

To: School Committee
From: Lemma Jn-baptiste, Director of Business & Finance
Date: October 20, 2021
RE: Report on Offsets and Revenue-based Activities

At next month’s meeting, we will be proposing revisions to the fee structure for Building Use, Extended Day, and Prodigy. In preparation for this discussion, I have prepared this summary of our use of offsets and a discussion of our revenue-based activities. This memo provides context and invites the School Committee to provide input on the guiding principles for next month’s proposal.

Background: Offsets

Historically, the Westwood Schools has *depended on* revenue from external funds to support the Operating Budget in specific areas such as Transportation, Athletics, and Special Education. A table of revolving account and grant offsets is presented along with the Proposed Operating Budget each year, and the intended uses of these offsets is indicated in the line-by-line budget. A list of revolving offset accounts is presented below.

Account	Revenue Source	Status
Circuit Breaker	State reimbursement for up to 70% of the costs incurred for providing a “free and appropriate education” (FAPE) to students with disabilities, if costs exceed a threshold.	Active
Transportation Revolving	Bus Fees charged to families registering for yellow bus transportation	Active
Pre-School Revolving	Tuition charged to families for students attending Westwood Integrated Pre-school	Active
Athletic Revolving	Athletic fees charged to families for student participation in team sports	Active
Special Education Transfer	School-Based Medicaid Program (SBMP) reimbursement for eligible expenses driven by medical necessity	Active
Tuition Revolving	Tuition charged to students from other districts that enroll in Westwood Schools in order to benefit from available specialized programming.	Active

Solar Revolving	Revenue generated from an agreement to purchase power from a Woburn solar power array constructed by ECA Solar, and owned by Greenbacker Capital	New, pending use
Admin Tech Revolving	Revenue from the Thurston Middle School cell tower lease	Inactive, pending close
Kindergarten Revolving	Kindergarten Fees, no longer in use	Inactive, fully phased out

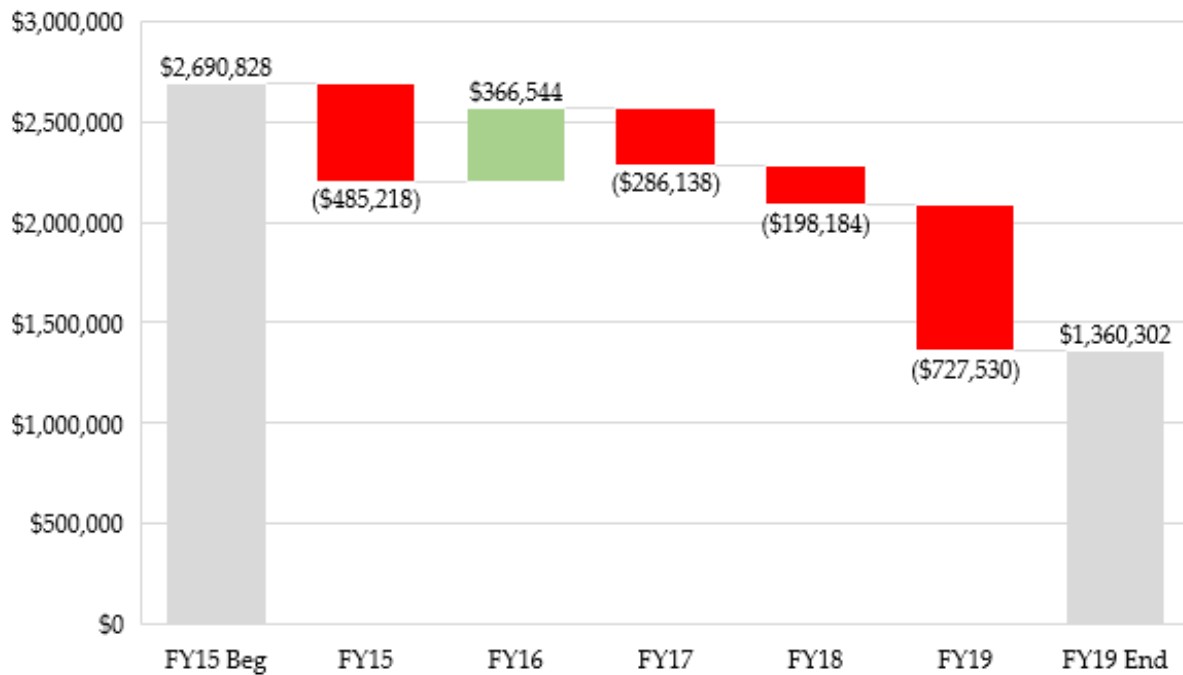
It is not always easy to predict the revenues on these revolving offset accounts. For example, Circuit Breaker reimbursement may swing due to state funding levels. Bus fee revenue also fluctuates with ridership, family size, and the eligibility of families for fee reduction due to economic hardship.

