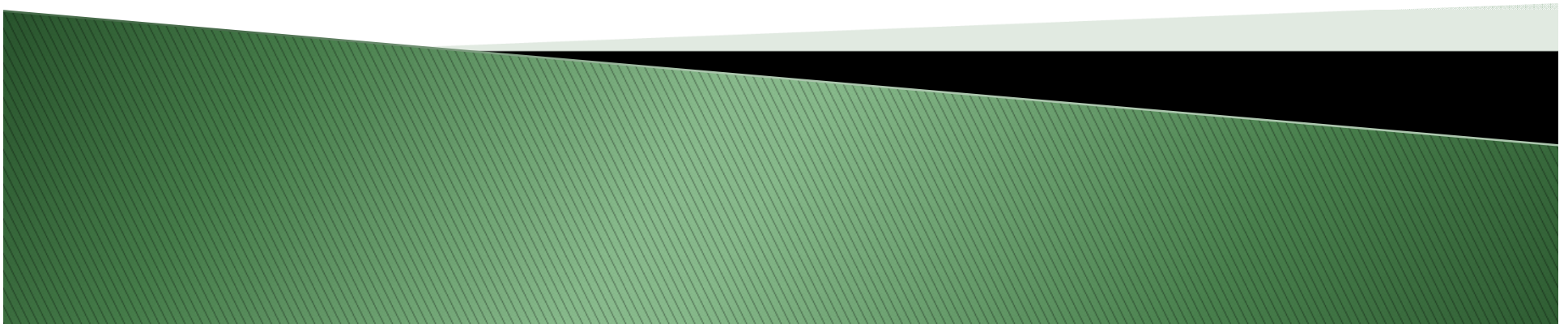
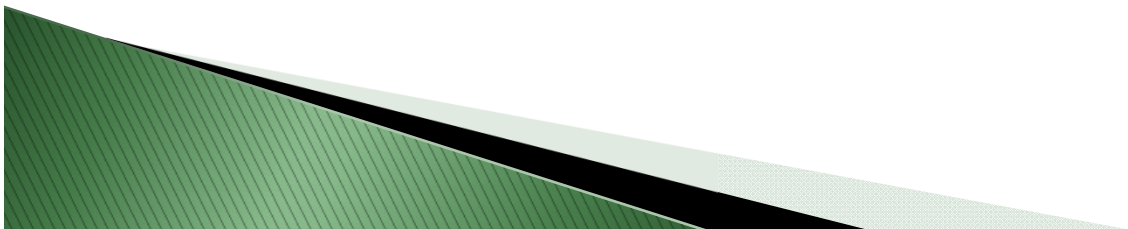


FY-19 Tentative Budget Discussion
Presentation to MERSD School Committee
December 5, 2017



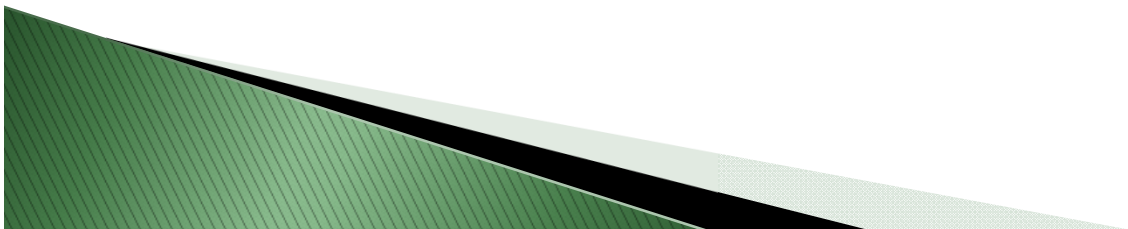
School Committee Goals

- ▶ Target resources to support the social/emotional needs of students and foster creativity and innovation across the District.
- ▶ Support the implementation of programs that enhance our organization's cultural proficiency and promote respect and appreciation for individual and cultural differences.
- ▶ Continue to focus on strengthening the Middle School as a separate entity and addressing its large class sizes.
- ▶ 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.
- ▶ Begin Feasibility Study module of the MSBA process for the Memorial Building project and develop a capital plan to maintain Essex Elementary.
- ▶ Continue ongoing review of all District policies, updating existing policies and job descriptions where needed, and researching new recommendations



