



Warrant Committee Update

AUGUST 26, 2024



Topics

Fall Town Meeting Update

FY2026 Budget Process and Schedule

Milton Budget Status and Forecast

School Project Cost and Tax Impact Update



2024 Fall Town Meeting

No Fall Town Meeting Scheduled as of yet by the Select Board

Recent Fall Town Meetings have been moved to December

- 2019, 2020, 2022, 2023 were in December

Presidential Election: November 5, 2024

No Warrant Articles as of yet

- Potential: School Building Committee funding request



Municipal Finance Resources

Open door – available for questions or additional information

Massachusetts Association of Town Finance Committees Handbook

Massachusetts Division of Local Services website

- [Municipal Databank](#)
- [Municipal Finance Training and Resource Center](#)
- ["Levy Limits: A Primer on Proposition 2 ½" \(PDF\)](#)
- ["Proposition 2½ Ballot Questions Requirements and Procedures" \(PDF\)](#)
- ["Proposition 2½ and Tax Rate Process"](#)
- YouTube series: ["New Officials Playlist"](#)
- YouTube series: ["A Deeper Dive Into Municipal Debt"](#)
- YouTube series: ["Proposition 2 1/2"](#)
- [Debt Service Calculator](#)
- [Property Tax Impact Calculator](#)



Budget Process and Schedule

Town Department Heads submit budgets by August 31

Internal meetings and staff review

Town Departmental budgets submitted to the Warrant Committee by December 1

Warrant Committee members meet with department heads to review budget requests

Warrant Committee meetings for budget review

Budget recommendation finalized for Town Meeting and for printing in the warrant

Town Meeting Warrant:

- Final budget numbers
- Warrant Committee comments



Budget Overview and Forecast

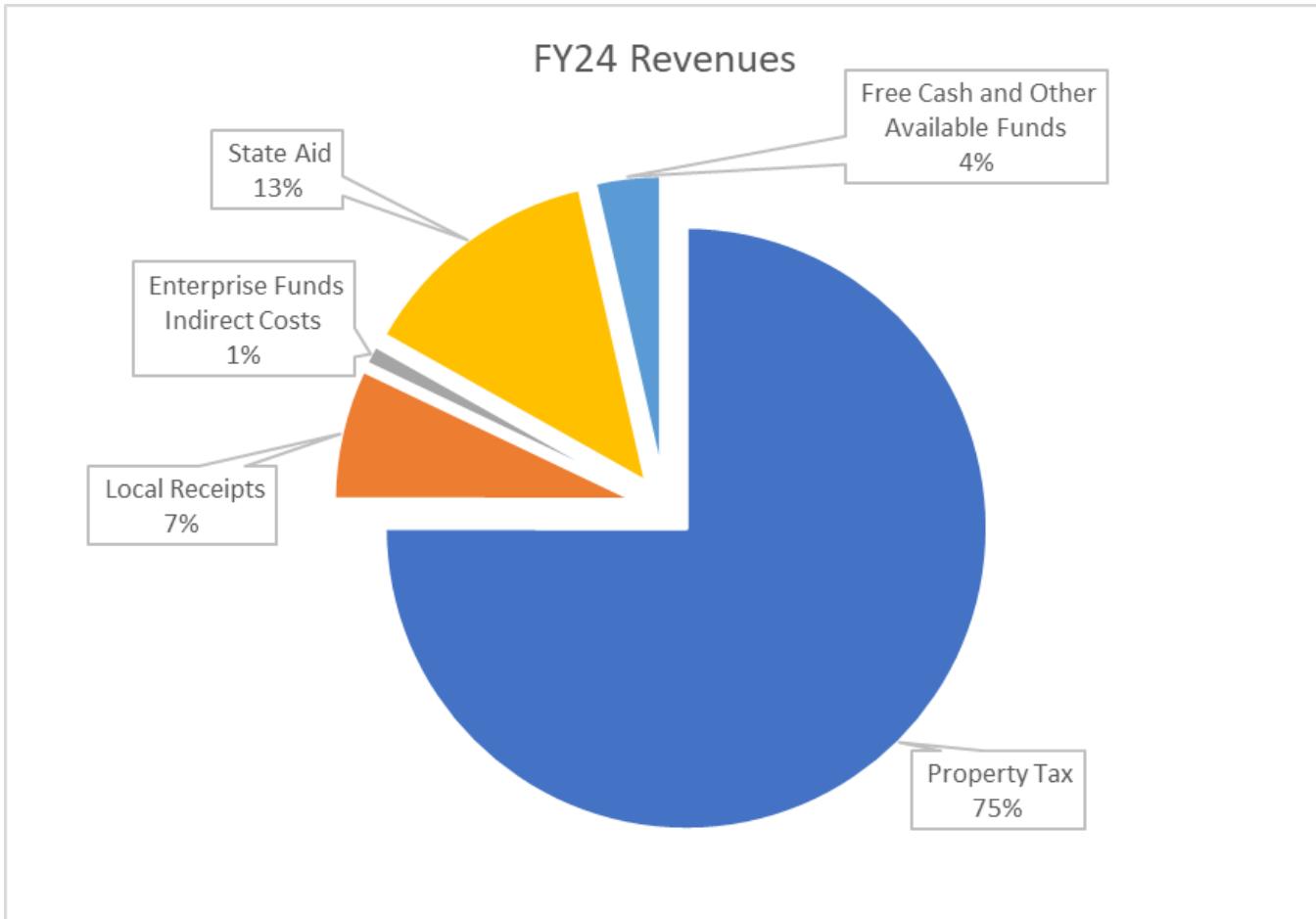
Revenue Sources and Forecast

Expenditures and Forecast

Reserves



Revenue Sources

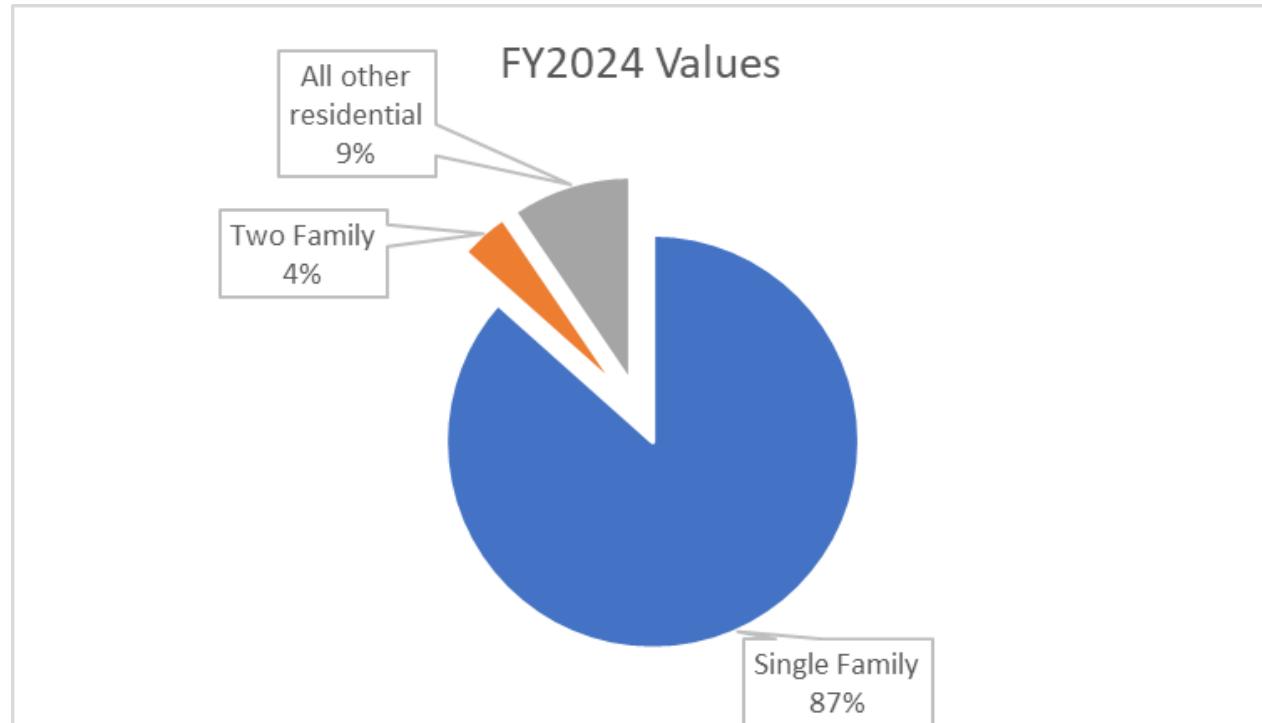
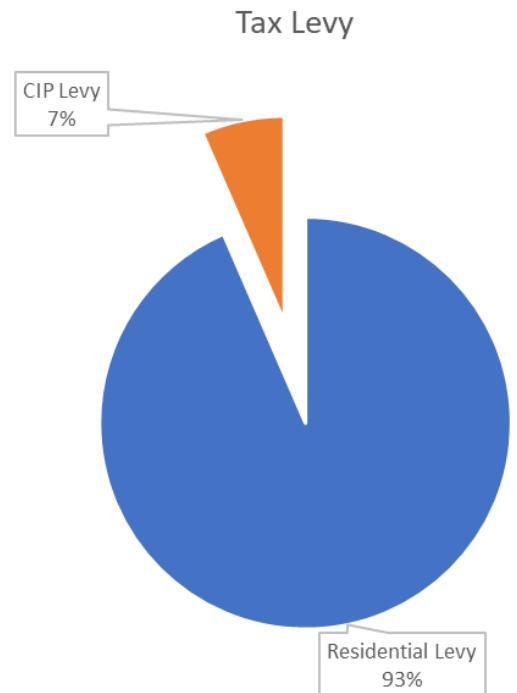




