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Honorable Select Board and Finance and Warrant Committee,

In accordance with Massachusetts General Law and the Dedham Town Charter, it is my pleasure to transmit this proposed FY2022 balanced budget for your review and consideration. It goes without saying that over the last year the COVID-19 pandemic has presented extraordinary challenges to government at all levels, and while the availability of viable vaccines and current health data trends are promising, we will continue to face pandemic-related challenges globally, as well as locally, into FY22 and beyond. At this time, none of us can say with certainty what the “new normal” will look like nor when we will achieve that goal. As a result, as we did with the revised FY2021 budget, we are again approaching budgeting with great caution, especially with regard to non-tax revenues. On the spending side, departments were asked to build level service budgets and to creatively propose cost savings that would maintain service levels while cutting expenditures.

Throughout the pandemic, I am proud to say that our employees have shown incredible courage, dedication, and resiliency while continuing to deliver quality municipal services amid a global pandemic. While Fire, Police, and Public Works employees delivered in-person services without interruption, even as we at times struggled to acquire personal protective equipment (PPE), other departments demonstrated creativity and flexibility, and pivoted to providing services remotely or via alternative means while Town buildings were closed to the public. Regardless of the way Town business was conducted, I can confidently say that essential services continued to be delivered with the professionalism expected and deserved by the community. No matter the challenges we face, I am certain that the talented team we have here in Dedham will continue to deliver the high level of service expected by our residents at a cost that is both affordable and sustainable.

Total Budget and Operating Budget:

The total FY2022 General Fund Budget, including all sources and uses of funds is \$123,012,242, an increase of \$ 4,627,105 or 3.9% over the total FY2021 budget. Of this amount, the operating budget represents \$117,285,312, an increase of \$5,020,618 or 4.47% over the FY2021 revised budget. As previously stated, this is a level service budget and significant budget drivers will be detailed below and in the budget presentation.

Capital Budget:

Over the past several years, Dedham has made significant investments in its capital assets. We achieved substantial completion of the new Town Hall/Senior Center (which has been occupied by Town employees since July 6, 2020), have recently completed the new Early Childhood Education Center (ECEC), and broke ground on a new combined Public Safety Building in December 2020 that will be complete in May of 2023. We have also made significant progress addressing existing building and infrastructure capital needs and maintained the replacement schedules for vehicles and other equipment. However, in contrast to prior years where there were substantial amounts of Free Cash available to fund these measures, this year we are again faced with what will likely be the new normal – minimal Free Cash with which to fund these expenses. As a result, this year we are recommending we use no Free Cash to fund capital and that only essential capital items be funded via bonds or other financing.

To put things in perspective, the Capital Expenditure Committee is currently reviewing over \$10 million in FY2022 capital requests and as recently as FY2019 over \$2.6 million in Free Cash was allocated for capital expenditures. Undoubtedly, many worthy requests will be left unfunded this year.

Finally, this budget continues to implement the plan by which the major capital stabilization fund (Robin Reyes Fund) is augmented with a General Fund transfer. This year, that amount is \$1,250,000. This is an increase of \$750,000 over the FY2021 transfer (and prior years) but is required to maintain the long-term solvency of this funding source.

Education Budget:

I am recommending an appropriation of \$48,549,349 for the Dedham School Department. This represents an increase of \$1,903,780 or 4.08% over the FY2021 appropriation. Of this increase, over 80% is attributable to contractual costs (cost of living adjustments and scheduled step increases) associated with collective bargaining agreements.

Blue Hills Regional Technical School and Norfolk County Agricultural School funding is \$2,034,840, an increase of \$8,196 over FY2021.

Proposed Personnel Changes:

The FY2021 budget included key additions to Town staff including a full-time Public Information Officer, a Police Department Social Worker, and a Parking Enforcement Officer¹. Owing to the budget constraints faced this year as well as the recent number of new director level hires, this year's budget includes only one new position request. As many of you are aware, for the past several years the Town has primarily relied on outsourced IT services for both maintenance and day-to-day management of the Town's IT infrastructure. With the creation of the MIS Director position in FY2021², we began the process of bringing those services back in-house while reducing outside IT service expenses. In FY2022, the Finance/MIS Department is requesting, and I am recommending, the addition of a full-time Systems Engineer. The cost of this position is \$92,700, which will be offset by the anticipated reduction in outside IT services in the amount of \$85,000.

