



Memorandum

To: *Chairman Alison Genest and Members of the Dracut Board of Selectmen and Members of the Finance Committee*

From: Ann M. Vandal, Town Manager

Date: March 1, 2024

Re: FY25 Budget

Presented herewith is the Town Manager's Budget for Fiscal Year 2025 for the General Fund, Water Fund (Kenwood), Sewer Fund and other "Special Purpose Funds". The budget is one of the most important documents produced by the Town in any year. It, along with the Capital Improvement Plan prepared by the Capital Planning Committee, (presented under separate cover), sets the format, guidelines, and direction that will be pursued in the ensuing year by Town Boards, Committees and Staff in delivering services to the citizens of Dracut. The budget outlines the various programs, activities, and projects proposed to be undertaken in the upcoming year, which have been recommended by Department Heads, and myself, and, in the case of the Capital Plan, the Capital Planning Committee, in the event funds are available.

In order to maintain services with minimal impact, over the year the administration evaluates the methods departments perform and deliver services, within the constraints of their budgets and implemented cost saving measures with, solar partnerships to reduce energy costs, streamline the permitting process, health insurance costs, continuously review and refinance debt in an effort to recognize savings and continue to market the Town in an effort to attract businesses.

During FY25 we expect to see some financial challenges that will impact some services. We are facing a \$3.6M deficit that requires us to leave vacancies unfilled, relinquish some positions and tighten the belt in every division of Town Government, including the schools. The driving force behind the deficit is inflation and unprecedented increases in our fixed cost including but not limited to: Health Insurance, Charter School Assessment, Middlesex Retirement, Refuse/Recycling, Greater Lowell Technical High School Assessment, Property and Liability Insurances, etc. To add to the growing deficit, we are faced with declining State Aid. According to the latest estimate we have from the State, the total increase for FY25 is approximately 1.22%, or \$392,781, with Chapter 70 only going up .42%, or \$114,990. This is a stark contrast to the previous fiscal years as noted below:

History of MA Department of Elementary and Secondary Education (DESE) Net School Spending requirements and Chapter 70 Aid from FY2021 – FY2025:

Chapter 70

Fiscal Year	Amount	Increase	% Increase
FY2025 - Chapter 70	\$ 27,285,133	\$ 114,990	0.42%
FY2024 - Chapter 70	\$ 27,170,143	\$ 2,851,983	11.73%
FY2023 - Chapter 70	\$ 24,318,160	\$ 3,304,749	15.73%
FY2022 - Chapter 70	\$ 21,013,411	\$ 885,047	4.40%
FY2021 - Chapter 70	\$ 20,128,364	\$ 714,507	3.68%

DESE Net School Spending Requirement

Fiscal Year	Amount	Increase	% Increase
FY2025 - Net School Spending	\$ 55,254,927	\$ 715,660	1.31%
FY2024 - Net School Spending	\$ 54,539,267	\$ 4,120,566	8.17%
FY2023 - Net School Spending	\$ 50,418,701	\$ 4,360,138	9.47%
FY2022 - Net School Spending	\$ 46,058,563	\$ 1,950,787	4.42%
FY2021 - Net School Spending	\$ 44,107,776	\$ 1,680,793	3.96%

In accordance with the Student Opportunity Act, the State made some significant changes to the Chapter 70 formula that benefited the Town of Dracut for FY22, FY23 and FY24, and it was the Town's understanding that it was supposed to be a five-year commitment. For FY25, the Town will not benefit from these changes. The Superintendent of Schools is investigating the reasoning behind the minimal increase, but it is most likely attributed to an increase in enrollments at the Greater Lowell Vocational Technical School and Charter Schools. The proposed budget will meet the Net School Spending (NSS) by DESE; it will actually exceed it by \$872K, even with the proposed reductions to the Superintendent's requested appropriation.

BUILDING/INFRASTRUCTURE ACTIVITY

Town staff and outside consultants have been very busy with various projects. Below is a summary of each of the current and completed projects:

Current Active Projects

Sewer Lining – Starting with the oldest pipes we began to camera the lines to determine if there is evidence of Infiltration and Inflow (I&I), which is fresh water being combined with sewer water and eventually landing at the Greater Lowell Wastewater Treatment Plant. With this, we also explore the possibility of sump pumps and other drainage features that may be adding to the sewage flow. The first few phases were very successful and did not produce any concerns. It has been determined that it may be more beneficial for the Town to strip down this task to simply determine if there are areas, we need to address with respect to I&I flow that needs to be diverted to drainage areas rather than the sewer lines, resulting in less flow costs in the future. Because most of the piping is PVC, we do not expect to see any further problems with blockages, leaks, etc.; therefore, we will take a different approach to analyze the remaining infrastructure in a more economical manner.

Wheeler Village Sewer Re-direct: This will divert some flow in East Dracut to the Greater Lawrence Sanitary District rather than the Lowell Wastewater Treatment Center to re-allocate capacity to accommodate continuing development throughout the community. This is in the design phase.

Dam Removals: The Federal Government has requested that DAMS be removed throughout the Country. There are major efforts underway that would have a transformational impact on river health, removing dams and restoring healthy, free-flowing rivers nationwide. The Town has secured grant funding to begin the design work. This will be a long duration project that should be fully funded by grants.

