

**Minutes
Town of Lexington Appropriation Committee
March 3, 2011**

Place and time: Ellen Stone Room, Cary Hall, 7:30 p.m.

Members Present: Glenn Parker, Chair; Susan McLeish; Alan Levine; Robert Cohen; Joe Pato, Vice Chair; Eric Michelson; Richard Neumeier; John Bartenstein, Vice Chair and Secretary; Mollie Garberg; Rob Addelson (non-voting, ex-officio)

Other Attendees: Jeff Crampton; Jane Pagett; Richard Pagett; Wendy Manz, Chair CPC

The meeting was called to order at 7:35 p.m.

1. **Article 17 – Community Preservation Act (CPA) Surcharge.** Jeff Crampton and Jane Pagett were in attendance to speak in support of Article 17, which proposes to reduce the CPA surcharge from 3% to 1%. (Alan Seferian is the primary sponsor but could not attend.)

Mr. Crampton noted that large upcoming capital expenditures proposed for the replacement and renovation of schools and other buildings will necessitate one or more debt exclusion overrides. Proponents of the Article hope that a reduction in the CPA surcharge will provide relief to taxpayers and increase the chances that these overrides will succeed. They also believe that the Town needs to slow down the pace of spending for CPA programs, and that this change will force the Community Preservation Committee (CPC) to focus on highest priority projects. There was discussion regarding how much the change would reduce taxes for an average resident, and whether any other communities have put a similar reduction into effect.

The committee also discussed whether, if the article passed, the Town would be required to maintain the surcharge above 1% until previously incurred debt service is discharged. If approved by Town Meeting, the proposed change in the CPA surcharge would be submitted to popular referendum in 2012 and, if approved by the Town, would go into effect in FY 2013. The debt service in FY2013 would be about \$1.9m and the revenue generated from a 1% surcharge would generate \$1.1m, plus whatever additional amount is realized from the state match. Even if this amount alone is not sufficient, it is likely that the Town would be able to fulfill the debt service using a combination of annual revenue and unallocated reserves in the CPC fund. After FY2013, all current debt obligations for CPC projects would be discharged. Therefore, the obligation to repay existing debt should not affect the proposed reduction to 1%.

Wendy Manz, Chair of the CPC, was in attendance to present the case in opposition to Article 17. Ms. Manz acknowledged concerns about the Town's anticipated need for one or more large debt exclusion overrides but stated that the CPC nevertheless supports the current 3% CPA surcharge.

Ms. Manz noted that although the state match has fallen each year, it began with a 100% match, has yielded \$6.4m to the Town over the last five-year period, and even at the most recent rate of 29% is not an insignificant amount by which the Town can leverage its tax dollars. She pointed out that reducing the CPA surcharge to 1% would reduce the average household tax payment by \$173 a year in 2013, which is quite modest, compared to the overall benefit to the Town. Ms. Manz also noted that the state legislature is considering a bill to guarantee a minimum state CPA match rate of 75%.

As for the impact of the CPA surcharge on the willingness of residents to support overrides, Ms. Manz noted that there is an exclusion for the first \$100,000 of a home's valuation, as well as an exemption for certain seniors, that mitigate the impact of the CPA surcharge on those taxpayers least able to pay. She also pointed out that around \$600k of the annual CPA revenue comes from the town's commercial taxpayers. In response to concerns that the CPA may divert funds from low-income towns to higher-income towns, Ms. Manz pointed out that the state match is derived entirely from registry fees, not direct taxes on taxpayers; that it is typically more well-to-do citizens who pay those registry fees; that the CPA was adopted by the state legislature to create an incentive for Towns to undertake projects that were deemed beneficial to the state as a whole; and that any town is free to adopt and get the benefits of the CPA.

With respect to the history of debt exclusions and overrides since 2006, Ms. Manz noted that while two of four operating override questions on the same ballot as the original CPA proposal did not pass, no override questions have since been rejected. There was discussion regarding how reducing the surcharge might change the nature and scope of CPA-funded projects, limiting the total size of any debt-based projects and reducing the overall number of projects. Ms. Manz discussed the potential for the CPA to contribute to the funding of future Town capital projects, all of which would be a challenge without such funds, including: renovations of the fire station, police station and White House; the preservation of municipal records; the acquisition of open space; and recreation projects such as the restoration of the center fields.

2. **Minutes.** Minutes of February 16, 2011, and February 23, 2011, were approved by votes of 7-0-2 and 6-0-3 respectively. It was agreed that responsibility for reviewing initial draft of the minutes would be rotated.

3. **Liaison Reports.**

Board of Selectmen (John Bartenstein and Susan McLeish): Mr. Bartenstein and Mr. Addelson reported briefly on a presentation made to the Selectmen on Tuesday about the proposed use of retained earnings in the water and sewer enterprise funds. Retained earnings as of July 1, 2010 stood at approximately \$1.6m for the water fund and \$1.5m for the sewer fund. The Town Manager has advised that it is prudent to maintain reserves of approximately \$1m in each fund. Although not yet reflected in the Brown Book, the motion under Article 5 at the Annual Town Meeting will include a proposed appropriation of the balance of the retained earnings over that amount to a

combination of rate relief and capital projects. There is also a long-term plan to gradually reduce the amount of retained earnings appropriated for rate relief, and instead to direct surplus earnings toward capital projects, an approach that this Committee has recommended in past reports as a means of promoting long-term rate stability as opposed to short-term relief. This issue will become particularly germane in the development of the FY2013 budget as last fall's water billings came in approximately \$1.5 million in excess of projections due to high irrigation water usage during last year's particularly dry summer, and this amount is expected to show up in the water fund retained earnings as of July 1, 2011.

CEC (Glenn Parker): Article 17 was discussed but no vote was taken.

4. Article Assignments and Discussion.

Article 16 – Supplemental Allowance under MGL Ch. 32, S. 101. Mr. Addelson reported that the Retirement Board is in support of this article and noted that surviving spouses can now elect to receive a reduced portion of their deceased spouse's pension. Section 101 provides an annual allowance for widows (and widowers) who did not have the opportunity to exercise this election, and this article would increase that allowance from \$6,000 to \$9,000. Mr. Bartenstein noted that the statute appears to provide for adjustment of the allowance by a COLA, and Mr. Addelson will confirm whether the \$6,000 amount established in 1995 has been adjusted and, if so, the current amount.

5. Other Business. Mr. Addelson asked to put a reserve fund transfer request on a future agenda. The amount of \$15,000 would supplement the Veterans Services budget and is as a result of growing demand for economic relief from veterans living in Lexington. This is a State program implemented at a local level where the State reimburses the town for 75% of the costs. Services include medical benefits, fuel, food and housing assistance. This will be put on the agenda for the March 14, 2011 meeting.

Mr. Bartenstein expressed concern about the open-ended nature of the vote taken at the February 16, 2011 meeting to approve deficit spending for snow and ice removal and suggested that in the future it would be prudent to impose a limit, as finance committees in other towns have done. Such a limit could be revisited if necessary.

The meeting adjourned at 9:39 p.m.

A list of documents and exhibits used at the meeting is attached.

Respectfully submitted,

Andrea Yopez
Recording Secretary

Approved March 7, 2011

March 3, 2011

**Exhibits
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1. Email from Rob Addelson to Charlotte Rogers dated August 26, 2010, attaching article from Commonwealth Magazine entitled "Back Story: Vets in Need."