

# Town of Lunenburg

## Annual Budget, Preliminary Presentation

July 1, 2022-June 30, 2022



## Fiscal Year 2022

February 9, 2022

**Heather R. Lemieux**  
Town Manager

# TOWN OF LUNENBURG

## TOWN MANAGER

Tom Alonzo, Chairman  
Michael-Ray Jeffreys, Vice Chairman  
Katey Adams, Clerk  
James Marino, Member  
Todd Dwyer, Member



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Heather R. Lemieux, Town Manager

**To:** Select Board  
Finance Committee

**From:** Heather R. Lemieux, Town Manager

**Re:** FY 2022 Budget Message and Preliminary Budget Proposal

**Date:** February 9, 2022

In accordance with Section 6 of the Lunenburg Home Rule Charter, it is my privilege to present the Fiscal Year 2022 Budget Message for the Preliminary Budget, which 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 budget recommendation includes the most up to date revenue projections and expenditure requests. This Preliminary Budget recommendation, as presented, provides for maintaining the current service levels, with some exceptions to address staffing deficiencies, uses recurring revenues for the operating budget, meets all the town's financial policies, and ensures long term fiscal sustainability.

### ***Looking Back:***

We can all relate that this past year has been a roller coaster and everyone has faced personal and professional challenges that no one could have foreseen. From a local government standpoint, there were a myriad of obstacles and uncertainties facing cities and towns across our nation that our local and school leadership team also faced, such as providing a continuity of services to our residents and businesses during a pandemic, food insecurity for our youth and elders, re-opening measures that adequately protected our employees, students and the public, remote learning for students, remote public meetings, a vast array of changes in state and federal legislation that affected our daily operations, and the list goes on. Our local and school leadership teams and our staff came together during this time and met these challenges head on. As a town we witnessed attitudes of perseverance, innovation, and an overall desire to help our residents, students, and businesses throughout this pandemic. I would be remiss if I didn't recognize the immense thought

and effort that town and school staff put into how we provided services this past year and how everyone rose to the challenge.

The development of the fiscal year 2022 budget and the fiscal challenges we have faced since the start of the pandemic is a prime example of overcoming the adversity of this past year. The Finance Committee was nearing the completion of their budget presentations from departments that culminates in a public hearing when the shutdown occurred. The entire budget was revamped and the revised revenue estimates meant deferring a number of proposed changes to the operating budget, a deposit into the Other Post Employment Benefit Trust Fund, a deposit into the Special Purpose Stabilization Fund, and half of the FY21 Capital Plan until the November Special Town Meeting. Mostly due to COVID relief funds received through the state from the federal relief packages (CARES Act) and confirmation that it was safe to level fund the estimate for State Aid instead of severely decreasing that estimate, we were able to address all the items that were deferred at the Annual Town Meeting. Our fiscal health remained strong during the pandemic and as we begin the process for developing the Fiscal Year 2022 budget, the preliminary budget is a reflection of sustaining this fiscal health while addressing certain needs through incremental growth and maintaining conservative revenue estimates.

***Looking Ahead to Fiscal Year 2022:***

As in previous years, the preliminary budget is a balanced budget in two respects: it provides a balanced approach to the needs of all the departments of the Town and is also balanced based upon the use of reoccurring revenues for operating costs and does not use free cash or stabilization towards the operating budget. Fiscal sustainability is a theme throughout by using conservative revenue estimates that are not one time revenues to support current expenditures and adheres to the town's financial policies to maintain a certain level in the town's reserve accounts and deposits funds into the Other Post- Employment Benefits (OPEB) Trust Fund to address retiree health insurance liabilities. Due to lingering uncertainty about the impact on the economy from the pandemic, the preliminary budget only increases the estimate for Motor Vehicle Excise taxes for FY22 at this time and level funds all other local receipt categories, for an overall increase of 1.6% compared to an increase of 2.27% in the previous fiscal year. Revenues from property taxes also includes a conservative estimate for New Growth, which is additional tax revenue from new construction, renovations or other increases in the property tax base, with a decrease of approximately \$28,000 from the current year's certified New Growth. As the budget develops we will revisit the New Growth estimate and determine whether it can be increased. The revenue estimate for State Aid in the preliminary budget is the Governor's Proposed Budget (House 1) that was released on January 27<sup>th</sup> and is a .17% increase from the FY21 State Aid amount.

In mid-February the Town Manager prepares a preliminary budget recommendation that is presented to the Select Board and Finance Committee. The framework for the budget begins with looking at the levy capacity, estimated revenues, contractual increases, and using reasonable estimates for certain expenditures. This year departments were asked to meet a target budget that included known contractual increases and level funded expense categories. The Police and Fire Departments were given target budgets that included the costs to add an additional full time police officer and the costs to add an additional full time firefighter. On the expenditure side, the target budget included an additional \$50,000 for pavement management per an established past practice in order to achieve a total of \$1,000,000 in the operating budget for pavement management by

2033. For any requests above the target budget, departments were directed to provide a justification such as the effect on town services, if the increase would generate revenues, or address a need for increased service levels. After meeting with each department and updating the budget with any new information, such as the Worcester County Retirement assessment and the Holiday Premium that is projected to be an overall savings of around \$350,000 on both the school and town expenditure side of the budget, the FY2022 preliminary proposal was drafted.

***Reserves, FY 2022 Capital Plan, and the Five Year Financial Forecast:***

This budget proposes to use free cash, non-reoccurring revenue, to fund a portion of the FY22 Capital Plan and deposits funds into the Town's regular Stabilization account and the OPEB (Other Post-Employment Benefits) Trust Fund. By setting aside these funds in the town's stabilization account and OPEB Trust Fund, it will ensure the town is financially secure, addresses known retiree health insurance liabilities, and adheres to the town's financial policies. This preliminary budget reflects an unappropriated free cash balance of approximately \$834,000.

