

## MEMORANDUM

To: Margaret M. Marotta, Superintendent of Schools

From: Brian A. O'Connell, Business Manager

Re: Financial Status Report – First Quarter – July through September 2018

Date: October 4, 2018

At this point, three months into our 2019 fiscal year, we have expended \$7,940,608.53. This is 9.45% of our “net” budget (i.e., funds specifically budgeted and administered by us) of \$84,056,526. In addition, we have encumbered expenditures – payroll and non-payroll – in the amount of \$65,284,438.25. When our expenditures and encumbrances are combined, we have spent, or committed, \$73,225,046.78 – 87.11% of our budget. The sum of \$10,831,479.22 – 12.88% of our budget – remains unencumbered, and thus available to address expenditures for the remainder of the year which have not yet been committed. We are comparably-situated when compared with the time of my September 22, 2017 report to you, when we had an unencumbered and available balance of \$10,266,757.36. At that time last year, we were in the midst of a year-long – and ultimately successful - effort to monitor our expenditures meticulously, to help us to conclude our year with a positive fiscal balance. This year, our staff has been frugal in its requests for expenditures, and, where feasible, we have applied our grant funds aggressively, retaining budget resources to address unanticipated challenges which customarily arise during the year.

If we allocate our finances carefully this year, and continue to expend them with thoughtful planning and fiscal restraint, I am optimistic that we will conclude the year within the fiscal resources available to us, and still address emergencies and critical needs as they arise. Caution is still very vital, however. For example, since my September 12 report to you, the sums still unexpended and unencumbered – and thus available for “new” expenditures – have declined by \$1,715,560.10. This rate of “new expenditures” is understandable – for example, \$864,073.57 of it related to encumbrances and expenditures in transportation services which we fully anticipated for this past month, when sums are customarily set aside for projected transportation commitments for the fiscal year. Also, many “new” expenditures are frequently incurred during the early part of the school year (e.g., school supplies), and we should be able to keep our expenditures in check if we continue to monitor them closely. All of these trends are common at this time of year, and none of them reflect spending patterns which are atypical for the first months of the school year. In addition, some of our unencumbered proceeds are included in the Maintenance / Utilities budget (\$605,295.56), where they will address emergency repairs and many of the costs of winter. Expenditures we anticipate as to many hourly-paid employees, such as tutors, are not encumbered in advance either. While these all are all important, they do limit our ability to invest in additional initiatives or staff which were not incorporated into the budget as approved last spring. As you know, we have incorporated into our operations this year five instructional positions (an ELL teacher at Tilton, three teachers at Consentino, a Literacy Coach) – at an approximate cost of \$300,000 – which are not within our budget, and which we seek to fund from economies achieved during the academic and fiscal year. I have not asked the School Committee to make reductions in other staff positions to

allow us to absorb the new positions, and one of my key goals this year is to balance this budget with no such reductions. Also, certain new collective bargaining agreements include cumulative costs for FY 19 which exceed the reserves set aside for them, and these costs, though unbudgeted, will be expended this year as well. Again, with very precise cost control in place, I am not proposing reductions in staff to allow for these salary and wage adjustments.

Several other factors advise close attention here. For example, Special Education Out-of-District placements are always volatile at this point, and cumulatively they are a key budget driver for us. At present, our cumulative Special Education budget has an available balance of \$1,356,406.10. Last year at this time (9-22-17), the balance was \$1,257,106.79. As always, additional placements early in the year will have a significant impact here. However, the special education department has been careful with its placements, and has tried to provide students the services they need in-house where feasible; this has helped to provide grounds for cautious fiscal optimism in this area.

