

# Grosse Pointe Public School System

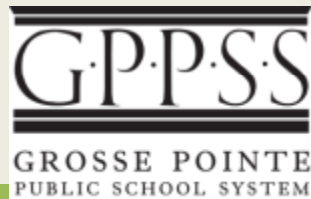
## *Financial Transparency Series*



### **THE FUND EQUITY QUESTION: DEBUNKING THE MYTHICAL ALTERNATE REALITY**

**JUNE 25, 2012**

***BRENDAN WALSH, BOARD OF EDUCATION TREASURER***



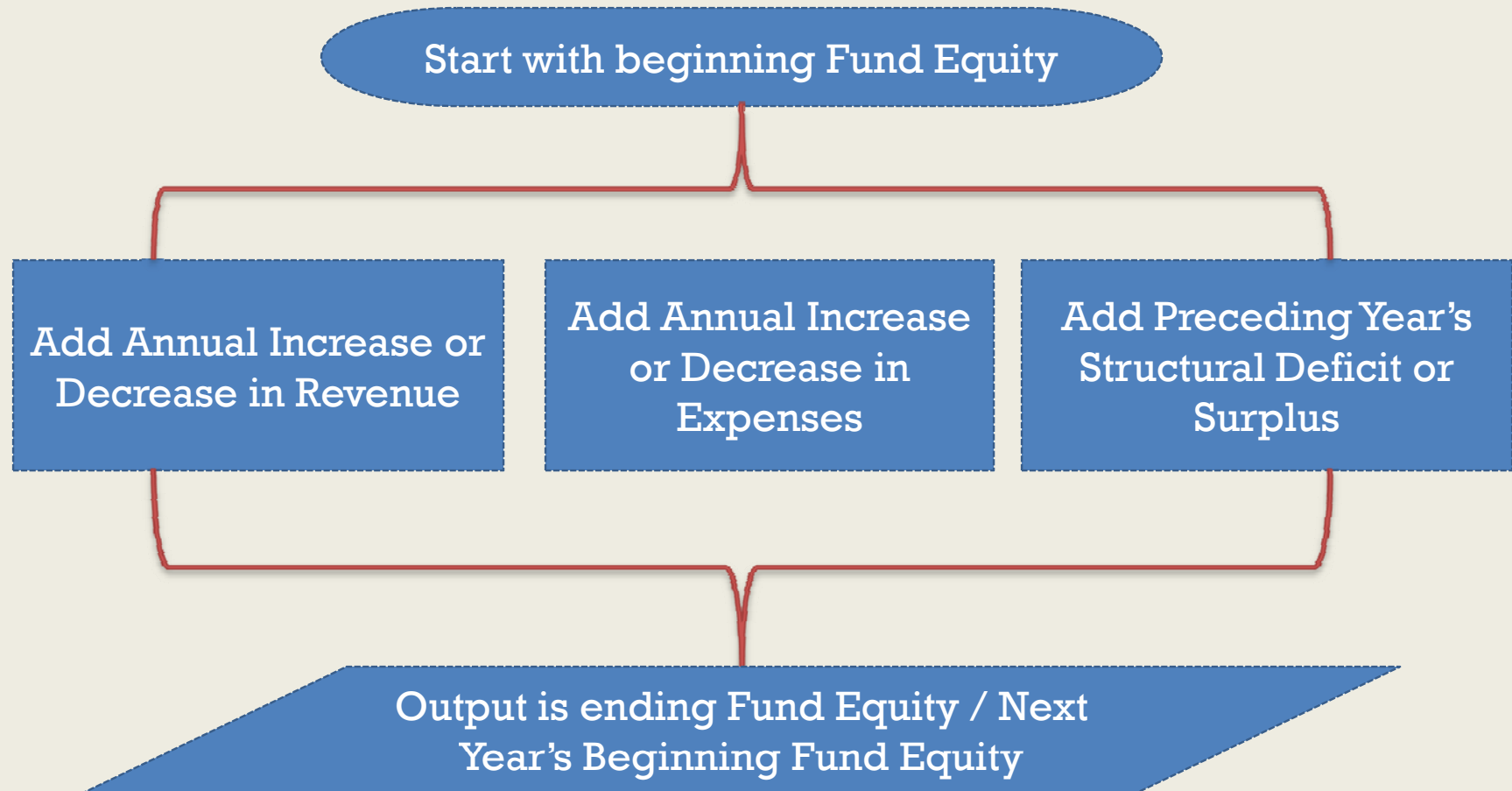
## District Financial and Budget Planning Links of Interest

