



Town of Milton 2008 Annual Town Meeting

"When is an override not a wish list?"

A Financial Review

FY2001 - FY2009

Warrant Committee

- Established under M.G.L. Chapter 39 Section 16
- Governed by Town of Milton By-laws, Chapter 3
- Guided by Town Financial Policy Statements
- Appointed by Town Moderator
- Advisory committee to Town Meeting
- Responsible solely to Town Meeting

M.G.L. Chapter 39

Section 16. Appropriation, advisory or finance committees; appointment; tenure; powers and duties

• **Every town whose valuation for the purpose of apportioning the state tax exceeds one million dollars shall**, and any other town may, by by-law **provide for the election or the appointment and duties of appropriation, advisory or finance committees**, who shall consider any or all municipal questions for the purpose of making reports or recommendations to the town; and such by-laws may provide that committees so appointed or elected may continue in office for terms not exceeding three years from the date of appointment or election.

• In every town having a committee appointed under authority of this section, **such committee**, or the selectmen if authorized by a by-law of the town, and, in any town not having such a committee, the selectmen, **shall submit a budget at the annual town meeting**.

Town Of Milton By-Laws

Section 3.

- **It shall be the duty of the Warrant Committee to inform themselves concerning those affairs and interest of the Town, the subject-matter of which is generally included in the warrants for its Town meeting;** and the officers of the Town shall, upon their request, furnish them with facts, figures, and any other information pertaining to their several departments; provided, however, that any such information may be withheld when, in the opinion of the officer or board of officers so requested, the communication thereof might injuriously affect the interests of the Town or its citizens.

Town Of Milton By-Laws

Section 4:

- The Warrant Committee shall consider the various articles in the warrants ...they shall also consider all questions submitted to the voters of the Town at any meeting...and they shall report in print before all such meetings their estimates and recommendations for the action of the Town.

Town Of Milton By-Laws

Section 4:

- a. **On or before December first of each year each board, committee or officer of the Town shall file** with the Selectmen, who shall transmit the same to the Warrant Committee, **a preliminary budget**, with a statement in detail of the appropriation or appropriations recommended by such board, committee or officer for the work under its or his charge for the ensuing year, with **a final copy of said budget due to the Warrant Committee by January thirty-first.**
- b. **The Warrant Committee shall include in its report of recommendations for the annual Town Meeting a statement setting forth the total appropriations so requested, the appropriations recommended, and the totals of such appropriations requested and recommended, and an estimate of the tax rate for the ensuing year if such recommendations are adopted.** The copies of such reports may be combined with the warrants of the Selectmen for publication and delivery as provided in Section 1 of Chapter 2.

Budget Roles & Responsibilities

- Warrant Committee
 - Be informed on issues in the town that may come before them as articles in the Warrant
 - Create a budget recommendation to town meeting detailing:
 - Department requests
 - Warrant Committee recommendations
 - Tax rate based on the above recommendations
 - Study and make recommendations to Town Meeting on all non-budgetary articles

Budget Roles & Responsibilities

- Departments
 - Create a two year budget based on level service
 - Consult with the Warrant Committee during the budget process
- Selectmen
 - Supervise their departments' budget creation process
 - Consult with the Warrant Committee during the budget process
 - Determine whether a contingent budget proposal goes on the ballot

Budget Roles & Responsibilities

- Town Meeting
 - Review the Warrant Committee budget recommendations and determine whether to accept, reject or modify them

The Warrant Committee Does

- Use departmental input to determine what services the town can afford to deliver
 - Where it feels town meeting should see a choice in service, representing a non-balanced budget, it presents a contingent budget recommendation.
- Report on the tax impact to the residents of the budget submitted.

The Warrant Committee Does Not

- Pass the budget
 - This is the responsibility of Town Meeting
- Put Overrides on the ballot
 - This is the responsibility of the Board of Selectmen
 - There is a Town Charter provision for a citizen petition to place any question decided by Town Meeting on a ballot

Financial Policy Statements

- Proposed by former Town Administrator in 2006
- All Departments, Boards and Committees had an opportunity to review and comment
- Adopted by Board of Selectmen on June 21, 2007
- Intended to be a “comprehensive articulation of fiscal policy” and to “provide guidance for the complex process in which elected officials, the Warrant Committee and Town Meeting play significant roles in determining the Town’s current and future financial condition.”

Financial Policy Statements

1. Budget Policy Statement:

The annual Town budget should reflect an agreed upon level of Town services. When economic conditions require reductions, such reductions should be made in a manner that recognizes the importance of all Town Services.

Financial Policy Statements

2. Budget Forecasting:

- Town Departments should submit budgets in a timely fashion according to the schedule in the Town of Milton Bylaws which currently requires submission by December 1st. **Individual departmental budget requests should include the amount that will be needed to maintain level service for the next two years.** In addition departments should describe the reductions in the level of service that they would incur in the next fiscal year with a level dollar budget.
- Such budgets and estimates of expected revenue based on a five year history will be used to prepare an updated **five year budget forecast of expenditures and revenues in January of each year** or as soon thereafter as possible. **Preparation of the forecast will be the responsibility of the Board of Selectmen** but will be accomplished in a collaborative process with the Town Accountant, the Town Treasurer, the Warrant Committee and other elected and appointed officials and department heads.

Financial Policy Statements

3. Reserve Policy:

Reserves should not be used without a plan to restore them. When one-time funding becomes available, a primary consideration in deciding how to appropriate the funds should be to increase the Town's reserves. **One-time funding should not be used to support the operating budget.** The Town's reserves should be maintained at a consistent level. Funds maintained by the Town, such as the health insurance trust fund and the Assessors' Overlay Account, which are not considered reserves, should be monitored to ensure that reserves are adequate but not over-funded.

Financial Policy Statements

4. Local Taxation Policy:

As early as possible in the annual budget process the Town's management will provide information concerning the cost of maintaining level service, anticipated revenues and any discrepancy, in order to foster an open dialogue about solutions including the possibility of spending over or under the levy limit. Management shall provide five year forecasts to inform this discussion. Five year budget forecasts shall be used to anticipate budget shortfalls and develop a strategy for raising revenue, whether through expansion of the tax base, operating or debt exclusion overrides or other means.