Budget Goals

- ▶ 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
- ▶ Manage Enrollment
 - Strive to meet School Committee class size guidelines
 - Serve increasingly diverse student educational needs
- ▶ Exercise fiscal responsibility
 - Seek internal efficiencies to offset growth needs when possible
- ▶ Meet local, state and federal responsibilities while controlling growth



- ▶ Enrollment = 1396
 - Per Pupil Expenditure = \$16,326 (111 in state)
 - Per Pupil Exp. State = \$15, 545

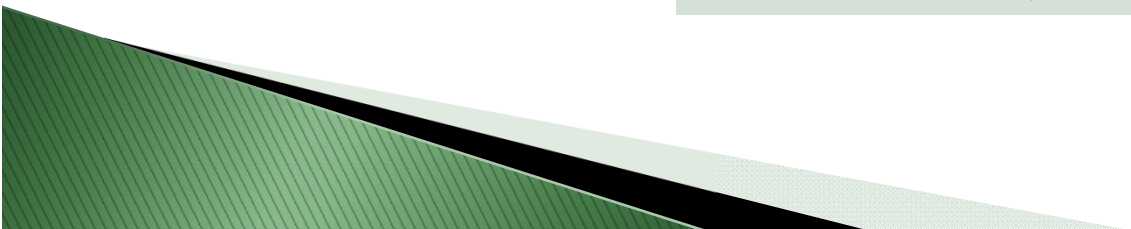
- ▶ Active Faculty & Staff
 - Faculty = 130.5
 - Support Staff = 38
 - 12 Month Administrative = 23

- ▶ Facilities
 - 7 Days Weekdays 6am – 10pm / Weekends 9:00am – 9:00pm
 - School Sites = 3
 - Athletic Sites = 4

- ▶ Operations
 - 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

| Cape Ann PPE | |
|--------------|----------|
| Gloucester | \$16,398 |
| Rockport | \$17,277 |
| HW | \$16,785 |
| Ipswich | \$15,575 |
| CA Avg. | \$16,472 |

| Student Achievement |
|--|
| <ul style="list-style-type: none"> • 2017 MERSD Ranked 9th – <i>Boston Magazine Best School Districts</i> • 2016 MERHS Ranked 14th – <i>Boston Magazine Best High Schools</i> • 2016 MERHS Gold Medal School – <i>US News & World Report Best High Schools</i> <ul style="list-style-type: none"> • MERHS National Rank is 312 / National STEM Rank is 208 / State Rank is 12 (eliminate charter/magnets) |



Considerations In Developing FY19 Budget

Student Needs

- Core Curriculum & Instructional Development
 - Materials
 - Instructional Technology
- Program Development
- Training & Support
- Staffing – Class Size
- Co-Curricular Activities

Fixed Costs

- Personnel Costs
- Insurance (Current & Retiree/OPEB)
- Utilities
- Transportation

Special Education

- In-District Programs
- Out of District Placement
- Transportation
- Support Personnel

Facilities

- Routine Custodial & Maintenance
- Essex Elementary Maintenance Capital Planning
- MHS Maintenance Capital Planning
- MSBA Feasibility w/ Spring 2019 full project vote

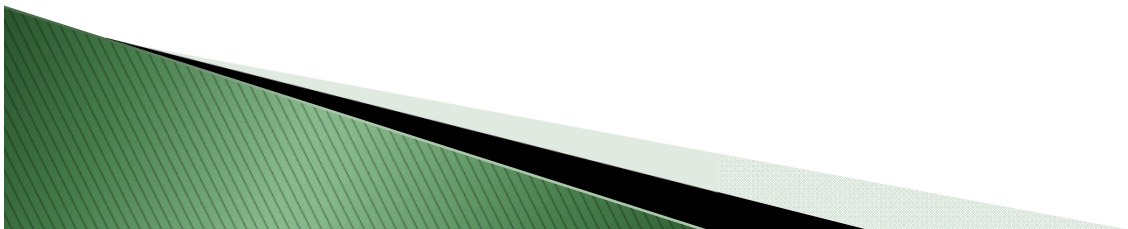
FY19 Operating Budget Overview

- ▶ Began with intent to provide Level Services
 - Maintains same level of program currently in place

- ▶ Assessed impact of rising costs of mandated benefits and out-of-district (OOD) special education tuitions/transportation

