

TO: Citizens and Employees of the Town of Lunenburg
FROM: 2024 Budget Task Force
RE: Findings and Recommendations for Action
Date: 12/13/24

Budget Task Force Executive Summary

Introduction

This document serves as an overview of the materials and findings of the Lunenburg Budget Task Force (BTF). We met with a wide variety of stakeholders—citizens, town employees, union leaders, volunteers from other town committees, and outside advisors—from July through December of 2024. Other communities that engaged in this process produced large, complex documents. They were comprehensive, but unclear and too long to read in their entirety. Our budget task force, instead, aims to produce one short document summarizing the findings of the process and recommendations for future action. Other supporting materials are found at Budget Task Force 2024 Google Drive File.

The Problems

The municipality of Lunenburg is lagging far behind comparable towns in the area in many ways.¹ Our municipal workforce has shortages in key positions. Our building stock is aging without a schedule and budget for routine maintenance. We lack clarity as a town regarding what we want Lunenburg to look like over the next 100 years. But these are symptoms or side effects, not causes.

The Budget Task Force process revealed three structural causes to the state of disrepair in Lunenburg: 1) Proposition 2 ½ funding; 2) lack of competitive employment packages; and 3) an overly complex financial structure for the town. These causes are serious and though the town is functioning, more dire circumstances loom ahead on the horizon.

Proposition 2 ½ Funding

Massachusetts passed Proposition 2 ½ (Prop 2 ½) in 1980. It caps the increase in property tax rates municipalities can impose citizens to 2.5% a year. Thus, without an override, towns in Massachusetts cannot increase the majority of tax revenue more than 2.5% year-over-year. This law was originally enacted to prevent out-of-control tax hikes, but in an era of massive COVID-19-related inflation, Prop 2 ½ places unhealthy limitations on municipalities like Lunenburg. Below is a table showing the rate of inflation since 2020:

¹ For a discussion of comparable towns, see BTF 7/22/24 session.

Year	Rate of Inflation ²	Difference between Inflation and Prop 2 ½ Funding
2020	1.23%	+1.27%
2021	4.70%	-2.20%
2022	8.00%	-5.50%
2023	4.12%	-1.62%
Total ³	18.05%	-8.05%

As the table shows, committing to a cap of 2.5% increase in taxes, locked in by Prop 2 ½, means that we as a town are not even flat funding our town during inflationary periods. In real dollar terms, we are reducing the town's budget at a time when the town's costs are increasing.

The problems with Prop 2 ½ are compounded by state tax law. The town is strictly limited on taxes it can impose to raise revenue. Under a single tax rate all property (residential, commercial, and industrial) is taxed at the same rate. A split tax rate allows the town to shift some of the tax burden from residential property owners to commercial/industrial property owners by taxing them at different rates. However, according to state law the town is unable to adjust or differentiate those rates for small businesses, such that very large companies like Wal Mart are taxed at the same rate as small businesses.

There is one emergency safety valve in this process—a Prop 2 ½ override. Historically, overrides are rare and difficult to pass in Lunenburg. Since 1994, Lunenburg has only passed two overrides—one in 1994 for the library and another in 2023 for the schools. The limitations of Prop 2 ½ make it difficult to fund Lunenburg's omnibus budget sufficiently resulting in a struggle to provide all of the needed and desired services throughout the town.

The recent rate of inflation and the existing needs of the town indicate that adequate funding of the town in the absence of a Prop 2 ½ override requires a reduction in costs and/or an increase in non-tax revenue. Unfortunately, opportunities to reduce costs or increase revenue are very, very limited and are unlikely to generate enough money to make up for the gap between current costs and revenues raised by property taxes limited by Prop 2 ½. This is the single largest problem in Lunenburg, as it is for many small municipalities in Massachusetts, especially those, like our town, that lack a substantial commercial base which would allow for a split tax rate (see "Recommendations," below).

Lack of Competitive Employment Packages

² The rates of inflation shown in the above table are taken from the US Bureau of Labor Statistics Data.