Sewer Capacity Analysis: The Town has invested funding to complete this analysis to determine the availability of sewer for future developments. The study revealed that we will need to implement a flow metering program and will most likely request funding for that at the June Town Meeting. This will be funded via the Sewer Enterprise Fund.

Kenwood Water District: The infrastructure is nearing the end of life, and we have applied for a grant to conduct a pipe assessment.

Sawmill Culvert: There are two culverts that are in need of repair on Sawmill Drive. The Town does not expect to address both at the same time, the East side culvert should see construction sometime in 2024. The West side will be on hold until we can secure additional funding.

Lakeview Ave Culvert: This culvert is in danger of failing and is located on the Dracut/Lowell line in the Navy Yard section of town. We are waiting for the Department of Environmental Protection to issue permits; we expect that to happen over the next two months, which will be in line with a Spring construction start. The town has begun to notify abutters and business owners of the construction, the road will need to be shut down during construction. We have weighed options including partial shutdown but that will delay the completion and equate to approximately \$500,000 in additional costs. Preliminarily, we plan to begin construction in June and complete it by the end of August. We will do our best to minimize the disruption and provide an alternative route to access the businesses. We also have a “Complete Street’s” grant that will be used to shore up and add sidewalks to that area, if possible, in concert with the culvert.

Retaining Wall – Helen Drive: At the entrance to this development the walls are compromised and need to be replaced. The design and permitting is underway, the Request for Proposals will be issued in the next month allowing construction to begin shortly after the contract is awarded. The hope is that the construction will be completed by the end of summer, 2024.

Kelly Road Repairs: The preliminary design is complete; the estimated cost exceeds funding available at this time. This project is on hold.

Road Maintenance: In an effort to increase our Chapter 90 Allotment we have completed a road management inventory which rates the roadways and estimates the timing and cost of repairs/reconstruction. Each year we review and update and bring roads that meet the guidelines of an accepted street at the time of construction to Town Meeting. This practice will continue.

Cemeteries: The Town has seven cemeteries it maintains. The management of them is through the Department of Public Works as compared to previously being managed on a part-time and as needed basis. The Town is committed to inventorying and determining our needs for space going forward. The inventory and layouts will be automated for future uses and it also will provide loved ones with details to locate their loved ones.

Veteran's Park: The Town is committed to keeping our parks in good shape. The Town will continue to fix the benches throughout the area, a new fence was installed, the monument bricks have been reset, the parking lot has been re-paved and lined, sidewalks have been added from Broadway into the monuments, the drainage in the playground will be addressed, the Fitness Court was installed, the distance markers will be added this summer along with other improvements like painting and landscaping. The Garden Club has shown interest in managing the flowers around the monuments. Unfortunately, the bathrooms may be closed this summer, due to the cost of damage from multiple incidents, the budget cannot absorb the expenses going forward. We will plan to have portable units at the park during peak times.

Landfill Closing: The Town has taken on the task of closing/capping the landfill. We have contracted with Weston and Sampson to prepare a conceptual design on its closure. Most likely the results of it will limit our use of the property in the future. We have received a grant in the amount of \$1.5M to begin the process, we also have an authorization in the amount of \$1.5M should we need additional funding. This will be a long-term project, expected to take approximately 5 years. During this process it would be beneficial to conduct a feasibility study to determine the future of the Department of Public Works.

Beaver Brook Farm: The Beaver Brook Farm Ad-Hoc Committee (BBFC) has met regularly to develop a plan for the use of the farm. Over the past year the committee has held some community events including but not limited a Farmer's Market, Public Garden, scheduled walks, and other activities with youth groups. The property is serving its purpose, but the committee would like to expand on its use. In doing so staff worked cooperatively with the committee to develop a plan for the installation of a new driveway, parking areas, and trail, all slated to be ADA accessible. The BBFC and Community Preservation Committee will be meeting to discuss options on funding the proposed construction.

Colburn House: This building houses the Historical Society artifacts and is open to the public; Harmony Hall is attached to the house. There are several improvements and repairs that need to be made to the building and grounds. We recently issued a Request for Qualifications to obtain a consultant to put a scope of services document together to provide an outline to an engineering firm to create a design for the work to be done. During a mandatory site visit many of the consultants indicated that there is a lot to be considered and we determined that the approved appropriation of \$50K would not suffice for the design that is required and therefore we will request additional funding at the June Town Meeting. The funding is slated to come from the community preservation fund; this is an ideal use of these funds.

Senior Housing, 144 Greenmont Ave.: This project has been on the books for more than 6 years, but it is finally coming to fruition. The Town with the Community Preservation Committee has dedicated \$3M to assist with the construction of a 56-unit elderly housing complex. After many applications to the State, Common Ground (the chosen developer), has successfully secured all the funding needed and we expect to break ground during 2024.

