

MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

MERSD

FY19 Budget



The Manchester Essex Regional School District is a high achieving community committed to educating all students, inspiring passion, instilling a love of learning, and developing local and global citizenship.

Updates from MERSD

The Manchester Essex Regional School District (MERSD) continues to be one of highest performing districts in the state. MERSD is an inclusive school district; as such, we are a collaborative culture that welcomes all members into our learning community. Recognizing that students share more similarities than differences, our learning community respects each individual's unique contributions. MERSD proudly works to educate each child from his/her own readiness level in order to facilitate the intellectual, social and emotional growth process. There are many measures of success, and we are committed to helping each individual child achieve his/her potential. In addition to a robust core curriculum that balances high expectations for student achievement with the needs of the whole child, we offer specialty programming and a variety of twenty-first century learning opportunities, such as: elementary foreign language; Integrated Pre-Kindergarten; specialized learning programs for students with dyslexia, autism spectrum disorders, and developmental delays; STEM coursework in computer science, engineering, project based environmental studies, and FIRST Robotics; Project Adventure; award winning arts and music programs; and, state champion athletic teams. Throughout 2017, MERSD continued to make progress in fulfilling its goals as outlined in the Strategic and District Improvement Plans.

Highlights include:

- **Student Achievement**
 - MERSD ranked 9th in *Boston Magazine's* Best Schools edition.
 - MERHS recognized as a commendation school by MA Department of Education.
 - MERSD ranked among the world's best schools on the PISA (Program for International Assessment). In ELA and Science, MERHS students outperformed all other participants, and in mathematics we have matched the performance of world leaders China and Japan.
 - Four MERHS students were recognized by the National Merit Scholarship Board for excellence in scholarship.

- **Whole Child – Social Emotional Learning**
 - MERSD partnered with Yale's Center for Emotional Intelligence. Social and emotional learning (SEL) is the process through which children and adults acquire and effectively apply the knowledge, attitudes, and skills necessary to understand and manage emotions, set and achieve positive goals, feel and show empathy for others, establish and maintain positive relationships, and make responsible decisions. In order to meet this goal, a team of twenty-two teachers, principals, and directors were trained at Yale's Center for Emotional Intelligence in an approach called RULER (Recognizing, Understanding, Labeling, Expressing and Regulating emotions). This team will develop and implement a two-year action plan for staff training and student roll-out of the RULER program in grades K-12.

- **Community Partnerships**

- *Cape Ann Chamber of Commerce*: MERHS continued its successful collaboration with the Cape Ann Chamber of Commerce with the launch of Career Day for high school juniors and seniors and the continued success of the Cape Ann College Fair
- *Spaulding Education Fund (SEF)*: For close to 30 years, SEF has been committed to advancing educational excellence in the Manchester Essex Regional Schools. It has been responsible for donating over \$850,000 in the past ten years. This year alone, SEF has awarded \$20,000 in grants for its 2017 Fall/Winter grant cycle. Successful grant recipients have created exciting initiatives and found innovative materials to offer unique opportunities that advance, enrich and enliven the classroom experience. Grants were awarded to applicants throughout the district and across all age levels.
- *YMCA*: MERSD expanded its partnership with the YMCA. Building on the success of the popular Middle School theater program, MERSD and the YMCA launched a K-5 on-site after-school program for Essex Elementary School students.
- *Japanese Educator Delegation & Landmark School*: For the second year in row, MERSD partnered with the Landmark school to host a Japanese educator delegation. The team of researchers and teachers visited MERSD to observe classes and consult with teachers and administrators about implementing inclusive practices and developing programs for students with special education needs. We look forward to their return trip in the Fall of 2018.

The communities of Manchester and Essex have long had a reputation of excellent academic achievement, high quality faculty, a commitment to small class size, and strong academic and co-curricular programs. The MERSD program is well respected, as are our communities. The success of the Manchester Essex Regional School District is a community effort! On behalf of the faculty and staff of MERSD, I extend my sincere appreciation to the residents of the communities of Manchester and Essex for their unwavering support of our students and of our schools.

Pamela Beaudoin, Superintendent of Schools

2019 Budget - Summary Overview

Chief among the MERSD School Committee Budget Goals is to “Develop and deliver a fiscally responsible budget that maintains educational quality, supports District goals, and aligns with our multi-year budget commitment to work within the confines of Proposition 2 ½.” With that in mind, MERSD begins each budget season looking to provide at minimum “level services,” or, in other words, the same level of program currently in place. When district or building-level administrators identify program enhancement needs, MERSD attempts to fund those first through identification of operating efficiencies (i.e., cost savings), in order to minimize the impact to taxpayers. MERSD has a multi-year track record of revamping and improving its program, focusing on student needs while also generating financial savings.

The 2019 budget assumes spending growth of 3.18% (\$777K), following 3.31% growth in 2018 and 3.27% in 2017. This stable rate of growth is consistent with the multi-year budget projections used by MERSD to collaborate and plan with member towns of Manchester and Essex. Shortly after the 2018 budget was established, however, MERSD began to face significantly rising health insurance costs, threatening the district’s ability to keep spending stable and maintain program quality. A 28% increase in health insurance rates in 2018 far surpassed MERSD’s budget estimate of 9%, due to an extraordinary, unexpected rise in high cost claims over the course of the late winter and early spring of 2017. Fortunately, this trend has since abated somewhat, although the current budget estimate for a 10% rate increase in 2019 will result in a total \$1.2 million increase in health care costs over two years, which makes up for 76% of all budgetary growth in that time frame. This follows a six-year trend in which MERSD’s average annual increase in health insurance was just 3%, far below market trend. Unfortunately, the more recent significant increases in health care costs limit MERSD’s ability to maintain program quality, with cuts of \$680K needed in the 2019 budget to meet a spending growth target that is consistent with levy limit caps of Proposition 2 ½. Over time, MERSD will attempt to work collaboratively with teachers and staff to find ways to lower the cost of health insurance. Similar collaborative efforts have generated significant results in the past, including a recent agreement to reduce the cost of mandated health insurance for retirees (known as Other Post-Employment Benefits or OPEB) by migrating staff to less costly plans. This effort has enabled MERSD to set aside \$1.7 million over four years – funded entirely by savings from employee benefits restructuring – to be placed into a trust fund to ensure that long term liabilities do not pose an unnecessary future burden on taxpayers. This successful collaboration has put MERSD far ahead of most other regional school districts, which have yet to face mounting OPEB liabilities.

