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Executive Summary

Overview of the FY 2025 Budget Development

In preparing the Town of Braintree’s Fiscal Year 2025 (FY25) budget three factors must be accounted for:

- Annual growth in Revenues, particularly General Fund receipts such as taxes, state aid, locally generated receipts and transfers from non-General Fund sources;
- Annual change in Spending; and,
- The degree to which the current year budget (FY24) relied upon non-recurring revenue or spending items for it to be balanced.

After accounting for these three factors the FY25 budget deficit was initially estimated to total nearly \$18 million.

FY 2025 Forecasted Budget Deficit				
\$s in Millions				
	Adopted FY2024	Forecast FY2025	Change	
Projected Revenues	\$ 160.4	\$ 160.4	\$	0.0
Projected Expenses	\$ 160.4	\$ 178.2	\$	17.8
Balance	\$ 0.0	\$ (17.8)	\$	(17.8)

The key contributors of the budget gap for FY25 planning are listed in the table directly below and are summarized briefly below:

FY 2025 Budget Deficit Contributors to \$18M Gap		
\$s in Millions		
Changes from FY24 Adopted Budget		Category
Prior Year (FY24) Free Cash Transfer	(\$4.3)	One-Time
FY 2024 Supplemental	(\$3.0)	Spending
Pensions / Health Care	(\$1.5)	Spending
Debt Service	(\$0.3)	Spending
Schools Funding	(\$9.0)	Spending
Collective Bargaining and Other Increases	(\$3.9)	Spending
Annual Increase in Town Revenues	\$4.3	Revenue
Projected Deficit	(\$17.8)	

- **Use of Free Cash** – The FY24 budget called for \$4,254,608 in budgetary reserves (“Free Cash”) to support the cost of Town operations. In essence, one-time funds were used to cover reoccurring annual expenses.
- **FY2024 Supplemental Costs** – In FY24 there are approximately \$3.0 million in additional operating expenses, primarily overtime at public safety departments, school facility utility costs, and education costs that were not funded within the adopted FY24 budgeted and are ongoing expenses of the Town.

- **Pensions / Health Care** – The FY25 budget projections assumed an \$817,000 increase in General Fund pension costs as well as an increase of close to \$700,000 in annual contributions by the Town to employee/retiree health care premiums.
- **Debt Service** – The forecasted increase of \$300,000 from adopted FY24 levels corresponds to the estimated cost of borrowing to support capital projects expenses through June 30, 2024 for projects that are already approved and underway.
- **School Funding** – The Schools reported in early 2024 a maintenance level of funding increase of \$10 million from the Adopted FY24 budget (\$1 million is reflected in the supplemental funding / costs noted above). While much of this increase is due to collective bargaining agreements with the Braintree Educators Association, this is a notable 10.3% increase in funding for Schools above FY24 planning.
- **Collective Bargaining** – Outside of Schools the remainder of the Town government’s collective bargaining increases were forecast at an amount of \$1 million.
- **Other Increases** – Across general government increases of \$2.9 million in total were forecast, primarily related to increases in Town insurance premiums for property / casualty, general liability, workers’ comp, and auto policies, increased contracted services fees, as well as increases in the costs for repairs and maintenance of Town facilities and equipment.
- **FY25 Revenue Growth** – Finally, the FY25 budget deficit accounts for growth of 2.74% in annual General Fund revenues, equal to \$4.3 million.

Revenue Growth

The Town’s annual General Fund revenues are made up of four general sources:

- **Tax Levy** – The Tax Levy includes the real and personal property taxes paid by Town residents and businesses. In the FY24 Adopted budget it comprises 70 percent of the Adopted FY24 budget’s General Fund revenues. The annual growth of the Tax Levy is bound by the restrictions of the 1980 State Law known as Proposition 2 ½, which limits the amount a Town can increase the Tax Levy in a single year to no more than 2.5%; meaning that in any given year a Town cannot choose to increase property taxes beyond that prescribed amount without approval from the voters. While Proposition 2 ½ excludes increased tax revenue generated from new growth, it generally restricts Towns in keeping up with inflationary challenges.
- **Local Aid** – Local Aid consists of state “Cherry Sheet” distributions to the Town, primarily for Chapter 70 (K-12 School Aid) and unrestricted general government aid (UGGA) as well as other smaller payments for items such as payments to the Town in lieu of taxes for state-owned land (PILOT aid). Local Aid represents a 14% share of the total FY24 General Fund revenues.
- **Local Receipts** – Local Receipts represent a wide range of local taxes, fees, surcharges, penalties, and various other sources of annual revenues generated by Town Departments and businesses. Many of the revenue sources may be tied to larger trends and conditions of the Town and Massachusetts economies. In total, local receipts in the adopted FY24 are 13% of General Fund revenues.

