Understanding the 2027 Tentative Budget

TOWN OF PELHAM | BUDGET GUIDE #2 | OCTOBER 30, 2026

Understanding the Proposal and the Choices Ahead

The 2027 Tentative Budget proposes total expenditures of $8,514,048 and a property-tax levy of $4,083,806, an increase of $187,280, or 4.81%, over 2026. For a home assessed at $1 million, this represents an estimated annual increase of approximately $33 in Town property taxes.

Understanding the Property-Tax Cap

Under the Town's 2027 tax-cap calculation, the maximum property-tax levy permitted without an override is $3,989,559. The Tentative Budget proposes a levy of $4,083,806—$94,247 above that limit, or approximately 2.36% above the allowable levy. The proposed 4.81% increase over 2026 is therefore not within the Town's tax cap. Adopting the proposed levy would require the Town Board to approve a tax-cap override.

The override is not yet a final decision. The Town Board will review spending, revenues, reserves, and alternatives before adopting a budget. In particular, the potential insurance savings of approximately $100,000, if approved and applied entirely to reducing the levy, would be enough to bring the proposed levy below the current cap. The Board may instead choose to direct some savings toward reducing the planned use of fund balance; that choice could leave an override necessary.

Importantly, the Town has identified an alternative insurance proposal that could save approximately $100,000 annually. Those savings are not included in the Tentative Budget because the Town Board has not yet evaluated and approved the alternative. If approved, they could be used to reduce the proposed tax increase, reduce planned reliance on fund balance, or a combination of both. Balancing immediate property-tax relief with preserving the Town's financial reserves will be an important part of the Board's deliberations.

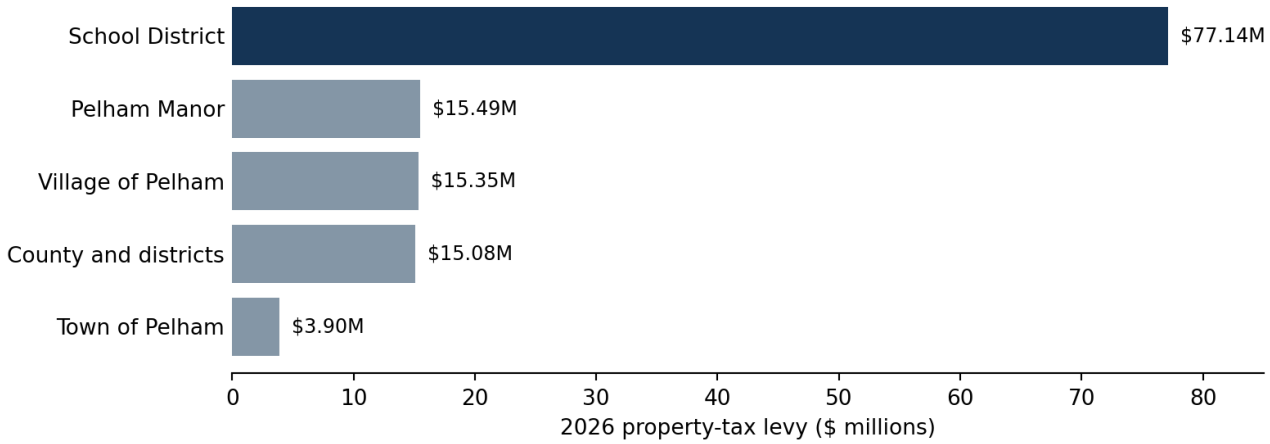
The proposal reflects ten months of work reviewing historical revenues and expenditures, evaluating contracts, strengthening financial oversight, and developing a clearer understanding of what Town services cost and how they are funded.

This work has also led to a new emphasis on making financial information accessible to residents. The purpose of Budget Guide #2 is not merely to report numbers, but to explain what they mean, why the budget is changing, and which decisions remain.

This is the Supervisor's proposed budget, not an adopted budget. It is the starting point for Town Board review and public discussion.

1. Putting the Town Budget in Perspective

Pelham homeowners pay property taxes to the School District, Westchester County, the Town, and one of the two Villages.



Homeowners pay taxes to only one Village. The Town represents approximately 3% of the combined property-tax levies applicable to a Pelham homeowner. Although its share is relatively small, the Town provides important services and has a responsibility to manage taxpayer resources carefully.

