



Town of Lexington

Financial Summit I

Indicator Analysis, Fiscal Year 2000-2008
Projections & Estimates, Fiscal Year 2010-2012
October 1, 2008



Town of Lexington

Summit I - October 1, 2008

Table of Contents

	Page
Introduction	1
Indicator Analysis	
I.1 Revenues per Household	2
I.2 State Aid	3
I.3 Revenues Related to Economic Growth	4
I.4 Property Tax Revenues	5
I.5 Uncollected Property Taxes	6
I.6 Expenditures per Household	7
I.7 Personnel Costs	8
I.8 Employee Benefits	9
I.9 Unfunded Liabilities	10
I.10 Participants in Lexington Retirement System	11
I.11 Pension Liability	12
I.12 Debt Service	13
I.13 Long-Term Debt	14
I.14 Reserves/Fund Balance	15
I.15 Population	16
Revenue and Expenditure Projections	
FY 2010-2012 Projection - Introduction	17
Revenue/Expenditure Projection - FY 2010-2012	18
FY 2010- Policy Issues	19
Calendar & Budget Process	20
Appendices	
A Chapter 70 Assistance	21
B Pupils as a Percentage of Population	22
C Other Post Employment Benefits (OPEB)	23
D Other Reserves & Continuing Balance Accounts	24
E Average Residential Tax Bill	25



Town of Lexington

Summit I - October 1, 2008

Introduction

This packet of information is designed to achieve three goals:

- a) Evaluate the fiscal health of the Town of Lexington through a series of financial indicators and comparative benchmarks, where appropriate;
- b) Present a three-year projection of Revenues & Expenditures; and
- c) Outline the FY 2010 Budget Calendar & Issues

The goal of this material is to provide policymakers with an informed snapshot of where Lexington stands financially heading into the FY 2010 Budget Process. It is not the purpose of this exercise to propose a budget or recommended level of services; rather it is to evaluate Lexington via a series of benchmarks, including measures such as revenues and expenditures per household, benefit costs, both funded and unfunded liabilities incurred by the Town, debt service, reserve position and population.

Using a series of recognized metrics from professional organizations, including the International City/County Management Association, (ICMA), the Government Finance Officer's Association (GFOA), Moody's Investor's Service, and data from the Town of Lexington, Mass. Department of Revenue, the Mass. Department of Education, and the U.S. Census Bureau, Town staff has compiled 15 indicators with which to evaluate the Town's fiscal health.

In evaluating Lexington's financial condition, staff has found that the Town is fiscally healthy overall. In particular,

Lexington is strong in tax collections, stable labor costs as a percentage of total operating costs, adequate pension funding, revenues related to economic growth, and low debt service.

Lexington is satisfactory in the areas of revenues and expenses per household and levels of reserves.

Lexington is unsatisfactory in the areas of state aid and employee liabilities (with the exception of pension funding). In particular Lexington continues to witness significant increases in benefit costs, and modest increases in state aid.

Notwithstanding these measures, there is no suggestion from outside rating agencies (i.e Moody's Investor Service) that these various trends will jeopardize Lexington's Aaa credit rating.

The three-year projection of expenses and revenues is designed to provide a reasonable estimate for revenue and expenditure growth in Fiscal Years 2010, 2011 and 2012. It is designed to show recurring revenues and expenditures while segregating out unknown costs. These unknown costs include items such as collective bargaining settlements, new capital projects and the implications of implementing the recommendations of the Selectmen's 2006 Ad Hoc Financial Policy Committee.



Town of Lexington

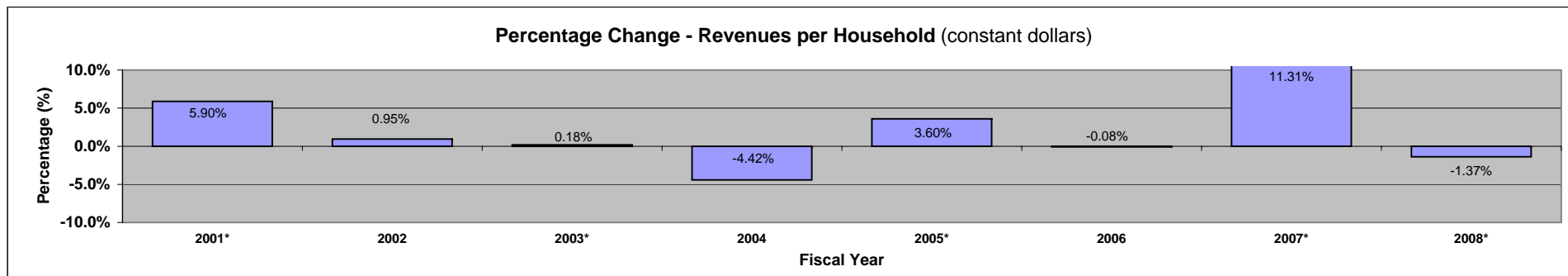
Financial Summit I

Indicator Analysis, Fiscal Year 2000-2008

October 1, 2008



A decrease in net operating revenues per household (constant dollars) is considered a warning indicator.



Formula: Net operating revenues (constant dollars) / Households									
Fiscal Year	2000*	2001*	2002	2003*	2004	2005*	2006	2007*	2008*
Gross operating revenue/transfers	\$ 81,597,556	\$ 90,961,933	\$ 94,989,268	\$ 99,075,365	\$ 100,005,960	\$ 107,961,955	\$ 110,836,732	\$ 124,745,872	\$ 128,118,747
Less: Excluded Debt Service	\$ 120,000	\$ 950,625	\$ 1,708,200	\$ 1,567,988	\$ 4,189,338	\$ 5,325,085	\$ 4,943,313	\$ 5,127,256	\$ 5,372,874
Net Operating Revenues	\$ 81,477,556	\$ 90,011,308	\$ 93,281,068	\$ 97,507,377	\$ 95,816,622	\$ 102,636,870	\$ 105,893,419	\$ 119,618,616	\$ 122,745,873
CPI-U, 2000 base year	183.6	191.5	196.5	203.9	209.5	216.4	223.1	226.2	235.3
CPI-U, adjustment for constant dollars	100%	95.9%	93.4%	90.0%	87.6%	84.8%	82.3%	81.2%	78.0%
Net Operating Revenues (cons. dollars)	\$ 81,477,556	\$ 86,298,048	\$ 87,157,273	\$ 87,799,678	\$ 83,971,035	\$ 87,080,080	\$ 87,144,920	\$ 97,090,972	\$ 95,758,304
Households	10,780	10,782	10,787	10,847	10,854	10,865	10,882	10,892	10,892
Net Operating Revenues per Household (cons. dollars)	\$ 7,558	\$ 8,004	\$ 8,080	\$ 8,094	\$ 7,736	\$ 8,015	\$ 8,008	\$ 8,914	\$ 8,792
Percent Change from prior year	-	5.90%	0.95%	0.18%	-4.42%	3.60%	-0.08%	11.31%	-1.37%

Notes:

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

Number of Households determined through information provided by the Town Clerk's Office, Assessor's Office and the Finance Department

Revenues per Household:

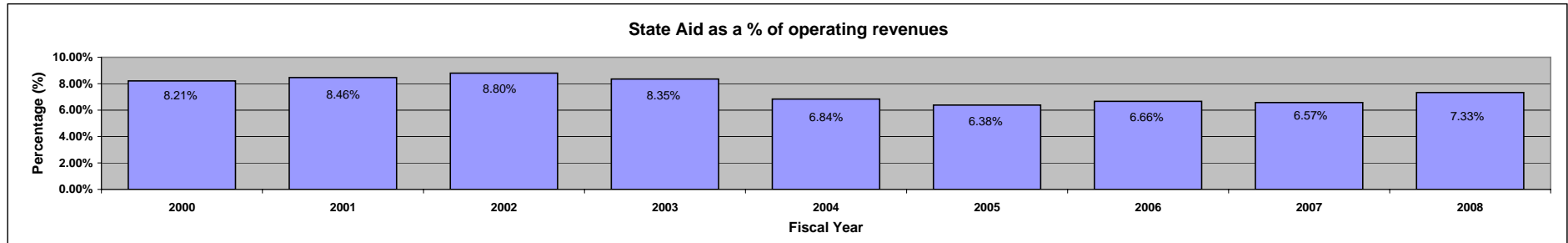
Revenues per household is one measure of the Town's ability to maintain existing service levels. For most government services, service costs increase as the number of households increase. For education, the number of students is a more appropriate measure.

Lexington has witnessed fluctuations in revenues per household during the first half of this decade. Although this growth has, for the most part, been positive, growth was negligible in half of the years. In 2004, unanticipated reductions in state aid and local receipts resulted in declining net revenues.

Lexington Trend	
favorable	
marginal	x
unfavorable	
uncertain	



Reductions in State Aid, as a percentage of operating revenues, is considered a warning indicator particularly if the Town does not have adequate reserves to offset reductions.



Formula:		State Aid / Operating Revenues								
Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Net Operating Revenues	\$ 81,477,556	\$ 90,011,308	\$ 93,281,068	\$ 97,507,377	\$ 95,816,622	\$ 102,636,870	\$ 105,893,419	\$ 119,618,616	\$ 122,745,873	
Cherry Sheet Revenues (Less Offset Items)	\$ 7,553,282	\$ 8,481,889	\$ 9,072,805	\$ 8,301,564	\$ 6,737,418	\$ 6,737,138	\$ 7,239,935	\$ 8,051,888	\$ 9,001,541	
Less: School Building Reimbursements	\$ 863,984	\$ 863,984	\$ 863,977	\$ 161,487	\$ 185,819	\$ 187,696	\$ 187,696	\$ 187,696	\$ -	
Net State Aid Revenues	\$ 6,689,298	\$ 7,617,905	\$ 8,208,828	\$ 8,140,077	\$ 6,551,599	\$ 6,549,442	\$ 7,052,239	\$ 7,864,192	\$ 9,001,541	
State Aid as a % of operating revenues	8.21%	8.46%	8.80%	8.35%	6.84%	6.38%	6.66%	6.57%	7.33%	
CPI-U, 2000 base year	183.6	191.5	196.5	203.9	209.5	216.4	223.1	226.2	235.3	
CPI-U, adjustment for constant dollars	100%	95.9%	93.4%	90.0%	87.6%	84.8%	82.3%	81.2%	78.0%	
Net State Aid Revenues in (constant dollars)	\$ 6,689,298	7,303,641.56	7,667,045.35	7,326,069.30	5,739,200.72	5,553,926.82	5,803,992.70	6,385,723.90	7,021,201.98	

Notes:

Source: Massachusetts Department of Revenue "Cherry Sheets" (one page summarizing all state aid to a municipality), FY 2000-2008.
Data shown above excludes money appropriated for METCO. Although part of annual State Aid appropriation to the Town for the purpose of funding targeted educational programs, the Department of Revenue no longer includes METCO funding on the Cherry Sheet.

State Aid:

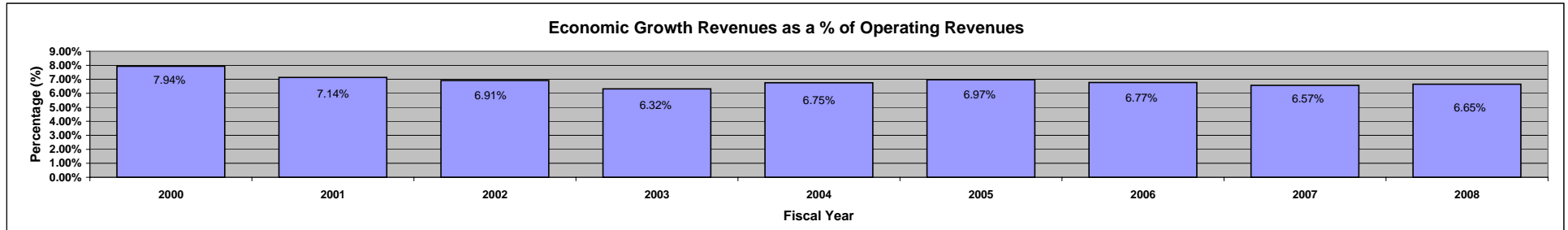
While the Town does not have a significant reliance on State Aid, any dependence on such aid may be difficult to manage when there is a reduction in this funding. In order to protect itself in this situation, the Town has a contingency plan for downturns in State Aid. The Board of Selectmen adopted the recommendation of the 2006 Ad Hoc Financial Policy Committee to create reserves capable of handling cyclical downturns in state aid and local receipts.

