



Town of Lexington

Comptroller's Office

Carolyn Kosnoff, Assistant Town Manager for Finance

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MEMORANDUM

TO: James Malloy, Town Manager & Select Board
FROM: Carolyn Kosnoff, Assistant Town Manager for Finance
DATE: April 24, 2020
RE: UPDATED Analysis of Westview Cemetery Construction Funding

The original cost of the cemetery building construction as presented at the 2019 Annual Town Meeting was \$2.80 million, however the project was postponed until the possible inclusion of a crematory could be evaluated. At that time it was estimated that approximately \$115K of tax levy dollars would be needed to cover debt service over the life of the debt. The project will be reconsidered at the 2020 Annual Town Meeting, and the expected cost has increased by \$490K to a total of \$3.29 million. This cost estimate is for a design plan that is addition ready, but does not include a crematory. The purpose of this memo is to evaluate the impact of the updated cemetery building construction cost on the tax levy.

As the Select Board is aware, cemetery fees were increased on July 1, 2017 to reflect the current market rates from communities around Lexington. The fee increases were implemented for Grave Sales and Burial Fees for residents and non-residents (see the attached schedule of Cemetery Rates and Service Fees). These fees will increase by 2.5% on July 1st of each year.

It is helpful to understand where the revenue from grave sales and burial fees is directed when evaluating the funding for the new building. When a grave is sold, 45% of the revenue is directed to the Sale of Cemetery Lots Fund, and the other 55% is transferred to the Cemetery Perpetual Care Trust account which is managed by the Trustees of the Public Trust. The Cemetery Perpetual Care Trust Fund is not an available funding source, but the Sale of Cemetery Lots Fund is available for cemetery land purchases and capital projects. When a burial is performed, the fee revenue is directed to the General Fund (see the Appendix for a description of cemetery related accounts).

For purposes of funding the Westview Cemetery building, it was assumed that the 'new' general fund revenue plus all of the revenue from the Sale of Cemetery Lots fund would be used for debt service as illustrated in Table 1.

Table 1:

	3-Year Average Count	Average Annual Revenue Pre-Fee Increase (A)		Annual 'New' Fee Revenue (Projected) (B)		Annual Revenue Post Fee Increase (Projected) (A+B)	
		General Fund Revenue	Sale of Lots Revenue (45%)	General Fund Revenue	Sale of Lots Revenue (45%)	General Fund Revenue	Sale of Lots Revenue (45%)
Grave Sales	85	n/a	\$ 43,166	n/a	\$ 29,102	n/a	\$ 72,268
Non-resident Traditional & Cremation Burials	85	\$ 43,607	n/a	\$ 26,566	n/a	\$ 70,172	n/a
Resident Traditional & Cremation Burials	98	\$ 58,307	n/a	\$ 33,803	n/a	\$ 92,110	n/a
Total		\$ 101,913	\$ 43,166	\$ 60,369	\$ 29,102	\$ 162,282	\$ 72,268
		Total	\$ 145,079	Total	\$ 89,471	Total	\$ 234,550
		Total Funding For Westview Building (FY2020)		132,637			
		Increasing by 2.5% for FY2021		135,953			

Westview Cemetery Building Construction- Funding Plan

In addition to the new revenue from Table 1, the Sale of Cemetery Lots Fund starts with a projected fund balance of \$667,860 in FY2021 (Table 2 Col F). This fund balance will supplement fee revenue to cover the debt service for the Westview Cemetery building construction.

Table 2 illustrates the projected revenue inflows, debt service and Sale of Cemetery Lots Fund Balance over the life of the bond and assumes the following:

- All revenue from Cemetery Sale of Lots fund (Col A) and ‘new’ fee revenue from the General Fund (Col B) will be dedicated to the Westview building debt service.
- Total fee revenues of \$135,953 are projected for FY2021 and will increase by 2.5% per year (Col C).
- The Westview Cemetery building is expected to cost \$3.29M which will be bonded over 20 years with an assumed interest rate of 4%. The full \$3.29M construction cost will be debt financed with a level-payment structure, to best match the inflow of fee revenue (Col D).