Zoning Bylaw Review: The Zoning Bylaw Review Committee continues to work through updating and modernizing the current Zoning Bylaw. This is a very tedious and detailed process that will shape the future of development in the Town of Dracut. They are also working on the MBTA zoning requirement that is mandated to be completed by 12/31/24, you can visit this website to get information on its requirements: <https://www.dracutma.gov/CivicAlerts.aspx?AID=362>

General Bylaw Re-write and Charter Review: Every 10 years it is recommended that the Town review and update its Charter and at the same time update the Bylaw to assure that conflicting language is identified and update areas that need modernization. This process should take place on or before May of 2025. The Town is relying on its residents to participate and opine on updates and new proposals to be included in

the Charter and General Bylaws. We are also tasking the residents with participating in the Zoning Bylaw and MBTA Zoning changes. In general, the Town is facing multiple changes including an influx of residential developments under Chapter 40B of Mass. General Law. Although the internal review of both documents is underway, we have determined that it may be advantageous for the Town to hold off on public participation until we have been able to get through the Zoning and MBTA changes to assure that the public has been afforded the opportunity to participate.

Open Space Recreation Plan: Staff is working with Northern Middlesex Council of Governments (NMCOG) to update this plan. We have received a draft that is now being considered by the Recreation Commission and Open Space Committee. Public forums were held in October 2023.

Parks and Playground Improvements: At the November Town Meeting an appropriation was approved to complete a design for Pickleball and Tennis Courts to be located at the School Complex. The contract was awarded to Huntress Associates, the same firm that designed the turf fields. Once we have a conceptual design and estimated cost, we will move ahead with requesting funding from the Community Preservation Fund.

Energy Improvements: Building Maintenance staff has and continues to obtain energy savings including working with Mass Save and other firms to determine cost-saving measures at all buildings. We were planning on a major project to install solar panels on some school buildings that was projected to provide approximately \$1M in savings; once the bids were submitted the savings projected was no longer viable and the project has been put on hold until we are able to obtain a reasonable return on investment.

Completed Projects

- Installation of Town Hall Shed to be used for storage of small tools and equipment.
- Police Station Elevator – installed new elevator control panel.
- Library Boiler – replaced controller in Library Boiler.
- Police Energy Audit – Assessment of Police Station.
- Electronic Database Cemeteries – Digitized Cemetery data.
- Fencing - installed fencing around town-owned detention ponds that require it.
- Tally Ho Reconstruction – Repaired and added new drainage to road.
- East Dracut Feasibility Study Recreational Fields
- LED Upgrades at Town Hall
- EV Charging Systems –located in parking area between the Library and Town Hall.
- Sidewalks Veteran's Park
- Stormwater Data Collection
- Yapp Farm Parking
- Website update
- BBF Workshop Demolition
- Veteran's Park Crosswalk
- Road resurfacing – various locations
- Handicap Parking – Town Hall re-configuration
- Handicap Railing Library
- DPW Renovation
- COA Renovation

- National Fitness Court (Veteran's)
- Nashua Road re-construction
- Fire Station 2, Library, DPW Roofs

We are relying on many funding sources which include but are not limited to: Federal American Rescue Plan funding (ARPA); Mass Works; DHCD Funding; General Fund Budget; Enterprise Funds; Community Preservation; Free Cash and other resources that could include grants, both private and public. Some of the grants and other funding have a sunset clause so time is of the essence and some projects may appear to be lagging or moving ahead of others but that is primarily due to the constraints included with the funding awards.

Other undertakings in the following areas were started, continued, or completed by Town Departments, Committees and Staff, all within the context of a budget that recognized minimal increase for FY24.

- Hazardous waste day for residents.
- Continuation of full-scale sidewalk snow clearing program on priority streets utilizing two sidewalk plows for this purpose.
- Met and/or exceeded, state mandated Net School spending requirements for the Dracut Public Schools and the Greater Lowell Technical High School.
- Continue to see increased electronic payments/registrations for the Recreation Department.
- Continue to bill for interest on unpaid non-tax and non-utility municipal bills 45 days or more in arrears.
- Continue to offer the \$600 Senior Tax Rebate Program for up to 60 eligible participants.
- Continue to see high numbers of interments in Town cemeteries.
- Eliminated transfers to Equipment Stabilization Fund.
- Experienced a slight increase in excise tax bills issued which correspondingly impacted revenue collections reflective of an improving economy.
- Continue to see increases in property and casualty insurance premiums, this trend will continue as we improve our buildings.
- Continued the expansion of the compost centers availability during the summer months.
- Continued outsourcing Sealer of Weights and Measures services with NMCOG.
- Board of Health has introduced a program that provides a simple, quick, and confidential tool to assist those that are battling addiction, alcoholism, and other mental and physical abuse challenges. This program has taken hold, and we see other communities buying into it. [\(Connections Your Resource Guide | Dracut, MA \(dracutma.gov\)\)](http://Connections Your Resource Guide | Dracut, MA (dracutma.gov))

Economic Development has and continues to be a top priority; the Economic Development report can be found in this report. We had a very active Economic Development Committee that spearheaded several events over the past year; details can be found in the report.

We are well into two years with the Access E11, a portal that residents can file complaints/questions, etc. It has been very successful and is now the primary tool residents use to report a pothole, missed trash and recycling, streetlights, tree issues, and other areas of concern. Check out this link for future information: [\(Dracut Request Form \(foreaction.cloud\)\)](http://Dracut Request Form (foreaction.cloud))

The Town's Bond Rating has maintained its AA bond rating with Standard and Poor's Rating Agency, Dracut is considered to have a strong economy; strong budget; liquidity and strong

management policies with an overall stable outlook. In order to take advantage of historical low interest rates, the Town continues to analyze its debt and refinance when deemed appropriate. While having an AA rating is good, we strive for AAA. Dracut has been unable to reach that level simply due to its unreserved fund balances and long-term liabilities (OPEB). Fund balances play a major role in determining the Town's ability to pay. It's important that we keep working to improve our rating to provide the best rating possible for the financing of the Campbell School Project and also the possible re-development of the Department of Public Works.

The above cited undertakings and accomplishments demonstrate the progress the Town continues to strive for in improving and enhancing its service delivery despite the pressures of the economic conditions and this year, in spite of the pandemic.

While Dracut does not have an extensive business and industrial segment (5.76% of its assessable base), through the support of the Board of Selectmen, the Administration is making focused, concentrated efforts to attract new businesses and offer support to our existing businesses. With our efforts, we have been successful with attracting various businesses such as retail, gas stations, restaurants, and medical facilities. There are continuing efforts to attract businesses that will enhance many of those that are working from home.

The Town is committed to continuing to focus on economic development. Some of the steps we have taken include:

- Adoption of a unified Tax Rate benefiting business properties.
- Continued Trade Buildings construction on Chuck Drive.
- Light residential construction.
- J&J Heating & Air Conditioning has begun the re-development of their property. It will be a new headquarters for them as well as some other trade businesses and the storefronts will be occupied by other retail chains.
- Wendy's is located at the corner of Bridge and Arlington. The Dracut Wendy's is the highest grossing store in the region; they plan to re-develop the lot and move the building back off the corner, thereby adding to the improvements at that intersection.
- We are currently reviewing three 40B projects (Murphy's Farm; 135 Greenmont Ave and Bridge Street Landing. We are also expecting at least one more.
- Efforts continue to attract businesses and employers that work with UMass Lowell and Middlesex.
- Continuously communicate with UMASS Lowell and MCC to consider establishing a greater presence in Dracut.
- Continued use of the Massachusetts Receivership Program that aggressively addresses ignored, abandoned, and dilapidated commercial and residential properties imposing fines up to \$500/day.

ELECTRIC/NATURAL GAS ENERGY CONSUMPTION

Energy consumption continues to be a large expense center for the Town. The Town of Dracut has taken the initiative to be included with the Northern Middlesex Council of Governments for municipal aggregation on a regional level. The Program allows for all residents and businesses to purchase their electricity, at a savings, through a third-party supplier. We are currently with Constellation Energy and the contract goes through September 2025. We continue to purchase electricity under a bulk procurement contract for all buildings (municipal and school) as well as street and traffic lights. We

continue to research and act on energy saving opportunities. We currently have agreements with two out-of-town solar farms but would like to expand on that.

With the help of the Green Communities Program offered by the State of Massachusetts, we installed electric charging stations in the parking lot between the Library and Town Hall. This provides multi-use charging stations to our residents with an option to charge their electric vehicles while at the Library, a game at Veteran's Park or while they conduct business at Town Hall.

FREE CASH

The ability to have a free cash balance in the second half of the 1990's and early 2000's years benefited the Town as it was able to not only carry out projects but also balance its budget. While necessary at the time, this latter step was not necessarily prudent financially. The table below sets forth a history of the Town's Free Cash position:

Year	Certified Free Cash	Year	Certified Free Cash	Year	Certified Free Cash
1993	\$ (909,765)	2003	\$ 1,377,570	2013	\$ 821,001
1994	\$ 90,692	2004	\$ 363,751	2014	\$ 2,444,613
1995	\$ 1,752,319	2005	\$ 623,627	2015	\$ 3,552,721
1996	\$ 2,998,954	2006	\$ 1,761,861	2016	\$ 5,839,395
1997	\$ 2,286,365	2007	\$ 1,998,316	2017	\$ 5,563,620
1998	\$ 2,358,849	2008	\$ 2,473,822	2018	\$ 6,477,970
1999	\$ 1,664,389	2009	\$ 1,499,903	2019	\$ 8,509,082
2000	\$ 1,215,879	2010	\$ 1,345,518	2020	\$ 9,898,201
2001	\$ 3,703,662	2011	\$ 1,390,469	2021	\$ 10,317,955
2002	\$ 2,292,936	2012	\$ 1,646,835	2022	\$ 8,418,655
2023	\$ 8,018,398				

What does a reasonable amount of free cash provide?

- Added interest earnings/revenues to support municipal services and programs.
- Avoidance of temporary borrowing costs for cash flow variances.
- Positive impact on the Town's Bond Rating.
- Use for one-time programs or capital projects.

