

Grosse Pointe Public School System

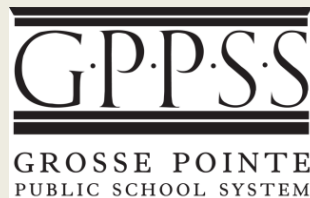
Financial Transparency Series



2010–11 BUDGET DEVELOPMENT PARAMETERS PRESENTATION

JANUARY 25, 2010

PREPARED BY BRENDAN WALSH



Presentation Overview:

Define the Problem → Develop a Solution

Budget Dynamics

- Proposal A and Downward revenue pressures
- Upward expense pressures
- A word about Fund Equity

Development Process

- Budget Development Parameters Introduction
- Budget Development Timeline
- Public Engagement and Involvement

Downward Revenue Pressures

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- **DYNAMICS OF PROPOSAL A**
- **FOUNDATION ALLOWANCE**
- **SCHOOL AID FUND**

Proposal A Basics

State is Primary Revenue Source

- State is source for 65% of GPPSS Op. Revenue
- Local sources 22%
- School Property Taxes were Reduced and Capped

State Foundation Allowance

- Main Funding Source
- Per Pupil revenue set by the state
- Ties operating revenue to Enrollment
- Varies by district

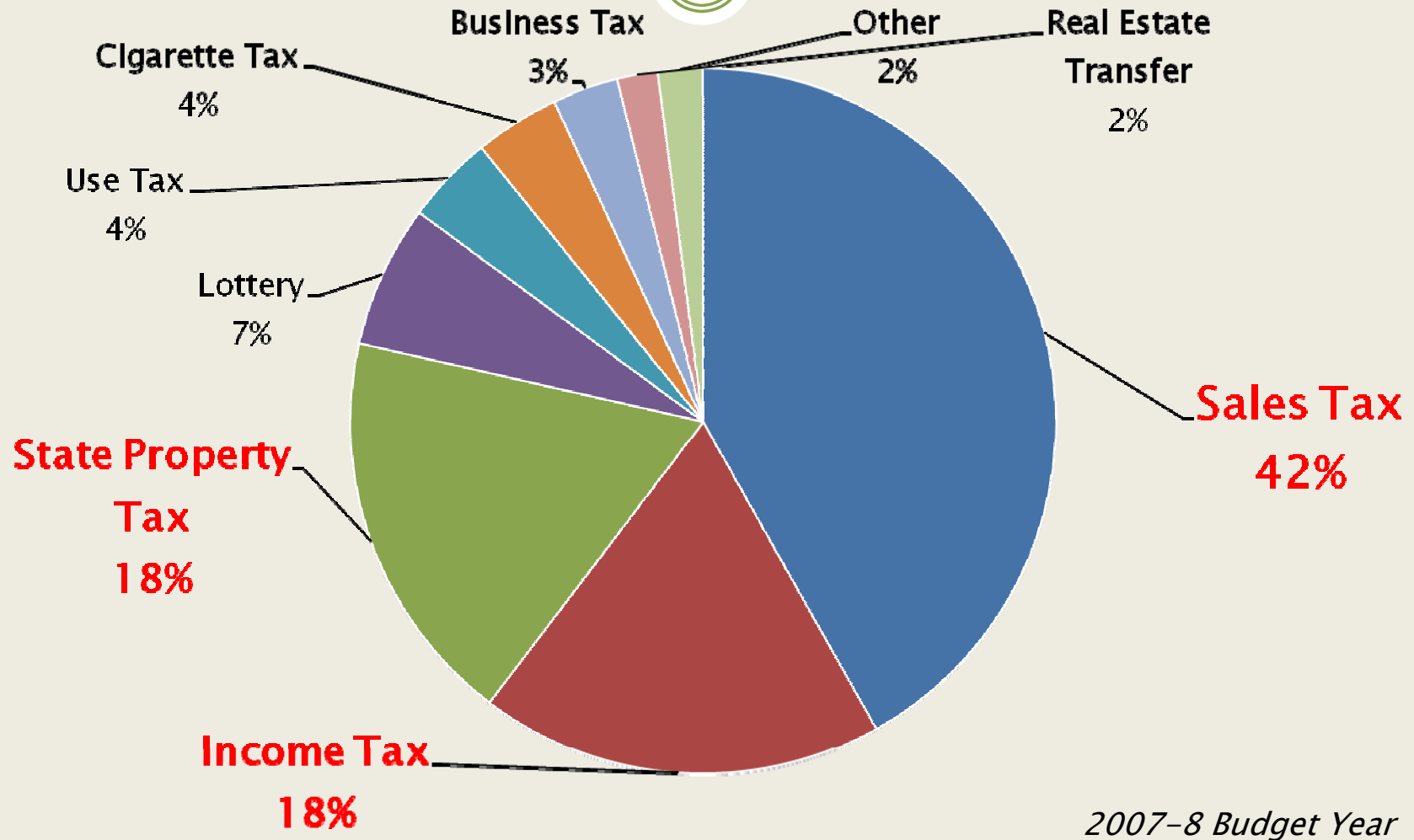
School Aid Fund

- Source of Foundation Allowance payments
- Managed by state
- Highly susceptible to state's economic conditions

Michigan School Aid Fund Revenue Sources

State Property, Income and Sales Tax Account for 78% of SAF Revenue

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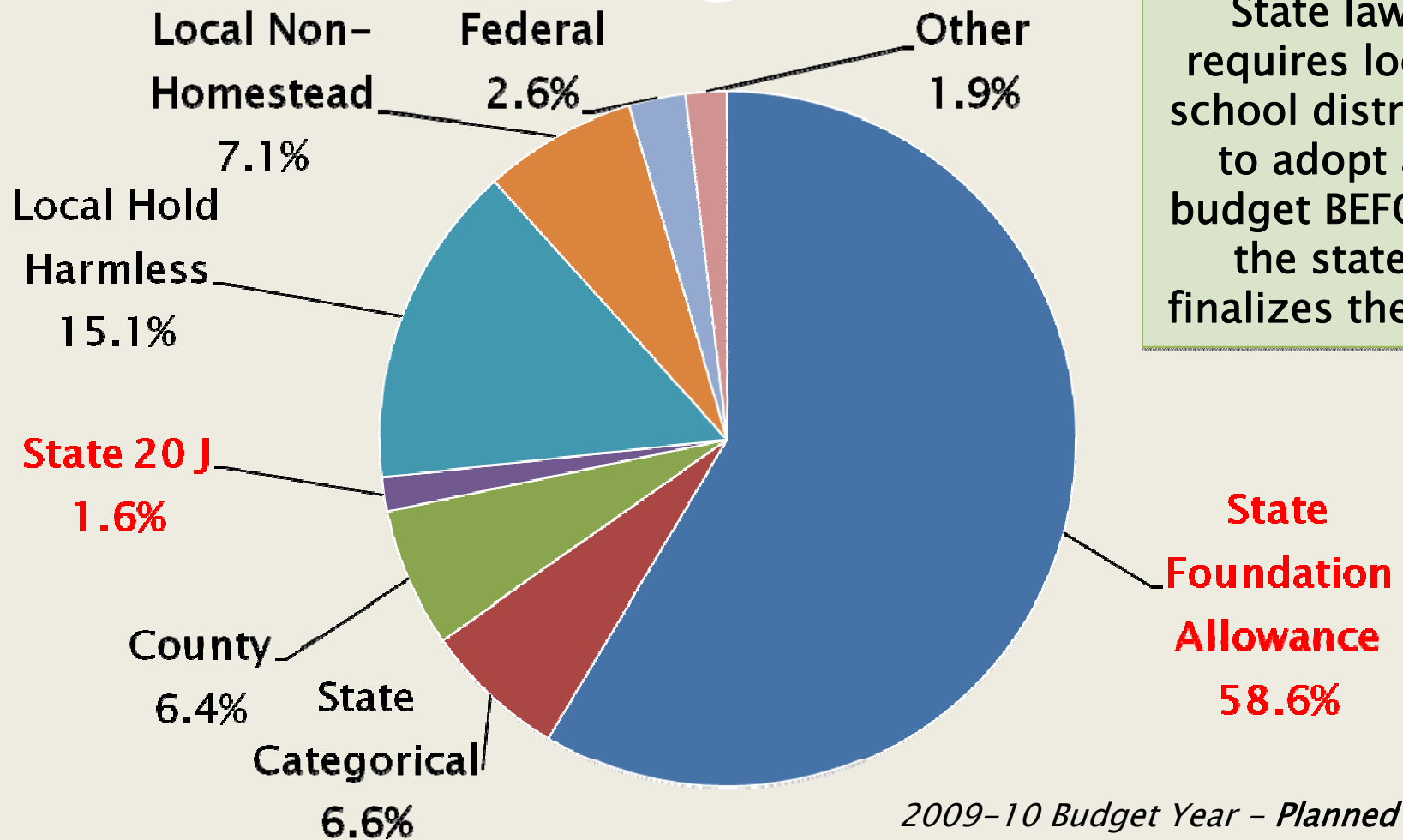