Table 2:

	A	B	C	D	E	F	G	H	I
	Available Fee Revenue			Net Cash Flow		Use of Cemetery Sale of Lots Fund Balance			
FY	Cemetery Sale of Lots Fund	General Fund (Burial Fees)	Total Available Fee Revenue	Total Debt Service- Level Payment	Annual Cash Flow Surplus/ (Short-fall)	Sale of Cemetery Lots Beginning Balance	Contribution to Debt Service	Sale of Cemetery Lots Ending Balance	Additional Tax Levy Support
FY2021	\$ 74,075	\$ 61,878	\$ 135,953	\$ 155,625	\$ (19,672)	\$ 667,860	\$ (19,672)	\$ 648,188	\$ -
FY2022	\$ 75,927	\$ 63,425	\$ 139,352	\$ 302,084	\$ (162,732)	\$ 648,188	\$ (162,732)	\$ 485,456	\$ -
FY2023	\$ 77,825	\$ 65,011	\$ 142,836	\$ 274,334	\$ (131,498)	\$ 485,456	\$ (131,498)	\$ 353,958	\$ -
FY2024	\$ 79,770	\$ 66,636	\$ 146,406	\$ 257,834	\$ (111,428)	\$ 353,958	\$ (111,428)	\$ 242,530	\$ -
FY2025	\$ 81,765	\$ 68,302	\$ 150,067	\$ 242,084	\$ (92,017)	\$ 242,530	\$ (92,017)	\$ 150,513	\$ -
FY2026	\$ 83,809	\$ 70,010	\$ 153,818	\$ 242,084	\$ (88,266)	\$ 150,513	\$ (88,266)	\$ 62,247	\$ -
FY2027	\$ 85,904	\$ 71,760	\$ 157,664	\$ 242,084	\$ (84,420)	\$ 62,247	\$ (62,247)	\$ -	\$ (22,173)
FY2028	\$ 88,052	\$ 73,554	\$ 161,605	\$ 242,084	\$ (80,479)	\$ -	\$ -	\$ -	\$ (80,479)
FY2029	\$ 90,253	\$ 75,393	\$ 165,645	\$ 242,084	\$ (76,439)	\$ -	\$ -	\$ -	\$ (76,439)
FY2030	\$ 92,509	\$ 77,277	\$ 169,787	\$ 242,084	\$ (72,297)	\$ -	\$ -	\$ -	\$ (72,297)
FY2031	\$ 94,822	\$ 79,209	\$ 174,031	\$ 242,084	\$ (68,053)	\$ -	\$ -	\$ -	\$ (68,053)
FY2032	\$ 97,192	\$ 81,190	\$ 178,382	\$ 242,084	\$ (63,702)	\$ -	\$ -	\$ -	\$ (63,702)
FY2033	\$ 99,622	\$ 83,219	\$ 182,842	\$ 242,084	\$ (59,242)	\$ -	\$ -	\$ -	\$ (59,242)
FY2034	\$ 102,113	\$ 85,300	\$ 187,413	\$ 242,084	\$ (54,671)	\$ -	\$ -	\$ -	\$ (54,671)
FY2035	\$ 104,666	\$ 87,432	\$ 192,098	\$ 242,084	\$ (49,986)	\$ -	\$ -	\$ -	\$ (49,986)
FY2036	\$ 107,282	\$ 89,618	\$ 196,900	\$ 242,084	\$ (45,184)	\$ -	\$ -	\$ -	\$ (45,184)
FY2037	\$ 109,964	\$ 91,859	\$ 201,823	\$ 242,084	\$ (40,261)	\$ -	\$ -	\$ -	\$ (40,261)
FY2038	\$ 112,713	\$ 94,155	\$ 206,868	\$ 242,084	\$ (35,216)	\$ -	\$ -	\$ -	\$ (35,216)
FY2039	\$ 115,531	\$ 96,509	\$ 212,040	\$ 242,084	\$ (30,044)	\$ -	\$ -	\$ -	\$ (30,044)
FY2040	\$ 118,420	\$ 98,922	\$ 217,341	\$ 242,084	\$ (24,743)	\$ -	\$ -	\$ -	\$ (24,743)
FY2041	\$ 121,380	\$ 101,395	\$ 222,775	\$ 242,084	\$ (19,309)	\$ -	\$ -	\$ -	\$ (19,309)
	\$ 2,013,593	\$ 1,682,053	\$ 3,695,645	\$ 5,105,304					\$ (741,799)

Table 2 shows that the dedicated fee revenues are not sufficient to cover the debt service for the cemetery building project throughout the life of the debt. However, the Sale of Cemetery Lots fund, which has accumulated a balance from fee revenues, closes some of the funding gap. This model projects that the Sale of Cemetery Lots fund balance will be depleted approximately 7 years into the 20 year debt (FY2027).

In this model the tax levy will have to supplement the cost of the debt service beginning in FY2027 (Col I), and continue through the life of the debt. The additional amount of general fund- tax levy support needed to cover the debt service is projected to be approximately \$742K over the life of the debt.