State Aid has steadily increased over the last three years - both in terms of percentage of operating revenues and in real dollars. But even with the increased commitment from the Commonwealth the amount of aid received by Lexington is still lower than five years ago as a percentage of operating revenues, which increases reliance on other sources of revenue to maintain services.

Lexington Trend	
favorable	
marginal	x
unfavorable	
uncertain	



Decreasing economic growth revenues, as a percentage of net operating revenues, is considered a warning indicator.



Formula:
$$\text{Economic Growth Revenues} / \text{Operating Revenues}$$

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net (non-exempt) operating revenues	\$ 81,477,556	\$ 90,011,308	\$ 93,281,068	\$ 97,507,377	\$ 95,816,622	\$ 102,636,870	\$ 105,893,419	\$ 119,618,616	\$122,745,873
Building Related Fees & Permits	\$ 853,523	\$ 1,096,060	\$ 1,092,409	\$ 904,346	\$ 1,012,417	\$ 1,278,649	\$ 1,077,150	\$ 1,929,130	\$1,920,467
Motor Vehicle Excise (MVE)	\$ 3,642,106	\$ 3,921,089	\$ 3,782,090	\$ 3,905,206	\$ 3,543,225	\$ 4,179,205	\$ 4,233,625	\$ 3,891,369	\$3,758,043
Levy Growth from New Residential Construction	\$ 353,976	\$ 621,663	\$ 710,603	\$ 889,857	\$ 836,241	\$ 866,131	\$ 1,037,304	\$ 1,093,643	\$1,156,124
Levy Growth from New Industrial/Commerical Growth	\$ 897,607	\$ 163,120	\$ 49,343	\$ 47,168	\$ 125,767	\$ 320,315	\$ 127,221	\$ -	\$474,999
Levy Growth from Personal Property	\$ 719,000	\$ 620,967	\$ 813,646	\$ 413,000	\$ 953,565	\$ 505,674	\$ 689,801	\$ 943,146	\$854,527
Total: Economic Growth Revenues	\$ 6,466,212	\$ 6,422,899	\$ 6,448,091	\$ 6,159,577	\$ 6,471,215	\$ 7,149,974	\$ 7,165,101	\$ 7,857,288	\$8,164,160
Economic Growth Revenues as a % of Operating Revenues	7.94%	7.14%	6.91%	6.32%	6.75%	6.97%	6.77%	6.57%	6.65%

Notes:

Building Related Fees & Permits inclusive of all Building, Wiring, Gas & Plumbing permits, FY 2000-2008

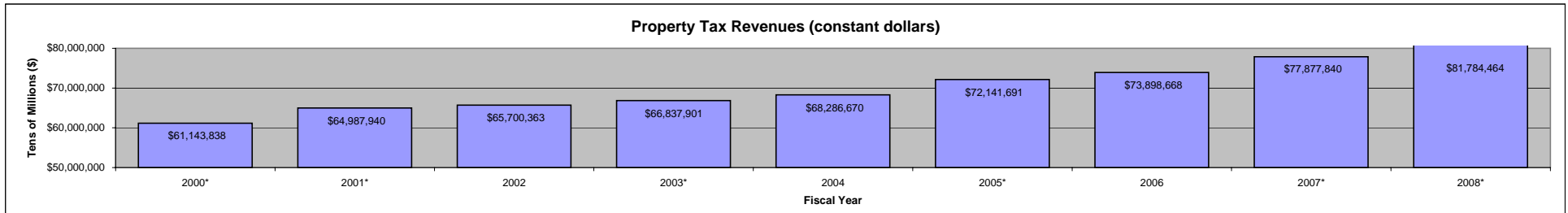
Revenues Related to Economic Growth:

Economic growth revenues are responsive to changes in the economic base and inflation. A balance between growth and other (non-economic growth) revenues mitigates the effects of economic growth or decline. During a recession, a high percentage of non-economic growth revenue is an advantage. During a slowing economy, the Town should maintain sufficient reserves to protect against slowing revenue growth. A decrease in building permit fees may also be a leading indicator of smaller future increases in the tax levy.

<i>Lexington Trend</i>	
favorable (Permits)	x
marginal (MVE)	x
unfavorable	
uncertain	



A decline in property tax revenues (constant dollars) is considered a warning indicator.



Formula: Property Tax Revenues (constant dollars)

Fiscal Year	2000*	2001*	2002	2003*	2004	2005*	2006	2007*	2008*
Property Tax Levy	\$ 61,263,838	\$ 68,734,887	\$ 72,024,765	\$ 75,795,918	\$ 82,109,041	\$ 90,354,834	\$ 94,740,660	\$ 103,604,078	\$ 112,856,608
Less: debt exemptions	\$ 120,000	\$ 950,625	\$ 1,708,200	\$ 1,567,988	\$ 4,189,338	\$ 5,325,085	\$ 4,943,313	\$ 5,127,256	\$ 5,372,874
Less: Comm. Pres. Act surcharge	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2,529,288	\$ 2,649,949
Net Property Tax Revenues	\$ 61,143,838	\$ 67,784,262	\$ 70,316,565	\$ 74,227,930	\$ 77,919,703	\$ 85,029,749	\$ 89,797,347	\$ 95,947,534	\$ 104,833,785
CPI-U, 2000 base year	183.6	191.5	196.5	203.9	209.5	216.4	223.1	226.2	235.3
CPI-U, adjustment for constant dollars	100%	95.9%	93.4%	90.0%	87.6%	84.8%	82.3%	81.2%	78.0%
Property Tax Revenues (constant dollars)	\$ 61,143,838	\$ 64,987,940	\$ 65,700,363	\$ 66,837,901	\$ 68,286,670	\$ 72,141,691	\$ 73,898,668	\$ 77,877,840	\$ 81,784,464
Percent increase over prior year (constant dollars)	N/A	6.3%	1.1%	1.7%	2.2%	5.6%	2.4%	5.4%	5.0%

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

Property Tax Revenues:

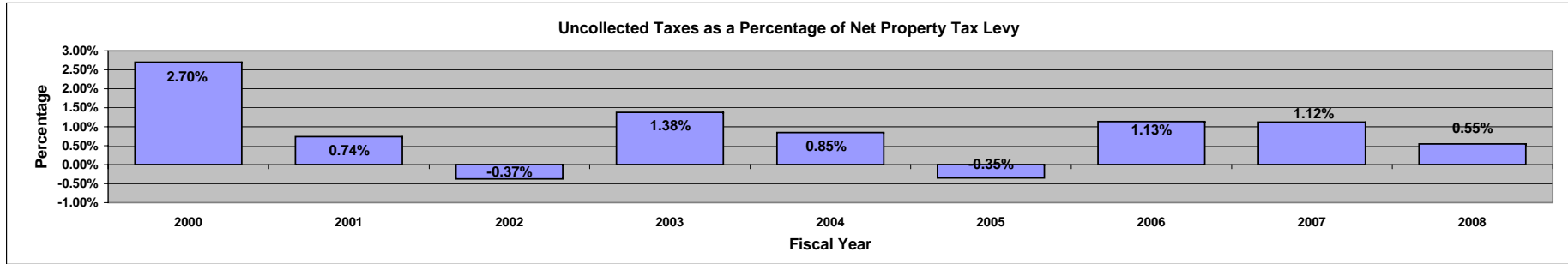
Property tax revenues are analyzed separately because they are the Town's primary revenue source for both operating and capital spending. Any decrease in property tax revenues should be monitored to ensure that collections are at a high level. Increases due to operating overrides should be noted for their impact on taxpayers ability to pay.

This analysis shows that the only significant increases in constant dollars from year to year occurred when overrides were passed by the community.

Lexington Trend	
favorable	
marginal	X
unfavorable	X
uncertain	



Uncollected property taxes (as a percent of the property tax levy) of 5-8 percent is considered a warning indicator by the Bond rating organizations.



Formula:
$$\frac{\text{Uncollected Property Taxes}}{\text{Net Property Tax Levy}}$$

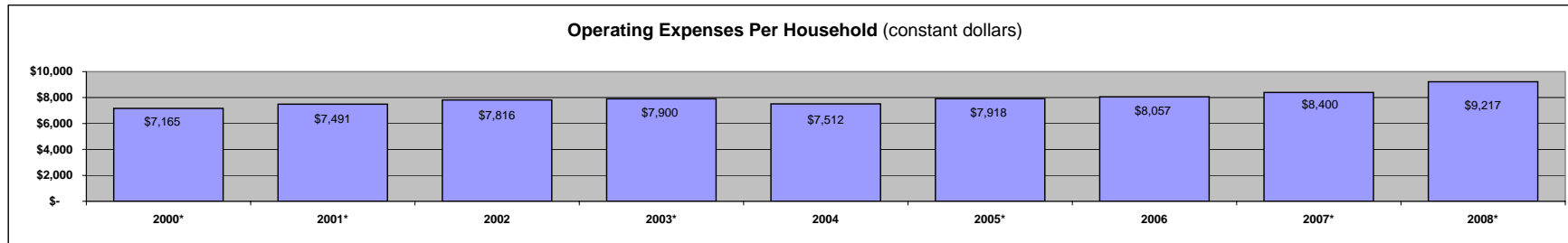
Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Property Tax Levy	\$ 61,263,838	\$ 68,734,887	\$ 72,024,765	\$ 75,795,918	\$ 82,109,041	\$ 90,354,834	\$ 94,740,660	\$ 101,074,790	\$ 110,206,659
Reserved for Abatements & Exemptions	\$ 763,112	\$ 448,648	\$ 852,347	\$ 372,620	\$ 500,142	\$ 899,183	\$ 504,780	\$ 602,579	\$ 1,139,127
Net Property Tax Levy	\$ 60,500,726	\$ 68,286,239	\$ 71,172,418	\$ 75,423,298	\$ 81,608,899	\$ 89,455,651	\$ 94,235,880	\$ 100,472,211	\$ 109,067,533
Uncollected Taxes as of June 30	\$ 1,632,556	\$ 503,412	\$ (266,144)	\$ 1,038,100	\$ 690,723	\$ (312,796)	\$ 1,068,620	\$ 1,125,701	\$ 597,349
Uncollected Taxes as a Percentage of Net Property Tax Levy	2.70%	0.74%	-0.37%	1.38%	0.85%	-0.35%	1.13%	1.12%	0.55%

Uncollected Property Taxes:

An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the Town to invest. Bond rating organizations generally consider uncollected taxes in excess of five percent as a warning trend. Lexington has maintained a strong position on this indicator, regardless of economic circumstances.

Lexington Trend	
favorable	x
marginal	
unfavorable	
uncertain	

Increasing net operating expenditures per household, in constant dollars, may be considered a warning indicator.