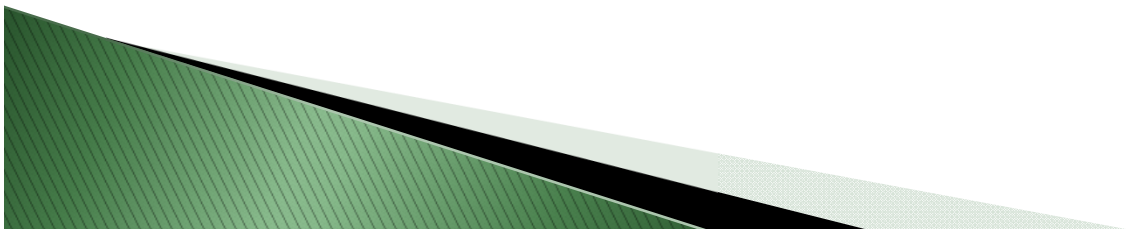
- ▶ Asked principals/directors to identify efficiencies via Zero-Based Budget

- ▶ Level services budget is not achievable:
 - Benefits/OOD alone would exhaust available funding in level services scenario
 - Exceeds multi-year model forecasts
 - Conflicts with Budget Goal of working within the confines of Proposition 2 ½



FY19 Operating Budget Drivers

- ▶ Assumed 16% health insurance increase, following 28% in prior year
 - Total financial impact of \$1.5 million over two years
 - Forecasted OPEB contribution obligation of \$545K (31% growth) per terms of agreement
- ▶ Forecasting OOD Tuition and Transportation growth of \$105K and \$147K, respectively, based on current year trends
 - Move ins having significant impact on current fiscal year
 - Rising transportation cost industry-wide due to shortage of drivers (low unemployment)
 - OOD student needs do not match in-district programming profiles
 - Total number of OOD students remains low vs. historical trend
- ▶ Remaining expenses (e.g., staffing, maintenance, etc.) initially forecasted to be in line with multi-year model/level services scenario
 - But must be reduced further to meet spending/assessment targets

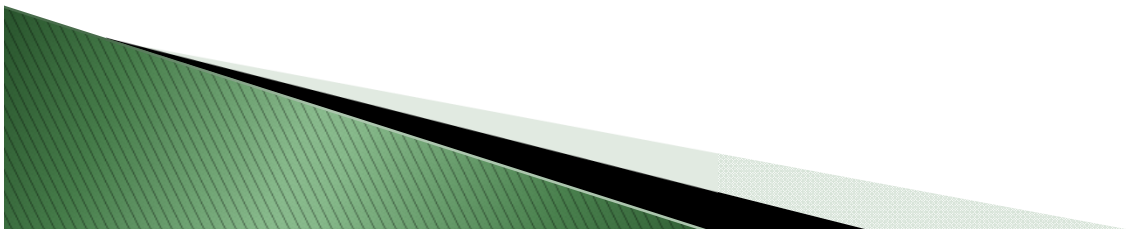


FY19 Operating Budget Overview

- ▶ FY19 Tentative Budget = \$25.2 million
 - 3.18% (\$777K) spending increase from FY18 budget
 - Includes \$354K cut to level services staffing via attrition/known retirements
 - Relies upon \$550K of yet-to-be-identified spending efficiencies.

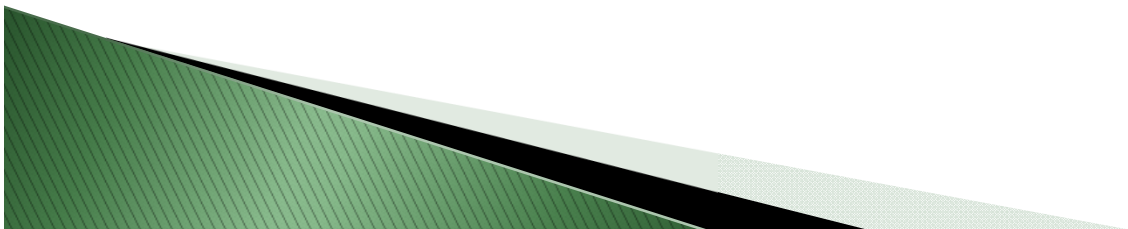
- ▶ FY19 Operating Assessment = 3.29%
 - Measures cost increase to towns after deducting “Other Revenue” (e.g., State Aid) from spending needs
 - In line with recent year assessment increases of 3.32% (FY17) and 3.20% (FY18), following override/revenue correction from Towns.

