

June 5, 2023

MERSD Reconsidered Budget 3 Options



MERSD FY24 Operational Budget Revision

Why Does the FY24 Budget Need to Be Reconsidered?

- Earlier this year the District proposed a budget with a 2.85 percent increase for the coming school year. This was a fiscally sound, level-service proposal created with the financial constraints of Manchester and Essex in mind. The budget maintained the same program scope, class size, course offerings, and services, and provided resources needed to support the MERSD Strategic Plan.
- This spending plan was supported by both Town Meetings but also required approval of a Proposition 2 ½ override in Essex. That request did not receive majority support. ***The result is a funding gap of \$781K.***
- This means that the School Committee is required to reduce its budget by \$781,000.
- MERSD must now make reductions/revisions that when put through the apportionment formula equal the amount necessary for the Town of Essex to fund its portion of the budget.
- On June 6th, the MERSDSC will adopt a reconsidered budget to send to the Essex and Manchester for approval.

MERSD FY24 Operational Budget Revision

The Options

MERSDSC is considering three Reconsidered Budget Options

- **March 21st Adopted Budget** which was the original FY24 adopted budget presented to both Essex and Manchester Annual Meetings for approval.
- **May 16th Reconsidered Budget** which closes the \$781,000 gap through all cuts.
- **May 23rd Compromise Budget** which closes the \$781,000 gap through a combination of cuts and reserve usage.

March 21st Adopted Budget

MERSD FY24 Operational Budget Revision

March 21st Adopted Budget

- The March 21st Adopted Budget which was the original FY24 adopted budget presented to both Essex and Manchester Annual Meetings for approval is not achievable without Essex obtaining Proposition 2 ½ Override.
- It is a level services budget provides the same program scope, class size, course offerings, and services from one year to the next and allows for the resources needed to support the priorities of the MERSD Strategic Plan. With a 2.85% increase in spending from the prior fiscal, MERSD's FY24 budget keeps us on a firm financial footing, while being attentive to the financial constraints of the communities. Most importantly, it provides the resources needed to maintain academic excellence and pursue the innovative educational goals of our Strategic Plan.
- MERSD's 3.21.23 FY24 Budget remains the preferred budget but did not receive support at the ballot box.
- The 3.21 FY24 Budget & Supporting Materials Can be reviewed on the [MERSD Budget](#) page.
- Videos of FY24 Budget Meetings and Public Hearings can viewed on the [1623 YouTube Channel - MERSD](#)

May 16th Reconsidered Budget

MERSD FY24 Operational Budget Revision

May 16th Reconsidered Budget

- May 16th Reconsidered budget closes the \$781,000 gap through all cuts.
- The budget revisions presented here fulfill our responsibility to prepare a budget that meets the financial constraints of the failed vote.
- The budget revision does not support the strategic plan priorities.
- The budget revision limits opportunities for students and narrows the scope of programming.
- The budget revision negatively impacts the district's ability to retain and recruit high quality teachers
- The budget revision negatively impacts the district's ability to innovate and reinvest savings from program restructuring and efficiencies.
- The budget revision achieves the goal of budget reduction but threatens the long-term health and performance of the system

MERSD FY24 Operational Budget Revision

May 16th Reconsidered Budget

High School Small Section Reductions

- Makes reductions in areas that impact the fewest numbers of students and families while reducing the number of high school sections with low enrollment.
- A section is not a course, in some cases in which a section has been reduced or combined, the course (ex. Python) meets at another time, but limits access and opportunity because students have fewer options to fit it into their schedule.
 - 69% of sections under ten eliminated or combined
 - Reductions work to preserve junior/senior elective options using a phase out approach.
 - Section reduction results in course/program elimination for AP Physics II, Grade 7,8 and HS French II, Green Scholars, and Evidence Based Argumentation
 - Section reductions resulting in singletons (now only offered once in schedule) Intro to coding / Robotics / CAD / Python / Green Apprentice / Spanish IV
 - Phased elimination of French
 - Beginning next year French no longer offered grades 7-9
 - Two-year phase out of 11/12 electives w/ multi-level combinations

MERSD FY24 Operational Budget Revision

May 16th Reconsidered Budget

MS Health/Wellness Restructure

- Reduction in Physical Education and Health Classes from 60 to 30 per year
- Increase in MS exploratory (art, music, PE, STEM, etc.) class sizes from 20 to 30

