



THE PUBLIC SCHOOLS OF BROOKLINE
BROOKLINE, MASSACHUSETTS 02445

PHONE 617-730-2425
FAX 617-730-2108

ANDREW BOTT
SUPERINTENDENT OF SCHOOLS

MARY ELLEN NORMEN
DEPUTY SUPERINTENDENT
FOR ADMINISTRATION AND FINANCE

To: Andrew Bott, Superintendent
From: Mary Ellen Normen, Deputy Superintendent for Administration & Finance
Date: May 27, 2019
RE: FY 2019 3rd Quarter Report - Updated

Since FY 16, the School Department has been communicating about the structural deficits in our operating budget and revolving funds. FY 19 continues this trend. While the district does make progress each year to address these issues, larger efforts are required to reduce this structural problem. The district can no longer carry the structural deficit problem by managing the deficit through attrition and unexpended expense lines. By FY 21, the district will need to receive an infusion of funds to solve the \$1.5 – to \$2.0 million gap as the structural deficit is in payroll related accounts, including stipends, additional compensation, and substitutes. These accounts directly impact service to students. The current balancing of the budget took valuable teaching resources from the expense budgets of all departments.

The crux of the ongoing deficit in FY 19 is two-fold.

1. Funding the balance of cumulative annual revolving fund deficits for Athletics (~\$280,000), Food Service (~\$350,000), and other funds (~\$150,000). Without these cumulative fund balance deficits, FY 19 would be in balance. This office has instituted a one-time fix in FY 20 that should prevent a repeat of this problem in the future, and
2. Budgeting of additional compensation (stipends, overtime, etc.)~\$1.3m.

Beginning in FY 20, any additional work/time must be pre-approved, previously bargained, and budgeted as part of each fiscal year budget process. The Office of Administration and Finance, through Human Resources has instituted a process by which employees and supervisors confirm the acceptance and offering of a stipend prior to work being started. This process will ensure that funds are available, the employee knows the rate and amount to be paid, and the supervisors can monitor that work is completed. This is a significant cultural transition for the district, requiring identification of funds available prior to work beginning.

The summary budget tables show how unplanned and unforecasted payroll, revenue, and revolving fund deficits can change the budget outlook in a matter of a few payrolls.

School Committee Action Requested:

Motion to approve the following transfer.

Increase various payroll accounts a total of \$1,360,823 and Contracted Services accounts a total of \$125,754 by reducing various Supply (\$446,290), Other (\$750,890), and Capital (\$462,822) accounts.

The transfer does not balance the budget. A formal recommendation will be made to the School Committee to make a request for a Reserve Fund transfer or other form of fiscal relief prior to the last payroll of the fiscal year. The amount will be known as we close out payroll and test our payroll projection against the last five payrolls of the fiscal year.

3rd Quarter Financial Summary

The 3rd quarter summary below shows that the school department with a budget freeze and management of personnel costs still are in an overrun position after much work identifying stipends and additional compensation was completed. However, the balance was still manageable even with the projected tuition deficit (see attached memo).

As of March 31, 2019

		FY19 Override Budget Request	Operating Budget	Transfers	Revised Budget	Actual	Projected Future Expenditures	Projected Balance	Special Revenue Funds
Program	Exp.								
Gross School Dept. Budget	Personnel	\$98,478,448	97,272,795	1,344,432	98,617,227	70,581,145	28,461,625	(425,542)	\$1,205,653.01
Expenditures	Services	\$10,542,721	8,854,295	138,402	8,992,697	5,631,124	2,964,738	396,834	\$1,688,426.20
	Supplies	\$2,051,297	2,051,295	(409,729)	1,641,566	1,071,598	276,771	293,197	\$2.33
	Other	\$1,288,570	1,278,221	(722,529)	555,692	235,717	64,610	255,365	\$10,349.00
	Utilities		10,350	-	10,350	4,523	5,827	-	(\$10,350.00)
	Capital	\$1,364,723	1,364,723	(523,999)	840,724	808,187	22,591	9,946	\$0.00
	Total	\$113,725,760	110,831,679	(173,423)	110,658,256	78,332,292	31,796,162	529,800	2,894,081

The table below, updated through May 27, shows a dramatic shift in funds available. In two months with the addition of stipends both funded and unfunded, the district was close to a balanced budget with a balance of \$525k to now \$651k in deficit. Both reports include paying the balances on all revolving fund deficits (Athletics, Food Service, BHS Summer School, and Grants Match). While the growth of the personnel accounts by ~\$600k was not anticipated, the reduction of the Supplies and Other categories is notable, but not surprising. Due to the freeze being lifted, it was essential for departments to order end of year supplies and materials.

