



HAMILTON-WENHAM  
REGIONAL SCHOOL DISTRICT

*FY18 Superintendent's Budget Recommendation  
School Committee Presentation  
February 9, 2017*

Prepared by:

Dr. Michael Harvey, Superintendent of Schools

Jeffrey D. Sands, Assistant Superintendent for Finance & Administration

Vincent Leone, Director of Accounting & Payroll

# **GASB 74 & 75 – Other Postemployment Benefits - OPEB**

Presented by James Powers CPA

# Applicable GASB Statements - New

- **Statement No. 74**  
***Financial Reporting for Postemployment  
Benefit Plans Other Than Pension Plans***
- Effective Date FY2017
- You need to accept Chapter 32B Section 20
- This establishes an OPEB Trust Fund

# How to Accept an OPEB Trust Fund

- School Committee can vote to establish the fund
  - ◆ This is done before funds are appropriated to be transferred to this fund.
- The Treasurer is the Custodian.
- The School Committee can designate a Trustee or Board of Trustees
  - ◆ Responsible for general management and investing authority
  - ◆ The Custodian can be the Trustee
  - ◆ A retirement board can be the Board of Trustees
  - ◆ A Board of Trustees can be comprised of 5 to 13 individuals

# How to Accept an OPEB Trust Fund

- The School Committee can designate a Trustee or Board of Trustees.
  - ◆ One Trustee is a current employee selected by ballot;
  - ◆ One Trustee is a current retiree selected by ballot;
  - ◆ The remainder of the Trustees are appointed by the Superintendent.
  - ◆ They will serve for terms of 3 or 5 years
- The duties and obligations of the Trustee or Board of Trustees shall be set forth in a declaration of trust.
- The School Committee has 90 days to disapprove the declaration. If not it will take effect.

# How can the Funds be Invested

- Section 20(g) allows the following investments:
  - ◆ Invest in accordance with Chapter 44 Section 54 Investment in Trust Funds
    - ★ Type of investments are limited and may not be appropriate for a long-term investment strategy and use of higher discount rates.
  - ◆ School Committee can authorize investments under the Prudent Investment Rule established in Chapter 203C
    - ★ This allows for a wide range of investments that can be structured in accordance with the long-term investment strategies.
  - ◆ If a retirement board is the investing authority they will have a wide range of investments to select from.
  - ◆ The fund can be invested in the State Retiree Benefits Trust Fund.

# How can the Funds be Invested

- Section 20(k) allows the District to participate in an OPEB Fund established by another governmental unit.
  - ◆ This will operate more like a pooled investment fund as all contributions, revenues and expenses for each member unit will remain separate and the net position of one member unit cannot be used to pay for another member unit's expenses.
- The School Committee can vote to authorize the Trustee or Board of Trustees to employ investment consultants and pay for their services from the OPEB Trust Fund.

# How are Funds Added to or Appropriated from the Trust

- Per Section 20(i) appropriations may be made only in the annual budget submitted to the member towns for approval.
- Per Section 20(b) the School can accept gifts, grants and contributions to the Fund.
- Investment income will be credited to the Fund.
- The School Committee can vote to authorize any amounts received as a sponsor of a qualified retiree prescription drug plan to be deposited to the Fund.



# How are Funds Added to or Appropriated from the Trust

- Per Section 20(h) requires any appropriation from the Trust Fund be subject to several approvals.
  - ◆ The School Committee must first approve by a two-thirds vote the transfer from the Fund to the School for the payment of retiree health insurance.
  - ◆ The Trustee or Board of Trustees must certify the funds are available.
  - ◆ The Superintendent must include the proposed transfer as a source of funds in the annual budget to be approved by the member Towns.

# GASB 74

- The OPEB Trust's financial statements are included as part of the audited financial statements.
- The accounting and disclosures are substantially the same as Pension Trusts implemented in FY2015 through GASB 67.
- Additional note disclosures include:
  - ◆ Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability
  - ◆ Significant assumptions and other inputs used to measure the total OPEB liability and information about the sensitivity of the measurement of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

# GASB 74

- New Required Supplementary Information is presented for the 10 most recent years.
  - ◆ Sources of changes in the net OPEB liability
  - ◆ Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.
  - ◆ Actuarially determined contributions, contributions and related ratios
- RSI also requires explanations of changes of benefit terms, change in covered member and the use of different assumptions.