Given the figures known at this time, the FY22 Capital Plan will be funded with free cash, tax revenues and transferring \$211,000 from the Special Purpose Stabilization Fund. The Special Purpose Stabilization Fund was created to fund large vehicle and equipment purchases and lessen the dependence on tax revenues in years when large vehicle and equipment purchases were needed. The FY22 Capital Plan recommendation at this time is to fund 13 out of the 23 capital project requests totaling \$1,499,825. For more details on the proposed FY22 Capital Plan, it can be viewed at: [https://www.lunenburgma.gov/sites/default/files/field/files-docs/fy2022\\_capital\\_plan\\_presentation\\_1.pdf](https://www.lunenburgma.gov/sites/default/files/field/files-docs/fy2022_capital_plan_presentation_1.pdf). It would be my recommendation to revisit the Capital Plan to fund additional projects if more funding is available for appropriation as the budget develops.

The Five Year Financial Forecast for FY2022-FY2026 is a tool to forecast projected surpluses or deficits in future years given certain assumptions. This year's presentation included different scenarios, including the School's five year staffing plan and the impact of a 2% Cost of Living Adjustment for town employees. The projected deficits, without adding in the costs associated with the School's five year staffing plan, are largely attributed to the assumption of not projecting the use of free cash in future years beyond fiscal year 2022 but having expenditures that would normally be offset by the use of free cash. For more details on the FY22-FY26 Five Year Financial Forecast, it can be viewed at: [https://www.lunenburgma.gov/sites/default/files/field/files-docs/financial\\_forecast\\_presentation\\_to\\_bos\\_1-19-21.pdf](https://www.lunenburgma.gov/sites/default/files/field/files-docs/financial_forecast_presentation_to_bos_1-19-21.pdf)

This budget is a preliminary recommendation for FY2022. There are still a number of unknowns at this date. The Governor has released his budget proposal but state aid will not be finalized until July. Other revenues such as "Local Receipts" and "New Growth" are conservative estimates that may be changed based on new information before town meeting. On the expenditure side, the Town is awaiting health and general insurance renewal rates and the assessment from Montachusett Regional Vocational Technical School. As these figures become known, the financial projections will change and adjustments will be made that will ultimately be recommended to voters at the Annual Town Meeting on May 1, 2022.

Here is a summary of the next steps in the FY 2022 budget process

- A presentation on the preliminary budget will be held at the February 9<sup>th</sup> Select Board's meeting and at the February 11<sup>th</sup> Finance Committee meeting.
- Information on the FY 2022 preliminary budget will be available on February 10<sup>th</sup> on the town website at [www.lunenburgma.gov](http://www.lunenburgma.gov) under the "Town Meetings and 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: <https://www.lunenburgma.gov/news-announcements/fy-2022-budget-information>
- The Finance Committee will hold a public hearing on the FY22 budget and town meeting articles that have a financial impact on Thursday, March 25<sup>th</sup> at 7 p.m.
- The Annual Town Meeting will be held on Saturday, May 1, 2022 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 September until January 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. I share my appreciation for Superintendent Dr. Kate Burnham's leadership in these unprecedented times and thank her, School Business Manager Michael Cassidy and their leadership team for all the work that goes into putting forth a comprehensive staffing plan to address the District's vision. Lastly, I want to thank Finance Director Karen Brochu; Karen is my primary support during the budget process and her direct involvement in this year's budget process and her expertise was instrumental in developing the FY2022 preliminary budget recommendation.

Respectfully,  
Heather R. Lemieux  
Town Manager

## **FY2022 Budget Process:**

This year's budget process was different than previous years in that we deferred many decisions on the FY2021 budget at the Annual Town Meeting but also began the budget process for Fiscal Year 2022 before a state budget was finalized. Due to the delay in the State finalizing the state's FY21 budget until December 2020, the Town deferred action on many budget items until there was a clearer financial picture at the November Special Town Meeting.

The FY2022 budget process kicked off with the Capital Planning Committee's first meeting on September 9<sup>th</sup>. The capital planning documents were sent to departments in October and the Capital Planning Committee met with departments throughout November and December to review all the capital project requests as a group. The forms which were sent to departments were based on the UMass Collins Center Capital Planning documents that include 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. The Capital Planning Committee evaluates capital requests based on the responses to these categories with each category being assigned a value depending on the response, and a project receives a composite score. The Capital Planning Committee used this information as a starting point for prioritizing projects but also discussed projects in context of the verbal discussions with the requesting department representatives relative to each project. The Capital Planning Committee provided a prioritized list to the Town Manager on January 5<sup>th</sup>.

During the week of January 18<sup>th</sup>, the Town Manager presented a Five Year Financial Forecast and a Capital Plan to the Select Board and Finance Committee. The Capital Plan presented included the same projects that were recommended by the Capital Planning Committee and the only difference was the Town Manager's recommendation prioritized one of the projects at a higher priority than other projects. The Five Year Financial Forecast projects revenues and expenditures based on historical trends, a variety of assumptions, and known future expenditures such as contractual increases and large capital projects. These projections are a tool in order to assist town officials to prepare the ensuing years budgets to maintain fiscal sustainability and how expenditures will be addressed if a deficit is imminent.

The development of the FY 2022 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 a high level of service. In December departments were sent target 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 and the Superintendent and the School Business Manager then met individually with the Town Manager and Finance Director to review their "above target" requests and to discuss any variations in services from the previous fiscal year. This preliminary budget recommendation reflects some of those "above target" requests to enhance the performance of the department and reflects decreased amounts needed for health insurance due to the announcement from our insurance carrier of a Holiday Premium for a full month that decreases our health insurance costs for the town and school, a change in the



original estimate for the Worcester Regional Retirement assessment from a 10% increase to a 1.93% increase, and a slight decrease in the estimate for general insurances from a 5% to 4% increase.

