



TOWN OF DEDHAM

FISCAL YEAR 2024

TOWN MANAGER'S BUDGET MESSAGE



Presented to the Select Board on March 2, 2023

Contents

- 01** FY24 Operating Budget - Town Manager's Memo
- 07** FY24 Capital Budget Memo
- 09** Definitions

FY24 Operating Budget

Town Manager's Message

March 2, 2023

Honorable Select Board and Finance and Warrant Committee,

I hereby transmit to you the recommended FY2024 operating and capital budgets. The total FY2024 General Fund Budget including all sources and uses of funds is \$136,660,209, an increase of \$7,107,380 or 5.49% over the total FY2023 budget. Of this amount, the operating portion represents \$131,001,160, an increase of \$7,507,748 or 6.1% over the FY2023 operating budget. Major budget drivers are identified below and will be detailed in the budget presentation.

Dedham's budget is arguably the most important decision acted on by Town Meeting on an annual basis. At its most basic level, it is what allows departments to incur obligations and pay expenses. But more than that, it is an expression of Dedham's values, priorities, and goals.

As we are all aware, the post-pandemic economy is one marked by high inflation, a changing labor market, and continued disruptions to the supply chain. This year, more so than in any recent budget cycle, we will be challenged to apportion our limited funds in a manner that preserves the services our residents have come to expect while attempting to minimize the financial strain felt by many of our taxpayers.

Capital Budget

Over the past several years, Dedham has made significant investments in its capital assets. We recently completed the new Town Hall/Senior Center, Early Childhood Education Center (ECEC), and are nearing completion of the combined Public Safety Building. The next major building project on the horizon is a replacement for the 120-year-old Oakdale Elementary School, which is currently in the feasibility phase of a multi-year process. As we move forward, it will be increasingly important for the Town to identify significant capital needs that will arise over the next five to ten years and to create a plan to fund the same without overburdening our taxpayers.



FY24 Operating Budget

Town Manager's Message

The Town's [Debt Management Policy](#) calls for the allocation of 5% to 10% of the five-year rolling average operating budget to annual capital debt service. This is exclusive of free cash and dedicated funding sources, such as stabilization funds (i.e., Robin Reyes), enterprise funds, grants, and proposition 2 ½ debt exclusion projects. Our debt ratio, using a five-year average, is 9.86%, and using the proposed FY24 operating budget, the debt ratio is 9.10%.

In FY24, the total budgeted debt service will be \$13,454,666 which represents a 0.7% decrease from last year's budgeted debt service of \$13,545,357. This year, we are using the tools at our disposal to reduce future debt service, and the Town's overall debt obligations. We are proposing using \$970,496 of our certified free cash to rescind borrowing authorization of a portion of FY23's capital project funding, reducing our bonding by that amount. Consistent with our financial policies, we are also proposing to use free cash to fund items from this year's capital requests to ensure the Town maintains a responsible amount of total debt service. We are set to begin the process of reviewing our financial policies; the Town's current policies can be found on the [Town website](#).

FY24 capital project requests totaled \$10,710,169, and I am recommending funding \$7,080,021 through the following sources:

- **Bonding: \$5,845,000** – This figure represents the debt principal which will be issued next spring, and will impact the FY2025 budget.
- **Operating Capital: \$580,260** – We use operating budgets to pay for certain capital expenses to benefit the taxpayer. We avoid the additional costs of bonding, primarily interest payments, by raising and appropriating this funding through the operating budget. Furthermore, the inclusion of operating capital is consistent with our financial management policy and Town bylaws.
- **Free Cash: \$1,254,761** – The Town uses free cash for one-time expenses, such as capital projects. We are leveraging free cash for FY24 capital requests to reduce the amount of bonding necessary, and therefore reduce the Town's debt obligations and costs to the taxpayers.