Limiting the financial impact of MERSD’s health insurance costs will take time, and as a result, MERSD has begun the unfortunate work of cost cutting to ensure that the 2019 spending target of 3.18% growth can be still be achieved. Proposed reductions include a decision to not replace retiring staff members (a decrease in staffing levels), eliminating optional late-afternoon transportation for Middle-High School activities (with no impact to athletic games transportation), and cutting summer custodial and

instructional department hours. Partnering with the Town of Essex, MERSD has received a Green Community Grant funding to install nearly \$250K of energy efficient equipment at no cost, which will reduce Essex Elementary electricity bills by approximately \$10K per year. Additionally, MERSD is significantly expanding solar panel arrays on the Middle High School roof, which will help to reduce electricity costs by an additional \$10K per year, with no out-of-pocket investment required. Additionally, shifting enrollment has allowed for strategic use of resources. Although we are still managing a cohort of students with record high class sizes, these students are now at the secondary level and entering elementary class enrollments have declined due to a demographic decline in school age children. This population shift has allowed us to reduce classroom sections at the elementary level while maintaining class size benchmarks and shift resources to the secondary level to address the larger cohort.

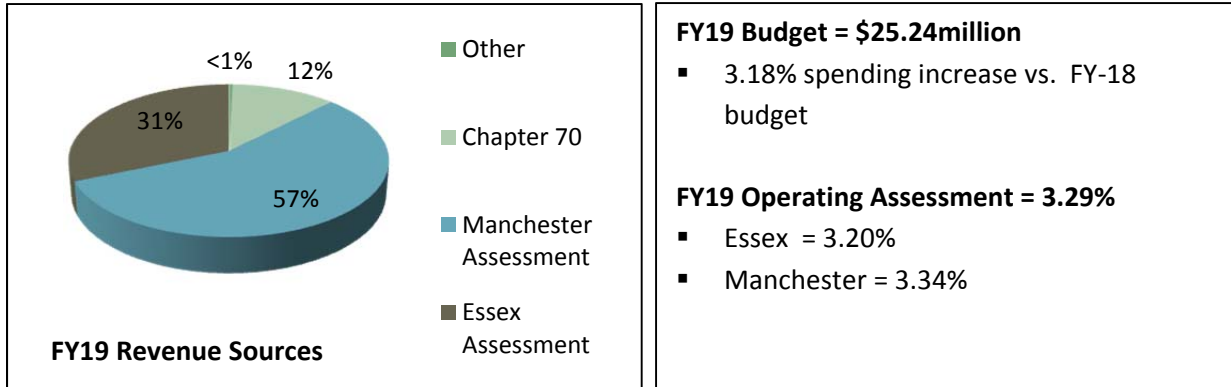
School Yr.	K	1	2	3	4	5	6	7	8	9	10	11	12	HS	MS	Elm
2016-17	77	82	88	112	122	115	124	132	131	115	103	98	109	425	387	596
2017-18	77	82	73	92	116	125	117	125	131	133	116	100	99	448	373	565
2018-19	65	76	78	81	73	92	154	114	126	132	131	111	102	476	394	465
2019-20	70	65	76	78	81	73	92	154	114	126	132	131	111	500	360	443
2020-21	70	70	65	76	78	81	73	92	154	114	126	132	131	503	319	440

In 2019, MERSD is expecting non-town revenue growth of 2.4%, with the largest component, State Aid, growing at just 1.8%. To compensate, town assessments must grow slightly faster than the spending growth rate, and will increase by 3.3% in FY19 compared to the prior year. Following a one-time revenue correction from the towns in 2016, which compensated for 27% enrollment growth in a 7-year period, MERSD's assessments to the towns have been stable, at 3.3%, 3.2% and 3.3% respectively for 2017, 2018 and 2019, which is below the assumed rate of growth for town assessments in MERSD's multi-year budget model.

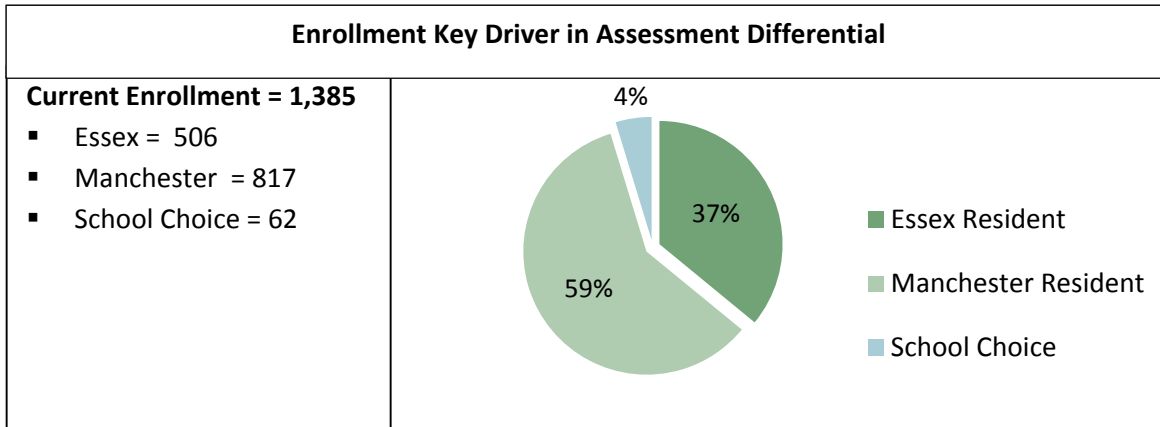
MERSD FY19 Budget Highlights

FY19 Operating Assessment = 3.29%

- Cost of increase to towns after deducting "Other Revenue" (e.g., State Aid) from spending needs
- Below multi-year model assumption of 3.84%
- In line with operating assessments of 3.20% in FY18 and 3.32% in FY17

