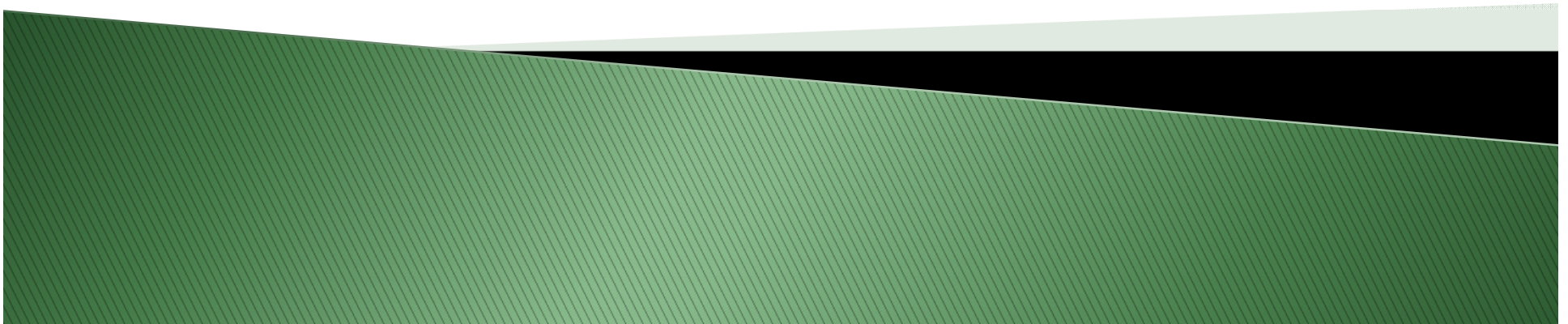


**FY20 Budget**  
Budget Adoption  
February 5, 2019

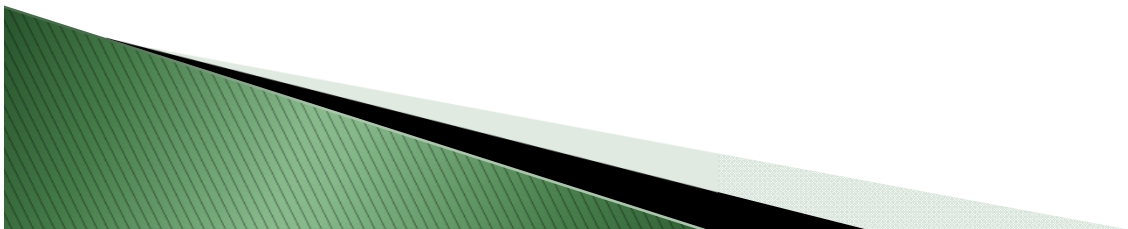


# School Committee Goals

- ▶ Develop and deliver a fiscally responsible budget that maintains educational quality, supports District goals, and recognizes the confines of Proposition 2 ½.
- ▶ Engage the member towns in the need to pass the debt exclusion for the rebuilding of Manchester Memorial School and communicate the capital plan to maintain Essex Elementary.
- ▶ Successfully negotiate a contract with META using IBB.
- ▶ Support implementation of programming that enhances our organizations cultural proficiency and promotes respect and appreciation for individual and cultural differences.
- ▶ Target resources to support the social/emotional needs of students across the District.

# 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



## Considerations In Developing FY20 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

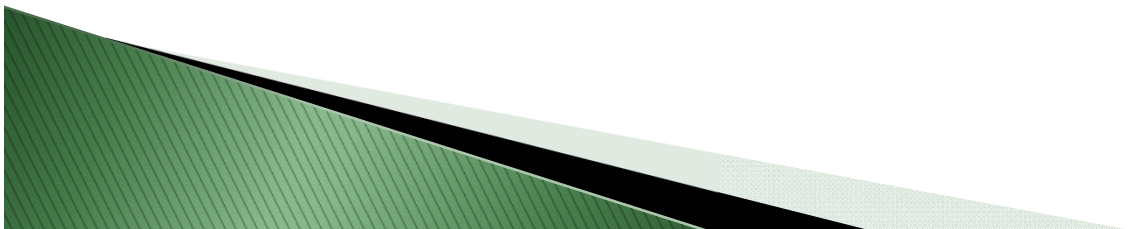
- In-District Programs
- Out of District Placement
- Transportation
- Support Personnel

### Facilities

- Routine Custodial & Maintenance
- Essex Elementary Maintenance Capital Planning
- MSHS Maintenance Capital Planning
- Support Memorial Building Project

