

FY2024 Budget Summit I - Fiscal Guidelines
Select Board, School Committee, Appropriation Committee,
Capital Expenditures Committee
September 29, 2022
7:00 PM
Conducted by Remote Participation*

AGENDA

ITEMS FOR INDIVIDUAL CONSIDERATION

1. FY2024 Budget Summit I - Fiscal Guidelines 7:00pm
 - Fiscal Indicators
 - FY2022 Year-End Operating Results
 - FY2024 Fiscal Guideline Considerations
 - Update on Federal Grant Funds (FEMA, CARES & ARPA)
 - Special Town Meeting 2022-3 Articles
 - Establish Date: FY2024 Budget Summit II

ADJOURN

1. Anticipated Adjournment 9:00pm

The meeting packet is typically available at least one business day in advance of the meeting: <https://lexington.novusagenda.com/agendapublic/>

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

<https://us06web.zoom.us/j/85055850628?pwd=VktGZEpPWjZmNHRmMWZvbGRlNjRBZz09>

iPhone one-tap:

+13126266799,,85055850628# or +16469313860,,85055850628#

Telephone: +1 312 626 6799 or +1 646 931 3860 or +1 929 436 2866 or +1 301 715 8592 or +1 309 205 3325 or +1 253 215 8782 or +1 346 248 7799 or +1 386 347 5053 or +1 564 217 2000 or +1 669 444 9171 or +1 669 900 6833 or +1 719 359 4580

Webinar ID: 850 5585 0628

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*An Act Relative to Extending Certain State of Emergency Accommodations: <https://www.mass.gov/the-open-meeting-law>

The next regularly scheduled meeting of the Select Board will be held on Monday, October 3, 2022 at 6:30pm via remote participation.

Hearing Assistance Devices Available on Request

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



AGENDA ITEM SUMMARY

LEXINGTON BOARD OF SELECTMEN MEETING

AGENDA ITEM TITLE:

FY2024 Budget Summit I - Fiscal Guidelines

PRESENTER:

Carolyn Kosnoff, Assistant Town
Manager for Finance

ITEM NUMBER:

I.1

Sub Item:

- Fiscal Indicators
- FY2022 Year-End Operating Results
- FY2024 Fiscal Guideline Considerations
- Update on Federal Grant Funds (FEMA, CARES & ARPA)
- Special Town Meeting 2022-3 Articles
- Establish Date: FY2024 Budget Summit II

SUMMARY:

SUGGESTED MOTION:

FOLLOW-UP:

DATE AND APPROXIMATE TIME ON AGENDA:

9/29/2022

7:00pm

ATTACHMENTS:

Description	Type
□ Financial Indicators Presentation - FY2024	Presentation

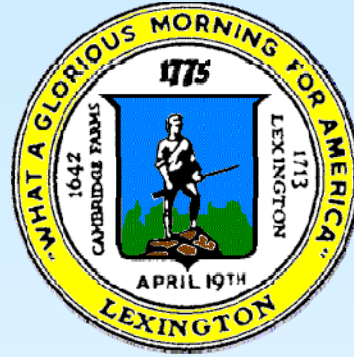
📁 FY2024 Summit I Presentation

Presentation

📁 STM 2022-3 Article list

Backup Material

Town of Lexington



Financial Summit I

Indicator Analysis:

Fiscal Years 2013-2022

September 29, 2022



Town of Lexington

Summit I – September 29, 2022

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I.5 Uncollected Property Taxes	6
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Town of Lexington

Summit I – September 29, 2022

Introduction

This packet of information includes an evaluation of the fiscal health of the Town of Lexington presented through a series of indicators. Town staff have compiled 14 indicators, and where appropriate, comparative benchmarks to assist policy makers in evaluating the Town's financial condition and prepare for the FY2024 Budget development process.

The indicators were developed using recognized metrics from professional organizations including the International City/County Management Association (ICMA), the Government Finance Officers' Association (GFOA), Moody's Investor's Service; and data from the Town of Lexington, the Massachusetts Department of Revenue, the Massachusetts Department of Elementary and Secondary Education, and the U.S. Census Bureau.

Lexington's overall financial condition remains sound. The global pandemic that began in FY2020 continues to create uncertainty in several categories of revenues and expenses over the last few years, however some concerning trends have started to reverse. In particular:

- Revenues related to economic growth such as motor vehicle excise, hotel/motel and meals taxes, and investment income are beginning to rebound. Our investment income will continue to increase as the Federal Reserve raises interest rates.
- Inflationary pressures are having a more pronounced impact on revenues and expenses which is apparent in constant dollar trends.
- State Aid as a percent of operating revenues has been on a slight, but steady decline since peaking in 2018 when the Town reached foundation budget.
- Increases in staffing and labor costs coupled with conservative trends in actuarial assumptions are driving up the Town's unfunded pension and OPEB liabilities. Future cost of living increases or a decrease in the assumed discount rate will further impact the pension funding schedule.
- Trends in school enrollment have been volatile due to the pandemic. FY2022 indicates that school enrollment is rebounding from the pandemic related decline in FY2021, but overall remains below peak levels.

Other financial indicators look to be stable or improving:

- Lexington's tax base and property tax collection rate remain strong, even in times of economic downturn.
- Lexington's Health Insurance spending as a percentage of employee wages has been stable since joining the Commonwealth's Group Insurance Commission (GIC) in FY2013. In recent years insurance has grown at a lesser rate than other operating expenses.
- The Town has maintained strong reserves, which served us well during the fiscal downturn caused by the pandemic.

While these metrics indicate budgeting challenges ahead, it is expected that with prudent fiscal management Lexington will maintain its Aaa credit rating.



Town of Lexington

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Indicator Summary – FY2018-2022

Indicator Summary		2018	2019	2020	2021	2022
I.1	Revenues	F	M	M	F	F/M
I.2	State Aid	M	F	M	M	M
I.3	Revenues Related to Economic Growth	F	F	M	F/M	F/M
I.4	Property Tax Revenues	F	F	F	F	F
I.5	Uncollected Property Taxes	F	F	F	F	F
I.6	Expenditures per Department	M	F	F	M	M
I.7	Personnel Costs	F	F	F/M	F/M	F
I.8	Employee Benefits	F	F	M	M	F
I.9	Retirement Participants	M	M	M	M	M
I.10a	Pension Liability	F	F	M	U	U
I.10b	OPEB Liability	U	M	F	F	U
I.11	Debt Service	M	M	M	M	F
I.11a	Projected Exempt Debt Service	M	M	F/M	F/M	F/M
I.12	Long-Term Debt	M	M	F/M	F	F
I.13	Reserves and Fund Balance	F	F	F	F	F/M
I.14	School Enrollment	M	F/M	F/M	F/M	F/M

Chart Key

F	Favorable
F/M	Favorable/Marginal
M	Marginal
U	Unfavorable



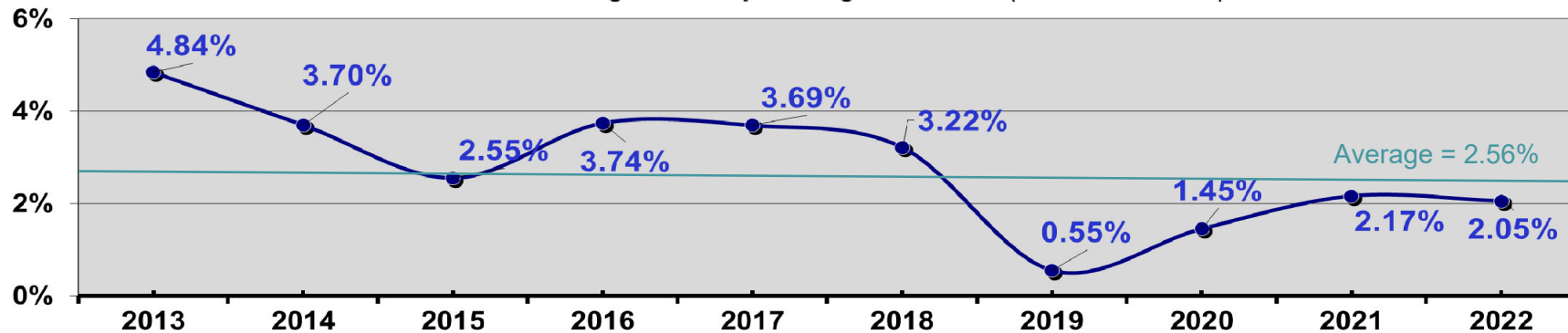
Town of Lexington

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Indicator 1: Revenues

A decrease in net operating revenues (constant dollars) is considered a warning indicator.

% Change - Net Operating Revenues (constant dollars)

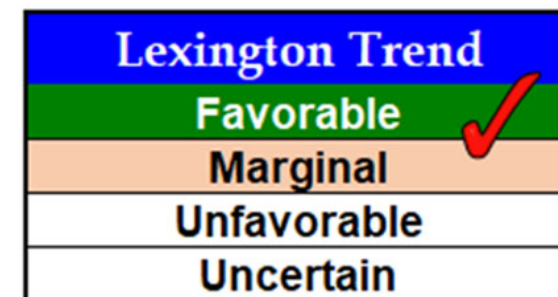


Fiscal Year	(Dollars in ,000s)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-year Change
Gross operating revenue/transfers		\$ 168,235	\$ 177,272	\$ 184,930	\$ 193,583	\$ 203,261	\$ 214,544	\$ 223,563	\$ 232,588	\$ 241,503	\$ 255,071	51.6%
Less: Exempt Debt Service ¹		\$ 6,199	\$ 6,928	\$ 7,423	\$ 8,325	\$ 8,330	\$ 8,293	\$ 9,360	\$ 11,128	\$ 12,685	\$ 13,948	125.0%
Net Operating Revenues		\$ 162,035	\$ 170,344	\$ 177,507	\$ 185,258	\$ 194,931	\$ 206,251	\$ 214,203	\$ 221,460	\$ 228,818	\$ 241,123	48.8%
Percent Change from prior year (net)		4.84%	5.13%	4.20%	4.37%	5.22%	5.81%	3.86%	3.39%	3.32%	5.38%	
10-Year Average Change												4.88%
CPI-U, prior calendar year		247.7	251.1	255.2	256.7	260.5	267.0	275.8	281.1	284.3	293.5	
CPI-U, adjustment for constant dollars		100.0%	98.6%	97.1%	96.5%	95.1%	92.8%	89.8%	88.1%	87.1%	84.4%	
Net Operating Revenues (constant dollars)		\$ 162,035	\$ 168,034	\$ 172,324	\$ 178,776	\$ 185,380	\$ 191,344	\$ 192,394	\$ 195,185	\$ 199,411	\$ 203,509	25.6%
Percent Change from prior year (net)		4.84%	3.70%	2.55%	3.74%	3.69%	3.22%	0.55%	1.45%	2.17%	2.05%	
10-Year Average Change												2.56%

¹Excluded Debt Service for FY2013-16 and FY2018-21 is net of appropriation of \$0.4, \$1.6, \$0.95, \$0.215, \$2.4, \$4.5, \$5.2 and \$4.6 million, respectively, from Capital Stabilization Fund to mitigate increases.

*Proposition 2¹/₂ Overrides were approved by voters in fiscal years 2001, 2005, 2007 and 2008. Debt exclusions were approved in fiscal years 2000, 2003, 2008, 2012, 2017, 2018 and 2022.

Revenue growth is one measure of the Town's ability to maintain existing service levels. For the past decade revenue growth has been positive, however over the past three years revenue has fluctuated downward and trended lower than the 10-year average. A continuation of this trend will put pressure the operating budget in future years.





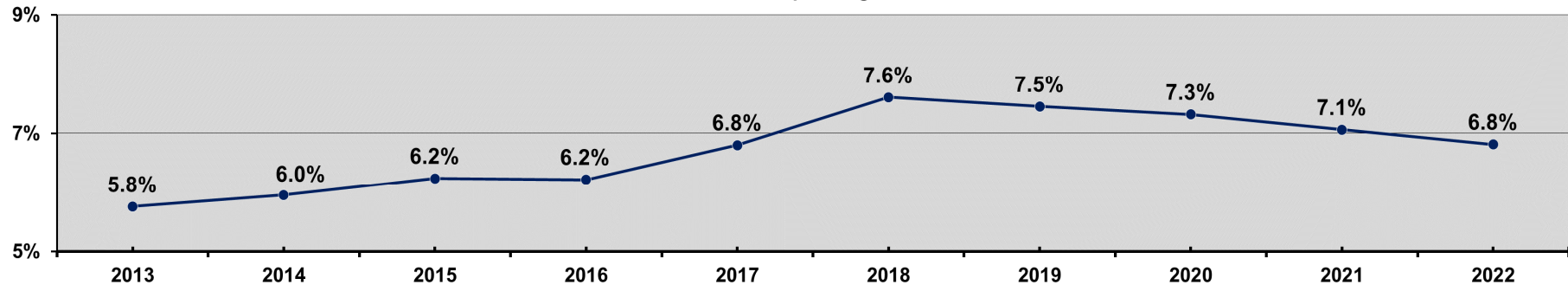
Town of Lexington

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Indicator 2: State Aid

Reduced State Aid as a percentage of operating revenues is considered a warning indicator, particularly if the Town does not have adequate reserves to offset reductions.

State Aid as % of Operating Revenues



Fiscal Year	(Dollars in ,000s)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-year Change
Cherry Sheet Revenues		\$ 9,335	\$ 10,145	\$ 11,081	\$ 11,527	\$ 13,262	\$ 15,689	\$ 15,963	\$ 16,204	\$ 16,158	\$ 16,432	76.0%
Net Operating Revenues		\$ 162,035	\$ 170,344	\$ 177,507	\$ 185,258	\$ 194,931	\$ 206,251	\$ 214,203	\$ 221,460	\$ 228,818	\$ 241,123	48.8%
State Aid as % of Operating Revenues		5.8%	6.0%	6.2%	6.2%	6.8%	7.6%	7.5%	7.3%	7.1%	6.8%	18.3%
CPI-U, prior calendar year		247.7	251.1	255.2	256.7	260.5	267.0	275.8	281.1	284.3	293.5	
CPI-U, adjustment for constant dollars		100.0%	98.6%	97.1%	96.5%	95.1%	92.8%	89.8%	88.1%	87.1%	84.4%	
State Aid Revenues (constant dollars)		\$ 9,335	\$ 10,007	\$ 10,758	\$ 11,124	\$ 12,612	\$ 14,555	\$ 14,338	\$ 14,281	\$ 14,081	\$ 13,869	48.6%
% change from prior year (constant dollars)		11.9%	7.2%	7.5%	3.4%	13.4%	15.4%	-1.5%	-0.4%	-1.4%	-1.5%	

While the Town does not rely heavily on increasing State Aid, reductions in State funding may still be difficult to manage. In order to protect itself, the Town has a contingency plan for reductions in State Aid. Since 2006, the Town has been funding reserves capable of offsetting cyclical downturns in State Aid and Local Receipts.

On a constant dollar basis, State Aid steadily increased from FY2004-09, before decreasing in FY2010-12 as a result of the economic downturn. However, it increased steadily from FY2013-15 and significantly FY2016-18, largely due to increased Education Aid. This time period reflects the state's efforts to meet its minimum financing requirements (Foundation Budget) under the Chapter 70 formula and increasing enrollment levels. The state funding requirement was met in FY2018, and has leveled off through FY2022. This trend is expected to continue in future years.

Lexington Trend	
Favorable	
Marginal	
Unfavorable	
Uncertain	

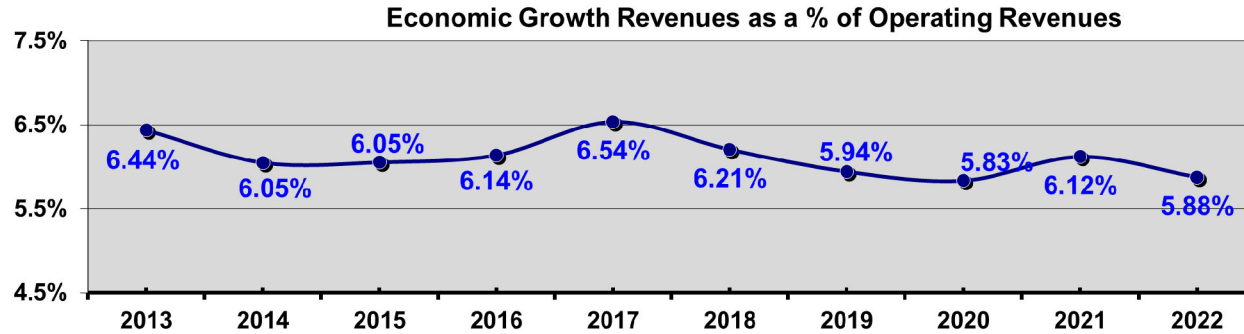


Town of Lexington

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Indicator 3: Revenues Related to Economic Growth

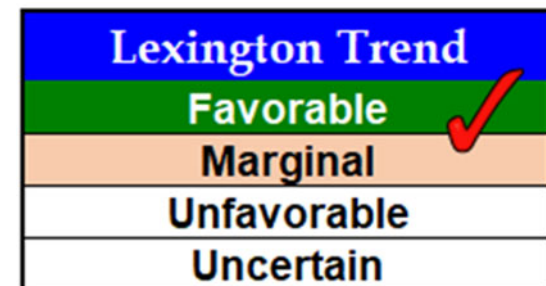
Decreasing economic growth revenues, as a percentage of net operating revenues, is considered a warning indicator.



Fiscal Year	(Dollars in ,000s)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-year Change
Net operating revenues (constant dollars)		\$ 162,035	\$ 168,034	\$ 172,324	\$ 178,776	\$ 185,380	\$ 191,344	\$ 192,394	\$ 195,185	\$ 199,411	\$ 203,509	25.6%
Building-Related Fees & Permits		\$ 1,430	\$ 1,404	\$ 1,557	\$ 2,298	\$ 2,547	\$ 2,689	\$ 2,392	\$ 2,690	\$ 3,156	\$ 2,777	94.2%
Motor Vehicle Excise (MVE)		\$ 4,301	\$ 4,695	\$ 4,941	\$ 4,953	\$ 5,350	\$ 5,396	\$ 5,649	\$ 5,383	\$ 5,335	\$ 5,330	23.9%
Hotel/Motel Local Excise		\$ 751	\$ 763	\$ 880	\$ 952	\$ 1,056	\$ 903	\$ 948	\$ 802	\$ 357	\$ 614	-18.3%
Meals Local Excise		\$ 414	\$ 427	\$ 471	\$ 497	\$ 482	\$ 456	\$ 472	\$ 438	\$ 305	\$ 472	14.2%
Levy Growth from New Residential Construction		\$ 1,400	\$ 1,452	\$ 1,686	\$ 1,713	\$ 1,858	\$ 1,909	\$ 2,023	\$ 1,699	\$ 1,973	\$ 1,877	34.1%
Levy Growth from New Industrial/Commercial Growth		\$ 1,297	\$ 635	\$ 408	\$ 215	\$ 508	\$ 744	\$ 481	\$ 794	\$ 1,639	\$ 1,767	36.2%
Levy Growth from Personal Property		\$ 841	\$ 930	\$ 803	\$ 744	\$ 943	\$ 705	\$ 767	\$ 1,116	\$ 1,241	\$ 1,337	58.9%
Total: Economic Growth Revenues		\$ 10,434	\$ 10,306	\$ 10,746	\$ 11,372	\$ 12,745	\$ 12,801	\$ 12,731	\$ 12,922	\$ 14,006	\$ 14,174	35.8%
CPI-U, prior calendar year		247.7	251.1	255.2	256.7	260.5	267.0	275.8	281.1	284.3	293.5	
CPI-U, adjustment for constant dollars		100.0%	98.6%	97.1%	96.5%	95.1%	92.8%	89.8%	88.1%	87.1%	84.4%	
Revenues related to economic growth (constant dollars)		\$ 10,434	\$ 10,166	\$ 10,432	\$ 10,974	\$ 12,121	\$ 11,876	\$ 11,435	\$ 11,389	\$ 12,206	\$ 11,963	14.7%
Economic Growth Revenues as % of Operating Revenues (constant dollars)		6.44%	6.05%	6.05%	6.14%	6.54%	6.21%	5.94%	5.83%	6.12%	5.88%	

Economic growth revenues are responsive to changes in the economy. A balance between growth and other (non-economic growth) revenues mitigates the effects of economic growth or decline. During a recession, a high percentage of non-economic growth revenue is an advantage. During a slowing economy, the Town should maintain sufficient reserves to protect against slowing revenue growth. A decrease in building permit fees may also be a leading indicator of smaller future increases in the tax levy.

The increases in FY2012-13 Industrial/Commercial levy growth were partially a result of large expansions at Shire HGT and Cubist.



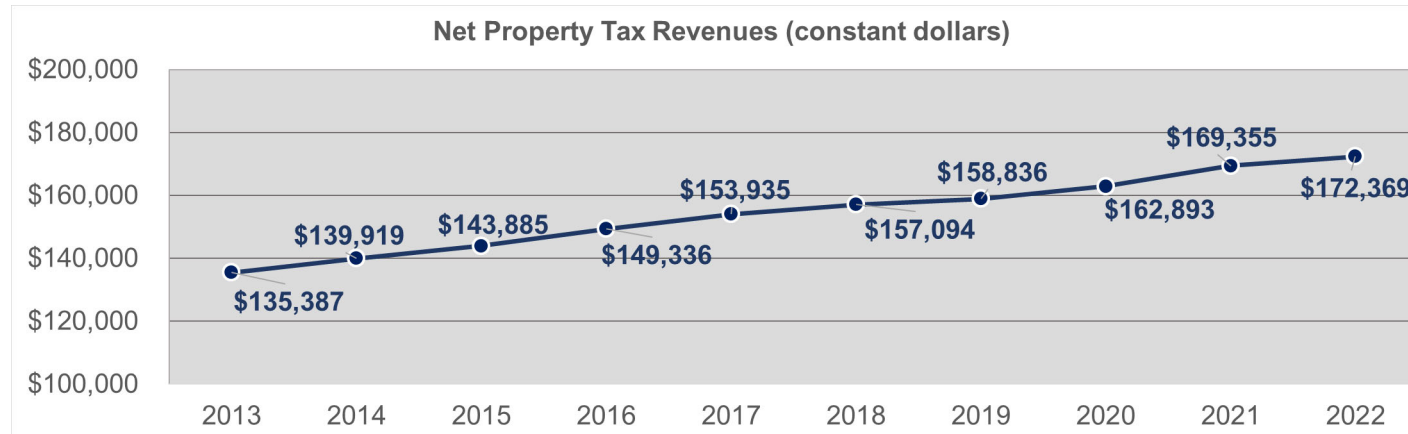


Town of Lexington

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Indicator 4: Property Tax Revenues Indicator 5: Uncollected Property Taxes

A decline in property tax revenues (constant dollars) is considered a warning indicator.



Fiscal Year	(Dollars in ,000s)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-year Change
Property Tax Levy and CPA Surcharge		\$ 145,064	\$ 152,461	\$ 159,543	\$ 167,241	\$ 174,665	\$ 182,287	\$ 191,006	\$ 201,055	\$ 212,415	\$ 223,876	54.3%
Less: Exempt Debt Service, net of mitigation		\$ 6,199	\$ 6,928	\$ 7,423	\$ 8,325	\$ 8,330	\$ 8,293	\$ 9,360	\$ 11,128	\$ 12,685	\$ 13,948	125.0%
Less: Comm. Pres. Act surcharge		\$ 3,478	\$ 3,691	\$ 3,907	\$ 4,166	\$ 4,469	\$ 4,662	\$ 4,805	\$ 5,105	\$ 5,400	\$ 5,700	63.9%
Net Property Tax Revenues		\$ 135,387	\$ 141,842	\$ 148,213	\$ 154,750	\$ 161,866	\$ 169,332	\$ 176,841	\$ 184,822	\$ 194,330	\$ 204,228	50.8%
CPI-U, prior calendar year		247.7	251.1	255.2	256.7	260.5	267.0	275.8	281.1	284.3	293.5	
CPI-U, adjustment for constant dollars		100.0%	98.6%	97.1%	96.5%	95.1%	92.8%	89.8%	88.1%	87.1%	84.4%	
Property Tax Revenues (constant dollars)		\$ 135,387	\$ 139,919	\$ 143,885	\$ 149,336	\$ 153,935	\$ 157,094	\$ 158,836	\$ 162,893	\$ 169,355	\$ 172,369	27.3%
Percent increase over prior year (constant dollars)		5.3%	3.3%	2.8%	3.8%	3.1%	2.1%	1.1%	2.6%	4.0%	1.8%	
Uncollected Taxes as a Percentage of Net Property Tax Levy		0.4%	0.5%	0.4%	0.6%	0.8%	-0.1%	0.6%	0.1%	0.2%	-0.3%	

*Proposition 21/2 Overrides were approved by voters in fiscal years 2001, 2005, 2007 and 2008. Debt exclusions were approved in fiscal years 2000, 2003, 2008, 2012, 2017, 2018 and 2022. CPA was adopted in Lexington in 2006.

Property tax revenues are analyzed separately because they are the Town's primary revenue source for both operating and capital spending. Increases due to operating overrides should be noted for their impact on taxpayers' ability to pay. Lexington has seen consistent growth in property tax revenues since 2013, however the increase in inflation in FY2022 slowed growth in constant dollars.

The final row reflects the consistently strong tax payment rate by Lexington residents, which indicates their ability to pay. This rate has remained strong, even during fiscal downturns.

Lexington Trend	
Favorable	✓
Marginal	
Unfavorable	
Uncertain	

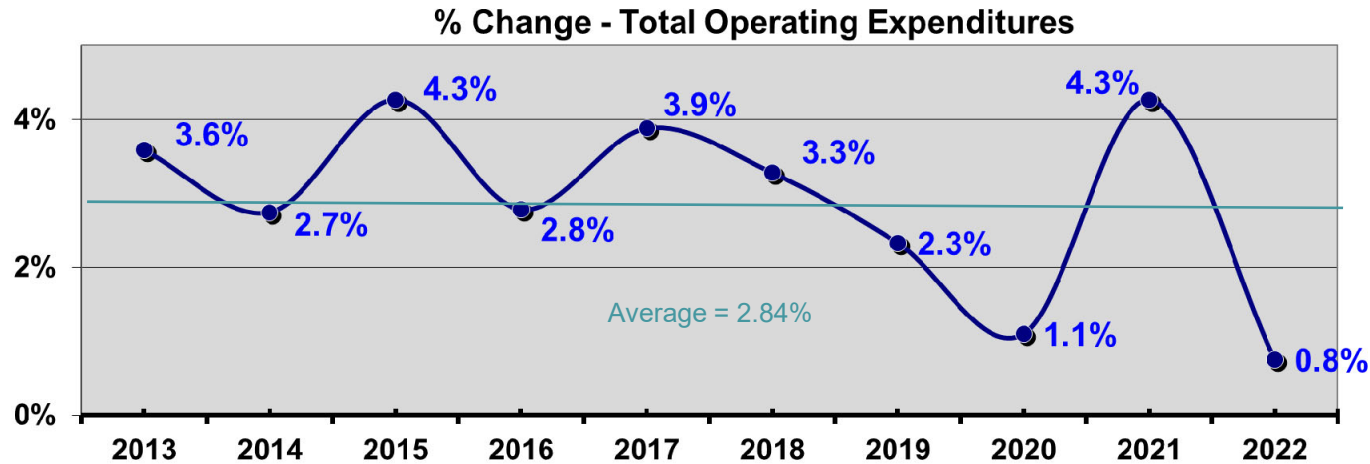


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Indicator 6: Expenditures Per Department

Increasing operating expenditures, in constant dollars, may be a warning indicator if increases are the result of fixed or unsustainable costs.



Fiscal Year											10-year Change	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	\$s	%
Education	\$ 75,778	\$ 81,961	\$ 86,517	\$ 90,455	\$ 96,728	\$ 101,433	\$ 108,677	\$ 112,079	\$ 118,138	\$ 123,951	\$ 48,173	63.6%
Shared Expenses (Benefits, Debt)	\$ 34,165	\$ 32,850	\$ 35,431	\$ 36,088	\$ 38,146	\$ 41,654	\$ 43,082	\$ 45,514	\$ 47,784	\$ 48,011	\$ 13,846	40.5%
Public Works ¹	\$ 8,386	\$ 8,869	\$ 9,339	\$ 8,637	\$ 9,055	\$ 9,236	\$ 9,750	\$ 9,475	\$ 10,486	\$ 10,704	\$ 2,317	27.6%
Public Facilities ²	\$ 9,327	\$ 9,677	\$ 9,958	\$ 9,821	\$ 10,092	\$ 10,171	\$ 10,666	\$ 11,095	\$ 11,050	\$ 12,202	\$ 2,875	30.8%
Public Safety ³	\$ 11,523	\$ 11,498	\$ 12,238	\$ 13,290	\$ 12,975	\$ 14,948	\$ 14,795	\$ 14,905	\$ 15,554	\$ 16,053	\$ 4,529	39.3%
Library	\$ 2,026	\$ 2,147	\$ 2,138	\$ 2,394	\$ 2,485	\$ 2,471	\$ 2,675	\$ 2,736	\$ 2,725	\$ 3,019	\$ 993	49.0%
Human Services ⁴	\$ 990	\$ 1,153	\$ 1,071	\$ 1,125	\$ 1,066	\$ 1,115	\$ 1,229	\$ 1,243	\$ 1,294	\$ 1,216	\$ 226	22.8%
Land Use, Health & Development	\$ 1,619	\$ 1,600	\$ 1,883	\$ 1,969	\$ 2,091	\$ 2,186	\$ 2,092	\$ 2,156	\$ 2,245	\$ 2,347	\$ 728	45.0%
General Government ⁵	\$ 4,212	\$ 4,428	\$ 4,782	\$ 5,133	\$ 5,416	\$ 5,295	\$ 6,275	\$ 6,074	\$ 7,184	\$ 7,682	\$ 3,471	82.4%
Total Operating Expenditure	\$ 148,027	\$ 154,183	\$ 163,356	\$ 168,911	\$ 178,053	\$ 188,509	\$ 199,242	\$ 205,278	\$ 216,461	\$ 225,185	\$ 77,159	52.1%
CPI-U, 2000 base year	247.7	251.1	255.2	256.7	260.5	267.0	275.8	281.1	284.3	293.5		18.5%
CPI-U, adjustment for constant dollars	100.0%	98.6%	97.1%	96.5%	95.1%	92.8%	89.8%	88.1%	87.1%	84.4%		
Total Operating Expenditure (constant dollars)	\$ 148,027	\$ 152,092	\$ 158,587	\$ 163,001	\$ 169,329	\$ 174,885	\$ 178,957	\$ 180,922	\$ 188,642	\$ 190,057	\$ 42,031	28.4%
Percent change from prior years	3.6%	2.7%	4.3%	2.8%	3.9%	3.3%	2.3%	1.1%	4.3%	0.8%		
10-Year Average Change											\$ 4,203	2.84%

Increasing operating expenditures can indicate that the cost of providing services is exceeding the Town's ability to pay. Increasing expenditures may also indicate that the demographics of the Town are changing, requiring increased spending in related services. The significant decrease in FY2022 is driven by the change in constant dollars, which signifies an increase in inflation.

Lexington Trend	
Favorable	
Marginal	
Unfavorable	
Uncertain	

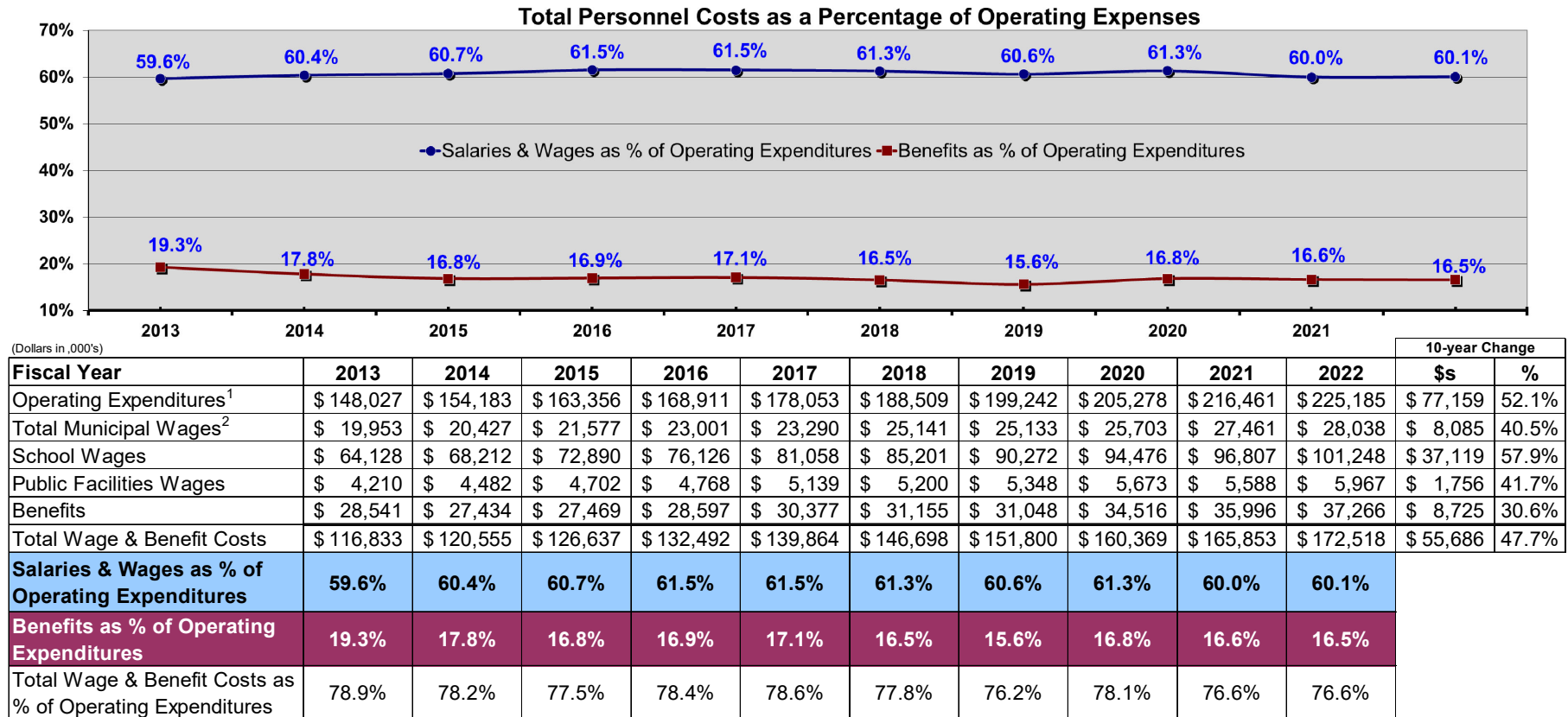


Town of Lexington

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Indicator 7: Personnel Costs

Increasing personnel costs as a percentage of total spending is considered a warning indicator.



¹ Operating expenditures include Expenses for all operating departments.

² FY2016 and FY2018 reflect multi-year contract settlements with Public Safety unions.

Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. Second, if salaries and wages as a percent of operating expenditures are increasing, it may be an indicator of deferred maintenance of the Town's infrastructure. Wages and benefits as a percentage of total expenditures have remained relatively constant, a positive indication that the Town is not sacrificing capital and maintenance in order to fund personnel.

Lexington Trend	
Favorable	✓
Marginal	
Unfavorable	
Uncertain	

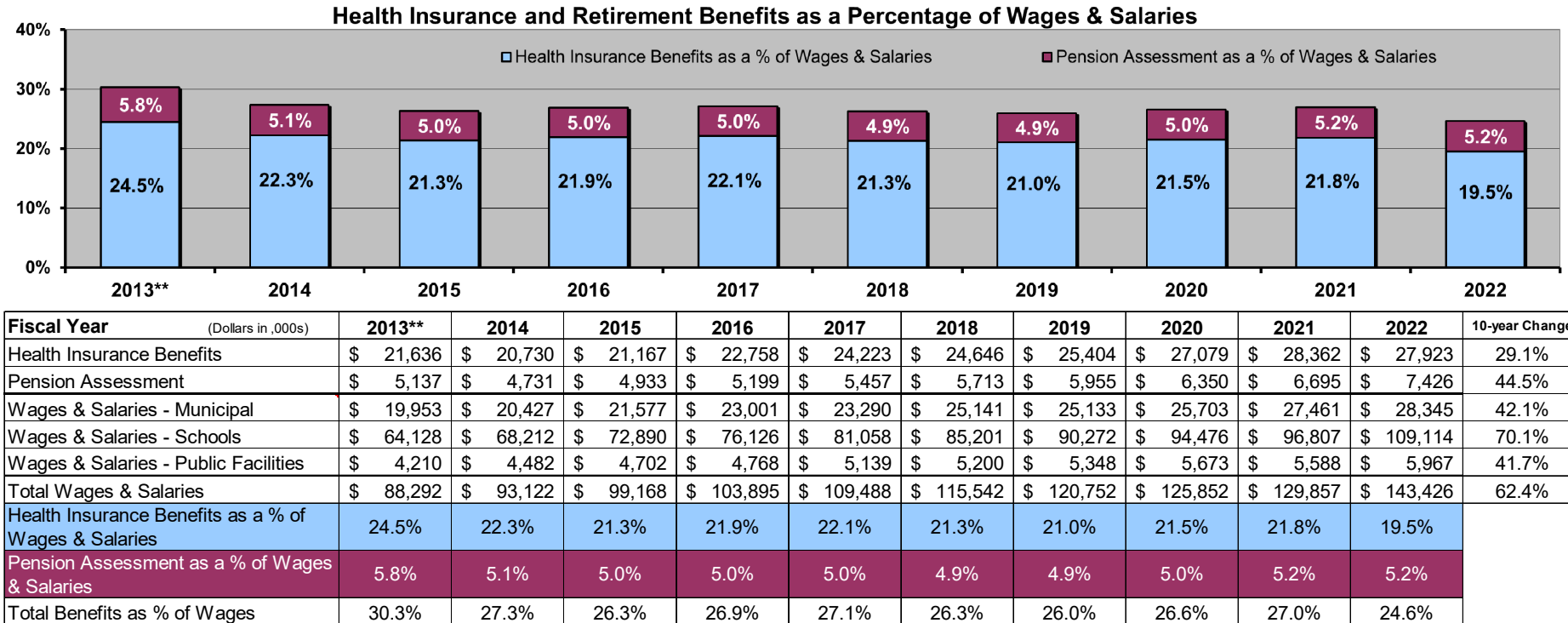


Town of Lexington

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Indicator 8: Employee Benefits

Increasing employee benefit costs as a percentage of wages and salaries is considered a warning indicator.



**The FY2013 Pension Assessment is inclusive of a one-time supplemental appropriation of \$1 million to offset the increase in liability attributable to a reduction in the assumed rate of return to 7.75% and revised assumptions of employee mortality.

Employee benefits represent a significant share of the Town's operating costs. Benefit spending as a percentage of wages and salaries has leveled off since the Town joined the Group Insurance Commission (GIC) in 2013.

An actuarial revaluation as of January 1, 2021 increased the unfunded pension liability therefore increasing the annual contribution amount and expanding the timeline for retiring the System's unfunded pension liability from fiscal year 2028 to fiscal year 2030. For further explanation of the increase in the Pension Assessment, please see Indicator 10.

Lexington Trend	
Favorable	✓
Marginal	
Unfavorable	
Uncertain	

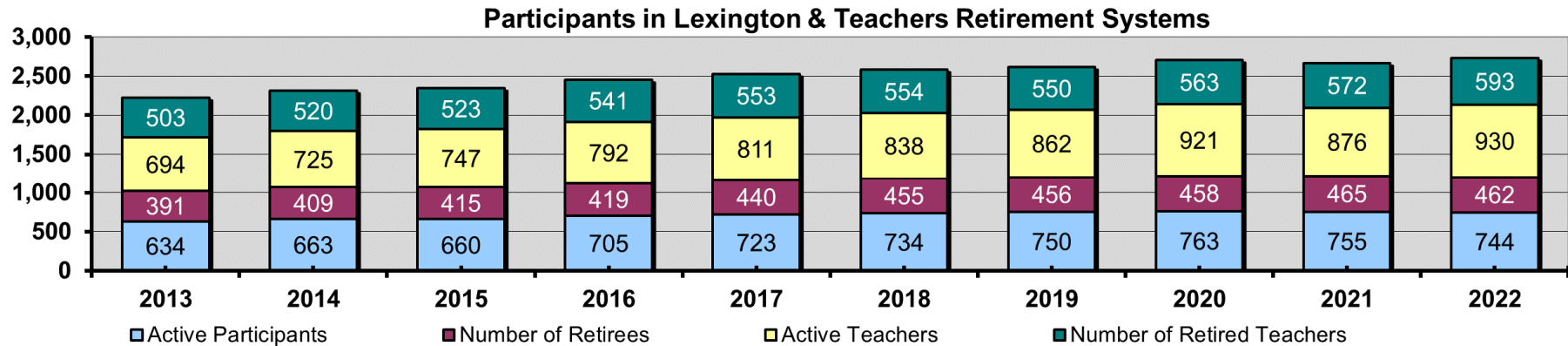


Town of Lexington

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Indicator 9: Retirement Participants

An increase in retirement system participants, without fully funding the associated post-retirement health costs, is considered a warning trend.



