

PSB FY24 Q3 BUDGET UPDATE - May 15, 2024

In March, the Finance Team became concerned because there were insufficient funds in the non-salary accounts to process the volume of requisitions that were being entered in the system. At that time, Budget Managers were asked to review all open PO's and, where possible, adjust them to reflect anticipated needs for the remainder of the year. They were also asked to provide a list of essential needs that were not yet encumbered on a PO and send in any timecards for extra compensation that had not yet been processed, as well as project any additional extra compensation that would be needed before the end of June. Based on the information provided, the Finance Department is forecasting that PSB will be \$1,709,286 over budget by the end of the year. Here are the FY24 hotspots driving this overage:

	Budget	Proj. Expense	Variance
Contracted Services			
Legal	225,000	450,000	225,000
Professional Services	2,490,747	3,000,533	509,786
Transportation (OSS)	2,920,291	4,560,544	1,640,253
Tuition	4,606,248	4,965,689	359,441
Claims/Settlements	250,000	738,811	488,811
Paraprofessional	10,899,089	12,160,358	1,261,269
ESY & HS Summer Programs	18,500	140,211	158,711
Additional Compensation	TBD		

Due to cost overruns in these areas totaling \$4,643,271, spending in other areas has been suspended for the remainder of the year. Unspent funds from all other accounts mitigate the overall impact of the overages noted above, leading to the projected \$1,709,286 deficit.

To complete the year, there are several actions that will need to be taken.

1. As of May 15th, the amount of money accessible in the non-salary accounts is \$69,628. To complete the year, an estimated \$1,252,798 must be encumbered to cover expenses that must be paid. To enter these PO's into the system we will need to transfer \$1,200,000 from the salary to the non-salary account.
2. We will continue to encourage Budget Managers to review, modify, and close out PO's so the Finance Team has a clear picture of actual spending needs for the remainder of the year.
3. We will identify other funding sources that can be used to mitigate the cost overrun in FY24 and provide an updated report of our progress in June.
4. If we are unable to close the deficit, we will seek a reserve fund transfer at the end of the year to cover the final cost overrun in FY24.

Going forward, the following internal controls, if implemented and followed by Budget Managers and staff, will increase the visibility of potential problem areas earlier in the year. This will allow the administration to manage resources proactively within the appropriation provided by the Town.

1. Position Control
2. Budgeting for Additional/Extra Compensation
3. Contract Approval and Oversight
4. Purchase Order Management
5. Accounting Access Privileges

Position Control

A common internal control used to manage staffing is a position control system. This system connects positions approved in the budget to an account number, funding source, location, position title, and position type. Each position that is approved in the budget is assigned a position control number. To hire a person, there must be an unoccupied position control number.

In FY24, the staffing plan that aligned to the approved budget was not finalized, and therefore, a position control system was not able to be implemented. The information shared during the transition from one administrative team to the other was scarce, making it difficult to identify what positions were approved in the budget and how the positions related to staff on payroll. To complicate matters further, the account codes were changed and a map from the old system to the new system was not provided when the new team took over last summer. Last, documentation was lacking for staff separating from service. In some cases, HR was not notified that staff had resigned; therefore, termination paperwork was not processed. In other cases, personnel action forms were not processed by HR for staff separating from the District, which triggers the termination process in Munis. Without having an accurate roster of positions, a viable position control system mapped to FY24 account codes and staff, and clear and comprehensive documentation related to separations and hiring, there was no clear baseline from which to monitor the FY24 budget.

In short, to manage human and financial resources, there must be a staffing plan connected to the financial plan using a position control system. If an unanticipated situation arises that requires the addition of a position, the Deputy Superintendent of Administration and Finance should be contacted immediately to identify a funding source for the position and, if necessary, seek approval from the School Committee to add a position prior to advertising and hiring staff. When positions are eliminated, the position control number should be eliminated and a log of retired numbers should be maintained. In addition, Budget/Hiring Managers and the HR Team must follow proper protocols for hiring and exiting staff. New staff should not start employment without completing the hiring process through the HR department, and position control numbers should be included on all personnel action and requisition forms moving forward.

The FY25 budget was created with a staffing plan tied to the budget. Every position approved in the FY25 budget has been assigned a position control number (PCN), and positions are not being posted unless the PCN is associated with an open position. A new personnel action form (PAF) has been created and is being used to track changes, and the staffing plan with PCN numbers have been shared with district and building leaders. The Deputy Superintendent of

Administration and Finance has met with the District Leadership Team several times over the year to review these protocols to ensure there is a common understanding of expectations, roles, and responsibilities.

