



Conor Baldwin
Chief Financial Officer

Allison Chambers
Deputy CFO

MEMORANDUM

TO: Eileen Donoghue, City Manager *EMD*
FROM: Conor Baldwin, Chief Financial Officer *[Signature]*
DATE: July 2, 2020
SUBJECT: 6/30/2020 Finance Sub/Committee Request – School Maintenance of Effort

At the most recent meeting of the City Council finance subcommittee, a report was requested detailing the “maintenance of effort” charges in support of the school department. These charges are reported by City Hall to the School Business Office each year in the fall for submission by the school department to the Department of Elementary and Secondary Education (“DESE”) on the year-end report for the prior fiscal year. The summary and the detail records attached thereto are subsequently verified and audited by the City’s outside audit firm, Powers & Sullivan. Once certified by DESE, these figures are added to the city’s “direct cash” or tax levy support of the school system to measure against the fiscal year’s net school spending requirement.

Net school spending is a term used to ensure that each school district is spending the required amount on education. It equals Chapter 70 aid plus required “local contribution”, which is detailed above. Generally speaking, these other charges are costs incurred by the city in support of the school department’s annual operation, such as a portion of City Hall overhead functions (Auditing/ Payroll, Treasury, HR, and IT), as well as costs directly paid by the city and credited towards the total, like the annual retirement assessment for non-teacher retirees (custodians, paraprofessionals, etc.) and for retired teachers’ health insurance premiums.

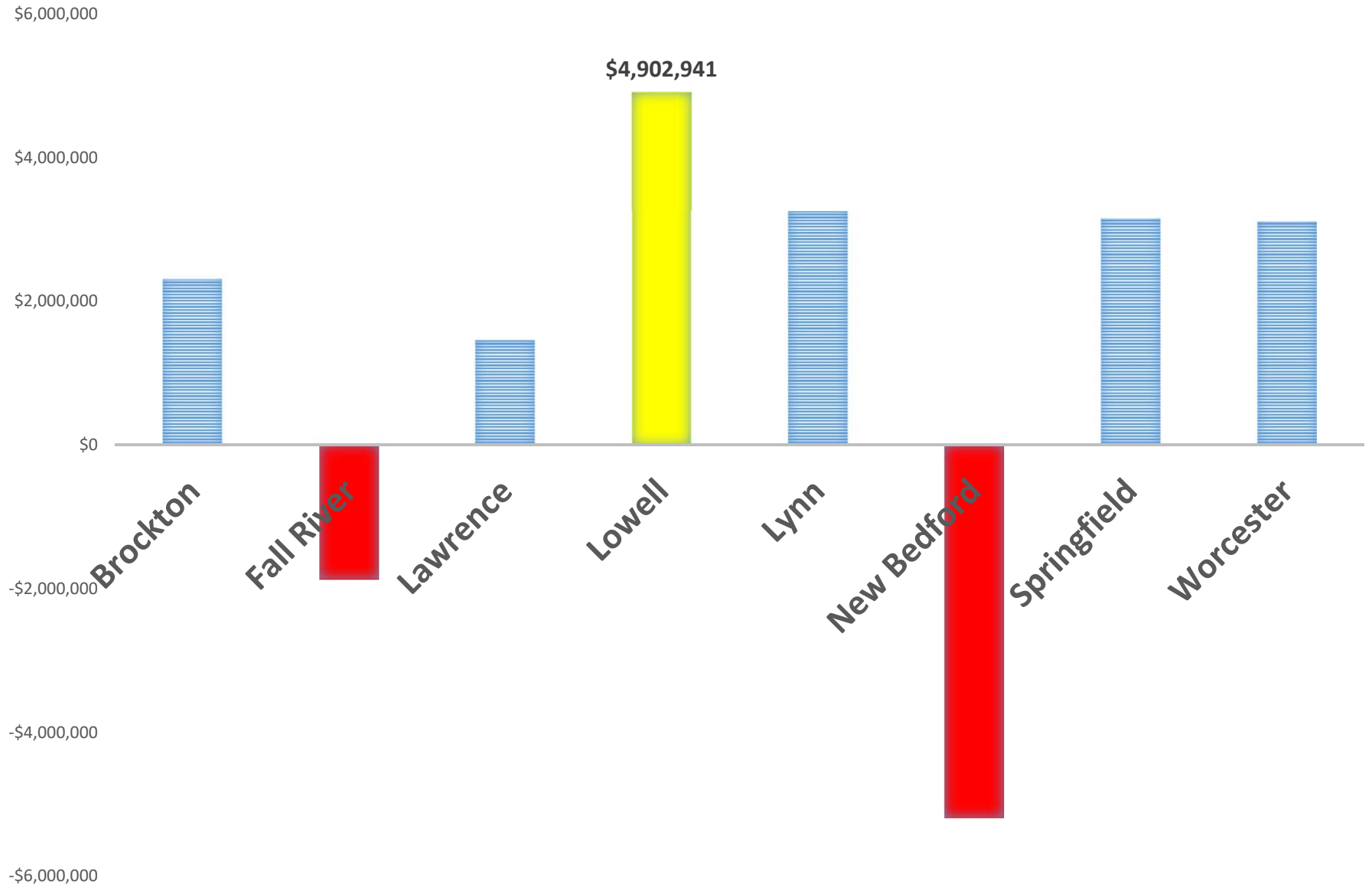
For FY2019, the most recent year certified by DESE, the net school spending requirement for the Lowell Public Schools was \$198,336,328. The actual spending by the City of Lowell on net school spending-eligible education costs was \$203,239,269 and exceeded the mandatory requirement by \$4.9 million. However, pursuant to Massachusetts regulations (603 CMR 10) other costs incurred by the city budget for school purposes are outside of the net school spending calculation, but still reported to DESE. For example, debt service paid by the city’s General Fund on outstanding bonds sold to finance school construction or building repairs is ineligible. In FY2019, debt service related to school construction totaled \$2,752,063.

