

WELLESLEY PUBLIC SCHOOLS

40 Kingsbury Street • Wellesley • Massachusetts 02481
781-446-6210

Dr. DAVID F. LUSSIER
Superintendent of Schools



Dr. JOAN DABROWSKI
Assistant Superintendent, Teaching and Learning

CYNTHIA D. MAHR
Assistant Superintendent, Finance and Operations

LORI V. CIMENO, Director of Student Services

KATHLEEN F. DOOLEY, Director of Technology

TO: Dr. David Lussier
Wellesley School Committee

FROM: Cynthia D. Mahr

DATE: October 25, 2018

RE: FY'19 Adjusted Budget

For fiscal year 2019, the district is creating an Adjusted Budget. A budget, by definition¹, is an estimation of revenue and expenses over a period of time and is re-evaluated on a periodic basis. In Wellesley, the Business Office has issued quarterly budget reports that reflect year-to-date expenses, encumbered amounts by major category, and projected amounts for vulnerable aspects of the budget (personnel, transportation, out of-district accounts, and budgeted offsets). These quarterly reports have been informational but have not resulted in a formal recasting of the budget. Once the adjusted budget is approved by the School Committee, the Business Office in collaboration with the Finance Department, will recast the budget line items based on the information presented in this report.

There are a number of reasons to create an adjusted budget. To begin, the annual budget process in Wellesley concludes at the Annual Town Meeting (ATM) in March of each year. Throughout the spring and summer, the schools are busy hiring new staff and backfilling for resignations and retirements. Changes in enrollments may result in the need to add or reduce the number of classroom teachers. Student needs are likely to have changed in the preceding six (6) months. Finally, revenue estimates for budgeted offsets and external funding sources (state and federal grants) should be re-examined based on the most recent information.

FY'19 Overview:

The fiscal year 2019 budget for the Wellesley Public Schools is \$74,428,918. Below is the distribution of the approved budget across the two categories (Salary and Other Compensation²) and expenses. These categories are further broken into instruction, administration, operations and student services.

¹ Investopedia: A budget is an estimation of revenue and expenses over a specified future period of time; it is compiled and re-evaluated on a periodic basis.

² Salary and Other Compensation was previously known as "Personal Services"

FY'19 ATM Approved Budget

Category	Salary and Other Compensation	Expenses	Total	FTE
320 Instruction	\$46,658,687	\$1,983,647	\$48,642,334	500.72
330 Administration	\$980,559	\$151,466	\$1,132,025	10.00
340 Operations	\$1,526,033	\$928,660	\$2,454,693	18.80
360 Student Services	\$16,733,450	\$5,466,416	\$22,199,864	289.82
TOTAL	\$65,898,729	\$8,530,189	\$74,428,918	819.34

My Budget File (MBF)

In September 2018, the district implemented My Budget File (MBF) as the central point for the collection, tracking and projection of salary and other compensation. As part of this implementation, the Business Office staff (Human Resources and Payroll) clarified what constitutes a 1.0 full time equivalent (FTE) for each position type based on the relevant collective bargaining agreement. This ensures consistency going forward on how employee salaries are calculated. Once this was accomplished, each employee's record in the payroll system and MBF was reviewed. With the data in sync, reports were provided to Principals and Senior Administrators to verify the accuracy of data. This is our standard practice before the first payroll after school based staff return.

Every personnel transaction with a financial impact (lane change, step change, position changes, etc.) is entered into MBF before the payroll system is updated. Significant time has been spent reviewing the Business Office's internal processing of paperwork to ensure MBF data remains accurate.

Hiring managers all have access to MBF to review staffing associated with their building/program. Each budgeted position is assigned a position control number that is used during the hiring process. If the vacancy of a position is not noted in MBF, no advertisement of a position will occur. This ensures only budgeted and approved positions are advertised and filled.

FY'19 Recap

The FY'19 adjusted budget was developed by extracting data from MBF and Munis (Town's accounting system). MBF was the source of information for all known and projected salary data. Below is a summary by category of the requested adjustments:

By Salary / Expense

	FY'19 Voted Budget	FY'19 Requested Transfers	FY'19 Adjusted Budget
Salary and Other Compensation	\$ 65,898,729	\$ (11,886)	\$ 65,886,843
320 Instruction	\$ 46,658,687	\$ (360,742)	\$ 46,297,945
330 Administration	\$ 980,559	\$ 34,961	\$ 1,015,520
340 Operations	\$ 1,526,033	\$ 71,185	\$ 1,597,218
360 Special Education	\$ 16,733,450	\$ 242,710	\$ 16,976,160
Expenses	\$ 8,530,189	\$ 11,886	\$ 8,542,075
320 Instruction	\$ 1,983,647	\$ 26,651	\$ 2,010,298
330 Administration	\$ 151,466	\$ -	\$ 151,466
340 Operations	\$ 928,660	\$ 250,000	\$ 1,178,660
360 Special Education	\$ 5,466,416	\$ (264,765)	\$ 5,201,651
TOTAL	\$ 74,428,918	\$ (0)	\$ 74,428,918

By Category

	FY'19 Voted Budget	FY'19 Requested Transfers	FY'19 Adjusted Budget
320 Instruction	\$ 48,642,334	\$ (334,091)	\$ 48,308,243
Salary and Other Compensation	\$ 46,658,687	\$ (360,742)	\$ 46,297,945
Expenses	\$ 1,983,647	\$ 26,651	\$ 2,010,298
330 Administration	\$ 1,132,025	\$ 34,961	\$ 1,166,986
Salary and Other Compensation	\$ 980,559	\$ 34,961	\$ 1,015,520
Expenses	\$ 151,466	\$ -	\$ 151,466
340 Operations	\$ 2,454,693	\$ 321,185	\$ 2,775,878
Salary and Other Compensation	\$ 1,526,033	\$ 71,185	\$ 1,597,218
Expenses	\$ 928,660	\$ 250,000	\$ 1,178,660
360 Special Education	\$ 22,199,866	\$ (22,055)	\$ 22,177,811
Salary and Other Compensation	\$ 16,733,450	\$ 242,710	\$ 16,976,160
Expenses	\$ 5,466,416	\$ (264,765)	\$ 5,201,651
TOTAL	\$ 74,428,918	\$ (0)	\$ 74,428,918

Hiring in schools is an ongoing process. Although turnover during the school year for professional positions is unusual, support staff turnover occurs throughout the year. Most of the school’s hiring takes place between March and August of each year. During this time, the Business Office tracks hiring of employees compared to budgeted salary levels and FTE’s. The table below summarizes actual change to The Salary and Other Compensation category in terms of dollars and FTE levels:

	FY'19 Voted Budget		FY'19 Adjusted Budget		Variance (Adj. - Voted)	
	\$	FTE	\$	FTE	\$	FTE
320 Instruction	\$ 46,658,687	500.72	\$ 46,297,945	503.69	\$ (360,742)	2.97
330 Administration	\$ 980,559	10.00	\$ 1,015,520	10.15	\$ 34,961	0.15
340 Operations	\$ 1,526,033	18.80	\$ 1,597,218	20.16	\$ 71,185	1.36
360 Special Education	\$ 16,733,450	289.82	\$ 16,976,160	285.49	\$ 242,710	(4.33)
TOTAL	\$ 65,898,729	819.34	\$ 65,886,843	819.49	\$ (11,886)	0.15

The changes in FTE are related to:

Instruction:

- An additional 0.2 FTE in WMS Performing Arts to meet increased enrollment;
- An additional 0.8 FTE in Elementary Spanish program;
- An additional 1.5 FTE's for English Language Learners (ELL) to meet increased enrollment; and
- An addition 0.8 FTE for WHS Literacy (a result of a reduction in Instructional Assistants in FY'18).

Administration:

- An unpaid leave of absence.

Operations:

- A change in the Assistant Athletic Director FTE (0.75 Budget versus 0.60 Actual); and
- An FTE change as a result of staff turnover in the Business Office.

Special Education:

- Changes to related services (Physical Therapists, Occupational Therapists, Speech and Language, Adjustment Counselors, and Psychologists) resulted in an FTE change of 5.1 FTE's.
- Instructional Assistants and Paraprofessional FTE changes are detailed below.

A detailed description of changes to each category is provided below.

Salary and Other Compensation:

The FY'19 budget assumed a turnover savings of \$750K. As of mid-October, actual turnover savings is \$615K. I expect this amount will increase slightly as the year progresses but will not reach the expected amount. The budget did not include any budgeted reserves as all collective bargaining costs were known in FY'19.

Although a majority of the funding in this category is a result of an individual salary, there are other aspects of this category that can fluctuate during the year.

