

FY06-07 Bgt.  
Ref. Doc #3

**Cambridge Public Schools**

**Five Year Financial Plan**

For Fiscal Years

**FY 2006-07 - FY 2010-11**

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## **Cambridge Public Schools Five-Year Financial Plan**

### **Introduction**

This document presents an update of the Cambridge Public Schools Five Year Financial Plan which is intended to provide a long-range financial framework for supporting the educational mission and goals of the school district over a five-year planning period. This update covers the period beginning in fiscal year 2006-07 (July 1, 2006 – June 30, 2007) and ending in fiscal year 2010-11 (July 1, 2010 – June 30, 2011). It also displays the current fiscal year 2005-06 adopted budget.

This document also is intended to serve as a financial planning tool to assist in development of the School Department operating budget, required by state law to be authorized annually by the School Committee, the City Manager, and the City Council. This financial plan differs from the annual budget process in the following ways;

- Financial estimates of Revenues and Expenditures are projected (estimated) for a five-year period rather than the one-year Budget period required for all government entities in Massachusetts.
- In addition to estimates of cost increases and decreases in salaries, benefits, energy, transportation, special education tuitions, and similar items, the plan enables us to estimate future costs of long-range educational initiatives, as well as budget reduction and reallocation decisions, and project the financial impact of such decisions on the district's overall resource allocation plan.

These longer-range views of the school budget are used to facilitate planning for future educational initiatives and response actions that may be necessary to avoid future budget shortfalls. Each year, the plan is updated to reflect actions taken in the previous year, new financial information (for example, this year's major energy cost increases), and updated projections of both revenues and expenditures.

### **Estimates for FY06-07 Annual Budget**

The projections for next fiscal year (FY06-07) currently show a balanced budget between revenues and expenditures. This is the third consecutive year this has occurred. The increase in both is estimated at 1.06%. This takes into account the significant increase in Charter School costs, as well as other items identified in the detail pages following.

## Revenue Estimates

Revenue estimates for the next five years are impacted by the following:

- Local property tax support for the School budget is estimated to grow at a rate of 4% annually. For FY06-07, this is offset by \$1,812,131 in estimated net Charter School tuition costs due primarily to start-up of a new charter school in Cambridge in September, 2005. These costs will continue to grow in the following four years as tuition costs increase and state reimbursement declines.
- State Education Aid (Chapter 70 Aid) is projected to remain level over the five-year period. Also, General State Aid is projected to remain level.
- School Construction Aid will decrease significantly over the next three years as state reimbursements for previously-funded projects are ending. These projects (Haggerty, Fitzgerald and Morse) were funded on 10-year bonding schedules and all will be fully reimbursed by the end of FY07-08. Two new projects (War Memorial Renovations and CRLS HVAC/Roof projects) have been approved by the state and are on a list for future funding, beginning in FY07, but these projects have not been approved locally to go forward and are not included in these projections.
- In FY04-05, the administration developed a plan for creation of a School Debt Stabilization Fund to help offset future costs of non-reimbursed debt service. The School Committee, City Manager and City Council approved the plan, and the School Committee approved an allocation of \$450,000 in the general fund budget to go into this fund, beginning in FY05-06. In addition, savings from special education circuit-breaker reimbursements and tuition savings generated a surplus of \$4.6 million that was transferred into the fund in FY04-05. This plan projects that this fund will grow to \$6,225,000 in FY07-08, and that \$2.2 million and \$2.1 million will be used in FY08-09, and FY09-10, respectively, to cover the cost of non-reimbursed debt service on school projects in the final two years of paying off bonds.

An average annual growth rate of 1.31% is projected for total general fund revenues during this five-year period. FY08-09 is expected to be a particularly difficult year with total revenue growth of only 0.09%. This is due to two major factors: net Charter School tuition costs reducing revenues by \$2.2 million, and a decrease in state School Building Assistance reimbursement of \$3.9 million as the final payments are received in the previous year.

### Expenditure Estimates

The “Level Service” estimates of cost increases are calculated based on such factors as:

- salary step and degree increments in collective bargaining agreements and non-union salary schedules,
- estimated future negotiated salary increases,
- estimated health insurance and other fringe benefit inflationary cost increases,
- energy cost and transportation cost estimates,
- special education tuition cost estimates,
- similar inflationary items.

Decreases in “Level Service” estimates include:

- decreases in debt service costs as school construction bonds are paid off
- decreases in vocational tuition costs due to declining numbers of tuitioned-out students
- health insurance savings of \$200,000 resulting from staffing reductions in FY05-06 that will carry over into the base health insurance budget for FY06-07.
- a one-time decrease in special education tuition cost estimates based on savings from state “circuit-breaker” reimbursements and lower tuition costs in FY05-06 that are projected to continue in FY06-07.
- Decreases due to “one-time” budget items (example: start-up training costs in FY06-07) or planned phasing out of multi-year expenditures (example: energy conservation lease in FY09-10).

