

To: Lenox Selectboard  
From: Lenox Finance Committee  
Re: FY2023 Budget

April 4, 2022

Dear Selectboard,

Below is the letter we plan to send to residents in advance of Town Meeting, subject only to changes that might occur when the Finance Committee votes on the warrants later in April.

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.

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](mailto:kristinecass@gmail.com).

Respectfully submitted,

LENOX FINANCE COMMITTEE