



## Operations and Finance Division

**To:** Board of Education Members

**From:** Ben Whittaker, Chief Operations Officer

**Date:** May 8, 2023

**Re:** **Informational Report- FY23 Q3 Financial Report**

**Enclosure:** *FY23 Q3 General Budget Review- Forecasted YE Variances*

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This report and the accompanying “FY23 Q3 General Budget Review- Forecasted YE Variances” financial analysis tool covers the nine (9) month period beginning July 1, 2022 and ending March 31, 2023. The EHPS budget is an annual budget, so quarterly reports are cumulative in nature. The goal of the Q3 Report is to analyze actual fiscal Year-To-Date (YTD) expenditures and encumbrances (costs which have been isolated or orders placed, but not yet invoiced) and apply a forecast based on available information and trend analysis to identify items which risk either being over or under budget by the end of the fiscal year. The Year-End (YE) forecast is compared to the FY23 budget number for each “object” account and a variance is calculated, showing the difference between current YE forecast and the budget. Any object account with a greater than 10% (plus or minus) forecasted variance is highlighted, and a brief explanation of contributing factors are provided. Forecasts are based on current conditions and assumptions and are subject to change, especially if an unanticipated event occurs in the final quarter of the fiscal year.

The items described below are major Quarter 3 areas of interest. While not exhaustive, this list should be considered in conjunction with the explanations provided on the accompanying financial tool.

- **Staff Vacancies-** Unfilled vacant positions and certain types of leave account for a current annualized surplus of \$2,733,781. This number changes with every payroll cycle, and currently equates to 4.8% of the included salary categories- normal for this time of year. Included in the YE certified salary forecast is moving \$2.1M of salaries to ARP to “bail out” Woodland’s \$2.1M tuition revenue deficit. With the bailout, salaries are forecasted to end the year about \$3.6M under budget, but without the impact of the bailout (if the bailout isn’t fully necessary) salaries would end about \$1.5M under budget, in-line with historical trend.
- **Other Post-Employment Benefits (OPEB)-** The amount that EHPS is required to pay into the Town’s trust has been stable at \$650k for several years. The Town notified EHPS that the required contribution for FY24 would be \$1.35M, based on actuarial calculations considering investment returns and claims data. Since the FY23 budget only carried \$200k due to pre-payments made in prior years, the jump to \$1.35M would require a dramatic budget increase in FY24. To “soften” the burden for FY24, a pre-payment of \$900k will be made in FY23 utilizing the expected increase in Magnet Cap Grant funding. If the State does not fully fund the Magnet Cap Grant in May, then this payment may not be made and the FY24 budget will have to be increased.
- **Defined Contribution Plan-** The Defined Benefit (Pension) Plan stopped accepting new employees in 2006, so as employees who were in the DB Plan retire and new employees begin in the Defined Contribution (DC) Plan, the required contributions to the DC Plan grow proportionately with the new salary base. This is overall positive for

East Hartford, as no additional ongoing pension liabilities are created, but it does increase the annual budget. There has been an 8.2% increase in plan participants in FY23 (26 new employees in the plan), and combined with the prior budget year benefitting from a high level of forfeitures (employees who resign before contributions vest), this account is forecasted to be about \$181k (43%) over budget by year end. A new forecasting method will now be used to create more accurate budgets going forward.

