
MEMORANDUM

TO: BOARD OF SCHOOL ESTIMATES
FROM: BRIAN FLEISCHER
SUBJECT: 2015-2016 DRAFT BUDGET LINE-BY-LINE – UPDATED
DATE: MARCH 17, 2015
CC: PENNY MACCORMACK; BOARD OF EDUCATION

This updated memorandum is intended to accompany the 2015-2016 Budget Book for the Board of School Estimates (BOSE), reflecting all changes through the March 16, 2015 meeting of the Board of Education (BOE), at which the BOE approved a budget with a tax levy increase of 4.15% while directing the school district administration to restore \$1,161,693 to the budget, using its discretion, within the following three categories: Student Assistance Counselors (SAC), Teachers, Paraprofessionals. The administration is proposing to restore 3.0 FTE elementary school SACs, 8.0 FTE teachers, and 11.0 paraprofessionals from the reductions that previously had been included in the March 6, 2015 Tentative 2015-2016 Budget.

Having presented the Budget last year for the first time, I know that a reader's first instinct is to focus on material variances in individual line items, particularly in salary account lines, and to assume that they reflect staffing cuts or additions, or material salary changes for certain employees. However, we build the budget for salaried positions based on the actual salaries of the employees, which will often vary from what was budgeted last year due to retirements, resignations, new hires, and changes in staff assignments. As the BOE is aware, we also spent a considerable amount of time this year rebuilding the school district's Position Control Roster (PCR) from scratch, in consultation with the principals and Central Services leads, to most accurately reflect our existing staff members' actual functional assignments and locations, and to build in processes and controls for regularly updating the PCR when individual job assignments change. This process resulted in significant movement of salaries between budget accounts, which also accounts for many of the variances reflected in the draft Budget. For example, in consultation with the Director of Pupil Services, many one-to-one paraprofessional and shared paraprofessional salaries were moved from "instruction" to "other support services".

Here is a summary of the only actual staffing cuts reflected in this draft Budget, reflecting the proposed 2015-2016 Budget as passed by the BOE at the March 16, 2015 meeting, after the position restorations described in the opening paragraph of this memorandum.

Central Services reductions (4.0 FTE)

- Chief Talent Officer (1.0 FTE);
- Assistant to the Superintendent/Communications Lead (0.5 FTE);
- Supervisor of Professional Development (0.5 FTE) (not a position reduction, but half of the position is coming out of the operating budget to be funded with NCLB Title II-A funding);
- Central Services Secretaries (2.0 FTE)

School-Based Reductions:

- Teacher reductions (10.0 FTE);

- Return from 24 to 21 KG classes (2.0 FTE) (we need to move the “extra” KG teaching position at Bullock to Grade 1 in 2015-2016 to absorb the four rising KG classes)
- 8.0 FTE additional teaching positions identified in consultation with principals:
 - 3.5 FTE reductions across elementary schools
 - 3.5 FTE reductions across middle schools
 - 1.0 FTE reduction at high school.
- Paraprofessional reductions (23.0 FTE);
 - Return from 24 to 21 KG classes (3.0 FTE);
 - Watchung Grade 1 classroom aides (3.0 FTE)(this was a one-year accommodation in 2014-2015);
 - Shared special education paraprofessional scheduling efficiency (17.0 FTE)(the location of these reductions will be made in consultation with the Director of Pupil Services, Child Study Teams and Principals based on 2015-2016 student placements and IEPs);
- MHS school secretary reduction (1.0 FTE);
- MHS nursing aide reduction (1.0 FTE).

Again, this 2015-2016 Proposed Budget does not reflect any other salaried positions in the district being cut or added.

The 2015-2016 Proposed Budget appropriations in accounts reflecting costs other than contractual salaries reflect the input of our Principals and Central Services leads, in consultation with me and Penny in our various budget meetings, as well as our analysis of current year expenditures and multi-year expenditure trends, and in some budget lines the advice we’ve received from advisors in areas like health benefits, insurance and energy about anticipated cost increases or decreases, or from the State for the calculation of PERS contributions. Variances from the 2014-2015 Budget in these lines will in some cases reflect adjusted needs and priorities as articulated by the Principals and Central Services leads, and in other cases reflect known or anticipated changes in contractual costs and other district obligations. Variances will also reflect efforts undertaken over the past year to move charges to the appropriate location on the Chart of Accounts to group together “like” expenses like annual renewals of technology licenses for Microsoft, Adobe, etc.

