

# MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

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## FY24 Budget



*The Mission of the Manchester Essex Regional School District (MERSD) is to provide a high quality, comprehensive, student-centered educational experience that prepares them for a post-secondary educational or service experience, a career, and life as an engaged member of society.*

Manchester Essex Regional Schools  
Administrative Offices  
36 Lincoln Street  
Manchester-by-the-Sea, MA 01944

Non-Profit Organization  
BULK RATE  
U.S. POSTAGE  
PAID  
Permit No. 53  
Manchester, MA 01944

Resident

Manchester-by-the-Sea, MA 01944

## Introduction – State of the District

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Dear MERSD Community,

MERSD has a reputation of strong academic achievement, a high-quality faculty, a commitment to small class size, and a robust co-curricular program. MERSD continues to make progress in fulfilling its goals as outlined in the Strategic and District Improvement Plans. Highlights include continued academic excellence, ranking number four on Boston Magazine’s best high schools list, receiving the Safe and Supportive Schools grant, completing the Manchester Memorial School building project on time and under budget, commissioning a facilities assessment in preparation for pursuing the Essex Elementary building project, and continuing development of our academic program to support student achievement.

- The Manchester Essex Regional High School ranked fourth in *Boston Magazine’s Fall 2022 Best High Schools Edition*. MERHS ranked among the top 5% of High Schools Nationwide in the Spring 2022 *US News & World Report Best High Schools* edition.
- Earlier this year MERSD completed its [Strategic and District Improvement Plans](#). The Strategic Plan consists of a district Mission, Vision and Core Values, and Vision of the Graduate. It forms the construct for the development of the district and school-based Improvement Plans and, ultimately, the framework for the development of teacher goals and objectives. The overarching goal of our plan is to increase our professional capacity to support and nurture all learners. The District Improvement Plan is based on the model of continual improvement, and it is intended to be a living document that provides a district road map for growth. In support of our strategic priorities of fostering authentic learning and integrating social emotional learning into all aspects of the school day, MERMS students have been participating in experiential learning activities to increase civic mindedness, collaboration, and compassion, as evidenced by their participation in the first annual Civics Fair, Veterans’ Day assembly, the inaugural STEAM Showcase, and the reinvigoration of the school's Green Team into daily learning. For more information about the ongoing work in our schools please visit the MERSD website to our [Annual Report](#) & [Strategic Plan](#).
- The Manchester Essex Regional School District has received a \$10,000 grant to develop and implement a safe and supportive school action plan that addresses the social, emotional, and health needs of all students. In alignment with Manchester Essex Regional School District’s 2022-2025 Strategic Plan, the plan will focus on six areas of safe and supportive schools: leadership and culture, family engagement, professional learning opportunities, access to resources and services, teaching and learning that fosters safe and supportive environments, and updating policies and procedures. Each Manchester Essex school will create a team to take part in development, in coordination with the district leadership team of principals, deans, and central office administration.
- MERSD has continued its efforts to assess and map its long-term facility's needs. In the fall of 2022 MERSD commissioned Habeeb & Associates to conduct a needs assessment of both facilities to



provide a data-based resource to guide in the development of a timeline to address the replacement of Essex Elementary School as well as to proactively plan for maintaining the middle high school, which will reach its half-life in 2034. The results were reported to the community in November and clearly show that Essex Elementary has passed its useful life. The study estimated that it would cost approximately \$28.7 million to renovate and upgrade to current building standards and codes, which is similar to the cost of a new building. The final version of the [Habeeb Report](#) can be viewed on the district website (<https://www.mersd.org/domain/256>). In response to the report, MERSD intends to file a Statement of Interest with the Massachusetts School Building Authority in April 2023. A Statement of Interest is the first step in applying for building project funding assistance from the MSBA, which works with communities to support educationally appropriate, flexible, sustainable, and cost-effective public-school facilities. Should the MSBA invite Manchester Essex into the Eligibility Period, the District will have 270 days to complete a series of actions, including creating a School Building Committee, documenting financial and community readiness, and developing an agreement for a full feasibility study.

- The Manchester Memorial School project has been completed on time and under budget. It has also been recently awarded “LEED Gold Certification” for recording a “high energy-saving performance score.” LEED-certified buildings save money, improve efficiency, lower carbon emissions, and create healthier places for inhabitants. To achieve LEED certification, a project earns points by adhering to prerequisites and credits that address carbon, energy, water, waste, transportation, materials, health, and indoor environmental quality.

MERSD began the FY24 budget process with the challenge and strategic priority of maintaining a sustainable, multi-year operational budget and capital improvement plan. To that end, we have worked collaboratively with our town partners to address a structural funding problem by reducing our reliance on reserves and increasing revenues received from towns to support a level services budget. A level services budget provides the same program scope, class size, course offerings, and services from one year to the next and allows for the resources needed to support the priorities of the MERSD Strategic Plan. With a 2.85% increase in spending from the prior fiscal, MERSD’s FY24 budget keeps us on a firm financial footing, while being attentive to the financial constraints of the communities. Most importantly, it provides the resources needed to maintain academic excellence and pursue the innovative educational goals of our Strategic Plan.

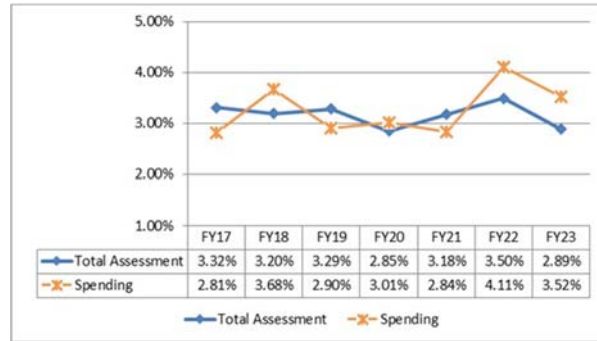
MERSD is committed to helping each individual child flourish. Using a whole child approach to ensure that each student is healthy, safe, engaged, supported, and challenged is critical to equitably preparing each student to meet his/her social, emotional, and academic potential. The success of the Manchester Essex Regional School District is a community effort! On behalf of the faculty and staff of MERSD, I extend my sincere appreciation to the residents of the communities of Manchester and Essex for their unwavering support of our students and of our schools.

*Pamela Beaudoin, Superintendent of Schools*

## 2024 Budget - Summary Overview

MERSD's School Committee goals include the objective to "develop and deliver a fiscally responsible budget that restores educational quality, supports District goals, recognizes the confines of Proposition 2 1/2, and advocates for increased funding for the district."

MERSD's operational budget is managed each year to deliver stable and predictable growth in spending and assessment (i.e., cost to member towns), balancing program needs, and town funding constraints associated with Proposition 2 1/2. Over the past five years, spending and assessment increases have been fairly consistent, averaging 3.27% for spending and 3.17% for assessments.