FY24 Operating Budget

Town Manager's Message

Education Budgets

Based on the recommendation of the Interim Superintendent and School Committee, I am recommending an appropriation of \$49,564,156 for the Dedham School Department. This represents an increase of \$3,242,580 or 7% over the FY2023 appropriation. Major budget drivers include a 50% market driven increase to the natural gas rate, a 100% increase to the electrical rate, and an out-of-district tuition increase of 14%. For more information, please see the [Interim Superintendent's FY2024 Budget Presentation](#).

Blue Hills Regional Technical School and Norfolk County Agricultural School funding is \$2,219,334, a decrease of 1.3% from FY2023.

FY24 Budget Drivers

The Town has identified the following budget drivers for FY24:

- Information Technology (Town) – 21% increase or \$296,848
- Employee Benefits – 8.7% increase or \$1,634,213
- Town Facilities – 22.1% increase or \$498,271

Proposed Personnel Changes

Due to budgetary pressures, all requests for additional personnel were carefully reviewed and only those deemed essential to operations have been recommended. Personnel changes recommended in FY2024 are as follows:

- Due to the anticipated retirement of our current part-time Conservation Agent, I am recommending expanding the Conservation Agent position to 1.0 FTE in FY24 and leaving the current 1.0 FTE Assistant Conservation Agent position vacant.
- To manage the new, mandated Municipal Separate Storm Sewer System (MS4) permit, I recommend creating a Stormwater Manager and Administrative Assistant, whose salaries will be paid through the Stormwater Utility Fee.



FY24 Operating Budget

Town Manager's Message

Other Budget Items of Note

- This budget fully funds the Dedham Retirement Board's required annual contribution while also allocating \$750,000 toward Other Post-Employment Benefits (OPEB). This addresses the Town's financial policies which direct us to fully fund the agreed payment schedules for the Town's pension and OPEB obligations.
- In FY24, overall debt service is decreasing slightly, with an appropriation of \$13,454,666. This is a 0.7% decrease from last year's budgeted debt service of \$13,545,357.
- I recommend fully funding the [DPW Roads and Sidewalk ADA Transition Plan](#) for this fiscal year. In future fiscal years, we plan to reduce this funding level with input from our DPW and Engineering Directors. Since 2008, the condition of our roads and sidewalks has dramatically improved, as evidenced by our pavement condition index (PCI) score increase from 68 in 2008 to 85 in 2023.

Revenues

Revenues are projected to remain flat for FY2024. While state aid is projected to increase 5.7%, local receipts are projected to fall by 6.6%. Available funds in the Robin Reyes Capital Stabilization Fund will decrease in FY24, consistent with the projection discussed over the past several years. This year, it is projected that the amount available to transfer will be \$1,849,283, compared to last year's balance of \$3,932,003.

This 53% decrease in the fund balance requires that the Town carefully consider each capital project, as we are nearing our debt policy limit.

Property Tax Levy/Unused Levy Capacity

The property tax levy represents approximately 80% of all general fund revenues before adjustments. The FY2024 property tax levy is \$109,275,771, an increase of \$7,154,978 or 7.01% over the FY2023 actual tax levy. This compares to the \$4,613,045 or 4.73% increase that FY2023 was over the FY2022 levy.



FY24 Operating Budget

Town Manager's Message

The disproportionate increase to the levy compared to the overall budget increase is attributable to the depletion of the Robin Reyes Fund, which has shifted the burden of that debt service onto the General Fund. Keeping with recent trends, the FY2024 budget plan assumes new growth revenue of approximately \$1,100,000.

The tax levy limit is calculated by increasing the FY2023 levy limit, exclusive of debt exclusions, by 2.5% and then adding a component for new growth. New growth is a function of the additional value generated by construction during the preceding year. The additional tax dollar amount for new growth is determined by the value on the January 1 assessment date and is then multiplied by the applicable FY2023 tax rate. The difference between the projected FY2024 property tax levy and the tax levy limit, otherwise known as levy capacity, in FY2024 is \$4,228,185.

