

Town of Lexington



FY2023 Recommended Budget and Financing Plan

Report of the Town Manager
2022 Annual Town Meeting

Management's Statement on Financial Condition

Despite the COVID-19 pandemic, Lexington's local government fiscal condition has remained strong and stable which can be attributed to its strong tax base and stringent fiscal management. Over the last two fiscal years Lexington has benefitted from two Federal funding bills, the CARES Act and the American Rescue Plan Act (ARPA) that have covered many pandemic related expenses including supplies and staffing. Going forward ARPA will further support the Town's public health response and economic recovery. Federal funding is supplemental to the Town's operating budget and not included in this presentation.

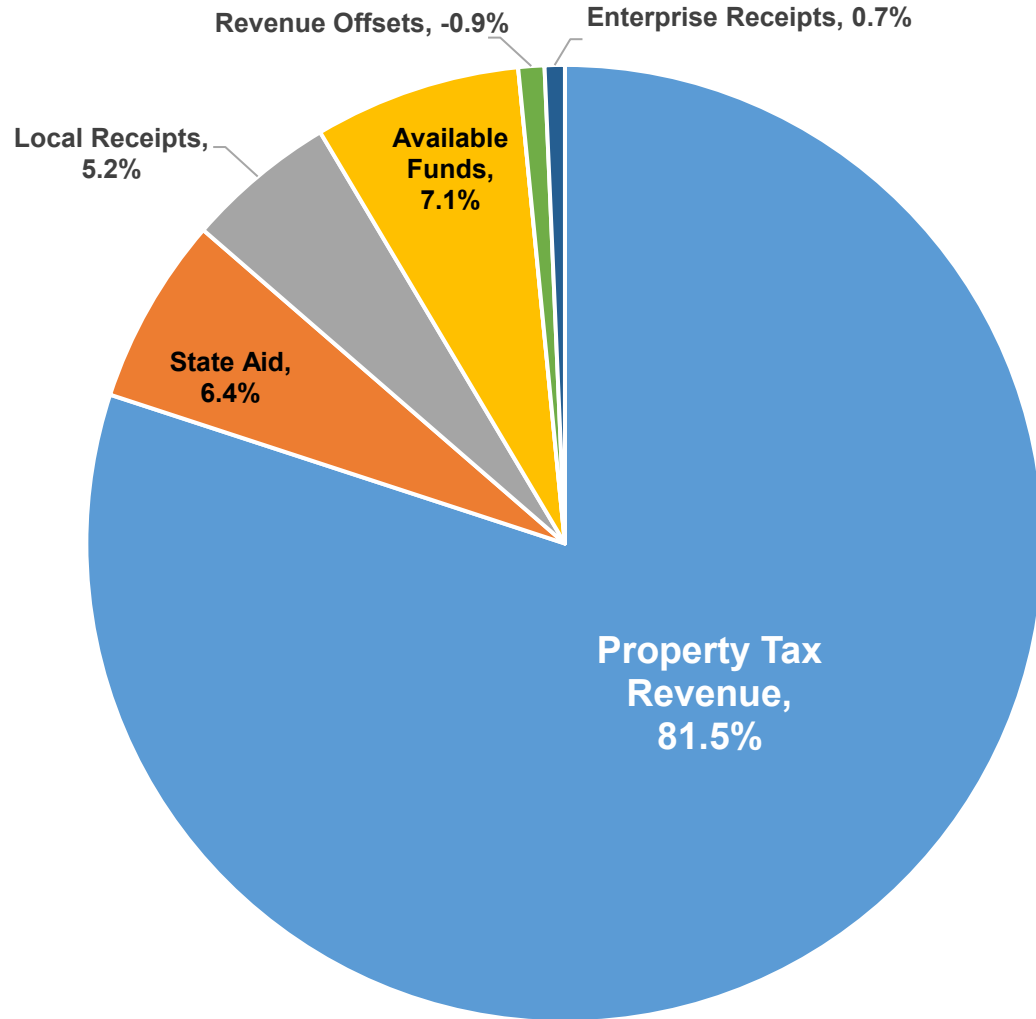
The Town will likely face a new wave of economic challenges in the coming years. We are planning for these challenges and expect the Town's fiscal condition to remain strong as we continue to adhere to our stated fiscal guidelines and conservative management.