From a spending perspective, at minimum, MERSD strives to achieve "level services," or, in other words, the same level of program currently in place. When program enhancements are necessary, MERSD has opted to fund them by finding ways to reduce costs in other areas of the budget whenever possible. Over time, however, this has become more challenging. In the past several years, the district has fallen short of a level services budget, having had to implement staffing reductions to ensure that budgetary growth fits within the levy limit.

### Planning for a Revenue Correction in 2023-2024

The challenge begins with the cost of level services, which typically grows at 3.5% - 4.0% annually for most school districts, beyond the limits of Proposition 2 1/2. This puts MERSD and other districts in a cycle of annual reductions to meet budgetary goals. The result over time is a cumulative "level services deficit" that must be addressed every few years with either a revenue correction (e.g. override) or more substantial program reductions. A revenue correction last occurred for MERSD in FY16, when Manchester passed an override and Essex used extra revenues to raise the contribution for MERSD.

Using its ongoing process of multi-year budgeting, MERSD and its member towns began planning a few years ago for another such correction which is now proposed for the 2024 budget cycle – eight years since the last larger-sized adjustment. As of March 2023, the anticipated gap for the FY24 budget between a level services budget and the 3.5% target assessment growth rate for member towns is approximately \$397,000. Given the magnitude of the current estimate gap, however, MERSD would need to substantially cut its program if town-voted revenue corrections are not successful. With staffing and benefits accounting for roughly 85% of spending at MERSD and comparable school systems, these reductions would increase class sizes and reduce elective offerings, which would clearly conflict with MERSD's School Committee goals and the expectations of many community members.

### Impact of Declining Enrollment on MERSD's Budget

One major reason for the FY16 revenue correction was increasing enrollment. Over the decade leading up to this correction, MERSD's resident enrollment had grown 25% or 310 students, which necessitated more staffing to manage class size. The additional funding requested and received from the community

was partially offset by an increase in State Aid from the Commonwealth's Chapter 70 program, which uses a per-pupil funding model.

Since that time, the enrollment trend has reversed, matching demographic decline across the Commonwealth and nationwide. In Manchester and Essex, MERSD's resident enrollment has recently declined 23% from a high of 1,466 in 2012-2013 to 1,158 in the 2022-23 school year. This decline has led to staffing reductions and cost savings in many areas of the budget, but other factors have offset these reductions somewhat.

One of these offsetting factors has been the impact of enrollment at each grade level. MERSD initially shifted teaching resources from the elementary grades to the middle school and then high school, following the path of the enrollment growth "bubble" rising through the grade levels. In recent years, MERSD has also needed to add special education teachers and teaching assistants to address increasing student need, which is also a trend seen across the Commonwealth. Prior to the FY24 budget, these special education staffing additions mostly offset enrollment-related reductions in general education staffing, keeping total District staffing relatively stable, despite declining enrollment. In the proposed FY24 budget, enrollment related staffing reductions of four full-time equivalents (FTE) are planned in both general education and special education settings.

#### **In-District Special Education Programs**

Much of the recent investment in special education staffing is related to development by MERSD of in-district special education programs. These programs benefit students by enabling them to remain in our community schools with their peers, and also help manage potential spikes in costs. MERSD's in-district programs save taxpayers more than \$1.8 million annually after factoring in the adding staffing costs. Without these in-district programs, MERSD would be obligated to send students to programs outside the district, which are generally much more expensive.

Estimates for the FY24 budget show that 14 students whose needs cannot be met with in-district programs have estimated placement costs in excess of \$100,000. Out-of-district (OOD) placements can be difficult to predict when associated with move-ins (i.e., new residents). Transportation is also mandated for OOD placements. The cost of these services has risen significantly for all school districts in recent years, due to a nationwide shortage in hourly workers, including bus drivers. For MERSD, the OOD transportation budget has risen 146% or \$466,000 over the past three years. Recognizing this statewide fiscal challenge, a portion of these expenses is now reimbursed by the Commonwealth of Massachusetts through the "Circuit Breaker" program, but the majority of the cost increase falls to MERSD through its budget.

#### **Use of "Rainy Day" Reserve Funds**

In recent years, in order to minimize additional program reductions, MERSD has begun to use rainy day, "reserve" funds as a temporary revenue source. This helps to keep taxpayer costs below the levy limit while multi-year, sustainable budgeting planning continues with member towns. Reserve funds, however, are one-time in nature, and an important source of emergency funding for capital repairs. For that reason, continuing use of reserve funds for the recurring operating budget is neither sustainable nor considered best practice. MERSD is working with member towns to plan for increased revenue to

support the operating budget in FY24 so that we will no longer have to deplete these important “rainy day” funds.

MERSD’s recent capital investments, for which reserves funding is more ideally suited, have included facility and technology enhancements at Essex Elementary School to ensure programmatic equity with the new Manchester Memorial Elementary School. Examples include the new Essex Elementary playground, security upgrades to match the new system at Memorial, and commissioning an updated Facility Conditions Assessment to inform potential costs and timing of systemic, infrastructure upgrades (e.g., roof, boilers, windows) that will soon be required at Essex Elementary, which is currently 66 years old. Preliminary results of this assessment indicate that the cost to remediate individual facility needs at Essex Elementary will be similar to the cost of a systemic building project (e.g. renovation or new construction). Decision-making on how to handle upcoming needs will eventually require a vote of approval and funding from taxpayers in both communities. The district may also qualify for a grant from the Massachusetts School Building Authority, which is paying for approximately 25% of the Memorial School project currently.

In the meantime, MERSD has been supplementing reserve-funded capital improvements with funding from grant programs. Over the past five years, MERSD has partnered with the Town of Essex to implement \$470,000 in energy-efficiency improvements through the state Green Communities Grant program over at no cost to taxpayers. These upgrades help to extend the life of the school while awaiting longer-term direction and planning.

Reserve funding also enabled MERSD to keep schools running safely during the COVID pandemic without having to request any additional funds from member town taxpayers. This was despite a cost of \$1.8 million in required facility improvements (e.g. air filtration, sanitization, touch free installations), personal protective equipment (e.g. masks, gloves, etc.), instructional technology and technical support for remote operations for students and staff, and additional temporary staffing (during the 2020-2021 school year only) to facilitate safe distancing between students. District reserves were eventually reimbursed for COVID spending by grants from the federal CARES program in partnership with the towns of Manchester and Essex, by Department of Elementary and Secondary Education COVID grants and by FEMA.

