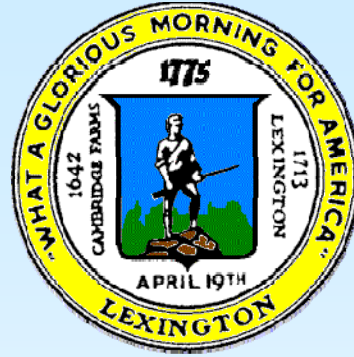


# *Town of Lexington*



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## Financial Summit I

Revenue and Expenditure Projections:

*Fiscal Years 2020-2024*

October 22, 2018



# Town of Lexington

Summit I – October 22, 2018

## Executive Summary- Projections FY2020 – FY2024

Budget decisions that are made within a given fiscal year often have significant implications for subsequent fiscal years. The revenue and expenditure projection within this packet is intended to facilitate discussion among community “stakeholders” with the hope that it will result in the identification of issues that call for further discussion and analysis as the FY2020 budget cycle unfolds.

This forecast projects general fund revenues and expenditures for the period FY2020 to FY2024. It is important to emphasize that the projection is not a proposed or recommended budget. It is a tool for planning, not budgeting.

The forecasting methodology is a maintenance budget approach; that is, the projected increase in costs needed to maintain the “current level of services” reflected in the adopted FY2019 budget. It includes increases driven by estimated inflationary pressures, current collective bargaining agreements and assumed cost of living increases at the expiration of existing contracts, and escalators in other existing purchase of service contracts. It should be noted that school spending includes additional staffing each year (inclusive of benefits, worker's comp, Medicare) due to projected enrollment increases as well as additional staffing for Central Registration, Middle Schools facilities staffing, and Hastings Elementary School facilities staffing. In addition, debt service spending reflects existing debt service obligations within the levy limit as well as projected debt service for annual capital plan of \$6.4 million in FY2020 growing at an annual rate of 5% thereafter.

Revenues are generally projected based on historical experience.

The difference between projected revenues and expenditures is characterized as “available balance”; that is, the available balance that can be used to fund service or program enhancements, add to reserve balances, or finance capital in excess of the annual capital plan described above.

### Summary of Revenue/Expenditure Projections (supporting detail on next page)

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
Revenue Summary	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budgeted</u>	<u>Projection</u>	<u>Projection</u>	<u>Projection</u>	<u>Projection</u>	<u>Projection</u>
<b>Total Revenues</b>	<b>\$ 196,605</b>	<b>\$ 203,093</b>	<b>\$ 216,566</b>	<b>\$ 221,962</b>	<b>\$ 231,666</b>	<b>\$ 235,298</b>	<b>\$ 242,441</b>	<b>\$ 249,794</b>	<b>\$ 257,036</b>
<b>Expense Summary</b>									
<b>Total Expenses</b>	<b>\$ 187,176</b>	<b>\$ 193,515</b>	<b>\$ 208,874</b>	<b>\$ 220,394</b>	<b>\$ 231,734</b>	<b>\$ 240,499</b>	<b>\$ 249,959</b>	<b>\$ 255,997</b>	<b>\$ 264,231</b>
<b>Available Balance</b>	<b>\$ 9,429</b>	<b>\$ 9,578</b>	<b>\$ 7,692</b>	<b>\$ 1,568</b>	<b>\$ (68)</b>	<b>\$ (5,200)</b>	<b>\$ (7,518)</b>	<b>\$ (6,203)</b>	<b>\$ (7,195)</b>



# Town of Lexington

Summit I – October 22, 2018

## Revenue and Expenditure Projections FY2020 – FY2024

	A	B	C	D	E	F	G	H	I
<b>Revenue Summary</b> <i>(\$s in 000s)</i>	<b>FY2017 Actual</b>	<b>FY2018 Actual</b>	<b>FY2019 Budgeted</b>	<b>FY2020 Projection</b>	<b>FY2019-20 Change \$ %</b>	<b>FY2021 Projection</b>	<b>FY2022 Projection</b>	<b>FY2023 Projection</b>	<b>FY2024 Projection</b>
1 Property Tax Levy	\$ 161,866	\$ 169,332	\$ 176,871	\$ 183,792	\$ 6,922 3.9%	\$ 190,887	\$ 198,159	\$ 205,613	\$ 213,254
2 State Aid	\$ 13,310	\$ 15,737	\$ 15,996	\$ 16,213	\$ 217 1.4%	\$ 16,433	\$ 16,656	\$ 16,882	\$ 17,112
3 Local Receipts	\$ 15,233	\$ 16,738	\$ 13,656	\$ 14,087	\$ 430 3.2%	\$ 14,309	\$ 14,544	\$ 14,786	\$ 15,001
4 Available Funds	\$ 12,705	\$ 15,167	\$ 15,724	\$ 18,091	\$ 2,367 15.1%	\$ 14,018	\$ 13,410	\$ 12,822	\$ 11,959
5 Revenue Offsets	\$ (1,650)	\$ (2,083)	\$ (1,933)	\$ (2,214)	\$ (281) 14.5%	\$ (2,096)	\$ (2,129)	\$ (2,163)	\$ (2,199)
6 Other Revenues	\$ 1,629	\$ 1,674	\$ 1,647	\$ 1,696	\$ 49 3.0%	\$ 1,747	\$ 1,800	\$ 1,854	\$ 1,909
<b>7 Total Revenues</b>	<b>\$ 203,093</b>	<b>\$ 216,566</b>	<b>\$ 221,962</b>	<b>\$ 231,666</b>	<b>\$ 9,704 4.4%</b>	<b>\$ 235,298</b>	<b>\$ 242,441</b>	<b>\$ 249,794</b>	<b>\$ 257,036</b>

### Expenditure Summary

*(\$s in 000s)*

	A	B	C	D	E	F	G	H	I
	<b>FY2017 Actual</b>	<b>FY2018 Actual</b>	<b>FY2019 Budgeted</b>	<b>FY2020 Projection</b>	<b>FY2019-20 Change \$ %</b>	<b>FY2021 Projection</b>	<b>FY2022 Projection</b>	<b>FY2023 Projection</b>	<b>FY2024 Projection</b>
<b>Education</b>									
8 LPS Wages	\$ 80,971	\$ 85,176	\$ 90,743	\$ 94,616	\$ 3,873 4.3%	\$ 97,981	\$ 103,071	\$ 106,561	\$ 109,918
9 LPS Expenses	\$ 15,152	\$ 17,076	\$ 17,368	\$ 19,451	\$ 2,083 12.0%	\$ 21,123	\$ 22,095	\$ 23,041	\$ 24,448
10 Minuteman	\$ 1,377	\$ 1,670	\$ 2,126	\$ 2,500	\$ 374 17.6%	\$ 2,625	\$ 2,756	\$ 2,894	\$ 3,039
<b>Municipal</b>									
11 Municipal Wages	\$ 28,416	\$ 30,346	\$ 31,008	\$ 32,039	\$ 1,031 3.3%	\$ 33,105	\$ 34,206	\$ 35,343	\$ 36,519
12 Municipal Expenses	\$ 14,793	\$ 16,089	\$ 18,209	\$ 18,687	\$ 479 2.6%	\$ 19,185	\$ 19,702	\$ 20,239	\$ 20,799
<b>Shared Expenses</b>									
13 Debt Service	\$ 6,328	\$ 7,206	\$ 7,273	\$ 7,670	\$ 397 5.5%	\$ 8,135	\$ 8,528	\$ 8,919	\$ 9,353
14 Mitigated Within Levy Debt Service	\$ 710	\$ 325	\$ 574	\$ 2,562	\$ 1,989 347%	\$ 2,915	\$ 2,203	\$ 1,601	\$ 1,495
15 Land Purchase Note Retirement	\$ -	\$ 2,351	\$ 3,050	\$ 2,235	\$ (815) -26.7%	\$ 2,173	\$ 2,112	\$ -	\$ -
16 OPEB	\$ 1,512	\$ 1,830	\$ 1,830	\$ 1,880	\$ 50 2.7%	\$ 1,930	\$ 1,980	\$ 2,030	\$ 2,080
17 Retirement	\$ 5,457	\$ 5,713	\$ 6,021	\$ 6,396	\$ 375 6.2%	\$ 6,721	\$ 7,047	\$ 7,372	\$ 6,763



