

Town of Lexington



Summit II

FY2021 Revenue Projections and Revenue Allocation

November 21, 2019



Town of Lexington

Financial Summit II

Overview: FY2020 Estimated, FY2021 Projected Revenues

General Fund Revenue Summary	FY2020 Estimate (as rev. Nov. 2019)	FY2021 Projected	FY2020-21 Change		Brown Book Est.	
			\$	%	FY19-20 Change	FY18-19 Change
Gross General Fund Revenue	\$ 229,441,014	\$ 238,232,111	\$ 8,791,097	3.8%	3.5%	4.0%
Less: Revenue Set-Aside for Designated Expenses	\$ 12,495,310	\$ 13,591,621	\$ 1,096,311	8.8%		
Net General Fund Revenue	\$ 216,945,704	\$ 224,640,489	\$ 7,694,785	3.5%	4.4%	6.0%



Town of Lexington

Financial Summit II

Summary of Changes from Summit I to II

Revenue

\$ 189,460 Refined Tax Levy projections to reflect actual FY2020 New Growth

\$ 250,000 Increased New Growth for FY2021 to \$2.75 million

\$ 439,460 Total Tax Levy Increase

\$ 14,900 Other Revenue Adjustments

\$ 454,360

\$ (3,011,185) Remove Transfers into General Fund to cover debt service (see offsets below)

\$ (1,003,038) Free Cash Adjustment

\$ (3,559,863) Total Revenue Adjustments

Spending

\$ (427,277) Benefits budget (Health, Dental, Medicare)

\$ (142,304) Property & Liability Insurance adjustment

\$ (60,632) Facilities budget - removed some one-time costs

\$ (500,000) Reduced Set-Aside for Yet-to-be-Identified Needs

\$ (2,915,000) Removed plug for Debt Service Mitigation

\$ (4,045,213) Total Spending Adjustments

\$ 485,349 Net Change in Revenue Allocation

\$ 127,550 Municipal

\$ 357,799 School



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Shared Expenses - FY2018-FY2021

	FY2018 Actual	FY2019 Actual	FY2020 Budget	FY2021 Projected	Variance
1 Minuteman Regional High School	\$ 1,670,351	\$ 2,126,217	\$ 2,470,131	\$ 2,717,144	\$ 247,013
2 Contributory Retirement	\$ 5,697,982	\$ 5,940,077	\$ 6,405,537	\$ 6,685,537	\$ 280,000
3 Non-Contributory Retirement	\$ 14,647	\$ 15,067	\$ 15,276	\$ 15,666	\$ 390
4 Benefits (Health, Dental, Life, Medicare)	\$ 24,651,093	\$ 25,403,668	\$ 29,004,664	\$ 30,080,817	\$ 1,076,153
5 Unemployment	\$ 181,840	\$ 137,751	\$ 200,000	\$ 200,000	\$ —
6 Workers' Comp	\$ 612,552	\$ 554,157	\$ 887,346	\$ 875,000	\$ (12,346)
7 Property and Liability Insurance	\$ 712,531	\$ 732,786	\$ 882,304	\$ 845,000	\$ (37,304)
8 Uninsured Losses	\$ 106,561	\$ 112,332	\$ 250,000	\$ 250,000	\$ —
9 Solar Production Payment	\$ 355,257	\$ 351,839	\$ 410,000	\$ 410,000	\$ —
10 Debt Service	\$ 6,670,005	\$ 6,852,503	\$ 7,538,990	\$ 7,915,940	\$ 376,950
11 Reserve Fund	\$ —	\$ —	\$ 900,000	\$ 900,000	\$ —
12 Facilities Department Budget	\$ 10,334,480	\$ 10,732,720	\$ 11,732,346	\$ 11,942,814	\$ 210,468
13 Grand Total	\$ 51,007,299	\$ 52,959,117	\$ 60,696,594	\$ 62,837,918	\$ 2,141,324



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Revenues Set-Aside for Designated Expenses - FY2021

	Tax Levy	Free Cash	Other	Total
1 Set-Aside for Unanticipated Current Fiscal Year Needs		\$ 200,000		\$ 200,000
2 Other Post-Employment Benefits (OPEB)	\$ 750,000	\$ 1,179,721		\$ 1,929,721
3 Unallocated		\$ 500,000		\$ 500,000
4 Cash Capital		\$ 4,200,000		\$ 4,200,000
5 Appropriate <u>into</u> Capital Stabilization Fund	\$ 863,540	\$ 2,136,460		\$ 3,000,000
6 Appropriate <u>from</u> Capital Stabilization Fund			TBD	\$ —
7 Transition Free Cash out of Operating Budget		\$ 700,000		\$ 700,000
8 Street Improvement Program	\$ 2,634,022			\$ 2,634,022
9 Municipal Building Envelope and Systems	\$ 208,962			\$ 208,962
10 Warrant Articles	\$ —			\$ —
11 Subtotal	\$ 4,456,524	\$ 8,916,181	\$ —	\$ 13,372,705
12 Revenue to Support Operating Budget	\$ —	\$ 2,200,000		\$ 2,200,000
13 Retire Note for Land Purchases - Debt Service	\$ —	\$ 2,403,450		\$ 2,403,450
14 Grand Total	\$ 4,456,524	\$ 13,519,631	\$ —	\$ 17,976,155



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Revenues Set-Aside for Designated Expenses - FY2018-FY2021

	FY2018	FY2019	FY2020	FY2021	Variance
1 Set-Aside for Unanticipated Current Fiscal Year Needs	\$ —	\$ —	\$ —	\$ 200,000	\$ 200,000
2 Other Post-Employment Benefits (OPEB)	\$ 1,829,721	\$ 1,829,721	\$ 1,879,721	\$ 1,929,721	\$ 50,000
3 Unallocated	\$ —	\$ —	\$ —	\$ 500,000	\$ 500,000
4 Cash Capital ⁽¹⁾	\$ 3,683,979	\$ 4,750,245	\$ 5,316,608	\$ 4,200,000	\$ (1,116,608)
5 Appropriate <u>into</u> Capital Stabilization Fund ⁽²⁾	\$ 7,690,398	\$ 3,560,335	\$ 2,269,456	\$ 3,000,000	\$ 730,544
6 Appropriate <u>from</u> Capital Stabilization Fund	\$ 324,500	\$ 573,500	\$ —	TBD	\$ —
7 Transition Free Cash out of Operating Budget	\$ —	\$ —	\$ —	\$ 700,000	\$ 700,000
8 Street Improvement Program	\$ 2,542,927	\$ 2,600,000	\$ 2,616,801	\$ 2,634,022	\$ 17,221
9 Municipal Building Envelope and Systems	\$ 194,713	\$ 198,893	\$ 203,865	\$ 208,962	\$ 5,097
10 Warrant Articles	\$ 393,000	\$ 70,000	\$ —	\$ —	\$ —
11 Subtotal	\$16,659,238	\$ 13,582,694	\$12,286,451	\$ 13,372,705	\$ 1,086,254
12 Revenue to Support Operating Budget	\$ 3,800,000	\$ 3,740,000	\$ 2,900,000	\$ 2,200,000	\$ (700,000)
13 Retire Note for Land Purchases - Debt Service	\$ 2,351,487	\$ 3,050,000	\$ 2,234,614	\$ 2,403,450	\$ 168,836
14 Grand Total	\$22,810,725	\$ 20,372,694	\$17,421,065	\$ 17,976,155	\$ 555,090

⁽¹⁾ FY2020 Cash Capital includes \$700K of free cash transitioned out of operating budget

⁽²⁾ FY2020 appropriation into Capital Stabilization Fund includes \$732,697 of revenue surplus from Fall 2019 Special Town Meeting



Town of Lexington Financial Summit II

Revenue Allocation History

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
1 Total Revenue	\$192,981,462	\$197,586,175	\$209,665,006	\$221,900,289	\$229,265,581	\$238,232,111
2 Revenue Increase	\$12,863,491	\$4,604,713	\$12,078,831	\$12,235,283	\$7,365,292	\$8,966,530
3 % Revenue Increase	7.1%	2.4%	6.1%	5.8%	3.3%	3.9%
4 Total Allocation	\$10,095,549	\$8,999,119	\$8,723,038	\$9,444,671	\$7,945,246	\$5,583,906
5 % of Prior Year Budget	8.5%	7.2%	6.6%	6.9%	5.4%	3.6%
6 Used - School	81.9%	85.9%	70.8%	98.9%	100%	
7 Used - Town	59.6%	39.2%	34.8%	90.7%	100%	
8 Unused Allocation	\$2,432,273	\$2,389,769	\$3,368,777	\$302,249	\$0	
9 % Unused	24.1%	26.6%	38.6%	3.2%	—%	



