

REPORT
of the
FINANCE COMMITTEE
of the
TOWN OF LINCOLN
for the
FISCAL YEAR
JULY 1, 2006 - JUNE 30, 2007

LINCOLN FINANCE COMMITTEE

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1. Introduction

Development of the Town's Operating Budget is a decentralized, long, and complicated task. The Finance Committee's responsibility is to review and examine individual Budget requests, to assemble them into an overall Budget that is both fiscally prudent and a balanced reflection of the Town's values, and to seek broad public understanding and support for the Budget we ultimately recommend at Town Meeting. The following document describes how the FY'07 Budget was built, the Budget and its component parts, and supporting detail.

The Finance Committee would like to thank all the Town's Boards and Committees for their hard work and cooperation during the budgeting process. We would not have been able to accomplish what we did this year without the lean budget requests you prepared. The FinCom would also like to thank Lincoln Town Administrator Tim Higgins, Asst. Town Administrator Anita Scheipers and Finance Director Colleen Wilkins. Your wisdom, patience and good humor are greatly appreciated.

2. Overview

Budget Context

Budgets are created by each of Lincoln's budgeting agencies taking into consideration the economic and political conditions in the Commonwealth and the nation. The State continues to recover from its recent revenue crisis. State tax receipts are up and aid to cities and towns is climbing. The Governor has proposed a state budget that raises State Aid to local governments by 13 percent but we are months away from the State Legislature's budget. At this point there is no way to estimate how much State Aid Lincoln will receive but we have conservatively planned for a 10 percent increase over FY '06.

The Town of Lincoln's Budget will increasingly depend on residential real estate taxes (Tax Levy) for the lion's share of its revenue. In 2001, when Lincoln began its five-year series of overrides, the Tax Levy, including debt, accounted for 68% of Lincoln's Revenue. Today these two items make up 77% of our town's Revenue. New sources of Revenue are needed to reverse or slow this trend.

And, as we look out over the next five years or so, growth in expenditures is expected to continue to outstrip growth in the Town's Revenue. The drivers of that gap include: (a) increasing enrollment at the high school; (b) Special Education service projections at K-8, LSRHS and Minuteman; (c) pension and insurance costs; (d) per annum increases in Town and school employee contracts; and (e) continued uncertainty about State Aid, particularly aid earmarked to support our schools.

Building the Budget

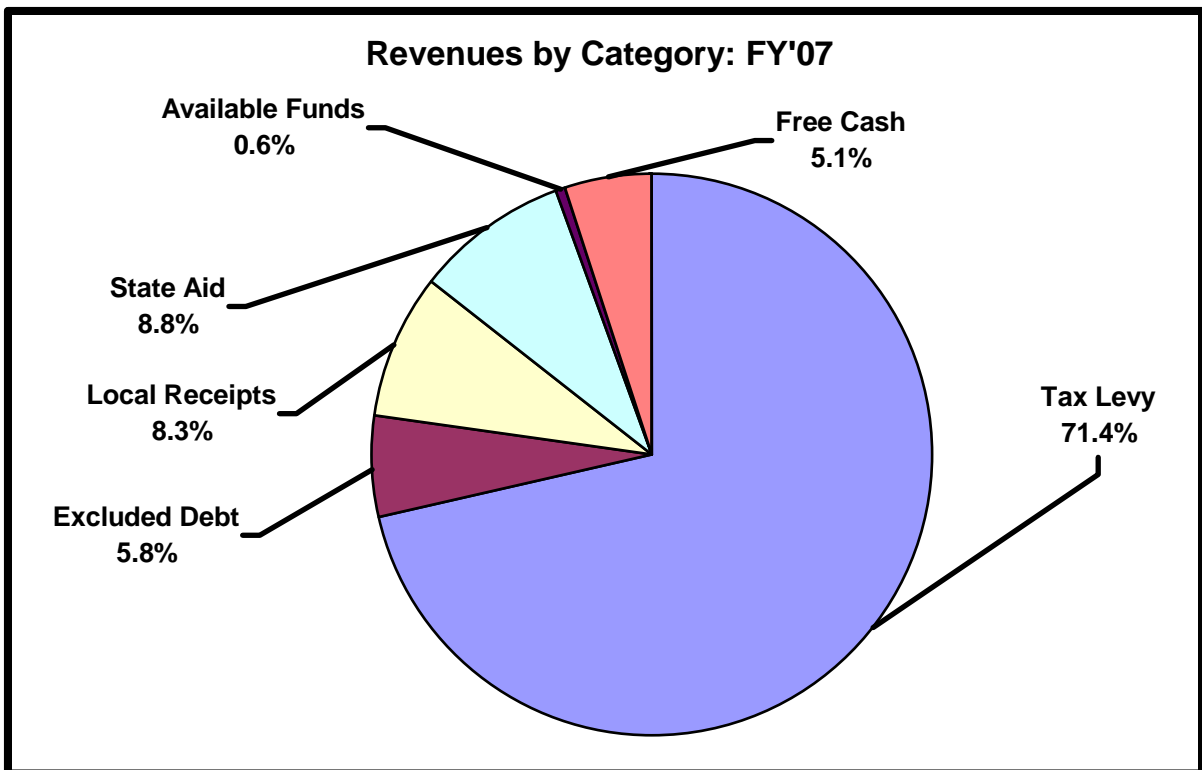
Each year the development of the Town's Operating Budget starts with an examination of Revenues and necessary expenditures that we call the Funds Available Analysis (FAA). This analysis calculates likely Revenues from all sources, including available Free Cash, and then subtracts those payments, called Required Expenditures, the Town is obliged to make (primarily for debt service, pensions and insurance). This yields the funds available for discretionary spending in a Base Budget.

The tax levy is expected to grow by 3.35% in FY'07. The FAA indicated that most of this growth would be, (a) the excluded debt issued to build the new high school, (b) the other non-discretionary expenditures, like pensions and insurance. Initially, the Finance Committee issued a Budget Guideline to the Cost Centers that allowed for 2% growth in the Operating Budgets. In light of the Town's receipt of \$458,952, from the close-out of the Northeast Solid Waste Consortium (NESWC) contract, the anticipated increase in the State Aid, and additional monies being returned from Lincoln-Sudbury Regional High School, the FinCom felt that all Budget requests made by the Town's Boards and Committees could be granted while maintaining the financial strength and stability of Lincoln, a strength and stability that we have all worked hard to achieve.

3. Revenues

Total Revenue for the Town of Lincoln for FY'07 is projected at \$25,264,602 (excluding Water Dept. Revenues). This represents a 4.8% increase over FY'06. The Finance Committee felt it was feasible and prudent to fully fund FY '07 Budget requests because of predictions of a significant increase in State Aid. Also, the FinCom was able to apply substantially more Free Cash to balance the Budget because the Town received the \$458,952, from NESWC.

Revenue categories and their percentage of total Revenues are shown in the pie chart below.



Proposition 2 ½ allows Towns to raise real estate taxes by 2.5% a year without an Override. That is on top of any taxes attributable to New Construction in Town. The Finance Committee has determined that by raising estimates of State Aid that the Town will receive in FY '07 and by using the extra Free Cash we can avoid a Proposition 2½ Override this year.

Additional property tax revenues may be raised through debt exclusions, approved by Town Meeting and the voters at the polls. Debt exclusion in the pie chart above includes property tax revenues to cover the Lincoln portion of all principal and interest payments for loan obligations of the Lincoln-Sudbury Regional High School as well as for other Town borrowings (e.g., Bemis Hall renovation, repair of Town Offices and Codman Pool, and the new fire truck). Debt exclusions constitute 5.8% of the Total Revenues, slightly higher than the FY'06 percentage.

Local Receipts and State Aid are roughly equal Revenue components. Local Receipts include excise taxes, rental fees, license and permit fees, investment income, cell tower income, and other "pay for service" fee income, such as recreation and ambulance fees. With cell tower rental and parking fees implemented, this avenue for increasing Local Revenues has been exploited.

