APPROPRIATION COMMITTEE
TOWN OF LEXINGTON

REPORT TO THE
2019 ANNUAL TOWN MEETING

RELEASED MARCH 25, 2019

APPROPRIATION COMMITTEE MEMBERS

Glenn P. Parker, Chair • Sanjay Padaki, Vice Chair • Alan Levine, Secretary

Carolyn Kosnoff (ex officio; non-voting) • John Bartenstein • Ellen Basch

Eric Michelson • Richard Neumeier • Albert Nichols • Lily Manhua Yan

Contents

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

Art-icle	Title	Funds Requested	Funding Source	Committee Recommendation
4	Reduce Community Preservation Act Surtax Rate from 3% to 1%	None	N/A	**IP**
5	Establish Qualifications for Tax Deferrals	None	N/A	**Approve (9-0)**
6	Appropriate for Cremation Facility at Westview Cemetery	**$90,000**	GF	**Disapprove (0-8-1)**
7	Appropriate Funds for the Creation of a Lexington Economic Development Strategy	None	N/A	**IP**
8	Funding for Sustainability Actions	None	N/A	**IP**
10	Appropriate to Post Employment Insurance Liability Fund	**$1,885,486**	GF Water EF Wastewater EF	**Approve (9-0)**
11	Appropriate FY2020 Operating Budget	**$216,793,861**	*See article*	**Approve (9-0)**
12	Appropriate FY2020 Enterprise Funds Budgets	$9,986,021 $9,990,284 $2,953,578 $208,859 **$22,638,546**	Water EF Wastewater EF Recreation EF Tax Levy transfer	**Approve (9-0)**
13	Establish and Continue Departmental Revolving Funds	*See article*	RF	**Approve (9-0)**
14	Appropriate the FY2020 Community Preservation Committee Operating Budget and CPA Projects	**$5,528,047**	CPF	**Approve (9-0) 14(a-d,g-m)** **Approve (7-2) 14(e)** **IP 14(f)**
15	Appropriate for Recreation Capital Projects	**$125,000**	Recreation EF	**Approve (9-0)**

Art-icle	Title	Funds Requested	Funding Source	Committee Recommendation
16	Appropriate for Municipal Capital Projects and Equipment	**$24,596,347**	*See article*	**Approve (9-0) 16(a-e,g-p)** **Approve (6-3) 16(f)**
17	Appropriate for Water System Improvements	**$2,200,000**	Water EF debt	**Approve (9-0)**
18	Appropriate for Wastewater System Improvements	**$1,700,000**	Wastewater EF debt	**Approve (9-0)**
19	Appropriate for School Capital Projects and Equipment	$1,019,812 $724,088 **$1,743,900**	Free Cash GF Debt	**Approve (9-0)**
20	Appropriate for Public Facilities Capital Projects	**$4,744,053**	*See article*	**Approve (9-0) 20(a-f)** **Approve (8-0-1) 20(g)**
21	Rescind Prior Borrowing Authorizations	None	N/A	**Approve (9-0)**
22	Establish, Dissolve and Appropriate to and from Specified Stabilization Funds	**$1,536,759** **$5,200,000** **$1,526**	Tax Levy Capital SF Spec. Rev. Fund	**Approve (9-0)**
23	Appropriate to General Stabilization Fund	None	N/A	**IP**
24	Appropriate from Debt Service Stabilization Fund	**$124,057**	DSSF	**Approve (9-0)**
25	Appropriate for Prior Years' Unpaid Bills	None	N/A	**IP**
26	Amend FY2019 Operating, Enterprise and CPA Budgets	Pending	Pending	**Pending**
27	Appropriate for Authorized Capital Improvements	None	N/A	**IP**
32	Addition of Capital Expenditures Committee to The Representative Town Meeting and Selectmen-Town Manager Act	None	N/A	**Approve (9-0)**

Preface

This preface describes the structure and stylistic conventions used in this report. It is followed by an Introduction discussing changes in the Town's financial status since the previous Annual Town Meeting, along with issues pertinent to the Town's general financial situation. The main body of this report contains article-by-article discussions and recommendations on those articles that, in our opinion, have substantial financial relevance. The report references several appendices at the end of this document that provide a deeper explanation of particular financial issues.

The discussion for each article presents the prevailing view of the Committee, as well as any other considerations or cautions that we feel Town Meeting should be informed of. If one or more Committee members are strongly opposed to the majority position, we summarize the opposing perspective. Each article discussion concludes with the most recent vote of the Committee prior to publication. The vote is summarized by the number of members in favor, followed by the number of members opposed, and lastly (when applicable) the number of members abstaining, e.g. "(6-2-1)" indicates six members in favor, two opposed, and one abstaining. It is not always possible to collect a complete vote for every article from all nine voting members. In such instances, the total number of votes and abstentions published will be less than nine. For convenience, Committee votes are also summarized on the preceding pages.

This report does not replicate information readily available to Town Meeting members elsewhere. Key documents that inform our analysis and provide a more thorough picture of the Town finances are:

- The Town Manager's *Fiscal Year 2020 Recommended Budget & Financing Plan* (the "Brown Book"), dated February 22, 2019, fully describes the annual budget of the Town. The Brown Book also summarizes budget laws and bylaws (Appendix B) and includes a glossary of financial terms (Appendix D). `http://www.lexingtonma.gov/budget`
- The *Fiscal Year 2020 Superintendent's Recommended Budget* (the "Gray Book") dated January 8, 2019, which details the budget plan for the Lexington Public School System. `http://lps.lexingtonma.org/Page/11276`
- Capital Expenditures Committee (CEC) Report to the 2019 Annual Town Meeting, which provides recommendations on appropriation requests for capital projects.
- Community Preservation Committee (CPC) Report to the 2019 Annual Town Meeting, which details requests approved by the CPC and funded using revenue from the CPA surcharge.
- Motions for articles published in advance of Town Meeting, which may update the details of requests previously described in the Brown Book.

Acknowledgements

The content of this report, except where otherwise noted, was researched, written and edited by Committee members who volunteer their time and expertise, and with the support of Town staff. We have the pleasure and the privilege of working with Town Manager James Malloy; Assistant Town Manager for Finance Carolyn Kosnoff; Budget Officer Jennifer Hewitt; the Capital Expenditures Committee; the Community Preservation Committee; the School Committee; the Permanent Building Committee; the Planning Board; Superintendent of Schools Dr. Julie Hackett; Interim Assistant Superintendent for Finance and Operations Peter C. Rowe; 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.

Introduction

The Appropriation Committee is required to create a report with a review of the budget as adopted by the Board of Selectmen, including an assessment of the budget plan and a projection for future years' revenues and expenses. This report includes the Committee's analysis and recommendations regarding all appropriations of Town funds that are anticipated in the Town Warrant, and other municipal matters that may come before Town Meeting. This report is published and distributed to the members of Town Meeting as a printed document and as an electronic document via the Town website. The Committee also makes presentations during Town Meeting, including recommendations on appropriations and other matters for which the Committee's formal position was pending at the time of publication.

Committee Membership

There have been no changes to the Committee's membership since the 2018 Special Town Meeting #1. In January 2019 the Committee elected new leadership as follows: Chair: Glenn Parker; Vice-Chair: Sanjay Padaki; Secretary: Alan Levine.

Reserve Fund

As of publication, the Committee has approved no Reserve Fund transfers during FY2019, and this fiscal year's balance remains at $900,000.

Developments Since Adoption of the FY2019 Budget

The Town held a Special Town Meeting in November 2018, at which time the Town's new growth figure for FY2019 was updated from $2,500,000 to $3,270,004. Article 2018-1.3 appropriated $550,000 to complete the design of the Center Streetscape project. Article 2018-1.5 appropriated $50,000 fund a feasibility study to determine feasible locations and future uses for the Hosmer House. Minor updates to the FY2019 budget were approved, and an additional $145,004 was appropriated into the Capital Stabilization Fund.

FY2020 Revenue and Budget

The main body of this report contains the Committee's analysis of all the appropriation requests that make up the next fiscal year's budget. Here we discuss some of the overarching trends in Town finance.

The Town Manager's report at the start of the Brown Book provides a comprehensive overview of the FY2020 estimated revenue and proposed budget, which are summarized in the following two tables.

Revenue Source	FY2019 Tax Recap	FY2020 Projected	$ Change	% Change	% of Total Revenue
Property Tax	$172,804,577	$183,792,412	$6,987,835	4%	80.3%
State Aid	$15,996,335	$16,187,516	$191,181	1.2%	7.1%
Total Local Receipts	$13,727,959	$14,086,885	$358,926	2.6%	6.2%
Available Funds	$14,485,806	$15,473,392	$987,586	6.8%	6.8%
Other Available Funds: Use of Capital Stabilization Fund	$573,000	-	($573,500)	(100.0%)	-
Revenue Offsets	($1,983,075)	($2,213,983)	($230,908)	11.6%	(1.0%)
Enterprise Receipts	$1,646,939	$1696,348	$49,409	3.0%	0.7%
Gross General Fund Revenues	**$221,252,041**	**$229,022,571**	**$7,770,529**	**3.5%**	**100.0%**
Less – Revenue Set-Aside for Designated Expenses	$13,651,982	$12,228,710	($1,423,272)	(10.4%)	5.3%
Net General Fund Revenues	***$207,600,059***	***$216,793,860***	***$9,193,801***	***4.4%***	***94.7%***

Gross revenue is projected to increase 3.5% in FY2020, which is similar to last year, but still modest in comparison to the average rate of about 5% over the last eight years. The growth in State Aid has slowed dramatically from prior years with the legislature's reduced emphasis on boosting Chapter 70 aid, but the budget assumes that Cherry Sheet assessments will maintain a typical growth rate of 3.5%.

When the Town's "new growth" tax revenue is certified in the fall, the actual gross revenue may be increased from the amount projected here.

Budget Program	FY2019 Appropriated	FY2020 Recommended	$ Change	% Change
Education	$110,237,662	$116,023,888	$5,786,226	5.2%
Shared Expenses	$59,508,858	$60,541,457	$1,032,599	1.7%
Municipal Departments	$38,282,035	$40,228,516	$1,946,481	5.1%
Subtotal Operating Budget	***$208,028,555***	***$216,793,861***	***$8,765,306***	***4.2%***
Cash Capital	$7,549,138	$7,220,666	($328,472)	(4.4%)
Other (Approp. to reserves, misc.)	$5,674,348	$5,008,044	($666,304)	(11.7%)
Total General Fund	**$221,252,041**	**$229,022,571**	**$7,770,530**	**3.5%**

The proposed budget is balanced, as required by law, and will not require an operating override. It will provide the consistent and reliable level of service that is expected by residents.

It is notable that two of the main components of the Operating Budget, Education and Municipal programs, are growing faster than the long-term average. That growth is offset by the unusually low rate for Shared Expenses, and short-term declines in cost for Cash Capital, and Other programs. The low rate for Shared Growth is due to a more modest increase in health benefits combined with cyclical decline for within-levy debt service. The atypical decline in Cash Capital reflects a pullback in cash capital spending for FY2020, but capital spending in coming years is expected to revert to recent historical trends.

The Challenge Ahead: Priorities and Planning

The Introduction to last year's Report to the 2018 Annual Town Meeting ended with a section labeled, "The Challenge Ahead: Balancing Need to Upgrade Infrastructure with Taxpayer Impact". That section commented on the financial situation as of March 2018 along with the challenges facing the Town. It sounded a note of concern about Town finances in the coming years, and that concern is even more pressing today. To be sure, the Town's financial situation is robust, but we face choices now and in the immediate future that will test our priorities and demand a disciplined approach to the planning and implementation of our capital and operating budgets.

Three overriding factors drive this concern. First, the Town is carrying a significant amount of debt, the result of funding many capital projects over the past decade, some of which were large enough to require 30-year bond durations. Second, Lexington is now in the state's top ten list for residential property tax bills, the result of strong and continuing growth in the operating budget combined with the debt service for "excluded" debt. Third, the Town is anticipating several additional significant capital projects and it has yet to approve most of the funding that these projects will require. If approved, this new funding would require additional debt which would sustain the pressure on the Town's property tax rate in the coming years.

The existing debt has allowed the Town to fund much-needed improvements, including the renovation and replacement of many school buildings, and the construction of modern facilities that are vital to public safety. At the same time, these recent projects limit the Town's ability to fund new projects until the debt service declines.

In FY2019, the tax bill for a single-family (SF) home of average value in Lexington ranked 8th in the state. Lexington's total annual property tax levy is also in the top ten and is exceeded by only a few of the largest cities in the state. This fact has far-reaching impacts on the Town due to the higher cost of living and the barriers to entry. High property values mean that low- and moderate-income families find it difficult, if not impossible, to afford a home in Lexington, and the tax burden further constrains the size of a mortgage that these households can afford. Retirees who purchased a home long before the current period of housing inflation often choose to move elsewhere because the growing tax burden threatens their fixed/limited income. The end result is a population dominated by comparatively wealthy families, many with school-age children.

Municipality	Rank	Avg. SF Tax Bill	Avg. SF Home Value	SF Parcels	Tax Rate
Weston	1	$20,016	$1,589,799	3,361	12.59
Lincoln	2	$16,118	$1,148,815	1,521	14.03
Sherborn	3	$15,952	$813,047	1,329	19.62
Dover	4	$15,693	$1,213,681	1,829	12.93
Wellesley	5	$15,406	$1,331,551	7,301	11.57
Carlisle	6	$15,016	$821,011	1,713	18.29
Concord *	7	$15,125	$1,034,633	4,591	14.19
Lexington	8	$14,834	$1,050,585	9,030	14.12
Wayland	9	$13,719	$750,469	4,066	18.28
Winchester	10	$13,083	$1,080,308	5,658	12.11

* estimated

Source: MA Dept. of Revenue, Division of Local Services Municipal Databank

The debt that funds most of the Town's major capital improvements is contingent on voter approval. The most recent excluded debt referendum held in December 2017 succeeded, granting the Town the authority to increase the tax levy above the limits of Proposition 2½ to fund the Maria Hastings School, the new Fire Headquarters, and the Lexington Children's Place (PreK). Town Meeting appropriated a total of $102 million for these three projects, and the Town will be paying the associated debt service for up to 30 years.

The Town still has two major capital projects in the immediate future: the new Police Station and the renovation or replacement of Lexington High School. The Police Station project is already in the design phase and the construction cost is estimated at $25.6 million.

The high school project remains a very big question mark. The Town is acutely aware of the need for additional space, improved security, and updated facilities at Lexington High School, but as of now it is impossible to say how the Town will eventually address those needs.

A key step in defining a plan is to engage with the Massachusetts School Building Authority (MSBA) by submitting a Statement of Interest (SOI) describing the needs and concerns related to the school. The School Department recently submitted its first SOI regarding the high school, but the MSBA frequently declines to act on the first SOI it receives for many projects. Depending on the relative urgency of SOIs from other school districts across the state, it may be one or more years before our SOI is selected for further consideration. Once accepted, the MSBA will work with the Town to determine what kind of project would best address the needs of the school, which could range from renovation and/or expansion all the way up to total reconstruction. While the Town has the option to begin design work without the MSBA's participation, none of the design costs incurred prior to MSBA acceptance would be eligible for matching reimbursement from the MSBA, and it's possible that the MSBA would not deem the designs suitable for the project.

Without any specific plans, we can offer no estimate for the total cost for the high school project, but we believe that it will require major construction involving one or more buildings. At the upper end, a complete replacement of the high school could cost in the ballpark of $350 million, based on our predicted enrollment needs and the cost per square foot of recently completed school construction projects outside of Lexington. We assume less-expensive options would still cost in the ballpark of $100 million or more.

The Town finance staff and the major boards and committees have begun to consider the future impact of debt service for a high school project in its capital planning, but it is difficult to make any concrete projections until the scale of the project can be narrowed down. Instead, we are left with a looming cost in the low-to-medium hundreds of millions of dollars with an indeterminate starting date.

The Town finance staff and the major boards and committees have begun to consider the future impact of debt service for a high school project in its capital planning, but it is difficult to make any concrete projections until the scale of the project can be narrowed down. Instead, we are left with a looming low to medium 9-figure expense with an indeterminate starting date.

If the project costs fall in the window discussed above, it would require excluded debt-funding and approval in a voter referendum. Our concern is that, given the current tax burden, voter approval could be challenging to obtain. A key factor in this decision will be voter perception of the Town's ability to make the best use of tax funds. Part of that perception will rely on a clear and comprehensive explanation of the priorities we weigh when approving capital projects, and the prudent spacing of projects over the years to avoid unreasonable jumps in the tax rate.

We urge Town Meeting to consider these points carefully, starting with this Town Meeting and going forward.

Updates

This report presents the official positions of the Committee as of the date of publication. The Committee will continue to meet as necessary during Town Meeting and it may revise its official positions based on new or updated information. The Committee will also provide an oral report to Town Meeting on each article. The oral report will summarize the Committee's current position, which may have been updated following publication of this report.

Warrant Article Analysis and Recommendations

Article 4
Reduce Community Preservation Act Surtax Rate from 3% to 1%

Funds Requested	Funding Source	Committee Recommendation
None	**N/A**	**IP**

This Committee's usual practice is to forego detailed commentary on articles when a motion to indefinitely postpone is anticipated. In this case, we felt it was worthwhile to include our analysis, and to note that if the motion were not slated for indefinite postponement, the Committee would unanimously recommend disapproval of this request.

This citizen's article seeks to reduce the CPA surcharge rate from 3% to 1% in order to provide tax relief to Lexington residents. If this article is approved, the reduction of the CPA surcharge rate would then need to be approved by a majority of those voting in a town wide ballot, likely in March 2020. If approved at each of these two stages, a reduction would take effect in FY2021.

Since its adoption at the 2006 Annual Town Meeting, and subsequent voter approval in FY2007, the Town began to assess a Community Preservation Surcharge of 3% of the property tax levied on all taxable real property. Beginning in FY2008, the Town began receiving state matching funds to supplement the local surcharge. The size of the state's first-round match is calculated as a percentage of the surcharge revenue raised by the municipality. Two minor follow-up grants are given to municipalities with a 3% CPA surcharge rate. The percentage used for the state match calculation varies each year and is determined by the number of communities that qualify for the state match and the annual fee revenue deposited into the State's CPA Trust Fund.

For FY2019, Lexington received a total of $922,256 in State matching funds. This amount was the sum of a 19.01% first-round distribution of $886,051, plus a $22,508 equity round, and a $13,697 surplus round. For FY2020, the Division of Local Services estimates that the first-round match will decline to 11.57% of CPA surcharge revenue, a record low rate.[1] Applying this percentage to the Town's FY2019 CPA surcharge revenue would yield approximately $561,000 for the first-round distribution in FY2020.

The Department of Revenue's *Comprehensive Guidelines on CPA Adoption and Implementation* states that before a surcharge can be revoked, a determination must be made as to the whether there are sufficient uncommitted monies available within the Town's Community Preservation Fund (CPF) to meet all outstanding obligations, including future debt service payments. If not, the surcharge must continue to be assessed at levels sufficient to fund the remaining obligations. The Committee understands that the outstanding debt issued for CPA-funded projects in Lexington would necessitate a CPA surcharge greater than 1% for the next few years, as can be seen from the table in the discussion of Article 14(l).

Lowering the CPA surcharge to the minimum level required to fund previously approved debt would effectively deny funding for any new CPA projects until the last payment on current CPA debt is made in

[1] Since 2008, the matching rate has fallen drastically due to the growing number of cities and towns that have adopted the law and are now eligible for a state match. In addition, the fees collected by the Registry of Deeds and Land Court, which provide revenue for the match, have not been adjusted since the CPA was enacted. In four out of the last six years, the legislature has approved one-time appropriations from the state's budget surplus into the CPA Trust Fund to prop up the matching rate. Several bills have been introduced in the State legislature to establish larger and more stable funding sources for the CPA Trust Fund, but none has been successful so far.

FY2025. In the years following that, the reduction in annual revenue from the lower CPA surcharge would constrain the scope of new CPA projects. It would become more difficult for the Town to acquire open space, develop affordable housing, preserve historic resources, and develop recreational facilities. While it is possible to fund such projects using non-CPA funds, the frequency of such projects increased notably after 2007, the first year that CPA funds became available.

The Committee supports indefinite postponement for this article.

Article 5
Establish Qualifications for Tax Deferrals

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

This article proposes to raise the income threshold for participation in the Town's tax deferral program under G.L. c. 59, § 5, Cl. 41A from $70,000 to $75,000. Under the deferral program, qualifying residents age 65 or older can postpone payment of some or all of their property taxes, in an amount up to half the value of their home, until the property is sold or otherwise disposed of. For general background on Clause 41A and other programs offering property tax relief to seniors, please see Appendix D to this Report.[2]

The 41A Program and the Home Rule Petition

Under generally applicable state law, the highest income threshold a Town may adopt for participation in the Clause 41A program is the limit established by the DOR each year under the state's Circuit Breaker program for a single person who is not a head of household, currently $58,000. In 2008, in response to a home rule petition, the state legislature enacted a special law (Chapter 190 of the Acts of 2008) allowing Lexington to expand eligibility beyond that permitted under the general laws. The special law permits the Town, by vote of Town Meeting and with the approval of the Selectmen, to set its own income limit for deferrals.[3] Town Meeting most recently raised the income threshold from $65,000 to $70,000 in 2016.

