



Finance and Operations

To: Board of Education Members

From: Ben Whittaker, Director- Finance and Operations

Date: January 16, 2024

Re: **Q2 FY24 Financial Report**

Enclosure: *FY23 Mid-Year General Budget Review*

This report and the accompanying “FY24 Mid-Year General Budget Review” financial analysis tool covers the 6-month period beginning July 1, 2023 and ending December 31, 2023. The RSD 17 budget is an annual budget, so quarterly reports are cumulative in nature. The goal of the Q2 Report is to analyze actual Year-To-Date (YTD) expenditures and encumbrances (costs which have been isolated or orders placed, but not yet invoiced), and to begin to identify items that are trending towards either being over or under budget by the end of the fiscal year. Quarter 2 is still too early in most cases to provide a precise year-end forecast number, so in this financial analysis tool, each “object” account line is color-coded as being “Forecast Over Budget,” “Forecast Under Budget” or “On-track.” A brief explanation is given for contributing factors, including for items that don’t appear to be “on-track” at first glance, but are coded as such. The “% Remaining” for each object line does not necessarily represent an actual surplus or deficit this early in the year, and should be used only as a guide or starting point for further analysis. For example, some accounts are encumbered early in the year for known expenses (such as payroll for current staff, monthly service fees or estimated utility costs), other accounts draw down at a steady rate during the year as spent (payroll taxes, defined contribution plan contributions, supplies). The amount remaining generally reflects the current point in the fiscal year, but many more are based on purchase timing and the % remaining will not correlate to the amount of fiscal year remaining. This report was based on the new Director’s less than (3) weeks of experience of the District’s finances, and the assumption that all budget managers have correctly encumbered known expenses.

The items described below are major Quarter 2 areas of interest. While not exhaustive, this list should be considered in conjunction with the explanations provided in the accompanying financial tool:

- **Staff Vacancies-** Unfilled vacant positions and certain types of leave account for a current annualized surplus of \$885,772. This number changes with every payroll cycle, and currently equates to 4% of the included salary categories- normal for this time of year. It is important to note that this number can decrease significantly through the year as vacancies are filled and substitute coverage fluctuates, but at this point in the year, salaries can be expected to end the year about \$300k under budget. \$270k of the “surplus” nets with the corresponding overage in professional services for LEARN financial labor and services.

- **Workers Compensation Insurance-** Vast improvements in the District's experience rating (less claims/incidents) has led to lower WC insurance costs, which should end the year about \$42k under budget.
- **Professional Services-** ~\$300k of the overage in this object is due to the outsourcing of financial staff and support to LEARN, and is net by salary savings recognized above and potential benefits savings. Also driving this object's overage are increased legal fees due to collective bargaining negotiations (\$18k over), and required contracted SPED Para (\$49k over) and OT/PT services (\$25k over). These areas will be watched closely in the coming months.
- **Leases (Copiers)-** Current contract includes usage "caps" and per-copy fees apply after the cap is breached. A tracking model will be developed to capture and trend these costs, but a preliminary estimate is that this account will be \$25k over budget by YE. Contract ends 6/30, and an RFP process will be conducted, likely changing the per-copy cap model.
- **Insurance (Property and Liability)-** Lower than anticipated renewal rates for several insurance lines should lead to the object ending the year about \$36k under budget.
- **SPED Tuition (Public and Non-Public)-** Tuition for outplaced students is forecasted to be about \$171k over budget by YE, due to ESY (summer school) costs not being captured in the FY24 budget, and increased service costs across the industry. Detailed tracking models will be built to track and forecast these costs. Student Services is focusing on mitigating the number of outplacements required.
- **Building Improvements-** No building improvement projects were budgeted in the FY24 budget, rather a \$900k "placeholder" for a potential YE contribution to capital reserve. This practice requires and "emergency" or ad-hoc projects are booked to Object 720, running it negative and essentially lowering the potential capital reserve contribution budgeted in object 721. For example, the ~\$29k Arcadis Master Plan owner's rep contract was booked to 721. Beginning in FY25, improvement projects will be budgeted in object 720 and 721 carried at/near 0, ensuring budgeted funds are spent on specific projects and using any year-end funds available for capital reserve transfers, which is the intention of the 2% reserve program.
- **Revenue Items-** Favorable interest rates, if sustained throughout the year, may provide a revenue boost of ~\$20k. Preschool tuition revenue is trending over budget and is boosted by a ~\$15k recovery of transportation expenses.

Overall, at this point in the year, the FY24 budget appears poised to end the year on target. The Q3 quarterly will include a detailed year-end forecast per object.