Tax Levy History	FY2021	FY2022	FY2023	FY2024
PROPERTY TAXES				
Prior Year Levy Limit	96,531,276	100,171,350	104,010,191	107,928,689
2.5% Increase	2,413,282	2,504,284	2,600,255	2,698,217
New Growth	1,226,792	1,334,557	1,318,243	1,100,000
Subtotal	100,171,350	104,010,191	107,928,689	111,726,906
Debt Exclusion	2,330,479	2,368,872	1,939,156	1,777,050
Current Year Levy Limit	102,501,829	106,379,063	109,867,845	113,503,956
Levy Capacity (Unused)	(9,265,736)	(8,871,315)	(7,747,052)	(4,228,185)
PROPERTY TAX LEVY	93,236,093	97,507,748	102,120,793	109,275,771
Actual levy increase	3,399,167	4,271,655	4,613,045	7,154,978

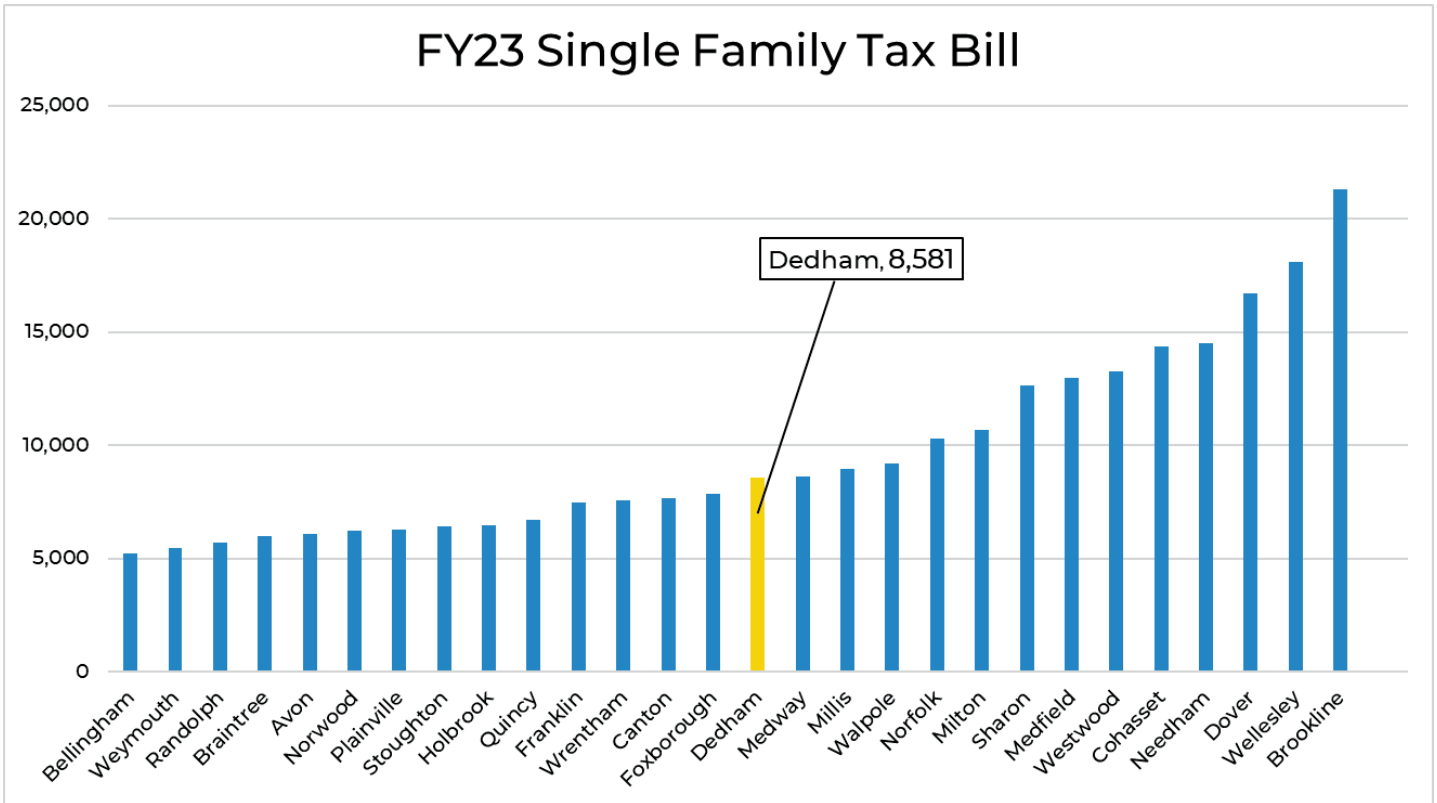
Average Single Family Home Tax Bill

The average single-family home (ASFH) property tax bill for FY2023 in the Town of Dedham was \$8,581. Based on the most current data from the Department of Revenue, Dedham's ASFH property tax bill remains in the middle of communities in Norfolk County.



FY24 Operating Budget

Town Manager's Message



The ASFH tax bill for all communities in Norfolk County for FY2023 was \$9,691.

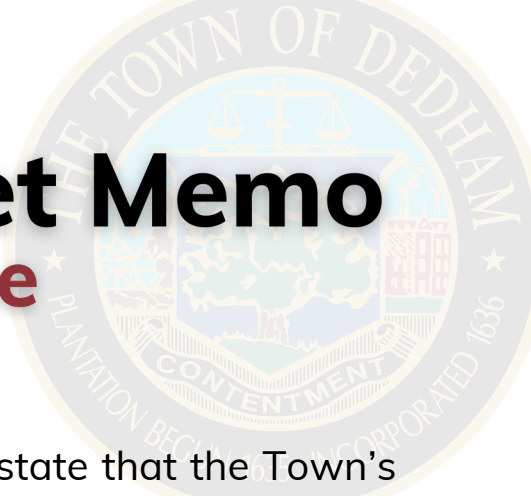
Thank you, and I look forward to working with the Select Board, Finance and Warrant Committee and Town Meeting Members this year and in the years to come to continue building a sustainable financial plan for the future of Dedham.

Sincerely,

Leon I. Goodwin III
Town Manager

FY24 Capital Budget Memo

Town Manager's Message



Current Town Debt Policies