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Revenue Allocation History

FY	%	School		Town		Combined			Total Revenue	Increase	%
		Allocation	% of Alloc.	Allocation	% of Alloc.	Allocation	Used	% Used			
FY2021	3.6%	\$ 4,116,448	73.7%	\$ 1,467,458	26.3%	\$ 5,583,906			\$ 238,232,111	\$ 8,881,273	3.9%
FY2020	5.4%	\$ 5,858,731	73.7%	\$ 2,086,515	26.3%	\$ 7,945,246	\$ 7,945,246	100.0%	\$ 229,350,838	\$ 7,450,549	3.4%
FY2019	6.9%	\$ 6,989,359	74.0%	\$ 2,455,312	26.0%	\$ 9,444,671	\$ 9,142,422	96.8%	\$ 221,900,289	\$ 12,235,283	5.8%
FY2018	6.6%	\$ 6,432,513	73.7%	\$ 2,290,525	26.3%	\$ 8,723,038	\$ 5,354,261	61.4%	\$ 209,665,006	\$ 12,078,831	6.1%
FY2017	7.2%	\$ 6,594,007	73.3%	\$ 2,405,112	26.7%	\$ 8,999,119	\$ 6,609,350	73.4%	\$ 197,586,175	\$ 4,604,713	2.4%
FY2016	8.5%	\$ 7,374,827	73.1%	\$ 2,720,722	26.9%	\$ 10,095,549	\$ 7,663,276	75.9%	\$ 192,981,462	\$ 12,863,491	7.1%
FY2015	7.9%	\$ 6,412,981	72.6%	\$ 2,416,685	27.4%	\$ 8,829,666	\$ 6,946,074	78.7%	\$ 180,117,971	\$ 8,191,602	4.8%
FY2014	6.9%	\$ 5,275,480	72.0%	\$ 2,051,711	28.0%	\$ 7,327,191	\$ 5,933,806	81.0%	\$ 171,926,369	\$ 10,794,765	6.7%
FY2013	4.4%	\$ 3,164,790	71.5%	\$ 1,262,536	28.5%	\$ 4,427,326	\$ 4,380,116	98.9%	\$ 161,131,604		



Town of Lexington Financial Summit II

FY2021 Revenue Allocation Model

\$238,232		Projected FY2021 Revenue			
		Shared	Municipal	School	(\$s in 000s)
(1)	\$ (113,554)	\$ —	\$ —	\$ (113,554)	FY2020 school budget
(2)	\$ (40,272)	\$ —	\$ (40,272)	\$ —	FY2020 municipal budget
(3)	\$ (209)	\$ —	\$ (209)	\$ —	Tax Levy Support of Community Center (Article 12)
(4)	\$ (2,717)	\$ (2,717)	\$ —	\$ —	FY2021 Minuteman
(5)	\$ (6,686)	\$ (6,686)	\$ —	\$ —	FY2021 Contributory Retirement
(6)	\$ (16)	\$ (16)	\$ —	\$ —	FY2021 Non-Contributory Retirement
(7)	\$ (30,081)	\$ (30,081)	\$ —	\$ —	FY2021 Benefits
(8)	\$ (200)	\$ (200)	\$ —	\$ —	FY2021 Unemployment
(9)	\$ (875)	\$ (875)	\$ —	\$ —	FY2021 Workers' comp
(10)	\$ (845)	\$ (845)	\$ —	\$ —	FY2021 Property and Liability Insurance
(11)	\$ (250)	\$ (250)	\$ —	\$ —	FY2021 Uninsured Losses
(12)	\$ (410)	\$ (410)	\$ —	\$ —	FY2021 Solar Production Payment
(13)	\$ (7,916)	\$ (7,916)	\$ —	\$ —	FY2021 Debt Service
(14)	\$ (2,403)	\$ (2,403)	\$ —	\$ —	Pay Down Principal for Land Purchases
(15)	\$ (900)	\$ (900)	\$ —	\$ —	FY2021 Reserve Fund
(16)	\$ (11,943)	\$ (11,943)	\$ —	\$ —	FY2021 Facilities Department Budget
(17)	\$ —	\$ —	\$ —	\$ —	Facilities PIRs
(18)	\$(13,373)	\$ (500)	\$ —	\$ —	Set-Aside for as yet to be identified needs;
		\$ (200)	\$ —	\$ —	Unanticipated Current Fiscal Year Needs
		TBD	\$ —	\$ —	Debt Service Mitigation
		\$ (3,000)	\$ —	\$ —	Capital Stabilization Fund
		\$ (700)	\$ —	\$ —	Transition Free Cash out of Operating Budget - 2nd of 5
		\$ (4,200)	\$ —	\$ —	Cash Capital
		\$ (1,930)	\$ —	\$ —	OPEB
		\$ (2,634)	\$ —	\$ —	Street Improvement Program
		\$ (209)	\$ —	\$ —	Building Envelope Program
(19)	\$ (232,648)	\$ (78,614)	\$ (40,480) 26.3%	\$ (113,554) 73.7%	Base Budget - Used for Allocation Percentage - Municipal and School Only
(20)	\$ 5,584		\$ 1,467 3.6%	\$ 4,116 3.6%	Incremental Revenue Percent of Current Budget



