From: Brendan Walsh
To: GPPSS School Board
CC: Chris Fenton, John Dean, Gary Niehaus
Subject: GPPSS Financial Trajectory
Date: February 23, 2016

In district financial models before the March 2013 teacher contract that froze the "10% clause" until after that 2016-17 school year, GPPSS general fund equity would have reached 14% by the end of 2014-15. The March 2013 contract delayed (by design) the return to 10% fund equity.

In June of 2014, the Board predicted fund equity would reach 10% by the end of 2016-17. The March 2013 deal slowed the financial recovery by three years, which also delayed the restoration of funding investments in such areas as technology and building repairs. The operating budget funded these areas for years, even before the Sinking Fund, but increases in employee compensation eroded those budget areas. This was a key driver in the May 2010 GPEA/GPPSS agreement.

In June 2014, after the March 2013 new deal, the district projected a fund surplus for the current school year (2015-16) of $2.6 million. When the Board adopted the budget last June (2015) that $2.6 million surplus had shrunk to $1.5 million.

Now, in January 2016, with the new BMU figures posted, the district now projects to run almost no surplus this year ($124,229 to be specific). That same BMU somehow also predicts, despite the additional 1.8% teacher salary grid increase in 2016-17, that next year the district will run a $2.2 million surplus and then finally return fund equity to 10%.

I do not see how this is possible. Here are some examples of what would have to happen for the 2016-17 BMU figures to become reality:

- Direct Compensation would have to decrease by $1 million even though next year teachers are due a 1.8% salary grid increase
- Health care expense would have to drop about 5%
- MPSERS expense would have to decrease despite that above mentioned increase in salary (and recall MPSERS is a straight percentage of salary)
- Revenue would have to increase by $2.5 million (a $116 per pupil increase against a projected loss of 100 more students)

Unless the Board plans drastic reductions in teaching staff headcount and other valued investment areas, the very kind the GPPSS Board of 2010 invested in the 10% clause to avoid, this is unlikely to happen. If it did, it would reverse a three year trend where annual operating surpluses have fallen from 2013-14's $3.7 million. 2014-15's surplus was $1.8M and now 2015-16 is projected to be flat. But suddenly in 2016-17 there will be a $2.2 million surplus?

The "10% clause" was the product of eight miserable years of angry employees, Board members, administrators and taxpayers. For those among you who did not have the pleasure of experiencing it, I can tell you there was nothing worse. For those of you who did, now is the time to recall that experience because we are on a path to return to projecting annual budget deficits – except now with less than half the fund equity the district had in 2010.

The GPPSS/GPEA contract of 2010 amounted to a $10 million investment by the Board on behalf of district taxpayers to bring sustainable budget equilibrium to the GPPSS. The March 2013 deal was essentially an act of kindness by the Board to soften the blow of the deal we all made in May 2010. Had the March 2013 deal not happened, employees would have taken a 9% salary cut and fund equity would be close to 15% right now.

I strongly encourage Board members and district administrative leadership to read my recount of that history leading to the May 2010 deal as it appears the district is on a course to face annually recurring budget deficits again leading into new contract negotiations. I also strongly encourage a review of GPPSS rare position relative to teacher compensation and ratio of students to teachers.

Please do not squander the incredible position so many of us worked so hard to achieve. Please do not squander the $10 million investment taxpayers made in May 2010 to avoid the situation we appear increasingly likely to face. Please do not adversely punish a small minority of teachers and all students by repeating mistakes of Board's past.

I encourage intense focus on the operational budget and its relation to employee contracts. I speak with years of experience on this matter and again offer my support to assist the district at this difficult time.

Brendan Walsh