Keeping reserve balances healthy also saves taxpayers money, by lowering the cost of interest associated with building project borrowing, by signaling to potential lenders that MERSD is a low-risk borrower. MERSD’s credit rating was recently upgraded to AA+ (one step below the highest possible AAA rating) by S&P, who cited the strong financial position of both Manchester-by-the-Sea and Essex, as well as MERSD’s multiple years of positive budgetary results and healthy financial reserves. As a result of this favorable credit rating, MERSD was able to secure initial funding for the Memorial Elementary School building project of \$35 million at a 3.289% interest rate, and a second round of \$3.5 million at 1.71%. This represents significant savings from the estimated 5.0% rating presented to voters in the fall of 2018, when the construction project was approved, saving taxpayers more than \$18 million over the life of the bonds. Taxpayer cost for this project has also been offset by \$11.6 million in contributions from the Massachusetts School Building Authority, with eligibility for up to \$12 million total. At this time, the project is on track to be completed with budgetary savings.

MERSD's strong credit rating has also helped MERSD to reduce the cost to taxpayers of the 2008-10 Middle High School construction project by enabling the district to refinance \$17.5 million of outstanding debt at lower interest rates, generating savings of more than \$2 million over the life of the bonds, or roughly \$130,000 per year.

#### **Fiscal Discipline and Level Services Challenges**

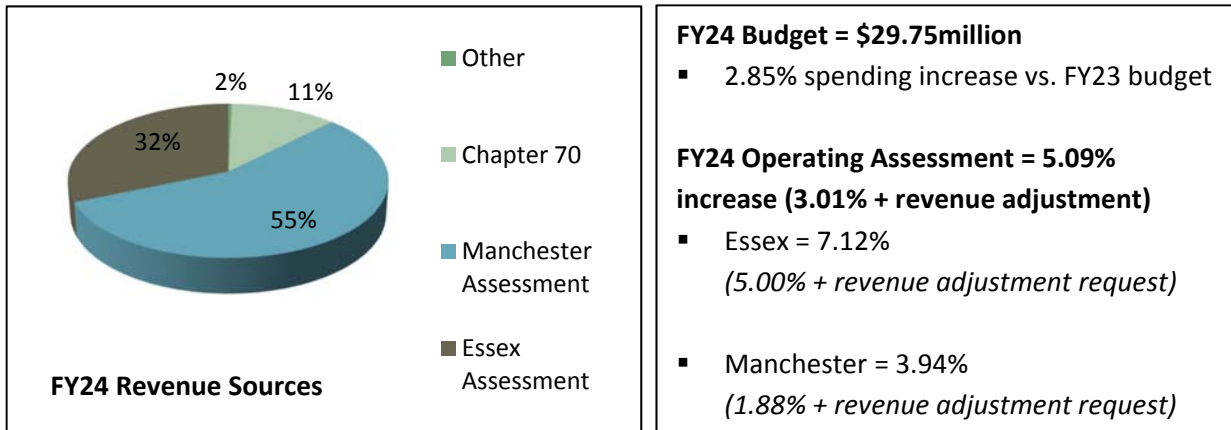
Fiscal discipline has been a consistent priority for MERSD, leading to consistent, stable and low growth in spending and "assessment" (i.e., the cost to taxpayers). Despite a seven-year average annual growth rate in spending of 3.27%, there are structural, recurring reasons why the level services budget generally exceeds the limits of Proposition 2 1/2. Staffing, which accounts for nearly 65% of MERSD's spending, typically grows at 3.0-4.0%, accounting for annual cost-of-living increases (2.0-2.5%), and any additional contractually obligated payments for increased years of service or staff's educational attainment. MERSD uses statewide data to ensure that compensation levels are fair and in line with other districts. According to the Department of Elementary and Secondary Education, MERSD ranked 106th among all districts in Massachusetts in average teacher salary, amid consistent recognition for MERSD's award-winning academic and 'whole child' programs.

MERSD's next largest area of spending is mandated health insurance. With average annual medical trend growth rates in the public marketplace of 6-8%, health insurance, which accounts for 20% of MERSD's budget, naturally pressures level services budget growth upward each year as well. An unusual challenge occurred in 2018, when MERSD absorbed a 28% increase in health insurance rates after its budget had been set, with a two-year cost increase of \$1.5 million. Since then, MERSD has negotiated changes to its benefits offerings to make them more affordable, resulting in below-average growth in costs. Cost of retiree healthcare, however, is mandated by State law, and MERSD now covers more retirees (168) than active employees (165). Through negotiations with its teachers' association, MERSD has set aside \$4 million to address mandated future retiree health care (aka Other Post-Employment Benefits, or OPEB), which can be used to offset the cost to taxpayers in any given fiscal year.

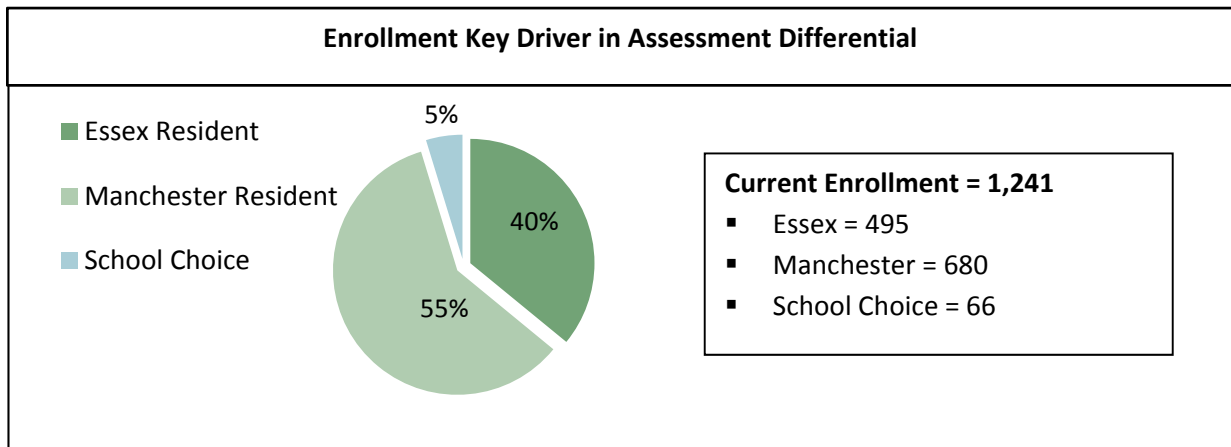
## MERSD FY24 Budget Highlights

### FY24 Operating Assessment = 5.09%

- Cost of increase to towns after deducting "Other Revenue" (e.g., State Aid) from spending needs
- Above 7-year average increase of 3.17%, due to request for Towns to fund portion of budget that has been funded for four straight years from MERSD's non-recurring rainy day reserves
- Excluding requested adjustment, assessment increase would be 3.01%, below town target of 3.5%



**\*7-YEAR AVERAGE ASSESSMENT GROWTH OF 3.17%  
SINCE LAST TOWN FUNDING ADJUSTMENT REQUEST**





**SECTION 2**  
**Budget Detail**

### **FY24 Operating Budget Detail – Overview**

MERSD's operating budget request for Fiscal Year 2024 (FY24) is \$29,750,180, up \$824,192 or 2.85% from 2023.

