




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

TO: Select Board

FROM: Norman Khumalo, Town Manager 

RE: Fiscal Year 2025 Budget Development

DATE: October 5, 2023

I recommend that you endorse the initial fiscal year (FY) 2025 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 October 10, 2023 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 and recommendation. Consistent with the discussion of prospective sources and uses of funds in Enclosure (2), I request that the Select Board direct that Departmental submissions be developed within the 4.4% spending increase cap that would allow for full compliance with Town Financial Policy under current revenue estimates outlined in Enclosure (2) of this memo, notwithstanding the School Committee's expression of need which is significantly above that level.
3. Because of the prospective FY25 operating budget shortfall identified in Enclosure (2), budget components under the budgetary direction of the Select Board are directed not to submit any requests for service expansion "new starts" in their budget submissions. Such budget components may send any requests for "new starts" to the Select Board by separate memorandum, via the Town Manager.
4. 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 directed level are not supported, if any tax levy override necessary to support operations at target levels is 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 level noted, irrespective of any initial direction.

5. The Town Manager's Office will provide budget submission forms to each Department and to relevant boards, committees, and commissions. These submission forms will require narrative connection to the Town's strategic goals, including goals to promote diversity, equity, inclusion, and belonging.
6. 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, used by all Departments in FY 2023 and FY 2024, framing summary requests in the following format which will be included in the revised budget submission template:
 - a. FY 2024 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. Include relevant metrics to support budget requests
7. Specific instructions for Departments on FY 2025 procedures for operating budget submissions and capital requests will be forthcoming from my Office.

To be clear, new spending considered in this process will be substantially funded from new growth in the tax base, and any eventual spending proposal that requires property tax revenue in excess of the amount that may be levied within the limits of Proposition 2 ½ will require a corresponding proposal for a Proposition 2 ½ tax limit override. Any such proposed override should consider that the taxpayer with an average home valued at \$753,300 may also face a peak tax burden of nearly \$1,100 if the Elmwood School replacement is approved as presented this Fall as debt to be excluded from the limits of the tax levy, separate and distinct from any other additional excluded debt that may be proposed in the FY 2025 budget cycle.

As part of this year's budget process, I will again be coordinating a series of public listening sessions to discuss ideas about service levels. These ideas may involve diversity, equity, and inclusion; accountability; 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 2025 budget.

Enclosure: (1) 2024 Annual Town Meeting Timeline & FY 25 Budget Calendar
(2) Fiscal Year 2025 Budget Initial Discussion Paper

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