- **Other Sources** – Other Sources include annual budgetary transfers from non-General Fund sources (such as from the Water and Sewer Enterprise Fund), typically to defray some portion of Town expenses. In addition, this category also includes one-time or non-recurring revenue relied upon to balance the budget, including the use of any “Free Cash” or budgetary reserves, the sale of assets, one-time federal or state aid, or similar types of revenues.

In FY25, projected General Fund Revenues of \$160.4 million represent the typical level of increase in Town receipts, most notably the allowable annual increase in the tax levy, as well as the increases in state aid, estimated local receipts and other financing sources. It is important to note that revenue growth, of 2.74%, in FY2025 was measured without the \$4.3 million in Free Cash budgeted in FY24. After accounting for this amount used in FY24 the FY25 revenue projection is practically flat.

Change in Operating Revenue, Initial FY 2025 vs Adopted FY 2024			
	Adopted FY2024	Initial FY2025	% Change FY25 v FY24
Revenue			
Town Levy / Property Taxes	\$ 110,776,684	\$ 113,814,189	2.7%
Local Aid	\$ 22,990,253	\$ 23,344,524	1.5%
Local Receipts	\$ 20,882,990	\$ 21,715,054	4.0%
Other Financing	\$ 5,755,074	\$ 1,551,845	-73.0%
Total Revenues	\$ 160,405,001	\$ 160,425,612	0.0%
	<i>Annual Change in Revenues</i>		<i>0.0%</i>
	<i>Annual Change without FY24 Free Cash Reserves</i>		<i>2.74%</i>

The total **Town Levy, or property taxes**, in FY25 is forecast to total \$113.8 million, a 2.74% increase from the FY24 adopted budget. This estimate is detailed in the table below, and reflects the allowable growth in the levy from the prior year (\$2.7 million) as well as additions from New Growth (\$595,000). The additional “Debt Exclusion” amount associated with the South Middle School construction and related projects is listed as well as the budgeted amount for the Overlay account, which includes anticipated costs of abatements and other similar reductions to the original estimated taxes raised by the levy. More detail is provided in Appendix 5A, Tax Levy Limit and Calculation.

FY2025 Town Levy Forecast		
	Adopted	Projected
	2024	2025
Revenue		
Property Taxes	\$ 110,776,684	\$ 113,814,189
Levy Limit (Prior Year)	\$ 105,841,127	\$ 109,082,590
2 1/2% Increase	\$ 2,646,028	\$ 2,727,065
New Growth	\$ 850,000	\$ 595,435
sub-total	\$ 109,337,155	\$ 112,405,090
Debt Exclusion	\$ 2,664,529	\$ 2,659,099
Overlay	\$ (1,225,000)	\$ (1,250,000)
TOTAL	\$ 110,776,684	\$ 113,814,189
Annual Growth in Town Levy=>		2.74%

For FY25, **net Local Aid** to Braintree is estimated to total \$23.2 million, a 1.5% increase from the FY24 budget of \$23.0 million. A full detailed summary of the assumptions of Local Aid are listed in Appendix 5B, Local Aid Summary. Roughly 75% of State Aid to the Town before offsets is related to Chapter 70 (K-12 school aid), which is assumed to total \$21.2 million, a 2.6% increase from FY24 estimated levels. The other main area component of annual state aid is Unrestricted General Governmental Aid (UGGA), which totals \$6.9 million in FY25, for an increase of 1% from FY24 level. It is important to note that Local Aid assumptions cannot be finalized until the adoption of the FY25 General Appropriations Act by the Massachusetts General Court. The current assumptions reflect the Local Aid budget by the House of Representatives for FY25 but are subject to amendment and final negotiations by the state legislature for the budget year that would begin on July 1, 2024.

Local receipts total \$21.9 million in FY25, an increase of 4.2 percent. A detailed listing of these amounts can be found in Appendix 5C, Local Receipts Summary. Just under \$10 million of the FY25 projection is associated with three sources: motor vehicle excise taxes (\$6.6 million); local meals tax (\$1.4 million); and local hotel occupancy tax (\$1.9 million). These sources may be influenced by the greater state economic conditions, including the price and inflation pressures in the market. When forecasting Local Receipts for the next fiscal year, guidance provided by the Massachusetts Department of Revenue’s Division of Local Services (DLS) is instructive. In general, DLS expects that forecasts of local receipts should be conservatively estimated based on historical data and trends (please see Appendix 5E, FY2025 DLS FY2025 Budget Issues).

