

Town of Lunenburg

Annual Budget, Preliminary Presentation

July 1, 2022 - June 30, 2023



Fiscal Year 2023

February 15, 2022

Heather R. Lemieux
Town Manager

TOWN OF LUNENBURG

TOWN MANAGER

Tom Alonzo, Chairman
Michael-Ray Jeffreys, Vice Chairman
Lou Franco, Clerk
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 2023 Budget Message and Preliminary Budget Proposal

Date: February 15, 2022

In accordance with Section 6 of the Lunenburg Home Rule Charter, it is my privilege to present the Fiscal Year 2023 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 in most departments, addresses an increased need for administrative support, uses recurring revenues for the operating budget, meets all the town's financial policies, and ensures long term fiscal sustainability.

Looking Back:

As we look back at the last year, the Town has continued to face many challenges that are the result of the pandemic. Across both town and school departments, like many other professions, we have faced staffing shortages, a limited pool of qualified applicants for vacancies, disruption on a weekly basis due to staff that have to quarantine or isolate due to COVID-19, while still providing a high level of service to our residents and businesses and education to our students. We are not unique in this aspect but it should not go without notice. Thank you to all the volunteers, town staff and school staff that has kept us functioning and that make Lunenburg a special place to live, work, and visit.

The development of the fiscal year 2022 budget was not as volatile as fiscal year 2021. We were able to fund key new positions to address staffing deficiencies, deposit funds into the regular stabilization account, Special Purpose stabilization account, and the Other Post Employment Benefit Trust Fund. The Town also voted to approve approximately \$1.6M in funding for the

FY22 Capital Plan. Both the town and school budgets were supplemented by various COVID relief funds received through the state from the federal relief packages (CARES Act) and the American Rescue Plan Act (ARPA). The CARES Act also provides for disaster recovery relief funds through FEMA for specific public safety and public health expenses related to COVID. The combination of these different relief funds alleviated the need for additional local tax dollars on expenses related to the public health emergency.

Our fiscal health has remained strong during the pandemic and as we begin the process for developing the Fiscal Year 2023 budget, the preliminary budget is a continuation of sustaining this strong fiscal health while addressing certain needs through incremental growth and maintaining conservative revenue estimates.

Looking Ahead to Fiscal Year 2023:

As in previous years, the preliminary budget is a balanced approach 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.

The preliminary budget increases the estimate for Motor Vehicle Excise taxes for FY23 and level funds all other local receipt categories, for an overall increase of 1.6%. 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 \$217,000 from the current year's certified New Growth. 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. The largest percentage increase in revenues is State Aid. The preliminary budget uses the State Aid figure in the Governor's Proposed Budget (House 1) that was released on January 26th and is a 10% increase from the FY22 State Aid amount.

Another source of funding that will impact the FY23 budget, and budgets for the next few years, is the continued COVID relief funds the town and school are receiving in the form of Elementary and Secondary School Emergency Relief (ESSER) funds and ARPA funding. These funds are outside of the omnibus budget that is voted at town meeting. The proposed FY23 School budget includes some positions that would be paid through grant funds and the town is currently beginning the process to prioritize expenses that will be able to be covered by the \$3.5M the Town received in ARPA funding. The Town will examine how best to use these funds in a way that benefits the community the most, both in terms of quality of life and financial sustainability, while also maximizing other potential state and federal grants that will be available to municipalities to apply for.

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 Governor's State Aid Proposal and the Worcester County Retirement assessment, the FY2023 preliminary proposal was drafted.

Reserves, FY 2023 Capital Plan, and the Five Year Financial Forecast:

The preliminary budget recommendation proposes to use free cash, non-reoccurring revenue, to fund a portion of the FY23 Capital Plan and deposits funds into the Town's regular Stabilization account, Special Purpose Stabilization Fund, and the OPEB (Other Post-Employment Benefits) Trust Fund. By setting aside these funds in the town's stabilization accounts 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 \$1,050,000. As more of the unknowns become known, additional funds from free cash may be designated towards the FY23 Capital Plan, stabilization, and other money articles to be voted on at the annual town meeting.

Given the budget surplus at this time and the amount of unappropriated free cash, it would be my recommendation to revisit the prioritized projects to be funded in FY 2023 as the budget develops. Similar to previous years, the FY23 Capital Plan will be funded with free cash, tax revenues, and unexpended capital appropriations from previous fiscal years. The FY23 Capital Plan recommendation at this time is to fund 20 out of the 30 capital project requests totaling \$1,740,049. For more details on the projects being proposed to be funded at this point and other details related to the capital plan, the presentation can be viewed at:

https://www.lunenburgma.gov/sites/default/files/field/files-docs/fy2023_capital_plan_presentation_from_tm.pdf

The Five Year Financial Forecast for FY2023-FY2027 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 2023 but having expenditures that would normally be offset by the use of free cash. For more details on the FY23-FY27 Five Year Financial Forecast, it can be viewed at: https://www.lunenburgma.gov/sites/default/files/field/files-docs/financial_forecast_presentation_for_bos_and_finance.pdf

This budget is a preliminary recommendation for FY2023. 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 actual 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 7, 2022.

