



Budget Workshop – FY26 Review

Council Presentation

September 24, 2025

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Presentation Overview

Municipal Budgeting 101

FY26 Budget – Governmental Funds

FY26 Budget – Proprietary/Enterprise Funds

FY27 Budget Timeline

FY27 Budget Pressures

FY27 Budget – Strategic Plan

Budget Calculator

Guidance & Council Priorities Discussion

Municipal Budgeting at its Core!

Governments make program and service decisions and allocate scarce resources to programs and services through the budget process. As a result, the budget process is one of the most important activities undertaken by governments.

Definition of the Budget Process: The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

Mission of the Budget Process: To help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.



Municipal Budgeting 101 - Purpose

Purpose:

- Serves as the city's financial plan for the year.
- Aligns resources (revenues) with community priorities (expenditures).
- Provides accountability and transparency to taxpayers.

Key Principles:

- Balanced Budget: Revenues must meet or exceed expenditures – if unbalanced, goal should be Fund Balance growth (surplus)
- Transparency: Clear communication of priorities and tradeoffs, actual cost to run City Government
- Accountability: Funds used only as authorized, monthly & quarterly reporting, annual audits
- Long-Term Perspective: Considers sustainability, external pressures, & growth beyond a single year
- Linkage to Organizational Goals: Strategic Plan

Municipal Budgeting 101 - Process

Budget Process:

- Planning & Forecasting: Assess revenues, expenditures, and long-term needs
- Department Requests: Departments submit proposed budgets.
- Draft Budget: Finance compiles and balances a draft.
- Review & Deliberation:
 - Council work sessions (before, during & after original budget build)
 - City Manager, Finance Director & Department Heads
 - Public hearings
- Adoption: Governing body formally adopts budget (in January (no later than 1/22), voted on in March).
- Implementation & Monitoring: Revenues & expenditures tracked against budget throughout the year and reported on monthly.

Budget Types:

- Operating Budget: Day-to-day services
 - General Fund (police, fire/EMS, public works, administration)
 - Water, Sewer, Parking, & District Heat Funds
- Capital Budget: Long-term investments in infrastructure, equipment, and facilities.
 - Capital Fund (via General Fund appropriation)
- Special Revenue Funds: Restricted revenues for specific purposes
 - Parks, Recreation, Senior Center, & Cemetery Funds (budgeted)
 - Grants (unbudgeted, except if match is required)
 - FEMA

Municipal Budgeting 101 – Revenue

Revenue Sources:

- Property taxes: (largest revenue source for municipalities).
- State and federal aid: (grants, payment in lieu of taxes, highway aid).
- 1% Local options tax: (meals & rooms, sales)
- Charges for services: (water revenue, sewer revenue, leachate revenue, septage fees, recreation fees, senior center program & membership fees).
- Other revenues: (licenses, permits, investment earnings, donations).

Revenues are projected based on:

- Historical trends: reviewing collections from prior years.
- Known rates and fees: property tax levy, water/sewer rates, licenses, permits.
- Economic and demographic factors: changes in property values, new development, or state aid.
- One-time or restricted funds: grants or special revenues are included only when awarded.

Municipal Budgeting 101 – Expense

Expenditure Types:

- Personnel costs: (wages, benefits, retirement)
- Operating costs: (utilities, supplies, contracts, maintenance)
- Debt service: (repayment of bonds/loans)
- Capital outlays: (buildings, vehicles, infrastructure, paving)

Expenses are estimated by:

- Carrying forward current service levels: using prior year expenditures as a baseline.
- Adjusting for known changes: contract increases, wages/benefits, debt service, utility costs.
- Capital needs and maintenance: planned equipment replacement or infrastructure projects.
- Policy or service changes: new programs or reductions approved by council.