The Town’s Overall Financial Management Policies state that the Town’s annual debt service should be “no more than 10% nor less than 5% of the annual operating budget.” The Town’s Debt Management Policy specifies that the debt service limit should be calculated using a five-year average of the operating budget, not including operating capital. This calculation should not include exempt debt service, sewer debt service, or Robin Reyes revenue.

Existing Debt Service

The Town’s existing debt service, in addition to the FY23 authorized but unissued debt service, equals our total General Fund debt obligations. For future years, we can use the projected operating budget to estimate our debt ratio. The projected operating budget does not include debt exclusions, the Sewer Fund, or the Robin Reyes fund revenues.

	FY 24	FY 25	FY 26	FY 27
Projected Operating Budget	\$ 135,405,448	\$ 140,821,666	\$ 146,454,533	\$ 152,312,714
Less: Budget Debt Service	\$ 13,454,666	\$ 12,887,294	\$ 11,884,166	\$ 11,259,181
Operating Subject to Policy	\$ 124,109,236	\$ 130,638,776	\$ 136,450,256	\$ 142,117,754
5-Year Rolling average	\$ 114,623,290	\$ 119,325,448	\$ 124,466,170	\$ 130,841,057
Current Operating Debt-to-Policy %	9.86%	8.53%	8.04%	7.79%

FY24 Capital Expenditure Requests

Capital Expenditure requests for FY24 total \$10,787,021. There are three operating capital requests, for Police Vehicles, Facilities vehicles, and Schools- IT Computer Refresh. Capital item requests costing between \$10,000 and \$250,000 can be funded by free cash unless they are improvements to buildings. FY24 Capital requests that may be funded with free cash total \$ 2,132,521. The remaining Capital requests total \$8,074,240.



