

Financial Summit

**Select Board, School Committee, Appropriation Committee,
Capital Expenditures Committee**

April 27, 2026

7:30 PM

**Select Board Meeting Room, 1625 Massachusetts Avenue, Lexington, MA 02420 - Hybrid
Participation***

AGENDA

ITEMS FOR INDIVIDUAL CONSIDERATION

1. Discussion: March 30, 2026 Proposed Amendment to Annual Town Meeting Article 4

ADJOURN

1. Anticipated Adjournment 8:30pm

Meeting Packet: https://lexingtonma.granicus.com/ViewPublisher.php?view_id=5

*Members of the public can attend the meeting from their computer or tablet by clicking on the following link at the time of the meeting:

<https://lexingtonma.zoom.us/j/84812835552?pwd=IGfsVUUr5Pek27XZig53a7ZY9g5Pt8C.1>

join.zoom.us

Meeting ID: 848 1283 5552

Passcode: 509499

An Act Relative to Extending Certain State of Emergency Accommodations:

<https://www.mass.gov/the-open-meeting-law>

The next scheduled meeting of the Select Board will be held on Wednesday, April 29, 2026 at 6:00pm via hybrid participation.

Hearing Assistance Devices Available on Request

All agenda time and the order of items are approximate and subject to change.


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AGENDA ITEM SUMMARY

LEXINGTON BOARD OF SELECTMEN MEETING

AGENDA ITEM TITLE:

Discussion: March 30, 2026 Proposed Amendment to Annual Town Meeting Article 4

PRESENTER:

Board Discussion

ITEM NUMBER:

I.1

SUMMARY:

Select Board, Capital Expenditures Committee, Appropriation Committee and School Committee will meet to discuss a potential FY2027 Budget Amendment.

Town Website - 2026 Annual Town Meeting

FY2027 Brown Book

SUGGESTED MOTION:

FOLLOW-UP:

DATE AND APPROXIMATE TIME ON AGENDA:

4/27/2026

ATTACHMENTS:

Description	Type
☐ Steve Memo	Backup Material
☐ Finance Presentation	Backup Material
☐ LPS_Presentation_-_McKenna_Amendment_Budget_Summit	Backup Material
☐ LPS Request - Article 4 Amendment	Backup Material



Town of Lexington


Town Manager's Office



Steve Bartha, Town Manager
Kelly Axtell, Deputy Town Manager

Tel: (781) 698-4540
Fax: (781) 861-2921

Memo

To: Lexington Town Meeting Members
From: Steve Bartha, Town Manager 
Date: April 24, 2026
Subject: Article 4 — FY2027 Operating Budget / Pending Amendment

Executive Summary

On March 30, Town Meeting was asked to consider a balanced, FY2027 operating budget with unanimous support from the Select Board, Appropriation Committee, Capital Expenditures Committee, and School Committee — the product of 8 months of collaborative work. An amendment to move \$1.25 million in non-recurring revenue (Free Cash) into the LPS operating budget changed that. The Select Board, finance committees, and professional staff strongly oppose the amendment.

The problem is structural. During a half-decade of favorable budget conditions, school salaries and headcount grew significantly faster than enrollment, revenues, and the municipal side of the ledger. To cover those costs, it appears (because municipal staff does not have clear insight into school finances) that LPS underfunded transportation and substitute teacher lines by more than \$1 million each per year, eliminated central office positions, cutaway safety nets (cushions) for high-risk pool students and unallocated positions, and used non-recurring federal relief funds for ongoing salaries. When those measures became unsustainable, rising special education costs were cited as the cause — a framing that is, at best, incomplete.

The \$1.25 million amendment represents 0.83% of the LPS operating budget. The FY2026 structural deficit in the LPS budget was estimated at approximately \$7.0 million. The elimination of 42 positions in FY2026, combined with 13 additional positions proposed for reduction in FY2027, represents approximately \$4.5 million in savings — potentially reducing the remaining structural deficit to approximately \$2.5 million (unverified). That is a meaningful step, and it reflects the kind of structural correction the unamended FY2027 budget is designed to support. But the solution to the remaining gap is not an infusion of one-time revenue; it is continued structural reform.

Approval of this amendment would deplete reserves needed to address real fiscal headwinds, delay necessary structural corrections to the LPS budget, and reward a process that circumvented eight months of agreed-upon budget work. If municipal staff believed this amendment — or the proposed compromise — would serve as a genuine one-year bridge to structural stability, we would say so. But we cannot, with confidence, verify the accuracy of the financial picture being presented. That is not a position from which Town Meeting should be asked to appropriate \$1.25 million — or \$625,000.

The Context

When Town Meeting reconvenes on April 27, members will be asked to vote on an amendment to move \$1.25 million in non-recurring revenue (Free Cash) into the LPS operating budget – a proposal your professional finance staff strongly opposes. That amendment was offered on March 30 after more than an hour of debate on a proposed FY2027 operating budget that had received unanimous support that evening from the Select Board, the Appropriation Committee, the Capital Expenditures Committee — and the School Committee.

In the month since March 30, a significant volume of material has been offered on a wide range of topics related to this amendment, which has shifted and splintered the budget discussion in numerous directions: the nuances of municipal bond ratings, the identity of the Town's auditor, the mechanics of early retirement incentives, the composition of our reserves, confusion regarding the LPS budget model prepared for the school finance team by outside consultants, etc.

The purpose of this memorandum is to anchor the debate, explain how we arrived at this moment, and make plain what a yes vote would mean for Lexington's fiscal future.

A Note on Recent Developments

Since the preparation of this memorandum, the Superintendent has issued a longer supplemental report, and a proposed compromise amendment has been circulated. Neither changes the central question. Whether the request is \$1.25 million, \$625,000, or some other figure, the issue is the same: is one-time money being used for recurring personnel costs without a verified FY2028 funding source? The answer remains yes. The analysis below addresses both the original amendment and the compromise directly.

The Question

The question before Town Meeting is not whether Lexington's bond rating will survive a \$1.25 million appropriation of non-recurring revenue into the school operating budget — nor who the Town's auditor of record is (it is CBIZ, not CLA), nor whether early retirement programs save money (often they do not). Those are not the questions.

The question is this: after years in which school salaries and headcount grew faster than enrollment, faster than revenues, and faster than the municipal side of the ledger by almost every measure — should Town Meeting respond to the resulting fiscal pressure by appropriating non-recurring revenue into the operating budget, likely creating an even larger structural hole heading into FY2028, rather than allowing the corrections that were unanimously agreed to last month—at the conclusion of an eight-month budget process (and described by the Superintendent and Assistant Superintendent for Finance and Operation on March 30 as necessary in light of declining enrollment)—to take hold?

That is the question. It applies equally to the original amendment and to the compromise proposal described below.

The Sunny Years

The budgeting environment during the past half-decade was genuinely favorable. Commercial growth was robust. Health insurance renewals coming out of COVID were modest. Investment income was exceptionally strong. Those conditions gave every department in Lexington — municipal and school — room to operate with less pressure than we face today.

Municipal departments used that runway carefully. They managed headcount, controlled personnel costs, and avoided using one-time revenues for recurring expenses. That discipline is why the \$700,000 in reductions required of municipal departments this year — real reductions, affecting real services, equal to 1.02% of the current municipal operating budget — were absorbed without drama. Municipal departments know harder years are coming. They've planned for it.

Over that same favorable period, the picture on the school side looked different:

- Cost-of-living adjustments granted to school employees were *16% higher* than those on the municipal side, compounded over close to a decade. We are not saying those agreements were wrong, but we still do not know how Lexington educator total compensation (not simply COLAs) compares to benchmark communities — at top-step (where 60% of teachers are situated) or mid-range (where new teachers are often hired).
- The overall teacher-to-student ratio moved from 11.8 students per teacher in 2018 to 10.3 today — against a state average of 11.7 to 1. Enrollment declined by roughly 10% over that period while staffing grew by nearly 10%. Even after the full scope of the proposed reductions, the overall ratio will remain well ahead of both the 2018 baseline and the state average.
- Non-recurring revenues (e.g. Covid-19 relief funds) were used to balance the school budget during the favorable years, including paying ongoing salaries.
- The school department's own special education report flagged between \$5 million and \$10 million in potential overspend (per a January 9 memo from the Superintendent).
- Key accounts were underfunded (substitute teachers and transportation) or reduced (high-risk pool and unallocated positions), which increases risk in the operating budget.
- We lack confidence in the assumptions underlying the FY2028–FY2031 projections, which appear to suggest that the structural deficit will close after FY2027 — a conclusion that seems to significantly understate the ongoing structural challenge. Even after accounting for the FTE reductions described below, we estimate the remaining structural deficit at approximately \$2.5 million — and that figure remains unverified and sensitive to COLA outcomes, enrollment trends, and whether underfunded lines are corrected.

Process Matters

The proposed FY2027 operating budget was the product of eight months of work by professional staff and multiple volunteer committees, built through a summit process in which both municipal and school leadership participated at every stage. It required tough decisions and reductions on both sides. The result was a budget *unanimously* supported by every financial oversight body in Lexington. It is worth underscoring that the yes votes occurred in keeping with a long-standing, agreed-upon process — one designed to allocate revenue fairly, avoid reliance on one-time funds, and address long-term liabilities through disciplined reserve management. The \$2.5 million in unallocated funds was held in reserve not out of excessive caution, but because we are entering a period defined by rising health insurance costs, stagnating commercial growth, and the beginning of a \$500 million debt financing program to build a new high school.

The March 30 Amendment

My office learned of the amendment one hour before Town Meeting on March 30. After voting unanimously in support of the unamended FY2027 budget, the School Committee voted unanimously to support the amendment minutes after it was introduced — and minutes after the Superintendent agreed with a town meeting member that the staff reductions included in the unamended FY2027 budget helped start to rebalance the number of employees with the declining student population.

Six days later, a 35-page report was issued by LPS in support of the amendment that questioned several of the concerns raised on March 30 by the Select Board and finance committees. The LPS report's financial claims were presented with confidence. Many do not hold up. Here is an excerpt to illuminate this point:

"A transparent \$1.25M appropriation within a Town carrying over \$125 million in available fund balance does not come close to the threshold that would put that rating at risk — a conclusion our auditors share." [underline added for emphasis]

When municipal finance staff asked the auditor of record, CBIZ, if this was their opinion, the response was swift. Managing Director Scott McIntire responded with immediate and significant concern when he learned his firm had been cited as endorsing the use of one-time revenue to fill an operating gap and requested immediate retraction of the statement. When the CBIZ response was shared with TMMA, LPS issued a clarifying statement that the opinion was actually from CLA (not the auditor). Finance staff subsequently asked the same question of CLA but received no response. That is not an endorsement: it is the opposite.

The LPS report does not account for material changes to our financial picture: deterioration of commercial new growth and property values, a tripling of outstanding debt, the planned drawdown of the Capital Stabilization Fund for the high school project, and the evolving interest rate environment. The \$125 million in reserves cited as evidence of fiscal health is the same reserve base we will draw down materially over the next five years for LHS — and once the CSF is fully deployed, as promised before the Debt Exclusion vote, the Town's reserve position will likely fall below recommended targets. Presenting that figure as a static cushion misleads the community on both our actual reserve position and how the bond rating process works. When the municipal finance team raises concerns about the structural implications of this amendment, combined with other financial headwinds, Town Meeting should take those concerns seriously.

Questions that deserve answers

Town Meeting is being asked to vote on this amendment without the following information, which has been requested and either not provided or provided only in part:

- Compensation benchmark data compared to our peer communities for (1) the 60% of LPS educators currently at top step, (2) a ten-year Lexington educator with a master's degree, and (3) how this data is being used to anchor ongoing negotiations with LPS bargaining units, which, to our understanding, has been paused since March 30.
- A transparent accounting of staffing trends by category — general education and special education — over the period of enrollment decline beginning in 2018. Town Meeting deserves accurate, disaggregated data. Many positions added during this period were hired after Town Meetings concluded, rolled into the following year's base budget, and generate ongoing benefit

costs in the Shared Services budget, which reduces net revenue available to both municipal departments and the school department.

- A full accounting of the proposed retirement incentive: the value of incentive packages, when salary savings materialize, how many of the vacated positions will be backfilled, and how retiree healthcare — especially for members not yet 65 — is factored in. Town Meeting should also understand that shifting costs from the school budget (salary savings) to shared services (retiree healthcare) reduces net revenue available to municipal departments.
- A full explanation of the assumptions embedded in the CLA budget model — specifically, who provided them and on what basis — given that several key assumptions deviate materially from recent actual spending trends, including the substitute teacher line (underfunded by ~\$1 million), FY2027 transportation (underfunded by ~\$500K to \$1 million), and salary projections beginning in FY2028 that are millions of dollars below recent trend.

The Proposed Compromise

A compromise has been proposed that would reduce the amendment from \$1.25 million to \$625,000, split between two distinct purposes. We think they deserve separate treatment.

The \$250,000 curriculum purchase — funding a five-year literacy curriculum plan rather than a one-year purchase — is a genuine one-time expenditure. We are not reflexively opposed to it. A multi-year curriculum investment can be evaluated on its own merits, including whether the five-year plan produces savings over annual repurchase. If Town Meeting chose to approve only this piece, we would view it as a legitimate use of one-time funds, provided the total cost and any ongoing licensing or implementation expenses are clearly disclosed.

The \$375,000 for five specialized instructional positions — literacy and math coaches retained for one year — is a different matter. It is the structural problem in miniature. The “one-year only” condition has no binding enforcement mechanism: the compromise explicitly states that LPS will determine which positions are reinstated after the vote. Town Meeting is being asked to fund positions whose continuation will be decided unilaterally, after the appropriation is approved, by the same party requesting the funds. A smaller plug is still a plug. If those positions are described as critical this year, they will be described as critical next year.

On the bond rating: we understand the school side’s argument that \$1.25 million by itself will not cost Lexington its Aaa rating. That narrow point may be true. But it is not the real issue. Rating agencies evaluate structural balance, reserves, liquidity, debt burden, and fiscal governance together. Using free cash for operating costs, adding half a billion dollars in debt, drawing down the Capital Stabilization Fund, and facing stagnating commercial growth all move in the wrong direction simultaneously. No single action triggers a downgrade; the cumulative trajectory does.

The compromise also asserts that FTE reductions will produce health insurance savings that substantially offset the cost of the amendment. This claim requires scrutiny. FTE reductions are not the same as employees leaving Town health coverage. Some may be reassigned, some may retire and remain on retiree plans, some may be replaced by new hires who enroll immediately. If LPS wants to count health insurance savings as an offset, Town Meeting should know exactly where those savings appear in the FY2027 budget — verified by Town finance staff — before they are counted.

The Advisory Group

The proposed Financial Outlook and Policy Analysis Advisory Group is potentially useful as a framework for ongoing fiscal dialogue (though this function is already filled by the Budget Summit participants), but Town Meeting should understand what it is and what it is not.

The compromise document explicitly states that the advisory group shall not function as an audit, investigative, or compliance body. It is also structured to review municipal and school finances “equitably” — meaning scrutiny of LPS finances comes paired with equal scrutiny of the municipal side, even though the municipal departments are not the source of the current structural problem. A group that cannot audit the school budget is not equipped to verify the savings claims being used to justify this appropriation. The advisory group may be useful for long-term planning — *planning, for the record, that the Select Board already flagged last year during goal setting process as a 2026 strategic priority* — but it is not a substitute for a balanced budget today, and it does not answer the FY2028 question.

What Actually Happened to the School Budget

On March 30, the Appropriation Committee Chair commented that no one should be surprised by the school budget challenges, because LPS has been returning less and less unspent budget for years: from \$3.0 million in FY2023 to \$84,000 in FY2025. That observation deserves to be the starting point for understanding how we got here. Beginning in FY2023 and FY2024, school salary costs grew well beyond projections — driven by the headcount growth and COLA patterns described above. To absorb those costs within a fixed budget envelope, LPS systematically reduced spending elsewhere — cutting expense lines, eliminating central office positions, and drawing down financial cushions that had previously provided budget stability. When the cumulative effect of those cuts became unsustainable, the resulting shortfalls were attributed to rising special education costs, but Lexington’s high-needs population is not materially different from the state average and Circuit Breaker reimbursements have kept pace with SPED cost growth, as designed. The SPED narrative obscures the underlying salary and headcount problem. Our best estimate of the FY2026 structural deficit — accounting for salary overspend (~\$2.5 million), substitute teacher underfunding (~\$1 million), transportation underfunding (~\$500K to \$1 million), eliminated high-risk pool cushion (~\$1.5 million), and elimination of unallocated positions (historically, 10-12; currently, zero) in the proposed budget (~\$1 million) — was approximately \$7 million. The elimination of 42 positions in FY2026, combined with 13 additional positions proposed for reduction in FY2027, represents approximately \$4.5 million in savings across 55 FTE — a meaningful and necessary step toward structural balance. That headcount recalibration, if sustained, could reduce the remaining structural deficit to approximately \$2.5 million. That figure is unverified, does not account for the underfunded line items and missing cushions described above, and remains sensitive to COLA settlements, enrollment trends, and whether circuit breaker revenues continue to materialize as projected. The proposed amendment — or the compromise — does not address the remaining structural gap. It papers over a portion of it with one-time funds, while the harder work of verification and sustained correction goes undone.

The slide deck presented by LPS for the April 22 summit focused primarily on student stories and transition commitments rather than financial data. Two specific concessions in that deck are worth noting. The deck acknowledges on slide 5 that substitutes and SPED tuitions were underfunded — confirming, in the district’s own words, the pattern described above. It also concedes on slide 3 that “cost avoidance is secured regardless of this vote” — meaning the reductions happen with or without the amendment. Town Meeting is being asked to appropriate funds to ease the transition through those unavoidable reductions, not to prevent them.

If we believed this amendment — or the proposed compromise — would serve as a genuine one-year bridge to structural stability, we would say so. The case for a bridge appropriation was never made in any of the budget meetings held since last fall.

What We Can Support — and What We Cannot

Town Meeting should not come away from this memo believing we are opposed to everything. We are not. Here is where we stand on each scenario that may come before Town Meeting on April 27:

- Original \$1.25 million amendment — opposed. One-time money for recurring operating costs, no verified FY2028 funding source, structural problem unresolved.
- \$375,000 for specialized instructional positions (staffing portion of the compromise) — opposed for the same reasons. A smaller plug is still a plug, and “one-year only” without a binding enforcement mechanism is not a condition.
- \$250,000 for five-year literacy curriculum (curriculum portion of the compromise) — can be evaluated separately as a genuine one-time expenditure, provided full costs are disclosed and verified. This is a legitimate use of free cash if it stands alone.
- Financial Outlook and Policy Analysis Advisory Group — open to it as a framework for future planning but should be public and include all Budget Summit participants. Not a condition of this appropriation, and not a substitute for the structural work the school budget requires. As noted above, the Select Board already flagged this as a 2026 priority when they set their strategic goals in the fall of 2025.