- **Unemployment Compensation-** Historically low layoffs and “look-back” triggers from resigned employees have led to lower than normal claims. This account is forecasted to end the year about \$75k (75%) under budget.
- **Student Services (SPED)-** Two (2) students are currently residing in a Juvenile Detention Center, and EHPS is burdened with paying the educational costs of these students, similar to an outplacement. Combined with a \$76k settlement with Watertown for past EH Nexus-student tuitions, the student services account is expected to end the year \$272k over budget. Due to extremely high variability, this account does not carry a large budget (\$25k in FY23), so is susceptible to this over-budget condition when rare instances such as these occur.
- **Repairs & Maintenance Services (Copiers/Printers)-** Copier and printer usage has increased since bottoming out in FY20 and FY21, but is still lower than pre-FY20 levels, a trend that would be beneficial if continued. The copier/printer replacement project made significant progress in Q3, and machine “down time” during this transition contributed to the account being forecasted to end the year about \$106k (20%) under budget.
- **Motor Fuel (Student Transportation)-** Fuel prices continue to swing, with diesel running \$4.52/gal YTD. Overall YTD average fuel costs of \$3.64/gal are 9% higher than the same period last year, and 75% higher than the FY21 (when the budget # was established) overall average rate of \$2.11. This account was encumbered at the beginning of the year to reflect the \$5.50+/gal pricing experienced over the summer. Since those conditions have not returned, a cautious release of some of the encumbrance will take place based on the current projection of ending the year \$150k (44%) over budget, down from \$200k presented last quarter.
- **SPED Tuition-** The FY23 budget for SPED services delivered to magnet school students and students in private placements is \$6,815,063 (\$3,247,892 magnet / \$3,567,171 private) based on FY21 actuals (the most recent data when the FY23 budget was built). Since service needs continue to outpace budget increases, this “chasing actuals” way of budgeting has resulted in a trend of being over budget about 11% by the end of each budget year. The new tracking tools applied to these tuition accounts have proved valuable, as the YE projected overages have not changed from last quarter, remaining at \$380k for magnets and \$200k for private placements for a total of 8% over budget. An increase was planned for FY24 to finally tie the budget to trend-based expectations, but a last-minute \$150k reduction to the BOEs approved budget by the Town required removing the \$150k from the SPED magnet services account. The condition should still improve (but not totally remedied) for FY24 with an 8.1% increase built in the budget.
- **Magnet Tuitions-** Legislation was passed in spring 22 to lower the Magnet Cap from 7% to 4%, meaning EHPS receives a \$4,400 reimbursement grant for each student above 4% of the total resident student population that attends a tuition-based magnet school. Lowering the Magnet Cap is projected to increase the grant by about \$1.2M, but the impact is partially diluted by gross tuition costs projected to exceed the budget by \$200k (3%). The grant projection is contingent on receiving full funding by the State (May), so it is not “guaranteed” at this point. Increase in grant will allow for OPEB prepayment described above.

- **Utilities-** Natural gas consumption is currently trending 7% lower than last year due to a mild winter, but extremely high supply rates have persisted into the heating season, with the YTD cost up 21% over the prior year. Projecting current conditions out for the remainder of the year, the account will end \$275k (29%) over budget. Fortunately, electricity cost is trending 23% below budget YTD, and has the potential to end the year \$300k under budget, more than neutralizing the natural gas overage.
- **Woodland Revenue-** Enrollment continues to be a challenge, unchanged since Q2 with YTD average enrollment of fifty-six (56) tuition paying students. Eighty-six (86) tuition paying students are needed to meet the FY23 revenue budget of \$6,120,716. The school is also experiencing a great deal of turnover with 39 entrances and 32 exits YTD. The low enrollment level is projected to cause a revenue shortage of about \$2.1M in FY23, slightly better than the \$2.4M shortfall experienced in FY22. The “bail-out” option designed last year has been built in the salary forecast (see note above), and based on the overall budget situation, is now likely to be executed at YE.

As of March 31, 2023, the general budget is forecasted to come in \$649k under budget if all losses of Woodland revenue are countered by moving staff costs to ARP. Without ARP available to bailout Woodland, the general budget forecast would be OVER about \$1.45M.



**East  
Hartford  
Public  
Schools**

*Operations and Finance*

## FY23 Q3 General Budget Review- Forecasted YE Variances

Updated 4/17/2023-BW

Distribution to BOE: May 8, 2023

YTD Data as of 3/31/2023

YE Forecast > 10% Under Budget

YE Forecast >10% Over Budget

Object Code and Description	FY23 Revised Budget	FY23 Year-End Forecast	YE Forecast vs Budget Variance (Under) Over Budget	%	Explanation
101010 Certified Staff	\$ 34,346,304	\$ 31,246,304	\$ (3,100,000)	-9%	Includes \$2.1M of staffing costs to be transferred to ARP to counter lack of Woodland Revenue. Balance (~3%) is unfilled/partial year vacancies similar to prior years.
101011 Certified Administration	5,295,595	\$ 5,295,595	\$ -		
102022 Para General	179,163	\$ 185,000	\$ 5,837	3%	
102023 Para Media	72,363	\$ 41,000	\$ (31,363)	-43%	1 Position inactivated on 8/15/22
102024 Para Special Education	2,651,555	\$ 2,350,000	\$ (301,555)	-11%	Higher than normal para vacancies YTD
110020 Non-Certified Staff	10,128,237	\$ 9,973,516	\$ (154,721)	-2%	
110021 Non-Certified Administration	1,702,250	\$ 1,748,149	\$ 45,899	3%	
110028 Tutors	5,400	\$ 5,809	\$ 409	8%	
110029 Behavior Managers	1,408,130	\$ 1,404,955	\$ (3,175)	0%	
122020 Non-Certified Subs	237,678	\$ 200,000	\$ (37,678)	-16%	Lower Facilities and Admin sub requirements paritally countered by higher Medical and IT subs
131010 Certified Extra Duty	401,744	\$ 365,000	\$ (36,744)	-9%	
132010 Non-Certified OT	559,199	\$ 559,199	\$ -		
150010 Staff Retirement	300,000	\$ 300,000	\$ -		
151012 Coaches	336,438	\$ 305,000	\$ (31,438)	-9%	
151013 Student Advisors	189,960	\$ 175,000	\$ (14,960)	-8%	
220001 SS/Medicare	1,934,930	\$ 1,934,930	\$ -		
220002 Health Insurance Excise	5,100	\$ 5,100	\$ -		
230001 OPEB Pension	200,000	\$ 1,100,000	\$ 900,000	450%	Town changed OPEB requirement from \$650k to \$1.35M to FY24. Making \$900k prepayment using increased Mag Cap Grant to ease burden in FY24.
230002 Para Retirement Contribution	349,000	\$ 363,315	\$ 14,315	4%	
230003 Defined Contribution	420,621	\$ 602,604	\$ 181,983	43%	8% plan participant increase (26 employees) as employees retire out of the DB plan and new come in under this DC plan- overall beneficial to East Hartford. Prior budget year benefitted from plan forfeitures, skewing trend data. New forecasting method to be used going forward.
260001 Unemployment Compensation	100,000	\$ 25,000	\$ (75,000)	-75%	Unemployment claims down, below historical
270001 Workers Compensation	296,109	\$ 296,109	\$ -		
280001 Health Self Insured	11,840,902	\$ 11,840,902	\$ -		