Lastly, **Other Sources** are budgeted for \$1.6 million in FY25, down from \$5.8 million in FY24. The change reflects the use in FY24 of Free Cash in the amount of \$4.25 million, which was not assumed in the initial projection for the FY25 budget gap. Other annual sources that are included in this category include transfers to the General Fund from Enterprise Funds, including: Golf Fund (\$106,000 in FY25); Waterways Fund (\$28,500 in FY25); Water / Sewer Fund (\$1.0 million); and Stormwater Fund (\$58,000). These transfer amounts are based on indirect cost allocations for General Fund costs that should be charged to Enterprise Funds.

Change in Projected Spending

Going into FY25 planning spending was forecast to grow by 11 percent, or to \$178 million on a base of \$160 million, based on initial projections by the School Department, collective bargaining agreements, as well as increases in the Town-side costs of debt service, pension costs and health insurance.

Change in Projected Operating Spending, Initial FY 2025 vs Adopted FY 2024			
	Adopted FY2024	Initial FY2025	% Change FY25 v FY24
Spending			
Schools	\$ 74,732,868	\$ 84,674,503	13.3%
General Government	\$ 52,108,474	\$ 58,110,720	11.5%
Debt	\$ 10,269,942	\$ 10,569,942	2.9%
Benefits (Pension / Health Care)	\$ 23,293,717	\$ 24,845,263	6.7%
Total Spending	\$ 160,405,001	\$ 178,200,428	11.1%
	<i>Annual Change in Spending</i>		<i>11.1%</i>

The major categories of spending are shown with the following notable change:

- **Schools** – At the onset of the FY25 budget development process the School department estimated a \$10 million growth forecast above the Adopted FY24 Budget funding level of \$74.7 million. Key drivers noted by the Department include the FY25 costs associated with its various collective bargaining agreements, growth in special education program and services costs, and increases in transportation costs.
- **General Government** – This category is primarily made up of Police, Fire and Public Works, but also includes the Town Library, Town Council, Town Clerk, Inspections and Licensing, Planning and Community Development, Elder Affairs, Veterans Services, Mayor’s Office, Legal, Human Resources and Finance departments. The annual increase of 12% reflects increases associated with the sustained supplemental funding for public safety overtime and the utility costs at schools, collective bargaining costs in FY25, increases in insurance premiums and other operational expenses, such as software licenses.
- **Debt Service** – While a major category of annual expense, the annual change in debt service was roughly 3% reflecting the projected additional costs of financing capital expenses incurred in FY24, where paying back the associated borrowing would begin in FY25.
- **Benefits (Pensions / Health Care)** – The General Fund portion of the Town’s annual pension bill increases in FY25 by \$817,000. Additionally, employee and retiree health care and related benefits costs were projected to increase in FY25 by roughly \$700,000.

Non-Recurring Revenues

As noted above one source of non-recurring (one-time resources) available to the Town to balance its annual operating budget is Free Cash. Free Cash is a community’s unrestricted available funds that may be used as a funding source for appropriations or budget balancing. While generally not

considered good practice to use one-time funds for operational expenses, due to its unrestricted nature, it is possible to use Free Cash in that way. Free Cash is typically the amount of budgetary reserves generated from previous fiscal year surpluses. Free Cash is a one-time resource since it is not guaranteed to be generated from year to year and is often the result of unbudgeted or unexpected circumstances during any given year (e.g., a large one-off fee paid) that will likely not be realized again.

During FY24 the adopted budget relied on \$4.3 million in Free Cash in order to be balanced. This was necessary, in part, to sustain spending that had been supported in the prior two fiscal years with other non-recurring/one-time funds in the form of federal COVID-19 relief aid (specifically, from the American Rescue Plan Act of 2021, or ARPA and the Elementary and Secondary School Emergency Relief Fund (ESSER) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)).

In addition to Free Cash used in the adopted FY24 plan, the budget relied upon savings from reductions in public safety overtime and utilities expenses that were not achieved in FY24. Consequently, supplemental appropriations totaling more than \$3.0 million have been proposed to fund these expenses and increase the budget's reliance on Free Cash from \$4.3 million to closer to \$7 million.