Here is how you, the public, can learn more about the FY 2023 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 Select Board’s meeting and at the February 17th Finance Committee meeting. All meetings are being held both in person and through Zoom. To view those meetings, visit the town calendar on the website at <https://www.lunenburgma.gov/Calendar> to get the Zoom meeting information and directions on how to participate.
- Information on the FY 2023 preliminary budget will be available on February 15th on the town website at 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 the town website under the “Town Meetings and Town Finances” link on the homepage.
- The Finance Committee will hold a public hearing on the FY23 budget and town meeting articles that have a financial impact on Thursday, March 31st at 7 p.m. and a second hearing on Thursday, April 14th at 7 p.m. if needed.
- The Annual Town Meeting will be held on Saturday, May 7, 2021 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 FY2023 preliminary budget recommendation.

Respectfully,
Heather R. Lemieux
Town Manager

FY2023 Budget Process:

The FY2023 budget process kicked off with the Capital Planning Committee's first meeting on September 14th. The capital planning documents were sent to departments in late September and the Capital Planning Committee met with departments throughout November and early 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 4th.

The Town Manager presented a Five Year Financial Forecast and a 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. 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 long term fiscal sustainability and how expenditures will be addressed if a deficit is imminent.

The development of the FY 2023 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 many of those "above target" requests to enhance the performance of the department, reflects decreased amounts needed for active health insurance costs from a 8% to 6% due to the announcement of the rate range, a change in the original estimate for the Worcester Regional Retirement assessment from a 10% increase to a 10.32% increase, includes a 3.11% increase for Lunenburg Public Schools, and an estimated 21% increase for the Montachusett Technical School assessment.

When beginning the budget development process for FY 2023 in December, the target budget for the Lunenburg Public Schools included a 2.5% increase or a \$541,292 increase over the previous fiscal year. In January Superintendent Burnham presented the School Committee a recommended budget, which equated to a 3.11% increase or \$673,617 over the previous fiscal year's

appropriation. Other school related expenses in the preliminary budget include a 21% increase or a \$180,701 for the town's assessment for Montachusett Regional Vocational Technical School with the actual assessment received by mid-March. This estimate is based on our foundation enrollment increasing from 83 to 94 students, the required minimum contributions set by the State, transportation and capital costs. Fortunately, the Governor's State Aid proposal, which includes \$898,610 more in Chapter 70 funding than FY 2022, are the basis for supporting more than the target budget for both the Lunenburg Public Schools and the Montachusett assessment increases.

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. The FY23 preliminary budget proposes an additional Patrol Officer and an additional Career Firefighter to continue to follow these staffing plans.

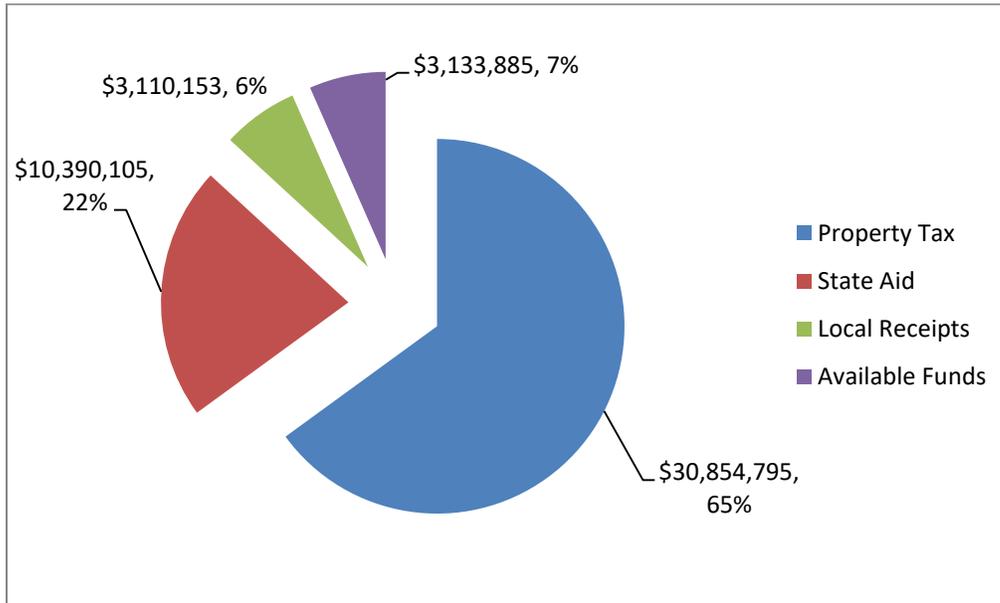
The preliminary budget that will be presented the week of February 14th to the Select Board and Finance Committee represents most needs of the departments, provides a plan for maintaining our strong fiscal health, addresses capital needs, and addresses future liabilities. As the more "unknowns" become known, recommendations will be made to adapt to new information.

