

MEMORANDUM

To: Burlington Board of School Commissioners
From: Tom Flanagan, Superintendent
CC: Nathan Lavery, Executive Director of Finance and Operations
Date: 1/21/2025
Subject: FY26 Budget Development Update - Final Recommendation

Purpose: This memo is intended to summarize the Superintendent's FY26 budget recommendation and illustrate the estimated tax impact.

Tax Impact: The budget is projected to **decrease property tax rates by 4.0%** compared to the current year. The income cap would increase from 2.75% to 2.42% (a 12% decrease).

Budget Development Updates: There have been three important changes since the last budget presentation:

1. BSD received the official Common Level of Appraisal (CLA) value from the Vermont Department of Taxes (previous tax estimates were produced using the CLA estimate that accompanied the December 1 Tax Letter). This official CLA increased slightly, and there was a modest change to the statewide adjustment as well. As a result, BSD's adjusted CLA increase to 112.99%. The change from an estimated reduction of 2% to 4% is largely the result of this new information.
2. I am recommending retaining three of the four building-based substitutes at BHS (previously, the recommendation was to retain only two). This recommendation changed both as a result of the additional financial flexibility offered by the CLA change and because the size of BHS justifies a third position. However, the status of this position will be evaluated next budget cycle.
3. I recommend increasing the investment in facilities from \$500,000 to \$600,000 as a result of the additional financial flexibility offered by the CLA change. This decision will help moderate future budget increases as it will allow BSD to pay upfront for necessary capital improvements rather than borrow (and pay interest). This money can also be reduced or eliminated in a future budget cycle if doing so is necessary to achieve a budget that is affordable to the community.

Budget Themes: The current budget recommendation limits new spending to the following three general categories:

- Maintaining current programs and services in the face of rising wages, benefits, and other inflationary pressures.
- New debt service (principal and interest costs) resulting from voter-approved borrowing for the new high school and technical center.
- Investments in our facilities to reduce future costly repairs and new bonding requests.

Savings are anticipated from the following changes:

- Ending leases for temporary student spaces currently in use while IAA undergoes renovations. This is expected to save \$215,000 in FY26.
- Further aligning staffing to enrollment. This is expected to save \$150,000 in FY26.
- Reducing central office operating budgets by approx. 2%. This is expected to save \$100,000 in FY26.

The total budget is estimated to be **\$134,779,831**, which is a decrease of approximately \$10 million, or 7%. The decrease is a reflection of lower federal funding sources that were used for major projects. The total excludes capital project spending from bond proceeds since associated debt service is included in the total budget. Spending that is supported by education taxes will increase by \$8.9 million (9.5%). When combined with weighted enrollment, the property yield, and the CLA, this spending level is projected to reduce tax rates by 4%.

Recommended Ballot Language:

*Shall the voters of the School District approve the School Board to expend \$134,779,831 which is the amount the school board has determined to be necessary for the ensuing fiscal year?
Burlington School District estimates that this proposed budget, if approved, will result in per pupil education spending of \$14,825.77, which is 6.74% higher than spending for the current year.*

Spending at this level could produce a property tax rate decrease of 4% (current estimate).

Recommended Motion: I move to approve the annual school budget of \$134,779,831 and the recommended ballot language.