**To: Medfield Budget Makers and Elected Officials**

**Date: November 13, 2023**

**From: Warrant Committee**

**Subject: FY 2025 Budget Guidance: Approach, Targets and Timeline**

***Summary and Background***

A host of factors pushed up the growth rate of the Town's budget in FY 23 and FY 24, including the inflation surge that began in mid- 2021. Fortunately, inflation has moved down from its peak last year but nonetheless, the space between our forecasted fixed expenditures and the Tax Levy allowed under Prop 2 ½ continues to be under pressure.

While the tax rate moved down in FY 23 to $15.43, average tax bills rose 3.2%, amounting to an increase of $402 on the average home in Medfield – and tax bills will move up again in FY 24. The property tax bills in Town have overall, risen about in line with the Consumer Price Index (CPI). Given the anticipated ongoing slowing in housing prices and continued budgetary strains, the tax rate is likely to face upward pressure in coming years.

Taking all of this into account, the Warrant Committee intends to take a cautious approach to budgeting in FY 25. In summary, after a review of FY 25 forecasted revenue and fixed costs, the Warrant Committee is recommending an overall **4.1%** budget guidance for school and town departments. Amounts of COLA for non-contract employees who are not covered by the Collective Bargaining Agreements and salary increases as stipulated by relevant Collective Bargaining Agreements for contract employees are expected to fall within this overall guidance.

***COLA for non-contract employees (does not directly affect employees covered by Collective Bargaining Agreements)***

Inflation has eroded everyone's purchasing power since the surge that began in the middle of 2021, though inflation has moved lower recently, with the latest read on the CPI indicating that prices in the Northeast in September were 3.0 percent higher than 12 months earlier (3.7 for the US as a whole). Wages have also been rising more rapidly during this inflation environment. For example, the Employment Cost Index for State and Local governments employees rose 4.8% over the year ending in September. That figure incorporates pay increases that went into effect at the start of the fiscal year in many jurisdictions (July 1, 2023), corresponding to Medfield's FY 24 COLA (3.0%) that also went into effect July 1st.

The COLA recommended by the Warrant Committee that will be brought forward to Town Meeting must balance the need to fairly compensate the hard work and dedication of Town employees against the burden of taxes. By way of background COLAs were 3.0 % for FY 24, 2.0% for FY 23 and 2% for several years before that. As of this date, the Personnel Board has not decided on a COLA for FY 25.

***Department Operating Budgets***

As noted, budget pressures remain and are unlikely to abate in coming years. Accordingly, we ask the school and Town departments to prepare budgets that do not exceed the guidelines of **4.1%** and **4.2%,** respectively. Department heads should first work with the chief executives and elected boards (Superintendent/School Committee or Town Administrator/Select Board) in balancing the limitations of these guidelines with essential department needs and services in the face of unforeseen costs for essential goods and department needs. For line items where increases are necessary to maintain essential services, or where costs have increased in an out of the ordinary way, we ask budget makers to provide specific explanations to their Elected Boards and the Warrant Committee and to consider whether a decrease in another line item could offset the increase.

Lastly, if after review there are any unmet needs that could not be covered with either alternative revenue sources (grants, fees, etc.) or cost efficiencies, please identify these for the Warrant Committee along with specific explanations for essentials whose higher costs make Warrant Committee guidance inconsistent with providing an appropriate level of service. The Warrant Committee asks that any significant requests that fall outside of the above guidance be identified and communicated early, since it may trigger a Prop 2 ½ override request at Town Meeting.

The Warrant Committee looks forward to discussing particulars with the Superintendent, Town Administrator, and budget makers to ensure that essential and important services are provided, and that the Town's overall costs and tax rate are controlled as well as possible.

Capital Budget requests should be handled through the Capital Budget Committee process.

***Timeline***

December 2023 – FY 25 budgets are due to Town Administrator and Superintendent

January 2024 – Budgets transmitted to School Committee, Select Board and Warrant Committee

December 2023 – February 2024 – Warrant Committee Liaison Member due diligence

January 16th and 30th, 2024 – Warrant Committee budget review meetings with Town Departments

February 13, 2024 – Warrant Committee budget review meeting with School Department

As always, thank you for the hard work you undertake on behalf of Medfield taxpayers and the long-term future of the Town. We look forward to working with all policy and budget makers to produce an FY25 Budget that provides efficient, quality services to Town residents while continuing to be fiscally responsible with taxpayer revenue.