**Expenditure Summary (continued)**

(\$s in 000s)

	A	B	C	D	E	F	G	H	I
	FY2017 Actual	FY2018 Actual	FY2019 Budgeted	FY2020 Projection	FY2019-20 Change \$ %	FY2021 Projection	FY2022 Projection	FY2023 Projection	FY2024 Projection
<b>18 Benefits</b>	\$ 24,223	\$ 24,558	\$ 28,446	\$ 29,984	\$ 1,538 5.4%	\$ 31,470	\$ 33,031	\$ 34,669	\$ 36,388
18a Medicare	\$ 1,573	\$ 1,677	\$ 1,790	\$ 1,880	\$ 90 5.0%	\$ 1,973	\$ 2,072	\$ 2,176	\$ 2,285
18b Health Insurance	\$ 21,674	\$ 21,856	\$ 25,542	\$ 26,947	\$ 1,405 5.5%	\$ 28,295	\$ 29,709	\$ 31,195	\$ 32,755
18c Dental	\$ 956	\$ 1,003	\$ 1,088	\$ 1,132	\$ 44 4.0%	\$ 1,177	\$ 1,224	\$ 1,273	\$ 1,324
18d Life	\$ 19	\$ 21	\$ 25	\$ 25	\$ - 0.0%	\$ 25	\$ 25	\$ 25	\$ 25
19 Reserve Fund	\$ -	\$ -	\$ 900	\$ 900	\$ - 0.0%	\$ 900	\$ 900	\$ 900	\$ 900
20 Workers' Comp.	\$ 626	\$ 613	\$ 882	\$ 909	\$ 26 3.0%	\$ 936	\$ 964	\$ 993	\$ 1,023
21 Unemployment	\$ 71	\$ 182	\$ 200	\$ 200	\$ - 0.0%	\$ 200	\$ 200	\$ 200	\$ 200
22 Property & Lib. Insurance	\$ 719	\$ 713	\$ 770	\$ 825	\$ 55 7.2%	\$ 866	\$ 910	\$ 955	\$ 1,003
23 Uninsured Losses	\$ 225	\$ 250	\$ 250	\$ 250	\$ - 0.0%	\$ 250	\$ 250	\$ 250	\$ 250
24 Solar Production		\$ 355	\$ 410	\$ 410	\$ - 0.0%	\$ 410	\$ 410	\$ 410	\$ 410
25 Capital	\$ 5,619	\$ 6,422	\$ 6,849	\$ 6,521	\$ (328) -4.8%	\$ 6,343	\$ 6,366	\$ 6,389	\$ 6,413
26 Other	\$ 323	\$ 311	\$ 70	\$ 200	\$ 130 186%	\$ 230	\$ 230	\$ 230	\$ 230
27 Appropriations to Capital Stabilization Fund	\$ 6,991	\$ 7,690	\$ 3,415	\$ 2,500	\$ (915) -26.8%	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
28 Unallocated Revenue				\$ 1,000	\$ 1,000 --	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
<b>29 Total Expenditures</b>	<b>\$ 193,515</b>	<b>\$ 208,874</b>	<b>\$ 220,394</b>	<b>\$ 231,734</b>	<b>\$ 11,340 5.1%</b>	<b>\$ 240,499</b>	<b>\$ 249,959</b>	<b>\$ 255,997</b>	<b>\$ 264,231</b>
<b>30 Available Balance</b>	<b>\$ 9,578</b>	<b>\$ 7,692</b>	<b>\$ 1,568</b>	<b>\$ (68)</b>	<b>\$ (1,636)</b>	<b>\$ (5,200)</b>	<b>\$ (7,518)</b>	<b>\$ (6,203)</b>	<b>\$ (7,195)</b>