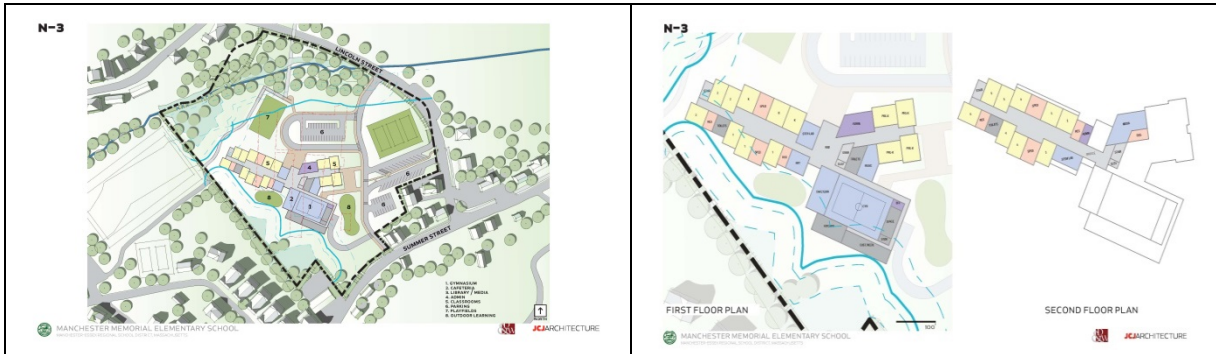


FY19 Assessment growth is below multi-year model projection of 3.8%

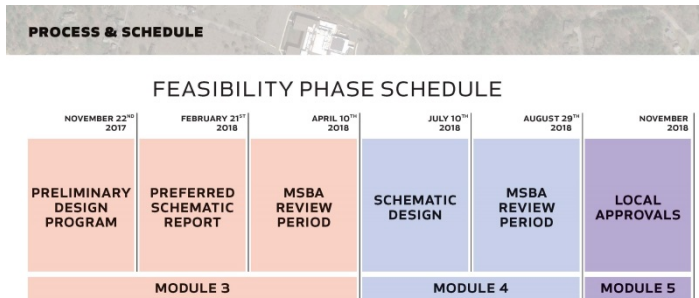


Memorial School Building Project Update

At the February 13th joint meeting, the Memorial School Building Committee (SBC) and MERSD School Committee voted unanimously to approve the Preferred Schematic Design Report (PSR) identifying “N-3 - The Hub” as the preferred option to be further developed during the Schematic Design phase.



This is the most significant milestone in the MSBA’s Feasibility Study phase, and sets the stage for the remainder of the process. The preliminary cost estimate for the project is \$55,600,000, with the district share after MSBA reimbursement estimated to be \$41,600,000. From March to June of this year, JCA Architecture will be working to develop a robust schematic design of sufficient detail to establish the scope, revised budget, and schedule for the proposed project. Upon completion and approval by the SBC and School Committee, the design will be submitted to the MSBA for approval. Once approved by the MSBA, the project is then brought to the community for local approval. The overall goal of Schematic Design is to develop a project that is both cost effective and aligned with the needs of MERSD’s educational program.



Community Input is Important Throughout the Process

Community Input: To date, the Memorial School Building Committee has hosted three community meetings at Memorial School to keep both the Manchester and Essex communities up-to-date on the process and to gather feedback. We are also planning an April meeting in Essex to ensure Essex parents and residents are apprised of the project and its implications. Our next district-wide meeting is scheduled for May 23rd and the focus will be the development of the schematic design and project budget.

Community Meeting Topics Reviewed

MSBA grant program process and schedule
Review of existing conditions of Memorial school
Introduction of potential building sites
Site selection decision making
Feasibility phase building options
Evaluation of design options
Project timeline

Timeline: In October, representatives from MERSD met with the Finance Committees and the Boards of Selectmen in both towns to review progress on the Feasibility Study and to ask for their support of a November 2018 town vote to fund the Memorial School building project. Both the Manchester and Essex Boards of Selectman voted unanimously to support this effort. This puts us on a pathway to have a project schematic design and cost proposal available in Spring of 2018. Throughout the coming months, representatives from the Building Committee will be at various community events in both towns to answer questions about our progress and the project.

A Look Ahead

March – June 2018	Schematic Design & Cost Proposal Development
September/October 2018	Town Meetings Held
November 2018	Town Votes

Learn More about the Memorial Building Project Background & Process

➤ www.mersd.org – Quick Link: Memorial Building Committee

SECTION 2
Budget Detail

FY19 Operating Budget Detail – Overview

MERSD's operating budget request for 2019 is \$25,243,907, up \$777,180 or 3.18% from 2018.

The main source of funding for the budget is town taxation, referred to as assessments, which are budgeted to grow \$704,161, or 3.29% in 2019 from the prior year. The 2019 budget is funded entirely without the use of reserve or "rainy day funds," which, since the budgetary correction in 2016, have not been used as a revenue source, in order to put MERSD on a more sustainable financial footing. These reserve funds have been set aside instead as a safety net to address unexpected costs related to its aging elementary facilities, which are now sixty-seven (Memorial) and sixty-one (Essex) years old and in need of significant upgrades. For example, major repairs, costing more than \$300K, were made in the summer of 2016 to a ruptured water service line feeding the Memorial school using reserve funds thereby avoiding the need for new emergency taxation. Similarly, at the recommendation of the Essex Fire Department, MERSD was able to upgrade its fire detection system at Essex Elementary in the summer of 2017, at a cost \$209K, using only reserve funds. Maintaining healthy reserves has also helped MERSD to maintain a high bond credit rating of Aa2, which will help to keep borrowing costs down for any future construction projects at either elementary school.

