

December 18, 2018

The Honorable Mayor Marcia A. Leclerc
Town Hall
East Hartford, CT 06108

Dear Mayor Leclerc,

Please accept the following transmittal as an overview for East Hartford Board of Education (EHBOE) Budget for Fiscal Year 2019-2020 (FY20). In alignment with our EH2020 vision, this budget promotes *Schools that are the Pride of our Community* as well as delivers the fiscal resources to provide a high quality learning experience for *Every Child, Every Day*. This proposal nets out at **\$94,082,619** (3.7% over the current year adopted budget). In submitting this budget, we would like to recognize the financial management teams of both the town and the board who have worked together to negotiate a plan that continues to move our schools and community forward.

To set the context for the FY 20 Board budget proposal, we feel it is important to take a brief look back on our budget process last year. Facing a challenging state and local economy we worked collaboratively with the town and adopted a budget that required the elimination of 21 positions to achieve a .28% budget increase. While these cuts were exceedingly difficult, we recognized the shared need and worked together for a shared solution. This year, we have continued this collaborative approach and developed a budget that will maintain current services and programs for students while addressing significant increased costs for health benefits. While we know this point has been clearly discussed throughout the process, our district cannot sustain further position reductions.

As such, this budget includes the following significant projections that we have made based on sound fiscal analysis.

Budget Projection(s)	Description
Increased Alliance Funding	In the 2018 Legislative Session, the General Assembly voted to support an Education Cost Sharing (ECS) formula that included a phase in process through 2028. For FY20, this phase in process reflected a \$2,288,459 increase for East Hartford. However, due to current transitioning political leadership and the state deficit status, this bipartisan commitment must be carefully monitored. Additional information regarding the status of this increase will become available as we move closer to the January inaugurations as well the release of state revenue reports. The FY20 budget includes a projection of \$1.5M increased funding that has been used to fund thirteen Kindergarten Teachers, (13.0) who were previously maintained by the general budget.
Increased District Revenue Projections	This budget reflects an increase to district revenue sources by \$390,000. While projecting funding sources obtained from Woodland School is extremely difficult at this point in the fiscal year and based on the volatility of student tuitions as well as growing concerns regarding the development of a competitive market place, an analysis of three year actuals allows us to account for this increase.
Flat funded Special Education and Magnet Costs	This budget reflects flat funded our Special Education and Magnet costs. Historically, both of these line items have significant potential for volatility and will be closely observed through the process. Of note, this budget also projects forward the legislative language achieved in 2015 that provides a 7% cap on magnet costs for EHPS resulting in over \$900,000 of relief from magnet tuitions.

Beyond understanding the revenue projections that this budget includes, it is equally as important to analyze the primary drivers of increased costs. The following chart provides a brief explanation of the primary drivers that shape this proposal.

Primary Budget Driver(s)	Description
Health Benefit Costs	The latest projection for the cost of employee health benefits is \$2.5 million higher than the current year adopted budget. Both the Town and Board Finance Departments, working with Lockton our medical advisors, agree that the preliminary cost estimates are serious and must be embedded in the Board's operating budget for next fiscal year. The cost projections of our health benefit claims will be further refined as we close the second quarter of the fiscal year. There will also be some level of cost relief as Stop/Loss credits are identified and applied.

Staff Salaries	Staff salaries are up by \$1.1 million for FY 2019-20. Salary increases are dictated by contractual agreements. We reached a Stipulated Arbitration Agreement with the Teacher's Union this fall with a first year settlement in FY 2019-20 of a 2.0% GWI with NO step increase. The salary accounts also include funding of an HVAC Technician (1.0) FTE, \$66,789; a Special Ed. Teacher (1.0) FTE, \$76,275; a Special Ed. Para (1.0) FTE, \$24,953 and a Behavior Manager (1.0) FTE, \$22,646. The three Special Education positions are necessary to add a Transitional Kindergarten classroom to support our students.
Student Transportation	Student Transportation overall costs have increased by \$250,000 for FY 2019-20. The increase is attributed to a 3.5% contractual increase and the addition of a Type II Bus to support school transportation for special education students, (\$65,000).
Debt Service Payment	The FY 2019-20 Proposed Budget includes a Debt Service Payment of \$337,275. The master lease payment is for Johnson Controls heating and lighting improvements which runs through FY 2023. The Board will also pre-pay \$760,000 in the current budget year. The Finance Departments of both the town and board have agreed on a funding mechanism for Debt Service that will limit payments due over the next two fiscal years. This mechanism will provide relief from the structural deficit that prepaying this cost has created over for future budgets.
Other Post Employment Benefits (OPEB)	The FY 2019-20 Proposed Budget includes a payment of \$1,670,000 towards the cost of future health benefits for retirees. In the current budget year, we are redirecting an OPEB payment of \$1.6 million to help cover the \$2.5 million shortfall for the cost of health benefit claims. The transfer of OPEB was reviewed by the town and Board Finance Departments and is consistent with recent Town Ordinances requiring a contribution that does not erode the insurance reserves below a certain level. Though, we fully understand the importance of funding future benefit obligations, we are requesting the town's consideration in forgoing an OPEB payment in the FY 2019-20 budget. The OPEB reserves are sufficient to allow your consideration of this strategy. The effective impact of this budget consideration is to reduce the proposed budget from \$3.3 million to \$1.7 million or 1.7% over the current years adopted budget and to help close the town's forecasted \$8.3 million budget gap.

We look forward to working with you and the Town Council in the budget process as we continue to work hard on behalf of our children and families in East Hartford.

Sincerely,

Bryan R. Hall
Chairman, East Hartford Board of Education

cc:
 All Town Council Members
 Board of Education Members
 Nathan Quesnel, Superintendent
 Michael Walsh, Town Finance Director

Attachment