

# A review of GPPSS finances following the 2013-14 audit

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## Disclaimer and notes

### **About the author:**

Brendan Walsh served on the Grosse Pointe Public School System Board of Education from 2005 to 2013.

He served as President from 2006 to 2008, Vice President in 2009, and Treasurer from 2010 through 2013.

He resides in Grosse Pointe, Michigan and maintains a website where he writes about issues relating to the GPPSS.

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- ▶ This report and those like them are developed by the author alone.
- ▶ The author has no official affiliation with the Grosse Pointe Public School System (GPPSS) other than as a resident, taxpayer and parent of students.
- ▶ All data used in this report are from the GPPSS annual financial audit reports or Budget Model Utility reports - all publicly available from the GPPSS.

# General Fund Expenses and Revenues 2005 to 2014

\$3.7M surplus in 2014 (1<sup>st</sup> since 2008)

\$11M in expense reduction from 2009 to 2014

\$7.7M expense reduction from 2013 to 2014



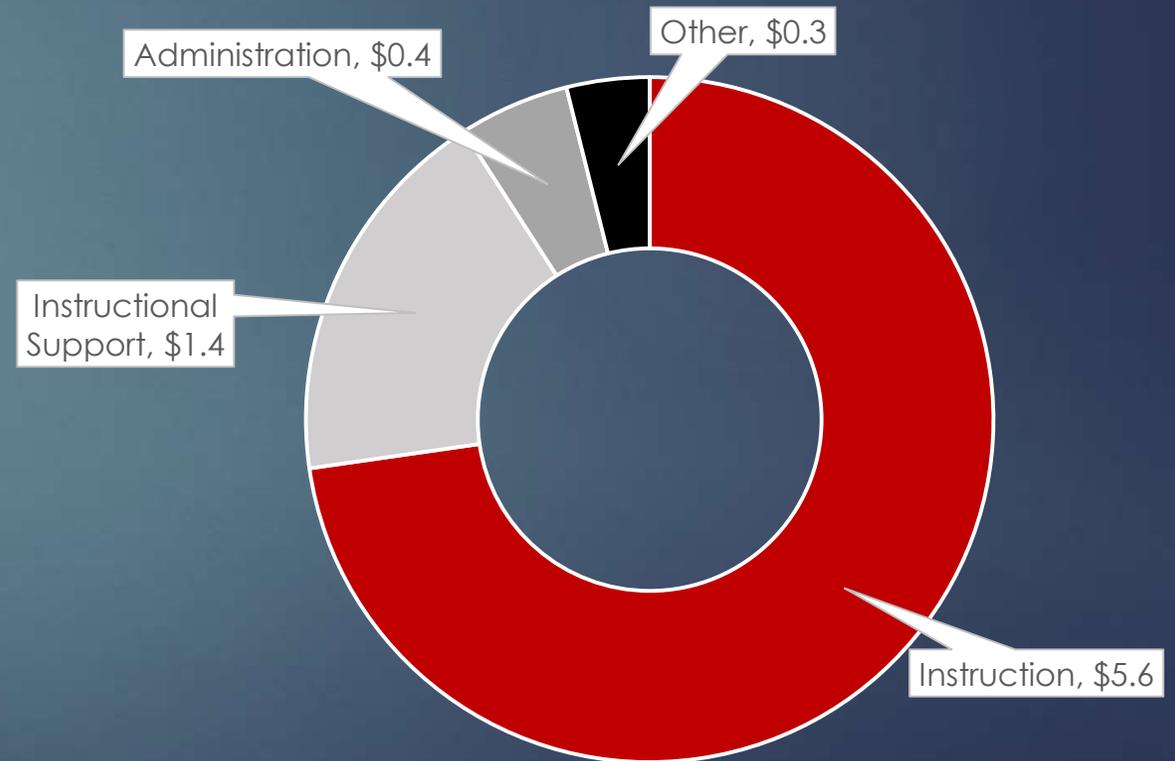
# General Fund expenses were \$7.7M lower in 2014 than 2013

Cost reductions from 2013 to 2014

Almost exclusively attributable to salary reductions negotiated in contracts signed in 2013.

Salary reductions also drove down retirement expense (straight percentage applied to salaries).

Instruction reductions would be highest because it represents 64% of the budget and almost all of it is salary and benefits.

