

Enclosure:

THE GROSSE POINTE PUBLIC SCHOOL SYSTEM
Grosse Pointe, Michigan

AGENDA NUMBER AND TITLE:

**Resolution to Commence 2010-11 Budget
Development and Related Parameters**

BACKGROUND INFORMATION:

Board Policy 6220 requires that the Board annually direct the administration to commence development of the ensuing year's budget by the adoption of a resolution that 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.*" Policy states that the parameters shall:

- A. Identify specific financial goals and objectives that the Board requires in regards to specific cost reduction, revenue increases or other financially related objectives for particular budget elements.
- B. Identify particular budget related strategies that the Board prefers the administration to pursue or avoid in their development of the budget.
- C. Be as specific as possible in terms of the objectives, but allow for flexibility in the administration's approach to budget development.

Background

The historically adverse economic conditions that have plagued the state of Michigan over the past decade have had an increasingly adverse impact on local public school system funding. 1994's Proposal A transferred school funding responsibility from the local school district to the state. The primary tax revenue sources for the state (income, sales, and property taxes) have not kept pace with rising school employee salary, health care, and retirement costs.

The following have had the greatest impact on the 2010-11 school year budget:

- ◆ General Education student enrollment will decrease by approximately 117 students resulting in a revenue reduction of over \$1,170,000 in revenue.
- ◆ The state reduced the per pupil Foundation allowance for the 2009-10 school year by \$165 per pupil in October, 2009 resulting in the loss of \$1,400,000 in revenue.
- ◆ The state is expected to reduce the Foundation allowance payments for the 2010-11 school year by \$268 per pupil resulting in the additional loss of \$2,200,000 in revenue.
- ◆ Governor Granholm eliminated district 20J funds in October 2009 resulting in the additional loss of \$1,600,000 of revenue.
- ◆ The state is expected to increase the public school employee retirement rate (MPERS) from 16.94% to 18.94% resulting in a cost increase of over \$1,400,000.
- ◆ District employee insurance benefit costs are expected to increase by 5% resulting in cost increases of over \$500,000.
- ◆ Employee salaries will increase by \$1,000,000 based on years of employment and/or post-graduate credits/degrees in accordance with existing salary schedules and contracts.

General Development Provisions

The Board recognizes and affirms that the primary function of the Grosse Pointe Public School System is to ensure the educational development of each and every student. The administration is encouraged to bring forth a budget recommendation that places us in the best position to execute that mission while remaining cognizant of practical and financial realities.

The Board further affirms the importance of maintaining a responsible level of General Fund equity. The aforementioned revenue reductions of October 2009 were offset by Board authorization of \$2,640,366 out of the General Fund Equity, a reduction of 13.3% of total General Fund Equity. However, the Board is unlikely to support a recommendation for the further use of Fund Equity to backfill a structural and/or recurring district budget deficit.

The Board strongly encourages the administration to make effective use of the financial reports created over the last four years to identify trends and best practices that can be leveraged to the district's financial benefit. The Sources and Uses Report, Budget Modeling Utility, and the Staff Utilization Utility will serve as the primary instruments for budget and staffing decisions throughout this process.

Development Philosophy

In anticipation of this year's historically adverse economic environment, in August 2009 the Board of Education agreed to the following Core Tenets for budget development:

1. The district goals articulated in the current Strategic Plan remain in place and are not to be compromised due to budget conditions. Those goals are:
 - a. Provide value to all community stakeholders by offering programs and services that meet the needs of the district, are cost effective and enhance the reputation of the district and the community.
 - b. Promote the achievement of every student at the highest level of their individual abilities.
 - c. Continually improve and optimize the resources of the district including: people, processes, facilities and finances.
 - d. Create a dynamic and safe learning environment.
 - e. Cultivate in each student a sense of responsibility for his/her own learning.
2. Re-evaluate all tactics to ensure positive impact on achievement of goals as efficiently as possible.
3. Use a "Zero-Based" Budgeting Methodology. No investment automatically "rolls forward" unless specifically specified by the Board. Methodology of the past was to "cut back" based on projections of rolling all staff and other investments forward. The new methodology will be to make logical allocation decision from a "zero-basis" that fit within projected revenues.
4. For all investment and allocation decisions, be able to clearly articulate specific decision logic to support the investment.
5. Utilize a consistent, logical, prioritized methodology of investment.
6. Allow for transparency and community input throughout process.

Procedural Requirements for Budget Development

The Board and the Administration agree on the following:

1. The Administration should meet milestones and timeline requirements. Sequence and pace is foundational to a successful budgeting process.
2. All budget proposals submitted to Board by Superintendent must be a balanced, supported by a balanced Budget Modeling Utility and Staff Utilization Utility
3. Each budget proposal should be evaluated holistically by all parties (Board, Administration, residents). Isolated decision making, outside of the context of available options, has proven to be counter-productive to past processes.