	FY 2023 BUDGET	FY 2024 BUDGET	FY 2025 Estimate	FY 2026 Estimate
Previous Levy Limit	88,481,913	91,940,200	95,438,796	98,824,766
Add 2.5% Levy	2,212,048	2,298,505	2,385,970	2,470,619
New Growth	1,246,239	1,200,091	1,000,000	850,000
Subtotal	91,940,200	95,438,796	98,824,766	102,145,385
Debt Exclusion	1,959,312	1,869,729	1,794,934	1,336,994
Fire Station Debt Exclusion	369,868	459,451	534,246	992,186
Exclusion for Medical Expenses	500,000	500,000	500,000	500,000
Subtotal	2,829,180	2,829,180	2,829,180	2,829,180
Total	94,769,380	98,267,976	101,653,946	104,974,565
\$ Increase		3,498,596	3,385,970	3,320,619
% Increase		3.69%	3.45%	3.27%

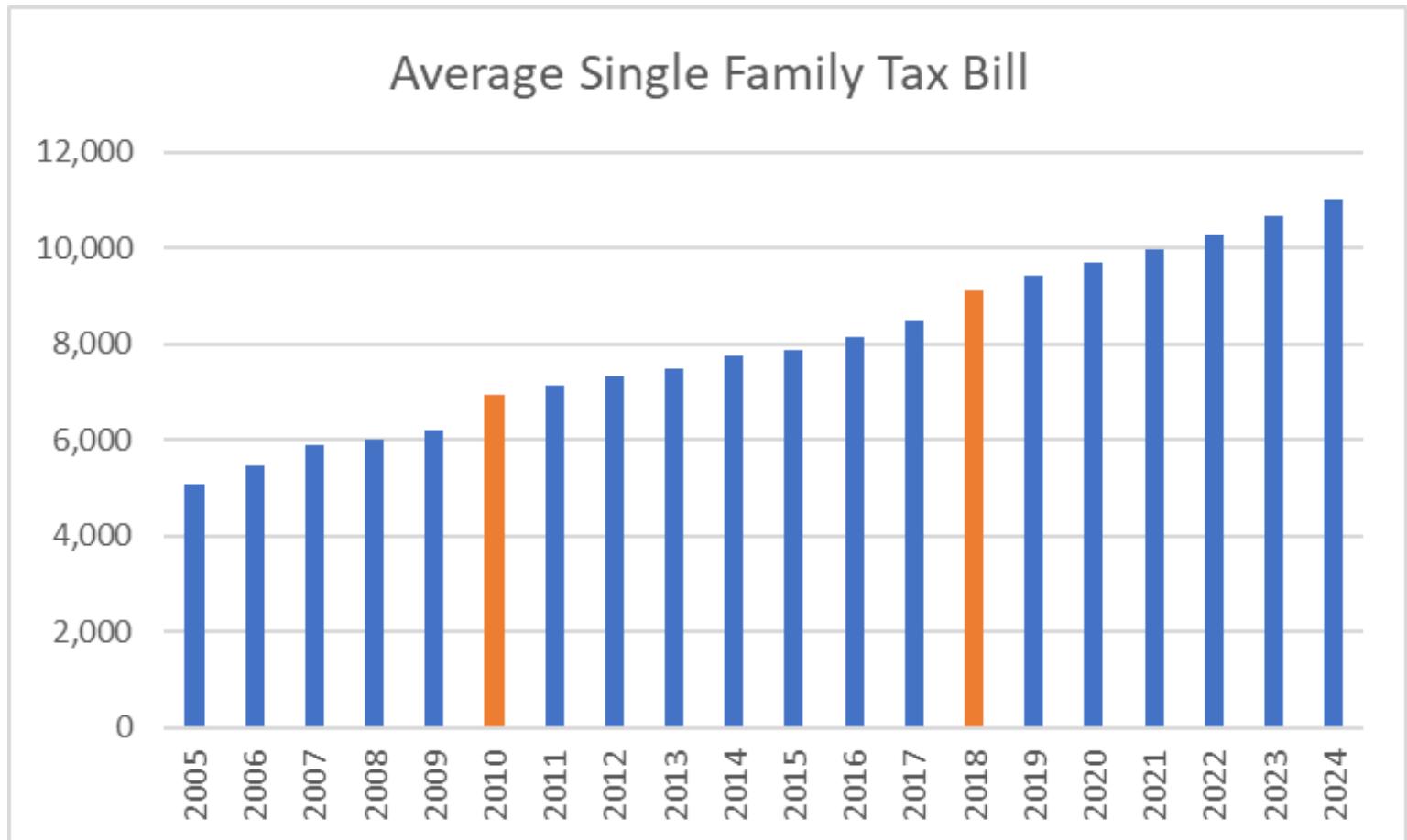


Property Tax Levy





Property Tax Levy



Fiscal Year	Change from Prior Year
2008	1.8%
2009	3.4%
2010	11.5%
2011	3.0%
2012	2.6%
2013	2.0%
2014	3.6%
2015	1.8%
2016	3.5%
2017	3.9%
2018	7.4%
2019	3.4%
2020	2.9%
2021	3.0%
2022	3.1%
2023	3.8%
2024	3.2%



