



## **Muskegon Heights Public Schools**

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

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Steve Schiller  
Emergency Manager

June 1, 2015

Nick A. Khouri  
State Treasurer  
Michigan Department of Treasury  
430 West Allegan Street  
Lansing, Michigan 48922

### **RE: Emergency Manager's Financial & Operating Plan and Educational Plan for the School District of the City of Muskegon Heights**

Treasurer Khouri,

Enclosed for your review and consideration is the amended Financial and Operating Plan (the "Plan") for the School District of the City of Muskegon Heights (the "District") in accordance with Section 11(1) of Public Act 436 of 2012. The Plan includes the Education Plan as required by Section 11(2).

The Plan provides an overview of the District's current situation, highlights the operational structure and challenges, and continues to lay the foundation of the guiding principles and steps necessary to return the District to financial and operational stability.

#### **Current Situation**

- The District has lost significant revenue over the past several years due to falling property tax valuations and property tax delinquencies.
- The District continues to struggle with residual financial issues related to the exit of Mosaica Education Inc. (former Muskegon Heights Public School Academy educational service provider) which occurred on June 30, 2014.
- The budget deficit continues to decline and the negative fund balance, which stood at \$11.9 million at the end of 2012, has been reduced to \$1.09 million at the end of fiscal year 2014.
- Payments to the Office of Retirement Service (ORS) continue to go only towards interest payments, leaving the principal amount due untouched.
- The District continues to serve as the authorizer for the Muskegon Heights Public School Academy.

## **Education and Operational Plan**

The School District of the City of Muskegon Heights, as the authorizer for the Muskegon Heights Public School Academy, will continue to monitor and assist the Academy as it continues to become educationally sound and fiscally fit.

- The Muskegon Heights Public School Academy has provided their education plan which is part of this report.
- A comprehensive plan for Muskegon Heights Public School Academy will need to address the continuing issue of serving a higher proportion of special education and other high needs students. The additional costs associated with this plan will be supplemented by general fund sources, as all federal and earmarked funds associated with special education continue to be allocated in full each year.
- Any long-term solutions will require cooperation with the State of Michigan, The City of Muskegon Heights, and other key constituents in order to be successful.

The Plan also includes the latest version of the Deficit Elimination Plan (DEP) and links to the current Education Plan. The DEP (which also serves as the district budget) and Education Plan will need to be continually reevaluated in consultation with the Michigan Department of Education as the District works to stabilize itself financially, while assisting the Muskegon Heights Public School Academy in delivering acceptable educational outcomes.

Respectfully submitted,



Steven Schiller  
Emergency Manager  
School District of the City of Muskegon Heights

Cc: Mike Flanagan, State Superintendent of Public Instruction  
Thomas F. Saxton, Chief Deputy Treasurer

Muskegon Heights Public Schools

Office of the Emergency Manager

Steven Schiller



Financial and Operating Plan

June 1, 2015

## **TABLE OF CONTENTS**

### **1. Introduction**

### **2. Current Situation**

- a. Demographics
- b. Educational Landscape

### **3. Academic Summary**

- a. History of Muskegon Heights Public Schools Charter Creation
- b. Muskegon Heights Public School Academy Board Members
- c. Academic Performance of Muskegon Heights Public School Academy
- d. Education Plan

### **4. Financial Summary**

- a. Deficit Elimination Plan
- b. Links to PSA Budget and Deficit Elimination Plan

## **1. INTRODUCTION**

The Emergency Manager submits this Financial and Operating Plan (the "Plan") to the State Treasurer as required by section 11(2) of Public Act 436 of 2012 ("PA 436"). The objective of this Plan is to ensure that the Muskegon Heights Public School District is able to provide or cause to be provided governmental services essential to the public health, safety and welfare of its citizens and to assure the fiscal accountability and stability of the District.

As provided in section 11(3) of PA 436, this Plan is presented in a form developed in consultation with the State Treasurer. In preparing this report, the Emergency Manager has relied on past reports prepared by former Emergency Managers, as well as recent interviews with the current staff, members of the appointed school board, members of the elected school board, City of Muskegon Heights officials, Muskegon Area Intermediate School District (MAISD) administrators and various community groups and individuals.

