

**SELECT BOARD / FINANCE COMMITTEE MEETING MINUTES
MONDAY, JANUARY 8, 2024
S.B. APPROVED / FINCOM APPROVED**

SB Members Present: Peter Cunningham, Chair; John Reilly, Vice Chair; Alison Manugian, Clerk; Matt Pisani

SB Member Virtually Present: Becky Pine

Also Present: Mark Haddad, Town Manager; Kara Cruikshank, Executive Assistant to the Town Manager; Patricia Dufresne, Assistant Finance Director/Town Accountant; Tammi Mickel, Assistant Assessor; Attorney Paul Alphen; Jaydeep Patel; Romulo Roma

Finance Committee Members: Michael Sulprizio; David Manugian; Bud Robertson; Mary Linskey; Colby Doody; Scott Whitefield

Finance Team: Dawn Dunbar; Melisa Doig; Hannah Moller; Megan Foster; Michael Harnett

Mr. Cunningham called the meeting to order at 6:00 PM.

ANNOUNCEMENTS

Mr. Cunningham said the Police Department's K-9, named Bane, was hit by a car and suffered injuries. Bane had to undergo surgery at Tufts Medical Center, but he was recovering well. Bane is expected to resume his duties within the next few months. Mr. Cunningham said the Police Department wanted to express their gratitude for the Community's outreach and support.

Ms. Foster, the Principal Assessor, wanted to review the available exemptions for Seniors. These exemptions included the Disabled Veteran's Exemption, the Blind Person Exemption, the Elderly and Surviving Spouse Exemption, the Elderly Exemption Clause 41C, the Senior Deferral Exemption, and the CPA Abatement. Applications are available in the Assessor's Office. Ms. Foster said that if you are eligible for any of these exemptions, the application deadline is April 1, 2024.

Ms. Moller, the Tax Collector/Treasurer, announced that Groton's TREAD program will be available online for eligible applicants.

PUBLIC COMMENT PERIOD

None

TOWN MANAGER'S REPORT

- 1. Update from the Town Manager on the Status of Joining the Patriot Regional Emergency Communications Center- Approve Intermunicipal Agreement with Pepperell, Townsend, Ashby, and Dunstable.**

Mr. Haddad said the Town of Pepperell has begun the renovations to expand the Patriot Emergency Communications Center to accommodate adding the Towns of Groton and Dunstable. IT Director Mike Chaisson and Mr. Haddad have met with Patriot RECC officials to discuss the implementation. He believed they were in good shape and expected a smooth transition in July. A Preliminary meeting with the Communication Officers was held, and an additional meeting is scheduled in two weeks. He will keep the Board apprised of the progress of discussions. He announced that he had completed negotiations with the Towns of Pepperell, Townsend, Ashby, and Dunstable on the Final Intermunicipal Agreement (IMA) for joining Patriot RECC. Town Counsel had reviewed the document and provided

comments/edits. All Town Counsel's edits were accepted in the Final Document and provided to the Board for review. Mr. Haddad respectfully requested that the Board vote to approve and sign the IMA.

Mr. Reilly made a motion to approve the Inter-Municipal Agreement to join the Patriot Regional Emergency Communications Center with Pepperell, Townsend, Ashby, and Dunstable. Mr. Pisani seconded the motion. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

Mr. Reilly made a motion to authorize Mr. Haddad to sign the IMA on behalf of the Town. Mr. Pisani seconded the motion. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

2. Update from the Town Manager on Negotiations on the Intermunicipal Agreement with Pepperell and Dunstable for Phase 2 of PFAS Solution at Groton Dunstable Regional High School.

Mr. Haddad said Town Counsel had put together the first draft of the Intermunicipal Agreement between Groton, Dunstable, and Pepperell for Phase II of the PFAS Solution at the Groton Dunstable Regional High School, which was provided to the Board for review. Mr. Haddad shared it with the Pepperell and Dunstable and is awaiting their comments or changes. He said it was pretty straightforward, outlining the terms the Groton Select Board and Dunstable Board of Selectmen discussed during Phase I negotiations. Once Mr. Haddad hears back from Dunstable and Pepperell, he will schedule it for the Select Board to further discuss. Ms. Manugian asked Mr. Haddad to review the timeline for any grant applications. He shared that they have applied for SRF funding, and the town was third on the list. He spoke with Mary Jude Pigsley from the Department of Environmental Protection regarding a grant application that was also submitted. Mr. Haddad explained that during Phase 2, Pepperell will be the lead applicant for SRF funding. Mr. Haddad had a strategy meeting last week where they discussed the permitting process and stressed the importance of getting the IMA approved for Phase Two so that they could begin Phase One.

3. FY 2025 Budget Update

The Select Board and Finance Committee will discuss the FY 2025 Budget at 7:00 P.M., including the Town Manager's presentation of the Proposed Operating Budget.

4. Update on Select Board Meeting Schedule Through the 2024 Spring Town Meeting

Monday, January 15, 2024	No Meeting (Martin Luther King Day)
Monday, January 22, 2024	Regularly Scheduled Meeting
Saturday, January 27, 2024	Joint Budget Meeting with FinCom
Monday, January 29, 2024	Regularly Scheduled Meeting
Monday, February 5, 2024	Regularly Scheduled Meeting
Monday, February 12, 2024	Regularly Scheduled Meeting
Monday, February 19, 2024	No Meeting- Presidents Day
Monday, February 26, 2024	REMOTE MEETING-Call for Special Override Election
Tuesday, February 27, 2024	Special Budget Forum- Time and Location TBD
Monday, March 4, 2024	Regularly Scheduled Meeting- REMOTE MEETING
Wednesday, March 6, 2024	Special Budget Forum- Time and Location TBD
Monday, March 11, 2024	Regularly Scheduled Meeting
Monday, March 18, 2024	No Meeting

Monday, March 25, 2024	Regularly Scheduled Meeting
Monday, April 1, 2024	Regularly Scheduled Meeting
Tuesday, April 2, 2024	Special Election to Consider an Override of Proposition 2 1//2
Monday, April 8, 2024	Regularly Scheduled Meeting
Monday, April 15, 2024	No Meeting- Patriots Day
Monday, April 22, 2024	Regularly Scheduled Meeting
Monday, April 22 nd or Saturday, April 27 th or Monday, April 29 th -2024 Spring Town Meeting	

ITEMS FOR SELECT BOARD CONSIDERATION AND ACTION

1. Call for the 2024 Spring Town Meeting- Open the Warrant for Said Meeting.

Mr. Haddad said it was that time of year for the Board to call for the 2024 Spring Town Meeting. He explained that the default date for the Town Meeting is the fourth Monday in April, which would be April 22, 2024. He said the Board could also schedule the Town Meeting on the following Saturday (April 27th) or Monday (April 29th). Should the Town Meeting be held on April 22nd, the Annual Election would be held on May 14th. He said that should the Town Meeting be held on either April 27th or 29th, the Election would be May 21st. Mr. Haddad recommended not holding the meeting on April 22nd because it is the first night of Passover. He recommended holding Town Meeting on Saturday, April 27; if needed, the backup day would be Monday, April 29th. Ms. Pine said the Board has met on Saturdays for the last few years and thought it worked well. The Groton Dunstable School Superintendent told Mr. Haddad that parents would prefer Town Meeting on Monday.

Mr. Reilly made a motion to call for the 2024 Spring Town Meeting to be held on Saturday, April 27, 2024, with Monday, April 29, 2024 as a secondary date. Mr. Pisani seconded the motion. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

Ms. Manugian made a motion to open the warrant for the Spring Town Meeting on January 8, 2024, at 8:00 a.m. and to close the warrant on Friday, February 23, 2024, at the end of the business day. Mr. Pisani seconded the motion. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

Ms. Pine mentioned that the Town Clerk's office could help anyone submitting a warrant article while the warrant is still open.

2. Approve the Financial Policies of the Town of Groton

Mr. Haddad said Section 6.3 of the Groton Charter states that the Select Board and Finance Committee shall annually review and update the Town's overall financial management policies. Enclosed with the Town Manager's Report are the current policies. The Finance Committee had voted to approve the policies with no changes for this year. In compliance with the Charter, Mr. Haddad respectfully requested that the Select Board vote to approve the financial policies as they are currently written; no changes have been made.

Mr. Pisani made a motion to approve the financial policies as they are currently written. Ms. Manugian seconded the motion. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

6:15 P.M. PUBLIC HEARING- CONSIDER ISSUING AN ALL-ALCOHOL PACKAGE STORE LICENSE TO INDRALOK, INC. (DBA COUNTRY FARM), 127 MAIN STREET, GROTON, MA; ROMULO ROMA, MANAGER

Mr. Haddad read the public hearing notice into the record.

Ms. Manugian made a motion to open the public hearing. Mr. Reilly seconded. Roll call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

Attorney Paul Alphen was in attendance to represent applicant Jaydeep Patel. The Manager, Romulo Roma, was also present. Attorney Alphen explained that a few years back, the Board approved issuing a Beer and Wine Package license for Country Farm, located at 127 Main Street, to add to the convenience store. Mr. Patel would like to change the classification to an All-Alcoholic Beverage License. If the Board approves the license, the area Mr. Patel uses for wine would be used for the storage and the sale of Alcoholic beverages and the area behind the sales counter, as well. The store layout would essentially remain the way that it currently is. A completed application was submitted to the Town Manager's Office.

Mr. Haddad read a letter from Police Chief Luth aloud into the record. A drawing of the floor plan was provided and presented to the board. Mr. Patel said alcoholic beverages would be located behind the counter. Mr. Pisani said the Police Chief was nervous about alcohol being hidden and easily accessible for children to reach. Mr. Cunningham asked if there would be any displacement of current items in the store to make room for the liquor. Mr. Patel said he would downsize the cigarette section behind the counter and add the liquor there. Mr. Reilly said he went to the store and inspected the layout. He noticed that the wine storage area was not visible. He requested Mr. Patel not to store any hard liquor on the opposite side of the wine rack, where there was no visibility. He also asked Mr. Patel to pay attention to IDs and to please ID everyone. Mr. Patel said he would do so. Ms. Pine wanted to make clear that if the business were to be sold in the future, the liquor license would not transfer automatically. She noted that a number of people were concerned about the possible loss of inventory in the convenience store and appreciated that Mr. Patel had no intention of reducing the convenience store goods.

No public comments were made.

Ms. Manugian made a motion to close the public hearing. Mr. Pisani seconded. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

Mr. Haddad requested that the Board adopt a motion to grant an Off-Premise Retail, All-Alcoholic Package Store License to Indralok, Inc., doing business as Country Farm, located at 127 Main Street, and the license is managed by Romulo Roma. The hours of operation are from Monday to Saturday, 8:00 A.M. to 11:00 P.M., and Sunday, 10:00 A.M. to 8:00 P.M.

Ms. Manugian made a motion to grant an Off-Premise, All-Alcoholic Package Store License to Indralok, Inc., doing business as Country Farm, located at 127 Main Street, and the license is managed by Romulo Roma. The hours of operation are from Monday to Saturday, 8:00 A.M. to 11:00 P.M., and Sunday, 10:00 A.M. to 8:00 P.M. Mr. Pisani seconded. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

OTHER BUSINESS

ON-GOING ISSUES

- A. Florence Roche Elementary School Construction Project- Mr. Haddad told the Select Board that he would work with the Florence Roche Construction team to schedule a special tour of the facility for Select Board Members. He announced that the tour would be held on Tuesday, January 16th, at 12:00 p.m. Mr. Haddad said the construction is going well, and he thinks everyone will be impressed.

Approval of Minutes from December 18, 2023

Mr. Reilly made a motion to approve the minutes of the regularly scheduled meeting from December 18, 2023.

Mr. Pisani seconded the motion. Roll Call: Pine-aye; Reilly-aye; Manugian-aye; Cunningham-aye; Pisani-aye.

The Board recessed at 6:42 and will reconvene at 7:00 p.m. for the Budget Presentation.

The Select Board Chair reconvened the meeting at 7:00 P.M.

Mr. Cunningham said the Squannacook Greenways was seeking a CPA grant to extend the Squannacook River Rail Trail. They require \$30,000 to support the engineering and designing of the next phase. He respectfully requested that the Board submit a letter of support for their grant application.

Mr. Bud Robertson called the Finance Committee meeting to order at 7:03 pm.

IN JOINT SESSION WITH THE FINANCE COMMITTEE- PRESENTATION OF THE TOWN MANAGER'S PROPOSED FISCAL 2025 TOWN OPERATING BUDGET

Mr. Haddad thanked the Finance Committee for attending the meeting. He planned to present a PowerPoint review of the proposed Fiscal 2025 Town Operating Budget that evening. He explained that this was the sixteenth budget proposal he had submitted to the Finance Committee and Select Board. He said planning for the FY 2025 Budget began earlier than in previous years. The Town Manager's Tri-Comm Working Group, which he appointed in July of 2023, began reviewing the issues surrounding the development of the Fiscal Year 2025 Budget. The Working Group conducted studies of comparable communities and School Districts. As a result of their studies, they determined that spending by the Town and the School District was in line with their comparable communities. The outcome of the Tri-Comm Working Group showed the Town of Groton would be facing a deficit of \$3.9 Million in FY 2025. The group also determined that an override of Proposition 2 1/2 would be necessary to avoid significant cuts to the operating budgets of both the Town and School District. Mr. Cunningham wanted to commend everyone involved in the Tri-Comm Working Group.

Mr. Haddad said that based on the Tri-Comm's determination, in October 2023, the Select Board and Finance Committee provided the Town Manager with the following Budget Guidance for FY 2025:

The Town Manager shall submit two Budgets:

- A balanced budget with no proposed Override of Proposition 2 ½
- A level services budget that proposes a potential override of Proposition 2 ½ to eliminate a projected three-year deficit.

- The Town Manager shall collaborate with the Groton Dunstable Regional School District and Nashoba Valley Technical School District representatives to create the two budgets.

To comply with the budget guidance, the Town Manager determined that the main budget would be the Level Services Budget, which would then be reduced to bring it into balance with anticipated revenues in FY 2025. The Town Manager released budgetary instructions on November 1, 2023, asking departments to provide a Level Services Budget and a detailed memorandum considering an eleven percent reduction in their respective departments' budgets. Budgets were due on November 20th, and review meetings took place between November 27th and November 29th. Meetings were well attended by both Select Board and Finance Committee Members. Mr. Haddad said this showed the importance of the FY 2025 budget. Mr. Haddad said the Select Board will hold a Joint Session with the Finance Committee and departments on Saturday, January 27th. The session's purpose is to better understand the impact of the 11 percent reduction of the departments. To review and develop the Proposed Budget, the Town Manager was assisted by the Town's Finance Team, made up of Patricia Dufresne, Hannah Moller, Megan Foster, Dawn Dunbar, Melisa Doig, Michael Hartnett, and Kara Cruikshank.

Level Service Budget Development

Mr. Haddad thought it was important for everyone to understand that a Level Service Budget maintains services at the FY 2024 level and does not add any new services.

During Mr. Haddad's presentation on the Level Service Budget development, he explained some key points. He said the approved budget for Fiscal Year 2024 was \$240,920 under the Levy Limit. He also said the FY 2024 New Growth was certified at \$36 million, which added \$564,180 to the FY 2024 Tax Levy. Mr. Haddad explained that the estimated FY 25 New Growth was at \$20M, which would add \$301,800 to the tax levy. The Proposed Fiscal Year 2025 Town Operating Budget anticipated level funding State Aid at \$1,116,143. He said they anticipate an additional \$126,500 increase in Estimated Receipts.

Mr. Haddad shared a chart that indicated an anticipated increase of 3.08% in New Revenues for the Fiscal Year 2025. Mr. Haddad explained that building permit revenues, solid waste, and meal taxes were down. The town has not yet received the first payment from the cannabis shop, estimated to be around \$150,000. However, Mr. Haddad does not think the town would come anywhere near that amount.

Mr. Haddad said that the work conducted by the Tri-Comm Working Group was proved to be very accurate. The Level Service Budget was \$3.9 million out of balance based on total anticipated revenues in FY 2025. Mr. Haddad discussed the steps taken to save the anticipated \$2.3 million deficit for FY 2025. He said the GDRSD has decided to phase out the use of E & D and phase in full-day kindergarten tuition over three years. Mr. Robertson mentioned the original plan was to eliminate E & D entirely but decided to phase it out. The Select Board voted to join the Patriot Regional Emergency Communications Center; the Select Board voted to join MIIA for health insurance; a more accurate assessment came forward from Nashoba Tech; the Finance Team found areas to increase from the original estimate developed by the Tri-Comm Working Group, and miscellaneous adjustments were made to the Municipal Budget.

At the Saturday, January 27th meeting, the first commitment for motor vehicle excise and Ms. Dufresne's update on the second quarter will be reviewed. Ms. Manugian asked what MIIA has seen in increase rate over

the years. Mr. Haddad stated that MIIA's increase would not be more than 5.25%. The town plans to eliminate the cable enterprise and use \$155,422 from the town's free cash account to allow the cable receipts to accumulate over the next year. Additionally, it was mentioned that there are no major initiatives in the Operating Budget.

Mr. Haddad said that the Capital Budget was submitted separately and looks forward to reviewing it more on January 27th. Ms. Pine asked Mr. Haddad if the capital budget could be reduced to address the need for an override. Mr. Haddad explained that you cannot use one-time revenue sources to offset operating budgets; if they were used to fund the operating budget, they would not be available for the following year.

Level Service Budget Summary

Mr. Haddad said the Municipal Operating Budget is increasing by 2.89%, with the town's operating expenses only increasing by 2.2%.

Mr. Haddad noted that Nashoba Tech was increasing by \$200,000 due to enrollment next year. Ms. Pine asked if there was a limit on the number of Groton students who could enroll in technical schools. Mr. Haddad said he did not believe there was ever a time when Nashoba Tech had limited students.

Mr. Haddad said in compliance with the Guidance issued by the Finance Committee and Select Board, the Town Manager determined that the Level Service Budget was out of balance by \$2,383,222. Mr. Haddad had estimated that an override in FY 2025 of \$5.5 million would be needed to cover an anticipated three-year deficit.

The projected tax Levy Limit for FY 2025 is expected to be \$48,587,870, and other estimated revenues would be an additional \$7,787,986.

