



TOWN OF
DEDHAM
MASSACHUSETTS

TOWN MANAGER'S BUDGET MESSAGE

FY2027

Presented to the Select Board
February 26, 2026

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FY27 Operating and Capital Budgets

Town Manager's Message

February 26, 2026

Honorable Select Board and Finance and Warrant Committee,

I hereby transmit to you the recommended FY2027 operating and capital budgets. The total FY2027 General Fund Budget including all sources and uses of funds is \$157,002,089, an increase of 4.8% over the total FY2026 budget. Of this amount, the operating portion represents \$149,904,944, an increase of 5.4% over the FY2026 operating budget. Major budget drivers include employee health insurance, general property and liability insurance, and debt service, which will be detailed in the budget presentation.

As outlined below, the recommended FY2027 budget maintains services for Town Departments at a level service budget while also incorporating the School Committee's recommendations to restore staff and services to the Dedham Public Schools. If voted as recommended, an operational override will likely be required for FY2028.

Dedham, similar to cities and towns throughout the Commonwealth, is confronted with ever more challenging budgetary conditions. These conditions were recently detailed in recent reports published by the Massachusetts Municipal Association entitled "A Perfect Storm" and "Navigating the Storm". Nonetheless, as we have strived to accomplish over the past several years, Dedham's financial team is committed to building a balanced budget based on locally adopted policies and financial best practices that meets residents' expectations while also considering the Town's short and long-term fiscal responsibilities.

In recent years, Dedham's Financial Team, comprised of the Town Manager and Finance Department, implemented financial forecasting tools and other best practices to better position Dedham to handle future budgetary challenges. Most recently, Dedham partnered with the Collins Center at UMass Boston to create a Deficit Reduction Strategy to help the Town adopt a sustainable budget over the next several fiscal years.

By sustainable, we mean a budget where current revenues match or exceed current expenditures, and where extraordinary or one-time revenues are used for extraordinary or one-time expenses, while still meeting the Town's goals and priorities. Some measures identified in the Deficit Reduction Strategy that are included in this year's budget include:

Review and increase local receipts estimates

- Review and adjust sewer overhead charges
- Increase Robin Reyes Fund transfer to General Fund based on prior year actuals
- Use unused levy capacity
- Slow OPEB contributions until retirement liability is fully funded
- Implement Position Control Committee
- Payment-in-lieu-of-tax (PILOT) Program

Other measures that were not included in this year's budget, but that will be considered in FY2028 and beyond are as follows:

- Continue a public dialogue around the structural deficit and possible need for an operational override, in collaboration with the Select Board, School Committee, and Finance & Warrant Committee
- Pay-as-you-throw (PAYT) trash program or trash fee. To position the Town to make this decision, the Select Board should consider the creation of a Solid Waste Working Group to study and report back to the Select Board on these options prior to the start of the FY28 budget process.
- Explore departmental re-organizations and regionalization opportunities
- Explore additional revenue opportunities
- Coordinate collective bargaining between Town and School
- Explore changes to the Public Employee Committee agreement
- Explore adding Emergency Life Support ambulance services

Capital Budget

In recent years, Dedham has made significant investments in its capital infrastructure, including the Town Hall and Senior Center, Public Safety Building, and Early Childhood Education Center. Despite those investments, Dedham currently has three elementary schools, a fire station, a library, and other municipal facilities that have exceeded their useful lives.

To help the Town deal with these critical needs in a strategic and fiscally prudent manner, funding was allocated in FY2026 to create a first-ever Townwide Facilities Master Plan that includes all municipal and school facilities. This report is expected to be completed in the Fall of 2026.

The Town's Financial Policy calls for the allocation of 5% to 7.5% of the operating budget to annual capital debt service. This is exclusive of free cash and dedicated funding sources, such as stabilization funds (i.e., Robin Reyes), enterprise funds, grants, and proposition 2 ½ debt exclusion projects. Our FY2026 debt to policy ratio is 6.2% and using the proposed FY2027 operating budget, the debt to policy ratio will remain at 6.2%, well within the recommended window.