Financial Policy Statements

Other policy statements relate to:

- Capital Appropriations and Debt Service
- Reserve Fund
- Compensation and Collective Bargaining
- Energy Policy
- Risk Management
- Procurement
- Legislative Issues Affecting the Town's Financial Position
- Grants and Gifts
- Revolving Funds
- User Fees
- Regionalization

Financial Policy Statements

- **Standard & Poor's (August 6, 2007)**
 - “Milton’s management practices are considered ‘good’ under Standard & Poor’s Financial Management Assessment, indicating that financial management practices exist in most areas, though not all might be formalized or regularly monitored by governance officials.”
 - S&P described the Town’s newly-adopted fiscal policies as having “a good focus on financial and capital planning...and a three-year budget projection using assumptions based on historical trend analysis.” S&P noted that the Town’s management is working to establish a reserve policy that targets a minimum level of reserves.

How Does The Bond Rating Affect Me?

- A drop in the bond rate increases the interest rate for future borrowings.
- For debt exclusion bonding, the increased cost is paid directly by the taxpayer.
- For under-the-levy-limit bonding, the increased cost reduces the amount available to fund operational budgets.
- Put simply, everyone loses when the bond rate drops.

Reserves and Bond Rating

- Stabilization Fund
 - Balance \$1,222,749
- Capital Stabilization Fund
 - Balance \$60,331
- Bond Rating
 - Moody's – Aa3
 - S&P - AA

FY09 Budget Process

- Draft budget derived from Town Administrator/Town Accountant multi-year forecast (below level service, unbalanced)
- Request to Departments to provide level service budgets by January 31
- Preliminary budget – March 1
 - Level Service (as of FY08)
 - Firefighter medical
 - Salary Set Asides
 - Required a \$3.4M contingent budget
- One month of budget reviews to reach a final contingent budget
 - FY08 level service requires a \$2.6M override

FY2009 Budget (Basis)

	\$MM
Revenue over FY08 Level \$ funding	1.7
Fixed Cost Increases (Insurance General, Retirement, Group Insurance)	(0.6)
Firefighter Medical	(0.3)
Discretionary Revenue Available	<hr/> 0.8

FY2009 Budget (Non-Contingent)

	\$MM
Discretionary Revenue Available	0.8
Set Asides (Fire & Police FY08 only)	(0.2)
Increase in Departmental Requests over FY08 (Some dept. requests below level service)	(2.0)
Revenue/ Expense Variance	(1.4)
Reduction in Requests/Cuts in Level \$ funding	1.4

FY2009 Budget (Contingent)

	\$MM
Discretionary Revenue Available	0.8
Set Asides (FY08 & FY09 Fire, Police, Ch.13, Schools)	(1.1)
Increase in Departmental Requests over FY08 (Level Service Requests only)	(3.2)
Revenue/ Expense Variance	(3.5)
Reduction in Level Service Requests	0.9
Override \$ Required for Level Service	2.6

What does the contingent budget provide?

- Level service with FY2008
- NO department wish lists
 - Does add mandated SPED staffing
 - No other staffing or service increases

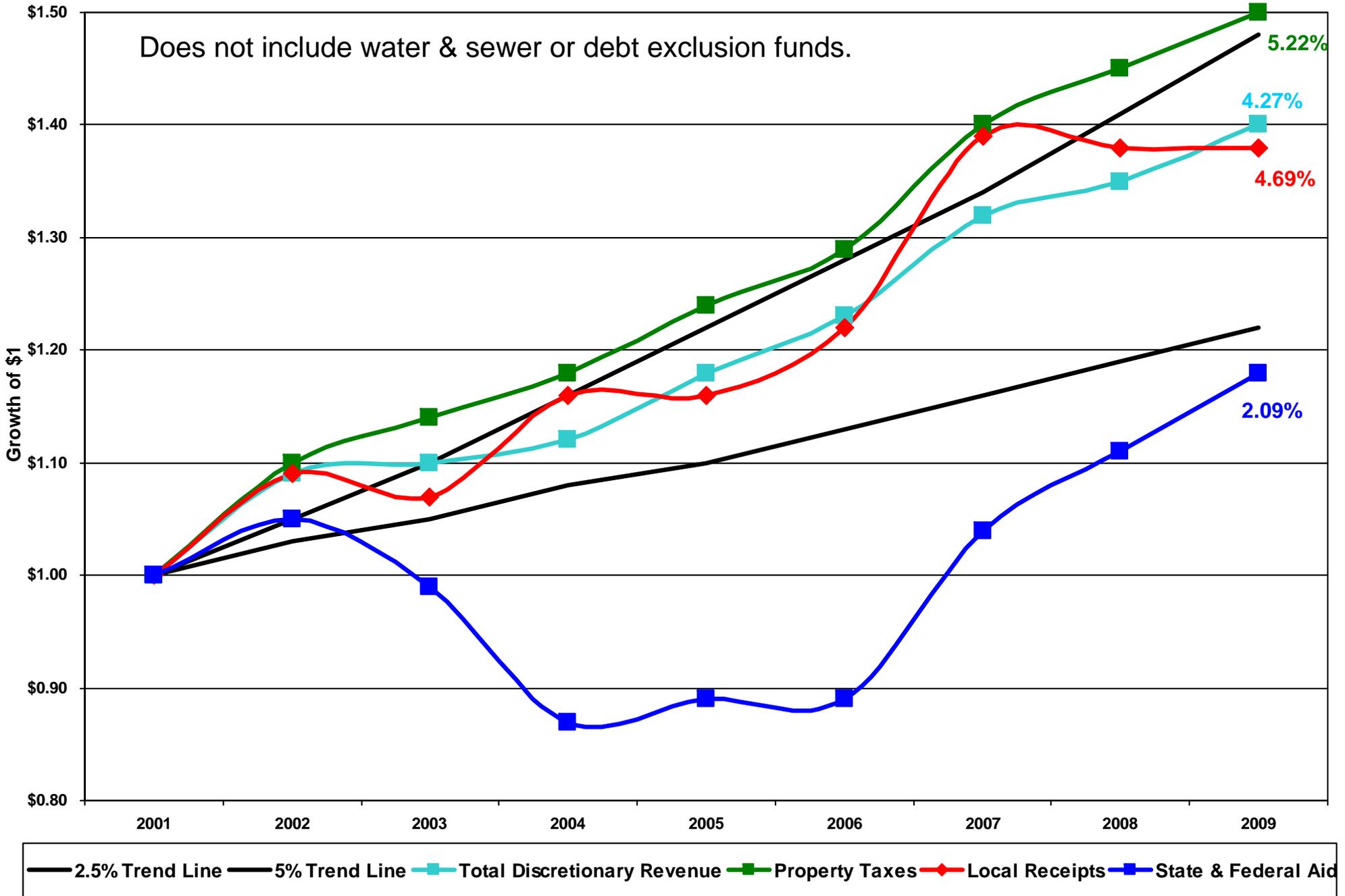
Why are we presenting a contingent budget?