The Proposed Increase

This year, the Tax Deferral and Exemption Study Committee (DESC) has recommended that the Town increase the threshold by an additional $5,000 to $75,000 and the Board of Selectmen has voted to approve such an increase. The change is intended to help ensure that all persons who have been participating in the program can continue to do so, and to allow more residents to participate.

With a history of low utilization, and a participation rate that has not materially changed after the most recent increase in the income limit, as illustrated by the chart below, it is unlikely that this change will add significantly to the number of deferrals or produce a material impact on the Town's finances.

[2] A brochure prepared by the Selectmen's Tax Deferral and Exemption Study Committee entitled *Property Tax Relief Programs* is available on the Town web site: `http://www.lexingtonma.gov/assessor`. The site also has detailed information about who qualifies for Clause 41A deferrals and the application process.

[3] The special law also permits the Town to adopt a lower age of eligibility than 65, or to condition eligibility on objective criteria of disability or other hardship for persons who would not otherwise qualify based on their age, but the Town has never done so.

Lexington Property Tax Deferral History

Fiscal Year	Interest Rate[4]	Number of Deferrals	Income Threshold	Average Deferral	Total Deferred
2001	8.00%	23	$40,000	$3,519	$80,946
2002	8.00%	24	$40,000	$4,149	$99,582
2003	8.00%	21	$40,000	$3,836	$80,459
2004	8.00%	23	$40,000	$3,502	$80,459
2005	8.00%	16	$40,000	$4,688	$75,000
2006	8.00%	16	$40,000	$4,625	$74,000
2007	4.77%	15	$40,000	$4,905	$73,578
2008	4.92%	20	$40,000	$5,092	$101,832
2009	1.66%	26	$40,000	$5,938	$154,380
2010	0.68%	28	$50,000	$6,287	$176,034
2011	0.34%	28	$51,000	$6,335	$177,391
2012	0.26%	29	$60,000	$6,601	$191,457
2013	0.18%	29	$60,000	$6,898	$200,051
2014	0.15%	29	$65,000	$7,637	$221,479
2015	0.12%	28	$65.000	$8,089	$226,501
2016	0.25%	43	$65,000	$8,524	$366,553
2017	0.66%	41	$70,000	$9,094	$372,859
2018	0.82%	42	$70,000	$9,569	$401,897
2019	1.96%	*TBD*	$70,000	*TBD*	*TBD*

The Committee believes that the proposed increase of the threshold to $75,000 will offer needed property tax relief to some moderate-income senior homeowners who cannot currently take advantage of the deferral program. Given the nature of the program, which essentially involves well-secured temporary loans by the Town, the burden on and financial risk to the Town is minimal.

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

Article 6
Appropriate for Cremation Facility at Westview Cemetery

Funds Requested	Funding Source	Committee Recommendation
$90,000	**GF**	**Disapprove (0-8-1)**

This is a citizen article requesting $90,000 for design, engineering and architectural services including Site Design, Schematic Design, Design Development, Construction Drawings and Bid Documents for a crematory facility. This project would become an added component of a new Westview Cemetery building, which

[4] The general law originally provided for an interest rate of 8% but was subsequently amended to allow a town, by vote of its legislative body, to establish a lesser rate. Effective in 2007, Town Meeting adopted a variable rate intended to match the Town's cost of funds for the year in question. See Appendix D. The interest rate for FY2020 will be 2.55%.

will be considered under Article 20(g). Funding for this request would come from the General Fund unreserved fund balance, and (per the motion) any expenditure would be contingent on an affirmative recommendation of the Ad Hoc Crematory Study Committee (CSC) and acceptance of said recommendation by the Board of Selectmen.

Cremation rates in the U.S. are currently at an all-time high, and more people are choosing to be cremated rather than buried due to lower costs and reduced environmental burden. According to the National Funeral Directors Association, cremation rates in the US have risen from 3.6% in 1960 to 48.6% in 2015 and are projected to reach nearly 80% by 2035. Additionally, the demographics in Lexington have shifted, with growing number of residents whose religious traditions—including Hinduism, Sikhism, Buddhism and Jainism—require them to cremate the remains of the dead. Many of these residents have expressed a desire to perform their last rites in Lexington, from both a legacy and proximity perspective. A local crematory would provide a service to these cultural groups, as well other residents who opt for cremation.

Based on the above facts, the CSC was appointed by the Board of Selectmen in fall 2018 to study the issue and provide a recommendation. The CSC will present an interim report during this Town Meeting, with a final report expected in mid-2019. Previously, the CSC recommended revising the design for the new Westview Cemetery building to make it "addition-ready," and this recommendation was accepted by the Board of Selectmen. The revised design would be able to accommodate a future crematory with up to 2 retorts and a viewing area for up to 25 persons. These design modifications will be made utilizing the existing design funds that were appropriated for the Westview Cemetery building.

The Committee feels that appropriating funds for site design all the way through bid documents is very premature, given that the CSC has not completed its study of the regional demand and competitive market for cremation services, and has not made any formal recommendation on the scale of the proposed facility. In addition, the practice of the Town is to fund construction and bid documents only after reviewing completed design documents.

The Committee recommends disapproval of this request (0-8-1).

Article 7
Appropriate Funds for the Creation of a Lexington Economic Development Strategy

Funds Requested	Funding Source	Committee Recommendation
None	**N/A**	**IP**

The Committee supports indefinite postponement for this article.

Article 8
Funding for Sustainability Actions

Funds Requested	Funding Source	Committee Recommendation
None	**N/A**	**IP**

The Committee supports indefinite postponement for this article.

Article 10
Appropriate to Post Employment Insurance Liability Fund

Funds Requested	Funding Source	Committee Recommendation
$1,885,486	**GF** **Water EF** **Wastewater EF**	**Approve (9-0)**

The Post Employment Insurance Liability (PEIL) Fund holds funds that will be used in the future to pay for health care benefits for retirees. These benefits make up most of "other post-employment benefits" (OPEB). For a detailed discussion of OPEB, the present status of the PEIL Fund, and related issues, please see Appendix F.

This article requests the appropriation of $1,885,486 into the PEIL Fund.

The Town of Lexington's future OPEB liabilities are not fully funded. The unfunded liability is the sum of the actuarially determined obligations incurred during current and prior fiscal years that have not been funded. Every year, the unfunded liability grows by the present value of future benefits earned during the current year[5], less the value of benefits provided to retirees during the current year through the operating budget, and less any contribution to the PEIL Fund for future liabilities.

If a discount rate of 7.5% is assumed, the requested amount is consistent with the policy previously articulated by the Selectmen for the annual appropriation into the PEIL Fund of 35-100% of the normal cost (see Appendix F), which for FY2020 is projected at $4.9 million. If approved, this appropriation would increase the balance in the PEIL Fund from the current balance of $13,996,937 as of December 31, 2018, to approximately $15,900,000.

Part of the funding for the request is based on the use of $750,000 from the remaining balance of the Health Insurance Claims Trust Fund[6] to help cover the Town's annual health insurance costs[7]. This use frees up a matching amount in the General Fund for this request or other potential uses. Funding for this appropriation also includes $1,129,721 from Free Cash, $267,852 of which reflects the amount the Town received in Medicare Part D reimbursements in FY2018 from the federal government. Similar reimbursements have been directed into the PEIL Fund for the past several years. In FY2019 the town received $186,232 which will be reflected in Free Cash at the end of the year and available for FY2021. However, this is likely to be the last year that the Town receives a Medicare Part D reimbursement since all of the Town's retirees are now on Medicare plans through the Group Insurance Commission (GIC). In addition, the requested amount includes $2,761 from the Water Enterprise Fund and $3,004 from the Wastewater Enterprise Fund that will go toward funding the liabilities for benefits of the employees of the respective departments.

One benefit of contributing to the PEIL Fund is that, like the pension fund, it can be invested in equities and earn a higher return, thus reducing future liabilities. Although the Committee recognizes that there are valid alternative priorities to which some portion of these funds could be allocated, such as additional bolstering of our Capital Stabilization Fund to help address significant upcoming capital investment challenges, it unanimously supports this year's proposed PEIL appropriation.

---

[5] The present value of the expected post-retirement benefit obligations attributable to employee service during the fiscal year is referred to as the "normal cost" or "service cost".

[6] The Health Insurance Claims Trust Fund is a reserve fund the Town was required to maintain when it self-insured for health benefits. When the Town joined the fully insured Group Insurance Commission (GIC), it was agreed that the fund would gradually be spent down for employee health benefit costs.

[7] The Health Insurance Claims Trust Fund had a remaining balance of $3,147,322 on December 31, 2018.

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

Article 11
Appropriate FY2020 Operating Budget

Funds Requested	Funding Source	Committee Recommendation
$216,793,860	**See motion**	**Approve (9-0)**

This article appropriates funds for the Town's annual operating budget, which is divided into the following programs: Education (1000), Shared Expenses (2000), and Municipal programs (3000-8000). Below is a summary of the recommended appropriations broken down by these three top-level programs.

Operating Budget	**FY2019 Budget**	**FY2020 Recommended**	**Share of total**	**$ change**	**% change**
1000 Education	$110,237,662	$116,124,948	54%	$5,887,286	5.3%
2000 Shared expenses	$59,508,858	$60,440,397	28%	$931,539	1.6%
3000-8000 Municipal	$38,282,035	$40,228,516	19%	$1,946,481	5.1%
Total	**$208,028,555**	**$216,793,861**	**100%**	**$8,765,306**	**4.2%**

The recommended total budget of $216,793,861 represents an $8,765,306 increase, or 4.2%, over the FY2019 budget. The Education budget represents 54% of the total, with a 5.3% increase over the FY 2019 budget. The recommended budget for Shared Expenses represents 28% of the total, with a 1.6% increase over FY2019. Finally, the recommended Municipal budget is 19% of the total and reflects an increase of 5.1% over FY2019.

Anticipated increases in personal services expenses from yet-to-be settled contracts with Town employee unions are budgeted in the Salary Adjustment account in the Town Manager budget line under 8000 General Government, rather than in the budget line for each department.

Education

Program 1000 Education	**FY2019 Budget**	**FY2020 Recommended**	**% of Education**	**$ Change**	**% Change**
1100 Lexington Public Schools	$108,111,445	$113,553,757	97.9%	$5,442,312	5.0%
1200 Minuteman Regional High School	$2,126,217	$2,470,131	2.1%	$343,914	16.2%
1000 Total Education	**$110,237,662**	**$116,023,888**	**100%**	**$5,786,226**	**5.2%**

Lexington Public Schools (1100)

The School Committee has voted to recommend an appropriation of $113,553,757 for the Lexington Public Schools (LPS) operating budget for FY2020. This amount does not include:

- The school portion of shared expenses including public facilities, employee/retiree benefits, pension, debt service, liability insurance, and reserve funds.
- Federal, State, local, and private grants; revolving and donation fund activity.

The request represents an increase of 5.0% over the FY2019 appropriation.

The new Lexington Children's Place (LCP; preschool) building is expected to open in September 2019, and the new Maria Hastings School building is expected to be occupied in February 2020. These moves have minor effects on the operating budget that are included in the present request. Among these effects, two new custodial positions will be added to support the new facilities. The projected costs including benefits of these two custodial positions, $131,400, are carried under Shared Expenses.

In presentations, the School Administration has categorized the increases in this budget request relative to the FY2019 request according to the budget drivers shown in the table below. The projected enrollment increases are discussed in more detail below.

Budget Driver	**Amount of increase above FY2019 budget**	**Percent increase above FY2019 budget**
Contractual increases	$2,753,738	2.55%
Legal requirements/mandates	$1,226,899	1.13%
Enrollment increases	$1,589,718	1.47%
Program improvements	$372,519	0.34%

Source: School Department Presentation *FY 2020 Budget Overview*, March 14, 2019.

Further information about the budget request may be found in the "Education" section of the Brown Book and in the "The Level Service and Recommended Budget of the School Committee As voted February 5, 2019" (hereafter "LPS Budget Book"; available on-line at `https://lps.lexingtonma.org/Page/11276`).

A breakdown of this operating budget into (a) salaries and wages, and (b) expenses is shown below.

Appropriation Summary	**FY2019 Budget (adjusted)**	**FY2020 Recommended**	**Dollar Increase**	**Percent Increase**
Salary and Wages	$90,703,277	$95,442,183	$4,738,905	5.22%
Expenses	$17,408,168	$18,111,574	$703,406	4.04%
1100 Lexington Public Schools	$108,111,445	$113,553,757	$5,442,312	5.03%

Source: Article 11 Motion, dated March 15, 2019.

Salaries and Wages

Salaries and wages make up 84% of the FY2020 request. The increase over FY2019 comprises both salary increases for existing staff and the addition to the staff of 26.63 full-time equivalent (FTE) employees.

Salary increases result from step increases, cost of living adjustments (COLA), and any position reclassifications. The budget takes both anticipated bargaining unit settlements and increases for non-union positions into account. The current status of collective bargaining agreements and corresponding expiration dates can be found in the Brown Book on page III-11.

The increases in staff are largely driven by enrollment increases. See the Brown Book or the LPS Budget Book for a detailed list of new positions. The cost of the benefits associated with the new positions, $369,162, is included in under Shared Expenses.

Expenses

Expenses make up 16% of the FY2020 request. An increase in out-of-district tuition of $282,487 is the largest of any line in the detailed expense budget (see the "Expenses" section of the LPS Budget Book).

School Enrollments

The student population that the district serves includes the following categories:

- PreK in-district including special education and tuition paying general education students;
- K-12 in-district general education and special education (including METCO);

- PreK-22 out-of-district placement.

This table shows student enrollments for the past two years and the enrollment projected for the fall of 2019. The decrease in enrollment at the elementary level from October 1, 2017, to October 1, 2018 was the first decline in over ten years. Therefore, confidence in the projection of another decrease is not high. In any case, there is uncertainty associated with any projection. The budget includes 3 new FTEs to cover potential increases in regular education staff and 4.6 new FTEs to cover increases in special education staff in case the enrollment increases go beyond the projections listed in the table below (but not beyond estimated 90% confidence upper limits on the enrollment increases). If the increases do not materialize, the positions will not be filled and the corresponding amounts will not be spent.

	Official Oct. 1, 2017 Enrollment	Official Oct. 1, 2018 Enrollment	Projected FY2020 Enrollment (Cohort Survival Method)
Early Childhood	73	69	74
Elementary	3,153	3,094	3,077
Middle School	1,810	1,833	1,862
High School	2,220	2,263	2,349
Total K-12	7,256	7,259	7,362

The FY2019 LPS METCO program includes a total of 215 students, with 50 receiving special education services. LPS projects it will receive $1,597,800 in state aid for FY2020 for the METCO program. The METCO enrollment has been as high as 240 students and the Director is planning to increase the FY2020 enrollment to 225 students. Based on this number, the projected state aid averages to $7,101 per METCO student.

Special Education Costs Including Out-of-District Tuitions

The PreK-22 Special Education budget of $34,544,589 makes up 30.1% of the overall budget. This amount is a 5.1% increase from the FY2019 budget of $32,872,564.This increase is consistent with the growth of the overall School Department budget.

For out-of-district placements, $7,319,617 is requested for FY2020. This amount is after the use of three offsets (pre-paid tuitions/LABBB credit, IDEA grant, and Circuit Breaker).

Before offsets, the projected total out-of-district tuition expense is $12,488,807, an amount that is slightly more than that budgeted for FY2019, i.e., $12,168,194, but slightly less than the current FY2019 projection of $12,570,129. The FY2020 amount is based on a decrease in the projected number of students, relative to the current FY2019 out-of-district number, from 173 to 149.

Funding Sources Not Subject to Appropriation

The annual appropriation from the Town supports the majority of the school budget. However, the complete school budget includes additional funds from state, federal and other sources that are not subject to appropriation by Town Meeting and are therefore not included in this request. The amounts of these funds vary year to year. Brief discussions of some of these funds follow:

- **Federal Grants** – For FY2020, the School Department projects that it will receive $2,099,704 in federal grants, comparable to the amount that was received in FY2019.
- **State Grants** – The Town receives grants from the state to support METCO and School Health. State grants do not include cherry-sheet local aid for education, because local aid is considered General Fund revenue. The School Health Grant valued at $112,799 was awarded under a program that is being reconfigured for FY2020 to a competitive program. The School Department has applied for the grant, but, given the uncertainty in whether it will be awarded, the FY2020 budget

assumes no school health grant funds will be received. The School Department projects that it will receive $1,597,800 in a state grant in FY2020 through the METCO program.

- **"Circuit Breaker" Reimbursements** – Reimbursements are received from the state when the costs of special education services for an individual student, whether in-district or out-of-district, exceed a multiple of four times the statewide foundation budget. In the past, reimbursement rates have varied between 35% and 75% of the tuition cost. Circuit breaker reimbursement funds are paid to the district quarterly based on the prior year's approved claims. Funds received go into the Circuit Breaker Revolving Account, do not require further appropriation, and must be expended by the following June 30.

  For FY2020, with a projected reimbursement rate of 65%, the Circuit Breaker reimbursement is projected to be $3,378,350.

Fee Programs

Fees for participants in certain programs, such as preschool, athletics, and transportation, support those programs in whole or in part. Detailed information about the fees and proposed fee changes may be found in the "Revenue Offsets" section of the LPS Budget Book.

Regional Schools (1200)

Summary

The Minuteman Regional High School (MRHS) Committee has approved a FY2020 budget of $22,768,830, a $1,608,689 increase (7.6%) over FY2019. The increase is the net effect of a 3.38% increase in the cost of operations and a $1,027,803 increase in debt costs attributable to construction of the new MRHS building. Lexington's assessment is $2,470,131, of which $618,510 is Lexington's share of the debt service for the new school building.

This budget funds the opening and operations of the new school building, designed for an enrollment of up to 628 students. Current high school enrollment is 516 students, of which 354 students come from the 10 member towns of the school district, and 262 students from out-of-district communities. While enrollment is at an all-time low level, there are signs that the new building will help to revive recruitment. Applications from in-district towns are up 10% for the upcoming freshman class. Additionally, the district is committing staff, resources, and parent representatives towards recruitment. Increased enrollment would spread fixed overhead out over more students, reducing the per student cost.

Minuteman's per-student cost remains the highest in the state and is significantly higher than other regional vocational-technical schools. One factor is that Minuteman has a significantly lower student-teacher ratio when compared to the same group of schools. A fully enrolled school would bring down per-student costs and help bring this ratio into line with those similar schools. Another contributing factor is that Minuteman has 46.5% of its students enrolled in special education, the highest level of any public school in the state. This level is similar for both in-district and out-of-district students.

The assessment to the Town of Lexington is increasing by $343,914, or 16.2%, over last year's assessment. While the per-student operating assessment has increased only 6.7%, the debt service costs allocated to Lexington have risen 23%.

District Developments

A special district-wide vote held in 2016 secured approval for the construction of a new $144.9 million school building to replace the aging current facility. Construction is under way and appears to be on-budget and on-schedule for occupancy in fall 2019. The cost of this project is offset by almost $44 million from the Massachusetts School Building Authority (MSBA). The remaining balance is financed with bonded debt. The debt service will be funded via the assessments to district members, and by a new state-authorized facilities fee for capital costs charged to a non-member towns that enroll students at the school. Lexington was first assessed debt service costs for the new facility in FY2017, and the annual amount of the Town's capital assessment will steadily grow to over $675,000 by FY2021.

The district currently has ten member towns. Following a negative vote by the residents of one of the member towns, the Town of Belmont, in a special district-wide referendum election held in 2016 to approve the construction of the new MRHS facility, and with the consent of the remaining member towns, Belmont was scheduled to withdraw from the district effective July 1, 2020. It appears that there is currently a movement in Belmont to rescind that action. However, no official action has yet been taken to effect such a rescission; until that occurs, there is no way to know how the district would legally and financially accommodate such a request, or whether Belmont's return to the district might be conditioned on a commitment to pay its full share of the debt service costs for the new facility.

District Budget Overview

This is the first budget for the school in the new building. The budget has an additional $264,000 of costs related to the opening of the new building. Some of the costs are one-time costs, including $40,000 for purchasing silverware for the culinary arts and school lunch programs, equipping a darkroom, carrying insurance for the old building before it is demolished, a $35,000 contingency for other instructional equipment; and funding for additional staff time prior to school opening for initial set-up of the work spaces. Ongoing costs include 2.0 new FTE's of staff, and conversion of 3.0 FTEs of custodial staff to contractors. Utility costs are projected to drop in the new building, and a photovoltaic canopy has been proposed to further offset energy costs.

One of the principal operating budget drivers is enrollment, which has continued to drop and is below the new building target size of 628 students. As of October 1, 2018, 516 full-time students (high school and post-graduate) were enrolled, of whom 46.5% received special education (SPED) services. Roughly 69% of high school students were from the ten in-district towns while 31% were from out-of-district towns. Total full-time enrollment decreased by 52 students, with in-district enrollment increasing 17 students and out-of-district enrollment decreasing 69 students. On a more positive note, in-district freshman enrollment has remained steady for the prior three years, and in-district applications for the upcoming year are up 10%, even with the departure of some towns from the district.

Out-of-district recruiting remains a challenge. The primary reason is a change in Chapter 74 regulations made several years ago by the Massachusetts Department of Elementary and Secondary Education (DESE) that prohibits the enrollment of out-of-district 9th grade students if their own town has a vocational-technical program. This change lowered the enrollment from many towns that had traditionally sent a large number of students to Minuteman.

Despite lobbying efforts by MRHS, the state-imposed tuition rate set by DESE continues to underfund the District. The base out-of-district tuition was set at $17,266 per student in FY2019 (expected to increase 2.5% to $17,698 for FY2020). By comparison, the average per-pupil cost for Lexington students at MRHS is roughly twice that amount (see table and discussion below).