Balanced Budget Summary

For the Town Manager to create a balanced budget, he must reduce the Proposed Level Service Budget by \$2,383,222. He had previously explained that in the past, the GDRSD had absorbed 60% of the deficit and the Town absorbed 40%. He said to eliminate the deficit this year, the School District would need to reduce its budget by \$1,429,934, and the Town would need to reduce its proposed level service budget by \$953,288. This means a total reduction of \$2,383,222, or 5.11% of the Proposed Level Service Budget.

Mr. Haddad reviewed the proposed budget cuts for the departments, and many would be devastating. He said that the cuts should come directly from the department heads. When the Boards meet with them on January 27th, they can discuss how the cuts would affect the Operating Budgets.

If the Town sees new commercial growth, it could help reduce taxes. Mr. Haddad pointed out that several other areas, including Westford, Dracut, Acton, and Dunstable, face major budget deficits. Groton is not alone. (Please refer to the PowerPoint presentation attached to the minutes for additional details).

The Working Group recommended holding an override election vote on the same day as Dunstable to demonstrate unity. He said working collaboratively would show that the Towns are in this together. The Town Administrator of Dunstable and Mr. Haddad would like to hold two Budget Forums, one at the end of February

and the other at the beginning of March, to discuss the budget and get feedback. The Special Election will be held on April 2nd

Mr. Haddad said the Superintendent and School Committee will attend the meeting in Joint Session with the Finance Committee and Select Board on Saturday, January 27th. Mr. Haddad said to prepare for that meeting, he requested Select Board Members and Finance Committee to provide him with their questions as soon as possible so he could provide them to the School Superintendent and the School Committee in advance so they could answer them. Mr. Cunningham asked why not propose an override for one year. Mr. Haddad said it would only postpone the problem until the following year.

Mr. Haddad said the PowerPoint would be available for viewing on the Town of Groton website and encouraged everyone to read the Budget Message. Mr. Haddad acknowledged the efforts of every department and said they did a great job.

The meeting was adjourned at 8:00 p.m.

Respectively submitted by Kara Cruikshank, Executive Assistant to the Town Manager.



TOWN OF GROTON

173 Main Street
Groton, Massachusetts 01450-1237
Tel: (978) 448-1111
Fax: (978) 448-1115

Select Board

Peter S. Cunningham, Chair
John F. Reilly, Vice Chair
Alison S. Manugian, Clerk
Rebecca H. Pine, Member
Matthew F. Pisani, Member

Town Manager
Mark W. Haddad

To: *Honorable Select Board*
Honorable Finance Committee

From: *Mark W. Haddad – Town Manager*

Subject: *Fiscal Year 2025 – Proposed Town of Groton Operating Budget*

Date: *December 31, 2023*

Pursuant to Article 6 "Finance and Fiscal Procedure", Section 6.4 "The Budget", of the Charter of the Town of Groton, Massachusetts, I am pleased to submit for your consideration the Town Manager's Proposed Fiscal Year 2025 Operating Budget for the Town of Groton. This is the Sixteenth Budget that I have submitted as your Town Manager. I, and the Finance Team, made up of Assistant Finance Director/Town Accountant Patricia DuFresne, Treasurer/Tax Collector Hannah Moller, Assistant Treasurer/Tax Collector Michael Hartnett, Principal Assessor Megan Foster, Town Clerk Dawn Dunbar, Human Resources Director Melisa Doig and Executive Assistant Kara Cruikshank have worked tirelessly in creating the Proposed Operating Budget. Developing this Budget has been unlike any other, with unprecedented circumstances impacting Groton and its finances. Balancing the Fiscal Year 2024 was extremely difficult with significant cuts made by the Town of Groton and the Groton Dunstable Regional School District. Recognizing the gravity of the situation, the Select Board, Finance Committee and Town Manager took proactive measures early in the summer to address the impending challenges in Fiscal Year 2025.

The Town Manager's Tri-Comm Working Group made up of representatives from the Select Board, Finance Committee, Groton Dunstable Regional School Committee and Town and School Administrations worked together with the specific task of reviewing the issues impacting the Fiscal Year 2025 Budget. The Working Group conducted a detailed review of current spending, developed preliminary revenue projections and spending assumptions, and developed a five-year Financial Plan for the Town of Groton. The outcome of the work showed that the Town would be facing an anticipated FY 2025 Budget Deficit of \$3.9 million and a major budget deficit over the next five fiscal years.

Through great cooperation between the Town of Groton and the Groton Dunstable Regional School District, we have been able to work together towards finding viable solutions. Maintaining the excellent services that the Community relies on is of utmost importance in developing this Budget. However, the financial strain caused by the lack of sustained revenue sources, including the lack of support from the Commonwealth of Massachusetts, no longer receiving Federal Funding (ARPA, CARES Act, ESSR) that was used to balance the Budget in Fiscal Year 2023 and Fiscal Year 2024, and the use of one-time revenue sources by the Groton Dunstable Regional School District, has made it increasingly difficult to balance the budget without making drastic and devastating cuts. In order to ensure that Groton continues to thrive and provide the services that our residents deserve, we find ourselves in a position where we must consider an override of Proposition 2½.

An override of Proposition 2 1/2 would allow us to bridge the financial gap and provide the necessary resources to sustain the quality services that have become synonymous with Groton. While I understand that this may be a difficult decision, I believe that it is the right one to secure a brighter future for Groton and the School District. The Finance Team and I are committed to transparency and open communication throughout this process. We will continue to engage with the Select Board, Finance Committee and the Groton Dunstable Regional School District to address any concerns and provide the necessary information to make informed decisions. Working cooperatively, we can overcome the challenges we face and emerge stronger than ever. With this in mind, the Finance Team and I developed this document.

In accordance with the Groton Charter and the Town's Financial Policies, the Fiscal Year 2025 Budget Process is the ninth year where the Select Board and Finance Committee have provided direction prior to the development of the proposed budget. The Select Board and Finance Committee met with the Finance Team prior to the issuance of the initial budget instructions to review objectives and develop specific goals that would be followed during the development of the Fiscal Year 2025 Proposed Operating Budget. At the budget guidance development meeting in October, the Select Board and Finance Committee voted unanimously to provide the following direction to the Town Manager and Finance Team:

1. One Budget shall be balanced with no proposed Override of Proposition 2½.
2. The second budget shall be a level services budget (*maintains services at the FY 2024 level and does not add any new services*) that proposes a potential override of Proposition 2½ to eliminate a projected three-year deficit.
3. The Town Manager shall collaborate with representatives of the Groton Dunstable Regional School District and Nashoba Valley Technical School District to create these two budgets.

PRESENTATION OF THE LEVEL SERVICES BUDGET

In order to comply with this guidance in a comprehensive, understandable and professional manner, the main budget to be presented to the Finance Committee and Select Board will be the Level Services Budget which will require an Override of Proposition 2½. The Level Services Budget will then be reduced to bring it into balance without an Override. Presenting the Budget in this manner makes sense for a couple of reasons. First, starting with the Level Services Budget allows you to have a baseline understanding of the current level of services being provided to our residents. This Budget represents the continuation of existing services without any changes or adjustments. It serves as a starting point for evaluating the financial needs of Groton. By then creating a second budget as a Balanced Budget, you can assess priorities and determine what will be needed to maintain the current level of services. This budget shows Groton's financial constraints and aims to achieve a balance between needs and available revenues. Reducing the Level Services Budget in order to achieve a Balanced Budget illustrates the dire financial situation that Groton is currently facing. It will allow the Select Board and Finance Committee to prioritize and make tough choices about which services are essential and which can be scaled back or eliminated. Doing it this way, I believe, will allow for priorities and needs to be established and show the justification for needing additional revenues in Fiscal Year 2025.

On November 1, 2023, the Town Manager released the budgetary preparation instructions to all Departments, Boards, Committees and Commissions outlining the guidance provided to the Finance Team. As part of the guidance, Departments were asked to provide a level services budget that maintains services at current levels. In addition, they were asked to provide a detailed memorandum that considers an eleven (11%) percent reduction in their departmental budget and what services will be impacted. This Section of the Proposed Budget provides the individual departmental budgets information for your review. This information was used when developing the Balanced Budget as required by the Budget Guidance. Budgets were due on November 20, 2023 and review meetings with the Finance Team took place between November 27 and November 29, 2023. During these meetings, the Finance Team focused on maintaining services and getting a clear understanding of the impact of significant reductions in the various budgets. Knowing the importance of the review this year, all members of the Select Board and members of the Finance Committee attended almost all of the meetings. This participation was appreciated by me and the Finance Team. Fiscal Year 2025 will be an unprecedented year and the participation by the Select Board and Finance Committee during the preliminary review was of paramount importance.

The Town Manager's Tri-Comm Working Group spent a great deal of time developing revenue estimates for Fiscal Year 2025. The Finance Team further refined that review and developed Revenue Estimates for Fiscal Year 2025 that are consistent with the five-year average in the various categories. As stated every year, the Commonwealth has yet to begin its Budget Process for Fiscal Year 2025. Following past practice, we have level funded base state aid for FY 2025. With regard to New Growth, Principal Assessor Megan Foster is estimating \$20 million in Growth, which will generate an additional \$301,800 in tax revenues in Fiscal Year 2025. We have level funded use of Ambulance Receipts at \$350,000 in Fiscal Year 2025. Due to the unprecedented increase in Estimated Receipts in Fiscal Year 2024 (over a 12% increase), we took a more conservative approach in Fiscal Year 2025. At this time, we are estimating an increase in local receipts of \$126,500 from

\$5,497,383 to \$5,623,883, or 2.3%. Given the major increase in Fiscal Year 2024, it would not be prudent or fiscally responsible to expect the same kind of increase two years in a row. The following is a summary of where we anticipate the most significant increases:

1. **Motor Vehicle Excise Taxes** – The five-year average is \$1,823,309. In Fiscal Year 2023, the Town collected \$1,927,790 in Motor Vehicle Excise Taxes. Based on this, at this time, we are level funding Motor Vehicle Excise Taxes (\$1,820,583) in FY 2025. We will revisit this estimate once the FY 2024 First Commitment is released in January, 2024.
2. **Meals Tax/Room Occupancy Tax** – This has been an excellent revenue source over the last couple of years. In Fiscal Year 2024, we increased this estimate by \$50,000 and we are confident we will reach this level. Given the fact that the first quarter of Fiscal Year 2024 is just under last year's amount, we are level funding this estimate in FY 2025.
3. **Recreational Marijuana Revenue** – Unfortunately, the opening of the two recreational marijuana facilities were delayed, with one opening in October, 2023 and the other not expected to open until July, 2024. We had estimated \$150,000 in FY 2024 and we are unlikely to come close to this estimate. Therefore, given the uncertainty of the actual tax revenue, we have reduced this estimate to \$75,000 as it is unlikely the Department of Revenue will allow us to carry the same estimate in FY 2025.
4. **Payments in Lieu of Taxes** – We have increased this line item by \$18,500 based on the success of the ticket surcharge agreed to by Groton Hill Music. We have collected \$48,292 thus far and expect it to continue to grow. It has been a successful Revenue Source.
5. **Other Charges for Services** – This line item has been decreased by \$84,000 based on the decision of the Groton Select Board to join the Patriot Regional Emergency Communications Center in FY 2025 (this decision will be discussed later in this presentation) and Dunstable will no longer be making this payment for Dispatch Services to Groton.
6. **Other Departmental Revenue** – We have increased this estimate by \$50,000 to \$850,000 in anticipation of the reimbursement from the Enterprise Funds increasing due to an anticipated increase in intergovernmental cost share.
7. **Investment Income** – Due to an increase in interest rates and the outstanding investment of Town funds made by our Treasurer Hannah Moller, we have increased this estimate by \$125,000 in FY 2025. While we expect an unprecedented year in FY 2024, we cannot expect the same level in FY 2025. That said, we are confident of reaching this level in FY 2025.
8. **Recreation Revenues** – Based on the last four years of outstanding success of the Groton Country Club, we are increasing this estimate by \$50,000 in FY 2025.

The following chart shows what we expect to receive in revenues that can be used to fund the Proposed Operating Budget:

<u>Revenue Source</u>	<u>Budgeted FY 2024</u>	<u>Proposed FY 2025</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Property Tax*	\$ 36,832,663	\$ 38,055,280	\$ 1,222,617	3.32%
State Aid	\$ 1,116,143	\$ 1,116,143	\$ -	0.00%
Local Receipts - Excluding Country Club	\$ 4,797,383	\$ 4,873,883	\$ 76,500	1.59%
Country Club Revenue	\$ 700,000	\$ 750,000	\$ 50,000	7.14%
Other Available Funds	\$ 350,000	\$ 350,000	\$ -	0.00%
TOTAL	\$ 43,796,189	\$ 45,145,306	\$ 1,349,117	3.08%

*Includes 2½ percent increase allowed by law and \$20 million in new growth.

Prior to presenting both the Proposed Level Services Budget and the Proposed Balanced Budget, a review of mandatory expenditures is warranted, as well as areas in the budget that are routine in nature. With regard to mandatory expenditures, two categories fit this definition, Pension and Health Insurance. With regard to the Pension Budget, Middlesex County has informed the Town that our Assessment in Fiscal Year 2025 will increase by 6.36%, or by \$158,739 from \$2,494,280 to \$2,653,019.

With regard to Health Insurance, in past years, we have had to estimate the anticipated budget. In FY 2025, given our financial situation and in an effort to find efficiencies and cost savings, we examined our membership with the Minuteman Nashoba Health Group (MNHG). The Town has been a member of MNHG since 1991. Membership in this group for many years was very advantageous. However, as rates have increased a number of members have left the group and moved to other collaboratives, in most cases the Massachusetts Interlocal Insurance Association (MIIA). In Fiscal Year 2024, due to high claims from some of the members and a number of other members leaving the group, Groton received a 13.5% increase in rates. An increase at this level is unsustainable and caused more members to leave the group. The Town of Groton needed to protect itself and consider other alternatives. To that end, the Town reached out to MIIA with the intent of joining them for Health Insurance in FY 2025 (we currently have our property, casualty, automobile and workers compensation insurance with MIIA). Pursuant to M.G.L., c. 32B, we needed to work with our Insurance Advisory Committee (made up of representatives from the Unions, Bylaw Employees and Retirees) seeking a recommendation from them to join MIIA. As is always the case with our employees, when we need them to step to the plate and help us achieve budget stability, they voted unanimously to allow the Town to leave MNHG and join MIIA. The Select Board voted unanimously to make this change. Based on the rates provided to the Town by MIIA, we do not have to estimate the Health Insurance Budget for FY 2025. Instead of seeing the double digit increase that was expected from MNHG, the Health insurance Budget will only increase by 3.38%, or by \$70,588 from \$2,090,563 to \$2,161,151.

Some other areas I would like to highlight relative to the proposed Level Services Budget includes the following:

Union Contracts and By-Law Employees

The Town now has six (6) Collective Bargaining Units (with the move to join the Patriot Regional Emergency Communications Center, the Communications Union will be disbanded). All contracts will be entering the final year of three-year deals. All Unions have agreed to a 2% wage adjustment in FY 2025. As has been our practice, I am recommending that the remaining three (3) By-Law employees receive the same adjustment as the Supervisors' Union, a wage adjustment of two (2%) percent. When you take into consideration these agreements, along with the employees that have contracts, salaries and wages will increase by \$143,175 in FY 2025. The Town Hall/Library Union and the DPW Union are also eligible for a performance incentive that allows employees to receive an increase in their base pay of up to two (2%). In Fiscal Year 2025, this will account for an increase in wages of \$46,912. Finally, some employees are eligible for a one-time performance incentive of up to 2½% that is not added to their base. This will be paid from Free Cash. The Fiscal Year 2025 impact for this program is \$41,877. Please note that salaries and wages will increase by a total of \$231,964 in FY 2025, including one-time cash payments.

Debt Service

We will continue to see an increase in Excluded Debt for Fiscal Year 2025 as we pay debt service on the Florence Roche Elementary School Project to cover both debt that has been permanently financed (\$28 million), as well as borrowed using bond anticipation notes (approximately \$27 million). For Fiscal Year 2025, Municipal Excluded Debt will increase from \$4,326,958 to \$4,649,077, an increase of \$322,119 or 7.4%. Excluded Debt from the Groton Dunstable Regional School District will decrease by \$22,280, or 5.5% from \$406,902 to \$384,622. Overall, Excluded Debt will increase in Fiscal Year 2025 by \$299,804, or 6.3% from \$4,732,786 to \$5,032,590. We are continuing with our practice to stabilize debt service within the Levy Limit at approximately \$250,000 - \$300,000 annually. We continue to follow the plan by using the Excess and Deficiency ("Free Cash") Account to pay down the Principal and Interest on the Police and Fire Radio Project with the intent of paying that off in FY 2025. In addition, we are using Free Cash to pay off the Dump Truck approved in 2022. Finally, FY 2025 will be the first year that we begin to pay for the Fire Truck that was approved at the 2022 Spring Town Meeting. Last year, we used \$243,625 for these purposes and committed \$230,980 from taxation to cover non-excluded Debt Service. In FY 2025, we will continue to use Free Cash for the same items (\$132,170). The following chart shows a comparison between FY 2024 and FY 2025:

	<u>FY 2024</u>	<u>FY 2025</u>
Long Term Debt - Principal Non-Excluded	\$ 153,506	\$ 165,000
Long Term Debt - Interest - Non-Excluded	\$ 77,474	\$ 110,364
Short Term Debt - Principal	\$ 212,949	\$ 123,526
Short Term Debt - Interest	\$ 30,676	\$ 8,644
Total	\$ 474,605	\$ 407,534
Less Free Cash Offset	\$ 243,625	\$ 132,170
Total In-Levy Taxation for Debt Service	\$ 230,980	\$ 275,364

Country Club

For the last three years, the Country Club has been a success and a revenue generator for the Town of Groton. Fiscal Year 2023 was the most successful year the Country Club has ever had in terms of revenue generation. It is a testament to the strong management that our General Manager/Golf Professional Shawn Campbell provides to the Town. In Fiscal Year 2023, the Club made a profit of \$119,713 (total expenses of \$674,656; total revenues of \$794,369).

