FY-17 Budget Update

MERSD School Committee
January 26, 2016

Budget Goals

- Develop and deliver a fiscally responsible budget that maintains educational quality, supports District goals, and aligns with our multi-year budget commitment to work within the confines of Proposition 2 ½
- Manage Enrollment
  - Strive to meet School Committee class size guidelines
  - Serve increasingly diverse student educational needs
- Exercise fiscal responsibility
  - Seek internal efficiencies to offset growth needs when possible
- Meet local, state and federal responsibilities while controlling growth

Budget Considerations

- Maintaining program (level services) and meeting compliance obligations
- Maintaining strong reserves
  - Strong bond rating
  - Emergency funds for maintenance on aging buildings
- Funding OPEB Trust Fund - $352K minimum contribution from FY-15 through FY16
- Managing the long-term school choice revenue projection
  - Keeping revenue stream steady means replacing exiting students
- Elementary Facilities Timeline

FY-17 Tentative Budget December Projection

- Level Service Budget = Maintains same level of program currently in place
- FY17 Level Services Budget = $23.75 million
  - 3.42% ($784K) spending increase from FY-16 budget
    - Growth of just 2.4%, excluding insurance/OPEB
  - Just below 3.6-3.8% spending growth assumed w/multi-year budget model
  - No reserves used in operating budget
  - $60,000 retained for small capital allowance reinstated through override budget
    - Curriculum, Facilities, PD, and/or Technology

FY-17 Operating Budget January Update

Updates:

- Identified savings of $62,510 from Tentative Budget, primarily from favorable utility contracts renewed in December and January
- No Change to revenue assumptions

- Revised FY17 Level Services Budget = $23.68million
  - 3.1% ($722K) spending increase from FY-16 budget
    - Spending Increase of just 2.2%, excluding insurance/OPEB
  - 3.32% revised assessment remains below 3.6-3.8% spending growth assumed w/multi-year budget model
    - Essex = 2.67%
    - Manchester = 3.68% (enrollment key driver in differential)

Apportionment Inputs

Apportionment Formula: Input Trends				
	FY-15	FY-16	FY-17 (prelim.)	Input Contribution to Assessment
EQV	25% of Instructional & Non-Instructional Costs			
Manchester	73.7%	74.8%	74.8%	
Essex	26.3%	25.2%	25.2%	EQV
Total	100.0%	100.0%	100.0%	25.0%
Enrollment	75% of Instructional Costs			
Manchester	61.3%	61.4%	62.3%	Student
Essex	38.7%	38.6%	37.7%	Enrollment
Total	100.0%	100.0%	100.0%	46.6%
Population	75% of Non-Instructional Costs			
Manchester	59.4%	59.4%	59.4%	Town
Essex	40.6%	40.6%	40.6%	Population
Total	100.0%	100.0%	100.0%	28.4%
			All Factors Combined	100.0%

- Enrollment accounts for 47% of apportionment
- Manchester % of enrollment has increased leading to higher % assessment
- Equalized Property Values (EQV) and Population inputs do not change annually per Regional Agreement formula