Alternative Funding Plan

Table 3 illustrates an alternative funding plan: using the balance of the Sale of Cemetery Lots fund (\$600K) to cash finance part of the \$3.29M construction project, and bond the remaining \$2.69M. This results in a greater contribution from the tax levy in the earlier years of the debt service, but would result in a lower contribution over the life of the debt (\$582K compared to \$742K from table 2 (Col F).

Table 3:

	A			B		C	D		E	F			G	H	I
	Available Fee Revenue				Net Cash Flow		Use of Cemetery Sale of Lots Fund Balance								
FY	Cemetery Sale of Lots Fund	General Fund (Burial Fees)	Total Available Fee Revenue	Total Debt Service- Level Payment	Annual Cash Flow Surplus/ (Short-fall)	Sale of Cemetery Lots Beginning Balance	Contribution to Debt Service	Sale of Cemetery Lots Ending Balance	Additional Tax Levy Support						
FY2021	\$ 74,075	\$ 61,878	\$ 135,953	\$ 139,625	\$ (3,672)	\$ 667,860	\$ (3,672)	\$ 664,188	\$ (3,672)						
FY2022	\$ 75,927	\$ 63,425	\$ 139,352	\$ 257,935	\$ (118,583)	\$ 664,188	\$ (118,583)	\$ 545,605	\$ (118,583)						
FY2023	\$ 77,825	\$ 65,011	\$ 142,835	\$ 230,185	\$ (87,350)	\$ 545,605	\$ (87,350)	\$ 458,255	\$ (87,350)						
FY2024	\$ 79,770	\$ 66,636	\$ 146,406	\$ 213,685	\$ (67,279)	\$ 458,255	\$ (67,279)	\$ 390,976	\$ (67,279)						
FY2025	\$ 81,765	\$ 68,302	\$ 150,066	\$ 197,935	\$ (47,869)	\$ 390,976	\$ (47,869)	\$ 343,107	\$ (47,869)						
FY2026	\$ 83,809	\$ 70,009	\$ 153,818	\$ 197,935	\$ (44,117)	\$ 343,107	\$ (44,117)	\$ 298,990	\$ (44,117)						
FY2027	\$ 85,904	\$ 71,760	\$ 157,663	\$ 197,935	\$ (40,271)	\$ 298,990	\$ (62,247)	\$ 236,743	\$ (40,271)						
FY2028	\$ 88,052	\$ 73,553	\$ 161,605	\$ 197,935	\$ (36,330)	\$ 236,743	\$ -	\$ 236,743	\$ (36,330)						
FY2029	\$ 90,253	\$ 75,392	\$ 165,645	\$ 197,935	\$ (32,290)	\$ 236,743	\$ -	\$ 236,743	\$ (32,290)						
FY2030	\$ 92,509	\$ 77,277	\$ 169,786	\$ 197,935	\$ (28,149)	\$ 236,743	\$ -	\$ 236,743	\$ (28,149)						
FY2031	\$ 94,822	\$ 79,209	\$ 174,031	\$ 197,935	\$ (23,904)	\$ 236,743	\$ -	\$ 236,743	\$ (23,904)						
FY2032	\$ 97,192	\$ 81,189	\$ 178,382	\$ 197,935	\$ (19,553)	\$ 236,743	\$ -	\$ 236,743	\$ (19,553)						
FY2033	\$ 99,622	\$ 83,219	\$ 182,841	\$ 197,935	\$ (15,094)	\$ 236,743	\$ -	\$ 236,743	\$ (15,094)						
FY2034	\$ 102,113	\$ 85,300	\$ 187,412	\$ 197,935	\$ (10,523)	\$ 236,743	\$ -	\$ 236,743	\$ (10,523)						
FY2035	\$ 104,666	\$ 87,432	\$ 192,098	\$ 197,935	\$ (5,837)	\$ 236,743	\$ -	\$ 236,743	\$ (5,837)						
FY2036	\$ 107,282	\$ 89,618	\$ 196,900	\$ 197,935	\$ (1,035)	\$ 236,743	\$ -	\$ 236,743	\$ (1,035)						
FY2037	\$ 109,964	\$ 91,858	\$ 201,823	\$ 197,935	\$ 3,888	\$ 236,743	\$ -	\$ 236,743	\$ -						
FY2038	\$ 112,713	\$ 94,155	\$ 206,868	\$ 197,935	\$ 8,933	\$ 236,743	\$ -	\$ 236,743	\$ -						
FY2039	\$ 115,531	\$ 96,509	\$ 212,040	\$ 197,935	\$ 14,105	\$ 236,743	\$ -	\$ 236,743	\$ -						
FY2040	\$ 118,420	\$ 98,921	\$ 217,341	\$ 197,935	\$ 19,406	\$ 236,743	\$ -	\$ 236,743	\$ -						
FY2041	\$ 121,380	\$ 101,394	\$ 222,774	\$ 197,935	\$ 24,839	\$ 236,743	\$ -	\$ 236,743	\$ -						
	\$ 2,013,593	\$ 1,682,047	\$ 3,695,639	\$ 4,206,323					\$ (581,856)						

