

Budget Update FY 2021 and Beyond

School Committee

November 14, 2019



Agenda

1. Budget Update & Background - How Did We Get Here
2. Personnel Costs - The Primary Driver of PSB's Budget
3. FY18-FY20 - What was done to manage the deficits
4. FY 2021 - Anticipating Significant Cuts
5. Impact of Proposed Increases in Personnel Costs - FY21 to FY23
6. Steps that Can Be Taken



A decorative border of various colored pencils (red, purple, blue, teal, green, yellow, orange) is arranged around the central text area.

The Public Schools of Brookline has made significant cuts during the last three fiscal years to balance our budget.

PSB will continue to face financial difficulties in the upcoming years.

How did we get here?

Revenue Projections from the 2018 Override are at Risk.

What PSB requested: **\$9,817,099** over three years

What was approved by Voters: **\$8,375,132** over three years

What we actually received: **\$7,441,583** over three years

Current Variance between request and projected funding:
\$2,375,516

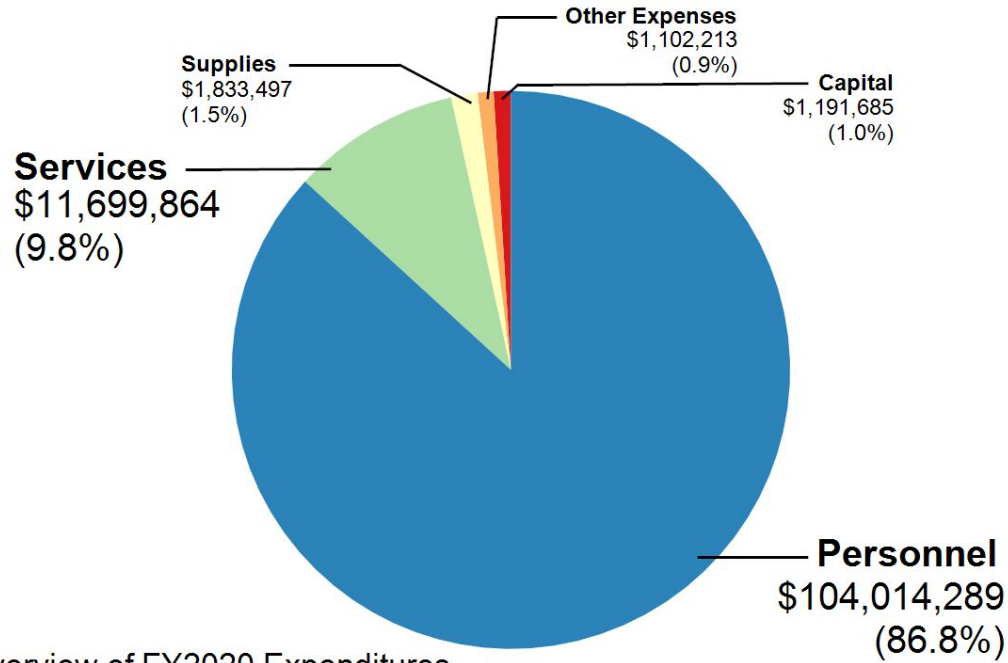


How did we get here?

Personnel Costs, Mandatory Services, and Enrollment Growth

- **Personnel**
 - PSB remained committed to maintaining **highly competitive personnel salaries** despite slower growth in town revenue.
 - Annual growth in personnel costs typically outstrips annual growth in revenue.
- **Special Education:** Mandated increases for In-District, Out of District tuition, Contracted Services, and Transportation larger than expected.
- **Enrollment Growth:** Maintenance of low student to staff ratios.





Overview of FY2020 Expenditures

87% of PSB expenditures are allocated to personnel.