# FY20 Operating Budget Overview

- ▶ Initial goal is to provide Level Services at a minimum
  - Maintains same level of program currently in place
  - Due to funding constraints, essential program changes to be funded via identification of efficiencies/restructuring opportunities
  - Cuts made in FY19 have not been restored
  
- ▶ Level funded most categories in FY20 Tentative Budget, with some exceptions:
  - Employee compensation and mandated benefits
  - Transportation
  - Utilities
  
- ▶ Level services budget exceeds available funding, but target is achievable:
  - Current projected deficit of \$350-400K is smaller than this time last year, as insurance picture has stabilized
  - Plan taking shape to bring FY20 budget in line with available resources



# FY20 Operating Budget Drivers

## ▶ Health insurance:

- Assumed rate increase of 8%, in line with market trend, as MERSD's utilization has stabilized
- Collaborative bargaining process on track to yield additional savings

## ▶ Compensation:

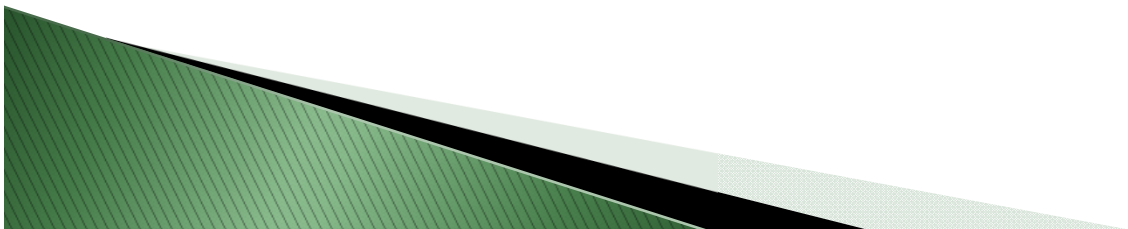
- 2.5% Cost of Living Adjustment (COLA) acknowledges low growth rate in recent years
- Data-informed decision-making on compensation, using statewide information

## ▶ Utilities:

- Recent contract renewals have increased roughly 10%, another by-product of strong economy

## ▶ Transportation:

- 7% contractual increase for regular day transportation, reflecting national trend and 'full employment' in economy
  - Many districts statewide facing driver shortages and rising rates
  - After 4-year avg. annual increase for MERSD contract of 0.5%, the avg. growth for FY18-FY20 has been closer to 12%. Bid option to renew in FY21 at 2.5%, so horizon is in sight.

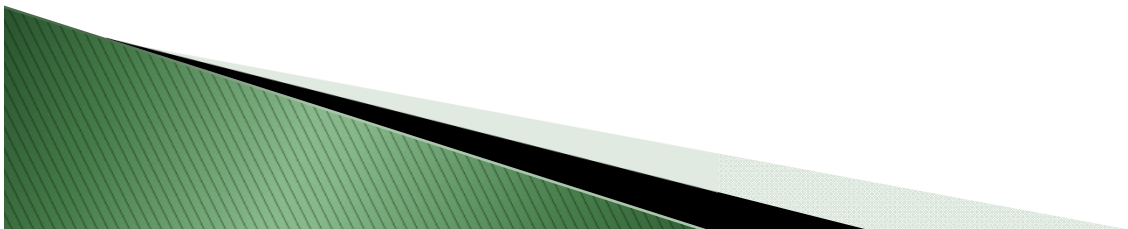


# FY20 Budget Overview

- ▶ FY20 Tentative Operating Budget = \$26.06 million
  - 3.25% (\$821K) spending increase from FY19 budget
  - Relies upon \$380K of yet-to-be-finalized spending efficiencies/reductions
    - By contrast, FY19 Tentative Budget gap was \$900K
  
- ▶ FY20 Operating Assessment Increase = 3.30%
  - Measures cost increase to towns after deducting “Other Revenue” (e.g., State Aid) from spending needs
  - In line with recent assessment increases of 3.29% (FY19), 3.20% (FY18) and 3.32% (FY17)
  - Apportionment split (*to be certified by early March*):
    - \$458,069 increase to MBTS – 3.21%
    - \$272,463 increase to Essex – 3.48%
    - Total operating assessment increase \$730,532 – 3.30%
  
- ▶ FY20 Capital Budget will be impacted by Memorial School project
  - FY20 MSHS debt service of \$2.054 million is \$54K less than FY19 (2.6% decline)
  - MERSD working with both Towns to develop borrowing schedule for \$40 million district-share of new Manchester Memorial Elementary School

