

FY22 Budget Hearing



February 2nd Budget Discussion

The Problem We're Trying To Solve

- The cost of level services grows at an average 3.5-4% which is faster than 2.5%. How do we maintain our program and meet School Committee goals when being asked to cut the budget?
 - Perpetual and Structural Challenge – not a function of any single budget year
 - Level Service growth rate is suppressed annually in recognition of fiscal constraints
 - Creates a cycle of cutting to meet a specified budget number
 - Cumulative level services deficit grows over time
 - Every 7-10 years MERSD faces a financial crossroads of significant program reduction or need for an override
- We are at that crossroads in planning for FY22-24.

Where We Are & Where We Are Going

Spending & Assessments have been stable over time

Average Annual Increase		
	5-Yr	10-Yr*
Spending	3.15%	4.04%
Assessment	3.17%	3.60%
*Includes FY16 override		

Level Service Reductions are an annual step in budgeting

Reductions to Close Annual Gap			
FY 18	FY 19	FY 20	3 Yr. Total
\$410,000	\$679,000	\$565,000	\$1,654,000

Reserve Funds provide temporary bridge prior to eventual correction

- Potential for 80% reduction by FY23 (\$3.4 Million)

CARES Act Update

- \$252K in new grant funding just announced by DESE to help offset COVID response costs.

ESSER 1 (80% of Title I)	\$54,198
Remote Learning Technology Enhancement	\$45,250
CvRF School Reopening (\$225/student)	\$303,300
Phase 1 CARES Act	\$402,748
ESSER 2	\$206,931
Coronavirus Prevention Fund	\$45,050
Phase 2 CARES Act	\$251,981
Total CARES To Date	\$654,729

Additionally, new FEMA administration announced it is re-evaluating previously rejected submissions. Max potential to MERSD of \$160K.

FY22 Budget

Reduction Benchmarks

		\$275,000	\$334,500	\$515,500	\$679,000	\$1,014,000
		3.75 Level	3.5 Low End			
		Service w/ Reserves	of Multi-Year Model	3.2% Essex	2.5 Essex	2.5/ No Reserves
Assumptions Revisions		\$122,000	\$122,000	\$122,000	\$122,000	\$122,000
	Revise FY22 Health Care Estimates (4%)	\$87,000	\$87,000	\$87,000	\$87,000	\$87,000
	Revise FY22 Chapter 70 - House	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Operation Reductions		\$118,000	\$178,000	\$230,000	\$230,000	\$230,000
	Fund Annual Facility Small Cap via Stabilization	\$60,000	\$28,000	\$60,000	\$60,000	\$60,000
	Eliminate Late Bus	\$20,000		\$20,000	\$20,000	\$20,000
	Utilize OPEB Contingency to offset Retiree Health Growth	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
	Potential Staffing Tide Savings	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Program Reductions		\$0	\$0	\$35,000	\$100,000	\$165,000
Staffing Reductions		\$0	\$0	\$93,500	\$192,000	\$192,000
Fee Increases		\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
	Reductions	\$275,000	\$335,000	\$515,500	\$679,000	\$744,000
	Budgeted Reserves	\$335,000	\$335,000	\$335,000	\$335,000	\$270,000
	Total Gap (Reserves + Reduction)	\$610,000	\$670,000	\$850,500	\$1,014,000	\$1,014,000

Total Budget Approval for Vote	\$27,990,703	\$27,930,703	\$27,750,203	\$27,586,703	\$27,251,703
Total Assessment Approval for Vote	\$24,344,731	\$24,284,731	\$24,104,231	\$23,940,731	\$23,940,731

FTE Reductions (Attrition)	Educator FTE	.6 FTE	3.5 FTE	4.5 FTE
	Support Staff / Admin Sup.	2.5 FTE	3.0 FTE	3.0 FTE

Spending Reductions	\$240,000	\$300,000	\$480,500	\$644,000	\$979,000
Revenue Increases	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Total Adjustments	\$275,000	\$335,000	\$515,500	\$679,000	\$1,014,000

Projected Reserve Usage – 3 Year Outlook

		Reserves @ Glance				
		Excess & Deficiency	School Choice	Stabilization	Facilities Revolving	Total Reserves
<i>FY20 Estimated -(Not Audited)</i>		\$1,606,000	\$1,488,000	\$970,800	\$253,943	\$4,318,743
FY21 Usage						
	Operations	\$335,000				
	COVID Costs		\$687,000			
	Essex Playground			\$325,000		
	Memorial Boiler Emergency			\$37,000		
FY22 Usage						
	Operations	\$335,000				
	EES Technology		\$125,000			
	MHS Gym Floor Refinish			\$30,000		
	Hyland Field Replacement			\$500,000		
FY23 Usage						
	Operations	335,000				
	EES Back-Up Boiler			100,000		
	Brook Street*			250,000	250,000	
	MHS Carpeting (Auditorium & Pods)			90,000		
	Account Totals	\$601,000	\$676,000	-\$361,200	\$3,943	\$919,743