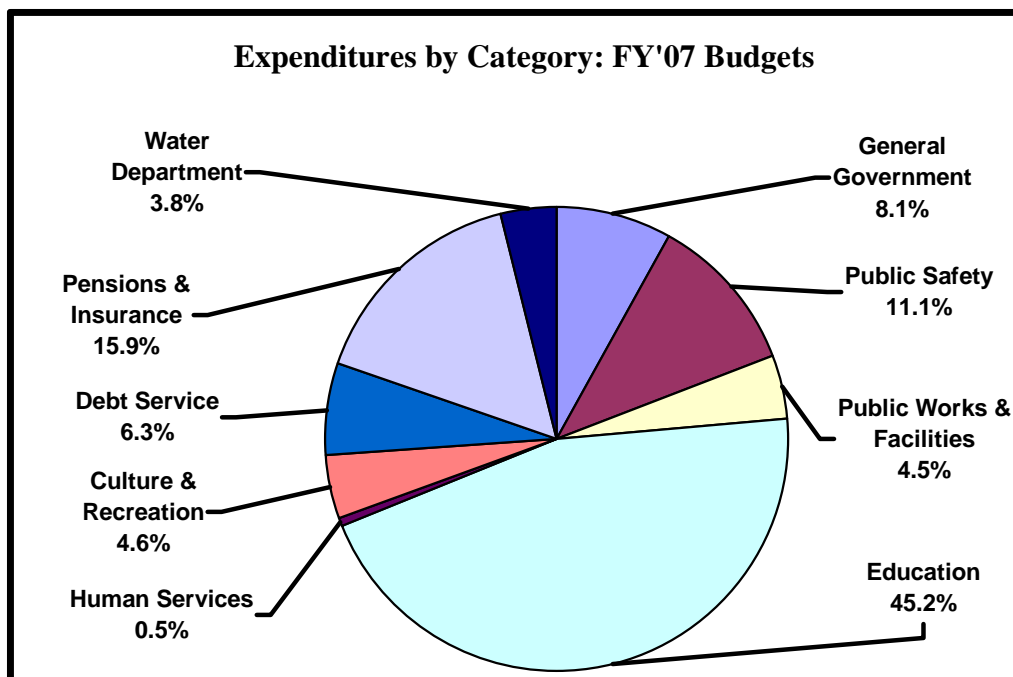
State Aid is composed primarily of Chapter 70 (Ed Reform) funds, State Building Assistance Board (SBAB) reimbursements for the K-8 School construction, METCO, Lottery and Additional Assistance. State Aid forecasts continue to brighten. State Aid is estimated to increase by 10% in FY '07. This brings State Aid to 8.8% of Total Revenue, but that is still down from 14% of total Revenues in FY'01.

Free Cash consists of \$1,537,416, which has been certified as available by the Department of Revenue. Of this amount, \$1,287,324 will be applied to the FY '07 Operating Budget, leaving a balance of \$250,092, to which will be added the \$458,952 received from the close-out of the NESWC contract.

The last component of the Revenue pie is called Available Funds. Available Funds consists of payments to the K-8 Schools for some operating expenses at Hanscom Air Force Base, Water Revenue to support Town Office expenses, and other miscellaneous offsets. While the amount attributable to the Available Funds category can fluctuate greatly from year to year, amounts received are normally offset by corresponding debits.

4. Operating Expenditures

Total Town Operating Expenditures in the FY'07 Budget are projected at \$25,435,788, representing a 6.5% increase over FY'06.



Education is the largest component of the Town's expenditures, consuming \$11,495,016 or 45.2% of the total. The Education category includes Lincoln K-8 Schools, the Lincoln-Sudbury Regional High School assessment and the Minuteman Regional Technical High School assessment. Each of these educational entities is discussed more fully in the departmental sections that follow. Since L-S and Minuteman are regional schools, all of the costs allocated to Lincoln are contained in the Education category in the pie chart above. Debt Service and Pensions and Insurance costs attributable to the K-8 Schools, however, are not included. Were these costs included in the Education category, total education costs would be over 50%.

Education Components and Growth

	FY '06 Budget	FY'07 Budget	% Change
Lincoln K-8 Schools	\$8,057,635	\$8,353,788	3.7%
Lincoln-Sudbury RHS	\$2,842,925	\$2,976,852	4.7%
Minuteman Tech RHS	\$179,882	\$164,376	-8.6%
	\$11,080,442	\$11,495,016	3.7%

The three components of education and their individual growth rates are shown in the table above. Growth in the K-8 Budget is modest again this year, at 3.7%. The growth of only 4.7% in the L-S assessment occurred for a number of reasons. The Towns of Lincoln and Sudbury both supported the high school's first Override in three years, in FY '06, which increased L-S's Budget by 15%. This year, the Town of Sudbury asked L-S to share with both Towns, State Aid over and above what L-S needed for FY '07 operations (Lincoln's share amounted to \$41,000). Finally, the Excluded Debt issued to build the new high school building is less than was originally anticipated because the State changed its school building reimbursement program. The Minuteman assessment is lower in FY '07 because fewer Lincoln children are enrolled there.

Pension and Insurance costs for FY'07 of \$4,039,564 constitute 15.9% of total expenditures vs. 14.9% in FY'06. Growth in this category is likely to remain relatively high in the future, consistent with industry trends. Debt Service, excluding the debt issued to build the new high school, accounts for 6.3% of expenditures in FY'07.

Required, non-discretionary expenditures such as Pensions and Insurance are expected to continue to rise steeply in the future. These increases along with unfunded mandates required by the State or U.S. governments will continue to exert pressure on our Budgets. Unless Local Revenues can be boosted to compensate, including possible commercial development, as discussed at the State of the Town Meeting last fall, increases in required expenditures will continue to consume most of the Town's annual Revenue increases, leaving very little for non-override growth in Base Budgets.

All of the Budget categories are covered in more detail in the departmental sections of this report.

5. Capital Expenditures and Community Preservation Act (CPA)

Capital Expenditures

Capital expenditure recommendations are made each year by the Capital Planning Committee (CPC). The CPC has one representative each from the Board of Selectmen, the K-8 schools, the Finance Committee, the Library, two at-large members, and the Town Administrator and Finance Director *ex-officio*. The CPC considers all spending requests for tangible assets with a life of 5 years or more and valued at \$15,000 or more. It also evaluates planning studies and design services for projects that may result in future funding requests in excess of \$15,000.

To plan ahead for major expenditures, the Capital Planning Committee works with the Town's budget agencies to prepare a five-year forecast of capital expenditures. This allows the Town to avoid a year in which expenditures deferred from prior years overwhelm the budget. It also ensures that expenditures are made in a timely fashion to protect the Town's long term investment in facilities and other infrastructure, distinct from short term budget constraints.

All proposed capital expenditures are assessed to determine whether they might qualify for funding under the Community Preservation Act (CPA). Appropriate requests are referred to the Community Preservation Committee for their review.

Most approved capital expenditures are financed within each year's budget. Expensive items may be proposed for capital exclusion, i.e. bonding, which requires approval at Town Meeting and at the election. A capital exclusion allows the Town to finance the purchase and spread the cost of that item over several years, outside of the limitations of Proposition 2½. No expenditures have been recommended this year for capital exclusion.

The Finance Committee recommended a ceiling of \$550,000 for capital expenditures for FY'07. Total initial requests for capital funding for FY'07 were in the amount of \$1,547,800. The CPC suggests the following disposition:

Recommended for funding:	\$549,600
Recommended for CPA consideration:	\$577,500
Deferred for future consideration:	\$76,700
Withdrawn from consideration:	\$200,000
Not recommended for funding:	\$36,000

<u>Capital Budget</u>	
DPW Truck	\$ 32,500
Ambulance	\$ 150,000
Replacement Cruisers (2)	\$ 64,000
Town Technology	
Hardware, Software, Licenses, etc.	\$ 70,000
Conservation Commission Tractor	\$ 32,000
Brooks School Window Repairs	\$ 32,000
Smith/Link/Brooks Schools exterior door repairs	\$ 8,000
Brooks School skylights	\$ 17,600
Smith/Brooks/Hartwell Schools Gutters	\$ 16,500
Brooks/Smith Schools Sewage Pump Controls	\$ 14,000
Lincoln School Classroom Rehabs.	\$ 50,000
School Technology Systems Upgrade	\$ 40,000
Library Carpet	\$ 23,000
Total	\$ 549,600

Community Preservation Act

The Town of Lincoln approved the Community Preservation Act (CPA) surcharge of 1½% in March 2002. The CPA authorizes the Town to levy a surcharge of up to three percent on Lincoln real estate bills. The local CPA Revenue is matched by the State on a dollar for dollar basis from a dedicated matching fund. The CPA requires that a Community Preservation Committee (CPC) be formed with four members appointed by the Selectmen and five others nominated from each of the following: Conservation Commission, Housing Commission, Historical Commission, Planning Board, and Recreation Committee. The Act allows the Town to spend the money for affordable housing, historic preservation, land conservation, and recreation. Passage of the CPA required that Lincoln commit to the surcharge for a minimum of 5 years.

In FY’05, facing significant capital expenditures that would qualify for CPA funding, the Town voted to raise the CPA surcharge to 3% to take full advantage of the State’s matching funds.

At Town Meeting in March 2003, the Town authorized the use of CPC funds to purchase a State-owned lot to be used for affordable housing, to “buy-down” a condominium for affordable housing, and to replace the roof on the historic Pierce House.

At Town Meeting in March 2004, the Town authorized the use of CPC funds to build three affordable housing units, to repair windows at the Lincoln Library, to provide funds to the Lincoln Conservation Commission for open space purchases, to inventory Lincoln’s historic properties, and to create a model historic preservation easement.