# Budget Highlights: Revenue

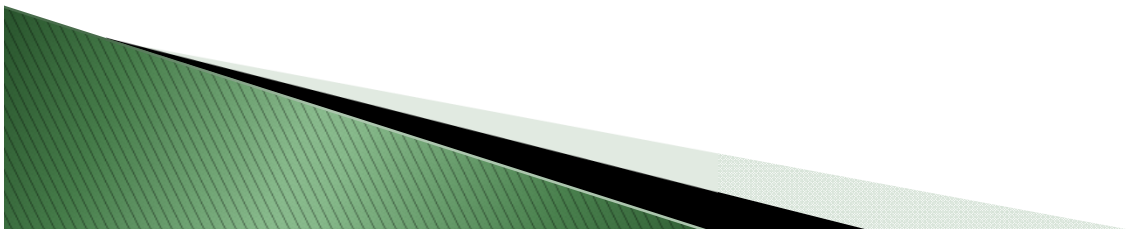
- ▶ 2.9% growth in non-assessment revenue is closer to spending rate (3.25%) leading to narrowing gap between spending and Town Assessment growth (3.30%).
  - Assume 2.1% growth in Chapter 70 (\$63K)
  - Increased Regional Transportation 7.7% (\$10K) to reflect recent historical trend
  - Assume \$50K slight decline in School Choice revenue (to \$325K) to account for graduations.





# Budget Highlights: Spending Detail

	FY19	FY20	% of FY19 Spending	Inc. vs. FY19	
				\$	%
Personnel	\$16,359,200	\$17,032,850	65.35%	\$673,650	4.12%
Insurance & Pension w/ OPEB	\$4,810,553	\$5,168,859	19.83%	\$358,306	7.45%
Maintenance	\$1,549,233	\$1,630,537	6.26%	\$81,304	5.25%
Transportation	\$792,564	\$801,880	3.08%	\$9,316	1.18%
Out-of-District Tuitions	\$613,704	\$742,433	2.85%	\$128,729	20.98%
All Other	\$1,118,651	\$1,068,600	4.10%	(\$50,051)	-4.47%
Reductions to be Identified		(\$380,000)	-1.46%	(\$380,000)	
<b>Total</b>	<b>\$25,243,905</b>	<b>\$26,065,159</b>	<b>100.00%</b>	<b>\$821,254</b>	<b>3.25%</b>



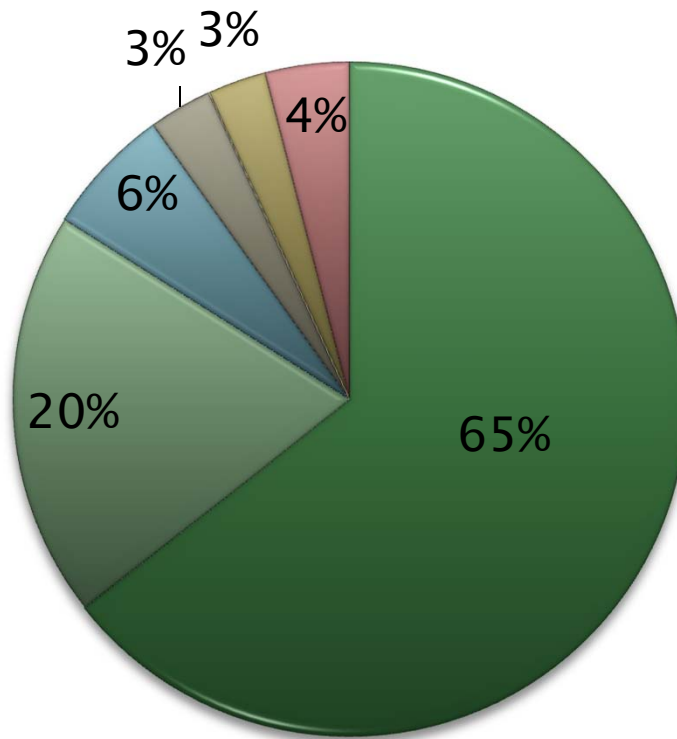
# Budget Highlights: Largest Expenditures

97% of the budget is comprised of five key expenditure categories

- ▶ **Personnel (65.4% of total)**
  - 2.5% COLA recognizes MERSD compensation has not kept pace w/other districts in state:
    - MERSD teacher salaries below statewide average and peer districts
    - Staff has collaborated w/district to share burden of rising health insurance costs, including OPEB
    - With step increases, total personnel expenditures up 4.1%
  - No FTE increase – prior year FTE cuts retained
  
