

# Memorandum

**To:** David Sklarz  
**From:** Chip Ward  
**Date:** April 9, 2009  
**Re:** Update on 2008-09 Expenditures and implications for 2009-10

I have completed a review of our current 2008-09 expenditures in all large budget accounts and can report that we can expect a substantial surplus in 2008-09 and reductions in expenditures for 2009-10. The areas discussed below cover only the areas where there are changes in the projected balance for 6/30/09. Complete coverage of all accounts will be provided in the March 31, 2009 financial report slated to be given on May 5, 2009.

## **5112 - Teacher's Salaries:**

Current Projected Balance at June 30, 2009 :	-\$140,000
New Projected Balance at June 30, 2009 :	-\$180,000
Change in Projected Balance at June 30, 2009 :	-\$40,000
Impact on 2009-10 budget:	None

This a small change (on a \$57 million base) based on current salaries as teachers go on leave for medical reasons and are replaced. There is no impact on the 2009-10 budget from this update.

## **5119 – Tutors:**

Current Projected Balance at June 30, 2009 :	\$0
New Projected Balance at June 30, 2009 :	\$30,000
Change in Projected Balance at June 30, 2009 :	\$30,000
Impact on 2009-10 budget:	\$30,000

The expenses for homebound tutors were budgeted this year at \$200,000 based on previous year spending patterns that were as high as \$230,000. However, more recently, these costs have come down and were \$168,060 in 2007-08 and are projected to run about \$170,000 this year as well. We are also projecting that we can reduce the 2009-10 budget by a similar amount.

**5191 – Return of Unused Sick Leave:**

Current Projected Balance at June 30, 2009 :	\$0
New Projected Balance at June 30, 2009 :	\$330,000
Change in Projected Balance at June 30, 2009 :	\$330,000
Impact on 2009-10 budget:	None

The budget for 2008-09 RUSL expenditures were based on the assumptions of 28 teacher retirement, 4 department supervisor retirements, and 3 principal retirements. The uncertain economic climate has dampened people’s enthusiasm for retirement. We currently only have 5 teacher retirements in hand and are projecting the receipt of 10 more. We only expect 2 department supervisor retirements instead of 4. We did get 2 of the 3 expected principal retirements, but one retired very late in the 2007-08 fiscal year, so there will be only 1 principal retirement charged to this fiscal year’s RUSL. There will be no impact on the 2009-10 budget as the RUSL account is estimated independently each year. We are budgeting for 27 teachers, 1 principal and 1 department supervisor in the 2009-10 year and see no reason to change those assumptions.

**5319 – Professional Technical Services (Board of Education):**

Current Projected Balance at June 30, 2009 :	\$0
New Projected Balance at June 30, 2009 :	\$125,000
Change in Projected Balance at June 30, 2009 :	\$125,000
Impact on 2009-10 budget:	\$70,000

Within the Board of Education’s budget for professional technical services in 2008-09 was a total budget of \$230,000 for outside legal services. The first \$80,000 of outside legal counsel is paid for through the Corporation Counsel’s budget on the town side. The balance, \$150,000, is in the Board’s budget. Included in that estimate of legal expenses for the 2008-09 was \$75,000 for negotiation and arbitration expenses for employee contracts – with the largest cost component being the WHEA contract. We did not go to arbitration and our legal expenses for negotiations have only totaled \$17,000 to date. The 2008-09 budget for legal expenses included \$60,000 for a due process special education hearing. We do not expect to have a hearing in the remainder of this year. We have also been using the services of the Corporation Counsel more extensively than in the past producing additional reductions in outside legal expenses. We currently project total legal expenses to be \$125,000 under budget for this fiscal year.

In 2005-06 we spent \$266,000 on legal expenses (both Town and Board funds), in 2006-07 we spent \$289,000, and in 2007-08 we spent only \$86,000 on legal expenses. We are on pace to spend around \$105,000 this year. We have budgeted \$200,000 for next year and I feel we can drop that to \$130,000 and still leave us enough money if we do have a due process special education hearing.

**5332 – Recruiting Expenses:**

Current Projected Balance at June 30, 2009 :	\$0
New Projected Balance at June 30, 2009 :	\$80,000
Change in Projected Balance at June 30, 2009 :	\$80,000
Impact on 2009-10 budget:	\$50,000

We are seeing substantial savings in the recruitment budget this year. The Career Fair was cancelled at a savings of \$10,000, the superintendent search came in around \$15,000 under budget and we have sharply curtailed the use of newspaper for advertising our open positions and instead relying on our website for a savings of \$55,000. For the 2009-10 budget, we have already trimmed the budget substantially but can trim another \$50,000 from the budget (down to \$32,016 from \$82,016)

**5345 – Transportation:**

Current Projected Balance at June 30, 2009 :	\$335,000
New Projected Balance at June 30, 2009 :	\$635,000
Change in Projected Balance at June 30, 2009 :	\$300,000
Impact on 2009-10 budget:	\$50,000

We are projecting an increase in the transportation surplus of \$300,000. First we have liquidated damages for January of \$170,000 reflected in the expenses. We are assuming another \$40,000 in liquidated damages for the balance of the year. In total we have \$500,000 in liquidated damages in our savings and are assuming that those liquidated damages will not be paid. The other \$90,000 in increased savings come for the Board’s recent decision to cancel the last two days of schools for students (\$40,000) and the reduced amount of field trip transportation expense being billed for (\$50,000).