# Applicable GASB Statements - New

- **Statement No. 75**  
***Accounting and Financial Reporting for  
Postemployment Benefits Other Than  
Pensions***
- Effective Date FY2018
- This replaces GASB 45

# GASB 75

- This GASB deals with how employers record the Net OPEB Liability, deferred inflows/outflows, note disclosures, and required supplementary information.
- This is similar to what everyone went through in FY15 when you implemented GASB 68 on Pensions.
- Your OPEB plans will be Single Employer Plan.

# GASB 75

- Single employers are those whose employees/retirees are provided with defined benefit OPEB through single-employer OPEB plans.
- The employer has greater control over the benefits offered and contribution rates. Unlike Pension Plans the School can significantly change the Total OPEB Liability with Plan Design changes.

# How will the new standards impact future financial statements?

- The new standards uses a service based model to calculate the total OPEB liability to **Record** on the financial statements.
- What that means is that the Actuary will calculate the Total Liability as of the measurement date which relates to the present value of all benefits earned to be paid in future periods.
- They will reduce the Total Liability by the assets held in Trust to come up with the Net Liability.

# How will the new standards impact future financial statements?

- One of the assumptions used by the actuary to calculate the Total OPEB Liability is the discount rate.
- It is so important that the new standards require a note disclosure of the Sensitivity a change in discount rate will have on the Net OPEB Liability. The difference of just 1% higher or lower is significant.
- How you invest determines the rate.



# How will the new standards impact future financial statements?

- The discount rate should be the single rate that reflects the following:
  - ◆ a. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that
    - ★ (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and
    - ★ (2) OPEB plan assets are expected to be invested using a strategy to achieve that return
  - ◆ b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, to the extent that the conditions in (a) are not met.

# How will the new standards impact future financial statements?

- The new standards requires the use of a risk free discount rate equal to a AA rated municipal 20 year bond as the starting point. This rate has been hovering around 3.0% recently.
- The actuary will complete an analysis that will determine if the Trust Assets will run out of money in the future. This is called the crossover point.

# How will the new standards impact future financial statements?

- The date when the crossover point is reached is the date the lower rate is used. If a Community did not have a qualified trust the discount rate used is the low rate.
- If a qualified trust is used then the Actuary will calculate a blended discount rate.
- We expect in most cases the blended rate will be lower than the current blended rates.
- This has the potential to increase the liability significantly.

# Pay-as-you-go Compared to Pre-Funding

- The following two slides are from the June 30, 2016 OPEB Actuarial Valuation that compares the Unfunded Liability if the pay-as-you-go method is used to the pre-funding method by making annual contributions to the OPEB Trust Fund over a 30 year period.
- If the District fully funds the liability the discount rate will change from 3.5% to 7.0% and the Unfunded Liability will be lowered from \$25,337,907 to \$15,591,240 (a \$9,746,667 reduction or 38.4%).
- To achieve this a level payment to the OPEB Trust of \$764,800 must be made for each of the next 30 years.
- At this point the Assets in the OPEB Trust will equal the Actuarial Accrued Liability (Fully Funded).
- Under the pay-as-you-go Method the Unfunded Liability will grow to \$123,376,695 with no assets in the OPEB Trust.
- A total additional investment of \$22,944,000 will save \$123,376,695.



