

Town of Lexington



FY2024 Budget Summit I

September 29, 2022



Agenda:

- **FY2024 Budget Drivers:**
 - **Review of FY2022 Revenues & Expenses & Free Cash Estimates**
 - **Pension Fund & OPEB Updates**
 - **FY2023 New Growth Estimates & Set Asides**
- **COVID-19 Federal Funds – FEMA, CARES, ARPA**
- **Fall Special Town Meeting**
- **Review Future Summit Dates**



FY2022 Operating Results



FY2022 Preliminary Operating Revenue: Actual vs Estimates

Summary of Revenue Collections - General Fund

	(A) FY2022 Revenue Estimates*	(B) Collections	(A-B) Uncollected	(B/A) Percent Collected
Property Tax	\$ 218,176,732	\$ 217,852,423	\$ 324,309	99.85 %
State Aid	\$ 16,432,133	\$ 16,623,758	\$ (191,625)	101.17 %
Local Receipts	\$ 12,627,933	\$ 16,714,978	\$ (4,087,045)	132.37 %
<i>Motor Vehicle Excise</i>	\$ 5,315,294	\$ 5,330,281	\$ (14,987)	100.28 %
<i>Other Excise (meals, jet fuel, hotel/motel)</i>	\$ 774,100	\$ 1,351,204	\$ (577,104)	174.55 %
<i>Penalties and Interest</i>	\$ 341,500	\$ 590,842	\$ (249,342)	173.01 %
<i>Payment in Lieu of Taxes (PILOTS)</i>	\$ 698,000	\$ 682,107	\$ 15,893	97.72 %
<i>Rentals of Town Buildings</i>	\$ 394,850	\$ 394,625	\$ 225	99.94 %
<i>Departmental - School</i>	\$ 243,500	\$ 1,169,058	\$ (925,558)	480.11 %
<i>Departmental - Municipal</i>	\$ 2,590,025	\$ 2,742,233	\$ (152,208)	105.88 %
<i>Licenses & Permits</i>	\$ 1,906,600	\$ 3,172,308	\$ (1,265,708)	166.39 %
<i>Special Assessments</i>	\$ 13,064	\$ 18,165	\$ (5,101)	139.04 %
<i>Fines and Forfeitures</i>	\$ 101,000	\$ 79,398	\$ 21,602	78.61 %
<i>Investment Income</i>	\$ 250,000	\$ 281,726	\$ (31,726)	112.69 %
<i>Misc. Non-Recurring Revenue</i>	\$ —	\$ 903,030	\$ (903,030)	---
Interfund Operating Transfers	\$ 6,813,633	\$ 6,987,633	\$ (174,000)	102.55 %
Total General Fund Revenue	\$ 254,050,431	\$ 258,178,792	\$ (4,128,361)	101.63 %

*Does not include Free Cash appropriated under Article 4 to support the FY2022 Operating Budget



