

MEMORANDUM OF UNDERSTANDING
TOWN/SCHOOL BUDGET PARTNERSHIP
MAY 16, 1995

The Town Administrator and Superintendent of Schools jointly recommend to the Board of Selectmen and School Committee the adoption of revised guidelines for allocating budgetary surpluses/deficits for FY97 and beyond. The revisions are the result of many meetings during the past several weeks overseen by a Selectmen's Committee of:

Thomas Hennessey, Chair of Board of Selectmen
Isabella Hinds, Chair of the School Committee
John Hodgman, School Committee Member
Betsy DeWitt, Chair of the Advisory Committee
Sergio Modigliani, Advisory Committee Member
John Deeley, Advisory Committee Member
Harvey Beth, Director of Finance
James Walsh, Superintendent of Schools
Peter Rowe, Asst. Supt. of Administration & Finance
Richard Kelliher, Town Administrator
Brian F. Sullivan, Deputy Town Administrator

The objectives of the Committee were to devise guidelines that are equitable, understandable and based upon cost allocation to the fullest extent possible. As a result, guidelines for "splitting" future surplus/deficits have been developed which accomplish the following:

- Allocates surpluses or deficits 50%/50% between Town and Schools, after deducting fixed costs from available revenues. Any future override funding is separate and distinct from this agreement and shall not affect the amount of funding to be allocated under this agreement.
- Simplifies the definition of fixed costs by reducing the number of fixed cost variables to only seven categories: (i) enterprise type operations e.g. water/sewer, refuse; (ii) SPED Tuition, plus one half all other SPED costs; (iii) student enrollments (based on formula); (iv) reserve funds (v) programs generating new revenue; (vi) debt and interest; and (vii) tax funded capital. Items such as step adjustments, election costs, retirement administration will no longer be characterized as "fixed costs". The above fixed cost items (i through vii) shall be as customarily defined in the Financial Plan and as described on pages I-9 through I-15 of the FY96 Financial Plan.

- Allocates other shared costs in proportion to actual experience each year. Such allocated costs shall include building, general services, information services, general insurance and personnel benefits.
- Requires the Schools and Town to be totally responsible for absorbing all respective personnel costs. Collective bargaining agreements, steps, fringe benefits, etc., will be allocated and will no longer be considered "fixed costs".

A few formulaic factors need to be defined in the upcoming weeks. For example, the method of calculating cost due to student enrollment growth from year to year needs to be finalized. However, these factors are expected to be resolved without much difficulty.

The cumulative effects of the changes on the FY97 budget are minimal. Despite moving from a 2/3 - 1/3 formula to a 50%-50% formula, there will be only a minor shift of resources from school to town budgets.

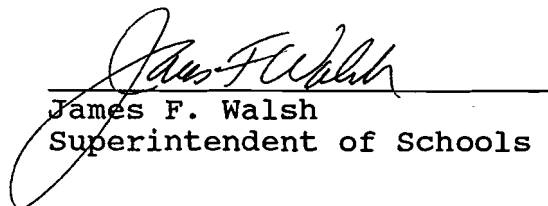
We believe that a formula based method of carrying out the Town/School Budget Partnership is in the best interests of the entire community. While it is recognized that this formula will need to be revisited at intervals in the case of unanticipated state mandates or extraordinary circumstances, we believe that this agreement provides year to year stability and facilitates long range planning.

We also believe that the Town/School Budget Partnership provides a collaborative planning framework in which the Town Administrator, Superintendent of Schools, and representatives of the Board of Selectmen and School Committee can jointly identify and develop planning agendas. By meeting periodically throughout each year, the above mentioned participants will both review progress toward mutually agreed upon goals and try to anticipate and plan for changes that arise externally, such as Federal and State legislation or demographics changes, technological advances, and economic downturns.

We have many challenges ahead. By working together we believe we can best meet these challenges.



Richard J. Kelliher
Town Administrator



James F. Walsh
Superintendent of Schools