

MEMORANDUM

To: Members of the School Committee
Margaret M. Marotta, Superintendent of Schools

From: Brian A. O'Connell, Business Manager



Re: Financial and Operations Status Report – May 2019

Date: May 21, 2019

Budget Status. This Memorandum, accompanied by a detailed “red / green” report as of May 20, provides a summary of the current status of the fiscal operations of the Haverhill Public Schools. At present, almost 90% of the way through our 2019 fiscal year, we have expended \$73,017,110.22. This is 86.87% 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 \$10,151,612.69. When our expenditures and encumbrances are combined, we have spent, or committed, \$83,168,722.91 – 98.94% of our budget. The sum of \$887,803.09– 1.06% of our budget – remains unencumbered, and thus available to address expenditures for the remainder of the year which have not yet been committed.

Our financial health at this point has allowed us to reduce the sums from certain “offset” accounts which we customarily apply to our budget. These accounts reflect revenues we expect to obtain from tuitions, school choice revenues (for students from outside of Haverhill who attend our schools under the “school choice” program), special education circuit breaker funding, and sums we are entitled to draw from certain grant proceeds for administrative costs related to the grants. These are detailed on Page 31 of your “red / green” report. They include also anticipated athletics participation fees (Page 29), and HALT and TEACH revenues derived from other school districts sending students to these programs (Pages 26 and 27). Cumulatively, we had expected to draw the sum of \$3,761,232.34 from these sources to balance our budget. Now, we have reduced this “draw” by \$1,386,693. This will leave in place, for future use, sums we had expected to apply to the budget from our athletics revenue (\$183,000), and circuit breaker revenue (\$1,000,000). It permits us also to reduce our reliance on school choice funds for the year (\$203,693). This positions the HPS to consider elimination of athletics participation fees, to absorb anticipated increases in special education out-of-district placement costs (see Page 2, below), and to reduce reliance on the “school choice” revenues.

This year has brought some variations in the projected expenditures of our individual accounts, when compared with our projections as of last spring. This is customary, and you have adjusted for a number of them with the transfers you have approved to date this fiscal year. 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 generically for them last May), degrees earned, longevity stipends accrued with anniversary dates, etc. It includes some staff reassignments as needs and facilities use plans have coalesced. Clearly, though, these transfers have complemented 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:

	Budget	Balance	%
School Committee (31)	\$232,000.00	\$65,314.07	28.15%
Office of the Superintendent (32)	\$1,276,227.08	\$69,703.43	5.46%
Curriculum Department (33)	\$914,118.03	\$229,417.01	25.10%
Special Education (34)	\$11,282,436.28	\$756,089.30	6.70%
ELL (Bilingual) (35)	\$208,272.53	\$21,689.35	10.41%
Parent Registration (36)	\$480,693.71	(\$5,593.77)	(1.16%)
Moody Early Childhood Center (41)	\$1,758,513.70	\$37,999.46	2.16%
Silver Hill School (42)	\$4,007,159.49	(\$17,628.66)	(0.44%)
Bradford Elementary School (43)	\$4,080,219.32	(\$10,820.26)	(0.265%)
Crowell Elementary School (44)	\$847,407.36	\$30,242.06	3.57%
Golden Hill Elementary School (45)	\$4,155,030.35	\$5,209.65	0.125%
Greenleaf Elementary School (46)	\$1,007,963.75	\$127,516.46	12.65%
Pentucket Lake Elementary School (47)	\$4,312,854.17	(\$48,747.27)	(1.13%)
Tilton Elementary School (48)	\$3,855,983.54	(\$445,407.11)	(11.16%)
Walnut Square Elementary School (49)	\$875,434.08	\$188.94	0.02%
Consentino Annex at Bartlett (50)	\$983,604.33	\$39,651.83	4.03%
John Greenleaf Whittier School (51)	\$3,237,570.81	\$216,050.28	6.67%
C.D. Hunking Middle School (52)	\$6,972,588.36	\$122,183.80	1.75%
Dr. Paul Nettle Middle School (53)	\$4,117,594.73	(\$32,895.60)	(0.79%)
Dr. A.B. Consentino Middle School (54)	\$5,573,967.20	\$185,398.55	3.33%
Haverhill High School (61)	\$14,786,743.70	\$463,748.67	3.14%
St. James HALT Alternative School (62)	\$1,264,274.45	\$45,076.08	3.57%
St. James TEACH Alternative School (63)	\$1,285,537.40	\$84,338.27	6.56%
Guidance Department (71)	\$623,375.50	\$8,501.50	1.36%
Athletics Department (72)	\$823,087.39	(\$161,596.62)	(19.63%)
Technology – Administration (73)	\$1,977,287.18	\$134,489.84	6.80%
Maintenance / Utilities (74)	\$1,582,458.56	(\$60,817.93)	(3.84%)
Transportation (75)	\$4,463,138.62	\$105,002.47	2.35%