Municipal Budgeting 101 – Fund Types

Governmental Funds

- Used to account for activities primarily supported by taxes and intergovernmental revenues
- Focus is on current financial resources
- City budgets for:
 - General Fund
 - Parks Fund
 - Recreation Fund
 - Senior Center Fund
 - Cemetery Fund

Proprietary/Enterprise Funds

- Used for activities that operate like a business, charging fees to recover costs.
- For services provided to the public on a user-fee basis
- City budgets for:
 - Water Fund
 - Sewer Fund
 - Parking Fund
 - District Heat Fund

FY26 Budget - Governmental Funds

Governmental Funds: Used to account for activities primarily supported by taxes and intergovernmental revenues (not business-like fees). They focus on current financial resources. Often referred to as Governmental-type Activities

General Fund Budget - Revenues

Revenue Categories	FY26 Budget	Percentage of Total
Property Taxes - General	(12,278,226)	64.93%
Property Taxes - Library	(468,005)	2.47%
Property Tax - Other Agencies	(157,650)	0.83%
Property Tax - Montpelier Alive	(101,100)	0.53%
Penalties & Interest on Delinquent Taxes	(57,000)	0.30%
Payment in Lieu of Taxes	(1,648,987)	8.72%
Transfer for Admin & Equipment Costs	(1,497,674)	7.92%
Ambulance Revenues	(908,680)	4.81%
Intergovernmental Revenue	(635,410)	3.36%
Capital Fire Mutual Aid	(425,280)	2.25%
Miscellaneous Revenues (Fees, Fines, Licenses, etc.)	(371,600)	1.97%
Local Options Tax	(300,000)	1.59%
Interest Income	(60,000)	0.32%
Total	(18,909,612)	100.00%

General Fund Budget - Expenses

Function	Expense Category	FY26 Budget	Percentage of Total	Function	Expense Category	FY26 Budget	Percentage of Total
3000	CITY COUNCIL	32,343	0.17%	4700	EMERGENCY MANAGEMENT	9,000	0.05%
3210	CITY MANAGER	643,739	3.40%	5100	DPW STREETS	2,179,116	11.52%
3400	CITY CLERK	215,113	1.14%	5300	DPW FLEET OPERATIONS	750,050	3.97%
3420	FINANCE	865,252	4.58%	5310	DPW BUILDING OPERATIONS	62,500	0.33%
3423	TECHNOLOGY SERVICES	440,000	2.33%	7270	WRIGHTSVILLE BEACH FUNDS	20,200	0.11%
3430	PROPERTY ASSESSOR	144,784	0.77%	7800	AGENCY CONTRIBUTION	271,262	1.43%
3600	PLANNING & DEVELOPMENT	524,244	2.77%	7900	LIBRARY CONTRIBUTION	491,505	2.60%
3710	CITY HALL MAINT	415,644	2.20%	8000	COMMUNITY ENHANCEMENT	51,000	0.27%
4100	POLICE OPERATIONS	3,003,846	15.89%	8130	TREE MANAGEMENT	133,769	0.71%
4105	POLICE COMMUNICATIONS	1,158,047	6.12%	9100	DEBT SERVICE	1,137,117	6.01%
4200	COMMUNITY JUSTICE CENTER	228,503	1.21%	9300	OTHER GOVERNMENTAL	145,938	0.77%
4205	RE ENTRY PROGRAM	26,172	0.14%	9390	TRANSFERS TO OTHER FUNDS	2,264,986	11.98%
4210	JUSTICE CTR DVAP	29,536	0.16%	9400	EQUIPMENT PLAN	484,116	2.56%
4300	TRANSIT CENTER	47,194	0.25%	9900	EMPLOYEE BENEFITS	14,000	0.07%
4500	FIRE AND E.M.S	2,920,247	15.44%	9951	MISC EXP	45,000	0.24%
4600	BLDG CODE & HEALTH ENFORC	123,390	0.65%	9961	TAX ABATEMENTS/CREDITS	32,000	0.17%
						18,909,612	100.00%

General Fund Budget – Expenses Cont.

