



Town of Lexington

Financial Summit I

*Indicator Analysis, Fiscal Year 2000-2011
Projections & Estimates, Fiscal Year 2013-2015
October 5, 2011*



Town of Lexington

Summit I - October 5, 2011

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Town of Lexington

Summit I - October 5, 2011

Introduction

This packet of information includes:

- a) An evaluation of the fiscal health of the Town of Lexington, presented through a series of financial indicators and, where appropriate, comparative benchmarks
- b) A 3-year Revenue and Expenditure Projection
- c) Key policy issues facing the Town in FY2013.

This material provides an informed snapshot of Lexington's financial condition to assist policymakers in preparing for the FY 2013 Budget Process.

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 14 indicators with which to evaluate the Town's fiscal health.

Lexington's financial condition is generally sound. In particular,

- Lexington has positive revenue growth, stable labor costs as a percentage of total operating costs, adequate pension funding, a good balance of revenues related to economic growth, low debt service, and adequate reserves.
- Lexington's financial condition is satisfactory in the areas of expenditure growth.
- Lexington's financial condition 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 employee benefit costs, and unreliable levels of state aid.

Notwithstanding the recent downgrading of the federal government's credit rating, the data in this report suggests that the Town's financial condition is strong and the Town is expected to maintain its Aaa credit rating.



Town of Lexington

Financial Summit I

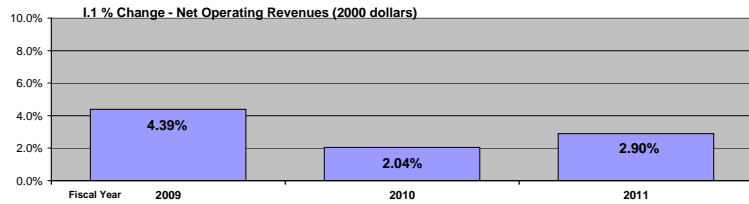
Indicator Analysis, Fiscal Year 2000-2011

October 5, 2011

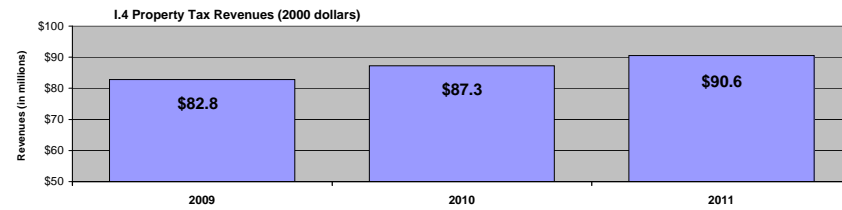


Favorable Indicators

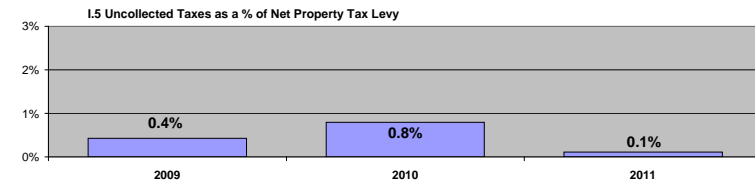
Indicator 1: Revenues



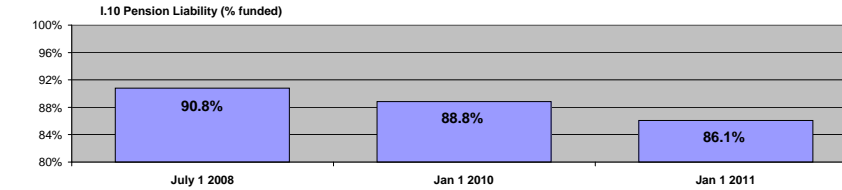
Indicator 4: Property Tax Revenues



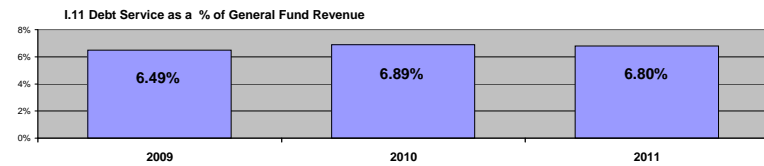
Indicator 5: Uncollected Property Taxes



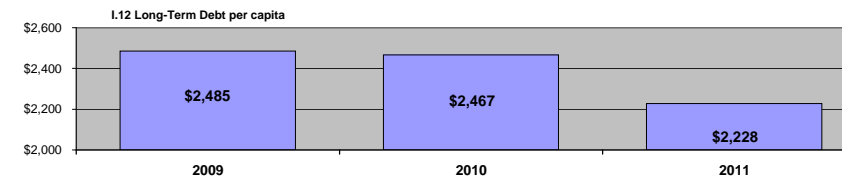
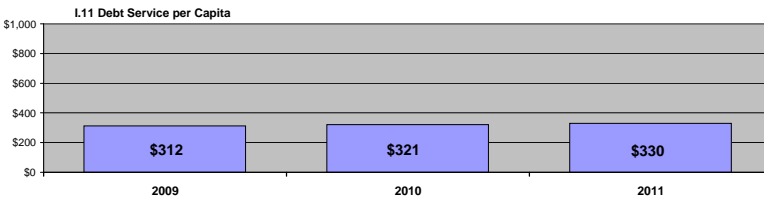
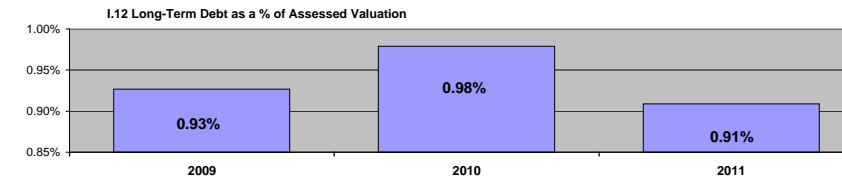
Indicator 10: Pension Liability



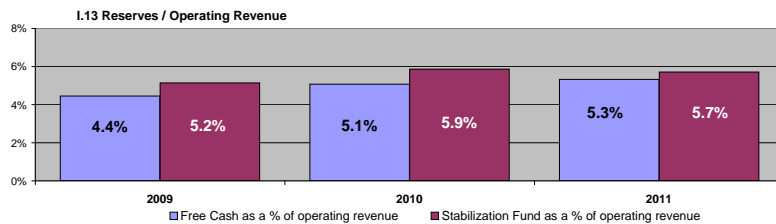
Indicator 11: Debt Service



Indicator 12: Long-Term Debt



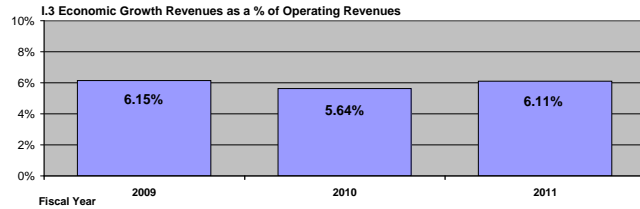
Indicator 13: Reserves and Fund Balance



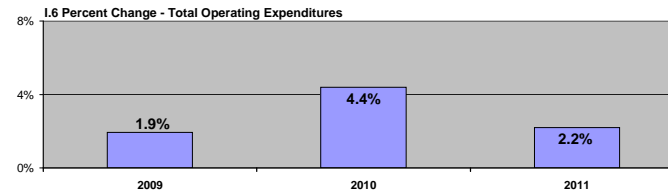


Marginal Indicators

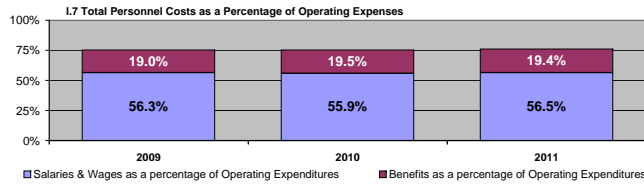
Indicator 3: Revenues Related to Economic Growth



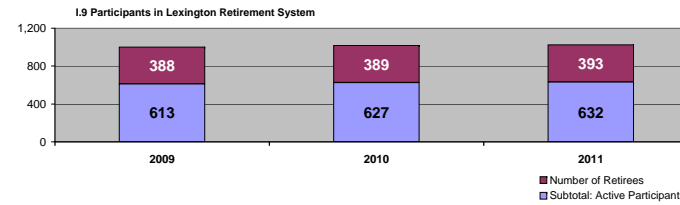
Indicator 6: Expenditures Per Department



Indicator 7: Personnel Costs

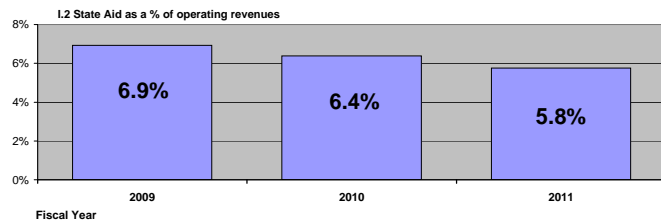


Indicator 9: Retirement Participants

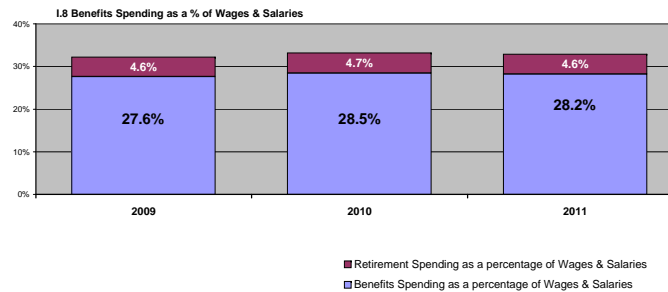


Unfavorable Indicators

Indicator 2: State Aid

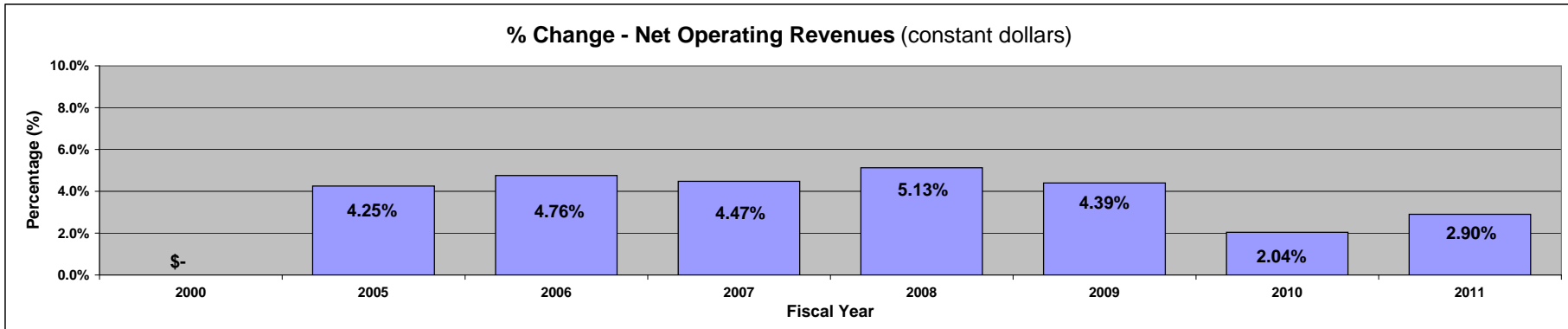


Indicator 8: Employee Benefits





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



Fiscal Year	2000*	2005*	2006	2007*	2008*	2009 ¹	2010	2011
Gross operating revenue/transfers	\$ 81,597,556	\$ 107,961,955	\$ 116,002,929	\$ 124,745,872	\$ 133,554,286	\$ 144,131,700	\$ 146,116,341	\$ 152,465,461
Less: Excluded Debt Service	\$ 120,000	\$ 5,325,085	\$ 4,943,313	\$ 5,127,256	\$ 5,372,874	\$ 5,632,643	\$ 5,746,385	\$ 5,753,550
Net Operating Revenues	\$ 81,477,556	\$ 102,636,870	\$ 111,059,616	\$ 119,618,616	\$ 128,181,412	\$ 138,499,057	\$ 140,369,956	\$ 146,711,911
CPI-U, prior calendar year	176.0	209.5	216.4	223.1	227.4	235.4	233.8	237.4
CPI-U, adjustment for constant dollars	100%	84.0%	81.3%	78.9%	77.4%	74.8%	75.3%	74.1%
Net Operating Revenues (constant dollars)	\$ 81,477,556	\$ 86,224,769	\$ 90,325,751	\$ 94,365,201	\$ 99,204,203	\$ 103,563,896	\$ 105,677,661	\$ 108,745,973
Percent Change from prior year (net)	-	4.25%	4.76%	4.47%	5.13%	4.39%	2.04%	2.90%

¹Gross Operating Revenue includes \$799,539 in federal stimulus funds used to offset the fourth quarter cut in Chapter 70 aid.

