

Town of Lunenburg

Annual Budget, Preliminary Presentation

July 1, 2024 - June 30, 2025



Fiscal Year 2025

February 13, 2024

Heather R. Lemieux
Town Manager

TOWN OF LUNENBURG

TOWN MANAGER



To: Select Board
Finance Committee

From: Heather R. Lemieux, Town Manager

Re: FY 2025 Budget Message and Preliminary Budget Proposal

Date: February 13, 2024

In accordance with the Town Charter, the Town Manager presents a preliminary budget recommendation in mid-February each year and a corresponding budget message. The budget message is an overview of the operating and capital budget, identifies major variations from the current operating budget, and explains the Town Manager's rationale for budget recommendations. The FY 2025 preliminary budget recommendation includes conservative revenue projections, uses the Governor's Local Aid proposal amounts for FY 2025, uses Health Insurance Stabilization funds to offset health insurance costs, and reflects incremental staffing increases in various departments and a 2.94% increase in the Lunenburg School budget. This proposal meets our financial policies and at this time only utilizes Free Cash and Unexpended Capital amounts for the FY 2025 Capital Plan.

Looking Back:

This past year has been another year of challenges for both town and school departments. Across both town and school departments, like many other professions, we continued to face significant staffing shortages, a limited pool of qualified applicants for vacancies, wage inflation, while still aiming to provide a high level of service to our residents and businesses and education to our students. Staffing shortages in major positions have required the Town to shift to consultant firms to keep operations going and it has required additional attention and training for new staff to learn processes and procedures. These obstacles are not unique to municipal government but are nonetheless hurdles in maintaining an expected level of services to our residents. Thank you to all the volunteers, town staff and school staff that work hard to meet these expectations and that make Lunenburg a special place to live, work, and visit.

At the May 2023 Annual Town Meeting, voters approved an omnibus budget totaling \$42,584,048. On the town side budget changes included an increase in hours for the Treasurer/Collector, Assistant Town Manager/HR Director, COA Outreach Coordinator, added a part time COA

Outreach Assistant position, and added salary funding for recreational programming. The FY24 budget did not include funding for an additional Police Officer due to the financial impact of the Police Union Collective Bargaining Agreement on the FY24 budget, with the goal of resuming the ten-year staffing plan in FY 2025. Other increases included a 12% (\$127,014) increase for the Montachusett Technical School, a 2.5% (\$558,133) increase for the Lunenburg Public Schools, a 12.8% (\$40,141) increase for the Solid Waste/Recycling program, and a 13.5% (\$228,822) increase in the Worcester Regional Retirement assessment. Health insurance costs for town/school active plans increased 6.2% yet this was offset by the use of \$271,000 from the Health Insurance Stabilization account. A noteworthy budget *decrease* was a reduction of \$979,711 in the FY24 principal and interest amounts.

The Town also addressed the need to increase the Overlay account to cover the over 400 abatement applications that were filed as a result of a significant increase in lake property valuations. A “worst case scenario” was projected based on the abatements filed and \$1.5M was transferred from Free Cash to the Overlay Account at the Annual Town Meeting. The effect of this was that it impacted the town’s ability to fund more projects in the town’s capital plan in FY24 using Free Cash. Ultimately the FY24 Capital Plan addressed \$2,025,010 in capital needs by supplementing the normal sources of funding for capital with \$986,000 from ARPA funding that was used specifically to purchase a new ambulance and 2 DPW trucks.

Free cash was also deposited into the regular stabilization account, Special Purpose Stabilization account, and the Other Post Employment Benefit Trust Fund. Overall, these decisions to address our liabilities and reserves will continue strengthening our long-term financial stability and will be important for a bond rating when the Town needs to borrow for large building projects.

The November 2023 Special Town Meeting amended the FY24 budget by increasing the estimated amount of New Growth the town would receive that would be certified in the spring of 2024 and voters approved putting a majority of the funds into the Reserve and Salary Reserve accounts at this town meeting.

Looking Ahead to Fiscal Year 2025:

The major difference in this year’s budget recommendation is the loss of pandemic related funding for the Schools and other rising costs has created a budget gap in the school budget scenarios that cannot be closed within the current levy limit. Other major differences include the loss of over \$342,000 in local aid funding for educating children in the town’s Smart Growth district (Tri-Town) and the recommendation currently does not use any tax revenues towards the FY25 Capital Plan. These last two differences are intertwined since we have less than anticipated in State Aid the town is more reliant on the tax revenues to fund the operating budget needs.

Similar to last year, this budget reflects offsetting health insurance costs by using funds from the Health Insurance Stabilization Account. The other similarities to this fiscal year is the approach of incremental growth to address staffing needs, it includes all contractual expenses for union and non-union employees, and uses free cash to build our reserves and address unfunded liabilities. Fiscal sustainability and incremental growth has been an important feature of all previous budget

recommendations and will continue to be the theme, while simultaneously advocating for more funding from the State outside of the constraints of Proposition 2 ½.

On the revenue side, the preliminary budget increases the estimate for Motor Vehicle Excise taxes for FY25 by \$50,000 and level funds all other local receipt categories, for an overall increase of 1.58%. Revenues from property taxes also includes a conservative estimate for New Growth of \$400,000, which is additional tax revenue from new construction, renovations, or other increases in the property tax base. We will revisit the New Growth estimate and determine whether it can be increased based on additional new building permits or other increases in the property tax base from now until town meeting.

As previously stated, per the Town Charter, the Town Manager prepares a preliminary budget recommendation that is presented in mid-February. The framework for the budget begins with looking at the levy capacity, estimated revenues, contractual increases, and using educated estimates for certain expenditures. Each year departments are sent a target budget that includes known contractual increases and level funded expense categories. Departments then submit their budget requests back to the Town Manager and any above target requests include a justification for the increase. Such justifications may include the effect on town services, if the increase would generate revenues, or address a need for increased service levels.

Reserves, FY 2025 Capital Plan:

At this point in time, the preliminary budget recommendation proposes to use \$1,016,722 in Free Cash and \$300,397 in unexpended capital to fund the FY 2025 Capital Plan. This deviates from prior years as typically a portion of the Capital Plan is funded through tax revenues. The decision to not include tax revenues towards the FY25 Capital Plan is impacted by the limited overall increase in funding through the tax levy and a decrease in State Aid that would result in not funding any department needs and potentially less than a 2.5% increase for Schools.

It would be my recommendation to revisit the prioritized projects to be funded in FY 2025 again as the budget develops. The FY 2025 Capital Plan recommendation at this time is to fund 10 out of the 35 capital project requests totaling \$1,317,120. For more details on the FY 2025 Preliminary Capital Plan and department requests can be viewed at: <https://www.lunenburgma.gov/552/FY25-FY34-Capital-Planning-Documents>

The preliminary budget recommendation also includes depositing \$100,000 into the regular Stabilization Account, \$250,000 in the Special Purpose Stabilization Account, and \$187,061 in the Other Post Employment Benefits Fund (OPEB) to meet the Town's Financial Policies. Free Cash is reserved for non-recurring expenses such as capital needs or deposits into the town's reserves as this promotes fiscal sustainability and will strengthen the Town's bond rating when the Town needs to borrow funds for large building projects.

This budget is a preliminary recommendation for FY 2025 and is subject to change from now until town meeting in May. Each year we use the Governor's budget proposal as our foundation estimate for state aid. The state budget is not finalized until July but historically state aid has not fell below the Governor's budget proposal. Other revenues such as "Local Receipts" and "New

Growth” are conservative estimates, and the New Growth figure could change once certified in the next month. On the expenditure side, the Town is awaiting the actual assessment from Montachusett Regional Vocational Technical School and any funding requests for monetary articles at the Annual Town Meeting. As these figures become known, the financial projections will change, and adjustments may be made that will ultimately be recommended to voters at the Annual Town Meeting on May 4, 2024.