FY2022 Operating Expenditures – Preliminary Results

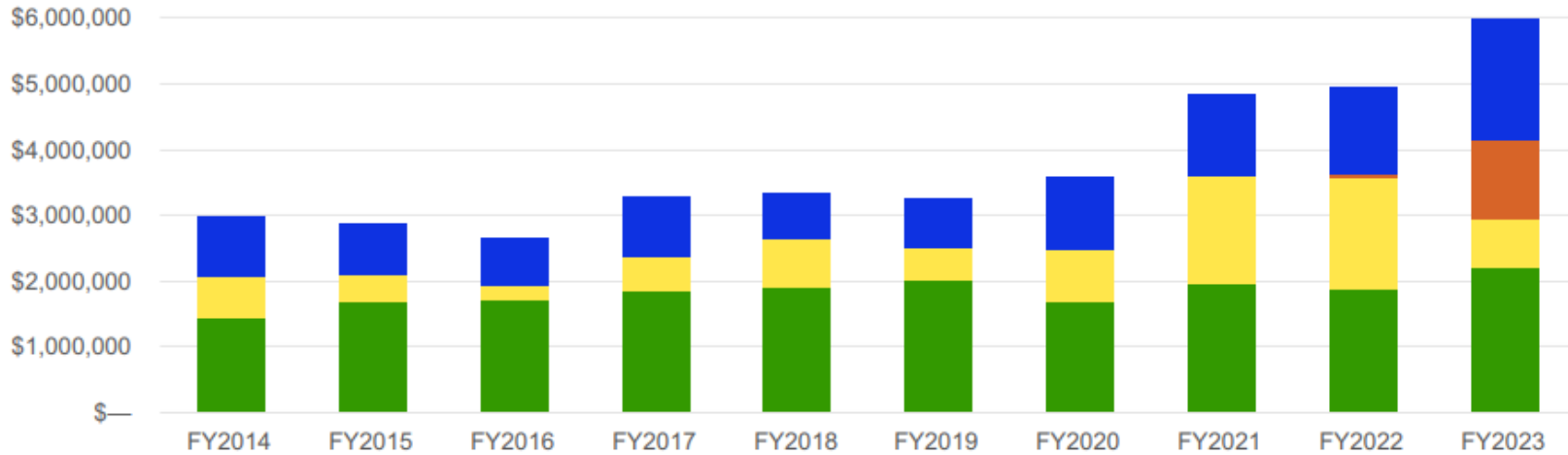
Summary of Operating Expenditures - General Fund						
	(A)	(B)	(C)	(D)	(B+C)/A	(B/A)
	Revised Budget	Expenditures	Encumbered	Available	% Used (Exp & Enc)	% Used (Exp only)
Education	\$ 126,507,019	\$ 120,169,407	\$ 3,782,011	\$ 2,555,602	97.98%	94.99%
Shared Expenses	\$ 64,540,037	\$ 59,784,519	\$ 428,622	\$ 4,326,896	93.30%	92.63%
Municipal	\$ 42,858,248	\$ 39,394,808	\$ 1,626,020	\$ 1,837,420	95.71%	91.92%
Total Expenses	\$ 233,905,304	\$ 219,348,734	\$ 5,836,653	\$ 8,719,918	96.27%	93.78%

- Base amount of Free Cash available for FY2024 Budget will be approximately \$12.8M (Revenue surplus of \$4.1M, plus approximate expense turn-back of \$8.7M).
- Free Cash will also reflect a turn-back of approximately \$425K from the Community Center Parking Lot appropriation approved at the 2017 Annual Town Meeting. Staff and policy makers have agreed this project will not move forward and the account was closed as of June 30, 2022.



New Growth to the Levy Limit

Residential Commercial/Industrial Dedicated Personal



Fiscal Year	Residential	Commercial/Industrial	Dedicated PSDUP/Hartwell	Personal	Total
FY2014	\$1,451,904	\$635,052	\$0	\$930,379	\$3,017,335
FY2015	\$1,686,061	\$408,312	\$0	\$802,610	\$2,896,983
FY2016	\$1,712,987	\$215,442	\$0	\$743,704	\$2,672,133
FY2017	\$1,858,460	\$507,820	\$0	\$943,064	\$3,309,344
FY2018	\$1,908,536	\$743,645	\$0	\$704,954	\$3,357,135
FY2019	\$2,022,777	\$480,671	\$0	\$766,558	\$3,270,006
FY2020	\$1,698,582	\$793,718	\$0	\$1,116,203	\$3,608,503
FY2021	\$1,973,034	\$1,639,128	\$0	\$1,241,391	\$4,853,553
FY2022	\$1,876,839	\$1,710,247	\$57,138	\$1,336,852	\$4,981,076
FY2023	\$2,200,000	\$760,000	\$1,200,000	\$1,840,000	\$6,000,000
Totals	\$18,389,180	\$7,894,035	\$1,257,138	\$10,425,715	\$37,966,068