Source: MERSD Regional Agreement

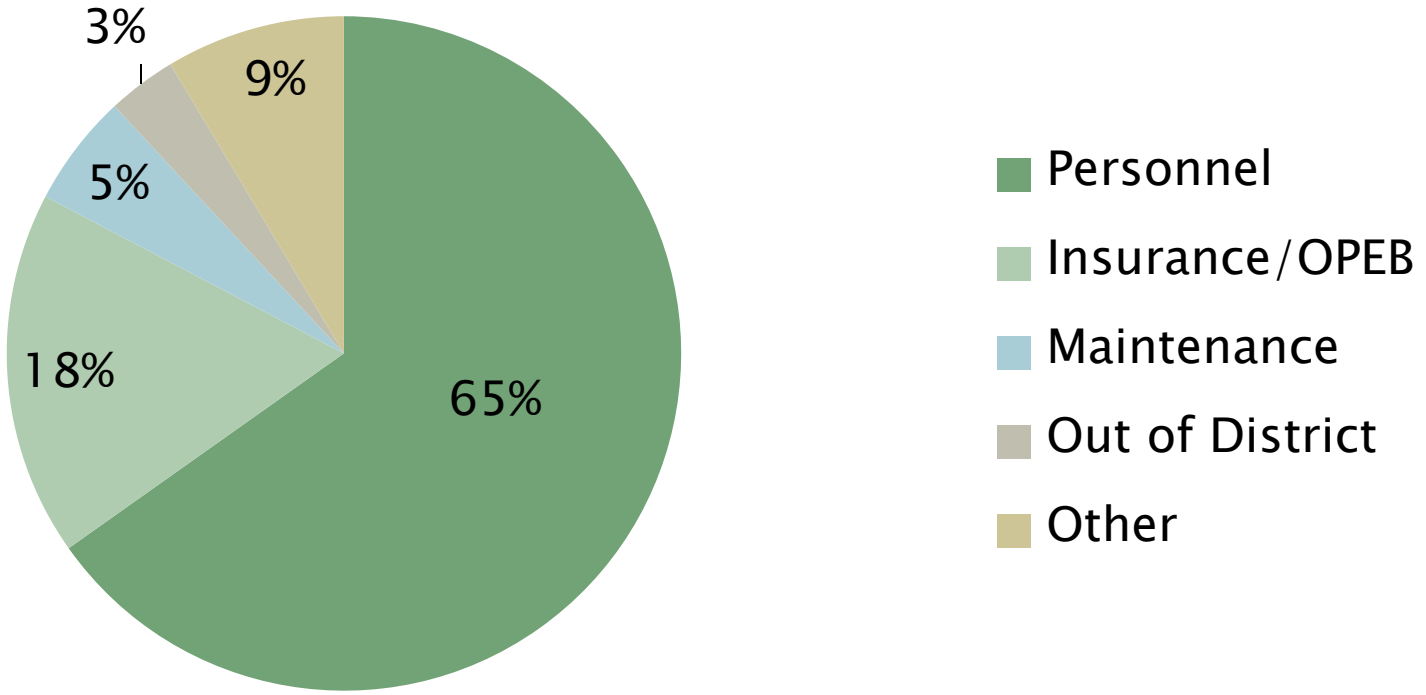
FY-17 Capital Budget Overview

- FY17 spending on debt payments = $2,299,100
  - Down $61K from FY16
  - At time of issuance payments were structured to decline each year resulting in savings to taxpayers

- FY17 capital assessments down 2.6% for each town
  - Manchester = $1.525M
  - Essex = $759K
  - Apportionment split unchanged from FY16 and will not change going forward

Largest Budget Drivers

Largest Budget Drivers = 91% of District Budget



Budget Highlights: Spending Detail

					Inc. vs. FY16	
	FY16	FY17	% of FY17 Spending		$	%
Personnel	$14,953,057	$15,439,224	65.2%		$486,167	3.25%
Insurance & Pension w/ OPEB	$3,839,333	$4,148,567	17.5%		$309,234	8.05%
Maintenance	$1,303,840	$1,290,077	5.4%		($13,763)	-1.06%
Out-of-District Tuitions	$751,329	$771,983	3.3%		$20,654	2.75%
Other	$2,113,646	$2,033,105	8.6%		($80,541)	-3.81%
Total	$22,961,205	$23,682,956	100.0%		$721,751	100%

Budget Highlights: Largest Expenditures

- **91% of the budget is comprised of four key expenditure categories**

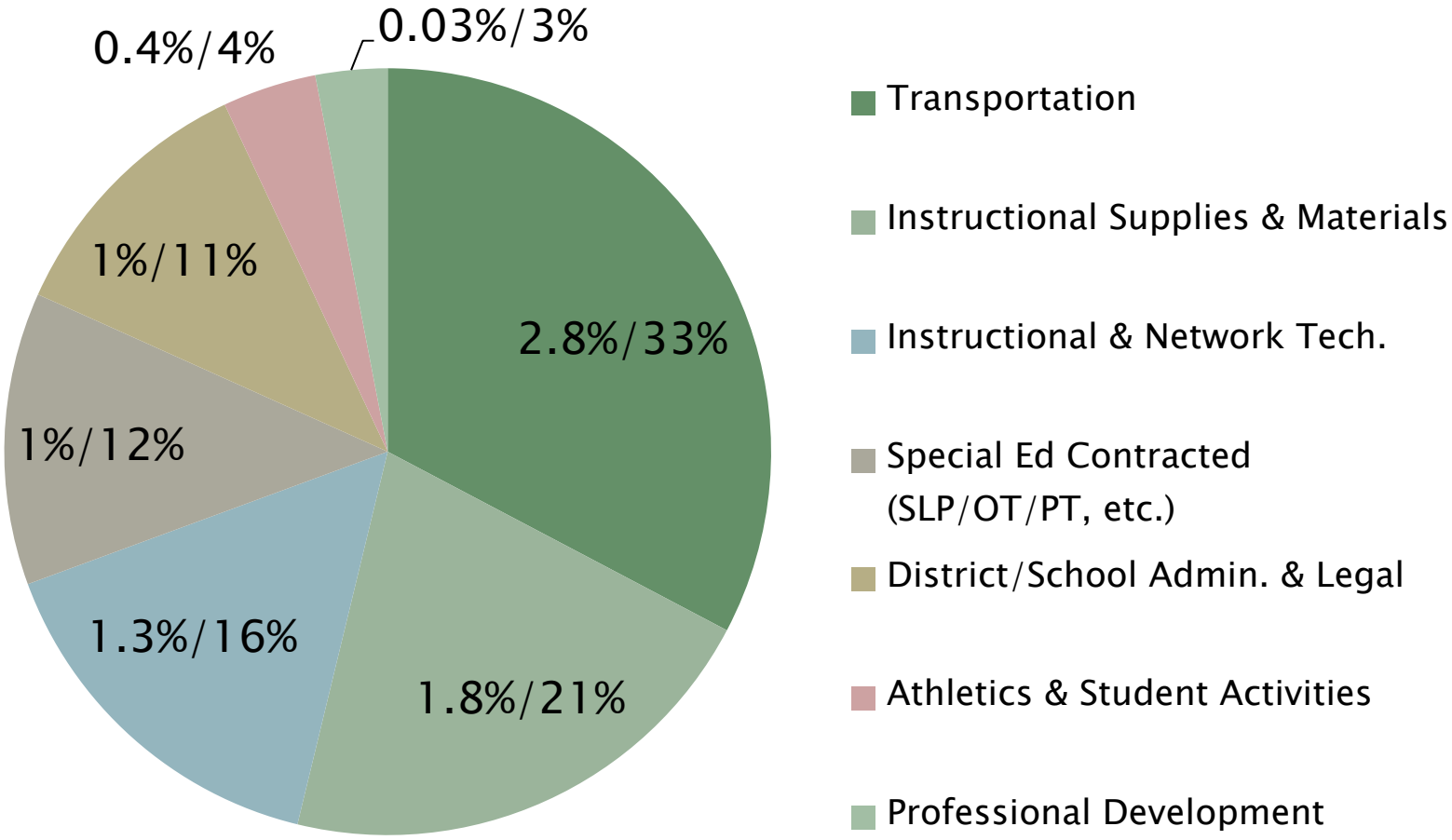
- **Personnel (65.2%)**
  - 2.0% COLA w/new META contract + est. 1.5% steps/columns
  - No new positions included

