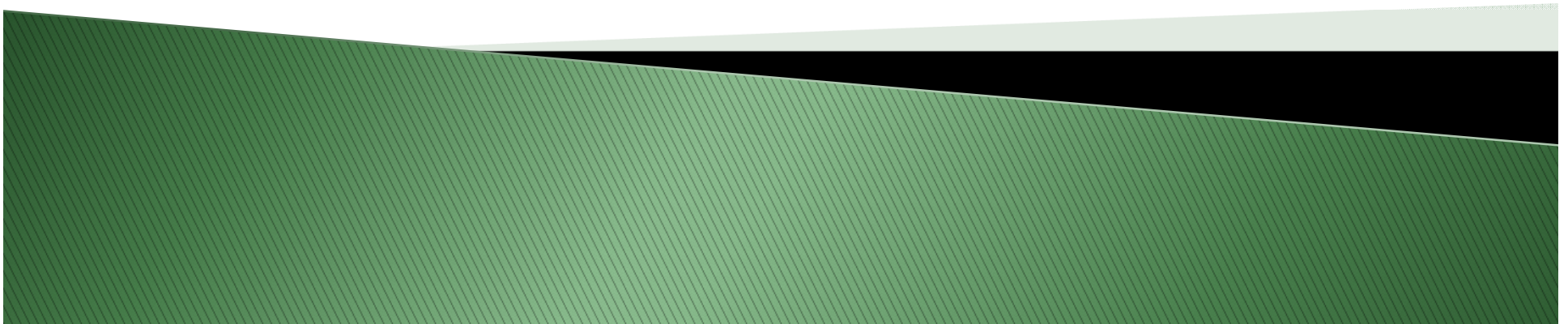


# FY-16 Budget Preview

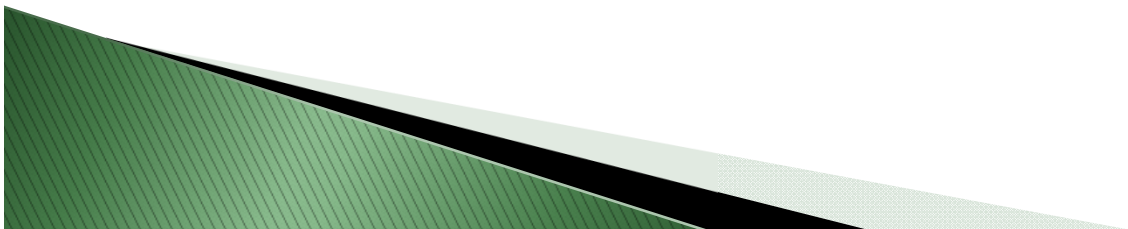
Presentation to MERSD School Committee

November 4, 2014



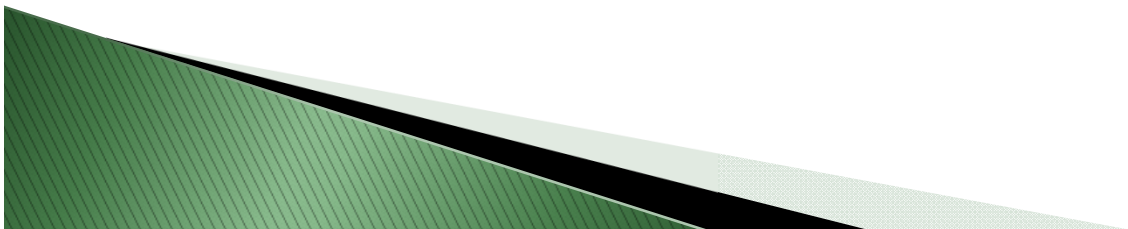
# Budget Goals

- ▶ Position MERSD for continual improvement of educational program and student achievement
- ▶ Address gap between enrollment growth and staffing:
  - 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 Highlights: Spending

- ▶ Carry-forward budget = \$22.2 million, up 3.0% (\$656K) from FY-15 budget
  - 3.0% increase in line w/multi-year budget model
  - Personnel portion of costs up 2.7% to \$14.9 million
    - Assumes 1.5% cost-of-living adjustment (COLA) plus cost of steps/columns
  - Non-personnel expenses up 3.7% to \$7.3 million
    - Primarily from health care (7% rate increase assumed), offset by reductions in out-of-district tuitions



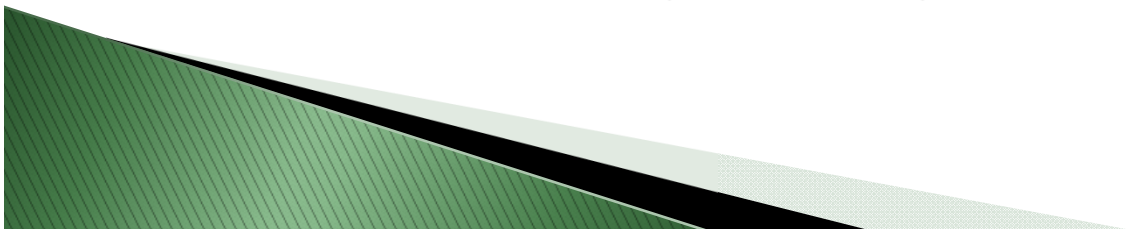
# Spending Detail

			% of FY-16	Inc. vs. FY-15	
	FY-15	FY-16	Spending	\$	%
Personnel	\$14,495	\$14,893	67.1%	\$398	2.7%
Insurance & Pension	\$2,988	\$3,339	15.0%	\$351	10.5%
Maintenance	\$1,199	\$1,199	5.4%	\$0	0.0%
Out-of-District Tuitions	\$928	\$751	3.4%	(\$177)	-23.5%
Other	\$1,944	\$2,028	9.1%	\$84	4.1%
<b>Total</b>	<b>\$21,555</b>	<b>\$22,211</b>	<b>100.0%</b>	<b>\$656</b>	<b>3.0%</b>

- ▶ Four largest expenditure categories = 91% of spending
- ▶ FY-16 Assumptions
  - **Personnel:** 1.5% COLA w/new META contract, steps/columns, no new positions
  - **Insurance & Pension:** 7% rate increase + growth in retiree headcount. Savings from health insurance restructuring to fund OPEB trust
  - **Maintenance:** No change from FY-15 reduced capital spending
  - **OOD Tuitions:** Savings from graduations + continued benefit from investment in 'in-district' programs

# Budget Highlights: Revenue

- ▶ Town assessments pressured upwards by slight reduction in other revenues
  - 1% est. decline in Chapter 70 State Aid, based on resident enrollment changes in current year
  - Interest income, Medicaid reimbursement also down
  - Assume no change in School Choice enrollment
- ▶ Initial 3.8% increase to Towns consistent with multi-year budget model
- ▶ But eliminating reliance on reserves would add an additional 3.8% to assessments
  - Reserve funding, as budgeted, will be depleted by FY-17



# MERSD Reserves Through Time

Ending Reserve Balance	Actual						UnAudited	Forecast		
	FY-08	FY-09	FY-10	FY-11	FY-12	FY-13	FY-14	FY-15*	FY-16**	FY-17**
School Choice	\$662,406	\$1,016,365	\$1,295,864	\$1,616,835	\$1,609,000	\$1,441,056	\$1,297,143	\$797,143	\$224,082	\$0
Stabilization	\$132,265	\$252,290	\$167,290	\$167,290	\$163,610	\$75,743	\$161,448	\$161,448	\$161,448	\$161,448
Unassigned Fund Balance	\$166,675	\$340,391	\$436,557	\$416,160	\$453,638	\$541,505	\$326,939	\$126,939	\$0	\$0
<b>Total</b>	<b>\$961,346</b>	<b>\$1,609,046</b>	<b>\$1,899,711</b>	<b>\$2,200,285</b>	<b>\$2,226,248</b>	<b>\$2,058,304</b>	<b>\$1,785,529</b>	<b>\$1,085,529</b>	<b>\$385,529</b>	<b>\$161,448</b>
<b>% of Budget<sup>1</sup></b>	5.1%	9.3%	10.6%	11.7%	11.6%	10.6%	8.6%	5.0%		

