

Town of Lexington



FY2024 Budget Presentation

And Other Financial Objectives

James J. Malloy

Town Manager

2023 Annual Town Meeting

Management's Statement on Financial Condition

It should be acknowledged that the Town has weathered many challenges through the past three fiscal years, yet we remain in a solid financial position due to conservative budgeting and strong fiscal management.

FY2024 will be particularly difficult due to inflationary pressure on goods and services including increasing wages, and rising healthcare premiums, energy, and refuse disposal costs, all of which had a significant impact on this FY2024 Recommended Budget. The School Department is experiencing challenges with post pandemic learning loss and special education needs.

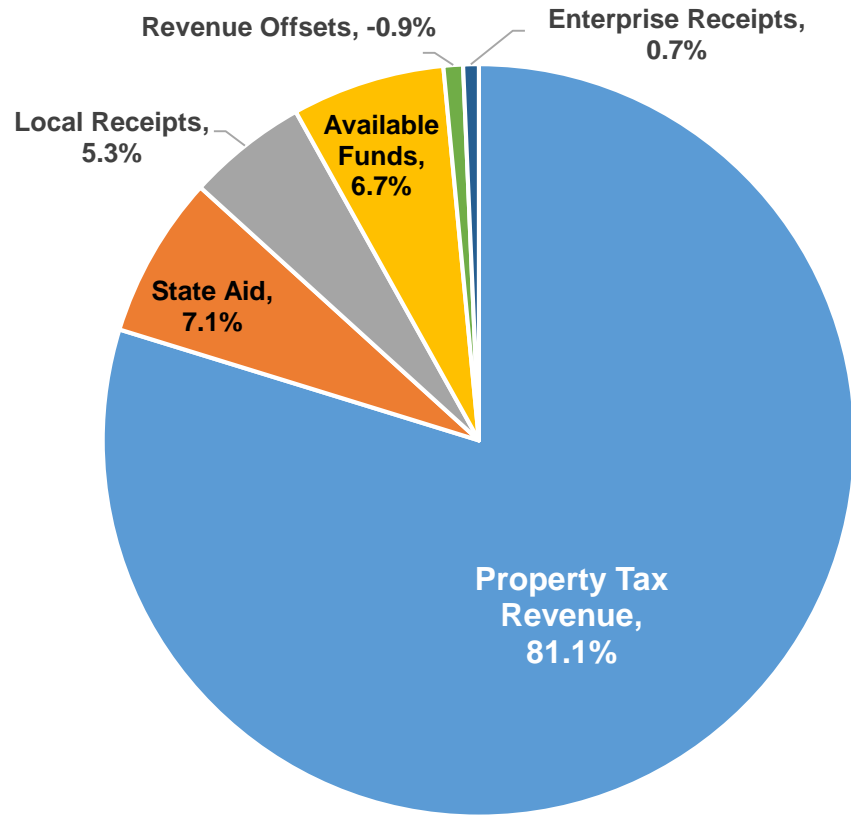
This budget was developed around these challenges, and we expect the Town will maintain a sound financial position leading up to and throughout FY2024.

Budget Highlights

For FY2024, the Town's proposed Budget and Financing Plan is **balanced**, and addresses key Select Board priorities and long-term financial goals, including the following:

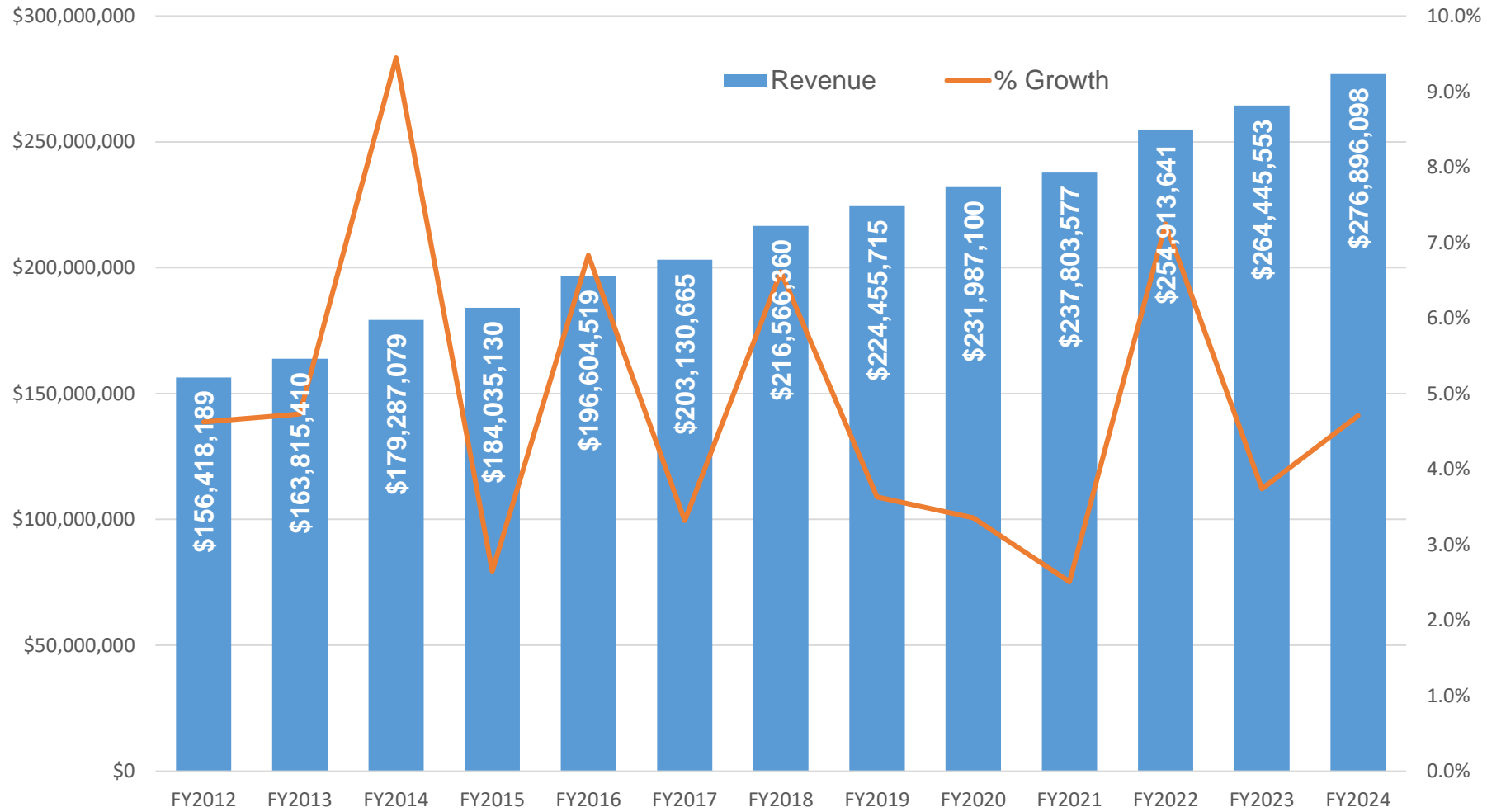
- Use of a revenue allocation model in development of Town and School budgets which initially allocated both Town and School an increase of 3.9% over the FY2023 budget. However, on February 23 the Governor released preliminary State aid estimates for FY2024, which included an additional \$2.33 million over the Town's estimates. The additional State aid was allocated using the same model to both the Town and School, with revenue now increasing by 5.14% over the FY2023 budget.
- Dedicating funds into reserves including a set-aside of Free Cash into the Capital Stabilization Fund and Other Post Employment Benefits Fund (OPEB).
- Dedicating funds into the Special Education Stabilization Fund and a newly established Special Education Reserve Fund to support unexpected expenses related to special education.
- The establishment of a new Refuse and Recycling Collection Revolving Fund that will allow the Town to establish a fee for curbside collection of mattresses, white goods and other bulky items.
- The separation of the Health Office from Land Use, Health & Development to a stand-alone department. The Land Use Health & Development Department has been renamed the Land Use Housing & Development Department.

