



Budget Message

Introduction and Budget Overview

Each year, the Annual Town Meeting takes place for residents to consider a financial plan for the upcoming fiscal year, which begins on July 1st and ends the following June 30th. The operational needs of Town and School departments and other fixed costs are addressed through the annual operating budget. In addition, reserve building and long-term investment proposals are brought forward for town approval through other warrant articles. In total, the townspeople establish a financial framework to not only fund basic services but to achieve the town's strategic goals in a fiscally responsible and sustainable manner.

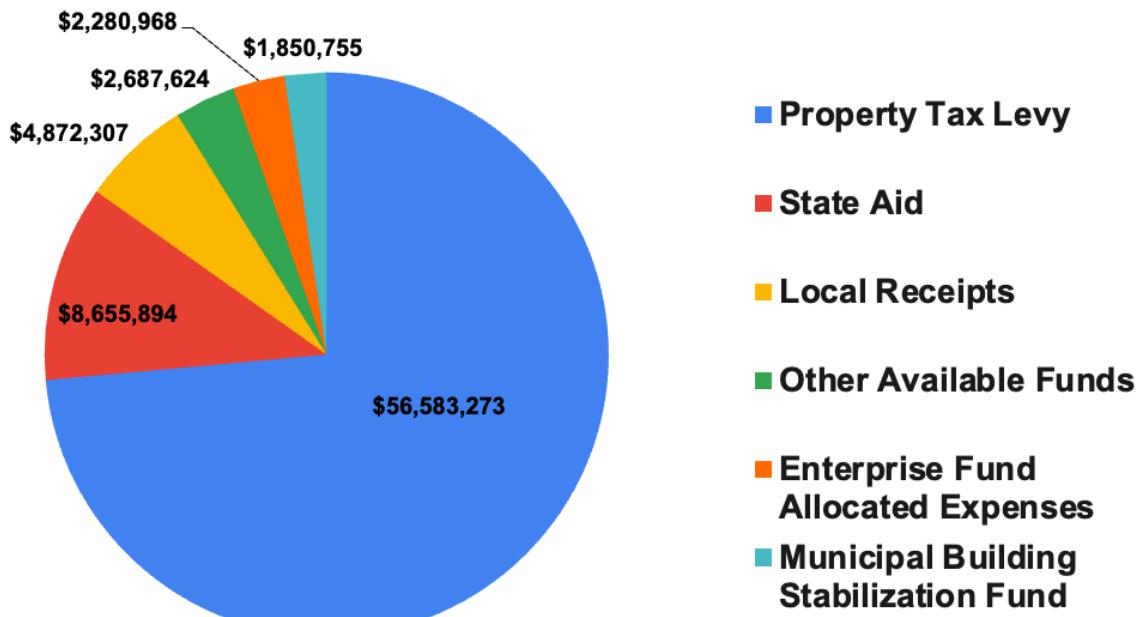
This year's budget process began earlier than in prior years, with clear guidance from the Warrant Committee for all departments to prepare budgets within the Proposition 2 ½ framework. After considering budgeted revenues, as well as shared fixed costs, the remaining revenues were allocated 75% to the School Department, and 25% to the Town Departments. Accordingly, Town and School departments were requested to submit Fiscal Year 2025 operating budget proposals with increases no greater than 4.8% (\$645,209) and 4.7% (\$1,935,627) from Fiscal Year 2024, respectively. This upfront guidance from the Warrant Committee led to a much more transparent and efficient budget process, and we look forward to building on this positive and collaborative momentum in the years to come.

Revenue Outlook

The tax levy is estimated to account for 71% of total revenues, of which almost 95% is made up of residential tax bills. These proportions are similar to prior years' trends, and the Select Board and other local officials are aware of the financial burden placed on residents. One of the Select Board's strategic goals, also identified in the Town-wide Master Plan, is to diversify the tax base. With that goal in mind, the Town utilized grant funding to evaluate potential zoning changes in the industrial extensive district near Route 27 and West Street to spur additional revenue growth. This year, proposed strategies to build up our reserves aim to address future financial impacts of the proposed elementary school project and the rising costs of special education.