Projected FY25 Budget Gap and Outyear Implications (FY25-FY28)

As shown in the table below forecasted revenues for FY25 total \$160.4 million, which is basically unchanged in amount from the adopted FY24 budget (an increase of only 0.03%). Spending, on the other hand, is reflected at an 11% increase, bringing total spending to \$178.2 million in FY25 up from \$160.4 million in FY24. This results in the FY25 gap of \$17.8 million, and when looking ahead to FY26 through FY28, the projected gap would grow to \$27.9 million by the fourth year and a cumulative budget shortfall of \$91 million over the four years.

Projected Structural Deficits, FY 2025 through FY 2028						
	FY2024	FY2025	FY2026	FY2027	FY2028	
Revenue						
Town Levy / Property Taxes	\$ 110,776,684	\$ 113,814,189	\$ 117,202,807	\$ 120,692,893	\$ 124,288,148	
Local Aid	\$ 22,990,253	\$ 23,344,524	\$ 23,730,000	\$ 24,118,000	\$ 24,506,000	
Local Receipts	\$ 20,882,990	\$ 21,715,054	\$ 22,176,000	\$ 22,644,000	\$ 23,027,000	
Other Financing	\$ 5,755,074	\$ 1,551,845	\$ 1,576,882	\$ 1,602,419	\$ 1,628,468	
Total Revenues	\$ 160,405,001	\$ 160,425,612	\$ 164,685,688	\$ 169,057,312	\$ 173,449,616	
Spending						
Schools	\$ 74,732,868	\$ 84,674,503	\$ 88,908,228	\$ 93,353,639	\$ 98,021,321	
General Government	\$ 52,108,474	\$ 58,110,720	\$ 59,563,488	\$ 61,052,575	\$ 62,578,890	
Debt	\$ 10,269,942	\$ 10,569,942	\$ 10,819,850	\$ 11,107,065	\$ 11,395,640	
Benefits (Pension / Health Care)	\$ 23,293,717	\$ 24,845,263	\$ 26,345,263	\$ 27,845,263	\$ 29,345,263	
Total Spending	\$ 160,405,001	\$ 178,200,428	\$ 185,636,828	\$ 193,358,543	\$ 201,341,113	
Balance	\$ 0	\$ (17,774,816)	\$ (20,951,140)	\$ (24,301,231)	\$ (27,891,498)	
				<i>Cumulative Gap, FY25-FY28=></i>	\$ (90,918,685)	

Solutions to Close the Gap

Gap Closing Measures			% of Gap
	\$s in Ms		Closing
Projected Deficit	\$ (17.8)		
Revenues:	\$ 1.8		10%
Municipal Empowerment Act	\$ 0.9		5%
Increase Trash / Solid Waste Fees	\$ 0.5		3%
Increase Other Fees / Sources	\$ 0.4		2%
Spending:	\$ 16.0		90%
Level-Fund Schools to FY24 Budget of \$75.5M	\$ 9.2		
Reduce General Gov't to \$52.5M	\$ 5.6		
Freeze GF Pension Contribution at FY24 Level	\$ 0.40		
Reduce Health Care / Benefits Spending	\$ 0.82		
Revised Budget Surplus (Deficit)	\$ 0.07		

Roughly \$1.8 million in revenue initiatives are proposed for FY25, \$921,000 of which are tied to Governor Healey’s Municipal Empowerment Act legislation filed on January 19, 2024, were identified and assumed would be available for a portion of FY25 (the estimates above reflect an effective date of October 1, 2024). Since the three components of the Municipal Empowerment Act ultimately are subject to the approval by the state legislature and Town Council, they are not directly included in the revenue estimates for FY25. However, a Budget Motion (#2) has been filed which provides that up to \$921,000 of FY2023 Certified Free Cash shall be made available to support the FY25 budget but shall be repealed upon the successful adoption of these three measures by Town Council. Each of the three provisions listed below provides additional recurring revenues to the Town, helping to mitigate increases in costs and demands on the Town levy in the future.

The remaining FY25 revenues initiatives, totaling \$900,000, include increasing the annual trash collection fee by \$50 to \$200 (generating \$500,000 in FY25), as part of the three-year plan to increase such fees to cover the full cost of trash collection and disposal services. Additionally, the FY25 budget assumes nearly \$250,000 in increased revenues from increases to existing fees charged by the Town and \$140,000 in other revenue increases.