Substitutes:

The district must have funds available to cover staff absences, maternity leaves, medical leaves, etc. The substitute budget is estimated annually based on historical trends and known leaves of absence. Below is the historical substitute expenditures and current year budget:

Category	FY'16 Actual	FY'17 Actual	FY'18 Actual	FY'19 Voted Budget	FY'19 Adj. Budget
Daily Substitutes (512120)	\$440,762	\$363,281	\$421,770	\$497,039	\$447,039
Long Term Subs. (512130)	\$410,022	\$422,181	\$275,410	\$430,650	\$330,650
Support Subs. (512140)	\$174,183	\$187,833	\$229,559	\$24,590	\$174,590
TOTAL	\$1,024,967	\$973,294	\$926,739	\$952,279	\$952,279

Although the FY'19 budget is higher than expended in FY'18, we currently have \$180K in long-term substitute costs two (2) months into the school year. The Business Office monitors the expenses in this category regularly to determine if adjustments are necessary. At this point, the current funding level is expected to cover known and anticipated absences.

Instructional Assistants and Paraprofessionals:

Instructional Assistants and Paraprofessional positions have the greatest variability. Most of these individuals provide direct support to students on Individual Education Plans (IEPs). Given the fluctuations from budget in FY'18, I spent significant time reviewing known and anticipated staffing needs within Special Education. In addition, the calibration of calculating FTE's with Human Resources and Payroll have contributed to the variation in the FTE calculations. Below is a summary of the Instructional Assistant positions:

Instructional Assistants	FY'19 Voted Budget	FY'19 Adjusted Budget	FY'19 Variance (Adj. – Voted)
Salary Compensation (511250)	\$4,425,130	\$3,633,644	(\$791,486)
Full Time Equivalents	162.00	134.23	(27.767)

As part of the salary projection, funds have been set aside to provide support to students participating in after school activities. This amount is approximately \$100K. The Business Office will monitor budgeted hours versus actual use as the year progresses.

A review of Instructional Assistants must be done in conjunction with Paraprofessionals. Student Services may request the hiring of a Paraprofessional in lieu of an Instructional Assistant depending on student need. In addition, the collective bargaining agreements provides for the hiring of an individual as an Instructional Assistant for training and evaluation purposes and then movement into a Paraprofessional position during the course of a school year. The salary differential between an Instructional Assistant and Paraprofessional at the elementary level is approximately \$5,500 (mid-scale)

The corresponding information for Paraprofessionals is:

Paraprofessionals	FY'19 Voted Budget	FY'19 Adjusted Budget	FY'19 Variance (Adj. – Voted)
Salary Compensation (511260)	\$783,021	\$1,182,048	\$399,027
Full Time Equivalents	21.00	34.57	13.572

Stipends related to Athletic Coaches, Intramural Sports and After School Activities have been adjusted based on contracted rates and historical expenditure amounts.

Expenses:

There are a number of significant changes to this category. As the FY'18 End of Year Financial report indicated, there are a number of structural deficits that are corrected in the adjusted budget. Transportation expenses are mainly driven by contracted prices and student needs. The district contracts out the big yellow bus service used for home-to-school transport, athletics and METCO. The amounts listed below are net the school transportation fees collected:

Category	FY'16 Actual	FY'17 Actual	FY'18 Actual	FY'19 Voted Budget	FY'19 Adj. Budget
Regular Education (38092)	\$367,225	\$412,415	\$711,782	\$567,624	\$817,624
Special Education (38062)	\$767,000	\$876,491	\$823,157	\$771,799	\$937,850
TOTAL	\$1,134,225	\$1,288,906	\$1,534,939	\$1,339,423	\$1,755,474

The total cost of transportation has grown 35% over the past three years with additional growth of 14% this year. Although the total number of projected students requiring special educational transport is consistent with current riders, the number of school locations have increased by five (5). We are currently transporting students on 16 different morning and afternoon routes, exceeding the 11 routes budgeted. Daily contracted rates vary from \$88/day to \$323/day depending on student needs and distance travelled. The special education transportation budget includes \$65,901 for the anticipated transport of two students pending out of district day placement.

Circuit breaker is a significant variance from the projected amount. The FY'19 budget anticipated a state reimbursement rate of 73% for an anticipated receipt of \$3,540,980. Based on the state reimbursement formula, this would have required approximately \$7.1M of eligible claims. The actual eligible claims for services rendered in school year 2017-2018 was \$6.3M. DESE has informed districts to expect an initial reimbursement amount of 72%. This would result in a shortfall in Wellesley of \$709,452. The adjusted budget makes the following assumptions:

- Final FY'19 reimbursement rate will be 73.5% (an additional \$58,990 in revenue); and
- The FY'18 carry forward of \$200K will be fully expended.