The target budgets for the Police and Fire Departments were an exception to budgets that reflected maintaining the existing staffing levels. 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 translated to additional service calls for our public safety departments. Since 2018 we have adhered to the Five Year Staffing Plan for the Fire Department that adds one additional Full Time Career Firefighter each year until FY2023 and the Ten Year Staffing Plan for the Police Department that adds one additional Full Time Patrol Officer each year until FY2028. In Fiscal Year 2021 voters approved funding to continue following these plans by funding an additional Full Time Patrol Officer and an additional Career Firefighter. The FY22 preliminary budget proposes an additional Patrol Officer and an additional Career Firefighter to continue to follow these staffing plans.

When beginning the budget development process for FY 2022 in December, the target budget for the Lunenburg Public Schools included a 2.5% increase or \$528,000 increase over the previous fiscal year. As described in the forthcoming paragraphs, with the announcement from our health insurance carrier MIIA of a Holiday Premium for a full month, the preliminary budget recommendation exceeds all the priorities in the Superintendent’s budget presented to the School Committee in January.

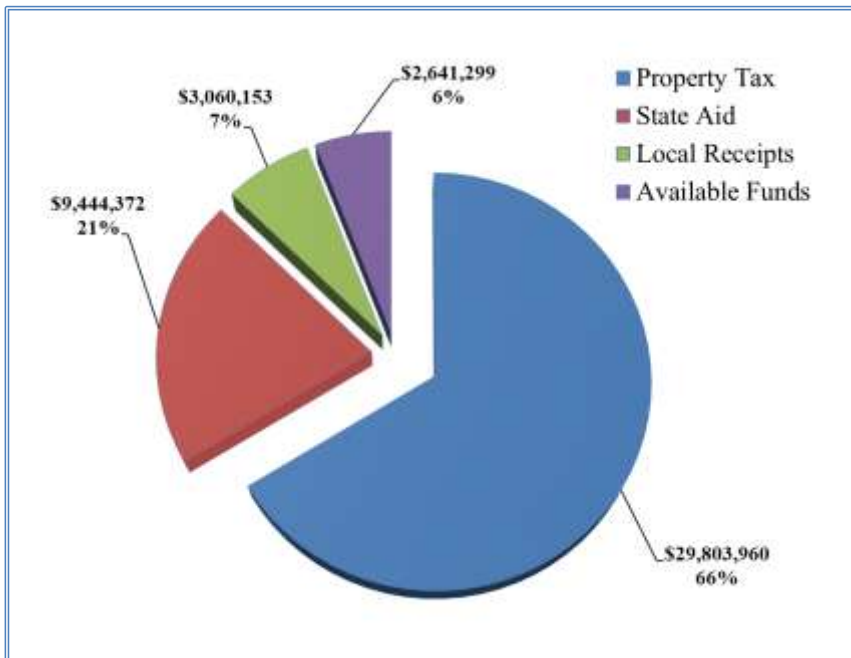
The preliminary budget that will be presented the week of February 8<sup>th</sup> to the Select Board and Finance Committee represents most, but not all, needs of the departments, provides a plan for maintaining our strong fiscal health, addresses capital needs, and addresses future liabilities. As the more “unknowns” become known, recommendations will be made to adapt to new information.

**FY 2022 Revenue Overview:**

The Town has four (4) sources of Revenue: Property Tax, State Aid, Local Receipts, and Available Funds. For FY 2022 the projected revenues are:

- Property Tax: \$ 29,803,960
- State Aid: \$ 9,444,372
- Local Receipts: \$ 3,060,153
- Other Avail. Funds: \$ 2,641,299
- Total: \$ **44,949,784**

The chart below breaks out the revenue sources by percentage:



## Property Taxes

Property taxes are the largest, single revenue source for the Town, approximately 66%. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by non-manufacturing businesses. The Board of Assessors revalues all taxable real property at fair market value on a periodic basis. Prior to November 2017 this was done every three years but state law now allows this to be performed every five years. Under the provisions of Proposition 2 1/2, property taxes, in the aggregate, may not exceed 2 1/2 percent of their full and fair cash value. This limit is known as the levy ceiling. Annual levy increases shall not exceed 2 1/2% 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 1/2 override and/or debt exclusion amounts voted are added to the levy limit.

	FY2019	FY2020	FY21	FY22 TM	Dollar Increase	% Increase over
	Final	Final	Final	Prelim. Budget	Over PY	Prior Year
<b>Revenue</b>						
Property Tax*	\$ 26,994,911	\$28,054,410	\$28,896,249	\$29,803,960	\$907,711	3.14%
State Aid**	\$ 9,074,334	\$ 9,250,358	\$ 9,308,929	\$ 9,444,372	\$135,443	1.45%
Local Receipts	\$ 2,940,817	\$ 3,010,153	\$ 3,010,153	\$ 3,060,153	\$50,000	1.66%
Available Funds***	\$ 2,669,543	\$ 3,035,225	\$ 2,427,555	\$ 2,641,299	\$213,744	8.80%
<b>total:</b>	<b>\$ 41,679,605</b>	<b>\$43,350,146</b>	<b>\$43,642,887</b>	<b>\$44,949,784</b>	<b>\$1,306,897</b>	<b>2.99%</b>
*Property Tax includes starting tax levy, 2 1/2%, New Growth, Excludable Debt						
** The State Aid figure for the FY21 Final budget reflects the amount voted at the November 2020 STM and used to set the tax rate.						
***Available funds will fluctuate mainly due to use of free cash.						