General Fund Revenue Sources



	FY2023 Tax Recap	FY2024 Projected	\$ Change	% Change	% of Total Revenue
Property Tax Revenue	\$ 216,187,220	\$ 224,625,572	\$ 8,438,351	3.90%	81.1%
State Aid	\$ 17,056,598	\$ 19,638,632	\$ 2,582,034	15.14%	7.1%
Local Receipts	\$ 13,835,445	\$ 14,569,104	\$ 733,659	5.30%	5.3%
Available Funds	\$ 17,463,018	\$ 18,528,585	\$ 1,065,568	6.10%	6.7%
Revenue Offsets	\$ (1,902,341)	\$ (2,359,862)	\$ (457,521)	24.05%	-0.9%
Enterprise Receipts	\$ 1,805,613	\$ 1,894,067	\$ 88,454	4.90%	0.7%
Gross General Fund Revenues	\$ 264,445,553	\$ 276,896,098	\$ 12,450,545	4.71%	100.0%

Revenue Growth FY2012 – FY2024

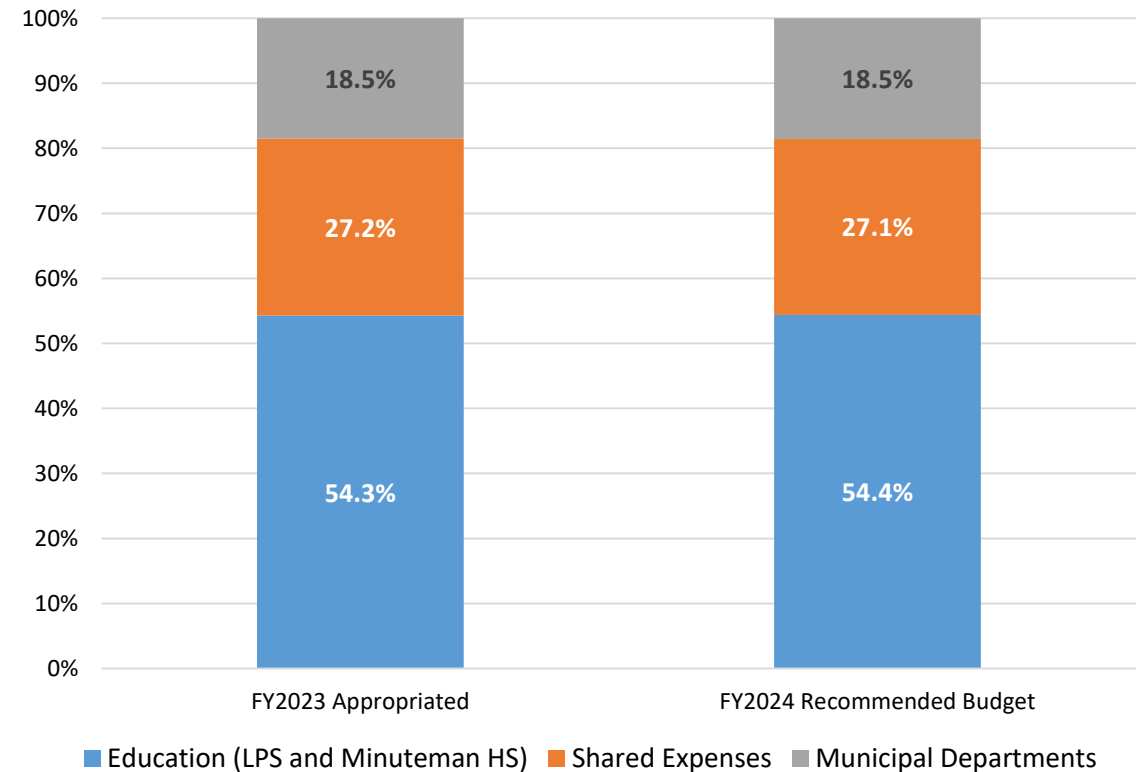


Select Board's Budget Priorities and Principles

- **Sustainability:** Departments have continued to implement the Select Board's electric vehicle policy, and have factored increase costs into planned vehicle purchases for the Facilities, Public Works and Police Departments.
- **Solar Canopies:** This budget recommends the addition of solar canopies over the Municipal Parking lot behind the new Police Station and Cary Memorial Building. The Town will own the solar panels and expects to generate enough electricity to offset the energy expenses of the new Police Station.
- **Maintain Public Access Television:** This budget includes a partial funding of the LexMedia contract from the tax levy. As local subscriptions to cable television continue to decline, revenues to the Town's PEG Access Fund have declined. Projections indicate that continuation of Public Access Television will no longer be possible without General Fund support. This budget allocates \$100,000 of tax levy support to maintain current levels of service. This amount of General Fund support is expected to increase in future budget cycles.
