WESTWOOD PUBLIC SCHOOLS
Honoring Tradition, Inspiring Excellence, Shaping the Future

JOHN J. ANTONUCCI
Superintendent of Schools

January 15, 2009

Dear School Committee Members and Westwood Residents,

On behalf of the Westwood Public Schools, I present to you the Proposed FY'10 School Department Budget. I believe you will find this document to be an excellent resource for you to learn more about our school system. This Executive Summary, in particular, is intended to provide you an easy-to-read, yet detailed overview of the budget request. I am confident your time spent reading this will be valuable.

The development of the FY'10 budget has been extremely challenging in light of the severe downturn in the national, state and local economy. Although I believe it is my job as superintendent to vigorously advocate for the school district, it would be irresponsible of me to present to the community anything less than an austere budget. This is a deviation from my usual stance of presenting a "needs-based budget", which maintains the current level of service *and* keeps the district moving forward.

As the table below illustrates, my recommended budget for FY'10 totals $33,434,700. This is a $946,014, or 2.91% increase over FY'09.

Final FY'09 Budget	$ 32,488,686
Proposed FY'10 Budget	$ 33,434,700
Increase ($)	$ 946,014
Increase (%)	2.91%

Remarkably, and with some minor exceptions, this low increase allows us to fund our current level of service. It does not add programs, or allow us to tackle many of our strategic initiatives, but it does maintain what we have today. I believe strongly that a level service budget should be a *minimum expectation* for the Town of Westwood. While I readily acknowledge the fiscal constraints we face, I am resolved to continue the dialogue about the importance of having a consistent funding stream necessary to run a first-class public school system.

I also want to bring to your attention what I believe is the most important section of this document, titled *What's Missing from the Budget Proposal*? Here I briefly outline several requests which would have been included in a better fiscal climate. I have said repeatedly over the past four years that simply because a need goes unfunded, does not mean the need has gone away. Thus, although my FY'10 budget is "missing" several requests, I believe it is important for the School Committee and the entire school community to have dialogue about the implications of that decision.

HOW DOES A 2.91% INCREASE FUND LEVEL SERVICES?

In past years, I have made the case that typically the community should expect to see a 5% annual increase to the school's operating budget *if it wishes to maintain level services*. Like many organizations, public school systems have several fixed or unavoidable costs on an annual basis. I would actually argue that schools have *more*, given that we are highly regulated by the state and federal government and have mandates that are unfunded (special education is perhaps the greatest example).

This year, we are fortunate to have some accounts decrease (or at least stabilize) that in normal years would rise, enabling us to present a budget at this level. Here are five examples:

- **Turnover**: Although salaries are by far the largest budget driver, in FY'10 we reap the benefits of a banner hiring cycle, during which we beat our estimated Turnover budget by $109,000. The turnover budget is the amount of money we need to "make up" in the hiring process by hiring less expensive replacements when employees leave the system. The overage in the turnover account reduces the salary base in FY'09, which in turn leads to budgetary savings in FY'10. This is due primarily to the amount of turnover in administrative staff last year, when we replaced three building principals, one assistant principal, the Pre-school Director, the Director of Business and Finance and the Director of Operations. In addition, we created parameters in regards to hiring replacement teachers within certain salary and experience levels. This conservative approach resulted in significant cost savings in FY'09.

- **Utilities:** Unlike the past several years, when the heating fuel and electricity budgets were increasing dramatically, in FY'10 we are projecting a decrease in the utilities' budget of almost $200,000 (note: there is a more detailed explanation about this later in this document).

- **Transportation**: Due to de-escalating fuel prices, we are projecting a reduction in the transportation budget of approximately $46,000 (note: there is a more detailed explanation about this later in this document).

- **Special Education**: Like utilities, the rising cost of special education placed significant pressure on the school budget for several fiscal years (primarily FY'03 through FY'07). We are fortunate that due to exceptional new leadership, *and the absence of any unanticipated move-ins or new students,* special education costs have stabilized in FY'09 and FY'10. We are projecting a $66,000 decrease to the non-salary SPED budget in FY'10 (note: there is a more detailed explanation about this later in this document).

