TOWN OF MARBLEHEAD
MEMORANDUM OF UNDERSTANDING REGARDING THE FY27 OVERRIDE FRAMEWORK AND FY27-29 FINANCIAL MANAGEMENT PLAN

Whereas, the Town of Marblehead seeks to exercise fiscal discipline while continuing to provide quality municipal and educational services and acknowledges that budgetary limitations in each fiscal year may require the Town to prioritize the utilization of available resources to achieve the Town's goals and objectives; and

Whereas, the Town of Marblehead is facing a $7.7 million budget deficit for Fiscal Year 2027 and intends to present a Proposition 2 1/2 general override to voters in the Spring of 2026; and

Whereas, the Select Board, School Committee and Finance Committee wish to make a public commitment to the residents and taxpayers of the Town of Marblehead regarding the structure and implementation of the proposed override for Fiscal Years 2027-2029;

Now therefore, the Select Board, School Committee and Finance Committee agree to the following parameters and pledge to work together in Fiscal Years 2027 to 2029 to achieve balanced budgets consistent with this Memorandum of Understanding ("MOU").[1]

Definitions

Draw: Increase the tax levy.
Free Cash: The remaining, unrestricted funds from the prior fiscal year as certified by the Massachusetts Department of Revenue, Bureau of Accounts, in accordance with Massachusetts General Laws.
Override: An authorization by Marblehead voters in accordance with M.G.L. c. 59, § 21C (commonly known as Proposition 2 ½) to raise the Town of Marblehead's property tax levy limit.
Stabilization Fund: The Town's fiscal reserve account established under M.G.L. c. 40, § 5B and maintained by the Town as a financial resource to mitigate the impact of revenue shortfalls, unanticipated expenditures, emergencies, and other fiscal uncertainties. The Stabilization Fund may be appropriated only by a two-thirds vote of Town Meeting.
Town of Marblehead: When used in this MOU, "Town" or "Town of Marblehead" refers to all combined departments, including both municipal and school departments.

[1] While current boards and committees cannot bind their successors, we expect that future boards and committees will honor and respect this public pledge of fiscal management consistent with the parameters set forth in this MOU.

Override Structure and Reporting

A. The Town will seek a Proposition 2 ½ general override for operating costs (the "Override") in the Spring of 2026. It will be presented to voters as a multi-tier Override, with each tier covering Fiscal Years 2027-2029.
   a. The Town will separately propose a Proposition 2 ½ override in the Spring of 2026 to fund the cost of curbside trash collection. That override request is not addressed by this MOU.

B. If the Override is approved by voters, no further Proposition 2 ½ general overrides will be sought until at least FY2030, regardless of which tier is successful.

C. The tiers will be structured and utilized as follows:

   a. Tier 1: Restore will ask voters to approve an Override that increases the Town's levy capacity by $9,000,000.
      i. In FY27, the Town will Draw no more than $1,269,564 from Override funds. In particular, no more than $1,269,564 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $0 will be Drawn from Override funds to cover expenses in the school budget.
      ii. In FY28, the Town will Draw no more than $5,014,899 from Override funds. In particular, no more than $718,849 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $4,296,050 will be Drawn from Override funds to cover expenses in the school budget.
      iii. In FY29, the Town will Draw no more than $2,715,537 from Override funds. In particular, no more than $811,587 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $1,903,950 will be Drawn from Override funds to cover expenses in the school budget.

   b. Tier 2: Stabilize will ask voters to approve an Override that increases the Town's levy capacity by $12,000,000.
      i. In FY27, the Town will Draw no more than $2,805,236 from Override funds. In particular, no more than $2,805,236 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $0 will be Drawn from Override funds to cover expenses in the school budget.
      ii. In FY28, the Town will Draw no more than $5,987,063 from Override funds. In particular, no more than $1,009,991 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $4,977,072 will be Drawn from Override funds to cover expenses in the school budget.
      iii. In FY29, the Town will Draw no more than $3,207,701 from Override funds. In particular, no more than $1,005,324 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $2,202,377 will be Drawn from Override funds to cover expenses in the school budget.