In addition to the base tuition, towns sending out-of-district students will be assessed a "capital fee" which represents a share of the debt service for new building. The out-of-district per-student capital fee has been set by the state at $4,651 or $6,201, depending on the level of vocation-technical programs that their sending community provides. The capital fee revenue will be applied to next year's debt service, reducing the member towns' contributions. Sending towns are also responsible for providing transportation to their students. In addition, if students receive SPED services, their sending towns are assessed a supplemental SPED tuition charge. The district will be recommending an increase in the out-of-district per-student SPED tuition from $5,300 to $6,200.

Staffing changes include a net decrease in academic, vocational, administrative, and support staff of 3.5 FTEs. With this latest decrease, there has been a 19.5 FTE reduction in positions since FY2015 as a result of declining enrollment. Despite the reduction in FTEs, salaries for FY2020, which make up 60% of the operating budget, are increasing $388,000 after factoring in contractual obligations.

The total health insurance budget is increasing by almost $140,000 (6.2%) due to anticipated cost increases. The contribution to the District's Stabilization Fund has been reduced to $85,000 from $300,000, with a 12/31/18 fund balance of about $766,000. Debt service payments for FY2020 rise to $3,614,834 as debt service for the new construction ramps up. A $50,000 payment will be made toward the funding of the District's $22,945,000 Other Post-Employment Benefits (OPEB) unfunded liability.

Lexington's Assessment

Member towns are assessed a share of the District's total costs for the upcoming year, net of the District's non-assessment revenue (see table below), based on a combination of (1) the State-Required Minimum (SRM) per-student tuition cost set by annually by the DESE; (2) a charge for operating costs in excess of the SRM that is allocated based on the member town's most recent four-year average student enrollment; (3) transportation costs; and (4) debt service costs from capital projects. One percent of the debt service cost is assessed equally to all member towns and the remainder is apportioned based on the most recent four-year rolling average of student enrollment and a "combined effort" factor as determined by the Chapter 70 formula.

This year's assessments are based on an MRHS operating budget that has a projected decrease in non-assessment revenue of $428,593, the drivers of which are identified in the following table:

Non-Assessment Revenue Sources	FY2019	FY2020	Difference
Chapter 70	$2,081,683	$2,092,403	$10,720
Transportation Aid	$880,412	$832,392	($48,020)
Prior Year Tuition	$3,438,424	$3,047,131	($391,293)
Current Year Tuition	$400,000	$400,000	0
Excess and Deficiency (E & D) Funds	$540,000	$540,000	0
Total	**$7,340,519**	**$6,911,926**	**($428,593)**

Chapter 70 funds and transportation aid are estimates based on the Governor's H-1 budget, which proposes modest increases in Chapter 70 aid and transportation aid statewide compared with FY2019. MRHS's share of Chapter 70 aid increases slightly. Transportation Aid decreases slightly because it is a reimbursement for expenses incurred in the prior year. Prior Year's Tuition drops due to reduced out-of-district enrollment.

Projected Lexington Assessment – Based on Unapproved House-1 Budget Bill

	Enrollment Basis		Assessment Components		Per-Student
	FY19	**FY20**	**FY19**	**FY20**	**FY20**
State-Required Minimum	52	53	$767,722	$799,005	$15,075
Regular Day Students	49.63*	52.25*	$810,755	$962,102	$18,413
Transportation		53	$67,089	$86,714	$1,636
Total Operating Costs			***$1,645,566***	***$1,847,821***	***$35,365***
Capital	49.63*	52.25*	$476,851	$618, 510	$11,838
Post-Graduate Programs	1	1	$3,800	$3,800	$3,800
TOTAL ASSESSMENT			**$2,126,217**	**$2,470,131**	
Annual % increase (decrease)			27.3%	16.2%	

** average enrollment over prior 4 years*

Lexington's projected assessment for FY2020 is $2,470,131. A breakdown of that assessment is shown above. While Lexington's FY2019 enrollment (as of October 1, 2018) was 52 full-time regular students in grades 9-12 (a decrease in enrollment of 1.5 regular day students), the starred assessments are based on the average enrollment over the prior 4 years of 52.25 students. Using the average number of enrolled students, the per-student operating costs are $35,365 (+6.7%), and the per-student capital costs are $11,838 (+23%). The preliminary FY2020 assessment for Lexington, which is increasing by $343,914, is 16.17% higher than the FY2019 assessment.

As of publication, changes are still being made to both projected revenues and budgeted expenses. It is likely that Lexington's assessment will be adjusted prior to being presented to Town Meeting.

Shared Expenses

The Shared Expenses section of the budget includes items that do not appear directly in the budget lines of either the Lexington Public Schools or the municipal departments, most often because the allocation of portions of the expenses to different departments is difficult, or on account of administrative convenience.

Shared Expenses are comprised of the six line items listed below.

Program 2000 Shared Expenses	**FY2019 Appropriated**	**FY2020 Recommended**	**% of Shared Exp.**	**$ Change**	**% Change**
2100 Benefits	$35,548,859	$36,512,823	60.3%	$963,964	2.7%
2200 Property & Liability Insurance	$1,019,839	$1,132,304	1.9%	$112,465	11.0%
2310 Solar Producer Payments	$410,000	$410,000	0.7%	$0	0%
2400 Debt Service	$10,896,432	$9,853,984	16.3%	($1,042,448)	(9.6%)
2510 Reserve Fund	$900,000	$900,000	1.5%	$0	0%
2600 Facilities	$10,733,728	$11,732,346	19.4%	$998,618	9.3%
Total Shared Expenses	**$59,508,858**	**$60,541,457**	**100%**	**$1,032,599**	**1.7%**

The recommended total Shared Expenses budget for FY2020 is $60,541,457, which represents an increase of $931,539 or a 1.7% over the FY2019 Budget.

Benefits (2100)

The Benefits line item includes costs for health, dental, and life insurance, the Town's pension assessment, workers' compensation, unemployment insurance, and the Medicare tax. The total request for Employee Benefits and Insurance is $36,512,823, which represents a $963,964 or 2.7% increase over the FY2019 Restated Budget.

The table below provides a breakdown of the Line 2100 Benefits budget by category.

Benefits Category	**Amount**	**Percentage**
Health, Dental, Life & Medicare	$29,004,664	79%
Contributory Retirement	$6,405,537	18%
Worker's Compensation	$887,346	2%
Unemployment	$200,000	1%
Non-Contributory Retirement	$15,276	< 0.1%
Total, all benefits	**$36,512,823**	**100%**

Health insurance cost is by far the largest category in the Benefits budget. The FY2020 budget for health insurance is $25,951,569, which is a $409,180 or 1.6% increase over the FY2019 restated budget.

The Town remains a member of the State's Group Insurance Commission (GIC) health insurance program for FY2020. In 2018, the Town reached an agreement with the Public Employees Committee to remain in the GIC through FY2021.

The FY2020 split of healthcare premiums between employer and subscribers is 82/18 or 75/25 depending on the health plan. The split percentages are the same as those in FY2016 through FY2019.

In total, the Town contributes the equivalent of 85% or 80%, depending on the health plan, because it makes additional payments of 3% or 5%, respectively, to a Mitigation Fund per an agreement with the Public Employee Coalition. The Mitigation Fund is used to fund Health Reimbursement Accounts (HRA) for employees that enroll in one of the Town's health-insurance plans.

The table below shows projected health insurance costs to the Town by subscriber category. Health insurance costs are funded entirely from the General Fund.

Category	Count	FY2020 Budget	Avg. Cost to Town
Current Subscribers			
Active - Town - Individual	96	$701,973	$7,312
Active - Town - Family	164	$3,097,439	$18,887
Active - School - Individual	356	$2,567,821	$7,213
Active - School - Family	536	$10,124,076	$18,888
Subtotal – All Active Employees	*1,152*	*$16,491,309*	*$14,315*
Retiree - Individual	142	$1,209,011	$8,514
Retiree - Family	75	$1,493,636	$19,915
Retiree - Medicare Plan	1,072	$4,079,214	$3,805
Subtotal – All Retirees	*1,289*	*$6,781,860*	*$5,261*
Total Current Subscribers	***2,441***	***$23,273,169***	***$9,534***
Projected Changes in Subscribers			
Position Vacancies	30	$420,538	$14,018
Open Enrollment	80	$1,126,869	$14,086
Estimated Reduction	(34)	($122,569)	($3,605)
Net Projected Subscriber Increase	*76*	*$1,424,838*	*$18,748*
New Staff - Municipal	2	$29,551	$14,776
New Staff – Facilities (LCP & Hastings)	2	$26,194	$13,097
New Staff - LPS	25	$323,806	$12,952
Subtotal – New Staff	*29*	*$379,551*	*$13,088*
Other Costs			
Opt-Out Program		$710,000	
Administrative Costs & Misc. Expenses		$176,250	
Part B Penalty		$88,628	
Other, Non-General Fund Sources		($100,866)	
Subtotal Other Costs		*$874,012*	
Grand Total	**2,546**	**$25,951,569**	**$10,193**

The FY2020 budgeted rates are based on an increase of 5.5% over FY2019 actual rates for health insurance and a 4% increase over FY2019 actual rates for dental insurance, and a projected addition of eighty (80) subscribers (new enrollees to health coverage, either from new retirees, active employees electing to begin or resume coverage, and active employees switching from individual to family plans). The budget includes benefits for new school and new municipal department positions.

The second largest category within the Benefits budget is Contributory Retirement, with a total budget of $6,405,537. The year-over-year increase in Contributory Retirement is $400,000 or 6.7%. The funding amount is based on a funding schedule from the January 1, 2018 actuarial valuation of the Lexington Retirement System. This schedule projects full funding of the system's unfunded liability by 2024, given the current actuarial assumptions.

Debt Service (2400)

The Debt Service amount included in the Shared Expenses budget covers payments for within-levy debt. It does not include exempt debt service, because those payments are not appropriated by Town Meeting. This line item has decreased from the prior year and therefore will not require mitigation from the Capital Stabilization Fund in order to keep its annual growth at or below the goal of 5%.

For details on Debt Service budget, please see Brown Book Pages IV-16 and IV-17.

Reserve Fund (2510)

The Reserve Fund is intended for extraordinary and unforeseen expenses. Transfers out of the Fund are done only with the approval of the Appropriation Committee.

The FY2019 funding request for the Reserve Fund is $900,000, which represents level-funding since FY2014. At the end of the year any unused amount flows to Free Cash.

Facilities (2600)

The Department of Public Facilities manages the operation and maintenance of Lexington's municipal and school buildings. The Department supports the operation of the Community Center, supports the School Master Planning process, manages recurring maintenance of roofs, building envelopes, and HVAC systems in municipal and school buildings, and implements other priority projects. The FY2020 projected total Public Facilities operating budget is $11,631,286 which represents a $897,558 or 8.4% increase over FY2019 primarily due to staffing costs for Lexington Children's Place, and the new Hastings School, increased utility costs for those buildings as well as the temporary fire station, and other maintenance costs.

Municipal

The municipal operating budget comprises all line items from 3000 to 8999. As shown in the table below, the FY2020 Recommended Budget of $40.3 million represents a $1.9 million or 4.8% increase. The largest components of the municipal budget are those for Public Safety, the DPW, and General Government.[8]

3000-8000 Municipal	**FY2019 Budget**	**FY2020 Recommended**	**Share of Total**	**$ Change**	**% Change**
3000 Public Works	$10,119,459	$10,482,790	26.1%	$363,331	3.6%
4000 Public Safety	$14,197,276	$14,623,802	36.4%	$426,526	2.9%
5000 Culture & Recreation	$2,592,454	$2,848,949	7.1%	$256,495	9.0%
6000 Human Services	$1,477,495	$1,458,936	3.6%	($18,559)	(1.3%)

[8] The entries show expenditures only from the General Fund. The Bbudgets for the enterprise funds are discussed and appropriated under Article 12. Expenditures from revolving funds are discussed in Article 13.

3000-8000 Municipal	FY2019 Budget	FY2020 Recommended	Share of Total	$ Change	% Change
7000 Land Use, Health & Development	$2,447,636	$2,579,144	6.4%	$131,508	5.1%
8000 General Government	$7,447,715	$8,234,895	20.5%	$787,180	9.6%
Total 3000-8000	$38,282,035	$40,228,516	100.0%	$1,946,481	4.8%

Public Works (3000)

The recommended appropriation for FY2020 of $10,482,790 represents a 3.6% increase over FY2019. Of the total, 91% is covered by the tax levy, 6% is covered by payments from the enterprise funds for services rendered, and 3% comes from other sources, primarily fees and the Cemetery Trust Fund.

About 60% of the recommended budget is for non-compensation expenses, the largest of which are contractual services and supplies. Recommended appropriations for non-compensation expenses are up 4.7% from FY2019. Compensation costs are budgeted to increase only 2.0%, including one additional FTE, a heavy equipment operator in the Parks Division. However, the contract for AFSCME Local 1703 Public Works is up for renegotiation and the estimated cost of the additional compensation under a new contract is budgeted in the Salary Adjustment account.

Public Safety (4000)

Public Safety covers Law Enforcement (4100) and Fire and Rescue (4200). Of the total recommended budget of $14,623,802, about 52% is for Law Enforcement and the remaining 48% is for Fire and Rescue.

The recommended FY2020 appropriation for Law Enforcement is about 4.4% higher than the FY2019 budget. Virtually all the increase is in compensation, reflecting in part a new contract with the union representing police officers and detectives that took effect at the start of FY2019.

The recommended FY2020 appropriation for Fire and Rescue is only about 1.5% higher than the FY2019 budget. However, the contract for IAFF Local 1491 expires at the end of FY2019 and the cost of the additional compensation under contracts to be negotiated is budgeted in the Salary Adjustment account. Almost all the increase in expenses in the recommended budget would go towards the purchase of protective clothing, which will last multiple years.

Culture and Recreation (5000)

Culture and Recreation covers Cary Memorial Library and Recreation and Community Programs. Of the total of $2,848,949, about 82% is for the Library and 18% is for Recreation.

The recommended FY2020 appropriation for the Library is about 9.9% higher than the restated FY2019 budget. The 10.1% increase in compensation reflects primarily the recent settlement of the librarian contract; the FY2019 budget was based on FY2017 rates. The recommended number of library staff increases by 0.4 FTE, a change of about 1%. The proposed appropriation includes a 9.0% increase in non-compensation expenses.

The recommended FY2020 appropriation for Recreation and Community Programs is 3.6% higher than the restated FY2019 budget. However, the increase in the appropriation of $110,940 is more than offset by a projected increase in user fees from both recreation programs and the Community Center, *reducing* recommended funding from the tax levy by 2.5%. The tax levy accounts for only 6.4% of total recommended funding.

Human Services (6000)

The recommended FY2020 appropriation for Human Services of $1,458,936 is 1.3% *lower* than the FY2019 budget. Transportation Services, primarily Lexpress, account for almost half of the total recommended appropriations from the General Fund. The reduction in the recommended appropriation is the net result of an increase in compensation of 3.8% offset by a 5.3% reduction in other expenses. That reduction results from a lower caseload for veterans' services, the end of one-time expenses for two studies, and the School Department's assumption of the costs of the William James Interface Mental Health Referral Service for FY2020.

In addition to the General Fund appropriation requested here, Human Services will also be funded by up to $267,228 from revolving funds (addressed under Article 13) and grants.

Land Use, Health, & Development (7000)

Land Use, Health, & Development covers six different budgeting units. The recommended FY2020 budget is 5.4% above the restated FY2019 budget. The net growth of $131,508 includes a 24% increase in the Economic Development (7300) budget, primarily to allow the use of $80,000 from general funds to make up for lost sales from the Visitor Center while it is temporarily relocated during construction of the new building.

General Government (8000)

The recommended budget for FY2020 represents an 10.6% increase over the restated FY2019 budget. Of the total increase of $787,100, 58% is the result of a 94% increase in the Salary Adjustment account (8230), which anticipates the renegotiation of several large collective bargaining agreements. Once the actual costs of those agreements are known, they are reallocated to the programs in question.

The Information Technology (IT) program (8600) accounts for 43% of the total increase for general government. Of the total increase in the IT budget of $339,787, 86% reflects higher budgets for non-personnel expenses, reflecting higher costs for software maintenance contracts, mobile data needs, and network support and application hosting.

The remaining sub-programs within General Government (Selectmen, Town Committees, Finance, and Town Clerk) are budgeted for a *reduction* of $55,634, with almost 80% of that reduction coming in Finance (8400), primarily from new staff being hired at lower steps than the staff they replaced.

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

Article 12
Appropriate FY2020 Enterprise Funds Budgets

Funds Requested	Funding Source	Committee Recommendation
$9,986,021	**Water EF**	
$9,990,284	**Wastewater EF**	
$2,953,578	**Recreation EF**	**Approve (9-0)**
$208,859	**Tax Levy transfer**	
$22,638,546		

This article addresses the appropriation of funds for the operation of the Town's three enterprise funds: the Water Enterprise Fund, the Wastewater Enterprise Fund, and the Recreation and Community Programs Enterprise Fund. For an overview of the legal framework and accounting concepts that apply to the operation of an enterprise fund, please refer to Appendix B.

The appropriations addressed in this article cover the complete operating costs of the respective enterprises with the exception of indirect costs, which are appropriated under Article 11, and contributions on behalf of employees assigned to the Town's water and sewer departments to the Post-Employment Insurance Liability (PEIL) Fund for retirement health benefits, which are appropriated under Article 10. In the case of the Recreation Enterprise Fund, the appropriation under this article includes a transfer of $208,859 from the tax levy in support of those Community Center Operations that are generally available to all residents and are not fee-supported.

The following discussion focuses on the anticipated expenses and revenues of the enterprise funds for FY2020 and issues they raise. Capital appropriations that rely in part on disbursements from these funds are addressed in Articles 15 (Recreation Capital), 16 (Municipal Capital), 17 (Water System Improvements) and 18 (Wastewater System Improvements).

Water and Wastewater Enterprise Funds

A breakdown of the funding request for the Water Enterprise Fund, and the percentage changes from the prior fiscal year, is shown in the following table.

Water Enterprise Fund	FY2018 Actual	FY2019 Appropriated	FY2020 Requested	$ Change	% Change
Compensation	$674,791	$771,886	$785,010	$13,124	1.70%
Expenses	$383,853	$494,025	$508,875	$14,850	3.01%
Debt Service	$1,470,390	$1,463,902	$1,277,412	($186,490)	(12.74%)
MWRA Assessment	$7,246,531	$7,128,006	$7,414,724	$286,718	4.02%
Total Requested in Article 5	$9,775,565	$9,857,819	$9,986,021	$128,202	1.30%
Indirect Expenses (Article 11)	$872,458	$869,833	$894,573	$24,740	2.84%
OPEB Contribution (Article 10)	$9,089	$9,089	$2,761	($6,328)	(69.62%)
Total Water Enterprise Budget	**$10,657,112**	**$10,736,741**	**$10,883,355**	**$14,614**	**1.37%**

A similar breakdown for the Wastewater Enterprise Funds is shown in the following table.

Wastewater Enterprise Fund	FY2018 Actual	FY2019 Appropriated	FY2019 Requested	$ Change	% Change
Compensation	$230,757	$359.312	$355,614	($3,698)	(1.03%)
Expenses	$325,482	$408,150	$432,950	$24,800	6.08%
Debt Service	$1,033,672	$1,203,004	$1,278,322	$75,318	6.26%
MWRA Assessment	$7,402,979	$7,572,486	$7,923,398	$350,912	4.63%
Total Requested in Article 5	**$8992,890**	**$9,542,952**	**$9,990,284**	**$447,332**	**4.69%**
Indirect Expenses (Article 4)	$546,827	$515,280	$532,094	$24,740	3.26%
OPEB Contribution	$4,085	$4,085	$3,004	($1,081)	(26.46%)
Total Wastewater Enterprise Budget	**$9,543,802**	**$10,062,317**	**$10,525,382**	**$463,065**	**4.60%**

Note that this table differs from that contained in the warrant in three respects: (1) the MWRA assessments for water and wastewater reflect the MWRA's preliminary assessments issued in February, which are much lower than the 10% increase "placeholders" assumed in the Warrant; (2) indirect expenses to be charged to the enterprise funds, although appropriated separately under the operating budget, have been included for completeness; and (3) the charges to the Water and Wastewater Enterprise Funds to fund liabilities for Other Post-Employment Benefits ("OPEB"), although appropriated separately under Article 10, have also been added for completeness. The principal operating costs of the water and wastewater enterprise funds are described briefly below.

Operating Costs

MWRA Assessments. The largest expense components of both the Water and Wastewater Enterprise Fund budgets are the assessments charged by the Massachusetts Water Resources Authority (MWRA), which now represent 70-75% of the total budget for each fund. The Town will be assessed a share of the MWRA's total FY2019 water and sewer budgets based on the Town's proportionate water and sewer usage in the most recent full calendar year (CY2018), compared with other towns in the MWRA community. Based on the MWRA's preliminary assessments,[9] the MWRA increases for FY2019 will be 4.02% for water and 4.63% for wastewater, as set forth in the table above, for a combined increase of 4.34%.

Direct Town Costs. In addition to the MWRA assessments, the expenses of the Water and Wastewater Fund budgets include direct costs incurred by the Town, primarily for: (1) the wages and salaries of the employees in the DPW's Water and Sewer Divisions, (2) the expenses of the water and sewer maintenance activities and equipment, and (3) debt service on prior borrowings for water and sewer capital improvements.

