

MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

MERSD

FY20 Budget



The Manchester Essex Regional School District is a high achieving community committed to educating all students, inspiring passion, instilling a love of learning, and developing local and global citizenship.

Introduction – State of the District

The communities of Essex and Manchester have a strong reputation for their commitment to high-quality schools. In November, through the collaborative efforts of the towns of Essex and Manchester, the Memorial School Building Committee, and Vote Yes for Kids, MERSD successfully won the support of the community to proceed with the Memorial School building project. We are thrilled at the outcome and thankful to all who contributed time and energy to the development and communication of the plan. The expertise and commitment of our community volunteers were critically important to the successful vote on the Memorial Building Project.

Educationally, the Manchester Essex Regional School District continues to be one of highest performing districts in the state. We are an inclusive and collaborative organization committed to continual improvement with the mission of providing strong core curricula that balances high expectations for student achievement with the needs of the whole child. MERSD proudly works to educate each child from his/her own readiness level in order to facilitate the intellectual, social, and emotional growth process. As such, we offer a variety of student-centered twenty-first century learning opportunities, such as: elementary foreign language; Integrated Pre-Kindergarten; specialized learning programs for students with dyslexia, autism spectrum disorders, and developmental delays; 6th Grade Middle School Academy; STEM coursework in computer science, engineering, project based environmental studies, and FIRST Robotics; Project Adventure; Yale University's RULER Program; Senior Internships through our SCORE program; award winning arts and music programs; and, state champion athletic teams.

2018-2019 Highlights

- Memorial School Project won community support.
- MERHS ranked 5th in Boston Magazine's Best High Schools edition.
- MERHS recognized by US News & World Report as a Gold Medal High School. MERHS ranked among the top 20% of High Schools Nationwide & the top 5% of High Schools in MA!
- Manchester Essex Regional Middle High School recognized by the Department of Elementary and Secondary Education as a "Green Ribbon School of Sustained Excellence". This designation is a new area of certification, and MERMHS is currently the only school in the state to have received this honor.
- MERSD continued its partnership with Yale's Center for Emotional Intelligence by implementing RULER with students (Recognizing, Understanding, Labeling, Expressing and Regulating emotions) in grades K-12. This approach supports our commitment to Social and emotional learning (SEL). SEL is the process through which children and adults acquire and effectively apply the knowledge, attitudes, and skills necessary to understand and manage emotions, set and achieve positive goals, feel and show empathy for others, establish and maintain positive relationships, and make responsible decisions.

- MERHS partnered with Anti-Defamation League to implement the World of Difference Peer Training Program. The goal of the initiative is to provide Peer Trainers with the training and resources to design and lead interactive programs that promote an environment that is respectful and civil.
- MERSD further expanded its partnership with the Ipswich YMCA. Building on the success of the popular Middle School theater program, and the YMCA K-5 on-site after-school program for Essex Elementary School students, MERSD partnered with the North Shore YMCA to offer a summer literacy program to rising second and third-grade students. The summer literacy program was a two-week program that provided MERSD students with instruction in literacy focused on building skills in self-selected reading, small group guided reading, writing, spelling, grammar, and vocabulary. Our program was generously funded by EBSCO Publishing.

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 continued support of our students and of our schools.

Pamela Beaudoin, Superintendent of Schools

2020 Budget - Summary Overview

MERSD's School Committee Budget Goals includes the objective to "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." With that in mind, MERSD begins each budget season looking to provide at minimum "level services," or, in other words, the same level of program currently in place. When district or building-level administrators identify the need for program enhancements, it is MERSD's practice to attempt to fund those first, when possible, through operating efficiencies (i.e., cost savings), in order to minimize the impact to taxpayers. MERSD has a multi-year track record of revamping and improving program delivery in ways that focus on student needs while also generating financial savings.

The 2020 budget of \$26.064 million assumes spending growth of 3.25% (\$821K), following 3.18% in FY19, 3.31% in FY18 and 3.14% in FY17. This stable rate of growth is consistent with the multi-year budget projections used by MERSD to collaborate and plan with member towns of Manchester and Essex. Achieving this target was particularly challenging in FY18, as MERSD had to use program cuts to offset a one-time increase of 28% in health insurance rates, driven by an unusual spike in utilization. Although insurance utilization has since returned to normal levels, the priority placed upon stable spending growth in the FY20 budget does not yet allow for restoration of prior year program cuts, which included elimination of positions for retiring staff and reduction of spending on curriculum and facility capital improvements. MERSD has, however, been working collaboratively with teachers and staff to find ways to manage the rising cost of health insurance, and has included a placeholder for \$175K in cost reductions in the 2020 budget based on insurance plan savings currently under review.

Shifting enrollment has also allowed for strategic use of resources. Although MERSD is still managing a cohort of students with record high class sizes, these students are now at the secondary level and entering elementary class enrollments have declined due to a demographic decline in school age children. This population shift has allowed MERSD to reduce classroom sections at the elementary level while maintaining class size benchmarks, and shift resources to the secondary level to address the larger cohort. Additional savings will be directed to restoring prior year cuts when possible.

