



Town of Lexington
Town Manager's Office

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The Honorable Board of Selectmen, Appropriations Committee and Capital Expenditures Committee:

As required by the Selectmen-Town Manager Act, Section 13 and the Town's General Bylaws, Section 90-12, I am hereby submitting the Town Manager's FY2007 Recommended Budget and Financing Plan.

During the Selectmen's goal-setting workshop in August 2005, the Board established as an objective that a comprehensive working budget document be presented prior to the final budget Blue Book in February 2006. This FY2007 Recommended Budget and Financing Plan responds to this Board objective.

Budget Summary

The budget recommendations by the Town Manager and Superintendent of Schools are presented under two scenarios: a "Recommended Base" budget and a "Recommended Enhanced" budget. Each is summarized below. In addition, the municipal budget presentation includes a third "Town Manager's Recommended Base Budget" scenario.

	Level Service- Town / Recommended Budget-Schools	Recommended Enhanced Budget (All)
Education	\$63,996,113	\$66,623,088
Minuteman Tech.	\$900,000	\$900,000
Shared Expenses	26,420,573	26,892,643
Municipal	24,917,699	25,968,630
Capital and Stabiliation Fund	1,690,000	1,690,000
Total	117,924,385	122,074,361
Revenues	114,565,429	114,701,325
Shortfall	\$3,358,956	\$7,373,036

In reviewing this document the following should be noted:

1. The School Department budget figures are those submitted by the Superintendent of Schools to the School Committee on December 20, 2005 and revised on January 12, 2006. The School Committee is now reviewing the Superintendent's budget recommendations and will vote a recommended budget on January 31, 2006.

2. There are three municipal collective bargaining agreements that have yet to be settled for FY2007. An amount is included in this budget for funding these contracts.
3. While budget recommendations for the Water, Sewer and Recreation enterprise funds are included in this document, the figures highlighted in this transmittal letter are related only to the general fund.

Proposed Budget Increases

Increases in the proposed FY2007 Level Service-Town, Recommended Budget Schools and the Recommended Enhanced (All) budget are largely related to the following areas:

	<u>Level Service-Town/ Recomm. Budg. Schools</u>	<u>Recommended Enhanced (All)</u>
School Department (all categories)	\$3,950,529	\$6,577,504
Health Insurance	3,298,944	3,621,014
Salary Increases (Town)	576,000	576,000
Recommended Prog. Improvements (Town)	0	1,041,000
Debt Service	229,311	229,311
Utilities (Town)	265,300	265,300
Reserve/Contingency Accounts	200,000	200,000
All Other	<u>556,619</u>	<u>716,550</u>
Total	\$9,076,703	\$13,226,679

Changes in Budget Presentation

1. Consolidation of Accounts - The FY2007 municipal budget is organized somewhat differently than presented in FY2006, with certain smaller accounts consolidated with other accounts. In order to compare FY2007 to prior fiscal years, FY2005 and FY2006 are restated and organized on the same basis as the FY2007 presentation.
2. Health Insurance – In prior years health insurance and the Medicare tax have been separately budgeted in the municipal and school department budgets. For FY2007, these expenses are consolidated under the category of “Shared Expenses.”
3. Continuing Balance Accounts- Certain municipal accounts have been categorized as “continuing balance accounts”. Any unexpended balance in a continuing balance account, if approved by Town Meeting, carries forward from year to year as a type of dedicated reserve account. The Workers’ Compensation, Uninsured Losses and Salary Transfer accounts are recommended to be continuing balance accounts.

Proposed Budget and Financing Plan

There are a number of aspects of this budget that should be highlighted:

1. **Revenue Projections** – Section 2 of this budget document includes the FY2007 revenue projections previously presented to the Board of

Selectmen. Minor adjustments have been made to this projection for presentation purposes.

