

# FY26 Proposed Budget

*Budget Hearing - February 4, 2025*

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## FY26 Proposed Budget

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Due to the combined multi-year impact of reserve use to offset the growth rate, inflation, and contractual obligations, we are unable to propose a carry forward/level service budget for FY26.

# FY26 Proposed Budget

FY26 Proposed Budget = \$32,397,588 million

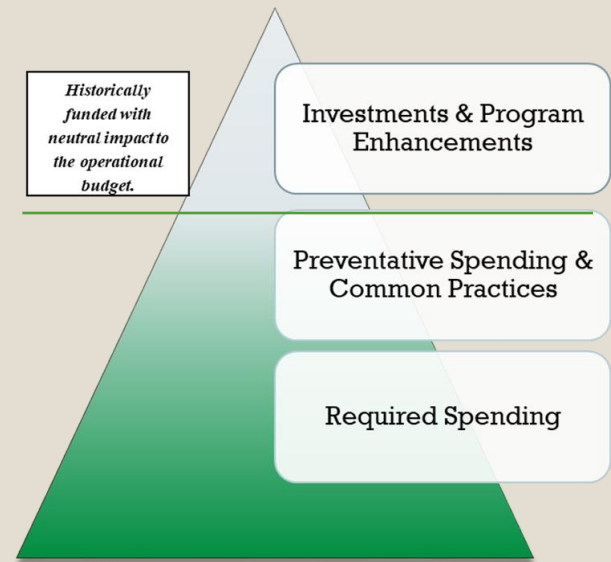
- 5.42% increase from FY25 budget

FY26 Operating Assessment = 4.93 %

- Manchester: 4.48% / \$731,623 apportioned growth
- Essex: 5.68% / \$561,395 apportioned growth

FY26 Draft Capital Budget = \$3,955,014 million

- Debt service for MSHS and MMES approved by voters when projects began
- \$107,749 decrease (2.7%) vs. prior year
- BAN Renewal in February will impact final capital budget number



# FY26 Proposed Budget

- Budget Summary
  - Tentative budget assumptions have been refined based on information available as of 1/15/25. *Changes outlined in budget memo.*
  - Healthcare Costs:
    - A projected 24% increase in healthcare costs has been partially addressed by budgeting for a 10% increase, representing a high typical year of growth.
    - The remaining 14% increase is isolated for separate consideration, in response to discussion at the School Committee meeting on 7/21/25.
    - A best-case renewal rate of 15% would still require an additional funding allocation of \$205,585. A chart outlines funding needs at various renewal rates.
- The proposed budget includes:
  - \$150,000 additional E&D reserves over FY25 (Total: \$500K)
  - \$100,000 additional choice revenue over FY25
  - \$150,000 carryforward usage of OPEB reserves to reduce the cost of retiree health care

# FY26 Proposed Budget

- While this budget iteration does not meet carry/level service objectives, it avoids cuts to the educational program or educator staffing.
  - A reduction in two administrative positions will allow the preservation of two full-time teaching positions which will be reallocated from the high school to high-need areas:
    - Memorial School class sizes
    - Middle school world language programs
  - Staffing reallocations assumed will result in a reduction of 9-12 sections which will impact scheduling and high school class size.
    - Achieving an aligned Middle High School schedule will mitigate this slightly, allowing the principal to share world language staff between levels.

<b>Potential Health Care Obligation Above 10%</b>		
Health Care Increase Included in FY26 Proposed		
Budget	10%	
Current Health Care Renewal Projection	24%	
Differential		
<i>amount needed to budget to actual gap</i>	14%	\$575,638
<b>Additional Reserves Needed to Fund Gap Between Actual and Budgeted Renewal</b>		
<b>Health Care Renewal At</b>		
24%		\$575,638
23%		\$534,521
22%		\$493,404
21%		\$452,287
20%		\$411,170
19%		\$370,053
18%		\$328,936
17%		\$287,819
16%		\$246,702
15%		\$205,585
14%		\$164,468
		<i>\$41,117 per point</i>

