Essex Finance Committee

with Manchester-Essex School District Superintendent and Director of Finance

Meeting Minutes

Date: Wednesday, 11-03-21

Time: 7:00pm

Location: Essex Town Hall, 3rd Floor

(Note: Masks are required in Essex municipal facilities)

Members Present: Ben Buttrick, Nina McKinnon, Mike Flynn, Christopher Wolf, Rob Fitzgibbon
Town Accountant, Jeff Soulard

- FC Chairman Buttrick called the meeting into session at 7:04pm and introduced Pam Beaudoin and Avi Urbas

- Pam and Avi presented the attached slides to provide a primer on the District Budget and key factors that impact the budget. – Presentation attached

- At 8:45, Chairman Buttrick motioned to adjourn which was unanimously approved.

MERSD Budget

- MERSD operational budget is managed to deliver a stable and predictable spending and assessment growth rate from which apportionment is factored.
- MERSD manages key drivers and wild cards to maintain the agreed upon target of 3.5% spending/assessment growth.
- The mechanics of apportionment can inflate or deflate the apportionment growth rate as town enrollments fluctuate.
- The operational budget has been historically been developed to provide level services.

Key Terms

- Spending Growth: *percentage/$ increase in spending approved by School Committee from one year to the next*

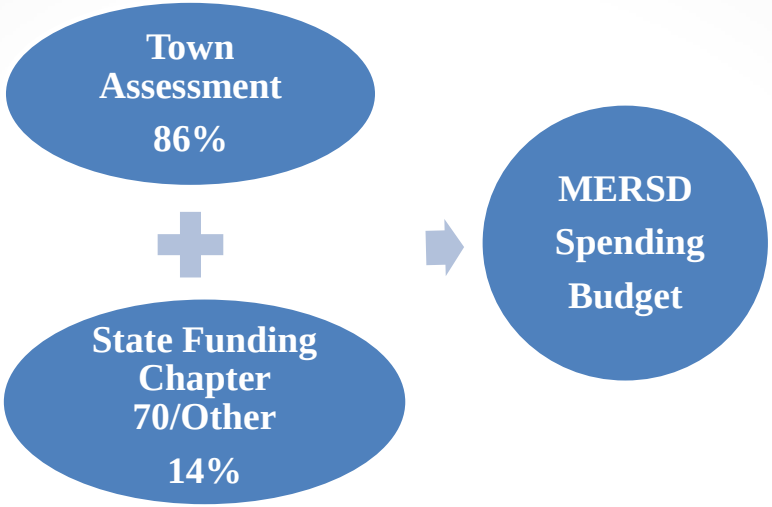
- Assessment: *percentage/$ increase in annual charge to Essex & Manchester after deducting state revenue from spending.*

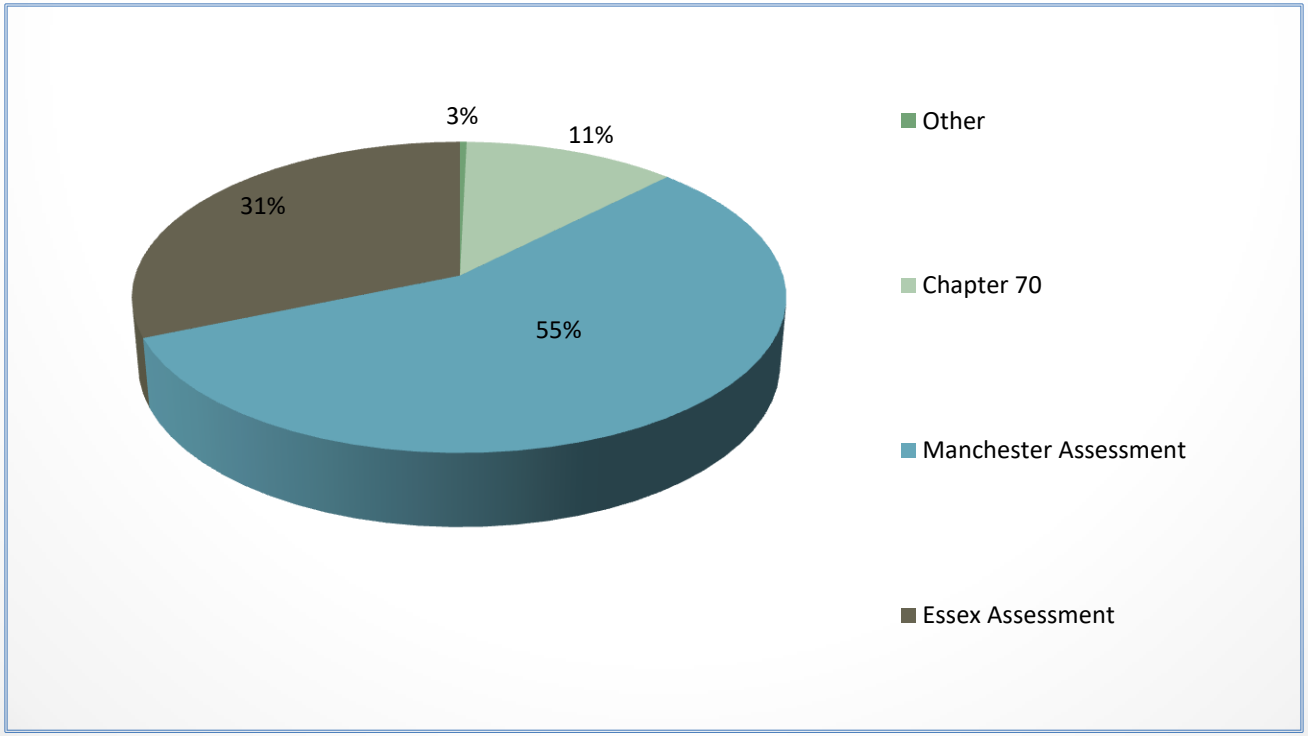
- Apportionment: *split of assessment between Essex & Manchester based on formula defined in the Regional Agreement.*

Spending

- MERSD operational budget is managed to deliver a stable and predictable spending and assessment growth rate from which apportionment is factored.