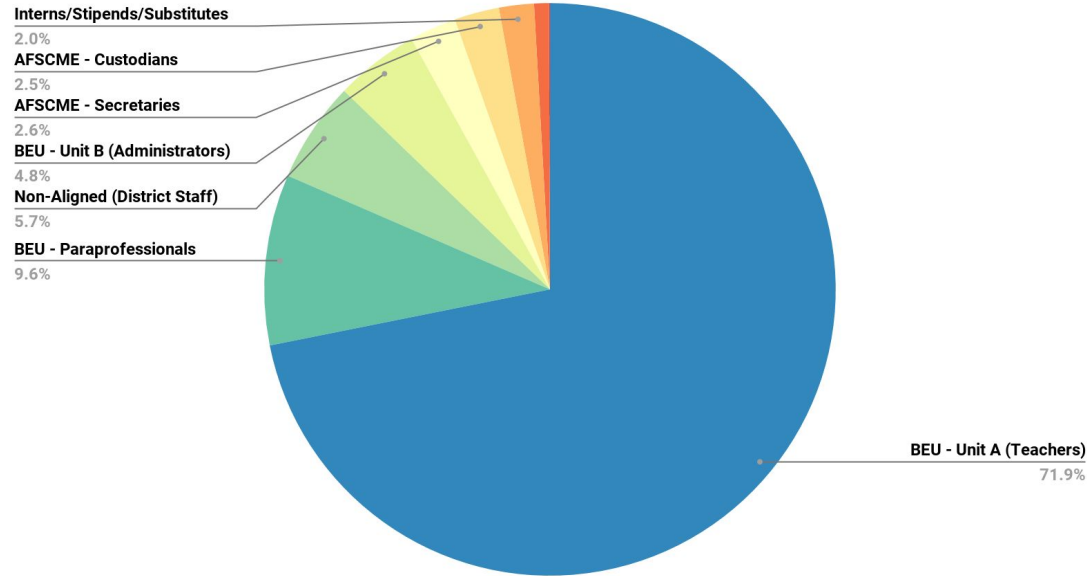
Summary of Expenses

| FY 2020 Budget Expenditures, Overview | | |
|---|----------------------|-----------------------------|
| <u>Expenditure</u> | <u>Amount Spent</u> | <u>Percentage Allocated</u> |
| Personnel* | \$104,014,289 | 86.8% |
| Services | \$11,699,864 | 9.8% |
| Supplies | \$1,833,497 | 1.5% |
| Other (Travel, etc.) | \$1,102,213 | 0.9% |
| Capital | \$1,191,685 | 1.0% |
| Total | \$119,841,548 | 100% |
| *Personnel <u>does not</u> include additional salaries created through Grants and Revolving Funds | | |

A decorative border of various colored pencils (red, purple, blue, teal, green, yellow, orange) is arranged around the central text on a light gray background.

Personnel Costs - PSB's Primary Budget Driver

FY 2020 Personnel Expenses, Broken by Group



95.2% of PSB personnel costs is union member compensation (BEU, AFSCME.)



Factors of Personnel Costs

- **Cost of Living Adjustment (COLA):** ~2% salary increase for every year of employment at PSB.
- **Steps:** ~3% to 5% salary increase for every year of employment at PSB, capped at 15-17 years.
 - Teachers who accumulate 7 years of service qualify for an additional one-time adjustment through **Double Steps**.
- **Lanes:** ~10% salary increase for completing academic coursework. Lane changes are one-time adjustments.

All of these adjustments are negotiated and approved through Collective Bargaining between the School Committee and BEU or AFSCME.



Who Qualifies for Annual Salary Increases?

| | COLA (~2%) | Steps (~3% to 5%) | Lane Changes (~10%) |
|---|---------------|----------------------|------------------------|
| BEU - Unit A (Teachers) | ✓ | ✓ | ✓ |
| BEU - Unit B - (VPs, Coordinators, Directors, and other Educational Leaders) | ✓ | ✓ | ✓ |
| BEU - Paraprofessionals | ✓ | ✓ | |
| AFSCME - Secretaries | ✓ | ✓ | |
| AFSCME - Food Services | ✓ | ✓ | |
| AFSCME - Custodians | ✓ | ✓ | |
| Non-aligned Staff - (Principals, BACE, Deputy Supt./Supt, HR) | ✓ | | |



Personnel Costs - Impact on the Budget is Greater than May be Obvious

Salary adjustments and increases are cumulative and compound with each other.

Annual Salary Increase Examples

Early Career (3rd year teacher with Master's Degree)

- In year 4, they received a **4.3%** salary increase through **Steps**.
- They received an additional **1%** salary increase on September 1st, and an additional **2%** on the 92nd day of school through **COLA**.
- This resulted in a **7.5%** annual salary increase.

| Year 1 (SY 2017-2018) | Year 2 (SY 2018-2019) | Net Change |
|--------------------------|--------------------------|------------------|
| \$63,168 | \$67,886 | +\$4,718 (+7.5%) |

Annual Salary Increase Examples

Mid-Career (7th year teacher with Master's Degree)

- In year 8, they received a **3.7%** salary increase through **Steps**.
 - Because they have accumulated 7 years of service at PSB, this teacher qualifies for **Double Steps** and receive an additional **3.5%** salary increase.
- They received an additional **1%** salary increase on September 1st, and an additional **2%** on 92nd day of school through **COLA**.
- This resulted in a **10.6%** annual salary increase.