In FY2027, the total budgeted debt service will be \$13,936,375, which represents a 5.4% increase from last year's budgeted debt service of \$13,226,861. This year, we are using the tools at our disposal to reduce future debt service, and the Town's overall debt obligations. Consistent with our financial policies, we are also proposing to use free cash to fund items from this year's capital requests to ensure the Town maintains a responsible amount of total debt service, as measured by our financial policy and overall debt to operating budget ratio.

The FY2027 capital project requests totaled \$11,950,700 and, following a review by the Capital Expenditures Committee, I am recommending funding projects totaling \$7,346,500 through the following sources:

Bonding: \$4,690,000 – This figure represents the debt principal which will be issued next spring and will impact the FY2028 budget.

Enterprise Bonding: \$2,000,000 – The Town annually bonds for sewer infrastructure projects through the Sewer Enterprise Fund. The annual debt service is paid directly from the Enterprise Fund and does not affect the Tax Levy.

Free Cash: \$656,500 – The Town uses free cash for one-time expenses, such as capital projects. We are leveraging free cash for FY2027 capital requests to reduce the amount of bonding necessary and therefore reduce the Town's debt obligations and costs to the taxpayers.

Education Budgets

Based on the recommendation of Superintendent Nan Murphy and the School Committee, I am including an appropriation of \$ 64,734,060 for the Dedham School Department in my proposed budget. This represents an increase of 6.33% over the FY2026 appropriation. If funded, this budget level would also add \$250,000 to the employee health insurance budget, held in the Town and School "Shared Expenses." Major School Department budget drivers include investments in personnel and student support, special education, and other inflation driven cost increases. This budget level represents a greater than level service budget as a first step to restore past cuts to services and programs made over the last several fiscal years.

Although not recommended by the Superintendent or School Committee, the School Department also developed a level funded budget that would represent an increase of 5.29% over FY2026. For more information, [please review Superintendent Murphy's FY2027 Budget Presentation \(on the Dedham Public Schools website\)](#).

FY2027 Budget Drivers

- **Health Insurance:** 7.2% or \$1,099,549 increase
- **General Liability and Property Insurance:** 7.6% or \$126,838
- **Debt Service:** 5.4% or \$709,514 increase

Proposed Personnel Changes

As part of the budget process each year, all requests for additional personnel are carefully reviewed and only those deemed essential are recommended for addition. This year, I am recommending the following:

- **One (1) civilian dispatcher position:** This position will reduce overtime, allow the Dispatch Supervisor to perform necessary administrative tasks, and reduce the risk of employee burnout.
- **Eighteen (18) FTE for Dedham Public Schools:** As recommended by the School Committee. The 18 positions include education support professionals (grades K through 3) and special educators/service providers ([as listed in FY27 DPS Budget Hearing Slides](#)).

Once again, just because requests are unfunded currently does not indicate that they do not have merit. Departments requested the following positions this year which should be considered in future years as funding allows:

- 3 Police Officers
- 1 Crime Analyst
- 4 Firefighters
- 1 Deputy Fire Chief – Administration
- 1 Youth Commission Admin/Program Coordinator (currently funded at 0.5 FTE)
- 1 Tax/Treasury Clerk
- 0.5 Health Inspector
- 0.5 COA Clinical Social Worker (currently funded through grant funds)

In FY2026, the Town established a **Position Control Committee** consisting of the Town Manager, Director of Finance, and Human Resources Director to review each vacancy prior to filling the same. The goal of this review is to strategically fill vacant positions while making the most effective use of our limited personnel budgets.

Other Budget Items of Note:

- This budget fully funds the Dedham Retirement Board's required annual contribution but reduces our allocation toward Other Post-Employment Benefits (OPEB). The Town's \$114,301,596 OPEB liability, as measured on June 30, 2025, is 32.59% funded. As the Town grows closer to fully funding its pension liability, we can transition funding to the OPEB liability.

Revenues

As of the FY2027 Governor's Local Aid Proposal, net state aid is projected to increase 1%, with slightly higher increase to Unrestricted General Government Aid compared to Chapter 70 Education Aid. FY2027 represents a sizable 13% increase to budgeted local receipts, following multiple years of higher collections. The FY2027 transfer from the Robin Reyes Capital Stabilization Fund represents the previous year's collection of local meals tax and local rooms tax revenue. This amount will offset 51% of the debt service attributable to major construction projects.

