



Joint Meeting  
Region 15 BOE and  
BOF Middlebury/  
Southbury

MARCH 24, 2021

# Overview

---

- Budget Construction, Philosophy, Changes
  - Financial Management
  - Net vs. Gross Budgeting
  - Projected vs. Actual Costs
- Review elements of the Region 15 School Budget
  - Major cost drivers
  - Contract Obligations
- Fiscal Management Topics the relate to Municipal Risk
  - Pension
  - Capital Projects
  - Financial Health

# Budget Construction

---

## Net Budgeting vs. Gross Budgeting:

- Historically the Region 15 School Budget has been built with *Net Budget Projections*
- *Net Budget Projections* show line items costs, net any anticipated grant or revenue funds applied to the projected total amount
- *Gross Budget Projections* show projected actual costs and do not have any anticipated revenue applied.
  - *In Gross budgeting, revenue projections are not applied to any specific line item, but show as stand alone and are applied as an offset to the overall budget total.*
- The Superintendent's proposed 21-22 budget for Region 15 shifts from a Net Budget Philosophy to a Gross Budget Structure
- Both formats represent valid fiscal practices, however it is the belief of the current administration that the Gross Budget Provides additional transparency and reduces the variable costs in each line item.

# Upgraded Financial Software

---

- Legacy system was over 25 years old and was being sunset
- Converted the financial structure to align with the state's standard chart of accounts
- Migrated all account codes from last year to new chart of accounts
- Some lines saw large shifts due to realignment, but total costs remained flat.
  - The largest example was the copier lease used to be under the "Instructional" account, but is now included in "non-instructional"
- Completed the process so that we started the fiscal year in the new system
- All accounts this year are in *gross* terms as opposed to the *net* budgeting done in previous years. The "gross" budget is the cost before any revenue sources are applied
- All revenue sources and amounts are listed independent of specific accounts
- Last year's budget numbers have also been adjusted to show gross totals in order to obtain year to year comparisons
- The changes in financial software, budget approach and complete fiscal year data will allow us to include prior year actual costs in the budget process moving forward.

# Looking Forward

---

## Projected vs. Actual Costs:

- In order to make this shift, all revenue projections had to be backed out of the 20-21 proposed budget, the scope and complexity of this task prevent the process from stretching back further

## Policy Changes

- Added Capital Reserve Policy
- Did a full policy audit last spring
- All financial management policies were included in the review and suggested updates will be moved through the policy committee as part of their overall review practice.

# Fiscal Management and Financial Risk

---

## ❑ Pension

- ❑ Total pension assets 15.9 Million
- ❑ All non-certified staff hired after 2018 are in a defined contribution plan. No additional staff are eligible for the defined benefit plan
- ❑ Currently funded at 63% of unfunded actuarial liability (UAL)

## ❑ Capital Projects

- ❑ This budget contains \$200,000 for capital projects which is the first time in recent history, the district has a capital repair funds in the operating budget.

## ❑ Financial Health

- ❑ The district went out to bid for external, mandated, procedural, audit services this year with only one bidder
- ❑ Budgeted \$15,000 to begin our internal auditing work
- ❑ This budget proposal includes a new digital time clock software for hourly employees.