Budgeting for Additional/Extra Compensation

A significant amount of time was spent this year creating the staffing plan and position control system to ground funding to programs and staff. During this data gathering process, forms of extra compensation (longevity, vacation buyback, uniform and travel allowances, etc.) noted in employment contracts were captured in the FY25 spending plan. What was not fully captured in FY25 were costs related to after school and extended school year programs, and other payments made to staff for additional duties and responsibilities beyond their primary role. Programs that fall within this category include the calculus project, summer school programs, co-curricular programs (homework clubs, affinity groups, before school supervision, school play, etc.) as well as stipends for mentoring, child study groups, A/P and MCAS proctors, curriculum and professional development, training programs, etc.

In order to anticipate and monitor spending, a budget must be created for all programs offered to students and staff. Without a baseline of defined program expenses, it is not possible to anticipate spending and monitor costs. The HR and Finance Teams are in the process of identifying all forms of extra pay by program and location so that spending from FY24 can be compared to the funding available in FY25. Budget Managers will be provided with this information this summer so that they can make informed decisions about what programs/activities to offer within their funding allotment.

Consistent and timely submission of timecards for extra compensation has been problematic and prevents the Finance Team from being able to forecast costs as well as exposes the District to paying penalties for treble damages. For these reasons, Program Managers and staff must take responsibility for submitting weekly timesheets for services rendered.

To date, it is unclear whether the Finance Team has captured all of the actual or potential additional compensation in the FY24 projections. Based on what is known at this time, it does not appear that there is adequate funding in the FY25 budget to pay for all the programming offered this year (see additional discussion below in “Impact of FY24 Projected Deficit on FY25 Budget Planning”).

Contract Approvals and Oversight

Contracted services are used to engage the services of outside vendors to perform work that our professional staff are unable to provide, either due to vacancies or a need for particular expertise. When these situations arise, Budget Managers need to work with the Deputy Superintendent of Administration and Finance to develop a contract that clearly defines the scope of the work to be performed, the deliverables to be provided, the timeline for the work, the total amount of money to be expended under the contract, the source of funding for the project and the frequency of invoicing, among other things. This contract must be signed by both the vendor and the Deputy Superintendent before it is considered valid by the Town’s

procurement department. Once the contract is signed, a purchase order must be entered before work can begin. When this process is followed, there is no difficulty with payments, since the funds are identified and secured in advance of the work. The Budget Manager can monitor spending against the contract by watching their PO balances. On a quarterly basis, Budget Managers should close out POs for work completed, and if additional money beyond the contract amount is required, the Deputy Superintendent should be contacted so an addendum can be authorized and the PO can be adjusted.

In FY24, many vendors began work well in advance of having a valid contract signed by the Deputy Superintendent of Administration and Finance and a PO issued by the Town's Procurement Office. Without a PO, invoices submitted by vendors cannot be paid. During the winter and early spring, a significant volume of POs were entered into the system to back pay invoices. As previously mentioned, when this occurred in March, there was insufficient capacity available in the budget to execute POs. Related, there were multiple instances where vendors submitted invoices in excess of the contract. If additional services are needed, a contract addendum should be issued and the PO should be modified to reflect the revised scope of services and related costs.

Purchase Order Management

There has been a long standing practice of keeping purchase orders open across fiscal years. This creates confusion when managing resources and spending. Purchase orders should be closed by the end of the fiscal year except in very limited circumstances (i.e., June invoice for transportation arrives in July). Budget Managers should right size PO balances as the end of the year approaches to reflect expenses through the end of June, and no more. Beginning in FY25, the Comptroller's Office has stated that all FY24 purchase orders will be closed by September 30. This will simplify budget management by not having two fiscal years open simultaneously once the school year is underway, and spending for the prior fiscal year will be properly captured in the correct fiscal year.

As mentioned previously, it is essential that no orders are placed for goods or services without an approved purchase order in hand. If the purchase order precedes all orders and requests for services, there will never be a problem with prompt payment because the purchase order sets aside funding and approval of the activity ahead of time. Delayed payments and aggravated vendors are a result of not having purchase orders in place before orders and requests for services happen. During FY25, we will work with the Budget Managers to strengthen their skills in the area of purchase order management.

Accounting Access Privileges

Last, account management functions in Munis and access privileges to sensitive personal data and higher level financial management features should be limited to the proper personnel in the Finance Department. There is some data that the HR team must have rights to perform in Munis as well, but on a more targeted basis. Staff outside of these two departments should not have the ability to view or change information in the system.

In FY25, access to data in Munis and the ability for staff outside of the Finance Team to reclassify expenses, make budget adjustments, change staff pay, view or access personal information, create accounts, etc., within the Munis system will be prohibited. There are operating procedures in place for Budget Managers to make requests for transfers, and these actions should not be allowed without the review and approval of the Finance Director. This will ensure that sensitive employee data is not accessible to others and will stop staff outside of the Finance Department from transferring money between funds and accounts.

