



Thomas A. Golden, Jr.  
*City Manager*

## MEMORANDUM

**TO:** Department Heads

**FROM:** Thomas A. Golden, Jr, City Manager

**CC:** Conor Baldwin, Chief Financial Officer  
Austin Ball, Deputy CFO

**DATE:** December 18<sup>th</sup>, 2025

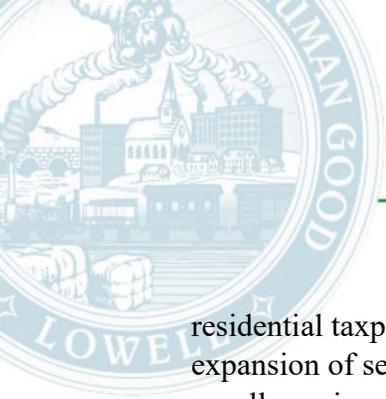
**SUBJECT:** Fiscal Year 2027 Budget Instructions

### Fiscal Overview:

My financial team has begun to prepare the operating budget for the upcoming fiscal year (FY2027). Please review this memo carefully, paying particular attention to deadlines for submissions. Preparation of the annual budget for the city is a process governed by the provisions of Chapter 44 of the Massachusetts General Laws. Chief Financial Officer, Conor Baldwin, has updated the city's 5-year financial forecast for the city's General Fund and the three Enterprise Funds (Parking, Water, and Wastewater), in order to establish general budgetary guidelines and expenditure limitations for the coming year. This process is fluid in nature and will be continuously updated as we move through the budget season and as more information becomes available. According to our most current forecast models, the projected deficit in the General Fund for FY2027 is approximately \$7.7 million to cover only "known increases" for fixed costs. In accordance with the law, I will bring forward a balanced budget to the City Council for approval in the late spring. In order to achieve this, however, close adherence to these instructions is required.

Lowell's operating budget is heavily dependent on state aid, a variable that is largely uncertain at this point in the process. In fact, the median municipal budget in Massachusetts is comprised of only 10.4% revenue from state aid and 82.1% from the local tax levy. In Lowell, however, the revenue split is just above one-third (40.1%) from the tax levy and 50.8% from local aid. This metric highlights the importance of the local aid distribution in our budget process. At this stage in the state's budget process, we do not yet know what the local aid picture will look like for Lowell in FY2027.

The fiscal year 2027 state budget process will begin in earnest next month, with the annual hearing where the Department of Revenue ("DOR") and other fiscal experts and economists discuss the prospects for the economy and state revenues over the second half of the current fiscal year and the fiscal year to come. Following this hearing, the finance department has updated the city's forecast to account for these projections. I remain committed to a pragmatic policy of moderate, sustainable increases to the tax levy which won't overly burden the



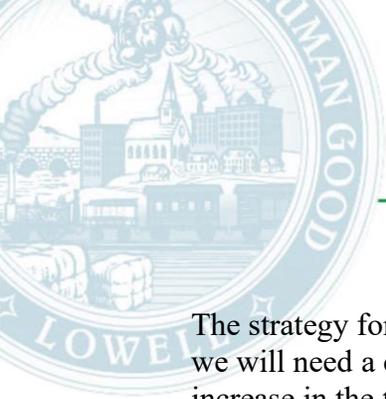
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residential taxpayers but will allow for both the absorption of increasing fixed costs—and the expansion of services. Lowellians deserve a quality of life that can only be provided through excellence in service delivery from their municipal government. Ultimately, a proposed operating budget for fiscal year 2026 will be presented to the Lowell City Council on or about May 5th, 2026.

FY27 will undoubtedly be a challenging year, financially, but I cannot overstate how impressed I have been with Department Heads as they are being asked to stretch their existing resources to provide services to the residents of Lowell. We are asking more from each department without much additional revenue to ease fixed cost increases over which we have no direct control. Each of you have answered the call to do more with less by employing ingenuity and implementing cost-saving measures to make it work. For this I am thankful to each of you and ask that this year be no different. **I expect departments to submit level-service budgets in all accounts other than salaries & wages. For FY27, we will not be considering any new staff positions unless there is a demonstrated cost savings by the department head to the overall operating budget.** We will also be asking you to submit a “Plan-B” option back to us in case more funding isn’t provided by the state in the House / Senate Budgets. However, do not purposefully under budget accounts where contractual increases are known and expected.

As it relates to FY27 and your respective employees CBAs, please contact Neil Osborne in Human Relations regarding any specific questions you may have on the status of current memorandums of understanding (“MOU’s”) for settled collective bargaining agreements (“CBA”) with your staff, and any changes to language which have a budgetary impact. Generally speaking, all CBA’s provide for cost of living (“COLA”) of 2% for the upcoming fiscal year (FY27). Be sure to also factor in any merit-based “step” increases for employees which may be awarded on January 1st of FY2027 (1/1/2026). The finance team has developed a spreadsheet calculator to assist any department heads who may have questions on these figures and will be available to assist your budget staff with any questions.

The city has received notification from PERAC that pension costs will increase by about \$4.8 million next year. Early reports from the Group Insurance Commission have indicated that an 10.9% increase however, we will have more exact figures on these increases in the spring. Cherry sheet assessments will likely be another increase to the FY27 budget, with the primary cost driver being our charter school assessment. Another challenge for the city will be the annual debt service figure. As the city get’s more aggressive with the capital plan as well as the oncoming debt for the Lowell High School project we expect to see an increase of \$3.3 million. Another budgetary challenge for the administration this year will be the “loss” of ARPA funding. The ARPA Team, formerly lead by Brendan Flynn and now by Jessica Finocchiaro did a great job in obligating the full \$76,009,996.05 million the city received from the U.S Treasury. However, since the obligation period deadline is passed, the city will need to look into other revenue sources for various positions that were funded by ARPA including grants.



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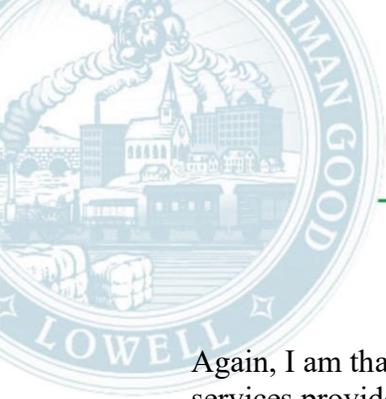
The strategy for balancing the FY27 budget must come on both sides of the ledger. For revenues, we will need a combination of additional state aid, strong collections in local receipts, and an increase in the tax levy. Additional revenue will absorb some of our fixed costs, but it will only be through fiscal constraint that we are able to truly achieve balance. It is with these challenges in mind that I am instructing Department Heads to be conservative with their FY27 budget requests. I must first emphasize the need to reduce growth in spending by managing positions and identifying other cost reductions so fixed cost increases can be absorbed without having an adverse effect on the total budget. **FY27 departmental requests where ordinary expense budgets exceed the approved FY26 budget amount will be rejected outright, including the need for additional positions.**

Only in limited instances where the proposed increase can result in a demonstrable, long term savings to the budget, will increases to discretionary spending be considered. The one exception to this directive will be in cases where department budgets contain certain contractual costs whose costs are scheduled to increase and contracts have been executed. Departments shall not knowingly under-budget for contractual costs.

Once the Local Aid amounts are distributed by the Division of Local Services, after the Governor has released her FY2027 budget; an additional request to Department Heads to further reduce their budgets may be made. Depending on the fiscal reality presented by the full revenue picture, Departments could be asked to cut their budgets by some amount equal to, or greater than the Governor's cut to the UGGA account. Once those figures are released, the Finance Department will be in touch with you all on the exact calculations. This exercise will mirror the process used during the last four budget cycles.

The Lowell City Council and my Administration understand fully that choices made today impact future spending decisions. Our effective short and long-term financial, economic, and programmatic planning strategies will help ensure that Lowell can continue to provide the level of services that residents desire while maintaining the modest tax implications taxpayers have come to expect. I expect that each and every department leader will take this into consideration in submitting budget requests. Submissions must reflect not only the goals of the City Council, but also the priorities of the residents and taxpayers of Lowell.

Ultimately, a budget will be submitted to the City Council that supports their legislative priorities as well as the programmatic and operational needs of the city. The budget is our most important policy document. It is a clear statement of our community's priorities and values. With this budget, we will further advance our mission, together. I truly believe Lowell can be the best mid-sized city in America. Our goal should be to continue the positive momentum. With a focus on core services and investment in education, we will support already-rising property values that will grow the tax base and encourage additional private investment in our community. We have listened to the City Council and the community and responded with a focus on the core values of our community; we must focus on the pedestrian issues that affect the residents of Lowell during their day-to-day life and improve the overall quality of life for the entire population. This budget will focus on maintaining and improving essential city services.