2007-8 Budget Year

GPPSS General Fund Revenue by Source

as Projected in June 2009

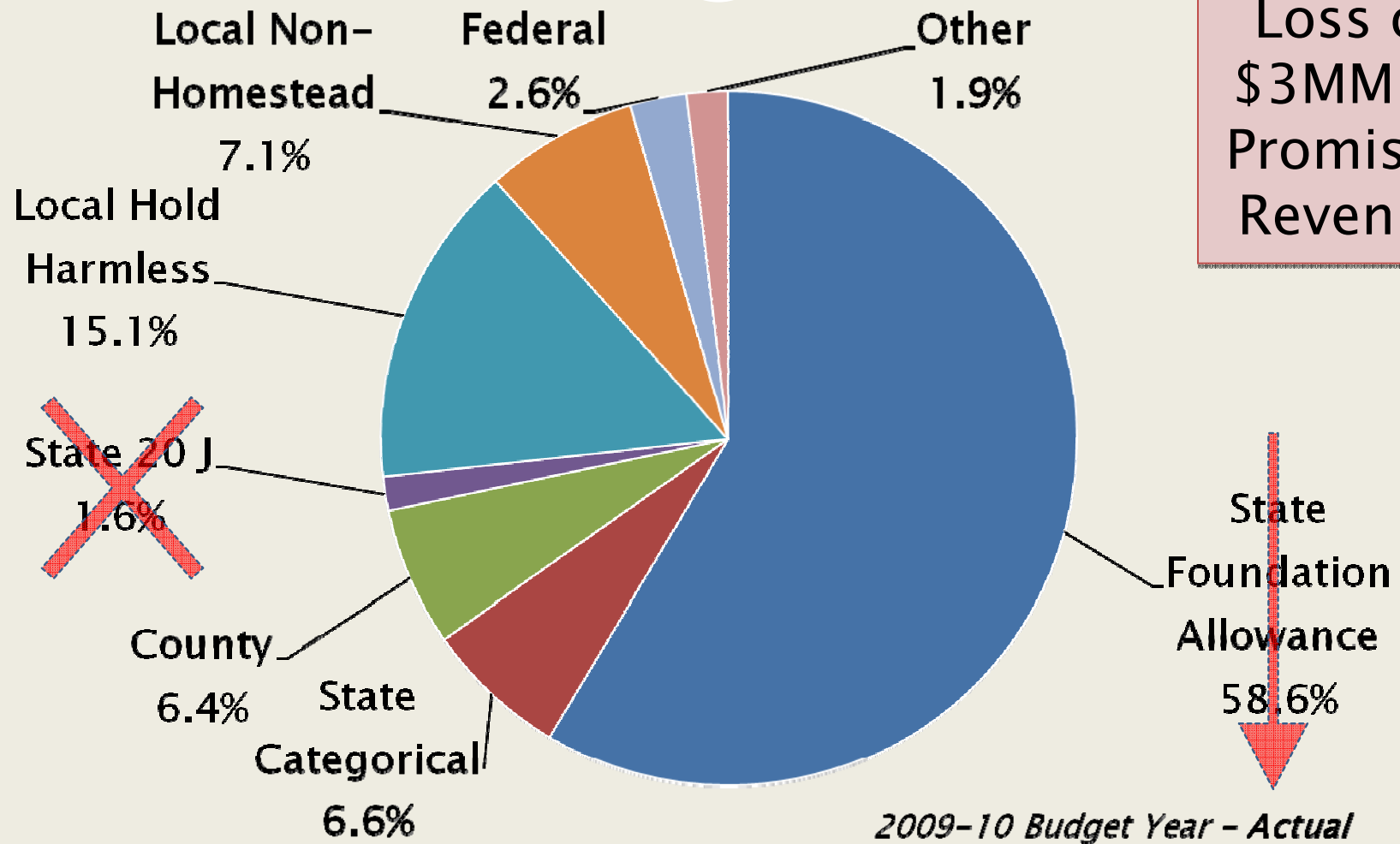
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State law requires local school districts to adopt a budget BEFORE the state finalizes theirs.

Then Came Granholm Cuts of Oct. 2009

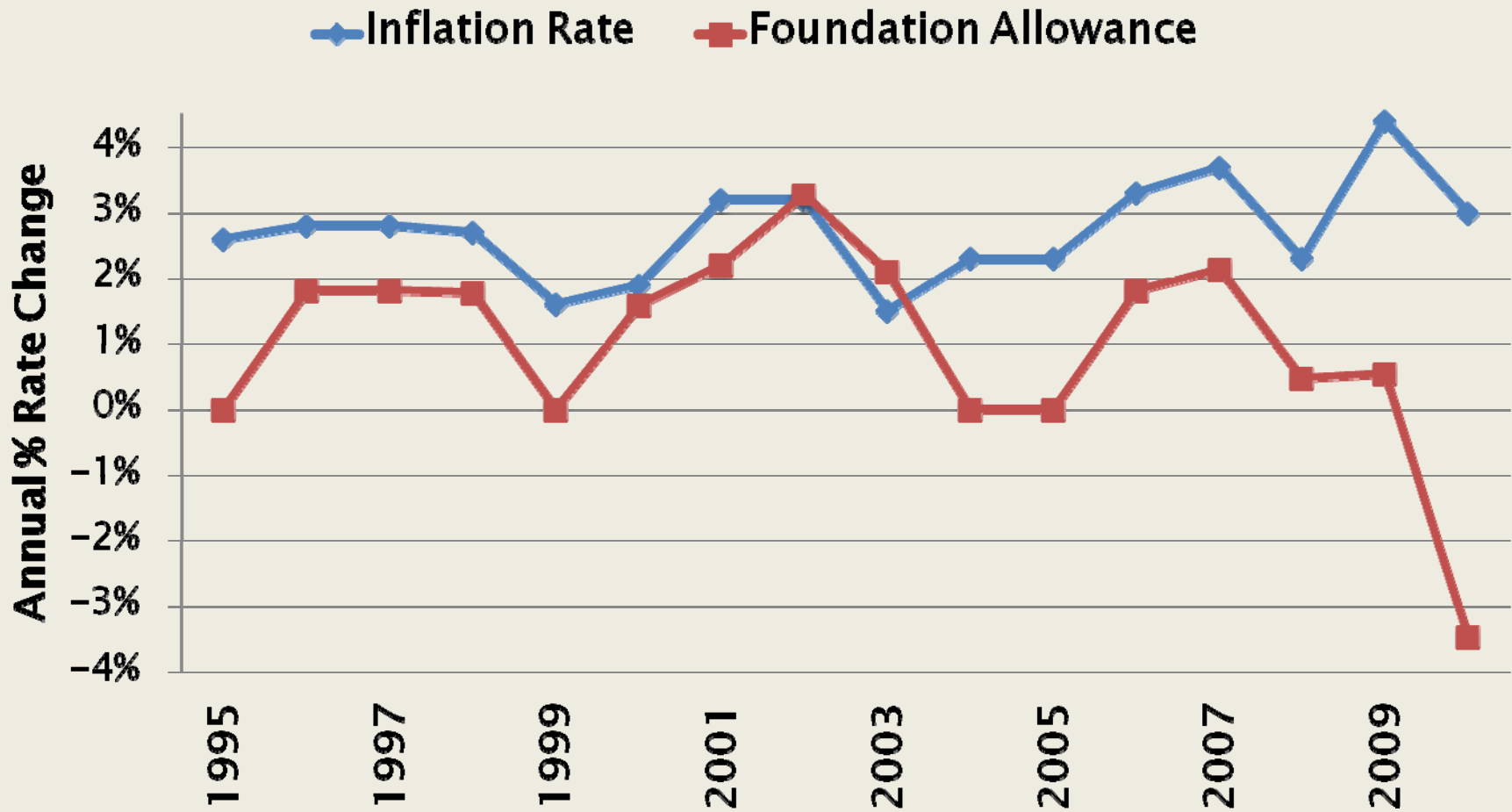
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GPPSS School Foundation Allowance