Here is how you, the public, can learn more about the FY 2025 budget and follow the development of the budget over the coming months:

- A presentation on the preliminary budget will be held at the February 15th Finance Committee meeting. All meetings are being held both in person and through Zoom. To view the agendas for those meetings, visit the town calendar on the website at <https://www.lunenburgma.gov/Calendar.aspx>
- Information on the FY 2025 preliminary budget will be available on February 12th on the town website at www.lunenburgma.gov under the “Town Finances” link on the homepage and can also be obtained from the Select Board’s Office and the Town Clerk’s Office.
- The Finance Committee will be meeting weekly to hear budget presentations from departments. To view the schedule of those meetings, visit the town website under the “Town Finances” link on the homepage.
- The Finance Committee will hold a public hearing on the FY 2025 budget and town meeting articles that have a financial impact on Thursday, March 28th at 7 p.m. and a second hearing before town meeting, if needed.
- The Annual Town Meeting will be held on Saturday, May 4, 2024 at the MS/HS Auditorium.

Acknowledgements:

In closing, there are many people that deserve recognition in developing this year’s preliminary budget and capital plan. The Capital Planning Committee invested many hours from August until December to develop a prioritization of capital requests that were based on information provided by departments and reviewed in great detail by the members of the Capital Planning Committee. I would like to sincerely thank all the town department heads for their thoughtful assessment of the needs of their department and the ways in which they strive to provide the best possible services to residents and businesses with limited resources. Thank you to Superintendent Dr. Kate Burnham and the school leadership team for all their work on developing the various budget scenarios that are required this year due to the significant financial challenges surrounding the school budget. Lastly, although our (retired) Interim Finance Director Karen Brochu needed to focus on other priorities during the development of this budget, there were times that I requested information from her and I am extremely grateful she has helped us out while trying to fill the Finance Director position.

Respectfully,
Heather R. Lemieux
Town Manager

FY2025 Budget Process:

The FY2025 budget process kicked off with the Capital Planning Committee's first meeting on August 30, 2023. The Town Manager sent departments the link to access our capital planning software platform in order to update old capital requests and submit new requests in September and the Capital Planning Committee met with departments in November and December to review all the capital project requests as a group.

The Town uses the same software platform that is used for budget submissions, ClearGov, and all the relevant information was submitted by departments through this platform. The data collected is based on the UMass Collins Center Capital Planning documents that the Town adopted in 2017. Evaluation criteria includes various categories such as effectiveness of government, the effect on operating costs, effect on revenues, whether the project is mandated by the State or Federal government, whether grant funds are available, and how the project contributes to such things as economic growth, public safety, public health and education. Each category receives a rating and an overall score based on the aggregate score of all the categories (the higher the rating, the higher the priority). The Capital Planning Committee evaluates capital requests based on the responses to these categories and as a group, the CPC reviews the merits of all the projects. Each member submits their ranking of each project, and these are averaged to achieve a composite ranking. The Capital Planning Committee provided a prioritized list to the Town Manager on December 24th.

The Town Manager presented the FY 2025 Capital Plan to the Select Board and Finance Committee in January. The Capital Plan presented included the same projects that were recommended by the Capital Planning Committee, but the Town Manager's recommendation reprioritized some of the projects. At this point in time, my recommendation is to fund 10 of the 35 capital requests for FY 2025 totaling \$1,317,120.

The development of the FY 2025 preliminary budget was a collaborative process that the entire management team participated in by expressing the needs of their departments and putting forth recommendations to continue providing the same level of services or improved services in some areas. In early January departments were sent target (level service) budgets to meet that included known personnel costs for existing staff, known contractual increases, level funded expense line items and included conservative estimates for the "unknowns", such as health insurance, general insurance, the retirement assessment, and other regional assessments. The managers of each town department met with the Town Manager prior to their budget submissions to discuss any variations in services from the previous fiscal year and their long-term needs. This preliminary budget recommendation reflects some of those "above target" requests to enhance the performance of the department or address cost increases, includes the actual health insurance increase of 5.7%, a 10.94% increase in the Worcester Regional Retirement assessment, includes a 2.94% increase for Lunenburg Public Schools, and an estimated 3.75% increase for the Montachusett Technical School assessment.

When beginning the budget development process for FY 2025, the target budget for the Lunenburg Public Schools included a 2.5% increase or a \$571,961 increase over FY 2024. On January 17th Superintendent Burnham presented the School Committee a budget that reflected a 3.6% increase

that due to a variety of other expenses increasing and the expiration of Elementary and Secondary School Emergency Relief (ESSER) funds, included approximately 27 cuts in personnel. This year's budget discussions will likely center mostly on how to address the gap between the school's needs and the constraints of Proposition 2 ½.

Other school related expenses in the preliminary budget include a 3.75% increase (\$44,256) for the town's assessment for Montachusett Regional Vocational Technical School, with the actual assessment received in early March.

In 2018 the Police and Fire Chiefs developed long term staffing plans. These plans were created to address the staffing needs of these public safety departments that over the years have not kept up with the growth of the Town and the additional calls for service for our public safety departments. The five-year staffing plan for the Fire Department was achieved in FY 2023 and the department received Paramedic Licensure in January 2023. Due to the impact of the most recent Collective Bargaining Agreement and addressing wages that were falling behind comparable communities, the ten year staffing plan for the Police Department was put on hold in FY24 but this preliminary budget recommendation resumes the 10 year staffing for the Police Department.

Health insurance is one of the largest expenses within both the town and school budgets. At the beginning of the budget process the health insurance estimate was a 10% increase for active health insurance and a 6% increase for retiree health insurance costs. The Town received our actual renewal rate earlier this month and it will be 5.7% increase for active health insurance plans. We were fortunate for three consecutive years with receiving a full month holiday premium in FY 2022 that amounted to a \$369,334 savings that was deposited into a Health Insurance Stabilization account, a rate decrease of .03% in FY22 for active plans, and a .66% rate increase in FY 2021 for active plans, and a rate decrease of 2.45% in FY 2020 for active plans. Similar to last year, we are using the remainder of the Health Insurance Stabilization account to offset next year's health insurance costs.

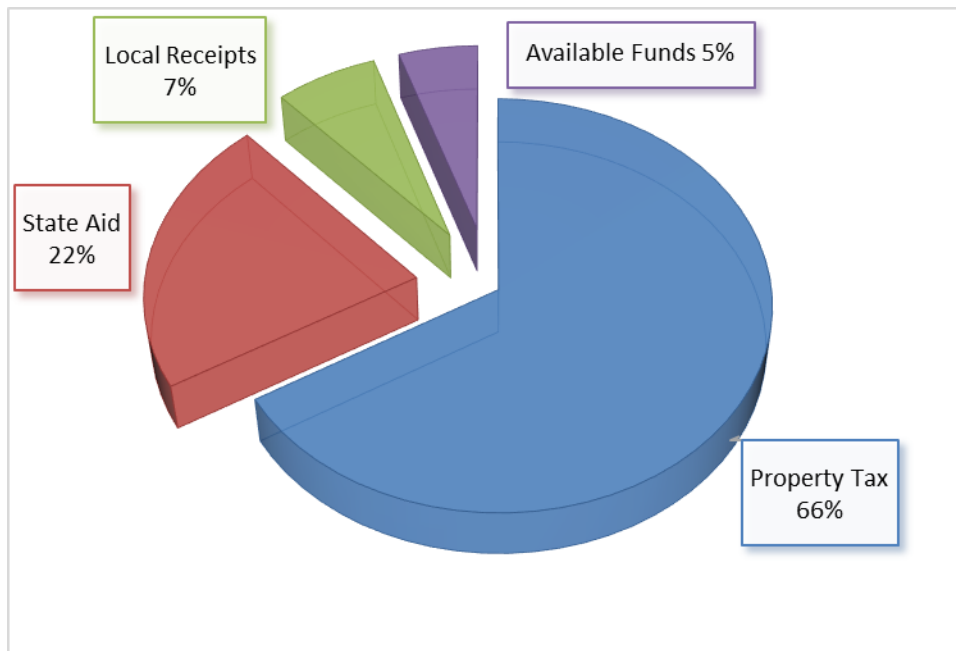
The preliminary budget that will be presented on February 15th to the Finance Committee represents a balanced budget exceeds the 2.5% target budget for the school but does not meet any of the budget scenarios provided by the Superintendent. This budget is balanced in two ways; it increases the overall bottom line for the school and town departments to address rising costs and program needs and also ensures that the percentage of the total appropriation for each department is maintained at the same level as FY 2024. This recommendation provides a starting point for discussions on all the needs of town departments, the Lunenburg Public Schools, and Montachusett Regional Technical School that will be presented in more detail in the next six weeks.

