Budget Discussion – Key Concepts for Feedback

Purpose of Tonight's Discussion

- Looking for feedback on each of these concepts.
- Feedback will directly inform next iteration of the that we'll bring to the Committee on January 27th.
- If more time needed to process, we could hold a virtual workshop session for feedback on either 1/16 or 1/26 or after the meeting on the 27th.

1. Reserves Strategy: Keep Usage Flat Through 2030

- My recommendation is to keep reserves flat through 2030.
- This allows us to manage a controlled reserve decline in the short term with the anticipation of a future revenue boost from the Essex Elementary School borrowing, which would help replenish the stabilization fund.
- As we did with the Memorial project, I am also recommending that we earmark future revenue from Essex project, borrowing specifically to address Middle/High School needs until we have a longer-term plan for mid-life upgrades.
- This is a deliberate, time-bound strategy

2. OPEB Contribution: Flat Rate for FY27

- I am recommending a flat OPEB contribution of $300,000 in FY27, with the remainder applied to reducing the budget gap.
- We would negotiate new terms next year as part of the collective bargaining process.
- This is not one-time money. It is recurring, generated from the ongoing difference between what the health insurance premium would have been in 2015 under the old plan and what it is today with the current plan.
- This preserves the integrity of the OPEB strategy while reducing an annual expenditure to manage growth.

3. School Choice Revenue: Keeping It Flat

- For FY27, I recommend replacing the two graduating school choice students.
- The priority would be sibling students, and if needed, placements at Kindergarten or Grade 6, depending on the pool.
- This approach would keep school choice revenue flat for the year—no loss, but also no gain toward closing the budget gap.
- This is a stability move, not a revenue-generating one. It holds School Choice revenue offset flat.

4. Fees: Athletics, Rentals, and Student Activity Fee (Exploratory)

- I am proposing a 2.5% increase to athletics, PreK, transportation, and facilities rental fees.
- In addition, I am asking the Committee to consider whether there is openness to exploring a K–12 student activity fee.

    - Conceptually:
        - $100/year for K–5
        - $150/year for Grades 6–8
        - $200/year for High School
        - Potential for up to $100K in revenue with 75% student participation rate
- If there is interest, we would study this further and return with a detailed proposal.
- Revenue would be intended to offset stipends and transportation costs associated with extracurricular activities.
- This is a concept for discussion, not a finalized recommendation.

5. Spending Reductions: Target Range

- Even if we are successful in reducing the premium renewal rate to a target of 10-15%, we would still need to identify $250,000–$500,000 in annual spending reductions.
- I am recommending the same strategy used in prior budget cycles:
    - Adopt the budget first with an identified reduction amount
    - Identify specific reductions in March, once we have:
        - Finalized Health Insurance premium renewals
        - Clearer enrollment projections
        - Better understanding of student needs
        - Insight into retirements and other cost-containment opportunities
    - This allows for more informed, student-centered decisions rather than premature cuts.

		Reserves in Operational Budget				Projected Reserve Fund Balance						
		E&D	Stabilization	OPEB Deferal	Total In Revenue	E&D Balance	Stabilization	OPEB	Total Reserves	Annual Budget 5% Growth	% of Operating	Total w/ OPEB
	FY26	$600,000		$150,000	$750,000	$1,071,570	$1,073,076	$7,241,590	$2,144,646	$32,597,141	7%	$9,386,236
	FY27	$600,000		$150,000	$750,000	*$471,570*	$1,073,076	*$8,441,590*	*$1,544,646*	$34,226,998	5%	$9,986,236
	FY28*	$200,000	$300,000	$250,000	$750,000	*$571,570*	*$773,076*	*$9,541,590*	$1,344,646	$35,938,348	4%	$10,886,236
	FY29	$200,000	$200,000	$350,000	$750,000	*$471,570*	*$573,076*	*$10,541,590*	$1,044,646	$37,735,265	3%	$11,586,236
OR Year	*FY30*	*$0*	*$0*	*$0*	*$0*	*$571,570*	*$673,076*	*$11,891,590*	*$1,244,646*	$39,622,029	3%	*$13,136,236*

**Building Project borrowing interest begin -acrue in stabilization Funding for MHS 2034 Needs*

Assumptions:
50% fiscal yearburn rate on reserves used as revenue
Hold annual OPEB Interest Earings at 600K & Base contribution $750K (FY26 Level) less deferred

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	FY28*	$200,000	$300,000	$250,000	$750,000	*$421,570*	*$773,076*	*$9,541,590*	$1,194,646	$35,938,348	3%	$10,736,236
	FY29	$200,000	$200,000	$350,000	$750,000	*$271,570*	*$573,076*	*$10,541,590*	$844,646	$37,735,265	2%	$11,386,236
OR Year	*FY30*	*$0*	*$0*	*$0*	*$0*	*$321,570*	*$673,076*	*$11,891,590*	*$994,646*	*$39,622,029*	*3%*	*$12,886,236*

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	FY27	$600,000		$570,000	$1,170,000	*$471,570*	$1,073,076	*$8,021,590*	*$1,544,646*	$34,226,998	5%	$9,566,236
	FY28*	$200,000	$300,000	$570,000	$1,070,000	*$571,570*	*$773,076*	*$8,801,590*	$1,344,646	$35,938,348	4%	$10,146,236
	FY29	$200,000	$200,000	$570,000	$970,000	*$471,570*	*$573,076*	*$9,581,590*	$1,044,646	$37,735,265	3%	$10,626,236
OR Year	*FY30*	*$0*	*$0*	*$0*	*$0*	*$571,570*	*$673,076*	*$10,931,590*	*$1,244,646*	$39,622,029	3%	*$12,176,236*

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Illustrates using $300K flat OPEB contribution through FY29

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	FY29	$200,000	$200,000	$570,000	$970,000	*$271,570*	*$573,076*	*$9,581,590*	$844,646	$37,735,265	2%	$10,426,236
OR Year	*FY30*	*$0*	*$0*	*$0*	*$0*	*$321,570*	*$673,076*	*$10,931,590*	*$994,646*	*$39,622,029*	*3%*	*$11,926,236*

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