Specific Areas of Focus

1. Staffing to Enrollment and/or Caseload Methodology

GPPSS enrollment, mirroring the state-wide pattern, is decreasing slightly annually. Staffing levels must scale with enrollment. Clear decision logic must be demonstrated for all staffing levels driven by caseload. Areas previously staffed above required caseload guidelines, particularly those not receiving full funding, are of particular interest.

2. Class Size Guidelines

The Board remains concerned about over-reliance on increasing class sizes to respond to the financial pressures, yet until all options are considered the Board does not eliminate this option from consideration. Greater deference should be given to class sizes in the lower elementary levels if at all possible. An explanation or justification shall be provided for all classes substantially different from prescribed ranges.

3. Other Class Size Related Items

Diffusion of enrollment across a wide variety of electives has enabled a wide-variety of elective offerings for students; however, lower class sizes in many of these classes presents other challenges, both economic and logistical. The Administration is encouraged to adopt creative solutions that may enable the varieties to be maintained in a more financially efficient manner. Two specific suggestions were technology-based or distance learning and auditorium style instruction. However, where electives cannot be provided, cost efficiently, consideration should be given to eliminating chronically under-enrolled electives, if any.

4. Elementary Program Offerings – Multi-Age, Stacking, Looping or Related

The Grosse Pointe Public School System has long delivered specialized programming on the elementary level that entails combining educational services for students of different traditional grades. Two such examples are the Magnet programs (combining 2nd/3rd and 4th/5th) and the Multi-Age Program (combines 1st/2nd/3rd). These have been extremely popular with families and students. They may also provide greater flexibility for scheduling and staffing. The Board supports and encourages expansion of these programs where they can offer academic and financial benefit for all parties.

5. General Operational Cost Efficiencies or Revenue Enhancements

The Board continues to encourage the administration to identify any and all areas of cost containment, reduction and revenue enhancement that can assist in the development of a balanced budget, even those not called out specifically in this Resolution.

6. Special Program Designations

The Board hereby establishes the following as “Special Programs” and will require they each be offered in the 2010-11 school year. However, staffing levels must still receive Board approvals:

- a. Support Classes
- b. Sequential Classes
- c. At least one AP course in each of the 5 core High School core content areas
- d. Magnet (elementary)
- e. Multi-Age Program (elementary)

7. Exemption from Zero-Based Methodology

The Board exempts the district Athletics and Extra-Pay for Extra-Duty budgets from the “Zero-Based” methodology and directs that funding levels for these areas to not be reduced proportionally any greater than the Year-over-Year General Fund revenue reductions. The Board reserves the right to revoke this exemption if it deems alternative budget options less attractive.

8. Building Administration Staffing Levels

The Board would like to be presented with potential solutions to reduce the building administration staffing levels by 2 Full-Time Equivalent positions and how the responsibilities would be distributed to other members of the staff.

9. In-Year Reductions

The passage of time with no substantial budget reductions exacerbates our economic condition. Any and all means available to reduce costs within the 2009-10 budget year that otherwise comport with these Parameters and other district covenants should be aggressively pursued.

10. District Bargaining Unit (Union) Agreements

The administration currently represents the Board and therefore the district taxpayers in negotiations with all bargaining units. Employee total compensation costs represent 85% of the district’s total annual expenditures. The current trend of increasing salary and benefits costs in contrast to now decreasing revenue is an unsustainable condition that must be reconciled for the preservation of the long-term health of the district. The administration is therefore directed to continue to pursue solutions to this problem as aggressively as possible.

Budget Development Time Line

The Budget Development Timeline adopted by the Board in September 2009 remains on track and should continue to be followed:

| Activity | Target Date | Status |
|---|-------------|------------|
| Board agreement on Staff Utilization and Allocation process for 2010-1011. | September | Complete |
| Administration to deliver to Board completed Distribution and Funding Sources tabs of current year (2009-10) Staff Utilization Utility | October | Complete |
| Administration to deliver to Board recommendations for how to increase density in electives/specials at all levels and completed Utilization tab Staff Utilization Utility. | November | Complete |
| Administration to report to Board on evaluation of current utilization rates of all job functions and propose, with supporting logic, ideal utilization rates for 2010-11. | November | Complete |
| Administration to deliver to Board recommendation for class size guidelines and any special program designations for 2010-11. | November | Complete |
| Deliver first 2010-11 budget projection using the Budget Modeling Utility | December | Complete |
| Board passes Budget Development Parameters Resolution | January | In Process |
| Administration delivers preliminary Balanced Budget to Board | February | |
| If necessary and pending Board, Community or Administrative feedback, deliver Revised Balanced Budget | March | |
| Administration proposes any required Staff Layoff lists for Board approval (agreement on staff call back procedure) | April | |
| Administration delivers any further revised balanced budget proposal to Board | May | |
| Budget Hearing and Board of Education Budget approval | June | |
| Administration delivers updates on enrollment and funding against projections | July | |
| Administration delivers recommendation to Board for approval of any call backs | August | |

REQUEST: That the Board approve the 2010-11 Budget Development Parameters.

Submitted by:

B. Walsh

F. Minturn

January 25, 2010