FY 2025 Revenue Overview:

The Town has four (4) sources of Revenue: Property Taxes, State Aid, Local Receipts, and Available Funds. For FY 2025 the projected revenues are:

- Property Tax: \$ 32,587,335
- State Aid: \$ 10,682,086
- Local Receipts: \$ 3,266,491
- Other Avail. Funds: \$ 2,431,884
- Total: **\$ 48,967,795**

The chart below breaks out the revenue sources by percentage:



Property Taxes

Property taxes are the largest, single revenue source for the Town at approximately 66%. Property taxes are levied on real property (land and buildings) and personal property. A revaluation of all taxable real property is done every five years based on fair market value (currently underway in FY24) and cyclical inspections on all properties are required to be done on a ten year cycle. Under the provisions of Proposition 2 1/2, property valuations, in the aggregate, may not exceed 2 ½ percent of their total full and fair cash value of all taxable property. This limit is known as the levy ceiling. Annual levy increases shall not exceed 2 ½ percent more than the previous year's levy plus the taxes added from any new properties added to the tax rolls ("New Growth"). Any Proposition 2 ½ override and/or debt exclusion amounts voted are added to the levy limit.

| | FY22 | FY23 | FY24 TM | FY25 TM | Dollar Increase |
|-----------------------|---------------------|---------------------|---------------------|---------------------|------------------|
| | Final | Final | Final | Prelim. Budget | Over PY |
| Property Tax | | | | | |
| Prior Year Levy Limit | \$ 26,049,570.00 | \$ 27,131,063.00 | \$ 28,043,723.00 | \$ 29,144,816.07 | \$1,101,093 |
| 2 1/2% Increase | \$651,239 | \$678,277 | \$701,093 | \$728,620 | \$27,527 |
| New Growth | \$430,254 | \$234,383 | \$400,000 | \$400,000 | \$0 |
| Debt Exclusions | \$2,828,813 | \$2,831,933 | \$2,477,704 | \$2,313,898 | -\$163,806 |
| Taxes: Total | \$29,959,876 | \$30,875,656 | \$31,622,520 | \$32,587,335 | \$964,815 |

For FY2025, the Town's Property Tax revenues are projected to increase by \$964,819. This includes the maximum allowable levy, which is a 2 1/2 percent increase over the previous fiscal year's ending levy. The New Growth estimate is \$400,000 for FY 2025, which is level funded based on the FY 2024 New Growth estimate. The FY2024 New Growth has not been certified by the Department of Revenue as of this date; this estimate is based on new construction and estimated new growth for personal property accounts as of June 30, 2023. The FY 2025 New Growth estimate is a level funded amount and based on current construction permits and new personal property is a conservative estimate. The debt exclusion figure is based on the current debt schedule that reflects a reduction in the principal and interest payments for existing debt-excludable projects for FY 2025.

| | FY22 | FY23 | FY24 TM | FY25 TM | Dollar Increase |
|---|---------------------|---------------------|---------------------|---------------------|------------------|
| | Final | Final | Final | Prelimin | Over PY |
| Revenue | | | | | |
| Property Tax* | \$29,959,876 | \$30,875,656 | \$31,622,520 | \$32,587,335 | \$964,815 |
| State Aid | \$ 9,440,371 | \$ 10,500,128 | \$ 10,793,838 | \$ 10,682,086 | -\$111,752 |
| Local Receipts | \$ 3,114,991 | \$ 4,074,830 | \$ 3,217,741 | \$ 3,266,491 | \$48,750 |
| Available Funds** | \$ 3,034,289 | \$ 3,790,732 | \$ 3,814,237 | \$ 2,431,884 | -\$1,382,353 |
| total: | \$45,549,526 | \$49,241,346 | \$49,448,336 | \$48,967,795 | \$206,990 |
| *Property Tax includes starting tax levy, 2 1/2%, New Growth, Excludable Debt | | | | | |
| **Available funds will fluctuate mainly due to use of free cash. | | | | | |

State Aid

State Aid is the Town's second largest revenue source (22%) and is the amount of funding each community receives from the Commonwealth to help fund Education and General Government Services. The FY2025 State Aid estimate in the preliminary budget is based on the Governor's Local Aid Proposal that was released at the end of January.

One very significant change in this year's Local Aid figure is the loss of \$342,142 in Smart Growth (40S) funding in both FY 2024 and FY2025. The Town was notified in late January by the Division of Local Services that we no longer qualified for reimbursement of school related costs for children within the Smart Growth District. Since this is a reimbursement program, the Town needs to incur these costs and submits the required form partway through the year. The smart growth school cost reimbursement for each eligible municipality for the current fiscal year is computed by subtracting the sum of local smart growth revenues for education and additional Chapter 70 aid for the prior fiscal year from the total education cost for eligible students for the prior fiscal year. This is the reason why the Local Aid figure for FY25 is significantly lower than the prior fiscal year.

Two other items that the Town consistently advocates for more funding from the State are Chapter 70 funding and Unrestricted General Government Aid. Chapter 70 funding is calculated using a formula by which state aid is distributed through Local Aid to help establish educational equity among municipal and regional school districts. The Town will continue to advocate for additional educational funding from the State and any other funding to supplement the costs of providing services.

The Governor's Budget Proposal is the first step in the process until a final state budget is approved. The House Ways & Means will propose their version of the budget near the end of April, the Senate Ways & Means will submit a proposed budget near the end of May, it will then head to Conference Committee and a final budget will be voted upon in July. Below is a chart with a history of the approved State Aid amounts for FY2016-FY2024 and the Governor's Local Aid figure for FY 2025:

| | FY2016 Budget | FY2017 Budget | FY2018 Budget | FY2019 Budget | FY2020 Budget | FY2021 Budget | FY2022 Budget | FY2023 Budget | FY2024 Budget | FY2025 Projected | % Inc. Over PFY |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|---------------------|--------------------|
| STATE AID CHERRY SHEET | | | | | | | | | | | |
| Chapter 70 Education Aid | 5,834,483 | 6,351,257 | 7,272,505 | 7,538,072 | 7,771,740 | 7,773,938 | 7,823,618 | 8,722,228 | 8,819,128 | 8,957,078 | 1.56% |
| Charter Tuition Reimbursement | 133,545 | 33,934 | 78,091 | 17,860 | 36,345 | 64,708 | 28,140 | 144,037 | 96,747 | 123,124 | 27.26% |
| Charter Facility Reimbursement | | | | | | - | - | - | - | - | |
| Smart Growth | 166,960 | 119,257 | 119,257 | 29,195 | 35,372 | 138,069 | 79,717 | 119,575 | 342,192 | - | -100.00% |
| School Lunch (offset) | - | - | - | - | - | - | - | - | - | - | |
| School Choice Receiving Tuition (offset) | 227,741 | 268,906 | 281,212 | 241,647 | 182,658 | 176,265 | 175,332 | 113,539 | 116,976 | 93,261 | -20.27% |
| Unrestricted General Government Aid | 974,858 | 1,016,777 | 1,056,431 | 1,093,406 | 1,122,928 | 1,122,928 | 1,162,230 | 1,224,990 | 1,264,190 | 1,302,115 | 3.00% |
| Veterans Benefits | 55,238 | 81,303 | 45,280 | 35,873 | 55,161 | 42,316 | 58,371 | 51,450 | 53,304 | 52,875 | -0.80% |
| Exemptions VBS and Elderly | 63,425 | 66,101 | 58,172 | 55,517 | 61,979 | 62,042 | 58,214 | 56,114 | 23,866 | 75,681 | 217.11% |
| State Owned land | 47,844 | 47,275 | 47,230 | 47,230 | 26,222 | 26,905 | 32,522 | 41,747 | 47,467 | 47,692 | 0.47% |
| Police Career Incentive | | | - | | | - | - | - | - | - | |
| Public Libraries (offset) | 14,398 | 14,137 | 14,615 | 15,534 | 16,524 | 20,448 | 22,227 | 26,448 | 29,968 | 30,260 | 0.97% |
| TOTAL Cherry Sheet | 7,518,492 | 7,998,947 | 8,972,793 | 9,074,334 | 9,308,929 | 9,427,619 | 9,440,371 | 10,500,128 | 10,793,838 | 10,682,086 | -1.04% |

Local Receipts

Local Receipts are made up of Motor Vehicle Excise taxes, Meals Excise taxes, fees, fines, permits, licenses, the receipts received for payments for the USDA Meadow Woods debt, and other departmental revenue or charges for services such as Ambulance Service Fees. These are often labeled “elastic revenues” as they may fluctuate with the economy. Local Receipts account for 7% of the town’s revenues. The estimate for Local Receipts for the FY25 budget assumes an overall increase of 1.5% over the FY2024 Local Receipts estimate. As with previous years, the estimate for local receipts is conservative due to the elastic nature of these types of revenues and maintaining conservative Local Receipts contributes to a healthy Free Cash figure when actual Local Receipts exceed the Local Receipts estimate. Used for non-operating expenditures, Free Cash allows the Town to address their capital needs and put funds into reserves. Last year we transferred \$1.5M from Free Cash to the Overlay Account to cover the over 400 abatement applications and this current fiscal year, the mid-year loss of Smart Growth Local Aid of \$342,142 will be covered by surplus local receipts at the closeout of FY 2024.

| | FY2022 Actual | FY2023 Actual | FY2024 Estimated | FY2025 Estimated |
|--|------------------|------------------|---------------------|---------------------|
| 1. Motor Vehicle Excise | 1,839,920 | 2,092,535 | 1,821,640 | 1,871,640 |
| 2a. Meals Excise | 133,028 | 138,348 | 100,980 | 100,980 |
| 2b. Room Excise | | | | |
| 2c. Other Excise-Boat | | | | |
| 3. Penalties/Interest on Taxes and Excises | 506,518 | 139,955 | 140,000 | 140,000 |
| 4. Payment In Lieu of Taxes | 7,985 | 1,629 | 1,648 | 1,648 |
| 5. Charges for Services-Water | | | | |
| 6. Charges for Services-Sewer | | | | |
| 7. Charges for Services-Hospital | | | | |
| 8. Charges for Services-Solid Waste Fees | | | | |
| 9. Other Charges for Services | | | | |
| 10. Fees | 234,113 | 234,118 | 176,052 | 176,052 |
| 11. Rentals | | | | |
| 12. Dept. Revenue-Schools | 198,650 | 161,890 | 60,207 | 60,207 |
| 13. Dept. Revenue-Libraries | | | | |
| 14. Dept. Revenue-Cemeteries | 5,900 | 3,500 | 3,500 | 3,500 |
| 15. Dept. Revenue-Recreation | | | | |
| 16. Other Departmental Revenue | 281,838 | 335,731 | 257,370 | 257,370 |
| 17. Licenses/Permits | 372,560 | 418,755 | 331,188 | 331,188 |
| 18. Special Assessments | 15,900 | 14,124 | 11,844 | 11,844 |
| 19. Fines and Forfeits | 13,897 | 12,021 | 12,013 | 12,013 |
| 20. Investment Income | 24,440 | 264,599 | 85,600 | 85,600 |
| 21. Medicaid Reimbursement | | | | |
| 22. Misc. Recurring | | | | |
| 23. Misc. Non-Recurring | 444,644 | 357,810 | 215,699 | 214,449 |
| TOTAL Local Receipts-Actual ① | 4,079,394 | 4,175,015 | 3,217,741 | 3,266,491 |
| Difference: Actual over Budget | 964,403 | 1,006,025 | | |

Available Funds (Reserves and Other Financing Sources)

Available funds includes a variety of categories such as any use of certified Free Cash, Health Insurance Stabilization funds, transfers from the Sewer Enterprise and PEG Enterprise to fund indirect charges within the General Fund, transfers from Sewer and Water Enterprises to the General Fund to pay the cost of Sewer and Water debt service, Sale of Cemetery Lot funds, and the Artificial Turf Revolving Fund. Available funds make up 5% of the town's revenues. The chart below identifies the financing sources and use of reserves that are a portion of the revenues available for the FY2025 budget.

| | FY2022 TM | FY2023 | FY2024 | FY2025 TM |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | After Recap | After Recap | After Recap | Prelim Budget |
| Overlay Surplus | | | | |
| Free Cash | \$ 1,485,604.00 | \$ 2,150,230.39 | \$ 2,625,123.98 | \$ 1,553,783.36 |
| Bond Premium | | | | |
| Unexpended Articles | \$ 111,281.58 | \$ 212,089.61 | \$ 14,951.93 | \$ 300,397.62 |
| Borrowing | | | | |
| Health Insurance Stabilization Fund | | | \$ 271,000.00 | \$ 105,762.48 |
| Special Purpose Stabilization Fund | | | | |
| Stabilization Fund | | | | |
| Stabilization Fund, Tax Levy | | | | |
| MSBA Reimbursement (Both debt and R | \$ 534,779.55 | \$ 534,501.26 | \$ 59,968.64 | \$ 4.20 |
| MSBA Reserve Reimbursement Applied | | | | |
| Sewer Enterprise Retained Earnings | \$ 90,587.20 | \$ 105,976.15 | \$ 99,551.87 | \$ 90,600.91 |
| Sewer Debt | \$ 705,876.16 | \$ 687,992.32 | \$ 646,816.28 | \$ 311,668.16 |
| Septic Loan Revenue | | | | |
| PEG Retained Earnings | \$ 46,842.00 | \$ 47,808.00 | \$ 47,503.00 | \$ 28,189.00 |
| Prior Year Capital (Unused) | | | | |
| Bond Premium | | | | |
| Sale of Cemetery Lots | \$ 15,000.00 | \$ 10,000.00 | \$ 10,000.00 | \$ - |
| Artificial Turf Revolving Fund | \$ 44,318.19 | \$ 42,134.74 | \$ 39,321.78 | \$ 41,478.43 |
| School Transportation Fee Offset | \$ - | \$ - | \$ - | \$ - |
| total: | \$ 3,034,288.68 | \$ 3,790,732.47 | \$ 3,814,237.48 | \$ 2,431,884.16 |
| Dollar Increase Over Prior Year | \$ 662,571 | \$ 756,444 | \$ 23,505 | \$ (1,382,353) |
| Percentage Increase Over Prior Year | 27.94% | 24.93% | 0.62% | -36.24% |

The FY2025 proposed budget recommendation uses \$1,553,783 from Free Cash, \$300,397 from Unexpended Articles towards the FY25 Capital Plan, \$105,762 from the Health Insurance Stabilization Account towards the FY25 health insurance costs, \$4.20 reimbursement from MSBA for remaining debt payment for an old school construction project, transfers \$90,600 from the Sewer Enterprise for indirect costs paid for in the General Fund, transfers \$311,668 from the Sewer to fund the Sewer's debt for FY25, transfers \$28,189 from the PEG account for indirect costs paid for in the General Fund, transfers, and transfers \$41,478 from the Artificial Turf Revolving Fund to pay for the turf field debt for FY25.

