




TOWN OF HOPKINTON
TOWN MANAGER'S OFFICE
Norman Khumalo, Town Manager

TO: Select Board

FROM: Norman Khumalo, Town Manager 

RE: Fiscal Year 2024 Budget Development

DATE: September 29, 2022

I recommend that you endorse the initial fiscal year (FY) 2024 budget guidance contained in this memorandum, which involves a tax impact of less than 2.5% before consideration of any excluded debt that might be proposed, at your September 29, 2022 meeting.

1. Departments will examine, prepare, and document justification of budgets from the bottom up. Departments will use this opportunity to review current operating approaches, with an eye toward streamlining and improved efficiency of operations. Departments will be prepared to discuss the review of operations for efficiency during upcoming Town Manager Budget Review sessions. The timeline for the budget process is contained in Enclosure (1).
2. Departmental budgets will be submitted to the Select Board, after Town Manager review. Consistent with the discussion of prospective sources and uses of funds in Enclosure (2), I request that the Select Board either direct that Departmental submissions be developed within the 2.7% spending increase cap that would allow for full compliance with Town Financial Policy under current revenue estimates; or direct that Departmental submissions be developed within the 5.1% spending increase cap discussed as a recommendation in Enclosure (2), with the understanding that the budget process would begin with a \$1.8 million funding shortfall. This alterternative is discussed in detail in Enclosure (2). Irrespective of the Select Board's initial budget development direction, Departments should be aware that if revenue estimates are eventually lower than expected, if deviations from financial policy that allow for spending at the 5.1% level are not supported, or if centrally funded Departmental costs, such as Municipal-wide employee health care and benefits, are higher than projected, Departmental budget growth may be constrained below the 5.1% level, despite any initial direction.
3. The Chief Financial Officer will provide budget submission forms to each department and to relevant boards, committees, and commissions. These submission forms will include an area for identifying requests for new service starts or service level increases, each of which will require narrative connection to the Town's strategic goals, including goals to promote diversity, equity, inclusion, and belonging.
4. To support review of the current services and incremental request, all Departments are directed to adopt the summary format developed by the Hopkinton Public Schools in FY 2022 and used by all Departments in FY 2023, framing summary requests in the following format which will be included in the revised budget submission template:

- a. FY 2023 budget
- b. Less, Efficiencies planned
- c. Plus, inflationary costs for supplies, services, and contractual and other salary increases
- d. Plus, new costs for compliance with regulatory or statutory requirements
- e. Plus, costs related to service expansions related to community growth
- f. Plus, other service or programmatic enhancement costs related to strategic goals
- g. Include relevant metrics to support budget requests

5. Specific instructions for Departments on FY 2024 procedures for operating budget submissions and capital requests will be forthcoming from the Hopkinton Chief Financial Officer.

To be clear, new spending considered in this process will be substantially funded from new growth in the tax base, and the tax impact of any eventual budget will be 2.5% or less.

As part of this year's budget process, I will be sharing information about a community budget survey and I will be coordinating a series of public listening sessions to discuss ideas about new or expanded service levels or service lines that the Town might consider. These ideas may involve initiatives to expand diversity, equity, and inclusion; new community requirements; other long standing issues; or small capital projects recommended by the community.

A budget advisory group consisting of the Chairs of the Select Board, Appropriation Committee, School Committee, and professional staff will meet regularly with Chairs reporting to their respective boards. I look forward to another successful collaboration for the development of the FY 2024 budget.

Enclosure: (1) Proposed Timelines for 2023 Annual Town Meeting & FY 2024 Budget
(2) Fiscal Year 2024 Budget Initial Discussion Paper

Cc: Hopkinton School Committee
Hopkinton Appropriation Committee
Hopkinton Capital Improvement Committee