



DETROIT PUBLIC SCHOOLS

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April 14, 2016

Via Electronic Mail

Nick Khouri
State Treasurer
Office of the State Treasurer
Michigan Department of Treasury
430 West Allegan Street
Lansing, Michigan 48922

Re: *School District of the City of Detroit (DPS) Emergency Manager's Financial & Operating Plan*

Dear Treasurer Khouri:

Enclosed for your review and consideration is the Financial and Operating Plan along with the Fiscal Year 2016 Budget Amendment #2 required by Section 11(2) of the Local Financial Stability and Choice act, Act 436 of 2012. The report presents the detailed financial and operating plan for the current fiscal year ending June 30, 2016.

I am available to meet with you to discuss these plans and to respond to any questions you may have.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. Rhodes".

Steven Rhodes
Transition Manager

copies via email: Ann Marie Storberg (Michigan Treasury)
Brian Whiston
Marios Demetroiu



Notice of Public Informational Meeting on Financial and Operating Plan

Section 11(4) of PA 436, M.C.L. § 141.1551(4), states, “The emergency manager, within 30 days of submitting the financial and operating plan to the state financial authority, shall conduct a public informational meeting on the plan and any modifications to the plan.”

To comply with this requirement, I will conduct a public informational meeting on the Fiscal and Operating Plan on May 10, 2016 at 5:00 p.m., at Martin Luther King Jr. High School, 3200 E. Lafayette, Detroit, MI 48207.

A handwritten signature in black ink, which appears to read "Steven Rhodes".

Steven Rhodes
Transition Manager
Detroit Public Schools



DETROIT PUBLIC SCHOOLS

**Detroit Public School District
Office of Emergency Manager
Steven Rhodes**

**Financial and Operating Plan
April 15, 2016**

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I. Introduction

I am excited to help lead the transition of public education in Detroit back to local control, hopefully this summer. After nearly a decade of emergency management, it is time. In this Financial and Operating Plan, I share some information and some thoughts about how I anticipate making this transition happen.

I agreed to become DPS's transition manager for three reasons. First, the governor asked me to. Second, I believe that now is the time to transition public education in Detroit to local control. And third, I want to do what I can for the children of Detroit. Every day that our schools lack the resources needed to educate our children is a lost day, never to be recovered. Whatever may have been the causes of DPS's problems, they were not our children's fault. We have a constitutional and moral obligation to educate them. They are our future.

My work as a bankruptcy judge did not directly prepare me for this role. However, in my nearly 30 years as a judge, I learned the importance of process in making decisions that affect people's lives. Just as that experience helped me through the Detroit bankruptcy case, it will help me lead the DPS transition back to local control. I have pledged to work with all of DPS's stakeholders – its educators, union leadership, parents, students and community groups – on a regular basis and in processes that are open, accessible, inclusive, responsible and responsive.

In one sense, yes, I am another emergency manager in a long and difficult line. But there is a critical difference this time – my main goal is to set up and transition DPS to a new, debt-free, competitive school district for the families of Detroit within just a few months. I insisted on the title “transition manager” because this title much more accurately reflects my responsibilities and commitment to that transition.

II. The Legal Stuff (As Briefly As Possible)

Section 11(1) of Public Act 436 of 2012, M.C.L. § 141.1551(1) establishes the required contents of an emergency manager's Financial and Operating Plan. To the best of my ability, this Financial and Operating Plan complies with those requirements.

Section 11(2) of Public Act 436 of 2012, M.C.L. § 141.1551(2), states:

Within 45 days after the emergency manager's appointment, the emergency manager shall submit the financial and operating plan, and an educational plan if the local government is a school district, to the state treasurer, with a copy to the superintendent of public instruction if the local government is a school district, and to the chief administrative officer and governing body of the local government.

I submit this Plan as required by that section.

Section 11(3) of PA 436, M.C.L. § 141.1551(3), requires that a Financial and Operating Plan be “in a form as provided by the state treasurer[.]” To the best of my ability, this Plan complies with that requirement.

In preparing this Plan, I relied on information that was available or developed since my appointment effective March 1, 2016. After my appointment, I began an intensive period of outreach and study of the significant reform work performed to date. I relied substantially on prior EM office materials and the input received from a variety of stakeholders.

My predecessors and the DPS’s partners in state government engaged in significant efforts addressing comprehensive District reform over the past several years. As a result of those efforts, I believe that I have a reasonably solid foundation from which to build a comprehensive restructuring plan for the District. Substantial additional data are being gathered and organized, and various critical financial and operational analyses remain in process as of the date of this Plan.

This Plan is therefore a preliminary Plan based on my work to date. It remains subject to material changes in all respects as my work progresses. For more legal stuff, please see the “Disclaimer” at the end of this Plan.

Finalization of a comprehensive restructuring plan will continue to be a collaborative effort among interested stakeholders. As contemplated by section 11(2) of PA 436, the State Treasurer and I will regularly reexamine this Plan. I may modify it from time to time after notice to the State Treasurer.

III. The Educational Landscape in Detroit

DPS operates within a broader landscape of educational opportunities available to school-age children in Detroit. The Detroit Public Schools, the charter schools in Detroit and the Education Achievement Authority have approximately 105,000 students and 228 schools. There are 12 charter authorizers in Detroit and approximately 100 charter schools. By any sensible evaluation, the existing unregulated deployment of school buildings by these diverse education providers in Detroit lacks a rational basis.

Approximately 12,000 Detroit children are enrolled in other school districts.

Charter schools are our main competition. Our job is to compete and to win that competition. We can only do that by doing the best job we can in educating our students and in communicating those successes to parents. Ultimately the success of public education in Detroit will be measured by our growth in our enrollment. That will be the best evidence that parents have concluded that the education that DPS offers to their children is the best education available to them.

IV. DPS Interim Superintendent Alycia Meriweather

When I was appointed, I determined that my first task was to hire an interim superintendent to be responsible for academics within DPS. I had great help and support from both the governor's office and the leadership of the Detroit Federation of Teachers in vetting a number of candidates.

My choice, Alycia Meriweather, is an outstanding one and I am proud of it. She is doing a masterful job and has the support of all of the various DPS stakeholders. We have a true partnership collaboration in managing DPS. We think alike on all of the key issues - the transition of DPS back to local control; the importance of process in all decision making; a total commitment and dedication to DPS and to educating our students; the need to regain the trust, confidence and respect of our educators and the parents of our students; and the crucial importance of community support in the revitalization of DPS. She is articulate and passionate about DPS and is a great spokesperson for it.

Alycia began her career at DPS in 1995 as a science teacher at Farwell Middle School. Most recently she was the Executive Director of the Office of Curriculum. Before that, she spent four years as the Deputy Executive Director of the District's Office of Science, as well as two years as the Supervisor of Middle School Science. For the last several years, Alycia has also led the Academic and Programmatic leadership over DPS's Detroit Children's Museum, as well as Camp Burt Shurly, the District's overnight camp facility in Gregory, MI.

Additionally, for the last seven years, she has served as the Director for the Detroit Mathematics and Science Center, one of 32 centers in the Michigan Mathematics and Science Center Network. She holds a Bachelor's degree in Education from the University of Michigan, a Master's degree in Educational Administration from Wayne State University, and is currently working on her doctorate in Curriculum and Instruction at Wayne State.

V. Educational Outcomes

Although improving, overall DPS educational outcomes are inadequate. DPS must do a better job of preparing students for a successful college education or technical career.

Some schools are in high demand and serving students well. Excellent Schools Detroit, an organization focused on improving schools in Detroit, developed a scorecard for schools to allow parents, the community, and others to evaluate schools. Some DPS schools received high marks on that scorecard, including Cass Tech, the highest ranking high school, and Bates Elementary School. DPS must build upon the success of these high performing schools so that students in the greater District can benefit.

DPS's high school graduation rates continue to increase. For 2015, that rate increased six percentage points, bringing it to 77.35%, the highest in a decade. DPS students also continued to close the gap with their statewide peers and now are only 2.4% away from the state average. In addition, our students beat the state's rate of increase by more than five percentage points. Our dropout rate also decreased by nearly 7% to 11.47%. DPS's graduation rate has increased more than 19 percent from 2008-2015.

The District had seven schools with graduation rates above 90 percent. They are:

- Davis Aerospace High School – 100 percent
- Benjamin Carson School for Science and Medicine – 99.01 percent (1st graduating class)
- Cass Technical High School – 98.33 percent
- Communication and Media Arts High School– 97.67 percent
- Renaissance High School – 97.50 percent
- Osborn Academy of Mathematics and Technology – 93.75
- Detroit School of Arts – 91.89 percent

VI. Enrollment

According to the February 2016 count, DPS's enrollment is 45,786.

DPS has experienced a significant decline in enrollment over the last 10 years, losing over 100,000 students. In 2002, DPS served approximately 85% of the Detroit K-12 public school students. By 2013, DPS's market share had fallen to 42%. This year our market share increased to 43%.

This decline has been attributable to three main factors. First, the City of Detroit has lost over 30% of its population since 2000. The school-aged population in the City of Detroit has dropped by approximately 40%.

Second, more charter schools have opened. They have vigorously competed with DPS and to a significant extent they have been successful.

Third, declines in enrollment have led to reductions in revenue from the state. This has led to declines in educational outcomes, which, in a downward spiral, has led to further declines in enrollment. Also, reductions in DPS's expenses have not kept up with its reductions in its revenues.

Despite these challenges, DPS can look forward to enrollment stability. In the past three years enrollment declines have been kept to 1-2%.

This year saw the smallest decline from the fall count to the February count. DPS actually experienced increased enrollment during the year in elementary and middle schools. Only our high schools saw a decrease in enrollment during this year.

To further enhance enrollment in DPS, we solicited from our educators proposals to raise academic achievement levels, serve diverse communities and increase enrollment. We received over three dozen such proposals, 12 of which will be implemented. These include the city's first Montessori school, an Arabic immersion technical school, and a refocus on using technology to enhance learning.

