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TO: John P. Phelan, Superintendent of Schools

FROM: Anthony DiCologero, Director of Finance, Business and Operations

DATE: May 17, 2022

RE: Fiscal Year 2022, Third Quarter Budget Projection

Attached is the School Department FY22 Budget Update for the third quarter of the year (Q3). As you are aware, the previous update as of December 31, 2021 projected that the School Department FY22 ending general fund balance would be a positive year-end balance of approximately $710,000.

In summary, at this time we are projecting a total general fund positive year-end balance of approximately $858,000. As a reminder, the projected ending balance is subject to change over the course of the remainder of the fiscal year, based on a number of factors, with the major factors being:

- Collective bargaining
- Special Education
- Any additional response to COVID-driven costs, such as academic recovery and mental health recovery
- Remaining costs associated with the closing of EDCO Collaborative for member districts, including Belmont

<u>Salaries (lines 1-6)</u>

The Q3 Budget Update takes into consideration the following in projecting year-end balances for salaries:

Teacher Salaries

- Teacher salary accounts at elementary, middle and high school are projected to end the year with a net positive balance.
- Events that result in projected savings:
  - Savings from staff turnover and backfilling positions, generally at a lower rate than the respective prior incumbent.
  - Leaves of absence where, in some cases, a teacher is unpaid and coverage is provided by a substitute at a generally lower rate of pay.
- By way of reference, teacher salary account events that result in a projected year-end deficit include:
  - Net cost from staff turnover and backfilling positions, where the incoming staff member is at a higher salary than the previous staff member.

  - Leaves of absence where, in some cases, a teacher is unpaid and coverage is provided by a substitute at a higher rate of pay.

Administrative salaries are projected to be in a year-end deficit due to:

- Net turnover cost due to attrition intra-year, which includes vacation buyback of outgoing staff.

Support salaries are projected to be positive due to:

- Savings from staff turnover and backfilling positions, generally at a lower rate than the respective prior incumbent.
- Savings from staff turnover, where the district may not be able to fill some positions for the remainder of FY22, based on the current job market.

Substitutes are projected to end the year with a positive balance, based on spending year-to-date as compared to historical spending and year-over-year spending through Q3. The projection is informed by state reimbursement received for certain COVID-related leave costs, for which the district hired substitutes.

<u>School-Based and District-Wide Instructional and Support Expenses (lines 7-11)</u>

- For school-based expenditures at all levels (elementary, middle and high), we are projecting a positive year-end balance based expenditure levels year-to-date.
- For district-wide instructional expenditures, we are projecting positive year-end balance.
- For district-wide support expenditures, we are projected a year-end deficit due largely to the rental of outdoor function tents at all school buildings this year, in order to provide additional instructional and operational space during COVID.

<u>Regular Education Transportation (line 12)</u>

As of Q3, we are projecting to break-even in regular education transportation. The costs for this program are funded from a combination of general fund appropriation and user fees.

<u>Fringe Benefits (line 13)</u>

As of Q3, we are projecting a positive balance based on current health insurance subscriptions; and both Workers' Compensation insurance and unemployment claims are trending less than the respective budgeted amounts.

<u>Utilities and Maintenance (line 14)</u>

Beginning in FY17, all non-salary general fund budget amounts for school building utilities and maintenance are included in the Facilities Department budget, and not in the school budget.

<u>Special Education Tuitions (line 15)</u>

As of Q3 we are projecting to break-even based on known placements and possible new placements. Please be advised that there is a risk of volatility inherent in this program area, as costs for additional students and/or services for existing students may become an obligation to the district at any time during the year. At this time, we are anticipating accounting for all volatility in this cost center in FY22 with the non-General Fund funding sources for these expenses (Federal IDEA Grant, State Circuit Breaker allotment, LABBB Credit, Sped Reserve Fund, as needed).

Special Education Expenses (lines 16-17)
As of Q3, we are projecting a net year-end deficit within these categories, based on historical spending and year-over-year spending to-date. Additional expenses will be encumbered as new obligations become known.

Special Education Transportation (line 18)
As of Q3, we are projecting a positive ending balance within this category. We have received invoices through December, 2021 at this time. We have received assurance from LABBB Collaborative that invoices from January-March will be submitted to the district during the week of May 23. The district will continue to monitor expenses and update projections as additional information is known.