

Deficit-Based Budgeting Practice

- ☐ Annual operating budgets projected with large deficits between expenses and revenue:
 - ☐ Over-project expenditures
 - ☐ Reduce expenses
- ☐ Indy Chamber Operational Analysis
- ☐ Structural vs. projected budget deficit

Ferebee:

- **DEFICIT-BASED BUDGETING PRACTICE:** for the past several years, IPS has approved annual operating budgets projected with large deficits between expenses and revenue
 - From my research, I conclude that the goal has been to over-project expenditures, in order to maintain or protect the cash balance
 - This deficit-budgeting practice is addressed in the Indy Chamber Operational Analysis
 - Efforts balance the budget have focused on reducing expenses necessary to run the corporation
 - What has been perceived and often communicated as a structural deficit is the result of a budgeting strategy (In other words, the District would budget for the cost of all existing programs and all new programs it wanted to implement. Year-after-year this cost far exceeded the amount of revenue the District was projected to receive, which is what caused the very large budgeted deficits)
 - When looking at actual expenses compared to actual revenues over the past several years, I find that the district has maintained a bloated cash balance in order to be prepared for school-year expenses that might not be easily addressed within a calendar-year budget

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2012 Projected Budget Deficit (General Fund)

Projected Revenue 2012	\$250,900,000
Projected Expenses 2012	<u>\$290,000,000</u>
Projected 2012 Deficit	-\$39,100,000

Ferebee:

For example,

It appears that in 2012 when we had a projected deficit of \$39,100,000 where we intentionally overstated expenses to protect our cash balance.

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2013 Projected Budget Deficit (General Fund)

Projected Revenue 2013	\$244,200,000
Projected Expenses 2013	<u>\$274,400,000</u>
Projected 2013 Deficit	-\$30,200,000

(2013 illustration- Projected)

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2013 Actual Budgeting (General Fund)

Actual Revenue 2013	\$246,200,000
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Actual Expenses 2013	<u>\$237,800,000</u>
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Actual Balance 2013	\$8,400,000
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(2013 illustration – Actual)

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Strategic Efforts

- Monthly reconciliation of our projected vs. actual expenditures/revenues
- Quarterly budget update at regularly scheduled briefing sessions
- Budget development committee

Ferebee:

- **Going forward, our Finance division will conduct a monthly reconciliation of our projected vs actual expenditures along with projected vs actual revenues**
 - To increase transparency with the public and maintain trust, we will provide a quarterly budget update at regularly scheduled briefing sessions
 - Early projections for year-end reconciliation will be shared at quarterly meetings
 - We will convene a committee of representatives from each stakeholder group to aid the annual budget development process, beginning with the 2014-2015 cycle

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Immediate Next Steps

- ❑ Collaborate with the Council of Great City Schools to complete an exhaustive external audit of all financial operations
- ❑ Share with the public the findings of the audit

Ferebee:

- **Immediate next steps include:**
 - We are collaborating with the Council of Great City Schools to contract with an external team to complete an exhaustive audit of all financial operations
 - We will share with the public the findings of the audit

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New Budgeting Process

- ☐ Strategic
- ☐ Inclusive
- ☐ Collaborative
- ☐ Transparent

Ferebee:

- **This is the beginning of a process. The process will mark a new day in IPS:**
 - I thank the Board for allowing me the latitude to ask difficult questions and challenge others' thinking
 - Since embarking upon the process of understanding our financial situation, I've had the opportunity to work alongside staff, citizens and community partners, like the Indy Chamber, who all want IPS to succeed
 - I consistently see the support of many who truly want to "get things right"
 - Together, we will get this right. We have the greatest motivation in the world. Our students.

The logo for myIPS.org is centered within a black rectangular border. The text "myIPS.org" is rendered in a black, italicized serif font. The "my" and ".org" portions are in a standard weight, while the "IPS" is significantly larger and bolder, creating a focal point. The letters are closely spaced, with the "y" of "my" touching the "I" of "IPS" and the "S" of "IPS" touching the "." of ".org".

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TRANSITION SLIDE