These budget increases and decreases are referred to as “Level Service” because they assume maintaining the existing level of services to students and staff, and do not take into account new or expanded programs and educational initiatives, or significant reallocation of existing resources to support priority educational goals. These are “cost-driven” budget increases and decreases, rather than “program driven” allocations of resources to educational priorities. The “program-driven” resource allocations are based on the educational goals of the district and strategic decisions regarding funding priorities in a particular fiscal period.

Estimates of budget changes to support “program improvements and new initiatives” will be driven by decisions to allocate dollars to priorities of the district based on an educational plan for improvement. These decisions may involve implementation of new programs or expansion of existing programs, and often include development costs as well as operational costs. Not all program initiatives

require increased financial resources, and may involve re-thinking and re-structuring the ways in which services are delivered, or re-allocating existing resources from areas that are lower priorities, or programs where operations can be made more efficient.

**Cambridge Public Schools**

**Five Year Financial Plan - Summary - FY2006-07 thru FY2010-11**

<u>(Updated 11/29/05)</u>						
	Adopted Bgt.	Projected	Projected	Projected	Projected	Projected
	<u>FY05-06</u>	<u>FY06-07</u>	<u>FY07-08</u>	<u>FY08-09</u>	<u>FY09-10</u>	<u>FY10-11</u>
<b>I. - General Fund</b>						
<b>Expenditures</b>	\$ 124,044,400	\$ 125,362,205	\$ 129,925,852	\$ 135,132,804	\$ 140,378,622	\$ 144,755,646
<i>\$ Increase over prior year</i>	1,991,205	1,317,805	4,563,647	5,206,952	5,245,817	4,377,024
<i>% change</i>	1.63%	1.06%	3.64%	4.01%	3.88%	3.12%
<b>Revenues</b>	124,044,400	125,362,205	128,024,823	128,143,362	130,883,089	132,465,735
<i>\$ Increase over prior year</i>	1,991,205	1,317,805	2,662,617	118,540	2,739,726	1,582,647
<i>% change</i>	1.63%	1.06%	2.12%	0.09%	2.14%	1.21%
<b>Projected Surplus or (Shortfall)</b>	-	0	(1,901,030)	(6,989,442)	(9,495,533)	(12,289,910)

**Cambridge Public Schools**  
**Five Year Expenditure Projections - FY2006-07 thru FY2010-11**

			Prior Year Base Budget	124,044,400	125,362,205	129,925,852	135,132,804	140,378,622
	Adopted Budget			Proj. Inc/Dec	Proj. Inc/Dec	Proj. Inc/Dec	Proj. Inc/Dec	Proj. Inc/Dec
	FY05-06	Estimated "Level Service" Cost Incr/(Decr)		FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
<b>A. Salaries &amp; Fringe Benefits</b>								
1.	Permanent Salaries	68,161,026	- Salary Step/Degree/Longevity Increments	250,518	464,286	483,859	504,178	525,141
			- Salary % Incr. - FY'07 & '08 - 3% mid-year, 3% annually thereafter	1,054,029	2,096,258	3,282,318	2,281,346	2,383,666
2.	Temporary & Other Salaries	5,146,084	- Salary % incr for subs & ovt & FY07 1-time pyt.	589,460	(527,467)	64,485	44,714	46,055
3.	Health/Dental Insur & Medicare	13,504,455	- FY07 9% incr., FY08&09 10%, thereafter - 11%	1,233,401	1,453,786	1,599,164	1,775,072	1,970,330
			- 1-time hlth ins. credit for FY06 position reduct.	(200,000)	-	-	-	-
4.	Pensions - City & MTRB	3,040,381	- Fy07&08 level, thereaft -2.5% MTRB ends FY10	-	-	72,298	74,106	(72,291)
5.	Other Fringe Benefits	85,114	- None -	-	-	-	-	-
	<b>Sub-total: S&amp;W</b>	<b>89,937,060</b>		<b>2,927,407</b>	<b>3,486,863</b>	<b>5,502,125</b>	<b>4,679,416</b>	<b>4,852,901</b>
<b>B. Other Ordinary Maintenance</b>								
1.	Energy/Utilities	2,941,954	-FY07 14% plus '06 shortfall \$399K, 10% thereafter	841,127	548,794	281,974	310,171	341,188
2.	Educational Mat/Supp/Svcs	1,940,392	(N.A.)	-	-	-	-	-
3.	Special Ed Tuition	10,217,023	- FY07 5% incr., 5% thereafter	452,804	444,277	466,491	489,816	514,307
			- FY06 "Circ-Brk" reimb. & savings @85%	(2,022,183)	-	-	-	-
4.	Vocational Tuition (Minuteman)	847,080	- Lower enrollment in FY07, thereafter slight incr.	(269,545)	61,276	104,137	111,575	16,231
5.	Facilities/Maintenance	1,986,750	(N.A.)	-	-	-	-	-
6.	Contracted Transportation	3,729,264	- Reg & Sped Transportation (5% annual)	186,463	195,786	205,576	215,854	226,647
7.	All Other	4,264,661	- 1-time FY0506 expenses	(20,000)	-	-	-	-
			- Enrollment decrease/per pupil allotments	(110,000)	-	-	-	-
			- Unemployment cost savings	(150,000)	-	-	-	-
	<b>Sub-total: OOM</b>	<b>25,927,124</b>		<b>(1,091,334)</b>	<b>1,250,134</b>	<b>1,058,178</b>	<b>1,127,416</b>	<b>1,098,373</b>
<b>C. Travel &amp; Training - total</b>								
		<b>1,766,452</b>	- Reduce start-up training costs	(125,993)	-	-	-	-
<b>D. Extraordinary Expenditures</b>								
1.	Debt Service	4,137,150	- Debt Service reduction (existing Debt only)	(392,275)	(173,350)	(1,353,350)	(100,675)	(1,574,250)
2.	Capital Projects	580,000	- None -	-	-	-	-	-
3.	Energy Conservation Lease	460,340	- Lease ends in FY09	-	-	-	(460,340)	-
4.	Debt Stabilization Fund	450,000	- None -	-	-	-	-	-
5.	All Other	786,274	- None -	-	-	-	-	-
	<b>Sub-total: EE</b>	<b>6,413,764</b>		<b>(392,275)</b>	<b>(173,350)</b>	<b>(1,353,350)</b>	<b>(561,015)</b>	<b>(1,574,250)</b>
	<b>Total Budget</b>	<b>124,044,400</b>	<b>Total General Fund Increases &amp; Decreases</b>	<b>1,317,805</b>	<b>4,563,647</b>	<b>5,206,952</b>	<b>5,245,817</b>	<b>4,377,024</b>
			<b>Total Projected Budget - General Fund</b>	<b>125,362,205</b>	<b>129,925,852</b>	<b>135,132,804</b>	<b>140,378,622</b>	<b>144,755,646</b>
			<i>- Percentage Increase</i>	1.06%	3.64%	4.01%	3.88%	3.12%