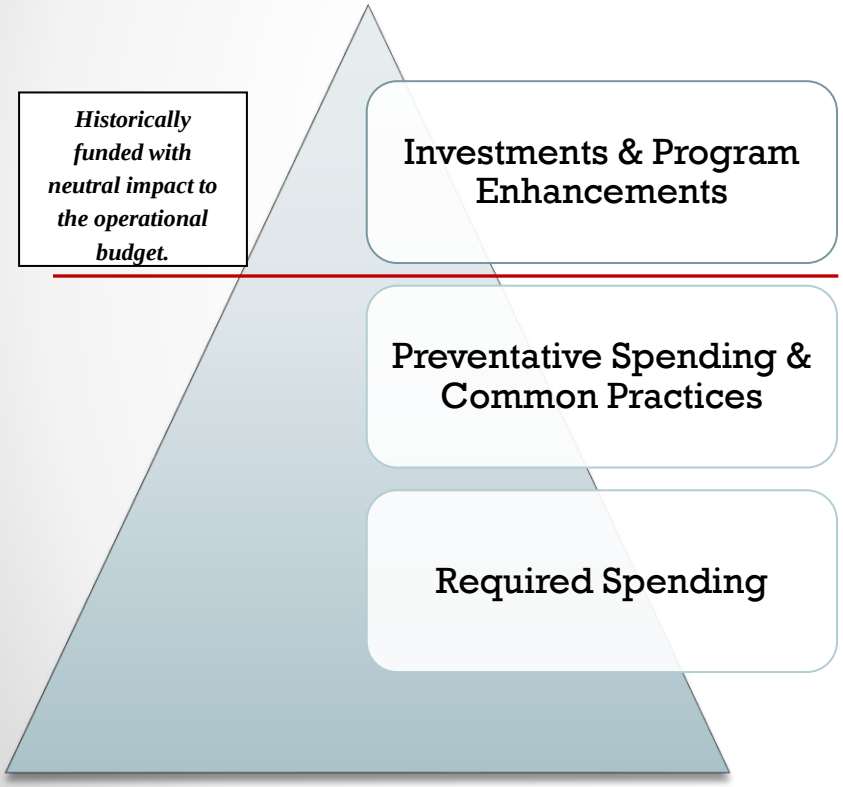
FY21 Revenue Sources





Budget Architecture

Operating Budget



Capital Budget

- Debt Service on MHS & Memorial School
- Excluded from Proposition 2 ½ limits by taxpayer vote in both Essex & Manchester
- Known/pre-fixed, multi-year payment schedule for both towns
- Structured to decline each year

Stable & Predictable Spending and Assessment Growth

Spending & Assessments have been stable over time

Average Annual Increase		
	5-Yr	10-Yr*
Spending	3.15%	4.04%
Assessment	3.17%	3.60%
***Includes FY16 override**		

Level Service Reductions are an annual step in budgeting

Reductions to Close Annual Gap			
FY 18	FY 19	FY 20	3 Yr. Total
$410,000	$679,000	$565,000	$1,654,000

Reserve Funds provide temporary bridge prior to eventual correction

- Potential for 80% reduction by FY23 ($3.4 Million)

Key Drivers

Personnel - 65% of spending

- Stable FTE
- Managed to align with spending/assessment targets:

META COLA since 2005	w/est. 1.5% for Step/Column
2.11% 18-Year Average	3.61%
2.03% *10-Year Average*	3.53%

Key Drivers (contd.)

- Insurance & OPEB Trust – 20% of spending
  - Industry growth of 6-8%/yr does not align w/assessment targets
  - Ongoing negotiation of MERSD benefits to match external comparables
    - Changes in MERSD contribution rate:
      - FY09 – moved from 85% to 80%
      - FY16 – moved to 75% with new hires at 70%
    - Changes in plan design:
      - Introduced $1K/$2K deductibles in FY20
      - 10% premium savings with employer funded HRA

	Annual MERSD Contribution		
HRA	**Total**	**75%**	**70%**
Individual	**$10,421**	$7,816	$7,295
Family	**$28,138**	$21,104	$19,697

Key Drivers (contd.)

OPEB (Other Post-Employment Benefits)

- OPEB = Retiree Health Care, mandated by statute
  - 164 insured retirees now > 159 insured active employees
  - 12% annual growth over past 5 years
  - $3.5 million contributions funded in partnership with META via negotiated changes to health plans
  - Annual OPEB = 96.48% of actuarially determined annual contribution to achieve full funding

	Heads	% of Heads	Employer Contr. %	FY21 Cost	% of Cost	Per Head	
Grandfathered Plan	25	15%	80%	$451,669	43%	$18,067	*No longer available to new retirees*
Active Employee HRA	8	5%	75%	$124,471	12%	$15,559	*For new retirees prior to Medicare eligibility*
Medicare Plan	131	80%	80/75%	$464,218	45%	$3,544	
	164	**100%**		**$1,040,358**	**100%**	**$6,344**	

Key Drivers (contd.)

Out of District Tuition & Transportation – 5.2% of Budget

- Special Education IDEA – Federally Mandated Obligations and Associated Costs / Required but Variable
- Much smaller in total size but can grow beyond the limits of Proposition 2.5.
- Changes in placements for move-ins difficult to predict
- Several students with mandated placements > $100K annually per student.
- Investment in district based programming (staffing) to meet students need and manage OOD costs
  - *MERSD's in-district programs offset potential spikes in costs, saving more than $1.5 million annually.*

Assessment

- MERSD manages key drivers and wild cards to maintain the agreed upon target of 3.5% spending/assessment growth.

