



# Lincoln Public Schools

*Hanscom Contract Review*

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EDWARD J. COLLINS, JR. CENTER FOR PUBLIC MANAGEMENT

JOHN W. McCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES

UNIVERSITY OF MASSACHUSETTS BOSTON



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# Introduction





# Introduction

## Executive Summary

The Lincoln Public Schools (the District) consists of two schools with a combined student enrollment of 1,007 as documented by the Massachusetts Department of Education for fiscal year 2023. The two locations include; Lincoln School, serving grades PK-8, and the Hanscom School, serving grades PK-8. The District has a unique contractual relationship with the Department of Defense Education Activity operating the Hanscom School under the governance of the Lincoln School Committee, though the physical buildings remain property of the Federal Government and on Hanscom Air Force Base.

Given the continual rise in educational demands, schools have been motivated to review internal operations, organizational structures, and other areas to identify efficiencies, not only to achieve financial savings but also improved service delivery. To this end, the Town of Lincoln, on behalf of Lincoln Public Schools, received funding from the *Community Compact Best Practices Grant Program* to fund a review of the Hanscom School Contract ending FY2025. The District partnered with The Edward J. Collins, Jr. Center for Public Management (The Collins Center) to execute the goals of the grant.

The study reviewed the recent Hanscom contract and the associated Hanscom revolving fund specifically considering: the implementation of the current contract, documentation of administration practices, summarizing historical revenue and expenditures, projecting revenue and expenditures, and making recommendation on the financial structure and sustainability of the Hanscom fund.

Beginning in October 2023, a large-scale data collection began to gather necessary documentation supporting the various elements of the review. The Project Team inspected hundreds of documents expanding the original scope from FY2018 backwards to FY2007. Information and data included request for proposal records, calculations supporting each contract bid, reduction scenarios, and financial reports. Further, and to draw the most accurate conclusions, the Project Team interviewed both Town of Lincoln and Lincoln Public Schools personnel, discussing existing practices and procedures, contemplating current and future goals and strategies, and developing a general understanding of the relationship between the Town of Lincoln, Lincoln Public Schools, and Hanscom.

The goal of this research was to both document practices relating to the Hanscom contract, specifically surrounding financial operations, as well as to highlight process gap areas alongside potential risk. The Project Team developed a voluminous report outlining historical activities, the current practices, projections and possible risk scenarios, and finally, recommendations for possible action.

The Project Team presents specific findings and recommendations in 4 areas:

1. Policy & Procedure



2. Financial & Accounting
3. Reporting
4. Contract Negotiation Considerations

A variety of recommendations have been developed which address several impactful inconsistencies in practice and process, as well as create a foundation for a more controlled, financially viable operation contractual relationship.

## Methodology for Study

To accurately generate actionable recommendations, the Project Team deployed a varied methodology incorporating both quantitative and qualitative data. Data from various sources, including the Town of Lincoln, Lincoln Public Schools, the Massachusetts Department of Elementary and Secondary Education (DESE), the Massachusetts Department of Revenue (DOR), the United States Census Bureau, and the Department of Defense Education Activity was collected and analyzed to form a quantitative base understanding of the operational conditions of the Hanscom contract.

Alongside the data collection and review, a total of 9 interviews including 5 individuals from the Town and District, 2 Department of Elementary and Secondary Education (DESE) employees, and 2 Division of Local Services (DLS) employees, were conducted over the course of several weeks. Representation from Town and District leadership staff, in conjunction with DESE and DLS assisted the Project Team in drawing conclusions and closing voids in documentation. The interviews were performed using both 1:1 settings and within groups of two. The interview goals were two-fold: (1) to understand the functions and relationships between the Town and District when processing Hanscom related transactions and, (2) to solicit insights into areas of strengths, limitations, and omissions, as well as suggestions for operational improvements.

Project methodology elements and process included:

1. Data Review and Analysis. The Project Team reviewed several data elements including RFP documents, calculation files, contracts, policies and procedures, financial reports, and actuarial reports.
2. Interviews with Town and District Personnel. The Project Team interviewed both Town and District senior staff to understand the functions and relationships between the Town and District when processing Hanscom related transactions and to solicit ideas and suggestions for improvements.
3. Additional Interviews with DESE and DLS Staff. The Project Team identified DESE and DLS employees for additional interviews. Including these individuals provided a more in-depth understanding of both DESE's and DLS' perspective surrounding the accounting for the



extraordinarily unique Hanscom contract. In addition, soliciting their insights into areas of the current accounting structure's limitations and to document their suggestions for improvements moving forward.

4. Preparation of Final Report. The Project Team identified current and past practice, financial trends, and findings which emerged through the qualitative and quantitative methods. A series of potential recommendations have been compiled to both frame and create actionable steps addressing the Hanscom contract operations and administration. The draft report was reviewed by Town and District leadership and feedback was gathered. Comments from the Town and District were incorporated into the report as appropriate.
5. Final Recommendations. The Project Team produced the final report detailing the study as well as proposed recommendations.

# Community & School Profiles







# Lincoln Community Profile

## History & Overview



Located in Middlesex County, the town of Lincoln is considered a part of the MetroWest region of Boston. According to the 2020 U.S. Census Bureau, Lincoln has a population of 7,014, including residents of Hanscom Air Force base, which is located within Town boundaries. Lincoln is known for its colonial history and today for preserving more than 2,400 acres of public conservation land. More than 35% of Lincoln is protected conservation land; and the Town has about 80 miles of public trails.<sup>1</sup>

Lincoln was incorporated as a town in 1754. The Town was comprised of land from the neighboring towns of Concord, Weston, and Lexington. The Town, which began as a rural farming community, was made up of pieces of land “nipped” from these adjacent towns; hence, it earned the nickname “Niptown.” Other early industries in Lincoln included craftsmen, spinners, weavers, tanners, and cobblers. Lincoln was named by Chambers Russell, a Representative of the Court in Boston, because he was influential in creating the Town. He chose to name the Town, Lincoln, after his ancestral home, which was in Lincolnshire, England.<sup>2</sup>

Lincoln was significant in Revolutionary War history. Paul Revere was captured by the British soldiers in Lincoln on April 18, 1775; and a significant portion of the Battle of Lexington and Concord was also fought in Lincoln. Historically, Lincoln was also home to many country estates, of which many have become schools, museums, municipal buildings, and parks. Today, the Town takes pride in its rural, agricultural character, its small-town heritage, its open space, and its historic legacy. Popular attractions to visit in



Lincoln include the Decordova Sculpture Park and Art Museum, Gropius House, Minuteman Park & Visitor Center, Mass Audubon Drumlin Farm Wildlife Sanctuary, and Mount Misery.

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<sup>1</sup> Town of Lincoln, MA Website, [Conservation Trail Rules Web Page](#), Accessed Dec. 21, 2023.

<sup>2</sup> Lincoln, MA Historical Society Website, [Lincoln Town History](#), Accessed Dec. 21, 2023.



As excepted from the *Lincoln Historical Society Town History website*, the Town is committed to:

- Achieving a balance between preserving these values while providing for citizens' safety and convenience.
- Fostering economic, racial/ethnic, and age diversity among its citizenry through its educational, housing, and other public policy.
- Excellence in its public educational system; and
- Town Meeting form of government and the traditions of civic leadership and volunteer public service.

## Governance

Lincoln has a traditional Open Town Meeting form of governance with the three-member Select Board serving as the Town's executive officers. The Annual Town Meeting is held on the last Monday in March of each year. Special Town Meetings may be called at any time, as needed, by the Select Board. The mission of the Select Board, who meet twice a month, is to listen to the Town's needs and values, and to direct and manage the affairs and property of the Town accordingly.

Their primary responsibilities include ensuring that the Town government is responsive to and reflective of community needs and values; initiating legislative policy by inserting articles in the Town meeting warrant (or agenda) and then implementing and enforcing the votes subsequently adopted; appointing the majority of the Town's volunteer and professional staff; establishing administrative policy; and setting program and service priorities and spending plans for the majority of municipal departments.

The Select Board is responsible for, in concert with the Finance Committee, Town Administrator, and Finance Director, developing fiscal guidelines for the annual operating budget and capital spending plan; convening and facilitating public discussion on a variety of important Town concerns; representing the Town on a number of inter-municipal boards and task forces; maintaining liaison with the Town's elected representatives to the General Court and pursuing the Town's legislative interests; issuing a number of permits and licenses; and ensuring proper maintenance of Town buildings and facilities.<sup>3</sup>

<sup>3</sup> Town of Lincoln, MA Website, [Select Board Web Page](#), Accessed Jan. 2, 2024.

## Demographics

Population, US Census April 2020: 7,014

Median Age: 41.9

Disabled population: 10.9%

Residents 65 and older: 20.4%

Median value of owner-occupied housing units, 2018-2022: \$1.2 million

Home ownership rate: 64.3%

Median Gross Rent: \$2,338

Median household income: \$158,894

Employment rate: 46.7%

Persons in poverty: 5.2%

Total housing units: 2,771

Total households: 2,563

Bachelor's degree or higher: 76.9%

Racial Composition: White alone 80.2%;  
Hispanic or Latino 11.3%; Asian alone 7.3%;  
Black or African American alone 1.1%

Veterans: 8.6%

Source: United States Census Bureau, [Census Data Lincoln town, MA](#), Accessed Jan. 3, 2024.



Appointed by the Select Board, the Town Administrator serves as the chief administrative officer. The Town Administrator supports and advises the Select Board and, on occasion, other boards and committees in matters of policy formulation. The Town Administrator also leads and facilitates the work of the Town's operating agencies to ensure effective delivery of the Town's programs and services.

The Town Administrator's primary duties include: administering the daily affairs of Town government; recruiting and recommending the appointment of non-school Town staff; supervising and developing Town staff; coordinating intra-governmental and intergovernmental affairs; drafting a financial plan and budget for the Select Board's component of the Town budget; collaborating with the Finance Committee, Select Board, and Finance Director to develop the Town's overall financial plan and budget; overseeing the Town's personnel function, including collective bargaining; contracting for goods and services; and preparing the annual Town report and the Town meeting warrant.<sup>4</sup>

Lincoln has many additional appointed and elected boards, committees and commissions who contribute to ensuring the Town operates to its full potential and provides excellent programs and services to residents. These include the Board of Assessors, Board of Health, Cable Advisory Committee, Capital Planning Committee, Cemetery Commission, Commission on Disabilities, Community Preservation Committee, Conservation Commission, Council on Aging & Human Services, Finance Committee, Historical Commission, Library Board of Trustees, Park & Recreation Committee, Personnel Board, Planning Board, Water Commissioners, and Zoning Board of Appeals.



The Town offers many programs and services to residents including the Lincoln public schools, public library, senior and human services, parks and recreation, police department, public works, fire and emergency medical services, veterans' assistance, and more.

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<sup>4</sup> Town of Lincoln, MA Website, [Town Administrator Web Page](#), Accessed Jan. 2, 2024.



## Geography & Transportation

Lincoln encompasses a total area of 15 square miles of which 14.4 square miles is land and .6 square miles is water. Commuter rail service, which has a Lincoln stop, is available to and from North Station in Boston via the Fitchburg line. Located in Middlesex County, towns that abut Lincoln include Concord to the northwest, Waltham to the Southeast, Lexington to the northeast, Bedford to the northeast, and Weston to the southeast. The closest major roadways accessible to Lincoln include Interstate 95, MA Route(s) 2 and 2A, and Route 117, which traverses the Town.



## Economy

Financial indicators suggest that Lincoln has a very strong capacity to meet its financial commitments. The Town's FY2023 Standard & Poor (S & P) Global Rating for the Town is AAA. Lincoln's total FY2024 operating budget is about \$48 million excluding enterprise and CPA funds with 79% comprised of tax levies. Of the total tax levy, 95% is residential and 5% CIP. In FY2024, the Town has a residential tax rate of \$12.89 per \$1,000 and a CIP tax rate of \$19.70 per \$1,000. The average FY2024 single family tax bill was \$20,039. Free Cash, for FY2024, was certified on 10/23/2023, in the amount of \$10.5 million, which is 23% of the FY2023 operating budget.<sup>5</sup>

The economy of Lincoln has approximately 637 businesses that employ 4,265 people and has an unemployment rate of 2.3%. Some of the largest industries in Lincoln are Professional Services (63), Personal Services & Consultants (31), and General Consultants (24).<sup>6</sup>

Of Lincoln's industries for the civilian employed population 16 years and older, 31.9% are employed in educational services, and health care and social assistance; 23.7% professional, scientific, and management, and administrative and waste management services; 8.1% public administration; 7.6% manufacturing; 7.6% retail trade, 5.6% finance and insurance, and real estate and rental and leasing; and 3.9% other services.<sup>7</sup>

<sup>5</sup> DLS Municipal Finance Trend Dashboard, [Town of Lincoln DLS Dashboard](#), Accessed Jan. 3, 2024.

<sup>6</sup> Lincoln, MA Chamber of Commerce, [Lincoln Chamber of Commerce Business Directory Web Page](#), Accessed Jan. 3, 2024.

<sup>7</sup> United States Census Bureau, [Census Data Lincoln town, MA](#), Accessed Jan. 3, 2024.





## School District Profile

### Overview



Lincoln values its long tradition of educational excellence and strives to offer innovative, student-centered instruction in an inclusive setting with small class sizes. Parents and community members are very supportive of the school system and demonstrate this through their active participation in the Lincoln PTO, Hanscom PTO, the Lincoln School Foundation, as well as other school-based volunteer programs.<sup>1</sup>

Overall enrollment in the Lincoln School District is approximately 1,050 students. The District employs roughly 165 licensed professional staff including classroom teachers, special subject teachers, and therapists along with instructional assistants, special education tutors, and support staff. The School District encompasses many departments including the Offices of the Superintendent, Curriculum and Instruction, Food Services, Finance, Special Education/Student Services, Human Resources, Transportation, and Facilities.

A central administrative staff, headed by the Superintendent of Schools, leads the operation of the District. The Superintendent serves as the School Committee's chief executive officer and provides educational, managerial, and administrative leadership for the District. The District is responsible for preschool through grade 8 educational programs at the Lincoln School, which serves approximately 500 students. Additionally, the Lincoln School is one of the initial member schools in the METCO Program, a voluntary desegregation program that provides an opportunity for students from Boston to enroll in suburban school districts. Approximately 90 students from Boston attend Lincoln schools each year.



The District also operates the Hanscom School, serving around 500 students in grades kindergarten through 8, on Hanscom Air Force Base, through a contract with the Federal government. Specifically, the Hanscom School serves students who are dependents of military personnel residing on Hanscom Air Force Base. Recognizing the challenges presented by the transitions that children of military family's face,



special attention and support is provided throughout the Hanscom School program to

<sup>1</sup> Lincoln Public Schools website, [About Lincoln Public Schools / About Lincoln Public Schools \(lincnet.org\)](https://www.lincolnpublicschools.org/about), Accessed Feb. 7, 2024.



help address these unique issues.<sup>2</sup>

The Lincoln preschool, offered on both the Lincoln and Hanscom campuses, provides a developmentally appropriate preschool program that addresses each individual child's physical, emotional, and intellectual growth. As stated on the Lincoln preschool web page, high standards are set for all children while valuing and accommodating individual differences, strengths, and needs.



The staff consists of Early Childhood Special Education teachers, tutors and aides, therapists in the fields of Speech/Language, Occupational, and Physical Therapies, a teacher of Intensive Special Needs, and a Program Coordinator. On the Lincoln campus there are two integrated, multi-age classrooms. The sessions are offered two, three, and five days per week for four hours. With funding and support from The Department of Defense Education Activity (DoDEA), there are four classrooms at the Hanscom Primary School. The sessions are offered two, three, and five days per week for four hours in order to meet the scheduling needs for all interested families.

Although the classrooms are located on different campuses, the program operates under the same philosophy and vision. The Lincoln Preschool is committed to providing a safe and nurturing learning environment where students feel comfortable interacting with both adults and peers and where they are exposed to learning new concepts. The preschool teachers work collaboratively to discuss curriculum, assessments, and lesson plans to maximize student learning.<sup>3</sup>

## School Committee

The Lincoln School Committee is composed of five elected members who are elected to staggered three-year terms. In addition, in order to better represent the full community, the Committee also has non-voting members representing the Hanscom and Boston METCO communities. The non-voting members participate fully in the work of the Committee, and their positions on matters before the committee are sought prior to any decisions made by the voting members. The Commander of the Hanscom Air Force Base appoints the Hanscom representatives to the Committee. The School Committee appoints the Boston representative with input from the Boston parent community. As stated in the Lincoln School Committee Mission Statement, the Committee provides oversight and direction to the operation of the Lincoln Public School District. The Committee's role, responsibilities and high-level operating procedures are established in the context of various applicable general laws of the Commonwealth of Massachusetts.<sup>4</sup>

<sup>2</sup> Lincoln Public Schools website, [Lincoln Public Schools Welcome Message](#), Accessed Jan. 22, 2024.

<sup>3</sup> Lincoln Public Schools website, [Lincoln Preschool / Welcome to Lincoln Preschool \(lincnet.org\)](#), Accessed Feb. 7, 2024.

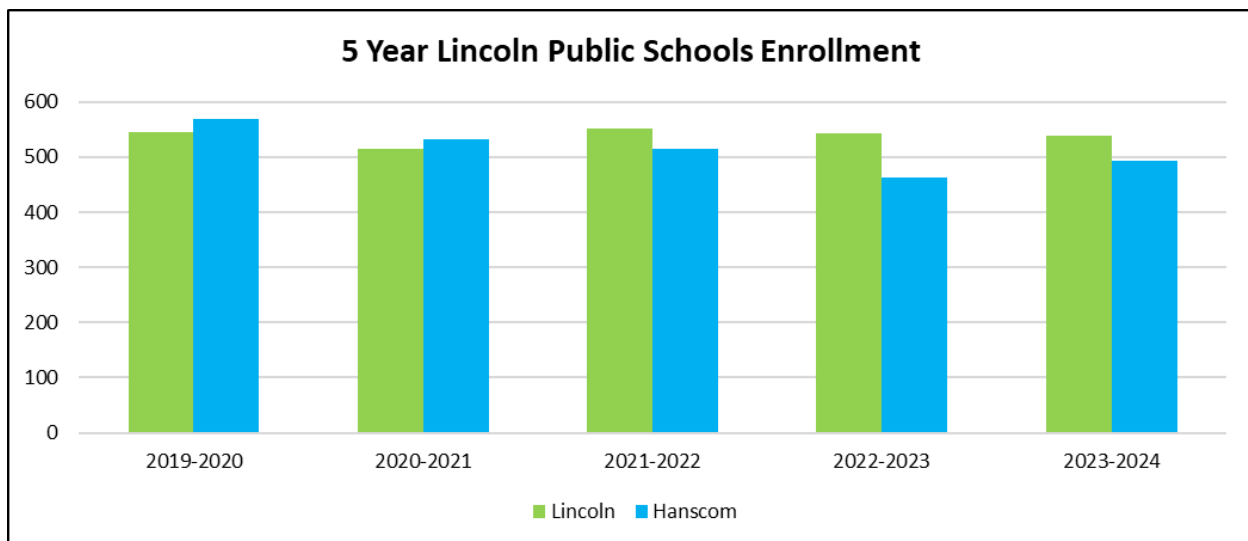
<sup>4</sup> Lincoln Public Schools website, [School Committee / Welcome \(lincnet.org\)](#), Accessed Feb 7, 2024.



The Committee’s primary responsibilities are to establish the educational vision and goals for the District, approve the budget, establish policies for the District, and hire and evaluate the Superintendent. The implementation and achievement of these goals lies with the Superintendent and the administrative team. The role of the School Committee is to establish the policies by which the schools are run, and to oversee their maintenance in a broad sense.

## Historical Enrollment

Lincoln has seen a relatively steady enrollment trend over the past five years. Starting with a high in FY2020 of 1,114 students, and a low in FY2023 of 1,007 students, the District has maintained a five-year average of 1,053.6 students.<sup>5</sup>



The percent change year over year is noted in the following table. It is important to recognize the impact of the COVID-19 pandemic on student enrollment. Districts across the nation experienced a sudden drop in pupil enrollment during the FY2021 school year with a rebound in FY2022. Lincoln saw a similar anomaly, losing 5.32% of students at Lincoln School and 6.50% of students at Hanscom in FY2021, only to regain an overall 1.72% enrollment growth in FY2022.

<sup>5</sup> DESE School and District Profiles, “Lincoln (01570000)”, “Enrollment Data”, <https://profiles.doe.mass.edu/profiles/student.aspx?orgcode=01570000&orgtypecode=5&&fycode=2024>, Accessed Feb 7, 2024.



School Year	Lincoln School Enrollment	Lincoln Enrollment Change	Hanscom School Enrollment	Hanscom Enrollment Change	Total Enrollment
2019-2020	545		569		1,114
2020-2021	516	-5.32%	532	-6.50%	1,048
2021-2022	552	6.98%	514	-3.38%	1,066
2022-2023	544	-1.45%	463	-9.92%	1,007
2023-2024	539	-0.92%	494	6.70%	1,033
<b>Average</b>	<b>539.2</b>	<b>-0.18%</b>	<b>514.4</b>	<b>-3.28%</b>	<b>1053.6</b>

## Historical Expenditures

When reviewing Total Per Pupil Expenditures, as calculated by DESE, Lincoln has consistently remained above the state average. The table below summarizes five years of high-level data beginning in FY2019 through the most recent expenditure compilations for FY2023. Lincoln has seen consistent growth in Total Per Pupil Expenditures, averaging 7.05% as compared to the state's 5.38%.<sup>6</sup> Upon performing a brief review of the DESE expenditure categories spanning five years, Lincoln has experienced the highest average percentage increases in; Instructional Leadership (LDRS), Instructional Materials, Equipment, and Technology (MATL), Pupil Services (SERV), and Operations and Maintenance (OPMN).

School Year	District Name	Total Expenditures Per Pupil	Lincoln Annual % Increase	State Average	State Annual % Increase
2018-2019	Lincoln	24,212.78		17,141.30	
2019-2020	Lincoln	26,035.21	7.53%	17,572.21	2.51%
2020-2021	Lincoln	28,188.10	8.27%	19,117.74	8.80%
2021-2022	Lincoln	30,585.63	8.51%	20,273.18	6.04%
2022-2023	Lincoln	31,772.14	3.88%	21,116.44	4.16%

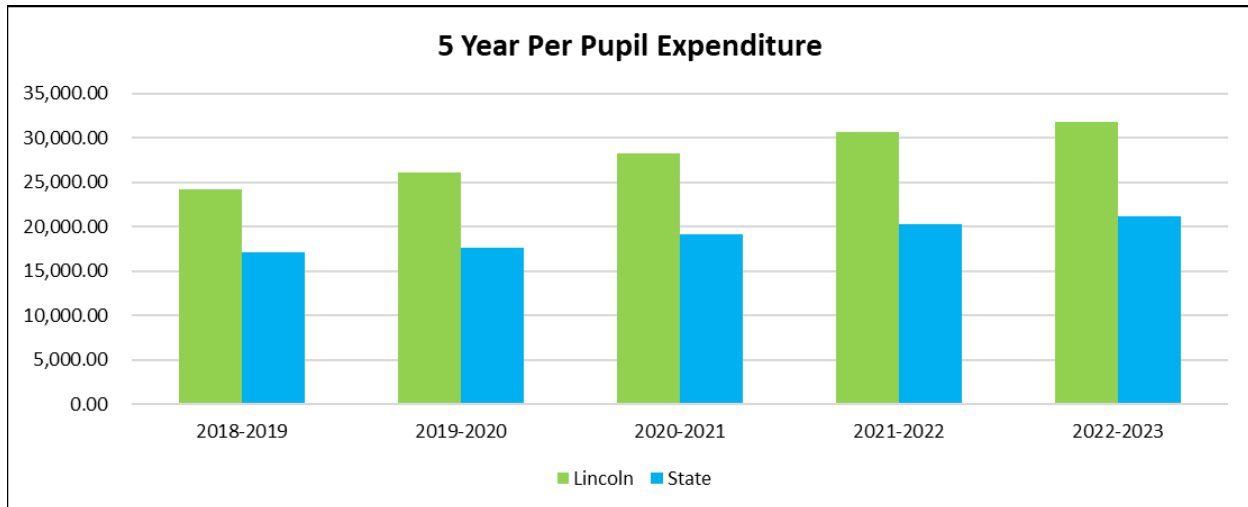
To further reflect the difference between average state per pupil expenditures and those in Lincoln, the bar graph provides a direct comparison of this annual DESE calculation. While Lincoln exceeds the state expenditure it is clear, there is consistent support for education in the District. It is also important to note, the DESE Total Per Pupil Expenditures calculation is defined strictly as:

*DESE Per Pupil Expenditure Calculation Method - Per pupil expenditures are calculated by dividing a district's operating costs by its average pupil membership (FTEs), including in-district expenditures per pupil and total expenditures per pupil, which includes in-district and out-of-district spending and enrollment.<sup>7</sup>*

<sup>6</sup> DESE School and District Profiles, "Lincoln (01570000)", "Per Pupil Expenditures, All Funds", <https://profiles.doe.mass.edu/statereport/ppx.aspx>, Accessed May 2, 2024.

<sup>7</sup> DESE School and District Profiles, "Per Pupil Expenditures, All Funds", <https://profiles.doe.mass.edu/statereport/ppx.aspx>.





The methodology does not account for regional variances in expenditure categories or other impactful considerations, though, it is fair to note, according to a recent report<sup>8</sup> issued by the Lincoln Public Schools Special Education / Student Services Department, the percentage of special education eligible students leads the state average by approximately 1.37% over a six-year period. One can assert that this phenomenon often contributes to higher per pupil expenditures given the wide variety of services necessary to properly support a special education population.

### Special Education Eligibility Percentages

	LINCOLN PUBLIC SCHOOLS	STATE WIDE
2017-18	21.1%	17.7%
2018-19	20.8%	18.1%
2019-20	20.2%	18.4%
2020-21	17.6%	18.7%
2021-22	19.2%	18.9%
2022-23	20.5%	19.4%
2023 as of October 1	23.8%	

<sup>8</sup> "Lincoln Public Schools Special Education 2023-2024", <https://www.lincnet.org/site/handlers/filedownload.ashx?moduleinstanceid=13057&dataid=29231&FileName=6.4.1%20FINAL%20LPS%20Special%20Education%20SC%202023.pdf>, Accessed 05/20/2024.



## Educational Programming

As excerpted from the Lincoln Public Schools website, teaching and learning are at the core of the District's mission. The design, development, and implementation of a cohesive aligned curriculum, supported with effective instruction and quality assessment comprise the foundation on which the District states they build the educational program for students.

In recent years, the District has shifted from a topic-based description of curriculum (what is taught) to a standards-based description (what students learn). This shift aligns the District with the direction established by the Massachusetts Curriculum Frameworks and with national standards in all subject areas. Work to align curriculum with standards has helped ensure a coherent program, grade to grade, that is comparable on both campuses. A standards-based curriculum focuses our teaching on what students should know and be able to do.<sup>9</sup>

The Lincoln Public Schools' standards for students in each subject area are concisely described in the "Lincoln Learning Expectations." These expectations outline the essential learning for students so that administrators, teachers, students, and parents are well informed about the most important areas of focus at every grade. There are four components the Learning Expectations, which are defined by State standard and/or Strand, Big Ideas, Key Outcomes, and Essential Knowledge and Skills. These Learning Expectations constitute a "living document" with some areas fully developed and others in development. Teachers use these Learning Expectations as guides for instruction and they are continually developed and revised to benefit student learning.<sup>10</sup>

The Assistant Superintendent of the Lincoln School District provides overall direction for the work on curriculum. Faculty curriculum leaders and members of the teaching staff from the Lincoln and Hanscom schools actively collaborate on specific projects and initiatives that support curriculum improvement.

## Student Services

Lincoln Public Schools believe that all students should be included to the maximum extent appropriate in the general education classroom and the life of the school. Special education faculty and staff work in collaborative partnerships with general educators to effectively meet each child's needs. Through the development and implementation of individualized educational programs (IEPs), the Lincoln Public Schools makes a full range of special education services available to eligible students.<sup>11</sup>

Special education faculty includes special education teachers, occupational therapists, physical therapists, speech and language pathologists, social workers, school psychologists, and tutors. All are appropriately licensed and are trained in research-based, instructional strategies and specially designed curriculum.

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<sup>9</sup> Lincoln Public Schools website, [Curriculum and Instruction / Welcome \(lincnet.org\)](https://lincnet.org/curriculum-and-instruction/welcome), Accessed Feb. 7, 2024.

<sup>10</sup> Lincoln Public Schools website, [Lincoln Public Schools Curriculum and Instruction](https://lincnet.org/curriculum-and-instruction), Accessed Jan. 22, 2024.

<sup>11</sup> Lincoln Public Schools website, [Special Education / Student Services / Special Education Overview \(lincnet.org\)](https://lincnet.org/special-education/student-services/special-education-overview), Accessed Feb. 7, 2024.



Individualized, student-centered special education services are cooperatively developed by an Individualized Education Program (IEP) team, which includes parents, general education and special education teachers, administrators, and, when appropriate, other specialists. The District offers many student services including bullying and cyberbullying prevention, social-emotional learning, extended school year, occupational therapy, physical therapy, speech/language therapy, and vision services.

## Performance

School Districts across the country are working diligently to recover from the disruption created by the global pandemic. Students, staff, and families have had unprecedented experiences in learning, work, and life in general. It is important to recognize this fact when making assumptions regarding student learning and District performance. An analysis of educational performance was not a component of this study, but it is a worthwhile consideration that organizational structure, district policies and procedures, and district culture directly impact student learning. The Lincoln School District has defined strategic goals and communicates progress toward meeting them regularly. The Massachusetts Department of Elementary and Secondary Education (MADESE) conducts annual assessments for students in grades 3 through 12 and provides detailed results to Districts and the community at large.

Most recently, data regarding progress toward achieving prescribed targets has been posted based on the 2023 administration of the Massachusetts Comprehensive Achievement System (MCAS) assessments. Districts and schools receive an overall classification in one of two categories: Requiring assistance or intervention, Not requiring assistance or intervention. One of the components of this classification is the schools and districts progress toward improvement targets. Lincoln schools have been designated as making “substantial progress toward targets” indicating movement in a positive direction. The table below indicates Lincoln pupils performing above the state average as depicted by the percentage of students who met or exceeded expectations.<sup>12</sup>

It is important to note here that there is useful detailed data available for district personnel from DESE. In order to use this data to inform instruction, school and district personnel delve into grade level and specific student group results. The data may help to evaluate a particular program or instructional practice that was purposefully implemented to enhance overall improvement or to target a specific group that may be underserved.

We must acknowledge that data related to MCAS is only one indicator of a school district’s performance. District personnel review multiple data sources including district/school academic assessments, social-emotional indicators, school /district culture surveys, teacher satisfaction surveys, and family engagement surveys to understand effectiveness of programs, policies, and overall performance.

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<sup>12</sup> DESE School and District Profiles, “Lincoln (01570000)”, “MCASS Percent of Students at Each Achievement Level”, [https://profiles.doe.mass.edu/mcas/achievement\\_level.aspx?linkid=32&orgcode=01570000&orgtypecode=5&](https://profiles.doe.mass.edu/mcas/achievement_level.aspx?linkid=32&orgcode=01570000&orgtypecode=5&), Accessed Feb 7, 2024.

# Hanscom Contract Background & History





## Overview

Information for this historical review was obtained through a detailed examination of documents supplied by both the Town of Lincoln and the Lincoln Public Schools. In addition, to clarify and ensure the most accurate interpretation of information and events, interviews with key personnel were conducted. Individuals interviewed included; the Superintendent of Schools, current Administrator for Business and Finance, former Administrator for Business and Finance, Town Administrator, and the Town Finance Director/Accountant. The interviews were conducted virtually. It should be noted that during some interviews, additional documents with new details surrounding the Hanscom relationship were shared to confirm and/or redirect presumptions as well as to provide context.

### Department of Defense Education Activity Background<sup>1</sup>

Originally the Department of Defense Dependents Schools, covering the Pacific and European regions, and the Department of Defense Domestic Dependent Elementary and Secondary Schools supporting the Americas were established following World War II to educate children of military personnel stationed both domestically and internationally. These separate entities were later combined in 1994 to form the Department of Defense Education Activity or DoDEA. DoDEA “is responsible for planning, directing, coordinating, and managing prekindergarten through 12<sup>th</sup> grade educational programs on behalf of the Department of Defense” according to the website. Further, the department presently operates “160 accredited schools in 8 districts located in 11 foreign countries, 7 states, Guam, and Puerto Rico.”

### Evolution of the Hanscom Relationship

The Lincoln Public Schools shares a 60 plus year history with the Department of Defense Education Activity educating students of military personnel residing on Hanscom Air Force Base. Naturally, over the past several decades the relationship has changed and evolved. Bases across the country have closed fully or partially, consolidating and transferring personnel and families regularly between facilities. However, the relationship between the Town of Lincoln, Lincoln Public Schools and DoDEA is unique and different from the 160 other educational facilities the Department of Defense oversees through DoDEA. It is the Project Team’s understanding that only three similar relationships between a local municipality and an educational facility relating to a military establishment exist in the United States today. The Lincoln Hanscom partnership is one of these three agreements.

Since the inception of the first agreement in 1956, the process and procedure has been adjusted surrounding federal procurement standards, quantifiable base costs, and many other undocumented adjustments which fell outside the scope of this review. At a basic level, the Department of Defense Education Activity acquisition of services is guided by the Federal Acquisition Regulations or FAR. In a

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<sup>1</sup> DoDEA, “About DoDEA”, <https://www.dodea.edu/about/about-dodea>, Accessed January 23, 2024.



sense, the requirements and procedures are similar to Massachusetts General Laws (M.G.L. 30B) advising procurement for municipalities. What makes the Lincoln Hanscom relationship extraordinarily unique, is Lincoln Public Schools is the vendor providing a service to DoDEA and having to meet all federal procurement requirements as outlined by each re-solicitation term. Rather than DoDEA managing education for applicable students, these services, in their entirety, are placed on the vendor, Lincoln Public Schools, to run and maintain in many instances the Hanscom school facilities. For the purposes of this review, only the most recent contract was analyzed alongside a high-level assessment of prior agreements and processes discussed in the *Contracts History* section.

The most recent variation of the Lincoln Hanscom relationship focuses on educating students between preschool and 8<sup>th</sup> grade on the Hanscom campus, though older students reside on the base. Primarily, high school aged children are bused to Bedford High School with DoDEA providing transportation. The Hanscom contract dictates both regular and special education programming be provided to the Hanscom preschool through grade 8 population. This includes building leadership and clerical support, all personnel necessary for teaching and learning, maintenance of school buildings, purchase of furniture and fixtures, technology and all other supplies and equipment necessary to support school operations. Additionally, Lincoln Public Schools is responsible for capital expenditures up to \$50,000 as well as all outplacement special education related costs.



## Contracts History

### General Discussion

The documentation provided to the Project Team supporting the most recent procurements between DoDEA and Lincoln Public Schools was voluminous. Additionally, and because of the sensitive nature involving FARs and Federal Government activities, certain information remains confidential. The Project Team was able to provide a solid analysis of the contract relationship between the entities by expanding the review period with the understanding this expansion fell outside the project scope of work, but greatly assisted in building a wholesome review of the contract environment. Below identifies, at a high-level, the general takeaways surrounding the operating requirements for Lincoln Public Schools.

- Education Standards = MA Standard Rigorous
- Maintenance Requirement of Hanscom School Buildings
- Transportation Requirements
- Quality 182/365
- Staffing Guidelines – Pupil/Teacher Ratio
- Special Education
- Safety
- Furniture, Equipment, and Supplies
- Force Majeure, Whistleblower, Etc.
- Capital Expenditures up to \$50,000 (*although no guarantee of reimbursement but the issue could be brought to the attention of DoDEA for consideration*)

Being developed by the Federal Government, the contracts reviewed by the Project Team contained numerous and extensive sections of law which were incorporated by reference throughout the documents. The reference list appeared at the beginning of each contract. The contract listed the price for the set term. What the current contract lacked was an explanation as to how the price was to be developed. Various correspondences and discussion documents indicate that price should be “What makes the most sense” for your business or for the vendor to provide a “non-binding estimate.” The actual solicitation documents remained rather elusive. The request for information asked that interested parties provide a letter of interest, qualifications, and a confidential price estimate. The award process contained within the discussion documents “changed” over several contractual periods.



## General Chronology Beginning 2017

From a procurement standpoint, the following chronology provides some impactful events relative to the bidding and award process undertaken by Lincoln Public Schools.

- In 2017, the Town of Lincoln Finance Committee recommended that the Hanscom Contract include the full cost for OPEB. Cost sheets would indicate a complete estimate of this expense was not fully included and only carried \$100,000, not the actuarially determined contribution. Contract pricing contained in at least one executed agreement included a schedule for 7 enrollment bands starting at 450 students through 750 students broken into 50 student increments. Price ranges following the band methodology detailed \$14.9M (Band 2) - \$18.4M (Band 8). The Lincoln Public Schools' (LPS) cost sheet reflects the calculation amount shown in the schedule (i.e., \$14.9M). Both the proposal and signed contract match in 2017.
- In 2018, a letter labeled HE1254-18-R-0011 from the DoDEA Procurement Branch summarizes it would be too expensive for any other school or organization to build a business and educate students on the base, that no other school has expressed interest, and that “only” Lincoln Public Schools is qualified to do the job. At the time, DoDEA called the Hanscom Lincoln relationship a sole-source contract. The signed contract matches the cost breakdown for Band 4 in 2018 provided by the District.
- In 2019, letters indicate a negotiation took place between DoDEA and Lincoln Public Schools. DoDEA requested the District to review pricing for Band 5 and subsequently lower the cost. A discount is offered by the District at 1.25%, reducing its proposed price by approximately \$200K. This activity created a variance between the original cost calculation and the updated contract price for 2018-2019. It is not clear from the documentation if further evidence supported the new calculation.
- In 2020, the new fixed price, 5-year contract term went into effect. The RFI document issued by DoDEA labeled HE125419RFI0011 noted, for K-12 Educational Services for Dependent Children at Hanscom Air Force Base Pricing: The solicitation stated “Please provide a non-binding price estimate that will be kept confidential. This is for market research purposes only.” The document continued defining the following parameters;
  - a) Please use the price breakdown that makes most sense to your business practices. The estimate may be provided as a low-high range, if desired.
  - b) Base your estimate on the number of students listed in the table on page 2, which represents the enrollment for SY 2018-2019 (most recent available).
  - c) The price could change after submission.





- d) The average student with disabilities identification rate in Massachusetts is 17%. Please disaggregate your pricing to accommodate for students with a range of disabilities. (Note that Special Education students on the base represent a much higher percentage, approximately ~4-5% higher.)
- The RFP documents during the 2020 time period indicate a highly active discussion between DoDEA and Lincoln Public Schools. DoDEA notes the District was in a competitive range, and that the price may change after the discussion. DoDEA requests a reduction of 10% during negotiations as documented in Hanscom EN 02-Price-LPS-4-30-30. A procurement sensitive note states 10% equaled \$1.66M, however, it is clear the full 10% reduction was not realized. The actual cost calculation sheets were found to reconcile to the final contract value.
- The current contract between DoDEA and Lincoln Public Schools was signed by both parties as follows; DoDEA June 22, 2020 and the Superintendent of Schools on June 23, 2020.

Another noteworthy detail which emerged from the Project Team’s research was that prior to 2009 the Hanscom contract was viewed as grant revenue by the Massachusetts Department of Elementary and Secondary Education (DESE). Due to the federal grant designation, there were several references within the various contract documents to an Informational Guideline (IGR) No. 90-106 developed by the Department of Revenue Division of Local Services. The guidance issued “determined that beginning in FY88 the appropriate charge for all federal grants is 9% of total grant salaries”<sup>1</sup>.

The IGR noted the following for certified staff, “For any federally-funded educational grants received through the Massachusetts Department of Elementary and Secondary Education, 80% of the required percentage (9%) of budgeted payroll for pension costs of employees who are members of the State Teachers’ Retirement System will be deducted by the Department of Elementary and Secondary Education prior to final payment of grant funds at the local level.” Finally, the IGR provided guidance for non-certified staff, “All other employees whose salaries are funded by these federal education grants received through DOE must be considered in pension cost transfers to the local retirement system”. Essentially the Hanscom contract revenue was charged 9% for Massachusetts Teacher Retirement System (MTRS) and Middlesex County Retirement System (MCRS) members’ salaries.

In 2009 DESE, in conjunction with the Massachusetts Teachers Retirement System (MTRS), agreed that the Hanscom Contract was mis-labeled as a grant. This significant adjustment to classification transferred the 9% pension liability for MTRS eligible personnel onto the State of Massachusetts fully, reducing the prior 9% employer compensation match. MCRS members have continually had a 9% employer pension

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<sup>1</sup> “*Informational Guideline No. 90-106 Pension Charges to Federal Grants*”, The Commonwealth of Massachusetts Department of Revenue Division of Local Services, March 1990.



match through the current contract though this standard is no longer applicable as the contract is not considered a federal grant. The MCRS pension will be discussed in subsequent sections.

The following table provides a basic chronology of events surrounding the contract relationship.

Time Period	Notable Events	Consideration
Mid to Late 1950s	Relationship Begins between DoDEA and LPS. Government worked with many others bases across the country.	Today only three arrangements survive In the country.
Late 80s	Legal Opinions related to Mass Laws and Contracts with Federal Government	Negotiations with Federal Government - Exclusive Jurisdictions
1992 - 1997	Base Closures In MA under BRAC - Base Realignment and Closure Act	Impact to Ft Devens, Weymouth AFB, and Watertown Taring Annex
Early to Mid 2000s	Redevelopment of Hanscom Airforce Base	Housing is being redeveloped. Land lease to a developer for 50 years.
2000s	Contract funding for Hanscom Base is accounted for as a federal grant.	Subject to IGR 90-106 salaries funded by federal grants will be charged 9% and apportioned to MTRS or the local retirement system.
2009	MTRS and DESE agree that funding for Hanscom is a vendor contract, not a grant.	LPS no longer required to use contract revenue to pay 9% of teacher pay to MTRS. Employer payments of 9% continue for MCRS members.
2010 - 2020	Solicitation based on Bands	DoDEA needs to scale volumes of base residents. Bases could be scaled up to down. Need pricing for 400 -700 students. Bands started at 20 students but moved to 50 students. Specific date of change prior to 2015.
2016	New Middle School Ribbon Cutting Ceremony	Grades 4-8 attend the Middle School



Time Period	Notable Events	Consideration
2017	New Primary School built by New England Corps of Engineers	Grades K-3 attend the Primary School.
2017	LPS Fin Com recommends contracts to include full cost recovery for OPEB and other Post Retirement Benefits	Working and negotiating with the Federal Government presents challenges and risks to the Town and School System
Contracts	Contracts are very thorough. Requires the contractor to provide complete quality education. Must meet or exceed all MA standards and rank higher than 50% of MA Districts. Must include special ed services and transportation, extra curriculars activities, and other student activities	Contract calls for maintenance of the buildings to be incorporated into price.
2018 Procurement Documents	DoDEA awards - Lincoln Public Schools is the only one to express interest with the capability to deliver.	One Year Contract - Price proposed
2019	Price Reduction of 1.25% offered and accepted	One Year Contract - 1.25% reduction offered
2020 Contract	Solicitation specifies to provide High Low pricing based on 2018-2019 enrollment accounting for 17% Special Education Enrollment. Solicitation says prices are not binding and can change after discussion.	School Department pricing worksheets use bands for price work-up. Five-year contract - Year 1 with 4 one-year options signed June 23, 2020. Year one Band 4 (550-599 students), option years Band 5.



## Contract Evolution & General Concepts

The most prominent discussion point emerging from interviews noted the difference between student enrollment “bands” versus “full cost recovery” contract methodologies. Previously, it is the understanding of the Project Team, contracts with DoDEA had been based on defined bands of student enrollment. Merriam-Webster Dictionary defines “band” as “a group of persons, animals, or things”<sup>2</sup>. The interpretation of this concept for the purpose of defining contract costs delineated groupings of enrollment by 50. Contract pricing was offered by Lincoln Public Schools through the procurement process defining the cost per band, incrementally increasing using a 50-student enrollment base. This formulation, a sliding scale concept, would be adopted into the signed agreement allowing for both growth and decrease in student population and the associated fee charged by the District.

In practice, the band contract methodology impacted the following school year after an enrollment adjustment crossed established band thresholds. Simply put, the higher price or the lower price would prevail in the contract for the next option year based strictly on Hanscom student enrollment. It is the Project Team’s interpretation that the band methodology was utilized for multiple contract terms prior to the most recent agreement established in 2020. The following table depicts a standard band chart structuring price for several prior agreements between DoDEA and Lincoln Public Schools.

Band	Students
Band 1	400-449
Band 2	450-499
Band 3	500-549
Band 4	550-599
Band 5	600-649
Band 6	650-699
Band 7	700-749
Band 8	750-799

The 8-year enrollment history<sup>3</sup>, as depicted in the table on the next page, demonstrates how the band enrollment concept was applied to FY2017 through FY2019. The Hanscom student population grew from 571 in FY2017 or Band 4 to 603 in FY2018 or Band 5, therefore, the charges to DoDEA reflected these adjustments. Over the last 30 years, enrollment at Hanscom has had a high of 674 and a low of 431 students. It should noted, that students of retirees residing on the base are the sole responsibility of Lincoln Public Schools and fall outside the contractual agreements. While these students cannot be used

<sup>2</sup> Merriam-Webster Dictionary, “band”, <https://www.merriam-webster.com/dictionary/band>, Accessed Feb 14, 2024.

<sup>3</sup> DESE School and District Profiles, “Lincoln (01570000)”, “Enrollment Data”, <https://profiles.doe.mass.edu/profiles/student.aspx?orgcode=01570000&orgtypecode=5&fycode=2024>, Accessed Feb 7, 2024.



in the development of band costs or charges, they are included in the official enrollment numbers for Hanscom.

Since the high of 603 students in FY2018, Hanscom has experienced a steady decline in enrollment placing the present population in Band 2. The contract analysis revealed that the current agreement between DoDEA and Lincoln Public Schools shifted the cost basis from a sliding scale to a fixed cost, rendering these swings in enrollment less impactful for the District but requiring a more critical eye on the fixed charge component.

School	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Hanscom Middle School	249	271	295	258	236	230	224	494
Hanscom Primary School	322	332	305	311	296	284	239	
<b>Hanscom AFB Total</b>	<b>571</b>	<b>603</b>	<b>600</b>	<b>569</b>	<b>532</b>	<b>514</b>	<b>463</b>	<b>494</b>
<b>Band</b>	<b>Band 4</b>	<b>Band 5</b>	<b>Band 5</b>	<b>Band 4</b>	<b>Band 3</b>	<b>Band 3</b>	<b>Band 2</b>	<b>Band 2</b>

The most recent contract was negotiated under a fixed cost structure, where prices for the first year, and the subsequent four option years, were without a contingency addressing unexpected growth or shrinkage of enrolled students. This adjustment meant the agreed upon annual price would be the flat fee charged to DoDEA for each year. Due to this single price option, Lincoln Public Schools leveraged a conservative strategy when compiling the FY2020 through FY2025 pricing model. The District elected to utilize a benchmark pricing structure based upon the most realistic enrollment, Band 4 in Year 1 and Band 5 for all subsequent years when developing its proposal.

Upon reviewing DoDEA's Request for Proposal, the District was required to contemplate FY2019 enrollment when generating pricing models for the new contract. This obligation formally supported the District's methodology, though, given the projections, Band 4 was ultimately selected as a better base. The final cost structure accounted for educating up to 599 students in Year 1, alongside all personnel and operational related expenditures.

The District submitted an on-time response to DoDEA's RFP in February 2020. Between February and the final agreement being executed in June, DoDEA adjusted the scope of work during a more formalized evaluation and negotiation process reducing requirements such as transportation for students in grades 9 through 12. The District also offered a varied approach to savings in areas such as positions and benefits to reach an annual contract amount for the five-year period.



Further details provided by the District noted shared Central Administration overhead split between Hanscom and Lincoln evenly, 50/50, given the relatively steady, equal enrollment between both schools. The following table documents each of the 5-year contract costs associated with the current agreement.

Total Award Amount	Contract	Band Benchmark
Base Year (2020-2021)	\$15,909,600.00	Band 4
Option Year 1 (2021-2022)	\$16,587,336.00	Band 5
Option Year 2 (2022-2023)	\$17,138,568.00	Band 5
Option Year 3 (2023-2024)	\$17,722,644.00	Band 5
Option Year 4 (2024-2025)	\$18,363,960.00	Band 5

### Variance Highlights: *Liabilities*

A review of the various pricing elements for the current contract revealed a variation in the District's Other Post Employment Benefits or OPEB. OPEB valuations commenced in 2007, with both the Lincoln Public Schools and Hanscom being separated from the Town as cost centers. While the annual actuarial determined contribution was known through the bi-annual valuation prior to FY2021, in practice the OPEB liability may not have been incorporated into the contract calculation. Traditionally, if there was funding available at year end within the Hanscom Fund, the School Committee would vote on an amount to contribute. Historically, the amounts ranged between \$100,000 to \$400,000 beginning in 2007.

Further investigation revealed an amount of \$200,000 annually was originally budgeted as a contribution to the Town's OPEB Trust for the contract base year in FY2021, however, the amount was later reduced to \$0 in the final iteration of the contract negotiations. This reduction falls short of the most recent actuarial valuation. The Project Team only reviewed the current valuation, as others fell outside the study period, however, per GASB standards, the Town has actuarial valuations for OPEB performed every two years ensuring the liability remains as accurate as possible.

The Project Team understands the \$200,000 contribution was a historical figure voted by the School Committee annually but was not budgeted in the current contract. A notable consideration regarding OPEB was the District did not have access to a more accurate version of the OPEB valuation during the negotiation term supporting the current contract as the valuation was not published until December of 2022. As a result, the long-standing, year-end figure of \$200,000 was simply assumed to be available for annual School Committee approval. In an effort to close the variance, the School Committee contributed \$400,000 towards Hanscom's OPEB liability in FY2021, FY2022, and FY2023.

Likewise, the Project Team also noted a variance in the budgeted employer pension contributions to support the Middlesex County Retirement System (MCRS). Actuarial reports are produced bi-annually for all member groups associated with the System. The reports have traditionally been generated combining Town of Lincoln, Lincoln Public Schools, and Hanscom employees into a single liability until a special



request was made to separate the three groups in 2023. Because there was no division of the potential liability, no evidence was available during prior Hanscom contract negotiations to directly pinpoint the obligation and create an appropriate budget. Therefore, historically, the Hanscom budget and related employer pension expense has been based on the per payroll employee pension deduction, better known as “pay as you go” and following the IGR No. 90-106 standards which have not pertained to the Hanscom employees since 2009 when the revenue was adjusted to a contract not a federal grant.

As noted by both the Town and the District, in FY2023 an agreement was reached to utilize the actuarial determined contribution amount to fund the Middlesex County Retirement obligation, though to date, the adjustment has not been made. The employer pension contribution is still generated bi-weekly using a payroll deduction match. Given the new, segregated, actuarial determined employer contributions as documented in the draft November 2023 report are \$451,131.00 for FY2024, the budget is shorted for both the current and next fiscal year.

Both OPEB and pension are further addressed in the following section, *Contract Administration Discussion*.

## Summary

The process required to maintain a vendor status between DoDEA and Lincoln Public Schools is dictated solely by the Federal Government with elements of procurement and negotiations impacting each contract term. The District is responsible for compiling pricing to support all educational activities at Hanscom as well as to generate proposals which satisfy the litany of other government contract standards alongside known overhead. Between 2017 and 2020, the tone of the relationship appeared to change. The contracting officers at DoDEA were adjusted, Lincoln Public Schools was no longer classified as a sole source vendor during the most recent engagement, and significant reductions were requested during negotiations. Each of these occurrences are impactful and will shape the foundational landscape for the upcoming negotiation process.

# Hanscom Contract Current Practices







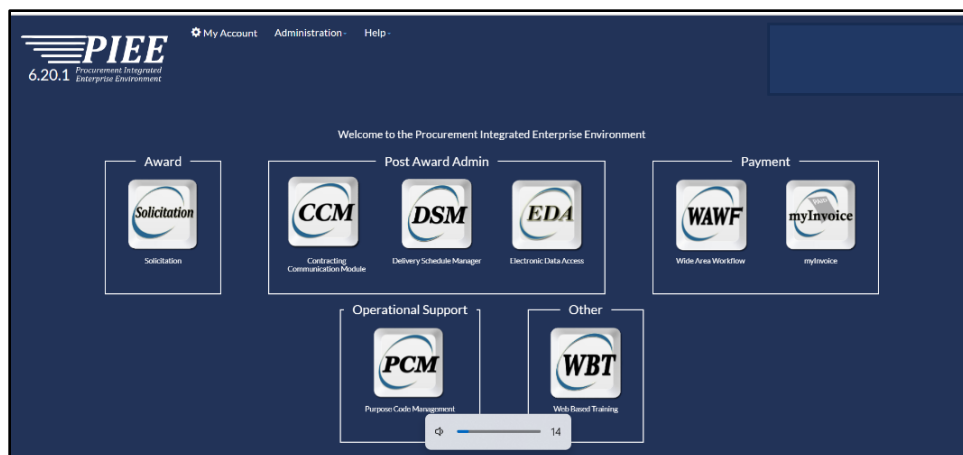
## Contract Administration Discussion

### Overview

The following is a high-level documentation of general business processes necessary to properly implement and administer the Hanscom contract. This section is not meant to be a detailed process accounting, but rather a quick reference guide for certain common practices. Separately, the District is writing a Financial Processes Manual which will have a dedicated section relating to Hanscom activities.

### *Accounts Receivable / Invoicing*

The contract specifies the District utilize the federal “System for Award Management”, more specifically, the “Wide Area WorkFlow” or “WAWF” when requesting monthly payments. Terms dictate that the full annual contract price be divided into twelve equal installments whereby payment is transmitted to the Town of Lincoln via electronic transfer.



The District Administrator for Business and Finance has permission to access the WAWF system and is responsible for processing the monthly payment request. Both the Town Finance Office and the Contracting Officer are notified when the monthly payment request is completed. The Town posts the revenue payment to an account capturing the contract fiscal years revenue.

### *Accounts Payable*

The Town of Lincoln processes accounts payable for the Town, District, and Hanscom in a single warrant. The District, including Hanscom, enters purchase requisitions into Enterprise ERP (formally MUNIS) which follow an approval workflow process and are converted into purchase orders associated with the appropriate expense account(s). Hanscom has a segregated chart of accounts and therefore all purchases relating to it are directly attached to the correct expense account number.

The Town of Lincoln processes payroll for the Town, District, and Hanscom in a single batch file bi-weekly. A detailed spreadsheet includes various employee-based data such as employee number, job classification, pay cycle, account numbers, number of hours, hourly rate, and total compensation is compiled every other week. As discussed previously, Hanscom has a designated chart of accounts allowing Hanscom employee compensation to be charged directly to the correct payroll expense account. It is the Project Team's understanding that employees split between the District and Hanscom are coded using a percentage of full time equivalent (FTE) to ensure the payroll expense accurately reflects a shared account structure.

Employee benefits such as health, dental, life, and Medicare insurance are processed through bi-weekly payroll deductions. The District receives a bi-weekly spreadsheet, generated by the Town through Crystal Reports detailing, by employee, the total employer obligation for each benefit type associated with Hanscom employees. The employer pension match for the Middlesex County Retirement System is included on the Crystal Report and the summary page. Certain employees have percentages of the employer benefits matches split between Lincoln Public Schools and Hanscom. The summary sheet below is an example of the bi-weekly request for payment supporting employee benefits.

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The District Administrator for Business and Finance approves the expense by signing and returning the summary sheet to the Town. The Town issues a check for the approved benefits expense against existing purchase orders. The employer cost share for active retirees accessing health insurance benefits is budgeted and expensed separately from active employees in Account #32165250 51800. These charges are invoiced and expensed to the District by the Town using a similar manner as current employee benefits.

One item of note the Project Team encourages further analysis on is the process surrounding health insurance benefit plan changes, annual increases, qualifying events, and annual budgeting. It appears the Hanscom budgeting process is completed prior to plan changes being closed creating an immediate variance. Additionally, a monthly reconciliation between the Town and District is absent. Targeting qualifying events and other employee-initiated changes to benefit elections places pressure on the Hanscom budget given unknown expenses can and do arise.

The Project Team noted the Town of Lincoln's health insurance plan year is November 1 through October 31, and the Massachusetts Interlocal Insurance Association (MIIA) is the current plan advisor. The Town typically receives rate information in March or April annually, a timeline that challenges the budget process given the Annual Town Meeting date. Presently, the Town conservatively estimates the impacts and annually appropriates the full amount to cover employer match obligations. Hanscom is then billed through the process noted above for the actual charges. For FY2025 the Town budgeted a 3.8% increase to health insurance premiums, however, the following chart displays the actual increases implemented since FY2023.

Year	Actual Premium Increase
2013	2.50%
2014	3.12%
2015	0.00%
2016	6.10%
2017	12.00%
2018	6.00%
2019	0.00%
2020	4.23%
2021	1.03%
2022	0.95%
2023	3.64%
2024	3.55%
2025	4.68%
<b>Average</b>	<b>3.68%</b>

For example, in the current fiscal year, FY2024, the Project Team reviewed evidence of over 20 health plan changes ranging between new employee elections and open enrollment adjustments alongside a 5.0% overall rate increase. The present situation has added an estimated \$450,000 shortfall in the employer health insurance match according to the District Administrator for Business and Finance. The



table on the following page depicts historical actual expenditures for employee insurances as well as budgets for FY2024 and FY2025.

MUNIS Account #	DESE Function Description	Account Description	FY2020 Actuals	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals	FY2024 Budget	FY2025 Budget
32165203 51092	INSURANCE PROGRAMS	EMPLOYEE HEALTH BENEFITS	934,013.74	940,013.72	875,000.00	927,500.00	983,150.00	983,150.00
32165250 51800	INSURANCE RETIRED SCHL EMPLOYEES	RETIREE HEALTH BENEFITS	238,692.09	249,996.53	250,000.00	295,194.71	297,754.00	312,907.00
32165200 51092	INSURANCE PROGRAMS	UNEMPLOYMENT SCHOOL	4,000.00	5,000.00		50,000.00	50,000.00	50,000.00
32165200 57051	INSURANCE PROGRAMS	WORKERS COMPENSATION SCHOOL	54,244.00	56,795.00	56,000.00	57,415.00	70,000.00	70,000.00
32165201 51091	INSURANCE PROGRAMS	MEDICARE SCHOOL	132,515.29	130,000.00	135,000.00	153,670.00	158,280.00	162,891.00
<b>Total</b>			<b>1,363,465.12</b>	<b>1,381,805.25</b>	<b>1,316,000.00</b>	<b>1,483,779.71</b>	<b>1,559,184.00</b>	<b>1,578,948.00</b>

## OPEB

The Town's Other Post Employment Benefits (OPEB) liability is calculated by Odyssey Advisors with the most recent reporting date being June 30, 2022<sup>1</sup>. The plan covers health insurance for retirees as dictated by M.G.L Chapter 32B. Valuations of this liability occur every two years though there is no requirement to allocate funding, though contributions began in 2007 from the Hanscom Fund. The calculation contemplates the Town's share of the retiree health benefits for both current and future retirees as well as delineates liabilities into three separate categories; Town, School, and Hanscom.

The June 30, 2022, OPEB valuation delivered by Odyssey Advisors on December 28, 2022, stated a required contribution of \$739,826 (pg. 2) was necessary in FY2022. The combination of employer cost share totaling \$554,799 and an additional OPEB Trust contribution totaling \$400,000 exceeded the actuarially determined annual contribution by \$214,973. The same report offered the outstanding liability relating to Hanscom being \$7,737,789 as of June 30, 2022.

In February 2023 the Town Finance Committee summarized its approach to fully funding OPEB liabilities by 2046. Part of this strategy mentioned structuring the Hanscom contract value and budget to contribute annual contributions based upon the actuarial determined amount. Further, the Town Finance Committee offered a "goal of allocating at least .5% of the Annual Covered Payroll of the prior fiscal year before any

<sup>1</sup> "Town of Lincoln Other Postemployment Benefits Plan GASB 74 & GASB 75 Actuarial Valuation", Odyssey Advisors, December 28, 2022.



allocation is made for discretionary spending” alongside “at least 25% of surplus funds, if any, after budgeting for all other Required Annual Expenditures other than OPEB & Stabilization Fund”.<sup>2</sup>

Presently, reports provided by the District indicate that \$400,000 is allocated in the Hanscom budget for FY2024 and FY2025 though this expense was not a part of the original pricing structure for the contract.

MUNIS Account #	DESE Function Description	Account Description	FY2020 Actuals	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals	FY2024 Budget	FY2025 Budget
32165250 57999	INSURANCE RETIREMENT SCHOOL EMPLOYEES	OTHER POST EMPLOYMENT BENEFITS (OPEB)				400,000.00	400,000.00	400,000.00
39165205 59563	HEALTH INSURANCE RESERVE FUND	TRANSFER TO OTHER TR FUND - RESERVE		400,000.00	400,000.00		144,000.00	
<b>Total</b>			<b>0.00</b>	<b>400,000.00</b>	<b>400,000.00</b>	<b>400,000.00</b>	<b>544,000.00</b>	<b>400,000.00</b>

## Pension

Perhaps the most challenging and undefined portion of the Hanscom contract administration is the pension liability and expense for employees associated with the Middlesex County Retirement System (MCRS). The Town of Lincoln is a member of the Middlesex Retirement System as established under M.G.L. Chapter 32.<sup>3</sup> The most recent valuation was prepared in August 2022 by The Segal Group, Inc. with specific results relating to the Town of Lincoln noted on page 46 of the report. The assumptions combined the Town of Lincoln, Lincoln Public Schools, and Hanscom employees into a single calculation. Recently, the Town requested Segal produced a disaggregated report, dividing the liabilities into Town of Lincoln, Lincoln Public Schools, and Hanscom. A draft valuation was generated on November 11, 2023, providing specific details for each of the three categories of employees but still based on the January 1, 2022 data.

The November 2023 draft breakdown established the Hanscom portion of the total unfunded actuarial accrued liability to be \$4,266,079. The precise allocation methodology used to develop this liability and the requisite allocated actuarial determined annual contribution was not available, though a total of 122.345 participants were noted as eligible for pension funds directly relating the Hanscom. Further, the segregated calculations provided new annual actuarial determined contributions (ADC) for FY2024 totaling \$451,131 and FY2025 totaling \$480,403.

The following table details actual expenditures and budget figures for employer pension contributions between FY2020 and FY2025. Based upon the various reports reviewed by the Project Team, the Hanscom

<sup>2</sup> “OPEB Update”, Finance Committee Meeting, February 2, 2023.

<sup>3</sup> “Middlesex County Retirement System Actuarial Valuation and Review as of January 1, 2022”, The Segal Group, Inc., August 8, 2022.



employer portion of the Middlesex County pension contributions are charged bi-weekly on a pay-go basis during the payroll process. These bi-weekly expenditures match the Federal Grant 9% employer contribution outlined in IGR No. 90-106 and discussed in the *Contracts History* section alongside the employee's deduction which is generated using the Middlesex County established contribution rates<sup>4</sup> detailed below the expenditure table.

MUNIS Account #	DESE Function Description	Account Description	FY2020 Actuals	FY2021 Actuals	FY2022 Actuals	FY2023 Actuals	FY2024 Budget	FY2025 Budget
32165100 51090	EMPLOYEE RETIREMENT	RETIREMENT ASSESSMENT SCH	190,000.00	199,185.84	190,000.00	210,635.00	231,699.00	200,000.00
<b>Total</b>			<b>190,000.00</b>	<b>199,185.84</b>	<b>190,000.00</b>	<b>210,635.00</b>	<b>231,699.00</b>	<b>200,000.00</b>

### Contribution Rates

Employees contribute a percentage of their **regular compensation** to the retirement system. A member's contribution rate is set by statute and determined by his or her most recent membership date.\*

Membership Date	Contribution Rate
Prior to January 1, 1975	5%
January 1, 1975 to December 31, 1978	7%
January 1, 1979 to December 31, 1983	7% plus an additional 2% of compensation in excess of \$30,000
January 1, 1984 to June 30, 1996	8% plus an additional 2% of compensation in excess of \$30,000
As of July 1, 1996	9% plus an additional 2% of compensation in excess of \$30,000
As of April 2, 2012	9% plus an additional 2% of compensation in excess of \$30,000. Members in Group 1 with 30 years of creditable service will have their contribution rate decreased to 6% plus an additional 2% of compensation in excess of \$30,000

A quick calculation reveals a variance between the Hanscom actuarial determined contributions (ADC) for both FY2024 and FY2025. Prior years ADC's were outside the scope of work, though the following table summarizes the annual shortfall between Hanscom employer pension contribution budgets and the ADC calculation provided by the latest Segal report.

<sup>4</sup> "Contribution Rates", Middlesex County Retirement System, <https://middlesexretirement.org/active-members/contribution-rates/>, Accessed 05/13/2024.



Pension ADC Variance	FY2024	FY2025
Segal Actuarial Determined Contribution (ADC)	451,131.00	480,403.00
Hanscom Employer Pension Budget	(231,699.00)	(200,000.00)
<b>Variance</b>	<b>219,432.00</b>	<b>280,403.00</b>

The employer portion of the Middlesex County pension plan is an area of further analysis for both the Town and District to ensure that the correct ADC is made annually. It would appear the required annual contribution has not yet been shifted to reflect the actuarially determined amount as per the Town and District agreement in FY2023, and rather continues to follow a pay-as-you-go payroll match of 9% which not only falls short of the required long-term obligation funding but is no longer relevant as the Hanscom contract has not been considered a Federal Grant since 2009. The current practice for expending employer pension obligations is discussed previously under *Benefits*.

### *Journal Entries / Transfers*

The Project Team was informed day to day budget adjustments are initiated by District Secretaries in the financial database, Enterprise ERP (formally MUNIS), and approved and posted by the District Administrator for Business and Finance. Until expense accounts have available funds, purchase requisitions are held which is a best practice to safeguard from overspending budgets. Additionally, expense transfers require a form to be completed by District Secretaries, approved by the District Administrator for Business and Finance, and finally entered and processed in Enterprise ERP (formally MUNIS) by Town Finance staff.

The Hanscom Fund is annually charged indirect costs through an interfund transfer by the Town which, as noted below, has been maintained at \$71,000 annually<sup>5</sup>. The practice of a municipality charging indirect costs to its public schools and enterprise operations is standard. The Town of Lincoln supplied the current “Methodology for Expenditures” setting forth how these charges are developed.

The Project Team did not attempt to reconcile the annual \$71,000 annual expense impacting the Hanscom Fund, though ensuring this amount is appropriate based on the established methodology would be a wise, annual exercise for the Town and District. Specifically, the Project Team notes workers compensation should be calculated based upon school employee populations as towns and cities often have employee groups with higher rates. Finally, OPEB contributions appear to be carried in Line 2020 of the End of Year Report though such expenses are not permitted.

<sup>5</sup>“Town of Lincoln, Massachusetts Report on Examination of the Basic Financial Statements and Additional Information”, “Year Ended June 30, 2022”, Page 33.



### C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2022, are as follows:

Transfers Out	Transfers In			Total	
	General Fund	School Building Capital Project Fund	Nonmajor Governmental Funds		
General Fund	\$ -	\$ 610,000	\$ 18,768	\$ 628,768	(1)
Hanscom School Fund	71,000	-	-	71,000	(2)
Nonmajor Governmental Funds	159,150	-	-	159,150	(3)
Water Enterprise Fund	60,000	-	-	60,000	(4)
Total	<u>\$ 290,150</u>	<u>\$ 610,000</u>	<u>\$ 18,768</u>	<u>\$ 918,918</u>	

- (1) Transfers for school building and other capital outlays.
- (2) Transfers to general fund to supplement operating budgets.
- (3) Transfers to general fund to supplement operating budgets, transfers for school buildings and transfers between nonmajor governmental funds for conservation and education purposes.
- (4) Transfers to general fund for indirect costs.



# Data Analysis





## Historical Financial Trends

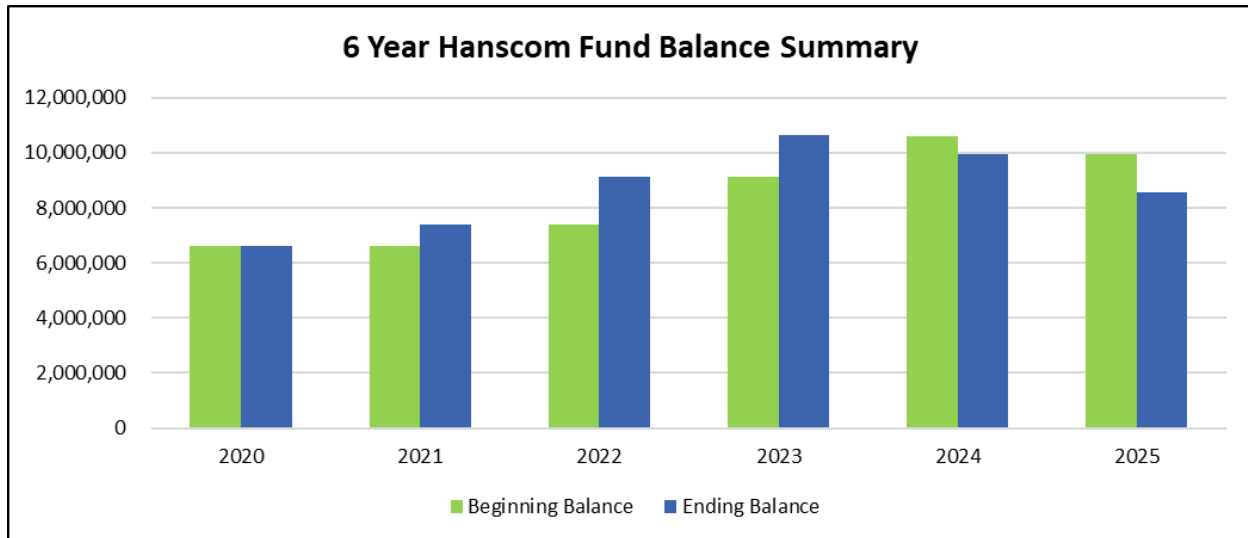
### Historical Fund Balance Trends

Given the varying manners in which to review and analyze financial data, the Project Team opted to utilize the Town of Lincoln's audited financial statements between FY2020 and FY2023 to form the basis of historical fund balance activity. The following data compiles actual revenues, expenditures, and transfers recorded within each year's financial statements for the Hanscom Fund as well as the resulting beginning and ending balances for FY2020 through FY2023. FY2024 and FY2025 assume estimated revenues equal to the contract values, expenditures equal the adopted budgets provided by the District, and transfers are maintained at the same indirect cost level.

A brief review of fund balance activity prior to FY2020 revealed only recently has the Hanscom Fund began a significant upwards growth trend, beginning around FY2018. The table and graph illustrate the fund balance growth being substantial between FY2021 and FY2023, however, FY2024 and FY2025 project a steep decline. The Project Team did not review each line item to determine precise cause for the negative impacts, however, some of the issues likely stem from budget versus actual OPEB, health insurance, and pension obligations noted in prior report sections. Further review of driving factors would be necessary to understand the full expenditure landscape.

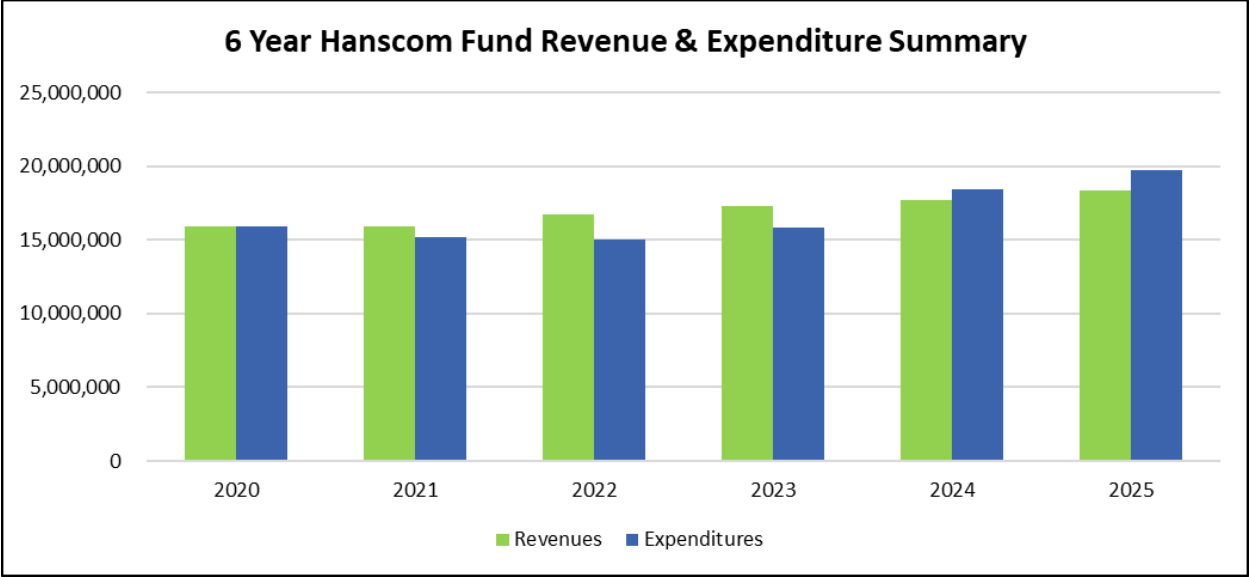
Fiscal Year	Beginning Balance	Revenues	Expenditures	Transfers	Ending Balance	Annual Percentage Change
2020	6,621,821.00	15,937,905.00	(15,871,634.00)	(71,000.00)	6,617,092.00	-0.07%
2021	6,617,092.00	15,937,667.00	(15,107,932.00)	(71,000.00)	7,375,827.00	11.47%
2022	7,375,827.00	16,746,565.00	(14,919,537.00)	(71,000.00)	9,131,855.00	23.81%
2023	9,131,855.00	17,302,166.00	(15,719,525.00)	(70,384.00)	10,644,112.00	16.56%
2024	10,611,112.00	17,722,644.00	(18,329,020.68)	(71,000.00)	9,933,735.32	-6.38%
2025	9,933,735.32	18,363,960.00	(19,642,001.00)	(71,000.00)	8,584,694.32	-13.58%

The audited financial figures in the table do not account for any outstanding liabilities such as OPEB, pension, or unemployment.



To further document the revenue and expenditure trends, the table and graph track the change in these categories over a six-year period. Revenues maintain a relatively steady year-over-year change, averaging 2.89%. Expenditures have a more erratic pattern, falling downwards in FY2021 and FY2022 then climbing between FY2023 and FY2025 generating an average expenditure growth of 4.59%. Expenditures exceeding revenues is an unsustainable trend which, if not addressed, could have substantial impacts on the Town and District.

Fiscal Year	Revenues	Expenditures	Revenue % Change	Expenditure % Change
2020	15,937,905.00	15,942,634.00		
2021	15,937,667.00	15,178,932.00	0.00%	-4.79%
2022	16,746,565.00	14,990,537.00	5.08%	-1.24%
2023	17,302,166.00	15,789,909.00	3.32%	5.33%
2024	17,722,644.00	18,400,020.68	2.43%	16.53%
2025	18,363,960.00	19,713,001.00	3.62%	7.14%
<b>Average Change</b>			<b>2.89%</b>	<b>4.59%</b>





## Financial Trend Projections

### **Projected Fund Balance Trends**

The following projections should be considered high-level estimates that do not pretend to contemplate the vast number of factors that influence financial activity. Subsequent to the projections, the Project Team highlighted three liability areas worthy of financial planning; unemployment, OPEB, and pension. These summaries are meant to offer certain considerations in which to build upon and grow into more accurate frameworks for financial success.

The Project Team generated four different ten-year projection scenarios to populate potential trends in the Hanscom Fund balance. The base year, FY2025, uses the same assumptions presented in the prior section; estimated revenues equal the contract value, expenditures equal the adopted budget, and transfers are maintained at the same indirect cost level. Projections #1 through #3 illustrate how expenditures for Hanscom have outpaced the standardized revenue outlook and are an unsustainable financial model. Projection #4 includes a possible solution to correct the negative trend. It is highly unlikely that an even distribution of the assumptions used will come to pass, however, it does provide certain financial context and standards.

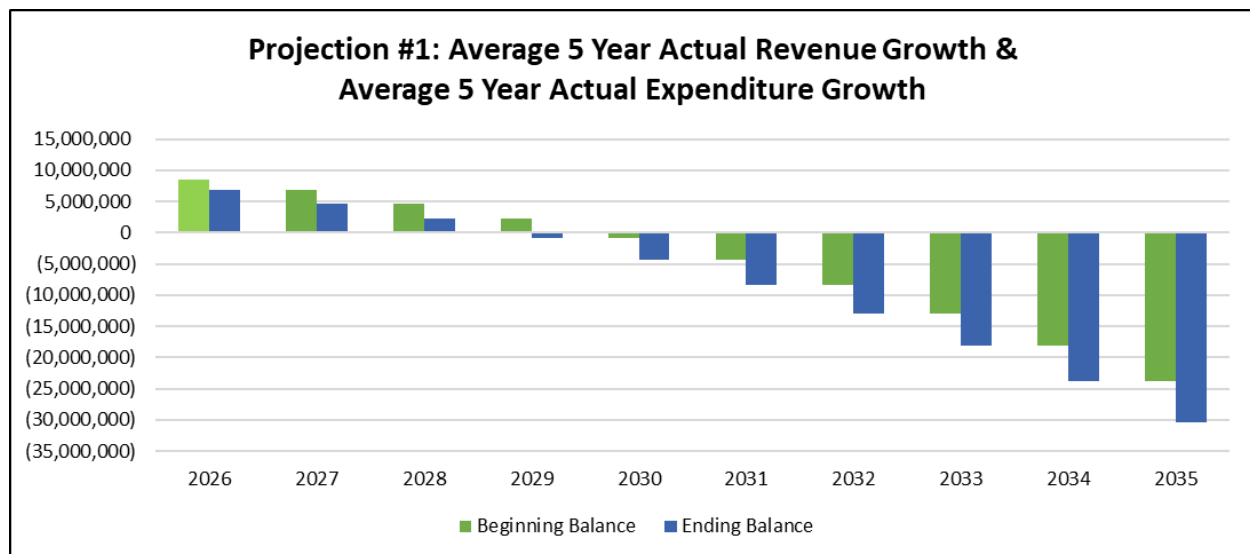


## Projection #1

The first projection scenario leveraged the known revenue and expenditure averages discussed in the prior section. Using 2.89% as year over year revenue growth and 4.59% year over year expenditure growth, this is the most dire situation where each year the fund balance is depleted through FY2029 when the operation becomes unsustainable.

Fiscal Year	Beginning Balance	Revenues	Expenditures	Ending Balance	Annual Percentage Change
2025	9,933,735.32	18,363,960.00	(19,713,001.00)	8,584,694.32	-13.58%
2026	8,584,694.32	18,894,678.44	(20,617,827.75)	6,861,545.02	-20.07%
2027	6,861,545.02	19,440,734.65	(21,564,186.04)	4,738,093.63	-30.95%
2028	4,738,093.63	20,002,571.88	(22,553,982.18)	2,186,683.33	-53.85%
2029	2,186,683.33	20,580,646.21	(23,589,209.96)	(821,880.42)	-137.59%
2030	(821,880.42)	21,175,426.89	(24,671,954.70)	(4,318,408.23)	-425.43%
2031	(4,318,408.23)	21,787,396.72	(25,804,397.42)	(8,335,408.93)	-93.02%
2032	(8,335,408.93)	22,417,052.49	(26,988,819.26)	(12,907,175.70)	-54.85%
2033	(12,907,175.70)	23,064,905.30	(28,227,606.06)	(18,069,876.46)	-40.00%
2034	(18,069,876.46)	23,731,481.07	(29,523,253.18)	(23,861,648.57)	-32.05%
2035	(23,861,648.57)	24,417,320.87	(30,878,370.50)	(30,322,698.21)	-27.08%

The bar graph on the following page displays how this extreme scenario will play out, reversing sustainability by the year 2029.





## Projection #2

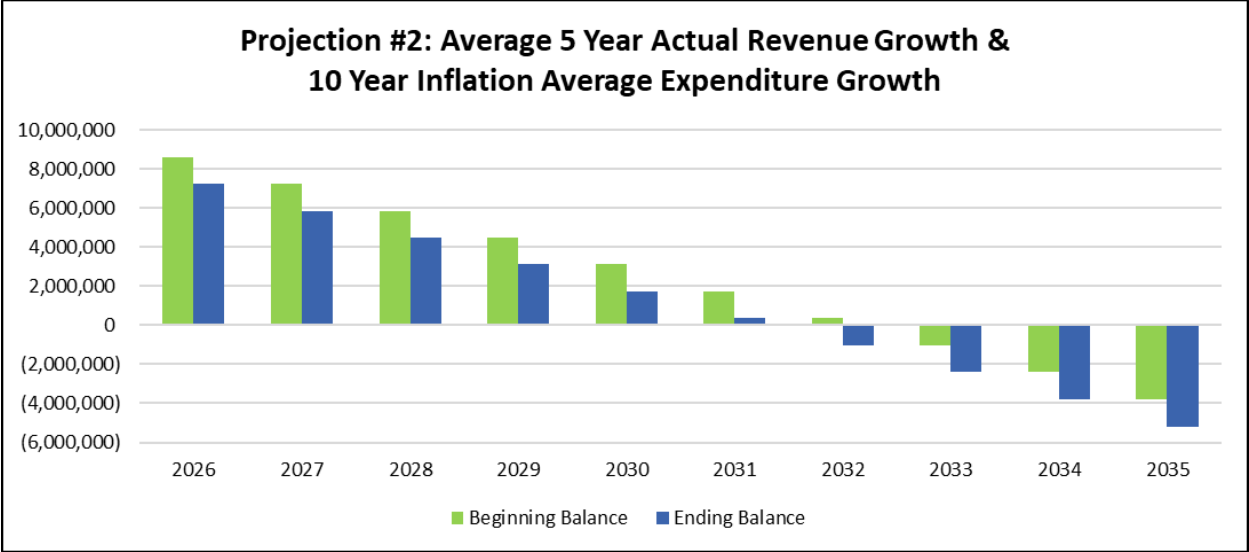
A more plausible scenario captures the United States ten-year inflation average to project expenditure growth year-over-year. Between calendar year 2014 and calendar year 2023 inflation averaged 2.73%<sup>1</sup>. The table notes the inflation average as well as the final calculation average. Calendar year 2024 was not considered in the average calculation as it only contained four months of data.

Year	Inflation Average
2014	1.60%
2015	0.10%
2016	1.30%
2017	2.10%
2018	2.40%
2019	1.80%
2020	1.20%
2021	4.70%
2022	8.00%
2023	4.10%
<b>Average</b>	<b>2.73%</b>

The scenario maintained the same average revenue growth at 2.89%. While this projection is less traumatic than Projection #1, it still requires an annual use of fund balance to cover expenditures exceeding revenues over a ten-year period eventually reaching full unsustainability in FY2032.

Fiscal Year	Beginning Balance	Revenues	Expenditures	Ending Balance	Annual Percentage Change
2025	9,933,735.32	18,363,960.00	(19,713,001.00)	8,584,694.32	-13.58%
2026	8,584,694.32	18,894,678.44	(20,251,165.93)	7,228,206.84	-15.80%
2027	7,228,206.84	19,440,734.65	(20,804,022.76)	5,864,918.73	-18.86%
2028	5,864,918.73	20,002,571.88	(21,371,972.58)	4,495,518.03	-23.35%
2029	4,495,518.03	20,580,646.21	(21,955,427.43)	3,120,736.81	-30.58%
2030	3,120,736.81	21,175,426.89	(22,554,810.60)	1,741,353.10	-44.20%
2031	1,741,353.10	21,787,396.72	(23,170,556.93)	358,192.90	-79.43%
2032	358,192.90	22,417,052.49	(23,803,113.13)	(1,027,867.75)	-386.96%
2033	(1,027,867.75)	23,064,905.30	(24,452,938.12)	(2,415,900.56)	-135.04%
2034	(2,415,900.56)	23,731,481.07	(25,120,503.33)	(3,804,922.83)	-57.50%
2035	(3,804,922.83)	24,417,320.87	(25,806,293.07)	(5,193,895.03)	-36.50%

<sup>1</sup> "Historical Inflation Rates: 1914-2024", US Inflation Calculator, <https://www.usinflationcalculator.com/inflation/historical-inflation-rates/>, Accessed 05/13/2024.



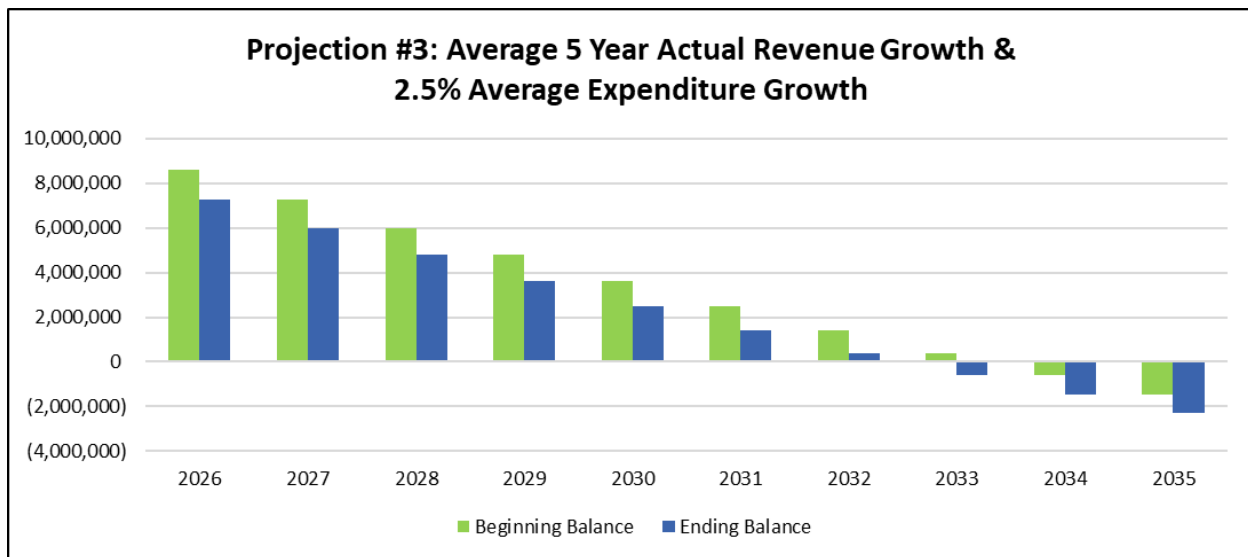




### Projection #3

This projection scenario applies Massachusetts Proposition 2 ½ standards to expenditure growth while maintaining the same actual revenue average of 2.89%. Given expenditures still outpace revenue growth, the model remains unviable, steadily drawing down on fund balance year over year when the fund is depleted in FY2033, only one year later than Projection #2's outlook.

Fiscal Year	Beginning Balance	Revenues	Expenditures	Ending Balance	Annual Percentage Change
2025	9,933,735.32	18,363,960.00	(19,713,001.00)	8,584,694.32	-13.58%
2026	8,584,694.32	18,894,678.44	(20,205,826.03)	7,273,546.74	-15.27%
2027	7,273,546.74	19,440,734.65	(20,710,971.68)	6,003,309.71	-17.46%
2028	6,003,309.71	20,002,571.88	(21,228,745.97)	4,777,135.63	-20.42%
2029	4,777,135.63	20,580,646.21	(21,759,464.62)	3,598,317.22	-24.68%
2030	3,598,317.22	21,175,426.89	(22,303,451.23)	2,470,292.88	-31.35%
2031	2,470,292.88	21,787,396.72	(22,861,037.51)	1,396,652.09	-43.46%
2032	1,396,652.09	22,417,052.49	(23,432,563.45)	381,141.12	-72.71%
2033	381,141.12	23,064,905.30	(24,018,377.54)	(572,331.11)	-250.16%
2034	(572,331.11)	23,731,481.07	(24,618,836.98)	(1,459,687.02)	-155.04%
2035	(1,459,687.02)	24,417,320.87	(25,234,307.90)	(2,276,674.05)	-55.97%

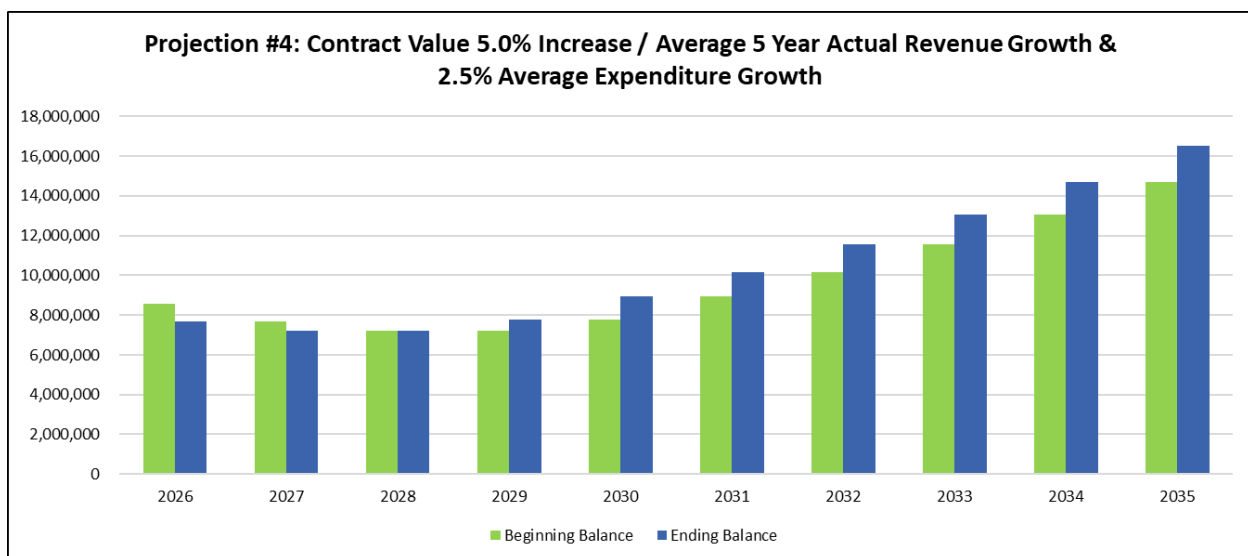




### Projection #4

This final projection activates a contract value adjustment in FY2026, increasing the revenue by 5.0% each year for a five-year period (FY2026 through FY2030). Given the potential impact of outstanding liabilities discussed below, this model is the most responsive to a fund balance correction as well as generating the resources necessary to begin funding certain financial risks. While FY2026 and FY2027 still drawdown on the Hanscom Fund balance, the reductions move in a downward trend. Beginning in FY2028, a growth pattern is estimated to occur each year, replenishing and building the Hanscom Fund balance. Between FY2026 and FY2030 the financials maintain almost a breakeven norm, with an estimated total five-year fund balance growth of \$337,635. In years FY2031 through FY2035 the revenue projections return to the five-year average of 2.89%, slowing the fund balance climb.

Fiscal Year	Beginning Balance	Revenues	Expenditures	Ending Balance	Annual Percentage Change
2025	9,933,735.32	18,363,960.00	(19,713,001.00)	8,584,694.32	-13.58%
<b>2026</b>	<b>8,584,694.32</b>	<b>19,282,158.00</b>	<b>(20,205,826.03)</b>	<b>7,661,026.30</b>	<b>-10.76%</b>
<b>2027</b>	<b>7,661,026.30</b>	<b>20,246,265.90</b>	<b>(20,710,971.68)</b>	<b>7,196,320.52</b>	<b>-6.07%</b>
<b>2028</b>	<b>7,196,320.52</b>	<b>21,258,579.20</b>	<b>(21,228,745.97)</b>	<b>7,226,153.75</b>	<b>0.41%</b>
<b>2029</b>	<b>7,226,153.75</b>	<b>22,321,508.15</b>	<b>(21,759,464.62)</b>	<b>7,788,197.28</b>	<b>7.78%</b>
<b>2030</b>	<b>7,788,197.28</b>	<b>23,437,583.56</b>	<b>(22,303,451.23)</b>	<b>8,922,329.62</b>	<b>14.56%</b>
2031	8,922,329.62	24,114,929.73	(22,861,037.51)	10,176,221.83	14.05%
2032	10,176,221.83	24,811,851.20	(23,432,563.45)	11,555,509.58	13.55%
2033	11,555,509.58	25,528,913.70	(24,018,377.54)	13,066,045.73	13.07%
2034	13,066,045.73	26,266,699.30	(24,618,836.98)	14,713,908.06	12.61%
2035	14,713,908.06	27,025,806.91	(25,234,307.90)	16,505,407.07	12.18%





## Liabilities

### *Unemployment*

Unemployment impacts, discussed below, pose a considerable issue for the Town and District. The Town is self-insured for unemployment expenses using MIIA as a third-party administrator. Each time an unemployment claim is billed by the state, the Town is invoiced by MIIA on a monthly basis for the cost.

To generate a very basic liability estimate, the Project Team, using the Quarter 1, 2022 average weekly benefit amount published by the National Employment Law Project totaling \$578.72<sup>2</sup> generated an annual estimated unemployment liability through FY2040. The assumptions used included an annual 3.0% increase in the average unemployment payment, a 30-payment maximum<sup>3</sup> as dictated by the State of Massachusetts, and the FY2024 Hanscom full time equivalent (FTE) as offered by the FY2024 District staffing plan totaling 116.6 FTE. The estimate did not account for dependent credits, partial credits, individual employee calculations, or the potential for COBRA elections which would be a part of health insurance costs.

The following table provides a target to cover potential unemployment liabilities.

Year	FTE Estimate	Weekly Benefit Amount (WBA)	Number of Payments	Total Estimated Unemployment Liability
2022	116.6	578.72	30	2,024,362.56
2023	116.6	596.08	30	2,085,087.84
2024	116.6	613.96	30	2,147,632.08
2025	116.6	632.38	30	2,212,061.04
2026	116.6	651.35	30	2,278,422.87
2027	116.6	670.89	30	2,346,775.56
2028	116.6	691.02	30	2,417,178.83
2029	116.6	711.75	30	2,489,694.19
2030	116.6	733.10	30	2,564,385.02
2031	116.6	755.09	30	2,641,316.57
2032	116.6	777.75	30	2,720,556.06
2033	116.6	801.08	30	2,802,172.75
2034	116.6	825.11	30	2,886,237.93
2035	116.6	849.86	30	2,972,825.07
2036	116.6	875.36	30	3,062,009.82
2037	116.6	901.62	30	3,153,870.11
2038	116.6	928.67	30	3,248,486.22
2039	116.6	956.53	30	3,345,940.80
2040	116.6	985.23	30	3,446,319.03

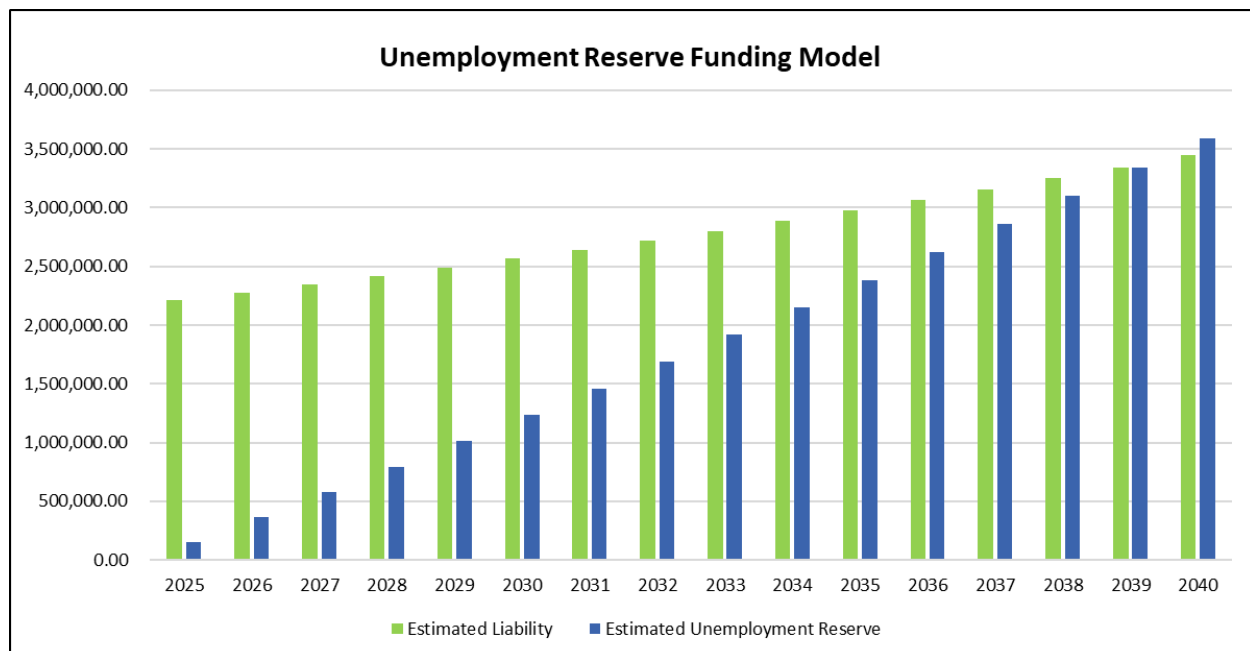
<sup>2</sup> “Benefit Amounts”, National Employment Law Project, November 6, 2023, <https://www.nelp.org/insights-research/benefit-amounts/>, Accessed 05/14/2024.

<sup>3</sup> “How your unemployment benefits are determined”, Mass.gov, <https://www.mass.gov/info-details/how-your-unemployment-benefits-are-determined>, Accessed 05/14/2024.



To ensure that a funding structure is in place, the following table illustrates annually growing a reserve as one potential option. The model assumes a fifteen-year annual contribution of \$147,470.74 plus an additional 3.0% growth supplement between FY2026 and FY2024. Like any modeling, it is paramount to revisit assumptions and make updates appropriate to current circumstances. Once such circumstance would be the length of a new contract to operate Hanscom thus securing a known number of years the risk of unemployment would be lessened. The projection below, however, assumes the estimated unemployment liability will be reached by FY2039 and takes into account the potential full burden of reductions to staffing.

Year	Unemployment Liability Reserve Contribution	Additional Contribution @ 3.0% Growth	Total Contribution	Total Estimated Unemployment Liability Reserve Balance
2025	147,470.74	0.00	147,470.74	147,470.74
2026	147,470.74	66,361.83	213,832.57	361,303.30
2027	147,470.74	68,352.69	215,823.42	577,126.73
2028	147,470.74	70,403.27	217,874.00	795,000.73
2029	147,470.74	72,515.36	219,986.10	1,014,986.83
2030	147,470.74	74,690.83	222,161.56	1,237,148.39
2031	147,470.74	76,931.55	224,402.29	1,461,550.68
2032	147,470.74	79,239.50	226,710.23	1,688,260.91
2033	147,470.74	81,616.68	229,087.42	1,917,348.33
2034	147,470.74	84,065.18	231,535.92	2,148,884.25
2035	147,470.74	86,587.14	234,057.87	2,382,942.12
2036	147,470.74	89,184.75	236,655.49	2,619,597.61
2037	147,470.74	91,860.29	239,331.03	2,858,928.64
2038	147,470.74	94,616.10	242,086.84	3,101,015.48
2039	147,470.74	97,454.59	244,925.32	3,345,940.80
2040	147,470.74	100,378.22	247,848.96	3,593,789.76





## OPEB

As noted in the Contract Administration Discussion, the June 30, 2022, OPEB valuation stated the outstanding liability relating to Hanscom was \$7,737,789. Annual contributions to the fund have been made, however, this liability remains significant and must be considered as an element of risk. Valuations for both OPEB and pension are generated every other year with updates expected in the fall or winter of 2024.

The graphic below displays the Hanscom OPEB liability on line III.

	Town Employees and Retirees	Lincoln School Employees and Retirees	Hanscom School Employees and Retirees	Police Employees and Retirees	Fire Employees and Retirees	Water Employees and Retirees	Total
I. Total OPEB Liability							
A. Actives	2,351,011	10,723,432	6,994,524	1,821,510	1,490,848	25,754	23,407,079
B. Retirees/Disabled	5,089,735	8,227,099	5,401,289	0	0	266,104	18,984,227
C. Total	7,440,746	18,950,531	12,395,813	1,821,510	1,490,848	291,858	42,391,306
II. Fiduciary Net Position [Plan Assets]	2,415,003	6,150,673	4,658,024	591,198	483,877	427,588	14,726,363
III. Net OPEB Liability (Asset) [I. - II.]	5,025,743	12,799,858	7,737,789	1,230,312	1,006,971	(135,730)	27,664,943
For the Reporting Date and Fiscal Year Ending June 30, 2022							
IV. Service Cost	62,618	391,644	342,196	44,797	62,280	6,266	909,801
V. Financial Statement Expense/(Income)	481,734	1,488,075	1,019,917	152,104	152,014	(360)	3,293,484
VI. Employer Share of Costs	(441,084)	(648,949)	(554,799)	(8,161)	(4,302)	(18,315)	(1,675,610)
VII. Employer OPEB Trust (Contribution)/Withdrawal	(87,675)	(223,295)	(400,000)	(21,463)	(17,567)	(40,000)	(790,000)
VIII. Total Employer Contribution [VI. + VII.]	(528,759)	(872,244)	(954,799)	(29,624)	(21,869)	(58,315)	(2,465,610)

Given the size of the OPEB liability, fully funding it with existing fund balance, which would decimate the fund, would be unwise. Instead, considering a basic annual payment plan over a fifteen-year term would offer a more achievable model. The table below illustrates a possibility for a fifteen-year contribution plan ending in FY2040. It is important to note the OPEB liability balance will not remain static, and will adjust

Year	OPEB Liability Contribution	Estimated OPEB Liability Balance
2025	0.00	7,737,789.00
2026	515,852.60	7,221,936.40
2027	515,852.60	6,706,083.80
2028	515,852.60	6,190,231.20
2029	515,852.60	5,674,378.60
2030	515,852.60	5,158,526.00
2031	515,852.60	4,642,673.40
2032	515,852.60	4,126,820.80
2033	515,852.60	3,610,968.20
2034	515,852.60	3,095,115.60
2035	515,852.60	2,579,263.00
2036	515,852.60	2,063,410.40
2037	515,852.60	1,547,557.80
2038	515,852.60	1,031,705.20
2039	515,852.60	515,852.60
2040	515,852.60	0.00



with every valuation, therefore, updates will be necessary to ensure the most accurate assumptions are made. Another element not included in this simple design was budgeted annual contributions, which if exercised, would not drawdown the fund balance.

## *Pension*

Like OPEB, the pension liability was also discussed previously, establishing the Hanscom portion of the total unfunded actuarial accrued liability in November 2023 to be \$4,266,079. While it is assumed, annually, the Hanscom budget will make the required actuarial determined contributions (ADC) for FY2024 totaling \$451,131 and FY2025 totaling \$480,403, the outstanding liability must be contemplated.

The graphic on the next page displays the Hanscom pension liability on line 9.

Data provided as of January 1, 2022		Hanscom
1. Retired participants and beneficiaries (see notes)		26,595
2. Active participants (see notes)		52.75
3. Inactive participants entitled to a return of their employee contributions		42
4. Inactive participants with a vested right to a deferred or immediate benefit		1
Actuarial factors as of January 1, 2022		Hanscom
1. Normal cost		\$272,698
2. Administrative expenses		12,618
3. Expected employee contributions		<u>-201,850</u>
4. Employer normal cost: (1) + (2) + (3)		\$83,465
5. Actuarial accrued liability		
a. Retired participants and beneficiaries		6,026,726
b. Active participants		3,685,178
c. Inactive participants		<u>237,721</u>
d. Total		\$9,949,625
6. Actuarial value of assets		5,737,476
7. Unfunded actuarial accrued liability: (5d) – (6)		4,212,149
8. Reallocated unfunded actuarial accrued liability		53,930
9. Total unfunded actuarial accrued liability: (7) + (8)		<u>\$4,266,079</u>
Actuarial factors projected to FY24		Hanscom
1. Projected employer normal cost, adjusted for timing		\$89,529
2. Payment on projected unfunded actuarial accrued liability		<u>369,458</u>
3. Total FY24 Actuarially Determined Contribution, adjusted for timing: (1) + (2)		\$458,987
4. Total FY24 Actuarially Determined Contribution, payable on July 1		451,131
Actuarial factors projected to FY25		Hanscom
1. Projected employer normal cost, adjusted for timing		\$92,890
2. Payment on projected unfunded actuarial accrued liability		<u>395,879</u>
3. Total FY25 Actuarially Determined Contribution, adjusted for timing: (1) + (2)		\$488,769
4. Total FY25 Actuarially Determined Contribution, payable on July 1		480,403



Using a similar methodology as the OPEB annual payment model, the following table offers the same fifteen-year direct contribution or paydown for the outstanding pension liability using existing Hanscom fund balance. As noted previously, the pension liability balance will shift with each valuation, therefore it is necessary to also adjust a payment schedule accordingly. In addition, it is assumed the Hanscom budget will continue to make the actuarial determined contributions each year.

Year	Pension Liability Contribution	Estimated Pension Liability Balance
2025	0.00	4,266,079.00
2026	284,405.30	3,981,673.70
2027	284,405.30	3,697,268.40
2028	284,405.30	3,412,863.10
2029	284,405.30	3,128,457.80
2030	284,405.30	2,844,052.50
2031	284,405.30	2,559,647.20
2032	284,405.30	2,275,241.90
2033	284,405.30	1,990,836.60
2034	284,405.30	1,706,431.30
2035	284,405.30	1,422,026.00
2036	284,405.30	1,137,620.70
2037	284,405.30	853,215.40
2038	284,405.30	568,810.10
2039	284,405.30	284,404.80
2040	284,404.80	0.00



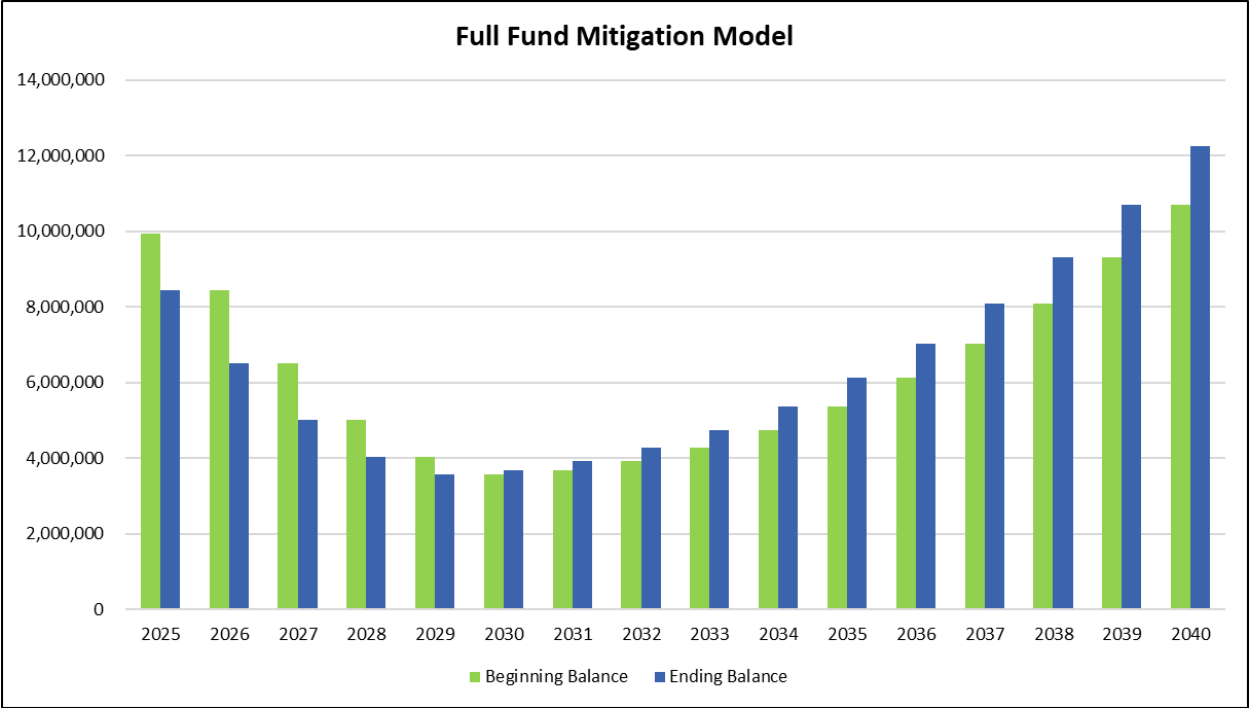
## Full Fund Balance Mitigation Model

The final discussion portrays a possible full fund balance mitigation model combining several of the elements offered previously; Projection #4, Unemployment Liability Reserve Contribution, OPEB Liability Fifteen-Year Contribution, and the Pension Liability Fifteen-Year Contribution. The initial drawdown on existing fund balance would be approximately 56% between FY2025 and FY2030 leaving an estimated \$3.68M after the six-year period. However, if all four potential concepts are employed, the model anticipates a leveling off and slow build back of fund balance beginning in FY2031. Again, this projection uses simplified concepts as outlined previously. Further analysis and continued reviews would be necessary to hone the accuracy and generate the most appropriate plan.

Year	Estimated Hancum Fund Beginning Balance	Projection #4 Fund Balance Supplement / Growth	Unemployment Liability Reserve Contribution	OPEB Liability Contribution	Pension Liability Contribution	Estimated Hancum Fund Ending Balance After Contributions
2025	9,933,735.32	(1,349,041.00)	(147,470.74)	0.00	0.00	8,437,223.58
2026	8,437,223.58	(923,668.02)	(213,832.57)	(515,852.60)	(284,405.30)	6,499,465.09
2027	6,499,465.09	(464,705.78)	(215,823.42)	(515,852.60)	(284,405.30)	5,018,677.99
2028	5,018,677.99	29,833.23	(217,874.00)	(515,852.60)	(284,405.30)	4,030,379.32
2029	4,030,379.32	562,043.54	(219,986.10)	(515,852.60)	(284,405.30)	3,572,178.86
2030	3,572,178.86	1,134,132.33	(222,161.56)	(515,852.60)	(284,405.30)	3,683,891.72
2031	3,683,891.72	1,253,892.21	(224,402.29)	(515,852.60)	(284,405.30)	3,913,123.75
2032	3,913,123.75	1,379,287.75	(226,710.23)	(515,852.60)	(284,405.30)	4,265,443.36
2033	4,265,443.36	1,510,536.16	(229,087.42)	(515,852.60)	(284,405.30)	4,746,634.20
2034	4,746,634.20	1,647,862.33	(231,535.92)	(515,852.60)	(284,405.30)	5,362,702.71
2035	5,362,702.71	1,791,499.01	(234,057.87)	(515,852.60)	(284,405.30)	6,119,885.95
2036	6,119,885.95	1,941,687.13	(236,655.49)	(515,852.60)	(284,405.30)	7,024,659.70
2037	7,024,659.70	2,098,676.04	(239,331.03)	(515,852.60)	(284,405.30)	8,083,746.80
2038	8,083,746.80	2,262,723.78	(242,086.84)	(515,852.60)	(284,405.30)	9,304,125.84
2039	9,304,125.84	2,434,097.39	(244,925.32)	(515,852.60)	(284,405.30)	10,693,040.01
2040	10,693,040.01	2,613,073.23	(247,848.96)	(515,852.60)	(284,405.80)	12,258,005.88

The graph on the following page depicts the anticipated reduction and growth activity, tracking the estimated beginning fund balance against the ending fund balance over a sixteen-year period.







## Risk Considerations

The Project Team did not attempt to contemplate the vast number of “what if” scenarios related to the Lincoln Hanscom contractual relationship, thus this discussion only provides some information surrounding inherent risk. Naturally, a combination of the three risk scenarios is within the realm of possibility and the Project Team would encourage further vetting to outline the plausibility and impact of these and other scenarios.

### **1. *Loss of Contract.***

As outlined in prior sections, Lincoln Public Schools is a vendor to DoDEA tasked with operating the Hanscom base school. A traditional “request for proposal” or “RFP” process is followed under the FAR standards by DoDEA which permits all interested parties to submit bids. While this scenario is possible, the Project Team believes it is highly unlikely after reviewing the burden placed on the vendor including but not limited to; supplying all furniture, equipment, and supplies, providing all building maintenance, funding all capital improvements up to \$50,000, and supporting all special education needs including out of district placements. A competing party would require an extraordinary amount of capital, upfront, simply to outfit the school building alongside hiring staff, and a host of other startup costs. The Project Team believes there is little chance that any public or private entity would accept this burden of upfront capital let alone the logistical organization requirements.

If this scenario did come to pass, at a high-level, Lincoln would have unemployment costs, and outstanding OPEB and pension liabilities. The District could re-bid when a new RFP was released by DoDEA, however, storage of the full contents of the Hanscom School would be necessary during the waiting period. Further the District would be forced to contemplate a potential organizational restructuring given the loss of approximately 50% of the student population. Additionally, and because a variety of costs are shared between the Hanscom contract and the District, a direct impact on the local municipal budget would likely occur potentially increasing the tax burden.

It is assumed the Hanscom Fund would bear the burden of all liabilities if it were able together with COBRA expenses possibly being offset by surplusing the owned furniture, equipment, and supplies. Additionally, a general reduction in staffing may be necessary given the assumed 50% loss of student population. Further, this extreme scenario may be the catalyst for exploring full public school regionalization to share related costs.

### **2. *Base closure.***

A base closure could be both very similar to the loss of contract scenario or it could evolve into a different and more challenging situation. The Town and District are operating under the assumption that if the Base closes, there is a potential all current students will remain as



the housing was privatized in 2008 with HP Communities LLC. The current lease ends on November 3, 2058.

Interestingly, if a base closure did occur, any number of variables could arise such as; the land could be sold and re-zoned as traditional residential / commercial parcels and / or the presently leased housing could be accessed by civilians. While the Project Team did not attempt to calculate the adjustment in taxable property, it could be deduced this would either positively or negatively impact the Town alongside posing a substantial challenge for the District.

### 3. ***Contract is eliminated.***

The final risk contemplation noted a full cancellation of the contractual relationship and a migration to impact aid for children residing at Hanscom. The Project Team noted this scenario did not meet the standard criteria of impact aid in that typically children are bused to the local district schools and not educated on base. It is more likely that if the contract was cancelled DoDEA would move towards operating the Hanscom School internally.

However, if an impact aid scenario is assumed, students presently educated at the Hanscom School would perhaps be transferred to the Lincoln School as the majority of these currently operating models educate students within the local community school. Naturally, this infusion of students may pose a significant space issue and require, under exceptional circumstances, construction. The Federal Impact Aid Program has several funding components including; payments for federal property, basic support payments, children with disabilities payments, and construction grants<sup>4</sup> to assist local municipalities and school districts with funding offsets. Further, the computation of payments includes a variety of standards of which the Project Team did not undertake given such calculations would require a level of expertise only the Office of Elementary & Secondary Education possesses.

Should this drastic possibility occur, the District should keep in mind that certain alternative revenues or an increase in current revenue streams may become available such as; Chapter 70 and entitlement grants in conjunction with impact aid.

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<sup>4</sup> “Impact Aid Program”, Department of Education Office of Elementary & Secondary Education, <https://oese.ed.gov/offices/office-of-formula-grants/impact-aid-program/>, Accessed 05/13/2024.

## Findings & Recommendations





## Findings & Recommendations

### Overview

The following discussion is meant to supply some direction surrounding areas of improvement, efficient process and / or workflow practices, and a broader understanding for administering and implementing the Hanscom contract moving forward. These suggestions should not take the place of an annual audit or findings presented by the auditing firm or State of Massachusetts.

### *Policy & Procedure*

- a) **RECOMMENDATION:** Define grant allocation practices.

Hanscom is only eligible for Circuit Breaker and other state and federal entitlement grants. The Project Team noted past practice to separate grant receipts simply split the award 50/50 between the District and Hanscom. An updated allocation model will be implemented as of FY2025 utilizing a cost-based methodology. To ensure the new methodology is applied accurately, the District should write and implement an internal procedure addressing the calculation standard for grant allocations.

- b) **RECOMMENDATION:** Define shared cost allocations.

The District and Hanscom share primarily Central Office and Administrative costs evenly. Past and current practices indicate that expenses are both budgeted and expended on a 50/50 distribution. To properly codify this practice, the District should write and implement an internal procedure defining the standardized 50/50 split cost allocation listing exactly what expense accounts are impacted.

- c) **RECOMMENDATION:** Review and update Town indirect cost methodology.

The Town offered the current indirect cost methodology used to generate year-end reporting figures. Having these practices documents is applauded as it provides clear guidance and oversight of the process. The Project Team did note areas where the methodology should be reviewed to ensure not only year-end school reporting is accurate, but expenses impacting the Hanscom contract are appropriate. The District and Town should work together to review and update the indirect cost methodology.

- d) **RECOMMENDATION:** Generate a School Committee policy requiring approval of the Hanscom Contract and annual budgets.



The Hanscom contract relationship is unique creating an undefined landscape for how best to oversee this extraordinary commitment. The Project Team encourages the School Committee to implement a policy of voting to approve the Hanscom contract at the closure of each renegotiation as well as each fiscal year's budget.

## *Financial & Accounting*

- a) **RECOMMENDATION:** Seek special legislation to establish the Hanscom contract as an enterprise account operation.

Presently the Hanscom contract accounting structure falls within a revolving fund construction and classification, specifically funds designated for School Choice according to the Department of Elementary and Secondary Education (DESE) and the Department of Revenue (DOR). The Project Team discussed the situation with both DESE and DOR to exchange findings and recommendations which could better manage this unusual situation. The conversations resulted in DESE deferring to the Department of Local Services (DLS) and DOR's determination of a more appropriate accounting structure, though any adjustment to the accounting would not impact how funds were reported to DESE at year end. DOR agreed with the Project Team, the sheer size of the fund exceeding \$9M alongside annual cash flow activities exceeding \$15M should have additional oversight implemented.

According to DLS an enterprise fund "gives communities the flexibility to account separately for all financial activities associated with a broad range of municipal services. It establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods and services. Revenues and expense of the service are segregated into a fund separate from all other governmental activities."

By establishing an enterprise fund all activities related to the Hanscom contract would be more clearly defined. In addition, the budget would require an annual warrant article, increasing transparency and an understanding of the operation.

Unfortunately, the Enterprise Fund Guidance<sup>1</sup>, which dictates what types of activities can be designated as an enterprise fund, does not include situations like the Hanscom contract. Instead, DOR recommended the Town and District work with Lincoln's designated Division of Local Services Representative to establish special legislation supporting an enterprise fund structure specific to the Hanscom contract.

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<sup>1</sup> Division of Local Services MA Department of Revenue, "Informational Guideline Release", "Enterprise Funds", <file:///C:/Users/Heather%20Michaud/Downloads/igr2021-11.pdf>, Accessed 03/18/2024.



- b) **RECOMMENDATION:** Update Enterprise ERP (MUNIS) setup to allocate payroll and employer benefit obligations against appropriate Hanscom expense accounts.

The Project Team noted the current practice of the Town invoicing the District monthly for employer benefit obligations lacked efficiency. The present setup could be necessary because of the revolving account structure presently supporting the Hanscom contract. If the Town and District pursue special legislation to maintain the Hanscom accounting needs, it is recommended all direct expenses related to the Hanscom operation are linked and charged to the appropriate account numbers.

- c) **RECOMMENDATION:** Reconcile health insurance elections monthly with Town.

As noted in the Contract Administration Discussion, there appears to be a variance in the Hanscom employer health insurance budget. The difference is likely caused by the timing of new rates being unavailable during the budget cycle as well as a lack of monthly reconciliations to capture employee election adjustments and other qualifying events. It is recommended the Town and District develop a standardized monthly reconciliation practice to properly track and account for these impactful changes.

- d) **RECOMMENDATION:** Document and standardize reconciliation procedures between Town and District.

The review indicated there are areas where standardized and documented reconciliation procedures could greatly benefit workflows and operations for both the Town and District. While a Financial Policies & Procedures Manual is being generated, it is recommended that the Town and District partner to further identify problems of practice, agree upon shared processes, regularly update the Financial Policies & Procedures Manual, and right fit financial activities to support the Town and School.

- e) **RECOMMENDATION:** Pay annual actuarial determined pension contributions in a single payment.

Another area discussed in prior sections of this report was the actuarially determined pension contributions being tied to payroll rather than the Hanscom budget issuing a single accounts payable check for the required payment. The Project Team understood the Town and District have plans to migrate this practice to the ADC methodology and it is encouraged this occur by FY2025.

- f) **RECOMMENDATION:** Evaluate OPEB and pension liability allocation methodologies.