For FY2022, the Town’s Property Tax revenues are projected to increase by \$907,711 and includes the maximum allowable levy including a 2 1/2 % increase over the previous fiscal year’s ending levy. This is up from the previous fiscal year increase of \$841,839 in property tax



revenues. The target budget that was the baseline when developing the FY22 budget and the figure used in the financial forecast for FY22 included an estimate of \$280,590 for New Growth. At that point this was a decrease of \$28,142 from the estimate used for the FY21 budget. This estimate was provided by the Principal Assessor based on the current building permits and estimated new growth for personal property accounts. The decrease in the debt exclusion figure is based on the current debt schedule that has a reduction in the principal and interest payments for existing debt-excludable projects for FY 2022.

	FY2019	FY2020	FY21	FY22 TM	Dollar Increase
	Final	Final	Final	Prelim. Budget	Over PY
<b>Property Tax</b>					
Prior Year Levy Limit	\$ 23,087,668	\$24,137,396	\$25,107,061.90	\$26,043,471.00	\$936,409
2 1/2% Increase	\$ 577,192	\$603,435	\$627,677	\$651,087	\$23,410
New Growth	\$ 472,536	\$366,231	\$308,732	\$280,590	-\$28,142
Debt Exclusions	\$ 2,857,515	\$ 2,947,347.96	\$2,852,779	\$2,828,812	-\$23,967
Taxes: Total	\$ 26,994,911	\$28,054,410	\$28,896,249	\$29,803,960	\$907,711

### State Aid

State Aid is the Town’s second largest revenue source (21%) and is the amount of funding each community receives from the Commonwealth to help fund Education and General Government Services. The FY2022 State Aid estimate in the preliminary budget is based on the Governor’s House 1 Proposed Budget for FY2022 that was released on January 27th totaling \$9,444,372. This equates to an additional \$49,680 in Chapter 70 funds (.6% increase) and an additional \$39,302 in Unrestricted General Government Aid (3.5% increase); the total estimate for FY22 is \$9,444,372 (an increase of .17% over the final FY21 State Aid amount approved in December 2020 and an increase of 1.45% over the FY21 final budget approved at the fall Special Town Meeting).

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 FY2013-FY2021 and the Governor’s Proposal for FY2022:

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Projected
<b>STATE AID CHERRY SHEET</b>										
Chapter 70 Education Aid	5,219,937	5,354,696	5,605,872	5,834,483	6,351,257	7,272,505	7,538,072	7,771,740	7,773,938	7,823,618
Charter Tuition Reimbursement	143,361	130,068	50,717	133,545	33,934	78,091	17,860	36,345	64,708	36,704
Charter Facility Reimbursement									-	-
Smart Growth			183,618	166,960	119,257	119,257	29,195	35,372	138,069	79,717
School Lunch (offset)	8,887	8,087	7,451	-	-	-	-	-	-	-
School Choice Receiving Tuition (offset)	319,057	298,593	241,290	227,741	268,906	281,212	241,647	182,658	176,265	176,265
Unrestricted General Government Aid	894,449	915,592	940,983	974,858	1,016,777	1,056,431	1,093,406	1,122,928	1,122,928	1,162,230
Veterans Benefits	14,496	26,454	40,539	55,238	81,303	45,280	35,873	55,161	42,316	58,371
Exemptions VBS and Elderly	57,665	60,628	61,689	63,425	66,101	58,172	55,517	61,979	62,042	58,214
State Owned land	48,829	49,795	47,844	47,844	47,275	47,230	47,230	26,222	26,905	28,805
Police Career Incentive									-	-
Public Libraries (offset)	12,078	11,488	14,647	14,398	14,137	14,615	15,534	16,524	20,448	20,448
<b>TOTAL Cherry Sheet</b> ③	<b>6,718,759</b>	<b>6,855,401</b>	<b>7,194,650</b>	<b>7,518,492</b>	<b>7,998,947</b>	<b>8,972,793</b>	<b>9,074,334</b>	<b>9,308,929</b>	<b>9,427,619</b>	<b>9,444,372</b>

## Local Receipts

Local Receipts are made up of Motor Vehicle Excise taxes, fees, fines, permits, licenses, and other departmental revenue or charges for services. 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 FY22 budget assumes an overall increase of 1.66% or \$50,000 over the FY2021 Local Receipts estimate. This year’s local receipts estimate is conservative due to the uncertainty still surrounding the economy and the impact on this revenue category. The Finance Director has been closely monitoring our revenues, including Local Receipts, and as the budget progresses we can adjust them accordingly. As with previous years, another reason to maintain conservative Local Receipts is to contribute 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.

	FY2019 Actual	FY2020 Actual	FY2021 Estimate	FY2022 Estimate
1. Motor Vehicle Excise	1,850,073	1,813,251	1,671,640	1,721,640
2a. Meals Excise	100,980	134,867	100,980	100,980
2b. Room Excise			-	-
2c. Other Excise-Boat			-	-
3. Penalties/Interest on Taxes and Excises	156,025	154,669	154,670	154,670
4. Payment In Lieu of Taxes	1,648	-	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	160,110	165,998	164,267	164,267
11. Rentals			-	-
12. Dept. Revenue-Schools	119,964	60,207	60,207	60,207
13. Dept. Revenue-Libraries				
14. Dept. Revenue-Cemeteries	3,550	4,100	4,100	4,100
15. Dept. Revenue-Recreation			-	-
16. Other Departmental Revenue	276,947	262,555	262,600	262,600
17. Licenses/Permits	252,315	331,255	331,188	331,188
18. Special Assessments	14,031	11,844	11,844	11,844
19. Fines and Forfeits	27,213	37,183	27,213	27,213
20. Investment Income	112,566	102,340	62,935	62,935
21. Medicaid Reimbursement			-	-
22. Misc. Recurring	1,376		-	-
23. Misc. Non-Recurring	241,224	231,808	212,699	212,699
<b>TOTAL Local Receipts-Actual</b> ①	<b>3,318,023</b>	<b>3,310,076</b>	<b>3,065,991</b>	<b>3,115,991</b>
<b>Difference: Actual over Estimated</b>	<b>307,869</b>	<b>243,085</b>	<b>-</b>	<b>-</b>

## Available Funds (Reserves and Other Financing Sources)

Available funds covers a variety of categories including the use of certified Free Cash, borrowing amounts, a reimbursement from MSBA for an old school project, transfers from the Sewer Enterprise to fund charges within the General Fund, transfers from Sewer and Water Betterment Accounts to the General Fund to pay the cost of Sewer and Water debt service, and Septic Loan revenue. There is an increase in available funds in FY22 compared to the previous fiscal year primarily due to the amount of free cash being used to offset non-reoccurring expenses and the current recommendation to transfer \$211,000 from Special Purpose Stabilization. The below chart identifies the financing sources and use of reserves that are a portion of the revenues available for the FY2022 budget.