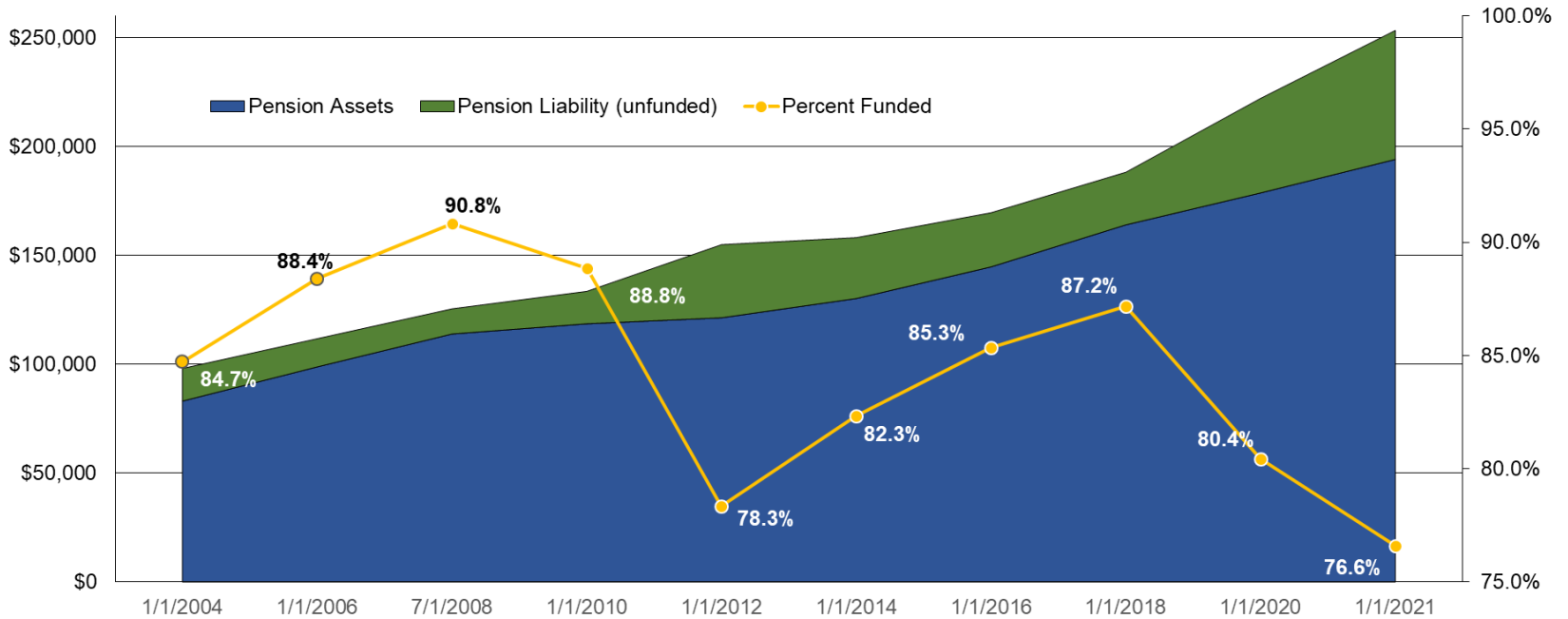
Three Year Average FY2021-2023	
C/I/P	\$2,842,539
Residential	\$2,016,624
Total	\$4,859,164
Five Year Average FY2019-2023	
C/I/P	\$2,336,953
Residential	\$1,954,246
Total	\$4,291,200
Ten Year Average FY2014-2023	
C/I/P	\$1,831,975
Residential	\$1,838,918
Total	\$3,670,893