IMPACT OF FY24 PROJECTED DEFICIT ON FY25 BUDGET PLANNING

During the FY25 budget development process, it became apparent that the FY24 budget for transportation, tuition, and settlements in the special education department was insufficient to cover the costs and commitments for the year. With this in mind, the FY25 budget already includes significant funding increases in these areas based on the projections provided by the Office of Student Services.

	FY24 Overage 5.14.24	FY25 Increase
Transportation	\$1,640,253	\$863,174
Tuition	359,441	697,311
Claims/Settlements	<u>488,811</u>	<u>236,080</u>
	\$2,488,505	\$1,796,485

In addition to the non-salary cost overruns in FY24, funding for paraprofessionals and compensation for additional responsibilities (coaching, co-curricular program advisors, extra duties, stipends, summer school, etc.) are underfunded in FY25 based on data available at this time.

	FY25 Overage
Paraprofessional	\$400,000*
Additional Compensation	TBD
FY24 Summer Programming	\$158,711 + TBD

*12 Positions

We are continuing to analyze the data from FY24 and its impacts on FY25 budget planning and will have more information to the School Committee as soon as it is available.

PUBLIC SCHOOLS OF BROOKLINE
FY24 BUDGET STATUS REPORT as of April 30, 2024

SCHOOL OPERATING BUDGET	AMENDED BUDGET	EXPENDED	ENCUMBERED / PROJECTED	SURPLUS/ (DEFICIT)
Personnel Expense	113,843,865	92,211,499	22,138,026	(505,660)
Non-Salary Expense				
<i>Outside Services/Contract</i>	12,943,792	10,957,249	4,203,006	(2,216,463)
<i>Supplies and Materials</i>	2,286,832	1,297,773	278,407	710,652
<i>Other Expenses</i>	354,839	245,300	64,336	45,203
<i>Utilities (Gasoline)</i>	10,250	6,105	3,895	250
<i>Equipment & Leases</i>	1,262,798	1,004,845	1,220	256,733
Total Non-Salary Expense	16,858,511	13,511,272	4,550,865	(1,203,626)
TOTAL School Operating Budget	130,702,376	105,722,771	26,688,891	(1,709,286)

**Special Revenue Funds
as of April 30, 2024**

FEDERAL GRANTS	FY23 Year End FUND BALANCE	FY24 Budget Estimate	FY24 Approved Budget	FY24 Revenue to Date	Expended to Date	Encumbered to Date	Balance to Date
ESSER							
ESSER II	325,060	-	325,060	-	295,681	-	29,379
ESSER III	60,562	-	60,562	-	60,562	-	-
TOTAL ESSER	385,622	-	385,622	-	356,243	-	29,379
Title 1 FY24	(32,054)	256,431	674,545	165,334	225,423	66,101	383,021
Title 1 FY23			144,144	107,734	19,001	1,752	123,391
Title 1 FY22			21,920	-	4,702	-	17,218
Title IIA FY24	77,892	93,524	129,527	-	97,134	32,393	-
Title IIA FY23			74,306		65,566	8,741	-
Title IIA FY22			11,082	-	699	-	10,383
Title III FY24	71,469	112,344	134,884	9,049	8,650	3,681	122,552
Title III FY23			85,334	62,155	73,902	1,865	9,568
Title III FY22			23,058	-	20,286	-	2,772
Title IV-A Student Support FY24	11,268	20,958	18,818	-	18,818	-	-
Title IV-A Student Support FY23			20,499	-	20,499	-	-
IDEA FY24	188,504	2,277,428	2,446,210	155,340	1,053,172	277,420	1,115,618
IDEA FY23			865,337	865,337	918,756	47,526	(100,945)
IDEA FY22			144,430	-	138,854	-	5,576
ARP-IDEA	109,101	-	109,101	-	57,725	-	51,376
Early Childhood FY24	328	38,643	40,365	-	-	-	40,365
Early Childhood FY23			1,085	3,858	44,175	-	(43,090)
ARP - Early Childhood	1,186	-	1,186	-	943	-	243
Perkins FY24	29,699	50,176	71,147	-	27,014	3,432	40,700
SEL and Mental Health FY24	4,907	-	80,013	9,438	12,541	5,626	61,846
SEL and Mental Health FY23			20,800	35,415	20,800	-	-
Chronic Absenteeism Initiative			10,000	10,000	-	-	10,000

