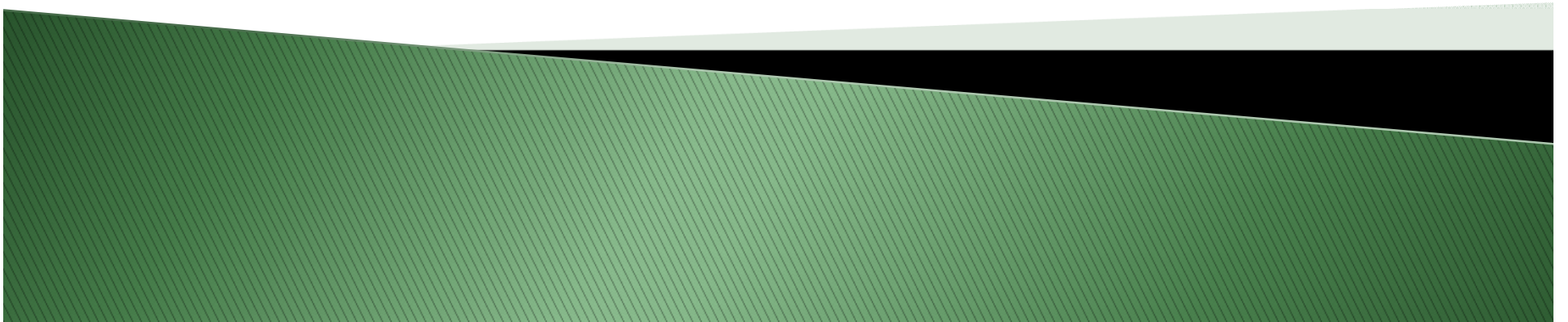
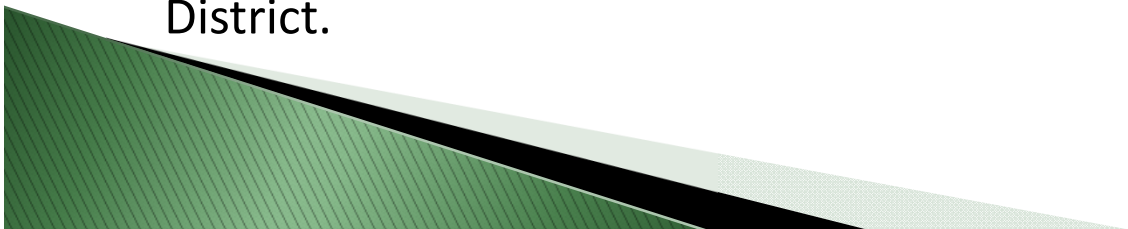


FY21 Budget
Public Hearing
January 28, 2020



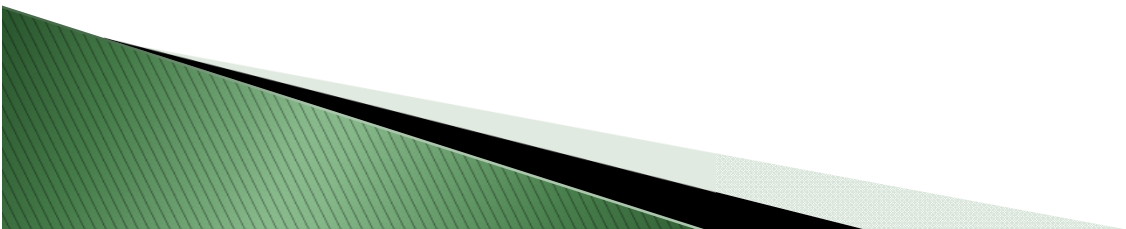
School Committee Goals

- ▶ Develop and deliver a fiscally responsible budget that restores educational quality, supports District goals, recognizes the confines of Proposition 2 ½ and advocates for increased funding for the District.
- ▶ Rebuild Manchester Memorial School on time and on budget and communicate the capital plan to maintain all 3 District schools and assets.
- ▶ Successfully negotiate a contract with META Unit B (Teacher Assistants) using IBB.
- ▶ Support implementation of programming that enhances our organization's cultural proficiency and promotes respect and appreciation for individual and cultural differences.
- ▶ Target resources to support 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 FY21 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

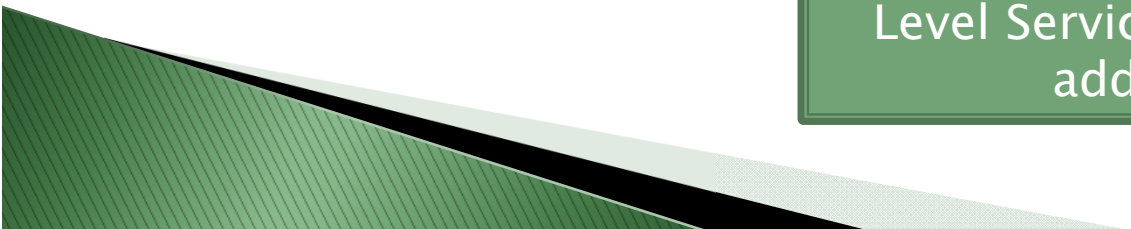
- Routine Custodial & Maintenance
- Essex Elementary Maintenance Capital Planning
- MSHS Maintenance Capital Planning
- Support Memorial Building Project

FY21 Operating Budget Overview

- ▶ Initial goal is to provide Level Services at a minimum
 - Maintains same level of program currently in place
 - Essential program changes historically funded via efficiencies/restructuring due to funding constraints, but few new reduction options remain
 - Cuts made between FY18-FY20 have not been restored

- ▶ Excluding mandated health insurance and special ed. tuitions, FY21 Level Services is affordable within confines of Proposition 2.5:
 - Annual growth excluding these statutory requirements is 3.15%

- ▶ Including all expenses, gap between Level Services and sustainable funding is \$375K+, similar to FY20 Tentative Budget. Options include:
 - Cost saving opportunities and program reductions
 - Increased town contributions
 - Use of one-time reserve funding (short-term solution only)



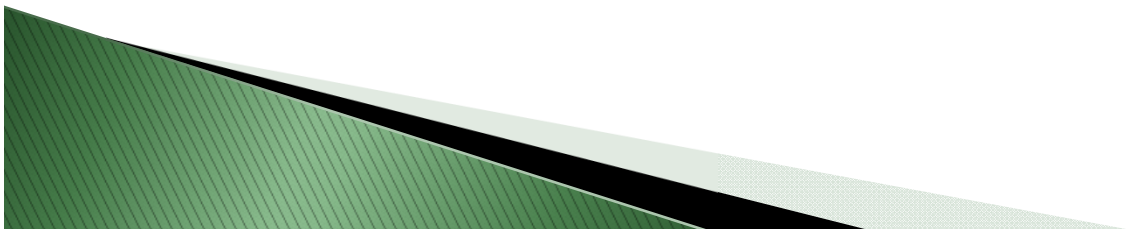
Level Service requires use of reserves or additional town funding.

FY21 Operating Budget Drivers

- ▶ Health insurance: *\$425K (35%) of spending growth*
 - Rate increase estimate of 8.5% (down from 10% in Tentative Budget)
 - Slightly above industry inflation trend of (7-8%) due to manual/non-creditable rate, and extended time/unknowns prior to renewal
 - Some additional savings possible as MERSD's utilization is strong/better-than-average. Monitoring monthly. Each 1% reduction in rate = \$41K.

- ▶ Out-of-District Tuitions: *\$136K (11%) of spending growth*
 - 15% growth in FY21, following 42% in FY20, due to move-ins and four \$100-200K placements
 - Excluding these placements, OOD at historic low, due to MERSD's in-district programming
 - Savings possible, pending outcome of increased Circuit Breaker (State Aid) funding

- ▶ Compensation: *\$646K (53%) of spending growth*
 - 3.83% growth – in line w/multi-year budget model. No new FTE.
 - 2.5% contractual Cost of Living Adjustment (COLA) for FY20-FY22 + 1.6% step/column
 - Limited restructuring opportunities remain.

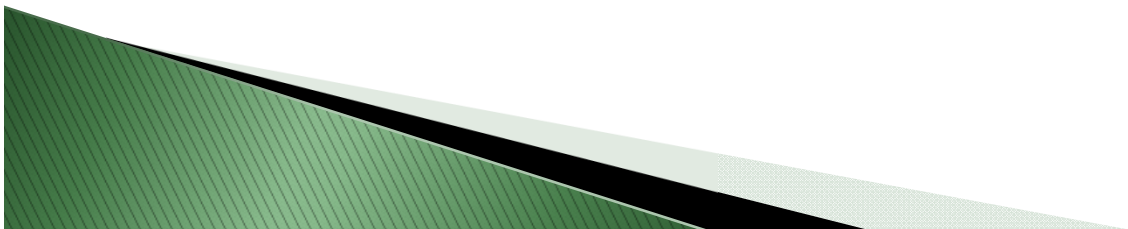


FY21 Budget Overview

- ▶ FY21 Operating Budget = \$27.29 million
 - 4.70% (\$1.23 million) spending increase from FY20 budget
 - 3.15% growth, excluding health insurance and OOD
 - 5-year average spending increase is 3.51%

