



**TOWN ADMINISTRATOR
JASON SILVA**

March 13, 2025

Dear Members of the Select Board, Members of the Advisory Board, and Residents of Dunstable:

Enclosed please find the Town administrator's recommended FY2026 operating budget for the Town of Dunstable.

A Look Back – FY2025

As you likely recall, the budget process in FY25 started much earlier than in year's prior to better align the Town of Dunstable's budget process with the Groton Dunstable Regional School District and the Town of Groton. A joint Town Administrator/Town Manager Budget Working Group was created to ensure all three parties were collaborating and working together while developing our respective budgets. This communication and frequent meetings helped all parties understand the financial challenges each were facing.

Through these meetings, and after a thorough review of the Town's finances, developing multi-year projections, conducting an assessment of needs, and comparing comparable communities, the Select Board, Advisory Board, and Town Administrator recommended a 3-year override for FY25 through FY27. The 3-year general fund override request was slightly under \$2.1 million which was defeated at the ballot by 128 votes – 648 to 520.

As a result of the override failing, the Groton Dunstable Regional School District was forced to reduce their FY2025 budget request by approximately \$2.7 million, resulting in the elimination of 27 full-time employees. These reductions were made and are felt in every department, and at every grade level this year. Additionally, the Town was forced to reduce spending in the Library, Highway, Town Administrator, and Police Departments budgets.

Through these reductions, the FY2025 budget was balanced and approved by Town Meeting.

FY2026 Budget Process

Once again, the FY2026 budget process began early with a collaborative spirit by working closely with the Groton Dunstable Regional School District and Town of Groton. The joint Town Administrator/Town Manager Budget Working Group was once again created with Town and School leaders participating. As projected, the Town of Dunstable's FY26 budget started in deficit based on projections of Town and School spending.

In late October, the Select Boards, Dunstable Advisory Board, Groton Finance Committee, and Groton Dunstable Regional School District held a joint meeting to review budget projections. At that meeting, the Town of Dunstable projected a \$539,836 deficit in FY26 to fund a level service GDRSD budget.

Over the last several months, projections became much clearer for most spending obligations, and it also became clear that the Town of Groton would be able to afford a larger GDRSD assessment proportionally than Dunstable. This has put the Town of Dunstable in a position where an override is needed both to fund the level service GDRSD budget assessment and to match the proportional assessment that Groton can afford within its tax levy.

It should be noted that this recommended budget does not meet the needs of all our departments. This budget was developed by working closely with many of our department heads and board and committee leaders. Through our work on this budget, it became even clearer that there are departments that continue to go without the essential funding and resources they need.

- The Police Chief has requested to reinstate a 9th police officer to allow the night shift to again be staffed with 2 officers. It is currently staffed by only 1 officer.
- The Fire Chief remains concerned with the lack of night coverage in the Fire Department and the emergency response time from our ambulance provider.
- The Highway Department requested reinstating funds for paving and brush clearing, street painting, and signs. Especially after this winter, one can understand why they requested these funds.

These are just a few examples of the Town's ongoing needs being underfunded, limiting the services resident deserve and the resources staff need.

Major Budget Drivers

The FY26 budget is impacted by a number of headwinds. They include the following:

- Regional Schools Assessments: GDRSD overall assessment is increasing by 7.89% and the Greater Lowell Technical High School assessment is increasing by 10.92%
- Health insurance is increasing by 14.13%
- Retirement assessment from the Middlesex County Retirement System is increasing by 24%

- New contracts for the Town Administrator, Fire Chief, and Police Officers Union.
- Preparing for the Regional Dispatch Assessment in FY28 which equates to \$22,000.
- Future capital improvements needed including public safety facilities, library building and system improvements, new fire truck in FY29, and investment in the Highway Garage.

Chapter 70

On the revenue side, while this funding isn't directly held by the Town, Chapter 70 funding is a major, ongoing issue that needs to be addressed. Chapter 70 is educational funding provided to communities by the state.

