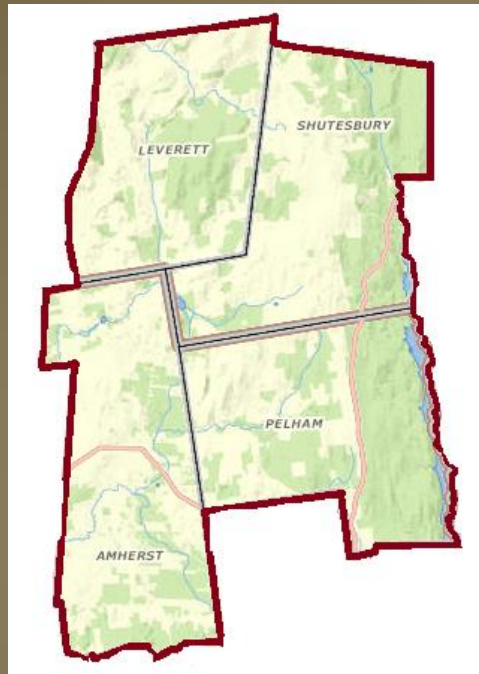


PK-12 Regionalization

Financial Study - Round 3
April 2015



Topics

- Background
- Concepts
- Assumptions/Estimates
- Analysis – Focus PreK-12, 4 Towns
- Takeaways
- Big Picture
- Appendix (Supporting Worksheets)
- Questions

Background

- Initial financial analysis conducted by Mark Abrahams in early 2013 – based on FY13 Budget
- Mark Abrahams, CPA is a leading expert in the field of governmental accounting in Massachusetts
 - Served as Financial Management Coordinator for City of Worcester, Chief of Compliance Bureau for MA DOR, Partner in Charge for KPMG Boston Office – Consulting, and Assistant to MA State Comptroller
- In 2014, district and town officials updated Mark's models with FY14 Budget data for RSDPB
- April 2015, models updated with FY15 Budget data for Regional School Committee

Concepts

- Three Scenarios
 - PreK-12 Region – all four towns participating at all grade levels
 - PreK-12 Region – Amherst, Pelham, and Leverett participating at all grade levels, Shutesbury 7-12
 - PreK-12 Region – Amherst and Pelham participating at all grade levels, Leverett and Shutesbury 7-12
- Two Assessment Methodologies for each Scenario
 - Alternative Method – Five Year Rolling Average Enrollment
 - Statutory Method – State Formula

Concepts

- Town Based Costs – School costs that are paid directly by the Town (ex. pre-regionalization debt)
- Total Town Costs – New Region’s assessment and town based costs combined. Equals total tax levy dollars expended for education under the expanded prek-12 region
- Current Resources – The total tax levy dollar expended for schools pre-regionalization - fixed

Assumptions/Estimates

- Transportation reimbursement %, Medicaid Reimbursement \$\$
- Debt service costs and retiree health insurance costs pre-regionalizing would stay with Towns, post regionalizing would be part of new region's budget
- Transition costs – compensation alignment, IT infrastructure

Analysis – Focus PreK-12, 4 Towns

- Step 1 – Merge spending

Voted Operating Budget (PreK-6)

Special Revenue Budgets (PreK-6)

Schedule 19 (Town Based Costs)

Capital Costs (PreK-6)



Combined PreK-6 School Spending - All Sources

- Step 2 – Combine Prek-6 spending with 7-12

Analysis – Focus PreK-12, 4 Towns

- Step 2 – Combine Prek-6 spending with 7-12

Description	Amount			
		Pre-K to 6 Region	7-12 Region	
Gross Regional Budget		\$ 33,904,886	\$ 32,528,582	
Less Town Based Costs		\$ 1,843,444	\$ 349,280	
Sub Total		\$ 32,061,442	\$ 32,179,302	
Less Common Revenues				
Revolving and Special Funds	\$ 3,056,994			\$ 2,560,824
Chapter 70, Simulated	\$ 7,018,260			\$ 9,250,208
Transportation Reimbursement	\$ 286,695			\$ 625,000
Chapter 71:16D Bonus Aid	\$ 75,800			\$ -
Medicaid Reimbursement	\$ 300,000			\$ 92,443
New Choice In Revenue	\$ 55,000			\$ -
Charter Aid Tuition	\$ -			\$ 171,455
Interest Revenue				\$ 14,000
E&D for budget support	\$ -			\$ 450,619
E&D for contingency	\$ -	\$ 10,792,749	\$ 13,444,549	\$ 280,000
Net Regional Budget		\$ 21,268,693	\$ 18,734,753	
Adjustments (First Year)				
Wired and Wireless Infrastructure	\$ 24,328			\$ -
Compensation/Benefits Adjustment	\$ 327,884			\$ -
Expenses Eliminated with New Region	\$ (296,830)	\$ 55,382		\$ -
Amount to be Assessed		\$ 21,324,075	\$ 18,734,753	
Total Amount to be Assessed			\$ 40,058,828	