Health Care Obligation Excluded from Proposed Budget

<b>Operational &amp; Capital Reserves</b>	<b>FY24 Begin Balance</b>	<b>FY25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY28</b>	<b>FY 29</b>	<b>Projected Usage for Opeating Revenue</b>	<b>10 Year Avg Yr to Yr E&amp;D Change +110K</b>	<b>Reserve Balance End FY29</b>
E&D	\$1,400,000	-\$350,000	-\$500,000	-\$650,000	-\$800,000	-\$950,000	-\$3,250,000	\$440,000	-\$1,410,000
<b>Operational &amp; Capital Reserves</b>	<b>FY24 Begin Balance</b>	<b>FY25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY28</b>	<b>FY 29</b>	<b>Projected Usage for Capital Needs</b>	<b>10 Year Avg Yr to Yr Stabilization Change +\$134K</b>	<b>Reserve Balance End FY29</b>
Stabilization	\$1,503,756	-\$84,000	-\$780,930	-\$401,500	-\$282,500		-\$1,548,930	\$576,920	\$531,746
<b>Total Reserve Balance</b>	<b>\$2,903,756</b>								<b>-\$878,254</b>

## Reserve Usage Outlook

# Essex Building Project Timeline

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- ✓ **Successful Statement of Interest Process**
- ✓ **Successful Completion of Eligibility Process**
  - Seat a building committee and conduct enrollment study
  - Key Benchmark: Vote 1: Town Meeting vote to approve funding a feasibility study**
- **Entering Feasibility**
  - December 2024 – Summer 2025
    - Hire Project Manager according to MSBA guidelines
    - Hire Designer/Architect
  - Summer 2025- Fall 2026
    - Feasibility Study & Schematic Design: approx.15 mos. depending on scope/direction of study
  - Fall 2026-Spring 2027
    - Phase 5: Funding the Project
    - **Key Benchmark: Vote 2 Town Meeting vote to approve funding of building construction project**
- **Final Design & Construction (Spring 2027 – Summer 2031)**





## The Problem We We're Trying To Solve *January 26, 2021 – January 21, 2025*

The cost of level services grows at an average 3.5-4% which is faster than 2.5%.

- Perpetual and Structural Challenge – not a function of any single budget year
- Level Service growth rate is suppressed annually in recognition of fiscal constraints
- Creates a cycle of cutting to meet a specified budget number
  - Cumulative level services deficit grows over time
  - Every 7-10 years MERSD faces a financial crossroads of significant program reduction or need for an override

*“We are at that crossroads in planning for FY22-24”*

Our challenge is greater and more complex than it was January 2021.

# The Problem We We're Trying To Solve

*January 25, 2022 – January 21, 2025*

Structural Problem Continues

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Expanded Obligations in Health Insurance & Out of District Placements

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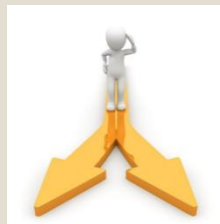
Enrollment Shift Causing Apportionment Imbalance

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Inflation & Contractual Obligations

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***MERSD must determine the direction it wants to take to balance the budget  
Reserves / Reserves & Program Cuts / All Program Cuts***



# Things to Consider...

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- The decision of how to address health care renewal costs exceeding 10% may significantly impact the overall budget. *The final health care renewal is anticipated in early March.*
- Use of reserves creates a funding cliff and increases the amount needed for a correction.
- The 2024 EQV (Equalized Valuation) values are not yet available, which may impact apportionment.
- The impact and timing of the Essex Elementary building project on financial planning.
- Continued staffing cuts will degrade the program and reduce student offerings and opportunities.