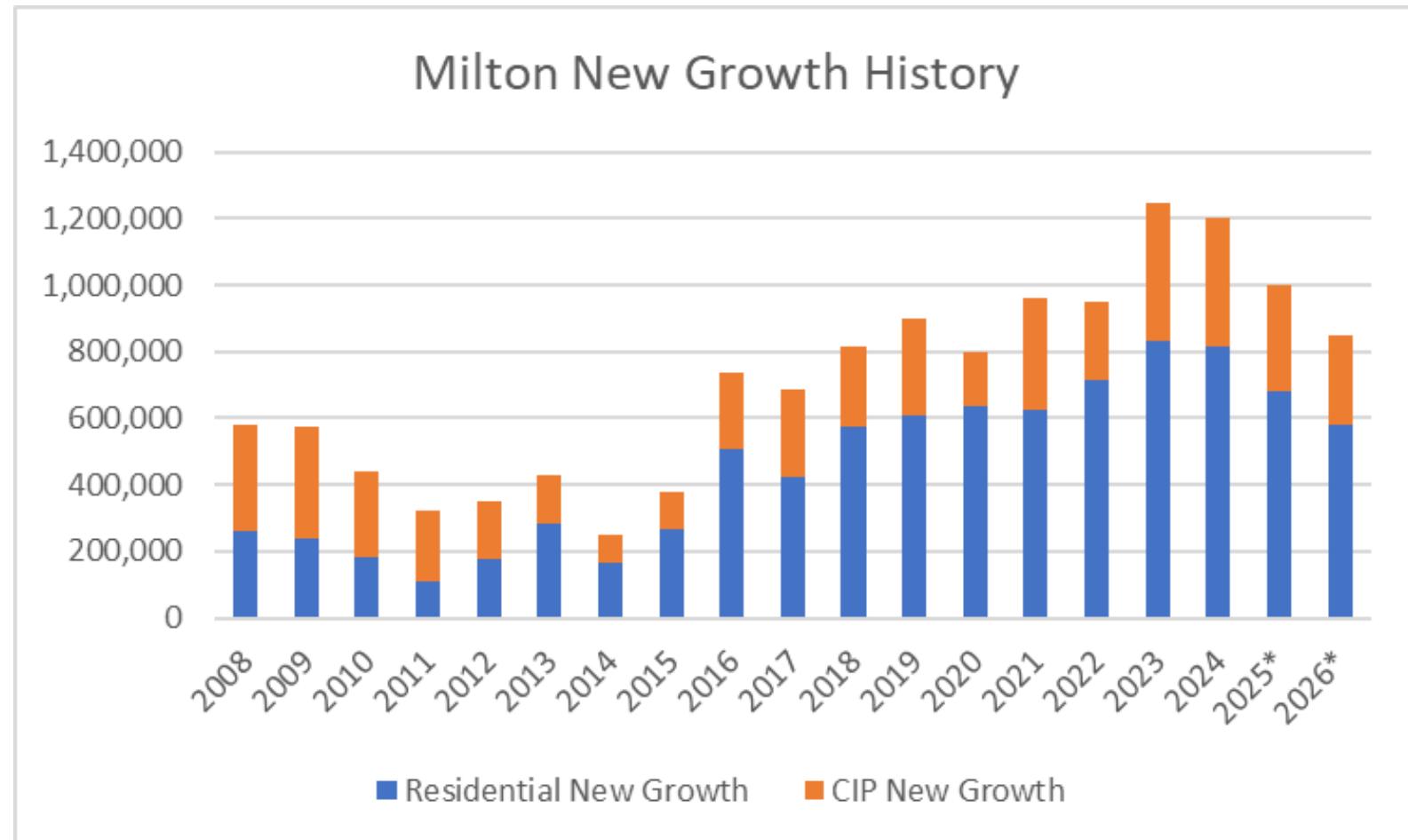
New Growth

New Growth is the dollar increase in the annual levy limit that reflects the additional tax revenue generated by new construction, renovations, and other increases in the property tax base during a year.

This does not include growth from change due to revaluation, but results from an improvement to a property.

Recent Milton New Growth:

- New construction: Wolcott Woods, 131 Eliot
- Additions/Renovations
- Utilities





State Aid

Cities and Towns receive aid (“receipts”) and are also charged by the state (“assessments”)

Receipts:

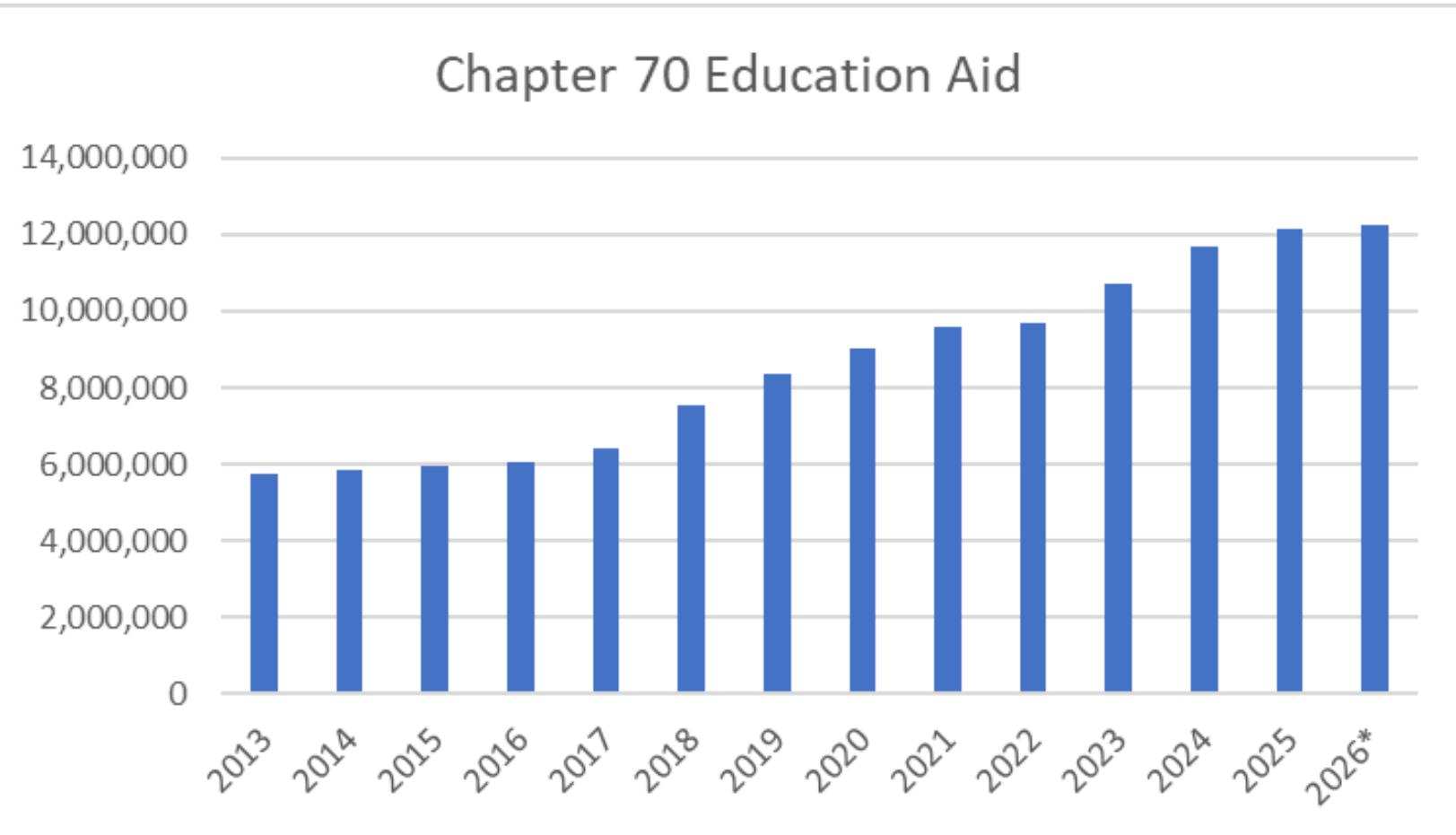
- Education Aid (“Chapter 70”)
- Unrestricted General Government Aid
- State Owned Land Payments
- Other smaller sources include library aid, veterans benefits, and state share of property tax exemptions

Assessments:

- County government
- MBTA
- Retired teachers health insurance
- Other smaller assessments include mosquito control, MAPC, etc.