- **Pedestrian, Bicycle and Vehicle Safety on Town Roads:** Overall, \$5,108,312 is recommended for the construction of new Sidewalks; existing Sidewalk Improvements; and Street Improvements.
- **Fiscal Stability:** This budget implements fiscal guidelines to dedicate a portion of the tax levy to the Capital Stabilization Fund (CSF) to align with long-term capital spending, and to the Retirement Fund to continue to address the Town's unfunded liabilities.
- **Capital Improvement Planning:** This budget includes preliminary steps to address priorities in this long term plan such as site study for the East Lexington Fire Station and preliminary design and engineering work for the 173 Bedford St. and the Stone Building. This budget also continues to plan for a large-scale reconstruction or renovation of Lexington High School in the next 3-5 years.

General Fund Budget by Cost Center

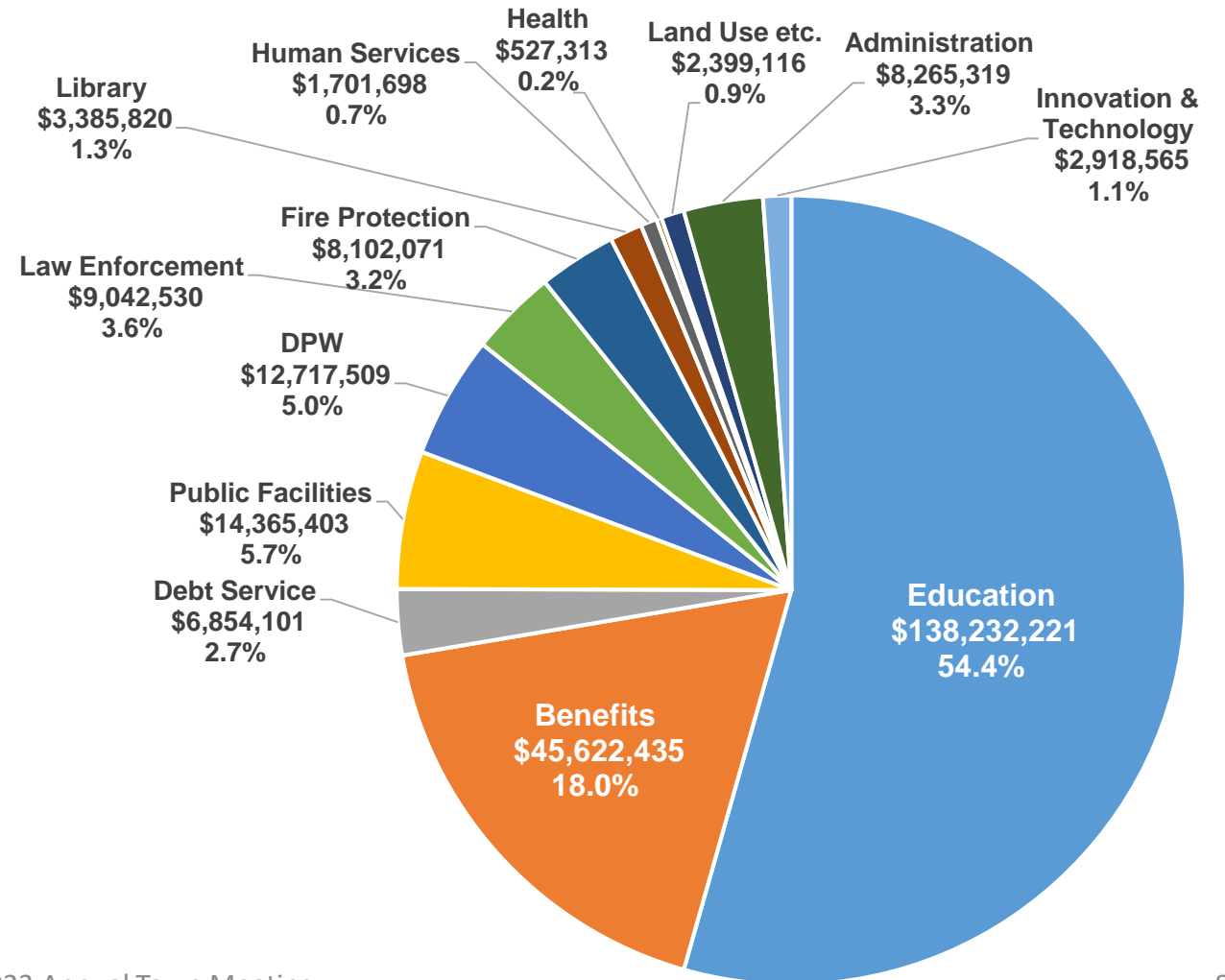
	FY2023 Appropriated	FY2024 Recommended Budget	\$ Change	% Change
Education (LPS and Minuteman HS)	\$131,478,345	\$138,232,221	\$6,753,876	5.14%
Shared Expenses	\$65,846,454	\$68,783,939	\$2,937,485	4.46%
Municipal Departments	\$44,812,553	\$47,117,941	\$2,305,388	5.14%
Operating Budget	\$242,137,353	\$254,134,101	\$11,996,749	4.95%



Municipal Operating Budget

**FY2024 Recommended
Operating Budget:
Total: \$254,134,101**

Benefits Breakdown	
Retirement	\$ 9,984,800
Employee Insurance	\$ 34,937,635
Unemployment	\$ 200,000
Workers' Compensation	\$ 500,000
TOTAL	\$ 45,622,435