Communications Department

Health Insurance is not the only area in the Municipal Budget where we are able to realize a savings in Fiscal Year 2025. As part of our top to bottom review of all Town Operations to find ways to improve the delivery of services, find economies and potential consolidations to offset the FY 2025 Deficit, a detailed review of the Communications Department was undertaken. In 2022, we hired Municipal Resources, Inc. to conduct a study of our dispatch operation and provide recommendations to improve the overall operation. One of their recommendations was to "seek additional communities to join our Regional Emergency Communications Center (RECC)". In addition, we have had a challenging time filling vacancies within the Department. Last year, due to budget reductions, we eliminated one of the positions that had been previously funded. The best way to address this is to join another RECC. After a thorough review of options and looking at ways to improve our operations, I recommended and the Select Board approved joining the Patriot RECC. Patriot is currently made up of Pepperell, Townsend and Ashby. It operates out of the Pepperell Police Station and has been in operation for the last three years. Groton and Dunstable Dispatch Operations will transfer to the Patriot RECC effective July 1, 2024.

Currently, the Town of Groton receives approximately \$260,000 annually in State 911 Grants to supplement Groton's RECC operating expenses, as well as \$84,000 from the Town of Dunstable. Of the total Grant, the Town uses \$120,000 each year to offset Wages within the Communications Department. Based on the States' support of this proposed merger, Groton's Patriot RECC Assessment will be paid for by the Development Grant at 100% for the first three years, 50% in year four, and 25% in year five.

One issue that needs to be addressed with this merger is that there will no longer be anyone to greet the public at the Police Station as the current Dispatchers will be relocated to Pepperell. To address this, Police Chief Michael Luth has requested additional administrative support to cover the hours of 10:00 a.m. to 6:00 p.m. Monday through Friday to assist the Public. I have included this position in the Proposed Level Services Budget. In addition, other issues covered by the Grant will need to be covered in FY 2025. The following is a summary of the anticipated savings and anticipated expenses in the FY 2025 Budget associated with joining the Patriot RECC:

Fiscal Year 2024 Appropriation for Wages	\$ 448,073
Fiscal Year 2024 Appropriation for Expenses	\$ 23,875
Fiscal Year 2024 Appropriation for Health Insurance	\$ 76,366
Total	\$ 548,314
Less Dunstable Payment	\$ 84,000
Actual Tax Subsidy/Initial Cost Savings in FY 2025	\$ 464,314
FY 2025 Costs	
Administrative Support	\$ 59,633
Health Insurance (Family Plan)	\$ 24,500
CYBER COMM Radio System Service Contract	\$ 27,275
Criminal Justice Information System	\$ 840
LYME (Smart 911)	\$ 5,836
EQUATURE Phone Recording	\$ 15,231
Total	\$ 133,315
Cost Savings in FY 2025	\$ 330,999

During my initial presentation to the Select Board to join the Patriot RECC, I had recommended that the Town set aside the anticipated assessment for the Patriot RECC for one-time expenditures over the next three years so that when it came time to pay the full assessment to Patriot, the money would be built into the Operating Budget. However, in an effort to limit the amount of the Override to fund the Level Services Budget in FY 2025, I have eliminated all funding for Communications to save \$330,999. That said, we will need to plan for this Assessment in FY 2028, with the full amount due in FY 2030. The following is a summary of what the Assessment to the Patriot RECC will look like over the next six fiscal years:

	<u>Anticipated Assessment</u>	<u>State Portion</u>	<u>Groton Portion</u>
FY 2025	\$ 335,046	\$ 335,046	\$ -
FY 2026	\$ 343,422	\$ 343,422	\$ -
FY 2027	\$ 352,008	\$ 352,008	\$ -
FY 2028	\$ 360,808	\$ 180,404	\$ 180,404
FY 2029	\$ 369,828	\$ 90,202	\$ 279,626
FY 2030	\$ 379,074	\$ -	\$ 379,074

Local Access Cable Enterprise

At the 2015 Spring Town Meeting, the Town voted to create a Cable Enterprise Fund for Fiscal Year 2016. At the time, Cable Revenues were strong and had a healthy level of reserves (\$210,037) in their E&D Account at the end of FY 2016). At the time, it made sense to create the Enterprise to cover all of their expenses, including all overhead costs. The overhead costs, including Health Insurance, Retirement Assessment, Medicare and Life Insurance, are paid back to the General Fund to cover those funds appropriated in the Town's Operating Budget. As you are aware, Cable Revenues come from a surcharge on Cable Bills. From FY 2017 through FY 2019, the Enterprise kept a healthy amount of reserves and was operating as a successful Enterprise Fund. However, since 2019, more residents have moved away from cable to the various streaming services and the Town has seen a steady decrease in Cable Fees and the Cable Enterprise has had to depend more on its Excess and Deficiency Account to balance the budget. The following is a summary of the Cable Enterprise from FY 2017 through FY 2023 showing the Actual Expenses and the ending certified Excess and Deficiency Fund:

<u>Fiscal Year</u>	<u>Actual Expenses</u>	<u>Certified E & D</u>
2017	\$ 217,032	\$ 231,477
2018	\$ 191,636	\$ 245,762
2019	\$ 195,203	\$ 258,810
2020	\$ 193,337	\$ 220,828
2021	\$ 209,470	\$ 174,891
2022	\$ 183,337	\$ 127,260
2023	\$ 217,638	\$ 63,329

Since 2019, as fees have totaled an average of \$165,000 annually, the Cable Enterprise has had to use approximately \$60,000 from their E&D Account to balance their budget. Fiscal Year 2024 is the last year where they have enough cash to balance their budget without running a deficit. There will not be enough funding between cable revenues and the Excess and Deficiency Fund (E&D) to balance the Cable Budget in FY 2025. That said, the services provided by the Local Cable Access Department are valued and important services to our residents. Not only does the Cable Department provide excellent coverage of various meetings and events in Town, but it also provides important information for our residents. In the last couple of years, the Groton Channel Website has been improved to allow for on demand access (both live and on demand) to programming and meetings regardless of your location.

To address this and determine the best course of action to continue to provide Local Cable Access while dealing with the loss of revenues, the Cable Advisory Committee, Assistant Finance Director/Town Accountant Patricia DuFresne and I held a public hearing to gather information and public input. At the conclusion of the Public Hearing, the Cable Advisory Committee voted unanimously to terminate the Cable Enterprise as of June 30, 2024. To fund the Cable Department, Ms. DuFresne recommended the creation of a "Cable Department Receipts Reserved for Appropriation Fund". Creation of this fund, similar to the Ambulance Receipts Reserved for Appropriation Fund, will allow the Town to collect the fees received from the two cable carriers servicing Groton and put them in this Reserve Account for the exclusive use of the Local Cable Access Department. For Fiscal Year 2025, since there will not be enough to fund the Cable Budget at the beginning of the year (you can only transfer available funds from a Reserve Account), I am recommending that the Town use Free Cash to fund the Local Access Cable Budget in FY 2025. This will allow the Reserve Account to build a sufficient balance to fund the Department in FY 2026. Use of Free Cash will also allow the Town to continue providing Cable Services. The Proposed Fiscal Year 2025 Local Access Cable Department Budget is \$155,442 and will be funded from Free Cash. The General Fund will pay for the overhead costs (approximately \$63,000) as it does for all other Town Departments.

Major Initiatives

Four years ago, the Finance Committee established the Major Initiative Criteria for budget development. A Major Initiative is defined as any proposed increase in the Operating Budget of \$50,000 in any fiscal year and/or an increase of \$100,000 over three years. Based on the need for an Operational Override in Fiscal Year 2025 to fund the Level Services Budget, there are no Major Initiatives proposed in the Fiscal Year 2025 Proposed Level Services Budget.

Regional Schools Budgets

As stated previously in this message, developing the proposed Fiscal Year 2025 Groton Dunstable Regional School District Assessment started in July, 2023 in conjunction with the Town Manager's Tri-Comm Working Group. I cannot overstate the importance of the relationship between the Town's Finance Team and the School District's Administration. The relationship between the Finance Team and School Superintendent Dr. Laura Chesson and Director of Business Sherry Kersey continues to be one of mutual respect and cooperation. It is a testament to the strong collaboration between the Town of Groton and the Groton Dunstable Regional School District. By starting the process so early, the Town and School District has been able to plan accordingly for Fiscal Year 2025. Various budget drivers, including increases in the Middlesex Country Retirement Assessment (6.5%), Health Insurance (10%), Residential and Private School Tuitions (12.75% each), Utilities (10%) and Wages (currently under negotiations), put the District in an exceedingly difficult position in FY 2025. Based on a thorough review of anticipated State Aid and other revenue sources, the Assessments from Groton and Dunstable would need to increase substantially to allow the District to meet its obligations and continue to provide an outstanding education for our children. The initial estimate for the Groton Assessment was \$30,118,409, an increase of \$4,180,693, or 16.11%. It is important to state that the increased assessment is required to maintain the current program offerings. There are no new services being considered or proposed. That said, since the original estimate was established, Dr. Chesson and Ms. Kersey continued to review the budget and make recommendations to the School Committee to lower the anticipated FY 2025 Budget. Based on the decision of the School Committee to reduce the dependency on using their Excess and Deficiency Fund over a couple of years, phase out full day kindergarten tuition over a couple of years, and reduce anticipated staff needs to accommodate the Groton Students coming back to Groton from the Swallow Union Elementary School to the new Florence Roche Elementary School, the District has been able to reduce its original anticipated Assessment by \$726,244 to \$29,392,165. The proposed Assessment would increase by \$3,454,449, or 13.3%. In past budget presentations, I would normally say that this should be considered a placeholder for the School District. That is not the case this year. This amount maintains services and is part of the FY 2025 Proposed Level Services Budget. I cannot thank Dr. Chesson, Ms. Kersey and the Groton Dunstable Regional School District Committee for all of their hard work and cooperation in developing the Level Services Budget.