- **Enrollment**: Although some pockets of high class sizes will not be addressed in this proposal, we are fortunate that enrollment will only marginally increase in FY'10.

In regards to the information above, I believe strongly that we are beginning to reap the benefits of our hard work over the past four years. We have been diligent in our efforts to create efficiencies in all departments, and look for ways to reduce or stabilize costs throughout the system. That being said, we are also the beneficiaries of good fortune this year, or at least some pleasant surprises. It is rare to have several annual budget drivers, drive the budget down all at once.

BUDGET DRIVERS

WHAT ARE THE COMPONENTS OF THE $946,014 INCREASE?

The chart below breaks down the total budget increase of $946,014 into large, recognizable components. Although schools by nature are complex organizations, school budgets do not have to be. We try to simplify our summaries and exhibits to create understanding and transparency. Please note that more detailed information regarding these six budget drivers appear on the following three pages.

Budget Drivers	Budget Impact: Increase over FY'09
1. Salary increases for existing salaries	$ 1,066,599
2. Personnel changes: Reduction of .24 FTE; net salary increase	$ 70,106
3. Reduction to School Bus Transportation budget (fuel de-escalation)	$ (48,760)
4. Reduction to Utilities budget *(electricity, heating fuel, telephone, water)*	$ (199,300)
5. Reduction to Special Education non-salary budget: Drivers include *Transportation In-District Program* and *Tuition* costs	$ (66,311)
6. Increase to other non-salary budgets: *Supplies, Equipment, Contracted Services, Other Expenses*	$ 123,680
TOTAL FY'10 BUDGET INCREASE	**$ 946,014**

1. SALARY INCREASES FOR EXISTING EMPLOYEES
TOTAL INCREASE: $1,066,599

Given the size and nature of a public school system, it is no surprise that employees' salaries drive the operating budget on an annual basis. Each day we serve over 3,000 students housed in seven buildings and, like most large organizations, our human resources are critical to our mission and to our success. In the FY'10 budget, salary increases for our existing 445.49 FTE employees total $1,066,599, which represents a 4.27% increase over FY'09.

	FY'09	FY'10	Increase over FY'09
Salary Budget: Existing employees	$ 24,979,046	$ 26,045,645	$ 1,066,599

Salaries, and in particular teachers' salaries, are driven by two factors. The first is that the great majority of school employees belong to a collective bargaining unit. Most collective bargaining units throughout the nation have a salary scale for their membership. A salary scale defines a range of pay for employees, which is largely dependent on how many years of service the employee has . For example, a first-year teacher will be on Step 1, a second year teacher will be on Step 2, etc. Because of this pay system, salaries rise on an annual basis regardless of whether or not there is an annual "raise". In the FY'10 budget, approximately $500,000 of the salary increase is due to step increases. This is a 2.0% overall increase over FY'09.

The second factor is a "cost of living" increase, the amount of which varies by year and is the result of employee contract negotiations. Two major contracts -- Custodial and Maintenance and Teachers – are set to expire at the end of FY'09. Negotiations for those contracts will not be complete until after the budget season, and as such an estimated increase is built into the FY'10 budget. Due to the confidentiality requirements of collective bargaining, we are not at liberty to identify the percentage increase at this time. An aggregate collective bargaining budget line item is included in the budget detail pages in the 600-series accounts.

2. PERSONNEL CHANGES
REDUCTION OF .24 FTE – NET SALARY INCREASE OF $70,106

My recommended budget results in a net reduction of personnel of .24 FTE. However several changes that led to that reduction result in an overall salary *increase* of $70,016 (to explain in basic terms how that is possible, we "traded" less expensive instructional assistant positions for more expensive teacher and ABA tutor positions). With the exception of the Literacy Para-Professionals, all of the positions listed below are level-service positions. That is, they are required in FY'10 to serve our projected student enrollment.

- **Grade 5 Teacher, Hanlon Elementary School – 1.0 FTE – $54,000**: This position in needed to accommodate anticipated enrollment in FY'10. The current fifth grade at the Hanlon School is a "singleton" classroom of twenty-four students. As this class graduates from Hanlon, an anticipated 42 Kindergarten students will enroll, requiring an additional classroom in 2009-2010. That will result in thirteen classrooms, as compared to the current twelve.

- **Literacy Para Professionals, Sheehan and Hanlon Elementary Schools – 1.0 FTE - $20,000:** These positions (.5 FTE in each school) are recommended in lieu of adding first grade teachers in each school to accommodate larger-than-guideline class sizes. Each classroom would be serviced by the literacy paraprofessional for approximately two hours per day.

- **Special Education, District-Wide – net reduction of 2.24 FTE – net savings of $3,894:** There are several changes, some more significant than others, that result in a reduction of Special Education staff for the 2009-2010 school year. The most significant change is to the district's STAR Program, which serves elementary students with social/emotional and behavioral needs through therapeutic interventions and supports. My recommendation is to eliminate 3.24 FTE Instructional Assistants and replace them with a 1.0 FTE Academic Special Education Teacher. The overriding goal is to ensure that students receive the necessary academic and behavioral supports, which is sometimes compromised in the current model when the *one* classroom teacher is required to respond to students in crisis. The new model, which results in a teaching staff of one Behavior specialist and one Academic specialist, will allow us to more seamlessly serve our students. This change results in a reduction of 2.24 FTE and a cost savings of $19,992. Furthermore, although health insurance is not carried in the school department budget, the town could net a potential savings of more than $20,000 in health insurance premiums.

  The other recommended Special Education change is at Thurston Middle School, with the elimination of a 1.0 FTE Instructional Assistant (IA) and a corresponding addition of a 1.0 FTE ABA Tutor. Although it does not result in additional FTEs, there is an associated net cost of $16,097, which is the difference in salary of a traditional IA and an ABA Tutor. The ABA position is required to serve incoming sixth grade students who are transitioning from the Peer Intensive Program at the Downey School, which serves students with significant special needs in the category of autism.

3. SCHOOL BUS TRANSPORTATION
DECREASE OF $48,760

There is no recommended change in service for FY'10, however the total school bus transportation budget has decreased by $48,760 over FY'09. This is due to the estimated reduction in fuel costs. We are in the third year of a five-year contract with Connolly Bus Company. Like most public transportation contracts, our contract has a "fuel escalation" or "fuel de-escalation" clause. It simply means that the district and contractor agree on a fair-market fuel price at bid time. If during the life of the contract prices fluctuate well beyond that, a contract adjustment is made. Last year, in FY'09, we budgeted for an increase due to rising fuel prices; in FY'10, we expect a reduction due to falling fuel prices.

4. UTILITIES: ELECTRICITY, HEATING FUEL, TELEPHONE, WATER
DECREASE OF $199,300

Over the past several years, the rising cost of Utilities, in particular Heating Fuel and Electricity, placed great pressure on school and municipal budgets. As the chart below illustrates, in FY'09 the utility budget represented 4.57% of the total school operating budget. This is a fixed cost that competes with other budget requests, and limits our ability to enhance our educational programs.

In FY'10, I am pleased to report that the trend is reversed, and our overall utilities budget is decreasing by $199,300. Consequently, utilities as a percentage of the overall budget is reduced from 4.57 % to 3.84%.

	Utility Budget	Total Budget	Utilities as % of Total Budget
FY'09	$1,483,450	$32,488,686	4.57%
FY'10	$1,284,150	$33,434,700	3.84%

What drives the utility budget?: The major driver behind the reduction is found at the High School, where, after four years, we are confident that our actual expenditures give us the baseline we need to build a realistic budget. Last year, FY'08, was the first year where 100% of the building was occupied for the entire year, and where we had full control over the heating and electrical systems. Although there remains some volatility in the high school utility budget, we are comfortable with the FY'10 budget request.

5. SPECIAL EDUCATION NON-SALARY BUDGET
DECREASE OF $66,311

This budget driver represents an aggregate decrease for all special education non-salary accounts. Although the dollar decrease of $66,311 may not seem significant, it is remarkable in an era where the rising cost of special education is materially impacting school departments throughout the nation. With new leadership in place over the last two fiscal years, Westwood has been able to enhance its special education programs and provide services in a more efficient and cost-effective manner.