*Brook Street Field Replacement shared with Town of Manchester

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 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 Budget Overview

- Draft Apportionment
 - 3.75% assessment increase \$879,930 for both towns combined will break into:
 - 3.49% increase for MBTS (\$526.4K increase vs. FY21)
 - 4.23% increase for the Town of Essex (\$353.5K increase vs. FY21)
 - Notable
 - \$39.9K uptick for Essex and equal downward shift for Manchester, compared to the un-apportioned, straight 3.75% increase for both towns that we showed with the tentative FY22 budget.
 - New EQV and current year enrollment inputs tilted slightly toward Essex, a trend that is continued from the FY21 apportionment formula from last year.
 - Since no spending or revenue inputs have changed yet, the total for both towns combined is unchanged at 3.75% and \$879.9K.
 - Once the budget is finalized and adopted by School Committee treasurer certifies an official apportionment,

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

FY22 Operating Budget Overview

- Initial goal is to provide Level Services at a minimum
 - Maintains same level of program currently in place (*excluding temporary COVID response*)
 - Essential program changes historically funded via efficiencies/restructuring due to funding constraints, but few new reduction options remain
 - Cuts made between FY18-FY21 have not been restored
- Excluding forecasted growth in mandated health insurance and special ed. transportation, FY22 Level Services is affordable, within Proposition 2.5:
 - Annual growth excluding these statutory requirements is 3.27%
- Gap between Level Services and sustainable funding is \$611K in Tentative Budget (\$335K repeat use of E&D + \$276K anticipated adjustments). Options include:
 - Cost saving opportunities and program reductions
 - Increased town contributions
 - Use of one-time reserve funding (short-term solution only)
- COVID costs in FY-21 continue to be funded by CARES Act, anticipated FEMA reimbursement and MERSD reserves

FY22 Operating Budget Drivers

- Compensation: *\$697K (61%) of spending growth*
 - 4.01% growth – at high end of multi-year budget scenarios. No new FTE.
 - 2.5% contractual Cost of Living Adjustment (COLA) for FY20-FY22 + 1.5% est. step/column
 - Savings possible pending retirements. Limited restructuring opportunities remain.
- Health insurance: *\$337K (30%) of spending growth*
 - Initial rate increase estimate of 6%, based slightly below medical trend
 - Migration to Health Reimbursement Accounts (HRA) has improved cost and utilization
 - Savings possible as MERSD's preliminary utilization (through July) is strong/better-than-average. Monitoring monthly. Each 1% reduction in rate = \$43K
 - Continued growth in retirees covered (164), now greater than active employees (159)
- Out-of-District (OOD) Tuition/Transportation: *\$201K (18%) of spending growth*
 - Tuition stable (\$50K/6% growth) following significant uptick in FY20, FY21, related to move-ins and residential placements (5 current placements >\$100K/yr).
 - \$150K est. transportation growth, due to disparate program locations
 - Circuit Breaker (CB) aid has grown, but State has delayed reimbursing OOD transportation.

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

Budget Highlights: Spending Detail

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

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

Closing Remaining Budget Gap

FY22 Budget		Reduction Benchmarks			
		\$318,000	\$552,000	\$900,000	
		Level Service	Essex Req.	W/out Reserve	
Budget Estimate Revisions		\$0	\$0	\$0	
	Health Care Estimates (3 to 7%)	\$43,000	\$0	\$0	
Operation Reductions		\$140,000	\$175,000	\$195,000	
	Defer or Fund Annual Facility Small Cap via Stabilization	\$40,000	\$60,000	\$60,000	
	Eliminate Late Bus			\$20,000	
	Utilize OPEB Contingency to offset Retiree Health Growth	\$100,000	\$100,000	\$100,000	
Program Reductions		\$165,000	\$230,000	\$230,000	
Staffing Reductions		\$32,500	\$150,500	\$215,500	
Fee Increases		\$0	\$0	\$0	
	Savings from Cuts	\$337,500	\$555,500	\$640,500	
	Budgeted Reserves	\$335,000	\$335,000	\$259,500	
Total Gap (Reserves + Reduction)		\$672,500	\$890,500	\$900,000	
FTE Reductions		Educators	2.6 FTE	4 FTE	4.5 FTE
		Support Staff / Admin Sup.	.5 FTE	3.0 FTE	3.0 FTE

\$43,000 Estimated increase to initial health care cost assumption. Reflected in reduction benchmarks totals.

\$259,500 Reductions still needed to close gap.

Identified Capital Needs: 1- 5 Years

School	Item	Priority	Placeholder 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
		Total	\$1,870,000	

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*Brook Street Field Replacement shared with Town of Manchester

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