The largest source of non-town revenue is State Aid, which includes the Chapter 70 and Regional Transportation programs. Although MERSD's State Aid figures for 2018 will not be finalized until late June, the district has seen a dramatic slowdown in Chapter 70 funds over the past several years from highs of 33% and 25% annual increases in 2012 and 2013 to an average of 1.8% over the past three fiscal years. Additionally, revenues from the School Choice State Aid program are expected to decline in the 2019 budget, as MERSD continues to accept fewer non-resident students. Current School Choice enrollment of 62 students in 2018 has declined by 59% from a high point of 150 School Choice students in 2005 and from 121 students just seven years ago.

The cost to each town of MERSD depends on three factors: budget (the amount of spending approved by the School Committee), revenue (the amount of money the school district receives from sources other than the towns), and apportionment (the division of costs between the two towns). The chart on the next page shows the total impact of these three factors. Of note, an increase in the percentage of MERSD families coming from Manchester over the past several years relative to Essex has caused that Manchester's assessment to increase by a slightly higher percentage.

2019 Revenue Sources

		FY18	FY19	\$ Change	% Change
BUDGETED EXPENDITURES		24,896,844	25,618,907	722,063	2.90%
Revenue other than Assessments					
	Chapter 70 Aid	2,926,838	2,970,741	43,903	1.50%
	State Transportation Aid	125,000	130,000	5,000	4.00%
	School Choice Sending	(60,000)	(55,000)	5,000	8.33%
	School Choice Receiving*	430,000	375,000	(55,000)	-12.79%
	Medicaid Reimbursement	35,000	50,000	15,000	42.86%
	Bank Interest	5,000	12,000	7,000	140.0%
	Parking/Transp. Fees	28,000	25,000	(3,000)	-10.71%
	Reserve Funds	0	0	0	NM
Total other Revenue		3,489,838	3,507,741	17,903	0.51%
Operating Assessments					
	Manchester	13,813,861	14,274,688	460,826	3.34%
	Essex	7,593,144	7,836,479	243,334	3.20%
Total Operating Assessments:		21,407,006	22,111,166	704,161	3.29%
TOTAL REVENUE		24,896,844	25,618,907	722,063	2.90%

**School Choice (SC) receiving funds must be spent outside of the General Fund budget, per state regulations, but are included here to account for all major spending categories. Excluding SC funds of \$430,000 in 2018 and \$375,000 in 2019, the total General Fund budgeted expenditures for 2019 are \$25,243,907, up \$777,063 or 3.18% from \$24,466,844 in 2018.*

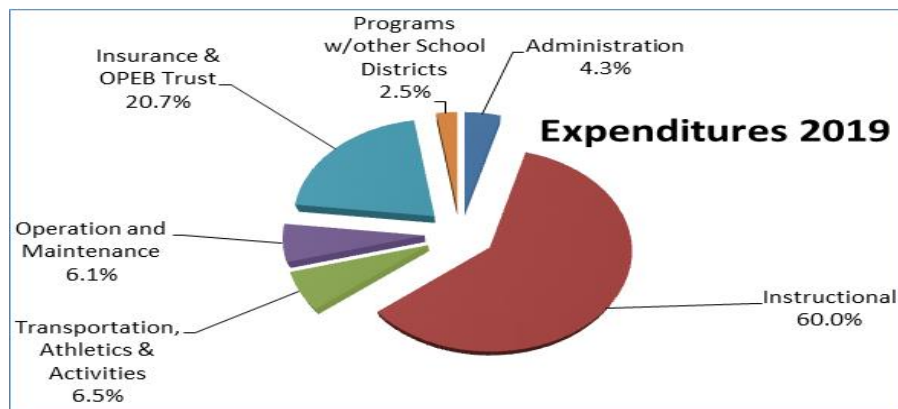
Operating Budget Detail - Distribution of Expenditures

The most significant change in the 2019 budget is an increase in the percentage of funds devoted to health insurance. Together, the Insurance and OPEB Contribution categories represent 20.7% of the 2019 budget compared to 19.7% in the prior year and 18.0% in FY17. This is reflective of a 28% increase in insurance rates in 2018 followed an assumption of 10% rate growth in 2019 due to circumstances largely beyond MERSD's control (i.e., extraordinary, atypical insurance claims). To absorb these significant cost increases while keeping total budget growth within the limitations of Proposition 2 ½, MERSD has had to reduce other spending categories (e.g., Instructional, Operations and Maintenance, and Special Education Programs with Other Districts).

Over time, MERSD will examine opportunities to bring its health insurance costs in line with sustainable growth, as it has done in the past, but this is a collaborative bargaining process in accordance with State law. MERSD's recent success in addressing the OPEB funding challenge in partnership with the teachers' association suggests that a joint solution can be found.

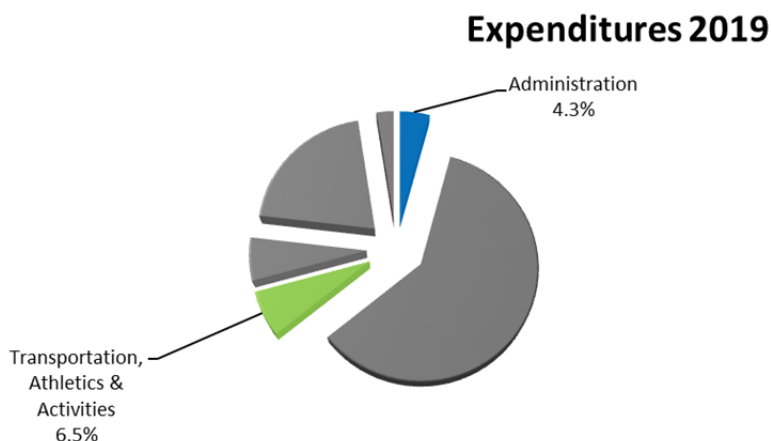
Summary of Expenditures

	FY18	% of Total	FY19	% of Total
Administration	1,070,398	4.30%	1,089,479	4.25%
Instructional	15,091,062	60.61%	15,367,886	59.99%
Transportation, Athletics & Activities	1,495,697	6.01%	1,667,695	6.51%
Operation and Maintenance	1,622,864	6.52%	1,565,733	6.11%
Insurance	4,476,217	17.98%	4,782,409	18.67%
Programs with other Districts	723,547	2.91%	628,704	2.45%
Contribution to OPEB Trust Fund	417,059	1.68%	517,000	2.02%
Total Budgeted Expenditures	24,896,844	100.00%	25,618,907	100.00%



Administration includes district-wide expenses such as professional and support staff salaries, supplies and materials for the School Committee, superintendent’s office, and finance, dues, legal services, travel expenses, and administrative technology. Overall spending on administration is up just \$19,082 or 1.78% in 2019.