K-12 Music Restructure

- Defer implementation of the Performing Arts Coordinator
- Continue instrumental lessons within school day, but use larger groups (brass/woodwind/percussion)
- Restructure Staffing
 - Move to shared Elementary Music teacher to deliver general music and lessons
 - Reduction in after/before school chorus/band frequency at elementary
 - Combine fractional positions to create 6-12 Chorus/General Music – no program change
 - Combine fractional positions 6-12 Band/General Music - no program change

MERSD FY24 Operational Budget Revision

May 16th Reconsidered Budget

Budget Version	School	Type	Subject Areas	FTE Reduction	Budget Reduction
2.7 OB	Memorial	Gen Ed	Elem Classroom	1	
2.7 OB	MS	SPED	Liaison	1	
2.7 OB	HS	Gen Ed	Math	1	
2.7 OB	Memorial	SPED	Sp. Prog	1	
3.21 RB	Elem	Int/Sp	Math Specialist	ESSER III	
5.16 RB	MHS	Gen Ed	Art	0.4	\$38,700
5.16 RB	Memorial	Gen Ed	Elem Classroom	1	\$69,000
5.16 RB	MS	Gen Ed	Health Wellness	1	\$96,600
5.16 RB	HS	Gen Ed	Music	0.95	\$93,500
5.16 RB	MS	Gen Ed	Music	0.6	\$41,398
5.16 RB	District	Int /Sp.	Reading Specialist	0.7	\$36,200
5.16 RB	HS	Gen Ed	Math	1	\$100,000
5.16 RB	HS	Gen Ed	Social Studies	0.2	\$16,500
5.16 RB	HS	Gen Ed	STEM	0.4	\$44,200
5.16 RB	HS	Gen Ed	GrnTm/Environ Science	0.6	\$66,500
5.16 RB	MS	Gen Ed	World Language	0.4	
5.16 RB	HS	Gen Ed	World Language	0.4	\$37,500
				11.65	\$640,098

MERSD FY24 Operational Budget Revision

May 16th Reconsidered Budget

Summary of Reductions for Reconsidered Budget	\$780,894
Grade 6 Spanish	<i>no value carried in 3.21 Budget</i>
Late Bus	\$20,000
All non-META COLA reduce to 2.5%	\$52,000
Small Cap \$\$	\$35,000
7.65 Teacher FTE	\$640,250
4.6 Paraprofessionals / Teaching Assistants	\$138,692
Health Insurance Savings	\$30,000
<i>Estimated Unemployment Costs</i>	<i>-\$135,000</i>

May 23rd Compromise Budget

Revised June 6, 2023

MERSD FY24 Operational Budget Revision

May 23rd Compromise Budget

Revised June 6, 2023

- The May 23rd Compromise budget closes the \$781,000 gap through a combination of cuts and reserve usage.
- It is a short-term solution that allows the District to stabilize and regroup to pursue a long-term solution for FY25 and better position MERSD to maintain the long-term long-term financial health and performance of the system
- Retains all high school elective courses and related teacher positions identified for reduction in the 5.16 Reconsidered Budget.
- Maintains current K-12 music structure but defers implementation of the Performing Arts Coordinator role.
- All staffing cuts are achieved through attrition.
- Includes the use of reserves as revenue (Excess & Deficiency at \$252K) but reduces usage by half over FY23. This creates a funding cliff for FY25.
- Contingent Upon
 - Essex support of our intent to finance the fields and address their share as they choose.
 - Agreement to a “facilitated” budget process with the three entities to resolve how to stabilize this process going forward.

