



Agenda Item Summary Report

Meeting Date:
February 9, 2026

Submitted by:
Michelle Bailey Hedgepeth, Town Administrator
Vito Tinelli, Treasurer

Item Title: Information Memo | FY 2026 Budget Update and FY 2027 Budget Update | February 2026

This is an update on the FY 2026 mid-year status and the FY 2027 Budget Preview.

Work Session Item [X]
Council Meeting Item [X]

Documentation Attached:

Recommended Action:

This is a report for the Council and residents on the Town Budget update for February 2026

Item Summary: This item is intended to provide the Town Council with additional context regarding the evolving FY 2026 budget and to preview key considerations as staff begins planning for FY 2027.

Throughout the current fiscal year, staff have worked diligently to mitigate costs and reduce expenditures in alignment with the adopted FY 2026 budget. As a result of revenue adjustments made last year, including changes to certain tax revenues while holding the residential rate flat, the Town has realized additional revenue, allowing services to continue without additional burden on residents. However, we have seen some inflationary pressures on costs.

As part of this update, the Town Treasurer presented a detailed mid-year financial assessment in January, including estimates of the Town's financial position as of December 2025. This month, we will provide further updates, including the most recent expenditures. The Town Administrator will also provide commentary on current trends and what they may indicate for the remainder of FY 2026.

Key points for Council consideration include:

1. FY 2027 Budget Development Timeline

The FY 2027 budget process will formally begin in February. As part of this effort, staff will begin presenting preliminary estimates based on year-to-date performance and observed revenue and expenditure trends.

2. Revenue and Cost-Saving Strategies

Staff continues to evaluate potential revenue enhancements and cost-saving options to address any projected gaps in FY 2027. We have realigned slightly this year, which has given us some breathing room. However, there have been some larger-than-normal benefits payouts.

As we mentioned previously, while options may be more limited than in prior years due to recent structural changes, staff will assess whether any additional refinements are feasible.

3. Draft Budget Development and Council Work Sessions

A draft FY 2027 budget document will be included in the March materials. From February through May, staff will hold a series of budget work sessions with the Council to receive direction, incorporate feedback, and make refinements. Adoption of the budget ordinance is anticipated in May or June, depending on progress through the process.

The Town remains committed to a transparent, inclusive budget process and to ensuring that employees are treated equitably throughout budget development.

Considerations and Areas of Focus

- **Employee Compensation:** No cost-of-living adjustment (COLA) or merit increases were implemented in FY 2026, this strategy helped to stabilize our budget at the cost of our employees. At Council’s direction, staff is evaluating whether, based on mid-year FY 2026 results, a partial restoration, one-time compensation, or other adjustment may be feasible. We will announce these changes in March 2026 and issue retroactive payments to employees.
- **LEOPS Enhanced Retirement Program:** The Police Department has requested an evaluation of participation in the LEOPS enhanced retirement program for sworn officers. Background and cost information for LEOPS is a separate item.

Staff is seeking Council direction, as the SRA requires a response by **March 1, 2026**. If adopted, the staff analyze this option as part of the FY 2027 Police budget development.

- **Capital and Fleet Needs:** Ongoing capital items, including vehicle replacements and capital improvements, have been addressed in part in FY 2026, but this will be an ongoing issue for FY 2027 and beyond.
- **Staffing and Technology:** As part of this budget, we are suggesting that Council continue to keep some positions vacant in order to achieve some cost savings. This is a tough decision given that we are already a small team. In FY 2026, we also implemented changes that enabled us to automate certain functions.

The primary focus of today’s presentation by the Town Treasurer will be the mid-year financial status, current budget performance, and identification of any potential expenditures over the next six months that could affect the Town’s economic trajectory.

Town staff will be available to answer any questions the Council may have.

Budgeted Item: Yes [] No [] Budgeted Amount: One-Time Cost: Ongoing Cost:	Continued Date:
Council Priority: Yes [] No []	Approved Date: