

May 23, 2023

MERSD Reconsidered Budget Public Hearing



Revised MERSD Budget Hearing

Order of Presentation

- The Problem We Are Trying to Solve
 - Operational Budget Alignment to Town Meeting Approved Funding Levels
- Limited Available Resources
 - Role of Reserves & Capital Liabilities
- Options for Budget Reconsideration
 - Reconsidered Budget
 - Compromise Scenario
 - 3.21 Approved Budget
- Public Input
- Next Steps



MERSD FY24 Operational Budget Revision

Operational Budget Alignment to Town Meeting Approved Funding Levels

- MERSD Budget up to \$29,750,180 approved at both Essex & Manchester Town Meetings
- MERSD Budget override of \$289K failed at the ballot in Essex
 - Manchester did not require and override to fund the FY24 assessment
- The result is a funding gap of \$781K
- MERSD must make reductions/revisions that when put through the apportionment formula equal the amount necessary for the Town of Essex to fund its portion of the budget

MERSD FY24 Operational Budget Revision

MERSD's 3.21.23 FY24 Budget remains the recommended 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.

FY24 Revision History

<i>FY 24 Budget Revision History</i>	FY24 Adopted Budget 2.7.23	FY24 Revised Adopted Budget 3.21.23	FY24 Reconsidered Budget 5.16.23
<i>Total Budget Spending</i>	\$30,236,064	\$29,750,180	\$28,969,280
<i>Cuts Made to 2.7.23 Adopted Budget</i>		-\$485,884	-\$1,266,784
<i>Reserves</i>	\$0	\$0	\$0
<i>Spending</i>	4.53%	2.85%	0.15%*
<i>Assessment</i>	6.90%	5.09%*	1.97%
<i>TOE Apportionment</i>	8.96%	7.12%	3.93%
<i>MBTS Apportionment</i>	5.72%	3.94%	0.85%
<i>*0.15 % Essentially Level Funded - \$43K Greater than FY23</i>			

MERSD FY24 Operational Budget Revision

The budget revisions presented here fulfill our responsibility to prepare a budget that meets the financial constraints of the failed vote.

- The budget revision does not support the strategic plan priorities.
- The budget revision limits opportunities for students and narrows the scope of programming.
- The budget revision negatively impacts the district's ability to retain and recruit high quality teachers.
- The budget revision negatively impacts the district's ability to innovate and reinvest savings from program restructuring and efficiencies.

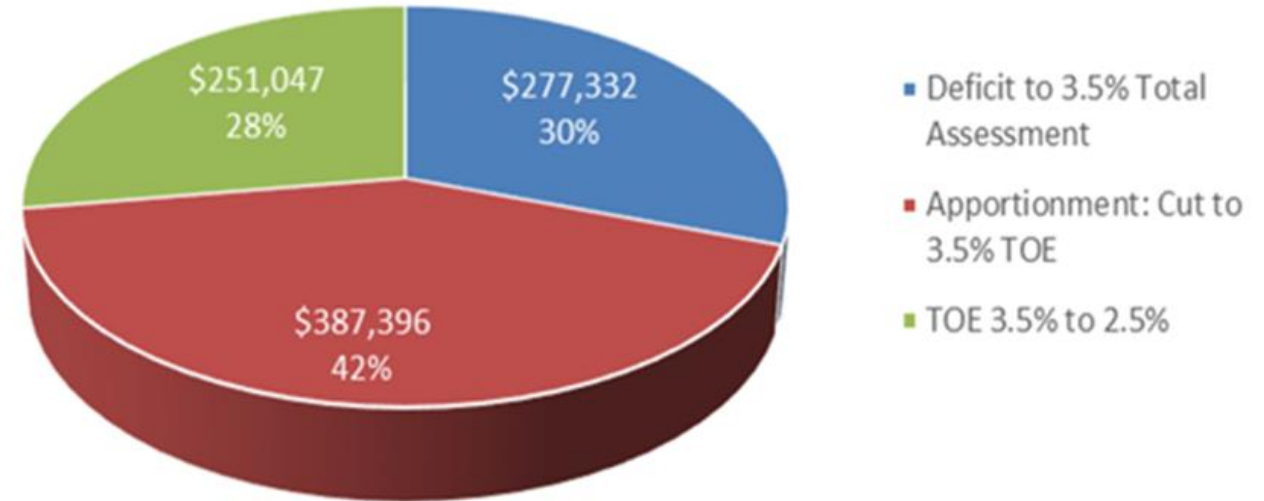
MERSD FY24 Operational Budget Revision

- These cuts achieve the goal of budget reduction but are not in the best interest of the long-term health and performance of the system
- Seeks to make reductions in areas that impact the fewest numbers of students and families while reducing the number of high school sections with low enrollment.
- Works to preserve junior/senior elective options using a phase out approach

MERSD FY24 Operational Budget Revision

- The budget revision sets us on a course of decline. Assuming we grow at an average of 3-4% annually we begin the FY25 budget process estimating that we will need to reduce the budget by approximately \$915K to meet current town expectations.

Composition of \$915K Initial FY25 Deficit



Reconsideration Budget

Reductions for Reconsidered Budget

\$780,894

Grade 6 Spanish

no value carried in 3.21 Budget

Late Bus

\$20,000

All non-META COLA reduce to 2.5%

\$52,000

Small Cap \$\$

\$35,000

7.65 Teacher FTE

\$640,250

4.6 Paraprofessionals / Teaching Assistants

\$138,692

Health Insurance Savings

\$30,000

Estimated Unemployment Costs

-\$135,000

RB - Detailed Staffing Reductions

Budget Version	School	Type	Subject Areas	FTE Reduction	Budget Reduction
2.7 OB	Essex	Gen Ed	Elem Classroom	1	
2.7 OB	MS	SPED	Liaison	1	
2.7 OB	HS	Gen Ed	Math	1	
2.7 OB	Memorial	SPED	Sp. Prog	1	
3.21 RB	Elem	Int/Sp	Math Specialist	ESSER III	
5.16 RB	MHS	Gen Ed	Art	0.4	\$38,700
5.16 RB	Memorial	Gen Ed	Elem Classroom	1	\$69,000
5.16 RB	MS	Gen Ed	Health Wellness	1	\$96,600
5.16 RB	HS	Gen Ed	Music	0.95	\$93,500
5.16 RB	MS	Gen Ed	Music	0.6	\$41,398
5.16 RB	District	Int /Sp.	Reading Specialist	0.7	\$36,200
5.16 RB	HS	Gen Ed	Math	1	\$100,000
5.16 RB	HS	Gen Ed	Social Studies	0.2	\$16,500
5.16 RB	HS	Gen Ed	STEM	0.4	\$44,200
5.16 RB	HS	Gen Ed	GrnTm/Environ Science	0.6	\$66,500
5.16 RB	MS	Gen Ed	World Language	0.4	
5.16 RB	HS	Gen Ed	World Language	0.4	\$37,500
				11.65	\$640,098

RB - Educational & Program Implications

- 69% of sections under ten eliminated or combined
- A section is not a course, in some cases in which a section has been reduced or combined, the course (ex. Python) meets at another time, but limits access and opportunity because students have fewer options to fit it into their schedule.
- Section reduction results in course/program elimination for AP Physics II, Grade 7,8 and HS French II, Green Scholars, and Evidence Based Argumentation
- Section reductions resulting in singletons (now only offered once in schedule) Intro to coding / Robotics / CAD / Python / Green Apprentice / Spanish IV

RB - Educational & Program Implications

- World Language
 - Phased Elimination of French
 - Beginning next year French no longer offered grades 7-9
 - Two-year phase out of 11/12 electives w/ multi-level combinations
- Significant Reduction of STEM & Sustainability Offerings
 - Green Team and Environmental Science Section Reduction

RB - Educational & Program Implications

- K-12 Music Restructure
 - Reduction in chorus/band frequency
 - Larger group instrumental instruction (brass/woodwind/percussion)
 - 6-12 Chorus/General Music
 - 6-12 Band/General Music
 - Deferred Performing Arts Coordinator
- MS Health/Wellness Restructure
 - Reduction in Physical Education and Health Classes from 60 to 30 per year
 - Increase in MS exploratory (art, music, PE, STEM, etc.) class sizes from 20 to 30

MERSD FY24 Operational Budget Revision

MERSD's 3.21.23 FY24 Budget remains the recommended 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.

FY24 Revision History & Options

<i>FY 24 Budget Revision History</i>	FY24 Adopted Budget 2.7.23	FY24 Revised Adopted Budget 3.21.23	FY24 Reconsidered Budget 5.16.23	FY24 Compromise Budget 5.23.23
<i>Total Budget Spending</i>	\$30,236,064	\$29,750,180	\$28,969,280	\$29,220,188
<i>Cuts Made to 2.7.23 Adopted Budget</i>		-\$485,884	-\$1,266,784	-\$1,015,876
<i>Reserves</i>	\$0	\$0	\$0	\$252,000
<i>Spending</i>	4.53%	2.85%	0.15% *	1.02%
<i>Assessment</i>	6.90%	5.09% *	1.97%	1.97%
<i>TOE Apportionment</i>	8.96%	7.12%	3.93%	3.93%
<i>MBTS Apportionment</i>	5.72%	3.94%	0.85%	0.84%
<i>*0.15 % Essentially Level Funded - \$43K Greater than FY23</i>				

Compromise Scenario

The Compromise Scenario Overview

MERSD Closes the funding gap through a combination of reductions and reserves.

- Retains all high school elective courses.
- Keeps all staffing reductions to cuts achieved through attrition.
 - Based changes known after 3.21 budget completion
- Attrition savings defers implementation of the Performing Arts Coordinator role.
- Attrition does not yield health care savings but reduces cost of unemployment.
- Reduces Reserve usage by 52% over FY23 but utilizes reserve as revenue – Excess & Deficiency at \$252K.
 - Sets up significant funding cliff for FY25 estimated \$950K

Contingent Upon

- Essex support of our intent to finance the fields and address their share as they choose.
- Agreement to a “facilitated mediation” with the three entities to resolve how to stabilize this process going forward.

Compromise Budget

Compromise Package / Reductions for Reconsidered Budget

Grade 6 Spanish	<i>no value carried in 3.21 Budget</i>
Late Bus	\$20,000
Small Capital	\$35,000
All non-META COLA reduce to 2.5%	\$52,000
4.65 Teacher FTE	\$334,300
4.6 Paraprofessionals / Teaching Assistants	\$138,692
E&D	\$252,000
<i>Estimated Unemployment Costs</i>	<i>-\$50,000</i>
	\$781,992

Compromise Budget – Detailed Staffing

4.65 Teacher FTE

5.23 RB.2	HS	Gen Ed	Music	.95	\$93,500	Attrition
5.23 RB.2	Memorial	Gen Ed	Elem Classroom	1.0	\$69,000	Attrition
5.23 RB.2	MS	Gen Ed	Health Wellness / LTS	1.0	\$35,600	Attrition
5.23 RB.2	District	Int /Sp.	Reading Specialist	0.7	\$36,200	Attrition
5.23 RB.2	HS	Gen Ed	Math/Science	1.0	\$100,000	Attrition
				4.7	\$334,300	

Compromise Budget Staffing Changes

Budget Version	School	Type	Subject Areas	FTE Reduction	Budget Reduction	
2.7 OB	Essex	Gen Ed	Elem Classroom	1		
2.7 OB	MS	SPED	Liaison	1		
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5.23 CB	Memorial	Gen Ed	Elem Classroom	1	\$69,000	Attrition
5.23 CB	MS	Gen Ed	Health Wellness	1	\$35,600	LTS
5.23 CB	HS	Gen Ed	Music	0.95	\$93,500	Attrition
5.23 CB	District	Int /Sp.	Reading Specialist	0.7	\$36,200	Attrition
5.23 CB	HS	Gen Ed	Math	1	\$100,000	Attrition
5.23 CB	MS	Gen Ed	World Language	0.4		
				-9.05	\$334,300	
5.23 CB	MHS	Gen Ed	Art	0.4	0	Retain
5.23 CB	MS	Gen Ed	Music	0.6	0	Retain
5.23 CB	HS	Gen Ed	Social Studies	0.2	0	Retain
5.23 CB	HS	Gen Ed	STEM	0.4	0	Retain
5.23 CB	HS	Gen Ed	GrnTm/Environ	0.6	0	Retain
5.23 CB	HS	Gen Ed	Science			
5.23 CB	HS	Gen Ed	World Language	0.4	0	Retain
				2.6		