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Again, I am thankful for your continued creativity and advocacy for funding for the municipal services provided by your department. Please start to work on your budgets early and pay close attention to deadlines and dates throughout these instructions.

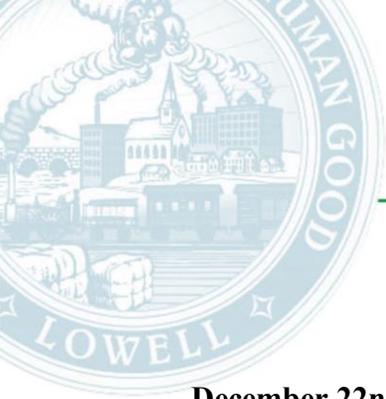
## **FY2027 Budget - Economics/Strategy**

Our challenges in FY2027 are twofold. First and foremost is inflationary pressures in the economy, which are impacting goods and services we rely on to provide municipal services. The second is the challenge of our fixed costs on the budget, which is already extremely lean. That said, we always want to continue to position ourselves for sustainable fiscal growth. This means we will need to exercise extreme budget restraint while at the same time make strategic investments in public safety, education, and infrastructure that pay long term dividends. Each department must work with the finance team to not only find creative ways to reduce expenses, but also identify and pursue new revenue opportunities. The central finance team, especially the budget department, should be your key resource in making your budget work throughout the fiscal year. Your budget staff's primary point of contact will be the Deputy CFO, Austin Ball. His contact information is [ABall@lowellma.gov](mailto:ABall@lowellma.gov) and his phone number is 978-674-1448.

The city must continue to meet its net school spending requirement and provide the proper level of funding to the Lowell Public Schools. We must also ensure that our public safety services are properly staffed and equipped. Finally, we must make every effort to guarantee that the business community is afforded every opportunity to succeed by investing in infrastructure and relentlessly pursuing big projects which will provide the catalyst for economic recovery, such as the Hamilton Canal Innovation District and the ongoing Lowell High School project, LINC Project and the Frontrunner City Initiative.

The process to update the capital improvement plan ("CIP") has also begun and the finance team is conducting analysis on the city's debt capacity to determine the affordability of any additional projects proposed for FY27. Because this portion of the budget does not directly affect all department heads, separate instructions will be distributed in January.

By state law, the budget must be submitted to the City Council within 170 days after the Council organizes in early January. The projected timeline, detailed below in this memo, projects that the FY27 budget will be submitted to the City Council in May of CY 2026.



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### **FY2027 Budget Timeline:**

**December 22nd, 2025** – Budget instructions and financial sheets distributed to Department Heads.

**January 23rd 2026** – All FY2027 budget requests (financial spreadsheets) / accomplishments) due to the Budget Department for initial review (email submissions to Austin Ball [aball@lowellma.gov](mailto:aball@lowellma.gov); CC: Conor Baldwin [cbaldwin@lowellma.gov](mailto:cbaldwin@lowellma.gov)).

**January 26th 2026 – February 13th 2026** - Finance Department works with departments to complete budgets.

**March 23rd, 2026 – March 27th, 2026** – CFO, Budget staff, and/or City Manager may meet with Department Heads to discuss departmental budgets.

**March 28th 2026 – May 1st, 2026** – Final budget preparation.

**May 5th, 2026** – Budget introduction to the Lowell City Council.

### **Budget Instructions**

As we begin the FY27 budget process, each department is required to submit their standard budget request as in prior years. This “normal” request should reflect your anticipated needs and priorities for the upcoming fiscal year, based on current service levels and strategic objectives. New for this year, we are also asking each department to include a “Plan B” column in your submission. This column should represent a 10% reduction to your overall budget, either from personnel services or ordinary expenses. The purpose of this additional scenario is to provide the Finance team with contingency options should state revenue allocations come in lower than projected. Please ensure that your Plan B submission identifies areas where reductions could be made with the least impact on essential services. Both the normal request and the Plan B scenario will be entered directly in ClearGov. When you access your department’s budget in ClearGov, these columns will already be provided for you in the template. This proactive approach will help us respond quickly and effectively to potential revenue shortfalls while maintaining fiscal responsibility. **When entering amounts, please round up or down to the nearest whole dollar. Do not include cents.** In addition, and also new for this year each account line item must be itemized in ClearGov as part of your submission. This means breaking down costs so that we know exactly what each expense is for. Itemization is critical because it allows the Finance Team to justify these costs during internal review and external reporting. When we can clearly explain what each dollar supports—whether it’s equipment, supplies, or contracted services—it strengthens our ability to defend the budget and maintain transparency. This level of detail is required for internal Finance review only and will not be displayed to the public. To assist with