Formula:
$$\frac{\text{Net Operating Expenditures and Transfers (constant dollars)}}{\text{Households}}$$

Fiscal year	2000*	2001*	2002	2003*	2004	2005*	2006	2007*	2008*
Education	\$ 45,998,542	\$ 49,952,648	\$ 52,865,651	\$ 55,075,534	\$ 54,865,939	\$ 57,637,773	\$ 61,482,994	\$ 63,436,428	\$ 67,308,821
Shared Expenses (Benefits, Debt)	\$ 12,548,933	\$ 13,544,972	\$ 16,891,994	\$ 17,573,396	\$ 18,650,411	\$ 22,013,459	\$ 22,433,112	\$ 25,481,057	\$ 26,971,492
Public Works	\$ 6,537,136	\$ 7,918,446	\$ 7,099,203	\$ 8,312,366	\$ 7,047,542	\$ 7,809,282	\$ 8,106,383	\$ 8,267,110	\$ 9,481,706
Public Safety	\$ 7,287,524	\$ 7,516,477	\$ 7,809,073	\$ 8,246,907	\$ 7,297,867	\$ 8,385,478	\$ 8,798,303	\$ 9,139,072	\$ 9,790,600
Library	\$ 1,354,201	\$ 1,420,459	\$ 1,617,964	\$ 1,789,903	\$ 1,537,002	\$ 1,726,755	\$ 1,754,474	\$ 1,906,172	\$ 1,926,195
Social Services	\$ 412,759	\$ 448,301	\$ 459,557	\$ 455,749	\$ 362,058	\$ 508,214	\$ 399,114	\$ 580,902	\$ 579,374
Community Development	\$ 875,758	\$ 883,887	\$ 934,034	\$ 1,049,775	\$ 802,195	\$ 850,236	\$ 931,287	\$ 1,044,281	\$ 1,266,880
General Government	\$ 2,224,652	\$ 2,558,681	\$ 2,556,354	\$ 2,660,626	\$ 2,476,938	\$ 2,472,879	\$ 2,635,386	\$ 2,866,743	\$ 3,439,445
Total Operating Expenses	\$ 77,239,505	\$ 84,243,871	\$ 90,233,830	\$ 95,164,256	\$ 93,039,952	\$ 101,404,076	\$ 106,541,053	\$ 112,721,765	\$ 120,764,513
CPI-U, 2000 base year	183.6	191.5	196.5	203.9	209.5	216.4	223.1	226.2	235.344
CPI-U, adjustment for constant dollars	100.0%	95.9%	93.4%	90.0%	87.6%	84.8%	82.3%	81.2%	78.0%
Operating Expenses (cons. doll.)	\$ 77,239,505	\$ 80,768,536	\$ 84,310,082	\$ 85,689,835	\$ 81,537,638	\$ 86,034,142	\$ 87,677,890	\$ 91,492,998	\$ 94,212,576
Households	10,780	10,782	10,787	10,847	10,854	10,865	10,882	10,892	10,222
Oper. Exp. Per Household	\$ 7,165	\$ 7,491	\$ 7,816	\$ 7,900	\$ 7,512	\$ 7,918	\$ 8,057	\$ 8,400	\$ 9,217

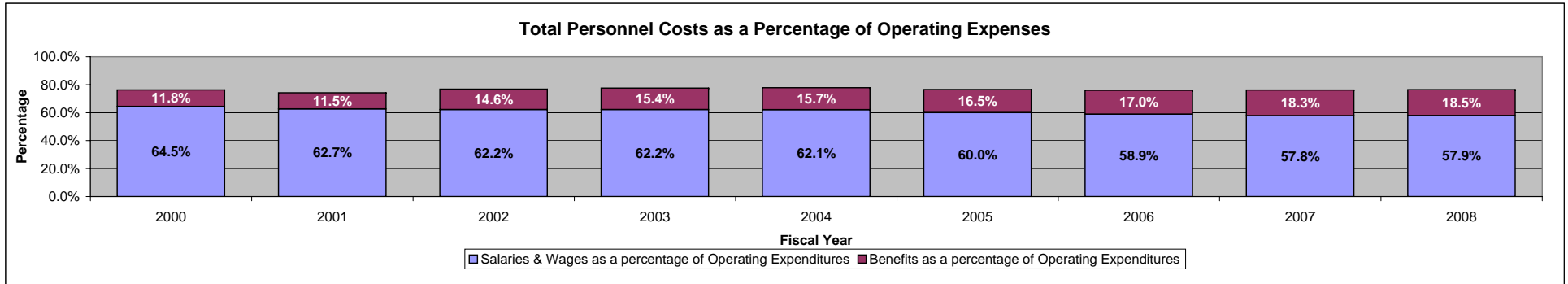
Notes:
* Years of successful overrides

Expenditures per Household:
Increasing operating expenditures per household can indicate that the cost of providing services is outstripping the Town's ability to pay, especially if spending is increasing faster than household income. Increasing expenditures may also indicate that the demographics of the Town are changing, requiring increased spending in related services.

<i>Lexington Trend</i>	
favorable	
marginal	
unfavorable	x
uncertain	x



Increasing personnel costs as a percentage of total spending is considered a warning factor.



Formula: $\text{Salaries \& Wages} / \text{Operating Expenditures}$

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating Expenditures	\$ 77,239,505	\$ 84,243,871	\$ 90,233,830	\$ 95,164,256	\$ 93,039,952	\$ 101,404,076	\$ 106,541,053	\$ 112,721,765	\$ 120,764,513
Municipal Wages	\$ 13,153,420	\$ 13,825,245	\$ 14,408,917	\$ 15,302,418	\$ 13,226,616	\$ 14,675,347	\$ 15,499,278	\$ 16,141,524	\$ 17,340,440
School Wages	\$ 36,641,456	\$ 38,998,899	\$ 41,716,051	\$ 43,900,810	\$ 44,584,245	\$ 46,185,654	\$ 47,255,639	\$ 49,061,328	\$ 52,587,927
Benefits	\$ 9,108,833	\$ 9,667,767	\$ 13,204,489	\$ 14,620,463	\$ 14,574,454	\$ 16,703,963	\$ 18,151,124	\$ 20,619,283	\$ 22,388,517
Total Wage & Benefit Costs	\$ 58,903,709	\$ 62,491,911	\$ 69,329,457	\$ 73,823,691	\$ 72,385,315	\$ 77,564,964	\$ 80,906,041	\$ 85,822,135	\$ 92,316,884
Salaries & Wages as a percentage of Operating Expenditures	64.5%	62.7%	62.2%	62.2%	62.1%	60.0%	58.9%	57.8%	57.9%
Benefits as a percentage of Operating Expenditures	11.8%	11.5%	14.6%	15.4%	15.7%	16.5%	17.0%	18.3%	18.5%
Total Wage & Benefit Costs as a percentage of Operating Expenditures	76.3%	74.2%	76.8%	77.6%	77.8%	76.5%	75.9%	76.1%	76.4%

Personnel Costs:

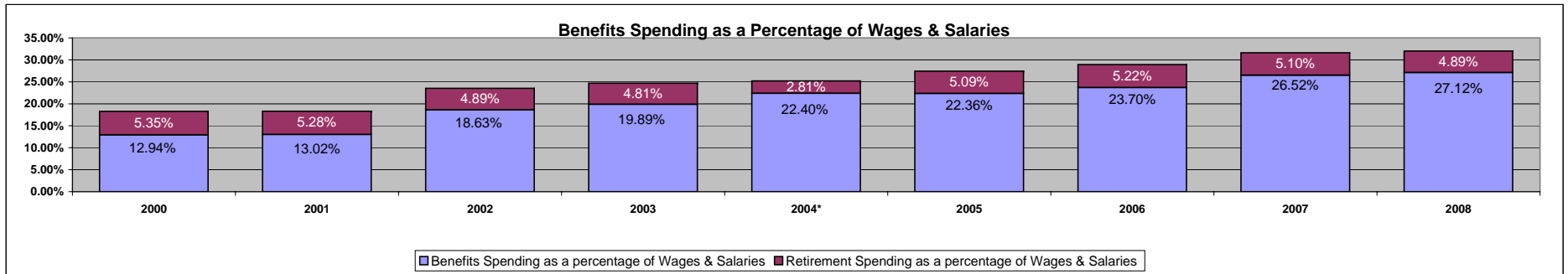
Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: 1) First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. 2) Second, if salaries and wages as a percent of operating expenditures are increasing, it may be an indicator of deferred maintenance of the Town's infrastructure.

Total labor costs have increased since 2000, however they have remained relatively constant since 2002.

Lexington Trend	
favorable	
marginal	x
unfavorable	
uncertain	



Increasing benefit costs as a percentage of wages and salaries are considered a warning indicator.



Formula:
$$\frac{\text{Employee Benefits}}{\text{Wages \& Salaries}}$$

Fiscal Year	2000	2001	2002	2003	2004*	2005	2006	2007	2008
Medical Benefits	\$ 6,442,875	\$ 6,879,090	\$ 10,457,499	\$ 11,775,697	\$ 12,947,995	\$ 13,607,887	\$ 14,874,738	\$ 17,293,355	\$ 18,965,998
Retirement Benefits	\$ 2,665,958	\$ 2,788,677	\$ 2,746,990	\$ 2,844,766	\$ 1,626,459	\$ 3,096,076	\$ 3,276,386	\$ 3,325,928	\$ 3,422,519
Wages & Salaries - Municipal	\$ 13,153,420	\$ 13,825,245	\$ 14,408,917	\$ 15,302,418	\$ 13,226,616	\$ 14,675,347	\$ 15,499,278	\$ 16,141,524	\$ 17,340,440
Wages & Salaries - Schools	\$ 36,641,456	\$ 38,998,899	\$ 41,716,051	\$ 43,900,810	\$ 44,584,245	\$ 46,185,654	\$ 47,255,639	\$ 49,061,328	\$ 52,587,927
Total Wages & Salaries	\$ 49,794,876	\$ 52,824,144	\$ 56,124,968	\$ 59,203,228	\$ 57,810,861	\$ 60,861,001	\$ 62,754,917	\$ 65,202,852	\$ 69,928,368
Benefits Spending as a percentage of Wages & Salaries	12.94%	13.02%	18.63%	19.89%	22.40%	22.36%	23.70%	26.52%	27.12%
Retirement Spending as a percentage of Wages & Salaries	5.35%	5.28%	4.89%	4.81%	2.81%	5.09%	5.22%	5.10%	4.89%
Total Benefits Spending as % of Wages	18.29%	18.30%	23.53%	24.70%	25.21%	27.45%	28.92%	31.62%	32.02%

Notes:
*Pension holiday taken by Town in FY 2004.

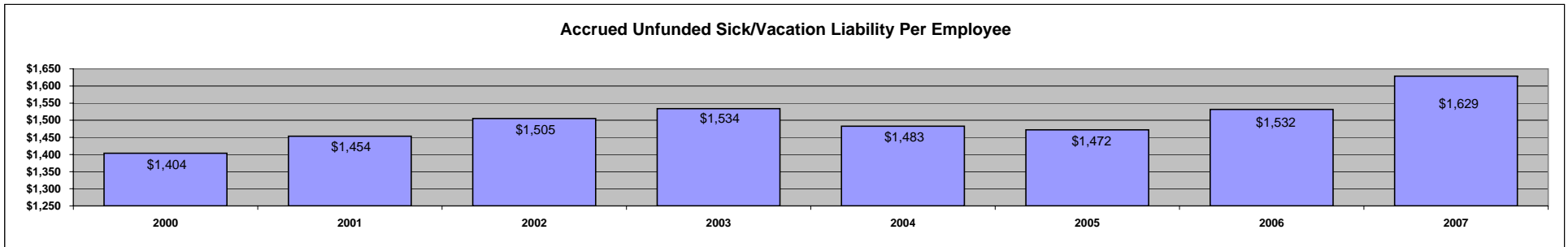
Employee Benefits:

Fringe benefits represent a significant and increasing share of the Town's operating costs. Further, this analysis may understate certain fringe benefits such as sick leave buy-back liabilities and vacation accruals. Regardless, benefit spending as a percentage of wages and salaries has almost doubled since 2000.