³ Data indicates that the rate of inflation for 2024 will likely land at around 2.7%, again higher than the lawful increase in property taxes. If the rate of inflation is 2.7% the total would be 20.12% and the gap would be -8.07%.

The town has grappled with turnover and vacancies in key positions for years. For example, the positions of Finance Director/Town Accountant, Land Use Director, Principal Assessor, Conservation Administrator, Facilities Director (town and school), DPW Director, and the school's Business Manager have had turnover in the past few years. These vacancies were either filled temporarily by contract positions or in many cases other employees expanded their workload thus placing additional stress on an already shorthanded staff. Some of the vacancies were due to retirement, but some were due to people leaving for positions in a different municipality and highlight the discrepancy in compensation in Lunenburg compared to other towns. The gap in competitive compensation in Lunenburg also made recruiting and filling these vacant positions very challenging.

The Assessor's office, for example, has only one FTE position, yet it is a critical component for the town.⁴ The reason is simple—Lunenburg's compensation packages are no longer competitive.⁵ When the school business manager left, he did so for a job in a similarly sized town that offered pay roughly comparable to our Superintendent. Similarly, prior to the current CBA, teachers ranked last or second to last in pay in our group of comparable towns as defined by the Massachusetts Department of Elementary and Secondary Education (DESE).

These factors not only reduce the desirability of jobs in town, they directly impact town governance. For example, despite being obligated by the town charter to do so, the previous Town Manager did not provide a 5 year fiscal forecast for the town in her last year in office.⁶ Without this data key committees, such as the Building and Design Committee, lacked basic information needed to function. Unfilled positions likely contributed to her inability to provide this critical information to the town. The problems are compounding. As critical positions go unfilled others must do the necessary work, work they may not be qualified to do and work that costs more in compensation. This results in more attrition, mistakes, and errors. Critical town functions do not work as well as they should with unfilled positions. Due to turnover in the Finance Director/Town Accountant position earlier in 2024, we have only just recently closed the books on FY24, which ends June 30.

Overly Complex Financials

Lunenburg's finances are simply unwieldy. This includes problems with town investment, cumbersome accounting, duplicative processes, outdated software, and a lack of standardization.

We have dozens of different investment accounts, some of which are duplicative. Many of these accounts have very small amounts of money in them and others are earning well below market rates for returns. At the November 2024 town meeting, the citizens voted to adopt the newly legal "prudent investor rule" that allows municipalities to invest more aggressively. This gives us an opportunity to clean up all of the random accounts and ensure the new accounts provide more substantial returns.

The interim Town Manager noted that Lunenburg's finances are especially complex, given the size of the town. He noted that our Chart of Accounts (a financial organization tool

⁴ For a discussion of shortages at the Assessor's Office, see BTF 11/4/24 session.

⁵ For a discussion of town employee compensation, see BTF 9/16/24 session.

⁶ See BTF 9/30/24 session

that provides a complete listing of all accounts paid) is very, very large. This is compounded by a staggering number of investment accounts, some with very small dollar amounts in them and others earning small or even no interest.

There are unexplained revenues in the town's budget that seem to disappear for no reason. These unexplained revenue changes are significant enough to show up when the BTF looked at revenues of Lunenburg and comparable towns across the Commonwealth.⁷ Importantly, these revenues were not small. One such account generated up to \$300,000 a year. Furthermore, even people in the town accounting office cannot explain the source of this revenue or why it seemingly disappeared. .

The town also has outdated servers and software for managing its finances. We are critically behind in a municipal accounting software called MUNIS. Our current version is no longer being supported by updates and it regularly stops working. Unlike the current version of MUNIS, which is cloud-based, our version lives on a server owned by the town. If there are problems with the server, which occurs frequently, MUNIS is inoperable. This is part of why it took so long to close out the previous financial year. There is also a significant amount of seemingly redundant work, especially in the area of payroll and the approval of purchase orders between the town and the school district. The town must sign off on every purchase order, even after the purchase order was approved by the School Business Manager, at least doubling the time and number of people that are involved. At a time when we need to focus on streamlining our finances, we have rules in place that make it impossible to do so. Lastly, there is no standardized financial reporting method for town departments. Each department reports finances in its own way, making it difficult to process this information.

In short, even with new and highly qualified people in critical positions now, both the Finance Director/Town Accountant position and the School Business Manager position were filled in the past 7 months, Lunenburg's finances are dauntingly complex, difficult to manage, and impossible to streamline without change. We are wasting time and we are leaving money on the table. These are self-inflicted wounds caused by staff shortages and poor business practices in the past.

Recommendations

The BTF reviewed a number of different ideas for both cost savings and revenue generation. In total, the BTF formulated 21 different recommendations to help improve finances for the town. All but one were savings or revenue generation. To make these recommendations easy to implement the BTF has listed who will be informed of the recommendation. Both the Select Board and Fin Com will have a review of all of the BTF's findings, but some recommendations will involve other entities. Where the entity is affected but not a decision maker, it will be listed as a "consult." Town Meeting will be listed when the recommendation requires a vote at town meeting.

Note that recommendations are listed in order of priority. Priority is based on a weighing of the following factors: need, amount of savings or revenue generation, likelihood of success, and additional amount of work that is needed. The BTF ordered the recommendations at the 12/16/24 session.

⁷ For a discussion of revenue, see BTF 8/19/24 session.

Recommendations

Recommendation #1: Consolidation Town Accounts	
Notice ⁸	SB, Fin Com, TM, and TA; APPROVED AT TOWN MEETING
Estimated Value	Recurring revenue of \$5,000-10,000; 1-2% additional revenue for consolidation
See BTF 8/19/24 session	
Recommendation Language: Consolidate all town investment accounts and invest funds so as to achieve the highest yield possible while conforming to the law and allowing for investment to be made consistent with Prudent Investor Rule as adopted at November 2024 Special Town Meeting.	
Rationale: This recommendation is urgent. Currently town accounts are spread across dozens of different accounts with varying amounts of interest. Some accounts are earning exceedingly small or NO amounts of interest. This is leaving free money on the table. The town accountant should be empowered to consolidate these accounts to increase revenue in the form of higher yields on interest.	

Recommendation #2: Targeted Diagnostic Audit	
Notice	SB, Fin Com, TM, and TA
Estimated Value	None, this is a ONE TIME COST

⁸ Key:

TM: Town Manager

SB: Select Board

TA: Town Accountant

Fin Com: Finance Committee

SC: School Committee

SI: Superintendent of Schools

SBM: School District Business Manager

DPW: Director of Public Works

PEC: Public Employee Committee

This was discussed at almost every BTF session.

Recommendation Language:

Hire a municipal accounting firm to do a diagnostic audit of Lunenburg's foundational financial structures with scope of work provided by SB, TM, TA, and Fin Com

Rationale:

After years of missing crucial staff in financial positions and the transition to the Prudent Investor Rule, the town needs to have a better picture of what its finances look like. If, in the future, other methods of raising revenue are necessary, the town must have a better handle on its financial picture before going to the taxpayers. This requires a more thorough-going analysis of the town's finances than is currently possible in our annual audit. Hiring a municipal accounting firm to conduct a targeted forensic audit will provide us with the essential information we need, as a town, about the town's finances in order to move forward with all other recommendations for action listed below.

Recommendation #3: Implement Prudent Investor Rule

Notice	SB, Fin Com, TM, and TA
Estimated Value	Recurring revenue of \$15,000-20,000 up to \$250,000
See BTF 8/19/24 session	
Rationale: Completed via vote at Special Town Meeting, November 2024.	

