

Budget Collaboration/Financial Summit 1  
September 26, 2007

A joint meeting of the Board of Selectmen, School Committee and Finance Committees was held on Wednesday, September 26, 2007, at 7:30 p.m. in Cary Auditorium, Cary Memorial Building. Present: Chairman Krieger, Mr. Kelley, Mr. Cohen, Mr. Manz and Mr. Burnell; Mr. Valente, Town Manager, Ms. Pease, Executive Clerk; Mr. Ash, Superintendent; Ms. Dunn, Assistant Superintendent; all members of the School Committee, with the exception of Ms. Cohen; all members of the Appropriation Committee, with the exception of Mr. Cole; and Mr. Lamb and Mr. Kanter of the Capital Expenditures Committee.

1. Financial Conditions Overview and Budget Projections

The format for the meeting was to be a discussion of data in three parts: an evaluation of Lexington's fiscal health, three-year projection of revenue and expenditures and an outline of the FY2009 budget calendar and issues.

Key Financial Trends in Lexington

Mr. Young presented an Indicator Analysis for Fiscal Years 2000 to 2007. Lexington is strong in tax collections, stable labor costs as a percentage of total operating costs, adequate retirement funding, revenues related to economic growth and low debt service. Lexington is satisfactory in the areas of revenues and expenses per household and levels of reserves. Lexington is unsatisfactory in the areas of state aid and employee liabilities and continues to witness significant increases in benefit costs and receives only modest increases in state aid.

Mr. Young presented information on where Lexington stands financially. Detailed information on the following indicators was presented:

1. Revenues per Household
2. State Aid
3. Revenues Related to Economic Growth
4. Personnel Costs
5. Employee Benefits
6. Debt Service
7. Reserves and Fund Balance

FY2009-2011 Revenue and Expenditure Projections

Mr. Addelson presented revenue and expense projections for the period FY2009 to FY2011 to show recurring revenues and expenditures while segregating out unknown costs. Unknown costs include: collective bargaining settlements, new capital projects and the implications of implementing the recommendations of the Selectmen's 2006 Ad Hoc Financial Policy Committee.

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Policy Issues Related to FY2009 Budget

Mr. Valente discussed FY 2009 Budget Policy Issues:

1. Wages/Benefits;
  2. Capital Plan – cash vs. debt (Financial Policy Committee Recommendation);
  3. Funding of Post Employment Benefits; and
  4. Potential Debt Exclusions (Roads, Community Center/Senior Center, School Administration)
2. Special Town Meeting (October 10)

Mr. Young presented preliminary information on the need for the special town meeting budget articles:

Article 3: Amend Operating Budget

Article 4: Amend Enterprise Budget

3. Establish Date: Collaboration-Summit Meeting 2

The next summit will be scheduled for Tuesday, November 13, 2007, at 7:30 p.m.

4. Shire HGT Tax Increment Financing Proposal

Mr. Valente presented the Shire HGT tax increment financing proposal.

Summary of Financial Provisions

\$71,500,000	Gross Taxes for Lexington Technology Park
\$50,700,000	Gross Taxes Paid by Shire in TIF Zone
\$ 8,100,000	Estimated Value of TIF to Shire
\$ (400,000)	Shire's Proposed Contribution to The Town of Lexington
\$ (100,000)	Patriot Partner's Proposed Contribution to The Town of Lexington
<u>\$(2,600,000)</u>	Potential Mitigation Grants from the Commonwealth
\$ 5,000,000	Estimated Net Value of TIF to Shire

Keynotes and assumptions include:

1. Estimated property tax figures are based on FY2008 preliminary assessed valuations. FY2008 is a revaluation year and final values have not yet been approved by the Department of Revenue. Further, values in subsequent years are subject to the regular assessment process of the Board of Assessors.

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2. The 400/500 parcel in the Lexington Technology Park has not yet been subdivided to reflect the 400 parcel only (which will be occupied by Shire). The estimated assessed value of the 400 parcel, therefore, may change based on the final subdivision plan.
3. The Massachusetts Economic Opportunity Coordinating committee (EOCC) must approve the form of the TIF agreement. The EOCC may require the Town and Shire to have two separate TIF's; one for the 200 and 300 parcels and a second one for the 400 parcel. This is a drafting matter and does not impact the value of the TIF.

Upon motion duly made and seconded, it was voted to adjourn at 10:04 p.m.

A true record; Attest:

Lynne A. Pease  
Executive Clerk