FY 2025 Revenue Solutions	
New / Increased Revenues	
Municipal Empowerment Act	
Increase Local Meals by 0.25%	\$ 353,925
Increase Local HOT by 1%	\$ 236,000
Motor Vehicle Surcharge (5%)	\$ 331,300
Increase Trash Collection Fee	\$ 520,000
Increase Other Fees / Sources	\$ 384,000
Total New / Increased Revenues	\$ 1,825,225

Following the determination of the FY25 structural gap of nearly \$18 million, cut targets were communicated that would reduce total General Fund spending to \$162.1 million from \$178.2 million. Most departments were asked to submit proposals to meet spending targets in line with FY24 levels, if not below. For those departments, where payroll and related wage expenses is the bulk of the expense, this request was very challenging, particularly in lieu of collective bargaining increases that are effective on July 1, 2024.

Spending reduction targets were mostly concentrated on the largest areas of Town spending:

- Schools, level funding at \$75.5M
- Fire, 6.2% below FY24 Revised (1% below Adopted FY24)
- Police, 1.6% below FY24 Revised
- DPW, 7% below FY24 Revised

At the \$162.1 million level of spending, total spending would increase by 1.2% from the approved FY24 budget, an increase of \$1.7 million.

The spending reductions are spread throughout Town government and in many cases are built upon several years of limited growth or reductions taken in prior fiscal years.

- **Education / Schools** – At \$75.5 million, the School Department has projected that will need to eliminate more than 90 teaching and/or support staff positions, most of which will result from layoffs at the close of the 2023-2024 school year. The impacts from the staffing reductions will be notable at all grade levels and will result in increased class sizes and reductions in a variety of programs and services. Additionally, Schools will be increasing transportation, athletic and other fees charged to families and students.
- **Police and Fire** – Both the Police and Fire Department have worked to preserve existing filled positions and avoid direct layoffs. However, in order to do so while meeting their FY25 spending targets each will need to leave vacant positions unfilled and restructure their manning plans, reducing thousands of hours of officer and fire fighter coverage from current levels provided.

- **Public Works** – The FY25 budget will require that the Department of Public Works (DPW) eliminate positions across a wide range of programs and services it provides, including Highway/Engineering, Solid Waste Collection, Road Maintenance, Facilities (including within Schools), and Parks/Grounds. Programmatic impacts will include reduce operations at Parks and other Town-maintained Grounds, limited hours for Town recycling and compost sites, reduction of summer programming available, and elimination of Town funding for 2025 fireworks program.

In the case of these three areas, which combine to over 70 percent of the Town’s Adopted FY24 General Fund Budget, the full impact of the reductions is not fully determined given that each Department may need several months to fully implement the reductions, especially where layoffs are necessary.

Beyond the three main areas listed above, the FY25 budget brings costs savings measures to other areas, including:

- **Pensions** – In FY25 the budget proposes to freeze the Town’s General Fund pension contribution at FY24 levels, which generates a savings of \$817,000. It is important to note that the Town’s savings will be temporary, and this amount will ultimately need to be paid to the Braintree Retirement System to ensure that the Town continues to meet its funding obligations adopted to address the long-term unfunded pension liability of the system. Increases for non-General Fund contributions will continue to be funded in FY25.
- **Health Care** – The Town has worked with its contracted health care consultant to structure employer contributions and rate increases, along with modeling the use of available Health Care Trust balances, to limit the annual growth in the Town’s General Fund appropriation to only \$490,000 or 5 percent.

Beyond the spending reductions and cost control measures listed above, most Town departments are being asked to operate and fulfill core missions and services and levels of funding well below what they report is necessary. Departmental Summaries following this discussion, highlighting key program funding levels and notable changes in budgeted levels and programs in FY25. The spending reductions required to bring the FY25 budget in line with recurring revenues are substantial and annual budget gap closing requirements will continue to put pressure on Town spending in future years.

