

**REPORT OF THE WARRANT COMMITTEE
FOR THE OCTOBER 19, 2009 SPECIAL TOWN MEETING**

When Town Meeting concluded last May the State Budget was far from being finalized. Unlike past years when the Governor's budget recommendations for local aid tended to be the more conservative than the House and Senate this year turned out quite the opposite. The Governor's budget recommendations were extremely optimistic and were significantly reduced in both the House and Senate versions of the State Budget. While the Warrant Committee took a conservative approach in the estimate of State Aid for the FY 10 budget cuts at the State went far deeper than anyone originally predicted. At the time of Town Meeting the only State Aid numbers the Warrant Committee had to work with was the Governor's recommendation. The Warrant Committee estimated State Aid for FY 10 \$454,000 below the Governor's recommendation, believing that certain items were not likely to pass the House and Senate. As we now know the amount of State Aid allocated to Milton in the final conference committee budget for FY 10 was \$331,000 less than the Warrant Committee projection. This leaves the Town with a budgeted revenue short fall that must be made up in order to balance the budget and set the tax rate for FY 10. There are only two ways to remedy the revenue short fall. One is to identify other sources of revenue to replace the lost State Aid. The other is to reduce appropriations. In other words cut budgets. Discussions with Town Accountant David Grab quickly revealed that identifying additional revenue sources was simply not possible. The Town already has a \$200,000 snow and ice deficit from FY 09 that must be funded by additional available revenue from FY 10. There is not enough room in the revenue budget to absorb both the snow and ice deficit and the State Aid short fall. It is not expected that the Town will have any free cash available for FY 10. This leaves the unpleasant task of reducing appropriations or cutting budgets for FY 10.

The \$331,000 cut in State Aid was the result of an \$85,000 reduction in Chapter 70 (aid to schools), a \$155,000 reduction in police education incentive and a \$91,000 reduction in general aid and payments in lieu of taxes. Last year midyear budget cuts were absorbed by the large departments, Schools, Police, Fire and DPW. After long deliberation and discussions with the Selectmen and the School Committee the Warrant Committee decided that all departments should share in the responsibility for FY 10 budget cuts. The Warrant Committee decided to recommend that cuts resulting from reductions in Chapter 70 and general aid be shared by all departments. The Committee further recommended that cuts resulting from reductions in police education incentive be allocated solely to the Police Department.

Police officers who receive advanced education degrees are awarded a stipend called education incentive. Once a police officer earns the advanced degree he or she is paid this incentive annually. Fifty percent of the stipend is to be funded by the Town and fifty percent from State Aid. The education incentive does not flow into the police officers' base wages for budgetary purposes. All payments for education incentives are paid from the education incentive budget line item.

This year the line item for education incentive in the Police budget is approximately \$625,000. Because of the reduction in State Aid this budget line item will be reduced to \$470,000. The Town's contract with the police unions allows the Town to reduce the amount of education incentive paid to police officers in proportion to the reduction in State funding for that benefit. The State is funding approximately \$48,000 through State Aid. The balance of \$422,000 will be funded by the Town. The reduction of police education incentive funds will result in reduced incentive payments to police officers.

We are recommending the budget cuts resulting from Chapter 70 and general aid reductions be shared by the Schools and all Town departments in proportion to the size of their budgets. In arriving at the recommendation the Warrant Committee combined all of the smaller departments together to determine a single number to determine the recommended budget cut to those collective departments. That amount was then allocated to the smaller departments in proportion to the amount of the FY 10 override allocated to those departments. The Warrant Committee's approach should assure that the budget cuts will not place an undue burden on any one small department.

Town meeting members voted in favor of Warrant Article 12 at the May 2009 annual Town meeting. That Article appropriated \$400,000 to cover the medical expenses incurred between July 1, 2009 and June 30, 2010 by a Milton Firefighter who was permanently injured in the line of duty. The amount of the appropriation was based on estimates received from Town's insurance consultant taking into consideration the injured Firefighter's medical condition at that time. Since then the Firefighter has had numerous medical setbacks and it is now apparent that \$400,000 will not cover the estimated medical expenses for the year. The Town's insurance consultant's current estimate is that medical expense will approach \$700,000 for the fiscal year ending June 30, 2010. Special legislation passed by the State in 2008 allows the Town to issue debt not exceeding \$850,000 for each year through June 2013 to cover this Firefighter's medical costs incurred each year.

