



Financial Forecast

The financial forecast is a conservative projection of the revenues and expenditures anticipated over the next five-year period. Annually, the Town Administrator and the Financial Team will update the five-year financial forecast in order to make informed decisions concerning the Town's financial strategies, policies, capital planning revenue projections, and obligations.

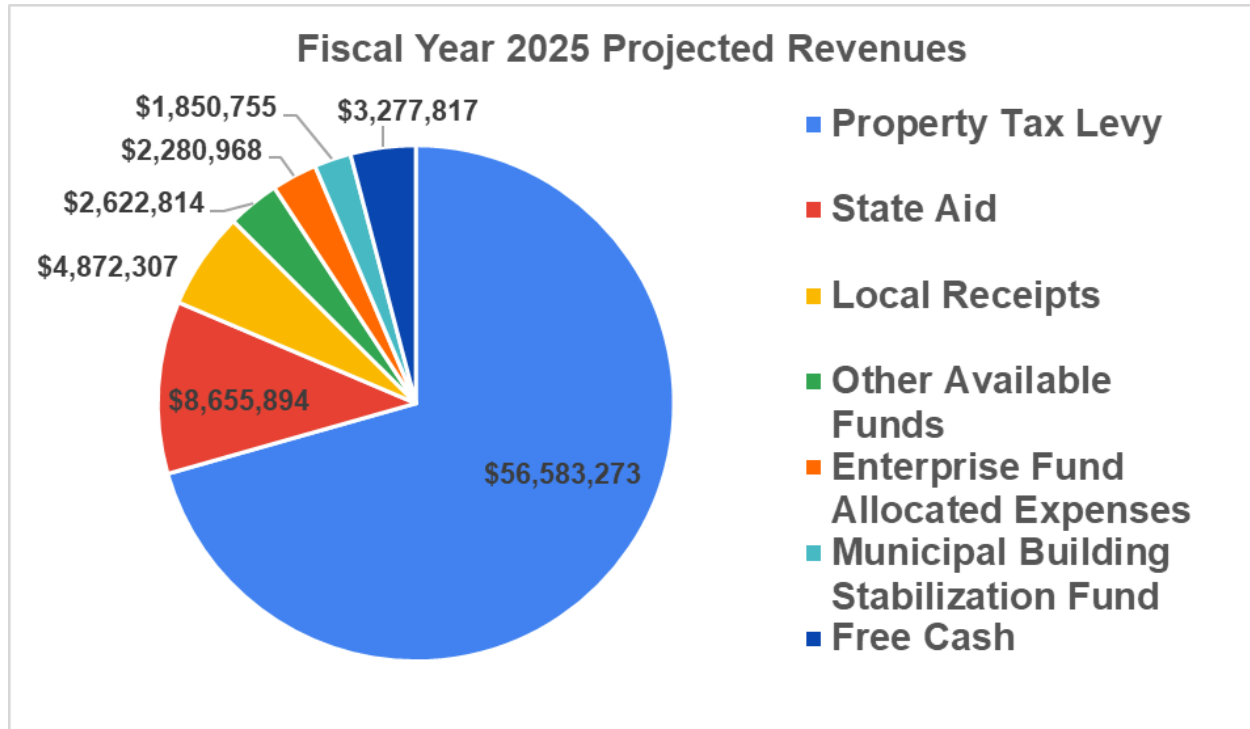
The Town's financial forecast is a key planning and policymaking tool that helps to anticipate future events and their effect on the Town's financial position. It can help to identify major changes in the Town's finances, such as when debt service for certain projects is ending. This helps the Town to appropriately plan how to finance its capital expenditures and identify new obligations required to be funded in the operating budget.

The Town's financial forecasting model is built upon a template provided by the Massachusetts Department of Revenue. The model was designed to use reasonable assumptions, including the assumption that the Town will continue to provide the same level of service and that there will be no significant changes to Massachusetts General Laws or other regulations. The Town's Financial Team applied various projection factors to its revenue and expenditure categories based on historical trends and industry expertise. The projections will be updated regularly, and at a minimum annually, incorporating new information or changing economic forecasts.

After considering forecasted revenues and shared fixed costs between the School and the Town departments, the Warrant Committee allocated 75% of the remaining revenues 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.

Revenues

Overall Outlook: The Town continues to use a conservative but realistic approach to estimating all revenue types based on no new major source of revenue in the forecast. The financial forecast projects an increase in operating revenues of 3.57% from FY2024 estimates. These revenues exclude funds available for capital spending, including the Municipal Building Stabilization Fund, and other non-operating funds included in other monetary articles at the Annual Town Meeting. In total, Town Meeting will consider appropriations of over \$80 million.



Property Tax Levy: Estimating the upcoming year's property tax collections, which will account for roughly two-thirds of operating revenues, is relatively straightforward given taxation limits put in place by Proposition 2 ½. The Town can reasonably expect a \$1.5 million increase in property tax revenue given the statutorily permitted 2.5% increase in the total tax levy and estimated new growth. The tax levy is estimated to account for 71% of total revenues, of which almost 95% is made up of residential tax bills.