In the opinion of the Warrant Committee,
the non-contingent budget:

- Does not adequately fund public safety, education or public works
- Does not provide the level of service the Town had in FY08
- Will cause significant loss of service in public safety
- Will cause significant impact to delivery of educational services

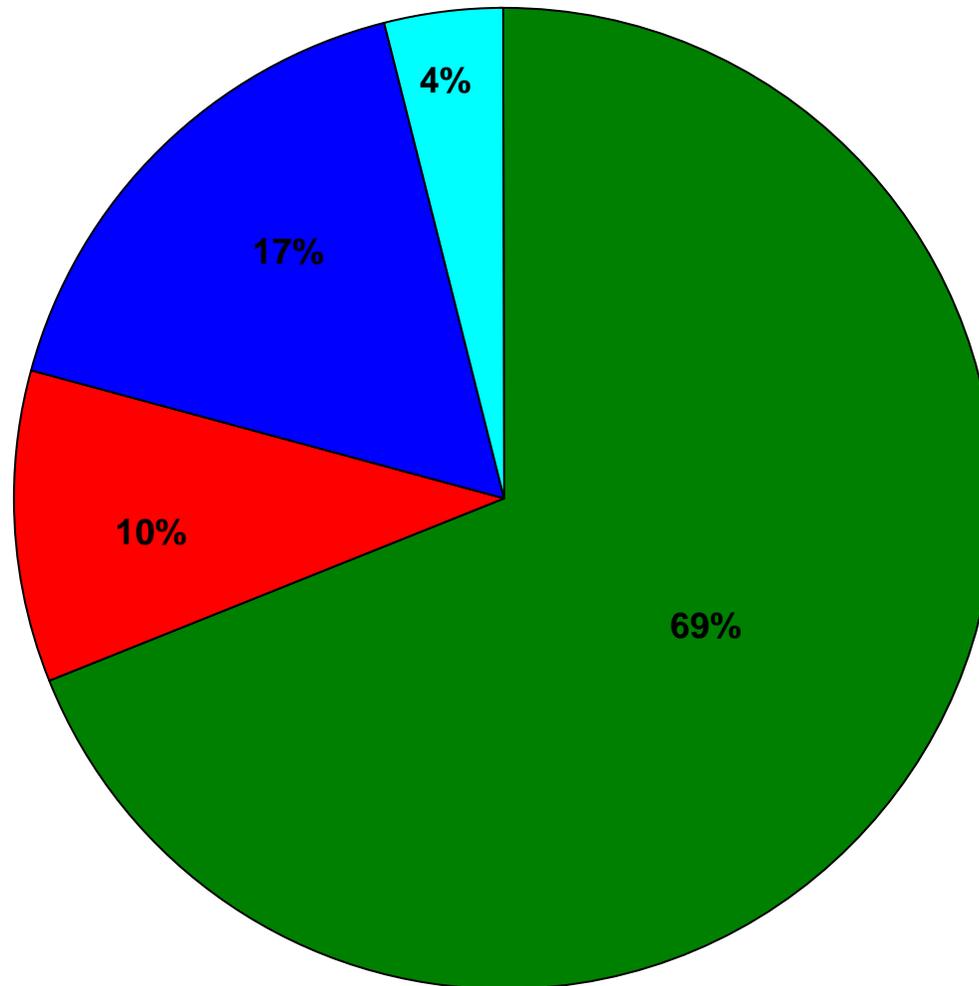
Financial Charts

Annualized Revenues: Last 8 Fiscal Years



Revenue Breakdown FY2001-FY2009

Revenue FY2001



Does not include water & sewer or debt exclusion funds.