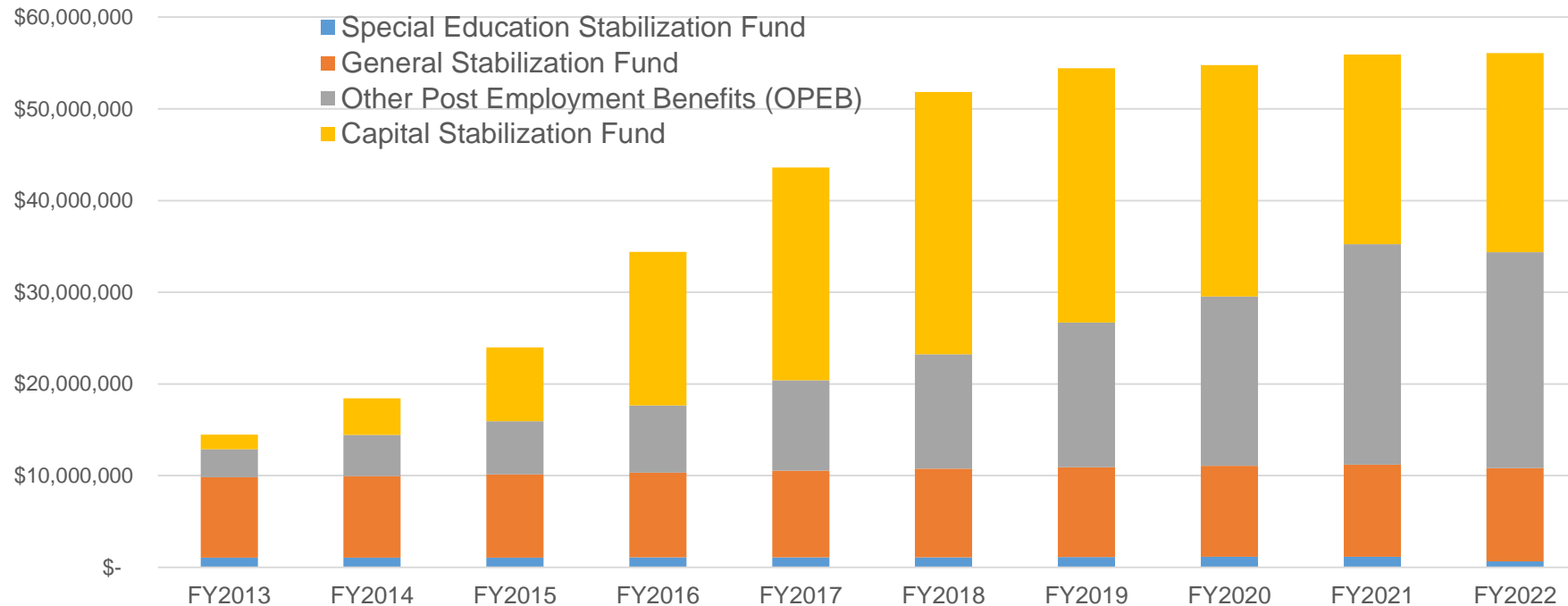


FY2024 Capital Improvement Plan

- Solar Canopy and Battery Storage System at the new Police Station (\$3.4 million)
- Lincoln Park Field Improvements (\$3.4 million, part CPA)
- Bedford St. and Hartwell Ave. Long-Range Transportation Improvements (\$1.75 million)
- New Sidewalk Installation - Cedar Street (\$1.6 million)
- Affordable Housing Trust Pre-funding (\$1.5 million, CPA)
- Munroe Center for the Arts Building Addition and Renovation (\$6.6 million, CPA)
- Study and Design for capital improvements to municipal buildings:
 - East Lexington Fire Station Feasibility Study (\$50,000);
 - 173 Bedford Design (\$100,000);
 - Pine Meadows Clubhouse Design (\$125,000),
 - Stone Building Design (\$400,000, CPA)
- Other Town and School Building Envelope & Systems (\$3.3 million)
- Town and School Technology (\$3.5 million)
- Lead and Copper Replacement Program (\$4.2 million, Water Enterprise)

*Funding for Lexington High School design and construction project is expected in FY2025-2027