   c. Tier 3: Invest will ask voters to approve an Override that increases the Town's levy capacity by $15,000,000.

i. In FY27, the Town will Draw no more than $4,296,718 from Override funds. In particular, no more than $4,296,718 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $0 will be Drawn from Override funds to cover expenses in the school budget.
ii. In FY28, the Town will Draw no more than $6,323,515 from Override funds. In particular, no more than $1,170,782 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $5,152,733 will be Drawn from Override funds to cover expenses in the school budget.
iii. In FY29, the Town will Draw no more than $4,379,767 from Override funds. In particular, no more than $1,030,267 will be Drawn from Override funds to cover expenses in the municipal budget and no more than $3,349,500 will be Drawn from Override funds to cover expenses in the school budget.

D. Beginning in January 2027, the Town Administrator's State of the Town Address shall include specific reporting regarding Override funds. At a minimum, that reporting shall include:
   a. A summary of all funds Drawn from the Override through the close of the prior fiscal year and the expenses to which those funds were allocated;
   b. A summary of the unutilized levy capacity through the close of the prior fiscal year;
   c. A summary of all Override funds budgeted for use in the current fiscal year's budget and the expenses to which those funds are allocated; and
   d. A summary of the anticipated unutilized levy capacity at the close of the current fiscal year.

E. Beginning in January 2027, the Superintendent shall annually report at a School Committee meeting:
   a. A summary of all funds Drawn from the Override through the close of the prior fiscal year for school budget expenses and the expenses to which those funds were allocated; and
   b. A summary of all Override funds budgeted for use in the current fiscal year's school budget and the expenses to which those funds are allocated.

Available Revenue Forecasting

A. Revenue Forecast. The funds requested in the Override are based on the FY27-29 Revenue Forecast attached here to as Exhibit A ("Revenue Forecast"). Net unrestricted revenue excluding any funds levied through the Override will be allocated as follows for budgeting purposes: 62% allocated to the School Budget; 38% allocated to the Municipal Budget. This formula will apply through the creation of the FY29 budget, regardless of the accuracy of the Revenue Forecast. Prior to the preparation of the FY2030 budget, the Select Board, School Committee, and Finance Committee will review and evaluate the effectiveness of this method of revenue allocation.

B. Revenue Assumptions. The Revenue Forecast includes certain assumptions regarding revenue and expenditure growth. Variability in those projections will be addressed as follows:

a. *Free Cash*: The Revenue Forecast assumes the policy of decreasing the reliance on Free Cash in the operating budget by allocating $1 million less in Free Cash to the budget on an annual basis.
    i. In the event certified Free Cash exceeds the forecasted amount, the overage will be allocated as follows: (a) $1 million will be held in unrestricted reserves; (b) $1 million will be allocated to the Stabilization Fund; (c) up to $2 million will be allocated for capital expenditures; and (d) Free Cash in excess of $4 million over the forecasted amount will be used to offset other liabilities, such as OPEB and Pension obligations.
    ii. In the event certified Free Cash comes in below the forecasted amount, there will be no change to the Override Draw for the applicable fiscal year and the Town will abide by the limits agreed to in the Override Structure and Reporting section of this MOU.
b. *Active Employee Health Insurance*: The Revenue Forecast assumes a 7% annual increase in Active Employee Health Insurance costs.
    i. In the event budgeted Active Employee Health Insurance costs exceed a 7% annual increase in any given fiscal year, there will be no change to the Override Draw for the applicable fiscal year and the Town will abide by the limits agreed to in the Override Structure and Reporting section of this MOU.
    ii. In the event budgeted Active Employee Health Insurance costs are below a 7% annual increase in any given fiscal year, those additional funds will be allocated to the Stabilization Fund.
c. *Retiree Health Insurance*: The Revenue Forecast assumes a 5% annual increase in Retiree Health Insurance costs.
    i. In the event budgeted Retiree Health Insurance costs exceed a 5% annual increase in any given fiscal year, there will be no change to the Override Draw for the applicable fiscal year and the Town will abide by the limits agreed to in the Override Structure and Reporting Section of this MOU.
    ii. In the event budgeted Retiree Health Insurance costs are below a 5% annual increase in any given fiscal year, those additional funds will be allocated to the Stabilization Fund.