Revenues

- 1 Reflects statutory allowable growth of 2.5% and assumed new growth of \$2.5 million annually.
- 2 Assumes FY2019 Chapter 70 aid increasing at \$25 per pupil Minimum Aid in FY2020-24.
- 3 Assumes modest growth in local receipts based on evaluation of historical averages.
- 4 Free Cash estimate of \$13,453,525 available for FY2020 (estimated 7/1/18 certification) and \$9,000,000 for FY2021-2024. Annual contributions of \$141,000 from TDM Stabilization Fund to support Lexpress and the Alewife Shuttle, \$385,000 from Parking Fund to support Traffic Bureau and snow removal; and \$75,000 from Cemetery Fund to support Cemetery Division. In FY2020-2023, \$750,000 annually from balance of Health Claims Trust Fund to be used to fund health insurance, resulting in an equal amount in the tax levy becoming available to fund contributions to OPEB Trust per BoS policy. Includes in FY2020-FY2024 use of Capital Projects Stabilization Fund to offset within-levy debt service, as detailed in Line 14.
- 5 \$900K for overlay (property tax abatement and exemptions) in FY2020 for reval. year; \$750K for FY2021-24. \$400K set-aside for snow & ice deficit annually; Also includes Cherry Sheet Assessments increasing at 3.5% annually and Cherry Sheet Offsets (State Aid to Public Libraries).
- 6 Assumes FY2019 Water, Sewer and Recreation Indirects increasing by 3% annually.

Expenditures

- 8 FY2020-FY2024 includes 2.5% for annual step increases. All years include a reduction of \$750,000 in "salary differential" to reflect savings from staff turnover. FY2020 includes increased funding for LEA Unit A, C, D, Tech contracts currently in negotiation. Includes additional staffing each year (inclusive of benefits, worker's comp, Medicare) due to projected enrollment increases. Includes additional facilities/school staffing for LCP and Hastings Elementary School.
- 9 Program budget per pupil rates adjusted by 1.7% CPI each year and applied against projected enrollment levels each year. Transportation and Special Education Out-of-District Tuition budgets projected based on program trends.
- 10 Incorporates initial projection from Minuteman to reflect higher debt service costs due to the new building in FY2020, grown by 5% annually. Further detail will be available later in the Fall.
- 11 FY2020-24 reflect the cost of steps estimated at 1.013% plus COLA adjustments
- 12 Assumes general inflationary increases of 1.8% with following exceptions: electricity at 7% per year and natural gas at 5.5%. Future projections will be refined for updated energy contracts. Adds General Fund support of Community Center in FY2019 and extending forward.



Expenditures (continued)

- |     |                                                                                                                                                                                                                    |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13  | Within levy debt service is projected to grow by 5% annually. Amounts above that will be mitigated by use of the Capital Stabilization Fund.                                                                       |
| 14  | Within levy debt service mitigated by use of the Capital Stabilization Fund.                                                                                                                                       |
| 15  | Use of Free Cash to pay down short-term notes issued to pay for the land purchases at 173 Bedford St. and Pelham Rd.                                                                                               |
| 16  | Continued funding of OPEB - increasing by \$50,000 per year                                                                                                                                                        |
| 17  | Contributory Retirement assessment (based on 2024 amortization of unfunded liability and 7.50% interest rate assumption) plus Non-Contributory payments                                                            |
| 18a | 5% increase in Medicare, reflecting an increase in the number of eligible employees and increases in wages.                                                                                                        |
| 18b | FY2019 base growing at 5.5% in FY2019 and 5% thereafter.                                                                                                                                                           |
| 18c | FY2019 base growing at 4% per year. Current contract, expiring this year, had rate lock at 4%.                                                                                                                     |
| 18d | Level Funding                                                                                                                                                                                                      |
| 19  | Level Funding                                                                                                                                                                                                      |
| 20  | FY2019 base increasing annually by 3%. Additional \$25,000 to build reserves discontinued.                                                                                                                         |
| 21  | Level Funding                                                                                                                                                                                                      |
| 22  | Reflects additional expenses for new buildings (LCP, Fire Station, Hastings), with 5% growth in out-years                                                                                                          |
| 23  | Level Funding                                                                                                                                                                                                      |
| 24  | Payments to Syncarpha for construction costs of Hartwell Ave. solar arrays.                                                                                                                                        |
| 25  | Includes \$3.7M for cash capital in FY2020; \$3.5M in FY2021-FY2024. FY2020 also includes \$2.6M for Street Improvement and \$204K for Municipal Building Envelope, portions of which grow at 2.5% through FY2024. |
| 26  | Reflects various warrant articles such as Senior Tax Work-Off and \$200K in unanticipated needs in FY2020-24. Tax levy support for Community Center moved to Municipal expenses beginning in FY2019.               |
| 27  | Reflects past and projected transfers to continue funding the Capital Stabilization Fund to cover future projects.                                                                                                 |
| 28  | Proposed allocation set-aside for yet to be determined priorities.                                                                                                                                                 |