Enclosed with this memorandum is a chart which compares Lowell’s net school spending amount with the eight (8) other “gateway cities” in Massachusetts with an enrollment above 10,000 students. According to a 2007 report co-authored by MassINC and the Brookings Institute, Massachusetts gateway cities are defined as “midsize urban centers that anchor regional economies around the state,” facing “stubborn social and economic challenges” while retaining “many assets with unrealized potential.

Please let me know if there are any questions.

2019 DOLLARS OVER NET SCHOOL SPENDING

GATWAY CITIES W/ ENROLLMENT > 10,000



Back-Up	Schedule 1 EOYR Line Number	Schedule 19 EOYR Line Number	FY2019 AMOUNT	
				The following non-discretionary expenses will be reported and count toward net school spending:
				<i>Administrative Services – The cost of municipal accounting, auditing, central data processing and central purchasing.</i>
				The costs shall be computed by multiplying (1) the total school committee appropriation divided by the total amount to be raised as determined by the Department of Revenue on the tax rate recapitulation sheet by (2) the total cost of administrative services as follows:
A	1910	7400	\$ 329,222.66	- The actual expended budget for the Office of the Treasurer
B	1910	7400	\$ 234,204.09	- The actual expended budget for the Office of the Auditor
C	1920	7400	\$ 750,817.65	- The actual expended budget for the M.I.S. Department
D	1910	7400	\$ 105,023.93	- The actual expended budget for the Purchasing Department
				<i>Employee Benefits Administration</i>
				The indirect costs of administering employee and non-employee insurance programs shall be computed by multiplying (1) the costs of salaries and supplies for such administration by (2) the number of school department employees covered by insurance divided by the total number of municipal employees covered by insurance.
E	1912	7400	\$ 182,172.29	
F	2010	7480	\$ 1,964,025.88	The actual cost of Medicare Tax paid by the City of Lowell on behalf of school department employees.
				<i>Employee Retirement Programs</i>

G	2000	7470	\$ 7,168,042.00	The actual costs of pensions paid to school department retirees or the actual costs of assessments paid to the state, county or municipal retirement systems on account of school department employees or retirees, including any special assessments for early retirement incentive programs for school department employees.
				Insurance Programs
				The direct insurance premiums for retired school department employees after deducting all retiree contributions and assessments for retired school department employees under G.L. c.32A.
H	2020	7490	\$ 7,311,790.69	
I	2010	7480	\$ 1,018,826.86	The actual costs of claims paid by the City of Lowell to school department employees for worker's compensation.
J	2010	7480	\$ 219,890.34	The actual costs of claims paid by the City of Lowell to former school department employees for unemployment compensation.
				Short Term Debt Service/Interest (RANS)
				Actual interest paid in borrowing for Revenue Anticipation Notes (RANS) to support current year school district operations which shall be computed by multiplying (1) the total interest paid by the municipality by (2) the total school committee appropriation divided by the total amount to be raised as determined by the Department of Revenue on the tax rate recapitulation sheet.
K	2060	7515	\$ -	
				The following discretionary expenses, with approval of the school committee, will be reported and count toward net school spending:
				Health Services
				The salaries of health personnel who provide direct services or instruction to public school students, as well as the related costs for supplies and materials.
L	1940	7430	\$ 1,880,874.07	