## Projected Cash Flows (Open Group) – pay-as-you-go Approach

### Total Medical & Life Insurance - pay-as-you-go funding - 3.50% discount rate

Fiscal Year	I. Total Actuarial Accrued Liability ("AAL") as of July 1	II. Plan Assets as of July 1	III. Unfunded Accrued Actuarial Liability ("UAAAL") [I. - II.]	IV. Normal Cost	V. Expected Amortization	VI. Interest on Net OPEB Obligation (Asset)	VII. Adjustment to ARC	VIII. Amortization of Actuarial (Gain) / Loss	IX. Expected Annual OPEB Expense [IV. + V. + VI. + VII. + VIII.]	X. OPEB Obligation (Asset) as of June 30	XI. Employer Share of Premiums / Claims	XII. Excess Employer Payments (beyond claims)
2016	25,337,907	0	25,337,907	1,221,307	1,331,385	552,905	(878,421)	200,320	2,427,496	17,530,238	694,549	0
2017	26,769,929	0	26,769,929	1,302,974	1,331,385	613,558	(920,910)	242,809	2,569,816	19,351,939	748,115	0
2018	28,281,154	0	28,281,154	1,387,157	1,331,385	677,318	(1,016,609)	338,508	2,717,759	21,275,852	793,846	0
2019	29,885,072	0	29,885,072	1,462,262	1,331,385	744,655	(1,117,678)	439,577	2,860,201	23,309,759	826,294	0
2020	31,589,276	0	31,589,276	1,538,824	1,331,385	815,842	(1,224,524)	546,423	3,007,950	25,460,293	857,416	0
2021	33,400,157	0	33,400,157	1,612,951	1,331,385	891,110	(1,337,498)	659,397	3,157,345	27,713,692	903,946	0
2022	35,302,984	0	35,302,984	1,695,010	1,331,385	969,979	(1,455,875)	777,774	3,318,273	30,074,051	957,914	0
2023	37,301,482	0	37,301,482	1,788,484	1,331,385	1,052,592	(1,579,871)	901,770	3,494,360	32,549,537	1,018,874	0
2024	39,403,581	0	39,403,581	1,879,279	1,331,385	1,139,234	(1,709,915)	1,031,814	3,671,797	35,115,608	1,105,726	0
2025	41,583,334	0	41,583,334	1,972,518	1,331,385	1,229,047	(1,844,717)	1,166,616	3,854,849	37,791,462	1,178,995	0
2026	43,860,044	0	43,860,044	2,069,296	1,331,385	1,322,701	(1,985,288)	1,307,187	4,045,281	40,582,024	1,254,719	0
2027	46,238,234	0	46,238,234	2,173,069	1,331,385	1,420,371	(2,131,882)	1,453,781	4,246,724	43,493,574	1,335,174	0
2028	48,723,793	0	48,723,793	2,280,881	1,331,385	1,522,275	(2,284,834)	1,606,733	4,456,440	46,533,262	1,416,752	0
2029	51,323,499	0	51,323,499	2,394,731	1,331,385	1,628,664	(2,444,518)	1,766,417	4,676,679	49,718,364	1,491,577	0
2030	54,054,585	0	54,054,585	2,511,900	1,331,385	1,740,143	(2,611,839)	1,933,738	4,905,327	53,033,657	1,590,034	0
2031	56,900,626	0	56,900,626	2,636,817	1,331,385	1,856,178	(2,786,000)	2,107,899	5,146,279	56,515,161	1,664,775	0
2032	59,898,210	0	59,898,210	2,768,188	1,331,385	1,978,030	(2,968,893)	2,290,792	5,399,502	60,147,043	1,767,620	0
2033	63,030,235	0	63,030,235	2,910,759	1,331,385	2,105,146	(3,159,686)	2,481,585	5,669,189	63,961,535	1,854,697	0
2034	66,329,318	0	66,329,318	3,055,274	1,331,385	2,238,654	(3,360,071)	2,681,970	5,947,212	67,952,107	1,956,640	0
2035	69,787,930	0	69,787,930	3,208,448	1,331,385	2,378,324	(3,569,706)	2,891,605	6,240,056	72,171,847	2,020,316	0
2036	73,460,223	0	73,460,223	3,362,859	1,331,385	2,526,015	(3,791,381)	3,113,280	6,542,158	76,597,095	2,116,910	0
2037	77,320,890	0	77,320,890	3,536,068	1,331,385	2,680,899	(4,023,852)	3,345,751	6,870,251	81,289,391	2,177,955	0
2038	81,432,768	0	81,432,768	3,709,883	1,331,385	2,845,129	(4,270,350)	3,592,249	7,208,296	86,206,633	2,291,054	0
2039	85,751,403	0	85,751,403	3,901,482	0	3,017,231	(4,528,666)	3,850,565	6,240,612	90,026,153	2,421,092	0
2040	90,284,907	0	90,284,907	4,093,733	0	3,150,916	(4,729,316)	4,051,215	6,566,548	94,075,450	2,517,251	0
2041	95,076,537	0	95,076,537	4,306,887	0	3,292,640	(4,942,036)	4,263,935	6,921,426	98,358,966	2,637,910	0
2042	100,131,608	0	100,131,608	4,525,304	0	3,442,564	(5,167,061)	4,488,960	7,289,767	102,887,747	2,760,986	0
2043	105,462,284	0	105,462,284	4,758,440	0	3,601,071	(5,404,970)	4,726,869	7,681,410	107,685,924	2,883,233	0
2044	111,094,304	0	111,094,304	5,001,132	0	3,769,008	(5,657,032)	4,978,931	8,092,039	112,781,216	2,996,747	0
2045	117,057,143	0	117,057,143	5,251,381	0	3,947,342	(5,924,700)	5,246,599	8,520,622	118,197,850	3,103,988	0
2046	123,376,696	0	123,376,696	5,520,680	0	4,136,925	(6,209,252)	6,209,252	9,657,605	124,643,343	3,212,112	0
2047	130,084,249	0	130,084,249	5,802,818	0	4,362,516	(6,547,850)	6,547,850	10,165,334	131,455,335	3,353,342	0