The main source of funding for the budget is town taxation, referred to as assessments, which are budgeted to grow \$1,272,553, or 5.09% in 2024 from the prior year. Town Assessments are growing more than MERSD's spending due to a request for the Towns to fund the portion of MERSD's budget that has been funded for four straight years from the district's non-recurring rainy day reserves. The last time MERSD requested an adjustment from the Towns was 8 years ago. Since then, assessments have grown an average of 3.17% per year.

### **State Aid**

The largest source of non-town revenue is State Aid, which includes the Chapter 70 and Regional Transportation programs. With MERSD enrollment declining for several years in a row, the district is eligible for only minimum annual increases in Chapter 70 revenue of \$30 per pupil, and as such is budgeting growth of \$72K (2.29%) in FY24, for total Chapter 70 revenue of \$3.196 million. Regional Transportation aid is much smaller, and budgeted at \$275K in FY24, consistent with FY23. MERSD has consolidated bus routes in light of reduced enrollment, which has led to budget savings, but also reduces the potential for State reimbursement.

Revenues from the School Choice State Aid program are budgeted to increase by \$75K in the 2024 budget to \$400,000, with target enrollment of 80 students, which assumes 14 new School Choice students. These will be added across grade levels in targeted fashion, where class size permits, and where elimination of an entire classroom is not possible due to class size guidelines. Even with these changes, total School Choice enrollment is down from a high of 150 School Choice students in 2008 and 96 students in 2013. MERSD has since focused on aligning staffing levels with resident enrollment, and opted for new School Choice students only where class sizes were below benchmarks.

### **Reserve Funds**

The 2024 budget is the first since 2019 that is not funded with a contribution from MERSD's reserve or "rainy day funds." Since receiving a revenue correction from member towns in 2016, MERSD has intentionally sought to refrain from using reserves, which are non-recurring revenue sources, to fund recurring operating spending. After absorbing a 28% increase in health care costs in the 2018 budget, however, it became increasingly difficult to align "level services" spending, levy-limited town assessments, and State Aid growth that has not kept pace. In an effort to minimize further cuts to the educational program, and maintain a level services budget for 2021 through 2023, School Committee voted to use reserves a revenue source, while also beginning discussions with member towns on planning for a revenue correction, given that reserve funds do not represent a recurring, sustainable source of revenue.

Multi-year planning, in partnership with member towns, identified the 2024 budget as the year to get to a more sustainable path. As such, the \$520K from reserves that MERSD contributed to fund the 2023 budget has been removed in the 2024 budget, effectively shifting this funding obligation to the towns through assessments that are above the typical range. It is anticipated that assessment growth will return to more normal levels in 2025 once this correction has been made in 2024.

**Apportioning Assessments Between Member Towns**

The cost to each town of MERSD depends on three factors: budgeted spending approved by the School Committee, revenue received from sources other than the towns, and apportionment of the balance between the two towns. Over the past few years, the percentage of MERSD students from Manchester has declined more quickly than in Essex, and as a result, the apportioned assessment for Essex in FY24 will increase by a higher percentage (7.12%) than that of Manchester (3.94%), in accordance with the Regional Agreement formula. Prior to the \$520K revenue adjustment to eliminate reliance on one-time reserve funding, assessment growth would be 1.88% for Manchester and 5.00% for Essex.

## 2024 Revenue Sources

	FY23	FY24	\$ Change	% Change
<b>BUDGETED EXPENDITURES</b>	<b>29,250,987</b>	<b>30,150,180</b>	<b>899,193</b>	<b>3.07%</b>
<b>Revenue other than Assessments</b>				
Chapter 70 Aid	3,124,118	3,195,758	71,640	2.29%
State Transportation Aid	275,000	275,000	0	0.00%
School Choice Sending	(100,000)	(100,000)	0	0.00%
School Choice Receiving*	325,000	400,000	75,000	23.08%
Medicaid Reimbursement	50,000	50,000	0	0.00%
Bank Interest	40,000	40,000	0	0.00%
Parking/Transp. Fees	29,500	29,500	0	0.00%
Reserve Funds	520,000	0	(520,000)	-100.00%
<b>Total other Revenue</b>	<b>4,263,618</b>	<b>3,890,258</b>	<b>(373,360)</b>	<b>-8.76%</b>
<b>Operating Assessments</b>				
Manchester	15,909,698	16,535,944	626,246	3.94%
Essex	9,077,671	9,723,978	646,307	7.12%
<b>Total Operating Assessments:</b>	<b>24,987,369</b>	<b>26,259,922</b>	<b>1,272,553</b>	<b>5.09%</b>
<b>TOTAL REVENUE</b>	<b>29,250,987</b>	<b>30,150,180</b>	<b>899,193</b>	<b>3.07%</b>

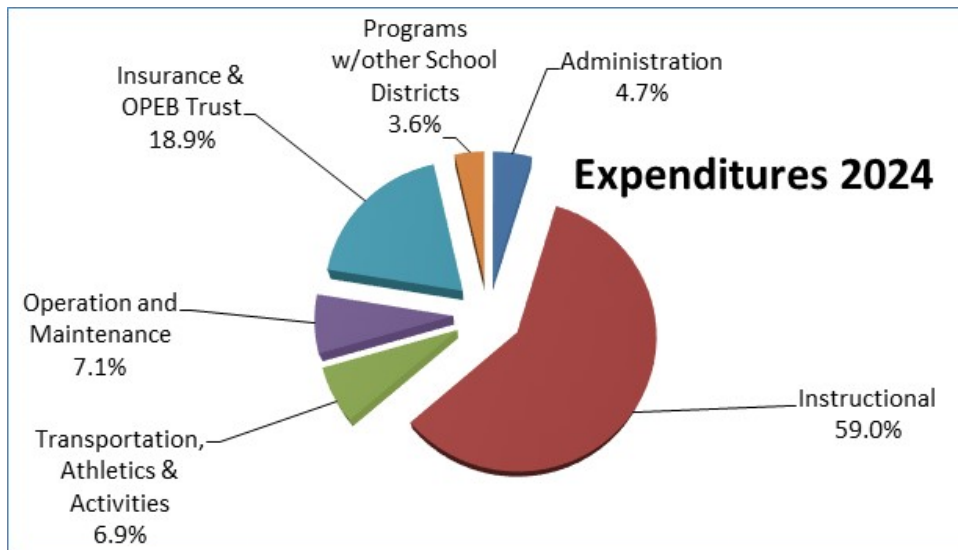
*\*School Choice (SC) receiving funds must be spent outside of the General Fund budget, per state regulations, but are included here to show all major recurring spending categories. Excluding budgeted SC funds, the total General Fund budgeted expenditures for 2024 are \$29,750,180, up \$824,193 or 2.85% from \$28,925,987 in 2023.*

## Operating Budget Detail - Distribution of Expenditures

Overall distribution of expenditures in 2024 is stable compared to 2023. Instructional costs and Insurance continue to account for approximately 78% of all spending. Investment in Operations & Maintenance is growing slightly as a percent of total spending, driven by rising cost of utilities and facility maintenance at Essex Elementary, now 66 years old. The 2024 budget for special education “Programs with other Districts” is declining as a percent of total spending, due to increased reimbursements from Massachusetts Department of Elementary & Secondary Education’s (DESE’s) “Circuit Breaker” funding program, which offsets a portion of high-cost special education tuitions.

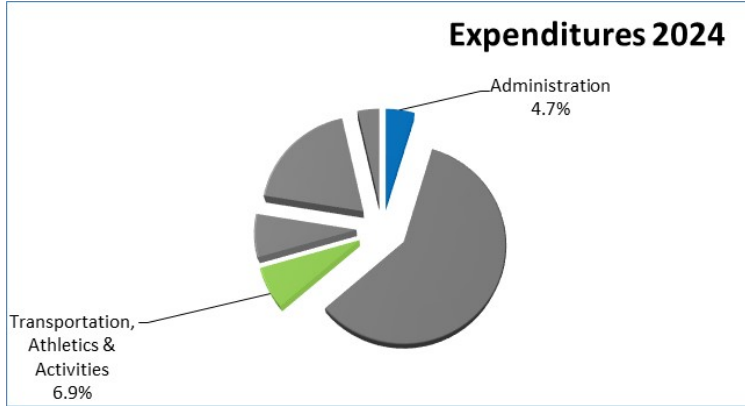
### Summary of Expenditures

	FY23	% of Total	FY24	% of Total
<b>Administration</b>	1,391,128	4.76%	1,417,466	4.70%
<b>Instructional</b>	17,224,992	58.89%	17,778,581	58.97%
<b>Transportation, Athletics &amp; Activities</b>	1,918,143	6.56%	2,067,108	6.86%
<b>Operation and Maintenance</b>	1,958,902	6.70%	2,127,798	7.06%
<b>Insurance</b>	4,851,579	16.59%	5,065,133	16.80%
<b>Programs with other Districts</b>	1,306,244	4.47%	1,070,515	3.55%
<b>Contribution to OPEB Trust Fund</b>	600,000	2.05%	623,580	2.07%
<b>Total Budgeted Expenditures</b>	<b>29,250,988</b>	<b>100.00%</b>	<b>30,150,180</b>	<b>100.00%</b>



**Administration** includes district-wide expenses such as professional and support staff salaries, supplies and materials for the School Committee, superintendent’s and business offices, and finance, dues, legal services, and administrative technology. Administrative personnel costs are budgeted to increase \$56K or 5.4%, of which \$22K stems from the difference between partial year salaries in 2023 for two mid-year hires vs. full-year salaries in 2024. Administrative operating expenses are declining by \$29K (8.3%) in 2024 due to one-time technology upgrades that were necessary in 2023.

<i>Administration</i>	
<b>Personnel</b>	\$1,092,440
<b>Expenses</b>	\$325,026
<b>Total</b>	\$1,417,466
<b>% of Budget</b>	4.70%
<b>% Growth</b>	1.89%



**Transportation, Athletics & Activities**

<i>Transportation, Athletics &amp; Activities</i>	
<b>Personnel</b>	\$793,951
<b>Expenses</b>	\$1,273,157
<b>Total</b>	\$2,067,108
<b>% of Budget</b>	6.86%
<b>% Growth</b>	7.77%

includes regular transportation and transportation for students placed out of district for special education, athletics, health services, school security and student activities like band, debate, and DECA. Costs include professional and support salaries, contracted services, and materials.

Spending growth of \$149K (7.77%) is driven in part by \$61K (8.5%) forecasted growth in special education transportation for out-of-district (OOD)

placements. OOD transportation costs in FY24 are forecasted to total \$786K, up 146% since in FY21, with an average annual cost per pupil of \$56K. An industry-wide shortage of drivers has caused rates to skyrocket across the State in recent years, leading the DESE to begin a phased reimbursement program for this mandated cost. Personnel costs for Transportation, Athletics & Activities are forecast to grow 4.1% to \$794K in 2024, and relate primarily “step” increases for newer school nurses, and increasing the budget allocation for lunch/recess monitor coverage in 2024 to align with FY22 and FY23 actual expenses.

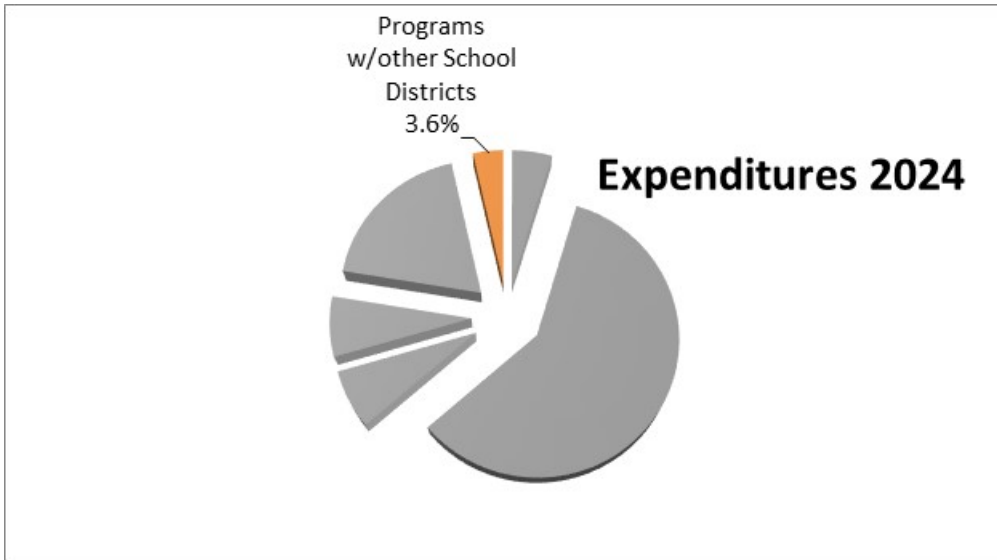
**Programs with Other Districts** is the cost of sending students from the district to programs outside the district (OOD), typically for special education students attending placements in other districts or private

<i>Programs with other Districts</i>	
<b>2024</b>	\$1,070,515
<b>2023</b>	\$1,306,244
<b>% of Budget</b>	3.55%
<b>% Growth</b>	-18.1%

or collaborative schools. MERSD is forecasting \$277K in OOD cost growth in 2024, but this is expected to be more than offset by increased revenue from the DESE’s Circuit Breaker program which reimburses a portion of high-cost placements. The net result is a decrease in budgetary expense of \$236K or 18% decline in 2024.

The Commonwealth of Massachusetts sets rates for private OOD programs, and approved an unprecedented 14% inflation adjustment for 2024, which is the main driver for the \$277K gross cost increase, prior to Circuit Breaker reimbursements.