							School Security Services
M	1960	7445	\$	800,982.00			The salaries of police officers who are solely assigned to work within the school district.
							Operation and Maintenance of School Facilities
							The direct costs of salaries, supplies, materials and contractual expenses for the maintenance of school buildings, grounds and equipment. This figure shall be recorded from the total services completed by Department of Public Works staff as determined by work orders closed by Lowell Public Schools staff documented in the Lowell Public Schools Building Maintenance Work Order System.
N	1976	7450	\$	586,709.81			
O	1975	7450	\$	82,401.18			Snow and Ice Removal: The cost of snow and ice removal shall be computed by multiplying the total expended snow and ice budget of the City of Lowell by 4.5% to apportion the share of this expense to the school district.
P	1975	7450	\$	375,180.39			Trash Removal and Recycling: To calculate the trash removal expense the following formula shall be applied: The total yards per week of trash removed for the public schools x 88.35 pounds per years x \$ 70 per ton x 40 weeks of school. To calculate the recycling expense the following formula shall be applied: Total expense of the City of Lowell x 3.28% (total percentage of trash removal expense).
Q	1974	7450	\$	2,505,725.27			The direct costs of utility – electricity invoices paid by the City of Lowell on behalf of occupied Lowell Public School buildings. This figure shall be recorded from actual invoices received from the utility company and paid by the City of Lowell during the fiscal year.
R	1972	7450	\$	1,260,157.94			The direct costs of utility – natural gas invoices paid by the City of Lowell on behalf of occupied Lowell Public School buildings. This figure shall be recorded from actual invoices received from the utility company and paid by the City of Lowell during the fiscal year.
R1	1972	7450	\$	187,367.95			The direct cost of water and sewer bills paid by the City of Lowell on behalf of the School Department

					Non-Employee Insurance
S	2030	7500	\$	95,855.76	The direct insurance premiums for school buildings, grounds, equipment and liability coverage.
					The following expenses will be reported, however do not count toward net school spending:
					Short Term Debt Service/Interest (BANS)
					Actual interest paid in borrowing for Bond anticipation Notes (BANS) on bonds and loans used to finance the purchase of textbooks, equipment or technology and school building maintenance and construction.
T	2065	7520	\$	69,497.00	
					Health Services for Non-Public Schools
					The salaries of health personnel who provide direct services or instruction to non-public school students, as well as the related costs for supplies and materials.
U	2080	7540	\$	-	
					Other Fixed Charges
					The actual expended budget for crossing guards
V	2070	7530	\$	282,781.00	
W	2070	7530	\$	297,284.00	The actual expended budget for public safety inspections
					Acquisition, Improvement and Replacement of Fixed Assets
					The total actual fees due, in excess of the \$ 100,000 budgeted within the Lowell Public Schools operating budget, to the City of Lowell Parking Department for the rental of monthly parking spaces at the George Ayotte and Joseph Downes Parking Facilities as of June 30 of each given year.
X	2100	7560	\$	494,755.00	
					Long Term Debt Retirement/School Construction

Y	2130	7570	\$ 1,791,500.00	The annual principal of loans used to finance the purchase or construction of schools.
				Long Term Debt Service/School Construction
Z	2140	7580	\$ 384,975.00	The annual interest payment on bonds and loans used to finance the purchase or construction of schools.
				Long Term Debt Service/Educational Expenditures
AA	2200	7640	\$ -	The annual interest payment on bonds and loans used to finance the purchase of books, instructional equipment and extraordinary maintenance projects.
				Long Term Debt Service/Other
AB	2200	7640	\$ 506,091.00	The annual interest payment on bonds and loans used to finance the purchase of non-instructional equipment, and to pay for capital maintenance projects in excess of fifty thousand dollars.
AC	130, Col. 2		\$ 1,192,791.00	Massachusetts School Building Authority Construction Aid MSBA Annual Contract Revenues
AD	130, Col. 5		\$ 556,423.00	MSBA One-Time Revenues
				The following payments to other school districts will be reported:
AE	2220		\$ 967,168.00	Programs with Other Schools School Choice Tuition
AF	2230		\$ 22,712,612.00	Tuition to Commonwealth Charter Schools

