CITY OF MELROSE

PAUL A. BRODEUR
Mayor

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TO: Superintendent of Schools Julie Kukenberger;
              Melrose School Committee
FROM: Mayor Paul Brodeur
DATE: August 29, 2022
RE: FY2022 Funding/Budget Shortfall

As you are aware, in closing the books on the FY2022 School Department budget, significant shortfalls have been discovered. I have been shocked and dismayed to learn that budgetary overruns were allowed to occur in the School Department that now require the use of approximately $775,000 of ARPA funding to reconcile. Having to use federal relief funds for this purpose obviously represents a lost opportunity to make significant investments in other areas of need. Unfortunately, it is not an option for the School Department to simply not pay its bills, so I am preparing to authorize this use of ARPA funds in order to balance the books for FY2022, subject to the following conditions:

1. The School Department shall provide me and the School Committee with a written explanation of what happened to cause these shortfalls to occur and why they were not detected until after the end of the fiscal year. The response shall include, but not be limited to, the following:
   a. A description of where costs were incorrectly charged to the operating budget and/or grant funds.
   b. A list of costs that were incurred, but for which bills were not submitted in a timely fashion during FY2022.
   c. An analysis of the accuracy of the projections of other funding sources made during the FY2022 budget deliberations (budget to actual).
   d. An analysis of the reliability of the projections of other funding sources upon which the FY2023 budget deliberations were based.
   e. A list of any unanticipated costs, including but not limited, to personnel and transportation, that contributed to the budget shortfall.
   f. A determination of how much the district actually spent on education in FY2022 across all sources, with a comparison to FY2021.
   g. An analysis of what adjustments needed to be made to the FY2023 budget to ensure it remains in balance.

2. The School Department shall provide me and the School Committee with a detailed written plan describing the course of action that will be taken moving forward to prevent this from happening again. The City Auditor/CFO shall have a role in the development of this plan and have significant oversight of its implementation.

3. The School Department shall retain a consultant from CliftonLarsonAllen LLC (CLA) to advise on ways to strengthen internal controls as well as to provide ongoing financial monitoring throughout FY2023. The City Auditor/CFO and Director of Finance and Administrative Affairs shall meet monthly with the CLA consultant to ensure the FY2023 School Department budget stays on track.

4. The FY2024 budget process shall be conducted in a manner satisfactory to the City Auditor/CFO to ensure that accurate budget projections are prepared and that a standard budget format is utilized for the School Department budget.

5. Finally, we must remain mindful that the School Department has now created a structural deficit, the same as was resolved with the override of FY2020 where $750,000 of permanent tax revenue was allocated to the school base budget to eliminate. This is not a COVID issue, it is a budget issue, and it is fiscally unacceptable. The School Department must swiftly take all actions necessary to prevent this structural deficit from continuing.

I recognize it will be difficult to develop some of this information given the change in the leadership in the School Department Business Office. I want to acknowledge the diligence of Director of Finance and Administrative Affairs Kenneth Kelley and the staff of the Auditor's Office in working to resolve these problems. We have invested record amounts of funding in the Melrose Public Schools in recent years, and it is critical that we be able to demonstrate that these funds are being spent wisely and within our means.