Indirect Town Costs. The Water and Sewer Enterprise Fund budgets also include indirect costs for services provided by other Town departments to support water and sewer operations, such as insurance costs (health and liability), retirement funding, engineering costs, and the cost of services provided by the Comptroller, the Management Information Systems (MIS) Department, and the Revenue Department. Since 2006, the Town has conducted periodic studies of the appropriate level of indirect costs and has adjusted the charges to the enterprise funds accordingly. The transfer of the Utility Billing Manager to a direct cost of the Water and Sewer Funds has lowered somewhat the indirect expenses.

As can be seen from the table above increases in the DPW's operating costs for both the water and wastewater funds are relatively modest this year, substantially less than last year. MWRA assessment increases are somewhat higher this year than the relatively minimal increases last year (last year's water fund assessment actually decreased by 1%) but are nonetheless reasonable at about 4% each. There is a significant decrease in debt service costs for the water fund this year which offsets much of the MWRA assessment increase. This decrease results from the judicious use of retained earnings to support the water fund's capital costs over the past five years or so, as this Committee has recommended (see Table on Retained Earnings below).

On a combined basis, the total operating expenses of the two funds are going up only 2.93%, about the same as last year. This means that when FY2019 water and sewer rates are set in the fall, rate increases should be modest, assuming that water usage projections remain about the same as, or are higher than, last year. (The combined rate increase would be somewhat higher if the Town transitioned to using cash capital instead of debt financing for some or all of the water system improvements, *see* discussion of Article 17.)

Rate-Setting and Retained Earnings

As discussed in Appendix B, the State statute governing enterprise funds, G.L. c. 44, § 53F½, requires that accumulated surpluses resulting from the operations of an enterprise fund, referred to as retained earnings, remain with the fund as a reserve, and that they be used only for capital expenditures of the enterprise, subject to appropriation, or to reduce user charges. Deficits must be funded with existing reserves or, in the absence of such reserves, made up in the following year's rates. The Town's policy is to maintain a balance

[9] Final MWRA assessments issued in June, typically a bit smaller than the preliminary assessments, are used to set water and sewer rates during the Town's annual rate-setting process in the fall. Appropriations for MWRA expenses are normally adjusted to reflect the final assessments if a special town meeting is held in the fall.

of approximately $1 million of retained earnings in each fund as a buffer against revenue shortfalls resulting from unexpected reductions in usage from the projections employed to set the rates or an unanticipated need for extraordinary expenditures. The table below shows how the balance of retained earnings has been deployed over the past several years and their proposed appropriation at this ATM for FY2020.

Retained Earnings: Appropriations and Year-End Balances

Annual Town Meeting	2014	2015	2016	2017	2018	2019
Water						
Starting Balance [1]	$2,234,007	$2,119,458	$1,786,659	$1,800,533	$531,863	$1,612,998
Approp. for Rate Relief [2]	$250,000	$0	$0	$0	$0	$0
Bedford, Burlington Mitig.[3]	$250,000	$275,000	$131,000	$190,900	$0	$0
Approp. for Capital [4]	$873,500	$1,015,500	$620,500	$1,095,000	$105,000	$775,000
Projected End Balance [5]	*$860,507*	*$903,958*	*$1,035,159*	*$514,633*	*$426,863*	*$837,998*
Wastewater						
Starting Balance [1]	$1,990,816	$2,027,941	$1,032,942	$2,270,848	$576,523	$1,521,373
Approp. for Rate Relief [2]	$50,000	$0	$0	$0	$0	$0
Approp. for Capital [4]	$940,500	$1,390,500	$177,500	$1,290,000	$0	$700,000
Projected End Balance [5]	*$1,000,316*	*$637,441*	*$855,422*	*$980,848*	*$576,523*	*$821,373*

Notes

1 Certified retained earnings as of the end of the prior fiscal year (as of 6/30/2018 for this year's ATM).

2 Appropriations from retained earnings to subsidize the next fiscal year's operating budget.

3 Several years ago, Lexington supplied unusually large quantities of water to Bedford as Bedford worked to correct issues with its alternative supplies. More recently, Lexington has been called on temporarily to supply water to Burlington. The retained earnings resulting from these extraordinary sales were "earmarked" and applied to mitigate the rate impact in subsequent years.

4 Proposed appropriations for capital projects for the next fiscal year (FY2020 at this ATM).

5 Appropriations from retained earnings at the annual town meeting must be deducted as a liability from the projected retained earnings to be certified as of the end of the current fiscal year, even though the funds will not be applied until the following fiscal year. The projection of anticipated retained earnings assumes break-even operational results during the current fiscal year. A higher (lower) starting balance available for appropriation the following year indicates that the current year's operating results were higher (lower) than were projected at rate-setting, resulting in an operating surplus (deficit).

Last year we noted that the "starting" retained earnings balances as of June 30, 2017 should have been substantially higher than the "starting balances" shown in the table, and that this anomaly could have resulted from an under-certification of the FY2017 year-end retained earnings. In fact, that turned out to be the case, and the shortfall was corrected at year-end FY2018, as can be seen by the healthy "starting" retained earnings balances shown to be available for appropriation at this annual town meeting.

Given these healthy balances, on the water fund side, it is proposed to use a total of $775,000 in retained earnings as follows: $75,000 to be applied to fire hydrant replacements under Article 16(a); $500,000 to be applied toward the automated meter reading system proposed in Article 16(f); and $200,000 for half of the cost of a Vactor truck, to be shared with the wastewater enterprise, under Article 16(i). On the wastewater fund side, it is proposed to use a total of $700,000 in retained earnings, $500,000 to be applied toward the automated meter reading system and $200,000 for half the cost of the Vactor truck. As discussed under Articles 17 and 18, the major annual water system improvement capital projects are proposed to be funded exclusively by water and sewer fund debt.

Recreational Enterprise Fund

Early in 2015, the *Recreation Department* was reorganized as the *Department of Recreation and Community Programs (DRCP)*, resulting in increased costs for operations and programs. The Director of

Recreation and Community Programs, through the Recreation Committee, continues to set fees with the approval of the Board of Selectmen.

The multi-year budget growth starting in 2015 resulted from the inauguration of the Lexington Community Center (LCC). The FY2016 LCC budget included $383,073 to fund 5.5 full time and seasonal staff to plan, manage and deliver community programs along with the supplies needed.

Recreational Enterprise Fund	FY2018 Actual	FY2019 Approp.	FY2020 Requested	Dollar Increase	% Change
Compensation	$1,278,403	$1,416,168	$1,471,683	$55,515	3.92%
Expenses	$1,246,737	$1,434,325	$1,481,895	$47,570	3.32%
Debt Service	$100,000	-	-	-	-
Total Requested in Article 12	**$2,625,140**	**$2,850,493**	**$2,953,578**	**$103,085**	**3.62%**
Indirect Expenses (transfer to General Fund)	$254,826	$261,826	$269,681	$7,855	3.00%
Total	**$2,879,966**	**$3,112,319**	**$3,223,259**	**$110,940**	**3.56%**

The operational costs of all programs offered by the DRCP are designed to be revenue neutral, with charges to users matching the program's operating costs. However, to supplement the overall increases in cost of operation and programming of the LCC, the motion includes a transfer of $208,859 in tax levy funds into the Recreation Enterprise Fund, which would be appropriated under the article.

Non-tax-levy sources of revenue include $375,000 from the Recreation Enterprise Fund retained earnings, $1,410,746 from user fees for recreation, $465,300 from registration fees for Community Center programs, and $775,000 from golf fees at Pine Meadows Golf Course. Revenue from fees is based on projections.

The Recreation Fund contributes to the debt service on some recreation capital projects. However, most recreation capital costs are subsidized by the General Fund through a combination of within-levy debt, excluded debt, and Community Preservation Act (CPA) funding.

The balance of retained earnings in the Recreation Enterprise Fund at the close of FY2018 was $779,887. A withdrawal of $125,000 from this Fund is proposed under Article 15, of which $75,000 is for a series of improvements at the Pine Meadows Golf Course and $50,000 is to prepare a needs assessment of the town owned and operated recreational programs, facilities, and infrastructure.

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

Article 13
Establish and Continue Departmental Revolving Funds

Funds Requested	Funding Source	Committee Recommendation
See below	**RF**	**Approve (9-0)**

This article seeks reauthorization of all existing municipal revolving funds, and creation of a new Residential Engineering Review Revolving Fund, for FY2020 as shown in the table below. Information regarding the nature and purpose of revolving funds can be found in Appendix C of this report.

The spending limit proposed for each of the funds is based on a reasonable estimate of the fees and charges likely to be received, as well as of the expenditures likely to be required. A summary of the historical receipts, expenditures, and balances for each fund during FY2018 and the first half of FY2019 can be found at Appendix C, page C-2, of the Brown Book.

Program or Purpose	Authorized Representative or Board	Departmental Receipts	FY2019 Restated	FY2020 Requested Limit
School Bus Transportation	School Committee	School Bus Fees	$1,150,000	**$1,150,000**
Building Rental Revolving Fund	Public Facilities Dir.	Building Rental Fees	$530,839	**$544,916**
Regional Cache – Hartwell Avenue	Public Works Dir.	User Fees from Participating Municipalities	$10,000	**$20,000**
Trees (DPW-Forestry)	Public Works Dir.	Gifts and Fees	$45,000	**$45,000**
DPW Burial Containers	Public Works Dir.	Sales	$50,000	**$50,000**
DPW Compost Operations	Public Works Dir.	Sales and Permits	$793,449	**$773,710**
Minuteman Household Hazardous Waste Program	Public Works Dir.	Fees Paid by Consortium Towns	$190,000	**$220,000**
Senior Services Programs	Human Services Dir.	Program Fees and Gifts	$75,000	**$75,000**
Residential Engineering Review (see below)	Engineering Dir.	Fees Paid by Developers		**$57,600**
Health Programs	Health Dir.	Medicare Reimbursements	$45,000	**$45,000**
Tourism/Liberty Ride	Econ. Devel. Dir.	Liberty Ride Receipts	$206,816	**$210,000**
Visitors Center	Econ. Devel. Dir.	Sales, Program Fees and Donations	$199,409	**$101,253**

The Residential Engineering Review Revolving Fund is new for FY2020. The $57,600 request will fund third-party reviews of residential construction plans that substantially change the building footprint of a parcel, with a focus on the impact on neighboring properties. These reviews will be funded by a new fee charged to the developers who proposed the construction.

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

Article 14
Appropriate the FY2020 Community Preservation Committee Operating Budget and CPA Projects

Funds Requested	Funding Source	Committee Recommendation
$5,528,047	**CPF**	**Approve (9-0) 14(a-d,g-m)** **Approve (7-2) 14(e)** **IP 14(f)**

Background

The Community Preservation Act (CPA) is a State statute that allows municipalities to raise a surcharge on property taxes for local use for purposes related to historic preservation, open space protection, outdoor recreation, and affordable housing. The State provides matching funds in amounts that depend on the monies available and the total of the funds to be matched, i.e., the total surcharge revenue raised by localities across Massachusetts. The matching funds are derived primarily from fees imposed on real estate transactions, including mortgage refinancing, and, in some years, may be supplemented through an appropriation of the State legislature.

Beginning in FY2007, following voter approval, the Town began to assess a community preservation surcharge of 3% of the property tax levied against all taxable real property. For owners of residential property, the assessed value used to calculate the surcharge is net of a $100,000 residential exemption. Community preservation funds can be used for those purposes defined by the Community Preservation Act, MGL Ch. 44B. Such purposes include the acquisition and preservation of open space, the creation and support of community (affordable) housing, the acquisition and preservation of historic resources, and the creation and support of recreational facilities. Beginning in FY2008, the Town began receiving State matching-funds to supplement the local surcharge.

While the CPA provides broad guidance on the appropriate use of funds, it allows for a considerable measure of local control by 1) establishing a local Community Preservation Committee (CPC) to review and make recommendations on candidate CPA projects to Town Meeting and 2) authorizing Town Meeting to approve CPC-recommended projects. Town Meeting may not appropriate more than the CPC-recommended amount, nor may it alter the stated purpose of a recommended appropriation, but it may appropriate less than the recommended amount.

Each community adopting the CPA has implemented the statute in a way that reflects local opportunities, priorities and needs. One of Lexington's opportunities lies in the inventory of municipal and school buildings that qualify as historic buildings and which are therefore eligible for CPA funding. These projects can be funded through a combination of CPA surcharges and State matching funds.

All CPA projects must qualify for CPA funding under one or more of the following categories: Open Space, Historic Resources, Community Housing, or Outdoor Recreation. The Community Preservation Fund (CPF) has a restricted account for each category, along with an Unallocated Reserve that can be used for any qualifying project. CPA funds are appropriated from an eligible restricted account when feasible, or from the Unallocated Reserve. Each year, at least 10% of annual CPA revenues must be spent or allocated to the restricted reserves in each of the following categories: Open Space (excluding recreational use), Historic Resources, and Community Housing.

Since Lexington's adoption of the Community Preservation Act in 2006 the CPC has recommended, and Town Meeting has approved a total of $72,244,115 for CPA projects. Of this total, $15.2 million or 21% of the Town's total project costs (exclusive of administrative expenses) has been received from the State as matching funds.

CPA Projects and Funding

The FY2019 CPA State match was $922,256 or 19.8% of the local revenue coming through the CPA surcharge. This included a share of a $10 million distribution from the 2018 state budget surplus, which is not guaranteed to be available in future budgets.

CPA items under this article will be funded from anticipated FY2020 revenue and any CPA funds available from prior years. FY2020 revenue includes FY2020 CPA tax surcharges, anticipated to be $5,105,000, the projected FY20 CPA State match of approximately $561,000 (11.57%), and investment income of $20,000. CPA funds totaling $3,836,693 are available from prior years. The grand total estimated available for FY2020 CPA appropriations is $9,522,693.

The requests recommended by the CPC for FY2020 are listed below. The Community Preservation Fund (CPF) is the funding source for each request unless otherwise noted.

Project Description	CPA Category	Amount	Recommend-ation
14(a) Conservation Land Acquisition	Open Space	**$275,000**	**Approve (9-0)**
14(b) Willard's Woods Site Improvements	Recreation	**$138,273**	**Approve (9-0)**
14(c) Archives & Records Management / Records Conservation & Preservation	Historic	**$20,000**	**Approve (9-0)**
14(d) Battle Green Master Plan - Phase 3	Historic	**$253,394**	**Approve (9-0)**
14(e) 9 Oakland Street - Renovation and Adaptive Reuse	Historic	**$70,000**	**Approve (7-2)**
14(f) Athletic Field Complex at Minuteman Regional Vocational Technical School	Recreation	**N/A**	**IP**
14(g) Old Reservoir Bathhouse Renovation	Recreation	**$620,000**	**Approve (9-0)**
14(h) Park Improvements - Hard Court Resurfacing	Recreation	**$70,000**	**Approve (9-0)**
14(i) Park Improvements - Athletic Fields	Recreation	**$435,000**	**Approve (9-0)**
14(j) Playground Replacement Program - Bridge	Recreation	**$302,000**	**Approve (9-0)**
14(k) LexHAB - Preservation, Rehabilitation, and Restoration of Affordable Housing	Affordable Housing	**$99,700**	**Approve (9-0)**
14(l) CPA Debt Service	Debt Service	**$3,094,680**	**Approve (9-0)**
14(m) Administrative Budget	Administrative	**$150,000**	**Approve (9-0)**

Article 14(a) Conservation Land Acquisition

This request is for the acquisition and preservation of environmentally sensitive lands in Lexington located on Kendall Road (Map 32, Lot 114) and Sherburne Road South (Map 32, Lot 135). The Sherburne Road South lot abuts the Upper Vine Brook conservation area. The Kendall Road lot is a stand-alone parcel but was offered only as a package deal for both lots. The acquisition of both parcels of land will add an additional 4+ acres to the Town's inventory of conservation land.

Article 14(b) Willard's Woods Site Improvements

Willard's Woods provides an important natural oasis for many hikers, dog walkers, cyclists, and nature enthusiasts. This project proposes to upgrade the existing stone dust bike path at Willard's Woods to a 1.8 mile fully-accessible loop trail that connects the Diamond Middle School with the existing parking area on North Street. The project will provide interpretive signage to highlight historic and natural resources on the property and will upgrade the parking area on North Street to accommodate handicapped-accessible spaces.

This project will be completed in two phases. The first phase, the subject of the present request, is to produce a comprehensive land management and site plan at a cost of $138,273. The second phase is anticipated in FY2021 and will request construction funding estimated at $597,114.

14(c) Archives & Records Management/Records Conservation & Preservation

This request is for the conservation and preservation of historic municipal documents and records. The current request will fund the conservation and preservation of older documents and make them available in the Town's digital archives. Documents to be conserved under this funding request include School Committee minutes, Board of Registrars minutes, and records of the Overseers of the Poor, all from the years 1850-1910. In addition, selected financial records of the Selectmen and Assessor's Department during this time period will be included as funding allows.

14(d) Battle Green Master Plan - Phase 3

The Battle Green Master Plan Implementation was broken out into three phases. Phases 1 and 2 have been funded, with work scheduled for fall 2018 and spring 2019. The original funding request for Phase 3 was

$570,438. Due to current CPA funding constraints, the request for phase 3 has been reduced to $253,394; some site improvements are being deferred to a later fiscal year.

14(e) 9 Oakland Street - Renovation and Adaptive Reuse

In 2018, Town Meeting approved $200,000 of a total project cost of $425,000 to help fund the renovation of 9 Oakland Street, part of the Douglas House site, to provide an additional common area for residents, additional meeting and office space for staff from Douglas House, and space for the SLI Wellness Center. Due to unanticipated Town Building Department requirements that the facility be made structurally safer, the revised plan will require an additional $84,905 to complete.

This request seeks $70,000 of supplemental funds to complete the renovation of the building. The remaining amount will be obtained through foundation grants, private donations, and contributions from SLI's Board of Directors.

14(f) Athletic Field Complex at Minuteman Regional Vocational Technical School

Negotiations on a potential agreement between the Town and MRHS have not progressed to the point where funding can be requested.

14(g) Old Reservoir Bathhouse Renovation

The Old Reservoir Bathhouse was built in 1975 and needs a complete renovation. This is the second phase of a two-phase approach; the feasibility study, design, and engineering costs associated with the renovation phase were appropriated at the 2018 Annual Town Meeting. Based on the findings of the feasibility study and due to cost implications, the decision has been made to renovate the existing building rather than demolish and construct a brand new bathhouse.

The project will include repairs to the plumbing system and installation of all new fixtures (showers, toilets, sinks, and drinking fountain), installation of new aerators, replacement of the existing roof, reconfiguration of the main entrance, addition of small program space, and the installation of a new shade structure. Additionally, based on the findings in the ADA Compliance Study completed in 2017, the bathhouse is not ADA-compliant in its current condition. This project will address the accessibility issues in the bathhouse, as well as the walkway and surrounding site.

14(h) Park Improvements - Hard Court Resurfacing

This request will fund the resurfacing, painting, and striping of the tennis and basketball courts at Adams Park. The project also includes the installation of a permanent bike rack at the park. The tennis and basketball courts were last resurfaced in 2004. This is the latest project in the Recreation Committee's hard-court resurfacing program, which includes resurfacing, painting, and striping the hard court surfaces (basketball courts, tennis courts, track) and installing new posts, backboards, nets, and rims at recreational facilities throughout the Town. Subsequent FY2022–FY2023 requests are anticipated for similar upgrades to the Valley Road tennis courts, Center basketball courts, and Gallagher tennis courts.

14(i) Park Improvements - Athletic Fields

This request will fund the Diamond Middle School Field renovation, including drainage, laser grading, and new irrigation controls. An accessible route will be installed along the fence on the west side of the site that connects the ball fields to each other and the parking lot. An accessible walk will be installed leading from the parking lot and field area to the portable bathroom facility. This project is part of an ongoing multi-year capital program to address safety and playability concerns and to provide adequate and safe field conditions for neighborhood families, recreation, and school programs at playgrounds and parks throughout the Town.

The current request is for $435,000. Subsequent FY2021–FY2024 requests are anticipated for similar upgrades to the athletic fields at the Harrington School Field, Muzzey Field, Fiske School Field and Bridge School Field.

14(j) Playground Replacement Program - Bridge

The Department of Public Facilities requests $302,000 in FY2020 to update the playground equipment and surfaces behind the Bridge Elementary School and playfields. The proposed improvements will renovate, rehabilitate, or replace the existing playground safety surfacing and equipment so that the site will comply with standards of the Consumer Product Safety Commission (CPSC), American Society for Testing and Materials (ASTM) and the American with Disabilities Act (ADA). This project is the second part of a two-year, two-school program to update existing school playground facilities. Part 1, the similar updating of the playground at the Bowman Elementary School, was funded with FY2019 CPA funds and has been completed.

14(k) LexHAB - Preservation, Rehabilitation, and Restoration of Affordable Housing

This request seeks funding for capital repairs at 11 LexHAB units. There will be four preservation projects and seven rehabilitation projects at units previously acquired with CPA funds. The scope of the work varies by property and includes kitchen and bath renovations as well as roof replacements. Funding support from the CPF will help LexHAB maintain low rents for tenants. Work is anticipated to start on July 1, 2019.

