

Kevin J. Murphy
City Manager

February 22, 2018

Dr. Salah Khelifaoui, Superintendent of Schools
Office of the Superintendent
155 Merrimack Street
Lowell, MA 01852

RECEIVED
2-27-18
BT

Dear Dr. Khelifaoui,

As we come to the end of the third quarter of the fiscal year, I write to update you and the School Committee of the City's ongoing preparations for the FY2019 budget. FY2019 will once again be a challenging budget year as the City balances the costs of operation and capital improvement with the necessity to continue to make Lowell an affordable place to live. The capital improvements include a significant investment to the school facilities. Early estimates show increases to a variety of fixed costs such as pensions, health care, and contractual obligations. On the City side, the various departments have completed their initial budget submission with the charge that they reduce their departmental expenses over the FY2018 appropriation. This is painful yet necessary.

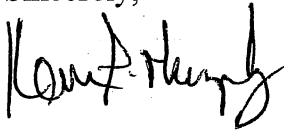
For the School Department, I have worked with the finance team to arrive at a recommended appropriation in order to allow the School Administration and School Committee sufficient time to construct a budget. As you are aware, Governor Baker has unveiled his budget proposal for FY2019. For Lowell, this includes a Chapter 70 aid amount of \$149,264,111. This figure represents a year-over-year increase of \$5,196,478. The Governor's proposal also includes an increase of \$1,897,024 to the City of Lowell's assessment for charter schools. Compounding the budgetary impact of the charter school assessment is a \$372,614 reduction to the reimbursement to the city on the Cherry Sheet. My recommendation to the City Council will be for the net increase to be absorbed by the city's cash contribution to the School Department in order to fully provide funding for all of our public school students, including those students attending charter schools.

Therefore, I am proposing the full \$149,264,111 in Chapter 70 aid and \$15,736,053 in direct cash contribution from the tax levy for a combined FY2019 School Department appropriation of \$165,000,164. The School Department's end-of-year report to DESE shows the City of Lowell exceeded net school spending by over \$8 million in FY2017 and is budgeted to exceed it by approximately \$6.5 million in FY2018. I am confident that this appropriation for FY2019 will continue to exceed the net school spending requirement.

Kevin J. Murphy
City Manager

Many assumptions can change as the state budget evolves from the Governor's recommendation to the final General Appropriations Act. If Chapter 70 and other budget assumptions change, there may be adjustments made. However, it is my recommendation that the School Department prepare their budget based on the above appropriation number. Ultimately, a proposed operating budget for the City of Lowell will be presented to the Lowell City Council on or about May 15, 2017.

Sincerely,



Kevin J. Murphy
City Manager

Cc: Mayor William J. Samaras and Members of the Lowell City Council
Conor Baldwin, Chief Financial Officer
Gary Frisch, School Business Administrator