

REVIEW OF TOWN FINANCES

Introduction and Budget Overview

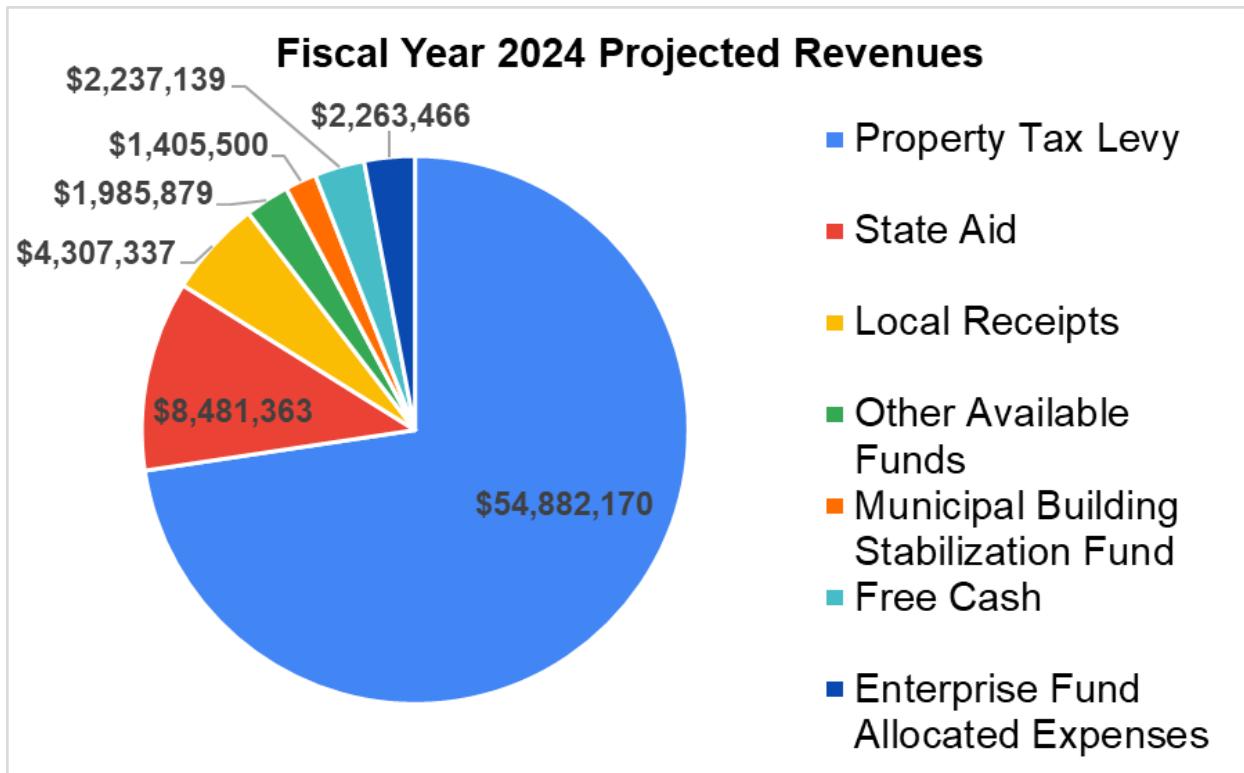
Each year, the Annual Town Meeting must consider a budget for the upcoming fiscal year. The town's fiscal year begins on July 1st and ends the following June 30th. However, the operating budget is just one piece of the long-term financial plan for the town. The overall message to town departments in developing their operating budgets for FY2024 was to continue to provide existing levels of service while allowing for service enhancements where possible. The Fiscal Year 2024 budget proposal funds the day-to-day operations of the town and school departments which provide services to our residents, builds towards strategic goals of the town and invests in key assets.

While all budget cycles have their challenges, the development of this year's budget proposal required weighing global cost increases in supplies and services, ongoing wage pressures, prioritizing the needs of our community members, while also continuing our efforts to build the town's financial reserves. The overall goal for FY2024 was to continue to provide excellent service, minimize the cost to the taxpayer and maintain healthy reserve balances.

Revenue Outlook

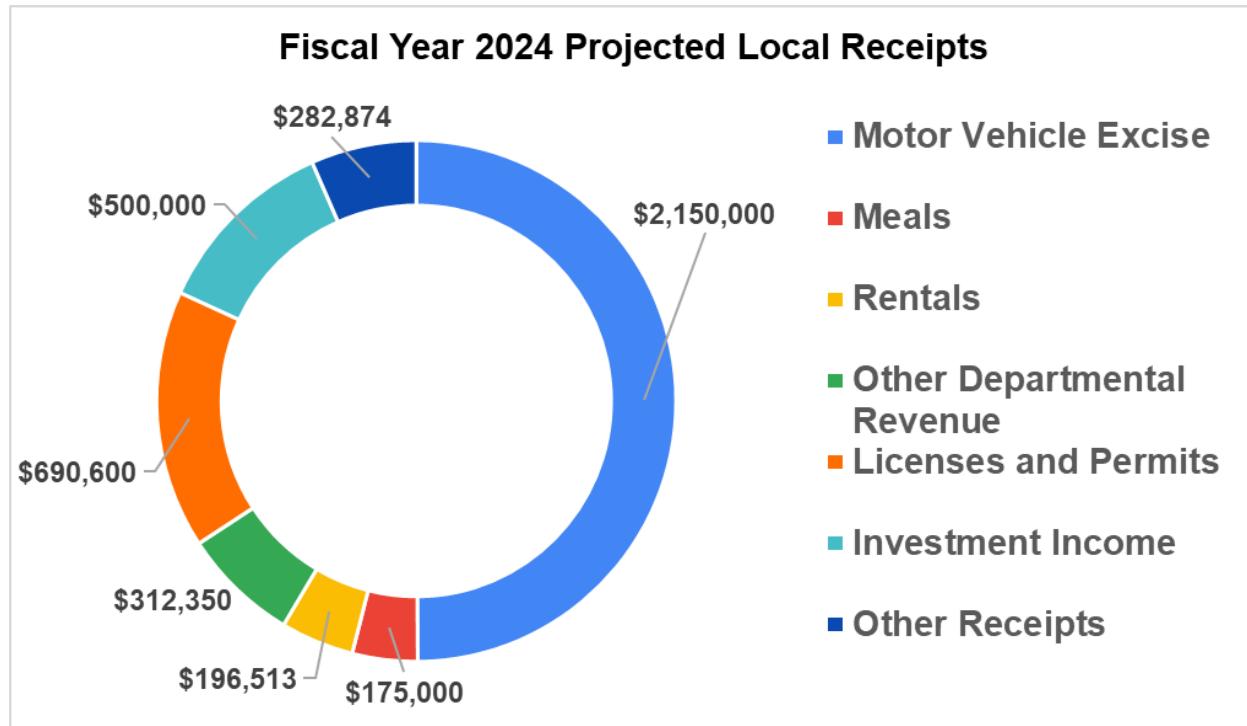
Given the importance of preparing a balanced budget proposal and the limitations on tax levy growth in place by Proposition 2 ½ , the town's budget development process begins with a thorough analysis of revenue expectations for the upcoming fiscal year. This is an imperative step prior to committing funds to any expenditure to ensure we develop a responsible and effective financial plan for the town. The outlook is further reviewed by the Select Board and Warrant Committee and adjusted as needed throughout the budgeting process. The foundation of this process is laid as the town completes an annual five-year projection of revenues, which is annually updated as needs arise. The updated outlook is available on the town's website.

Medfield's largest source of revenue comes from the tax levy, or simply put, the taxes paid by property owners each year. As mentioned previously, state statute allows for limited growth in this revenue source each year. In Fiscal Year 2024, the tax levy is estimated to account for 73% of total revenues. Residential taxpayers make up the vast majority, approximately 94% of the tax base. This is historically consistent. We continue to explore ways to diversify the town's tax base in order to lessen the tax burden.



As the chart above shows, the town's second largest revenue source is state aid. In February 2023, the Healey-Driscoll Administration released proposed state aid allocations for FY2024 that will provide for a 1.7% net increase over last year. This low percentage growth is typical of recent years. Given that this rate of increase tends to not match growing budgetary pressures, the town must also rely on local receipts and other available general funds.