At Town Meeting in April 2005, the Town authorized the use of CPC funds to contribute to the purchase price of the Harrington-Row properties, for construction of affordable housing units, condominium buy-downs, to replace the roof on the Lincoln Library, and to prepare an engineering design for the Lincoln historic documents vault.

The CPC had not made its final decisions on proposals for March 2006 Town Meeting when this Report went to press. The chart below summarizes money raised and appropriations to date.

CPA Appropriations						
Contributions	FY '03	FY '04	FY '05	FY '06	FY '07	Total
Town Share	\$201,159	\$220,000	\$469,528	\$503,622	\$522,403	
State Share		\$203,000	\$220,879	\$461,436	\$503,622	
Sub-Total	\$201,159	\$423,000	\$690,407	\$965,058	\$1,026,025	\$3,305,649
Appropriations						
Affordable Housing		\$269,000	\$239,500	\$434,000		
Historic Preservation		\$80,000	\$95,000	\$485,750		
Conservation			\$163,500	\$350,000		
Recreation						
CPC Expenses		\$5,000				
Sub-Total		\$354,000	\$498,000	\$1,269,750		\$2,121,750
Unallocated Funds	\$201,159	\$69,000	\$192,407	\$875,058 *		

*All but \$24,000 of funding approved at March 2005 Town Meeting is to be funded through borrowing against future CPA revenues. Borrowing costs were estimated at \$66,000 for FY06.

6. Property Tax

For the first time in six years, the Lincoln Finance Committee does not need to recommend an Operating Override. The Town of Lincoln is able to fund all its requested Budgets for FY '07 within the constraints of Proposition 2 ½. We are able to accomplish this for several reasons.

First and foremost, Budget requests called for very modest increases this year. The FinCom would like to thank the Board of Selectmen, the Lincoln School Committee, the Lincoln-Sudbury Regional School Committee, the Minuteman Regional School Committee and the Lincoln Library Trustees, and all their employees for holding the line this year. Except for the Fire Department, which demonstrated a pressing need, requests were for Level Service Budgets.

For FY '07, the Finance Committee originally estimated that State Aid to Lincoln would increase by 7%. In January, the Governor proposed in his budget that State Aid to cities and towns would increase by 13%. We took the middle road and assumed a boost in State Aid of 10%, which would increase Lincoln's Revenue by about \$60,000. The Town of Sudbury asked Lincoln-Sudbury Regional's School Committee to "share" State Aid the high school received that was above that which was needed to operate the school in FY '07. Lincoln's share of that amounts to \$41,000.

The Lincoln FinCom has been building "Emergency Reserves" over the past several years to provide enough cushion so that the Town could handle an unforeseen financial emergency without raising taxes. This reserve, made up of unspent Free Cash remaining, the Stabilization Fund and ½ of the Town's \$450,000 Reserve Fund, must equal at least 3% of the Lincoln's Operating Budget, according to the FinCom's Emergency Reserve Policy. Lincoln will be comfortably above that level in FY '07 due to the \$458,952 the Town received at the conclusion of the NESWC contract this year.

But we must remember that growth in Town spending; primarily for contractual salary increases, rising health care and pension costs will likely continue to out pace new Revenues over the long term. . When 80% of Lincoln's Operating Budget is spent on its personnel, this trend will continue to plague our Town. FY '07 is a pause in, not the end of, Operating Overrides in Lincoln.

In arriving at its recommendation for the FY'07 Operating Budget, the Finance Committee has carefully examined both the Town's recent budget history and its financial outlook over the next several years. The Operating Budget for FY'07 represents an average increase of 4.9% among the Town's four principle budgeting agencies. This follows a period of years in which Operating Budget growth was held near the level of inflation. It is worth noting that Town Operating, which includes additional funds for the Department of Public Works, four new firefighters positions and, for the first time, the Pierce House manager's salary, rises by 7.9%. The Library Budget, which maintains service levels, retains its state certification, and provides for increased heating oil costs and utility bills, rises by 6.6%.

While the temptation at times is to defer expenditures wherever feasible, the Finance Committee does not believe that this is good practice. Just as deferred maintenance tends to be more costly when it is eventually undertaken, core public safety services, like the additional firefighters, will provide Lincoln residents with extra protection and could well save lives and money.

The Budget of the Lincoln Schools maintains most programs consistent with a Level Services Budget. Enrollment at Lincoln School is projected to be slightly lower in FY '07, allowing the elimination of one section of students. At LSRHS, enrollment continues to grow. The high school applied for and received a Chapter 70 Grant, easing pressure on FY '07's Budget. LS was able to maintain a Level Services Budget with a 6.19% Operating Budget increase. Lincoln's share of students at LS continues to diminish, lowering our share of the school's Budget as well. The table below shows that our allocation to LS is actually lower in FY '07 after Lincoln's share of Pensions and Insurance and Debt Service is removed.

Agency	FY '06 Budget	FY '07 Budget	Percentage Increase
Town Operating	\$6,099,558	\$6,582,588	7.9%
Library	\$691,254	\$737,158	6.6%
Lincoln K-8 Schools	\$8,057,635	\$8,353,788	3.7%
Lincoln-Sudbury RHS*	\$2,053,585	\$2,053,344	0.0%
* Note: LSRHS Amounts are net of Debt Service and Pensions and Insurance	\$16,902,032	\$17,726,878	4.9%

7. Stabilization Funds

The Finance Committee is recommending that the remaining \$140,000 of the Stabilization Funds be used to reduce the impact of debt, previously authorized by Town Meeting and the electorate. This fund was created a number of years ago by Town Meeting to mitigate spikes in real estate taxes due to issuance of the Excluded Debt needed to build the new high school. The use of \$140,000 in Stabilization Funds has the effect of reducing the tax impact of the peak of the excluded debt by \$78. The effect of applying the Stabilization Funds reduces the tax impact on the "average" \$1,128,780 Lincoln property and is shown in the following table. FY '07 is the peak year of the LS building debt.

Tax Impact on Average (\$1,128,780) House & Property

	\$ Tax Increase over FY'06	% Increase over FY'06
Proposed FY'07 (Base) Budget	\$355	3.35%
Override Increase	\$0	0.00%
Application of Stabalization Fund	(\$78)	-0.74%
Total FY'07 Tax Increase	\$277	2.61%

8. Looking Forward

Anticipating the Town's future needs and analyzing their financial impact remains challenging. Understanding how the Town's land use choices, including additional housing of any sort, will effect school enrollment, infrastructure requirements, and the Town's water supply remains an issue of critical concern, particularly as it effects the residential property tax. Mindful of the recent tax increases there are several items that the Finance Committee believes need continuing attention:

1. **Tax Relief** - Since FY'02, the Board of Selectmen has presented and Town Meeting has adopted three senior tax relief measures. Lincoln's Senior Tax Deferral measure was passed by the legislature and signed by the governor last fall. It allows qualified homeowners to defer paying all or part of their real estate taxes until their property changes ownership. The Work Off program has met with such success that it was expanded. The Finance Committee encourages the Town to continue to explore and advocate expanded tax relief for those homeowners on limited or fixed incomes.

2. **Community Preservation Act (CPA)** - We believe that participation in the CPA program has already demonstrated its value to the Town. Two years ago, the Town voted to double the CPA surcharge to the maximum of 3%. Last year we voted to bond against our CPA income, leveraging the program. Lincoln has approximately \$1 million in CPA funds this year, half of it from the state matching fund, to spend on community housing, historic preservation, conservation land and recreation.

3. **At-Risk Properties Committee** – Last fall's State of the Town presentation showed what the impacts might be of different kinds of development of large properties scattered around Lincoln. This was an important discussion that indicated that Town citizens were willing to consider options other than residential development. This openness to change could mean a broader, more diverse tax base and reduce the Town's dependence on residential property taxes to fund its Budgets in the future. A committee to create something like a "Master Plan" for the Town has already begun to meet and the Town already has a substantial development proposal to consider.

4. **L-S Joint Budget Subcommittee** – The Lincoln-Sudbury Regional High School continues to confront budget challenges that result from the wide differences of the two member Towns. The Joint Budget Subcommittee, drawn from the Sudbury and Lincoln Finance Committees and the LS School Committee, and the full Finance Committees both meet regularly in an effort to improve coordination and understanding. This year's Budget and Lincoln's ability to avoid an Override this year are due, in part, to this cooperation. LS will again require an Override in the future and the fact that both Lincoln and Sudbury don't require Operating Overrides this year could mean that the Towns' Budgets maybe be more "in-sync" when that time comes.