FY 2023 Revenue Overview:

The Town has four (4) sources of Revenue: Property Tax, State Aid, Local Receipts, and Available Funds. For FY 2023 the projected revenues are:

- Property Tax: \$ 30,854,795
- State Aid: \$ 10,390,105
- Local Receipts: \$ 3,110,153
- Other Avail. Funds: \$ 3,133,885
- Total: \$ **47,488,938**

The chart below breaks out the revenue sources by percentage:



Property Taxes

Property taxes are the largest, single revenue source for the Town, approximately 65%. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by non-manufacturing businesses. A revaluation of all taxable real property is done every five years based on fair market value and cyclical inspections are required every ten 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.

	FY21 Final	FY22 Final	FY23 TM Prelim. Budget	Dollar Increase Over PY	% Increase over Prior Year
Revenue					
Property Tax*	\$28,896,249	\$29,959,876	\$30,854,795	\$894,919	2.99%
State Aid	\$ 9,427,619	\$ 9,440,371	\$ 10,390,105	\$949,734	10.06%
Local Receipts	\$ 3,600,669	\$ 3,060,153	\$ 3,110,153	\$50,000	1.63%
Available Funds**	\$ 2,427,555	\$ 3,089,126	\$ 3,133,885	\$44,759	1.45%
total:	\$44,352,093	\$45,549,526	\$47,488,938	\$1,939,412	4.26%
*Property Tax includes starting tax levy, 2 1/2%, New Growth, Excludable Debt					
**Available funds will fluctuate mainly due to use of free cash.					

For FY2023, the Town’s Property Tax revenues are projected to increase by \$894,919 and includes the maximum allowable levy including a 2 1/2 % increase over the previous fiscal year’s ending levy. The target budget that was the baseline when developing the FY23 budget and the figure used in the financial forecast for FY23 included an estimate of \$213,523 for New Growth.

This estimate was provided by the Assessor’s Office based on the current building permits and estimated new growth for personal property accounts. 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 2023.

	FY2020	FY21	FY22	FY23 TM	Dollar Increase
	Final	Final	Final	Prelim. Budget	Over PY
Property Tax					
Prior Year Levy Limit	\$24,137,396	\$25,107,061.90	\$ 26,049,570.00	\$ 27,131,063.00	\$1,081,493
2 1/2% Increase	\$603,435	\$627,677	\$651,239	\$678,277	\$27,037
New Growth	\$366,231	\$308,732	\$430,254	\$213,523	-\$216,731
Debt Exclusions	\$ 2,947,347.96	\$2,852,779	\$2,828,812	\$2,831,932	\$3,120
Taxes: Total	\$28,054,410	\$28,896,249	\$29,959,876	\$30,854,795	\$894,919

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 FY2023 State Aid estimate in the preliminary budget is based on the Governor’s House 1 Proposed Budget for FY2023 that was released on January 26th totaling \$10,390,105. This equates to an additional \$898,610 in Chapter 70 funds (11.49% increase) and an additional \$31,380 in Unrestricted General Government Aid (2.7% increase).

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 FY2014-FY2023 and the Governor’s Proposal for FY2023:

	FY2014 Budget	FY2015 Budget	FY2016 Budget	FY2017 Budget	FY2018 Budget	FY2019 Budget	FY2020 Budget	FY2021 Budget	FY2022 Budget	FY2023 Projected
STATE AID CHERRY SHEET										
Chapter 70 Education Aid	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	8,722,228
Charter Tuition Reimbursement	130,068	50,717	133,545	33,934	78,091	17,860	36,345	64,708	28,140	122,771
Charter Facility Reimbursement								-	-	-
Smart Growth		183,618	166,960	119,257	119,257	29,195	35,372	138,069	79,717	79,717
School Lunch (offset)	8,087	7,451	-	-	-	-	-	-	-	-
School Choice Receiving Tuition (offset)	298,593	241,290	227,741	268,906	281,212	241,647	182,658	176,265	175,332	110,280
Unrestricted General Government Aid	915,592	940,983	974,858	1,016,777	1,056,431	1,093,406	1,122,928	1,122,928	1,162,230	1,193,610
Veterans Benefits	26,454	40,539	55,238	81,303	45,280	35,873	55,161	42,316	58,371	51,450
Exemptions VBS and Elderly	60,628	61,689	63,425	66,101	58,172	55,517	61,979	62,042	58,214	56,114
State Owned land	49,795	47,844	47,844	47,275	47,230	47,230	26,222	26,905	32,522	32,505
Police Career Incentive								-	-	-
Public Libraries (offset)	11,488	14,647	14,398	14,137	14,615	15,534	16,524	20,448	22,227	21,430
TOTAL Cherry Sheet (3)	6,855,401	7,194,650	7,518,492	7,998,947	8,972,793	9,074,334	9,308,929	9,427,619	9,440,371	10,390,105