As a result of these discussions and observations, the Emergency Manager has been able to create the preliminary plan that follows. Through additional discussions with stakeholders, and additional data that still needs to be gathered or revealed, the Emergency Manager will continue to work along with the State Treasurer to modify this plan as needed.

A public informational meeting with respect to this Plan will be held on July 1, 2015.

## 2. CURRENT SITUATION

### a. Demographics

The School District of the City of Muskegon Heights (“District”) serves the residents of the City of Muskegon Heights, which is located in Muskegon County on the eastern shore of Lake Michigan in the southwestern part of the State of Michigan. Approximately 175,000 residents live within the County, and the City is home to a just over five percent of that population. Below is a summary of key demographics for the City, County, and the State.

Income. The median household income for the County and State are much closer than that of the City and County. As shown in the table below, the City median household income is \$19,368, which is less than half of the County median household income which is \$40,979.

INCOME AND BENEFITS	Muskegon Heights		Muskegon County		State of Michigan	
Total households	4,270	100%	65,008	100%	3,823,280	100%
Less than \$10,000	1,041	24%	5,914	9%	312,673	8%
\$10,000 to \$14,999	521	12%	4,519	7%	215,695	6%
\$15,000 to \$24,999	1,010	24%	9,513	15%	452,251	12%
\$25,000 to \$34,999	617	14%	8,460	13%	426,840	11%
\$35,000 to \$49,999	448	10%	9,772	15%	557,516	15%
\$50,000 to \$74,999	301	7%	12,409	19%	704,343	18%
\$75,000 to \$99,999	226	5%	6,853	11%	455,719	12%
\$100,000 to \$149,999	83	2%	5,284	8%	436,587	11%
\$150,000 to \$199,999	23	1%	1,499	2%	143,832	4%
\$200,000 or more	0	0%	785	1%	117,824	3%
Median household income	\$19,368		\$40,979		\$48,411	
Mean household income	\$28,441		\$52,917		\$64,753	

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Muskegon Heights, County of Muskegon and State of Michigan).

Race. Similar to the income data, the diversity of the County is more similar to that of the State, which differs from that of the City. As shown in the table below, a majority of residents within the City (78%) indicate they are of Black or African American descent, compared to 14% for both County and State. The next largest population of those in the City reported they were of White decent, and represents approximately one-sixth of the total population, compared to 81% in the County and 79% in the State.

RACE	Muskegon Heights		Muskegon County		State of Michigan	
Total population	10,856	100%	171,153	100%	9,883,640	100%
White	1,739	16%	138,074	81%	7,803,120	79%
Black or African American	8,501	78%	23,614	14%	1,400,362	14%
American Indian and Alaska Native	33	0%	1,047	1%	62,007	1%
Asian	14	0%	1,061	1%	238,199	2%
Asian Indian	11	0%	134	0%	77,132	1%
Filipino	1	0%	208	0%	22,047	0%
Korean	1	0%	211	0%	24,186	0%
Other Asian [1]	1	0%	190	0%	42,640	0%
Some Other Race	153	1%	1,408	1%	147,029	1%
Two or More Races	416	4%	5,894	3%	230,319	2%
White; American Indian Alaska Native [3]	50	0%	1,703	1%	52,202	1%
White; Asian [3]	8	0%	300	0%	38,198	0%
White; Black or African American [3]	215	2%	2,630	2%	72,344	1%
White; Some Other Race [3]	25	0%	536	0%	22,133	0%

Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Muskegon Heights, County of Muskegon and State Michigan).

Educational Attainment. As shown in the table below, nearly 80% of City residents (25 years and older) have earned at least a high school diploma (or equivalent), compared to nearly 90% for both County and State. When looking at post-secondary education, approximately one in four people state-wide have earned a bachelor's degree or higher, compared to 17% in the County, and only 5% of residents in the City.

EDUCATIONAL ATTAINMENT	Muskegon Heights	Muskegon County	State of Michigan
Less than 9th grade	5.6%	3.3%	3.4%
9th to 12th grade, no diploma	15.7%	8.7%	7.7%
High school graduate (includes equivalency)	39.1%	35.0%	30.4%
Some college, no degree	24.4%	25.2%	24.0%
Associate's degree	10.2%	10.6%	8.6%
Bachelor's degree	3.6%	11.8%	15.9%
Graduate or professional degree	1.5%	5.4%	10.0%
Percent high school graduate or higher	78.8%	88.0%	88.9%
Percent bachelor's degree or higher	5.1%	17.2%	25.9%

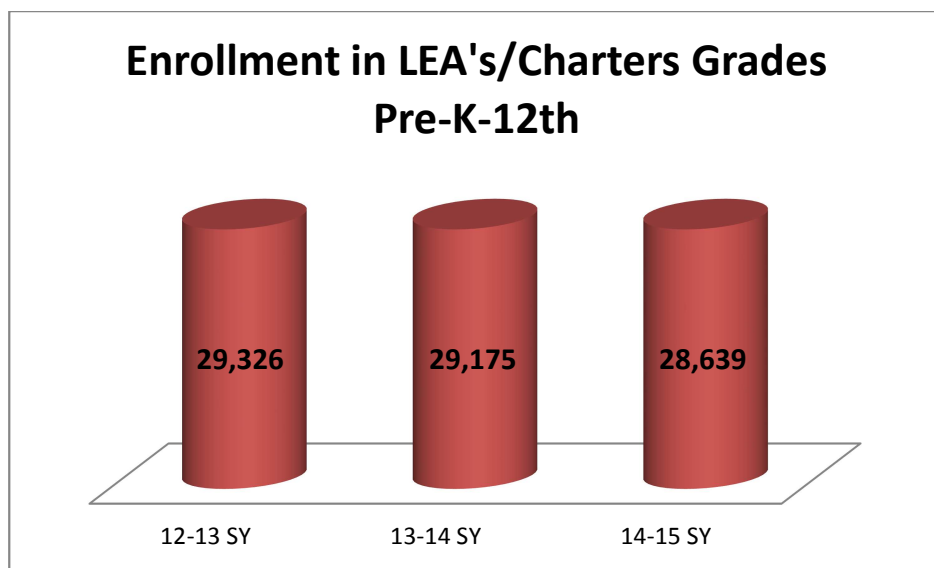
Source: U.S. Census Bureau. 2009-2013 5-Year American Community Survey (City of Muskegon Heights, County of Muskegon and State Michigan).



**b. Educational Landscape**

The District operates with several surrounding school districts throughout Muskegon County. For the 2014-15 school year, there are approximately 28,639 students in Muskegon County being serviced by 11 districts and 4 academies. The District, through the Muskegon Heights Public School Academy (“MHPSA”) currently educates 1,003 students (Pre-K-12<sup>th</sup>). There are also 8 Non-Public/Private schools whose enrollments are not included in the above numbers. The data trends cover the last 3 years (2012-15) as MHPSA has only existed for that time period (more information on the creation of the MHPSA is provided in the next section). (Retrieved from: <https://www.mischooldata.org>)

As depicted in the chart below, there has been an overall decline in student enrollment throughout Muskegon County within the last three years. MHPSA experienced a decline in enrollment the 1<sup>st</sup> year, but the enrollment has been stable for the last 2 years.



MHPSA largest competitors are Mona Shores Public Schools and Muskegon Public Schools as shown by the chart below. Approximately 28% of resident students have left Muskegon Heights and enrolled in the Mona Shores District, while 54% enrolled in the Muskegon Public School District another 18% of students enrolled in various schools within Muskegon County.