FY24 Capital Budget Memo

Town Manager's Message

FY24 Capital Requests	
Operating Capital Requests	\$ 580,260.00
Potential Free Cash Items	\$ 2,132,521.00
Capital Requests Requiring Bonding	\$ 8,074,240.00
Total Capital Requests	\$ 10,787,021.00

The Massachusetts Division of Local Services Debt Service Calculator can be used to project annual debt service for future borrowing, which is illustrated in the table below. Bonding the full \$8,074,240 would result in a level debt service payment of \$777,891. For projection purposes, our projection uses a 5% interest rate and a 15-year term for borrowing.

Town Manager Capital Recommendation

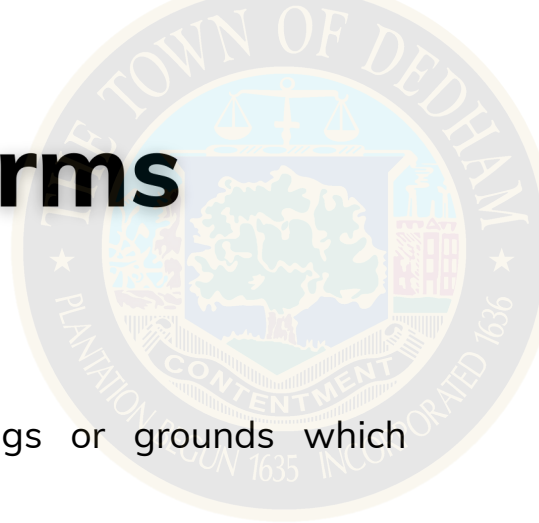
The Town Manager's Budget recommends \$7,680,021 in total capital expenditures, funded by bonding for \$5,845,000.00, using \$580,260 of operating capital, and using \$1,254,761 of free cash. This would add a level debt service of \$563,120.67 per year, and bring the debt ratio to 9.15%, using a five-year average of General Fund expenditures. The one-year debt ratio would be 8.61%.

FY25 Debt Ratio	
New Annual Debt Service	\$ 563,120.67
Debt to Operating (Five Year Average)	8.53%
Debt to Operating (One Year Average)	7.79%



Commonly Used Terms

FY24 Budget Message



CAPITAL IMPROVEMENTS

Construction, renovation or improvement of buildings or grounds which exceeds \$50,000

CAPITAL OUTLAY EXPENDITURE EXCLUSION

A type of tax override that allows towns to raise funds for capital projects. Its rules are similar to those for debt exclusions, except the cost is only added to the levy for the year in which the project is undertaken.

CHAPTER 70

State aid funding to public elementary and secondary schools.

CHERRY SHEET

Named for the cherry colored paper on which the Massachusetts Department of Revenue traditionally has printed it, listing the amounts of state and county assessments, as well as the estimated state distribution (State Aid).

COLA

Cost of Living Adjustment

COLLECTIVE BARGAINING

A process in which employees, through their unions, negotiate contracts with employers to determine terms of employment (i.e., pay, hours, benefits, etc.)

DEBT EXCLUSION

A debt exclusion allows towns to raise funds to pay for debt incurred by the town. The amount of the payment is added to the levy for the life of the debt, and is not included in calculations of the new levy limit for future years. A debt exclusion requires a two-thirds majority vote to borrow at town meeting and requires a majority vote at a special town election.

ENTERPRISE FUND

A separate fund inclusive of the direct and indirect costs to provide a service and amounts of revenue to support the fund in exchange for the service (i.e., sewer enterprise fund).

EXCESS LEVY CAPACITY

The difference between the levy and its limit. The levy limit is not affected by excess capacity, however, meaning that in future years a town can tax up to that limit regardless of the previous levy. For example, a 1% levy increase one year allows the town to raise the levy by 4% the next year - the normal 2 ½ percent, plus the 1 ½ percent not taxed the year before.



Commonly Used Terms

FY24 Budget Message

FREE CASH

The amount of Town funds that are unrestricted and available for appropriation. Free Cash may be appropriated by vote of the Town Meeting.

