

Grosse Pointe Public School System

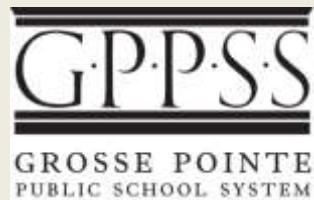
Financial Transparency Series



2011-12 BUDGET DEVELOPMENT PARAMETERS PRESENTATION

DECEMBER 13, 2010

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Presentation Objectives

as we prepare for the 2011–12 budget

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Inform and Review

- Current Financial Status
- Review of '10–'11 decisions to better prepare for '11–'12

Highlight Key Changes

- MPSERS rate as key variable
- Reduction of Federal revenue
- New contract implications

Get Feedback

- January Approval
- Proposed Parameter Feedback Process

What is the purpose of Budget Development Parameters policy (Policy 6220)?

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Articulates *“the preference of the Board in advance of budget development to avoid ambiguity and to allow the community to have a clear view of the budget development process from its inception.”*

Identify specific goals and objectives for investment or reduction

Identify particular budget related strategies to pursue or avoid

Be as specific as possible in terms of the objectives, but allow for flexibility

Review of 2010–11 Budget Development Assumptions and Anticipated Impact

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Assumptions

- 8,064 enrollment (117 student decrease)
- Moderate Foundation Allowance reduction
- No restoration of 20J funds
- MPSERS rate of 18.94%
- Employee Salary Increases
- No new employee contracts
- Federal Revenue of \$3.8M

Expected Impact

- Additional revenue loss of \$1.1M
- Still had to account for mid-year 2009 cuts (\$3M)
- Cost increases of \$3.0M
- Total projected shortfall of \$6.6M

Under those assumptions these parameters were set for building the '10-'11 budget

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Scale staff to enrollment

Set class size guidelines and explore other solutions

Generally seek efficiencies, revenues where possible

Athletic Budget fixed % of Total GF Expenditure

- No increase to athletic fees
- No EPED reduction (unless viewed as better alternative)

Present Options to reduce Bldg. Administration Staff by two

Explore in year reductions

Pursue new bargaining unit contracts

No further reliance on Fund Equity

Special Program Designations

- Multi-age, Magnet, Support/Sequential Classes, AP

Original 2010–11 Budget Summary

(based on original assumptions)

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Reduction of 64 Staff members (7%)

No Asst. Principal/Athletic Director positions cut

No fee ADK program created

Local tax and fee revenues were reduced

No Fund Equity spend budgeted and a balanced budget approved

Class Size

- Lower EL, 21.8
- Upper EL, 22.4
- Middle, 25.7
- High, 27.6

Assumptions versus Actuals

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Assumption

- 8,064 enrollment (117 decrease)
- Foundation Allowance reduction
- No 20J restoration
- MPSERS rate of 18.94%
- Average Employee Salary Increases
- No new bargaining unit contracts
- Federal Revenue of \$3.8M

What Happened

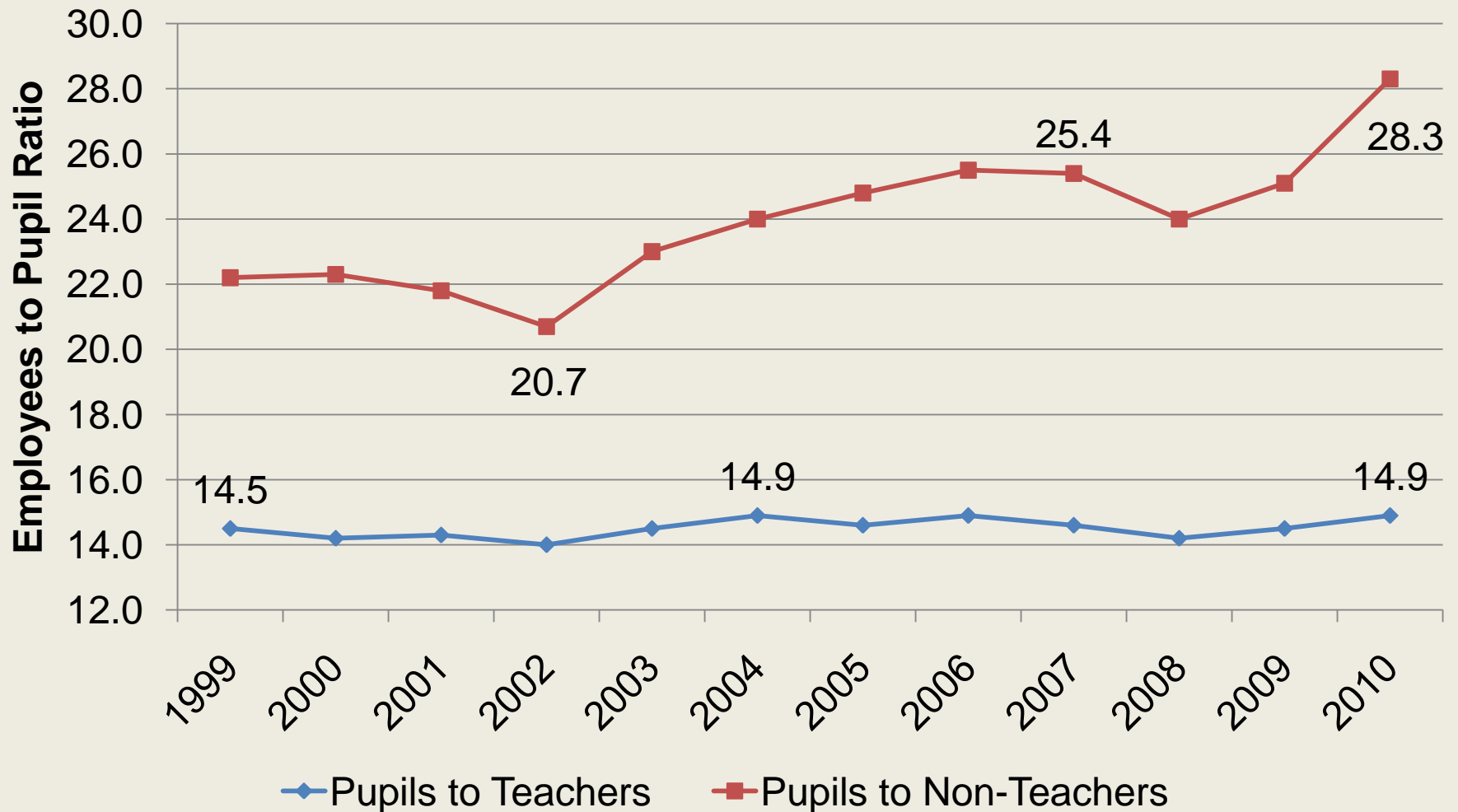
- 8,135 enrollment (71 better)
- No Foundation Allowance reduction
- No 20J restoration
- MPSERS rate of 20.66%
- Average Employee Salary Reductions
- New bargaining unit contracts
- Federal Revenue of \$5.5M

Impact

- Retained/rehired 29 more employees than originally projected, including 12 teachers
- Lower than projected class sizes at all levels
- Total GF expenditure \$2.2M lower than original budget
- Total GF revenues \$0.5M lower than original budget

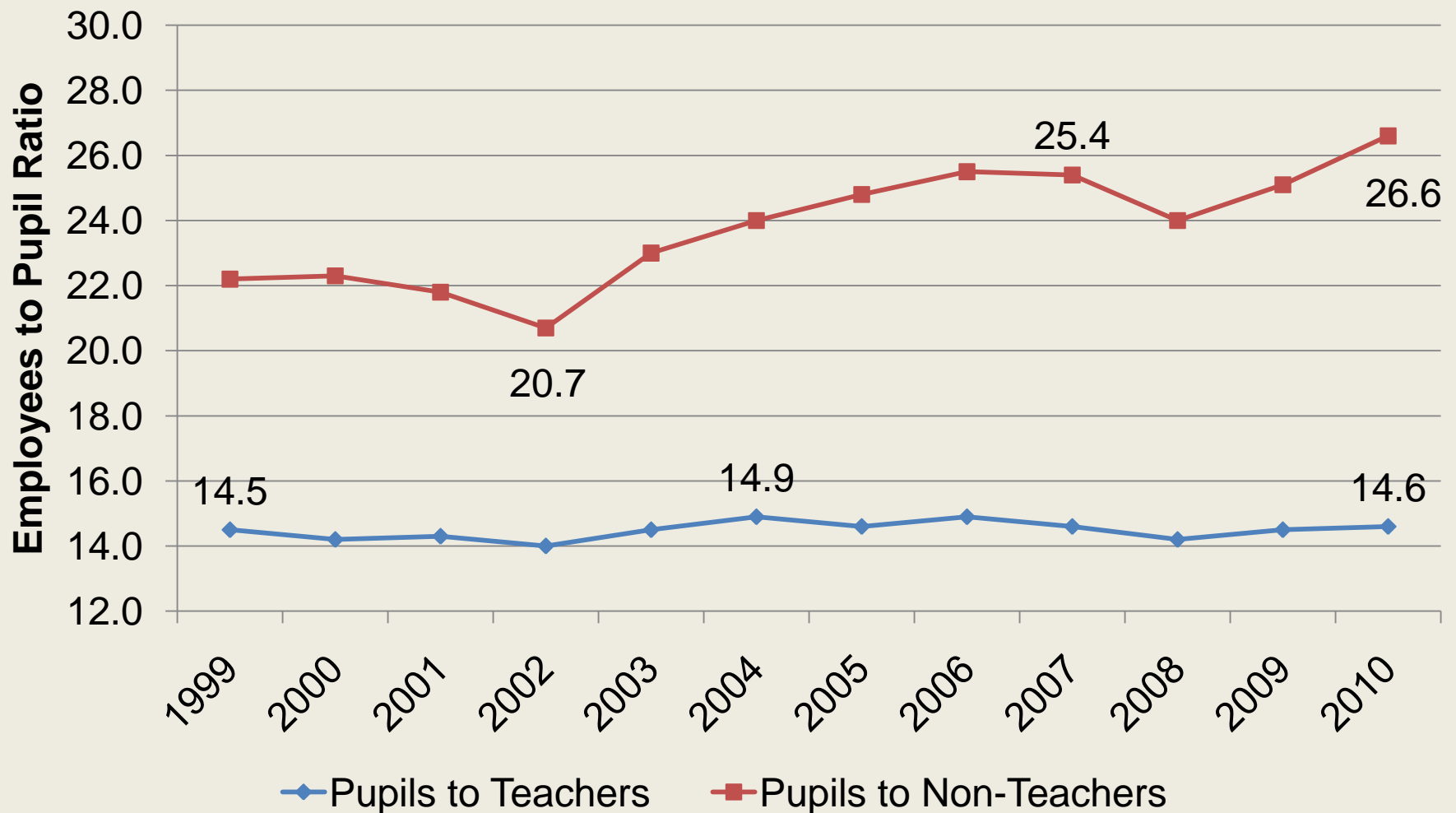
Original Budget Ratio of Teaching and Non-Teaching Staff to Enrollment

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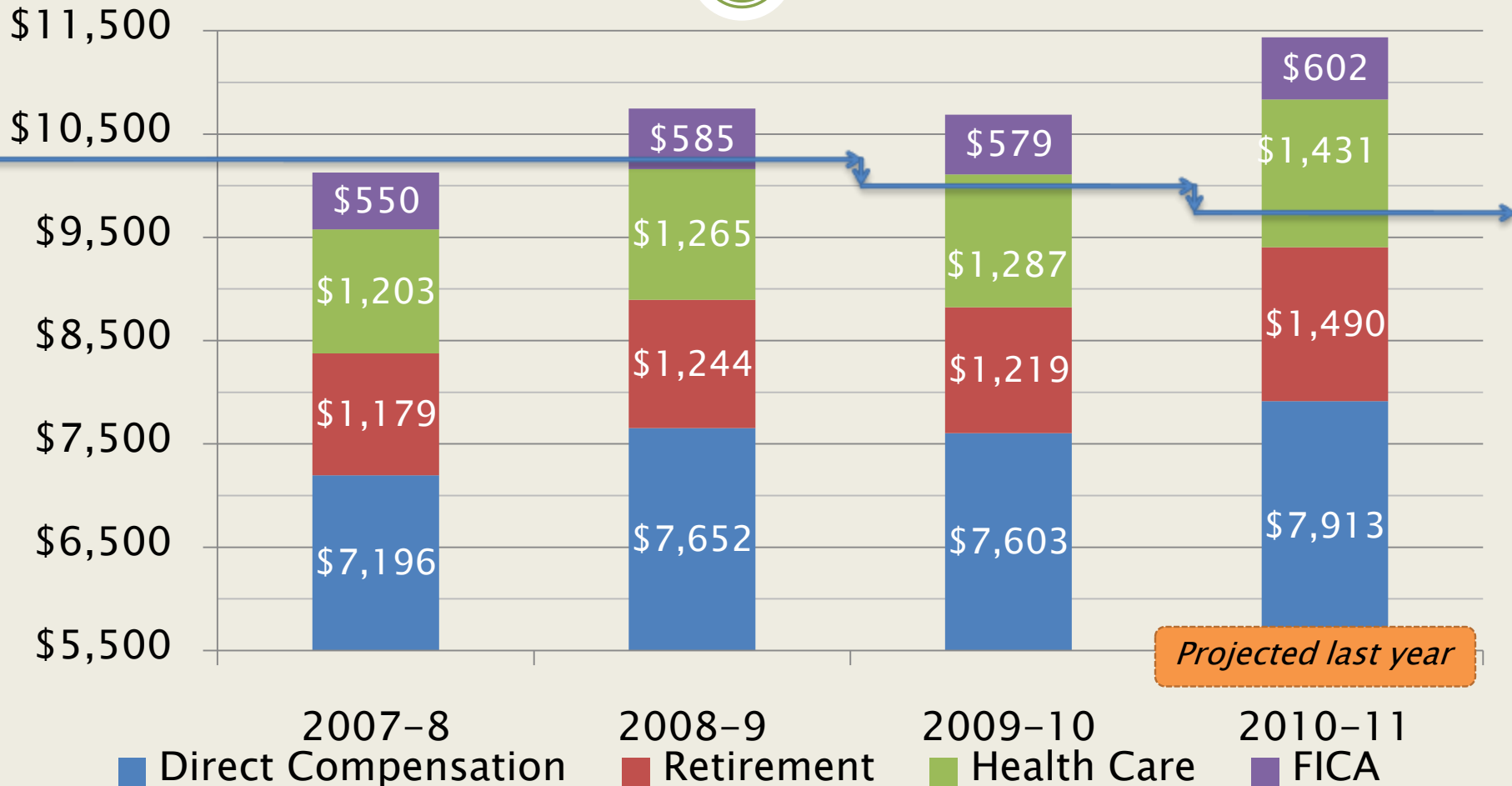
Teaching and Non-Teaching Staff to Enrollment Ratio after New Contracts and New Budget

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Employee Total Compensation on a Per Pupil Basis (Original)

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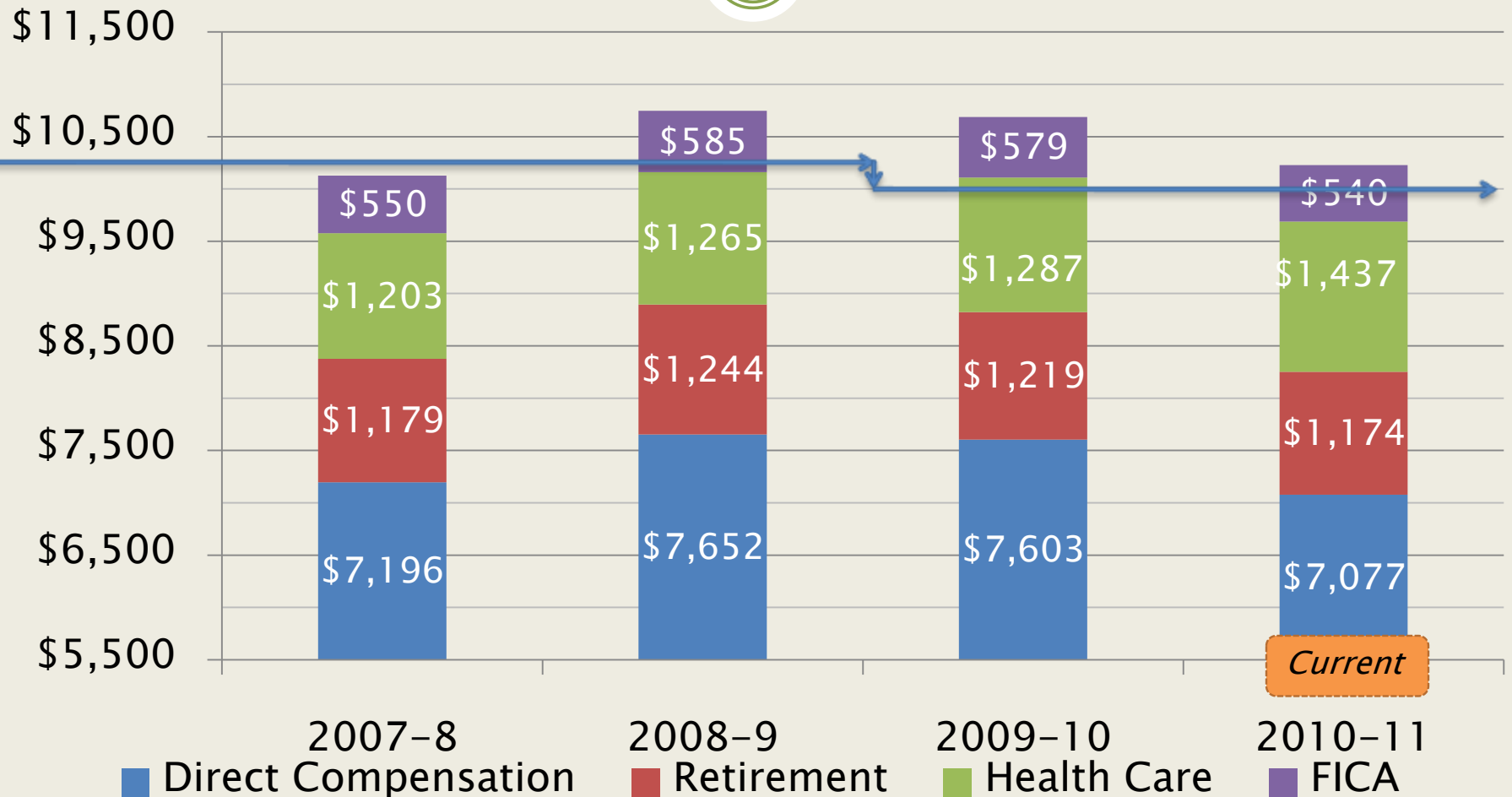


Projected last year

Horizontal line is Foundation Allowance per pupil.

Employee Total Compensation on a Per Pupil Basis after New Contracts

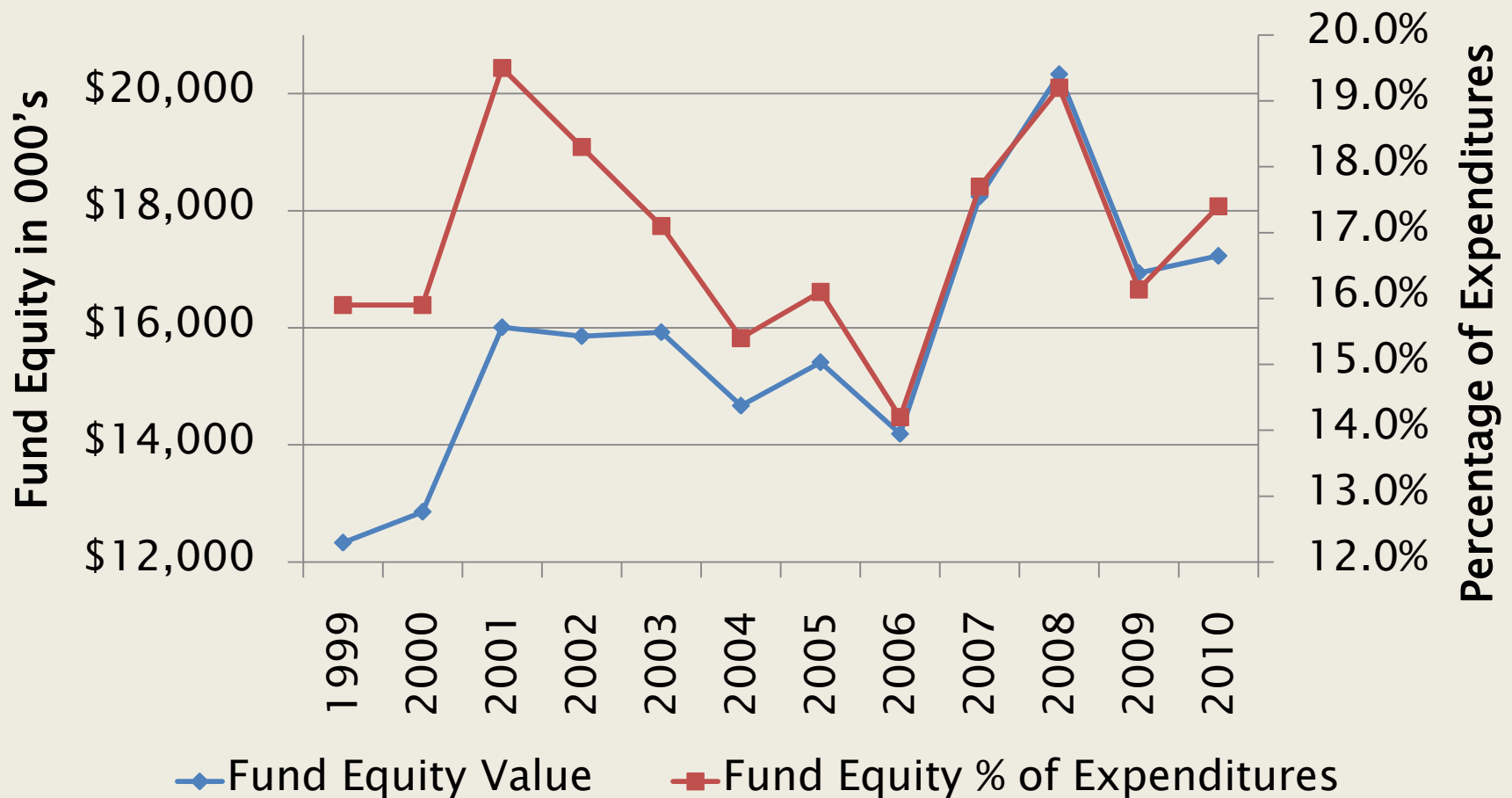
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Horizontal line is Foundation Allowance per pupil.

GPPSS History of General Fund Equity

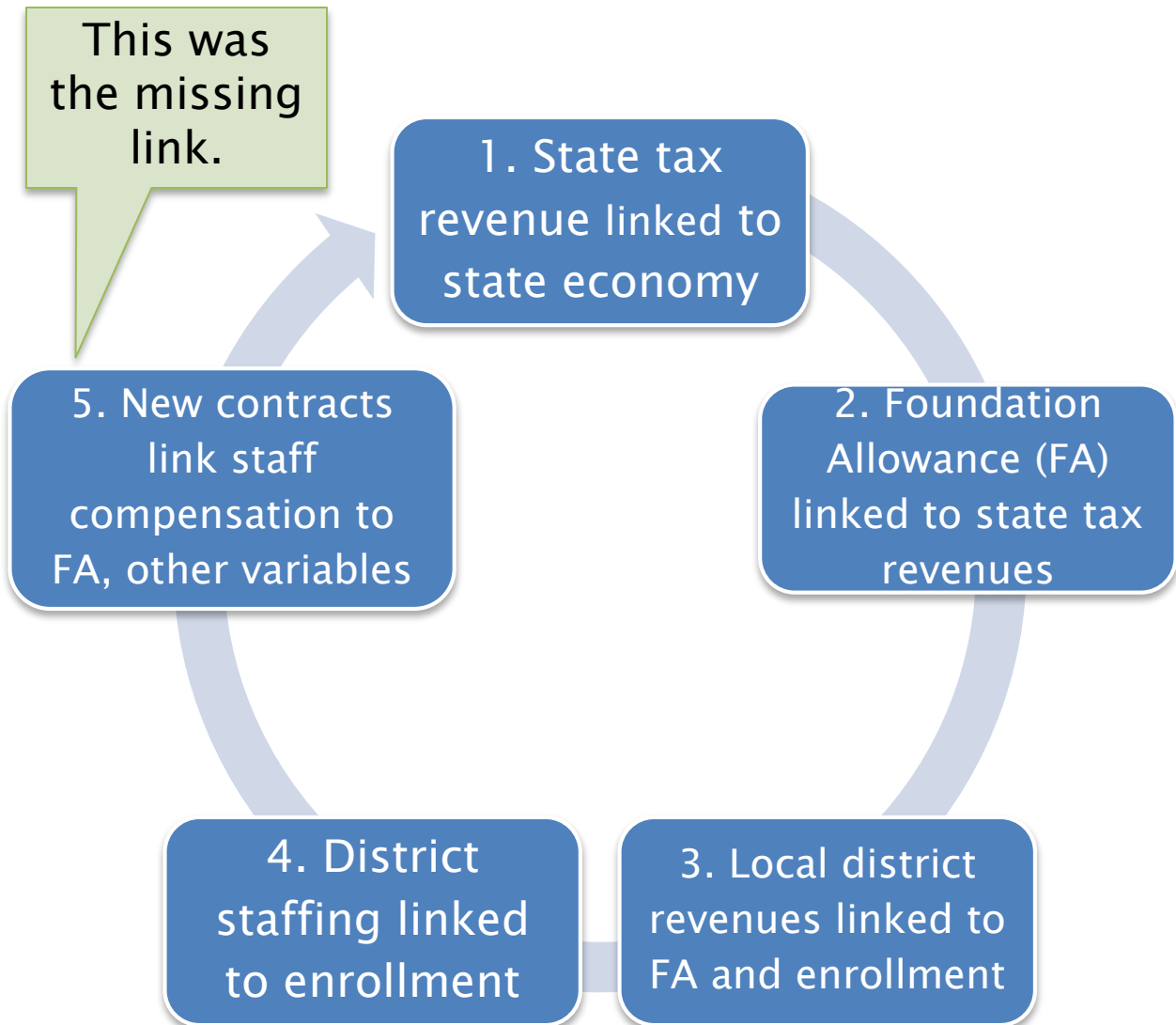
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Significance of the new contracts:

Staff compensation was formerly uncoupled to the very economic system upon which it should have been primarily dependent.

The new contract fixes this.



New Contract and Implications for Budget Decisions

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Key Elements

- Restructured salary grid
- Health care contributions (with annual increase provision)
- Guarantees 10% minimum General Fund Equity
- If Fund Equity drops below 10% all employees total compensation adjusts automatically to return it to 10%

Implications

- Contractual ability to adjust human resources costs to respond to funding variables beyond our control
- We need to continue to scale employees to enrollment...
- ... BUT no longer have to cut programs to balance the budget

Within this new context, let's look at 2011–12 assumptions and projections

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If...

- Enrollment decreases by 45 students
- Health care increases 5%
- No change in Foundation Allowance
- ARRA/EduJobs funding ends

...and we use same parameters...

- No change in class size guidelines
- ARRA jobs (supplement, not supplant) are ended
- No other jobs are eliminated
- Athletic budget remains constant percentage
- MPSERS remains flat

