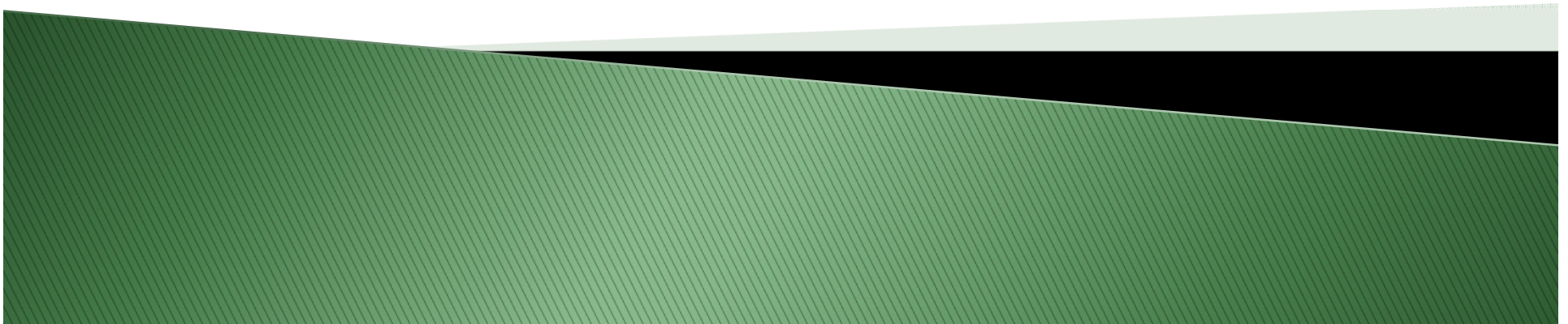


FY22 Tentative Budget
Presentation to MERSD School Committee
December 1, 2020



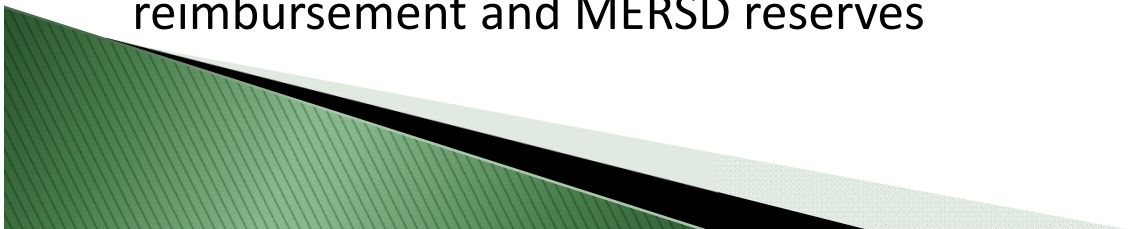
FY22 Operating Budget Overview

- ▶ Initial goal is to provide Level Services at a minimum
 - Maintains same level of program currently in place (*excluding temporary COVID response*)
 - Essential program changes historically funded via efficiencies/restructuring due to funding constraints, but few new reduction options remain
 - Cuts made between FY18-FY21 have not been restored

- ▶ Excluding forecasted growth in mandated health insurance and special ed. transportation, FY22 Level Services is affordable, within Proposition 2.5:
 - Annual growth excluding these statutory requirements is 3.27%

- ▶ Gap between Level Services and sustainable funding is \$611K in Tentative Budget (\$335K repeat use of E&D + \$276K anticipated adjustments). Options include:
 - Cost saving opportunities and program reductions
 - Increased town contributions
 - Use of one-time reserve funding (short-term solution only)

- ▶ COVID costs in FY-21 continue to be funded by CARES Act, anticipated FEMA reimbursement and MERSD reserves



FY22 Operating Budget Drivers

- ▶ **Compensation: \$697K (61%) of spending growth**
 - 4.01% growth – at high end of multi-year budget scenarios. No new FTE.
 - 2.5% contractual Cost of Living Adjustment (COLA) for FY20-FY22 + 1.5% est. step/column
 - Savings possible pending retirements. Limited restructuring opportunities remain.

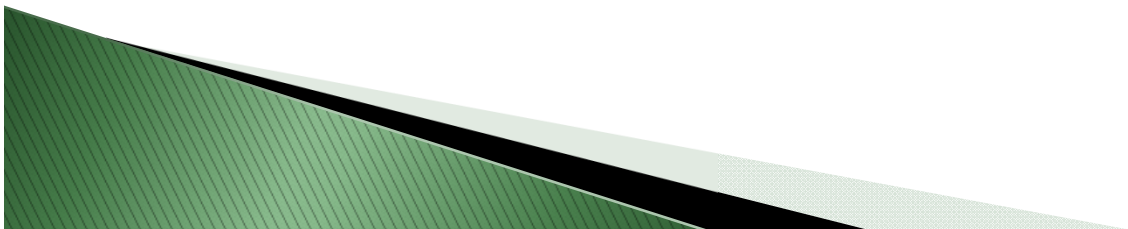
- ▶ **Health insurance: \$337K (30%) of spending growth**
 - Initial rate increase estimate of 6%, based slightly below medical trend
 - Migration to Health Reimbursement Accounts (HRA) has improved cost and utilization
 - Savings possible as MERSD's preliminary utilization (through July) is strong/better-than-average. Monitoring monthly. Each 1% reduction in rate = \$43K
 - Continued growth in retirees covered (164), now greater than active employees (159)

- ▶ **Out-of-District (OOD) Tuition/Transportation: \$201K (18%) of spending growth**
 - Tuition stable (\$50K/6% growth) following significant uptick in FY20, FY21, related to move-ins and residential placements (5 current placements >\$100K/yr).
 - \$150K est. transportation growth, due to disparate program locations
 - Circuit Breaker (CB) aid has grown, but State has delayed reimbursing OOD transportation.

FY22 Budget Overview

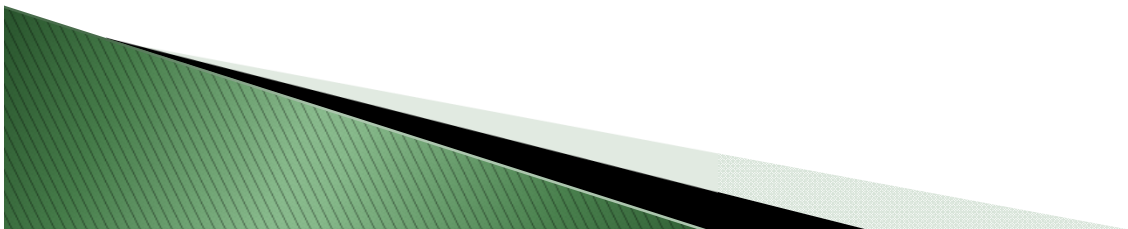
- ▶ FY22 Tentative Operating Budget = \$27.95 million
 - 4.25% (\$1.14 million) spending increase from FY21 budget
 - Requires \$611K of yet-to-be-finalized spending efficiencies/reductions
 - Prior Tentative Budget gaps: \$430K FY21, \$380K FY20, \$900K FY19
 - Only \$275K of \$611K gap is new; \$335K is carry-forward of FY21 reserve revenue commitment

- ▶ Preliminary FY22 Operating Assessment Increase = 3.75%
 - Measures cost increase to towns after deducting “Other Revenue” (e.g., State Aid) from spending needs
 - High end of MERSD’s sustainable multi-year budget range
 - 5-year average assessment increase is just 3.17% amidst avg. State Aid increase of 2.0%.
 - Assume FY22 Chapter 70 level with FY21 expected, up 10% from FY21 budget



Budget Highlights: Revenue

- ▶ 7.7% growth in non-assessment revenue, well above spending rate, reducing pressure on Town Assessments.
 - New State Aid program remains on hold amidst COVID uncertainty
 - But FY21 expected is level with FY20 actual; budget had conservatively assumed 10% cut, which has not materialized
 - Transportation Aid picture still uncertain due to COVID impacts
 - Assume \$325K School Choice revenue, flat w/FY21 budget as offset to spending.
 - Actual FY21 intake did not replace 12 graduating students from Class of 2020 due to COVID/classroom capacity concerns
 - These 12 student plus 5 graduating in FY21 would need to be replaced in FY22



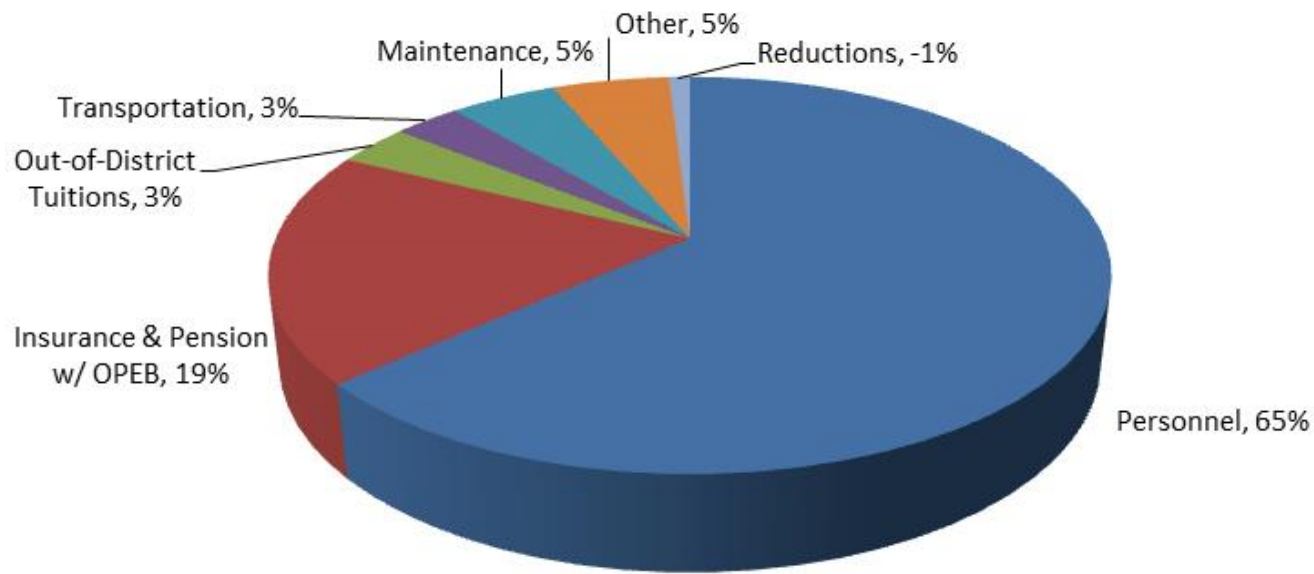
Budget Highlights: Spending Detail

	FY21	FY22	% of FY21 Spending	Inc. vs. FY21	
				\$	%
Personnel	\$17,371,981	\$18,069,451	64.64%	\$697,470	4.01%
Insurance & Pension w/ OPEB	\$5,012,988	\$5,400,530	19.32%	\$387,541	7.73%
Maintenance	\$1,401,775	\$1,389,775	4.97%	(\$12,000)	-0.86%
Transportation	\$710,874	\$879,089	3.14%	\$168,214	23.66%
Out-of-District Tuitions	\$909,377	\$959,709	3.43%	\$50,332	5.53%
Other	\$1,408,719	\$1,532,240	5.48%	\$123,521	8.77%
Reductions to be Identified		(\$275,894)	-0.99%	(\$275,894)	
Total	\$26,815,714	\$27,954,899	100.00%	\$1,139,185	4.25%

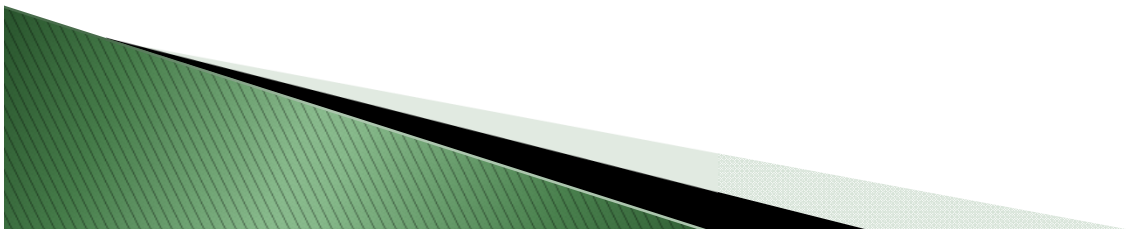
- *95% of spending is from largest 5 categories*
- *\$70K of growth in "Other" relates to addition of School Resource Officer contract*

Largest Budget Categories

(% of Total Spending – \$27.95 million)