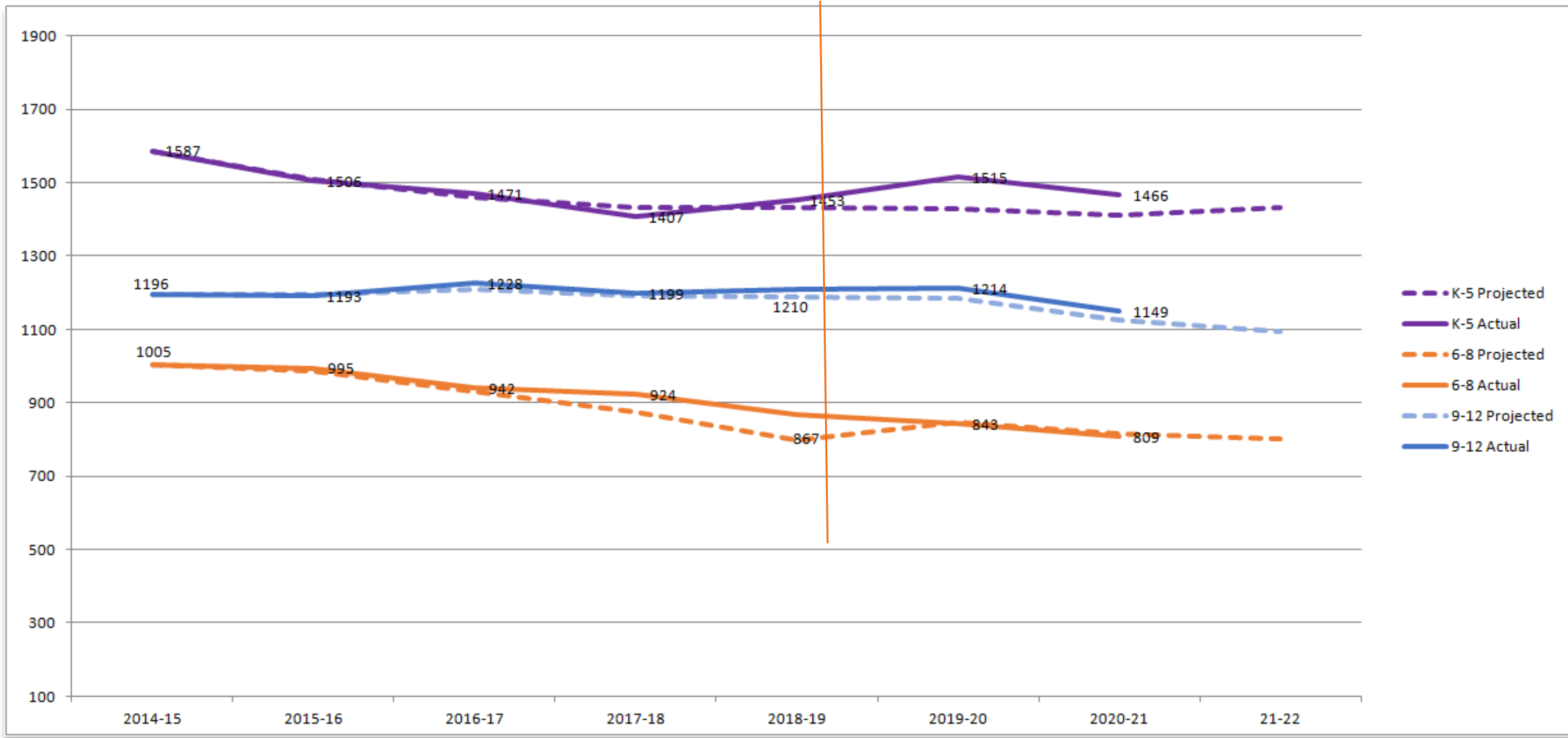
## ❑ Debt Service

- ❑ At the end of last year the district went out to bid to refinance our long-term bonds
- ❑ District saved a total of \$190,066
- ❑ Old rate was about 4.0% and the new rate is 1.28%
- ❑ Term of the old bonds remains the same

---

# Declining Enrollment and Staffing

# Enrollment:





# Why are there not greater staff reductions when enrollment declines?

---

There is a reduction in the ADM number of XX from October of 2020 to October of 2021

The proposed 2021-22 budget is based on projected student enrollment for the 2021-22 school year. This is a standard practice set up as part of regionalization and assures that towns only pay for students that actually attend and not on projected numbers. It also means that the towns are able to receive notification in November and can plan accordingly.

The correlation between staffing and enrollment is not linear, it matters where we lose students and less about the number of students.

For example: 75 2<sup>nd</sup> Graders is a school and 4 sections would mean 3 classes of 18 and 1 of 19. If you lose 5 students it would reduce class size to 3 sections of 17 and one of 18, but if we reduced a section, that would result in 2 sections of 23 and one of 24 students. We would have to have a reduction of 17 2<sup>nd</sup> graders in one school in order to keep our class size practices and reduce a teacher.