Reserve Fund Balances



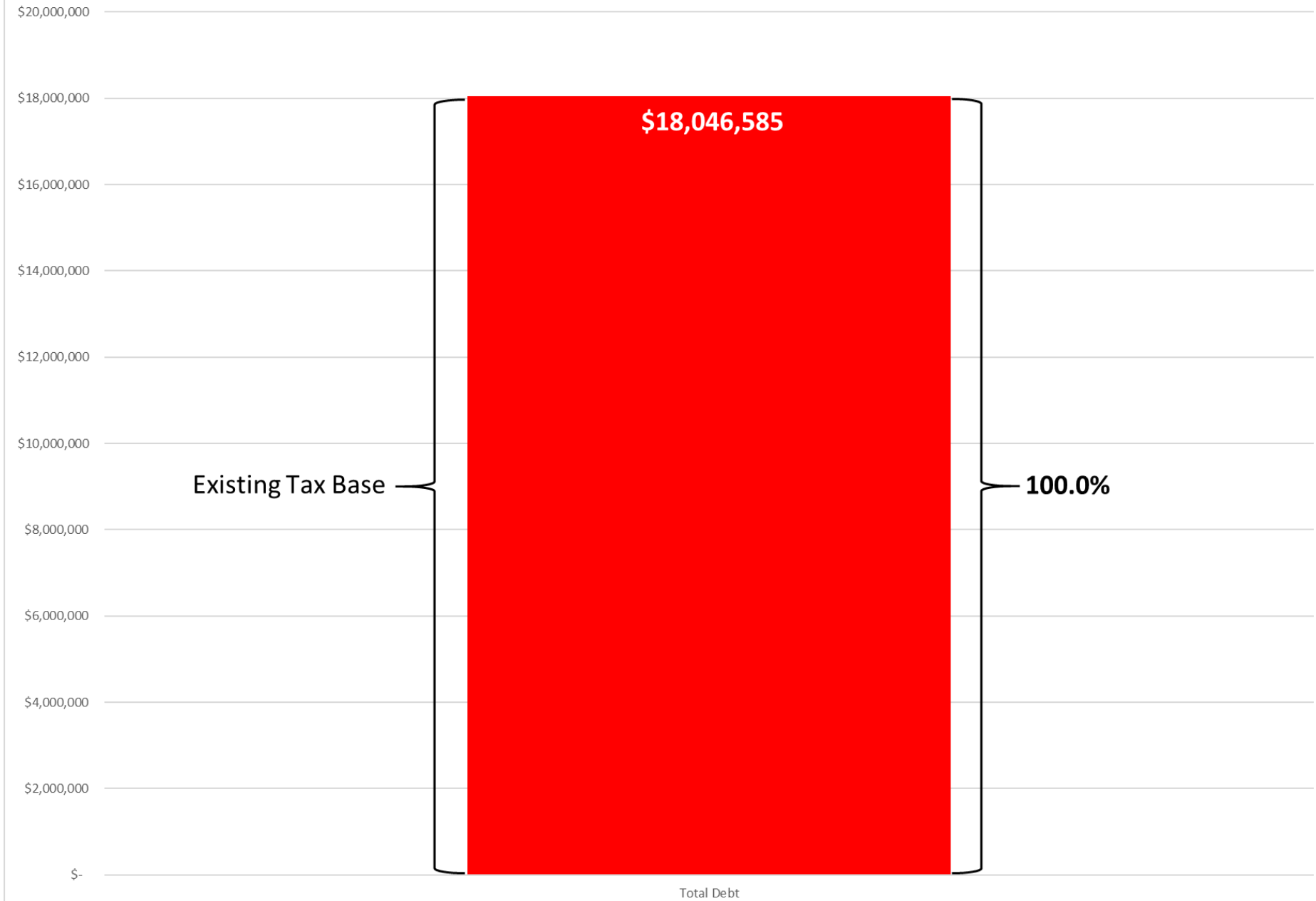
Specialized Stabilization Funds

Ending balances as of fiscal year end	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Special Education Stabilization Fund	\$ 1,069,456	\$ 1,071,495	\$ 1,073,638	\$ 1,078,170	\$ 1,088,001	\$ 1,105,262	\$ 1,132,883	\$ 1,151,926	\$ 1,154,087	\$ 656,485
General Stabilization Fund	\$ 8,744,262	\$ 8,895,689	\$ 9,056,939	\$ 9,251,859	\$ 9,447,867	\$ 9,649,865	\$ 9,800,414	\$ 9,920,811	\$10,037,738	\$10,155,068
Other Post Employment Benefits (OPEB)	\$ 3,069,273	\$ 4,482,338	\$ 5,798,656	\$ 7,334,848	\$ 9,869,875	\$12,475,463	\$15,773,899	\$18,466,182	\$24,058,353	\$23,553,628
Capital Stabilization Fund	\$ 1,601,836	\$ 3,990,704	\$ 8,048,466	\$16,725,947	\$23,203,210	\$28,597,934	\$27,727,713	\$25,229,254	\$20,674,058	\$21,730,961
Combined Total	\$14,484,827	\$18,440,226	\$23,977,699	\$34,390,824	\$43,608,952	\$51,828,524	\$54,434,909	\$54,768,173	\$55,924,236	\$56,096,142