FY24 Mid-Year General Budget Review

Updated 1/8/24- BW

Distribution to BOE: 1/16/2024

YTD Data as of 12/22/2023

Finance and Operations

Forecast Under Budget

Forecast Over Budget

On Track

Expenses									
Object	Description	FY24 Revised Budget	FY24 YTD Actual	FY24 YTD Encumbrances	FY23 YTD Actual + Enc.	Budget Remaining (Unencumbered)	%	Status	Explanation
111	Certified Salaries	\$ 18,011,320	\$ 6,758,860	\$ 10,908,341	\$ 17,667,200	\$ 344,119	1.9%		Normal vacancy rates and encumbrance overages for this time of year - applies to all salary accounts below except where noted.
112	Support Salaries	5,105,760	2,099,688	2,568,652	4,668,340	\$ 437,420	9%		\$270,605 in Finance salaries outsourced to LEARN and reflected in Professional Services (330) below.
113	Overtime	60,175	8,034	-	8,034	\$ 52,141	87%		Showing a lower trend, but may pick up later in year.
121	Substitute	349,143	191,769	52,419	244,188	\$ 104,954	30%		In-house subs. Trending a bit high, will monitor.
127	Courier Salary	8,950	3,476	6,197	9,672	\$ (722)	-8%		Minimum wage increase, minor impact.
130	Snow Removal	23,575	11	-	11	\$ 23,564	100%		Seasonal spend has not occurred yet.
205	Workers Compensation	278,938	158,317	77,773	236,090	\$ 42,848	15%		Per broker, improvements in experience rating is being reflected in lower premium cost.
220	Health Insurance	6,999,725	3,767,486	4,852,473	8,619,959	\$ (1,620,234)	-23%		Employee cost share timing-budget on track for EOY.
240	Life Insurance	32,015	16,485	11,409	27,894	\$ 4,121	13%		Disability booked here as well.
250	Social Security - Employer	361,616	151,336	20,753	172,088	\$ 189,528	52%		Tied to payroll.
251	Tuition Reimbursement, Teachers	20,000	-	-	-	\$ 20,000	100%		\$20k per contract divided equally EOY between successful participants.
255	Disability Insurance	3,326	-	-	-	\$ 3,326	100%		Currently booked in Obj 240. FY25 budget will combine.
260	Defined Contribution Plan- Employer Share	263,958	-	-	-	\$ 263,958	100%		5% ER contribution to the DC plan made to eligible employees each June.
262	TSA, Employer Share	36,000	17,703	2,558	20,262	\$ 15,738	44%		\$10k back payment made, encumbrance will be adjusted and will end ~\$10k over.
265	Medicare - Employer	335,387	121,000	22,115	143,115	\$ 192,273	57%		Tied to payroll.
267	Flexible Benefits	2,500	342	-	342	\$ 2,158	86%		FSA admin fee.
270	Retirement, Teachers	73,170	-	-	-	\$ 73,170	100%		(2) eligible retirements reported, estimated payout \$69k.
275	Unemployment	22,500	-	22,500	22,500	\$ -	0%		\$19k catch-up payment in December has not hit yet and will wipe encumbrance, but future charges should be low if any
320	Professional Educational Services	7,588	4,921	-	4,921	\$ 2,667	35%		
321	Homebound Instruction	8,000	6,328	473	6,800	\$ 1,200	15%		Contracted former teachers tutoring expelled student, ending soon.
322	Professional Training & Development	207,166	49,242	29,936	79,178	\$ 127,988	62%		
330	Professional Services	946,981	603,898	594,783	1,198,682	\$ (251,701)	-27%		\$300k to LEARN for Financial services- nets with lower Support Salaries above- x-far pending. Legal Fees trending high due to negotiations. SPED OTPT and contracted Paras booked here and have exceeded budget.
331	Officials	51,998	30,133	-	30,133	\$ 21,865	42%		
430	Purchased Services	785,409	464,083	120,619	584,703	\$ 200,706	26%		
435	Technology Repair & Maintenance	89,084	18,050	74,550	92,600	\$ (3,516)	-4%		Encumbrance (internet service) will be adjusted to net with credits- account on track for EOY.
439	Field Maintenance	157,680	76,505	7,657	84,162	\$ 73,518	47%		

