

FY23 Budget Hearing

January 25, 2022

The Problem We We're Trying To Solve

January 26, 2021

The challenge we were discussing at this time last year

- 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.



The Problem We We're Trying To Solve

January 25, 2022

Structural Financial Challenge Continues

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Expanded Obligations in Health Insurance & Out of District Placements

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Enrollment Shift Causing Apportionment Concern for Town of Essex

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



FY23 Tentative Budget Operating Budget

- Annual Level Services goal increasingly challenging due to rising mandated costs and constrained revenue
 - Level Services = maintaining same level of program currently in place
 - Multi-year history of efficiency-oriented program restructuring to fund new investments
 - Prior year cuts leaves few options for FY23 budget reductions without impacting program
- Gap between Level Services and sustainable funding is \$983K in Tentative Budget.
 - Target 3.50% assessment to towns prior to apportionment
 - Continued \$335K use of one-time reserve funding from prior years as starting point
 - New gap for FY-23 is \$648K
- Mandated special education costs and health insurance are primary drivers of increased FY23 gap
 - Excluding \$405K in new out of district (OOD) tuition and transportation, new budget gap would be just \$243K, in line with typical tentative phase
 - Districtwide personnel cost growth of just 3.2% in FY23, prior to addition of 1:1 aids (in FY22 carried forward to FY23) to support keeping students in district
 - Excluding all three (tuition, transportation, and aide additions), new gap would be \$78K.
 - 10% preliminary assumption for health insurance rate growth as post-COVID utilization rises.
- COVID costs excluded from FY21-FY-23 budgets; funded instead by MERSD/Town CARES \$, FEMA and MERSD reserves

COVID Spending

- COVID spending charged initially to MERSD reserves to avoid special town assessment.
- As federal reimbursements are received, reserves are replenished
- \$1.8 million total spend to date vs. \$1.6 million anticipated funding

REVENUE SOURCES				COVID SPENDING					
Grant Name	Confirmed	Potential		Facilities	Food Service	Instructional Technology	Staffing	Total	Future Spend
ESSER I	\$54,198					\$54,198		\$54,198	
RLTE	\$45,250					\$45,250		\$45,250	
CvRF	\$303,300					\$303,300		\$303,300	
ESSER II	\$206,931						\$206,931	\$206,931	
Coronavirus Prevention	\$45,050						\$45,050	\$45,050	
ESSER III	\$442,591					\$42,221	\$319,690	\$361,911	\$80,680
FEMA Revisited		\$118,889		\$118,889				\$118,889	
Essex Town CARES	\$146,796			\$46,295	\$82,391	\$18,110		\$146,796	
MBTS Town CARES		\$265,000		\$75,375	\$34,623	\$155,001		\$265,000	
"New" FEMA		\$68,521		\$68,521				\$68,521	
Unreimbursed CARES (funded by MERSD Reserves)									
				\$64,384		\$68,210	\$75,000	\$207,594	
Total	\$1,244,116	\$333,521	\$1,577,637	\$373,464	\$117,014	\$686,290	\$646,671	\$1,823,440	

FY23 Operating Budget Drivers at Tentative

- Compensation: *\$734K (4.08%) spending growth*
 - Level services growth of just 3.2% excluding new 1:1 special ed. aides for in-district students
 - 2.5% Cost of Living Adjustment (COLA) for all district personnel, in line with FY20-FY22
 - Savings possible pending retirements. Limited restructuring opportunities remain (e.g., Central Office).
- Insurance & Pension: *\$332K (6.36%) spending growth*
 - Initial rate increase estimate of 10%, as utilization rises following COVID dip
 - FY22 baseline savings offsets impact to active employee insurance (3.8% growth, net)
 - Mandated retiree health forecasted 14% growth (\$152K) due to continued rise in number insured (168 insured retirees vs. 166 active)
- Out-of-District (OOD) Tuition/Transportation: *\$405K (28%) spending growth*
 - \$188K tuition growth (20% increase) and \$216K transportation growth (46%)
 - Transportation shortage statewide driving spike in rates
 - Continued multi-million \$ savings from in-district programs, but cost for those needing OOD is significant (9 forecasted placements of \$100K+)
 - Circuit Breaker (CB) growing, but only covers portion of cost growth

