

*Town of East Greenwich*  
*Town Manager's Office*

December 5, 2017

Dear Dr. Mercurio:

Thank you for meeting with me yesterday to discuss the financial and budgetary relationship between the Town and the School Department. Below is a recap of our discussion, especially as it pertains to documenting unanticipated demonstrated needs.

No later than April 15<sup>th</sup> of each year, the School Committee submits its proposed annual budget to the Town, and it becomes part of the Town's overall proposed budget (See Town of East Greenwich Charter, §§ C-33, C-34). When the Town Council adopts the overall Town Budget no later than June 10<sup>th</sup> of each year, the School Committee is then held to the amount appropriated by the Town.

If, at the point of passage of the Town Budget, the School Committee has reason to believe that cannot meet its legal responsibilities, most particularly by not being able to provide an appropriate education to its students, it is the responsibility of the School Committee to bring the potential for such a shortfall to the attention of the appropriating authority or adjust its projected expenditures downward to reflect the shortfall. RIGL § 16-2-21.4(a). While the School Committee is prevented by statute RIGL § 16-2-21(d)(vi). from requesting an amount more than 104% of the previous year's local appropriation, neither can the School District operate at a deficit. RIGL § 16-2-21.4(a).

It is mutually understood that some necessary expenditures may be unforeseen or underestimated at the time the budget is created. An unanticipated expenditure, or an anticipated expenditure in an unexpected amount, is not tantamount to a "demonstrated need." Once the School Committee has its annual appropriation, it is free to move money within its budget as it sees fit. Additional revenues cannot be added to the School Committee's budget without a supplemental appropriation, which requires the Town Council's approval of the Town Manager's recommendation to do so.

Accordingly, it would improve communications between the School Department and the Town Manager, whose duties by Charter include managing the budget of the entire Town of East Greenwich, if there is a common understanding of what it means to have a "demonstrated need" – not just of a given expenditure, but of a "demonstrated need" for a supplemental appropriation in order to meet an unanticipated expense.

First, the unanticipated expense should be particularized in the context of why it is unanticipated. Linking the expense to one or more cost centers is critical. The School Department should be able to answer basic questions such as, "How much was budgeted for this expense in the current budget?" and "How much was budgeted for this expense in the previous year's budget and how much was expended?" In other words – demonstrating that the need was not foreseeable.

Second, to what degree does the School Department expect the unanticipated expense to be a recurring expense? A winter of blizzards might justify an increase in fuel oil, but it does not mean that the additional expense will necessarily need to be budgeted for the following year. Conversely, an unexpectedly large kindergarten class will probably result in an increased cost for that student cohort for several years to come.

Third, there should be back-up to support the amount and nature of the unanticipated expense.

Fourth, what is the current status of the budget-to-actual expenditures in real time? Just because one particular item represents an unexpectedly high expense, it does not necessarily mean that no other costs are lower than expected. The School Department is required to manage its budget within its means. This requires that both the Town Manager and the Superintendent maintain a shared and ongoing understanding of the "budget to actual" of the School Department.

Fifth, what efforts have the School Department made to remediate costs and operate in the most efficient and effective manner?

In addition to documenting unanticipated demonstrated needs, we discussed the 2005 consolidation of the Finance Department and the legacy it left on both the Town's and School Department's operations.

We both agreed on the need to meet regularly to continue these conversations.

I look forward to speaking with you again this Thursday at 11:15am.

Very truly yours,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Gayle A. Corrigan  
Town Manager