14(l) CPA Debt Service

Projected debt service on the CPA projects is outlined in the following table. Two different types of debt instruments are used: bond anticipation notes (BANs), and multi-year municipal bonds. BANs provide interest-only borrowing for a term of up to one year. They are issued for individual projects prior to bundling the debt from several projects to create a single multi-year bond.

Project **TM Approval** **Final Payment**	**Total Appropriation**	**Total Debt Financing**	**FY2020 Debt Service**
Wright Farm Purchase ATM 2012 FY2024	$3,072,000	$2,090,000	**$365,800**
Community Center Acquisition STM 3/2013 FY2024	$10,950,000	$7,390,000	**$917,100**
Cary Memorial Building Upgrades STM 3/2014 FY2025	$8,677,400	$8,241,350	**$812,200**
Center Track and Field Renovation ATM 2018 FY2022	$3,340,000	$2,829,000	**$999,580**
TOTAL			**$3,094,680**

The debt service for the Wright Farm purchase will be paid from the Open Space Reserve, $560,000 of the Community Center Acquisition debt service will be paid from the Historic Resource Reserve, and the remaining debt service payments will be paid from the Unallocated Reserve.

The practice of the Town, based on recommendations from the Appropriation Committee and Capital Expenditures Committee, is to limit the size and duration of debt funded by the CPA to the practical minimum, usually below the maximum that would be allowed by statute. This reduces the potential for long-term financial commitments that would linger should the residents vote to rescind the CPA surcharge in the future. That said, this practice should not be allowed to consign too much of the CPA annual revenue for debt service, which would stifle the ability of the CPC to fund new projects directly with cash.

14(m) Administrative Budget

The Community Preservation Act permits up to 5% of annual CPA funds to be spent on the operating and administrative costs of the CPC. The CPC may pay for staff salaries, mailings, public notices, overhead, legal fees, membership dues, and other miscellaneous expenses related to CPA projects. Five percent of the anticipated FY2020 revenue from the surcharge and State supplemental match is $292,850. However, as in past years, the CPC is requesting an appropriation of $150,000. This money will be used to fund the

Committee's part-time administrative assistant, membership dues to the non-profit Community Preservation Coalition, administrative expenses, legal and miscellaneous expenses, and land planning, appraisals, and legal fees for open space proposed to be acquired using CPA funds. Funds appropriated for administrative expenses but not spent in a given fiscal year revert to the CPA Undesignated Fund Balance at year's end.

The Committee recommends approval of 14(a-d,g-m) by a vote of (9-0)
The Committee recommends approval of 14(e) by a vote of (7-2).
The Committee supports indefinite postponement of 14(f).

Article 15
Appropriate for Recreation Capital Projects

Funds Requested	Funding Source	Committee Recommendation
$125,000	**Recreation EF**	**Approve (9-0)**

This article requests $75,000 for improvements at the Pine Meadows Golf Club including renovations of some bunkers near the sixth and seventh greens, replacing degraded cart paths on the first hole by the green to the second tee, and improving accessibility.

The article also requests $50,000 to hire a consultant to complete a needs assessment which will build off the Recreation Departments 2014–2016 strategic plan and the Town's open space and recreation update plan. The assessment will also advise what significant capital projects should be prioritized in the coming years.

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

Article 16
Appropriate for Municipal Capital Projects and Equipment

Funds Requested	Funding Source	Committee Recommendation
$24,596,347	***See below***	**Approve (9-0) 16(a-e,g-p)** **Approve (6-3) 16(f)**

The requests for appropriations are listed below together with funding sources and Committee recommendations. For a discussion of the items in this request, please see the Brown Book (relevant pages are cited in the Comments column). The Capital Expenditures Committee Report to the 2019 Annual Town Meeting contains further discussion about these capital requests.

Brown Book page numbers are provided in the comments column for reference.

Project Description	**Funding Request**	**Funding Source**	**Comments**	**Recommendation**
(a) Hydrant Replacement Program	$75,000 $75,000 **$150,000**	Free Cash Water RE	p. XI-21	**Approve (9-0)**
(b) Storm Drainage Improvements and NPDES compliance	**$385,000**	Free Cash	p. XI-20	**Approve (9-0)**

Project Description	Funding Request	Funding Source	Comments	Recommend-ation
(c) Comprehensive Watershed Stormwater Management Study and Implementation	**$390,000**	Free Cash	p. XI-21	**Approve (9-0)**
(d) Townwide Culvert Replacement	**$390,000**	Free Cash	p. XI-21	**Approve (9-0)**
(e) Center Streetscape Improvements - Construction	**$9,105,000**	GF debt	p. XI-7*	**Approve (9-0)**
(f) Automatic Meter Reading System	$2,470,000 $2,470,000 $500,000 $500,000 **$5,940,000**	Water Debt Wastewater Debt Water RE Wastewater RE	*0% int. MWRA debt:$1,500,000* p. XI-12	**Approve (6-3)**
(g) Sidewalk Improvements	**$800,000**	GF debt	p. XI-8	**Approve (9-0)**
(h) Hill Street New Sidewalk Project	**$1,500,000**	GF debt	p. XI-9	**Approve (9-0)**
(i) Equipment Replacement	$900,000 $200,000 $200,000 **$1,300,000**	GF debt Water RE Wastewater RE	p. XI-8	**Approve (9-0)**
(j) Townwide Signalization Improvements	**$125,000**	Free Cash	p. XI-22	**Approve (9-0)**
(k) Street Improvements	$2,616,801 $973,796 **$3,590,597**	Tax Levy Chapter 90	p. XI-20	**Approve (9-0)**
(l) Transportation Mitigation	**$100,000**	Free Cash	p. XI-18	**Approve (9-0)**
(m) Municipal Technology Improvement Program	**$150,000**	Free Cash	p. XI-22	**Approve (9-0)**
(n) Application Implementation	**$150,000**	Free Cash	p. XI-22	**Approve (9-0)**
(o) Network Core Equipment Replacement	**$480,000**	Free Cash	p. XI-22	**Approve (9-0)**
(p) EV Charging Stations	**$40,750**	Parking Meter Fund	p. XI-22	**Approve (9-0)**

*Funding request was revised after publication of the Brown Book.

Article 16(e) Center Streetscape Improvements

The Center Streetscape project addresses pedestrian and bike rider safety issues, as well as accessibility problems in the Center Business District stemming from roadways, sidewalks and lighting designed and constructed over fifty years ago.

In Fall of 2018 Town Meeting approved $550,000 to bring the project to 100% design. The current funding request is for the construction of the streetscape project encompassing Massachusetts Avenue from just west of the Woburn Street intersection to Meriam Street. The construction will include pedestrian, bicycle, and vehicular safety improvements, the regrading and repaving of Massachusetts Avenue, the restoration, removal and replacement of the sidewalk along all of the northerly side and portions of the southerly side of Massachusetts Avenue, streetscape improvement and improved lighting. In addition, all existing pedestrian corridors and ramps will be brought into ADA compliance.

The construction cost breakdown below is for the project at 75% design completion. Each construction item includes a 10% contingency. The overall cost has been reduced by approximately $270,000 from the 25% design estimate of $9,372,350 presented at 2018 Fall Special Town Meeting.

Center Streetscape Construction Items	**2019 Dollars**
General Conditions/Site Prep	$441,474
Roadway & Curbing	$1,636,371
Sidewalk	$2,173,545
Landscaping	$1,580,035
Lighting	$1,100,501
Site Furnishings	$ 342,375
Total Construction Cost	*$7,274,300*
Police Details (10%)	$ 727,430
Construction Administration (15%)	$1,100,000
Total Project Cost (Estimate)	**$9,101,730**

If this article is approved, The Town Manager intends to apply for a MassWorks Infrastructure grant for this project. If approved, this grant could substantially offset construction costs for this project. Approval from Town Meeting for construction funds along with the completed design (funded by the earlier appropriation) will help to make our grant application more competitive. Unfortunately, the grant application process will likely delay the start of construction by up to a year.

This committee is concerned about the high cost of this project and the added burden it will impose on General Fund debt, and thus on future operating budgets. However, we believe the resulting improvements to the infrastructure and safety of the Town Center merit Town Meeting's support.

Article 16(f) Automatic Meter Reading System

This article would appropriate $5,940,000 to purchase and install an automatic water meter-reading system in the town. That amount would be funded by $1,000,000 in cash funded equally by retained earnings from the Water and Sewer Enterprise Funds, $1,500,000 from a 10-year zero-interest loan from the MWRA, and $3,440,000 in 10-year bonds issued at an estimated 4%. Debt repayment and other costs would be covered by the enterprise funds into which user charges are deposited. In addition to the Brown Book, the discussion below draws on information contained in presentations to the Board of Selectmen on March 5 and March 19, 2019 and a memo to Ralph Pecora, Elizabeth LeBlanc, David Pinsonneault, Carolyn Kosnoff dated November 19, 2018, and a report dated July 2018, all four prepared by Weston & Sampson, consultant to the Town on this project.

Currently the Town bills for water and sewer charges twice a year, which requires a visit to every water meter. This project would replace the estimated 9,800 meters that are more than 10 years old. The remaining 4,650 meters are less than 10 years old and would not be replaced. However, all meters would be fitted with transmitters in a dedicated wireless network connected to servers that would record use daily. The billing cycle would be reduced from 6 to 3 months and users would also be able to log-in to check their own use more frequently.

The older water meters in use are mechanical and their accuracy declines over time. For a meter in use for 12.77 years (the current Town average), the consultant estimates that only 96.2% of use is recorded. A meter in use for 25 years records a little less than 93% of use on average. These discrepancies do not result in any loss of revenue to the Town, however, because water rates must cover all costs based on the amount of water billed to customers. Thus, rates are about 4% higher than they would be if the meters recorded 100% of use, but the Town only charges for 96.2% of the actual water usage. *On average, customers pay the same as they would with perfectly accurate meters.* However, the over/under charge varies by meter age. Those with brand new meters pay about 4% more than they should and those with 25-year old meters pay about 3.3% less than they should. One might argue that there is an "equity" benefit from the proposed meter upgrade, but the deviations are modest and the real impact averages out over time for any given resident.

The project would provide three major benefits:

1. Reduce labor and vehicle costs associated with reading meters manually and, possibly, administrative overhead related to abatement requests.
2. For the first five years, eliminate or sharply reduce normal annual expenditures to replace older meters. After five years, the meters not replaced initially would reach 15 years of service life and the replacement program would have to resume at the current rate (averaging 330 meters per year over the past several years).
3. Reduce wasted water by detecting irregular water usage via daily readings and thus triggering internal repairs by rate-payers.

The table below shows the estimated cash flows over 15 years. Savings are shown as negative costs (in parentheses). The debt service figures are from the March 5 presentation. For the other columns, we inflated annual values for FY2021 and later at a 2% annual rate, the Federal Reserve's target rate.

Fiscal Year	**Costs**			**Savings**					**Net Cost**
	Ent. Fund	**Debt Payments**	**System Maint.**	**Meter Reader**	**Meter Mgmt.**	**Fuel**	**Vehi-cles**	**Meter Replace.**	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2020	$1,000,000	$45,867	$0	$0	$0	$0	$0	$0	$1,045,867
2021	-	$436,667	$35,700	($39,000)	($12,506)	($1,600)	($1,750)	($84,150)	$333,361
2022	-	$624,720	$36,414	($40,576)	($13,011)	($1,665)	($1,821)	($85,833)	$518,229
2023	-	$610,960	$37,142	($68,979)	($22,119)	($2,830)	($3,096)	($87,550)	$463,530
2024	-	$597,200	$37,885	($84,430)	($27,073)	($3,464)	($3,789)	($89,301)	$427,030
2025	-	$583,440	$38,643	($86,118)	($27,614)	($3,533)	($3,864)	($91,087)	$409,866
2026	-	$569,680	$39,416	($87,841)	($28,166)	($3,604)	($3,942)	-	$485,543
2027	-	$555,920	$40,204	($89,597)	($28,730)	($3,676)	($4,020)	-	$470,101
2028	-	$542,160	$41,008	($91,389)	($29,304)	($3,749)	($4,101)	-	$454,624
2029	-	$528,400	$41,828	($93,217)	($29,890)	($3,824)	($4,183)	-	$439,113
2030	-	$514,640	$42,665	($95,082)	($30,488)	($3,901)	($4,266)	-	$423,568
2031	-	$178,880	$43,518	($96,983)	($31,098)	($3,979)	($4,352)	-	$85,986
2032	-	-	$44,388	($98,923)	($31,720)	($4,058)	($4,439)	-	($94,752)
2033	-	-	$45,276	($100,901)	($32,354)	($4,140)	($4,528)	-	($96,647)
2034	-	-	$46,182	($102,919)	($33,001)	($4,222)	($4,618)	-	($98,580)
2035	-	-	$47,105	($104,978)	($33,662)	($4,307)	($4,711)	-	($100,551)

Sources: (2) March 5 presentation to Selectmen
(4) Email from David Pinsonneault to Carolyn Kosnoff, March 20, 2019.
(5-8) Consultants' report, inflated at 2% after FY2020.
(9) Cost per meter estimated from presentation to Selectmen, March 19, 2018 multiplied by 575 meters/year, the mid-point of the range of annual replacement assumed in the presentation, inflated at 2% annually after FY2020. We note that, over the past five years, the average rate of replacement has been 330 meters/year.

In the table above, column (2) shows the one-time cost covered by the retained earnings. Column (3) shows projected debt payments, which end in FY2031. Column (4) shows costs of maintaining the physical and software network for a "hosted system", Columns (5)-(8) show savings (represented as negative costs) estimated by the consultant for reduced labor (1 Meter Reader and 1 Meter Manager), vehicle, and fuel used currently for meter reading. Column (9) shows savings from not having to replace meters during the first five years (however, this does not account for meters that fail before the end of their 15-year service life). Column (10) adds it all up to show the net annual costs (savings) for 15 years.

Potential savings from reduced leaks are discussed below.

The table below reports the present value of the net costs for several discount rates ranging from 3% to 6%. If one assumes a bond rate of 4% and uses that rate to discount the cash flows, the present value of the estimated net costs is about $4.3 million.

Discount Rate	3%	4%	5%	6%
NPV net costs	$4,480,357	$4,281,936	$4,096,751	$3,923,800

Several alternatives have been proposed for apportioning the annual costs of the project into water bills, but the Committee offers no recommendation regarding those alternatives, which are not part of the motion. It is the Board of Selectmen's purview to make this determination during the annual rate-setting process.

The consultant assumes that enhanced customer awareness of water usage and frequent monitoring by the Town will lead to reduced water consumption, due in part to more proactive maintenance and repairs within homes and other areas on the customer side of water meters. As a result, the consultant also asserts the Town will not have to issue as many water bill abatements, which represent lost water system revenue in the short term. They estimate the reduction in abatements to be $3,038,000 over 15 years .[10] However, most of that "lost" revenue due to abatements must eventually be recovered to keep the enterprise funds solvent. Thus, the net impact of abatements over the long term is to raise water rates for all customers, so the enterprise funds do not run deficits. Reducing abatements would make it possible to reduce water rates, because there would be less lost revenue to recover. Lowering abatements does not save the Town any money, but it allows the Town to provide the same water service at a lower cost. The real savings (if any) will flow to the customers who are motivated to reduce their water consumption, in part by having more useful data about their personal water usage.

The appropriate measure of the real net savings for the Town and its residents/customers would be the reduction in water lost to leaks multiplied by the wholesale price of water paid to the MWRA by the Town (because after-meter leaks do not affect the fixed costs of the system). However, the consultants have not provided an estimate of the volume of water that would be saved (in total, not just associated with abatements) from faster leak repairs. Such an analysis would have to estimate not only the volume currently lost to post-meter leaks, but also what percentage would be eliminated by the proposed system. That calculation would also require an estimate for the likelihood of ratepayers to act independently based on information provided by the new system, and an estimate of Town's own ability to correctly identify actionable problems using the system.

There also may be additional savings for a limited number of homeowners if the new system flags catastrophic leaks that occur while a homeowner is away from home. Reduced or avoided repair costs to homeowners would be a benefit, perhaps a very large one. However, the system might be of limited use in this regard because the leaks would not be identified instantaneously by the Town and, during the absence of the homeowner, it is not clear how quickly the water could be turned off or repairs made to stop the leak.

For Town Meeting Members who might appreciate a simple summary of this analysis, the $4.3 million in the net costs corresponds to annualized costs of about $332,000 per year (in current dollars) over 15 years. Spread over about 14,450 meters in the Town, that translates to about $23 per meter per year.

The Committee recommends approval of 16(a-e,g-p) by a vote of (9-0).
The Committee recommends approval of 16(f) by a vote of (6-3).

[10] It is not clear if the consultant also assumed a less generous policy regarding leak-related abatements with the new system.

Article 17
Appropriate for Water System Improvements

Funds Requested	Funding Source	Committee Recommendation
$2,200,000	**Water EF debt**	**Approve (9-0)**

This article addresses proposed capital expenditures to be made during FY2020 as part of a continuing program to upgrade and maintain the assets of the Water Enterprise Fund. For general background on the enterprise funds, and the relationship between the budget process and the water rate setting process, please see Appendix B and the discussion under Article 12.

A total of $2,200,000 is requested this year to replace unlined or inadequate water mains and deteriorated service connections and to eliminate dead ends in water mains. The details of the projects can be found in the Brown Book (p. XI-12). Capital appropriations for similar purposes have been made in most years over the last decade (except for FY2006 and FY2012, when engineering studies were not ready). The goal is to assure dependable service with high water quality, pressure, and volume for domestic needs, commercial needs, and fire protection, as well as minimization of water main breaks.

The amount requested this year is 2.2 times the approximately $1,000,000 annual amount which has typically been requested under this article in past years. The justification for the substantial proposed increase follows from an asset management study recently completed by a consultant, the Wright-Pierce environmental engineering firm, which has recommended an ongoing annual expenditure of this magnitude over the next 25 years to keep Lexington's water system safe and reliable. The asset management plan identifies areas of vulnerability, aging pipe, and areas with low volumes and pressures; and it recommends the replacement of 1% of the Town's water mains on an annual basis.

The costs of this year's water system improvements are proposed to be funded entirely via borrowing. Unlike recent years, due to a variety of factors, no retained earnings are proposed to fund these system improvements, although the use of retained earnings is proposed to support certain other enterprise fund capital projects covered by Article 16 (Municipal Capital Projects and Equipment) as noted in the discussion of Article 12. The resulting debt service costs for this year's borrowing would be borne by the operating budget for the Water Enterprise Fund for ten years until the debt is retired (see Brown Book, p. XI-12, Table II).

If this new, more costly, annual water system improvements program is to be funded going forward exclusively by borrowing, there is some cause for concern. As the projections given in Table II of the Brown Book referenced above show, this year's initial increased borrowing will not have a major impact on future debt service costs. However, if a similar debt burden of $2,200,000 is added each year going forward, which would be much larger than the prior debt being retired, the net effect will be a steady growth in the fund's annual debt service obligations, well beyond the historical amounts shown in the table below.

Prior to FY2006, capital expenditures for water distribution and related improvements were funded by a combination of enterprise fund cash capital, which was raised in the rates, and borrowing. Subsequently, there was a transition to funding these ongoing improvements exclusively with debt. While the transition to debt financing in the enterprise funds mitigates the need for rate increases early on, that change, together with the fund's allocated contribution to the debt service for the new DPW facility, steadily increases the annual debt service costs of the Water Enterprise Fund, both in dollar and percentage terms, as illustrated below. In effect, one is artificially lowering the rates today at the expense of higher rates in the future.[11]

Growth in Debt Service for the Water Enterprise Fund

Fiscal Year	Water Debt Service	Total Budget	Debt Service Ratio
2006	$213,150	$6,237,235	3.4%
2007	$358,301	$6,514,502	5.5%
2008	$425,565	$6,469,388	6.6%
2009	$757,247	$7,190,800	10.5%
2010	$1,074,551	$7,241,304	14.8%
2011	$1,137,075	$7,619,919	14.9%
2012	$1,258,968	$8,039,413	15.7%
2013	$1,299,091	$8,124,846	16.0%
2014	$1,260,655	$8,707,219	14.5%
2015	$1,379,622	$9,270,880	14.9%
2016	$1,307,938	$9,895,640	13.2%
2017	$1,374,696	$10,663,218	12.9%
2018	$1,470,783	$10,722,659	13.7%
2019	$1,476,402	$10,800,973	13.7%
2020	$1,277,412	$10,883,355	11.7%

Regardless of the debt funding options, the new policy recommendation from the Wright-Pierce study assumes a significant and lasting increase in the annual program costs, and this must eventually be reflected in water rates. A sustainable funding strategy would rely on cash capital, funded directly by rate revenue, for the most predictable components of the program.

Given the ongoing and consistent nature of the water system's upkeep and improvement program, an alternative to borrowing would be to return to at least a partial cash capital program and raise part or all of the funds needed for each year's capital program needs in the rates, while continuing to include excess retained earnings in the mix if, as and when they are available.

Making such a changeover in a single year would result in a significant one-time rate boost, so a gradual transition from debt-based financing to cash capital financing would be preferable. However, if a switch to cash capital could be accommodated on a one-time basis in the FY2020 rates to be set in the fall, which seems feasible this year with a combined water enterprise budget increase of only 1.37%, funding the program thereafter on a level basis with cash capital would generate no further pressure on rates. Indeed, as older debt is retired, annual debt service costs would drop, mitigating potential future rate pressure.