Analysis – Focus PreK-12, 4 Towns

- Step 3 – Allocate amount to be assessed – compare to current resources

Alternative Assessment	Amherst		Pelham		Leverett		Shutesbury		Total	
Net Amount to be Assessed	\$ 31,219,313	77.93%	\$ 2,167,126	5.41%	\$ 3,139,929	7.84%	\$ 3,532,462	8.82%	\$ 40,058,828	100.00%
Total Assessments	\$ 31,219,313	77.93%	\$ 2,167,126	5.41%	\$ 3,139,929	7.84%	\$ 3,532,462	8.82%	\$ 40,058,828	100.00%
Town Based Costs	\$ 1,568,994		\$ 236,583		\$ 289,616		\$ 97,531		\$ 2,192,724	
Total Town Costs	\$ 32,788,307	77.60%	\$ 2,403,709	5.69%	\$ 3,429,545	8.12%	\$ 3,629,993	8.59%	\$ 42,251,552	100.00%
Current Resources	\$ 33,050,635	77.02%	\$ 2,729,031	6.36%	\$ 3,652,252	8.51%	\$ 3,481,747	8.11%	\$ 42,913,665	100.00%
Difference	\$ (262,329)		\$ (325,322)		\$ (222,707)		\$ 148,246		\$ (662,113)	

Statutory Assessment	Amherst		Pelham		Leverett		Shutesbury		Total	
Total to be Assessed									40,058,828	
Required Local District Contributor	\$ 8,808,278	80.4%	\$ 620,173	5.7%	\$ 840,884	7.7%	\$ 689,268	6.3%	\$ 10,958,603	100.0%
Required Local District Contributor	\$ 9,008,539	78.4%	\$ 702,709	6.1%	\$ 1,012,997	8.8%	\$ 760,153	6.6%	\$ 11,484,398	100.0%
Net Amount to be Assessed	\$ 13,728,660	77.93%	\$ 952,991	5.41%	\$ 1,380,780	7.84%	\$ 1,553,396	8.82%	\$ 17,615,827	100.0%
Town Based Costs	\$ 1,568,994		\$ 236,583		\$ 289,616		\$ 97,531		\$ 2,192,724	
Total Town Costs	\$ 33,114,471	78.4%	\$ 2,512,456	5.9%	\$ 3,524,277	8.3%	\$ 3,100,348	7.3%	\$ 42,251,552	100.0%
Current Resources	\$ 33,050,635	77.0%	\$ 2,729,031	6.4%	\$ 3,652,252	8.5%	\$ 3,481,747	8.1%	\$ 42,913,665	100.0%
Difference	\$ 63,835		\$ (216,575)		\$ (127,975)		\$ (381,399)		\$ (662,113)	

Takeaways

- Total education costs will be lower because of regionalization. Why? Mainly transportation reimbursement and Medicaid reimbursement

Savings Calculation

New Transportation Reimbursement	\$	(286,695)
New Bonus Aid	\$	(75,800)
New Choice-In Revenue	\$	(55,000)
Medicaid Reimbursement	\$	(300,000)
Transition Adjustments	\$	55,382
	\$	(662,113)

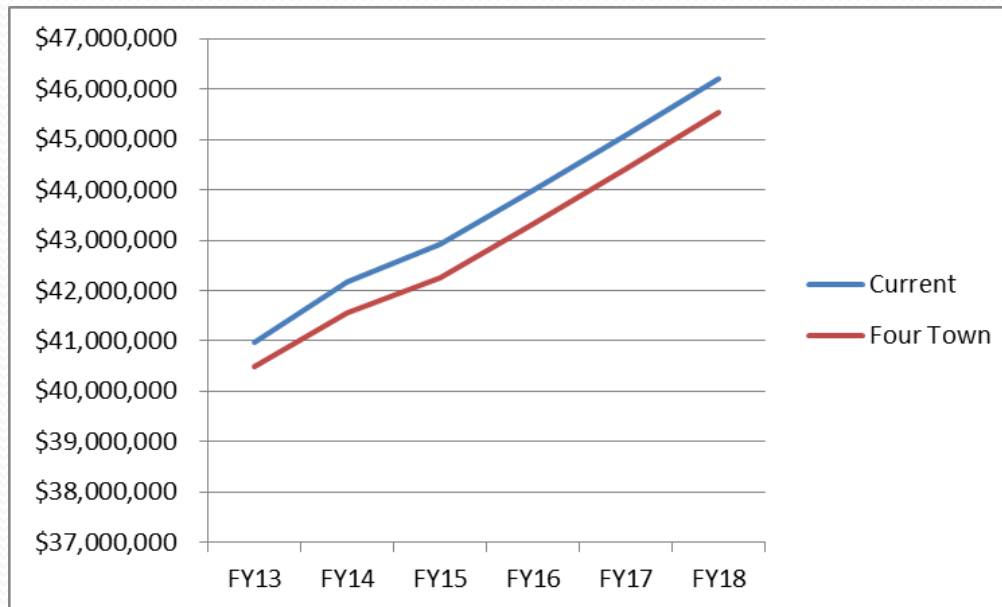
Takeaways

- Similar to our current 7-12 situation, the assessment method drastically changes how much each town saves
- No outcome where all towns save
- RAWG recommendation to develop a transition plan to distribute savings over some period of time
- Projected savings will carry forward into future years because of the new revenue sources: transportation & Medicaid reimbursement. The amount of savings for each town will shift based on the assessment method and enrollment

Big Picture

Total - 2.5% Increase			
Year	Current Resources	Total Town Costs*	Diff
FY13	\$ 40,968,783	\$ 40,486,044	\$ (482,739)
FY14	\$ 42,172,391	\$ 41,567,714	\$ (604,677)
FY15	\$ 42,913,665	\$ 42,251,554	\$ (662,111)
FY16	\$ 43,986,507	\$ 43,323,003	\$ (663,504)
FY17	\$ 45,086,169	\$ 44,420,859	\$ (665,310)
FY18	\$ 46,213,324	\$ 45,545,782	\$ (667,541)

* Under an expanded prek-12, 4-town region



Big Picture

- Regionalization would make our schools more sustainable by providing greater budget flexibility:

FY16 APRSD Reductions	\$ 1,000,000
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New Prek-12 Region Revenues	\$ (662,113)
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Available Elementary Funds	\$ (100,000)
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Projected Prek-12	
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FY16 Reductions	<u>\$ 237,887</u>
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Appendix – Transportation Reimbursement

Description	Amount	
Expenditures for pupils transported > 1.5 miles	\$ 455,072	Equals sum from Veh 14 workbook eligible costs
Sub Total	\$ 455,072	
Assumed Reimbursement Rate	63%	estimate given by Jay Sullivan/MARS
Estimated Ch 71 Transportation Reimbursement	\$ 286,695.36	

This worksheet estimates the Chapter 71 transportation reimbursement.
The district would be eligible for transportation reimbursement.
The four towns do not currently qualify for transportation reimbursement.
Refer to the Transportation Workbook for additional details

Appendix – Bonus Aid

A regional school district shall be entitled to receive state aid for construction of regional schools. Each city or town in a regional school district whether established under special or general law shall continue to receive such state aid for educational purposes as it would be entitled to receive if such district had not been formed. In addition, the state treasurer shall, subject to the provisions of subsection (c), upon certification by the commissioner of education annually pay on or before November twentieth to each regional school district an amount computed as follows:

	FY15 Chapter 70 Foundation Budget										- Incremental Costs Above The Base -				TOTAL*
	Base Foundation Components										(11)	(12)	(13) (14)		
Foundation Enr	(1) Pre-School	(2) - Kindergarten - Half-Day	(3) - Full-Day	(4) Elementary	(5) Jr High/ Middle	(6) High School	(7) ELL PK	(8) ELL K Half	(9) ELL KF - 12	(10) Vocational	(11) Special Ed In District	(12) Special Ed Out of Dist	---- Low Income ---- (13) Elem (14) Other		
8 Amherst	30	-	123	730	165	-	-	-	172	-	45	12	380	83	1,205
230 Pelham	-	-	12	49	9	-	-	-	-	-	3	1	23	3	70
154 Leverett	4	1	14	67	16	-	-	-	-	-	4	1	26	3	100
272 Shutesbury	-	-	14	106	20	-	-	-	1	-	5	1	28	4	141
Total	34	1	163	952	210	-	-	-	173	-	57	15	457	93	1,516

Year	Amount	Amherst	Pelham	Leverett	Shutesbury	Total
Foundation Enrollment		1,205	70	100	141	1,516
First Year	\$ 50	\$ 60,250	\$ 3,500	\$ 5,000	\$ 7,050	\$ 75,800
Second Year	\$ 40	\$ 48,200	\$ 2,800	\$ 4,000	\$ 5,640	\$ 60,640
Third Year	\$ 30	\$ 36,150	\$ 2,100	\$ 3,000	\$ 4,230	\$ 45,480
Fourth Year	\$ 20	\$ 24,100	\$ 1,400	\$ 2,000	\$ 2,820	\$ 30,320
Fifth Year	\$ 10	\$ 12,050	\$ 700	\$ 1,000	\$ 1,410	\$ 15,160
Total Estimated Bonus Aid	\$ 180,750	\$ 10,500	\$ 15,000	\$ 21,150	\$ 227,400	

Foundation enrollment based on FY15 chapter 70 based foundation components

This worksheet estimates bonus aid for the new district.

Bonus aid is not guaranteed and is local aid when received.

Subject to appropriation

Similar to Ayer Shirley, Somerset Berkley, Monomoy appropriations

Ayer Shirley and Somerset Berkley have confirmed their receipt of bonus aid as follows:

Region	Year 1	Year 2
Ayer Shirley	\$ 90,950	\$ 72,760
Somerset Berkley	\$ 45,000	\$ 40,000

Appendix – Current Resources

	General						
Town	Fund	Other	Schedule	All	7-12 Region	Capital	Total
	Voted	Revenues	19	Adjustments	Assessments	Assessments	
Amherst	\$21,490,563	\$2,067,229	\$2,711,048	\$ 42,686	\$ 14,463,908	\$ 267,628	\$41,043,062
Pelham	\$ 1,413,531	\$ 498,397	\$ 221,496	\$ 32,500	\$ 1,261,955	\$ 21,805	\$ 3,449,684
Leverett	\$ 1,659,510	\$ 283,998	\$ 849,459	\$ (51,493)	\$ 1,439,988	\$ 32,004	\$ 4,213,466
Shutesbury	\$ 1,935,325	\$ 207,370	\$ 596,250	\$ (52,983)	\$ 1,568,902	\$ 27,843	\$ 4,282,707
Total	\$26,498,929	\$3,056,994	\$4,378,253	\$ (29,290)	\$ 18,734,753	\$ 349,280	\$52,988,919
Less Chapter 70 and Other Revenues							
Amherst							\$ 5,925,198
Pelham							\$ 222,256
Leverett							\$ 277,216
Shutesbury							\$ 593,590
Total Chapter 70							\$ 7,018,260
Other Revenues							\$ 3,056,994
Net Amount Current Local Resources							\$42,913,665
From the regional budget tab.							
This worksheet summarizes the amount expended from the four towns from tax levy funds.							
Net Current Resources	Gross	Other	Chapter 70	Net			
Amherst	\$41,043,062	\$2,067,229	\$5,925,198	\$33,050,635			
Pelham	\$ 3,449,684	\$ 498,397	\$ 222,256	\$ 2,729,031			
Leverett	\$ 4,213,466	\$ 283,998	\$ 277,216	\$ 3,652,252			
Shutesbury	\$ 4,282,707	\$ 207,370	\$ 593,590	\$ 3,481,747			
Total	\$52,988,919	\$3,056,994	\$7,018,260	\$42,913,665			
This worksheet summarizes what the estimated FY 2015 costs (taxes) by town. These costs are then compared to the assessments.							

Appendix - Enrollment

Summary				
	5 Yr Rolling Enrollment			
	Pre-K	Grades 7		
District	to 6	to 12	Total	Percent
Amherst	1,359.65	1,278.43	2,638.07	77.93%
Pelham	71.44	111.69	183.12	5.41%
Leverett	138.36	126.97	265.33	7.84%
Shutesbury	159.72	138.78	298.50	8.82%
Total	1,729.17	1,655.86	3,385.02	100.0%



Questions