Transfer for Operations:		
10.9390.99.04.5	XFER TO SENIOR CENTER	124,303
10.9390.99.00.5	XFER PARK OPERATIONS	320,494
10.9390.96.04.5	XFER CEMETERY OPERATIONS	149,838
10.9390.96.02.5	XFER CEMETERY SMALL PARKS	27,900
10.9390.95.00.5	XFER TO REC DEPT OPERATIONS	563,684
		1,186,219
Capital:		
10.9100.91.XX.5	DEBT SERVICE (long-term)	1,057,117
10.9390.98.00.5	XFER TO CAPITAL PROJECTS	1,078,767
10.9400.83.XX.5	XFER TO EQUIP PLAN	484,116
		2,620,000

Capital Fund Budget (General Fund Transfer)

- FY26 funding need was approximately \$3.5 million.
- Increase over FY25 was \$220k, goal was \$260k
- At that time:
 - 1 cent on the tax rate generated \$131,342 in revenue.
 - \$260k increase was approx. 2 cents on the tax rate
 - 2-cent increase method was used previously starting in FY14 but was adjusted due to financial constraints
- FY27 & FY28 amounts were estimates and will need to be adjusted

	FY25	FY26	FY27	FY28
Debt Service	1,104,389	1,057,117	873,994	817,837
Capital	880,611	1,078,767	1,257,927	1,417,927
Equipment	415,000	484,116	748,079	904,236
	-			
Total BUDGET	2,400,000	2,620,000	2,880,000	3,140,000
Change from prior year	246,450	220,000	260,000	260,000

Capital Fund Components

- Debt Service
- Infrastructure:
 - Paving
 - Sidewalks
 - Stormwater
 - Bridges
 - Transportation
 - Project Management
 - Building and Roof Repair (FD, PD, Rec)
- Equipment:
 - Hybrid Police Cruisers (x2)
 - DPW Trucks (x2)
 - Wing Truck (partial)
 - Sidewalk Plow
 - FD Chief's Car Outfitting
 - Technology Upgrades

Next FY27 Capital Committee Meeting is on 10/1/2025

Parks Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Property Taxes - General	(320,494)	94.46%
Miscellaneous Revenues (Fees, Fines, Licenses, etc.)	(18,800)	5.54%
Total	(339,294)	100.00%
Expense Category	FY26 Budget	Percentage of Total
Parks Operations	339,294	100.00%
Total	339,294	100.00%

Recreation Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Property Taxes - General	(563,684)	65.63%
Miscellaneous Revenues (Fees, Fines, Licenses, etc.)	(295,197)	34.37%
Total	(858,881)	100.00%

Expense Category	FY26 Budget	Percentage of Total
Recreation Operations	858,881	100.00%
Total	858,881	100.00%

Senior Center Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Property Taxes - General	(124,303)	17.94%
Intergovernmental Revenue	(48,100)	6.94%
Investment Income	(25,473)	3.68%
Miscellaneous Revenues (Fees, Fines, Licenses, etc.)	(495,131)	71.45%
Total	(693,007)	100.00%

Expense Category	FY26 Budget	Percentage of Total
Senior Center Operations	693,007	100.00%
Total	693,007	100.00%

Cemetery Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Property Taxes - General	(177,738)	62.91%
Investment Income	(30,000)	10.62%
Miscellaneous Revenues (Fees, Fines, Licenses, etc.)	(74,800)	26.47%
Total	(282,538)	100.00%

Expense Category	FY26 Budget	Percentage of Total
Cemetery Operations	282,538	100.00%
Total	282,538	100.00%

FY26 Budget – Proprietary/Enterprise Funds

Proprietary/Enterprise Funds: Used for activities that operate like a business, charging fees to recover costs. Often referred to as Business-type Activities.

Future Budget Workshop Dedicated to Proprietary/Enterprise Fund Budgets

Water Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Charges for Service	(3,361,031)	87.62%
Charges for Service - Benefit Charge	(449,289)	11.71%
Penalties & Interest	(23,500)	0.61%
Miscellaneous Revenues	(2,000)	0.05%
Total	(3,835,820)	100.00%

Expense Category	FY26 Budget	Percentage of Total
DELQ WATER FEES COLLECTION	23,516	0.61%
WATER ADMINISTRATION	1,384,443	36.09%
WATER DISTRIBUTION SYSTEM	1,452,997	37.88%
WATER METER OPERATIONS	38,858	1.01%
WATER SUPPLY & TREATMENT	936,006	24.40%
Total	3,835,820	100.00%