	FY2019	FY2020	FY2021	FY2022 TM
	After Recap	After Recap	After Recap	Prelim. Budget
<b>Available Funds</b>				
Free Cash	\$ 602,736.00	\$ 1,297,731.96	\$ 858,356.21	\$ 969,243.00
Bond Premium		\$ 6,350.49		
Unexpended Articles	\$ 54,478.00	\$ 171,781.68	\$ 6,825.61	
Borrowing	\$ 480,495.00	\$ -		
Special Purpose Stabilization Fund				\$ 211,000.00
MSBA Reimbursement (Both debt an	\$ 534,198.00	\$ 535,316.89	\$ 535,051.19	\$ 534,779.55
MSBA Reserve Reimbursement Applied				
Sewer Enterprise Retained Earnings	\$ 70,464.00	\$ 70,805.00	\$ 72,682.00	\$ 74,402.89
Sewer Betterments	\$ 812,905.58	\$ 817,901.40	\$ 804,329.90	\$ 705,876.16
Water Betterments	\$ 58,468.13	\$ 56,837.50	\$ 55,837.50	\$ 54,837.50
Septic Loan Revenue	\$ 10,868.00	\$ -		
PEG Retained Earnings			\$ 48,000.00	\$ 46,842.00
Sale of Cemetery Lots		\$ 35,000.00	\$ -	
Artificial Turf Revolving Fund	\$ 44,930.56	\$ 43,500.00	\$ 46,473.00	\$ 44,318.19
School Transportation Fee Offset	\$ -	\$ -	\$ -	\$ -
<b>total:</b>	<b>\$ 2,669,543.27</b>	<b>\$ 3,035,224.92</b>	<b>\$ 2,427,555.41</b>	<b>\$ 2,641,299.29</b>
Dollar Increase Over Prior Year	\$ 428,772	\$ 365,682	\$ (607,670)	\$ 213,744
Percentage Increase Over Prior Year	19.14%	13.70%	-20.02%	8.80%

The FY2022 proposed budget recommends using \$969,243 of certified Free Cash, transfers \$211,000 from the Special Purpose Stabilization account to pay for a large vehicle in the FY22 Capital Plan, accounts for the \$534,779 reimbursement from MSBA for an old school construction project, transfers \$74,402 from the Sewer Enterprise for indirect costs paid for in the General Fund, transfers \$705,876 from the Sewer Betterment account to fund the Sewer's debt for FY22, transfers \$46,842 from the PEG account for indirect costs paid for in the General Fund, transfers \$54,837 from the Water Betterment account to fund the Water's debt for FY22, and transfers \$44,318 from the Artificial Turf Revolving Fund to pay for the turf field debt for FY22.

## FY2022 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, Snow & Ice Deficit, and funds for the Overlay Account. The final budgeting category is the remaining Town Meeting warrant articles that have a financial impact.

The preliminary FY2022 budget for Operating Expenses is projected to increase by \$1,106,109 or 3% over FY2021. The largest increases being in Lunenburg Public Schools (\$528,090 or 47% of the increase), the Fire Department (\$147,883 or 13% of the increase), Unclassified General Government (\$136,695 or 12% of the increase), and Police (\$116,599 or 10%). While other categories are increasing, Debt Service is estimated to decrease by \$136,928 or by 12%.

	FY2022 TM Prelim. Budget	FY22 Prelim. Budget Dollar Inc. over PFY	FY22 Prelim. Budget % of total increase
<b>Expenditures:</b>			
<b>General Fund Expenditures:</b>			
General Government	\$ 1,652,946	\$ 44,365	4.01%
Central Purchasing	\$ 75,580	\$ 19,300	1.74%
Police	\$ 2,030,691	\$ 116,599	10.54%
Fire	\$ 1,353,105	\$ 147,883	13.37%
Radio Watch	\$ 304,679	\$ 970	0.09%
Other Protection	\$ 205,151	\$ 2,673	0.24%
Department of Public Works	\$ 1,912,839	\$ 102,684	9.28%
Public Buildings & Facilities	\$ 797,965	\$ 44,386	4.01%
Solid Waste	\$ 249,534	\$ 30,900	2.79%
Health & Sanitation	\$ 89,540	\$ 6,001	0.54%
Council on Aging	\$ 167,318	\$ 6,851	0.62%
Veterans	\$ 105,775	\$ -	0.00%
Lunenburg Public Schools	\$ 21,669,378	\$ 528,090	47.74%
Monty Tech Assessment	\$ 910,901	\$ 22,217	2.01%
Library	\$ 439,541	\$ 4,497	0.41%
Debt Service	\$ 4,562,594	\$ (136,928)	-12.38%
Unclassified	\$ 3,294,589	\$ 136,695	12.36%
Retirement Assessment	\$ 1,531,070	\$ 28,926	2.62%
		\$ -	
<b>sub-total:</b>	<b>\$ 41,353,196</b>	<b>\$ 1,106,109</b>	

The FY2022 Preliminary Budget includes all known contractual increases, including agreed upon COLA increases for non-union employees under the Salary Administration Plan, current salary and related expenses per current union agreements, and increases for employees with an Employment Agreement. The Town will be negotiating with the Fire, Clerical, and DPW Unions and if not settled by the May 1, 2021 Annual Town Meeting will request a transfer of funds at a future town meeting from the Salary Reserve Account.