Here are some items to specifically note in the draft Budget:

Out-of-district tuition costs appear to be down overall compared to the 2014-2015 Budget. However, over the course of the year we moved the cost of non-tuition supports and services for our out-of-district students out of the tuition expenditure accounts on Page 1 of the Budget to account 11-000-217-320-000-20-63, “Purch Prof Ed Svcs”, on Page 2, where you see an increase of \$683,400. The tuition accounts now reflect only our projected tuition costs, based on the students we expect to continue in their current out-of-district placements. The accounts also reflect an estimated 10% increase in those tuitions, which is consistent with year-to-year changes in those tuition rates.

The account line on Page 1 for “Other Purchased Services – Offsite File Storage” was previously charged to a “Tech Services – Data Processing Services” account, which was not accurate because the charge is for archiving of physical records, not data processing.

Under Health Services on Page 1, you’ll see increases from 2014-2015 in the accounts for “Salaries - Substitute Nurses” and “Nurses – Additional Work” that reflect a projection forward of our current

year run rate. Additionally, you'll see an increase in "Prof/Tech Svcs – Medical" that reflects a projection of our current run rate for special education evaluations.

The account line for "Salaries - Teacher of the Deaf" on Page 1 reflects a carry-forward of current staffing, including one teacher who has been paid on hourly timesheets and will now be properly reflected in our HR system.

Toward the bottom of Page 2 you'll see a very large increase in the cost of "Prof/Tech Svcs – OT/PT". Those costs were clearly under-budgeted in the current year, where we've already had to increase the appropriation from \$150,000 to \$675,000 to cover rising costs. Last year, we issued an RFP for OT/PT services and switched over from Essex County Regional Educational Services Commission (ECRESC) to Trinitas Health, who offered a better hourly rate and better training for staff. However, one of the problems we had in 2013-2014 with ECRESC was that they were not able to fill all of our orders. In the current year, there have been far more services ordered and those orders have all been filled. While we will study the increase and take steps to ensure that it reflects our actual student needs, we do not want to be caught short in this area again next year, as it has swallowed much of the savings we realized this year in health benefits with the switch from Horizon to Cigna.

There is also a material increase in the budget for "Prof/Tech Svcs – Speech". Again, we've seen a significant increase this year in the number of services ordered and billed for our students.

On Page 2, you see a 47 percent increase in the subtotal for "Other Support Services – Students – Extraordinary", which reflects the movement of one-to-one and shared paraprofessionals from the Special Education Instructional account lines on Page 18 and 19 of the Budget.

We also moved the DLC's paraprofessional salaries to their own account line, whereas last year they resided in "Salaries – Personal Aides – Substitutes".

Also on Page 2, you'll see a reduction to "Salaries – ES Guidance" which reflects the 3.0 FTE elementary school SAC reductions described above.

On Page 3, second line, you see another special education professional services increase. That reflects the cost of the Effective School Solutions program for counseling at Montclair High School. The current year budget didn't capture this year's contractual increase, so next year's budget essentially reflects two years of rising contractual costs.

The increase for "Supplies/Materials- Spec Ed" and "Supplies/Materials Life Skills Program" also reflects current year programmatic costs.

Under "Salaries – Pupil Services" and "Salaries – Academics", Page 3, there was a movement of one employee, the district's Inclusion Coordinator, from Academics to Pupil Services, which is where he belongs.

On Page 4, you'll see that in "Supplies Materials – DOI – CCSS" we cut a \$35,000 line item that reflected the Scantron Achievement Series software.

The elimination of the Chief Talent Officer, a secretary, and the movement of 0.5 of the salary of the Supervisor of Professional Development out of the operating budget to be covered with NCLB Title II-A funds is all reflected toward the bottom of Page 4.