Individually, this summer brought much variation in the projected expenditures of our individual accounts, when compared with our projections as of last spring. None of this is a source of concern now. It reflects more precise figures as to payment of individual staff members (i.e., hiring of new staff members at salaries above or below those budgeted for them in May), degrees earned, longevity stipends accrued with anniversary dates, etc. It includes some staff reassignments as needs and facilities use plans have coalesced. Cumulatively, these have been significant. Thus, we now recommend a number of transfers of funds (from cost center to cost center) to bring several of them into balance, reflecting their anticipated expenditure patterns for the year; the transfers proposed are set forth in a document which accompanies this memorandum. Clearly, these transfers largely complement one another – they simply place the funds in the cost centers from which they will be spent. They do not suggest, at this point, any cumulative negative impact on our resources. At present, our “cost centers” have the following balances:

	Original Budget	Balance	%
School Committee (31)	\$232,000.00	\$103,611.25	44.66%
Office of the Superintendent (32)	\$1,265,794.11	\$124,401.18	9.83%
Curriculum Department (33)	\$1,044,628.00	\$433,373.62	41.49%
Special Education (34)	\$10,879,098.11	\$1,356,406.10	12.76%
ELL (Bilingual) (35)	\$186,222.00	\$23,767.96	12.76%
Parent Registration (36)	\$492,782.31	\$66,054.39	13.40%
Moody Early Childhood Center (41)	\$1,815,542.21	\$10,240.19	0.56%
Silver Hill School (42)	\$3,931,915.00	\$278,554.75	7.08%
Bradford Elementary School (43)	\$3,512,900.87	(\$135,723.83)	(3.87%)
Crowell Elementary School (44)	\$803,268.44	\$56,259.15	7.00%
Golden Hill Elementary School (45)	\$4,034,215.49	\$369,969.13	9.17%
Greenleaf Elementary School (46)	\$1,016,841.72	\$142,455.43	14.00%
Pentucket Lake Elementary School (47)	\$4,005,083.92	\$136,049.33	3.40%
Tilton Elementary School (48)	\$3,723,777.90	\$240,257.55	6.45%
Walnut Square Elementary School (49)	\$1,030,703.64	\$213,855.47	20.75%
Consentino Annex at Bartlett (50)	\$932,747.50	(\$5,149.30)	(0.55%)
John Greenleaf Whittier School (51)	\$3,100,336.27	\$67,961.17	2.19%
C.D. Hunking Middle School (52)	\$6,183,729.69	(\$172,771.00)	(1.03%)
Dr. Paul Nettle Middle School (53)	\$4,145,678.75	\$342,357.45	8.26%

Dr. A.B. Consentino Middle School (54)	\$5,760,167.88	\$646,103.31	11.22%
Haverhill High School (61)	\$14,250,472.35	\$1,395,800.48	9.79%
St. James HALT Alternative School (62)	\$1,312,603.52	\$95,547.38	7.28%
St. James TEACH Alternative School (63)	\$1,208,849.85	\$214,079.13	17.71%
Guidance Department (71)	\$653,247.56	\$56,865.06	8.70%
Athletics Department (72)	\$831,174.81	\$521,463.52	6.27%
Technology – Administration (73)	\$1,957,119.18	\$374,961.00	19.16%
Maintenance / Utilities (74)	\$1,722,454.68	\$605,295.56	35.14%
Transportation (75)	\$6,046,879.00	\$2,383,128.27	39.41%

We will monitor all of these accounts carefully as we prepare additional recommendations for fund transfers among accounts, and as we begin development of the budget for the 2019-2020 fiscal year. I anticipate distribution of budget guidelines and forms to schools and department heads later this month, allowing them to prepare their proposed budgets, and to submit them to the Business Office by late November. This is a month ahead of our recent budget schedule, and it facilitates deliberative and precise formulation of budget goals, in light of system needs. This will allow the office to develop a proposed budget, for your review, by early 2019. In turn, you will have time to finalize the budget, for it to be considered by the School Committee during March, with budget hearings to follow in compliance with School Committee policy timelines.

I will keep you updated on developments with the budget, during the next month, and I will have a formal report for you on these topics, and on any pertinent fiscal or operations occurrences, at your convenience during early November. In the meanwhile, should you or the School Committee wish to discuss any aspect of this report, or of the fiscal posture of our school district, just let me know.

Brian A. O’Connell  
Business Manager