

FY2021 Recommended Budget and Financing Plan

Report of the Town Manager

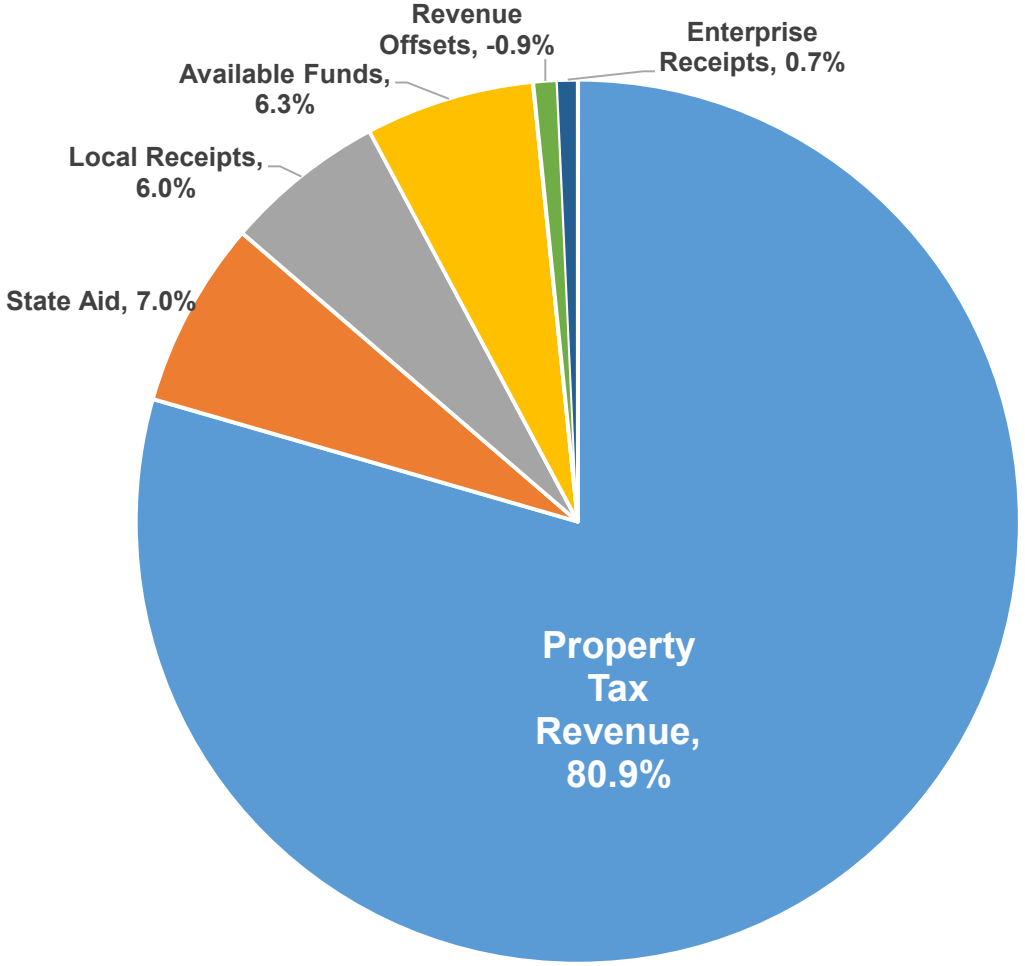
Annual Town Meeting

Financial Management

In 2019 the Town reviewed and reaffirmed the following fiscal guidelines with the Select Board, financial committees and School Committee:

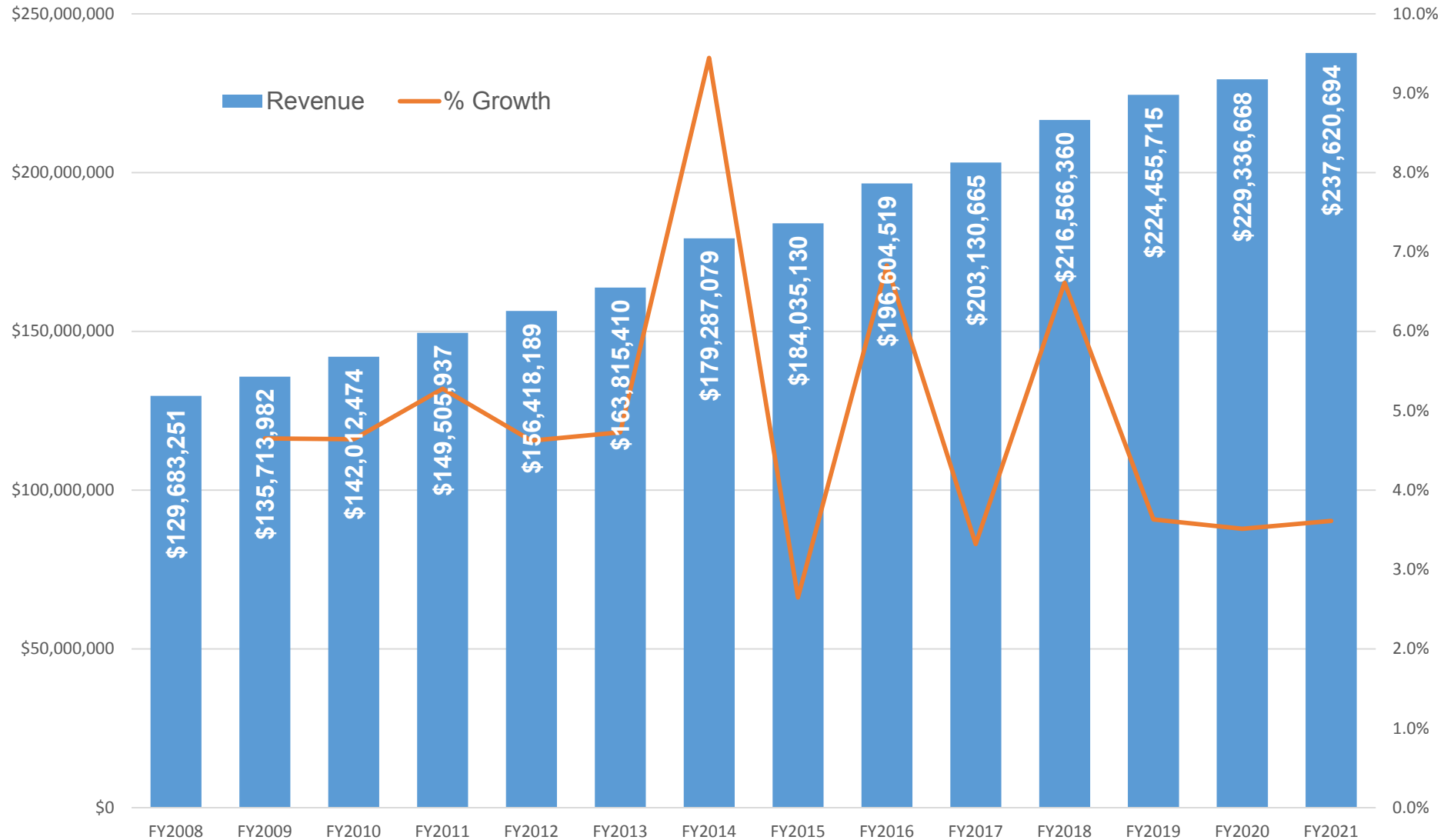
- Set-aside and use of reserves including Capital Stabilization Fund, General Stabilization fund and Other Post Employment Benefits (OPEB).
- Use of a revenue allocation model in development of Town and School budgets.
- Use of one time revenues for one-time expenses and transitioning Free Cash out of the annual operating budget.
- Continue to utilize taxing to the full Proposition 2 ½ levy limit.
- Prioritizing capital improvement projects and funding as much capital improvement programs with cash as possible instead of long-term debt to recognize long term savings.

General Fund Revenue Sources



	FY2020 Tax Recap	FY2021 Projected	\$ Change	% Change	% of Total Revenue
Property Tax Revenue	\$184,821,513	\$192,311,761	\$7,490,249	4.1%	80.9%
State Aid	\$16,283,199	\$16,517,703	\$234,504	1.4%	7.0%
Total Local Receipts	\$14,082,119	\$14,280,713	\$198,594	1.4%	6.0%
Available Funds	\$14,314,142	\$14,942,168	\$628,026	4.4%	6.3%
Other Available Funds: Use of Capital Stabilization Fund	\$ —	\$ —	\$ —	0.0%	—%
Revenue Offsets	\$(1,860,652)	\$(2,181,086)	\$(320,434)	17.2%	(0.9)%
Enterprise Receipts	\$1,696,348	\$1,749,435	\$53,087	3.1%	0.7%
Gross General Fund Revenues	\$229,336,668	\$237,620,694	\$8,284,025	3.6%	100.0%

