

Town of Lincoln, Lincoln School & Hanscom Contract Indirect Costs Methodology

1. **Town Administration**

- a. Current Practice
 - i. Static amount of \$71,000 (circa 1997)
- b. Recommended Practice
 - i. Percent of budget calculation
 1. Identify town meeting approved budgets for town and Lincoln School
 2. Identify Hanscom School awarded contract amount for the year, plus matching reserve or supplemental budget from the reserve identified to meet expenses.
 3. Subtract: Capital, Debt Service & Pension & Insurance (will be accounted for separately)
 4. Determine percentage of total for each of the three
 5. Total the budgets that provide services to school district:
 - a. Accounting & Finance
 - b. Treasurer/Collector
 - c. Information Technology -Munis contract only
 - d. Central Support –postage, paper, checks, etc.
 - e. Audit Budget (Annual Audit, Single Audit, Student Activity, EOYR Audit)
 6. Multiply the calculated percentage times the total in #5 to arrive at an indirect cost amount for each agency

2. **Employer Retirement Contributions**

- a. Current Practice
 - i. Town of Lincoln Finance Department provides monthly salary/wage detail to MCRS.
 - ii. MCRS calculates a total retirement liability for the Town of Lincoln Employees with no breakout of the Hanscom Employees
 - iii. Lincoln School-Percentage of headcount multiplied by the Middlesex County Retirement Assessment.
 - iv. Hanscom School -Employer contributions were made at 9% of gross wages.
- b. Recommended Practice
 - i. As of 2023 (FY24) the town asked Middlesex County Retirement to contract with their actuary, The Segal Group, to determine the pension liability for the Town, Lincoln School and Hanscom. Employee census information, including salary and wages, was used to determine the pension liability for the three agencies. The actuarial valuation will be performed every other year.
 - ii. The Actuarially Determined Contribution from the report should be used to report the information on the School End of Year Report for Lincoln School.

- iii. The Actuarially Determined Contribution from the report should be used to invoice the Hanscom Contract, and payment made in July of each fiscal year.

3. Other Post Employment Benefits (OPEB)

a. Current Practice

- i. Lincoln School & Town – in accordance with the Finance Committee’s OPEB policy
- ii. Hanscom- Hanscom OPEB liability has been identified since inception and the current methodology for contributions has been exceeding the Actuarially Determined Contribution.
- iii. Hanscom Contract- The School Committee has voted an amount at the end of each fiscal year to contribute to the OPEB Fund for Hanscom OPEB.
- iv. Beginning FY23, the School Committee has voted as part of the annual operating budget OPEB payment (\$400k) as part of the Hanscom School annual operating budget.

b. Recommended Practice

- i. Continue current practice
- ii. Review the Collins Center recommendation of establishing a more aggressive funding schedule than the current practice.