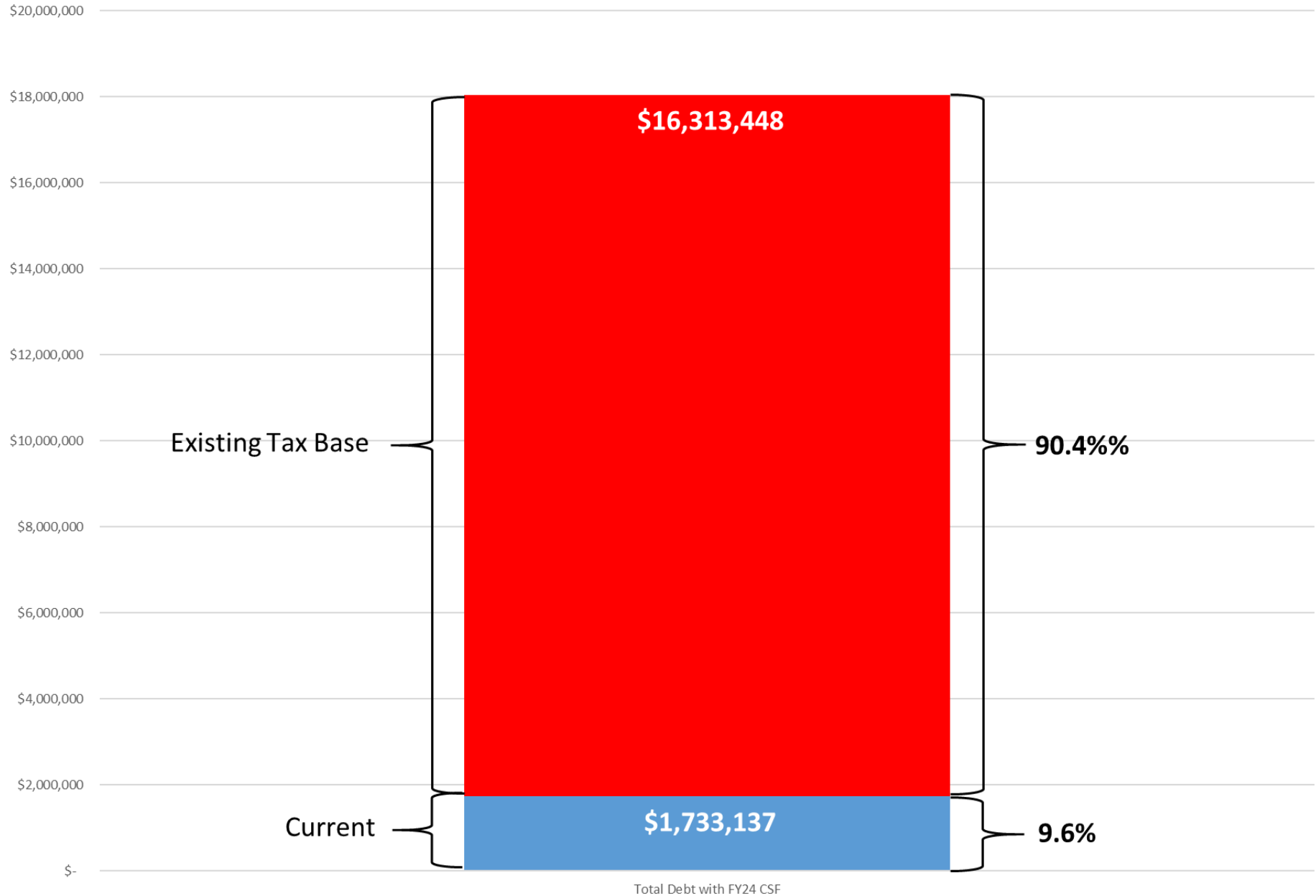
Future Considerations

- Managing operating expenses to align with revenue growth is becoming increasingly challenging and may require realigning the municipal, school and shared expense budgets in future years.
- Future Debt Service is expected to include renovation or reconstruction funding for Lexington High School, which will be excluded from Proposition 2½.
- The Town is considering new capital construction projects as identified in the Facilities 20-year capital plan.
- The impact of the Hartwell Ave zoning initiative and new commercial development, accompanied by the Town's new fiscal guideline for dedicating new levy growth to capital projects; which is expected to relieve the residential tax burden.

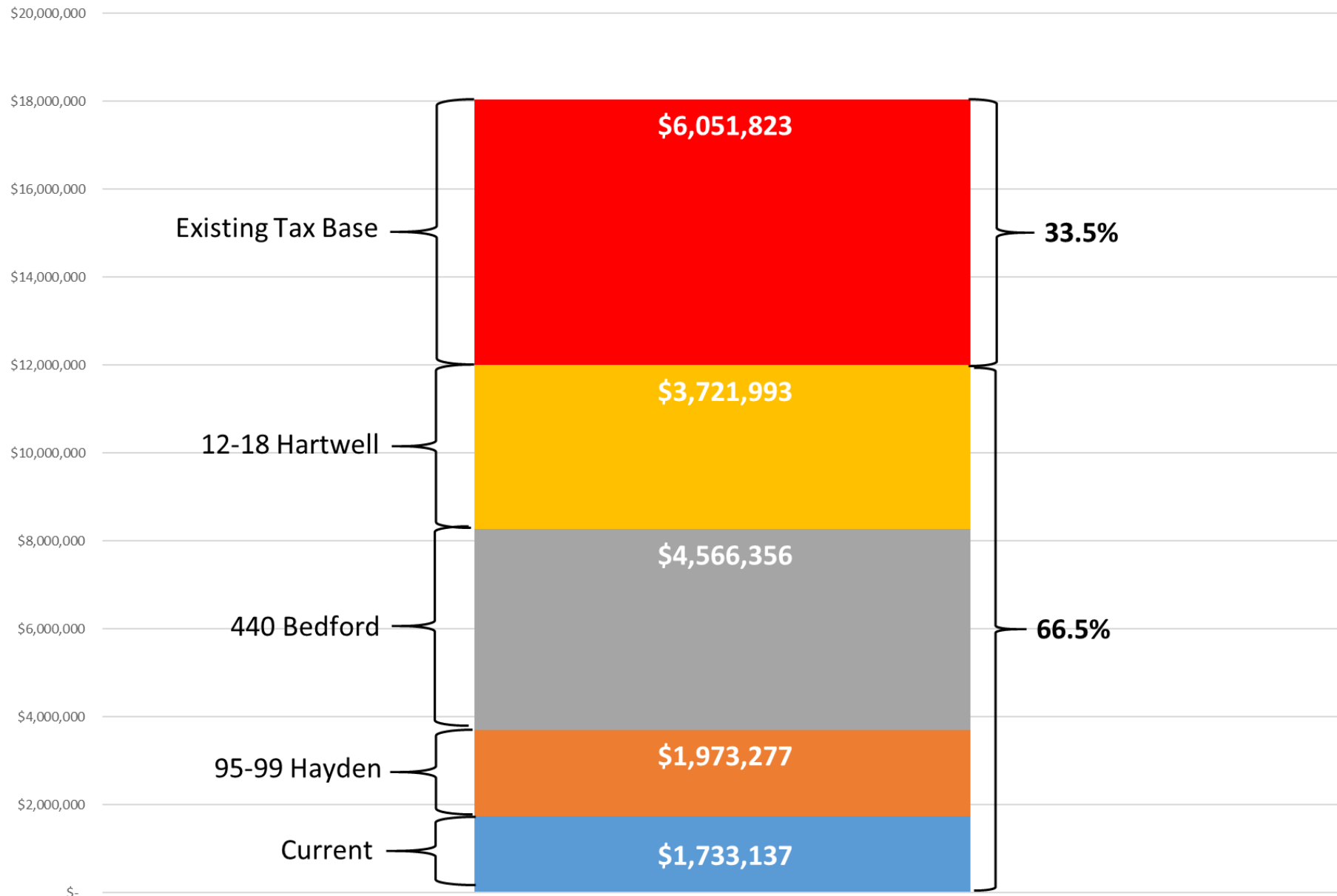
\$400M High School Project/25% MSBA Reimbursement - No CSF