FY2025 Expenditure Budget Overview

The Town's expenditures are divided into functional categories which become the legal budget appropriated at Town Meeting. These categories include: General Government; Central Purchasing; Police; Fire; Other Protection; Department of Public Works; Solid Waste/Recycling; Health & Sanitation; Council on Aging; Veterans; Lunenburg Public Schools; Monty Tech Assessment; Library; Debt Service; Unclassified General Government; Retirement Assessment. Other expenditures in the budget include non-appropriated costs, such as Cherry Sheet Charges, Cherry Sheet Offsets, and funds for the Overlay Account. The final budgeting category is the remaining Town Meeting warrant articles that have a financial impact.

The preliminary FY2025 budget for Operating Expenses is projected to increase by an overall \$945,770 or 2.11% over FY2024. The largest increases being in Lunenburg Public Schools (\$673,394 or 2.94% over PFY), the Worcester County Retirement (\$209,832 or 10.94% over PFY), General Government (\$197,848 or 9.75% over PFY), and Police (\$139,541 or 5.93% over PFY).

It should be highlighted that Debt Service will decrease by \$576,691 in FY2025, mainly due to a decrease of \$335,148 in Sewer debt that is paid for through the Sewer Enterprise and \$163,805 in exempt debt to pay off the Elementary and High School Heating System from debt incurred in 2016. This expiring debt does not increase the availability of funding for other needs as it was exempt debt for a specific purpose and Sewer Enterprise debt.

| | FY2024 TM | FY2025 TM | FY2025 Prelim. Budget | FY2025 Prelim. Budget |
|-----------------------------------|----------------------|----------------------|------------------------------|------------------------------|
| | Final | Prelim Budget | Dollar Inc. over PFY | % increase over PFY |
| Expenditures: | | | | |
| General Fund Expenditures: | | | | |
| General Government | \$ 2,029,301 | \$ 2,227,148 | \$ 197,848 | 9.75% |
| Central Purchasing | \$ 80,300 | \$ 80,300 | \$ - | 0.00% |
| Police | \$ 2,353,668 | \$ 2,493,210 | \$ 139,541 | 5.93% |
| Fire | \$ 1,642,260 | \$ 1,678,515 | \$ 36,255 | 2.21% |
| Radio Watch | \$ 312,993 | \$ 257,416 | \$ (55,578) | -17.76% |
| Other Protection | \$ 228,829 | \$ 217,919 | \$ (10,910) | -4.77% |
| Department of Public Works | \$ 2,175,540 | \$ 2,275,277 | \$ 99,737 | 4.58% |
| Public Buildings & Facilities | \$ 983,852 | \$ 1,034,595 | \$ 50,743 | 5.16% |
| Solid Waste | \$ 352,775 | \$ 369,775 | \$ 17,000 | 4.82% |
| Health & Sanitation | \$ 108,705 | \$ 117,819 | \$ 9,114 | 8.38% |
| Council on Aging | \$ 229,648 | \$ 236,296 | \$ 6,648 | 2.90% |
| Veterans | \$ 110,775 | \$ 110,775 | \$ - | 0.00% |
| Lunenburg Public Schools | \$ 22,901,128 | \$ 23,574,522 | \$ 673,394 | 2.94% |
| Monty Tech Assessment | \$ 1,181,390 | \$ 1,225,646 | \$ 44,256 | 3.75% |
| Library | \$ 555,781 | \$ 589,100 | \$ 33,319 | 6.00% |
| Debt Service | \$ 3,518,013 | \$ 2,941,322 | \$ (576,691) | -16.39% |
| Unclassified | \$ 4,144,601 | \$ 4,215,863 | \$ 71,262 | 1.72% |
| Retirement Assessment | \$ 1,917,969 | \$ 2,127,801 | \$ 209,832 | 10.94% |
| | | | \$ - | |
| sub-total: | \$ 44,827,528 | \$ 45,773,298 | \$ 945,770 | 2.11% |

The FY2025 Preliminary Budget includes all known contractual increases, including current salary and related expenses per current union agreements, and known increases for employees with an employment agreement. The Annual Town Meeting will include an article on the recommendation from the Personnel Committee with proposed wage increases for non-union employees under the Salary Administration Plan.

Below are highlights of the preliminary budget recommendations made by the Town Manager:

General Government

The General Government category includes the Administrative, Financial, Technology, and Planning Offices of the town. Total spending in this category is recommended at \$2,227,148, which is an increase of 9.75% or \$197,848. The proposal includes all known contractual increases, audit costs, legal costs, and expenditures to provide general government services. The above target requests include:

- An increase in hours from 19 hours to 32 hours/week for the IT Administrative Assistant to support the IT department in troubleshooting needs and expand duties to include more external outreach and internal communications.
- Includes adding a part-time position in the Assessors Department to assist with data collection that will address a staffing need in that department and will ensure the town is capturing all changes in assessed valuations, which results in additional tax revenue for the town.
- Includes an expense line for grant writing contracted services for \$50,000 to be used to hire independent firms to pursue various federal and state grants that could result in a large return on investment.

Central Purchasing

This category has been level funded. This account also includes the copier lease agreements for other town departments, copier charges, wireless phone charges, telephone charges for town facilities and office equipment maintenance.

Police Department

The Lunenburg Police Department employs one full time Police Chief, an Administrative Lieutenant, a Detective, 4 Sergeants, 9 full time Police Officers, 1 Recruit Officer, 1 K-9 Officer, 2 School Resource Officer (1 vacant), 1 Traffic Officer, a Public Safety Coordinator, a part time administrative assistant, and a Public Safety Desk Clerk. The Police Department is in operation 24 hours a day, 7 days a week.

For many years the prior Chief had requested additional staffing based upon the department's level of activity. In 2018 former Police Chief James Marino proposed a 10-year plan of adding one additional full-time officer each fiscal year to reach adequate staffing levels and making these changes incrementally. The last five fiscal years, an additional police officer was added each year, until FY 2024 when the plan was paused due to the tax assessment situation. The preliminary budget recommendation includes promoting an officer to an Operational Lieutenant and

backfilling that officer's position. The preliminary budget reflects half the annual salary, as it would not be filled until halfway through the fiscal year and all other contractual increases.

The preliminary budget does not include additional funding for K-9 handling related costs for the Comfort Dog. The budget also includes a further decrease for the Police Lock-Up line due to the use of the lock-up facility at the Worcester County House of Corrections.

The total increase over the previous fiscal year is \$139,541, which is a 5.93% increase.

Fire Department

The Fire Department is comprised of a full time Fire Chief, 3 full time Firefighter/EMTs, 6 full time Firefighter/Paramedics, an EMS Coordinator, and 30-40 on call reserve firefighters and on call EMT's.