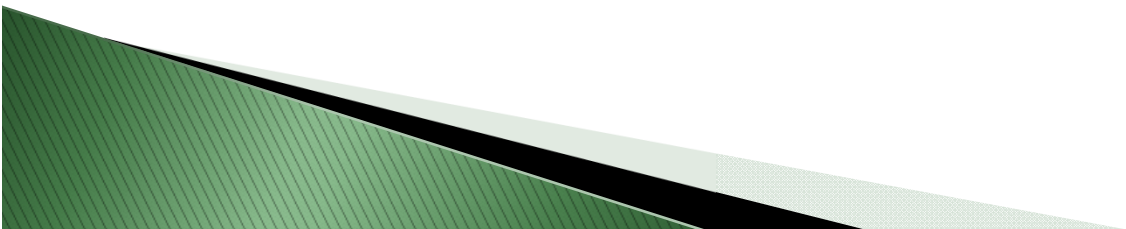
- ▶ FY21 Operating Assessment Increase = 3.64%
 - Measures cost increase to towns after deducting “Other Revenue” (e.g., State Aid) from spending needs
 - Down from 3.84% at Tentative Budget due to use of \$375K in reserve funding
 - 5-year average assessment increase is just 3.26% amidst avg. State Aid increase of 2.26%
 - Each \$100K of reserve funding reduces joint town assessment by 44 basis points (0.44%)

- ▶ FY21 Capital Budget = \$4.2 million (down 1.5%)
 - Second year of Memorial School project debt
 - Potential for modest additional savings pending opportunity to refinance 16% of MSHS debt



Budget Highlights: Revenue

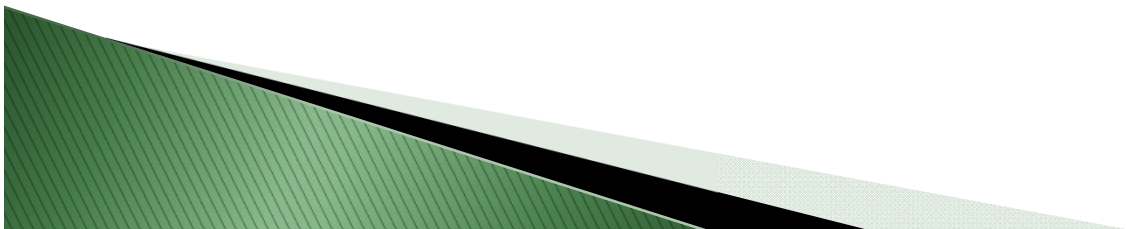
- ▶ 3.7% growth in non-assessment revenue excluding reserves
 - Recent growth has been much lower, but new State Aid program expected in FY21
 - Increased Reg. Transportation aid to \$175K (25%) to reflect recent trend
 - \$55K estimate for new, phased OOD transportation reimbursement
 - Assume only minimum Chapter 70 increase (1.6%) as new aid is targeted to urban districts
 - Assume flat School Choice revenue (\$325K) accounting for large number of graduations
 - Assumes replacement of all graduates (12)



