



October 22, 2009

The Honorable Michael Sullivan  
Mayor, City of Lawrence  
City Hall  
200 Common Street  
Lawrence, MA. 01840

Dear Mayor Sullivan:

On August 19, 2009, I wrote to you regarding the FY10 financial position of the City of Lawrence. As you know, the Department of Revenue required a *pro-forma* recap to review for budgetary purposes only. A DOR review of the first *pro-forma* recap submitted by the City indicated a deficit of approximately \$10.9M for the upcoming fiscal year. DOR then asked that you develop a corrective action plan to be submitted by September 30, 2009. The City has complied with this request.

Based upon your new *pro-forma* submission, it is DOR's opinion that the City now has a deficit of approximately \$9.5M for FY10. Though the Council has taken votes that would appear to reduce the deficit below \$9.5M, further review and analysis suggest that those votes have not benefited Lawrence's financial position to any great extent. In particular, it is important to note the implications of the Council vote to transfer \$3.7M from the Fiscal Stability Reserve under Section 4 of Chapter 41 of the Acts of 1990, as amended by Chapter 377 of the Acts of 1992. Although the City can use these funds as voted, doing so requires the City to repay the Fiscal Stability Reserve the following year at a higher rate; spending \$3.7M requires a repayment of \$3.8M to \$4M. This will cause additional structural deficit challenges in FY11; not only will these funds not be available due to their one time usage in FY10, they will be coupled with the \$3.8M to \$4M liability, which must also be raised for repayment.

The problem remains that the City of Lawrence has a significant deficit for this fiscal year. This calculation does not include additional possible exposures due to any potential spending requirements associated with net school spending, appropriations that may not match necessary expenditures, possible closing deficits from FY09, or estimated receipts that cannot be supported by current documentation.

Please be aware that DOR by law cannot approve a FY10 tax rate unless this deficit is cured. The City must take the appropriate expedient actions to close this budget deficit in order to successfully set your FY10 tax rate by the statutory deadline of December 31<sup>st</sup>, so tax bills can be sent out January 1<sup>st</sup> with payment due

February 1<sup>st</sup>. Failure to do so could affect City cash flow, proving disruptive to the City and those it serves. Please contact Deputy Commissioner Robert Nunes at 617-626-2381 as soon as possible to discuss next steps

in the budget process. The DOR Division of Local Services team stands ready to assist you in resolving this critical matter.

Sincerely,

A handwritten signature in cursive script that reads "Gerard D. Perry".

Gerard D. Perry  
Director of Accounts  
Massachusetts Department of Revenue

cc: Robert G. Nunes, Deputy Commissioner, Division of Local Services  
Senator Susan Tucker  
Representative Barry Finegold  
Representative William Lantigua  
Representative David Torrisi  
Lawrence City Councilors  
Mark Andrews, Budget and Finance Director  
David Camasso, Comptroller