...then

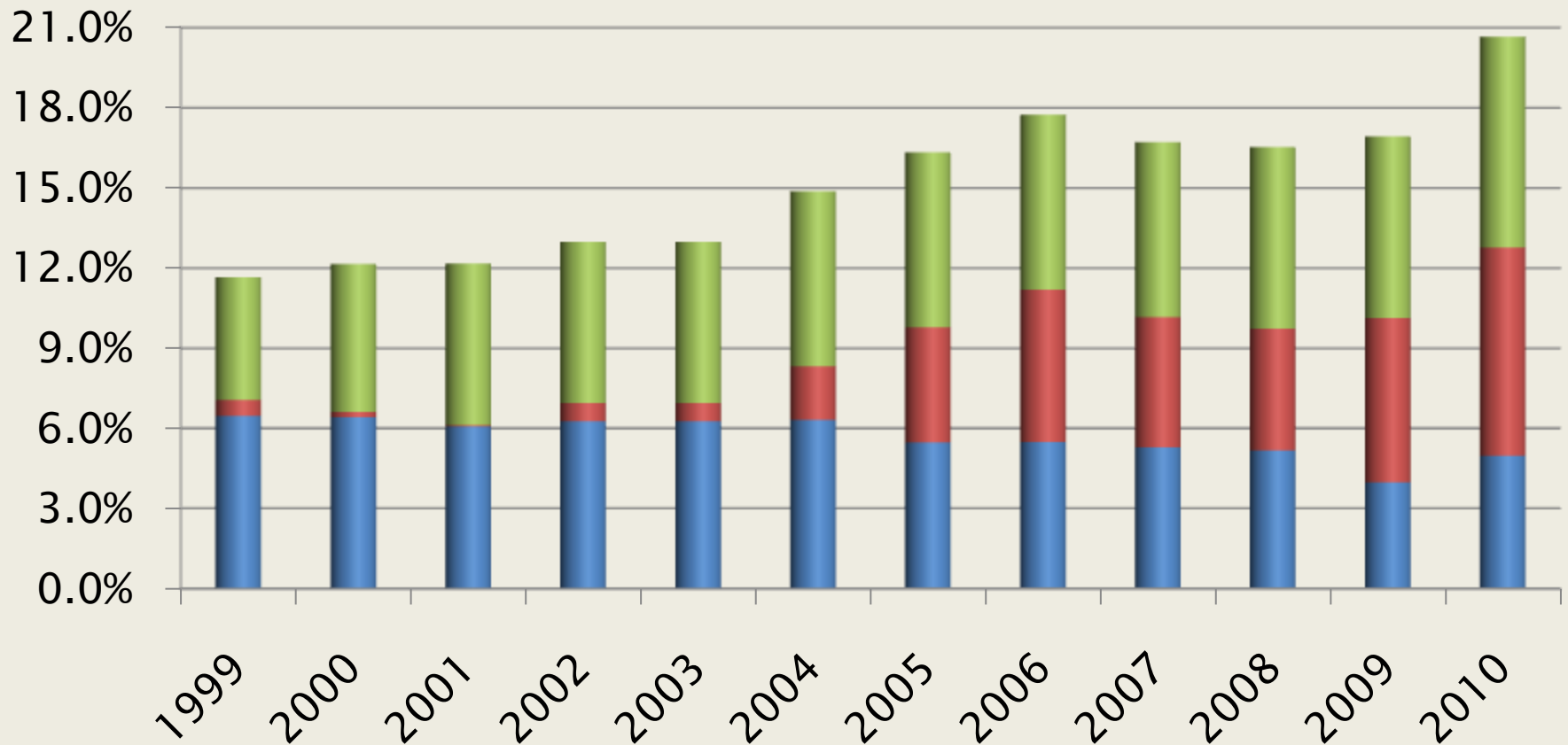
- Class sizes would be reduced very slightly
- Ratio of teachers to students remains constant from 2010–11
- We would have a balanced budget
- Fund Equity would end 2011–12 at 15.5%

Ten Year View of MPSERS Rate

A 77% Increase

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Pension Unfunded Liability Health



MPERS is the most significant variable

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Pending state law

- MI legislature passed law requiring employee MPERS contribution to increase 3%. It's been challenged in court, not implemented. Thus the increase. If reversed, MPERS rate could stay flat.

Impact of Increase

- It stands at 20.66% Each percentage point increase equates to \$555k
- If it goes to 23% then shortfall would be \$1.3M
- If it goes to 25% then shortfall would be \$2.4M

However...

- In the context of the new contract, we have little incentive to cut programs to respond to rising compensation costs
- Fund Equity can be leveraged in a controlled fashion.

Reminder of Strategic Plan Goals

A budget is a means to help the district realize its goals

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Provide value to all community stakeholders by offering programs & services that meet the needs of the district, are cost effective and enhance the reputation of the district and the community.

Promote the achievement of every student at the highest level of their individual abilities.

Continually improve and optimize the resources of the district including: people, processes, facilities and finances.

Create a dynamic and safe learning environment

Cultivate in each student a sense of responsibility for his/her own learning.

Conclusion and Call to Action

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Parameters

- Will be voted upon Jan. 24th
- Feedback needed in advance to prepare the actual Resolution
- Resolution should be distributed/posted by Jan. 17th

Proposed Procedure

- Board member (and the public) may submit suggestion in writing, received by Administration by Jan. 10th.
- Resolution may be modular, so individual requests can be voted upon on a line item basis