

Notes for School Board Finance Committee

September 7, 2017

FY17 Year-End

Draft report prepared for today = not audited, small changes may be made. Some pending revenues are included, not yet posted in MUNIS. Items of note in preparation for School Board presentation October 5:

General Fund

- Should be 6 budget transfers to vote on (9 in FY16), plus School Nutrition deficit at \$276,151.
- Significant areas of expense budget balance to be reported: salaries & benefits/personnel ~ \$140K; SpEd tuition ~ \$200K; energy/utilities/insurance ~ \$100K; curtailment impact (4/25/17) ~ \$350K. Total expense balance ~ \$850K.
- Significant revenue shortfall: remaining Wentworth funds <\$285K>; GPA Medicare seed effect <\$90K>; other SpEd (Medicare & SAC) <\$92K>. Overall under budget by almost \$500K. Consideration of FAPE in Medicare billing.
- Important to remember – the tighter our budget the less surplus we can expect to generate year-end.
- Net FY17 fund balance change = +\$82K.

School Nutrition continues spending pattern shift, more on staff & less on supplies. Working on some time saving in accounting/cash-up procedures, should save on payroll. Built a new fund (7216) for School Nutrition donations, both to keep FY17 targeted donations from being absorbed into year-end program fund balance, and to accommodate expected revenues from Saco Biddeford Savings new debit card program. Having \$200K budgeted for School Nutrition support in FY18 will be extremely important for healthier year-end General Fund fund balance.

Adult Education ends again with positive fund balance, though smaller than FY16. Noticed a timing concern with purchasing instructional materials for workforce programming prior to full receipt of tuition, working on this.

Grant funds no big news. Set up new fund for School Nutrition, see above. Still have small balance in state grants for PEPG and PbE to tap in FY18.

FY18 Update & Forecast

- Hiring not yet completed but estimate as of 9/1 is around \$100,000 in breakage (turnover savings budget-to-actual).
- Need to expect revenues will fall short again in Medicare (\$45K budgeted in FY18) – thought we would be set to bill for services again, but state continues to be unable to promise that family insurance will not be tapped for school-based expenses, creates barrier to parent permission and potential for FAPE violation.
- 1st quarter report will be available for SBFC meeting in November.

Multi-year budget forecasting

What's the cost-benefit? Takes extra time and effort to produce second year, to what end? Can we make reasonable investment decisions based on 2-year projections?

Two-year projection was done during FY13 budget development. June 2012 budget for FY14 not particularly helpful; basically started over in spring of 2013 & even that approved budget was amended in July after state-level changes to MainePERS and GPA. (Docs available)

Important to establish & communicate assumptions made – how to keep long range estimates from being taken as set in stone. Looking at Major Cost Drivers memo from 4/6/17 gives us a good idea of what parameters we would have to establish for 2-year budget estimates:

Salaries/wages & benefits

CBA's

School Admin & Custodians/Food Service expire 6/30/18
Teachers & Maintenance Workers expire 6/30/19
Bus Drivers when finalized should go through 6/30/2020
Support Staff expires 6/30/2020

Personnel turnover – ex. **32** people from 2016-17 to 2017-18, 9 more mid-year 2016-17.
Insurance status changes – ex. **145** Anthem enrollment changes in 2016-17.

Health Insurance

In FY18 budget process used 4-year average increase for first reading (+5.5%); ended up with +1.21% but FY17 was +8.81%. 5-year average through FY18 is 4.62%. 1% = ~ \$50K.

MainePERS

\$0 contribution in FY13; 2.65% in FY14; to 3.36% in FY16; to 3.97% in FY18 = expect another increase in FY20?

Other “items in motion” & decision points

State subsidy – what to expect
Enrollment/Special Services student needs
Fluctuating utility & fuel costs
Debt Service – current FY bonds not issued until May each year
Shifts from CIP to operating budget

**Scarborough Public Schools
Statement of Surplus
June 30, 2016**

DRAFT FOR SBFC 9/7/17 - PENDING AUDIT

General Fund Surplus as of 6/30/2016	\$ 2,662,383
Allocated to 2016-17 budget	\$ (425,000)
Undesignated Surplus as of 7/1/2017	(audited balance) \$ 2,237,383

<u>General Fund Appropriations:</u> (including encumbrances)	Approved <u>Budget</u>	Revised <u>Budget</u>	Year-to-date <u>Expended</u>	Budget <u>Balance</u>	FY17 % Used	FY16 % Used	FY15 % Used
Regular Instruction:							
Regular Instruction Programs	18,633,608	18,604,208	18,429,042	175,166	99.1%	98.5%	99.7%
English as a Second Language (ESL)	263,771	275,771	275,751	20	100.0%	92.9%	97.4%
Gifted and Talented Programs	301,899	301,899	298,900	2,999	99.0%	97.4%	99.5%
Special Education Instruction	7,125,737	7,111,737	6,901,258	210,479	97.0%	95.6%	99.5%
CTE Instruction (Career & Technical Ed)	259,555	259,555	259,555	(0)	100.0%	98.0%	101.5%
Other Instruction:							
Co-Curricular	138,729	138,729	133,621	5,108	96.3%	95.7%	93.6%
Extra-Curricular	866,587	912,587	912,266	321	100.0%	99.9%	99.6%
Student & Staff Support:							
Guidance Services	1,285,197	1,294,697	1,291,616	3,081	99.8%	99.9%	99.1%
Health Services	601,743	608,743	608,651	92	100.0%	100.0%	98.7%
Instructional Technology	995,908	995,908	967,814	28,094	97.2%	93.6%	97.4%
Improvement of Instruction	993,479	993,479	926,247	67,232	93.2%	90.4%	95.8%
Library Services	605,190	605,190	580,237	24,953	95.9%	96.5%	94.6%
System Administration	1,012,196	1,012,196	1,011,376	820	99.9%	100.0%	98.7%
School Administration	1,689,833	1,704,733	1,700,923	3,810	99.8%	99.3%	99.9%
Transportation	1,455,813	1,409,813	1,356,285	53,528	96.2%	90.0%	95.4%
Facilities & Maintenance	3,839,189	3,839,189	3,563,752	275,437	92.8%	95.8%	96.7%
Debt Service	5,761,633	5,761,633	5,760,631	1,002	100.0%	73.1%	96.4%
All Other	25,000	25,000	25,000	0	100.0%	100.0%	100.0%
Total General Fund Appropriations	45,855,067	45,855,067	45,002,924	852,143	98.1%	94.3%	98.6%

<u>Estimated Revenue:</u>	Estimated <u>Revenue</u>	Revised <u>Estimate</u>	Year-to-date <u>Received</u>	Balance/ <u>(Shortfall)</u>	FY17 % Rec'd	FY16 % Rec'd	FY15 % Rec'd
Town Funding - Tax Levy	39,734,010	39,734,010	39,734,010	0	100.0%	100.0%	100.0%
Use of Fund Balance	425,000	425,000	425,000	0	100.0%	100.0%	100.0%
Wentworth Project Funds	1,585,910	1,585,910	1,300,559	(285,351)	82.0%	100.0%	100.0%
State Subsidy - GPA	3,589,147	3,589,147	3,499,284	(89,863)	97.5%	99.1%	99.4%
State Agency Client Funding	165,000	165,000	117,676	(47,324)	71.3%	83.4%	105.6%
Medicaid Reimbursement	45,000	45,000	334	(44,666)	0.7%	34.5%	170.2%
Comm. Services Daycare (rent space)	30,000	30,000	29,539	(461)	98.5%	101.9%	104.4%
Community Services Transportation	30,000	30,000	29,289	(711)	97.6%	83.2%	108.5%
Winslow Homer/Facility Rental Fees	43,000	43,000	29,634	(13,366)	68.9%	81.7%	102.5%
Student Sports/Activity Fees	150,000	150,000	135,053	(14,947)	90.0%	100.8%	75.8%
Other Miscellaneous Revenue	58,000	58,000	60,993	2,993	105.2%	88.9%	101.0%
Total Revenue	45,855,067	45,855,067	45,361,372	(493,695)	98.9%	99.7%	99.9%

Scarborough Public Schools
Statement of Surplus
June 30, 2016

DRAFT FOR SBFC 9/7/17 - PENDING AUDIT

Year-end Fund Transfers

Food Services fund deficit (see below)	\$ (276,151)
Surplus bond proceeds from closed CIP projects to General Fund	(276,151)
Total Transfers	\$ (276,151)

Breakdown of General Fund Surplus Balances

As of 6/30/2016 fund balance was :	\$ 2,662,383
Used For FY17 Budget	\$ (425,000)
Undesignated Fund Balance 6/30/2016	\$ 2,237,383
FY17 Appropriations Balance	\$ 852,143
FY17 Revenue Balance	\$ (493,695)
FY17 Year-end Adjustments	\$ (276,151)
FY17 Year-end Balance	\$ 82,297
Total Available Fund Balance	\$ 2,319,680
Used for FY18 Budget	\$ (2,100,000)

Undesignated Fund Balance 6/30/2017 \$ 219,680

OTHER FUNDS

Adult Education:

Expenditures	Approved Budget	Revised Budget	Year-to-date Expended	Budget Balance	FY17 % Used	FY16 % Used	FY15 % Used
Wages & benefits (instructors & program admin)	162,055	162,055	159,384	2,671	98.4%		
General supplies & operations	10,000	10,000	9,885	115	98.8%		
Instructional supplies, software & equipment	10,750	10,750	18,254	(7,504)	169.8%		
Expenditure totals	182,805	182,805	187,523	(4,718)	102.6%	98.5%	94.4%
Revenues	Budgeted Revenue	Revised Estimate	Year-to-date Received	Balance/ (Shortfall)	FY17 % Rec'd	FY16 % Rec'd	FY15 % Rec'd
Town Funding - Tax Levy	99,552	99,552	99,552	0	100.0%		
Use of Fund Balance	1,253	1,253	1,253	0	100.0%		
State Subsidy - Adult Ed	25,000	25,000	29,306	4,306	117.2%		
Adult Ed Tuition	57,000	57,000	50,808	(6,192)	89.1%		
Revenue totals	182,805	182,805	180,919	(1,886)	99.0%	91.7%	95.7%
Adult Education YTD fund balance	0	0	(6,604)	(6,604)			
Adult Education multi-year fund balance	10,585	7/1/2016		3,982	6/30/2017		

Scarborough Public Schools
Statement of Surplus
June 30, 2016

DRAFT FOR SBFC 9/7/17 - PENDING AUDIT

<u>School Nutrition Program:</u>	<u>Approved Budget</u>	<u>Revised Budget</u>	<u>Year-to-date Expended</u>	<u>Budget Balance</u>	<u>FY17 % Used</u>	<u>FY16 % Used</u>	<u>FY15 % Used</u>
Expenditures							
Wages & Benefits	841,841	841,841	867,658	(25,817)	103.1%		
Food & Beverages	543,675	543,675	540,268	3,407	99.4%		
Contracted Services (software & repairs)	19,000	10,500	10,691	(191)	101.8%		
Supplies & Equipment	64,800	73,300	44,475	28,825	60.7%		
Operations	1,750	1,750	3,088	(1,338)	176.4%		
Expenditure totals	1,471,066	1,471,066	1,466,179	4,887	99.7%	96.3%	98.7%
Revenues							
Food Sales	1,150,566	1,150,566	919,433	(231,133)			
Federal Funding (USDA)	258,000	258,000	214,287	(43,713)			
State Funding (DOE)	15,000	15,000	13,831	(1,169)			
Summer Meal Program	18,500	18,500	13,026	(5,474)			
Grants & Donations (see also new fund 7216)	4,000	4,000	4,450	450			
General Fund support	25,000	25,000	25,000	0			
Revenue totals	1,471,066	1,471,066	1,190,028	(281,038)	80.9%	80.4%	88.1%
School Nutrition YTD fund balance	0	0	(276,151)	(276,151)			

<u>Federal Restricted Funds:</u>	<u>Beg. Balance</u>	<u>Year-to-date Revenues</u>	<u>Year-to-date Expenses</u>	<u>End. Balance*</u>
Title IA	0	165,825	165,825	0
Title IIA	0	71,464	72,587	(1,123)
Pre-K Local Entitlement	0	7,496	7,532	(36)
Local Entitlement	0	814,292	814,256	36
Total Federal Restricted	0	1,059,077	1,060,200	(1,123)

*reimbursement pending - Federal funds are disbursed after actual expenditures are reported

<u>Grants & Trusts:</u>	<u>Beg. Balance</u>	<u>Year-to-date Revenues</u>	<u>Year-to-date Expenses</u>	<u>End. Balance</u>
Louis & Tina Fineberg Trust	194,129	0	10,000	184,129
Scarborough Education Foundation	16,079	33,040	24,649	24,469
Local grants & donations	7,291	13,486	2,254	18,524
CC Admin Recertification (fiscal agent)	852	8,100	8,207	745
Tech Maintenance Fees**	92,893	158,479	545	250,827
School Nutrition Special Programs	0	7,435	2,080	5,355
PEPG State Grant	2,235	1,500	0	3,735
Proficiency-based Graduation Grant	70,910	36,299	99,325	7,883
Total Grants & Trusts	384,388	258,339	147,060	495,667