# Why does the budget increase as enrollment declines?

This budget does include three classroom reductions, but also reallocates staff to other areas of need resulting

Budget object	2020-2021	2021-2022	Yr to Yr	% Change	% of Total	% of Total Increase
Category	Adopted 20-21	Proposed 21-22	Change \$	Change %	2021-22 Budget	% Increase overall
Salaries	\$42,219,756	\$44,011,568	1,791,812	4.24%	58.84%	2.38%

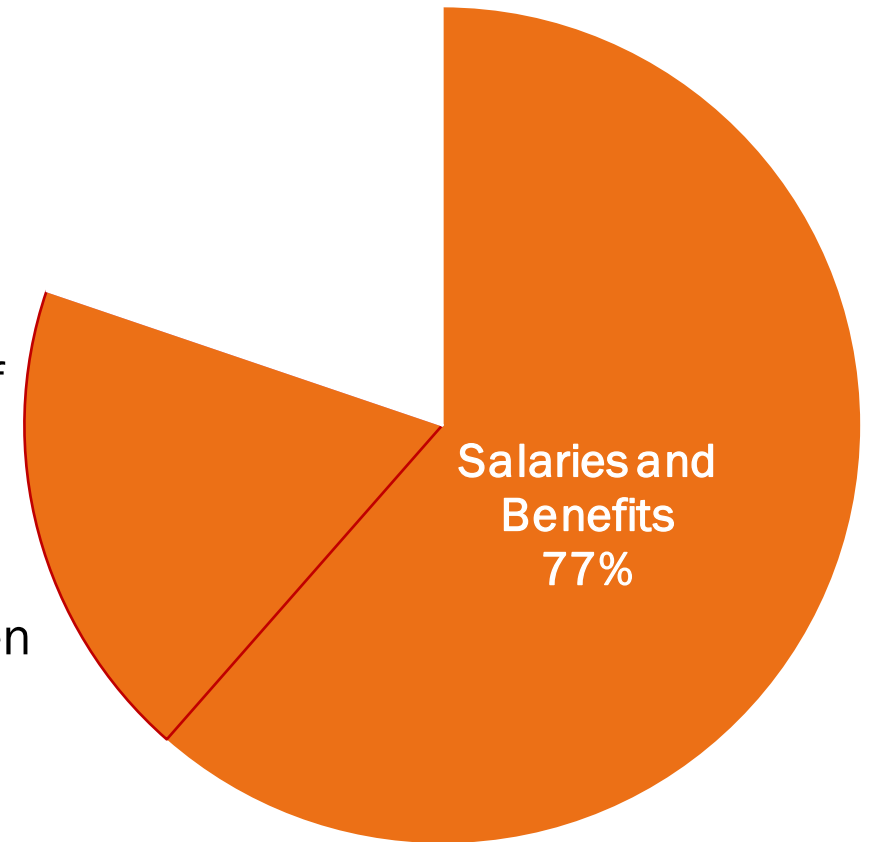
- The Salary line item in the budget summary includes more than 650 full and part time staff
- Teachers Contract costs
  - Projected costs in 2018 for the 2021-22 raises were \$777,000
    - This number does not include
      - Staffing changes such as retirements over the last 2 years
      - New positions that have been added or removed in past budgets
      - Degree changes are also not reflated in know as column movement.
  - Non-Certified contracts
    - Most contracts were negotiated between 2-2.5%

# COLLECTIVE BARGAINING CONTRACTS:

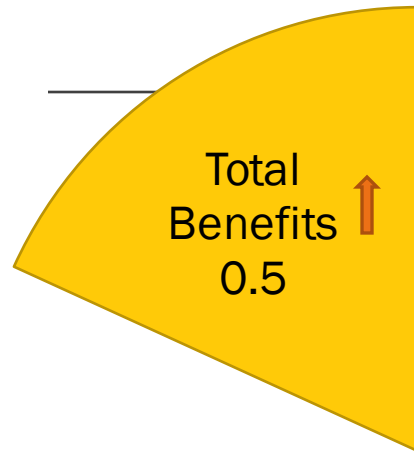
It is our staffing that make us what we are as a district.