Sewer Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Charges for Service	(4,491,639)	82.69%
Charges for Service - Benefit Charge	(898,579)	16.54%
Penalties & Interest	(22,000)	0.40%
Miscellaneous Revenues	(20,000)	0.37%
Total	(5,432,218)	100.00%

Expense Category	FY26 Budget	Percentage of Total
DELQ SEWER FEES COLLECTION	22,494	0.41%
PRIVATE SEWER SYS MAINT	10,419	0.19%
SEWER COLLECTION SYSTEM	1,008,743	18.57%
STORMWATER MANAGEMENT	220,135	4.05%
WASTEWATER ADMINISTRATION	893,984	16.46%
WASTEWATER TREATMENT	3,276,442	60.32%
Total	5,432,218	100.00%

Parking Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Charges for Service - Meters & Permits	(468,990)	82.08%
Charges for Service - Tickets	(102,359)	17.92%
Total	(571,349)	100.00%
Expense Category	FY26 Budget	Percentage of Total
DPW-PARKING MAINT	23,606	4.13%
PARKING ENFORCEMENT	547,743	95.87%
Total	571,349	100.00%

District Heat Fund Budget

Revenue Categories	FY26 Budget	Percentage of Total
Charges for Service - Capacity	483,208	68.37%
Charges for Service - Energy	223,526	31.63%
Total	706,734	100.00%

Expense Category	FY26 Budget	Percentage of Total
DIST HEAT ADMINISTRATION	191,885	27.15%
DIST HEAT ENERGY	231,149	32.71%
DIST HEAT OPERATIONS	119,010	16.84%
DIST HEAT STATE CONTRACT	135,317	19.15%
DIST HEAT DEBT RESERVE	29,374	4.16%
Total	706,734	100.00%

FY26 Overall

- The FY26 budget season was incredibly difficult, and many hard decisions were made
- There were reductions in force and reductions in service levels
- We are almost 2 months into FY26:
 - Monitoring the budget versus actual closely
 - Experiencing higher inflationary pressures
 - Collaboration and creativity among departments is essential to curbing spending and finding solutions
 - Cash flow is tight given high capital outlay, flood recovery costs, and low reserves. This is being monitored very closely
- 1% Local Options Sales Tax passed – 74% approval rating
 - First payment should be received in November for 7/1-9/30
- Fire Truck Bond passed – 72% approval rating
- **City Budget passed – 83% approval rating**

FY26 Tax Rate Comparison

	2024 Grand List 13,134,209			2025 Grand List 13,193,443		
	Homestead 6,284,144	Nonhomestead 6,540,583		Homestead 6,245,130	Nonhomestead 6,607,524	
MUNICIPAL	FY25 TAX REVENUE	FY25 TAX RATE	% Change	FY26 TAX REVENUE	FY26 TAX RATE	% Change
City-General Fund	\$11,780,853.16	\$ 0.8970	4.8%	\$12,196,725.97	\$ 0.9245	3.1%
City-Outside Agencies	\$467,570.00	\$ 0.0356	9.1%	\$625,655.00	\$ 0.0474	33.2%
TOTAL MUNICIPAL	\$12,248,423.16	\$ 0.9326	5.0%	\$12,822,380.97	\$ 0.9719	4.2%
Washington County Tax	\$79,500.00	\$ 0.0061	1.6%	\$81,500.00	\$ 0.0062	2.1%
Local Agreement Tax (Veterans Exemption)	\$6,567.69	\$ 0.0005		\$9,254.00	\$ 0.0007	
Grand Total Municipal/County/Veterans	\$12,334,490.85	\$ 0.9391	4.9%	\$12,913,134.97	\$ 0.9788	4.2%
SCHOOL (Rates set by State)						
Homestead Education Tax	\$8,093,977.74	\$ 1.2880	15.0%	\$7,874,483.91	\$ 1.2609	-2.1%
Nonhomestead Education Tax	\$9,081,599.72	\$ 1.3885	13.5%	\$8,810,472.57	\$ 1.3334	-4.0%
Total Education Taxes	\$17,175,577.46			\$16,684,956.48		
Downtown Improvement District (DID)	\$62,027.49	\$ 0.0515	0.0%	\$61,807.02	\$ 0.0515	0.0%
Total Tax Revenue before Benefit Charges	\$29,565,528.11			\$29,650,644.47		
Water/Sewer Benefit Charge	\$298,186.65	\$ 0.0200	0.0%	\$298,876.29	\$ 0.0200	0.0%
CSO Benefit Charge	\$1,043,653.28	\$ 0.0700	0.0%	\$1,046,067.02	\$ 0.0700	0.0%
Total Benefit Charges	1,341,839.93	\$ 0.0900	0.0%	1,344,943.31	\$ 0.0900	0.0%
Grand Total Tax Revenue	\$ 30,907,368.041			\$ 30,995,587.781		
Homestead Tax Rate	Residential	\$ 2.317	10.1%	Residential	\$ 2.330	0.5%
Nonhomestead Tax Rate	Non-Residential	\$ 2.418	9.5%	Non-Residential	\$ 2.402	-0.6%
Nonhomestead Tax Rate with DID		\$ 2.4691	9.3%		\$ 2.4537	-0.6%

