

Lunenburg Finance Committee Report

Fiscal Year 2025

The Lunenburg Finance Committee reports that Lunenburg's financial position is changing, and some post pandemic effects are starting to show that have a financial impact on the Town. Thanks to the Town's fiscally conservative practice, for many years, Lunenburg has largely been able to navigate difficult financial instability. As a result, however, many of the Town's Departments are currently operating below their desired budget and staffing levels. Lunenburg continues to have numerous positions that remain unfilled, for a variety of reasons, causing strain on said Departments.

The process of developing and presenting a budget to the Annual Town Meeting begins in the early Fall with the Town Manager meeting with department heads to discuss expenses, wants, and needs. The Town Manager then presents the proposed budget to the Finance Committee in mid-February. Over the following 90 days, the Finance Committee meets with the various department heads to discuss their individual line-item budget requests. Through the deliberative process, the Finance Committee determined the historic budget schedule may not offer sufficient time for appropriate analysis, recommendations, and reporting. This year, additional scrutiny was given to every single line in an attempt to holistically understand the requested appropriation of all funds and the impact on the operational elements of all Departments. The Finance Committee then votes on the recommendation of the finalized omnibus budget provided by the Town Manager and reports to the Annual Town Meeting. As a legislative body, acting on the Town's behalf, the Finance Committee recommends the approval (5-1-1) of the budget.

On average, over 60% of Town revenue is generated by the levy of real and property tax, governed by Proposition 2½. Due to the limitations of Proposition 2½, Lunenburg is restricted on its annual levy increase. When the needs of a municipality outpace the levy capacity, Proposition 2½ allows for overrides to be considered. An override is a permanent increase in the tax levy, spread out to all residents of the town.

After long deliberations of the School Committee, Finance Committee, Superintendent, Select Board, Town Manager, and with public input, Article 8 has been placed on the warrant for a Proposition 2 ½ override in the amount of \$948,136.00. This amount seeks to provide Lunenburg schools with a budget for level service minus the sunsetting ESSR funds. A successful Proposition 2 ½ override requires two steps: 1) a majority vote at Town Meeting and, 2) the passage of a ballot question on the May 18th, 2024 Town Election. The Finance Committee recommends approval of the override article (4-2 with one absent). Individual home assessed values can be found on the assessor's website and on the FY24 tax bills. FY25 tax bills are assessed in November 2024 and mailed out by December 2024. The following table illustrates the effects of the Proposition 2 ½ increase with or without and override.

	FY24	FY25 Without Override		FY25 With Override	
	Tax Rate \$14.10/\$1000	Est. Tax Rate \$14.35/\$1000		Est. Tax Rate \$14.76/\$1000	
Assessed Value	FY24 Estimated Tax Bill	FY 25 Estimated Tax Bill	FY25 Estimated Tax Bill Impact	FY25 Estimated Tax Bill	FY25 Estimated Tax Bill Impact
\$250,000	\$3,525	\$3,588	\$63	\$3,690	\$165
\$350,000	\$4,935	\$5,023	\$88	\$5,166	\$231
\$450,000	\$6,345	\$6,458	\$113	\$6,642	\$297
**\$481,417	\$6,788	\$6,908	\$120	\$7,106	\$318
\$550,000	\$7,755	\$7,893	\$138	\$8,118	\$363
\$650,000	\$9,165	\$9,328	\$163	\$9,594	\$429
\$750,000	\$10,575	\$10,763	\$188	\$11,070	\$495
\$850,000	\$11,985	\$12,198	\$213	\$12,546	\$561
\$950,000	\$13,395	\$13,633	\$238	\$14,022	\$627
\$1,050,000	\$14,805	\$15,068	\$263	\$15,498	\$693
\$1,150,000	\$16,215	\$16,503	\$288	\$16,974	\$759
\$1,250,000	\$17,625	\$17,938	\$313	\$18,450	\$825
\$1,350,000	\$19,035	\$19,373	\$338	\$19,926	\$891
\$1,450,000	\$20,445	\$20,808	\$363	\$21,402	\$957
\$1,550,000	\$21,855	\$22,243	\$388	\$22,878	\$1,023