MERSD continues to see significant benefits from its investment in in-district special education program development, including its social/emotional and intensive reading/written language programs. A recent analysis showed that MERSD saves nearly \$1.8 million per year in tuition and transportation expense, which would be necessary if in-district programs did not exist. This benefits 61 participating MERSD students by enabling them to stay in their neighborhood schools. For students with highly specialized needs that cannot be served by MERSD’s in-district programs, however, tuition rates can be high. The FY24 budget includes 14 placements with single-year tuition costs of more than \$100K, and 11 of these programs are in private school settings that are eligible for the state-approved 14% tuition rate hike. The Circuit Breaker program reimburses up to 75% of tuition costs in excess of \$49K. The 2024 budget assumes a \$1.18 million reduction to MERSD’s OOD costs from Circuit Breaker, up from \$656K in FY23.



**Operation and Maintenance of Plant** includes the cost of custodial services, utilities, building and grounds maintenance, and capital improvements. Costs include salaries, contracted services, natural gas, electricity, telephone, and equipment, and tools.

Spending on Operations and Maintenance is up \$169K or 8.6% in FY24, driven primarily by increases in

<i>Operation &amp; Maintenance</i>	
<b>Personnel</b>	\$284,563
<b>Expenses</b>	\$1,843,235
<b>Total</b>	\$2,127,798
<b>% of Budget</b>	7.06%
<b>% Growth</b>	8.62%

utilities and facility maintenance costs. Personnel costs are up 3.6% or \$10K in 2024 to \$285K, and cover 3 full-time equivalent (FTE) staff. All other custodial services are outsourced and included in operating expenses.

Utilities account for half of non-personnel costs in this category, or \$806K in 2024, which is up \$60K (8.0%) compared to 2023, following a \$138K

increase over the 2022 budget. MERSD is part of a purchasing consortium, PowerOptions, that yields favorable rates for supply contracts for natural gas (heating) and electricity. Timing, however, is a big factor, as MERSD purchased favorable multi-year contracts at significant discounts during the COVID-related economic downturn, but then had to renew contracts during the past year, when energy costs had spiked significantly due to the war in Ukraine.

The 2024 budget also includes a \$47K (5.7%) increase in maintenance costs and reinstatement of \$50K for annual ‘small capital’ investments that had been cut in recent years due to funding constraints. Earlier this year, MERSD commissioned an independent facility condition assessment of Essex Elementary School (EES), now 66 years old and the Middle High School, which opened in 2009. The study identifies needs for maintenance and/or upgrades in categories that include site (e.g., grounds, paving), building envelope (e.g., roof, windows), interiors, mechanical systems (heating) and electrical infrastructure. For EES, the study estimated that it would cost approximately \$28.7 million to renovate and upgrade to current building standards and codes, which is similar to the cost of a new building. As a result, MERSD plans to submit a Statement of Interest to MSBA, which is the next step for entering into their grant program. Any building project would require approval of voters in both towns, and MSBA requires all projects to examine the relative benefits of renovation vs. new construction before awarding a grant. There is no guarantee that EES will be accepted into MSBA’s grant program, and as such, MERSD needs to continue to commit budgetary funds towards extending the building’s useful life.

MERSD is also moving forward with plans to resurface the artificial turf at the MSHS (Hyland field) and Brook Street. Per MERSD’s Lease Agreement, 50% of the Brook Street field replacement cost will be funded by Manchester, based on proportional usage by the Town Recreation Department. The remaining cost of Brook Street and 100% of the cost to replace Hyland Field will be apportioned between Manchester and Essex through the Capital Budget, per the Regional Agreement.

**Instructional Services** are direct costs of teaching students: salaries for teachers, principals, librarians, guidance counselors, psychologists, and classroom assistants, plus the costs of text books, curriculum materials, and professional development, stipends, contracted services, computer hardware, educational software, instructional equipment, dues, subscriptions, and testing materials.

Instructional Services represents 59.0% of all budgeted spending in 2024, and are expected to grow

<i>Instructional Services</i>	
<b>Personnel</b>	\$16,631,398
<b>Expenses</b>	\$1,147,182
<b>Total</b>	\$17,778,581
<b>% of Budget</b>	58.97%
<b>% Growth</b>	3.21%

\$553K or 3.2% over 2023. Personnel costs in this category of \$16.6 million are up 3.1%, which factors in the elimination of 4 full-time equivalent (FTE) teaching positions, made possible by declining enrollment. Eliminated positions include 1.0 general education teacher at the HS and another 1.0 at the elementary level, and 2.0 special education teachers, one at the Middle School and one at the elementary level.

Since FY13, MERSD has experienced declining enrollment, following a decade of significant enrollment expansion. As such, current enrollment is similar to levels seen in the FY06 time frame. Declining birthrates have been cited nationwide and in Massachusetts, which has also applied to MERSD, and was also documented by the MSBA as a factor in their enrollment forecasts for the new Memorial School. Initially, as enrollment began declining in younger grades, MERSD shifted teaching resources from the elementary grades to the middle school and then high school, following the path of an enrollment growth “bubble,” that had been rising through the grade levels. In more recent years, MERSD has also needed to add special education teachers and teaching assistants to address increasing student need. These additions offset reductions in general education staffing, keeping total District staffing relatively stable, despite declining enrollment. The 2024 budget marks a shift in this trend, as MERSD is currently appropriately staffed for general and special education and no new staffing is needed, making FTE reductions possible, without having to reduce program scope.

The 2024 budget includes a 2.5% cost-of-living adjustment for teachers, consistent with the past 4 years, in addition to contractually obligated “step increases,” for additional years of service within the first 15 years. Step increases are typically 3.25%, and apply to 36% of faculty. Full salary schedules are included in MERSD’s budget documentation.



**Insurance & OPEB Trust** are retirement and insurance programs, including contributions to employee retirement systems, Medicare, unemployment insurance, employee and retiree health insurance (aka Other Post-Employment Benefits, or OPEB), workers compensation, and property insurance.

The 2024 budget for Insurance and OPEB is up 4.35% or \$237K, compared to fiscal 2023. Health insurance, which is MERSD’s second largest expense after personnel costs, totals \$4.4 million in the 2024 budget, and accounts for \$167K of spending growth, up 3.9% compared to 2023. Early budget projections anticipated expense growth in the 10-12% range, due to inflation in the health insurance market, but MERSD’s renewal from Tufts Health Care benefitted from several months of below average utilization (insurance claims), leading to a favorable renewal rate.

