Town of Lunenburg

FY 2021 Town Manager Recommended Budget

Public Hearing

May 7, 2020

Heather R. Lemieux, Town Manager

FY2021 Budget Timeline to Date

- Finance Committee began budget discussions in July 2019
- Capital Planning Committee began in September 2019, met with departments in November and December 2019
- Town Manager sent target budgets to departments in December 2019 due back on January 2, 2020
- The Capital Planning Committee finalized prioritization of projects for the FY21 Plan on January 7, 2020
- Town Manager presented FY21 Capital Plan and FY21-FY25 Five Year Financial Forecast at the end of January 2020
- Town Manager presented a Preliminary FY21 Budget in mid-February
- Due to the economic impact as a result of the COVID-19 pandemic, the FY21 Recommended Budget had to be revamped beginning in mid-March until now.

Preparing the FY2021 Recommendation

- Before COVID-19, the goal was to create a balanced budget that funded operating budgets using recurring revenues at current service levels with some exceptions.
- When developing a budget in a stable economic environment, these three phrases are appropriate:
  1. Expenditures are a reflection of the cost of providing a level of services to residents of all ages in our community, to visitors traveling or doing business in Lunenburg, and maintaining or improving our assets.
  2. As a town, we provide services to students, we provide health and human services to seniors and veterans, recreational services, public safety to all
  3. The balance is to provide the best services possible given the available resources, maintain our assets, and put aside funding for anticipated capital and into our “rainy day fund”.

Impact of COVID-19 on Revised Recommended Budget:

- In the current environment, in order to address the economic uncertainties and the impact on our revenues, the effect of not being able to include all the priority needs of various departments will have an impact on the level of services.
- Current recommendation creates an excess levy capacity of $1,055,950 by postponing new positions and certain expenditures in order to absorb a decline in revenues beyond level funding local receipts and State Aid. The current recommendation does not represent the needs of various departments.
- Current recommendation does not fully meet the Town's Financial Policies.
- Does not use Certified Free Cash on operating budget, which should be a cardinal rule when balancing a budget.

FY2021 Original TM Recommended Budget

FY 2021 Original Recommended Budget Revenues:

- Property Taxes: Included adding 2 ½ % to previous year's levy, used a twice reduced amount of New Growth amount of $193,400 for New Growth, and debt exclusion amounts known at that point;
- State Aid: Included the Governor's House 1 State Aid figure, which was a 2.28% increase;
- Local Receipts: Estimated a 2.27% increase over previous fiscal year, which was a conservative estimate because these are elastic revenues.
- Other available funds: Used $889K from Free Cash to offset the Capital Plan, OPEB, and regular Stabilization account. Included MSBA reimbursement, Artificial Turf Field Revolving Funds, and Water/Sewer/Solid Waste/PACC Enterprise Funds.

FY 2021 Original TM Recommended Expenditure Highlights:

- General Govt: Add'l hours for Assistant Town Clerk **($8,700)**, addresses below min. wages for election/census/reg workers salaries **($4,600),** new voting booths **($10K),** increase in IT software costs **($18K)**
- Health & Sanitation: Add'l hours for Board of Health Admin **$7,600**
- Police- Included **$85K** for additional FT Patrol Officer (salary and Health Ins); department bottomline less than target due to other cuts
- Fire – Included **$95K** for additional Career Firefighter (salary and Health Ins)
- DPW- Included additional **$50K** for Pavement Management; additional **$27K** for ADA infrastructure; cut **-$40K** for Asst. Mechanic position
- Lunenburg Public Schools – Included a 2.5% increase or **$520K** increase over PFY

FY 2021 Original Non-Operating Expenditures:

- FY21 Capital Plan: $1,329,133 ($650,000 from tax revenues and $679,133 from Free Cash)
- OPEB Trust Fund: $110,000 Deposit into the OPEB Trust Fund per Town Policy
- Stabilization Fund: $100,000 Deposit into the regular Stabilization Account per Town policy
- Allowance for Abatement/Exemptions: $175,000 allowance

FY 2021 Revised Recommended Budget

Revised FY 2021 Revenue Projections

- Property Taxes: Includes adding 2 ½ % to previous year's levy, uses a reduced amount of New Growth amount of $173,400 for New Growth, and debt exclusion amounts with latest figures;
- State Aid: Current recommendation level funds State Aid from the FY20 amount but addresses potential reduction in State Aid of over 10% by leaving available tax levy;
- Local Receipts: Current recommendation level funds local receipts from the FY20 amount. As a good financial practice, the Town administration has purposely conservatively estimated local receipts as they are elastic revenues.
- Other available funds: Uses free cash for non-operating budget items and uses $14K less of Free Cash due to change in Capital Plan. Other sources of available funds relatively similar to previous FY except funds from Sale of Cemetery Lots and PEG funds for indirect costs.