On Page 5, you'll see the increase in budgeted "Legal Services" to reflect the anticipated cost of negotiating the next MEA agreement. You'll also see that our current year budget and next year's budget are below the 2012-2013 and 2013-2014 actual expenditure levels.

Also on Page 5 is our "Judgements Against District", which reflect judgements and settlements of special education placement matters. Our costs have risen significantly over the past three years, and have run up over \$1 million in the current year. While we've retained new special education counsel and will be working very hard to meet student needs while controlling rising costs in this area, we do not want to be caught short again in 2015-2016 and the work to turn the tide will take time to bear fruit.

Under Communications/Telephone, you see the increased cost of our faster and stronger internet service from NJEDGE. We hope to receive E-Rate funding to reimburse some of those additional costs, and we are working to lock in a less expensive rate for 2015-2016 in time to realize the savings before the final Board of School Estimate vote on the Budget.

The increase in the middle of Page 5 under "Supplies/Materials – Admin Offices" reflects the cost of the district's postage meter and postage. Schools had previously been charging postage to their student activity accounts. We requested that they instead use the district postage meter and account.

The increase in "instructional staff mileage" on Page 5 reflects a change in law and in our employee contracts that no longer permits a monthly travel stipend to be included as an addition to pay. Any employee required to use a personal car for business travel will now have to submit for reimbursement at the GAO rate.

The changes on Page 6 under Administrative Information Technology reflect a lot of movement in from other places in the budget. One of our district technicians, who was never just a designated MHS resource, moved from "Other Salaries – Instruction – Technology Asst MHS" on Page 12 to "Salaries – Technology" on Page 6. We've now worked to consolidate our district's data processing and website support under "Tech Svcs – Data Processing Services", which includes the annual cost for our Edumet accounting, payroll and HR software, the EdData system for cooperative purchasing orders, and website management/maintenance support from vendors Ibis and Organyk.

Under "Required Maintenance of School Facilities", on Pages 6 and 7, you'll see an overall increase of about 20 percent, but one that leaves the budget in this category still under the actual expenditure levels from 2012-2013 and 2013-2014. We attempted over the past two years to materially reduce costs in this area, but we ultimately cut it last year more than we could sustain. Changes in the amounts allocated between individual schools are variable based on what maintenance and repair issues arise over the course of a given year, and we regularly are compelled to make transfers over the course of the year as maintenance and repair issues arise. The projected increase also reflects the depletion of prior year open bond ordinances for HVAC work and environmental testing, which now will need to be funded from the operating budget.

Further down on Page 7, you'll see that we have tried to reduce our costs for custodial overtime in "Salaries – Overtime Day School", and have had some success reducing costs from 2012-2013,

through more aggressively billing custodial overtime to community partners and student activity accounts that schedule activities in our buildings on nights and weekends, but the demands for evening and weekend repairs and snow removal work still requires us to increase the budget for 2015-2016 so as not to be caught short.

Under “Clean/Repair/Maint Svcs – Operations” on Page 7, we have our contract for supplemental custodial services in our schools. Our current contract expires this year and we need to go back out for bid. Because it is three years since we last bid and because both the current vendor and other prospective vendors now expect they will need to comply with employer insurance mandates under the Affordable Care Act, we are anticipating a 20 percent increase in the total cost of that contract.

Moving to Page 9, you’ll see a nearly 14 percent increase in “Retirement Contributions – PERS”, which is based on a calculation dictated by the State. The increase in “DCRP Contributions” is based on the current year’s run rate, projected forward. Under “Health Insurance”, the actual anticipated increase in the overall health insurance costs, which now stands at 32.95 percent but remains subject to change, is mitigated in two ways. First, the 32.95 percent increase is off the smaller \$13.27 million cap in total health benefits costs realized after last year’s budget was passed, when the district saved \$1.5 million in health benefits exposure through the switch from Horizon to Cigna. (As discussed above, that savings has covered the rising costs of special education services and judgments in the current year.) The budgeted increase here is also net of employee contributions to benefits for both 2014-2015 and 2015-2016. Please see my presentation to the public of March 2, 2015, posted on the district website under District -> Budget 15-16, for more details on the anticipated rise in health benefits costs and the impact of employee contributions.