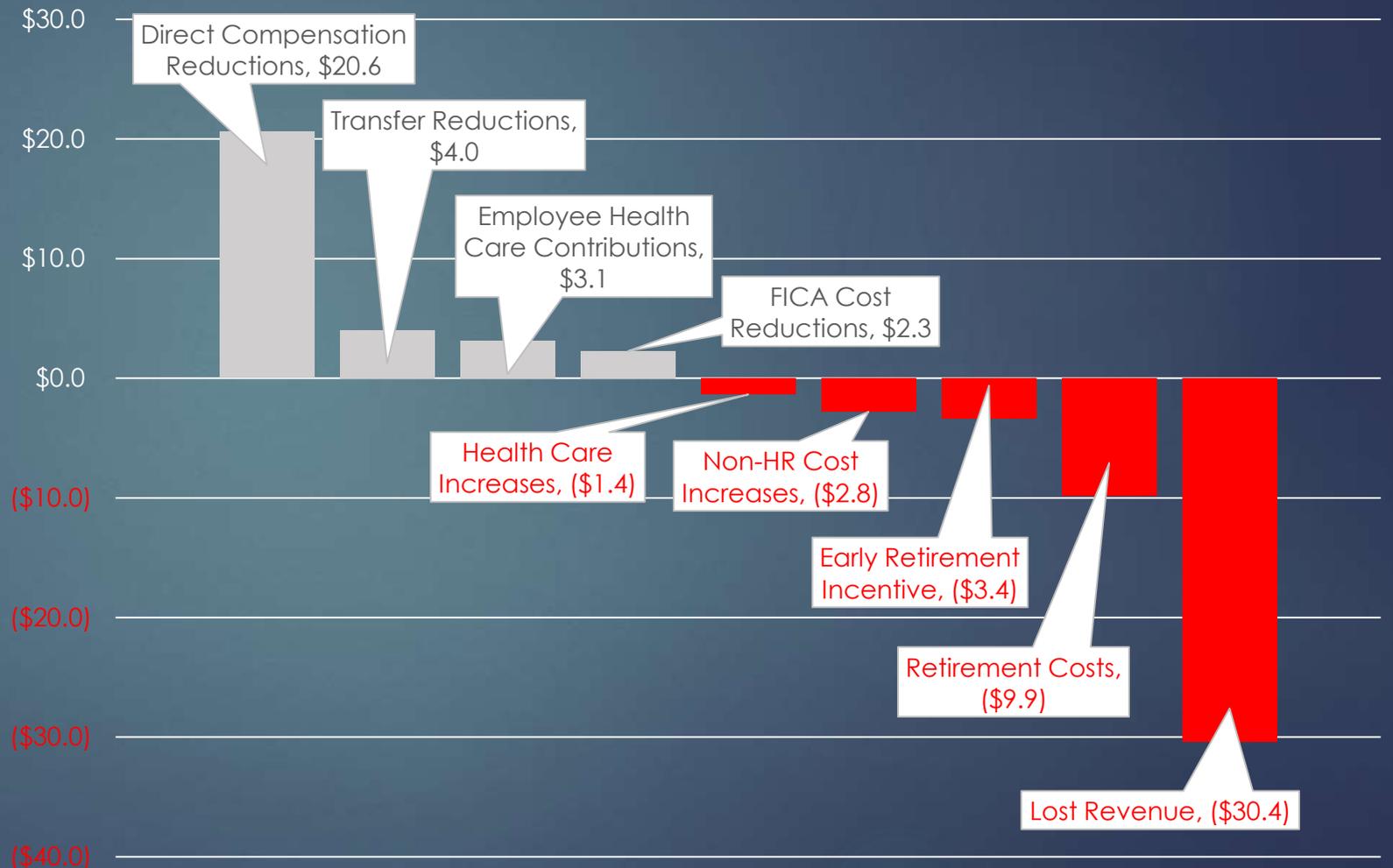


Numbers in millions

# Fund Equity's \$18M loss from 2009 to 2013

Gray categories worked to increase fund equity, Red categories decreased fund equity.

- All categories added together equals a loss of \$18M.
- The salary reductions that followed are essentially a result of retirement cost increases.

