

# APPROPRIATION COMMITTEE

## TOWN OF LEXINGTON



## REPORT TO THE FEBRUARY 2016 SPECIAL TOWN MEETINGS 2016-1 & 2016-2

Released February 5, 2016

### APPROPRIATION COMMITTEE MEMBERS

Glenn P. Parker, Chair • John Bartenstein, Vice Chair/Secretary  
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# Summary of Warrant Article Recommendations

*Abbreviations*

EF	Enterprise Fund	CPA	Community Preservation Act
GF	General Fund	DSSF	Debt Service Stabilization Fund
RE	Retained Earnings	IP	A motion to Indefinitely Postpone is expected
RF	Revolving Fund	TDM	Traffic Demand Management
SF	Special Fund		

## Special Town Meeting 2016-1

Ar- ticle	Title	Funds Requested	Funding Source	Committee Recommendation
2	Amendments to the Regional School District Agreement of the Minuteman Regional Vocational School District	None	N/A	<b>Approve (9-0)</b>
3	Appropriate for Hastings School Feasibility Study	\$1,500,000	GF	<b>Approve (9-0)</b>
4	Establish, Rename and Appropriate To and From Specified Stabilization Funds	\$80,289.02	SF Revenue	<b>Approve (9-0)</b>

## Special Town Meeting 2016-2

Ar- ticle	Title	Funds Requested	Funding Source	Committee Recommendation
2	Land Purchase – 20 Pelham Road	Unknown	Unknown	<b>Pending</b>

# Introduction

The Appropriation Committee is appointed by the Town Moderator and serves as an advisory group to the elected members of Town Meeting. The Committee is required by Town by-law to present its recommendations to Town Meeting prior to any vote with a financial impact on the Town. This report summarizes the Committee’s deliberations and analyses regarding the Warrant Articles deemed to have financial significance, along with the vote of the Committee for each Article. The Committee also gives oral reports and responds to questions during Town Meeting as necessary, or when important information has become available following the publication of a report.

This report is distributed to the members of Town Meeting as a printed document and as an electronic document via the Town website. It is normally published a week prior to the session when the Articles are anticipated to be taken up in Town Meeting. Due to the scheduling of these Special Town Meetings, this report is being released three days prior to the start of debate.

## **Special Town Meeting Numbers**

Given the number of Special Town Meetings being called in recent years, and the need to clearly and succinctly refer to actions from prior town meetings, the Town has adopted a naming scheme that will be used by the Town and the finance committees. Special Town Meetings will be identified by the calendar year in which they were called, plus a sequence number spanning the entire year (rather than a sequence number in just the month, as before). Thus, the two meetings addressed in this report are “2016-1” and “2016-2”. The next STM, concurrent with the 2016 Annual Town Meeting, will be “2016-3”.

An article can be identified by appending its number to the meeting identifier, so “2016-1.2” refers to the Article 2 of the first STM in 2016. While this is sufficient to uniquely identify any article, we will typically include more descriptive context when discussing articles, since we don’t expect our readers to memorize the article numbers.

## **Acknowledgements**

The content of this report, except where otherwise noted, was researched, written and edited by members of the Committee with support from Town staff. Our Committee has the pleasure and the privilege of working with Town Manager, Carl Valente; Assistant Town Manager for Finance, Rob Addelson; our Budget Officer, Patricia Moore; the Capital Expenditures Committee; the Community Preservation Committee; the School Committee; the Permanent Building Committee; Superintendent of Schools, Dr. Mary Czajkowski; Interim Director of Finance and Operations, Ian Dailey; and the Board of Selectmen. We thank the municipal and school staff, Town officials, boards and volunteers who have contributed time and expertise to help us prepare this report. Last but not least, we thank Sara Arnold, who records and prepares the minutes for our meetings.

# Special Town Meeting 2016-1 Analysis and Recommendations

The Warrant for the February 2016 Special Town Meeting 2016-1 contains three Articles with financial implications for the Town. The proposed amendment to the Regional School District Agreement for the Minuteman Regional Vocation School District alters the way communities enter and leave the regional school district, and the manner in which tuition and capital payments are assessed for member communities. The request to fund a feasibility study for the renovation or reconstruction of Hastings Elementary School is the first major step in the process mandated by the Massachusetts School Building Authority. The appropriation of funds into Specified Stabilization Funds is a straightforward housekeeping task.