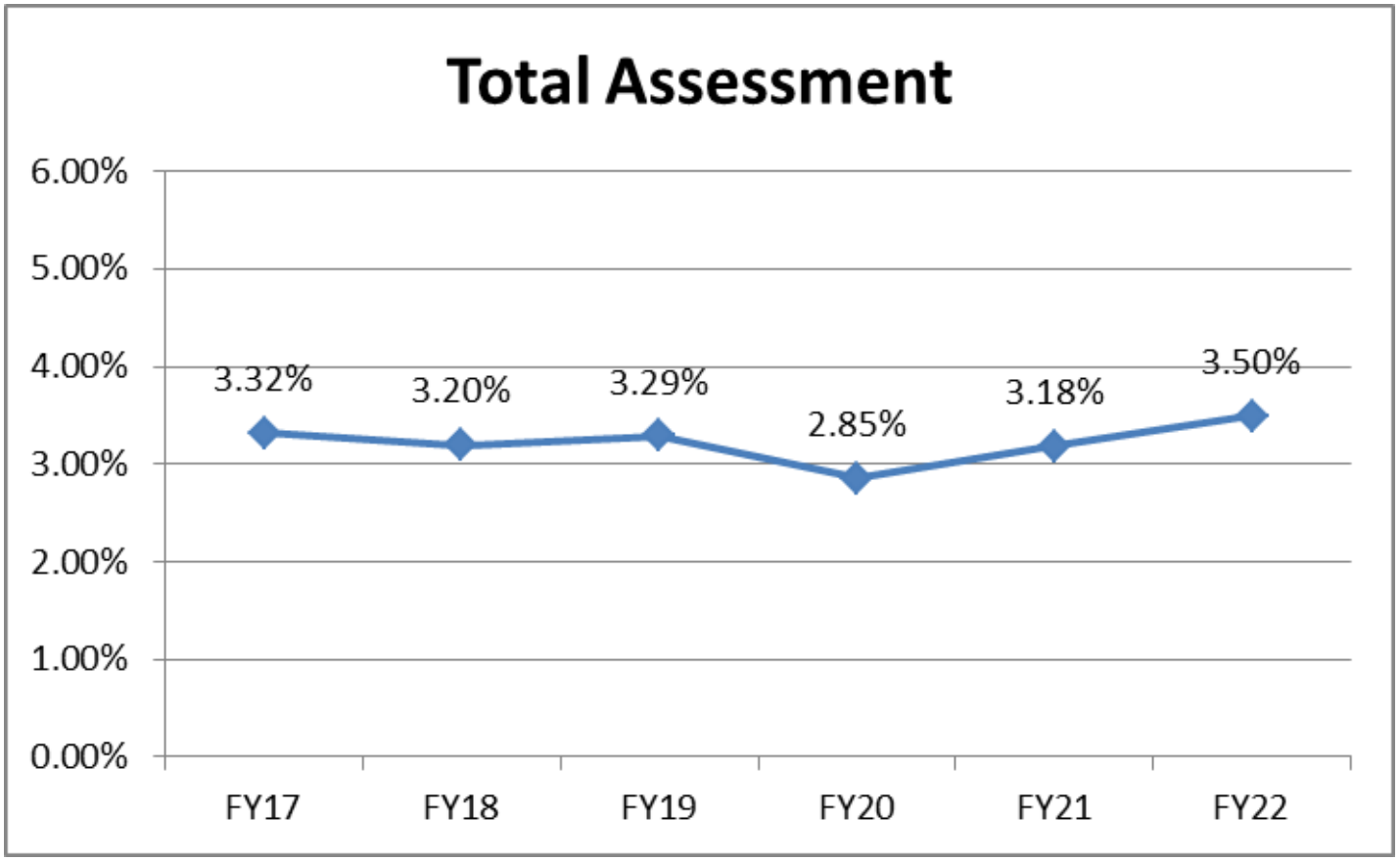
Multi-Year Budget

2.5% COLA	Actual	Actual	Budget	Budget	Forecast 1	Forecast 2	Forecast 3	Forecast 4
($ in 000)	**FY-19**	**FY-20**	**FY-21**	**FY-22**	**FY-23**	**FY-24**	**FY-25**	**FY-26**
Personnel	**$16,308**	**$16,805**	**$17,372**	**$17,984**	**$18,643**	**$19,327**	**$20,036**	**$20,772**
Yr/Yr Growth	*1.54%*	*3.05%*	*3.37%*	*3.53%*	*3.66%*	*3.67%*	*3.67%*	*3.67%*
All Other Operating Expenses	**$8,952**	**$9,207**	**$9,769**	**$10,271**	**$10,789**	**$11,334**	**$11,914**	**$12,532**
Yr/Yr Growth	*3.09%*	*2.85%*	*6.11%*	*5.15%*	*5.04%*	*5.05%*	*5.12%*	*5.18%*
Total Spending	**$25,260**	**$26,012**	**$27,141**	**$28,256**	**$29,432**	**$30,661**	**$31,950**	**$33,304**
Total Growth	*2.08%*	*2.98%*	*4.34%*	*4.11%*	*4.16%*	*4.17%*	*4.20%*	*4.24%*
State Aid	$3,130	$3,119	$2,896	$3,191	$3,247	$3,303	$3,361	$3,420
Yr/Yr Growth	*2.1%*	*-0.3%*	*-7.1%*	*10.2%*	***1.75%***	***1.75%***	***1.75%***	***1.75%***
Fees & Other	$116	$105	$120	$120	$131	$131	$131	$131
Yr/Yr Growth	*-31.9%*	*-9.7%*	*14.4%*	*0.0%*	***10.0%***	***0.0%***	***0.0%***	***0.0%***
S. Choice: Annual Revenue	$325	$325	$325	$325	**$325**	**$325**	**$325**	**$325**
Yr/Yr Growth	*8.3%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Reserves: Choice, E&D	$0	$100	$335	$335	$595	$885	$1,205	$1,555
Yr/Yr $ Growth	*$0*	*$100*	*$235*	*$0*	*$260*	*$290*	*$320*	*$350*
Yr/Yr % Growth			*235%*	*0%*	*78%*	*49%*	*36%*	*29%*
Town Operating Assessments	$22,111	$22,742	$23,465	$24,286	$25,134	$26,016	$26,928	$27,872
Yr/Yr Growth	*3.29%*	*2.85%*	*3.18%*	*3.50%*	*3.50%*	*3.51%*	*3.50%*	*3.51%*
Total Revenue	**$25,682**	**$26,390**	**$27,141**	**$28,256**	**$29,432**	**$30,661**	**$31,950**	**$33,304**
Total Growth	*2.97%*	*2.76%*	*2.84%*	*4.11%*	*4.16%*	*4.17%*	*4.20%*	*4.24%*
Assessment Growth	*$704*	*$631*	*$723*	*$821*	*$849*	*$882*	*$911*	*$945*
Assessment Growth %	*3.29%*	*2.85%*	*3.18%*	*3.50%*	*3.50%*	*3.51%*	*3.50%*	*3.51%*

