

GROSSE POINTE PUBLIC SCHOOL SYSTEM
Grosse Pointe, Michigan

Agenda Action Item – May 23, 2016 – Item L.

Affirmation of District Direction on 2014-15 Audit Results Relative to Labor Contracts

Background Information

1. In 2010, the Grosse Pointe Public School System (“GPPSS”) entered into contracts with its various bargaining groups (“Groups”). At this time, the GPPSS savings account (“Fund Equity”) was approximately \$20 million.
2. These contracts (“Original Formula Contract”) included certain clauses that governed GPPSS staff expenditures based on a formula with agreed upon variables, one of which was Fund Equity per the GPPSS annual audit (“Audit”). The staff voted overwhelmingly to accept the Original Formula Contract and its provisions.
3. The School Board at that time entered into the Original Formula Contract knowing full well that its cost would be substantial but that its terms and conditions offered the GPPSS future stability in light of its inability to control both the amount of State funding received per student and the cost of the State-mandated retirement program (“MSPERS”). The cost of entering into this contract since its adoption has proven to be in excess of \$10 million as evidenced by the drop in the GPPSS Fund Equity from the inception of the Original Formula Contract to the present date.
4. In 2013, the Original Formula Contract was modified by GPPSS and Groups. The Groups again voted in favor of this modified contract (“Modified Formula Contract”).
5. The formula which acts as the trigger to certain pay adjustments is outlined in Exhibit D of the Modified Formula Contract. Pay adjustments specific to the Modified Formula Contract are triggered by the results of the GPPSS Annual Audit (“Audit”).
6. The Modified Formula Contract specified that Fund Equity on June 30, 2015 was to be 3.3% above the Fund Equity as of June 30, 2014 (a growth from 6.01% to 9.34%). The 2014-15 Audit results show that this growth was not met. In fact, the 2014-15 Audit shows a fund equity of only 7.8%. This level triggers the right that GPPSS has to implement pay adjustments per the Modified Formula Contract by a specific amount agreed to in writing by the GPPSS and the Groups.
7. The Modified Formula Contract also specifies that a certain amount of increase in the MSPERS rate to fund staff retirement that the State of Michigan requires that GPPSS pay trigger the right of the GPPSS to adjust payroll expenditures by a specific amount as agreed upon in writing by the GPPSS and the Groups. The June 30, 2014 MSPERS rate was 24.26%. The June 30, 2015 MSPERS rate was 25.52%. This change in excess of 1% triggers the right that the GPPSS has to specific pay adjustments as agreed to in writing by both the GPPSS and the Groups under the Modified Formula Contract.

8. Under the Modified Formula Contract, the Groups received a pay increase of 1% for the 2015-16 school year and are scheduled to receive an additional 1.8% pay increase for 2016-17 school year. These increases are in addition to the raises triggered by STEP increases.
9. The right of the GPPSS to potential pay adjustments was brought to the attention of Superintendent Niehaus (“Niehaus”) and President Gafa (“Gafa”) by Treasurer Summerfield (“Summerfield”) on June 8, 2015 via email.
10. The 2015-16 Audit report from Plante Moran proved Summerfield’s prediction to be correct. On November 23, 2015 and November 24, 2015, there was an interchange of email on this subject between Gafa, Summerfield, Niehaus and Assistant Superintendent Dean (“Dean”). At this time, Summerfield’s estimate was that the GPPSS would fall short of the Fund Equity target required under the Modified Formula Contract by “...\$420K or \$500K...”.
11. Subsequent to the receipt of the Audit results, inquiries have been made by residents, former Board members and present Board members as to the status of the implementation of the contractually agreed upon pay adjustments.
12. The administration of the GPPSS has not brought their plan for implementing the pay adjustments the GPPSS and the Groups agreed upon in the Modified Formula Contract to the School Board for action or adoption. When the mutually agreed upon formulas are applied to the results of the June 30, 2015 audit, it has been determined that the GPPSS is entitled to an aggregate adjustment in payroll in excess of \$500,000. Any decision involving taxpayer dollars of this magnitude certainly falls under the purview of board approval at a school board meeting governed by the Open Meetings Act.
13. As stewards of the funds entrusted to us by the taxpayers of the community, the members of the School Board have a fiduciary responsibility to ensure that the substantial investment that was made of GPPSS Fund Equity in 2010 by entering into the Original Formula Contract and the subsequent Modified Formula Contract is protected so that the funds are available to continue the excellence of education in our community.

The Resolution

Be it resolved that the Administration complete the necessary protocol such that the pay adjustments to which the GPPSS has a right to under the terms of the Modified Formula Contract which was agreed to in writing by both GPPSS and its bargaining groups are received so as to fulfill our fiduciary responsibility to our taxpayers. The administration is directed that pay adjustments made under the terms of the relevant contracts be implemented so as not to reduce the pay rates of the staff members in effect as of May 23, 2016.

Presented by:

Ahmed Ismail
May 23, 2016