



LINCOLN PUBLIC SCHOOLS

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ADMINISTRATOR FOR BUSINESS AND FINANCE

August 30, 2008

To: Lincoln School Committee
Mickey Brandmeyer, Superintendent
From: Buck Creel, Administrator for Business and Finance
Subject: FY10 Budget Guidelines

Introduction. The preparation of the annual school budget remains one of the most important tasks undertaken by the School Committee and Administration. It is through the budget process that the district seeks the communities support for its priorities, educational programs and operational needs. It remains our goal to deliver high quality educational programs with the intent of every student achieving their fullest potential in academic, physical, social and emotional development.

The budget process for the Lincoln Public Schools is similar to the budget development process of comparable communities. The process begins with a presentation of the Superintendent's Preliminary Budget to the School Committee, which, through a series of public discussions will finalize the Proposed Budget for review by the Town's Finance Committee, and ultimately presentation to the Annual Town Meeting for approval. At the same time, the Lincoln process for the school budget is unique: a parallel process occurs on the same schedule for the development of a budget for the operation of the schools at Hanscom Air Force Base, within the cost parameters of the contract with the federal government. Because the most significant cost to operate the school district is the cost for personnel and since both faculties are employed under the same collective bargaining agreements it is critical that both budgets are developed in concert. Further, the organizational structure of the schools requires an alignment of both the Lincoln appropriation and the federal contract.

This memo will outline issues that the School Committee may wish to consider in forming its recommendation and guidelines for the Administration to follow in the development of the FY10 school budget.

Process. With the development of the FY07 Budget, the Administration introduced a refined process to address two issues. First, the relatively short window in which the budget is presented, reviewed, adjusted and approved prior to submission in January for consideration by the Annual Town Meeting creates a challenge which requires a thoughtful but streamlined process. Second, the early timing of our Town Meeting presents a challenge by requiring us to prepare a budget proposal at the start of the school year, at a time when teachers', principals' and program directors' attentions are focused on beginning academics, and before the planned activities for the current year are underway, much less significantly completed.

To address these issues the Administration has undertaken a process to align the district's goals and the school improvement plans through strategic goal planning over a rolling three-year period. This creates a structure in which improvement initiatives, program development and program improvement efforts are planned in advance so that budgeting can be somewhat more predictable and helps focus available resources

on agreed-upon initiatives. The other adjustment to the District budget process (which allows principals and teachers to focus more on the classroom) is the adoption of a method in which site-based management funds are budgeted on a per-pupil basis and provided to each school as a lump-sum for further allocation in the Spring, at a time when teachers and principals can make more informed decisions about proper allocations.

These site-based management (SBM) funds are used to support, sustain and enhance the regular academic operations of the schools. Examples uses of SBM funds include consumables, art supplies, small durable items such as calculators and pencil sharpeners, replacement/upgrade books for classroom resource areas, program supplements like outside story tellers and performers, etc. SBM funds are not used for personnel salaries; facilities expenses such as custodian wages or electric bills; operational support expenses such as copier maintenance contracts. While this strategy affects a very small portion of the overall budget (1.8%), it allows for more informed use of resources and more efficient budgeting. It is the Superintendent's recommendation that we continue with these adjustments with appropriate operational modifications to ensure that the process remains transparent and effective.

Last June we presented the *District Goals for 2008 and Beyond*, based on the School Committee's goals workshop and approved by the School Committee at its June 5 meeting. In this document we identified key components of each goal through SY 2009-2010. Shortly, we will be presenting this year's workplans, which describe in greater detail the work and benchmarks for this year. The School Committee has recognized that the improvement initiatives proposed by the Administration have been implemented successfully and are at various stages of completion. It is our recommendation that we continue to rely on these strategic goals to guide decisions about resource allocation and budget requests.

Over the course of the last several budget cycles we have achieved greater efficiency and eliminated contingencies in the budget. Few, if any, opportunities for further large reductions without changing school programs remain. In the event further efficiencies are achieved, the School Committee will need to determine how to allocate any available resources. They may want to consider further improvements to the educational programs or reinvestments in facilities maintenance and energy conservation measures in hope of reducing future expenditures.