Revenue Growth FY2008 – FY2021

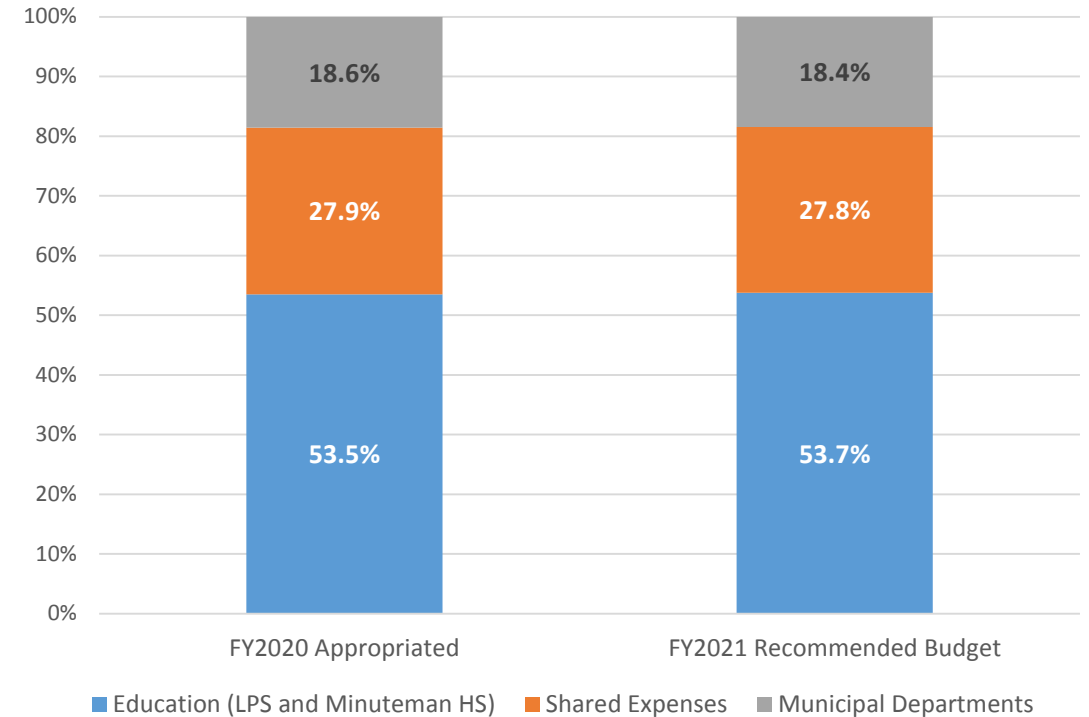


Select Board's Budget Priorities and Principles

- Continuing to move the construction of the Police Station forward – Design will be completed and a construction recommendation is planned for the Fall Special Town Meeting, followed by a debt exclusion vote.
- Pedestrian, Bicycle and Vehicle Safety on Town Roads – new sidewalks in two locations; existing sidewalk improvements; townwide signalization improvements and surface street improvements.
- Cemetery Building Reconstruction – The budget includes a funding request for construction of a new addition-ready building for cemetery offices and equipment.
- Community Mental Health – Continuation of a cooperative program between the municipal and school departments, including a contract with William James Interface.
- Transportation – Funding for pilot programs to improve transportation delivery services, and additional hours for the Transportation Manager.
- Sustainability – Full-year funding for the Sustainability Director, and \$25,000 in seed funding for sustainability projects.
- Facilities Master Plan – Funding to develop a Municipal Facilities Master Plan to be combined with the School Facilities Master Plan to better inform policy makers on future projects.