\$400M High School Project/25% MSBA Reimbursement - FY24 CSF

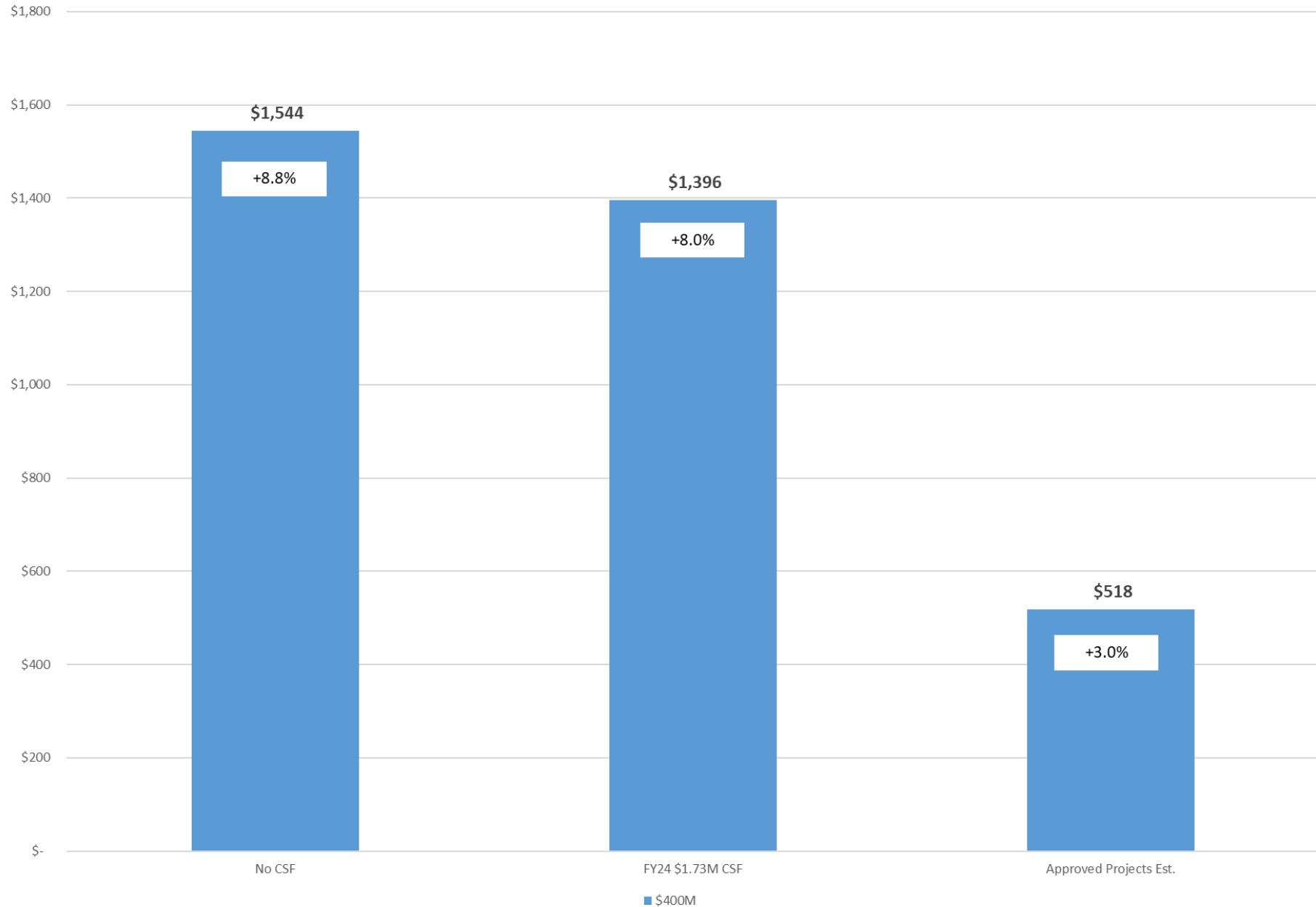


\$400M LHS FY24 CSF+Estimated Addt'l CSF based on approved projects

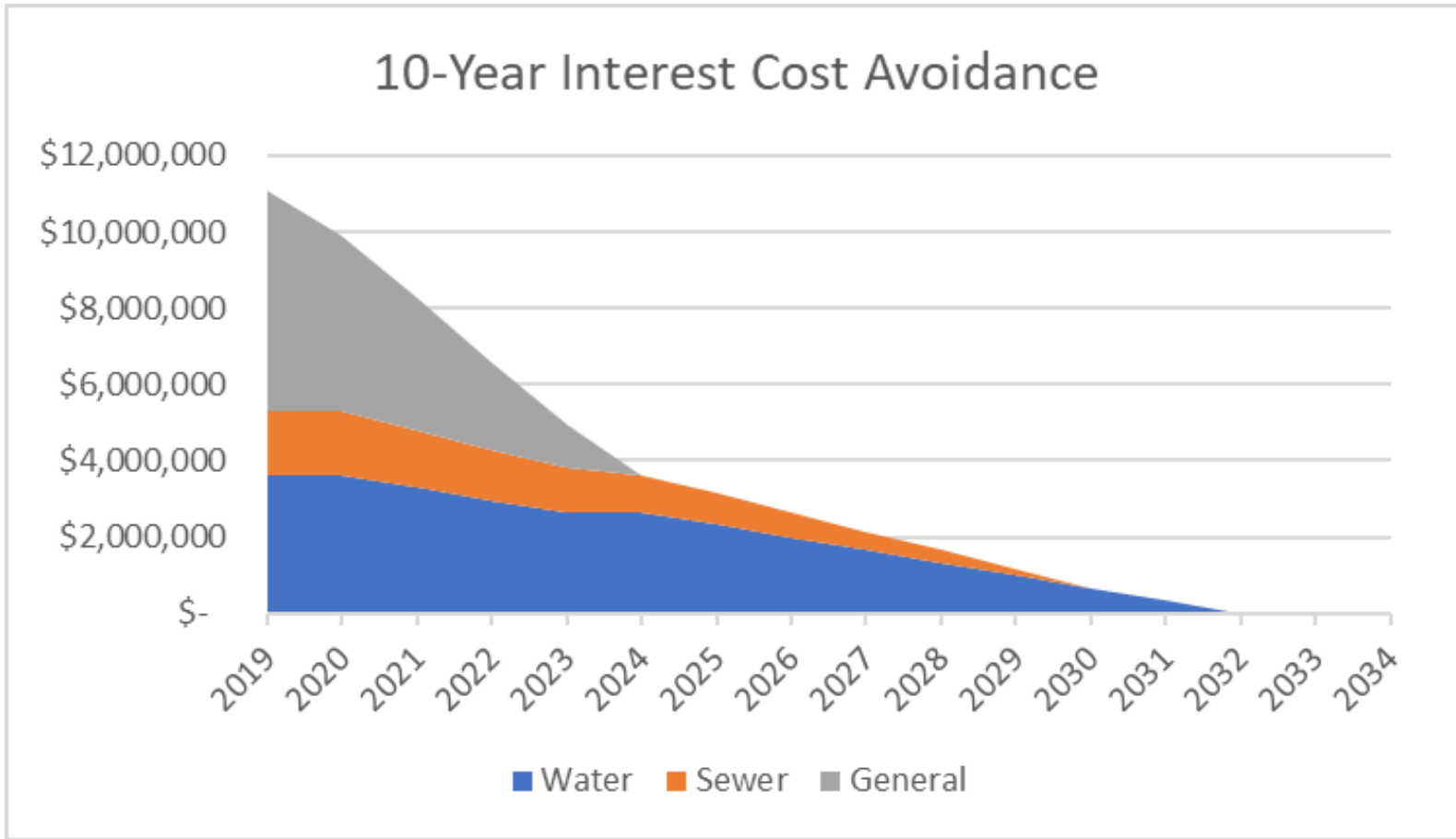


Total Debt with Known FY24 CSF and Projected CSF

Impact of Capital Stabilization Fund on Avg SF Home - Lexington High School Project



Cost Avoidance – General, Water & Sewer



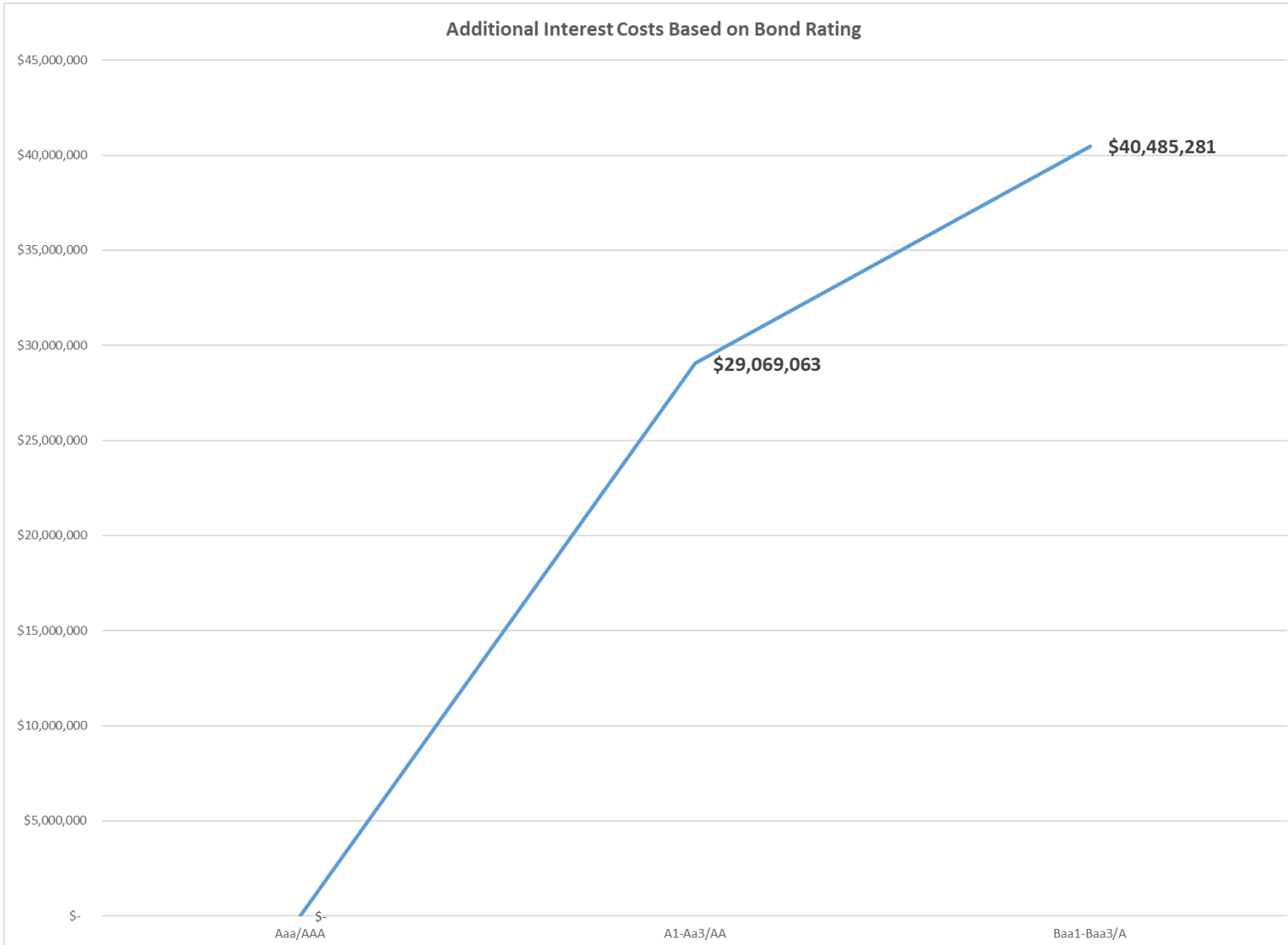
In the past, the Town borrowed \$2.2M per year for water line replacement and \$1.0M per year for sewer line replacement and was using approximately \$3.5M to fund operations from free cash. The Free Cash use was phased out over five years and water/sewer line is being moved from debt to the water/sewer operations budgets over ten years (we are in year 4). The cumulative effect of interest compounding annually saves about 16.5% in interest costs and over \$11M per year.

What is the impact of having a Aaa Bond Rating (the highest)?

Impact of Aaa – Baa range for Police Station, Fire Station, Hastings, Center Streetscape, LCP, Visitors Center and the High School

Interest Rates vary from 3.4% to 4.15% (as of 3/1/23)

Source: FMSbonds.com



Calculations are based on the interest rates for all projects (except high school and police station) at the final cost using the national average % rate for bonds at AAA, AA and A. The police station is based on the approved appropriation; the high school is based on \$400M with both also using the national average.

Thank You.