Budget Highlights: Spending Detail

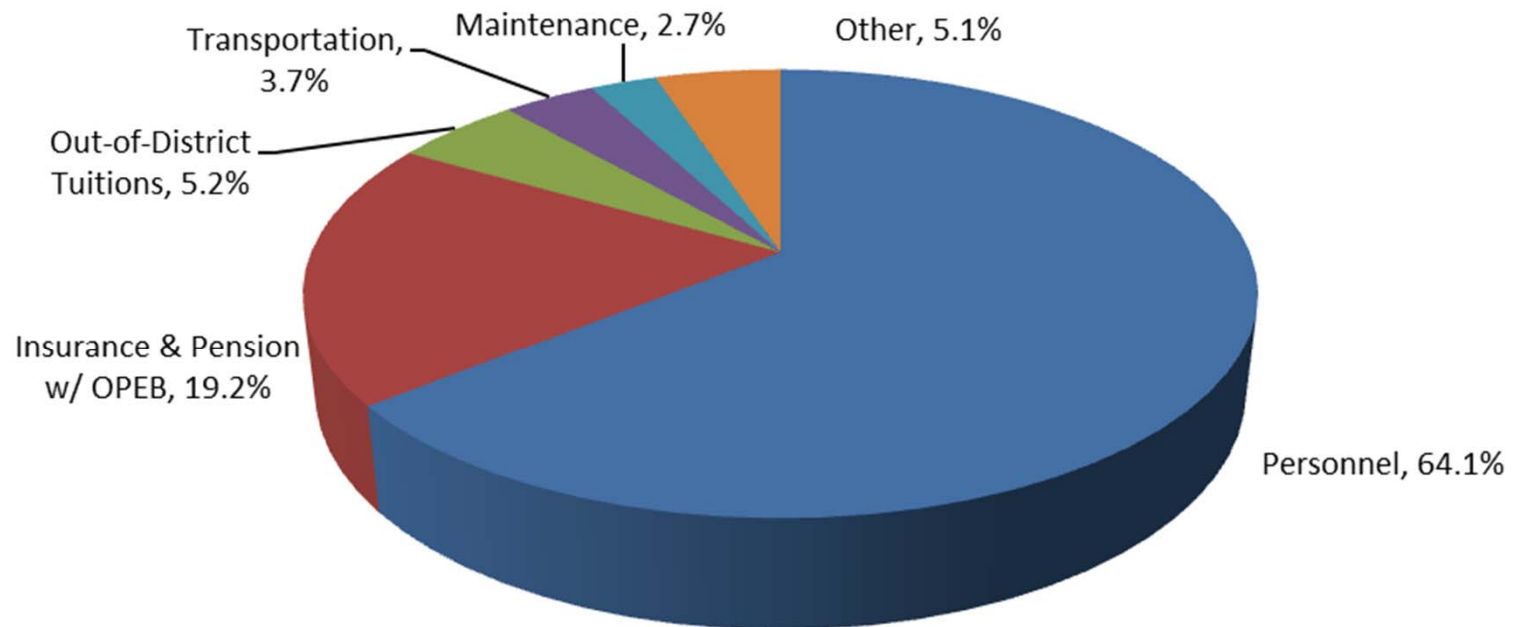
					Inc. vs. FY20	
	FY20	FY21	% of FY21 Spending		\$	%
Personnel	\$16,859,721	\$17,505,480	64.15%		\$645,759	3.83%
Insurance & Pension w/ OPEB	\$4,798,859	\$5,236,975	19.19%		\$438,116	9.13%
Maintenance	\$1,380,225	\$1,405,776	5.15%		\$25,551	1.85%
Transportation	\$767,855	\$735,874	2.70%		(\$31,981)	-4.16%
Out-of-District Tuition	\$884,863	\$1,020,477	3.74%		\$135,614	15.33%
Other	\$1,373,421	\$1,385,719	5.08%		\$12,298	0.90%
Total	\$26,064,944	\$27,290,301	100.00%		\$1,225,357	4.70%

95% of spending is from largest 5 categories

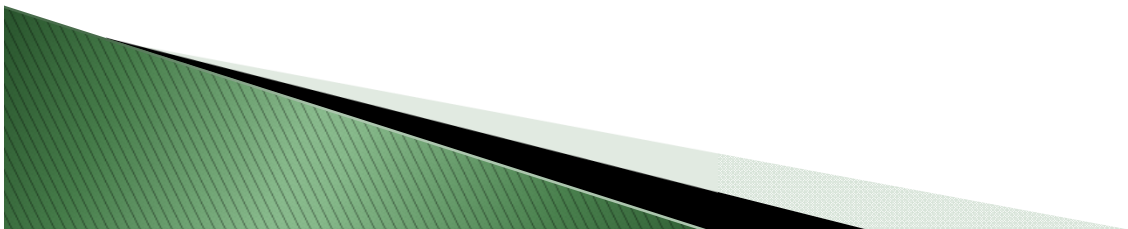


Largest Budget Categories

(% of Total Spending – \$27.3 million)

