

**Memorandum
Belmont Public Schools**

To: George Entwistle
From: Gerry Missal *GM*
Re: FY10 Third Quarter **Plus** Budget Report
Date: June 1, 2010

The FY10 budget projections are based upon salary and non-salary expenditures for July 2009 through May 2010. The salary projection is a more exact line-by-line analysis of what has been spent to date plus what is expected to be spent on the number of remaining payrolls.

The 2nd quarter report presented on March 2 presented the following projection:

- Salaries -80,000
- Special Education -77,000
- Utilities +49,000
- Fringe benefits +46,000
- Budget freeze +63,000

With a 17% budget freeze on non-salary accounts, we felt that we were barely able to break even at the end of the year.

The 3rd quarter report presented on May 11 presented the following projection:

- Salaries -20,000
- Special Education -87,000
- Regular Transportation -63,000
- Utilities +67,000
- Fringe benefits +35,000
- Budget freeze +66,000

With the 17% budget freeze on non-salary accounts still in effect, we felt that we were close to breaking even at the end of the year, but asked principals and directors to cease any non-critical spending. In this projection, I had some hesitancy about the fluidity of the Special Education projections.

Since the 3rd quarter report, we have seen:

- the salary projection has stayed the same, with different variables offsetting each other;
- the Special Education deficit is driven by an increasing transportation deficit plus some more accurate projections of the out-of-district tuitions as we get closer to the end of the school year; latest projections on contracted services is that the account should break even, whereas previously we had been projecting a slight surplus;
- the projected utilities surplus continued to increase as the effects of the winter weather were not severe;
- the fringe benefit projected surplus has stayed nearly the same, with a balance in unemployment compensation offsetting a slight projected deficit in medical insurance

Salaries

\$ -20,000

The projected deficit in the salary total is driven mainly by the substitutes account. Through May 2010, the substitute account has a projected deficit of \$-67,000. Part of this is the use of long-term subs to cover teachers who are out on medical or maternity leaves, which is a by-product of having a younger teaching staff. We have increased the substitute accounts in the Available Funds FY11 Budget by \$60,000 to catch up with this recent phenomenon.

Special Education

\$ -177,000

The projected deficit in Special Education is driven by transportation costs, as well as out-of-district tuitions. Our participation in the EDCO/LABBB collaborative has kept the deficit from being even higher, a true case of cost avoidance. The major components are as follows:

out-of-district tuitions	-60,000
contracted services	even
transportation	-117,000

The out-of-district tuition assumes the full application of \$576,128 in circuit breaker reimbursement from the State and \$353,031 in LABBB Collaborative credits. At this time, there has been no announcement that the State will reduce the circuit breaker reimbursement. As budgeted for FY10, the use of \$353,031 LABBB credit leaves only \$40,863 to be applied to the FY11 Budget.

Regular Transportation

\$ -63,000

The revenue projections for FY10 are falling short by about \$34,000, even with the extra revenue generated by the new Wellington riders to the modulars. This, combined with the cost of \$29,000 for the extra Wellington buses leaves us short by \$-63,000.

Utilities**\$ +104,000**

Through all April 2010 billing, the following are the projected balances in our utility accounts:

fuel oil	+49,000
natural gas	-30,000
electricity	+85,000
water & sewer	even

These projections use two full months of data with the Wellington students in the modulars at the High School. The Wellington building had been heated by fuel oil, while the modulars are heated by electricity.

Fringe Benefits**\$ +33,000**

The medical insurance is an actual end-of-year figure including the June bills. It assumes charging back \$468,000 to the Federal ARRA SFSF grant, the Federal IDEA grant, the State METCO grant, the School Lunch revolving account and the full-day Kindergarten revolving account:

medical insurance	-26,000
unemployment	+68,000
Medicare	-9,000

The medical insurance projected balance is -0.5% of the approximately \$5 M account for 388 active and 293 retired School employees as of the June bills. Of the School retirees, 201 are over 65 years old and thus are required to be on Medicare with the option of a supplemental plan, while 92 are under the age of 65 and are still on the same HMO (71) or PPO (21) plans as active employees.