Calendar Year (as of December 31)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Change, 2013-21
Active Participants	634	663	660	705	723	734	750	763	755	744	17.4%
Number of Retirees	391	409	415	419	440	455	456	458	465	462	18.2%
Active Teachers	694	725	747	792	811	838	862	921	876	930	34.0%
Number of Retired Teachers	503	520	523	541	553	554	550	563	572	593	17.9%
Total	2,222	2,317	2,345	2,457	2,527	2,581	2,618	2,705	2,668	2,729	22.8%

Note: Teachers do not belong to the Lexington Retirement System, and are instead members of the Massachusetts Teacher Retirement System (MTRS).

Lexington has an aggressive approach to funding its pension liabilities, and has implemented a plan to begin to slowly fund its post-employment health liabilities. The increasing number of active participants and retirees places pressure on the health insurance budget. This data set should be read together with those in Indicators 10A and 10B.

Lexington Trend	
Favorable	
Marginal	
Unfavorable	
Uncertain	

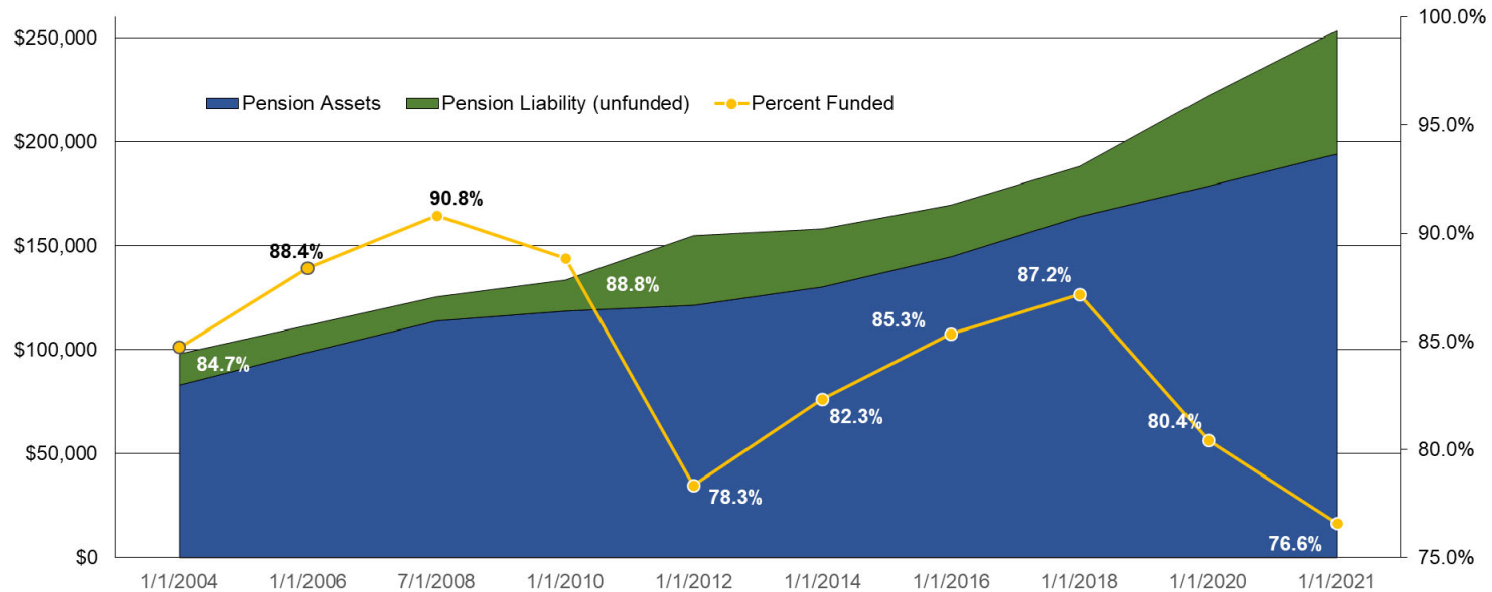


Town of Lexington

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Indicator 10a: Pension Liability

An unfunded pension liability or increase in the unfunded liability is considered a warning indicator.



(Dollars in ,000's)										
Actuarial Date	1/1/2004	1/1/2006	7/1/2008	1/1/2010	1/1/2012	1/1/2014	1/1/2016	1/1/2018	1/1/2020	1/1/2021
Total Liability	\$98,031	\$111,724	\$125,412	\$133,456	\$154,907	\$158,135	\$169,564	\$188,161	\$222,082	\$255,487
Pension Assets	\$83,050	\$98,759	\$113,880	\$118,559	\$121,340	\$130,169	\$144,700	\$164,000	\$178,655	\$209,058
Pension Liability (unfunded)	\$14,981	\$12,965	\$11,532	\$14,897	\$33,567	\$27,966	\$24,865	\$24,162	\$43,427	\$46,429
Percent Funded	84.7%	88.4%	90.8%	88.8%	78.3%	82.3%	85.3%	87.2%	80.4%	81.8%

Notes: The funded percentages in 2012 and 2020 reflect a change in mortality assumptions for future improvements in longevity; 2012 also reflects a change in rate of return from 8.0% to 7.75%.

As of January 1, 2021, the actuarial valuation of assets of the Lexington Retirement System was \$209 million and the System was 76.6% funded. At the current level of annual appropriations, Lexington is projected to fully fund its pension system in 2030.

In 2021 the Lexington Retirement Board lowered the discount rate from 7.5% to 7.25%. Future lowering the discount rate will increase the unfunded liability and have a negative impact on the percent funded.

Lexington Trend	
Favorable	
Marginal	
Unfavorable	✓
Uncertain	



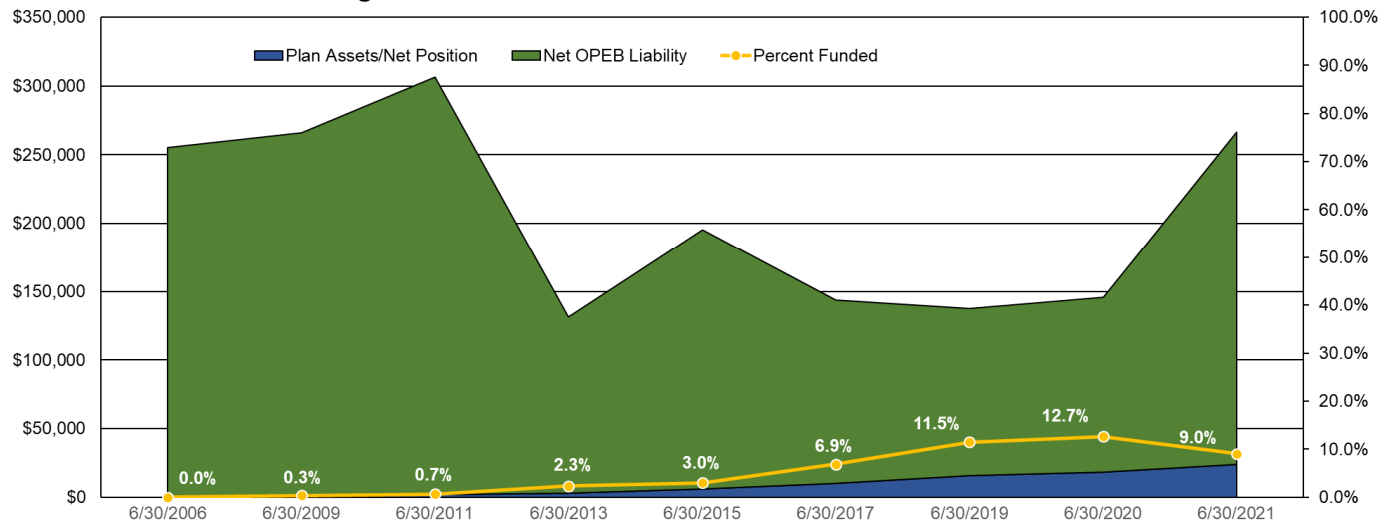
Town of Lexington

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Indicator 10b: OPEB Liability

An unfunded OPEB liability or increase in the unfunded liability is considered a warning indicator.

Lexington OPEB Fund- Assets and Percent Funded Over Time



(Dollars in ,000's)

Actuarial Date	6/30/2006	6/30/2009	6/30/2011	6/30/2013	6/30/2015	6/30/2017	6/30/2019	6/30/2020	6/30/2021
OPEB Liability	\$255,440	\$266,099	\$306,301	\$131,406	\$195,460	\$143,680	\$137,586	\$145,831	\$266,296
Plan Assets/Net Position	\$0	\$840	\$2,000	\$3,069	\$5,799	\$9,870	\$15,774	\$18,466	\$24,058
Net OPEB Liability	\$255,440	\$265,259	\$304,301	\$128,337	\$189,662	\$133,810	\$121,812	\$127,365	\$242,238
Percent Funded	0.0%	0.3%	0.7%	2.3%	3.0%	6.9%	11.5%	12.7%	9.0%

Note - OPEB Liability is an actuarial valuation calculated in accordance with Govt. Accounting Standards Board (GASB) principals. Beginning in 2017, the reported figures above reflect new GASB standards 74 & 75; prior periods reflect GASB standards 43 & 45. Per the new reporting requirements Accrued Actuarial Liability changed to Total OPEB Liability, Actual Value of Assets change to Plan Fiduciary Net Position, and Unfunded OPEB Liability is now Net OPEB Liability.

Since 2011, Lexington has made consistent contributions towards its Other Post-Employment Benefits (OPEB) liability, primarily consisting of retiree healthcare premiums. In long-term financial planning, the Town begins funding this obligation more aggressively once the pension obligation has been fully funded.

Lexington Trend	
Favorable	
Marginal	
Unfavorable	✓
Uncertain	

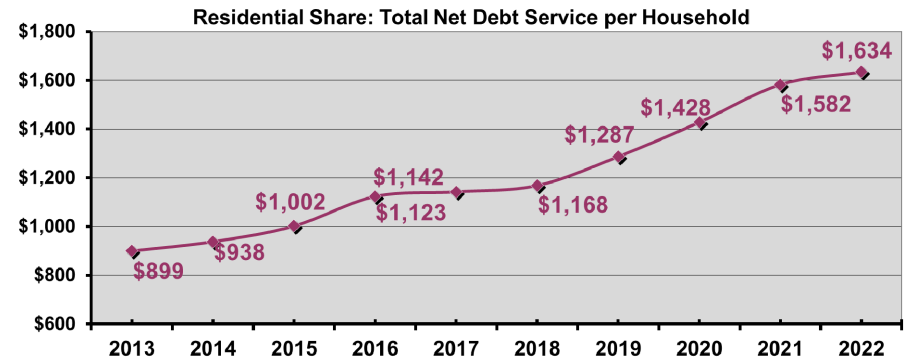
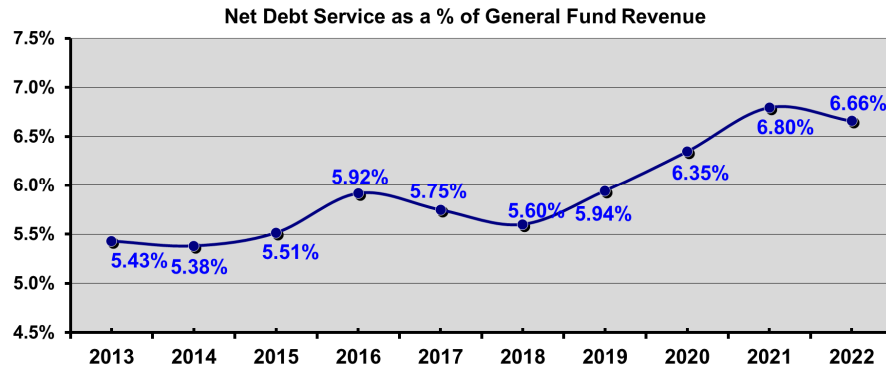


Town of Lexington

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Indicator 11: Debt Service

Debt Service exceeding 10 percent of operating revenues is considered a warning indicator by the credit rating organizations.



