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MEMORANDUM

To: Burlington Board of School Commissioners
From: Tom Flanagan, Superintendent
CC: Nathan Lavery, Executive Director of Finance and Operations
Date: 11/05/2024
Subject: FY26 Preliminary Budget Assumptions

Purpose: This memo and the accompanying presentation is intended to provide an overview of the preliminary assumptions that will drive the development of the FY26 budget.

Summary: Estimated annual increases to our budget, in particular the wage and health care cost increases, indicate that BSD's baseline budget will increase even without adding programs or staffing. Given that wages, benefits and debt service account for nearly 80% of our budget, maintaining our current level of service will lead to increased costs and taxes year over year.

BSD's Equitable Budgeting Model includes core allocations that are designed to ensure that staffing remains aligned to our enrollment levels at each school. Last year, schools moved more closely into alignment with the model, but in some instances, we did retain extra art capacity at some elementary schools and initiate an analysis of how much capacity will be needed when preschool switches to a five day model. This year, we expect to propose staff that aligns with the model in nearly every instance; as we have done in past years, our goal will be to limit or avoid layoffs by working to find different placement options for staff impacted by instances of realignment. Schools may elect to utilize their RISE allocations to retain positions that are not part of their core staffing.

Assumptions:
Major Cost Drivers
- Wages: 2.4% (inflation) to 4%. Most collective bargaining agreements will be renegotiated.
- Health insurance: 11.9%. Based on VEHI's rate filing.
- Debt Service: 3.8% increase based on projected borrowing.

Other Cost Drivers
- Cash in lieu of health insurance: 11.9% increase, equivalent to premiums.
- HRA/HSA: 4% increase. Inflation impact since prior budget.
- Other Post-employment Benefits: 11.9% increase equivalent to health insurance premiums.
- City retirement: 5% increase in typical annual growth estimate.
- Workers Compensation: 4% increase. Increasing payroll drives up this cost.
- Property/Liability Insurance: 5% increase. Cost increase is largely driven by cyber coverage needs.
- Utilities: 3% increase.
- Copier leases: No Change. Current budget appears sufficient based on usage analysis.
- Rent: 3% average. Some savings likely as IAA returns to the renovated school.
- Transportation: 6% increase.
- Phones and Internet: 3% increase.
- Supplies: 4% increase. Inflation impact since prior budget.