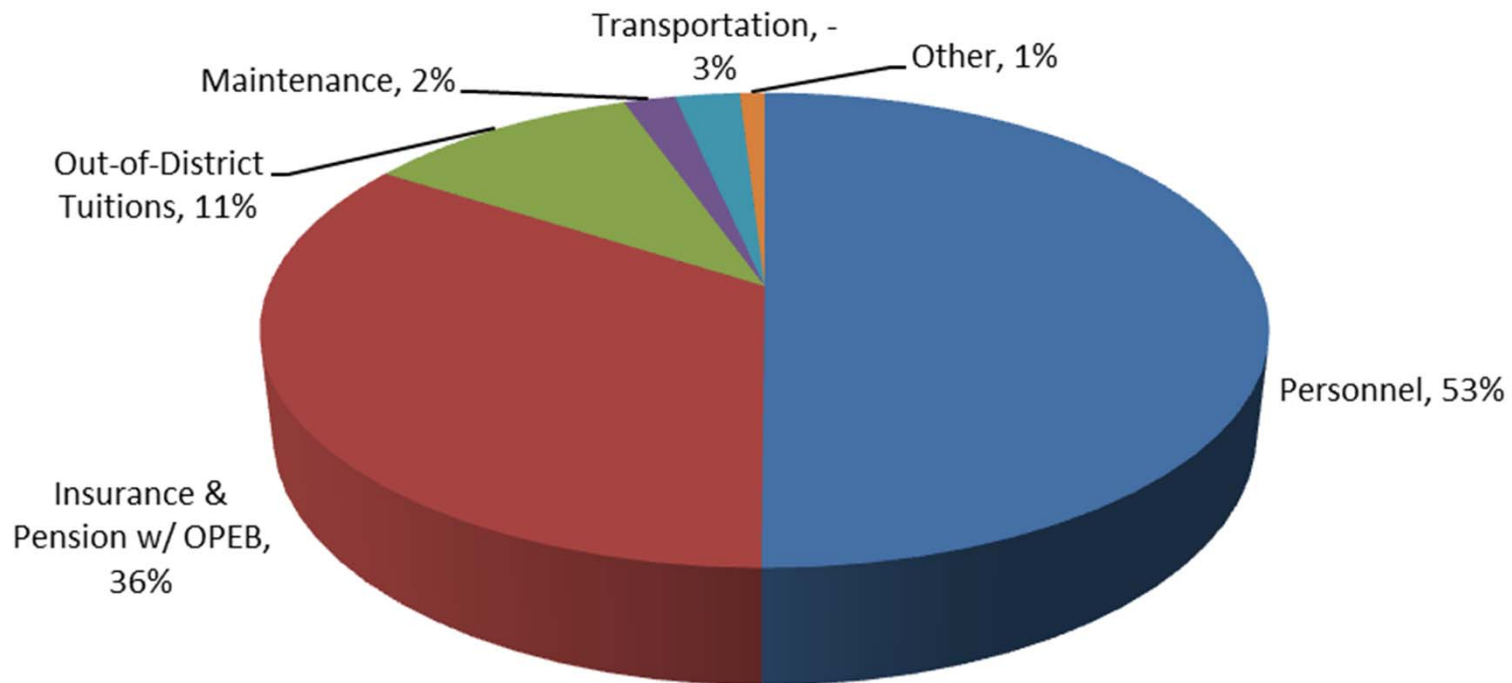


>95% of spending from 5 categories



Largest Budget Drivers

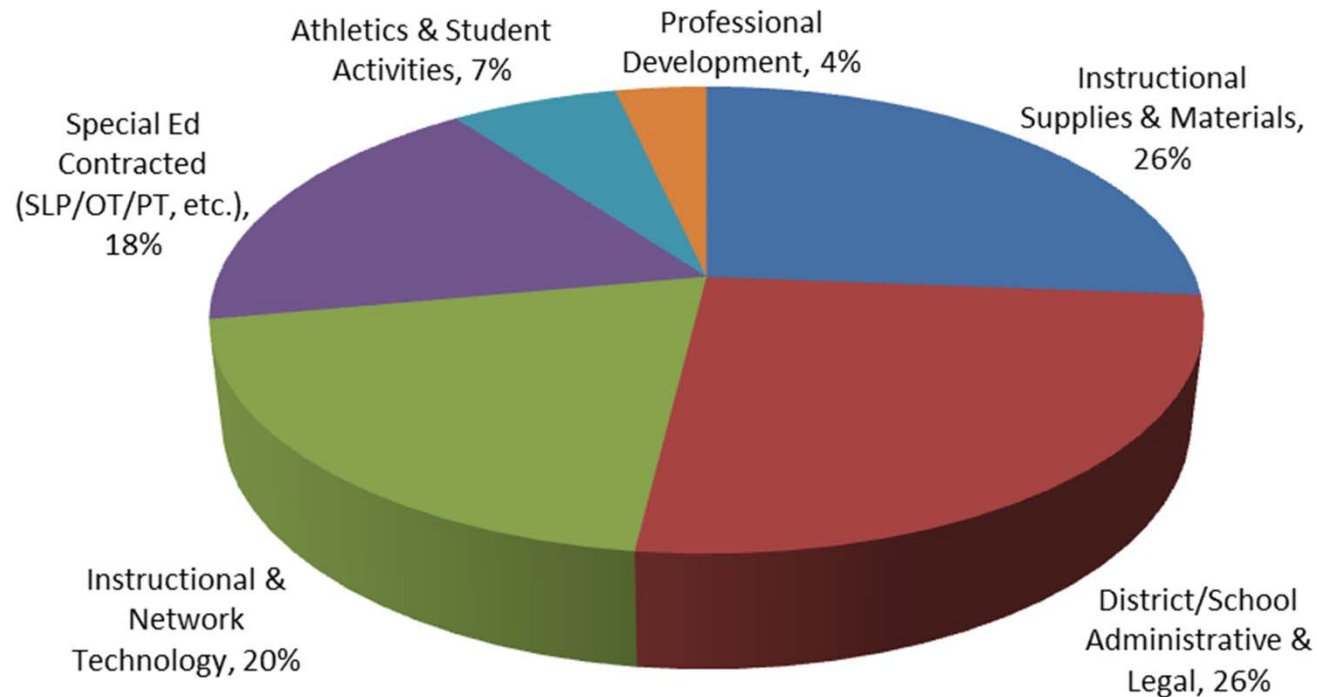
(% of Budget Increase – \$1.0 million)



99% of FY21 growth is from personnel, benefits and OOD

Composition of “Other” Expenses

(5.1% of FY21 Budget)



% shown = % of \$1.4 million “Other” categories

Staffing Not Included in Budget

All New Staffing Deferred to FY22 Unless Met through Reorganization

Staffing Accomplished In FY20	<u>Deferred</u> Staffing Requested FY21
<p><u>Level 1: Health, Safety, Legal, Enrollment</u></p> <p><u>High School</u></p> <ul style="list-style-type: none"> Reinstate 2015 Athletic Director / Assistant Principal Staffing Level <ul style="list-style-type: none"> .1 Athletic Director (60% AD / 40% Teaching) .5 Dean of Students (1.0 Dean of Students) .4 PE (enrollment) .4 Foreign Language (enrollment) .4 Art Teacher (enrollment) <p><u>District</u></p> <ul style="list-style-type: none"> School Resource Officer (After Budget/Partnership with Towns) <p><u>Memorial</u></p> <ul