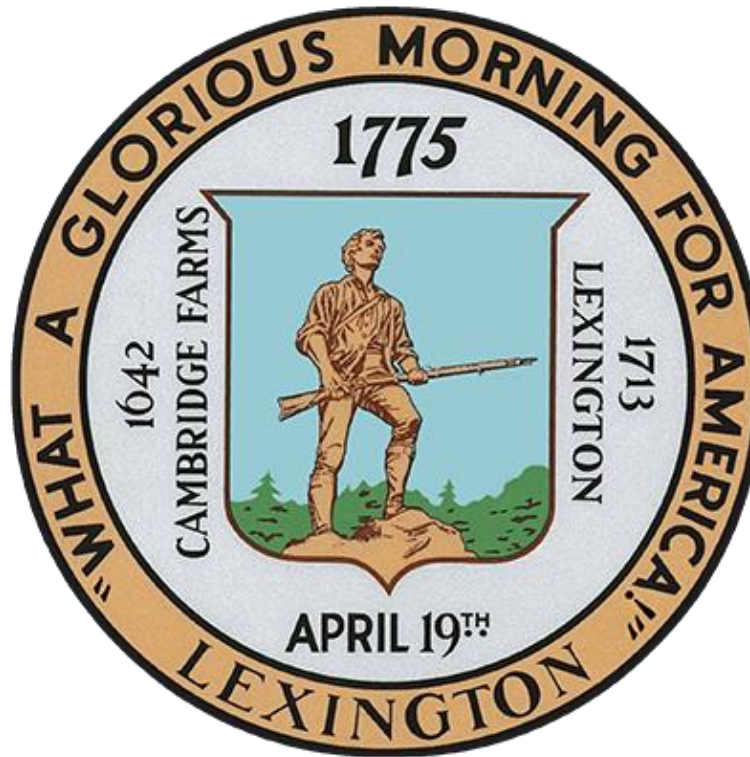
The Bottom Line

The test we would ask Town Meeting to apply to any version of the amendment is simple: does it solve the FY2028 problem with recurring revenue or verified recurring savings? If the answer is no, the amendment — in any form — should not be approved. A yes vote on the amendment does not solve the problem. It delays it, depletes the reserves we will need to manage it, and creates additional risk for the Town’s finances. Sunny budget days are likely to be over for a while. The pressures ahead — rising costs, stagnating revenues, and half a billion dollars in debt on the horizon — are not hypothetical. They are present and measurable.

The Select Board and finance staff are committed to working constructively with the School Committee and Superintendent through the challenges ahead. We recognize that the reductions in the current budget are real, that the educators and staff affected are valued members of this community, and that the schools are central to what makes Lexington the community it is. None of that is in dispute. What is in dispute is whether using one-time funds for recurring operating costs — without a verified plan for FY2028 — is the right way to respond to those challenges. We do not believe it is.

The unamended budget, unanimously adopted through eight months of collaborative work, is the honest response to the fiscal moment we are in. To that end, the Select Board has already indicated its intent to convene a near-term policy summit to discuss “long-term financial challenges and policy guidance,” which should include the current LPS budget challenges and a sustainable path forward to the FY2028 budget. We look forward to that conversation, and to the work that follows.

Town of Lexington



Budget Summit IV

April 27, 2026

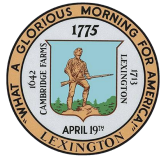


Town of Lexington

FY2027 Recommended Budget

The Question

Should Town Meeting appropriate \$1.25M (or a lesser amount) of one-time Free Cash into the LPS operating budget—while allowing a structural LPS budget deficit to continue into FY2027 and beyond?



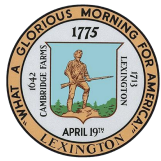
Town of Lexington

FY2027 Recommended Budget

The Process

- The FY2027 operating budgets were built over **8 months** and unanimously supported by all oversight bodies ***including the School Committee.***
- Budget summits are **normally*** scheduled in October, November, and January to:
 - Review prior year results, understand trends and indicators, examine budget drivers, reaffirm fiscal guidelines, develop preliminary revenue projections, and establish an agreed upon revenue allocation model for the year
- Municipal and School operating budget hearings conclude in January
- Select Board approves Budget & Transmits to Town Meeting in February
- **The Operating Budgets presented to Town Meeting on March 30 were unanimously supported by the School Committee, Select Board, Appropriation Committee, and Capital Expenditures Committee *within agreed upon fiscal guidelines.***

* The process was delayed this year after the School Committee cancelled the October Summit



Town of Lexington

FY2027 Recommended Budget

Recent History

Recent years brought strong revenues, modest health insurance increases, and high investment income. In that time:

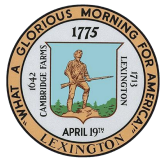
Municipal Departments

- Controlled headcount growth
- Avoided use of one-time COVID funds for ongoing expenses
- Bargained for sustainable cost-of-living increases and contracts*
- Minimal program improvements – funded only what we could sustain in the long term
- Absorbed \$700k in reductions to balance the FY27 budget

School Department

- Staff headcount grew 10% in same period that enrollment dropped 10%
 - COLAs and salaries grew faster than revenues/budget*
- One-time funds used to support ongoing expenses
- Expense budgets reduced to cover increasing salaries
- SPED audit flagged potential \$5-10M in overspend

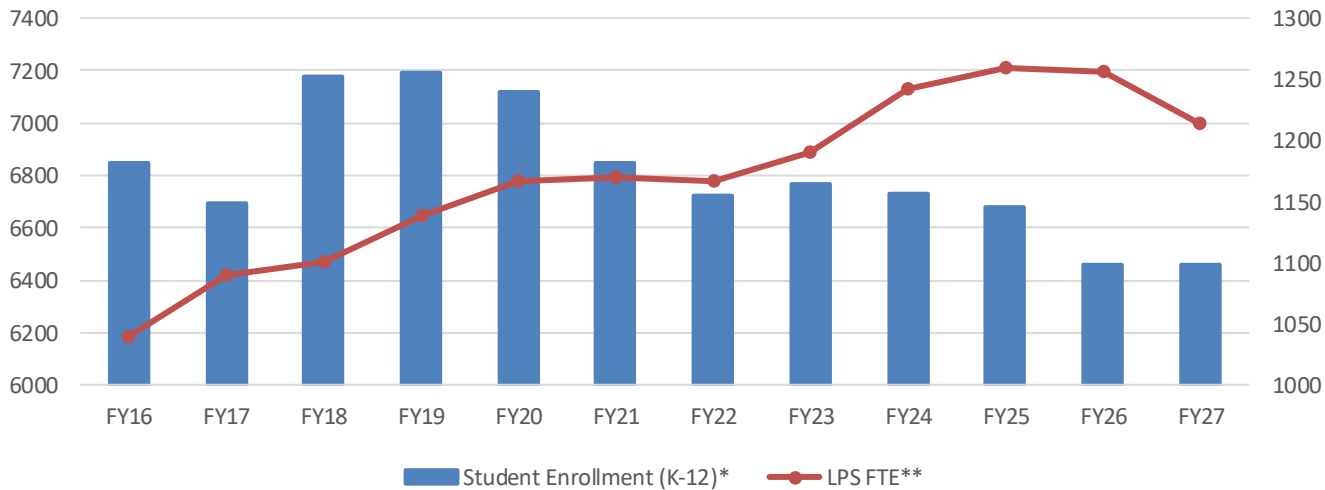
*See Exhibit A for COLA trends



Town of Lexington

FY2027 Recommended Budget

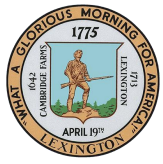
LPS Student Enrollment vs. LPS FTE (FY16-FY27)