It is important to retain a balance in revolving offset accounts because the Operating Budget is dependent on these external funding sources. Specifically, we strive to open the fiscal year with a balance that is equal to the sum total of budgeted offsets that are *required* per the approved Operating Budget for that year.

Revolving accounts are governed by Massachusetts municipal finance law. However, since these accounts are revolving and carried from year to year, they do permit some flexibility. When revenues exceed budgeted expenses, school business officials may use the revolving accounts to pay for additional expenses without appropriation so long as they support the activity, program or service that generated the revenues. For example, we may charge 250K rather than 220K of our bus contract to the Transportation Revolving account if there is an excess available balance.

In the waterfall chart below, the grey bars on the left and right reflect the total balances in the revolving offset accounts that were described above at the start of FY'15 and the end of FY'19. The colored bars in the middle of the chart reflect net activity on these accounts in the intervening fiscal years. Red bars represent a net decline in the total offset balances, and the green bar represents a net increase in the total offset balances. For example, in FY'15, the district expenses against these offset accounts exceeded revenues by 485K. This 485K would be debited from the balance at the start of FY'15, which was approximately \$2.7M.

OFFSETS



A review of the 5 years between FY'15 and FY'19 shows that prior to Covid, expenses exceeded revenues in 4 out of 5 years and there was a net decline of 1.3M in the total balance of the revolving offset accounts. The required budgeted offsets for the FY'20 Operating Budget were 1.7M, so the district opened the fiscal year without sufficient funds to cover the offsets and were depending on active collections.

A deeper review of revenue over this 5 year period shows some volatility in Circuit Breaker reimbursement revenue, but stable revenues in all other accounts except Kindergarten Fees (which were intentionally phased out with a designated corresponding increase to the Operating Budget). In contrast to the stable revenues, expenses charged to the Transportation and Pre-school Revolving accounts increased during this period. This tells a story of rising cost pressures in the Operating Budget and a potential structural deficit that was emerging over this time period.

Jumping to the present year, the FY'22 Operating Budget assumed 1.5M in expenses would be funded from revolving offset accounts. It is important to note that by mid-FY'21, our balances in the revolving offset accounts were recovering. At the start FY'22, the net balance in these accounts was 2.5M. This more than covers the needs of the FY'22 Operating Budget and reflects the strong position we are in as we exit the pandemic. A substantial part of this recovery can be attributed to state and federal Covid funding as well as additional support from the Town. As a reminder, the Westwood Schools received Town support to cover substantial Extended Day and Food Service deficits in closing FY'20 and to purchase technology and pay for Covid expenses in FY'20 and FY'21.

The federal, state, and local support that allowed our revolving offset balances to recover for FY'22 cannot be relied upon indefinitely. Therefore, we have an obligation to understand the cost pressures that drove a reduction in offset balances between FY'15 and FY'19.

Revenue-based Activities

In contrast to offset accounts, which are intended to complement the Operating Budget and support the core activities of the Westwood Schools, the district also manages revolving accounts for revenue from affiliated activities or programs. A list of these accounts is provided below. All of these activities are intended to be *self-sustaining*, although the district has recognized the need to support the Food Service program out of the Operating Budget when necessary. For example, we frequently pay for the maintenance of kitchen equipment out of the Operating Budget.

Account	Revenue Source	Relationship to Schools
Food Service	Meal sales, vending and snack bar sales, catering, and federal and state reimbursements.	National School Lunch Program, core to the Westwood Schools
Extended Day	Before School and After School Tuition and other fees	Affiliated program
Summer Enrichment	Tuition	Affiliated program
Prodigy	Music lesson fees	Affiliated program
Building Use	Event fees, rental fees, and custodial fees	Rental of school facilities to non-profit and for-profit external groups

In March 2020, the School Committee approved an increase in tuition rates for Summer Enrichment. This was after expenses associated with this program exceeded revenues for two consecutive summers. Notably, Summer Enrichment deficits did not account for utility, custodial, and maintenance and repair expenses that had always been absorbed by the Operating Budget. Summer Enrichment rates were increased to \$220-240/week for Summer 2022. This continues to price this program competitively as compared to others in the area such as Code Ninjas in Canton at \$225/week or Hale at \$553/week.

The Extended Day, Prodigy, and Building Use rates need a similar review. When these programs were closed or went virtual during the pandemic, the district realized significant savings in reduced demands on administration and custodial staff, as well as lower utility bills and fewer repairs. For example, electric usage in FY'19 as compared to FY'21 declined by 554 KWH, a savings of approximately 90K. The hybrid model did not substantially change the Westwood Schools' demand for electricity--in fact, there was an increased electric demand via the increased use of unit

ventilators and air purifiers. A significant portion of these savings may be attributed to a reduction of demand on our facilities due to the elimination of activities such as Building Use and Extended Day.

The Operating Budget has been unofficially subsidizing the operation of these programs through support from administration and custodial staff, utilities, and the maintenance and repair budget. This may have contributed to the emerging structural deficit in the Operating Budget. While we have been addressing other Operating Budget needs such as a strategic increase to the Student Services contract line, it is important to either ensure that these revenue-based activities are once again self-sustaining or to budget explicitly for the subsidy.

Extended Day

In April 2020, the School Committee approved an increase to Extended Day rates that adjusted the monthly 5-day tuition from \$280.50/month to \$320/month. While this was a substantial improvement, there is a current need to revisit tuition rates charged to families in coming years. This is especially urgent due to the need to increase pay rates for Extended Day staff and to address the budget model concerns outlined below.

Budget Model

In April 2020, the Westwood Administration shared a budget model for Extended Day that assumed the \$320/month tuition rate for families and an effective Group Leader pay rate of \$22.76/hour. This model was a first-step in a multi-year proposal and was calibrated so that the program would break even with the minimum increase in tuition. The margins were thin and the model anticipated a net annual balance of \$11,718.

This model now proves insufficient because, in addition to the expenses that were forecast in the budget model, we currently find:

- The effective rate of pay of current staff is already \$24.50/hour, an increase over the assumed rate of \$22.76/hour (see further details below)
- The need for additional Specialized Aides and Nurses is greater than anticipated in the budget
- Field trip and enrichment experiences costs need to be incorporated into tuition for simplicity in billing
- The program needs integration into existing district professional development
- The program requires significant district support from Payroll, Account Payable, and Student Services

Staffing Challenges

The program has had a historical staffing challenge which is significantly exacerbated by the current job market. The published pay rates are not competitive and they are significantly lower than our effective pay rates. The effective pay rate is creeping upward because of the failure to attract external hires.

At this time only one third of Extended Day Group Leaders are external hires, with the other two thirds coming from Westwood School or Town staff who are transitioning to this role after hours. This drives overtime costs, which leads to a higher effective pay rate. Whereas the scale for Group Leaders starts at \$15.27/hour, current employees who are in Group Leader roles are earning up to \$35.10/hour due to overtime impacts alone. The employment of Westwood Schools or Town staff also leads to schedule conflicts for Westwood employees and a much more complex process for managing timesheets and processing payroll.