Recommendation #4: Review Viability of CPA

Notice	SB, Fin Com, TM, and TA; REQUIRES TOWN MEETING VOTE
Estimated Value	Recurring revenue of \$100,000-150,000; 10-20% increase in project-specific funding
See BTF 9/23/24, 12/2/24, and 12/16/24 session	
Recommendation Language: Determine viability of Community Preservation Act, MGL Ch. 44B, sec. 1-17, funding for Lunenburg and, if viable, present CPA proposal as a warrant article at Annual Town Meeting in May 2025.	
Rationale:	

The Community Preservation Act is a fund matching program run by the state to aid local municipalities doing three things: 1) historic preservation of buildings; 2) parks; and 3) affordable housing. Again, like with the Green Grants for HVAC and the Chapter 90 funds, these matching funds are for things the town is going to spend money on already. Municipalities impose a small surcharge on property taxes. Then they apply for matching funds from the state. The funds are awarded based on criteria set forth in statute. Municipalities do not all get the same amount of matching funds. Municipalities are free to set the surcharge amount between 0.5-3%. There are also lots of exemptions allowing for a more fair and equitable application of the surcharge. This is one of the very few methods of generating revenue aside from property taxes. Lunenburg has previously tried twice to adopt the CPA. It failed once at town meeting and then failed again, but this time in front of the Select Board.

Recommendation #5: Green Grants for HVACs

Notice	SC, SI, SBM, SB, Fin Com, TM, and TA
Estimated Value	Non-recurring savings of \$250,000; more than 20-30% of HVAC capital expenses with each phase
Discussed at multiple BTF sessions	
<p>Recommendation Language:</p> <p>Pursue Green Grant funding for installation of Air Conditioning Units for phases 2 and 3 of the LPS HVAC system and for phase 1 of the THES HVAC system.</p>	
<p>Rationale:</p> <p>The School District, in conjunction with environmental boards and citizens groups around town, successfully applied for green energy grants to offset the costs of the first phase of the AC project at Lunenburg Public School. There are two more phases at LPS and another project at THES. These systems (so-called Mini Split systems) are a necessary expense for the School District. This makes these grants very attractive as we do not need to do anything extra to be eligible. Additionally, these HVAC systems are more cost effective and efficient than legacy HVAC systems.</p>	

Recommendation #6: Solar on Old Town Dump Site

Notice	SB, Fin Com, DPW, TM, and TA; REQUIRES TOWN MEETING VOTE
Estimated Value	Recurring Revenue, post-install: \$50,000-\$75,000 in credit

See BTF 9/30/24 session
<p>Recommendation Language:</p> <p>Determine viability of leasing land for private solar panel installation on site of the old town dump and, if viable, put the project out for bid.</p>
<p>Rationale:</p> <p>Similar to the solar installation on parking lots at schools, some municipalities have installed solar panels on capped landfills. Lunenburg has a capped landfill that could be used for solar. This proposal is more complex than others because of the difficulty on building structures over capped landfills.</p>

Recommendation #7: Solar on School Lots	
Notice	SC, SI, SBM, SB, Fin Com, TM, and TA
Estimated Value	Recurring revenue post-install: \$40,000-\$60,000; 15-25% additional revenue over existing solar installations in credits
See BTF 8/19/24 session	
<p>Recommendation Language:</p> <p>Determine viability of solar panel installation in school parking lots and, if viable, put the project out for bid.</p>	
<p>Rationale:</p> <p>There are two new solar proposals. This proposal would review whether panels can be installed in the School District's parking lots. Fitchburg has implemented a similar structure at their schools. Similarly MCI Cedar Junction also has solar panels in the parking lot. In addition to providing revenue, these panel installments can keep the grounds shaded and therefore cooler and provide cover for vehicles in the winter.</p>	

Recommendation #8: Brooks House Lease	
Notice	SC, SI, SBM, SB, Fin Com, TM, and TA
Estimated Value	\$30,000-50,000 (no % increase—this is a new revenue source)
See BTF 9/30/24 session	
Completed via vote at Special Town Meeting, November 2024.	