The Warrant Committee is recommending that Town Meeting approve borrowing authority up to the \$850,000 maximum amount for fiscal year 2010. By doing so additional Warrant Articles on this issue will be avoided should the costs exceed the \$700,000 estimate. Allowing the Town borrowing authority in excess of amounts expended will result in no significant adverse financial impact to the Town. The Town can only bond amounts actually expended. If the medical costs for the year are less than \$850,000 the Town will simply have unused borrowing capacity that can be revoked at a latter Town meeting. The Town has a responsibility to provide sufficient medical care to the injured Firefighter to ensure him the best quality of life available under the circumstances. The Town Administrator, our insurance consultant and Town government continues to vigorously negotiate with the health care providers to conserve Town resources.

Chapter 27, Section 60 of the Acts and Resolves of 2009 added general law Chapter 64L, Section 2(a) to the Massachusetts statute. This law allows municipalities to vote to impose a tax of 0.75% on the sale of restaurant meals as defined originating within the Town. After significant spirited debate the Warrant Committee is recommending that the Town vote to impose such a meals tax Milton. The debate centered around the fact that Milton needs additional sources of revenue to lessen the Town's overwhelming reliance on residential property taxes to finance government operations. Many members of the Committee are concerned about the impact that such a tax might have on businesses located in the Town. Still others are concerned about the impact that such a tax might have on the residents of the Town who patronize local restaurants in the Town. Most Committee members agree when put in perspective a 0.75% tax on meals should not be a significant contributing factor to a consumers decision to dine at a restaurant. The tax would result in the consumer paying an extra \$0.75 on a \$100 restaurant bill. Certainly there are many other factors that a consumer should consider including location, convenience, quality of service, quality of food and price far ahead of an additional \$0.75 charge. That being said sometimes perception outweighs reality. If Milton is the only Town in the surrounding area to pass the meals tax what impact will that have on perception?

After taking all of that into consideration the Town could really use the revenue. But how much revenue will the tax generate? There is currently no historical data as to the value of meals

served in Milton annually. The State does not currently track meals tax information by community. The only data that is currently available are estimates provided by the State for purposes of determining allowable revenue for the FY 10 tax recap work sheet. Based on that data Milton could include \$52,000 of estimated revenue from meals tax for FY 10 on the tax recap if the tax was adopted by August 31, 2009 to be effective October 1, 2009. Annualizing that information it would amount to \$70,000 of annual revenue. \$70,000 is not a lot of additional revenue. The question must be asked whether an additional \$70,000 is worth the risk and effort. \$9,333,000 of meals sales will generate \$70,000 in meals tax revenue. Again while there is currently no historical data the Town has small but successful franchise restaurants and many other small restaurants and sandwich shops that are very successful. It is certainly conceivable that those restaurants already have food sales exceeding \$9,333,000. The Town currently has two new and wonderful restaurants that even if evaluated in the context of a good economy are doing very well. When measured against a bad economy, their initial performance is incredible. While we don't know the volume of sales from these new restaurants it is reasonable to assume that their sales will significantly increase the sale of food in the Town. The Warrant Committee believes that future revenues generated from a local meals tax will exceed the \$70,000 imputed from the State's estimate.

The Warrant Committee sought feedback from the two new restaurants in the Town as to the impact that a local meals tax may have on their businesses. Vance Welch speaking for both new restaurants in the Town addressed the Committee. Mr. Welch stated that he is aware of the revenue needs of the Town. He will support the new meals tax if it will help Town finances. Mr. Welch did not think that the tax would have a significant impact on business provided that most communities in the area adopted the local meals tax option. He stated that he does have concerns if Milton is the only community in the area to adopt the local meals tax option. Mr. Welch urged that we not be too hasty in adopting the new tax.

The cities of Boston, Cambridge and Brookline have all indicated that they will adopt the new tax. Other communities are contemplating but have not as of yet indicated if they will support a local meals tax. Other communities have already indicated that they will not support the local meals tax option.

The Warrant Committee carefully considered all of the information before it and believes that the benefit of the new revenue source will outweigh the potential negative impact. In an effort to address the expressed concern of business owners the Warrant Committee has decided to recommend that the new tax not be imposed until April 1, 2010. The Committee believes that this will provide the new restaurants in the Town sufficient time to establish themselves and allow time to assess the impact on communities that have decided to adopt the tax earlier.

