

An Examination of Fiscal Change in the Town of Milton, Massachusetts 1950s to Present



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December 2015

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Demographics, Brief History

The Town of Milton was settled in 1640 and incorporated in 1662. It has between 25,000 and 30,000 residents. The Town of Milton has about 1000 employees, most in the public school system. The public school system consists of four elementary schools, one middle school and one high school. The core mission of the Town of Milton is to provide public education, fire and police safety services, recreation, public infrastructure maintenance and to maintain the character of this bedroom community sited just south of Boston. Milton has many neighborhoods and parks that contribute to its appeal for raising families. Milton has little of a

commercial tax-base, and relies primarily on the property tax on residences to fund its services.ⁱ Violent crimes are rare, and property crimes have declined for the most recent years on record.ⁱⁱ

Per WIKIPEDIA, Milton is a town in [Norfolk County, Massachusetts, United States](#) and is an affluent suburb of Boston. The population was 27,003 at the 2010 census.^[1] Milton is the birthplace of former U.S. President [George H. W. Bush](#) and architect [Buckminster Fuller](#). Milton also has the highest percentage of residents citing Irish heritage of any town in the United States; 38%.^[2] In 2007, 2009, and 2011, [Money Magazine](#) listed Milton 7th, 5th, and 2nd, respectively, on its annual list of the "Best Places to Live" in the United States.^[3]

Milton is located between the [Neponset River](#) and the [Blue Hills](#). It is bordered by [Boston's Dorchester neighborhood](#) and [Mattapan neighborhood](#) to the north and its [Hyde Park neighborhood](#) to the west, [Quincy](#) to the east and south, [Randolph](#) to the south and [Canton](#) to the west.ⁱⁱⁱ

EXECUTIVE SUMMARY

The property tax is the primary source of revenue for Milton. Yet therein lies the problem as revenues to pay for services are growing at a slower-rate than the costs, and the property tax may have its limits as a source of revenue. The Town of Milton relies heavily on the property tax to fund local services. Proposition 2½ enacted in 1980 limits the levy-limit to not more than 2.5% of the prior year's levy-limit. But the 2.5% limit is deceptive because Proposition 2½ does not account for increases in assessed values. A closer look shows that Milton average single-family tax bills have increased at a pace of about 4% per year from 2003 to 2016 and will likely double by FY 2020. So while Prop 2½ limits the levy-limit growth to not more than 2.5%, actual average single-family tax bills are climbing at a faster pace. Taking this trend further, Milton average single-family tax bills could triple over the 2003 base-year figure in the 2030's. It seems reasonable to suppose the growth-rate in average single-family tax bills is unsustainable and that voters will reject another tax override soon. The hard truth is that tax bills will continue to

climb even without the approval of a new Proposition 2 ½ override. Best practices advise that Milton consider other alternatives. This analysis assesses current trends and risks in a very difficult economic environment, considers some policy alternatives and delivers recommendations. The main point addressed is the sustainability of The Town of Milton's reliance on the property tax to fund services, at recent growth-rates.

Local aid from the Commonwealth of Massachusetts shrank dramatically as a result of the Great Recession of 2008/2009 and the most recent override compensated for the loss of some local aid, while trimming costs of programs. Average single-family tax bills spiked in 2010 as a result of the approval of the Proposition 2½ override. But the property tax may have its limits as a source of revenue, and best practices advise that Milton consider other alternatives. This analysis assesses current trends and risks in a very difficult economic environment, considers some policy alternatives and delivers recommendations. The main point addressed is the sustainability of The Town of Milton's reliance on the property tax to fund services, at recent growth-rates.

RECOMMENDATIONS

- That the growth of the cost-structure for Milton must have closer examination and redress. Looking for a cure from the revenue-side has been the approach up to this point and is no longer sufficient.
- Milton must introduce performance management to restructure its revenues and costs equation. The Town of Milton Fiscal Forecast for 2017-2021 is a very important first-step, and should trigger a comprehensive conversation within Milton about how best to use its resources for the future.
- Under closer scrutiny the growth-rate of the property tax in Milton cannot be sustained, and requests for recurring Proposition 2½ override approvals are likely to be rejected at some point in the near future.