FY 2025 Budget Balance, Proposed vs Initial and Adopted FY24			
	Adopted FY2024	Initial FY2025	Proposed FY2025
Revenue			
Town Levy / Property Taxes	\$ 110,776,684	\$ 113,814,189	\$ 113,814,189
Local Aid	\$ 22,990,253	\$ 23,344,524	\$ 23,344,524
Local Receipts	\$ 20,882,990	\$ 21,715,054	\$ 23,540,279
Other Financing	\$ 5,755,074	\$ 1,551,845	\$ 1,551,845
Total Revenues	\$ 160,405,001	\$ 160,425,612	\$ 162,250,837
	<i>Annual Change in Revenues</i>	<i>0.0%</i>	<i>1.2%</i>
Spending			
Schools	\$ 74,732,868	\$ 84,674,503	\$ 75,532,996
General Government	\$ 52,108,474	\$ 58,110,720	\$ 52,488,046
Debt	\$ 10,269,942	\$ 10,569,942	\$ 10,536,233
Benefits (Pension / Health Care)	\$ 23,293,717	\$ 24,845,263	\$ 23,625,417
Total Spending	\$ 160,405,001	\$ 178,200,428	\$ 162,182,692
	<i>Annual Change in Spending</i>	<i>11.1%</i>	<i>1.1%</i>
Balance	\$ 0	\$ (17,774,816)	\$ 68,145

The table above shows the Proposed FY25 budget compared to the Initial FY25 budget and the Adopted FY24 budget. The FY25 budget represents the reality of the Town's finances where limited revenue growth must dictate the spending levels across Town government. At the same time, the table directly below shows that, even after bringing FY25 into balance at the projected revenue levels, the Town will likely be facing ongoing budgetary pressures in the following fiscal years to come, as spending growth outpaces revenue growth.

Proposed FY 2025 Budget with Projected Structural Deficits, FY 2025 through FY 2028					
	FY2024	FY2025	FY2026	FY2027	FY2028
Revenue					
Town Levy / Property Taxes	\$ 110,776,684	\$ 113,814,189	\$ 117,202,807	\$ 120,692,893	\$ 124,288,148
Local Aid	\$ 22,990,253	\$ 23,344,524	\$ 23,730,000	\$ 24,118,000	\$ 24,506,000
Local Receipts	\$ 20,882,990	\$ 23,540,279	\$ 24,644,122	\$ 25,599,359	\$ 26,255,206
Other Financing	\$ 5,755,074	\$ 1,551,845	\$ 1,576,882	\$ 1,602,419	\$ 1,628,468
Total Revenues	\$ 160,405,001	\$ 162,250,837	\$ 167,153,810	\$ 172,012,671	\$ 176,677,822
Spending					
Schools	\$ 74,732,868	\$ 75,532,996	\$ 79,309,646	\$ 83,275,128	\$ 87,438,884
General Government	\$ 52,108,474	\$ 52,488,046	\$ 53,800,247	\$ 55,145,253	\$ 56,523,885
Debt	\$ 10,269,942	\$ 10,536,233	\$ 10,819,850	\$ 11,107,065	\$ 11,395,640
Benefits (Pension / Health Care)	\$ 23,293,717	\$ 23,625,417	\$ 25,821,417	\$ 27,321,417	\$ 28,821,417
Total Spending	\$ 160,405,001	\$ 162,182,692	\$ 169,751,160	\$ 176,848,864	\$ 184,179,826
Balance	\$ 0	\$ 68,145	\$ (2,597,349)	\$ (4,836,193)	\$ (7,502,004)
			Cumulative Gap, FY25-FY28=>	\$ (14,867,402)	

While certainly reduced, budget gaps are forecast in each subsequent fiscal year, with a cumulative budget gap of \$15 million over the four years of fiscal years 2025 through 2028.

Proposal for Proposition 2 ½ Override

While the FY25 proposed budget brings spending in line with currently projected revenues, the impact of these spending measures will be widespread and unavoidable. As such, a proposal has been filed with the Braintree Town Council to authorize a special election giving Town residents the ability to vote on a permanent increase of the property tax levy, effective on July 1, 2024, by \$8 million for FY25, utilizing what the process of a Proposition 2 ½ Override.

The \$8 million revenue generated from the Proposition 2 ½ Override vote, should it be affirmed by a majority of the voters, will be used for the following purposes:

- **Schools / Education** – Restores \$4 million to the School Department’s FY25 budget, bringing total General Fund appropriations to \$79.5 million to limit staffing and program reductions.
- **Public Safety** – Restores \$1.5 million to the Police Department’s budget, avoiding the most substantial cuts to programs and officer coverage levels.
- **Public Works** - Provides \$1.0 million in restorations to Department reductions in staffing and services required in the filed FY25 budget.
- **Override Stabilization Account** – Reserves \$1.5 million for future year funding requirements of the three areas above and other major cost drivers. By reserving a portion of the override increase in FY25 and FY26, the funding will help avoid budget gaps returning through FY28 that would otherwise require the town to return to additional cost cutting and reductions. The Override Stabilization Account prolongs the anticipated life of the Override through FY28 as shown on the FY25-FY28 table below.