FY27 Budget

Fiscal Year 2027 (FY27) runs from July 1, 2026, through June 30, 2027.

FY27 Budget Timeline

- September:
 - Council budget workshop
 - Finance gathers preliminary budget data (current trends, upcoming rate increases, known unfunded needs, etc.)
 - Capital Fund planning
- October:
 - Council budget workshops
 - Finance begins to build the FY27 budget (roll FY26 as base, adjust payroll & related benefits, insurance, & previously established contracts)
 - Gain insight into Council priorities, strategic plan alignment, overall rate increase
 - Capital Committee meeting to establish Capital Plan
 - Provide FY25 preliminary financial report (prior to audit completion)
- November:
 - Council budget workshops
 - Department budget submissions
 - Full budget compilation by Finance
 - City Manager, Finance Director & Department Heads meet to bring budget into alignment with Council goals and targets
- December:
 - City Managers Budget Presentation
 - Council budget workshops
 - Finance incorporates budget adjustments based on Council requests
- January:
 - Council budget workshops
 - First & Second Public Hearings on budget
 - Finalize budget
 - Approve warning
 - Bond hearings (if applicable, likely for FY27)
 - Audit report presentation for FY25
 - General Fund fund balance update
- February:
 - No budget!!!
- March:
 - Town meeting day voting – **Tuesday, March 3, 2026**
- April:
 - 30 days following the vote, if no appeals budget is locked in for FY27

FY27 Budget – Pressures

- Federal Rates:
 - Social Security Administration will announce COLA for 2026 in October
 - Consumer Price Index for August 2025 is 2.9%
 - Consumer Price Index – Northeast Region for August 2025 is 3.3%
 - Actual purchasing experience is that our costs are higher than inflation
- Health Insurance
 - 21.2% for first 6 months with current plan
 - Likely minimum of an additional 10% for the second 6 months
 - Working with broker on options to reduce that percentage increase
- Aging infrastructure & pent-up capital demand
- Continued flood recovery
- Reduced fund balance – Policy threshold is 15% of budgeted General Fund expenditures, we were at approximately 6% as of 6/30/2024
 - FY25 audit is occurring this week

FY27 Budget – Strategic Plan

- Funding Strategic Plan Initiatives:

- **Housing**

- No funding in FY25 or FY26
 - Housing Trust previously at \$110,000, asked \$250,000 in FY25
 - Country Club Rd (CCR) previously at \$100,000

- **Economic Development**

- No funding in FY25 or FY26
 - Previously at \$100,000

- **Infrastructure**

- Goal to reach steady-state, currently underfunded
 - Aging infrastructure
 - Potential large future projects (Rialto Bridge, CCR development, Trails, Waterline replacement, Stump Dump, Recreation Facility)