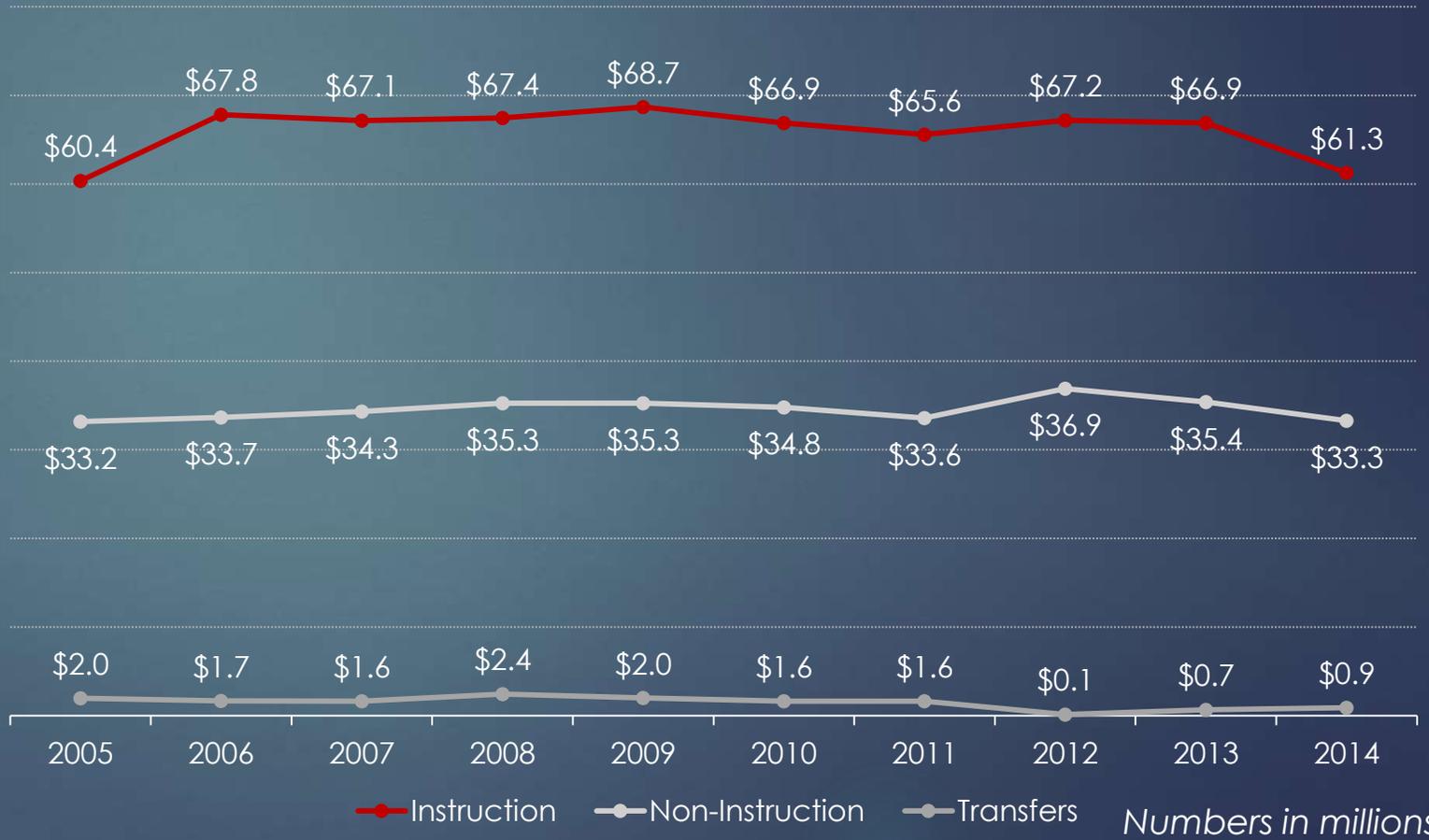


# General Fund expenditures by major category

Instruction expense were between 63% and 66% of total expenditures for the last 10 years

2014 instructional expenses were 64.2%.

Bottom line: With significant reductions, the budget remained proportional.



# General Fund equity as % of expenditures

Fund Equity percentage more than tripled from 2013 to 2014

More than a year ahead of schedule to return to 10%

Could return to 10% this year with proper expense controls.



