



THE PUBLIC SCHOOLS OF BROOKLINE
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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

CC: Town Finance Offices
 School Department Budget Managers
 Claudia Dell'Anno, Director of BACE

DATE: July 12, 2018

RE: FY 2018 Fiscal Year Close and Impact on FY 19

The Public Schools of Brookline budget ended in net deficit of \$483,046 or -0.5%. The Personnel lines were in net deficit of \$1,331,982. The Expense accounts ended with a net balance of \$698,936. The projected \$2m structural deficit is beginning to show its presence and must be addressed.

FY 2018 Operating Budget Balance
 {prior to closing entries}

		Original	Department	Revised			
		Appropriation	Relocations	Budget	YTD Expended	Encumbrances	Balance
51	Personnel	\$ 92,865,697	\$ 142,173	\$ 93,007,870	\$ 94,065,325	\$ 274,527	\$ (1,331,982)
52	Services	\$ 7,764,543	\$ 203,542	\$ 7,968,085	\$ 7,266,418	\$ 206,959	\$ 494,708
53	Supplies	\$ 2,052,025	\$ 27,885	\$ 2,079,910	\$ 1,875,987	\$ 98,432	\$ 105,490
55	Other Charges	\$ 1,013,231	\$ (443,576)	\$ 569,655	\$ 398,160	\$ 97,220	\$ 74,275
56	Utilities	\$ 10,350	\$ 1,600	\$ 11,950	\$ 6,223	\$ -	\$ 5,727
5A	Capital	\$ 1,005,066	\$ 115,807	\$ 1,120,873	\$ 1,074,054	\$ 28,083	\$ 18,736
		\$ 104,710,912	\$ 47,431	\$ 104,758,343	\$ 104,686,168	\$ 705,221	\$ (633,046)
	BACE Assesment				\$ 150,000		\$ 150,000
	Fund Balance Used 342988-510151				\$ (118,519)	\$ (364,527)	\$ (483,046)
							-0.5%

Impact of Balancing the FY 18 Budget

The Town General Ledgers cannot close with a deficit fund balance. After reviewing all grant and revolving fund ledgers for transactions that were possibly miss coded to the operating budget, and assessing the already programed indirect costs, the operating budget continued to be in deficit. The budget was balanced using the fund balance of the Brookline Adult and Community Education program which was approximately \$1.4m at year end close.

The deficit was partially offset by unexpended expense accounts of \$698,936 and the fund balance of Brookline Adult and Community Education \$483,046. The result of this balancing requires the district

as a point of equity, to replace the funds from BACE. To do so, \$483,046 in BACE payroll will be charged to the school district's operating budget until the \$483,046 is replaced.

The Net Cause of the Final Net Deficit

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.

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. Identify deficit early
 - a. Known as of July 12, 2018
 - i. Identify Cost reductions to replace BACE Fund Balance \$ (483,046)
 - ii. Identify Cost reductions to offset "Other Revenue" \$ (358,680)
 - iii. Anticipate Special Revenue Fund shortfalls \$ (125,000)
 - b. Monitor pre- programmed budget amount for Salary Savings \$ (800,000)
 - c. Unknown as of July 12,2018
 - i. Monitor FY 19 Special Revenue Funds balances
 - ii. Monitor all salary/personnel accounts fully funded
 - iii. Monitor and know status of
 - 1. Special Education Tuition and Contracted Services
 - 2. Special Education Transportation

\$ (1,766,726)

- 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.

***** Other Text *****

1. All Special Revenue Funds will have budget and reconciliation projected revenue to projected expenditure prior to the FY 19 accounts opened. If grants or revolving funds cannot support their programs in full, transfers of FTEs, expenses, or program cuts will be discussed as part of the FY19 first quarter financial report or when known with the SC Finance Sub Committee.

The net salary deficit could not be predicted due to systems and procedures not established to forecast all additional compensation that was submitted. The balance of \$483,046 is a result of unfunded stipends, additional compensation, and other personnel costs. The operating budget could not absorb \$281,000 Athletic Revolving Fund deficit, additional FTEs that were unfunded, compensation greater than what was budgeted, and additional compensation, budget managers believe is funded, but clearly is not reflected in the operating budget in the departments they are charging. The district did not meet its requirement of achieving \$1m in salary savings as the salary line ended in \$1.3m deficit. One could conclude that we were \$2m over in our personnel obligations, as the salary savings were never achieved.

The deficit was partially offset by unexpended expense accounts of \$698,936 and the fund balance of Brookline Adult and Community Education \$483,046. The result of this balancing requires the district as a point of equity, to replace the funds from BACE. To do so, \$483,046 in BACE payroll will be charged to the school district's operating budget until the \$483,046 is replaced.

A number of our Special Revenue Accounts were also over expended, contributing to the operating budget's overall deficit by not having the offsets available. Athletics, Grants Administration Fund, and 21st Century Fund. Athletics needs to be reviewed and a fee increase considered. The Fees and operating budget do not support the program being delivered. Grants Administration This is resulting from direct costs assessed to our federal and state grants not being adjusted on our grants applications to keep pace with our charges to this account. Therefore, the district needs to decide how it will continue to support the administrator and the administrative assistant that are charged to this account. The 21st Century Fund program appears to be resulting from a cumulative impact of the reimbursement not covering the true cost of the district post award. The BEEP revolving fund did not receive its \$100,000 subsidy from the operating budget. It ended the fiscal year with a fund balance of \$298,000.