<i>Lexington Trend</i>	
favorable	
marginal	
unfavorable	x
uncertain	



Increasing unfunded liabilities per municipal employee is considered a warning indicator.



Formula: Accrued Sick & Vacation Leave / Number of Employees

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007
Unfunded sick and vacation leave	\$ 1,549,398	\$ 1,607,949	\$ 1,701,629	\$ 1,744,958	\$ 1,568,142	\$ 1,611,624	\$ 1,744,247	\$ 1,880,286
Amount funded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Net unfunded liability	\$ 1,549,398	\$ 1,607,949	\$ 1,701,629	\$ 1,744,958	\$ 1,568,142	\$ 1,611,624	\$ 1,744,247	\$ 1,930,286
Total Employees (Gen. Fund FTE's)	1103.9	1106.2	1130.5	1137.5	1057.6	1094.78	1138.79	1185.16
Accrued Unfunded Sick/Vacation liability per employee	\$ 1,404	\$ 1,454	\$ 1,505	\$ 1,534	\$ 1,483	\$ 1,472	\$ 1,532	\$ 1,629

Unfunded Liabilities:

The Town allows employees to accumulate a portion of unused vacation and sick leave, to be paid at termination or retirement (for retirees, some contracts provide for a one-time attendance benefit based upon the last three years of service).

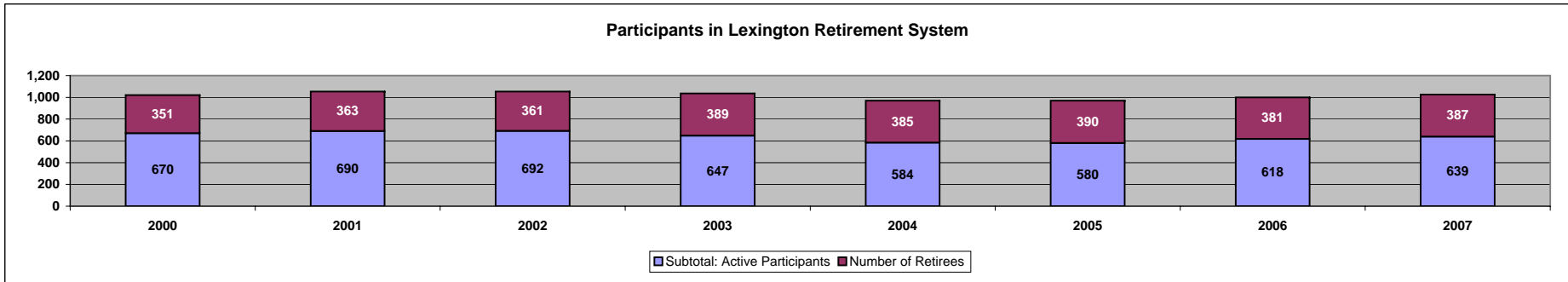
Lexington's unfunded sick/vacation liability is decreasing over the course of the last couple of years. Beginning in FY 2006, attempts were made to cover contractual obligations for vacation time within the budget. In FY 2007, the amount budgeted for municipal "vacation buy-back" is \$35,000 and for sick-leave incentive is \$15,000.

Accounting for the Town's unfunded liabilities and creating adequate reserves to meet those liabilities was a recommendation of the Financial Policy Committee.

<i>Lexington Trend</i>	
favorable	
marginal	
unfavorable	x
uncertain	



Increasing numbers of participants in the retirement system, without fully funding the associated post-retirement health costs, is considered a warning trend.



Formula: **Number of Participants**

Calendar Year (as of December 31)	2000	2001	2002	2003	2004	2005	2006	2007
Number of School employees*	N/A	N/A	N/A	N/A	N/A	296	325	365
Number of Municipal employees	N/A	N/A	N/A	N/A	N/A	284	293	274
Subtotal: Active Participants	670	690	692	647	584	580	618	639
Number of Retirees	351	363	361	389	385	390	381	387
Total	1021	1053	1053	1036	969	970	999	1026

*Non-teachers

Retirement Participants:

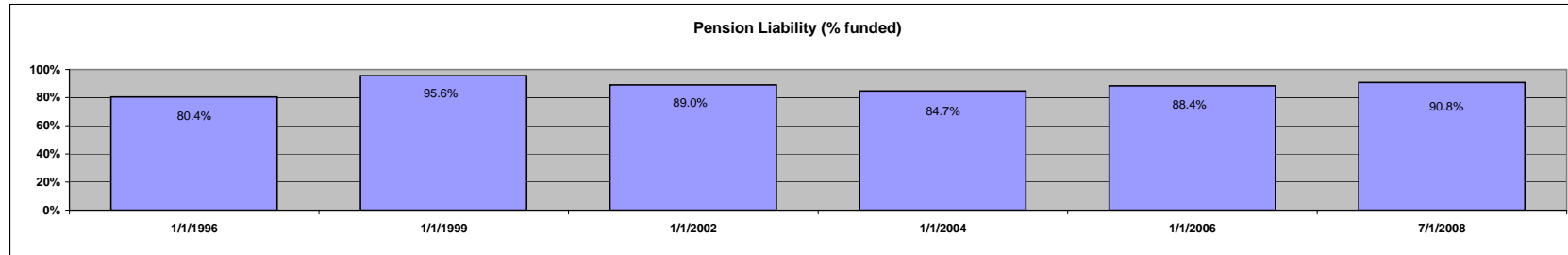
All employees except teachers belong to the Lexington Retirement System as required by the Commonwealth of Massachusetts. Systems facing increases in numbers of employees and retirees without corresponding increases in funding associated liabilities is problematic.

Lexington has an aggressive approach to funding its pension liabilities, but does not have a plan to fund its post-employment health liabilities. For more information on the Town's Other Post Employment Liabilities, (OPEB), please refer to Appendix C, OPEB.

<i>Lexington Trend</i>	
favorable	
marginal	x
unfavorable	
uncertain	



An unfunded pension liability or increase in the unfunded liability is considered a warning indicator.



Formula: Pension Assets / Pension Liability

Actuarial Date	1/1/1996	1/1/1999	1/1/2002	1/1/2004	1/1/2006	7/1/2008
Total Liability	\$ 55,140,000	\$ 74,362,000	\$ 86,500,000	\$ 98,031,000	\$ 111,724,000	\$125,412,000
Pension Assets	\$ 44,348,000	\$ 71,069,000	\$ 77,015,000	\$ 83,050,000	\$ 98,759,000	\$113,880,000
Pension Liability (unfunded)	\$ 10,792,000	\$ 3,293,000	\$ 9,485,000	\$ 14,981,000	\$ 12,965,000	\$11,532,000
Percent Funded	80.4%	95.6%	89.0%	84.7%	88.4%	90.8%

Pension Liability:

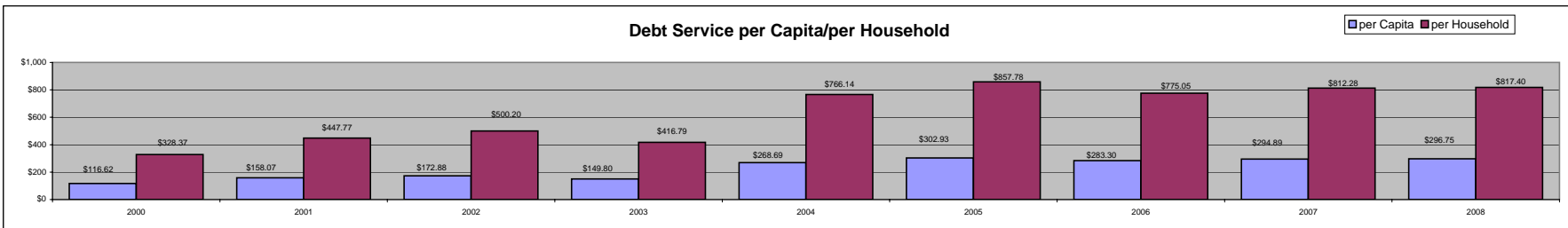
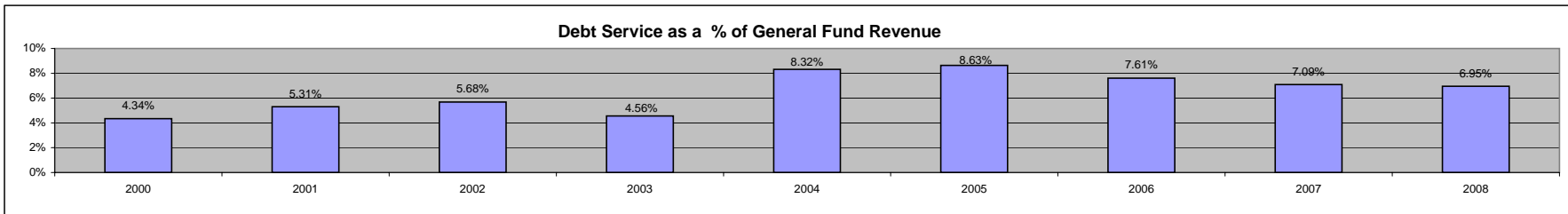
One of the strongest financial entities affiliated with the Town of Lexington, the Lexington Retirement System continues to be among the healthiest retirement systems in the Commonwealth. Despite taking a pension holiday and accommodating an early retirement initiative in FY 2004, the retirement system is approaching full funding.

The town had its scheduled actuarial study completed as of January 1, 2008 but chose to have sections of it revised as of 7/1/2008 to reflect the affect that the fluctuating stock market had on the funds.

Lexington Trend	
favorable	x
marginal	
unfavorable	
uncertain	



Debt Service exceeding 20 percent of operating revenues is considered a warning indicator by the credit rating organizations.



Formula: Debt Service / General Fund Revenue or Per Capita /Household

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exempt Debt Service	\$ 120,000	\$ 950,625	\$ 1,708,200	\$ 1,567,988	\$ 4,180,558	\$ 5,325,094	\$ 4,943,313	\$ 5,127,256	\$ 5,372,874
Within Levy Debt Service	\$ 3,419,863	\$ 3,877,205	\$ 3,687,505	\$ 2,952,933	\$ 4,135,120	\$ 3,994,668	\$ 3,490,750	\$ 3,720,061	\$ 3,530,207
Total Debt Service	\$ 3,539,863	\$ 4,827,830	\$ 5,395,705	\$ 4,520,921	\$ 8,315,678	\$ 9,319,762	\$ 8,434,063	\$ 8,847,317	\$ 8,903,081
Gross Operating Revenue	\$ 81,597,556	\$ 90,961,933	\$ 94,989,268	\$ 99,075,365	\$ 100,005,960	\$ 107,961,955	\$ 110,836,732	\$ 124,745,872	\$ 128,118,747
Population	30,355	30,542	31,211	30,179	30,949	30,765	29,771	30,002	30,002
Households	10,780	10,782	10,787	10,847	10,854	10,865	10,882	10,892	10,892
Debt Service as a % of General Fund Revenue	4.34%	5.31%	5.68%	4.56%	8.32%	8.63%	7.61%	7.09%	6.95%
Debt Service per Capita	\$ 116.62	\$ 158.07	\$ 172.88	\$ 149.80	\$ 268.69	\$ 302.93	\$ 283.30	\$ 294.89	\$ 296.75
Debt Service per Household	\$ 328.37	\$ 447.77	\$ 500.20	\$ 416.79	\$ 766.14	\$ 857.78	\$ 775.05	\$ 812.28	\$ 817.40

Notes:
FY 2008 Exempt Debt Service estimated. Final exempt debt amount To Be Determined for purposes of tax rate setting in December 2008.

