

June 2, 2023

To: MERSD School Committee (SC)

From: Avi Urbas, Director of Finance & Operations

Copy: Pam Beaudoin, Superintendent of Schools

Re: FY23 Spring Budget-to-Actual Report for 6/6/23 School Committee Meeting

Hello, MERSD School Committee.

Attached please find our 3rd budget-to-actual report for FY23 with final budget transfer requests. Previous FY23 updates were presented to School Committee on 11/1/22 and 1/24/23. For ease of view, page 1 of the report shows just the updated forecast and variances compared to the January adjusted FY23 budget, plus transfer requests and comments/explanations. Page 2 has greater detail, including the same information as page 1, plus the original FY23 budget, 11/1 and 1/24 transfers, and fiscal year-to-date actual spending, but comments have been removed so the extra detail can fit on a readable single page.

Forecast Summary

At a high level, savings in the forecast have declined from \$290K (1.0% of budget) in January's update to \$78K (0.3% of budget) at this time. Of note, this decline in savings is partly due to a proposed \$134K increase in prepayments of FY24 out-of-district (OOD) tuition, for reasons described below. Prior to this proposed increase in prepayments, the total FY23 savings would be \$212K (0.7% of budget), which is below the January forecast. The \$78K in updated budget savings forecasts breaks down as \$181K in personnel savings offset by \$103K in operating expense anticipated overages, both compared to the current FY23 budget, as adjusted by School Committee in January.

Personnel Forecast

The personnel forecast has changed only \$58K (0.3%) since November, which highlights the fact that the large majority of full-year personnel costs are known in the fall, after the main hiring season is complete. By contrast, there are typically more substantial personnel changes in the time between initial budget adoption (spring of prior year) and the start of each school year, due to unanticipated staffing departures and replacements over the summer. Notable exceptions to this timeline of visibility are substitute costs, which are difficult to predict in the fall and heavily impacted by unanticipated long-term leaves of absence throughout the year (e.g., maternity, or paid medical leave). Forecasts for hourly staff (e.g., cafeteria/recess aides) can also change mid-year, but are smaller in size.

Of the \$181K in total forecasted FY23 personnel savings, \$102K is non-recurring, relating to our inability to fill the new payroll/accounts payable clerk position, savings on the interim Essex Elementary principal, and a reduction in hours for the interim curriculum director. Other smaller savings are shown in the handouts.

Operating Expense Forecast

The largest change in our forecast for operating expense is the \$134K proposed increase in OOD prepayments. Earlier this year, we identified \$150K in FY23 savings, largely from health insurance, that was earmarked to prepay FY24 OOD with a separate budget transfer. That amount is consistent with prior years, and helped to reduce the FY24 budget, despite \$277K in anticipated increases in FY24 OOD expenses. The current proposed \$134K in additional prepayments will help to offset 1-2 newly

identified placements for the coming year that were not known when building the FY24 budget, and are therefore as-of-yet, unfunded. As noted previously, OOD can be difficult to predict a year in advance for budgeting purposes, and student needs will often change during the course of a school year.

Other notable changes in Operating Expenses are \$20K increase in utilities, on top of the \$188K increase requested in the fall, to account for new heating and electric contracts that we unfortunately had to renew during the early days the Russian-Ukraine war, when inflation was simultaneously peaking. The budget spike was compounded because previous multi-year contracts had been established during the COVID pandemic when rates had plummeted.

Facility capital expenses are also up by \$40K, as we continue to invest in remediating identified needs at Essex Elementary School (EES) and the Middle High School (MSHS). Total anticipated spending of \$96K in this category is notably just below our FY24 budget request of \$100K for annual operating small capital investments (in the 3/21/23 FY24 budget).

Budget Transfers

As a reminder budget transfer requests do not change the total budget amount, but rather seek School Committee approval for changes in how the current fiscal year budget may be spent, based on changes that have occurred throughout the year, since the FY23 budget was first adopted back in spring of 2022. Total transfer requests at this time of \$129K into operating expense (i.e., to allow for increased spending) are offset by \$129K of transfer reductions for personnel costs related to anticipated savings.

OPEB Contribution

Each year in June, I request School Committee approval for our annual contribution into MERSD's OPEB (Other Post Employment Benefits) trust fund for state mandated retiree health care. The contribution for FY23 is \$578,666, based on the formula contained in the teachers' contract, whereby MERSD pledges savings from negotiated changes in active employee health insurance coverage. This negotiation was put into effect in FY16. Savings stem from introducing lower-cost deductible plans and from reducing employer contribution rates from 80% to 75% for legacy staff and from 75% to 70% for new hires. MA State Law requires school districts to fund lifetime retiree health care for any retiree that earns pension eligibility, with a minimum employer contribution rate of 50% of health insurance premiums, but many districts and municipalities have yet to face and pre-fund these large future liabilities. MERSD's OPEB trust contributions are invested with PRIT, the same fund that manages teacher and state employee pensions. Earnings on these investments help to reduce the amount that MERSD must contribute. Contributions since inception now total \$3.97 million.

Please let me know if you have any questions.

Best regards,

Avi Urbas

Spring Update

6/6/23 School Committee

FY23 Budget-to-Actual

Spring Update

DOE Account Code	Budget Summary	Original Budget	11/1 Transfer	1/24 Transfer	Adjusted Budget	Actual: FY to Date	Updated FY Forecast	Budget Variance \$	% Variance	Transfer Request	Proposed Final Budget
	PERSONNEL - STAFF										
1210:	Superintendent's Office	\$257,450	\$27,532		\$284,982	\$263,133	\$286,225	(\$1,243)	-0.4%	\$1,250	\$286,232
1410:	Business Office	\$416,901	\$63,818		\$480,719	\$402,640	\$443,732	\$36,988	7.7%	(\$35,000)	\$445,719
1450:	District Technology	\$284,562	(\$13,504)		\$271,059	\$251,056	\$273,059	(\$2,000)	-0.7%	\$2,000	\$273,059
2110:	Student Services Office	\$258,564	(\$28,804)		\$229,760	\$212,748	\$229,897	(\$137)	-0.1%	\$200	\$229,960
2110:	Curriculum Director	\$118,236			\$118,236	\$74,850	\$80,322	\$37,914	32.1%	(\$35,000)	\$83,236
2210:	Principals/Asst. Principals	\$783,375			\$783,375	\$693,045	\$756,703	\$26,673	3.4%	(\$25,000)	\$758,375
2210:	School Secretaries	\$277,642			\$277,642	\$255,233	\$277,643	(\$1)	0.0%		\$277,642
2300:	Dept. Heads/Team/Curr. Leaders/PDC	\$134,531			\$134,531	\$124,282	\$125,447	\$9,084	6.8%	(\$9,000)	\$125,531
2305:	Classroom Teachers	\$9,111,321	\$186,127		\$9,297,448	\$7,137,034	\$9,289,743	\$7,705	0.1%		\$9,297,448
2310:	Special Ed Teachers	\$2,992,304	(\$45,000)	(\$80,000)	\$2,867,304	\$2,195,708	\$2,862,254	\$5,050	0.2%		\$2,867,304
2315:	Special Ed Team Chairs	\$205,472			\$205,472	\$155,480	\$202,124	\$3,348	1.6%		\$205,472
2325:	Substitute Teachers	\$147,000	\$14,614		\$161,614	\$147,864	\$154,554	\$7,060	4.4%		\$161,614
2330:	Teaching Assistants	\$827,656	(\$65,000)		\$762,656	\$718,734	\$747,161	\$15,495	2.0%	(\$9,000)	\$753,656
2340:	Library/Media Coordinators	\$107,079			\$107,079	\$82,368	\$107,079	\$0	0.0%		\$107,079
2440:	SPED, LEP, H&H Tutors	\$144,723			\$144,723	\$96,772	\$142,762	\$1,960	1.4%		\$144,723
2710:	Guidance/Adj. Counselors	\$709,934			\$709,934	\$536,005	\$697,772	\$12,162	1.7%	(\$10,000)	\$699,934
2800:	Psychologists	\$319,209	(\$110,079)		\$209,130	\$160,869	\$209,130	\$0	0.0%		\$209,130
3200:	Nurses	\$254,822	(\$48,719)		\$206,103	\$159,123	\$209,768	(\$3,665)	-1.8%	\$3,800	\$209,903
3300:	Transportation/Traffic/Emergency/Title IX	\$9,500		\$5,874	\$20,986	\$18,892	\$20,825	\$161	0.8%		\$20,986
3400:	Cafeteria/Recess Aides	\$64,235	\$7,310		\$71,546	\$48,639	\$56,632	\$14,914	20.8%	(\$7,500)	\$64,046
3510:	Athletics (Office & Coaching Stipends)	\$363,837	(\$44,871)	\$9,100	\$328,067	\$271,661	\$318,715	\$9,352	2.9%	(\$9,000)	\$319,067
3520:	Student Activity Stipends	\$135,809			\$135,809	\$123,606	\$135,809	(\$0)	0.0%		\$135,809
4110:	Custodians	\$90,445			\$90,445	\$77,445	\$87,340	\$3,105	3.4%		\$90,445
4220:	Facilities Department	\$182,134	\$1,989		\$184,123	\$179,312	\$184,321	(\$198)	-0.1%	\$200	\$184,323
	Negotiations, Longevity, Expanded Effort	\$131,300	\$25,251		\$156,551	\$132,424	\$159,701	(\$3,150)	-2.0%	\$3,200	\$159,751
	Subtotal PERSONNEL	\$18,328,043	(\$23,723)	(\$65,026)	\$18,239,294	\$14,518,925	\$18,058,717	\$180,577	1.0%	(\$128,850)	\$18,110,444

DOE Account Code	Budget Summary	Original Budget	11/1 Transfer	1/24 Transfer	Adjusted Budget	Actual: FY to Date	Updated FY Forecast	Budget Variance \$	% Variance	Transfer Request	Proposed Final Budget
	OPERATING EXPENSES										
1000:	District Admin. Expenses	\$274,017	\$80,352		\$354,368	\$349,113	\$392,035	(\$37,667)	-10.6%	\$38,000	\$392,368
2000:	Bldg. Instr. Supplies/Equip	\$310,424	(\$50,000)		\$260,424	\$235,126	\$277,411	(\$16,987)	-6.5%	\$18,000	\$278,424
2100:	SPED Admin. Expenses	\$31,600			\$31,600	\$18,514	\$28,688	\$2,912	9.2%		\$31,600
2210:	Bldg. Admin. Expenses	\$46,565			\$46,565	\$32,591	\$46,553	\$12	0.0%		\$46,565
2300:	SPED Contracted Services	\$260,000		\$31,485	\$291,485	\$208,419	\$286,363	\$5,122	1.8%		\$291,485
2350:	Professional Development	\$46,500			\$46,500	\$35,149	\$58,044	(\$11,544)	-24.8%	\$12,000	\$58,500
2400:	New Curriculum Materials	\$70,000			\$70,000	\$41,746	\$41,746	\$28,254	40.4%	(\$28,000)	\$42,000
2451:	Instructional Technology	\$308,587	\$34,375		\$342,961	\$169,845	\$342,961	\$1	0.0%		\$342,961
3200:	Health Expenses	\$8,000	\$4,750		\$12,750	\$9,572	\$13,007	(\$257)	-2.0%	\$300	\$13,050
3300:	Transportation/Traffic/Security	\$448,200	(\$126,127)		\$322,073	\$232,398	\$216,137	\$105,936	32.9%	(\$100,000)	\$222,073
3300:	SPED Transportation	\$687,100	\$37,210		\$724,310	\$540,224	\$719,638	\$4,673	0.6%		\$724,310
3500:	Athletics/Student Activities	\$96,500			\$96,500	\$81,753	\$115,730	(\$19,230)	-19.9%	\$20,000	\$116,500
4100:	Utilities	\$557,900	\$187,795		\$745,695	\$546,938	\$765,698	(\$20,002)	-2.7%	\$20,000	\$765,695
4110:	Custodial Supplies	\$60,000			\$60,000	\$54,075	\$59,747	\$253	0.4%		\$60,000
4200:	Maintenance	\$782,131	\$40,755		\$822,886	\$681,845	\$847,726	(\$24,840)	-3.0%	\$25,000	\$847,886
5000:	Insurance & Other Benefits	\$5,720,287	(\$185,387)	(\$113,321)	\$5,421,579	\$4,671,568	\$5,368,062	\$53,517	1.0%	(\$50,000)	\$5,371,579
7000:	Facility Capital Expense	\$53,000		\$2,752	\$55,752	\$38,474	\$94,889	(\$39,138)	-70.2%	\$40,000	\$95,752
9100:	SPED Tuition-Out/Summer	\$1,162,134		\$144,110	\$1,306,244	\$976,393	\$1,439,794	(\$133,550)	-10.2%	\$133,550	\$1,439,794
	Subtotal OPERATIONS	\$10,922,944	\$23,722	\$65,026	\$11,011,693	\$8,923,743	\$11,114,227	(\$102,534)	-0.9%	\$128,850	\$11,140,543
	TOTAL	\$29,250,987	(\$0)	(\$0)	\$29,250,987	\$23,442,667	\$29,172,944	\$78,043	0.3%	\$0	\$29,250,987
	(Less: Funded Outside of General Fund)*	(\$325,000)			(\$325,000)		(\$325,000)				(\$325,000)
	General Fund Operating Spending	\$28,925,987	(\$0)	(\$0)	\$28,925,987	\$23,442,667	\$28,847,944	\$78,043	0.3%	\$0	\$28,925,987