As of May 27, 2019

		FY19 Override Budget Request	Operating Budget	Transfers	Revised Budget	Actual	Projected Future Expenditures	Projected Balance	Special Revenue Funds
Program	Exp.								
Gross School Dept. Budget	Personnel	\$98,478,448	97,272,795	1,360,823	98,633,618	89,606,580	10,116,856	(1,089,818)	\$1,205,653.01
Expenditures	Services	\$10,542,721	8,854,295	125,754	8,980,049	7,070,597	1,738,051	171,401	\$1,688,426.20
	Supplies	\$2,051,297	2,051,295	(446,290)	1,605,005	1,282,308	254,970	67,728	\$2.33
	Other	\$1,288,570	1,278,221	(750,890)	527,331	263,277	71,114	192,940	\$10,349.00
	Utilities		10,350	-	10,350	5,308	5,042	-	(\$10,350.00)
	Capital	\$1,364,723	1,364,723	(462,822)	901,901	859,543	35,630	6,728	\$0.00
	Total	113,725,760	110,831,679	(173,425)	110,658,254	99,087,613	12,221,662	(651,020)	2,894,081

Managing Expectations and the FY 19 Budget Deficit:

In order to balance the FY 19 budget, including anticipated additional student services expenses, ~\$1.3 million was transferred from various accounts in order to ensure that enough resources are available to end FY 19 in no deficit. A full budget freeze began on January 25 and has continued through the end of the year. The budget closed as originally announced on May 1.

However, a quick snap shot of expenditures through the end of May has shown that the transfers have not held off the deficit. We are now facing a \$651K deficit. We are double-checking the projection data being used to be sure that the tool we have built is as accurate as possible. We are monitoring payroll each week and the projection tool we are using to be sure that we do not have a formula error that is predicting a greater or lesser deficit than what will happen over the last 5 payrolls of the fiscal year (2 bi-weekly and 5 Weekly). In order to resolve the stipend driven cost overruns in the FY 19 budget, the FY 20 budget clearly states all stipends that are funded. If a stipend does not appear in the budget document, it is not funded and will not be posted. The Substitute lines are also over budget and harder to control and manage, as we cannot predict when people are out sick or on leave. Ongoing review and monitoring of these accounts is in place for the balance of FY 19 and moving forward in FY 20.

FY 19 Budget Update/Status (\$254,699 Chapter 70 revenue & \$173,424 budget reduction)

November 2018 Special Town Meeting voted to use FY 19 school funds to balance the FY 18 deficit. The district did not receive its share of \$254,699 in new Chapter 70 Aid and had a budget reduction of \$173,424 (Benefit Reserve and \$119k from Special Education Contingency) that would otherwise have been available to help manage the FY 19 budget deficit. While we believe, the state has made a promise of additional Circuit Breaker funds for FY 19, those resources have yet to be confirmed or materialize. The FY 18 Claims submitted by the Special Education Department only netted us \$81k over our FY 19 budget estimate. While great news, and the Office of Student Services is to be applauded for their work, that \$81K now has to be used to back fill the budget cut of \$119k to the special education contingency that was voted at the November 2018 Special Town Meeting to balance the FY 18 budget deficit.

The district has continued to operate in FY 19 with a structural deficit. Town revenue growth is not keeping pace with our expenditure needs. Identification of additional budget reductions is essential to balance the FY 19 budget. The causes of the FY 19 deficit are:

1. Revenue offsets that are no longer allowed or viable, first identified as problematic in FY 17 (\$358,680 – Other Revenue and \$150,6800 BACE & Food Service Revolving Funds);
2. An increase in personnel costs, due to the 1-2% of growth due to positions added after budget vote;
3. Out of District Tuition Budget (16% increase over Budget FY 19); and
4. The ongoing structural deficit and revenue problems (collection and fee) in Athletics \$280,000 and Food Service (\$256,000 Cumulative; \$92,000 FY 19)
5. At the end of the freeze, the district transferred 10-12% from Expense Budget forcing a reduction (Supplies, Services, Other, Utilities, Capital).

Out of District Tuition:

Please refer to the memorandum attached regarding changes in out of district tuition. As of May 29, 2019, the projected deficit has been covered and the tuition budget is in balance as reflected in the budget summary tables on page 1.