This report examines the history and culture of The Town of Milton as an organization, in an effort to find-out how Milton got to where it is now, and to offer policies for change to resolve budget pressures. The core mission of the Town of Milton is to provide public education, fire and police safety services, recreation, public infrastructure maintenance and to maintain the character of this bedroom community sited just south of Boston. Milton has had significant population growth since the 1950's, and Milton public services have also grown over this 65 year period. The budget has grown from about \$1.6 million in 1950 to roughly \$100 million today. The historic cultural approach of Milton Administrators, Town Meeting Members and

voters has been to maintain the residential nature of this community at the expense of broadening the tax-base. So, one could state that the organizational theory of technological lock-in applies to Milton, and that it is a major reason for its predicament now. And yet quite a bit more has happened to affect the structure of services and costs for Milton. In the 65 years since 1950, outside or environmental factors have affected Milton as well, and have contributed to the increasing reliance on the property tax. Inflation over the 65 years plays a major role, as 1950s dollars were worth about 10X what 2015 dollars are now in purchasing power.^{iv}

Environmental/Outside Factors Affecting Milton

- 1950s – Post WWII economic boom, new public buildings and infrastructure. Population of Milton about 22,000 per U.S. Census 1950.
- 1960s – Space Race, Vietnam War, economic expansion of 1961-1969
- 1970s – Energy Shortages, oil embargoes, high inflation, high unemployment, 1973-1975 Recession, Stagflation, growing federal deficit
- 1980s – Early: **Proposition 2½ is implemented into law limiting increases in the Levy Limit and the property tax**, Stagflation, high interest rates, recession of 1982. Later: Trickle down economic policies and Reagonomics, cuts to federal programs and reducing size of government, effective monetary policy, recovery and growth, stock market crash of 1987, inflation below 5%, growing federal deficit, S&L crisis 1989.
- 1990s – Early: Farmers’ problems, Recession of 1990-March 1991, slow jobless recovery, shaky credit markets and banking industry. Recovery in 1991 and strong economic growth through 2001, low unemployment, low inflation, federal budget surpluses 1998-2000, global financial shocks from Mexico (1995), Asia (1997), Russia (1998), Argentina (1999), stock market run-ups, bursting of the dot.com bubble led to the recession of 2001 and end of the longest expansion on record. **State aid to cities and towns peaks in this period, and has not recovered to this level since.**
- 2000s – Early: Recession of 2001-2003, 9/11 terrorist attack in 2001, Enron scandal, globalization of companies trend rises, end of stock market boom, economic recovery and stock market run-up to 2006-2007, housing market meltdown 2006-2007, Great Recession of 2007-2009, TARP and ARRA,

rescues of Fannie Mae, FHLMC banks and carmakers, economic recovery 2009, slow job gains.

- 2010 to 2015 – Lower unemployment, the “new economy”, most income growth goes to the upper 1% of the income/wealth sector, stock market run-up, U.S. Congress gridlock and highly partisan politics, slow growth of the national economy, near federal government shutdown in December of 2015, mounting national debt. Milton population of about 30,000 per U.S. Census of 2010, with slow growth trend extrapolated. **The Great Recession causes loss of state aid, and more reliance is placed on the property tax.**