| Year 1 (SY 2017-2018) | Year 2 (SY 2018-2019) | Net Change |
|--------------------------|--------------------------|-------------------|
| \$74,085 | \$81,948 | +\$7,863 (+10.6%) |

Annual Salary Increase Examples

Late Career (18th year teacher with Master's Degree)

- In year 19, they received a **0%** salary increase through **Steps** due to cap at 15-17 years.
- They received an additional **1%** salary increase on September 1st, and an additional **2%** on on 92nd day of school through **COLA**.
- This resulted in a **3%** annual salary increase.

| Year 1 (SY 2017-2018) | Year 2 (SY 2018-2019) | Net Change |
|--------------------------|--------------------------|----------------|
| \$96,307 | \$99,215 | +\$2,908 (+3%) |

Annual Salary Increase Examples

Lane Changes (9th year teacher with Master's Degree)

- In year 10, they earned thirty additional credits. They receive a **5.1%** salary increase through **lane change**.
- They received an additional **3.3%** salary increase through **Steps**.
- They received an additional **1%** salary increase on September 1st, and an additional **2%** on December 2nd through **COLA**.
- This resulted in a **11.9%** annual salary increase.

| Year 1 (SY 2017-2018) | Year 2 (SY 2018-2019) | Net Change |
|--------------------------|--------------------------|-------------------|
| \$79,546 | \$89,005 | +\$9,459 (+11.9%) |



FY 2018 - FY 2020

\$2.5 million

Total reductions PSB needed to make to balance the budget.

FY 2018 - Cuts Made to Lower Year End Deficit

- **\$1.3M of unbudgeted personnel costs led to a \$475k end-of-year deficit.**

Led to

- Borrowed money from FY 2019 accounts - Special Education and Benefits Reserves - to fund FY 2018.
- Reappropriated state funds from FY 2019 to FY 2018 (Chapter 70.)
- Required cuts in unspent expense line items.



FY 2019 - Cuts Made to Balance Budget

- \$1.3M needed to account for existing personnel costs from FY 2018.
 - Existing budget reductions in Special Education and Benefits Reserve.
 - Food services deficit accumulated from revolving funds.
- Led to
- Budget freeze from January - April 2019.
 - \$1.3M cut in expenses to account for personnel costs.
 - \$300k of additional unfunded personnel costs.
 - Redirected Circuit Breaker (State Aid for Special Education) funds.
 - Required cuts in unspent expense line items..



FY 2020 - Cuts in Planned Spending Required to Balance Budget

- Net Revenue available to PSB was \$514,000 less than projected in 2018 Override revenue.
 - Out of District tuition costs increased by \$826,000 over projection.
 - \$416,000 of Athletic Department costs moved to operating budget.
- Led to
- \$514k cut in expenses to account for lower revenue and increased expenses.
 - Cuts to planned spending included new teacher positions, supplies and materials, transportation, professional development, and personnel adjustments.





FY 2021

\$3.5 million

Total reductions PSB will need to make to balance the FY 2021 budget.

How did we get here?

Revenue Projections from the 2018 Override are at Risk.

What PSB requested: **\$9,817,099** over three years

What was approved by Voters: **\$8,375,132** over three years

What we actually received: **\$7,441,583** over three years

Current Variance between request and projected funding: **\$2,375,516**



Revenue Projections from the 2018 Override are at Risk.

- In FY 2019 and FY 2020, revenue relied on property tax levy.
- In FY 2021, revenue relies on **less dependable sources** of revenue, such as Marijuana sales, new hotel and other development, and parking fees.



Revenue Projections from the 2018 Override are at Risk.

What was approved by Voters: \$8,375,132

| | FY 2019 | FY 2020 | FY 2021 | Overall Change |
|---|----------------------------|--------------------------|--------------------------|----------------------------|
| Tax Levy Override - School Department | +\$1,944,574 | +\$3,139,505 | +\$389,563 | +5,473,642 |
| Tax Levy Override - Public Buildings | +\$200,000 | +\$200,000 | N/A | +400,000 |
| Health Insurance Savings - School Department and Public Buildings | +\$443,871 | N/A | N/A | +\$443,871 |
| Non Property Tax Revenue | N/A | N/A | +\$2,057,619 | +\$2,057,619 |
| <u>Total New Revenue</u> | <u>+\$2,588,445</u> | <u>+3,339,505</u> | <u>+2,447,182</u> | <u>+\$8,375,132</u> |

Where did this number come from?