---

- About 75% of our operational costs go to staff salaries and benefits.
  - Contractual obligations and staffing increases account for about 2.3% of the overall budget increase
  - That includes a shift from per diem contract costs to a staff position that resulted in a savings to the overall budget
- For the 2021-22 Budget cycle, our insurance claims have been lower than expected and costs remain at the 2021 rates.
  - The insurance line overall has increased less than 1% driven mostly by our liability and property claims.



## Health Insurance



- Remains at current levels
- Custodial and Maintenance employees are on health plan through their union we make a contribution towards

## **PENSION**

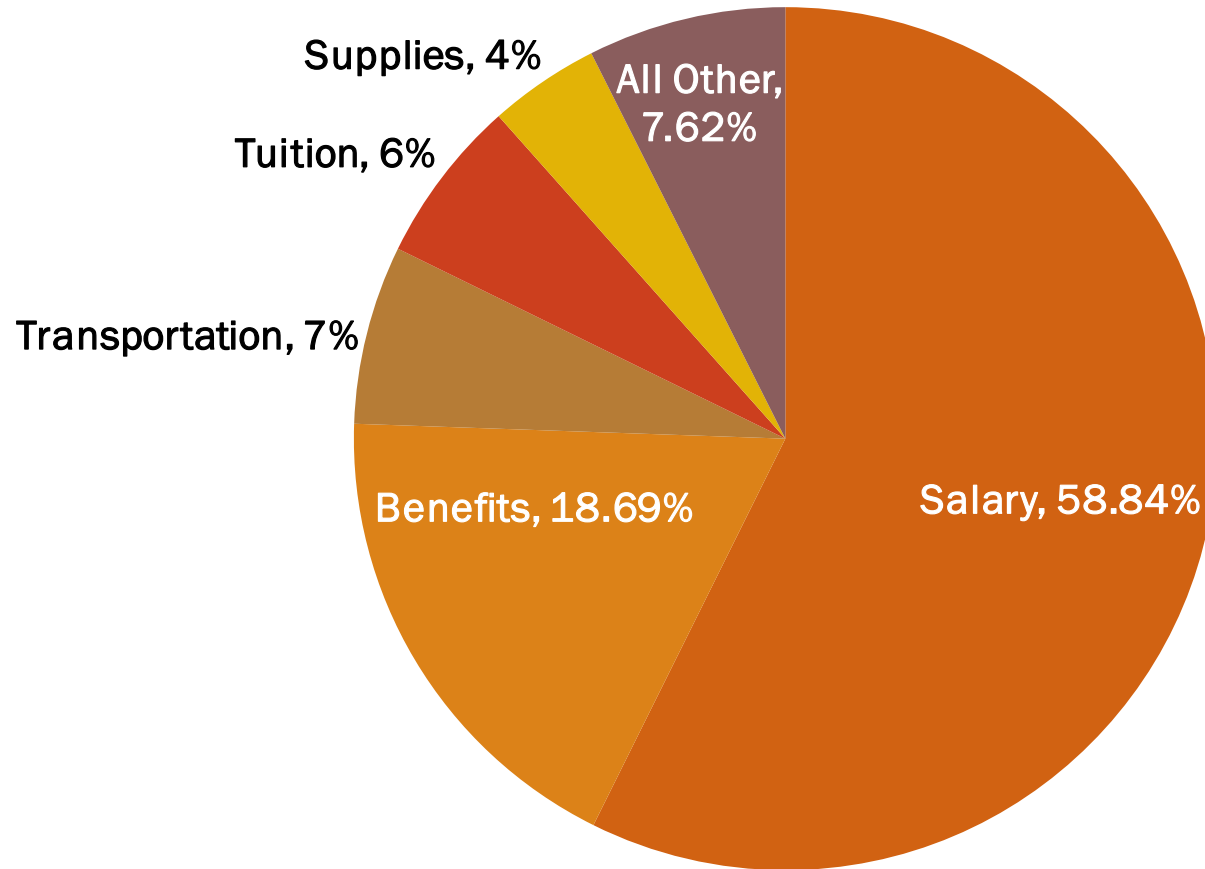
- Increase of \$20,000
  - Maintain contribution rate above disbursement

