



OFFICE OF BUSINESS AND PERSONNEL ADMINISTRATION

TO: Finance and Administration Subcommittee  
District School Committee  
James Quaglia, Superintendent - Director

FROM: Steven Moore, Assistant Superintendent

DATE: November 27, 2017

SUBJECTS: 2018 Budget Update  
Request for Transfer of Funds  
PEC Payment Shortfall

### **Q1 Budget Report**

Attached is the Q1 FY18 Budget Report for the period ending November 27, 2017.

#### **Salary Lines**

Once the appropriate transfer of funds held in reserve in expense accounts for the anticipated 2018 contract settlements are moved to the appropriate salary lines then we should close the year within budget for all salary accounts.

#### **Expense Lines**

Funds will need to be transferred from the insurance account lines into the appropriate salary budget lines to rebalance the budget now that we can reasonably anticipate the salary impact of the union contracts.

The majority of funds are fully encumbered 3000, 4000, 5000, and 7000 series as those expenses can be reasonably projected and encumbered. The balance remaining in the 1000 and 3000 series should be encumbered or expended by the start of the 3<sup>rd</sup> quarter.

#### **Request to Transfer Funds**

In building the 2018, budget the district placed \$130,000 in funding for anticipated raises in the 5000 series accounts. Now that we can reasonably anticipate the impact of the new contracts we are requesting the committee transfer the funds to the appropriate salary line.

### **Motion to transfer funds**

Decrease the budget of the 5000 Fixed Charges Series by:	\$125,934
Increase the budget of the 1000 Administration Series by:	\$9,257
Increase the budget of the 2000 Instructional Series by:	\$54,748
Increase the budget of the 1000 Student Services Series by:	\$3,661
Increase the budget of the 3000 Operations Series by:	\$58,268

### **PEC Agreement**

During the finalization of the new PEC agreement it came to the administration's attention that Section 6 of the PEC agreement had been improperly administered since the implementation of the plan in 2009.

### **Section 6**

#### *Medicare Enrollment- 70/30 Split*

*Subscribers who are eligible or who become eligible for Medicare shall transfer to Medicare coverage. The District shall pay any Medicare Part B premium penalty assessed by the federal government and will contribute seventy percent (70%) of the monthly cost of the Medicare Part B enrollment for any subscriber enrolled in Medicare and the subscriber will contribute thirty percent (30%). On the second Thursday of each month, the District shall send payment of its share of the current month Medicare Part B premium to the home address on file for any Medicare eligible subscriber. The subscriber shall notify the District of any changes to his or her address during the life of the agreement.*

### **The Issue and Legal Opinion**

When the plan was first implemented the benefits person for the district was told that this section only applied to those members of the Blue Hills retirement system who retired before 2009. The benefits person has been following the agreement language for those individuals.

During a review of the plan by both the legal counsel for the committee and the BHEA it was determined that this section applied to all retirees who retired after the PEC agreement was signed and to those who were not grandfathered into the existing (at the time) 90/10 plan for retirees.

To further complicate matters, despite having 24 eligible retirees over the age of 65 the district had virtually zero inquiries in the past 10 years about the Section 6, Medicare

benefit. Recently, retirees who were turning 65 (and were on the original PEC Committee) started asking about the benefit.

Our legal counsel has reviewed the document and the issues surrounding the language and has advised us that this section does indeed apply to all retirees, as many other communities PEC agreements contain similar language. We have also been advised that we are liable for funds owed.

### **The Remedy**

The district has reviewed the list of retirees and determined that 24 retirees are currently eligible for this benefit. The cost to the district is roughly \$95 per month per retiree. The current estimated annual total for these payments moving forward is \$29,000

The district has also determined that these 24 retirees are owed an additional \$90,000 in missed part B payments.

In the month of December, the district will begin to gather the information necessary from each retiree so we can make their payments.

The funding source for these payments is the projected surplus of \$100,000 in the 5000 Fixed Cost Series, as these funds are in the insurance lines.



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2018 Budget Transfer Request  
To align budget with adjusted 2018 salaries

SALARY ACCOUNTS FOR: PERIOD ENDING 11/27/2017	<u>Budget</u>	<u>TRANSFERS</u>	<u>Adjusted BUDGET</u>	<u>YTD EXPENDED</u>	<u>PROJECTED</u>	<u>AVAILABLE BUDGET</u>	<u>PCT Expended</u>
1000 DISTRICT LEADERSHIP AND ADMINISTRATION	763,031	9,257	772,288	295,869	476,419	-	38%
2000 INSTRUCTION	8,673,683	54,748	8,728,431	2,201,839	6,526,592	-	25%
3000 STUDENT SERVICES	426,820	3,661	430,481	83,933	346,548	-	19%
4000 OPERATIONS and MAINTENANCE OF PLANT	1,126,406	58,268	1,184,674	456,949	727,725	-	39%
<b>TOTALS</b>	<b>10,989,940</b>	<b>125,934</b>	<b>11,115,874</b>	<b>3,038,590</b>	<b>8,077,284</b>	<b>-</b>	<b>100%</b>
EXPENSE ACCOUNTS FOR: PERIOD ENDING 11/27/2017	<u>Budget</u>	<u>TRANSFERS</u>	<u>Adjusted BUDGET</u>	<u>YTD EXPENDED</u>	<u>ENCUMBRANCES</u>	<u>AVAILABLE BUDGET</u>	<u>PCT Exp/Enc</u>
1000 DISTRICT LEADERSHIP AND ADMINISTRATION	382,108	-	382,108	136,608	105,662	139,838	63%
2000 INSTRUCTION	817,868	-	817,868	233,711	83,344	500,813	39%
3000 STUDENT SERVICES	1,192,889	-	1,192,889	287,469	827,900	77,520	94%
4000 OPERATIONS and MAINTENANCE OF PLANT	1,319,590	-	1,319,590	287,629	820,713	211,248	84%
5000 FIXED CHARGES	4,339,055	(125,934)	4,213,121	1,572,305	2,540,512	100,304	98%
7000 CAPITAL PROJECTS	1,332,571	-	1,332,571	843,313	489,257	1	100%
<b>TOTALS</b>	<b>9,384,081</b>	<b>(125,934)</b>	<b>9,258,147</b>	<b>3,361,035</b>	<b>4,867,388</b>	<b>1,029,724</b>	<b>89%</b>
<b>TOTAL ALL ACCOUNTS</b>	<b>20,374,021</b>	<b>-</b>	<b>20,374,021</b>	<b>6,399,625</b>	<b>12,944,672</b>	<b>1,029,724</b>	<b>95%</b>