

# FY22 Tentative Budget

December 9, 2020

# School Committee Goals

- ▶ Provide for the health and safety of students and faculty while maintaining the robust educational program MERSD and our member towns value, specifically during the COVID crisis.
- ▶ Manage the District's budget and budget reserves, allocating resources for both near- and long-term financial health of the District.
- ▶ Continue to manage the construction of the new Memorial School, ensuring it remains on time and on budget. Ensure parity between Essex Elementary School and Memorial School in key facility-related areas in order to maintain educational parity (technology, security, and playground). Plan and execute construction of the Essex Eagle's Nest playground.
- ▶ Stand up the appropriate working groups and establish goals and benchmarks to address the commitment of the School Committee made in adopting the anti-racist policy.
- ▶ *Resolved: that Manchester Essex Regional School District and the school districts in the Commonwealth must guarantee that racist practices are eradicated, and diversity, equity, and inclusion is embedded and practiced for our students, families, faculty, and staff.*

# Budget Goals

- ▶ Provide for the health and safety of students and faculty while maintaining the robust educational program MERSD and our member towns value, specifically during the COVID crisis.
- ▶ Target resources to support the unique educational, logistical, and social/emotional needs of students across the District during the COVID Crisis.
- ▶ Develop and deliver a fiscally responsible budget that strives to balance maintaining educational quality, District goals, and recognizes the confines of Proposition 2½.
- ▶ Manage Enrollment & Staffing
  - Strive to meet School Committee class size guidelines
  - Serve increasingly diverse student needs
- ▶ Exercise fiscal responsibility
  - Seek internal efficiencies to offset growth needs when possible
- ▶ Meet local, state, and federal responsibilities

