

Everett School Finance Task Force Report

September 4, 2019

Everett School Finance Task Force

City of Everett Mayor Carlo DeMaria appointed a four-person School Finance Task Force in January 2018 due to School Department budget problems in the first half of fiscal 2018 that required significant additional funds beyond what was initially appropriated for the Everett Public Schools. The charge to the Task Force was to assess the financial operation of the School Department, the reasons for the excess spending, the Department's execution of expenditure control and issue a report explaining the situation and making recommendations for improvements. A further explanation of the school financial issues that led to the creation of the School Finance Task Force is provided later in the report.

The Task Force's first meeting was held on February 15, 2018 and eight other meetings were held through 2018 and into 2019 with the last meeting held on June 13, 2019. The purpose of four of the nine meetings was to meet with the Superintendent or Interim Superintendent, both Assistant Superintendents and four School Committee members. A list of the dates and general purpose of each meeting is included in the report's Appendix. The Mayor's liaison with the Task Force was Dr. Omar Easy, the City's Director of Organizational Assessment. The City's Chief Financial Officer, Eric Demas, was the primary contact at City Hall as was Charles Obremski, Assistant Superintendent for Business Affairs at the School Department. In between scheduled meetings, contact was made with these and other city and school officials for follow-up information or further explanation of pertinent issues, especially during the writing of this report.

The four members of the School Finance Task Force appointed by Mayor DeMaria are:

- **Jon Fullerton, PH. D.**
Executive Director of the Center for Education Policy Research
Harvard University
- **Barry R. Sloane**
Chairman and CEO
Century Bank and Century Bancorp, Inc.
- **Dwayne Byron Thomas, PH.D.**
Founder, Chief Learning Officer, & Chief Strategist
Thomas Leadership Solutions
- **Samuel R. Tyler**
President*
Boston Municipal Research Bureau
*At time of appointment

The Task Force is grateful to the city and school officials who assisted in providing their time, information and data that contributed to and facilitated the development of this report.

Recommendation Summary

After several months of reviewing the financial operations of the City and School Department and meetings and ongoing communication with city and school officials, the Task Force makes the following summary recommendations. These recommendations in more detail are included later in the report.

1. The employee expenditure control procedures established by the City's Chief Financial Officer for municipal departments should also apply to the School Department.
2. A new position in the City's Finance Department should be created to serve as a resource on school financial and policy issues.
3. The City should continue its recent approach in developing the School Department's operating budget by estimating the total General fund revenues from all sources that would be available to the School Department in time to be included in the Superintendent's recommended budget to the School Committee for the following year.
4. The School Committee should fully exercise its fiduciary responsibility beyond the development and approval of the budget, but also in the management of spending and position control of the budget.
5. The School Finance Review Commission should place more emphasis on monitoring the administration of school expenditures and position control.
6. The School Committee should consider the upgrading of its budget software to provide data in a more informative and transparent format. The School Department's website should be utilized to provide summary and detailed information about the School Department budget and other important issues for parents and the general public.
7. The members of the School Committee should take precaution to avoid any possible conflict of interest violation in votes taken as a consequence of any family members working for the Everett Public School System.
8. Distribution of annual casino revenue for the City should include annual appropriations to help address the funding of Everett's long-term accumulated unfunded pension and retiree health insurance (OPEB) liabilities.
9. The distribution of the annual casino revenue for the City should be dedicated to on-going critical needs of the City in its provision of operational and capital services. Going forward, these funds should not be applied to reducing property owner's tax bills.

City of Everett

The City of Everett is located in Middlesex County just north of Boston by the Mystic River. The City consists of 3.4 square miles with a taxable property value of approximately \$6.6 billion. The City has an estimated population of 46,340. The per capita personal income is \$24,843 and the median age is 34.9 years in 2018. The unemployment rate is 2.8%. Everett maintains a total of 56 miles of road. Bus transportation in the City and throughout the local region is provided by the Massachusetts Bay Transportation Authority (MBTA).

Everett was incorporated as a city in 1892, and on January 1, 2014, the government structure was changed to a Mayor–City Council form of government with the Mayor elected to a four-year term in November of odd-numbered years. The City Council consists of eleven members with five At-Large members and six Ward members. The Councilors are elected together to two-year terms in November of odd-numbered years. The Everett School Committee consists of nine members with three members elected At-large and six members by Ward. School Committee members also are elected to two-year terms.

The Mayor is the head of the Executive Branch of the City and appoints his office staff, the City Solicitor and the Assistant City Solicitor without City Council confirmation. The Mayor’s appointment of most department heads and members of boards or commissions requires City Council confirmation. The Mayor presents the recommended budget for the next fiscal year to the City Council. As the Legislative Branch and appropriating authority, the City Council can approve, reject, or reduce the Mayor’s budget recommendations but cannot increase the budgets. All money items must be initiated by the Mayor. The School Department’s budget process will be described later in this report. The Mayor may veto any order, resolution or ordinance passed by the City Council, although the City Council may override the Mayor’s veto by a two-third vote. As head of the Executive Branch, the Mayor approves all municipal payrolls, vouchers, contracts and instruments and recommends bond issues, special acts and orders for the City Council’s consideration.

Everett is a diversified industrial city that supports over 12,200 jobs in the major categories of employment. Outside of city government, the industries responsible for the largest group of employees are trade; transportation; and utilities; financial activities; education and health services; and leisure and hospitality. The five largest employers in Everett other than the City are Mellon Bank (1,200), Cambridge Health Alliance (800), Metropolitan Boston Transit Authority (MBTA) (600), Boston Coach and Target. Currently, the largest employer in Everett is the City with 1,292 employees (FTE) in 2019. When the Encore casino complex becomes fully operational, Wynn, MA LLC will become the City’s largest employer with over 5,000 permanent jobs.

Municipal Finances

Property Base Growth and Tax Shift

Typical of Massachusetts cities and towns, the City of Everett is highly dependent on the local property tax to fund its services and obligations. Fortunately for the City, its taxable property tax value has grown from \$4.01 billion in fiscal 2015 to \$6.56 billion in fiscal 2019, an increase of \$2.55 billion or 63.6%. That has translated into an increase in the property tax levy from \$90.4 million in fiscal 2015 to \$132.6 million in fiscal 2019, an increase of \$42.2 million or 46.7% in four years. The tax levy increase in fiscal 2019 from new growth, primarily from the capture of value from the Wynn casino development, was a major factor in the taxable levy increase this year.

Taxable property values in Everett actually declined from fiscal 2009 to fiscal 2015 by a total of \$379 million or -8.6%. Residential value during that time declined at a higher rate than business value, decreasing by 9.8% compared to the business value decline of 6.4%. The declining values did place more tax bill pressure on residential homeowners. However, over the four years from fiscal 2015 to fiscal 2019, residential value increased by \$1.47 billion or 56.9% and business value increased by \$1.08 billion or 75.9%.

The Massachusetts property tax classification law (MGL Ch.40, Sec.56) allows cities and towns to shift a larger share of the property tax burden to commercial, industrial and personal property (CIP) up to 175% of what its share would be without classification as long as the residential share is not less than 50% of its full value share. The City of Everett does shift the property tax burden to business property at the maximum allowed. That shift provides a tax benefit to all residential property owners irrespective of whether they live in or rent their property. Business property in fiscal 2019 represents 38.2% of the total taxable value, but will pay 66.7% of the property tax levy. Consequently, in fiscal 2019, residential property represents 61.8% of the taxable value, but will pay 33.3% of the tax levy. The classification tax shift provided a tax reduction of \$3,040 for single-family owners, \$4,031 for two-family owners, \$4,783 for three-family owners and \$1,902 for residential condominium owners in fiscal 2019. The classification impact also is demonstrated by the tax rates with the business tax rate in fiscal 2019 set at \$35.27 per thousand of value and the residential rate at \$12.38.

The City also provides a residential exemption (MGL Ch59, Sec.5C) which is a reduction in real estate taxes for all those homeowners who occupy their property as their principal residence. In Everett, the residential exemption amount is equivalent to 25% of the average assessed value of all residential properties. In fiscal 2019, the residential exemption tax savings is \$1,476 for eligible residential properties. That amount is equivalent to a property value reduction of \$118,559. The total tax exemption of \$5,988,737 does not reduce the residential share of the tax levy. Rather, the total tax reduction is offset by an increase in the residential tax rate that

shifts the tax differential to higher valued homes, apartment buildings and non-domiciled housing properties.

With the City's application of classification to provide a maximum tax shift and the 25% residential exemption, the Everett homeowners in fiscal 2019 who occupy their property as their principal residence enjoy a very favorable property tax benefit. The classification shift provides a single-family property tax reduction of \$3,040 and for the eligible owners, the residential exemption of \$1,476 combines for a total tax savings of \$4,516.

Everett Single-Family Tax Savings FY19	
Program	Tax Savings
Classification (single family)	\$3,040
Residential Exemption	\$1,476*
Total	\$4,516
<i>*Equates to value reduction of \$188,559</i>	

The City of Everett's average single-family tax bill in fiscal 2019 is low by comparison with neighboring municipalities. In a comparison prepared by the City of Boston of the average single-family tax bills of 22 municipalities in Greater Boston, Everett's average single-family tax bill of \$3,339 was the second lowest. Only Chelsea's average tax bill of \$2,818 was lower. Boston's average single-family tax bill was \$3,570 or \$231 more than Everett's.

Overview of City Finances

The City of Everett is considered to be in a good financial position aided by its own economy, its location in the Boston metropolitan statistical area and the City's strong financial management and good financial policies and practices. These factors have resulted in the City's stable financial operations during the past few years. In the three years from fiscal 2016 through fiscal 2018, the City ended each year with an operating surplus and is expected to achieve the same result in fiscal 2019.

General Fund Revenue Details and Trends

Typical of Massachusetts municipalities, the City of Everett relies heavily on the property tax and state aid for its General Fund operating revenue. The City's fiscal 2019 budget of \$214.9 million depends on the net property tax for \$108.8 million for 50.6% of the total and on state aid for \$78.8 million or 36.7%. Together these two revenue sources represent a total of 87.3% of the total operating revenue in fiscal 2019. That relative proportion generally has held true

for each year since fiscal 2015. The net property tax levy is the gross levy less the overlay which is set aside for abatements and non-payment of taxes. Thus, the net levy represents the total amount of property taxes available to support the budget. In fiscal 2019, the property tax levy was \$4.2 million below the levy limit creating excess capacity or a levy reserve that could be appropriated at a later time.

Top Taxpayers - The City of Everett's largest property taxpayers are weighted toward energy and utility companies. Of the top ten taxpayers in fiscal 2019, seven are energy or utility companies. The largest property taxpayer is Constellation Mystic Power, a subsidiary of Exelon Generating, which is valued at \$425.3 million and will pay a property tax bill of \$15 million in fiscal 2019. The second largest taxpayer is Exelon Generating (LGN personal property) with a value of \$139.9 million and a tax bill of \$4.9 million. Encore Casino (Wynn MA LLC) is valued at \$32.3 million and will pay \$1.1 million in property taxes in fiscal 2019.