## Next Steps

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### Public Input

~February 4th- Budget Hearing @ Essex Elementary



### February FY26 Budget Adoption

~March 4<sup>th</sup> – School Committee Meeting



### Annual Town Meetings

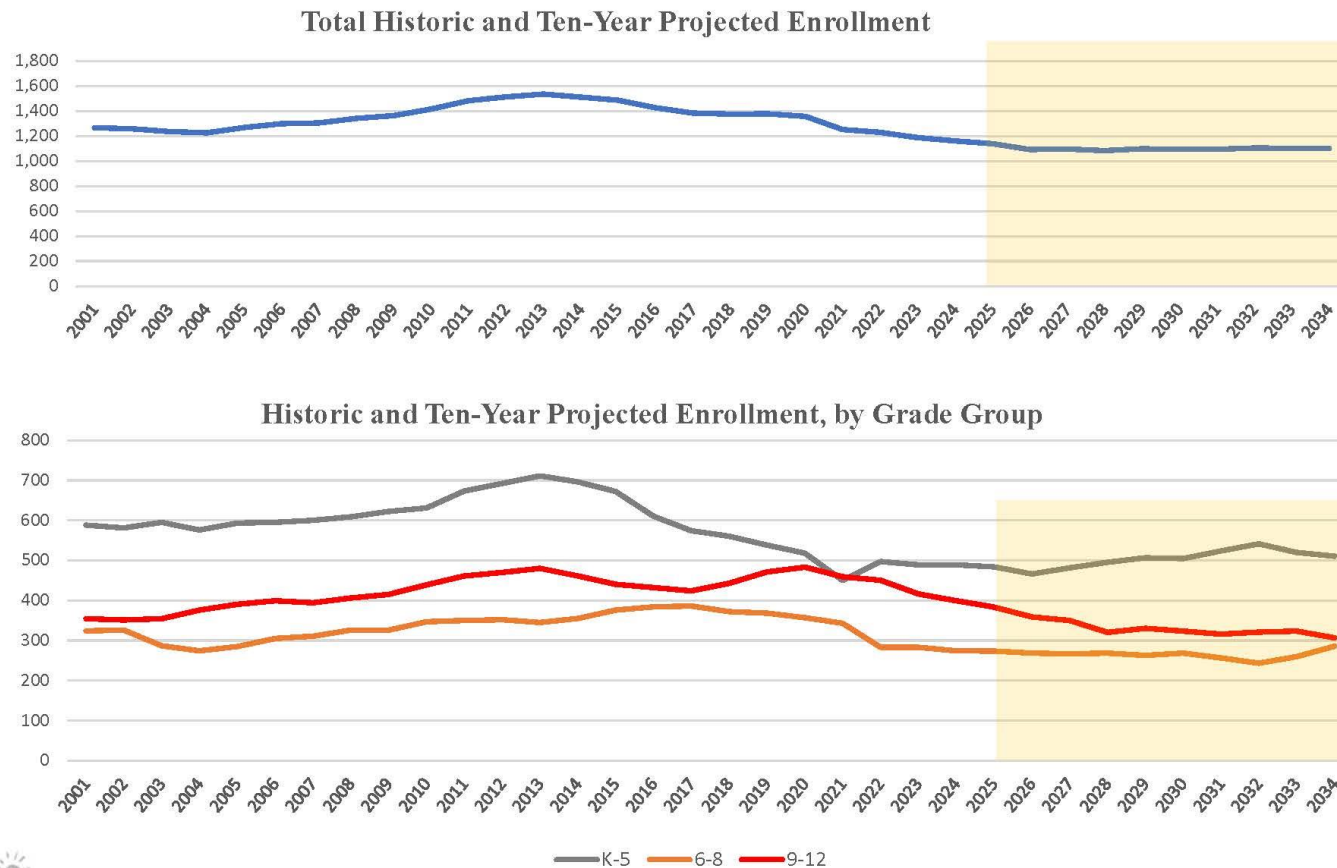
~April 28<sup>th</sup> Manchester

~May 5<sup>th</sup> Essex

# Additional Information

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The Manchester-Essex's total enrollment increased during the 2000's, peaked in 2013, has been declining since. The enrollment is projected to stabilize through 2034. Enrollment for grades K-5 followed a similar trajectory but is project to increase then stabilize during during the later years in the projection period. Middle and high school grades are projected to trend downward then stabilize.



Massachusetts School Building Authority