■ Property Taxes

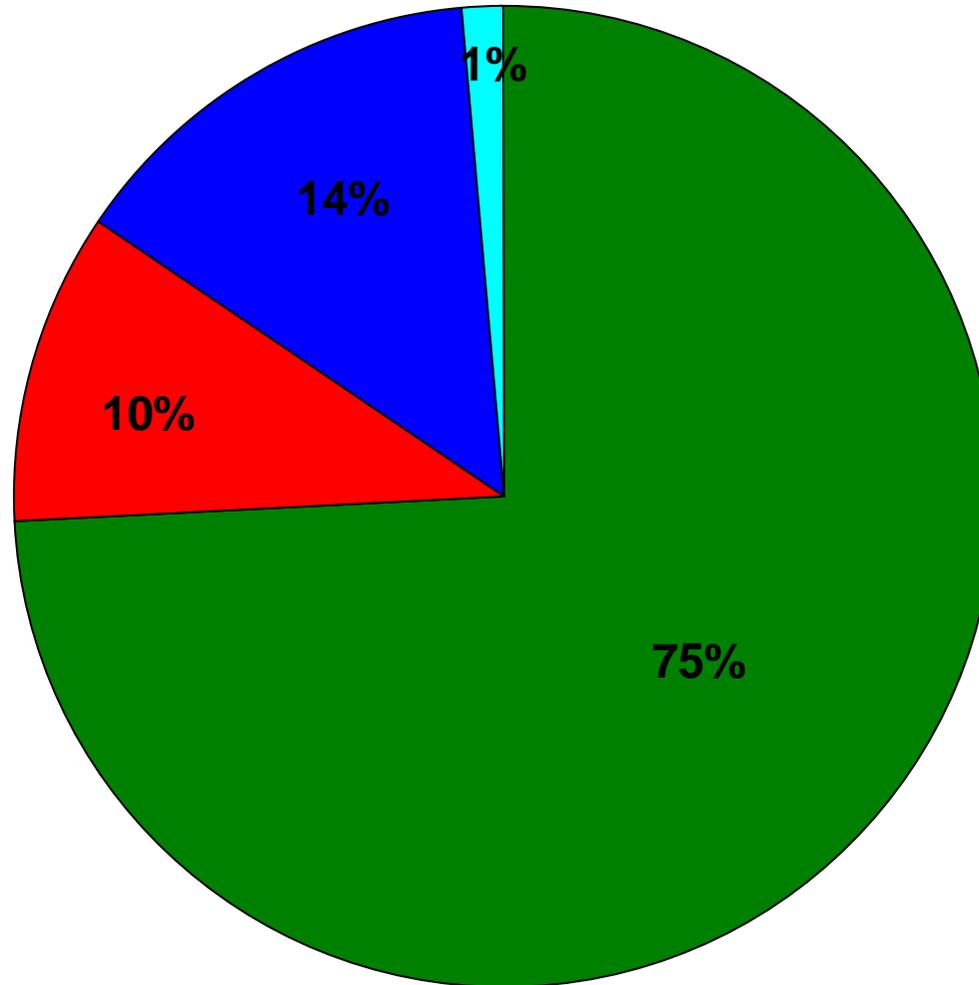
■ Local Receipts

■ State Aid

■ Available Funds

Revenue Breakdown FY2001-FY2009

Revenue FY2009

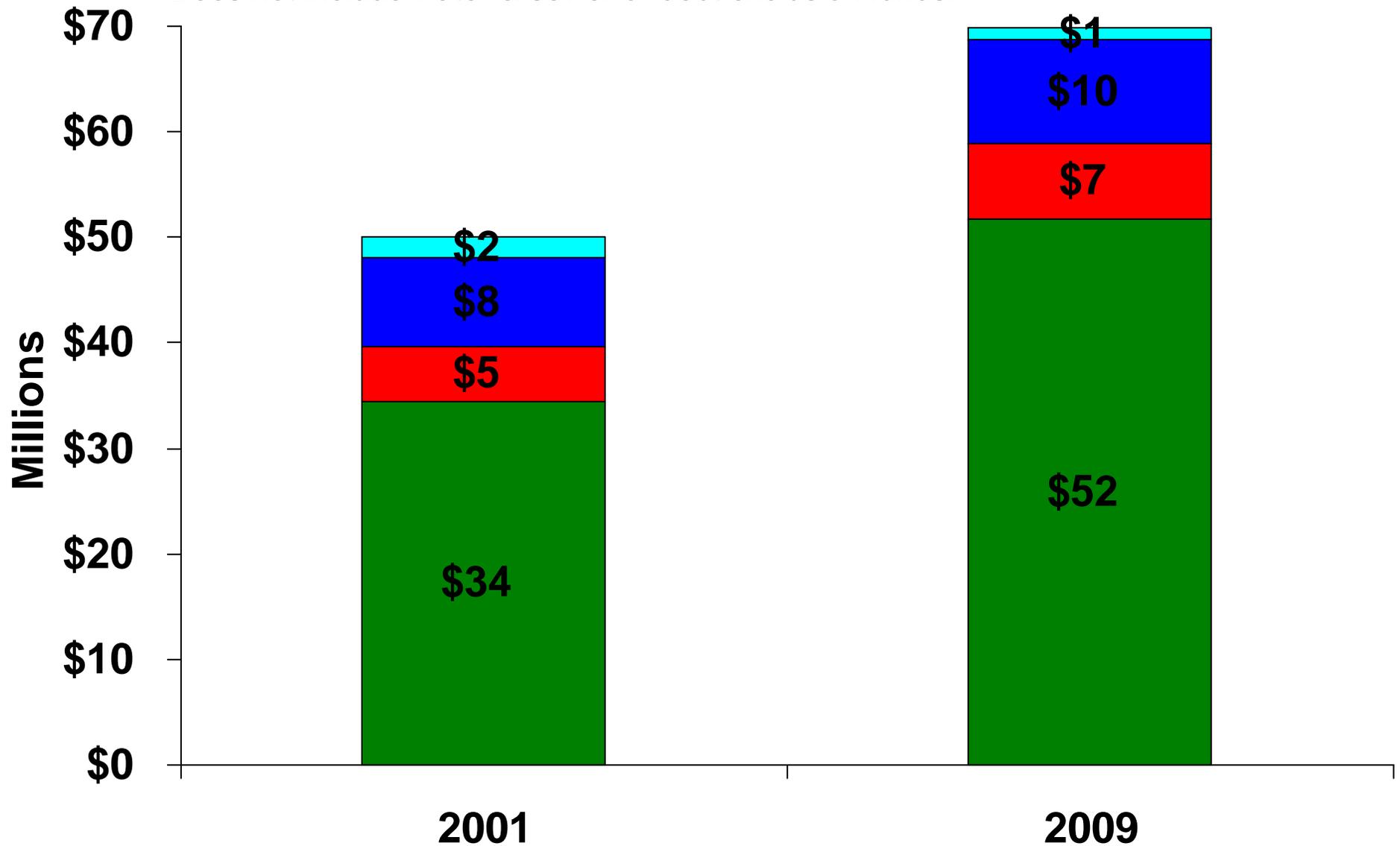


Does not include water & sewer or debt exclusion funds.



Revenue Breakdown FY2001-FY2009

Does not include water & sewer or debt exclusion funds.