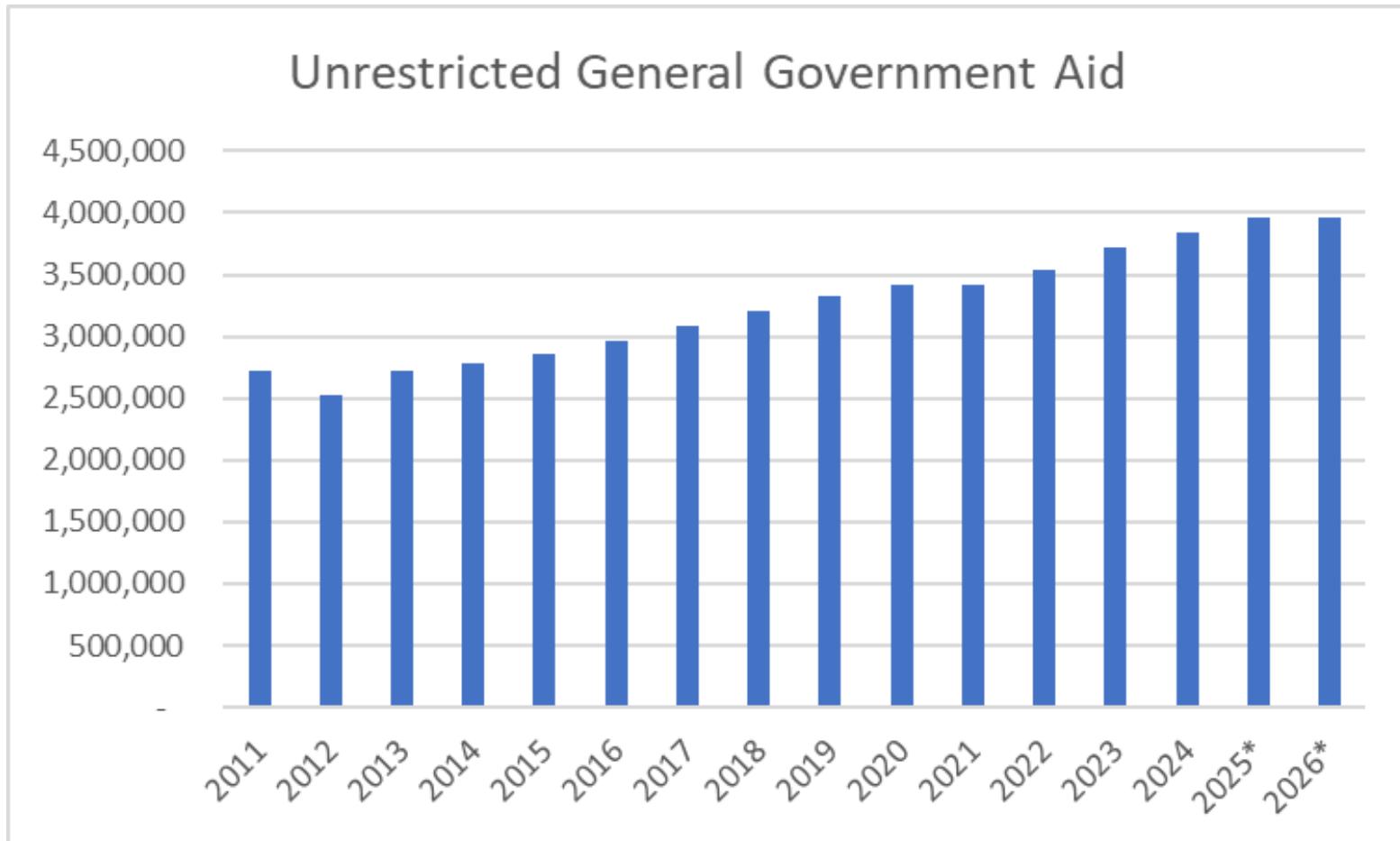
State Aid



FY	Chapter 70 Aid	Change from PY
2010	4,691,135	-2.0%
2011	5,474,895	16.7%
2012	5,504,287	0.5%
2013	5,765,928	4.8%
2014	5,869,609	1.8%
2015	5,964,022	1.6%
2016	6,060,522	1.6%
2017	6,409,833	5.8%
2018	7,557,002	17.9%
2019	8,350,074	10.5%
2020	9,033,561	8.2%
2021	9,567,275	5.9%
2022	10,723,607	1.4%
2023	11,675,882	10.6%
2024	12,123,394	3.8%
2025	12,255,397	1.1%



State Aid



FY	UGGA	Change from PY
2010	2,831,002	2.80%
2011	2,717,762	-4.00%
2012	2,521,257	-7.23%
2013	2,717,762	7.79%
2014	2,782,004	2.36%
2015	2,859,154	2.77%
2016	2,962,084	3.60%
2017	3,089,454	4.30%
2018	3,209,943	3.90%
2019	3,322,291	3.50%
2020	3,411,993	2.70%
2021	3,411,993	0.00%
2022	3,531,413	3.50%
2023	3,722,109	5.40%
2024	3,841,217	3.20%
2025	3,956,453	3.00%
2026*	4,035,582	2.00%



Local Receipts

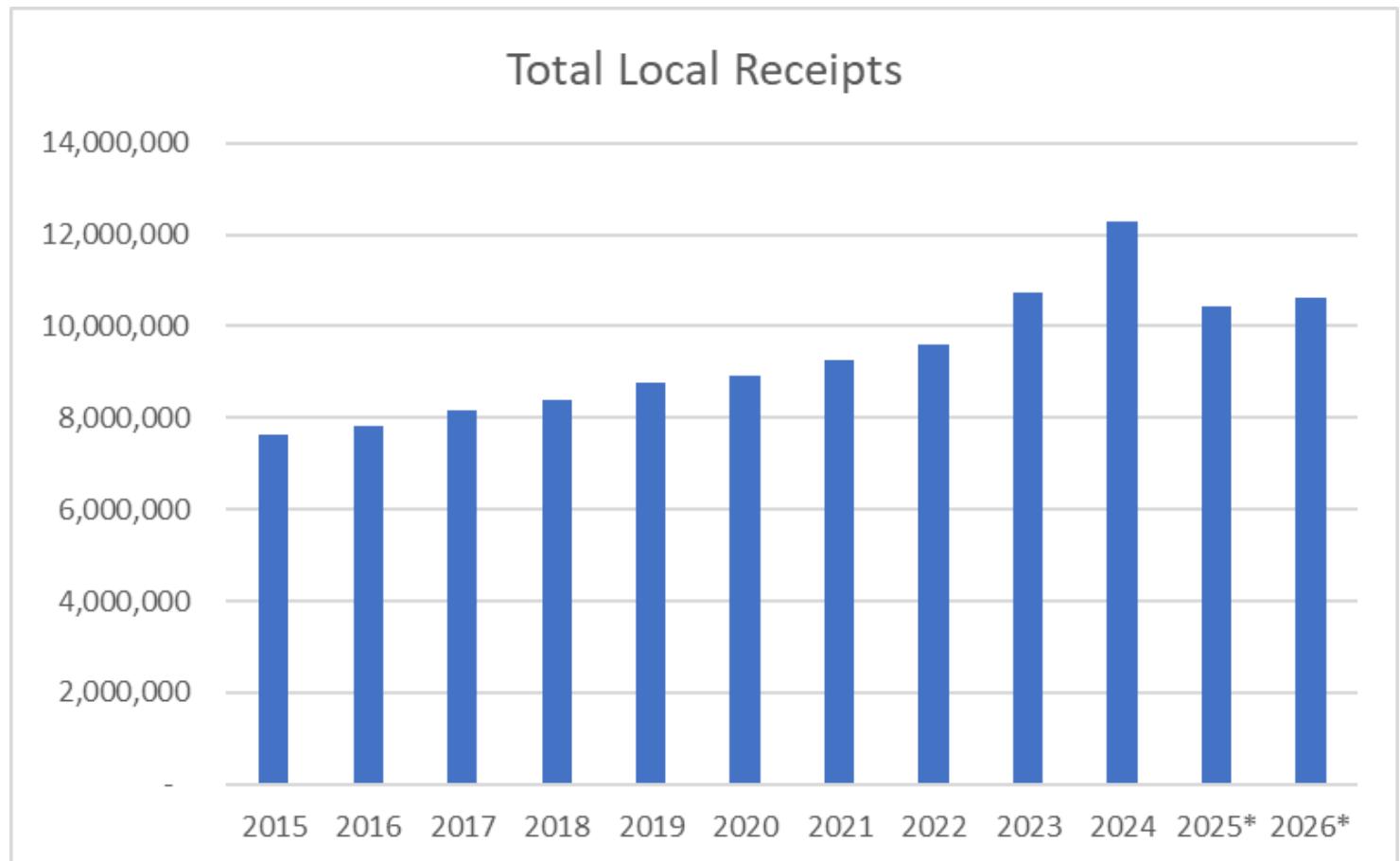
Revenue generated at the local level from a variety of sources other than property taxes, including:

- Motor Vehicle excise
- Regulatory fees (fines, licenses, and permits)
- Trash fees
- Payments in Lieu of Taxes (“PILOT”)
- Departmental revenue
- Investment income

Local receipts are paid into the community’s general fund unless earmarked for a specific departmental use in compliance with state statute.



