Fiscal Years 2007 – 2011
Strategic Plan

January 2006
Introduction

- Presentation will provide a “macro” look at the Town’s fiscal condition
- “Micro” analysis is envisioned to happen as usual
- Frames a strategy with broad goals
- Articulates potential objectives
- Proposes appropriate action plan
Milton at a Glance

- Population = 26,062 (69th in MA)
- Median Family Income = $94,359 (37th)
- Per Capita Income = $37,138 (44th)
- Low unemployment rate = 3.6% (4.3%)
- Educated = 52% BA or higher (33%)
- Predominance of Managerial & Professional occupations
- Residential Tax Base Valuation = 97% of AV
- 2006 Tax Rates:
  - Residential = $10.15 per $1,000
  - Commercial = $19.83 per $1,000
How are we doing as an organization?

- Decreasing crime
- 2005 MCAS Scores
- Emergency Response
- Recycling Rate:
  - Calendar Year 2004: 55%; second highest in Mass among communities with curbside trash collection
How does Milton compare?

Debt Service as a % of Operating Budget

- Milton
- Benchmark Peer Group Median
How does Milton compare?

Per Capita Revenue

Per Capita Expenditure

<table>
<thead>
<tr>
<th>Year</th>
<th>Milton</th>
<th>Peer Group</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$0</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>2003</td>
<td>$1,000</td>
<td>$1,500</td>
<td>$500</td>
</tr>
<tr>
<td>2004</td>
<td>$2,000</td>
<td>$2,500</td>
<td>$500</td>
</tr>
</tbody>
</table>

Legend:
- Green: Milton
- Yellow: Peer Group
- Orange: Difference
How does Milton compare?

Average Annual Growth in Expenditures

Average Annual Growth in Revenues

Milton Peer Group

Milton Peer Group
How does Milton compare?

![Land Use as a % of Total Size](image-url)

- **Agriculture**: Milton's land use is significantly lower than the benchmark peer group.
- **Undev. Land**: Approximately 5% for Milton, double that for the benchmark peer group.
- **Comm/Ind**: Below 5% for Milton, just above 10% for the benchmark peer group.
- **RES**: Milton has around 45%, while the benchmark peer group has close to 50%.
- **OS/REC/INST**: Milton has about 50%, compared to slightly over 50% for the benchmark peer group.

**Legend:**
- **MILTON**
- **Benchmark Peer Group**
Financial Data FY 2001 – 2006

Reserve Levels

Free Cash

- Stabilization Fund
- Undesignated Fund Balance

Revenue Sources

- Other Available Funds
- Free Cash
- Local Estimated Receipts
- State Aid
- Tax Levy

Expenditures

- Offset Charges
- Overlay Deficits*
- State Charges
- Current Overlay
- Budget

[Charts showing revenue and expenditure trends for FY 2001 to FY 2006]
Areas of Concern

- Lack of funding for Capital Improvement Program has created backlog of capital needs and puts pressure on future budgets
- Major increases in fixed costs of health care and retirement
- Practice of using free cash used as a source of revenue
- Heavily residential tax base and little prospect for commercial growth

- RESERVE LEVELS – “Area of greatest concern for the Town”
  - Undesignated Fund Balance levels average 3.8% - below the 5 to 10% considered strong by the rating agencies
Assumptions

- **Revenues**
  - Tax Levy = 4.6% increase
  - State Aid = 13.25% of revenue
  - Local Receipts = 5% increase
  - Free Cash = $750K per year

- **Expenses**
  - Department Head projections for level service
  - 3.6% personnel costs
  - 6% increase in Total Benefits
Revenue Projections – Status Quo

[Bar chart showing revenue projections for FY 2006 to FY 2011, with categories Other Available Funds, Free Cash, Local Estimated Receipts, State Aid, and Tax Levy.]
Expense Projections – Level Service

![Graph showing expense projections from FY 2006 to FY 2011. The y-axis represents expenses ranging from $0 to $90, while the x-axis represents fiscal years from 2006 to 2011. The graph shows a steady increase in expenses over the years.]
Expenses vs. Revenues

- Tax Levy
- State Aid
- Local Estimated Receipts
- Free Cash
- Other Available Funds
- Projected Budget
Expenses vs. Revenues, cont.
Problem!!!

- Cut from Level Service
- Do what we did last year:
  - Cuts
  - Increase revenue (raise trash fees)
- Combination of Cuts & Override
- Accept Level Service & seek full override
Projections with FY 07 Override

- Assumption: Continue current level of service
- Balanced FY 07 Budget
- Projected SURPLUSES FY 08 – 11
  - Budget could be balanced by keeping expected tax rate increases lower than allowed...
Override Course Correction

![Graph showing Override Course Correction for FY 2006 to FY 2011]

- **Tax Levy**
- **State Aid**
- **Local Estimated Receipts**
- **Free Cash**
- **Other Available Funds**
- **Projected budget**
PROPOSED Policy Goal

- A simple strategic goal: IMPROVED OVERALL CAPACITY

- 4 actionable objectives:
  - Achieve higher reserve levels
  - Maintain current debt service levels
  - Reduce reliance on overrides
  - Maintain current CIP tax levy percentage
Policy Goal: Improved Overall Capacity

- Objective: Achieve higher reserve levels
  - Reduce reliance on free cash for operating expenses
  - Use free cash to build reserves
  - 8% of expenditures by FY 2011
Policy Goal: Improved Overall Capacity

- Objective: Maintain current debt service levels
  - Integrate the CIP into the Budget
  - As Debt Service “falls,” divert $ into capital Stabilization
Policy Goal: Improved Overall Capacity

- Objective: Reduce reliance on overrides
  - Build excess levy capacity
Expenses vs. Revenues, cont.


($3,500) | ($3,000) | ($2,500) | ($2,000) | ($1,500) | ($1,000) | ($500) | $0 | $500 | $1,000
Policy Goal: Improved Overall Capacity

- Objective: Maintain current CIP tax levy percentage
  - Broaden Tax Base
  - $40M New growth
Expenses vs. Revenues Status Quo
Override Course Correction


Tax Levy  State Aid  Local Estimated Receipts  Free Cash  Other Available Funds  Projected budget
Keys to Success

- Agree upon level of service & budget to support it
- Typical annual Budget process
- DISCIPLINE: No new programs until at least 2012 without a new source of funds or cuts in existing programs
- No “robbing Peter to pay Paul”
- A successful Operating Override election for FY 2007