- **Insurance & Pension w/ OPEB (17.5%)**
  - 5% budget increase + growth in retiree headcount.
  - Savings from active employee health insurance restructuring continues to fund OPEB trust. On track to close est. 90% of annual OPEB gap as initially projected.
  - 7.5% assumed for pension, plus reserve for settlement of prior contributions from 1st year or regionalization.

- **Maintenance (5.6%)**
  - Down slightly (1% decline) from cheaper utility contracts. FY16 reinstatement of annual capital reserve allows for targeted investments as needed.

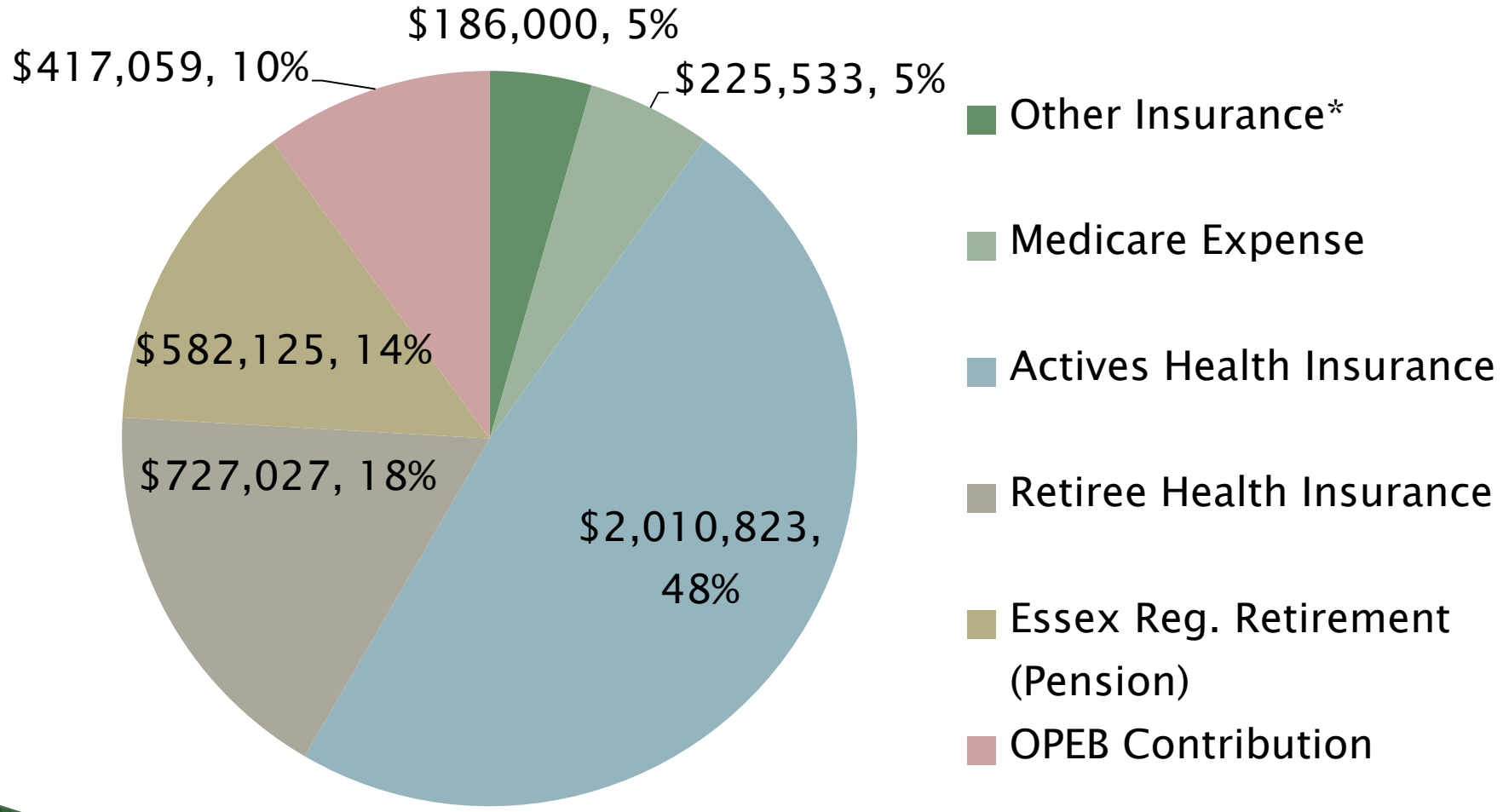
- **OOD Tuitions (3.3%)**
  - Up 2.7% vs. FY16 – accounting for program price increases