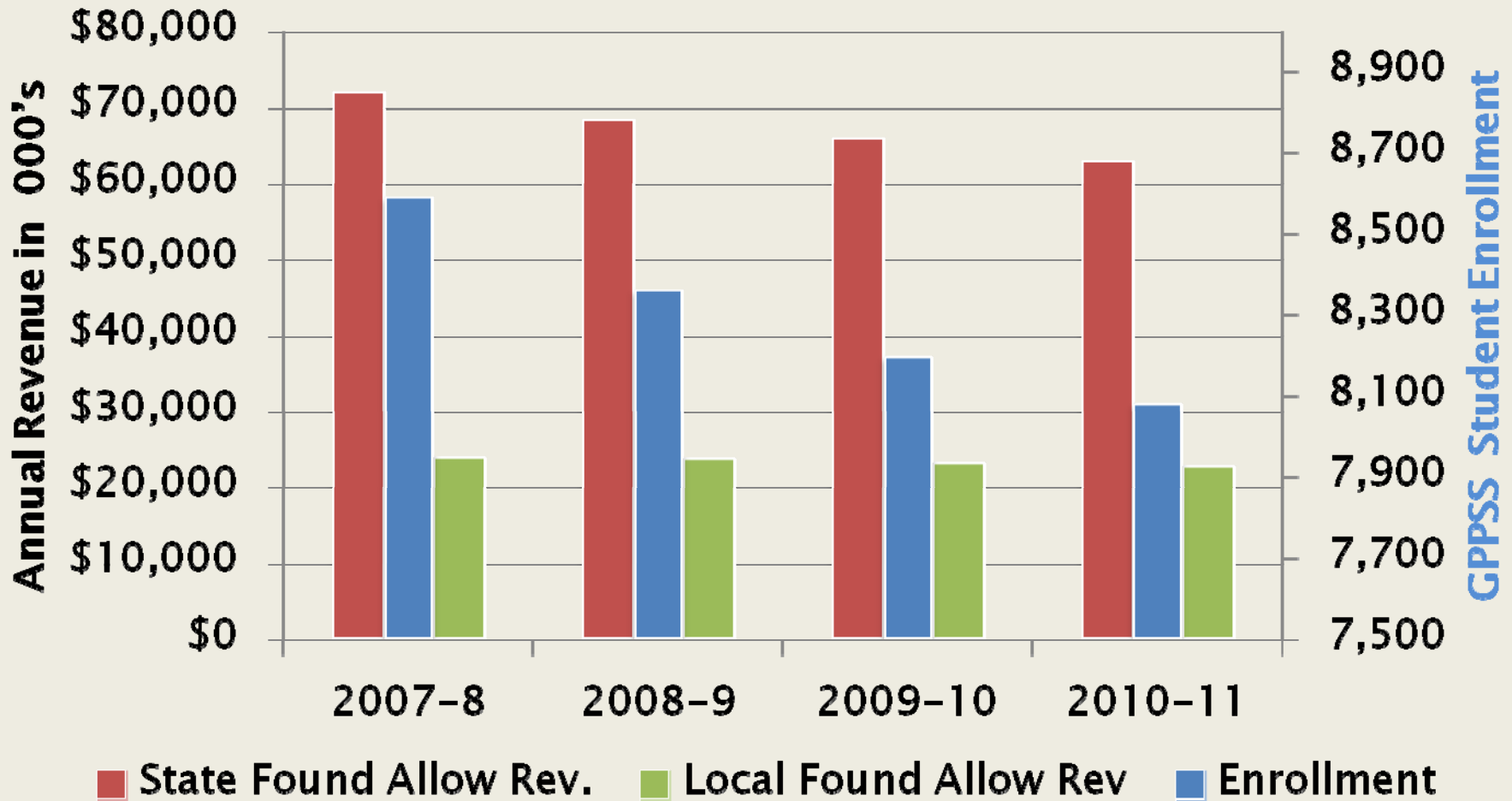
APR Change vs. Inflation Rate - Has Not Kept Pace

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Declining Enrollment and Declining Foundation Allowance Reduces GPPSS' Largest Revenue Source

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Upward Expense Pressures

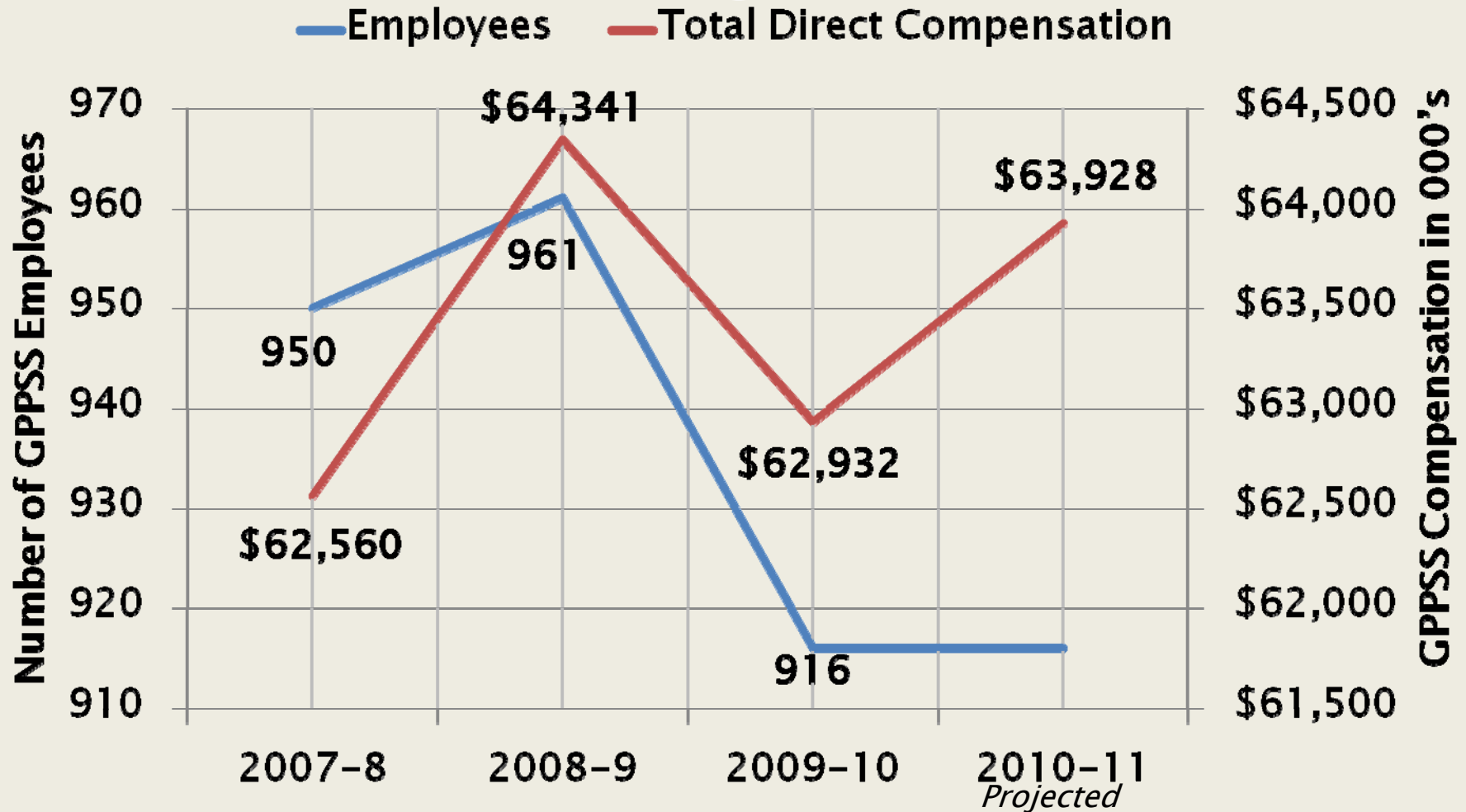
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- **DIRECT EMPLOYEE COMPENSATION**
- **EMPLOYEE RETIREMENT COSTS**
- **EMPLOYEE HEALTH CARE COSTS**

Rising Direct Compensation Costs

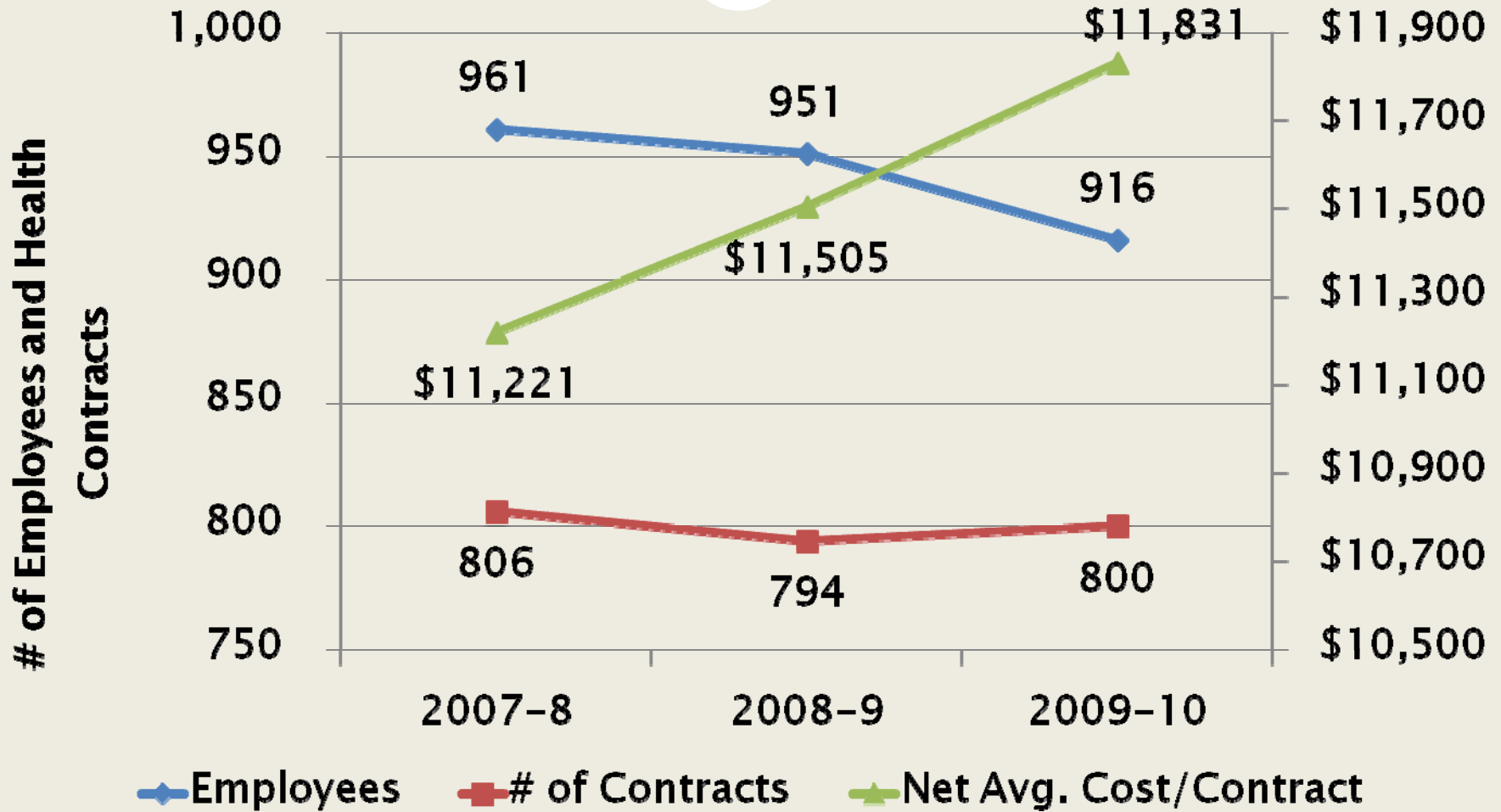
In 2010, 35 fewer employees cost more than 950 in 2008

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Rising Health Care Costs Outpace Scaled Reductions in Students and Staff

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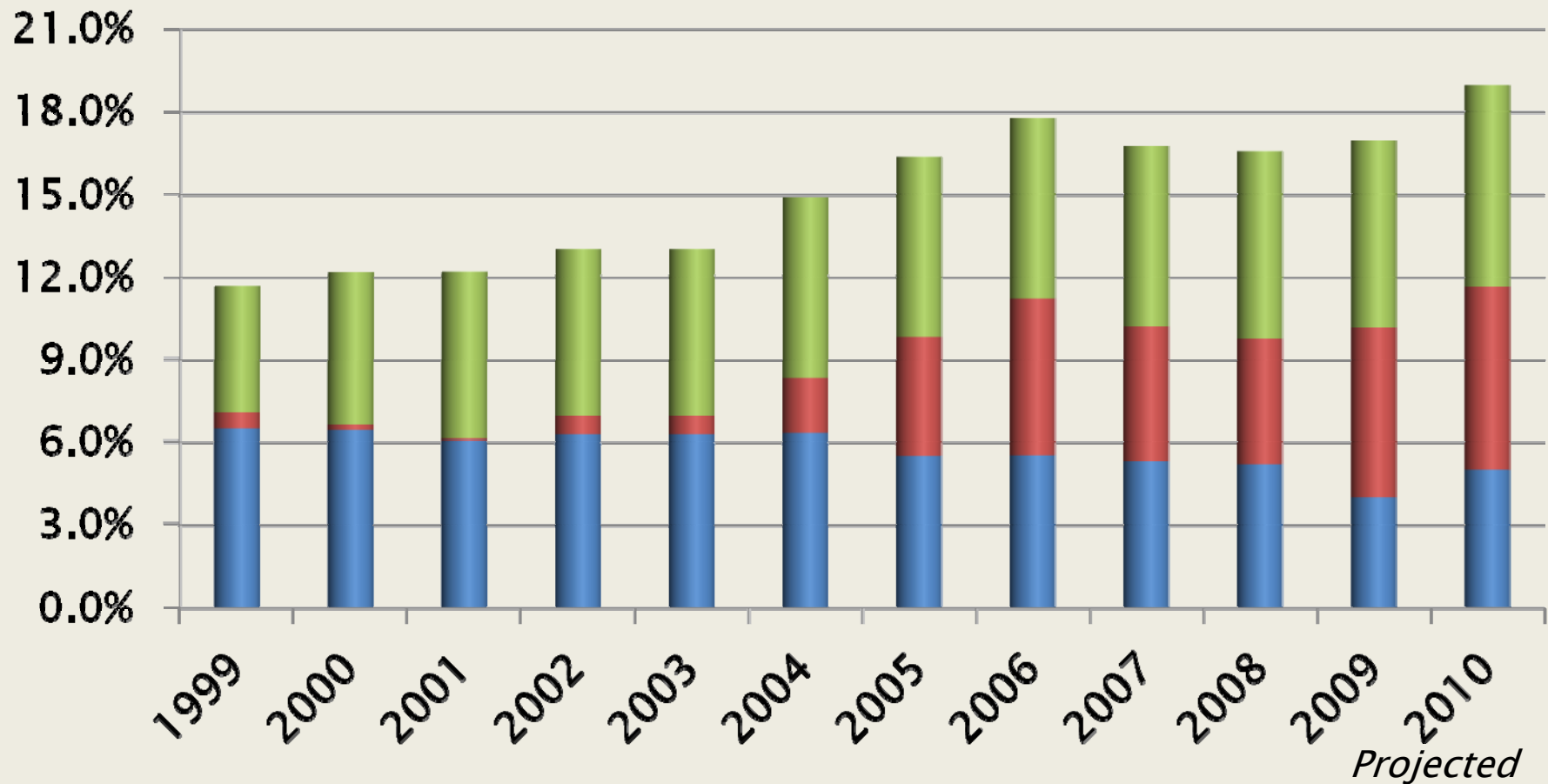