Gap Glosing Measures, with Override		
	\$s in Ms	% of Gap Closing
Projected Deficit	\$ (17.8)	
Revenues:	\$ 8.3	47%
Municipal Empowerment Act	\$ 0.9	5%
Increase Trash / Solid Waste Fees	\$ 0.5	3%
Increase Other Fees / Sources	\$ 0.4	2%
Proposition 2 1/2 Override (Net of Stabilization)	\$ 6.5	37%
Spending:	\$ 9.5	54%
Fund Schools at \$79.5M	\$ 5.2	
Fund General Gov't to \$55.0M	\$ 3.1	
Freeze GF Pension Contribution at FY24 Level	\$ 0.82	
Reduce Health Care / Benefits Spending	\$ 0.40	
Revised Budget Surplus (Deficit)	\$ 0.07	

With the passage of Proposition 2 ½ Override to generate an additional \$8 million in revenue for FY25, the proposed FY25 spending would increase to 5.2% from the FY24 Adopted Budget, supported by a 6.1% increase in revenue. As noted, a reserve balance of \$1.5 million would be funded solely for the purpose of preserving some of the Override funding to stabilize future operating budgets and avoid dramatic increases budget imbalances.

FY 2025 Budget Balance, with FY2025 Override Proposal				
	Adopted FY2024	Initial FY2025	No Override FY2025	With Override FY2025
Revenue				
Town Levy / Property Taxes	\$ 110,776,684	\$ 113,814,189	\$ 113,814,189	\$ 121,814,189
Local Aid	\$ 22,990,253	\$ 23,344,524	\$ 23,344,524	\$ 23,344,524
Local Receipts	\$ 20,882,990	\$ 21,715,054	\$ 23,540,279	\$ 23,540,279
Other Financing	\$ 5,755,074	\$ 1,551,845	\$ 1,551,845	\$ 1,551,845
Total Revenues	\$ 160,405,001	\$ 160,425,612	\$ 162,250,837	\$ 170,250,837
	<i>Annual Change in Revenues</i>	<i>0.0%</i>	<i>1.2%</i>	<i>6.1%</i>
Spending				
Schools	\$ 74,732,868	\$ 84,674,503	\$ 75,532,996	\$ 79,532,996
General Government	\$ 52,108,474	\$ 58,110,720	\$ 52,488,046	\$ 54,988,046
Debt	\$ 10,269,942	\$ 10,569,942	\$ 10,536,233	\$ 10,536,233
Benefits (Pension / Health Care)	\$ 23,293,717	\$ 24,845,263	\$ 23,625,417	\$ 23,625,417
Total Spending	\$ 160,405,001	\$ 178,200,428	\$ 162,182,692	\$ 168,682,692
	<i>Annual Change in Spending</i>	<i>11.1%</i>	<i>1.1%</i>	<i>5.2%</i>
Balance	\$ 0	\$ (17,774,816)	\$ 68,145	\$ 1,568,145
Transfer to Override Stabilation Fund		\$ -	\$ -	\$ 1,500,000
Adjusted Balance		\$ (17,774,816)	\$ 68,145	\$ 68,145

Long-term Financial Stability

The Override proposal creates **recurring** and **sustainable** revenues for Town operations. Management of annual Town expense growth within adopted benchmarks will be necessary in order to avoid the return of large budget imbalances over the following fiscal years.

Proposed FY 2025 Budget with Override Solution, FY 2025 through FY 2028						
	FY2024	FY2025	FY2026	FY2027	FY2028	
Revenue						
Town Levy / Property Taxes	\$ 110,776,684	\$ 121,814,189	\$ 125,402,807	\$ 129,097,893	\$ 132,903,273	
Local Aid	\$ 22,990,253	\$ 23,344,524	\$ 23,730,000	\$ 24,118,000	\$ 24,506,000	
Local Receipts	\$ 20,882,990	\$ 23,540,279	\$ 24,644,122	\$ 25,599,359	\$ 26,255,206	
Other Financing	\$ 5,755,074	\$ 1,551,845	\$ 1,576,882	\$ 1,602,419	\$ 1,628,468	
Total Revenues	\$ 160,405,001	\$ 170,250,837	\$ 175,353,810	\$ 180,417,671	\$ 185,292,947	
Spending						
Schools	\$ 74,732,868	\$ 79,532,996	\$ 82,316,651	\$ 85,197,734	\$ 88,179,654	
General Government	\$ 52,108,474	\$ 54,988,046	\$ 56,087,807	\$ 57,209,563	\$ 58,353,754	
Debt	\$ 10,269,942	\$ 10,536,233	\$ 10,819,850	\$ 11,107,065	\$ 11,395,640	
Benefits (Pension / Health Care)	\$ 23,293,717	\$ 23,625,417	\$ 25,821,417	\$ 27,321,417	\$ 28,821,417	
Total Spending	\$ 160,405,001	\$ 168,682,692	\$ 175,045,725	\$ 180,835,779	\$ 186,750,465	
Balance	\$ 0	\$ 1,568,145	\$ 308,086	\$ (418,108)	\$ (1,457,519)	
					Cumulative Gap, FY25-FY28=>	\$ 603