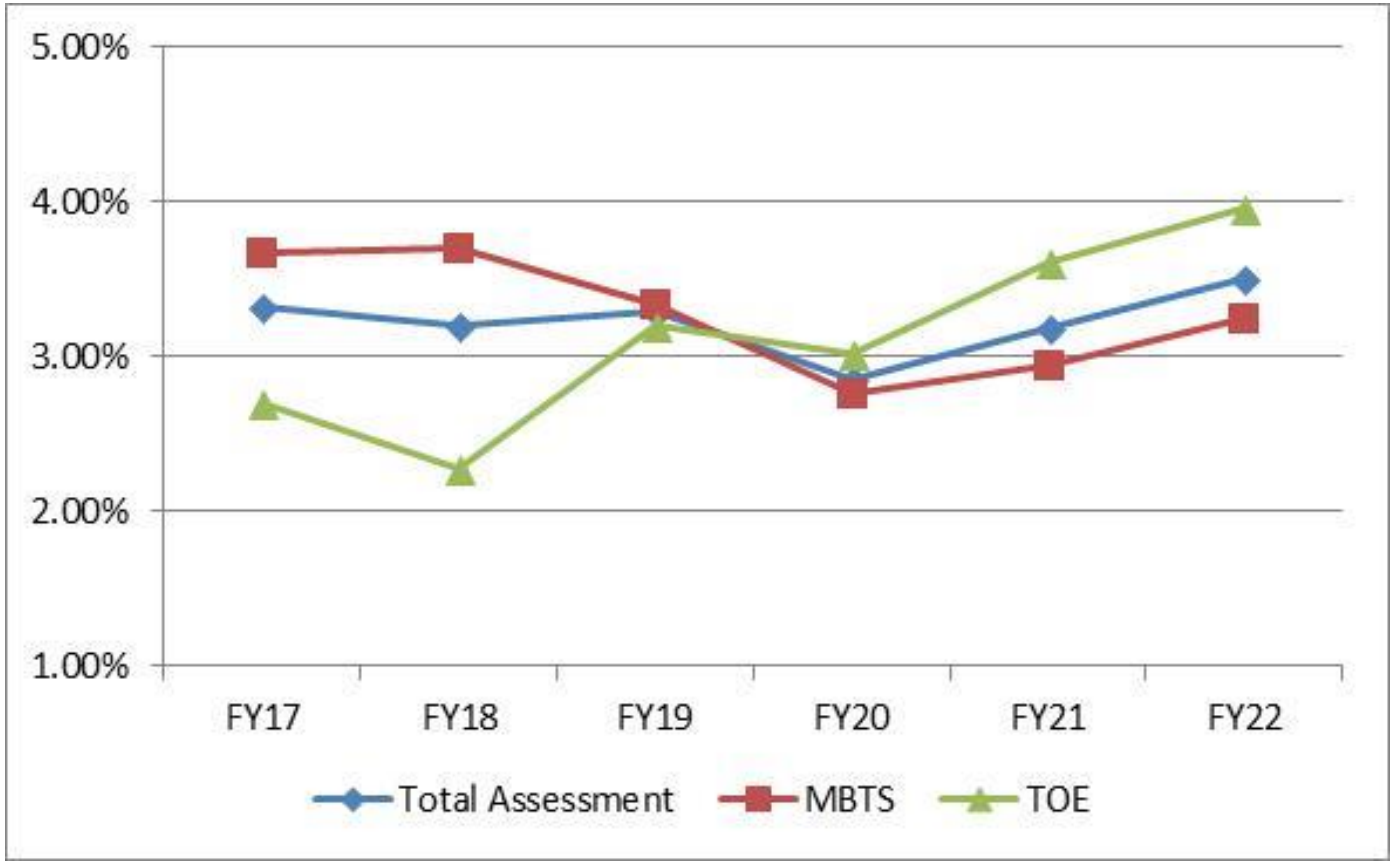
Apportionment

- The mechanics of apportionment can inflate or deflate the apportionment growth rate as town enrollments fluctuate.

