TOWN ADMINISTRATOR'S BUDGET MESSAGE

May 7, 2026

To the Select Board, Advisory Board, and Residents of the Town of Dunstable:

I am pleased to present the Town of Dunstable's Fiscal Year 2027 Operating Budget in the amount of $14,770,208, representing an increase of $829,524, or 5.95%, over the FY26 adjusted budget of $13,940,684.

This year was a challenging budget process. This budget reflects a disciplined, balanced approach and represents a collection of difficult decisions in a year defined by significant external cost pressures. It prioritizes the delivery of core municipal services while remaining mindful of the financial impact on taxpayers. I would like to thank the Select Board, Advisory Board, Groton Dunstable Regional School District, Town of Groton, department heads, staff, and board and committees for their collaboration and thoughtful input throughout the budget development process.

Revenue Overview

The FY27 operating budget is supported by total revenues of $14,773,038, with the Town continuing to rely heavily on the property tax levy as its primary source of funding. Property taxes account for approximately 87.3% of total revenues, underscoring the structural constraints caused by Proposition 2½ and the Town's limited capacity for new growth.

The FY27 levy limit is calculated from the prior year limit of $12,418,857, increased by the allowable 2.5% growth of $311,161 estimated new growth of $140,000 and a small remaining balance from the FY26 General Override in the amount of $27,571, resulting in a total levy of $12,897,588 to support the operating budget. When combined with $297,844 in excluded debt, the total tax levy is projected at $13,195,432, an increase of $608,722, or 4.84%, over FY26. Again, in FY27, the Town will utilize the remaining balance of the unused portion of the FY26 General Fund Override in the amount of $27,571.

Local receipts are projected at $850,000, demonstrating a more aggressive but reasonable approach based on historic collections. For context, FY25 actual local receipts totaled $891,414, with motor vehicle excise accounting for more than 80% of that total. State aid is projected at $414,527 and remains largely level-funded, reinforcing the Town's continued reliance on property taxes to support operations. Additional revenue sources include Free Cash at $249,216, overlay surplus at $25,000, and departmental allocations totaling $38,863.

Together, the Town's revenue assumptions demonstrate a responsible approach and minimize reliance on one-time funding sources. While revenue estimates are more aggressive than prior years, they are in line with historical collections.

Tax Impact

The FY27 budget results in an impact on taxpayers, as in all budget years, driven largely by increases in education, retirement, and debt service costs.

Based on the Town's tax impact analysis, the average single-family home, valued at $745,497, had an FY26 tax bill of approximately $9,982. The FY27 operating budget increase is projected to add approximately $380.20 to that bill, while excluded debt associated with capital investments, most notably the PFAS Mitigation Project coming on line, adds an additional $104.37.

In total, the average residential tax bill is projected to increase by approximately $484.57, resulting in an estimated FY27 tax bill of $10,466.57 before CPA. Including the Community Preservation Act surcharge, the total increase is estimated at approximately $499.11, resulting in an average tax bill of approximately $10,780.57.

It is important to distinguish between these budget pieces. While operating increases are expected ongoing costs, the debt exclusion portion is tied directly to voter-approved capital investments and will end over time as those obligations are paid down.

Expenditure Overview and Significant Drivers

The FY27 budget increase of $829,524 (5.95%) is driven by education, with the $570,337 increase in school assessments accounting for the majority of the growth. Outside of education, the most significant cost increases occur in debt service (+$135,737) and retirement obligations (+$105,016), while other municipal departments experience a combination of targeted increases and reductions to manage overall spending.

Major Drivers of Budget Growth

Three primary factors account for the vast majority of the FY27 budget increase and continue to shape the Town's financial outlook.

The largest driver remains education, with assessments increasing by $570,337 (6.37%). This increase alone represents more than two-thirds of the total budget growth and includes costs associated with both school districts operations.

The second major driver is the County Retirement Assessment, which increases by $105,016 (21.89%). The Town's rising pension obligations represents one of the most significant pressures on the municipal budget.

The third major driver is debt service, where principal payments increase by $135,737 (195.00%). This increase is tied directly to the first scheduled payment associated with the PFAS Mitigation Project, a critical capital investment approved by voters. While significant, this cost is funded through debt exclusion and has little impact on the operating budget. Together, the schools and retirement assessment account for the overwhelming majority of the FY27 increase and significantly constrain the Town's flexibility in allocating resources across other departments.

Beyond these major cost drivers, the Town has taken deliberate steps to offset increases through targeted reductions, operational adjustments, and alignment of budgets with actual spending trends.

Within General Government, the budget reflects a balance between necessary investments and cost containment. Increases include a $7,877 adjustment to Treasurer/Collector services, a $6,000 increase in accounting services, and the addition of $6,000 for state-required assessor recertification work. These are offset by reductions including the elimination of $5,000 in Town Administrator training, $8,000 in engineering services, and $10,000 in Finance Committee salary reserve funding, along with additional reductions across legal, zoning, and other budgets.

In Public Safety, the Town has reduced and realigned resources. The Police Department saw a $10,000 increase to support regional dispatch future assessment obligations. The Fire Department experienced a $25,000 reduction in professional services following the withdrawal of Tyngsborough from the proposed EMS partnership, along with reductions in call wages (-$4,872) and training (-$3,371). These reductions are partially offset by increases in communications (+$10,000) and equipment-related expenses to maintain firefighter safety.