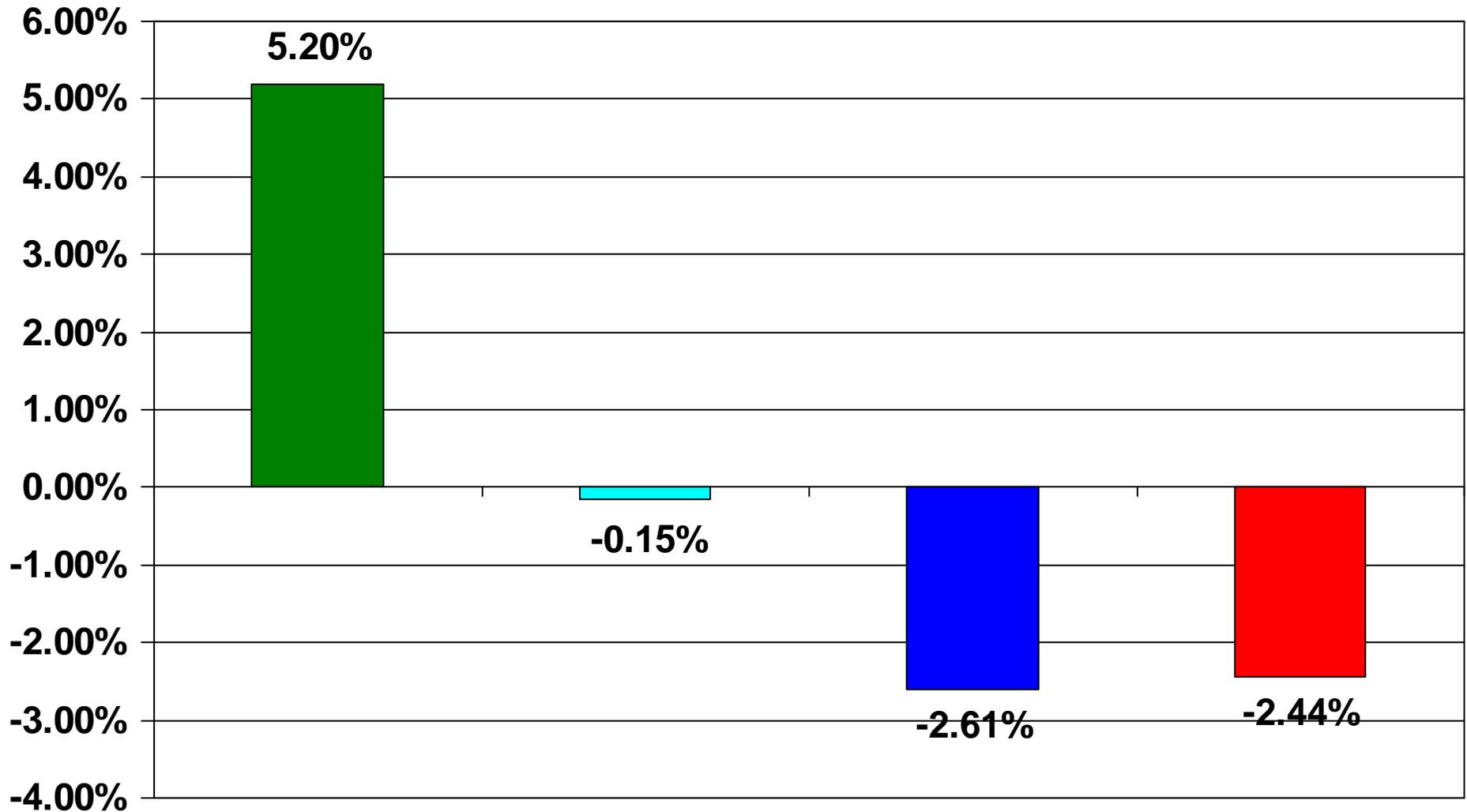
■ Property Taxes

■ Local Receipts

■ State Aid

■ Available Funds

Revenue Breakdown % Change FY01-FY09



■ Property Taxes