Town of Lexington

Financial Summit II

FY2021 Revenue Allocation Summary

1 Total Projected FY2021 Revenues	\$ 238,232,111	3.9%	
2 FY2020 School budget	\$ 113,553,757	73.7%	
3 FY2020 Municipal budget	\$ 40,480,375	26.3%	
4 Shared Expenses (FY2021)	\$ 65,241,368		
5 Set-Asides (FY2021)	\$ 13,372,705		
6 Total Initial Budget (Lines 2-5)	\$ 232,648,204		
7 Revenue Allocation (1 minus 6)	\$ 5,583,906	3.6%	
8 School Allocation / FY2021 Total	\$ 4,116,448	73.7%	
9 Municipal Allocation / FY2021 Total	\$ 1,467,458	26.3%	
	<u>Revenue Allocation</u>		<u>Initial Budget Request</u>
			<u>Surplus/ (Shortfall)</u>
10 FY2021 School budget	\$ 117,670,205	3.6%	\$ 119,144,583
			4.9% \$ (1,474,378)



Town of Lexington *Financial Summit II*

Considerations for closing the gap between revenue and expenses:

1. Reduce amount of set-aside to the Capital Stabilization Fund
2. Pause on the transition of Free Cash out of the operating budget for one or more years
3. Eliminate set-asides for FY2020 and FY2021
4. Reduce School Department budget to stay within Revenue Allocation
5. Consider an operating override
6. Reduce OPEB Funding
7. Reduce set-aside for pay-down of land purchases and bond the remaining amount



Town of Lexington *Financial Summit II*

Fiscal Guidelines Incorporated into FY2021 Budget:

- A Eliminate use of Free Cash in Operating Budget (transition over 5 years)
- B2 Increase appropriations into the Capital Stabilization Fund to assist with funding the high school construction project
- C Adjust appropriation into Pension Fund to maintain current target of FY2024 to reach full funding and maintain a consistent level of funding for OPEB, with a target of 35%-100% of the annual service cost
- E Tax up to the levy limit and appropriate increasing amounts into the Capital Stabilization Fund or other reserves
- G Reduce debt financing of continuing programs and short-lived capital assets such as technology
- H Continue to utilize the Town's Revenue Allocation Model in future budget development

Recommendations from Fiscal Guideline Summit not currently addressed:

- B1 Increase General Stabilization Fund to cover 2 months of operating revenues
- F Develop sustainable debt management and and long-term capital planning models



Town of Lexington Financial Summit II

FY2021 Budget Calendar:

- Summit II - November 21st
- **Follow-up to Financial Summit II - December 18th or 19th?**
- Publish White Book - January 10th
- Summit III - January 16th
- Summit IV - February 6th
- Publish Brown Book - February 21st
- Town Meeting - March 23rd