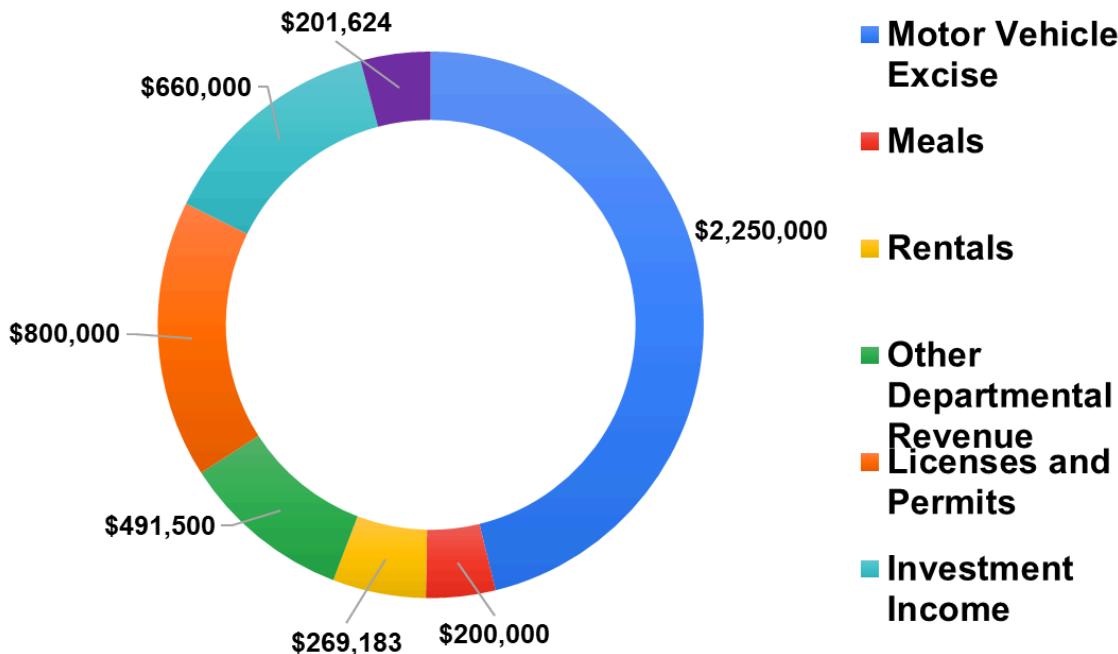
On January 24th, 2024, Governor Healey released her FY2025 state budget proposal, which included a recommended 1.2% increase in state aid for Medfield. While the Commonwealth recently cited concerns over the state's revenue targets, we are cautiously optimistic that state aid will remain stable. The Town's financial management team continues to closely monitor this trend.

FY25 Revenue Forecast



Despite uncertainty at the state level, Medfield's local receipt collections are expected to increase in Fiscal Year 2025. This expected growth is based on a thorough and careful analysis of each revenue source included in this category. While motor vehicle excise is expected to account for nearly half of the town's local receipts, most of the forecasted growth is due to higher interest rates increasing interest earned on the town's depository and investment accounts. Other additional increases are from the continued rise in the number and value of building permits and a cyclical increase in departmental revenue given that FY2025 will be a transfer station sticker renewal year.

