

REPORT  
of the  
FINANCE COMMITTEE  
of the  
TOWN OF LINCOLN  
for the  
FISCAL YEAR  
JULY 1, 2005 - JUNE 30, 2006

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 the ballot box and at Town Meeting. The following document describes how the FY'06 Budget was built, the Budget and its component parts, and supporting detail.

## 2. Overview

### **Budget Context**

Budgets are created by each of the Town's budgeting agencies within the context of prevailing economic and political conditions in the Commonwealth and our nation. The State is beginning to see increases in tax revenues, so much so that the Governor is again talking about lowering the State's income tax rate. Weakness in the high-end real estate market may be causing a drop in Lincoln tax revenue derived from New Construction.

As long as the costs of doing business continue to go up and State Aid remains at current levels, pressure on local revenue sources can only increase. In Lincoln, this is compounded by the fact that the Tax Levy relies heavily on residential property. Additional revenue from local sources has been maximized as cell tower rental fees and commuter parking receipts reach full implementation.

As we look out over the next five years or so, growth in expenditures is expected to outstrip growth in the Town's revenues by 5 to 6%. 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) 3-4% 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 expenditures the Town is obliged to make (e.g., debt service, pensions and insurance, NESWC contract), called Required Expenditures. This yields the funds available for discretionary spending in a No Override (or Base) Budget.

Without an Override and the application of funds from the stabilization account, the tax levy is expected to grow by 4.3% in FY'06. The FAA indicates that most of this growth will be the excluded debt issued to build the new high school, plus the nondiscretionary expenditures. This year's Base Budget Guideline initially limited growth in the discretionary portion of operating budgets to six tenths of a percent (0.6%). Later adjustments increased this Base to +0.7%.

**Zero growth Base risk Service Reductions:** Generally, Base Budget growth below the rate of inflation requires a reduction in service. When Base Budgets are limited to less than inflation over a period of years, substantial reductions in service are unavoidable. Because Town budgets are largely composed of personnel costs, fixed under the terms of collective bargaining agreements, they commonly provide for 3-4% cost of living adjustments plus step increases. Past budgetary constraints have forced the budgeting agencies to utilize every efficiency possible. Over the last several years the palatable opportunities for productivity and efficiency gains have been exhausted. In the future service levels will inevitably decline without Operating Overrides.

**Individual Agency Override Budget Requests:** The Finance Committee's Guideline requested that each Budgeting Agency identify service restorations or improvements, which would warrant an Override Request. These "Preferred Budget" proposals were considered only after Base Budgets that met the No Override criteria had been fully explored.

**Finance Committee Recommends \$490,000 Override:** Throughout the fall and winter the Finance Committee held public meetings with each of the principal Budgeting Agencies and reviewed each agency's Base Budget and their individual Override Request. Based on this review, the Finance Committee recommends that the Town pass an Override in the amount of \$490,000. In an attempt to catch-up, Lincoln-Sudbury Regional High School represents a disproportionate part of this figure. This will be the first time since FY '03 that L-S is included in a Lincoln Override because Town of Sudbury has an Operating Override before its voters this year. In regional schools districts, the Town that passes the lowest budget sets the budget. The Override breakdown is as follows:

<b>Town Operating</b>	<b>\$153,000</b>
<b>Library</b>	<b>\$31,000</b>
<b>K-8 Schools</b>	<b>\$118,000</b>
<b>Lincoln-Sudbury HS</b>	<b>\$188,000</b>

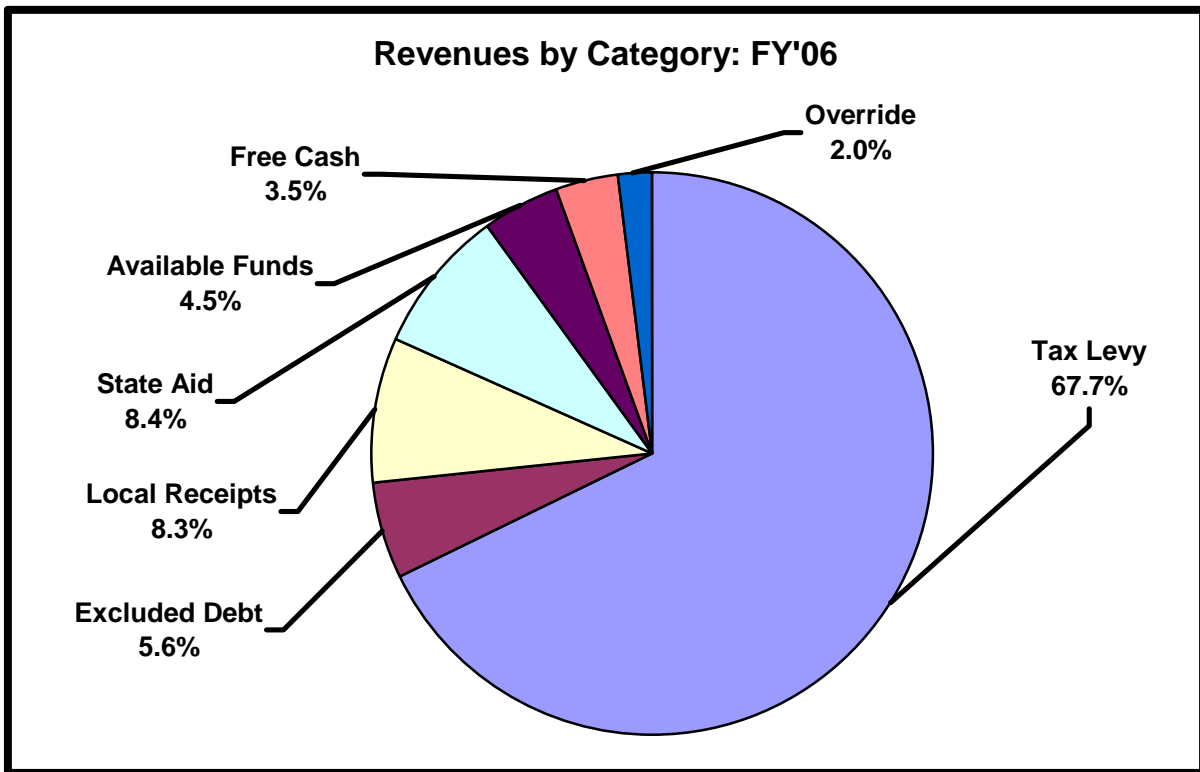
### **3. Revenues**

Total Revenue for the Town of Lincoln for FY'06 is projected at \$23,585,036 (excluding Water) without an Override. This represents a 3.6% increase over FY'05. Including the proposed \$490,000 Override, the Total Revenue for the Town would be \$24,075,036, representing an increase of 5.7% over FY'05.

Difficulty in estimating Lincoln's FY'06 Revenues were caused by uncertainties regarding State Aid. The risks of over-estimating revenues which can result in Special Town Meetings or emergency mid-year budget reductions were balanced against the need for another year of significant budgetary constraint. The Finance Committee has sought to mitigate these risks with careful estimates and reasonable contingency provisions.

Revenue categories and their percentage of total Revenues are shown in the pie chart on the next

page.



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 estimates that non-discretionary items will consume 72% of the \$509,000 that Prop. 2 ½ allows us to raise. That leaves only \$142,500 for budget increases to be spread among the Town, the Lincoln School, the Lincoln Library and Lincoln-Sudbury Regional High School. These entities must include costs within their operating budgets that they have little control over, such as fuel and electricity, and in the case of the schools, special education. For FY'06 the Proposition 2½ levy limit is \$16,873,459, and the estimate of taxes from new construction is \$100,000, for a total Tax Levy of \$16,973,459. This constitutes 65.4% of the Total Revenues shown in the pie chart above.

Additional property tax revenues may be raised through debt exclusions or overrides. 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 5.5% of the Total Revenues, comparable to the FY'05 percentage.

The proposed FY'06 Override of \$490,000 is 1.9% of the Total Revenues and will become the final component of the property tax if approved. As shown in the Table at the top of the next page, all four of these components of the property tax together equal 72.8% of Total Revenue, up

from 70.6% last year. The proportion of total revenues from property taxes will continue to increase unless offset by new Revenues.

