



CITY OF CAMBRIDGE
INTEROFFICE CORRESPONDENCE

To James L. Sullivan, City Manager

Date March 24, 1980

From George E. O'Brien, Assistant City Manager/ **Reference**
Fiscal Affairs *EOB*

Subject Council Order #7 (Amended) Dated March 3, 1980 Re Per Pupil Cost.

This is in response to subject Council Order.

The per pupil cost as shown in this memorandum is calculated as follows:

Current FY 80 Appropriation* + School-Related Expenses** + Grants***
School Population

OR

$$\frac{\$28,512,149 + \$7,737,581 + \$2,676,469}{8677} =$$

$$\frac{\$38,926,199}{8677} = \$4,486.14$$

The per pupil cost is the figure for the 1979-1980 fiscal year School Department appropriation (\$28,512,149) plus \$7,737,581 FY 1979-1980 school-related expenses** such as: Debt Service (Principal and Interest) on school bonds, \$3,823,103; Blue Cross/Harvard Health, \$1,727,935; and Pensions, \$1,303,425. The third element in the numerator is \$2,676,469, Federal and State school grants.

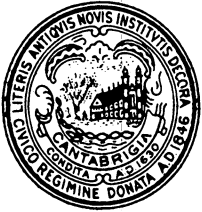
cc: James Maloney, Chief Budget Division

*Source: Summary Trial Balance (MFA62) 3-14-80.

**Source: City Budget Division Response to Council Order # 9 of 2/4/80.

***The School Department also receives federal and state grants accounted for through a special revenue fund. This balance amounted to \$2,676,469 on 2/29/80.

FA032408



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

March 24, 1980

To the Honorable, the City Council:

At the request of the City Council this office and the City Budget Department has, with the cooperation of the School Department, attempted to analyze the request of the School Department for a Supplemental Budget of \$919,000 for the current fiscal year. First and foremost, the granting of the request would require the levying of this amount against next year's tax rate and place the City in the position of borrowing for operating expenses in the current year, a procedure that is frowned upon by the financial rating institutions. In fact, Moody's Investment Service has read the newspaper stories of the request and has contacted George O'Brien, Assistant City Manager for Fiscal Affairs to inquire about the loan authorization.

Because of the Tax Cap Limitations of 4% required by State Law the approval of such a request would need six votes of the City Council and since the amount to be raised would be levied on next year's tax rate for school purposes the School Department would have almost reached their levy limit for next year even before the preparation of their next year's budget. Also, if their budget request for next year does not contain any provision for inflation or wage increases, they will still, in order to remain even with this year's supplemental request, have to approximately double the 4% tax limitation to 8%.

An analysis of the School Department budget demonstrates that fundamentally they are spending too much money. As I pointed out at the initial meeting on their request the per pupil costs in Cambridge are the highest in the Commonwealth of Massachusetts and are more than double the State average. The School Department has approximately one employee for every 6.4 students. In my judgment a major effort must be undertaken by the School Committee and the School Administration to bring these costs under control.

Obviously taking the current rate of spending in the School Department and projecting it through the end of the School Year would require the appropriation of additional funds if no steps are taken to reduce spending.

March 24, 1980

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The facts of the matter are these:

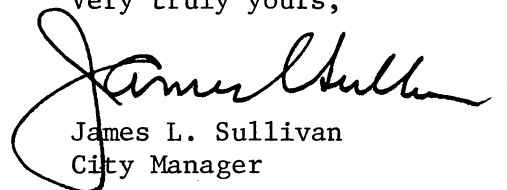
1. The School Department has hired 32 unauthorized and unbudgeted teachers who were not requested in the original budget nor in any way required to be hired. Communication from the Assistant Superintendent to the School Committee stated that the positions were unbudgeted. These costs would approximate \$384,000 annually.
2. The School Department in their Budget Preparation took an outage figure of \$360,000 which has not been met and in fact, as has been pointed out, have exceeded the budgeted positions by 32 teachers.
3. The School Department requested and received approval from the City Council in September to expend \$590,000 of the current budget to pay bills for the prior year. As a matter of fact, they have exceeded this amount by an additional \$33,000 according to the Auditor's office.
4. In addition to the above items the School Department has been faced with increased fuel costs as a result of the energy crisis and the unavailability of a section of the new High School that was anticipated to be available in October.

It does not appear that the School Department has exercised the necessary controls to live within the budget that they requested. Further, when faced with unanticipated and inflationary costs which affect all budgets, they are unable or unwilling to make the required adjustments so that the budget not be exceeded.

In a period of severe financial problems facing all municipal and school budgets it is essential that the School Department seek all savings possible. It is not sufficient to prepare a budget that appears to meet the goals of restraint and not implement the restraints in the operation of the budget.

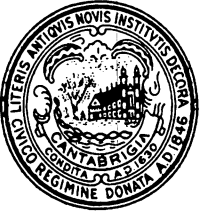
I recommend that the School Department be requested to prepare a program for implementation that will seek to reduce the over-expenditures that will occur unless program adjustments are made.

Very truly yours,



James L. Sullivan
City Manager

JLS/mbf



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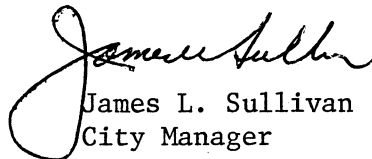
EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

March 24, 1980

To the Honorable, the City Council:

Please be advised that the report on the School Department's request for an additional appropriation is currently being prepared and will be available to the City Council on Monday, March 24, 1980.

Very truly yours,


James L. Sullivan
City Manager

JLS/mbf

F-99

RE: Report on the School Dept.'s request
for an additional appropriation.

In City Council,

March 24, 1980

3/24/1980

*Referred to the
Finance Committee*