Property Tax Levy/Unused Levy Capacity

The FY2027 property tax levy represents approximately 80% of all general fund revenues. The FY2027 proposed property tax levy is \$125,880,054, an increase of \$5,931,490 or 4.9% over the FY2026 tax levy. This compares to the \$4,590,854 or 4.0% FY2026 increase over the FY2025 levy. Keeping with historical trends, the FY2027 budget assumes new growth revenue of approximately \$1,300,000. The projected increase to the average tax bill would be \$495.

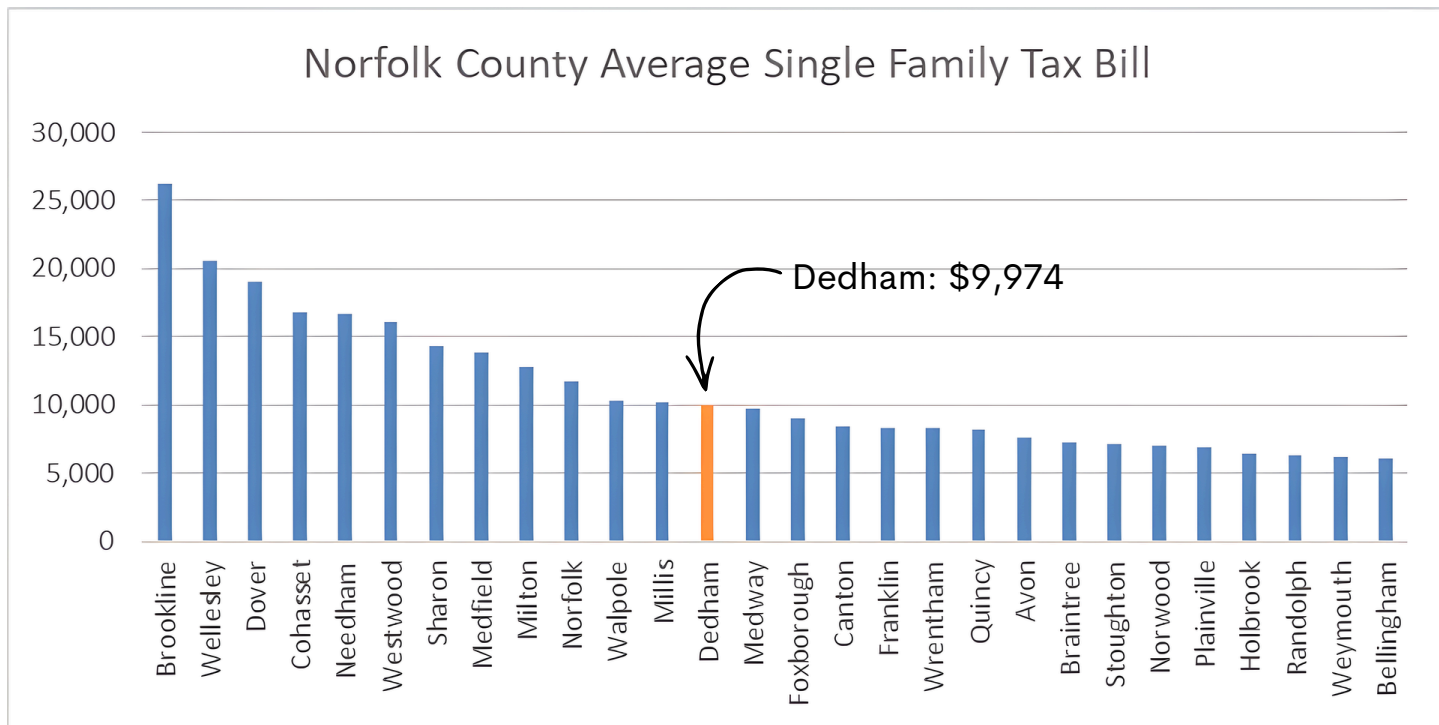
The tax levy limit is calculated by increasing the FY2026 levy limit, exclusive of debt exclusions, by 2.5% and then adding a component for new growth. New growth is a function of the additional value generated by construction during the preceding year. The additional tax dollar amount for new growth is determined by the value on the January 1 assessment date and is then multiplied by the applicable FY2026 tax rate. The difference between the projected FY2026 property tax levy and the tax levy limit, otherwise known as levy capacity, in FY2027 is projected to be \$768,022.