General Fund Budget by Cost Center

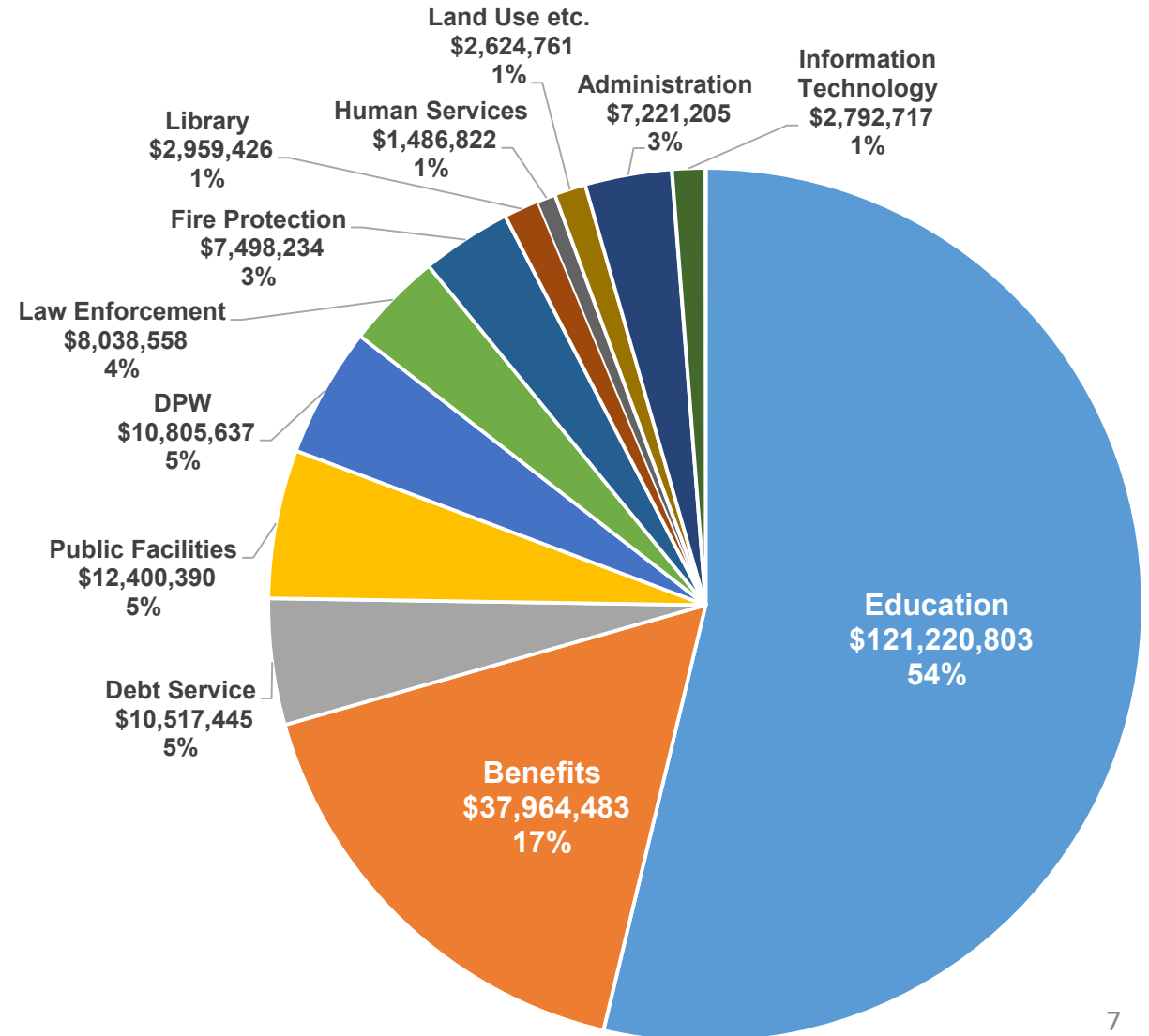
Category	FY2020 Appropriated	FY2021 Recommended Budget	\$ Change	% Change
Education (LPS and Minuteman HS)	\$116,023,888	\$121,220,803	\$5,196,915	4.5%
Shared Expenses	\$60,541,457	\$62,727,317	\$2,185,860	3.6%
Municipal Departments	\$40,276,016	\$41,582,360	\$1,306,344	3.2%
Subtotal - Operating Budget	\$216,841,361	\$225,530,480	\$8,689,119	4.0%



Municipal Operating Budget

**FY2021 Recommended
Operating Budget:
Total: \$225,530,480**

Benefits Breakdown	
Retirement	\$ 6,701,444
Employee Insurance	\$ 30,188,039
Unemployment	\$ 200,000
Workers' Compensation	\$ 875,000
TOTAL	\$ 37,964,483