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 FY23 budget assumes an overall increase of 1.6% or \$50,000 over the FY2022 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.

	FY2020 Actual	FY2021 Actual	FY2022 Estimate	FY2023 Estimate
1. Motor Vehicle Excise	1,813,251	1,978,799	1,721,640	1,771,640
2a. Meals Excise	134,867	125,662	100,980	100,980
2b. Room Excise			-	-
2c. Other Excise-Boat			-	-
3. Penalties/Interest on Taxes and Excises	154,669	259,184	200,000	200,000
4. Payment In Lieu of Taxes	-	3,921	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	165,998	200,429	176,052	176,052
11. Rentals			-	-
12. Dept. Revenue-Schools	60,207	72,688	60,207	60,207
13. Dept. Revenue-Libraries				
14. Dept. Revenue-Cemeteries	4,100	5,100	4,100	4,100
15. Dept. Revenue-Recreation			-	-
16. Other Departmental Revenue	262,555	254,362	257,370	257,370
17. Licenses/Permits	331,255	334,109	331,188	331,188
18. Special Assessments	11,844	15,468	11,844	11,844
19. Fines and Forfeits	37,183	13,263	13,263	13,263
20. Investment Income	102,340	35,585	25,000	25,000
21. Medicaid Reimbursement			-	-
22. Misc. Recurring			-	-
23. Misc. Non-Recurring	231,808	357,936	211,699	211,699
TOTAL Local Receipts-Actual ①	3,310,076	3,656,506	3,114,991	3,164,991
Difference: Actual over Budget	243,085	590,516	-	

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 FY23 compared to the previous fiscal year

primarily due to the amount of free cash being used to offset non-reoccurring expenses. The below chart identifies the financing sources and use of reserves that are a portion of the revenues available for the FY2023 budget.

	FY2020	FY2021	FY2022 TM	FY23 TM
	After Recap	After Recap	After Recap	Prelim. Budget
Available Funds				
Free Cash	\$ 1,297,731.96	\$ 858,356.21	\$ 1,485,604.00	\$ 1,616,692.00
Bond Premium	\$ 6,350.49			
Unexpended Articles	\$ 171,781.68	\$ 6,825.61	\$ 111,281.58	\$ 40,049.00
Borrowing	\$ -			
Special Purpose Stabilization Fund				
MSBA Reimbursement (Both debt and Reimbursement expires in 2023)	\$ 535,316.89	\$ 535,051.19	\$ 534,779.55	\$ 534,501.26
MSBA Reserve Reimbursement Applied				
Sewer Enterprise Retained Earnings	\$ 70,805.00	\$ 72,682.00	\$ 90,587.20	\$ 105,730.27
Sewer Betterments	\$ 817,901.40	\$ 804,329.90	\$ 705,876.16	\$ 687,992.32
Water Betterments	\$ 56,837.50	\$ 55,837.50	\$ 54,837.50	\$ 58,837.50
Septic Loan Revenue	\$ -			
PEG Retained Earnings		\$ 48,000.00	\$ 46,842.00	\$ 47,948.00
Sale of Cemetery Lots	\$ 35,000.00	\$ -	\$ 15,000.00	\$ -
Artificial Turf Revolving Fund	\$ 43,500.00	\$ 46,473.00	\$ 44,318.19	\$ 42,134.74
School Transportation Fee Offset	\$ -	\$ -	\$ -	\$ -
total:	\$ 3,035,224.92	\$ 2,427,555.41	\$ 3,089,126.18	\$ 3,133,885.09
Dollar Increase Over Prior Year	\$ 365,682	\$ (607,670)	\$ 661,571	\$ 44,759
Percentage Increase Over Prior Year	13.70%	-20.02%	27.25%	1.45%

The FY2023 proposed budget recommends using \$1,616,692 of certified Free Cash, accounts for the \$534,501 reimbursement from MSBA for an old school construction project, transfers \$105,730 from the Sewer Enterprise for indirect costs paid for in the General Fund, transfers \$687,992 from the Sewer Betterment account to fund the Sewer’s debt for FY23, transfers \$47,948 from the PEG account for indirect costs paid for in the General Fund, transfers \$58,837 from the Water Betterment account to fund the Water’s debt for FY23, and transfers \$42,134 from the Artificial Turf Revolving Fund to pay for the turf field debt for FY23.

