



February 13, 2026

Memorandum for Town of Hermon, Town Council

From: Stephen Fields, Town Manager

Reference: Fiscal Year 2027 Municipal Operating Budget Summary Narrative

Greetings to the Honorable Council Members and Citizens of Town of Hermon

For the Fiscal Year 2027 Municipal Operating Budget, I implemented a team approach to the development of the budget with Department Heads, who received input from staff. My process started with individual department meetings in September 2025 through November 2025. The next few months consisted of final input of data into TRIO software budgetary module, working with Assistant Town Manager and Finance Director to obtain historical budgetary information. Overall, the process was efficient and streamlined.

Historically the budget has been developed and maintained for the process in Microsoft Excel and upon final approval from the Annual Town Meeting Warrant Results, data was placed into TRIO Budgetary Module, prior to fiscal year 2025.

Beginning in Fiscal Year 2026, the administrative team developed the budget in excel with implementation into TRIO Budgetary Module for all phases. TRIO Budgetary became the record of source.

- Allowed for historical year comparison (based on data in system)
- Allowed for comparison of next year's fiscal budget entry phase budget to current budget for percentage and dollar changes, based on how reports would be printed.
- Excel was utilized for internal control methods only and not source of record.

Impact

The question of mil rate estimate and impact is not adequately answered until all required financial data is provided from the legislative body vote at the Annual Town Meeting and the Municipal Valuation Return (MVR). The mil rate and range are determined by the results and data calculated in the MVR which includes many key components.

The MVR is completed by the Assessor. As the Town Manager, I am not the town assessor or a state-certified assessor. Therefore, without the proper data available, I will provide a projection from available budget financial data to estimate, repeat an estimated range for the tax levy, also known as the mil rate.

The Assessor, by statute, can collect data for the MVR for all property owners effective April 1st of each year. This significant date allows the team to move forward, and update all required taxation allocation values for the MVR.

- Key Components:
 - Valuation of commercial and residential properties. Increase and/or decrease of valuation is dependent on historical market results.
 - Approved budgetary expenses and revenues for cost centers that include:
 - County Tax Assessment
 - Municipal Operating Budget
 - Tax Increment Financing (TIF)
 - Local Education Appropriation
 - State Revenue Share
 - All other revenues (not including State Revenue Share)

All these components will result in the formulation of the tax mil rate range to establish the final mil rate required for the town to balance the operational budget/annual town fiscal budgetary warrant. Once the final approval of the annual town fiscal warrant is verified and validated, the Assessor will complete all required actions for the municipal valuation report and commitment.

A variety of factors were reviewed in the development of the budget. Some of the factors include historical expenditure levels, revenue sources, property valuation changes, annual financials, consumer inflation and the services provided to the town. The town has been providing services to meet the needs of the community, especially with commercial and residential growth.

Special Note 1: The School Department and County Tax are **not** included in the calculated totals.

The County Tax Assessment I am estimating is a 25% increase.

The School Department I am estimating at 9%. A review of revenues, to be received during February, will have required adjustments by the School Administration and School Committee.

Summary

The following budget summary view looks at the current budget and the initial recommendation requests.

The increase is compiled of the following items:

- Consumer inflation of supplies and material required to operate the administrative requirements.

- Request an increase in public work road improvement/paving and construction projects. A typical year to maintain and not fall behind in road maintenance would be funded approximately \$1,000,000. Labor, aggregate material, fuel, liquid asphalt is variable depending on the market, have seen increases in costs. I am recommending continuing a phased approach; therefore, the request is \$850,000.
- Capital Improvement funding increased to allow the administration and Council to develop and implement a sound improvement funding source for capital needs to include vehicles, equipment and facilities. The Capital Improvement Plan is a separate plan document, but the costs are included within the budget calculation.
- The Penobscot County and County Commissioners recognize the impact of costs on the town. Due to a result of budgetary financial shortfall, the tax levy assessment will be increased compared to previous history.

The town staff, myself and department heads, have provided recommendations for required expenditure. These recommendations outline the changes needed to meet the town's growing demand for services and capital improvement.

There are many variables in completing a budget process and municipal valuation return. All components are needed to provide accurate and transparent information. While compiling the budget for the operation of the town and school, both administrations work with elected officials to develop what is required to operate based on services and support. I will conclude that the fundamental and root question to ask...What is the quality, level, and required need to provide service and support to the Town of Hermon? What expenditure is to be sacrificed or spared for the future on the service and support? Please consider the level of service, what services, quality and impact to the citizens this budget request is compiled. The Town has had growth in commercial and residential with services provided in incremental stages over the past years.

For the Council and public, to assist in this, I provided the 3-year History Comparison, TRIO report, that visualizes the budget vs. actual costs for operating years. These products will be available on the Town website and at the town office for review.

Enclosed with this memo is the TRIO report, Current vs. Initial for Department Only for review.

The following documents are contained within the Council Budget FY27 Binder for review and reference.

Council Presentation PowerPoint

Capital Improvement Plan FY27 (One page summary document)

Three-Year History and Initial Report

Current Budget vs. Initial Budget Report (Division Level)

Current Budget vs. Initial Budget Report (Department Level)