## Projected Cash Flows (Open Group) – Funded Approach

Total Medical & Life Insurance - Funding over 30 years at 7.00% discount rate increasing at 0.00% per year

Fiscal Year	I. Total Actuarial Accrued Liability		III. Unfunded Accrued Actuarial Liability		IV. Normal Cost	V. Expected Amortization	VI. Interest on Net OPEB Obligation (Asset)	VII. Adjustment to ARC	VIII. Amortization of Actuarial (Gain) / Loss	IX. Expected Annual OPEB Expense + V. + VI. + VII. + VIII.]	X. OPEB Obligation (Asset) as of June 30	XI. Employer Share of Premiums / Claims	XII. Annual Funding / (Payments)
	("AAL") as of July 1	II. Plan Assets as of July 1	("UAAL") II.]	[I. - II.]									
											15,797,291		
2016	15,591,240	0	15,591,240		492,476	1,784,616	1,105,810	(1,189,763)	(446,873)	1,746,266	16,084,208	694,549	764,800
2017	16,466,409	764,800	15,701,609		525,037	1,784,616	1,125,895	(1,211,372)	(425,264)	1,798,912	16,370,205	748,115	764,800
2018	17,380,363	1,583,136	15,797,227		557,989	1,784,616	1,145,914	(1,232,912)	(403,724)	1,851,883	16,663,442	793,846	764,800
2019	18,344,623	2,458,756	15,885,867		587,428	1,784,616	1,166,441	(1,254,997)	(381,639)	1,901,849	16,974,197	826,294	764,800
2020	19,373,162	3,395,669	15,977,493		617,177	1,784,616	1,188,194	(1,278,401)	(358,235)	1,953,351	17,305,332	857,416	764,800
2021	20,472,227	4,398,166	16,074,061		645,588	1,784,616	1,211,373	(1,303,341)	(333,295)	2,004,941	17,641,527	903,946	764,800
2022	21,628,841	5,470,838	16,158,003		677,322	1,784,616	1,234,907	(1,328,661)	(307,975)	2,060,209	17,979,022	957,914	764,800
2023	22,842,627	6,618,597	16,224,030		712,960	1,784,616	1,258,531	(1,354,080)	(282,556)	2,119,471	18,314,819	1,018,874	764,800
2024	24,114,283	7,846,699	16,267,584		747,278	1,784,616	1,282,038	(1,379,369)	(257,267)	2,177,296	18,621,589	1,105,726	764,800
2025	25,418,743	9,160,768	16,257,975		782,196	1,784,616	1,303,512	(1,402,474)	(234,162)	2,233,688	18,911,482	1,178,995	764,800
2026	26,773,480	10,566,822	16,206,658		818,143	1,784,616	1,323,804	(1,424,307)	(212,329)	2,289,927	19,181,890	1,254,719	764,800
2027	28,180,486	12,071,300	16,109,186		856,503	1,784,616	1,342,732	(1,444,672)	(191,964)	2,347,215	19,429,131	1,335,174	764,800
2028	29,640,942	13,681,091	15,959,851		896,419	1,784,616	1,360,039	(1,463,294)	(173,342)	2,404,438	19,652,017	1,416,752	764,800
2029	31,159,052	15,403,567	15,755,485		938,891	1,784,616	1,375,641	(1,480,079)	(156,557)	2,462,512	19,858,152	1,491,577	764,800
2030	32,748,811	17,246,617	15,502,194		982,529	1,784,616	1,390,071	(1,495,605)	(141,031)	2,520,580	20,023,898	1,590,034	764,800
2031	34,391,195	19,218,680	15,172,515		1,028,538	1,784,616	1,401,673	(1,508,087)	(128,549)	2,578,191	20,172,514	1,664,775	764,800
2032	36,117,806	21,328,788	14,789,018		1,077,143	1,784,616	1,412,076	(1,519,281)	(117,355)	2,637,199	20,277,293	1,767,620	764,800
2033	37,907,242	23,586,603	14,320,639		1,130,302	1,784,616	1,419,410	(1,527,172)	(109,464)	2,697,692	20,355,488	1,854,697	764,800
2034	39,785,647	26,002,465	13,783,182		1,184,076	1,784,616	1,424,883	(1,533,061)	(103,575)	2,756,939	20,390,987	1,956,640	764,800
2035	41,743,997	28,587,438	13,156,559		1,240,897	1,784,616	1,427,369	(1,535,735)	(100,901)	2,816,246	20,422,117	2,020,316	764,800
2036	43,832,098	31,353,359	12,478,739		1,297,813	1,784,616	1,429,549	(1,538,079)	(98,557)	2,875,342	20,415,749	2,116,910	764,800
2037	46,023,910	34,312,894	11,711,016		1,362,209	1,784,616	1,429,102	(1,537,600)	(99,036)	2,939,291	20,412,285	2,177,955	764,800
2038	48,372,737	37,479,597	10,893,140		1,426,520	1,784,616	1,428,859	(1,537,339)	(99,297)	3,003,359	20,359,790	2,291,054	764,800
2039	50,833,777	40,867,969	9,965,808		1,497,795	0	1,425,185	(1,533,385)	(103,251)	1,286,344	18,460,242	2,421,092	764,800
2040	53,404,214	44,493,527	8,910,687		1,569,050	0	1,292,216	(1,390,322)	(243,562)	1,227,382	16,405,573	2,517,251	764,800
2041	56,127,934	48,372,874	7,755,060		1,648,164	0	1,148,391	(1,235,576)	(395,085)	1,165,894	14,168,757	2,637,910	764,800
2042	58,997,863	52,523,775	6,474,088		1,729,049	0	991,813	(1,067,111)	(560,357)	1,093,394	11,736,365	2,760,986	764,800
2043	62,023,541	56,965,239	5,058,302		1,815,203	0	821,546	(883,918)	(740,387)	1,012,444	9,100,776	2,883,233	764,800
2044	65,222,397	61,717,606	3,504,791		1,904,661	0	637,054	(685,419)	(935,755)	920,541	6,259,770	2,996,747	764,800
2045	68,619,434	66,802,638	1,816,796		1,996,711	0	438,184	(471,451)	(1,146,627)	816,817	3,207,799	3,103,988	764,800
2046	72,238,008	72,243,623	(5,615)		2,095,810	0	224,545	(241,594)	269,192	2,347,953	2,349,255	3,212,112	(5,615)
2047	76,100,227	77,295,062	(1,194,835)		2,199,457	0	164,448	(176,933)	209,121	2,396,093	2,586,841	3,353,342	(1,194,835)



# Most Confusing Issue

- You do not have to change the pay-as-you-go funding.
- Only MGL changes will require this.
- For OPEB, each community has the option to start funding the liability or they can do nothing.
- Some communities are setting aside money for this which can be viewed as positive.
- You do not have to fully fund the liability and can chose a lower amount to reduce the unfunded liability.
- Your decisions will drive the accounting.



# FY18 Budget

## *Superintendent's Recommendation*

### Level Service Budget

What Does “Level Service” Mean?

*Level Service is a continuation of the current programs, services and staffing of the District.*

For FY18, this represents (vs FY17B):

- An increase to our Gross Operating Expenses (Before Offsets) of \$1,237,092 or 4.10%
- and*
- An increase in the Total Assessment to the Towns of \$339,057 or 1.3%





# FY18 Budget: Level Service

## *Key Assumptions*

- **Salary Costs**

- Incorporates a 2.5% COLA increase for all personnel.
- Incorporates all other contractual salary obligations (e.g. STEPs).
- Reduction of 4.0 FTE's and \$225K in salary costs.
- Incorporates Retirement and Other Staff Replacement salary savings of \$187K.
- Level funds all Grants as compared to FY17.

- **Operating Costs**

- No new Services or Programs.
- Level funds the majority of operating account categories.
- Exceptions to level funding include, most notably:
  - Out-of-District Tuition Costs increasing by 35.0% or \$717K
  - Special Ed Transportation Costs increasing by 15.6% or \$65K
  - Essex Retirement Pension Fund increasing by 5.4% or \$45K
  - Healthcare Premiums increasing by 5.9% or \$137K
  - OPEB Trust Fund increasing by 100% or \$40K
  - Capital Projects reducing by 32.7% or <\$102K>

- **Excess & Deficiency**

- \$569K in Certified E&D being used “to reduce the amount to be raised by assessment by the member Towns during the ensuing Annual Budget Process” (Policy D4021)



# FY18 Budget – District Totals

## *Level Service Net Assessment Budget*

Total Expenses					
	FY16 BUD	FY17 BUD	FY18 BUD	Difference	
General Operating Expense (Before Offsets)	\$ 29,343,112	\$ 30,166,532	\$ 31,403,624	\$ 1,237,092	4.10%
Expense Offsets	\$ 1,013,510	\$ 1,016,500	\$ 1,203,808	\$ 187,308	18.43%
General Operating Expenses (After Offsets)	\$ 28,329,602	\$ 29,150,032	\$ 30,199,816	\$ 1,049,784	3.60%
Debt Service Expense	\$ 1,993,488	\$ 2,129,250	\$ 2,092,860	\$ (36,390)	-1.71%
<b>TOTAL EXPENDITURES</b>	<b>\$ 30,323,089</b>	<b>\$ 31,279,282</b>	<b>\$ 32,292,676</b>	<b>\$ 1,013,394</b>	<b>3.24%</b>
Total Funding Sources					
	FY16 BUD	FY17 BUD	FY18 BUD	Difference	
<i>Revenues</i>					
Chapter 70-Base Aid	\$ 3,413,341	\$ 3,457,966	\$ 3,554,656	\$ 96,690	2.8%
MSBA Debt Service Reimbursement	\$ 1,132,065	\$ 1,132,065	\$ 1,132,065	\$ -	0.0%
State Transportation Reimbursement	\$ 290,000	\$ 331,304	\$ 340,686	\$ 9,382	2.8%
Medicaid Reimbursement	\$ 85,000	\$ 85,000	\$ 85,000	\$ -	0.0%
Interest Income	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	0.0%
Prior Year Unexpended Encumbrances	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Other Non-recurring Income (Including Transp)	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Total Revenues	\$ 4,924,406	\$ 5,010,335	\$ 5,116,407	\$ 106,072	2.1%
<i>Transfers In From Other Funds</i>					
Excess and Deficiency	\$ 395,781	\$ 555	\$ 568,821	\$ 568,266	102329.9%
Total Transfers	\$ 395,781	\$ 555	\$ 568,821	\$ 568,266	102329.9%
<b>Total Funding Sources</b>	<b>\$ 5,320,187</b>	<b>\$ 5,010,890</b>	<b>\$ 5,685,228</b>	<b>\$ 674,338</b>	<b>13.5%</b>
Total Expenditures	\$ 30,323,089	\$ 31,279,282	\$ 32,292,676	\$ 1,013,394	3.2%
Less Total Funding Sources	\$ 5,320,187	\$ 5,010,890	\$ 5,685,228	\$ 674,338	13.5%
<b>NET ASSESSMENT including Debt Service</b>	<b>\$ 25,002,902</b>	<b>\$ 26,268,391</b>	<b>\$ 26,607,448</b>	<b>\$ 339,057</b>	<b>1.3%</b>
Total Town Assessments					
	FY16 BUD	FY17 BUD	FY18 BUD	Difference	
Hamilton	\$ 16,991,972	\$ 17,494,749	\$ 17,401,271	\$ (93,478)	-0.5%
Wenham	\$ 8,010,930	\$ 8,773,643	\$ 9,206,177	\$ 432,534	4.9%
<b>NET ASSESSMENT including Debt Service</b>	<b>\$ 25,002,902</b>	<b>\$ 26,268,391</b>	<b>\$ 26,607,448</b>	<b>\$ 339,057</b>	<b>1.3%</b>



# FY18 Budget

## By School & Support Program

*The chart below depicts the allocation of our FY18 Gross Operating Expenses, before Offsets, by Budget Office.*