Outside of allocating funding for the long term staffing plans for the Police and Fire Departments and \$50,000 for pavement management, this year's budget proposal addresses needs expressed by departments including:

- Restoring a Town Facilities position that was not filled when the employee retired in a previous fiscal year;
- Addressing the need for seasonal staff to maintain town cemeteries and creates a supply line dedicated for town cemeteries;
- Addressing an identified need by the Town Clerk to increase hours for the Assistant Town Clerk;
- Inclusion of a grant funded position that would be entirely funded with the Recycling Dividends Program grant the Town receives annually;
- Includes funding for 10 hours per week of administrative support for Boards and Committees that currently do not have any administrative support.

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

### **General Government**

The General Government category includes the Administrative, Financial, and Planning Offices of the town. Total spending in this category is recommended at \$1,617,795, which is an increase of 5.81% or \$88,773. The proposal includes all contractual increases, audit costs, legal expenses, an increase in hours for the Assistant Town Clerk from 24 to 32 hours a week, funding for 10 hours per week of administrative support for Boards and Committees, an increase in software maintenance costs, and expenditures to provide general government services.

This is the second year that the Town Clerk has requested additional hours for the Assistant Town Clerk. The hours for the Assistant Town Clerk were cut some years ago and the current hours are insufficient to address the workload. This will provide more coverage in that office to handle vital record requests, dog licensing, and coverage for elections. This will also prepare that office for a transition in the event of the current Town Clerk's eventual retirement.

There are multiple boards and committees, such as the Finance Committee, Capital Planning Committee, and Personnel Committee, which do not have any clerical staff to provide administrative support such as setting up and posting meetings and recording minutes of meetings. The proposed part time clerical position that is proposed to be no more than 10 hours per week, would have an overall impact of approximately \$9,000 to the budget.

### **Central Purchasing**

This category increased by \$19,300 as this same cost was reduced in the Information Technology budget and transferred to the Central Purchasing account. This cost is for the copier lease agreements for the Town. This account also includes telephone charges for town facilities and office equipment maintenance.

## **Police Department**

The Lunenburg Police Department employs 18 full time Police Officers, 11 Reserve Intermittent Police Officers, a Public Safety Coordinator (also counted as a Reserve Officer), and a Desk Officer (also counted as a Reserve Officer). The Police Department is in operation 24 hours a day, 7 days a week. For many years the 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 three fiscal years, an additional police officer was added each year. Adding one additional officer last year does not resolve the Police Department's need for additional officers. Based on state and national data on the number of officers per capita in communities of similar size, Lunenburg falls below the state average. There has been significant growth in housing units over the years and the Police Department's response to calls for service correlates to the growth in the community. The increase in the FY22 Police Department budget reflects one additional Police Officer and related expenses. The decrease in the amount needed for the Full Time Officer is due to the timing that the officer will become a full time officer due to the required academy training. In the previous fiscal year the Shift Differential line was reduced but the trend this year indicates this line item needs to be readjusted upwards. The total increase over the previous fiscal year is \$116,599, which is a 6% increase.

## **Fire Department**

The Fire Department is comprised of a full time Fire Chief, 7 full time Firefighter/EMTs, an EMS Coordinator, and on call reserve firefighters and on call EMT's. The Fire Department faces similar challenges as the Police Department in 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. In 2018 the Fire Chief 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 preliminary budget for the Fire Department includes the costs in the projected five year plan to add an eighth full time Firefighter/Paramedic, addresses the need to increase the line item to purchase replacement turnout gear by \$10,000, and an increase in the firefighters training line to cover Paramedic Training shift coverage. The Fire Department currently runs one shift at the Basic Level Service and all other shifts at the Advanced Level Service, with Sundays covered by two per diem firefighter/EMT's and one per diem and two full time firefighter/EMT's covering Monday thru Saturday shifts. The total increase over the previous fiscal year is \$147,883, which is a 12% increase.

## **Public Works, Town Facilities and Buildings**

The Department of Public Works preliminary budget addresses a variety of needs in the Cemetery Division, Highway Division, and the Facilities Division. In order to more adequately address the maintenance of the cemeteries, the recommendation includes funding for part time seasonal



employees. The Cemetery portion of the budget under the DPW also includes a new line for supplies. This is a more accurate depiction of the costs to run the Cemetery Division under the DPW.

The preliminary budget for the Highway Division does not reflect all the “above target” requests; including restoring the Assistant Mechanic position and increasing snow related expenses. The recommendation does include increasing the Highway Overtime line by approximately \$3,000, includes \$100,000 for Stormwater costs to meet Municipal Separate Storm Sewer Systems Permit (MS4) requirements, and reallocates funding under General Highway Maintenance for engineering for infrastructure projects.

Another town-wide priority in this budget recommendation is continuing to invest in our road infrastructure. The proposed budget reflects the unwritten plan to increase the pavement management line by \$50,000 a year that will ultimately reach a sustainable level upon the completion of the Pavement Management Plan Debt Exclusion. This increase is supported by the additional growth in the Motor Vehicle Excise Account in Local Receipts. Due to the economic uncertainty during the FY21 budget development process, the additional \$50,000 did not ultimately make it into the FY21 budget.

The Facilities budget includes restoring a Town Facilities position that was not filled when a facilities employee retired in a previous fiscal year. Currently we only have one town facilities employee that oversees the maintenance and repairs at eight aging town buildings and a multitude of town building capital projects. One of the Town Manager’s goals this year is to review the current organizational structure and determine if a reorganization that separates Facilities from the Department of Public Works would create greater efficiencies. This is an ongoing process so the recommendation for the type of position may change as the budget develops.