- ▶ FY19 Capital Budget = \$2.108 million
 - Pays for MS/HS project debt service
 - Decrease of \$48K (2.2%) vs FY18

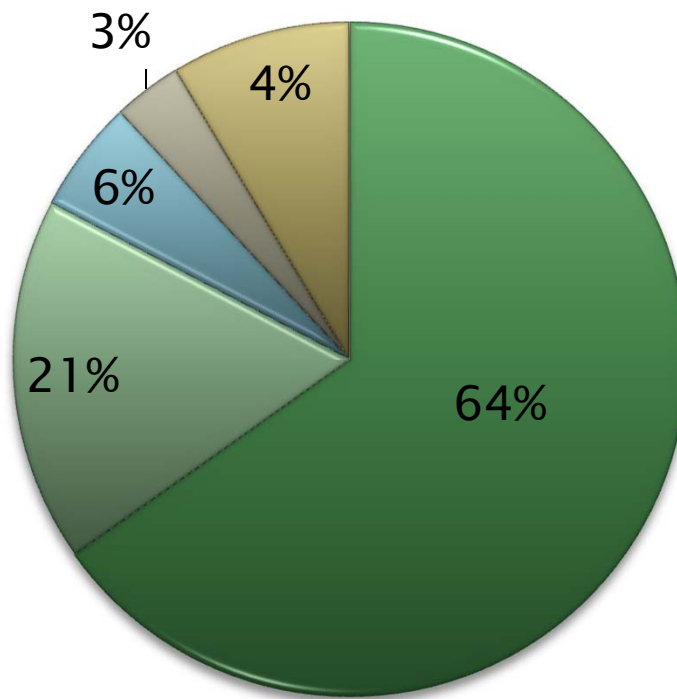


Budget Highlights: Spending Detail

| | FY18 | FY19 | % of FY19 Spending | Inc. vs. FY18 | |
|-----------------------------|---------------------|---------------------|--------------------|------------------|--------------|
| | | | | \$ | % |
| Personnel | \$16,056,009 | \$16,248,751 | 64.37% | \$192,742 | 1.20% |
| Insurance & Pension w/ OPEB | \$4,463,276 | \$5,209,954 | 20.64% | \$746,678 | 16.73% |
| Maintenance | \$1,617,864 | \$1,608,233 | 6.37% | (\$9,631) | -0.60% |
| Out-of-District Tuitions | \$708,547 | \$813,704 | 3.22% | \$105,157 | 14.84% |
| Transportation | \$605,556 | \$825,564 | 3.27% | \$220,008 | 36.33% |
| Other | \$1,015,591 | \$1,087,701 | 4.31% | \$72,110 | 7.10% |
| Reductions to be Identified | | (\$550,000) | -2.18% | | |
| Total | \$24,466,843 | \$25,243,907 | 100.00% | \$777,064 | 3.18% |



