

Message to Town Meeting June 6, 2023

Robert Gauvin, *Chair*
Janine Simmons, *Vice Chair*
William Boles
Teresa Hamm
Elizabeth Huidekoper
Brian O’Hare
Adam Silva
John Sousa

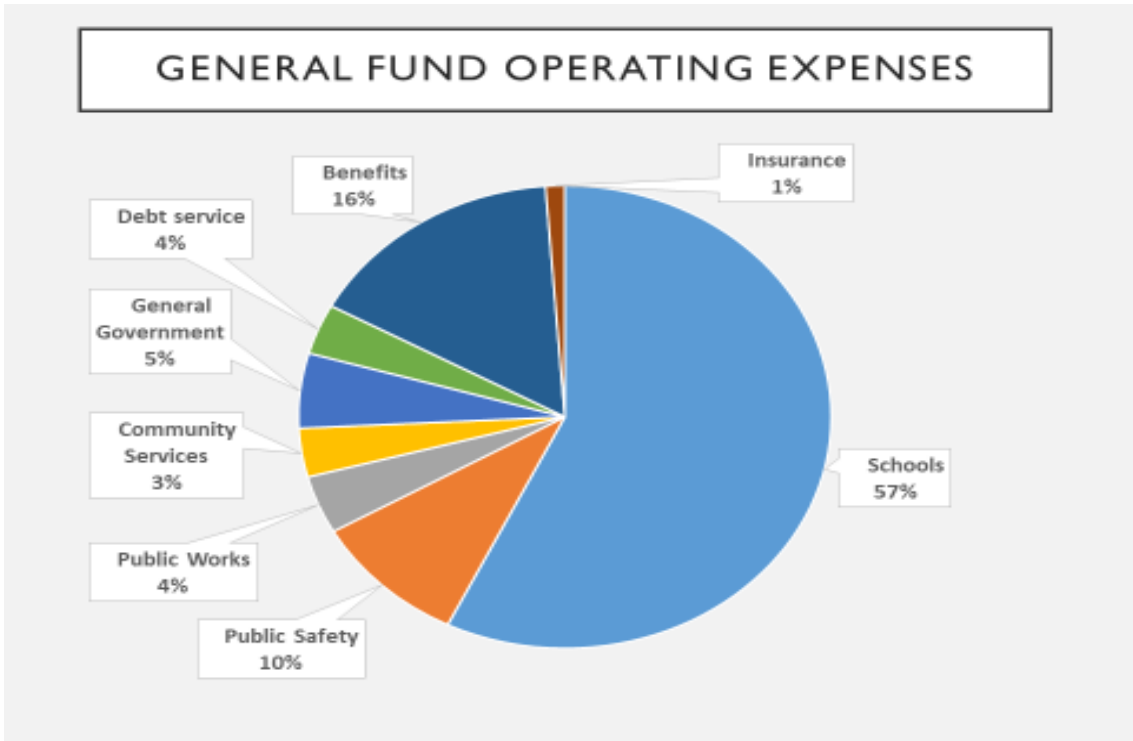
FY2024 Budget Outlook

First, the Finance Committee wants to acknowledge Gary J. Carreiro as the new Director of Budget & Finance/Treasurer while he is also currently maintaining his job as Town Collector. Gary brings to his new roles a deep understanding of town finances, years of experience in other towns as well an exceptional understanding of Dartmouth. Gary brings to the budgeting process a fresh perspective and a welcome degree of openness and communication. We are grateful for his willingness to take these important jobs on and his interest in helping Dartmouth succeed.