State Aid - For the state aid total in fiscal 2019 of \$78.8 million, the largest source is Chapter 70 education aid of \$69.9 million, followed by unrestricted state aid of \$7.1 million. Together these two sources total \$77.1 million or 97.8% of the total state aid. Chapter 70 aid is received by the City to be included in the total estimated General Fund revenue which supports the appropriations made for educational services.

The state allocation of Chapter 70 aid for each school district is based on the "foundation budget." The state calculates the needs of each school district's student to establish a "foundation budget" that represents what the state has deemed as the threshold to adequately educate the district's student population. After examining the wealth of a community, the state determines what the local contribution should be and what the state's share of Chapter 70 funds should be to meet the required "net school spending." Required net school spending is the combination of total Chapter 70 aid and the required local contribution. If a community does not meet its required net school spending, it may be penalized with reduced Chapter 70 aid. Many school districts spend above the required level to better meet the needs of its school system and students.

Other Revenue - All other revenue sources for Everett in fiscal 2019 total \$27.3 million or 12.7% of total estimated General Fund revenues in fiscal 2019. Significant revenue sources in this group include excise revenue from motor vehicles, room occupancy and meals; building and other permits; fees and charges.

State Assessments - The state's Cherry Sheet local aid estimates for a fiscal year also provides state assessments for charges the municipality must pay primarily for resident students who attend Commonwealth charter schools, the local MBTA costs and retired teacher health insurance. In fiscal 2019, the state assessments totals \$14.7 million of which the three charges account for \$14.5 million or 98.3% of the total. The charter school tuition assessment in fiscal

2019 totaled \$9.3 million and the school choice tuition assessment for Everett students attending other municipal public schools is \$497,665 for a total education assessment of \$9.4 million. The Chapter 70 aid of \$67.4 million and the charter tuition reimbursement of \$806,561 totals \$68.2 million. Net Chapter 70 aid available for school operations is \$58.8 million, which is the result of total state aid for education of \$68.2 million reduced by the total state education assessments of \$9.4 million.

General Fund Expenditure Detail and Trends

Municipal spending is usually characterized by a few budget accounts representing a large portion of the total operating budget, and that is true for the City of Everett. The fiscal 2019 expense budget is \$214.9 million and the budgets of the top four city departments: School, Police, Fire, and Public Works total \$123.4 million or 57.4% of the total. Expenses for four mandatory or benefit services totals \$66.5 million or 30.9% of the budget total. Consequently, eight separate budget accounts represent 88.4% of the total fiscal 2019 operating budget. That leaves the remaining \$25.0 million or 11.6% to be allocated among all the other departments, agencies and services.

The School Department budget is the largest budget item in fiscal 2019 at \$83.9 million or 39.0% of the total operating budget, with the Police Department budget being the next highest at \$15.5 million, followed by the Public Works Department at \$13.0 million and Fire Department at \$11.0 million. The department with the fifth largest budget is Inspectional Services at \$5.7 million. Between salaries and benefits, 62.5% of the fiscal 2019 operating budget is tied to employee expenses.

Personnel Levels and Trends

The City operates with approximately 1,292 FTE employees in fiscal 2019, of which 827 or 64% work for the School Department, 130 work for the Police Department, 113 for the Fire Department and 65 for the Public Works Department. These four departments employ 1,135 employees or 87.8% of all city workers. The remaining 157 employees work in various other departments or agencies of the City.

Over the four years from fiscal 2015 and fiscal 2019, the number of city employees has decreased by 2.7 employees or -0.2%. Of that total, the largest decrease was recorded by the School Department whose payroll declined by 60 or -6.85%. The biggest payroll growth occurred in the Fire Department with an increase of 15 employees over the four years. The Police Department increased by nine positions.

Employee Relations

The City negotiates wages, hours and other terms and conditions of employment with 14 separate collective bargaining units, the largest of which represent teachers, police officers and firefighters. Of the 14 bargaining units, nine are municipal units and four are school units and

one is a school association. The employee contracts for eight units expired on June 30, 2019 and one expired on June 30, 2018. That leaves five bargaining units with active contracts that will expire in 2020 or 2021. Recently, the City settled new agreements with three unions, Clerical, DPW and E911, that will expire on June 30 2020. The School Committee settled three-year contracts with the teachers and administrators that will expire on June 30, 2021. The City and School Committee are in negotiations for successor agreements with the nine bargaining units whose contracts have expired, most notably the Police Patrolmen and Superior Officers' contracts and the Firefighters' contract that all expired on June 30, 2019. Until new contracts are ratified, the expired contracts remain in force.

Long-Term Unfunded Liabilities

Pensions – The City of Everett is a member of the Everett Contributory Retirement System (ECRS), established under Chapter 32 of the Massachusetts General Laws. The retirement system is a multiemployer, defined-benefit pension plan. Benefits paid under the plan consists of an annuity portion contributed by the participants, and a pension portion funded by the City. While in active service, employees contribute between 5% to 11% of their salary, depending on their date of employment and annual compensation, to their annuity fund. There are approximately 541 retired persons or surviving beneficiaries receiving pensions. Everett teachers are not included in the ECRS since they are members of the Massachusetts Teachers Retirement System which is funded by the state.

The estimated unfunded actuarial accrued liability of the retirement system as of June 30, 2018 was approximately \$251.1 million, which assumed an investment rate of return of 7.5%. The City's proportionate share of ECRS' liability is \$99.6 million. The annual pension payment in fiscal 2019 is \$116.5 million. The City expects to fully fund this liability by 2030. However, the pension plan's funded ratio is 60.3% as of January 1, 2018.

Other Post Employment Benefits (OPEB) - The City of Everett administers a defined benefit healthcare plan that provides lifetime health care and life insurance benefits for eligible retirees and their spouses. For many years the annual cost for a fiscal year was fully paid by municipalities on a pay-as-you-go basis with no additional funds invested to pay a portion of the amortized accumulated liability from prior years as is done for pensions. The Governmental Accounting Standards Board (GASB) in fiscal 2008 required municipalities the size of Everett to include their OPEB unfunded actuarial accrued liability in their financial statements. Soon after in 2011 the Commonwealth enacted legislation (MGL Ch.32b, Sec.20) authorizing municipalities to create an irrevocable OPEB Trust Fund to appropriate funds for investment and future expenses. Everett authorized an OPEB Trust in fiscal 2013. The City's estimated unfunded actuarial accrued liability was \$255.8 million as of June 30, 2018. The balance of the OPEB Trust fund in 2018 was roughly \$4.7 million, which resulted in a funded ratio of only 1.8%. The Trust Fund balance in 2019 was \$5.7 million, but a new actuarial unfunded accrued liability report has

not been released yet. The City expects to appropriate 15% of certified free cash annually towards the OPEB Trust.

City's Financial Management

Through the City's Office of Finance, headed by the Chief Financial Officer, the City implements procedures and utilizes customized software to manage the City's financial management of its personnel system and its non-personnel system. The Human Resources Department utilizes Millennium Payroll Solutions to assist in payroll processing. The City's human resources operation is separate from the School Department's employee management operation, although both utilize the Millennium software, but independent of each other.

Multiple steps and approvals are built into the City's management of its personnel system. Employee and payroll information documenting hours worked and sick or vacation time taken is submitted by departments in Excel files to the Payroll Clerk in the Auditor's Office. The Payroll Clerk enters data by department into SoftRight, the City's accounting system. A hard copy of the departmental Excel sheets must be signed off by the department head. Any change forms to add or drop an employer or provide positional or salary changes must contain the signatures of the Mayor, the Human Resources Director, and the Budget Director or the Chief Financial Officer before it can be entered into the Millennium system.

The City uses purchase orders with multiple levels of approval for all purchases tied to its SoftRight accounting system. Each department provides batches of invoices to the City's Auditor's Office for payment. The fiscal year non-personnel accounts in the budget are entered by line item and the SoftRight system will not allow overspending without an override from the Auditor's Office. Batch purchase invoices must be approved and initialed by a department head, with a cover sheet for the batch signed off by the department head and CFO. The City Auditor's Office double checks the information in the SoftRight system and processes the checks for payment.

The City's financial management practices have enabled it to end the last three years with operating surpluses on year-end budget basis. From fiscal 2016 through fiscal 2018, the City ended each year with surpluses of \$6.2 million, \$3.4 million and \$5.2 million respectively and is expected to finish fiscal 2019 with an operating surplus.

Debt Position and Rating Agency Assessment

The City of Everett's debt profile is considered very strong. General obligation bonds and notes must be recommended by the Mayor and approved by a two-thirds vote of the City Council. The City's long-term debt outstanding is \$100.7 million and the net debt service requirement in fiscal 2019 is \$12.2 million. The City received an AA+ bond rating from Standard and Poor's rating service in 2017 and that rate was most recently reaffirmed by S&P Global on March 19,

2019, when the City sold General Obligation bonds totaling \$19.8 million. This high rating will mean that the City will pay lower interest costs than it would with a lower rating.

The City's strong position in the market for this bond sale was indicated by receipt of nine bids for the bonds and the winning bidder offering a favorable interest rate of 2.463%. The rating report by S&P Global indicated that its rating was based on Everett's strong economy, strong financial management and expected new casino-related revenue. The confidence in the City's creditworthiness is due to its:

- Strong economy and access to the Boston metropolitan statistical area.
- Strong management with good financial policies and practices
- Solid budgetary performance with annual operating surpluses
- Good budget flexibility with available fund balance and reserved cash
- Solid debt position with annual debt service at 5.2% of operating expenditures, and 78.6% of the debt is scheduled to be retired within 10 years.

Concerns raised by S&P Global include:

- Long-term unfunded pension liability
- Long-term unfunded retiree health insurance liability (OPEB)
- If the Exelon power plant were to alter operations materially
- If host agreement revenue from the Encore casino were less than expected

Over the last five years, the City of Everett has issued General Obligation bonds each year to provide for capital and infrastructure expenses. The bond issue amounts have ranged from \$8.9 million in fiscal 2015 to \$19.4 million in fiscal 2019. In fiscal 2019, the largest amounts of capital funds were planned for street and sidewalk improvements, followed by funds for ornamental lights, park construction at various sites and Everett Square improvements. Lesser amounts were applied to the purchase of trucks and other vehicles, the capital requirements of the high school career technical education program, and a police generator.

Pertinent Developments

Exelon Generating owns Constellation Mystic Power LLC which is the City's largest taxpayer valued at \$425.3 million in fiscal 2019 with a tax payment of \$15.0 million. The City and Exelon remain in negotiations as their disagreement over the plant's value has led to a court case now in the Massachusetts Superior Court regarding a tax increment financing agreement and future tax payments in light of recent construction activities. The power plant is considered significantly important to the region's power grid and energy infrastructure.

Encore Casino, owned by Wynn MA LLC, began operations on June 23, 2019, having received final approval from the Massachusetts Gaming Commission. In initial agreements by Wynn MA and the City, the City received payments of \$12.5 million in fiscal 2017 and in fiscal 2018.

Starting on June 23, 2019 when the casino, restaurant and hotel will be open for business, the payments are expected to increase to \$25 million in fiscal 2020 and increase annually thereafter by 2.5%. The development is expected to add over 5,000 new permanent jobs. The City is also expected to receive at least \$6.0 million per year in additional room occupancy and meals excise revenue. Also, Wynn MA has purchased land in proximity to the casino project which will be developed and generate additional property taxes for the City, and encourage further development by other property owners in the area.