The Warrant Committee anticipates that fiscal year 2010 will be a year filled with financial turmoil. The Town as you all know was the beneficiary of a \$3.5 million proposition 2 1/2 override thanks to the concerned and caring residents of the Town. The override will allow the Town to continue to provide the quality of service that is expected by the residents of the Town. While the economy is starting to show significant signs of improving, the financial position of the State still remains tenuous. The State's stabilization fund has been significantly depleted and tax revenues are not expected to recover quickly. All signs indicate that the Town should anticipate additional cuts in State aid during fiscal year 2010. The Town will not have any free cash available for 2010 to absorb reductions in State aid. The Warrant Committee has set aside \$49,000 for the reserve fund to help fund State aid reductions. As the year continues the Warrant Committee may be able to free some additional reserve funds for this purpose. The Committee feels any reserve funds available to mitigate cuts in State aid while helpful will not be sufficient

to make a significant impact. Any significant reduction in State aid for 2010 will result in departmental budget cuts. As was the case last fiscal year the Warrant Committee is currently developing a communication to all Town departments with a recommendation to curtail spending in anticipation of these reductions.

Respectfully submitted,
September 9, 2009

Tom Hurley, Chair
Maurice (Moe) Mitchell , Secretary
Ewan Innes
Leroy Walker
Barbara Martin
Kevin Chase
John Folcarelli
Omar Sanchez
George Mandell
Jean H. Powers
Raj Pathak
Eric Kelley
Michael Zullas
John Ahonen
Henry Bell
Helen Kiddy, Clerk

ARTICLE 1 To see if the Town will vote to decrease budget appropriations voted by the 2009 Milton Annual Town Meeting as follows:

Department	Town Meeting Vote	Current Appropriation	Reduction	Reduction Line Item	Revised Appropriation
Schools	Article 28	\$33,086,627	\$110,591		\$32,976,036
Police	Article 16	\$ 6,019,470	\$175,502		\$ 5,843,968
Fire	Article 16	\$ 4,497,032	\$ 15,031		\$ 4,482,001
Public Works	Article 19	\$ 4,128,493	\$ 13,799	Public Works General	\$ 4,114,694
MEMA	Article 16	\$13,607	\$183	Auxiliary Fire	\$13,424
Inspectional Services	Article 16	\$323,220	\$609	General Expenses	\$322,611
Board of Appeals	Article 18	\$32,242	\$71	General Expenses	\$32,171
Board of Health	Article 24	\$164,615	\$219	General Expenses	\$164,396
Board of Assessors	Article 17	\$211,943	\$319	General Expenses	\$211,624
Central Business Office	Article 17	\$342,154	\$424	General Expenses	\$341,730
Conservation Commission	Article 18	\$2,500	\$1	General Expenses	\$2,499
Historical Commission	Article 18	\$2,240	\$6		\$2,234
Information Technology	Article 17	\$238,583	\$1,875	General Expenses	\$236,708
Law	Article 17	\$142,500	\$63	Disbursements	\$142,437
Personnel Board	Article 18	\$44,630	\$84	General Expenses	\$44,546
Planning Board	Article 18	\$15,753	\$254	General Expenses	\$15,499
Selectmen	Article 17	\$463,339	\$834	General Expenses	\$462,505
Town Clerk	Article 17	\$240,786	\$774	General Expenses	\$240,012
Treasurer-Collector	Article 17	\$306,341	\$760	General Expenses	\$305,581
Warrant Committee	Article 18	\$19,122	\$54	General Expenses	\$19,068
Veterans Benefits	Article 17	\$23,061	\$31	General Expenses	\$23,030
Cemetery	Article 26	\$689,023	\$3,608	General Expenses	\$685,415
Council on Aging	Article 18	\$181,679	\$349	General Expenses	\$181,330
Library	Article 25	\$994,916	\$3,461	General Expenses	\$991,455
Parks and Recreation	Article 27	\$362,131	\$2,727	General Expenses	\$359,404

and to act on anything relating thereto.