Fiscal Year	(Dollars in ,000s)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-year Change
A. Gross Exempt Debt Service		\$ 6,599	\$ 8,528	\$ 8,373	\$ 8,540	\$ 8,330	\$ 10,693	\$ 13,860	\$ 16,328	\$ 17,285	\$ 16,748	153.8%
B. Mitigation - Exempt Debt		\$ 400	\$ 1,600	\$ 950	\$ 215	\$ -	\$ 2,400	\$ 4,500	\$ 5,200	\$ 4,600	\$ 2,800	600.0%
C. Net Exempt Debt Service (A - B)		\$ 6,199	\$ 6,928	\$ 7,423	\$ 8,325	\$ 8,330	\$ 8,293	\$ 9,360	\$ 11,128	\$ 12,685	\$ 13,948	125.0%
D. Within Levy Debt Service		\$ 5,624	\$ 5,417	\$ 6,525	\$ 6,730	\$ 7,038	\$ 9,378	\$ 10,838	\$ 9,557	\$ 10,372	\$ 10,360	84.2%
E. Mitigation - Within Levy Debt		\$ -	\$ -	\$ 919	\$ 621	\$ 710	\$ 325	\$ 574	\$ -	\$ -	\$ -	--
F. Land Purchase Note Pay-Down		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,351	\$ 3,050	\$ 2,235	\$ 2,403	\$ 2,339	--
G. Net Within Levy Debt (D - E - F)		\$ 5,624	\$ 5,417	\$ 5,606	\$ 6,110	\$ 6,328	\$ 6,702	\$ 7,215	\$ 7,322	\$ 7,968	\$ 8,021	42.6%
Total Net Debt Service (C + G)		\$ 11,823	\$ 12,344	\$ 13,029	\$ 14,434	\$ 14,658	\$ 14,995	\$ 16,575	\$ 18,451	\$ 20,653	\$ 21,969	85.8%
Commercial/Industrial Share of Total Net Debt Service		\$ 2,689	\$ 2,806	\$ 2,832	\$ 2,981	\$ 2,975	\$ 2,980	\$ 3,289	\$ 3,686	\$ 4,238	\$ 4,983	85.3%
Residential Share of Total Net Debt Service		\$ 9,135	\$ 9,538	\$ 10,197	\$ 11,453	\$ 11,682	\$ 12,014	\$ 13,286	\$ 14,764	\$ 16,415	\$ 16,986	85.9%
General Fund Revenue		\$ 168,235	\$ 177,272	\$ 184,930	\$ 193,583	\$ 203,261	\$ 214,544	\$ 223,563	\$ 232,588	\$ 241,503	\$ 255,071	51.6%
Net Debt Service as % of Revenue		5.43%	5.38%	5.51%	5.92%	5.75%	5.60%	5.94%	6.35%	6.80%	6.66%	22.6%
Households		10,156	10,172	10,177	10,195	10,227	10,285	10,323	10,339	10,373	10,394	2.3%
Total Net Debt Service per Household		\$899	\$938	\$1,002	\$1,123	\$1,142	\$1,168	\$1,287	\$1,428	\$1,582	\$1,634	81.7%

Over the last 20 years, Lexington has invested extensively in capital projects, including reconstruction and renovations at all 9 schools, municipal buildings such as Public Works and the Fire Headquarters, and continuing programs for street reconstruction, storm water management and equipment replacement. Many of these projects were funded through the successful passage of debt exclusion votes by residents (see Indicator 12). Net within-levy debt (Row G) has fluctuated slightly throughout the last five years, dependent upon the short-term capital needs of the community. Debt payments are projected to increase; however, the impact on the taxpayer is reduced as a result of the approval of debt service mitigation by Town Meeting, detailed above (Rows B, E and F).

Lexington Trend
Favorable
Marginal
Unfavorable
Uncertain

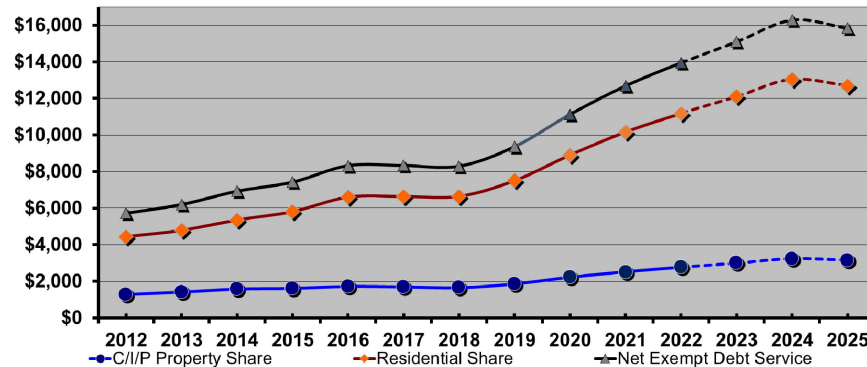


Town of Lexington

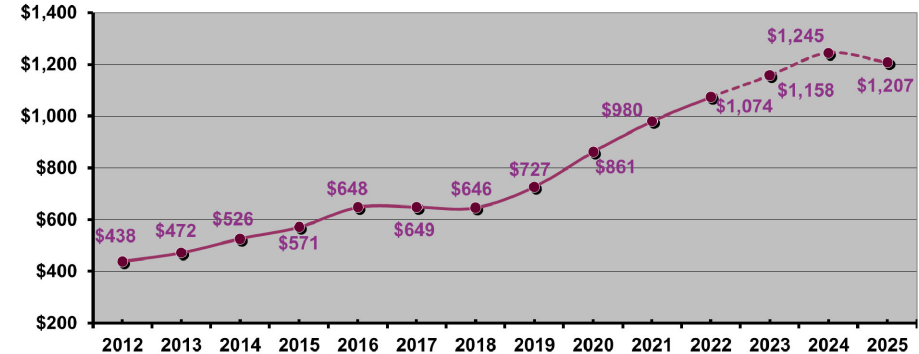
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Indicator 11a: Projected Exempt Debt Service

Net Exempt Debt Service CIP/Residential Share



Residential Share of Net Exempt Debt Service per Household

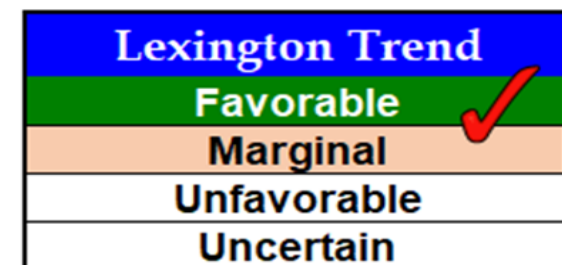


(Dollars in ,000's)

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Projected		
Exempt Debt Service - Issued Debt	\$ 5,722	\$ 6,599	\$ 8,528	\$ 8,373	\$ 8,540	\$ 8,330	\$10,693	\$13,860	\$16,328	\$17,285	\$16,747	\$16,013	\$14,023	\$13,630
Exempt Debt Service - Auth/Unissued + Proposed Projects												\$ 785	\$ 2,260	\$ 2,216
Total Anticipated Exempt Debt Service	\$ 5,722	\$ 6,599	\$ 8,528	\$ 8,373	\$ 8,540	\$ 8,330	\$10,693	\$13,860	\$16,328	\$17,285	\$16,747	\$16,797	\$16,283	\$15,846
Exempt Debt Mitigation	\$ -	\$ 400	\$ 1,600	\$ 950	\$ 215	\$ -	\$ 2,400	\$ 4,500	\$ 5,200	\$ 4,600	\$ 2,800	\$ 1,700	\$ -	\$ -
Net Exempt Debt Service	\$ 5,722	\$ 6,199	\$ 6,928	\$ 7,423	\$ 8,325	\$ 8,330	\$ 8,293	\$ 9,360	\$11,128	\$12,685	\$13,947	\$15,097	\$16,283	\$15,846
C/I/P Property Share	\$ 1,274	\$ 1,410	\$ 1,575	\$ 1,613	\$ 1,719	\$ 1,691	\$ 1,648	\$ 1,857	\$ 2,223	\$ 2,521	\$ 2,772	\$ 3,001	\$ 3,236	\$ 3,150
Residential Share	\$ 4,448	\$ 4,789	\$ 5,353	\$ 5,810	\$ 6,605	\$ 6,639	\$ 6,644	\$ 7,503	\$ 8,905	\$10,164	\$11,175	\$12,097	\$13,047	\$12,697
Households	10,143	10,156	10,172	10,177	10,195	10,227	10,285	10,323	10,339	10,373	10,409	10,444	10,480	10,515
Mitigated Debt Service per Residential Household	\$438	\$472	\$526	\$571	\$648	\$649	\$646	\$727	\$861	\$980	\$1,074	\$1,158	\$1,245	\$1,207

Notes: "C/I/P" stands for Commercial/Industrial/Personal property. Issued debt reflects debt outstanding as of June 30, 2022. Authorized/Unissued Projects primarily reflects Police Station reconstruction as approved at the 2022 Annual Town Meeting.

This indicator shows Lexington's history of exempt debt service, and projects its growth into Fiscal 2025 (noted in green) based on modeling done by the Finance Department in September 2022. The graph on the left shows total Net Exempt Debt Service, but breaks out separately the Commercial/ Industrial/Personal Property (CIP) share and the Residential share. As in Indicator 11, the Residential class debt burden is isolated from the CIP classes, and it is this Residential share that is used to determine the effect of Exempt Debt on Lexington households.





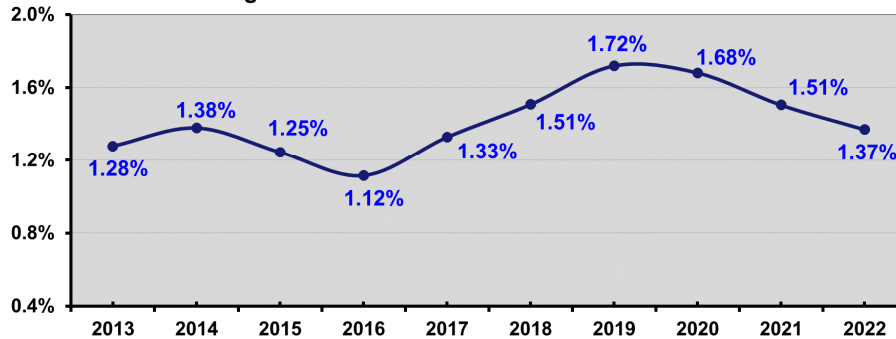
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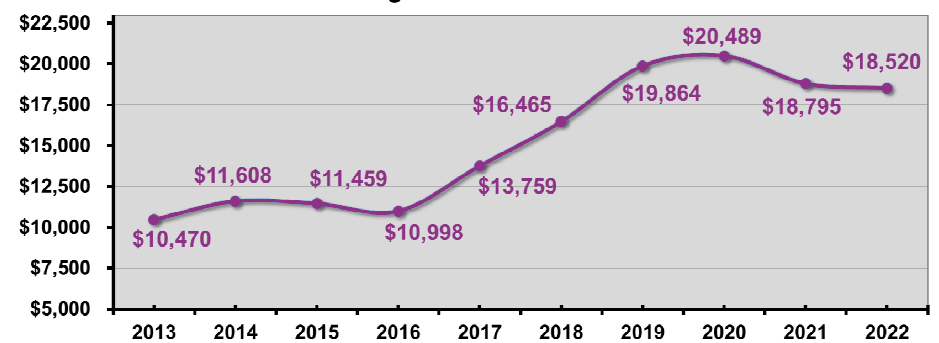
Indicator 12: Long-Term Debt

Overall debt exceeding 10 percent of assessed valuation is considered a warning indicator by bond rating agencies.

Long-Term Debt as a % of Assessed Valuation



Long-Term Debt Per Household



Fiscal Year (Dollars in ,000s)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-year Change
Outstanding Principal (all funds)	\$106,330	\$118,078	\$116,614	\$112,128	\$140,718	\$169,343	\$205,053	\$211,832	\$194,961	\$192,501	81.0%
Assessed Valuation	\$8,307,957	\$8,555,595	\$9,359,615	\$10,048,548	\$10,589,457	\$11,227,301	\$11,922,400	\$12,598,348	\$12,952,769	\$14,044,935	69.1%
Long-Term Debt as a % of Assessed Valuation	1.28%	1.38%	1.25%	1.12%	1.33%	1.51%	1.72%	1.68%	1.51%	1.37%	7.1%
Households	10,156	10,172	10,177	10,195	10,227	10,285	10,323	10,339	10,373	10,394	2.3%
Long-Term Debt per Household	\$10,470	\$11,608	\$11,459	\$10,998	\$13,759	\$16,465	\$19,864	\$20,489	\$18,795	\$18,520	76.9%

Sources: Outstanding Long-term Debt & Assessed value information from Department of Revenue Balance Sheet Statements.

These financial indicators are evaluated by the credit rating organizations as measures of a community's debt burden as well as its level of investment in capital assets. On both measures, Lexington has a strong profile. Note that the increases from FY2012-13 and FY2016-20 are the result of voter-approved exempt debt which financed the renovation, construction and reconstruction of several of the Town's school buildings and the fire station.

Lexington Trend
Favorable
Marginal
Unfavorable
Uncertain



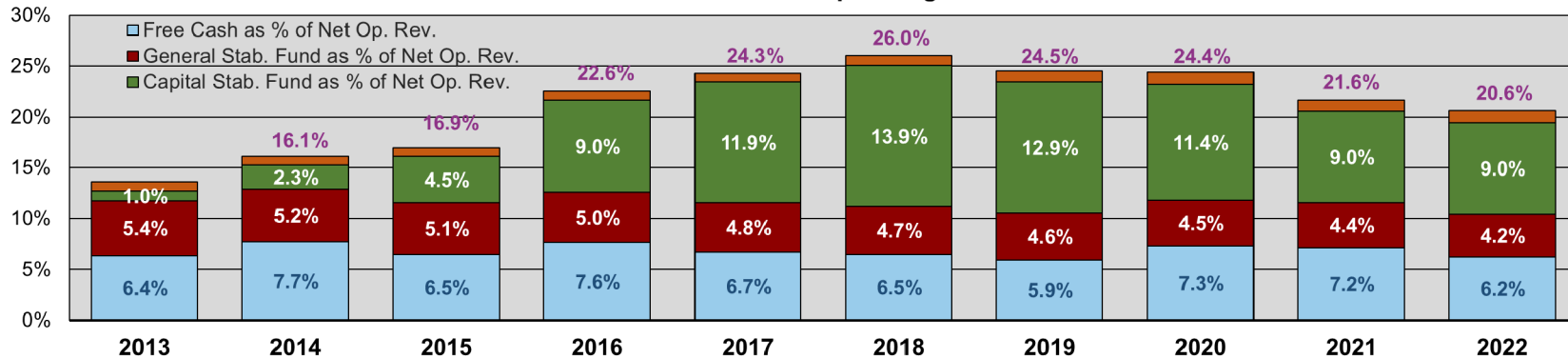
Town of Lexington

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Indicator 13: Reserves and Fund Balance

Declining reserves as a percent of operating revenues is a warning indicator.
The Government Finance Officers Association (GFOA) recommends an undesignated fund balance of 2 months of operating revenues (16.67%).