style="list-style-type: none"> 1.0 Inclusion Specialist <p><u>Level 2: Best Practice/Expanded Effort</u></p> <p><u>Middle School</u></p> <ul style="list-style-type: none"> IRWL Reading Specialist 	<p><u>Level 1: Health, Safety, Legal</u></p> <p><u>District</u></p> <ul style="list-style-type: none"> 0.2 Physical Therapist <p><u>MERHS</u></p> <ul style="list-style-type: none"> 0.2 Speech and Language <p><u>Level 1.5: Enrollment / Class Size / Caseload</u></p> <p><u>District</u></p> <ul style="list-style-type: none"> 0.8 IRWL Program Reading Teacher (Memorial) <p><u>Level 2: Best Practice</u></p> <p><u>MERHS</u></p> <ul style="list-style-type: none"> 1.0 School Adjustment Council <p><u>MMES</u></p> <ul style="list-style-type: none"> 1.0 Special Education Inclusion Teacher <p><u>Level 3: Best Practice/Expanded Effort</u></p> <p>High School</p> <ul style="list-style-type: none"> .4 AD/DH Specialists <p>Middle School</p> <ul style="list-style-type: none"> .2 Music <p>EES</p> <ul style="list-style-type: none"> 1.0 Math specialist 1.0 Math interventionist

