



## Agenda Item Summary Report

**Meeting Date:**  
January 12, 2026

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

**Item Title:** Information Memo | FY 2026 Budget Update and FY 2027 Budget Preview | January 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 January 12, 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.

As part of this update, the Town Treasurer will present a detailed mid-year financial assessment, including estimates of the Town's financial position as of December 2025. The Treasurer 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. Budget Framework and Process**

In November, the Council adopted the budget ordinance, which established a strong and transparent framework for resident and staff participation. This process will continue to guide budget development moving forward.

**2. 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.

**3. Mid-Year Financial Outlook**

This report begins the process of sharing projections for the remainder of FY 2026, informed by actuals through December 2025 and anticipated trends for the balance of the fiscal year.

**4. Revenue and Cost-Saving Strategies**

Staff will continue to evaluate potential revenue enhancements and cost-saving options to address any projected gaps in FY 2027. While options may be more limited than in prior

years due to recent structural changes, staff will assess whether any additional refinements are feasible.

##### **5. Draft Budget Development and Council Work Sessions**

A draft FY 2027 budget document will be provided as part of the February and 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 last year. 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.

- **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 related to LEOPS is included as an attachment. Staff will continue to analyze this option as part of the FY 2027 Police budget development, including scenarios that involve employee contributions. While employee contributions may offset a portion of the cost, they may not fully cover the overall impact.

- **Capital and Fleet Needs:**

Ongoing capital items, including vehicle replacements, continue to be evaluated, and updated cost estimates will be incorporated as information becomes available.

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.

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