## Considerations In Developing 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

# 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 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

# 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.

***NOTE: % of growth totals > %100. Does not account for anticipated cuts needed to meet spending target.***

# 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



# 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

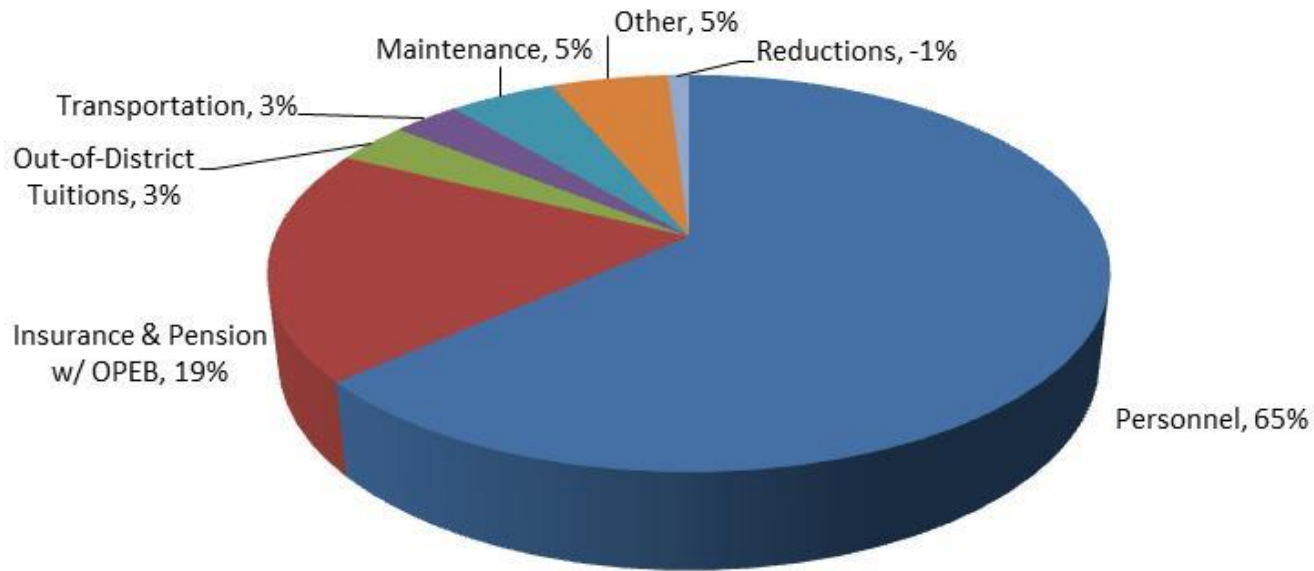
# Budget Highlights: Spending Detail

					Inc. vs. FY21	
	FY21	FY22	% of FY21 Spending		\$	%
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)	
<b>Total</b>	<b>\$26,815,714</b>	<b>\$27,954,899</b>	<b>100.00%</b>		<b>\$1,139,185</b>	<b>4.25%</b>

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

# Largest Budget Categories

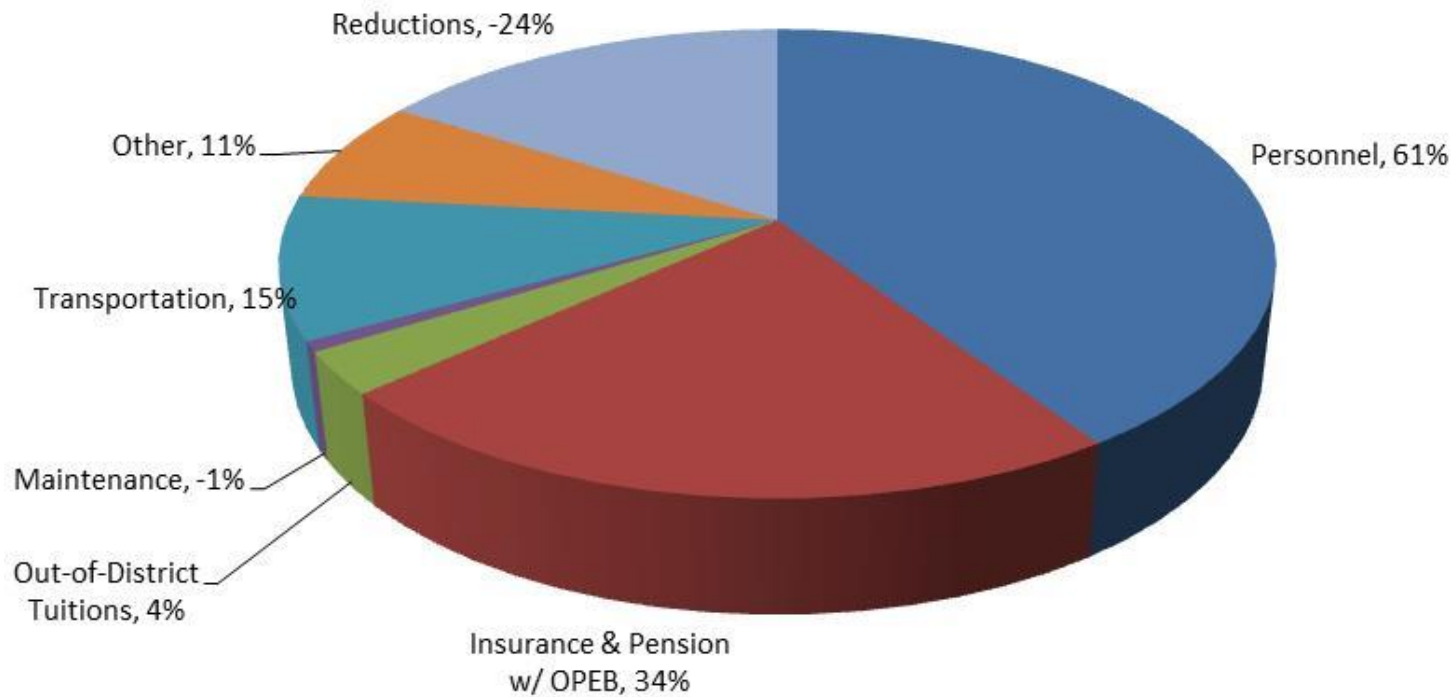
(% of Total Spending – \$27.95 million)



*95% of spending from 5 categories*

# Largest Budget Drivers

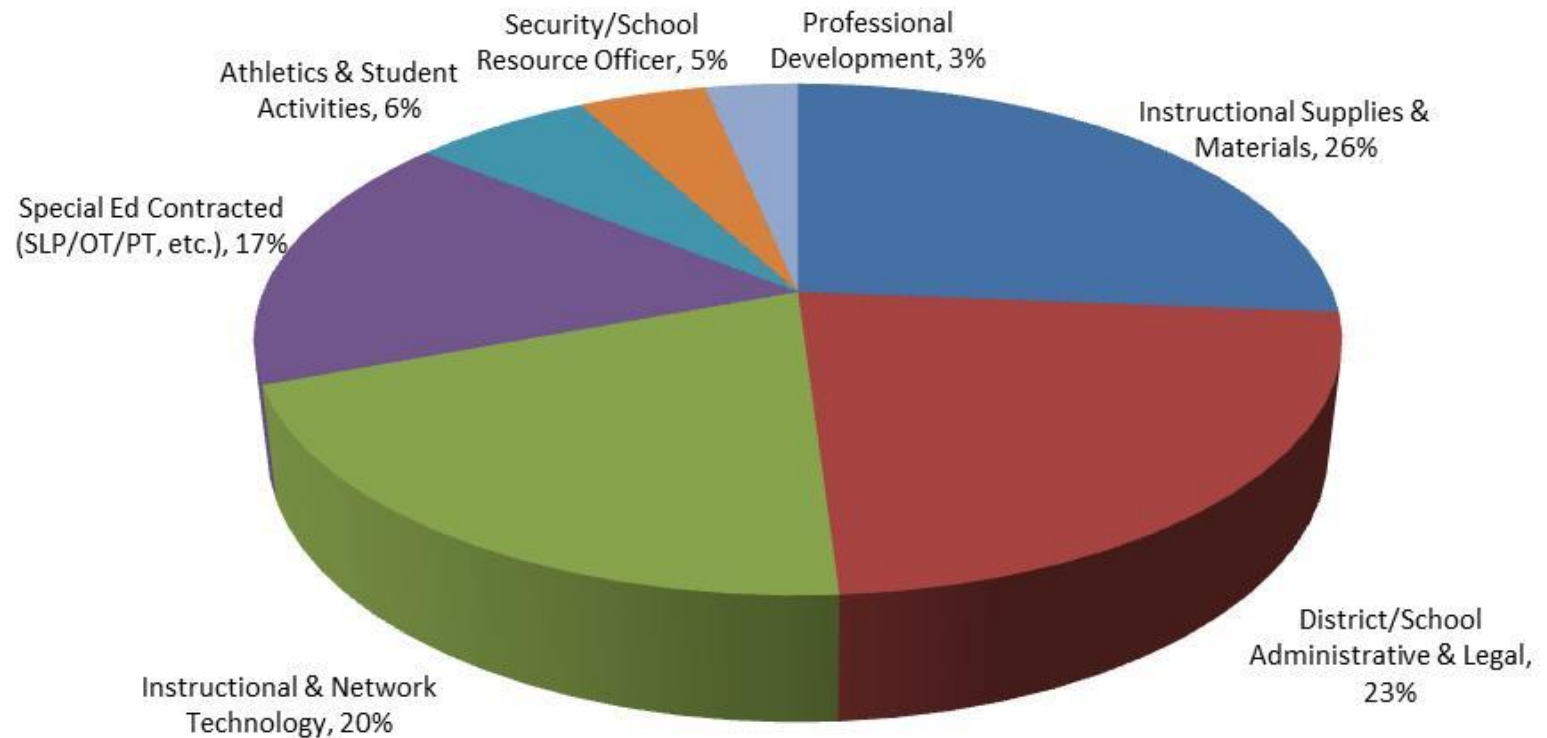
(% of \$1.1 million budget increase)



*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*

# COVID Staffing / Budget

	EES	Memorial	MS	HS	SPED	District	Total	
LTS	1	1.4	1		1		4.4	132,000
TA	2		1	1	2.5		4	90,000
Monitor		5	1				6	105,000
Sub		2				1	2	
	3	8.4	3	1	3.5	1	16.4	327,000

	Annual COVID Costs to Date
<b>Operations, Facilities &amp; Supplies</b>	
PPE*	\$350,000
Facilities Expenditures	\$118,000
Additional Custodial (Contract)	\$120,000
Transportation	
Technology	\$466,000
	<b>\$1,054,000</b>
<b>Personnel Costs</b>	<b>\$327,000</b>
	<b>\$1,381,000</b>
<i>CARES/ESSA Reimbursement - Anticipated</i>	<i>\$403,000</i>
<i>Projected FEMA Reimbursement @ 75%</i>	<i>\$156,000</i>
	<b>\$822,000</b>

- 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)

15

# Identified Capital Needs: 1- 5 Years

			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
		<b>Total</b>	<b>\$1,870,000</b>	



# Multi-Year Budget

	FY-19*	FY-20	FY-21	FY-22	FY-23	FY-24	FY-25
Personnel	\$16,308	\$16,860	\$17,372	\$17,938	\$18,524	\$19,128	\$19,754
<i>Growth %</i>	<i>1.54%</i>	<i>3.38%</i>	<i>3.04%</i>	<i>3.26%</i>	<i>3.27%</i>	<i>3.26%</i>	<i>3.27%</i>
Expenses	\$8,952	\$9,530	\$9,769	\$10,179	\$10,609	\$11,047	\$11,505
<i>Growth %</i>	<i>3.09%</i>	<i>6.46%</i>	<i>2.50%</i>	<i>4.20%</i>	<i>4.23%</i>	<i>4.12%</i>	<i>4.15%</i>
<b>Total Spending</b>	<b>\$25,260</b>	<b>\$26,390</b>	<b>\$27,141</b>	<b>\$28,117</b>	<b>\$29,133</b>	<b>\$30,175</b>	<b>\$31,259</b>
<i>Growth %</i>	<i>2.08%</i>	<i>4.47%</i>	<i>2.84%</i>	<i>3.60%</i>	<i>3.61%</i>	<i>3.58%</i>	<i>3.59%</i>
State Aid	\$3,130	\$3,119	\$2,896	\$2,947	\$2,999	\$3,051	\$3,105
Fees & Other	\$116	\$105	\$120	\$120	\$131	\$131	\$131
School Choice: Annual Revenue	\$325	\$325	\$325	\$325	\$325	\$325	\$325
Reserves: Choice, E&D	\$0	\$100	\$335	\$400	\$450	\$500	\$560
<b>Town Assessments</b>	<b>\$22,111</b>	<b>\$22,742</b>	<b>\$23,465</b>	<b>\$24,325</b>	<b>\$25,228</b>	<b>\$26,167</b>	<b>\$27,138</b>
<i>Growth %</i>	<i>3.29%</i>	<i>2.85%</i>	<i>3.18%</i>	<i>3.67%</i>	<i>3.71%</i>	<i>3.72%</i>	<i>3.71%</i>
<b>Total Revenue</b>	<b>\$25,682</b>	<b>\$26,390</b>	<b>\$27,141</b>	<b>\$28,117</b>	<b>\$29,133</b>	<b>\$30,175</b>	<b>\$31,259</b>
<i>Growth %</i>	<i>2.97%</i>	<i>2.76%</i>	<i>2.84%</i>	<i>3.60%</i>	<i>3.61%</i>	<i>3.58%</i>	<i>3.59%</i>

