



Conor Baldwin
Chief Financial Officer

MEMORANDUM

TO: Eileen M. Donoghue, City Manager *EMD*
FROM: Conor Baldwin, Chief Financial Officer *[Signature]*
CC: Mary Callery, HR Director
DATE: September 17, 2019

SUBJECT: MOTION RESPONSE: C. Elliott - Req. City Mgr. Evaluate Options for Increase Oversight of HR & Finance Functions Between School And City Departments.

There is enabling legislation (M.G.L. Chapter 71 § 37M) which, upon local adoption by a municipality, authorizes a merger of certain city and school administrative services, including financial and personnel functions. While certain overlapping services currently exist in the organizational structure of City Hall and the School Central Administration, the type of oversight contemplated in the motion would require a formal consolidation. Pursuant to the statute, the consolidation may occur upon a majority vote of both the School Committee and the City Council. For Lowell to move forward with any formal merger of operations, the Council must first accept the provisions of the statute.

Beyond the legal requisites for consolidation, to assure the best results for an effective and lasting merger, the State Department of Revenue ('DOR') recommends that city and school legislative bodies formalize the terms of the merger in a memorandum of understanding ('MOU'). The DOR further recommends that when a municipality contemplates such a merger, that an ad-hoc committee or task force be formed, post haste, to begin working out the details of the MOU. As guidance for framing a comprehensive MOU, the DOR suggests that it include the following:

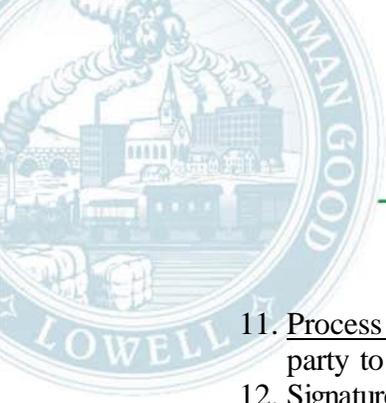
1. Statement of purpose. This spells out the goals of consolidation.
2. Legal references and limitations. Among items in this section could be a reference to the acceptance of M.G.L. c. 71, §37M and a statement about the continuing budgetary authority of the School Committee.
3. Time period. When is the consolidation effective? Does the MOU need to be reapproved, by whom, and at what junctures?
4. Implementation plan. This section provides an implementation time frame, assigns responsibilities, establishes procedures for reporting progress to the City Council and School Committee, and states the cooperation expected from school and municipal



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personnel. The MOU committee may also choose to set out a schedule of consolidation meetings between the City Manager and/ or CFO and Superintendent of Schools.

5. Structure and personnel. Here the MOU establishes the department head title, provides a high-level statement of responsibilities, and cites his or her reporting position within municipal government. Other key positions can also be identified. The appointing authority can be spelled out: Should these be joint city-school appointments, or the City Manager's with School Committee approval? The MOU committee may also want to provide details on the hiring process, supervision, and training needs.
6. Statement of services to be provided. Categories to consider include:
 - a. Procurement and accounts payable approvals
 - b. Vendor contract negotiation
 - c. School payroll coordination
 - d. Warrant assembly
 - e. Budget preparation assistance
 - f. Ongoing budget oversight
 - g. Internal financial reporting
 - h. External reporting to DESE
 - i. Grant accounting
 - j. Collective bargaining analysis
7. Statement of services that will not be provided. This list could include:
 - a. Budget policy
 - b. Routine purchasing
 - c. Revenue collection and turnover to the treasurer/collector
 - d. Obtaining grants
 - e. Supervising the school transportation or lunch programs
 - f. Supervising Medicaid billing
8. Budget considerations. Here is it important to state which budgets will be expended for the salaries of personnel in the new department, both in the initial year and subsequent ones. This section can also incorporate net school spending and revenue allocation agreements by reference.
9. Process for resolving disputes. Disputes between the parties to the MOU may arise, and therefore the agreement should provide a process for resolving disagreements, including escalation guidelines.
10. Process for amending MOU. This section should acknowledge that the MOU is a working document subject to change through a stated amendment process.



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11. Process for dissolution. The MOU needs to explain the steps and notice needed for either party to dissolve the consolidated accounting department.
12. Signatures and dates.

The town of Swampscott is one example of a Massachusetts municipality which has consolidated certain HR and finance functions. Other small towns have also utilized consolidations as means for achieving cost savings and operational efficiency. In Lowell, many of these services are already shared to a degree, informally. For example, the HR Department in City Hall administers all health insurance benefits for school department employees and retirees. Likewise, the city Purchasing Department advertises all procurement opportunities for the schools. MIS regularly provides regular support to the IT group in the schools. City finance departments meet each month for a regular, standing finance team meeting to discuss and collaborate on shared issues and the school department Business Manager is an invitee to these meetings. Costs associated with the existing shared functions are contemplated in the existing MOU between the city and school department for net school spending and, if any formal consolidation is implemented, it is likely that the existing MOU will need to be modified, as well.

Several options are available for the city to further advance this matter in a more formal way. The first, and most affordable, would be for the City Council and School Committee to vote to request the Administration contact the DOR's Division of Local Services ('DLS') to conduct an analysis of prospects for consolidating their municipal and school financial operations. DLS' Technical Assistance Section regularly provides reports for municipalities on similar matters. A second option would be to engage the professional services of a private consultant or educational institution, like the Collins Center at UMass Boston, to provide a more detailed study for Lowell to include cost savings and recommendations.

According to the DOR, a successful consolidation can only be achieved with the support of both legislative bodies and through regular, standing meetings of the City Manager and Superintendent and their respective senior management teams. A successful consolidation could result in substantial cost savings for the city on both sides of the budget, but must be approached carefully and deliberatively. Considering the amount of services already shared between the two departments, the presence of a common financial system between the two with MUNIS, and the existing culture of cooperation; a formal consolidation may not be required.

A meeting was coordinated with the new Superintendent of Schools to discuss the feasibility of consolidation earlier this month. At this time, it was determined that the city will continue to bolster its efforts to support the schools financial operation and work collaboratively with the new Administration at the school department, but that no formal consolidation will be advanced at this time. Through constant communication about ongoing issues in finance and personnel, the city's Finance team will provide support to the central business office. However, the city Finance officials will continue to monitor the situation, moving forward, and—if the need arises—will make recommendations at that time.