Submitted by the Board of Selectmen

RECOMMENDED that the Town vote to reduce the following appropriations voted by Milton Town Meeting for the twelve month period beginning July 1, 2009:

Department	Town Meeting Vote	Current Appropriation	Reduction	Reduction Line Item	Revised Appropriation
Schools	Article 28	\$33,086,627	\$110,591		\$32,976,036
Police	Article 16	\$ 6,019,470	\$175,502		\$ 5,843,968
Fire	Article 16	\$ 4,497,032	\$ 15,031		\$ 4,482,001
Public Works	Article 19	\$ 4,128,493	\$ 13,799	Public Works General	\$ 4,114,694
MEMA	Article 16	\$13,607	\$183	Auxiliary Fire	\$13,424
Inspectional Services	Article 16	\$323,220	\$609	General Expenses	\$322,611
Board of Appeals	Article 18	\$32,242	\$71	General Expenses	\$32,171
Board of Health	Article 24	\$164,615	\$219	General Expenses	\$164,396
Board of Assessors	Article 17	\$211,943	\$319	General Expenses	\$211,624
Central Business Office	Article 17	\$342,154	\$424	General Expenses	\$341,730
Conservation Commission	Article 18	\$2,500	\$1	General Expenses	\$2,499
Historical Commission	Article 18	\$2,240	\$6		\$2,234
Information Technology	Article 17	\$238,583	\$1,875	General Expenses	\$236,708
Law	Article 17	\$142,500	\$63	Disbursements	\$142,437
Personnel Board	Article 18	\$44,630	\$84	General Expenses	\$44,546
Planning Board	Article 18	\$15,753	\$254	General Expenses	\$15,499
Selectmen	Article 17	\$463,339	\$834	General Expenses	\$462,505
Town Clerk	Article 17	\$240,786	\$774	General Expenses	\$240,012
Treasurer-Collector	Article 17	\$306,341	\$760	General Expenses	\$305,581
Warrant Committee	Article 18	\$19,122	\$54	General Expenses	\$19,068
Veterans Benefits	Article 17	\$23,061	\$31	General Expenses	\$23,030
Cemetery	Article 26	\$689,023	\$3,608	General Expenses	\$685,415
Council on Aging	Article 18	\$181,679	\$349	General Expenses	\$181,330
Library	Article 25	\$994,916	\$3,461	General Expenses	\$991,455
Parks and				General	

Recreation	Article 27	\$362,131	\$2,727	Expenses	\$359,404
------------	------------	-----------	---------	----------	-----------

COMMENT: *This article balances the FY10 budget as a result of State Aid coming in significantly less than the conservative estimate used by the Warrant Committee in setting the budget. The Committee estimated State Aid for FY10 to be \$454,000 less than proposed in the Governor's initial budget estimate. The actual amount was \$785,000 less than that initial budget leaving a shortfall of \$331,000 that needs to be closed before the tax rate for FY10 can be set.*

The \$331,000 shortfall has three components; a reduction of \$85,000 in Chapter 70 (school aid), a \$155,000 reduction in police education incentive (Quinn Bill) and a \$91,000 reduction in general aid and payments in lieu of taxes. The committee looked at multiple options to meet this shortfall; use reserves, use free cash or cut FY10 appropriations.

As has been previously noted to Town Meeting, the town does not have the reserves to support large scale operating budget transfers. In addition, the latest estimates for free cash show that we will have a negative free cash balance as a result of snow and ice deficits and the cuts to budgets last year resulting in a lack of end of year department budget surpluses. The only means to make up the shortfall was to cut the FY10 appropriations, the question was how.

The Committee reviewed six alternatives to cutting the department appropriations, after much discussion the following consensus was reached: The cut in police education incentive should be treated as a direct pass through to the police budget as under contract the Town is only obligated to match the actual spending by the state. The cut in Chapter 70 and general aid should be apportioned to all departments in common with past practice. Departmental cuts should be made in proportion to the controllable budget, with cuts to the smaller departments in proportion to their allocation of override funding.

The Committee feels that the methodology used presents the fairest allocation of appropriation reductions across all departments and provides a consistent methodology for use in the event of additional state aid cuts during the year. Departments are in the process of being communicated to now that they should expect additional cuts during the year and to plan accordingly.

ARTICLE 2 To see if the Town will vote to accept the provisions of Chapter 64L, Section 2(a) of the Massachusetts General Laws, added by Chapter 27, Section 60 of the Acts and Resolves of 2009, which authorizes the Town of Milton to impose a local sales tax upon the sale of restaurant meals originating within the Town of Milton by a vendor at the rate of 0.75 percent of the gross receipts of the vendor from the sale of restaurant meals; and to act on anything relating thereto.