### **Property Tax Components as % of Total Revenue**

	FY'05	% of	FY'06	% of Total
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Revenues</u>
<b>Proposition 21/2 Levy</b>	<b>\$15,532,012</b>	<b>64.0%</b>	<b>\$16,773,459</b>	<b>65.0%</b>
<b>New Construction</b>	<b>\$232,038</b>	<b>1.0%</b>	<b>\$100,000</b>	<b>0.4%</b>
<b>Debt Exclusion</b>	<b>\$1,158,053</b>	<b>4.8%</b>	<b>\$1,407,099</b>	<b>5.5%</b>
<b>Override</b>	<b>\$212,000</b>	<b>0.9%</b>	<b>\$490,000</b>	<b>1.9%</b>
		<b><u>70.6%</u></b>	<b><u>Total</u></b>	<b><u>72.8%</u></b>

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 largely 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. The Finance Committee remains cautious about how relatively wealthy towns like Lincoln will be affected by the pending redistribution of State Aid to support public education. State Aid is therefore estimated to increase by only 3% in FY06. This brings State Aid to 8.1% of Total Revenue, which is down from 14% of total Revenues in FY’01.

The amount of \$1,215,806 was Certified Available Free Cash by the Department of Revenue. Of this amount, \$865,815 was applied to the FY’06 Operating Budget.

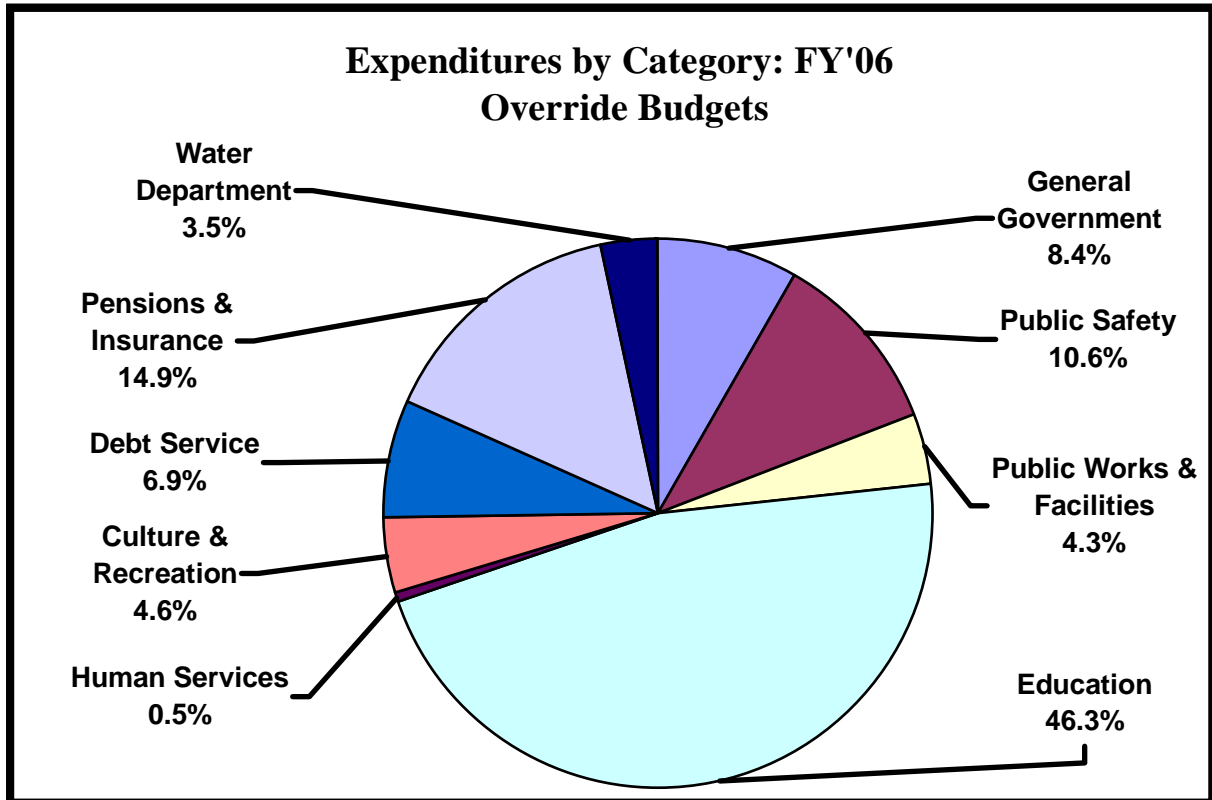
The last component of the Revenue pie is called Available Funds. Available Funds consists of Water Department receipts, state highway department funds (Chapter 90), and payments to the K-8 Schools for some operating expenses at Hanscom Air Force Base. While the amount attributable to the Available Funds 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’06 Base Budget are projected at \$23,383,056, which is an increase of 2.6% over FY’05. Adding the proposed \$490,000 Override produces a Total Budget of \$23,873,056 for a 4.7% increase.

The pie chart on the following page shows the breakdown of expenditures among the budgeting

categories.



Education comprises the largest component of the Town's expenditures, consuming \$11,064,542 or 46.3% of the total. The Education category includes Lincoln K-8 Schools, the Lincoln-Sudbury Regional High School assessment, and the Minuteman Regional Technical 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'05 Budget	FY'06 Override Budget	% growth
<b>Lincoln K-8 School</b>	\$7,884,047	\$8,047,635	2.1%
<b>Lincoln- Sudbury RHS</b>	\$2,472,546	\$2,837,025	14.7%
<b>Minuteman Tech RHS</b>	\$155,282	\$179,882	15.8%
<b>Total</b>	<b>\$10,511,875</b>	<b>\$11,064,542</b>	<b>5.3%</b>

The three components of education and their individual growth rates are shown in the table above. Growth in the K-8 budget was largely offset this year by the additional Special Education

reimbursement funds. The growth of 14.7% in the L-S assessment is because; 1) the Town of Sudbury has its first Override in three years before voters and because of, 2) the Excluded Debt issued to build the new high school building. The Minuteman assessment is based on last year's enrollment.

Pension and Insurance costs for FY'06 of \$3,552,691 constitute 14.9% of total expenditures vs. 13.9% in FY'05. Growth in this category is likely to remain relatively high in the future, consistent with industry trends. Debt Service, even excluding the debt issued to build the new high school, accounts for 6.9% of expenditures in FY'06.

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, 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 a Capital Planning Committee composed of one representative each from the Board of Selectmen, the K-8 schools, the Finance Committee and the Library, two at large members, and the Town Administrator and Finance Director *ex-officio*. It is the Capital Planning Committee's responsibility to consider future expenditures on any tangible assets with a useful life of at least five years and valued at \$15,000 or more, and to evaluate planning studies and design services for projects that will result in a request for future funding in excess of \$15,000.

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

All proposed capital expenditures are assessed to determine whether or not they might qualify for funding under the Community Preservation Act. Appropriate requests are referred to the Community Preservation Committee for their review.

The majority of capital expenditures are financed within each year's budget. Expensive items may be proposed for capital exclusion, 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 for capital exclusion this year.

### Capital Expenditures FY'06

		<b>FY'06 Capital Plan</b>
Public Works	Multipurpose Vehicle	<u>\$106,000</u>
Fire Dept.	Replacement of Firemen's Breathing Apparatus	\$15,000
Police Dept.	Replace 2 Police Cruisers	\$63,500
Public Safety & Public Works	Study: Radio Communications Infrastructure	\$25,000
Information Technology	Hardware, Software & Training	\$57,000
Miscellaneous	Study: Town Facility Assessment	\$20,000
K-8 School Syster	Classroom Maintenance	\$50,000
	Technology Systems Upgrade	\$50,000
	Purchase of 2nd Van	\$20,000
	Pod Canopy Removal, Supplemental Funding	<u>\$25,000</u>
<b>TOTAL</b>		<b>\$431,500</b>

### **Community Preservation Act**

The Town of Lincoln approved the Community Preservation Act (CPA) surcharge of 1 ½ % 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 four others nominated from each of the following: Conservation Commission, Housing Commission, Historic District Committee and Recreation Committee. The Act allows the Town to spend the money for affordable housing, historic preservation and land conservation / 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.

The chart below summarizes money raised and appropriations to date.

In FY'04, the Town authorized the CPC to spend the funds on a State-owned lot reserved for affordable housing, to "buy-down" a Battle Road Farm condominium for affordable housing, and to replace the roof on the historic Pierce House.

In FY'05, the CPC proposed building two affordable housing units, repairing windows at the Lincoln Library and making a contribution to the Lincoln Conservation Commission for open space purchases.

The CPC had not made its final decisions on proposals for FY'06 when this went to press.