280003 Health Administration	1,000	\$ 1,000	\$ -		
290001 Life Insurance	112,500	\$ 112,500	\$ -		
300001 Labor Relations	107,958	\$ 107,958	\$ -		
300003 Legal Fees PPS	86,475	\$ 86,475	\$ -		
320005 Student Services	25,000	\$ 297,085	\$ 272,085	1088%	2 students in Juvenile Detention Center originally planned to cover with grant funds but unable due to high mag svcs. \$76k settlement with Watertown for past services.
330001 Staff Development	24,972	\$ 24,972	\$ -		
340001 Professional Contract Services	1,767,120	\$ 1,767,120	\$ -		
410001 Water Utility Services	230,823	\$ 230,823	\$ -		
420001 Cleaning Services	9,200	\$ 9,200	\$ -		
421001 Disposal Services	138,500	\$ 138,500	\$ -		Solid waste tipping fees not yet paid to Town
430001 Repairs & Maint Services	533,748	\$ 427,528	\$ (106,220)	-20%	Copier savings due to lower usage and many machines inoperable during transition to new
432001 Repairs & Maint Technology	207,400	\$ 207,400	\$ -		
442001 Equipment Rental	11,691	\$ 11,691	\$ -		
450001 Construction Services	619,830	\$ 619,830	\$ -		
490001 Other Purchases- Services	447,475	\$ 447,475	\$ -		
500001 Security Services	34,556	\$ 34,556	\$ -		
510001 Transportation SPED	3,408,993	\$ 3,408,993	\$ -		
510002 Transportation Regular	3,081,582	\$ 3,081,582	\$ -		
510004 Transportation Vocation	196,380	\$ 196,380	\$ -		
510005 Transportation MAGNET	382,300	\$ 382,300	\$ -		
510006 Transport Athl/AdEd/Sch	153,039	\$ 153,039	\$ -		
510007 Transportation Summer S	66,911	\$ 59,477	\$ (7,434)	-11%	Budget was an estimate; this is first year of tracking independently and will be refined going forward.
510011 Transportation Gasoline	340,000	\$ 490,000	\$ 150,000	44%	Partial release of encumbrance as pricing has stayed lower than Summer 22 averages, but Diesel still averaging \$4.52/gal YTD, with average YTD fuel costs (\$3.64/gal) 9% higher than last year and 73% higher than the FY21 overall average rate of \$2.11
520001 Insurance-Property & Liability	740,000	\$ 740,000	\$ -		
521001 Insurance-Student	8,500	\$ 8,961	\$ 461	5%	
530001 Communications & Network	470,790	\$ 470,790	\$ -		
531001 Postage	56,000	\$ 56,000	\$ -		
540001 Advertising	7,000.00	\$ 3,876	\$ (3,124)	-45%	No longer required to publish RFPs/ITBs in Hartford Courant; budget adjusted for next year
550001 Printing & Binding	38,175	\$ 38,175	\$ -		
561001 Tuition Lea's In-State	3,247,892	\$ 3,627,892	\$ 380,000	12%	Forecast stable from Q2. "Chasing actual" scenario statisticly leads to this overage. Account would have been adequately funded (\$3.89M) for FY24 before Town's \$150k reduction to was applied here.
561002 Tuition Vo-Ag	14,000	\$ 13,646	\$ (354)	-3%	

561003 Tuition LEA's BOE	200,970	\$ 200,970	\$ -		
563001 Tuition Private SPED	3,567,171	\$ 3,767,171	\$ 200,000	6%	Forecast stable from Q2. 32 active outplaced students in Q3, but experiencing significant turnover. FY24 budget estimates this level of activity.
564001 Tuition CREC	1,843,204	\$ 598,649	\$ (1,244,555)	-68%	\$1.2M additional Mag Cap grant expected in May (Mag Cap funds credited to this account only). Will be used to fund OPEB prepayment. CREC gross tuition expense in line with budget at \$509k greater than FY22 due to 18% rate increase.
564002 Tuition LEARN	1,469,403	\$ 1,674,768	\$ 205,365	14%	Enrollment +29 (12%) higher than budget, 2% tuition increase. Partially covered by increased magnet cap grant in account above.
580001 Travel	48,339	\$ 48,242	\$ (97)	0%	
580002 Conferences	20,745	\$ 13,263	\$ (7,482)	-36%	More virtual conferences this year
590001 Misc Purchase Services	1,924	\$ 1,924	\$ -		
590002 NEASC	5,500	\$ 5,500	\$ -		
610001 General Supplies	351,250	\$ 351,250	\$ -		
610002 Instructional Supplies	406,402	\$ 406,402	\$ -		
610003 Maintenance Supplies	357,773	\$ 357,773	\$ -		
610005 Boys Fall Athletic Supplies	4,240	\$ 4,240	\$ -		
610006 Girls Fall Athletic Supplies	4,458	\$ 4,251	\$ (207)	-5%	
610007 Boys Winter Athletic Supplies	3,300	\$ 3,300	\$ -		
610008 Girls Winter Athletic Supplies	1,500	\$ 1,500	\$ -		
610009 Boys Spring Athletic Supplies	5,000	\$ 5,000	\$ -		
610010 Girls Spring Athletic Supplies	3,000	\$ 3,000	\$ -		
621001 Natural Gas Utility	940,672	\$ 1,215,672	\$ 275,000	29%	Sustained increase in supply pricing partially countered by 7% decrease in YTD consumption. Overall YTD cost 21% above last year.
622001 Electricity Utility	1,591,742	\$ 1,291,742	\$ (300,000)	-19%	YTD consumption trending under budget
626001 Gasoline	22,500	\$ 22,500	\$ -		
640001 Textbooks	29,193	\$ 29,193	\$ -		
640002 Library Materials	4,500	\$ 4,500	\$ -		
640003 Periodicals	1,000	\$ 1,000	\$ -		
640004 Advanced Placement	5,000	\$ 5,000	\$ -		
640006 SAT-ACT Testing	4,000	\$ 4,000	\$ -		
650001 Computer Supplies	40,117	\$ 40,117	\$ -		
650005 Software Licenses	76,884	\$ 76,884	\$ -		
720001 Buildings	582,785	\$ 582,785	\$ -		
720002 Building Improvements EPA	52,370	\$ 52,370	\$ -		
730001 Equipment Replace	65,700	\$ 65,700	\$ -		
730002 Equipment New	60,319	\$ 59,751	\$ (568)	-1%	
730003 Athletic Equipment	6,500	\$ 6,133	\$ (368)	-6%	
734001 Equipment Technology	217,850	\$ 217,850	\$ -		
735001 Software Technology	605,775	\$ 605,775	\$ -		