| | |
|---|----------------------------|
| Revenue Projections Lower than Expected | -\$583,828 |
| Additional Expenses from Personnel Costs and Mandates | -\$969,993 |
| Restore Costs to Address Enrollment Growth | -\$703,243 |
| Unplanned Strategic Investments | -\$1,217,870 |
| <u>Total Deficit</u> | <u>-\$3,474,934</u> |



Where did this number come from?

| | Planned | New Mandates | Add Backs | Adjusted Total | Net Change |
|------------------------------------|--------------|----------------------|-------------------|---------------------|---------------------|
| Revenue | \$6,227,075 | -\$583,828 | N/A | \$5,643,247 | -\$583,828 |
| | | | | | |
| Personnel & Mandates | -\$4,761,889 | -\$840,668 | -\$129,325 | -\$5,731,882 | +\$969,993 |
| Costs to Address Enrollment Growth | -\$1,428,204 | -\$555,000 | -\$148,243 | -\$2,131,447 | +\$703,243 |
| Strategic Investments | -\$36,983 | -\$606,000 | -\$611,870 | -\$1,254,853 | +\$1,217,870 |
| <u>Overall Budget Request</u> | <u>N/A</u> | <u>-\$2,585,496)</u> | <u>-\$889,438</u> | <u>-\$3,474,934</u> | <u>-\$3,474,934</u> |

Revenue Projections Lower than Expected

Revenue Projections Lower than Expected

-\$583,828

- 2018 Override did not meet revenue projections in prior years.
- Loss of Revolving Fund/Other Revenue Offsets.
- Increase in Circuit Breaker Reimbursement over original projection.



Additional Expenses from Personnel Costs and Mandates

Additional Expenses from Personnel Costs and Mandates

-\$969,993

- Tuition Budget Increase.
- Legal Services.
- No changes in Steps Adjustments or Benefits Reserve.



Restore Costs to Address Enrollment Growth

Restore Costs to Address Enrollment Growth

-\$703,243

- Hire additional 18 FTE of teachers to maintain classroom ratios (~21 students per class) - 15 planned, 3 not funded in FY 20.
- Increase transportation services for Special Education and new contract for Regular Transportation.



Unplanned Strategic Investments

| | |
|---------------------------------|--------------|
| Unplanned Strategic Investments | -\$1,217,870 |
|---------------------------------|--------------|

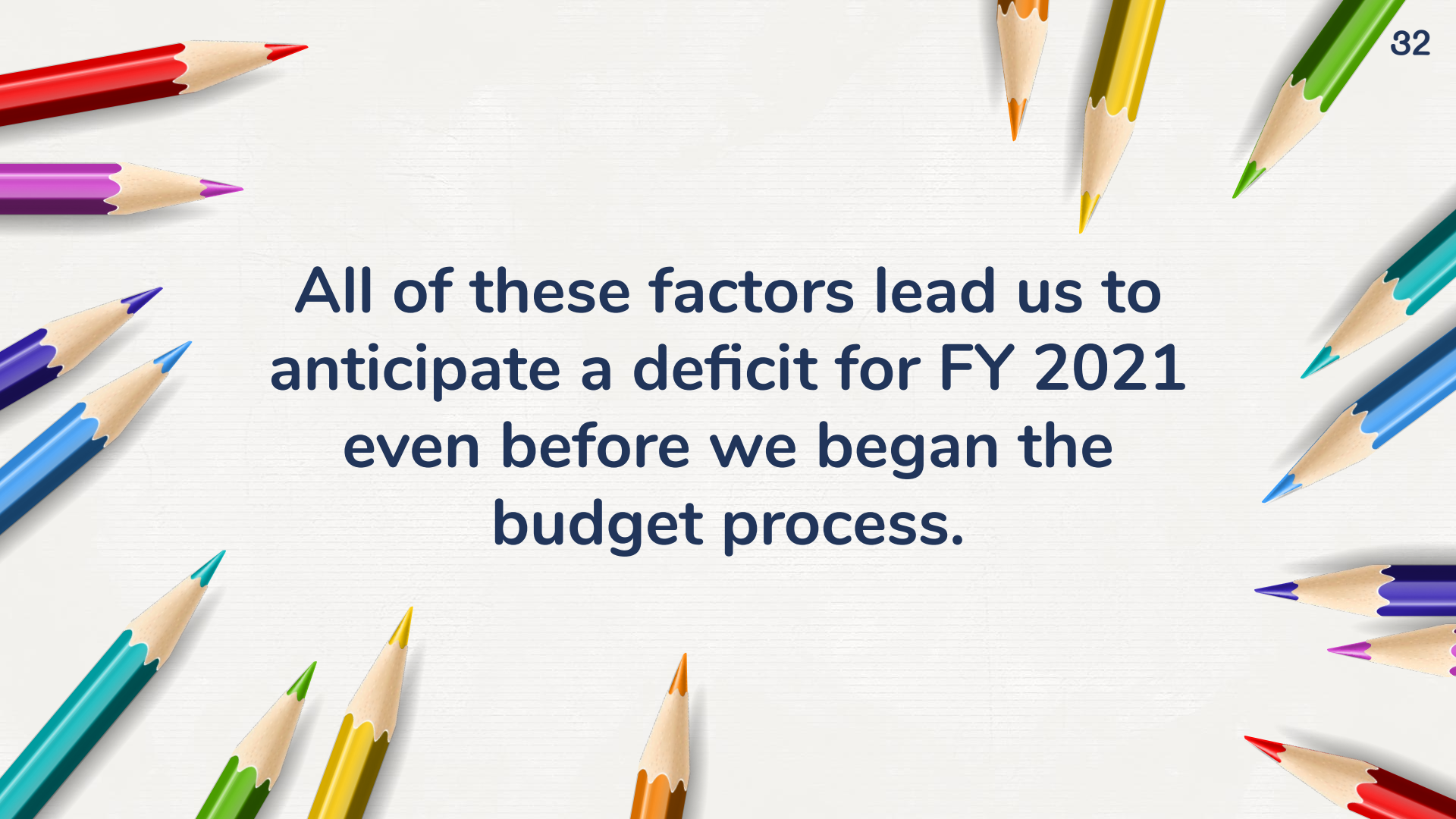
- Funds for Office of Educational Equity.
- Restore Expense Budgets (e.g. Supplies and Materials) and Professional Development Day.
- Operation Costs for Leased Buildings and Offices (Clark Road and Temples) and Building Dept. Repair and Maintenance of schools.