Since FY22, Chapter 70 funding for GDRSD has increased by just 6.15%, an average of 1.5% annually, amounting to a total increase of \$675,960. Based on current FY26 budget projections, the district's budget is projected to be approximately \$51 million. Meanwhile, Dunstable's school assessment, its required contribution to the regional district, has grown by 22.6% over the same period, averaging an annual increase of 5.6%. This rate of growth is significantly higher than the increase in Chapter 70 funding, and the gap continues to widen each year, placing an even greater financial strain on our Town's budget.

This issue has been a problem for a longer a period of time, but it is now reaching a critical point. In the 15-year period from FY08 through FY22, the Groton Dunstable Regional School District's Chapter 70 funding increased from \$10,757,109 to \$10,987,643. That's an increase of only \$230,534 over 15 years or an average of 0.14% average increase. Furthermore, since 2007, the state's share of Groton Dunstable School District's total revenue has declined by a whopping 14%.

In other words, Dunstable being designated a "hold harmless" or "minimum aid" community has resulted in the Town not getting its fair share of Chapter 70 funds. There are a total of 232 school districts in this same situation. Without meaningful state intervention, education costs will continue to rise at a rate far beyond our ability to generate new revenue.

FY2026 Budget Revenues

The FY26 operating budget plans for a \$50,000 increase in local receipts and state aid revenues based on the Governor's budget proposal.

The FY26 budget also continues the Town's past practice of utilizing its free cash to balance its operating budget. However, the Town has made great strides over the last several fiscal years to reduce its free cash reliance. In FY25, the Town used a total of

\$358,724 to balance its budget and to fund capital improvements amounting to using slightly over 58% of the Town's certified free cash.

For FY25, the Town plans to reduce its free cash reliance by \$50,000 and also specifically designates that \$120,000 will be used for capital improvements, \$83,607 will be used to fund GDRSD capital improvements, and \$105,117 used to fund operating expenses. Also, the recommended budget includes an appropriation of an additional \$100,000 of free cash – \$50,000 to appropriate to the General Stabilization Fund and \$50,000 to the newly created Capital Improvement Program Stabilization Fund. This is consistent with the newly adopted financial policies and builds off the progress we've made over the last several years.

The Town's certified free cash available for use in FY26 is \$791,942. After the abovementioned appropriations, the Town will retain \$383,281 of free cash and only appropriately 51.6% of its free cash which is less than last year while still being able to contribute to the Town's General Stabilization Fund and set funding aside in the CIP Fund to begin planning for future capital project needs.

Over the 5 years prior to FY25, the Town's reliance on free cash to balance its operating budget increased significantly. Since free cash is the result of the spending and collection activity within any given fiscal year, relying on it in this way can be unsustainable because there is no guarantee the free cash used to balance this year's budget will be available for next year's budget expenses. It also suggests that the Town has a structural budget deficit using one-time revenues to fund ongoing operating expenses, especially since the free cash being used to balance the budget progressively increased significantly from FY19 to FY24.

The recommended FY25 budget relies on the following:

- The statutory 2.5% increase on the Town's tax levy and projected new growth of \$120,000
- Local receipts increase from \$750,000 to \$800,000
- State aid based on the Governor's proposed budget
- Decrease in free cash from operating budget revenue from \$358,724 to \$308,724.
- A reduction in excluded debt tax proceeds from \$315,217 in FY25 to \$167,853 in FY26 to fund previously approved excluded debt payments.
- \$25,000 from overlay surplus

FY2026 Budget Expenditures

On the expenditure side, below is an outline with details on many of the most significant increases:

- Health insurance increased by 14.13%
- Pension assessment is increasing by 24%
- Liability insurance increased by 3.27%
- The Groton Dunstable Regional School District budget assessment increased by 7.89%
- The Greater Lowell Technical High School budget assessment increased by 10.92%
- Total municipal operations and debt service budget is increasing by 4.19%.
- Total municipal salaries are increasing by 4.93%.
- Debt service expenses are based on FY26 debt schedule. All debt service is excluded which means that it is outside of the normal 2.5% levy limitations as voted and approved by the Town residents.

FY2026 Budget Summary

The Town Administrator's recommended budget proposes providing a level service budget to the GDRSD and the Town. Past reductions made on both sides of the budget will largely remain in place.