2. **Budget Summary** – Section 5 of the budget document is a summary of Departmental Expenditures. For municipal departments, this summary is presented as:
 - Level-Service Budget: the amount of funding required to provide the same level of services in FY2007 as were provided in FY2006.
 - Recommended-Base Budget: The amounts necessary to deliver a level-service budget plus additional amounts necessary to meet critical service demands and legal requirements.
 - Recommended-Enhanced Budget: Additional funding requests beyond the Recommended-Based Budget for the Selectmen to evaluate, should a Proposition 2 ½ Override question be placed before the voters.
3. **Board of Selectmen Priorities** – The Board of Selectmen identified certain objectives during its goal-setting sessions. Many of these objectives are addressed in this budget including: reducing water/sewer PILOT payments, continued funding of reserves, addressing energy conservation, maintaining the Town's infrastructure, identifying options for expanding the downtown police officer and reinstating the Economic Development Officer. Unfortunately, accomplishing some of these priorities will require reductions in other parts of the budget or additional revenues.
4. **Capital Expenditures** – The Board of Selectmen has a policy whereby the Town will strive to expend five percent of revenue on capital (debt service and cash outlays). For FY2007, this would equal spending \$5,200,000 for non-exempt capital, nearly \$1,000,000 more than in FY2006. This recommended budget calls for spending \$4,260,000 for capital and continues the Town's efforts to provide for the adequate maintenance and renewal of assets. The recommended capital plan can be found in Section 9 of this document.
5. **Reserves** – This proposed budget calls for the continued efforts to build a Stabilization fund reserve, by increasing the existing \$1,550,000 Stabilization Fund by a minimum of \$2,000,000 (from one-time revenues) as discussed when the FY2007 Revenue Projections were presented. This budget also includes an additional \$650,000 to be set aside in the Stabilization Fund. In addition, for the first time, \$50,000 is recommended for an Uninsured Losses reserve and \$300,000 is recommended for the Appropriations Committee reserve fund, an increase of \$150,000.

Acknowledgments

Preparing a budget document with this level of detail is a significant undertaking. I would like to express my appreciation to all of the Town department managers and board and committee members who contributed to the development of this budget. I would like to specifically acknowledge Town Accountant Laurie Dell'Olio, Revenue Officer Rose Ducharme, Assessor Joseph Nugent, Organizational Development Director Candy McLaughlin, Management Intern Thomas Watkins, Executive Assistant Marie McDonnell and Assistant Town Manager Linda Vine for their work in preparing the many facets of this document.

In addition, the preparation of this Recommended Budget and Financing Plan is due directly to the analysis and extraordinary efforts of Budget Officer Michael Young.

Concluding Thoughts

In presenting the FY2007 Recommended Budget and Financing Plan, the Senior Management Team clearly understands that the political and financial pressures on Lexington are significant and require much of us. Yet we would all do well to remember our mission is to serve the entire community and to be respectful of all residents, regardless of economic standing. The ancient words of “The Athenian Oath” are worth reflecting on as you review this budget:

“We will never bring disgrace to this our City by an act of dishonesty or cowardice.

We will fight for the ideal and sacred thing of the City both alone and with many.

We will revere to obey the City’s laws, and we will do our best to incite a like reverence and respect for those above us who are prone to annul them or set them at naught.

We will strive increasingly to quicken the public’s sense of civic duty.

Thus, in all of these ways we will transmit this City, not only not less, but greater and more beautiful than it was transmitted to us.”

We realize the enormity of the task still facing the Board of Selectmen and finance committees in proposing a balanced budget to Town Meeting. Lexington is now entering the fourth consecutive year of limited revenue growth and fixed costs which are increasing at a rate much larger than the overall inflation rate. The challenge of balancing this budget is great because many of the so-call “easy” budget reductions have already been made to balance previous years’ budgets. Every member of the Town’s Senior Management Team is committed to working with the Selectmen and finance committees to find that delicate balance between what our residents can afford to pay in taxes and the level of services our residents and businesses require, regardless of economic standing, in order to make Lexington greater and more beautiful that it was transmitted to us.

Very truly yours,

Carl F. Valente
Town Manager