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- [Budget Modeling Utility](#) *(primary data source for this report)*
- [Staff Utilization Utility](#)
- [Elementary Class Size Report \(2010-2013\)](#)
- [Secondary Class Size Report](#)
- [Financial Benchmarking Report](#)
- [2011-12 Financial State of the District \(11/28/2011\)](#)
- [2012-13 Budget Development Parameters](#)
- [Budget Planning Archive \(2009-2012\)](#)
- [Narrated Financial Transparency Series](#)
- [Other District Financial Links](#)

# How does Fund Equity change annually?

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# Current Reality and Trajectory:

*Annual Structural Expense Change, 2008-09 to 2013-14*

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Start Year	2008-9	2009-10	2010-11	2011-12	2012-13
End Year	2009-10	2010-11	2011-12	2012-13	2013-14
Direct Compensation	(\$2,398,622)	(\$4,045,853)	\$1,450,781	(\$1,836,317)	(\$5,536,888)
Healthcare	(\$370,336)	(\$403,453)	(\$20,020)	(\$242,468)	(\$831,163)
FICA/Retirement	(\$358,349)	\$858,036	\$2,857,173	\$901,289	(\$1,897,884)
All Other Expenses	(\$74,849)	(\$474,102)	(\$1,077,950)	(\$19,951)	(\$364,285)
<b>TOTAL</b>	<b>(\$3,202,156)</b>	<b>(\$4,065,371)</b>	<b>\$3,209,983</b>	<b>(\$1,197,447)</b>	<b>(\$8,630,220)</b>
Teacher FTE Increase/(Decrease)	(23.7)	(10.1)	(0.2)	(8.4)	-
Other Staff FTE Increase/(Decrease)	(21.3)	(25.4)	2.4	(4.3)	(4.6)
Increase / (Decrease)					

