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-thanaverage. 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

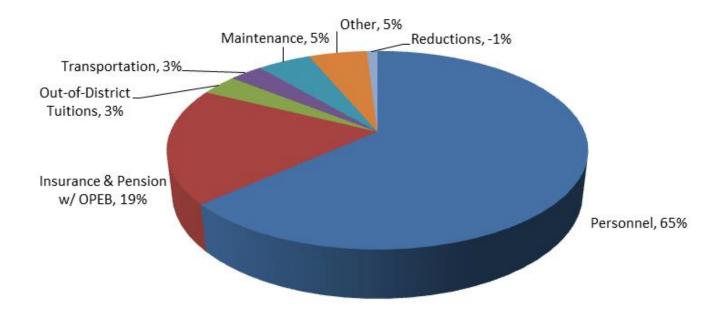
Budget Highlights: Spending Detail

			0/ of EV21	Inc. vs. FY21		
	FY21	FY22	% of FY21 Spending	\$	%	
Personnel	\$17,371,981	\$18,069,451	64.64%	\$697,470	4.01%	
Insurance & Pension w/						
ОРЕВ	\$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	e 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

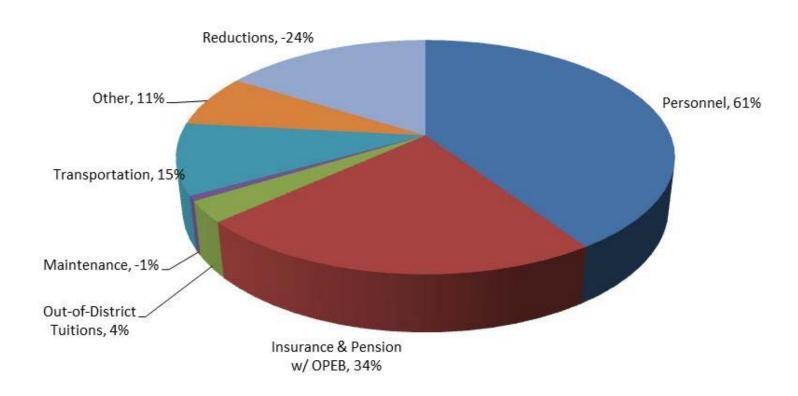
(% of Total Spending - \$27.95 million)



95% of spending from 5 categories

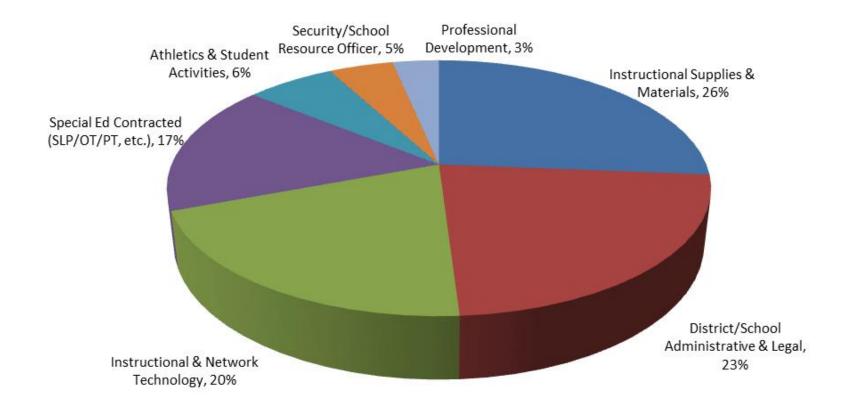
Largest Budget Drivers

(% 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

Financial Reserves - Historical

- FY20 COVID savings funded portion of FY21 reserve usage in operating budget.
- Moving funds to stabilization to cover impending capital needs (Eagles' Nest, turf replacement, EES heating, MSHS, EES tech/security)

						Balan	ce at End of Fi	scal Year	Cha	ange from Prio	r Year	
		Reserves	All Reserve Funds Combined		School		Undesignated	School)	Undesignated		
	GF Budget	% of Budget	Ending Total	Source/(Use)	% Change	Choice	Stabilization	GF Balance	Choice	Stabilization	GF Balance	
2	009 \$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	
2	10 \$17,904,405	10.6%	\$1,899,711	\$290,664	18.1%	\$1,295,864	\$167,290	\$436,557	\$279,498	\$0	\$11,166	
2	11 \$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)	
2	12 \$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	
2	13 \$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)	
2	14 \$20,854,407	8.5%	\$1,781,679	(\$342,764)	-16.1%	\$1,295,512	\$161,448	\$324,719	(\$145,544)	\$0	(\$197,220)	
2	15 \$21,555,355	9.5%	\$2,044,573	\$262,894	14.8%	\$1,505,037	\$161,448	\$378,088	\$209,525	\$0	\$53,369	
2	16 \$22,961,205	10.8%	\$2,478,608	\$434,035	21.2%	\$1,621,389	\$161,448	\$695,771	\$116,352	\$0	\$317,683	
2	17 \$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	
2	18 \$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	
2	19 \$25,243,906	13.3%	\$3,349,622	\$436,299	15.0%	\$1,489,176	\$0	\$1,860,446	(\$132,382)	\$0	\$568,680	
							\$489,109	(\$489,109)	9) Construction Int. & Footbridge to Stabilization			
		(Less: Constr	ruction Interest)	(\$318,826)			\$489,109 \$1,371,337 Balance Adj. for Stabilization Transfe				ransfers	
	(Less:	Footbridge Ins. Reimbursement)		bursement) (\$170,283)								
	Net FY19 (Change in Reserv	es fr. Operating	(\$52,810)								
FY20	st. \$26,064,946	15.6%	\$4,065,140			\$1,488,000	\$489,109	\$2,088,031	(\$1,176)	\$489,109	\$227,585	\$715,5
Less Stabilization Fund = Committed to Facilities (\$970,803)					\$481,694	(\$481,694)						
Less Commitment to FY21 Operating (\$335,000)				\$1,488,000	\$970,803	\$1,606,337	(\$1,176)	\$970,803	(\$254,109)	\$715,5		
FY20, Adjus	ed \$26,064,946	10.6%	\$2,759,337									
								FY20 Interest Income		\$481,694		
										FY20 Savings	\$233,824	
11111111111	AVAIIIIIIIII								Total Re	serve Change	\$715,518	

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