Sincerely,

***Medfield Warrant Committee***

Stephen Callahan (Co-Chair), Deborah Cartisser, Emily McCabe, Peter Michelson, Brent Nelson, Jillian Rafter, Peter Saladino, Bob Sliney (Co-Chair), Edward Vozzella

Attachment – FY 25 Budget Forecast

| REVENUES | FY2024 Budget | FY2025 Forecast | $ Change FY24 to FY25 | % Change FY24 to FY25 |
|---|---|---|---|---|
| Property Tax Levy | $49,521,862 | $51,283,621 | $1,761,759 | 3.56% |
| 2 1/2 Levy Increase | $1,238,047 | $1,282,091 | $44,044 | 3.56% |
| New Growth | $400,000 | $475,000 | $75,000 | 18.75% |
| Debt Exclusions | $2,590,854 | $2,382,869 | -$207,985 | -8.03% |
| **Total Property Tax Levy** | **$53,750,763** | **$55,423,580** | **$1,672,818** | **3.18%** |

| OTHER REVENUES | FY2024 Budget | FY2025 Forecast | $ Change FY24 to FY25 | % Change FY24 to FY25 |
|---|---|---|---|---|
| State Aid | $8,481,363 | $8,639,196 | $157,833 | 1.86% |
| Local Receipts | $4,307,337 | $4,872,307 | $564,970 | 13.12% |
| Other Available General Funds | $730,772 | $784,887 | $54,115 | 7.41% |
| Enterprise Fund Offset | $2,263,466 | $2,219,432 | -$44,034 | -1.95% |
| **Total Other Revenue** | **$15,782,938** | **$16,515,821** | **$732,883** | **4.64%** |

| | | | | |
|---|---|---|---|---|
| **Total Revenue** | **$69,533,700** | **$71,939,401** | **$2,405,701** | **3.51%** |

| SHARED FIXED COSTS - INSURANCE/BENEFITS | FY24 Town Meeting Approved | FY25 Forecast | $ Change | % Change |
|---|---|---|---|---|
| Workers Compensation Insurance | $280,878 | $294,922 | $14,044 | 5.00% |
| Property, General Liability, and Professional | $279,507 | $293,482 | $13,975 | 5.00% |
| Police and Fire 111F Injured on Duty Insurance | $95,000 | $90,000 | -$5,000 | -5.26% |
| Unemployment Trust Fund | $30,000 | $25,000 | -$5,000 | -16.67% |
| Life Insurance | $15,900 | $16,000 | $100 | 0.63% |
| Health Insurance | $4,928,810 | $5,175,251 | $246,441 | 5.00% |
| Medicare Tax | $665,000 | $708,000 | $43,000 | 6.47% |
| Norfolk County Retirement | $3,296,275 | $3,434,727 | $138,452 | 4.20% |
| **Total Town and School Employee Benefits** | **$9,591,370** | **$10,037,382** | **$446,012** | **4.65%** |

| DEBT SERVICE | FY24 Town Meeting Approved | FY25 Forecast | $ Change | % Change |
|---|---|---|---|---|
| Town Debt - Principal | $2,914,709 | $2,931,249 | $16,540 | 0.57% |
| Town Debt - Interest | $1,160,574 | $1,035,984 | -$124,590 | -10.74% |
| Lease Purchase Finance Payment | $48,095 | $48,095 | $0 | 0.00% |
| **Total Debt** | **$4,123,378** | **$4,015,328** | **-$108,050** | **-2.62%** |

| EXPENDITURES NOT REQUIRING APPROPRIATION | FY24 Town Meeting Approved | FY25 Forecast | $ Change | % Change |
|---|---|---|---|---|
| Snow Deficit/Land Damages/Tax Title | $25,000 | $25,000 | $0 | 0.00% |
| State Aid Offsets | $30,132 | $31,337 | $1,205 | 4.00% |
| Deficit to be raised on the Recap | $0 | $0 | $0 | 0.00% |
| State Assessments | $936,146 | $749,762 | -$186,384 | -19.91% |
| Overlay | $200,000 | $200,000 | $0 | 0.00% |
| **Total Not Requiring Approp** | **$1,191,278** | **$1,006,099** | **-$185,179** | **-14.77%** |

| VOCATIONAL SCHOOL ASSESSMENT | FY24 Town Meeting Approved | FY25 Forecast | $ Change | % Change |
|---|---|---|---|---|
| Vocational School Assessment | $107,355 | $110,039 | $2,684 | 2.50% |
| **Total Vocational School Assessment** | **$107,355** | **$110,039** | **$2,684** | **1.88%** |
| | | | | |
| **TOTAL SHARED/FIXED COSTS** | **$15,013,381** | **$15,168,848** | **$155,467** | **1.04%** |

| | | | | |
|---|---|---|---|---|
| **REMAINING REVENUES** | **$2,296,335** | **$2,250,235** | **-$46,100** | **-2.01%** |

| OPERATING BUDGETS: 75%/25% REVENUE SPLIT | FY24 Town Meeting Approved | FY25 Forecast | $ Change | % Change FY24 to FY25 |
|---|---|---|---|---|
| School Department | $41,176,784 | $42,864,460 | $1,687,676 | 4.1% |
| Town Departments | $13,343,535 | $13,906,094 | $562,559 | 4.2% |
| **Total** | **$54,520,319** | **$56,770,554** | **$2,250,235** | **4.13%** |