<sup>1</sup> Guideline for AAA bond rating: reserve balance = 10% of budget

\*if spent as budgeted

\*\*w/no change to budgeting of reserves

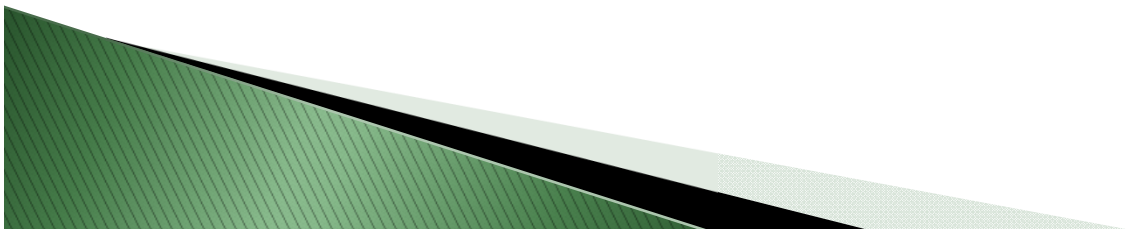
## Budget vs. Actual

Budgeted Reserve Use	\$0	\$0	\$200,000	\$600,000	\$600,000	\$600,000	\$700,000	\$700,000	\$0	\$0
Actual Reserve Use	\$0	\$0	\$0	\$0	\$7,835	\$167,944	\$338,913	TBD	TBD	TBD
Used - % of Budgeted	NM	NM	0.0%	0.0%	1.3%	28.0%	48.4%			

School Choice reserves increased through FY-12 due to rapid Ch. 70 growth for enrollment and spending limits during lost override year. Budgetary savings in health insurance and out-of-district tuitions also contributed.

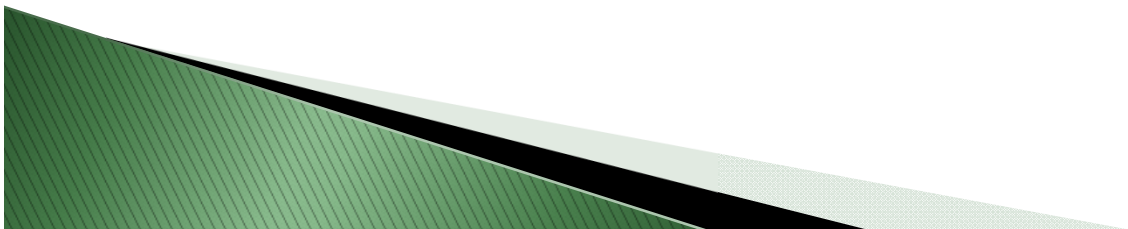
Beginning in FY-13, reserves were used to accommodate a slow down in Ch. 70, a decline in School Choice enrollment, extra teachers to manage class size, diversification of student body, and security upgrades.

As noted, reserve spending in recent years has been well below budget, but the trend appears to be changing.



# Maintaining Program Quality

- ▶ Carry-forward budget perpetuates impact of FY-15 staff/program cuts
  - Increased class size and reduced investment in maintenance and instructional technology
- ▶ Reinstatement of these cuts would add an additional 1.4% (\$250K) to Town assessments



# Budget Realities

- ▶ Carry-forward FY-16 budget likely within Prop. 2.5 limits, but elimination of reserves and reinstatement of FY-15 cuts likely not
- ▶ MERSD must act to cut reserves from budget whether a town adjustment occurs or not
- ▶ Absent a one-time revenue adjustment to replace reserves, MERSD would be forced to cut spending of up to \$700K



# Next Steps

- ▶ Continued collaboration with towns on revenue picture
- ▶ Identify list of cuts in the event that revenue adjustment does occur
- ▶ Solicit community feedback regarding direction of MERSD budget and program
- ▶ Public Hearing on Tentative Budget, 12/10