Local Receipts





Investment Income

The Town's "Investment Income" is primarily income from interest earned on the Town's bank balances (money market, savings, etc.)

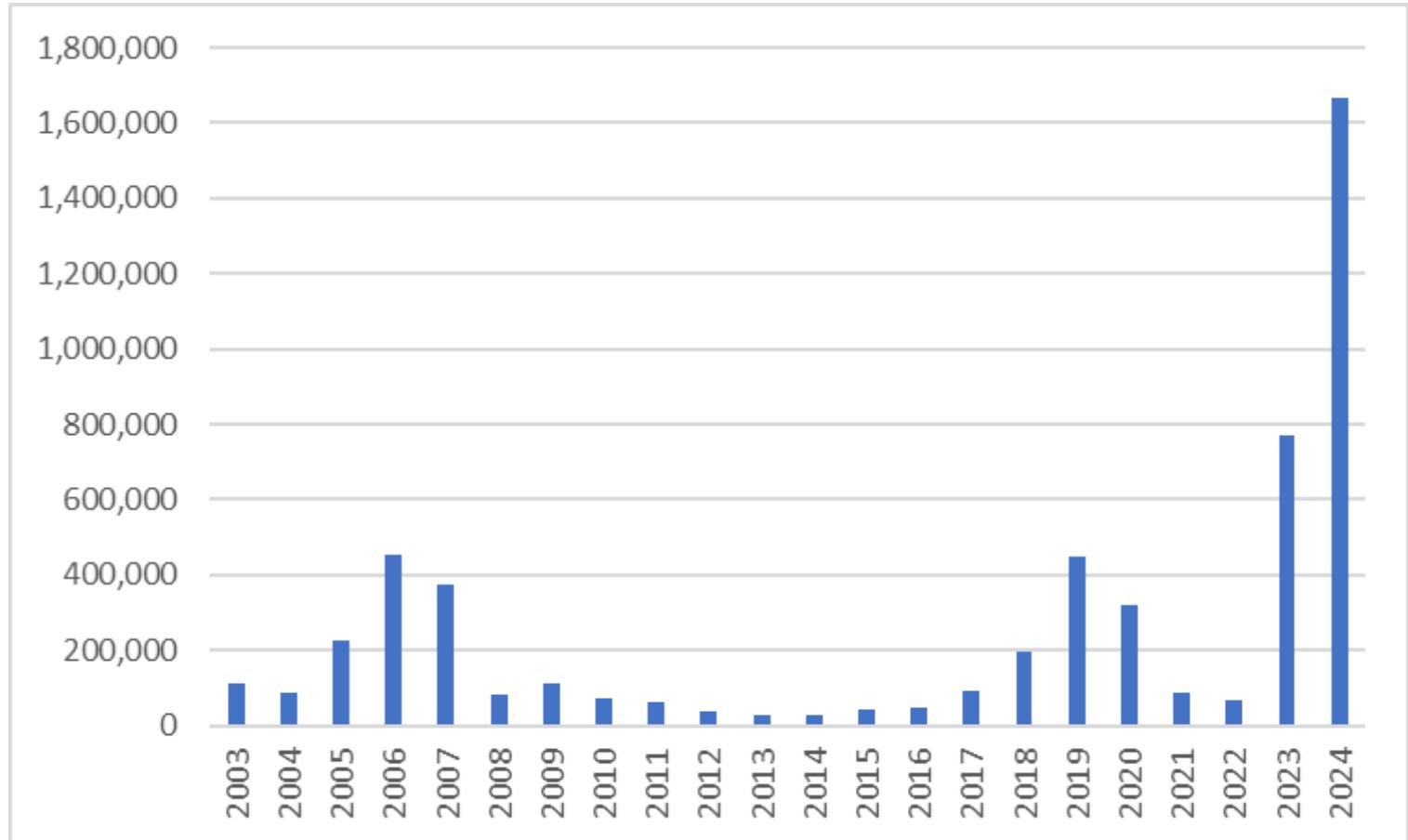
We have increased our estimates for FY24 and FY25 above historic trend

Cannot expect revenues similar to FY23 and FY24 to be the norm.

Fiscal Year	Estimate	Actual	Actual to Estimate
2020	160,000	322,015	162,015
2021	160,000	85,105	-74,895
2022	85,000	67,550	-17,450
2023	50,000	769,155	719,155
2024	400,000	1,662,637	1,262,637