Perhaps the most impactful risk relates to employer liabilities, specifically, OPEB and pension. These are concepts that all municipalities and school districts are struggling to overcome, thus proper planning is critical to reducing financial risk. The Project Team was unable to document the general allocation methodologies used to distribute outstanding OPEB and pension liabilities between the Town of Lincoln, Lincoln Public Schools, and Hanscom, therefore, it is recommended that the Town and District work with each actuarial firm to ensure that the allocation methodology used is the most appropriate and reflective of actual experience as it relates to the Town of Lincoln, Lincoln Public Schools, and Hanscom.

- g) **RECOMMENDATION:** Generate disaggregated valuation statements for OPEB and pension liabilities bi-annually.

While this practice appears to be in place, the Project Team encourages the Town and District solidify a plan to generate disaggregated valuation statements for both OPEB and MCERS pension liabilities into three groups: Town of Lincoln, Lincoln Public Schools, and Hanscom bi-annually.

- h) **RECOMMENDATION:** Create reserve funds and funding model.

The Project Team recommends expanding reserve funds specific to the Hanscom operation. It was documented the following funds currently exist on the chart of accounts:

- Hanscom Operating Reserve
- Hanscom Technology Fund
- Employee Benefits Reserve
- Hanscom General Reserve Fund

Without attempting to explain the activity found in each of the above, having reserve funds in place with a funding plan is a critical tool for successful financial health. To assist in smoothing spikes in spending, the suggested list of reserves is below.

- Hanscom Operating Reserve
- Hanscom Special Education Fund
- Hanscom OPEB Fund (which is the Employee Benefits Reserve)
- Hanscom Capital Fund (this could include technology purchases meeting the Town's capital definition)
- Hanscom Unemployment Fund





The Project Team recommends the Town and District work together to create the appropriate savings model to support the Hanscom enterprise.

## *Reporting*

- i) **RECOMMENDATION:** Standardize transparency through Enterprise ERP (MUNIS) run monthly reports.

While not a specific part of this review, the Project Team noted standardized and simplified reporting process generated from the financial database, Enterprise ERP (MUNIS), was lacking. To increase transparency as well as education on this unique operation it is recommended the District explore monthly reports directly addressing fund balance, adopted budget, adjusted budget, encumbrances, remaining balances as well as accounts receivable status and activity. Highlighting where the budget may be stressed and projecting impacts to fund balance will foster greater understanding and a willingness to contemplate mitigation resources when necessary.

- j) **RECOMMENDATION:** Engage in Enterprise ERP (MUNIS) training for District staff.

The Town and District should work together to develop a gap area listing targeting how the financial database could and should be leveraged. Problems of practice should be considered such as; “how to run a report which captures all pre-payments?” or “can a report be run compiling employer health insurance pension matches?” Training may not necessarily be an issue requiring attention, but instead systems permissions adjustments or database setup standards have created workflow barriers. Making a concerted effort to close these gray areas in accounting and business operations will greatly enhance the ability to be responsive to issues as they arise.

## *Contract Negotiation Considerations*

- a) **RECOMMENDATION:** Implement a standardized and transparent negotiation process including representation from both Town and School for each Hanscom RFP.

Realizing the Hanscom relationship falls to the District, risk is a consideration for both the Town and District. The Project Team recommends that a Hanscom Negotiation Team is implemented with representation from both the Town and District. Having this diversification will allow the same message to be disseminated to elected boards and committees, ensuring all parties remain abreast of the situation. The Hanscom contract is extraordinary in so many ways, consistently including a variety of stakeholders to



support the operation, particularly during negotiations, will strengthen an overall understanding and communication path.

## Conclusion





## Conclusion

The primary goal of this study was to identify and quantify primarily financial conditions surrounding the Hanscom contract. Following the two-pronged analysis combining both interviews and a review of voluminous documentation and data, it became clear that the Hanscom Fund, while healthy, has substantial liabilities and risks to consider. These risk factors alongside certain stressed workflow and operational practices have contributed to less accurate and efficient contract administration. In short, the study uncovered several areas of improvement which could strengthen the financial landscape and support clearer accounting and reporting practices.

To further support the conclusion that adopting standardized reconciliation practices, shared budgeting strategies, and a more robust accounting structure is necessary, the quantitative examination divulged the Hanscom Fund will trend downwards beginning in FY2024, depleting the account within a ten-year period. Only one projection model, which employs a higher negotiated contract value for FY2026 through FY2030 in conjunction with conservative expenditure budgeting activities proved to be capable of supporting normal operations and for anticipating financial risk factors. Additionally, recommendations included establishing a partnership between the Town and District to work through operational processes, discuss and bolster risk scenarios, and to form shared negotiation strategies and reporting standards.

Understanding this study was not all inclusive of the Hanscom contract's many requirements and facets, it does provide a general framework to guide further actions in support of this extraordinary relationship and operation. The Project Team sees a long-term commitment by both the Town and District to develop an action plan preparing all parties for a bright future in the service of students. As pressures continue to mount on municipalities and public education, having a cohesive partnership will only strengthen Lincoln's ability to navigate any number of present and future challenges.

# Appendix



## Appendix: A1 – OPEB ADC

	Fiscal Year Ending June 30, 2022						
	Hanscom						Total
	Town Employees and Retirees	Lincoln School Employees and Retirees	School Employees and Retirees	Police Employees and Retirees	Fire Employees and Retirees	Water Employees and Retirees	
I. Service Cost	62,618	391,644	342,196	44,797	62,280	6,266	909,801
II. 30 Year Amortization of NOL	258,263	657,760	397,630	63,223	51,746	(6,975)	1,421,647
III. Actuarial Determined Contribution [I. + II.]	320,881	1,049,404	739,826	108,020	114,026	(709)	2,331,448
IV. Employer Share of Costs (Including Implicit Cost)	(441,084)	(648,949)	(554,799)	(8,161)	(4,302)	(18,315)	(1,675,610)
V. Employer OPEB Trust (Contribution)/Withdrawal	(87,675)	(223,295)	(400,000)	(21,463)	(17,567)	(40,000)	(790,000)
VI. Total Employer Contribution [IV. + V.]	(528,759)	(872,244)	(954,799)	(29,624)	(21,869)	(58,315)	(2,465,610)
VII. Contribution Deficiency / (Excess) [III. + VI.]	(207,878)	177,160	(214,973)	78,396	92,157	(59,024)	(134,162)

# Finance Committee Meeting

February 2, 2023

## OPEB Update

- OPEB = Other Post Employment Benefits
  - Other than pensions
  - For Lincoln this benefit is health insurance for retirees
    - CH32B of Massachusetts General Laws requires municipalities to provide health insurance at a contribution no less than 50%
  - Basis of liability is that employees earn this benefit with each year of service
  - Governmental Accounting Standards Board standards requires the reporting of the Town's OPEB liability on the Town's financial statements
    - Actuarial valuation must occur every 2 years per GASB standard
    - No requirement to fund the liability at this point
  - The liability is the present value of the Town's share of the health benefit for current retirees as well as employees who have a right to retiree at a future date
    - Eligibility
      - » Health benefit eligibility
        - Any town/school employee who works at least 20 hours a week
      - » Retirement benefit eligibility
        - Before April 2, 2012- Age 55 with 10 years of creditable service or 20 years of service at any age
        - After April 2, 2012- Age 60 with 10 years of creditable service
- Cost reduction strategies for health insurance directly affect the OPEB liability.

## Health Insurance/OPEB Cost Reduction Strategies

- 60/40 Town/Employee Premium Split
  - Average Massachusetts split remains around 75/25
- Acceptance of Section 18
- Creation of Trust
  - Increasing contributions each year
  - Policy to shift pension contributions to OPEB when pension liability is fully funded (2037)
- Conversion to MIIA provider
- Plan design changes
  - Several plan design changes over the years have been made to reduce premium costs
- Positive claims experience
  - Employee wellness program
  - Though claims are not always under our control this helps keep liability down and have been favorable in most recent years.

## Finance Committee's OPEB Policy Summarized

- Two phased approach
  - In both phases, the Finance Committee will recommend budgets that fully fund the expected pay-as-you-go payments, as in all past years. However, the amount contributed in excess of this, which accrues to the OPEB Trust Fund, will vary depending on the phase.
- Phase 1- Period of time until Lincoln's pension is fully funded
  - Finance Committee funding recommendations of allocations to OPEB Trust Fund to the extent that funds are available in its normal annual budget process
  - Goal of allocating at least .5% of the Annual Covered Payroll of the prior fiscal year before any allocation is made for discretionary spending
  - Total allocation to the OPEB Trust of at least 25% of surplus funds, if any, after budgeting for all other Required Annual Expenditures other than OPEB & Stabilization Fund, and after targeting a Total Funds for Discretionary Spending that is at least 2.5% higher than the prior fiscal year
- Phase 2 – Period of time after Lincoln's pension is fully funded
  - Finance Committee will recommend allocations to the OPEB Trust Fund that target reaching fully funded status for the OPEB Liability by the year 2046
  - This will be achieved by redirecting some percentage of the annual funding amount previously allocated to Lincoln and LSRHS pension that is no longer needed due to reaching full funding of those pension obligations (the "Freed-Up Funding")- all to the extent this approach continues to be feasible as estimates of the net OPEB liability change over time.
  - Initial annual allocation to OPEB will be 50% of the Freed-up Funding, with the percentage linearly decreasing to zero by 2046 (FinCom will adjust these percentages as OPEB liability estimates change)
- Other Considerations
  - Regarding other OPEB contributions, although the Town does not have financial control over Hanscom School appropriations, the Finance Committee believes it should ask for Hanscom School budgets to be structured over an intermediate time horizon with OPEB funding objectives consistent with those of the Town.
  - Finally, consistent with other towns' approaches to their Enterprise Funds, the Finance Committee believes it is appropriate for the Water Board to fund its Net ADC on an annual basis.



# Contributions to OPEB Trust Fund

\*Funded Ratio shown  
is not actuarially  
determined

Contributions To Group Insurance Liability Fund				
	HANSCOM	TOWN	Water	TOTAL
APPROPRIATIONS		6,600,000.00		
TRANSFERS	3,350,000.00			
FY2009	400,000.00			
FY2010	200,000.00	100,000.00		
FY2011	200,000.00	100,000.00		
FY2012	400,000.00	150,000.00		
FY2013	400,000.00	250,000.00		
FY2014	150,000.00	350,000.00		
FY2015	100,000.00	450,000.00		
FY2016	100,000.00	650,000.00	20,000.00	
FY2017	100,000.00	750,000.00	30,000.00	
FY2018	300,000.00	850,000.00	30,000.00	
FY2019	-	950,000.00	30,000.00	
FY2020	200,000.00	650,000.00	40,000.00	
FY2021	400,000.00	350,000.00	40,000.00	
FY2022		350,000.00	40,000.00	
FY2023	400,000.00	650,000.00	40,000.00	
<b>SUB-TOTAL</b>	<b>3,350,000.00</b>	<b>6,600,000.00</b>	<b>270,000.00</b>	<b>10,220,000.00</b>
INTEREST	599,050.21	1,180,218.32	48,281.66	<b>1,827,550.19</b>
ADJ FOR FAIR MARKET VALUE	1,078,863.90	2,125,522.90	86,953.21	<b>3,291,340.01</b>
<b>TOTAL</b>	<b>5,027,914.11</b>	<b>9,905,741.23</b>	<b>405,234.87</b>	<b>15,338,890.20</b>
<b>% of Liability Funded</b>	<b>64.98%</b>	<b>49.37%</b>	<b>-298.56%</b>	<b>55.45%</b>

## Actuarial Determined Contribution Fiscal Year Ending June 30, 2022

	Fiscal Year Ending June 30, 2022							Total
	Hanscom							
	Town	Lincoln School	School	Police	Fire	Water		
	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees		
I. Service Cost	62,618	391,644	342,196	44,797	62,280	6,266	909,801	
II. 30 Year Amortization of NOL	258,263	657,760	397,630	63,223	51,746	(6,975)	1,421,647	
III. Actuarial Determined Contribution [I + II]	320,881	1,049,404	739,826	108,020	114,026	(709)	2,331,448	
IV. Contributions in Relation to the Actuarially Determined Contribution	(528,739)	(872,244)	(954,799)	(29,624)	(21,869)	(58,315)	(2,465,610)	
V. Contribution Deficiency / (Excess) [III + IV.]	(207,878)	177,160	(214,973)	78,396	92,157	(59,024)	(134,162)	



History of OPEB Liability

## 2021 Valuation Results

- Valuation increased 22.3% or \$5,035,159 from prior valuation
- Plan experience:
  - Gain of \$3.8m due to Medicare Supplement plans decreasing by 2% vs the expected 14% increase over a 3-year period
  - Loss of \$1.55m on asset performance, which drove the funded status down to 34.74% from 40.40%
- Actuarial Assumption Changes:
  - Discount rate- per GASB 75 standards, the discount rate was reduced to 6.41% from 6.75% -increased liability by \$1.7m
  - Health Care Trend Rate- per Getzen Model, increased rate to 9% to reflect higher near-term increases in healthcare costs –increased liability by \$4.2m
  - Morbidity Rates- per Society of Actuaries, updated morbidity rates by age- increased liability by \$2.8m

# 2021 Numbers

Changes in Net OPEB Liability	2021 Valuation (FY2022)	2020 Interim Valuation (val date of 7/1/19)	2019 Valuation	2018 Interim Valuation	2017 Valuation
Actives	18,984,227	16,680,259	16,295,982	16,922,366	15,791,265
Retirees/Disabled	23,407,079	19,181,557	16,874,213	14,060,062	11,794,777
<b>Total Liability</b>	<b>42,391,306</b>	<b>35,861,816</b>	<b>33,170,195</b>	<b>30,982,428</b>	<b>27,586,042</b>
Plan Assets as of valuation date	14,726,363	14,486,390	10,540,411	9,448,007	6,158,516
<b>Net OPEB Liability</b>	<b>27,664,943</b>	<b>21,375,426</b>	<b>22,629,784</b>	<b>21,534,421</b>	<b>21,427,526</b>
Change in Net OPEB Liability	6,289,517	(1,254,358)	1,095,363	106,895	
% Funded	34.74%	40.4%	31.78%		
<b>Total Increase in Net OPEB Liability YoY</b>	<b>5,035,159</b>	<b>(158,995)</b>	<b>1,202,258</b>		
% Increase	22.3%	-0.7%	5.6%		
<b>Change in Total Liability YoY</b>	<b>6,529,490</b>	<b>2,691,621</b>	<b>2,187,767</b>	<b>3,396,386</b>	

Detailed change in 2021 Total Liability	
Service cost	909,801
Interest on Total OPEB Liability, Service Cost, & Benefit Payments (passage of time)	2,426,456
Discount Rate	1,689,970
Assumption changes -morbidity table	4,200,000
Assumption changes -health care trend rate	2,800,000
Plan Experience	(3,821,127)
Benefit Payments	(1,675,610)
<b>Net Changes in Total Liability</b>	<b>6,529,490</b>

## FY21 Census of Employees & Retirees Enrolled in Benefits

	Retirees	Retiree Spouses	Actives	Total
Hanscom	54	21	71	146
Lincoln	66	35	68	169
Town	39	19	55	113
<b>Total</b>	<b>159</b>	<b>75</b>	<b>194</b>	<b>428</b>

## Recommendations

- FY24 Projected contribution of \$650,000 is prudent and in compliance with FinCom's OPEB policy
- Can't predict future valuations but most will go up w/out some major offsetting change
  - FY24 Valuation \*may\* see significant reduction in plan experience due to Medicare buy-in of previously ineligible retirees.
  - Other plan experience or assumption changes may offset some or all of this but it will have a positive result on the liability
  - We work with our insurance advisor annually to explore additional opportunities for cost savings



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•Questions?

## Appendix: B1 – Pension ADC

### Town of Lincoln – Breakdown of Actuarial Valuation Results

11/07/2023

Based on results of Middlesex County Retirement System Actuarial Valuation and Review as of January 1, 2022

Data provided as of January 1, 2022				
	Hanscom	Lincoln	Other	Total
1. Retired participants and beneficiaries (see notes)	26,595	31,405	61	119
2. Active participants (see notes)	52.75	48.25	103	204
3. Inactive participants entitled to a return of their employee contributions	42	33	37	112
4. Inactive participants with a vested right to a deferred or immediate benefit	1	2	4	7
Actuarial factors as of January 1, 2022				
	Hanscom	Lincoln	Other	Total
1. Normal cost	\$272,698	\$250,269	\$1,109,482	\$1,632,449
2. Administrative expenses	12,618	11,580	51,337	75,535
3. Expected employee contributions	<u>-201,850</u>	<u>-185,483</u>	<u>-787,132</u>	<u>-1,174,465</u>
4. Employer normal cost: (1) + (2) + (3)	\$83,465	\$76,366	\$373,688	\$533,519
5. Actuarial accrued liability				
a. Retired participants and beneficiaries	6,026,726	6,919,680	22,094,913	35,041,319
b. Active participants	3,685,178	3,863,364	24,020,832	31,569,374
c. Inactive participants	<u>237,721</u>	<u>221,156</u>	<u>1,104,946</u>	<u>1,563,823</u>
d. Total	\$9,949,625	\$11,004,200	\$47,220,691	\$68,174,516
6. Actuarial value of assets	5,737,476	6,345,599	27,229,928	39,313,003
7. Unfunded actuarial accrued liability: (5d) – (6)	4,212,149	4,658,601	19,990,763	28,861,513
8. Reallocated unfunded actuarial accrued liability	<u>53,930</u>	<u>59,646</u>	<u>255,952</u>	<u>369,528</u>
9. Total unfunded actuarial accrued liability: (7) + (8)	\$4,266,079	\$4,718,247	\$20,246,715	\$29,231,041
Actuarial factors projected to FY24				
	Hanscom	Lincoln	Other	Total
1. Projected employer normal cost, adjusted for timing	\$89,529	\$81,914	\$400,657	\$572,100
2. Payment on projected unfunded actuarial accrued liability	<u>369,458</u>	<u>408,618</u>	<u>1,753,442</u>	<u>2,531,518</u>
3. Total FY24 Actuarially Determined Contribution, adjusted for timing: (1) + (2)	\$458,987	\$490,532	\$2,154,099	\$3,103,618
4. Total FY24 Actuarially Determined Contribution, payable on July 1	451,131	482,136	2,117,227	3,050,494
Actuarial factors projected to FY25				
	Hanscom	Lincoln	Other	Total
1. Projected employer normal cost, adjusted for timing	\$92,890	\$84,991	\$415,515	\$593,396
2. Payment on projected unfunded actuarial accrued liability	<u>395,879</u>	<u>437,839</u>	<u>1,878,833</u>	<u>2,712,551</u>
3. Total FY25 Actuarially Determined Contribution, adjusted for timing: (1) + (2)	\$488,769	\$522,830	\$2,294,348	\$3,305,947
4. Total FY25 Actuarially Determined Contribution, payable on July 1	480,403	513,881	2,255,076	3,249,360

**Notes:**

Ten actives and ten retirees have been allocated proportionately between Hanscom and Lincoln based on proportions provided by the Town.  
Actuarial value of assets allocated in proportion to actuarial accrued liability.



# Informational GUIDELINE Release

Commissioner Stephen W. Kidder  
Deputy Commissioner Edward J. Collins, Jr.

Bureau of Accounts  
Informational Guideline Release (IGR) No. 90-106  
March 1990

## PENSION CHARGES TO FEDERAL GRANTS

G.L. Ch. 35 §32A and G.L. Ch. 40 §5D

This Informational Guideline Release (IGR) informs local officials about making pension cost transfers from federal grants.

This IGR supersedes IGR No. 85-103 "Pension Charges to Federal Grants".

Questions on pension charges to federal grants should be referred to the Bureau of Accounts or to the Public Employee Retirement Administration: Barbara Ware (617) 727-9380.

### Topical Index Key:

Accounting Policies and Procedures  
Treasurers and Collectors:  
Responsibilities and Procedures

### Distribution:

Municipal/District/County  
Treasurers  
Accountants/Auditors  
School Superintendents  
Mayors/Selectmen/Managers



THE COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
DIVISION OF LOCAL SERVICES

STEPHEN W. KIDDER  
COMMISSIONER

EDWARD J. COLLINS, JR.  
DEPUTY COMMISSIONER

BUREAU OF ACCOUNTS

INFORMATIONAL GUIDELINE  
RELEASE NO. 90-106

ISSUED: March 1990

PENSION CHARGES TO FEDERAL GRANTS

G.L. Ch. 35 §32A and G.L. Ch. 40 §5D

SUMMARY:

General Laws Chapter 35, Section 32A and Chapter 40, Section 5D require that all federal grants received by local governments be charged for pension costs incurred because of the grant.