<b>CPA Appropriations</b>				
<b>Contributions</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>Total</b>
Town Share	\$220,000	\$465,238	\$489,816	
State Share	<u>203,000</u>	<u>220,879</u>	<u>465,238</u>	
Sub-Total	423,000	686,117	955,054	2,064,171
<b>Appropriations</b>				
Affordable Housing	269,000	239,500		
Historic Preservation	80,000	95,000		
Conservation/Recreation		163,500		
CPC Expenses	<u>5,000</u>	<u>-</u>		-
Sub-Total	354,000	498,000	-	852,000
Unallocated Funds	42,000			

## 6. **Override Recommendation**

The Finance Committee is asking the voters of Lincoln to consider an Operating Override for the sixth time in five years. The committee is sensitive to the burden an Override may pose to some taxpayers. Therefore the FinCom also recommends using the Stabilization Fund to mitigate the Override's impact.

Unfortunately growth in Town spending, primarily for contractual salary increases and rising health care costs continues to out pace new revenues. When 80% of Lincoln's Operating Budget is spent on its personnel, this trend will continue to plague our Town.

In arriving at this recommendation, the Finance Committee has carefully examined both the Town's recent budget history and its financial outlook over the next five years. The Override Budget for FY'06 represents an average increase of 3.0% among the Town's four principle budgeting agencies. This follows a period of years in which budget growth was held near the level of inflation. Over time this pattern yields ever fewer opportunities for productivity and efficiency gains and service levels inevitably decline. Unless the Town is willing to risk the viability of our Regional High School and reduce services elsewhere, an Override is necessary.

While the temptation in tight 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 services once dismantled can consume disproportionate amounts money to reassemble. This precisely what is causing L-S's large Override Budget request this year. Interruptions in basic service also distract policy makers from the strategic thinking that best serves the Town's needs over the long run.

The Board of Selectmen is responsible for the Town Operating component of the Override request. The amount requested in the Override Budget preserves a firefighter position (1 of 9 total), a DPW position (1 of 8 total), enables the Public Safety Department to keep a full-time administrative support position rather than reduce to part-time, maintains a part-time custodian for the Public Safety complex and maintains the current Conservation Ranger presence on trails. The Selectmen's preferred budget also adds a few additional hours per week of part-time coverage in the Town Clerk's office, provides funding to enhance the Town's paramedic service (provided through a contract with Emerson Hospital), and includes a small sum to enable the Conservation Department to begin a limited wildlife management program.

The Library's Base Budget is able to maintain existing weekday service levels and retain its state certification. The Library portion of the Override would preserve its Sunday hours.

The Base Budget of the K-8 Schools maintains most programs consistent with a level services budget. Its Override request supports additions to instrumental music and library materials and enhances its professional development and curriculum. At LSRHS, Sudbury's decision to propose an Override means that the high school will be able to hire new teachers after several years of absorbing additional enrollment without adding to staff. Future Overrides would be necessary for L-S to regain prior student/teacher ratios.

The Finance Committee therefore recommends for FY'06 an Override of \$490,000. It is divided among the Budgeting Agencies as follows:

**Override Distribution**

Agency	FY'05 Budget	FY'06 Base Budget	Override Increment	FY'06 Override Budget	FY'06 Override Budget as % Increase over FY'05
<b>Town Operating</b>	\$6,026,411	\$5,946,554	\$153,000	\$6,099,554	1.2%
<b>Library</b>	\$665,664	\$660,254	\$31,000	\$691,254	3.8%
<b>K-8 Schools</b>	\$7,884,047	\$7,929,635	\$118,000	\$8,047,635	2.1%
<b>Lincoln-Sudbury HS</b>	\$1,811,095	\$1,853,632	<u>\$188,000</u>	<u>\$2,041,632</u>	<u>12.7%</u>
			<b>\$490,000</b>	<b>Total</b>	<b>3.0%</b>

\*Note: The LSRHS amounts are net of Debt Service & Pensions and Insurance

The impact of this Override on taxes is shown in the table below. For a Lincoln property of median value with an assessed value of \$910,500 the Town's Base Budget for FY'06 will increase the tax burden by 2.80%, or roughly \$232 more than the FY'05 tax bill. An Override of \$490,000 along with the increased L-S excluded debt results in an additional tax increase of 3.67%, or \$304 more on that home's tax bill, for a total increase over FY'05 of 6.47%, or \$536 total additional dollars. The right hand column shows how the additional taxes will increase the CPA surcharge.

**Tax Impact on \$910,500 House & Property**

	<b>\$ Tax Increase over FY'05</b>	<b>% Increase over FY'05</b>	<b>\$ CPA Surcharge Increase</b>
<b>FY'06 Base Budget</b>	<b>\$304</b>	<b>3.67%</b>	<b>\$9</b>
<b>Override Increase</b>	<b>\$232</b>	<b>2.80%</b>	<b>\$7</b>
<b>FY'06 Override Budget</b>	<b>\$536</b>	<b>6.47%</b>	<b>\$16</b>

**7. Stabilization Funds and Emergency Reserve Policy**

The Finance Committee is recommending that \$200,000 of the **Stabilization Fund** 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 effect of applying the Stabilization Funds reduces the Override impact by \$95 on a \$910,500, median value property and is shown in the following table.

**Tax Impact on \$910,500 House & Property**

	<b>\$ Tax Increase over FY'05</b>	<b>% Increase over FY'05</b>	<b>\$ CPA Surcharge Increase</b>
<b>FY'06 Base Budget</b>	<b>\$304</b>	<b>3.67%</b>	<b>\$9</b>
<b>Override Increase</b>	<b>\$232</b>	<b>2.80%</b>	<b>\$7</b>
<b>FY'06 Override Budget</b>	<b>\$536</b>	<b>6.47%</b>	<b>\$16</b>
<b>Minus Stabilization Funds</b>	<b>-\$95</b>	<b>-1.14%</b>	<b>-\$3</b>
	<b>\$441</b>	<b>5.33%</b>	<b>\$13</b>

**The use of \$200,000 of the Stabilization Fund has the effect of reducing the tax impact of the Override so that it is comparable to a \$290,000 Override.**

The \$130,000 that remains in the Fund will be used in subsequent years as the L-S debt impact on tax bills peaks.

The Town's reserves in the event of financial emergencies are comprised of three parts: the Reserve Fund, for unforeseen expenditures; the Stabilization Fund, for particular future requirements; and Certified Available Free Cash. The Finance Committee has refined its **Emergency Reserve Policy**, based on these three components, to protect the Town in case of an unanticipated financial event. The policy sets a targeted minimum position and a timeline for achieving that position. The last few years we have increased Free Cash so that some of the Stabilization Fund can now be released to ease the burden of real estate taxes.

## 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 last year. The state legislature, however, still has been unable to pass a uniform Senior Circuit Breaker that can be applied throughout the Commonwealth. 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. Last year the Town voted to double the CPA surcharge to the maximum of 3%. Lincoln should have available close to \$1 million, half of it from a state matching fund, to spend on community housing, historic preservation, conservation and recreation land.
  
3. **Land Use Fiscal Analysis** - The Finance Committee, the Board of Assessors and the Board of Selectmen have begun development of a Land Use Fiscal Analysis (LUFA) tool which will allow us to identify the municipal costs and revenues associated with a variety of land uses (e.g., single-family, multi-family and senior housing; office, restaurant or commercial space; agricultural, conservation and non-profit uses, etc.). This will be helpful as we explore the possibility of additional commercial development in Lincoln and more fully deploy a split tax rate.
  
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.

## General Government

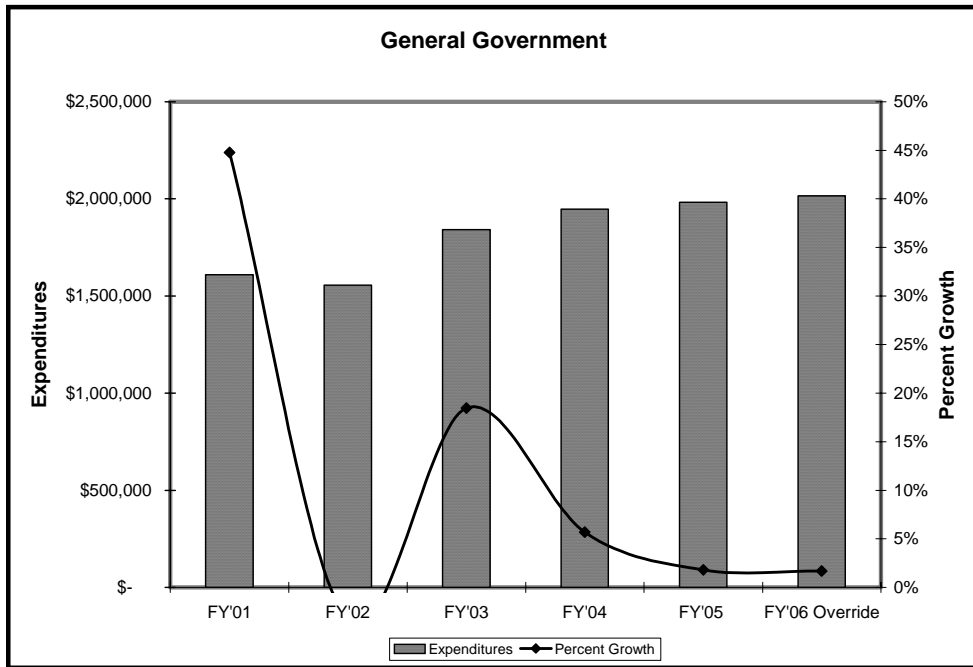
FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
\$1,755,937	\$1,982,488	\$2,014,743	\$1,359

### 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 both the town and school.
- FY'06 is the first year of a 3-year collective bargaining agreement.
- The Override request will increase part-time office coverage in the Town Clerk's office by three hours per week.