With these assumptions, the shortfall in the circuit breaker offset account is \$450,462.

Potential Issue: Out of District Budget

Given the costs associated with out-of-district placements, and the need to balance the budget, budgeted funds were repurposed to the transportation and circuit breaker shortfall. Below is a summary of these accounts:

Out-of-District	FY'19 Voted Budget	FY'19 Adjusted Budget	Variance (Adj. – Voted)
OOD: Tuition In-State Schools	\$120,900	\$119,900	(\$1,000)
OOD: Public Collaboratives	\$429,623	\$0	(\$429,623)
OOD: Out-of-State Schools	\$696,844	\$409,145	(\$287,699)
OOD: Collaboratives	\$626,219	\$569,128	(57,091)
OOD: Professional Services	\$0	\$31,533	\$31,533
OOD: Private Schools	\$2,653,051	\$2,390,962	(\$262,089)
OOD: Residential Tuition	\$3,434,070	\$3,558,761	\$124,691
Sub-Total:	\$7,960,707	\$7,097,429	(\$863,278)
OOD: Circuit Breaker	(\$3,540,980)	(\$3,090,518)	\$450,462
Total:	\$4,419,727	\$3,988,911	(\$430,816)

To absorb this shortfall, the district is not carrying a number of anticipated costs related to special education as would be our practice in past years.

Special education creates categories of anticipated expenses:

- **Probable:** The students' situations are relatively well known. The student either has a pending placement, is in the process of defining a placement, we are reasonably sure has identified needs that will require WPS support, or the parents have chosen a unilateral placement and have requested WPS support and a settlement - partial or full - is expected. These expenses can still be slightly undefined (ie. unknown settlement resolution) and as such we do not have purchase orders in place encumbering the funds, but we anticipate that the district does have a solid financial responsibility in the near term.
- **Possible:** The students tracked have less defined needs than the probable category, but there is still reasonable belief that the district may have a financial liability. In some cases, we have unstable students who may not be able to be educated in district. However, they may also be able to stay in their current setting. If that were to happen, they would require an out-placement and or higher-level needs placement. At this time, the level of service is still ill-defined enough that we do not anticipate immediate action. However, Student Services feels the need to share that these students may in fact require additional district support.
- **Placeholder:** The students tracked under this category do represent known financial exposure. The likelihood is significantly lower and/or low that WPS will actually have to commit funds. However, there is a risk that if pursued, WPS would be required to provide funds. So as not to create unforeseen surprises, Student Services reports these Placeholder expenses as an outlier so that all stakeholders have appropriate information to be fully informed of any potential liability.

Below is a summary of the out-of-district expenses that are not carried in the adjusted budget:

- 1. Out of District Placements (Probable Category) \$295,711
- 2. Out of District Placements (Possible Category) \$179,882
- 3. Out of District Placements (Placeholder Category) \$319,227

If additional budget adjustments are needed, including the need for a supplemental appropriation, I will notify you immediately.

Potential Issue: 900 Worcester Street

The sports facility, under construction at 900 Worcester Street, will not open in mid-December as planned. The anticipated opening is mid-February. As part of the fiscal year 2019 budget, the Athletic budget included increased rental fees:

900 Worcester Street Rentals	FY'18 Expended	FY'19 Voted Budget	FY'19 Variance (Voted – Exp.)
Rental (Swimming Pool)	\$11,600	\$58,726	\$47,126
Rental (Ice Hockey)	\$64,000	\$96,600	\$32,600
TOTAL	\$75,600	\$155,326	\$79,726

John has secured ice time from neighboring rinks for both practices and games. The cost of this unexpected rental will be offset by the budgeted ice rental amount from 900 Worcester Road. Additional delays beyond mid-February may result in additional costs to the district.

Conclusion

An adjusted budget aligns the budgetary accounts to reflect known changes and revised assumptions. The adjusted budget will result in the transfer of funds across multiple accounts. The original voted budget amount is preserved in the accounting system and can be referenced at any point. Although the original budget can be referenced in the future, the adjusted budget will be used as the basis for the Fiscal Year 2020 Superintendent’s Recommended Budget.

I look forward to reviewing this report with you. Please let me know if I can answer any questions. Thank you.

RECOMMENDED ACTION: That the Wellesley Public Schools receive the FY'19 Adjusted Budget and vote to approve the related budget transfers.

Attachments

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TOTAL	\$ 65,898,729	819.34	\$ 65,886,843	819.49	\$ (11,886)	0.15