At the bottom of Page 9 you will see the reduction of the three kindergarten classes added last year, discussed in the staffing cuts above, which would put the number of kindergarten classes back to 24, the same as for Grades 1 through 5. That change is projected to bring average kindergarten class sizes in the district back up to 24 from 21. Note that we still will need a fourth Grade 1 teacher at Bullock to ensure reasonable class sizes as the student’s in this year’s four kindergarten classes at Bullock move up.

On Page 11 under “Salaries – Grade 8 – Technology – Mt. Hebron”, you’ll see a reduction that reflects the retirement last year of a veteran teacher who was working full time as the school’s technology coordinator and not teaching. Mt. Hebron replaced that position with a non-teacher, a full-time technician whose salary is reflected on Page 12 under “Other Salaries – Instr. – Technology Asst”.

On Page 12, you’ll see that the “Salaries – Grades 9-12 Teachers” for Home Ec and Ind. Arts moved up to “Bus. Ed”.

Down toward the middle of the page, you’ll see in “Salaries – Instructional Aides” the reduction of the three Grade 1 paraprofessionals in the Watchung Grade 1 classes discussed above, and the movement of “Technology Assistant” salaries already described.

The bottom of Page 12 into Page 13 reflects materially increased usage by the schools of our networked copier machines, which resulted in year-end overage charges from Xerox at the end of 2013-2014. Some school also required additional copiers this year to handle the load. We’re budgeting for those additional copiers and charges in 2015-2016.

The “Technology Plan Phase In” that has been discussed on multiple occasions with the Board was reflected at the bottom of Page 15 under “General Supplies – Technology DW”. As we’ve discussed, the draft Strategic Tech Plan identified a need for approximately \$580,000 per year to establish a 6 to 7 year cycle for refreshing staff and student computing devices and classroom projectors. We identified around \$80,000 in the existing Technology Office budget that could be absorbed within those costs. So the Strategic Tech Plan called for a \$500,000 increase to the Technology Office’s other-than-salary budget for technology purchases and/or leases. Given the financial situation for 2015-2016, however, we determined that we could not fully fund the other-than-salary budget increases (or either of the two requested additional technology staff members) in the 2015-2016 Budget. We discussed a “phase-in” that would delay the purchase of any new district-funded projector installations until at least the 2016-2017 Budget, “saving” \$156,000 versus the draft plan, and leaning on the newly-purchased-and-leased student devices to basically hold us steady at a 3:1 student-to-device ratio next year, reducing another \$100,000 versus the draft plan. That left \$244,000 in funding for teacher and student devices in 2015-2016, less than 0.3 percent of the district’s operating budget. That amount was further reduced by \$80,000 after the March 2, 2015 Budget Workshop Meeting, to the \$164,000 reflected in the draft Budget Book presented on March 6, 2015. On March 6, the Board cut the remaining \$164,000, leaving \$0 in “General Supplies – Technology DW”.

At the top of Page 16 is “General Supplies – Annual Tech Renewals”, which includes the 2015-2016 lease payment for laptops obtained through a lease-purchase agreement executed at the beginning of this year, plus the costs of our annual instructional and information technology renewals, which in prior years were spread across various other account lines across the Budget, at both the district and school levels. Since bringing in a technology secretary this year, we’ve been working to identify and consolidate all of the district’s technology renewals so that they could be accurately budgeted and reflected in one place.

As previously discussed, most of the aides salaries previously budgeted on Page 18 and 19 were moved to “Other Support Services” on Page 2, with the reduction in special education shared paraprofessionals discussed in the staffing reductions above. On Page 19 you’ll also see the movement of salaries previously budgeted as “Teachers – PSD – PT” to “Teachers – PSD – FT”, reflecting their actual full-time status.

Further down on Page 19, under Vocational Programs, you’ll see an increase reflected in “Salaries – Transition Facilitator” – that just reflects the updated assignment of an MHS teacher previously budgeted as a resource room teacher.

On Page 23, under Capital Outlay – Equipment, you’ll see \$68,000 budgeted for the replacement of a Buildings & Grounds “rack truck” that was purchased in 1989 and is no longer safe to operate, and a riding lawnmower needed for maintenance of grounds.