### Warrant Articles

- Hardware, software and training: \$57,000
- Town Facility Assessment: \$20,000

## Public Safety

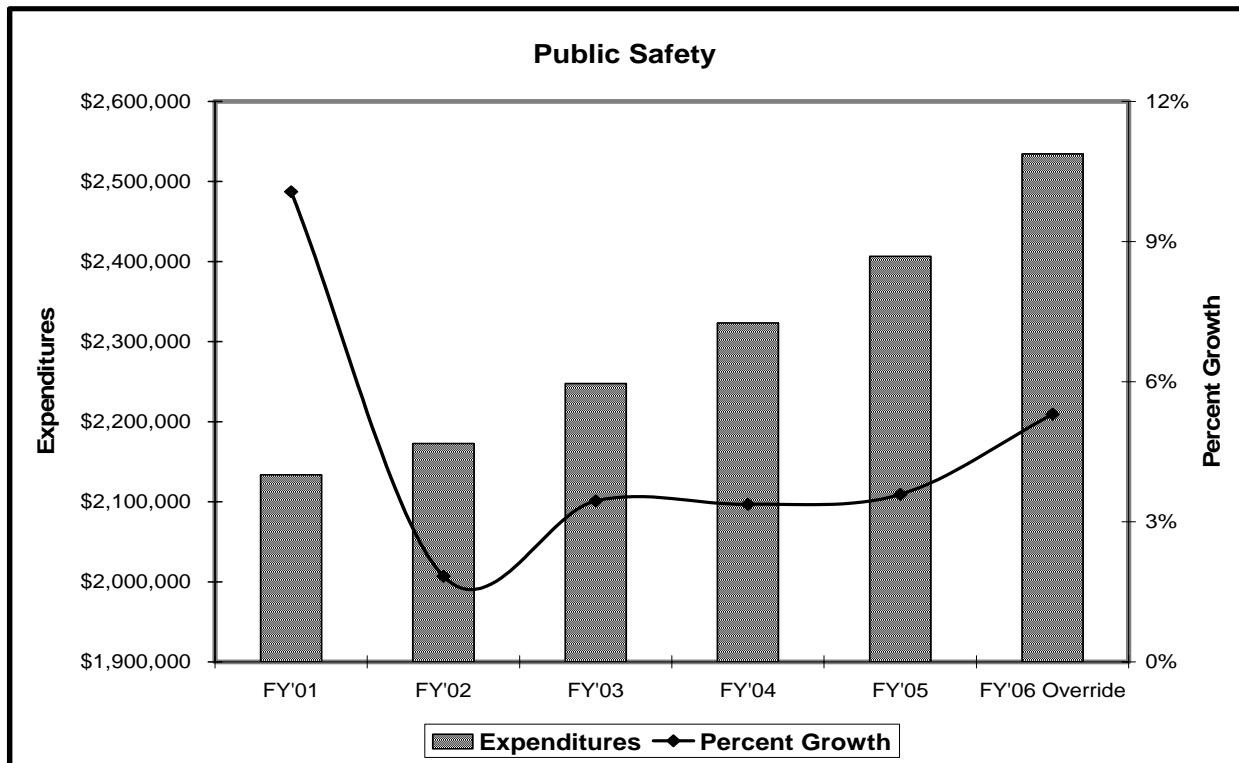
FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
\$2,331,414	\$2,406,721	\$2,435,726	\$98,641

### 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'06 is the first year of a 3-year collective bargaining agreement which accords cost of living adjustments of three percent.
- The Override request restores personnel hours to the Police and Fire Departments, provides additional funds for Emergency Medical Services supplies, and restores custodial services to the Public Safety Building.



### Warrant Articles

- Replace 2 police cruisers: \$63,500.
- Rolling Replacement of Breathing Apparatus: \$15,000.
- Study: Radio Communications Infrastructure: \$25,000.

## Lincoln K-8 Schools

<b>FY'04 Actual</b>	<b>FY'05 Budget</b>	<b>FY'06 Base Budget</b>	<b>FY'06 Override Impact</b>
<b>\$7,764,047</b>	<b>\$7,884,047</b>	<b>\$7,929,635</b>	<b>\$118,000</b>

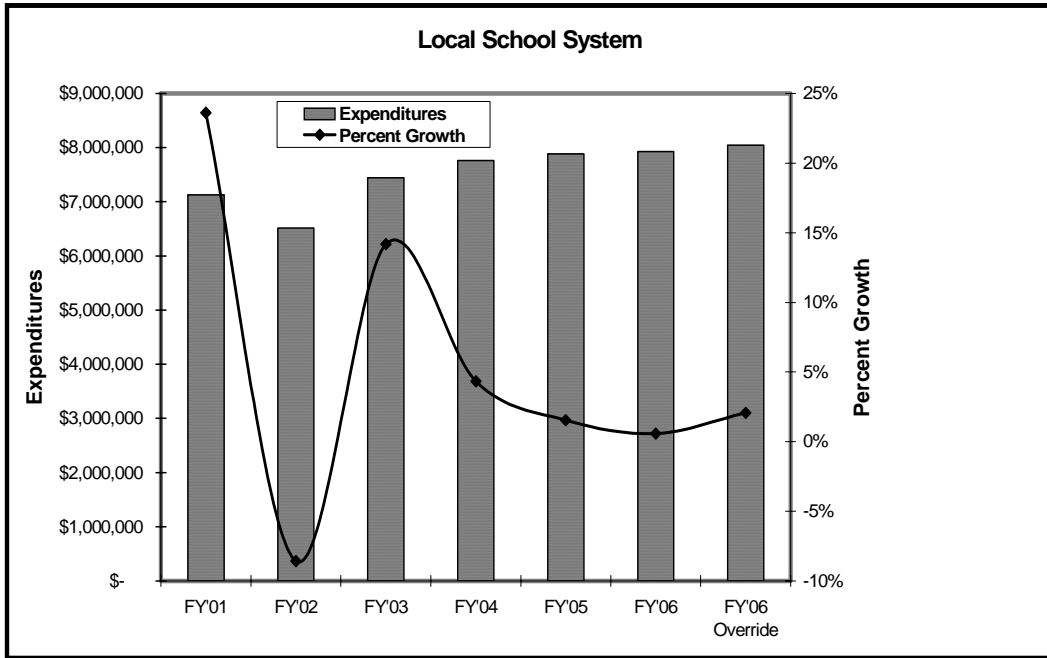
### General Information

In 2004, the Lincoln Public Schools continued to work to maintain and improve its educational programs, despite continuing fiscal constraints. The assistant superintendent is reviewing the curriculum and, in conjunction with the superintendent and the School Committee, pursuing improvements. The schools are also addressing various issues with building and campus maintenance and planning for the potential renovation of the Hartwell Building, the Pods, and other facilities identified in a recently completed study. The School Committee will be forming a Facilities Task Force to respond to the findings of the study.

The METCO program brings students from Boston into the Lincoln schools 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. Following a Town forum about METCO in 2003, the School Committee sponsored a warrant article about METCO for Town meeting and a non-binding referendum for the Town election in 2004. After the warrant article and referendum indicated broad support for the program, the School Committee decided to maintain its level of commitment. The METCO grant for FY '06 is anticipated to be \$376,682, which is the same as in FY '05.

### 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 other fixed costs, teacher's salaries and mandated programs such as special education.
- Special education costs represent 23 percent of the FY '06 budget, which is essentially the same percentage as in FY '05. 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 '06 total operating budget includes about \$222,000 of "circuit breaker" reimbursement that was received for expenditures in FY' 04 and FY' 05.
- Enrollment in FY '06 is projected to be similar to enrollment in FY'05--about 696 students, 605 Lincoln students and 91 METCO students.
- The number of professional staff at the Lincoln School--about 130 full time equivalents--will be essentially the same in FY' 06 as it was in FY' 05.
- Personnel costs represent about 83 percent of the school budget. The Lincoln Teachers Association is in the final year of a three-year contract. A new contract is under negotiation.
- The number of classroom sections in FY '06 is projected to be 35, as compared to 36 in FY '05.
- The Override request includes support for instructional and library materials, professional development, the instrumental music and athletic programs, and community events.



**Warrant Articles**

- Classroom maintenance \$50,000
- Technology \$50,000
- Canopy removal, supplemental \$25,000
- New van purchase \$20,000

## Lincoln-Sudbury Regional High School

<b>FY'04 Actual Assessment</b>	<b>FY'05 Budgeted Assessment</b>	<b>FY'06 Base Budget Assessment</b>	<b>FY'06 Override Impact \$</b>
<b>\$2,649,149</b>	<b>\$2,472,546</b>	<b>\$2,649,025</b>	<b>\$188,000</b>

### General Information

Enrollment at Lincoln-Sudbury grew by 85 students (6%) in FY'05, to 1503. In FY'06 enrollment is expected to grow by an additional 64 students (4%), to a total of 1567. Enrollment is expected to continue to increase over the next several years at the rate of 5-6% per year. The FY'06 school budget is allocated 14.3% to Lincoln and 85.7% to Sudbury based on enrollment.

The new Lincoln-Sudbury High School was completed this year and is now in-use. The building was finished on-time, within budget, and it has 36% more space than the building it replaced. Because of the building's larger size, energy and related costs have risen and succeeding budgets will need to fund that increased cost.

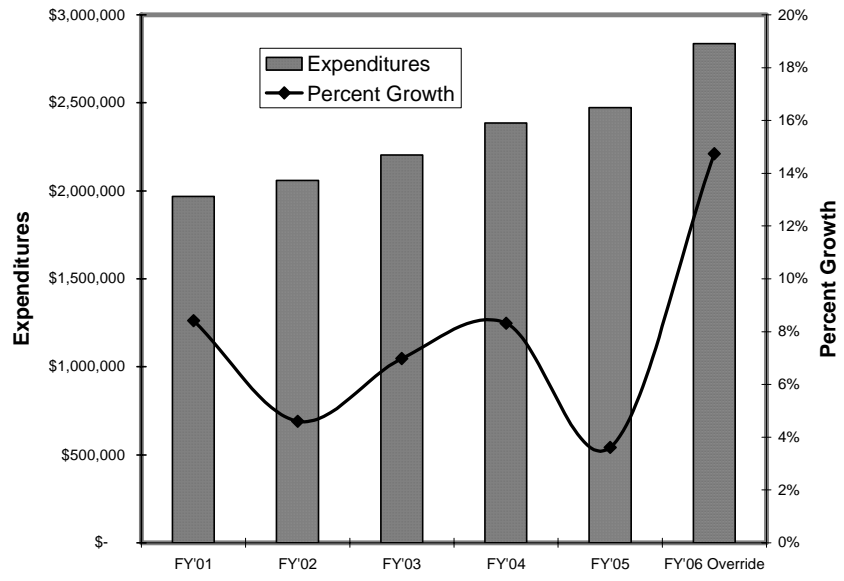
For the last three years reduced state aid and rising fixed costs have resulted in nearly flat operating budgets for the high school while enrollment has continued to increase. The net result has been fewer instructors teaching more students. For example, last year saw 85 more students at the high school with 1 fewer teacher, 2.5 fewer support staff and 0.5 fewer administrators. The goal of the LS School Committee is to reverse that trend for '06 and increase the number of teachers and support staff commensurate with rising enrollment.

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 is exerting increased pressure on the high school's discretionary operating budget.

### Key Issues

- As a regional high school, L-S receives Chapter 70 State Aid and State Transportation Aid directly. The FY'06 LS budget assumes no decrease in Chapter 70 monies.
- Higher than expected utility costs in the new building, coupled with reduced resources in the Excess and Deficiency fund, have strained this year's budget. However as experience has been gained with the new heating and cooling system, energy costs are coming closer to the original estimate.
- 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.
- Uncertainty continues on the timing of reimbursement by the State Building Assistance fund. However the SBA intends to reimburse its share of new building cost in a single, lump sum payment to the district. This will substantially reduce the long-term cost to the district.

### Lincoln LS Assessment



## Minuteman Regional High School

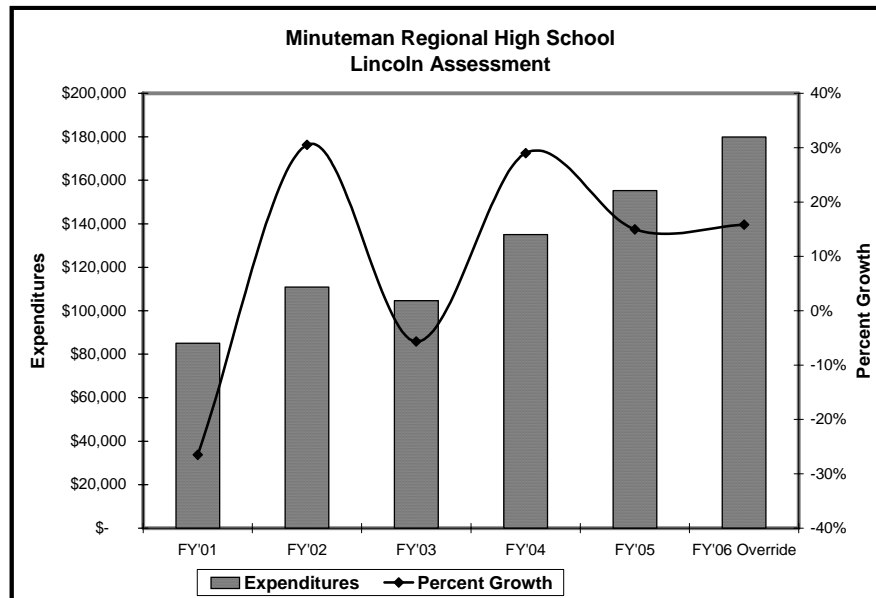
FY'04 Actual Assessment	FY'05 Budgeted Assessment	FY'06 Base Budget Assessment	FY'06 Override Impact \$
\$174,831	\$155,282	\$179,882 Tenta.	\$0

### General Information

The Minuteman Regional High School, a high school with one of the strongest science and engineering program in the state, offers vocational-technical training in more than 25 different fields and a full college academic program. The school provides 55% of its students with SPED services vs. a national average of 16%. Minuteman is supported by 16 member Towns in the region that pay an average of \$19,600 per pupil plus students from other communities that pay, based on an outdated state mandated formula, approximately \$ 11,000 per pupil.

### Key Issues

- The FY'06 budget is based on an estimate to be provided by the state before Town Meeting.
- Enrollment from member Towns has increased 37% over the past 5 years, from 366 to 500.
- In 2004, only one of 440 Minuteman SPED students did not pass MCAS.
- Minuteman's leadership is taking a prudent financial course by charging higher assessments this year to cover recent and current revenue losses rather than delaying the "day of reckoning". Over the past two years the school has reduced teachers rather than increasing member Town assessments even more.
- Part of the rise in Lincoln's assessment is due to an increase in enrollment from 7 to 9 FTE. Most of the remainder is Lincoln's share of the decrease in state and federal funding. These decreases relate to SPED, non-member Towns' assessments and transportation funding.
- The school, after many alternative efforts, has determined to sell some unused land to limit the increase in assessments.



## Public Works & Facilities

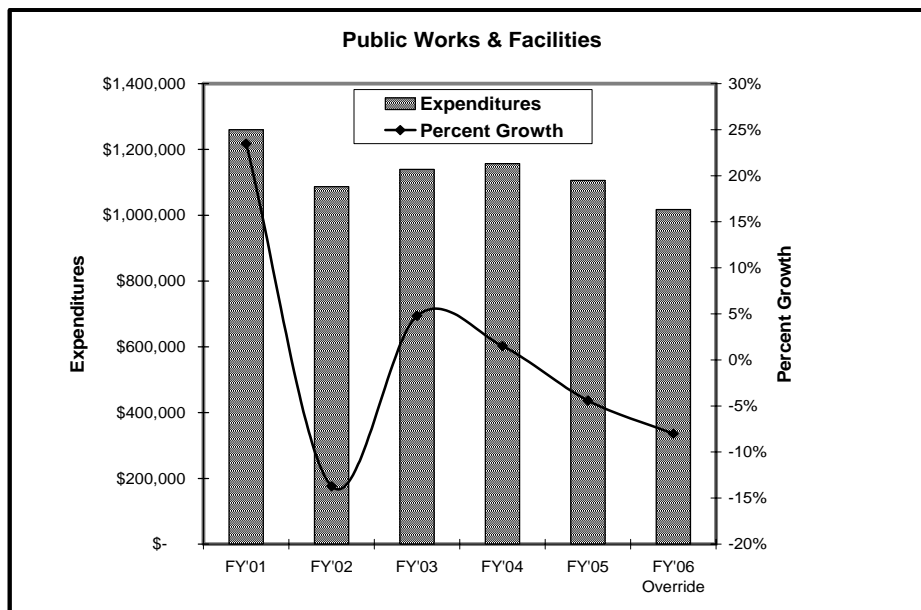
FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
\$1,201,915	\$1,105,954	\$974,534	\$42,950

### General Information

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

### Key Issues

- The NESWC contract expires on September 28, 2005, at the end of the first quarter of FY'06. After that time, the Town's costs for solid waste disposal will substantially decrease. The costs of solid waste disposal are projected to drop from \$186,000 in FY '05 to \$64,000 in FY '06.
- After the NESWC contract expires, the Town will be able to close out the NESWC stabilization fund. Barring unforeseen circumstances, the fund will be closed out to Free Cash in FY '06.
- The FY '06 budget assumes that the positions of DPW superintendent and Water Department superintendent will not be merged into a single position, as the Town had proposed for FY '05.
- The difference between the Override and no-override budgets for DPW is \$42,950. This represents the salary of one DPW crew member. If the Override passes, the total staff for the DPW will be nine, the superintendent and eight crew members. If it does not, there will only be seven crew members.



### Warrant Articles

- Multipurpose Vehicle: \$106,000

## Human Services

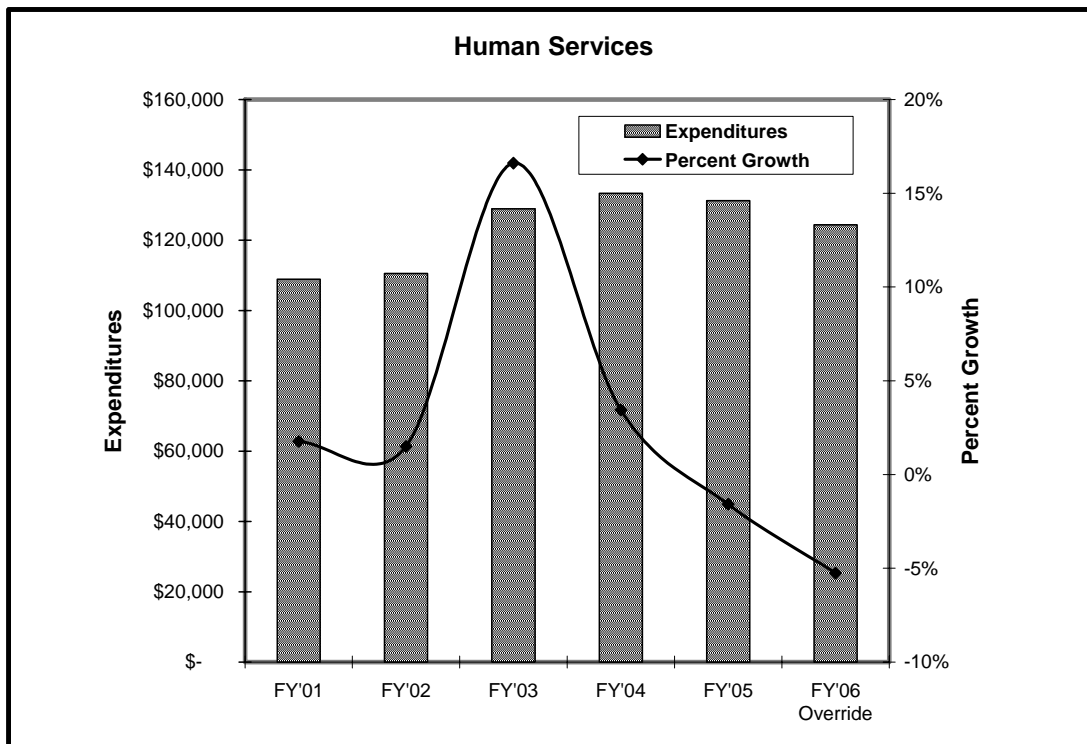
FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
\$133,342	\$131,226	\$124,330	\$0

### 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 in the Base and Override budget proposals.
- This budget assumes a 3% cost of living adjustment for both union and non-union employees.
- Funds for the Housing Commission have been deleted from FY'06 budget and will instead be provided through a previously established revolving account.



## Library

FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
\$652,467	\$665,654	\$660,254	\$31,000

### General Information

The Lincoln Public Library is currently 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

### Key Issues

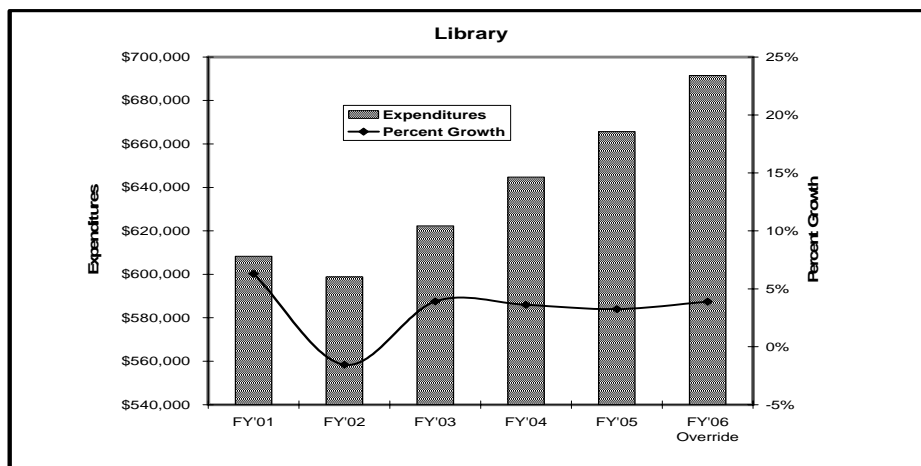
The Base Budget continues to enable the Library to meet the level of book expenditures required to maintain state Certification. Certification is a of the Town's continued participation in the Minuteman Library Network and qualifies the Library for some state funding.

The Base budget will not support full Sunday operations, but will permit the Library to maintain its current level of staffing during the rest of the week. The Base budget will require the Library to close 10 Sundays.

The Library is undertaking a significant capital investment to restore its facility. An outside consultant was engaged to determine those items that need remediation. Contributions from the CPA will reduce significantly the amount of funds required from the Town.

The Library is proposing a warrant article to cover the cost of on going maintenance. This article is intended to reduce the need for large capital expenditures in the future by fully maintaining the building on a continuing basis.

The Library's Override Budget proposal represents a 4.8% growth over FY'05 and allows it to stay open on Sundays. It is essentially a level service budget.



### Warrant Articles

- Building repairs and required maintenance: \$27,000

## Recreation, Conservation Land and Celebrations

	FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
<b>Recreation</b>	\$291,398	\$311,258	\$311,272	\$0
<b>Celebrations</b>	\$20,403	\$20,399	\$20,399	\$0
<b>Conservation Land</b>	\$58,842	\$68,365	\$65,550	\$10,050
	\$370,643	\$400,022	\$407,271	

### General Information

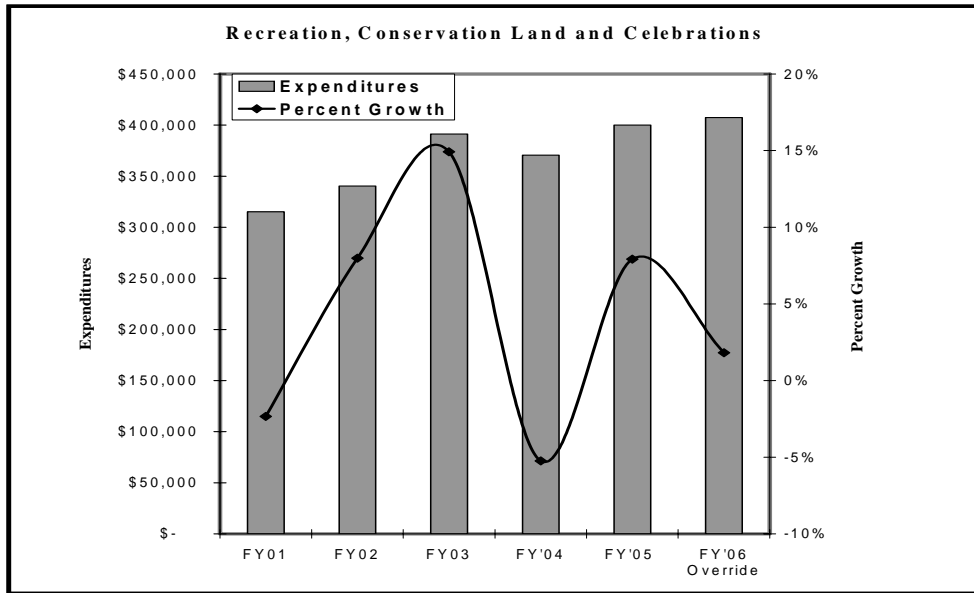
A six member **Recreation Committee**, half elected and half appointed by the Board of Selectmen, oversees the Recreation Department. The Department provides a range of recreational activities for Lincoln citizens of all ages. It manages all of the Town's recreational facilities, including the tennis 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.