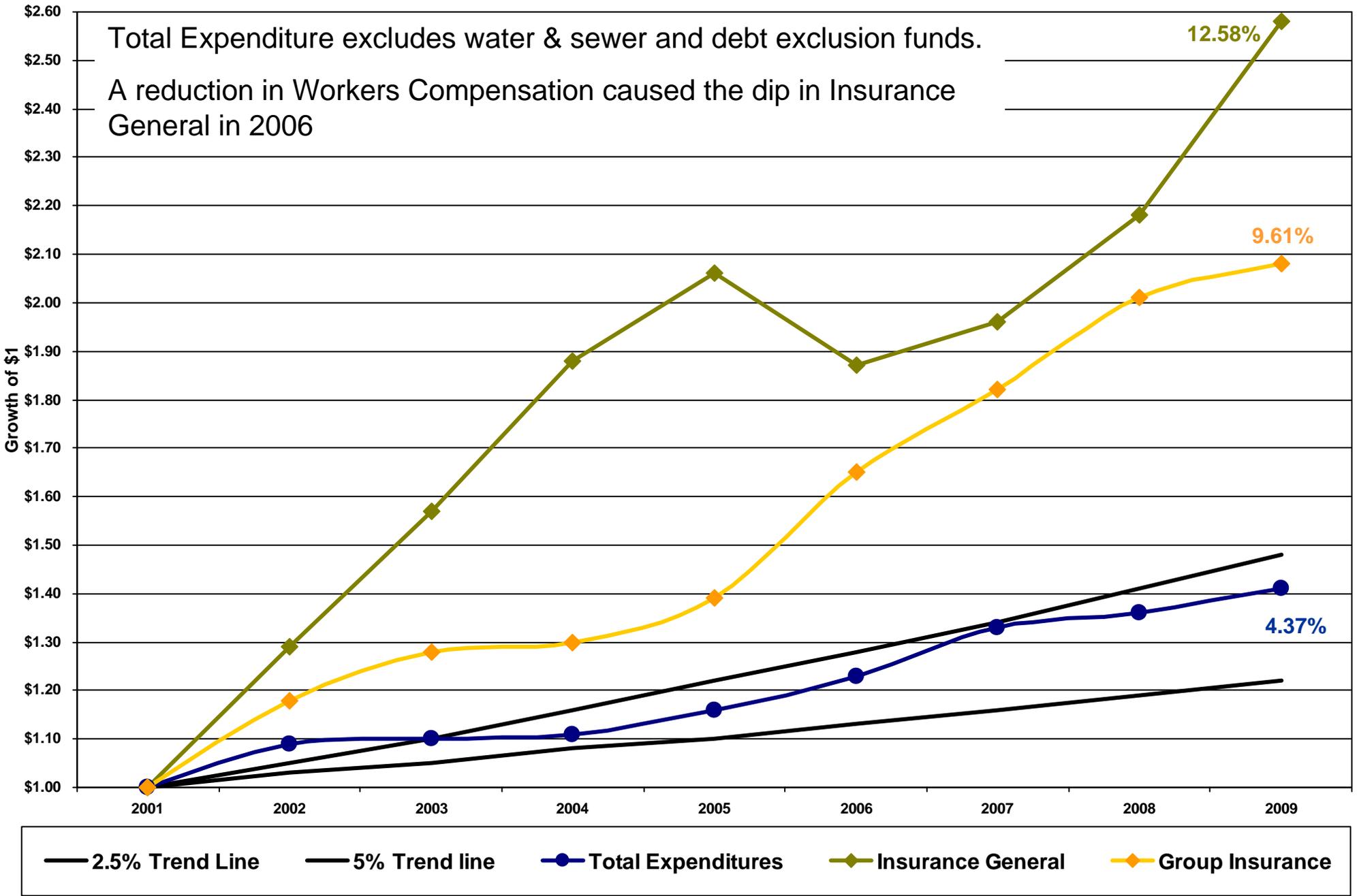
■ Local Receipts

■ State Aid

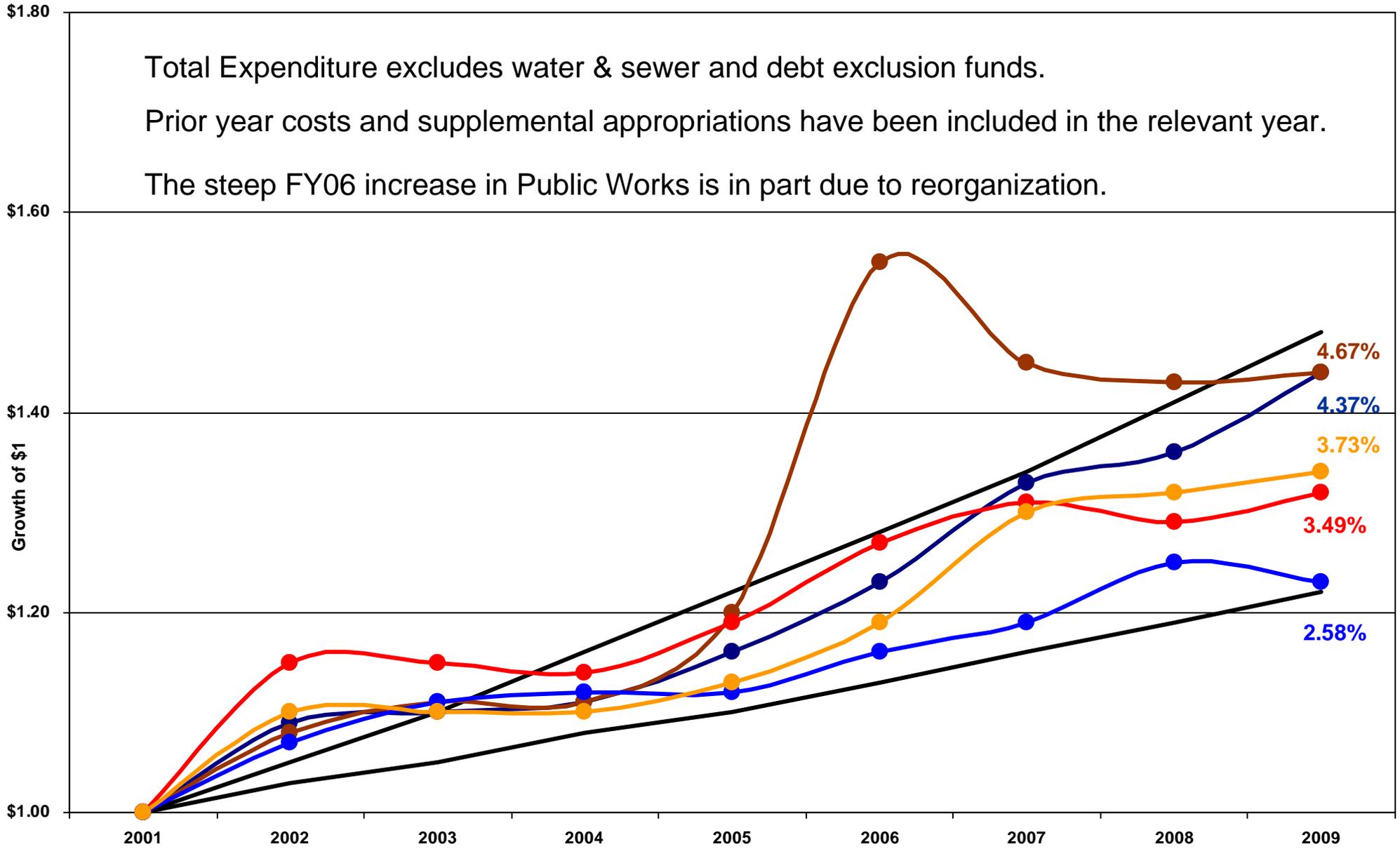
■ Available Funds

Does not include water & sewer or debt exclusion funds.