For 2016-17, we project an enrollment of 45,483 students. This is a decline of less than 0.7% from this year. We are confident about this projection because it is based on an analysis of each school, each grade and the projected demographics of the city.

VII. Common Enrollment

DPS recently decided not to participate in the pilot project to initiate common enrollment for schools in Detroit. We decided that this commitment should be made by the elected school board for the 2017-18 school year and after the project is fully operational.

VIII. Special Needs Students

DPS has 8,733 special needs students. That is 19% of our enrollment. DPS accepts all special needs students. We expend approximately \$138,000,000 on special needs students. Approximately \$44,000,000 of that is not reimbursed and is therefore diverted from the resources available to educate our other students.

IX. Teachers and Other Educational Staff

DPS has 2,632 teachers. It has 185 vacancies in teaching positions.

Our educators are the unsung heroes of our school system, and are vastly underappreciated. As a whole, they are highly committed to DPS and its students, as demonstrated by the daily challenges they overcome and the sacrifices they make each and every day. I recognize that many have become upset, distrustful and even skeptical, and I understand why. I commit, however, to work with all of them to return public education to local control and to set a path by which all necessary resources will be available to accomplish the critical mission of public education in Detroit.

DPS has an active program for recruiting new teachers at university recruitment events, participating in job fairs across the state and region, and hosting its own teacher recruitment fairs – the next of which is scheduled for May 24th. Significantly, the leadership of the Detroit Federation of Teachers has expressed an interest in participating with us in the recruiting process and we look forward to their help.

X. Relationship with the Detroit Federation of Teachers and Other Unions

The mission of the Detroit Public Schools is to do the best job it can educating its students and preparing them for life after high school. The Detroit Federation of Teachers is the voice of those who, day in and day out, carry out that mission on our behalf. It is wise for me and DPS leadership to listen to that voice and for DPS and DFT to have a strong working relationship, a partnership, as we shape the future of public education in Detroit. I look forward to their valuable input.

The DFT has demonstrated its commitment to our students by shining a spotlight on the inadequate and unacceptable conditions of our school buildings. They are to be commended for that initiative. I have expressed to its leadership my commitment to work with them in the most expeditious and efficient way to fix all outstanding issues.

DPS's collective bargaining agreements with seven of its eight unions, including the DFT, expire on June 30, 2016. I have agreed with the DFT to commence the negotiations for a new collective bargaining agreement in early May. I look forward to that negotiation with an excitement for the opportunity that it offers for creativity, innovation and a fresh start for DPS and its teachers. We are already well into the process of identifying and retaining counsel to represent DPS in these negotiations.

The leadership of the DFT has expressed concern about whether DPS will fulfill its commitment under TIP, the Termination Incentive Plan. DPS remains committed to fulfilling its obligation to each teacher under that program. By that plan, instituted in 2009, teachers lent DPS \$10,000 each - \$250/pay period for 40 periods, to be paid back upon a teacher's resignation or retirement, without interest. This was an amazing and impressive demonstration of support for DPS. Through the plan, DPS borrowed approximately \$50,000,000. The balance now left owing to teachers is approximately \$31,000,000.

The leadership of the DFT has demonstrated its support in other ways as well. It actively worked to support the legislation that appropriated the funds necessary for DPS to finish this school year, and has provided valuable budget and cost cutting advice and assistance. The DFT was also supportive in our handling of the threat at Cass Tech in early March this year.

I thank the DFT and its leadership for their support and for their commitment to the future of public education in Detroit.

XI. Security

DPS employs 54 officers in the DPS Police Department, plus 28 campus security officers and 10 communications officers/dispatchers. It also contracts with Securitas for 73 contract security officers at an annual cost of approximately \$4,000,000.

I am very sensitive to the fact that many remain concerned about the adequacy of security at our schools. I certainly plan to look for ways to enhance our security through the funds appropriated by the reform legislation.

XII. Parent Engagement

Parent engagement is important to the future success of public education in Detroit. The mission of the parent engagement office, led by Monica Johnson, is to encourage and coordinate that engagement.

The Parent Engagement Office in collaboration with parents, complies with Federal and State regulations by including parents in the decision making process for all Title I programs and activities. The activities include, but are not limited to, District Academic Plan, School Improvement Policy/Planning, Core Academic content area, School Data, and Parent Engagement activities.

Other programs/activities are: Local School Volunteerism – vetting volunteers; coordinating the Central Level Parent Advisory Council (CL-PAC) at the district level and Parent Advisory Councils on Student Achievement (PACSA) at the local school level; convening parent forums to provide updates to parents on district policies/procedures and receiving parent input; working with parents to resolve concerns (Ombudsman); and monitoring Parent Involvement school based programs.

XIII. Corporate and Business Partners

DPS and its students are benefited greatly by our partnerships with so many corporate and business partners. These include:

The UAW-Ford National Ford Department:

- An investment in building improvements throughout Detroit College Prep at Northwestern High School, including a complete renovation of the gymnasium and pool, as well as updates to the school's parent resource room;
- The return of athletics and arts and music programs to the District's elementary and middle schools;
- Complete renovations to the weight rooms at Cass Tech, Cody, Communication and Media Arts, King and Renaissance High Schools. This was done as a part of the group's initiative to reduce childhood obesity. All students and staff have access to these facilities;
- New athletic uniforms equipment for a number of middle schools and high schools;
- A five-week summer camp at five District schools that has served more than 3,000 students over three years.

Detroit Pistons Foundation and Farm Bureau Insurance:

- For the last several years, DPS has applied for grants from this partnership to renovate school libraries at Coleman A. Young Elementary Middle School, Carver STEM Academy, and Detroit College Prep at Northwestern High School into media centers that support 21st century learning. These renovations not only improve the look and feel of the rooms, but also have provided new technology in the form of tablets and computers for students to use in the new media centers.

TJ Maxx (Livonia and Beverly Hills, Madison Heights) & the Hotel St. Regis in Detroit:

- Since 2011, the District's Drew Transition Center (a center-based special education program for students ages 18-26 who are moderately to severely cognitively impaired, visually impaired, hearing impaired, physically impaired or otherwise health impaired) has partnered with these two businesses, as well as others such a

Chili's, Westin Hotel Southfield and DoubleTree Hotel Detroit, and various hospitals in southeast Michigan to provide real-life work experiences for Drew students. The internships/jobs are paid and help students to gain the necessary skills to increase their quality of life.

Target & Heart of America Foundation:

- Renovated school libraries at Bates Academy, Mark Twain School for Scholars, Marcus Garvey and Durfee Elementary Middle School;

Henry Ford Health System and St. John Providence Health System:

- Established health clinics at 15 DPS schools, and stationing two mobile health clinics in the District (Henry Ford)

XIV. The Central Office

Central office has approximately 325 employees. This represents a substantial reduction in the headcount at the central office and therefore in its expense. Last year the headcount was 414. It does appear that the size of the central office is now approximately right.

Unfortunately, however, successive reorganizations and staff reductions have resulted in a loss of good employees and valuable institutional memory. This has left the central office departments in a weakened position to carry out their functions.

In the most recent reorganization in December 2015, central office employees were assigned to these departments and divisions: Academics; Talent; Strategy; Finance and Operations; Communications; Legal; Safety; Development; and Community Relations.

XV. Buildings

A. Utilization

DPS currently utilizes 97 school buildings.

The decline in enrollment at DPS has also resulted in some underutilized building capacity. DPS currently operates at approximately 78% of building capacity.

I determined not to pursue any school closings for the 2016-17 school year. I concluded that this difficult and sensitive question is best left to the school board that will be appointed or elected later this year if the reform legislation is adopted returning the district to local control.

DPS currently has 13 buildings that it is not using and does not maintain. We hope to negotiate an agreement to transfer these properties to the City of Detroit in the near future.

B. Conditions

DPS is committed to making the necessary repairs to its buildings in order to provide our students with an environment conducive to academic achievement. The district is actively working to address the building maintenance issues that have been cited in the inspection reports received from the City of Detroit, as well as those concerns that have been submitted through its internal work order system by individual schools with its available resources. Good progress has been made on correcting a significant number of the violations cited by city inspectors; however, there are certain issues for which the District has requested an extension to the completion date (including for total roof replacements, the ordering of materials, and the scheduling of certified contractors for specific work). To date, the District has spent \$1.5 million on the required upgrades and repairs.

C. Lead and Copper in Water

Similar to many school districts around the country, but particularly in Michigan, Detroit Public Schools has begun proactively screening the drinkable water in its school buildings for lead and copper. Mayor Duggan suggested the idea and we saw the importance of it.

DPS began the process of screening its schools the week of March 28, 2016 during the District's Spring Break, using the most recent EPA protocols.

DPS contracted with ATC Group, Inc., a licensed environmental consulting firm that has a national presence to collect the water samples, which are being analyzed at an accredited drinking water laboratory.

Samples are being collected from three priority water outlets in each school: a drinking fountain in a school's teacher lounge, a drinking fountain that has high usage by students and staff (or two if the teacher lounge does not have a drinking fountain), and the food prep sink in the school kitchen. It is important to note that since 2011, DPS's Office of School Nutrition has provided all schools with 8 oz. bottles of water for students to drink with meals and throughout the day.

We have screened 62 schools. To date, 19 of 62 schools results exceed actionable levels for lead (15ppb) and/or copper (1300 ppb). The 19 schools are:

1. Beard Early Childhood
2. Ronald Brown Academy
3. Bow Elementary School
4. Bunche Preparatory Academy
5. Burton International Academy
6. Carstens Elementary-Middle School
7. Carver STEM Academy
8. J.E. Clark Preparatory Academy
9. Detroit Lions Academy
10. Edison Elementary School
11. J R King Elementary-Middle School

12. Ludington Magnet Middle School
13. Thurgood Marshall Elementary-Middle School
14. Moses Field Elementary-Middle School
15. Priest Elementary School
16. Sampson-Webber Leadership Academy
17. Spain Elementary-Middle School
18. Turning Point Academy
19. Vernor Elementary School

For these schools, and any other that test positive, the protocol we follow is:

1. Shut down the drinking fountains and do not use water from the kitchen sink;
2. Post a "
3. "do not drink the water" sign in the toilet facilities;
4. Supply bottled water;
5. Schedule testing for all of the drinking fountains;
6. Information dissemination (parent and community);
7. Develop mitigation plans.

Like every school district, DPS makes the health and safety of its students and staff its first priority. We are committed to ensuring that each of our schools provides an environment that is conducive to teaching and learning. DPS has an absolute obligation to ensure that our students and staff can focus all of their attention on what is most important – improved academic achievement. Proactively screening the water in our schools will help everyone stay focused on this goal.

Although children are exposed to lead from many different sources, the EPA maintains that the main place for exposure is in the home due to lead-based paint that is damaged and peeling. This is especially true in cities that have older housing stock such as Detroit.

As a courtesy to parents, Detroit Public Schools is partnering with the Detroit Health Department, which will make lead screenings for students available at DPS schools should there be test results that indicate lead levels above the EPA protocol. Parents are also encouraged to contact their pediatrician if they have concerns about their children's health.

XVI. Good Things Happening at DPS

Here is a comprehensive list of recent good things happening at DPS, with website links:

March 2016

DPS Fulbright Teacher Scholarship Winners

Three Detroit Public Schools' teachers were recently awarded with 2016 Fulbright Scholarships to Brazil!

<http://detroitk12.org/content/2016/03/11/dps-fulbright-teacher-scholarship-winners/>

**DPS' Career and Technical Education Department Host State
Appointed Officials to Showcase Student Work and Robust Curriculum**

Detroit Public Schools showcased four of its Career and Technical Education (CTE) Centers on Friday, March 11, during a legislative lunch at Breithaupt Career and Technical Center. The event showcased a variety of CTE programs at DPS high schools, specializing in curriculum ranging from aerodynamics to emergency medical technician course work.

<http://detroitk12.org/content/2016/03/11/dps-career-and-technical-education-department-host-state-appointed-officials-to-showcase-student-work-and-robust-curriculum/>

**Check out Star Tribune's feature on Office of
School Nutrition Executive Director Betti Wiggins!**

<http://detroitk12.org/content/2016/03/14/check-out-star-tribunes-feature-on-office-of-school-nutrition-executive-director-betti-wiggins/>

**Congratulations DPS Science and Engineering
Fair of Metropolitan Detroit Finalists!**

The 59th Science and Engineering Fair of Metropolitan Detroit (SEFMD) was held on March 9, 2016 at Cobo Center. 1,149 students from 110 schools in Wayne, Oakland and Macomb counties competed at SEFMD, one of the longest running and largest science fairs in the world.

<http://detroitk12.org/content/2016/03/14/congratulations-dps-science-and-engineering-fair-of-metropolitan-detroit-finalists/>

**Academy of the Americas Take the Floor at
10th Annual State NASP Archery Tournament**

Detroit Public Schools' Academy of the Americas (AOA) archery students participated in the 10th Annual State NASP (National Archery in the Schools Program) Archery Tournament on Saturday, March 12, 2016 at Central Michigan University. The event took place in CMU's Student Activity Center.

<http://detroitk12.org/content/2016/03/14/academy-of-the-americas-take-the-floor-at-10th-annual-state-nasp-archery-tournament/>

Golightly Wins Cooking Up Change®

Winners Receive a Free Trip to Washington, D.C.

Winning Meal to Be Served at Detroit Public Schools

Katelynn Lewis (15), Ray Adams (15) and Jalen Harris (16) -Team #1- from Golightly Career & Technical Center won Detroit Public School's Cooking up Change® District competition with their healthy lunch Low Country Chicken and Collards Pilau, Country Cole Slaw and Peanut Butter and Cracker Stackers. The winning meal will be served at DPS and the students received an all-expense paid trip to Washington, D.C. in June to compete at the national competition at the U.S. Department of Education.

<http://detroitk12.org/content/2016/03/15/golightly-wins-cooking-up-change/>

**Katherine Temple Selected as Behring Teacher
Ambassador for National History Day!**

Doulgass Academy for Young Men Teacher Katherine Temple was named Behring Teacher Ambassador for National History Day®! Temple was among 23 teachers selected who showcased outstanding creativity, commitment and inspiration in developing student' interest in history education.

<http://detroitk12.org/content/2016/03/15/katherine-temple-selected-as-behring-teacher-ambassador-for-national-history-day/>

**Principal Mumtaz Haque Recognized as One of 2016's "50
Most Powerful Women of Detroit" by Walker's Legacy**

Mark Twain School for Scholars Principal Mumtaz Haque was recently honored as a 2016 "50 Most Powerful Women in Detroit" by Walker's Legacy Detroit! Haque will be honored at the **Formation 50: Women In Leadership Breakfast** on Thursday, March 31 at the Federal Reserve Bank of Chicago Detroit Branch.

<http://detroitk12.org/content/2016/03/15/principal-mumtaz-haque-recognized-as-one-of-2016s-50-most-powerful-women-of-detroit-by-walkers-legacy/>

**DPS 2015 Graduation Rates Improve 6 Percentage
Points, Beating the State's Rate of Increase!**

DPS students continue to close gap with statewide peers and are now only 2.4 percent away from the state average; gap was more than 17 percent in 2008.

<http://detroitk12.org/content/2016/03/15/dps-2015-graduation-rates-improve-6-percentage-points-beating-the-states-rate-of-increase/>

**Bates 7th and 8th Grade Basketball Teams Win K-8 Winter
Championship and Receives 2nd Division Rating at MSBOA**

The Bates Academy 7th and 8th grade basketball teams won the DPS and Healthy Kidz, Inc. K-8 Winter Basketball Championship on Saturday, March 12 held at Communication and Media Arts High School.

<http://detroitk12.org/content/2016/03/17/bates-7th-and-8th-grade-basketball-teams-wins-k-8-winter-championship-and-receives-2nd-division-rating-at-msboa/>

**CNN Spotlight's Big Sean and
Cass Technical High School**

Check out the CNN Spotlight, aired March 14, highlighting Big Sean's charitable contributions to Detroit Public Schools' Cass Technical High School.

<http://detroitk12.org/content/2016/03/17/cnn-spotlights-big-sean-and-cass-technical-high-school/>

**DPS Students Participate in MSBOA
District Band and Orchestra Festival**

Detroit Public Schools band and orchestra students participated in the Michigan School Band Orchestra Association's District XV Band and Orchestra Festival on Saturday, March 12.

<http://detroitk12.org/content/2016/03/17/dps-students-participate-in-msboa-district-band-and-orchestra-festival/>

**DPS Sweeps the National Recycle Bowl
Competition for the Third Year in a Row!**

For the third straight year, DPS schools took the majority of the top spots in Michigan in the national Recycle Bowl Competition – securing 28 of the top 30 spots!

<http://detroitk12.org/content/2016/03/17/dps-sweeps-the-national-recycle-bowl-competition-for-the-third-year-in-a-row/>

**Read with the Principal
Night at Munger!**

Munger Elementary-Middle School hosted its First Annual “Reading with the Principal Night” honoring Dr. Seuss’ Birthday, on March 9.

<http://detroitk12.org/content/2016/03/17/reading-with-the-principal-night-at-munger/>

**Gompers Reading and
Donuts with Dads!**

Gompers-Elementary School students received a special visit from the school’s “Reading Dads” Club on Friday, March 10. More than 20 Dads came to volunteer and read to show their support for March is Reading Month.

<http://detroitk12.org/content/2016/03/18/gompers-reading-and-donuts-with-dads/>

**Cass Tech Student Receives Silver at National
Scholastic Essay and Art National Competition**

Cass Technical High School student Matthew Lewis was named a National Silver Medal Winner in the National Scholastic Essay and Art National Competition. There were a total of 22 art works throughout the United States awarded A National Silver Medal for Drawing.

<http://detroitk12.org/content/2016/03/18/msvma-district-choral-festival/>

**DPS Students Participate
in “Girls are IT!” Conference**

Detroit Public Schools girls and their teachers discovered new career options during the “Girls are IT!” conference held at the University of Michigan-Dearborn, Wednesday, March 16. The event brought together 200 female students in grades 4-12 from Dearborn, Detroit and Southfield public schools.

<http://detroitk12.org/content/2016/03/18/dps-students-participate-in-girls-are-it-conference/>

**Cass Tech Student Wins 26th Annual NAACP
Fight for Freedom Art and Essay Contest**

Cass Technical High School 11th grader Tamanna Rani won first place at the 26th Annual NAACP Fight For Freedom Art and Essay contest! The theme was, “What the civil rights struggle means to me.”

<http://detroitk12.org/content/2016/03/18/cass-tech-student-wins-26th-annual-naacp-fight-for-freedom-art-and-essay-contest/>

Detroit DI Tournament

The first-ever Region 8: Detroit Destination Imagination® (DI) Tournament took place on Saturday, March 19. DPS Interim Superintendent Alycia Meriweather, DPS Office of Science representative Stacie Smith and Regional Directors Amanda Engel and Darnesha Vesey attended the successful event at Western International High School.

<http://detroitk12.org/content/2016/03/22/detroit-di-tournament/>

Paul Robeson/Malcolm X Academy Donates to Flint!

The scholars of Paul Robeson/Malcolm X Academy immediately felt the urge to help the residents of Flint! They joined forces with the Kim-One Insurance Agency from Meemic and other Meemic individuals to collect 350 cases of water to be donated to the residents of Flint during the month of February 2016.

<http://detroitk12.org/content/2016/03/22/paul-robesonmalcolm-x-academy-donates-to-flint/>

DPS to Host Summit Centered on Best Practices for Family and Community Engagement (FACE) with Scholastic, WSU and MDCC

Educators, community leaders and parents will learn from experts in the field to jumpstart a city-wide education dialogue that addresses systemic challenges and provides collaborative solutions

<http://detroitk12.org/content/2016/03/23/dps-to-host-summit-centered-on-best-practices-for-family-and-community-engagement-face-with-scholastic-wsu-and-mdcc/>

Congresswoman Debbie Dingell to Attend King High School's Women's Lives Matter Event Celebrating Female Pioneers

The event is to commemorate the accomplishments of women throughout history and continue to celebrate their inspirational legacies

<http://detroitk12.org/content/2016/03/23/congresswoman-debbie-dingell-to-attend-king-high-schools-womens-lives-matter-event-celebrating-female-pioneers/>

CAY Students Visit DPS Graduate's Tea factory

Coleman A. Young (CAY) Elementary School LitWorld "It's a Girl Thing" students ventured on a special field trip to Ellis Island Tropical Tea factory on Friday, March 25.

<http://detroitk12.org/content/2016/04/04/cay-students-visit-dps-graduates-tea-factory/>

February 2016

School Counselors Celebrate During National School Counseling Week, Feb. 1–5, 2016

<http://detroitk12.org/content/2016/02/01/school-counselors-celebrate-during-national-school-counseling-week-feb-1-5-2016/>

**DPS Takes Action to
Address Building Issues**

<http://detroitk12.org/content/2016/02/01/dps-takes-action-to-address-building-issues/>

**DPSL Celebrates More Than 40 Scholarship
Recipients on National Letter of Intent Signing Day**

<http://detroitk12.org/content/2016/02/03/dpsl-celebrates-more-than-40-scholarship-recipients-on-national-letter-of-intent-signing-day/>

**Renaissance Celebrates
Black History Month**

<http://detroitk12.org/content/2016/02/05/renaissance-celebrates-black-history-month/>

**Paul Robeson Celebrates Black
History Month with a Science Twist**

<http://detroitk12.org/content/2016/02/05/paul-roberson-celebrates-black-history-month-with-a-science-twist/>

**Wayne Students Create “Black History Quilt”
in Honor of Black History Month**

<http://detroitk12.org/content/2016/02/05/wayne-students-create-black-history-quilt-in-honor-of-black-history-month/>

**The Michigan Opera Theatre Performs
for DPS High School Students**

<http://detroitk12.org/content/2016/02/09/the-michigan-opera-theatre-performs-for-dps-high-school-students/>

**Dossin Collects More Than 200 Cases
of Bottled Water for Flint Students**

<http://detroitk12.org/content/2016/02/09/dossin-collects-more-than-200-cases-of-bottled-water-for-flint-students/>

**DPS teacher wins \$900 Sponsorship to Attend
“Audubon Educator’s Week” in Maine This Summer**

<http://detroitk12.org/content/2016/02/10/dps-teacher-wins-900-sponsorship-to-attend-audubon-educators-week-in-maine-this-summer/>

**Congratulations DIA Senior Bre’Ona Law-Williams!
Detroit Pistons \$25,000 Scholarship Recipient**

<http://detroitk12.org/content/2016/02/10/congratulations-dia-senior-breona-law-williams-detroit-pistons-25000-scholarship-recipient/>

**DPS Counselor Sylvia Sanders Honored as
“Outstanding School Counselor” at the White House**

<http://detroitk12.org/content/2016/02/10/dps-counselor-sylvia-sanders-honored-as-outstanding-school-counselor-at-the-white-house/>

**Ellen DeGeneres Donation to
Spain Elementary-Middle School!**

<http://detroitk12.org/content/2016/02/11/ellen-degeneres-donation-to-spain-elementary-middle-school/>

**DPS’ 21st Century Youth Advisory Council
collects water for Flint Community Schools**

<http://detroitk12.org/content/2016/02/11/dps-21st-century-youth-advisory-council-collects-water-for-flint-community-schools/>

**2016 DPS Scholastic Art
and Writing Award Winners**

<http://detroitk12.org/content/2016/02/12/2016-dps-scholastic-art-and-writing-award-winners/>

**AAA and DPS Driver’s
Education Scholarship Program**

<http://detroitk12.org/content/2016/02/16/aaa-and-dps-drivers-education-scholarship-program/>

**Congratulations Bates Academy and Sampson-Webber
Leadership Academy, 2016 Jr. High State Chess Co-Champions!**

<http://detroitk12.org/content/2016/02/16/congratulations-bates-academy-and-sampson-webber-leadership-academy-2016-jr-high-state-chess-co-champions/>

**NEW DPS High School Passport Guide
Now Available to Families District-Wide**

<http://detroitk12.org/content/2016/02/17/new-dps-high-school-passport-guide-now-available-to-families-district-wide/>

**A Dozen DPS Schools Released from
Michigan’s 2012 Priority Cohort Schools List**

<http://detroitk12.org/content/2016/02/18/a-dozen-dps-schools-released-from-michigans-2012-priority-cohort-schools-list/>

**DPS kicks off Application Period Wednesday,
February 24 for 22 Application Schools**

<http://detroitk12.org/content/2016/02/19/dps-kicks-off-application-period-wednesday-february-24-for-21-application-schools/>

**Congratulations CMA Cheer Team, 2016 Spirit Shine
Celebration Cheer-Dance High School Champions!**

<http://detroitk12.org/content/2016/02/22/congratulations-cma-cheer-team-2016-spirit-shine-celebration-cheer-dance-high-school-champions/>

**Free DPS Family Event at
the Detroit Children's Museum**

<http://detroitk12.org/content/2016/02/22/detroit-childrens-museums-free-dps-family-event/>

**DSO Educational
Concert Series**

<http://detroitk12.org/content/2016/02/23/dso-educational-concert-series/>

**Congratulations King Girls and EEVPA Boys Basketball athletes!
Fifth Annual DPSL Big D Basketball Tournament Champions!**

<http://detroitk12.org/content/2016/02/23/congratulations-king-girls-and-eevpa-boys-basketball-athletes-fifth-annual-dpsl-big-d-basketball-tournament-champions/>

**TV 20 Detroit's MI Healthy
Mind Tours Drew Transition Center**

<http://detroitk12.org/content/2016/02/23/tv-20-detroits-mi-healthy-mind-tours-drew-transition-center/>

**Sweet Dreamzzz Hosts Sleep
Education Program at Dixon**

<http://detroitk12.org/content/2016/02/23/sweet-dreamzzz-hosts-sleep-education-program-at-dixon/>

**Cass Tech Students Participate in MSU and Crain
Communications High School Journalism Program**

<http://detroitk12.org/content/2016/02/24/msu-and-crain-communications-high-school-journalism-program/>

**Clark Preparatory Academy Selected as Habitat for
Humanity Detroit's Community Partner of the Year!**

<http://detroitk12.org/content/2016/02/26/clark-preparatory-academy-selected-as-habitat-for-humanity-detroits-community-partner-of-the-year/>

**District 10 Michigan
History Day Competition**

<http://detroitk12.org/content/2016/02/29/district-10-michigan-history-day-competition/>

**DPS Teachers Volunteer at the Detroit
Children's Museum Family Day!**

<http://detroitk12.org/content/2016/02/29/dps-teachers-volunteer-at-the-detroit-childrens-museum-family-day/>

**Congratulations King High School Coach Dale Harvel!
2016 MHSFCA Hall of Fame inductee!**

<http://detroitk12.org/content/2016/02/29/congratulations-king-high-school-coach-dale-harvel-2016-mhsfca-hall-of-fame-inductee/>

**Clippert Academy Holds Annual Multicultural
Ethnic Luncheon, Welcoming New Applicants!**

<http://detroitk12.org/content/2016/03/02/clippert-academy-holds-annual-multicultural-ethnic-luncheon-welcoming-new-applicants/>

**Clark's Annual Taste
of Africa Celebration**

<http://detroitk12.org/content/2016/03/02/clarks-annual-taste-of-africa-celebration/>

**Cass Tech Students Experience a Day
in the Life of an MSU student**

<http://detroitk12.org/content/2016/03/02/cass-tech-students-experience-a-day-in-the-life-of-an-msu-student/>

**Congratulations Travon Stearns, Youth
Citizen Service Award of the Month!**

<http://detroitk12.org/content/2016/03/03/congratulations-travon-stearns-youth-citizen-service-award-of-the-month/>

**DPS You Be the Chemist
Competition Winners**

<http://detroitk12.org/content/2016/03/04/dps-you-be-the-chemist-competition-winners/>

**5th Annual NSBE Student Chapter
Alternative Spring Break, March 7-9**

<http://detroitk12.org/content/2016/03/04/5th-annual-nsbe-student-chapter-alternative-spring-break-march-7-9/>

**Congratulations
Devin Powell!**

<http://detroitk12.org/content/2016/03/04/congratulations-devin-powell/>

King High School DECA Chapter Performs Community Service at Salvation Army Harbor Light in Detroit

<http://detroitk12.org/content/2016/03/08/king-high-school-deca-chapter-performs-community-service-at-salvation-army-harbor-light-in-detroit/>

Seven Detroit Public Schools honored by Mackinac Center as Top 100 schools in the state

<http://detroitk12.org/content/2016/03/09/7-detroit-public-schools-honored-by-mackinac-center-as-top-100-schools-in-the-state/>

January 2016

DPS' King High School Gears Up for 7th Annual Legacy March Honoring Namesake, Dr. Martin Luther King, Jr.

<http://detroitk12.org/content/2016/01/13/dps-king-high-school-gears-up-for-7th-annual-legacy-march-honoring-name-sake-dr-martin-luther-king-jr/>

Detroit Institute Of Arts Receives \$1.71 Million Gift From Former Museum Shop Volunteer And Local DPS Teacher Elizabeth Verdow

<http://detroitk12.org/content/2016/01/13/detroit-institute-of-arts-receives-1-71-million-gift-from-former-museum-shop-volunteer-and-local-dps-teacher-elizabeth-verdow/>

**Ronald Brown Academy
“Canned Goods for King” Drive**

<http://detroitk12.org/content/2016/01/14/ronald-brown-academy-canned-goods-for-king-drive/>

**Osborn High School 2nd Annual
“MLK Day Service Day” Event**

<http://detroitk12.org/content/2016/01/14/osborn-high-school-2nd-annual-mlk-day-service-day-event/>

**Bow Receives Special Recognition
from Local Community Partner**

<http://detroitk12.org/content/2016/01/15/bow-receives-special-recognition-from-local-community-partner/>

**MLK Day
at Dossin**

<http://detroitk12.org/content/2016/01/19/mlk-day-at-dossin/>

**DPS Partners Tout Positive Experience
at Gompers Elementary-Middle School**

<http://detroitk12.org/content/2016/01/25/dps-partners-tout-positive-experience-at-gompers-elementary-middle-school/>

**DC Prep at Northwestern Hosts
“Saturday Schoolhouse In The D”**

<http://detroitk12.org/content/2016/01/25/dc-prep-at-northwestern-hosts-saturday-schoolhouse-in-the-d/>

**Hundreds of DPS Preschoolers to Receive
Locally Written and Illustrated Storybook**

<http://detroitk12.org/content/2016/01/26/hundreds-of-dps-preschoolers-to-receive-locally-written-and-illustrated-storybook/>

**Whole Foods Market
Brings Dr. Ian Smith to DSA**

<http://detroitk12.org/content/2016/01/27/whole-foods-market-brings-dr-ian-smith-to-dsa/>

**26th Annual Detroit NAACP Fight for
Freedom Fund Dinner-Art and Essay Contest**

<http://detroitk12.org/content/2016/01/27/26th-annual-detroit-naacp-fight-for-freedom-fund-dinner-art-and-essay-contest/>

**DPS’ Academy of the Americas
Expands to NEW High School**

<http://detroitk12.org/content/2016/01/29/dps-academy-of-the-americas-expands-to-new-high-school/f>

**KEM Assists Golightly 2nd Grade Students
with Their Water Drive For Flint**

<http://detroitk12.org/content/2016/01/29/kem-assists-golightly-2nd-grade-students-with-their-water-drive-for-flint/>

XVII. Not So Good Things Happening at DPS

A. USDOE Claim

The United States Department of Education has made a claim against DPS in the amount of \$25-30,000,000 for overpayments of grant funds. The matter is still under review, but it appears that from June 2014 to February 2016, DPS obtained reimbursement for its share of pension payments to MPSERS that it did not actually make. DPS is fully cooperating with the USDOE, the Michigan Department of Education, and the Michigan Department of Treasury. We are committed to implement controls to assure that this is not repeated. DPS is negotiating a resolution of this matter, but no resolution has yet been reached. The funds at issue are a part of the larger pension obligation that DPS owes to MPSERS.

B. The Cass Tech Threat and Its Consequences

On Wednesday, March 2, 2016, my first full day in the office, we received notice of a threat of violence at Cass Tech High School. As a result, I ordered that Cass Tech be closed on Friday, March 4, 2016, the date targeted in the threat.

My staff and I made mistakes in responding to this threat. At the suggestion of the leadership of the Detroit Federation of Teachers, Ivy Bailey and Terrence Martin, I attended a meeting of Cass Tech teachers and parents on the evening of Thursday, March 3, 2016. The purpose of the meeting was to discuss the circumstances of the threat and our response to it. We had a full, frank and candid discussion about it.

At the meeting, I made two commitments. First I committed to an independent investigation of our response to the threat and to make the report of that investigation public. Second, I committed to a thorough review of DPS's threat response protocols and procedures by a working group consisting of volunteers representing a cross-section of the DPS community. Meeting attendees were encouraged to volunteer to serve and to sign up there at the conclusion of the meeting.

On the following Monday, March 7, I attended an all-school assembly at Cass Tech to discuss student's responsibilities when seeing a threat on social media and to answer their questions. I told them that their only response should be to tell a responsible adult about any social media threat that they see, and that they should never pass it on to their friends.

Coincidentally, Joel Applebaum, a partner at the Clark Hill law firm in Detroit, sent me an email suggesting that an associate at the firm who was interested in education law, Kristen Howard, was willing to devote substantial pro bono time to DPS and that Clark Hill was willing to support her in any work that might result. I discussed with them the two commitments that I had made regarding our response to the threat at Cass Tech and became convinced that Ms. Howard would be the ideal lead for both roles. She then accepted my request take on both roles.

Ms. Howard has performed her work with enthusiasm, zeal, professionalism and skill. In investigating our response to the threat, she has completed her interviews of all DPS employees involved in the matter, including me. She advises me that her report of her investigation is almost complete and will be submitted to me shortly. I will make it public at that time, as I promised.

In leading the review of our threat response procedures, Ms. Howard has met with the working group on six occasions. I am advised that this task is also nearly complete and I will release it shortly after I have a chance to review it. Here are the volunteers who have worked most intensely on the working group:

- Dorethea Brown-Maxem
- Lamethia Champion
- James Hunter
- Dr. Randy Liepa, Superintendent Wayne RESA
- Karen McPhee, former education advisor to Gov. Snyder
- Lisa Phillips, Cass Tech Principal
- Cicely Williams
- Aseneath Jones, DFT Rep, Teacher
- Craig Schwartz, DPSPD Asst. Chief
- Orlando Bogins, Cass Tech Asst. Principal, Building Safety Officer
- Chrystal Wilson, DPS Press Secretary

- Mikyia Aaron, Attorney, Clark Hill

I, and all of DPS, owe Ms. Howard and Clark Hill many thanks for their pro bono public service for us.

We also owe our thanks to everyone on the working group for their commitment and contributions. Thank you to all.

C. Fraud Against DPS

On March 29, 2016, United States Attorney Barbara McQuade announced federal charges against:

- Norman Shy, a DPS vendor;
- Clara Flowers, an assistant superintendent;
- Beverly Campbell, a former principal of Rosa Parks School and Greenfield Union Elementary-Middle School;
- Clara Smith, the principal of Thirkell Elementary-Middle School;
- Gerlma Johnson, a former principal of Charles R. Drew Academy and the principal of Earhart Elementary-Middle School;
- James Hearn, the principal of Marcus Garvey Academy;
- Josette Buendia, the principal of Bennett Elementary School;
- Nina Graves-Hicks, a former principal of Davis Aerospace Technical High School;
- Ronald Alexander, the principal of Charles L. Spain Elementary-Middle School;
- Ronnie Sims, a former principal of Fleming Elementary and Brenda Scott Middle School;
- Stanley Johnson, the principal of Hutchinson Elementary;
- Tanya Bowman, a former principal of Osborn Collegiate Academy of Mathematics, Science and Technology;
- Tia'von Moore-Patton, the principal of Jerry L. White Center High School;
- Willye Pearsall, a former principal of Thurgood Marshall Elementary School.

The charges allege that Shy billed and was paid by DPS for supplies that he did not deliver. The charges further allege that our employees facilitated Shy's fraud and received substantial kickbacks and bribes. The charges state that the loss to DPS is \$2.7 million and that our employees received \$908,518 in kickbacks and bribes.

I have already expressed my outrage at this theft from our children.

I am equally outraged that in their public comments, some of our employees have attempted to justify this criminal and reprehensible conduct. There is no justification for it. More than that, I hope and expect that no hint of this view has been presented in any of our classrooms. Instead, these charges provide our educators, parents, civic leaders and religious leaders with a perfect opportunity to reinforce our common values to our students. These values include the values of

integrity, honesty, respect for others, the importance of education, and commitment to the general welfare of our community and our country.

Although it is possible that additional educators were involved, the conduct alleged in these charges was the conduct a very small number of our over 5,000 DPS employees. I reject any suggestion that these charges represent a cultural or systemic reality within DPS. Instead, the commitment and dedication that our employees have demonstrated year-in and year-out has been exceptional. DPS has been fortunate to retain them in the face of their extraordinary daily challenges. They deserve our full support, thanks and appreciation.

The victims of our employee's fraud and theft are the students of DPS. Our responses are designed to deter and prevent this from happening again. Here are our responses:

- We placed each of the 12 employees who had not already retired or resigned on administrative leave without pay;
- We excluded them from their school buildings;
- We will withhold any money that we owe them to pay DPS back for the losses that they caused;
- We have imposed more comprehensive and effective controls in our procurement process and will continue to evaluate those controls with expert assistance;
- We have reinstated the Office of Inspector General, which had been eliminated in a budget-cutting effort in June 2015. This will give DPS the enhanced ability to investigate any past and future wrongs against it. It must be noted here that before it was eliminated, DPS's Office of Inspector General played a key role in the government's investigation of this fraud;
- We are seeking counsel to represent DPS in filing lawsuits against all those who stole from DPS and our students. We will seek both compensatory and punitive damages as allowed by law.

We have collected all of the source documents in this matter and will shortly make them available on our website.

Unfortunately, those highly publicized cases are not the only outstanding cases in which DPS and its students have been victimized:

- Criminal charges are pending against Rodolfo Diaz for accepting an illegal payment from a vendor in the amount of \$10,000 and other valuable consideration. We have been advised that trial has been adjourned to July 2016. When the charges were filed in July 2015, Mr. Diaz was placed on administrative leave with pay. When I was made aware of these charges recently, I changed his status to administrative leave without pay. As in the cases of the other DPS employees, we are seeking counsel to pursue a civil action against Mr. Diaz for compensatory and punitive damages as allowed by law.
- Through an anonymous tip, we have discovered that a human resources employee was improperly paid over \$45,000, and perhaps much more than that, by falsely

claiming overtime pay over a five year period. The employee admitted the fraud, justifying it on the grounds that she had not received promised pay raises. The scheme was facilitated by her supervisor who allowed the employee to use her password to log into our payroll system and verify the overtime. Disciplinary proceedings are about to be instituted against both employees. To deter this kind of fraud, we have instituted a new policy requiring that all overtime be requested in writing and approved by a supervisor in writing.

- On March 30, 2016, former DPS coach Antoine Jones was arrested on 16 counts of criminal sexual conduct involving DPS students. On March 11, 2016 upon first learning of the allegations against Jones, Jones was immediately removed from the school and suspended without pay. He was terminated on April 12, 2016. He is in custody on a \$1,000,000, cash bond pending trial.

At DPS, our highest commitment is to our students. Every day that any of our students lose an opportunity to learn due to these kinds of frauds and crimes is a day that we can never make up to them. That is why we encourage anyone with information about any wrongdoing at DPS to speak up about it. It is a moral imperative.

XVIII. Litigation

DPS is involved in a number of lawsuits in the ordinary course of business. The most significant involves a dispute between Sodexo Management and DPS regarding breaches of the Physical Plant Operation Maintenance contract. That contract required Sodexo to provide facilities management services. On August 27, 2015, an arbitrator issued a final award in Sodexo's favor in the amount of \$24,169,237.91. The case is currently pending in the U.S. District Court for the Eastern District of Michigan. Sodexo has filed a petition to confirm the award. DPS has filed a petition to have the award vacated.

XIX. Financial Condition

A financial emergency continues to exist within DPS under the Local Fiscal Stability and Choice Act, 2012 PA 436, as amended, MCL 141.1541 to 141.1575.

A. The Budget Deficit for This School Year

Shortly after I took office, I was confronted with the reality that DPS would have a cash shortage of nearly \$50,000,000 this school year. As a result, DPS would not be able to pay employees for work performed after April 8, 2016. Absent additional funding from the legislature, there would have been no alternative to closing DPS.

We are deeply grateful that in a timely way, the Michigan Legislature did enact and Governor Snyder did sign a bill that provides DPS with adequate funding for this school year. To keep the schools open and sustain DPS's daily operations, Public Act 54 of 2016 will appropriate \$48.7 million to the Michigan Department of Treasury for financial assistance for distressed public

schools. The Michigan Department of Treasury has determined that DPS is a distressed district eligible to receive the appropriation.

DPS expects to receive the entire \$48.7 million and has recently amended its budget accordingly (Budget Amendment #2, see Appendix A) to reflect the assistance from the Michigan Treasury, as well as other changes.

For this school year, the revenue projection is \$710,524,988 per Budget Amendment #2. The expense projections are \$731,427,305. The deficit will be \$20,902,317.

B. Deficit Elimination Plan

Under a prior Emergency Manager, Jack Martin, DPS filed a Deficit Elimination Plan (the “DEP”) on December 17, 2014 with the Michigan Department of Education. The Deficit Elimination Plan has not been approved by Michigan Department of Education. It is withdrawn.

DPS’s Deficit Elimination Plan is this Financial and Operating Plan.

C. The Current Debt

DPS’s declining enrollment and its inability to reduce its expenses correspondingly has caused it to incur additional debt just for operating expenses. At this time, DPS has the following operating debt, estimated as of June 30, 2016:

- \$214,000,000 Series 2011/2012 bonds
- \$52,000,000 FY16 short-term note payments
- \$76,000,000 Deferred pension (through FY15)
- \$81,000,000 Deferred pension (FY16 estimate)
- \$47,000,000 Deferred AP (>90 days past due)

This debt is proposed to be paid by the appropriation in the pending reform legislation.

The total debt of DPS, including the operating debt, is approximately:

- \$196 million School Loan Revolving Fund
- \$1.3 billion Pension liability to Michigan Public Employee Retirement System
- \$1.5 billion Long-term qualified bonds
- \$464 million Short-term not qualified bonds/notes
- \$50 million Past due accounts payables

D. Long-Term Stability and Operational Plan: The Reform Legislation and Its Current Status

As noted earlier, DPS has 45,786 students. Article 2, section 2 of the Michigan Constitution states, “The legislature shall maintain and support a system of free public elementary and secondary schools[.]”

The recurring annual deficits have put significant pressure on DPS's operations. Historically, DPS has addressed these deficits with issuances of short-term and long-term debt, payment deferrals, cut-backs, and other working capital strategies. The accumulated burden of these activities has become too significant for DPS to handle on its own.

The governor has recommended to the legislature measures that the governor considers necessary and desirable to correct DPS's financial conditions in a sustainable fashion, rectify DPS's financial emergency, and assure the availability of free public education to the residents of Detroit administered by a school board elected by its residents.

DPS needs further help from the Michigan Legislature. It needs to have its operating debt of \$515 million paid and a \$200 million appropriation for the expenses associated with transitioning to a new school system, as follows:

- \$75,000,000 Facilities related costs due to deferred maintenance, space consolidation, school rationalization, and school building closure related costs;
- \$50,000,000 Transition and working capital for academic and instructional support, portfolio planning, professional transition costs (IT, legal, HR, financial), DEC funding, vendor continuity payments, timing lag for grant reimbursements;
- \$25,000,000 Minimum cash requirements for cash needed at inception of the new district to operate based on timing of revenue receipts;
- \$25,000,000 Program retention/improvement through investment in key academic programs that have been neglected due to financial constraints and austerity measures; and
- \$25,000,000 Other operating liabilities for expenditures related to other pending contingencies and claims that may need to be funded by the new district.

I am encouraged that legislators from both political parties, and in both the House and the Senate, are focused on the necessary reform legislation for DPS. It includes the creation and funding of the new Detroit Community School District under local control and full payment of DPS's operating debt. Although significant differences remain to be negotiated and compromises reached on a number of key issues, I am confident that legislators will come together and pass this critical legislation.

This is not the time for drawing lines in the sand or for longstanding political differences to trump our obligation to educate our children.

I have been meeting, and will continue to meet, with legislators to discuss the urgency of this crucial legislation. More importantly, I implore everyone who has a stake in the future of public education in Detroit to support compromise legislation, and to do that actively and urgently. This includes educators, union leaders and members, parents, community leaders and even students themselves. We must make this happen. It is difficult work, but it is also a true test of our commitment to our children and our City.

On the financial side, DPS has rightsized its central office and is close to rightsizing its school building capacity. Since 2005, DPS has reduced its workforce by 10,000 positions and

closed over 150 schools. As a result, DPS has made impressive progress in its financial performance.

DPS's operating expenses are not sinking DPS. Nor are teacher salaries, which are significantly below suburban teacher salaries. Rather, the cause is DPS's debt service. That debt service, \$63,849,494, is sucking revenues away from educating its students, approximately \$1,394 per student. This represents about 19 percent of DPS's foundation grant of \$7,434 per student. DPS simply cannot pay that debt while attempting to provide a quality education for its students.

DPS faces special challenges in educating its students, compared to charters and suburban schools:

- DPS has a higher percentage of special needs students and our allotment of funds from the state does not cover our costs to educate our special needs students;
- Perhaps more significantly, the poverty that Detroit experiences creates special challenges for education in many ways
- For whatever reason, many of the school systems in the Detroit suburbs are allotted a significantly greater per-student allowance than DPS.

Nevertheless, DPS has already made significant progress in meeting its special challenges. Some measure our success by our students' test scores, their grades or their college enrollments. But perhaps better proof than DPS's academic success is our enrollment numbers. Where are the parents deciding to enroll their kids?

Since 2005, the DPS's enrollment declines were about 10,000 per year, but in the last three years it has been about 1 percent per year, close to stabilized. Enrollment is actually increasing in least one area of the city - southwest Detroit. Two statistics are very impressive – 17 percent of the students at Cass Tech High School are from the suburbs. And its senior class has earned \$43 million in college scholarships.

By one other metric – market share, DPS has also turned the corner. Even though the raw number of students enrolling in DPS is slightly down this year, as a percentage of school age children in the district, enrollment actually increased by about 1 percent this year.

Finally, I add that I see great energy, experience, commitment and dedication in the educators in DPS. They want DPS to succeed. They want DPS to compete. They think they can win in that competition, and I agree. But they need the resources to compete and they need DPS's revenues to go into the classroom instead of paying debt.

With Governor Snyder's support and leadership, the Michigan Legislature has an opportunity to fix DPS's balance sheet and launch a new school system in Detroit with a fresh start. This opportunity is crucial not only for the revitalization of public education in Detroit, but also for the continued revitalization of the City of Detroit.

The Senate has passed a bill and the House now has it under consideration. Realistically, the legislature needs to complete its work by mid-June in order for the relief that it would offer to

be effective for the coming school year. The alternative is another year, or more, of increasing deficits and debt, and more yearly requests for supplemental appropriations.

There is, of course, no *guaranty* that the legislation will permanently restore DPS to financial solvency and quality academic performance. To enhance the opportunity for DPS to achieve success, the legislation should provide strong financial and educational asset controls. As observed above, our Michigan constitution places on the legislature the responsibility to provide for free public education in the state. A Financial Review Commission with enhanced powers and responsibilities is certainly warranted, as is the concept of the Detroit Education Commission with the power and responsibility to rationalize Detroit's irrational allocation of education resources. Those controls, along with a strong and highly qualified school board, will provide DPS with the best opportunity for success.

On behalf of DPS, the children of Detroit and the City of Detroit, I strongly urge the Michigan Legislature to act with all deliberate speed in its consideration and passage of the Detroit school reform legislation.

During the transitional period after the legislation is enacted, I will focus on working with the legislature and others, on implementing the legislation after enactment, and on supervising related administrative functions. After such a transitional period, I will turn over operations to the school board.

My job ends when a new school board is sworn in under the reform legislation. It is not yet clear whether that first new board will be appointed or elected. If it is elected, the voters in Detroit must elect the best possible candidates for the board because that board will then run the new district. The best possible candidates must be encouraged to run for these positions.

E. The Budget Process for Next Year

Ernst & Young is assisting us with constructing next year's budget. This involves accumulating and reviewing the necessary data, staff review, my review and review by the Michigan Department of Treasury. It will also involve an opportunity for review and comment by the public at a hearing to be scheduled in June 2016. The budget needs to be adopted by June 30, 2016.