FY2021- Projected Revenues

	FY21 Original Rec. Est.	FY21 Revised Rec. Est.
Property Tax	$28,645,106.90	$28,760,917.84
State Aid	$9,520,765.00	$9,308,929.00
Local Receipts	$3,078,607.26	$3,010,153.00
Other Available Funds	$2,422,082.00	$2,467,829.59
TOTAL:	$43,666,561.16	$43,547,829.43

Revised FY 21 Expenditures

- Level funds Cherry Sheet Offsets, State & County Charges and Choice/Charter Assessments from FY 2020 amounts;
- General Govt: Eliminates the added hours for Assistant Town Clerk **($8,700)**, eliminates **$18K** in IT budget
- Health & Sanitation: Eliminates added hours for Board of Health Admin **$7,600**
- Police- Postpones the additional FT Patrol Officer **($85K**: salary and Health Ins); department bottomline less than target due to other cuts
- Fire –Postpones the additional Career Firefighter **($95K**: salary and Health Ins)
- DPW- Defers the additional **$50K** for Pavement Management and additional **$27K** for ADA infrastructure and cuts **$25K** in Stormwater Costs
- General Insurance**:** Reduces General Insurance by **$9K**
- Debt: Adjusts payment schedule by **$109K** according to final Bond and BAN amounts for Ladder Truck, Saliba Property, MS/HS, and Pavement.
- Lunenburg Public Schools – Decreased to a 1.58% or **$328K** increase over PFY

FY 2021 Expenditures that are same as Original TM Recommendation:

- Includes contractual, union and non-union salary increases;
- DPW: Eliminates the position of the Assistant Town Mechanic Position for $40K;
- Facilities: Reduces the Electricity Costs by $8K;
- Central Purchasing: Reduces account by $4K;
- Health Insurance: The target budget estimate was a 6.5% increase. The recommended budget is a 0.66% increase for active employees and 5% for retirees.
- Monty Tech Assessment: The target budget assumed a 2.5% increase; actual assessment was a 14% increase or $111K over PFY
- Retirement Assessment: 11% increase or $148K over PFY
- Tax Title: Level Funded from FY20

FY 2021 Revised Non-Operating Expenditures:

- **FY21 Capital Plan:** Deferred $650,000 in capital projects in original Capital Plan in order to create greater surplus that would address any deficits in projected revenues for FY21. Recommendation is to use $664,800 of Free Cash towards Capital Items on July 1st and address the deferred projects at the Fall Special Town Meeting;
- **OPEB Trust Fund:** Defers $110,000 deposit into OPEB Trust Fund until Fall Special Town Meeting;
- **Stabilization Fund:** Reallocates the deposit of $110,000 into OPEB and adds it to the $100,000 deposit into the regular Stabilization Fund totaling $210,000 of Free Cash into this "Rainy Day Fund" that can be accessed at a later date.
- **Allowance for Abatements/Exemptions:** Reduces the amount needed based on review of balance of funds held in this account. Reduced to $120,000.

FY2021 Expenditures

Non-Discretionary –Debt Service

Town of Lunenburg

Debt

	FY2020 Budget	FY2021 Projected	FY2022 Projected	FY2023 Projected	FY2024 Projected	FY2025 Projected
Total General Fund Regular Debt	$ 380,842.57	$ 507,123.56	$ 507,624.92	$ 455,012.39	$ 331,110.15	$ 314,208.65
Total General Fund Excludable Debt	$ 3,482,664.84	$ 3,387,830.58	$ 3,363,591.91	$ 3,366,433.55	$ 2,537,672.52	$ 2,313,902.52
Total General Fund Short-term Interest	$ -	$ -	$ -	$ -	$ -	$ -
Total Sewer Debt	$ 812,828.95	$ 800,201.18	$ 702,691.70	$ 685,558.29	$ 645,143.85	$ 310,433.44
Grand Total Debt Service	$ 4,676,336.36	$ 4,695,155.32	$ 4,573,908.53	$ 4,507,004.23	$ 3,513,926.52	$ 2,938,544.61
Premiums/MSBA Reimb Excludable Debt	$ 535,316.88	$ 535,051.19	$ 534,779.55	$ 534,501.26	$ 59,968.64	$ 4.19
Net Excludable Debt - Tax Levy - DE1	$ 2,947,347.96	$ 2,852,779.39	$ 2,828,812.36	$ 2,831,932.29	$ 2,477,703.88	$ 2,313,898.33
Regular Debt Administrative Fees	$ 262.78	$ 237.40	$ 211.51	$ 185.10	$ 158.15	$ 130.66
Sewer Debt Administrative Fees	$ 5,072.45	$ 4,128.72	$ 3,184.46	$ 2,434.03	$ 1,672.43	$ 1,234.72
Transfer from Sewer Enterprise - Sewer Debt Service	$ 817,901.40	$ 804,329.90	$ 705,876.16	$ 687,992.32	$ 646,816.28	$ 311,668.16
Transfer from Septic Receipts Reserved						
Meadow Woods Water Betterment Revenue	$ 56,837.50	$ 55,837.50	$ 54,837.50	$ 58,837.50	$ 57,587.50	$ 56,337.50
Transfer from Artificial Turf Revolving	$ 43,500.00	$ 46,473.00	$ 44,318.19	$ 42,134.74	$ 39,321.78	$ 41,478.43
Net Regular Debt Service	$ 280,767.85	$ 405,050.46	$ 408,680.74	$ 354,225.25	$ 234,359.02	$ 216,523.38
% of Net Regular Debt to Levy (cap of 4% per Policy)	1.12%	1.56%	1.52%	1.27%	0.81%	0.73%
Net Excludable Debt	$ 2,947,347.96	$ 2,852,779.39	$ 2,828,812.36	$ 2,831,932.29	$ 2,477,703.88	$ 2,313,898.33
% of Excludable Debt to Total Levy (cap of 11% per Policy)	10.51%	9.91%	9.53%	9.23%	7.91%	7.19%
% of Aggregate Debt Service Costs to Total Levy (cap of 14% per Policy)	11.51%	11.32%	10.90%	10.39%	8.66%	7.87%