The City's Five-Year Capital Budget

In addition to the annual operating budget, the City prepares a five-year capital budget that is updated each year. The current five-year capital budget from fiscal 2019 through fiscal 2023 totals \$82.0 million of which approximately \$74.1 million or 90.4% is funded by General Obligation bonds with the principal and interest (debt service) paid annually in the operating budget. A total of \$7.9 million in other funds also support the capital budget. These funds can come from state funds or grants such as Chapter 90 highway funds, federal Community Development Block Grants, or the City's operating budget. As shown in the table below, the City's capital budget is allocated among five general categories, and in this budget the largest planned capital expenses are in the Surface Enhancements and Parks & Open Space groups. As previously noted, the City follows strong debt management practices with debt service currently not exceeding 5.2% of total operating expenses and 78% of the debt scheduled to be repaid within 10 years.

City of Everett Five-Year Capital Budget (FY19-FY23)		
Purpose	5-Year Total	% of Total
Equipment Acquisition	\$9,235,830	11.3%
Parks & Open Space	40,755,000	49.7%
Public Safety	750,000	0.9%
Public Buildings & Facilities	9,808,000	11.9%
Surface Enhancements	21,454,515	26.2%
Gross Capital Budget	\$82,003,345	100.0%
Other Revenue Sources	(\$7,908,636)	
Net, Funded by GO Bonds	\$74,094,709	90.4%

Enterprise Fund - In addition to the capital budget, the City is responsible for its water and sewer services which it operates as an Enterprise Fund in which water and sewer fees pay for

the services and the cost of servicing debt. The water & sewer Enterprise system is separate from the City's operating budget. Over the same five-year period, the City estimates water and sewer projects will cost approximately \$16.6 million of which \$6.1 million will come from grants and other sources and \$10.5 million from the issuance of bonds.

School Finances

Why the Task Force?

Generally, the City of Everett has approved a School Department budget equal to the state-determined Net School Spending, the state's determination of the threshold to adequately educate the district's student population. Later in the year, the City often would approve one or more supplemental appropriations for the School Department, which over the last five years ranged from \$925,000 to \$5.5 million from fiscal 2015 through fiscal 2019. A supplemental appropriation equal to the amount of Medicaid revenue received from school services provided eligible students normally was approved later in the school year. As the City began the fiscal 2018 budget process, the School Department requested the Mayor support an operating budget that was \$2.0 million above the Net School Spending figure to avoid potential layoffs and allow the Department to provide the same level of services to students in the next school year. The Mayor and City Council supported that request.

After school had opened in September, the School Department indicated to the Mayor that an additional appropriation was needed due to unanticipated costs to prevent the layoff of teachers. The unanticipated costs included 25 additional Out-of-District special education students which, in turn, required additional personnel at the Webster School Extension. Also, additional capital expenses were required and an expected grant was lost. The total added cost for these issues was estimated at \$3.5 million.

Another factor that has placed greater budget pressure on the School Department is the state's redefining the income status of low-income students which is data used to calculate Chapter 70 state aid and other revenue and expense accounts. Starting in fiscal 2015, the state changed the factors that define Low-Income students to a new system that defines Economically Disadvantaged students. The result for Everett and other Gateway Cities was that fewer students met the Economically Disadvantaged standard, which resulted in less Chapter 70 state aid for these cities. Based on 2015 DESE data, the number of eligible students in Everett declined from 5,506 in fiscal 2014 to 2,882 in fiscal 2015, a reduction of 47.7% even though these same affected families live in Everett and their children attend the Everett Public Schools. Statewide the reduction was 31.4%. In fiscal 2018, the Chapter 70 loss due to this redefinition of poverty was over \$6.0 million.

While these issues were being discussed after the start of school in 2018, the City learned that the School Department budget approved by the Mayor and City Council had not included the funding for 65 employees who had been hired by the School Department without an authorized appropriation at a cost of \$3.4 million. Further, the City learned that at the beginning of the school year, the School Department had hired an additional 32 employees also without an authorized appropriation at a cost of \$2.2 million. Altogether, the School Department, without authorization, had hired 97 employees at a total cost of \$5.6 million for the year. The unanticipated costs of \$3.6 million and the added employees at a cost of \$5.6 million totaled \$9.2 million.

In February 2018, the Mayor and City Council did appropriate an additional \$5.0 million for the School Department to enable it to finish the year without layoffs. The School Department either absorbed the remaining expenses of \$4.2 million through attrition or was not able to fill all the positions it requested. Soon after this appropriation was approved, the School Committee requested an additional \$500,000 to enable the Department to complete the year without a deficit. The Mayor and City Council approved this request also for total supplementary appropriations of \$5.5 million after the school year started. The School Department ended fiscal 2018 with no deficit or surplus as remaining funds were encumbered for authorized purposes.

The School Department's cascading budget issues in fiscal 2018, that became evident after the original budget was approved, caused Mayor DeMaria to create the School Finance Task Force. He appointed four experts with no prior association with the City of Everett to provide an independent and objective assessment of the School Department's budget process and financial management systems and issue a report of its findings and recommendations for improvements.

Frederick Foresteire served as Superintendent of the Everett Public School System since 1989 or for 30 years. With a high needs student population, he is credited with improved student achievement which resulted in all Everett schools assigned ratings by the state Department of Elementary and Secondary Schools (DESE) under the prior school accountability system being rated as Level 1 or Level 2 schools out of four levels. Under DESE's current school accountability system, the Everett School District was classified as "partially meeting targets" which is equivalent to the rating under the prior system. Superintendent Foresteire's long tenure as head of the School Department and his administrative skills combined to make him a commanding force in the School Department and the City of Everett. He also showed that he was willing to use his influence to gain an educational objective he wished to achieve and associates were reluctant to say no to him. This resulted in the hiring of 97 positions in fiscal 2018 that were not budgeted in order to, in the Superintendent's words, "see what would

happen”. As such, Superintendent Foresteire and his management style were factors in the financial problem experienced in fiscal 2018.

Everett Public School System

The governance structure of the Everett Public School System consists of a nine-member School Committee with three members elected At-Large and six members elected by Ward, all to two-year terms. The administrative leadership is headed by the Superintendent of Schools who is appointed by the School Committee. For 30 years, Frederick Foresteire served as Superintendent and he resigned in December 2018. The School Committee in December appointed Mrs. Janice Gauthier to serve as Interim Superintendent and to continue her role as Curriculum Director. Other key players in the administrative team are Charles Obremski, Assistant Superintendent of Business Affairs, Kevin Shaw, Assistant Superintendent, and William Donohue, Director of Special Education.

Schools - The Everett School Department operates nine schools including Everett High School (9-12), a special education school (K-12), a pre-K school, a K-5 elementary school and five K-8 schools. A list of the schools with their grade levels is included in the Appendix. These schools serve approximately 7,107 students which is slightly more than the prior two school years according to the state Department of Elementary and Secondary Education (DESE).

Staff - The School Department staff in 2019 totals 827 full-time positions, including 536 teachers who represent 64.8% of the total school positions. Paraprofessionals in the classroom total 84 positions in 2019. School Administration comprised of Administrators, Principals and Directors total 59 positions or 7.1% of the total staff. In the year between January 1, 2017 and January 1, 2018, school employee levels increased by 38 positions with the increase of 32 teaching positions representing 84% of the total increase. Regular education teachers (+18) and special education teachers (+11) showed the largest growth. A complete list of the Everett School Department employees by program area over the past five years is included in the Appendix.

High Needs System - The Everett Public School System serves a relatively high needs student population. Approximately 68% of Everett students in SY2017-2018 are characterized as “high needs” by DESE and 50.8% are considered “economically disadvantaged.” For over 64% of Everett students, their first language is not English. Finally, 20% of Everett student are English Learners and 16.5% have some form of learning disability. The significance of a high need student population is that many of the students require a higher level of educational and social service support in the school district. Based on DESE’s grouping of comparable school districts, Everett’s average per pupil student cost in 2018 was \$13,976, which compared with Revere at \$13,222, Malden at \$14,023 and Chicopee at \$14,975. The City of Somerville’s average per pupil cost is \$19,236 with support from its extensive development program. As previously noted, the state determines for each school district the foundation budget and after examining

the wealth of a community establishes what the local contribution and Chapter 70 state share should. Each municipality can decide how much above the state required level it will approve funding to enable the School Department to better meet the needs of its school system and students based on its financial position. The high needs breakdown of Everett public school students and students in seven other high needs local districts are shown below.

High Needs Students SY2018-2019						
	High Needs	Econ. Disadv.	ELL	1st Lang. not English	Disabilities	2018 Per In-District Pupil Expend.
Somerville	60.2%	39.2%	20.5%	48.2%	20.9%	\$19,236
Chicopee	60.7%	52.2%	6.0%	13.9%	18.4%	\$14,975
Malden	67.8%	43.5%	19.9%	55.2%	16.8%	\$14,023
Everett	71.0%	48.1%	25.0%	65.1%	17.8%	\$13,976
Peabody	48.2%	30.3%	8.9%	14.0%	19.7%	\$13,964
Chelsea	82.1%	62.5%	37.8%	82.4%	16.1%	\$13,260
Revere	68.7%	47.1%	22.6%	64.5%	16.1%	\$13,222
Winthrop	42.2%	24.3%	7.8%	21.6%	15.8%	\$13,010

Source: MA Dept. of Elementary and Secondary Education

According to Everett School Department data, in-district students requiring high needs services are growing at a faster rate over the last three years from fiscal 2015 to fiscal 2018 than in-district students requiring moderate services. Over the three years, the number of high needs students grew by 19.3% compared to the increase of moderate needs student by 9.2%. However, as a result of the School Department’s services to the high needs students and the operation of the all special education K-12 Devens public school in Everett, the number of Everett students placed in more expensive out-of-district schools by contract has decreased by 15.7% over the three years. (See Appendix)

Student Data - DESE student data for SY2018-2019 by race shows that Hispanic students represent the largest group of students at 52.1%, followed by White at 24.4%, Black at 16.5%, Asian at 4.9% and Other at 2.1%.

In relevant student measures, Everett’s graduation rate, based on a 4-year adjusted cohort, was 84% last school year, its attendance rate was 93.3% and its dropout rate was 3.8%. About 20% of students missed 10% or more of total school days. These figures are relatively in line with other high needs school districts in the area.

Everett students performed adequately with need for improvement on the Next Generation MCAS English Language Arts MCAS exam in SY2018-2019. Of those students tested, 35% meet expectations, 45% partially meet expectations for a total of 80% and 17% did not meet expectations. Exceeding expectations were 3% of the students. Students performed a little better on the Math MCAS exam.

DESE recently implemented the next generation school accountability system which maintains the same base indicators, including MCAS performance and graduation rates and added new indicators that increase focus on improving achievement for the lowest performing students such as progress toward English proficiency for English learners. The Everett school district was classified as “partially meeting targets” which means that the schools do not require assistance, targeted support or intervention. That is consistent with the prior system in which all Everett schools assigned ratings were either Level 1 or Level 2, the top two out of four levels.

School Department Budget Process

The Everett City Charter requires that the School Department recommended budget for the next fiscal year be approved by the School Committee and submitted to the Mayor at least 30 days before the Mayor submits his recommended budget for the next fiscal year to the City Council.