FY2023 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 FY2023 budget for Operating Expenses is projected to increase by \$1,774,806 or 4% over FY2022. The largest increases being in Lunenburg Public Schools (\$673,617 or 37% of the increase), Unclassified (\$251,765 or 14% of the increase), the Monty Tech Assessment (\$180,701 or 10% of the increase), and Fire (\$165,025 or 9%). The Solid Waste (Recycling) expenses are expected to decrease by \$42,000 based on the current year’s expenses and the amount towards Debt Service is expected to decrease by \$64,000 based on the current debt schedule.

	FY2022 After Recap	FY2023 TM Prelim. Budget	FY23 Prelim. Budget Dollar Inc. over PFY	FY23 Prelim. Budget % of total increase
Expenditures:				
General Fund Expenditures:				
General Government	\$ 1,738,191	\$ 1,792,492	\$ 54,301	3.06%
Central Purchasing	\$ 75,580	\$ 77,800	\$ 2,220	0.13%
Police	\$ 2,030,691	\$ 2,146,949	\$ 116,258	6.55%
Fire	\$ 1,403,190	\$ 1,568,216	\$ 165,025	9.30%
Radio Watch	\$ 304,679	\$ 318,304	\$ 13,625	0.77%
Other Protection	\$ 205,151	\$ 214,405	\$ 9,254	0.52%
Department of Public Works	\$ 1,944,012	\$ 2,031,294	\$ 87,282	4.92%
Public Buildings & Facilities	\$ 799,489	\$ 884,566	\$ 85,077	4.79%
Solid Waste	\$ 354,634	\$ 312,634	\$ (42,000)	-2.37%
Health & Sanitation	\$ 89,540	\$ 99,260	\$ 9,720	0.55%
Council on Aging	\$ 167,318	\$ 183,629	\$ 16,311	0.92%
Veterans	\$ 105,775	\$ 110,775	\$ 5,000	0.28%
Lunenburg Public Schools	\$ 21,669,378	\$ 22,342,995	\$ 673,617	37.95%
Monty Tech Assessment	\$ 876,289	\$ 1,056,990	\$ 180,701	10.18%
Library	\$ 439,541	\$ 492,984	\$ 53,443	3.01%
Debt Service	\$ 4,562,594	\$ 4,497,723	\$ (64,870)	-3.66%
Unclassified	\$ 3,130,386	\$ 3,382,151	\$ 251,765	14.19%
Retirement Assessment	\$ 1,531,070	\$ 1,689,147	\$ 158,077	8.91%
			\$ -	
sub-total:	\$ 41,427,508	\$ 43,202,314	\$ 1,774,806	4%

The FY2023 Preliminary Budget includes all known contractual increases, including current salary and related expenses per current union agreements, and increases for employees with an Employment Agreement. The Annual Town Meeting will include an article on COLA increases for non-union employees under the Salary Administration Plan and to fund the first year's costs for the Clerical Union. The Town expects that negotiations with the Police Union will not be settled by the May 7, 2022 Annual Town Meeting therefore will request a transfer of funds at a future town meeting.

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:

- A new part time technical support position to manage public information on the town website for all town departments, committees/boards, and other public notices/information. This position will also be responsible for handling the processing the IT Department's invoices.
- Creating a Facilities Director position as a new Department head. Currently town facilities falls under the Department of Public Works, a department that is already overburdened with responsibilities. This new position would oversee two staff members and be responsible for long term planning, maintenance and large building projects. There are currently ten aging town buildings and a multitude of town building capital projects that require management.
- Adding two new part time positions at the Library to implement the Five Year Strategic Plan that identified the community's desire for the Library to be open on Fridays.

- Addressing the need for part time clerical staff for the Police Department and the Conservation Division under the Land Use Department.
- Adds a new position for the COA Meal Site program.
- Funding to address certain positions that are below state minimum wage including registration workers, the Veterans Agent, and the Animal Control Officer.

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 \$1,792,492, which is an increase of 3% or \$54,301. The proposal includes all known contractual increases, audit costs, legal costs, and expenditures to provide general government services. The above target requests include:

- Funding for 10 hours per week of administrative support for Conservation under the Land Use Department;
- Funding for an additional 4 hours for the Assistant Collector;
- Creation of a new part time technical support position to manage public information on the town website for all town departments, committees/boards, and other public notices/information. This 19 hours/week position will also be responsible for handling the processing the IT Department's invoices.
- Includes additional costs for hardware, software, website, and internet costs.
- Increases the funding in the registration workers salary line to reflect adjusting wages to the state minimum wage;
- Creation of a line item for an Alternate Building Commissioner in the event inspections are needed when the Building Commissioner is out of the office for paid time off;

Central Purchasing

This category increased by \$2,200 to cover increases in operational costs. This account also includes the copier lease agreements for the Town, telephone charges for town facilities and office equipment maintenance.

Police Department

The Lunenburg Police Department employs one full time Police Chief, a Lieutenant, a Detective (currently vacant), 4 Sergeants (one currently vacant), 10 full time Police Officers, 1 School Resource Officer, 1 Traffic Officer and 5 Reserve Intermittent Police Officers, a Public Safety Coordinator, and a Desk 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 four fiscal years, an additional police officer was added each year.

Another challenge related to staffing are the new training requirements for all reserve officers under the Police Reform Act. The costs impact thus far for FY22 for 6 months have been approximately \$15,600. This unfunded mandate has been addressed with the state legislators and will hopefully be addressed by the State.

The primary increase in the FY23 Police Department budget reflects one additional Police Officer for a half year 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. The budget also reflects a decrease in the costs of the lock-up due to the use of the lock-up facility at the Worcester County House of Corrections.

The other above target requests include:

- A lease for a motorcycle for licensed patrolmen;
- A part time clerical position to assist with License to Carry support services, assist with accounts payable, and assist with payroll;
- Increases the funding for the Animal Control Officer to reflect adjusting wages to the state minimum wage;
- Funds to address the retirement of an officer.

The total increase over the previous fiscal year is \$116,258, which is a 5% increase.

Fire Department

The Fire Department is comprised of a full time Fire Chief, 6 full time Firefighter/EMTs, 2 full time Firefighter/Paramedics, an EMS Coordinator, and 30-40 on call reserve firefighters and on call EMT's. It is expected that two of the current Firefighter/EMT's will become certified as Paramedics by December 2022.

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 a ninth full time Firefighter/Paramedic, an increase in the firefighters training line to cover Paramedic Training shift coverage. The Fire Department currently runs all three shifts at the Advanced Level Service. Monday thru Saturdays are covered by three full time staff (1 officer/2FF/EMT or Paramedic). Sundays are covered by two per diem firefighter/EMT's or Paramedic and one on call duty officer. The Fire Department will be able to apply to the State for a Paramedic Level Service once there are enough licensed paramedics to cover every shift. The total increase over the previous fiscal year is \$165,025, which is an 11% increase.

Public Works, Town Facilities and Buildings

The Department of Public Works preliminary budget addresses the creation of a new Facilities Director position. The divisions under the Department of Public Works currently include Highway, Sewer, Cemetery, Facilities, Parks, and the Pay-As-You-Throw program. Over time this department gained greater and greater responsibilities, which has created unrealistic expectations. By creating a separate Facilities Department, this would reduce the already overburdened Public Works Department and would create greater efficiencies. There are ten aging town buildings and the responsibility of creating long term property maintenance plans should be the primary focus of one individual. These ten aging buildings also require regular maintenance and a multitude of large capital projects that need to be managed on a regular basis.

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.

The total increase over the previous fiscal year for the DPW is \$87,282, or a 4% increase, and the total increase over the previous fiscal year for the Town Buildings & Facilities budget is \$85,077, or a 10% 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. After going out to bid and receiving one bid from EL Harvey, 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. Based on the costs that we have paid thus far in FY22 and the positive impact of the cost sharing model, this budget will be reduced by \$42,000.

Lunenburg Public Schools

The Town Manager's recommended preliminary FY2023 budget for Lunenburg Public Schools is \$22,342,995 or a 3.11% increase. This total includes \$17,686 towards Curriculum Update expenses, which is in addition to the Curriculum Adoption within the School Operating budget and reflects the amount the Superintendent presented to the School Committee in January as the FY23 proposed budget. This proposal is an increase of \$673,617 over the previous fiscal year's appropriation. The Superintendent's current budget proposal includes 5 new positions funded through the local appropriation and 3 grant funded positions. These three positions are funded from a federal SPED grant, DPH grant, and ESSER III funds. The School is also be applying for any

other grant funds as they become known. ESSER II funds need to be used by September of 2024 and ESSER III funds need to be used by June of 2025.

Montachusett Regional Vocational School

Other school related expenses in the preliminary budget include a 21% increase or an increase of \$180,701 for the town's assessment for Montachusett Regional Vocational Technical School with the actual assessment received by mid-March. This estimate is based on our foundation enrollment increasing from 83 to 94 students, the required minimum contributions set by the State, transportation and capital costs. It is possible that the assessment will be offset by Elementary and Secondary School Emergency Relief funding, similar to last year.