Notes:

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

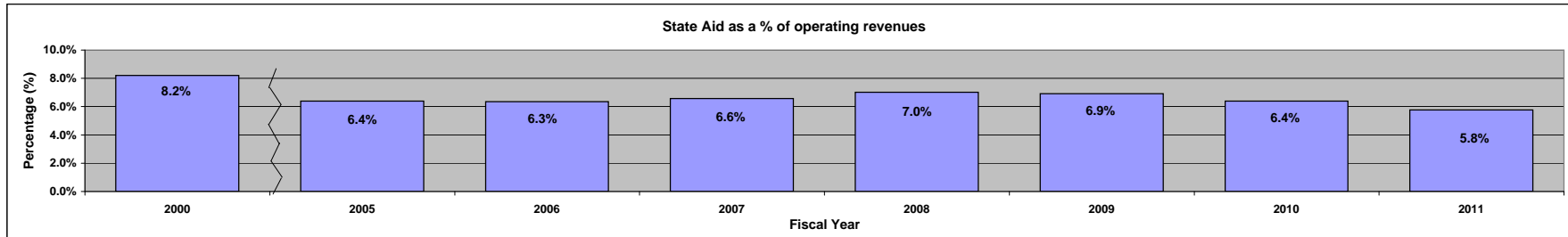
Revenues:

Revenue growth is one measure of the Town's ability to maintain existing service levels. Lexington has witnessed some fluctuations in revenues in constant dollars during the first half of this decade; despite this growth has, for the most part, been positive. Modest revenue growth in FY2010 and FY2011 is indicative of the continuing slump in the national economy.

Lexington Trend	
favorable	X
marginal	
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.



Fiscal Year	2000	2005	2006	2007	2008	2009 ¹	2010	2011
Cherry Sheet Revenues (Less Offset Items)	\$ 7,553,282	\$ 6,737,138	\$ 7,239,935	\$ 8,051,888	\$ 9,001,541	\$ 9,589,026	\$ 8,962,015	\$ 8,454,991
Less: School Building Reimbursements	\$ 863,984	\$ 187,696	\$ 187,696	\$ 187,696	\$ -	\$ -	\$ -	\$ -
Net State Aid Revenues	\$ 6,689,298	\$ 6,549,442	\$ 7,052,239	\$ 7,864,192	\$ 9,001,541	\$ 9,589,026	\$ 8,962,015	\$ 8,454,991
Net Operating Revenues	\$ 81,477,556	\$ 102,636,870	\$ 111,059,616	\$ 119,618,616	\$ 128,181,412	\$ 138,499,057	\$ 140,369,956	\$ 146,711,911
State Aid as a % of operating revenues	8.2%	6.4%	6.3%	6.6%	7.0%	6.9%	6.4%	5.8%
CPI-U, prior CY	176.0	209.5	216.4	223.1	227.4	235.4	233.8	237.4
CPI-U, adjustment for constant dollars	100%	84.0%	81.3%	78.9%	77.4%	74.8%	75.3%	74.1%
Net State Aid Revenues (constant dollars)	\$ 6,689,298	\$ 5,502,157	\$ 5,735,647	\$ 6,203,935	\$ 6,966,616	\$ 7,170,279	\$ 6,747,062	\$ 6,267,018
Percent change from prior year (constant dollars)	-	-2.7%	4.2%	8.2%	12.3%	2.9%	-5.9%	-7.1%

¹ Net Operating Revenue and Cherry Sheet Revenue include \$799,539 in federal stimulus funds used to offset the FY 09 fourth quarter cut in Chapter 70 aid.

Notes:

Source: Massachusetts Department of Revenue "Cherry Sheets" (one page summarizing all state aid to a municipality), FY 2000-2010. 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:

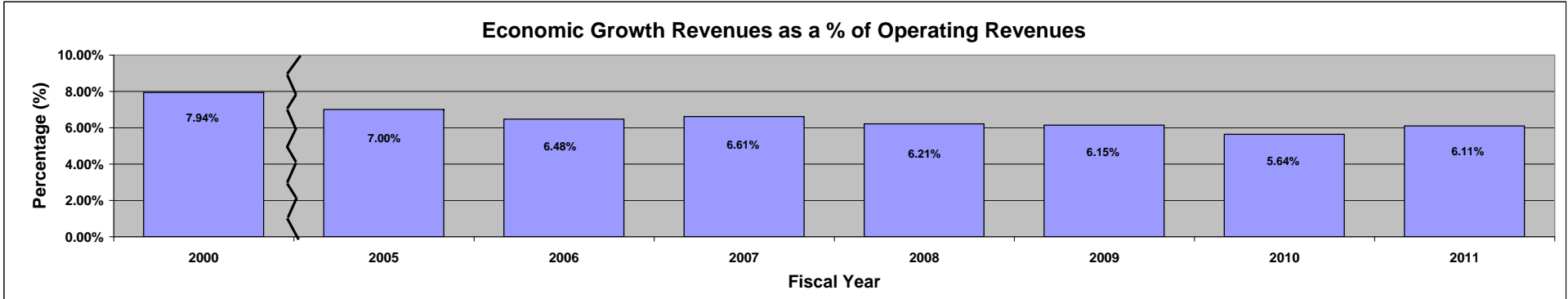
While the Town does not rely significantly on State Aid, any dependence on such aid may be difficult to manage when there is a reduction in this funding. In order to protect itself in this situation, the Town has a contingency plan for reductions in State Aid. The Board of Selectmen adopted the recommendation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

On a constant dollar basis, State Aid has steadily increased from 2004-2009, before decreasing in FY 2010 and again in FY2011 as a result of the economic downturn.

Lexington Trend	
favorable	
marginal	
unfavorable	X
uncertain	



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



Fiscal Year	2000	2005	2006	2007	2008	2009 ¹	2010	2011
Net operating revenues	\$ 81,477,556	\$ 102,636,870	\$ 111,059,616	\$ 119,618,616	\$ 128,181,412	\$ 138,499,057	\$ 140,369,956	\$ 146,711,911
Building-Related Fees & Permits	\$ 853,523	\$ 1,316,046	\$ 1,106,521	\$ 1,980,816	\$ 1,718,789	\$ 1,073,306	\$ 1,777,132	\$ 1,481,549
Motor Vehicle Excise (MVE)	\$ 3,642,106	\$ 4,179,205	\$ 4,233,625	\$ 3,891,369	\$ 3,758,043	\$ 4,161,316	\$ 3,664,628	\$ 4,052,006
Levy Growth from New Residential Construction	\$ 353,976	\$ 866,131	\$ 1,037,304	\$ 1,093,643	\$ 1,156,124	\$ 1,526,313	\$ 1,206,197	\$ 1,112,487
Levy Growth from New Industrial/Commercial Growth	\$ 897,607	\$ 320,315	\$ 127,221	\$ -	\$ 474,999	\$ 533,896	\$ 206,414	\$ 1,208,359
Levy Growth from Personal Property	\$ 719,000	\$ 505,674	\$ 689,801	\$ 943,146	\$ 854,527	\$ 1,216,440	\$ 1,058,669	\$ 1,105,704
Total: Economic Growth Revenues	\$ 6,466,212	\$ 7,187,371	\$ 7,194,472	\$ 7,908,974	\$ 7,962,482	\$ 8,511,271	\$ 7,913,040	\$ 8,960,105
CPI-U, prior calendar year	176.0	209.5	216.4	223.1	227.4	235.4	233.8	237.4
CPI-U, adjustment for constant dollars	100%	84.0%	81.3%	78.9%	77.4%	74.8%	75.3%	74.1%
Revenues related to economic growth (constant dollars)	\$ 6,466,212	\$ 6,038,078	\$ 5,851,326	\$ 6,239,262	\$ 6,162,451	\$ 6,364,378	\$ 5,957,340	\$ 6,641,419
Economic Growth Revenues as a % of Operating Revenues	7.94%	7.00%	6.48%	6.61%	6.21%	6.15%	5.64%	6.11%
Percent change over prior year (constant dollars)	-	7.3%	-3.1%	6.6%	-1.2%	3.3%	-6.4%	11.5%

¹Net Operating Revenue includes \$799,539 in federal stimulus funds used to offset the FY 09 fourth quarter cut in Chapter 70 aid.

Notes:

Building Related Fees & Permits inclusive of all Building, Wiring, Gas & Plumbing permits, FY 2000-2010.

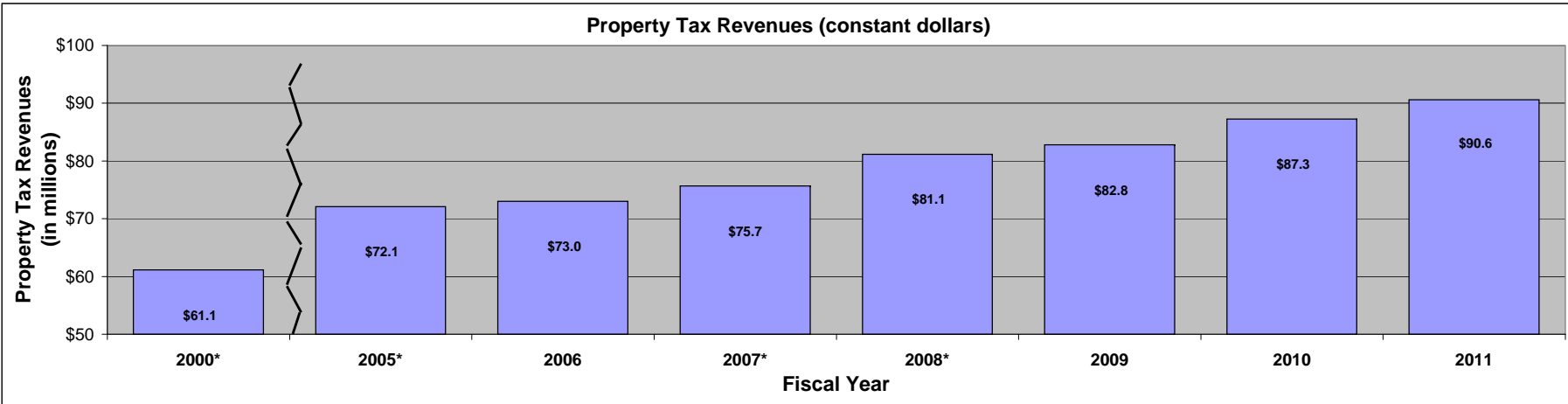
Revenues Related to Economic Growth:

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. The large increase in FY2010 building-related fees is partially a result of large one-time permits, including Patriot Partners (\$392,761) and Cubist (\$216,000).