The town must conservatively estimate local receipts revenues in order to prevent overextending financial resources and the need for mid-year budget cuts. Local receipts are comprised of motor vehicle excise, meals tax, building and permit fees, and other fees. Looking ahead, we expect that motor vehicle excise revenue will account for about half of all local receipts. The largest increase in local receipts categories is expected to come from investment income. While the rise in interest rates has caused uncertainty in the real estate market, these rates will increase the interest earned in the Town's accounts.

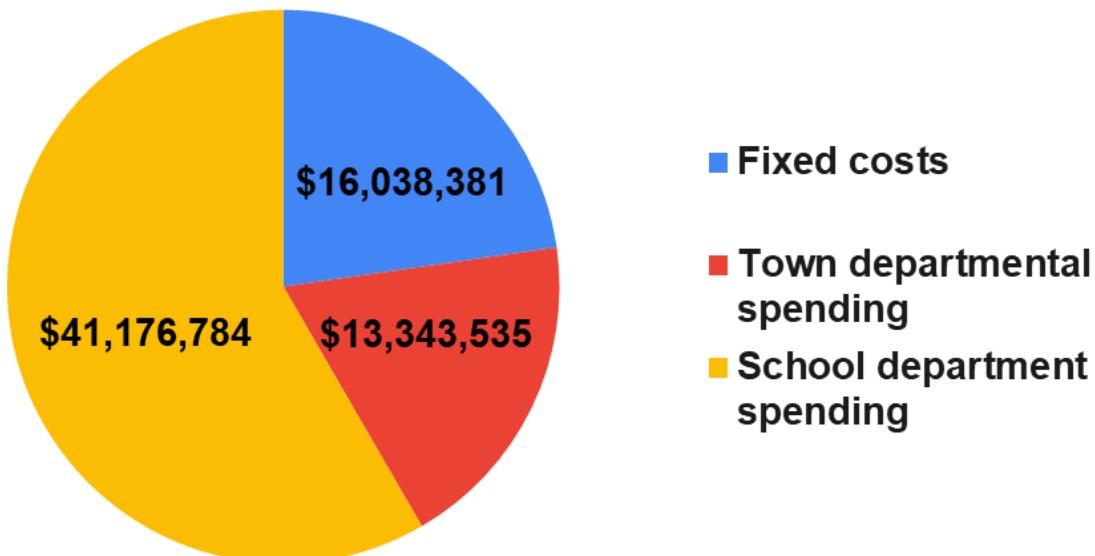


Revenue from various town trust funds is used as other sources of revenue to offset budgetary expenses. For instance, the budget proposal includes \$275,000 to be allocated from the Pension Reserve Trust Fund to partly fund the Norfolk County Retirement System assessment. This withdrawal follows a plan carefully developed by the Warrant Committee to utilize this fund responsibly as the County retirement system approaches a planned fully funded status in FY2029. The budget also relies on a \$300,000 appropriation from the Advanced Life Support Revolving Fund, which collects revenue associated with providing ALS ambulance service. This appropriation will partially offset the Fire Department's budget for FY2024. The full list of other operating funds used to offset expenditures can be found in this booklet.

Expenditure Outlook

Once the revenue picture becomes clearer, the financial team begins to weigh the town's commitments and priorities to fund through the warrant presented to town meeting. Each department head is asked to present budget requests for the upcoming fiscal year. These are then reviewed by the Warrant Committee and the town's financial management team. Outside of departmental requests, the team must also take into account the need to meet long-term obligations, address fixed costs, and maintain and improve services provided to the residents. Over the course of the winter months, a balanced budget proposal is then ready for consideration in early spring.

Comparison: Fixed vs. Departmental Costs



There are sizable fixed costs that face the town each year. These include debt service obligations, state assessments, pension and retiree healthcare costs, health insurance for current employees, and other expenditures. These account for over 20% of the operating budget at \$16 million. These costs have decreased slightly since FY2019, which is mainly attributable to reduced debt service obligations. Excluding debt service, these costs have risen by about 20% since FY2019. These costs also include appropriations towards reserve funds, which are determined by the town's financial policy requirements.

The FY2024 budget proposes a \$1,669,836, or 4.23%, increase for our public school's operating budget. This allows the district to fulfill its collective bargaining obligations for the teachers, teacher aides, administrative assistants, custodians, food service workers, and other school personnel. The budget gives our school department the ability to meet increasing costs for student transportation, utilities, and supplies. It also invests in new programs such as a new pre-kindergarten section at Wheelock Elementary School.

The budget proposal also includes a \$626,498, or 4.93%, increase for non-school municipal departments. As with the school district, the increase is a result of the surging cost of supplies and utilities. Like many other municipalities across the Commonwealth, the town continues to feel rising wage pressure on its workforce and difficulty in finding suitable candidates for open employment opportunities. In short, these proposed additional expenditures are meant to ensure

that the town can continue to provide the level of service its residents deserve and are accustomed to receiving.

In addition, the budget proposal funds the creation of a new facilities project manager position. This position, which will fall under the town and school shared Facilities Department, is needed to maximize the investments the town continues to make through the Municipal Building Stabilization Fund. The new facilities project manager will assist in the oversight of approved projects from beginning to end, and will add to the town's efforts towards energy management and efficiency.

The \$626,498 total increase also includes a \$68,000 appropriation from the Opioid Settlement Stabilization Fund. These funds are a portion of proceeds from the Commonwealth's legal settlement with opioid manufacturers and distributors. These funds by state requirements must be used by the town for very specific purposes. Medfield will leverage these proceeds by hiring a new clinician to be shared by the Council on Aging and Medfield Outreach. With this approach, the clinician will be able to support our residents who are most susceptible to the effects of the opioid crisis. It also aligns with the Select Board's goal of extending mental health and substance misuse prevention programming across the community, in collaboration with our schools and other community partners.

Capital Investments

Along with providing for the day to day operations and service needs of the town, the town must also prioritize investments in its key assets and infrastructure. These can range from the purchase of a fire truck, road and sidewalk improvements, major facility upgrades and maintenance, or water filtration equipment. The town's Capital Budget Committee guides the development of a proposed capital improvement plan, funded by various sources. This plan is then reviewed and recommended for passage by the Select Board. As part of the capital budget development process, the Capital Budget Committee reviews and approves a five-year capital plan that allows the town to better plan for necessary long term maintenance of investments. For projects proposed for the upcoming fiscal year, the Capital Budget Committee meets with each department requesting funding to obtain the details of each project. The FY2024 Capital Budget includes projects for the Police, Fire, Public Works, Parks and Recreation, Facilities, and Information Technology Departments.

At the 2018 Annual Town Meeting, through a Proposition 2 ½ override and ballot question, the town approved the creation of a Municipal Buildings Stabilization Fund to provide funding for facilities repairs and improvement projects. This account has increased 2.5% annually from its initial \$1,000,000 funding by an annual vote of the Select Board. The FY2024 amount voted by the Select Board is \$1,131,407. This year's proposed capital investments in municipal buildings

will allow the town to continue to address maintenance needs for some of the largest assets. Approximately 67% of the proposed funding will go toward repairs and improvements at school facilities, with the remaining addressing other municipal buildings.

Aside from these assets, the town must annually address other capital needs and infrastructure that are a key part of ensuring services are delivered to Medfield residents. Article 18 lays out these proposed investments, using funds from the town's Capital Stabilization Fund, Water & Sewer Enterprise retained earnings, town department revolving funds, and Chapter 90 allotments. The Capital Budget proposes the purchase of new fire gear and portable radios for the Fire Department, a new excavator for the Department of Public Works, and other items essential to achieving the goals of the town and school departments. The Select Board also approved the use of \$350,000 of the town's American Rescue Plan Act funding allotment for FY2024 capital projects, defraying the cost from the Capital Stabilization Fund and other sources. We would also like to commend town department heads for securing \$170,000 in grants for capital projects, allowing these projects to be completed without tax dollars.

Free Cash

Free cash is a term used for the town's remaining, unrestricted funds at the close of the prior fiscal year. The state's Division of Local Services recommends that free cash only be used for one-time, nonrecurring expenses. The town's financial policies require that the town budget maintain a balance in free cash equal to at least 2.5% of its general fund expenditures after free cash appropriations from town meeting.

From FY2014 through FY2019, the town used considerable amounts of free cash, averaging \$1.4 million each year. During that time, most of the town's free cash appropriations were used to balance the operating budget. In FY2020 and FY2021, the town reduced its use of free cash for the purpose of balancing the budget to \$800,000 and \$792,597, respectively. After further reducing free cash appropriated for this purpose to \$209,393 in FY2022, no amount was used to balance the operating budget in FY2023. The FY2024 budget marks the second year that the budget does not utilize Free Cash to balance the budget.

In January 2023, the Department of Revenue's Division of Local Services ("DLS") certified the Town of Medfield's Free Cash balance of \$3,918,186 for FY2022. In March 2023, this figure was increased by \$92,139 to reflect the town's initial allocation of Opioid Settlement Funds received from the Commonwealth. Note that these funds must be used for specific purposes, which is why the creation of an Opioid Settlement Stabilization Fund has been recommended and proposed for the management of these funds.

This year's budget proposes the following uses of free cash, which are in line with best practices and the town's financial policy:

Recommended Free Cash Usage for Fiscal Year 2024	
Certified Free Cash as of 6/30/2022	\$4,010,325.00
Transfer to Capital Stabilization Fund	\$850,000.00
Transfer to OPEB Trust	\$525,000.00
Transfer to General Stabilization Fund	\$500,000.00
Affordable Housing Trust RFP Assistance	\$15,000.00
School Building Committee Feasibility Study	\$250,000.00
Opioid Settlement Stabilization Fund	\$92,139.00
Vaccine Revolving Fund	\$5,000.00
Total	\$2,237,139.00
Remaining balance:	\$1,773,186.00

Financial Policy & Compliance

On January 24, 2023, the Select Board reviewed the town's financial policies to ensure the FY2023 budget satisfied the policy compliance measures. The Select Board voted to certify that the annual budget met the policy. The FY2024 budget proposed by the Warrant Committee, if adopted by Town Meeting, will again be in compliance with the town's financial policies.

Measure of Compliance: 2023 Approved and 2024 Estimated

	FY2023 Approved	FY2024 Estimated
	1-Jul-22	1-Jul-23
General Fund Expenditures (per Financial Policy)	\$67,862,757	\$69,243,337
Total Reserves	\$5,915,438	\$6,953,788
Reserves as a % of General Fund Expenditures	8.70%	10.04%
Total Reserves	\$5,915,438	\$6,953,788
Reserves required to meet 7.5%	\$5,089,707	\$5,193,250
<i>Budget Met 7.5% Requirement</i>	YES	YES
Excess or Shortfall in Reserves to Meet 7.5%	\$825,731	\$1,760,538

Reserves required to meet 9.0%	\$6,107,648	\$6,231,900
<i>Budget Met 9.0% Requirement</i>	NO	YES
Excess or Shortfall in Reserves to Meet 9.0%	-\$192,210	\$721,888
Free Cash Balance	\$1,729,299	\$1,773,186
Free Cash as a % of Gen Fund Expenditures	2.55%	2.56%
<i>Budget Met 2.5% Requirement</i>	YES	YES
Free Cash Required by Policy	\$1,696,569	\$1,731,083
Difference in Free Cash Balance vs Required	\$32,730	\$42,103

**The Financial Policy describes how the Town shall measure compliance. For additional information on the Reserve Fund and Financial Policy Analysis, please visit the Town's website <http://www.town.medfield.net/2033/Medfield-Financial-Policies-and-Information>*

Warrant Article: Withdrawal from Civil Service

The Town of Medfield Police Department is a part of the Massachusetts Civil Service system which was created by the Commonwealth in 1884 out of concern for patronage in the hiring and discipline process. Medfield voters accepted the MA Civil Service system on May 1, 1948 by ballot question at the Annual Town Election.