MERSD FY24 Operational Budget Revision

June 6th Compromise Budget - Revised

Teacher Position Cuts FY24 Budget Proposal - Compromise Version

2.7 OB	Memorial	Elementary Classroom	1	Classroom Section Elimination
2.7 OB	MS	Special Education Liaison	1	Position Elimination
2.7 OB	HS	HS Math	1	Position Elimination
2.7 OB	Memorial	Special Education Specialized Prg.	1	Position Elimination / Program Service Restructure
3.21 RB	Elem	Math Specialist	ESSER III	Funding Expires FY24 / Add to FY25 budget or cut
5.23 RB.2	HS	Music	0.95	Position Elimination / Attrition / Defer Performing Arts Crd.
5.23 RB.2	HS	Science	1	Position Elimination
5.23 RB.2	Memorial	Elementary Classroom	1	Classroom Section Elimination
5.23 RB.2	MS	Health Wellness	LTS	LTS Expires FY24 / Add to FY25 budget or cut
5.23 RB.2	District	Reading Specialist		Position Elimination / Program Restructure
5.23 RB.2	Districtwide	Paraprofessionals / Teaching Assistants	4.6	Intervention Program Reorganization
FY24		<i>FY24 Teacher FTE Reduction Total</i>	6.95	
FY24		<i>Teaching Assistant FTE Reduction Total</i>	4.6	

FY19-24 Position FTE Reduction Total **15.85**

FY19-24 Teaching Assistant FTE Reduction Total **5.8**

MERSD FY24 Operational Budget Revision

May 23rd Compromise Budget

<u>Compromise Package Revision 6.6.23</u>	\$780,894
Grade 6 Spanish	<i>no value carried in 3.21 Budget</i>
Late Bus	\$20,000
Small Capital	\$35,000
All non-META COLA reduce to 2.5%	\$52,000
2.95 Teacher FTE - <i>All Staffing Reductions Through Attrition</i>	\$298,100
4.6 ParaProfessionals / Teaching Assistants	\$138,692
Excess & Deficiency Reserve Allocation to Revenue	\$287,102
<i>Estimated Unemployment Costs</i>	<i>-\$50,000</i>
	\$780,894

MERSD FY24 Operational Budget Revision *History & Options*

<i>FY 24 Budget Revision History</i>	FY24 Adopted Budget 2.7.23	FY24 Revised Adopted Budget 3.21.23	FY24 Reconsidered Budget 5.16.23	FY24 Compromise** Budget 6.6.23
<i>Total Budget Spending</i>	\$30,236,064	\$29,750,180	\$28,969,280	\$29,256,388
<i>Cuts Made to 2.7.23 Adopted Budget</i>		-\$485,884	-\$1,266,784	-\$979,676
<i>Reserves</i>	\$0	\$0	\$0	\$287,102
<i>Spending</i>	4.53%	2.85%	0.15%*	1.14%
<i>Assessment</i>	6.90%	5.09%*	1.97%	1.97%
<i>TOE Apportionment</i>	8.96%	7.12%	3.93%	3.93%
<i>MBTS Apportionment</i>	5.72%	3.94%	0.85%	0.85%

**0.15 % Essentially Level Funded - \$43K Greater than FY23*

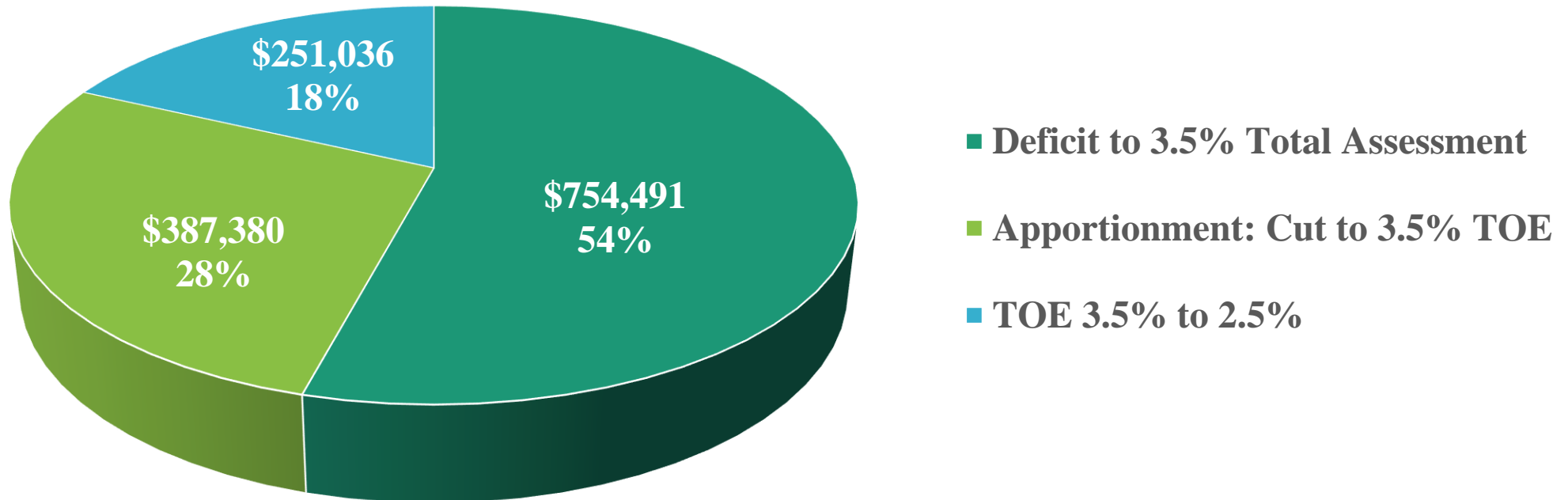
***Compromise Budget Includes 2 FTE 1 Year Cost Offsets = \$125K will result in a direct increase to FY25 Budget*