FY2021 Revised Capital Plan

Revised Priority #	CIP#	Dept.	Project Name	Category	Revised FY21 CP for ATM
1	FM20-01	DPW	Town Hall, ADA Ramp/Sidewalk	Facilities	$22,000
2	INFRA20-01	Highway	Flat Hill Culvert Design	Infrastructure	$112,500
3	LPS16-19-C	Schools	THES Asbestos Abatement/Ceiling Replacement	Facilities	$123,500
4	PD19-01	Police	Police Vehicle, 1 Marked New	Vehicle	$67,000
5	FD17-05-B	Fire	SCBA Complement, Replacement (1/2)	Equipment	$115,000
6	FD16-20-A	Fire	ALS Equipment Phase 1	Equipment	$54,800
7	PD20-01	Police	ACO Vehicle	Vehicle	$26,000
8	FD20-01	Fire	Midlife Overhaul of Squad 3	Vehicle	$65,000
9	PD16-18	Police	Portable Radios	Equipment	$45,000
10	LPS19-03-A	Schools	Design AC for Classrooms at Primary	Planning	$10,000
11	FM17-16A	DPW	Senior Center, Reconfigure Front Entrance	Facilities	$24,000
			Total Capital Plan		$664,800
		Funding:	Raise & appropriate		$0
			Free cash		$664,800
			Unexpended Capital		$0
			Premium Reserved for Capital		$0
			Total		$664,800

FY 2021 Recommended Budget Conclusions

- Public Hearing recommended budget is radically different than recommended budget from the beginning of March.
- Postpones decisions on new public safety positions and added hours for TC and BOH, Pavement Management, and ADA funds until the Fall Special Town Meeting.
- Defers Capital Projects originally in FY21 Capital Plan and deposit into OPEB until the Fall Special Town Meeting.
- Funds existing staff contractual obligations and non-union salary increases.
- Uses recurring revenues for operating costs; no draw on Stabilization Fund or Free Cash for operating expenses
- Net loss of one town employee position
- Includes a 1.58% increase for LPS that includes two new positions
- Recommended budget does not meet the needs of the town
- Recommended budget leaves an excess levy capacity of $1,055,950 that will insulate any revenue decline beyond the level funded local receipt and State Aid figures.

FY 2021 Recommended Budget Conclusions

COVID-19 doesn't change the fact that:

- This budget does not address the staffing needs for our Public Safety Departments, which during times like these we rely on more heavily and there will be an increased need in services for;
- Although it defers such things like adding the planned $50K into Pavement Management and $27K into ADA, these infrastructure needs do not go away;
- The postponement of Capital projects does not mean those projects are still not necessary;
- The postponement of putting money into OPEB doesn't address our growing liability and that bond rating companies include not funding this liability as a weakness when reviewing the Town's debt.

Looking ahead…

- There are still a number of uncertainties related to State revenues and the impact on State Aid and the long term impact of COVID-19 on the overall budget and how is will impact the need for additional services such as public safety, health services, food insecurity for vulnerable populations, outreach to seniors, and educational needs.
- State officials have given no indication of what the State consensus budget will look like and have said that it could drag out past July 1st to see what that represents for State Aid;
- State officials have relayed that towns will be able to apply for FEMA and CARES Act funding for any deficits related to COVID-19 that are not budgeted for in both FY20 and FY21.
- We will continue to pay close attention to our actual-estimated revenues and expenditures and make the necessary adjustments at the Fall Special Town Meeting.

Questions?