

## *Board Memo*

**TO: Burlington School Board of Commissioners**  
**FROM: Executive Director of Finance Nathan Lavery**  
**SUBJECT: Preliminary FY21 Current Service Level Estimates**  
**DATE: December 10, 2019**

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The purpose of this memorandum is to provide a preliminary look at the potential growth in the budget necessary to sustain the current service level. The current service level can be thought of as “the cost to continue doing what we are already doing.” While simple in concept, there is actually room for some very significant discussion about what constitutes the current service level. Here are a few specific examples:

- **Wages Increases.** To some extent, this is the subject of negotiations, and to some extent, this is the result of market forces. Three scenarios have been provided to illustrate the impact of different wage increase levels.
- **Special Education.** While it could reasonably be argued that the cost of the current services should only reflect the increased price of those services, it seems imprudent to ignore the clear patten of increased demand for services. \$400,000 of increased special education service costs are part of the estimates below, in anticipation of both cost and demand increases.
- **Debt Service.** It could again be argued that new capital spending this is not part of the current service level, however, in light of the district’s capital plan and BHS renovation plan, it seems wise to incorporate new debt service into a current service level estimate. The scenarios below assume debt service on \$22 million of new debt (\$2 capital plan, \$20m BHS).

| Wage Increase | Budget Increase | % Budget Increase |
|---------------|-----------------|-------------------|
| 1%            | \$2,751,738     | 3.0%              |
| 2%            | \$3,306,637     | 3.6%              |
| 3%            | \$3,861,537     | 4.2%              |

Each 1% increase in wages results in approximately a 0.6% increase in the total budget.

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Other items reviewed during the development of a current services level estimate:

- Health insurance. 12.9% increase has been announced by VEHI.
- Cash in lieu of health insurance. 12.9% increase, most plans proportional to premiums.
- HRA. No increase. Costs fixed and budget appears sufficient.
- OPEB. 12.9% increase proportional to health insurance premiums.
- Payroll taxes. A function of wage increases.
- City retirement. 5% increase per guidance from City Hall.
- Workers Compensation. \$50k increase in premiums due to experience rating.
- Substitute Services. \$22k increase based on current usage.
- Utilities. 3% increase.
- Copier costs. 3% increase.
- Transportation. 5% increase.
- Phones and Internet. 3% increase.

Reductions are not assumed as part of a current services level estimate, except to the extent that costs in the current year are one-time in nature. The current services level estimate assumes a reduction of \$168,000 of Security System Design costs since the system design will be complete in FY20. Note, however, that the actual purchase and installation of the system will need to be funded, and the FY21 budget requests include a placeholder to begin that work.

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