Public Input

Next Steps May & June

Meetings & Public Input

- ✓ May 23rd - Public Hearing
- June 6th - SC Meets to deliberate and adopt a reconsidered budget
- June 7th - MERSD Submits Reconsidered Budget to Towns
- End of June – Manchester & Essex Individual Town Meetings

Research & Process

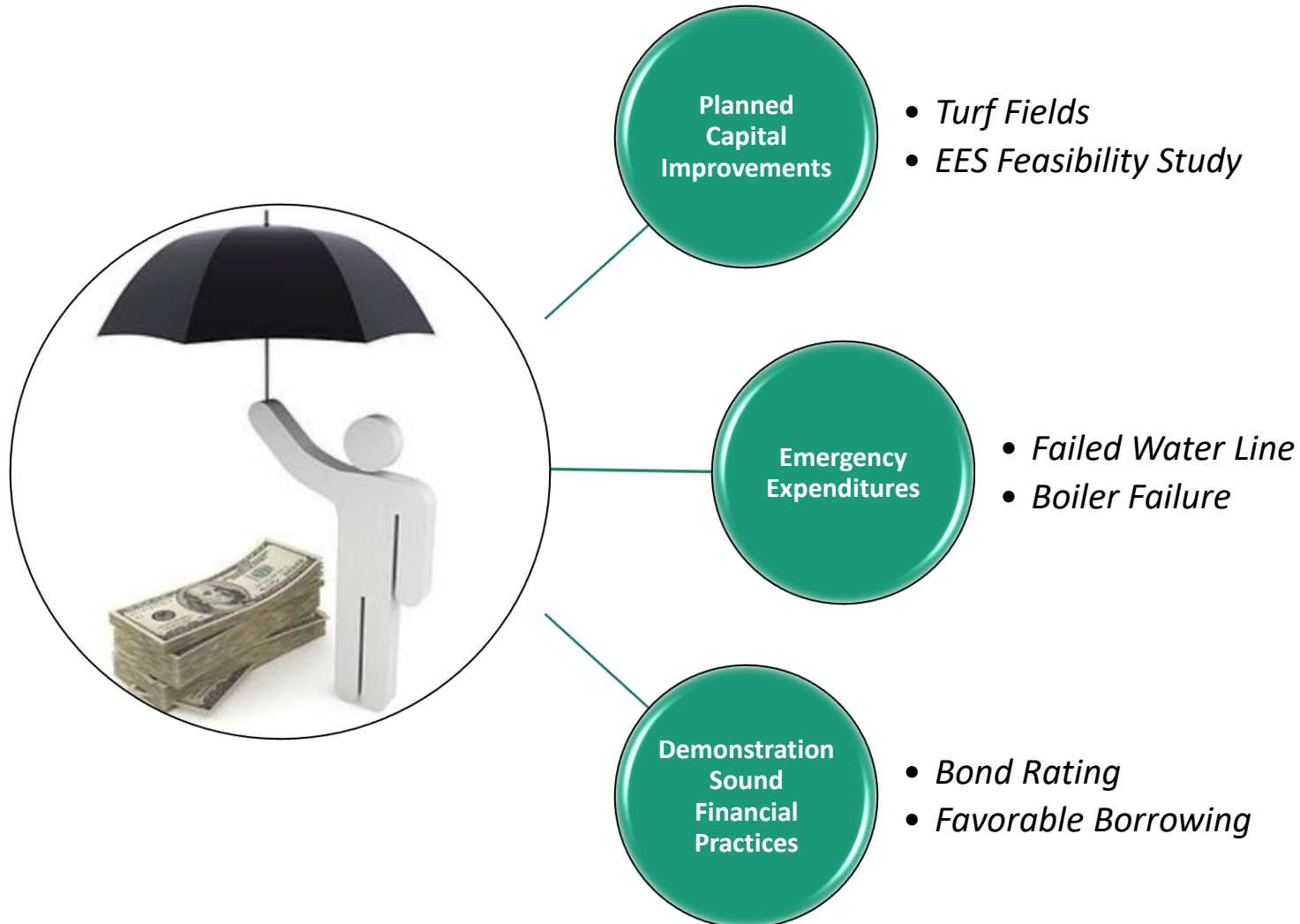
- Notify staff impacted by budget cuts and formalize layoffs by June 15th
- Verify statutory requirements and steps for town approval process
- Prepare for not meeting DESE 6.30.23 deadline for budget adoption