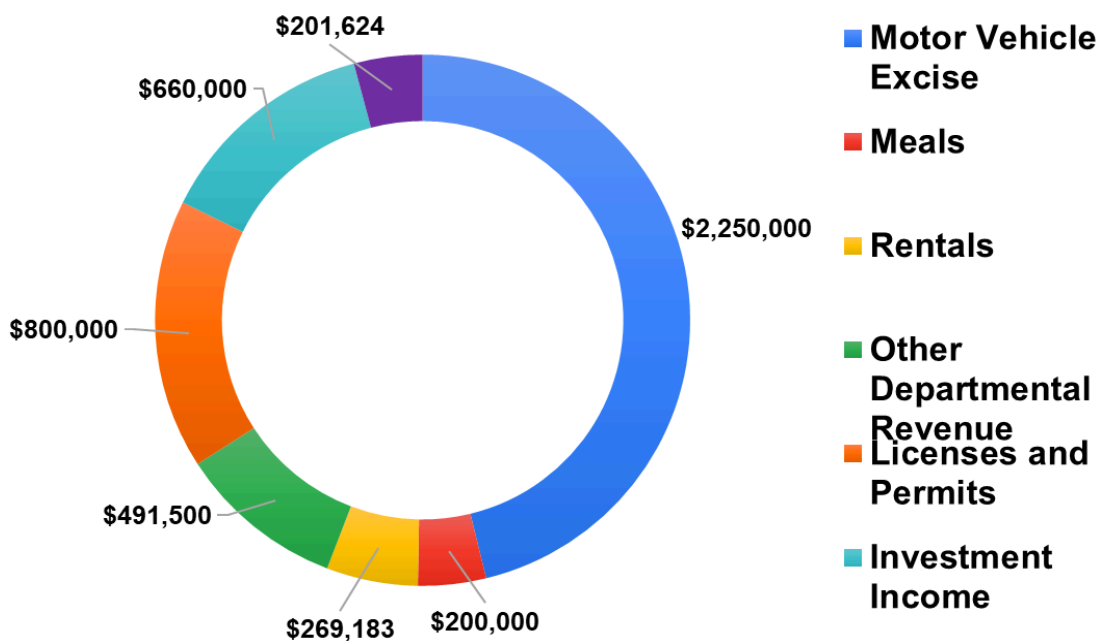
State aid: On January 24th, 2024, Governor Healey released her [FY2025 state budget proposal](#), which included a recommended 1.2% increase in state aid for Medfield. While the Commonwealth recently cited concerns over the state's revenue targets, we are cautiously optimistic that state aid will remain stable. The Town's Financial Team continues to closely monitor this trend as the state legislature continues through the Commonwealth's budget process. It is important to remember that this total does not include charges assessed to the town by the state, which will be addressed in the expenditures portion of the forecast.

Local receipts: The forecast projects a 13.1% increase, or \$564,970, in local receipts from FY2024 estimates. The primary drivers of the increase include:

- A \$179,150 increase in departmental revenues, primarily driven by transfer station sticker fee collections as FY 2025 is a renewal year.

- \$160,000 due to higher interest rates increasing interest earned on the town's depository and investment accounts.
- A \$100,000 increase in motor vehicle excise collections, which typically account for around half of Medfield's local receipts.
- \$109,000 more in building permit fees reflects anticipated construction for the upcoming year.
- A \$72,670 increase in rental income. The increase is mostly due to a new lease the town anticipates entering into for antennae space for wireless service providers on the Mt. Nebo water tower.

Fiscal Year 2025 Projected Local Receipts



Other Available Funds: In FY2025, the town anticipates using \$784,236 from various trust and revolving funds to offset certain expenses of the general fund. This represents a 7.3% increase from FY2024. This increase is primarily driven by a \$337,250 appropriation from the Pension Reserve Trust Fund. The fund was established in 1978 with an initial investment of \$10,000 and currently has a balance of \$2,793,000.

The appropriation out of the fund is used to offset the [Norfolk County Retirement System](#) (NCRS) assessment, detailed further in the expenditures portion of the forecast summary. In



consultation with the [Public Employee Retirement Administration Commission](#) (PERAC), the state agency that must approve withdrawals from the trust, the Town's Financial Team, and the Warrant Committee plan to continue to draw down on the fund in a conservative manner. The fund is slated to offset any increase over 2.5% of the prior year's assessment. Using estimated payroll cost escalations and investment returns in future years, the fund is projected to have a remaining balance of \$867,000 in Fiscal Year 2029. At that point, the pension fund is expected to be fully funded, and the remaining balance of the Trust can be used for future NCRS assessments.

Also included is a \$315,000 appropriation from the Advanced Life Support (ALS) Revolving Fund, which is used to offset the cost of offering this service to residents. The appropriation from the fund was budgeted at \$300,000 in Fiscal Year 2024. Several other ALS expenses will also be paid directly from this fund throughout the fiscal year.