**Revenues Set-Aside for Designated Purposes**

Category	Actual FY2017	Actual FY2018	Appropriated FY2019	Projected FY2020	Projected FY2021	Projected FY2022
Set-Aside for as yet to be identified needs	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Set-Aside for Unanticipated Current Fiscal Year Needs	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
Senior Tax Work-Off Program	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ 30,000
Tax Levy Support of Community Center Program (Transfer to Article 5)	\$ 253,007	\$ 220,152	\$ 214,292	\$ 229,842	\$ 236,737	\$ 243,839
Other Post-Employment Benefit Liability (OPEB)	\$ 1,512,318	\$ 1,829,721	\$ 1,829,721	\$ 1,879,721	\$ 1,929,721	\$ 1,979,721
Use of Capital Stabilization to maintain within levy debt service payments at 5% increase	\$ 710,000	\$ 324,500	\$ 573,500	\$ 2,562,000	\$ 2,915,000	\$ 2,203,000
Transfer to Capital Stabilization Fund	\$ 6,991,205	\$ 7,690,398	\$ 3,415,331	\$ 2,500,000	\$ 2,000,000	\$ 2,000,000
Retire Note for Land Purchases	\$ -	\$ 2,351,487	\$ 3,050,000	\$ 2,234,614	\$ 2,173,111	\$ 2,111,607
Cash Capital	\$ 2,905,265	\$ 3,683,979	\$ 4,050,245	\$ 3,700,000	\$ 3,500,000	\$ 3,500,000
Street Improvement Program	\$ 2,526,835	\$ 2,542,927	\$ 2,600,000	\$ 2,616,801	\$ 2,634,022	\$ 2,651,674
Building Envelope Program	\$ 187,329	\$ 194,713	\$ 198,893	\$ 203,865	\$ 208,962	\$ 214,186
Comprehensive Plan Development	\$ -	\$ 302,000	\$ -	\$ -	\$ -	\$ -
Other	\$ 40,000	\$ 61,000	\$ 70,000	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$15,155,959</b>	<b>\$19,230,877</b>	<b>\$ 16,001,982</b>	<b>\$ 17,126,843</b>	<b>\$ 16,827,553</b>	<b>\$ 16,134,028</b>



## **Policy Issues for Consideration**

### **(New & Continuing Policy Issues)**

- Financing Plan for School and Municipal Capital Projects & Manage Property Tax Impact to Residents (BOS Goals #1, #4)
  - Adopt a Town-wide Facilities Master Plan (including LHS)
  - Financing Plan for Increasing School Enrollments (Limiting Program Improvement Requests)
  - Managing Within Levy Debt/ Planned Use of Capital Stabilization Fund
  - New Revenue Sources: Stormwater Management, Sidewalk Betterments, Cemetery/Crematorium Fees, Public/Private Partnerships (BOS Goal #12)
  - Minuteman High School Athletic Complex
  - Police Station Debt Exclusion Referendum





## **Policy Issues for Consideration (cont.)**

- Public Information & Communication (BOS Goal #5)
- Acquisitions for Balanced/Affordable Housing (BOS Goal #6)
- Hartwell Zoning Initiative/ Infrastructure Financing (BOS Goal #7)
- Transportation Services & Funding for The Rev (BOS Goal #9)
- Community Mental Health Programs (BOS Goal #10; SC Goal)
- Community Priority - Pedestrian, Bicycle and Vehicle Safety on Town Roads, Intersections and School Properties (BOS Goals #13, #19)