FY26 Infrastructure Funding Gap

Category	Steady-State Value	FY26 Value	Gap	Notes
Paving	1,200,000	725,000	(475,000)	Increase \$100K annually
Sidewalks	100,000	50,000	(50,000)	
Stormwater	400,000	75,000	(325,000)	Need to establish a utility
Bridges	100,000	25,000	(75,000)	
Buildings	375,000	174,804	(200,196)	1% of insured building value
Equipment	925,000	548,079	(376,921)	
			(1,502,117)	

- FY26 present day estimate of steady-state for each category
- Exclusive of debt
- Other items such as project management, transportation, etc. are project and outside funding dependent and are difficult to provide a steady-state value for

Budget Calculator

FY27 Budget Preview							
		Grand List Value	\$ 1,319,344,302		\$ 1,319,344,302	FY26 Change over FY25	
			FY26	Rate Impact	FY27	Rate Impact	\$ change
		Total Budgeted Revenue (Excluding Ballot Items)	\$ 18,283,957		\$ 18,283,957		\$ -
		Total Nontax Revenue & DID	\$ 6,005,731		\$ 6,005,731		\$ -
		Revenue Raised from Property Taxes (Excluding Ballot Items)	\$ 12,278,226		\$ 12,278,226		\$ -
		Projected Municipal Tax Rate (Excluding Ballot Items)	\$0.9306		\$0.9306		\$0.0000
Other additions/deletions to FY26 budget for FY27				Enter option Cost			
Enter Description in this column				in this column	Tax rate impact	Notes	
					\$ -		
				\$ 131,934	\$ 0.0100		
					\$ -		
					\$ -		
					\$ -		
		Total property tax funded changes	\$ -		\$ 131,934	\$ 0.0100	
City Council's Proposed Budget			18,283,957.00		18,415,891.43		\$ 131,934
Estimated Annual Tax Impact - All		Home Value	FY2026		FY2027	\$ Change from Prior Year	% Change from Prior Year
	Annual Property taxes - Municipal	\$370,000	\$3,443		\$3,480	\$37	1.07%
	Annual Property taxes - Ballot items	\$370,000	\$175		\$175	\$0	0%
	Annual Water/Sewer/CSO Benefit Charges	\$370,000	\$333		\$333	\$0	0%
			\$3,952		\$3,989	\$37	
	Annual Homestead Education Taxes - set by State	\$370,000	\$4,665		\$4,665	\$0	
	Estimated Total Annual Tax Bill Impact		\$8,617		\$8,654	\$37	

Will be posted on the website next week

Guidance Requested from Council for FY27 Budget Development

- **Service Levels:** Clarify expectations for maintaining, enhancing, or adjusting current service delivery
- **Programs and Initiatives:** Identify priority programs to sustain, expand, or phase out.
- **Strategic Plan Alignment:** Ensure budget decisions support Council's adopted priorities:
 - Housing
 - Economic Development
 - Infrastructure Investment
- **Fiscal Pressures:** Acknowledge the environment shaping FY27:
 - Difficulties operating within the FY26 adopted budget
 - Rising personnel, debt service, utility, and maintenance costs
 - Limited tax base and external revenue sources – **Sales Tax will help!**
 - Increasing community demand for municipal services
 - Fund balance requires growth to meet policy and aid in cash flow stability

This is our jumpstart into the FY27 budget season, impactful discussions and council guidance will be crucial in building a budget that meets the community expectations, strategic plan goals, and is fiscally responsible.

Council Considerations: Questions to Ponder

- Should the City consider increasing the paving budget in FY27?
- Would the Council like staff to conduct a cost-benefit analysis comparing continued use of overtime versus adding staff, including identifying the point at which one option becomes more financially sustainable?
- What level of investment does the Council envision to support housing development and make it easier to build?
- Should staff revisit fee structures as a potential mechanism to generate additional revenue?
- What target level of reserves does the Council consider appropriate for a “rainy day” fund?
- How much investment should the City prioritize in resiliency initiatives?

These are a few brainstormed questions, we expect you will have many more during future workshops!