Submitted by the Board of Selectmen

RECOMMENDED that the Town accept the provisions of Massachusetts General Laws Chapter 64L, Section 2(a), added by Chapter 27, Section 60 of the Acts and Resolves of 2009 authorizing the Town of Milton to impose a local sales tax on the sale of restaurant meals originating within the Town of Milton by a vendor at the rate of 0.75% of the gross receipts of the vendor from the sale of restaurant meals. And that said local sales tax shall take effect on April 1, 2010.

COMMENT: *Massachusetts imposes a Sales Tax of 6.25% on meals. The proceeds from this tax go directly to the state. Earlier this year, the Legislature passed a law allowing Massachusetts cities and towns to impose a local tax of 0.75% (75 cents on each \$100) on the sale of restaurant meals originating within the Town. This revenue, while initially collected by the state would all come back*

to the Town. As part of its review, the Warrant Committee solicited comment from new restaurant owners. One of the owners appeared before the Committee and expressed a concern that a perception of Milton being “first out of the box” on this new tax could be problematic. The request was that Milton sequence implementation of this tax so that adjoining communities such as Boston might have time to decide whether to adopt this tax or not. As a result, the Warrant Committee voted to recommend approval of the Selectmen’s recommendation that this tax be adopted but to delay implementation until April 1, 2010. We now know that Boston has subsequently decided to adopt this new tax.

At the heart of the Warrant Committee recommendation is the realization that the Town of Milton must take each opportunity to increase revenue or create new revenue sources seriously since such opportunities are not presented very often. In addition, with the anticipated local aid environment showing signs of deterioration and 2010 Free Cash projected to be negative, this new revenue source will take on increased importance. In the future it will be a new source of revenue that will make the Town slightly less reliant on residential property taxes and State Local Aid.

ARTICLE 3 To see what sum of money the Town, pursuant to the authority conferred by Chapter 366 of the Acts and Resolves of 2008, will vote to appropriate, in addition to the money appropriated by the 2009 Milton Annual Meeting under Article 12, for payment of legally obligated medical expenses incurred from July 1, 2009 through June 30, 2010 for Town of Milton public safety personnel resulting from injuries sustained in the line of duty; to determine how said appropriation shall be raised, whether by transfer from available funds, borrowing under applicable provisions of law or otherwise; and to act on anything relating thereto.

Submitted by the Board of Selectmen

RECOMMENDED that the Town, pursuant to the authority conferred by Chapter 366 of the Acts and Resolves of 2008, appropriate the sum of \$450,000 for the payment of legally obligated medical expenses incurred from July 1, 2009 through June 30, 2010 by certain Town of Milton public safety personnel resulting from injuries sustained in the line of duty; and that to meet this appropriation, the Treasurer, with the approval of the Board of Selectmen, is authorized to borrow \$450,000 and to issue bonds or notes of the Town therefore. This appropriation is an addition to the \$400,000 appropriation voted by the 2009 Milton Annual Town Meeting under Article 12 for this purpose.

COMMENT: *At the Annual Town Meeting in May \$400,000 was appropriated for medical expenses incurred by a Firefighter injured in the line of duty for the period July 1, 2009 to June 30, 2010. The amount requested was based on estimates provided by the Town’s insurance consultant relying on information at the time relating to the Firefighter’s medical condition. Since that time it has become apparent that the amount appropriated will not cover the current estimated medical costs for fiscal year 2010. Current estimates are that the medical costs will approach \$700,000.*

The Town under special legislation may borrow up to \$850,000 to cover this Firefighter’s medical costs each year through 2013. The Warrant Committee is recommending that the Town appropriate the full amount of \$850,000 allowed to be borrowed under the special legislation. This will increase the appropriation from \$400,000 to \$850,000 and provide a borrowing authorization for that same amount.

The Warrant Committee is recommending \$850,000 because the amount of the estimated medical costs of \$700,000 is close to that maximum amount. If the medical costs for FY2010 exceed t he

insurance consultant's estimate the Town will have the ability fund those costs without the need to seek additional Town Meeting approval.

The Town may only borrow up to the amount of medical costs actually incurred during fiscal year 2010. The borrowing authorization may not be used for any other purpose and may not be used to fund medical costs of any year other than those incurred in fiscal year 2010. If the medical costs for fiscal year 2010 are less than \$850,000 there will be an excess borrowing authorization that can be revoked at a later Town Meeting.