Note: Estimated Deficit for FY25 \$1.2 – \$1.5M

MERSD FY24 Operational Budget Revision

June 6th Compromise Budget - Revised

Composition of \$1.4M Initial FY25 Deficit



District share of gap grows while town/apportionment stays the same.

Next Steps May & June



June 6th - SC Meets to deliberate and adopt a reconsidered budget



June 7th - MERSD submits reconsidered budget to towns



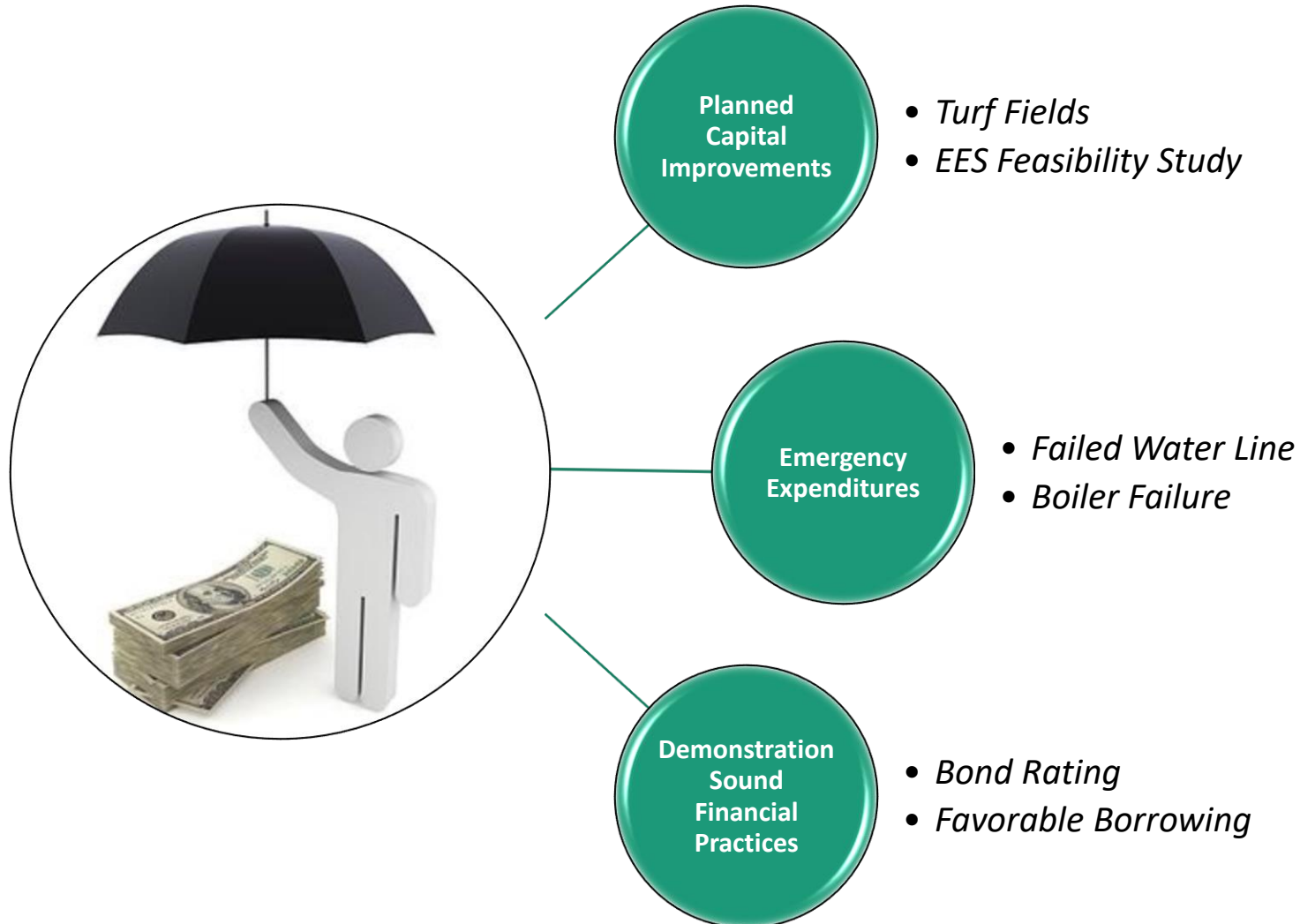
End of June – Manchester & Essex Individual Town Meetings