Funds allocated for capital expenditures from the Capital Stabilization, Municipal Building Stabilization, and Parks and Recreation Revolving Funds are also considered "Other Available Funds." These appropriations are detailed further in the Capital section of this budget document.

Enterprise Offset: This revenue represents a "reimbursement" to the general fund for expenses, such as employee benefits and debt service, that will be made on behalf of the Town's two enterprise funds and expended in the General Fund: the water department and the sewer department. While this figure may change, a slight decrease is anticipated due to decreasing debt service obligations. The forecast includes \$2,280,970 in these revenues for Fiscal Year 2025.

Expense	Water	Sewer	Total
Debt Service	\$1,327,113	\$142,951	\$1,470,064
Insurance	\$103,463	\$81,894	\$185,357
County Retirement Assessment	\$123,137	\$84,581	\$207,718
Shared Employees	\$167,574	\$167,574	\$335,148
Shared Facilities	\$27,398	\$3,480	\$30,878
OPEB Contribution	\$19,826	\$31,979	\$51,805
Total	\$1,768,511	\$512,459	\$2,280,970



Operating Expenditures: Shared and Fixed Costs

Overall Outlook: The Town's projections anticipate consistent increases in municipal insurance and employee benefits costs. Other shared costs, like debt service and state assessments, are expected to decrease. However, due to the savings in health insurance costs a slight decrease of .65% in shared costs across the Town and School departments is expected as compared to the Fiscal Year 2024 budget.

Insurance and Employee Benefits: The Town currently anticipates a 5% increase across all workers' compensation and municipal liability insurance accounts, aside from Police and Fire 111F Injured on Duty Insurance. The actual cost for the 111F insurance in FY2024 was less than budgeted, therefore less will be budgeted for in Fiscal Year 2025.

Also included in this category are the Town's annual assessments to the Norfolk County Retirement System, (NCRS) which until recently have increased by an average of 7.5% per year. However, in the fall of 2022, the NCRS made a policy decision to switch its valuation assumptions that determine the assessments from a payroll-based analysis to an actuarial-based analysis. This contributed to a nearly 3% decrease in the amount budgeted for the Town's NCRS assessment for Fiscal Year 2024. The Fiscal Year 2025 assessment is \$3,434,727.

Given the uncertainty associated with the new assumptions beyond Fiscal Year 2025 that determine the town's annual assessment, we expect a 5% increase in assessments each year. These increases can be anticipated due to the NCRS' goal of fully funding its pension liability by Fiscal Year 2029.

The largest expense in this category is employee and retiree health insurance. In recent years, the Town experienced steady growth in health insurance costs, partly alleviated due to a half-month premium holiday in Fiscal Year 2021 and a full-month premium holiday in Fiscal Year 2022. The Town also made plan design changes ahead of Fiscal Year 2021 which introduced increased copayments. However, coverage costs for active employees and retirees under 65 increased by 8.7% in Fiscal Year 2024, and the town projected a 3% increase in costs for retirees covered in the Medicare premium plan. This resulted in a \$251,701 increase in the Town's health insurance budget last year, totaling \$4,928,810. Initial indications from the Town's health insurance provider were that premiums would increase by over 11% if no changes were adopted.



In Spring 2024, the Town and Public Employee Committee successfully negotiated plan design changes to employee health insurance that will introduce a deductible to the HMO and PPO plans. As a result, the budgeted increase for Fiscal Year 2025 is \$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.

Overall, a 2.26% increase, or \$216,994, in insurance and employee benefits is forecasted for Fiscal Year 2025.

Debt service: Fiscal Year 2025 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. However, the vast majority of this debt is funded by voter-approved debt exclusions that will also drop off once the debt is retired. This means the reduced debt service in the future will not result in any considerable revenue gain for the town. More detail on debt obligations is provided in the non-departmental expenditures section of this budget document.

The lease payment of \$48,095 included in the debt service category is for payments associated with the lease purchase for the replacement of Fire Engine 3, approved by the Town Meeting in Fiscal Year 2021. The last payment for this lease will take place in FY2030.

Expenditures Not Requiring Appropriation: This spending category includes the Board of Assessors' Overlay Account, to be level funded, and any deficits from the prior fiscal year to be funded, of which there are none. The only major change expected in this category is state assessments, the second part of the equation that will determine Medfield's net state aid. The last payment to the Commonwealth for the Town's purchase of the Medfield State Hospital campus will occur in Fiscal Year 2025. The payment will be half of the prior year's payments at \$155,000 instead of \$310,000. However, as with most of the Town's outstanding debt, this purchase was funded via a debt exclusion, meaning the corresponding revenue that funds the annual payment will drop off, resulting in no net revenue gain or new revenues available for other purposes.

Vocational School Assessment: 7 Medfield students attend the Tri-County Regional Vocational Technical High School ("Tri-County"). In March, Tri-County confirmed Medfield's total



assessment for Fiscal Year 2025 would be \$134,071. However, \$6,147 of this total will be funded out of the Municipal Building Stabilization Fund as it relates to the capital assessment for new school building project approved by the school district's voters in October 2023.