Largest Budget Drivers – Breakdown of "Other"



% of Budget/% of "Other"

Insurance & OPEB Breakdown



**Other insurance consists of Property/Casualty, Workers' Compensation & Unemployment insurance*

Budget Highlights: Revenue

- Town assessments continue to face slight upward pressure from slower growth 'other revenues' which are not keeping up w/level services program
  - Assume slight, inflationary increase in FY17 Chapter 70 State Aid,
  - Interest income, Medicaid reimbursement have stabilized
  - Assume no change in School Choice enrollment
- Current 3.32% increase to Towns lower than 4.0-4.2% prior estimates in multi-year budget model

Budget: Staffing & Small Capital Requests

Not Included in Level Services Budget Will require efficiencies/reorganization to achieve	
Staffing	**Small Capital (exceeds $60,000 earmark)**
Social Emotional Program • 1.0 Counselor – Middle School • 1.0 Health-Wellness – High School **Academic Program** • 2.0 Math Specialist – Memorial School & Essex Elementary • 1.0 Reading Specialist – Memorial School **Asset Management** • 1.0 Hardware Technician – District-Wide	**Technology** • 25 unit IPad Cart – Memorial School • 60 Chromebooks – Middle School • 60 Chromebooks – High School • Wireless Upgrade – Elementary Schools • Projector Upgrade – Middle & High School • Server blade replacement/upgrade – Districtwide **Facilities** • Replace Handicap Ramp – Essex Elementary • Patch & Skim Soffit – Essex Elementary • Repair/patch pavement (Door 10) –Middle & High School • Drain/Refill antifreeze for HVAC – Middle & High School • Equipment Upgrades – District • A-Wing Drainage – Memorial School • Paint Gym – Essex Elementary • Repairs to Eagles Nest Play Structure - Essex Elementary • Recycling Compactor - High School • Add 2 card swipes to locker room doors – Middle & High School

MERSD Reserves Through Time

						Balance at End of Fiscal Year			Change from Prior Year		
		Reserves	All Reserve Funds Combined			School		Undesignated	School		Undesignated
	GF Budget	% of Budget	Ending Total	urce/(Use)	% Change	Choice	Stabilization	GF Balance	Choice	Stabilization	GF Balance
2007	$15,428,555	4.3%	$661,569	($31,464)	-4.5%	$626,392	$132,265	($97,088)	($581)	$2,265	($33,148)
2008	$16,140,541	5.1%	$829,081	$167,512	25.3%	$662,406	$252,290	($85,615)	$36,014	$120,025	$11,473
2009	$17,241,803	9.3%	$1,609,046	$779,965	94.1%	$1,016,365	$167,290	$425,391	$353,959	($85,000)	$511,006
2010	$17,904,405	10.6%	$1,899,711	$290,664	18.1%	$1,295,864	$167,290	$436,557	$279,498	$0	$11,166
2011	$18,875,493	11.7%	$2,200,285	$300,574	15.8%	$1,616,835	$163,610	$419,840	$320,971	($3,680)	($16,717)
2012	$19,115,710	11.6%	$2,226,248	$25,963	1.2%	$1,609,000	$75,743	$541,505	($7,835)	($87,867)	$121,665
2013	$20,067,616	10.6%	$2,124,443	($101,805)	-4.6%	$1,441,056	$161,448	$521,939	($167,944)	$85,704	($19,566)
2014	$20,854,407	8.5%	$1,781,679	($342,764)	-16.1%	$1,295,512	$161,448	$324,719	($145,544)	$0	($197,220)
2015	$21,555,355	9.5%	$2,044,573	$262,894	14.8%	$1,505,037	$161,448	$378,088	$209,525	$0	$53,369
2016	$22,961,205	7.1%	$1,629,573	($415,000)	-20.3%	$1,251,485	$0	$378,088	($253,552)	($161,448)	$0
Current											