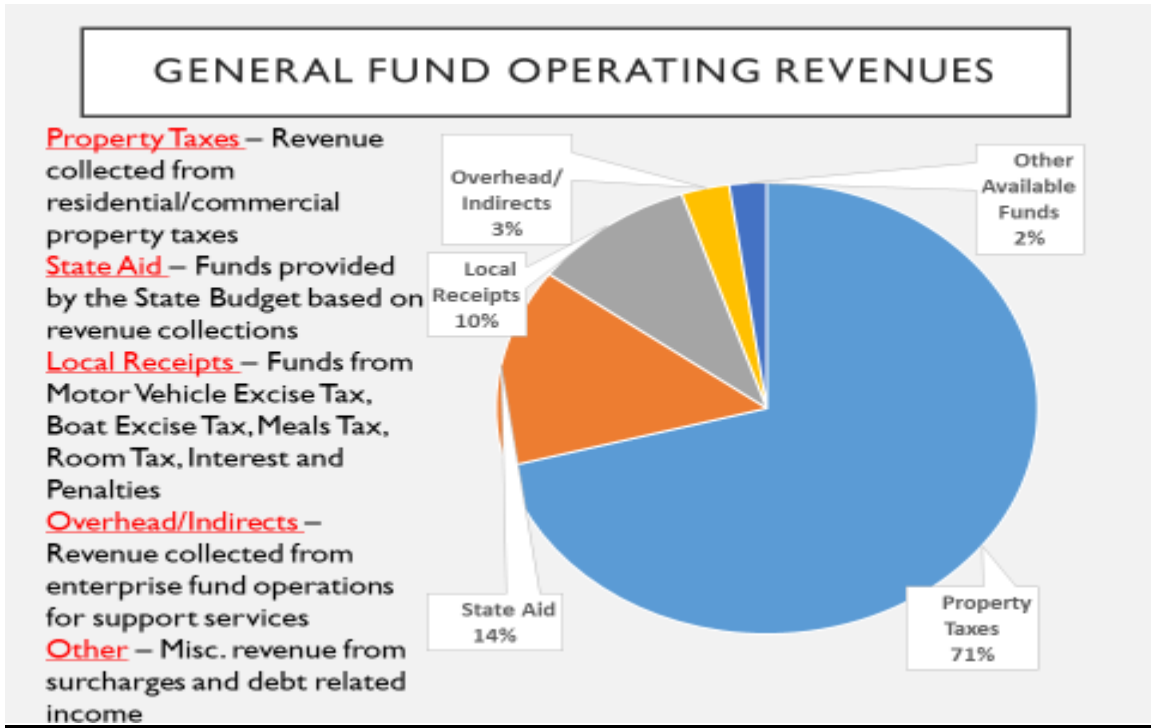
We are recommending your support for a Fiscal Year 2024 General Fund operating budget of \$99.7 million, an increase of 3.00% over the current Fiscal Year budget. Based on revenue projections, this will result in a break-even budget. In addition, \$4.1 million in state & county assessments are allocated and mandatory and not subject to a vote from Town Meeting. In effect, the total General Fund budget for FY24 will be \$103.8 million.

We are also recommending your support for the Fiscal Year 2024 Enterprise Funds budgets: (Water, Sewer, Solid Waste, Waterways and DCTV) totaling \$14.6 million. Of that total, \$2.8 million is paid to the General Fund for the indirect costs incurred by the Town in support of the Enterprise Funds. All the Enterprise Funds are supported by user fees which are increased over time to cover increased costs.

Finally, we are recommending your support for a FY 2024 Spring Town Meeting Capital Budget of \$1,580,294. These capital expenditures will be supported with \$1,089,944 of certified surplus revenue (e.g. the remaining operating surplus from FY 22), \$455,500 in Solid Waste Enterprise Fund retained earnings and \$34,850 in Waterways Management Enterprise retained earnings.