Employee Retirement Cost Escalation

Rate will be 58% higher than '99 – applied against rising salaries

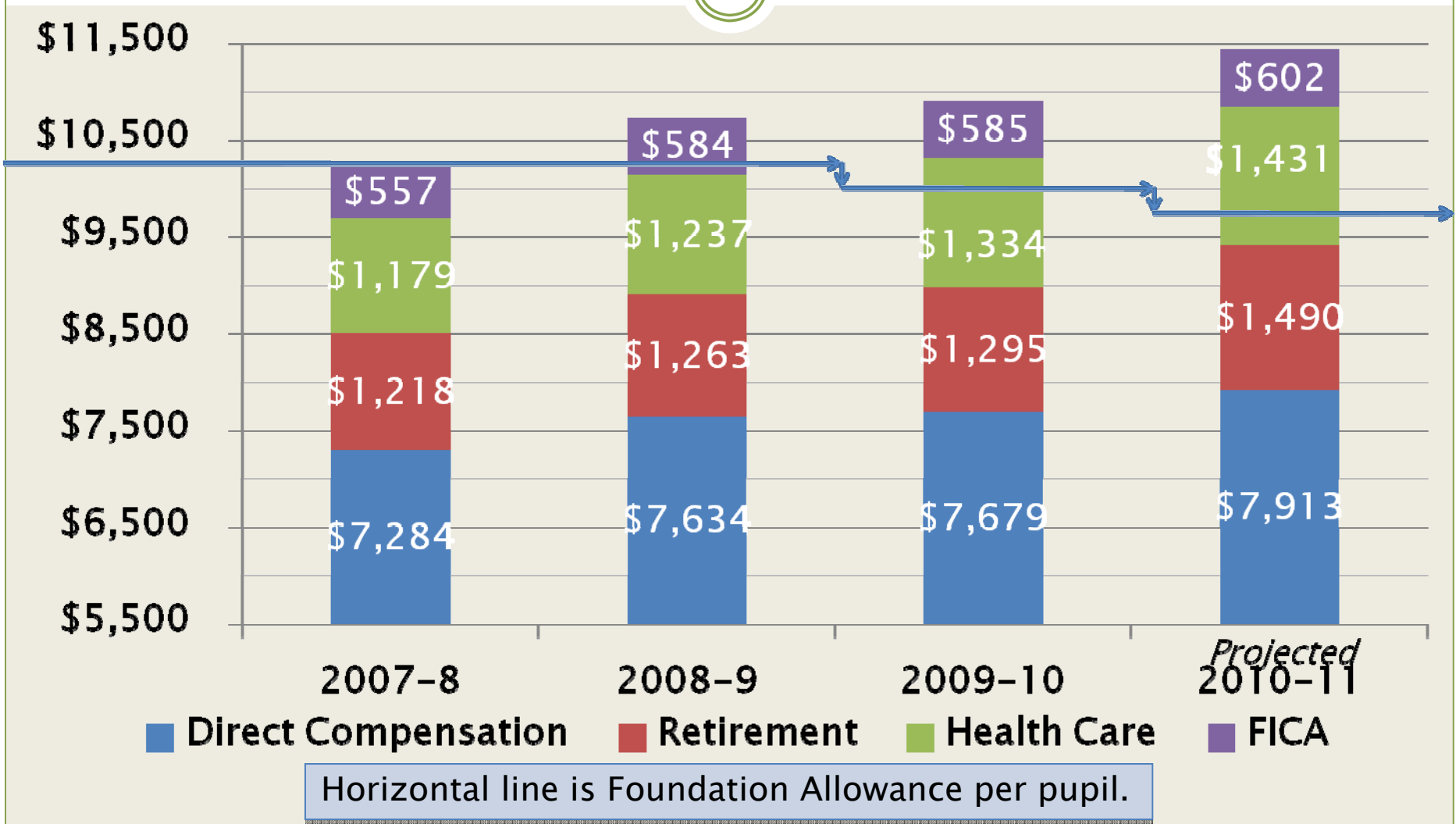
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Pension **Unfunded Liability** **Health**