## Article 2016-1.2: Amendments to the Regional School District Agreement of the Minuteman Regional Vocational School District

Funds Requested	Funding Source	Committee Recommendation
<b>None</b>	<b>N/A</b>	<b>Approve (9-0)</b>

### Summary

The District School Committee for the Minuteman Regional High School (MRHS) has requested approval of an amendment to the Regional Agreement, which governs how the 16 member communities share in the administration and funding of the school. The proposed amendment, a consensus document created by a working group of member town Selectmen, modifies a 2014 agreement drafted by a subcommittee of the District School Committee. The 2014 version, although approved by Lexington, was not adopted because it did not receive the required unanimous support of all member towns. The restructuring of the District’s governance and membership contemplated by the amendment is considered critical to proceeding with the construction of a new MRHS facility to which the Massachusetts School Building Authority (MSBA) has committed 40% funding.

The new amendment changes the manner in which operating and capital costs are allocated to members, and the procedures and voting threshold needed to approve debt. The amendment also eases requirements for member communities now and in the future to leave the District and creates incentives for new communities to join the District. Approval from the town meeting of every member community is required for this amendment to take effect.

### Background

The future viability of the Minuteman Regional School District hinges on the renovation or replacement of its aging facilities. MRHS has qualified for a minimum 40% MSBA match of eligible costs on a \$144,900,000 project to construct a new 628-student school building. However, the MSBA funding will be available only if all District member towns vote to approve the project funding by June 30, 2016. The net cost to the District for this project, with MSBA funding, would be \$99,000,000.

Although currently underutilized by member communities, MRHS is a highly successful educational institution for students that seek a unique and powerful learning experience. MRHS successfully places over 90% of its students into college undergraduate programs, advanced technical training, technical careers, and the military. It offers a diverse selection of vocational training not found in other regional schools. The fact that non-member communities, many with longstanding ties to other vocational facilities, send a large number of students to MRHS underscores the unique programs that this school offers.

In 2009, representatives of the District acknowledged that major building repairs, renovations, and possibly replacement would be necessary to ensure the continuation of the school. Despite the seriousness of these problems, the District could not gain the unanimous consent from the member communities then required to initiate a construction project. Some communities withheld support because they felt the size of a renovated school should be smaller than the current school, and more in line with the enrollment from member communities alone. There was also concern that then-existing state regulations did not permit the District to recover capital costs from non-member towns sending students to MRHS, leaving member towns with an undue financial burden.

The District School Committee decided that the way forward required the following steps:

- Conduct a feasibility study to determine potential future enrollment, educational programs, and school district size.
- Work with the State to create a legal mechanism that would allow the District to recover some capital costs from the towns that send out-of-district students.
- Amend the District Agreement to meet the future needs of the District.

As a result of this effort, The District School Committee has developed a plan to build a new school for a smaller student population and the MSBA has approved the plans. The state has also changed its regulations to allow the District to collect a portion of its capital costs for out-of-district students from non-member towns *as long as the capital project is MSBA-supported*.

The remaining piece of the puzzle is to restructure the governance and membership of the District in a way that will allow the building project to be approved. All communities want an equitable formula to deal with anticipated capital costs. Some communities are seriously contemplating leaving the district and have negotiated an option whereby they can exit the District concurrently with the approval of the amended agreement. Finally, the District would like to increase in-district enrollment and encourage non-member communities to join the District.

**Proposed Amendments**

The new District Agreement proposes the following key changes:

- Introducing weighted voting based on each member’s 4-year rolling average enrollment to approve operating budgets and routine matters. Debt-based appropriation will require approval by an *un-weighted* 2/3 majority vote.
- Stabilizing operating assessments by using 4-year rolling average enrollments.
- Making the assessment of capital costs more equitable via a formula that takes into account 4-year rolling average enrollments and a component of the Chapter 70 state aid formula that determines a community’s ability to support their local school system.
- Debt may be authorized only by unanimous approval from the town meetings of all member communities, or, if unanimous approval is not obtained and the District so chooses, by aggregate majority vote in an all-district referendum.
- Allowing a member to withdraw by a simple majority of the town meetings of other member communities, and limiting liability for debt not approved by the withdrawing member.
- Allowing several smaller members towns which have indicated a desire to withdraw – Boxborough, Carlisle, Dover, Lincoln, Sudbury, Wayland, and Weston – to do so if their town meetings approve the amended Agreement and pass a motion to withdraw by March 1, 2016.
- Allowing newly joining members to negotiate an incentive agreement that would gradually phase in capital assessments over a four-year period.
- Requiring non-member communities to contribute towards operating and capital costs at a rate that meets or exceeds the costs allocated to member communities.
- Allowing siting of a new school within Lincoln, even if Lincoln withdraws.

- Relaxing the requirements for future amendments to the District Agreement to a ¾ majority vote of the District School Committee as well as approval by ¾ of the Town Meetings of member communities, except that any changes to the processes for amending the agreement, incurring debt, apportioning capital costs, and member withdrawal will require unanimous approval by the District School Committee and the town meetings of member communities.

**Analysis**

The new voting procedures and capital allocation plan are not expected to have a major effect on Lexington’s future assessments. As one of the larger enrolled communities, the Town would enhance its level of representation with no appreciable change in its share of the costs.

This amended Agreement allows seven communities, those with the most negative outlook regarding plans to update the school, to leave the District if they desire. The withdrawal of any or all of the seven member towns from the District could have a cost to Lexington, as the remaining District members will have to absorb a larger share of the operating and capital costs, assuming there is no corresponding increase in out-of-district enrollment. But these seven towns, with the exception of Sudbury, send a relatively small number of students and their loss will have a minimal financial effect on the remaining members.

A much greater financial cost to District members would result if the MSBA project is not approved. Without MSBA funding the new building construction could not proceed, forcing the District to undertake a \$100+ million renovation project that will do less to improve the school facilities and cost each member community much more. Allowing communities opposed to the MRHS capital plan to exit improves the overall prospects for state funding, which ultimately reduces capital costs for the remaining District members.

**The Committee recommends approval of this request (9-0).**

Article 2016-1.3: Appropriate for Hastings School Feasibility Study		
Funds Requested	Funding Source	Committee Recommendation
<b>\$1,500,000</b>	<b>GF debt</b>	<b>Approve (9-0)</b>

On January 27, 2016, the Massachusetts School Building Authority (“MSBA”) Board voted to approve the Town’s application to the MSBA program for Hastings School. The MSBA follows a process divided into eight “modules”, as follows:<sup>1</sup>

1. Eligibility Period
2. Project Team
3. Feasibility Study
4. Schematic Design
5. Project Scope and Budget and Project Funding Agreements
6. Design Development, Construction Documentation & Bidding
7. Construction Administration
8. Project Closeout

The Town has now entered the first module of the MSBA process, the Eligibility Period, which requires the Town to approve a *Local Authorization of Funding* to pay for both a feasibility study and the subsequent schematic design. This article requests an appropriation of \$1,500,000 for this purpose.

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<sup>1</sup> See [http://www.massschoolbuildings.org/building/modules\\_overview](http://www.massschoolbuildings.org/building/modules_overview) for a more detailed description of the MSBA program.

The site analysis and conceptual design for a new school building done previously by DiNisco Design Partnership may prove useful during the feasibility study, but it is not clear at this point how that analysis might affect the overall schedule, and whether its availability will lower the cost of the feasibility study.

The Feasibility Study module requires two votes by the MSBA to approve the basic design of the project. Note that this module determines whether the MSBA will fund a renovation or a reconstruction project.

Once the basic design is agreed upon by the Town and the MSBA, the Schematic Design module can proceed. Per the MSBA website, “the District and its team develop a final design program and robust schematic design of sufficient detail to establish the scope, budget and schedule for the proposed project.”

The Schematic Design module will produce a *Project Scope and Budget Agreement* specifying the total amount of funding that the Town must secure to complete the project. This amount will be sufficient to fund (without MSBA reimbursement) the creation of construction documents, and all construction costs. The District must secure this funding within 120 days after the MSBA Board’s approval to proceed to the design and construction phases of the project. We anticipate that this request will be presented at the 2017 Annual Town Meeting, and that it will be contingent on voter approval of a Proposition 2½ debt exclusion referendum.