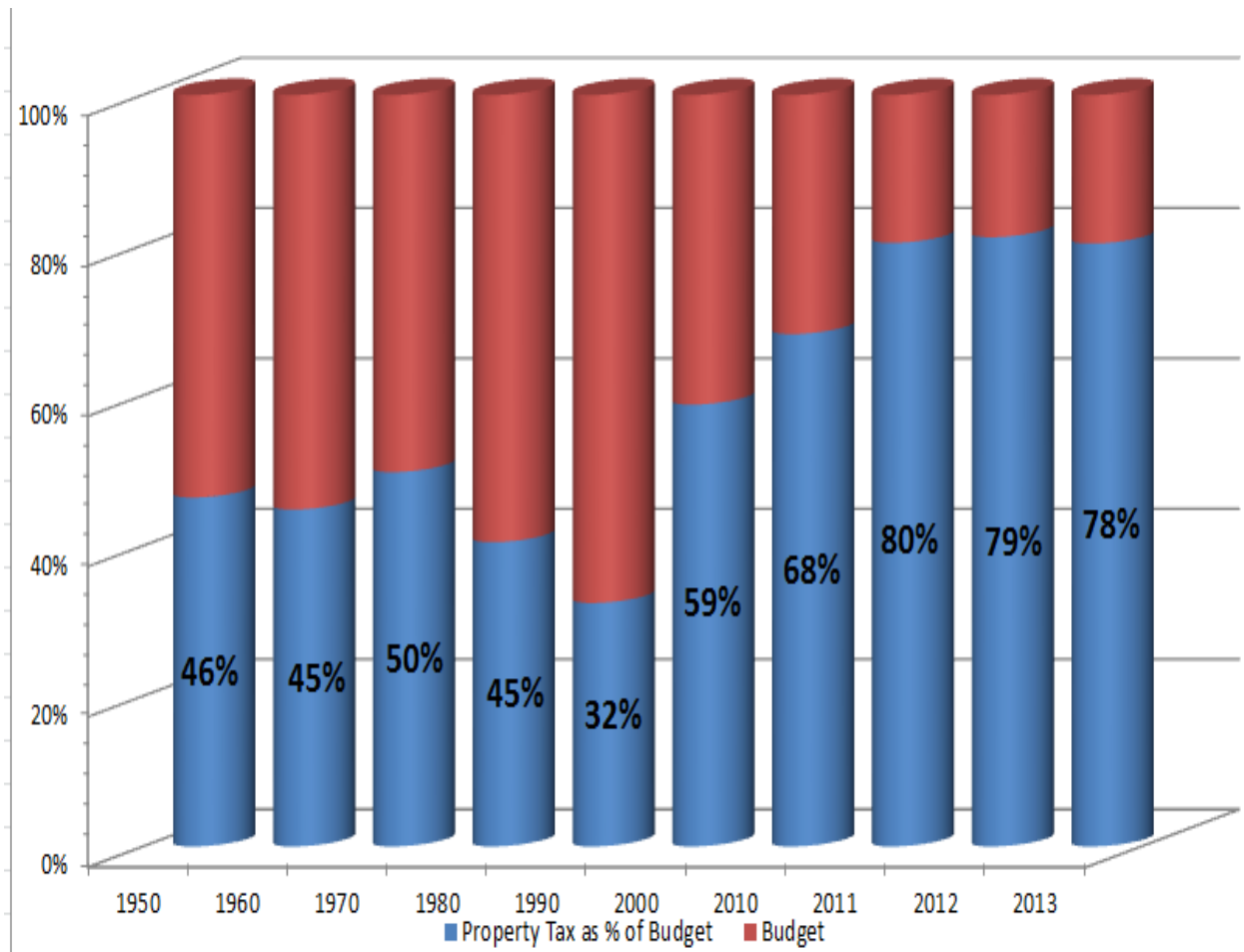


Figure1, Property Tax as Percent
Source, created from Town of Milton Historical Budgets^v

General Fund Revenues As a Percentage of Total Forecast

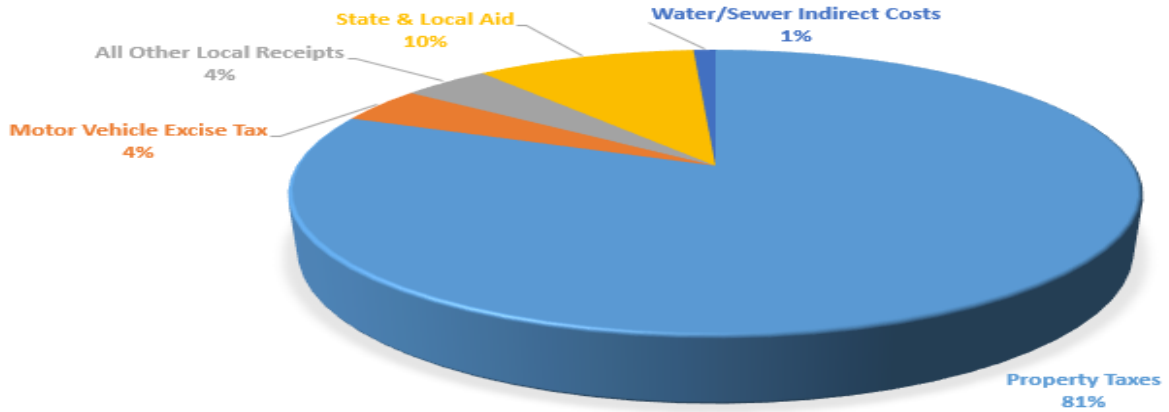


Figure2, General Funds Revenue as Percent
Source Town of Milton, ^{vi}

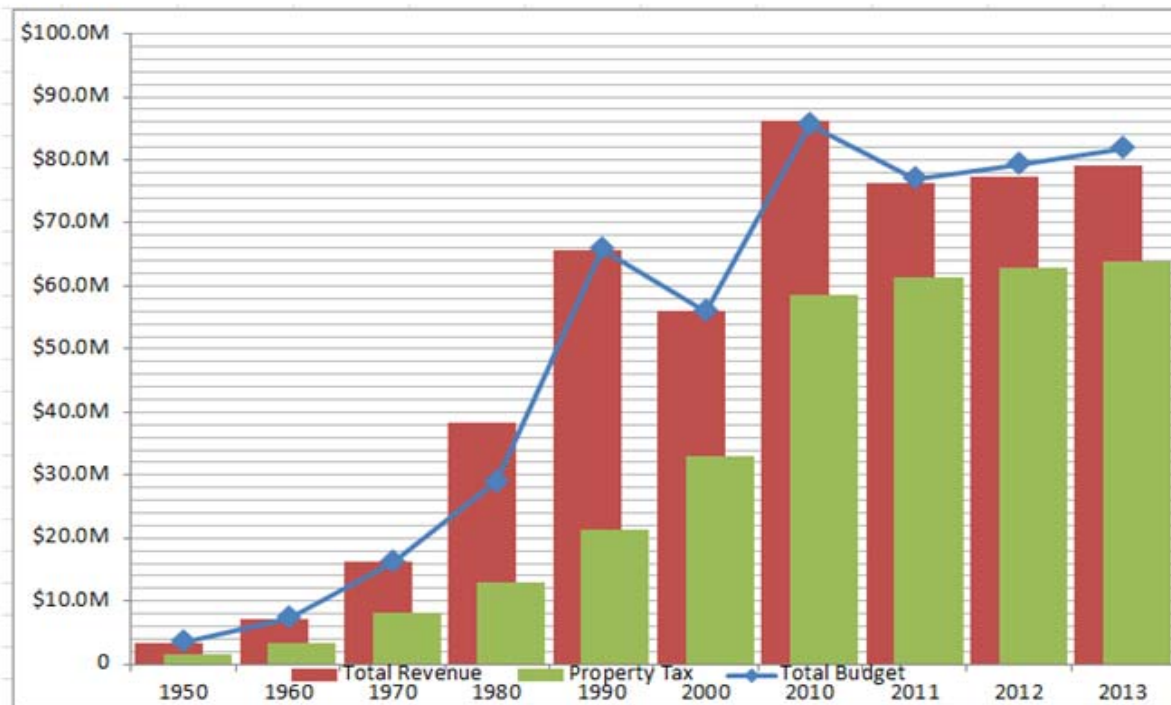


Figure3, Property Tax Growth in \$ Millions
Source, created from Town of Milton historical budgets^{vii}