Tax Levy History	FY2023	FY2024	FY2025	FY2026	FY2027
PROPERTY TAXES					
Prior Year Levy Limit	104,010,191	107,928,689	112,366,347	116,527,904	121,246,562
2.5% Increase	2,600,255	2,698,217	2,809,159	2,913,198	3,031,164
New Growth	1,318,243	1,739,441	1,352,398	1,805,460	1,300,000
Subtotal	107,928,689	112,366,347	116,527,904	121,246,562	125,577,726
Debt Exclusion	1,939,156	\$1,757,343	1,708,532	\$1,178,767	\$1,070,350
Current Year Levy Limit	109,867,845	114,123,690	118,236,436	122,425,329	126,648,076
Levy Capacity (Unused)	(8,155,181)	(4,475,361)	(2,878,726)	(2,476,765)	(768,022)
PROPERTY TAX LEVY	101,712,664	109,648,329	115,357,710	119,948,564	125,880,054
Actual levy increase	4,614,291	7,935,665	5,709,381	4,590,854	5,931,490

Note About Level Service: The level service budget scenario, including the School Department level service budget increase of 5.29% as previously mentioned above, would result in a property tax levy of \$124,996,899, an increase of \$5,048,335 or 4.2% over the FY2026 tax levy. This levy would have an excess capacity of \$1,651,177 and a projected increase to the average tax bill of \$445.

Average Single Family Home Tax Bill

The average single-family home (ASFH) property tax bill for FY2026 in the Town of Dedham is \$9,974. The ASFH tax bill for all communities in Norfolk County for FY2026 is \$11,148. Based on the most current data from the Department of Revenue, Dedham's ASFH property tax bill remains in the middle of communities in Norfolk County, ranked 13 out of 28 communities.



As stated above, like many communities throughout the Commonwealth, the cost of providing the services that Dedham's residents want and expect is increasing faster than our current revenues – sometimes referred to as a structural deficit. While Dedham has made significant progress identifying this structural deficit and possible solutions to the same, cooperation and coordination between the Select Board, School Committee, and Finance and Warrant Committee will be required to build a budget that matches Dedham's values and priorities.

Thank you, and I look forward to working with the Select Board, Finance and Warrant Committee and Town Meeting Members this year and in the years to come to continue building a sustainable financial plan for the future of Dedham.

Sincerely,

Leon I. Goodwin III, Town Manager

Commonly Used Terms

FY27 Budget Message

CAPITAL IMPROVEMENTS

Construction, renovation or improvement of buildings or grounds which exceeds \$50,000

CAPITAL OUTLAY EXPENDITURE EXCLUSION

A type of tax override that allows towns to raise funds for capital projects. Its rules are similar to those for debt exclusions, except the cost is only added to the levy for the year in which the project is undertaken.

CHAPTER 70

State aid funding to public elementary and secondary schools.

CHERRY SHEET

Named for the cherry colored paper on which the Massachusetts Department of Revenue traditionally has printed it, listing the amounts of state and county assessments, as well as the estimated state distribution (State Aid).

COLA

Cost of Living Adjustment

COLLECTIVE BARGAINING

A process in which employees, through their unions, negotiate contracts with employers to determine terms of employment (i.e., pay, hours, benefits, etc.)

DEBT EXCLUSION

A debt exclusion allows towns to raise funds to pay for debt incurred by the town. The amount of the payment is added to the levy for the life of the debt, and is not included in calculations of the new levy limit for future years. A debt exclusion requires a two-thirds majority vote to borrow at town meeting and requires a majority vote at a special town election.

ENTERPRISE FUND

A separate fund inclusive of the direct and indirect costs to provide a service and amounts of revenue to support the fund in exchange for the service (i.e., sewer enterprise fund).

EXCESS LEVY CAPACITY

The difference between the levy and its limit. The levy limit is not affected by excess capacity, however, meaning that in future years a town can tax up to that limit regardless of the previous levy. For example, a 1% levy increase one year allows the town to raise the levy by 4% the next year - the normal 2 ½ percent, plus the 1 ½ percent not taxed the year before.