Update on Pension & OPEB Funds



Lexington Retirement Fund Assets and Funding

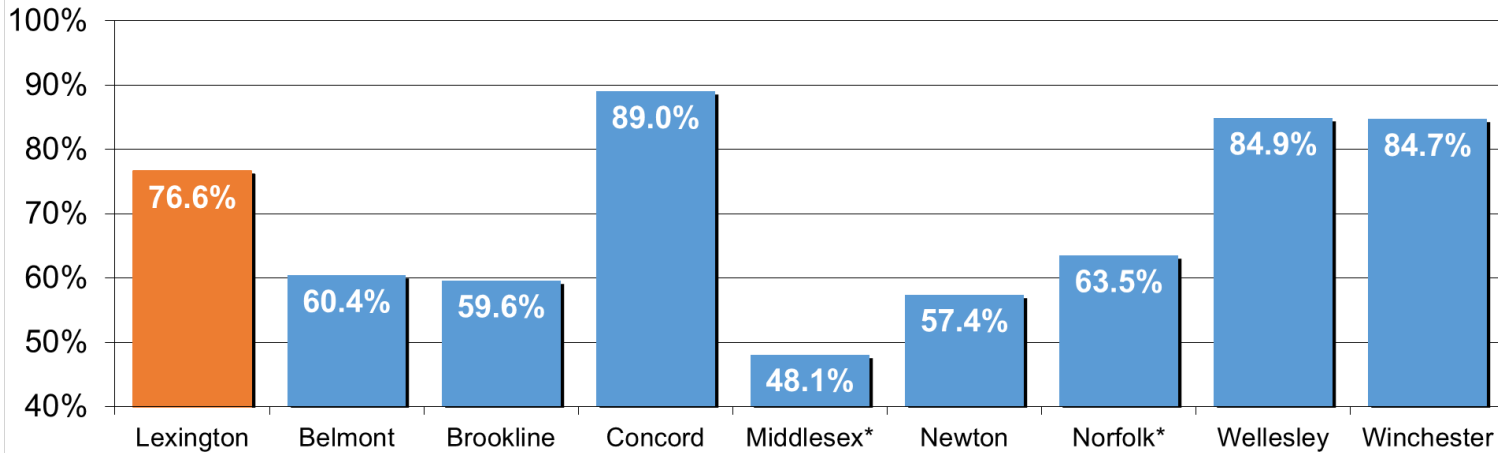


(Dollars in ,000's)

Actuarial Date	1/1/2004	1/1/2006	7/1/2008	1/1/2010	1/1/2012	1/1/2014	1/1/2016	1/1/2018	1/1/2020	1/1/2021
Total Liability	\$98,031	\$111,724	\$125,412	\$133,456	\$154,907	\$158,135	\$169,564	\$188,161	\$222,082	\$253,300
Pension Assets	\$83,050	\$98,759	\$113,880	\$118,559	\$121,340	\$130,169	\$144,700	\$164,000	\$178,655	\$194,047
Pension Liability (unfunded)	\$14,981	\$12,965	\$11,532	\$14,897	\$33,567	\$27,966	\$24,865	\$24,162	\$43,427	\$59,253
Percent Funded	84.7%	88.4%	90.8%	88.8%	78.3%	82.3%	85.3%	87.2%	80.4%	76.6%



Retirement System Full Funding Ratios



	Funded Ratio	Assumed Rate of Return	Year Fully Funded	Last Actuarial Study
Lexington	76.6%	7.25%	2030	1/1/2021
Belmont	60.4%	7.15%	2031	1/1/2020
Brookline	59.6%	7.20%	2030	1/1/2020
Concord	89.0%	6.50%	2031	1/1/2021
Middlesex*	48.1%	7.30%	2037	1/1/2020
Newton	57.4%	7.25%	2030	1/1/2021
Norfolk*	63.5%	7.75%	2029	1/1/2020
Wellesley	84.9%	6.00%	2030	1/1/2021
Winchester	84.7%	7.00%	2029	1/1/2021

