

Minutes
Town of Lexington Appropriation Committee
February 16, 2005

Attendees: A. Levine (Chair), P. Hamburger, R. Pawliczek, D. Brown (Vice Chair), J. Bartenstein, D. Kanter, E. Michelson, Michael Young (Town Budget Officer)

Material Distributed:

- #1. Agenda
- #2. Budget exception report from Michael Young/John Ryan
- #3. Free cash memo from Michael Young
- #4. Draft minutes of January 6, 2005
- #5. Draft minutes of January 27, 2005
- #6. Revised financial projections FYs 2006-2008 (PH)
- #7. Revised list of capital item requests with notes (DK, CEC)

The meeting was called to order at 7:45 PM by Al Levine in Town Office Bldg Rm 111.

1. School building update: DB delivered message from Tom Griffiths of the School Committee re anticipated Fiske overage. Amount not yet known.
2. Budget exception report: Michael Young reviewed this with committee. Much better level of detail than previous exception report. There will be some reimbursement from the State for snow removal related to the blizzard.
3. Budget Collaboration Group meeting follow-up: RP reported. Following the last BCG meeting, School Committee met. Some members wanted to immediately identify potential budget cuts, but others wanted to wait to see if additional revenues materialize. Interim Superintendent reluctant to identify cuts until he has to because of morale problems associated with identifying positions at risk.
4. Free cash:
 - a. Reviewed Michael Young's memo re source of free cash increase. We'll get more detail on expense reversions (\$362,939) when the audit is finished. MY was questioned about liabilities for overlay and there was some concern regarding the explanation for item 4-b of the memo. MY will pursue and report back.
 - b. General discussion ensued regarding what ways exist, if any, to guarantee an increase in free cash at year's end. MY: by increasing reserves. PH/AL: a shell game, to the extent you adjust revenue estimates to make the appropriation to reserves. Appears there is very little we can predict or have control over except changes in undesignated fund balance – expense reversions – through aggressive closeouts of accounts by staff. PH commented that staff will need to manage this aggressively at end of this year.

5. Cash capital: Original calculation for FY06 pro forma based upon 5% of FY06 General Fund revenues, but MY agrees that he remembers in past years basing this on prior year's General Fund revenues. JB: Problem of using upcoming budget year figure when an override is planned – do you have two estimates for cash capital, one with and one without an override?

6. Exempt debt:

a. \$26M SBA reimbursement: Discussion of tax impact. MY said the change is only approx. \$500K total because we retired only BANs with this money, for which we were paying interest only. Debt for non-reimbursable portion of school project had already been permanently issued.

b. DB asked MY about the \$937K premium we received for permanent debt issuance in FY04. MY reported this was used to reduce FY05 debt exclusion and confirmed that FY04 General Fund increase included this premium and therefore in FY05 we will see a corresponding decrease in the General Fund. (This relates to free cash memo.)

7. Water/Sewer: JB reported that in FY06 W/S enterprise funds will “take a breather” on capital projects. Engineering staff not equipped to do new projects – they’re behind, so we may see a downward spike in rates.

8. Approval of minutes:

January 6, 2005 minutes: Approved as amended 5-0-2.

January 27, 2005 minutes: Approved as amended 6-0-1.

9. School budget: RP reported on his meeting with Susan Bottan. Reviewed status of capital item for heat exchange at the middle schools, school technology request, and maintenance equipment request. Also reported on \$350K gap-closing resulting from increase in SPED circuit breaker reimbursement.

10. February 15 BOS meeting: DK reported.

a. BOS voted to leave DPW at 201 Bedford St., but left open the question of consolidation with other services.

b. BOS voted 5-0 to support CPA at 3%, but left some issues unresolved.

c. Health care opt-out: So far, 4 town employees and 10 school employees participating in opt-out, at a savings of \$180K and cost of \$67K (buy-back fee). Program runs through June 30, 2006. There's a legal question regarding existing contract which will need to be addressed before renewing opt-out.

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11. Water/Sewer audit: DB spoke with Candy McLaughlin. Among AC, still concern and confusion about who is doing what. AC has asked for a plan but has not received one yet. Instructed DB to ask for meeting between AC members and Candy McLaughlin, perhaps with auditor as well.

12. Finance Director/Comptroller. DB/DK reported. Finalist from previous search coming in for discussions with Interim Town Manager. Some question of timing with regard to Town Manager search.

13. Moody's: DB reported that Linda Vine will set up a meeting with Cinder (maybe next Thursday evening) to review bond rating decision.

14. CPA: EM asked that this be first item on agenda next week.

The meeting was adjourned at 10:47 PM.

Respectfully submitted,

Deborah Brown

Approved October 6, 2005