget Hearing of the School Board of said district was held in the Administrative Offices on the above date. The meeting was called to order by President Haidle at 5:30 p.m.

Members Present: Drake, Haidle, Joseph and Rettig
Members Absent: Bajema

Kent ISD Staff Present: Superintendent Caniff, Assistant Superintendents Hagerty, Smith, Sullivan and Recording Secretary Conners, Directors Baine and Stamas

Guests: Lane Bucsi, Jordan Coleman, LeighAnn Chachulski, Joanne Hewartson, Nancy Misner, Shannon Spettel, Matt Reda, Deb VanDyke

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Superintendent Caniff opened up the annual Budget Hearing held pursuant to statute MCL 141.413.

Assistant Superintendent Hagerty welcomed all guests and thanked the Kent ISD staff for all their work preparing for the budget hearing. He provided a PowerPoint presentation and gave the following report to the School Board:

National and Michigan Economy

Assistant Superintendent Hagerty reviewed housing starts, which drives economic development. These are still below the long-term average. Since 1959, Michigan has averaged 1.5 million new houses per year. In 2009, this dropped to .5 million. We have recovered somewhat and are at 1.2 million annual builds as of February 2019; however this is still below average. The U.S. employment is at the lowest rate (3.8%) since the late 1960s. This is considered full employment. One concern is the current length of economic expansion, which is long by historical standards. The economy is expected to cool and pull back; which will affect Taxable Value.

The economic outlook was a little shaky with the S&P 500 dropping 13.6% in 2018Q4. The Federal Government shutdown lasted 35 days and the threatened trade war led to heightened uncertainty. Severe weather in Michigan led to many business and government closures, which also affected the economy. Things appear to be improving; the S&P 500 is up 13.1% in 2019Q1. The trade war rhetoric has cooled some, with some increased activity lately. The Federal Reserve has paused interest rate increases. Employment growth continues to be strong and the economy is likely to grow through the rest of the year.

The Michigan unemployment rate has dropped from 14.6% in June 2009 to 4.0% in February 2019. Employment growth has been strong since 2010. There has been a 12.6% growth in payroll employment overall with increases in all areas except Government. However, employment levels are still below levels in 2000. Michigan taxes have fallen from 10.4% to 9.1% as a percent of state personal income. Michigan ranks 33rd in a national study on best states for personal income growth. The U.S. average from 2000-2016 was 86.3%, the Michigan average was 47.4% during that period. Michigan trails the U.S. in state and local taxes per Capita. This affects both the general fund and the school aid fund.

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Assistant Superintendent Hagerty stated the MPSERS retirement payments absorb much of the revenue growth in the school aid fund. He reviewed the capital outlay for highways per capita for 2016. Michigan is at the bottom of this list and only pays $155 per capita for road improvement. He reviewed current road conditions, the current course deterioration effects and the changes needed to reach a goal of 90% of Michigan roads in good condition.

Based on numbers from the revenue conference last week the school aid fund is strong. There was $376 million in new money. This equates to an almost 3% annual growth and is enough for a $250 per pupil increase if funds are not diverted to higher education and retirement costs.

Taxable Value Local Impact

Assistant Superintendent Hagerty reported that the inflation rate multiplier is 2.4%. This is up from 2.2% last year. In 2019, the county taxable value grew 5.81%, the highest it has been in the last 13 years. There will be a Headlee millage reduction rollback for 16 of the 20 local school districts. Taxable value has increased 14% over three years and has been strong across the county due to the strong economy. The state equalized value from local units and taxable value history were reviewed. While the industrial segment lead growth in 2018, the residential segment leads the way in 2019 with an 8.18% increase in taxable value in Kent County.

Kent ISD Budgets

Assistant Superintendent Hagerty reviewed the Kent ISD budgets. The recommended levies for 2019-20 include General Education Operating for .0884, Special Education Operating for 3.6558, Vocational Education Operating for .9762, and Enhancement Millage for .8909, for a combined 5.6113 after the Headlee rollback. The 2019-20 taxable value is $25,051,273,439. The projected revenue with the Headlee rollback is $140,577,259. The Headlee rollback decreases revenue by approximately $900,000.

Budget assumptions for revenue and expenses were reviewed. Property taxes were projected to increase 2.91% based on the average of the past five years. There was no change in state or federal revenue. Wages are projected to increase 1.75%. The health benefits cost and retirement rates were reviewed. Retirement rates are set by ORS and range from 20.96% to 27.5%, plus the UAAL rate of 12.41%.

Assistant Superintendent Hagerty reviewed all three Kent ISD operating funds. The general fund is projected to have a deficit of $1.9 million in 2018-19. This account has gone from a surplus of $5.4 million in FY2017 to $1.8 million in FY2020. This is the last year that a transfer will be sent to the general fund capital projects for the fiber WAN project. GSRP and the adult education consortium make up over 65% of the general fund revenue and grant revenue has remained consistent and not kept up with increased costs such as staff wage increases. Enhancement millage revenue/expenditures are recorded in the community service fund (fund 23). This is a break-even fund as revenue is transferred out to local districts.

The Special Education fund is the largest with revenue of $208,000,000. This does not include Center Program funds. Cooperative services such as itinerant programs, transportation, IDEA and Medicaid dominate this fund. 95% of Special Education revenue is flow through dollars to the local districts. Act 18 funds represent nearly 40% of total expenditures. This fund

has a strong fund balance exceeding $5.6 million. Some of this balance will be used as we prepare for the transition of the Center Programs and on the Lincoln Campus improvement project. Operation and maintenance costs are projected to drop from $800,000 to $85,000 next year as these costs will be allocated to the Center Program budget.

Property tax revenues are nearly 75% of the total CTE fund revenue. This budget has been positively affected by taxable value increases and has a fund balance of almost $10 million. A portion of this fund balance is allocated to a secure entrance and future decisions regarding the Downtown Market programs. The millage equalization and 61b monies are not included in the budget.

The cooperative programs fund is considered the "entrepreneur" fund and continues to produce over $3 million in revenue. The majority of this revenue continues to be bill backs to local districts. The fund includes programs and services such as KIH, MySchool, SNN and the data warehouse. 25% of the cooperative fund balance ($405,000) is for the data warehouse.

Assistant Superintendent Hagerty reviewed the capital projects budgets and planned improvements. The CTE millage increase of .1, which is approximately $2.3 million, is split to be used for infrastructure (roads and roofs), program equipment upgrade/expansion, and future opportunities.

The meeting was adjourned by President Haidle at 6:00 p.m.

Minutes Approved: June 17, 2019

Andrea Haidle

Andrea Haidle, President

Claudia Bajema

Claudia Bajema, Secretary

/cc