General Government

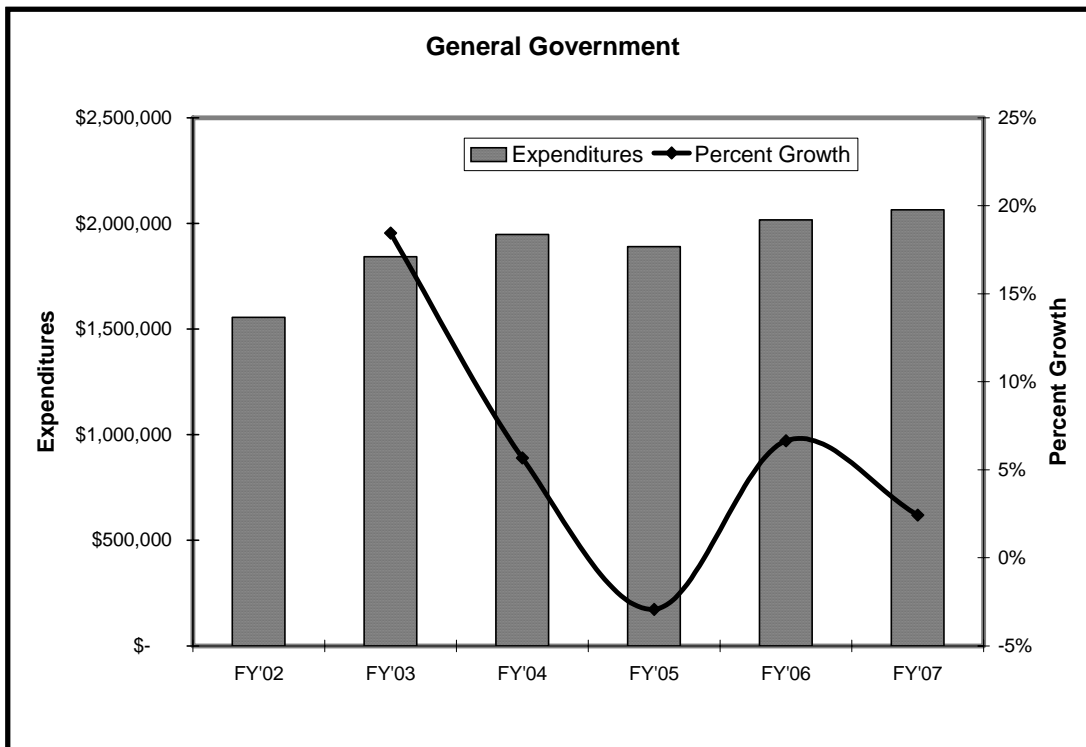
FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$1,890,287	\$2,016,102	\$2,064,972

General Information

General Government includes: Board of Selectmen, Finance Committee, Town Offices, Legal Services, Conservation Commission, Assessors, Town Clerk, Town Building Maintenance, Consulting, Elections and Registration, Planning Board, Board of Appeals, Town Report, and Reserve Fund. The Town Office accounts include personnel costs and administrative and financial department expenses.

Key Issues

- The Reserve Fund is an emergency resource to any Budget Agency; it has again been funded at \$450,000 to accommodate uncertainties for the Town and the Lincoln School.
- FY'07 is the second year of a 3-year collective bargaining agreement.
- The FY '07 Budget is a Level Services Budget.



Warrant Articles

- Technology hardware, software, licenses and training: \$70,000

Public Safety

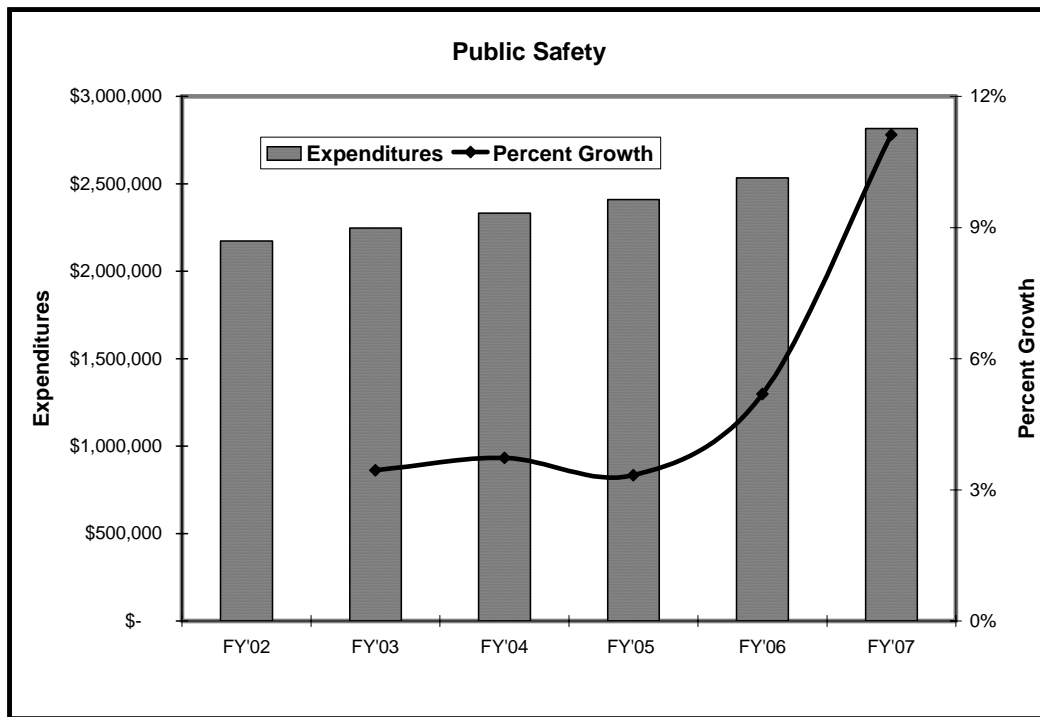
FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$2,409,201	\$2,534,367	\$2,816,195

General Information

Public Safety includes Building Inspection, the Department of Weights and Measures, and the dispatch and delivery of Police, Fire, and Emergency Medical services.

Key Issues

- FY'07 is the second year of a 3-year collective bargaining agreement.
- This Budget provides funds to hire four additional, EMT certified, firefighters to increase Lincoln's emergency response capabilities. This should reduce response times and Lincoln's dependence on Mutual Aid from neighboring towns.
- The FY '07 Budget is, otherwise, a Level Services Budget.



Warrant Articles

- Replace 2 police cruisers: \$64,000.
- Replace ambulance: \$150,000.

Lincoln Public Schools

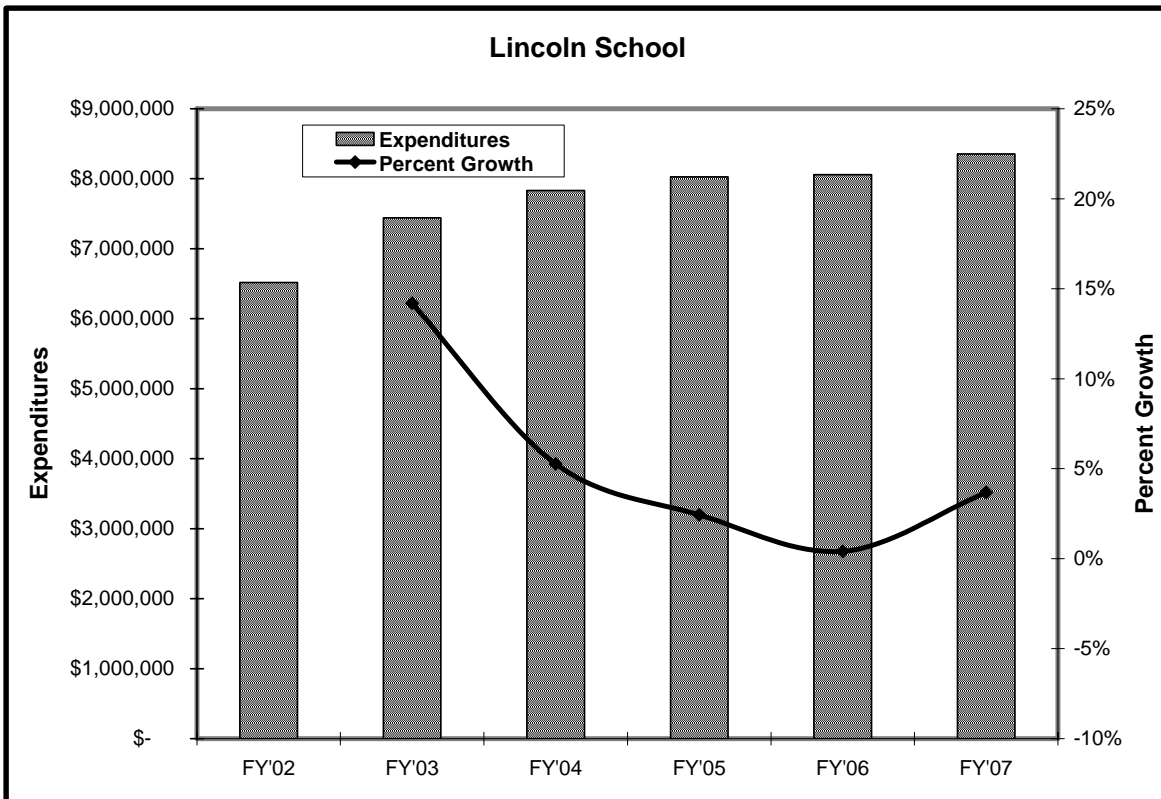
FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$8,024,672	\$8,057,635	\$8,353,788

General Information

As in prior years, the Lincoln Public Schools are working to maintain and improve their educational programs, despite continuing fiscal constraints. The schools, with the assistance of a Facilities Subcommittee, are actively engaged in building and campus maintenance as well as planning for the potential renovation of the Lincoln School, the Hartwell Building, and the Pods. A technology initiative is underway. This includes planning instructional uses of technology, professional development, and an assessment of the technology infrastructure. Improvements are ongoing in the science curriculum and technology/engineering instruction.

Key Issues

- It is challenging for the K-8 schools to maintain their level of services, given budgetary constraints and rising costs, particularly for utilities and facilities, teacher's salaries and mandated programs such as special education. In 2005, the costs of natural gas--which is used to heat the Lincoln School--and electricity increased. Utility costs are projected to increase by an additional 20 percent between FY '06 and FY '07.
- Enrollment in FY '07 is projected to be slightly lower than enrollment in FY'06. The projected enrollment is 662 students, 571 Lincoln students and 91 METCO students, as compared to 674 students in FY '06. The number of classroom sections in FY '07 is projected to be 35, as compared to 36 in FY '06.
- Personnel costs represent about 83 percent of the School Budget. The Lincoln Teachers Association is in the first year of a three-year contract. The number of staff at the Lincoln School--about 128 full time equivalents--should be the same in FY' 07 as it was in FY' 06.
- Special education costs represent 23 percent of the FY '07 Budget. The costs of special education are partially offset by the state Department of Education's "circuit breaker" special education reimbursement program, which reimburses schools systems for part of their costs. The FY '07 total Operating Budget includes about \$245,000 of "circuit breaker" reimbursement that was received for expenditures in prior years.
- The METCO program brings students from Boston into the Lincoln School and is viewed by the School Committee as a fundamental means of educating children about how to live in a diverse world. Some, but not all, of the costs of the program are paid for by the state. The METCO grant for FY '06 was \$467,179, an increase of \$90,497 from FY '05. The FY '07 grant has not been announced.



Warrant Articles

- Classroom maintenance: \$50,000
- Technology: \$40,000
- Brooks School Window Repairs: \$32,000
- Smith/ Link/Brooks Schools exterior door repairs: \$8,000
- Brooks School skylight repairs: \$17,600
- Smith/Brooks/Hartwell Schools gutters repair: \$16,500
- Smith/Brooks Schools sewage pump controls: \$14,000

Lincoln-Sudbury Regional High School

FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$2,472,546	\$2,842,925	\$2,976,852

General Information

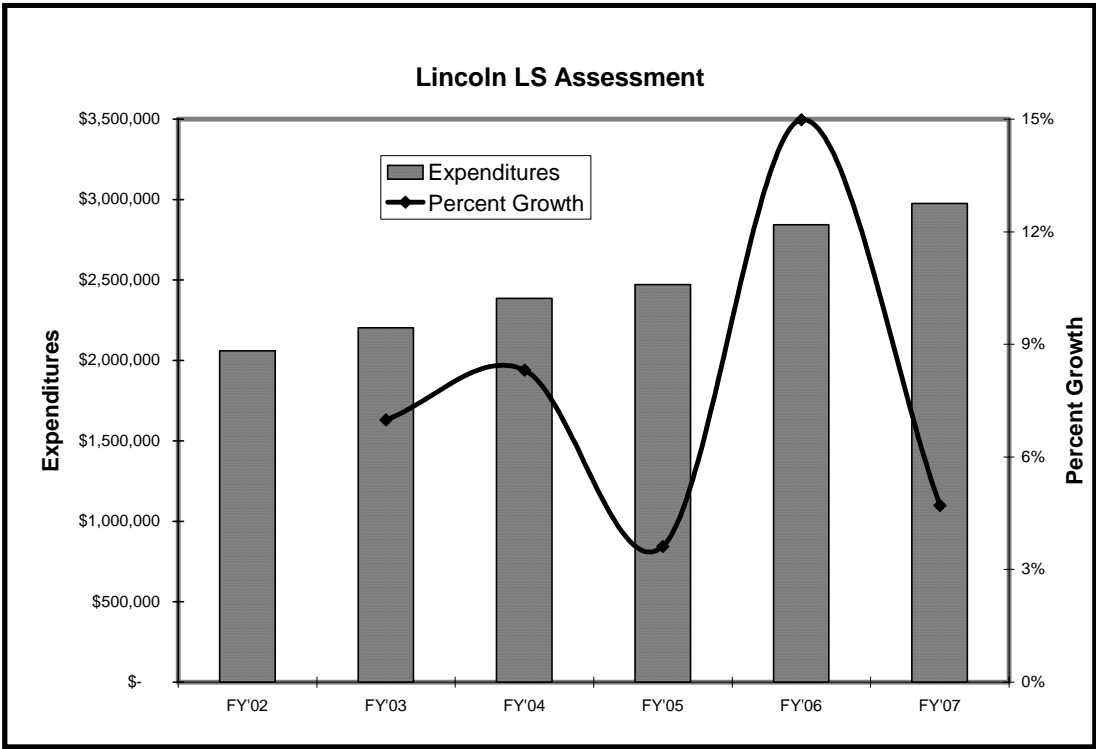
Enrollment at Lincoln-Sudbury grew by 75 students (5%) in FY'06, to 1578. In FY '07 enrollment is expected to grow by an additional 47 students (3%), to a total of 1625. Over the next several years enrollment is expected to continue to increase at the rate of approximately 5% per year. Based on enrollment the FY'06 School Budget is allocated 14.2% to Lincoln and 85.8% to Sudbury.

Reduced state aid and rising fixed costs have placed significant financial pressure on the high school's budget over the last few years. This year's Operating Budget of \$17,392,450, up by +8.7% from FY'05, reversed the trend of the previous three years of nearly flat Operating Budgets with increasing enrollment. FY '07's proposed Operating Budget increase of +6.19% provides funds for an additional 3.5 FTE teachers to maintain current class sizes commensurate with the expected enrollment increase.

As a regional school district, Lincoln-Sudbury is obliged to include within its Budget all costs incurred, including items not normally found in local school budgets, such as health and life insurance, workers' compensation, property and casualty insurance, FICA, retirement assessments and debt service. Growth in these costs continues to exert pressure on the high school's discretionary Operating Budget.

Key Issues

- Reimbursement under the State Building Assistance Fund of 75% of the construction cost of the new LS High School will save Lincoln taxpayers \$1.5 million over the next several years versus the original projected capital and interest costs for the new school.
- Receipt this year by LS of \$571,000 from the state in Circuit Breaker reimbursement for special education costs will help fund next year's expected \$300,000 increase in SPED costs at LS, and will partially offset next year's tax rate increase in Lincoln and in Sudbury.
- As a regional high school, L-S receives Chapter 70 State Aid and State Transportation Aid directly. The FY'07 L-S Budget assumes an increase in state aid of 13% in Chapter 70 funds over this year's state aid as per the Governor's proposed Budget. This increase will provide the resources needed to maintain constant class sizes with increasing enrollment at the High School next year without resorting to a Proposition 2 ½ Override.
- An expected increase of 15% in pension and insurance costs in FY '07, coupled with expected increases in the costs for gas and electricity, will continue to exert financial pressure on the LS Budget.
- The regional agreement under which LS operates provides that the lowest funding rate approved by either member Town sets the growth rate for the overall Budget. Thus, if Sudbury approves an assessment that corresponds to a lower Budget than that voted by Lincoln, Lincoln's assessment will drop accordingly.