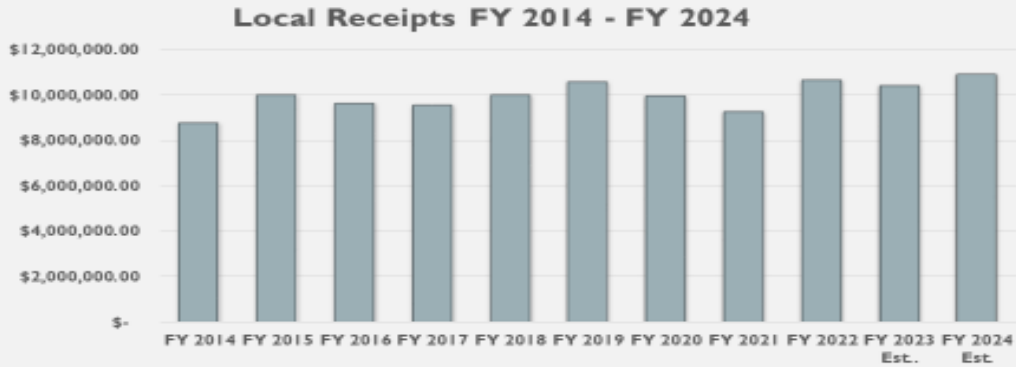


Source: Town of Dartmouth – Department of Finance



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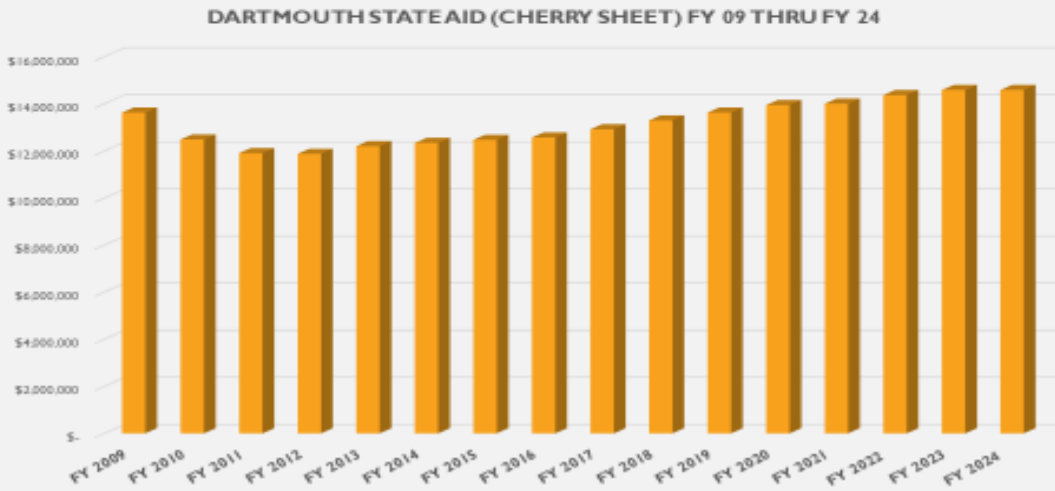
LOCAL RECEIPTS TRENDS



Local Receipts are dependent on the overall economy. Changes, such as COVID in FY21, can have a significant effect on revenues.

Source: Town of Dartmouth – Department of Finance

STATE AID TREND



Source: Massachusetts Department of Revenue – Division of Local Services

TAX YEAR LEVY TREND ANALYSIS

2019: \$48,285,054 (RES) \$15,098,252 (COMM/IND/PP)