F. Future Planning

The items outlined in this plan provide a path that will move DPS towards both operational and educational improvement in the hands of local control. Longer-term planning for DPS must involve enrollment and portfolio planning, which should be done in collaboration with the state, city and other educational entities and may require additional policy changes in the future. In addition, it is important that there be a system to hold all schools accountable and take action on schools that are not serving students well. A comprehensive plan for Detroit must address chronically failing schools, parent choice, and create high quality options for all students. In addition, this long term planning will likely require that DPS address the excess capacity within the system.

XX. The Transition Team

With the extraordinary help of Jay Alix, a transition team has been assembled to assist me in strengthening DPS as much as possible during my tenure. The team is:

- Jay Alix, Alix Partners, LLP
- Al Koch, Alix Partners, LLP
- Kurt Beckeman, Alix Partners, LLP
- David Carroll, Quicken Loans, Coalition
- Matt Cullen, Rock Ventures
- Jeff Lambert, Lambert, Edwards & Associates
- Kelly Rossman-McKinney, Truscott Rossman
- John Truscott, Truscott Rossman
- Patricia Flaherty, retired, Ford Motor Co.
- Jimmy Settles, UAW Ford
- Gene Gargaro, Masco
- Eugene Driker, Barris, Sott Denn & Driker, PLLC

I want to thank each of them for their contributions to DPS and for assisting me.

XXI. Meetings with Parents, Teachers, Principals, Other Support Staff

The success of the future of public education in Detroit depends on the full involvement of all interested parties – parents, educators, DPS unions and Detroit residents and businesses. From the beginning, I have sought to solicit that full involvement. I seek processes that are open, accessible, responsive, responsible and honest.

To that end, I have participated in several meetings with constituent groups to share my goals and visions and to answer questions.

I will meet with any group that is interested in a good faith discussion about the successful future of public education in Detroit. Any group seeking this opportunity is encouraged to contact my office.

DISCLAIMER

THE EMERGENCY MANAGER FOR THE DETROIT PUBLIC SCHOOL DISTRICT PREPARED THIS FINANCIAL AND OPERATING PLAN IN ACCORDANCE WITH SECTION 11 OF PUBLIC ACT 436 OF 2012. THIS PLAN IS PRESENTED IN A FORM DEVELOPED IN CONSULTATION WITH THE STATE TREASURER AND THE EMERGENCY MANAGER'S ADVISORS AND IS BASED ON (AND LIMITED BY) THE INFORMATION AVAILABLE TO THE EMERGENCY MANAGER AS OF THE DATE OF THIS PLAN. SUBSTANTIAL ADDITIONAL DATA IS BEING GATHERED OR DEVELOPED, AND CRITICAL FINANCIAL AND OPERATIONAL ANALYSES

CONTINUE. THIS ADDITIONAL INFORMATION AND ANALYSIS, AS WELL AS CHANGES IN CIRCUMSTANCES, ARE EXPECTED TO HAVE A SIGNIFICANT IMPACT ON THE EMERGENCY MANAGER'S RESTRUCTURING PLAN. THUS, THIS PLAN IS A PRELIMINARY REPORT BASED ON THE EMERGENCY MANAGER'S WORK TO DATE AND REMAINS SUBJECT TO MATERIAL CHANGE AS THIS WORK PROGRESSES.

AS CONTEMPLATED BY SECTION 11(2) OF PA 436, THIS PLAN WILL BE REGULARLY REEXAMINED BY THE EMERGENCY MANAGER AND THE STATE TREASURER AND MAY BE MODIFIED FROM TIME TO TIME BY THE EMERGENCY MANAGER ON NOTICE TO THE STATE TREASURER. WITHOUT LIMITING THE FOREGOING, IF THE EMERGENCY MANAGER MODIFIES HIS REVENUE ESTIMATES, THE PLAN WILL BE MODIFIED TO CONFORM TO THE REVISED REVENUE ESTIMATES.

THIS PLAN IS BASED ON NUMEROUS PROJECTIONS AND ASSUMPTIONS CONCERNING FUTURE UNCERTAIN EVENTS. THESE PROJECTIONS AND ASSUMPTIONS INCLUDE, AMONG OTHERS, ESTIMATES OF TAX AND OTHER REVENUES AND FUTURE BUSINESS AND ECONOMIC CONDITIONS IN THE DISTRICT, ALL OF WHICH ARE BEYOND THE CONTROL OF THE DISTRICT. THIS PLAN LIKEWISE IS PREMISED ON THE FAVORABLE OUTCOME OF CERTAIN RESTRUCTURING INITIATIVES AND NEGOTIATIONS, SOME OF WHICH MAY BE SUBJECT TO LEGAL CHALLENGES, THE OUTCOME OF WHICH IS UNCERTAIN. THERE CAN BE NO ASSURANCE THAT THE PROJECTED OUTCOMES WILL OCCUR. FOR ALL OF THESE REASONS, THE EMERGENCY MANAGER'S RESTRUCTURING PLAN MAY NEED TO BE MODIFIED FROM THE TERMS PRESENTED HEREIN, AND SUCH DIFFERENCES COULD BE MATERIAL.



Steven Rhodes
Transition Manager
Detroit Public Schools



Order 2016-EMSR-05

ORDER
ADOPTING THE AMENDED FISCAL YEAR 2015-16 BUDGET
FOR THE SCHOOL DISTRICT OF THE CITY OF DETROIT

BY THE POWER AND AUTHORITY VESTED
IN THE EMERGENCY MANAGER
FOR THE SCHOOL DISTRICT OF THE CITY OF DETROIT, MICHIGAN
("EMERGENCY MANAGER") PURSUANT TO MICHIGAN'S
PUBLIC ACT 436 OF 2013, THE LOCAL FINANCIAL
STABILITY AND CHOICE ACT,
STEVEN W. RHODES, THE EMERGENCY MANAGER,
ISSUES THE FOLLOWING ORDER:

Whereas on March 28, 2013, the Local Financial Stability and Choice Act, Public Act 436 of 2012, ("Public Act 436") became effective and was enacted to, among other matters, safeguard and assure the financial accountability of local units of government and school districts; to preserve the capacity of local units of government and school districts to provide or cause to be provided necessary services essential to the public health, safety, and welfare; to provide for review, management, planning, and control of the financial operation of local units of government and school districts and the provision of services by local units of government and school districts; to provide for the appointment and to prescribe the powers and duties of an emergency manager for a local unit of government or school district; and to provide for the modification or termination of contracts under certain circumstances; and

Whereas, pursuant to that certain contract titled *Professional Services Agreement* dated February 29, 2016 between Governor Rick Snyder and Steven W. Rhodes ("Rhodes"), Rhodes was appointed as the Emergency Manager under Public Act 436 for the School District of the City of Detroit (the "District"); and

Whereas, pursuant to Public Act 436, the Emergency Manager has broad powers in receivership to rectify the financial emergency and to assure the fiscal accountability of the school district and its capacity to provide or cause to be provided necessary educational services essential to the public health, safety and welfare; and

Whereas, pursuant to Public Act 436, the Emergency Manager acts in place of local officials, specifically the Detroit Board of Education (the “Board”) and the Chief Administrative Officer of the District, and unless the Emergency Manager delegates specific authority, the Emergency Manager is empowered to exercise any powers of the Chief Administrative Officer and/or the Board under the Revised School Code, State School Aid Act or any other law which prescribes authority to the local Superintendent or school board; and

Whereas, Public Act 436 more fully describes the duties, responsibilities and powers of the Emergency Manager to alleviate the financial emergency and provide or cause to be provided educational services essential to the public health, safety and welfare; and

Whereas, it is the Emergency Manager’s role to remedy the distress of the District by requiring prudent fiscal management and efficient provision of services so that students may think and act innovatively, demonstrate high performance and meet the highest expectations; and

Whereas, the District’s Fiscal Year 2015-16 Budget was approved as of June 30, 2015 by the then emergency manager, to be effective as of July 1, 2015 (the “FY 2016 Budget”); and

Whereas, the FY 2016 Budget may be revised and/or amended to reflect the changes in revenues and/or expenditures as deemed necessary by the Emergency Manager in accordance with MCL § 141.1552 (1) (b); and

Whereas, the Emergency Manager has deemed it necessary to revise and amend the FY 2016 Budget as particularly set forth in the Amended FY 2016 Budget for the School District of the City of Detroit attached hereto as Exhibit “A” (the “Amended FY 2015-16 Budget”).

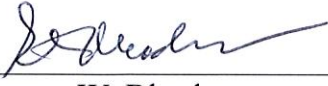
NOW, THEREFORE IT IS HEREBY ORDERED THAT:

1. Pursuant to the powers granted under Public Act 436, the

Emergency Manager hereby adopts the Amended FY 2015-2016 Budget in the form attached hereto as Exhibit "A".

2. That the relevant District personnel shall assist in the implementation of this Order.

This Order may be amended, modified, repealed or terminated by any subsequent Order issued by the Emergency Manager.

By: 

Steven W. Rhodes
Emergency Manager
School District of the City of Detroit

Dated: April 7, 2016



TO: Judge Steven Rhodes, Transition Manager

FROM: Marios Demetriou, Deputy Superintendent of Finance and Operations

SUBJECT: Fiscal Year 2016 Budget Amendment # 2

DATE: April 7, 2016

CC: Alycia Meriweather, Interim Superintendent
Delores Brown, Executive Director, Finance
Michael Bridges, Financial Controller
Marc Ingram, Acting Executive Director, Office of Management & Budget

The Fiscal Year 2015-2016 (FY 2016) budget amendment No. 2 is based on a comprehensive review of actual and projected financial data and analysis. The following is a summary of the significant changes to the General Fund by function since budget amendment No. 1. Significant changes are defined as variances greater than or equal to 10% or variances greater than or equal to \$1,000,000.

REVENUES

Local Sources – Based on past history, the District does not anticipate receiving revenue for rentals and services provided to the Education Achievement Authority. As a result, anticipated revenue declined \$6.4 million.

State Sources – The District will receive \$48.7 million in Emergency Funding from the State of Michigan. The Gang Prevention and Intervention (\$460,000) and the Early Literacy Diagnostic Tolls (\$280,000) budgets were established based on the March 2016 State Aid Financial Status Report. Various other revenue increases totaling \$420,000 account for the total change in this functional category.

Federal Sources – The IDEA (\$2.2 million) and Title IIA (\$1.4 million) budgets increased based upon the best available information. Various other revenue increases totaling \$70,000 account for the total change in this functional category.



EXPENDITURES

Instructional Staff – During Budget Amendment # 1, a journal entry related to the central office reorganization incorrectly posted \$3.2 million in personnel expenses to Business Office. The journal has been corrected, and the personnel expenses have been moved to the appropriate functions including \$1.7 million for Instructional Staff Support.

The Title IIA budget increased \$1.2 million primarily attributed to Instructional Specialists for the Department of Curriculum.

These increases are offset an \$810,000 reduction in the Title IA budget primarily attributed to administrator costs for the Division of Finance and Operations.

Various budget increases totaling \$130,000 account for the total change in this functional category.

General Administration – During Budget Amendment # 1, a journal entry related to the central office reorganization incorrectly posted \$3.2 million in personnel expenses to Business Office. The journal has been corrected, and the personnel expenses have been moved to the appropriate functions including \$528,000 for General Administration.

Business Office – In Budget Amendment # 1, the District recognized \$4.5 million in interest for our State Anticipation Note 2015B (SAN) and the associated fees in Business Office. Going forward, the District will treat SAN interest and the associated fees as Debt Service to be in alignment with our financial statements.

During Budget Amendment # 1, a journal entry related to the central office reorganization incorrectly posted an additional \$3.2 million in personnel expenses to Business Office. The journal has been corrected, and the \$3.2 million in personnel expenses have been moved to the appropriate functions.

Various budget decreases totaling \$500,000 account for the total change in this functional category.

Central Support – During Budget Amendment # 1, a journal entry related to the central office reorganization incorrectly posted \$3.2 million in personnel expenses to Business Office. The journal has been corrected, and the personnel expenses have been moved to the appropriate functions including \$980,000 for Central Support.

Various budget increases totaling \$380,000 account for the total change in this functional category.

Facilities Acquisition – The Great Start Readiness Grant budget was realigned, which increased the equipment budget by \$138,000.

Debt Service - In Budget Amendment # 1, the District recognized \$4.5 million in SAN interest and the associated fees in Business Office. Going forward, the District will treat SAN interest and the associated fees as Debt Service to be in alignment with our financial statements.



Furthermore, the SAN Interest budget increased \$6.3 million to recognize interest associated with the State Anticipation Note 2015E.

**DETROIT PUBLIC SCHOOLS
GENERAL FUND
BUDGET AMENDMENT # 2
YEAR ENDING JUNE 30, 2016**

	FY 2016 - Adopted	FY 2016 - Budget Amendment # 1	FY 2016 - Budget Amendment # 2	ACTUALS FY 2016 - As of March 31, 2016	FY 2016 - Budget Increase (Decrease)	FY 2016 - Budget Amendment # 2 (Over) Under FY 2016 ACTUALS
Revenue:						
Local sources						
Special education millage	\$ 41,286,622	\$ 31,777,479	\$ 31,777,479	\$ 20,183,296	\$ -	\$ 11,594,183
Property Taxes	68,909,286	68,909,286	68,909,286	48,449,336	-	20,459,950
Other	19,951,002	20,327,728	13,934,450	3,853,504	(6,393,278) ¹	10,080,946
Total local sources	130,146,910	121,014,493	114,621,215	72,486,136	(6,393,278)	42,135,079
State sources	374,687,957	379,799,809	429,660,056	307,724,441	49,860,247 ²	121,935,615
Federal sources	161,816,409	157,267,522	160,941,659	104,388,047	3,674,137 ³	56,553,612
Total Revenue	666,651,276	658,081,824	705,222,930	484,598,624	47,141,106	220,624,306
Expenditures:						
Instruction	369,806,595	339,616,473	339,505,433	215,585,377	(111,040)	123,920,056
Support services						
Pupil services	67,475,547	57,751,789	57,706,830	35,189,015	(44,959)	22,517,815
Instructional staff support	78,767,242	69,471,607	71,701,361	40,497,969	2,229,754 ⁴	31,203,392
General administration	6,014,996	3,936,016	4,464,900	3,207,968	528,884 ⁴	1,256,932
School administration	38,643,121	37,432,237	37,594,136	25,147,474	161,899	12,446,662
Business office	14,973,752	17,195,690	8,994,005	8,714,406	(8,201,685) ^{4,5}	279,599
Operations & maintenance	76,991,231	74,579,753	74,835,192	61,053,722	255,439	13,781,470
Transportation	33,136,259	37,008,894	37,194,522	23,075,470	185,628	14,119,052
Central support service	28,567,954	28,161,744	29,522,183	20,875,072	1,360,439 ⁴	8,647,111
Other support service	1,048,955	885,382	885,007	1,025,750	(375)	(140,743)
Total support services	345,619,057	326,423,112	322,898,136	218,786,846	(3,024,976)	104,111,290
Community service	4,127,371	5,084,394	4,596,346	4,548,130	(488,048)	48,216
Facilities acquisitions and improvement	440,000	440,000	577,896	-	137,896 ⁶	577,896
Debt service	53,002,094	53,002,094	63,849,494	39,754,040	10,847,400 ^{5,7}	24,095,454
Total Expenditures	772,995,117	724,566,073	731,427,305	478,674,393	6,861,232	252,752,912
Other Financial Sources (Uses)						
Sources						
Proceeds from sale of capital assets	3,046,000	3,046,000	3,046,000	-	-	3,046,000
Transfers In	2,256,058	2,256,058	2,256,058	881,050	-	1,375,008
Total Sources	5,302,058	5,302,058	5,302,058	881,050	-	4,421,008
Uses						
Prior Year Adjustments	4,101,692	-	-	2,038,613	-	2,038,613
Total Uses	4,101,692	-	-	2,038,613	-	2,038,613
Total Other Financial Sources (Uses)	9,403,750	5,302,058	5,302,058	2,919,663	-	2,382,395
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(96,940,091)	(61,182,191)	(20,902,317)	8,843,894	40,279,874	(29,746,211)
Beginning Fund Balance	(215,931,917)	(215,931,917)	(215,931,917)	(215,931,917)		
Ending Fund Balance	\$ (312,872,008)	\$ (277,114,108)	\$ (236,834,234)	\$ (207,088,023)		

1. This is due to the Education Achievement Authority not reimbursing the District.
2. Primarily attributed to the \$48.7 million provided by the State of Michigan.
3. Primarily attributed to additional IDEA and Title IIA funding.
4. An incorrect journal entry caused Business Office to be overstated. The journal has been corrected, and the expenses moved to the appropriate functions.
5. SAN interest moved to Debt Service to be in alignment with DPS' financial statements.
6. Attributed to a realignment of the Great Start Readiness Program Budget.
7. SAN interest for Note 2015E has been added to the budget.

**DETROIT PUBLIC SCHOOLS
FOOD SERVICE FUND
BUDGET AMENDMENT # 2
YEAR ENDING JUNE 30, 2016**

	<u>FY 2016 - Adopted</u>	<u>FY 2016 - Budget Amendment # 1</u>	<u>FY 2016 - Budget Amendment # 2</u>	<u>ACTUALS FY 2016 - As of March 31, 2016</u>	<u>FY 2016 - Budget Increase (Decrease)</u>	<u>FY 2016 - Budget Amendment # 2 (Over) Under FY 2016 - ACTUALS</u>
Revenue:						
Local sources						
Other	\$ -	\$ -	\$ -	\$ 235,274	\$ -	\$ (235,274)
Total local sources	-	-	-	235,274	-	(235,274)
State sources	2,800,000	2,800,000	2,800,000	1,273,965	-	1,526,035
Federal sources	39,921,995	42,020,897	43,570,897	29,992,075	1,550,000 ¹	13,578,822
Total Revenue	42,721,995	44,820,897	46,370,897	31,501,314	1,550,000	14,869,583
Expenditures:						
Support services						
Personnel	15,668,480	15,544,983	15,674,477	9,993,864	129,494 ²	5,680,613
Purchased Services	1,892,809	2,315,065	2,315,065	1,072,151	-	1,242,914
Supplies	22,772,286	23,486,140	23,356,646	15,258,274	(129,494) ²	8,098,372
Equipment & Capital	132,362	1,218,651	1,218,651	729,580	-	489,071
Discounts on Food Service Sales	-	-	1,550,000	-	1,550,000 ¹	1,550,000
Total support services	40,465,937	42,564,839	44,114,839	27,053,869	1,550,000	17,060,970
Total Expenditures	40,465,937	42,564,839	44,114,839	27,053,869	1,550,000	17,060,970
Other Financial Sources (Uses)						
Uses						
Transfers Out	(2,256,058)	(2,256,058)	(2,256,058)	(881,050)	-	1,375,008
Total Uses	(2,256,058)	(2,256,058)	(2,256,058)	(881,050)	-	1,375,008
Total Other Financial Sources (Uses)	(2,256,058)	(2,256,058)	(2,256,058)	(881,050)	-	(1,375,008)
Excess (deficiency) of Revenue Over (Under) Expenditures	-	-	-	3,566,395	-	(3,566,395)
Beginning Fund Balance	6,146,057	6,146,057	6,146,057	6,146,057		
Ending Fund Balance	\$ 6,146,057	\$ 6,146,057	\$ 6,146,057	\$ 9,712,452		

1. Added Discount on Food Service Sales to the budget along with the corresponding USDA Entitlement Commodities Revenue.

2. Transferred funds from the Food Supply Budget to fund additional clericals and Food Service Assistants.