Prior Usages of Free Cash:

Dept/Source	Amount	Department	Amount
General Fund / Capital	\$ 8,619,994	COA Roof/HVAC	\$ 1,650,000
Bridges/Streets/Hwy.	\$ 845,000	Storm Water Equip.	\$ 350,000
School Department	\$ 6,837,134	Fire Engine	\$ 300,000
Veteran's Park	\$ 400,000	Master Plan	\$ 25,000
Technology	\$ 710,000	Storm Water	\$ 200,000
Fire Department	\$ 3,653,000	Employee Benefits	\$ 1,000,000
Police Department	\$ 1,669,400	General Government	\$ 295,000
Conservation Land	\$ 140,000	Public Works	\$ 2,842,000
Equip. Stab.	\$ 1,000,000	Library	\$ 127,000
Total			\$ 30,663,528

While there is no hard and fast rule, a general guideline and goal of management is to maintain a free cash balance as a "cushion" against unexpected emergencies and unforeseen conditions. It is also a policy that one-time revenues fall to the bottom line (free cash) rather than be worked into the general budget.

At this point, it is unclear whether it will be necessary to transfer free cash to absorb any snow and ice deficit for FY24. Due to the current impending deficit, we will be unable to add any capital items at this time.

PROPOSED BUDGET

The Municipal Charter Article 6 provides that the Town Manager, at least four months before the start of the fiscal year (i.e. March 1), should submit a complete budget to the Finance Committee. The Charter further provides that, "the budget adopted by the School Committee shall be submitted to the Town Manager in sufficient time to enable him/her to prepare the total Town budget.". Because of the enactment at the state level of the Education Reform Act, providing for the annual establishment of Net Minimum School Spending for each city and town, budgets for the local schools and the Greater Lowell Technical High School are in large part set by those funding formulas.

School funding is a function of two factors; direct school support, (Net School Spending) and qualifying indirect costs. A minimum local contribution is required and along with State Aid meets or exceeds the State prescribed minimum. This minimum is exclusive of expenditures for school transportation, community services and fixed assets for which a separate appropriation is made.

It has been the practice to budget for snow and ice control activities at or near the ten-year average for expenditures. However, the cost increases associated with this service; along with the severity of recent seasons, and the lack of discretionary budget resources has resulted in the inability to continue this practice.

With the above comments as a frame of reference, the preliminary proposed estimated budget for FY25 is \$117M, which includes all funds. It is a spending plan that estimates the cost of fixed and known contractual obligations and utility costs, provides some funding increase to municipal accounts and the Dracut Public Schools and will be able to meet education funding requirements once final Net School Spending figures are developed for the Dracut Public Schools, Greater Lowell Vocational Technical High School, and Essex Agricultural Technical High School.

Dracut is reliant on State Aid for both education and general budget needs. The Governor has released the preliminary numbers for FY2025, which were significantly less than FY2024.

Some of the major factors comprising the budget are more particularly discussed below:

New Growth Revenues: Economic conditions in the Town and region have slowed, new construction which is the principal part of new growth revenues allowed under Proposition 2 1/2 and thus an estimate of revenues comparable to prior years was made.

New Revenue Sources: The FY25 budget does anticipate minimal additional revenues, primarily in the area of investment income, permits, meals tax and motor vehicle excise. Motor vehicle excise is a difficult revenue to predict, given the fact that new car buying is dependent on the economy. We have historically taken a conservative approach and continue to do so. We are seeing higher rates on our bank investments. Recently we did change our permit fees, which we anticipate receiving an increase in revenue in this area.

Structural Deficit: Consistent goals and objectives are to annually present a budget that does not contain a deficit or a structural deficit. This is a term that describes the reliance on the use of one-time or non-recurring revenues i.e. free cash or other savings to balance the budget other than their use for one-time recurring undertakings.

The FY25 budget is being submitted as a balanced budget with the use of one-time revenues, free cash, and \$1.5M in cuts, to be absorbed by both Town and Schools.

Employee Benefits: The three principal and perhaps most important employee benefits the Town provides are a retirement plan through the Middlesex County Retirement System and group health benefits, life and dental insurance program and the Medicare Matching Program. All are contributory programs. For FY25, the Town's assessment for County Retirement is increasing approximately 6.5% and health insurance, which is provided by MIIA will recognize an increase of approximately 9.95% as well.

Municipalities in Massachusetts do not participate in the Federal Social Security System. However, since 1986 all new employees are required to enroll in the Medicare system which requires an employer match of 1.45%. This cost center has been increasing each year as new employees join the Town. At the same time though, this should benefit the Town in the long run, the acceptance of M.G.L.Ch. 35, Section 19 requires Medicare eligible employees to join that system upon eligibility thus lessening costs on the Town program.

For FY25 the Town will see only a 1.96% or \$1,947,426 increase in new revenues which includes taxes, state aid, new growth, and other revenues. The fixed cost increases (\$3.7M) absorb 100% of the new revenues and the difference is made up via the FY25 departmental budgets. The Town Manager's budget will detail the reductions we have made in many offices/departments. In preparation for this FY2025

budget we have refrained from replacing some positions to limit the immediate disruption to services during FY24.

We have estimated projections in both revenues and expenses for FY25, FY26 and FY27. For FY25, we will reduce the budget requested by a total of \$1.5M. These reductions will be felt in every department, including the schools. Our budget reductions will focus on positions, part time salaries, overtime, dues and publications, meeting expenses, in-state travel, service contracts, printing and binding, office supplies, training, other professional fees, technology, equipment rental, building improvements, equipment, landscaping supplies, small tools, and the like. In some cases, these reductions will limit our ability to maintain town parks and buildings, training of staff will be limited or borne on staff, memberships to public agencies will be fractured, technical assistance will be unavailable, cease on increasing complements in Fire and Police. There may be a need to adjust working hours or even close some offices to the public sporadically due to a lack of coverage. It is very possible that we will make even further cuts if there is no infusion of recurring revenue.