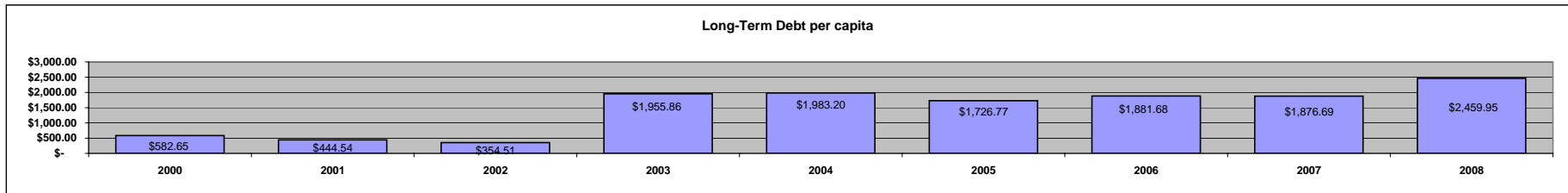
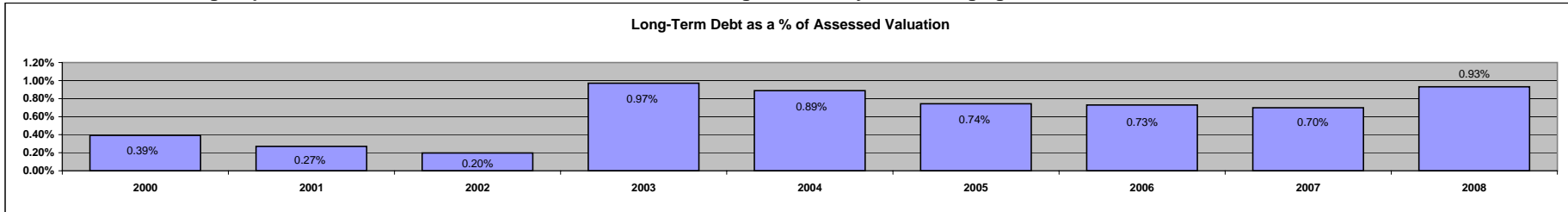
Debt Service:
Over the course of the last ten years, the Town of Lexington has invested extensively in new capital projects. Five separate school reconstruction projects, new athletic fields and a street reconstruction project have been funded through the successful passage of debt exclusion votes by the citizens of Lexington. This increase in exempt debt service has resulted in increases in the budget and consequently in taxes to Lexington citizens.

Within-levy debt has fluctuated slightly throughout the last five years, dependent upon the short-term capital needs of the community. However, since FY 2004 the amount of debt per capita and per household has remained relatively steady.

Lexington Trend	
favorable	x
marginal	
unfavorable	
uncertain	



Overall debt exceeding 10 percent of assessed valuation is considered a warning indicator by bond rating agencies.



Formula:
$$\frac{\text{Outstanding Long-Term Debt}}{\text{Assessed Valuation or Per Capita}}$$

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bonds Outstanding (all funds)	\$ 17,686,201	\$ 13,577,173	\$ 11,064,571	\$ 59,025,821	\$ 61,377,927	\$ 53,124,210	\$ 56,019,434	\$ 56,304,583	\$73,803,344.04
Assessed Valuation	\$ 4,506,277,290	\$ 5,015,313,290	\$ 5,618,141,550	\$ 6,083,572,560	\$ 6,911,176,060	\$ 7,146,167,360	\$ 7,686,268,530	\$ 8,059,234,580	\$7,929,164,350
Population	30,355	30,542	31,211	30,179	30,949	30,765	29,771	30,002	30,002
Long-Term Debt as a % of Assessed Valuation	0.39%	0.27%	0.20%	0.97%	0.89%	0.74%	0.73%	0.70%	0.93%
Long-Term Debt per capita	\$ 582.65	\$ 444.54	\$ 354.51	\$ 1,955.86	\$ 1,983.20	\$ 1,726.77	\$ 1,881.68	\$ 1,876.69	\$ 2,459.95

Notes:

Sources: Outstanding Long-term Debt & Assessed value information from Bond Prospectus & Operating Statements
 Population from U.S. Census Bureau, Town of Lexington annual census
 Per Capita income estimated from U.S. Census Bureau & Bureau of Economic Analysis, adjusted for inflation, using 2000 Census as base

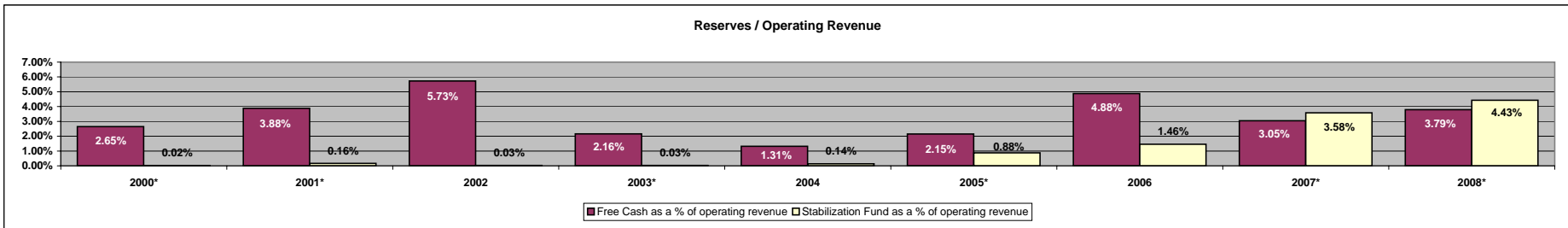
Long-Term Debt:

These financial indicators are evaluated by the credit rating organizations because they are measures of both the community's debt burden as well as its level of effort in investing in its capital facilities. On both measures, Lexington has a strong profile.

<i>Lexington Trend</i>	
favorable	x
marginal	
unfavorable	
uncertain	



Declining reserves as a percentage of operating revenues is considered a warning indicator.
The Government Finance Officers Association (GFOA) recommends that undesignated fund balance be 5-15 percent of operating revenues.



Formula: Undesignated Fund Balance / Operating Revenues

Fiscal Year	2000*	2001*	2002	2003*	2004	2005*	2006	2007*	2008*
Undesignated Fund Balance ¹	\$ 3,190,484	\$ 5,013,984	\$ 6,777,645	\$ 4,128,177	\$ 2,648,497	\$ 3,340,358	\$ 7,104,444		
Certified Free Cash	\$ 2,160,392	\$ 3,528,323	\$ 5,439,004	\$ 2,135,507	\$ 1,315,003	\$ 2,323,202	\$ 5,409,985	\$ 3,802,347	\$ 4,861,516
Stabilization Fund	\$ 18,280	\$ 149,272	\$ 27,243	\$ 27,634	\$ 138,776	\$ 947,119	\$ 1,615,948	\$ 4,461,675	\$ 5,672,193
Net Operating Revenues	\$ 81,597,556	\$ 90,961,933	\$ 94,989,268	\$ 99,075,365	\$ 100,005,960	\$ 107,961,955	\$ 110,836,732	\$ 124,745,872	\$ 128,118,747
Free Cash as a % of operating revenue	2.65%	3.88%	5.73%	2.16%	1.31%	2.15%	4.88%	3.05%	3.79%
Stabilization Fund as a % of operating revenue	0.02%	0.16%	0.03%	0.03%	0.14%	0.88%	1.46%	3.58%	4.43%
Net Reserves as a % of Operating Revenue	2.67%	4.04%	5.75%	2.18%	1.45%	3.03%	6.34%	6.62%	8.22%

Notes:
*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

Reserves & Fund Balance:

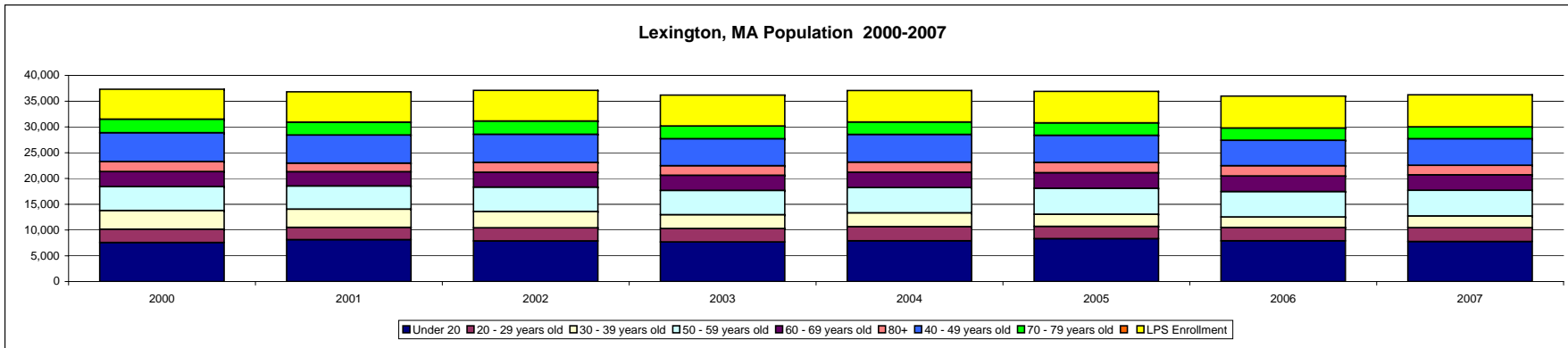
The Town of Lexington has several types of reserves. Historically, the Town has relied upon Free Cash as its primary source of reserves. In recent years, the Town has strengthened its reserve position by augmenting and transferring money into the Town's Stabilization Fund. This adds financial flexibility to the Town's operations and provides a buffer against economic downturns. (See Indicator I.2)

The Selectmen's Ad Hoc Financial Policy Committee has made a series of recommendations to further strengthen the Town's reserves and creating a series of small, targeted reserves for specific purposes.

Lexington Trend	
favorable	x
marginal	
unfavorable	
uncertain	x



Rapid changes in population which may effect service levels may be considered a warning indicator.



Formula:

Population

Calendar Year	2000	2001	2002	2003	2004	2005	2006	2007	% Change CY 2000-2007
Under 20	7,566	8,105	7,858	7,683	7,900	8,311	7,881	7,757	2.5%
20 - 29 years old	2,573	2,404	2,562	2,583	2,750	2,378	2,586	2,686	4.4%
30 - 39 years old	3,617	3,535	3,144	2,708	2,664	2,371	2,065	2,260	-37.5%
40 - 49 years old	5,606	5,447	5,463	5,227	5,379	5,263	4,946	5,150	-8.1%
50 - 59 years old	4,657	4,477	4,750	4,707	4,918	5,027	4,912	4,995	7.3%
60 - 69 years old	2,922	2,775	2,866	2,928	2,971	3,015	3,015	2,990	2.3%
70 - 79 years old	2,637	2,510	2,553	2,481	2,414	2,394	2,366	2,314	-12.2%
80+	1,929	1,665	1,926	1,862	1,952	2,006	2,000	1,850	-4.1%
Totals	31,507	30,918	31,122	30,179	30,948	30,765	29,771	30,002	-4.8%
LPS Enrollment	5807	5899	5977	6002	6123	6135	6199	6243	7.5%

Notes:

Annual Population figures 2000-2007 come from Town of Lexington, Town Clerk.
LPS Enrollment figures for CY 2007 (School Year 2007-2008) are ESTIMATES. Source: FY 2008 Recommended Budget

Population:

Over the course of the last seven-eight years, Lexington has witnessed a fluctuation of between 3-7% in total residents, with major decreases in the 20-39 age range. In addition, the Lexington Public Schools has witnessed small but steady growth in its enrollment over the same time period.

This steady change in population demographics, combined with steady enrollment in the public schools, is a leading indicator which policymakers and professionals should use to adequately prepare for and implement changes in service delivery and programs.