- ▶ **Insurance & Pension w/ OPEB (19.8%)**
  - 8% est. rate growth in line w/market; new plans expected to yield additional, unbudgeted savings
  - Mandated retiree insured headcount now = active employees insured
  - On track for \$2.3 million in total contributions to OPEB Trust through FY20
  
- ▶ **Maintenance (6.3%) :**
  - Budget reflects rising utility rates, despite recent energy efficiency grants/investments at EES and MSHS
  - Facilities capital remains cut to \$60K, below recommended level to address needs of retained buildings
  
- ▶ **Out-of-District (OOD) Tuitions (2.9%)**
  - FY20 student needs and cost in line w/FY19, but Tentative FY20 increase of \$129K reflects reduced prepayments
  
- ▶ **Transportation (3.1%)**
  - Stable OOD picture leads to forecasted decline in special ed transportation, despite rising rates, which will offset 7% increase (\$40K) in bid rate for regular transportation

# Largest Budget Categories

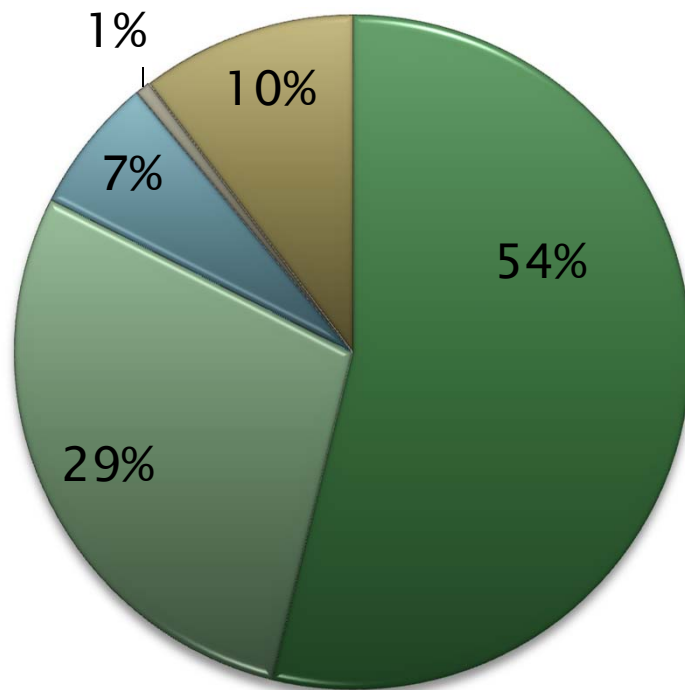
(% of Total Spending - \$26.1 million)



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

# Largest Budget Drivers

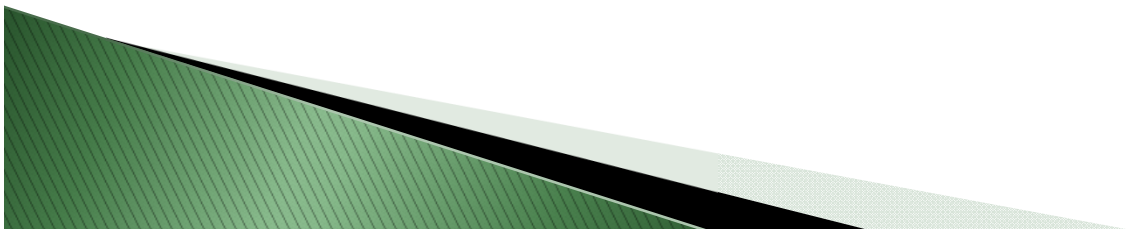
(% of Budget Increase – \$821K)



- Personnel
- Insurance/OPEB
- Maintenance
- Transportation
- Out-of-District
- All Other (0% growth)

# Closing Remaining Budget Gap

- ▶ Options to close remaining budget gap include:
  - Health Insurance – \$175K
    - New plans identified in discussions with META
  - Out-of-District – \$80K
    - Increase prepayments to prior year levels
  - Staffing – \$125K
    - Attrition and declining enrollment allow for savings without impact to program
  - Additional efficiencies/restructuring to be dedicated to restoration of prior year cuts



