

# TOWN OF GROTON



## REPORT OF THE FINANCE COMMITTEE

**Georgana B. Cochran**  
**Joseph Crowley**  
**Peter J. DiFranco**  
**Michael F. Flynn**  
**Richard Hughson**  
**Jay M. Prager – Chair**  
**Thomas L. Sangiolo**

## 2010 SPRING TOWN MEETING

**Beginning Monday, April 26, 2010 @ 7:00 PM**  
**Groton-Dunstable Middle School Auditorium**  
**344 Main Street, Groton, Massachusetts 01450**

## **Introduction:**

The good news is that, despite continuing economic challenges, we are able to present a balanced FY2011 budget with only a small increase in the average tax bill.

This year, the Finance Committee modified its budget review process. In past years, prior to the hiring of our Town Manager, the Finance Committee would delve into the minutiae of the budget and recommend specific cuts or additions in specific line items. This year we adopted a different approach: as we performed our department reviews we developed a list of budget items that we felt deserved attention; we then presented this list to the Town Manager and the Selectmen, but, with a few exceptions, we did not request or insist that each listed item be individually addressed. Rather, we asked that the expense budget be reduced by the total amount of our recommended reductions, leaving the details of where the reductions would be made to the discretion of the Town Manager and the Selectmen. For example, the Finance Committee felt that, given prevailing economic conditions, there should be no increase in town employee headcount in FY2011, whereas the Town Manager and others felt it important that the Town hire two police officers. The Finance Committee's position was that if hiring personnel was deemed a priority in FY2011, then funding for those hires should be found elsewhere in the budget. By this prioritization process, and through a series of cooperative open meetings involving Selectmen, the Town Manager, the Finance Department staff (Town Accountant, Treasurer/Collector, Town Assessor), Department Managers and the Finance Committee, a final balanced FY2011 budget was agreed upon. We are pleased to say that our recommended expense budget reductions, amounting to over \$125,000, were achieved with no decrease in municipal services and that the FY2011 municipal budget, exclusive of the schools, increased by only a fraction of one percent. The Finance Committee plans to meet regularly with department heads during FY2011 so that we can approach the FY2012 budget season with a better understanding of departmental needs and avoid the last-minute fact finding and disagreements that frequently occur in the final months leading up to Spring Town Meeting.

In past years, the Finance Committee has taken what it believes to be a responsible and cautious approach to budgeting and spending. As a result, Groton's financial condition is better than many other cities and towns in the Commonwealth. The economic picture, however, remains murky and there is risk with respect to revenues going forward. The Town saw a reduction in expected state funding during FY2009 and FY2010 and state government has projected reductions in FY2011 and FY2012. We have also seen other sources of revenue decline during FY2010, including reductions in investment income and automobile excise taxes. With this in mind, the Finance Committee believes that the town should continue to budget, act and spend responsibly and cautiously going forward.

## **The FY2011 Budget:**

This year, we are being asked to consider and approve two town budgets. The first budget stays within the Proposition 2½ levy limit and provides the Groton-Dunstable Regional School District with a funding increase from Groton of \$464,000, which is about 77% of the Town's projected new revenues in FY2011. The second, contingency, budget provides the

\$1,459,000 increase in funding requested by the GDRSD and requires an override of almost \$1,000,000. The non-override budget will increase the average Groton tax bill by about \$64; the override budget will increase the average tax bill by another \$256 for a total increase of about \$320 (an “average tax bill” is the tax on a \$400,000 house).

As in past years, more than half of Groton’s total operating budget goes to fund the Groton-Dunstable Regional School District’s operating expenses. In 2007, the Finance Committee warned taxpayer’s that, despite falling enrollment, the cost of the schools were growing faster than the Town could afford and that if structural changes were not implemented to bring outsized budget increases back into line with realistic town revenue growth projections the result might be catastrophic. We repeated this warning in our report at last year’s Spring Town Meeting and also noted that the GDRSD had, at that time, projected an FY2011 increase (resulting, for example, from known contractual obligations and benefits cost increases) of approximately \$800,000. That number, which should have been accurately determinable, has turned out to be significantly understated: the GDRSD shows the FY2011 increase in salaries alone to be over \$816,000 and the increase in benefits and related costs to be \$415,000, for a total of \$1,231,000. The total increase in the combined FY2011 assessment to Groton and Dunstable totals \$1,855,000, about \$1,305,000 more than the total of \$549,000 that Groton and Dunstable had included as increased GDRSD funding their FY2011 non-override budgets.

In essence, the total additional amount that the schools are asking for – about \$1,305,000 – is only slightly larger than the amount – \$1,231,000 – that is needed to fund this year’s wage and benefits increases. It is interesting to compare these increases to community averages. The average wage increase in the United States in the period from February 2009 to February 2010 amounted to 1% (Bureau of Labor Statistics). The total wage increases in the FY2011 GDRSD budget, adjusted for headcount, amounts to 4.0%. Teachers, who receive 95% of the total FY2011 GDRSD wage increases (\$773,643), will receive an average increase of 4.9% and will earn an average salary of \$68,935. These increases, which occur year after year, are a major cause of the spiraling costs of public schools.

Both the Groton Finance Committee and the Town Manager have predicted that unless there are significant changes in the way the schools operate and compensate, we can expect to see a continuing series of override requests in the future. We have asked the GDRSD for forward-looking budget projections every year, but last year was the first time that we received one. Sadly, the estimate was off the mark. Given the impact of school funding on the Town’s budget, we again voice our opinion that Groton taxpayers need to have an accurate, forward-looking, set of school budget projections every year.

We understand that this is not just a local problem. Many, if not most, cities and towns in the United States are struggling with similar problems. Nor can the problem be entirely solved locally. Among other initiatives, our elected representatives at all levels need to rethink and reform the federal and state mandates, laws and regulations that serve to drive school costs up without providing a concomitant increase in the quality of education. Unfortunately, we can’t wait for that to happen – we have no choice but to act locally, and preferably in concert with other towns and regions, to try to bring this difficult situation under control.

We also note, as we did last year, that while the revenue estimates in the FY2011 budget are relatively conservative, there is risk that actual FY2011 revenues may fall short of those projections. The state aid picture remains murky and it is not yet clear how general economic conditions will continue to affect members of our community. We warned last year that reduced state aid, reduced automobile excise tax revenue and/or reductions in property tax and other collections could, among other things, throw the budget out of balance (a 1% decline in town property tax collections translates into a nearly \$250,000 decrease in town revenues). During 2010 we saw a reduction in excise tax revenue and State Aid. If general economic conditions continue to deteriorate, or if conditions stabilize but do not improve, the revenue assumptions used in the FY2011 budget may not materialize.

### **2010 Spring Town Meeting Warrant Articles:**

The following are the Finance Committee's comments regarding selected articles in the 2010 Spring Town Meeting Warrant:

#### **Article 4: Wage and Classification Schedule**

This article provides no increase (0% COLA) for "bylaw" (non-union) employees. The Finance Committee approved this unanimously as a matter of community equity: with local unemployment high, Groton Social Security recipients receiving no increases and the average U. S. wage increase only in the 1% range, we did not think a COLA raise was warranted. Because of longevity and other payments, many affected bylaw employees will still receive wage increases, amounting, on average, to about 1.5%. The Finance Committee also proposed providing a pool of funds that the Town Manager could use to provide selective, performance-based, increases or bonuses to bylaw employees. Unfortunately, Town bylaws prevent this from being implemented. We think it imperative that Town bylaws be modified so that bylaw employees may be compensated based upon performance, productivity and effectiveness, and in accordance with community wage standards.

#### **Article 11: Community Preservation Funding Recommendations**

With respect to specific CPC Proposals in Article 11:

##### **Proposal A: Allocation to the Conservation Land Fund \$30,000**

The Finance Committee voted unanimously in opposition to this expenditure for the same reason that it opposed a similar, larger, expenditure last year. The Conservation Commission currently has over \$700,000 in its reserves, as well as a pending grant award of more than \$90,000, resulting in a total Fund deposit that is comparable in magnitude to the Town's general stabilization fund and that exceeds the amount in the Town's capital stabilization fund. There is no objective reason for further increasing the already substantial amount of funds in the Conservation Land Fund.

**Proposal B: Unkety Brook Well Site \$75,000**

The Finance Committee is unanimously opposed to this expenditure. The Finance Committee believes that enterprise funds should be self-supporting and that their rate structures should enable funding of reserves for projected infrastructure improvements. The proximity of the well to any particular property, such as the High School, is not relevant, because the school will pay for the water it receives, just as any other ratepayer would.

**Proposal C: Community Wide Agricultural Context Inventory \$25,000**

The Finance Committee is unanimously opposed to this expenditure. Information regarding the history of agricultural activities in Groton is locally available and we can see no reason to pay so large a sum for collecting it. This is another example of a project that ought to be done locally at no, or minimal, cost to the taxpayer.

**Additional Comments:**

**Employee Compensation and Benefits:**

Municipal wage and benefits increases, and unfunded defined-benefit pension liabilities, are significant issue facing communities today. Municipal employees, both union and non-union, typically receive a pre-negotiated increase each year along with “step”, “longevity”, “lane change” and other increases that rarely relate to the quality of the employee’s performance. Too often, these increases are negotiated based upon what employees in another town, or another union within town, are receiving – a surefire way to ensure a never-ending upward spiral in compensation, irrespective of community economic conditions and the actual market cost of hiring qualified individuals. Most, if not all, of our town union contracts are coming up for renewal. We think the Town Manager and the Selectmen should propose contracts that better reflect community equity and wage standards; that provide contingencies that make forward-looking wage increases subject to economic realities; and that offer “pay-for-performance” to incentivize and reward performance, productivity and effectiveness.

Starting next year, taxpayers in the Commonwealth will be required by law to make up the shortfall in the state’s retirement pension funds. The funding will necessarily come from Town operating budgets, requiring cities and towns to raise taxes, find offsetting budget reductions or reduce services. Paradoxically, this additional tax load, which will be used to guarantee that government employees receive their full retirement benefits, comes at time when many taxpayers are still trying to figure out how to make up for losses in their own personal IRA and 401(k) retirement savings. We don’t deny public employees a fair and equitable retirement system. Pension reform, however, is another overdue priority that sorely needs attention.

### **CPC Funding Process:**

The following comment was included in last year's Finance Committee report. We think it is worth repeating:

“While the Finance Committee agrees that the current application process is a valid and important way to identify CP projects, it questions whether the Town is best served by having it as the sole process. The Finance Committee suggests that the Town organize a proactive process, to complement the application process already in place, for identifying potential CP projects that might be of benefit to the Town, for defining CP spending priorities and for ensuring that funds are maintained within each CP reserve fund so that they are available when needed for planned priority projects.”

There are many projects that the Town might accomplish using CPC funds, such as renovation of town-owned historic properties, if only there were a process in place to identify those projects and plan and coordinate funding of reserves within appropriate CP accounts.

Respectfully Submitted by the  
Groton Finance Committee,

Georgana B. Cochran  
Joseph Crowley – Vice Chair  
Peter J. DiFranco  
Michael F. Flynn  
Richard Hughson  
Jay M. Prager – Chair  
Thomas L. Sangiolo

April 20, 2010