Town of Lexington

Financial Summit I

Revenue and Expenditure Projections- FY 2010-2012

October 1, 2008



Budget decisions that are made within a given fiscal year often have significant implications for subsequent fiscal years. The revenue and expenditure projection within this packet is intended to facilitate discussion among community "stakeholders" with the hope that it will result in the identification of issues that call for further discussion and analysis as the FY2010 budget cycle unfolds.

This forecast projects general fund revenues and expenditures for the period FY2010 to FY2012. It is important to emphasize that the projection is not a proposed or recommended budget. It is a tool for planning, not budgeting.

The forecasting methodology is a maintenance budget approach; that is, the projected increase in costs needed to maintain the "current level of services" reflected in the adopted FY09 budget. As a general rule, it only includes increases driven by estimated inflationary pressures, current collective bargaining agreements and other existing purchase of service contracts.

Revenues are generally projected based on historical experience.

The difference between projected revenues and expenditures is characterized as "surplus/shortfall"; that is, those surplus funds that can be used to finance "variable cost drivers", e.g., finance capital projects, provide for salary increases, restore services eliminated or reduced in a prior fiscal year, fund reserves, etc.

Summary of Revenue/Expense Projections (supporting detail on page 18)

Revenue Summary	FY2009		B FY 2010		C FY 2011		D FY 2012		
	Estimated/Appropriated		Projection		Projection		Projection		
Total Revenues	\$	134,621,271	\$	139,733,169	\$	140,687,045	\$	145,749,033	
Revenues set-aside for non-recurring expenses	\$	(2,242,000)	\$	(2,930,000)	\$	-	\$	-	
Net Revenues	\$	132,379,271	\$	136,803,169	\$	140,687,045	\$	145,749,033	
	\$	-	\$	-	\$	-	\$	-	
Expense Summary									
Total Expenses	\$	134,372,857	\$	140,980,323	\$	143,027,015	\$	148,155,898	
less non-recurring exp.	\$	(2,242,000)	\$	(2,930,000)	\$	-	\$	-	
Net Expenses	\$	132,130,857	\$	138,050,323	\$	143,027,015	\$	148,155,898	
	\$	-	\$	-	\$	-	\$	-	
Surplus/(Shortfall)	\$	248,414	\$	(1,247,154)	\$	(2,339,969)	\$	(2,406,865)	
	\$	-	\$	-	\$	-	\$	-	
Variable Cost Drivers				FY 2010		FY 2011		FY 2012	
Municipal Wages	\$	-	\$	218,843	\$	444,929	\$	678,442	Annual cost of every 1% of COLA increase beginning in FY 2010
School Wages	\$	-	\$	560,402	\$	1,148,880	\$	1,766,503	Annual cost of every 1% of COLA increase beginning in FY 2010
New Debt Service	\$	-	\$	-	\$	145,000	\$	285,500	Cost per \$1M of W/L Debt Service annually

Notes:

Does NOT include Exempt Debt



Town of Lexington
Summit I - October 1, 2008

3-Year Revenue and Expenditure Projection

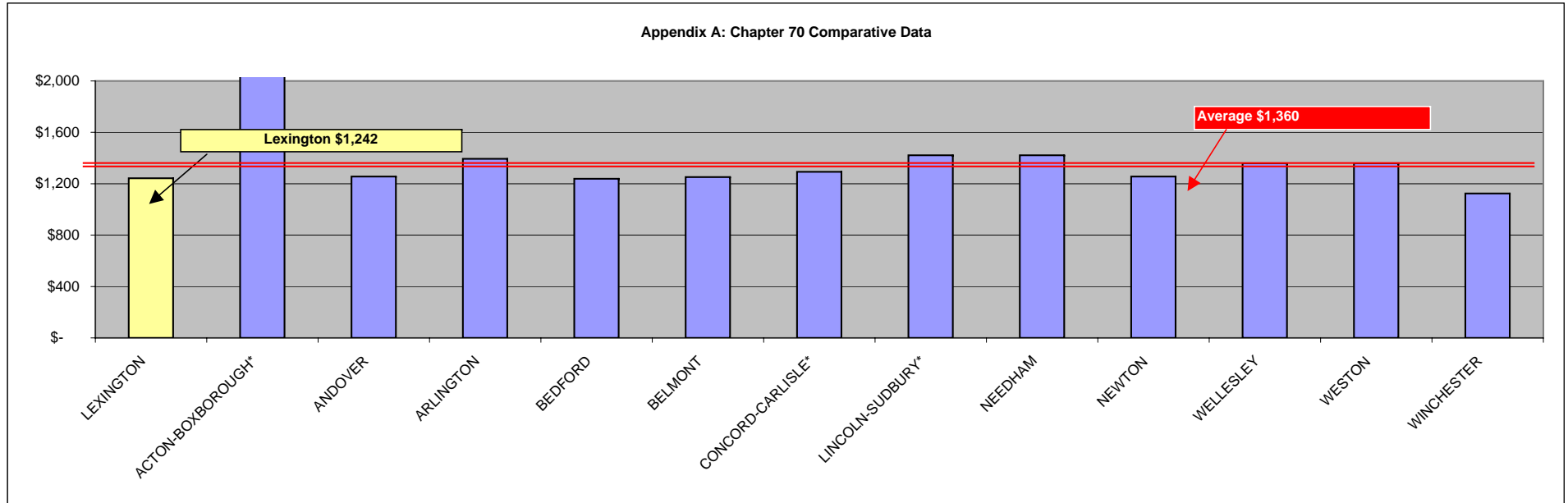
Revenue Summary					
	FY2009	B	C	D	
	<i>Estimated</i>	<i>Projection</i>	<i>Projection</i>	<i>Projection</i>	<i>Notes</i>
1 Property Tax Levy	\$ 109,181,083	\$ 113,812,308	\$ 118,557,616	\$ 123,421,556	Reflects statutory annual growth of 2.5% and assumed new growth of \$1.9 million annually
2 State Aid	\$ 9,963,453	\$ 9,963,453	\$ 9,963,453	\$ 9,963,453	Assumes level funding of FY09 Cherry Sheet
3 Local Receipts	\$ 9,989,130	\$ 9,997,440	\$ 10,087,440	\$ 10,176,440	Generally assumes historical averages + elimination of PILOTS in FY2010
4 Available Funds	\$ 3,378,168	\$ 3,197,830	\$ 2,507,830	\$ 2,509,715	\$2.620 M F.C. applied to FY2010 operating budget, \$2.0 million annually thereafter. (Also assumes appropriation of parking meter receipts, cemetery funds, and specialized stabilization funds)
5 Revenue Offsets	\$ (1,843,450)	\$ (1,838,459)	\$ (2,038,885)	\$ (1,890,201)	Overlay at \$750k in 2010 and 2012, increasing to \$925k in reval year (2011); level-funded \$300K set-aside for snow & ice deficit annually; CS assessments increasing 3.5% annually
6 Other Revenues	\$ 1,710,887	\$ 1,670,597	\$ 1,609,592	\$ 1,568,071	Reduced W/S Indirects as per 6-year phase-down; growth in Recreation Benefit Costs
7 Revenues set-aside for non-recurring expenses	\$ 2,242,000	\$ 2,930,000	\$ -	\$ -	\$2.93 million in free cash to fund Reserves (\$350k for SPED), cash capital (\$840k), OPEB (\$450K), FY09 supplemental funding for energy budgets (\$470k) and \$820K for other unspecified needs
8 Total Revenues	\$ 134,621,271	\$ 139,733,169	\$ 140,687,045	\$ 145,749,033	
Revenues set-aside for non-recurring expenses	\$ (2,242,000)	\$ (2,930,000)	\$ -	\$ -	
10 Net Revenues	\$ 132,379,271	\$ 136,803,169	\$ 140,687,045	\$ 145,749,033	
Expense Summary					
	FY 2009	B	C	D	
	<i>Appropriated</i>	<i>Projection</i>	<i>Projection</i>	<i>Projection</i>	
Recurring Cost Drivers					
<u>Education</u>					
10 LPS Wages	\$ 54,407,961	\$ 56,040,200	\$ 57,721,406	\$ 59,453,048	Assumes 3% annually for step increases.
11 LPS Expenses	\$ 10,140,228	\$ 10,444,435	\$ 10,757,768	\$ 11,080,501	Assumes average of 3% inc. for Cont. Serv. Transp. & Supplies
12 Minuteman Municipal	\$ 1,510,598	\$ 1,661,658	\$ 1,827,824	\$ 2,010,606	Assumes 10% growth annually
13 Municipal Wages	\$ 21,603,439	\$ 21,884,284	\$ 22,168,779	\$ 22,456,974	FY2010-2012 assumes 1.3% annual increase for steps applied to FY09 base.
14 Municipal Expenses	\$ 12,362,588	\$ 13,159,714	\$ 13,723,765	\$ 14,067,216	Assumes average of 3% inc. for Cont. Serv. Transp. & Supplies with noted exceptions: solid waste at long-term contractual prices & energy, after adjusting for supplemental FY09 funding, at varying rates depending on type of fuel.
<u>Shared Expenses</u>					
15 Debt Service	\$ 4,017,541	\$ 4,360,919	\$ 3,797,292	\$ 3,292,590	Actual debt service on authorized and issued debt and estimated debt service on authorized and unissued debt.
16 Retirement	\$ 3,488,236	\$ 3,743,619	\$ 3,823,302	\$ 3,906,970	Contrib. & Non-Contrib (contrib per actuary's assessment schedule)
17 Benefits	\$ 22,140,749	\$ 24,230,843	\$ 26,527,807	\$ 29,052,221	10% inc. in health, 5% inc. in Medicare, level-funded dental & life
18 Reserve Fund	\$ 532,500	\$ 582,500	\$ 632,500	\$ 682,500	\$50,000 annual increase until reaching FPC recommendation of 1/2 of 1% of G.F. Revenues
19 Workers Compensation	\$ 306,625	\$ 328,089	\$ 351,055	\$ 375,629	Average 7% increase annually
20 Unemployment	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	Level-Funded at FY09 budget
21 Property & Lib. Insurance	\$ 608,240	\$ 669,064	\$ 702,517	\$ 737,643	Increase of 10% in FY2010 based on recent claims history and 5% thereafter.
22 Uninsured Losses	\$ 138,402	\$ 100,000	\$ 125,000	\$ 150,000	Increase of \$25K annually to initial FY09 recommendation of \$75K
23 Capital	\$ 1,520,750	\$ 1,535,000	\$ 713,000	\$ 730,000	Includes 2.5% increase to annual road and building envelope set-aside and \$840,000 for cash capital
24 Reserves	\$ 1,000,000	\$ -	\$ -	\$ -	
25 Other	\$ 95,000	\$ 50,000	\$ 55,000	\$ 60,000	FY09 includes \$50k for Brookhaven and \$45K for senior tax work-off program. Projection includes a \$5k annual increase in work-off program.
26 Non-Recurring Expenses	\$ 400,000	\$ 2,090,000	\$ -	\$ -	\$2.09 million in free cash to fund Reserves (\$350k for SPED), OPEB (\$450K), FY09 supplemental funding for energy budgets (\$470k) and \$820K for other unspecified needs
27 Total Expenses	\$ 134,372,857	\$ 140,980,323	\$ 143,027,015	\$ 148,155,898	
28 less non-recurring exp.	\$ (2,242,000)	\$ (2,930,000)	\$ -	\$ -	
29 Net Expenses	\$ 132,130,857	\$ 138,050,323	\$ 143,027,015	\$ 148,155,898	
30 Surplus/(Shortfall)	\$ 248,414	\$ (1,247,154)	\$ (2,339,969)	\$ (2,406,865)	
Variable Cost Drivers					
		FY 2010	FY 2011	FY 2012	
31 Municipal Wages	\$	\$ 218,843	\$ 444,929	\$ 678,442	Annual cost of every 1% of COLA increase beginning in FY 2010
32 School Wages	\$	\$ 560,402	\$ 1,148,880	\$ 1,766,503	Annual cost of every 1% of COLA increase beginning in FY 2010
33 New Debt Service	\$	\$ -	\$ 145,000	\$ 285,500	Cost per \$1M of W/L Debt Service annually