Annualized Expenditures: Budget Busters

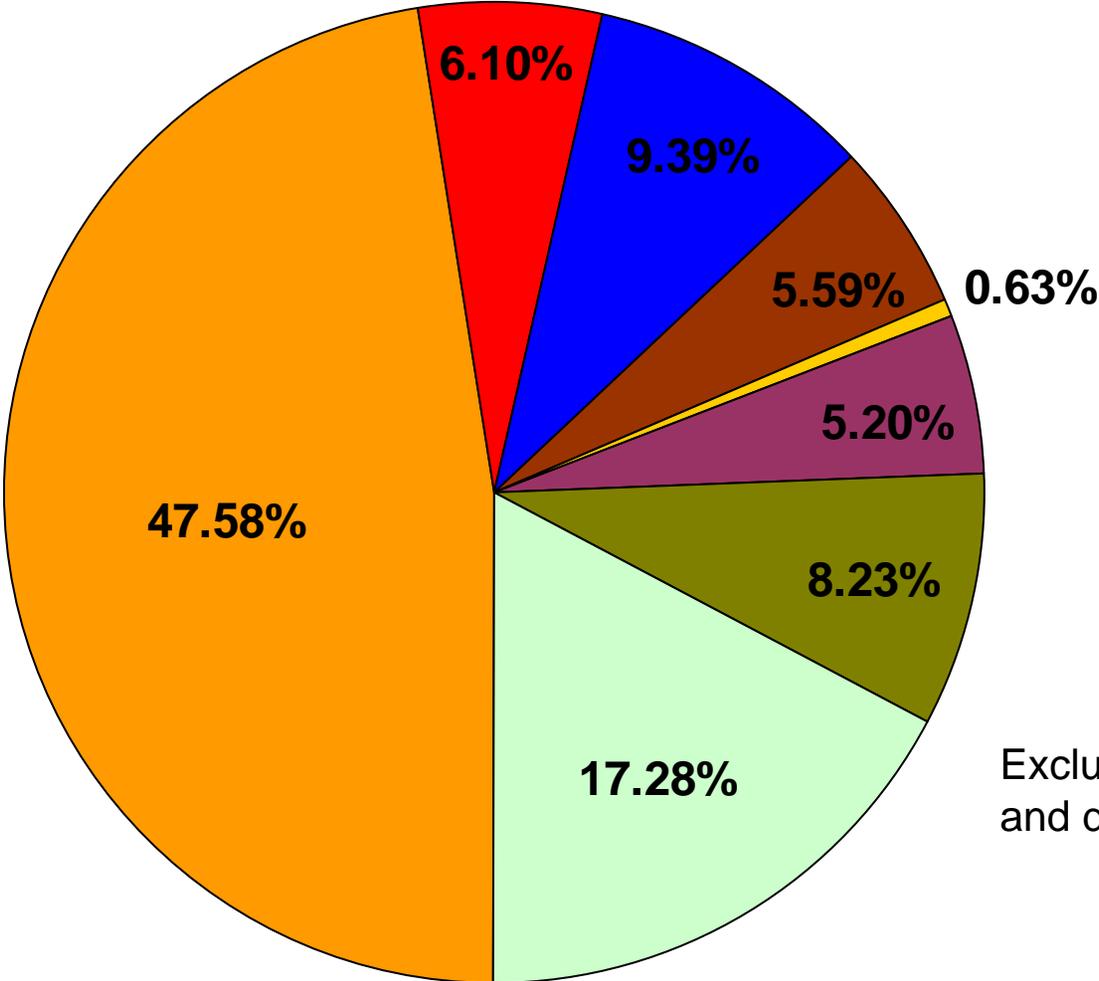


Annualized Expenditures: Largest Four Budgets



Departmental Allocations FY2001-FY2009

Expense FY2001

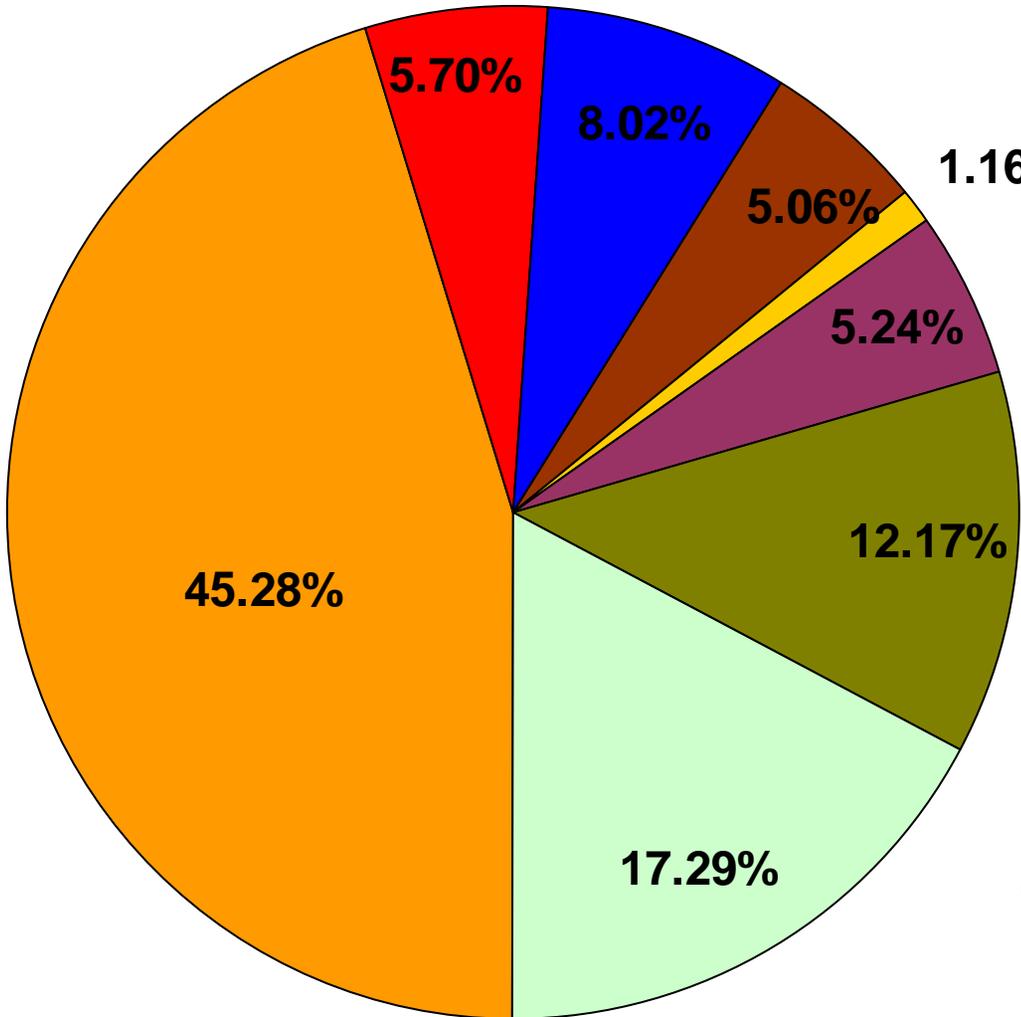


Excludes water & sewer and debt exclusion funds.

- | | | |
|-------------------|-------------------|--------------|
| School Department | Fire | Police/Youth |
| Public Works | Insurance General | Retirement |
| Group Insurance | Other Departments | |