Assessment Prior to Apportionment is Stable



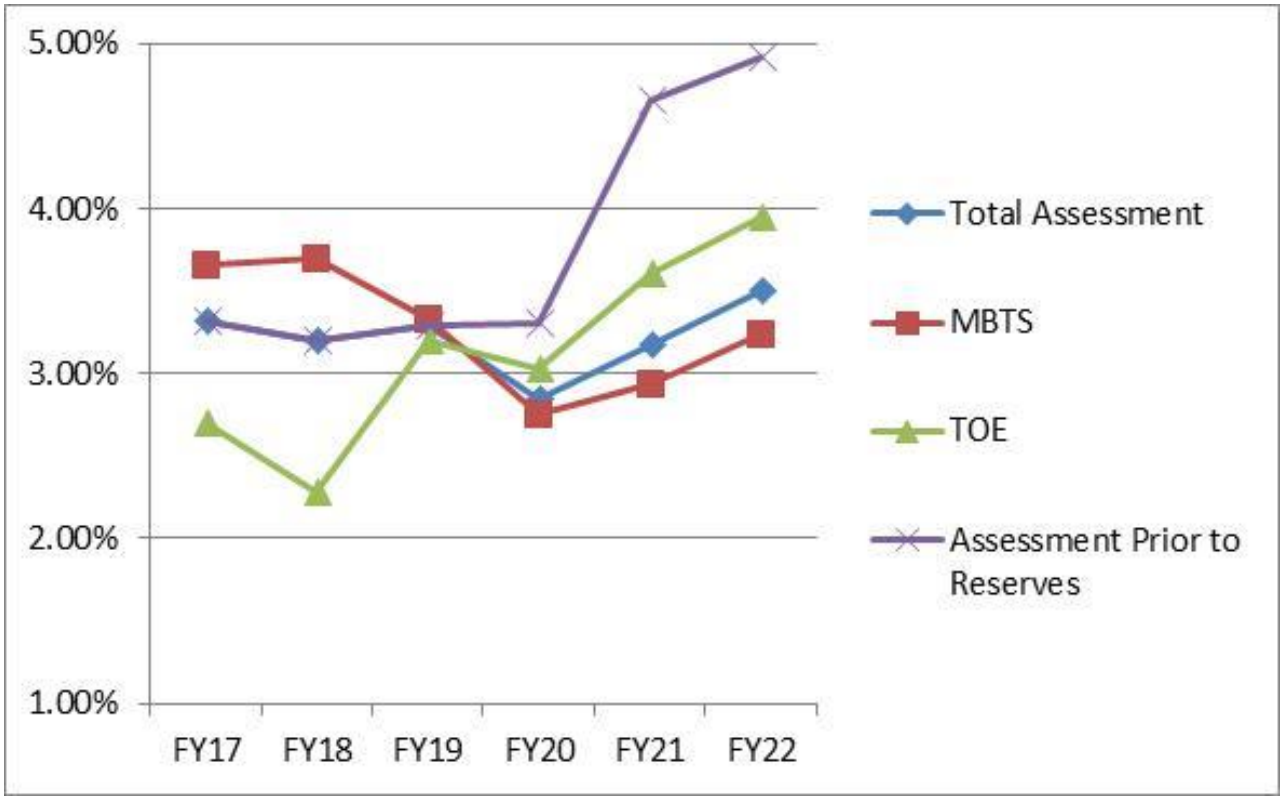
Apportionment Volatility Has Impacted Both Towns at Different Times



Apportionment Over/(Under) Total Assessment

	FY17	FY18	FY19	FY20	FY21	FY22	Cumulative
MBTS	$44,509	$67,750	$6,434	($13,494)	($34,819)	($38,281)	**$32,098**
TOE	($44,509)	($67,750)	($6,434)	$13,494	$34,819	$38,281	**($32,098)**

Level Services Cuts and Reserve Use Reduce Total Assessment



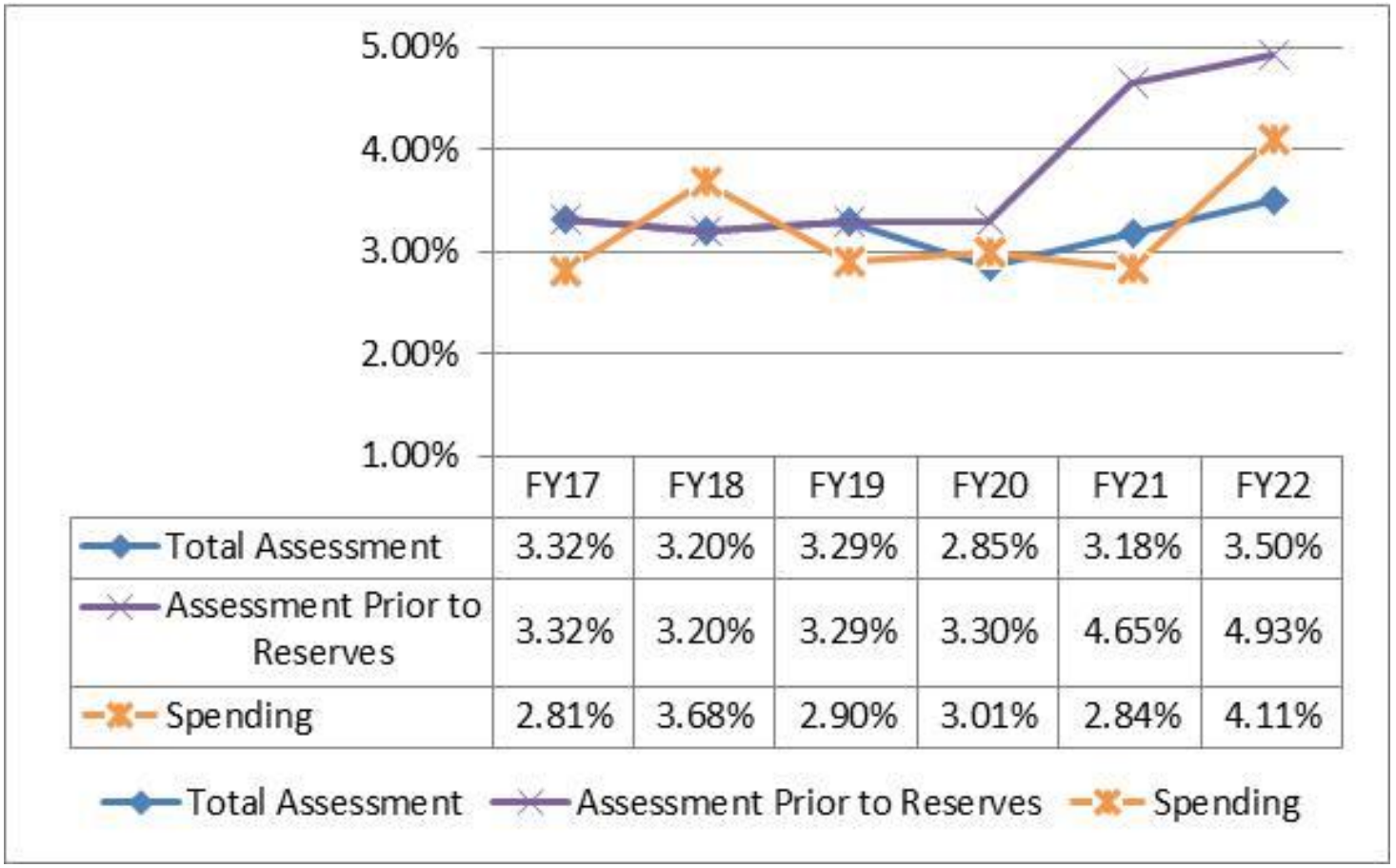
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TOE	($44,509)	($67,750)	($6,434)	$13,494	$34,819	$38,281	**($32,098)**

MERSD Reserve Contribution

	$0	**$0**	**$0**	**$100,000**	**$335,000**	**$335,000**	**$770,000**

Revenue Problem ≠ Spending Problem



	FY17	FY18	FY19	FY20	FY21	FY22
Total Assessment	3.32%	3.20%	3.29%	2.85%	3.18%	3.50%
Assessment Prior to Reserves	3.32%	3.20%	3.29%	3.30%	4.65%	4.93%
Spending	2.81%	3.68%	2.90%	3.01%	2.84%	4.11%

- Although assessment prior to reserve use would approach 5% spending range has been lower/with target range
- FY22 School Committee voted to stop cutting program below level services

Background & History Slides

Identified Capital Needs: 1- 5 Years

			Placeholder	
School	**Item**	**Priority**	**Cost Est.**	**Timeframe (Years from Now)**
EES	Eagles' Nest Replacement	High	$250-300K	Summer 2020
MSHS	Hyland Field turf replacement	High	$500,000	Summer 2021
EES	Back up boiler	High	$100,000	1-3 years, pending repair option
EES	Heating distribution repairs (classroom univents)	High	$25,000	Split over 1-5 years
MSHS	Flooring - MS pods	High	$36,000	In progress. Split over 2-3 years
MSHS	Flooring - auditorium carpet	High	$24,000	1-3 years
EES	Classroom shades	High	$15,000	1-3 years
EES	Heating controls	High	$100,000	1-3 years - potential grant
EES	Security updates	High	TBD	Match scope from MMES project
MSHS	Security updates	High	TBD	Match scope from MMES project
EES	Repave hot top play asphalt pay surface	Medium	$15,000	Following playground
MSHS	Brook Street Field turf replacement	Medium	$500,000	3-5 years
MSHS	Flooring - Learning Commons	Medium	$30,000	3-5 years
MSHS	Furniture - Library tables and classroom chairs	Medium	$100,000	2-4 years
MSHS	Tractor replacement	Medium	$45,000	3-5 years
EES	Envelope Repairs (soffits, window frames, stairs)	Medium	$20,000	Split over 1-5 years
EES	Kitchen Equipment	Medium	$30,000	Pending contractor review
MSHS	Sand/repaint gym floor	Medium	$30,000	3-5 years
MSHS	Painting	Medium	TBD	Annual budget is touch up only
		Total	**$1,870,000**	

Projected Reserve Usage – 3 Year Outlook

	Reserves @ Glance				
	Excess & Deficiency	**School Choice**	**Stabilization**	**Facilities Revolving**	**Total Reserves**
FY20 Estimated -(Not Audited)	*$1,606,000*	*$1,488,000*	*$970,800*	*$253,943*	*$4,318,743*
FY21 Usage					
Operations	$335,000				
COVID Costs		$687,000			
Essex Playground			$325,000		
Memorial Boiler Emergency			$37,000		
FY22 Usage					
Operations	$335,000				
EES Technology		$125,000			
MHS Gym Floor Refinish			$30,000		
Hyland Field Replacement			$500,000		
FY23 Usage					
Operations	335,000				
EES Back-Up Boiler			100,000		
Brook Street*			250,000	250,000	
MHS Carpeting (Auditorium & Pods)			90,000		
Account Totals	*$601,000*	*$676,000*	*-$361,200*	*$3,943*	*$919,743*

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

Cuts Made to Close Gap in FY19	FY18	FY19	FY20	
	Actual	Actual	Budget	
Tuition Prepay - FY17 Reserves	$150,000			
Implement M5 Hire Cap	$65,000	$65,000	$65,000	
Reduce Building Based Expenses	$40,000			
Cut Small/Cap Annual Budget	$40,000	$40,000		
Defer EERB Pension Repay Set-Aside	$50,000	$50,000		
Reduce OOD / Tuition Prepay	$50,000		$200,000	
Staff Reduction through attrition		$354,000	$125,000	
50% Reduction Overtime/Summer work - all departments		$60,000		
Eliminate Late Buses		$5,000		
HS Student Activity Cut		$20,000		
IDEA Grant Reorganization		$17,000		
Curriculum/PD Small Cap Reduction		$20,000	$0	
Full Day K on Wednesdays/Eliminate Transportation Cost		$8,000	$0	
Reduce Custodial Supply Line		$7,500	$0	
Eliminate Crossing Guard Fund		$4,500	$0	
Retirement Replacement Offset		$5,000		
Reduce Nurse Substitute Line		$3,000	$0	
Health Care Restructure			$175,000	
				Total Cuts
	$395,000	$659,000	$565,000	**$1,619,000**
Increased Revenue	.			
School Choice Revenue Increase	$15,000.00			
Solar Savings		$10,000		
Essex Green Grant Upgrades		$10,000.00		
Total Offsets	$15,000.00	$20,000.00	$0.00	**Total Reduction**
Total Reduction	$410,000.00	$679,000.00	$565,000.00	**$1,654,000.00**

Comparable Per Pupil Expenditures

Cape Ann	PPE 2019
Rockport	$20,826
Hamilton Wenham	$19,438
Gloucester	$17,212
MERSD	$18,837

High Performing Districts	PPE 2019
Weston	$25,846
Lincoln-Sudbury	$22,772
Wellesley	$21,016
Newton	$20,220
Bedford	$19,925
Brookline	$20,543
Lexington	$18,687
Wayland	$19,443
Hamilton-Wenham	$19,438
Westwood	$19,378
Sharon	$17,262
Harvard	$20,910
Average	$20,453
MERSD	$18,837

- Personnel & Collaborative Bargaining Agreement
  - Interest Based Bargaining (IBB)
  - Financial Sustainability Framework / Prop 2.5
  - Comparable Teacher Compensation

Cape Ann Region	
Salem	11
Masconomet	15
Lynnfield	31
Newburyport	87
MERSD	88
Gloucester	95
Boxford	96
Danvers	99
Hamilton-Wenham	107
Topsfield	116
Swampscott	119
Winchester	138
Amesbury	161
Triton	163
Ipswich	179
Beverly	199
Rockport	234

Boston Magazine Top 10 Districts	
School District	**Avg. Teacher Salary**
Dover-Sherborn	$97,806
Concord-Carlisle	$107,527
Weston	$105,592
Lexington	$88,142
Wayland	$97,121
Westford	$87,194
Newton	$86,724
Wellesley	$97,301
Sharon	$93,161
Average	**$95,619**
Median	**$97,121**
MERSD	**$84,460**
STATE TOTALS	$81,496

Hypothetical EES Timing Scenarios

	Fast Track	6-Yr Delay
Apply to MSBA	2023	2029
Feasibility	2025	2031
Towns Vote	2026	2032
Construction Begins	2027	2033
Construction Ends	2029	2035
LT Debt Begins	2030	2036
Borrowing Ends	2059	2065

- Fast Track: apply to MSBA immediately after MMES concludes
- 6-Yr Delay: align EES project with expiration of MS/HS debt
- Inputs/Assumptions:
  - EES built 1957
  - 2.5% construction cost escalation per year
  - Feasibility funded via reserves, 3-way share (same as MMES)
  - MMES/EES borrowing:
    - 67% MBTS/33% TOE apportionment
    - 3% BANs during construction
    - 5% Level Payment, 30-Year Bonds after construction

3 Potential EES Scenarios

- Fast Track:
  - Annual debt increases to 3x current in 2028-2034 when MSHS debt expires
  - 2.5x thereafter

- 6-Year Delay
  - Only 2 LT debt projects in any year (2.5x current)
  - Rely on MERSD reserves to address facilities as they arise

- 6-Year Delay w/Committed Transition $$
  - Assess towns upfront for limited, targeted short-term capital investment to sustain EES in interim
    - Based on Habeeb report w/updated inputs as needed
    - Potential investment areas:
      - Educational: Tech, Furniture/Fixtures
      - Facilities: Security, HVAC, Roof/Envelope, Site

Regional Agreement

- Governance Document
- Establishes Budget Timeline & Apportionment Formula
  - School Committee Approves Detailed Budget
  - Town Meeting Approves Assessment
- References Lease Agreements for Facilities by Town

See MERSD Budget Documents for Apportionment Formula

Budget Timeline	
<u>November/December</u> • District-Town collaboration meetings • Schools and departments submit budgets • District formulates tentative budget • Superintendent's budget is presented to School Committee for review, revision, and adoption • Public Hearing held to solicit community feedback on School Committee's adopted Tentative Budget	<u>January/February</u> • School Committee and leadership team revise budget to meet assessment goals established through District-Town collaboration meetings • A second public hearing is held to solicit feedback on final budget proposal • Final budget is adopted and submitted to towns
<u>March</u> • School Committee and leadership team monitor and refine budget variables • Attend Town board meetings to seek support for budget requests	<u>April/May</u> • Budgets are presented and voted on at Town Meeting ▸ Manchester: April 2020 ▸ Essex: May 2020

Expense Structures Driven By Local, State, and Federal Policy or Mandate

Required

Facilities Four Sites
Community Determination / Regional Agreement

Facility Operations and Maintenance
Personnel

Required Spending

Transportation

Statute for Regional School Districts

- K-12 Greater than 2 Miles
- Reimbursement 70-80% 1.5+ Miles

Optional Fee Based Service 1.0-1.5 miles

Required Spending

Salary & Health Benefits

- Salary*
- Health Care*
  - Minimum 50% Contribution by Statute (active and retirees) - Statute
  - 20% remainder is subject of bargaining*
- OPEB Contractual Contribution
  - Town Agreement to pre-fund OPEB Trust
- Non-META Pension Contribution – Statute