The school administration begins the budget process in late November through December when the Assistant Superintendent of Business Affairs begins preparing a draft budget for the following year. In January, school administrators are asked to submit request forms of what they will need for the next year. By mid-March, the School Committee meets with the Superintendent, central administrators and Principals or Head Teachers to review their budget requests. In late March, the School Committee’s Finance Subcommittee meets with the Administration to review the draft budget and make any increases or reductions to any line items. Once they agree on the budget, it is sent to the full Board for a public hearing which usually occurs in mid-April. Following the public hearing, the School Committee votes on the budget recommended by the Superintendent.

The approved School Department budget is sent to the Mayor. The Mayor has the authority to accept the budget, reject it or reduce it, but he cannot increase it. Finally, the Mayor includes the School Department’s budget as part of his recommended budget for the next fiscal year to the City Council for its review and action. The City Council also has the authority to reduce the School Department’s budget or reject it but cannot increase it. Both the Mayor and City Council can reduce the total request by the School Committee, but only the aggregate amount and not any specific line items. Under Proposition 2½, only the School Committee has the authority to determine how the total budget will be allocated among the line items.

In Everett, the school budget process starts with the state determined Net School Spending Requirement which represents what the state has deemed as the threshold to adequately educate the District’s student population. Deducted from the Net School Spending total are expenses or “charge-backs” that the City assigns to the school budget for multiple municipal services it provides that are tied to the school operation such as health insurance for active and retired employees, or insurance on school buildings. Also included in the charge-backs are the state assessments charged to the City for the charter tuition assessment for resident students attending Commonwealth charter schools and the school choice assessment for resident students attending the public schools of other municipalities. Not all cities require the School Department to include those assessments in their budgets.

What is left after subtracting the total charge-backs is the minimum required appropriation for the School Department. That number leads to discussions between School Committee/Superintendent and Mayor regarding additional funding needed to meet the education needs of the School Department for the next fiscal year. The experience in Everett is that decisions are made that increase funding beyond Net School Spending for the School Department in the budget recommended by the Mayor to the City Council, and in recent years supplemental appropriations have been approved after the start of school.

Supplemental Appropriations - After the School Department’s budget for the next fiscal year has been approved by the Mayor and City Council, additional funding can be provided through a supplementary appropriation requested by the School Committee and approved by the Mayor and City Council. In the past three fiscal years, (FY16-FY18) supplemental appropriations have been approved for the School Department as late as May or June of the fiscal year and no earlier than the last four or five months of the fiscal year as shown below. In fiscal 2018, the supplemental appropriations totaling \$5.5 million approved in the last two months of the fiscal year represented 7.4% of the final operating budget of the School Department.

School Supplemental Appropriations FY16-FY18 \$ in 000s			
Fiscal Year	Number	Amount	Date
2016	2	\$1,538	March & May, 2016
2017	2	\$2,700	March & June, 2017
2018	2	\$5,500	February & March, 2018

Not all funding decisions are made prior to the Mayor’s submission of his recommended budget for the following fiscal year to the City Council. The application of Municipal Medicaid is one example. Municipal Medicaid is a school-based Medicaid program that provides an opportunity for a municipality to receive federal dollars to offset costs associated with providing certain

Medicaid-covered services in a school setting. These funds are received by the City and the Mayor has the authority to decide how the funds should be allocated. In fiscal years 2015, 2016 and 2017, the Municipal Medicaid funds were provided to the School Department as a supplementary appropriation after the budget was approved by the City Council. This delay created uncertainty, but the School Department did expect that the funds would be provided before the end of the fiscal year. In fiscal 2018, the decision was made to include the forecasted Medicaid funds as part of the original School Department budget.

Funding these school supplemental appropriations has required the City to draw down on its reserves. In fiscal 2016, the two supplementary appropriations totaling \$1.5 million were funded from the City’s Stabilization Fund and in fiscal 2017, the Budgetary Fund Balance (Free Cash) and the Stabilization Fund were the sources of the \$2.7 million school supplementary appropriations. The two supplementary appropriations totaling \$5.5 million in fiscal 2018 were funded from the Stabilization Fund. (See Appendix)

Following the description of the budget process above, the table below depicts the School Department’s revenue development process for the fiscal 2019 budget.

FY19 School Funding Development	
State Net School Spending Requirement	\$95,255,826
Less: City Charge-Backs	(\$25,074,871)
Minimum Required Appropriation	\$70,180,955
Add: Funding Approved by Mayor	6,500,000
Add: Special Education Transportation	4,700,000
Approved FY19 Budget	\$81,380,955
Add: Supplemental Approp. 11/13/18	2,515,109
Total FY19 Operating School Budget	\$83,896,064

Fiscal 2019 School Department Budget

The Everett School Department’s \$83.9 million operating budget represents the funding available for direct educational services for the school system in fiscal 2019. As shown by the table below, employee salary expenses represent 71.4% of the total budget, which does not include the \$9.5 million for health insurance that is included in the charge-back expenses. Salaries for teachers account for 74.9% of the total salary budget. Special Education contract services of \$7.0 million and Special Education transportation expenses of \$4.7 million make up

the two largest non-salary expenses followed by Facilities, Grounds and Motor Services at \$2.8 million and energy costs of \$2.3 million.

The School Department's \$83.9 million budget in fiscal 2019 represents the resources available to the School Department for operations. It does not include services tied to school expenses and paid by the City for school active employee and retiree health insurance, insurance on school buildings, and the state assessments for the charter school tuitions and the school choice program. A more detailed table of the FY19 School Department budget can be found in the Appendix section.

Everett School Department FY19 Budget*				
\$ in 000s				
Category	Account	Total	% of Total Salary	Percent of Total
Salary	Central Administration	\$2,203	3.7%	2.6%
	School Administration	4,179	7.0%	5.0%
	Total Administration	\$6,383	10.6%	7.6%
	Teachers	\$44,913	74.9%	53.5%
	SPED Paraprofessionals	\$2,804	4.7%	3.3%
	Custodial & Maintenance	2,148	3.6%	2.6%
	Guidance	1,580	2.6%	1.9%
	Other	2,111	3.5%	2.5%
	Total Other	\$8,643	14.4%	10.3%
	Total Salary	\$59,939	100.0%	71.4%
Non-Salary	SPED Contract Services	\$7,000		8.3%
	SPED Transportation	4,700		5.6%
	Health Services & Programs	3,030		3.6%
	Bldgs., Grounds, Motor Serv.	2,788		3.3%
	Other	6,439		7.7%
	Total Non-Salary	\$23,957		28.6%
Total FY19 Budget		\$83,896		100.0%

* Net operating budget that does not include school-related expenses paid by City (charge-backs)

Net School Spending (NSS)

As previously noted, in Everett the school budget process starts with the state determined Net School Spending Requirement which after city charge-backs are taken out produces the

minimum required appropriation for the School Department. The table below shows the net school requirement after charge-backs and the Department's actual spending over the six years from fiscal 2014 and fiscal 2019. With a high-needs population, it would be expected that actual School Department expenditures would be in excess of the net requirement. Over the six years, the actual spending over the NSS would be considered modest except for fiscal 2018. The 8% in fiscal 2018, over the 2% to 4% in the other years, reflects the additional supplemental appropriations that year due to unanticipated expenses and added personnel not originally budgeted.

Everett Actual Net School Spending (NSS) over Required NSS FY14-FY19 \$ in 000s						
	FY14	FY15	FY16	FY17	FY18	FY19
Required Net School Spending	\$80,043	\$85,328	\$89,668	\$90,696	\$93,107	\$97,755
Actual Net School Spending	\$81,574	\$87,440	\$91,758	\$94,413	\$100,828	\$101,510
Actual over Required NSS	\$1,531	\$2,112	\$2,090	\$3,717	\$7,721	\$3,756
%	1.9%	2.5%	2.3%	4.1%	8.3%	3.8%

Source: MA Department of Elementary and Secondary Education

How Everett ranks with seven other comparable school districts in spending beyond NSS in fiscal 2019 shows that it is above Chelsea, close to Malden and below Somerville, Chicopee, Peabody, Revere and Winthrop. In a per in-district pupil expenditure basis among the eight school districts, Everett's expense of \$13,976 ranks in the middle with Peabody, and above three other districts and below three districts.

Actual over Required NSS % FY14-FY19							
	FY14	FY15	FY16	FY17	FY18	FY19	2018 Per In-District Pupil Expend.
Somerville	13.1%	17.4%	20.7%	29.1%	32.3%	35.4%	\$19,236
Chicopee	3.0%	2.9%	2.2%	5.1%	5.3%	7.5%	\$14,975
Malden	-1.1%	1.3%	2.2%	4.2%	4.9%	4.0%	\$14,023
Everett	1.9%	2.5%	2.3%	4.1%	8.3%	3.8%	\$13,976
Peabody	4.7%	11.6%	12.3%	15.1%	19.3%	17.7%	\$13,964

Chelsea	-4.9%	-3.1%	-1.2%	2.0%	6.0%	2.5%	\$13,260
Revere	5.2%	5.0%	5.0%	1.9%	3.2%	6.6%	\$13,222
Winthrop	6.0%	3.2%	6.9%	11.3%	11.3%	10.1%	\$13,010
<i>Source: MA Department of Elementary and Secondary Education</i>							

School Budget Management

The School Department also utilizes the same Millennium software to administer its payroll as the City does and follows the same procedures in submitting purchase order batches to enter into the City’s SoftRight accounting system. The one difference in payroll administration is that the School Department’s Human Resources Department manages the Millennium software program and sends the employee and payroll data sheets to the City Auditor’s office for the Payroll Clerk to enter into the City’s Millennium payroll system. The data sheets document sick and vacation time used. The data sheets do not specifically document new school employees added to the payroll system. The School Department does maintain an internal system identifying the funding status of positions, but does not follow the City’s procedures when adding new employees to the payroll system, specifically confirming to the Auditing Department that there is a sufficient appropriation to fund the new employee. As a result, it is possible that new employees lack available funding and could potentially cause the School Department to overspend its total appropriation before the end of the fiscal year. An Excel file is provided by the School Department’s Human Resource Office to the City Auditor’s Office in order to enter account numbers and amounts into the SoftRight accounting system. The totals on these spreadsheets are compared to the information in the Millennium system before processing.

For non-personnel spending, the School Department follows the procedures used by other city departments. The School Department submits purchase orders that require multiple levels of approval before being entered into the SoftRight accounting system. The School Department’s fiscal year non-personnel budget is entered by line item into the SoftRight system and the SoftRight system will not allow overspending without an override from the Auditor’s Office. Invoices must be approved and initialed by a department head, with a cover sheet for the batch signed off on by the Assistant Superintendent for Business. Invoice and account information is entered into the SoftRight accounting system by the School Business Office. The City Auditor’s Office double checks the information in the SoftRight system and processes the checks for payment.

Fiduciary Responsibilities of the School Committee

The Everett School Committee is charged with an important role in the creation and administration of the School Department budget. The Everett City Charter empowers the School Committee to “adopt and to oversee the administration of an annual operating budget for the School Department, subject to appropriation by the City Council” (Section 4-5). Thus, the School Committee members are responsible for the review and final approval of the annual operating budget submitted by the Superintendent and also the administration of the budget during the course of the fiscal year. Administration of the budget would involve careful monthly review of the expenditure and revenue components of the operating budget and approval of any adjustments made during the course of the fiscal year.

Role of School Financial Review Commission

The School Financial Review Commission was established in 2012 through a change in the City’s Administrative Code to act as a centralization entity in the City to deal with all city-school related finance issues. While authorized in 2012, the Commission was not established until 2018 in light of the School Department’s financial problems. The Commission serves only as an advisory body and does not have authority to make binding decisions. Meetings are held on a monthly basis to review and address the ongoing financial status of the school system. The Commission is charged with providing information, coordination and technical assistance to other public agencies, institutions, and organizations to ensure financial stability of the Everett Public School System. In dealing with facilities, the Commission is expected to study the possibilities for cooperation between the City and School District in the development, maintenance and use of their respective facilities.

A significant benefit of the Commission is that its membership brings together key elected and appointed officials of the City on a monthly basis to discuss issues tied to the financial condition of the School Department. The Mayor serves as Chair of the Commission, which consists of 12 members including two School Committee members, the Superintendent of Schools and the Assistant Superintendent of Business Affairs, three City Councilors, the Chief Financial Officer, Director of Organizational Assessment, City Solicitor and Chief Procurement Officer. The public meetings of the Commission have increased the transparency of school operations and improved the communication among the Mayor and his administration, the City Council, the School Committee and School Department senior officials. One example is that the School Committee now is inviting the City’s Chief Financial Officer to its Finance Subcommittee meetings.

Review of Fiscal 2018 EPS Budget Year

As previously noted, fiscal 2018 was a year in which the School Department faced unanticipated situations that required greater spending beyond what was originally expected such as 25

additional Out-of-District special education students which altogether cost an estimated \$3.6 million. After the budget was approved by the Mayor and City Council, the School Department added 97 employees to its payroll without authorized appropriations which in aggregate cost \$5.6 million.

As shown in the table below, before the Mayor submitted his recommended fiscal 2018 budget to the City Council, he agreed to add an additional \$2.0 million to the School Department budget to insure no employee layoffs. However, after the \$74.7 million budget had been approved, the additional positions not in the budget were identified and resulted in the approval of a supplementary appropriation of \$5.0 million which was funded by a transfer from the City’s General Stabilization Fund on February 12, 2018. Later, on March 26, 2018, another supplementary appropriation of \$500,000 was approved for employee expenses, also funded by a transfer from the General Stabilization Fund. Thus, the final fiscal 2018 School Department budget totaled \$80.2 million, with 7.4% of that budget approved in the second half of the fiscal year.

FY18 School Funding Development	
State Net School Spending Requirement	\$92,101,035
Less: City Charge-Backs	(24,015,745)
Minimum Required Appropriation	\$68,085,290
Add: Funding Approved by Mayor	\$2,000,000
Add: Special Education Transportation	4,600,000
Approved FY18 Budget	\$74,685,290
Add: Supplemental Approp. 2/12/18	5,000,000
Add: Supplemental Approp. 3/26/18	500,000
Total FY18 Operating School Budget	\$80,185,290

Task Force Recommendations

After several months of reviewing the financial operations of the City and School Department, meetings with city and school officials and further contact with city and school officials in the writing this this report, the School Finance Task Force makes the following recommendations.

1. The personnel expenditure control procedures established by the Chief Financial Officer for all municipal departments should also apply to the School Department. A significant contributing factor to the School Department’s financial problem in fiscal 2018 was the addition of 97 employees to its payroll without first assuring that sufficient funds were

available to support those positions. Proposition 2½ does provide that only the School Committee can decide how the overall operating budget will be allocated among the various school budget accounts (MGL Ch.71, Sec.34). However, that does not restrict the municipality from applying expenditure and position control procedures applicable to all other city departments to the School Department.

The City's payroll and accounting systems require multiple steps and approvals before a position or salary change can be entered into the Millennium system and this process should equally be required of the School Department. Once a position change requiring the expenditure of funds has been properly approved by the School Department, the required information should be submitted to the City's Payroll Clerk to be submitted into the SoftRight accounting system and the various approvals would be required before the change can be entered into the Millennium system for payroll processing. This recommendation does not interfere with the School Department's ability to recruit an employee for a new or existing position. It just requires that sufficient funds have been approved to fund the position before the person can be placed on the payroll.

2. A new position in the City's Finance Department should be created to serve as a resource on school financial and policy issues. This analyst would be expected to develop a collaborative working relationship with School Department officials to be knowledgeable of fiscal and operational matters pertinent to the School Department and City. This analyst would also be responsible for being informed of state educational policies, financial issues and legislative proposals that could affect the City of Everett. That charge would require engagement with the state Department of Elementary and Secondary Education (DESE) and the House and Senate Education Committees. Understanding the factors involved with the establishment of state Chapter 70 education aid would be important. The analyst should also maintain contact with other educational entities in Everett such as Commonwealth charter schools, parochial or private schools.

The financial impact of the School Department on total city operations is a key factor why an analyst whose charge is school research is needed at City Hall. The School Department budget in fiscal 2019 represents 39% of the total city operational budget and the 827 School Department FTE employees account for 64% of all city employees. State aid for education in fiscal 2019 totaled \$68.2 million or 90% of the City's total state aid this year. State assessments the City must pay this year for charter school and school choice tuitions totals \$9.4 million or 63.4% of all state assessments.

3. The City should continue its recently revised approach in developing the School Department's operating budget by estimating the total General Fund revenues from all

sources that will be available to the City for the next fiscal year and determining of that amount what the School Department share should be. The school budget development process has usually started with the Net School Spending figure established by the state Department of Elementary and Secondary Education (DESE), as its estimate of what is required to adequately educate the School District's student population. Then in discussions between city and school officials some additional funds may be supported during the year. For example, supplemental appropriations and Municipal Medicaid funds were often approved after the budget was approved by the City Council and sometimes as late as the last month of the fiscal year. Recently, City Hall and the School Department have agreed that a single budget appropriation would be established and submitted to the City Council and supplemental appropriations would only be used for emergency situations. With the high percentage of high needs students in the Everett public schools, an operating budget beyond the state's current minimum requirement will be necessary.

An earlier decision on the total operational resources for the School Department will facilitate its budget development process. An important driver in the school budget process is the make-up of the student enrollment by school since it contractually determines the required staffing in each school. An earlier total budget number would give the school administration and principals needed time to plan the staffing of the schools. An earlier timeline would also require the School Department to precisely estimate the number and make-up of the student enrollment for the following school year.

4. The School Committee should more fully exercise its fiduciary responsibility in the development and approval of the School Department budget and the management and spending control of the budget. The School Committee must approve the final School Department budget for the next fiscal year and when the recommended budget is submitted by the Superintendent, the School Committee has the authority to approve, reject or modify the budget. Equally important, but not as well exercised, is the responsibility of the School Committee to oversee the administration of the operating budget as required by the Everett City Charter and state law (MGL Ch.41, Sec.56). The School Committee approves all bills to be paid by the School Department which requires examination to be certain the charges are correct and the funding is available.

At present, three members of the School Committee constitute the Finance Subcommittee and are most involved with the budget discussions. However, development, approval and oversight of the annual School Department budget is one of the most important responsibilities of the School Committee and all members should be equally engaged. Having the full School Committee involved with the budget would allow the responsibility of the various areas of the budget to be delegated among the

nine members in terms of the development, approval and oversight of the budget during the year. These assignments could be changed in subsequent years to ensure members gain a broader understanding of the complete budget, the finances required and the services provided.

The two School Committee members serving on the School Finance Review Commission should report monthly to the full School Committee on the proceedings of the last Commission meeting and any actions or decisions made.

5. The School Finance Review Commission should place as much emphasis on monitoring the administration of school expenditures and position control as budget development. While the Commission of 12 members has a broader coordinating purview than budget management and serves only as an advisory body, the membership of the Commission makes it an important entity to periodically make monitoring School Department spending and budget management a part of its agenda. Included on the Commission are the Mayor who serves as Chairman, Superintendent of Schools, three City Councilors, two School Committee members and senior city and school officials.
6. The School Committee should consider upgrading its budget software to a system that can generate summary and detail reports that provide the budget data in a more informative and transparent format. The current budget system does not seem to allow an aggregation of data in formats that can provide summary and detail reports that would be more beneficial for school and other public officials, parents and the general public. For example, the Boston School Department's General fund budget is presented in increasing levels of detail department-wide and by school. A summary budget by account category for the current and prior year budgets that includes the number of positions (FTE) for categories with personnel is provided on a single page. Each of the summary categories have more detailed data provided in subsequent pages.

A more transparent budget summary with narrative and additional detail of the current Everett School Department budget and each individual school budget should be presented on the Department' website to be available to parents and the general public. Currently no budget information is provided on the School Department's website. During the budget development period, the budget recommended by the Superintendent and the budget approved by the School Committee for the next fiscal year should be available on the Department' website with appropriate narrative.

7. The members of the School Committee should take precaution to avoid any possible conflict of interest violation in votes taken as a consequence of any family members working for the Everett Public School System. Currently, two-thirds of the School Committee members have relatives on the EPS payroll. This can be reflective of a strong

community school system, with community members committed to both school operations and governance. However, in such a situation it is critical that any appearance of conflict of interest due to employment or financial issues be avoided. The School Committee has been engaged with the Massachusetts Association of School Committees regarding the role of the School Committee and should include a session on conflict of interest with the Association.

Recommendations not directly germane to the charge of the Task Force, but considered important for consideration.

8. Distribution of annual casino revenue for the City should include annual appropriations to help address the funding of Everett's long-term unfunded actuarial accrued pension and retiree health insurance (OPEB) liabilities. As noted above, the City's estimated unfunded actuarial accrued pension liability was \$251.1 million and the funded ratio was 60.3% as of January 1, 2018. The City expects to reach full funding of its pension liability by 2030. The retired health insurance or Other Post Employment Benefit (OPEB) estimated unfunded actuarial accrued liability as of July 1, 2018 was \$255.8 million with the balance in the OPEB Trust fund of roughly \$4.7million. That translates into a funded ratio of only 1.8%. Additional resource from the City's agreement with Wynn MA should be dedicated to annually increase funding for both the City's pension and OPEB long-term financial liabilities beyond the funding strategies already in force.
9. Going forward, casino revenues should be dedicated to on-going critical needs of the City in its provision of operational and capital services. Casino revenue should not be needed further to reduce property owners' tax bills. In both fiscal 2017 and fiscal 2018, the City applied \$12.5 million originally received from Wynn MA to the Community Mitigation Stabilization Fund to reduce the tax levy from property taxes benefitting the taxpayers of the City. However, over the past four years from fiscal 2015 to fiscal 2019, residential value increased by \$1.47 billion or 56.9% and business value increased by \$1.08 billion or 75.9%. The City's average single-family tax bill in fiscal 2019 is low by comparison with neighboring municipalities, in good part, due to the City's utilization of classification to shift the maximum tax burden from residential property to business property and the City's 25% residential exemption. In a comparison of the average single-family tax bills of 22 municipalities in Greater Boston, Everett's average single-family tax bill of \$3,339 was the second lowest.

Looking Ahead

We believe that the new collaborative environment evidenced in the body of this report, combined with the changes already made, and the implementation of the recommendations in this report above should increase the transparency of the school budget process, improve its

management, and prevent any repeat of the 2018 budget situation. We believe that these reforms should be given the chance to work.

However, implementation will require good faith efforts on the part of the City and the Everett Public School System. If the recommendations are not implemented and/or unexpected budget challenges with the School Department resurface, the impact of the School Department's operations on city government and finance is too large to leave with weak controls.

In such a case, the Mayor of Everett should be authorized to be a voting member of the School Committee through a special act of the Legislature. Currently by City Charter, the Mayor is an ex officio member of the School Committee, not authorized to vote on matters before the Board.

In 29 cities in Massachusetts, the Mayor is a member of the School Committee. Neighboring communities in which the Mayor serves as a voting member of the School Committee include Malden, Medford, Melrose, Methuen, Revere, Salem, Somerville, and Waltham. A complete list Massachusetts Mayors who serve on School Committees is included in the Appendix.

To be clear, making the Mayor a voting member of the School Committee is not a recommendation of the Task Force at this time. That should be a decision made by the City at a later time after evaluating the results of the collaborative environment between the School Department and City Hall and the implementation of the recommendations made by the Task Force.

Conclusion

The budget situation in fiscal 2018 has led to an improved spirit of cooperation and communication between Mayor Carlo DeMaria and his senior team and Interim Superintendent Mrs. Janice Gauthier and her senior team. A few steps recommended in this report are being implemented now. We are encouraged by the more collaborative environment and the changes that have been taken so far. Nevertheless, the complete set of recommendations should be given serious consideration by all parties. The Task Force suggests that the recommendations and status of implementation for each be an issue reviewed by the School Financial Review Commission twelve months from the release of the report and each subsequent year as felt necessary. The members of the Task Force again express their appreciation for the Everett municipal and school officials who assisted in providing information, data and opinions in the preparation of this report. We thank Mayor DeMaria for asking us to serve in preparing this report, which we wrote to be a useful document for Everett public officials and the general public, explaining city and school operations and the findings that led to our nine recommendations.

Appendix

Everett School Finance Task Force Meeting Schedule

February 15, 2018	First meeting – Dr. Omar Easy, the Mayor’s point person for the Task Force, introduced the Members and discussed the purpose of the Task Force. Chief Financial Officer Eric Demas provided an overview of the school finance situation in 2018.
March 7, 2018	Meeting with Mayor Carlo DeMaria to discuss the expectations of the Task Force. A binder of financial documents was presented to the Members and a general discussion about how to proceed followed.
April 4, 2018	Meeting with Superintendent Frederick Foresteire, Assistant Superintendents, Charles Obremski and Kevin Shaw and Dr. Michael Baldassarre, Director of Special Education
May 2, 2018	Meeting of the Task Force with Dr. Easy to discuss further the fiscal 2018 School Department budget issue and the fiscal 2019 upcoming School Department budget. A meeting with the Superintendent was requested.
November 1, 2018	The Members met with Dr. Easy and Mr. Demas to discuss the hiring procedures in city departments and the School Department. A draft outline for the Task Force’s report was reviewed and discussed.
January 23, 2019	Task Force discussion centered on the report outline and possible recommendations to consider.
February 11, 2019	Meeting with Interim Superintendent Janice Gauthier and Assistant Superintendents Obremski and Shaw regarding the fiscal 2019 budget process and expectations. Separate meeting with Bernie D’Onofrio, former School Committee Chair, followed by a meeting with Tom Abruzzese, current School Committee Chair.
March 11, 2019	Meeting with David Ela and Frank Parker, School Committee members who serve on the School Committee’s Finance Subcommittee and the School Finance Review Commission

June 13, 2019

Members discussed the draft Task Force report and its recommendations which that they had previously received. Edit suggestions were discussed and revisions made.

Appendix B

City of Everett
Business and Residential Share of Taxable Value, Levy, and Tax Rate
FY15-FY19

	FY15	FY16	FY17	FY18	FY19	Variance FY15-FY19	% Ch.
Taxable Value							
C,I,P	\$1,424,429,856	\$1,503,261,088	\$1,590,023,189	\$1,759,932,169	\$2,505,330,013	\$1,080,900,157	75.9%
R	\$2,584,829,341	\$2,811,506,692	\$3,162,161,321	\$3,560,495,901	\$4,055,191,542	\$1,470,362,201	56.9%
Total	\$4,009,259,197	\$4,314,767,780	\$4,752,184,510	\$5,320,428,070	\$6,560,521,555	\$2,551,262,358	63.6%
% Ch. Over Prior Year	10.9%	7.6%	10.1%	12.0%	23.3%		
Value as % of Total							
C,I,P	35.5%	34.8%	33.5%	33.1%	38.2%		
R	64.5%	65.2%	66.5%	66.9%	61.8%		
Total	100%	100%	100%	100%	100%		
Levy Limit							
Prior Year Levy Limit	\$90,385,762	\$94,510,401	\$99,542,806	\$104,642,418	\$110,457,823	\$20,072,061	22.2%
2 1/2% Levy Growth	2,259,644	2,362,760	2,488,570	2,616,060	2,761,446	501,802	22.2%
New Growth	1,864,995	2,669,645	2,611,042	3,199,344	23,524,220	21,659,225	1161.4%
Total Levy Limit	\$94,510,401	\$99,542,806	\$104,642,418	\$110,457,823	\$136,743,488	\$42,233,087	44.7%
Increase over prior year	4,124,639	5,032,405	5,099,612	5,815,404	26,285,666		
% of Levy Limit Increase							
2 1/2 Levy Growth	54.8%	47.0%	48.8%	45.0%	10.5%		
New Growth	45.2%	53.0%	51.2%	55.0%	89.5%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%		
Property Tax Levy							
C,I,P	\$56,193,757	\$57,093,857	\$56,747,928	\$59,380,111	\$88,362,989	\$32,169,232	57.2%
R	34,176,198	36,559,360	40,159,143	43,186,229	44,204,534	10,028,336	29.3%
Total	\$90,369,955	\$93,653,217	\$96,907,071	\$102,566,340	\$132,567,523	\$42,197,568	46.7%
% Ch. over prior year	5.0%	3.6%	3.5%	5.8%	29.3%		
Levy as % of Total							
C,I,P	62.2%	61.0%	58.6%	57.9%	66.7%		
R	37.8%	39.0%	41.4%	42.1%	33.3%		
Tax Rate							
Tax Rate / Thousand							
C,I,P	\$39.45	\$37.98	\$35.69	\$33.74	\$35.27	(\$4.18)	-10.6%
Variance	(\$1.66)	(\$1.47)	(\$2.29)	(\$1.95)	\$1.53		
% Change	-5.3%	-3.7%	-6.0%	-5.5%	4.5%		
R	\$14.61	\$14.45	\$14.44	\$13.78	\$12.38	(\$2.23)	-15.3%
Variance	(\$0.43)	(\$0.16)	(\$0.01)	(\$0.66)	(\$1.40)		
% Change	-2.9%	-1.1%	-0.1%	-4.6%	-10.2%		
Effective Tax Rate							
C,I,P	2.254%	2.171%	2.039%	1.928%	2.021%		
R	3.945%	3.798%	3.569%	3.374%	3.527%		
	1.322%	1.300%	1.270%	1.213%	1.090%		

Source: City of Everett Auditing Department

Appendix C

City of Everett
General Fund Expenditure Summary
FY15-FY19

Department	FY15	FY16	FY17	FY18	FY19 (Budget)	% of FY19	% of FY19	Variance	
						Dept.Total	Total	FY15-FY19	Percent
Schools	\$71,870,235	\$74,358,622	\$75,599,435	\$81,197,120	\$83,896,064	58.5%	39.0%	\$12,025,829	16.7%
Police	11,164,972	13,077,663	13,199,361	14,524,741	15,537,954	10.8%	7.2%	4,372,982	39.2%
Public Works	12,193,829	9,416,437	10,017,147	11,510,446	12,995,518	9.1%	6.0%	801,689	6.6%
Fire	9,263,032	9,853,671	9,932,985	10,452,034	11,002,814	7.7%	5.1%	1,739,782	18.8%
Inspectional Services	1,863,086	2,348,841	4,154,711	4,592,776	5,734,372	4.0%	2.7%	3,871,286	207.8%
Mayor	1,206,814	1,195,254	1,162,643	1,470,647	1,375,394	1.0%	0.6%	168,580	14.0%
Planning & Development	673,540	878,502	869,773	1,232,353	1,224,182	0.9%	0.6%	550,642	81.8%
Assessing	640,891	521,208	599,394	1,223,858	512,989	0.4%	0.2%	(127,902)	-20.0%
Health Inspection Services	993,331	1,092,588	1,166,300	1,170,695	1,388,835	1.0%	0.6%	395,504	39.8%
Libraries	885,780	922,063	973,550	1,082,464	1,184,711	0.8%	0.6%	298,931	33.7%
E911	837,884	894,685	1,026,181	1,071,974	1,243,809	0.9%	0.6%	405,925	48.4%
Treasurer/Collector	812,506	878,541	926,486	996,766	1,149,254	0.8%	0.5%	336,748	41.4%
Human Resources	523,015	850,368	737,955	836,608	838,994	0.6%	0.4%	315,979	60.4%
Information Technology	453,042	547,469	721,172	766,119	925,600	0.6%	0.4%	472,558	104.3%
Auditor	524,920	497,147	695,637	677,626	691,976	0.5%	0.3%	167,056	31.8%
Culture & Recreation	444,130	428,768	688,128	692,462	750,606	0.5%	0.3%	306,476	69.0%
Human Services	380,646	521,058	449,468	554,481	545,996	0.4%	0.3%	165,350	43.4%
Veterans Services	417,213	404,804	426,204	490,141	513,810	0.4%	0.2%	96,597	23.2%
City Council	265,699	298,886	298,323	400,089	474,968	0.3%	0.2%	209,269	78.8%
City Clerk	303,439	339,031	366,444	367,435	422,333	0.3%	0.2%	118,894	39.2%
City Solicitor	263,999	279,003	298,458	316,800	378,560	0.3%	0.2%	114,561	43.4%
Election Commission	109,406	126,342	246,000	288,217	344,883	0.2%	0.2%	235,477	215.2%
Purchasing	206,336	164,447	177,636	181,419	199,963	0.1%	0.1%	(6,373)	-3.1%
Land Use	45,600	46,573	22,135	43,119	48,096	0.0%	0.0%	2,496	5.5%
Other Human Services	44,420	46,447	41,477	52,583	57,950	0.0%	0.0%	13,530	30.5%
Subtotal Departmental	\$116,387,765	\$119,988,418	\$124,797,003	\$136,192,973	\$143,439,631	100.0%	66.7%	\$27,051,866	23.2%
Unemployment	\$408,469	\$214,883	\$468,086	\$291,048	\$300,000		0.1%	(\$108,469)	-26.6%
Worker's Compensation	679,689	527,703	732,998	772,463	702,000		0.3%	22,311	3.3%
Other Employee Benefits	20,090,491	21,003,665	22,162,757	22,842,479	23,212,989		10.8%	3,122,498	15.5%
Other Insurance	1,363,608	1,396,803	1,443,095	1,587,334	1,899,926		0.9%	536,318	39.3%
Subtotal Non-Departmental	\$22,542,257	\$23,143,054	\$24,806,936	\$25,493,324	\$26,114,915		12.2%	\$3,572,658	15.8%
Pensions	\$12,559,090	\$13,119,097	\$13,727,427	\$14,407,132	\$15,231,838		7.1%	\$2,672,748	21.3%
State Assessments	11,194,008	11,599,413	13,511,625	14,222,816	14,740,648		6.9%	3,546,640	31.7%
Debt Service	8,622,257	8,895,528	10,830,174	12,553,610	14,399,802		6.7%	5,777,545	67.0%
Claims and judgements	0	0	251,691	0	0				
Transfers Out	1,902,413	1,889,092	2,346,829	2,613,728	981,701		0.5%	(920,712)	-48.4%
Subtotal Benefits/Mandatory	\$34,277,768	\$35,503,130	\$40,667,746	\$43,797,286	\$45,353,989		21.1%	\$11,076,221	32.3%
GRAND TOTAL	\$173,207,790	\$178,634,602	\$190,271,685	\$205,483,583	\$214,908,535		100.0%	\$41,700,745	24.1%
Change Over Prior Year		\$5,426,812	\$11,637,083	\$15,211,898	\$9,424,952				
Percent		3.1%	6.5%	8.0%	4.6%				