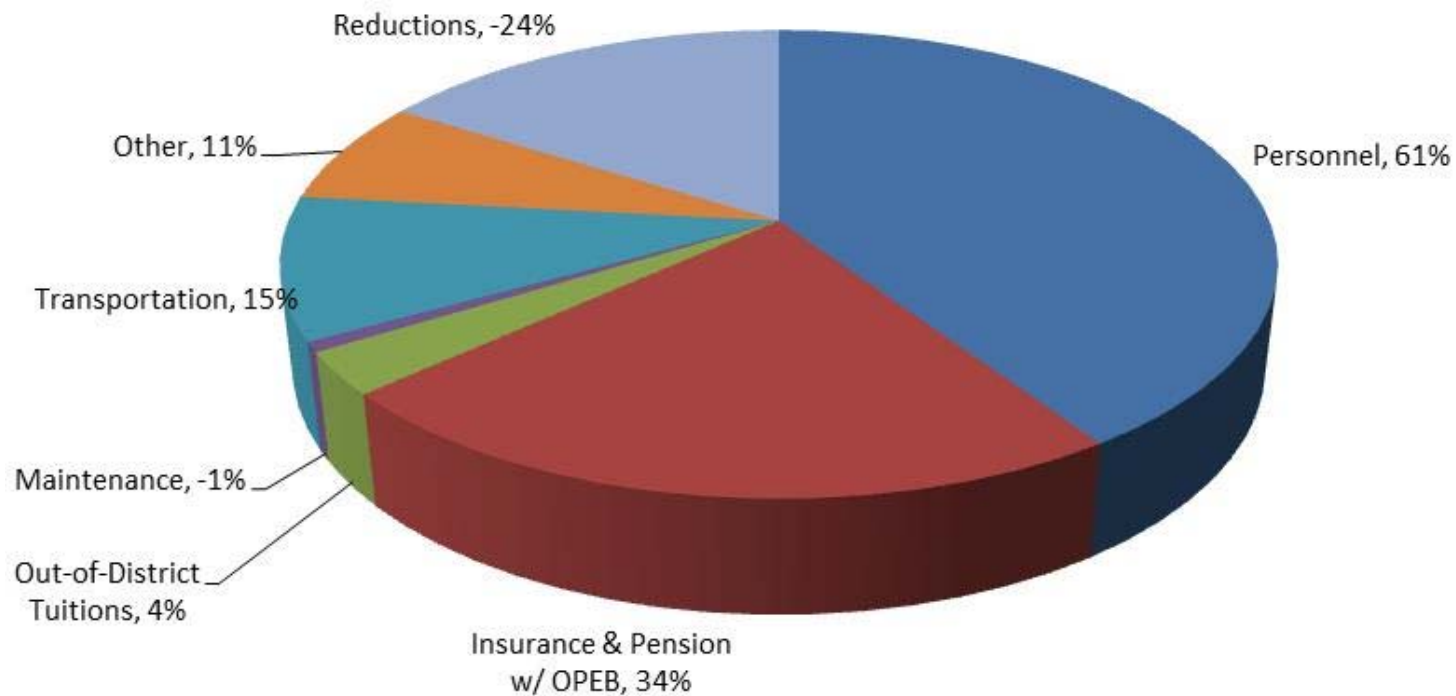


95% of spending from 5 categories



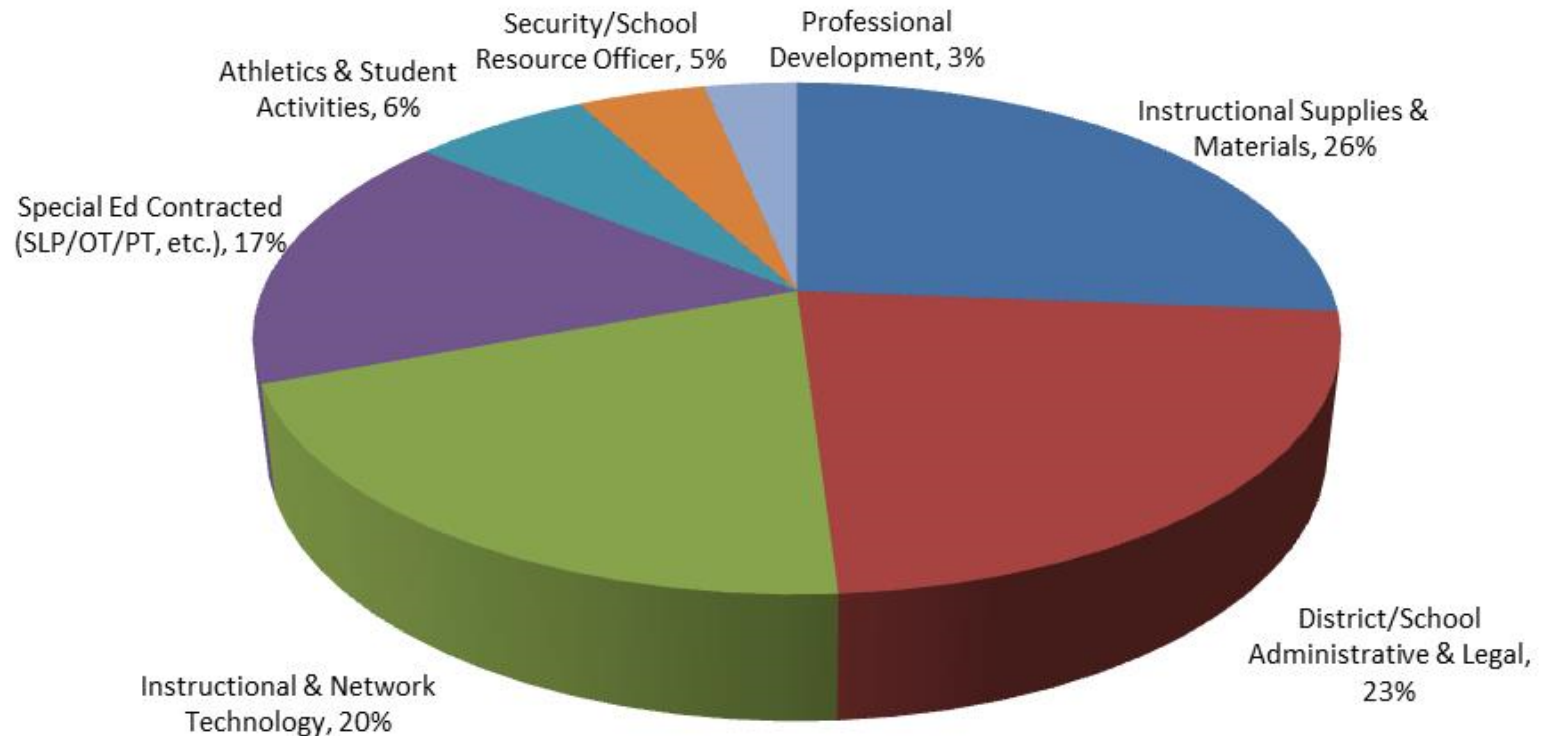
Largest Budget Drivers

(% of \$1.1 million budget increase)



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

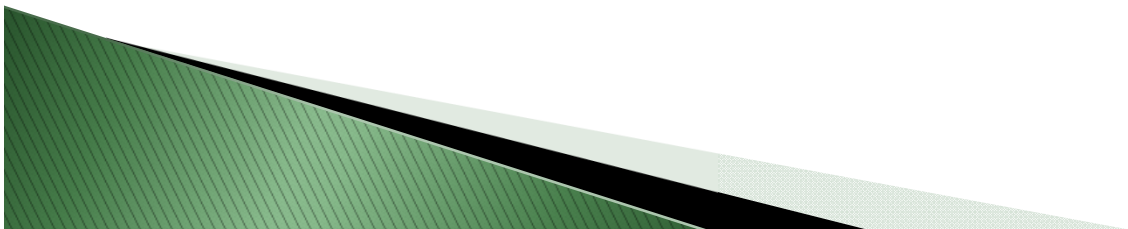
Composition of “Other” Expenses *(\$1.5 million total – 5.5% of FY22 Budget)*



% shown = % of \$1.5 million “Other” categories

Closing Remaining Budget Gap

- ▶ Options to close remaining budget gap include:
 - Health Insurance – potentially \$130K
 - Current utilization < industry trend; HRA savings has been significant; still too early to predict; monitoring monthly
 - Staffing – \$ TBD
 - Retirements not yet known, but some are expected.
 - Restructuring opportunities may exist but need further review and may not generate net savings
 - FTE reductions still not an advisable option



Next Steps

▶ Public Input

- 1st FY22 Budget Hearing – December 9th @ 7:00pm
- 2nd FY22 Budget Hearing – January 26th @ 7:00pm

▶ Fine Tuning – December/January

- Check assumptions and projections
- Identify areas for generating funds to close gaps and consider meet unmet needs
- Meet with Town Boards as needed

▶ Finalize Budget

- SC Meeting – February 2nd @ 6:00pm