Budget Highlights

For FY2023, the Town's proposed Budget and Financing Plan is **balanced**, and addresses key Select Board priorities and long-term financial goals, including the following:

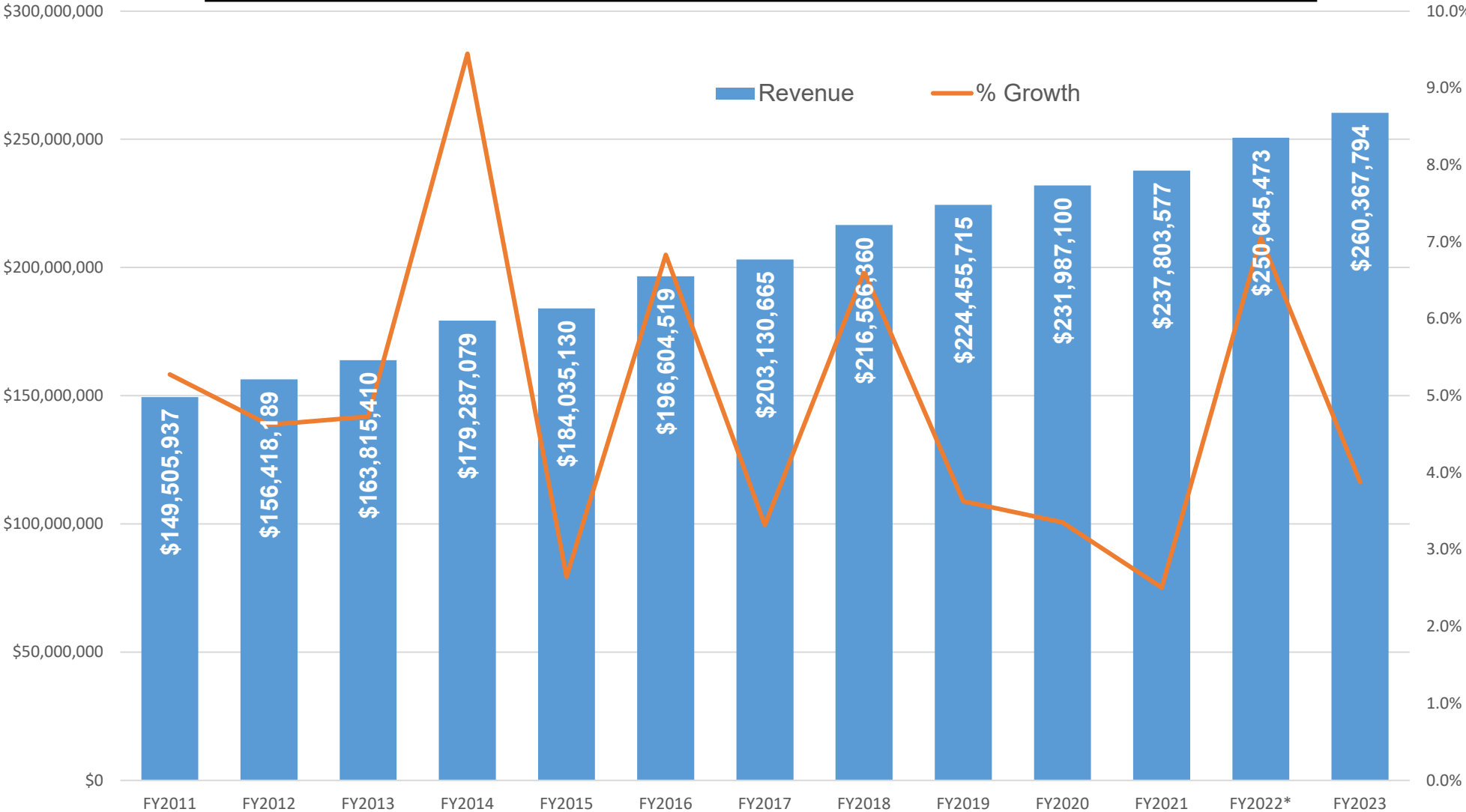
- Use of a revenue allocation model in development of Town and School budgets which allocated both Town and School an increase of **4.4%** over the FY2022 budget.
- Implementation of a **new fiscal guideline** to dedicate new commercial tax levy growth to anticipated capital investments, most notably a high school construction project.
- Dedicating funds into reserves including a set-aside of Free Cash into the Capital Stabilization Fund and Other Post Employment Benefits Fund (OPEB).
- Continue the transition away from using Free Cash for the operating budget, with anticipated completion in FY2024.
- Continue robust investments in the Town's capital assets, and increasing the amount financed with cash instead of long-term debt to recognize long term savings.