That is not to say that special education does not place great pressure on our budget. In fact, special education services account for 23.6% of our total budget, whereas special education enrollment represents

only 15.6% of the total enrollment. However, since FY'07, that impact has been minimized. The table below illustrates that SPED as a percent of the total budget has decreased almost 2% in the last three years.

	SPED Budget	Total Budget	SPED as % of Total Budget
FY'07	$6,889,504	$27,094,125	25.4%
FY'10	$7,894,084	$33,434,700	23.6%

6. NON-SALARY ACCOUNTS (EXCLUDING SPED, TRANSPORTATION, UTILITIES) INCREASE OF $123,681

The increases or decreases to the Special Education, Transportation, and Utility budgets were highlighted above. The remaining non-salary budget line items – *over 500 of them* – fund our educational programs in all seven schools, central office, the custodial and maintenance division, and athletics. For FY'10, the aggregate budget in all of these accounts increased by $123,681. Explanations of the major budget drivers are below:

- **Curriculum and Instruction** increased by $27,300: Unfortunately, the district lost approximately $30,000 in grant funding in FY'09 that will carry over to FY'10. Those funds are used to offset the professional development budget. The first was a pure $20,000 reduction from a federal *Program Improvement* grant. The second was a loss of $10,000 from the *Title II, Improving Teacher Qu*ality grant. By law, private schools are entitled to a share of these grant proceeds (allocated based on a student enrollment). Xaverian Brothers High School, which has never asked for its share, is doing so now. Thus, we lose approximately $10,000 of this public grant to a private school. The increase to the curriculum and instruction operating budget is to offset the loss of the grant funds. There are no new programs or services being requested.

- **Central Administration** increased by $25,025: This increase is due primarily to a $22,000 increase to the advertising budget (the total FY'10 budget request of $55,000 is still less than last year's *actual* expenditures). The rate of teacher and administrator turnover is at an all-time high throughout the Commonwealth. The Boston Globe continues to be the most effective means of recruiting high-quality teaching candidates. Advertising rates, however, continue to rise. For example, a 2"x3" block ad in the Sunday paper costs approximately $3,000. The FY'10 budget request is realistic, however we are committed to exploring other advertising options moving forward.

- **Operations and Maintenance (excluding utilities)** increased by $32,850: This is the net change of several increases and decreases in the O&M budget. The major increase of $50,000 is in the Building Maintenance line item. This budget, totaling $445,000, is the system-wide funding for all building repairs including plumbing, electrical, and HVAC. With over 600,000 sq. feet of building space in seven schools, and several aging buildings, it is important to have sufficient funds in this account. The increase in funding reflects our continued effort and commitment to the care and maintenance of our school facilities.

- **Net of all other increases/decreases** total $46,020: Throughout the budget document you will see several accounts that have changes as compared to FY'09. Accounts are adjusted for several reasons, including: To more accurately reflect historical expenditures; to account for projected enrollment increases; to account for contractual obligations or inflation; to transfer among departmental line items,

or; to reflect a change to a budget offset. None of these are budget drivers - it is more a reflection of having such a large organization with a large chart of accounts.

HOW DOES THE WEAK ECONOMY AFFECT THE WESTWOOD PUBLIC SCHOOLS?

Public school systems are unique. They do not fit into the category of "business" or "industry" like other organizations. Yet they are not immune to the pressures of a weak economy. There are several ways that the Westwood Public Schools may be, or more likely, *will be* impacted by the most tenuous fiscal climate in recent memory. For example:

1. **Chapter 70 Education Aid**: This is perhaps my greatest cause for concern as we move forward into the budget cycle. Chapter 70 aid, which is Massachusetts' education funding program, is an important source of revenue for the town, totaling $3.5 million in FY'09. There are strong indications that local aid will be cut by at least 10% for FY'10, if not more. To put this into perspective for the school budget, a 10% reduction would total approximately $350,000. At first glance, it may seem insignificant. However, when you consider that an average teacher salary is approximately $55,000, a cut of that magnitude could result in a reduction of six full-time teachers.