Returning Short-Term Cuts made in FY 2018 - FY 2020

- Since FY 2018, we have managed reductions in non-personnel expenses in order to balance the budget. **These cuts were short-term and are unsustainable.**
- We have exhausted all options to cut expenses through services and supplies from FY 2018 - FY 2020. **Any reductions made in the future will involve personnel.**



A decorative border of various colored pencils (red, purple, blue, teal, green, yellow, orange) is arranged around the central text on a light gray background.

**All of these factors lead us to
anticipate a deficit for FY 2021
even before we began the
budget process.**

2%/2%/\$1.25 Proposal

Current and Future Impact of BEU's Proposal



Impact on FY20 - FY23 Budgets

Because of Steps and Lanes, compounding, and the completion of the 2018 override, the impact is estimated to be far greater than a 2% COLA.



Impact on FY 2020 and Beyond - Total Salaries for BEU Personnel

| Operating Budget and Grants | Planned Personnel Budget | Personnel Budget including Proposal | Expected Deficit Increases by |
|--|--------------------------|-------------------------------------|-------------------------------|
| FY 2020 | \$94,550,101 | \$95,063,035 | -\$512,934 |
| FY 2021 | \$98,216,262 | \$99,174,903 | -\$958,641 |
| FY 2022* | \$100,599,267 | \$103,248,103 | -\$2,648,836 |
| FY 2023* | \$103,041,847 | \$107,117,024 | -\$4,075,176 |
| *Assumes that FY 2022 and FY 2023 budget only increases by 2.5% due to no overrides. | | | |



How could Future Budget Deficits be addressed?



How could cost savings affect our schools?

- ✗ **Class sizes** likely to increase.
- ✗ Reduction in **PSB Personnel**
- ✗ **Programs** could be reduced, consolidated, or eliminated.
- ✗ Cut or consolidate **courses with low enrollment**
- ✗ Ensure all teachers have **full teaching schedules** in alignment with the collective bargaining agreement



What is PSB doing now to address this?

- ✓ **Principals, Curriculum Coordinators, Directors** are collaborating together to find cost savings recommendations. - November - December
- ✓ These recommendations will be **reviewed with staff** at the school level - December
- ✓ **Interim Superintendent and Deputy Superintendents** will review all cost savings recommendations, and, where necessary, make final recommendations. - January



Steps from Here

- ✓ Proposals and recommendations for cost savings continue to be reviewed by principals, coordinators, directors, and deputy superintendents - *December and January*
- ✓ Revenue number finalized with Town - *December*
- ✓ School Committee gets Superintendent's recommended budget - *End of January*