Resource Slides



Financial Reserves

Funds accumulated over multiple fiscal years that are dedicated to planned capital investments, emergency needs, and maintenance of a favorable bond rating to minimize the cost of borrowing.

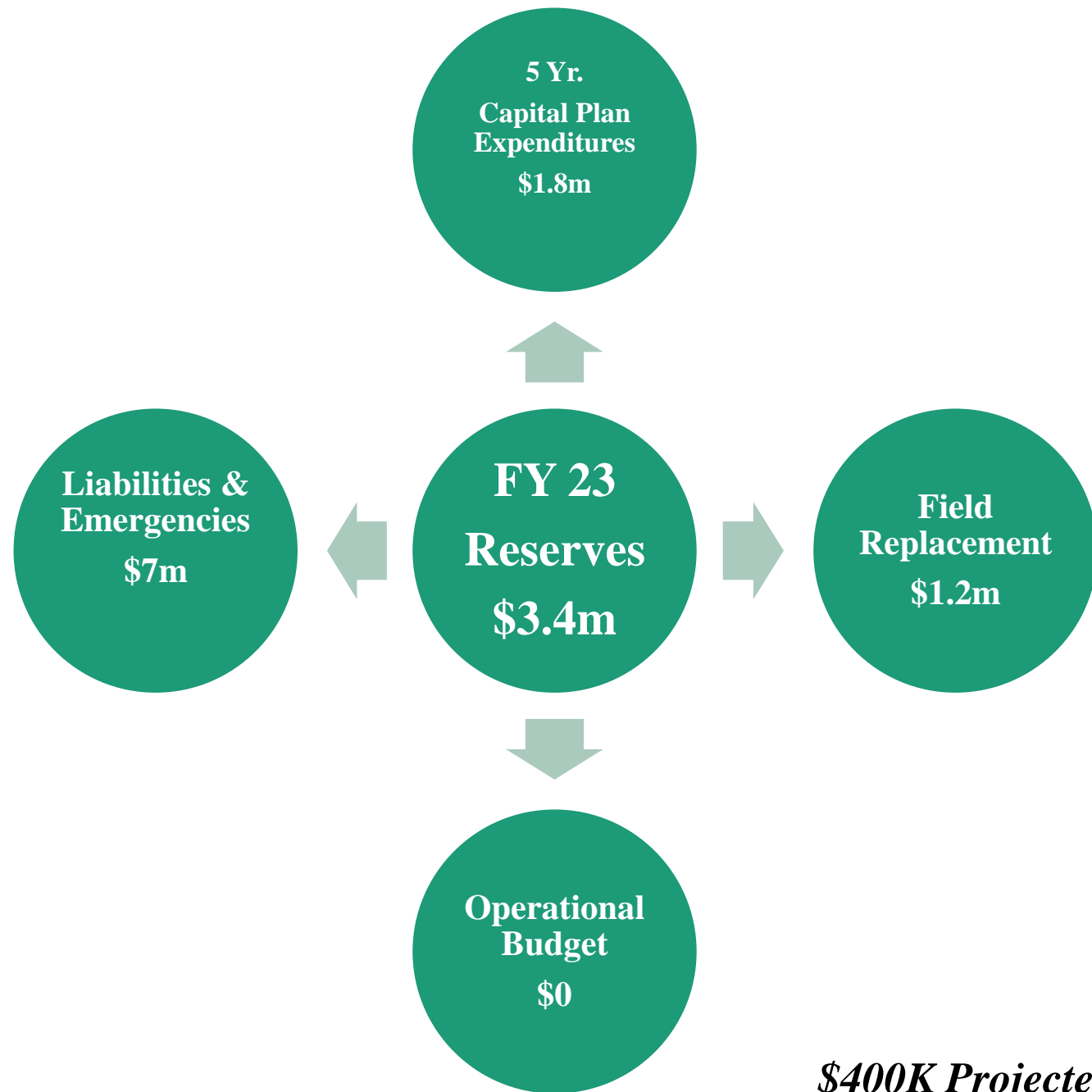


Financial Reserves

Funds accumulated over multiple fiscal years that are dedicated to planned capital investments, emergency needs, and maintenance of a favorable bond rating to minimize the cost of borrowing.

MERSD Reserve Funds Are Made Up of Four Accounts

- **Excess & Deficiency (E&D)**
 - *Accumulated operating budget savings (revenue in excess of expense) over time*
- **Facilities Rental**
 - *Accumulated surplus from building rental fees in excess of expense (e.g., custodial)*
- **School Choice**
 - *Accumulated surplus DESE funds received from sending districts for non-resident students*
- **Stabilization**
 - *Interest income from MMES bond proceeds awaiting deployment between FY20 and FY21*



\$400K Projected FY28 Reserve Balance

Reserves Snapshot

	FY22 Final Balance	FY23 Encumbrances	Capital Plan Investments FY24-FY28	Projected FY28 Balance
E&D	\$1,236,000	\$0		\$1,236,000
Facilities Rental	\$270,000	\$0	(\$270,000)	\$0
School Choice	\$1,487,000	\$0	(\$1,332,000)	\$155,000
Stabilization	\$389,000	(\$164,000)	(\$225,000)	\$0
Total	\$3,382,000	(\$164,000)	(\$1,827,000)	\$1,391,000
	<i>11.7 % FY23 OB</i>			<i>4.8 % FY24 OB</i>
<i>*Assuming budget grows at 2.5% annually reserves projected to by 4.2% of FY29 OB</i>				

Assumes separate financing for turf field replacement.

Reserves Snapshot Including Fields

	FY22 Final Balance	FY23 Encumbrances	Capital Plan Investments FY24-FY28	Projected FY28 Balance
E&D	\$1,236,000	\$0	(\$1,200,000)	\$36,000
Facilities Rental	\$270,000	\$0	(\$270,000)	\$0
School Choice	\$1,487,000	\$0	(\$1,332,000)	\$155,000
Stabilization	\$389,000	(\$164,000)	(\$225,000)	\$0
Total	\$3,382,000	(\$164,000)	(\$3,027,000)	\$191,000
	11.7 % FY23 OB			0.7 % FY24 OB
*Assuming budget grows at 2.5% annually reserves projected to by 0.6% of FY29 OB				

Assumes separate financing for turf field replacement.

Apportionment Formula: Input Trends				
	FY-22	FY-23	FY-24	Input Contribution to Assessment
<u>EQV</u>	<i>25% of Instructional & Non-Instructional Costs</i>			
Manchester	73.81%	73.81%	73.31%	
Essex	26.19%	26.19%	26.69%	EQV
Total	100.00%	100.00%	100.00%	25.0%
<u>Enrollment</u>	<i>75% of Instructional Costs</i>			
Manchester	61.22%	58.94%	57.87%	Student
Essex	38.78%	41.06%	42.13%	Enrollment
Total	100.00%	100.00%	100.00%	44.9%
<u>Population</u>	<i>75% of Non-Instructional Costs</i>			
Manchester	59.4%	59.4%	59.5%	Town
Essex	40.6%	40.6%	40.5%	Population
Total	100.0%	100.0%	100.0%	30.1%
All Factors Combined				100.0%

The Challenge

Structural Financial Challenge Continues

+

Level Service Growth Averages 3.5-4%

+

Enrollment Shift Causing Apportionment Concern for Town of Essex

MERSD must determine the direction it wants to take to balance the budget