**transferred to MUNIS account from School Activity Accounts

BUDGET FY2013 PROJECTED TO FY2014

In an effort to better support long-range planning and improvement strategies, the School Board Finance Committee and School Leaders have undertaken to prepare a two-year budget projection taking the district into FY2014. The FY2013 operating budget was approved by Scarborough voters on May 15. From here we can extrapolate figures to give us a good idea of what the FY2014 budget will look like. Of course there are a number of significant variables and assumptions to be made:

1) Wages & Salaries

Bargaining agreements for Teachers/Professionals, School Administrators and Maintenance Workers all end on 6/30/2013. The Custodians & Food Service Employees' bargaining agreement ends on 6/30/2012, and a new agreement has not yet been negotiated. In order to estimate wage costs for these employees, we have projected using current wage scales, pay grades and steps, plus a COLA of 2%. Estimates have been used for new positions added in FY2013: \$50,000 for teachers/professionals and \$25,000 for support staff. Turnover of personnel (retirements, resignations, new hires), degree changes, and availability of grant funding for personnel expenses will impact these projections.

2) Insurance costs

For the purposes of these projections, we have used current coverage levels of current staff and added 5% for Anthem and 3% for Delta Dental. Again, estimates have been used for new positions added in FY2013: \$15,000 for teachers/professionals and \$10,000 for support staff. Changes in benefit elections as well as actual premium costs determined by the insurance carriers will impact these projections.

3) Other expenses

As with a one-year budget, a two-year budget must make assumptions about the likely increase in cost of things like supplies, contracted services and fuel/energy. This projection includes varied increases of from 2% to 5% depending on the nature of the account. We have also included the new proposals deferred from FY2013 (see detail), as well as the reconciliations we considered for FY2013. We will certainly want to review these, but include them now as a starting point for conversation. Changes in the reconciliation section include: budgeting for 3 school buses to catch up on our replacement schedule; again attempting to move \$150,000 into the general fund budget for technology replacement and renewal; and continuing to increase the general fund budget for facilities replacement and renewal.

4) Debt service

Debt service will not change substantially in FY2014 since the first principal payment on the new Wentworth building has been deferred to 11/15/2015. The town has not yet received the itemized (town/school) debt service schedule for this year's refinancing of old debt, so there are some estimates here.

5) Revenues

This projection holds revenues for FY2014 equal to the FY2013 budget. State GPA in the current political climate is likely to hold steady or increase just slightly, and we do not anticipate significant changes in other revenue sources. As we move forward, we will want to be sure that we are able to begin to rebuild our fund balance; this projection does include \$200,000 in fund balance appropriation.

In Summary

Obviously there are a lot of "if"s in a two-year budget projection, but it is our hope that this will still provide an effective tool for discussion of longer-range goals for the district, as well as helping us to think more strategically from one year to the next. As we link our budget planning to ongoing Community Dialogues and 18-month Improvement Goals, we can begin to react more efficiently to economic changes and keep our district vision on track and moving forward.