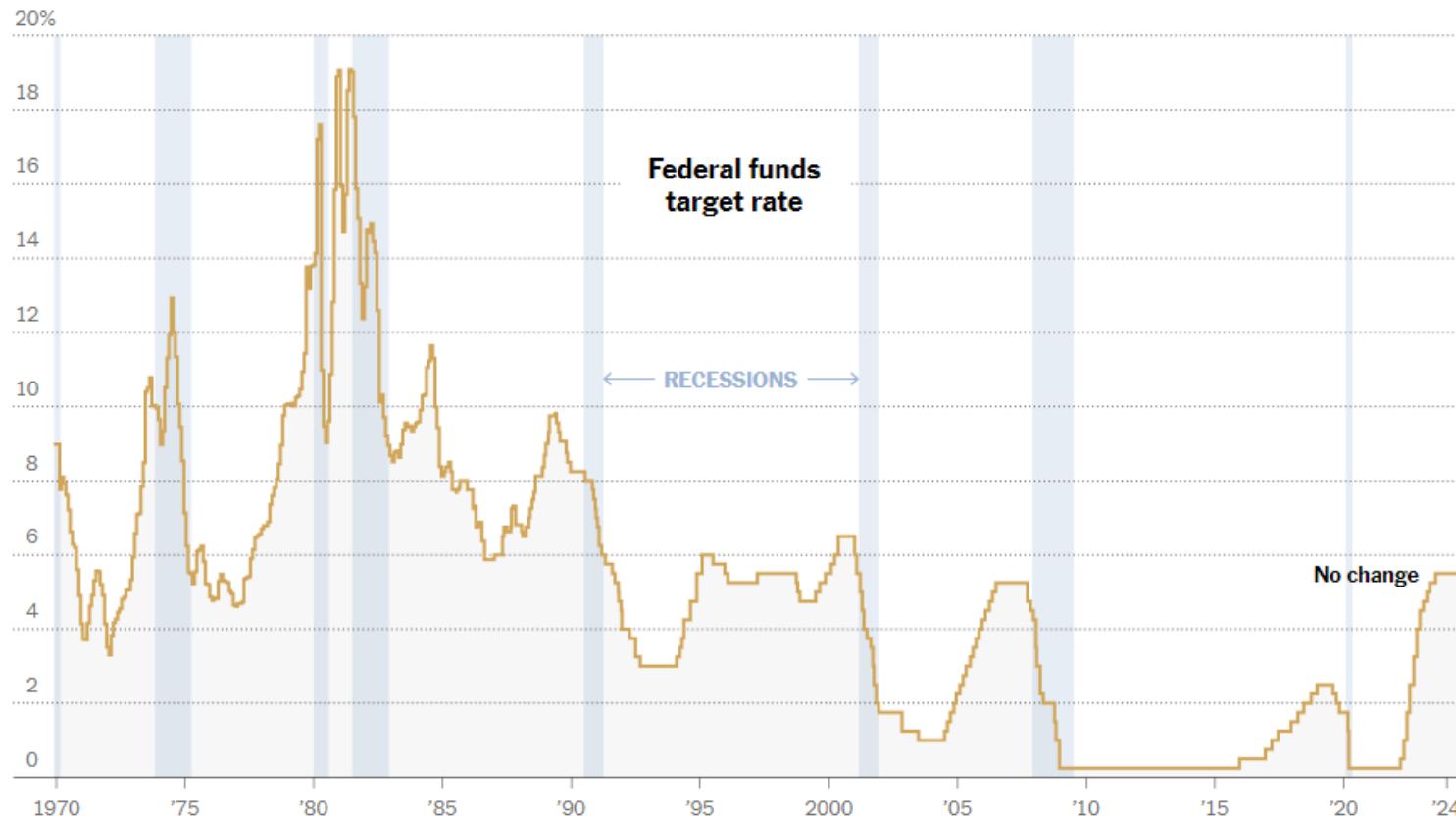


Investment Income





Investment Income



Fed Chair Powell Signals 'Time Has Come' for September Rate Cut

Jerome H. Powell made it clear that the Federal Reserve will cut rates on Sept. 18, as the central bank turns the corner in its fight against inflation.

Wall Street ends sharply higher as Powell cements September rate cut hopes

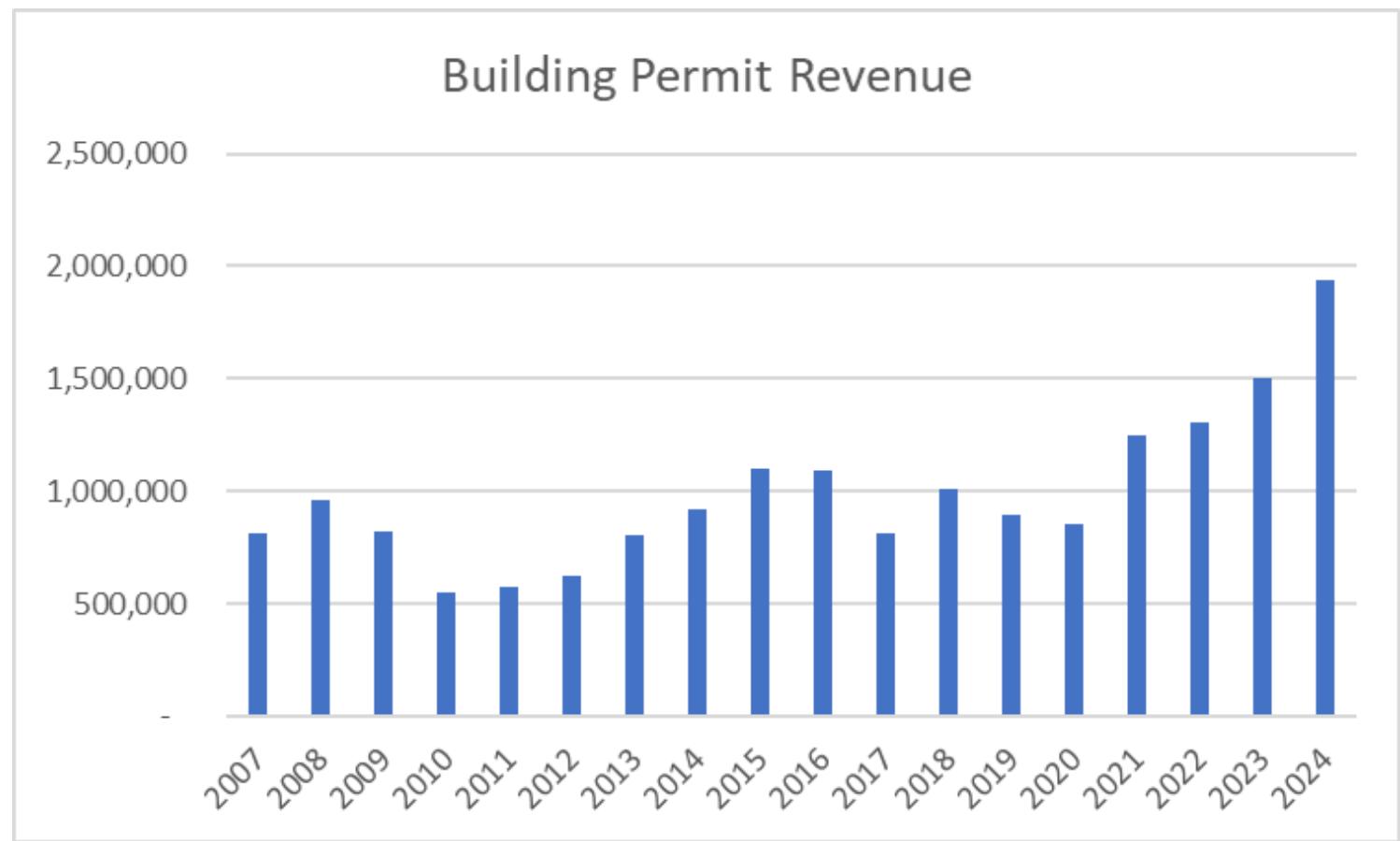
By Stephen Culp

August 23, 2024 6:35 PM EDT · Updated 3 days ago





Building Permits





Financial Indicators

Bond Rating: AAA, affirmed in most recent ratings report (August 12, 2024)

- *Milton's general creditworthiness is supported by its affluent residential economy and cautious budgeting practices, leading to balanced-to-positive operations and maintenance of strong reserves.*
- *One budget uncertainty is Milton's labor contracts, which expire following fiscal 2025, and the tax levy is 99.9% of the maximum allowed by Proposition 2 1/2 limits, limiting flexibility to significantly increase property taxes in future years without voters approving an operating override. Management is considering asking voters to approve an override for fiscal 2026 depending on expected expenditure growth. We anticipate that Milton's management will make budgetary adjustments as necessary to maintain balanced operations, but if the town's performance materially deteriorates on a sustained basis, we could lower the rating.*
- *Outlook: The stable outlook reflects our expectation that Milton will continue to produce balanced operating results and adjust its budget when necessary.*
- *Downside scenario: We could lower the rating if Milton is unable to make progress toward funding its long-term liabilities, or if its reserves decreased, either due to structural imbalance or a one-time expenditure, without a plan to restore them.*



Financial Indicators

Milton Retirement System: Fully-funded, well in advance of 2040 deadline for funding

OPEB Liability: \$125.9 million, 1.27% funded (no requirement for full-funding)

- “Other post employment benefits” -> health insurance
- New OPEB funding Policy in effect and met in FY2025

Stabilization Funds, as of June 30, 2024:

- General Stabilization Fund: \$5,978,166
- Capital Stabilization Fund: \$1,191,057
- Road Stabilization Fund: \$229,412