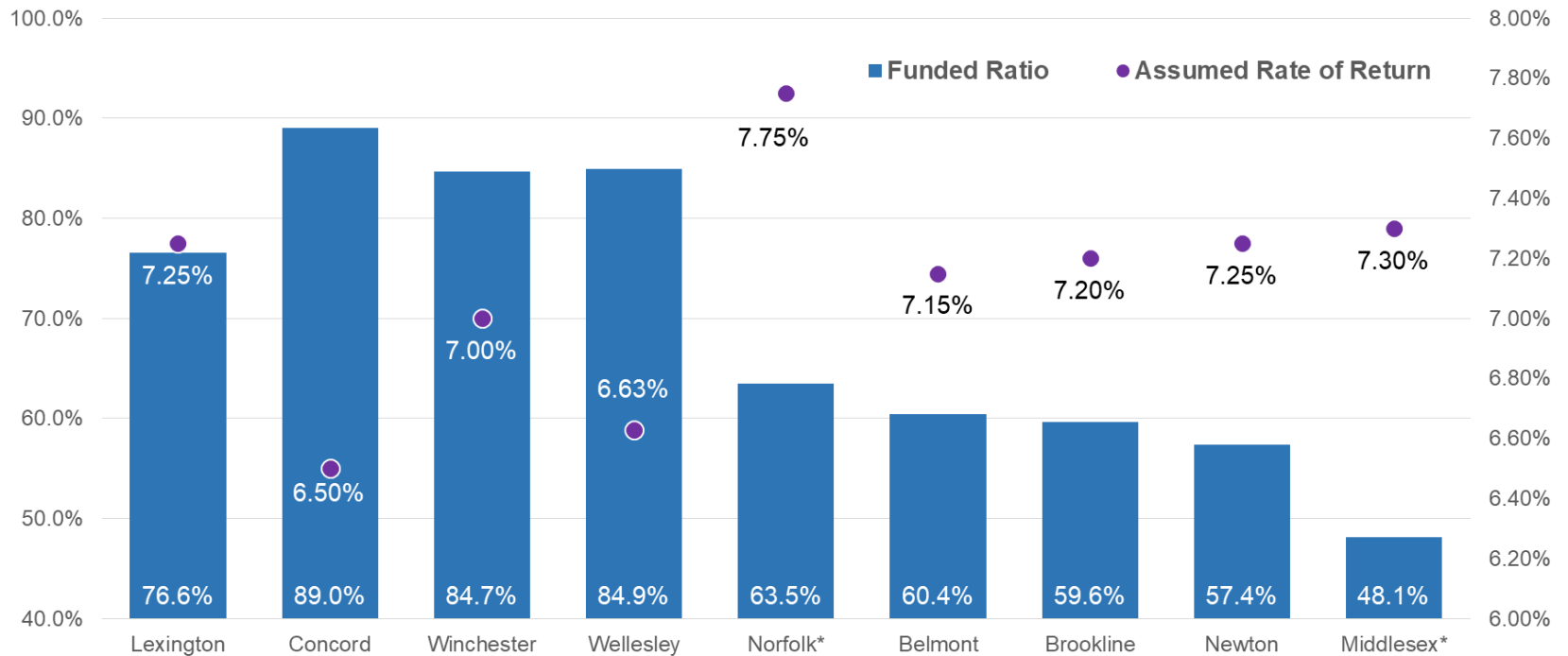
*Acton, Sudbury and Weston are members of the Middlesex County Retirement Board; Westwood participates in Norfolk County.

*See page 5 for County Retirement System Members

**Data sourced from PERAC's 2021 Annual Report



Pension Funding Level vs. Assumed Rate of Return



*See page 5 for County Retirement System Members

**Data sourced from PERAC's 2021 Annual Report



Lexington's adopted funding schedule - FY2023

LEXINGTON RETIREMENT SYSTEM FUNDING SCHEDULE

Fiscal Year	Normal Cost	Unfunded Liability*	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution**
2023	2,046,424	60,796,630	5,986,163	217,413	8,250,000
2024	2,138,513	53,566,162	6,644,074	217,413	9,000,000
2025	2,234,746	48,452,602	7,297,841	217,413	9,750,000
2026	2,335,310	38,334,481	7,947,277	217,413	10,500,000
2027	2,440,399	30,472,619	8,592,188	217,413	11,250,000
2028	2,550,217	23,466,761	9,232,371	217,413	12,000,000
2029	2,664,976	15,266,384	9,867,611	217,413	12,750,000
2030	2,784,900	5,790,185	5,790,185	217,413	8,792,498
2031	2,910,221	-	-	217,413	3,127,634

* Includes recognition of the following asset gains/(losses) in Fiscal 2024 through 2027:

2024	\$	5,218,064
2025	\$	1,871,338
2026	\$	5,804,000
2027	\$	2,117,657

** Contribution is set to be the amount resulting from a \$750 thousand increase compared to the prior year, with \$750 thousand increases in the following years. In the final year (FY2030), the contribution decreases by \$4.0 million.