The refrains from eligible applicants, including Westwood Schools staff and high school student interns, have been:

- "Do you have anything that pays more?"
- "\$20 isn't enough for me to want to substitute"
- "I make more at my other job"
- "This rate is below minimum wage"

Our high school interns start at \$11.62/hour, well below the minimum wage. Although other districts face equally "sticky" wages that are not immediately responsive to market dynamics, Natick, Medford, and Millis were already starting high school interns at over \$14.25/hour.

For Group Leaders, other districts have been slow to adopt post-Covid wage increases. However, a comparison of our wages to other similar programs says that we face competition not only from private sector employers in childcare, retail, and service industries that are increasing wages but also from similar Extended Day programs.

Program	Published Pay Range for Group Leaders
Sharon	\$20 - 28
Natick	\$20 - 24
Newton	\$20 - 22
Medford	\$20 and up
Weston	\$19 - 24
Ashland	\$16.50 - 23.50
Millis	\$15.90 - 22.50

HIGH END

Attleboro	\$15.65 - 23.88
Hopedale	\$15.50 - 17.75
Westwood	\$13.17 - 22.50
Uxbridge	\$15.25 - 19.74
Walpole	\$14.29 - 15.63

LOW END

Market Context for Tuition

The Westwood Extended Day tuition did not increase with inflation for fourteen years. Instead, April 2020 was the first time during that period that tuition was increased.

Monthly Tuition	Monthly Tuition (5 day)
Needham	\$650.00
Medfield	\$648.00
Wayland	\$646.00
Dover	\$621.00
Acton-Boxborough	\$558.00
Hopkinton	\$522.00
Uxbridge	\$495.00
Franklin	\$456.30
Natick	\$455.00
Hingham	\$450.00
Hopedale	\$450.00
Littleton	\$450.00
Medford	\$450.00
Attleboro	\$420.00
Ashland	\$408.50
Medway	\$394.00
Sharon	\$370.00
Norwood	\$357.00
Walpole	\$347.00
Norfolk	\$346.00
Westwood (2021-2022)	\$320.00
Millis	\$309.00
North Andover	\$299.00

HIGH END

Westwood (2019-2020)	\$280.50
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LOW END

Prodigy

The Prodigy program’s tuition and registration fees have not increased in at least 5 years, and possibly much more. The Program has historically not been charged any rental fees for the use of school buildings when it operated on-site.

The instructor rates have also not been adjusted during this time, and are currently below market and uncompetitive. The program has lost 7 instructors since September 2020 due to this issue, and current instructors have indicated that they earn much more when teaching privately.

The Prodigy Program Director’s stipend is established by the Westwood Teachers Association Contract. The Director currently oversees substantial administrative tasks as well as programmatic leadership, and is not budgeted to work during the summer months. This has led to insufficient availability for financial responsibilities during the summer months, and has placed a strain on the Westwood Schools and Town business offices.

Program	30-min Lesson Rate
New England Conservatory	\$65
Note-worthy Experiences	\$60
Community Music Center Boston	\$55
Cambridge Piano Lessons	\$53
All-Newton Music School	\$52
Brookline Music School	\$51
New School of Music	\$50
Berklee Institute for Arts Education and Special Needs	\$43
Community Music School of Springfield	\$40
The Conservatory Newton Highlands	\$40
Wayland Public School Music Program	\$36
Weston Private Lessons	\$32.46
Wellesley IVEP (Instrument and Vocal Extension Program)	\$30
Westwood Prodigy Program	\$25

HIGH END

LOW END

Program	30-min Instructor Rate
New School of Music	\$52
New England Conservatory	\$48
All-Newton Music School	\$26
Berklee Institute for Arts Education and Special Needs	\$25
Brookline Music School	\$25
Note-worthy Experiences	\$24
Westwood Prodigy Program	\$21.50
Community Music Center Boston (Instructor Intern)	\$18

HIGH END

LOW END

Building Use

The Westwood Schools consider all buildings and grounds to be community resources and places a high priority on making school facilities available to user groups in the community when they are not needed by the schools. In particular, we firmly believe that school, Town, and Recreation users as well as nonprofits that have support from the Westwood community should have access to school facilities 'at cost' or at a steep discount.