Considering the conservative budget that is currently in place, reductions in the amount of \$1.5M is not something we can overlook. This deficit is a shared responsibility between the Town and School and therefore the deficit will be split 50/50. We have made no changes to the current chargeback agreement with the school, other than the standard census adjustments for given categories.

To get through FY25, contrary to standard practice, we will employ the use of one-time revenues to absorb \$2.1M. To refrain from creating a re-occurring deficit we must establish a revenue stream. This deficit does not take care of itself, when one-time revenues are used, that same amount will be carried forward as a deficit for the ensuing fiscal year. To date, we have estimated that without the infusion of a significant revenue stream, this deficit will reach over \$7M by FY27. With the use of one-time revenues comes responsibility, we will recommend the implementation of a trash fee and/or an override. If a solution is not in place, we will be making additional significant cuts in personnel and considering a reduction in working hours for some departments and the closing of non-mandated departments and the services they offer will be part of that conversation.

Although not the most popular recommendation, we believe it may be time to eliminate the Community Preservation Surcharge. This program has certainly benefited the Town in multiple arenas including, the purchase of open space, recreation improvements, historical preservation, installation of turf fields, community garden, to name a few. The fund has a healthy balance that could be used to pay off any outstanding debt and also provide a cash payment for the CPA-assisted senior housing project on Greenmont Ave. At this present time, we are not aware of any significant purchases that are planned.

Why would we eliminate the surcharge? Each taxpayer pays the town 2% of their total bill, which is deposited into the Community Preservation Fund and appropriated at future Town Meetings. The philosophy is simple, by eliminating at least half if not all of the surcharge, the residents will have some of the offset if an override was implemented.

As we have stressed before, using free cash or other reserves is not ideal; it will decimate our unreserved fund balance, reserves, and result in bond rating concerns. As part of the FY25 budget, there will be several transfers from accounts that have been established to assist in times like this. Again, not an ideal situation. When looking ahead to FY26 and beyond, we must continue to budget conservatively and could possibly experience additional cuts for various budgets, which could severely impact services to the Town.

Another factor eroding our unreserved fund balance will be cannabis revenues. The State of Massachusetts Cannabis Control Commission has adopted laws that will reverse the prior law's ability to impose an impact fee, not to exceed 3% of gross sales. This additional revenue was the primary reason the Town approved marijuana establishments in the Town of Dracut. The Town also receives 3% from a sales tax that was part of the original Mass. General Law, this will stay in place. It appears that the state is leaning towards the support of these facilities rather than the communities they are in, therefore the Town must put a hold on the many capital items/projects that the impact fees have been funding. We were able to address some long-awaited equipment replacement, new equipment, roofs, HVAC systems, automation efforts, re-design of the Pedestrian Safety Project, roadway and infrastructure projects, and many other uses. We are grateful for the funds we did receive and will work with those facilities in the months ahead to come up with an equitable agreement.

We have made strategic sustainable investments in the Public Safety, Education and Public Works divisions of Town Government. However, going forward, we will be unable to continue this until we have a more stabilized budget in the coming years.

As has been discussed in the past, it is important that the Town continue funding the so-called "Other Post- Employment Benefits (OPEB)". On June 30, 2023, the Town 's OPEB actuarial account liability (the cost of retired employees ' health insurance) stood at \$152M. Steps toward reducing this obligation need to be advanced in the coming years and a small start has been made, leaving approximately \$829K in the account. Unfortunately, due to the implementation of the Storm Water Program we were forced to discontinue this process. It is imperative that the Town continue to fund this liability and therefore it is recommended that we consider transferring the commitment from Free Cash.

While the General Fund is the principal operating entity of the Town, it is not the only one. In the Other Funds section of the budget are several important cost centers and five in particular.

First, the Sewer Fund is an enterprise activity that is proposed to fund all sewer system related costs, including routine operating expenses, small sewer expansion projects, and debt service associated with larger projects. Due to the increases at the Water Waste Treatment Plant, and the Assessment the Town receives, it may be necessary to increase Sewer Rates. The last time rates were increased was in 2017, and costs have increased significantly since then. The separate Sewer Fund budget message in the Other Funds section of this document outlines further comments on the fiscal strengths of the Fund.

Second, the Stabilization Fund, which functions as an equipment replacement fund for major equipment purchases of the Public Works and Fire Departments. This procedure is demonstrating its full value, as it is able to fund needed equipment purchases without borrowing. Thus, these pieces of equipment can be replaced, when necessary, without having to compete for debt capacity with other needed capital undertakings. Within the Stabilization Fund is a second account reserving funds to mitigate the debt service impact of the Town Hall which began in FY15. We now have a Technology Stabilization fund which will be used to fund technology purchases/upgrades for both General Government Departments and the Dracut Public Schools.

