

Lunenburg Finance Committee Annual Report for FY24

The Lunenburg Finance Committee is pleased to report that Lunenburg’s financial position is solid. In planning for Fiscal Year 2024, the Town has continued the sound, conservative management practices from prior years and has produced a budget that is responsible and maintains appropriate funding for the needs of all departments and Town residents.

The process of developing and presenting a budget to Annual Town Meeting begins in the early fall with the Town Manager meeting with department heads to discuss expenses, wants, and needs. The Town Manager then presents the proposed budget to the Finance Committee in mid-February. Over the following 90 days, the Finance Committee meets with the various department heads to discuss their individual line item budget requests. The Finance Committee then votes on the recommendation of the finalized omnibus budget provided by the Town Manager and reports to Annual Town Meeting. As the Legislative body acting on the Town’s behalf, the Finance Committee recommends the approval of the budget as presented at Annual Town Meeting.

Historically, the Capital Plan has been funded through free cash, taxes revenues, and unspent capital appropriation from prior years. For FY24, the available free cash is substantially lower due to the need to fill the overlay account with enough funds to offset a worst-case scenario with resident tax abatements. Without the use of ARPA funds, the proposed Capital Plan would fund \$1,039,010, a 52% decrease from FY23. With the inclusion of the ARPA funds, the proposed Capital Plan funds \$2,025,010, a 6.4% decrease from FY23. This conservative approach allows the Town to fund critical items in the Capital Plan while reserving enough money to cover potential abatements.

Understandably, an important issue on the minds of many residents revolves around the current assessments and subsequent tax levy. While the personal positions, understanding, and potential outcomes of the taxpayers may widely vary, there are a fair number of certainties.

- 1) The increases felt by some taxpayers do not indicate a windfall of cash for the Town. Lunenburg is restricted by Proposition 2½ (Mass. Gen. L. c. 59, § 21C) and, as such, is unable to raise the overall levy of the Town by any more than 2½% of the previous year’s levy limit plus any New Growth and Excludible Debt. The table below outlines the changes in taxes, showing the modest increase from year to year.

	FY22 Final	FY23 Final	FY24 Budgeted	FY22/FY23 % Change	FY23/FY24 % Change
Prior Year Levy Limit	\$ 26,049,570.00	\$ 27,131,063.00	\$ 28,043,722.60	4.15%	3.36%
2½% Increase	\$ 651,239.25	\$ 678,276.58	\$ 701,093.07	4.15%	3.36%
Estimated New Growth	\$ 430,254.00	\$ 234,383.77	\$ 200,000.00	-45.52%	-14.67%
Debt Exclusion	\$ 2,828,812.36	\$ 2,831,932.29	\$ 2,477,704.00	0.11%	-12.51%
Taxes: Total	\$ 29,959,875.61	\$ 30,875,655.64	\$ 31,477,704.00	3.06%	1.95%

- 2) Many Town residents have filed abatements, disputing the assessments made of their homes. Should all abatements be granted, the Town would be short of revenue by approximately \$1,500,000. To best cover this potential outcome, the Town Manager has recommended the transfer of \$1,500,000 from Free Cash to the Overlay Account.

- 3) The abatement process and Overlay Account are the proper methods of both addressing the issue and reversing the financial burden places on some of the Town residents.

Noteworthy topics:

- The end of FY23 will see a 14.56% reduction of our Debt Service and Excludible Debt, from \$3,174,257.53 (FY23) to \$2,712,069.90 (FY24). This decrease is a result of the retiring of excludible debt from the Public Safety Building and the Primary School as well as a completed MSBA reimbursement for the Primary School. As a result, debt capacity is made available for future projects. An analysis, run by Unibank, projected a variety of scenarios to guide the Town in debt capacity spending over the next 30 years. In total, the Town has \$42 million that will be useable while remaining under debt capacity limits. With this number in mind, the Select Board, Municipal Building Design Committee, and the Town will be better prepared to plan for the future.
- Federal relief, during the COVID-19 pandemic, provided Lunenburg with \$3,500,000 in ARPA funds and \$1,900,000 in ESSER funds. ARPA funding is to be spent at the discretion of the Select Board. In an attempt to minimize the delivery time, the Select Board voted to spend \$986,000 in ARPA funds to order three items from the Capital Plan; a replacement Rescue Ambulance (\$506,000) for the Fire Department and two-6 wheel dump trucks (\$240,000 each) for the DPW. Additionally, the Select Board has committed \$150,000 to the tax assessment investigation as well as approximately \$38,000 for security upgrades on the Public Safety Building. The remaining \$2,200,000 has yet to be allocated as the Select Board considers recommendations from various department heads and Town citizens. ESSER funds allowed the School Department to hire 13 new positions across the district. Social workers, guidance counselors, subject specialists, tutors, and technicians were all brought into the school to provide much needed support to the Town's youth. The School Department will need to look for additional funding or other ways to maintain the new staff as the last of the ESSER funding is required to be spent by the end of September 2024.
- Cherry Sheet offsets and other State monies have historically, on average, underwhelmed the Town. While FY23 did see a larger than expected increase (11.5%) in Chapter 70 (public school funding) funds, the outlook for FY24 is the likely mandatory minimum increase resulting in a 0.6% increase. In FY23, the Ch. 70 increase was more than enough to cover the 20.4% increase in the Monty Tech assessment. For FY24, the 0.6% increase will not be enough to offset the 12% increase in the Monty Tech Assessment. The Finance Committee met with our State Delegation and pushed for a re-assessment of the formulas used to determine funding to small municipalities.

The Finance Committee wishes to thank the Town Manager, Town Accountant, Capital Planning Committee, Select Board, and all the department heads that gave their time and effort to produce the budget presented at Annual Town Meeting. We recommend passage of the Town Manager's FY24 omnibus budget.

Respectfully,

The Lunenburg Finance Committee: Evan Watters, Chair; Christopher Menard, Vice-Chair; Thomas Balish, Clerk; Jay Simone; Thomas Gray; Caesar Nuzzolo