



Date: 5-7-26

To: Mayor Kahn and Members of the Keene City Council  
From: Elizabeth Ferland, City Manager  
Re: FY27 Proposed Operating Budget and Executive Summary

Your City team and I are pleased to present the proposed Operating Budget for Fiscal Year 2027. This budget maintains core municipal services, advances Council priorities, and makes targeted investments in infrastructure and personnel while adhering to the City's fiscal policies.

### **Budget Overview**

The proposed FY27 General Fund operating budget totals approximately \$57.0 million and remains within the City's fiscal policy limits. The proposed budget is approximately \$684,597 below the allowable limit, including compliance with the CPI-based cap on property tax growth (with permitted exclusions) and established debt service constraints

The City's portion of the tax rate is projected to increase by \$0.91 (6.7%) to \$14.52 per \$1,000 of assessed value.

The Water and Sewer funds—operated as separate enterprise funds—are each projecting a 5% rate increase to support the proposed budgets. Over the coming year, staff will undertake a more detailed analysis of revenue trends to help chart a sustainable path forward—one that supports planned infrastructure investments and strengthens financial resiliency through increased water and sewer fund balances.

### **Key Drivers**

The FY27 operating portion of the budget increased by approximately \$2.06 million (4.8%), with roughly \$1.37 million of that increase attributable to wages and benefits, driven primarily by contractual obligations across the City's six collective bargaining agreements, which represent the majority of the workforce. The balance reflects increases in key operating costs, including utilities, insurance, maintenance, professional services, and software and other expenses associated with the City's transition to cloud-based systems.

**Revenues.** Property taxes remain the City's primary revenue source.

New Hampshire municipalities have limited alternative revenue options and receive comparatively low levels of state aid. As a result, local services are largely funded through the property tax, reducing flexibility and increasing pressure on the tax rate.

Other revenue growth is modest and includes intergovernmental revenues, motor vehicle registrations, charges for services, and interest income.

### **Fund Balance and Capital**

The budget utilizes approximately \$3.8 million in unassigned fund balance to offset capital costs and stabilize the tax rate. This is a strategic, short-term approach that aligns with the Capital Improvement Program and helps manage inflationary pressures.

To bring the budget into fiscal compliance, it was necessary to make adjustments to the capital plan shown on page 51. Capital reserve appropriations were reduced by \$745,000. Of that amount, \$500,000 was reallocated to capital expenditures for road construction, this increase was requested by the City Council during the Capital Improvement Plan review.

The City continues to successfully secure external funding for capital projects. Grants and partnerships have been instrumental in advancing infrastructure investments while reducing the burden on local taxpayers, reflecting strong and creative efforts across departments. The FY27 budget includes more than \$9.3 million in grant funding.

In addition, the FY27 budget reflects an investment in the City's urban tree canopy. Public Works funding for street tree planting has been increased by \$30,000, supporting efforts to replant along City streets and rights of way. This work enhances neighborhood character, contributes to climate resilience, and complements broader infrastructure investments.

### **Public Safety**

Public safety remains the City's largest service area. The FY27 budget reflects continued efforts to align staffing with service demand.

The City added four firefighter positions in FY24 and another four in FY25 to support operation of a third ambulance. These additions were necessary to maintain service levels as call volumes increased.

Since FY24, overall Fire Department wages have increased by approximately \$1.4 million. This increase is driven primarily by the addition of eight firefighter positions over two budget cycles, as well as the addition of a Fire Prevention Officer, a second Deputy Fire Chief position, and an additional part-time administrative position. The City is currently in negotiations with the Fire Department on a new collective bargaining agreement. Fire staffing remains closely aligned with minimum shift requirements, resulting in continued

reliance on overtime. As demand grows, staffing above minimum levels will be necessary to reduce overtime, support workforce sustainability, and maintain reliable service.

One proposal under consideration (not included in the budget) would add four additional firefighters—one per shift—to move staffing above the minimum required to operate the third ambulance. While this approach could help mitigate overtime pressures and improve operational resiliency, it would result in an estimated \$500,000 increase in wage and benefit-related costs, along with ongoing long-term financial impacts. The extent to which overtime costs would be reduced to offset these additional expenses remains uncertain.

The police budget includes a temporary adjustment that unfunds two positions due to ongoing recruitment challenges. This aligns the budget with current staffing conditions while preserving flexibility to restore positions as hiring improves.

Cheshire County has submitted a bill to the City for backup ambulance services. These costs are not included in the FY27 budget, as discussions are ongoing regarding the value of services currently provided by the Keene Fire Department to Cheshire EMS that may offset some or all of this expense. While preliminary estimates suggest costs could reach approximately \$120,000 annually, the final fiscal impact remains uncertain pending the outcome of these discussions.

### **Concerns and Outlook**

While the FY27 budget is balanced and policy-compliant, several trends warrant attention.

The City remains highly dependent on the property tax. This is compounded by New Hampshire's school funding structure, where the State has a constitutional obligation to provide an adequate education but instead relies heavily on local property taxes to fund it. As a result, the combined local and state education portion represents the largest share of the overall tax rate and continues to dramatically increase.

Personnel and benefit costs continue to grow and represent the largest and least flexible portion of the budget. The use of fund balance to offset capital costs is effective in the short term but not sustainable long term.

Revenue growth outside of the property tax remains modest, limiting diversification. At the same time, debt service continues to trend upward as capital investments are implemented. While within policy limits, this will reduce future operating flexibility.

The City also faces a structural challenge between revenue growth constrained by CPI and expenditure growth driven by labor, service demand, and inflation. Capital investments further contribute to this dynamic, as new assets—such as Pat Russell Park—create ongoing operating and staffing costs.

**Conclusion**

The FY27 proposed budget reflects disciplined financial management while continuing to invest in essential services and infrastructure. It balances immediate needs with long-term obligations and adheres to established fiscal policies.

At the same time, the budget underscores the structural constraints facing municipalities, including limited revenue options, rising fixed costs, and increasing reliance on the property tax. Maintaining this balance will require continued discipline, thoughtful prioritization, and a sustained focus on long-term financial sustainability.

Respectfully submitted,

  
Elizabeth Ferland

City Manager