



Agenda Item Summary Report

Meeting Date:
March 2, 2026

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

Item Title: Information Memo | FY 2027 Budget Update and Council Budget Review | March 2026

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

Work Session Item
Council Meeting Item [X]

Documentation Attached:
PowerPoint

Recommended Action:

This is a report for the Council and residents on the Town Budget update for March 2, 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 cost-inflationary pressures.

As part of this update, the focus will be on the Town Council and Event Budget along with a discussion of the overall taxing framework and introductory matters. Key points for Council consideration include:

1. 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.

2. Draft Budget Development and Council Work Sessions

A draft FY 2027 budget document presentation and a new format have been provided with this meeting packet. From March 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. .
- **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. We are making adjustments to the overall FY 2027 to show that these changes are being considered for Council approval.
- **Staffing and Technology:** As part of the FY2027 budget, we are still 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.

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

Budgeted Item: Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] Budgeted Amount: One-Time Cost: Ongoing Cost:	Continued Date:
Council Priority: Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]	Approved Date: