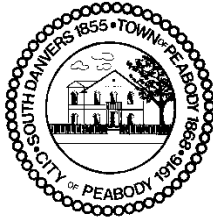


CITY OF PEABODY

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OFFICE OF THE MAYOR EDWARD A. BETTENCOURT, JR.

June 6, 2025

Julie Daigle, President
City Council
24 Lowell Street
Peabody, Massachusetts 01960

Dear President Daigle and Honorable Members:

In accordance with Section 32 of Chapter 44 of the Massachusetts General Laws, I hereby submit to your Honorable Body my recommendations for the City of Peabody's Fiscal 2026 Operating Budget.

Over recent months, I worked closely with department heads and school officials to craft a balanced budget that not only sustains Peabody's core municipal services but also preserves its affordability and fuels further economic growth.

The FY2026 budget of \$208,036,797 represents an increase of \$10,684,601 from FY2025. It continues to fund education well above the Net School Spending levels required by M.G.L. Ch. 70. It also meets the staffing needs of our public safety, public services, and other city departments, so that they can continue to meet the demands of our growing city.

Unfortunately, we are facing a dramatic reduction in the amount of State Aid that we will receive. In FY 2024, approximately 40% or \$5.1 million of that year's budget increase was funded by State Aid. In FY 2025, 14% or \$1.4 million of the budget increase was funded by State Aid. This year, the Senate version of the state budget allots only \$422,543 or 4% of our total budget increase.

In FY 2025, we utilized our final allotment of ARPA funds (\$1.1 million) and the balance of the Health Insurance Trust (\$550,000) to help offset the budget increase. With these funds no longer available, and "other available funds" limited, we must rely further on property taxes to fund Education, Public Safety and all of our other services.

On a positive note, revenue has increased in several key categories, including motor vehicle excise, interest income, and most notably from commercial permit fees, signaling strong and growing confidence in Peabody's business landscape.

The FY 2026 Budget increase can be primarily attributed to the following:

Education

A \$4.5 million increase to the School Budget

A \$938,000 increase in our Essex Tech Assessment

Overall education spending increases \$5.4 million

City

Health Insurance Assessment of \$2.1 million

Debt Service of \$1.5 million

Public Safety Increase of \$824,000

Retirement Funding Increase of \$415,000

Liability Insurance Increase of \$185,000

Solid Waste Contractual Increase of \$130,000

I have budgeted for a cost-of-living salary increases in order to fund contracts that are ultimately settled, and to reduce increases that would be required in future budgets. If contract settlements exceed these amounts and there is a need for additional funding, I would come back to the City Council and propose utilizing reserves as a funding source.

This budget does not include any new positions. It does however, allow one part-time IT employee to become a full-time employee, to provide more coverage for evening meetings and special events. To help offset other budget increases, I continue to leave unfunded a police department clerical position and only partially fund a clerical position between the Treasurer's and Collector's offices. I have also delayed the start date of new public safety personnel and have only partially funded four police and five firefighter positions. Moving forward, we will continue to hire and train new officers and firefighters until all open positions have been filled.

As of today, there are approximately 30 positions that we plan to fill as we progress through the fiscal year, many of them are currently in the process of hiring Overall, I believe our staffing is lean but certainly adequate to maintain operations and provide the services citizens expect.

I have outlined non-public safety position changes in the table below. The additional salary costs of the full-time IT Position only partially funding a clerk in Treasurer / Collector total \$43,110. The social services division has also added two

behavioral Health and Substance Abuse Coordinators, but they are completely grant funded with no budgetary impact. To help offset the cost of these adjustments, I have eliminated funding for a clerical position in Community Development and partially funded the Assistant Community Development Director position through CDBG grant funds for a net savings of \$59,635.

The proposed personal services changes are outlined below:

Positions Added	Budget Impact
Information Technology Upgrade from Part-time to Full-time	12,610
2 Social Service Behavioral Health Positions \$125,367 – Grant Funded	0
Clerk - Collector Partial Funding	30,500
Total	43,110
Positions Reduced	Budget Impact
Clerk - Treasurer	-52,745
Assistant Director Community Development & Planning	-50,000
Total	-102,745

The proposed FY 2026 budget will be funded through a combination of increased local receipts, state aid, reserves, and an increase in the tax levy.

Thank you for your thoughtful consideration of this budget proposal and for your ongoing commitment to the City of Peabody. I look forward to discussing the budget with you and answering all of your questions at the upcoming budget hearings.

Respectfully submitted,



Edward A. Bettencourt, Jr.
Mayor, City of Peabody