Fiscal Year 2025 Projected Local Receipts

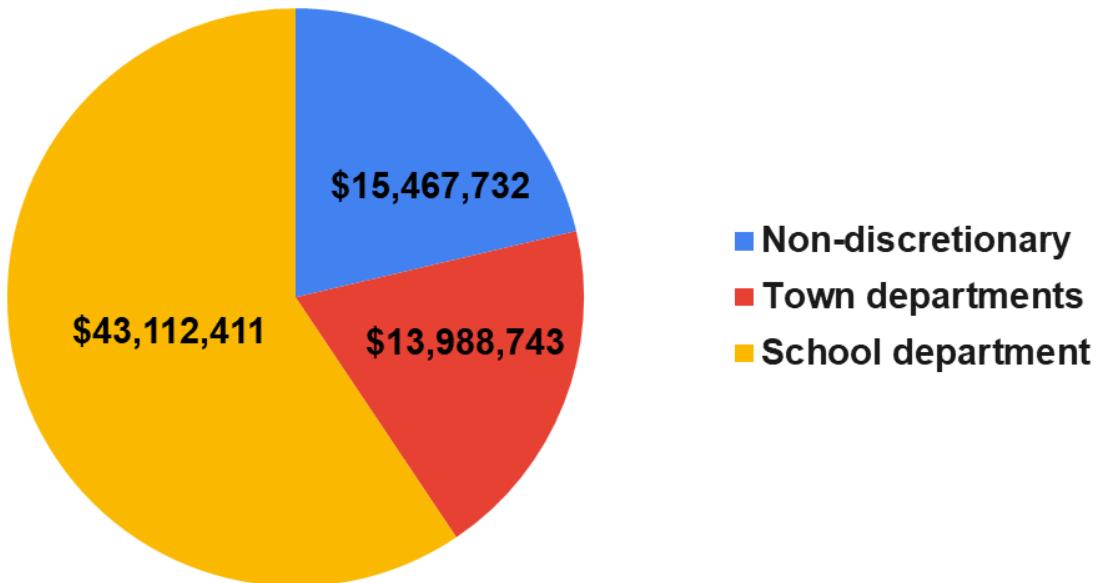


The Town also draws on various other accounts to fund or offset certain costs included in the budget. In FY2025, \$337,920 will be utilized from the Pension Reserve Trust Fund to offset a portion of Medfield's annual assessment from the Norfolk County Retirement System. Also, \$315,000 will be drawn from the Advanced Life Support (ALS) Revolving Fund for costs related to providing this service. A number of other ALS expenses will also be paid directly from this fund throughout the fiscal year.

Fixed and Shared Expenditure Outlook

Fixed and shared costs include debt service obligations, state, county, and regional school district assessments, health insurance for current and retired employees, and other similar expenditures. The budget forecasts that these costs will account for about 21% of operating spending in FY2025. Notably, the health insurance budget for active employees and retirees, the largest cost in this expenditure category, is nearly flat compared to FY2024. This is due to newly negotiated plan design changes to employee health insurance that will introduce a deductible to the HMO and PPO plans. For context, this budget line item increased by \$251,701 in FY2024, or 5.4%. The budgeted increase for FY2025 is just \$20,442, or .4%. The Town extends its gratitude to the members of the Public Employee Committee - Nancy McLaughlin (Teachers), Martha Moon (Retirees), Officer James Moses (Police), Firefighter Paul Schleicher (Fire), Diana Mileszko (Teaching Assistants), and Robert Bond (School Custodians, Food Service Workers, and Administrative Assistants) - for their thoughtful consideration during these negotiations that achieved savings for both taxpayers and our valued employees.

Comparison: Fixed vs. Departmental Costs



FY2025 will be the last year of debt service payments for several long-term obligations, contributing to the continued decrease of this budget line item. These include payments associated with the construction of The CENTER at Medfield, roof repairs at the Middle and High Schools, the purchase of the Sawmill Brook property, and various water main projects. It will also be the final year of payments for the purchase of the Medfield State Hospital campus. Most of these payments are funded via voter-approved debt exclusions, meaning as the obligations fully retire, the debt service payments no longer impact property tax bills.

School and Town Departmental Expenditure Outlook

The proposed budget for our public school system, which includes funding for teachers, administrative assistants, custodians, food service workers, and other personnel, will be increased by \$1,935,627 or 4.7%. This increase will allow the district to meet its collective bargaining obligations and cover the increasing costs of student transportation, out-of-district services, and supplies.

The proposed FY2025 spending plan for town departments builds upon a commitment to goals-based budgeting, aiming to achieve the strategic objectives set out by the Select Board within a responsible financial framework. The inclusion of a new Assistant Director for the Parks and Recreation Department reflects the Board's intention to continue to provide high-quality services to Medfield's youth. Additionally, elevating the current Conservation Agent position from part-time to full-time reinforces the



Board's support of the Conservation Commission's mission to increase accessibility and maintenance of existing natural spaces.

The Town is currently undergoing a review of our non-union classification and compensation system structure. The Personnel Board and the Select Board will review the operational and financial implications of the study with the goal of presenting this plan at the 2025 Annual Town Meeting. In the interim, for consideration at this year's annual Annual Town Meeting, a 3% cost-of-living adjustment for all non-union Town personnel is included in the budget. The Personnel Board and the Select Board continue to work to ensure Medfield is competitive in an environment where it is increasingly difficult to retain and recruit highly qualified municipal staff that can deliver services to our residents.

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 (DLS) recommends that free cash only be used for one-time, nonrecurring expenses. The Town's financial policies require that the Town maintain a free cash balance equal to at least 2.5% of its general fund expenditures after appropriations from Town Meeting.

In October 2023, DLS certified the Town of Medfield's Free Cash balance of \$5,142,311 for Fiscal Year 2023. This year's warrant proposes the following uses of free cash, which are in line with best practices and the town's financial policy:

Proposed Certified Free Cash Appropriations	
Revolving Funds (Article 5,7,8)	\$10,000.00
Dale Street/Rt. 27 Mitigation Fund (Article 12)	\$98,567.00
Transfer to Special Education Reserve Fund (Article 13)	\$200,000.00
Transfer to School Tax Impact Mitigation Fund (Article 14)	\$900,000.00
Transfer to Capital Stabilization Fund (Article 17)	\$700,000.00
Parks and Recreation Capital Projects (Article 18)	\$68,000.00
School Building Committee Feasibility Study (Article 19)	\$650,000.00
Transfer to OPEB Trust (Article 21)	\$551,250.00
375th Anniversary Trust (Article 24)	\$15,000.00
Select Board Economic Vitality Fund (Article 25)	\$15,000.00
Conservation Commission Pond Survey (Article 26)	\$20,000.00
MSH Maintenance and Security (Article 27)	\$50,000.00
Total	\$3,277,817.00



Outside of our traditional reserve fund appropriations, two new reserve funds are proposed in this warrant. First, the Special Education Reserve Fund would be utilized in upcoming fiscal years to pay for unanticipated or unbudgeted costs of special education, out-of-district tuition, or transportation. Establishment of this fund is proposed to address the unpredictable and rising nature of special education costs. The funds may only be accessed after the School District has applied for extraordinary relief from the state's circuit breaker fund. If the state denies or otherwise makes these funds unavailable, the School Committee and Select Board, by majority vote, can approve the use of this fund.

Second, the Elementary School Tax Mitigation Stabilization Fund is intended to establish a dedicated stabilization fund to help offset the future cost of the new elementary school project. While the School Building Committee works to develop a plan for the new elementary school project, we acknowledge the cost of the project continues to be a concern. A new school project could increase residential tax bills by roughly \$1,000 annually. With that in mind, the Town has proposed this funding mechanism to help offset the cost of a new school. The goal for this fund is to accumulate a balance of \$4-\$5 million before the Town will need to borrow for this project. The balance would be used to provide tax relief during the first three fiscal years after the debt is issued. Article 14 proposes to establish this fund and transfer \$900,000 in certified free cash as an initial appropriation to the fund. The Select Board will also identify additional sources of funding including the proceeds from existing and future land sales.



Financial Policy & Compliance

On February 6, 2024, the Select Board reviewed the town's financial policies to ensure the Fiscal Year 2024 budget satisfied the measures of compliance specified in the policy. The Select Board voted to certify that the annual budget met the policy. The Fiscal Year 2025 budget proposed by the Warrant Committee, if adopted by Town Meeting, will again comply with the town's financial policies.