Since FY03 the Administration has managed the school budget carefully and ended each year "in the black." This careful management, along with the generous support of the community, the contract with the federal government, collaboration with the Finance Committee on funding strategies for reimbursements (Special Education Circuit Breaker, Medicaid and E-rate), and the Administrations' consistent attention to grant opportunities has allowed the district to offer a high quality educational experience for all of our students. We have reduced fees to allow more children to participate in special programs (athletics), created new programs funded through the budget (instrumental music, engineering technology, expanded foreign language), advanced efforts in curriculum development, provided a meaningful mentor program for new teachers and administrators and offered a broader-based professional development program for teachers. Finally, participating in the Capital Planning process extends the operational budget by funding technology replacement and large facilities projects through direct warrants.

In spite of these efforts, the budget is affected by the current state of the economy in general, and by the health of the Commonwealth and Town finances in particular. The School Committee and the Administration need to review the impact of these factors on available funds, be sensitive to changing conditions and look to the Finance Committee for guidance as appropriate.

Budget Considerations. The Administration is in the process of preparing its FY10 Preliminary Budget for School Committee review. We request that the School Committee discuss the budget process and consider the ideas listed in this memo in order to develop and approve guidelines for the development of the school budget.

1. Include core-program costs in the base budget. Considerations for the FY10 budget include:
 - a. consumables such as workbooks to support the new K-5 math curriculum
 - b. requirements which will result from the math review for grades 6-8
 - c. the expanding instrumental music program
 - d. athletic and bus transportation fees
 - e. Pre-school enrollment projections and space availability
2. Review programs which include positions initiated or partially funded by expiring gifts, grants, fees and tuitions, or recently adjusted programs, and examine the financial implications for future costs. The School Committee may wish to consider the implications associated with fees for activities, and the use and staffing levels of paraprofessionals (aides and tutors). Considerations for the FY10 budget include:
 - a. base level of instructional assistant support
 - b. role of the drama program in the 5-8 School
3. Maintain small class sizes which are desired by parents and teachers and adhere to the School Committee's Policy on Class Size and the requirements of the contract to operate the schools at Hanscom AFB. A review of projected enrollments using the district's cohort survival model will be presented with the Preliminary Budget, along with recommendations for changes in numbers of classrooms as appropriate.
4. Ensure that improvement initiatives are aligned with the District's strategic goals. Potential improvement initiatives will be presented, along with a discussion of funding required for those already included in the District goals.
5. Determine the relative importance of improvement initiatives in the overall program, and decide to include them in the base budget, or leave as candidate items for the preferred budget. Considerations for the FY10 budget include:
 - a. recent recommendations from the task force on high achieving students
 - b. initiatives to close the achievement gap
6. Maintain sufficient resources to continue curriculum development initiatives. Ongoing efforts in mathematics at both the K-5 and 6-8 levels, the development efforts in engineering technology and review of the foreign language initiative should receive consideration.
7. Maintain the School Committee's commitment to provide high quality professional development and mentoring for new teachers and administrators. Teacher turnover has been 10-15% in each of the recent school years, and is expected to continue at that rate. The rapid orientation and integration of new faculty into effective teaching teams remains an important consideration.

8. Develop analysis of FTE allocations for special subject areas and staffing needs for existing programs and deploy resources as necessary, in line with projected enrollments.
9. Maintain level services, i.e., this year's program projected at FY10 costs. While the actual Preliminary Budget amounts will reflect
 - a. changes suggested by the School Committee as part of this budget guidelines process,
 - b. changes suggested by analysis of the anticipated enrollment, and
 - c. changes anticipated by developments to occur during FY09,a significant portion of the budget will be relatively easy to project, as contracts for teacher salaries, bus transportation, natural gas and electricity are in place.
10. Include projections for the future to reflect:
 - a. new contracts for custodians and secretaries to be negotiated this year
 - b. increases for non-bargaining group employees
 - c. rental of Hartwell space currently used by Magic Garden
 - d. impact of ongoing discussions in the IAC directly on the Hanscom budget and indirectly on Town finances
11. Comply with the criteria set forth in the contract to operate Hanscom schools and maintain comparability to the Lincoln program. Careful consideration of this guideline may be required in light of the decreasing enrollment trend at the Hanscom schools.
12. Apply special revenue funds as agreed to with the Finance Committee. Historically, the District benefitted from relatively large reimbursements amounts under the rules in place when the Circuit Breaker special education expense relief program was established. Those funds were carried forward over several years, and approximately \$200,000 was applied against the Lincoln expenses in each of the past three fiscal years. Medicaid reimbursement dollars were similarly carried forward for multiple years and applied as budget shortfalls required. Recent changes in DOR regulations and Town accounting procedures for Special Education Circuit Breaker and Medicaid reimbursements have eliminated the opportunities to use these funds to smooth short-term fluctuations. The District will be able to use only those funds which were received in the past fiscal year, for expenses to occur in the next budget year, and the exact percentage of reimbursement may change. For FY10 budget planning, the anticipated Circuit Breaker reimbursement will be approximately \$93,000, of which \$87,000 will be applied to the Lincoln budget and \$6,000 will go to the Hanscom budget (based on a per-student reimbursement accounting). Medicaid reimbursements of \$52, 997.64 will be applied to the FY10 budget. The District will continue to aggressively pursue Circuit Breaker and Medicaid reimbursements, and will apply these funds as they are available.
13. Project level funding from grants, state aid and revolving accounts, e.g., tuition and fees. Recent experience continues to validate this guideline, as these fund amounts have remained relatively static.
14. Carefully consider our role as stewards of Town and federal facilities, and plan for sensible restorative and preventative maintenance, and consider historical spending patterns and current facilities assessments to develop maintenance budgets. Investments in repairs to and replacement of some critical systems have allowed a