Scarborough School Department

Key factors for budget change from FY12 to FY13 & projections to FY14

	FY2012 Approved Operating Budget	FY2013 Approved Operating Budget	\$ change	% change	FY2014 Projected Operating Budget	\$ change	% change
Expenditure change							
Salaries/Wages & Benefits	27,263,324	28,074,183	810,859	2.97%	29,716,866	1,642,683	5.85%
Salaries & benefits represent 75% of the FY2013 operating budget.							
Classroom/Instructional Supplies	650,149	664,960	14,811	2.28%	695,209	30,249	4.55%
Other projected cost increases (energy, contracted services, etc.)	3,818,417	4,036,160	217,743	5.70%	4,255,718	219,558	5.44%
A. Base change in expenditures	31,731,890	32,775,303	1,043,413	3.29%	34,667,793	1,892,490	5.77%
> Resulting change in local tax funds request	29,162,076		1,043,413	3.58%		1,892,490	5.90%
Reconciliation of budget lines/allocations							
Bus purchase/replacement schedule	100,000	30,000	(70,000)	-70.00%	306,750	276,750	922.50%
Technology renewal & replacement	0	0	0		150,000	150,000	100.00%
Technology leadership	0	30,000	30,000		30,000	0	0.00%
School Nutrition program support	0	50,000	50,000		50,000	0	0.00%
Facilities renewal & replacement	25,000	50,000	25,000	100.00%	75,000	25,000	50.00%
B. Responsible adjustments to operating budget	125,000	160,000	35,000	28.00%	611,750	451,750	282.34%
> Resulting change in local tax funds request	29,162,076		35,000	0.12%		451,750	1.41%
C. New proposals & program restorations	0	566,100	566,100		395,652	(170,448)	-30.11%
> Resulting change in local tax funds request	29,162,076		566,100	1.94%		(170,448)	-0.53%
D. Debt Service	3,795,572	3,919,159	123,587	3.26%	4,016,097	96,938	2.47%
> Resulting change in local tax funds request	29,162,076		123,587	0.42%		96,938	0.30%
TOTAL CHANGE IN EXPENDITURES (A+B+C+D) (Total General Fund budget)	35,652,462	37,420,562	1,768,100	4.96%	39,691,292	2,270,730	6.07%
Revenue change							
			\$ change	% change		\$ change	% change
Federal Education Jobs Fund	1,136,677	0	(1,136,677)	-100.00%	0	0	0.00%
Fund balance appropriation	200,000	200,000	0	0.00%	200,000	0	0.00%
State GPA	4,722,373	4,738,941	16,568	0.35%	4,738,941	0	0.00%
Other revenues	431,336	418,886	(12,450)	-2.89%	418,886	0	0.00%
Reduction in non-property tax revenue	6,490,386	5,357,827	(1,132,559)	-17.45%	5,357,827	0	0.00%
> Resulting change in local tax funds request	29,162,076		1,132,559	3.88%		0	0.00%
SUMMARY/CHANGE IN TAX REQUEST	29,162,076	32,062,735	2,900,659	9.95%	34,333,465	2,270,730	7.08%

SCARBOROUGH PUBLIC SCHOOLS
Major Cost Drivers for FY18 Budget Development
For School Board Workshop 4/6/2017

General Fund Expenditures

Teacher salaries: impact of new CBA, designed to keep Scarborough competitive in local education labor market. Bear in mind that the budget increase year over year (FY17 to FY18) is more than the actual increase, since the salary tables were approved after the budget (October 2016) and other funds have been shifted in FY17 to cover the increased cost. This is the value of the change in salaries from FY17 actual to FY18 projected, including both steps and COLA.

Estimated value of budget increase = \$912,925

Other wages: two bargaining units currently in negotiations: Bus Drivers and Educational Support Staff. We are budgeting an estimated COLA adjustment which allows good-faith bargaining to proceed; this wage estimate may be adjusted as negotiations continue.

Estimated value of budget increase = \$151,800

Benefits: Anthem cost is not known, we are budgeting at +5.5%, an estimate based on average increase over the past 4 years. We are starting low, knowing that this is a calculated risk – last year our increase was 8.81% (currently a 1% change in Anthem costs equates to \$49,200). Delta Dental costs are also estimated at +3% (last year was 3.64%). Worker's Comp mod rate is up and may create higher premiums; this is under discussion with our insurance agents.

Estimated value of increase = \$275,500

Retirement: MainePERS has advised that required teacher retirement contributions from local districts will increase by 18%, although the actual rate has not yet been published. Local contributions for PLD members will also have a minimal increase, from 9.5% to 9.6%.

Estimated value of budget increase = \$146,300

Instructional Technology: As part of a larger discussion around capital projects and long-term financing, the district has begun a multi-year plan to shift funding for regular tech refresh cycle from CIP to operating budget. This is year 3 of a four-year transition.

Estimated value of budget increase = \$170,000

Athletics: coaching stipends have been renegotiated per CBA, no increase to base has been made since FY10.

Estimated value of budget increase = \$46,406

Athletics: Inability to find spare drivers = use of contracted services. Budget per actual expenditures in FY16 and FY17 projected.

Estimated value of budget increase = \$30,000 (offset by \$15,000 reduction in transportation spares line)

As is typical at this stage of budget development, many of these cost drivers are by necessity estimates based on our best available information. These amounts will most certainly be refined as actual costs are received. These figures are for the General Fund operating budget.