

Enclosure:

THE GROSSE POINTE PUBLIC SCHOOL SYSTEM
Grosse Pointe, Michigan

AGENDA NUMBER AND TITLE:

**Resolution to Commence 2013-14 Budget
Development and Related Parameters
as of 4/22/2013**

BACKGROUND INFORMATION:

Several reports have been previously published to detail the financial condition of the district, deliver a historical view of the district's investment patterns benchmarked against itself over time and against other districts, detail our actual spending by function (footing to the annual financial audit) and make multi-year projections using reasonable assumptions. The details of those reports will not be re-stated in the Resolution, but are referenced as "Exhibits" as follows:

1. The current Budget Modeling Utility report of record, dated November 16, 2012.
2. The Financial Transparency Series report titled "2012-13 Financial State of the District and Projected Effects of Employee Contracts" dated November 26, 2012.
3. The Financial Benchmarking Report, the most current of which contains State of Michigan Department of Education data from the 2010-11 school year and trends dating back eight years.
4. The Financial Benchmarking Report Analysis dated June 4, 2012.
5. The Elementary Class Size Report reflecting trends from 2009-10 up to and including our current levels for the 2012-13 school year.
6. The current Staff Utilization Utility report.

These Exhibits reflect best efforts to make financial projections and are subject to change – as they are expected to change. As these changes occur, these materials will be refreshed and distributed to the Board of Education and the public.

General Development Provisions

Over-arching Mission of the District

The Board recognizes and affirms that the primary purpose 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 achieve our goals and make progress on our Mission and Vision while remaining cognizant of practical and financial realities.

Prevailing Financial Strategy

The State of Michigan's School Aid Fund and subsequent per pupil Foundation Allowance established annually by the state legislature accounts for over two-thirds of the district's General Fund revenues. From 2008 to 2012, revenue from the state has fallen 10% or \$7.1 million. In this same time, retirement costs, also solely determined by the state, have risen by 38% or \$4.1 million. Meanwhile average total compensation for all district employees rose by 7.3% in this time, largely due to rising retirement costs, despite the revenue reduction.

This backdrop served as the basis for employee contracts agreed upon in the spring of 2010. The district made a substantial financial investment to establish these contracts, adding steps to the teacher salary grid and funding a \$3.4 million early retirement incentive.

As revenue declined and employee total compensation increased, the district's General Fund equity balance predictably dropped by \$14 million. The contracts however were designed to automate adjustments in employee compensation in response to just such a scenario experienced by public schools in Michigan - declining revenue and rising retirement and health care costs.

The Board's prevailing financial strategy is manifested in our employee contracts, which consumed 94% of the district's total General Fund revenues in 2011-12. The contracts will automatically adjust employee total compensation and ultimately return the General Fund equity to 10% of General Fund expenditures. The benefit to students and the community is that budget constraints will not require us to reduce or diminish program offerings in order for us to operate with financial envelope established by the state.

The Board encourages the administration to explore budget alternatives that reflect the same financial prudence that would be required if we had not invested and agreed upon as we did in our current employee contracts, but budget recommendations resulting in program or related changes should only be brought to the Board if the administration deems them to be at least equal to current program quality and meeting the expectations and desires of the taxpaying community.

Specific Areas of Focus

Administrative Budget Recommendations

The Administration remains responsible for the development of the budget whereas the Board of Education provides input as representatives of the taxpaying public and ultimately approves a budget proposed by the Administration. The Board should receive the Administration's first budget proposal before the end of **April, 2013**. The Board of Education would be free to act upon that budget recommendation at any point after receipt of the Administration's recommendation, or any time preceding the end of June, 2013. Following specific feedback from the Board of Education, ensuing iterations of Administration's budget recommendations may be required.

Materials and Reports Accompanying the Administration's Budget Recommendations

Aside from the legally prescribed manner by which the district's budget is to be approved, the administration shall continue to deliver at the same time refreshed versions of the Staff Utilization Utility, Budget Modeling Utility, class size projections, and details of any programmatic enhancements, reductions, movements and/or eliminations.

REQUEST: That the Board of Education approve the 2013-14 Budget Development Parameters presented herein.

Submitted by:
B. Walsh
December 15, 2012