General Fund Revenue Sources



	FY2022 Tax Recap	FY2023 Projected	\$ Change	% Change	% of Total Revenue
Property Tax Revenue	\$ 204,228,741	\$ 212,113,191	\$ 7,884,450	3.9%	81.5%
State Aid	\$ 16,492,260	\$ 16,784,662	\$ 292,402	1.8%	6.4%
Total Local Receipts	\$ 12,627,933	\$ 13,488,108	\$ 860,175	6.8%	5.2%
Available Funds	\$ 17,825,379	\$ 18,507,776	\$ 682,397	3.8%	7.1%
Revenue Offsets	\$ (1,961,196)	\$ (2,331,557)	\$ (370,361)	18.9%	-0.9%
Enterprise Receipts	\$ 1,432,356	\$ 1,805,613	\$ 373,257	26.1%	0.7%
Gross General Fund Revenues	\$ 250,645,473	\$ 260,367,794	\$ 9,722,321	3.9%	100.0%

Revenue Growth FY2011 – FY2023



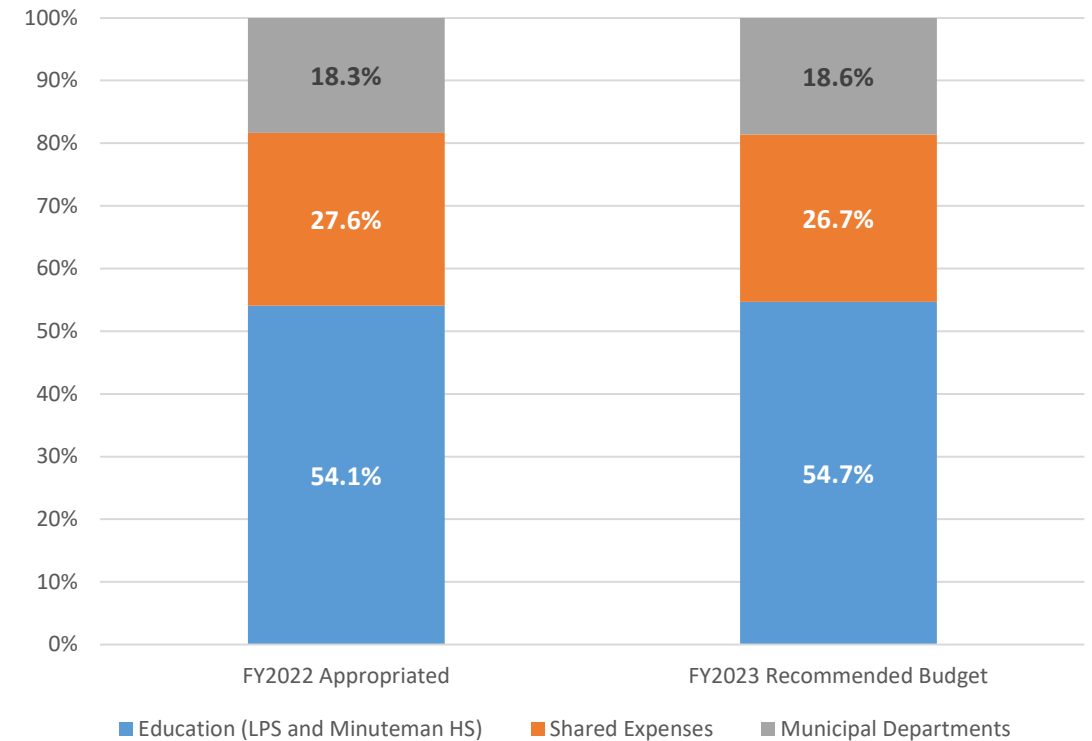
*At the 2020 Annual Town Meeting, \$3.25M of Free Cash was left unappropriated as a reserve for the pandemic, and therefore is not included in FY2021 revenues. This \$3.25M was carried forward and allocated in the FY2022 budget which is reflected in the 7.0% revenue growth for FY2022. Excluding this carry-forward amount, FY2022 revenue growth would have been 4.2%.