# Next Steps

## ► Public Input

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

## ► Fine Tuning – December/January

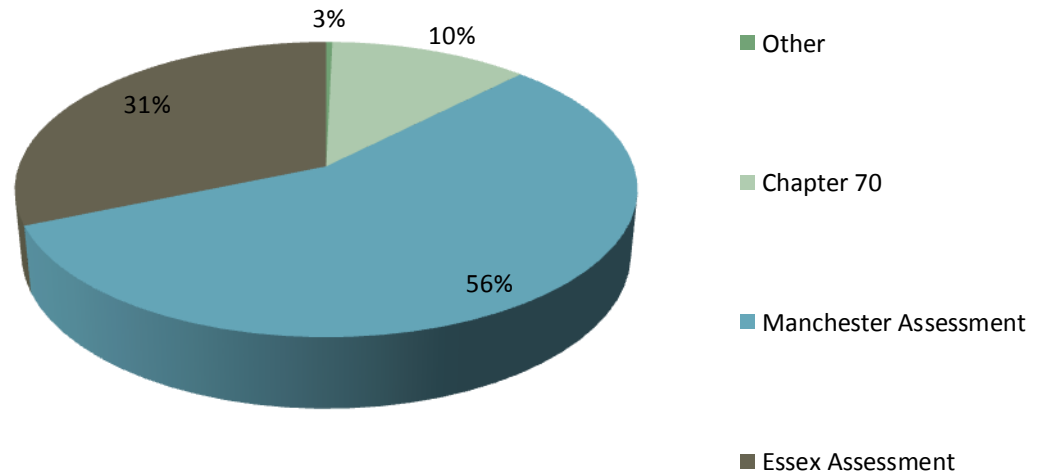
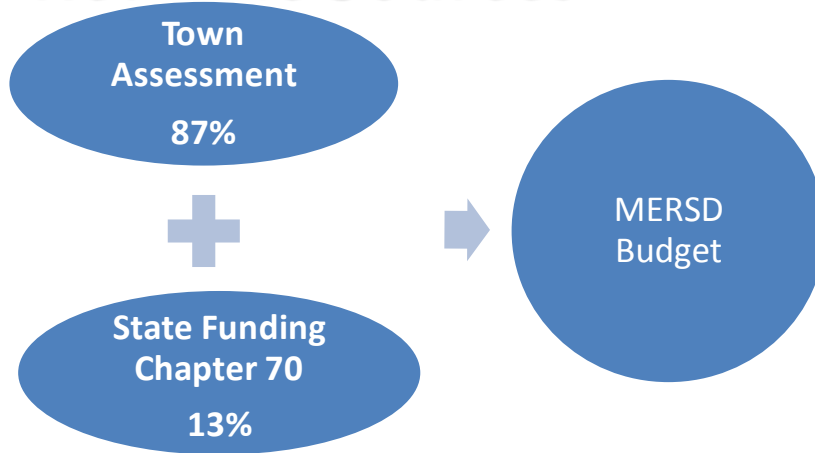
- Check assumptions and projections
- Identify areas for generating funds to close gaps and consider meet unmet needs
- Meet with Town Boards as needed

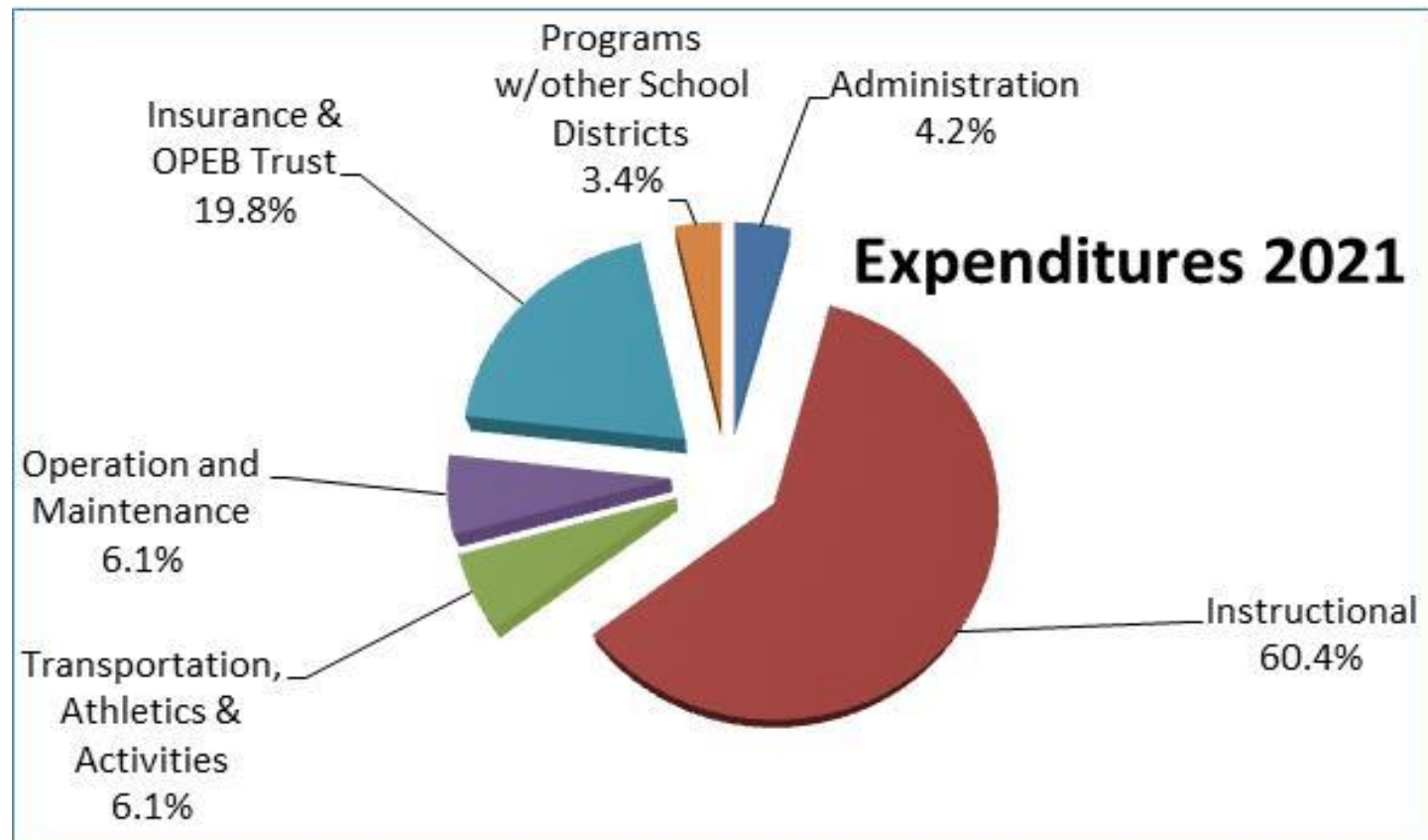
## ► Finalize Budget

- SC Meeting – February 2<sup>nd</sup> @ 6:00pm

# Background Slides

# FY21 Revenue Sources





# Comparable Per Pupil Expenditures

High Performing Districts	PPE 2019
Weston	\$25,846
Lincoln-Sudbury	\$22,772
Wellesley	\$21,016
Newton	\$20,220
Bedford	\$19,925
Brookline	\$20,543
Lexington	\$18,687
Wayland	\$19,443
Hamilton-Wenham	\$19,438
Westwood	\$19,378
Sharon	\$17,262
Harvard	\$20,910
Average	\$20,453
MERSD	\$18,837

Cape Ann	PPE 2019
Rockport	\$20,826
Hamilton Wenham	\$19,438
Gloucester	\$17,212
MERSD	\$18,837