2. **State and Federal Grants**: The school department relies heavily on state and federal grants, and deep budget cuts at that level could result in the reduction or elimination of our funding. One prime example is the state's Full-Day Kindergarten grant, which Westwood was awarded in FY'08. We are able to staff our Kindergarten classrooms with Assistants only because we have this grant. If it were eliminated, there is a distinct possibility that we would be forced to eliminate those positions. Furthermore, we receive almost $750,000 in special education funds from the federal government in the form of the PL94-142 Grant. That *directly* funds 20.75 FTE positions in the FY'10 budget. Once again, a reduction in federal funding could lead to significant budget cuts for the Westwood Public Schools.

3. **User Fees**: Although we were able to fund a slight reduction in user fees two years ago, the reality is that we still collect almost $900,000 in user fee revenue from Athletics, School Bus Transportation and Full-Day Kindergarten. <u>One hundred percent</u> of that revenue is used to offset (i.e. reduce) the school operating budget. Since these programs are optional for students, there is the possibility that as the local economy suffers, family budgets will be adversely impacted leading to a decline in participation in these programs. A significant reduction to this revenue stream would impact our ability to fund the school department budget.

4. **Inflation**: Like any business, the school department's purchasing power is compromised as the cost of goods and services rise. It is important to remember that the school department is a very large organization and serves over 3,000 students, families and the greater community each day. We are comprised of seven buildings totaling 600,000 sq. feet, and pay the same associated costs of other organizations, including consumable and non-consumable supplies, equipment, utility costs, cleaning and maintenance, etc. For example, in FY'10, our utility budget alone is almost $1.3 million.

5. **Local Revenue:** Almost ninety percent of the school's budget comes from local revenue sources. Furthermore, like most suburban towns, Westwood's primary source of local revenue is property tax. Unfortunately, Proposition 2 ½ limits the town's ability to raise taxes that are commensurate with the services it wishes to provide. The mechanism to raise taxes to provide those services is an "override", which is a permanent increase to the town's taxing capacity. In this economy, it is difficult to ask residents to increase their expenses by approving an override. Therefore, the school department must accept what limited funding the town can provide without an override.

THE BUDGET INCREASE IN HISTORICAL CONTEXT

SCHOOL DEPARTMENT BUDGET HISTORY: FY'03 TO FY'10

I think it always important to show the budget increase in historical context. The chart below shows that from FY'03 to FY'10, the school budget increased by an average of 4.40%.

Fiscal Year	Total Budget	Actual budget Increase
FY'03	$24,862,000	-
FY'04	$24,966,760	0.4%
FY'05	$26,060,095	4.4%
FY'06	$26,060,095	0.0%
FY'07	$27,212,125	4.4%
FY'08	$30,739,512	12.96%
FY'09	$32,488,700	5.69%
FY'10	$33,434,700	2.91%

WHAT'S MISSING FROM THIS BUDGET PROPOSAL?

Like every organization, the Westwood Public Schools wrestles with competing priorities as the budget is developed. Several budget items are proposed by administrators and omitted from my Superintendent's recommended budget, or there are known needs that simply are not requested at all. Both outcomes are due to the very real fiscal constraints of local government. However, I frequently say that *because a need is not funded in a particular budget cycle, it does not mean the need has gone away*. As such, I think it is very important to highlight the following items that are *not* in the FY'10 request:

- **High School Dean of Students**: Lack of an adequate administrative staff at our 832-student high school continues to be a major concern. This position was the number one priority in the FY'09 budget, however was cut during final deliberations. It is still a top priority.

- **Middle School Teachers**: If there were any flexibility in this budget request, adding teachers at the Middle School would likely have jumped to the top of the priority list. Although our overall enrollment is projected to drop slightly next year, from 705 to about 700, we still project some very large class sizes, particularly in grade seven. Here's why: This year, the large enrollment in grade six resulted in large class sizes throughout the grade. The average class size was 25. There were seventeen classes with 27 or more students. Put another way, 28% of our core grade six classes had 27 or more students.

  If the same number of students moves from grade six to grade seven, the number of very large classes for some sections will increase. While the class size average, of course, will not change (we will have the same number of kids and the same number of total sections), students will not be as evenly distributed among the classes. We will see some very large classes and some smaller ones. In grade seven, students are placed into leveled math classes for the first time. Typically, about 10% of students (~26 students) are in level three, 40% are in level two (~104 students), and about 50% are in level one (~130 students).