With regard to the Nashoba Valley Regional Technical High School, Superintendent Denise Pigeon has informed me that they are in the early process of their budget development. Total enrollment is up forty students overall District wide. Currently, it is anticipated that Groton's enrollment will increase by nine students (from 41 in FY24 to 50 in FY25). Groton's projected enrollment portion of the Budget will increase from 5.73% in FY 24 to 6.62% in FY 25. Superintendent Pigeon is projecting a total increase (all eight towns) in the required minimum contribution assessment category due to enrollment. This would be an increase in the required minimum contribution category of \$165,000 for Groton. When you take into consideration other increases, including the additional assessment, transportation, capital needs, and the debt portion of the assessment it is possible that Groton's total overall assessment could be up about \$200,000 in FY 2025. To that end, and in anticipation of these increases, I have increased Nashoba Tech's Budget for FY 2025 by 26.22 percent, or \$200,000, from \$762,656 to \$962,656. For now, this should be considered a placeholder until they finalize their Budget sometime in January/February 2024.

TOWN MANAGER'S PROPOSED FISCAL YEAR 2025 LEVEL SERVICES OPERATING BUDGET

As stated, the intent of the initial budget is to present a Level Services Budget for Fiscal Year 2025. The Finance Team and I, in cooperation with the Groton Dunstable Regional School District, have developed that Level Services Budget, making consolidations where possible. The following is the total proposed Fiscal Year 2025 Level Services Operating Budget by the Town Manager (compared with Fiscal Year 2024):

<u>Category</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>Dollar Difference</u>	<u>Percentage Change</u>
General Government	\$ 2,388,159	\$ 2,472,927	\$ 84,768	3.55%
Land Use	\$ 499,606	\$ 516,501	\$ 16,895	3.38%
Protection of Persons and Property	\$ 4,772,597	\$ 4,515,079	\$ (257,518)	-5.40%
Department of Public Works	\$ 2,351,495	\$ 2,389,516	\$ 38,021	1.62%
Library and Citizen Services	\$ 1,947,870	\$ 2,192,957	\$ 245,086	12.58%
Employee Benefits	\$ 4,930,663	\$ 5,174,990	\$ 244,327	4.96%
Sub-Total	\$ 16,890,390	\$ 17,261,969	\$ 371,580	2.20%
Debt Service - Excluded	\$ 4,326,957	\$ 4,649,077	\$ 322,120	7.44%
Debt Service - In Levy Only	\$ 474,605	\$ 407,534	\$ (67,071)	-14.13%
Sub-Total - All Municipal	\$ 21,691,952	\$ 22,318,580	\$ 626,629	2.89%
Nashoba Tech	\$ 762,656	\$ 962,656	\$ 200,000	26.22%
Groton-Dunstable Operating	\$ 25,937,716	\$ 29,392,165	\$ 3,454,449	13.32%
Groton-Dunstable Excluded Debt	\$ 406,982	\$ 384,622	\$ (22,360)	-5.49%
Groton-Dunstable Debt	\$ 58,814	\$ 60,534	\$ 1,720	2.92%
Groton Dunstable Capital	\$ 552,203	\$ 550,000	\$ (2,203)	-0.40%
Sub-Total - Education	\$ 27,718,371	\$ 31,349,977	\$ 3,631,606	13.10%
Grand Total - Town Budget	\$ 49,410,323	\$ 53,668,557	\$ 4,258,235	8.62%

PROPOSED OVERRIDE

The Guidance provided by the Select Board and the Finance Committee directed the Town Manager to propose an override of Proposition 2½ to eliminate a projected three-year deficit. In order to determine the level of Budget Deficit the Town would face over the next three years, the Town Manager's Tri-Comm Working Group had developed budget projections for both the Municipal Budget and the Assessment of the Groton Dunstable Regional School District (GDRSD). Factors, including salary increases, pension increases, health insurance increases, utility expenses, anticipated State Aid (both unrestricted local aid and Chapter 70 and 71 School Funding), new growth and estimated receipts were considered. After this thorough analysis, the following Three Year Projection (FY 2025 through FY 2027) was developed:

Town of Groton Summary of Projected Revenues and Expenditures

General Fund Revenues	FY 2024	FY 2025	FY 2026	FY 2027
Property Tax Levy	41,565,448	43,087,871	45,504,776	46,912,790
State Aid Cherry Sheet	1,116,143	1,116,143	1,134,664	1,153,555
Estimated Local Receipts	5,497,383	5,623,883	5,677,569	5,732,329
Available Funds/Other Financing Sources	2,217,637	2,321,460	2,321,460	2,321,460
Enterprise (for Indirects)	336,486	315,664	321,977	328,417
Total General Fund Revenues	50,733,097	52,465,021	54,960,446	56,448,551
Total Revenue Percentage Change		3.4%	4.8%	2.7%

General Fund Expenditures

General Government	2,388,159	2,472,927	2,519,726	2,567,551
Land Use	499,605	516,501	527,547	538,851
Public Safety	4,772,597	4,515,079	4,600,296	4,687,167
Regional Schools	27,718,371	31,349,977	33,311,503	35,773,926
Department of Public Works	2,351,495	2,389,516	2,433,734	2,478,903
Library and Citizen Services	1,947,870	2,192,957	2,239,917	2,287,972
Employee Benefits	4,930,663	5,174,990	5,483,218	5,810,559
Debt Service	4,801,562	5,056,611	6,519,225	6,512,851
Total Town Budget	49,410,322	53,668,558	57,635,166	60,657,780
State Assessments	95,249	98,662	98,662	98,662
Other Amounts Raised	982,606	1,081,022	1,081,022	1,081,022
Total General Fund Expenditures	50,488,177	54,848,242	58,814,850	61,837,464
General Fund Surplus/(Shortfall)	244,920	(2,383,222)	(3,854,404)	(5,388,913)
Total Expenditures Percentage Change		8.6%	7.2%	5.1%

The Level Services Budget will create a deficit of \$2,383,222 in Fiscal Year 2025, with a three year anticipated deficit of \$5,388,913. Based on this and in compliance with the Guidance, the Finance Team and I are proposing an **Override of \$5,500,000** in Fiscal Year 2025. We believe this amount will provide sufficient revenues to balance both the Municipal Budget and the Assessment from the GDRSD over the next three Fiscal Years. Depending on new growth and potential increases in both estimated receipts and State Aid, this amount may last four or five years. The Finance Team, School District Administration and I will continue to refine these estimates with an eye on cost savings and efficiencies to stretch the override for as many years as possible. The following is the revised Three Year Projection with an Override of \$5,500,000 in Fiscal Year 2025:

Town of Groton
Summary of Projected Revenues and Expenditures

General Fund Revenues	FY 2024	FY 2025	FY 2026	FY 2027
Property Tax Levy	41,565,448	43,087,871	51,142,276	52,691,227
Override	-	5,500,000	-	-
State Aid Cherry Sheet	1,116,143	1,116,143	1,134,664	1,153,555
Estimated Local Receipts	5,497,383	5,623,883	5,677,569	5,732,329
Available Funds/Other Financing Sources	2,217,637	2,321,460	2,321,460	2,321,460
Enterprise (for Indirects)	336,486	315,664	321,977	328,417
Total General Fund Revenues	50,733,097	57,965,021	60,597,946	62,226,988
Total Revenue Percentage Change		14.3%	4.5%	2.7%

General Fund Expenditures	FY 2024	FY 2025	FY 2026	FY 2027
General Government	2,388,159	2,472,927	2,519,726	2,567,551
Land Use	499,605	516,501	527,547	538,851
Public Safety	4,772,597	4,515,079	4,600,296	4,687,167
Regional Schools	27,718,371	31,349,977	33,311,503	35,773,926
Department of Public Works	2,351,495	2,389,516	2,433,734	2,478,903
Library and Citizen Services	1,947,870	2,192,957	2,239,917	2,287,972
Employee Benefits	4,930,663	5,174,990	5,483,218	5,810,559
Debt Service	4,801,562	5,056,611	6,519,225	6,512,851
Total Town Budget	49,410,322	53,668,558	57,635,166	60,657,780
State Assessments	95,249	98,662	98,662	98,662
Other Amounts Raised	982,606	1,081,022	1,081,022	1,081,022
Total General Fund Expenditures	50,488,177	54,848,242	58,814,850	61,837,464
General Fund Surplus/(Shortfall)	244,920	3,116,779	1,783,096	389,524
Total Expenditures Percentage Change		8.6%	7.2%	5.1%

The following chart shows the projected tax impact should the override pass over the next three years, with an additional chart showing the total tax bill increase when you take into consideration previously approved excluded debt:

NO OVERRIDE

Fiscal Year	Tax Rate	Average Tax Bill	Increase Per Year	Tax Rate	Average Tax Bill	Increase Per Year	Override Cost
2024	\$ 13.36	\$ 9,284		\$ 13.36	\$ 9,284		\$ -
2025	\$ 13.80	\$ 9,590	\$ 306	\$ 14.66	\$ 10,188	\$ 903	\$ 598
2026	\$ 14.16	\$ 9,840	\$ 250	\$ 15.56	\$ 10,813	\$ 625	\$ 375
2027	\$ 14.54	\$ 10,104	\$ 264	\$ 16.47	\$ 11,446	\$ 632	\$ 368
Total Increase		\$ 820			\$ 2,161		

Over three years, the average tax bill with an override will increase by \$1,341 or an average of \$447 per year.