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 BROOKLINE, MASSACHUSETTS 02445

PHONE 617-730-2425
 FAX 617-730-2108

CASEY NGO-MILLER
 INTERIM DEPUTY SUPERINTENDENT FOR
 THE OFFICE OF STUDENT SERVICES

MICHAEL D'ONOFRIO
 FINANCE MANAGER FOR THE OFFICE
 OF STUDENT SERVICES

TO: Andrew Bott, Superintendent of Schools, Mary Ellen Dunn, Deputy Superintendent for Administration and Finance, Casey Ngo-Miller, Interim Deputy Superintendent for the Office of Student Services

FROM: Michael D'Onofrio, Finance Manager, Office of Student Services

RE: 3rd Quarter Out of District Tuition Projection

DATE: April 10, 2019

The memo serves as an update on the FY2019 Projection for Out of District Tuitions. The 2nd Quarter report, as detailed in the FY2020 Budget book, showed a deficit of \$788K against the FY19 Budget. This was based on an additional 15 students placed after the budget was finalized, between February of 2018 and December of 2018.

9000 Series	Programs with Other School Districts	FY2018 Head Count	FY2018 Budget	FY2018 Actual	FY2019 Budgeted Head Count	FY2019 Budget	FY2019 Head Count	FY2019 Projection	Variance (Head Count)	Variance \$
9100	Tuition to Mass. Schools	4	\$ 240,379	\$ 284,891	3	\$ 116,742	1	\$ 45,239	(2)	\$ 71,503
9200	Tuition to Out-of-State Schools	1	\$ 392,304	\$ 13,332	3	\$ 165,316	4	\$ 247,809	1	\$ (82,493)
9300	Tuition to Non-Public Schools	52	\$ 4,447,997	\$ 4,724,225	46	\$ 4,187,258	61	\$ 4,959,999	15	\$ (772,741)
9400	Tuition to Collaboratives	1	\$ 63,630	\$ 154,656	1	\$ 62,407	2	\$ 66,484	1	\$ (4,077)
Total		58	\$ 5,144,310	\$ 5,177,104	53	\$ 4,531,723	68	\$ 5,319,531	15	\$ (787,808)

The 3rd Quarter Projection has risen by \$297K since December.

9000 Series	Programs with Other School Districts	FY2018 Head Count	FY2018 Budget	FY2018 Actual	FY2019 Budgeted Head Count	FY2019 Budget	Q3FY2019 Head Count	Q3FY2019 Projection	Variance (Head Count)	Variance \$
9100	Tuition to Mass. Schools	4	\$ 240,379	\$ 284,891	3	\$ 116,742	1	\$ 45,239	(2)	\$ 71,503
9200	Tuition to Out-of-State Schools	1	\$ 392,304	\$ 13,332	3	\$ 165,316	5	\$ 324,783	2	\$ (159,467)
9300	Tuition to Non-Public Schools	52	\$ 4,447,997	\$ 4,724,225	46	\$ 4,187,258	63	\$ 5,126,122	17	\$ (938,864)
9400	Tuition to Collaboratives	1	\$ 63,630	\$ 154,656	1	\$ 62,407	2	\$ 121,006	1	\$ (58,599)
Total		58	\$ 5,144,310	\$ 5,177,104	53	\$ 4,531,723	71	\$ 5,617,150	18	\$ (1,085,427)

This increase is due to a mix of factors.

Primarily, 3 additional students were placed out, at a cost of \$235,145. These students were on our watch list, but unfortunately could not remain in our in-house programs.

Additionally, one of the programs that had applied for Reconstruction was approved, increasing that school's cost by \$10K.

Third, we agreed to a settlement that had a retroactive component. We were able to negotiate a Per-Pupil amount (\$19,650) that saved us \$34K more than the unilateral placement tuition cost, but this added to the bottom line.

Finally, we had two students who moved from current Out of District placements to more restrictive, and, correspondingly, costly ones. This represented a projected increase of \$33K for the remainder of the year.

To address these increases, we have fully utilized all of our remaining contracted services and reserve funds available to us. While we have remained vigilant against additional spending, particularly with the hiring of additional paraprofessionals requested by principals, but also in non-salary areas as in supplies and outside evaluations, it is unreasonable to expect that no IEP-driven needs will happen over the next 3 months. More concerning is that there are usually a small number of students who may disrupt their in-house program, and need to be placed in either a 45-day evaluation or permanent out-placement. We will continue to try to hold the line whenever possible in an effort to minimize any expenses over the final quarter, but additional funding may be necessary to close the year.