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**To:** Board of Selectmen  
**From:** Robert W. LeLacheur, Jr. CFA  
**Date:** February 7, 2017  
**RE: FY18 Budgets: The Pause that Refreshes**

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Over the past few weeks the Board of Selectmen and Town Manager have received hundreds of emails from school parents, and the most common request was to find a way to restore cuts made to the middle school language program, with the most common suggestion being an April Override ballot question. At public and private meetings, our unified response was to wait and let the School Committee complete their work.

On January 30<sup>th</sup> I received the voted School Committee budget, indicating that they had completed their work, and now I must abide by the Reading Home Rule Charter and accept my formal role in the annual budget process. As required by Article 7, the Town Manager must each year submit a budget for "all Town funds and activities that are balanced to the funds available". Funds available are agreed upon in late fall at a Financial Forum meeting that includes the three elected boards plus the Finance Committee. Note that the meaning of Town in the Charter is to include all departments of the Municipal Government (MG) and the Schools.

This so-called Town Manager balanced budget is submitted to the Finance Committee in late February for their public review in March, and then they submit a balanced budget in early April to Town Meeting for final approval. It is important to note that from this point forward these remaining steps in the annual budget process only have authority to change the bottom line School budget. Only the School Committee has authority on how to spend that total funding. Nothing below should be misinterpreted, given this fact.

As has often been the case in recent years, the FY18 School Committee voted budget is not balanced to available funds - this year by \$588,000. I respect the fact that an unbalanced budget expresses a frustration at the lack of funding to move the district ahead – or even to keep it in place. I share those exact same frustrations with the MG budget. However this year the School budget is different in that hundreds of fellow Reading residents have reached out to me personally for assistance. Below I will lay out a solution – the Cogent Path Forward (CPF) - that will offer that assistance. The Town Accountant, who is the final arbiter of what constitutes a balanced budget, agrees with my CPF solution as a legally balanced budget to present to the Finance Committee in March and then ultimately to Town Meeting in April 2017.

To accomplish this I will request that Town Meeting in April 2017 fund the \$150,000 second phase of Science curriculum as a current year budget amendment. If approved, this gives the schools additional lead time to order the new materials and to allow those teachers affected extra time to begin to integrate it into their lesson plans. I made the same suggestion two years ago, the first phase was approved by Town Meeting in April 2015, and I am told the timing worked out well. So to be clear, this part of the CPF Solution depends on Town Meeting approval, and therefore cannot be immediately guaranteed.

This leaves \$438,000 for the seven middle school teachers to fund as the remainder of the so-called imbalanced budget. Two years ago upon the transfer of a large portion of the Facilities budget from the schools to the MG, I began to explore and understand how our two budgeting assumptions and techniques differ. My CPF solution immediately guarantees that funding is available to the School Committee/School department for these seven teachers without changing the bottom line FY18 School budget, at least not yet.

To create a budget that will be used for a period of time 6 to 18 months from now requires a lot of assumptions, a subject I am quite familiar with from experience. For example, as the School Committee discussed in their recent January budget meetings, every year there is staff turnover, some planned and some unplanned. The traditional School budget assumption is that no turnover will happen, but recent historical savings from turnover has had an average savings accounting for about

half of the cost of the middle school language program (with a lot of variability). The Schools will know what these savings are before start of the school year, but not before Annual Town Meeting votes on the FY18 budget.

Under Education Reform in 1995 the Town Manager serves as a voting member of the School Committee for purposes of collective bargaining. As such, I have shared some creative financial-only techniques used on the MG side to balance the needs of both management and labor for the long-term. As my history demonstrates, I place the highest emphasis on and respect for the employees during the collective bargaining process, and certainly our teachers may well be the entire organization's most precious resource.

I am satisfied that if the MG and School Department work diligently together that this CPF solution can be attained within the current bottom line FY18 School Committee budget, but of course there is no guarantee. If not then I pledge two things:

- First, the MG will hold back FY18 spending where possible and be ready to transfer funds to the Schools on a one-time basis at a Town Meeting during the next fiscal year. I will indicate to the Finance Committee next month exactly where some immediate MG budget holdbacks will be, and expect more opportunities will arise during that 6 to 18 month time period ahead of us. In like fashion, I ask the School department to operate similarly to hold back spending or find budget savings as is possible to assist;
- Second, in the event that the CPF solution plus this holdback funding above is not sufficient, only then would I ask a Town Meeting in FY18 for a one-time transfer from the General Stabilization Fund to balance the budget, as the School Committee discussed in January 2017, and if I do so then Town Meeting will have my word that we have exhausted all other possibilities. A request for use of the Stabilization Fund this spring is premature, and therefore does not have my support. Frankly I do not believe future funding support will be needed if we work together.

I know over the past few weeks, when parents have reached out directly to the Board of Selectmen and Town Manager for help that time was of the essence. The most important factor of my CPF approach is that parents and teachers alike may immediately know effective today that funding for the middle school language program is in place for FY18 and that the program is able to continue for at least another school year, if that is the wish of the School Committee. I hope this immediate knowledge is helpful for all concerned, instead of waiting until May for the results of a risky Town Meeting vote. School Committee members spoke of this risk with justifiable concern during their budget deliberations. I have been attending Town Meeting in Reading for over 20 years now, and I do not know what the outcome of such a request would be.

This CPF solution should also please those taxpayers in the community that, absent any additional information, would prefer the MG and Schools to simply cut costs. In case we needed a reminder, the Override NO vote last October sent a clear message to all of us to continue to scarp for every nickel, a longstanding practice in Reading. I see quite a lot of scrapping needed with this proposed path forward, but that should always be the case with taxpayer funding.

It is important that both taxpayers opposed to additional funding and parents and other residents that do not want to see cuts in services understand that this CPF solution only bridges a one-year gap for this one issue. A serious funding imbalance remains between the demand for services and our resources available. The Selectmen and MG staff are working very hard on economic development along with our leaders in Beacon Hill, but realistically any new revenues are years away.

In Reading, our departments enjoy an unusually close working relationship compared to other communities. My CPF solution above is backed by every MG department that must now hold back FY18 purchases and planned projects in order to prepare to help out our School department. I am very proud at the unselfish way that when presented with an organizational challenge, our MG departments always search for what is best for the entire community with less regard of what is important to them. We should all be very proud of that teamwork.

I hope that this solution will satisfy the hundreds of residents and neighbors that requested help from the Town Manager and the Board of Selectmen, as well as those taxpayers that want us to work diligently with the funding we have. All of us should agree that strong public education is second only to the need for a basic strong foundation of public safety in our community.

But please remember that only a reduction in services or an increase in resources will prevent this same discussion from happening again – very soon.