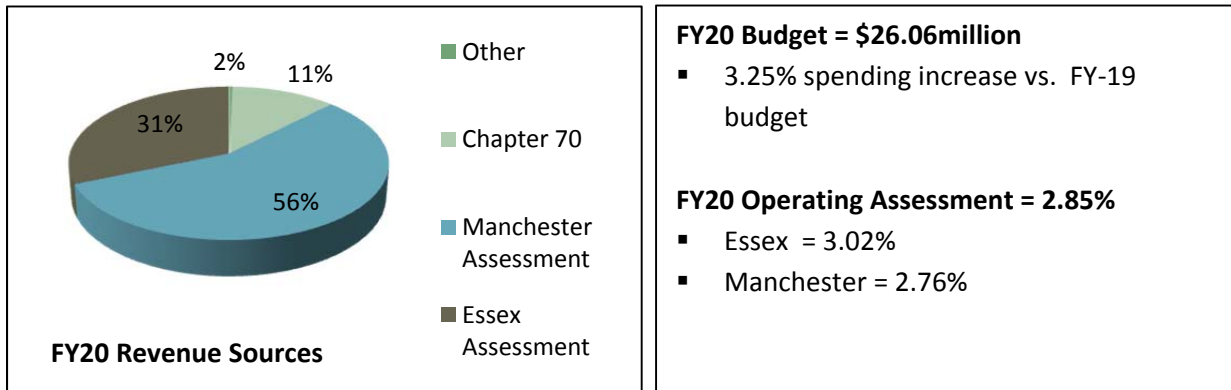
School Yr.	K	1	2	3	4	5	6	7	8	9	10	11	12	HS	MS	Elm
2016-17	70	67	88	112	122	115	124	132	131	115	103	98	109	425	387	574
2017-18	76	81	73	92	115	123	117	124	130	131	114	100	98	443	371	560
2018-19	74	82	85	80	98	118	127	113	127	129	123	113	107	472	367	537
2019-20	70	74	82	85	80	98	118	127	113	127	129	123	113	492	358	489
2020-21	70	70	74	82	85	80	98	118	127	113	127	129	123	492	343	461

As a result of these enrollment changes, non-town revenue, which consists primarily of State Aid, has been growing slowly for the past several years. This can have the impact of causing town assessments to rise more quickly than spending growth. In an attempt to offset this effect, the FY20 budget includes use of \$100,000 from reserve funds as a revenue source, recognizing that current reserve fund balances are strong, as confirmed in MERSD's recent credit rating upgrade from S&P. As a result of this reserve fund support, and modest spending changes, operating assessments to the towns are expected to grow just 2.85% in 2020, following 3.29%, 3.20% and 3.32%, respectively for 2019, 2018 and 2017. This is below the assumed rate of growth for town assessments in MERSD's multi-year budget model.

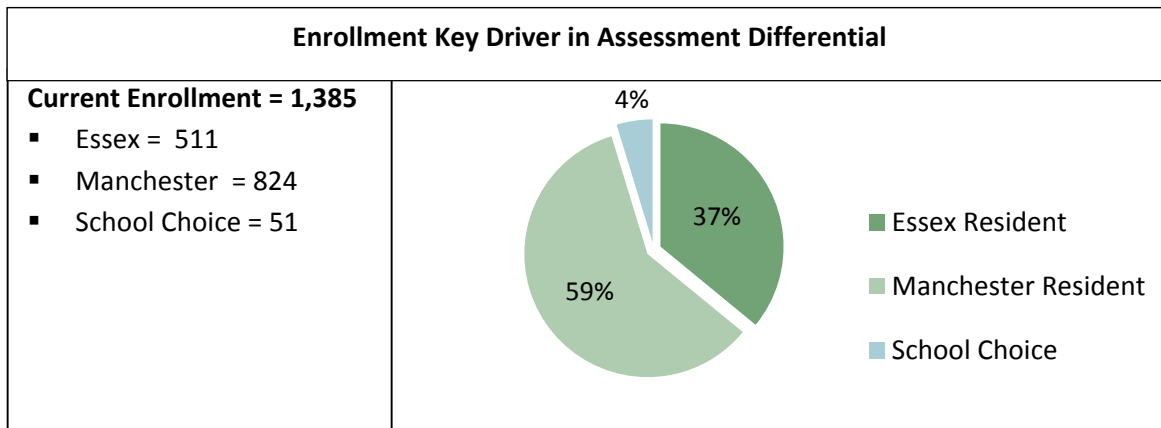
MERSD FY20 Budget Highlights

FY20 Operating Assessment = 2.85%

- Cost of increase to towns after deducting “Other Revenue” (e.g., State Aid) from spending needs
- Below multi-year model assumption of 3.8 %
- Below recent operating assessments of 3.29% in FY19, 3.20% in FY18 and 3.32% in FY17, due to use of \$100K in one-time reserve funds.



FY20 Assessment growth is below multi-year model projection of 3.8%



Memorial School Building Project

The Memorial School Building Committee (MSBC) has successfully carried out all phases of the Massachusetts School Building Authority (MSBA) planning process, including feasibility study and schematic design, complying with prescribed MSBA procedures and policies and maximizing the District's reimbursement application for construction of a new school. Through this process, the MSBC worked to find a fiscally responsible, forward-thinking solution for the Manchester elementary school building that meets the needs of the District's current and future curriculum, is mindful of future maintenance and the impact on the environment, serves the school community, and is supported by voters in Manchester and Essex, as well as the MSBA.

The MSBC's proposed solution was presented to and approved by the boards of Selectman and Finance in both Essex and Manchester, the Massachusetts School Building Authority, and the citizens of both Essex and Manchester in October and November of 2018.

Since receiving community approval for the project, MSBC has been collaborating with the Design, Project Management and Construction Management teams on the development of more detailed design specifications that will be used to refine cost estimates and guide construction.