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

---

[11] In the last several years, judicious use of some of the fund's accumulated retained earnings as cash capital has helped to defray the impact of these growing debt service costs and maintain long-term rate stability. For a more complete discussion of the status and use of water and sewer enterprise fund retained earnings, see the discussion of the enterprise funds' operating budget under Article 12.

Article 18
Appropriate for Wastewater System Improvements

Funds Requested	Funding Source	Committee Recommendation
$1,700,000	**Wastewater EF debt**	**Approve (9-0)**

This article addresses proposed capital expenditures to be made during FY2020 as part of a continuing program to upgrade and keep current the assets of the Wastewater Enterprise Fund. For general background on the enterprise funds, and the relationship between the budget process and the water rate-setting process, please see Appendix B and the discussion under Article 12.

A total of $1,700,000 is requested this year: $1,000,000 as part of a multi-year plan to rehabilitate sanitary sewer infrastructure, particularly in remote areas, including brook channels, where poor soil conditions lead to storm water infiltration; and $700,000 as part of an ongoing program to upgrade Lexington's ten sewer pumping stations. The details of the projects including the expected work sites can be found in the Brown Book (p. XI-13). Capital appropriations for similar purposes have been made in most years (except for FY2006, when engineering studies were not ready, and FY2011, when only pump station upgrades were performed). The request this year is $100,000 less than the $1,800,000 amount typically requested under this article.

The costs of this year's wastewater system improvements are proposed to be funded entirely by borrowing. The resulting debt service costs for the portion borrowed will be borne by the operating budget for the Wastewater Enterprise Fund in FY2020 and for an additional ten years until the debt is retired (see Brown Book, p. XI-13, Table III), and will be included each year as a component of the wastewater rates. Part of the funding may come from MWRA grants or loans.

Prior to FY2006, capital expenditures for wastewater distribution system improvements were funded primarily by enterprise fund cash capital, which was raised in the rates. Subsequently, there was a transition to funding these ongoing improvements primarily with debt. While the transition to debt financing mitigated the need for rate increases early on, that change, together with the fund's allocated contribution to the debt service for the new DPW facility, steadily increased the annual debt-service costs of the sewer enterprise fund, both in dollar and percentage terms, as illustrated below.[12]

Growth in Debt Service for the Wastewater Enterprise Fund

Fiscal Year	Wastewater Debt Service	Total Budget	Debt Service Ratio
2006	$275,950	$7,084,802	3.9%
2007	$333,899	$7,440,920	4.5%
2008	$439,792	$7,355,479	6.0%
2009	$488,135	$7,643,649	6.4%
2010	$575,357	$8,083,478	7.1%
2011	$791,777	$8,315,556	9.5%
2012	$879,713	$8,934,624	9.8%
2013	$956,855	$9,282,077	10.3%

[12] In the last several years, judicious use of some of the fund's accumulated retained earnings as cash capital has helped to defray the impact of these growing debt service costs and maintain long-term rate stability. For a more complete discussion of the status and use of water and sewer enterprise fund retained earnings, see the discussion of the enterprise funds' operating budget under Article 12.

Fiscal Year	Wastewater Debt Service	Total Budget	Debt Service Ratio
2014	$1,131,673	$9,257,354	12.2%
2015	$1,220,843	$9,517,618	12.8%
2016	$940,679	$9,103,316	10.3%
2017	$981,220	$9,441,980	10.4%
2018	$1,034,904	$9,682,514	10.7%
2019	$1,211,165	$10,132,360	12.0%
2020	$1,278,322	$10,525,382	12.1%

Because the appropriation proposed this year for wastewater system improvements, unlike that for water system improvements, is level-funded from prior years, it does not present the same concerns of artificially deferred rate pressure as the large increase in annual capital improvement expenditures proposed for the water enterprise fund (see the discussion under Article 17). If new debt for the ongoing improvement program is added at the same rate that old debt is retired, annual debt service costs, which must be borne by the operating budget and recovered in the rates, should not continue to grow.

Nevertheless, an alternative would be to return to at least a partial cash capital program and raise part or all of the funds needed for each year's capital program needs in the rates, while continuing to include excess retained earnings in the mix if, as and when they are available. However, since making such a changeover in a single year would result in a significant one-time rate boost, the all-debt proposal is a reasonable one for this year.

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

Article 19
Appropriate for School Capital Projects and Equipment

Funds Requested	Funding Source	Committee Recommendation
$1,019,812	**Free Cash**	
$724,088	**GF Debt**	**Approve (9-0)**
$1,743,900		

This request addresses the District's strategic goal for enhancing the capacity to utilize technology as an instructional and administrative tool. The request will increase student access to devices to allow for innovative learning methods that integrate supportive technologies, problem-based approaches and higher order thinking skills.

We note that the funding strategy for school technology requests is transitioning from debt to cash capital, which seems reasonable given the shorter lifetimes of the hardware.

For a more detailed discussion of the items in this request, please see the Capital Expenditures Committee Report to the 2019 Annual Town Meeting and the Brown Book pages XI-10 and XI-11.

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

Article 20
Appropriate for Public Facilities Capital Projects

Funds Requested	Funding Source	Committee Recommendation
$4,744,053	***See below***	**Approve (9-0) 20(a-f)** **Approve (8-0-1) 20(g)**

This article requests the appropriation of funds for the facilities projects summarized below.

Project Description	**Funds Requested**	**Funding Source**	**Recommendation**
(a) Public Facilities Bid Documents	**$100,000**	Free Cash	**Approve (9-0)**
(b) Facilities and Site Improvements • Building Floor Program • School Paving & Sidewalks Program	 **$125,000** **$326,740**	 Free Cash Free Cash	**Approve (9-0)**
(c) Municipal Building Envelopes and Systems	**$203,865**	Tax Levy	**Approve (9-0)**
(d) School Building Envelopes and Systems	**$233,448**	Free Cash	**Approve (9-0)**
(e) LHS Field House Track Resurfacing	**$250,000**	Free Cash	**Approve (9-0)**
(f) Public Facilities Mechanical/Electrical System Replacements	**$605,000**	GF Debt	**Approve (9-0)**
(g) Westview Cemetery Facility Construction	**$2,800,000**	GF Debt/Sale of Cemetery Lots SRF	**Approve (8-0-1)**
(h) Cary Library Children's Room Renovation Design	**$100,000**	Free Cash	**Approve (9-0)**

For further discussion of items in this request, please see the report of the Capital Expenditures Committee and the Brown Book. This Committee concurs with the rationale advanced by the Capital Expenditures Committee in its report for approving the appropriations listed above.

Article 20(g)

This is a request for construction funds for a new office and equipment maintenance building on the Westview Cemetery grounds, including the costs of demolition, architectural, and engineering services, original equipment, furnishings, landscaping, paving and other site and traffic improvements incidental or related to such construction.

Westview Cemetery is the Town's active cemetery with an average of 200 burials per year. The existing building at the site houses the cemetery office and the workspace for maintenance staff. The building has deteriorated and does not meet current building code, and the maintenance area is small and not all of the cemetery equipment can be stored indoors which affects its durability and life. Furthermore, the building is too small to allow for a private space for grieving families. As a result, visitors making cemetery arrangements, or gathering prior to a funeral service, are subject to intrusion by staff entering and leaving the office, and to noise from maintenance activity in the adjacent garage.

The new building design has adequate and efficiently laid out office space, enough storage space to keep all equipment indoors, and it will provide a welcoming and private space for families and visitors.

At the 2015 Annual Town Meeting, $35,000 was appropriated to hire an architect to assess the current building, and to determine if the existing building can be renovated and expanded, or if a new building is needed. The assessment was performed by TBA Architects Inc., and at the 2017 Annual Town Meeting,

$270,000 was appropriated to develop designs for the renovation of the existing building or for construction a new building.

At the 2018 Annual Town Meeting an article to appropriate construction funds was indefinitely postponed in order to consider citizen requests for the inclusion of a crematory facility as part of the new building. The Ad-hoc Crematory Study Committee (CSC) was appointed by the Board of Selectmen in fall 2018. The committee made a recommendation, subsequently accepted by the Board of Selectmen, that requires the design of the new Westview Cemetery building to be able to accommodate the addition of a crematory with up to two retorts and a viewing area for 25 visitors. These design modifications will be made utilizing the existing design funds.

Financing Plan

The Westview Cemetery building is expected to cost approximately $2.8 million with a 20-year bond duration for any debt. Two funding scenarios considered assume an interest rate of 4% for bonds. In the first scenario, the full construction cost will be debt-financed with a level-payment amortization schedule, to best match the inflow of fee revenue. The debt service would be funded from fee revenue from the General Fund and the Sale of Cemetery Lots Fund, which has a projected balance of approximately $730,000 at the end of FY2019 and would continue to receive new revenue from sales of cemetery lots and burials. This funding model anticipates that the need for tax levy supplements to the debt service from FY2031 through FY2037. The total tax levy supplement needed to cover the debt service is projected to be approximately $115,000 over the life of the debt.

In the second scenario, the Sale of Cemetery Lots Fund will be used to cash finance part of the $2.8 million project, and the remaining $2.1 million will be issued as debt. This alternative has lower interest costs, but the timing of payments would require approximately $237,000 in support from the tax levy.

Cemetery Operating Revenues and Expenses

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. When a burial is performed, the fee revenue is directed to the General Fund. This General Fund 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 partially fund cemetery operations. The annual amount of tax levy support to cemetery operations from FY2015 to FY2018 is shown in below.

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

Note that Article 6 requests funds for the preparation of design through construction documents for a crematory at Westview Cemetery. No funds for the design or construction of a crematory are included in this request.

The Committee recommends approval of 20(a-f) by a vote of (9-0).
The Committee recommends approval of 20(g) by a vote of (8-0-1).

Article 21
Rescind Prior Borrowing Authorizations

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

State law requires that Town Meeting vote to rescind the unissued portions of borrowing authorizations (appropriations funded by debt) that are no longer required for the purpose stated in the authorization. Rescinding these authorizations is the final bookkeeping task for all debt-based appropriations.

The following borrowing authorizations are recommended for rescission in FY2020.

Town Meeting	Article	Amount	Purpose
Special Town Meeting 2012	2	$224,273	Estabrook Construction
2015 Annual Town Meeting	18(a)	$313,998	Middle School Space Mining
Special Town Meeting 2015-1	2	$547,951	School Facilities Capital Projects
2008 Annual Town Meeting	15(k)	$34,971	Police/Fire Mobile Computerization
2017 Annual Town Meeting	12(x)	$9,655	Ambulance Replacement

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

Article 22
Establish, Dissolve and Appropriate to and from Specified Stabilization Funds

Funds Requested	Funding Source	Committee Recommendation
$1,536,759	**Tax Levy**	
$5,200,000	**Capital SF**	**Approve (9-0)**
$1,526	**Special Revenue Fund**	

The State statute authorizing towns to create and maintain a stabilization fund (G.L. c. 40, § 5B) was amended in 2003 to permit the creation of stabilization funds for specified purposes. Multiple funds may be created for different purposes. They are separate and independent accounting entities. Each specified stabilization fund holds monies that may be appropriated for the stated purposes but not for other purposes. Lexington's first specified stabilization funds were established at the 2007 Annual Town Meeting. A history and description of these funds can be found in Appendix E.

An article similar to this one is now routinely included on the annual town meeting warrant to give Town Meeting the opportunity to act in relation to specified stabilization funds. Town Meeting may create a specified stabilization fund, alter a fund's specified purpose, or make an appropriation into or out of a fund by a two-thirds majority vote. Appropriations into specified stabilization funds do not authorize expenditures, but rather are transfers of funds into accounts for specified future uses.

Status of Funds and Appropriation Requests

The current balance of each fund, the amount recommended for appropriation into each fund (if any), and the amounts proposed to be withdrawn from each fund (if any), are as follows. Bold cells in the table below indicate relevance to this article's request. All deposits into specified stabilization funds (SFs) are covered under this article (3rd column). Withdrawals from these funds (4th column) are covered under the listed articles (5th column).

Specified Stabilization Fund	Balance as of 3/15/2019	Amount Deposited under Art. 22	Amount Withdrawn	Warrant Article for Withdrawal
Transportation Demand Management SF	$181,379	-	$141,000	11
Traffic Mitigation SF	$354,948	-	-	
Special Education SF	$1,120,867	-	-	
Capital SF	$27,492,341	**$1,536,759**	**$5,200,000**	**22**
Center Improvement District SF	$35,190	**$1,526**	$27,000	11
Transportation Management Overlay District SF	$342,445	-	-	
Debt Service SF	$549,506	-	$124,057	24
Section 135 Zoning SF	$0	-	-	
Visitor's Center Capital SF	$108,180	-	-	
Water System Capital SF	$31,868	-	-	
Affordable Housing Capital SF	$0	-	-	

This article proposes to appropriate $141,000 from the *Transportation Demand Management SF* to finance the Lexpress bus service as well as the Town's contribution to the REV Shuttle. The fund was initially created to support the Lexpress bus service and the 2016 Annual Town Meeting extended the purpose of this fund to "supporting the planning and operations of transportation services to serve the needs of town residents and businesses."

This article proposes to appropriate $1,536,759 of Free Cash into the *Capital SF*. This fund was created for the purpose of setting aside funds to finance future capital projects of the Town. The article also proposes to appropriate $5,200,000 out of this fund to mitigate the impact of excluded debt service for recently approved projects.

This article proposes to appropriate $1,526 of profit-sharing revenue from Bike Share pilot with Zagster Inc. into the *Center Improvement District SF*.

As of publication the Town has received a mitigation payment from King St. Properties for 75 Hayden Ave in the amount of $560,690. It is expected that this amount will be divided between the *Traffic Mitigation SF* and the *Transportation Demand Management / Public Transportation SF* either at the 2019 Annual Town Meeting or a subsequent Special Town Meeting in the fall of 2019.

Any additional payments received prior to the vote on this article will be deposited into special revenue accounts. If necessary, the motion will be updated to include additional transfers into the specified stabilization funds.

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

Article 23
Appropriate to General Stabilization Fund

Funds Requested	Funding Source	Committee Recommendation
None	**N/A**	**IP**

This article is routinely placed on the Warrant to provide an opportunity to request an appropriation from the General Stabilization Fund. No such appropriation is needed.

The Committee supports indefinite postponement for this article.

Article 24
Appropriate from Debt Service Stabilization Fund

Funds Requested	Funding Source	Committee Recommendation
$124,057	**DSSF**	**Approve (9-0)**

In August 2006, the Town received a lump-sum reimbursement of approximately $14 million from the Massachusetts School Building Authority (MSBA) to cover its remaining obligation for construction projects previously completed at Clarke and Diamond Middle Schools and Lexington High School. The Massachusetts Department of Revenue (DOR) required the Town to set aside the excess funds from this up-front reimbursement for these school construction projects, and to apportion those funds over the life of the bonds related to the projects to help fund the debt service.

The 2009 Annual Town Meeting voted to establish a specified stabilization fund under G.L. c. 40 Section 5B called the Debt Service Stabilization Fund (DSSF). The $1,739,894 remaining from the FY2007 set-aside was then appropriated into the DSSF. This fund allows the Town to invest the set-aside funds beyond the one-year arbitrage limit that would otherwise apply. The current balance in the DSSF is $548,390. The bonds for the subject school construction projects mature in 2023, which will also be the final year for the required annual appropriations from the DSSF.

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

Article 25
Appropriate for Prior Years' Unpaid Bills

Funds Requested	Funding Source	Committee Recommendation
None	**N/A**	**IP**

As of publication, no action is anticipated under this article.

The Committee supports indefinite postponement for this article.

Article 26
Amend FY2019 Operating, Enterprise and CPA Budgets

Funds Requested	Funding Source	Committee Recommendation
Pending	**Pending**	**Pending**

A recommendation from the Town Manager, Town staff, and the Board of Selectmen regarding actions, if any, under this article is not expected to be available until after publication. Consideration of this article, which is routinely included in the annual town meeting warrant, is normally deferred until a session near the end of town meeting to provide additional time to coordinate final adjustments for the current year's budget in a single motion.

The Committee will report on this article when it is taken up by Town Meeting.

Article 27
Appropriate for Authorized Capital Improvements

Funds Requested	Funding Source	Committee Recommendation
None	**N/A**	**IP**

This article is routinely placed on the Warrant to provide an opportunity to appropriate supplemental funds for previously authorized capital improvement projects. As of publication, no action is planned under this article.

The Committee supports indefinite postponement for this article.

Article 32
Addition of Capital Expenditures Committee-Related Provisions to the Representative Town Meeting and Selectmen-Town Manager Acts

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

This article would authorize the Board of Selectmen to petition the state legislature for amendments to two state laws establishing Lexington's form of government. The amendments would upgrade the status of the Capital Expenditures Committee (CEC), bringing it more in line with that of the Appropriation Committee.

Specifically, the article seeks: (1) to amend the "Representative Town Meeting Act"[13] (RTMA) to make the Chair of the CEC a town meeting member at large; and (2) to amend the "Selectmen-Town Manager

[13] Chapter 215 of the Acts of 1929, titled "An Act to Establish in the Town of Lexington Representative Town Government by Limited Town Meetings." — `http://ecode360.com/documents/LE1818/LE1818-A201.pdf`

Act"[14] (STMA) to state that the Town Moderator shall appoint the members of the CEC[15], a duty that is also covered in the Town's bylaws in the Code of Lexington, § 29-12(C).

Background

State law provides, in G.L. C. 39 §16, that every town having in excess of one million dollars in assessed valuation "shall… provide for the election or the appointment and duties of appropriation, advisory, or finance committees, who shall consider any and all municipal questions for the purpose of making reports or recommendations to the town."

Different towns have implemented this requirement in different ways. At least since the adoption of the STMA, the Town of Lexington has fulfilled the statutory mandate with two separate, coordinate committees, an Appropriation Committee with a broad mandate in the Town bylaws to consider "any and all municipal questions—but customarily focused on matters with a discernible financial impact on the Town—and a Capital Expenditures Committee with a more particularized mandate to consider and make recommendations on capital questions.

Several years ago, in recognition of the growing demands on the CEC, its enabling bylaw was modified to increase its size from five to as many as seven members, the exact number to be determined by the Moderator. Last year, the bylaw was further amended to reflect more accurately the CEC's existing practice and to clarify that the CEC would have the same basic resources at its disposal as the Appropriation Committee to accomplish its mission, including the prerogatives: (1) to invite Town employees or other persons to attend its meetings; (2) to have access to Town records; and (3) to weigh in on broader financial questions, such as those which come up at periodic "budget summits" with the Board of Selectmen, School Committee and Appropriation Committee, when invited to do so.

Requested Statutory Amendments

The RTMA currently provides, in Section 3, that the following persons shall be designated as town meeting members at large: "any member of the general court of the commonwealth from the town, the moderator, the town clerk, the members of the boards of selectmen and public works, the town treasurer, the town counsel, the chairman of the school committee, and the chairman of the appropriation committee."

The first proposed amendment would add the chairman of the CEC to the list of members at large.

The STMA currently provides, in Section 2(c), that "The moderator shall appoint the appropriation committee and such boards and committees and officers as he *[sic]* may now or hereafter be directed to appoint by any applicable law, by-law, or vote of the town." Pursuant to that statutory authority, the town bylaw governing the CEC provides, in Section 29-12(C), that the Moderator shall appoint the members of the CEC and fill any vacancy in that committee.

The second proposed amendment would codify the Moderator's obligation under the STMA to appoint the members of the CEC, in the same way that appointments to the AC are governed under the STMA.

Recommendation

This Committee believes that the first requested amendment, designating the CEC chair as an additional town meeting member at large, is useful and appropriate given the enhanced responsibilities of the CEC, as it will allow a chair who has not been elected to Town Meeting to participate in a more meaningful way.

---

[14] Chapter 753 of the Acts of 1968, titled "An Act Establishing the Selectmen-Town Manager Form of Government in the Town of Lexington." — `http://ecode360.com/documents/LE1818/LE1818-A201.pdf`

[15] Section 29-12 of the Code of Lexington, as most recently amended, provides that the Moderator shall appoint the members of the CEC and fill any vacancy on that committee. The responsibilities of the Appropriation Committee are spelled out in Sections 29-7 through 29-11 of the Code of Lexington, and the responsibilities of the CEC are spelled out in Sections 29-12 through 29-14. — `http://ecode360.com/10534906`

The Committee believes that the second requested amendment is not essential, given that the Moderator is already authorized by the STMA to appoint the members of any committee specified by a town bylaw, and the bylaw governing the CEC so specifies. However, the Committee also believes that, given Lexington's time-honored tradition of having the Moderator appoint the members of both financial committees, memorializing this specific appointment power in the STMA is consistent with existing practice.

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

Appendix A: 3-Year Budget Projection

This projection is offered to explore the financial challenges that Lexington will face in the next three years. The projection is also an opportunity to obtain a better qualitative as well as quantitative understanding of known trends and cost drivers.

The creation of a revenue and expense projection differs in both method and purpose from the creation of a balanced budget. In a budget, one plans conservatively to avoid both over-spending and under-funding, either of which could necessitate harsh remedies in the middle of a fiscal year. For this projection, we make rough estimates of future revenues and expenses, regardless of how they might impact the overall fund balance. *The resulting figures do not represent actual revenue or spending targets.*

We assume that modest economic growth continues in FY2021, FY2022, and FY2023. There is some chance that the prior period of unusually low inflation will be followed by higher levels of inflation. Interest rates have already begun to rise. These considerations suggest some reasons for economic uncertainties in the near future that could impact the accuracy of our projections.

We have adopted some key assumptions as the basis for the projection presented herein using limited investigations to establish their plausibility. We note below the most important aspects.