significant shift to preventive maintenance strategies. Continuing this positive development should be the emphasis for facilities budgets.

15. Carefully monitor usage of fuel and energy, review historical data and build projections in collaborations with the district's energy vendors and collaborative partners. The district's risk management strategy uses three years of consumption data with known utility prices.

Timeline. Attached is a suggested budget timeline for the school Committee's consideration. Historically, the budget preparation process begins in early September, in advance of the Finance Committee's (FinCom) guidance, with preparation of the Superintendent's Preliminary Budget. The Administrative Council began its process at the August off-site, and will meet prior to the next scheduled School Committee meeting. The presentation of the Superintendent's Preliminary Budget, currently scheduled for October 30, kicks off the School Committee's active review of the proposed program.

The Administration hopes to receive the FinCom's guidance by that presentation. In past years, the cost to maintain level services, this year's program projected at FY10 costs, has exceeded the budget amount provided by the FinCom guidance. A projected increase of 6-7% will be required to carry this year's program forward. We expect that the budget this year will likely follow that pattern, and have included a "gap-closing" or budget reduction phase in the process to create a base budget which meets the FinCom guidance.

This gap-closing phase also includes a process to prioritize budget requests for a potential Preferred Budget proposal through adjusted FinCom targets or a possible override. The Administration will request the School Committee to approve both Base and Preferred budgets so that the District would then be in position to propose a Preferred Budget for Town Meeting consideration if the opportunity arises.

Next Steps. The Administration asks the School Committee to review these proposed considerations and the suggested budget timeline, and provide us with your guidance for the FY10 budget preparation process.

Lincoln Public Schools FY10 Budget Development Timeline

as of August 30, 2008

August 2008

12 – Draft budget development timeline to Administrative Council

September

10 – Administrative Council review and discussion of FY10 level service budget and school-based management funds, as well as emerging FY10 budget priorities. Begin improvement initiative development process.

11 – Present budget guidelines memo and proposed timeline to School Committee

25 – Administrative Council deadline to submit improvement initiative proposals and contracted services amounts.

October

3 – Review projected enrollment and classroom staffing with administrators

6 to 10 – Budget discussions: CO, Campus administrative teams, covering projections, improvement initiatives and special considerations

10 – Finalized budget recommendations to Superintendent

30 – Present preliminary budget overview to School Committee

31 forward – Post approved budget information on District website

November

13 – Lincoln and Hanscom Campuses, District Central Office and Special Education budgets presented to School Committee with discussion of accompanying initiatives

17 to 20 – Gap-closing discussions: CO, Campus administrative teams

December

3 – Scheduled budget discussion with Finance Committee

4 – Budget discussions (initial gap closing) with School Committee

9 – Review preferred budget items

18 – Present suggested preferred budget items to School Committee

– Final gap-closing discussions with School Committee

– Finalize base budget (School Committee vote)

January 2009

8 – Review recommended budget proposal

22 – Finalize preferred budget for Town meeting (School Committee vote)

February

Lincoln Town-wide and Hanscom budget mailing, develop Town Meeting presentation

March

5 – Budget templates and site-based management funds amounts distributed for allocation

10 to 26 – Town Meeting presentation support

27 – Town Meeting

April

15 – Budget presentation to Hanscom community