# Key Drivers

90% of Operational Budget

- ▶ Personnel
- ▶ Health Care / OPEB / Support Staff Pension
- ▶ Special Education

- ▶ Personnel & Collaborative Bargaining Agreement
  - Interest Based Bargaining (IBB)
  - Financial Sustainability Framework / Prop 2.5
  - Comparable Teacher Compensation

Cape Ann Region	
Salem	11
Masconomet	15
Lynnfield	31
Newburyport	87
<b>MERSD</b>	88
Gloucester	95
Boxford	96
Danvers	99
Hamilton-Wenham	107
Topsfield	116
Swampscott	119
Winchester	138
Amesbury	161
Triton	163
Ipswich	179
Beverly	199
Rockport	234

Boston Magazine Top 10 Districts	
School District	Avg. Teacher Salary
Dover-Sherborn	\$97,806
Concord-Carlisle	\$107,527
Weston	\$105,592
Lexington	\$88,142
Wayland	\$97,121
Westford	\$87,194
Newton	\$86,724
Wellesley	\$97,301
Sharon	\$93,161
<b>Average</b>	<b>\$95,619</b>
<b>Median</b>	<b>\$97,121</b>
<b>MERSD</b>	<b>\$84,460</b>
<b>STATE TOTALS</b>	<b>\$81,496</b>



### FY-21 BUDGETED TEACHER FTE DISPERSION

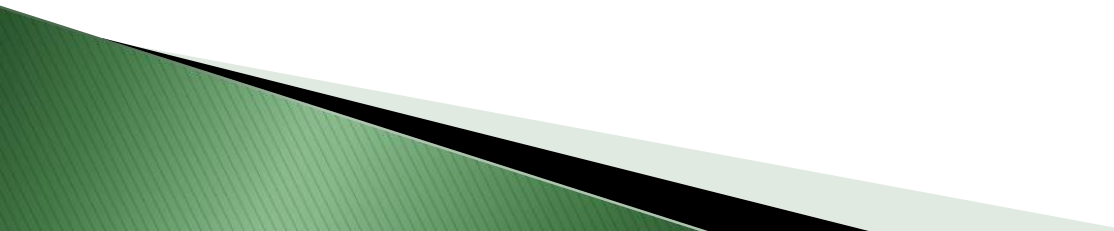
Step	B	M B+45	M+15	CAGS MM M+30	CAGS+15 MM+15 M+45	PhD/EdD CAGS+30 MM+30G MMG MM+30 M+60	Total
1							0.0
2		1.9		1.0			2.9
3	0.7	2.4		0.8			3.9
4		1.0	1.0	1.0			3.0
5	0.9	1.0					1.9
6		3.0		1.0			4.0
7		3.0					3.0
8		1.0	3.0	2.0			6.0
9		2.0	1.4	2.0	1.0		6.4
10			1.0	1.0			2.0
11		2.0	1.0	2.0		1.0	6.0
12		5.0	2.0		1.0	1.0	9.0
13		2.8	1.0	1.0	1.0		5.8
14		2.6	1.7	1.7		2.0	8.0
15	3.0	16.8	10.0	26.0	12.7	20.2	88.7
Total	4.6	44.5	22.1	39.5	15.7	24.2	150.6