Notes:
Does NOT include Exempt Debt



FY 2010 Budget Policy Issues

- 1. The National Economy/Crisis in the Financial Markets**
- 2. Potential 9C State Aid Reductions for FY2009**
- 3. Wages/Benefits (Collective/Coalition Bargaining)**
- 4. Use of One-Time Revenue Sources to Balance FY2010 Budget**
- 5. Potential Debt Exclusion**
 - >Roads/Intersections/Sidewalks/Traffic Calming**
- 6. Energy Costs**



District	FY09 Foundation Enrollment	FY09 Chapter 70 Aid	FY09 Per Pupil Average
LEXINGTON	6,118	\$ 7,601,057	\$ 1,242
ACTON-BOXBOROUGH*	5,846	\$ 13,475,834	\$ 2,305
ANDOVER	5,944	\$ 7,467,975	\$ 1,256
ARLINGTON	4,469	\$ 6,229,294	\$ 1,394
BEDFORD	2,442	\$ 3,025,145	\$ 1,239
BELMONT	3,677	\$ 4,603,815	\$ 1,252
CONCORD-CARLISLE*	3,816	\$ 4,931,992	\$ 1,292
AVERAGE	5,022	\$ 6,916,581	\$ 1,360

District	FY09 Foundation Enrollment	FY09 Chapter 70 Aid	FY09 Per Pupil Average
LINCOLN-SUDBURY*	5,392	\$ 7,664,737	\$ 1,422
NEEDHAM	4,872	\$ 6,118,846	\$ 1,256
NEWTON	11,762	\$ 14,460,608	\$ 1,229
WELLESLEY	4,796	\$ 6,518,222	\$ 1,359
WESTON	2,320	\$ 2,608,444	\$ 1,124
WINCHESTER	3,838	\$ 5,209,589	\$ 1,357

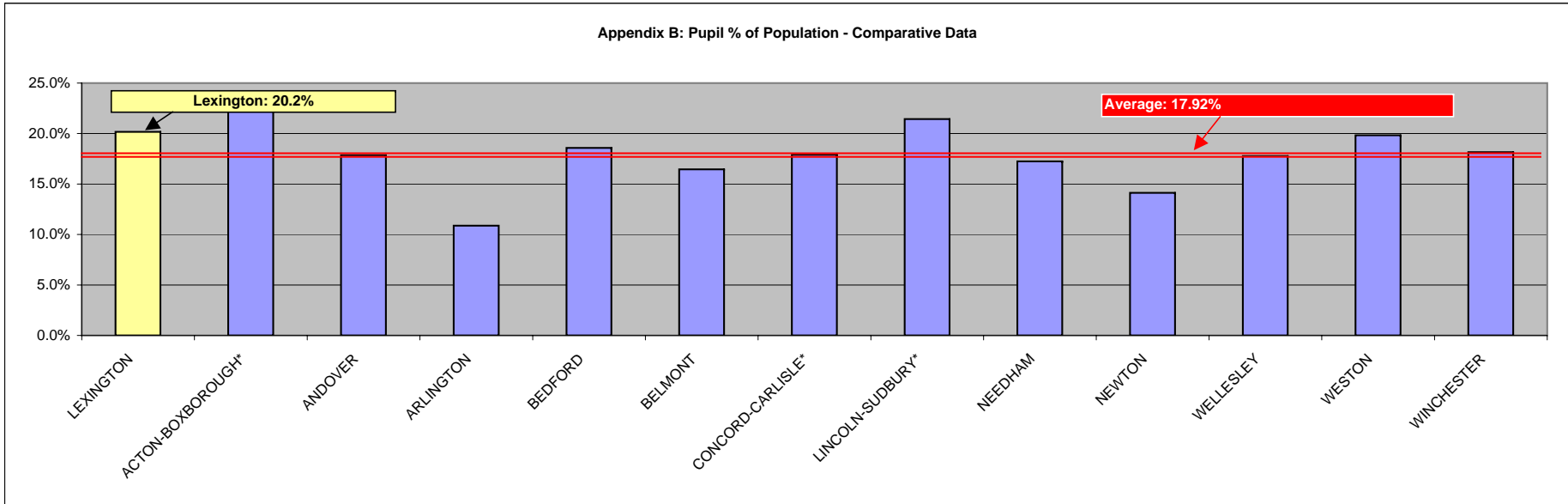
Notes:

*Includes Ch. 70 aid to both regional & local districts.
 Source: Mass. Dept. of Education

Chapter 70 Assistance:

The Chapter 70 formula is based on a variety of educational factors. The table at right shows that Lexington receives slightly below the average amount of Chapter 70 aid for comparable communities.

What the table does not show is the small percentage State Aid is of the total per pupil aid given to students in Lexington. Lexington receives only \$1,242/per pupil from the State and spends nearly \$11,000 in total per pupil on an annual basis.



District	FY 09 Foundation Enrollment	Population 7/1/2007	Pupils as % of Population
LEXINGTON	6,118	\$ 30,332	20.2%
ACTON-BOXBOROUGH*	5,846	\$ 25,850	22.6%
ANDOVER	5,944	\$ 33,284	17.9%
ARLINGTON	4,469	\$ 41,114	10.9%
BEDFORD	2,442	\$ 13,146	18.6%
BELMONT	3,677	\$ 22,356	16.4%
CONCORD-CARLISLE*	3,816	\$ 21,322	17.9%
AVERAGE	5,022	\$ 29,531	17.92%

District	FY09 Foundation Enrollment	Population 7/1/2007	Pupils as % of Population
LINCOLN-SUDBURY*	5,392	\$ 25,153	21.4%
NEEDHAM	4,872	\$ 28,263	17.2%
NEWTON	11,762	\$ 83,271	14.1%
WELLESLEY	4,796	\$ 26,985	17.8%
WESTON	2,320	\$ 11,698	19.8%
WINCHESTER	3,838	\$ 21,137	18.2%

Notes:

*Includes Ch. 70 aid to both regional & local districts.

Source: Mass. Dept. of Education, Mass. Dept. of Revenue. U.S. Census Bureau

Pupil/Population Data:

This chart shows the ratio of pupils as a percentage of the total population of a municipality (or in the case of joint school districts, municipalities).

Compared to the average for similar communities & school systems, Lexington has more students as a percentage of the population. (Also see Indicator I.15)



Schedule of Employer Contributions (8.0% Discount Rate)

(A)	(B)	(C)	(D)	(E)	(F)	(G)
FY Ending	Normal Cost	Amortization Payments	Total Town ARC	Retiree H.C. Appropriation	Medicare Part D Subsidy	Annual Unfunded Liability
			(B)+(D)			(D)+(E)+(F)
2007	\$ 3,280,000	\$ 4,870,000	\$ 8,150,000	\$ 4,810,000	\$ 282,000	\$ 3,058,000
2008	\$ 3,440,000	\$ 5,330,000	\$ 8,770,000	\$ 5,291,000	\$ 187,000	\$ 3,292,000
2009	\$ 3,620,000	\$ 5,810,000	\$ 9,430,000	\$ 5,820,000	\$ -	\$ 3,610,000
2010	\$ 3,800,000	\$ 6,310,000	\$ 10,110,000	\$ 6,402,110	\$ -	\$ 3,707,890
2011	\$ 3,990,000	\$ 6,810,000	\$ 10,800,000	\$ 7,042,321	\$ -	\$ 3,757,679

Notes:

Source: Financial Risk Analysts, Town of Lexington Post-Retirement Benefits Analysis as of June 30, 2006. March 9, 2007.

Retiree H.C. Appropriation amount provided from actuarial and inflated by 10% annually.

Medicare Part D Subsidy actual receipts, FY 2007 & 2008.

Other Post Employment Benefits (OPEB):

GASB-45 requires that public entities begin accruing the expected future costs of OPEB (medical and life insurance) over the expected future employment period of employees, much like they do now for pension benefits.

In FY 2007, the Town had an actuarial performed to determine what the anticipated GASB 45/OPEB liability is for the Town of Lexington. As of the date of that study, June 30, 2006, The Town provided life, health and dental insurance benefits for active and retired employees and their covered dependents. The Town has 1055 active contracts, 162 pre-Medicare retiree contracts and 505 Medicare retiree contracts.

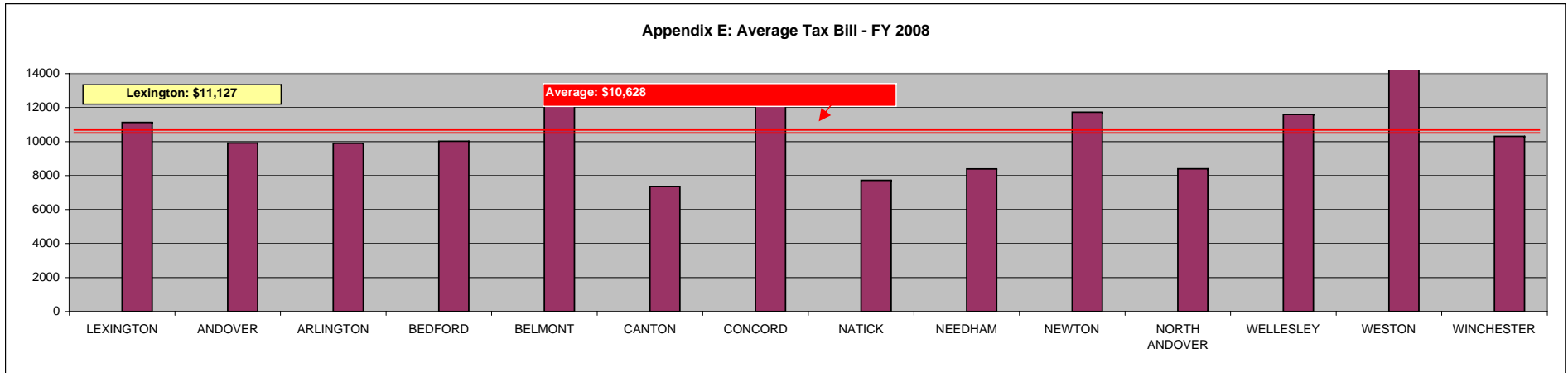


ENDING BALANCES AS OF FISCAL YEAR END

	FY07	FY08
Uninsured Losses	\$ 26,700	\$ 71,913
Workers' Compensation	\$ 19,351	\$ 8,484
Transportation Demand Management/Public Transportation Stabilization Fund ¹	\$ -	\$ -
Traffic Mitigation Stabilization Fund	\$ -	\$ 226,278
School Bus Stabilization Fund ¹	\$ -	\$ 140,338
Special Education Stabilization Fund	\$ -	\$ 350,647
Section 135 Zoning By-Law Stabilization Fund	\$ -	\$ -

¹ Per 2008 ATM action, effective 7/1/09 approx. \$65,000 will be transferred into the fund to be offset by a transfer out of \$61,000 to support the FY09 operating budget.

² FY08 balance will be reduced by \$65,000 that will support the FY09 operating budget.