¹ This position remains vacant, as it is anticipated that FY22 parking revenues will fund its cost.

² Funding came from an existing IT position in the Police Department.

Other Budget Items of Note/Discussion on Significant Budget Drivers:

- Based on the level funded departmental budgets and the further reductions recommended in the Town Manager's budget, the FY2022 total operating budget increase is \$5,020,618 or 4.47% over the FY2021 operating budget. The total tax levy increase needed to support this budget is \$3,905,083 or 4.18%. Due to increasing residential property values (5.8% projected increase in values as of January 1, 2021) and decreasing commercial property values (7% projected decrease in values as of January 1, 2021), this increase is disproportionately shifted onto residential property owners. As such, while the overall levy increase is projected at 4.18%, the projected residential levy increase/average residential tax bill is projected to increase by 6.98%.
- Dedham is fortunate to be in a very strong financial position, with higher-than-average amounts of liquid assets at its disposal. In addition to the spending limits placed on the FY2022 budget, we are once again proposing to use general stabilization funds and Free Cash to lessen the impact on the levy. For FY2022, we are recommending the use of \$1,250,000 of general stabilization funds and \$1,000,000 of Free Cash for this purpose.
- Significant Budget Drivers:
 - This budget includes Salary Reserve funding sufficient to fund the estimated costs of unsettled collective bargaining agreements. As of the date of this memo, eight unions have unsettled agreements that will expire on June 30, 2021. This Salary Reserve (\$1,100,000) is the primary driver of the 16.74% increase in the General Government funding request.
 - This budget fully funds the Dedham Retirement Board's required annual contribution of \$4,306,080, an increase of \$202,819 or 4.9%. Continuing with the strategy implemented in FY2021, we are recommending that the Town's OPEB funding be completely deferred in FY2022. It is our recommendation to gradually increase funding in FY2023 to achieve full funding of this liability by FY2026. Notwithstanding this deferment, Dedham's OPEB funding remains among the top tier of municipalities in the Commonwealth.
 - The Total Facilities budget increases \$205,479 or 3.36%. This increase is primarily driven by increased costs associated with utilities and increased cleaning costs as a result of the pandemic.
 - The cost of rubbish and recycling continues to outpace budget growth in general, with this year's request totaling \$2,930,150, an increase \$150,150 or 5.4%.
 - Dedham continues to belong to the West Suburban Health Group for the provision of health insurance in accordance with the Public Employee Committee (PEC) Agreement ratified in 2018 that transitioned most employees to cost-saving High Deductible Health Plans (HDHPs) combined with Health Savings Accounts (HSAs). The estimated increase for the Town's blended health insurance premiums is 3.4% for FY2022. This remains below the industry average and reinforces the Town's decision to move in this direction in 2018.

Effect on Levy/Average Residential Tax Bill:

As proposed, the average residential tax increase based on this budget would be 6.98% or \$542.73. As has been previously discussed, a combination of factors during the fiscal years prior to FY2020 produced very small levy increases. During that time, Town administration consistently said that levy/tax increases would at some increase to reflect overall budget growth. FY2020 was the first year

where the favorable conditions, most notably substantial sums of Free Cash, no longer allowed reducing the burden on the residential tax levy with one-time funds. As a result, the residential tax levy increased by 5.03% in FY2020. Prior to the onset of the COVID-19 pandemic, the initial FY2021 budget presented in March of 2020 would have resulted in a 6.4% increase to the residential levy. Unanticipated sources of revenue, including over \$3 million in federal and state aid, in addition to over \$1 million in reductions between Town departments and the School Department, resulted in a revised FY2021 budget adopted in August 2021 with a residential tax increase of only 2.08% or \$103 for the average residential homeowner. While this year's projected increase is undoubtedly higher than any of us desire, this budget gets us closer to the best practice of funding the Town's current operating costs with current revenues, and not relying on Free Cash and other one-time revenue sources. Creating a sustainable budget based on this guiding principle will allow the town to continue to address its infrastructure needs³ while maintaining the services people expect.

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 create a sustainable plan for the future of Dedham.

Sincerely,

Leon I. Goodwin III
Town Manager

³ The Dedham School Committee has submitted a Statement of Interest (SOI) to the MSBA as the first step in constructing a new elementary school in Dedham. This project is approximately 6 years out.