Minuteman Regional High School

FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$126,211	\$179,882	\$164,376

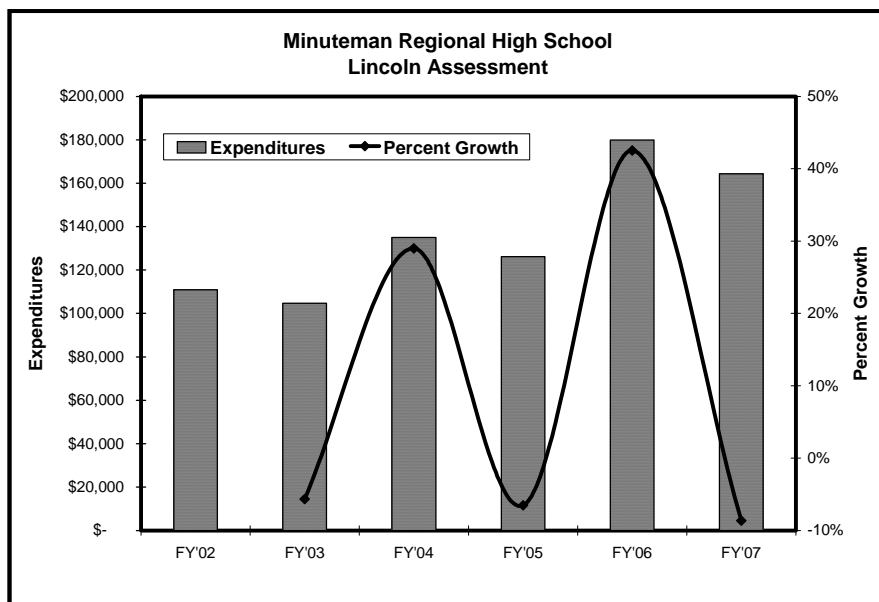
General Information

The Minuteman Regional High School, a school with one of the strongest science and engineering programs in the state, offers vocational-technical training in more than 25 professional and occupational fields and a full college academic program. Offering full-time enrollments grades 9-12, Minuteman also has a variety of part-time, after-school, middle school, career and technical educational activities, and college and industrial linkages.

Lincoln is one of 16 member municipalities comprising the Minuteman Regional School District. The district is funded by a combination of assessments from each of its municipal members, state and federal reimbursements, and tuition payments by non-member municipalities for their own enrolled students. Assessment of member towns is based primarily on the proportion of their students attending to the total of member town enrollments.

Key Issues

- Lincoln’s student share of the member total this year is seven (down from nine last year), or 1.4%.
- Lincoln’s FY '07 assessment of \$164,376 is down from last year’s \$179,882 assessment because of the Lincoln’s drop in student enrollment, and also because of an unusually high increase in Minuteman’s Budget last year when the school elected to make-up for accumulated state and federal under-funded mandates.
- About \$ 9.7 million of Minuteman’s \$16 million FY’ 07 Budget will be assessed from member towns; about \$ 3 million will be government reimbursed; and the remaining \$ 3.3 million will come from non-member town tuition payments.
- Total student enrollment at Minuteman is over 700, about 500 of which come from the 16 member towns, the remainder from over 30 other non-members towns.



Public Works & Facilities

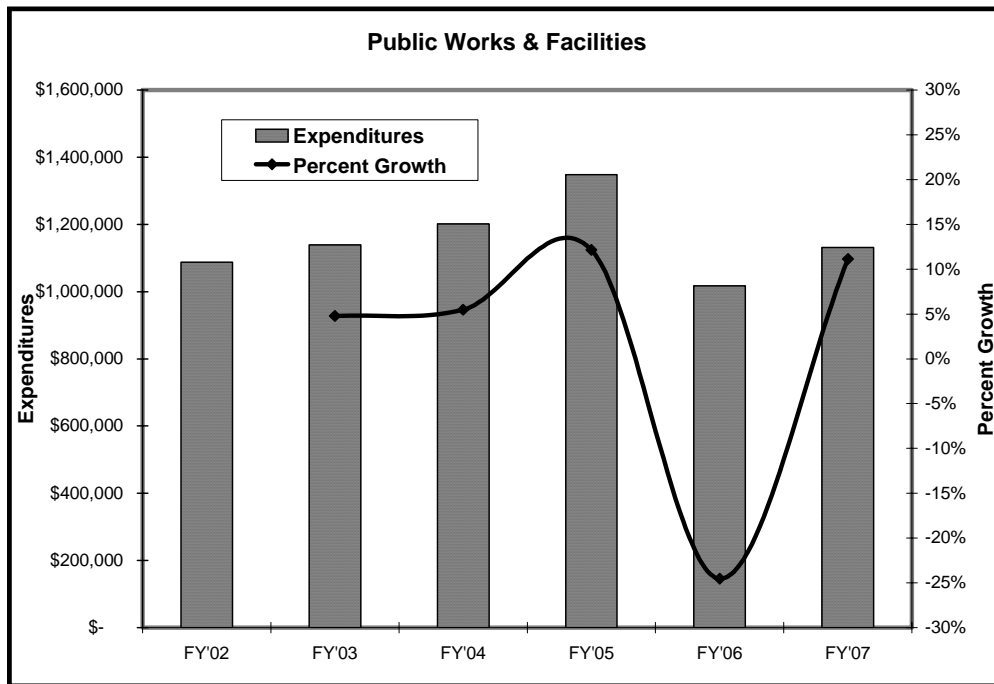
FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$1,348,261	\$1,017,488	\$1,130,923

General Information

Public Works & Facilities includes Engineering & Consulting, DPW Operation & Maintenance, Snow & Ice Control, Street Lighting, Tree Warden, Building Maintenance, Rubbish Removal, Transfer Station and Cemetery.

Key Issues

- The NESWC contract expired on September 28, 2005, at the end of the first quarter of FY'06. The Town's cost for solid waste disposal has substantially decreased. The costs of solid waste disposal are projected to drop from \$186,000 in FY '05 to \$64,000 in FY '06 and beyond.
- After the NESWC contract expired, the Town was able to close out the NESWC stabilization fund. The Town received a check for \$458,952, which will be closed out to Free Cash in FY '06.
- The FY '07 Budget provides additional resources and supplies for road repair and maintenance.
- This Budget is, otherwise, a Level Services Budget.



Warrant Articles

- Replace DPW truck: \$32,500
- New Conservation Commission tractor with mower: \$32,000

Human Services

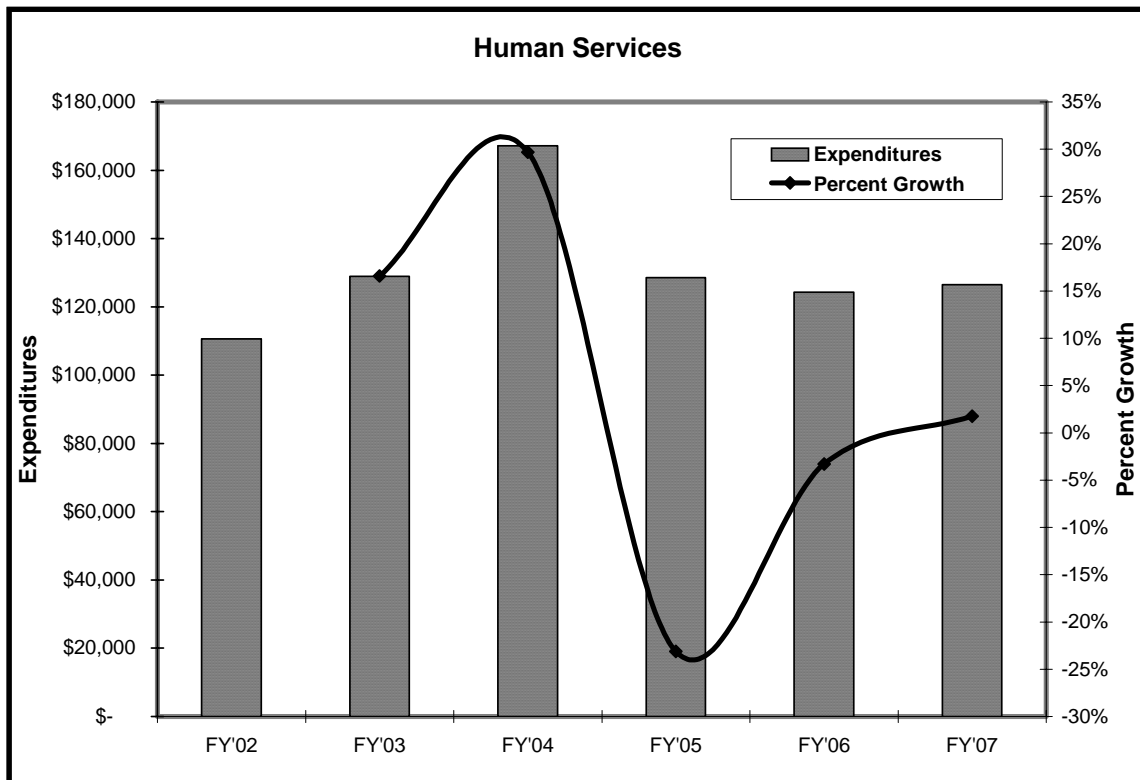
FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$128,548	\$124,330	\$126,528

General Information

Human Services covers a broad range of programs provided by Lincoln to its citizens in order to promote their well-being. It includes the Board of Health (BOH), the Council on Aging (COA), Veteran's Services, the Housing Commission, and the Minuteman Home Care Membership.

Key Issues

- The Council on Aging, which provides a variety of services to elders and their families, is the largest component of this department; current staff levels at COA are maintained.
- A total of \$2,500 is cut from the COA newsletter and other COA programs
- Funds for the Housing Commission were deleted in the FY'06 Budget and are now provided through a previously established revolving account.
- This Budget is, otherwise, a Level Services Budget.



Library

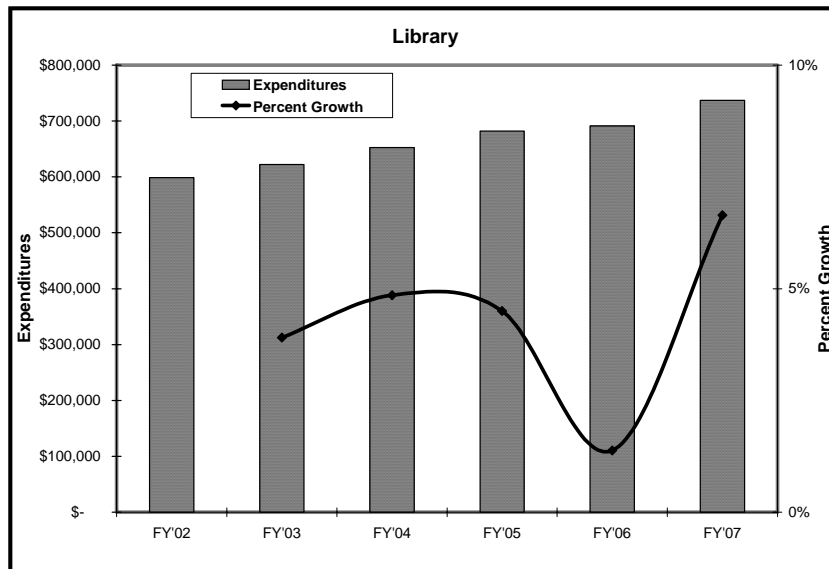
	FY '05 Actual	FY '06 Budget	FY '07 Proposed
General Information	\$681,834	\$691,254	\$737,158

The Lincoln Public Library is open seven days a week during the winter months (57 hours) and five days a week during the remainder of the year. It maintains full service staffing and a book budget commensurate with the needs of a highly literate public. It is currently a member in good standing of the Minuteman Library Network providing access for residents to books, tapes, DVDs and reference materials from the facilities of the forty-one member Towns' libraries. The Library continues to be extremely busy responding to the varied needs of town Residents.

Jeanne Bracken, one of Lincoln's librarians, won the New York Times Librarian of the Year award. Over 1,200 librarians were nominated for this award, but only 23 won in 2005.

Key Issues

- The FY'07 Budget enables the Library to meet the level of book expenditures required to maintain state Certification. Certification is a condition of the Town's continued participation in the Minuteman Library Network and qualifies the Library for some state funding.
- The Proposed Budget includes maintaining current hours as well as additional staff hours for the reference desk on Wednesday afternoons, and more administrative staff time to cover the various building projects.
- Repairs and maintenance to the Library's physical plant continue. The Preston Building window restoration project, funded by Community Preservation Act funds, is essentially complete. The replacement of the Gund Building roof is underway, also funded by the CPA.



Warrant Articles

- Building repairs and required maintenance: \$25,000
- Replace library carpet: \$23,000

Recreation, Conservation Land and Celebrations

	FY '05 Actual	FY '06 Budget	FY '07 Proposed
Recreation	\$304,531	\$311,272	\$317,577
Celebrations	\$20,193	\$20,399	\$20,399
Conservation Land	\$69,332	\$75,600	\$65,994
Pierce House			\$40,000
	\$394,056	\$407,271	\$443,970

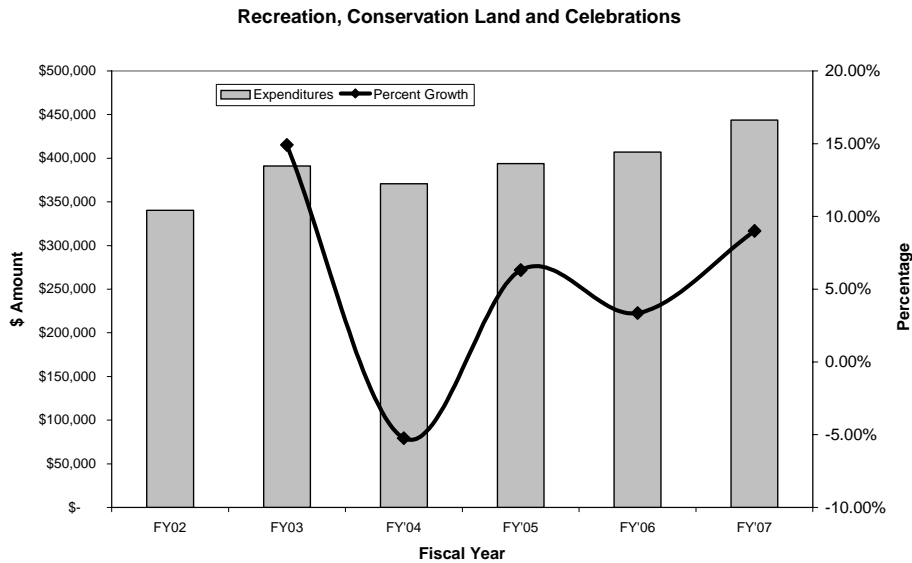
General Information

A six member **Recreation Committee**, half elected and half appointed by the Board of Selectmen, oversees the Recreation Department. The Department provides a range of recreational activities for Lincoln citizens of all ages. It manages all of the Town’s recreational facilities, including the tennis courts, playgrounds, playing fields and the Codman Pool. The Department also operates a children’s summer camp and schedules use of facilities at the Lincoln School campus for after-hours activities. It is staffed by a Director and an Assistant Director.

Appointed by the Board of Selectmen, the **Celebration Committee** is responsible for supporting the Lincoln Minutemen’s Patriot’s Day activities, the Memorial Day Observance, all July Fourth festivities, and the Pierce Park Summer Concert Series.

Conservation Land contains the expenses associated with the maintenance and recreational use of conservation land.

The Pierce House is Town-owned and is rented to the public for weddings, parties and other events. Due to the changing economics of its business, the number of functions at the Pierce



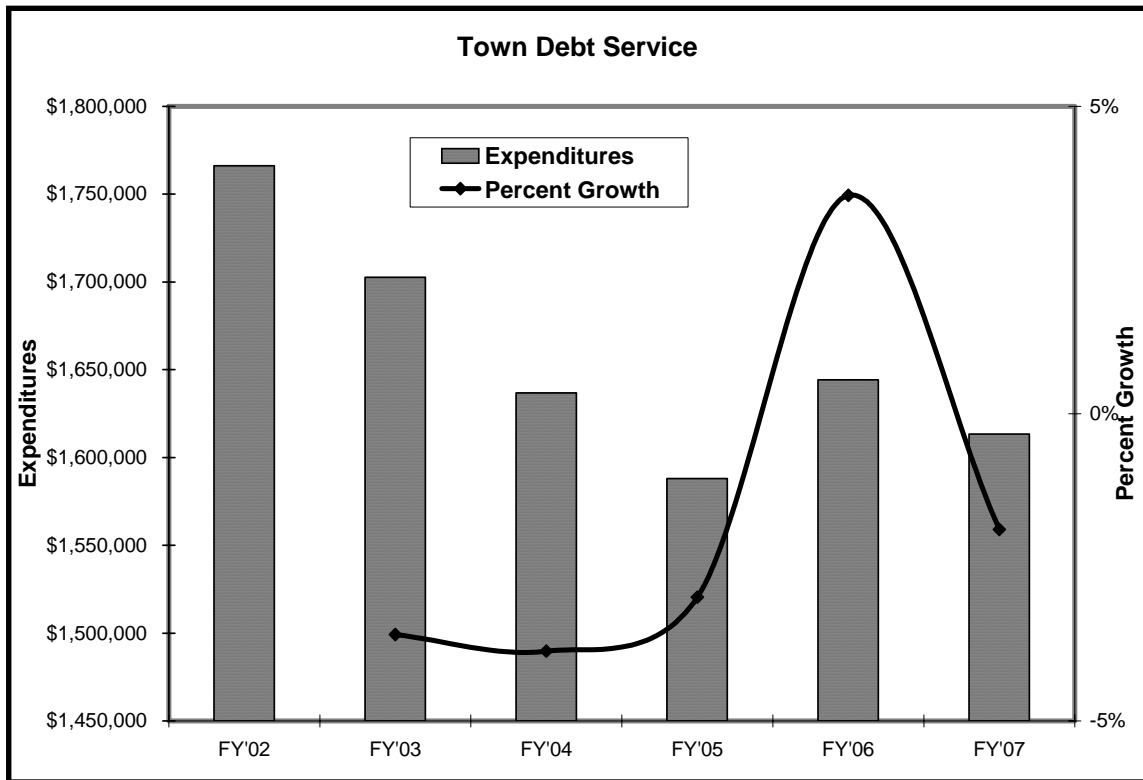
House has decreased. After a reorganization, the Board of Selectmen is now responsible for the Pierce House manager’s salary.