Lexington Trend	
favorable	
marginal	x
unfavorable	
uncertain	



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



Fiscal Year	2000*	2005*	2006	2007*	2008*	2009	2010	2011
Property Tax Levy	\$ 61,263,838	\$ 91,156,424	\$ 94,740,660	\$ 103,604,078	\$ 112,856,608	\$ 119,093,124	\$ 124,695,369	\$ 131,108,723
Less: debt exclusions	\$ 120,000	\$ 5,325,085	\$ 4,943,313	\$ 5,127,256	\$ 5,372,874	\$ 5,632,643	\$ 5,746,385	\$ 5,753,550
Less: Comm. Pres. Act surcharge	N/A	N/A	N/A	\$ 2,529,288	\$ 2,649,949	\$ 2,754,960	\$ 3,027,909	\$ 3,153,000
Net Property Tax Revenues	\$ 61,143,838	\$ 85,831,339	\$ 89,797,347	\$ 95,947,534	\$ 104,833,785	\$ 110,705,521	\$ 115,921,075	\$ 122,202,173
CPI-U, 2000 base year	176.0	209.5	216.4	223.1	227.4	235.4	233.8	237.4
CPI-U, adjustment for constant dollars	100%	84.0%	81.3%	78.9%	77.4%	74.8%	75.3%	74.1%
Property Tax Revenues (constant dollars)	\$ 61,143,838	\$ 72,106,519	\$ 73,032,962	\$ 75,691,466	\$ 81,134,635	\$ 82,781,033	\$ 87,271,297	\$ 90,578,837
Percent increase over prior year (constant dollars)	-	7.2%	1.3%	3.6%	7.2%	2.0%	5.4%	3.8%

Notes:

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

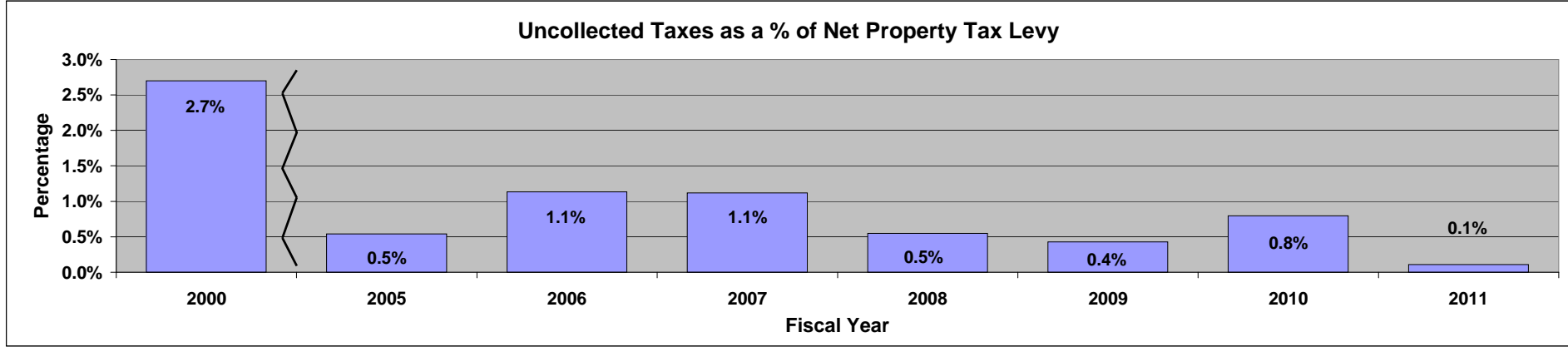
Property Tax Revenues:

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.

Lexington Trend	
favorable	X
marginal	
unfavorable	
uncertain	



Uncollected property taxes (as a percent of the property tax levy) of 5-8 percent is considered a warning indicator



Fiscal year	2000	2005	2006	2007	2008	2009	2010	2011
Property Tax Levy ¹	\$ 61,263,838	\$ 91,156,424	\$ 94,740,660	\$ 101,074,790	\$ 110,206,659	\$ 116,338,164	\$ 121,667,460	\$ 127,955,723
Reserved for Abatements & Exemptions	\$ 763,112	\$ 899,183	\$ 504,780	\$ 602,579	\$ 1,139,127	\$ 1,276,988	\$ 850,587	\$ 896,369
Net Property Tax Levy	\$ 60,500,726	\$ 90,257,241	\$ 94,235,880	\$ 100,472,211	\$ 109,067,533	\$ 115,061,176	\$ 120,816,873	\$ 127,059,354
Uncollected Taxes as of June 30	\$ 1,632,556	\$ 488,794	\$ 1,068,620	\$ 1,125,701	\$ 597,349	\$ 493,115	\$ 960,210	\$ 136,474
Uncollected Taxes as a Percentage of Net Property Tax Levy	2.7%	0.5%	1.1%	1.1%	0.5%	0.4%	0.8%	0.1%

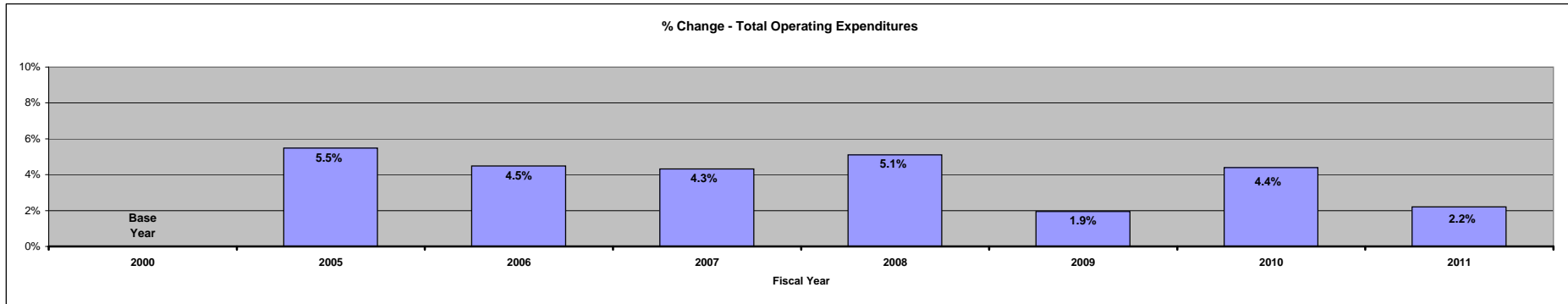
¹ Includes exempt debt; excludes Community Preservation Act Surcharge

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 agencies generally consider uncollected taxes in excess of five percent as a warning trend. Lexington has maintained a strong position on this indicator, even during the current economic downturn.

Lexington Trend	
favorable	x
marginal	
unfavorable	
uncertain	

Increasing operating expenditures, in constant dollars, may be considered a warning indicator if increases are the result of fixed or unsustainable costs.



Fiscal year	2000*	2005*	2006	2007*	2008*	2009 ²	2010 ³	2011 ⁴
Education	\$ 45,998,542	\$ 57,637,773	\$ 61,482,994	\$ 63,436,428	\$ 67,308,821	\$ 63,828,802	\$ 65,905,578	\$ 67,945,197
Shared Expenses (Benefits, Debt)	\$ 12,548,933	\$ 22,013,459	\$ 22,433,112	\$ 25,481,057	\$ 26,971,492	\$ 29,195,602	\$ 31,239,975	\$ 32,623,417
Public Works	\$ 6,537,136	\$ 7,809,282	\$ 8,106,383	\$ 8,267,110	\$ 9,481,706	\$ 8,300,676	\$ 8,424,261	\$ 8,414,202
Public Facilities ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,430,075	\$ 8,763,578	\$ 9,974,653
Public Safety	\$ 7,287,524	\$ 8,385,478	\$ 8,798,303	\$ 9,139,072	\$ 9,790,600	\$ 9,953,574	\$ 10,530,736	\$ 10,528,156
Library	\$ 1,354,201	\$ 1,726,755	\$ 1,754,474	\$ 1,906,172	\$ 1,926,195	\$ 1,886,081	\$ 1,907,300	\$ 1,957,036
Human Services	\$ 412,759	\$ 508,214	\$ 399,114	\$ 580,902	\$ 579,374	\$ 493,666	\$ 376,979	\$ 443,098
Community Development	\$ 875,758	\$ 850,236	\$ 931,287	\$ 1,044,281	\$ 1,266,880	\$ 1,245,197	\$ 1,260,291	\$ 1,444,153
General Government	\$ 2,224,652	\$ 2,472,879	\$ 2,635,386	\$ 2,866,743	\$ 3,439,445	\$ 4,084,851	\$ 3,702,269	\$ 3,805,831
Total Operating Expenditure	\$ 77,239,505	\$ 101,404,076	\$ 106,541,053	\$ 112,721,765	\$ 120,764,513	\$ 127,418,524	\$ 132,110,966	\$ 137,135,744
CPI-U, 2000 base year	176.0	209.5	216.4	223.1	227.4	235.4	233.8	237.4
CPI-U, adjustment for constant dollars	100.0%	84.0%	81.3%	78.9%	77.4%	74.8%	75.3%	74.1%
Total Operating Expenditure (constant dollars)	\$77,239,505	\$85,189,104	\$86,650,764	\$88,924,387	\$93,463,998	\$95,278,328	\$99,459,872	\$101,647,916
Percent change from prior years	-	5.5%	4.5%	4.3%	5.1%	1.9%	4.4%	2.2%

¹ From FY 2000-FY 2008 cost of Public Facilities are components of spending in Public Works and Education

² Includes \$799,359 of Health Insurance costs that were financed with federal stimulus funds paid to the Town to offset the fourth quarter cuts in Chapter 70 Aid.

³ FY2010 does not include prospective cost of contractual settlements.

⁴ Increase between FY10 and FY11 for Public Facilities is attributable to unanticipated costs associated with mitigating PCBs at the Estabrook Elementary School.

Notes:

* Years of successful overrides

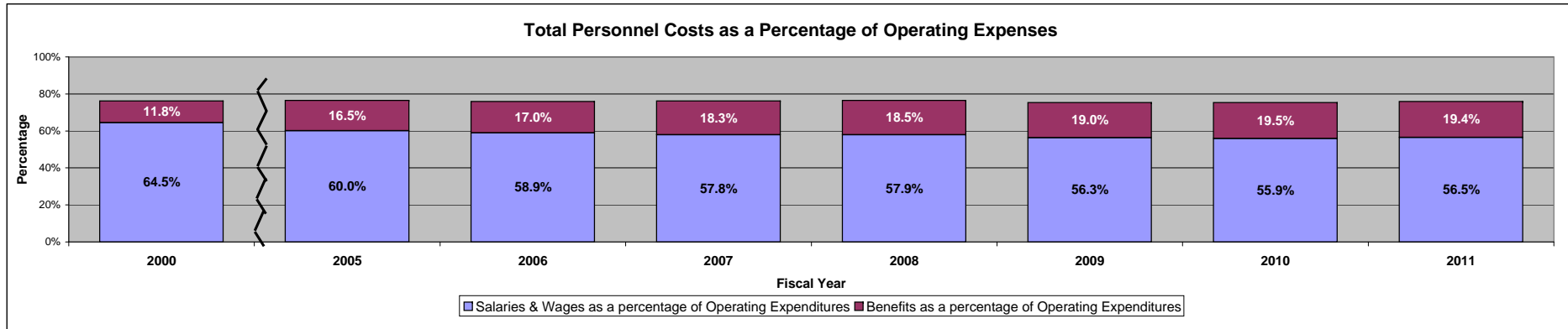
Lexington Trend	
favorable	
marginal	x
unfavorable	
uncertain	

Expenditures:

Increasing operating expenditures can indicate that the cost of providing services is exceeding the Town's ability to pay. Increasing expenditures may also indicate that the demographics of the Town are changing, requiring increased spending in related services.



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



Fiscal Year	2000	2005	2006	2007	2008	2009 ²	2010	2011
Operating Expenditures	\$ 77,239,505	\$ 101,404,076	\$ 106,541,053	\$ 112,721,765	\$ 120,764,513	\$ 127,418,524	\$ 132,110,966	\$ 137,135,744
Total Municipal Wages	\$ 13,153,420	\$ 14,675,347	\$ 15,499,278	\$ 16,141,524	\$ 17,340,440	\$ 18,401,946	\$ 19,379,531	\$ 20,380,966
School Wages	\$ 36,641,456	\$ 46,185,654	\$ 47,255,639	\$ 49,061,328	\$ 52,587,927	\$ 53,372,059	\$ 54,440,560	\$ 57,098,128
Public Facilities Wages ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,204,821	\$ 3,610,074	\$ 3,661,447
Benefits	\$ 9,108,833	\$ 16,703,963	\$ 18,151,124	\$ 20,619,283	\$ 22,388,517	\$ 24,163,229	\$ 25,702,400	\$ 26,650,960
Total Wage & Benefit Costs	\$ 58,903,709	\$ 77,564,964	\$ 80,906,041	\$ 85,822,135	\$ 92,316,884	\$ 99,142,054	\$ 103,132,564	\$ 107,791,502
Salaries & Wages as a percentage of Operating Expenditures	64.5%	60.0%	58.9%	57.8%	57.9%	56.3%	55.9%	56.5%
Benefits as a percentage of Operating Expenditures	11.8%	16.5%	17.0%	18.3%	18.5%	19.0%	19.5%	19.4%
Total Wage & Benefit Costs as a percentage of Operating Expenditures	76.3%	76.5%	75.9%	76.1%	76.4%	75.3%	75.3%	75.9%

¹ Between FY 2000-FY2008 Public Facilities Wages were part of the amounts shown in "Municipal" and "School" Wages.

