

November 17, 2004

Minutes of Appropriation Committee Meeting  
Wednesday, November 17, 2004, 6:30 PM  
Held at Lexington High School, Commons II, in connection with the Budget  
Collaboration Group

Committee members present: John Bartenstein, Deborah Brown, Rod Cole, Richard  
Eurich, David Kanter, Paul Hamburger, Alan Levine, Eric Michelson, Ron Pawliczek

Staff Present: Sheila English, Michael Young, Linda Vine, plus others

This meeting was held together with the Board of Selectmen (BoS), School Committee,  
and Capital Expenditures Committee. Ms. Dawn McKenna, Chairman of the Board of  
Selectmen, ran the meeting. The meeting convened at 6:45 PM.

Linda Vine noted that while there has been substantial staff turnover, the experience of  
Susan Botta, Michael Young, and Candy McLaughlin provides needed stability.

The issue of the Moody's rating of Lexington was a major discussion topic. Sheila  
English gave a short presentation. She stated that Moody's looks for the Town to craft a  
"structurally balanced" budget and to build up our financial reserves.

The BoS posed four questions:

- 1) What do we need to do to maintain our bond rating?
- 2) What should our free cash policy be?
- 3) What guidelines re the budget should be given to the Town Manager and LPS  
Superintendent?
- 4) What should the override policy be for FY06?

Deborah Brown raised the issues: 1) What do we need to do to put the budget in order?  
2) What are the reserves for?

Sheila English stated that the certified free cash is \$2.3M as opposed to \$1.3M a year  
ago. Later, in response to a question, she said that if our bond rating is lowered from Aaa  
to Aa1, we would pay 5 to 10 basis points more interest on debt that will be issued. [A  
basis point is 0.01%.]

The general discussion of the Moody's rating revolved around its priority especially if  
maintaining it at Aaa means we will need to cut some services. The costs and benefits of  
a Aaa rating were discussed.

Sheila E. stated that in terms of reserves, the Town has a \$3.1M Undesignated Fund  
Balance of which \$2.3M is free cash. There is about \$800K in the Stabilization Fund.

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She further stated that it is important for the Town to end FY05 with a surplus to help build cash reserves. Collective bargaining is an issue, especially since some contract negotiations will settle FY05 retroactively and likely impact the FY06 budget with the retroactive payments.

Peter Kelley suggested having every department reduce its spending in the current fiscal year to generate a surplus that can support the Aaa bond rating.

The budget process was discussed. Supt. Hurley stated that he was preparing a level service budget w/ some growth to cover increases in student population. TM Vine noted that she would prepare a level staff budget as well as a needs-based budget. AL stated the Committee position that we would like to see level staff budgets all around with deltas (identified and costed) as the pieces that make up the recommended budgets. This was acceptable to Supt. Hurley.

There was also discussion of why we are in a difficult situation this year - our reserves are low and we have few means of maintaining services even though the Town just passed an override.

Bill Kennedy suggested combining school and municipal departments to achieve savings.

The next Budget Collaboration Meeting was set for Jan. 5, 2005 at 6:30 PM.

The Budget Collaboration Meeting ended at about 8:40 PM. The meeting of the Appropriation Committee continued at a table at the other end of the room. David Kanter went to the CEC meeting to hear a presentation from the DPW on their budget needs.

There was general discussion of free cash, local receipts, and the concept of a structurally balanced budget. There was debate over whether the increase in free cash from the previous year should be considered off limits or not, and whether it is fundamentally different from other forms of revenue. The suggestions ranged from using no free cash to balance the FY06 budget to using up to half of the increase.

There was general discussion on how to approach Moody's. The Finance Director would like our Committee to take a leadership role. We agreed to try to bring ideas on financial policies to the next meeting.

There was a brief discussion about meeting with the Board of Assessors and the Assessor. One of the issues for us is whether there are surplus overlay account funds that could be released to the General Fund and thereby improve the appearance of the Town's reserves. Paul and Rod agreed to attend their meeting on Nov. 19.

We agreed to put approved minutes on the web (through the TMMA).

Respectfully submitted, Alan M. Levine  
*Approved December 9, 2004*