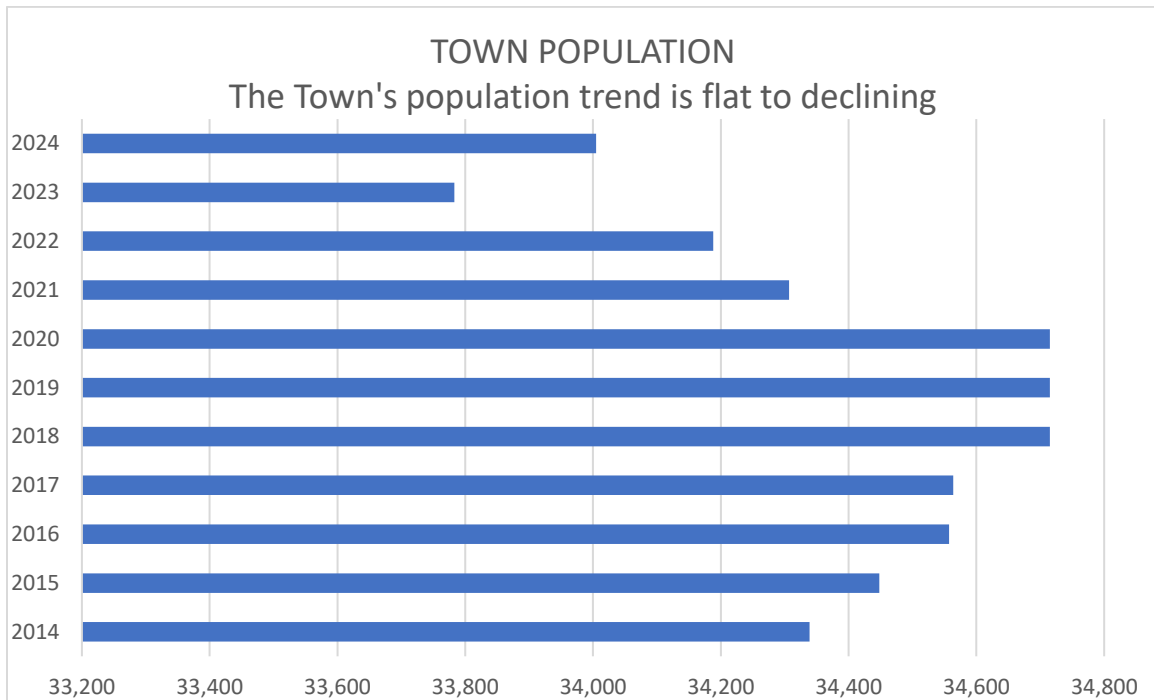
2020: \$49,834,229 (RES) \$15,710,850 (COMM/IND/PP)

2021: \$51,169,275 (RES) \$16,358,813 (COMM/IND/PP)

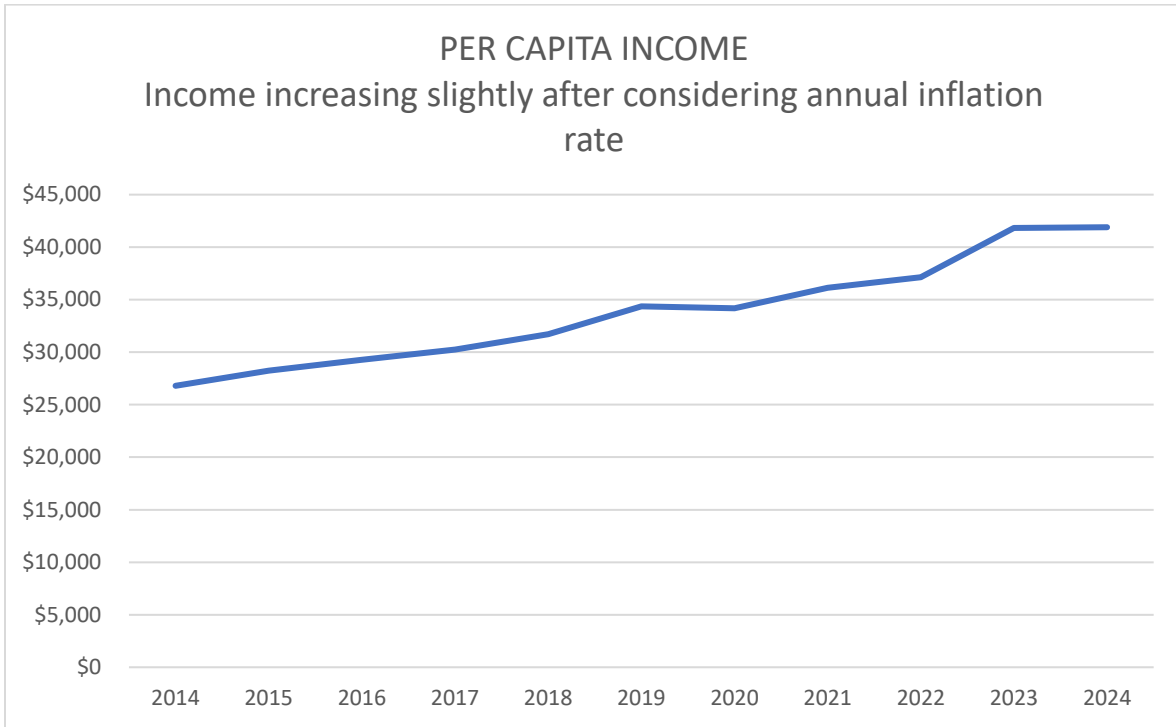
2022: \$52,501,923 (RES) \$17,385,554 (COMM/IND/PP)