Minimal Free Cash Balance

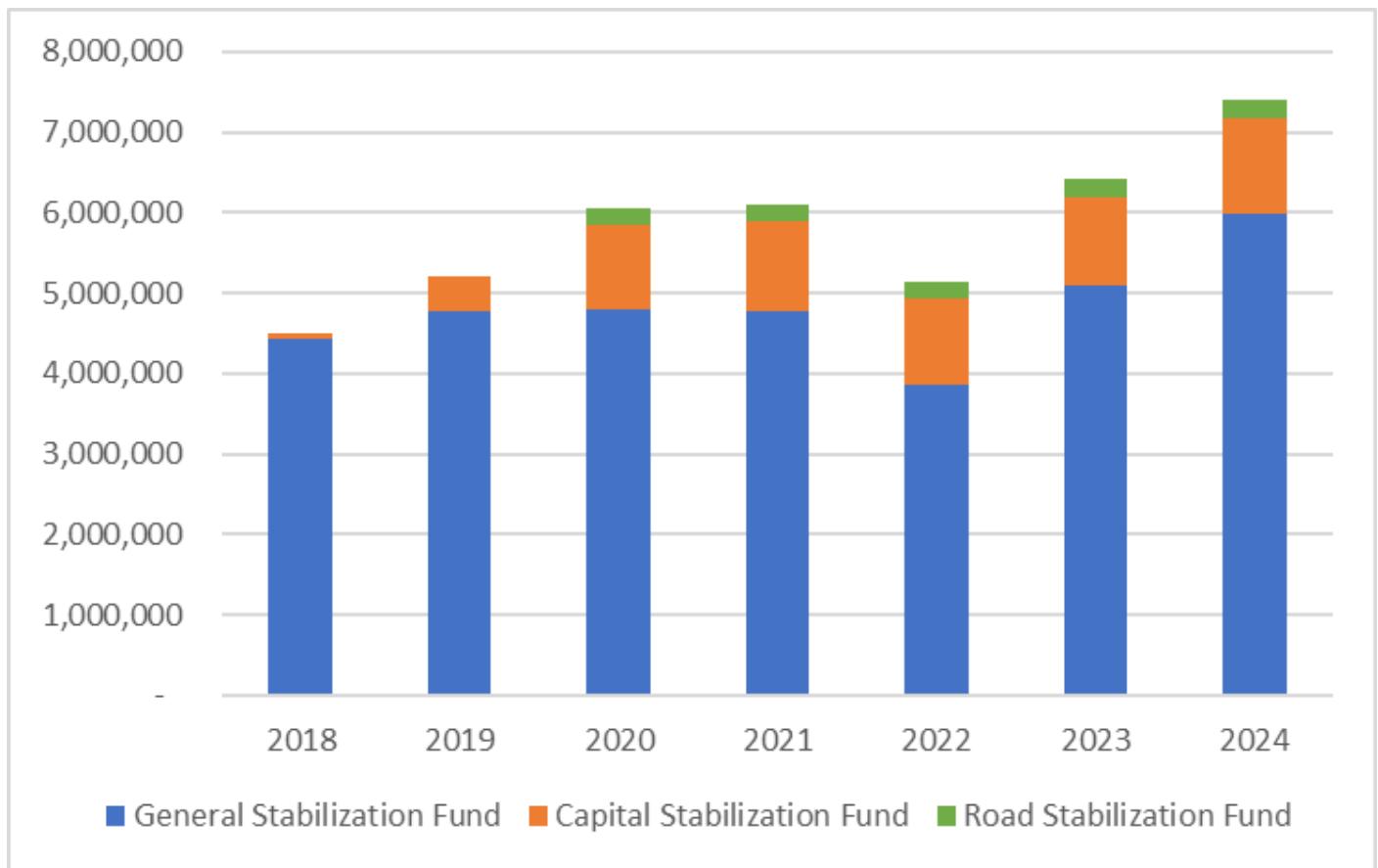


Stabilization Funds

Type	6/30/2023	Contribution	Income	6/30/2024
General Stabilization Fund	\$5,085,087	\$500,000	\$393,079	\$5,978,166
Capital Stabilization Fund	\$1,114,731	\$0	\$76,326	\$1,191,057
Road Stabilization Fund	\$214,066	\$0	\$15,345	\$229,412
Total	\$6,413,884	\$500,000	\$484,750	\$7,398,635

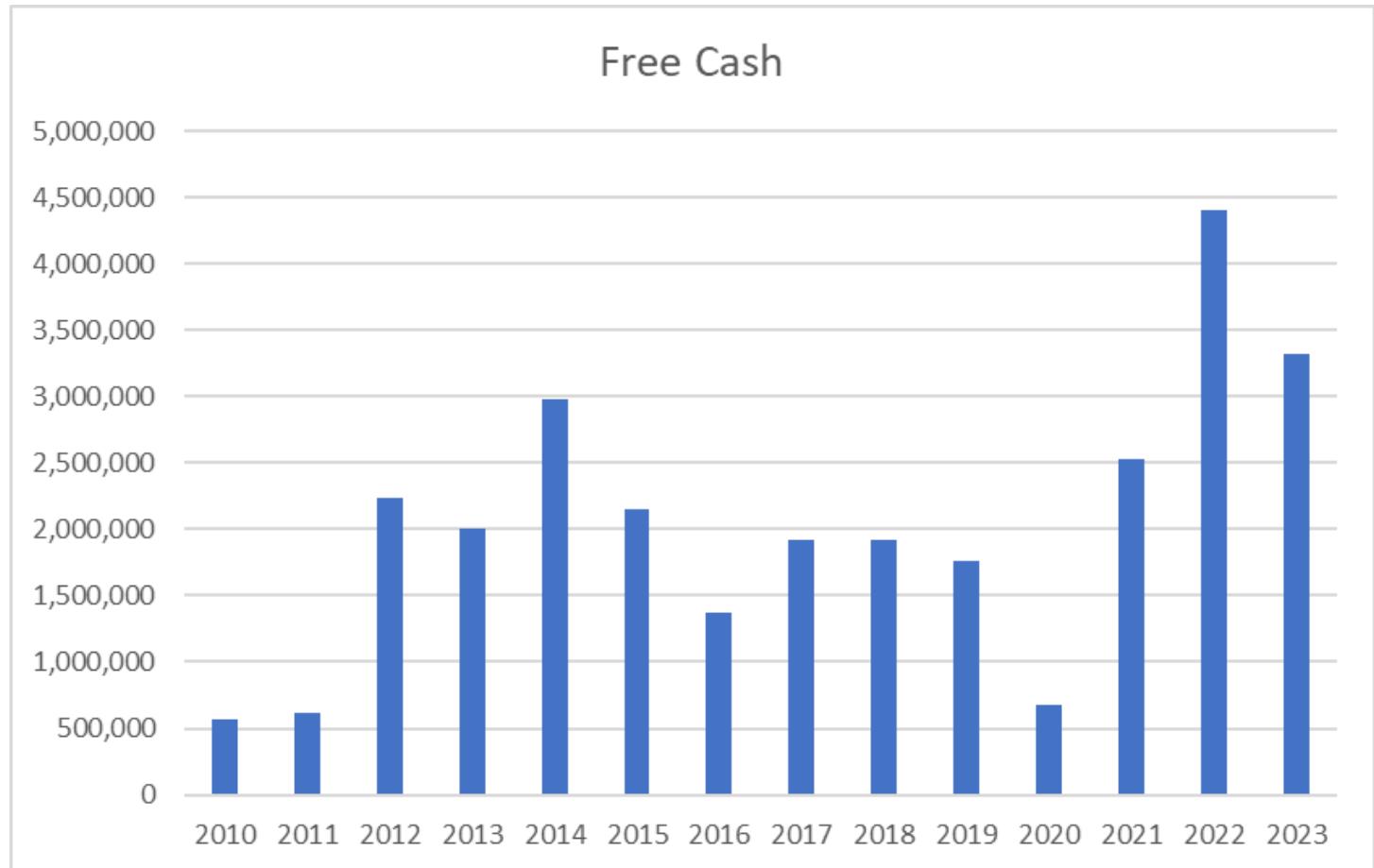


Stabilization Funds





Free Cash





Revenue Outlook

Potential updates to the FY2026 revenue forecast:

- Property Taxes
 - New Growth
- Local Receipts
 - Will review and update once we finalize FY2024; continue to monitor economic conditions throughout FY2025
- State Aid
 - No new information anticipated between now and January 2025 when the Governor releases the FY2026 State Budget
- Free Cash
 - Needs to be certified by the Department of Revenue Division of Local Services
 - Timeline: Fall 2024



FY2024 Year End

Fiscal Year 2024 ended on June 30, 2024

Financial departments have finalized year end expenditures and revenues

Big picture:

- Revenues in excess of budget estimates of more than \$2.2 million
 - Investment Income: \$1,267,000 above estimate
 - Building permits: \$726,000 above estimate
 - Motor Vehicle Excise: \$434,000 above estimate
- Expenditure turnbacks of approximately \$1.8 million
 - Driven by vacancies in some departments, including: Police, Select Board/Town Administrator, and general turnover
 - Employee benefits (health insurance)
 - Debt service