FREE CASH

The amount of Town funds that are unrestricted and available for appropriation. Free Cash may be appropriated by vote of the Town Meeting.

GENERAL OVERRIDE

Residents can vote to increase tax levies beyond the levy limit, as long as the community is below the levy ceiling. The increase is included in the levy for that year and added to the base used to calculate future levy limits. An override requires a majority vote of the town at a special town election.

GENERAL STABILIZATION FUND

This fund serves as a general financial reserve for the Town. Money may be appropriated to the Fund up to ten percent of the preceding year's tax levy, but the Fund may not exceed ten percent of the total tax valuation of the Town. The Fund may be used for any legal purpose by a two-thirds vote of the Town Meeting. Interest earned remains in the Fund.

LEVEL FUNDING

Appropriates the same amount of money as the prior year to each department, and includes cost increases.

LEVEL SERVICES

No cuts are made and the budget is prepared to accommodate for changes that provide the same services and staffing levels as the previous year. These changes can include COLA increases, inflation, contractual obligations, etc.

LEVY CEILING

The maximum amount a community may levy under all conditions. A community's levy ceiling is 2 ½ percent of the aggregated valuation of all taxable properties.

LEVY LIMIT

The maximum amount a community may levy in a year. The levy limit can increase only by 2 ½ percent each year, plus adjustment for new growth and the addition of the debt service for previously voted tax overrides, such as debt exclusions.

MAJOR CAPITAL FACILITIES STABILIZATION

Also known as the Robin Reyes Fund, this is a special purpose reserve created by vote of Town Meeting. Expenditures may be made from the fund only on a two-thirds vote of Town Meeting. It is a management policy of the Town that this fund be used for major construction or renovation of buildings estimated to cost \$4 million or more.

MITIGATION STABILIZATION

Special purpose reserves created by vote of Town Meeting. Like the General Stabilization Fund, expenditures from these funds require a two-thirds vote of Town Meeting.

MWRA

The Massachusetts Water Resources Authority was established in 1985 to provide water supply services and sewer collection, treatment and disposal services to the region. The MWRA sets user rates and assesses each town in the area according to the metered flow of water through the sewers. Dedham funds its sewer assessment from billings based upon a metered water use rate set by the Select Board. The Town is not assessed water use charges.

NEW GROWTH

A community can increase its levy limit annually based on new development and other growth in the tax base. New growth is calculated using the following equation:

$$\text{Property value (based on assessment as of January 1)} \times \text{Previous year tax rate} = \text{New Growth}$$

OTHER AVAILABLE FUNDS

Certain receipts, when received by the Town, must be set aside and reserved for particular appropriation. These include the Endicott Estate Receipts, Sale of Cemetery Lots and Graves, and Parking Meter Receipts. In addition, funds from the Overlay Surplus (the accumulated amount of the overlay for various years not used or required to be held in the overlay account) may be used by a town to offset budget requests for the next year. Also, all unused balances from prior years' Special Article Appropriations may be transferred to meet a new appropriation.

OVERLAY SURPLUS

The Overlay is the amount from the property tax levy in excess of appropriations and other charges. It is used to cover abatements and exemptions granted locally or on appeal. The Overlay Surplus is the unused portion of previous years' overlays.

PAYT

Solid waste model, known as pay-as-you-throw, where property owners only pay for the trash they throw away instead of through taxes (out of the general fund).

PROPERTY TAX LEVY

The total revenue a community raises through property taxes. Often just called the "levy," it is the largest source of revenue for Dedham. This is different from the tax rate, which is the tax amount charged individual properties per \$1,000 of property valuation. The tax rate is set each year by the town.

RESERVE FUND

This fund is established by Town Meeting and may be composed of (a) an appropriation (not exceeding 5% of last year's levy), (b) money transferred from existing accounts or funds, or (c) both. The Reserve Fund amounts to an omnibus appropriation, to be transferred by vote of the Finance Committee for extraordinary or unforeseen expenditures where the Committee decides such expenditures would be approved by Town Meeting. "Extraordinary" covers items, which are not in the usual line, or are great or exceptional. "Unforeseen" includes items, which were unforeseen at the time of the Town Meeting, when appropriations were voted.