	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Student Enrollment (K-12)*	6849	6694	7175	7190	7122	6844	6723	6770	6729	6678	6456	6456
LPS FTE**	1039.7	1089.0	1101.3	1138.1	1166.2	1169.4	1166.9	1190.0	1242.0	1259.6	1255.9	1213.9

*Enrollment as of October 1st each year. For this presentation FY2027 student enrollment is assumed to be level to FY2026.

**FTE is actuals from FY2016-25, budgeted for FY2026-27

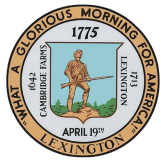


Town of Lexington

FY2027 Recommended Budget

How We Got Here

- Since 2023, LPS salary lines have grown faster than budget and available revenues (**\$2.5M** salary deficit in FY25; audit for FY26 is in process)
 - Unsustainable increases in salaries (86% of the school budget) were driven by increasing headcount, cost of living increases (COLAs) and other bargaining terms (i.e. steps, workload, paid parental leave)
- Cushions were cut from LPS budget to cover increasing costs
 - **\$1.5M** in high-risk List was reduced in FY2025 and not reinstated
 - **\$1.0M** in unallocated positions (typically 10-12; zero in FY2027)
 - In-year circuit breaker revenues budgeted to cover expenses
- Key line-items (per the CLA budget model) are materially underfunded:
 - **\$1.0M** in substitute teachers
 - **\$500k to \$1.0M** in transportation
- Taken together, **the magnitude of the FY2026 structural deficit was ~\$7.0M.**
- The elimination of 42 positions in FY2026 (reflected on the prior slide), combined with the 13 additional positions proposed in FY2027, could reduce this gap to a **likely \$2.5M structural deficit** (unverified).



Town of Lexington

FY2027 Recommended Budget

School Budget Summary

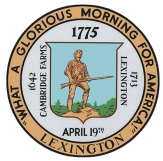
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Salary and Wages Budget	\$102,654,658	\$106,450,152	\$112,791,505	\$120,852,942	\$127,183,816	\$131,524,406
YOY Change		3.70%	5.96%	7.15%	5.24%	3.41%
Salary and Wages Actual	\$101,412,689	\$106,160,982	\$114,299,404	\$122,818,214		
YOY Change		4.68%	7.67%	7.91%		
Salary and Wages Budget vs Actual Surplus/(Deficit)	\$1,241,969	\$289,170	(\$1,507,899)	(\$2,490,272)		

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Expenses Budget	\$20,222,323	\$21,804,295	\$21,938,740	\$19,655,425	\$18,849,517	\$20,204,842
YOY % Change		7.82%	0.62%	-10.41%	-4.10%	7.19%
Expenses Actual	\$19,407,875	\$19,077,403	\$19,902,943	\$17,080,952		
YOY Change		-1.70%	4.33%	-14.18%		
Expenses Budget vs Actual Surplus/(Deficit)	\$814,448	\$2,726,892	\$2,035,797	\$2,574,473		

Salary Surplus (Deficit)	\$1,241,969	\$289,170	(\$1,507,899)	(\$2,490,272)		
Expense Surplus (Deficit)	\$814,448	\$2,726,892	\$2,035,797	\$2,574,473		
Total School Budget Surplus/(Deficit)	\$2,056,417	\$3,016,062	\$527,898	\$84,201		

In FY2024 \$1,047,819 in salaries was charged to one-time ESSER III Grant

Reduction of 42 FTEs reflected in FY2027 salary & wage budget compared to FY2026; FY2027 assumes 2.5% COLA



Town of Lexington

FY2027 Recommended Budget

School Budget Forecasts

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028 CLA Model	FY 2029 CLA Model	FY 2030 CLA Model	FY 2031 CLA Model
Salary and Wages Budget	\$102,654,658	\$106,450,152	\$112,791,505	\$120,852,942	\$127,183,816	\$131,524,406	\$135,309,129	\$138,482,189	\$141,689,166	\$144,902,139
YOY \$ Change		\$3,795,494	\$6,341,353	\$8,061,437	\$6,330,874	\$4,340,590	\$3,784,723	\$3,173,060	\$3,206,977	\$3,212,973
YOY % Change		3.70%	5.96%	7.15%	5.24%	3.41%	2.88%	2.35%	2.32%	2.27%
Salary and Wages Actual	\$101,412,689	\$106,160,982	\$114,299,404	\$123,343,214						
YOY \$ Change		\$4,748,293	\$8,138,422	\$9,043,810						
YOY % Change		4.68%	7.67%	7.91%						
Salary and Wages Budget vs Actual Surplus/(Deficit)	\$1,241,969	\$289,170	(\$1,507,899)	(\$2,490,272)						



- Salary projections use FY2027 as a base (includes reduction of 42FTE) with 2.5% COLAs across all units; forecasted increases are significantly lower than prior year trends. ***We do not have insight into benchmark total comp data.***
- Each 0.5% added to a COLA adds \$600K-\$700K
- Substitute teachers underfunded by \$1M+
- Transportation underfunded by \$1M
- Cushions have not been reinstated (high-risk list \$1.5M, unallocated positions \$1M) – these are not cost-savings, they just add risk and reduce turn-back

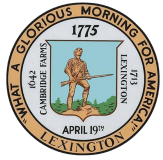


Town of Lexington

FY2027 Recommended Budget

The Bottom Line

- **The structural deficit in the LPS budget could be \$2.5M (or more)**
 - **Overspending** - \$2.5M in salary line as of FY25
 - **Underfunding** - \$2.0M below recent trend for substitutes, transportation, legal, etc.
 - **Missing safety net** - \$2.5M in high-risk pool and unallocated positions
 - **Real and proposed headcount recalibration:** \$4.5 million in savings, across ~55 (42+13) FTE
- **The solution isn't a \$1.25M infusion of non-recurring revenue; the solution requires structural reform:**
 - **Continued right sizing of headcount to staffing** to student enrollment
 - **Implementing SPED reform** identified in recent report
 - **Ensuring that contract settlements are rooted in benchmark data** vs. what other districts may be providing in COLA
- **A yes vote on the amendment:**
 - Does not solve the underlying issues
 - Depletes reserves needed for future budget flexibility
 - Creates additional fiscal risk heading into future budget years
- **If the structural deficit in the LPS budget were solvable by the \$1.25M amendment, municipal finance staff would support it.**