Next Steps

- Public Input
  - ~~1st FY17 Budget Hearing – December 9th @ 7:00pm~~
  - 2nd FY17 Budget Hearing – January 26th @ 7:00pm
- Fine Tuning – December/January
  - Process Inputs
  - Check assumptions and projections
  - Identify areas for generating funds to meet unmet needs
  - Meet with Town Boards if needed
  - Student Services & Athletics Reviews
- Finalize Budget
  - SC Meeting – February 2nd @ 7:00pm

Elementary Facilities

Elementary Facilities Timeline

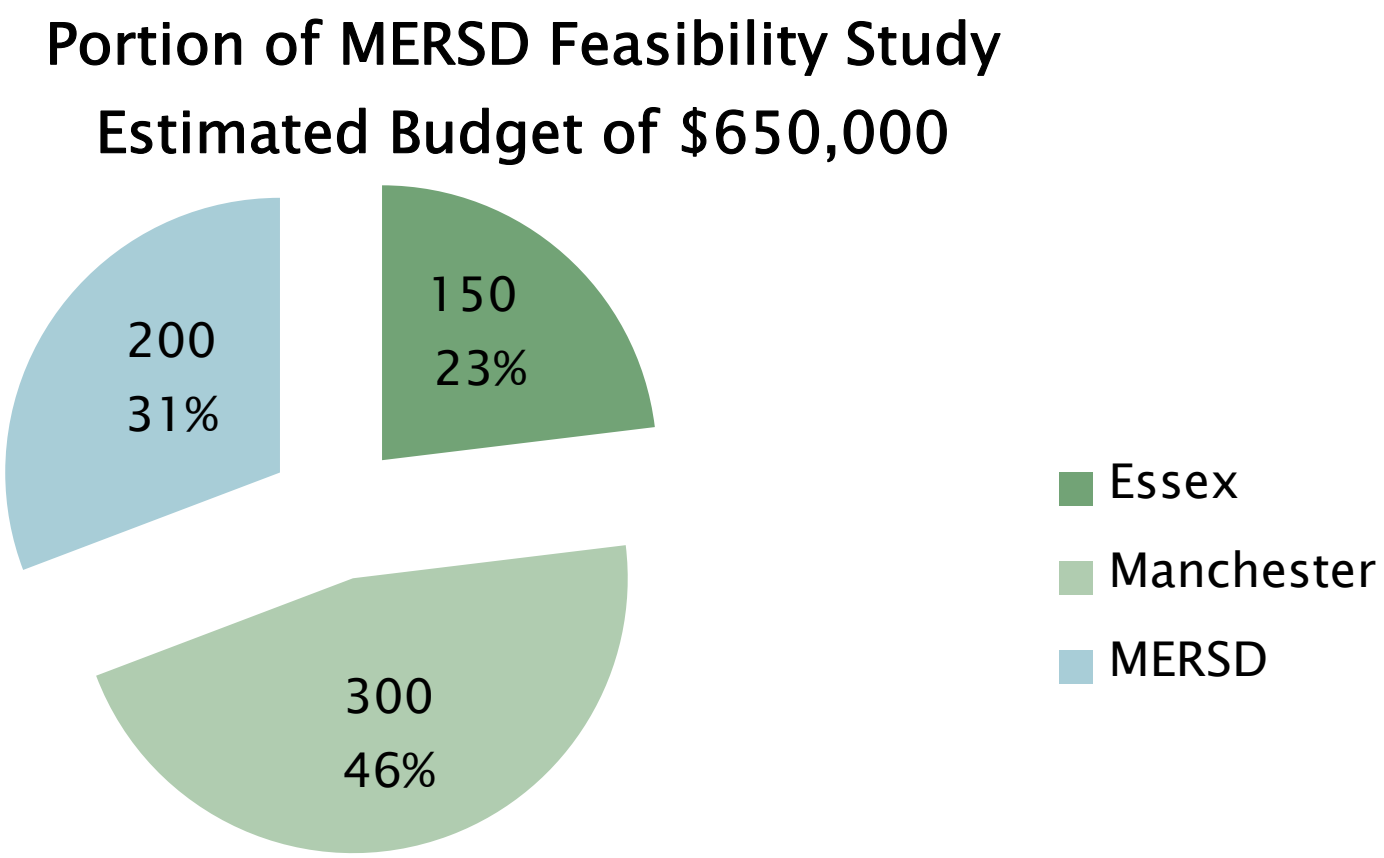
- **Successful Statement of Interest Process**
- **Memorial School to be recommended the MSBA grant program**
  - Scheduled to be formalized at January board meeting
- **Estimated 4-6 Year Process for complete project**
- **Likely timeline – rough estimate based on what we know at this time…**
  - Winter 2015/2016 Acceptance into MSBA Grant Program
  - Spring 2016 Phase 1 Eligibility Process
    - Seat a building committee and conduct enrollment study
    - <u>Key Benchmark: Vote 1: Town Meeting vote to approve funding a feasibility study</u>
  - Fall 2016 – Spring 2017
    - Phase 2 – Planning the Team: 8-10 months to bring team on board
  - Summer 2017 – Spring 2019
    - Phase 3 & 4 – Feasibility Study & Schematic Design: up to 24 mos. depending on scope of study
  - Spring 2019
    - Phase 5: Funding the Project
    - <u>Key Benchmark: Vote 2 Town Meeting vote to approve funding of building construction project</u>

