

SELECT BOARD FISCAL YEAR 2027 BUDGET POLICY DIRECTION

The Town Manager will prepare the FY27 operating budget along with a three-year projection of expenses and revenue. The FY27 budget should:

- Fund all debt obligations first.
- Satisfy existing and anticipated future contractual and mandated obligations.
- Review the OPEB policy and make incremental annual increases to the OPEB Trust. Included in the OPEB policy should be an option to create a policy to begin funding the OPEB liability at a higher amount once the pension liability is fully funded (Est. FY36).
- Maintain minimum recommended reserves at 5% of the general fund operating budget.
- Maintain current service levels or enhance service levels if funds allow in alignment with the Town's strategic plan. If anticipated FY27 revenue and available funds are insufficient to do so, identify specific options for expense reductions and/or new revenue sources to balance the budget.
 - Note: FY27 will be challenging due to many unknowns related to labor contracts. This will require steady communication among the Select Board, School Committee, and Finance Committee to understand scale of potential budget shortfalls and service impacts.
- Continue the ongoing coordination of Joint Chairs Meetings during the budget forming process.
- Include early consideration and discussion of potential strategies to address budget shortfalls, taking into consideration the recommendations from the Budget Task Force. This may include, but is not limited to, evaluating solid waste collection and health care costs.
- Allocate a minimum of \$1.5 million for capital expenses, from Free Cash, consistent with past practice. If less than \$1.5 million is recommended for capital expenses in FY26, then the difference should be added to the capital stabilization fund to address anticipated future costs related to town facilities and road infrastructure. The target range for bond payments should remain between 7-10% of the Town's operating budget.
- Require that any new ongoing positions or expenses (including associated benefit costs) be accompanied by corresponding ongoing expense reductions or new recurring revenue. This will allow for a clear evaluation of the trade-offs before moving forward.
- Continue to monitor the balance in the Health Insurance Trust Fund and support a FY27 health insurance budget aligned with the recommendations of the Trustees.
- In the event that the above conditions are met and available funds remain, the Town Manager will meet with department heads and the Superintendent of Schools to identify and prioritize unfilled departmental needs, other capital requirements, or other town necessities and make a recommendation to the Select Board, Finance Committee, School Committee, and Town Meeting.