# Current Reality and Trajectory

## Annual Structural Revenue and Expense Change & Effect on Fund Equity

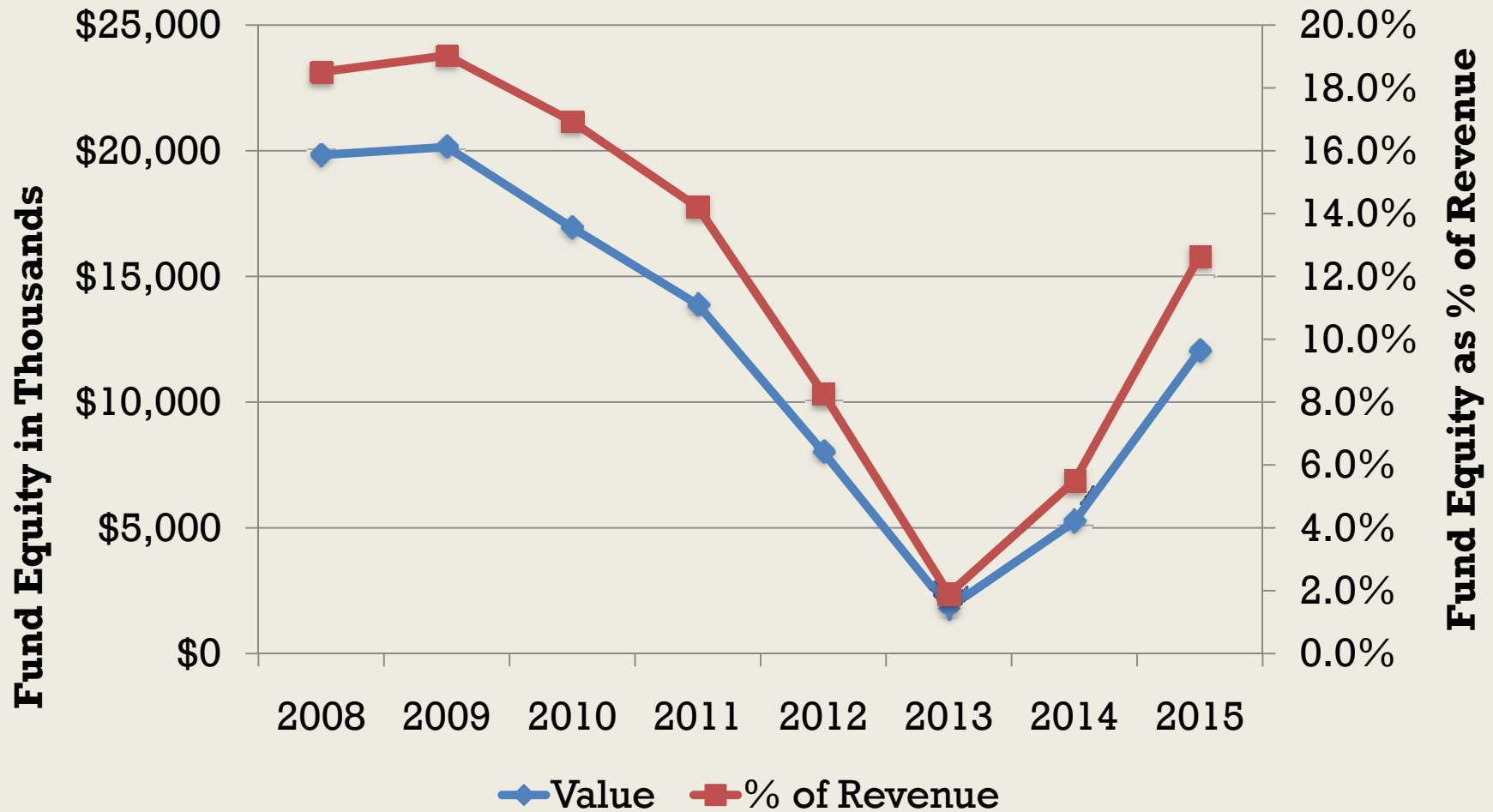
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<i>Start Year</i>	2008-9	2009-10	2010-11	2011-12	2012-13
<i>End Year</i>	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Beginning Fund Equity</b>	\$20,149,293	\$16,938,226	\$13,844,148	\$6,748,459	\$1,749,057
<b>Revenue Increase/ (Decrease)</b>	(\$5,403,213)	(\$2,138,316)	(\$959,133)	(\$743,722)	\$28,514
<b>Expense (Increase)/Decrease</b>	\$3,202,156	\$4,065,371	(\$3,209,983)	\$1,197,447	\$8,630,220
<b>Structural Budget Carryover</b>	(\$1,010,009)	(\$3,211,067)	(\$1,284,011)	(\$5,453,127)	(\$4,999,402)
<b>Structural Surplus/ (Deficit)</b>	(\$3,211,067)	(\$1,284,011)	(\$5,453,127)	(\$4,999,402)	\$3,659,332
<b>Early Retirement Incentive</b>	\$0	(\$1,810,067)	(\$1,642,562)	\$0	\$0
<b>Ending Fund Equity</b>	\$16,938,226	\$13,844,148	\$6,748,459	\$1,749,057	\$5,408,389
<b>Ending Fund Equity % of Revenue</b>	17.0%	14.2%	7.0%	1.8%	5.6%

# None of this should be a surprise:

*Fund Equity Projections presented to Board in November 2011*

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# Components of the Mythical Alternate Reality

*For those who claim to have wanted to cut their way to preserving fund equity*

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<b>Start Year</b>	<b>2008-9</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>End Year</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Trimester Schedule in HS (10 Teachers)</b>	(\$800,000)				
<b>Outsource Custodians</b>	(\$1,000,000)				
<b>Raise Elementary Class Sizes</b>				(\$1,200,000)	
<b>Enroll Children of Non-Resident Staff</b>	(\$250,000)				
<b>Self-funded Athletics</b>		(\$750,000)			
<b>No Early Retirement Incentive</b>		(\$1,810,067)	(\$1,642,562)		
<b>17 non-teaching staff cuts</b>			(\$1,000,000)		
<b>Fewer Teacher Retirements</b>		\$4,200,000			
<b>No Added Steps at Top &amp; Bottom of Teacher Salary Grid</b>		(\$1,000,000)			
<b>No Index (10% Fund Equity) Clause</b>				\$3,200,000	\$7,400,000
<b>TOTAL</b>	<b>(\$2,050,000)</b>	<b>(\$480,067)</b>	<b>(\$2,642,562)</b>	<b>\$2,000,000</b>	<b>\$7,400,000</b>

## The Mythical Alternate Reality

*Preserves fund equity through program cuts, still with no embedded protection*

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<i>Start Year</i>	2008-9	2009-10	2010-11	2011-12	2012-13
<i>End Year</i>	2009-10	2010-11	2011-12	2012-13	2013-14
<b><i>Beginning Fund Equity</i></b>	\$20,149,293	\$18,988,226	\$17,458,362	\$15,728,567	\$12,709,712
<b><i>Revenue Increase/ (Decrease)</i></b>	(\$5,403,213)	(\$2,138,316)	(\$959,133)	(\$743,722)	\$28,514
<b><i>Expense (Increase)/Decrease</i></b>	\$5,252,156	\$1,769,518	\$759,202	(\$545,338)	\$1,230,220
<b><i>Structural Deficit Carryover</i></b>	(\$1,010,009)	(\$1,161,067)	(\$1,529,864)	(\$1,729,795)	(\$3,018,855)
<b><i>Operational Surplus/ (Deficit)</i></b>	(\$1,161,067)	(\$1,529,864)	(\$1,729,795)	(\$3,018,855)	(\$1,760,121)
<b><i>Early Retirement Incentive</i></b>	\$0	\$0	\$0	\$0	\$0
<b><i>Ending Fund Equity</i></b>	\$18,988,226	\$17,458,362	\$15,728,567	\$12,709,712	\$10,949,591
<b><i>Ending Fund Equity % of Revenue</i></b>	<b>18.7%</b>	<b>17.5%</b>	<b>15.9%</b>	<b>13.0%</b>	<b>11.2%</b>



## Budget Decisions in Birmingham

- Outsourced Custodians
- Trimester Schedule
- Enroll Non-Resident Staff Children
- 31% increase in pupil to teacher ratio since '08
- Selling district real estate/assets



**Birmingham**  
PUBLIC  
SCHOOLS

### PROJECTION ANALYSIS - SUMMARY

	2012-2013	2013-2014	2014-2015	2015-2016
Revenues	102,500,011	105,484,408	106,695,176	107,915,717
Expenditures	104,762,613	108,463,535	111,568,259	114,657,817
Projected Deficit	\$ (2,262,602)	\$ (2,979,127)	\$ (4,873,083)	\$ (6,742,100)

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**Birmingham \$3.0M Structural Deficit  
in '13-'14**

**GPPSS \$3.7M Structural Surplus in  
'13-'14**

# Which reality do we prefer?

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## Alternate Mythical

- Altered High School schedule w/10 fewer teachers
- Raising elementary class size in 14 instances from high teens to nearly 30 per class
- Outsourced custodial staff
- Completely self-funded athletics (increased taxpayer fees)
- Limited School of Choice
- A very different school system
- 11% Fund Equity, yet still with \$1.7M structural deficit

## Current Actual

- Retain current High School schedule
- Maintain some of lowest elementary class sizes among districts our size
- No outsourced custodians
- Affordable and fair participation fees
- No School of Choice
- 2% Fund Equity with multi-million dollar structural surplus

# What are less mythical budget options?

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## Enrollment

- GPPSS loss of students is out of skew with like districts, even those not reliant on School of Choice. Are we marketing properly?

## Added Needs Instructional Costs

- GPPSS cost per pupil rising dramatically higher/faster than benchmark and state average.

## Basic Instructional Costs

- GPPSS dramatically out of skew; salaries, ratios/schedules, programs should be evaluated

## Staff Development / Substitute Costs

- Currently this is a \$1M annual expense. There has got to be a better way.

# Closing Thoughts

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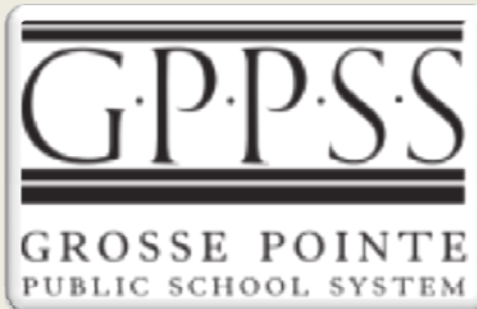
## Fund Equity

Most districts still rely only on Fund Equity (and cuts to preserve it) as protection against funding cuts and retirement cost increases – and still have structural deficits.

The GPPSS model embeds this protection in our contracts.

## Mythical Reality Options Remain

If the public, Administration or members of the Board of Education wish to pursue these options (in lieu of letting the contracts work), speak up now.



## Less Mythical Options Remain

Use benchmarking, trend analysis and best practices to find opportunities for improvement.

We should tout our financial and programmatic strength to enhance community support and market our district.