Breakdown of Tax Increase

Fiscal Year	Normal Prop 2½ Increase	Override Increase	Existing Excluded Debt	FloRo Excluded Debt	PFAS Excluded Debt	Total Increase	Total Average Tax Bill
2025	\$ 306	\$ 598	\$ 21	\$ 41	\$ -	\$ 966	\$ 11,453
2026	\$ 250	\$ 375	\$ (7)	\$ 183	\$ 82	\$ 883	\$ 12,335
2027	\$ 264	\$ 368	\$ -	\$ -	\$ -	\$ 632	\$ 12,967

- Based on FY 2024 Property Values
- Accounts for \$20 million in New Growth in FY 2025
- Accounts for \$23 million in New Growth in FY 2026
- Accounts for \$22 million in New Growth in FY 2027
- Based on Home Valued at \$694,934

PRESENTATION OF THE BALANCED BUDGET

For the last fifteen years, the Select Board and Finance Committee have been incredible partners collaborating with me and the Finance Team in developing the proposed operating budget each year. Careful review and consideration of services has been the hallmark of the development and the review. This year, that review and consideration of services has been even more detailed than in years past. While we have never undertaken a “zero based budgeting” approach in developing the Budget, the creation of the Level Services Budget is as close to “zero base” as possible. As stated, the FY 2025 Budget process started in July of this year with the Tri-Comm Committee. Comparable Community and District studies were undertaken, revenues were scrutinized and expenses were reviewed with an eye on consolidations and economies to, not only reduce expenses, but continue to deliver high quality services in the most cost effective manner. The result is a Municipal Budget that is only increasing by 2.20% or \$371,580, exclusive of Debt. The requested increases in the Groton Dunstable Regional School District and Nashoba Valley Regional Technical High School have also been scrutinized and are a direct result of the rising costs associated with providing a quality education as outlined previously in this Budget Message. I am extremely proud of the work done by the Finance Team and the Administration of the Groton Dunstable Regional School District in developing the Level Services Budget.

All that said, and as stated above, the Level Services Budget is out of balance by \$2,383,222. There is no doubt that additional tax revenues are needed if the Town wants to maintain both the municipal services offered and the high quality education provided by both Regional Schools. However, the Groton Charter and State Law requires the Town Manager to submit a balanced Budget to the Select Board and Finance Committee by December 31, 2023. Under previous practice, to eliminate any anticipated deficit, the Town has absorbed forty (40%) percent of any necessary reduction, while the Groton Dunstable Regional School District has absorbed sixty (60%) percent of the reduction. This is based on the fact that, exclusive of Debt Service, the School District is approximately 60% of the Budget, while the municipal budget makes up 40%. To eliminate the anticipated FY 2025 Deficit, the reduction by the Town and School District would be as follows:

	Level Service Request	Amount To Reduce	Balanced Budget	Percent Change
Municipal Budget (less debt)	\$ 17,261,969	\$ 953,288	\$ 16,308,681	5.52%
Groton-Dunstable Operating	\$ 29,392,165	\$ 1,429,934	\$ 27,962,231	4.87%
Total	\$ 46,654,134	\$ 2,383,222	\$ 44,270,912	5.11%

The impact of reducing the Level Services Municipal Budget by \$953,288 is devastating in my opinion. Considering the anticipated growth in the level services budget for FY 2025 is \$371,580, the Town would need to reduce the current Fiscal Year 2024 Budget by \$581,708 to meet this reduction. To help the Finance Team identify the impact of reducing the Level Service Budget, and where reductions could be made, as stated previously in this Budget Message, each Department was asked to identify an eleven (11%) percent reduction in their respective Departmental Budget. The Finance Team used this information to produce proposed reductions. While I would recommend that individual Department Heads identify what services would need to be eliminated, the Finance Team and I are proposing the following reductions:

<u>Department</u>	<u>Description</u>	<u>Original Request</u>	<u>Amount Reduced</u>	<u>Percentage Reduced</u>
General Government				
Select Board	Pepperell SRF	\$ 30,854	\$ 24,054	77.96%
Town Manager	Minute Takers	\$ 412,800	\$ 10,000	2.42%
Board of Assessors	Cyclical Inspections	\$ 213,047	\$ 10,000	4.69%
Treasurer/Tax Collector		\$ 274,954		
	Wages	\$ 762		
	Tax Title	\$ 5,000		
	Bond Cost	\$ 2,300		
	Sub-Total	\$ 8,062		2.93%
Town Counsel	Services	\$ 90,000	\$ 15,000	16.67%
Elections/Registrars	Stipend	\$ 54,141	\$ 3,266	6.03%
Insurance and Bonding	Liability Insurance	\$ 367,000	\$ 10,000	2.72%
TOTAL GENERAL GOVERNMENT		\$ 2,472,927	\$ 80,382	3.25%

<u>Department</u>	<u>Description</u>	<u>Original Request</u>	<u>Amount Reduced</u>	<u>Percentage Reduced</u>
Public Safety				
Police Department	Wages	\$ 2,810,496	\$ 233,217	8.30%
Revenue from Dunstable/Resource Officer		\$	(15,000)	
Fire Department	Wages	\$ 1,665,119	\$ 116,558	7.00%
TOTAL PUBLIC SAFETY		\$ 4,515,079	\$ 334,775	7.41%
Department of Public Works				
Highway	Wages	\$ 1,108,353	\$ 130,628	11.79%
Municipal Buildings	Wages	\$ 458,795	\$ 55,395	
	Expenses	\$	15,182	
	Minor Capital	\$	25,000	
	Sub-Total	\$	95,577	20.83%
Parks Department	Wages	\$ 73,681	\$ 7,522	
	Expenses	\$	55,759	
	Sub-Total	\$	63,281	85.89%
TOTAL DEPARTMENT OF PUBLIC WORKS		\$ 2,389,516	\$ 289,486	12.11%

<u>Department</u>	<u>Description</u>	<u>Original Request</u>	<u>Amount Reduced</u>	<u>Percentage Reduced</u>
Library and Citizen Services				
Library	Wages	\$ 1,029,302	\$ 108,054	10.50%
Water Safety	Maintenance	\$ 20,143	\$ 10,900	54.11%
Weed Management	Baddacook Weed Management	\$ 34,385	\$ 15,000	43.62%
TOTAL LIBRARY AND CITIZEN SERVICES		\$ 2,192,957	\$ 133,954	6.11%
<hr/>				
Employee Benefits				
Health Insurance	Reducing Head Count	\$ 2,161,151	\$ 104,691	4.84%
Medicare	Reducing Head Count	\$ 157,000	\$ 10,000	6.37%
TOTAL EMPLOYEE BENEFITS		\$ 5,174,990	\$ 114,691	2.22%
<hr/>				
TOTAL MUNICIPAL BUDGET		\$ 17,261,969	\$ 953,288	5.52%

As I stated, I would recommend that it be left up to Department Heads to identify specific reductions, but you can see that the impact to our Public Safety Departments, Department of Public Works and Library are devastating and will have a detrimental impact on the delivery of services currently provided. Please note that I specifically am not recommending a reduction to the Council on Aging and Senior Van Budgets. Regardless of the override, the average tax bill will increase by an estimated \$368 when you take into consideration the normal increase allowed under Proposition 2½, plus excluded debt. I cannot, in good conscience, recommend raising taxes on our seniors and reducing their level of services. In addition, and more importantly, the Council on Aging just received National Accreditation by the National Council on Aging. This Accreditation is based on staffing and programming. It will be very difficult to maintain this Accreditation if we were to cut the Budget. Obviously, more discussion on this point is necessary with the Finance Committee and Select Board.