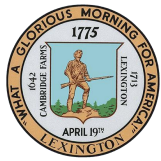


Town of Lexington

FY2027 Recommended Budget

Final Takeaways

- On March 30th, the first night of Town Meeting, the School Committee reported unanimous support for the Recommended FY2027 Budget & Financing Plan as it was proposed
- The Town Meeting floor is not the appropriate forum for making significant budget changes, deviating from guidelines or setting policy – the Town has a long-standing prescribed Summit process for these actions
- Summit leaders have agreed to a near-term policy Summit to discuss School Department budget challenges and the path forward ahead of the FY2028 Budget, including a deeper discussion on an operating override, if structural reform is not possible



Town of Lexington

FY2027 Recommended Budget

EXHIBIT A: COLA Trends

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	AVG FY18-27
Town											
TNON	1.5%	2%	2%	2%	2%	2%	2%	2%	2.50%	2.50%	2.05%
LMEA	1.5%	2%	2%	2%	2%	2%	2%	2%	2.50%	2.50%	2.05%
LMMA	1.5%	2%	2%	2%	2%	2%	2%	2%	2.50%	2.50%	2.05%
Public Works	1.5%	2%	2%	2%	2%	2%	2%	2%	2.50%	2.50%	2.05%
Crossing Guards	2%	2%	2%	2%	2%	2%	2%	2%	2.50%	2.50%	2.10%
Library	1.5%	2%	2%	2%	2%	2%	2%	2%	2.50%		2.00%
Police Superiors	2%	2%	2%	2%	2%	2%	2%	2%	2.50%	2.50%	2.10%
Patrolmen	1.5%	2%	2%	2%	2%	2%	2%	2%	2%		1.94%
Dispatchers	1.5%	2%	2%	2%	2%	2%	2%	2%	2%		1.94%
Fire	1.5%	2%	2%	2%	2%	2%	2%	2%			1.94%
Public Facilities											
Town Custodians	1.50%	2%	2%	2%	2%	2%	2.0%	2.0%	2.50%	2.50%	2.05%
School Custodians	2.25%	2%	2%	2%	2%	2%	2.5%	2.5%	2.25%	2.50%	2.20%
Schools											
LEA: Unit A	2%	2%	2.25%	2.25%	3.00%	3.00%	2.50%	2.50%	2.75%		2.47%
LEA: Unit C	2%	2%	2%	2%	2%		2%	2%	3.25%		2.16%
LEA: Unit D	2%		1%	2.25%	2.50%	2.75%	3.00%	3.00%	3.00%		2.44%
LEA: Tech	2%	2%	2.25%	2.25%	2.25%	2.50%	1.50%	1.75%	2.75%	2.75%	2.20%
ALA	2%	2%	2.25%	2.25%	3.00%	3.00%	2.50%	2.50%	2.75%		2.47%
	Base amount was reset, without an identified COLA									School Avg.	2.35%
	Unsettled and/or in negotiations									Town Avg.	2.02%
									Variance %	16%	

LEXINGTON PUBLIC SCHOOLS · ANNUAL TOWN MEETING

McKenna Amendment: Investing in a Managed Transition



April 2026 | Lexington Public Schools

Julie L. Hackett, Ed.D.

Every child in Lexington deserves this investment.

1 in 5

MA students struggle with reading by grade 3

The kindergartner learning to read

While many LPS students significantly outperform others in literacy, there are students who still struggle. With a literacy specialist coaching their teacher through a new Arts & Letters curriculum, gaps caught in September are addressed right away — not years later. A modest investment in coaching is one of the most powerful early prevention tools in our district.

265

high-needs students LPS is legally obligated to serve

The student w/ autism who loves math

So many of our students with disabilities are brilliant with numbers. With a math coach supporting their special education teacher through Illustrative Math, the curriculum is within reach for them. Inclusion works best when teachers are supported, so our students can be fully engaged.

\$700K

already invested in the Arts & Letters curriculum

Supporting teachers through transitions

Think about a brand new teacher. She has a new literacy curriculum, a new math framework, and 24 students with a range of needs. With coaching support for just one year, she gains the skills to carry these frameworks forward — protecting Lexington's \$700K investment and benefiting every class she teaches. That is an investment that keeps paying off.

The Case for the McKenna Amendment

THE AMENDMENT

\$1.25M

one-year Free Cash appropriation

- 13 positions restored — all sunset at end of FY27
- No recurring obligations carry into FY2028
- One-time investment in a one-year transition

THE COST AVOIDANCE

\$3.5 – 4.5M

*structural cost avoidance, ranging
from ~47 to ~60 FTE reductions*

- Cost avoidance is secured regardless of this vote
- \$1.25M ensures the transition is supported, not abrupt — protecting students through the shift
- By FY28, Amendment costs are gone. The cost avoidance remains — permanently.

A Smarter Path to the Same Savings

THE REDUCTIONS HAPPEN EITHER WAY — approximately 47 positions are cut regardless of this vote. The Amendment doesn't stop that. *It ensures that every dollar of the cost-avoidance is paired with an investment in continuity — protecting the 13 roles that make the transition work for students.*

WITHOUT THE AMENDMENT

- The \$700K Arts & Letters curriculum launches without the full complement of coaches that makes it work — risking instructional drift in year one, without the full complement of coaches who make it work
- Students with disabilities are less likely to fully access grade-level math without coaches bridging the curriculum gap
- 7 Digital Learning Coaches exit simultaneously — before Library Media Specialists are fully prepared to absorb their work
- No retirement incentives — the district misses an opportunity to lower its long-term salary base
- Less managed transition. Similar fiscal outcome.