In accordance with the MSBA project development plan, MERSD will be submitting three design progress reports with increasing levels of detail before the final approval in late summer. Through each phase, the team engages in both a design refinement and cost management process to ensure the building not only meets our educational needs but also stays on budget.



Memorial Building Project Overview

Total Project Budget \$52.2 million

- Estimated MSBA Reimbursement \$12M
- District Share \$40M

Estimated Annual Cost to Towns /Assuming 30 Yr. Bonds @ 5%

- Manchester \$1.7M
- Essex \$850,000

Building Basics

- 77,012 square foot facility
- A 50-year solution per MSBA guidelines
- Meets the educational program
- Sufficient space for school population – Design Enrollment 335
- Flexible design for growth
- More energy efficient
- More secure
- Compliant with all State and Federal laws

Project Timeline: Construction will begin in the summer of 2019 and end in the fall/winter of 2021 with students in their new classroom spaces by fall of 2020, and common/administrative spaces (e.g., gym, cafeteria, main office) being completed during the 2020-2021 school year. Demolition will occur during the summer, when school is not in session. Students will be housed in the current Memorial School building and moved to the new classroom space by fall 2020.



SECTION 2
Budget Detail

FY20 Operating Budget Detail – Overview

MERSD's operating budget request for Fiscal Year 2020 (FY20) is \$26,064,946, up \$821,039 or 3.25% from 2019.

The main source of funding for the budget is town taxation, referred to as assessments, which are budgeted to grow \$630,532, or 2.85% in 2020 from the prior year. For the first time since 2016, the budget is funded with a small, \$100K contribution from MERSD's reserve or "rainy day funds," which reduced the town assessment from the originally anticipated 3.30% increase. Stable financial reserve balances were recently cited by S&P as a reason for the upgrade of MERSD's credit rating to AA+, one step below the top rating of AAA. Maintaining a strong credit rating enables MERSD to borrow for school renovation projects at a lower cost to taxpayers, as lenders require lower interest rates on debt from more financially stable borrowers. Reserve funds also provide a safety net to address unexpected costs related to MERSD's aging elementary facilities. With replacement of Memorial Elementary School planned to begin this summer, MERSD continues to invest in extending the life of Essex Elementary and preventative maintenance at the Middle High School facility. Through a partnership with the Town of Essex, MERSD has been able to access Green Community grant funds to install nearly \$400K of energy efficient equipment at Essex Elementary, at no cost to taxpayers. Upgrades have included automated heating control software and LED lighting, which will help to reduce energy consumption and costs at the sixty-two year old building.

The largest source of non-town revenue is State Aid, which includes the Chapter 70 and Regional Transportation programs. Although MERSD's State Aid figures for 2020 will not be finalized until late June, the district has seen a dramatic slowdown in Chapter 70 funds over the past several years from highs of 33% and 25% annual increases in 2012 and 2013 to an average of 1.6% over the past five fiscal years. Additionally, revenues from the School Choice State Aid program are expected to decline in the 2020 budget, as MERSD continues to accept fewer non-resident students. Current School Choice enrollment of 51 students in 2019 has declined by 66% from a high point of 150 School Choice students in 2005 and from 111 students just seven years ago.

The cost to each town of MERSD depends on three factors: budget (the amount of spending approved by the School Committee), revenue (the amount of money the school district receives from sources other than the towns), and apportionment (the division of costs between the two towns). The chart on the next page shows the total impact of these three factors. In the last two years, the percentage of MERSD student coming from Essex has grown to 38.0% and 38.1% from 37.2% three years ago. As a result, the apportionment for Essex in FY20 will grow by a slightly higher percentage (3.02%) than that of Manchester (2.76%) in accordance with the Regional Agreement formula.

2020 Revenue Sources

		FY19	FY20	\$ Change	% Change
BUDGETED EXPENDITURES		25,618,907	26,389,946	771,039	3.01%
Revenue other than Assessments					
	Chapter 70 Aid	2,970,741	3,033,748	63,007	2.12%
	State Transportation Aid	130,000	140,000	10,000	7.69%
	School Choice Sending	(55,000)	(55,000)	0	0.00%
	School Choice Receiving*	375,000	325,000	(50,000)	-13.33%
	Medicaid Reimbursement	50,000	50,000	0	0.00%
	Bank Interest	12,000	25,000	13,000	108.33%
	Parking/Transp. Fees	25,000	29,500	4,500	18.00%
	Reserve Funds	0	100,000	100,000	NM
Total other Revenue		3,507,741	3,648,248	140,507	4.01%
Operating Assessments					
	Manchester	14,274,688	14,668,257	393,569	2.76%
	Essex	7,836,479	8,073,441	236,963	3.02%
Total Operating Assessments:		22,111,166	22,741,698	630,532	2.85%
TOTAL REVENUE		25,618,907	26,389,946	771,039	3.01%

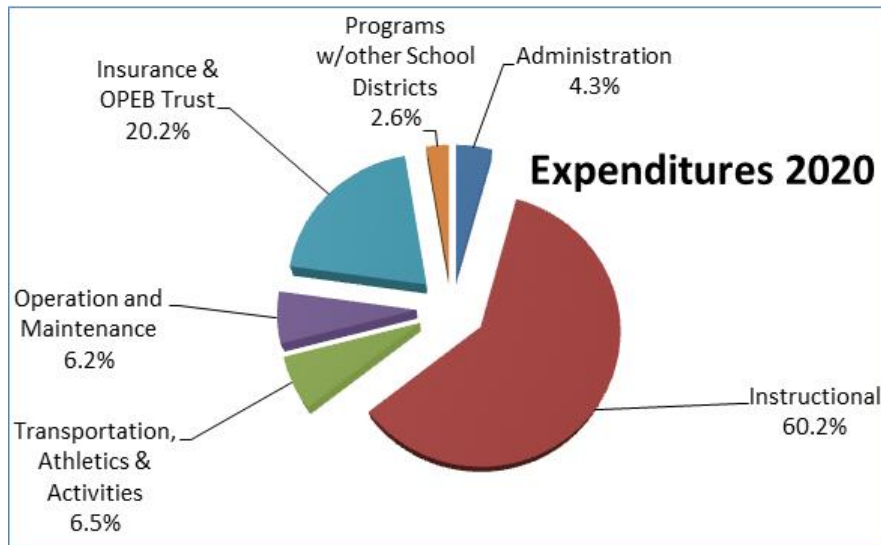
**School Choice (SC) receiving funds must be spent outside of the General Fund budget, per state regulations, but are included here to account for all major spending categories. Excluding SC funds of \$375,000 in 2019 and \$325,000 in 2020, the total General Fund budgeted expenditures for 2020 are \$26,064,946, up \$821,040 or 3.25% from \$25,243,907 in 2019.*

Operating Budget Detail - Distribution of Expenditures

As shown, the percentage of spending by category in the 2020 budget is similar to 2019. Although Instructional costs and Insurance account for the largest areas of increased spending, both categories are declining slightly as a percent of total spending. This reflects MERSD's plan to consolidate staffing in FY20 in order to close a budgetary gap, as well as plans to migrate to less costly health insurance plans. Programs with Other Districts, which represent spending on special education tuition costs for sending students to programs outside of MERSD, are expected to rise slightly as a percent of total spending. In fact, FY20 spending in this category is expected to be similar to FY19 actual, but the FY19 budget is slightly below this level. Operations/Maintenance costs are budgeted to increase slightly as a percentage of total spending, as MERSD adjusts for rising utility rates.

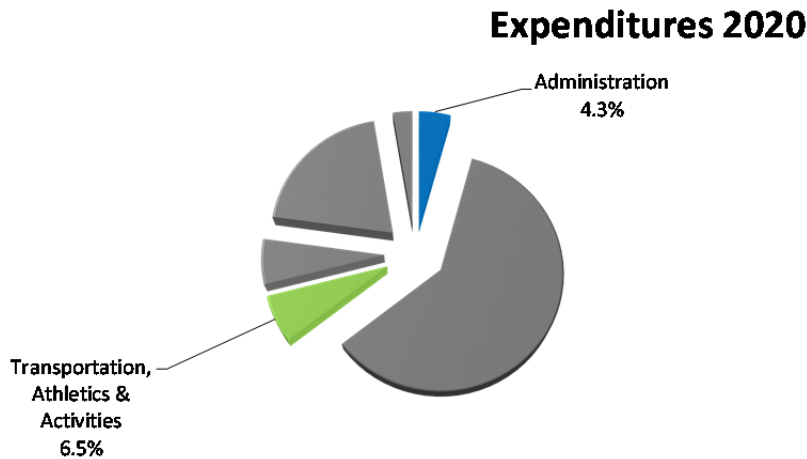
Summary of Expenditures

	FY19	% of Total	FY20	% of Total
Administration	1,090,428	4.26%	1,139,093	4.32%
Instructional	15,459,580	60.34%	15,881,597	60.18%
Transportation, Athletics & Activities	1,700,408	6.64%	1,716,426	6.50%
Operation and Maintenance	1,554,233	6.07%	1,635,537	6.20%
Insurance	4,668,553	18.22%	4,778,859	18.11%
Programs with other Districts	628,704	2.45%	698,433	2.65%
Contribution to OPEB Trust Fund	517,000	2.02%	540,000	2.05%
Total Budgeted Expenditures	25,618,906	100.00%	26,389,946	100.00%



Administration includes district-wide expenses such as professional and support staff salaries, supplies and materials for the School Committee, superintendent’s office, and finance, dues, legal services, travel expenses, and administrative technology. Overall spending on administration is expected to grow \$48K in 2020 with salaries growing 2.5%, or \$20K. Increases in administrative operating expenses include increased investment in technology software.

<i>Administration</i>	
Salaries	\$844,360
Expenses	\$294,733
Total	\$1,139,093
% of Budget	4.32%
% Growth	4.46%



Transportation, Athletics & Activities includes regular transportation and transportation for students placed out of district for special education, athletics, health services, and student activities like band,

<i>Transportation, Athletics & Activities</i>	
Salaries	\$812,183
Expenses	\$904,243
Total	\$1,716,426
% of Budget	6.50%
% Growth	0.94%

debate, and DECA. Costs include professional and support salaries, contracted services, and materials.

Transportation costs have been rising rapidly for school districts throughout MA over the past few years, as a strong economy and full employment have resulted in driver shortages in many communities and wage inflation. MERSD’s multi-

year contract for regular day transportation is set to increase by 7% in 2020, but will be offset by a forecasted decline in the cost of Special Education transportation for out-of-district placements. With transportation services outsourced, personnel costs in this category relate primarily to nurses, and athletic coaching and student activity stipends, which are estimated to grow 2.1% in aggregate in FY20.

