

Grosse Pointe Public School System

Financial Transparency Series



2012-13 FINANCIAL STATE OF THE DISTRICT

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Key General Concepts

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Source Data

Michigan Dept. of
Education, Bulletin
1014

GPPSS Budget
Modeling Utility

2008 through 2011
agrees to audit. 2012
and on are projections.

Compensation

Direct compensation is
salary and any
additional payments
made to employees,
governed by contract

Indirect compensation
is net health care, FICA
and state mandated
retirement (MPSERS)

School Funding

State dictates per pupil
operating revenue

Health care is
negotiated locally, but
state laws affect

Retirement rate
(MPSERS) and FICA are
non-negotiable locally.

Employee contracts – Key Concepts

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Theme & Intent

Emphasizes total compensation rather than just direct compensation

Shares risk and reward proportionally across all employees

Ties total compensation to school funding variables beyond our control

Triggers & Effect

Agreement with employees that a 10% Fund Equity level is necessary

If Fund Equity drops below 10%, compensation is reduced proportionally.

If Fund Equity exceeds 15%, compensation increases

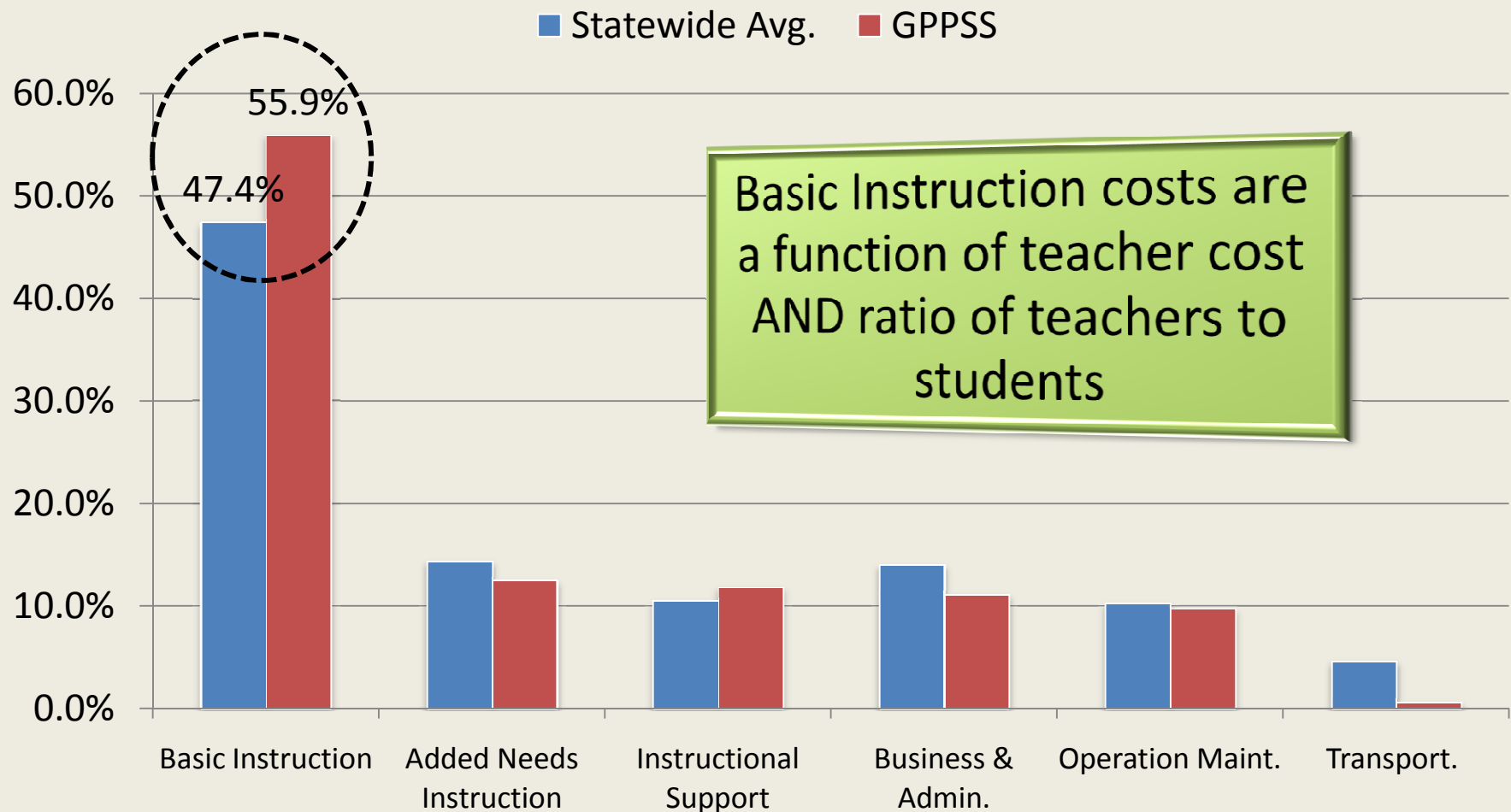
Implications & Benefit

The district's financial health is protected by the contracts not Fund Equity itself

Allows the district to make investment decisions guided first by best interests of students, not compensation or budgets

GPPSS and statewide proportional investment by function

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(Source: Michigan Dept. of Education)

Per Pupil Revenue and Expenses from 2004 to 2011

| | Per Pupil | | GPPSS Statewide Rank | |
|-------------------|-----------|-------|----------------------|------------------|
| | 2004 | 2011 | 2004 (of 744) | 2011 (of 788) |
| Enrollment | 8,915 | 8,391 | 32 | 29 |

| | | | | |
|---------------------------|------------------|------------------|-----------|-----------|
| Operating Revenues | | | | |
| <i>Local</i> | \$ 3,087 | \$ 3,362 | 82 | 114 |
| <i>State</i> | \$ 7,524 | \$ 7,728 | 23 | 84 |
| <i>Federal</i> | \$ 212 | \$ 557 | 555 | 655 |
| Total | \$ 11,028 | \$ 11,647 | 42 | 76 |

| | | | | |
|-------------------------------------|------------------|------------------|-----------|-----------|
| Expenditures* | | | | |
| <i>Basic Instruction</i> | \$ 5,658 | \$ 6,507 | 28 | 33 |
| <i>Added Needs Instruction</i> | \$ 1,033 | \$ 1,453 | 218 | 160 |
| <i>Instructional Support</i> | \$ 1,014 | \$ 1,371 | 86 | 56 |
| <i>Administration</i> | \$ 1,160 | \$ 1,294 | 300 | 470 |
| <i>Operations & Maintenance</i> | \$ 1,458 | \$ 1,125 | 91 | 206 |
| <i>Transportation</i> | \$ 45 | \$ 76 | 571 | 608 |
| Total | \$ 11,043 | \$ 12,012 | 42 | 62 |
| Revenues less Expenditures | (\$ 15) | (\$ 365) | | |

*Not all expenses are listed, but total is complete

Good news, bad news story of salary compensation and pupil to teacher ratios

| | GPPSS Statewide Rank | | | |
|--|----------------------|------------------|------------------|------------------|
| | 2004 | 2011 | 2004 (of 744) | 2011 (of 788) |
| Total Operating Revenue per Pupil | \$ 11,028 | \$ 11,647 | 42 | 76 |
| Instructional Salaries per Pupil | \$ 6,536 | \$ 7,448 | 18 | 26 |
| Support Services Salaries per Pupil | \$ 2,645 | \$ 2,918 | 90 | 60 |

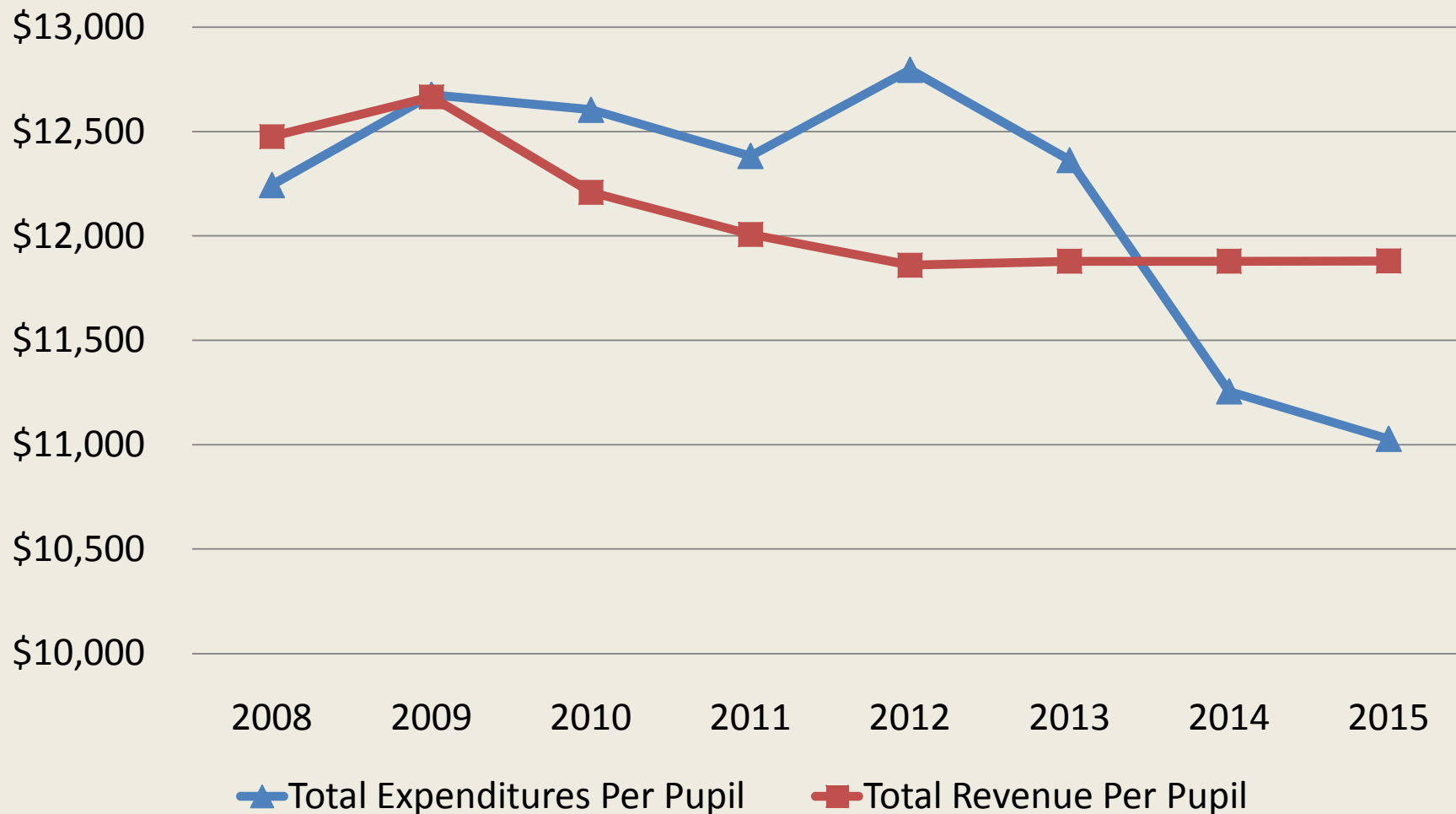
| | | | | |
|-----------------------------------|-----------|-----------|---|---|
| Average Teacher Salary | \$ 66,799 | \$ 80,566 | 7 | 5 |
| Combined Retirement and FICA Rate | 20.64% | 28.1% | | |

| General Education Pupil to Teacher Ratio | | | | |
|--|------|------|-----|-----|
| Statewide Average | 22.0 | 23.0 | | |
| GPPSS Average and Statewide Rank | 18 | 20 | 144 | 211 |
| GPPSS Rank among same sized districts (47 total) | | | 3 | 3 |

In 2010, the 76th ranked teacher salary in Michigan was \$67,380 (Lakeshore Schools) which is 16% lower than our \$80,566 average.

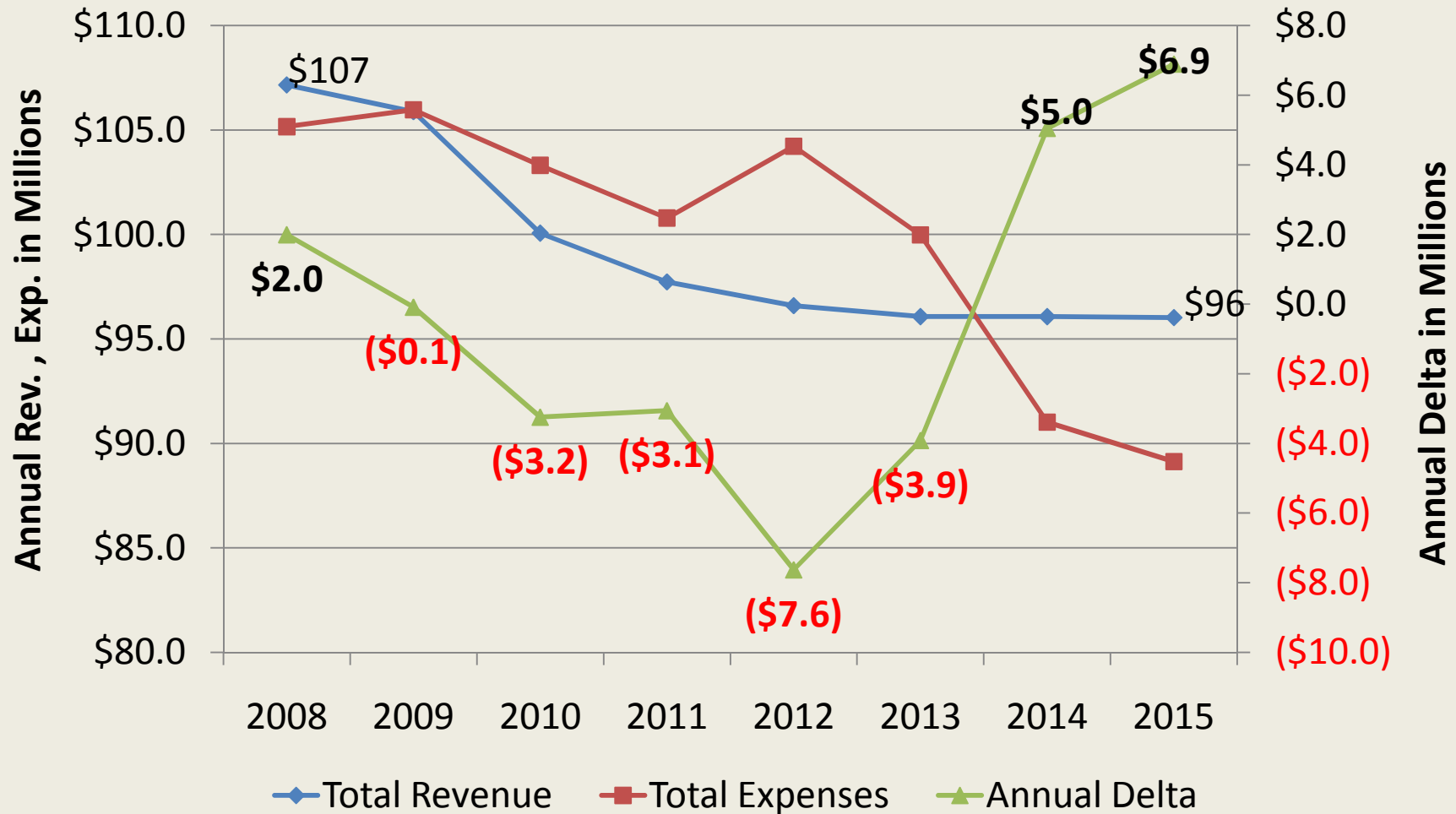
Total Revenue and Expenses per Pupil

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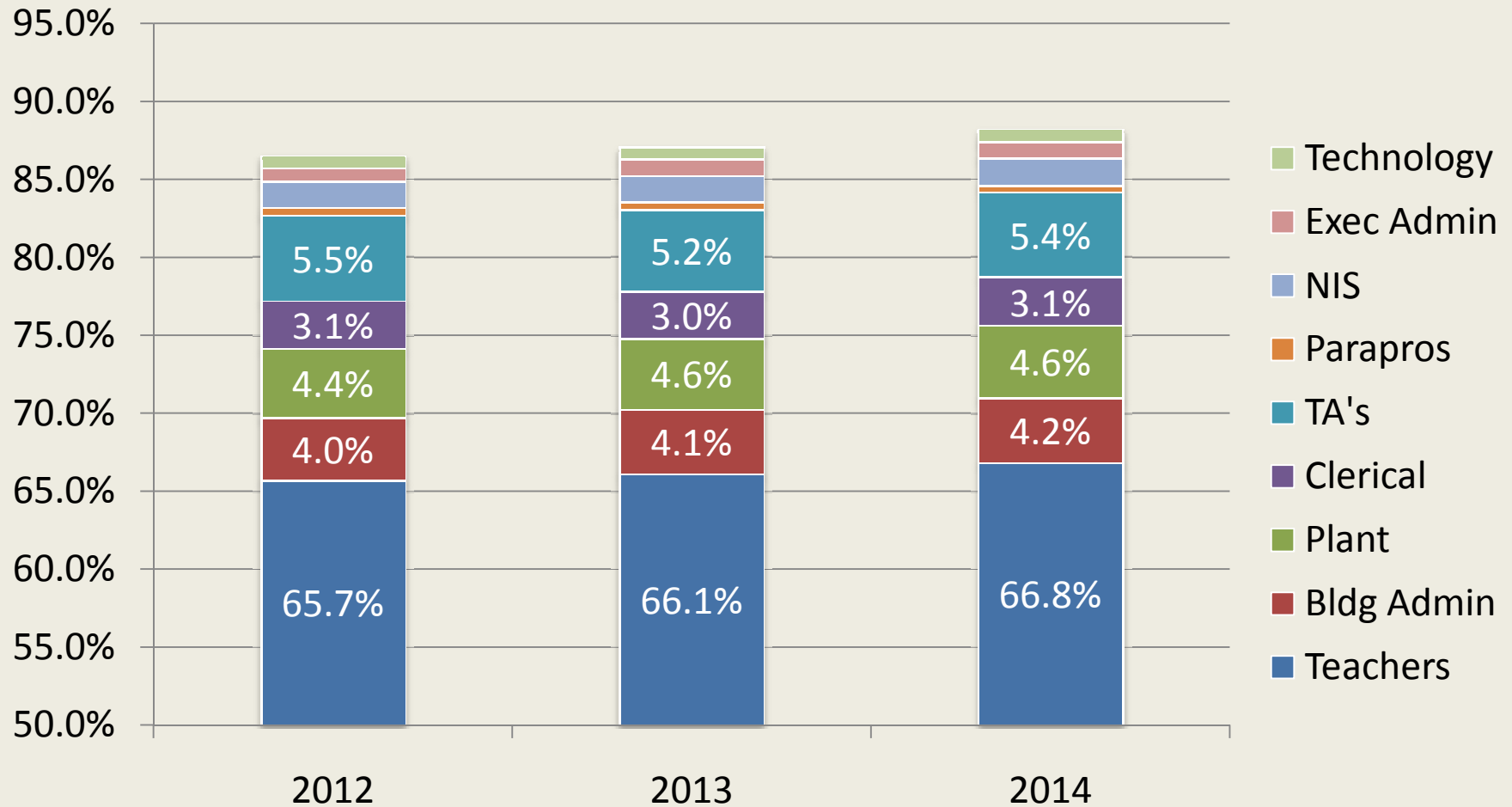
General Fund Annual Revenue and Expenses

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Projected Total compensation by employment group as percentage of total General Fund expenditure

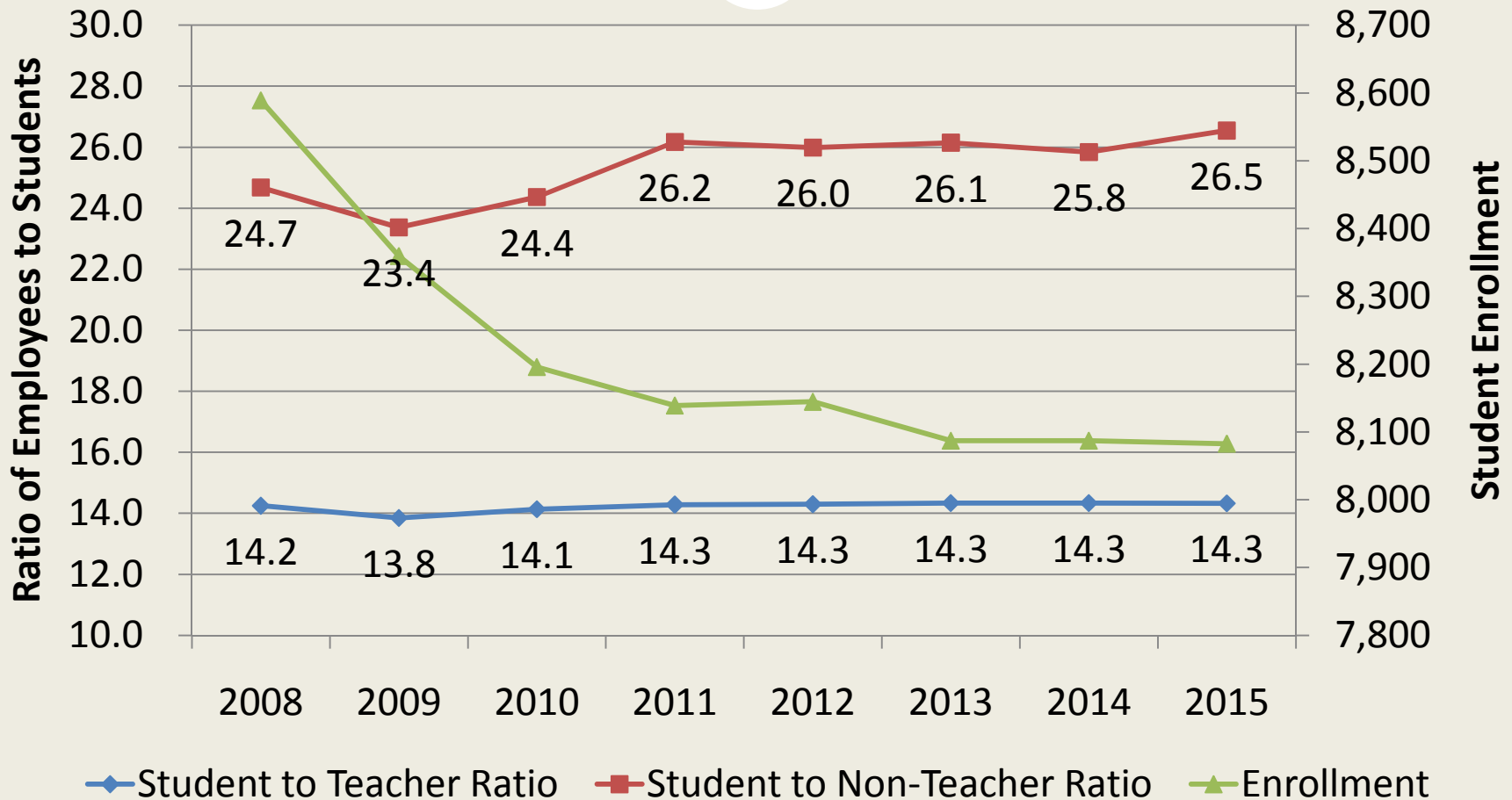
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Ratio of Employees to Student Enrollment

8% workforce reduction from 2008 through 2012

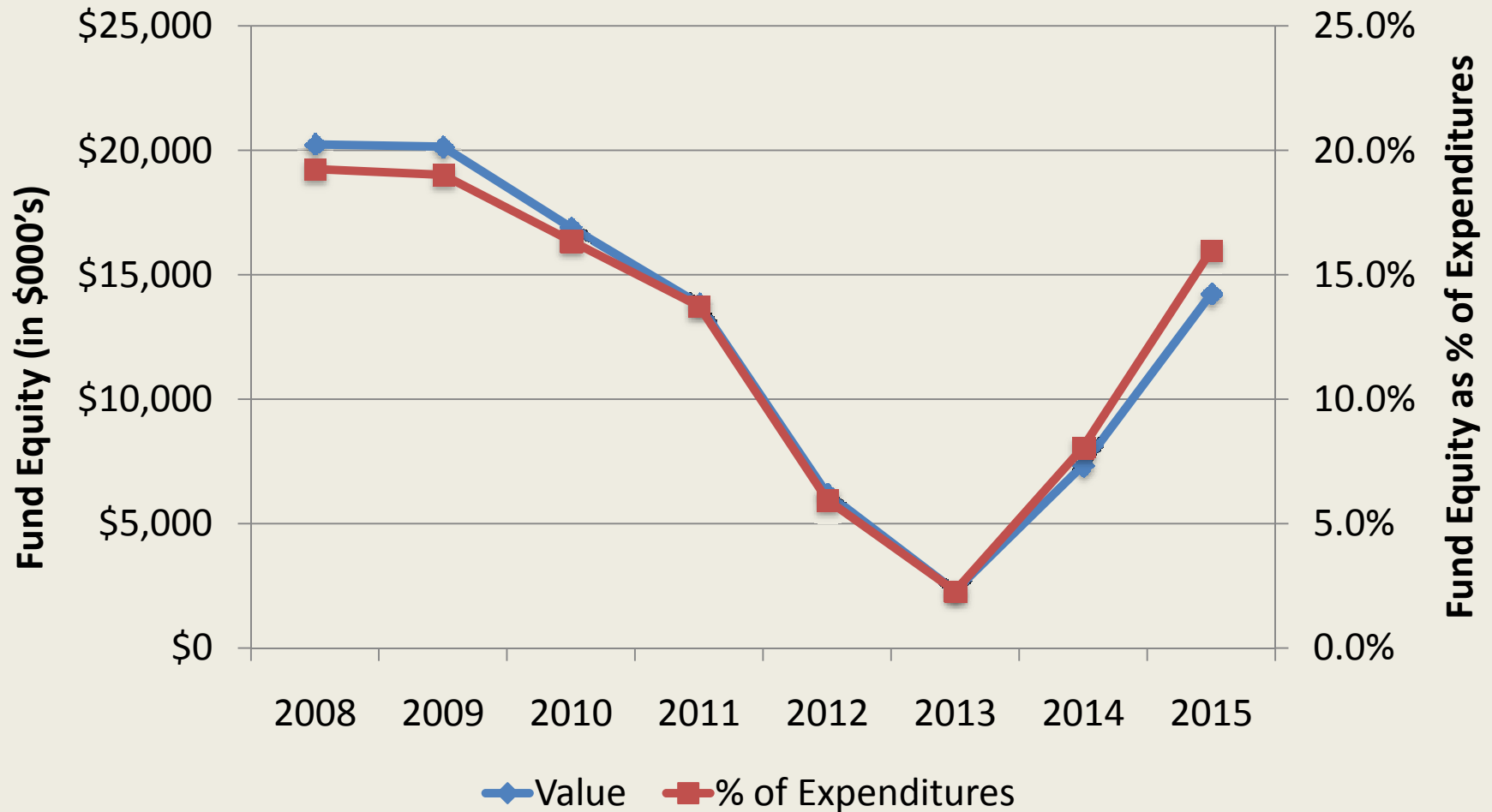
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Includes General and Special Education Teachers

General Fund Equity total value and as % of General Fund Expenditures

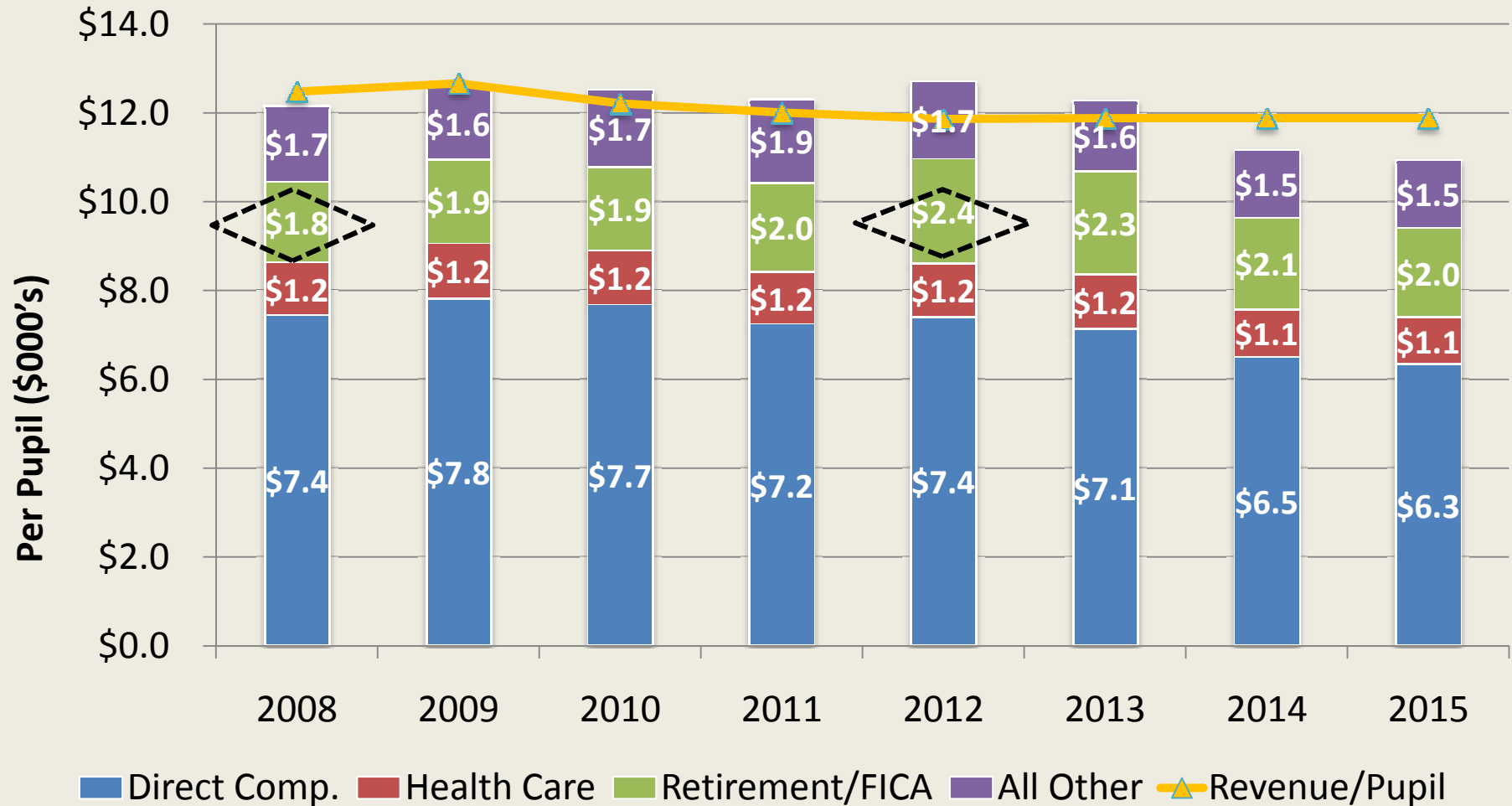
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Cost represented on Per Pupil basis by Category

Small margin of expense over revenue is amplified by student count

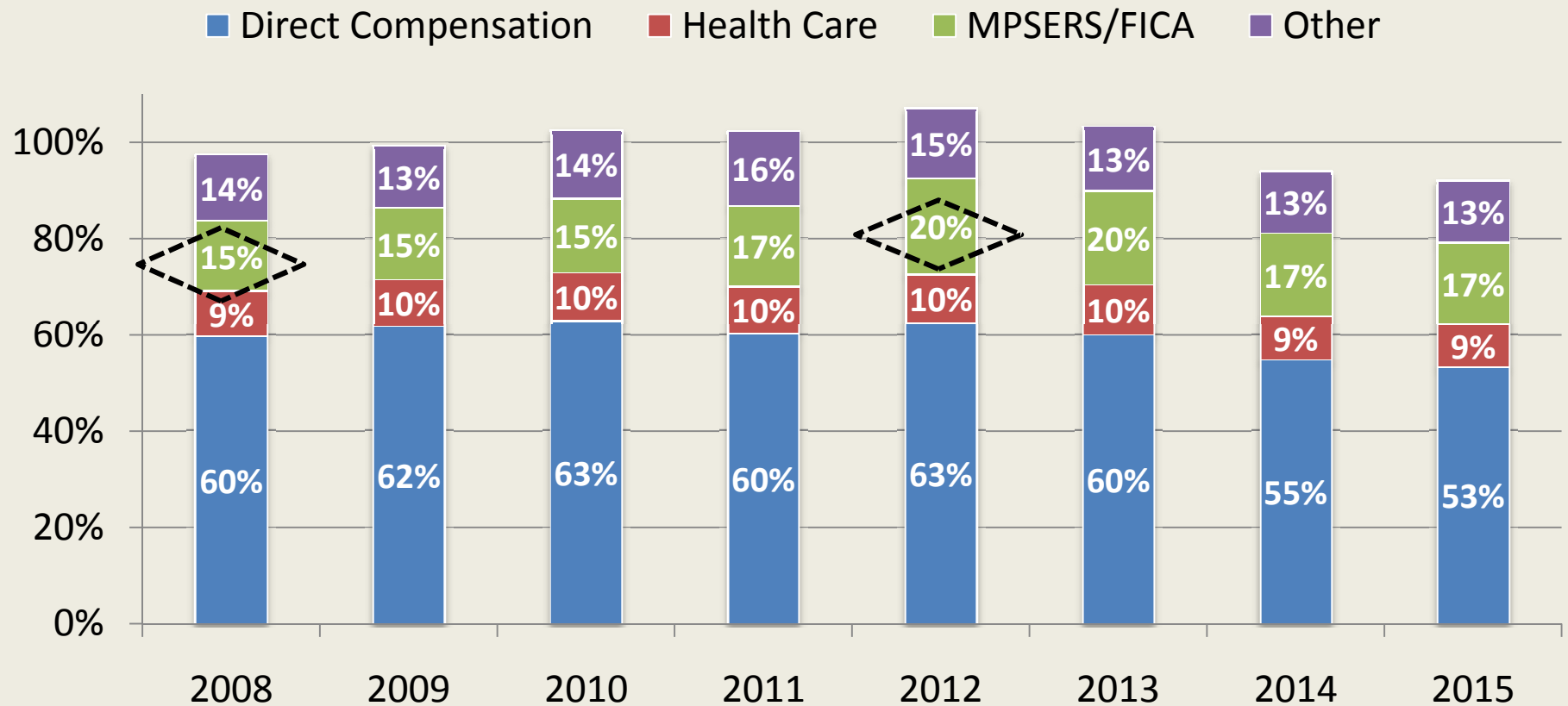
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Major expenses per pupil as a % of revenue per pupil

Retirement cost escalation is clearly our biggest problem

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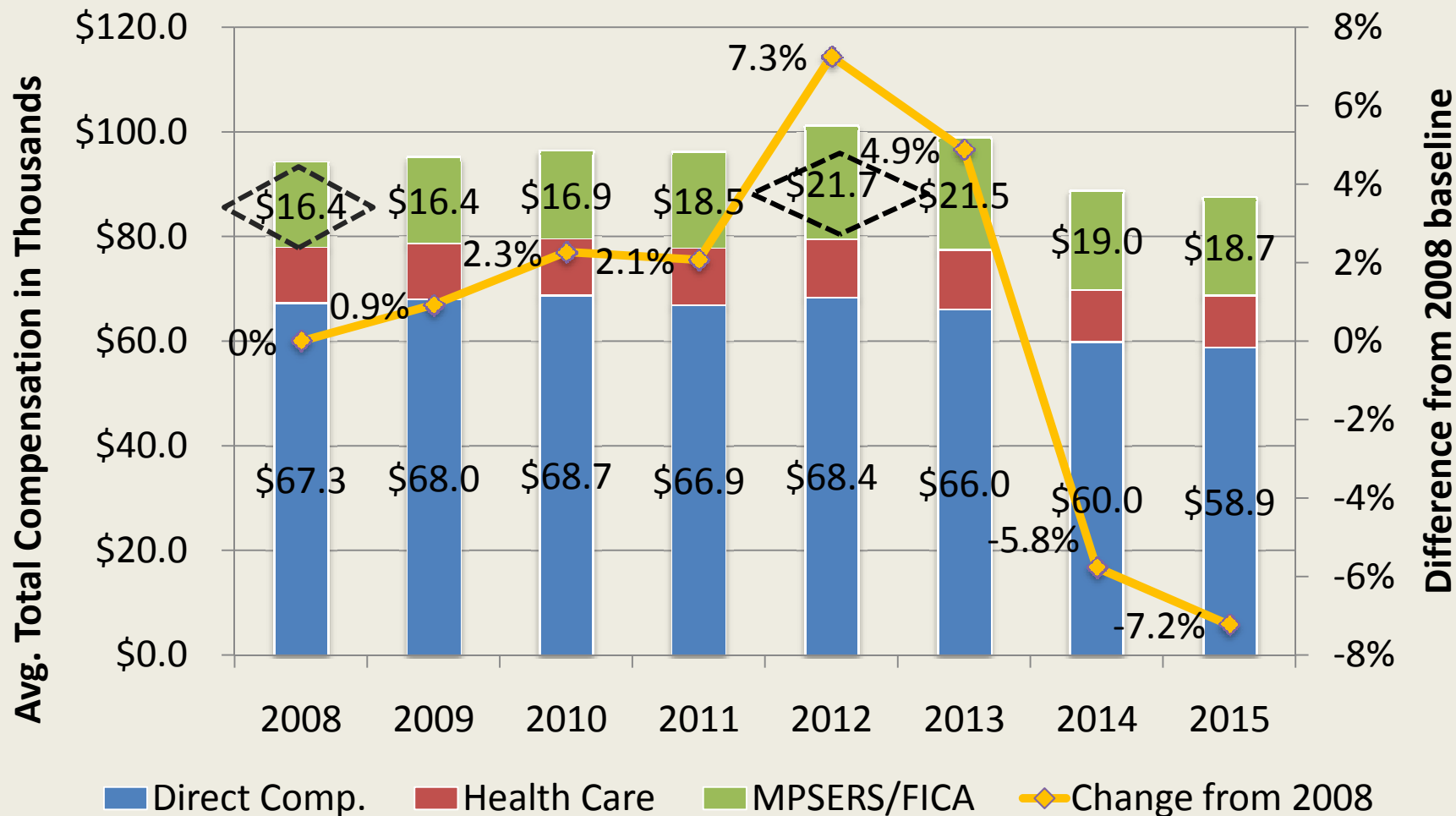


Retirement costs are a function of state set rate applied to salaries. Salary reduction is only way to reduce retirement costs.