Closing Remaining Budget Gap

- ▶ Options to close remaining budget gap include:
 - Health Insurance – potentially \$60K
 - Current assumption 8.5% renewal rate. \$60K savings assumes renewal at industry trend (7%)
 - Renewal below trend may be possible. Still too early to presume this will materialize.
 - Staffing - \$0
 - 60K savings since Tentative Budget based on retirement estimates.
 - Small restructuring opportunities exist without impact to program. Restructuring to result in reinvestment in high priority staffing needs.
 - FTE reductions no longer an option
 - Reserves - \$375K
 - \$275K Level Services Deficit + \$100K Carry Forward from FY20
 - Other Revenue
 - Awaiting Final State Aid formulas and projections (Circuit Breaker and OOD Transportation Reimbursement)



Obstacles

- ▶ FY18-FY19 Budgets required 1.5M in staff and program reductions to meet assessment goals and manage 28% Health Care increase.
- ▶ FY20 Budget included 380,000 in reductions to meet 3.3% annual assessment target and the use of \$100K of reserves to lower assessment for Essex.
- ▶ FY21 Budget has a \$375K gap to maintain level services.
- ▶ History/Multi-Year Model shows annual Level Service growth rate averages in the mid-to-high 3s.

Cuts to Close Budget Gaps: FY18-20	FY18 Actual	FY19 Actual	FY20 Budget	
Tuition Prepay	\$50,000		\$80,000	
Implement M5 Hiring Cap	\$65,000	\$65,000	\$65,000	
Reduce Building Based Expenses	\$40,000			
Cut Small/Cap Annual Budget	\$40,000			
<i>Defer EERB Pension Repay Set-Aside</i>	\$50,000			
Reduce OOD	\$100,000		\$200,000	
Staff Reduction through attrition		\$354,000	\$125,000	
<i>50% Reduction Overtime/Summer work - all departments</i>		\$60,000		
Eliminate Late Buses		\$5,000		
HS Student Activity Cut		\$20,000		
IDEA Grant Reorganization		\$17,000		
Full Day K on Wednesdays/Eliminate Transportation Cost		\$8,000		
<i>Reduce Custodial Supply Line</i>		\$7,500		
Eliminate Crossing Guard Fund		\$4,500		
<i>Administrative Support (retirement)</i>		\$5,000		
Reduce Nurse Substitute Line		\$3,000		
Solar Savings		\$10,000		
Essex Green Grant Upgrades		\$10,000		
Health Care Restructure			\$175,000	
Spending Cuts	\$345,000	\$569,000	\$645,000	Total Cuts \$1,559,000
Increased Revenue				
School Choice Revenue Increase	\$105,000			
Use of Reserves to Reduce Assessment			\$100,000	
Total Revenue Offsets	\$105,000	\$0	\$100,000	Total Reduction
Total Reductions	\$450,000	\$569,000	\$745,000	\$1,764,000

Projected Town Assessments

	2019-2020 Budget	% Inc. vs. Prior Budget	2020-2021 Budget	\$ Increase vs. Prior Budget	% Inc. vs. Prior Budget
Manchester	\$14,668,257	2.76%	\$15,164,166	\$495,909	3.38%
Essex	\$8,073,441	3.02%	\$8,404,622	\$331,181	4.10%
	\$22,741,698	2.85%	\$23,568,788	\$827,090	3.64%

\$114K in spending = 0.5% reduction to assessment percentage.

Stable Budget & Assessment Growth

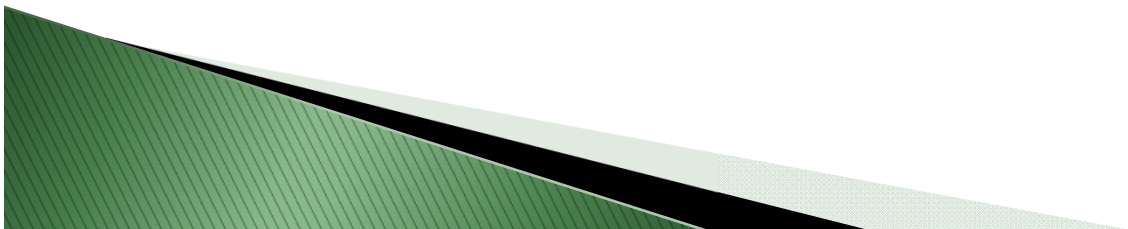
Spending Growth	FY-09	FY-10	FY-11	FY-12*	FY-13	FY-14	FY-15	FY-16**	FY-17	FY-18	FY-19	FY-20	FY-21
Tentative Budget	NA	NA	9.90%	3.24%	4.95%	6.04%	5.76%	3.00%	3.42%	3.73%	3.18%	3.25%	3.83%
Final Budget	2.96%	4.20%	4.22%	1.27%	4.98%	3.92%	3.53%	6.52%	3.14%	3.31%	3.18%	3.25%	TBD