Similar to the Police Department, an increase in service calls due to the growing population, as well as the need for growing the Department to be able to run at the paramedic level in order to provide a higher level of medical care alongside a growing percentage of residents in their senior years led to a long-term staffing plan. In 2018 Chief Sullivan proposed a five-year plan to add one firefighter/paramedic each fiscal year to reach adequate staffing to operate a 24/7 Paramedic Level Service. This plan was accelerated at the May 2018 Annual Town Meeting through a citizen's petition to hire two firefighter/EMT's instead of one firefighter/Paramedic in FY19 and in FY20 a seventh full time firefighter was not included in the budget due to a need to address a significant rise in overtime costs. The FY 2023 budget funded the last year of the five-year plan and the achieved the goal of being able to provide paramedic level of service by receiving their Paramedic Licensure in January of 2023. Monday thru Saturdays are covered by three full time staff (1 officer/EMT and 2 Paramedics). Sundays are covered by 3 per diem firefighter/EMT's or Paramedic and one on call duty officer. The Department saw 5% increase in overall calls and transports in 2023 vs. 2022 and a 42% increase in ALS calls now that we are providing the service directly and not through a 3rd party. This trend is anticipated to continue to increase now that the Town has their paramedic license.

Revenue from ambulance services is received as a local receipt and in FY23 the town collected \$335,731. The Town hires out an independent billing company and reviews accounts receivables to write off any receivables that will not be collected due to length of time outstanding and any hardship requests. In the near future the fees should be reviewed to address industry standards and address inflationary costs.

The FY 2025 above target increases include:

- An increase of \$7,000 for EMS Supplies to cover increased medication and ancillary equipment costs due to increased call volume.
- An increase in exiting IT software that is only utilized by the Fire Department totaling \$1,000.

The total increase over the previous fiscal year is \$36,255, which is a 2.21% increase.

Radio Watch

The Radio Watch expenses are related to the Desk coverage at the Public Safety Building and the town's assessment as part of the Nashoba Regional Dispatch Center. Our assessment to Nashoba is estimated to decrease by \$12,007 and the funding to use reserves for after shift hours at the Public Safety Building front desk is being eliminated to fund the 2nd Lieutenant position, which will be available to come to the front desk during the second shift. The overall decrease to Radio Watch is a \$55,578 decrease (-17.76%).

Other Protection

The overall total for the categories under Other Protection are \$10,900 less than FY 2024. This reflects the removal of the kennel expense that was in the FY 2024 budget and salary changes that resulted in a change in personnel costs.

Facilities, Grounds, Parks

Due to an approved reorganization plan at the May 2022 Annual Town Meeting, in FY 2023 the Facilities and Grounds and Parks was removed from the umbrella of the Department of Public Works and a new department was created. The Department includes a Facilities Director position, a Facilities Superintendent, Facilities Custodian, a part-time Recreation Director, a seasonal Beach Director, and seasonal lifeguards.

This department is responsible for the upkeep and maintenance of our eleven town buildings (Town Hall, Ritter Memorial, Library, Teen Center, Eagle House, Public Safety Building, DPW Building, Town Beach house, TC Passios, Brooks, and old Primary School), grounds (town commons), parks (Marshall Park, McNally Field, Fitzgerald Field, Wallis Park, and Veterans Park), and town beach. All of these facilities and grounds require regular maintenance and there are a multitude of large capital projects that need to be managed on a regular basis.

The TC Passios and Brooks buildings are occupied primarily by the School Department and the historical arrangement is that regular maintenance was to be performed by their Facilities staff and regular expenses (utilities and minor repairs) paid out of the TCP/Brooks House Receipts Reserved Account. Public Access pays \$6,000 annually for studio space and Extended Day pays \$30,000 annually and these funds are deposited into the TCP/Brooks House Receipts Reserved Account. Over the last few years there have been repairs to the roof, sprinkler system, and other systems that exceed the amount available in the Receipts Reserved Account and have been paid out of the Facilities Contracted Services account. Due to the age of the building and the increasing amount of issues with the building systems, the preliminary budget includes a new line item to address the expected repairs/maintenance issues that will need to be addressed as long as that building is occupied.

The preliminary budget recommendation includes:

- A new line item for \$30,000 for the TC Passios Building in order to address repair and maintenance issues that are expected due to the failing systems in that building that exceeds the Receipts Reserved account funding. The original request was for \$50,000.

- An increase in hours for the Recreation Director from 19 hours to 28 hours per week in order to expand upon and provide high-quality programming and services. With evening programs and summer events, there are insufficient hours to build on the programs and complete the administrative tasks. With an increase in programming, there are additional revenues that will help offset the costs.
- Increases the contracted services line in the Parks budget by \$5,000 due to additional needed work not included in the landscaping contract that expires this fiscal year.

The overall increase to the Facilities and Grounds budget compared to FY 2024 is \$50,743 or a 5.16% increase.

Department of Public Works

The Department of Public Works budget includes Highway, Cemetery, Snow and Ice, Traffic Signs, Streetlights, Tree Removal, Vehicle Maintenance, and Stormwater. The preliminary budget recommendation includes:

- Level service increases for General Highway account for drainage related costs, stormwater projects, and purchases of services totaling \$25,000.
- An increase of \$2,690 in seasonal cemetery salaries to address new requirements of the Cemetery Commission and increase from 17 to 20 weeks. Also addresses pay rate to be able to attract candidates at higher than the minimum step.
- An increase to the tree removal Purchase of Service by \$5,000.

As in previous years, this proposed budget reflects the unwritten plan to increase the pavement management line by \$50,000 a year, which is an increase that is supported by the additional growth in the Motor Vehicle Excise Account in Local Receipts. The goal is build the pavement management line up to \$1,000,000 in the operating budget by 2033 in order to sustain the condition of our pavement that was realized through the \$4M Pavement Management Debt Exclusion. The DPW worked with BETA Group this past year to do an assessment of the roads and to produce an updated five-year plan that will be used to continue to maintain the roads using Pavement Management Plan operating funds and Chapter 90 funds.

The total increase over the previous fiscal year for the DPW is \$99,737, or a 4.58% increase.

Solid Waste/Recycling Program

The amount for the Solid Waste/Recycling program that is within the operating budget is the recycling portion of the program and the trash disposal for all town and school departments. The bag program (Pay-As-You-Throw) part of the program is an Enterprise and the revenue from the bags pays for the cost of disposal of this trash. The estimate used in the FY25 budget at this time is a 5% increase in the operating budget.

In Fiscal Year 2020 there was a substantial increase in the Solid Waste/Recycling costs due to the global market changes in recycling stemming from China's National Sword Policy. The Town began paying for its recyclables on July 1, 2019, adding approximately \$62,000 to the cost of that

program and an increase in Pay-As-You-Throw (PAYT) bags. In FY2021 the Town went out to bid for trash and recycling hauler services, as our contract with Casella was expiring. We received one bid and that was from EL Harvey. Due to the increased cost of providing these services, we saw a significant increase in both the tonnage rate for disposal of trash and recycling. Our contract did include a cost sharing model, but with no history and data to determine the effect of this cost sharing model, the FY22 budget reflected the full rate for recycling with any offsets for cost sharing. At the close of FY22 we saw a surplus in the recycling costs based on the commodity costs at that time of \$70,000 and therefore reduced that budget by \$40,000, leaving a buffer in the event in a shift in the commodity market. This shifted again in FY23, this time in the opposite direction, and the budget was increased by \$40,000 to address less of a return for recyclables in the commodity market.

Our current contract with EL Harvey expires in June of 2024 and the DPW Director and Town Manager have been working with our Trash and Recycling Coordinator on the Town's options for FY25 and beyond. Given the current hauler's record of good service to the town and working cooperatively with the Town to resolve issues, we will be exploring extending the current contract with EL Harvey. Since nothing has been finalized and pricing is unknown, we have included an estimate of 5% to cover this unknown cost.

As referenced in the previous paragraph, the Town has a Trash and Recycling Coordinator that has been paid for through our annual Recycling Dividends Grant funds for the past two years. Our consultant performs outreach and resolves any issues that residents have with the service and communicates directly with the hauler. This also includes monitoring costs of the program and providing alternatives for the future of the program based on qualitative and quantitative information.