Town of Lincoln Debt Service

FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$1,587,986	\$1,644,375	\$1,613,401

General Information

Debt service represents principal and interest payments on the Town’s outstanding loan obligations. It increases when Town Meeting decides to incur indebtedness through short-term borrowing or issuing bonds. Because principal is repaid on a level basis and interest is paid on outstanding balances, debt service is “front loaded” with high payments initially that decline as principal is paid down over time (unlike a mortgage payment that remains level throughout its life). Municipal bonds may not be retired on an accelerated basis in order to take advantage of declining interest rates. Town of Lincoln has the highest rating possible, AAA. This will mean the lowest borrowing costs in the future.



Pensions and Insurance

FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$3,024,920	\$3,552,691	\$4,039,564

General Information

This category covers Retirement Insurance, Health Insurance, General Insurance (e.g. property and casualty), FICA/Medicare, Life Insurance, and Unemployment Insurance.

The Town is a member of the Middlesex Retirement System and contributes annually to a retirement fund that covers public sector employees within the former Middlesex County. The Assessment for Lincoln in FY'07 increased by 13% over FY'06 and it is expected that this rate of increase will continue in the future.

The Town offers several health insurance plans to its employees, including employees of the local K-8 school system. These expenses are carried in this line item, not in the K-8 School Budget. Health insurance costs have increased by 15% over FY'06.

The Town also pays for unemployment, life insurance and employee related FICA costs. State and federal law, personnel by-laws, and contract negotiations with the Town's unions determine the Town's share of contributions to these programs and benefits.

General Insurance (Property and Indemnity) includes worker's compensation, liability insurance, and the bonding of appropriate Town personnel. This has increased 15% over FY '06, which is standard for Massachusetts.

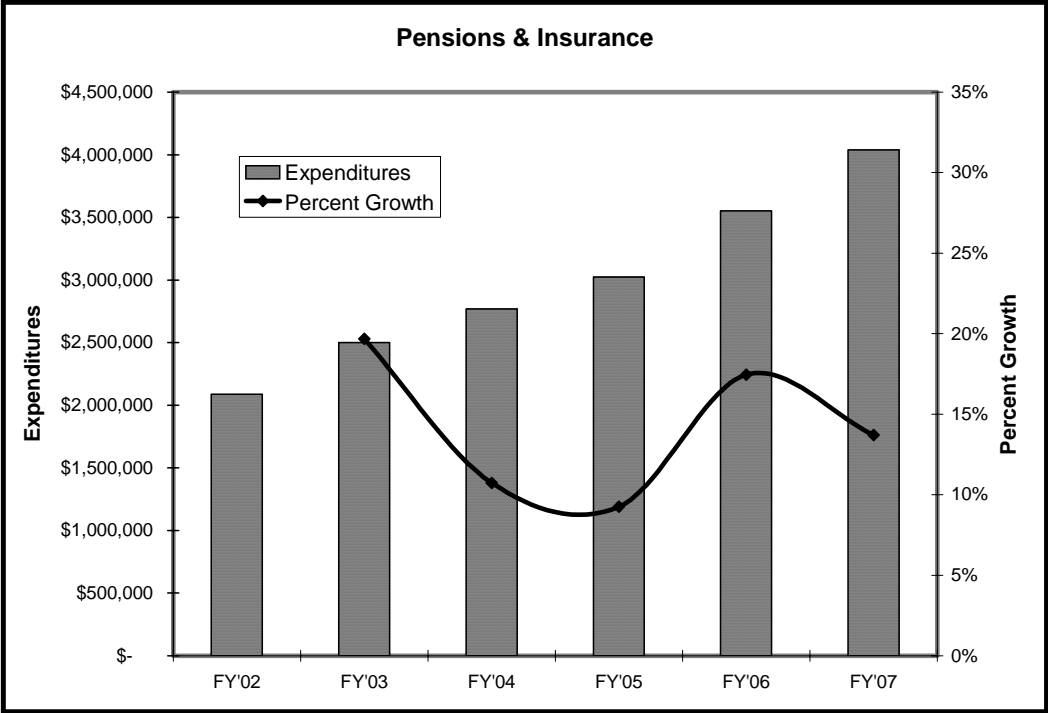
Key Issues

Pensions and Insurance Components and Growth

	FY '03	FY '04	%	FY '05	%	FY '06	%	FY '07	%
			growth		growth		growth		growth
Retirement Assessment	661,652	637,917	-4%	700,950	10%	805,000	15%	910,000	13%
Unemployment Insurance	45,584	35,769	-22%	21,990	-39%	30,000	36%	30,000	0%
Health Insurance	1,404,670	1,663,100	18%	1,832,248	10%	2,190,100	20%	2,520,200	15%
Life Insurance	7,094	7,007	-1%	6,615	-6%	9,000	36%	9,000	0%
FICA/Medicare	181,474	197,603	9%	208,020	5%	216,800	4%	223,304	3%
General Insurance	199,800	227,235	14%	255,097	12%	301,791	18%	347,060	15%
	2,500,274	2,768,630	11%	3,024,920	9%	3,552,691	17%	4,039,564	14%

62% over 4 years

- The primary drivers of the Pensions and Insurance increases are the Middlesex County Retirement Assessment and Health Insurance
- Changes in Pensions and Insurance have been highly volatile over the last few years, with substantial annual rates of increase. We expect this to continue into the future.
- All rates of increase are consistent with comparable government insurance rate increases across the state of Massachusetts



Water Department

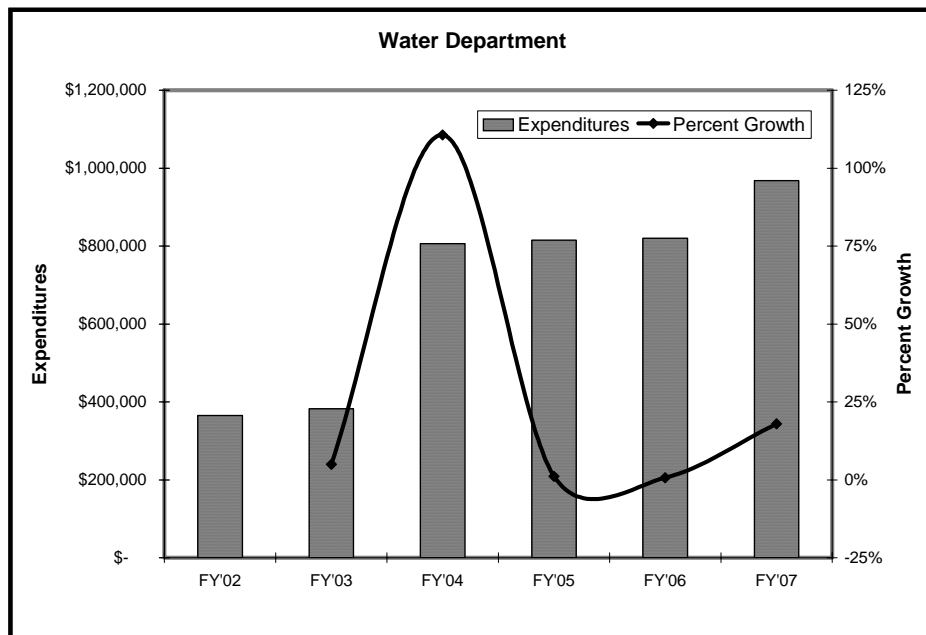
FY '05 Actual	FY '06 Budget	FY '07 Proposed
\$815,378	\$820,639	\$968,061

General Information

The Water Department maintains Lincoln’s water supply and distribution system and assures the quality of the Town’s drinking water. Its Operating Budget is funded entirely through fees paid by water consumers. Water fees have generated a significant surplus in recent years yet current Revenues are expected to equal current operating costs so the existing surplus is not expected to increase. About 80% of Lincoln’s homes are connected to the Town water system. Most of the remainder use private wells.

Key Issues

- The water department’s surplus currently stands at approximately \$1.9 million.
- A two-tier water rate has been in effect for one year and is still under review.
- The total annual water consumed by less than 20% of the population is shocking and points to the need for more water conservation efforts.
- The Department of Environmental Protection continues to apply pressure on the Town to reduce water usage. To this end, the water board is installing more accurate meters to more closely monitor the amount of water used per person per day.



Warrant Articles (to be funded by the Water Surplus):

- \$20,000 for filter replacements,
- \$50,000 for electrical services and standby power generator at the Tower Road well,
- \$20,000 for hardware & software for the semi-annual water billing system, and
- \$30,000 to evaluate options regarding the Bedford Road storage tank.