FY2026 Expenditures Outlook

Town Departments level service forecast:

- Salaries: 4% increase
- General Expenses: 3% increase

Schools budget is a placeholder at 4.5% in fy25, 5.1% in fy26

No capital funded by Free Cash

Health Insurance: 5% premium increase

Milton Retirement System: normal cost + \$1 million, per approved funding schedule and OPEB Policy

OPEB Trust: \$1.56 million, per approved OPEB Policy

No contribution to Stabilization Funds

Debt Service includes estimates for authorized unissued debt for previously approved projects



FY2026 Outlook

General Fund Revenue: \$135.4 million

General Fund Expenditures: \$140.0 million (level service only)

Deficit: **\$4.6 million**

Note: figure may change – and could be higher – as we update budget requests and refine forecast



School Project Tax Impacts

Posted a comprehensive overview on the Town website, on the School Building Committee site:

<https://www.townofmilton.org/1177/School-Project-Cost-Information>

Total Project Budget estimate: \$173,439,000

Assumptions:

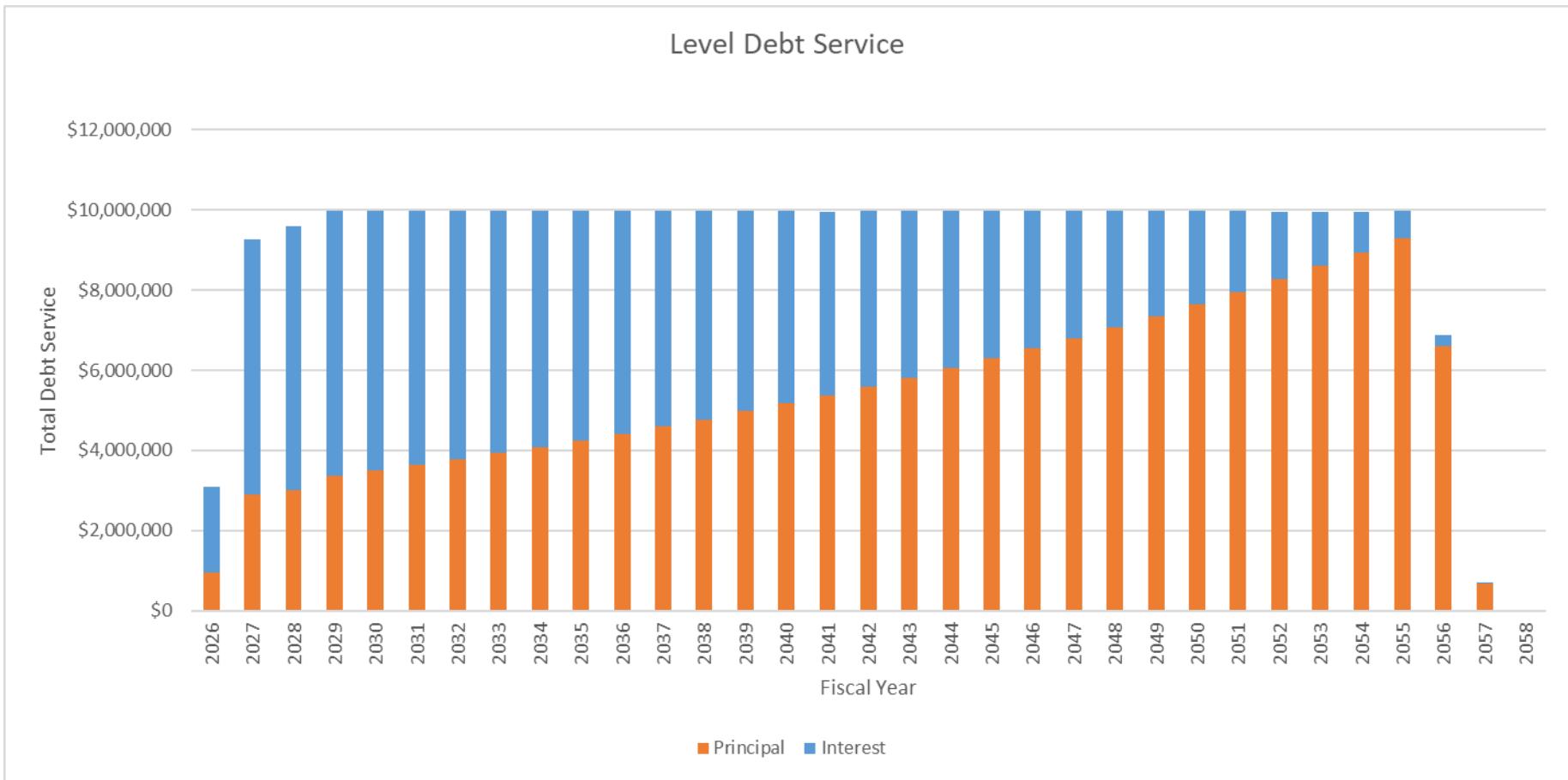
- Bond term: 30 years
- Interest rate: 4.25%
- Level debt payments each year
- AAA bond rating

Estimated typical annual debt service amount: \$9,967,000

- Roughly, a 10% increase to the Town's tax levy (translating to 10% increase in property taxes)



School Project Tax Impacts





School Project Tax Impacts

Fiscal Year 2024 Tax Rates:

- Residential : \$10.92
- Commercial - Industrial - Personal Property (CIP): \$17.94

In order to fund the debt service, tax rates would increase by:

- Residential: \$1.11 per \$1,000 of value for a new tax rate of \$12.03
- CIP: \$1.92 per \$1,000 of value for a new tax rate of \$19.76



School Project Tax Impacts

FY2024 Average Single-Family Home: \$1,008,088

FY2024 Average Single-Family Tax Bill: \$11,008

Estimated tax impact for the Average Single-Family Home: \$1,119

FY2024 Median Single-Family Home: \$872,000

FY2024 Median Single-Family Tax Bill: \$9,522

Estimated tax impact for the Median Single-Family Home: \$968



Debt Exclusion Approval Process

Ballot Question and Town Meeting votes

- Would be written to conform to Proposition 2 ½ requirements for Debt Exclusions:
G.L. c. 59, § 21C(k)
- Reviewed by Bond Counsel
- Two separate actions, but are connected to each other
- Can happen in any order

Voters must approve the ballot question (majority approval)

- Ballot question is asking voters to approve raising the tax levy to pay debt service costs, until the debt is paid off

Town Meeting must vote to appropriate funds for the project (2/3 approval)

- Town Meeting is asked to appropriate funds and authorize issuance of debt



Debt Exclusion Approval Process

VOTED. The Town voted to appropriate the sum of \$32,250,000 for the costs of constructing and equipping a new Fire Headquarters and two Fire Substations and that to meet such appropriation, the Treasurer, with the approval of the Select Board, be authorized to sell and issue bonds or notes of the Town, aggregating not more than \$32,250,000 in principal amount, pursuant to the provisions of Chapter 44, Section 7(1) of the Massachusetts General Laws, as amended, or any other applicable law and that the Select Board be authorized to accept grants or gifts from any other public or private funding source relating to this appropriation. Any premium received upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the Massachusetts General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount. Said appropriation is contingent upon passage by the voters of Milton of a referendum question under Chapter 59, Section 21C(k) of the Massachusetts General Laws which exempts from the provisions of Proposition 2 ½, so called, the amount required to pay for the bond or bonds issued for the purposes of this article.



Debt Exclusion Approval Process

Fire Stations ballot question:

- Shall the Town of Milton be allowed to exempt from the provisions of proposition two and one-half, so-called, the amounts required to pay for the bond issued in order to construct and equip a new Fire Headquarters and two Fire Sub-stations?

School project draft ballot question:

- Shall the Town of Milton be allowed to exempt from the provisions of proposition two and one-half, so-called, the amounts required to pay for the bond issued in order to design, construct, and equip a new Middle School, with or without Pre-Kindergarten?