Cemetery Operating Revenues & Expenses

As noted above, revenues from burials are directed to the General Fund. This revenue supports cemetery operations, including staff costs and operating expenses. In addition, interest earned from the Cemetery Perpetual Care Trust Fund is transferred to the General Fund annually to support cemetery operations. These two funding sources do not fully cover the Town’s cemetery operations, so the tax levy makes up the difference. Municipalities are directed by law to provide cemeteries and burial services, so it is not unusual that the tax levy would fund cemetery operations.

The annual amount of tax levy support to cemetery operations from FY2015 to FY2019 is shown in Table 4.

Table 4:

	FY2019 Actual	FY2018 Actual	FY2017 Actual	FY2016 Actual	FY2015 Actual
Cemetery Fee Revenue (General Fund)	\$ 198,293	\$ 162,270	\$ 123,190	\$ 125,588	\$ 133,079
Interest Income from Cemetery Annual Care	\$ 50,000	\$ 48,500	\$ 105,000	\$ 105,000	\$ 105,000
Total Cemetery Revenue	\$ 248,293	\$ 210,770	\$ 228,190	\$ 230,588	\$ 238,079
Cemetery Operations Salaries & Wages	\$ 230,705	\$ 238,714	\$ 248,370	\$ 241,225	\$ 221,437
Cemetery Operating Expenses	\$ 67,008	\$ 64,201	\$ 61,800	\$ 75,114	\$ 48,868
	\$ 297,713	\$ 302,914	\$ 310,170	\$ 316,339	\$ 270,305
Tax Levy Support of Cemetery Operations	\$ (49,420)	\$ (92,144)	\$ (81,980)	\$ (85,751)	\$ (32,226)

APPENDIX:

Summary of Lexington's Cemetery Accounts

Account:	Type
A General Fund Cemetery Operations	General Fund-Revenue
General Fund Cemetery Operations	General Fund-Expense
B Sale of Cemetery Lots Fund	Special Revenue
C Burial Containers	Revolving Fund
D Cemetery Perpetual Care Trust Fund	Trustees Account
E Cemetery Annual Care Account	Interest from Trust

Notes:

A Cemetery operations are supported by fees collected for performing a burial, interest transferred from the Annual Care Account and by the tax levy. Please see "BURIAL FEES FOR RESIDENTS, BURIAL FEES FOR NON-RESIDENTS and ADDITIONAL FEES" in the attached fee schedule.

Effective on July 1, 2017 the Select Board increased fees related to burials. The differential between the original fee and the new fee was earmarked as new revenue that would help fund a new building at the Westview Cemetery. The revenue is General Fund revenue and is not segregated or 'set-aside' when received.

B The revenue collected from "GRAVE SALES" in the attached fee schedule is split between two funds: 45% of the sale is payable to the Town of Lexington and is deposited into the Sale of Cemetery Lots Special Revenue account. The remaining 55% of the sale is payable to the Trustees of the Public Trust and is deposited into the Cemetery Perpetual Care Trust Fund.

- C** The Town acts as a pass through for customers to purchase grave boxes. We purchase from a vendor and resell to customers when a burial is needed. The revenue and expenses associated with the purchase and sale of grave boxes is segregated in the Burial Containers Revolving Fund.

The Cemetery Perpetual Care Trust Fund is invested by the Trustees of the Public Trust and accumulates interest. The interest generated from the Cemetery Perpetual Care Trust Fund is

- D** transferred annually to the Town's Annual Care account and is then used as a revenue source in the Town's operating budget. The principal balance of the Cemetery Perpetual Care Trust Fund remains in the Trustees account.

- E** The interest generated and transferred annually from the Cemetery Perpetual Care Trust Fund to the Town is held in the Annual Care Account. This Cemetery Annual Care account is essentially a holding account and is designated as a revenue source in the Town's operating budget.