Third, the Kenwood Water Fund, through which water service is provided to approximately 1,800 customers in the east part of Town. This water system is a distribution system with no independent source of supply –thus it is dependent on the purchase of water from adjacent utilities; the cities of Lowell and Methuen. With a relatively small customer base over which to apply costs, supplier water price increases can impact local rates. Ultimately the "retained earnings", which is essentially "free

cash" should hold stable at approximately \$1M. Furthermore, we have taken the step of assessing the condition of the infrastructure and are awaiting the results. The final product will be the development of a capital plan schedule and funding requirements to replace the aging system. Unfortunately, an increase of approximately 5% was necessary to sustain costs, further it may be necessary to again raise rates to provide the funds necessary for maintenance/replacement and/or other capital improvements to the system. The rate structure will continue to be analyzed and adjustments will be made as necessary to sustain the Fund. The General Fund is not in a position to subsidize this Fund and therefore careful analysis of future revenues and expenditures will continue to evolve.

Fourth, the Storm Water Fund, through which all storm water activities will be run. Established in 2018, the Town hired a Storm Water Manager and a Foreman to implement and administer the program. This is a mandated program that requires communities to manage and treat rainwater, snow melt and other events that flow over the ground and into storm drains, streams, rivers, ponds, and wetlands. We are required to adhere to and implement what is known as "the new storm water MS4 permit". Some changes that could prove to be costly include additional storm water sampling and testing, robust catch basin cleaning program, additional street sweeping, more stringent IDDE program requirements and investment in capital equipment and management.

Fifth, Peg Access Enterprise Fund, this fund was established for FY22. The intent of this fund is to receive and spend funds received by the rate payers of Comcast. It provides the Town with oversight to provide transparency with its revenues and expenditures.

PROPOSED REVENUE BUDGET

There are two major components to this budget or any budget – revenues and expenditures.

Revenues and transfers for FY25 are preliminarily expected to be the sum of \$117M, is expected to be available for expenditures, subject to final adjustments in State Aid as discussed herein.

The revenue portion of the total budget, including Enterprise Funds is comprised of four sources, which for FY25 can be broken down as follows based upon preliminary non-final estimates:

CATEGORY	AMOUNT
Property Taxes	\$ 60,276,404
Other Taxes	\$ 5,373,700
Cannabis	\$ 1,225,000
Penalties/Interest & Investment Income	\$ 320,000
Licenses/Permits	\$ 782,000
Department Revenue	\$ 463,100
Fines & Fees	\$ 8,000
Other Local Revenue	\$ 305,000
State Aid	\$ 32,681,523
Enterprise Funds	\$ 10,398,536
Community Preservation	\$ 451,756
Transfers for Other Articles/Funds	\$ 451,756
Transfers from Enterprise Funds	\$ 1,031,000
Free Cash - Sick Leave Buyback	\$ 500,000
Chapter 90	\$ 818,362
Free Cash - Balance Budget	\$ 1,705,000
One Time Revenues - Balance Budget	\$ 350,000
Total Revenue/Transfers	\$ 117,141,137

With all of the above comments as background, the following is a brief summary of some major items contained in the budget proposals in addition to those already described:

REVENUES

- Modest growth in the Town's assessable base representing an estimated \$425,000 in new growth taxes.
- An increase Meals Tax, Investment Income, Permit Fees, and Motor Vehicle Excise Tax.
- Use of Free Cash (non-recurring) to balance operating budget and sick leave buyback.
- Preparation of a Trash Fee for FY26 will begin during FY25.
- Use of only 3% of Cannabis Tax Revenues from gross sales tax. Due to the changes in the Cannabis laws, the Town will see a change in the 3% impact fee it has been collecting, which has not been used to balance its budget, it falls to free cash and used as intended.
- Continuance of the accounting change which implemented enterprise accounting and reimbursement to the General Fund for its costs associated with supporting utility operations.
- An estimate of "Debt Exclusion" and "Special Assessment" revenues as an offset to corresponding estimated expenditures contained in the Debt Account.
- Continued transfers from the Wetland Protection, Offset Funds, Sewer, and Water Funds.
- Transfers from reserve accounts such as Drug Funds, Extra Polling Hours, and others.
- Transfer from Library State Aid for Library will be used for their operating budget.
- Transfer from Tip Fee and IT Reserve funds to support expenditures in these departments.
- Re-classification of some expenses in the DPW to the Chapter 90 Account, this will limit our capacity for roadway improvements.
- Transfer from Town Hall Reserve to offset the debt costs associated with the debt instruments.
- State Aid estimates are based on the Governor's proposed budget.

PROPOSED EXPENDITURE BUDGET

Due to inflation and rising cost, the cost of doing business has significantly changed over the past few years; the town is beginning to feel the pinch. We met with each and every department head to discuss their budget and the impending deficit. This budget does include a \$1.5M reduction in almost every department including the School Department.

EXPENDITURES

- The Town will exceed our Net School Spending Requirement by \$872K. DESE preliminary increase of only 1.31% or \$715K in Net School Spending Requirement
- Estimated increase for Greater Lowell Technical High School assessment; line has been increased by 15.4% due to enrollments.
- 15% increase in liability insurance and 7% increase in Workers Comp Insurance.
- 10.7% increase in health insurance.
- 13% increase in Charter School Assessment.
- 6% increase in Middlesex Retirement Assessment.
- 75% of total cost of Regional Dispatch Assessment.
- 12% increase in refuse and recycling.
- A decrease in debt obligations due to the paydown of the Library and High School.
- Continuation of the Chapter 90 road paving program.
- Funding to maintain the Senior Tax Rebate Program to serve 60 participants.
- Continuation of additional outreach services at the Council on Aging.

