



THE PUBLIC SCHOOLS OF BROOKLINE
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ANDREW BOTT
SUPERINTENDENT OF SCHOOLS

MARY ELLEN NORMEN
DEPUTY SUPERINTENDENT
FOR ADMINISTRATION AND FINANCE

To: Andrew Bott, Superintendent
From: Mary Ellen Normen, Deputy Superintendent for Administration & Finance
Date: July 8, 2019
RE: FY 2019 4th Quarter Report - Year End Close

Since FY 16, the School Department has been communicating about the structural deficits in our operating budget and revolving funds. FY 19 continues this trend. While the district does make progress each year to address these issues, larger efforts are required to reduce this structural problem. The district can no longer carry the structural deficit problem by managing the deficit through attrition and unexpended expense lines. By FY 21, the district will need to receive an infusion of funds to solve the \$1.5 – to \$2.0 million gap as the structural deficit is in payroll related accounts, including stipends, additional compensation, and substitutes. These accounts directly impact service to students. The current balancing of the budget took valuable teaching resources from the expense budgets of all departments.

The crux of the ongoing deficit in FY 19 is two-fold.

1. Funding the balance of cumulative annual revolving fund deficits for Athletics (~\$280,000), Food Service (~\$350,000), and other funds (~\$150,000). Without these cumulative fund balance deficits, FY 19 would be in balance. This office has instituted a one-time fix in FY 20 that should prevent a repeat of this problem in the future, and
2. Budgeting of additional compensation (stipends, overtime, etc.)~\$1.3m.

The summary budget tables show how unplanned and unforecasted payroll, revenue, and revolving fund deficits can change the budget outlook in a matter of a few payrolls.

School Committee Action Requested:

Motion to approve the following transfer.

- Authorize the transfer of the balance of FY 19 Operating Budget to fund the Food Service Revolving Fund deficit of \$216,595.79.

	SOY Fund Balance	FY19 Surplus/(Deficit)	EOY Fund Balance
Food Service	\$ (257,385.13)	\$ (34,458.43)	\$ (291,843.56)
Operating Budget Offset (FY19)			\$ 216,595.79
Food Service fund balance after funding with GF Surplus			\$ (75,247.77)

- Authorize the transfer of up to \$51,919 to fund Special Revenue Accounts identified in the table below.

Fund Name	SOY Fund Balance	FY19 Net Surplus/(Deficit)	EOY Fund Balance
BHS Summer School	\$ 33,749.45	\$ (66,154.85)	\$ (32,405.40)
Full Day Kindergarten Grant	\$ (3,617.00)	\$ -	\$ (3,617.00)
BHS Innovation Fund	\$ -	\$ (12,641.78)	\$ (12,641.78)
Early Ed Special Education	\$ (396.00)	\$ -	\$ (396.00)
Development of Best Practices	\$ (730.71)	\$ -	\$ (730.71)
Performing Arts Revolving Fund	\$ -	\$ (2,128.04)	\$ (2,128.04)
Total			\$ (51,918.93)

- Authorize the Transfer of FY 20 Operating Budget Funds less any student account debt payments to pay the balance of the Food Service Revolving Fund deficit effective July 1, 2019.

	SOY Fund Balance	FY19 Surplus/(Deficit)	EOY Fund Balance
Food Service	\$ (257,385.13)	\$ (34,458.43)	\$ (291,843.56)
Operating Budget Offset (FY19)			\$ 216,595.79
Food Service fund balance after funding with GF Surplus			\$ (75,247.77)

4th Quarter Financial Summary

In order to balance the FY 19 budget, including anticipated additional student services expenses, ~\$1.3 million was transferred from various accounts in order to ensure that enough resources are available to end FY 19 in no deficit. A full budget freeze began on January 25 and has continued through the end of the year. The budget closed as originally announced on May 1.

As of June 30, 2019

	BUD	ACTUAL	ENC	PROJ	REMAINING
51 Personnel	\$ 98,623,618.17	\$ 98,930,510.70	\$ -	\$ 38,304.77	\$ (345,197.30)
52 Services	\$ 9,046,201.36	\$ 8,337,666.03	\$ 352,414.06	\$ -	\$ 356,121.27
53 Supplies	\$ 1,637,034.79	\$ 1,402,829.07	\$ 111,739.08	\$ -	\$ 122,466.64
55 Other	\$ 439,149.29	\$ 294,988.91	\$ 66,084.32	\$ 4,743.71	\$ 73,332.35
56 Utilities	\$ 10,350.00	\$ 7,205.47	\$ -		\$ 3,144.53
5A Capital	\$ 901,901.39	\$ 883,366.34	\$ 11,806.75		\$ 6,728.30
TOTAL	\$ 110,658,255.00	\$ 109,856,566.52	\$ 542,044.21	\$ 43,048.48	\$ 216,595.79

The 4th quarter summary below shows that the school department with a budget freeze and management of personnel costs was able to manage the fiscal year close to a positive fund balance by identifying stipends and additional compensation early in the year. In addition, work related to identifying open purchase orders and invoices without requisitions be encumbered in paid on the final warrant resulted in the release of additional funds that were encumbered since the last report.

Personnel: The personnel budget resulted in

Special Revenue Fund Deficits Funded:

The table below, updated through July 9, 2019 shows the funds transferred to pay for the Special Revenue Funds in deficit of \$51,918.93. These Funds were BHS Summer School, Full Day Kindergarten, Innovation Fund, Early Ed Special Education, Development of Best Practices and Performing Arts Revolving Fund.

Fund Name	SOY Fund Balance	FY19 Net Surplus/(Deficit)	EOY Fund Balance	Notes
BHS Summer School	\$ 33,749.45	\$ (66,154.85)	\$ (32,405.40)	General Fund support ended after FY13 - Deferred revenue masked deficit
Full Day Kindergarten Grant	\$ (3,617.00)	\$ -	\$ (3,617.00)	Deficit since FY16, no longer active grant
BHS Innovation Fund	\$ -	\$ (12,641.78)	\$ (12,641.78)	FY17 balance \$ (109,871) cumulative since FY12, closed in FY18, budgeting in FY19
Early Ed Special Education	\$ (396.00)	\$ -	\$ (396.00)	No activity since FY15, small deficit unchanged since FY16
Development of Best Practices	\$ (730.71)	\$ -	\$ (730.71)	No activity since FY16, small deficit unchanged since FY17
Performing Arts Revolving Fund	\$ -	\$ (2,128.04)	\$ (2,128.04)	Investigating - financial assistance mismatch
Total			\$ (51,918.93)	Total deficit to make up

Food Service Program Deficit: The Food Service Revolving Fund ended the year with a deficit of \$291,843.56. The deficit balance consists of \$257,385 from prior years and a net program deficit of \$34,458 for FY19. An additional transfer of the balance once the FY 19 Operating Budget books are closed should bring the Food Service Program Deficit down to under \$75,000.

	SOY Fund Balance	FY19 Surplus/(Deficit)	EOY Fund Balance
Food Service	\$ (257,385.13)	\$ (34,458.43)	\$ (291,843.56)
Operating Budget Offset (FY19)			\$ 216,595.79
Food Service fund balance after funding with GF Surplus			\$ (75,247.77)

FY 19 Budget Update/Status (\$254,699 Chapter 70 revenue & \$173,424 budget reduction)

November 2018 Special Town Meeting voted to use FY 19 school funds to balance the FY 18 deficit. The district did not receive its share of \$254,699 in new Chapter 70 Aid and had a budget reduction of \$173,424 (Benefit Reserve and \$119k from Special Education Contingency) that would otherwise have been available to help manage the FY 19 budget deficit. While we believe, the state has made a promise of additional Circuit Breaker funds for FY 19, those resources have yet to be confirmed or materialize. The FY 18 Claims submitted by the Special Education Department only netted us \$81k over our FY 19 budget estimate. While great news, and the Office of Student Services is to be applauded for their work, that \$81K now has to be used to back fill the budget cut of \$119k to the special education contingency that was voted at the November 2018 Special Town Meeting to balance the FY 18 budget deficit.

The district has continued to operate in FY 19 with a structural deficit. Town revenue growth is not keeping pace with our expenditure needs. Identification of additional budget reductions is essential to balance the FY 19 budget. The causes of the FY 19 deficit are:

1. Revenue offsets that are no longer allowed or viable, first identified as problematic in FY 17 (\$358,680 – Other Revenue and \$150,680 BACE & Food Service Revolving Funds);
2. An increase in personnel costs, due to the 1-2% of growth due to positions added after budget vote;
3. Out of District Tuition expenses (16% increase over Budget FY 19); and

4. The ongoing structural deficit and revenue problems (collection and fee) in Athletics \$280,000 and Food Service (\$256,000 Cumulative; \$92,000 FY 19)
5. At the end of the freeze, the district transferred 10-12% from Expense Budget forcing a reduction (Supplies, Services, Other, Utilities, Capital).

Out of District Tuition:

Please refer to the memorandum attached regarding changes in out of district tuition. As of May 29, 2019, the projected deficit has been covered and the tuition budget is in balance as reflected in the budget summary tables on page 1.