Select Board's Budget Priorities and Principles

- **Construction of a new Police Station:** This budget recommends construction funding for a new Police Station at 1575 Massachusetts Avenue and funds to support operations at the temporary Police facility at 173 Bedford Street. This budget proposes \$32.4 million be appropriated for construction at 2022 STM-1, to be followed by a referendum in June 2022 to exclude debt service on this facility from the limits of Proposition 2½.
- **Support for Public Health and Safety:** This budget includes funding to permanently transition our existing part-time Public Health Nurse into a full-time position, a training manikin for paramedics, and additional training for police officers to support the new requirements under the state's police certification program.
- **Community Mental Health Programs:** This budget includes a contract with the William James Interface Mental Health Referral Services, which is shared between the Municipal and School Department budgets. In addition, the Town expects to utilize ARPA funds to add mental health clinical services in the Human Services Department.
- **Pedestrian, Bicycle and Vehicle Safety on Town Roads:** Overall, \$3,669,767 is recommended for the construction of new Sidewalks, existing Sidewalk Improvements, Street and Signal Improvements, plus \$4,970,000 for Battle Green Streetscape improvements. This budget also funds an additional crossing guard at the Hastings Elementary School, and recommends funding to develop a townwide pedestrian and bicycle plan.
- **Sustainability:** This budget includes funding to update the Town's Climate Action Plan, and has factored in costs for electric vehicles to into Recreation, Facilities, and Police budgets as the Town begins to implement the Select Board's electric vehicle policy.

General Fund Budget by Cost Center

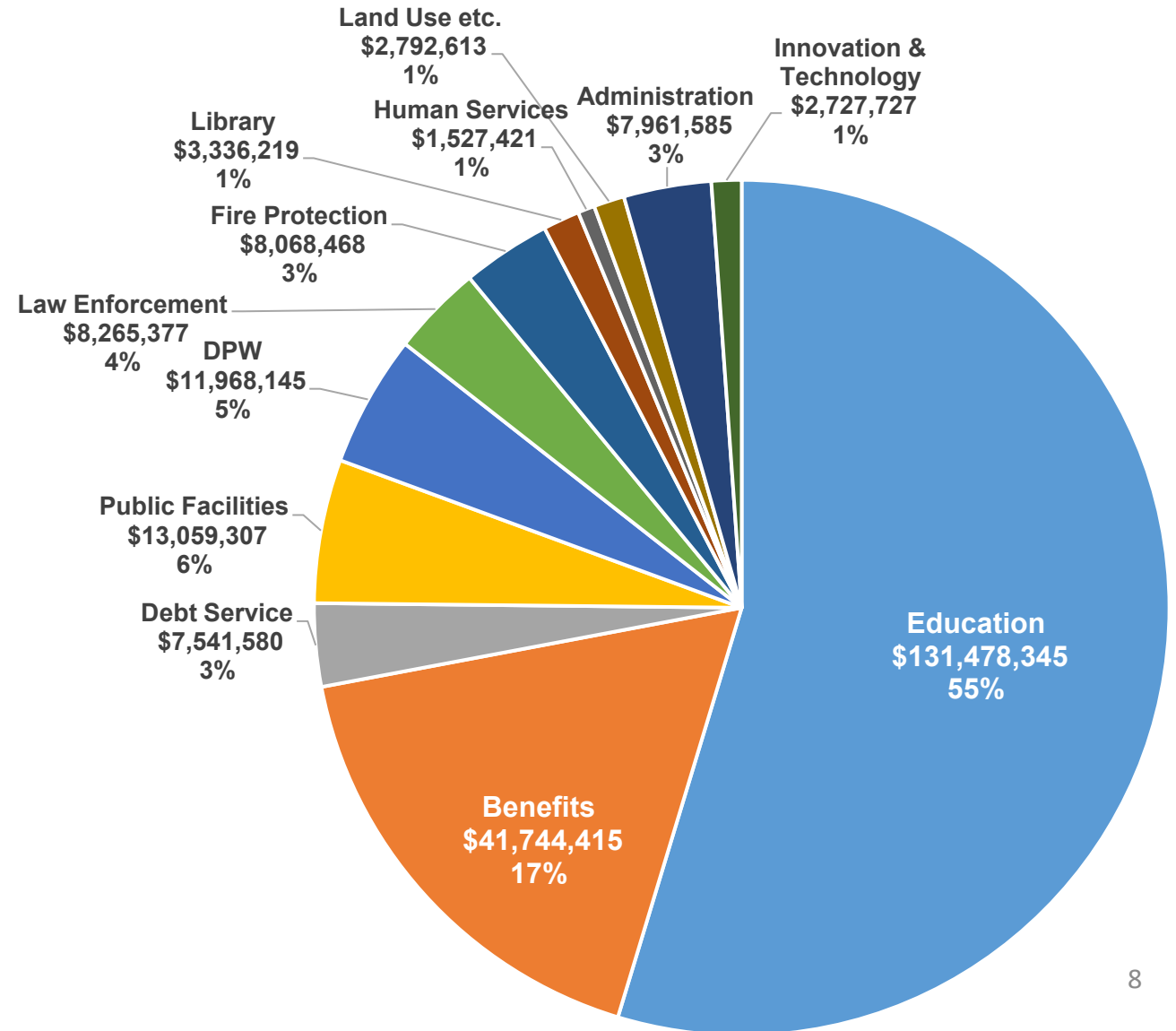
Category	FY2022 Appropriated	FY2023 Recommended Budget	\$ Change	% Change
Education (LPS and Minuteman HS)	\$126,507,019	\$ 131,478,345	\$ 4,971,327	3.9%
Shared Expenses	\$ 64,540,037	\$ 64,190,302	\$ (349,735)	-0.5%
Municipal Departments	\$ 42,920,017	\$ 44,802,554	\$ 1,882,538	4.4%
Subtotal - Operating Budget	\$233,967,072	\$ 240,471,202	\$ 6,504,129	2.8%



Municipal Operating Budget

**FY2023 Recommended
Operating Budget:
Total: \$240,471,202**

Benefits Breakdown	
Retirement	\$ 8,176,027
Employee Insurance	\$ 32,743,388
Unemployment	\$ 200,000
Workers' Compensation	\$ 625,000
TOTAL	\$ 41,744,415

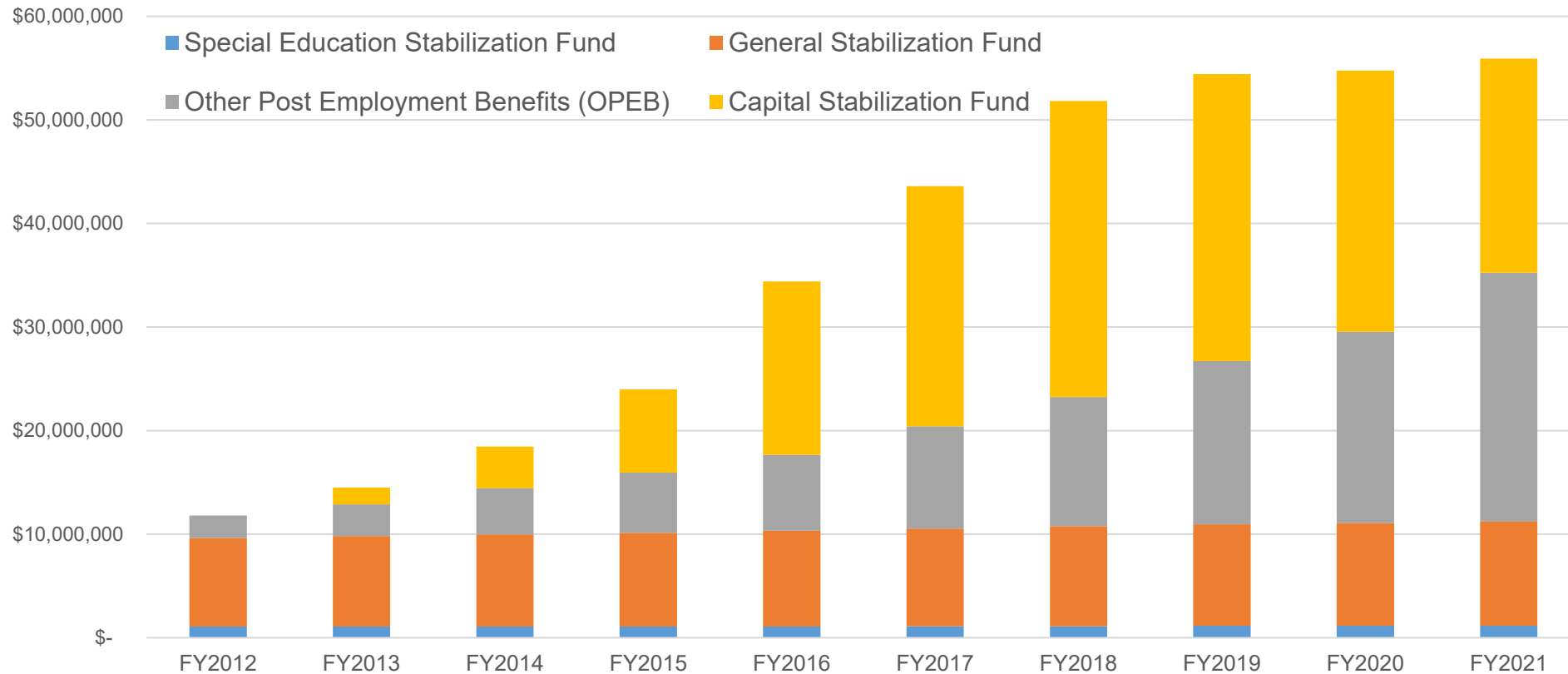


Capital Improvements & Debt Management

- FY2023 Capital Improvements –
 - Reconstruction of Police Station (\$32.4 million)*
 - Reconfiguration of Battle Green intersection (\$5 million)
 - LHS Feasibility Study (\$1.83 million)
 - Playground and Park Safety Enhancements and Updates (\$4.5 million)
 - Pedestrian, Bicycle & Vehicle Safety (\$3.8 million)
 - Town and School Technology (\$2.6 million)
 - Other Town and School Building Envelope & Systems (\$2.5 million)
 - Center Recreation Complex Bathrooms & Maintenance Building (\$915,000)
- Debt Management –
 - Appropriate \$800,000 from Capital Stabilization Fund for Exempt Debt, as anticipated during override for Fire Station, LCP and Hastings.

*Total cost of the new Police Station is \$35.1 M; \$32.4M for construction at 2022 ATM plus prior authorizations (\$65,000 - 2016 STM; \$1,862,622 - 2018 ATM; \$870,000 - 2021 STM)

Reserve Fund Balances



Ending balances as of fiscal year end	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Special Education Stabilization Fund	\$ 1,067,142	\$ 1,069,456	\$ 1,071,495	\$ 1,073,638	\$ 1,078,170	\$ 1,088,001	\$ 1,105,262	\$ 1,132,883	\$ 1,151,926	\$ 1,154,087