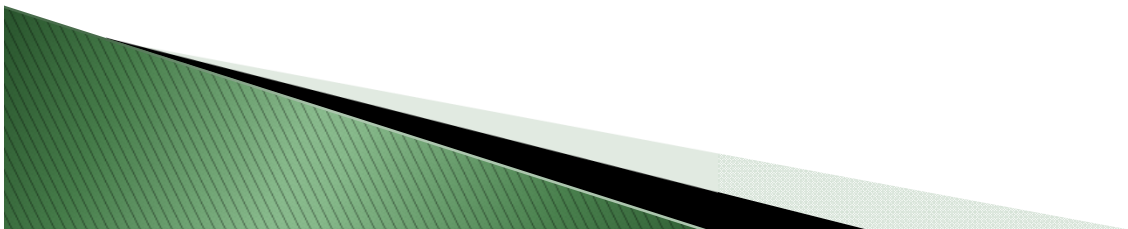
Largest Budget Drivers



- Personnel
- Insurance/OPEB
- Maintenance
- Out of District
- Other

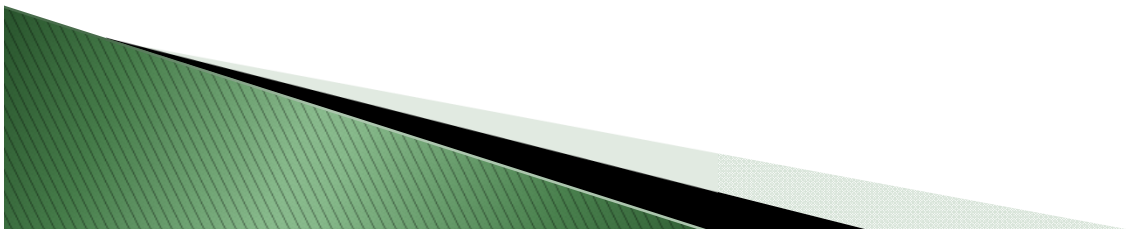
Budget Highlights: Largest Expenditures

- ▶ 97% of the budget is comprised of five key expenditure categories
- ▶ **Personnel (64.0%)**
 - 1.5% COLA pending negotiation of META contract + est. 1.5% steps/columns
 - 2.0% total increase for non-META (no steps)
 - Projected reduction through retirement/attrition
- ▶ **Insurance & Pension w/ OPEB (20.2%)**
 - 16% rate increase + growth in retiree headcount
 - Projected increase of \$128K (31%) in OPEB to \$545K total budget, bringing combined 4 year total budgeted contribution to \$1.7 million.
- ▶ **Maintenance (6.4%) :**
 - Slight decline (0.6%) in budget; facilities capital remains cut to \$60K
- ▶ **OOD Tuitions (3.2%)**
 - Up 15% (\$105K) vs. FY18, but remains historically low
- ▶ **Transportation (3.3%)**
 - OOD and Regular Day transportation up significantly, by \$220K (30%) due to industry-wide trends



Budget Highlights: Revenue

- ▶ 2.4% growth in non-assessment revenue is below 3.2% spending rate causing added burden to Town Assessments
 - Assume 1.5% growth in Chapter 70 and 4% in Regional Transportation
 - Assume no change in School Choice enrollment/revenue (\$375K)



Staffing Not Included in Tentative Budget

Goal - prioritize and achieve through efficiency/restructuring

| Staffing Accomplished In FY18 | Staffing Requested FY19 |
|---|---|
| <p><u>Staffing</u></p> <ul style="list-style-type: none"> • .6 Music Teacher – High School • .4 Adjustment Counselor Essex • 1.0 STEM Teacher – HS <p>Expansions of IRWL to Grades 2/3 – District Program @Memorial</p> <ul style="list-style-type: none"> • 1.0 IRWL Teacher <p>Part Time Dean of Students – Middle School</p> <p><i>All positions achieved by reorganization/restructuring</i></p> | <p><u>Staffing</u></p> <p><u>Essex</u></p> <p>1.0 Math Specialist 1.0 Math Interventionist .5 Reading Recovery Teacher 1.0 Behavioral Specialist 1.0 Enrichment Tutor</p> <p><u>Memorial</u></p> <p>1.0 Math Specialist Specialist – Memorial School</p> <p><u>Middle School</u></p> <p>1.0 Reading Tutor 1.0 IRWL Teacher (Enrollment)</p> <p><u>High School</u></p> <p>.6 Science (Enrollment) .6 Math (Enrollment) 1.0 Humanities 1.0 Bridge Counselor</p> |

Next Steps

▶ Public Input

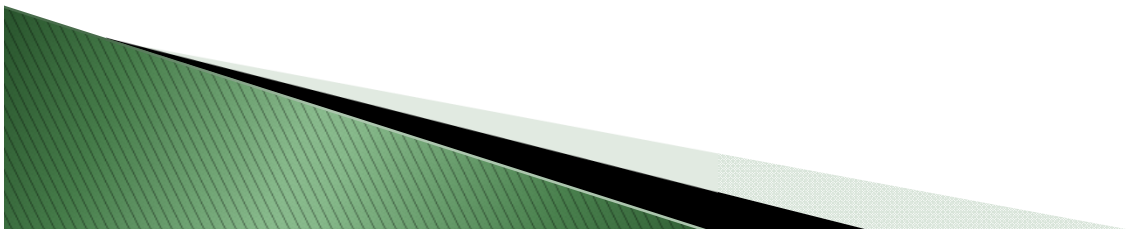
- 1st FY19 Budget Hearing – December 13th @ 7:00pm
- 2nd FY19 Budget Hearing – January 30th @ 7:00pm