WITH THE MCKENNA AMENDMENT

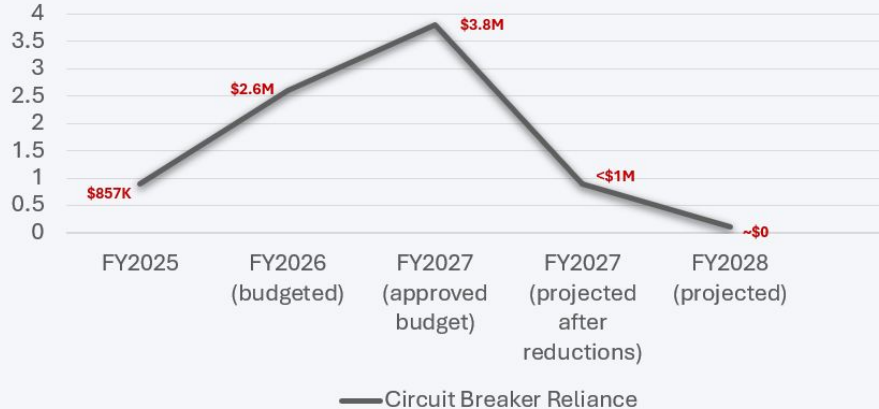
- A full complement of literacy coaches to guide teachers through Arts & Letters, protecting the \$700K investment
- Math coaches reoriented to Special Education — ensuring more students get access to the curriculum built for them
- 4 DLCs stay one year for deliberate knowledge transfer to Library Media Specialists
- Retirement incentives open up multiple positions — permanent salary savings, year after year
- Managed transition. Same fiscal outcome.

Fiscal Discipline: Cost Avoidance with a Purpose.

STRATEGY 1 · Reducing Circuit Breaker Reliance

75%

Reducing Circuit Breaker Reliance



STRATEGY 2 · Backfilling Budget Gaps

25%

of cost avoidance from position reductions

Cost avoidance, put to work. The remaining 75% reduces Circuit Breaker reliance — Strategy 1.

Eliminating positions doesn't generate cash — it avoids future costs. LPS is directing 25% of that cost avoidance toward backfilling structural budget gaps, stabilizing the district's operating base before FY2028.

- ❑ UNDERFUNDED – SPECIAL ED TUITION / HIGH RISK LIST
- ❑ UNDERFUNDED - LEGAL SERVICES
- ❑ UNDERFUNDED – ATHLETICS
- ❑ UNDERFUNDED – SUBSTITUTES
- ❑ UNDERFUNDED – PROFESSIONAL DEVELOPMENT

Purposeful Investments. Rigorous Standards.

THE STANDARD — Each restored position passed a strict test with 5 conditions: *1) not enrollment-driven 2) sunsets after FY27 3) enables managed transition 4) frontloads prevention and 5) accelerates structural change.*

4 FTE · ~\$300K

ARTS & LETTERS LITERACY SPECIALISTS

WHY: Lexington invested \$700K in a new structured literacy curriculum. Without coaching, research shows "instructional drift" (the gap between curriculum purchased and curriculum taught) widens rapidly. These specialists prevent that drift during the critical first implementation year.

4 FTE → 0 FTE at end of FY27

5 FTE · ~\$370K

MATH COACHES & GUIDED LEARNING

WHY: Students in Intensive Learning Programs are not consistently accessing Illustrative Math. SpEd teachers need more coaching on the framework. Every student who accesses grade-level math in a general education setting is less likely to need a more restrictive — and far more costly — placement.

5 FTE → 0 FTE at end of FY27

4 FTE · ~\$300K

LIBRARY MEDIA SPECIALIST TRANSITION

WHY: 3 of 7 Digital Learning Coaches are retiring. Eliminating the entire classification at once — before Library Media Specialists are fully trained — loses institutional knowledge that took years to build. Reinstating some of these positions for 1 year ensures a more respectful and controlled transition to a newer, more efficient approach.

4 FTE → 0 FTE at end of FY27

13

ALL SUNSET AFTER FY27 · ZERO RECURRING COST

4
FTE

Literacy Specialists

~\$300,000

Arts & Letters coaches to assist with the curriculum rollout. Every coach position is a one-year position.

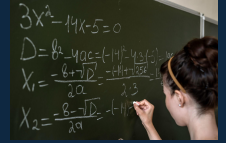


5
FTE

Math Coaches & Guided Learning

~\$370,000

Reoriented toward SpEd and inclusive settings. Supports Illustrative Math & Building Thinking Classrooms in elementary and middle schools.



4
FTE

Digital Learning Transition

~\$300,000

3 of 7 DLCs are retiring — this funds a one-year knowledge transfer to Library Media Specialists, who also support literacy. 3 FTE not restored.

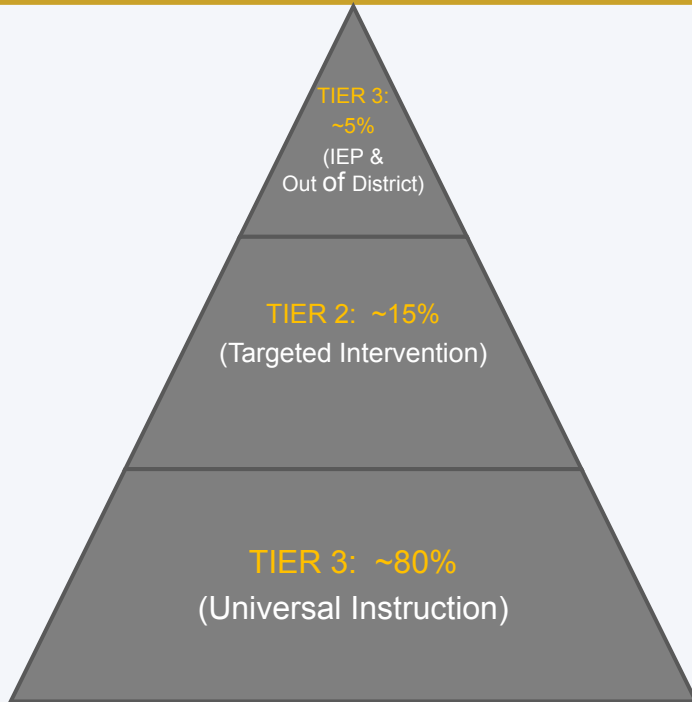


+ Early Retirement Incentives

~\$250,000 · Generates permanent ongoing savings through lower replacement salaries

Early Support Unlocks Every Child's Potential

Every dollar spent on coaching reduces the probability of costly placements. One student redirected from an out-of-district placement covers *the entire cost of at least a 1.0 FTE literacy specialist for a year.*



3

Tier 3 — Out-of-District Placement

\$80K – \$500K per student, per year

The most restrictive and most expensive setting. Students here may represent an earlier opportunity to intervene that was missed. This is where budgets experience the greatest pressure.

2

Tier 2 — Targeted Intervention

The kinds of services that literacy and math specialists provide.