440	Leases	364,637	326,416	50,608	377,024	\$ (12,387)	-3%		Per-copy overages and device lease payments reflected in actuals. Tracking model will be developed, early estimate \$25k over budget.
490	Waste Removal	78,925	22,663	53,097	75,760	\$ 3,165	4%		
510	Student Transportation Service	3,841,442	1,178,670	2,269,274	3,447,944	\$ 393,498	10%		Lower ESY expense, Athletics not fully encumbered, SPED needs may chance. Neutral forecast.
520	Insurance - Liability & Property	523,234	383,031	104,510	487,541	\$ 35,693	7%		Reflects actual renewal rates, forecasted to end year ~\$36k under budget.
530	Telephone / Communications	49,356	42,607	9,514	52,121	\$ (2,765)	-6%		Structural deficit in budget, truing up for FY25.
540	Postage	11,178	-	-	-	\$ 11,178	100%		Reloaded once per year ~Feb.
550	Printing & Binding	22,738	5,654	590	6,244	\$ 16,494	73%		May pick up towards end of year.
560	Tuition	749,437	680,149	140,240	820,389	\$ (70,952)	-9%		Reflects estimated tuitions- ESY not captured in original budget.
561	Non-Public Tuition	2,052,337	1,000,817	1,151,327	2,152,143	\$ (99,806)	-5%		Reflects estimated tuitions- ESY not captured in original budget.
580	Travel	20,007	285	5,500	5,785	\$ 14,221	71%		
611	Instructional Supplies	241,487	142,875	28,179	171,054	\$ 70,433	29%		
612	Administrative Supplies	-	-	251	251	\$ (251)			
613	Custodial Supply	288,519	146,868	42,980	189,848	\$ 98,671	34%		
615	Vandalism	-	92	-	92	\$ (92)			
621	Propane Gas	19,625	3,518	16,107	19,625	\$ -	0%		
622	Electricity	928,192	342,267	542,673	884,940	\$ 43,252	5%		25% higher contracted supply rate began 12/1/23, impact covered in budget.
625	Heating Oil	893,800	160,786	733,014	893,800	\$ -	0%		Too early in season to trend. Rate locked built in budget.
626	Diesel & Gasoline	308,750	127,687	178,604	306,291	\$ 2,459	1%		
627	Vehicle Parts & Supplies	17,500	6,512	3,010	9,522	\$ 7,978	46%		
641	Textbooks	280,420	245,655	11,986	257,641	\$ 22,780	8%		
642	Library Books	19,220	13,860	4,019	17,878	\$ 1,342	7%		
643	Periodicals	6,761	5,585	312	5,897	\$ 864	13%		
650	Technology Supplies	11,000	2,225	595	2,820	\$ 8,181	74%		
690	Other Supply	164,342	98,236	12,206	110,442	\$ 53,899	33%		
695	Technology Software	277,446	194,334	44,354	238,688	\$ 38,758	14%		
720	Building Improvement	-	65,858	38,007	103,865	\$ (103,865)			Amount spent in this account can be removed from planned capital reserve contribution below at EOY if needed.
721	Capital Needs	900,614	-	-	-	\$ 900,614	100%		
730	New Equipment	7,240	33,874	-	33,874	\$ (26,634)	-368%		"Project Lead the Way" related equipment- investigating possible reimbursement.
810	Dues & Fees	77,627	47,661	8,641	56,302	\$ 21,325	27%		
831	Debt - Principal	1,015,000	730,000	285,000	1,015,000	\$ -	0%		
832	Debt - Interest	242,913	130,581	112,332	242,913	\$ -	0%		
Total Expenses		47,655,710	20,686,433	25,220,136	45,906,569	1,749,141	4%		
Non-Assessment Revenue (Offsets Expenses)									
		FY23	FY23 YTD	FY23 YTD	FY23 YTD	Budget	%		
Account	Description	Revised Budget	Actual	Encumbrances	Actual + Enc.	Remaining	Rem		Explanation
305.000	Misc. / Unidentified Revenue	-	44,548	-	44,548	(44,548)			
305.254.	Classroom Rental Revenue	37,490	18,745	-	18,745	18,745	50%		
606.000	Adult Education (State) Contribution	4,838	6,248	-	6,248	(1,410)	-29%		

01311.560.			47,550						
001.011	Preschool Tuition	16,500		-	47,550	(31,050)	-188%		Includes recovery of \$15k transportation expense overage.
000.100	Webster Checking Interest Revenue	-	321	-	321	(321)			
000.101	Webster Investment Interest	20,000	32,292	-	32,292	(12,292)	-61%		Impact of higher interest rates.
01510.103.			7,811						
000.102	STIF Interest	4,800		-	7,811	(3,011)	-63%		Impact of higher interest rates in State-sponsored Short Term Investment Fund and catch up of interest recognition.
02225.110.			39,624						
305.656	ERate Revenue	36,000		-	39,624	(3,624)	-10%		E-rate revenue timing, budget represents an estimate only.
02540.622.			2,730						
205.354	ZREC Credits - Revenue	48,000		-	2,730	45,270	94%		Payment timing.
03117.100.									
606.000	Medicaid Reimbursement Revenue	21,463	2,193		2,193	19,270	90%		Posting delay- Collected \$11.7k thru 11/30 attributable to FY24. Will owe back \$12k in FY25, but on track for year.
001.178	Excess Cost Grant, Special Education	1,064,987	0		-	1,064,987	100%		Paid in Feb and May.
Total Non-Assessment Revenue		1,254,078	202,061	0	202,061	1,052,017	84%		
	Net General Budget Total	46,401,632	20,484,372	25,220,136	45,704,508	697,124	2%		
Assessment Revenue									
		FY23	FY23 YTD	FY23 YTD	FY23 YTD	Budget	%		
Account	Description	Revised Budget	Actual	Encumbrances	Actual + Enc.	Remaining	Rem		Explanation
000.000	Haddam, Town Contribution	28,439,380	15,446,166		15,446,166	12,993,214	46%		
000.000	Killingworth, Town Contribution	17,831,251	9,684,125		9,684,125	8,147,126	46%		
Total Assessment Revenue		46,270,631	25,130,291	0	25,130,291	21,140,340	46%		
6/22/2022 Fund Balance Give-Back for FY24		\$ 131,000							