



TOWN OF STOUGHTON

OFFICE OF THE TOWN MANAGER

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Budget Deliberations Introduction

Good evening Mr. Chairman and through you to the Finance Committee members.

This evening marks the beginning of many hearings needed to publicly vet the FY26 operating budget and capital plan. While appearing to be the beginning of the budget process, it is actually near the end of a 6-month journey that began in October and ends with an affirmative vote of Town Meeting members at the conclusion of our Annual Town Meeting.

The FY26 budget process began on October 15, 2024 with the budget committee's recommendation of budget guidelines to the Select Board. A copy of that document appears as **Exhibit A** in your packet. With input and guidance provided by the Select Board, Mr. Tisdelle created a calendar and schedule running from October 24, 2024 to the Annual Town Meeting on May 5, 2025. That detailed schedule appears as **Exhibit B** in your packet. In strict conformance with our budget guidelines and schedule, the School Committee voted a 3.8% FY26 operating budget on December 30, 2024 and the Select Board voted a 3.37% municipal departments operating budget on December 30, 2024. The total Select Board FY26 budget is \$139,956,816, which is a 3.59% increase over FY25. As required by Charter, the consolidated Town FY26 operating budget was transmitted to the Finance Committee on January 21, 2025. Since its submission to the Finance Committee, we have responded through your Chair to many requests for information from members. We appreciate that level of collaboration.

I would like to take a minute to present 15 data points from the Select Board's FY26 operating budget.

- As you recall, we had a 7-year plan to stop the use of free cash and one-time funds to balance our operating budget. Now, in year two of that 7-year plan, we have balanced the budget without the use of free cash or one-time funds.
- In accordance with DOR guidelines, local receipts have been conservatively estimated at 90% of FY24 actuals.
- The Department of Education, DESE, calculated the Stoughton School foundation budget at **\$65,412,011**. Stoughton net school spending is **\$22,756,152**. Therefore, the Town's total financial support of its schools is **\$88,168,163**. This investment in education represents 63% of the Town's total budget.
- Through the consolidation of positions and use of technology, the Municipal Departments FY26 budget includes 4.47 fewer employees than FY25 and 18.67 fewer employees than FY24.
- As stated, there is no use of free cash in the FY26 operating budget. On February 7, 2025 the Town of Stoughton's "free cash" of \$12,722,449 was certified by the Mass Department of Revenue, Division of Local Services. That notice of DOR certification is included as **Exhibit C**.
- Cost of living adjustments of 3% were budgeted for employees not subject to collectively

bargained agreements (CBA's).

- The employee health insurance trust fund is solvent and budgeted at a 3.7% increase in FY26.
- General liability insurance is budgeted at a 10% increase.
- Merit increases are budgeted for employees who consistently perform above expectations. Market comparisons are provided in the budget book before you. The cost of replacing valued employees has proven to be 10% – 20% more expensive.
- Wages have been adjusted for employees who are paid below market or who are impacted by systemic pay parity inequities.
- Because of job consolidation and the effective use of technology, water and sewer rates are budgeted at FY25 rates.
- Because of operational efficiencies which have saved the Town approximately \$500,000, rubbish and solid waste rates are budgeted at FY25 rates.
- The VNA enterprise fund is not a self-funded service organization. Discussion and public input is needed to determine its organizational viability.
- A budget account has been created and funded in our HR Department in order to fund a yet to be settled labor contract.
- The budget committee is proposing that our stabilization account (savings) be increased to **\$10,000,000**, a level never achieved in—Stoughton history. This decision to strengthen our savings account is made in recognition that we operate in uncertain times and that our savings account provides insurance against unforeseen socio/economic conditions. Our conservative actions have been favorably noticed by the DOR and by Moody's. The Moody's report appears as **Exhibit D** in your packet.

Mr. Chairman, I am certain that the members are struck by my announcement of one-time certified free cash of \$12.7 million. Before starting our deliberations, it's important that I explain this "great news."

As the committee knows, we have completely restructured our Finance and Accounting Department over the past 24 months. Learning soon after I arrived in 2023, that our balance sheet had not been properly managed since as far back as 1998, we recruited a seasoned Finance Manager with Forensic Accounting expertise. In addition, we recruited 2 certified municipal accountants with significant experience in the creation and implementation of best administrative and accounting practices. Together, they have done an extraordinary job of cleaning up the past while training staff to work more effectively in the future. Training on best practices is well underway. The Forensic Accounting project will require another 12 to 18 months to complete. A considerable portion of the \$12.7 million in free cash has been realized by the closing of balance sheet accounts. The work done by our Finance and Accounting staff, in collaboration with Assessing and Treasury, is truly remarkable. Under the leadership of Elizabeth Zaleski, the Town is compliant with laws relating to municipal finance and taxation. Our entire accounting staff is on a first name basis with the staff of the Division of Local Services, which is the external support team of DOR. We speak with them often and they visited with us in early February, congratulating our team on a job well done. I am extremely proud of this team and grateful for the important work they have done and continue to do each day. Stoughton now stands

on a strong financial footing. Combined with impressive economic development, smart growth and our conservative budgeting strategy, the Town's financial future is bright.

Mr. Chairman, you and the members will note several changes to the look, structure, clarity and detail provided in the FY26 operating and capital budgets. Under the leadership and management of Mr. Tisdelle, the print is larger, confusing columns have been deleted, footnotes have been added and backup material is included in the budget attachments. Our expectation is that with greater clarity and documentation, the examination of the budget has been made more transparent, which allows for greater financial control.

Mr. Chairman, while we appreciate feedback, I would suggest to those who hold the opinion that financial guardrails don't exist in Town government, that they purchase a copy of the Department of Revenue Municipal Laws Relating to Municipal Finance and Taxation. That body of laws, policies and guidance provides the north star for municipal leaders. The Division of Local Services (DLS), is the division of DOR which is committed to supporting the needs of municipalities with respect to its interpretation of laws, guidance on government rules, and recommendations on best financial practices. The DLS is a valued partner with the Town of Stoughton.

On March 13, 2024, in a memorandum from a first year Finance Committee member, it was recommended that each member read the Finance Committee handbook and that it would "be helpful in shaping our discussions". As the former Vice Chair of a Finance Committee, I agree that the handbook provides valuable guidance on the role of Finance Committee members. A section from the handbook stated that:

"The finance committee report is the extremely critical end-product of the budget development process. The finance committee report provides analyses, explanations, and justifications for its recommendations. Although the level of detail varies from town to town, more informative reports include financial and statistical data, often trace historical trends and specific appropriations. However, there is no need to duplicate information already presented in a comprehensive budget document. The town's financial condition, the issues posed by the budget, local bylaws, customs and traditions, and the interests and skills of the committee members will shape the finance committee report."

I find that citation from the finance committee handbook to be very instructive. Therefore, may I respectfully suggest that rather than having a handful of members repeatedly criticizing or chastising presenters with unsubstantiated opinions, that those members of the finance committee draft the finance committee report, present it to the full committee and ask for a vote on the report. I believe that the finance committee report is the most professional way to express input from this esteemed body. That report would elevate the level of fact-based debate, civility, awareness and communication.

Mr. Chairman, on behalf of the budget committee which includes myself, Mr. Tisdelle, Ms. Zaleski, Ms. Chatsko and Ms. Shropshire, we look forward to taking the committee's questions.

Thank you,



Thomas J. Calter,
Town Manager