Assessment Growth	FY-09	FY-10	FY-11	FY-12	FY-13	FY-14	FY-15	FY-16	FY-17	FY-18	FY-19	FY-20	FY-21
Tentative Budget	NA	NA	12.61%	6.38%	5.74%	6.89%	6.90%	3.80%	3.63%	3.68%	3.29%	3.30%	3.85%
Final Budget	4.68%	5.18%	4.00%	0.18%	2.50%	3.26%	3.50%	8.99%	3.32%	3.20%	3.29%	2.85%	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)*

- 5-year average annual growth:
 - Budget/spending: 3.51%
 - Operating assessment growth of 3.26%



Identified Capital Needs: 1 – 5 Years

Preliminary Assessment

			Placeholder	
School	Item	Priority	Cost Est.	Timeframe (Years from Now)
EES	Eagles' Nest Replacement	High	\$250-300K	Summer 2020
MSHS	Hyland Field turf replacement	High	\$500,000	Summer 2021
EES	Back up boiler	High	\$100,000	1-3 years, pending repair option
EES	Heating distribution repairs (classroom univents)	High	\$25,000	Split over 1-5 years
MSHS	Flooring - MS pods	High	\$36,000	In progress. Split over 2-3 years
MSHS	Flooring - auditorium carpet	High	\$24,000	1-3 years
EES	Classroom shades	High	\$15,000	1-3 years
EES	Heating controls	High	\$100,000	1-3 years - potential grant
EES	Security updates	High	TBD	Match scope from MMES project
MSHS	Security updates	High	TBD	Match scope from MMES project
EES	Repave hot top play asphalt pay surface	Medium	\$15,000	Following playground
MSHS	Brook Street Field turf replacement	Medium	\$500,000	3-5 years
MSHS	Flooring - Learning Commons	Medium	\$30,000	3-5 years
MSHS	Furniture - Library tables and classroom chairs	Medium	\$100,000	2-4 years
MSHS	Tractor replacement	Medium	\$45,000	3-5 years
EES	Envelope Repairs (soffits, window frames, stairs)	Medium	\$20,000	Split over 1-5 years
EES	Kitchen Equipment	Medium	\$30,000	Pending contractor review
MSHS	Sand/repaint gym floor	Medium	\$30,000	3-5 years
MSHS	Painting	Medium	TBD	Annual budget is touch up only
		Total	\$1,870,000	

Financial Reserves – Historical

- Flat in FY19, excluding non-recurring inflows (construction interest, footbridge insurance reimbursement)
- Moving funds to stabilization to cover impending capital needs (turf replacement, Eagles' Nest, EES heating, MSHS)

		Reserves	All Reserve Funds Combined			Balance at End of Fiscal Year			Change from Prior Year		
						School		Undesignated	School		Undesignated
	GF Budget	% of Budget	Ending Total	Source/(Use)	% Change	Choice	Stabilization	GF Balance	Choice	Stabilization	GF Balance
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	(\$105,528)	-3.5%	\$1,621,558	\$0	\$1,291,766	(\$105,977)	(\$151,948)	\$152,398
2019	\$25,243,906	13.5%	\$3,402,041	\$488,718	16.8%	\$1,489,176	\$170,283	\$1,742,582	(\$132,382)	\$170,283	\$450,816
Unaudited							\$318,826	(\$318,826)	Move Construction Interest to Stabilization		
		(Less: Construction Interest)		(\$318,826)			\$489,109	\$1,423,756	Balance Adj. for MMES Construction Interest		
		(Less: Footbridge Ins. Reimbursement)		(\$170,283)							
	Net FY19 Change in Reserves fr. Operating			(\$392)							

Next Steps

- ▶ Finalize Budget
 - SC Meeting – February 4th @ 6:30pm
- ▶ Continue to Monitor Budget Inputs
 - Check assumptions and projections
 - State Aid, Health, Staffing, Out of District
 - Meet with Town Boards as needed
- ▶ Should additional revenue or savings materialize SC will need to determine whether to reduce assessments or amount of reserves used.

Check out MERSD's historical budgets at www.mersd.org or at www.cleargov.com