However, nearly fourteen years have passed since the School Committee has approved an increase or modification to the fees charged for the use of school facilities by user groups, in particular external nonprofit and for-profit groups. Between FY'15 and FY'19, expenditures exceeded revenues and we consistently operated at a loss.

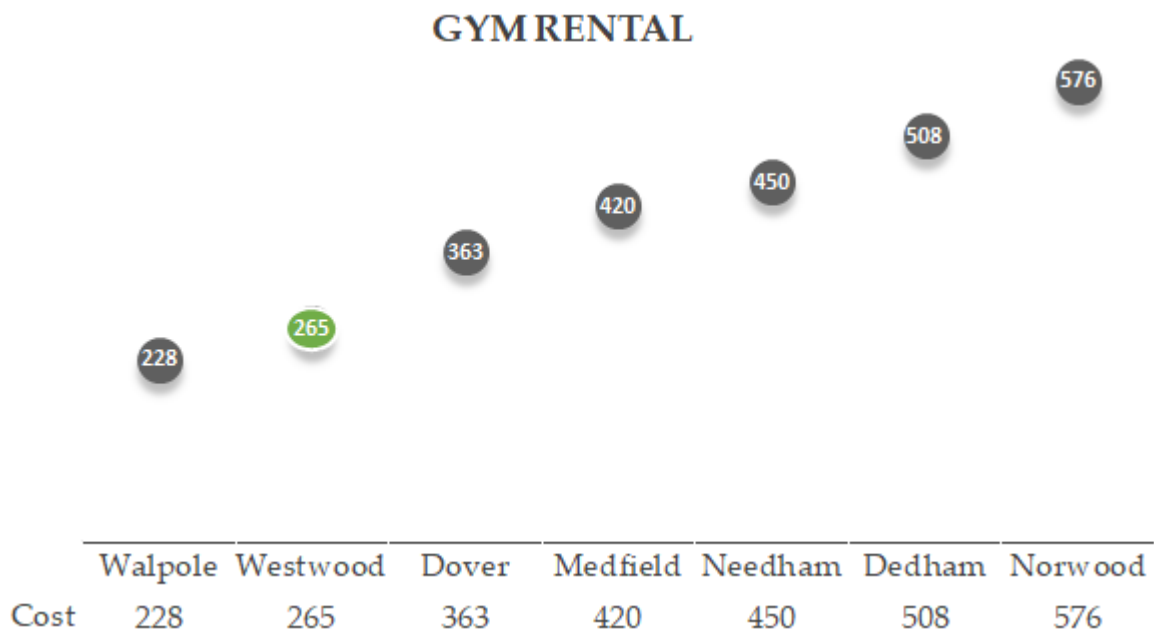
Key Loss Drivers

- We currently do not charge for custodial staffing on weekdays, and our custodial staff extends support to users via setup and breakdown of spaces in addition to attending to their assigned duties. For example, non-profit groups currently pay a flat \$25 fee for reserving a cafeteria on a weekday, whether it is used for a meeting that lasts 2.5 hours or a celebration that lasts 4 hours, regardless of impact on custodial staff.
- A user group that is occupying 10% of the high school building on the weekend could drive \$50/day in electric costs. Depending on the event and facility, there may be additional costs for heating, water, and custodial supplies.