In FY2026, total revenues are projected to increase by the following:

- Tax Levy for operating projected to increase by 3.54%
- Excluded debt service tax revenue is projected to decrease by 46.75%
- Total tax levy increase of 2.20%
- Cherry Sheet is based on the Governor's budget proposal and increases by 4.80%
- Local receipts projected to increase by 6.67%
- In total, revenue to be appropriated is increasing by 2.86%

Total revenues to be appropriated equal \$14,548,650.

For the first time in several years, as part of the FY26 budget plan, this budget plans for a \$50,000 free cash appropriation to the Town's General Stabilization Fund and \$50,000 free cash appropriation to the newly created CIP Stabilization Fund.

Expenditures are increasing by a total of 6.59%. A breakdown of the increases in each budget category is below:

- General Government increasing by 13.86%
- Public Safety increasing by 3.02%
- Schools increasing by 7.96%
- Public Works increasing by 2.52%
- Human Services decreasing by 3.03%
- Library and Recreation increasing by 3.02%
- Town Debt Service decreasing by 41.40%
- Insurance and Assessments increasing by 10.92%

Additional expenditure considerations include:

- Decreasing overlay set aside from \$30,000 to \$20,000
- Cherry Sheet assessments are increasing by 1.09%
- Planned \$120,000 free cash appropriation for capital improvements
- Planned \$50,000 appropriation for General Stabilization Fund
- Planned \$50,000 appropriation for CIP Stabilization Fund

FY2026 Budget Scenarios

As mentioned above, there are 2 budget scenarios for the Town of Dunstable to consider. The Town Administrator's recommended budget includes funding the GDRSD assessment, the GLTHS assessment, and Town budget at level service. However, to accomplish this the Town will need to request an override in the amount of \$480,841. The override request will cover expenses in the following manner:

- To fund a level service Town budget will require an override in the amount of \$65,543
- To fund a level service GDRSD assessment will require an override in the amount of \$401,037
- To fund the GLTHS assessment will require an override in the amount of \$14,261.

However, our minimum assessment in FY26 is based on what the Town of Groton can afford under their tax levy. As you know, the Town of Dunstable's regional school assessments are based on student enrollment over a 5-year rolling average. Dunstable's proportional obligation to fund the GDRSD assessment under the regional agreement is roughly 23%. In FY26, the Town of Groton has already committed to increase their GDRSD assessment by \$1,365,564 under the tax levy. This effectively sets our minimum contribution to the GDRSD at \$8,620,884 or an increase of \$443,298. In this case, Dunstable requires an override in the amount of \$278,831.

Last year, for this fiscal year's budget, the Town of Groton provided a one-year "gift" to the GDRSD for one-time expenses in the amount of \$619,000. This one-time gift was necessary in FY25 because the Town of Dunstable couldn't afford to proportionally match Groton's contribution to the GDRSD budget. This year, it does not appear that is a viable option. As stated earlier in this letter, this has put the Town of Dunstable in a position where an override is needed both to fund the level service GDRSD budget assessment and to match the proportional assessment that Groton can afford within its tax levy.

The override request to proportionally match Groton's assessment is necessary to cover the following expenses:

- To fund a level service Town budget will require an override in the amount of \$63,592

- To fund a level service GDRSD assessment will require an override in the amount of \$201,053
- To fund the GLTHS assessment will require an override in the amount of \$14,185.

It should be noted that in this scenario, the GDRSD would be required to reduce their FY26 level service budget by approximately \$875,259. This would result in further reductions in staffing levels following a year when they were forced to cut \$2.7 million, resulting in the elimination of 27 full-time employees.

Throughout this budget document, you'll see data for both budget scenarios.

Real Estate Tax Implications

The estimated tax increase on the average single-family home based on the FY25 tax rate resulting from a 2.5% increase in taxes plus new growth is \$205.61.

- The level service budget request, or the Town Administrator's recommended budget, requires an override in the amount of \$480,841. This would result in an additional increase of \$383.80. All total, the average single family tax bill will increase by \$589.41 ($205.61 + \383.80).
- To match Groton's contribution, the Town would require an override in the amount of \$278,831. This would result in an additional increase of \$219.31. All total, the average single family tax bill will increase by \$424.92 ($205.61 + \219.31).