### Key Issues

- The Override request would maintain normal ranger hours along Lincoln's paths and trails. Cutting back to the Base Budget would reduce ranger services by \$5000.
- The Override request also funds a wildlife management program of \$5000 to control beavers along some of Lincoln's watershed.

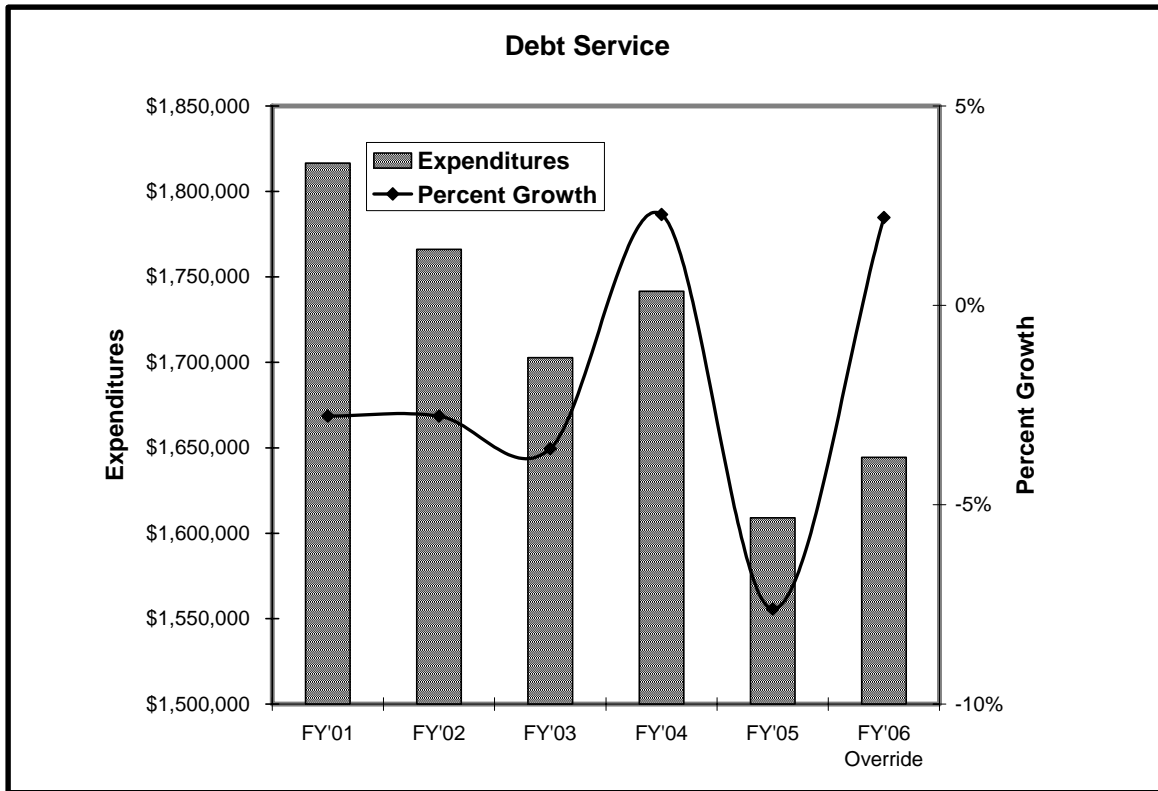


### Debt Service

<b>FY'04 Actual</b>	<b>FY'05 Budget</b>	<b>FY'06 Base Budget</b>	<b>FY'06 Override Impact</b>
<b>\$1,741,566</b>	<b>\$1,608,945</b>	<b>\$1,644,375</b>	<b>\$0</b>

### 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. Last year, after a review, bond-rating agencies gave the Town of Lincoln the highest rating possible, AAA. This will mean lower borrowing costs in the future.



**Key Issues**

- The State has reimbursed the Town at the rate 62.5% for its debt service payments on the K-8 construction in the year following each payment.

## Pensions and Insurance

FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
\$2,768,629	\$3,179,163	\$3,552,691	\$0

### 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'06 increased by 11% over FY'05 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 13% over FY'05.

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.

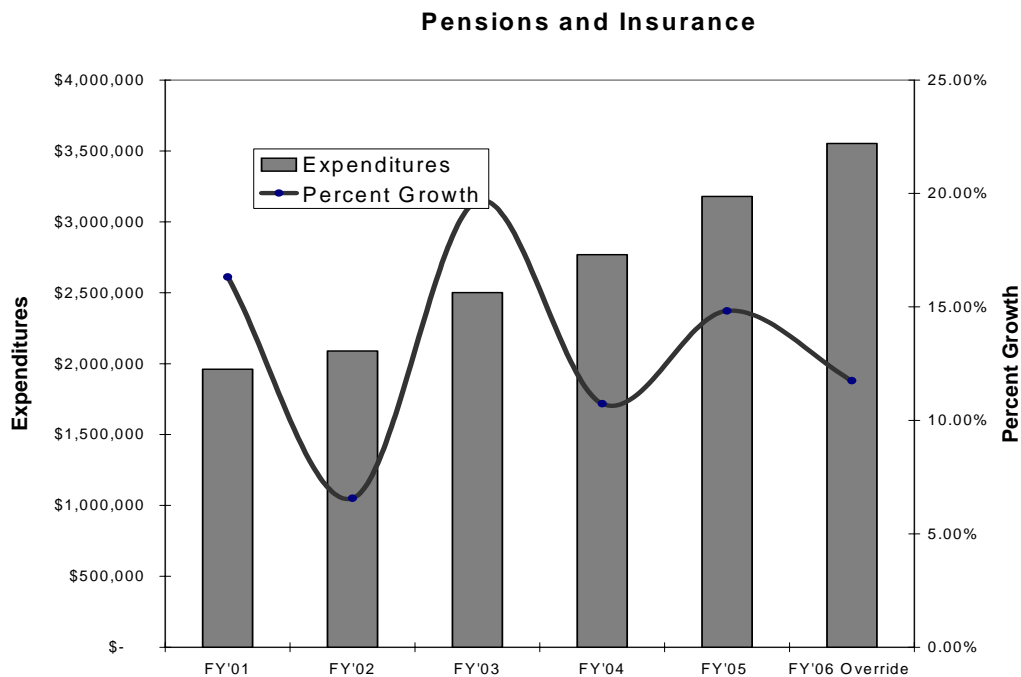
General Insurance (Property and Indemnity) includes worker's compensation, liability insurance, and the bonding of appropriate Town personnel. This has increased 15% over FY '05, which is standard for Massachusetts.