### Non-Resident FTE by Resident District September 2014

Educating ▶	Fruitport	Holton	Mona Shores	Montague	Muskegon	North Muskegon	Oakridge	Orchard View	Ravenna	Roethlis-Puffer	Whitehall	Total # of FTEs That Went to Another District
<b>Resident ▼</b>												
Fruitport			28.00		24.91	6.00	4.00	11.45	24.28	9.00	6.44	114.09
Holton	4.64			7.00	1.85	15.00	5.00	2.00	3.00	103.00	17.72	159.21
Mona Shores	49.92	1.00			67.27	8.00		20.01	1.00	16.00	5.65	168.85
Montague	2.00				3.35	3.30		0.34		10.40	43.90	63.30
Muskegon	145.56		377.00	12.00		53.00	2.00	360.05	4.00	169.00	8.52	1,131.14
Muskegon Heights	10.00		147.00		284.80	5.00		47.74	2.00	23.00	4.00	523.54
North Muskegon	2.36	1.00			6.24					44.00	6.80	60.40
Oakridge	31.86	1.00	11.00		7.25	3.00		29.20	25.00	6.00		114.31
Orchard View	64.97		6.00		34.20	9.00	13.00		11.60	45.00	3.24	187.01
Ravenna	47.28				2.92		3.00	1.00				54.20
Roethlis-Puffer	10.00	50.00	4.00	8.00	20.85	240.50	1.00	10.26	6.17		100.66	451.44
Whitehall		10.00	1.00	89.00	3.66	23.00			1.62	77.87		206.15
Allendale	2.00											2.00
Cedar Springs												-
Central Montcalm												-
Comstock Park			2.00									2.00
Coopersville	0.63				6.86				9.00			9.63
Fremont		12.00	1.00							2.00		21.86
Grand Haven	33.61		72.00		19.76	1.00				2.00	0.77	129.14
Grand Rapids			1.00		9.61			2.00			1.00	13.61
Grandville												-
Grant	1.00				3.24				32.00			36.24
Hart				1.00	0.51	2.46					0.88	4.85
Hesperia						0.10					1.00	1.10
Hudsonville Public												-
Kent City									10.00			10.00
Kanowa Hills												-
Lowell												-
Pentwater											2.00	2.00
Shelby				59.00	6.01	7.10					3.14	75.25
Sparta												-
Spring Lake	25.42		6.00		20.59					2.00	1.32	55.33
West Ottawa					1.63							1.63
White Cloud									1.00			1.00
Walkersville						0.28						0.28
<b>Muskegon Co.</b>	<b>368.59</b>	<b>63.00</b>	<b>574.00</b>	<b>116.00</b>	<b>457.31</b>	<b>365.80</b>	<b>28.00</b>	<b>482.07</b>	<b>78.67</b>	<b>503.27</b>	<b>196.93</b>	<b>3,233.64</b>
<b>Out of County</b>	<b>62.66</b>	<b>12.00</b>	<b>82.00</b>	<b>60.00</b>	<b>68.21</b>	<b>10.94</b>	<b>-</b>	<b>2.00</b>	<b>52.00</b>	<b>6.00</b>	<b>10.11</b>	<b>365.92</b>
<b>Total Non-Resident FTE</b>	<b>431.25</b>	<b>75.00</b>	<b>656.00</b>	<b>176.00</b>	<b>525.52</b>	<b>376.74</b>	<b>28.00</b>	<b>484.07</b>	<b>130.67</b>	<b>509.27</b>	<b>207.04</b>	<b>3,599.56</b>
<b>SE FTE</b>												
<b>Included in Totals</b>	<b>44.32</b>	<b>3.64</b>	<b>8.80</b>	<b>4.25</b>	<b>12.00</b>	<b>4.42</b>	<b>9.00</b>	<b>12.85</b>	<b>24.88</b>	<b>26.69</b>	<b>1.65</b>	<b>152.50</b>

FTE includes Shared-Time students from parochial and home schools, released students, and Schools of Choice.

