



TOWN OF HOPKINTON
TOWN MANAGER'S OFFICE
Elaine Lazarus, Town Manager

DATE: September 27, 2024
TO: Select Board
FROM: Elaine Lazarus, Town Manager
RE: Fiscal Year 2026 Budget Development

Attached to this memo is detailed information on our initial estimates for revenues and expenditures for FY26, based on projections and some assumptions. It's a place to start, and this will be the framework for discussion going forward. We will be updating the information over the next several months. The information contained there informs the recommended budget guidance below.

The Select Board is required to issue a budget message which will guide Town Departments in the budget process. I offer the following budget guidance for consideration:

1. Departments will prepare and document justification of budgets from the bottom up. Departments will use this opportunity to review approaches to current operations, with the goal to streamline and improve efficiency wherever possible. This may mean collaborating and sharing with other Departments in new ways. Departments will be prepared to discuss the review of operations for efficiency during upcoming Town Manager Budget Review sessions. Departmental budgets will be submitted to the Select Board after Town Manager review and recommendation.
2. Consistent with the discussion of prospective sources and uses of funds in the attached "Initial Discussion Information" document dated Oct. 1, 2024, I request that the submissions be developed to provide **level service budgets for FY26**.
3. Recognizing that there may be special circumstances, requests for additional and/or expansion of services shall be clearly identified in the request and supported by documentation. Such documentation may include regulatory and statutory requirements or mandates, community growth, and community needs which aid the most vulnerable.
4. Department submissions shall highlight any one-time funding requests, i.e. those that will not be recurring in the future.
5. Departments are directed to provide metrics which support budget requests.

6. Irrespective of the Select Board's initial budget development direction, Departments should be aware that if revenue estimates are 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.

The overall intent is to target a tax impact of 2.5% or less before consideration of any excluded debt that might be proposed, and to fund recurring costs with recurring revenues.

Given the Town's debt picture over the next several years for projects already voted by Town Meeting and the associated payments on that debt, budgets are anticipated to be tight.

As part of the budget process, I recommend holding a series of public listening sessions to discuss ideas about services and meeting the needs of the community.

A budget advisory group consisting of representatives of the Select Board, School Committee, Appropriation Committee, and Capital Improvement Committee, will be meeting regularly beginning in October. The Capital Improvement Committee has already begun its process, and will be using new tools to evaluate and consider capital requests. I look forward to successful collaboration for the development of the FY26 budget.