
REPORT OF THE FINANCE COMMITTEE FOR FISCAL YEAR 2010 WITH RECOMMENDATIONS FOR FISCAL YEAR 2011

Overview

Fiscal Year 2010 turned out to be an even tougher financial year for Massachusetts Cities and Towns than originally expected. Additional cuts were made in State aid last summer, well after budget decisions were made last spring.

Further cuts in State aid and Chapter 70 School aid are being made for Fiscal Year 2011. The implication for Granby is that the Town must remain on its path of fairly austere budgets and continue to live with the resulting near minimal level of services in Town.

The State is also sending out signals that the next two years could be even worse. There are indications that it might be that long before Massachusetts will recover the revenues it has lost during this recession. As usual, it is expected that the State will share its woes with the Cities and Towns of the Commonwealth.

The Budget

The fiscal constraints of previous years are being continued. Town departments have again been asked to operate with minimal increases. Operating budget guidelines for Fiscal Year 2011 call for elected officials to receive raises of 1%, and for Town employees subject to the Personnel Board to receive raises of 1% plus step (where merited). The Town operating budget is decreasing by 0.2%.

The amounts being budgeted by, and for, the Schools have also been tightened. The School operating budget is again being funded at the legally required minimum, plus the amount the Town voters approved as a School override in 2004. There are no major capital items being requested by the Schools other than the results suggested by the School Building Committee. As a result, the overall allocation to support the School systems is decreasing by 0.6%.

This is the second straight year for Massachusetts budget and State aid reductions. The State aid to Granby for FY 2011 is 5.6% smaller than the amount from just two years ago. No landfill revenue has been projected for use in this budget, and the operating budget has been balanced by using \$131,138 of free cash.

Coming Soon: A Major Change Needed in our Financial Structure

Granby has worked diligently over the last decade to get its ongoing operating expenses in line with its ongoing revenues. The Town's approach to budgeting has helped it earn an AA bond rating which could result in considerable savings if the Town borrows money on a long term basis. The next step which needs to be taken by the Town is to find a way to provide funds for capital expenses.

Granby's capital needs have been funded primarily by landfill revenue, especially the landfill revenue that has been saved in the Municipal Building Stabilization Fund and in the Capital Equipment Needs Stabilization Fund. The Town recently learned, and now faces the bleak reality, that the Landfill will be closing by 2013. After the Landfill is closed, the annual cost to Granby to dispose of its trash has been estimated in the \$500,000 range. Just as important is the effect on Granby's ability to fund its capital projects.

Granby's capital needs, unfortunately, are increasing. Two studies have recently been completed that outline the Town's expected capital needs over the next decade. The first study was done by the School Building Committee. They determined that the School capital needs are:

- a. \$44.8m for the proposed new Junior/Senior High School Construction
- b. \$10.7m for West Street School Code and Maintenance
- c. \$ 8.9m for East Meadow School Code and Maintenance

There is an expectation that the State would contribute between \$26.5m and \$28.8m to the High School project, leaving Granby's expenses between \$45.6m and \$47.9m.

The second study was done by the Ad Hoc Capital Committee. They determined that, in addition to the School capital needs, the other Town capital needs for the next decade are:

- a. \$4.0m for a Library
- b. \$8.1m for Repairing Roads and Culverts
- c. \$3.1m for Vehicles and Equipment
- d. \$5.0m for the Town Hall
- e. \$0.1m for a Highway Department Salt Shed

Of this \$20.3m, there is an expectation that the State would reimburse Granby \$2.0m for the Library, and \$2.1m for repairing roads. The net expense to the Town would be \$16.2m.

This all adds up to capital needs in the next decade of \$61.8m to \$64.1m.

Granby has no realistic way of expecting to be able to fund all these capital needs at these levels.

Since the Municipal Building Stabilization Fund and the Capital Equipment Needs Stabilization Fund have an expected combined amount of \$2.5m to \$3.0m, Granby needs to consider these options when thinking about its capital needs:

- a. The scope of some of the projects may have to be reduced.
- b. Tax increases through debt exclusion overrides will certainly be required if larger projects are to be funded.
- c. The level of Town and School services may have to be reduced, shifting resources to capital needs.

But even if some measure of each of these options is realized, it remains improbable that all of Granby's capital needs could be met without considerable discomfort to the Town's citizens.

Conclusion

Granby's old way of expecting significant landfill revenue to appear and fund capital projects has changed. There now needs to be an emphasis on two principals as the new reality:

1. We cannot afford to do everything, and
2. A vote for one project is effectively a vote against another project.

It is clearly up to the Town voters to decide which projects will be funded, what the level of funding will be, and which will not be funded. The Finance Committee believes that voters should be fully informed of the implications of the choices they will have to make.

Respectfully submitted,

John J. Libera, Jr., Chair
Robert A. Glesmann, III, Clerk
James E. Hartley
Catherine M. Myers
Dana K. Ritter

Corrections

There are arithmetical errors in two of the sentences of the “REPORT OF THE FINANCE COMMITTEE FOR FISCAL YEAR 2010 WITH RECOMMENDATIONS FOR FISCAL YEAR 2011”.

To correct the first error, the last portion of the second last paragraph on page 2 should read:

“..., leaving Granby’s expenses between \$35.6m and \$37.9m.”

To correct the second error, the first sentence on page 3 should read:

“This all adds up to capital needs in the next decade of \$51.8m to \$54.1m.”

The Finance Committee apologizes for any inconvenience this may have caused, and thanks all the individuals who took the time to read the report and note the errors.

Granby Finance Committee
August 25, 2010