Retirement System Full Funding Dates



State mandate requires all Massachusetts pension funds be fully funded by 2040

*See page 5 for County Retirement System Members

**Data sourced from PERAC's 2021 Annual Report



Middlesex County Retirement System Member Towns

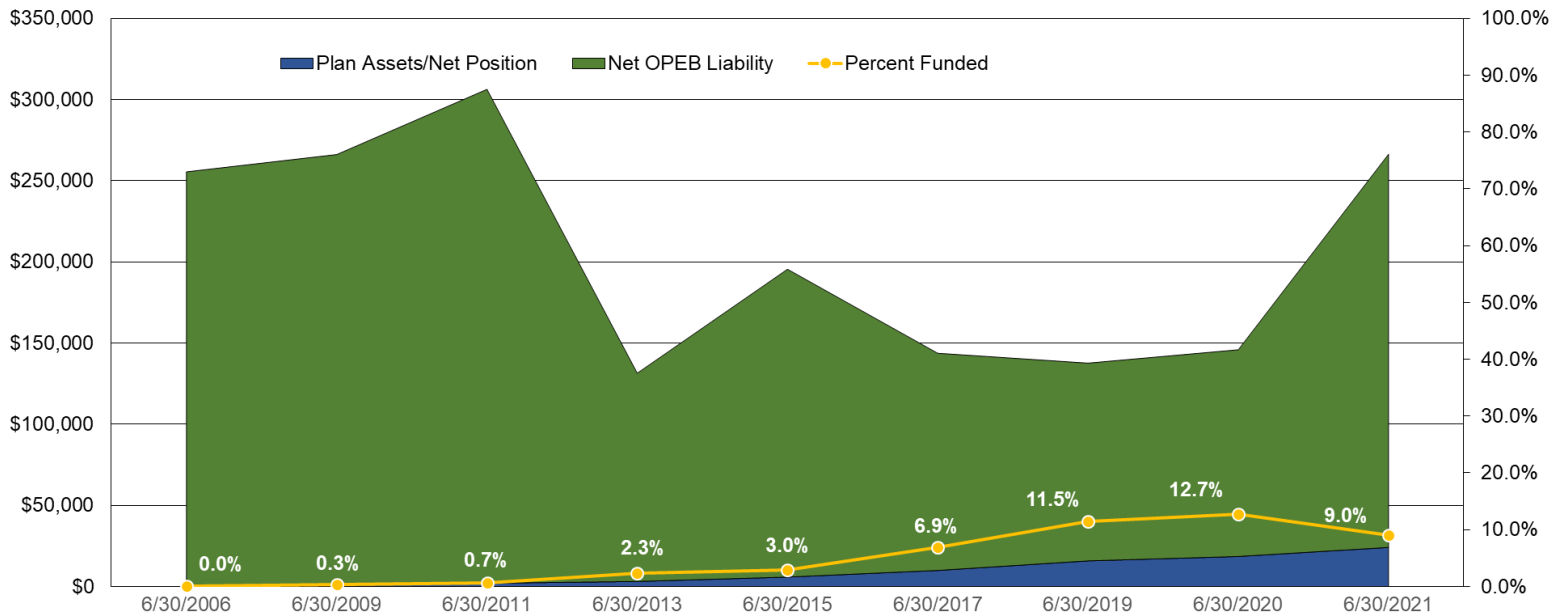
Acton	Holliston	Tewksbury
Ashby	Hopkinton	Townsend
Ashland	Hudson	Tyngsborough
Bedford	Lincoln	Wayland
Billerica	Littleton	Westford
Burlington	North Reading	Weston
Carlisle	Pepperell	Wilmington
Chelmsford	Sherborn	
Dracut	Shirley	*Plus 40 additional districts and authorities
Dunstable	Stow	
Groton	Sudbury	

Norfolk County Retirement System Member Towns

Avon	Medfield	Walpole
Bellingham	Medway	Westwood
Canton	Millis	Wrentham
Cohasset	Norfolk	
Dover	Plainville	*Plus 21 additional districts and authorities
Foxboro	Randolph	
Franklin	Sharon	
Holbrook	Stoughton	



Lexington Other Post Employment Fund (OPEB) Assets and Percent Funded



(Dollars in ,000's)

Actuarial Date	6/30/2006	6/30/2009	6/30/2011	6/30/2013	6/30/2015	6/30/2017	6/30/2019	6/30/2020	6/30/2021
OPEB Liability	\$255,440	\$266,099	\$306,301	\$131,406	\$195,460	\$143,680	\$137,586	\$145,831	\$266,296
Plan Assets/Net Position	\$0	\$840	\$2,000	\$3,069	\$5,799	\$9,870	\$15,774	\$18,466	\$24,058
Net OPEB Liability	\$255,440	\$265,259	\$304,301	\$128,337	\$189,662	\$133,810	\$121,812	\$127,365	\$242,238
Percent Funded	0.0%	0.3%	0.7%	2.3%	3.0%	6.9%	11.5%	12.7%	9.0%

The FY2021 valuation was performed by a new actuary. The discount rate was reduced to 6.75% which is in-line with the current investment strategy and expected long-term rate of return.



Lexington Other Post Employment Fund (OPEB)

	Beginning Balance	Appropriations from Other Funds	Investment Earnings	Ending Balance
FY2013	\$ 2,166,697	\$ 500,000	\$ 402,576	\$ 3,069,273
FY2014	\$ 3,069,273	\$ 775,000	\$ 638,065	\$ 4,482,338
FY2015	\$ 4,482,338	\$ 1,119,000	\$ 197,318	\$ 5,798,656
FY2016	\$ 5,798,656	\$ 1,200,000	\$ 336,192	\$ 7,334,848
FY2017	\$ 7,334,848	\$ 1,512,318	\$ 1,022,708	\$ 9,869,875
FY2018	\$ 9,869,875	\$ 1,842,895	\$ 762,693	\$ 12,475,463
FY2019	\$ 12,475,463	\$ 1,842,895	\$ 1,455,542	\$ 15,773,900
FY2020	\$ 15,773,900	\$ 1,885,486	\$ 806,796	\$ 18,466,182
FY2021	\$ 18,466,182	\$ 750,000	\$ 4,842,171	\$ 24,058,353
FY2022	\$ 24,058,353	\$ 1,885,486	\$ (2,390,210)	\$ 23,553,629
FY2023	\$ 23,553,629	\$ 1,935,486	\$ -	\$ 25,489,115
FY2024 (Projected)	\$ 25,489,115	\$ 1,465,486	\$ -	\$ 26,954,601
FY2025 (Projected)	\$ 26,954,601	\$ 1,285,486	\$ -	\$ 28,240,087
		\$ 17,999,538	\$ 8,073,852	

*FY2024 reduced appropriation reflects the remaining balance in the Health Claims Trust Fund, approx. \$230,000



COVID Funding Update: FEMA, CARES ACT & American Rescue Plan Act (ARPA)



CARES Act & FEMA Update:

Funding Source	Total Grant Allocation/Application	Expected Reimbursement	Status
Coronavirus Aid, Relief and Economic Security (CARES) Act	\$ 2,979,363.00	\$ 2,941,800.95	Closed-out/all funds received in January 2022 (98.7% utilized)
Federal Emergency Management Agency (FEMA)	\$ 632,365.66	\$ 632,365.66	6 Applications (4 paid, 1 pending payment, 1 pending FEMA approval)
Total COVID Response Funding		\$ 3,574,166.61	



The American Rescue Plan Act (ARPA)