Budget freeze

At the 2nd quarter report, we instituted a 17% systemwide freeze of discretionary non-salary accounts to attempt to cover the projected deficit. As the attached sheet indicates, we currently have approximately \$200,000 in all of the non-salary accounts not projected above, as of May 27. Some of these are discretionary, while others are less so. For example, we will continue to perform building maintenance necessary to protect the safety of students and staff and to provide an acceptable learning environment. If we are able to save 17% of the non-salary funds as of the 2nd quarter balances, then we can generate approximately \$56,000.

Programs that already are in deficit have been told to stop spending immediately.

THE BOTTOM LINE**\$ -67,000**

Even with the budget freeze, there is no avoiding requesting a transfer of \$67,000 from the Warrant Committee's Reserve account. As per past precedent, the procedure will be to notify the Warrant Committee of our need to balance the budget as projected at this time and request that they encumber \$67,000 from the Reserve account should we need it. As we close out the year and obtain a final balance, we will then notify the Warrant Committee how much, if any, of this \$67,000 we will need to cover our end-of-year deficit.

Salary projection	\$ -20,000
Special Education	-177, 000
Regular Transportation	-63,000
Utilities	+104,000
Fringe Benefits	+33,000
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Net of Above	\$ -123,000
17% Budget freeze	+56,000
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Projected Total	\$ -67,000

As we face our possible inability to cover this projected end-of-year deficit, the following factors should be kept in mind.

- For FY10, we attempted a one-time experiment of deducting \$300,000 from the bottom line of the salary budget based upon "speculative savings from teacher transitions". Had we not done so, the salary projection and the bottom line would have been a surplus, and a budget freeze of non-salary accounts would not have been necessary.
- We now have over \$1,000,000 in revenue dependent upon a multitude of user fees, some of which were new for FY10 while others had been dramatically increased. Our inability to generate the amounts that were budgeted has contributed to this deficit. The transportation user fee shortfall itself is almost equal to the over bottom line deficit.
- With the Wellington move to the modular classrooms in mid-year, some expenses were not charged back to the Building Committee but were paid by the School Budget with no funds budgeted. Slightly more than \$10,000 was charged to an unfunded account within the Buildings & Grounds program, while extra hours were added to some Wellington aides to provide safety for students.

- In addition to the difficulty with State and Federal mandates of controlling Special Education out-of-district tuitions, we have been struggling with the corollary problem of dealing with Special Education transportation. As the accompanying table indicates, the Special Education transportation budget has doubled over the past ten years. Yet most years, the budget is chasing an increasing expenditure. Despite the rising budgets, the account has had a deficit in five of the past six years.

cc: Administrative Council & Curriculum Directors
Bob Martin
Donna Pini
Warrant Committee Education Sub-Committee Members