The table above projects FY25 General Fund budget balances for fiscal years 2025 through 2028 with the addition of the \$8 million in Override proceeds beginning in FY25. Key assumptions here that are forecasted, include:

- Schools funding growth is maintained at 3.5% annually.
- General Government growth is controlled at 2% annually.
- Debt Service is preserved at levels necessary to preserve capital projects spending consistent with annual spending levels.
- Pensions and Health Care Spending increases, assumed at rates of 5-7% percent, are accounted for.

The spending assumptions identified above will require diligent efforts across Town government to be met, but are essential to demonstrate to voters, investors in Braintree debt, businesses located or moving to the Town and many other parties, that the Town is on stable financial footing both in FY25 and in forward-looking years.

Lastly, additional revenues from new growth in the tax base are not yet accounted for, particularly from opportunities to bring commercial and residential development to the Town. These additional revenues will undoubtedly play a critical role for the Town in balancing its budget with new recurring and sustainable resources. They will position the Town to be forward looking, providing for investments into public infrastructure programs and budgeting for additional resources in Town departments that have seen years' worth of budget cutting with no end in sight.

Improvement to Town Financial Policies

Helping to ensure that this multi-year solution to the Town's challenging financial position will be successful, a number of new or updated financial policies will be announced by the Mayor's office in the coming months, including but not limited to:

- **Use of Free Cash (Budgetary Reserves)** – As discussed above, the use of Free Cash is treated as a one-time revenue and should be avoided to the greatest extent possible in supporting annual recurring expenses. The Division of Local Services (DLS) provides extensive guidance on the calculation, approval, and appropriate use of Free Cash. Most communities work to limit Free Cash to supporting one-time expenses or capital investments, as well as funding other reserves necessary to stabilize operating budgets.
- **Rainy Day (Stabilization) Fund** – As of June 30, 2023, the Town's Stabilization Fund balance was \$9,800, only a fraction of the annual operating budget. This essentially means that the Town's Free Cash balance, \$11.9 million as of June 30, 2023, must serve as the Town's Rainy Day funding if revenues fall meaningfully below budgeted levels within any given fiscal year. An updated policy framework is necessary to re-capitalize our Rainy Day Fund, and to this end the Mayor's FY 25 Budget proposal would transfer \$4 million of existing FY2023 Free Cash balances to the Town's Stabilization Fund.
- **Supplemental Budget Funding** – As noted previously, supplemental funding was required by multiple departments in FY24 to resolve large deficiencies, and in many cases these were projected at the onset of the fiscal year. An updated supplemental budget policy will be developed that re-emphasizes additional funding as a last resort option for department supplemental requirements.
- **Debt Affordability** – The Town's annual debt service requirements of General Fund revenues are currently at affordable levels (approximately 6.4% of budgeted revenues in FY24). An updated policy framework will be published later this year that targets an annual goal for debt service as a percent of annually recurring General Fund revenues, therefore helping to set the annual capital projects funding levels over a 5-year capital plan.
- **Capital Projects Plan** – Building on the Debt Affordability policy framework, the Town's Capital Planning program will be re-launched to build off 5-year budgets and seek authorization of projects with clear articulation of evaluation metrics, strategic outcomes and prioritization based on those outcomes and other critical factors, such as return on investment and leveraging non-Town resources.
- **Municipal Fee Setting** - A new policy framework will be developed around a regular and predictable process for rate setting of Town-provided services, to ensure fees are set affordably and sustainably to fund the costs of the services that are provided to the Town's residents. While these fees are not expected to generate any additional revenue, since towns are not allowed to general revenue from fees over and above the program costs they are covering, there is a need to make sure that fees cover the full cost incurred by the Town for operating such programs.