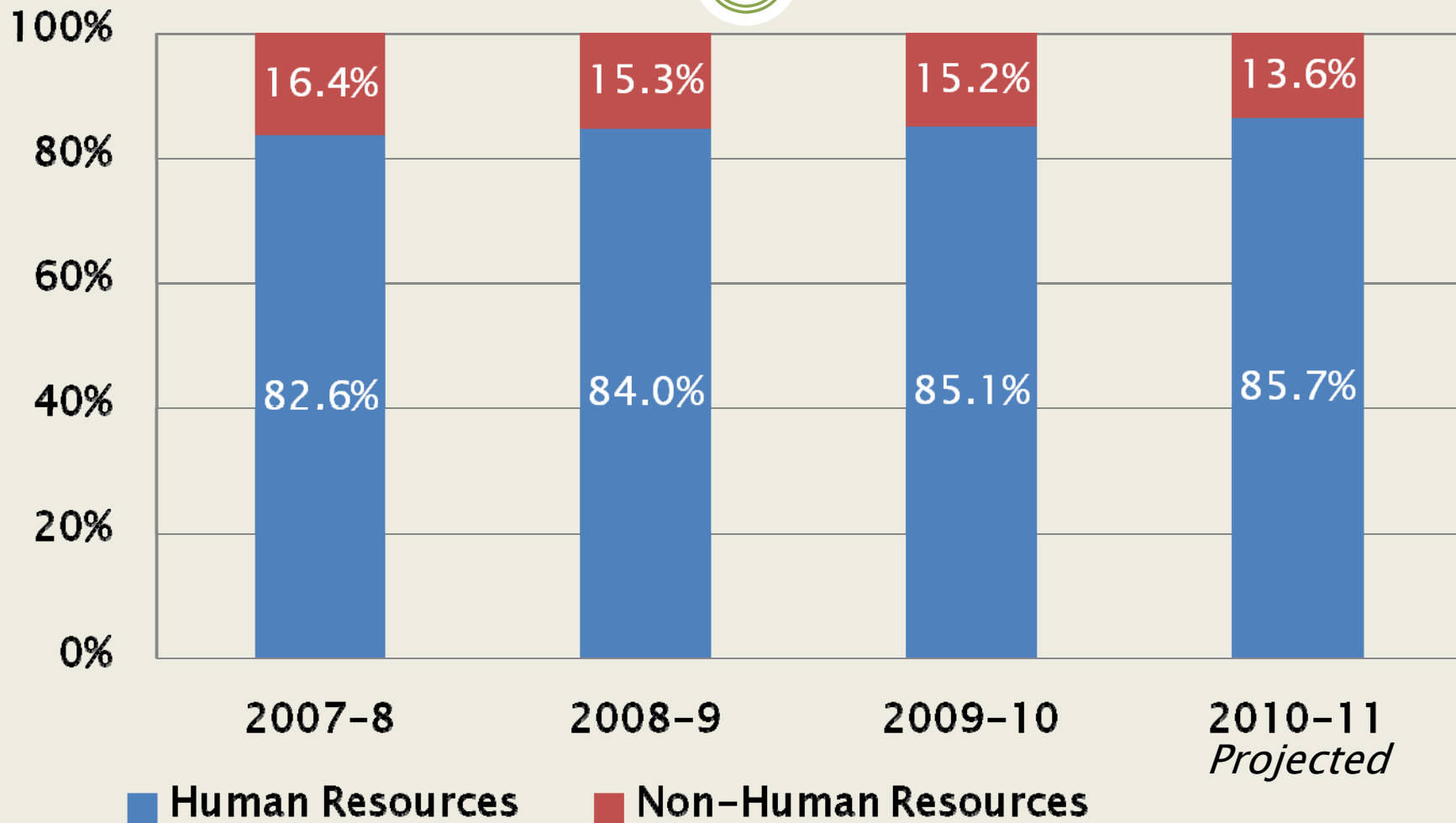
Employee Total Compensation on a Per Pupil Basis Plotted Against Foundation Allowance Per Pupil – \$1,198 Increase in Four Years

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Human Resources vs. Non-HR Costs as Percentage of Total Budget

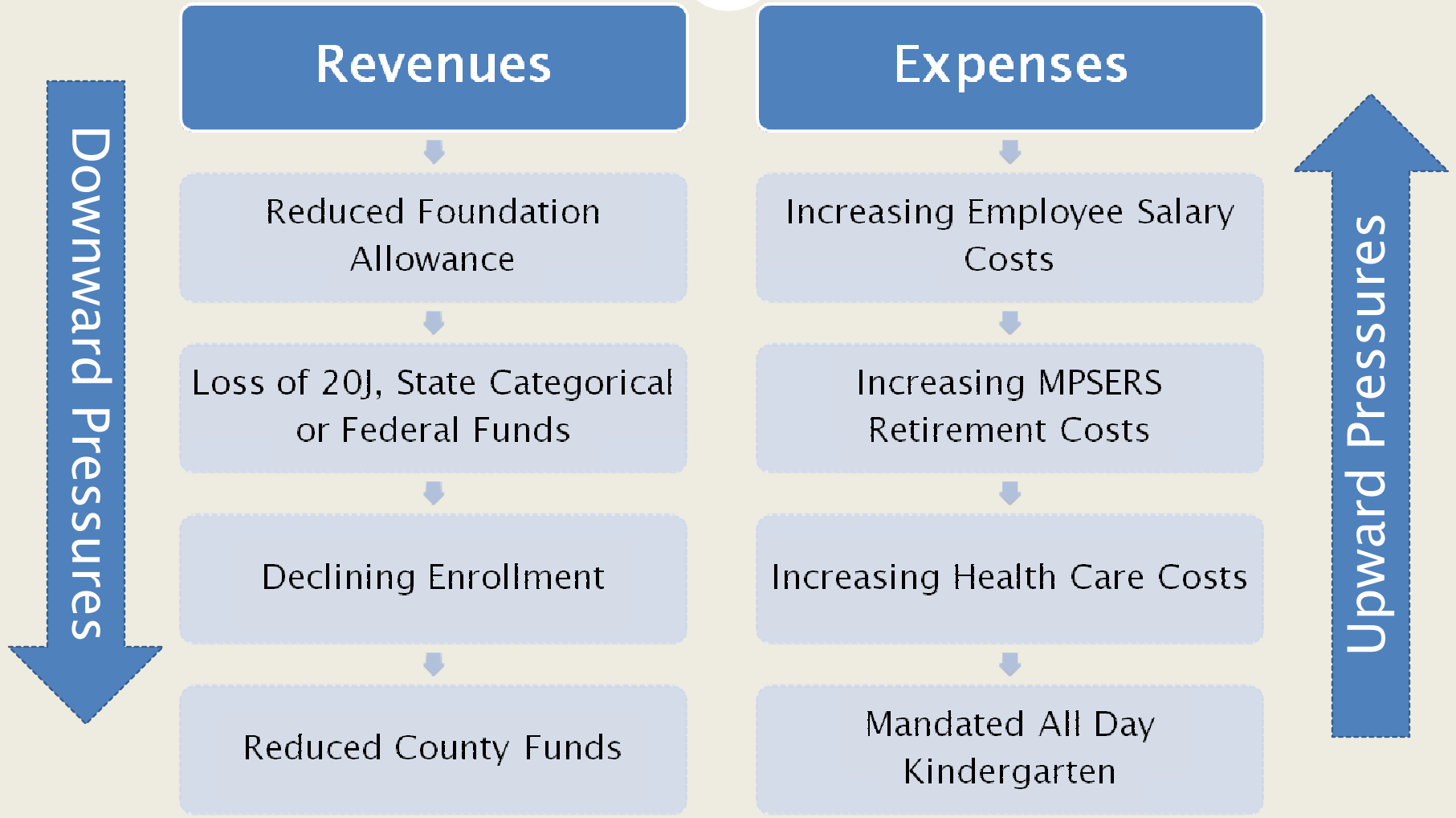
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Summary: Maintaining Budget Equilibrium

