

# Community Budget Guide

Personal Experience with Exceptional Results



2016-17 Fiscal Year



# Message from the Superintendent

This Community Budget Guide is designed to provide our parents and taxpayers with an understandable explanation of the complexity and challenges of our Hamilton Community Schools' financial operations.

## District Strategic Plan-Finance and Operations

### Short Term (0-18 Months)

- Craft a plan and associated timeline for ways to generate district revenue while focusing on our brand promise of: "A personal experience with exceptional results."
- Conduct a full facilities study and develop a full plan and calendar for anticipated facilities renovations and upkeep.
- Research and craft a long term plan and recommendation for Sandyview Elementary.

### Long Term (18-36 Months)

- Balance the district's operational budget by the end of the 2015-16 school year.
- Establish a plan for a bond or sinking fund request to support identified areas of need based on the information from the facilities study, the Sandyview Elementary plan and the ongoing technology needs of the District.
- Establish a team to craft and begin to execute a sustainable technology plan that allows the district to move to a 1.3 to 1 model.
- Begin to execute the long-term plan for Sandyview Elementary.

We encourage you to learn more about our budget and welcome suggestions on the allocation of district financial resources in order to maintain essential programs and services that impact student success.

— *David Tebo, Superintendent*



“Hamilton Community Schools believes that all students can learn and achieve mastery of skills needed to be lifelong learners. This will include group and individual problem solving so students can function effectively in an ever changing society. We accept the responsibility to educate all students, and develop positive social/emotional behaviors and attitudes in an atmosphere of trust and mutual respect. This will happen through staff commitment and in cooperation with students, parents and community.”

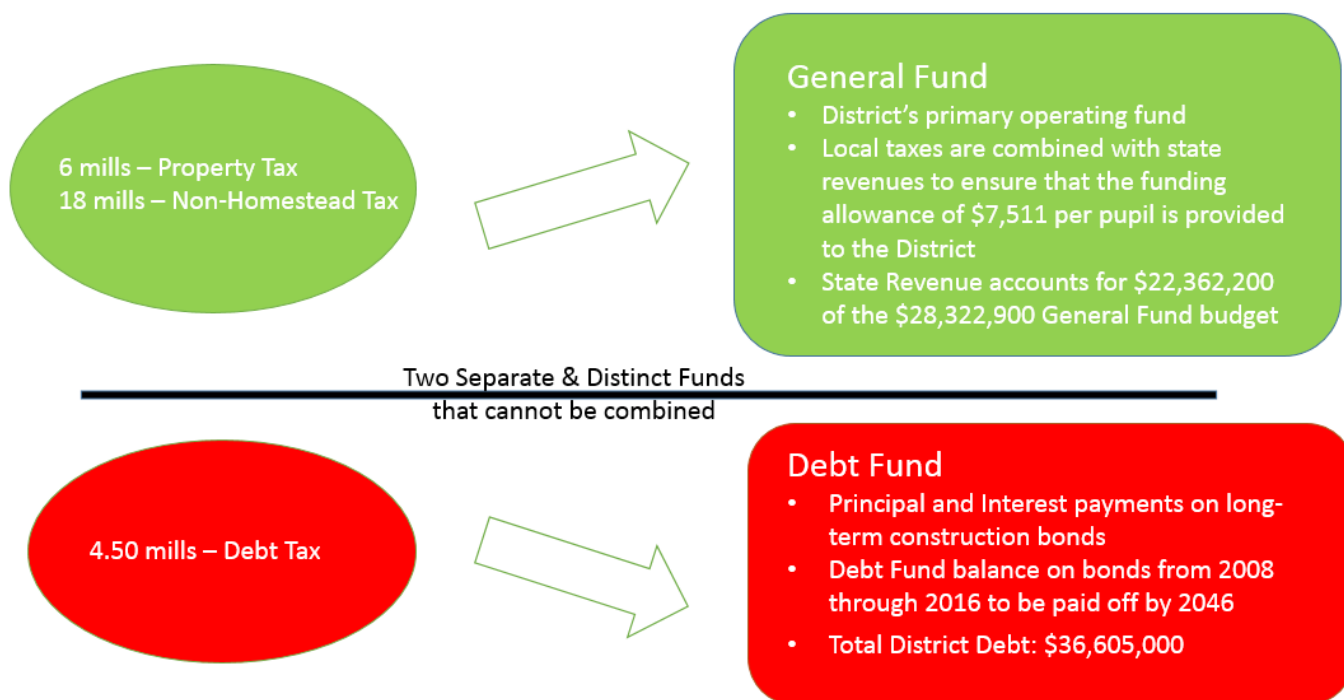
- *HCS Mission Statement*

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# District Funding



## Budget Basics

Hamilton Community Schools has two primary funds: General Fund and Debt Fund.