GENERAL OVERRIDE

Residents can vote to increase tax levies beyond the levy limit, as long as the community is below the levy ceiling. The increase is included in the levy for that year and added to the base used to calculate future levy limits. An override requires a majority vote of the town at a special town election.

GENERAL STABILIZATION FUND

This fund serves as a general financial reserve for the Town. Money may be appropriated to the Fund up to ten percent of the preceding year's tax levy, but the Fund may not exceed ten percent of the total tax valuation of the Town. The Fund may be used for any legal purpose by a two-thirds vote of the Town Meeting. Interest earned remains in the Fund.

LEVEL FUNDING

Appropriates the same amount of money as the prior year to each department, and includes cost increases.

LEVEL SERVICES

No cuts are made and the budget is prepared to accommodate for changes that provide the same services and staffing levels as the previous year. These changes can include COLA increases, inflation, contractual obligations, etc.

LEVY CEILING

The maximum amount a community may levy under all conditions. A community's levy ceiling is 2 ½ percent of the aggregated valuation of all taxable properties.

LEVY LIMIT

The maximum amount a community may levy in a year. The levy limit can increase only by 2 ½ percent each year, plus adjustment for new growth and the addition of the debt service for previously voted tax overrides, such as debt exclusions.

MAJOR CAPITAL FACILITIES STABILIZATION

Also known as the Robin Reyes Fund, this is a special purpose reserve created by vote of Town Meeting. Expenditures may be made from the fund only on a two-thirds vote of Town Meeting. It is a management policy of the Town that this fund be used for major construction or renovation of buildings estimated to cost \$4 million or more.

MITIGATION STABILIZATION

Special purpose reserves created by vote of Town Meeting. Like the General Stabilization Fund, expenditures from these funds require a two-thirds vote of Town Meeting.



Commonly Used Terms

FY24 Budget Message

MWRA

The Massachusetts Water Resources Authority was established in 1985 to provide water supply services and sewer collection, treatment and disposal services to the region. The MWRA sets user rates and assesses each town in the area according to the metered flow of water through the sewers. Dedham funds its sewer assessment from billings based upon a metered water use rate set by the Select Board. The Town is not assessed water use charges.

NEW GROWTH

A community can increase its levy limit annually based on new development and other growth in the tax base. New growth is calculated using the following equation:

$$\text{Property value (based on assessment as of January 1)} \times \text{FY2022 tax rate} = \text{New Growth}$$

OTHER AVAILABLE FUNDS

Certain receipts, when received by the Town, must be set aside and reserved for particular appropriation. These include the Endicott Estate Receipts, Sale of Cemetery Lots and Graves, and Parking Meter Receipts. In addition, funds from the Overlay Surplus (the accumulated amount of the overlay for various years not used or required to be held in the overlay account) may be used by a town to offset budget requests for the next year. Also, all unused balances from prior years' Special Article Appropriations may be transferred to meet a new appropriation.

OVERLAY SURPLUS

The Overlay is the amount from the property tax levy in excess of appropriations and other charges. It is used to cover abatements and exemptions granted locally or on appeal. The Overlay Surplus is the unused portion of previous years' overlays.

PROPERTY TAX LEVY

The total revenue a community raises through property taxes. Often just called the "levy," it is the largest source of revenue for Dedham. This is different from the tax rate, which is the tax amount charged individual properties per \$1,000 of property valuation. The tax rate is set each year by the town.

RESERVE FUND

This fund is established by Town Meeting and may be composed of (a) an appropriation (not exceeding 5% of last year's levy), (b) money transferred from existing accounts or funds, or (c) both. The Reserve Fund amounts to an omnibus appropriation, to be transferred by vote of the Finance Committee for extraordinary or unforeseen expenditures where the Committee decides such expenditures would be approved by Town Meeting. "Extraordinary" covers items, which are not in the usual line, or are great or exceptional. "Unforeseen" includes items, which were unforeseen at the time of the Town Meeting, when appropriations were voted.