Balancing Opposing Structural Forces

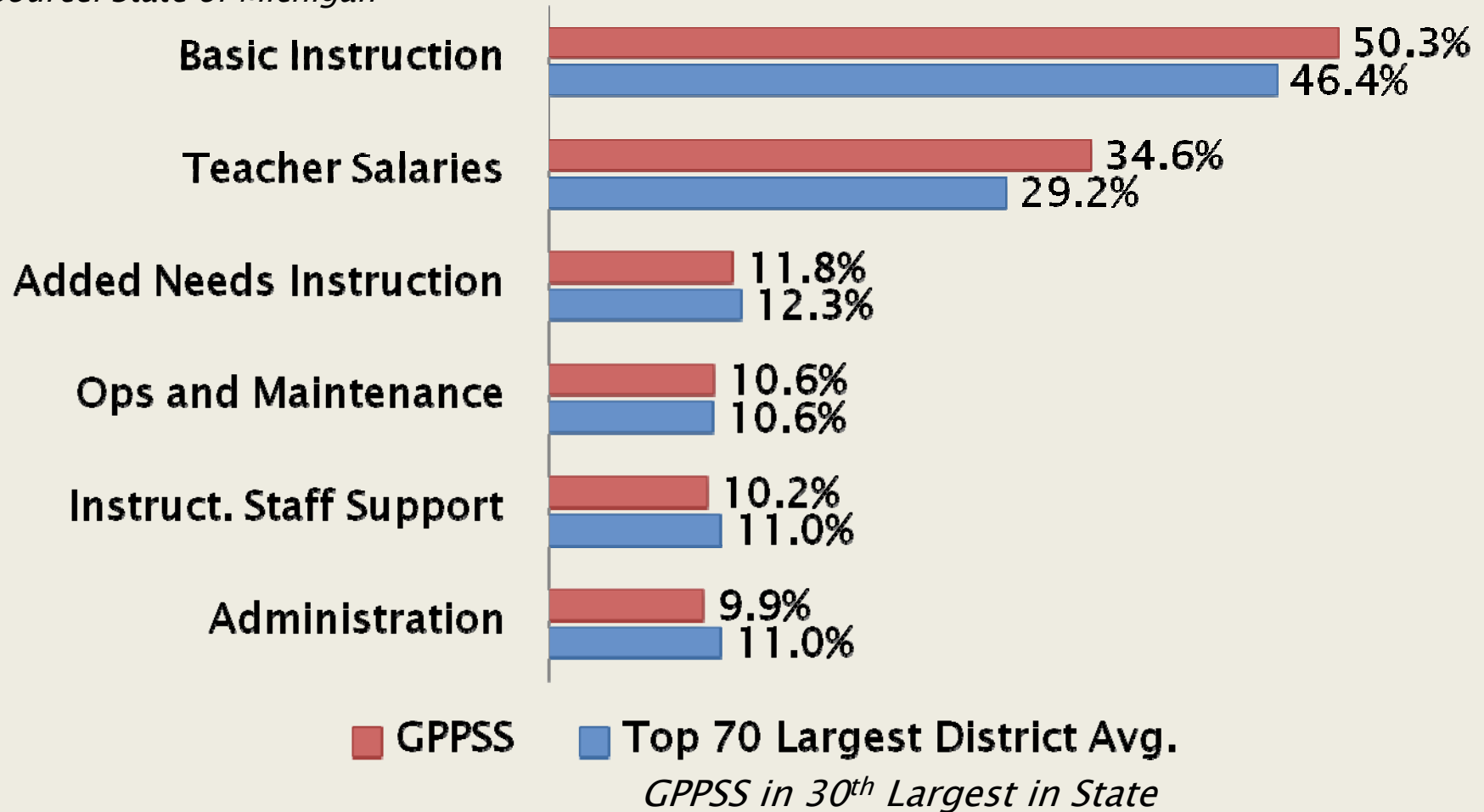
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GPPSS Investment Allocation Compared to the Top 70 Largest Districts in State

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Source: State of Michigan



A Word About Fund Equity

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- **WHAT IS FUND EQUITY**
- **HOW DOES GPPSS COMPARE TO OTHERS**
- **FUND EQUITY TRENDS AT STATUS QUO**

What is Fund Equity?

Most Common Reference is to the General Fund's Equity

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The accumulated revenue of a fund that has not been allocated for any expenditure

Total Assets less Total Liabilities.

It is NOT a cash account.

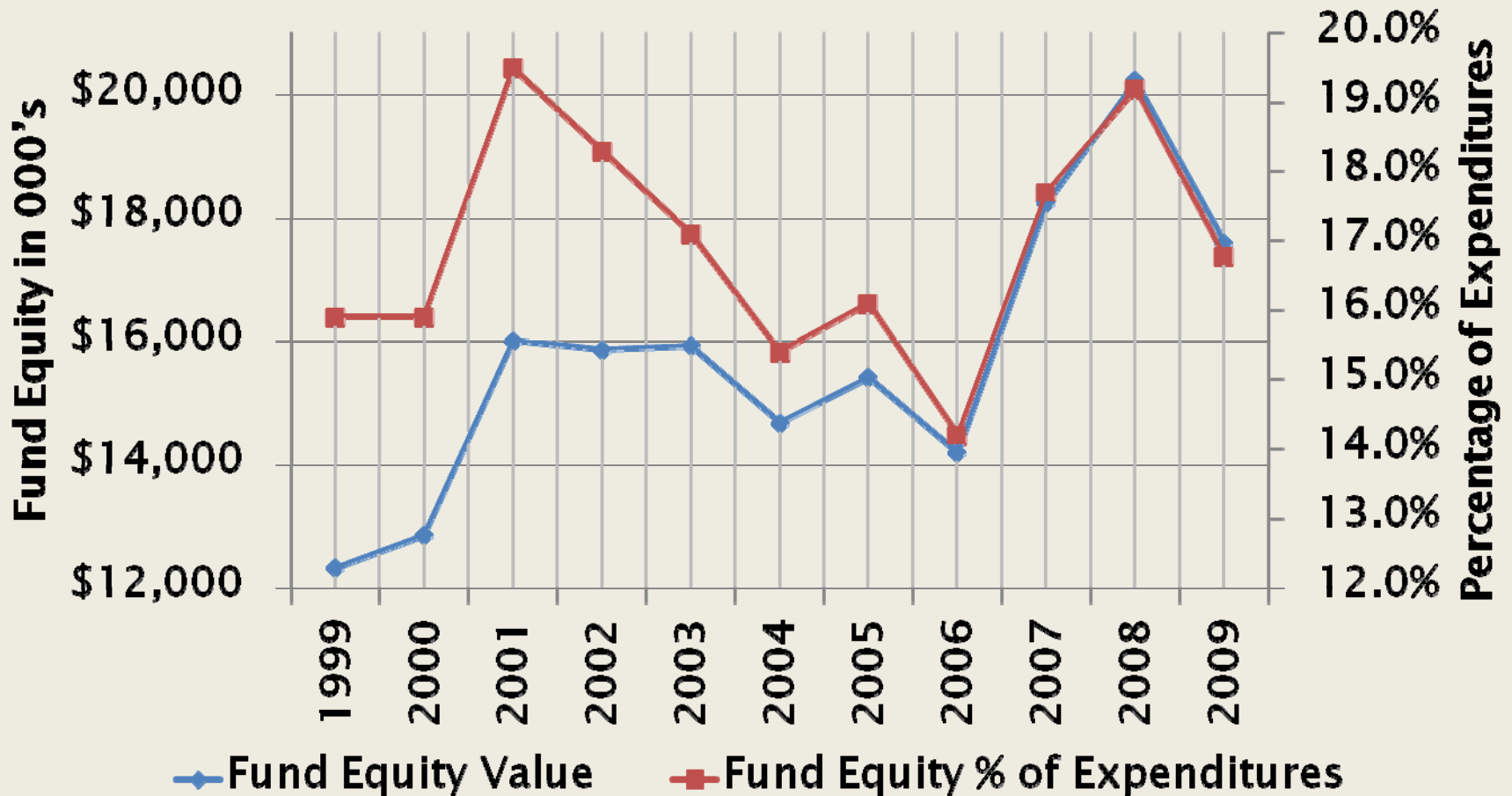
Fall 2008 Fund Equity Benchmark Data

District Name	Fund Equity Before Reserves	Total General Fund Revenue	Fund Equity as % of Revenue
Bloomfield Hills School District	\$23,749,111	\$91,195,105	26.04%
Farmington Public School District	\$35,015,827	\$142,211,296	24.62%
Rochester Community School District	\$33,776,449	\$153,665,046	21.98%
Troy School District	\$29,807,150	\$135,868,002	21.94%
Birmingham City School District	\$22,065,027	\$110,376,325	19.99%
Grosse Pointe Public Schools	\$20,236,956	\$107,157,294	18.89%
East Grand Rapids Public Schools	\$4,992,310	\$27,846,958	17.93%
City of Harper Woods Schools	\$1,957,883	\$12,217,750	16.02%
Ann Arbor Public Schools	\$31,920,873	\$200,656,832	15.91%
Grosse Ile Township Schools	\$2,681,955	\$19,240,093	13.94%
Forest Hills Public Schools	\$13,294,343	\$98,049,177	13.56%
Chippewa Valley Schools	\$16,444,437	\$124,994,272	13.16%
West Bloomfield School District	\$5,215,000	\$71,752,320	7.27%
Plymouth-Canton Community Schools	\$10,582,739	\$165,339,891	6.40%
Northville Public Schools	\$3,860,696	\$62,791,020	6.15%