<i>Administration</i>	
Salaries	\$822,946
Expenses	\$266,533
Total	\$1,089,479
% Budget	4.25%
% Growth	1.78%



Transportation, Athletics & Activities includes regular transportation and transportation for students placed out of district for special education, athletics, health services, and student activities like band, debate, and DECA. Costs include professional and support salaries, contracted services, and materials.

<i>Transportation, Athletics & Activities</i>	
Salaries	\$778,081
Expenses	\$889,614
Total	\$1,667,695
% Budget	6.51%
% Growth	11.50%

Spending in this category is expected to increase by \$172K or 11.5% in 2019 due almost entirely to transportation contracts for regular and special education transportation. MERSD recently issued a new public bid for regular daily transportation, which resulted in rate increases of 7-8% (\$28-30K) in each of the next two years. This will be offset by a proposed elimination of “late bus” service for

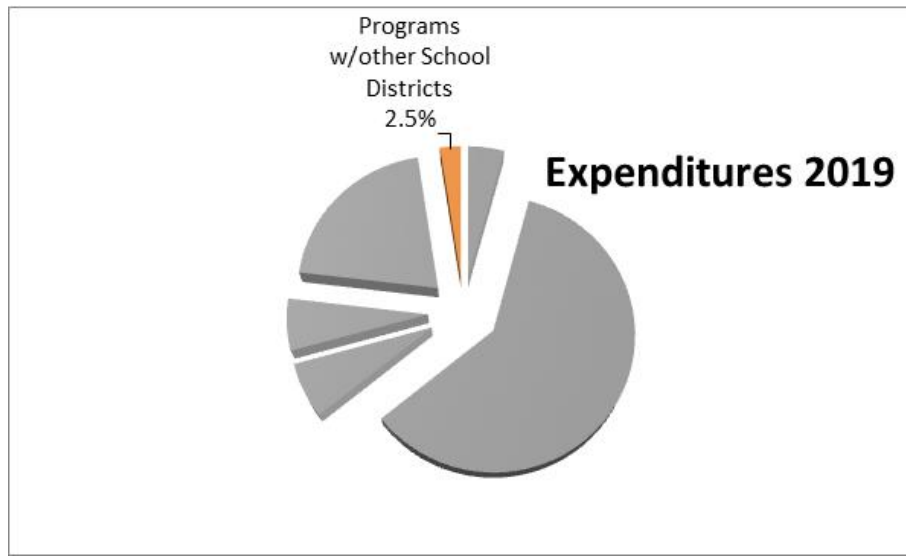
Middle and High School activities which traditionally have run one and two hours after dismissal, and by moving Kindergarten to a full day for the entire school year. Transportation for out-of-district special education placements are forecasted to grow significantly, by \$147K or 51% in 2019, due in part to significant rate growth and a driver shortage in the industry and also due to changes in locations of student placements, with several programs being outside of the Cape Ann area. This growth comes despite an overall reduction in out-of-district tuition expense. Athletics expenses in the budget are expected to remain flat in 2019, increasing just 0.6%.

Programs with other Districts is the cost of sending students from the district to programs outside the district. Tuition costs for special education students attending schools in other districts or private

<i>Programs with other Districts</i>	
2019	\$628,704
2018	\$723,547
% Budget	2.45%
% Change	-13.11%

or collaborative schools are examples in this category. MERSD’s Tentative Budget included a forecasted increase of \$105K or 15% in 2019, due to students moving into district whose needs do not align with current in-district programming. As part of budget reductions, however, MERSD cut its forecast in this category by \$200K, representing the cost of potential placements that have not yet been confirmed. These costs will be funded if necessary

by reserve funds, with a commensurate cut being required in the 2020 budget cycle. Although this is admittedly a less conservative budgeting practice, it does enable MERSD to avoid further staff reductions for placements that are still not confirmed. More broadly, the budgetary trend in this category has been extremely favorable in recent years, with spending reduced from a high point of \$1.3 million in 2009. MERSD has seen significant benefits from its ongoing investment in program development, having used State grants to pilot programs for students with social/emotional and intensive reading/written language needs, among other areas. In total, investment in staffing for these programs enables MERSD to avoid an estimated \$1.5 million per year in tuition and transportation expense, which would be necessary if in-district programs didn’t exist. This benefits MERSD students by enabling them to stay in their neighborhood schools.



Operation and Maintenance of Plant is the cost of the buildings, grounds, and equipment. Some examples include custodial services, heat, utilities, building and grounds maintenance, and capital improvements. Costs include salaries, contracted services, natural gas, telephone, electricity, and equipment, and tools.

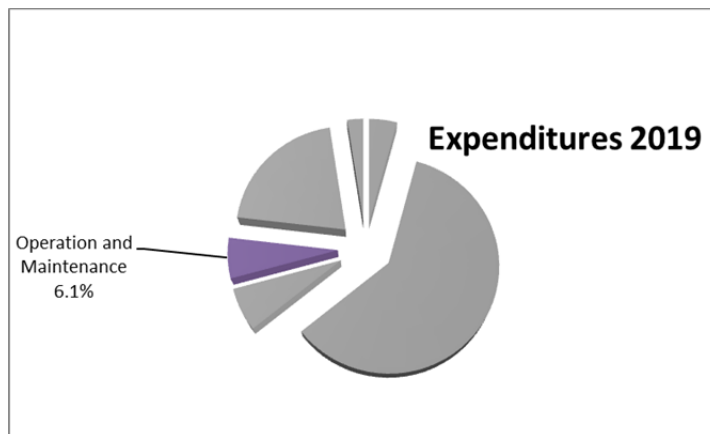
MERSD has cut proposed spending for Operations and Maintenance of Plant by 3.5% (\$57K), as part of its effort to absorb atypically large increases in health insurance. In response to the 28%