<i>Insurance &amp; OPEB Trust</i>	
<b>2023</b>	\$5,688,713
<b>2022</b>	\$5,451,579
<b>%</b>	18.9%
<b>Budget</b>	
<b>%</b>	4.35%
<b>Growth</b>	

MERSD continues to benefit from its multi-year plan to reduce long-term OPEB liabilities. Through the end of FY22, MERSD had contributed \$3.4 million into its OPEB trust fund, averaging \$515K in annual contributions over the past five years. These contributions are funded entirely by savings from an agreement with the Manchester Essex Teachers Association (META) to migrate employees to less costly plans, thereby eliminating an additional potential cost to taxpayers, which has been necessary to fund OPEB obligations in other communities. Over the past five years, MERSD has contributed 92% of the actuarially determined amount needed to reach full funding, far ahead of most regional school districts. The District’s contributions have been augmented by \$632K in investment returns from its trust since inception, which is invested with the Pension Reserve Investment Management (PRIM) Board, the same entity that manages the Massachusetts Teachers Retirement System (MTRS) and Essex Regional Retirement System (ERRS). These returns lessen the contribution required from MERSD to meet its future obligations. MERSD further reduces its OPEB liabilities by requiring eligible retirees to enroll in Medicare as their primary insurer, which reduces the District’s statutory obligation to provision of supplemental insurance only, a savings of 65% per retiree per year.

The 2024 budget estimate for pension contribution is \$735K, up 10% or \$67K from 2023. This contribution is set by ERRS as part of its State mandated requirement to achieve full funding of pension obligations by 2036. MERSD pension costs are for non-licensed staff only (e.g. teaching, school building and administrative assistants and facilities staff); MERSD has no pension cost obligation for teachers and licensed administrators, as these costs are covered by the Commonwealth instead. ERRS’ funding schedule suggests that participating employers will need to increase their annual pension contribution by 6.5% per year through 2029, and by 4.0% thereafter in order to hit the full funding requirement of State law.

**Capital Budget – Debt Repayment**

In addition to the Operating Budget discussed above, MERSD also maintains a separate, annual Capital Budget comprised of debt payments due each fiscal year. These costs were excluded from the limitations of Proposition 2.5 by voters in both Towns, and are apportioned into Capital Assessments based on formulas in the Regional Agreement. The Capital Budget is declining \$332K in FY24 as MERSD finished paying off one bond from the Middle High School (MSHS) project in FY23.

In 2006, voters authorized borrowing of up to \$49 million to fund construction of the new MSHS. The final cost to taxpayers, however, was just \$32 million as grants from the Massachusetts School Building Authority (MSBA) of \$17 million funded approximately 35% of the project budget. This contribution, combined with more favorable borrowing rates, resulted in a tax impact that is about half of what was predicted when the debt exclusion was voted. In 2017 and again in 2020, MERSD used its strong bond rating (AA+ according to S&P, one step below the highest possible AAA rating) to refinance its MSHS debt, at fixed rates of 2.22% and 0.73%, saving taxpayers an additional \$2 million over the remaining life of the bonds. The cost of MSHS debt service in the 2024 Capital Budget is \$1.60 million, which will decline annually thereafter, until paid off in 2033.

Remaining debt service in FY24 relates to the Memorial Elementary School (MMES). In the fall of 2018, voters approved a \$52 million project budget, with an estimated reimbursement from MSBA of \$12 million, leaving approximately \$40 million to be funded via local taxation. In 2019, MERSD raised \$35 million of this total, followed by \$3.5 million in 2021, with bonds to be repaid over 30 and 20 years, respectively. Bonds carry interest rates of 3.289% and 1.71%, far below the 5.0% estimate presented to voters when the project was approved, resulting in savings of \$12.3 million for Manchester residents and \$6.1 million for Essex. MERSD also earned \$970K in interest income on bond proceeds awaiting deployment, which School Committee placed into MERSD’s Stabilization fund, to fund capital repairs. Through FY22, \$560K of this total had been directed to extending the life of Essex Elementary School, including technology, playground and security upgrades to match the program at MMES.

**2024 Debt Payments**

			Increase/(Decrease)	
	2023	2024	\$	%
Principal Payments on Long-Term Debt	\$2,650,000	\$2,455,000	(\$195,000)	-7.4%
Interest Payments on Short & Long-Term Debt	\$1,856,596	\$1,720,020	(\$136,576)	-7.4%
<b>Total Debt Expense</b>	<b>\$4,506,596</b>	<b>\$4,175,020</b>	<b>(\$331,576)</b>	<b>-7.4%</b>
Manchester - Capital Assessment	\$3,007,431	\$2,787,440	(\$219,991)	-7.3%
Essex - Capital Assessment	\$1,483,892	\$1,374,531	(\$109,362)	-7.4%
Amortization of Issuance Premium	\$15,272	\$13,049	(\$2,223)	-14.6%
<b>Total Capital Budget Revenue</b>	<b>\$4,506,596</b>	<b>\$4,175,020</b>	<b>(\$331,576)</b>	<b>-7.4%</b>