Source: City of Everett Financial Statements & Budgets

**City of Everett General Fund Revenue Summary
FY15-FY19**

Source	FY15	FY16	FY17	FY18	FY19 (Budget)	% of Total FY19	Variance FY15-FY19	Percent
Real estate and personal property taxes, net of tax refunds	\$89,276,024	\$93,503,845	\$95,398,902	\$101,546,424	\$108,824,922	50.6%	\$19,548,898	21.9%
Chapter 70	\$60,635,898	\$63,991,784	\$66,352,498	\$67,470,289	\$69,935,758	32.5%	9,299,860	15.3%
Unrestricted Local Aid	5,635,179	6,368,802	6,646,577	6,901,697	7,143,256	3.3%	1,508,077	26.8%
School Construction	1,882,459	1,882,459	1,730,062	1,730,062	577,469	0.3%	-1,304,990	-69.3%
Charter Tuition Assessment Reimbursement	2,685,042	2,333,039	2,280,874	863,139	806,561	0.4%	-1,878,481	-70.0%
Veterans	228,770	302,193	234,598	289,333	270,041	0.1%	41,271	18.0%
Abatements: Elderly, Vets, Blind	114,611	105,910	89,792	32,630	86,528	0.0%	-28,083	-24.5%
State Aid Total	\$71,181,959	\$74,984,187	\$77,334,401	\$77,287,150	\$78,819,613	36.7%	\$7,637,654	10.7%
Motor Vehicle Excise	\$3,556,578	\$4,013,283	\$4,352,191	\$4,529,689	\$3,700,000	1.7%	\$143,422	4.0%
Local Options Meals Tax	501,327	550,625	545,969	622,963	250,000	0.1%	(251,327)	-50.1%
Room Tax	0	0	0	0	250,000	0.1%	250,000	100.0%
Penalties & Interest	582,610	513,731	351,992	389,436	350,000	0.2%	(232,610)	-39.9%
PILOTS	28,224	14,112	14,112	14,112	14,000	0.0%	(14,224)	-50.4%
Licenses	202,542	175,443	213,806	200,855	500,000	0.2%	297,458	146.9%
Permits	909,523	1,037,215	1,123,821	1,696,866	500,000	0.2%	(409,523)	-45.0%
Fines & Forfeits	1,232,782	1,666,292	1,697,985	1,412,090	1,000,000	0.5%	(232,782)	-18.9%
Investment Earnings	32,302	38,801	96,698	241,382	35,000	0.0%	2,698	8.4%
Subtotal Recurring	\$7,045,888	\$8,009,502	\$8,396,574	\$9,107,393	\$6,599,000	3.1%	(\$446,888)	-6.3%
Transfers In (Free Cash, stabilization, C	\$2,321,191	\$4,703,643	\$9,311,279	\$18,665,208	\$16,500,000	7.7%	\$14,178,809	610.8%
Surplus Property & Sales of Property	0	0	0	0	0	0.0%	\$0	
Other Non-recurring	753,157	3,623,963	3,207,803	4,066,542	4,165,000	1.9%	\$3,411,843	453.0%
Subtotal Non-Recurring	\$3,074,348	\$8,327,606	\$12,519,082	\$22,731,750	\$20,665,000	9.6%	\$17,590,652	\$6
Grand Total	\$170,578,219	\$184,825,140	\$193,648,959	\$210,672,717	\$214,908,535	100.0%	\$44,330,316	26.0%
Increase Over Prior Year		\$14,246,921	\$8,823,819	\$17,023,758	\$4,235,818			
Percent		8.4%	4.8%	8.8%	2.0%			

Source: City of Everett Financial Reports and Budgets

City of Everett
Year-End Budget Operating Surplus/Deficit
FY15-FY19

	Total Revenues	Total Expenditures	Surplus (Deficit)
FY15	\$170,578,219	\$173,207,790	(\$2,629,571)
FY16	\$184,825,140	\$178,634,602	\$6,190,538
FY17	\$193,648,959	\$190,271,685	\$3,377,274
FY18	\$210,672,717	\$205,483,583	\$5,189,134
FY19 (Budget)	\$214,908,535	\$214,908,535	\$0

Source: City of Everett Auditing Department

City of Everett
Assessed Values and Tax Rates
Fiscal 2009 - Fiscal 2019

Year	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Business Value Total	Business Tax Rate	Total Taxable Assessed Value
2009	\$2,866,802,631	\$11.18	\$479,870,815	\$833,114,957	\$208,591,600	\$1,521,577,372	\$28.98	\$4,388,380,003
2010 *	2,331,177,875	13.51	417,812,915	736,864,600	221,547,200	1,376,224,715	37.02	3,707,402,590
2011	2,083,037,260	15.89	391,577,840	565,481,528	236,601,200	1,193,660,568	43.74	3,276,697,828
2012	2,279,045,425	15.52	389,212,235	620,877,328	246,297,300	1,256,386,863	41.66	3,535,432,288
2013 *	2,260,825,559	15.64	407,665,811	616,972,410	262,526,300	1,287,164,521	43.04	3,547,990,080
2014	2,309,644,676	15.04	409,935,794	616,975,000	278,875,000	1,305,785,794	40.95	3,615,430,470
2015	2,584,829,341	14.61	418,981,469	644,761,387	360,687,000	1,424,429,856	39.45	4,009,259,197
2016 *	2,811,506,692	14.45	485,609,578	672,925,060	344,726,450	1,503,261,088	37.98	4,314,767,780
2017	3,162,161,321	14.44	503,718,289	723,295,700	363,009,200	1,590,023,189	35.69	4,752,184,510
2018	3,560,495,901	13.78	578,898,199	771,961,270	409,072,700	1,759,932,169	33.74	5,320,428,070
2019	4,055,191,542	12.38	1,287,897,248	793,306,865	424,125,900	2,505,330,013	35.27	6,560,521,555

Value Variance

FY09-FY15	(\$281,973,290)		(\$60,889,346)	(\$188,353,570)	\$152,095,400	(\$97,147,516)		(\$379,120,806)
Percent	-9.8%		-12.7%	-22.6%	72.9%	-6.4%		-8.6%

Value Variance

FY15-FY19	1,470,362,201		868,915,779	148,545,478	63,438,900	1,080,900,157		2,551,262,358
Percent	56.9%		207.4%	23.0%	17.6%	75.9%		63.6%

Value Variance

FY09-FY19	\$1,188,388,911		\$808,026,433	(\$39,808,092)	\$215,534,300	\$983,752,641		\$2,172,141,552
Percent	41.5%		168.4%	-4.8%	103.3%	64.7%		49.5%

Value Variance

FY17-FY19	\$893,030,221		\$784,178,959	\$70,011,165	\$61,116,700	\$915,306,824		\$1,808,337,045
Percent	28.2%		155.7%	9.7%	16.8%	57.6%		38.1%

* Revaluation Year

Source: City of Everett Assessors Department

Largest Taxpayers

15 largest taxpayers in the City of Everett based on fiscal 2019 assessed values

Name	Nature of Business	Property Tax	Assessed Value	% of Total FY19 Value
Constellation Mystic Power LLC (1)	Power Plant	\$15,000,000	\$425,290,615	6.48%
Exelon (1)	LNG - Personal Property	4,937,796	139,999,900	2.13%
DDRC Gateway LLC/COSTCO	Gateway Mall	4,592,493	130,289,600	1.99%
NSTAR Electric Company (2)	Utility	2,865,793	81,253,000	1.24%
Boston Gas Company	Utility	2,770,621	78,554,600	1.20%
Massachusetts Electric Company	Utility	2,442,116	69,240,600	1.06%
Distrigas of Mass Corporation	LNG - Real Property	1,564,203	44,349,400	0.68%
MFREVF II - Batch Yard LLC	Apartments	1,454,591	117,495,200	1.79%
Exxon Corporation	Oil Distribution	1,370,754	38,864,600	0.59%
GP Portland Investment	Office Building	1,166,756	33,000,700	0.50%
Wynn MA LLC	Resort Casino	1,140,022	32,322,700	0.49%
68 Tremont Street LLC	Encore Off-Site Land	986,742	27,976,800	0.43%
Prolerized New England	Scrap Exporter	783,893	22,225,500	0.34%
Every Bear investments LLC	Cold Storage Warehouse	674,440	19,122,200	0.29%
New England Power Company	Public Utility	646,153	18,320,200	0.28%
Total		\$42,396,373	\$1,278,305,615	19.49%

(1) Constellation Mystic Power LLC is a subsidiary of Exelon Generating

(2) Currently appealing the fiscal 2015 assessments relating to personal property taxes

Source: City of Everett Assessing Department

City of Everett Employees FTEs
FY15-FY19

Department	FY15	FY16	FY17	FY18	Variance		FY19	Variance		
					FY17-FY18	%		% of Total FY19	FY15-FY19	%
School	887.00	871.00	857.00	895.00	38.00	4.4%	827.00	64.0%	(60.00)	-6.8%
Police	121.57	118.57	126.57	132.57	6.00	4.7%	130.57	10.1%	9.00	7.4%
Fire	98.00	105.00	114.00	116.00	2.00	1.8%	113.00	8.7%	15.00	15.3%
Public Works	51.80	54.80	58.80	60.00	1.20	2.0%	64.80	5.0%	13.00	25.1%
Inspectional Services	16.54	21.00	28.00	28.00	0.00	0.0%	28.00	2.2%	11.46	69.3%
Finance	22.14	27.57	28.37	28.37	0.00	0.0%	26.07	2.0%	3.93	17.8%
Health Department	19.73	21.28	21.43	22.71	1.28	6.0%	22.71	1.8%	2.98	15.1%
E911	16.00	15.00	15.00	16.00	1.00	6.7%	15.00	1.2%	(1.00)	-6.3%
Recreation-Wellness	8.72	9.72	9.42	10.49	1.07	11.4%	10.35	0.8%	1.63	18.7%
Library	10.00	10.00	11.00	10.00	-1.00	-9.1%	10.00	0.8%	0.00	0.0%
Mayor's Office	10.71	10.00	12.00	10.00	-2.00	-16.7%	9.00	0.7%	(1.71)	-16.0%
Human Services	5.73	5.71	5.81	10.00	4.19	72.1%	9.00	0.7%	3.27	57.1%
Other	26.71	23.25	23.45	24.45	1.00	4.3%	26.45	2.0%	(0.26)	-1.0%
Total	1,294.65	1,292.90	1,310.85	1,363.59	52.74	4.0%	1,291.95	100.0%	(2.70)	-0.2%
Variance/Prior Year		(1.75)	17.95	52.74			(71.64)			
School Variance/ Pr.Yr.		(16.00)	(14.00)	38.00			(68.00)			

Note:

School Department employee numbers are actual filled positions as of January 1 of each fiscal year.