FY23 Budget Overview at Tentative

- FY23 Draft Operating Budget = \$29.54 million
 - 5.75% (\$1.61 million) spending increase from FY22 budget
 - \$983K gap between Level Services and Target Assessment to Towns of 3.5%
 - Prior Tentative Budget gaps: \$611K FY22, \$430K FY21, \$380K FY20, \$900K FY19
 - Spending growth driven by OOD tuition/transportation, 1:1 aides, and insurance
- Preliminary FY23 Operating Assessment Increase = 3.50%
 - Measures cost increase to towns after deducting “Other Revenue” (e.g., State Aid) from spending needs
 - High end of MERSD’s sustainable multi-year budget range
 - 5-year average assessment increase is just 3.25% amidst avg. State Aid increase of 2.0%.
 - Assume minimum increase (1.3%) in Chapter 70 to \$3.12 million, due to continued dip in enrollment.
- FY23 Draft Capital Budget = \$4.48 million
 - Debt service for MSHS and MMES approved by voters when projects began
 - \$208.6K increase (4.9%) vs. prior year reflects new cost from 2nd round of MMES borrowing (\$3.23 million bonds)

What Has Changed Since the Tentative Budget

Reduced Spending & Reserve Use \$722K

\$548K Reduction of Reserves & \$174K Reduction to Assessment

- Revised Assumptions
 - Assumed risk for 50% of projected out of district placement (\$170K)
 - Transportation (\$30K)
 - Known Staffing Change Saving (\$57K)
- Utilize OPEB to Fund Portion of Retiree Health (\$150K)
- Utilize Stabilization to Fund Facilities Small Capital (\$53K)
- Utilized ESSER III to Fund COVID related staffing (\$122K)
 - HS Adjustment Counselor
 - IT Technician
- Service Reductions
 - Reduce Summer Work 50% - (\$30K)
 - Reinstate Monitor Staffing Level to Pre-COVID Levels (\$10K)
- Increased Revenues
 - School Choice Increase Enrollment MHS - (\$75K)
 - Fees – (\$25K)

FY23 Operating Budget Drivers

- Compensation: *\$515K (2.86%) spending growth* ↓
 - 2.5% Cost of Living Adjustment (COLA) for all district personnel, in line with FY20-FY22
- Insurance & Pension: *\$182K (3.28%) spending growth* ↓
 - Initial rate increase estimate of 10%, as utilization rises following COVID dip
 - FY22 baseline savings offsets impact to active employee insurance (3.8% growth, net)
 - Mandated retiree health due to continued rise in number insured (168 insured retirees vs. 166 active) funded via OPEB contribution
- Out-of-District (OOD) Tuition/Transportation: *\$205K (15%) spending growth* ↓
 - Continued multi-million \$ savings from in-district programs, but cost for those needing OOD is significant (9 forecasted placements of \$100K+)
 - Circuit Breaker (CB) growing, but only covers portion of cost growth

FY23 Proposed Revised Budget - January

- FY23 Revised Draft Operating Budget = \$28.84 million
 - 3.25% (\$908K) spending increase from FY22 budget
 - \$435K Use of E&D Reserves to fund gap between revised budget (*below level services*) and Target Assessment to Towns
- Revised FY23 Operating Assessment Increase = 2.78%
 - Reduction of \$174K from Tentative Budget
 - Manchester 1.98% apportioned growth (*Reduction of \$107K*)
 - Essex 4.21% apportioned growth (*Reduction of \$67K*)
- FY23 Draft Capital Budget = \$4.48 million
 - Debt service for MSHS and MMES approved by voters when projects began
 - \$208.6K increase (4.9%) vs. prior year reflects new cost from 2nd round of MMES borrowing (\$3.23 million bonds)

Projected Reserve Usage – 3 Year Outlook

		Reserves @ Glance				
		Excess & Deficiency	School Choice	Stabilization	Facilities Revolving	Total Reserves
FY21 Usage						
	Operations	\$335,000				
	COVID Costs (after federal funding)		\$200,000			
	EES Technology			\$128,000		
	Essex Playground			\$291,000		
<i>FY21 Ending - Unaudited</i>		<i>\$1,296,391</i>	<i>\$1,404,288</i>	<i>\$552,201</i>	<i>\$253,943</i>	<i>\$3,506,823</i>
FY22 Usage						
	Operations	\$335,000				
	Essex Playground			\$33,000		
	Security, Technology & Fiber			\$199,000		
				\$600,000		
	Hyland Field Replacement			<i>Defer to '24</i>		
FY23 Usage						
	Operations	\$435,000				
	EES Back-Up Boiler			\$100,000		
				\$600K		
	Brook Street**			<i>Defer to '24</i>		
	MHS Carpeting (Auditorium & Pods)			\$90,000		
	Account Totals	\$526,391	\$1,404,288	\$130,201	\$253,943	\$2,314,823

***Brook Street Field Replacement shared with Town of Manchester*