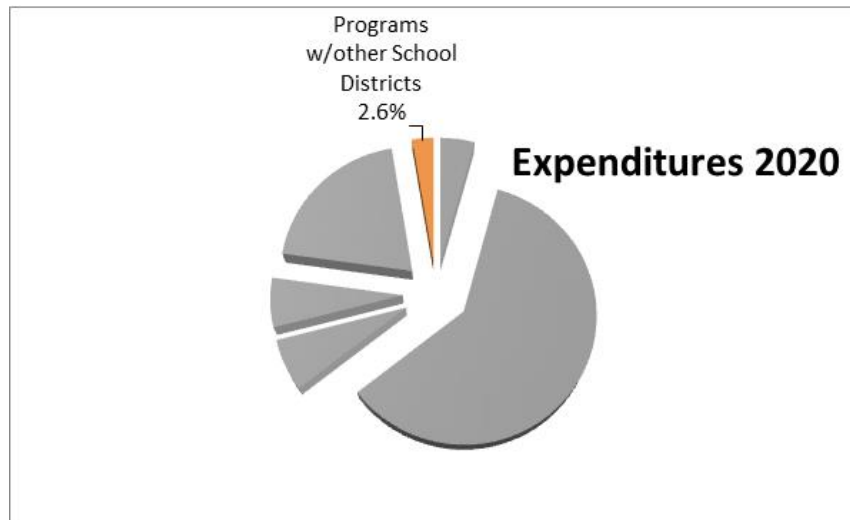
Programs with other Districts is the cost of sending students from the district to programs outside the district (OOD). Tuition costs for special education students attending schools in other districts or

<i>Programs with other Districts</i>	
2019	\$698,433
2018	\$628,704
% Budget	2.65%
% Change	11.09%

private or collaborative schools are examples in this category. The budget for these programs is growing 11% or \$70K in FY20, based on bringing budget in line with forecasted actual costs for FY19. Although the district continues its longstanding practice of forecasting OOD on a student-by-student basis, placements are dynamic, and can change mid-year, as student needs change. Budget estimates can also be

significantly impacted by even small changes in resident population, particularly for move-in students requiring full-year residential programs.

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 avoids nearly \$1.5 million per year in tuition and transportation expense, which would be necessary if in-district programs didn't exist. This benefits MERSD students by enabling them to stay in their neighborhood schools.



Operation and Maintenance of Plant is the cost of the buildings, grounds, and equipment. Some examples include custodial services, heat, utilities, building and grounds maintenance, and capital improvements. Costs include salaries, contracted services, natural gas, telephone, electricity, and equipment, and tools.

Spending on Operations and Maintenance is increasing by 5.23% (\$81K), in FY20. Personnel costs are increasing 1.6% (\$4.4K), with a low growth rate reflecting MERSD’s continued outsourcing of custodial

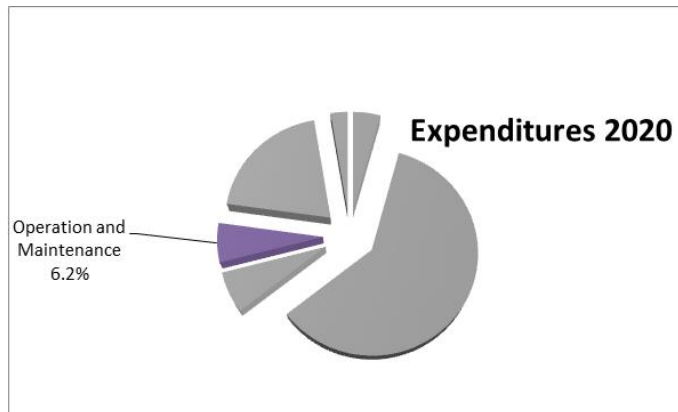
positions following recent retirements of in-district staff. The cost of custodial contracts appears in operating expenses, which are growing 6.0% (\$77K) in FY20.

The shift towards outsourcing has resulted in a net savings that includes reduction in labor costs, elimination of pension expense and reduction in burden from fringe costs for health insurance. This change has also

<i>Operation & Maintenance</i>	
Salaries	\$285,137
Expenses	\$1,350,400
Total	\$1,635,537
% Budget	6.20%
% Growth	5.23%

helped to improve MERSD’s workers’ compensation insurance profile, leading to more favorable renewal rates. The main source of rising expense in the Operation & Maintenance category is the increased cost of utility contracts. As the economy has expanded in recent years, so too has demand for natural gas (heating) and electricity, which in turn has pushed market rates upward. MERSD purchases these utilities through PowerOptions, a consortium that aggregates demand for the higher education and public sectors, in order to secure more favorable rates and supply contract terms.

MERSD’s budget for capital asset repair and replacement is being held flat, at \$60K, which was reduced in the FY18 budget as part of cuts related to a health insurance renewal of 28% in that year. Although MERSD remains ready to tackle unforeseen capital emergencies for one-time (i.e., non-recurring) needs through reserve funds, going forward, it will be a budget priority to reinstate its annual allocation for recurring investments in asset replacement.



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.

As is typically the case, Instructional Services is the largest area of spending growth in 2020, and is

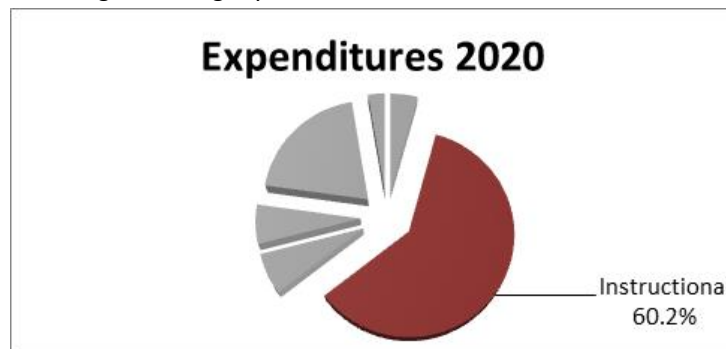
<i>Instructional Services</i>	
Salaries	\$14,904,169
Expenses	\$977,428
Total	\$15,881,597
% Budget	60.18%
% Growth	2.73%

budgeted to grow \$422K or 2.7% from the prior fiscal year.