Resource Slides



Financial Reserves

Funds accumulated over multiple fiscal years that are dedicated to planned capital investments, emergency needs, and maintenance of a favorable bond rating to minimize the cost of borrowing.

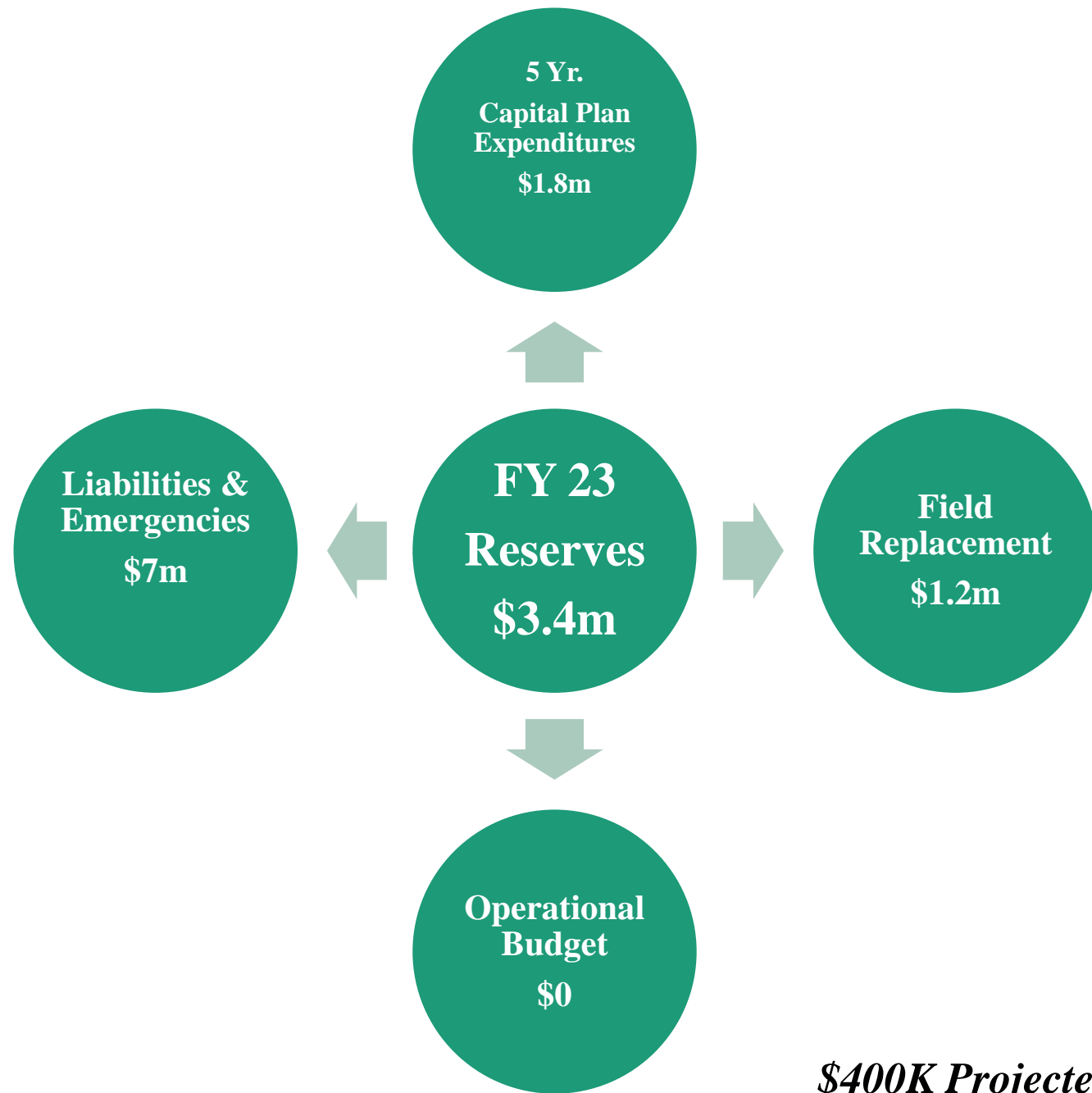


Financial Reserves

Funds accumulated over multiple fiscal years that are dedicated to planned capital investments, emergency needs, and maintenance of a favorable bond rating to minimize the cost of borrowing.

MERSD Reserve Funds Are Made Up of Four Accounts

- **Excess & Deficiency (E&D)**
 - *Accumulated operating budget savings (revenue in excess of expense) over time*
- **Facilities Rental**
 - *Accumulated surplus from building rental fees in excess of expense (e.g., custodial)*
- **School Choice**
 - *Accumulated surplus DESE funds received from sending districts for non-resident students*
- **Stabilization**
 - *Interest income from MMES bond proceeds awaiting deployment between FY20 and FY21*



\$400K Projected FY28 Reserve Balance

Reserves Snapshot

	FY22 Final Balance	FY23 Encumbrances	Capital Plan Investments FY24-FY28	Projected FY28 Balance
E&D	\$1,236,000	\$0		\$1,236,000
Facilities Rental	\$270,000	\$0	(\$270,000)	\$0
School Choice	\$1,487,000	\$0	(\$1,332,000)	\$155,000
Stabilization	\$389,000	(\$164,000)	(\$225,000)	\$0
Total	\$3,382,000	(\$164,000)	(\$1,827,000)	\$1,391,000
	<i>11.7 % FY23 OB</i>			<i>4.8 % FY24 OB</i>

**Assuming budget grows at 2.5% annually reserves projected to by 4.2% of FY29 OB*

Assumes separate financing for turf field replacement.