- Annual funding for the Reverse 911 System.
- Continuation of cost sharing with the School Department of a resource officer at Dracut High School; it appears that we will only be able to provide one SRO for FY25, remains to be seen.
- Funding to continue online services for many departments.
- Continuation of COL license testing requirements.
- Funding for negotiated buybacks for retiring municipal and school employees.
- Continuation of services at the Council on Aging, including the expanded SHINE Program, Veteran's Breakfasts, File of Life Program and Legacies Program.
- Continuation of Sealer of Weights and Measures Services under contract with NMCOG.
- Continuation of Mosquito Control Program.
- Budget-wide reductions in many, if not all departments.
- Elimination of 4.5 positions and non-replacement of vacancies, moving forward. We must be cognizant of our responsibilities with respect to mandated positions.
- Increase in fuel budget.
- Annual contracts throughout the budget are increasing.

Clearly our ability to stay within Proposition 2 ½ for the next 3-5 years, will be almost impossible due to the double-digit increase we are seeing in our fixed costs.

Capital Improvement Fund:

This year the Town will not be recommending any Capital Improvement Investments due to the impending deficit. We have been very fortunate to be able to make valuable investments in our capital and building infrastructure over the past couple of years with ARPA funds and Free Cash.

Sewer Fund:

Decreased appropriations due to reduction in debt obligations;

Continue Inflow and Infiltrations (I&I) corrective work and inspection repair program via a camera viewing program; the shifting from new construction to replacement/maintenance.

Public Works Capital Projects (Chapter 90 and Special Grants) Fund:

Repaving of additional streets; continuation of sidewalk replacement/installation.

Community Preservation Fund:

Continued negotiations for the acquisition of various properties; continue the implementation of policies and procedures to define and analyze CPA activities/purchases.

Storm Water Fund:

Storm water management program. The Town General Fund budget is often viewed only in terms of the amount of funds devoted to or allocated to a particular activity or service. No service or activity, however, including utility enterprises should be viewed in a vacuum in terms of the budget. If Town Departments were independent entities, i.e. separate subsidiaries, each would incur significantly increased costs for services provided in support of their activities, but funded elsewhere in the budget document. For example, such costs would include general administration, revenue collection, accounting and financial services, insurance, and debt services. All of these support activities represent necessary expenditures in support of the operating or direct service departments of the Town.

BUDGETARY HISTORY

Annually during the presentation and deliberation of the budget, conjecture and comparisons are sought as to whether one service, function or department is receiving an allocation of resources greater or lesser than another. As noted above, there is an inter-relationship between budgetary categories. Because the twin constraints of Proposition 2 ½ and State Aid received each year, the operating budget in turn is constrained. Therefore, what is available must out of necessity meet the required expenditures.

BUDGET FORMAT

To begin with, the General Fund is presented following the UMAS suggested uniform accounting system for municipalities (both revenues and expenditures). The document also presents proposed budgets for a number of special purpose funds (Other Funds). In this manner, it is believed the document constitutes a complete financial tool against which all Town services, programs, and activities can be considered.

BUDGET PROCEDURE

Due to the impending deficit the Administration met with each department head to discuss their budget and review it line by line. In doing so we found all Department Heads to be extremely cooperative; they understood the need for us to tighten our belt and make some difficult decisions. This budget is the result of, and represents, the efforts of a large number of individuals, I am thankful for your assistance.

Once the budget is submitted to the Board of Selectmen and Finance Committee, the budget process does not end. It is anticipated that both bodies will spend many hours in reviewing this document and evaluating requests prior to formulating recommendations for Town Meeting. During the course of this review, revenue or expenditure items may be considered for increase or decrease with the only limitations being that revenue estimates be realistically achievable and equal or exceed anticipated expenditures, and the constraints of Proposition 2 1/2: not be exceeded, unless the community chooses to override this tax limitation law, for general needs or to exclude a particular debt instrument.

CONCLUSION

The Budget proposed for FY25, reflective of Charter requirements, is a balanced budget that includes all Town agencies, includes information on expenditures and revenues and summarizes the Town's debt position. As noted, changes are expected to occur between presentation and adoption based upon action by the Legislature on the final State Budget.

Ultimately the level of services to be provided rests with the Town Meeting and citizens of Dracut. Through this document, information is presented to assist in reaching that determination. The Town Manager and Department Heads are ready and available to assist in this process and to implement the adopted budget with expediency and efficiency. The budget is not created in a vacuum; it undergoes detailed scrutiny by the Finance Committee and Board of Selectmen. The Town Manager and Assistant Town Manager diligently analyze all aspects of the budget and present such.

Many thanks go out to Victor Garofalo, Asst. Town Manager/Finance Director as well as all department heads and their staff. The cooperation of all results in a comprehensive approach to every department's budget needs.

Thank you.