Estimating Cost of Feasibility Study

- Appropriation estimate based on conversations with MSBA and review of expenditures for similar sized communities
- Portion of cost reimbursed by MSBA
- Reimbursement Rates Determine Winter 2016

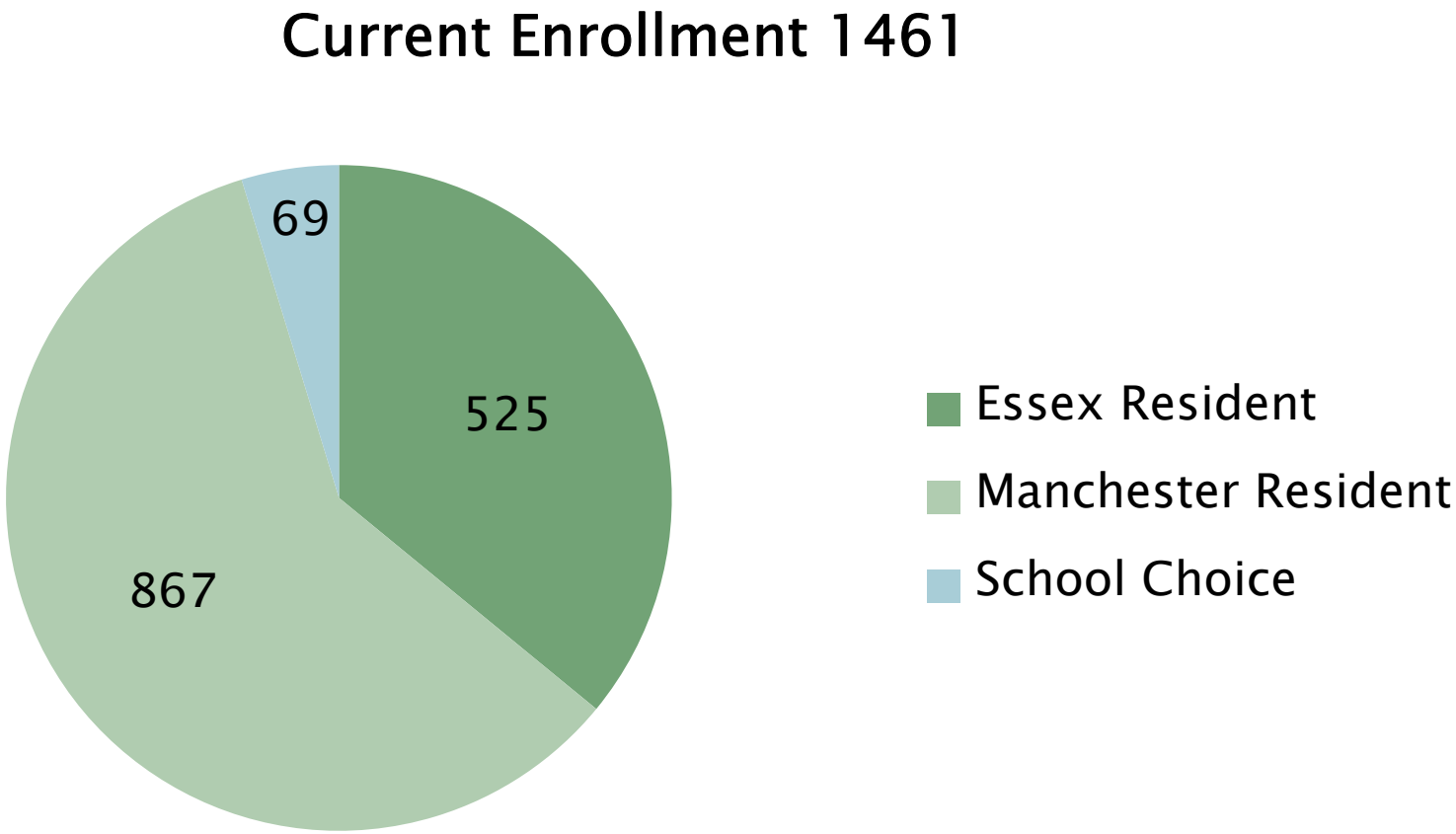
School	Cost	Notes
Westport	$700,000	K-8 School
Ipswich	$950,000	Additional Costs for Consolidation Study
Bourne	$750,000	Consolidation
Hanover	$500,000	Similar Project – Single School /Same Site
Needham	650,000	Similar Project – Single School /Same Site
Quincy	650,000	Similar Project – Single School /Same Site
Dedham	650,000	Similar Project – Single School /Same Site

Funding Feasibility

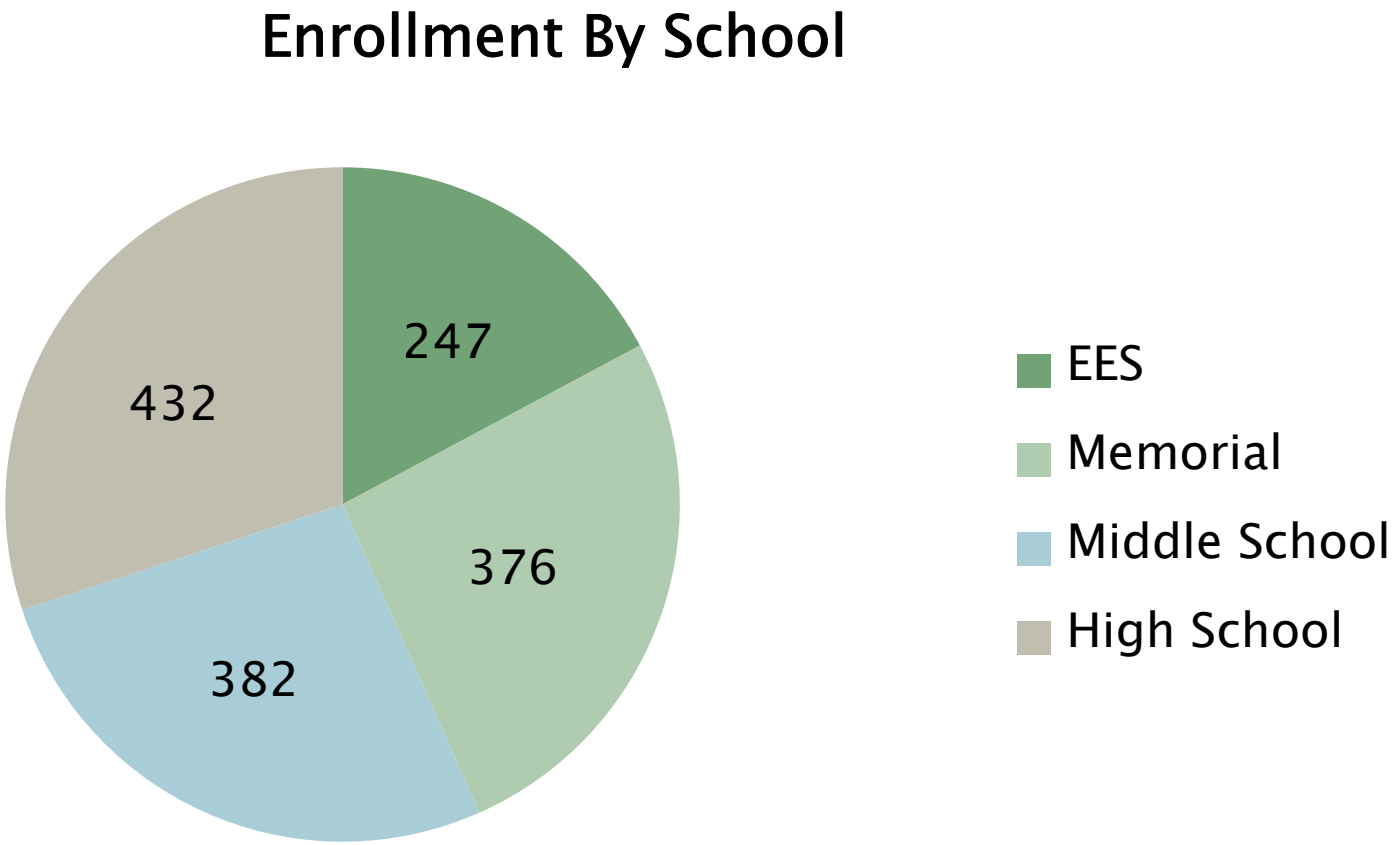


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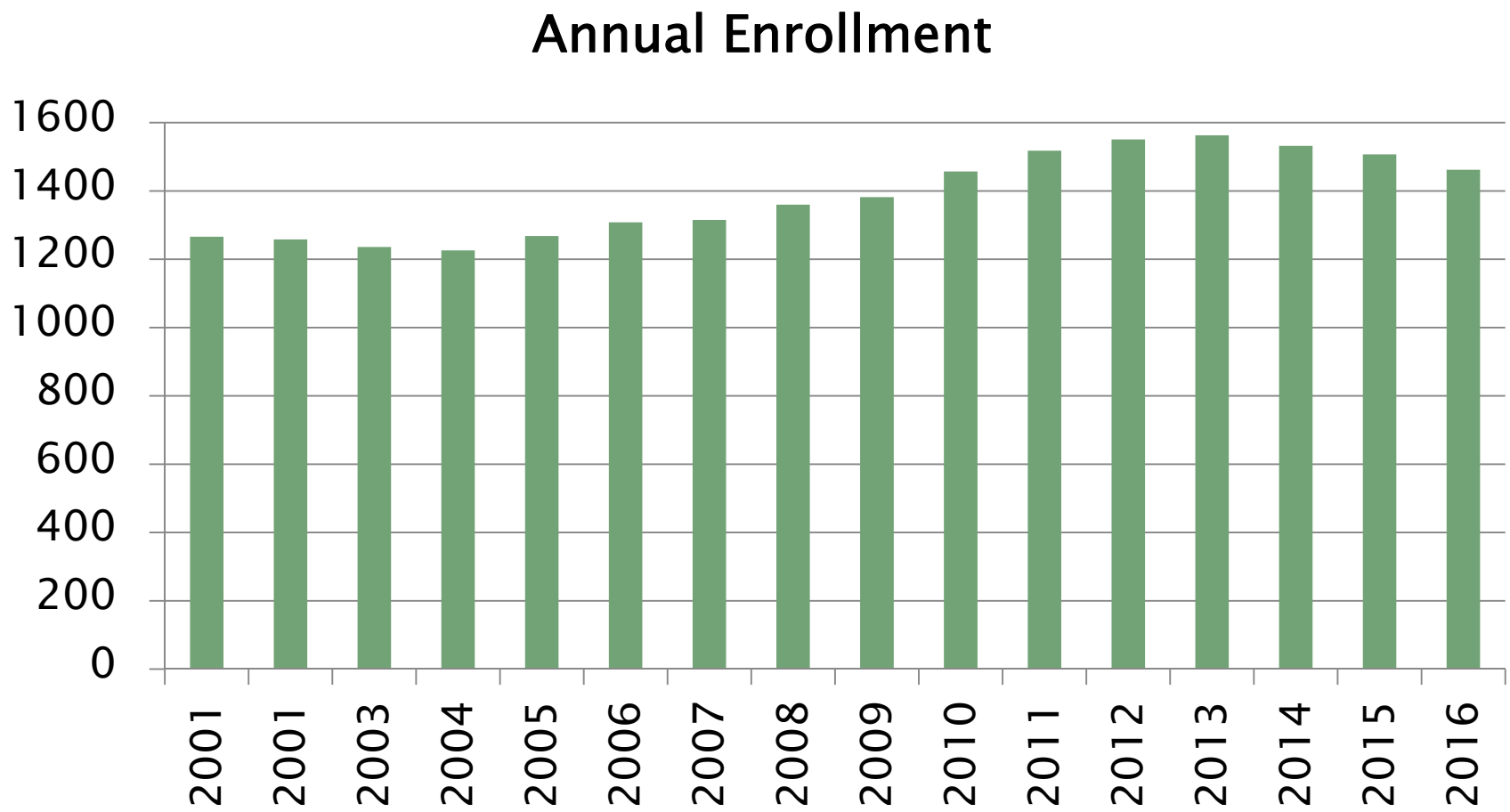
Budget Considerations



Budget Considerations



Budget Considerations



Personnel Costs

Community	Avg. Teacher Salary	Category of Comparable
Concord-Carlisle	$100,008	High-Performing
King Philip	$68,112	DART
Weston	$89,489	High-Performing
Winchester	$73,740	High-Performing
Newburyport	$81,088	DART
Groton-Dunstable	$74,918	DART
Harvard	$83,215	DART
Norwell	$73,032	DART
Hamilton-Wenham	$72,594	DART
Medway	$86,234	DART
Ipswich	$69,235	Regional
Cohasset	$80,935	DART
Gloucester	$72,911	Regional
Rockport	$79,024	Regional
Georgetown	$66,266	DART
Average	$78,053	
Median	$74,918	
		Source: Department of Elementary & Secondary Education (DESE)
Manchester Essex	$73,236	
MA State Avg.	$73,847	DART = DESE's "District Analysis & Review Tools"

	% Increase in Out-of-District Costs		Special Ed.
Community	5-Yr. Increase	Avg. Increase/Yr.	% of Budget
Concord-Carlisle	18.9%	3.5%	26.64%
King Philip	21.7%	4.0%	25.50%
Weston	115.1%	16.6%	17.24%
Winchester	98.5%	14.7%	22.83%
Newburyport	76.4%	12.0%	24.97%
Groton-Dunstable	23.4%	4.3%	21.21%
Harvard	11.2%	2.1%	26.20%
Norwell	9.3%	1.8%	16.31%
Hamilton-Wenham	-2.3%	-0.5%	23.38%
Medway	-3.2%	-0.7%	17.12%
Ipswich	74.3%	11.8%	24.63%
Cohasset	11.2%	2.2%	18.92%
Gloucester	17.1%	3.2%	25.15%
Rockport	52.8%	8.9%	24.77%
Georgetown	4.8%	0.9%	22.23%
Average	35.3%	5.7%	22.5%
Median	18.9%	3.5%	23.4%
Manchester Essex	-37.1%	-8.8%	20.98%
MA State Avg.	20.2%	3.7%	20.86%

Source: Department of Elementary & Secondary Education (DESE)

DART = DESE's "District Analysis & Review Tools"