Strictly speaking, the appropriation requested by this article will not be contingent on a referendum. However, the anticipated debt exclusion referendum to authorize borrowing for the construction phase will include the costs from the current appropriation.

Once the full funding is secured, the MSBA will issue a *Project Funding Agreement*, specifying the rate of MSBA reimbursement for approved costs. The reimbursement rate is anticipated to be approximately 30% of the total project cost. The actual rate of reimbursement will be calculated based on economic considerations for Lexington, plus incentive points awarded for adherence to MSBA priorities.

Town staff estimates that construction documents will require 6 to 8 months of work starting in the spring of 2017, and site preparation at Hastings could begin in early 2018, around the end of the 2017-2018 school year. Ideally, construction would commence in earnest at the end of the 2017-2018 school year, with a new building ready for occupancy by the beginning of the 2019-2020 school year.

A definitive cost estimate for the project will not be available until the Schematic Design module is completed, but the Feasibility Study module will provide a rough estimate. Previous estimates of the project cost for a 30-section school ranged from \$55 million to \$60 million. A 30% MSBA reimbursement would result in a reimbursement of about \$18 million, with a net cost to the Town of \$42 million, but these figures are only rough indicators of the magnitude of the actual costs.

As part of Article 2 at the November 2015 STM #1, Town Meeting appropriated \$520,000 to be obtained from borrowing in order to fund the design of a new Hastings Elementary School in the event that the MSBA declined to support the Hastings project. Authorization to borrow those funds will be rescinded once it is determined that they are not needed for other purposes allowed under that appropriation.

**The Committee recommends approval of this request (9-0).**

Article 2016-1.4: Establish, Rename and Appropriate To and From Specified Stabilization Funds		
Funds Requested	Funding Source	Committee Recommendation
<b>\$80,289.02</b>	<b>SF Revenue</b>	<b>Approve (9-0)</b>

**Background**

The State statute authorizing towns to create and maintain a stabilization fund (G.L. c. 40, § 5B), which effectively is a vehicle to set aside present funds for future needs, was amended in 2003 to permit the creation of multiple, separate stabilization funds for specified purposes.

Lexington’s first specified stabilization funds were established at the 2007 Annual Town Meeting, and additional specified funds have been created from time to time since then as the need has arisen. Each “specified stabilization fund” holds monies for one or more purposes that were identified when the fund was created. These funds have proved to be particularly useful for managing ongoing mitigation payments to which developers have committed as a condition of commercial rezoning approvals. These payments are earmarked for specific uses to mitigate the impact of commercial development projects.

Creating specified stabilization funds, altering their specified purpose, or appropriating monies into or out of them requires a two-thirds vote of Town Meeting. Because mitigation payments and other payments are received by the Town throughout the year, an article essentially the same as the present one is now routinely included on the Warrant to give Town Meeting the opportunity to appropriate monies into, or out of, the funds.

**Proposed Transfers**

This article proposes to appropriate the following amounts into the noted funds. In each case, the Town received the money after the fall 2015 Special Town Meeting under the terms of a memorandum of agreement between the Town and a property developer:

- \$40,644.52 into the *Transportation Demand Management Stabilization Fund*; Sources:
  - \$39,644.52 from Cubist Pharmaceuticals (now part of Merck).
  - \$1,000.00 from The Inn at Hastings Park.
- \$39,644.50 into the *Traffic Mitigation Stabilization Fund*; Sources:
  - \$39,644.50 from Cubist Pharmaceuticals (now part of Merck).

There is no proposal at this Special Town Meeting to create any new specified stabilization funds, to re-name any existing funds, or to approve any transfers out of the existing funds.

**The Committee recommends approval of this request (9-0).**

## **Special Town Meeting 2016-2 Analysis and Recommendations**

The Warrant for Special Town Meeting 2016-2 contains a single financial article. This will allow action on the Articles in STM 2016-1 to proceed without delay.

Article 2016-2.2: Land Purchase – 20 Pelham Road		
Funds Requested	Funding Source	Committee Recommendation
<b>Unknown</b>	<b>Unknown</b>	<b>Pending</b>

As of publication, the Town was not prepared to proceed with this Article. We anticipate that the meeting will be adjourned to a later date.

**The Committee has taken no position on this request.**