*Mandated Subject of Collective Bargaining

- Must be ratified by both Teachers' Association and School Committee
- Benchmarked against comparables
- Structured to fit within levy limit which may require other budget offsets

Expense Structures Driven By Local, State, and Federal Policy or Mandate

Required Spending & Preventative Spending

Special Education IDEA – Federally Mandated Obligations and Associated Costs
Required but Variable

- By regulation, managed through Collaborative Team Process (parents/teachers/students) outcomes are based on needs of the students – annual evaluation
- Resulting IEP is a legal obligation
- Potential Outcomes
  - Services
  - Dedicated Personnel Out of District Placement (Day) & Transportation
  - Out of District Placement / Residential

Required Spending

Core Program – State Mandated Minimum Offerings

- Time on Learning
  - 900 Hours Elementary
  - 990 Hours 6-12
- K-8 English, Math Science, Social Studies
- 9-12 MASSCore (see appendix)

Determination of program + Enrollment = Staffing Size

Common Practices

School Day Programming: Art, Digital Learning, Music (general, band, chorus), Health & Wellness, Advanced Placement, Environmental Studies, ASR, Global Studies, HS Elective Programs, etc.

- Current program is consistent with region and high performing school programs

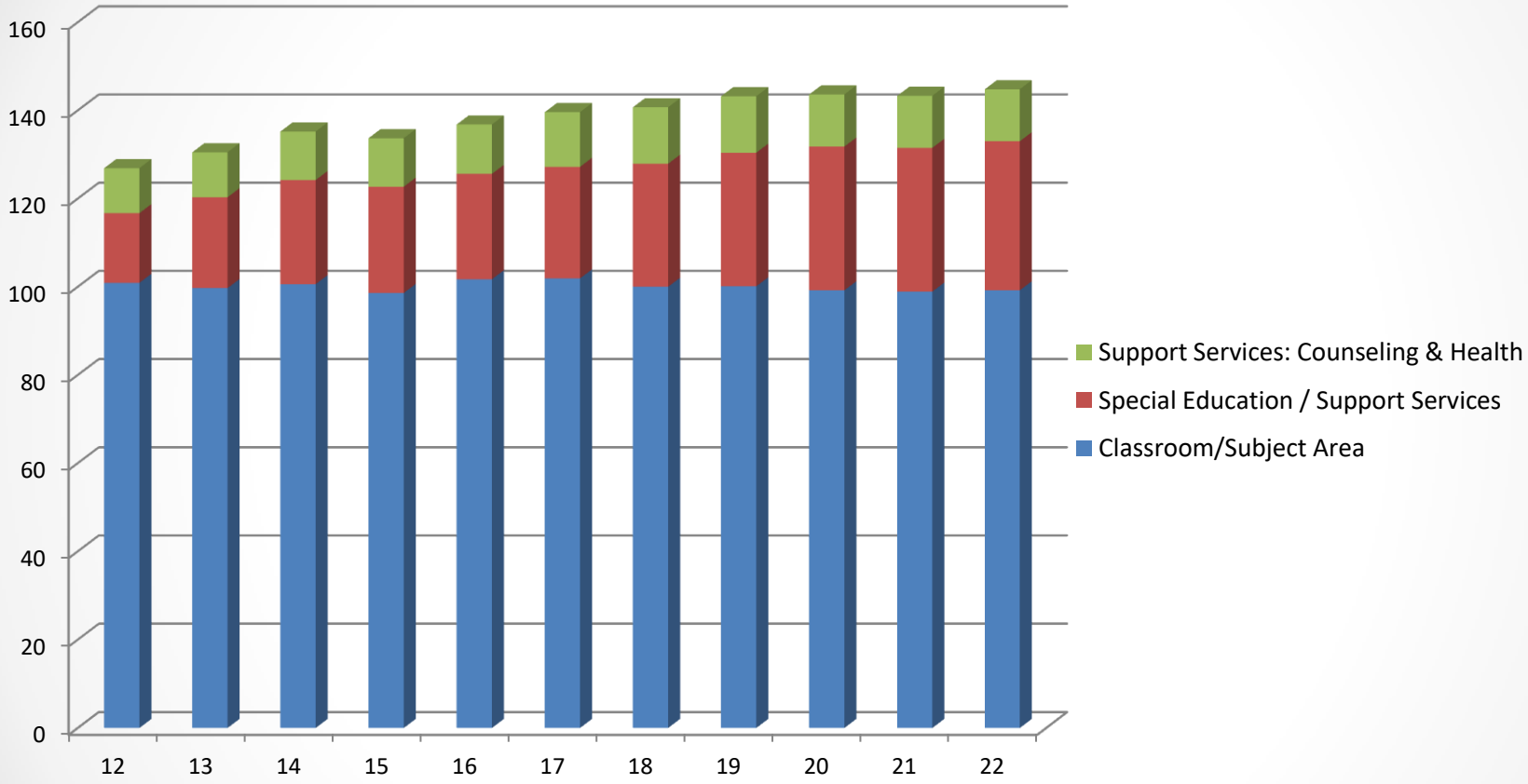
SEL / Whole Child Supports: Counseling, Intervention, Academic Support

- Current program is consistent with region and high performing school programs

After School Programing: Athletics, Clubs, & Activities

- Athletics is fee based with 40% financial support directly from user fees
- There has been a moratorium on athletics offerings expansion since FY11

MERSD Faculty 2012-2022



Classroom/Subject Area – *Track with general enrollment trends*
Special Education Support Services – *Track with Identified Student Needs*