Summary By Site & Support Program	FY16	FY17	FY18	Change FY17 to FY18	
	Budget	Budget	Budget	\$	%
Buker Elementary School	\$ 2,156,495	\$ 2,167,398	\$ 2,178,581	\$ 11,184	0.52%
Cutler Elementary School	\$ 2,598,053	\$ 2,603,293	\$ 2,675,546	\$ 72,253	2.78%
Winthrop Elementary School	\$ 3,106,488	\$ 3,074,550	\$ 3,308,681	\$ 234,131	7.62%
Miles River Middle School	\$ 4,083,899	\$ 4,206,134	\$ 4,276,412	\$ 70,279	1.67%
Regional High School	\$ 6,046,714	\$ 6,110,037	\$ 5,927,421	\$ (182,615)	-2.99%
Athletics	\$ 333,342	\$ 351,555	\$ 355,117	\$ 3,562	1.01%
Central Office	\$ 2,645,805	\$ 2,807,236	\$ 2,816,551	\$ 9,315	0.33%
District Maintenance	\$ 678,052	\$ 717,134	\$ 737,163	\$ 20,028	2.79%
Fringe Benefits	\$ 3,592,913	\$ 3,666,908	\$ 3,879,383	\$ 212,475	5.79%
Special Education	\$ 3,147,437	\$ 3,561,314	\$ 4,350,007	\$ 788,693	22.15%
Technology	\$ 953,912	\$ 900,974	\$ 898,761	\$ (2,213)	-0.25%
<b>District Totals</b>	<b>\$ 29,343,112</b>	<b>\$ 30,166,532</b>	<b>\$ 31,403,624</b>	<b>\$ 1,237,092</b>	<b>4.10%</b>



# FY18 Budget

## Summary by DESE Category

*The chart below depicts the allocation of our FY18 Gross Operating Expenses, before Offsets, by DESE Category.*

Summary	FY16	FY17	FY18	Change FY17 to FY18	
by DESE Category	Budget	Budget	Budget	\$	%
Administration	\$ 1,110,289	\$ 1,180,023	\$ 1,135,489	\$ (44,534)	-3.77%
Capital, Operations, Maintenance	\$ 2,086,511	\$ 2,244,431	\$ 2,228,122	\$ (16,309)	-0.73%
Guidance, Counseling, Testing	\$ 1,083,836	\$ 1,075,072	\$ 1,065,718	\$ (9,354)	-0.87%
Inst. Materials	\$ 862,226	\$ 857,654	\$ 873,876	\$ 16,222	1.89%
Instructional Leadership	\$ 2,761,900	\$ 2,884,573	\$ 2,931,318	\$ 46,745	1.62%
Insurance, Retirement, Other	\$ 3,674,250	\$ 3,752,986	\$ 3,978,971	\$ 225,986	6.02%
Other Teaching Services	\$ 2,315,311	\$ 2,309,691	\$ 2,408,619	\$ 98,928	4.28%
Prof. Dev.	\$ 161,752	\$ 172,902	\$ 209,594	\$ 36,692	21.22%
Pupil Services	\$ 1,844,779	\$ 2,031,224	\$ 2,080,527	\$ 49,303	2.43%
Teachers	\$ 11,467,723	\$ 11,596,360	\$ 11,695,832	\$ 99,472	0.86%
Tuitions	\$ 1,974,534	\$ 2,061,617	\$ 2,795,559	\$ 733,942	35.60%
Grand Total	\$ 29,343,112	\$ 30,166,532	\$ 31,403,624	\$ 1,237,092	4.10%



# FY18 Budget

## Motions for School Committee Budget Vote

### **Motion for the FY18 Operating Budget Vote:**

Motion: The Hamilton-Wenham Regional School Committee approves an FY18 Total General Fund Expenditures Budget of \$32,292,676. This amount includes General Fund Operating Expenses (after Offsets) in the amount of \$30,199,816 and General Fund Debt Service Expenses in the amount of \$2,092,860.

Furthermore, the Gross Operating Expenses of the District (before Offsets) have been allocated to the DESE-defined Accounts according to the “Summary by DESE Category” chart included in this Budget Presentation dated 2/09/2017.

### **Motion for the FY18 Budget Assessment:**

Motion: The Hamilton-Wenham Regional School Committee votes to assess the Towns of Hamilton and Wenham a combined total of \$26,607,448 as the amount necessary to operate and maintain the District, as well as pay debt service, for FY18. The District’s Assistant Superintendent shall determine the amount apportioned to each Town, and the District’s Treasurer shall certify such amounts to the respective Treasurers of each Town within 30 days of this date.