Revenue Assumptions

- The tax levy is assumed to grow annually by 2.5% of the previous year's base and by an added amount for "new growth". No increases in revenues from Proposition 2½ operating overrides are included, since none are currently contemplated during the projection period.
- New growth, i.e., the increase in the tax levy from new construction and new personal property, peaked at over $3,500,000 in FY2013 and then dropped about 15% in FY2014. It continued to drop another 4% in FY2015 and again in FY2016, rising back to $3,357,000 in FY2018, and dropping in FY2019 to $3,270,000. This recent history exemplifies the volatility of this factor. In light of this, the model straight-lines new growth using the midpoints of the 10-year (FY2010-2019) and 15-year (FY2005-2019) averages.
- State aid is assumed to increase by 1.4% annually. Growth in Chapter 70 aid will continue due to increasing school enrollments, but at a lower rate than in the previous few years.
- Available Funds are projected at lower levels than recent historical and present levels due to uncertainty regarding Free Cash. Available Funds for the previous five fiscal years (2015 through 2019) ranged from a low of $11 million for FY2015 to a high of $15.6 million for FY2016, yet the average of available funds for fiscal years 2010 through 2013 was about $7 million.

  The most volatile, and largest component of Available Funds is Free Cash; monies received but not expended or encumbered. Free Cash is projected at $6 million for FY2021-2023. Negative comments by the bond rating agencies regarding the large amount of Free Cash being used to fund the operating budget has resulting in a 5-year program to reduce its use by $700,000 per year. The projected allocation to the operating budget is FY2021-$2,200,000, FY2022-$1,500,000, and FY2023-$800,000. These reductions would be directed to cash capital, with the balance of Free Cash being applied to the Post Employment Insurance Liability Fund (aka OPEB), cash capital, and to the Capital Stabilization Fund (see the expense section below for details).

  The more stable parts of Available Funds include the Parking Fund and the Cemetery Fund. They are assumed to be $385,000 and $250,000, respectively. Additionally, we've included town management's recommendation that, for FY2021–FY2023, $750,000 will be transferred out of the Health Claims Trust Fund for health insurance premiums, thereby freeing up the same amount to fund the OPEB Trust Fund.

- We have illustrated projected transfers from the Capital Stabilization Fund to mitigate within-levy debt service keep its growth to 5%. Our projection currently shows large transfers of $5,086,000 in FY2021, $4,584,000 in FY2022, and $4,385,000 in FY2023. Additional appropriations from this fund are anticipated to mitigate the tax impact from excluded debt service for the school and public safety capital programs.
- Revenue offsets include amounts from Cherry Sheet assessments that are assumed to grow by 3.5% annually, amounts for the Assessors' overlay ($750,000 annually in FYs 2021 and 2022; and $900,000 in FY2023, a revaluation year), and $400,000 that is set aside annually for potential deficits in the snow and ice budget.
- Water and Wastewater Enterprise Fund indirect expenses are assumed to increase by 3% annually. Recreation Enterprise Fund indirect expenses are assumed to increase by $7,000 per year. Additionally, in FY2020 Recreation Enterprise Fund expenses will be offset by $208,859 in tax levy funding for Community Center operations personnel. This expense will grow by 1.3% annually to accommodate step increases, and the tax levy funding will increase with at that pace also.

Expense Assumptions

- Line items for FY2021–FY2023 include settled cost-of-living adjustments (COLAs) for salaries and wages, as well as projected COLA's for unsettled contracts at rates similar to the settled contracts. For the school budget 80% of wage dollars are settled for FY2021 and 75% for FY2022. For the municipal/facilities budget 27% is settled for FY2021 and 23% for FY2023.
- The Lexington Public Schools personnel costs are assumed to increase by 1.5% annually for step changes. Enrollment driven increases are based on the midpoint of school administration projections showing enrollment growth of 14 in FY2021, 103 in FY2022 and 54 in FY2023. An increase in enrollment of 100 students is estimated to require a staffing increase of 19.32 FTE's at $73,062 per FTE, an increase of approximately $1,412,000 in the operating budget.
- The Lexington Public School expenses for programs other than special education are assumed to increase by 3% per year. Special education expenses for out-of-district tuition are net of the State Circuit Breaker reimbursement and are assumed to increase by 6% annually, while the expenses for special education consultants and out-of-district transportation are assumed to increase by 3% per year.
- Municipal personnel costs are assumed to increase by 1.3% annually for step changes.
- Municipal expenses are assumed to increase by 3% per year.
- The assessment for Lexington's share of expenses for Minuteman Career and Technical High School is assumed to increase by 4.5% per year. It is assumed that the number of Lexington students will increase but remain as a similar proportion of in-district students. Debt service payments for the new Minuteman school building are projected to be level in FY2021, rise $100,000 in FY2022, and rise by over $200,000 in FY2023, when the last construction bonds are issued.
- Appropriations for current and future contributory pension payments are assumed to follow the schedule set up by the Retirement Board following the most recent actuarial evaluation of pension costs. These costs are $6,755,537 in FY2021, $7,105,537 in FY2022 and $7,455,537 in FY2023.
- Health insurance costs are assumed to increase annually by 5.5%. While this growth is primarily driven by anticipated increases in school staffing due to enrollment, the combination of inflation and other staffing growth also contribute.
- Non-exempt debt service costs are assumed to support annual debt-funded project appropriations that will grow at the rate of 5% per year. Current projections already exceed that limit, translating into projected costs in FY2021 of $13,565,000, FY2022 of $12,982,000 and FY2023 of $9,683,000. However, included in these costs are final annual payments in FY2021 and FY2022 of $2,403,450 towards

the costs of the 20 Pelham Rd. and 173 Bedford St. land purchases. Debt costs are shown as unmitigated debt payments. Being well above the 5% growth rate, there are large proposed mitigation payments described in the revenue section.

- Department of Public Facilities costs include salaries and wages (assumed to grow by 1.3% annually for step changes), utility bills, and other expenses (assumed to grow by 3% annually). Utility costs are assumed to increase by about 1.5% annually. The $410,000 Hartwell Ave solar panel lease is included in the Facilities budget.
- Expenses for cash capital are assumed to include amounts for road and building envelope maintenance (following from prior operating overrides) that increase annually by 2.5%, as well as the Free Cash funding for other capital expenses that are $1,700,000 in FY2021 then increase $700,000 in both FY2022 and FY2023 as Free Cash used to fund the operating budget is reduced by that amount.
- No new funds will be appropriated into the General Stabilization Fund. Of the projected Free Cash, $800,000 is designated for appropriation into the Capital Stabilization Fund.
- Other expenses are assumed to include $30,000 annually for the senior tax work-off program; $200,000 set aside for unanticipated current fiscal year needs, and annual $1,100,000 contributions to the trust fund for future costs of health insurance for retired employees (OPEB).
- The offsetting revenues and expenses for revolving funds, grants, and enterprise fund operations, except the Recreation Enterprise Fund, are projected using the 5-year trend from FY2014-2018. Enterprise capital is projected using the five averages for FY2014-2016 plus $300,000 due to an increased Water Enterprise capital program.
- The projection contains no set-asides for unidentified new programs.

The projection for FY2021 shows an increase of approximately $5,352,000 in total General Fund revenue. This increase is significantly lower than the projected $7,770,000 increase in the FY2020 General Fund revenue because the available Free Cash was near its highest point in the last 10 years. We project a large decrease in Free Cash (the largest component of Available Funds) compared to the FY2020 budget. Free Cash results from an excess of actual revenues over actual expenditures. When additional Free Cash becomes available it is not used to fund operating expenses but is applied to one-time expenses such as capital projects or stabilization funds.

School budgets will be greatly affected by enrollment growth. This model is based on School Department enrollment projections that offer predictions with a great deal of uncertainty. Although the school had a slump in growth this past year, recent history has shown that enrollments matched or exceeded the projections, and annual growth could hit 4%.

Revenue Summary	**FY2018** actual	**FY2019** recap	**FY2020** budgeted	**FY2021** projected	**FY2022** projected	**FY2023** projected
Property Tax Levy						
Property Tax Levy	$161,960,335	$169,366,479	$176,870,646	$183,792,412	$191,387,222	$199,171,903
Allowable 2½% Incr.	$4,049,008	$4,234,162	$4,421,766	$4,594,810	$4,784,681	$4,979,298
New Growth	$3,357,135	$3,270,005	$2,500,000	$3,000,000	$3,000,000	$3,000,000
Excess Levy Capacity	($34,354)	($66,068)	$0	$0	$0	$0
Tax Levy Limit	**$169,332,125**	**$176,804,578**	**$183,792,412**	**$191,387,222**	**$199,171,903**	**$207,151,200**
State Aid	$15,737,052	$15,996,335	$16,187,516	$16,414,141	$16,643,939	$16,876,954
Local Receipts	$16,738,858	$13,727,959	$14,086,885	$14,298,188	$14,512,661	$14,730,351
Available Funds	$14,842,963	$14,485,805	$15,473,392	$7,525,000	$7,525,000	$7,525,000
In-Levy Debt Svc. Mitigation	$324,500	$573,500	$0	$5,086,000	$4,584,000	$4,385,000
Revenue Offsets	($2,082,568)	($1,983,075)	($2,213,983)	($2,081,500)	($2,114,103)	($2,264,103)
Enterprise Funds (Indirect)	$1,674,111	$1,646,939	$1,696,348	$1,746,148	$1,797,232	$1,849,639
Total General Fund	$216,567,041	$221,252,041	$229,022,570	$234,375,200	$242,120,633	$250,254,042
Other Revenues						
Revolving Funds	$3,689,819	$3,295,513	$3,292,479	$3,171,174	$3,171,174	$3,171,174
Grants	$143,951	$146,764	$148,844	$138,501	$138,501	$138,501
Enterprise Funds (Direct)	$25,520,880	$23,906,870	$26,231,996	$26,002,291	$26,832,296	$27,662,265
Exempt Debt	$8,292,689	$9,360,000	$11,119,640	$12,812,134	$14,441,263	$15,495,630
Exempt Debt Svc. Mitigation	$2,400,000	$4,500,000	$5,200,000	$6,200,000	$4,000,000	$2,200,000
Sub-total Other Revenues	$40,047,339	$41,209,147	$45,992,959	$48,324,100	$48,583,234	$48,667,570
Total Revenues	**$256,614,380**	**$262,461,188**	**$275,015,529**	**$282,699,299**	**$290,703,866**	**$298,921,612**

Expense Summary	**FY2018** actual	**FY2019** recap	**FY2020** budgeted	**FY2021** projected	**FY2022** projected	**FY2023** projected
Education						
LPS Wages	$85,953,852	$90,703,277	$95,442,183	$98,849,499	$104,894,648	$109,617,052
LPS Expenses	$9,058,560	$7,962,716	$8,727,037	$8,988,848	$9,258,514	$9,536,269
Out-of-District SPED	$6,642,769	$9,445,452	$9,384,537	$10,150,662	$10,695,895	$11,271,929
Subtotal LPS	*$101,655,181*	*$108,111,445*	*$113,553,757*	*$117,989,009*	*$124,849,057*	*$130,425,249*
Minuteman Regional Tech. School	$1,670,351	$2,126,217	$2,470,131	$2,581,287	$2,797,445	$3,018,830
Subtotal Education	***$103,325,532***	***$110,237,662***	***$116,023,888***	***$120,570,296***	***$127,646,502***	***$133,444,079***
Municipal						
Municipal Wages	$25,138,776	$25,022,433	$25,769,694	$26,620,094	$27,498,557	$28,406,009
Municipal Expenses	$10,718,805	$13,259,602	$14,458,822	$14,892,587	$15,339,364	$15,799,545
Subtotal Municipal	***$35,857,581***	***$38,282,035***	***$40,228,516***	***$41,512,681***	***$42,837,921***	***$44,205,555***

Expense Summary	FY2018 actual	FY2019 recap	FY2020 budgeted	FY2021 projected	FY2022 projected	FY2023 projected
Shared Expenses						
Benefits & Insurance	$31,883,833	$36,568,698	$37,645,127	$39,669,532	$41,783,695	$43,991,791
Debt (within-levy)	$9,388,135	$10,896,432	$9,853,984	$13,565,151	$12,981,764	$13,630,852
Reserve Fund	$0	$900,000	$900,000	$900,000	$900,000	$900,000
Facilities & Solar	$10,795,735	$11,143,728	$12,142,345	$12,684,185	$13,017,993	$13,361,583
Subtotal Shared Exp.	***$52,067,703***	***$59,508,858***	***$60,541,456***	***$66,818,869***	***$68,683,452***	***$71,884,226***
Capital & Reserves						
Cash Capital	$6,421,619	$7,549,138	$7,220,666	$3,442,984	$4,165,859	$4,889,307
Stabilization Fund	$0	$0	$0	$0	$0	$0
Capital Stabilization Fund	$7,690,398	$3,560,335	$1,536,759	$800,000	$800,000	$800,000
PEIL Fund (OPEB)	$1,829,721	$1,829,721	$1,879,721	$1,850,000	$1,850,000	$1,850,000
Other	$613,153	$284,292	$408,859	$441,717	$444,469	$447,257
Unallocated	$0	$0	$1,182,705	$0	$0	$0
Subtotal Capital & Reserves	***$16,554,891***	***$13,223,486***	***$12,228,710***	***$6,534,701***	***$7,260,329***	***$7,986,565***
Total Oper, Cap & Res	***$207,805,707***	***$221,252,041***	***$229,022,570***	***$235,436,546***	***$246,428,204***	***$257,520,425***
Revolving Funds	**$3,689,819**	**$3,295,513**	**$3,292,479**	**$3,171,174**	**$3,171,174**	**$3,171,174**
Grants	**$143,951**	**$146,764**	**$148,844**	**$138,501**	**$138,501**	**$138,501**
Enterprise Funds						
Water	$10,657,112	$10,736,741	$10,883,355	$10,566,935	$10,771,970	$10,977,004
Wastewater	$9,543,802	$9,892,810	$10,525,382	$10,313,550	$10,626,748	$10,939,945
Recreation	$2,879,966	$3,112,319	$3,223,259	$3,475,479	$3,790,003	$4,104,528
Enterprise Capital	$2,440,000	$165,000	$1,600,000	$1,857,900	$1,857,900	$1,857,900
Subtotal Enterprise Funds	***$25,520,880***	***$23,906,870***	***$26,231,996***	***$26,213,865***	***$27,046,621***	***$27,879,376***
Exempt Debt Service	$10,692,689	$13,860,000	$16,319,640	$19,012,134	$18,441,263	$17,695,630
Total Revenues	**$256,614,380**	**$262,461,188**	**$275,015,529**	**$282,699,299**	**$290,703,866**	**$298,921,612**
Total Expenses	**$247,853,046**	**$262,461,188**	**$275,015,529**	**$283,972,219**	**$295,225,763**	**$306,405,106**
BALANCE	**$8,761,334**	**$0**	**$0**	**($1,272,920)**	**($4,521,896)**	**($7,483,494)**

Appendix B: Enterprise Funds

The Town of Lexington has maintained Water, Wastewater (Sewer), and Recreation Enterprise Funds since the state legislature enacted legislation authorizing such funds, G.L. c. 44, § 53F ½, in the late 1980's. An enterprise fund "establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Revenues and expenses of the service are segregated into a fund with financial statements separate from all other governmental activities" and are accounted for on an accrual basis. *DOR Enterprise Funds Manual (April 2008)*. An enterprise fund provides management and taxpayers with information to measure performance, analyze the impact of financial decisions, and determine the cost of providing a service. Enterprise funds may be operated on a stand-alone basis or subsidized by the General Fund.

The Water and Wastewater Enterprise Funds operate on a completely stand-alone basis. These funds do not rely on any tax-levy revenues but cover their complete operating and capital needs with user charges and fees. The Recreation Enterprise Fund is only partially stand-alone. It covers its operating costs with user charges and fees and contributes to the debt service on certain recreation capital projects (in particular, the Lincoln Field restoration project). Most recreation capital costs, however, are subsidized by the General Fund through a combination of within-levy borrowing, Community Preservation Act (CPA) funding, and debt exclusion funding.

Establishing the Enterprise Fund Budgets

At the Annual Town Meeting each year, Town Meeting appropriates a budget for each of the three enterprise funds for the upcoming fiscal year. Later in the year (in the early fall in the case of the Water and Wastewater Enterprise Funds), user charges are set that are designed, based on projections of usage for the fiscal year, to be sufficient to cover the appropriations made by Town Meeting to run the enterprises.

Depending on the accuracy of the usage projections, the actual revenue realized by the enterprise during the year may exceed or fall short of the appropriated amount. Any operating surplus must be retained in reserve in the enterprise fund. The funds accumulated in that reserve (referred to as "retained earnings") may be applied only to meet the capital needs of the enterprise or to reduce user charges. Any operating loss (after applying any accumulated reserves in the fund), must be made up in the succeeding fiscal year's appropriation.

Since FY2007, the Annual Town Meeting Warrant has contained a separate Article for the appropriation of the enterprise fund operating budgets (previously, appropriations for the enterprise funds were commingled with those for the General Fund). This presentation makes it easier to understand the operating budgets of the enterprise funds. However, it should be noted that certain indirect costs that are charged by the General Fund to the enterprise funds (see discussion below) are still appropriated as part of the municipal operating budget, this year in Article 4. For the complete operating costs of the enterprise funds, including indirect costs, see the Brown Book sections on Water, Wastewater, Recreation.

To present a more meaningful picture of the complete enterprise fund operating budgets, the tables included in the write-up of this article have been expanded from those presented in the Warrant to show the indirect as well as the direct costs of the funds. Debt service costs for previously approved capital expenditures are shown in the enterprise fund operating budgets. However, it should be noted that appropriations for capital needs of the enterprises, whether funded by cash or borrowing, are addressed in separate capital Warrant articles.

Appendix C: Revolving Funds

Ordinarily, revenue received by any municipal department must be deposited in the General Fund and cannot be expended for any purpose without further appropriation by Town Meeting. A revolving fund allows Town Meeting to dedicate in advance a specific source of anticipated revenue from fees and charges, on an ongoing basis and without the need for further appropriation, to pay expenses for rendering the services for which those fees and charges are collected.

Revolving funds managed by municipal departments are generally governed by G.L. c. 44, § 53E1/2. (There are also a number of revolving funds managed by the School Department, such as the School Lunch Fund, which are governed by other statutes and are not within the control of Town Meeting.) Under Section 53E1/2, a municipal revolving fund can be established only by vote of Town Meeting.

That authorization must be renewed prior to each succeeding fiscal year. The authorization must specify:

- the purpose(s) for which monies deposited in the fund may be used
- the source(s) of funds to be deposited
- the board, department or officer authorized to expend monies from the fund
- a limit on the total amount that may be expended from the fund in the ensuing fiscal year

Expenditures may not be made, nor liabilities incurred, in excess of the balance of the fund. If a revolving fund is reauthorized, any balance in the fund may be carried over to the next fiscal year. If a revolving fund is not reauthorized, or if the purposes for which the money in the fund may be spent are changed, the balance in the fund reverts to the General Fund at the end of the fiscal year unless Town Meeting votes to transfer the funds to another duly established revolving fund.

Appendix D: Tax Relief Programs

In early 2004, the Board of Selectmen created an ad hoc Tax Deferral and Exemption Study Committee to explore ways in which the property tax relief available to senior citizens and other needy residents could be enhanced and made more accessible. Since then, Town Meeting has taken a succession of steps to expand such relief, for the most part maximizing the options that the Town is allowed to adopt under existing state law and, in some cases, using home rule petitions to further increase opportunities for tax relief.

The principal programs for tax relief now available to Lexington homeowners are:

- A state income tax *"Circuit Breaker"* program providing a state tax credit for low- and moderate-income homeowners and renters age 65 and over.
- "41A", a *tax deferral* program, under which low-to-moderate-income homeowners age 65 or over may defer any or all of their property tax due, after applying any available exemptions, up to half the value of their house, at an interest rate equal to the Town's cost of funds (see table below), until the house is sold or transferred, G.L. c. 59, § 5, cl. 41A.
- "41C", a *tax exemption* program, under which homeowners age 65 or over with limited income and limited assets other than the value of their home may deduct $1,000 from their annual property tax, G.L. c. 59, § 5, cl. 41C½.
- A locally-controlled *Senior Service* program adopted by Town Meeting in 2006.
- A Community Preservation Act *surcharge exemption* program.

<u>State Income Tax "Circuit Breaker"</u>

Low- and moderate-income homeowners age 65 and over whose homes have an assessed valuation not greater than an annually adjusted ceiling may obtain a tax credit on their state tax returns (see table below). Low and moderate-income renters are also eligible for a tax credit. Qualified owners or renters are entitled to a refundable dollar-for-dollar credit, up to an annually established limit, to the extent that real estate taxes and one half of water and sewer bills (in the case of homeowners) or rent (in the case of renters) exceeds 10% of the applicant's income. This program is administered by the Massachusetts Department of Revenue and has no direct impact on Town finances.

<u>The "41A" Deferral Program</u>

This program, although it has not been widely used, is an important tool for tax-relief because it offers immediate and substantial property tax relief to seniors with significant equity tied up in a residence. Those who qualify may defer any part or all of their property tax for a given year, up to a cumulative total of half the assessed valuation of the property. All deferred taxes are eventually paid when the taxpayer dies, or when the property is otherwise sold or transferred. Towns set their own interest rates for this program, but the state caps the rate at 8%. Lexington's rate is based on a floating Treasury rate equivalent to the Town's cost of funds in the year of deferral (typically less than 1%). The rate set for each year remains in effect for the life of deferrals granted in that year (see table below).

In 2008, in response to a home rule petition, the state legislature enacted a special law (Chapter 190 of the Acts of 2008) allowing Lexington to expand income eligibility limits beyond that permitted under the general laws, which are now pegged to the state Circuit Breaker limits (see table below).[16] Town Meeting most recently raised the income threshold from $65,000 to $70,000 in 2016.

---

[16] The special law also permits the Town to adopt a lower age of eligibility than 65, or to condition eligibility on objective criteria of disability or other hardship for persons who would not otherwise qualify based on their age, but the Town has never done so.

The 41A deferral program is an attractive form of tax relief from the Town's point of view because it is essentially revenue-neutral. While the unlikely event of a significant increase in the number of participants in could potentially create a short-term cash flow problem, the Town is in effect making well-secured loans. The Town anticipates repayment of all deferred taxes with interest, and over time an equilibrium should be reached under which as many deferral agreements are repaid as are entered into.

The total amount of deferred taxes now carried by the Town as accounts receivable is shown below.

The "41C" Exemption Program

For many years, the Town has made available to qualifying seniors a property tax exemption under Clause 41 of G.L. c. 59, §5, and its successor, Clause 41C. Under the "41C" Program, the Town receives partial reimbursement from the State for exemptions defined under the program, subject to appropriation. The portions of the exemptions that are not reimbursed are funded from the Town's overlay account.

Prior to 2004, the amount of the credit was limited to $500 per year and eligibility criteria were quite restrictive. Since then, the Town has taken a number of steps to expand both eligibility and the credit amount. Taking advantage of new local options made available by the legislature in 2002, Town Meeting voted in 2004 to:

- Increase the amount of the exemption to $750.
- Lower the age of eligibility from 70 to the minimum allowed age of 65.
- Increase the income threshold from $13,000 (single) / $15,000 (married) to the maximum allowed amount of $20,000 (single) / $30,000 (married).
- Increase the threshold for personal assets, not including the home, from $28,000 (single) / $30,000 (married) to the maximum allowed amount of $40,000 (single) / $55,000 (married).

In 2005, Town Meeting voted to adopt the provisions of G.L. c. 59, § 5, Clause 41D, which automatically adjusts the income and asset limits for Clause 41C (but not the exemption amount) by a COLA established annually by the state Department of Revenue. The current income and asset limits are detailed in the table below.

In 2006, Town Meeting voted to increase the exemption to the maximum allowable amount of $1,000.

The Senior Service Program

Low-income seniors may perform volunteer work for the Town in exchange for a reduction in their property tax, currently up to a maximum credit of $1,540 (see table below). The Senior Service program, formerly funded from the overlay account, is now funded as part of the Town's annual budget and is subject to appropriation.

In 1999, the state legislature authorized cities and towns, by accepting G.L. c. 59, § 5K, to offer residents, age 60 and over, the opportunity to reduce their property-tax obligation by up to $500 in exchange for community service.[17] Lexington, which had earlier maintained its own program, accepted this statute shortly after it was enacted. The statute allows towns to set their rules and procedures for implementation, but limits participation to persons age 60 or over and also limits the hourly credit to the state's minimum wage.

---

[17] In 2002, the maximum amount of the Section 5K credit was increased to $750. In 2009 it was increased to $1,000, and in 2016 it was increased to $1,500. The 2010 Municipal Relief Act added a provision allowing towns to adopt a local option to set the limit at 125 hours of service at the prevailing minimum wage ($11.00 per hour in 2018, scheduled to increase to $12 per hour in 2019), which would automatically increase the limit if the minimum wage increases. Thus, the Lexington program is now slightly more generous than would be permitted under the general state laws.

In 2006, Town Meeting voted to rescind its acceptance of the statewide senior property tax work-off program under G.L. c. 59, § 5K, and to restore a locally controlled program. This gave the Town the flexibility, through its Board of Selectmen, to:

- Allow participation by persons under age 60, such as the disabled and handicapped, who might be able to benefit from the program.
- Pay a wage in excess of the minimum wage.
- Allow a higher amount to be credited against a participant's property tax bill.

Although the Board of Selectmen has the authority to expand eligibility to persons under age 60 who are disabled or handicapped, it has not yet done so, nor has it adopted a wage in excess of the state's minimum wage. The current eligibility qualifications and benefit limits are detailed in the table below.

<u>CPA Surcharge Exemption</u>

Low-to-moderate income homeowners age 60 or over, and low-income homeowners under age 60, may obtain a 100% exemption from the CPA surcharge on their property tax. These exemptions directly reduce the amount of CPA revenue that the Town receives.

Tax Relief Programs – Limits and Qualifications as of December 2018

State Income Tax Circuit Breaker		
Maximum assessed valuation		$778,000
Income limits		
• Single individual		$58,000
• Head of household		$73,000
• Married, filing jointly		$88,000
Maximum tax credit		$1,100
41A Property Tax Deferral		
Income limit (single or married)		$70,000
Interest on taxes deferred in FY2019		1.96%
Total amount deferred in FY2018		$401,897
41C Property Tax Exemption	**Single**	**Married**
Income limit	$26,941	$40,414
Assets limit	$53,886	$74,092

Senior Service Program	
Income eligibility	$70,000
Maximum benefit per household	(140 hours) $1,540
Hourly Rate	$11.00

Complete details on all of the tax and utility relief programs available to Lexington residents are set forth in a brochure entitled *Fiscal Year 2019 Property Tax Relief Programs*, which may be found on the Town's web site at: `http://www.lexingtonma.gov/sites/lexingtonma/files/uploads/fy2019_property_tax_relief_brochure_cb_credit.pdf`

Appendix E: Specified Stabilization Funds

The state statute authorizing towns to create and maintain a stabilization fund, G.L. c. 40, section 5B, was amended in 2003 to permit the creation of multiple, separate stabilization funds for specified purposes. The creation of such funds, the specification of their purpose, any alteration of their purpose, and any appropriation into or out of the funds, must be approved by a two-thirds vote of Town Meeting at an Annual or Special Town Meeting. To supplement its general Stabilization Fund Lexington has created several specified stabilization funds, which are described below.

At the 2007 Annual Town Meeting, four specified stabilization funds were established to replace certain pre-existing special revenue accounts. Monies in the special revenue accounts, funded by negotiated payments from developers, had previously been spent without specific appropriation. In order to comply with Massachusetts Department of Revenue guidelines, and to make the existence and use of the funds more transparent, monies in the special revenue accounts were transferred to the following specified stabilization funds, where they are now subject to review and appropriation by Town Meeting:

Transportation Demand Management/Public Transportation (TDM/PT) S.F.: Contains payments negotiated with developers to support the operations of transportation services. It was initially created to support the Lexpress bus service and the 2016 Annual Town Meeting extended the purpose of this fund to “supporting the planning and operations of transportation services to serve the needs of town residents and businesses.”

Traffic Mitigation (TM) S.F.: Contains payments negotiated with developers to support traffic mitigation projects, such as improvements to signals and pedestrian access at intersections, including funds previously contained in the Avalon Bay TDM special revenue account.

School Bus Transportation S.F.: Supports daily school bus operations and was originally funded with $200,000 contained in the Avalon Bay School Bus Transportation special revenue account. This fund was dissolved at the 2018 ATM.

Section 135 Zoning Bylaw S.F.: Created to finance public improvements using monies contributed by developers pursuant to Section 135 of the Code of Lexington.

At the 2008 Annual Town Meeting, the *Special Education Stabilization Fund* was created to set aside reserves to help cover unexpected out-of-district special education expenses that exceed budget. A related goal was to enhance transparency around the out-of-district special education budget component by segregating this expense item and bringing budget overruns to Town Meeting for its approval. This fund was created in FY2009 with an initial appropriation of $350,000 and another $350,000 was appropriated to the fund at the spring 2009 Annual Town meeting. The current target level for this fund is $1,000,000.

At the 2009 Annual Town Meeting the *Center Improvement District Stabilization Fund* was created and was funded by a $100,000 payment received from the developer of Lexington Place in FY2010. The funds may be used for projects such as tree planting, sidewalk improvements to the abutting connector between the parking lot and the sidewalk. None of these funds have been appropriated yet.

At the 2011 Annual Town Meeting two more funds were created:

Avalon Bay School Enrollment Mitigation Fund: funded with a $418,900 payment received from Avalon Bay pursuant to an Education and Trust Fund Escrow Agreement dated May 31, 2006. The terms of that agreement called for the establishment of an escrow fund in the amount of $750,000 with disbursements made to the Town annually if the number of students residing at the development (Avalon at Lexington Hills) exceeded 111. The amount payable per student in excess of 111 was $7,100. The fund was dissolved at the 2018 ATM.

Transportation Management Overlay District Fund (TMOD): funded by payments from those developers who choose to pay a transportation mitigation fee rather than taking responsibility for improving all the intersections in the area to a certain level as provided in Section 135-43.C of the Zoning Bylaw. Per Section 135-43.C(5)(c) “any transportation mitigation fees paid to the Town are intended to be used to fund infrastructure improvements that are necessitated by the proposed development of the applicant.”

At the 2012 Special Town Meeting, the *Debt Service/Capital Projects/Building Renewal S.F.* was created to set aside funds for future capital projects, including but not limited to building renewal projects, and/or to mitigate the impact on taxpayers of debt service, both excluded and non-excluded, related to capital projects.

Current Town policy has a goal of keeping debt service at approximately 5% of total revenue. When the Town must issue a particularly large bond, such as was needed for the new Estabrook School construction combined with the Bridge and Bowman school renovations, the Town’s debt service rises sharply. This rise is typically followed by a period of lower growth in debt service while the Town pays down its existing debt, and limits additional borrowing, until debt service converges back on the goal of 5% of total revenue.

Rather than adding the higher debt service directly into the tax levy, this fund allows the Town to smooth the impact of sudden increases in debt service on property tax bills. Town Meeting can set aside funds in periods when the Town has a surplus, and in later years these funds can be appropriated to directly reduce annual debt service, which in turn reduces the amount that must be raised in the tax levy.

At the 2018 Annual Town Meeting, three new funds were created. The *Visitor’s Center Capital Stabilization Fund* was established to serve as a repository for grants, gifts, or special fees related to the Visitor’s Center building capital project. The *Water System Capital Stabilization Fund* was established for the specific purpose of reserving monthly payments received from the Town of Bedford per an agreement for the sale of water (water from the MWRA goes to Bedford through Lexington’s system). The agreement with Bedford has two components, 1) the cost of water used, and 2) a flat annual fee or "demand charge" that is split into monthly payments. The present agreement expires this year and is currently in the process of being renewed. The annual fee is set so as to cover costs of future infrastructure improvements related to the Lexington-to-Bedford water connection. It is envisioned that the monthly payments would be put into this stabilization fund for future capital projects instead of being applied annually for rate reductions. The annual fee for FY2018 was $62,175 and will increase each year by a CPI factor. The *Affordable Housing Capital Stabilization Fund* was established to reserve payments from Brookhaven for affordable housing, commencing in FY2020 per an agreement in regard to the rezoning article for Brookhaven’s expansion at the 2017 Annual Town Meeting.

Appendix F: Other Post Employment Benefits

The OPEB Liability

The Town of Lexington is required by State law to provide health benefits to retired employees that are comparable to those provided for active employees. These and other retirement benefits that are distinct from pension benefits are known as "other post-employment benefits" or OPEB for short. Health care benefits are by far the largest component of OPEB. Currently, all of the Town's retirees are eligible for Medicare and receive Medicare supplement coverage from the Town.

Because the Town is obligated to provide these benefits in the future, the anticipated costs extending over the lifetimes of current vested employees and retirees represent a financial liability. The size of the liability depends on the number of employees, each employee's number of years of service, the time intervals over which the retirees are expected to receive retirement benefits, the expected cost of providing those benefits in those future years, and the present value of those future benefits.

In a hypothetical world where the number of retirees remains constant and annual per-capita medical costs inflate at a rate close to a general inflation index, the size of the OPEB liability in terms of inflation-adjusted dollars would be relatively stable, because the increases and decreases would tend to balance out. In practice, however, the inflation-adjusted value of the OPEB liability most often increases each year, because of increases in the inflation-adjusted per-capita costs of health care, growth in the number of retirees receiving benefits, and an upward trend in longevity.

The Post Employment Insurance Liability (PEIL) Fund

The Post-Employment Insurance Liability Fund or PEIL Fund was created pursuant to authority granted to the Town through a special act of the Massachusetts legislature in 2002 (MGL Chapter 317). The Fund was created to allow the Town, at the discretion of Town Meeting, to set aside funds to pay for future retiree health benefits. Once money has been appropriated into the PEIL Fund, Town Meeting may only appropriate money out of it to pay for health care costs of retirees.

The Retirement Board is responsible for the management of the PEIL Fund as well as the Retirement Fund, which supports the Town pension system. The rules governing the management of these two funds are similar and, unlike most other Town monies, the balance in each of these funds can be invested in equities to yield a risk/return ratio suitable for long-term growth.

GASB standards and the choice of a discount rate

Government Accounting Standards Board statement 45 (GASB 45) requires the determination of the actuarial value of the Town's OPEB liability every two years and the inclusion of a summary of the results in the Town's financial statements. Bond rating agencies consistently ask about the actuarial report, suggesting that the size of the OPEB liability, and its current funding level, factor into the Town's bond rating.

Estimating the present value of a complicated long-term liability like OPEB involves many actuarial assumptions, and the final results are very sensitive to some of these factors, especially the *discount rate* (the investment rate of return assumed for the actuarial evaluation), the predicted *rate of inflation of per-capita medical costs*, and the *number of active and retired employees*, An understanding of the actuarial results in a proper context requires consideration of the underlying assumptions, and judgment of how well they mirror real-world expectations.

The Town engages an actuarial consultant who must follow procedures and reporting templates established by GASB standards to produce the actuarial report. The primary purpose of this report is to inform potential investors about one specific aspect of the financial health of the Town, and to enable uniform financial comparisons across multiple municipalities. However, the required report only provides guidance to a municipality, and the municipality may use its own modeling if seeking to control or reduce its OPEB liability.

Based on the requirements of GASB 45, for the most recent report received in January 2018, the actuary determined that a "blended" discount rate of 5.0% is appropriate for financial reporting purposes. The "blended rate" is well below the discount rate typically used for long-term investments, and this magnifies the estimate of the OPEB liability. The future liability is closely tied to the discount rate, in the sense that a lower discount rate, i.e., lower expected investment returns, results in a higher estimate of the present value of the liability. At the request of the Town, the actuary also analyzed the OPEB unfunded liability using a 7.5% discount rate.

While it is undoubtedly true that certain future annual appropriations for OPEB expenses will need to be higher if the normal cost (see below) is not annually appropriated to the PEIL Fund in the year of accrual or if the Town does not appropriate funds to cover previously incurred liabilities, the relevance to policy makers as opposed to potential bond purchasers of using a blended discount rate to gauge the liability is questionable. The reason is that a statement of a liability is a statement of value at the present time. Unfunded liabilities will not be paid using funds available at the present time, but with funds that will be raised in the future. Therefore, the most relevant information would be obtained by comparing projected annual expense schedules for the different funding policies under consideration. In short, OPEB liabilities computed on the basis of low discount rates do not necessarily serve as useful guides to target levels of appropriations into the PEIL Fund.

In 2011, the Town's OPEB report used a blended discount rate of 2.5% yielding a liability of $302 million. In 2013, with the consent of the Town's actuarial consultant, a higher blended discount rate of 4.5% was used, yielding a liability of $130 million. This large drop in the official estimate of the liability is mostly due to the use of a higher discount rate. At the Town's request, the FY2013 actuarial analysis was revised to include an auxiliary schedule using a discount rate of 7.75%. This yielded a liability of approximately $90 million as of June 30, 2013. The actuarial analysis done as of the end of FY2015 estimated the liability at $129 million assuming a discount rate of 8%. The latest actuarial report was received in January 2018. It reported the then-current unfunded liability at approximately $200 million using 5% for the discount rate and at about $138 million using 7.5% as a discount rate.

GASB 74 and 75

Two GASB statements, nos. 74 and 75, have recently superseded GASB 45. The impact will mainly be noticeable for financial reporting purposes, and in the reporting of the results of the actuarial analyses done for the Town every two years in two separate documents.

Pre-Funding OPEB

There are two approaches to handling the OPEB liability. The first is a *pay-as-you-go* model where annual OPEB expenses are paid entirely through appropriation from the tax levy. This model uses current dollars to pay for current expenses related to benefits earned in previous years. The Town's pay-as-you-go OPEB cost for FY2018 was approximately $6.8 million and the projected cost for FY2020 is approximately $7.5 million not including small amounts for the Town's shares of retiree dental and life insurance.

The other approach is a *pre-funded* model in which, after full funding is achieved, an amount equal to the present value of future benefits earned during the current year is appropriated into the PEIL Fund, and that appropriated amount plus the investment returns from the Fund on that amount are used to pay for benefits that come due. This model, that uses current dollars to pay for future expenses, is also the way the Retirement Fund (pensions) will operate when it is fully funded.

Under the pre-funded model, after previously incurred liabilities are fully funded, the amount that needs to be appropriated into the trust fund each year is referred to in the actuarial analysis as the "normal cost" or "service cost". The normal cost is an actuarially determined annual contribution that would fund the Town's share of future retiree benefits earned by active employees in the current fiscal year.

The most recent report done as of the end of FY2017 projects that the normal cost for FY2020 will be about $9.0 million assuming the 5% discount rate or about $4.9 million assuming the 7.5% discount rate.

Currently, the intention is to transition to the pre-funded approach; hence, there have been appropriations into the PEIL Fund at each annual town meeting since 2008. Until the Town fully funds its OPEB liability, moving toward the pre-funded model will require the Town to continue paying for a number of years for annual pay-as-you-go OPEB expenses, while also appropriating funds into the PEIL Fund. Both types of payments reduce the unfunded OPEB liability. This combination of appropriations could be continued until the PEIL Fund is fully funded.

The PEIL Fund will be fully funded when the cost of all benefits earned in previous years may be reasonably expected to be fully covered by the Fund balance and investment returns. At that point the Town's annual OPEB appropriation would be limited to covering the normal cost for the given year and would therefore be lower than the pay-as-you-go cost.

The pay-as-you-go and pre-funded model each have advantages and disadvantages. The pay-as-you-go model is simpler to administer, but there is no benefit from long-term investment earnings, and no hedge against the higher inflation of health care costs. In the pre-funding model, once a sufficient trust fund balance is achieved, the investment earnings pay for a substantial portion of the costs. Building up the trust fund results in higher expenses during the decades-long transition period, but eventually results in lower annual appropriations from the tax levy.

Under pay-as-you-go, there is a large gap between the time when services are rendered and the time when funds must be raised to pay the benefits associated with those services. This gap can complicate long-term financial planning. With pre-funding, the projected fully-loaded cost of services is accounted and paid for in the current year.

Even partial pre-funding has some benefits. Any monies in the PEIL Fund provide assurance that the Town will be able to satisfy at least some portion of its future liability, and the Fund could also be used as a reserve, e.g., to fund a portion of retiree health costs in particularly challenging fiscal years.

On the other hand, appropriating money into the PEIL Fund reduces the funds available to spend on other items or to be put aside for other purposes. One should consider whether funding the PEIL Fund takes priority over other liabilities, such as the costs of maintaining or replacing roads and buildings in a timely manner. In some circumstances, choosing the latter might generate significant future savings.

On March 10, 2014, based on a recommendation from the OPEB Working Group, the Board of Selectmen endorsed a formal policy for making annual appropriations to the Post Employment Insurance Liability (PEIL) Fund:

> It is the policy of the Board of Selectmen to recommend to Town Meeting each year a budget contribution to the OPEB Trust Fund in an amount that ranges from 35 to 100 percent of the full Normal Cost, with the General and Enterprise Funds bearing their respective shares of those contributions. This approach will mitigate growth in the Unfunded Actuarial Accrued Liability, reducing the amount the Town will need to budget for health insurance by approximately one-third, as the assets of the OPEB Trust Fund will be used to underwrite the annual cost of retiree benefits.
>
> Further, it is recognized that there are competing claims for limited Town funds, which are considered as part of the annual budget process. Consequently, the annual recommendation for OPEB funding shall be made in the context of other capital and operating budget needs, such that recommended OPEB funding shall not have a material, detrimental impact on service delivery or the maintenance of Town capital assets and infrastructure.

The Committee supports this policy.

History of appropriations into the PEIL Fund

The history of appropriations into the PEIL Fund is given in the following table. Since the monies in the Fund are invested, the Fund balance does not precisely track the sum of past appropriations into, and in the future, out of the Fund.

The balance in the PEIL Fund was $13,996,937 as of December 31, 2018.

Venue of Appropriation	**Amount**
2008 Annual Town Meeting	$400,000
2009 Annual Town Meeting	$440,690
2010 Annual Town Meeting	$479,399
2011 Annual Town Meeting	$500,000
2012 Annual Town Meeting	$500,000
2013 Annual Town Meeting	$775,000
2014 Annual Town Meeting	$1,119,000
2015 Annual Town Meeting	$1,200,000
2016 Annual Town Meeting	$1,512,318
2017 Annual Town Meeting	$1,842,895
2018 Annual Town Meeting	$1,842,895
2019 Annual Town Meeting	*(proposed)* $1,885,486