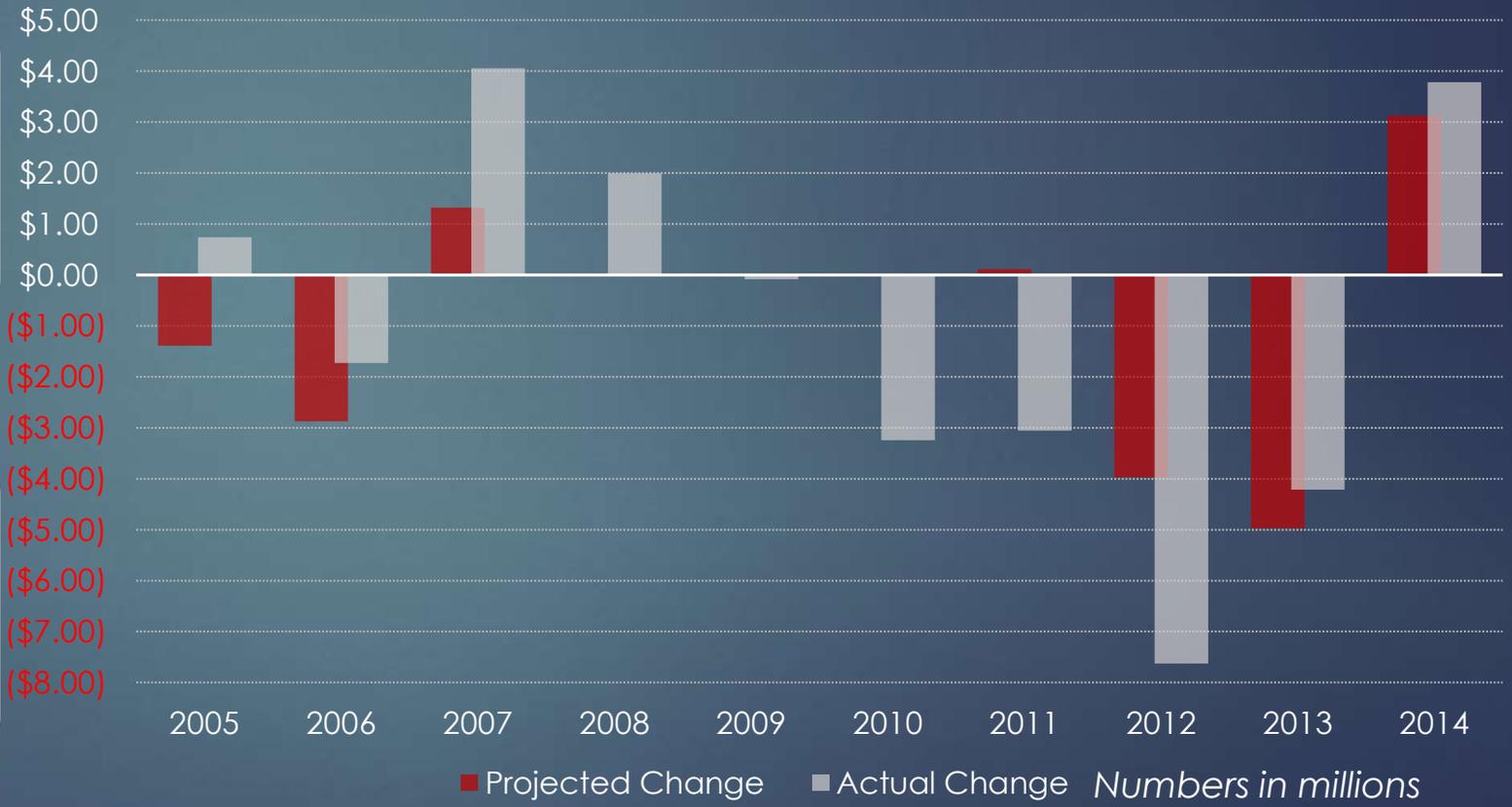
# Fund equity actuals versus originally adopted budget

2014 budget originally projected a \$3M surplus

- Later revised down to \$2M, but ended \$3.7M higher.

2015 budget projects a \$2.2M surplus

- This assumes \$1.9M in expense increases. This needs scrutiny.



# 2014 Expenses: Final Budget versus Actual Audit

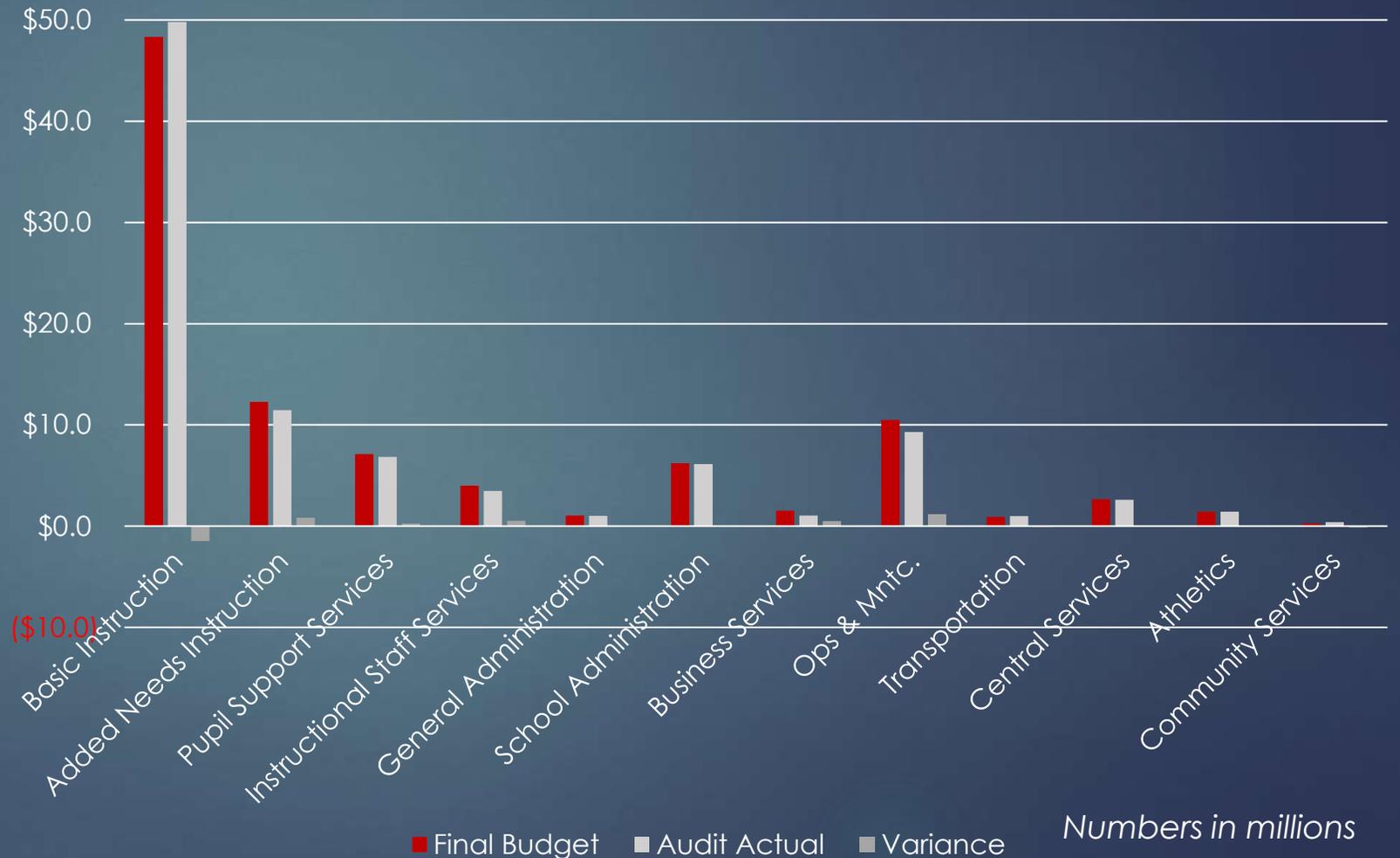
## Over budget

- Basic Instruction by \$1.5M

## Under Budget

- Added Needs Instruction by \$0.8M
- Pupil Support by \$0.3M
- Instructional Support by \$0.5M
- School Administration by \$0.1M
- Business Services by \$0.5M
- Ops & Mntc. by \$1.2M

**\$1.7M under budget total**



# Comparing 2014 actuals against current (2015) budget

\$1.9M in expense increases over 2014 are in the current budget. This needs scrutiny.

If same expense structure could be maintained, fund equity could increase by nearly \$4M in 2015 and end at 10%.

This creates a very healthy budget source for needed tech spending and avoids another bond vote.

| Budget Area                  | Projected Increase / (Decrease) from 2014 Audit to 2015 Budget |
|------------------------------|--|
| Basic Instruction            | (\$1,414,958)  |
| Added Needs Instruction      | \$830,415  |
| Pupil Support Services       | \$302,942  |
| Instructional Staff Services | \$526,012  |
| Business Services            | \$451,312  |
| Operations and Maintenance   | \$1,108,006  |
| Central Services             | \$345,329  |
| <b>Total</b>                 | <b>\$1,882,403</b>   |

# Summary

- ▶ The GPPSS budget now has equilibrium. Structural loss of revenue (\$8M annually from 2007 peak) and massively higher retirement costs drove salary costs down. The district now has a nearly \$4M structural surplus.
- ▶ Fund equity is rapidly returning to 10%, potentially even at the end of 2014-15 (7 months from now).
- ▶ The structural surplus offers investment capacity for budget areas that were eroded by revenue loss and retirement cost increases – namely technology.
- ▶ The Board of Education should review the current year's budget in relation to the 2013-14 audit to re-validate expense projections.
- ▶ Due diligence is required to re-assess technology funding options that meet district needs and avoid another bond vote to fund technology.