## **OTHER**

- Life Insurance – Increasing due to new rates & salary adjustments
- Unemployment – flat
- Pension Contribution increased

# BUDGET SUMMARY

Percent of total budget of selected objects:



# Revenue Sources

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
REVENUE BUDGET	ADOPTED	ADOPTED	ADOPTED	ADOPTED	ADOPTED	PROPOSED	DELTA
TOWN OF MIDDLEBURY	\$21,479,288	\$21,518,877	\$22,438,773	\$23,170,483	\$24,902,260	\$25,002,444	\$100,184
TOWN OF SOUTHBURY	\$45,470,047	\$45,957,456	\$46,665,056	\$47,664,384	\$48,007,514	\$49,792,022	\$1,784,508
TOTAL FROM TOWNS	\$66,949,335	\$67,476,333	\$69,103,829	\$70,834,867	\$72,909,774	\$74,794,466	\$1,884,692
TUITION- PRE K					\$170,000	\$170,000	
PAY FOR PLAY SPORTS	\$0	\$0	\$0	\$0	\$180,000	\$180,000	
PAY FOR PLAY MS MUSIC	\$0	\$0	\$0	\$0	\$15,250	\$15,250	
PHS PARKING					\$55,000	\$55,000	
TOTAL LOCAL SOURCES	\$0	\$0	\$0	\$0	\$440,250	\$440,250	
MAGNET TRANS GRANT	\$0	\$0	\$0	\$0	\$27,000	\$27,000	
EXCESS COST GRANT					\$1,830,353	\$1,551,724	
AGENCY PLACED GRANT					\$147,887	\$132,480	
ADULT ED GRANT	\$0	\$0	\$0	\$0	\$900	\$900	
TOTAL STATE SOURCES	\$0	\$0	\$0	\$0	\$2,006,140	\$1,712,104	
Total Revenue from Local & State					\$2,446,390	\$2,132,354	
TOTAL REVENUES	\$66,949,335	\$67,476,333	\$69,103,829	\$70,834,867	\$72,909,774	\$76,926,820	

Historical data is not available for comparison as revenue was accounted for differently in prior financial system.

Moving forward this information will be included in budget proposals

---

# Excess Cost Revenue Decline

## Excess Cost

THE INITIAL THRESHOLD FOR WHICH A STUDENT IS ELIGIBLE FOR THE EXCESS COST  
GRANT IS REFERRED TO AS THE "BASIC CONTRIBUTION OR PER PUPIL EXPENDITURE". FOR  
LEA PLACEMENTS OR STUDENTS EDUCATED WITHIN THE DISTRICT THE THRESHOLD IS  
EQUAL TO THE PRIOR YEAR'S NET CURRENT EXPENDITURES PER PUPIL (NCEP) X 4.5. FOR  
PLACEMENTS INITIATED BY A STATE AGENCY, E.G., THE DEPARTMENT OF CHILDREN AND  
FAMILIES, THE THRESHOLD IS EQUAL TO THE PRIOR YEAR'S NCEP X 1.



**Student A:**

**Cost of tuition & other costs =  
\$85,000**

- $4.5 \text{ (rate)} \times \text{NCEP } (\$18,973.60) = \$85,381.20$
- $\$85,000 - \$85,381.20 = \$381.20$
- $65\% \text{ of } \$381.20 = \$$  which is excess cost.
- A district might expect to get back \$133.42 for this individual

**Total Actual District Cost:  
\$84,866.58**

**Student B:**

**Cost of tuition & other costs =  
\$178,000**

- $4.5 \text{ (rate)} \times \text{NCEP } (\$18,973.60) = \$85,381.20$
- $\$178,000 - \$85,381.20 = \$92,618.80$
- $65\% \text{ of } \$92,618.80 = \$$  which is excess cost.
- A district might expect to get back \$60,202.22 for this individual