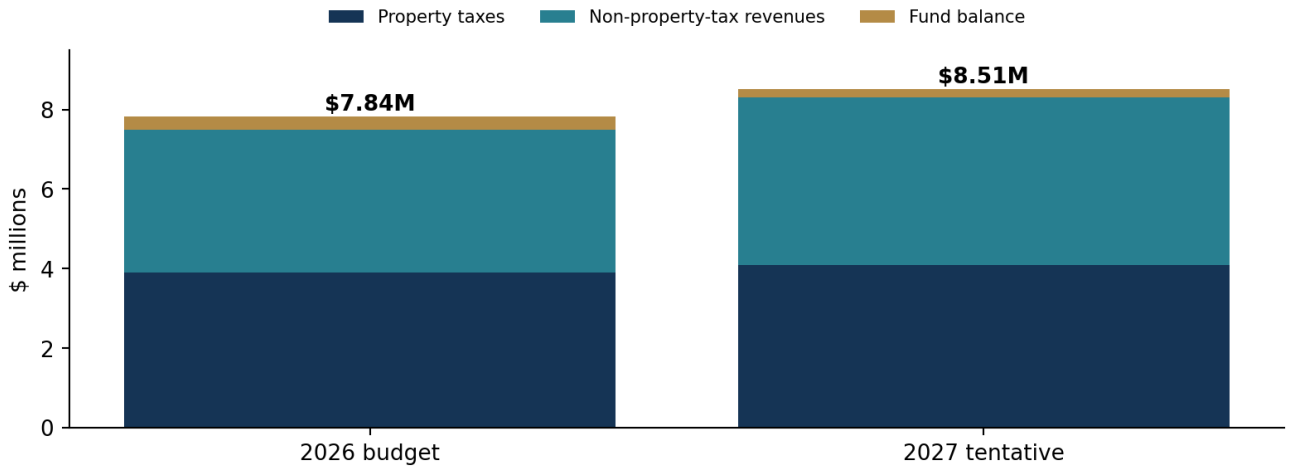
What does the proposed increase mean?

Proposed levy increase: 4.81% • Estimated additional annual tax per $1 million assessed: $33

These homeowner estimates assume assessment proportions and taxable assessed values remain unchanged. They are illustrations, not final tax bills.

2. How Is the Budget Funded? Comparing 2026 and 2027

The 2027 proposal increases spending while also changing the mix of revenues used to fund the budget.



Funding source	2026 budget	2027 tentative
Property-tax levy	$3,896,526	$4,083,806
Non-property-tax revenues	$3,588,978	$4,230,242
Appropriated fund balance	$350,000	$200,000
TOTAL	$7,835,504	$8,514,048

Three changes stand out. The proposed property-tax levy increases by $187,280. Non-property-tax revenues increase by $641,264. Planned use of fund balance decreases by $150,000.

Those changes need to be understood together. Higher non-property-tax revenues do not necessarily represent unrestricted money available to reduce taxes. Some are linked to specific expenses.

For example, the budget includes $286,000 in grant reimbursements for eligible capital improvements, while ambulance billing revenues help offset the cost of emergency medical services. Proposed employee health insurance contributions are also accompanied by corresponding salary adjustments.

The 2027 revenue estimates were informed by our review of actual financial results from 2022 through 2025, rather than simply repeating assumptions from prior budgets.

3. Understanding the Cost of Town Services

A central part of our financial review has been understanding the net cost of providing services: what the Town spends after accounting for fees, reimbursements, and other revenues associated with those services.

The Town funds ambulance services, recreation, the Pelham Public Library, property assessment, tax collection, the Town Justice Court, and other administrative functions.

Ambulance Services

Ambulance services are among the Town's largest financial obligations, with an estimated net annual cost of approximately $1.85 million after ambulance billing revenues. That represents approximately $331 annually for a home assessed at $1 million, based on our earlier service-cost allocation.

For 2027, ambulance operating costs are expected to increase approximately 3%. Increased billing revenues are expected to offset much of that increase, helping maintain a relatively stable net cost to the Town.

The Town's collaboration with Eastchester Volunteer Ambulance Corps began three years ago and has developed into a model for coordinated emergency medical service delivery. Discussions regarding the 2027 services agreement are ongoing.

Pelham Public Library

The Tentative Budget proposes approximately $1.04 million in funding for the Pelham Public Library, equivalent to approximately $186 annually for a home assessed at $1 million, based on our earlier service-cost allocation.

A significant portion of the increase reflects Library-related operating expenses that were previously budgeted elsewhere in the Town budget. These include utilities, landscaping, snow removal, tree maintenance, HVAC maintenance, security, pest control, and audit services. By budgeting these costs directly within the Library budget, the Town is providing residents with a more complete and transparent picture of the actual cost of operating and maintaining the Library. The remaining increase is primarily attributable to payroll and employee benefit costs.

Recreation: Strengthening Financial Oversight

Our financial review identified a shortfall of approximately $250,000 between Recreation's direct program revenues and expenses in 2025.

During 2026, we expanded the Recreation Commission and strengthened financial oversight. We also began examining participation, staffing, fees, revenues, and expenditures at the individual program level. The objective is to bring Recreation revenues and expenses into closer alignment while preserving valuable programs for the community. This work is continuing.

4. Managing Costs and Modernizing Operations

An Opportunity to Reduce Costs

A review of the Town's insurance arrangements identified an alternative proposal with potential annual savings of approximately $100,000. Those savings have not been incorporated into the Tentative Budget because the Town Board has not yet evaluated and approved the alternative coverage.