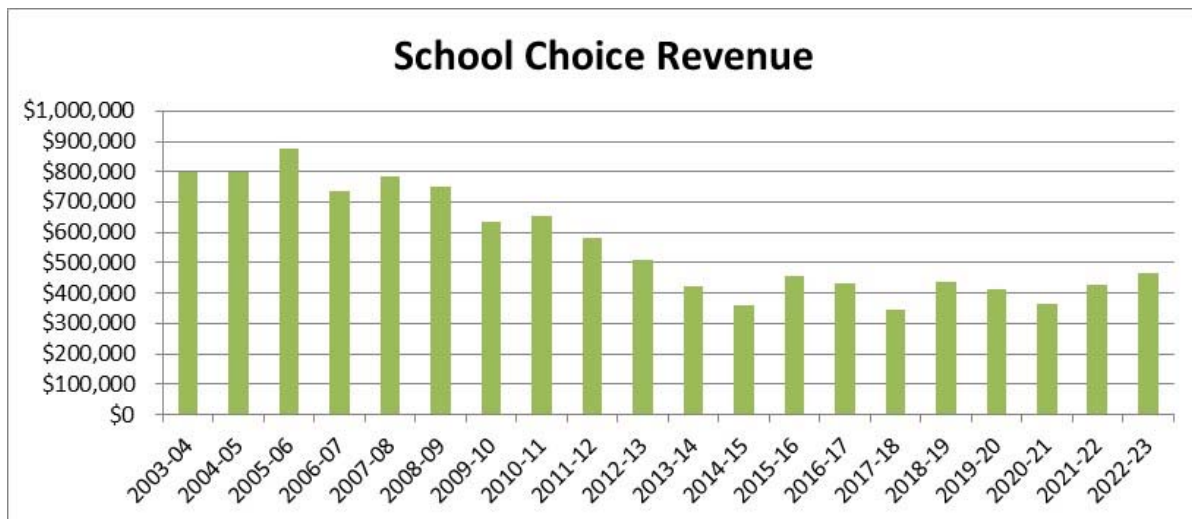
## Section 3

### MERSD At A Glance

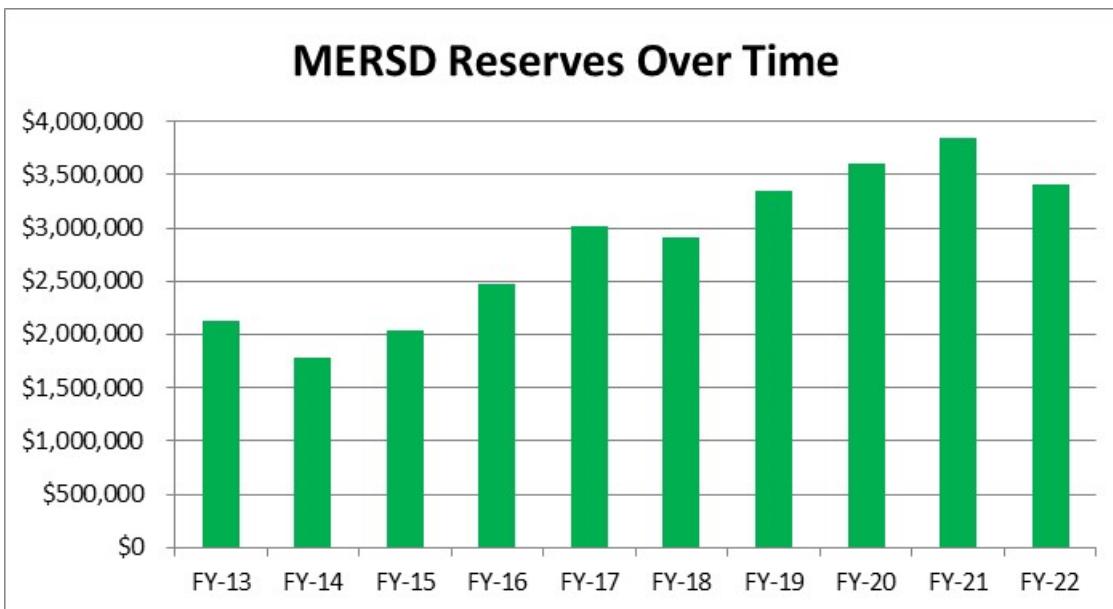
District Overview	
<p><b><u>Enrollment</u></b></p> <ul style="list-style-type: none"> <li>▶ Students = 1,241               <ul style="list-style-type: none"> <li>◦ Resident Population = 1,175</li> <li>◦ School Choice = 66</li> </ul> </li> <li>▶ Per Pupil Expenditure = \$21,773 (69 in MA)</li> <li>▶ Per Pupil Exp. State = \$19,113</li> </ul>	<p><b><u>Operations</u></b></p> <ul style="list-style-type: none"> <li>▶ Academic Teaching &amp; Learning</li> <li>▶ Special Education</li> <li>▶ Social Services: Counseling, Health, Home Health, Homeless &amp; Inter-agency support</li> <li>▶ Early Childhood</li> <li>▶ Network &amp; Instructional Technology Management</li> <li>▶ Facilities Management</li> <li>▶ Food Services</li> <li>▶ Transportation</li> <li>▶ HR Management</li> <li>▶ Financial Services</li> </ul>
<p><b><u>Active Faculty &amp; Staff</u></b></p> <ul style="list-style-type: none"> <li>▶ Faculty, Counseling &amp; Support = 147</li> <li>▶ Other Support Staff = 43</li> <li>▶ 12 Month Administrative, Clerical &amp; Plant = 28</li> <li>▶ Avg. MERSD Teacher Salary = \$88,536 (106 in state)</li> <li>▶ Average State Teacher Salary = \$87,108</li> </ul>	
<p><b><u>Facilities</u></b></p> <ul style="list-style-type: none"> <li>▶ Open 7 Days</li> <li>▶ Weekdays 6am – 10pm</li> <li>▶ Weekends 9:00am – 9:00pm</li> <li>▶ School Sites = 3</li> <li>▶ Athletic Sites = 4</li> </ul>	



## School Choice



## Reserves



## Per Pupil Expenditures (PPE)

### Per Pupil Expenditures Comparisons *Department of Elementary & Secondary Education – FY22*

Cape Ann Districts	
District	PPE
Rockport	\$26,981
Manchester Essex	\$23,568
Masconomet	\$23,051
Triton	\$22,282
Hamilton-Wenham	\$22,092
Amesbury	\$21,622
Boxford	\$21,195
Ipswich	\$20,914
Newburyport	\$20,881
Middleton	\$20,061
Gloucester	\$20,028
North Reading	\$19,942
Topsfield	\$19,239
Pentucket	\$18,771
Lynnfield	\$17,325

DART Districts	
District	PPE
Manchester Essex	\$23,568
Dover-Sherborn	\$23,350
Hamilton-Wenham	\$22,092
Cohasset	\$21,731
King Philip	\$21,517
Berlin-Boylston	\$18,664
Littleton	\$18,272
Georgetown	\$18,088
Douglas	\$17,635
Hanover	\$16,248

## Per Pupil Expenditures (PPE)

**Per Pupil Expenditures Comparisons**  
*Department of Elementary & Secondary Education – FY22*

Regional Districts	
District	PPE
Concord-Carlisle	\$24,823
Lincoln-Sudbury	\$24,401
Manchester Essex	\$23,568
Dover-Sherborn	\$23,350
Masconomet	\$23,051
Essex North Shore	\$22,469
Triton	\$22,282
Hamilton-Wenham	\$22,092
King Philip	\$21,517
Pentucket	\$18,771
Berlin-Boylston	\$18,664

Boston Magazine Top 10 Districts	
District	PPE
Weston	\$30,446
Wellesley	\$25,313
Lincoln-Sudbury	\$24,401
Manchester Essex	\$23,568
Dover-Sherborn	\$23,350
Andover	\$22,222
Hamilton-Wenham	\$22,092
Wayland	\$21,579
Hingham	\$19,615
Acton-Boxborough	\$19,315
Littleton	\$18,272
Winchester	\$17,995

## Teacher Salaries

Sample of Teacher Salary Rankings, 2021 –DESE

## Salary Comparisons

Cape Ann Region		Boston Magazine Top 10 Districts	
School District	Statewide Salary Ranking	School District	Avg. Teacher Salary
Masconomet	8	Lincoln-Sudbury	\$113,571
Lynnfield	36	Weston	\$110,901
Salem	44	Wayland	\$105,651
Danvers	74	Dover-Sherborn	\$104,766
Hamilton-Wenham	76	Wellesley	\$100,778
Topsfield	80	Hingham	\$99,261
Newburyport	92	Acton-Boxborough	\$91,268
Winchester	93	Winchester	\$89,442
<i>MERSD</i>	<i>106</i>	MERSD	\$88,536
Amesbury	129	Littleton	\$81,250
Gloucester	134	Average	\$99,654
Beverly	155	Median	\$100,778
Triton	158	MERSD	\$88,536
Ipswich	172	State Average	\$87,108
Swampscott	185		
Boxford	192		
Rockport	195		