The Public Works budget includes both rising costs and difficult trade-offs. Salary adjustments result in a $12,423 increase in Highway wages, while repairs and maintenance increase by $5,000. These increases are offset by a $15,500 reduction in paving services, the elimination of $6,500 in part-time wages, and a $6,000 reduction tied to the elimination of household hazardous waste programming. Streetlight energy costs decrease by $2,875, based on estimates and historic trends.

In Human Services, increases are driven primarily by regional assessments

and compensation adjustments, including a $3,977 increase in the Nashoba Associated Boards of Health assessment and a $1,806 increase in the Town Nurse program. These are offset by reductions in mental health funding (-$2,000) and veterans benefits (-$5,000), based on historical usage.

The Library, Parks, and Recreation budgets are impacted by targeted investments and new contractual obligations. Library salaries increase by $6,244, and consortium dues increase by $2,829. Technical services increase by $11,165 to support the Town's new IT management contract. Recreation funding shifts result in a $4,872 increase in wages, offset by a $4,572 reduction in program services, resulting in a net-neutral impact. Resources were reallocated in the Parks budget to support the new mowing, landscaping, and maintenance contract and address other property-related issues.

Finally, within Insurance and Assessments, the Town continues to face significant external cost pressures. The County Retirement increase of $105,016 represents a major driver, while group health insurance decreases by $27,828, limiting flexibility if additional employees choose to join the Town's health insurance plan.

Chapter 70 and State Education Funding

A significant and ongoing challenge the Town faces is the continued misalignment between the Town's required education contributions to maintain level services and the state support provided through Chapter 70 funding. While the Commonwealth has made some progress in recent years, the formula continues to fall substantially short for communities like Dunstable, where enrollment and local wealth metrics do not always align with actual financial capacity and ability to pay.

In FY27, the Town is once again experiencing a substantial increase in its required school assessment, while Chapter 70 aid remains modest in comparison. This dynamic places a disproportionate burden on local taxpayers, as the Town is required to fund a growing share of education costs within the constraints of Proposition 2½. As a result, increases in education spending, while necessary to maintain quality schools, continue to dominate other municipal priorities and limit the Town's overall financial flexibility.

As such, it is essential that the Commonwealth continue to evaluate and refine the Chapter 70 funding formula to better address the realities faced by municipalities and school districts. This includes reassessing minimum aid provisions and regional district impacts. Ensuring a more equitable funding formula is needed to supporting both educational excellence and municipal sustainability in the years ahead.

Town officials continue to partner with school officials advocating for fairness and equity in education funding for all districts.

Stabilization and Overall Reserves

The Town's reserve position remains a critical component of its overall financial health and an important part of the Town's financial strategy.

The General Stabilization Fund is projected to increase to $589,600.87, while the Capital Improvement Program Stabilization Fund is projected at $201,081, resulting in combined stabilization reserves of $790,681.87 between the two funds. When combining the General Stabilization Fund with remaining Free Cash of $435,754, the Town's total reserve position is projected at $1,025,354.87.

While this represents progress and a stable reserve base, it remains below the Town's policy goal of approximately $1,624,723, indicating that continued efforts to build reserves will be important in future years.

FY26 certified Free Cash totaled $964,970, and the majority of its planned use in FY27 invests in one-time expenses, however, a small portion continues to support the operating budget.

Five-Year Financial Forecast

The Town's FY27 through FY31 financial forecast highlights ongoing structural challenges that will require continued attention.

Total expenditures are projected to increase from $14.77 million in FY27 to approximately $18.96 million in FY31, representing growth of more than $4 million over the five-year period. The most significant increase is projected in education, where costs are expected to rise from approximately $9.53 million to $12.9 million. Additional growth is anticipated in public safety, insurance and assessments, and other core service areas.

This forecast clearly demonstrates that expenditure growth is expected to outpace revenue growth under Proposition 2½ constraints. Without adjustments, this structural imbalance could result in increased reliance on reserves, service reductions, or deferred capital investments.

In response, the Town will continue to focus on long-term financial planning, advocacy at the state level for additional financial assistance and support, identifying efficiencies, pursuing grant opportunities, and aligning capital investments with available resources.

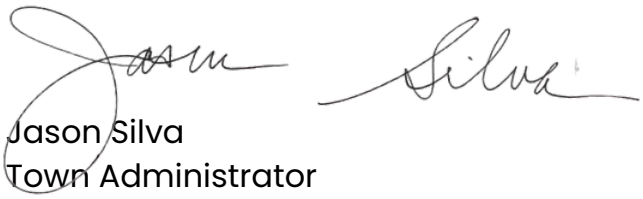
Conclusion

The FY27 Operating Budget represents a tight, disciplined financial plan in a challenging fiscal environment. While the overall increase is 5.95%, it is driven largely education, retirement, and debt service.

The Town has taken meaningful steps to control spending, reduce discretionary costs, and make targeted investments in areas such as public safety, technology, and infrastructure. At the same time, the Town has a clear understanding of its long-term financial challenges.

I respectfully submit the FY27 Operating Budget as a result of your hard work and commitment to the budget process and financial discipline ensuring the Town's continued financial stability.

Respectfully submitted,



Jason Silva
Town Administrator