These savings could support two priorities: reducing the proposed property-tax increase and reducing planned reliance on fund balance. The Board could allocate savings between these priorities; no allocation has been decided.

The tax-cap calculation makes this choice especially clear: the proposed levy exceeds the allowable $3,989,559 by $94,247. Savings of roughly $100,000 could eliminate that difference only if sufficient savings are realized and applied to lowering the tax levy. The Board has not made that allocation.

Reducing the levy provides immediate relief to taxpayers. Reducing planned reliance on fund balance protects financial resources for future needs.

Employee Compensation and Healthcare

Historically, the Town has paid the full cost of employee health insurance premiums. After reviewing employee contribution practices across Westchester County and municipalities throughout New York State, the 2027 Tentative Budget proposes establishing employee contributions of 15% for individual coverage and 20% for family coverage for new employees. Existing employees would contribute 5% for individual coverage and 10% for family coverage in 2027, with the goal of gradually moving toward the new employee contribution rates over a three-year period.

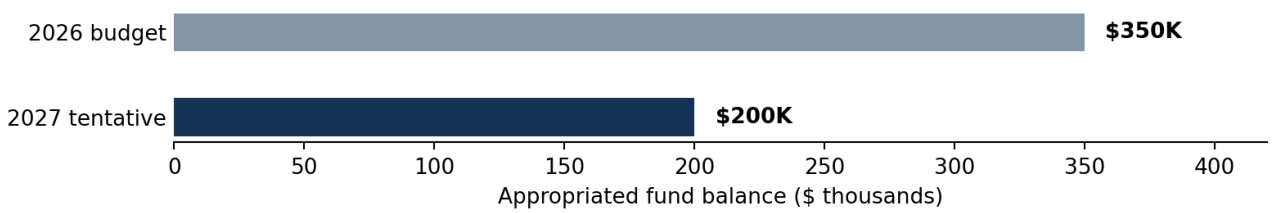
Recognizing that an immediate transition could have a significant financial impact on current employees, the budget includes compensation adjustments intended to offset the new employee contributions, together with a 3% salary increase. Both the projected employee contributions and corresponding compensation adjustments are included in the Tentative Budget. The goal is to establish a more consistent and sustainable approach to compensation that considers salaries and benefits together, while supporting the Town's ability to attract and retain qualified employees. These proposals remain subject to Board review.

5. Protecting Reserves and Planning for the Future

Why Fund Balance Matters

Fund balance serves as an important financial safeguard for the Town. Under Westchester County's property-tax collection system, the Town must guarantee payment of School District and County property-tax levies, including amounts owed by property owners who have not yet paid their taxes. These responsibilities extend beyond the Town's own operating budget and make adequate reserves and cash balances especially important.

The 2027 Tentative Budget proposes appropriating $200,000 of fund balance, compared with $350,000 budgeted in 2026.

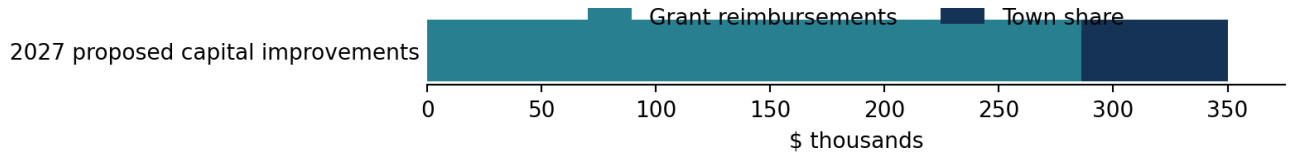


This represents a $150,000 reduction in planned fund balance use. It does not, by itself, establish that the Town's ongoing operating budget is fully supported by recurring revenues.

My longer-term objective is to fund recurring operating expenses with recurring revenues and limit the use of fund balance to capital investments and contingency needs. That transition is not yet complete. Decisions during this budget review, including allocation of insurance savings, can help move the Town closer to that goal.

Capital Improvements

The Tentative Budget includes $350,000 for capital improvements, supported by $286,000 in anticipated grant reimbursements for eligible projects.



These proposed capital improvements will address deferred facility and infrastructure needs throughout the Town. Projects include HVAC replacement, parking lot rehabilitation, restroom renovations, door replacements, and other improvements to Town-owned facilities.

6. What Happens Next?

The 2027 Tentative Budget reflects ten months of financial review and planning, but important decisions remain. The Town Board will examine assumptions, evaluate alternatives—including the potential insurance savings—and determine what adjustments should be made before adopting the final budget.

The Board will consider how to balance maintaining services, addressing capital needs, limiting the tax burden, and protecting financial reserves. Residents are encouraged to participate by asking questions, offering suggestions, and reviewing the information provided.

The purpose of Budget Guide #2 is not simply to explain the numbers. It is to make the choices behind those numbers understandable.

A more transparent budget process helps residents see how public resources are used, understand trade-offs, and participate in decisions about Pelham's future.