**Total Actual District Cost: \$117,797.78**

**Student C:**

**Cost of tuition & other costs =  
\$250,000**

- $4.5 \text{ (rate)} \times \text{NCEP } (\$18,973.60) = \$85,381.20$
- $\$250,000 - \$85,381.20 = \$164,618.80$
- $65\% \text{ of } \$164,618.80 = \$$  which is excess cost.
- A district might expect to get back \$107,002.22 for this individual

**Total Actual District Cost:  
\$142,997.78**

# Budget Implication with Student C in the Budget

	20-21 Budget	21-22 Budget
<b>Transportation</b> Special Ed Transport in and out of district, vocational assessment transportation	\$2,250,526.00	\$1,912,280.00
<b>Public Tuition</b> WAMS, Nonnewaug, State Technical High Schools, CREC, Juvenile Detention Tutoring, Interpreters	\$712,329.00	\$859,667.00
<b>Private Tuition</b> Region 15 placed students in a Private Special Education School	\$3,580,349.00	\$3,949,046.00 *
<b>Pupil Services</b> Outside evaluations, Ed Advance Paraprofessionals, Behavior Consultants, TOD, TVI	\$658,110.00	\$489,522.00
<b>Revenue</b> Excess Cost, Preschool	- \$2,148,240.00	- \$1,961,206.22*

# Questions Received:

---

- Why is electricity 6% higher than anticipated? (I would have thought that more at home learning would have brought down the electric usage at the schools themselves?)
  - We are currently 6% over budget for this year. That is due, in part to the running of HVAC units much more than typical and the solar at LMES coming online later than anticipated.
  - We have increased the projected costs for next year and increased the proposed budget by 5%
- Why is “Food Services Mgmt” so much higher? Is this because of special precautions they had to take in feeding the kids during COVID (maybe open twice as long to allow for less kids in cafeteria at one time?)
  - We are making the assumption that this question came from the January Financial Report and not the proposed budget. A transfer was made in anticipation of lost revenue over the remainder of the year due to reduced sales at the high school.
- “Tuition” I never fully understand what this means in Public School context.
  - The district sends students to two type of tuition-based programs. Public or Private. Some of the public schools are magnet programs the district participates in, others are specialized schools that provide services to students that the district can not provide.

# BUDGET SUMMARY

Budget object	2020-2021	2021-2022	Yr to Yr	% Change	% of Total	% of Total Increase
Category	Adopted 20-21	Proposed 21-22	Change \$	Change %	2021-22 Budget	% Increase overall
Salaries	\$42,219,756	\$44,011,568	1,791,812	4.24%	58.84%	2.38%
Benefits	\$13,900,535	\$13,976,099	75,564	0.54%	18.69%	0.10%
Instructional	\$3,503,841	\$3,181,795	-322,046	-9.19%	4.25%	-0.43%
Non-Instructional	\$894,768	\$970,840	76,072	8.50%	1.30%	0.10%
Transportation	\$5,588,453	\$5,146,838	-441,615	-7.90%	6.88%	-0.59%
Facilities	\$3,001,596	\$3,249,468	247,872	8.26%	4.34%	0.33%
Tuition	\$4,507,177	\$4,743,212	236,035	5.24%	6.34%	0.31%
Debt	\$1,740,038	\$1,647,000	-93,038	-5.35%	2.20%	-0.12%
Total Gross Budget	\$75,356,164	\$76,926,820	1,570,656	2.08%		2.08%
Revenue	(\$2,446,390)	(\$2,132,354)	-314,036			0.50%