As a member of the MA Civil Service system, the Commonwealth's Human Resource Division (HRD) centrally conducts a "civil service test" for all applicants seeking employment or a promotion within Massachusetts Civil Service Police Departments. Civil Service [Law Chapter 31, section 58](#) permits cities and towns to ask that residents be placed on entry-level police eligible lists before nonresidents. A "resident" is a person who has lived in the same city or town for the full year (12 months) before the original date of the examination. The Town is only permitted to hire from the list provided by HRD, and is required to hire in order from the top three candidates on the list based solely on the score of the written examination and residency status in Medfield.

The civil service test is currently being given on a yearly basis. It takes months to be certified and distributed to departments seeking candidates. As a result, the list quickly becomes outdated and the highest qualified candidates are absorbed by larger civil service departments. As a member of the civil service process, the Town may only hire from the list provided and is prohibited from hiring or transferring any other candidate, regardless of training, education, and other qualifications unless they are within the civil service system.

As recruitment and retention of qualified candidates becomes a local and national issue, the Select Board, the Medfield Police Department and the Medfield Police League have determined that the Civil Service process is no longer providing enough qualified candidates for our community to hire. Medfield is not able to compete with neighboring towns. The collective bargaining committee and the Medfield Police League have agreed as part of the proposed Collective Bargaining contract, to support the withdrawal from the Massachusetts Civil Service system and adopt a locally managed system for hiring and promoting.

This new system will allow us to be competitive with neighboring towns who have exited from Civil Service, cast a wider net for applicants, and open up the opportunity for potential hires that are academy trained and certified through approved training programs such as 4+1 programs offered by accredited colleges and universities. This agreement retains Civil Service status for all current police officers and sergeants hired before the date of revocation and will only affect new candidates and promotions.

In 2021, the Commonwealth enacted rigorous policies governing the hiring, training and certification process. Today, the Town has a much more professionalized government than it did in 1948 with collective bargaining agreements, personnel policies, and regulations. The hiring and promoting systems for the Medfield Police Department should be administered by the Town of Medfield. At a time when police departments across the Commonwealth and the country are struggling with recruitment and retention, we must adapt to the changing demands of this profession and increase our flexibility in recruiting and hiring.

Distinguished Budget Recognition

The Select Board is pleased to announce that the Town of Medfield received a Distinguished Budget Presentation Award from the Government Finance Officers Association for the FY2023 Budget. This was the first time the Town applied for and received the designation. Thank you to the Town's Financial Team and Department Heads for undertaking this endeavor. We look forward to incorporating this budget document as our standard budget document moving forward.

Looking Forward

Each year we strive to improve community participation in the budget process, the transparency of the budget and the budget timeline. There are several initiatives that the Select Board, Warrant Committee, School Committee and Financial Team discussed prior to the COVID-19 pandemic that were forced to be put on hold. One of those initiatives will be to convene a meeting of the above-mentioned groups, including town departments heads, in early fall, to set budget expectations. All must come together to have a common understanding on the goals, priorities,

and budget pressures before formal budgets are submitted. This will allow the Town Administrator and Select Board to present the budget to the Warrant Committee for FY2025 in the Government Finance Officers Association format prior to Town Meeting.

In addition to the review of the five-year financial forecast in developing the annual budget, the Select Board has identified an issue which will impact the budgets as we move forward each year. The Town is already experiencing wage pressures which has already impacted the recruitment and retention of highly qualified employees. To address this issue, we are currently conducting a wage and compensation salary study of all non-union town employees. We anticipate that this study will be completed in the fall and we will work to integrate the findings and recommendations in the FY2025 budget.

We would like to take the opportunity to thank all of our board and commission members as well as the town staff who have worked diligently to develop the FY2024 budget. The budget and the warrant articles outline a prudent financial plan that will allow the town to meet the needs and expectations of its residents, invest in key infrastructure and improvements, and continue to build our financial reserves.

Thank you for reviewing this Annual Warrant Report. We look forward to seeing you at the Annual Town Meeting on Monday, May 1, 2023 at 7:00 p.m. at the High School Gymnasium.

Select Board

Osler L. Peterson, Chair
Eileen M. Murphy, Clerk
Gustave H. Murby, Third Member