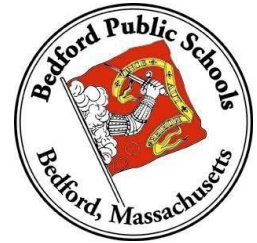


BEDFORD PUBLIC SCHOOLS



To: School Committee
From: Cliff Chuang, Superintendent
Julie Kirrane, Director of Finance
Date: May 8, 2024
Subject: FY24 Budget Status Update

At your April 23 meeting, we provided you with an [update on the FY24 budget](#), with a projected deficit of \$1,216,511 based on analysis and information available to date. In this follow-up memo, we provide a status update on FY24 budget projections, along with additional details regarding the specific cost areas that put pressure on this year's budget. We are happy to answer questions at your meeting this evening. We plan to share this same information and answer questions at the May 9 Finance Committee and we will also share this information with the Select Board (who we briefed at their April 29 meeting). At your May 14 meeting, we plan to provide a preliminary first look at an adjusted forecast for the FY25 budget in out-of-district tuition and special education transportation. At your May 28 meeting, we plan to share some lessons learned and to provide recommendations on potential changes to our current fiscal control systems and structures based on a review of current vulnerabilities, and opportunities afforded us by the now completed Munis implementation for accounting and payroll. At your final scheduled meeting for this school year, now scheduled for June 10, we plan to ask for your approval of a Finance Committee reserve fund transfer request, assuming it is necessary.

Since April 23, we have worked intensively to address the FY24 budget deficit. It is important to note that this work is ongoing and that numbers may continue to shift a bit as projections become refined with additional actualized data as the fiscal year comes to a close. At this point, we can share the following updates.

- We have been approved to receive \$1,000,304 from DESE in “circuit breaker” reimbursements for special education costs that can be applied to FY24 via two relief components as describe in [Memo regarding Relief reimbursement payments — April 23, 2024 \(mass.edu\)](#): Extraordinary Relief and Reserve Relief. We expect this payment no later than the end of the month.
- After accounting for the circuit breaker reimbursements in FY24, close collaboration with town officials, initial implementation of cost control measures, additional close review of the status of high-risk accounts, and additional consideration of all available fund sources, **we now project the FY24 budget deficit to be approximately \$480,000.**
- It is important to note that \$200,000 of the remaining deficit is directly attributed to the second half of the CASE transportation assessment. The district hoped to be successful in negotiating rate relief or delay for this invoice due to lower ridership levels than the district was hoping for in the current year, while managing a significant increase in riders overall. Though we have intensively engaged with CASE leadership, town partners and consulted the district's attorney, we have ultimately determined that this relief is not feasible. The work with the CASE collaborative is ongoing, and the projected assessment for FY25 is lower than budgeted without accounting for an expected credit back to Bedford due to

CASE's expected FY24 surplus. In FY25, we are cautiously optimistic that the district will be able to maximize what historically has been a cost-effective partnership.

- The approved FY24 budget originally relied on a \$150,000 Finance Committee reserve fund transfer. Given the larger than anticipated size of the deficit, we have been in discussions with Town officials about taking the necessary steps to ensure that the Finance Committee has sufficient funds in their reserves to support the closing of this deficit. As is usual, we will work to solidify a final number for a reserve transfer request for your consideration at your June meeting. Any potential changes that result from the remaining payrolls and the continuing review of accounts and purchase orders¹ will be considered as part of this anticipated reserve fund transfer request.

In the table below, we provide additional detail with a breakdown of forecasted expenditures to year end in the five major school expense categories, as well as some additional sub-categories that are driving the deficit.

Line	FY24 Operating Budget (GAAP)	4/18/2024 Forecast to Year End	5/9/2024 Forecast to Year End	Change
1	Salaries	\$ 262,108	\$ 405,889	\$ 143,781
2	Substitutes	\$ (241,437)	\$ (241,762)	\$ (325)
3	Para Professional Contracted Svcs	\$ (454,037)	\$ (572,584)	\$ (118,547)
4	Operating Expense	\$ 230,608	\$ 386,369	\$ 155,761
5	General Ed Transportation	\$ (36,869)	\$ (43,523)	\$ (6,654)
6	Special Ed Transportation	\$ (514,547)	\$ (373,431)	\$ 141,116
7	Out of District Tuition	\$ (462,337)	\$ (38,309)	\$ 424,028
	Surplus (Deficit)	\$ (1,216,511)	\$ (477,351)	\$ 739,161

- Line 1 - Actual salary expense was lower than the forecast by \$70K between the 4/18 and 5/9 analysis inclusive of an additional two teacher payrolls and one admin payroll; The revised forecast also includes an indirect cost charge to the school nutrition program.²
- Line 2 - Sub costs substantively were as expected in the salary forecast.
- Line 3 - Contracted TA expense is higher following the completion of a full review of all invoices and purchase orders in the system.
- Line 4 - Operating expense is higher due to additional use of available special revenue funds.
- Line 5 - General Ed Transportation expense is higher than expected following the full review of all invoices and purchase orders in the system.
- Line 6 - The full Circuit Breaker prior year fund balance is used to offset special education transportation. However, it is important to note that the overall forecast for special education transportation costs before offsets is approximately \$200,000 higher than the April 23 forecast due to a transportation assessment that was previously not accounted for as

¹ Note that as of this memo, all large purchase orders have been reviewed to determine that, based on bills paid and balance remaining, there is sufficient balance for the additional monthly billing expected through June 30. The review is ongoing, and supported by four central office staff members.

² We are cautiously optimistic that we will accrue additional salary savings in the remaining payrolls given FY24 cost containment measures described below, but these are not included in the current forecast.

described above. Rate relief was successfully negotiated with one private provider (a 50% reduction) for the remainder of the year.

- Line 7 - Extraordinary relief is used to offset out-of-district tuition.

There continues to be a level of risk in the forecast, as presented. Some examples include:

- Application of fund balances from school special revenue funds leaves the schools with limited further options to respond should something unexpected occur.
- Reduction in enrollment of students returning from Lowell (enrollment has been steady since the relocation two weeks ago).
- Continued review of invoices and purchase orders still ongoing.
- Potential for delayed revenues (low risk but the forecast is contingent upon significant committed revenues not yet received).

We have also begun to implement the following cost containment measures for the remainder of FY24³, including:

- Superintendent weekly review of all hiring requisitions to ensure they are critically necessary. To date, we have identified three vacancies for positions that do not provide direct service to students that can remain unfilled for the remainder of the school year.
- Conservation on the use of substitute teachers at the secondary level.
- Delay of expenditures that can wait until FY25, include certain technology licenses/upgrades and facilities expenses.
- Maximization of the use of district vans for athletic transportation vs. chartered buses.

After discussions with Town officials, we believe that it continues to make the most sense to address any remaining budget shortfall at the end of the fiscal year through support from the Finance Committee as originally planned (though at a level that may be higher than anticipated). That said, we are also prepared to defer expenditures from the following FY25 capital budgets if absolutely necessary:

- Schools: All Schools—Info Tech Plan Replacement.
- Facilities—Schools: All Schools—Comprehensive Security Equipment and Safety Plan.

We appreciate this opportunity to provide additional information and welcome your feedback. As always, please contact us if you have any questions.

Cc: Matt Hanson, Town Manager; David Castellarin, Town Finance Director/Town Accountant; Ben Thomas, Finance Committee Chair; Sean Hanegan, Select Board Chair

³ Note that we have also begun cost containment measures for FY25, but we will report on those with more detail in a future memo.