² Includes \$799,359 in both Operating Expenditures and Benefits costs that were financed with federal stimulus funds paid to the Town to offset the FY 09 fourth quarter cuts in Chapter 70 Aid.

Personnel Costs:

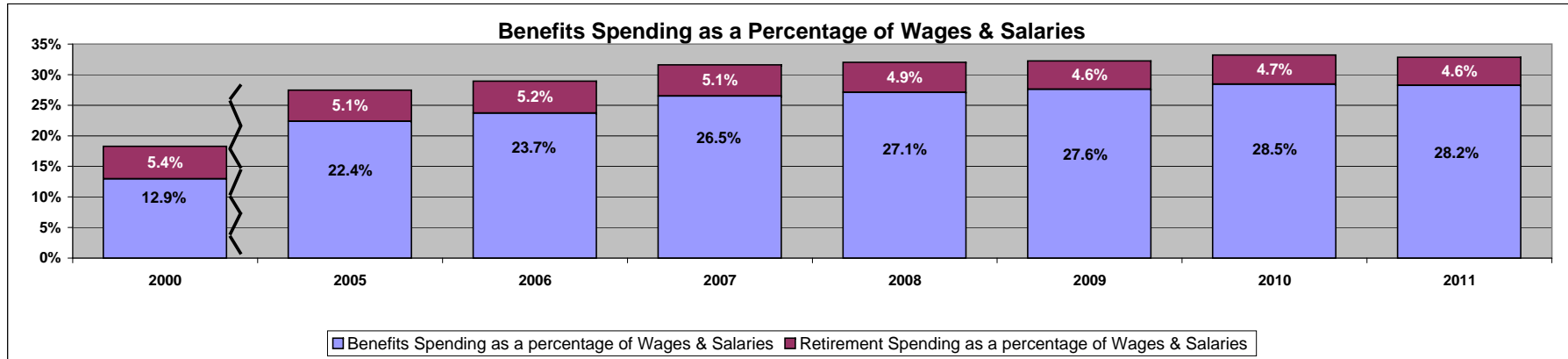
Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: 1) First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. 2) Second, if salaries and wages as a percent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

Wages and benefits as a percentage of total expenditures have remained relatively constant, a positive indication that the Town is not sacrificing capital and maintenance in order to fund personnel.

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



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



Fiscal Year	2000	2005	2006	2007	2008	2009 ¹	2010	2011
Medical Benefits	\$ 6,442,875	\$ 13,607,887	\$ 14,874,738	\$ 17,293,355	\$ 18,965,998	\$ 20,681,318	\$ 22,030,891	\$ 22,920,405
Retirement Benefits	\$ 2,665,958	\$ 3,096,076	\$ 3,276,386	\$ 3,325,928	\$ 3,422,519	\$ 3,481,911	\$ 3,671,509	\$ 3,730,555
Wages & Salaries - Municipal	\$ 13,153,420	\$ 14,675,347	\$ 15,499,278	\$ 16,141,524	\$ 17,340,440	\$ 18,401,946	\$ 19,379,531	\$ 20,380,966
Wages & Salaries - Schools	\$ 36,641,456	\$ 46,185,654	\$ 47,255,639	\$ 49,061,328	\$ 52,587,927	\$ 53,372,059	\$ 54,440,560	\$ 57,098,128
Wages & Salaries - Public Facilities ²	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,204,821	\$ 3,610,074	\$ 3,661,447
Total Wages & Salaries	\$ 49,794,876	\$ 60,861,001	\$ 62,754,917	\$ 65,202,852	\$ 69,928,368	\$ 74,978,826	\$ 77,430,164	\$ 81,140,542
Benefits Spending as a percentage of Wages & Salaries	12.9%	22.4%	23.7%	26.5%	27.1%	27.6%	28.5%	28.2%
Retirement Spending as a percentage of Wages & Salaries	5.4%	5.1%	5.2%	5.1%	4.9%	4.6%	4.7%	4.6%
Total Benefits Spending as % of Wages	18.3%	27.4%	28.9%	31.6%	32.0%	32.2%	33.2%	32.8%

¹ Includes \$799,359 of Health Insurance costs that were financed with federal stimulus funds paid to the Town to offset the fourth quarter cuts in Chapter 70 Aid.

² Between FY 2000-FY2008 Public Facilities Wages were part of the amounts shown in "Municipal" and "School" Wages

Notes:

*Pension holiday taken by Town in FY 2004.

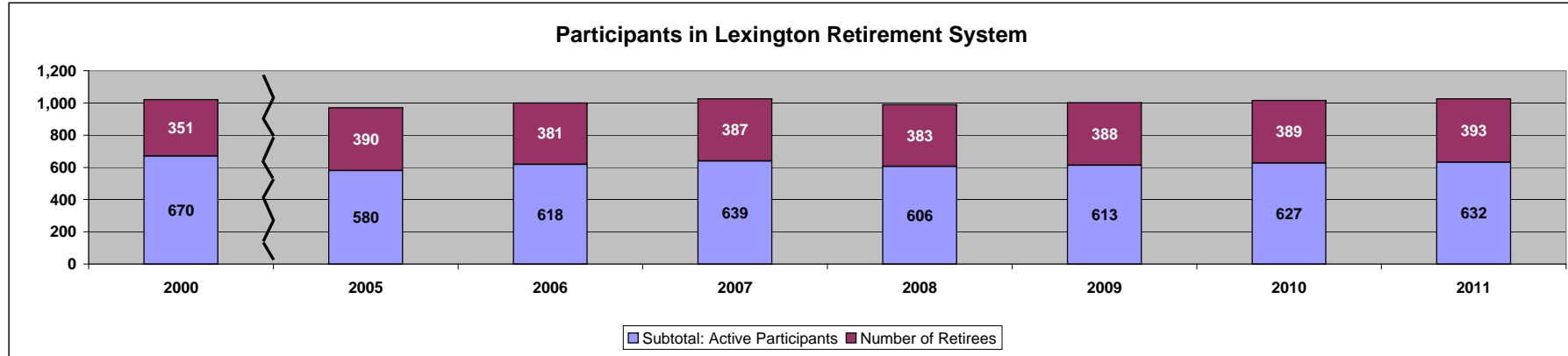
Employee Benefits:

Fringe benefits represent a significant and increasing share of the Town's operating costs. However, this analysis excludes 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. Note that per the current pension funding schedule, the Lexington Retirement System's unfunded pension liability will be retired in 2020.

Lexington Trend	
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.



Calendar Year (as of December 31)	2000	2005	2006	2007	2008	2009	2010	2011
Number of School Employees (Non-teaching)	N/A	296	325	365	314	311	327	337
Number of Municipal Employees	N/A	284	293	274	292	302	300	295
Subtotal: Active Participants	670	580	618	639	606	613	627	632
Number of Retirees	351	390	381	387	383	388	389	393
Total	1021	970	999	1026	989	1001	1016	1025

Retirement Participants:

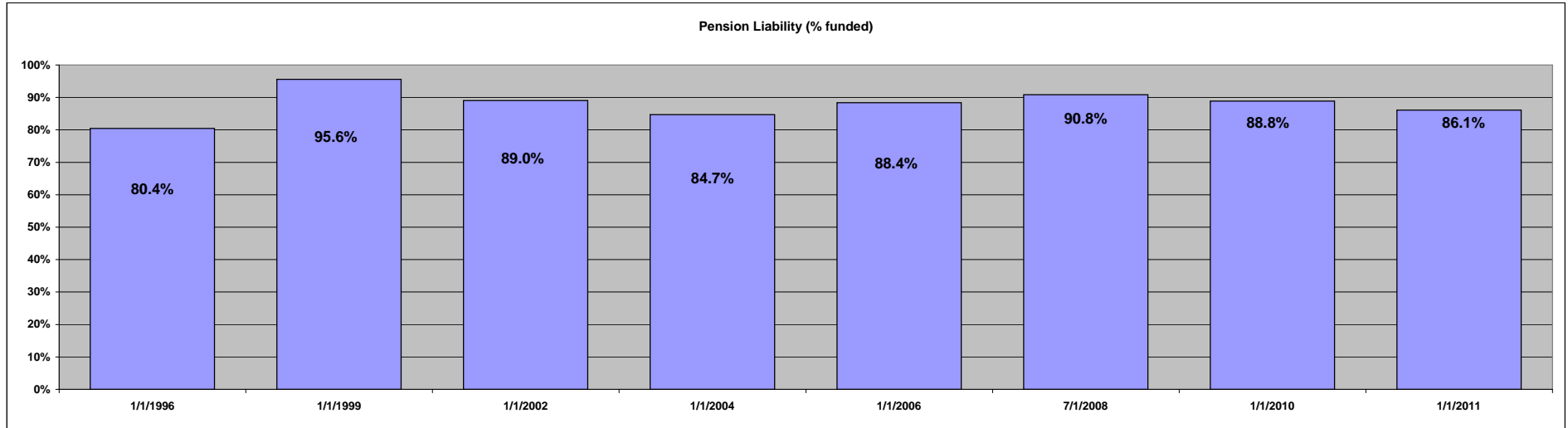
All employees except teachers belong to the Lexington Retirement System as required by the Commonwealth of Massachusetts. Systems facing increases in numbers of employees and retirees without corresponding increases in funding associated liabilities is problematic.

Lexington has an aggressive approach to funding its pension liabilities, but does not have a comprehensive 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.



Actuarial Date	1/1/1996	1/1/1999	1/1/2002	1/1/2004	1/1/2006	7/1/2008	1/1/2010	1/1/2011
Total Liability	\$ 55,140,000	\$ 74,362,000	\$ 86,500,000	\$ 98,031,000	\$ 111,724,000	\$ 125,412,000	\$133,456,115	\$140,200,000
Pension Assets	\$ 44,348,000	\$ 71,069,000	\$ 77,015,000	\$ 83,050,000	\$ 98,759,000	\$ 113,880,000	\$118,558,908	\$120,655,958
Pension Liability (unfunded)	\$ 10,792,000	\$ 3,293,000	\$ 9,485,000	\$ 14,981,000	\$ 12,965,000	\$ 11,532,000	\$14,897,207	\$19,544,042
Percent Funded	80.4%	95.6%	89.0%	84.7%	88.4%	90.8%	88.8%	86.1%

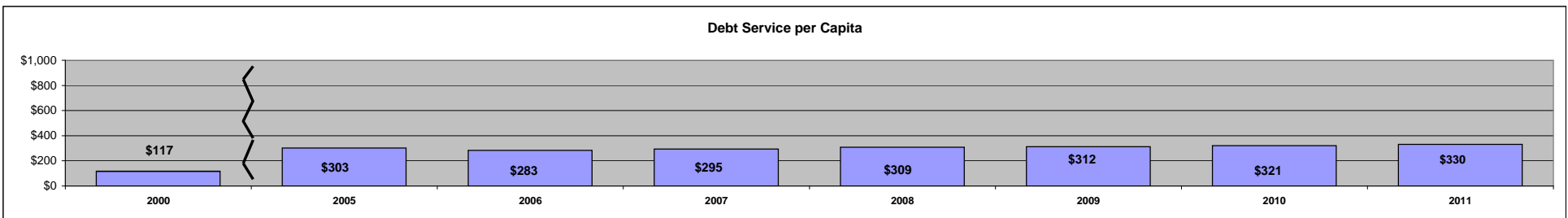
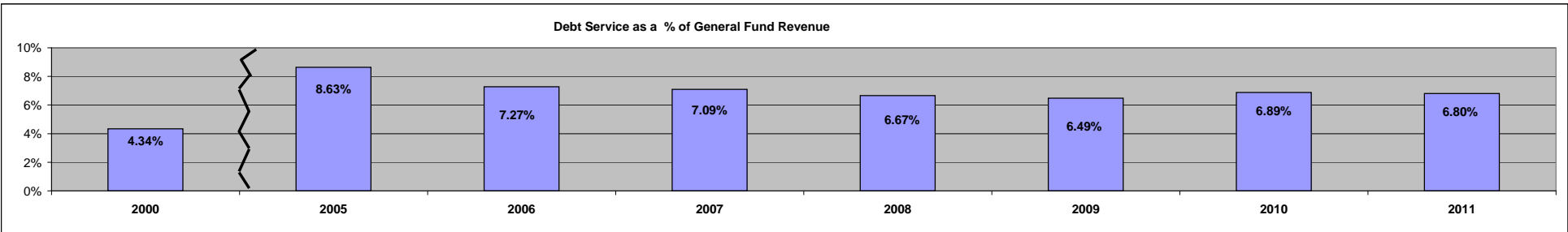
Pension Liability:

As of January 1, 2008, the Lexington Retirement System was fully funded. With the onset of the economic downturn in 2008, full funding was short-lived. At the peak of the downturn, total system assets dropped from approximately \$123 million at full funding to a little less \$80 million. As of January 1, 2011, the actuarial valuation of assets was \$120.6 million and the Retirement System was at 86.1% funding.