Recommendation #9: Review Town Trash and Recycling Programs	
Notice	SB, Fin Com, TM, DPW, and TA
Estimated Value	Dependent on town decision
See BTF 10/7/24 session	
<p>Recommendation Language:</p> <p>Review the current fees for trash and recycling and make recommendations for updates to the current services being provided.</p>	
<p>Rationale:</p> <p>When the town adopted recycling, it was essentially free. Since then, it has become a cost for the town, but there has not been an evaluation of whether the town should continue recycling and if it should, how the fees will be paid, now that the program costs the town a significant amount of money each year.</p>	

Recommendation #10: Chapter 90 Town Roads	
Notice	SB, Fin Com, DPW, TM, and TA
Estimated Value	\$10,000-20,000; 5-10% increase in Ch. 90 funding
See BTF 10/7/24 session	
<p>Recommendation Language:</p> <p>Designate roads within town as “town roads” to increase funding pursuant to MGL Chapter 90, section 34.</p>	
<p>Rationale:</p> <p>In Massachusetts municipalities can recoup costs for the capital improvements on public ways. Lunenburg has not designated such improvements in a while and doing so will, like with the Green Grants for HVAC projects, help defray the costs of the expenses we will incur anyway.</p>	

Recommendation #11: HDHP	
Notice	SB, Fin Com, TM, PEC, and TA; Consult Town Employees
Estimated Value	\$12,000-30,000 annually; 1-2.5% reduction
See BTF 10/21/24 session	

Recommendation Language:

Order Town Manager and Town Accountant to solicit bids for alternative health insurance for town employees in the form of a high deductible health plan.

Rationale:

Health insurance is one of the largest and most volatile costs for the town on an annual basis. We may be able to mitigate that by supplementing current offerings with a high deductible health plan. While most people will opt for traditional health insurance, for some folks these plans can offer tremendous savings. They can do the same for the town.

Recommendation #12: Health Insurance Buyouts

Notice	SB, Fin Com, TM, PEC, and TA; Consult Town Employees
Estimated Value	Dependent on # of Buyouts

See BTF 10/21/24 session

Recommendation Language:

Review the current rules and incentive amounts for Health Insurance Buyouts with a goal of increasing both the number of buyouts people take and the amount of money each buyout is worth.

Rationale:

Our current rules and payments for opting out of insurance coverage are not enough of an incentive for people to choose to receive health insurance elsewhere. For example, individuals first have to get insurance through the town before opting out. This barrier makes no sense. Because of the impact health insurance has on the town's budget, we should do everything we can to make it easy and valuable for people to opt out our insurance if they have the ability to do so.

Recommendation #13: Payroll and Purchase Order Streamlining

Notice	SC, SI, SBM, SB, Fin Com, TM, and TA
Estimated Value	Time savings

See BTF 10/7/24 session

Recommendation Language:

After the targeted diagnostic audit and in conjunction with the Town Accountant and School District Business Manager, order the elimination of duplicative payroll and purchase order processes between the Town and School.

Rationale:

Because of antiquated systems, lack of standardization, and missing personnel over the years the town and the school district have essentially doubled the work where payroll and purchase orders are concerned. Now that both positions are staffed correctly and there may be a review of all accounting processes, eliminating redundant work could represent real savings and greater efficiency.

Recommendation #14: Standardized and Improve Workflow for Town Finances

Notice	SB, Fin Com, TM, and TA
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Estimated Value	Time savings
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See BTF 12/16/24 session

Recommendation Language:

Implement standardized department reporting and consolidate town Chart of Accounts.

Rationale:

While not necessarily a dollar savings this recommendation would greatly reduce the time town employees spend on financial matters, freeing them up to do other work. This will also aid in keeping town staff small.

Recommendation #15: School Solar Contracts

Notice	SC, SI, SBM, SB, Fin Com, TM, and TA
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Estimated Value	Unknown
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See BTF 8/19/24 session

Recommendation Language:

Review current contracts with solar panel providers to determine if the School District's panels are providing maximum revenue to the town, and if necessary, switch leases or consolidate leases.

Rationale:

As with many solar projects that started 5-10 years ago, the school's solar panels are a patchwork of providers and contracts. Reviewing and consolidating them could generate additional revenue for the town. Even if no additional revenue is generated, this review process will be helpful moving forward on other recommendations involving solar panels.

Recommendation #16: Create Regular Review Process for School Fees

Notice

SC, SI, SBM, SB, Fin Com, TM, and TA

Estimated Value

Recurring revenue of \$20,000-30,000; 10-15% additional fee revenue

See BTF 8/19/24 session

Recommendation Language:

Increase school fees (athletic fees and student activity fees) across the district using a sliding scale based on each student's free lunch status. Additionally, create a process to review all school fees on a regular basis.