  With a level services budget, we cannot add additional math sections. As a result, we project that our level two classes will include about 26 students and our level one classes will each include about 33 students. In addition, all the classes that meet while our level three math classes are in sessions will

include about 29 students. All told, that means **at least twelve classes are projected to have 29 or more students.**

- **Elementary Classroom Teachers:** There are five elementary classes in the district that are projected to be at the upper end (or over) class-size guidelines in the 2009-2010 school year. Of particular concern are the incoming grade one and grade five classes at the Sheehan School, the grade one classes at the Hanlon School, and the grade four classes at the Martha Jones School. The building principals advocated for new teachers to mitigate the high class sizes, however we recognize as an administrative team that it would not be responsible to add teaching staff at this time.

- **Middle School Special Education Teacher:** The middle school still has one fewer special education teacher than it did in FY'06 – four budget cycles ago. This position is still needed to meet the needs of the middle school special education population.

- **High School Foreign Language Teacher:** Due to the successful override in FY'08, class sizes at Westwood High School are satisfactory. Foreign Language remains the notable exception. This year, 50% of the sections are over class size guidelines, and six classes have 25 or more students.

- **User Fees:** Although this budget does not *increase* user fees, we still rely on over $900,000 in user-fee revenue from School Bus Transportation, High School Athletics and Full-Day Kindergarten.

IS THIS THE FINAL BUDGET?

There is a very strong likelihood, if not a guarantee, that my recommended budget will be reduced when budget deliberations are complete. There is the further possibility that it will be reduced by a significant amount if current revenue projections do not change *(Note: Revenue projections are made available to us by the town's finance department. Questions regarding the town's revenue may be directed to town hall).*

The budgeting process, at both the school and municipal level, is fluid. Since our budgets are developed so early in the year, we are forced to develop a proposed budget that makes many assumptions about potential revenue, federal, state and local aid, projected enrollment, and many other factors. In particular, the largest variable is the contribution we receive from the town. As the budget process evolves, the size and scope of the budget may change based on what the town is able to contribute. At publication time, the town is projecting a 0% increase for all department budgets. The town's estimate is built with several variables in mind, among them potential Westwood Station revenue and State Aid.

Should the 0% budget materialize, we would be forced to cut our budget request. I call the difference between my recommended budget and the town's probable contribution the "Funding Gap", which in this case is $946,014.

Probable Local Contribution	$ -
Total FY'10 Budget Increase	$ 946,014
Funding Gap	**$ (946,014)**

IMPORTANT: What this means is that if the town's estimated budget becomes the *actual* budget, the school department will have to reduce its request by $946,014. Although we are prepared for any scenario, I believe it is premature to develop a list of proposed cuts before any accurate revenue information is available to us.

CONCLUSION

I hope this overview is helpful to you. The annual development of the school budget is a challenge to every administrator in the district, as we try to balance the needs of our students, the needs of the community, and the local mandate for continuous improvement.

Given the importance of our public schools, and given the amount of resources necessary to run a first-class system, I am committed to an annual budget process that is transparent and thorough. I want to ensure that Westwood residents have budget information readily available, and that I meet my stated goal of leaving *no question unanswered.* Toward that end, I encourage all residents to attend School Committee meetings or other budget forums when possible.

In recognition of the fact that busy schedules do not always allow residents to attend meetings, I have also made all of the budget documents available on-line at www.westwood.k12.ma.us. There are several documents available for your review including: Budget detail pages, Power Point presentations, this Executive Summary and much more. I encourage you to visit our website.

I want to thank all of the principals, K-12 Directors, and central office staff for their contributions in developing the Proposed FY'10 Budget. I also want to acknowledge Heath Petracca, the district's new Director of Business and Finance, whose work in developing in this document was nothing short of exceptional.

Please let me know if you have any questions about this budget or any other school related matter. I can be reached by e-mail at jantonucci@westwood.k12.ma.us, or by phone at 781-326-7500 x1341. Thank you for your continued support.

Sincerely,

John J. Antonucci