Health & Sanitation

The target budget for the Board of Health included a 5% increase for the assessment for Nashoba Associated Boards of Health but the actual assessment was a 22% increase (\$9,870). This increase is due to the method that the Association has been using since 2011 that is based on the decennial US Census count of each community. With the completion of the US Census in 2020, the Nashoba Associated Boards of Health set the assessments with a current per capita (\$4.33), using the US Census for each community, plus 5%. Due to our increase in population per the 2020 Census (11,782), Lunenburg saw a significant percentage increase. I have inquired about changing the method to a set date with annual census figures provided by each community's Town Clerk so the assessment would see incremental increases each year instead of every ten years. This inquiry will not affect the FY23 assessment but will be explored further for future fiscal years.

Council on Aging

The preliminary budget recommendation includes two increases for the Council on Aging. The first being the addition of an Assistant Meal Site Manager, which reorganizes the existing Meal Site Manager to the Assistant Meal Site Manager position, will enhance the nutrition program offered for seniors at the Eagle House by offering more freshly prepared meals on site. The intention is that half of the Assistant Meal Site salary will be paid with formula grant funds and the other half through the town appropriation. The overall increase from FY22 is \$9,744.

The other increase is an additional \$2,000 in the office supplies line. The overall increase is \$16,311.

Veterans

Similar to the Registration Worker's salaries and the Animal Control Officer, the Veterans Agent salary line has not increased in many years and does not meet state minimum wage. This preliminary budget recommendation addresses bringing the wages up to state minimum wage based on the average hours worked by the current Veterans Agent. This is a \$5,000 increase.

Library

The preliminary budget addresses all of the top priorities of the Library, including funding to hire two part time staff required to open on Fridays as identified in the Library's recent Five Year

Strategic Plan, increases the heating line to address increased heating costs related to opening on Fridays, increasing the programs line to decrease dependence on the Friends of the Library annual contributions to programming, an increase in the CWMARS that reflects the full cost, and an increase to the Library Materials line that currently exceeds the 16% spending requirement on library materials.

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 larger 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.

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%, an average of 3.7% and a maximum of 7.5%. Based on the town's loss ratios, our insurance representative confirmed we could maintain our maximum increase for health insurance for active employees at 6% and 5% for retirees. We will receive our actual renewal rates by the beginning of March and hope to see the actual rate to be lower than 6% for active employee plans. We have been fortunate the last three years with receiving a full month holiday premium in FY22 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 FY21 for active plans, and a rate decrease of 2.45% in FY20 for active plans.

Another noteworthy point is that 34% of the Health Insurance budget is health insurance for active town employees, 49% is health insurance school retirees and 17% for health insurance for town retirees. The active health insurance is approx. \$828,695 out of the \$2,450,614, school retirees' account for \$1,207,421 and Town retirees account for \$414,498.

The preliminary budget estimates a 5% 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 \$3,382,151 or a \$251,765 (8%) increase over the previous fiscal year.

Capital

The Capital Planning Committee received thirty (30) capital project requests totaling \$4,043,049. The CPC prioritized the projects and provided this prioritized list to the Town Manager on January 4th. Per the Charter, the Town Manager may modify this list of capital projects as part of the

proposed budget for the next fiscal year. The FY23 Capital Plan recommendation at this time includes 20 out of the 30 projects for a total of \$1,740,049. Similar to previous years, the FY23 Capital Plan will be funded with free cash, tax revenues, and unexpended capital appropriations from previous fiscal years. There is no additional borrowing required to fund the FY23 Capital Plan. The chart below identifies all the items included at this time in the FY23 Capital Plan and their funding sources. Due to a current projected surplus of \$514,000 in the FY23 budget, undesignated balance of Free Cash, and additional unexpended capital funds from previous capital projects, the recommendation is to revisit the amount of funding towards the FY23 Capital Plan as the development of the budget progresses.