For the 2009-10 budget, we are assuming that there will be no liquidated damages and the shortened school year is already factored into the budget. The only ongoing reduction that can be taken is the \$50,000 for field trip transportation expenses.

**5430 – Out-of-District Tuition:**

Current Projected Balance at June 30, 2009 :	\$20,000
New Projected Balance at June 30, 2009 :	\$270,000
Change in Projected Balance at June 30, 2009 :	\$250,000
Impact on 2009-10 budget:	\$180,000

This account covers the net cost of out-of-district tuition for special education students. As we near the end of the school year we have both firmer numbers on the cost of the placements as well as updated figures on the excess costs we are claiming for reimbursement from the state. We have been aggressive in claiming excess cost reimbursements on high cost students who are educated in-district. In 2006-07 we

billed for about \$100,000 in excess costs for in-district students. In March of 2008, we increased that to \$387,000 in billings for excess costs for in-district students. This year we billed for \$464,000 in excess costs for in-district students. We were concerned last about the state’s response to our substantial increase in excess costs for in-district students and we did not build the full impact of those reimbursements into the 2008-09 budget. There were no audit issues from the state on those billings and this year’s revised estimate now reflects the full impact of our billing practices for excess costs for in-district students. That accounts for part of the savings. The other savings come from the actual cost of placements for the 2008-09 school year.

For the 2009-10 budget, we have updated those budget calculations based on the current year experience and can reduce the budgeted figure by \$180,000

**Summary of Budget Impacts**

Item	2008-09	2009-10
Projected Surplus 6/30/09 as of 1/31/09	\$295,000	Already factored in to budget
5112 – Teachers	(\$40,000)	None
5119 – Tutors	\$30,000	\$30,000
5191 - RUSL	\$330,000	None
5319 – BOE Legal Fees	\$125,000	\$70,000
5332 – Recruitment	\$80,000	\$50,000
5345 – Transportation	\$300,000	\$50,000
5430 – OOD Tuition	\$250,000	\$180,000
Projected Surplus 6/30/09 as of 3/31/09	\$1,370,000	\$380,000

The large surplus that we will experience for 2008-09 is combination of some unexpected benefits (liquidated damages from our transportation vendor and reduced retirements in these uncertain economic times) and hard work in terms of reducing Board of Education expenditures for legal fees and recruitment expenses and a diligent effort to maximize state reimbursement for excess costs of special education students educated in district. We have already factored in the 2009-10 impacts into the revised superintendent’s budget and reduction options that you will be receiving in a separate memo. This 2008-09 surplus presents us with some additional options to get to a 0% budget increase while preserving all the programs and services that are so valuable to the West Hartford community.

One option under serious consideration is to use \$1.1 million of the projected surplus to make an additional contribution to the Energy Services Fund. Currently, the Board is projected to have a \$0.6 million surplus in its portion of the Energy Services Fund at the end of 2008-09 as a result of actual energy costs coming in lower than budget. The price of gas used for heating is substantially lower than projected last year in the midst of the energy crisis. The amount of electricity we use in schools continues to decline as

our energy conservation efforts grow. The savings from these changes in energy costs were reflected in the update on the 2009-10 budget presented on March 26<sup>th</sup>.

This additional \$1.1 million pre-funding would mean the surplus on the Board part of the fund would grow to \$1.7 million. The additional pre-funding would result in another \$550,000 reduction in next year's required energy appropriation as the surpluses or deficits are spread over a two year amortization. This would help the Board get to a 0% budget increase for 2009-10. Please note that once this amortization ends, we would see a bump up in our energy bills by about \$850,000 in 2011-12 – the same year that the ARRA funds are gone as well.

The remainder of the surplus - \$260,000 would be returned to the town's fund balance.

I understand the complications that such a large surplus cause in such a difficult budget year. The table below details the sources of the surplus and the causes of the large projected balance. Most of the major sources of the surplus are large one time events that were unusual in this fiscal year. The "normal" surplus this year looks to be around \$335,000 which is typical for a \$123 million budget where we had no major unanticipated expenses.

Item	Amount	Cause
Transportation	\$500,000	Liquidated damages – not anticipated as part of the normal budgeting process
RUSL	\$330,000	The number of projected retirements is lower than expected due to economic climate
BOE Legal Fees	\$125,000	Much lower use of legal services than in prior budgets
Recruitment	\$80,000	Substantially lower use of advertising expenses than in the past
All Other	\$335,000	This covers all the other sources of the surplus that are not extraordinary but occur during the normal course of estimating a \$123 million budget
Total	\$1,370,000	