During the FY20 preliminary budgeting process, a gap of \$330K was identified between a goal of maintaining Level Services for the educational program, and the desired target of 3.30% assessment increases to the towns of Manchester and Essex. To close this gap, MERSD has identified \$125K of potential staffing efficiencies and consolidations, which (together with other reductions in Health Insurance and out-of-district tuitions) has helped

lower the town assessment growth to just 2.85% -- the lowest rate since 2016, when a revenue increase from the towns was planned to account for nearly a decade of rising resident enrollment. Although total enrollment within MERSD has since declined by an average of 2% per year over the past five years, an enrollment "bubble" of unusually large grades continues to rise through the Middle and High School. The decline in elementary enrollment, however, has allowed for reductions and some redirection of budget funds to the secondary level, thereby minimizing the impact of cuts to the total program.

Overall, Instructional Services personnel costs are budgeted to grow 3.28% or \$473K in 2020. This includes a 2.5% cost-of-living adjustment for teachers (compared to 1.5%, 2.25%, 2.0% and 1.5% in 2019, 2018, 2017 and 2016, respectively) in addition to contractually obligated "step increases." Step increases are awarded for additional years of service within the first 15 years, which applies to 43% of faculty. Offsetting these increases is a 4.9% (\$51K) reduction in Instructional Services operating expense, reflecting the return of one therapist position from Special Education contracted services (operating expense) to personnel. All instructional supplies and materials accounts are being level funded in FY20, following two straight years of reductions.



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 2020 budget for Insurance and OPEB is up 2.6% or \$133K, compared to fiscal 2019. MERSD’s budget assumptions include an estimated 8.0% increase in health insurance rates, offset by \$175K in potential savings from migration to less costly plans identified in negotiations with the Manchester Essex Teachers Association (META). Following a dramatic spike in utilization, and a commensurate rate increase of 28% in 2018 – by far the highest rate increase in years – MERSD’s insurance profile has since returned to a more typical level, in line with market norms. Prior to 2018, the average annual rate increase for MERSD’s insurance was just 3.3% over a 6-year period.

<i>Insurance & OPEB Trust</i>	
2019	\$5,185,553
2018	\$5,318,859
% Budget	20.2%
% Growth	2.57%

MERSD continues to execute on its road map to fully fund its OPEB obligation, with trust fund contributions of \$540K budgeted for 2020, up 4.5% from the prior year. Including the 2020 budgeted estimates for OPEB, MERSD has committed \$2.3 million towards settling these long-term obligations in just five years, funded entirely by negotiated changes to health insurance programs district-wide. The OPEB agreement negotiated with META effective 2016 has been forecast by MERSD’s actuary to reduce the unfunded annual portion of the OPEB liability by approximately 87% or \$1.6 million per year. Changes included reducing the district contribution for health care premiums to 75% for active employees and 70% for new hires, from 80% previously. Additionally, the agreement migrated all employees to an insurance program with lower monthly premiums (split between MERSD and staff) in exchange for higher co-pays and a small deductible (paid by staff). The negotiated agreement stipulates that in return, all savings from these changes will be placed into an OPEB trust fund for the sole purpose of paying future OPEB costs. This successful collaboration has put MERSD far ahead of most other regional school districts, which have yet to face mounting OPEB liabilities.

The 2020 estimate for pension contribution is \$594K, which covers the employer contribution for non-licensed staff (e.g., custodians, and administrative or school building assistants). Essex Regional Retirement System(ERRS), the pension program for these employees, has estimated that system-wide contributions will need to rise by 5-7% per year through 2023, before dipping to slightly below 4% annually through 2036, as part of the system’s plan to achieve full funding. Outsourcing by MERSD of custodial, food service and transportation operations, however, has led to growth rates for MERSD that are below those of the overall retirement system as MERSD continues to shrink as a percentage of total ERRS membership.

Multi-Year Budget Strategy

For the past several years, MERSD has employed a multi-year budgeting process to inform and improve collaborative funding discussions with the towns. This budgeting approach aims to show the impact on town assessments of a Level Services spending budget and the current low-growth environment for MERSD's State Aid. Additionally, the multi-year budget tool shows clearly the challenges of using one-time reserve funds as a recurring revenue source.

Assuming spending growth in a Level Services environment between 3.5% and 3.7%, for example, assessments would creep closer to 4.0% which is near or in excess of member town levy limits. By contrast, to keep assessment increases at 3.5% in the future with no growth expected in State Aid, total spending would be able to increase no more than about 3.25% per year.