TM Priority #	CPC Priority #	Collins Pts	CIP#	Dept.	Project Name	Category	FY 23 Projected
3	1	36	FM22-01	Infrastructure	PSB Engineering Design for Drainage	Town Facilities	\$ 25,000.00
2	2	47	DPW17-08	DPW	10-Wheel, plow & sand Repl. 1994 Mack	Vehicles	\$ 250,000.00
4	3	52	FM22-04	Facilities	Senior Center, HVAC Upgrades	Town Facilities	\$ 25,000.00
1	4	81	INFRA21-02	Infrastructure	Page Street Construction	Highway	\$ 150,000.00
5	5	70	GG22-01	Planning Board	Master Plan	Gen. Govt	\$ 110,000.00
6	6	41	DPW22-03	DPW	Two Way Radio System	Highway	\$ 35,000.00
7	7	69	PD22-01	Police	Canine Replacement	Police	\$ 24,250.00
8	8	54	PD20-03	Police	Police Marked Ford Interceptor Hybrid -Addition to Fleet	Police	\$ 62,000.00
9	9	66	FM19-05	Facilities	Town Hall Repairs- Vertex Year 2 Items 7-11 & 13	Town Facilities	\$ 96,000.00
10	10	60	INFRA21-05	Infrastructure	Flat Hill Road Drainage Design	Highway	\$ 45,000.00
14	11	30	INFRA22-03	Facilities	Marshall Park Survey	Town Facilities	\$ 25,000.00
12	12	67	GG22-02	Town Manager	Records Retention	Gen. Govt	\$ 62,500.00
13	13	46	DPW21-01	DPW	Utility Tractor/Rotary Mower Combo	Highway	\$ 170,000.00
11	14	61	LPS19-05	Schools	One Ton Dump Truck with Plow	Schools	\$ 58,833.00
15	15	61	FM21-05	Facilities	Senior Center, Vertex Items #4, 7 (1998 Roof Replacement)	Town Facilities	\$ 35,661.00
16	16	37	DPW17-09	DPW	One Ton Dump Truck with Plow	Highway	\$ 58,000.00
18	17	47	FM21-06	Facilities	Brooks House-Vertex Items #3, #4 Foundation	Town Facilities	\$ 24,000.00
17	18	42	LPS19-10	Schools	Mower	Schools	\$ 45,000.00
19	19	54	PD16-14-2	Police	Police Marked Ford 150 Responder - Addition to fleet	Police	\$ 67,805.00
20	20	53	FM19-08A	Facilities	Old Primary-Vertex Haz. Mats Abatement	Town Facilities	\$ 371,000.00
							\$ 1,740,049.00
				Funding:	Raise & appropriate		700,000
					Free cash		1,000,000
					Unexpended Capital		40,049
					Premium Reserved for Capital		
					Special Purpose Stabilization Account		
					Total Available Funding		1,740,049

Use of Free Cash on Capital and Reserves

The FY2023 budget uses \$1,616,692 of the \$2,666,962 certified Free Cash available for appropriation for the following

- \$266,692 towards OPEB liability costs (=10% of the previous year’s certified free cash);
- \$1,000,000 towards the FY23 Capital Plan;
- \$100,000 deposited into the regular Stabilization Account per the Town’s Financial Policy;
- \$250,000 deposited into the Special Purpose Stabilization Account.

This leaves an undesignated balance of \$1,050,270. 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 FY23 Capital Plan, increase the amount deposited into stabilization accounts, and be a source of funding if the Snow & Ice deficit cannot be funded within the FY22 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 FY2023 assessment has been certified at \$1,689,147, which includes an early payment discount of approximately \$31,125. The town portion is \$1,062,867, the Sewer portion is \$16,101, the School portion is \$598,149, and employees that are both town and school account for \$12,030.

The FY 2023 assessment is an overall increase of \$158,077 or a 10.32% 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 increased from \$24,000 to \$29,000 in order 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.

	FY2020	FY2021	FY2022	FY2023	Dollar Increase
	Final	Final	Final	Prelim	Over PFY
Cherry Sheet Charges	\$ 1,082,507	\$ 1,036,576	\$ 1,102,728	\$ 1,134,931	\$ 32,203
Cherry Sheet Offsets	\$ 199,182	\$ 199,182	\$ 197,559	\$ 131,710	\$ (65,849)
Overlay	\$ 174,997	\$ 115,887	\$ 123,089	\$ 120,000	\$ (3,089)
Tax Title	\$ 24,000	\$ 24,000	\$ 24,000	\$ 29,000	\$ 5,000
sub-total:	\$ 1,480,686	\$ 1,375,645	\$ 1,447,376	\$ 1,415,641	\$ (31,735)

Cherry Sheet Charges and Cherry Sheet Offsets reflect the estimate used to finalize the FY 2021 budget at the STM and when the tax rate was set.

Conclusion

The preliminary budget presented leaves unappropriated balance of approximately \$514,000 that will backfill any potential increases beyond the preliminary budget estimate for the Montachusett Regional Vocational School assessment, additional funding towards the Capital Plan, and articles for the Annual Town Meeting that will require funding. The preliminary budget recommendation also funds certain increases to address the town's need for increased public safety services for Police and Fire, creating a new Director of Facilities, administrative support needs, funds

contractual increases, and adheres to the Town's financial policies. The preliminary budget recommendation also includes the requested funding in the 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 FY23 budget aims to address the needs of the community, maintain the current service levels, with some exceptions to address staffing deficiencies and increased workloads, 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, 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 2023, 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.