Budget, Town Meeting, and Election Schedule

Given that there are 2 budget scenarios to consider, it's important to make sure the Town plans for a second override request in the case the level service override fails. In addition, if the second override request fails, the Town will need to call a Special Town Meeting to seek approval for a reduced, override budget.

In short there are several scenarios we should keep in mind, which include:

- Override for a level service budget passes in both Dunstable and Groton;
- Override for a level service budget fails in Dunstable, but it passes in Groton;
- If level service override passes in Groton, and fails in Dunstable, the Town will need to reduce its budget by \$480,841 to proportionally match Groton's contribution;
- Override for a level service budget fails in Groton, but it passes in Dunstable; in this case, the Town will have excess levy capacity in the amount of \$202,010 (variance between \$480,841 and \$278,831);

- Override for a level service budget fails in Dunstable and Groton; seek smaller override to match Groton's assessment;
- Override to match Groton's assessment passes;
- Override to match Groton's assessment fails, now need to reduce budget by \$278,831 to make it balanced
- Call Special Town Meeting to approve balance budget

Considering these scenarios, below is a rough sketch of a potential timeline:

- Select Board meeting: Place a question on the ballot of the Annual Town Election (May 20) and Special Town Election (June 10 tentative). The Town will need to plan for 2 override elections. To provide the Town sufficient time, on April 15, the Select Board should consider approving both ballot questions, and calling a Special Town Election on June 10. One ballot question will be for a level service school budget (May 20) and one to match the Groton assessment (June 10).
- Monday, May 12, Annual Town Meeting: At Annual Town Meeting, the Town could consider presenting two budgets – both override budgets.
- Monday, May 20, Annual Town Election: Annual Town Election could include a ballot question to approve an override to fund the level service GDRSD budget.
- Tuesday, June 10, Special Town Election: If the override request to provide a level service budget to GDRSD fails, this election could include a ballot question with a smaller override request to match the Groton Assessment.
- Wednesday, June 11, Select Board Meeting: If both override requests fail, the Select Board could schedule a meeting the day after the election and call for a Special Town Meeting on June 26.
- Thursday, June 12, Post Special Town Meeting Warrant: Warrant must be posted two weeks in advance of a Special Town Meeting.
- Thursday, June 26, Special Town Meeting: Warrant would include one article - adopting a balanced FY26 Budget.

Capital Planning

In addition to the \$50,000 contribution to the Town's CIP Stabilization Fund, the Town is planning to fund several capital projects and purchases. The Town has set aside \$120,000 to fund capital improvements in FY26, however, as you'll see, our needs exceed this amount. We are actively seeking out alternative funding sources to close this gap. The capital needs for FY26 include:

- Highway Spreader/Sander: \$50,100
- Police Cruiser: \$60,000
- Police Taser Replacements: \$19,500

- Fire Mobile Radios: \$20,000
- Fire Personal Protective Equipment: \$4,000
- Library Exterior Lighting: \$5,500

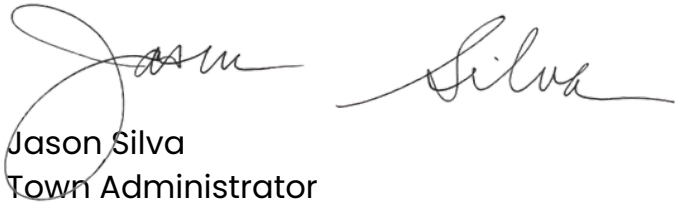
All total, these projects add up to be \$159,100.

Closing

As we navigate the FY26 budget process, it is clear that Dunstable faces difficult financial decisions once again. The recommended budget aims to balance fiscal responsibility with the need to provide essential services to residents and students. While we continue working collaboratively with our regional school district partners and advocating for fair state funding, the reality remains that an override will be necessary to maintain current service levels.

I appreciate the ongoing engagement of the Select Board, Advisory Board, GDRSD, and community in these discussions. Thank you.

Best Regards,

A handwritten signature in cursive script, reading "Jason Silva".

Jason Silva
Town Administrator