### Pensions and Insurance Components and Growth

	FY'03	FY'04	% growth	FY'05	% growth	FY'06	% growth
Retirement Assessment	661,652	637,917	-4%	726,385	14%	805,000	11%
Unemployment Insurance	45,584	35,769	-22%	30,000	-16%	30,000	0%
Health Insurance	1,404,670	1,663,099	18%	1,940,100	17%	2,190,100	13%
Life Insurance	7,094	7,007	-1%	9,000	28%	9,000	0%
FICA/Medicare	181,474	197,603	9%	210,420	6%	216,800	3%
General Insurance	199,800	227,235	14%	263,258	16%	301,791	15%
<b>Total</b>	<b>2,500,275</b>	<b>2,768,629</b>	<b>11%</b>	<b>3,179,163</b>	<b>15%</b>	<b>3,552,691</b>	<b>12%</b>

## Key Issues

- The primary drivers of the Pensions and Insurance increases are the Middlesex County Retirement Assessment and Health Insurance
- It is important to note that the total FY'06 increase of \$373,528 over FY'05 consumes 72% of the Town's non-Override, property-tax (revenue) increase. This leaves little room in the budget for other items, without an Override.
- 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

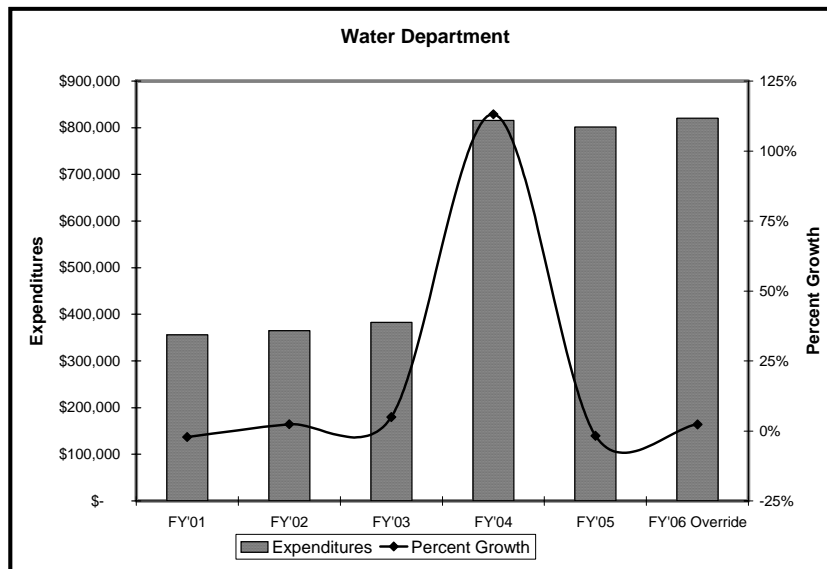
FY'04 Actual	FY'05 Budget	FY'06 Base Budget	FY'06 Override Impact
\$806,411	\$801,625	\$820,639	\$0

### 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.

### Key Issues

- The water department's surplus currently stands at approximately \$1.7 million. Water surplus will be reduced to approximately \$1.4 million, if Town Meeting approves this year's transfer of \$400,000 for the Tower Road well.
- The new filtration plant has now been in operation a full year and the costs associated with its operation are now quite well understood.
- The department has been directed by the state to reduce the Town's water usage. Therefore a two-tier fee structure was introduced this year. Its implications are under review.
- The department purchased land on Bedford Road for a future water storage tank. It paid \$750,000 with money from its Water Surplus.



### Warrant Articles

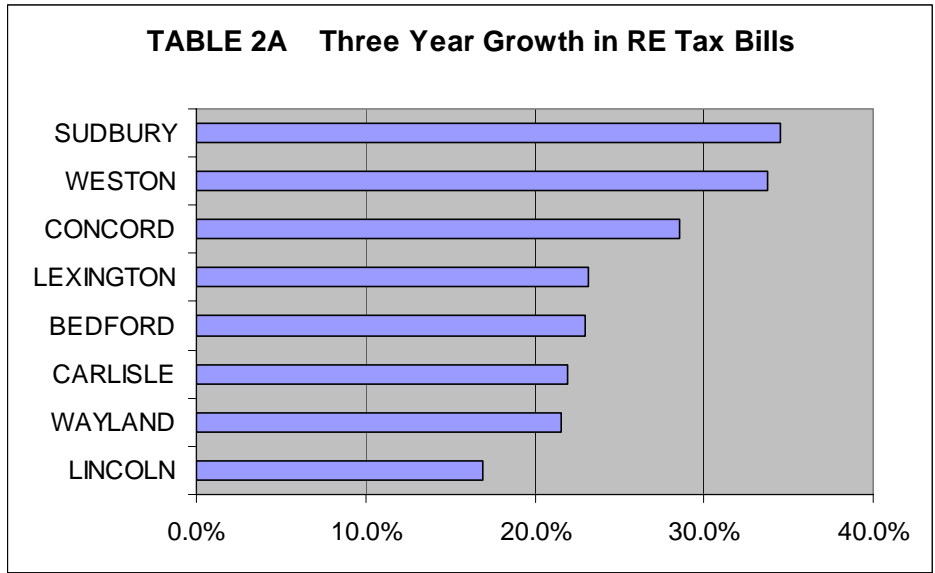
- Drill a new well at Tower Road to replace the existing one and upgrade the equipment at that site: \$400,000 from the Water Surplus

- Purchase a new vehicle to replace one totaled in an accident: \$35,000 from the Water Surplus.

**Table 2 GROWTH IN AVERAGE TAX BILL**

Municipality	2003 Average Value	2003 Average Single Family Tax Bill	% Change Single Family Tax Bill Since 2000	Average Annual % Change
SUDBURY	479,865	8,052	34.5%	11.5%
WESTON	1,062,321	10,783	33.7%	11.2%
CONCORD	754,153	7,270	28.6%	9.5%
LEXINGTON	527,430	5,775	23.2%	7.7%
BEDFORD	425,429	4,582	23.0%	7.7%
CARLISLE	569,094	8,565	22.0%	7.3%
WAYLAND	574,301	7,190	21.5%	7.2%
LINCOLN	934,634	8,739	16.9%	5.6%

This compares the growth in Lincoln’s tax bill with that of our neighbors. Table 2A displays this in graphic form. Note that Lincoln’s average assessment is second highest, while its tax bill growth is the lowest.





## Glossary

**Debt Exclusion and Capital Exclusion:** Proposition 2½ allows a town to raise monies for capital projects or for the payment of debt service costs using either a **capital** or **debt exclusion**, respectively. Unlike the override, which results in a permanent increase in the town's levy limit, a **capital exclusion** is added to the levy limit or ceiling only for the year in which the project is being undertaken. Likewise, **debt exclusion** is added to the levy limit or levy ceiling for the life of the debt only. Both of these exclusions require a 2/3 vote of the Selectmen in order to be placed on a ballot, with a majority of the electorate needed for authorization.

**Free Cash:** This is money that had been appropriated but not spent for various budget line items together with unforeseen revenues. These monies are certified annually by the Department of Revenue as the town's **free cash**.

**Levy (Tax), Levy Ceiling, and Levy Limit:** The property **tax levy** is revenue raised through real and personal property taxes. Municipal revenues are raised through the tax levy, State Aid, and local receipts. The tax levy is the largest source of revenue.

Proposition 2½ places constraints on the magnitude of the levy imposed by a town as well as the amount by which the levy can be increased from one year to the next. The two limits on property taxes imposed by Proposition 2½ are:

- **levy ceiling** - This establishes an overall cap on the levy. Ordinarily a town cannot levy more than 2.5% of the total full and fair cash value of all taxable real and personal property.
- **levy limit** - The maximum levy allowed in a given year is the **levy limit**. This will always be equal to or less than the **levy ceiling**. The levy limit for any fiscal year amounts to the previous year's levy limit (less excluded debt) increased by 2.5% plus new growth, exclusions, and any override authorized by the electorate.

**Levy Increase:** The difference in the levy between one year and the next is the **levy increase**. This number is often represented as a percent. The town may set its levy at any amount up to its levy limit. It is important to recognize that the actual levy may increase more than 2.5% in a given year. This is allowable under Proposition 2½.

**Local Revenue (Receipts):** **Local revenue** or **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.

**New Growth:** Proposition 2½ allows the town to increase its **levy limit** annually by an amount based on the value of new construction and other growth in the tax base that is not the result of revaluation. This provision allows the town to respond to **new growth** that may result in additional municipal costs; for example, the construction of new housing may result in increased school enrollments and therefore higher education costs. **New growth** becomes part of the levy limit base.

**Override:** Proposition 2½ allows a town to assess taxes in excess of the annual 2.5% increase plus **new growth** by passing an **override**. When an **override** is passed, the **levy limit** for the year is increased by the amount of the **override**. This results in a permanent increase in the town's **levy limit**. An **override** requires a majority vote of the Selectmen to be placed on a ballot. A majority vote of the electorate is needed for approval.

**Reserve Fund:** This fund, established by the annual Town Meeting, is under the control of the Finance Committee. Transfers may be made from it for unforeseen expenditures. The limit on the size of this fund is 5% of the **tax levy** of the current fiscal year.

**SBAB:** This refers to State Aid available to the Town or the Regional School District through the **State Building Assistance Board (SBAB)** as partial reimbursement for the capital and interest costs of our school construction projects.

**Stabilization Fund:** The **stabilization fund** is a reserve account that allows the Town to put aside money in anticipation of future expenses.

**Tax Rate:** The **tax rate** is the amount of tax charged by the Town expressed in terms of a unit of the tax base: for example, \$9.35 per \$1000 of the assessed valuation of taxable property.