### FY-21 BUDGETED SALARY SCHEDULE

2.50%

Step	B	M B+45	M+15	CAGS MM M+30	CAGS+15 MM+15 M+45	PhD/EdD CAGS+30 MM+30G MMG MM+30 M+60
1	\$48,028	\$54,119	\$57,097	\$60,072	\$61,575	\$62,719
2	\$49,816	\$56,607	\$59,700	\$62,790	\$64,294	\$65,468
3	\$51,603	\$59,093	\$62,304	\$65,508	\$67,012	\$68,216
4	\$53,390	\$61,583	\$64,906	\$68,227	\$69,731	\$70,965
5	\$55,176	\$64,069	\$67,508	\$70,946	\$72,448	\$73,715
6	\$56,961	\$66,557	\$70,113	\$73,664	\$75,167	\$76,463
7	\$58,512	\$69,045	\$72,715	\$76,384	\$77,887	\$79,211
8	\$60,535	\$71,532	\$75,318	\$79,100	\$80,603	\$81,960
9	\$62,918	\$74,020	\$77,921	\$81,819	\$83,322	\$84,708
10	\$65,302	\$76,508	\$80,524	\$84,536	\$86,040	\$87,459
11	\$67,684	\$78,996	\$83,126	\$86,896	\$88,760	\$90,206
12	\$70,068	\$81,480	\$85,730	\$89,975	\$91,476	\$92,956
13	\$72,448	\$83,970	\$88,330	\$92,691	\$94,195	\$95,707
14	\$74,832	\$86,461	\$90,934	\$95,411	\$96,914	\$98,454
15	\$77,217	\$88,951	\$93,536	\$98,849	\$100,421	\$101,919

## ► Health Care / OPEB

- ▶ Special Education
    - Out of District Placements
    - Transportation
    - In-District Programs
  - ▶ Mandated Spending
  - ▶ Closely Monitored w/ Detailed Forecast
    - Subject outside forces / variability
- 

# Hypothetical EES Timing Scenarios

	<b>Fast Track</b>	<b>6-Yr Delay</b>
Apply to MSBA	2023	2029
Feasibility	2025	2031
Towns Vote	2026	2032
Construction Begins	2027	2033
Construction Ends	2029	2035
LT Debt Begins	2030	2036
Borrowing Ends	2059	2065

- ▶ Fast Track: apply to MSBA immediately after MMES concludes
- ▶ 6-Yr Delay: align EES project with expiration of MS/HS debt
- ▶ Inputs/Assumptions:
  - EES built 1957
  - 2.5% construction cost escalation per year
  - Feasibility funded via reserves, 3-way share (same as MMES)
  - MMES/EES borrowing:
    - 67% MBTS/33% TOE apportionment
    - 3% BANs during construction
    - 5% Level Payment, 30-Year Bonds after construction

# 3 Potential EES Scenarios

- ▶ **Fast Track:**
  - Annual debt increases to 3x current in 2028–2034 when MSHS debt expires
  - 2.5x thereafter
  
- ▶ **6–Year Delay**
  - Only 2 LT debt projects in any year (2.5x current)
  - Rely on MERSD reserves to address facilities as they arise
  
- ▶ **6–Year Delay w/Committed Transition \$\$**
  - Assess towns upfront for limited, targeted short-term capital investment to sustain EES in interim
    - Based on Habeeb report w/updated inputs as needed
    - Potential investment areas:
      - Educational: Tech, Furniture/Fixtures
      - Facilities: Security, HVAC, Roof/Envelope, Site

# Regional Agreement

- ▶ Governance Document
- ▶ Establishes Budget Timeline & Apportionment Formula
  - School Committee Approves Detailed Budget
  - Town Meeting Approves Assessment
- ▶ References Lease Agreements for Facilities by Town

*See MERSD Budget Documents for Apportionment Formula*

## Budget Timeline

### November/December

- District–Town collaboration meetings
- Schools and departments submit budgets
- District formulates tentative budget
- Superintendent’s budget is presented to School Committee for review, revision, and adoption
- Public Hearing held to solicit community feedback on School Committee’s adopted Tentative Budget

### January/February

- School Committee and leadership team revise budget to meet assessment goals established through District–Town collaboration meetings
- A second public hearing is held to solicit feedback on final budget proposal
- Final budget is adopted and submitted to towns

### March

- School Committee and leadership team monitor and refine budget variables
- Attend Town board meetings to seek support for budget requests

### April/May

- Budgets are presented and voted on at Town Meeting
  - ▶ Manchester: April 2020
  - ▶ Essex: May 2020