<i>Operation & Maintenance</i>	
Salaries	\$332,733
Expenses	\$1,233,000
Total	\$1,565,733
% Budget	6.11%
% Growth	-3.52%

increase in health insurance rates in 2018, MERSD reduced its annual \$100K budgetary set aside for proactive capital improvements in half to \$50K. In the 2019 budget, the district has proposed an additional 50% reduction (\$22.5K) in summer custodial work, including routine annual classroom cleaning and

interior painting, plus an additional \$7.5K cut in custodial supplies. Grant funded investments in LED lighting and upgraded HVAC controls at Essex Elementary and a new solar panel installation at the Middle High School are expected to save \$20K in the cost of utilities.

The Massachusetts School Building Authority (MSBA) recently increased its proposed reimbursement percentage for a potential construction project at Manchester Memorial Elementary School in recognition of MERSD's excellence in preventative maintenance practices. Although the district will have to reduce proactive custodial and maintenance services in 2019, MERSD remains ready to tackle unforeseen capital emergencies through reserve funds, which remain healthy and available for one-time (i.e., non-recurring) needs.



Instructional Services are direct costs of teaching students: salaries for teachers, principals, librarians, guidance counselors, psychologists, and classroom assistants, plus the costs of text books, curriculum materials, and professional development, stipends, contracted services, computer hardware, educational software, instructional equipment, dues, subscriptions, and testing materials.

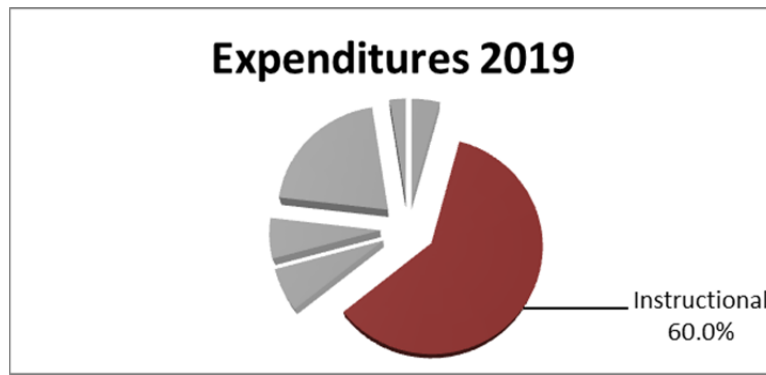
Instructional Services, which is the largest area of growth in 2019 after health insurance, is budgeted to

<i>Instructional Services</i>	
Salaries	\$14,340,785
Expenses	\$1,027,101
Total	\$15,367,886
% Budget	59.99%
% Growth	1.83%

grow \$277K or 1.8%. Although total enrollment within MERSD has declined by an average of 2% per year over the past five years, several unusually large grades remain from a seven-year stretch of 27% enrollment growth. This enrollment “bubble” is currently rising through the Middle School and into the High School. With smaller grades at the elementary level, MERSD has been able to redirect budget funds in recent years toward teaching positions at the secondary level. With health insurance costs in 2018 and 2019 consuming a larger proportion of the budget,

however, MERSD has had to make significant additional cuts totaling \$680K in the 2019 budget, in order to fund teaching positions for the minimum level of required classes at the High School. Reductions include eliminating positions of retiring teachers, which in prior years would be re-filled with a new hire. MERSD is also placing a salary cap on all new hires in order to generate an additional \$30K in savings, and has reduced its annual district-wide set aside for curriculum and technology development by \$20K in 2019, following a \$40K cut to instructional and administrative supplies budgets in 2018.

The 2019 budget includes an assumption of a 1.5% Cost of Living Adjustment increase for teachers (compared to 2.25% in 2018, 2.0% in 2017 and 1.5% in 2016), in addition to contractually obligated “step increases.” Step increases are awarded for additional years of service within the first 15 years. This applies to 45% of faculty. MERSD is currently in the process of negotiating a new three-year contract with the teachers’ association which will cover 2018-2020.



Insurance & OPEB Trust are retirement and insurance programs, including contributions to employee retirement systems, Medicare, unemployment insurance, employee and retiree health insurance (aka Other Post-Employment Benefits, or OPEB), workers compensation, and property insurance.

The 2019 budget for Insurance and OPEB is up 8.3% or \$406,133, compared to fiscal 2018. This represents 56% of the total spending increase in the 2019 budget, albeit for a category that makes up just 21% of total spending. Rates for health insurance are typically not finalized until after MERSD's budget has been adopted, but the 2019 budget is based on an assumption of a 10% rate increase, offset by lower growth rates for other insurance products (e.g., Medicare, unemployment, workers' compensation and property/casualty).

<i>Insurance & OPEB Trust</i>	
2019	\$5,299,409
2018	\$4,893,276
% Budget	20.7%
% Growth	8.30%

MERSD has had a strong track record of managing health insurance costs, with an average annual rate increase of just 3.3% over the 6-year period prior to 2018. In addition, MERSD also continues to execute on its road map to fully fund its OPEB obligation, with trust fund contributions of \$517K budgeted for 2019, up 24% from the prior year. Including the 2018 and 2019 budgeted estimates for OPEB, MERSD has committed \$1.7 million towards settling these long-term obligations in just four years, funded entirely by negotiated changes to health insurance programs district-wide. The negotiated agreement with the Manchester Essex Teachers Association (META) was forecast by MERSD's actuary to reduce the unfunded annual portion of the OPEB liability by approximately 87% or \$1.6 million per year. Changes included reducing the district contribution for health care premiums to 75% for active employees and 70% for new hires, from 80% previously. Additionally, the agreement migrates all employees to an insurance program with lower monthly premiums (which are split between MERSD and employees, based on contribution percentages referenced above) in exchange for higher co-pays (which are paid by employees for each doctor's visit or procedure). The negotiated agreement stipulates that in return, all savings from these changes will be placed into an OPEB trust fund for the sole purpose of paying future OPEB costs. These trust funds have recently been invested in with the Pension Reserve Investment Management Board (PRIM) in the same diversified portfolio used for the State's pension system, the Massachusetts Teachers' Retirement System, and the large majority of regional retirement systems as well, including Essex Regional Retirement System. By sending OPEB trust funds to PRIM, MERSD is able to outsource investment risk to specialized professionals with significant experience in long-term investing. Earning a return on its OPEB trust fund investment can further reduce the contribution MERSD needs to make from budget funds each year, thereby reducing expense burden on the district, its employees, and taxpayers.

Multi-Year Budget Strategy

In 2014, MERSD initiated a multi-year budgeting process to inform and improve collaborative funding discussions with the towns. Examining a range of five-year budget scenarios over time with the town Finance Committees reinforced the urgent need to stop using reserves to fund recurring annual spending. Development of a multi-year forecasting tool also helped MERSD to assess the impact that major budgetary inputs (e.g., State Aid, staffing levels, rates of pay, insurance, maintenance, etc.) will have on future town assessments. As a result of this process, MERSD can now establish more informed ranges of acceptable spending growth in order to ensure that future budgets stay within the tax levy limit. For example, to keep assessment increases at 3.5% in the future with no growth expected in State Aid, total spending would be able to increase no more than about 3.0% per year.

	FY-17*	FY-18*	FY-19	FY-20	FY-21	FY-22
Personnel	\$15,597	\$16,054	\$16,118	\$16,642	\$17,184	\$17,743
Growth %		2.93%	0.40%	3.25%	3.26%	3.26%
Expenses	\$8,111	\$8,843	\$9,501	\$10,049	\$10,621	\$11,237
Growth %		9.02%	7.45%	5.76%	5.69%	5.80%
Total Spending	\$23,708	\$24,897	\$25,619	\$26,691	\$27,805	\$28,980
Growth %		5.01%	2.90%	4.18%	4.17%	4.23%
State Aid	\$3,017	\$2,992	\$3,046	\$3,091	\$3,138	\$3,185
Fees & Other	\$100	\$68	\$87	\$87	\$87	\$96
School Choice: Annual Revenue	\$325	\$430	\$375	\$375	\$375	\$375
Reserves: Choice, E&D	\$0	\$0	\$0	\$0	\$0	\$0
Town Assessments	\$20,744	\$21,407	\$22,111	\$23,138	\$24,205	\$25,325
Growth %		3.20%	3.29%	4.64%	4.61%	4.63%
Total Revenue	\$24,186	\$24,897	\$25,619	\$26,691	\$27,805	\$28,980
Growth %		5.01%	2.90%	4.18%	4.17%	4.23%

*FY17 = actual results. FY18-FY22 = budget. FY18 growth rates are vs. FY17 budget, not vs. FY16 actual

Capital Budget – Debt Repayment

In addition to the Operating Budget discussed above, MERSD also maintains a separate, annual Capital Budget that summarizes debt payments due in the fiscal year, and apportions those expenses to the Towns in the form of a Capital Assessment following formulas from the Regional Agreement.

MERSD’s only debt relates to funding for the Middle High School facility. Voters in both towns voted to authorize borrowing of up to \$49 million, and to exclude any borrowing from the limitations of Proposition 2 ½. The final cost to taxpayers, however, was just \$32 million as grants from the Massachusetts School Building Authority (MSBA) of \$17 million funded approximately 35% of the project budget. Additionally, borrowing rates have been significantly more favorable than originally anticipated resulting in a tax impact that is about half of what was predicted when the debt exclusion was voted in 2006.

Two years ago, MERSD lowered the cost of this project to taxpayers even further by leveraging its strong financial position and excellent credit rating to refinance its outstanding debt. Savings from the refinancing total \$1.7 million over the remaining life of the bonds, or \$95-100K per year.

Assessments to Manchester and Essex for debt service are expected to decrease by 2.2% compared to 2018. This decline is on top of refinancing savings described above, which are included in the 2018 budget as well.

2019 Debt Payments

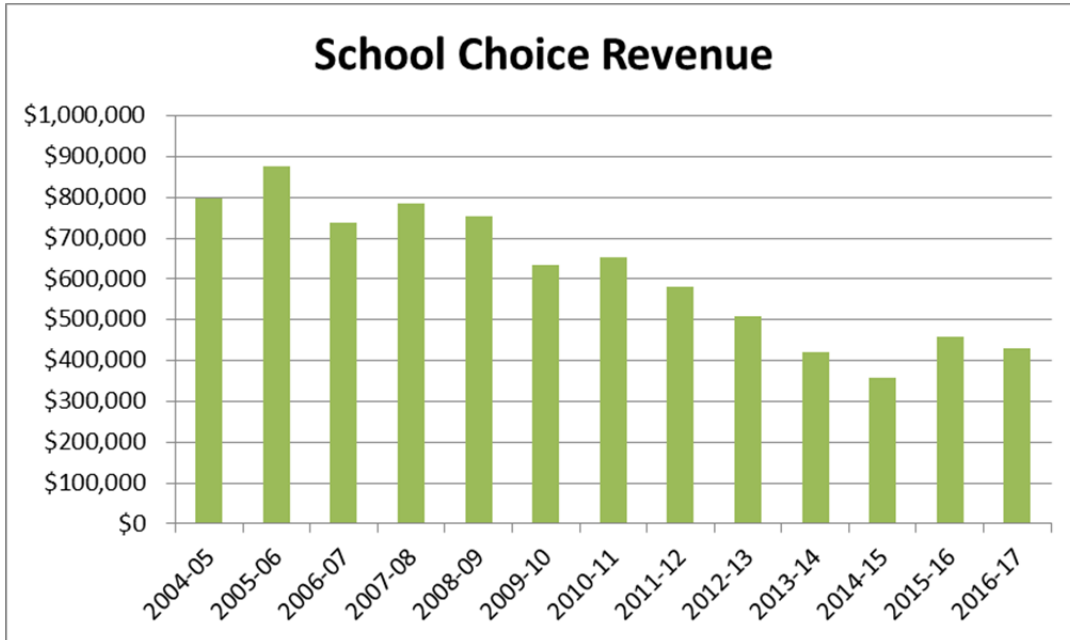
	2018	2019	Increase/(Decrease)	
			\$	%
Principal Payments on Long-Term Debt	\$1,455,000	\$1,455,000	\$0	0.0%
Interest Payments on Long-Term Debt	\$701,188	\$653,338	(\$47,850)	-6.8%
Total Debt Expense	\$2,156,188	\$2,108,338	(\$47,850)	-2.2%
Manchester - Capital Assessment	\$1,428,956	\$1,403,891	(\$32,050)	-1.8%
Essex - Capital Assessment	\$707,647	\$689,174	(\$15,937)	-2.6%
Amortization of Issuance Premium	\$19,585	\$15,272	(\$4,312)	-22.0%
Total Capital Budget Revenue	\$2,156,188	\$2,108,338	(\$47,850)	-2.2%

Section 3

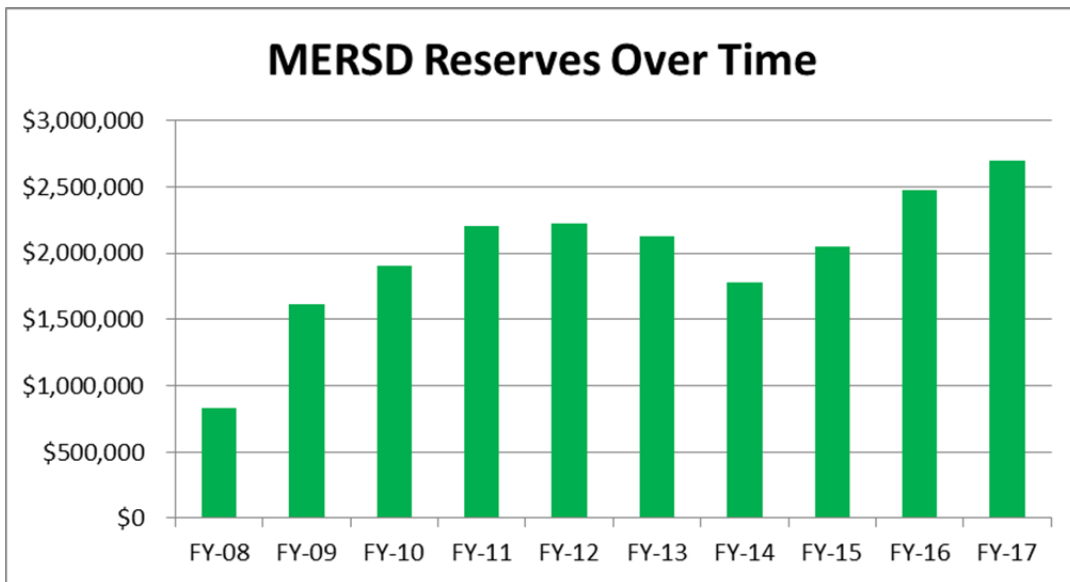
MERSD At A Glance

District Overview	
<p><u>Enrollment</u></p> <ul style="list-style-type: none"> ▶ Students = 1,385 <ul style="list-style-type: none"> ◦ Resident Population = 1,323 ◦ School Choice = 62 ▶ Per Pupil Expenditure = \$16,327 (111 in MA) ▶ Per Pupil Exp. State = \$15,545 	<p><u>Operations</u></p> <ul style="list-style-type: none"> ▶ Academic Teaching & Learning ▶ Special Education ▶ Social Services: Counseling, Health, Home Health, Homeless & Inter-agency support ▶ Early Childhood ▶ Network & Instructional Technology Management ▶ Facilities Management ▶ Food Services ▶ Transportation ▶ HR Management ▶ Financial Services
<p><u>Active Faculty & Staff</u></p> <ul style="list-style-type: none"> ▶ Faculty, Counseling & Support = 148.6 ▶ Other Support Staff = 38 ▶ 12 Month Administrative = 23 ▶ Avg. MERSD Teacher Salary = \$76,658 (125 in state) ▶ Average State Teacher Salary = \$76,522 	
<p><u>Facilities</u></p> <ul style="list-style-type: none"> ▶ Open 7 Days ▶ Weekdays 6am – 10pm ▶ Weekends 9:00am – 9:00pm ▶ School Sites = 3 ▶ Athletic Sites = 4 	

School Choice



Reserves



PER Pupil Spending

Cape Ann	PPE 2016
Rockport	\$17,297
Hamilton Wenham	\$16,785
Gloucester	\$16,398
MERSD	\$16,327

High Performing Districts	PPE 2016
Weston	\$23,899
Lincoln-Sudbury	\$19,282
Wellesley	\$18,636
Newton	\$18,779
Bedford	\$18,120
Brookline	\$18,866
Lexington	\$18,069
Wayland	\$17,426
Hamilton-Wenham	\$16,785
Westwood	\$16,713
Sharon	\$15,416
Harvard	\$16,216
Average	\$18,184
MERSD	\$16,327

Teacher Salaries

Sample of Teacher Salary Rankings -DESE

Cape Ann Region	
Masconomet	24
Salem	31
Lynnfield	34
Danvers	64
Triton	69
Boxford	84
Newburyport	108
Swampscott	110
Hamilton-Wenham	118
Winchester	123
MERSD	125
Rockport	129
Gloucester	152
Amesbury	161
Beverly	173
Topsfield	239
Ipswich	247

Boston Magazine Top 10 Districts	
School District	Avg. Teacher Salary
Harvard	\$86,023
Lexington	\$78,776
Newton	\$78,209
Wayland	\$93,108
Wellesley	\$93,536
Westford	\$78,942
Weston	\$91,044
Concord-Carlisle	\$97,978
Dover-Sherborn	\$92,652
Average	\$87,807
Median	\$91,044
Manchester	
Essex	\$76,658
STATE TOTALS	\$76,522