Michigan School Business Officials (MSBO) organization recommends 15-20% General Fund Equity

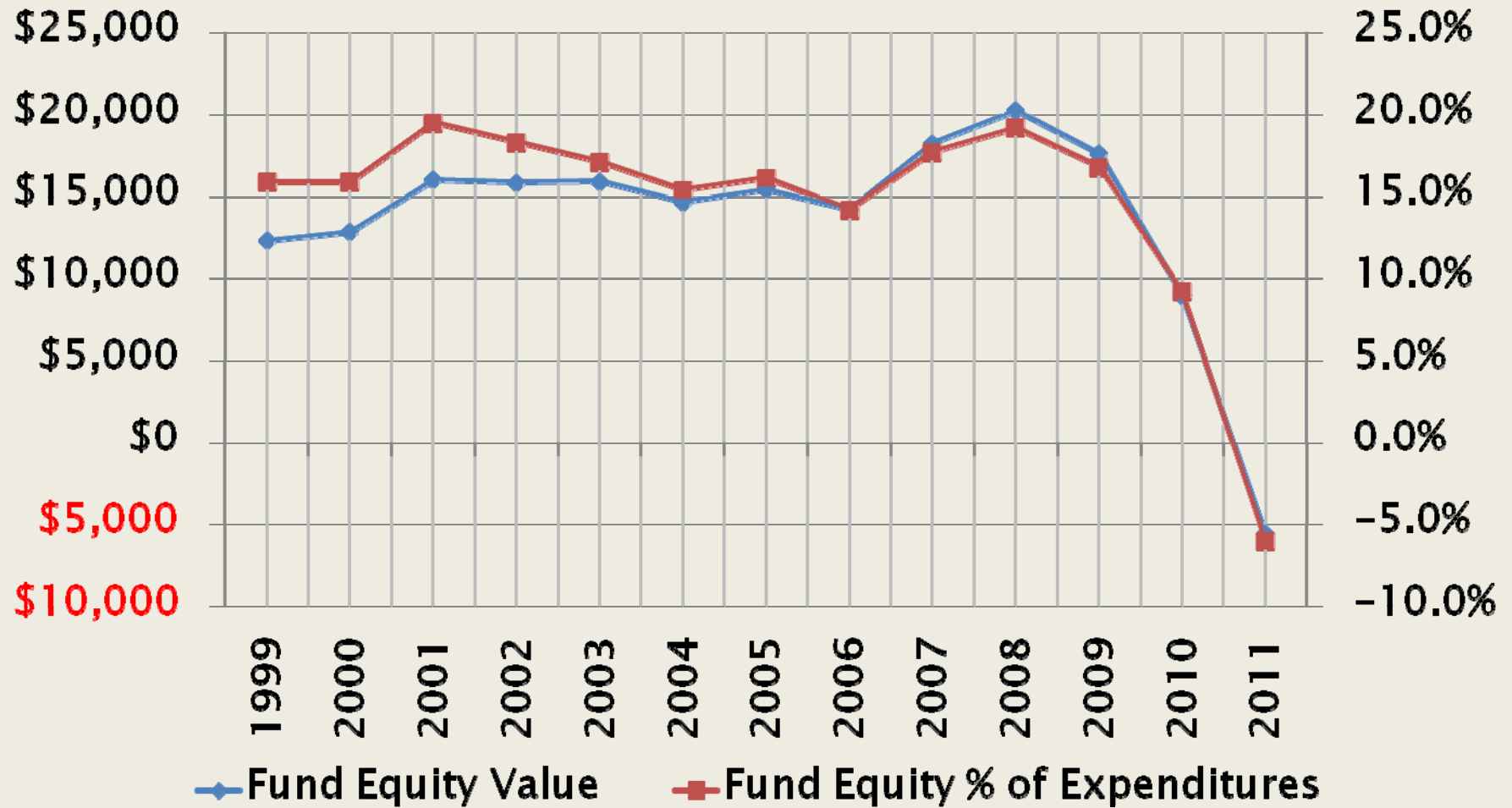
GPPSS History of General Fund Equity

Granholm Cuts of Oct. 2009 Consume \$2.6MM



With No Corrective Action GPPSS Will be in Deficit Position in Two Years

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2010–11 Budget Development Process

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- **WHERE WE ARE NOW**
- **DEVELOPMENT PARAMETERS**
- **DISTRICT GOALS**
- **PROCESS AND SPECIFICATIONS**
- **TIMELINE**

Completed Activities	Date
Board agreement on Staff Utilization and Allocation process for 2010-1011.	September
Administration to deliver completed Distribution and Funding Sources tabs of current year (2009-10) Staff Utilization Utility	October
Administration to deliver recommendations for how to increase density in electives/specials at all levels and completed Utilization tab Staff Utilization Utility.	November
Administration to report on evaluation of current utilization rates of all job functions and propose, with supporting logic, ideal utilization rates for 2010-11.	November
Administration to deliver to Board recommendation for class size guidelines and any special program designations for 2010-11.	November
Deliver first 2010-11 budget projection using the Budget Modeling Utility	December
Board Work Session on Budget Development Parameters	January

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

Budget Decisions Must Not Negatively Impact Ability to Achieve District Goals

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District Goals Are Clearly Stated in Strategic Plan

Goals Are Non-Negotiable

- If budget and staff decisions threaten achievement of goals then our tactics must change.

GPPSS District Strategic Plan 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.

Core Tenets of the Budget Process

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Re-evaluate all Tactics to ensure efficient achievement of Goals

No investment automatically “rolls forward”

Articulated decision logic for all investments

Consistent, logical, prioritized methodology of investment

Transparency and input throughout process

Budget Development Procedure

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- Maintain established timeline.
- All budget proposals must be a balanced, supported by a balanced Budget Modeling Utility and Staff Utilization Utility
- Each budget proposal should be evaluated holistically by all parties (Board, Administration, residents).

Specific Budget Parameter Call-Outs

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Staffing to Enrollment and/or Caseload Methodology	In-Year Reductions
Class Size Guidelines	Exemption from Zero-Based Methodology (Extra-Curricular)
Other Class Size Related Items	Special Program Designations
Elementary Program Offerings – Multi-Age, Stacking, Looping or Related	General Operational Cost Efficiencies or Revenue Enhancements
District Bargaining Unit (Union) Agreements	Building Administration Staffing Levels

Pending Activities	Date
Board passes Budget Development Parameters Resolution	January
Delivery of first Balanced Budget Proposal to Board	February
If necessary and pending Board, Community or Administrative feedback, deliver Revised Balanced Budgets	March – June
Administration proposes any required Staff Layoff lists for Board approval (agreement on staff call back procedure)	April
Budget Hearing and Board of Education Budget approval	June
Update on enrollment and funding against projections	July
Recommendation for approval of any call backs	August

What Can You Expect and Do?

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- Inform yourself of the issues
 - www.gpschools.org; Facebook; Twitter
 - Financial Transparency Series
 - Various Financial Reports
- Attend Meetings, Watch on TV, Listen on iPod
 - Regular Board Meetings and Work Sessions
 - I will Present at Any Event (PTO's, Booster Groups, etc.)
 - Seminar and Group Meeting Sessions
- Share your opinions and ideas
 - schoolboard@gpschools.org
 - Ask for a meeting or attend a meeting

Summary: Solving problems requires identification of root cause. Finding root cause is NOT synonymous with assigning blame.

Root Cause:

Funding
mechanism not
keeping pace
with rising
Human
Resources Costs

Assigning Blame:

Resist the
temptation to
assign blame and
focus on
solutions
available to us
locally

Solutions:

Will not come
without pain and
sacrifice, but
must be
approached
constructively