	FY-18*	FY-19*	FY-20	FY-21	FY-22	FY-23	FY-24
Personnel	\$16,061	\$16,352	\$16,876	\$17,475	\$18,096	\$18,678	\$19,288
<i>Growth %</i>	2.98%	1.81%	3.21%	3.55%	3.55%	3.22%	3.27%
Expenses	\$8,684	\$9,267	\$9,514	\$9,917	\$10,327	\$10,744	\$11,167
<i>Growth %</i>	7.08%	6.72%	2.66%	4.23%	4.14%	4.04%	3.93%
Total Spending	\$24,744	\$25,619	\$26,390	\$27,391	\$28,423	\$29,422	\$30,455
<i>Growth %</i>	4.38%	3.53%	3.01%	3.79%	3.77%	3.52%	3.51%
State Aid	\$3,065	\$3,046	\$3,119	\$3,173	\$3,229	\$3,285	\$3,343
Fees & Other	\$170	\$87	\$105	\$105	\$105	\$115	\$115
School Choice: Annual Revenue	\$300	\$375	\$325	\$325	\$325	\$325	\$325
Reserves: Choice, E&D	\$0	\$0	\$100	\$150	\$175	\$175	\$175
Town Assessments	\$21,407	\$22,111	\$22,742	\$23,638	\$24,590	\$25,522	\$26,497
<i>Growth %</i>	3.20%	3.29%	2.85%	3.94%	4.02%	3.79%	3.82%
Total Revenue	\$24,744	\$25,619	\$26,390	\$27,391	\$28,423	\$29,422	\$30,455
<i>Growth %</i>	4.38%	3.53%	3.01%	3.79%	3.77%	3.52%	3.51%

*FY18 = actual results. FY19-FY20 = budget. FY21-FY24 = scenario budget only

Capital Budget – Debt Repayment

In addition to the Operating Budget discussed above, MERSD also maintains a separate, annual Capital Budget that summarizes debt payments due in the fiscal year, and apportions those expenses to the Towns in the form of a Capital Assessment following formulas from the Regional Agreement.

Prior to FY20, MERSD's debt related exclusively to the Middle High School facility. Voters in both towns voted in 2006 to authorize borrowing of up to \$49 million, and to exclude any borrowing from the limitations of Proposition 2.5. 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. Additionally, borrowing rates were significantly more favorable than originally anticipated resulting in a tax impact that is about half of what was predicted when the debt exclusion was voted. In 2017, MERSD lowered borrowing costs even further by refinancing its debt, saving taxpayers \$1.7 million over the remaining life of the bonds, or \$95-100K per year.

New debt service for the Memorial School project begins in FY20, and as a result, the total capital budget is increasing by \$2.4 million in the coming year. Voters in both towns voted in the fall of 2018 to approve the \$52 million project budget, with an estimated reimbursement from MSBA of \$12 million, leaving approximately \$40 million to be funded via local taxation. In January of 2019, MERSD borrowed \$35 million of this total using 30-year bonds, with the remaining \$5 million of local share to be borrowed towards the end of the Memorial School project. Prior to this winter's issuance, MERSD's credit rating was upgraded by S&P to AA+, just one step below the highest possible AAA rating. In its report, S&P 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 funding at a 3.289% interest rate, a significant improvement from the estimated 5.0% rating presented to voters in the fall. The resulting savings in interest payments over the 30 year term will total \$17 million or \$577K per year.

2020 Debt Payments

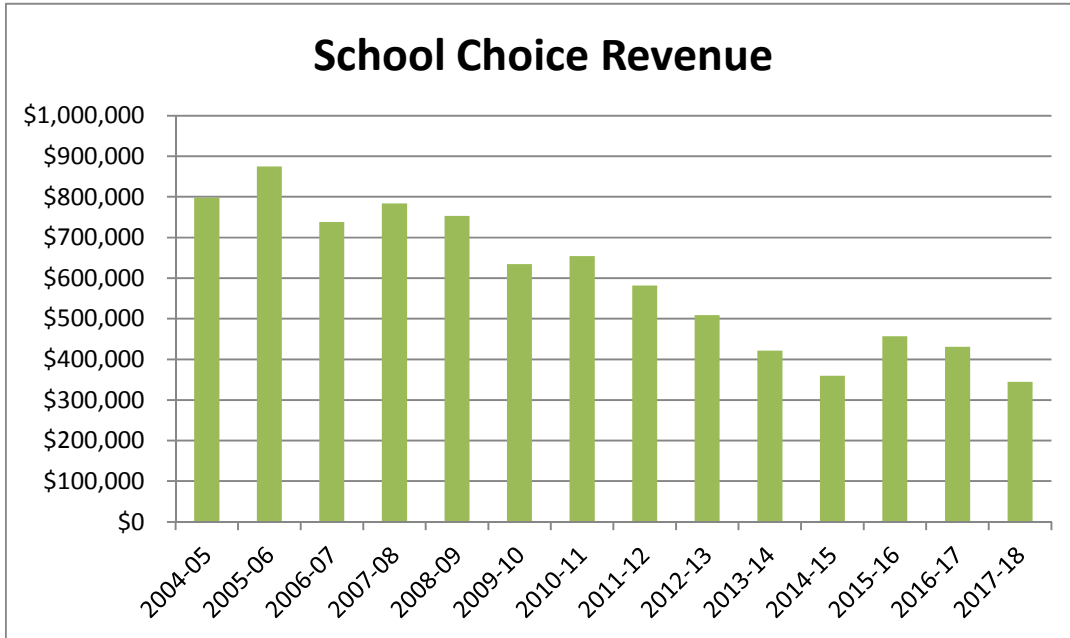
			Increase	
	2019	2019	\$	%
Principal Payments on Long-Term Debt	\$1,455,000	\$2,535,000	\$1,080,000	74.2%
Interest Payments on Long-Term Debt	\$653,338	\$1,948,000	\$1,294,663	198.2%
Total Debt Expense	\$2,108,338	\$4,483,000	\$2,374,663	112.6%
Manchester - Capital Assessment	\$1,403,891	\$2,993,490	\$1,589,599	113.2%
Essex - Capital Assessment	\$689,174	\$1,474,238	\$785,064	113.9%
Amortization of Issuance Premium	\$15,272	\$15,272	\$0	0.0%
Total Capital Budget Revenue	\$2,108,338	\$4,483,000	\$2,374,663	112.6%