### General Fund

The General Fund provides for personnel and program expenses as well as the day-to-day operations and maintenance of our schools. The majority of the General Fund revenue comes from the per-pupil foundation allowance we receive from the State of Michigan.

The Board of Education must annually approve a budget by June 30. Currently, the district is in the 2016-17 Fiscal Year which runs from July 1 to June 30. Operational expenses are funded annually through the state foundation allowance of \$7,511 per pupil (2016-17).

### Debt Fund

The Debt Fund pays down the principal and interest from past bond issues approved by the voters for the purchase of land, construction of facilities, and technology and equipment.

The Board of Education can only ask the community to support tax requests for construction projects and **cannot** ask the community to support a tax increase for operational expenses. Funds raised through the sale of voter-approved bond issues **cannot** be used to support operational expenses such as employee salaries and benefits, school supplies, and textbooks.



# Tax Levies or Millages

## 6 mills - State Education Tax:

Paid by all property owners statewide, these 6 mills are collected at the state level and are combined with a portion of state income and sales taxes, as well as state lottery profits and a portion of other taxes to fund the state School Aid Fund, which is allocated to school districts on a per-pupil basis.

## 18 mills - Non-Homestead Tax:

Paid by property owners without a homestead exemption, these 18 mills are collected locally, and represent a portion of the per-pupil state foundation allowance. This millage must be approved by the voters (the next vote will be in November of 2016).

## 4.5 mills - Debt Tax:

This tax levy is used to repay the principal and interest on voter-approved construction projects and is paid by all property owners in the Hamilton Community School District.

As you can see in the table below, Hamilton has one of the lowest debt levies of all neighboring school districts.

## Comparison of 2015 Capital Improvements Millage Rates—Allegan and Ottawa Counties

School District	Debt Service	Sinking Fund	Total
Allendale	10.9400		10.9400
Hopkins	10.3400		10.3400
Coopersville	9.0900		9.0900
Jenison	8.5000		8.5000
Wayland Union	8.4000		8.4000
West Ottawa	7.7500	0.2997	8.0497
Hudsonville	7.0000	0.9983	7.9983
Bloomingtondale	7.7000		7.7000
Allegan	7.5500		7.5500
Otsego	7.5000		7.5000
Plainwell	7.4600		7.4600
Holland	6.6200	0.7422	7.3622
Spring Lake	7.0000		7.0000
Martin	6.9800		6.9800
Zeeland	6.9500		6.9500
Fennville	4.4500	0.5000	4.9500
South Haven	4.8000		4.8000
<b>Hamilton</b>	<b>4.5000</b>		<b>4.5000</b>
Grand Haven	4.1700		4.1700
Saugatuck	3.5900	0.4997	4.0897

## 2016-17 Enrollment

Grade Level	Student FTE
Early Childhood Special Education	11
Young Fives	39
Kindergarten	173
1st Grade	202
2nd Grade	184
3rd Grade	216
4th Grade	207
5th Grade	186
6th Grade	203
7th Grade	194
8th Grade	207
9th Grade	197
10th Grade	208
11th Grade	219
12th Grade	244
Shared Time	309
<b>Total</b>	<b>2,999</b>