Municipality	Assessed Value (2008)	Parcels	Parcels (2008)	Average Value	Average Value (2008)	Tax Rate	Tax Rate (2008)	Single Family Tax Bill	Single Family Tax Bill (2008)
LEXINGTON	7,929,164,350	8,917	8,922	\$ 728,903	\$ 888,721	\$ 11.34	\$ 12.52	\$ 8,266	\$ 11,127
ANDOVER	7,179,753,075	8,459	8,465	\$ 591,798	\$ 848,169	\$ 11.25	\$ 11.69	\$ 6,658	\$ 9,915
ARLINGTON	6,883,264,284	7,962	7,960	\$ 486,431	\$ 864,732	\$ 10.95	\$ 11.45	\$ 5,326	\$ 9,901
BEDFORD	2,893,298,665	3,276	3,285	\$ 528,677	\$ 880,761	\$ 11.29	\$ 11.38	\$ 5,969	\$ 10,023
BELMONT	5,319,178,160	4,520	4,516	\$ 803,440	\$ 1,177,852	\$ 10.31	\$ 11.27	\$ 8,283	\$ 13,274
CANTON	4,130,149,680	5,246	5,250	\$ 507,748	\$ 786,695	\$ 8.88	\$ 9.34	\$ 4,509	\$ 7,348
CONCORD	5,498,736,316	4,640	4,620	\$ 922,372	\$ 1,190,203	\$ 10.56	\$ 10.72	\$ 9,740	\$ 12,759
NATICK	6,512,153,870	8,439	8,446	\$ 493,410	\$ 771,034	\$ 9.58	\$ 10.01	\$ 4,727	\$ 7,718
NEEDHAM	7,209,038,765	8,326	8,337	\$ 682,019	\$ 864,704	\$ 9.35	\$ 9.7	\$ 6,377	\$ 8,388
NEWTON	20,457,629,500	16,909	16,920	\$ 818,978	\$ 1,209,080	\$ 9.33	\$ 9.7	\$ 7,641	\$ 11,728
NORTH ANDOVER	4,534,465,467	6,143	6,154	\$ 536,831	\$ 736,832	\$ 10.45	\$ 11.4	\$ 5,610	\$ 8,400
WELLESLEY	9,175,647,000	7,254	7,264	\$ 1,010,371	\$ 1,263,167	\$ 8.87	\$ 9.18	\$ 8,962	\$ 11,596
WESTON	5,102,207,400	3,340	3,340	\$ 1,339,054	\$ 1,527,607	\$ 10.26	\$ 10.67	\$ 13,739	\$ 16,300
WINCHESTER	\$ 5,450,383,798	5,581	5,589	\$ 755,415	\$ 975,198	\$ 10.33	\$ 10.57	\$ 7,803	\$ 10,308
AVERAGE	\$ 7,019,647,881	7,072	7,076	\$ 728,961	\$ 13,984,755	\$ 10.20	\$ 10.69	\$ 7,401	\$ 10,628

Average Tax Bill:

This table shows the average single-family tax bill for comparable communities to Lexington for FY 2008. Lexington is slightly above average compared to other communities.

Source: Mass. Dept. of Revenue, Div. Of Local Services.



Revenue Summary	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Property Tax Levy	\$ 68,734,888	\$ 72,062,482	\$ 75,795,919	\$ 82,189,495	\$ 91,192,659	\$ 93,955,886	\$ 100,432,867	\$ 109,459,733
State Aid	\$ 9,976,815	\$ 10,466,658	\$ 9,626,097	\$ 7,894,598	\$ 7,871,465	\$ 8,603,524	\$ 8,245,295	\$ 9,045,501
Local Receipts	\$ 10,586,536	\$ 10,118,108	\$ 9,722,316	\$ 8,978,316	\$ 10,246,954	\$ 13,321,875	\$ 12,910,181	\$ 11,889,778
Available Funds	\$ 1,663,694	\$ 2,379,737	\$ 3,557,418	\$ 943,551	\$ 1,728,160	\$ 2,188,182	\$ 4,923,000	\$ 4,216,097
Revenue Offsets	\$ (3,004,290)	\$ (3,472,633)	\$ (3,068,211)	\$ (3,186,402)	\$ (3,077,283)	\$ (3,145,438)	\$ (1,530,137)	\$ (1,897,006)
Total General Fund	\$ 87,957,643	\$ 91,554,352	\$ 95,633,539	\$ 96,819,558	\$ 107,961,955	\$ 114,924,029	\$ 124,981,206	\$ 132,714,103
Other Revenues								
Revolving Funds	\$ -	\$ -	\$ -	\$ -	\$ 78,266	\$ 542,343	\$ 793,431	\$ 932,236
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,390	\$ 173,390	\$ 122,732
Enterprise Funds (Direct)	\$ 14,907,870	\$ 11,791,373	\$ 14,950,432	\$ 15,652,349	\$ 13,393,865	\$ 13,826,318	\$ 15,459,138	\$ 15,468,471
Enterprise Funds (Indirect)	\$ 1,174,492	\$ 1,453,148	\$ 1,558,997	\$ 1,683,197	\$ 1,783,197	\$ 1,789,916	\$ 1,772,313	\$ 1,752,885
<i>sub-total Other Revenues</i>	<i>\$ 16,082,362</i>	<i>\$ 13,244,521</i>	<i>\$ 16,509,429</i>	<i>\$ 17,335,546</i>	<i>\$ 15,255,328</i>	<i>\$ 16,331,967</i>	<i>\$ 18,198,272</i>	<i>\$ 18,276,324</i>
Total Revenues	\$ 104,040,005	\$ 104,798,873	\$ 112,142,968	\$ 114,155,104	\$ 123,217,283	\$ 131,255,996	\$ 143,179,478	\$ 150,990,427
Expense Summary								
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Education								
Lex. Pub Schools Compen.	\$ 38,998,899	\$ 41,716,051	\$ 43,900,810	\$ 44,584,245	\$ 46,185,654	\$ 47,255,639	\$ 49,061,328	\$ 52,775,796
Lex. Pub Schools Expenses	\$ 10,142,294	\$ 10,362,484	\$ 10,331,158	\$ 9,380,263	\$ 10,618,852	\$ 13,397,121	\$ 13,350,283	\$ 13,197,579
<i>sub-total Lex. Pub. Schools</i>	<i>\$ 49,141,193</i>	<i>\$ 52,078,535</i>	<i>\$ 54,231,968</i>	<i>\$ 53,964,508</i>	<i>\$ 56,804,506</i>	<i>\$ 60,652,760</i>	<i>\$ 62,411,611</i>	<i>\$ 65,973,375</i>
Minuteman Reg. School 3	\$ 811,455	\$ 787,116	\$ 843,566	\$ 901,431	\$ 833,267	\$ 830,234	\$ 1,024,817	\$ 1,194,216
<i>sub-total Education</i>	<i>\$ 49,952,648</i>	<i>\$ 52,865,651</i>	<i>\$ 55,075,534</i>	<i>\$ 54,865,939</i>	<i>\$ 57,637,773</i>	<i>\$ 61,482,994</i>	<i>\$ 63,436,428</i>	<i>\$ 67,167,591</i>
Municipal								
Municipal Compen.	\$ 13,825,245	\$ 14,408,917	\$ 15,302,418	\$ 13,226,616	\$ 14,675,347	\$ 15,499,278	\$ 16,141,524	\$ 17,274,644
Municipal Expenses	\$ 6,921,006	\$ 6,067,268	\$ 7,212,908	\$ 6,296,986	\$ 7,077,497	\$ 7,125,669	\$ 7,662,756	\$ 9,402,310
<i>sub-total Municipal</i>	<i>\$ 20,746,251</i>	<i>\$ 20,476,185</i>	<i>\$ 22,515,326</i>	<i>\$ 19,523,602</i>	<i>\$ 21,752,844</i>	<i>\$ 22,624,947</i>	<i>\$ 23,804,280</i>	<i>\$ 26,676,954</i>
Shared Expenses								
Benefits & Insurance	\$ 9,667,767	\$ 13,204,489	\$ 14,620,463	\$ 14,574,454	\$ 17,511,374	\$ 19,015,811	\$ 21,720,932	\$ 23,425,240
Debt (within-levy)	\$ 3,877,205	\$ 3,687,505	\$ 2,952,933	\$ 4,075,957	\$ 4,502,085	\$ 3,417,301	\$ 3,760,125	\$ 3,572,204
Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>sub-total Shared Expenses</i>	<i>\$ 13,544,972</i>	<i>\$ 16,891,994</i>	<i>\$ 17,573,396</i>	<i>\$ 18,650,411</i>	<i>\$ 22,013,459</i>	<i>\$ 22,433,112</i>	<i>\$ 25,481,057</i>	<i>\$ 26,997,444</i>
Revolving Funds					\$ 78,266	\$ 542,343	\$ 793,431	\$ 1,132,958
Grants						\$ 173,390	\$ 173,390	\$ 122,732
Capital & Reserves								
Cash Capital (inc of roads)	\$ 821,419	\$ 1,128,723	\$ 1,259,500	\$ 796,322	\$ 500,000	\$ 1,153,000	\$ 1,195,000	\$ 1,355,000
Stabilization Fund	\$ -	\$ -	\$ -	\$ -	\$ 807,322	\$ 603,647	\$ 2,650,000	\$ 1,000,000
CPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,556,362	\$ 2,776,904
<i>sub-total Capital & Reserves</i>	<i>\$ 821,419</i>	<i>\$ 1,128,723</i>	<i>\$ 1,259,500</i>	<i>\$ 796,322</i>	<i>\$ 1,307,322</i>	<i>\$ 1,756,647</i>	<i>\$ 6,401,362</i>	<i>\$ 5,131,904</i>
Enterprise Funds								
Water	\$ 4,305,595	\$ 4,396,026	\$ 4,911,735	\$ 5,240,049	\$ 5,343,239	\$ 5,408,102	\$ 5,630,539	\$ 5,609,660
Wastewater (Sewer)	\$ 7,474,202	\$ 7,312,908	\$ 7,941,089	\$ 7,221,566	\$ 6,673,087	\$ 6,279,508	\$ 6,686,970	\$ 6,618,170
Recreation	\$ 1,153,925	\$ 1,158,091	\$ 1,244,608	\$ 1,446,673	\$ 1,377,539	\$ 1,381,912	\$ 1,425,861	\$ 1,432,583
Enterprise Capital	\$ 590,000	\$ 635,000	\$ 853,000	\$ 710,000	\$ -	\$ 80,000	\$ 75,000	\$ 25,000
<i>sub-total Enterprise Funds</i>	<i>\$ 13,523,722</i>	<i>\$ 13,502,025</i>	<i>\$ 14,950,432</i>	<i>\$ 14,618,288</i>	<i>\$ 13,393,865</i>	<i>\$ 13,149,522</i>	<i>\$ 13,818,370</i>	<i>\$ 13,685,413</i>
Exempt Debt								
Municipal	\$ -	\$ -	\$ -	\$ 490,200	\$ 786,575	\$ 771,013	\$ 1,299,188	\$ 1,445,451
School	\$ 950,625	\$ 1,708,200	\$ 1,567,988	\$ 3,699,138	\$ 4,538,510	\$ 4,172,300	\$ 3,828,068	\$ 3,927,422
<i>sub-total Exempt Debt</i>	<i>\$ 950,625</i>	<i>\$ 1,708,200</i>	<i>\$ 1,567,988</i>	<i>\$ 4,189,338</i>	<i>\$ 5,325,085</i>	<i>\$ 4,943,313</i>	<i>\$ 5,127,256</i>	<i>\$ 5,372,873</i>
Total Expenses	\$ 99,539,637	\$ 106,572,778	\$ 112,942,176	\$ 112,643,900	\$ 121,508,614	\$ 127,106,268	\$ 139,035,574	\$ 146,287,869
Balance	\$ 4,500,368	\$ (1,773,905)	\$ (799,208)	\$ 1,511,204	\$ 1,708,669	\$ 4,149,728	\$ 4,143,904	\$ 4,702,559