- Lexington’s total ARPA allocation available through the Coronavirus Local Fiscal Recovery Fund (CLFRF) is **\$9,903,381**
- ARPA funds must be committed by **12/31/2024**, and must be fully spent by **12/31/2026**

Total ARPA Allocation: \$ 9,903,381				
Requesting Department	Total Budget	Spending to Date	Encumbrances	Available
Committee/ Community Requests	\$ 530,000.00	\$ 110,364.10	\$ -	\$ 419,635.90
DPW	\$ 178,600.00	\$ 58,755.04	\$ 43,600.00	\$ 76,244.96
Fire Department	\$ 181,179.00	\$ 42,615.71	\$ -	\$ 138,563.29
Human Services	\$ 97,200.00	\$ -	\$ 90,000.00	\$ 7,200.00
Innovation & Technology (IT)	\$ 40,000.00	\$ -	\$ -	\$ 40,000.00
LUHD - Econ Dev	\$ 1,210,000.00	\$ 895,611.06	\$ 48,029.99	\$ 266,358.95
LUHD - Health	\$ 300,000.00	\$ 221,570.15	\$ 4,416.36	\$ 74,013.49
LUHD - Planning	\$ 45,000.00	\$ 7,000.00	\$ -	\$ 38,000.00
Police Department	\$ 22,200.00	\$ -	\$ 22,189.90	\$ 10.10
Recreation	\$ 289,500.00	\$ 14,832.00	\$ 12,229.00	\$ 262,439.00
Select Board	\$ 75,000.00	\$ 30,000.00	\$ -	\$ 45,000.00
Town Manager	\$ 546,609.00	\$ 12,900.24	\$ -	\$ 533,708.76
Grand Total	\$ 3,515,288.00	\$ 1,393,648.30	\$ 220,465.25	\$ 1,901,174.45
Remaining ARPA Funds:	\$ 6,388,093			



ARPA: Coronavirus Local Fiscal Recovery Fund (CLFRF)

The US Treasury has outlined following categories of **eligible uses** of ARPA funds:

- **Support public health expenditures** - including COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff
- **Address negative economic impacts caused by the public health emergency** - including workers, households, small businesses, impacted industries, and the public sector
- **Replace lost public sector revenue** - using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic
- **Provide premium pay for essential workers** - offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors
- **Invest in water, sewer, and broadband infrastructure** - making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet



Replacing Lost Public Sector Revenue

As a non-entitlement community, receiving an allocation under \$10 million, Lexington's entire allocation was applied as Lost Revenue.

Federal guidance outlines that CLFR funds allocated to 'Replacing Lost Public Sector Revenue' can be used for most municipal purposes (operating or capital expenses).

However, US Treasury has specifically noted the following uses are NOT eligible for CLFR funds:

- Contributions to Pension fund
- Contributions or replenishment of reserves or 'rainy day' funds
- Direct or indirect application of funds to reduce tax revenues/ tax rate
- Payments for legal settlements
- Payments for debt service



Other Considerations for Allocating ARPA Funds

- ARPA Funds are considered a grant under MGL Ch44, Section 53A, and therefore can be expended by approval of the Select Board
- Allocation of ARPA funds for eligible uses do NOT need to be appropriated by Town Meeting
- US Treasury has indicated that CLFR funds should be allocated with these primary objectives in mind:
 - **Support immediate economic stabilization** for households and businesses
 - **Address** systemic public health and economic challenges that have contributed to the **unequal impact** of the pandemic
- Focus spending on one-time projects/expenses or short-term/temporary programs; avoid adding permanent staff or implementing large programs that cannot be sustained once ARPA funds expire



Future Meeting Dates:

- FY2024 Budget Summit I – September 29, 2022
- FY2024 Budget Summit II – October 27, 2022
- Fall Special Town Meeting – November 1 - 3, 2022
- FY2024 Budget Summit III – November 16, 2022
- FY2024 Select Board Budget Hearings – Nov 30, Dec 1 & Dec 6, 2022
- FY2024 Budget Summit IV (White Book) – January 19, 2023



Questions & Discussion