General Stabilization Fund	\$ 8,551,561	\$ 8,744,262	\$ 8,895,689	\$ 9,056,939	\$ 9,251,859	\$ 9,447,867	\$ 9,649,865	\$ 9,800,414	\$ 9,920,811	\$10,037,738
Other Post Employment Benefits (OPEB)	\$ 2,166,697	\$ 3,069,273	\$ 4,482,338	\$ 5,798,656	\$ 7,334,848	\$ 9,869,875	\$12,475,463	\$15,773,899	\$18,466,182	\$24,058,353
Capital Stabilization Fund	\$ -	\$ 1,601,836	\$ 3,990,704	\$ 8,048,466	\$16,725,947	\$23,203,210	\$28,597,934	\$27,727,713	\$25,229,254	\$20,674,058
Combined Total	\$11,785,401	\$14,484,827	\$18,440,226	\$23,977,699	\$34,390,824	\$43,608,952	\$51,828,524	\$54,434,909	\$54,768,173	\$55,924,236

Future Considerations

- The long-term impact of the COVID-19 pandemic on Town revenue, expenses and operations, including recent economic challenges such as supply chain delays and inflation.
- Managing operating expenses to align with revenue growth is becoming increasingly challenging and may require realigning the municipal, school and shared expense budgets in future years.
- Future Debt Service is expected to include the construction funding for the Lexington Police Station and the renovation or reconstruction of Lexington High School, both to be excluded from Proposition 2½.
- The impact of the Hartwell Ave zoning initiative and new commercial development, accompanied by the Town's new fiscal guideline for dedicating new levy growth to capital projects; which is expected to relieve the residential tax burden.