Section 3

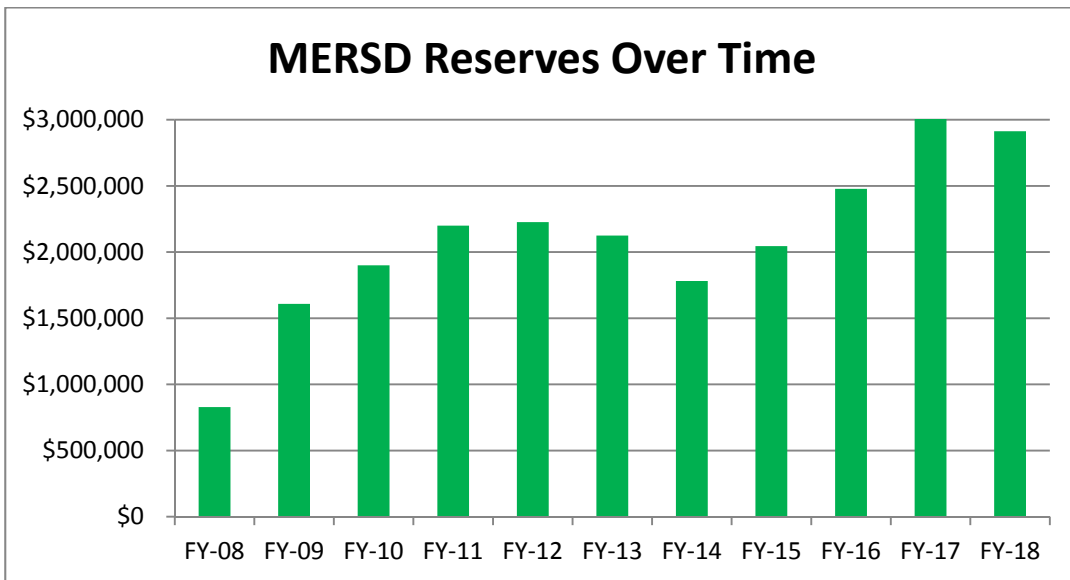
MERSD At A Glance

District Overview	
<p><u>Enrollment</u></p> <ul style="list-style-type: none"> ▶ Students = 1,386 <ul style="list-style-type: none"> ◦ Resident Population = 1,335 ◦ School Choice = 51 ▶ Per Pupil Expenditure = \$17,448 (93 in MA) ▶ Per Pupil Exp. State = \$15,911 	<p><u>Operations</u></p> <ul style="list-style-type: none"> ▶ Academic Teaching & Learning ▶ Special Education ▶ Social Services: Counseling, Health, Home Health, Homeless & Inter-agency support ▶ Early Childhood ▶ Network & Instructional Technology Management ▶ Facilities Management ▶ Food Services ▶ Transportation ▶ HR Management ▶ Financial Services
<p><u>Active Faculty & Staff</u></p> <ul style="list-style-type: none"> ▶ Faculty, Counseling & Support = 149.4 ▶ Other Support Staff = 32.6 ▶ 12 Month Administrative, Clerical & Plant = 27 ▶ Avg. MERSD Teacher Salary = \$77,171 (146 in state) ▶ Average State Teacher Salary = \$78,708 	
<p><u>Facilities</u></p> <ul style="list-style-type: none"> ▶ Open 7 Days ▶ Weekdays 6am – 10pm ▶ Weekends 9:00am – 9:00pm ▶ School Sites = 3 ▶ Athletic Sites = 4 	

School Choice



Reserves



Per Pupil Spending

Cape Ann	PPE 2017
Rockport	\$18,506
Hamilton Wenham	\$17,513
Gloucester	\$16,451
MERSD	\$17,448

High Performing Districts	PPE 2017
Weston	\$24,226
Lincoln-Sudbury	\$20,428
Wellesley	\$19,823
Brookline	\$19,528
Newton	\$18,899
Wayland	\$18,470
Lexington	\$18,289
Bedford	\$17,852
Harvard	\$17,791
Westwood	\$17,595
Hamilton-Wenham	\$17,513
Sharon	\$16,253
Average	\$18,889
MERSD	\$17,448

Teacher Salaries

Sample of Teacher Salary Rankings -DESE

Cape Ann Region	
Masconomet	18
Boxford	39
Salem	44
Lynnfield	60
Danvers	104
Newburyport	115
Rockport	123
Hamilton-Wenham	136
Swampscott	143
MERSD	146
Amesbury	151
Gloucester	154
Topsfield	163
Winchester	164
Triton	195
Beverly	229
Ipswich	254

Boston Magazine Top 10 Districts	
School District	Avg. Teacher Salary
Dover-Sherborn	\$92,626
Concord-Carlisle	\$100,222
Weston	\$99,887
Lexington	\$82,322
Wayland	\$96,103
Westford	\$80,072
Newton	\$81,180
Wellesley	\$91,478
Harvard	\$82,877
Average	\$89,641
Median	\$91,748
MERSD	\$77,171
STATE TOTALS	\$78,708