Reserves as % of Net Operating Revenue



As of June 30th (Dollars in ,000's)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Change
Undesignated Fund Balance **	\$ 14,599	\$ 17,371	\$ 15,073	\$ 17,633	\$ 16,295	\$ 18,646	\$ 16,531	\$ 22,006	\$ 20,846	\$ 27,827	72.0%
Reserves											
Certified Free Cash ¹	\$ 10,303	\$ 13,108	\$ 11,475	\$ 14,088	\$ 13,062	\$ 13,401	\$ 12,717	\$ 16,213	\$ 16,384	\$ 15,000	45.6%
General Stabilization Fund	\$ 8,744	\$ 8,896	\$ 9,057	\$ 9,252	\$ 9,448	\$ 9,650	\$ 9,800	\$ 9,921	\$ 10,038	\$ 10,155	16.1%
Capital Stabilization Fund	\$ 1,602	\$ 3,991	\$ 8,048	\$ 16,726	\$ 23,203	\$ 28,598	\$ 27,728	\$ 25,229	\$ 20,674	\$ 21,731	1256.6%
All Other Stabilization Funds ²	\$ 1,472	\$ 1,396	\$ 1,465	\$ 1,711	\$ 1,635	\$ 2,049	\$ 2,266	\$ 2,689	\$ 2,362	\$ 2,880	95.6%
Net Operating Revenues	\$ 162,035	\$ 170,344	\$ 177,507	\$ 185,258	\$ 194,931	\$ 206,251	\$ 214,203	\$ 221,460	\$ 228,818	\$ 241,123	48.8%
Free Cash as % of Net Op. Rev.	6.4%	7.7%	6.5%	7.6%	6.7%	6.5%	5.9%	7.3%	7.2%	6.2%	-2.17%
General Stab. Fund as % of Net Op. Rev.	5.4%	5.2%	5.1%	5.0%	4.8%	4.7%	4.6%	4.5%	4.4%	4.2%	-21.96%
Capital Stab. Fund as % of Net Op. Rev.	1.0%	2.3%	4.5%	9.0%	11.9%	13.9%	12.9%	11.4%	9.0%	9.0%	--
All Other Stab. Funds as % of Net Op. Rev.	0.9%	0.8%	0.8%	0.9%	0.8%	1.0%	1.1%	1.2%	1.0%	1.2%	31.47%
Total Reserves as % of Net Op. Rev.	13.7%	16.1%	16.9%	22.6%	24.3%	26.0%	24.5%	24.4%	21.6%	20.6%	51.18%

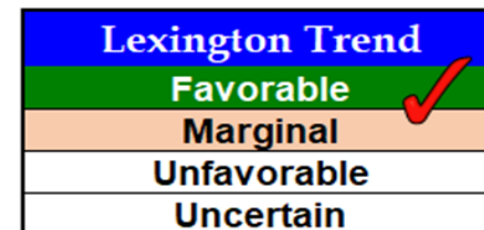
¹ The FY2022 number for Free Cash reflects an estimate as of 6/30/22 and is currently being prepared for certification by the Department of Revenue.

² Includes the Transportation Demand, Traffic Mitigation, and Special Education Stabilization Funds

*Proposition 21/2 Overrides were approved by voters in fiscal years 2001, 2005, 2007 and 2008. Debt exclusions were approved in fiscal years 2000, 2003, 2008, 2012, 2017, 2018 and 2022.

**This refers to funds that were appropriated but unexpended as of the end of the fiscal year, in addition to revenues collected that were in excess of initial projections.

The Town of Lexington has several types of reserves, and has strengthened its reserve position by transferring free cash into the General and Capital Stabilization Funds. This adds financial flexibility to the Town's operations and provides a buffer against economic downturns. The Capital Stabilization Fund has declined in recent years in accordance with a long-term plan to mitigate Exempt Debt Service, but a new Capital Stabilization Framework was developed to rebuild this increase this fund going forward.





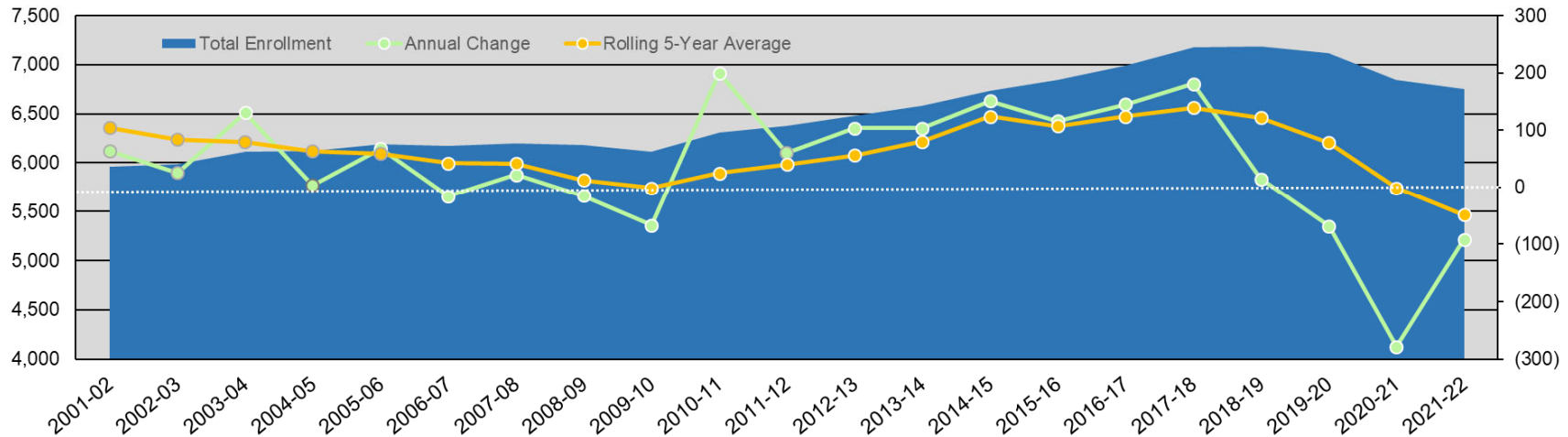
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Indicator 14: School Enrollment

Rapid changes in school enrollment may affect service levels may be considered a warning indicator.

Lexington K-12 School Enrollment and Annual Changes

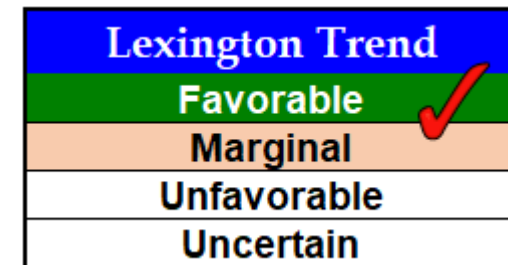


School Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Elementary	2,761	2,703	2,763	2,703	2,699	2,654	2,649	2,700	2,675	2,825	2,815	2,846	2,924	3,024	3,053	3,066	3,150	3,094	3,019	2,790	2,707	2,702
Middle	1,486	1,521	1,527	1,504	1,516	1,565	1,552	1,493	1,484	1,506	1,608	1,641	1,656	1,616	1,642	1,743	1,813	1,833	1,828	1,793	1,757	1,748
LHS	1,714	1,763	1,828	1,915	1,975	1,955	1,995	1,988	1,955	1,983	1,951	1,991	2,002	2,093	2,154	2,185	2,212	2,263	2,275	2,261	2,288	2,273
Total Enrollment	5,961	5,987	6,118	6,122	6,190	6,174	6,196	6,181	6,114	6,314	6,374	6,478	6,582	6,733	6,849	6,994	7,175	7,190	7,122	6,844	6,752	6,723
Annual Change	63	26	131	4	68	(16)	22	(15)	(67)	200	60	104	104	151	116	145	181	15	(68)	(278)	(92)	(29)
Rolling 5-Year Average	104	83	80	63	58	43	42	13	(2)	25	40	56	80	124	107	124	139	122	78	(1)	(48)	(90)

Source - MA Department of Elementary and Secondary Education online reports

Enrollment - Enrollment by Grade Report (District)

After years of steady enrollment, Lexington Public Schools experienced marked increases from 2010-2017, only to taper off in 2018 and 2019. The declines in 2020 to 2022 are outliers due to the pandemic, and are trending back up. Increases in enrollment translate into a need for additional teachers and support staff, as well as additional classrooms and expanded school buildings. The Town has taken steps to plan for sudden or unexpected growth by building up fiscal reserves.



Town of Lexington



FY2024 Budget Summit I

September 29, 2022



Agenda:

- **FY2024 Budget Drivers:**
 - **Review of FY2022 Revenues & Expenses & Free Cash Estimates**
 - **Pension Fund & OPEB Updates**
 - **FY2023 New Growth Estimates & Set Asides**
- **COVID-19 Federal Funds – FEMA, CARES, ARPA**
- **Fall Special Town Meeting**
- **Review Future Summit Dates**



FY2022 Operating Results



FY2022 Preliminary Operating Revenue: Actual vs Estimates

Summary of Revenue Collections - General Fund

	(A) FY2022 Revenue Estimates*	(B) Collections	(A-B) Uncollected	(B/A) Percent Collected
Property Tax	\$ 218,176,732	\$ 217,852,423	\$ 324,309	99.85 %
State Aid	\$ 16,432,133	\$ 16,623,758	\$ (191,625)	101.17 %
Local Receipts	\$ 12,627,933	\$ 16,714,978	\$ (4,087,045)	132.37 %
Motor Vehicle Excise	\$ 5,315,294	\$ 5,330,281	\$ (14,987)	100.28 %
Other Excise (meals, jet fuel, hotel/motel)	\$ 774,100	\$ 1,351,204	\$ (577,104)	174.55 %
Penalties and Interest	\$ 341,500	\$ 590,842	\$ (249,342)	173.01 %
Payment in Lieu of Taxes (PILOTS)	\$ 698,000	\$ 682,107	\$ 15,893	97.72 %
Rentals of Town Buildings	\$ 394,850	\$ 394,625	\$ 225	99.94 %
Departmental - School	\$ 243,500	\$ 1,169,058	\$ (925,558)	480.11 %
Departmental - Municipal	\$ 2,590,025	\$ 2,742,233	\$ (152,208)	105.88 %
Licenses & Permits	\$ 1,906,600	\$ 3,172,308	\$ (1,265,708)	166.39 %
Special Assessments	\$ 13,064	\$ 18,165	\$ (5,101)	139.04 %
Fines and Forfeitures	\$ 101,000	\$ 79,398	\$ 21,602	78.61 %
Investment Income	\$ 250,000	\$ 281,726	\$ (31,726)	112.69 %
Misc. Non-Recurring Revenue	\$ —	\$ 903,030	\$ (903,030)	---
Interfund Operating Transfers	\$ 6,813,633	\$ 6,987,633	\$ (174,000)	102.55 %
Total General Fund Revenue	\$ 254,050,431	\$ 258,178,792	\$ (4,128,361)	101.63 %

*Does not include Free Cash appropriated under Article 4 to support the FY2022 Operating Budget



FY2022 Operating Expenditures – Preliminary Results

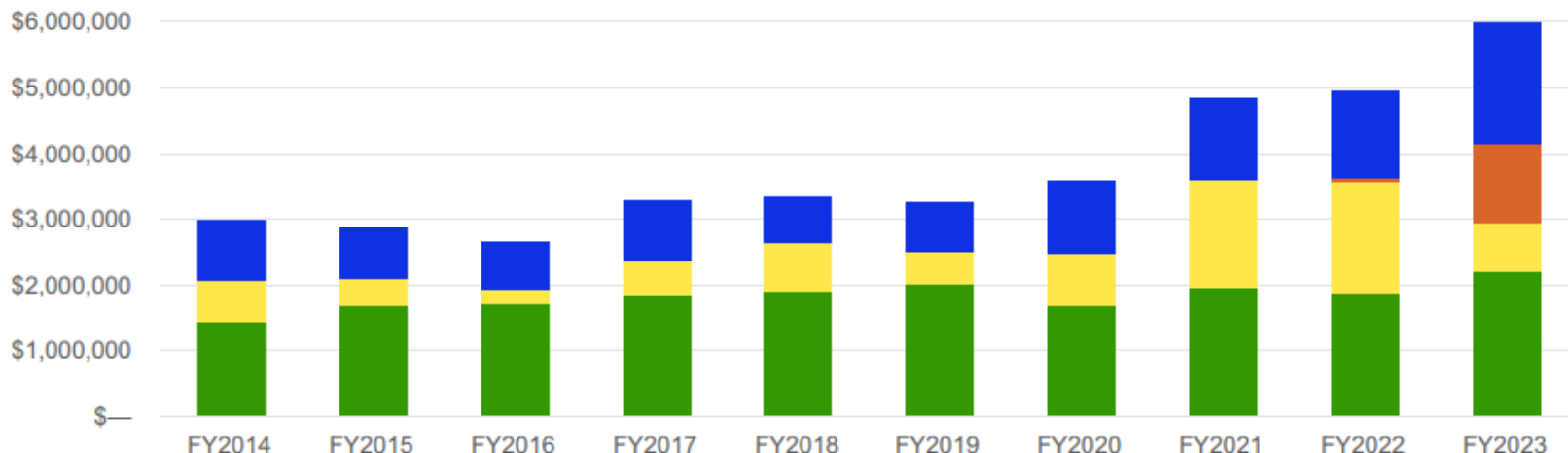
Summary of Operating Expenditures - General Fund						
	(A)	(B)	(C)	(D)	(B+C)/A % Used (Exp & Enc)	(B/A) % Used (Exp only)
	Revised Budget	Expenditures	Encumbered	Available		
Education	\$ 126,507,019	\$ 120,169,407	\$ 3,782,011	\$ 2,555,602	97.98%	94.99%
Shared Expenses	\$ 64,540,037	\$ 59,784,519	\$ 428,622	\$ 4,326,896	93.30%	92.63%
Municipal	\$ 42,858,248	\$ 39,394,808	\$ 1,626,020	\$ 1,837,420	95.71%	91.92%
Total Expenses	\$ 233,905,304	\$ 219,348,734	\$ 5,836,653	\$ 8,719,918	96.27%	93.78%

- Base amount of Free Cash available for FY2024 Budget will be approximately \$12.8M (Revenue surplus of \$4.1M, plus approximate expense turn-back of \$8.7M).
- Free Cash will also reflect a turn-back of approximately \$425K from the Community Center Parking Lot appropriation approved at the 2017 Annual Town Meeting. Staff and policy makers have agreed this project will not move forward and the account was closed as of June 30, 2022.



New Growth to the Levy Limit

Residential Commercial/Industrial Dedicated Personal



Fiscal Year	Residential	Commercial/Industrial	Dedicated PSDUP/Hartwell	Personal	Total
FY2014	\$1,451,904	\$635,052		\$930,379	\$3,017,335
FY2015	\$1,686,061	\$408,312		\$802,610	\$2,896,983
FY2016	\$1,712,987	\$215,442		\$743,704	\$2,672,133
FY2017	\$1,858,460	\$507,820		\$943,064	\$3,309,344
FY2018	\$1,908,536	\$743,645		\$704,954	\$3,357,135
FY2019	\$2,022,777	\$480,671		\$766,558	\$3,270,006
FY2020	\$1,698,582	\$793,718		\$1,116,203	\$3,608,503
FY2021	\$1,973,034	\$1,639,128		\$1,241,391	\$4,853,553
FY2022	\$1,876,839	\$1,710,247	\$57,138	\$1,336,852	\$4,981,076
FY2023	\$2,200,000	\$760,000	\$1,200,000	\$1,840,000	\$6,000,000
Totals	\$18,389,180	\$7,894,035	\$1,257,138	\$10,425,715	\$37,966,068

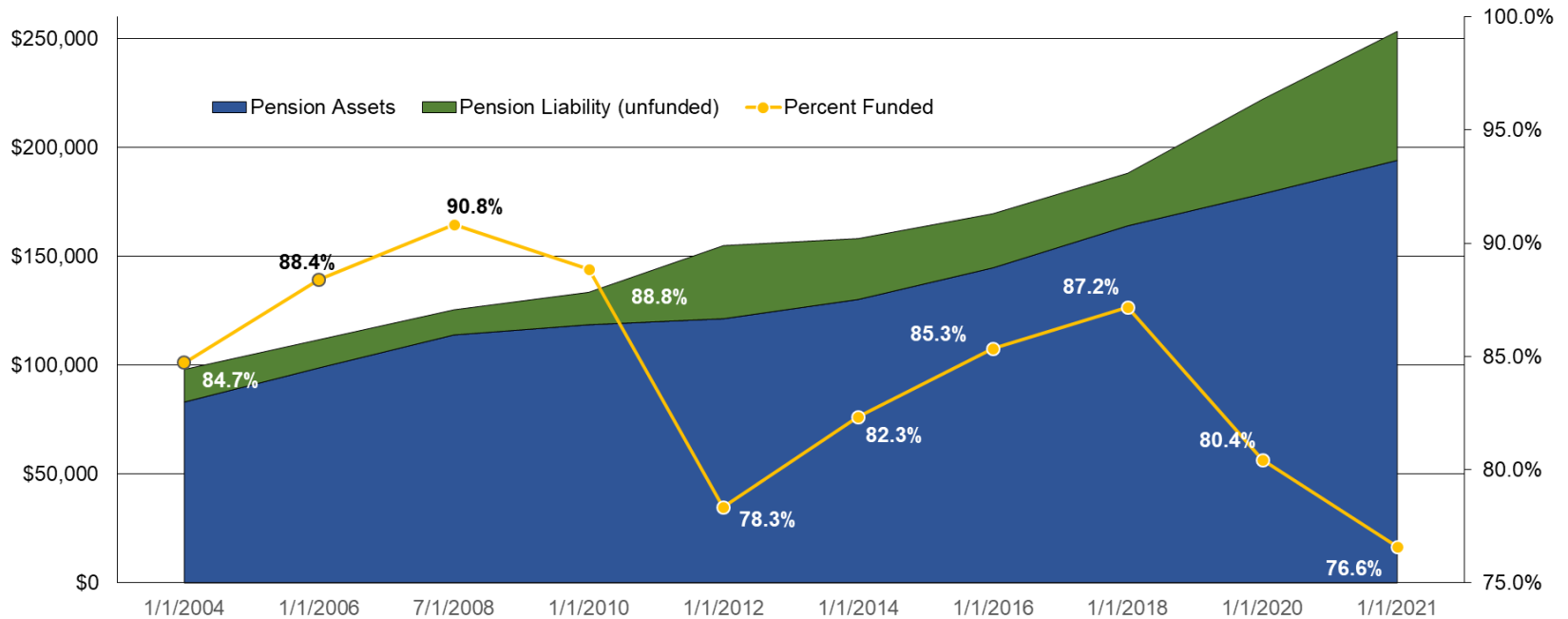
Three Year Average FY2021-2023	
C/I/P	\$2,842,539
Residential	\$2,016,624
Total	\$4,859,164
Five Year Average FY2019-2023	
C/I/P	\$2,336,953
Residential	\$1,954,246
Total	\$4,291,200
Ten Year Average FY2014-2023	
C/I/P	\$1,831,975
Residential	\$1,838,918
Total	\$3,670,893



Update on Pension & OPEB Funds



Lexington Retirement Fund Assets and Funding

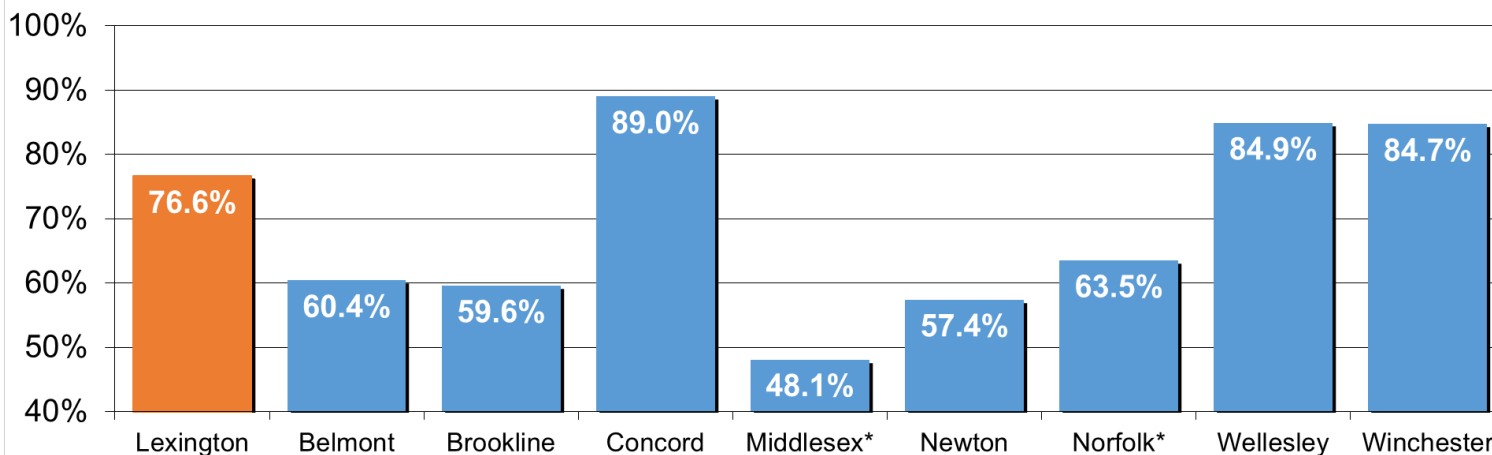


(Dollars in ,000's)

Actuarial Date	1/1/2004	1/1/2006	7/1/2008	1/1/2010	1/1/2012	1/1/2014	1/1/2016	1/1/2018	1/1/2020	1/1/2021
Total Liability	\$98,031	\$111,724	\$125,412	\$133,456	\$154,907	\$158,135	\$169,564	\$188,161	\$222,082	\$253,300
Pension Assets	\$83,050	\$98,759	\$113,880	\$118,559	\$121,340	\$130,169	\$144,700	\$164,000	\$178,655	\$194,047
Pension Liability (unfunded)	\$14,981	\$12,965	\$11,532	\$14,897	\$33,567	\$27,966	\$24,865	\$24,162	\$43,427	\$59,253
Percent Funded	84.7%	88.4%	90.8%	88.8%	78.3%	82.3%	85.3%	87.2%	80.4%	76.6%



Retirement System Full Funding Ratios



	Funded Ratio	Assumed Rate of Return	Year Fully Funded	Last Actuarial Study
Lexington	76.6%	7.25%	2030	1/1/2021
Belmont	60.4%	7.15%	2031	1/1/2020
Brookline	59.6%	7.20%	2030	1/1/2020
Concord	89.0%	6.50%	2031	1/1/2021
Middlesex*	48.1%	7.30%	2037	1/1/2020
Newton	57.4%	7.25%	2030	1/1/2021
Norfolk*	63.5%	7.75%	2029	1/1/2020
Wellesley	84.9%	6.00%	2030	1/1/2021
Winchester	84.7%	7.00%	2029	1/1/2021

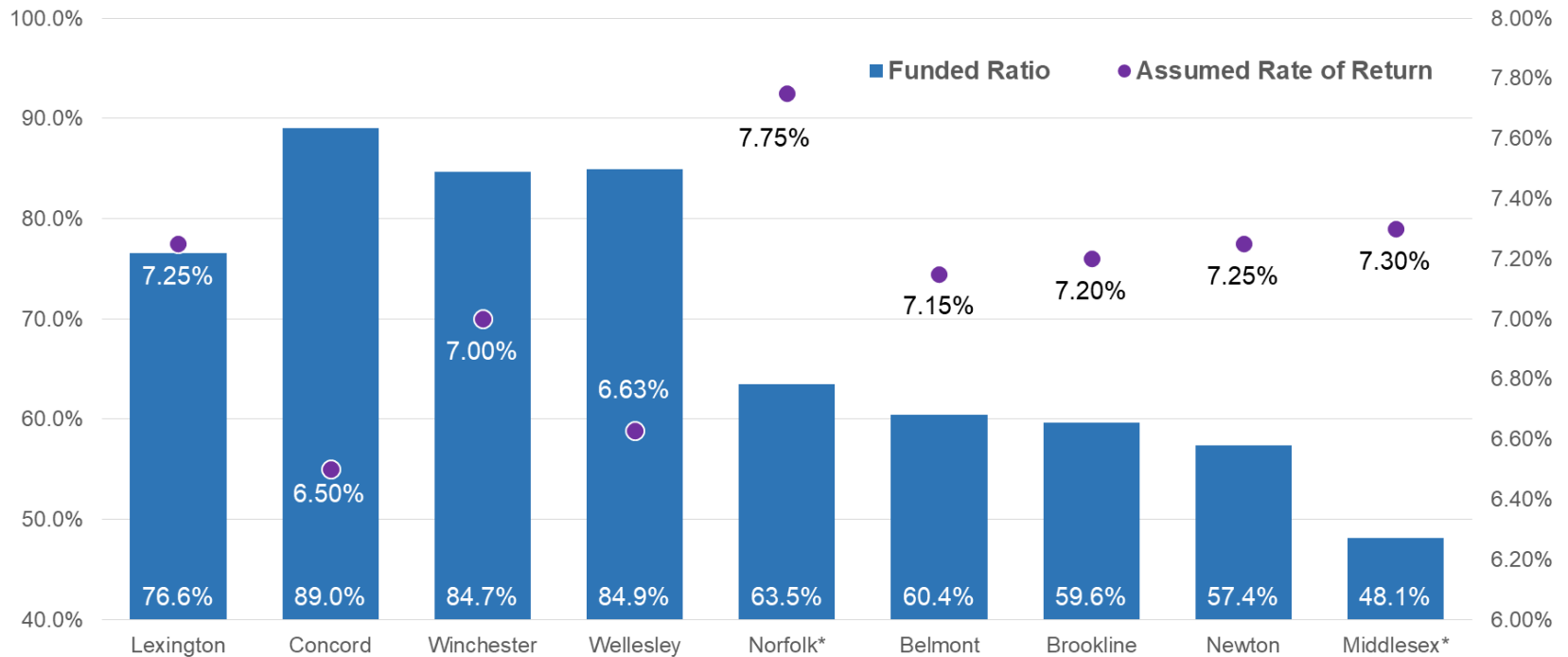
*Acton, Sudbury and Weston are members of the Middlesex County Retirement Board; Westwood participates in Norfolk County.

*See page 5 for County Retirement System Members

**Data sourced from PERAC's 2021 Annual Report



Pension Funding Level vs. Assumed Rate of Return



*See page 5 for County Retirement System Members

**Data sourced from PERAC's 2021 Annual Report



Lexington's adopted funding schedule - FY2023

LEXINGTON RETIREMENT SYSTEM FUNDING SCHEDULE

Fiscal Year	Normal Cost	Unfunded Liability*	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution**
2023	2,046,424	60,796,630	5,986,163	217,413	8,250,000
2024	2,138,513	53,566,162	6,644,074	217,413	9,000,000
2025	2,234,746	48,452,602	7,297,841	217,413	9,750,000
2026	2,335,310	38,334,481	7,947,277	217,413	10,500,000
2027	2,440,399	30,472,619	8,592,188	217,413	11,250,000
2028	2,550,217	23,466,761	9,232,371	217,413	12,000,000
2029	2,664,976	15,266,384	9,867,611	217,413	12,750,000
2030	2,784,900	5,790,185	5,790,185	217,413	8,792,498
2031	2,910,221	-	-	217,413	3,127,634

* Includes recognition of the following asset gains/(losses) in Fiscal 2024 through 2027:

2024	\$	5,218,064
2025	\$	1,871,338
2026	\$	5,804,000
2027	\$	2,117,657

** Contribution is set to be the amount resulting from a \$750 thousand increase compared to the prior year, with \$750 thousand increases in the following years. In the final year (FY2030), the contribution decreases by \$4.0 million.



Retirement System Full Funding Dates



State mandate requires all Massachusetts pension funds be fully funded by 2040

*See page 5 for County Retirement System Members

**Data sourced from PERAC's 2021 Annual Report



Middlesex County Retirement System Member Towns

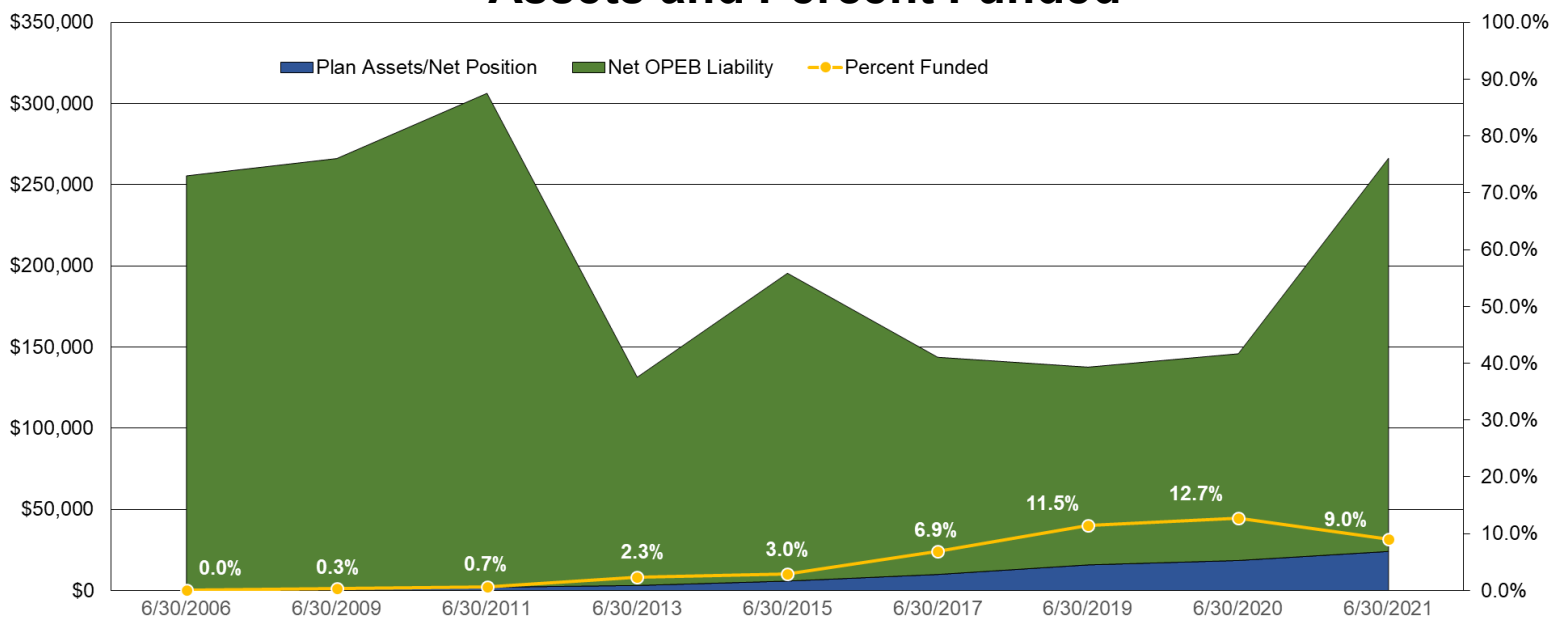
Acton	Holliston	Tewksbury
Ashby	Hopkinton	Townsend
Ashland	Hudson	Tyngsborough
Bedford	Lincoln	Wayland
Billerica	Littleton	Westford
Burlington	North Reading	Weston
Carlisle	Pepperell	Wilmington
Chelmsford	Sherborn	
Dracut	Shirley	*Plus 40 additional districts and authorities
Dunstable	Stow	
Groton	Sudbury	

Norfolk County Retirement System Member Towns

Avon	Medfield	Walpole
Bellingham	Medway	Westwood
Canton	Millis	Wrentham
Cohasset	Norfolk	
Dover	Plainville	*Plus 21 additional districts and authorities
Foxboro	Randolph	
Franklin	Sharon	
Holbrook	Stoughton	



Lexington Other Post Employment Fund (OPEB) Assets and Percent Funded



(Dollars in ,000's)

Actuarial Date	6/30/2006	6/30/2009	6/30/2011	6/30/2013	6/30/2015	6/30/2017	6/30/2019	6/30/2020	6/30/2021
OPEB Liability	\$255,440	\$266,099	\$306,301	\$131,406	\$195,460	\$143,680	\$137,586	\$145,831	\$266,296
Plan Assets/Net Position	\$0	\$840	\$2,000	\$3,069	\$5,799	\$9,870	\$15,774	\$18,466	\$24,058
Net OPEB Liability	\$255,440	\$265,259	\$304,301	\$128,337	\$189,662	\$133,810	\$121,812	\$127,365	\$242,238
Percent Funded	0.0%	0.3%	0.7%	2.3%	3.0%	6.9%	11.5%	12.7%	9.0%

The FY2021 valuation was performed by a new actuary. The discount rate was reduced to 6.75% which is in-line with the current investment strategy and expected long-term rate of return.



Lexington Other Post Employment Fund (OPEB)

	Beginning Balance	Appropriations from Other Funds	Investment Earnings	Ending Balance
FY2013	\$ 2,166,697	\$ 500,000	\$ 402,576	\$ 3,069,273
FY2014	\$ 3,069,273	\$ 775,000	\$ 638,065	\$ 4,482,338
FY2015	\$ 4,482,338	\$ 1,119,000	\$ 197,318	\$ 5,798,656
FY2016	\$ 5,798,656	\$ 1,200,000	\$ 336,192	\$ 7,334,848
FY2017	\$ 7,334,848	\$ 1,512,318	\$ 1,022,708	\$ 9,869,875
FY2018	\$ 9,869,875	\$ 1,842,895	\$ 762,693	\$ 12,475,463
FY2019	\$ 12,475,463	\$ 1,842,895	\$ 1,455,542	\$ 15,773,900
FY2020	\$ 15,773,900	\$ 1,885,486	\$ 806,796	\$ 18,466,182
FY2021	\$ 18,466,182	\$ 750,000	\$ 4,842,171	\$ 24,058,353
FY2022	\$ 24,058,353	\$ 1,885,486	\$ (2,390,210)	\$ 23,553,629
FY2023	\$ 23,553,629	\$ 1,935,486	\$ -	\$ 25,489,115
FY2024 (Projected)	\$ 25,489,115	\$ 1,465,486	\$ -	\$ 26,954,601
FY2025 (Projected)	\$ 26,954,601	\$ 1,285,486	\$ -	\$ 28,240,087
		<u>\$ 17,999,538</u>	<u>\$ 8,073,852</u>	

*FY2024 reduced appropriation reflects the remaining balance in the Health Claims Trust Fund, approx. \$230,000



COVID Funding Update: FEMA, CARES ACT & American Rescue Plan Act (ARPA)



CARES Act & FEMA Update:

Funding Source	Total Grant Allocation/Application	Expected Reimbursement	Status
Coronavirus Aid, Relief and Economic Security (CARES) Act	\$ 2,979,363.00	\$ 2,941,800.95	Closed-out/all funds received in January 2022 (98.7% utilized)
Federal Emergency Management Agency (FEMA)	\$ 632,365.66	\$ 632,365.66	6 Applications (4 paid, 1 pending payment, 1 pending FEMA approval)
Total COVID Response Funding		<u>\$ 3,574,166.61</u>	



The American Rescue Plan Act (ARPA)

- Lexington's total ARPA allocation available through the Coronavirus Local Fiscal Recovery Fund (CLFRF) is **\$9,903,381**
- ARPA funds must be committed by **12/31/2024**, and must be fully spent by **12/31/2026**

Total ARPA Allocation:		\$ 9,903,381		
Requesting Department	Total Budget	Spending to Date	Encumbrances	Available
Committee/ Community Requests	\$ 530,000.00	\$ 110,364.10	\$ -	\$ 419,635.90
DPW	\$ 178,600.00	\$ 58,755.04	\$ 43,600.00	\$ 76,244.96
Fire Department	\$ 181,179.00	\$ 42,615.71	\$ -	\$ 138,563.29
Human Services	\$ 97,200.00	\$ -	\$ 90,000.00	\$ 7,200.00
Innovation & Technology (IT)	\$ 40,000.00	\$ -	\$ -	\$ 40,000.00
LUHD - Econ Dev	\$ 1,210,000.00	\$ 895,611.06	\$ 48,029.99	\$ 266,358.95
LUHD - Health	\$ 300,000.00	\$ 221,570.15	\$ 4,416.36	\$ 74,013.49
LUHD - Planning	\$ 45,000.00	\$ 7,000.00	\$ -	\$ 38,000.00
Police Department	\$ 22,200.00	\$ -	\$ 22,189.90	\$ 10.10
Recreation	\$ 289,500.00	\$ 14,832.00	\$ 12,229.00	\$ 262,439.00
Select Board	\$ 75,000.00	\$ 30,000.00	\$ -	\$ 45,000.00
Town Manager	\$ 546,609.00	\$ 12,900.24	\$ -	\$ 533,708.76
Grand Total	\$ 3,515,288.00	\$ 1,393,648.30	\$ 220,465.25	\$ 1,901,174.45
Remaining ARPA Funds:		\$ 6,388,093		



ARPA: Coronavirus Local Fiscal Recovery Fund (CLFRF)

The US Treasury has outlined following categories of **eligible uses** of ARPA funds:

- **Support public health expenditures** - including COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff
- **Address negative economic impacts caused by the public health emergency** - including workers, households, small businesses, impacted industries, and the public sector
- **Replace lost public sector revenue** - using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic
- **Provide premium pay for essential workers** - offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors
- **Invest in water, sewer, and broadband infrastructure** - making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet



Replacing Lost Public Sector Revenue

As a non-entitlement community, receiving an allocation under \$10 million, Lexington's entire allocation was applied as Lost Revenue.

Federal guidance outlines that CLFR funds allocated to 'Replacing Lost Public Sector Revenue' can be used for most municipal purposes (operating or capital expenses).

However, US Treasury has specifically noted the following uses are NOT eligible for CLFR funds:

- Contributions to Pension fund
- Contributions or replenishment of reserves or 'rainy day' funds
- Direct or indirect application of funds to reduce tax revenues/ tax rate
- Payments for legal settlements
- Payments for debt service



Other Considerations for Allocating ARPA Funds

- ARPA Funds are considered a grant under MGL Ch44, Section 53A, and therefore can be expended by approval of the Select Board
- Allocation of ARPA funds for eligible uses do NOT need to be appropriated by Town Meeting
- US Treasury has indicated that CLFR funds should be allocated with these primary objectives in mind:
 - **Support immediate economic stabilization** for households and businesses
 - **Address** systemic public health and economic challenges that have contributed to the **unequal impact** of the pandemic
- Focus spending on one-time projects/expenses or short-term/temporary programs; avoid adding permanent staff or implementing large programs that cannot be sustained once ARPA funds expire



Future Meeting Dates:

- FY2024 Budget Summit I – September 29, 2022
- FY2024 Budget Summit II – October 27, 2022
- Fall Special Town Meeting – November 1 - 3, 2022
- FY2024 Budget Summit III – November 16, 2022
- FY2024 Select Board Budget Hearings – Nov 30, Dec 1 & Dec 6, 2022
- FY2024 Budget Summit IV (White Book) – January 19, 2023



Questions & Discussion

November 1, 2022

Special Town Meeting 2022-3

- A. Town reports
- B. Appropriate for Prior year unpaid bills
- C. Establish/Dissolve/Appropriate To/From Stabilization
- D. FY 23 Operating Budget
- E. Authorized Capital improvements
- F. Post-Employment Insurance liability
- G. Appropriate for 250th Celebration
- H. Appropriate for Center Bathrooms and Maintenance Building (CPC request)
- I. Opioid Settlement
- J. Appropriate for Public Facilities- Town Pool Domestic hot water heater
- K. Appropriate for Center Streetscape sidewalk extension
- L. Creation of Housing Trust
- M. Technical Correction-Fossil fuel
- N. LexHab Reorganization

AGENDA ITEM SUMMARY

LEXINGTON BOARD OF SELECTMEN MEETING

AGENDA ITEM TITLE:

Anticipated Adjournment

PRESENTER:

**ITEM
NUMBER:**

SUMMARY:

SUGGESTED MOTION:

FOLLOW-UP:

DATE AND APPROXIMATE TIME ON AGENDA:

9/29/2022

9:00pm