For all other city departments, employee numbers are budget numbers as of July 1 of the same fiscal year.

Source: City of Everett Auditing and School Departments

Everett Public Schools Employee Numbers (FTEs)
As of January 1 of Each Year

Position	2015	2016	2017	2018	2019	Variance 2017 to 2018
Administrators	39	41	37	38	34	1
Maintenance	51	47	40	51	51	11
Principals/Directors	26	28	28	26	25	-2
Regular Ed. Teachers	360	336	378	396	370	18
Specialists Teachers	69	69	67	70	57	3
SPED Teachers	96	100	92	103	109	11
Substitute Teachers	42	44	23	26	12	3
Paraprofessionals	109	111	104	102	84	-2
Guidance Counselors	25	19	15	19	15	4
Student Support	4	4	3	4	4	1
Building Technicians	5	5	5	5	6	0
Library Professionals	4	5	3	3	2	0
Athletics	1	1	1	1	1	0
Federal Title 1 Grant	15	16	16	12	14	-4
Grants	41	45	45	39	33	-6
Vocational	0	0	0	0	10	0
Total	887	871	857	895	827	38
Change from Prior Year		-16	-14	38	-68	
% Change		-1.8%	-1.6%	4.4%	-7.6%	

Source: Everett School Department

Notes:

Full-time teachers increased by 32 or 84.2% of total increase in 2018

Title 1	15	16	16	12	14	-4
Grants	41	45	45	39	33	-6
Total External Funded	56	61	61	51	47	-10
Percent of Total	6.3%	7.0%	7.1%	5.7%	5.7%	

Everett School Department
Fiscal 2019 Operating Budget by Salary and Non-Salary Accounts

SALARY	Account	Total	% of Total	
			Salary	% of Total
	Central Administration	\$2,203,018	3.7%	2.6%
	School Administration	4,179,832	7.0%	5.0%
	Subtotal Administration	\$6,382,850	10.6%	7.6%
	Classroom Teachers	\$30,311,061	50.6%	36.1%
	Other Instructional	854,665	1.4%	1.0%
	Specialist Teachers	3,772,272	6.3%	4.5%
	Special Education Teachers	7,968,879	13.3%	9.5%
	Vocational Salaries	340,037	0.6%	0.4%
	Substitute Teachers	1,665,818	2.8%	2.0%
	Subtotal Teachers	44,912,732	74.9%	53.5%
	SPED Paraprofessionals	\$2,804,137	4.7%	3.3%
	Guidance	1,580,923	2.6%	1.9%
	Student Support	923,854	1.5%	1.1%
	Building Technicians	365,511	0.6%	0.4%
	Library Professional Salaries	162,702	0.3%	0.2%
	Athletics	657,675	1.1%	0.8%
	Custodial & Maintenance	2,148,755	3.6%	2.6%
	Subtotal Other Employee	\$8,643,557	14.4%	10.3%
	TOTAL SALARY	\$59,939,139	100.0%	71.4%
NON-SALARY				
	Adm. & School Expenses	\$645,000		0.8%
	Education Development Workshops	275,000		0.3%
	Photocopier Maintenance	275,500		0.3%
	Band, Music & Instruments	85,000		0.1%
	Textbooks	355,000		0.4%
	High School /All Science Programs	65,500		0.1%
	Occupational Education	300,000		0.4%
	School Supplies & Freight	590,000		0.7%
	Library Expenses	5,000		0.0%
	Health Services and Programs	3,030,000		3.6%
	Compter/Tech/AV/Media Supplies	960,525		1.1%
	Subtotal Guidance	182,000		0.2%
	SPED Transportation	4,700,000		5.6%
	Subtotal SPED Contract Services	7,000,000		8.3%
	Athletic Expenses	400,000		0.5%
	Energy	2,300,000		2.7%
	Facilities, Grounds, Motor Services	2,788,400		3.3%
	TOTAL NON-SALARY	\$23,956,925		28.6%
	TOTAL FY19 SCHOOL BUDGET	\$83,896,064		100.0%

Source: City of Everett School Department

Everett Public School System

Special Needs Students by Category

Disability	FY 2015	FY 2016	FY 2017	FY 2018	FY15-FY18	
	Count	Count	Count	Count	Variance	%
In-District Special Education Population						
02 Sensory/Hearing	11	9	8	10	-1	-9.1%
04 Sensory/Vision	6	4	3	1	-5	-83.3%
06 Physical	5	4	6	12	7	140.0%
07 Health	67	75	79	76	9	13.4%
09 Sensory/Deaf-Bindness	1	1	6	5	4	400.0%
10 Multiple Disabilities	12	10	8	7	-5	-41.7%
11 Autism	85	102	114	132	47	55.3%
13 Developmental Delay	109	107	110	110	1	0.9%
Subtotal High Needs Population	296	312	334	353	57	19.3%
01 Intellectual	104	108	96	90	-14	-13.5%
03 Communication	156	136	141	136	-20	-12.8%
05 Emotional	117	115	113	110	-7	-6.0%
08 Specific Learning Disability	99	119	119	109	10	10.1%
12 Neurological	282	299	351	383	101	35.8%
Subtotal Moderate Needs Population	758	777	820	828	70	9.2%
Everett's Devens School*	81	95	100	86	5	6.2%
Total In-District Special Ed. Population	1,135	1,184	1,254	1,267	127	11.2%
Out-of-District Placement						
Residential Schools/Facilities	20	11	9	6	-14	-70.0%
Subtotal Outside Severe Needs Population	117	94	89	86	-31	-26.5%
Private Separate Schools**	32	25	10	22	-10	-31.3%
Extended School Year Students***	115	130	116	158	180	156.5%

Note: Students in categories below the bar are included in In-District total but require additional services.

* Devens School is an Everett K-12 special education school that serves Everett's severe needs population in lieu of more expensive out-of-district options. A few neighboring school districts contract with the Everett School Department to serve a small number of its students at the Devens School.

** Everett resident students who attend private schools, but return to Everett to receive services required in their Individual Education Program (IEP) that are not provided by their private schools.

*** In-District students, not attending Devens School, who require an extended school year for services.

Students in 2019 totaled 219, an increase of 104 or 90.4% since FY2015.

Source: Everett Public School System

**Everett School Department Supplemental Appropriations
FY15-FY19**

	Source	Amount	Council Order	Purpose	Date
FY 15	Free Cash	\$850,349	CO157-15	Medicaid Reimbursement	5/28/2015
	Free Cash	75,000	CO157A-15	Boys' & Girls' Club After-School Program	6/11/2015
		\$925,349			
FY 16	Stabilization Fund	\$885,514	CO276-16	Medicaid Reimbursement	5/11/2016
	Stabilization Fund	567,527	CO276-16	Special Education Transportation	5/11/2016
	Stabilization Fund	85,000	CO276-16	After School Program	5/11/2016
		\$1,538,041			
FY 17	Free Cash	\$1,300,000	CO088-17	Transfer to School Department	3/28/2017
	Stabilization Fund	1,400,000	CO215-17	Medicaid Reimbursement	6/26/2017
		\$2,700,000			
FY 18	Stabilization Fund	\$5,000,000	CO058-18	Emergency Appropriation	2/12/2018
	Stabilization Fund	500,000	CO092-18	Provide student services at current level	3/26/2018
		\$5,500,000			
FY 19	Stabilization Fund	\$2,515,109		Transfer to School Department	11/13/2018

Source: City of Everett Auditing Department

Everett Public School System

Schools by Grade Level in 2019

School	Grades	Enrollment*	% of Total
Everett High School	9-12	1,942	26.9%
Devens School (SPED)	K-12	73	1.0%
Albert N. Parlin School	K-8	991	13.7%
George Keverian School	K-8	852	11.8%
Lafayette School	K-8	958	13.2%
Summer G. Whittier School	K-8	636	8.8%
Madeline English School	K-8	801	11.1%
Webster School	K-5	626	8.7%
Adams School	Pre K	199	2.8%
Out of District		96	1.3%
PreRegistration School		58	0.8%
Total		7,232	100.0%

*Enrollment based on end of year July 1, 2019 numbers

Source: Everett School Department

MAYORS WHO ARE ON MASSACHUSETTS SCHOOL COMMITTEES

No.	City	Mayor	School Role	Voting Members
1	Agawam	Mayor Ken Gray	Chairperson	7
2	Beverly	Mayor Michael Cahill	Member	7
3	Braintree	Mayor Joseph Sullivan	Member	7
4	Chicopee	Mayor Richard Kos	Chairperson	11
5	Fall River	Mayor Jasiel Correia	Chairperson	7
6	Fitchburg	Mayor Stephen DiNatale	Chairperson	7
7	Framingham	Mayor Yvonne Spicer	Member (Ex-Officio)	9
8	Greenfield	Mayor William Martin	Member	7
9	Haverhill	Mayor James Fiorentini	Chairperson	7
10	Holyoke	Mayor Alex Morse	Chairperson	10
11	Lawrence	Mayor Daniel Rivera	Chairperson	7
12	Lowell	Mayor William Samaras	Chairperson	7
13	Lynn	Mayor Thomas McGee	Chairperson	7
14	Malden	Mayor Gary Christenson	Chairperson	9
15	Marlborough	Mayor Arthur Vigeant	Chairperson	7
16	Medford	Mayor Stephanie Burke	Chairperson	7
17	Melrose	Mayor Gail Infurna	Member	7
18	Methuen	Mayor James Jajuga	Chairperson	7
19	New Bedford	Mayor Jonathan Mitchell	Chairperson (Ex-Officio)	7
20	Newburyport	Mayor Donna Holaday	Chairperson	7
21	Newton	Mayor Ruthann Miller	Member	9
22	Peabody	Mayor Edward Bettencourt	Member (Ex-Officio)	7
23	Quincy	Mayor Thomas Koch	Chairperson	7
24	Revere	Mayor Arrigo	Chairperson	7
25	Salem	Mayor Kimberly Driscoll	Chairperson	7
26	Somerville	Mayor Joseph Curtatone	Member	9
27	Springfield	Mayor Domenic Sarno	Chairperson	7
28	Waltham	Mayor Jeanette McCarthy	Chairperson	7
29	Worcester	Mayor Joseph Petty	Chairperson	7

Source: Massachusetts Association of School Committees