



MEMORANDUM

TO: Board of Selectmen

FROM: Rob Addelson, Assistant Town Manager for Finance
Michael Young, Budget Officer

DATE: October 30, 2006

SUBJECT: 1st Quarter Exceptions Report

As per your request, this memorandum summarizes where The Town of Lexington stands financially one-quarter through FY 2007. This memo and the attachment provides an analysis of expenditures through September 30, 2006 – the first 3 months of the fiscal year. It also lists a series of exceptions in municipal expenditures. Exceptions for the purpose of this report are any line item of the municipal budget which either a) is above the anticipated percentage expended through three months (which in this case is 25%) or b) is significantly above previous years trends.

Overall

After the first quarter of the fiscal year, there are no major exceptions to report. While revenue reports are not presented in this packet, revenue collections as of September 30, 2006 were reviewed. Revenues are in line with expectations. One notable positive exception is higher than anticipated building permit collections over \$530,000 through the first quarter. Expenditures throughout the 1st quarter are slightly better than to be expected, with \$19,137,146 spent through September 30th, or 16.59% spent. When encumbrances are added, that amount increases to \$31,440,690, or 27.26% spent.

A more detailed analysis of Article 17, the Operating Budget, is provided below. Table 1 is exclusive of encumbrances. Table 2 is inclusive of encumbrances.

Table 1: Actual Expenditures, 1st Quarter, FY 2007

| | <u>Revised Budget</u> | <u>Spending as of 9/30/06</u> | | <u>Unexpended Balance</u> |
|-------------------------------|-----------------------|-------------------------------|---------------|---------------------------|
| Education | \$ 63,505,890 | \$ 7,711,495 | 12.14% | \$ 55,794,395 |
| Shared | \$ 26,684,346 | \$ 6,294,901 | 23.59% | \$ 20,389,445 |
| Municipal | \$ 25,161,933 | \$ 5,130,751 | 20.39% | \$ 20,031,182 |
| Total Operating Budget | \$115,352,169 | \$19,137,146 | 16.59% | \$ 96,215,023 |

Table 2: Actual Expenditures + Encumbrances, 1st Quarter, FY 2007

| | <u>Revised Budget</u> | <u>Spending as of 9/30/06</u> | | <u>Unexpended Balance</u> |
|-------------------------------|-----------------------|-------------------------------|---------------|---------------------------|
| Education | \$ 63,505,890 | \$17,813,074 | 28.05% | \$ 45,692,816 |
| Shared | \$ 26,684,346 | \$ 6,323,705 | 23.70% | \$ 20,360,641 |
| Municipal | \$ 25,161,933 | \$ 7,303,911 | 29.03% | \$ 17,858,022 |
| Total Operating Budget | \$115,352,169 | \$31,440,690 | 27.26% | \$ 83,911,479 |

Exceptions

Although the municipal budget is performing as expected through the first quarter, there are three exceptions which require attention and further analysis. They are listed below.

Line 3100-3600 DPW Personal Services

Object: 51130 Overtime

Amount: 42.0% spent

Reason: Summer construction projects, especially due to highway construction, drove overtime expenditures. Some amount of overtime will need to be reclassified to capital projects. This should be monitored during the next two quarters.

Line 3100-3600 DPW Expenses

Object: 54500 Small Equipment

Amount: 49.0% spent

Reason: The rental of a temporary chiller unit at the Library has cost over \$50,000 year to date. This expenditure is expected to be reimbursed through insurance proceeds,.

Line: 4200 Fire/EMS Personal Services

Object: 51130 Overtime

Amount: 32.9% spent

Reason: Summer vacations, one injury, one military leave vacancy and one position vacancy (now filled) increased overtime above normal levels. This should be monitored during the next two quarters

Detailed Reports

Attached to this memo is a series of Year-To-Date Budget Reports by General Fund department. (Also attached are reports for the three Enterprise funds.) These reports are broken out by object code according to the new chart of accounts. The finance staff has lead an initiative to restructure the accounting system so that it contains more detailed information. This effort is designed to improve management capabilities, facilitate responses to information requests, and improve the efficiency and effectiveness of annual budget development and budget monitoring.

As you review the attached reports, you will note that some line items (highlighted for easy reference) are over 100%. In most cases, these are a reflection of the departments' estimated budget reallocations under the new chart of accounts and the transition to coding of invoices per the new chart. Unlike the exceptions cited earlier in this memo, these line items do not represent concern to the Finance Department.