810001 Dues and Fees	72,580	\$ 88,406	\$ 15,826	22%	Super/Deputy education reimbursements
831001 Debt Service/Leasing	636,725	\$ 636,725	\$ -		
890002 Board Expenses	9,500	\$ 9,500	\$ -		
<b>Total Expenses</b>	<b>\$ 102,850,379</b>	<b>\$ 100,040,517</b>	<b>\$ (2,809,862)</b>	<b>-3%</b>	
Description	FY22 Revised Budget	FY23 Year-End Forecast	YE Forecast vs Budget Variance (Under) Over Budget	%	Explanation
900001 Erate Revenue	\$ 360,400	\$ 351,422	\$ (8,978)	-2%	
900002 Special Education Reven	4,480,616	\$ 2,979,513	\$ (1,501,103)	-34%	Average Woodland enrollment ~56 vs 86 budgeted. Budget adjusted for FY24. \$2.1M "Bailout" by ARP included in salary line above covers 900010 and 900015.
900003 Medicaid Revenue	200,000	\$ 185,000	\$ (15,000)	-8%	
900010 Tuition Revenue Certifi	1,285,809	\$ 884,583	\$ (401,226)	-31%	Reference 90002 Note
900015 Tuition Revenue Behavio	354,291	\$ 155,868	\$ (198,423)	-56%	Reference 90002 Note
900020 Transportation Revenue	35,000	\$ 75	\$ (34,925)	-100%	Behavior Manager revenue for Woodland Tuition students now being booked to 900015, regardless of activity.
900025 Adult Ed Summer School	7,400	\$ 108	\$ (7,292)	-99%	No tuition-paying students serviced during Summer 22. FY24 budget adjusted.
900030 Community Use Revenue	16,000	\$ 22,142	\$ 6,142	38%	Building use by outside parties returning to normal levels after 3 years of limited building rentals.
900035 Miscellaneous Revenue	117,000	\$ 117,000	\$ -		
<b>Total Revenues</b>	<b>\$ 6,856,516</b>	<b>\$ 4,695,712</b>	<b>\$ (2,160,804)</b>	<b>-32%</b>	
<b>Net General Budget Total</b>	<b>\$ 95,993,863</b>	<b>\$ 95,344,805</b>	<b>\$ (649,058)</b>	<b>-0.7%</b>	