

LEXINGTON CAPITAL EXPENDITURES COMMITTEE
STATEMENT TO TOWN MEETING

April 6, 2011

(edited for length)

When Lexington's Town Meeting considered adopting the Community Preservation Act in 2005, the Capital Expenditures Committee unanimously recommended its rejection, primarily citing concerns about "crowding" out future Proposition 2½ override votes. With 20:20 hindsight, the present committee, 4 of the 5 members still being the same as 6 years ago, will be the first to admit that we were wrong. I will have more to say on that topic in a minute.

State Match

Clearly, the most important aspect of the CPA is the State "match". Since ratification, Lexington has received \$6.4M in matching funds and we expect approximately \$859,000 more in the upcoming fiscal year. That yields an effective State-match rate of about 50% over those five years. While the trend in matching percentage has been downward since the 100% match in our first year of adoption, the most likely scenario is that the matching funds remain strong enough to justify continued CPA project funding in Lexington. And because we are at the maximum surcharge level Lexington receives a higher matching percentage rate than towns with a lower surcharge level.

Proposition 2½ Debt Exclusions

Some of the CPA projects we have funded in Lexington over the past several years would, by policy, have been performed using Proposition 2½ Debt

Exclusions if the CPA had not been adopted here. This is because not only is it difficult to find that much money in the “regular” tax levy, but it also implies widespread consensus by virtue of passing a voter referendum. So by obviating the need for debt exclusions for eligible big-ticket items like land purchases, the CPA has provided a more flexible funding environment.

This flexibility and streamlining can be considered a positive in that it has created a debt exclusion-free environment for CPA-eligible projects. Regarding Lexington's recent CPA land purchases, it is arguable that the CPA aspect of their funding has saved the taxpayers money. Clearly there is the obvious state match to consider. But there is also the aggressive bonding taken by the Town with the recommendation and approval of the finance committees. Of the three major CPA land purchases, one was cash and two were financed with 3 year front-loaded bonds. Had any of these been funded using debt exclusions, the bonding would almost certainly have been for a much longer term and therefore would have cost the taxpayers tens of thousands of dollars more in debt service.

Project Diversity

The CPA has allowed Lexington to advance several projects which would not normally be on the Town's agenda. For example, the Lexington Historical Society has received funds for restoring the Hancock-Clarke House and Munroe Tavern. And funding has been approved for several affordable housing projects which normally would have been difficult to fund with tax levy monies. These projects count favorably against our Chapter 40(b) threshold.

Impact of a Reduction

CPA-related projects in Lexington would look quite different should a reduction of our 3% surcharge prevail. A cursory scan of the projects that have been funded over the last five years indicates that most of those would not have been funded if the only revenues available had been from a 1%-surcharge. Moving forward with a reduced surcharge, it is clear that large land and affordable housing purchases will be far less likely to occur, and if they do, they will likely require the use of long-term bonding, a policy which contradicts our past tendency to thoughtfully use short-term bonding for CPA monies when debt funding has been necessary. Further, a reduced surcharge will eliminate significant contributions towards Town projects creating the possibility of deferred or eliminated projects, and/or future debt exclusions.

Crowding

As I mentioned before, prior to Lexington's adoption of the CPA in 2006, this Committee had been concerned that once the taxpayers had experienced the additional demand of the CPA surcharge, it would “crowd out” their support of Proposition 2½ operating overrides and debt exclusions. *We were wrong* in this assumption. So far, that crowding effect has not materialized. In fact, while there was split support for the four overrides in June 2006 before any CPA surcharge appeared on tax bills, in Jun 2007, after the CPA surcharge appeared on the bills, there was support for both a \$4 million override for the schools and a \$27 million debt exclusion for the public works facility. The current 3% rate creates a relatively minor impact on the average tax bill and won't present a crowding factor. Additionally on the topic of crowding, it can

be reasonably argued that the CPA funding at the current percentage has actually reduced the number of overrides and debt exclusions, and will continue to do so.

Project Costs and Matching Funds

Based on the most recent State-matching funds rate, the taxpayer presently pays only 78 cents on the dollar of every CPA project. That number is 67 cents on the dollar if you take the overall matching rate over the past five years. Undeniably, there are some projects that have been advanced by the CPC over the past five years that were not unanimously supported by the CPC and Town Meeting. That's nothing new. Very rarely does Town Meeting show unanimous support for any given year's capital docket.

Nevertheless, the CPA has funded many beneficial and positive projects in Lexington. If they weren't positive, a majority of Town Meeting members wouldn't have approved them. And the fact stands that Lexington has already received \$6.4 million of CPA matching funds; make that \$7.3 million with this year's match.

Capital Advocacy

It is this Committee's job to advise Town Meeting on matters related to capital spending in Lexington. The Capital Expenditures Committee believes that the CPA at the current 3% surcharge level and State match have been beneficial to Lexington's capital agenda and we unanimously oppose reduction of the percent 3% surcharge.