**Projection of Selected Non-Salary Accounts
3rd Quarter Report Plus**

Program	Non-Salary Budget	Unencumbered		2nd Qtr 17% budget freeze	with budget freeze		Projected EOY % Balance
		Balance as of 27-May-10	% Balance as of 27-May-10		Projected Expenditure for June	Projected End-of-Year Balance	
English	16,157	1,182	7%	935	247	935	6%
ELL	1,494	701	47%	94	607	94	6%
Reading	34,835	11,245	32%	1,912	9,333	1,912	5%
Elem - Burbank	18,013	-191	-1%		0	-191	-1%
Elem - Butler	19,156	1,524	8%	315	1,209	315	2%
Elem - Wellington	27,195	3,066	11%	980	2,086	980	4%
Elem - Winn Brook	29,920	-607	-2%		0	-607	-2%
Kindergarten	5,116	2,464	48%	433	2,031	433	8%
Fine Arts Supervisory	1,398	-375	-27%		0	-375	-27%
Art	43,868	94	0%	47	47	47	0%
Music	57,428	-1,789	-3%		0	-1,789	-3%
Theater Arts	0	0			0	0	
Foreign Language	8,390	1,982	24%	337	1,645	337	4%
Mathematics	39,104	687	2%	2,955	0	687	2%
Physical Education	10,728	4,527	42%	770	3,757	770	7%
Science	31,977	6,242	20%	1,648	4,594	1,648	5%
Health Education	1,358	295	22%	50	245	50	4%
Technology Education	3,236	-77	-2%		0	-77	-2%
Social Studies	8,324	3,613	43%	673	2,940	673	8%
Special Education, K-12					0		
<i>without tuition, cont serv & trans</i>	36,920	-3,241	-9%		0	-3,241	-9%
Spec Educ, Pre-K	1,600	94	6%	53	41	53	3%
Total Instructional	396,217	31,436	8%	11,202	28,782	2,654	1%
Athletics	73,360	28,789	39%	6,266	22,523	6,266	9%
Student Activities	0	0			0	0	
Guidance	5,648	3,087	55%	534	2,553	534	9%
Health Services	14,044	6,333	45%	1,157	5,176	1,157	8%
Library	13,736	3,386	25%	697	2,689	697	5%
Technology	333,124	7,552	2%	4,961	2,591	4,961	1%
Curriculum Development	3,800	3,800	100%	646	3,154	646	17%
Staff Development							
<i>without Tuition Reimbursement</i>	61,000	1,666	3%	1,274	392	1,274	2%
Total Instructional Support	504,712	54,615	11%	15,535	39,080	15,535	3%
Buildings & Grounds	455,000	67,498	15%	23,762	43,736	23,762	5%
Custodial Services					0		
<i>without cleaning contracts</i>	70,500	5,248	7%	2,551	2,697	2,551	4%
Total Operations	525,500	72,746	14%	26,313	46,433	26,313	5%

Program	Unencumbered			2nd Qtr 17% budget freeze	with budget freeze		Projected EOY % Balance
	Non-Salary Budget	Balance as of 27-May-10	% Balance as of 27-May-10		Projected Expenditure for June	Projected End-of-Year Balance	
Building Admin - Burbank	2,308	-2,735	-118%		0	-2,735	-118%
Building Admin - Butler	1,368	-390	-29%		0	-390	-29%
Building Admin - Wellington	2,240	1,230	55%	277	953	277	12%
Building Admin - Winn Brook	3,731	-328	-9%		0	-328	-9%
Building Admin - Middle School	34,077	322	1%	1,265	0	322	1%
Building Admin - High School	55,633	2,098	4%	1,435	663	1,435	3%
Total Building Admin	99,357	196	0%	2,977	1,615	-1,419	-1%
Central Administration	91,850	6,364	7%	2,971	3,393	2,971	3%
Legal Services	100,000	48,740	49%	8,286	40,454	8,286	8%
School Committee	18,600	8,389	45%	1,921	6,468	1,921	10%
Total Central Admin	210,450	63,493	30%	13,178	50,315	13,178	6%
Total of Selected Non-Salary Accounts	1,736,236	222,487	13%	69,205	166,226	56,261	3%

Note: All Utility accounts and Special Education accounts for contracted services, special education and regular transportation and

History of Special Education Transportation

<u>Fiscal Year</u>	<u>Budget</u>	<u>Expenditure</u>	<u>Balance</u>
FY 2011	\$711,400		
FY 2010	\$600,000	\$717,000 <i>projected</i>	-\$117,000
FY 2009	\$550,000	\$696,631	-\$146,631
FY 2008	\$550,000	\$558,486	-\$8,486
FY 2007	\$525,000	\$505,114	\$19,886
FY 2006	\$425,000	\$577,218	-\$152,218
FY 2005	\$388,000	\$474,202	-\$86,202
FY 2004	\$378,000	\$357,216	\$20,784
FY 2003	\$360,000	\$330,565	\$29,435
FY 2002	\$340,000	\$371,743	-\$31,743
FY 2001	\$340,000	\$304,428	\$35,572