**Average Lunenburg Home Assessment

Historically, the Capital Plan has been funded through free cash, tax revenues, and unspent capital appropriation from prior years. For FY25 the Capital Plan is exclusively funded through free cash (\$1,016,722.36) and unspent Capital appropriation (\$300,397.62) from prior years. The proposed Capital plan of \$1,317,119.98, is a 35% decrease from the FY24 Capital plan. The reduction in Capital plan spending is partly due to the loss of \$340,000.00 of 40S State funds and the allocation of \$236,000.00 of certified new growth that is being directed to the School Department budget. The Finance Committee recommends the approval (6-1) of the FY25 Capital plan.

The Finance Committee has recommended a new budget line item to fund Grant Writing Services in the Town of Lunenburg. The intention is to contract professional services to ideally bring new funds into the Town. It was found that grants are available that could offer additional funding for the preservation and revitalization of historical land and buildings, infrastructure, educational tools and technologies, the Cemetery Commission's needs, housing initiatives for Seniors and Veterans, among many others.

Noteworthy topics:

- The end of FY24 will see a 16.39% reduction of our Debt Service and Excludable Debt, from \$3,518,012.81 (FY24) to \$2,941,321.50 (FY25). This decrease is the result of a reduction in the sewer debt, the Elementary School / High School heating exempt debt, and a reduction in MSBA excludable debt. An analysis run by UniBank in 2023 projected

a variety of scenarios to guide the Town in debt capacity spending over the next 30 years. In total the Town has the potential to borrow up to \$42 million that will be usable while remaining under debt capacity policy limits. With this number in mind, the Select Board, the Municipal Building Design Committee, and the Town will be better prepared to plan for the future.

- The Town is facing many large Capital items for the buildings, building repairs, and infrastructure. As such, Town will need to invest significant funds over the next five to ten years to mitigate more building disrepair. Recurring operational maintenance and planning is imperative to allocate funds productively and the Finance Committee recommends urgent planning for these Capital items and maintenance.
- Change to the salary administration plan, if approved at Town meeting, offers an appropriate first step at addressing employee retention within Town Departments. There are currently multiple open positions within the Town of Lunenburg, and for a variety of reasons, low salaries have been consistently mentioned. The proposed SAP changes will increase the FY24 salary reserve line by \$89,771.61 and the FY25 salary reserve line by \$110,948.87. The Finance Committee unanimously recommended (7-0) to approve the Salary Administration Plan and the Salary Wages to help improve employee retention.
- Late in FY24, Lunenburg was informed that it no longer qualified for 40S Smart Growth Cherry Sheet reimbursement state funding. The reduction of \$342,192.00 for FY24 caused additional strain on the available free cash for closeout. It is likely that Lunenburg will not see 40S Smart Growth reimbursement funds in FY25.
- Fair Share Funds (“Millionaire’s tax”) have begun to make their way into Lunenburg. The Town has seen a \$240,503.00 increase in Chapter 90 funds to be used for roads and transportation. As of now there has been no direct budgetary funding for the School Department, however, the school lunches that were free during the pandemic continue to be free, paid from this fund. The Finance Committee encourages the School Committee to research funding for upgrades for Facilities improvements.
- The FY25 Cherry Sheet decreased by \$111,752.00 from FY24. The Finance Committee recommends the members of our community, and our Town officials work with our state legislators to advocate for additional revenue sources for the Town.
- The Finance Committee has initiated conversations and advocated for the consolidation and streamlining of redundant Departments and services between the Town and the Schools. It is anticipated that these conversations will continue past this budget season to be initiative-taking for upcoming seasons.

LUNENBURG FINANCE COMMITTEE

Evan Watters, Chair

Chris Menard, Vice Chair

Tiffaney Tavares, Clerk

Tom Gray

Dave Passios

Jean Russell

Jay Simeone