FY2025 Financial Policy Measure of Compliance

	FY2024 Approved 1-Jul-23	FY2025 Estimated 1-Jul-24
General Fund Expenditures	\$68,627,856	\$73,091,572
Total Reserves	\$6,996,719	\$8,067,987
Reserves as a % of General Fund Expenditures	10.20%	11.04%

Reserves required to meet 9.0%	\$6,176,507	\$6,578,242
Budget Met 9.0% Requirement	YES	YES
Excess or Shortfall in Reserves to Meet 9.0%	\$820,212	\$1,489,745

Free Cash Balance	\$1,773,186	\$1,864,493
Free Cash as a % of Gen Fund Expenditures	2.58%	2.55%
Budget Met 2.5% Requirement	YES	YES
Free Cash Required by Policy	\$1,715,696	\$1,827,289
Difference in Free Cash Balance vs Required	\$57,490	\$37,204

* Per Financial Policy

Financial Considerations for MBTA Zoning Requirements Article

Medfield, along with 177 other MBTA Communities in Massachusetts, is in the process of navigating the requirements of the new Multi-Family Zoning Law. The law mandates MBTA Communities have at least one zoning district where multi-family housing is permitted as of right.

The state has linked compliance with the MBTA zoning requirements to the eligibility for many public funding sources. The Medfield State Hospital Redevelopment Project hinges on a successful public/private partnership. The Town is obligated to assist in the pursuit of grant funding for the public infrastructure portion of the project. Noncompliance with MBTA Zoning would compromise our ability to secure these grant funds and potentially make the State Hospital Project ineligible for the remaining \$25 million needed for public roadways and subsurface utilities and \$19.5 million in hazardous materials remediation. Medfield's non-compliance would therefore not bode well for the continued development of the former state hospital, leaving our residents responsible for the expected \$20 million liability of



remediating the site if Trinity were to exit, as well as foregoing another \$25 million dollars in state funding for the construction of public utilities at the MSH site.

In addition to the risk to the MSH project, the Town would forego additional grant funds, which are key to keep departments operating at their full potential. Examples of recently received funds that are representative of the kinds of grants the Town could lose in the future that are linked to MBTA Zoning compliance include the Housing Choice Initiative (\$45,000 received in 2022-2023), Community Planning Grant (\$70,000 received in 2023), Municipal Vulnerability Preparedness Program (\$25,259 received in 2019), the Downtown Initiative Grant (technical assistance received in 2020), the Community Development Block Grant (\$540,000 awarded regionally in 2020 to small business owners) among many others.

We hope residents will consider this aspect of the debate when casting their vote at Town Meeting. Most importantly, we thank the Planning Board for leading a thoughtful, inclusive, and transparent process in developing Article 31, which would bring the Town into compliance with the state's requirements by the December 31, 2024 deadline. The Boards have carefully zoned the Core Downtown, the Parc area, and the Maple and Pleasant area to match what is already built on-site. In addition, as proposed, the article fulfills Townwide Master Plan Goal #4 and the Medfield Select Board Strategic Goal #3.

Looking Forward

This year's budget process was not without its challenges but was made more straightforward with the early direction from the Warrant Committee to keep Town-wide spending within certain sustainable parameters and without requiring a Proposition 2 ½ override. Looking ahead to the near future, the Medfield Teachers' Association as well as Police and Fire Department unions will soon begin contract renewal negotiations, with the first impacts felt in the Fiscal Year 2026 budget.

This upcoming budget year will also be the last year federal American Rescue Plan Act dollars will be available for capital expenditures, increasing demand on Town financial resources to fund these needs. This comes at the same time as the Capital Budget Committee begins to strategize about financing sources for improving and potentially expanding the Town's existing sidewalk infrastructure. Additional funding will also be needed if the Town is going to address the "strong desire for improved walking and biking infrastructure" noted during the Town's Master Plan development process.

We thank the volunteers who contribute their time and effort on various Town boards and commissions. These and other engaged residents play an integral role in helping us achieve the strategic goals of the Town. The articles proposed in this year's warrant, financial and otherwise, complement this pursuit. By participating in Town Meeting, all residents can take part in this process as well!

Thank you for reviewing this Annual Warrant Report. We look forward to seeing you at the Annual Town Meeting on Monday, May 6, 2024, at 7:00 PM at the High School Gymnasium.



Select Board

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