

Fiscal Year 2025 Year End Analysis

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The areas where major budget overages occurred in fiscal year 2025 include legal expenses, medical insurance, pension contributions, vacation payouts and police, dispatch and fire department overtime. Each of these categories experienced higher than anticipated costs due to operational needs.

- **Legal Expenses:** Legal costs exceeded projections due to ongoing litigation and contract negotiations.
- **Salaries:** salaries were underbudgeted to start plus contract settlements were not considered by the prior finance office.
- **Medical Insurance and Pension Contributions:** Medical insurance and pension contributions were underbudgeted in FY25, FY26 should be more on trend.
- **Vacation Payouts:** Higher than budgeted vacation payouts occurred due to retirements and turnover.
- **Police, Dispatch and Fire Department Overtime:** These overtime lines totaled \$528,131 over budget, these lines need to be budgeted based on actual expenses versus wanted expenses.

While these overages were necessary to maintain essential services, it is clear that the Town must strengthen its budgeting and forecasting practices moving forward. During previous budget cycles, the Town relied on ARPA funds to temporarily support operating costs across several line items. This is an approach that is no longer sustainable, the operating budget must now absorb costs that were previously supplemented.

Future budgets must also be developed without relying on fund balance as a recurring revenue source. To ensure long term fiscal sustainability, the Town will need to consider strategic budget reductions or identify new revenue streams to replace the temporary relief previously provided by both use of fund balance and ARPA funding.