Small-group intensive support for students who didn't get what they needed in Tier 1. Literacy and Math Specialists and Coaches — catching students before they need Tier 3.

1

Tier 1 — Universal Instruction

The kinds of services that classroom teachers provide.

Every classroom, every student. The general education and special education classroom teachers who are supported by the Amendment and help 80% of students get on track without additional intervention.

Early Retirement Incentive Program

A STRAIGHTFORWARD RETURN ON INVESTMENT — Over 60% of LPS educators sit at the top salary step. The \$250K incentive doesn't just save money this year — it *permanently lowers the district's cost base* by replacing top-step salaries with entry-level hires for years to come.

\$250K

one-time program cost

Who qualifies

Educators age 55+ at or near the top salary step. Many have served Lexington for decades.

What they receive

A financial incentive to retire earlier than planned.

What the district saves

Each retirement opens a position filled at a lower salary step. Savings compound every year the replacement stays in role.

COMPOUNDING SAVINGS — PERMANENT

60%+

of LPS educators are at the top salary step — the highest-cost cohort on the payroll. Each retirement saves the difference between the top step and the entry-level replacement, every single year.

ONE-TIME COST · PERMANENT RETURN

The \$250K incentive window closes when the program ends. But the salary savings it generates — **every year the lower-step replacement stays in role — never stop.**

Five Promises. On the Record.

1 **Every restored role is strictly time-limited.**
All 13 positions are one-year only. No permanent hires. Each educator returns to another role at the end of FY27.

2 **Zero McKenna positions in FY2028 — and you can verify it.**
When next year's budget is presented, these 13 roles will not appear. We invite Town Meeting to hold us to this.

3 **Full cost transparency in the FY2028 budget.**
Every dollar saved through structural reductions accounted for in next year's LPS Budget. No hidden costs, no surprises.

4 **Measurable results reported publicly in January 2027.**
LPS will present measurable outcomes: literacy gains, SpEd math access, and DLC knowledge transfer milestones delivered publicly during the FY2028 budget cycle.

5 **Circuit Breaker reliance at or near \$0 by FY2028 — on the record.**
The structural savings from this year's reductions will appear explicitly in next year's LPS Budget Book. Town Meeting can track every dollar of progress toward this target.



We continue to do everything we can to avoid an operational override. If one is ever needed, it would not be irresponsible — 235 have passed across MA in the last decade. Overrides reflect community investment, not failure.

[ATM Budget Presentation, Slide 8](#)

Lexington built something remarkable. This is how we protect it.

Resources: [Supt's Budget Presentation](#) · [Executive Summary](#) · [Restoration Plan White Paper](#) · [FAQs I](#) · [FAQs II](#) · [FAQs III](#)

Vote YES on the McKenna Amendment.

Eileen Jay, Chair | Larry Freeman, Vice Chair | Kathleen M. Lenihan | Sarah Carter | Monami Roy

Memorandum

To: Budget Summit Boards and Committees

From: Eileen Jay, Chair & Larry Freeman, Vice-Chair, School Committee

Date: April 27, 2026

Subject: Article 4 Amendment - Proposed Compromise Agreement

Purpose

This memorandum documents a proposed compromise agreement presented in an effort to support continued dialogue and move toward consensus among the Budget Summit Boards and Committees.

In order to meet the identified LPS student needs and adhere to prudent Town financing, this compromise proposal reduces the original \$1.25 million Article 4 amendment request to a \$625,000 one-time, one-year budget increase for Lexington Public Schools (LPS) in FY2027.

In addition, the memorandum outlines the establishment of a joint Financial Outlook and Policy Analysis Advisory Group, intended to promote a shared, data-informed understanding of current data trends and fiscal impacts, longer-term financial forecasts, and policy considerations to guide future discussions and decision-making.

Part 1: Article 4 Amendment – FY2027 LPS Budget

Proposed Action:

- Approve a **\$625,000 one-time increase** to the LPS budget for FY2027.

Allocation of Funds

- **\$250,000** to fund a supplemental amount enabling the purchase of a five-year plan (in lieu of a one-year plan) for the state-mandated **Literacy Curriculum**.
- **\$375,000** to retain five specialized instructional positions, **literacy coaches and math coaches, for one year**, to support teachers and students during the initial implementation of a new curriculum.

Conditions

- All reinstated specialized instructional positions shall be approved for a **one-year term only**.
 - Lexington Public Schools will determine which specific specialized instructional positions are reinstated.
-

Part 2: Financial Outlook and Policy Analysis Advisory Group

Establishment

The Summit boards and committees agree to establish a **Financial Outlook and Policy Analysis Advisory Group**.

Charge

The group is advisory in nature and is established to:

- Conduct a **structured, data-informed, and forward-looking review** of LPS and Municipal financial policies.
- Initiate and conduct **financial studies and data analyses** on issues and topics that can lead to improved understanding of data trends, contributing factors, and outcomes.
- Review factors contributing to **financial and budgetary constraints, trade-offs, and challenges** across both the municipal and school systems.
- Analyze **current and long-term fiscal forecasts** and policy implications to support informed future planning and decision-making by LPS and Municipal leadership.
- Advise on best practices related to **communications and updates to the community** regarding financial conditions, budget priorities, and long-term fiscal sustainability.

The group shall not function as an audit, investigative, or compliance body. Its purpose is to understand fiscal trends, influences, and conditions that inform policy decisions.

The group shall be considerate of and respectful of staff resources, workloads, and availability when requesting information for analysis.

All information requests shall be:

- Conducted equitably across LPS and Municipal organizations, and
 - Coordinated through designated LPS and Municipal leadership.
-

Membership

The Advisory Group shall consist of **eight (8) voting members**:

- Two (2) members of the **School Committee**
- Two (2) members of the **Select Board**
- Two (2) members of the **Appropriation Committee**
- Two (2) members of the **Capital Expenditures Committee**

Non-voting liaisons may include:

- School and municipal staff, as appropriate.
-

Scope of Work

- Conduct **high-level analysis** of existing LPS and municipal budgets and financial conditions.
 - Identify, confirm, and forecast **current and future budgetary challenges**.
 - Undertake a comprehensive assessment of the **necessity and timing of a potential override**.
 - Review and **re-evaluate current fiscal policies** to better understand their intent, application, and potential impacts on long-term financial planning and policy discussions.
-

Expected Outcomes

- **Timely and comprehensive dissemination** of findings, analyses, and evaluations to LPS and Municipal leadership.
- **Equitable and simultaneous distribution** of advisory proposals and recommendations to LPS and Municipal leadership.