**Cambridge Public Schools**

Five-Year Revenue Projections - FY2006-07 thru FY2010-11

	<b>Prior Year Base Revenues: General Fund:</b>			<b>124,044,400</b>	<b>125,362,205</b>	<b>128,024,823</b>	<b>128,143,362</b>	<b>130,883,089</b>
		Prior Yr.	Revised Bgt.	Proj. Incr/Decr	Proj. Incr/Decr	Proj. Incr/Decr	Proj. Incr/Decr	Proj. Incr/Decr
		<u>FY04-05</u>	<u>FY05-06</u>	<u>FY06-07</u>	<u>FY07-08</u>	<u>FY08-09</u>	<u>FY09-10</u>	<u>FY10-11</u>
<b>I. - General Fund Budget</b>								
<b><u>A. Taxes</u></b>								
R.E. Prop. Taxes- FY'07 4%, 4% thereafter	92,455,275	96,153,485	3,827,299	3,907,906	4,014,411	4,085,439	4,199,056	
less: Net Charter School impact		(471,000)	(1,812,131)	(1,245,289)	(2,238,694)	(1,245,038)	(1,042,159)	
Hotel/Motel Excise Tax	936,000	936,000	-	-	-	-	-	
<b>Sub-total: Local Taxes</b>	<b>93,391,275</b>	<b>96,618,485</b>	<b>2,015,168</b>	<b>2,662,617</b>	<b>1,775,717</b>	<b>2,840,401</b>	<b>3,156,897</b>	
<b><u>B. Fines &amp; Forfeits</u></b> - Parking Fines	100,000	100,000	-	-	-	-	-	
<b><u>C. Inter-governmental</u></b>								
State Education Aid -								
Ch70 Education Aid- level funding	6,791,105	7,122,205	-	-	-	-	-	
School Lunch Aid	32,580	27,615	-	-	-	-	-	
School Construction Reimb.	5,808,720	4,572,715	(697,363)	-	(3,875,352)	-	-	
Sub-total: School Aid	12,632,405	11,722,535	(697,363)	-	(3,875,352)	-	-	
General State Aid -Lottery	14,729,515	14,403,380	-	-	-	-	-	
Sub-total: State "Cherry Sheet" Rev.	27,361,920	26,125,915	(697,363)	-	(3,875,352)	-	-	
Medicaid Reimbursement	900,000	900,000	-	-	-	-	-	
Sub-total: Intergovernmental Revenue	28,261,920	27,025,915	(697,363)	-	(3,875,352)	-	-	
<b><u>D. Miscellaneous</u></b>								
Free Cash	300,000	300,000	-	-	-	-	-	
Transfer from Debt Stabilization Fund	-	-	-	-	2,218,175	(100,675)	(1,574,250)	
Sub-total: Miscellaneous Revenues	300,000	300,000	-	-	2,218,175	(100,675)	(1,574,250)	
<b><u>E. Total Est. General Fd. Revenue Incr.</u></b>		1,991,205	1,317,805	2,662,617	118,540	2,739,726	1,582,647	
<b><u>F. Projected Total Gen. Fd Revenue Bgt.</u></b>	<b>122,053,195</b>	<b>124,044,400</b>	<b>125,362,205</b>	<b>128,024,823</b>	<b>128,143,362</b>	<b>130,883,089</b>	<b>132,465,735</b>	
<i>% change</i>		1.63%	0	0	0	0	0	