	FY23 Year End FUND BALANCE	FY24 Budget Estimate	FY24 Approved Budget	FY24 Revenue to Date	Expended to Date	Encumbered to Date	Balance to Date
STATE GRANTS							
Circuit Breaker	3,156,936	3,475,572	3,156,936	1,796,857	2,281,104	864,010	11,822
METCO	18,425	2,291,283	2,354,849	1,362,044	1,655,476	171,878	527,495
METCO Targeted PAC	-	-	400,520	400,520	400,520	-	-
SEL and Mental Health FY23	(12,150)	-	27,200	19,828	27,200	-	-
Investigating History Pilot FY24	(3,497)	-	16,900	14,388	14,388	-	2,512
Investigating History Pilot FY23			-	3,497		-	-
Enhanced School Health Services F	35,747	100,000	100,000	50,000	76,505	737	22,758
Coord. Family & Com. Engagement	10,381	139,874	139,874	114,102	103,465	4,496	31,913
MCC Stars Residency Program	475	-	475	-	-	-	475
Civics Teaching/Learning FY24	(6,869)	-	60,000	29,830	9,161	10,532	40,307
Civics Teaching/Learning FY23			36,950	25,266	18,397	7,225	11,328
Hate Crime Prevention	(34,957)	-	-	34,957	-	-	-

	FY23 Year End FUND BALANCE	FY24 Budget	FY24 Available Funds	FY24 Revenue to Date	Expended to Date	Encumbered to Date	Balance to Date
PRIVATE GRANTS							
Steps to Success	14,040	10,400	10,400	-	-	-	10,400
BU Consortium	4,373	-	4,373	-	-	-	4,373
BU Saudi Teachers	22,508	-	22,508	-	-	-	22,508
Kraft Opportunity fund	78,256	-	78,256	-	6,584	4,307	67,365
Whipple Writing Fellowship	51,450	26,150	51,450	24,000	20,517	76	30,857
Brookline Education Foundation	23,447	123,568	123,568	-	73,147	6,700	43,721
HS Innov. Fund (Teacher Mentorin	173,017	307,853	307,853	154,630	229,870	-	77,983
BCF Racial Equity	-	50,000	50,000	-	-	-	50,000
Project Bread	1,687	-	1,500	-	1,200		300
	4,440,497	9,374,204	12,523,856	5,453,578	8,169,634	1,518,497	2,835,726

REVOLVING/GIFT/FEES	FY23 Year End FUND BALANCE	FY24 Budget	FY24 Available Funds	FY24 Revenue to Date	Expended to Date	Encumbered to Date	Balance to Date
Food Services	1,106,715	3,444,619	1,106,715	2,868,551	3,167,395	347,491	460,380
BEEP	2,023,510	2,960,113	2,023,510	2,254,635	1,630,419	16,080	2,631,646
BACE	371,111	747,639	371,111	516,089	645,505	43,695	198,001
Summer School	27,390	-	27,390	13,960	6,550	-	34,800
Tuition & Materials Fee	691,159	600,000	691,159	507,534	140,648	402,349	655,696
Athletics - High School	258,813	510,000	258,813	372,783	395,847	82,831	152,918
Athletics - K-8	29,715	25,000	29,715	36,478	30,317	1,260	34,616
Use of Facilities	36,905	383,316	36,905	275,222	220,213	-	91,914
HS Restaurant	98,949	127,413	98,949	105,306	114,644	8,925	80,686
Bus Transportation	29,682	48,000	29,682	-	180		29,502
Academic Testing	18,571	105,000	18,571	12,913	12,944	3,138	15,401
Lost Book Recovery	13,622	-	13,622	350	2,325		11,646
Culinary Arts Material Fees	5,033	25,000	22,973	17,940	15,238	3,675	21,999
Industrial Arts Materials Fee	5,038	14,000	5,038	370		-	5,408
Performing Arts Materials Fees	2,114	14,000	2,114	13,063	6,312	7,331	1,534
Visual Arts Material Fees	8,220	11,000	8,220	14,035	10,420	580	11,255
BEEP Gift Account	51,482	-	51,482	2,500	-	-	53,982
K-8 Gift Accounts	32,536	-	32,536	5,095	4,094	-	33,537
High School Gift Accounts	36,896	-	36,896	11,560	8,463	591	39,402
High School Social Work Gift Account	6,588	-	6,588	-	-	-	6,588
District Gift Account	4,075	-	4,075	500	-	-	4,575
Food Services Zero Waste	74,025	-	74,025	-	42,000	-	32,025
ELE Summer Fee Program	2,090	-	2,090	-	1,550	-	540
	4,934,240	9,015,100	4,952,179	7,028,882	6,455,064	917,946	4,608,051

Note: All balances based on 4.30.24 balance sheet reports from MUNIS.