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FOR ADMINISTRATION AND FINANCE

TO: School Committee
Andrew Bott, Superintendent
FROM: Mary Ellen N. Dunn, Deputy Superintendent for Admin and Finance
DATE: November 2, 2018
RE: FY 19 Budget Update

The Public Schools of Brookline budget is anticipating a working preliminary structural deficit for FY 19. Some of the items being identified are a result of the FY 18 budget deficit. The first quarter financial report is still being developed due to the level of unknown funded compensation in the FY 18 budget.

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

Be it confirmed, November 2018 Special Town Meeting is using FY 19 school funds to balance the FY 18 deficit. The district is not receiving its share of \$254,699 in new Chapter 70 Aid and will have a budget reduction by \$173,424 (Benefit Reserve and \$119k from Special Educ Contingency) that would normally be available to help our FY 19 budget problems. 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 FY18 Claims submitted by the Special Education Department only netted us \$81k over our FY 19 budget estimate. While great news and the department applauded for their work, it is not without the fact that the \$81K now has to be used to back fill the budget cut of \$119k to special education contingency.

FY 19 Known Deficit Issues (\$1.112 Projected)

Revenue Offsets: (\$358,680)

Most concerning is that the \$358,000 revenue offset appears to no longer be viable. Offsets for operating budget expenditures from a variety of special revenue funds no longer produce year end balances. In some cases, the operating budget needed to make up a net of \$118,519 in expenses for these funds. In addition, the district had to encumber \$364,527 in reserve for \$97,000 in late payroll submission after July 5, \$127,526 in accumulated deficits in the 21st Century/Innovation Fund account. \$50,000 for anticipated unknown payroll the district anticipates to be turned in as the school year begins, and \$90,000 for invoices that do not have requisitions or purchase orders prior to the year closing.

Revolving Funds: (753,827)

Athletics and Food Service Revolving Funds are two funds requiring review of their funding and expenditure structures. The FY 18 Budget was required to fund a new high in their historical deficit.

Over \$280k was transferred from the Athletics Revolving Fund for salaries to the Operating budget to end the revolving fund in balance. Food Service requires a subsidy this year of \$91,827 for the FY 19 Food Service program deficit and an additional \$257K to fund Prior Year accumulated Food Service Deficits where program revenue did not match program expenditures year over year and depleted fund balance. In addition, the district anticipates \$125,000 in Grants Match for Indirect Costs that was pulled out of the federal grants in FY 18 and not funded. There are other funds with smaller negative balances that require clarification of purpose, revenue collection, and expenditures.

Operating Budget: Leadership continues to monitor for unknown Deficit Issues

- Pre- programmed budget amount for Salary Savings \$(800,000),
- Substitutes and Leaves of Absences,
- All salary/personnel accounts fully funded for support and services historically provided,
- Status of Special Education Tuition and Contracted Services, and
- Status of Special Education Transportation

Change in Practice for FY19

In order to prevent, curtail, or be forewarned about the scope and magnitude of any future deficit the following will be in place for fiscal year close

1. All Operating Budget and State Grants will close for ALL spending, excluding regular compensation on May 1.
2. Federal Grants and Revolving Funds will close for ALL spending, excluding regular compensation on June 1.
3. All professional development workshops that will be conducted after May 1 will be encumbered against the workshop payroll account until such time as the sign in sheets are received by June 30 and paid through payroll.
4. Ongoing work to identify all additional compensation will continue. Each will be reviewed to confirm funding. Ideally, prior to work being completed. If funding is not available, and it is a reoccurring expenditure, funding will be identified and added to the FY 20 budget.
5. Additional process, procedures, systems will be reviewed during the summer and training developed and delivered to administrative assistants and budget managers throughout the school year.

Change in Practice for FY 20

All Grants and Revolving Funds will be budgeted as part of the FY 20 budget document to advance knowledge for unsupported expenditures by revenue. Grants will be monitored for impact of level funded grant awards. Revolving Funds will be monitored, and fee increases requested.