## Staffing Not Included in Tentative Budget

### Goal - Prioritize & Achieve Level 1 Through Efficiency/Restructuring

Staffing Accomplished In FY19	Staffing Requested FY20
<p><b><u>High School</u></b></p> <ul style="list-style-type: none"> <li>• 1.0 STEM (Enrollment)</li> <li>• 1.0 Humanities (Enrollment)</li> <li>• 1.0 Bridge Counselor</li> </ul> <p><b><u>Middle School</u></b></p> <p>.4 Dean of Students</p> <p><i>All positions achieved by reorganization/restructuring</i></p>	<p><b><u>Level 1: Health, Safety, Legal, Enrollment</u></b></p> <p><b><u>High School</u></b></p> <ul style="list-style-type: none"> <li>• Reinstate 2015 Athletic Director / Assistant Principal Staffing Level               <ul style="list-style-type: none"> <li>• .1 Athletic Director (60% AD / 40% Teaching)</li> <li>• .5 Dean of Students (1.0 Dean of Students)</li> </ul> </li> <li>• .4 PE (enrollment) - Reorganization</li> <li>• .4 Foreign Language - Reorganization</li> <li>• .4 Art Teacher – Reorganization/Reduction</li> </ul> <p><b><u>District</u></b></p> <ul style="list-style-type: none"> <li>• <i>School Resource Officer (Budget Neutral/Partnership with Towns)</i></li> </ul> <p style="text-align: right; color: blue;"><i>Recurring Request</i></p>

# The Problem We Are Trying to Solve

*Request to decrease assessment to the Town of Essex.*

## Obstacles

- ▶ FY18-FY19 Budgets required 1.5M in staff and program reductions to meet assessment goals and manage 28% Health Care increase.
- ▶ FY20 Budget includes 380,000 in reductions to meet 3.3% annual assessment target.
- ▶ Further reductions result in program cuts and enrollment increases.
- ▶ History/Multi-Year Model shows annual Level Service growth rate averages in the mid-to-high 3s.

# Proposed Solution

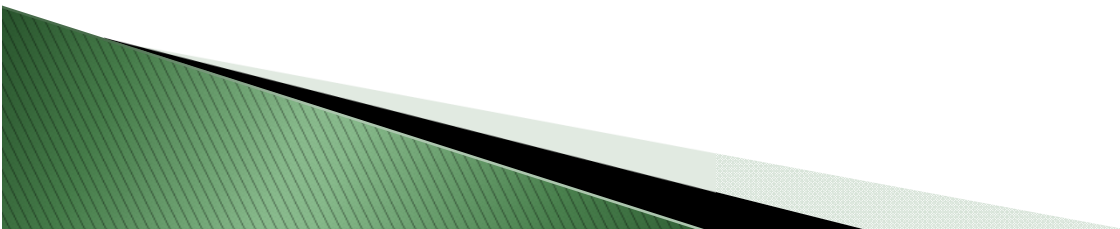
*Utilize \$100,000 of reserves to lower assessments while maintaining current spending levels.*

## Pros

- Preserves current levels of spending while lowering assessments.
- No further cuts
- Higher starting point for next year's budget.
- Money going into reserves from FY18 so no loss to current reserve total.
- Interest income from Memorial School borrowing will allow for reserves to grow.

## Cons

- Reintroduces reserves into the operating budget (likely means we will need to do this for several years).
- Our newly acquired bond rating is based partly on reserves balances. If this becomes a recurring practice, it could impact future ratings.
- Removing reserves from future budget would require need to make-up ground through a correction (higher assessment/override/cuts) in years to come.





# MERSD Reserves Through Time

	Reserves		All Reserve Funds Combined			Balance at End of Fiscal Year			Change from Prior Year		
	GF Budget	% of Budget	Ending Total	Source/(Use)	% Change	School		Undesignated	School		Undesignated
						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	10.8%	\$2,478,608	\$434,035	21.2%	\$1,621,389	\$161,448	\$695,771	\$116,352	\$0	\$317,683
2017	\$23,682,956	12.7%	\$3,018,851	\$540,243	21.8%	\$1,727,535	\$151,948	\$1,139,368	\$106,146	(\$9,500)	\$443,597
2018	\$24,466,844	11.9%	\$2,913,324	(\$105,527)	-3.5%	\$1,621,559	\$0	\$1,291,766	(\$105,977)	(\$151,948)	\$152,398
<i>Unaudited</i>											

# Next Steps

- ▶ Finalize Budget
  - SC Meeting - February 5<sup>th</sup> @ 6:00pm
- ▶ Continue to work with Town Partners to address needs