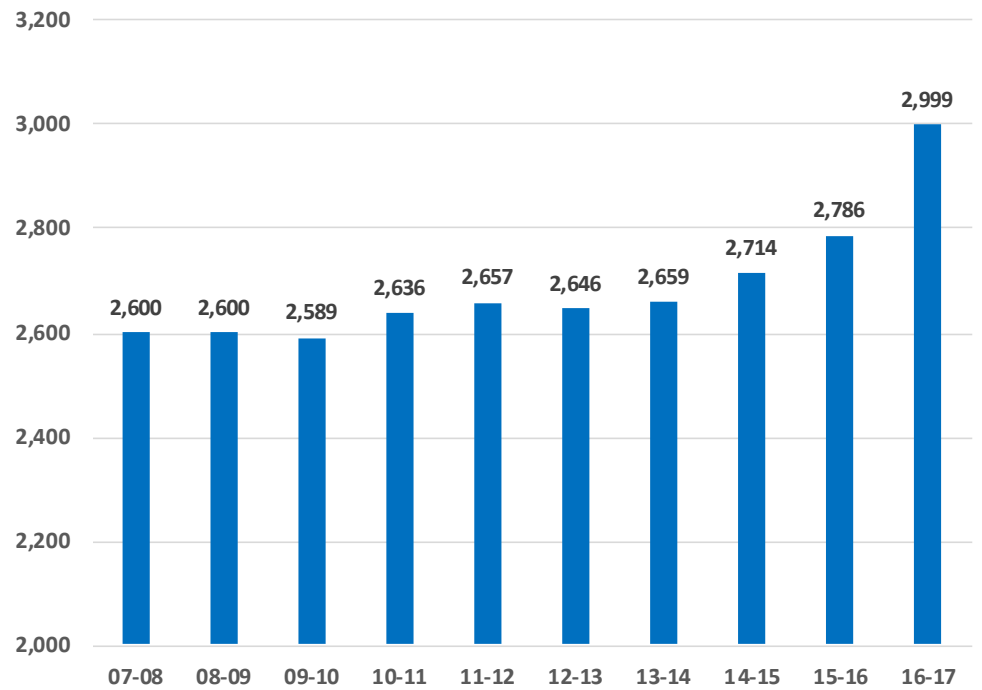
### NOTES:

FTE refers to Full-Time Equivalent student. For state reporting and funding purposes, the District must account for the instructional time for each student.

The 9th through 12th grade numbers above include both Hamilton High School and Pioneer Tech High School students.

HCS provides elective classes with Calvary Schools and our Home School Partnership. These classes equate to the 309 FTE shown above.

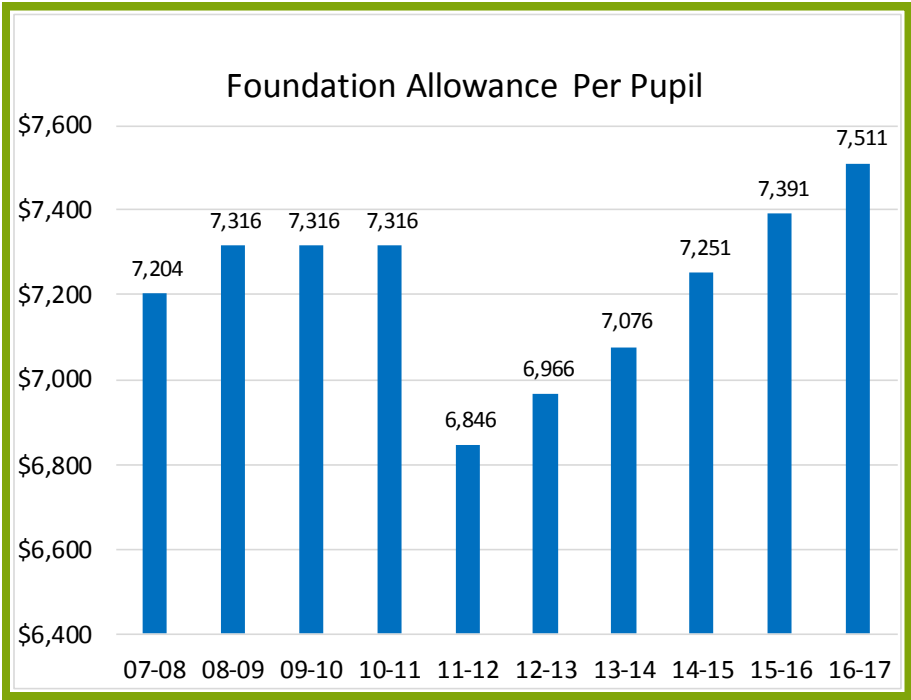
### HCS Enrollment History



## Enrollment History

### FOUR FACTORS THAT IMPACT ENROLLMENT FOR OUR SCHOOLS:

- School of Choice has been a positive option for Hamilton Community Schools. The District has approximately a 3:1 ratio of incoming students versus exiting students for school of choice.
- In 2011-2012, online learning options became available to students. Parents could choose to have their child take one or two classes or their full schedule online. Hamilton offers 7th-12th grade students a variety of options regarding online learning.
- In 2012-2013, the State Legislature amended the State School Aid Act requiring a full day for kindergarten in order to receive the full foundation allowance. At that time Hamilton eliminated its half-time kindergarten which resulted in the need for more staff and more classroom space at the elementary level.
- Hamilton runs two shared time programs, one with Calvary Schools of Holland and our Home School Partnership. Shared time students are allowed to enroll part time with a public school taking non-essential courses.



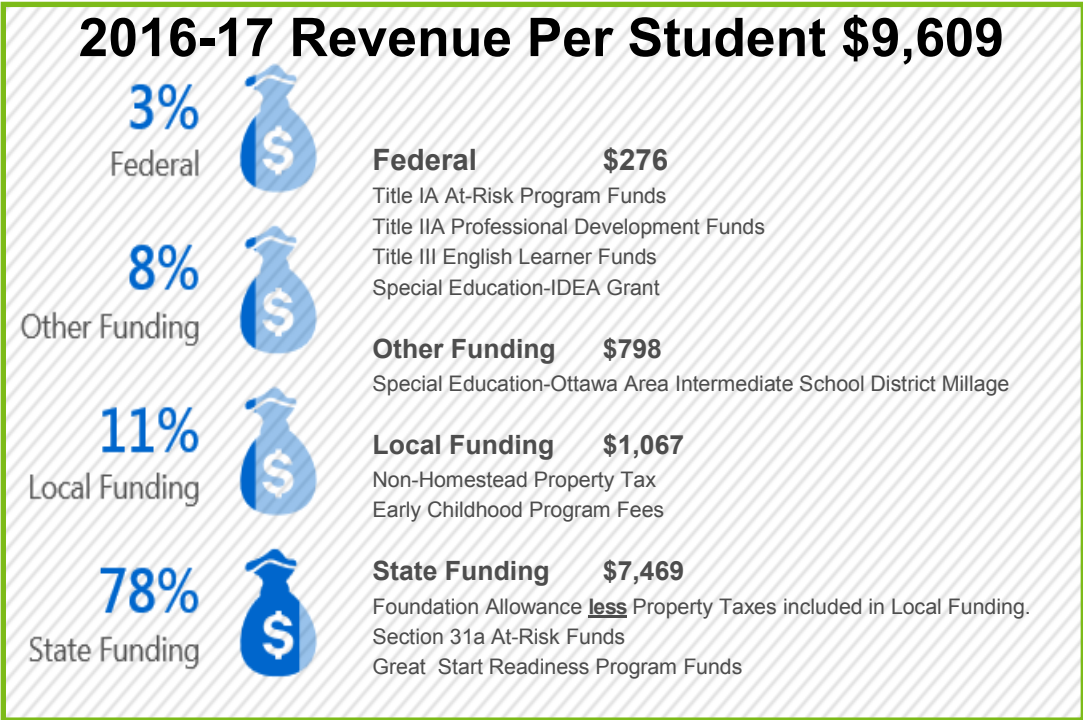
## Per Pupil Foundation Allowance

The state foundation allowance is the district's major source of funding which was created in 1994 with Proposal A. To the left is a 10-year history of that funding.

After two years of no funding increases, the foundation allowance was cut by \$470 in the 2011-12 school year. The 2015-16 school year was the first time in five years that the foundation allowance exceeded the 2010-11 level.

## Revenue Sources

Three quarters of the District's total revenues come from state funding sources. The other quarter is based on the community's census data regarding economically disadvantaged students and specific populations of students like those with special needs or English Learners. The District's free and reduced lunch rate is just under 25 percent of the total student enrollment. This percentage rate tends to exclude the District from poverty-based grants and special programs.

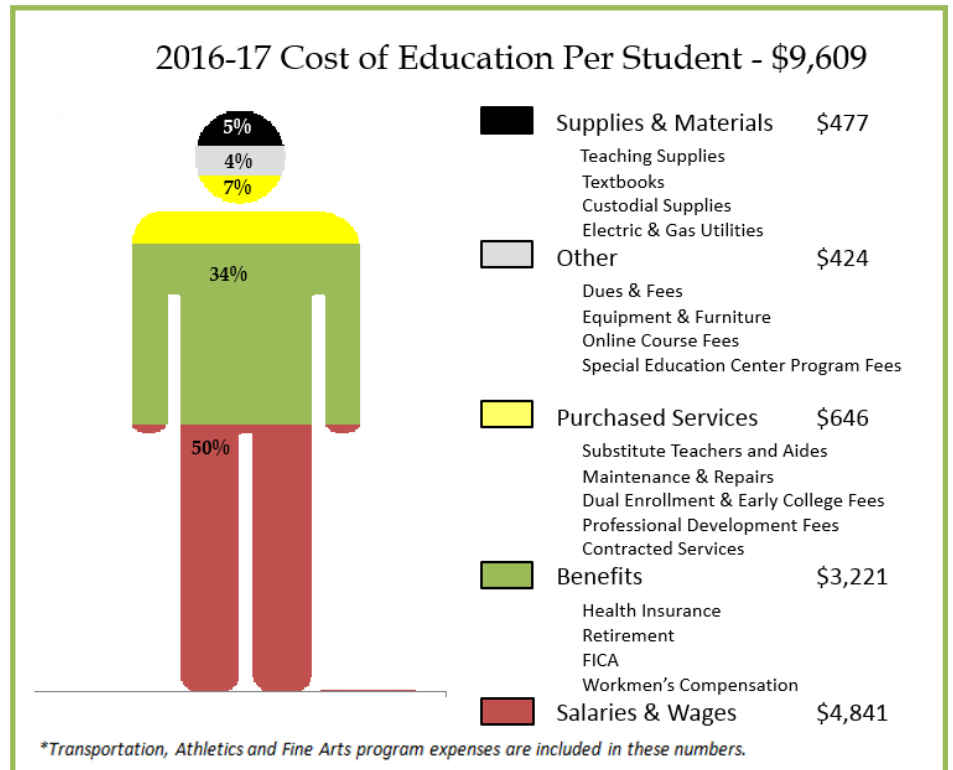


## Personnel & Non-Personnel Expenses

Because education is a people-intensive service, 83 percent of the General Fund Budget is spent on wages and benefits.

Non-personnel expenditures include such things as:

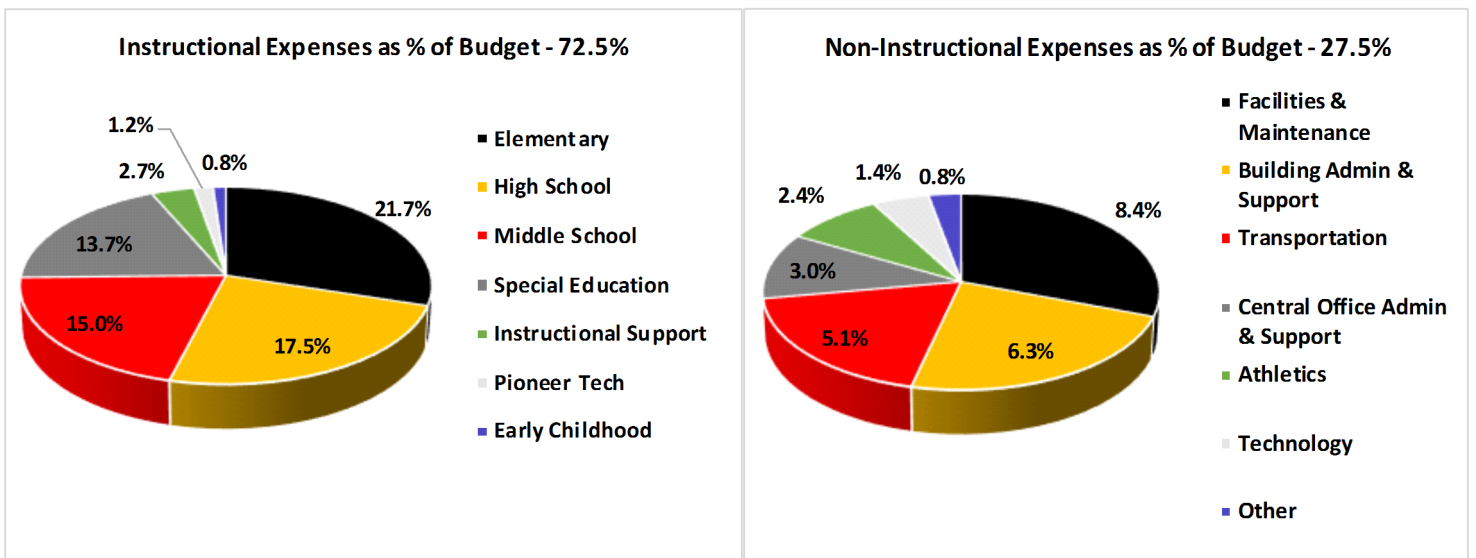
- Teaching Supplies & Textbooks
- Technology License Fees
- Custodial & Maintenance Supplies
- Utilities
- Capital Outlay for Furniture & Equipment
- Business Expenses (Audit, Legal, Insurance)