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



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



Fiscal Year	2000	2005	2006	2007	2008	2009	2010	2011
Exempt Debt Service	\$ 120,000	\$ 5,325,094	\$ 4,943,313	\$ 5,127,256	\$ 5,372,874	\$ 5,593,372	\$ 5,746,385	\$ 5,753,550
Within Levy Debt Service	\$ 3,419,863	\$ 3,994,668	\$ 3,490,750	\$ 3,720,061	\$ 3,530,207	\$ 3,755,361	\$ 4,315,849	\$ 4,614,721
Total Debt Service	\$ 3,539,863	\$ 9,319,762	\$ 8,434,063	\$ 8,847,317	\$ 8,903,081	\$ 9,348,733	\$ 10,062,234	\$ 10,368,271
Gross Operating Revenue	\$ 81,597,556	\$ 107,961,955	\$ 116,002,929	\$ 124,745,872	\$ 133,554,286	\$ 144,131,700	\$ 146,116,341	\$ 152,465,461
Population	30,355	30,765	29,771	30,002	28,852	29,959	31,325	31,394
Households	10,780	10,865	10,882	10,892	10,260	10,907	11,056	11,056
Debt Service as a % of General Fund Revenue	4.34%	8.63%	7.27%	7.09%	6.67%	6.49%	6.89%	6.80%
Debt Service per Capita	\$ 117	\$ 303	\$ 283	\$ 295	\$ 309	\$ 312	\$ 321	\$ 330

¹Gross Operating Revenue figure includes \$799,539 in federal stimulus funds used to offset cuts in FY 09 Chapter 70 monies

Debt Service:

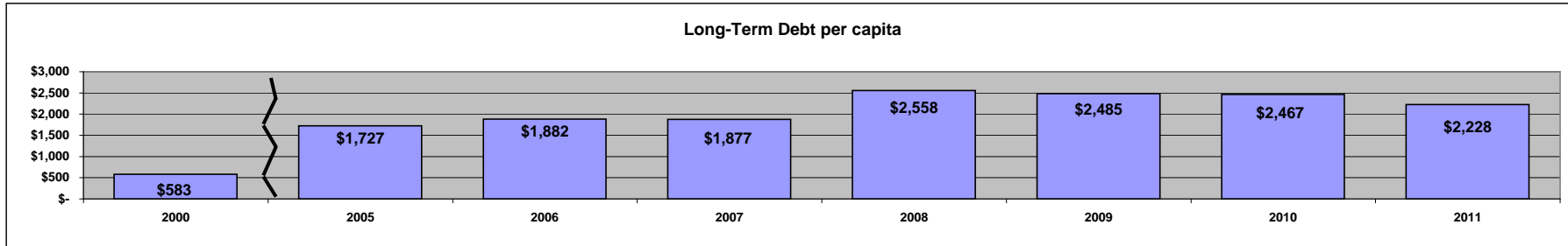
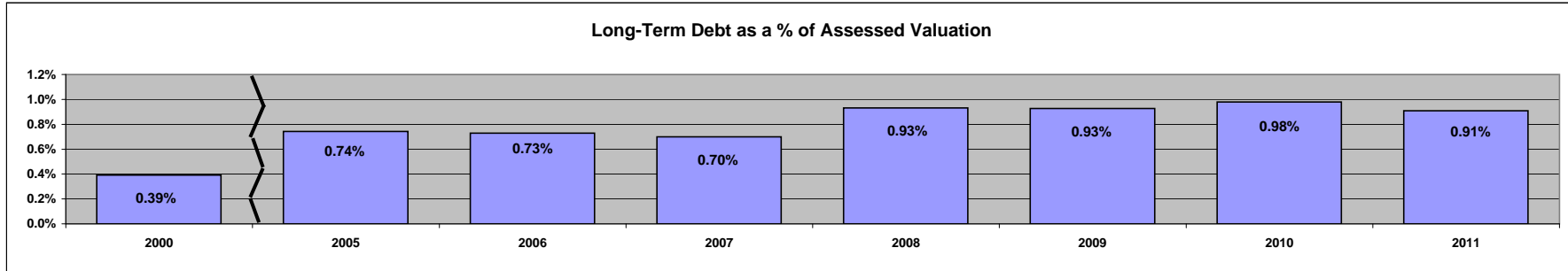
Over the course of the last ten years, the Town of Lexington has invested extensively in new capital projects. Five separate school reconstruction projects, new athletic fields, a street reconstruction project, and a \$26 million Public Services Building have been funded through the successful passage 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.

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



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



Fiscal Year	2000	2005	2006	2007	2008	2009	2010	2011
Bonds Outstanding (all funds)	\$ 17,686,201	\$ 53,124,210	\$ 56,019,434	\$ 56,304,583	\$73,803,344	\$74,457,027	\$ 77,270,164	\$72,458,630
Assessed Valuation	\$ 4,506,277,290	\$ 7,146,167,360	\$ 7,686,268,530	\$ 8,059,234,580	\$7,929,164,350	\$8,033,608,130	\$7,891,590,610	\$7,973,719,190
Population	30,355	30,765	29,771	30,002	28,852	29,959	31,325	32,526
Long-Term Debt as a % of Assessed Valuation	0.39%	0.74%	0.73%	0.70%	0.93%	0.93%	0.98%	0.91%
Long-Term Debt per capita	\$ 583	\$ 1,727	\$ 1,882	\$ 1,877	\$ 2,558	\$ 2,485	\$ 2,467	\$ 2,228

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

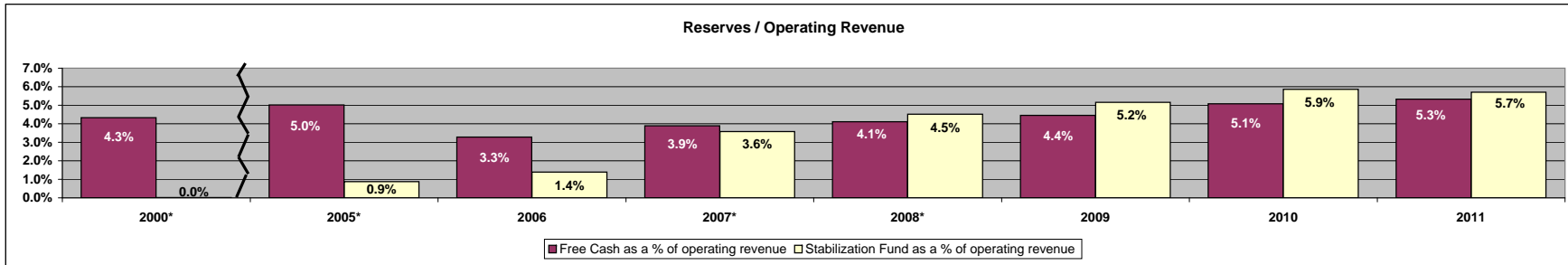
Long-Term Debt:

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.

Lexington Trend	
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 the undesignated fund balance be 5-15 percent of operating revenues.



Fiscal Year	2000*	2005*	2006	2007*	2008*	2009 ¹	2010 ²	2011
Undesignated Fund Balance ¹	\$ 5,013,984	\$ 7,104,444	\$ 6,244,118	\$ 6,836,856	\$ 9,267,359	\$ 10,445,940	\$ 11,254,915	\$ 12,795,000
Certified Free Cash	\$ 3,528,323	\$ 5,409,985	\$ 3,802,347	\$ 4,861,516	\$ 5,481,716	\$ 6,159,509	\$ 7,125,000	\$ 7,809,000
Stabilization Fund	\$ 18,280	\$ 947,119	\$ 1,615,948	\$ 4,461,675	\$ 6,022,840	\$ 7,133,877	\$ 8,234,948	\$ 8,376,820
Net Operating Revenues	\$ 81,597,556	\$ 107,961,955	\$ 116,002,929	\$ 124,745,872	\$ 133,554,286	\$ 138,499,057	\$ 140,369,956	\$ 146,711,911
Free Cash as a % of operating revenue	4.3%	5.0%	3.3%	3.9%	4.1%	4.4%	5.1%	5.3%
Stabilization Fund as a % of operating revenue	0.0%	0.9%	1.4%	3.6%	4.5%	5.2%	5.9%	5.7%
Net Reserves as a % of Operating Revenue	4.3%	5.9%	4.7%	7.5%	8.6%	9.6%	10.9%	11.0%

¹Net Operating Revenues include \$799,539 in federal stimulus funds used to offset the FY 09 fourth quarter cut in Chapter 70 aid.

²This number reflects an estimate of the free cash amount for FY10, pending certification by the Department of Revenue.

Notes:

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

Reserves & Fund Balance:

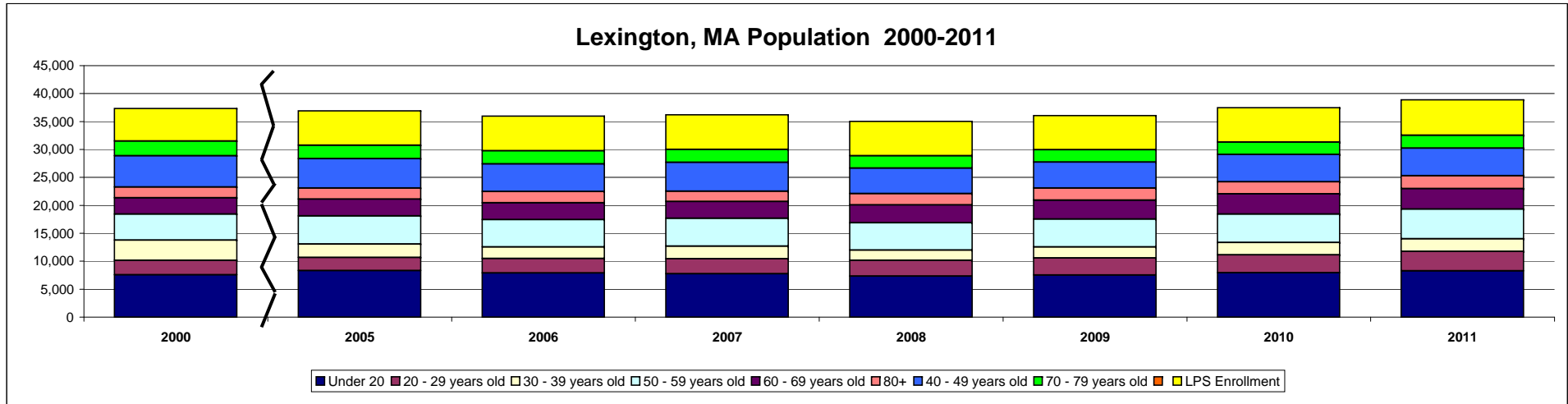
The Town of Lexington has several types of reserves. Historically, the Town had previously relied upon Free Cash as its primary source of reserves. The Selectmen's Ad Hoc Financial Policy Committee made a series of recommendations to further strengthen the Town's reserves and create a series of small, targeted reserves for specific purposes.

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)

Lexington Trend	
favorable	x
marginal	
unfavorable	
uncertain	



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



Calendar Year	2000	2005	2006	2007	2008	2009	2010	2011	% Change CY 2000-2011
Under 20	7,566	8,311	7,881	7,757	7,317	7,540	7,949	8,277	9.4%
20 - 29 years old	2,573	2,378	2,586	2,686	2,836	3,018	3,185	3,496	35.9%
30 - 39 years old	3,617	2,371	2,065	2,260	1,860	1,992	2,197	2,257	-37.6%
40 - 49 years old	5,606	5,263	4,946	5,150	4,536	4,654	4,853	4,941	-11.9%
50 - 59 years old	4,657	5,027	4,912	4,995	4,851	5,000	5,122	5,291	13.6%
60 - 69 years old	2,922	3,015	3,015	2,990	3,192	3,389	3,597	3,690	26.3%
70 - 79 years old	2,637	2,394	2,366	2,314	2,211	2,231	2,240	2,305	-12.6%
80+	1,929	2,006	2,000	1,850	2,049	2,135	2,182	2,269	17.6%
Totals	31,507	30,765	29,771	30,002	28,852	29,959	31,325	32,526	3.2%
LPS Enrollment	5,807	6,135	6,199	6,195	6,191	6,104	6,131	6,367	6.7%

Notes:

Annual Population figures 2000-2011 come from Town of Lexington, Town Clerk.

LPS Enrollment figures source: School Department 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 FY2013-2015

October 5, 2011



Executive Summary - Projections

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 FY09 budget cycle unfolds.

This forecast projects general fund revenues and expenditures for the period FY2013 to FY2015. 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 FY12 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 "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)

	<u>FY2012</u>	<u>B</u> <u>FY 2013</u>	<u>C</u> <u>FY 2014</u>	<u>D</u> <u>FY 2015</u>
	<u>Estimated</u>	<u>Projection</u>	<u>Projection</u>	<u>Projection</u>
Revenue Summary				
Total Revenues	\$ 152,730,211	\$ 160,131,043	\$ 161,144,705	\$ 166,228,473
Expense Summary				
Total Expenses	\$ 152,730,211	\$ 158,320,549	\$ 160,854,047	\$ 165,558,916
Surplus/(Shortfall)	\$ 0	\$ 1,810,495	\$ 290,658	\$ 669,558

Variable Cost Drivers		FY2012	FY2013	FY2014	
Municipal Wages	\$ -	\$ 238,932.88	\$ 242,039.01	\$ 245,185.52	Annual cost of every 1% of COLA increase beginning in FY 2013 + increase of 1.3% for steps
	\$ -	\$ -	\$ 241,773.49	\$ 244,916.55	
	\$ -	\$ -	\$ -	\$ 244,651.03	
School Wages	\$ -	\$ 624,674.10	\$ 624,673.07	\$ 643,413.26	Annual cost of every 1% of COLA increase beginning in FY 2013 + increase of 3.0% for steps
	\$ -	\$ -	\$ 640,414.33	\$ 659,626.76	
	\$ -	\$ -	\$ -	\$ 656,626.76	
New Debt Services	\$ -	\$ 160,000.00	\$ 315,625.00	\$ 466,875.00	Cost per \$1 million Debt Service annually

Notes: Does NOT include Exempt Debt



Revenue/Expense Projections

Revenue Summary

	A FY 2012 Estimated	B FY 2013 Projection	C FY 2014 Projection	D FY 2015 Projection	
1 Property Tax Levy	\$ 127,116,128	\$ 133,324,032	\$ 138,457,132	\$ 143,718,561	Reflects statutory annual growth of 2.5% and assumed new growth of \$1.8 million annually
2 State Aid	\$ 8,508,839	\$ 8,508,839	\$ 8,508,839	\$ 8,508,839	Assumes level funding of Final FY11 Cherry Sheet Aid
3 Local Receipts	\$ 9,773,634	\$ 10,171,620	\$ 10,290,730	\$ 10,391,070	Assumes modest growth in economically sensitive categories of receipts
4 Available Funds	\$ 7,733,170	\$ 8,588,560	\$ 4,288,560	\$ 4,038,560	Free cash estimates of \$7.8 million in FY13 and \$3.5 million thereafter; all years include approx. \$83,000 from TDM Stabilization Fund to support Lexpress; \$250,000 allocated in FY13 and FY14 from Avalon Bay Student Enrollment Mitigation Fund.
5 Revenue Offsets	\$ (1,966,001)	\$ (2,016,848)	\$ (1,893,848)	\$ (1,921,848)	\$750K for overlay in FY13 and FY14 & \$900K in FY15 for reval year; \$300K set-aside for snow & ice deficit annually; Also includes Cherry Sheet Assessments and Cherry Sheet Offsets.
6 Other Revenues	\$ 1,564,441	\$ 1,554,841	\$ 1,493,292	\$ 1,493,292	Reduced W/S Indirects in FY13 per 6-year phaseout, leveled thereafter; Recreation Indirects leveled in all years at FY12 level.
7 Total Revenues	\$ 152,730,211	\$ 160,131,043	\$ 161,144,705	\$ 166,228,473	

Expenditure Summary

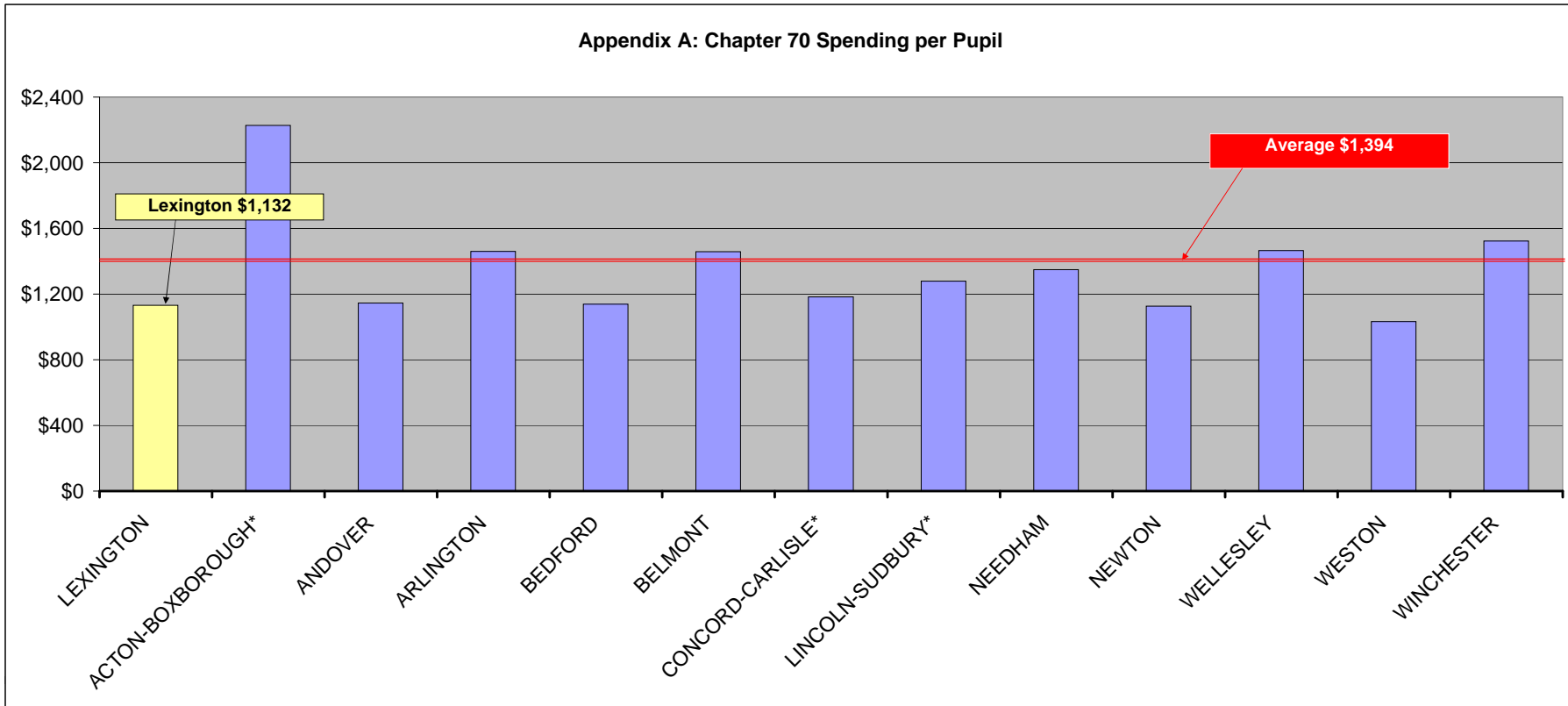
	A FY 2012 Appropriated	B FY 2013 Projection	C FY 2014 Projection	D FY 2015 Projection	
Education					
8 LPS Wages	\$ 60,636,053	\$ 62,467,410	\$ 64,041,433	\$ 65,662,676	All contracts expire as of the end of fiscal/academic year 2012. Assumes 3% annual growth for steps less \$300k for staff turnover
9 LPS Expenses	\$ 12,508,832	\$ 12,884,097	\$ 13,270,620	\$ 13,668,738	Assumes increase of 3.0% to account for general inflationary increases.
10 Minuteman Municipal	\$ 1,702,930	\$ 1,788,077	\$ 1,877,480	\$ 2,184,354	Assumes 5% growth annually + increase in FY15 of \$213,000 (net of MSBA reimbursement (for building reconstruction)
11 Municipal Wages	\$ 23,662,331	\$ 23,893,288	\$ 24,177,349	\$ 24,465,103	Assumes contractual increases effective 6/30/12 for FY13 plus cost of steps in FY13-FY15 estimated at 1.3% of salaries
12 Municipal Expenses	\$ 13,896,843	\$ 14,454,029	\$ 14,931,525	\$ 15,424,840	Assumes general inflationary increases of 3% with following exceptions: fuel and heating oil at 7% per year; Lexpress and solid waste contracts at 8% in FY13 and 3% thereafter; \$100,000 each year for snow and ice.
Shared Expenses					
13 Debt Service	\$ 5,002,111	\$ 5,640,832	\$ 4,894,614	\$ 3,971,436	Outstanding Within-Levy Debt for Debt authorized through 2011 ATM
14 Retirement	\$ 4,095,686	\$ 4,217,937	\$ 4,343,884	\$ 4,052,400	Contrib. & Non-Contrib. (as per PERAC Assessment schedule)
15 Benefits	\$ 25,267,080	\$ 26,018,634	\$ 27,826,167	\$ 30,508,975	Health- assumes GIC look-alike plan +8.5% inc. in rates + 25% of savings in FY13 req's under new law + increase in Town contribution from 80% to 85%; 5% inc. in Medicare, 5% dental, level-funded life insurance
16 Reserve Fund	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	Assumes no increase.
17 Workers Compensation	\$ 542,658	\$ 580,644	\$ 621,289	\$ 664,779	Average 7% increase annually
18 Unemployment	\$ 310,000	\$ 310,000	\$ 310,000	\$ 310,000	Level-Funded at FY12 Appropriation
19 Property & Lib. Insurance	\$ 619,000	\$ 656,140	\$ 695,508	\$ 737,239	Average of 6% inc. annually for property & liability insurance.
20 Uninsured Losses	\$ 100,000	\$ 125,000	\$ 150,000	\$ 175,000	\$25,000 increase annually to balance in this continuing balance account
21 Capital	\$ 2,382,174	\$ 2,400,447	\$ 2,419,178	\$ 2,438,376	\$1,370,000 for cash capital; Street Set Aside maintains supplemental appropriation voted in FY12 of \$281,234 + traditional increase of 2.5% on the base; increase Building Envelope annually by 2.5%
22 Reserves		\$ -	\$ -	\$ -	
23 Other	\$ 10,000	\$ 245,000	\$ 245,000	\$ 245,000	FY13 to FY15: Sr.Tax. work-off at \$45K + \$200K set-aside for unanticipated annual operating budget needs;
24 Non-Recurring Expenses	\$ 1,444,513	\$ 2,089,013	\$ 500,000	\$ 500,000	\$500,000 to OPEB; and set-aside of \$1,589,013 of estimated 7/1/11 free cash for as yet identified needs.
25 Total Expenditures	\$ 152,730,211	\$ 158,320,549	\$ 160,854,047	\$ 165,558,916	
26 Surplus/(Shortfall)	\$ 0	\$ 1,810,495	\$ 290,658	\$ 669,558	

