

To: Residents of Lenox
From: Lenox Finance Committee
Re: FY2023 Budget

April 25, 2022

Dear Residents of Lenox,

The Finance Committee's goal is to provide oversight on behalf of taxpayers, ensuring that our local government is supporting our quality of life without straining our cost of living. A significant portion of our Town's revenues come from residential property taxes, and we believe our role is to help maintain property taxes for our neighbors at consistent and reasonable levels. State law requires that the Town of Lenox balances its budget each year. The difference between the Town's expenses (including operating expenses, debt service, and capital investments) and the Town's revenue sources (including excise and hospitality taxes, free cash, state/federal funding, and bonds issued) is the budget deficit that property taxes must cover. It is important to understand that the budget, not property appraisals, determines the aggregate property taxes that residents and businesses pay each year.

Lenox's operating budget consists of both the Town operating budget, developed and controlled by the Town Manager at the direction of the Selectboard, and the Lenox Public Schools (LPS) budget, developed and controlled by the LPS administration at the direction of the School Committee. The Finance Committee has carefully reviewed both the FY2023 Town operating budget and the LPS budget. We believe that the Town Manager has done a superb job of managing the operating expenses under his control. We recommend that LPS revise its budgeting process in the future to ensure that it continues delivering an education of highest quality at manageable cost.

Lenox Public Schools Budget

The LPS budget accounts for 55% of Lenox's operating budget, so limiting property tax increases requires limiting increases in the LPS budget. This year's LPS budget is 4.9% higher than last year, significantly above the 3% growth target set by the Town Manager. The Finance Committee met with LPS Superintendent Marc Gosselin and School Committee Chairman Bob Vaughan to discuss the budget and budgeting process. Dr. Gosselin and Mr. Vaughan also shared their thoughts on how LPS programming could evolve in the future to better align with students' needs.

We recommend that LPS adopt a more strategic planning process in future years than it employed this year. Achieving the district's goals in a fiscally responsible manner will require significant reallocations of resources, which must occur through a budgeting process that begins from any school district's necessary core offering but then identifies relatively lower-priority areas for reduced investment that can help to fund important new initiatives. Because the LPS budget is heavily weighted toward staff costs (82% of the FY2023 LPS budget), a review of staffing will be especially important.

From our understanding, LPS has not performed this exercise in recent years, which means both that it is sorely needed and that a process for it will have to be established. If the School Committee does not address the fundamental structure of its budget, the costs will continue to rise aggressively. We hope that

Dr. Gosselin's administration and the School Committee will make this a priority for the FY2024 budget and begin work on it by the start of FY2023.

Capital Projects

The Town will need to make significant capital expenditures over the next five years, with total costs currently estimated at \$86 million. The largest of these investments will be for a new wastewater treatment plant (required by federal law) and a new public safety center. In addition, LPS is beginning to discuss options to renovate or replace Lenox Memorial Middle and High School; the evaluation process will likely take several years.

The costs of capital projects are increasing in today's economic climate, due to higher material costs and rising interest rates, and capital projects can be incredibly difficult for small towns to control. While the Town is well positioned to control the operating budget, managing large capital projects is a different task that requires additional scrutiny and specific expertise. The Finance Committee strongly encourages the Town to add rigor to its capital improvement planning procedures to ensure that these projects are well-coordinated and fiscally sound. Hiring a knowledgeable capital project manager who can support the Permanent Building Committee in thoughtfully guiding the Town's projects with appropriate oversight may be worthwhile during this period of high capital investment.

Recommendation

After considering all factors impacting the financial health of the Town, the Finance Committee is unanimous in its support for the Town operating budget, but not so in its support of the LPS budget. We hope that with a more strategic budgeting process by the School Committee over the next year the Finance Committee will be able to support its FY2024 budget. Attached please see the Select Board's response to the Finance Committee's letter.

We wish to extend our sincere thanks to the many Town employees and committee members who work to provide us all with outstanding public services at a reasonable cost. We encourage all residents to pay close attention to our Town's budget. **The Finance Committee is seeking new members** and we welcome participation from anyone who is interested in helping us monitor the Town's fiscal position. To learn more about joining the Finance Committee, please contact Kristine Cass at kristinecass@gmail.com.

Respectfully submitted,

LENOX FINANCE COMMITTEE



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To: Lenox Finance Committee
From: Lenox Select Board
Re: FY2023 Budget
Date: April 12, 2022

Dear Finance Committee,

The Select Board wishes to extend its sincere thanks for your oversight and recommendations regarding the FY2023 Budget. There are two specific items we as a group have stated interest in which you highlight with great insight and care in your letter to the citizens of the Town of Lenox regarding the warrant for Town meeting in May 2022.

First, the Select Board has expressed its concern to the Lenox Public Schools (the District) with regard to the regular increases which exceed the suggested ceiling discussed in consultation with the Town Manager, for the past two years specifically. Our collective concern regarding the personnel cost increases imbedded in the negotiated labor contracts have little or no tether to the reality that the town generally intends to keep tax increases at or below the 2.5% annual levy limit as set by M.G.L.

Your committee has done an admirable job of identifying that there has been little analysis of total personnel necessary to carry out the District's core mission. Developing a process for and adherence to a reasoned systemic analysis of total personnel needs is required in order to control overall costs and release needed funds for any new initiatives that may be contemplated by the District. The Select Board thanks you for your concurrence with our request that the District critically assess the core needs within the District and budget accordingly, with a grasp on the limits of the taxpayer.

Second, the Select Board is acutely sensitive to the pending fund requirements associated with necessary capital projects before the Town, specifically, a new wastewater treatment plant and a new public safety structure. These projects have been studied for their feasibility in recent years and their implementation should no longer be delayed, as the cost to the taxpayers to fund these projects can only be anticipated to grow should their initiation be delayed further.

The Select Board agrees that additional scrutiny is required for assessing qualifications and proposals that will be coming into the town for these large capital projects is appropriate and worthwhile during this period of high capital investment. We concur that hiring a knowledgeable capital project manager to support the volunteer Permanent Building Committee is prudent and sensible as these large projects will require diligent daily oversight as inflationary pressures impact costs of materials and construction as well as limited building timelines dictated by New England weather impacts.

The Select Board appreciates the many volunteer hours provided to the fiscal management of the Town by members of the Finance Committee. The level of skill and civility with which your Committee members engage with our hardworking and capable town employees does not go unnoticed.

Thank you for another year of service to the citizens of Lenox. We will do all that we can at annual Town Meeting to encourage additional members of community to serve the Town in some volunteer capacity, whether on the Finance Committee or another Board or Committee of their choice.

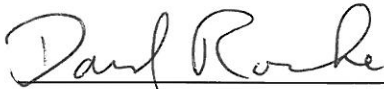
With gratitude,



Marybeth Mitts, Select Board Chairwoman



Ed Lane, Select Board Clerk



David Roche, Select Board



Warren Archey, Select Board

Neal Maxymillian, Select Board