Of note is that a new override request is projected for a vote in the spring of 2016. The challenge facing Milton Administrators today is highlighted with the report on the financial outlook for FY 2017 to FY 2020.^{viii} This report shows a marked change in budget policy for Milton, projecting budgets forward for 5 years as Government Finance Officers Association (GFOA) standards recommend as a best practice. This report shows that a needs-based breakeven override approval of \$6.350 million, or even an inflation-adjusted based override approval of \$3.950 million will be exhausted in 2021. So, a key question now is whether or not Milton will expand on its present path of performance management and become a learning organization, or fall back to cultural norms that “the old ways” should remain unchanged.

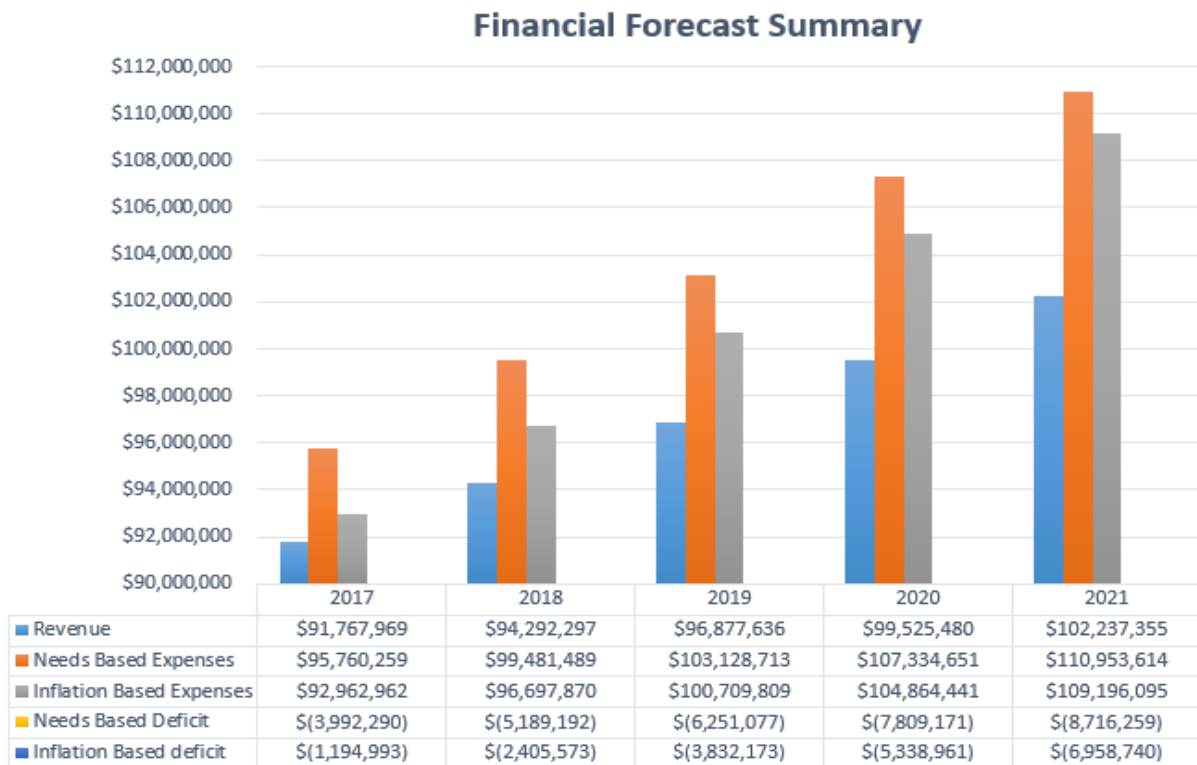


Figure4, Comparison of Revenue and Expenses
Source, Town of Milton^{ix}

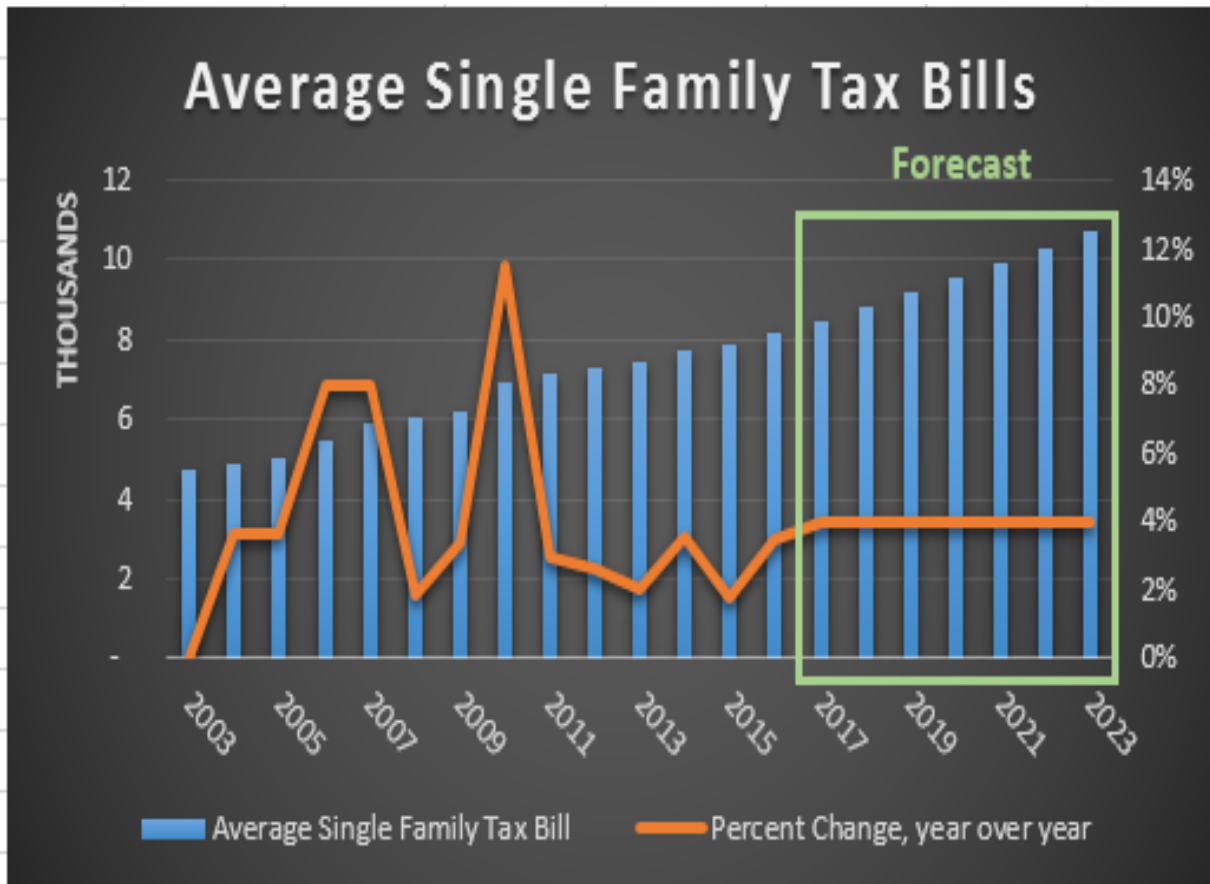


Figure5, Created from MA DOR DLS Data
Source, MA DOR DLS^x

Municipality	Fiscal Year	Average Single Family Tax Bill	Percent Change, year over year	Percent, 2003 as Base Year
Milton	2003	4,713	0.000%	100%
Milton	2004	4,886	3.671%	104%
Milton	2005	5,064	3.643%	107%
Milton	2006	5,470	8.017%	116%
Milton	2007	5,907	7.989%	125%
Milton	2008	6,015	1.828%	128%
Milton	2009	6,217	3.358%	132%
Milton	2010	6,929	11.452%	147%
Milton	2011	7,134	2.959%	151%
Milton	2012	7,321	2.621%	155%
Milton	2013	7,471	2.049%	159%
Milton	2014	7,740	3.601%	164%
Milton	2015	7,880	1.809%	167%
Milton	2016	8,155	3.490%	173%
Milton	2017	8,481	4.000%	180%
Milton	2018	8,820	4.000%	187%
Milton	2019	9,173	4.000%	195%
Milton	2020	9,540	4.000%	202%
Milton	2021	9,922	4.000%	211%
Milton	2022	10,319	4.000%	219%
Milton	2023	10,731	4.000%	228%

Table1, Created from MA DOR DLS Data
Source, MA DOR DLS^{xi}

CONCLUSION

The property tax is the primary source of revenue for Milton. Yet therein lies the problem as revenues to pay for services are growing at a slower-rate than the costs, and the property tax may have its limits as a source of revenue. The Town of Milton relies heavily on the property tax to fund local services. Proposition 2½ enacted in 1980 limits the levy-limit to not more than 2.5% of the prior year's levy-limit. But the 2.5% limit is deceptive because Proposition 2½ does not account for increases in assessed values. A closer look shows that Milton average single-family tax bills have increased at a pace of about 4% per year from 2003 to 2016 and will likely double by FY 2020. So while Prop 2½ limits the levy-limit growth to not more than 2.5%, actual average single-family tax bills are climbing at a faster pace. Taking this trend further, Milton average single-family tax bills could triple over the 2003 base-year figure in the 2030's. It seems reasonable to suppose the growth-rate in average single-family tax bills is unsustainable and that voters will reject another tax override soon. The hard truth is that tax bills will continue to climb even without the approval of a new Proposition 2½ override. Best practices advise that Milton consider other alternatives. This analysis assesses current trends and risks in a very difficult economic environment, considers some policy alternatives and delivers recommendations. The main point addressed is the sustainability of The Town of Milton's reliance on the property tax to fund services, at recent growth-rates.