Departmental Allocations FY2001-FY2009

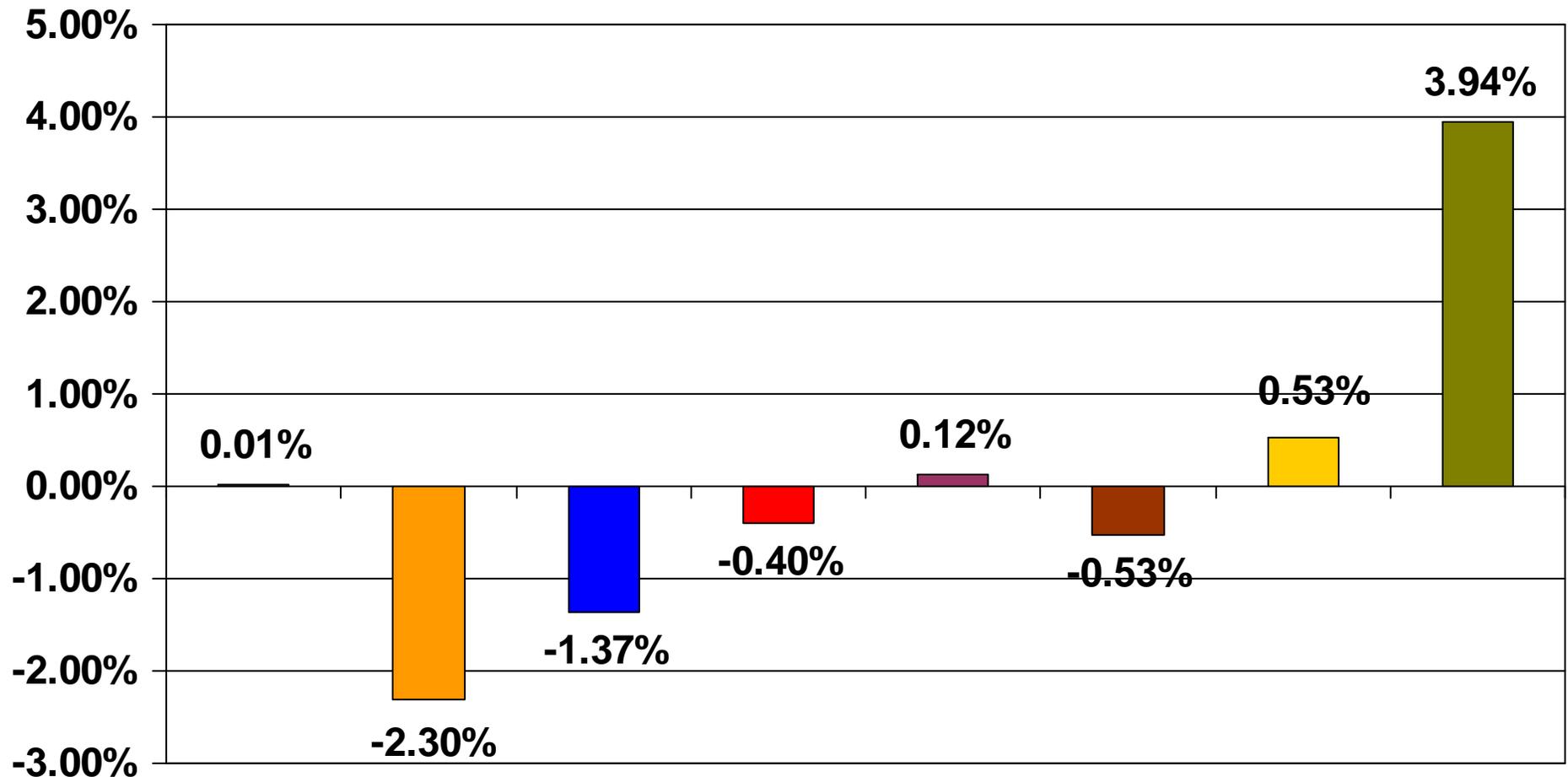
Expense FY2009



Excludes water & sewer and debt exclusion funds.

- | | | |
|-------------------|-------------------|--------------|
| School Department | Fire | Police/Youth |
| Public Works | Insurance General | Retirement |
| Group Insurance | Other Departments | |

% Change in Departmental Allocations FY01-FY09



Other Departments

School Department

Police/Youth

Fire

Retirement

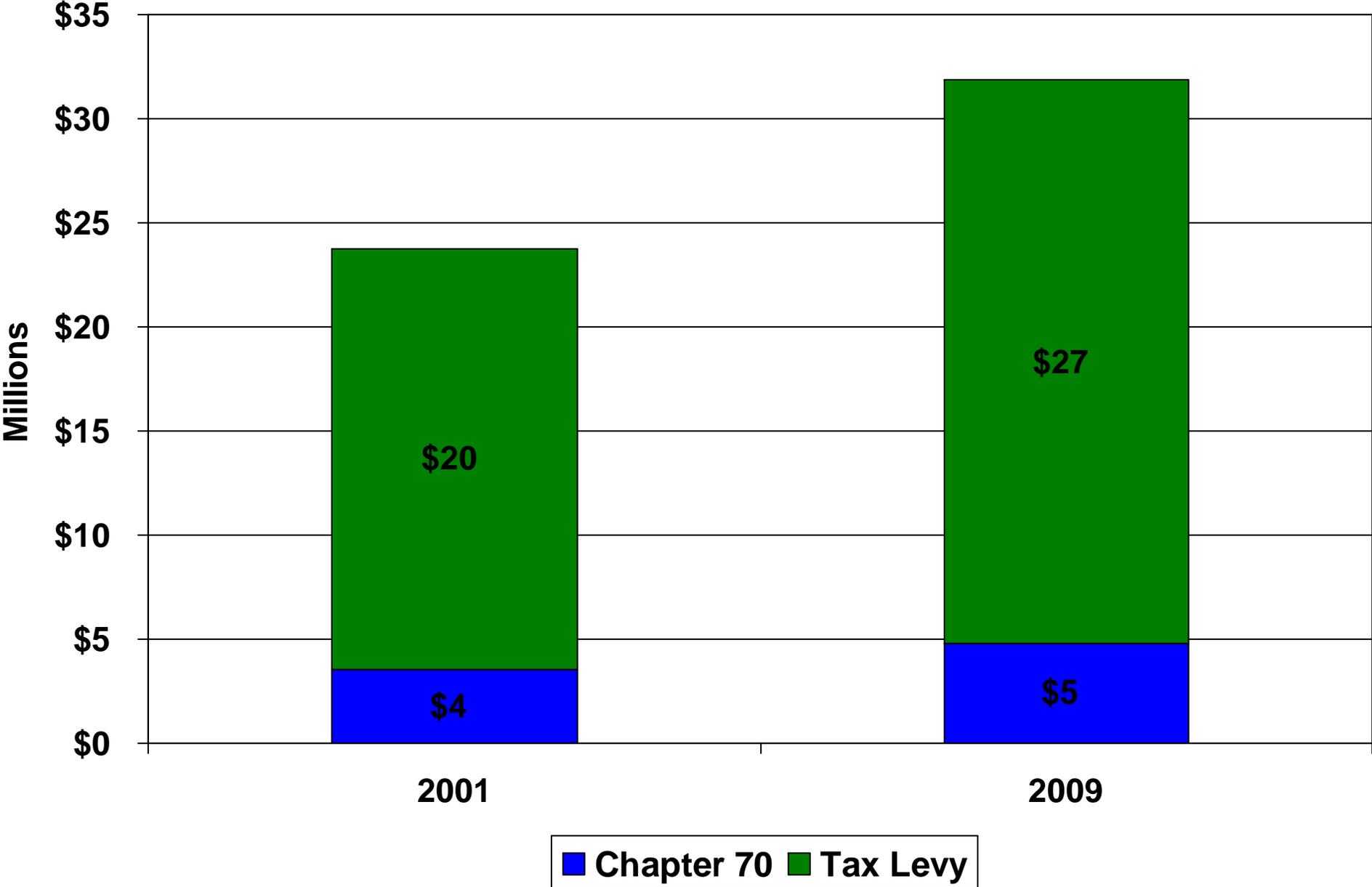
Public Works

Insurance General

Group Insurance

Excludes water & sewer and debt exclusion funds.

Sources of School Department Funding



If you think FY08 is bad, here's FY09,
FY10....

- Little to no increase in revenue
- Union Contracts
- Increase in Debt Service under the Levy Limit
- Continuing Increase in Health Insurance
- Bonding (Library, Schools)
- GASB45 (Health care for retirees)

What Can Be Done?

- There are no short-term solutions.
- Long range planning is not an option. It is a necessity.
- Financial planning cannot be done in a vacuum.
- All departments must understand the revenue numbers before crafting their budgets.
- Union contracts (wage increases and benefits) must be negotiated with the town's ability to pay firmly in mind.
- Milton's fiscal problems are a combination of nation-wide dilemmas and a structural deficiency in our income generation.
- No one department is to blame.
- No one department or board can fix these problems.
- Protecting the bond rating is of paramount importance.