Average total compensation per employee

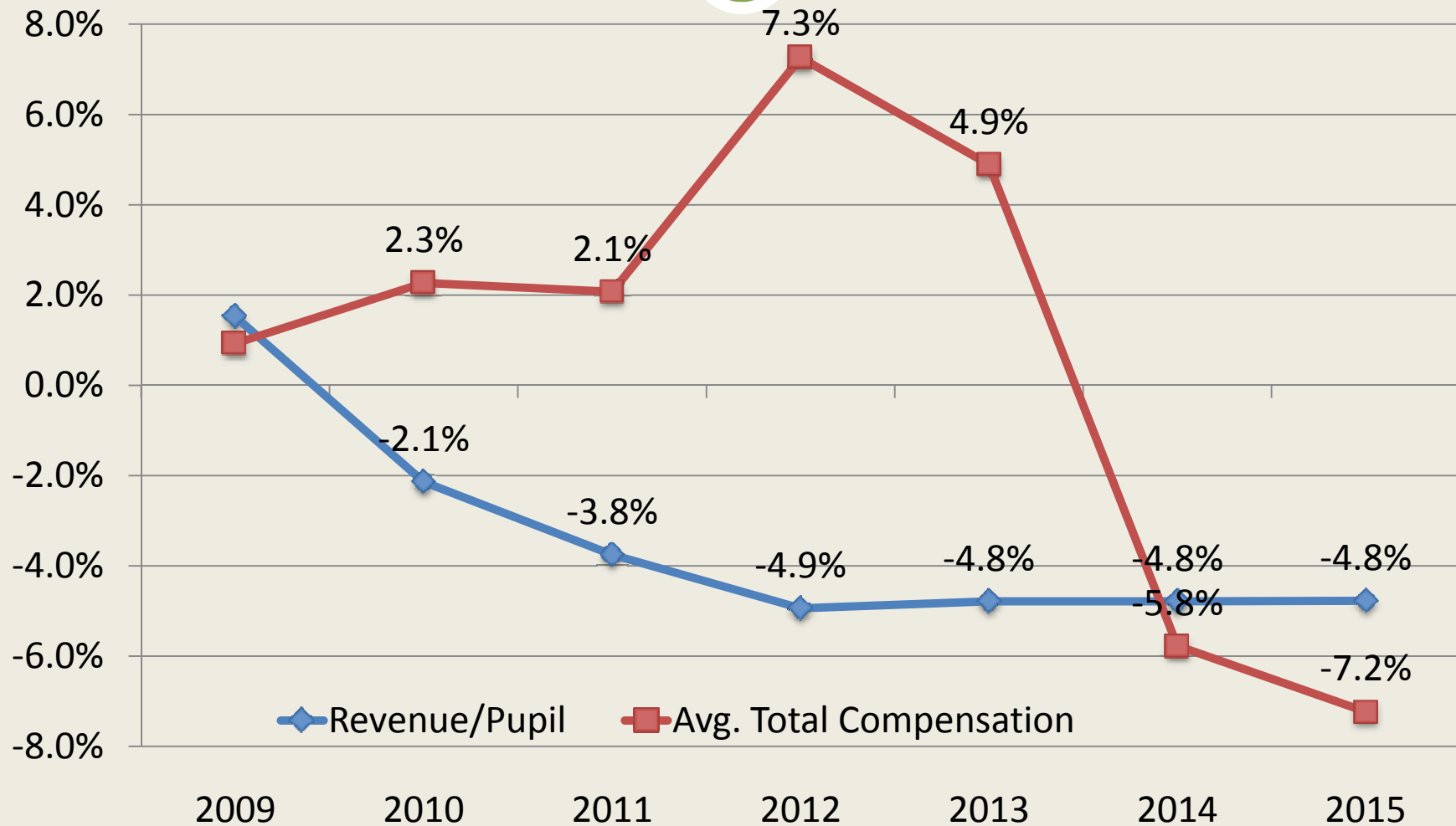
and average total compensation per employee % change from 2008

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Change in per pupil revenue vs. change in average total compensation per employee against 2008 baseline

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Potential Employee Compensation Changes in the Context of our Communities' Changing Economy

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| | Change in Median Household Income (2000 to 2010) | Change in Per Capita Income (2000 to 2010) |
|----------------------|---|---|
| Grosse Pointe City | -15.7% | -30.9% |
| Grosse Pointe Farms | -18.2% | -16.5% |
| Grosse Pointe Park | -7.8% | -17.8% |
| Grosse Pointe Shores | -18.0% | -10.5% |
| Grosse Pointe Woods | -16.4% | -19.7% |
| Harper Woods | -26.8% | -32.1% |

Source: U.S. Census Bureau, American Community Survey via Southeast Michigan Council of Governments (SEMCOG, www.semco.org)

GPPSS: Striking the right balance

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Current Path



- ☐ Salaries scale proportionally to revenue
- ☐ No change in student to teacher ratio
- ☐ 10% projected reduction in direct compensation over three years
- ☐ Grosse Pointe Public Schools operates at a structural surplus

Without...



- ☐ Large class sizes
- ☐ Reduced programming
- ☐ Outsourced custodians
- ☐ Higher student fees
- ☐ Schools of Choice

We should still investigate other options

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Enrollment

- GPPSS loss of students is out of alignment with like districts, even those not reliant on School of Choice.

Added Needs Instructional Costs

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

Basic Instructional Costs

- GPPSS dramatically out of alignment; 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.