County, municipal and district treasurers are required to make provisions for charging federal grants for pension costs of all active members of a retirement system whose salaries are paid from these grants. This charge is separate from the member's mandatory contribution, which will continue.

The Division of Public Employee Retirement Administration (PERA) has determined that beginning in FY88 the appropriate charge for all federal grants is nine percent of total grant salaries.

GUIDELINES:

1. The Division of Public Employee Retirement Administration (PERA) is responsible for determining the appropriate charge for pension costs incurred because of federal grants.

Between October 1, 1985 and June 30, 1986, PERA established an initial charge of three percent of the total grant salaries. In FY87 the charge was increased to six percent. In FY88 the charge was increased to nine percent and it continues to remain at nine percent.

2. At the commencement of every fiscal year (but no later than July 31st), each spending agency of cities, towns, districts and counties must authorize the treasurer to initiate procedures to transfer pension costs from all federal grants.

BUREAU OF ACCOUNTS

Mariellen P. Murphy, Director (617)727-2300

Employees responsible for administering federal grants should notify their accountant or auditor and treasurer to make pension cost transfers from all federal grants.

3. All transfers should be made on a timely basis and as close to the dates of payroll distributions for these federal grants as is reasonably possible and in accordance with the local government's normal withholding policies and procedures.
4. All pension costs so recovered from grants must be deposited in the local retirement system's pension reserve fund.
5. Each transfer of funds must be accompanied by supporting documentation which details each employee and the respective amounts and period of time which the charge and transfer represents. Copies of all documentation supporting these pension charges to grants should also be maintained by the county, municipality and district.
6. All local retirement boards have the responsibility to maintain financial information which is adequate to justify and support the recovery of pension costs from federal grants.
7. For any federally-funded educational grants received through the Massachusetts Department of Education (DOE), 80% of the required percentage of budgeted payroll for pension costs of employees who are members of the State Teachers' Retirement System will be deducted by the DOE prior to receipt of grant funds at the local level. At the end of the school year the Massachusetts Teachers' Retirement Board (MTRB) and the DOE will reconcile the actual expenditures and compensate for over and under payments for pension costs.

All other employees whose salaries are funded by these federal education grants received through the DOE must be considered in pension cost transfers to the local retirement system.



**MASSACHUSETTS DEPARTMENT OF ELEMENTARY & SECONDARY EDUCATION**  
**GRANTS MANAGEMENT PROCEDURAL MANUAL**

**POLICY STATEMENT ON PENSION CHARGES TO FEDERAL GRANTS**

Massachusetts General Laws Chapter 35, Section 32A and Chapter 40, Section 5D require that all federal grants received by local governments be charged for pension costs incurred because of the grant. County, municipal and district treasurers are required to make provisions for charging federal grants for pension costs of all active members of a retirement system whose salaries are paid from these grants. This charge is separate from the members mandatory contribution, which will continue. The Division of Public Employee Retirement Administration has determined that beginning in FY88 the appropriate charge for all federal grants is 9% of total grant salaries.

For any federally-funded educational grants received through the Massachusetts Department of Elementary and Secondary Education, 80% of the required percentage (9%) of budgeted payroll for pension costs of employees who are members of the State Teachers' Retirement System will be deducted by the Department of Elementary and Secondary Education prior to final payment of grant funds at the local level.

Prior to the termination of the grant, the local school district will determine its actual liability and pay the Massachusetts Teachers' Retirement Board directly for any balance owed.

(Excerpts from *Informational Guideline No. 90-106: Charges to Federal Grants*, Massachusetts Department of Revenue, Division of Local Services)

## REVOLVING FUNDS FOR SCHOOL DEPARTMENT PROGRAMS

The purpose of this chart is to provide general information about revolving funds allowed by Massachusetts law. It is not designed to address all questions or issues about the listed funds. Nothing contained in the chart changes the laws that authorize and govern these funds.

A revolving fund separately accounts for specific revenues and earmarks them for expenditure by a board or officer without appropriation for particular purposes to support the activity, program or service that generated the revenues. Typically, revolving funds are authorized by state law for programs or services with expenses that (1) fluctuate with demand and (2) can be matched with the fees, charges or other revenues collected during the year. Local acceptance, if required by statute, is by vote of the municipality's legislative body, subject to charter. [G.L. c. 4, § 4](#).

The board or officer with authority to spend from a revolving fund can only incur liabilities and spend from the available, unspent and unencumbered balance of actual collections.

REVOLVING FUND	LOCAL ACCEPTANCE	TOWN MEETING/ CITY COUNCIL ACTION	DEPARTMENT/ ACTIVITIES	MUNICIPAL SALARIES	CAPITAL ITEMS/ DEBT SERVICE	STATUTORY SPENDING CEILING	REVENUE SOURCE	INTEREST	FUND BALANCE	OTHER ACCOUNTING PROCEDURES	REPORTS	OTHER
ADULT AND CONTINUING EDUCATION <a href="#">G.L. c. 71, § 71E</a>	YES  IN REGIONAL SCHOOL DISTRICT, BY VOTE OF THE SCHOOL COMMITTEE	NONE	ADULT EDUCATION AND CONTINUING EDUCATION, ADULT PHYSICAL FITNESS, SUMMER SCHOOL AND ENRICHMENT PROGRAMS	YES	NOT PROHIBITED	NONE	PARTICIPATION FEES AND PROGRAM RECEIPTS	GENERAL FUND	CARRIES FORWARD TO NEXT FY	SEPARATE FUNDS FOR ADULT PROGRAMS AND SUMMER SCHOOL AND ENRICHMENT PROGRAMS		
COMMUNITY SCHOOLS <a href="#">G.L. c. 71, § 71C</a>	NO	NONE	MATERIALS AND EQUIPMENT FOR COMMUNITY SCHOOL PROGRAMS	NO	PROGRAM EQUIPMENT	\$10,000	PARTICIPATION FEES AND PROGRAM RECEIPTS	GENERAL FUND	CARRIES FORWARD TO NEXT FY			
CULINARY ARTS <a href="#">G.L. c. 71, § 17A</a>	YES  IN REGIONAL SCHOOL DISTRICT, BY VOTE OF THE SCHOOL COMMITTEE AND A MAJORITY OF MEMBER CITY OR TOWN SELECTBOARDS OR CITY COUNCILS	NONE	CULINARY ARTS PROGRAMS	NO	PROGRAM EQUIPMENT	\$15,000 TOTAL  \$5,000 IN EQUIPMENT PURCHASES	SALE OF CULINARY PROGRAM PRODUCTS	GENERAL FUND	CARRIES FORWARD TO NEXT FY	FY RECEIPTS OVER \$15,000 CREDITED TO GENERAL FUND	ANNUAL AUDIT BY TREASURER TO SCHOOL COMMITTEE, MAYOR OR CITY MANAGER AND CITY COUNCIL, SELECTBOARD OR TOWN MANAGER  COPY TO BOA (SCHEDULE A)	

REVOLVING FUND	LOCAL ACCEPTANCE	TOWN MEETING/ CITY COUNCIL ACTION	DEPARTMENT/ ACTIVITIES	MUNICIPAL SALARIES	CAPITAL ITEMS/ DEBT SERVICE	STATUTORY SPENDING CEILING	REVENUE SOURCE	INTEREST	FUND BALANCE	OTHER ACCOUNTING PROCEDURES	REPORTS	OTHER
NON-RESIDENT STUDENT TUITION <a href="#">G.L. c. 71, § 71F</a> <a href="#">G.L. c. 71, § 16D½</a>	YES IN CITY OR TOWN  NO IN REGIONAL SCHOOL DISTRICT	NONE	EDUCATION EXPENSES OF NON-RESIDENT AND FOSTER CARE CHILDREN ENROLLED IN SCHOOL	YES	INSTRUCTIONAL EQUIPMENT THAT COULD BE FUNDED FROM SCHOOL BUDGET**	NONE	NON-RESIDENT TUITION PAYMENTS AND STATE REIMBURSEMENTS FOR FOSTER CARE CHILDREN	GENERAL FUND	CARRIES FORWARD TO NEXT FY			
SCHOOL BUS ADVERTISING <a href="#">c. 184, § 197 OF THE ACTS OF 2002</a>	NO	NONE	EDUCATION EXPENSES	YES	INSTRUCTIONAL EQUIPMENT THAT COULD BE FUNDED FROM SCHOOL BUDGET**	NONE	SALE OF ADVERTISING SPACE ON SCHOOL BUSES	GENERAL FUND	CARRIES FORWARD TO NEXT FY			SALE OF SPACE MUST BE OVERSEEN BY GOVERNING BOARD APPOINTED BY SCHOOL COMMITTEE AND IS SUBJECT TO STATUTORY STANDARDS
SCHOOL CHOICE TUITION <a href="#">G.L. c. 76, § 12B(o)</a>	NO	NONE	EDUCATION EXPENSES	YES	INSTRUCTIONAL EQUIPMENT THAT COULD BE FUNDED FROM SCHOOL BUDGET**	NONE	SCHOOL CHOICE TUITION PAYMENTS AND FEDERAL, STATE OR OTHER PAYMENTS, GIFTS AND GRANTS	GENERAL FUNDS	CARRIES FORWARD TO NEXT FY			
SCHOOL EXTENDED SERVICES <a href="#">G.L. c. 71, § 26C</a>	NO	NONE	EXTENDED SCHOOL SERVICES FOR CHILDREN	YES	NOT PROHIBITED	NONE	PROGRAM FEES, FEDERAL FUNDS, OTHER GRANTS, GIFTS, DONATIONS	GENERAL FUND	CARRIES FORWARD TO NEXT FY			PROGRAMS MUST BE APPROVED BY COMMISSIONER OF ELEMENTARY AND SECONDARY EDUCATION (DESE)
SCHOOL LUNCH <a href="#">c. 548 OF THE ACTS OF 1948, AS AMENDED BY c. 650, § 1969</a>	NO	NONE	OPERATION OF SCHOOL LUNCH PROGRAMS	YES	PROGRAM EQUIPMENT	NONE	FEES FROM SALES OF LUNCH AND OTHER MEALS, SCHOOL LUNCH GRANT FUNDS	REVOLVING FUND	CARRIES FORWARD TO NEXT FY	MUST COMPLY WITH PRESCRIBED FEDERAL AND STATE REPORTING AND AUDITING REQUIREMENTS		

\*\* Refers to equipment used in instruction that school committee may fund within its annual appropriation and generally considered "Instructional Equipment" under DESE end of year financial reporting guidelines

REVOLVING FUND	LOCAL ACCEPTANCE	TOWN MEETING/ CITY COUNCIL ACTION	DEPARTMENT/ ACTIVITIES	MUNICIPAL SALARIES	CAPITAL ITEMS/ DEBT SERVICE	STATUTORY SPENDING CEILING	REVENUE SOURCE	INTEREST	FUND BALANCE	OTHER ACCOUNTING PROCEDURES	REPORTS	OTHER
SCHOOL RENTAL <a href="#">G.L.c. 40, § 3</a> <a href="#">G.L.c. 71, § 16(r)</a>	NO, BUT PROVISION PERMITTING USE OF FUNDS FOR ANY FACILITY AND FUND CARRY OVER APPLIES ONLY IN CITY OR TOWN AND REQUIRES ACCEPTANCE (SEE DEPARTMENT/ ACTIVITIES; FUND BALANCE)	NONE	UPKEEP OF RENTED FACILITY OR SPACE, INCLUDING CUSTODIAL COSTS, UTILITIES, ORDINARY REPAIRS AND MAINTENANCE.  MAY BE USED FOR UPKEEP OF ANY SCHOOL FACILITY IF CITY OR TOWN HAS ACCEPTED PROVISION SO PERMITTING	YES	NOT PROHIBITED	NONE	RENTAL PAYMENTS FROM LESSEES OF SURPLUS SCHOOLS OR SURPLUS SPACE IN SCHOOL IN USE	GENERAL FUND	CLOSES TO GENERAL FUND AT END OF FY, UNLESS CITY/TOWN HAS ACCEPTED PROVISION PERMITTING CARRY OVER TO NEXT FY  CLOSES TO EXCESS AND DEFICIENCY IN REGIONAL SCHOOL DISTRICT			LEASING OF SURPLUS SPACE IN SCHOOL IN USE MUST BE APPROVED BY DESE
STUDENT ATHLETICS AND ACTIVITIES <a href="#">G.L.c. 71, § 47</a>	NO	NONE	SCHOOL COMMITTEE SPONSORED ATHLETIC AND EXTRACURRICULAR PROGRAMS, AWARDS, EQUIPMENT AND FACILITIES	YES	PROGRAM EQUIPMENT AND FACILITIES	NONE	PARTICIPATION FEES AND PROGRAM RECEIPTS	GENERAL FUND	CARRIES FORWARD TO NEXT FY			USE OF FUND FOR OUT-OF-STATE TRAVEL EXPENSES REQUIRES APPROVAL OF MAYOR OR SELECTBOARD
STUDENT ACTIVITY AGENCY <a href="#">G.L.c. 71, § 47</a>	NO	NONE	SCHOOL COMMITTEE AUTHORIZED STUDENT ACTIVITIES	NOT APPLICABLE	NOT APPLICABLE	NONE	STUDENT ACTIVITY RECEIPTS	AGENCY ACCOUNT	CARRIES FORWARD TO NEXT FY	PRINCIPAL AUTHORIZED BY SCHOOL COMMITTEE TO RECEIVE STUDENT ACTIVITY AGENCY MONIES MUST TURN OVER TO TREASURER; MONIES CREDITED TO STUDENT ACTIVITY AGENCY ACCOUNT	ANNUAL AUDIT BASED ON PROCEDURES AGREED TO BY SCHOOL COMMITTEE AND AUDITOR, AND DESE GUIDELINES	SCHOOL COMMITTEE MAY AUTHORIZE PRINCIPAL TO SPEND MONIES IN STUDENT ACTIVITY AGENCY CHECKING ACCOUNT FOR STUDENT ACTIVITIES. PRINCIPAL MUST BE BONDED IN AMOUNT FIXED BY TREASURER AND MUST FOLLOW ADMINISTRATIVE PROCEDURES ESTABLISHED BY TREASURER OR ACCOUNTING OFFICER  SCHOOL COMMITTEE (1) FIXES MAXIMUM BALANCE ON DEPOSIT IN CHECKING ACCOUNT, (2) TRANSFERS THROUGH WARRANT PROCESS INITIAL FUNDS FROM AGENCY ACCOUNT INTO CHECKING ACCOUNT FOR TREASURER TO REPLENISH PERIODICALLY

REVOLVING FUND	LOCAL ACCEPTANCE	TOWN MEETING/ CITY COUNCIL ACTION	DEPARTMENT/ ACTIVITIES	MUNICIPAL SALARIES	CAPITAL ITEMS/ DEBT SERVICE	STATUTORY SPENDING CEILING	REVENUE SOURCE	INTEREST	FUND BALANCE	OTHER ACCOUNTING PROCEDURES	REPORTS	OTHER
USE OF SCHOOL PROPERTY <a href="#">G.L.c. 71, § 71E</a>	YES  IN REGIONAL SCHOOL DISTRICT, BY VOTE OF THE SCHOOL COMMITTEE	NONE	EXPENSES OF MAKING FACILITY AVAILABLE, INCLUDING ADDITIONAL CUSTODIAL COSTS, UTILITIES, ORDINARY REPAIRS AND MAINTENANCE	YES	NOT PROHIBITED	NONE	FEES AND CHARGES FOR USE OF FACILITY  SCHOOL PARKING FEES	GENERAL FUND	CARRIES FORWARD TO NEXT FY			USE OF SCHOOL FACILITIES BY INDIVIDUALS, GROUPS, ORGANIZATIONS FOR CIVIC, SOCIAL, EDUCATIONAL RECREATIONAL PURPOSES GOVERNED BY SCHOOL COMMITTEE POLICIES ESTABLISHED UNDER G.L. c. 71, § 71
VOCATIONAL EDUCATION <a href="#">G.L.c. 74, § 14B</a>	YES  IN REGIONAL SCHOOL DISTRICT, BY VOTE OF THE SCHOOL COMMITTEE AND A MAJORITY OF MEMBER CITY OR TOWN SELECTBOARDS OR CITY COUNCILS	NONE	CULINARY ARTS, HOME ECONOMIC AND OTHER VOCATIONAL- TECHNICAL SCHOOL PROGRAMS	NO	PROGRAM EQUIPMENT	NONE	SALE OF PROGRAM PRODUCTS AND SERVICES	GENERAL FUND	CARRIES FORWARD TO NEXT FY		ANNUAL REPORT BY SCHOOL SUPERINTENDENT TO MAYOR OR CITY MANAGER AND CITY COUNCIL, SELECTBOARD OR TOWN MANAGER  COPY TO BOA (SCHEDULE A)	

## **School End of Year Financial Report**

### **Methodology for Expenditures by Town of Lincoln**

#### Line 1900 General Administration Services

1. Calculate % of total town-wide budget (including Hanscom) pertaining to K-8 school.
2. Multiply percentage times town cost centers that provide services to school (Accounting & Finance, Treasurer-Collector, Central Support, IT)
3. Subtract amount paid directly through Hanscom contract.

#### Line 1980 Operating & Maintenance of Plant-Other expenses

1. Use DPW snow and ice report to determine total amount spent
2. Contact DPW Superintendent to get estimate on how much sand and salt is used to plow the school property and what percentage of snow removal line item is related to school.

#### Line 2000 Employer Retirement Contributions

1. Use information from Salary & Deduction report from prior June to determine number of town and school employees contributing to retirement system.
2. Calculate percentage related to school.
3. Multiply percentage times Assessment paid.
4. Subtract amount paid directly through Hanscom contract.
5. Use current year budget, with the same percentage and same procedure to calculate Schedule 19 amount.

#### Line 2010 Insurance for Active employees

1. Health insurance. Using information from June Salary & Deduction report; determine number of school employees on specific health plans multiply times rate schedule for past fiscal year. Subtract the total for Hanscom employees from the total for all school employees. For Schedule 19, use the same enrollment numbers but use the rate schedule for current fiscal year.
2. Life Insurance. Use same report as described for health insurance to determine the life insurance amount. Subtract amount paid directly through Hanscom contract. Use 3% as increase for budget number for Schedule 19.
3. Medicare. Determine percentages of total General Fund salary line items for Town and Lincoln School salaries. Subtract amount paid directly through Hanscom contract for Medicare from the total Medicare paid to determine General Fund Medicare expenditures. Use Lincoln School salary percentage and multiply times General Fund Medicare expenditures for past fiscal year. Use same procedure for current year budget amount for Schedule 19.
4. Unemployment Insurance. Use the actual amount spent by the Town for unemployment insurance for Lincoln School employees. Use same number for Schedule 19.
5. Workman's Comp. Determine percentages of total General Fund salary line items for Town and Lincoln School salaries. Subtract amount paid directly through Hanscom contract for Workman's Comp from the total Workman's Comp paid to determine General Fund Workman's Comp expenditures. Use Lincoln School salary percentage and multiply times General Fund Workman's Comp expenditures

for past fiscal year. Use same procedure for current year budget amount for Schedule 19.

Line 2020 Insurance for retired School Employees

1. Obtain from the Treasurer's the report breaking down the Retiree Insurance expenditures for the past fiscal year. Report the Lincoln School amount. For Schedule 19, multiply past fiscal year expense by projected budget increase in health insurance.

Line 2060 Short-Term Interest (TAN)

1. Use general ledger report to determine total short term debt expensed.
2. Multiply school budget to town-wide percentage (calculated in line 1900) to budget.
3. Multiply same percentage by the budget for current year to arrive at number for Schedule 19.

Line 2130 Long-Term Debt School Construction Principal

1. Use general ledger report (7120) to determine principal amount paid.
2. Use same report for current year to arrive at number for Schedule 19. Following fiscal year's debt amount can be determined by looking at debt schedule.

Line 2140 Long-Term Debt School Construction Interest

1. Use general ledger report (7120) to determine interest amount paid.
2. Use same report for current year to arrive at number for Schedule 19.

Line 2270 Regional School Assessment

1. Use general ledger report (3310 & 3320) to determine amounts paid.
2. Use same report for current year to arrive at number for Schedule 19.

For the School Committee:

For the Selectmen:

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date \_\_\_\_\_

date \_\_\_\_\_