Capital Improvements and Debt Management

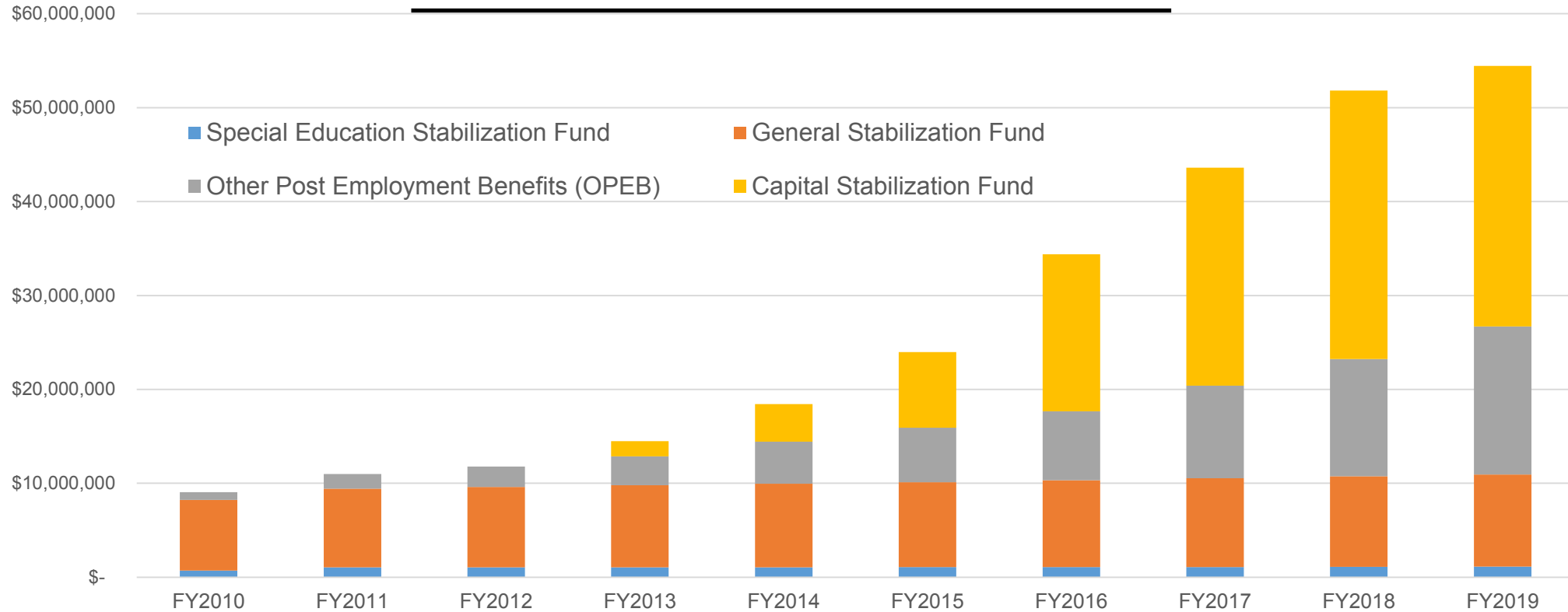
- FY2021 Capital Improvements –
 - Westview Cemetery Building (\$3.3 million)
 - Pedestrian, Bicycle & Vehicle Safety (\$3.8 million)
 - New roof for Bridge Elementary School (\$2.0 million)
 - Town and School Technology (\$1.9 million)
- Debt Management –
 - Appropriate \$3.5 million from Capital Stabilization Fund for Exempt Debt, as anticipated during override for Fire Station, LCP and Hastings

COVID-19 Financial Implications – FY21

- In discussions with the Select Board, Town staff have recommended that we forego the following two items that were previously part of the FY21 budget and financial plan:
 1. That we not transfer \$1.77 million from free cash and the tax levy into the Capital Stabilization Fund.
 2. That we not transfer \$1.2 million from free cash and water/wastewater receipts to the OPEB Fund.

This will provide approximately \$3 million in financial flexibility to provide options at the Fall Town Meeting on how we best address any revenue shortfalls due to the pandemic.

Reserve Fund Balances



Ending balances as of fiscal year end	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Special Education Stabilization Fund	\$ 710,970	\$ 1,064,210	\$ 1,067,142	\$ 1,069,456	\$ 1,071,495	\$ 1,073,638	\$ 1,078,170	\$ 1,088,001	\$ 1,105,262	\$ 1,132,883
General Stabilization Fund	\$7,523,979	\$ 8,376,820	\$ 8,551,561	\$ 8,744,262	\$ 8,895,689	\$ 9,056,939	\$ 9,251,859	\$ 9,447,867	\$ 9,649,865	\$ 9,800,414
Other Post Employment Benefits (OPEB)	\$ 813,429	\$ 1,560,928	\$ 2,166,697	\$ 3,069,273	\$ 4,482,338	\$ 5,798,656	\$ 7,334,848	\$ 9,869,875	\$12,475,463	\$15,773,899
Capital Stabilization Fund	\$ -	\$ -	\$ -	\$ 1,601,836	\$ 3,990,704	\$ 8,048,466	\$16,725,947	\$23,203,210	\$28,597,934	\$27,727,713
Combined Total	\$9,048,378	\$11,001,958	\$11,785,401	\$14,484,827	\$18,440,226	\$23,977,699	\$34,390,824	\$43,608,952	\$51,828,524	\$54,434,909

Future Considerations

- Future capital needs including renovation or reconstruction of Lexington High School.
- Manage increasing operating expenses to align with revenue growth.
- Impact of commercial development in relieving the residential tax burden.
- Maintaining the operating budget within the confines of Proposition 2½ and not proposing operating overrides.