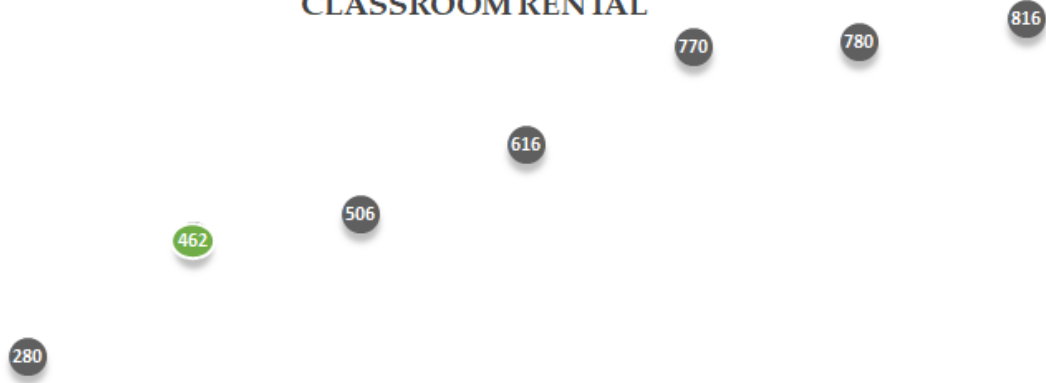
- The current event fee and rental schedule makes for inefficient billing and drives cost in the Business Office.
- When there is damage to the facility, it is often difficult to determine which user is responsible. It makes more sense to integrate a minimal wear-and-tear fee into all rental costs.

In FY'19, the net loss of \$17,906 did not include a measure of weekday custodial time, utility costs, nor the cost of maintenance and repair of damage that could not be assessed to groups.

We believe that our current Building Use fees are well under the market. In the examples below, we have analyzed what it would cost three sample user groups to obtain a similar space rental in another district based on their fee structure and current usage.

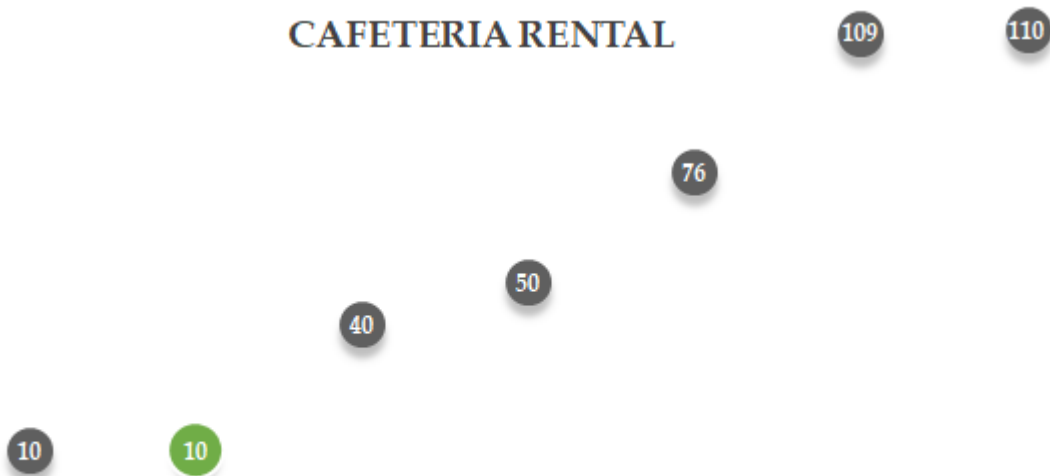


CLASSROOM RENTAL



	Dover	Westwood	Dedham	Norwood	Medfield	Walpole	Needham
● Cost	280	462	506	616	770	780	816

CAFETERIA RENTAL



	Dover	Westwood	Norwood	Needham	Walpole	Dedham	Medfield
Cost	10	10	40	50	76	109	110

In Closing

We are bringing these issues to the table for discussion now prior to this year's budget development process. As we consider various proposals to bring forward next month, it would be helpful to have input from the Committee about where to focus our priorities and efforts. For example, should we continue to assume that the revenue-based activities should be self-sustaining

and not supplemented by the Operating Budget? Are there parameters we should consider when proposing rate increases?

We look forward to the discussion.