# 3 Year Forecast Model (FY18 – FY20)

## Net Operating Expenses

	(A)	(B)	(C)	(D)	FY18 vs FY17	(B vs A)	FY19 vs FY18	(C vs B)	FY20 vs FY19	(D vs C)
	FY17 Budget	FY18 Budget	FY19 Forecast	FY20 Forecast	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
Base Salary	\$ 18,895,522	\$ 19,199,536	\$ 19,743,084	\$ 20,300,221	\$ 304,014	1.6%	\$ 543,548	2.8%	\$ 557,137	2.8%
Other Salary	\$ 606,568	\$ 613,150	\$ 628,479	\$ 644,191	\$ 6,582	1.1%	\$ 15,329	2.5%	\$ 15,712	2.5%
Other Operating Expenses incl OPEB	\$ 6,997,534	\$ 7,751,555	\$ 8,009,944	\$ 8,874,101	\$ 754,021	10.8%	\$ 258,389	3.3%	\$ 864,157	10.8%
Fringe incl Health Care	\$ 3,666,908	\$ 3,839,383	\$ 4,031,352	\$ 4,232,920	\$ 172,475	4.7%	\$ 191,969	5.0%	\$ 201,568	5.0%
<b>Gross Operating Expenses:</b>	<b>\$ 30,166,532</b>	<b>\$ 31,403,624</b>	<b>\$ 32,412,859</b>	<b>\$ 34,051,433</b>	<b>\$ 1,237,092</b>	<b>4.1%</b>	<b>\$ 1,009,235</b>	<b>3.2%</b>	<b>\$ 1,638,574</b>	<b>5.1%</b>
Operating Offsets	(1,016,500)	(1,203,808)	(1,203,808)	(1,203,808)	(187,308)	18.4%	-	0.0%	-	0.0%
<b>Operating Expenses excluding Debt</b>	<b>\$ 29,150,032</b>	<b>\$ 30,199,816</b>	<b>\$ 31,209,051</b>	<b>\$ 32,847,625</b>	<b>\$ 1,049,784</b>	<b>3.6%</b>	<b>\$ 1,009,235</b>	<b>3.3%</b>	<b>\$ 1,638,574</b>	<b>5.3%</b>
Debt Service Expense	2,129,250	2,092,860	2,092,860	1,378,860	(36,390)	-1.7%	-	0.0%	(714,000)	-34.1%
<b>Net Operating Expenses including Debt</b>	<b>\$ 31,279,282</b>	<b>\$ 32,292,676</b>	<b>\$ 33,301,911</b>	<b>\$ 34,226,485</b>	<b>\$ 1,013,394</b>	<b>3.2%</b>	<b>\$ 1,009,235</b>	<b>3.1%</b>	<b>\$ 924,574</b>	<b>2.8%</b>
Key Indicators:										
# of Students Enrolled at October 1st	1,815	1,790	1,765	1,740	(25)	-1.4%	(25)	-1.4%	(25)	-1.4%
Net Operating Expense per Student	\$ 17,234	\$ 18,041	\$ 18,868	\$ 19,670	\$ 807	4.7%	\$ 827	4.6%	\$ 802	4.3%
Student to Teacher Ratio	10.15	10.18	10.15	10.12	0.03	N/A	(0.03)	N/A	(0.03)	N/A
Student to Teacher + TA Ratio	7.86	7.87	7.87	7.86	0.01	N/A	(0.01)	N/A	(0.01)	N/A



# FY18 Budget

## *Timeline & Next Steps*

- November 17, 2016: FY18 Budget Meeting #1 with Finance Committees
- December 15, 2016: Superintendent's FY18 Budget Recommendation to SC
- December 19, 2016: Superintendent's FY18 Budget Recommendation Book to SC
- January 5, 2017: FY17 Budget Discussion Continued
  - Special Education
  - Maintenance, Custodial & Facilities
  - Technology
- January 5, 2017: School Committee Adopts Tentative FY18 Budget
- January 6, 2017: Mail Tentative FY18 Budget to Towns
- January 19, 2017: Conduct Public Hearing on FY18 Budget
- January 19, 2017: FY18 Budget Discussion Continued
  - Middle School
  - High School
  - Athletics
- January 26, 2017: FY18 Budget Meeting #2 with Finance Committees
- February 2, 2017: FY18 Budget Discussion Continued
  - Buker Playground
  - Master Plan Update
  - Summary of Administrator Requests (Not in Budget; New Capital)
- February 9, 2017: FY18 Budget Discussion Concluded
  - OPEB (Discussion to be led by Jim Powers, Partner at Powers & Sullivan)
  - 3 Year Financial Model
- February 9, 2017: School Committee votes to Adopt FY18 Budget
- April 1, 2017: Hamilton and Wenham Annual Town Meetings