Source: 2014/15 Fall MEIS/MSDS Residency Related Information

The table below summarizes residency by charter schools in Muskegon County. The majority of our students are residents of Muskegon Heights. Over the past several years, however, we lost approximately 250 students to Timberland Academy and 92 to Three Oaks. The recently opened Covenant House is a dropout/retention recovery school which allows off-track students to accelerate in this program to possibly graduate on time. Retrieved from: MAISD website: [http://www.muskegonisd.org/downloads/about/2015\\_summaries\\_information.pdf/](http://www.muskegonisd.org/downloads/about/2015_summaries_information.pdf/)

### Charter Enrollment by Resident District September 2014

	Covenant House			Muskegon Heights PSA			Muskegon Montessori			Three Oaks			Timberland			Resident District Totals		
	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.	2013	2014	Diff.
Fruitport	-	-	-	-	-	-	2	11	9	-	1	1	3	3	-	5	15	10
Hobson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mona Shores	-	1	1	3	-	(3)	16	-	(16)	-	-	-	5	9	4	24	10	(14)
Montague	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1	1
Muskegon	-	79	79	39	29	(10)	29	99	70	205	300	95	365	408	43	638	915	277
Muskegon Heights	-	9	9	859	876	17	3	7	4	166	91	(75)	212	250	38	1,240	1,233	(7)
North Muskegon	-	-	-	-	-	-	-	4	4	1	1	-	-	-	-	1	5	4
Oakridge	-	-	-	-	-	-	-	-	-	-	-	-	12	4	(8)	12	4	(8)
Orchard View	-	-	-	1	1	-	3	-	(3)	-	-	-	39	30	(9)	43	31	(12)
Ravenna	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1	1
Rosche-Puffer	-	-	-	-	-	-	2	-	(2)	-	-	-	5	2	(3)	7	2	(5)
Whitehall	-	-	-	-	-	-	1	2	1	-	-	-	4	-	(4)	5	2	(3)
Musk. County Subtotal	-	89	89	902	906	4	56	123	67	372	393	21	645	708	63	1,975	2,219	244
Spring Lake	-	-	-	-	-	-	-	-	-	-	-	-	3	-	(3)	-	-	-
Total Charter Enrollment	-	89	89	902	906	4	56	123	67	372	393	21	648	708	60	1,975	2,219	244

### 3. ACADEMIC SUMMARY

#### a. History of Muskegon Heights Public School Charter Creation

In December 2011, the District Board of Education decided that due to the extreme financial distress that the District had been experiencing, it was in the best interest of the District to request that the State of Michigan assist in addressing its financial and educational needs. That same month, the District's Superintendent retired. On April 23, 2012, Dr. Don Weatherspoon was appointed by Governor Rick Snyder to become the first Emergency Manager for the District. The Governor's determination was based on an independent, eight member review team report which found several financial problems, including:

- The District's cumulative General Fund (GF) deficit increased by 102 percent in one year (from \$4.2 million to \$8.5 million), and was expected to be \$9.4 million by the end of the 2012 fiscal year.
- The District's year-end GF balances had been negative since 2006.
- The District's pupil enrollment had decreased by more than 52 percent since 2006 to 2012 (from 2,142 to 1,408).

Soon after his appointment, Dr. Weatherspoon submitted a financial and operating plan to the State Superintendent and State Treasurer, which included a proposal to establish a new public school academy (charter) system to provide educational services to students in the District. The emergency manager's decision to establish a public school academy system was the only viable option that allowed children to attend school within the Muskegon Heights community and halt the escalating debt that had been crippling the District. On May 1, 2014, Dr. Weatherspoon released a Request for Proposals (RFP) seeking an operator for the newly formed Muskegon Heights Public School Academy System. The new System, which would serve K-12 students in many of the same District owned buildings, was to be operated under a charter contract, and governed by a three-member board of directors. Day-to-day management would be provided by the experienced education services management firm sought out in the RFP. On July 9, 2012, Dr. Weatherspoon signed an order establishing a contract between the former district and the Muskegon Heights Public School Academy System as a means to provide education for the students of Muskegon Heights. That same day, a management agreement between the Muskegon Heights Public School Academy and Mosaica Education Inc. (MEI) was signed, declaring that MEI would become the PSA's Education Service Provider (ESP). Please note the supporting documents below:

- [Request for Proposals](#)
- [Muskegon Heights Public School Academy Contract](#)
- [Management Agreement](#)

On April 26<sup>th</sup>, 2014, contract [Amendment #1](#) was signed which allowed the Academy to seek bids for a new educational service provider. Also on that day, contract [Amendment #2](#) and the [Amended and Restated Agreement for Continued Provision of Services](#) between Muskegon Heights Public School Academy System and the District were signed, paving the way for MEI's exit on July 31, 2014. On August 14, 2014, the former Emergency Manager, Gregory Weatherspoon, signed [Order 2014-6](#) modifying the

contract between the district and the Muskegon Heights Public School Academy. The provisions of this order created a new self-managed model, which enabled the Academy to contract for all services necessary to operate the Public School Academy. Following that order, MHPSA contracted with the following:

- Alena Zachery Ross – Superintendent of Schools
- [Muskegon Area Intermediate School District – Financial Services](#)
- [Access Point – Human Resources and Payroll](#)

**b. Muskegon Heights Public School Academy Board Members**

The self-managed model continues to be in effect today, and is overseen by the current PSA Board which members include:

- Arthur Scott, President - Term Expires 2017
- Carmella Ealom, Vice President - Term Expires 2015
- Stephen Parker, Secretary & Treasurer - Term Expires 2016

**c. Academic Performance of Muskegon Heights Public School Academy**

Current academic performance of the Muskegon Heights Public School Academy can be found [HERE](#).

**d. Education Plan**

The District intends to develop its written educational plan using the District Improvement Plan (DIP) structure and submission process. The District will revise the current District Improvement Plan, which would then become the working Education Plan per this Plan, and the basis for subsequent revisions of reform plans, school improvement plans, or other required activities stated in this agreement. The following items are currently being considered for the revised DIP:

- **Cross-cutting big ideas.** The District will review academic and student demographic data to identify 2-3 cross-cutting ideas designed to yield academic improvement for all students. These cross-cutting ideas should be based upon a wide range of data, and should incorporate strategies to improve proficiency in all core subject areas, engage more students, reduce achievement gaps, improve basic literacy and numeracy skills, improve graduation rates, and provide more personalized learning options for all students.
- **Goals and Content Subject Areas.** The District will develop specific strategies for each of the core subject areas (Language Arts, Mathematics, Science, and Social Studies) to align student expectations with Michigan’s Career and College Ready Standards. The District will research elective content offerings and instructional strategies to align with existing standards, as well as the Michigan Merit Curriculum. Cross-cutting practices, such as reading, writing, and numeracy skills across content areas will also be researched.
- **Grade Level Bands and Special Populations.** The District should develop a specific strategy for each of the following grade bands and/or special populations, and use existing achievement and other data from current students in each school (both formative and summative assessment data aligned to the content standards as outlined in the previous section) to inform decisions to support instructional and learning programming for these populations:

- Pre-school through early elementary,
  - Upper elementary,
  - Middle school,
  - High school,
  - English Language Learners (across all grade spans),
  - Students with Disabilities (across all grade spans), and
  - Career and Technical Education or Alternative Education students.
- **Alignment of Programs.** The District will review progress on the implementation of the revised DIP using student achievement data and other locally identified data, in coordination with the Educational Service Provider(s), if any, and identify programs and strategies that are not aligned with DIP goals, not being implemented with fidelity, or those that may be at cross-purposes with other adopted programs and strategies. Programs and services so identified should be revised to ensure alignment with DIP goals or be eliminated. Alignment information shall be called out within the language of the revised DIP.
  - **Strategies for Climate and Culture Improvements and Student Engagement.** The District will attempt to include specific strategies for improving the climate and learning culture of all schools in the District. Each component of the revised DIP should have a strategy to improve student engagement in instruction (as well as the assumed focus on student achievement in these areas).

Below are links to the existing School Improvement Plans.

- [Edgewood Elementary School](#)
  - [Martin Luther King Jr. Academy](#)
  - [Muskegon Heights Middle School](#)
  - [Muskegon Heights Public School Academy](#)
- 
- [Edgewood -   
http://www.mhpsnet.org/documents/45%20Day%20Plan/educational%20plan-05282015160005\\_Edgewood.pdf](#)
  - [MLK -   
http://www.mhpsnet.org/documents/45%20Day%20Plan/Educational%20Plan%20MLK.pdf](#)
  - [Muskegon Heights Academy -   
http://www.mhpsnet.org/documents/45%20Day%20Plan/Muskegon%20Heights%20Academy%202015-2016%20Education%20Plan.pdf](#)

#### 4. FINANCIAL SUMMARY

##### a. Deficit Elimination Plan

Below you will find the amended Deficit Elimination Plan (DEP) for the District, which also serves as the budget of the District. According to this plan, the district will be out of deficit by 2025-26.

#### Muskegon Heights Public Schools

##### Deficit Elimination Plan

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
<b>Beginning Fund Balance</b>	<b>\$ (1,044,991)</b>	<b>\$ (1,345,104)</b>	<b>\$ (1,529,361)</b>	<b>\$ (1,397,724)</b>	<b>\$ (1,266,073)</b>	<b>\$ (1,134,288)</b>
<b>Revenue</b>						
Property taxes	\$ 1,192,591	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813
Oversight fees	\$ 195,728	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216
Asset Sales	\$ 5,000	\$ 45,000				
Transfers and Other	\$ 100,000	\$ 50,000				
<b>Total Revenue</b>	<b>\$ 1,493,319</b>	<b>\$ 1,448,029</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>
<b>Expenditures</b>						
Technology	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Student Assessment Software	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Board of Education	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000
Executive Administration	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500
Business Services	\$ 374,216	\$ 324,216	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216
Building Services	\$ 110,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100
District Technology	\$ 34,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Transfers to Other Districts	\$ 422,434	\$ 381,000	\$ -	\$ -	\$ -	\$ -
Emergency Loan Payments	\$ 501,090	\$ 506,378	\$ 506,484	\$ 506,470	\$ 506,336	\$ 506,083
Transfers and Other	\$ 182,092	\$ 182,092	\$ 182,092	\$ 182,092	\$ 182,092	\$ 182,092
<b>Total Expenditures</b>	<b>\$ 1,793,432</b>	<b>\$ 1,632,286</b>	<b>\$ 1,221,392</b>	<b>\$ 1,221,378</b>	<b>\$ 1,221,245</b>	<b>\$ 1,220,991</b>
<b>Revenues Less Expenditures</b>	<b>\$ (300,113)</b>	<b>\$ (184,257)</b>	<b>\$ 131,637</b>	<b>\$ 131,651</b>	<b>\$ 131,785</b>	<b>\$ 132,038</b>
<b>Projected Ending Fund Balance</b>	<b>\$ (1,345,104)</b>	<b>\$ (1,529,361)</b>	<b>\$ (1,397,724)</b>	<b>\$ (1,266,073)</b>	<b>\$ (1,134,288)</b>	<b>\$ (1,002,250)</b>

**Muskegon Heights Public Schools**

Deficit Elimination Plan

	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
<b>Beginning Fund Balance</b>	<b>\$ (1,002,250)</b>	<b>\$ (864,897)</b>	<b>\$ (732,111)</b>	<b>\$ (416,614)</b>	<b>\$ (268,683)</b>	<b>\$ (120,466)</b>
<b>Revenue</b>						
Property taxes	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813	\$ 1,156,813
Oversight fees	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216	\$ 196,216
Asset Sales						
Transfers and Other						
<b>Total Revenue</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>	<b>\$ 1,353,029</b>
<b>Expenditures</b>						
Technology	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Student Assessment Software	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Board of Education	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000
Executive Administration	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500	\$ 75,500
Business Services	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216	\$ 294,216
Building Services	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100	\$ 67,100
District Technology	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Transfers to Other Districts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Emergency Loan Payments	\$ 500,768	\$ 505,333	\$ 504,716	\$ 672,283	\$ 671,996	\$ 676,295
Transfers and Other	\$ 182,093	\$ 182,094				
<b>Total Expenditures</b>	<b>\$ 1,215,677</b>	<b>\$ 1,220,243</b>	<b>\$ 1,037,532</b>	<b>\$ 1,205,099</b>	<b>\$ 1,204,812</b>	<b>\$ 1,209,111</b>
<b>Revenues Less Expenditures</b>	<b>\$ 137,352</b>	<b>\$ 132,786</b>	<b>\$ 315,497</b>	<b>\$ 147,931</b>	<b>\$ 148,217</b>	<b>\$ 143,918</b>
<b>Projected Ending Fund Balance</b>	<b>\$ (864,897)</b>	<b>\$ (732,111)</b>	<b>\$ (416,614)</b>	<b>\$ (268,683)</b>	<b>\$ (120,466)</b>	<b>\$ 23,452</b>



## Deficit Elimination Plan Highlights:

### Revenue

- Property Taxes
  - The District's main source of revenue is the levy of 18 mills on non-homestead property taxes. MHPS collects its tax revenues with a split levy, meaning half of the revenue is collected in the summer, and half in the winter.
- Oversight Fees
  - As discussed in previous sections of this report, the district relies on the Muskegon Heights Public School Academy (MHPSA) to provide education to the children of Muskegon Heights. As the charter authorizer of MHPSA, the former district is statutorily authorized to charge a fee of not greater than 3% of state aid received by the public school academy.
- Asset Sales
  - To reduce the deficit of the district, the Emergency Manager is allowed (per PA 436) to sell surplus assets of the district. Currently, the district owns five buildings, three of which are being used by MHPSA to educate students. Within the coming months, the district plans to reduce that count to four, as there is currently a signed purchase agreement in place for the former Martin Luther King Jr. elementary building. The agreed purchase price is \$49,900.
- Transfers and Other
  - The District provides shared business services with the Highland Park school district. The revenue gained by providing this service helps to offset its own business service costs.

### Expenditures

- Board of Education
  - Expenditures within this cost function include legal and audit fees associated with operating the former district.
- Executive Administration
  - This function includes costs associated with the administrative assistant of the Emergency Manager, as well as other reimbursable expenditures of the Emergency Manager per contract. The Emergency Manager salary is *not* paid by the district. This is paid by the State of Michigan.
- Business Services
  - Amounts within this function include the cost of the Fiscal Control Manager's office. Expenses also included within this function are projected interest and penalties on delinquent pension and unemployment costs. This continues to be a major issue for the district, considering the principal amount owed to both the Unemployment Insurance Agency (UIA) and Office of Retirement Services (ORS) is quite large. The district is currently working with both of these agencies to construct a financially feasible payment plan that addresses a larger portion of the principal owed, rather than the compounding interest and penalties.

- Building Services
  - The largest portion of this cost function pertains to general liability insurance. The district is actively seeking ways to reduce this cost.
- Transfers to Other Districts
  - Costs associated with this function include amounts transferred to MHPSA to address ongoing legacy and transition costs of the former district. These costs are projected to cease in the 2016-17 fiscal year.
- Emergency Loan Payments
  - In order to finance the vast amount of debts accumulated by the district prior to state receivership, the district was granted emergency loans by the State of Michigan. The repayment of these loans occurs through the District and will continue until the principal amounts of these loans are paid in their entirety. The last payment for these loans will occur in April of 2044.
- Transfers and Other
  - In 2008, the District participated in the Qualified Zone Academy Bond (QZAB) program to finance mechanical retrofits on its existing systems. These bonds were to be paid back with the general fund savings generated by the efficiency of the new systems. The District has since sold most of the buildings in which these retrofits had occurred. The final payment for these bonds will occur in December of 2022.

**b. Links to PSA Budget and Deficit Elimination Plan**

Information in regard to the financials of the Muskegon Heights Public School Academy can be found by using the following link:

<http://mhtigers.org/school-budget/>