C. Joint Financial Review. Beginning in FY27, the Town Administrator and Superintendent will report at least quarterly to the Chairs of the Select Board, School Committee, and Finance Committee regarding the Town's fiscal position, including projected revenues and expenditures for the coming fiscal year.

Other Commitments to Taxpayers

A. Minimize Impact on Taxpayers.
    a. The Town will engage in public outreach to maximize participation in property tax relief programs, including various tax exemptions, tax deferral options and the Senior Tax Work-Off Program.
    b. If approved by the Massachusetts Legislature, the Town will implement the new Means-Tested Senior Citizen Property Tax Exemption for FY27 and work directly with the Council on Aging to educate eligible residents.

c. The Town will actively pursue new revenue sources and identify ways to increase current revenue sources.
d. The Town will continue to seek efficiencies in all areas of the municipal and school budgets to find opportunities for cost savings and cost sharing across departments.

B. Maintain and Improve the Town's Financial Position.
   a. The Town will work to build the balance in the Stabilization Fund to 5% of the Town's operating budget and maintain that balance once reached per the Select Board Reserve Fund policy.
   b. The Town will continue making annual contributions towards its Pension and Other Post-Employment Benefits obligations consistent with or greater than past levels of contribution.

C. Extraordinary Circumstances. In the event of extraordinary and unforeseen external circumstances, such as a major natural disaster, public health emergency, or significant economic crisis, the terms of this MOU may be subject to review at the request of all three signature boards. Invoking this clause requires a favorable supermajority vote of each of the signature boards.

If the Override Fails

A. If the Override is not approved by voters, the Town will implement staffing and service reductions as of July 1, 2026, consistent with the balanced budget approved by the 2026 Town Meeting.

B. The Town will continue to allocate unrestricted revenue as follows for budgeting purposes: 62% allocated to the School Budget; 38% allocated to the Municipal Budget. This formula will apply for future years until replaced by a subsequent agreement of the Select Board, School Committee and Finance Committee.

C. The remainder of this MOU will not apply, and the Town will need to reevaluate its approach to service provision.

Implementation

The Select Board, School Committee, and Finance Committee shall each vote to approve and adhere to this Memorandum of Understanding as presented and authorize the respective chairperson to sign on behalf of the Board or Committee.

Proposed Votes

A. That the Select Board of the Town of Marblehead hereby votes to (1) approve and adhere to the Memorandum of Understanding regarding the FY27 Override Framework and FY27-29 Financial Management Plan dated April 7, 2026 attached hereto; (2) authorize the Chair of the Select Board to execute such MOU; and (3) authorize the Town Administrator to manage the implementation of said MOU on behalf of the Select Board in accordance with its terms.

B. That the School Committee of the Town of Marblehead hereby votes to (1) approve and adhere to the Memorandum of Understanding regarding the FY27 Override Framework and FY27-29 Financial Management Plan dated April 7, 2026 attached hereto; (2) authorize the Chair of the School Committee to execute such MOU; and (3) authorize the Superintendent to manage the implementation of said MOU on behalf of the School Committee in accordance with its terms.

C. That the Finance Committee of the Town of Marblehead hereby votes to (1) approve and adhere to the Memorandum of Understanding regarding the FY27 Override Framework and FY27-29 Financial Management Plan dated April 7, 2026 attached hereto; and (2) authorize the Chair of the Finance Committee to execute such MOU

Dan Fox, Chair of the Select Board	4/29/26 Date
Al Williams, Chair of the School Committee	4/30/26 Date
Alec Goolsby, Chair of the Finance Committee	5/4/26 Date
Thatcher W. Kezer III, Town Administrator	4/29/2026 Date
John Robidoux, Superintendent	4/30/26 Date