# Budget totals By Community

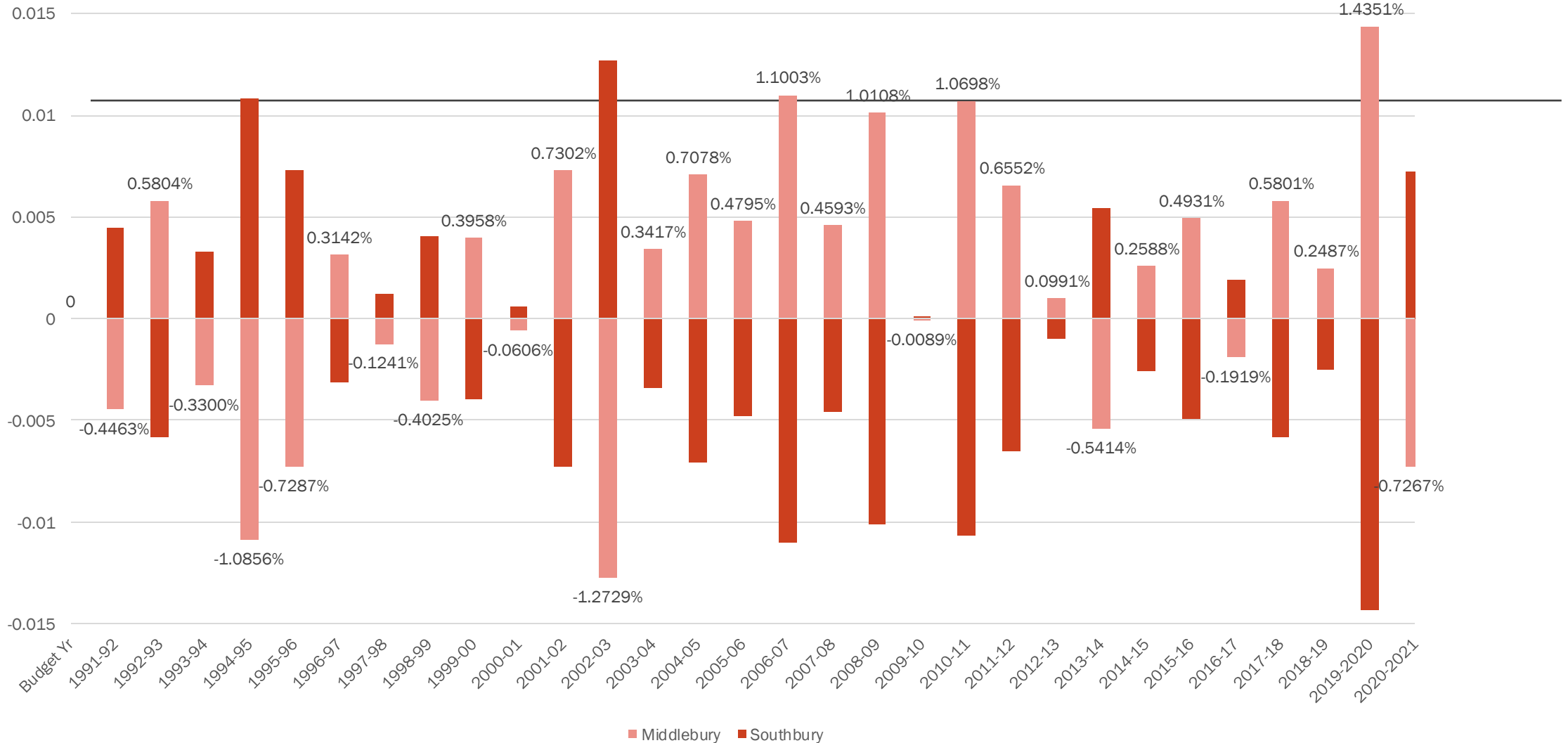
	2020-21 Adopted	2021-22 Proposed	% Increase
Total School Budget Gross	\$75,356,164	\$76,926,820	2.08%
Total Revenue	\$2,446,390	\$2,132,354	-1.30%
Total School Budget Net*	\$72,909,774	\$74,794,446	2.58%

\* Town funding totals based on Net Budget Totals

	2020-21 Adopted	2021-22 Proposed	Percent Distribution	Dollar Increase	Percent Increase
Middlebury	\$24,902,260	\$25,002,443	33.43%	\$100,183	0.13%
Southbury	\$48,007,514	\$49,792,022	66.57%	\$1,784,508	2.38%

# Average Daily Membership

Average Daily Membership - Shifts Over Time



# Board Approved Budget Increases by Percent:

