

Minutes
Town of Lexington Appropriation Committee
February 6, 2008

Place and time: Town Office Building, Room G-15, 7:30 PM

Members present: Alan Levine (Chair), John Bartenstein (Secretary), Deborah Brown, Richard Eurich, Pam Hoffman, Michael Kennealy, Susan McLeish, Eric Michelson, Rob Addelson (ex officio, non-voting)

Also present: Tom Diaz and Tom Griffiths of the School Committee; Mary Ellen Dunn, Assistant Superintendent for Finance and Business; Michael Young, Budget Officer.

The meeting was called to order at 7:40 PM.

1 Discussion of FY2009 Budget. The Committee continued its discussion, begun at its January 31, 2008 meeting, of measures that have been proposed by the School Department to close the FY2009 budget gap and, in particular, the pro's and con's of using various sources of arguably non-recurring revenues to help bridge that gap. Messrs. Diaz and Griffiths and Ms. Dunn led the Committee through the memorandum from Mary Ellen Dunn, Assistant Superintendent for Finance and Business, dated January 31, 2008 and detailing specific proposed adjustments to the budget that would close the gap that existed as of Budget Summit III, and answered numerous questions.

The Committee further discussed the pro's and con's of the pending proposal to use \$350,000 in Free Cash, which had previously been proposed to begin the funding of a Special Education (SPED) reserve, to help bridge the gap in the school operating budget. Tom Diaz confirmed that the School Committee will definitely take steps at the 2008 Annual Town Meeting to re-appropriate \$350,000 of an anticipated FY2008 school budget surplus to some form of reserve for potential out-of-district SPED tuition and transportation costs, effectively "pre-funding" the originally planned reserve contribution. The form of the reserve has not definitively been established, but Tom expressed a strong preference for a dedicated, separate stabilization fund targeted for this purpose. Assurances have been given that such a reserve could be established at the Annual Town Meeting within the scope of the existing warrant.

The School Department estimates that it will end FY2008 with a budget surplus ranging between \$0.5 million and \$1.7 million, but a better estimate will not be available until later in the spring. The school representatives feel comfortable re-appropriating \$350,000 to a SPED reserve, as described above, but will not be in a position before the commencement of the annual town meeting to commit to a higher amount, even though they believe the actual surplus will be significantly higher, in view of the risks of late-breaking new SPED costs or other extraordinary, unforeseen obligations. Any year-end surplus in excess of this amount would ultimately flow to Free Cash and would then be available to help offset a potential budget gap for FY2010. Tom Diaz agreed that any FY2008 surpluses over \$350,000 should be protected and set aside for such use.

There was extensive discussion of the revisions to the school budget that were proposed by the Superintendent on January 14; whether the inclusion of certain items from the Superintendent's originally proposed supplemental budget that had been made possible by a combination of cost reductions and refinements in the analysis of the originally proposed budget were consistent with the presentation of a level-services budget; and whether it was appropriate to commit non-recurring funding sources to a budget that is not strictly a level-service budget. The school representatives explained in detail the rationale for making each of the substitutions, which they feel meet critical needs, and emphasized that the final proposed budget is consistent with their definition of a level-services budget, which would allow tradeoffs once the amount of a level-services budget has been established.

Concerns were expressed by some Committee members that the proposed use of more than \$800,000 in available funds that have been classified as "non-recurring" to balance the FY2009 school operating budget (the original \$461,000 in Free Cash proposed at Budget Summit III and the additional \$350,000 in Free Cash made available by "pre-funding a SPED reserve) could lead to significant risk in FY2010 by increasing a potential budget gap and raising the size of any override. The Committee agreed to meet in advance of the Budget Summit scheduled for Wednesday, February 13 to discuss the issues further and to finalize a position for presentation at the summit.

2. **Miscellaneous.** Budget Officer Michael Young announced that he had accepted a new position as Deputy Town Manager for the Town of Natick, and that he would be leaving at the end of February. Committee members congratulated Michael on his new post and expressed tremendous appreciation for the extraordinary service that he has provided to the Town of Lexington and to this Committee over the past five and a half years.

The meeting was adjourned at 10:45 p.m.

Respectfully submitted,
John Bartenstein

Approved February 21, 2008