Variable Cost Drivers

	FY2012	FY2013	FY2014	FY2015	
27 Municipal Wages		\$ 238,933	\$ 242,039	\$ 245,186	Annual cost of every 1% of COLA increase beginning in FY 2013 + increase of 1.3% for steps
			\$ 241,773	\$ 244,917	
			\$ 244,651	\$ 244,651	
28 School Wages		\$ 624,674	\$ 624,673	\$ 643,413	Annual cost of every 1% of COLA increase beginning in FY 2013 + increase of 3.0% for steps
			\$ 640,414	\$ 659,627	
			\$ 656,627	\$ 656,627	
29 New Debt Service		\$ 160,000	\$ 315,625	\$ 466,875	Cost per \$1 million Debt Service annually



- 1. Financial impact of new health insurance coalition agreement with employees and retirees;**
- 2. Financial impact of collective bargaining agreements for FY2013;**
- 3. Property Tax impact of Bridge/Bowman and Estabrook schools projects; and**
- 4. Long-term financing plan for street improvements/reconstruction.**



District	FY12 Foundation Enrollment	FY12 Chapter 70 Aid	FY12 Per Pupil Average
LEXINGTON	6,228	\$ 7,051,517	\$ 1,132
ACTON-BOXBOROUGH*	6,038	\$ 13,451,382	\$ 2,228
ANDOVER	6,050	\$ 6,928,057	\$ 1,145
ARLINGTON	4,713	\$ 6,880,580	\$ 1,460
BEDFORD	2,465	\$ 2,806,434	\$ 1,139
BELMONT	3,821	\$ 5,571,323	\$ 1,458
CONCORD-CARLISLE*	3,868	\$ 4,575,419	\$ 1,183
AVERAGE	5,195	\$ 7,004,844	\$ 1,348

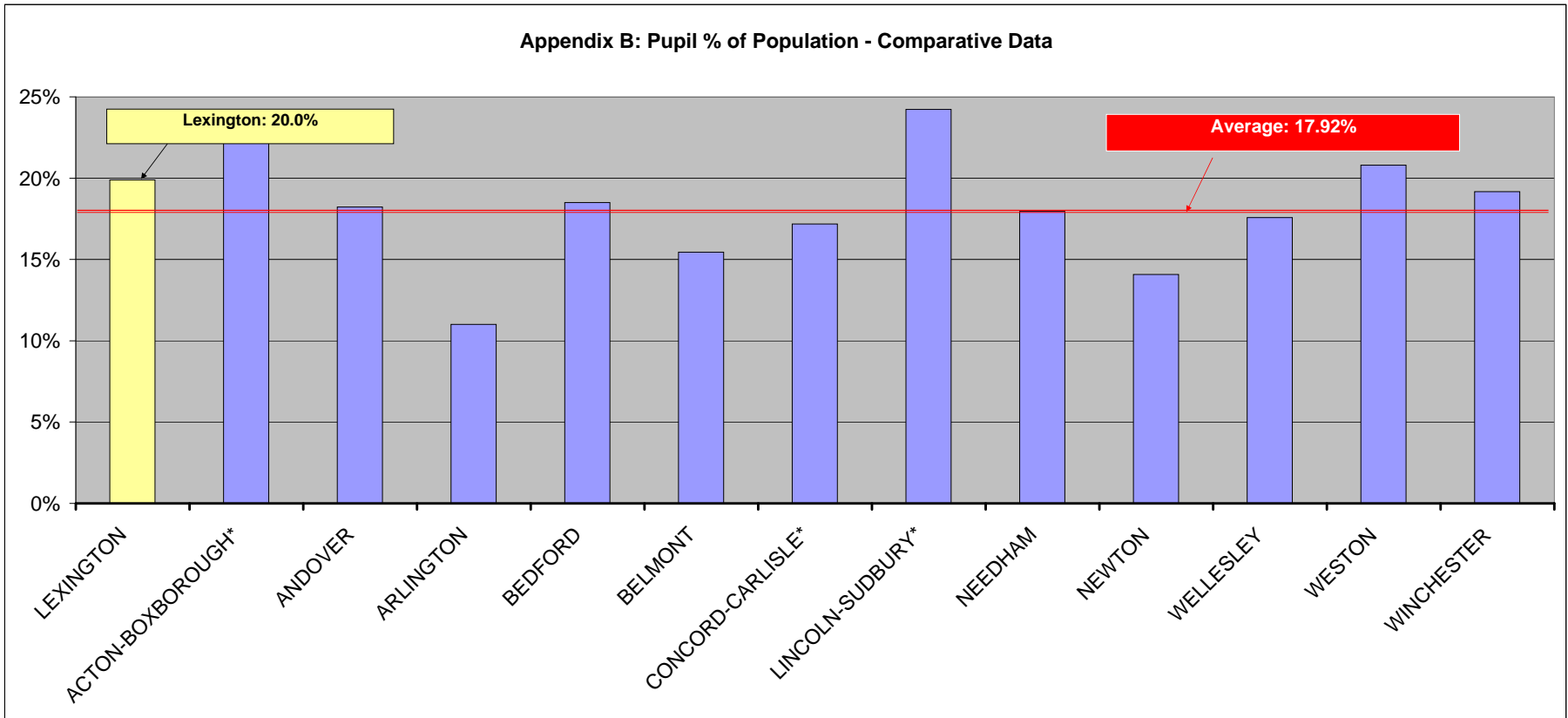
District	FY12 Foundation Enrollment	FY12 Chapter 70 Aid	FY12 Per Pupil Average
LINCOLN-SUBURBY*	5,820	\$ 7,439,311	\$ 1,278
NEEDHAM	5,184	\$ 6,991,720	\$ 1,349
NEWTON	11,991	\$ 13,504,221	\$ 1,126
WELLESLEY	4,917	\$ 7,202,028	\$ 1,465
WESTON	2,342	\$ 2,419,859	\$ 1,033
WINCHESTER	4,096	\$ 6,241,118	\$ 1,524

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 \$1,132 per pupil from the State and spends nearly \$11,000 per pupil on an annual basis.



District	FY12 Foundation Enrollment	Population 2010 Census	Pupils as % of Population
LEXINGTON	6,228	31,325	19.9%
ACTON-BOXBOROUGH*	6,038	26,920	22.4%
ANDOVER	6,050	33,201	18.2%
ARLINGTON	4,713	42,844	11.0%
BEDFORD	2,465	13,320	18.5%
BELMONT	3,821	24,729	15.5%
CONCORD-CARLISLE*	3,868	22,520	17.2%
AVERAGE	5,022	29,531	17.92%

District	FY12 Foundation Enrollment	Population 2010 Census	Pupils as % of Population
LINCOLN-SUDBURY*	5,820	24,021	24.2%
NEEDHAM	5,184	28,886	17.9%
NEWTON	11,991	85,146	14.1%
WELLESLEY	4,917	27,982	17.6%
WESTON	2,342	11,261	20.8%
WINCHESTER	4,096	21,374	19.2%

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 (2.0/2.5% Discount Rate)

(A)	(B)	(C)	(D)	(E)	(F)	(G)
FY Ending	Normal Cost Liability	Amortization Payments	Total Town ARC (B)+(C)	Retiree H.C. Appropriation	Medicare Part D Subsidy	Annual Unfunded (D)-(E)-(F)
2007	\$ 13,690,000	\$ 6,220,000	\$ 19,910,000	\$ 4,810,000	\$ 400,000	\$ 14,700,000
2008	\$ 14,370,000	\$ 6,810,000	\$ 21,180,000	\$ 5,291,000	\$ 440,690	\$ 15,448,310
2009	\$ 15,090,000	\$ 7,420,000	\$ 22,510,000	\$ 5,820,000	\$ 479,399	\$ 16,210,601
2010	\$ 11,245,561	\$ 12,708,165	\$ 23,953,726	\$ 5,953,878	\$ 331,610	\$ 17,668,238
2011	\$ 11,807,839	\$ 13,963,247	\$ 25,771,086	\$ 6,549,266	\$ 395,212	\$ 18,826,608

Notes:

Source: FY2007-FY2009 from report prepared by Financial Risk Analysts, Town of Lexington Post-Retirement Benefits Analysis as of June 30, 2006 issued March 9, 2007. FY2010-FY2011 from report prepared by Financial Risk Analysts, Town of Lexington Post-Retirement Benefits Analysis as of June 30, 2009 issued June 2, 2010.

Retiree H.C. Appropriation amount provided from actuarial study. FY2008 and FY2009 reflect an annual increase from Expected Contributions shown in the 2006 study and inflated by 10% annually. FY2010 and FY2011 reflect an annual increase from Expected Contributions shown in the 2009 study and inflated by 10% annually.

Medicare Part D Subsidy actual receipts, FY 2007-FY2011

Other Post Employment Benefits (OPEB):

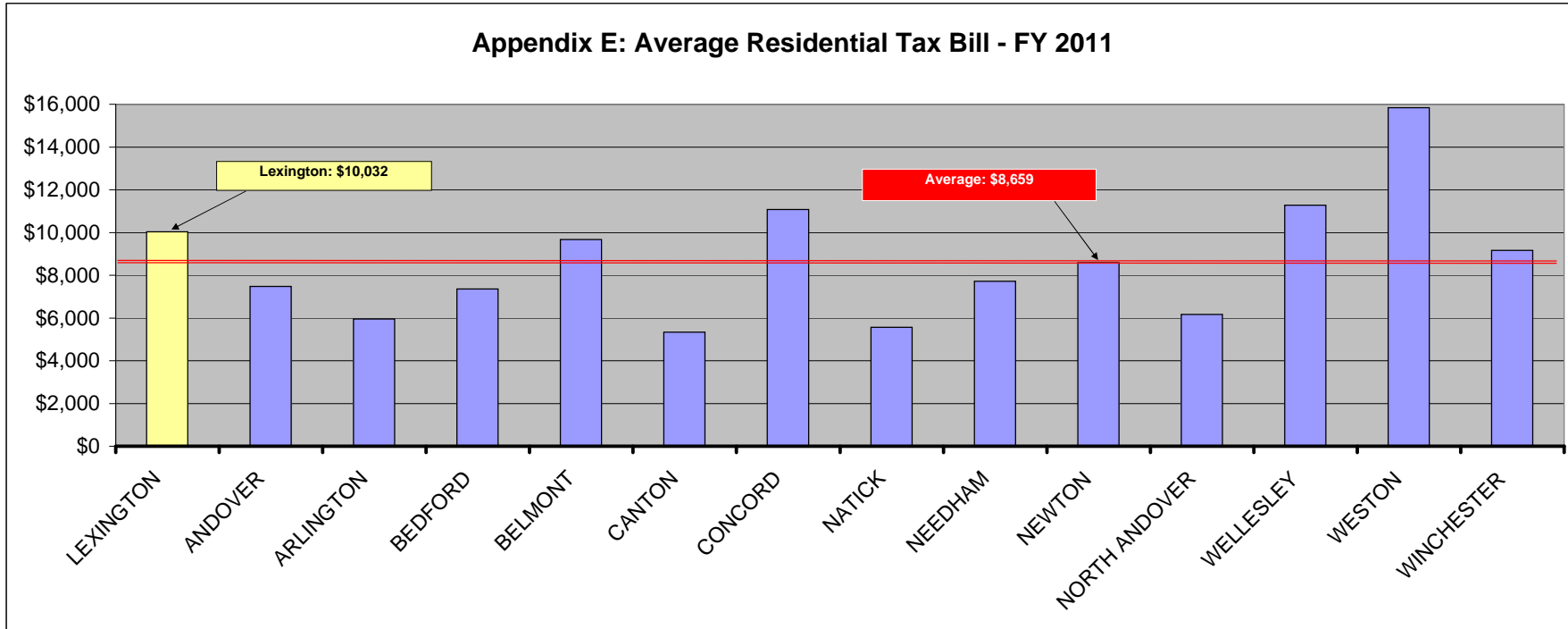
The Government Accounting Standards Board issued GASB Statement 45, which requires governments to measure and report the liabilities associated with other (than pension) postemployment benefits (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Unlike pension obligations, there is no requirement that Massachusetts municipalities begin to fund this liability. Nonetheless, over the last 4 fiscal years, Town Meeting has appropriated, at a minimum, the prior year's Medicare Part D payments made to the Town by the federal government to begin to fund the Town's OPEB liability.



Appendix D: Other Reserves and Continuing Balance Accounts

ENDING BALANCES AS OF FISCAL YEAR END

	FY07	FY08	FY09	FY10	As of 7/1/2010	As of 7/1/2011
Transportation Demand	\$ -	\$ -	\$ 222,697	\$ 216,693	\$ 255,063	\$ 305,844
Traffic Mitigation Stabilization Fund	\$ -	\$ 226,278	\$ 253,310	\$ 284,515	\$ 160,528	\$ 327,159
School Bus Stabilization Fund	\$ -	\$ 140,338	\$ 74,583	\$ 4,603	\$ 16	\$ 18
Special Education Stabilization Fund	\$ -	\$ -	\$ 357,863	\$ 710,970	\$ 1,060,970	\$ 1,064,210
Other Post Employment Benefits (OPEB)				\$ 1,291,971	\$ 1,292,828	\$ 2,060,928



Municipality	Single Family Parcels (2011)	Average Value Single Family (2011)	Residential Tax Rate (2011)	Average Single Family Tax Bill (2011)
LEXINGTON	8,949	\$696,677	\$14.40	\$10,032
ANDOVER	8,492	\$529,775	\$14.12	\$7,480
ARLINGTON	7,986	\$479,345	\$12.41	\$5,949
BEDFORD	3,313	\$513,497	\$14.33	\$7,358
BELMONT	4,519	\$730,849	\$13.24	\$9,676
CANTON	5,307	\$462,699	\$11.55	\$5,344
CONCORD	4,570	\$839,569	\$13.19	\$11,074
NATICK	8,463	\$441,357	\$12.60	\$5,561
NEEDHAM	8,346	\$708,194	\$10.90	\$7,719
NEWTON	16,936	\$788,246	\$10.90	\$8,592
NORTH ANDOVER	6,181	\$455,687	\$13.52	\$6,161
WELLESLEY	7,285	\$986,935	\$11.43	\$11,281
WESTON	3,344	\$1,390,240	\$11.39	\$15,835
WINCHESTER	5,599	\$757,580	\$12.10	\$9,167
AVERAGE	7,092	\$698,618	\$12.58	\$8,659

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.



Appendix F: Revenue/Expenditure History

Revenue Summary	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009 ²	FY 2010	FY 2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Property Tax Levy	\$ 82,189,495	\$ 91,192,659	\$ 93,955,886	\$ 100,432,867	\$ 109,459,733	\$ 115,977,132	\$ 121,010,869	\$ 126,897,691
State Aid	\$ 7,894,598	\$ 7,871,465	\$ 8,603,524	\$ 8,245,295	\$ 9,045,501	\$ 9,589,026	\$ 8,962,015	\$ 8,454,991
Local Receipts	\$ 8,978,316	\$ 10,246,954	\$ 13,321,875	\$ 12,910,181	\$ 11,889,778	\$ 10,161,999	\$ 11,067,649	\$ 11,614,932
Available Funds	\$ 943,551	\$ 1,728,160	\$ 2,188,182	\$ 4,923,000	\$ 4,216,097	\$ 5,620,168	\$ 6,053,619	\$ 6,838,842
Revenue Offsets	\$ (3,186,402)	\$ (3,077,283)	\$ (3,145,438)	\$ (1,530,137)	\$ (1,897,006)	\$ (1,508,732)	\$ (1,713,630)	\$ (1,687,257)
Total General Fund Revenues	\$ 96,819,558	\$ 107,961,955	\$ 114,924,029	\$ 124,981,206	\$ 132,714,103	\$ 139,839,593	\$ 145,380,521	\$ 152,119,199
Other Revenues								
Revolving Funds		\$ 78,266	\$ 542,343	\$ 793,431	\$ 1,623,180	\$ 2,059,045	\$ 2,298,265	\$ 2,411,992
Grants	\$ -	\$ -	\$ 173,390	\$ 173,390	\$ 122,732	\$ 141,454	\$ 136,553	\$ 124,073
Enterprise Funds (Direct)	\$ 15,652,349	\$ 13,393,865	\$ 13,826,318	\$ 15,459,138	\$ 15,468,471	\$ 15,468,451	\$ 15,829,462	\$ 15,825,416
Enterprise Funds (Indirect)	\$ 1,683,197	\$ 1,783,197	\$ 1,789,916	\$ 1,772,313	\$ 1,752,885	\$ 1,649,339	\$ 1,701,209	\$ 1,615,973
<i>sub-total Other Revenues</i>	<i>\$ 17,335,546</i>	<i>\$ 15,255,328</i>	<i>\$ 16,331,967</i>	<i>\$ 18,198,272</i>	<i>\$ 18,967,268</i>	<i>\$ 19,318,289</i>	<i>\$ 19,965,489</i>	<i>\$ 19,977,454</i>
Total Revenues	\$ 114,155,104	\$ 123,217,283	\$ 131,255,996	\$ 143,179,478	\$ 151,681,372	\$ 159,157,882	\$ 165,346,010	\$ 172,096,653
Expense Summary								
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Education								
Lex. Pub Schools Compen.	\$ 44,584,245	\$ 46,185,654	\$ 47,255,639	\$ 49,061,328	\$ 52,775,796	\$ 53,372,059	\$ 54,440,560	\$ 57,098,128
Lex. Pub Schools Expenses	\$ 9,380,263	\$ 10,618,852	\$ 13,397,121	\$ 12,325,466	\$ 13,338,808	\$ 8,946,145	\$ 9,753,464	\$ 9,308,258
<i>sub-total Lex. Pub. Schools</i>	<i>\$ 53,964,508</i>	<i>\$ 56,804,506</i>	<i>\$ 60,652,760</i>	<i>\$ 61,386,794</i>	<i>\$ 66,114,605</i>	<i>\$ 62,318,204</i>	<i>\$ 64,194,024</i>	<i>\$ 66,406,386</i>
Minuteman Reg. School 3	\$ 901,431	\$ 833,267	\$ 830,234	\$ 1,024,817	\$ 1,194,216	\$ 1,510,598	\$ 1,711,554	\$ 1,538,811
<i>sub-total Education</i>	<i>\$ 54,865,939</i>	<i>\$ 57,637,773</i>	<i>\$ 61,482,994</i>	<i>\$ 62,411,611</i>	<i>\$ 67,308,821</i>	<i>\$ 63,828,802</i>	<i>\$ 65,905,578</i>	<i>\$ 67,945,197</i>
Municipal								
Municipal Compen.	\$ 13,226,616	\$ 14,675,347	\$ 15,499,278	\$ 16,141,524	\$ 17,274,644	\$ 18,401,946	\$ 19,379,531	\$ 20,380,966
Municipal Expenses	\$ 6,296,986	\$ 7,077,497	\$ 7,125,669	\$ 7,662,756	\$ 9,402,310	\$ 7,562,099	\$ 7,785,739	\$ 8,539,069
<i>sub-total Municipal</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>	<i>\$ 25,964,045</i>	<i>\$ 27,165,269</i>	<i>\$ 28,920,035</i>
Shared Expenses								
Benefits & Insurance	\$ 14,574,454	\$ 17,511,374	\$ 19,015,811	\$ 21,720,932	\$ 23,425,240	\$ 25,233,150	\$ 26,993,423	\$ 28,008,696
Debt (within-levy)	\$ 4,075,957	\$ 4,502,085	\$ 3,417,301	\$ 3,760,125	\$ 3,572,204	\$ 3,755,361	\$ 4,315,849	\$ 4,614,721
Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Facilities ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,430,075	\$ 8,763,578	\$ 9,974,653
<i>sub-total Shared Expenses</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>	<i>\$ 37,418,585</i>	<i>\$ 40,072,851</i>	<i>\$ 42,598,070</i>
Revolving Funds		\$ 78,266	\$ 542,343	\$ 793,431	\$ 1,132,958	\$ 911,217	\$ 2,200,641	\$ 2,064,759
Grants			\$ 173,390	\$ 173,390	\$ 122,732	\$ 140,974	\$ 136,549	\$ 124,073
Capital & Reserves								
Cash Capital (inc of roads)	\$ 796,322	\$ 500,000	\$ 1,153,000	\$ 1,195,000	\$ 1,355,000	\$ 1,520,750	\$ 1,545,719	\$ 1,983,112
Stabilization Fund	\$ -	\$ 807,322	\$ 603,647	\$ 2,650,000	\$ 1,000,000	\$ 1,000,000	\$ 669,843	\$ 710,000
CPA	\$ -	\$ -	\$ -	\$ 2,556,362	\$ 2,776,904	\$ 2,897,349	\$ 3,015,893	\$ 3,215,552
<i>sub-total Capital & Reserves</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>	<i>\$ 5,418,099</i>	<i>\$ 5,231,455</i>	<i>\$ 5,908,664</i>
Enterprise Funds								
Water	\$ 5,240,049	\$ 5,343,239	\$ 5,408,102	\$ 5,630,539	\$ 5,609,660	\$ 7,241,305	\$ 7,190,800	\$ 7,509,107
Wastewater (Sewer)	\$ 7,221,566	\$ 6,673,087	\$ 6,279,508	\$ 6,686,970	\$ 6,618,170	\$ 8,083,478	\$ 8,083,388	\$ 7,987,015
Recreation	\$ 1,446,673	\$ 1,377,539	\$ 1,381,912	\$ 1,425,861	\$ 175,399	\$ 1,790,263	\$ 1,701,957	\$ 1,835,535
Enterprise Capital	\$ 710,000	\$ -	\$ 80,000	\$ 75,000	\$ 25,000	\$ 85,305	\$ 111,000	\$ 90,000
<i>sub-total Enterprise Funds</i>	<i>\$ 14,618,288</i>	<i>\$ 13,393,865</i>	<i>\$ 13,149,522</i>	<i>\$ 13,818,370</i>	<i>\$ 12,428,229</i>	<i>\$ 17,200,352</i>	<i>\$ 17,087,145</i>	<i>\$ 17,421,657</i>
Exempt Debt								
Municipal	\$ 490,200	\$ 786,575	\$ 771,013	\$ 1,299,188	\$ 1,445,451	\$ 2,551,420	\$ 2,853,441	\$ 2,990,031
School	\$ 3,699,138	\$ 4,538,510	\$ 4,172,300	\$ 3,828,068	\$ 3,927,422	\$ 3,081,223	\$ 2,892,944	\$ 2,763,519
<i>sub-total Exempt Debt</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>	<i>\$ 5,632,643</i>	<i>\$ 5,746,385</i>	<i>\$ 5,753,550</i>
Total Expenses	\$ 112,643,900	\$ 121,508,614	\$ 127,106,268	\$ 138,010,757	\$ 145,171,914	\$ 156,514,717	\$ 163,545,872	\$ 170,736,005
Balance	\$ 1,511,204	\$ 1,708,669	\$ 4,149,728	\$ 5,168,721	\$ 6,509,457	\$ 2,643,165	\$ 1,800,138	\$ 1,360,648

¹ From FY 2000-FY 2008 cost of Public Facilities are components of spending in Public Works and Education

² Net Operating Revenue and Cherry Sheet Revenue includes \$799,539 in federal stimulus funds used to offset the fourth quarter cut in Chapter 70 ai

Note:
FY 2008 figures unaudited. Preliminary reconciliation only.



Description of Item	Due Dates
Staff - Distribution of Materials to Departments (SMT)	August 12th, 2011
Finance Department Completion of Personal Service Sheets	September 9th
Summit I – Financial Indicators; Two-year Revenue and Expenditure Projection; Bridge, Bowman, and Estabrook timing discussion	October 5th
SMT - Completion of Departmental Budgets	October 14th
Town Manager Budget Review w/Departments	November 7th – 30th
Summit II – Revenue Model	November 17th
BOS - Departmental Budget Workshops (FY 2013 Requests)	November 30th- December 8th
SC – Facilities Director’s Presentation of Facilities Budget to the School Committee	TBD
SC – Superintendent’s Presentation of Budget to School Committee and Approval of Facilities Budget	TBD
TM – Submission of FY 2013 Manager’s Recommended Operating and Capital Budget to BOS	January 9th, 2012
Summit III – (FY 2013 Expense Review & Gap Defining)	January 19th
Summit IV – (FY 2013 Gap Closing)	February 16th
Finance – Electronic Distribution of Budget Book to TMMA, Committees & Boards	February 27st
Town Meeting Begins	March 19th
Budget Presentation by the Town Manager and Superintendent	March 21st
TM Budget Deliberation	No Earlier than March 26th