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this process, training will be provided in January, after the holidays, by the Finance Team in collaboration with MIS, we have also included a snip-it below for how it should look. Please ensure that all line items are clearly documented to support analysis and decision-making.

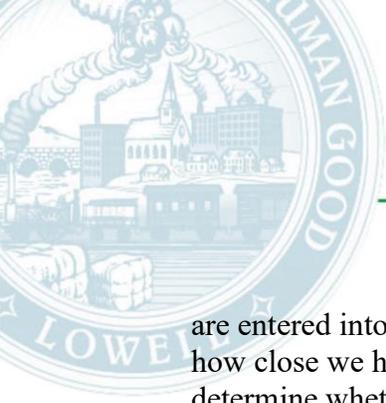
General Information		Requested	FY26	20250414 AB	FY26 In Progress		
Description	▼	le		Difference	Quantity	Unit Cost	Value
LEASING EQUIP. & SERV.	▼	172,000.00		\$0.00			\$172,000.00
Internet Connectivity		22,000.00		\$0.00	1	\$22,000.00	\$22,000.00
Telecommunications Servi...		105,000.00		\$0.00	1	\$105,000.00	\$105,000.00

+ Add Itemization

Also new for this year, all employee salary calculations must be completed using the salary calculator that will be provided to you. This tool ensures that the Finance Team can accurately identify if any employee's funding is offset by grants and determine which grant they are tied to. Please use the calculator for all salary-related entries before submitting your budget in ClearGov.

We will not be asking department heads to edit their narrative section this year. These narratives will be written by the Finance Team to ensure we present a unified story of the City as a whole rather than individual department silos. This approach will allow us to better align departmental priorities with the City Council's strategic goals and create greater consistency across all communications. **The only narrative-related requirement is that you submit your Calendar Year 2025 accomplishments in a Word document to the Finance Team.** You should already have a head start on this from what was submitted for the City Manager's Year in Review. To further support this effort, we will be bringing on a third-party consultant who will work directly with department heads after submissions are received. This consultant will help departments understand how their work connects to citywide priorities and assist in framing accomplishments and initiatives in alignment with Council goals.

Department Heads should include cost of living adjustments ("COLA") for union and Ordinance employees of 2% and merit-based step increases for employees in their budget submissions. Please contact the Human Relations Office to obtain copies of collective bargaining agreements or for any personnel related questions as you budget for your FY2027 salary & wage accounts. Overtime accounts must be level funded, unless the need for an increase can be readily justifiable. All total expense accounts must also remain level funded. Once the submitted budgets



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are entered into the consolidated model and evaluated by the Finance Department, we will see how close we have come to our goal of limiting the tax levy growth. At that time, we will determine whether there are additional resources that we can allocate to the budget, or whether we need to make additional reductions.

This year and in place of a formal memorandum, if you are asking for an increase to a specific expense account, you must enter in the rationale directly through Cleargov in the notes / comments section. Be sure to carefully detail all changes, up or down, and the expenses that comprise the whole of each budgetary account. No new positions / line items will be considered for FY2027 unless the Department Head can concisely state how that position will achieve a cost savings. If you are requesting a new line position or line item, please make sure a justification for the increase is included. The Finance Team, reserves the right to reject any additional request but will do our best to make accommodations.

The City of Lowell's annual budget is one of the most important communication tools at our disposal and, as such, I encourage you to be creative and take pride in your submission. Communicating to citizens and other stakeholders what services they can expect with their tax dollars, fees and other revenues provided, is the obligation of every municipal Department Head.

Please be sure to begin your budget work early. We are once again aggressive with deadlines for budget materials to be returned to the Finance Department and asking that the financials be submitted earlier. Asking questions early in the process rather than waiting until the last minute to do so will result in a better final product.

Please do not hesitate to contact CFO Conor Baldwin or Deputy CFO Austin if you have questions about the budget model or these instructions.