## Resource Allocation

Our priority as a district is to allocate resources directly to the classroom and other educational opportunities for students.

As seen in the pie charts below, 72.5 percent of revenues are allocated to instructional programming while the other 27.5 percent provide the needed facilities, transportation, support, and other opportunities to enhance the educational environment.



## Factors Bearing on the District's Financial Future

1. The uncertainty of student foundation funding levels reflects the economic difficulties faced by the State of Michigan and the District. Two recent challenges are the Flint water crisis and the financial stress facing the Detroit Public Schools. The long-term solution could potentially impact funding for school districts for several years.
2. Demographic projections indicate that enrollment is likely to continue growing slowly. While this is good news, rising costs including employee health insurance, retirement contribution costs, and utilities can quickly eat up those additional revenues.
3. Pension costs, mandated by the State of Michigan, are continuing to grow as a larger percentage of the District's expenses. Legislative reform is necessary to reduce the burden on school districts.
4. In 2010, Congress enacted the Patient Protection and Affordable Care Act. The economic impact of health care cost increases continue to be a challenge for District employees and the District.

Revenue & Expense Trends					
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>Revenues</b>					<b>Budget</b>
Local Sources	\$3,114,827	\$3,313,603	\$3,212,707	\$2,995,828	\$3,001,700
State Funding	16,761,867	17,490,425	19,024,895	20,450,888	22,362,200
Federal Funding	803,139	789,816	743,138	712,848	762,600
ACT 18 Special Ed Funding	2,029,320	2,041,027	2,085,939	2,102,890	2,078,353
Other	(177,024)	132,252	242,609	101,118	118,047
<b>Total Revenues</b>	<b>\$22,532,129</b>	<b>\$23,767,123</b>	<b>\$25,309,288</b>	<b>\$26,363,572</b>	<b>\$28,322,900</b>
<b>Expenses</b>					
Salaries & Wages	\$12,789,964	\$13,201,008	\$13,081,094	\$13,220,959	\$13,704,700
Retirement	3,378,402	3,942,905	4,478,261	4,878,722	5,092,400
Health & Other Benefits	2,625,140	2,579,226	2,694,899	2,754,126	2,845,600
FICA	984,243	979,832	972,861	992,158	1,087,000
Utilities	489,818	594,347	554,071	460,627	484,600
Supplies & Textbooks	772,061	755,426	691,742	786,233	746,900
Other Purchased Svcs/Expenditures	2,376,137	2,625,041	2,933,459	3,059,705	3,435,200
<b>Total Expenditures</b>	<b>\$23,415,765</b>	<b>\$24,677,785</b>	<b>\$25,406,387</b>	<b>\$26,152,530</b>	<b>\$27,396,400</b>
Pay & Benefits as a % of Total Expenditures	84.5%	83.9%	83.6%	83.5%	83.0%

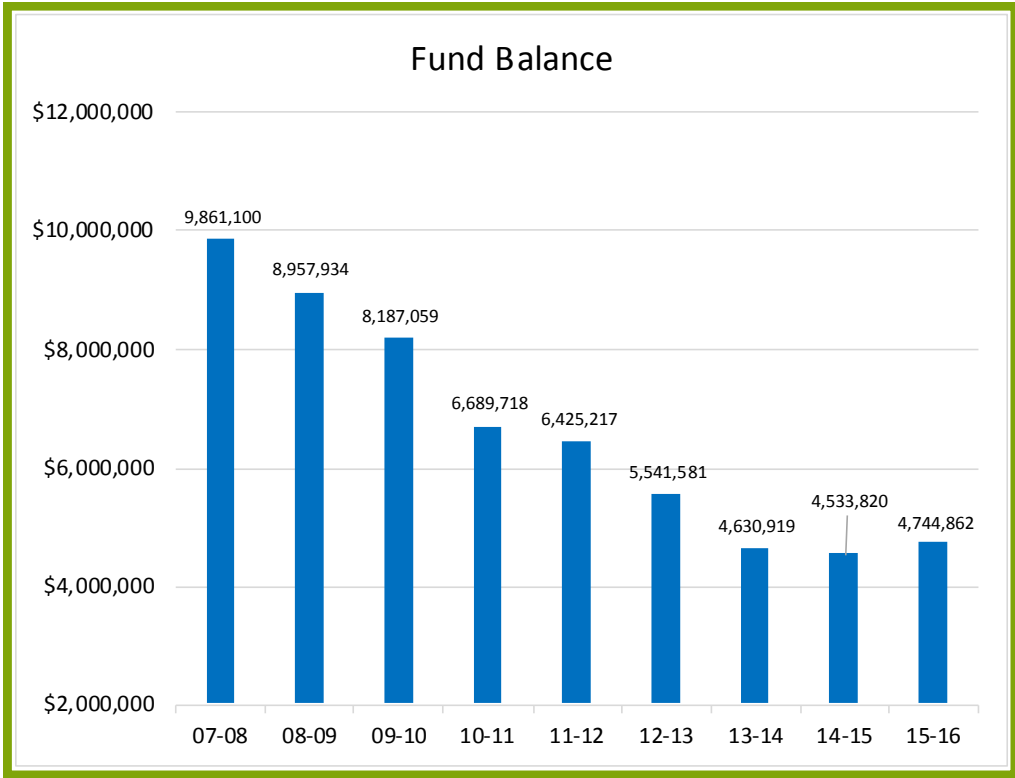
## Financial Forecast

As you can see from the table above, in the last two years the Board of Education and Administration have worked hard to ensure that spending does not exceed revenue. The Board's priority has been to offer a strong educational program focused on academic excellence for students.

As we forecast for the future, we are looking at moderate growth in enrollment. Because of the uncertainty of state funding, we are forecasting growth in revenue based solely on additional students, not additional dollars per student. As the Board of Education and administration work at developing a structurally balanced budget, four main items will need to be considered: state funding, enrollment, educational programs and services, personnel costs.

Financial Forecast			
	2015-2016	2016-2017	2017-2018
Revenues	\$26,363,572	\$28,322,900	\$28,360,900
Expenditures	26,152,530	27,396,400	27,429,400
Net Change in Fund Balance	211,042	926,500	931,500
Per Pupil Foundation Allowance	7,391	7,511	7,511
Enrollment	2,785	2,999	3,004





## HCS Fund Balance Levels Off

After 8 years of reducing its fund balance, the District reversed that trend in 2016. Over those eight years, the Board of Education and administration strategically reduced the fund balance to allocate resources directly into programs and services that impact teaching and learning.

## Fund Balance History

Fund Balance is the District's savings account for major expenditures that cannot be addressed with normal General Fund Revenues in a school year. Often referred to as a "Rainy Day Fund", the balance is the historical difference between revenue and expenditures. Additional staffing and operating costs have made it difficult to set aside funds within a normal fiscal year to grow the Fund Balance.

Over the last five years, the Board of Education and Administration have worked to decrease the amount of Fund Balance used annually. This has been achieved by not replacing all of our retiring teachers which reduces our ability to offer elective classes and other offerings. We have been able to generate new revenue through our Homeschool and Calvary shared time programs, limiting further cuts to district programming and staffing levels.

We have also been fortunate to be able to use funds from the 2010 bond to pay for our capital needs. This leaves the District's fund balance as the only current way to pay for capital expenses as we move forward.

**The Board of Education's goal is to eliminate the structural imbalance in our budget and maintain a fund balance above 10% ensuring that we never have to borrow money to meet our operating expenses.**



## Facility Needs

### Safety and Security

We highly value the safety and security of our students and staff. Safety enhancements planned around the district include security cameras and secure keyless electronic entries at all buildings, vehicle traffic improvements, and the gradual replacement of aging busses.

### Technology

This is an area that is ever changing and one with which we want to remain current. Technology is an important tool in our effort to meet the needs of all students. The district recognizes that one size doesn't fit all. That rule also applies to computers requiring updates to and increasing the number and types of devices available to our students and staff. Our bond technology steering committee has been established to address evolving technology needs and helping us stay on top of current technological trends, which include infrastructure requirements.

### Building and Site Improvements

The District Administration maintains a list of long-range capital projects for repair and replacement of facilities and equipment. Bond projects include athletic improvements, roof replacements, site improvements including expanding parking and drainage, playground improvements, flooring replacements, boiler replacements and a new transportation facility.



## Capital Projects

Capital Projects include the voter-approved bond construction programs and the related debt service payments for those construction programs. Currently, 4.5 mills are levied on property owners to allow the district to meet its debt service requirements.

In May 2015, the district refinanced a portion of its bonded debt reducing total bond payments in excess of \$1.9 million over the life of the bond issue.

Below are recent bond construction programs.

Year of Approval	Bond Construction Program	Bond Amount
1998	Erecting, furnishing and equipping a new high school; remodeling, refurbishing and re-equipping the existing Junior/Senior High School for middle school purposes and erecting, furnishing and equipping a swimming pool addition; erecting, furnishing and equipping an addition to and partially remodeling, refurbishing and re-equipping the Hamilton Elementary School; developing and improving the playground at Hamilton Elementary, athletic and outdoor physical education fields and sites.	\$34.3 Million
2009	Erecting, furnishing and equipping additions to and partially remodeling, refurbishing and equipping school district buildings, acquiring and installing educational technology improvements and energy conservation improvements; purchasing school buses and acquiring, developing and improving playgrounds, athletic fields, facilities and sites.	\$18.5 Million
2016	Erecting, furnishing and equipping an addition to, installing security measures for, remodeling, equipping and reequipping, and furnishing and refurbishing school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting transportation and supporting athletic buildings; purchasing school buses; and preparing, developing and improving playgrounds, play fields, athletic fields and facilities, parking areas and sites.	\$22.7 Million

# Summary

You can read more about our District Budget, Audit Reports, Collective Bargaining Agreements, and other Financial Data by going to the Hamilton Community Schools website at [www.hamiltonschools.us](http://www.hamiltonschools.us) and clicking on the blue Michigan icon in the upper right hand corner titled "Budget and Salary/Compensation Transparency Reporting".

In 2013-14, the Board of Education conducted a Strategic Planning Process to gather stakeholder input and determine the District's direction for the future. That three year plan is currently under revision and the Board will continue to refine district priorities, positioning the District to continuously improve educational programming for our students and preparing for continued enrollment growth.

## General Fund

The General Fund provides for personnel and program expenses as well as the day-to-day operations and maintenance of our schools. The majority of the General Fund revenue comes from the per-pupil foundation allowance we receive from the State of Michigan.

The Board of Education must annually approve a budget by June 30. Currently, the district is in the 2016-17 Fiscal Year which runs from July 1 to June 30. Operational expenses are funded annually through the state foundation allowance of \$7,511 per pupil (2016-17).

## Debt Fund

In May 2015, the District refinanced the 2005 and 2010 bond issues securing lower bond yields ranging from 0.55% - 3.22%. The completed refinancing reduced total bond payments in excess of \$1.9 million over the life of the bond issue.

In May 2016, voters approved a \$22.7 million bond issue which will be spent over six years. Projects will focus on safety and security, educational technology and building and site improvements.



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