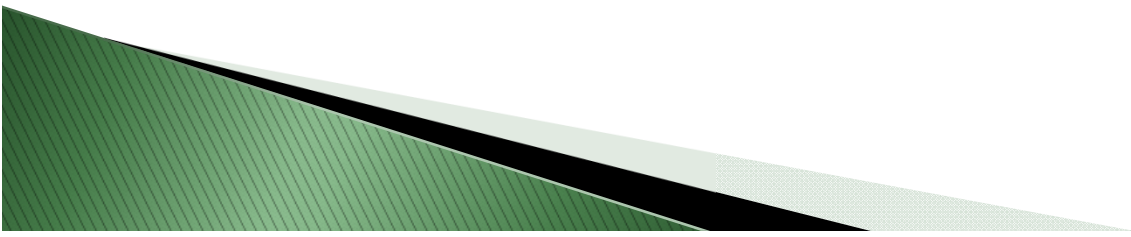
▶ Fine Tuning – December/January

- Process Inputs
- Check assumptions and projections
- Identify areas for generating funds to meet unmet needs
- Meet with Town Boards if needed

▶ Finalize Budget

- SC Meeting – February 6th @ 7:00pm



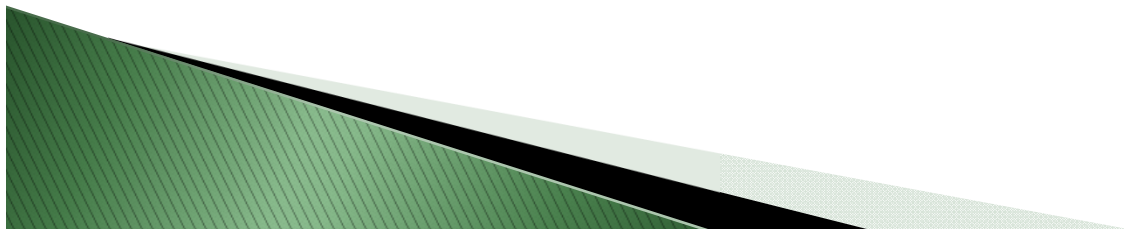


MERSD Historical Budget Growth

| Spending Growth | FY-09 | FY-10 | FY-11 | FY-12* | FY-13 | FY-14 | FY-15 | FY-16** | FY-17 | FY-18 |
|--------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|----------------|--------------|--------------|
| Tentative Budget | NA | NA | 9.90% | 3.24% | 4.95% | 6.04% | 5.76% | 3.00% | 3.42% | 3.73% |
| Final Budget | 2.96% | 4.20% | 4.22% | 1.27% | 4.98% | 3.92% | 3.53% | 6.52% | 3.14% | TBD |
| Assessment Growth | FY-09 | FY-10 | FY-11 | FY-12 | FY-13 | FY-14 | FY-15 | FY-16 | FY-17 | FY-18 |
| Tentative Budget | NA | NA | 12.61% | 6.38% | 5.74% | 6.89% | 6.90% | 3.80% | 3.63% | 3.68% |
| Final Budget | 4.68% | 5.18% | 4.00% | 0.18% | 2.50% | 3.26% | 3.50% | 8.99% | 3.32% | TBD |

**FY12 Final Budget reflects failed override and level funding from towns, offset slightly by increased State Aid*

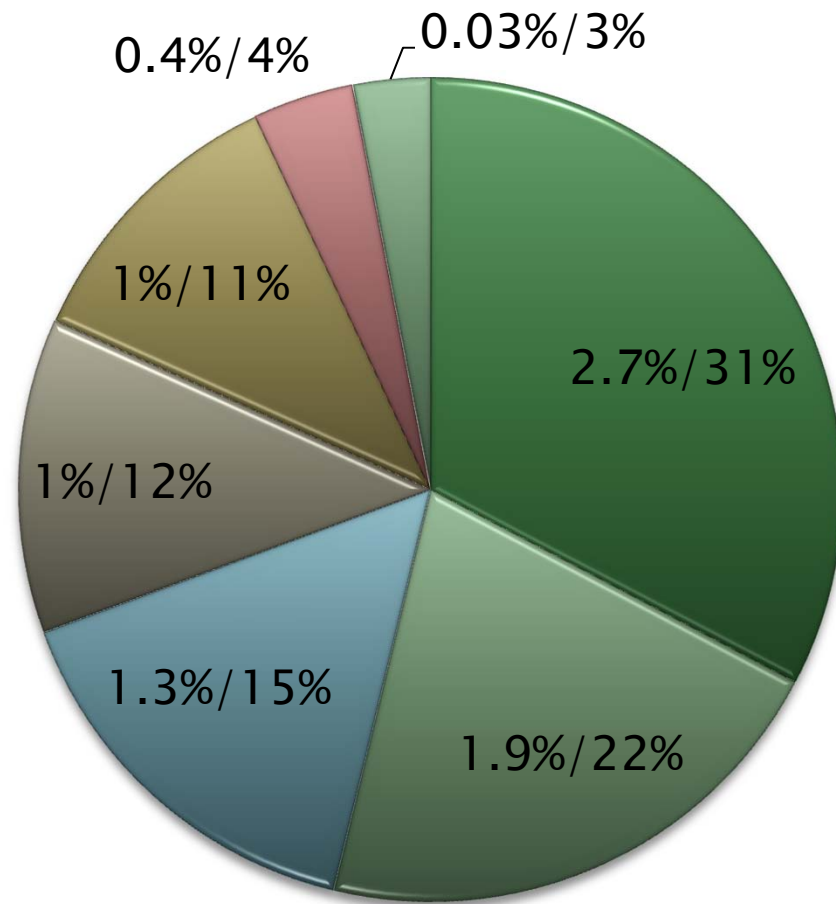
**FY16 Override increased total spending 4.0% (6.52% in General Fund only)*