2023: \$54,409,737 (RES) \$18,080,088 (COMM/IND/PP)

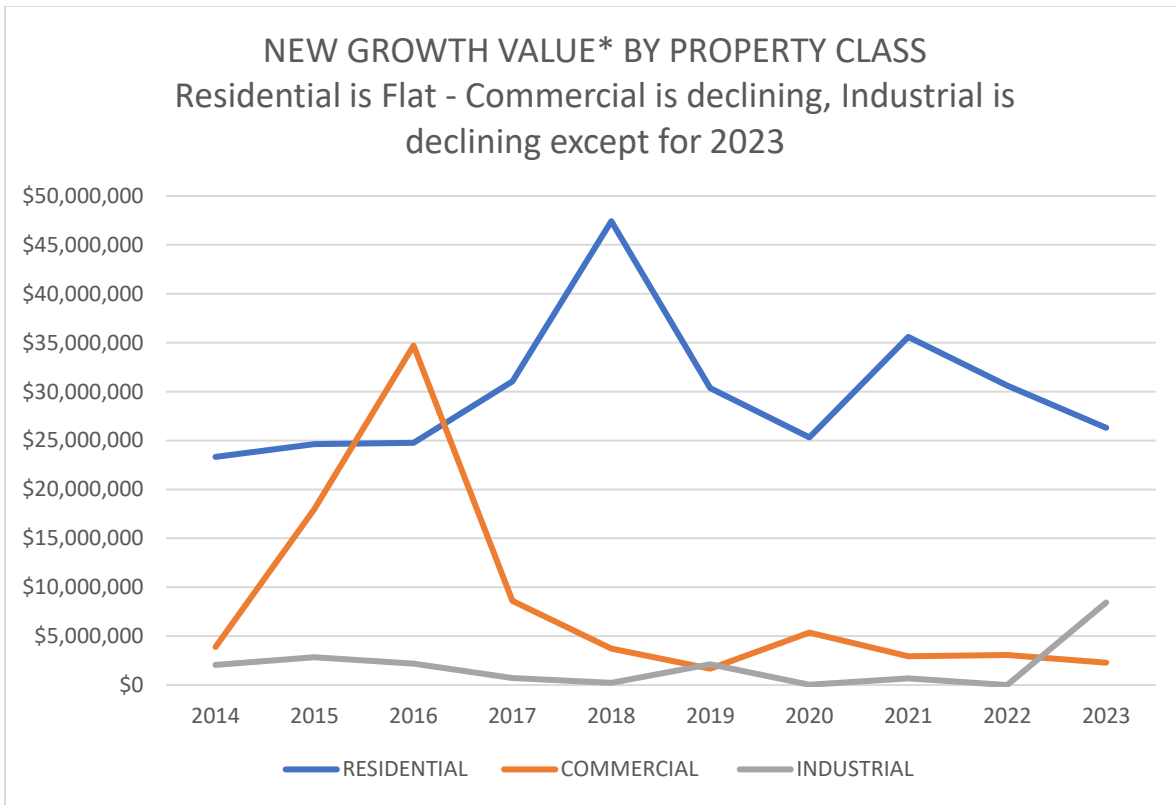
Source: Town of Dartmouth – Department of Finance



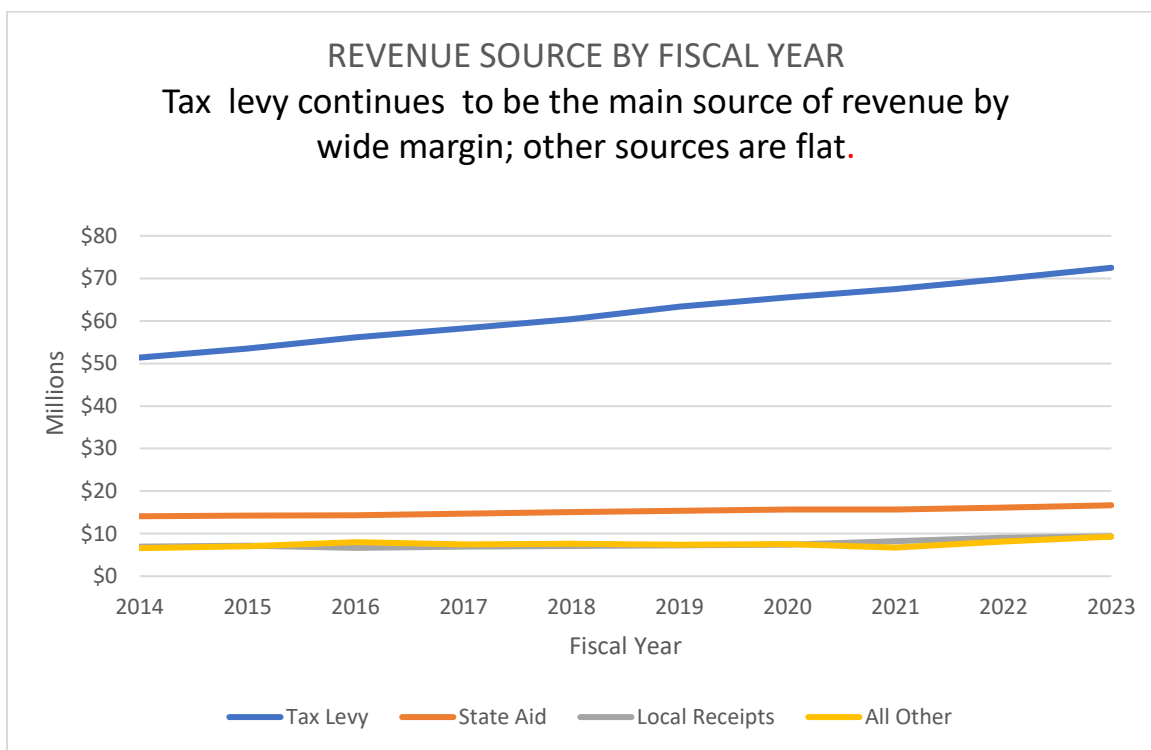
Source: Massachusetts Department of Revenue – Division of Local Services



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FY2024 Budget Summary

The review process for FY 2024 budget was extremely difficult. We believe that all of the departmental administrators worked hard to keep their requests at a minimum. However, in a number of cases, requests exceeded the resources available. The school budget was the most difficult. The school budget as recommended is a 4.4% increase over the current year. In order to achieve a balance budget, we agreed to reduce the amount of money budgeted to fund Bond Anticipation Notes (BAN) by \$588,508. BAN’s are used to fund major future capital projects. At this time, the Town can decrease this because no major projects are scheduled in FY 2024, but it is a short term solution. This is not sustainable as Dartmouth will have major borrowing requirements in the future.

In addition, collectively the departments were seeking over \$23.2 million in capital support and, as noted above, we are only able to recommend \$1.58 million. In effect, we believe we are underinvesting in our facilities and equipment, particularly in water and sewer infrastructure. Fortunately, the American Rescue Plan Act (ARPA) funding has helped us pay for some of the most critical capital needs. However, that source is nearing an end.

As all Town Meeting members are aware Proposition 2 ½, implemented state wide in 1980, places constraints on the amount of overall property taxes that can be increased. Over time this constraint has forced some valuable tradeoffs and efficiencies. In a time of new growth, these trade-offs can be accommodated.

However, in recent years Dartmouth's population growth has been flat. Taking into account inflation per capita income has been growing very slowly. New residential and commercial growth has declined. New industrial growth with exception of marijuana related business is declining. The percent of elderly has increased requiring, in some cases, additional services. Inflation and pressure on employee compensation and benefits have increased. The number of unfunded federal and state mandates are growing as state aid is declining when factoring in inflation.

What makes a municipal operation like the Town of Dartmouth even more challenging is the fact that the ability to increase revenue is not related to expenses. If a business has a cost increase it can increase its selling price or accept less profit and maintain its business. Municipalities incur increases in cost but lack the ability to pass the increases in expenses without overrides. They also must present a balanced budget so they cannot decrease profit because there is none.

The average property tax in Dartmouth is \$3,696 per year (excluding fire district fees), with the average state tax bill of a little over \$4,000 per year. Looking ahead, the Finance Committee is very concerned about raising revenues for capital projects and contractual obligations because they will be funded mainly from the tax levy. The current path is unsustainable and needs to be addressed with collaboration between all stakeholders including state and local officials. We look forward to working with the Select Board, School Committee, and the Town Administration to ensure that we are able to address both our short and longer term needs.

Conclusion

Over the past several months, the Town of Dartmouth, like most employers, has seen inflationary pressure, slow supply chains, a growing number of unfilled positions due, in part to the lack of candidate experience and less than competitive compensation and an ever-growing number of unfunded mandates. Our revenues are continuing to grow very modestly. While the Town administration is making efforts to save operating expenses through process redesign and technology, other pressures are offsetting those savings. As a result, the annual operating surplus is shrinking and our ability to fund both critical operating and capital needs is increasingly challenging.

The Finance Committee has been working with the Town administration, several department heads, and the Capital Planning Committee to estimate the costs of the most critical operating and capital needs that we will be facing over the next 5-10 years. For FY 2024, we believe our key operating challenges are competitive compensation and benefits. In coming fiscal years the most critical capital challenges are our water and sewer systems which are aging and at capacity, and schools. Environmental regulations and capacity constraints will mandate upgrades - and they will be expensive. The Town should aggressively seek grants, low interest loans, and development of the commercial and industrial sectors, but ultimately, the burden will fall on the Dartmouth taxpayers. Other possible capital needs include a recreation center, the Padanaram Bridge, Tucker Road/Hathaway Road improvements, Bliss Corner, Lake Noquochoke, school improvements, landfill replacement and the Round Hill Road, among others – all of which are additional to regular/ongoing equipment and facilities renewal needs.

With these challenges in mind, a sub-committee, at this point comprised of members of the Finance Committee, Capital Improvement and Select Board has agreed to meet regularly over the summer to better define potential cost estimates, to determine both our debt capacity and the ability to borrow at low rates for reasonable terms, and to evaluate what addressing some, if not all these needs, might mean. In addition to these capital needs there is an urgent need to address a sustainable school budget. We expect that fully funding all these items will exceed the capacity of the Town financially. As a result, stakeholders will need to prioritize.

We encourage all Town Meeting members to stay informed and prepare to weigh in over the next couple of years. We are at a critical time and believe by working together and providing you all with complete information, we can make the best decisions for the Town going forward.