Reserves Snapshot Including Fields

	FY22 Final Balance	FY23 Encumbrances	Capital Plan Investments FY24-FY28	Projected FY28 Balance
E&D	\$1,236,000	\$0	(\$1,200,000)	\$36,000
Facilities Rental	\$270,000	\$0	(\$270,000)	\$0
School Choice	\$1,487,000	\$0	(\$1,332,000)	\$155,000
Stabilization	\$389,000	(\$164,000)	(\$225,000)	\$0
Total	\$3,382,000	(\$164,000)	(\$3,027,000)	\$191,000
	<i>11.7 % FY23 OB</i>			<i>0.7 % FY24 OB</i>

**Assuming budget grows at 2.5% annually reserves projected to by 0.6% of FY29 OB*

Assumes separate financing for turf field replacement.

Apportionment Formula: Input Trends				
	FY-22	FY-23	FY-24	Input Contribution to Assessment
<u>EQV</u>	<i>25% of Instructional & Non-Instructional Costs</i>			
Manchester	73.81%	73.81%	73.31%	
Essex	26.19%	26.19%	26.69%	EQV
Total	100.00%	100.00%	100.00%	25.0%
<u>Enrollment</u>	<i>75% of Instructional Costs</i>			
Manchester	61.22%	58.94%	57.87%	Student
Essex	38.78%	41.06%	42.13%	Enrollment
Total	100.00%	100.00%	100.00%	44.9%
<u>Population</u>	<i>75% of Non-Instructional Costs</i>			
Manchester	59.4%	59.4%	59.5%	Town
Essex	40.6%	40.6%	40.5%	Population
Total	100.0%	100.0%	100.0%	30.1%
			All Factors Combined	100.0%

The Challenge

Structural Financial Challenge Continues

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Level Service Growth Averages 3.5-4%

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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