MERSD Reserves Through Time

| | GF Budget | Reserves % of Budget | All Reserve Funds Combined | | | Balance at End of Fiscal Year | | | Change from Prior Year | | |
|----------------|--------------|-------------------------|----------------------------|--------------|----------|-------------------------------|---------------|--------------|------------------------|---------------|--------------|
| | | | | | | School | | Undesignated | School | | Undesignated |
| | | | Ending Total | Source/(Use) | % Change | Choice | Stabilization | GF Balance | Choice | Stabilization | GF Balance |
| 2007 | \$15,428,555 | 4.3% | \$661,569 | (\$31,464) | -4.5% | \$626,392 | \$132,265 | (\$97,088) | (\$581) | \$2,265 | (\$33,148) |
| 2008 | \$16,140,541 | 5.1% | \$829,081 | \$167,512 | 25.3% | \$662,406 | \$252,290 | (\$85,615) | \$36,014 | \$120,025 | \$11,473 |
| 2009 | \$17,241,803 | 9.3% | \$1,609,046 | \$779,965 | 94.1% | \$1,016,365 | \$167,290 | \$425,391 | \$353,959 | (\$85,000) | \$511,006 |
| 2010 | \$17,904,405 | 10.6% | \$1,899,711 | \$290,664 | 18.1% | \$1,295,864 | \$167,290 | \$436,557 | \$279,498 | \$0 | \$11,166 |
| 2011 | \$18,875,493 | 11.7% | \$2,200,285 | \$300,574 | 15.8% | \$1,616,835 | \$163,610 | \$419,840 | \$320,971 | (\$3,680) | (\$16,717) |
| 2012 | \$19,115,710 | 11.6% | \$2,226,248 | \$25,963 | 1.2% | \$1,609,000 | \$75,743 | \$541,505 | (\$7,835) | (\$87,867) | \$121,665 |
| 2013 | \$20,067,616 | 10.6% | \$2,124,443 | (\$101,805) | -4.6% | \$1,441,056 | \$161,448 | \$521,939 | (\$167,944) | \$85,704 | (\$19,566) |
| 2014 | \$20,854,407 | 8.5% | \$1,781,679 | (\$342,764) | -16.1% | \$1,295,512 | \$161,448 | \$324,719 | (\$145,544) | \$0 | (\$197,220) |
| 2015 | \$21,555,355 | 9.5% | \$2,044,573 | \$262,894 | 14.8% | \$1,505,037 | \$161,448 | \$378,088 | \$209,525 | \$0 | \$53,369 |
| 2016 | \$22,961,205 | 10.5% | \$2,421,271 | \$376,698 | 18.4% | \$1,621,388 | \$161,448 | \$638,435 | \$116,351 | \$0 | \$260,347 |
| <i>Current</i> | | | | | | | | | | | |

Largest Budget Drivers – Breakdown of “Other”



- Transportation
- Instructional Supplies & Materials
- Instructional & Network Tech.
- Special Ed Contracted (SLP/OT/PT, etc.)
- District/School Admin. & Legal
- Athletics & Student Activities

% of Budget/% of "Other"