The total increase over the previous fiscal year for the DPW is \$102,684, or a 5.6% increase, and the total increase over the previous fiscal year for the Town Buildings & Facilities budget is \$44,386, or a 5.8% increase.

### **Solid Waste/Recycling Program**

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. We are now expecting the costs of the Solid Waste/Recycling program to increase exponentially with our 10 year contract with Casella at the end of June. Based on reports from industry experts in this market, the recycling industry and the impact of higher trash volumes related to the pandemic have increased the costs of providing this service. We will be going out to bid for these services shortly and will know the impact on this account prior to town meeting. The FY2022 budget includes a 15% increase in the operating budget that includes recycling costs for all households and solid waste disposal services for town and school departments.

The preliminary budget also includes a grant funded position that would be entirely funded with the Recycling Dividends Program grant the Town receives annually. This Solid Waste and Recycling Enforcement Coordinator position would assist with oversight of our solid waste and recycling program and create an ongoing program to educate and enforce recycling requirements. This continues the Town's goal to improve recycling within the town and has zero impact on property taxes.

### **Lunenburg Public Schools**

The Town Manager's recommended preliminary FY2022 budget for Lunenburg Public Schools is \$21,669,378. This total includes \$17,686 towards Curriculum Update expenses, which is in addition to the Curriculum Adoption within the School Operating budget. The preliminary FY22 target budget for LPS is a 2.5% increase over the previous fiscal year or \$528,090. In January Superintendent Burnham presented the School Committee a recommended budget, which equated to a 3.23% increase or \$682,000 over the previous year's appropriation. At the end of January our health insurance carrier announced that they would be providing their member communities a Holiday Premium for a full month in FY 2022. This will equate to a savings of \$233,000 - \$240,000 in active employee health insurance savings on the school side, depending on the final active health insurance renewal rate. Given this savings, a 2.5% increase will fund all of the priorities in the Superintendent's budget presented to the School Committee in January, as well as an additional \$79,500-\$86,500 for priorities not included in the 3.23% budget proposal.

Additionally, the Department of Elementary and Secondary Education recently announced a second round of Elementary and Secondary School Emergency Relief funding in the amount of \$588,834 that is available until September 30, 2023.

### **Montachusett Regional Vocational School**

Other school related expenses in the preliminary budget include a 2.5% increase for the town's assessment for Montachusett Regional Vocational School with the actual assessment received in the beginning of March. Monty Tech also received notice of Elementary and Secondary School Emergency Relief funding in the amount of \$661,823 that should positively impact the assessments.

### **Library**

The preliminary budget addresses the top priorities of the requested budget increases, including meeting the energy needs of the building, funding to hire a consultant to perform a long term strategic plan, and exceeds the 16% spending requirement on library materials. The requested budget from the Library was \$23,679 more than the target budget and the preliminary budget is \$21,913 more than the target budget or a 1.03% increase over the previous fiscal year.

## 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.

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. This fall MIIA approached us about participating in a "Post 65 Program" to move a small number of employees that were not eligible to receive free Medicare Part A, as they did not contribute to Social Security. By participating in this program, MIIA committed to reducing our active renewal rate by 2% for FY 2022. This change will also reduce our total claims under our active plans and reduces our OPEB liability by an estimated \$5-6 million. Given this reduction of 2% for our FY22 active renewal rate, our estimate for active health insurance increases is 3% and a 5% increase for retiree health insurance costs.

At the annual MMA meeting in January, MIIA announced members will be receiving rates of an increase/decrease based on a range within a minimum of -0.6%, an average of 2.9% and a maximum of 6.8%. Based on the town's loss ratios, our insurance representative confirmed we could maintain our maximum increase for health insurance for active employees at 3% and 5% for retirees. We will receive our actual renewal rates by the end of February and hope to see that figure decrease again.

MIIA also announced at the annual MMA meeting in January that they would be providing a Holiday Premium again to all their Health Trust members but this time for one full month of premiums. The Holiday Premium for one full month in FY 2022 will result in the following savings:

- Between \$233,000-\$240,000 savings for active plans for health insurance for school personnel;
- Between \$59,000-\$60,000 savings for active plans for health insurance for town personnel;
- Approximately \$17,000 in savings for town retiree health insurance plans;
- Approximately \$32,000 in savings for school retiree health insurance plans.

Since this is a one time savings, we need to plan for these costs to be reintroduced in the FY 2023 budget. For this reason, I am proposing that we create a Health Insurance Stabilization Account for future health insurance costs that will deposit unappropriated tax revenues into this account. This temporary fluctuation in the budget can be offset with these funds without impacting the trajectory of the operating budget in FY2023 and will further fiscal sustainability.

Another noteworthy point is that 37% of the Health Insurance budget is health insurance for active town employees, 47% is health insurance school retirees, and 17% for health insurance for town retirees. Without the Holiday Premium, the active health insurance is approx. \$943,362 out of the \$2,554,312, school retirees' account for \$1,193,468 and Town retirees account for \$417,482.

The preliminary budget estimates a 4% increase for Workers Compensation and Liability insurance and level funds Police/Fire Injured on Duty insurance. We will readjust the Workers Compensation and Liability insurance once renewals are received in March.

The total recommended budget for Unclassified General Government is \$3,294,589 or a \$136,694 (4.3%) increase over the previous fiscal year.

## Capital

The Capital Planning Committee received twenty three (23) capital project requests totaling \$2,547,312 and recommended funding thirteen (13) capital project requests totaling \$1,499,825. The Capital Plan is recommended to be funded through a combination of Free Cash, a transfer of \$211,000 from the Special Purpose Stabilization Fund, and tax revenues. There is no additional borrowing required to fund the FY22 Capital Plan. The chart below identifies all the items included in the FY22 Capital Plan and their funding sources. Due to a current unallocated balance of revenues for the FY22 budget, undesignated balance of Free Cash, and anticipated unexpended capital funds from previous capital projects, the recommendation is to revisit the amount of funding towards the FY22 Capital Plan as the development of the budget progresses.