You will notice that the largest current account balance, by far, is that of special education. This does not suggest that the account appropriation can be reduced for FY 20. In fact, we have experienced recently an increase in the number of students placed out-of-district, which has occurred after formulation of the projections on which the draft FY 20 budget is based. The tuition costs which we incur for students currently placed out-of-district, cumulatively, is \$7,750,898.21. Our proposed FY 20 budget sets aside \$7,748,164.24 for these placements. I do expect that the state will authorize increases in the daily costs of some of these placements, so a modest addition to our placement account budgets for FY 20 may well be appropriate at some point. However, the projected costs will make a significant budget surplus in these accounts unlikely for FY 20.

We continue to make significant progress on multiple other fronts as well:

Charter School Reimbursement. At last report, the Massachusetts State Senate had opted not to include the charter reimbursement formula change which had been advanced by the House Ways and Means Committee for FY 20 (in House Bills 70 and 3800). This change would have reduced reimbursement to Haverhill in FY 20 by over \$500,000. We are pleased that advocacy initiatives have been successful to date, but we will remain vigilant as the budget continues to work its way through the legislative process.

St. James School. The Lease Agreement which Bill Cox and I have been negotiating with the Archdiocese of Boston for the former St. James School, which is recommended for approval by the School Committee this week, is very beneficial to the HPS. It runs to June 30, 2022, with two (2) two-year options for extension, for 2022-2024, and 2024-2026, respectively. It expands permitted uses of the building to “a public school (grades kindergarten through twelve, or any segment thereof), and all other related uses.” Monthly rent, which is now \$27,236, will increase to \$27,916.67 (2.5%), and thereafter by approximately 2.5% each later year as well. The proposed Lease thus expands our potential uses of the school, assures long-term occupancy, allows us to continue to consider energy savings options, and limits rental increases to a specific rate which is less than current or projected cost-of-living rates.

Food Service Contract. The Proposal submitted by Whitsons New England Inc. is attractive to us as well. Whitsons will hold its administrative / service fee at \$110,380 for FY 20 – one dollar less than it charged for FY 19. It will reduce its management fee from \$44,153 to \$44,150. The proposal includes a salary / benefits increase for the food service director of an aggregate 2.45%. The proposal projects an “annual guarantee” of \$279,312. This will allow the program to operate on a fully self-sustaining basis, generating a profit of \$8,157 for FY20. The profit is projected to grow during the five years of the regular term of the contract to \$90,555. The RFP sets this forth in specific terms: “[i]n no event will any subsidy be available from the operating budget of the Haverhill Public Schools to offset any program cost deficit or FSMC [Food Service Management Company] management fee.” RFP, Section VI (18) (b). The assumptions on which the guarantee is based are detailed in the Price Proposal. These assumptions, significantly, “include no charge for student meals through the CEP [Community Eligibility Provision].” Also, they include “[i]mplementation of Breakfast in the Classroom at the elementary level. A delay in implementation may result [in] an adjustment to the guarantee.”

The proposed 2019-2024 contract with Whitsons is very similar in general / functional terms to that under which it has operated the HPS food service program since 2014. However, it will now provide that Whitsons “shall operate and maintain a universal free school breakfast program in Haverhill public schools to the maximum degree to which the schools and the [HPS] are eligible therefor.” Request for Proposals, Section VI (1) (k).

Whittier Middle School. Russo Barr Associates is committed “to review, and to make recommendations regarding necessary repairs and structural restoration of Whittier Middle School ... with a view to keeping the school in sound order and operative condition until eventual replacement of the structure, or its major renovation, in five to ten years.” This will focus on HVAC, plumbing, and structural integrity of the facility as well. The “Basic Services Fee” to the HPS will be \$27,000. We are now trying to advance this project for completion this spring.

Massachusetts School Building Authority. As you know, we applied for funding from the “accelerated repair program” of the Massachusetts School Building Authority for replacement of the roof of the Moody Pre-School. On April 23, the MSBA conducted an “Accelerated Repair staff study site visit.” As it noted, “[s]taff study site visits provide the MSBA an opportunity to see and hear about each building’s issues firsthand, which have been relayed through a SOI [Statement of Interest] that has been submitted by the District for the Accelerated Repair Program.” The MSBA representatives were attentive to the needs of Moody, and appeared supportive of our application. The MSBA has had a significant increase in applications for its “accelerated repair” funds, though, and we now await further communications from it.

We will monitor all of our accounts carefully as we complete the current fiscal year and as we prepare for implementation of the FY 20 budget. I will keep you updated on financial and operational developments during the next month, and I will have a formal status report for you on these topics, and on any pertinent fiscal or operations occurrences, as noted above, during June. In the meanwhile, should any of you 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