

Appropriation Committee Report

2017 Annual Town Meeting

New Members

Helen Yang

Sanjay Padaki

Lily Manhua Yan

Ellen Basch

Carolyn Kosnoff, *ex officio*

The “Golden Era”

Structural Deficit (1990-2007)

to

Structural Surplus (2008-Present)

Inflation 2008 to Present



Municipal Databank

Implicit Price Deflator and Consumer Price Index
Data current as of 03/26/2017

Consumer Price Index for all Urban Communities, Boston							
Jan	Mar	May	Jul	Sep	Nov	Annual	Annual % Chg
				2008			3.52
				2009			-0.68
				2010			1.54
				2011			2.74
				2012			1.56
				2013			1.37
				2014			1.63
				2015			0.59
				2016			1.48
				2017			

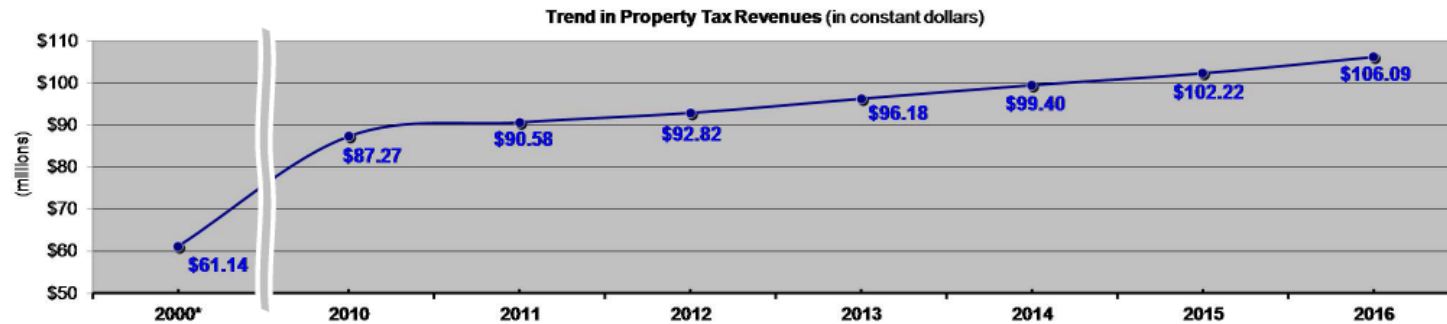
Real Growth in Tax Revenues



Town of Lexington
Summit I – October 6, 2016

Indicator I.4: Property Tax Revenues

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



Use of Surplus Funds

- Paying for omissions of the past
- Putting aside for the future

Paying for Omissions of the Past

- Pension funding
- For many years, on a pay-as-you-go basis
 - Promises of future benefits made to employees
 - Responsibility for paying left to future generations
- Like many other municipalities, followed the “Wimpy Theory” of municipal finance

The Wimpy Theory



Paying for Omissions of the Past

- Long-neglected needs
- Most notably replacement of Senior Center, with benefit of CPA funds
- Significant increase in cash capital

Putting Aside for the Future

- General Stabilization Fund at \$10 million
- OPEB (PEIL) Fund at \$9 million
- Capital Stabilization Fund
 - Currently at \$24 million
 - Projected to go to \$28 million

The “Reverse” Wimpy Theory



“I’LL GLADLY CHARGE YOU TODAY FOR A HAMBURGER ON TUESDAY!”

Storm Clouds

- Economic recovery means
 - higher interest rates
 - Higher inflation
- This will squeeze operating margins under Proposition 2 ½

Storm Clouds

- Revenue freed up if fully fund pension liability may be needed for OPEB liability
- Depending on discount rate used, unfunded OPEB liability ranges from
 - \$130 million to
 - \$200 million

Storm Clouds

- Major capital investment needs
- Maintain, replace and, in case of schools, significantly expand infrastructure
- Particularly challenging because of
 - Limited land
 - Extraordinary inflation in public construction costs
 - Extraordinary growth in school enrollment

Boston Globe Article

November 25, 2016



“Mass. sees flurry of plans for pricey high schools”

Boston Globe Article

November 25, 2016

- “State’s red-hot construction market is driving up costs.”
- “Median per square foot cost for high schools is \$388, although local construction experts say it is often higher in Massachusetts.”
- “New England the most expensive region in the nation to build schools.”

Escalating Construction Costs

- Hastings replacement cost most recently estimated at \$500 per square foot
- MSBA cap at \$330 for reimbursable costs
- Estimate of MSBA reimbursement down from 30% to 25%

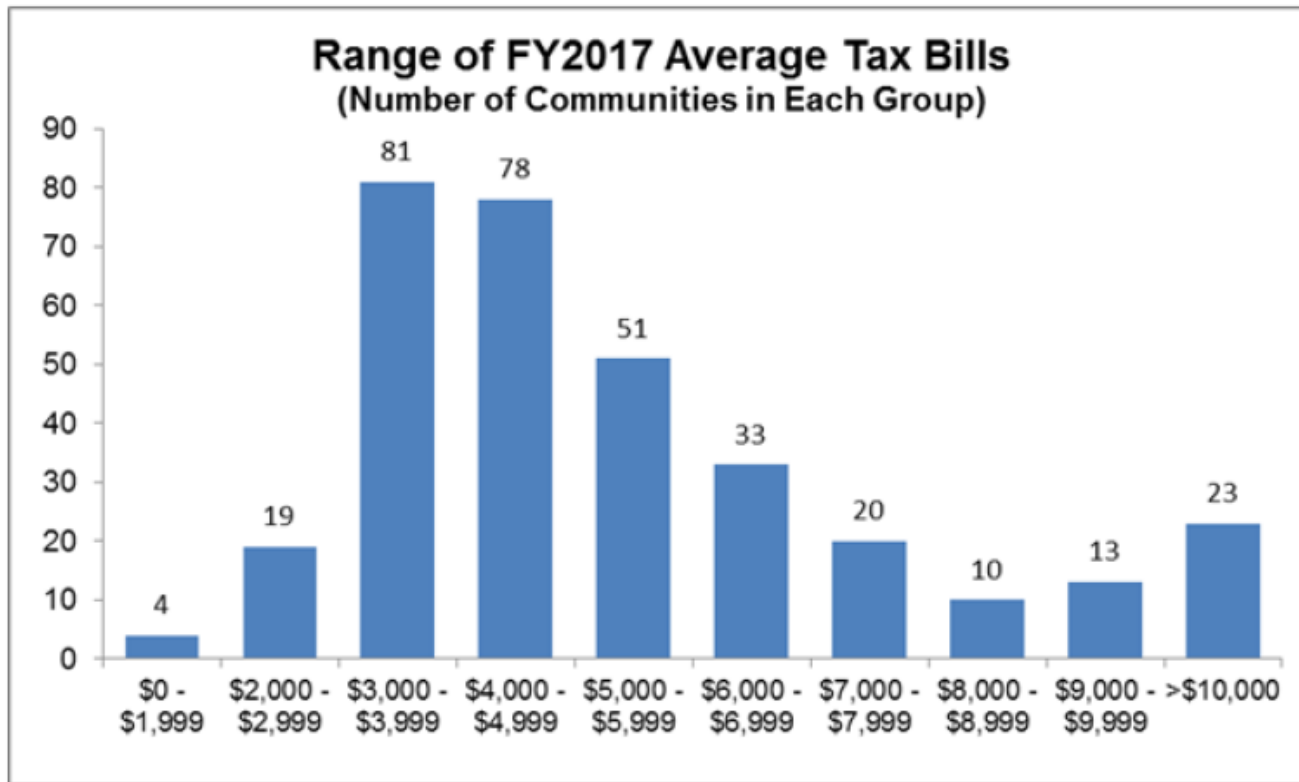
Future Capital Projects

- Planned November 2017 debt exclusion referendum
 - Hastings: \$46 million net of MSBA reimbursement
 - 20 Pelham renovation: \$24 million
 - Fire station reconstruction: \$21 million
 - Pelham Road acquisition: \$8 million
 - 171 Bedford St. acquisition: \$4 million
- Total over \$100 million

Future Capital Projects

- Yet to come
 - Center Streetscape Project
 - Replacement of Visitors' Center
 - Potential seventh elementary school
 - Renovation/replacement of police station
 - Renovation/replacement of Lexington High School

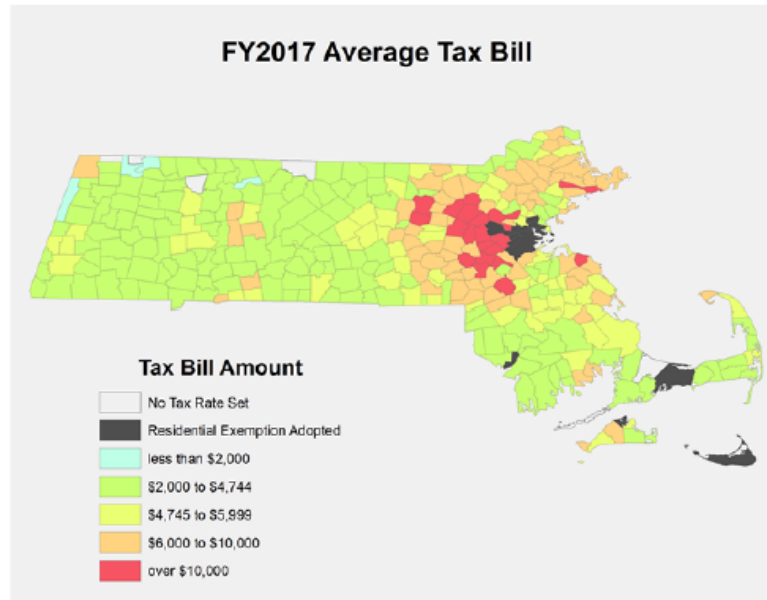
Taxpayer Support



Source: DLS Databank

City and Town, FY2017 Single-Family Residential Tax Bill, 1/19/17

Taxpayer Support



Data Source: DLS Databank

This map shows how most of the communities in the western and central parts of Massachusetts have average tax bills at or less than the median of community averages, \$4,745. The map also shows a cluster of communities with average tax bills over \$10,000 just to the west of Boston.

City and Town, FY2017 Single-Family Residential Tax Bill, 1/19/17

Taxpayer Support

The Highest and Lowest Averages

Chart 3 shows the communities having the 10 highest and lowest FY2017 average bills in descending order.

Chart 3

Highest and Lowest FY2017 Single Family Residential Property Tax Bill Communities							
<u>Highest 10</u>				<u>Lowest 10</u>			
Weston	\$19,380	Carlisle	\$14,062	Cheshire	\$2,548	New Ashford	\$2,279
Sherborn	\$15,425	Concord	\$13,895	Becket	\$2,468	Florida	\$1,474
Lincoln	\$15,185	Lexington	\$13,506	North Adams	\$2,419	Rowe	\$1,298
Dover	\$14,527	Wayland	\$12,529	Windsor	\$2,418	Erving	\$1,289
Wellesley	\$14,333	Sudbury	\$12,520	Tolland	\$2,402	Hancock	\$703

Source: DLS Databank

City and Town, FY2017 Single-Family Residential Tax Bill, 1/19/17

Taxpayer Support



Municipal Databank

Average Single Family Tax Bill
Data current as of 03/27/2017

DOR Code	Municipality	Year	Single Family Values	Single Family Parcels	Average Single Family Value	Single Family Tax Bill*	Rank**
155	Lexington	2009	6,274,760,000	8,934	702,346	9,109	11
155	Lexington	2010	6,184,505,000	8,944	691,470	9,584	11
155	Lexington	2011	6,234,563,000	8,949	696,677	10,032	10
155	Lexington	2012	6,251,243,000	8,963	697,450	10,441	10
155	Lexington	2013	6,441,950,000	8,978	717,526	10,906	9
155	Lexington	2014	6,658,875,000	8,996	740,204	11,481	9
155	Lexington	2015	7,385,759,000	9,003	820,366	12,191	8
155	Lexington	2016	8,008,381,000	9,025	887,355	12,955	8
155	Lexington	2017	8,415,786,000	9,029	932,084	13,506	

*DLS does not have sufficient data to calculate an average single family tax bill for communities that have adopted the residential exemption (MGL c59:5C).

**2017 rankings will not be published until all community tax rates are approved.

Taxpayer Support

<u>Fiscal Year</u>	<u>Lexington Av'g SF Tax Bill</u>	<u>% Increase</u>	<u>My Bill</u>	<u>% Increase</u>
2009	\$9,109		\$11,343	
2010	\$9,584	5.2%	\$11,793	4.0%
2011	\$10,032	4.7%	\$12,520	6.2%
2012	\$10,441	4.1%	\$13,262	5.9%
2013	\$10,906	4.5%	\$13,638	2.8%
2014	\$11,481	5.3%	\$14,219	4.3%
2015	\$12,191	6.2%	\$15,476	8.8%
2016	\$12,955	6.3%	\$16,137	4.3%
2017	\$13,506	4.3%	\$16,582	2.8%
	Average Increase	5.0%		4.9%

Takeaways

- Communication and cooperation among Planning Board, School Committee, Board of Selectmen and financial committees
- Carefully evaluate fiscal impacts of zoning proposals, particularly those premised on a “density bonus”
- Comprehensive Plan update (Article 7) good opportunity to do this

Takeaways

- Give hard thought to
 - Can we do it all?
 - If not, where lines should be drawn?
- Strategic thinking about how we use the Capital Stabilization Fund
- Maintaining taxpayer support is critical