TM	CPC						FY2022
Priority #	Priority #	CIP#	Dept.	Project Name	Category		Projected
2	1	FD21-01	Fire	Turnout Gear	Equipment		100,000
3	2	PD16-07	Police	Bulletproof Vests, 29 Officers	Equipment		17,500
4	3	DPW17-07	Highway	6-Wheel Dump, plow & sand/Repl.2005 International	Vehicles		211,000
5	4	FM17-05	Town Facilities	PSB, Chiller Replacement	Facilities		150,000
1	5	INFRA20-02	Highway	Flat Hill Culvert Construction	Infrastructure		428,500
6	6	PD17-02-B	Police	Police Vehicle, Marked Replacement	Vehicle		66,950
7	7	LPS20-01	Schools	THES Exterior Envelope Repairs	Facilities		67,000
8	8	FM20-03	Town Facilities	Ritter, ADA Ramp Construction	Facilities		127,500
9	9	FM21-02	Town Facilities	Town Hall Repairs- Vertex Year Items 2,3,5,6	Facilities		69,425
10	10	INFRA21-01	Highway	Page Street Survey/Design/Permit	Infrastructure		20,000
11	11	FM21-03	Town Facilities	Ritter, Envelope Repair Projects in Vertex#6-12	Facilities		120,000
12	12	PD20-02	Police	Police Vehicle, Marked Replacement	Vehicle		66,950
13	13	FM16-05	Town Facilities	PSB, Replace Carpet 1st Floor	Facilities		55,000
				Total Capital Plan			1,499,825
			Funding:	Raise & appropriate			600,000
				Free cash			688,825
				Unexpended Capital			
				Premium Reserved for Capital			
				Special Purpose Stabilization Account			211,000
				Total Available Funding			1,499,825

## Use of Free Cash on Capital and Reserves

The FY2022 budget uses \$969,243 of the \$1,804,185 certified Free Cash available for appropriation for the following

- Designates \$180,418 towards OPEB liability costs (=10% of the previous year's certified free cash);
- Funds \$688,825 towards the FY22 Capital Plan;
- \$100,000 deposited into the regular Stabilization Account per the Town's Financial Policy;

This leaves an undesignated balance of \$834,942. The recommendation is that a portion of this undesignated balance rolls to next fiscal year's Free cash balance to help fund next year's Capital, a portion should be reserved for funding money articles at the Annual Town Meeting, be considered to fund additional projects in the FY22 Capital Plan, increase the amount deposited into stabilization, and be a source of funding if the Snow & Ice deficit cannot be funding within the FY21 operating budget. The use of Free Cash on one time expenditures (Capital) and deposits into the town's reserves promotes a fiscal sustainability and plans for the town's future.

## 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 FY2022 assessment has been certified at \$1,531,070, which includes an early payment discount of approximately \$28,213. This is an overall increase of \$28,926 or a 1.93% 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 House 1 Budget Proposal and indicate a decrease in the State/County Charges, Choice/Charter Tuition Assessments, and Cherry Sheet Offsets. For the preliminary budget proposal, the Tax Title Account is recommended to be level funded at \$24,000 to address additional tax title properties and the funds required to go through the tax title process. The estimate needed for the Overlay Account is \$120,000. As the unknown costs become known, the goal would be to revisit these estimates.

	FY2019	FY2020	FY2021	FY2022	Dollar Increase
	Final	Final	Final	Prelim. Budget	Over PFY
Court Judgments					
Cherry Sheet Charges	\$ 1,044,696	\$ 1,082,507	\$ 1,036,576	\$ 981,023	\$ (55,553)
Cherry Sheet Offsets	\$ 257,181	\$ 199,182	\$ 199,182	\$ 196,713	\$ (2,469)
Overlay	\$ 175,016	\$ 175,000	\$ 115,887	\$ 120,000	\$ 4,113
Tax Title	\$ 10,500	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
<b>sub-total:</b>	<b>\$ 1,487,393</b>	<b>\$ 1,480,689</b>	<b>\$ 1,375,645</b>	<b>\$ 1,321,736</b>	<b>\$ (53,909)</b>
*Cherry Sheet Charges and Cherry Sheet Offsets for FY2021 reflects the estimate used to finalize the FY21 budget at the STM and when the tax rate was set.					

## *Conclusion*

The preliminary budget presented leaves unappropriated balance of approximately \$494,000 that will backfill any potential increases beyond the target budget estimate for the Montachusett Regional Vocational School assessment, Solid Waste/Recycling Program increases, and transfer funds to a Health Insurance Stabilization Fund to offset future health insurance funding increases. The preliminary budget recommendation also funds certain increases to address the town's need for increased public safety services for Police and Fire, staffing needs for the Facilities and Cemetery Divisions under the DPW, administrative support needs, funds contractual increases, and adheres to the Town's financial policies. The preliminary budget recommendation also exceeds the funding priorities in the proposed Superintendent's budget that was presented to the School Committee in January. Given the information known at this point in time in regards to revenue projections and known expenses, the Town Manager's proposed FY22 budget aims to address the needs of the community, maintain the current service levels, with some exceptions to address staffing deficiencies, uses recurring revenues for the operating budget, meets all the town's financial policies, and ensures long term fiscal sustainability.

As we move forward in the budget process, we will receive certain information such as the actual Health Insurance renewal rates, General Insurance renewal rates, the Monty Tech Assessment amount, the updated costs for the Solid Waste and Recycling Program, and a better picture of the final State Aid figure and the budget will be adjusted accordingly. Overall, this budget reflects the strong fiscal health of the town and offers flexibility to address any increases beyond the estimates currently being used for the aforementioned costs. As we prepare for Fiscal Year 2022, 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.