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ⁱ I have been a resident of Milton for almost 20 years and I have a good working knowledge of its finances and demographics. I have served as a volunteer on the Warrant Committee (Budget Committee).

ⁱⁱ Town of Milton, Community Snapshot Profile, retrieved from http://www.townofmilton.org/Public_Documents/MiltonMA_WebDocs/MiltonProfile.pdf on 10/04/15

ⁱⁱⁱ WIKIPEDIA, Milton Demographics, retrieved from https://en.wikipedia.org/wiki/Milton,_Massachusetts#Demographics on 10/04/15

^{iv} [WWW.SAVINGS.ORG](http://www.savings.org), calculator, retrieved from <http://www.savings.org/inflation/inflation.php?amount=205> on 12/20/2015.

^v Town of Milton historical budgets 1950-2010, Milton Library Reference. 2010-2014, retrieved from http://www.townofmilton.org/Public_Documents/MiltonMA_Accounting/Examination%20Reports/Examination%20Reports on 12/15/2015.

^{vi} Town of Milton, Financial Forecast Fiscal Years 2017-2021 (10-2015), retrieved from http://www.townofmilton.org/Public_Documents/MiltonMA_Accounting/accounting on 12/15/2015

^{vii} Ibid., Town of Milton historical budgets 1950-2010

^{viii} Ibid., Town of Milton, Financial Forecast

^{ix} Ibid., Town of Milton Financial Forecast

^x Massachusetts Department of Revenue (DOR), Division of Local Services. Retrieved from <https://dlsgateway.dor.state.ma.us/DLSReports/DLSReportViewer.aspx?ReportName=AverageSingleFamilyTaxBill&ReportTitle=Average%20Single%20Family%20Tax%20Bills> on 2/15/2015.

^{xi} Ibid., MA DOR DLS

^{xii} GMandell, Building a Sustainable Fiscal Future. Best Practices for Stabilizing Revenues and Expense Trends (2015)