Rationale:

Fees at the school have largely been unchanged since before the pandemic. Increasing the fees will help better support student activities and athletics. They will also help compensate those that provide supervision and direction for activities and athletics. By using the student's free lunch status as a guide, the increases will be proportional to an ability to pay. Additionally, reviewing these fees regularly will prevent funding shortages for activities and athletics.

Recommendation #17: Create Regular Review Process Town Fees

Notice

SC, SI, SBM, SB, Fin Com, TM, and TA

Estimated Value

Recurring revenue of \$25,000-\$35,000; 3-5% additional revenue

See BTF 10/7/24 session

Recommendation Language:

Undertake a review of all town fees currently charged to determine if any should be increased as a response to inflation or increased costs on the part of the town. Additionally, create a process to review all town fees on a regular basis.

Rationale:

Many of the fees in town, like those at school, have not changed since before the pandemic. Increasing these fees will help curb revenue loss caused by inflation. Careful implementation will be needed to ensure that these fees are applied in a fair and equitable way.

Recommendation #18: Warrant Delivery

Notice	SB, Fin Com, TM, and TA; May Require Action at Town Meeting
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Estimated Value	Non-recurring savings of ~\$7,500
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See BTF 10/7/24 and 12/16/24 session

Recommendation Language:

Pass rules changes to Town Charter that allow for electronic delivery of Town Meeting Warrants with paper copies available for pick up at Town Hall.

Rationale:

Currently, the town prints all of the warrants for town meeting. This represents a substantial cost to the town. It also requires committees throughout town government to prepare matters well before they are really ready because they must be sent to the printer. The biggest issue comes with increases in health insurance. These increases dictate the entire budget for the town but are announced quite close to town meeting. As a result, many committees are working with incomplete information when they send matters to the print for town meeting. Changing to electronic delivery methods will save money and give committees more time to finish their work before sending matters forward to town meeting. We can have a small number of warrants still printed for people that need paper copies.

Recommendation #19: Consolidate Town and School Snow Removal and Ground Maintenance

Notice	SC, SI, SBM, SB, Fin Com, TM, and TA
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Estimated Value	Unknown
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See BTF 10/7/24 session

Recommendation Language:

Determine the viability of consolidating town and school snow removal and ground maintenance.

Rationale:

Currently the town and school both do snow removal and ground maintenance. This recommendation would consolidate all of this work in town DPW. This recommendation may be problematic for two reasons. First, especially with snow removal, the town and school do the work at the same time in different places—the town plowing the roads and the schools removing snow in the parking lots and walkways. Because these occur at the same time, it is likely that there would not be a reduction in the number of people used resulting in, perhaps, no savings at all. Finally, it might be that this proposal hurts both efforts, as school removal occurs throughout the entire day, while town removal lessens once it warms up and traffic is moving.

NOTE: A similar proposal for town and school IT services was discussed but did not result in a recommendation as the town IT is currently in a challenging state (see above) and the school needs are very different. IT had previously been consolidated and both sides disliked the outcome.

Recommendation #20: Split Rate

Notice	SB, Fin Com, TM, and TA
Estimate Value	Recurring revenue of \$50,000-75,000; 2-4% increase
See BTF 9/23/24 and 11/04/24 session	
Recommendation Language:	
Determine the viability of a Split Tax Rate for residential and business properties.	
Rationale:	
<p>The town has very few levers to pull to change tax revenue. This is one. Under a split tax rate, businesses are taxed at a higher rate than residences. In municipalities with a large business base, this generates significant revenue at the same time it decreases the tax burden on residents of the municipality. In Lunenburg, there is not a significant enough business base for the tax to generate either real relief or real revenue. The problem is that large corporations are taxed at the same rate as small businesses, so increasing rates for businesses would have a disproportionate impact on small businesses. Currently the savings for residents is minimal and the burden on businesses would be quite high. If state tax law changed allowing for different rates for business of different sizes, a split tax rate may be more viable.</p>	