Lunenburg Public Schools

The Town Manager's recommended preliminary FY2025 budget for Lunenburg Public Schools is \$23,574,522 or a 2.94% increase. Each year the target budget figure for Lunenburg Public Schools and Monty Tech is 2.5% and as more of the unknowns become known and the assessment is finalized for Monty Tech, there have been budget adjustments. This preliminary budget recommendation, although greater than the target of 2.5% (\$571,961), does not meet the Superintendent's proposed budget or budget scenarios.

The Superintendent presented a 3.6% budget on January 17th that included a health insurance increase of 10% (the rate has since been finalized at 5.7%), increased utility costs, out of district tuition costs, an increase in salary reserve accounts for union and non-union contracts, and general and special education transportation costs. There were approximately 27 proposed cuts in this scenario in order to address the aforementioned expenses and the loss of Elementary and Secondary School Emergency Relief (ESSER) funds. With ESSER funding ending this fiscal year, the positions paid for with these grant funds will either need to be eliminated or added to the operating budget or some combination of the two.

In last year's budget message, I highlighted the effects of the additional COVID-19 related revenue funds the Town was receiving in the form of American Rescue Plan Act funding and the \$1.9M in ESSER funds received by the School. I noted that the combination of these different relief funds alleviated the need for additional local tax dollars, but simultaneously required discussion about how to fund those expenses if the expenses are still needs once the grant funds run out. We are now having those very difficult discussions that are compounded by other operating budget increases.

Although this preliminary budget recommendation includes a 2.94% increase, the budget is an evolving process that includes listening to the needs of the departments, as well as the residents in the community. This past week the Superintendent provided a Level Service budget and a budget without ESSER funded positions and compared to the 2.5% target budget, there was a deficit of \$1,856,850 and \$1,232,193, respectively. The Superintendent and Town Manager have been communicating as a group with the Chairs of the School Committee, Finance Committee, and Select Board about the budget scenarios. Budget discussions about the FY25 School budget have also taken place in public forums such as at the School Committee, Finance Committee, and Select Board meetings. We are all committed to continue this communication amongst the various stakeholders and with the public to explore the impacts, possible alternatives, and ultimately, what will be brought forth to the voters to decide.

Montachusett Regional Vocational School

Other school related expenses in the preliminary budget include an estimate of \$1,225,646 (a 3.75% increase over the PFY or an increase of \$44,256) for the town's assessment for Montachusett Regional Vocational Technical School with the actual assessment received by early March.

Health & Sanitation

The FY25 assessment for Nashoba Associated Boards of Health is a 10% increase and the overall Health and Sanitization budget is increasing by 8.38% or \$9,114 more than FY24. This represents a level service budget.

As a member of the Nashoba Associated Boards of Health the Town receives community health services that include nursing and environmental health agent services. Outside of member communities' assessments, the association receives funding from the Department of Public Health and participates in the Public Health Excellence Grant program.

Council on Aging

The preliminary budget recommendation addresses identified needs at the Council on Aging, including:

- An increase in the Meal Site Manager's hours from 19.5 hours to 24 hours per week. This addresses the increased participation in the meals served at the Adult Activity Center and the planning and preparation and cooking needed for three weekly meals and administering the Meals on Wheels program.

The overall increase for FY25 for the Council on Aging is \$6,648 over the previous fiscal year or a 2.9% increase.

Library

The preliminary budget recommendation for the Library includes a small operational increase for office supplies, an increase in hours of the Teen Staff Librarian from 30 to 34 hours/week, an increase of \$4,000 in the programs line due to increased costs of programs and expansion of programs, an increase in the Library Materials line that meets the 16% spending requirement on library materials in order to stay certified, and an increase in the costs of CWMARS. Requested funds for staff computer upgrades is a function of the IT Department hardware maintenance line and requested funds for an \$8,000 repair to the audio system in the Community Room are also included in the IT hardware maintenance line. The overall recommended increase for FY24 is \$33,319 more than the previous fiscal year or a 6% increase.

Debt Service

In FY25 debt service payments for sewer related debt will be decreasing by \$335,148 and \$163,805 of exempt debt for Elementary and High School Heating System incurred in 2016 will expire in FY 2024. This does not have an impact on the overall funding available within the omnibus budget as these two major decreases are covered by an enterprise account and exempt debt outside the levy. The overall decrease in the Town's debt service for FY25 totals \$576,691.

Below is the Debt Service Schedule for the current year and next four years:

| Debt | | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 |
|---|------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Issue Date | Budget | Projected | Projected | Projected | Projected |
| Total General Fund Regular Debt | | \$ 333,365.86 | \$ 315,620.16 | \$ 148,739.74 | \$ 155,539.25 | \$ 152,239.06 |
| Total General Fund Excludable Debt | | \$ 2,537,672.52 | \$ 2,313,902.52 | \$ 2,213,677.52 | \$ 2,199,352.52 | \$ 2,169,602.52 |
| Total General Fund Short-term Interest | | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Sewer Debt | | \$ 645,143.85 | \$ 310,433.44 | \$ 183,792.63 | \$ 181,593.46 | \$ 184,797.21 |
| Grand Total Debt Service | | \$ 3,516,182.23 | \$ 2,939,956.12 | \$ 2,546,209.89 | \$ 2,536,485.23 | \$ 2,506,638.79 |
| Premiums/MSBA Reimb Excludable Debt | | \$ 59,968.64 | \$ 4.20 | \$ - | \$ - | \$ - |
| Net Excludable Debt - Tax Levy - DE1 | | \$ 2,477,703.88 | \$ 2,313,898.32 | \$ 2,213,677.52 | \$ 2,199,352.52 | \$ 2,169,602.52 |
| Regular Debt Administrative Fees | | \$ 158.15 | \$ 130.66 | \$ 102.62 | \$ 74.01 | \$ 44.82 |
| Sewer Debt Administrative Fees | | \$ 1,672.43 | \$ 1,234.72 | \$ 1,127.85 | \$ 1,019.12 | \$ 908.49 |
| Transfer from Sewer Enterprise - Sewer Debt Service | | \$ 646,816.28 | \$ 311,668.16 | \$ 184,920.48 | \$ 182,612.58 | \$ 185,705.70 |
| Transfer from Septic Receipts Reserved | | | | | | |
| Meadow Woods Water Betterment Revenue | | \$ 57,587.50 | \$ 56,337.50 | \$ 55,087.50 | \$ 58,837.50 | \$ 57,637.50 |
| Transfer from Artificial Turf Revolving | | \$ 39,321.78 | \$ 41,478.43 | \$ 38,453.78 | \$ 35,396.90 | \$ 37,306.80 |
| Net Regular Debt Service | | \$ 236,614.73 | \$ 217,934.89 | \$ 55,301.08 | \$ 61,378.86 | \$ 57,339.58 |
| % of Net Regular Debt to Levy (cap of 4% per Policy) | | 0.81% | 0.72% | 0.18% | 0.19% | 0.17% |
| Net Excludable Debt | | \$ 2,477,703.88 | \$ 2,313,898.32 | \$ 2,213,677.52 | \$ 2,199,352.52 | \$ 2,169,602.52 |
| % of Excludable Debt to Total Levy (cap of 11% per Policy) | | 7.84% | 7.10% | 6.58% | 6.33% | 6.04% |
| % of Aggregate Debt Service Costs to Total Levy (cap of 14% per Policy) | | 8.58% | 7.77% | 6.74% | 6.50% | 6.20% |

Unclassified General Government

The Unclassified category of the operational budget includes Health Insurance, Workers Compensation Insurance, Liability Insurance, Police/Fire Injured on Duty Insurance, and Reserves.

Health insurance is one of the largest expenses within both the town and school budgets. The Town purchases Health Insurance for all active and retired employees through the Massachusetts Inter-local Insurance Association (MIIA). By purchasing insurance through this cooperative, we are able to receive the benefit of being a part of the largest municipal joint purchasing group. As a result of our membership in MIIA and due to the fact that we have favorable claims history, our rates have also been favorable.

In the fall our MIIA health account representative told us to include a 10% increase in our active insurance plans for the FY 2025 budget. At the annual MMA meeting in January, MIIA announced that members will be receiving rates based on a range within a minimum of 2.2%, an average of 6.6% and a maximum of 9.95%. At the time of the release of the renewal rate, we were told we could decrease our estimate to 6.6%. Weeks later we received our actual renewal rate of a 5.7% increase for active health insurance plans. The estimate for retiree health plans remains at a 6% increase.

There were a few years we received very minor increases or rate decreases; there was a rate decrease of .03% in FY22 for active plans, and a .66% rate increase in FY21 for active plans, and a rate decrease of 2.45% in FY20 for active plans. During the pandemic we also received holiday premiums that resulted in \$369,334 in savings and I recommended creating a Health Insurance Stabilization account that would be drawn on in outlying years. Last year we used \$271,000 of that account and the FY25 preliminary budget recommendation includes using the remaining \$105,762 to offset the upcoming year's health insurance costs.

Health insurance costs are split in both the Town and School budgets. The School budget includes active health insurance costs for school employees and the Town budget includes active health insurance costs for town employees and retiree health insurance for both town and school retirees. Within the Unclassified budget, 42% of the Health Insurance budget is health insurance for active town employees, 45% is health insurance school retirees and 13% for health insurance for town retirees. The active health insurance is approx. \$1,297,627, school retirees' account for \$1,411,181 and Town retirees account for \$420,343.

The preliminary budget estimates a 5% increase for Workers Compensation, Liability insurance and Police/Fire Injured on Duty insurance. We can readjust the Workers Compensation and Liability insurance once renewals are received in the coming weeks.

Unclassified also includes the Salary Reserve and the regular Reserve account. At the Special Town Meeting in November 2023, the regular Reserve account was increased from \$75,000 to \$275,000 to capture additional New Growth. The FY25 preliminary budget recommendation funds that account at \$100,000 and the Salary Reserve account at \$100,000.

The total recommended budget for Unclassified General Government is \$4,215,863 or a \$71,262 (1.72%) increase over the previous fiscal year.

Capital

The Capital Planning Committee received thirty-five (35) capital project requests totaling \$3,474,767. As noted in the FY 2025 Budget Process section, the Town Manager's recommendation at this time is to fund 10 of the 35 projects totaling \$1,317,119 (in the chart below). The preliminary budget recommendation proposes to use \$1,016,722 of certified Free Cash and \$300,397 of unexpended capital from surpluses from previous capital projects. Due to the needs of town and school departments this year and loss of 40S funds, which results in a decrease in State Aid, the recommendation currently does not include any funding from tax revenues.

| TM Priority # | CPC Priority # | Collins Score | Project Number | Department | Project Title | FY2025 |
|---------------|----------------|---------------|----------------|----------------------|---|------------------------|
| 1 | 1 | 35 | FD23-02 | Fire | Public Safety Radio System - Replace update obsolete equipment- Phase 2 | \$ 315,263.00 |
| 2 | 2 | 43 | FM23-17 | Facilities and Parks | Town Wide Keying, Card Access & Alarm System Upgrades | \$ 185,000.00 |
| 3 | 7 | 44 | INFRA21-03 | Infrastructure | Northfield Culvert (Kelly's Pond) Construction | \$ 200,000.00 |
| 4 | 4 | 44 | LPS16-14 | School | THES, ADA Study for Renovations and Assessment and Schematic Design | \$ 275,000.00 |
| 5 | 3 | 34 | PD19-01 | Police | Marked Police Vehicle, replacement for K9 cruiser | \$ 92,211.00 |
| 6 | 6 | 41 | IT24-02 | IT | Library Security Cameras Phase I | \$ 36,000.00 |
| 7 | 5 | 36 | PD19-02-A | Police | Marked Police Vehicle, replacement for Traffic vehicle | \$ 73,626.98 |
| 8 | 8 | 22 | LPS23-07-A | School | THES, Installation of 3M Window Safety Film | \$ 33,569.00 |
| 9 | 9 | 27 | IT24-01 | IT | Security Camera Upgrades at Town Buildings | \$ 36,450.00 |
| 10 | 10 | 29 | FM23-15 | Facilities and Parks | Parks, Wallis Park Basketball and Tennis Courts | \$ 70,000.00 |
| | | | | | | \$ 1,317,119.98 |
| | | | | Funding: | Raise and Appropriate | \$ - |
| | | | | | Free Cash | \$ 1,016,722.36 |
| | | | | | Unexpended Capital | \$ 300,397.62 |
| | | | | | Special Purpose Stabilization | \$ - |
| | | | | | | \$ 1,317,119.98 |

For more details on the projects being proposed to be funded at this point, capital plan presentations from departments, and the Town Manager's Preliminary Capital Plan presentation visit: <https://www.lunenburgma.gov/552/FY25-FY34-Capital-Planning-Documents>

Use of Free Cash on Capital and Reserves

The preliminary budget presentation includes using \$1,016,722 in Free Cash towards the FY25 Capital Plan, depositing \$100,000 into the Regular Stabilization Account, depositing \$250,000 into the Special Purpose Stabilization Account, and depositing \$187,061 into the OPEB Trust Fund. Free Cash is reserved for non-recurring expenses such as capital needs or deposits into the town's reserves as this promotes fiscal sustainability.

Retirement Assessment

The Worcester Regional Retirement System annually provides each member Town an assessment based upon anticipated retirement benefits to be paid out. The Town's FY2025 assessment has been certified at \$2,127,801, which includes an early payment discount of approximately \$37,229. The FY 2025 assessment is an overall increase of \$209,832 or a 10.94% increase from last fiscal year.

Non-Appropriated Expenditures

Cherry Sheet Charges, Cherry Sheet Offsets, funds for the Overlay account, and Tax Title make up the non-appropriated expenditures that are raised on the tax recapitulation sheet that is submitted to the Department of Revenue to set the tax rate. The Cherry Sheet Charges and Cherry Sheet Offsets are based on the Governor's Local Aid Proposal for FY 2025 and this decreased by \$79,791 compared to FY24. The estimate for the Overlay Account for FY25 is currently level funded at \$120,000 based on the five-year average of abatements and exemptions granted, minus the approximately \$1.5M in abatements granted in FY23.

Conclusion

The preliminary budget presented is a balanced budget within the confines of Proposition 2 ½. It reflects a balanced approach at utilizing our limited resources stretched across all our town and school departments that are all facing rising operating costs. It utilizes the remainder of the Health Insurance Stabilization Account to offset health insurance expenses and unlike all previous years, does not include any funding from tax revenues towards the FY25 Capital Plan. It reflects the Governor's State Aid Proposal, which includes a reduction of \$342,192 in Smart Growth School Reimbursement funds due to the Town not qualifying for that reimbursement in FY 2024. This equates to an overall decrease in State Aid for FY25.

As outlined in this document, there are many needs requested by departments that address the growth needs of the community and non-discretionary expenses such as Worcester Country Retirement, Health Insurance costs, and other insurances but does not meet all the needs of budget scenarios presented and provided by the School Superintendent. Given the information known at this point in time, the preliminary budget recommendation for FY25 budget aims to provide incremental growth to town departments and additional funding beyond the 2.5% for the School budget within the total available amount known at this time.

This year is not typical and a different approach was required to present a balanced budget, not one I would have anticipated such as the loss of over \$342,000 in Local Aid. The budget process is a constantly evolving process and it sometimes requires adaptability to new problems that lead to alternative solutions. As we prepare for Fiscal Year 2025, I am confident we will continue to adequately address the challenges of the times and simultaneously provide the best services possible given our available resources for the people who live, work, and visit the Town of Lunenburg.