CAPITAL BUDGET

The Capital Budget will be submitted to the Select Board and Finance Committee under separate cover. The requested FY 2025 Capital Budget is \$14,876,971. The requested items and funding sources are as follows:

<u>Department</u>	<u>Item</u>	<u>Amount</u>	<u>Funding Source</u>
Fire and EMS	Extraction Tools - "Jaws of Life"	\$ 92,500	Capital Asset
Highway	Pick-Up Truck	\$ 55,000	Capital Asset
Highway	Brush Mower/Field Mower	\$ 70,000	Capital Asset
Highway	Dump Truck	\$ 40,000	Capital Asset
Town Facilities	IT Infrastructure	\$ 40,000	Capital Asset
Town Facilities	Municipal Buildings Exterior Repairs	\$ 25,000	Capital Asset
Town Facilities	Police Station HVAC	\$ 65,000	Capital Asset
Transfer Station	Baler/Maintenance	\$ 25,000	Capital Asset
Library	Carpet Replacement	\$ 50,000	Capital Asset
Park Department	Property Improvements	\$ 50,000	Capital Asset
Police	Police Cruisers	\$ 134,000	Capital Asset
Police	Police Pick-Up Truck	\$ 77,000	Capital Asset
Police	Electronic Control Device - "Tasers"	\$ 12,500	Free Cash
Country Club	Golf Carts	\$ 25,553	Free Cash
Country Club	Greens Equipment - Ventrac	\$ 10,918	Free Cash
Country Club	Greens Equipment - Hauler Pro X	\$ 20,000	Free Cash
Country Club	Greens Equipment - Truckster XD	\$ 13,500	Free Cash
Country Club	Greens Equipment - Ventrac Attachments	\$ 18,000	Free Cash
Country Club	Greens Equipment - Greens Mower	\$ 10,000	Free Cash
Country Club	HVAC	\$ 23,000	Free Cash
Country Club	Golf Shop Building Repairs & Painting	\$ 20,000	Free Cash
Country Club	Function Hall Bathroom Repairs	\$ 10,000	Free Cash
Country Club	Retaining Walls	\$ 15,000	Free Cash
Water	Water Meter Replacement Program	\$ 75,000	Water Fund
Water	New Vehicle	\$ 50,000	Water Fund
Water	GDRSD High School PFAS	\$ 12,800,000	Bond/Grants
Sewer	Nod Road Pump Station	\$ 500,000	Grant
GDRSD	Annual Regional School Capital	\$ 550,000	GDRSD Capital Fund
	Total Requested	\$ 14,876,971	
	Funding Sources		
	Capital Asset	\$ 723,500	
	Free Cash	\$ 178,471	
	GDRSD Capital Fund	\$ 550,000	
	Water Fund	\$ 125,000	
	Bond/Grants	\$ 13,300,000	
	Total	\$ 14,876,971	

ENTERPRISE FUND BUDGETS

As has been our custom, we have included the proposed Enterprise Fund Budgets of the Board of Water Commissioners, Board of Sewer Commissioners (overseeing both the Center Sewer District and Four Corners Sewer District), and the Stormwater Enterprise with the Proposed Budgets (absent the Cable Enterprise Budget, which will now be a Town Department). We reviewed these budgets in the same manner as all department budgets. We are confident that the estimated revenues of the Water Department, Sewer Department, Four Corners Sewer District and Stormwater Enterprise will meet their proposed expenditures. As was the case last year, we will be recommending that the Stormwater Fee remain the same as FY 2024 and be set at \$60 per improved parcel in Fiscal Year 2025.

The following is a breakdown of the proposed budgets for our Enterprise Funds:

Category	FY 2024		FY 2025		Dollar	Percent
					Change	Change
Water Department	\$	2,090,822	\$	2,310,267	\$ 219,444	10.50%
Sewer Department	\$	889,499	\$	1,250,475	\$ 360,976	40.58%
Four Corners Sewer District	\$	77,811	\$	98,040	\$ 20,229	26.00%
Stormwater Utility	\$	242,520	\$	247,851	\$ 5,331	2.20%
Total Enterprise Funds	\$	3,300,653	\$	3,906,632	\$ 605,979	18.36%

TAX IMPACT OF THE PROPOSED LEVEL SERVICES BUDGET AND PROPOSED BALANCED OPERATING BUDGET

The total Level Services Town Manager's Fiscal Year 2025 Proposed Operating Budget, including the proposed Assessment of the Groton Dunstable Regional School District and the placeholder Assessment for the Nashoba Valley Regional Technical High School, and excluded debt, is \$53,668,557, or an increase of 8.62% and will require an Operational Override of Proposition 2½. The proposed Balanced Budget, with substantial reductions in both the Municipal Budget and Assessment for the Groton Dunstable Regional School District, is \$51,285,335 and is at the anticipated FY 2025 Proposition 2½ Levy Limit. When you take into consideration the proposed Capital Budget, Enterprise Fund Budgets and additional appropriations raised on the recap sheet, the total Level Services Budget is \$58,439,210, while the proposed Balanced Budget is \$56,055,988. The Fiscal Year 2024 Tax Rate has been certified at \$15.09. Based on the Level Services Budget with an approved override, the estimated Tax Rate for Fiscal Year 2025 is \$16.48, or an increase of \$1.39, of which \$0.86 is attributable to the override. In Fiscal Year 2024, the average Tax Bill in the Town of Groton (based on a home valued at \$694,934) is \$10,487. Under this

proposed Level Services Budget (including the override), that same homeowner can expect a tax bill of \$11,453, or an increase of \$966, of which \$598 is attributable to the override. The Balanced Budget would have a tax rate of \$15.62, with an average tax bill of \$10,855, or an increase of \$368. The following chart shows a comparison between FY 2024 and FY 2025, including the Override:

	Actual FY 2024	Proposed FY 2025	Dollar Change	Percent Change
Levy Capacity Used	\$ 36,607,742	\$ 38,055,280	\$ 1,447,538	3.95%
Tax Rate on Levy Capacity Used	\$ 13.36	\$ 13.80	\$ 0.44	3.29%
Average Tax Bill	\$ 9,284	\$ 9,590	\$ 306	3.29%
Override	\$ -	\$ 2,383,222	\$ 2,383,222	100.00%
Tax Rate on Override	\$ -	\$ 0.86	\$ 0.86	100.00%
Average Tax Bill	\$ -	\$ 598	\$ 598	100.00%
Excluded Debt	\$ 4,732,786	\$ 5,032,590	\$ 299,804	6.33%
Tax Rate on Excluded Debt	\$ 1.73	\$ 1.82	\$ 0.09	5.20%
Average Tax Bill	\$ 1,202	\$ 1,265	\$ 63	5.20%
Final Levy Used	\$ 41,340,528	\$ 45,471,092	\$ 4,130,564	9.99%
Final Tax Rate	\$ 15.09	\$ 16.48	\$ 1.39	9.21%
Average Tax Bill	\$ 10,487	\$ 11,453	\$ 966	9.21%

FIVE YEAR PROJECTION

As is our practice and required by the Groton Charter, we have included a Five-Year Projection for your review and consideration. The Projection is based on an Override in FY 2025 of \$5,500,000 that will balance the Budget for at least three years, with two additional years added on using the same assumptions that the three-year projection was based on.

BUDGET PRESENTATION

In addition to the Five-Year Projection, we have also attached to this memorandum several documents for you to review as you consider the Proposed Balanced Operating Budget. The first section is a summary of the estimated receipts and anticipated tax rate. This is followed by a summary of the overall budget. Next is a breakdown of the tax impact that the various departments have on the average tax bill. The following section contains the individual department budgets broken down by function. Finally, we have provided various charts and graphs to illustrate the overall budget. We hope you find these charts and graphs useful.

CONCLUSION

I would like to take this opportunity to thank all of the Departments, Boards, Committees and Commissions for their outstanding work and cooperation in assisting me in preparing both the Proposed Level Services Budget and Proposed Balanced Budget. The Finance Team could not have prepared two such budgets without their help. I would also like to thank Patricia DuFresne, Megan Foster, Michael Hartnett, Hannah Moller, Melisa Doig, Dawn Dunbar and Kara Cruikshank for their outstanding efforts and hard work in assisting in the preparation of this document. They are all consummate professionals. The Town is extremely fortunate to have such a dedicated Finance Team. In addition, we genuinely appreciate the cooperation and collaboration of Dr. Laura Chesson and Sherry Kersey in assisting in the preparation of this document. We look forward to meeting with both the Finance Committee and Select Board to discuss these Budgets.

MWH/rjb



SELECT BOARD POLICY

Policy Category:	Board
Policy Number:	BOA – 2019 – 8
Latest Revision Date:	January 4, 2024

POLICY NAME: **FINANCIAL POLICIES**

Introduction

The Select Board sets forth the following financial principles consistent with its responsibilities in Groton's Home Rule Charter. These principles provide a broad framework for overall fiscal planning and management of the Town of Groton's resources. In addition, these principles address both current activities and long-term planning. The principles are intended to be advisory in nature and serve as a point of reference for all policy-makers, administrators and advisors. It is fully understood that Town Meeting retains the full right to appropriate funds and incur debt at levels it deems appropriate, subject, of course, to statutory limits such as Proposition 2 1/2.

The principles outlined in this policy are designed to ensure the Town's sound financial condition, and seek to be in the best economic interest of the Town now and in the future. Sound Financial Condition may be defined as:

- Cash Solvency - the ability to pay bills in a timely fashion.
- Budgetary Solvency - the ability to balance the budget annually.
- Long-Term Solvency - the ability to pay future costs.
- Service Level Solvency - the ability to provide needed and desired services.
- Public Confidence - the ability to garner public support for decisions that promote financial stability.

It is equally important that the Town maintain flexibility in its finances to ensure that the Town is in a position to react and respond to changes in the economy and new service challenges without measurable financial stress.



SELECT BOARD POLICY

General Financial Guidelines

1. Financial discussions shall be open and inclusive. The Town is committed to regular financial forecasting, independent audit, and periodic public review of financial details and ratification of decisions by Town Meeting.
2. The Town will avoid budgetary procedures that balance current obligations at the expense of meeting future years' needs, such as postponing expenditures or accruing future years' revenues. Long and short-term debt will be scheduled with careful attention to the Town's capital needs plan and managed in such a way as to avoid excessive issuance costs.
3. Ongoing operating costs will be funded by ongoing operating revenue sources. This protects the Town from fluctuating service levels and avoids concern when one-time revenues are reduced or removed. The Town Manager and the Department of Finance shall collaborate with the Finance Committee to prepare, maintain and present to the Select Board and Town Meeting a five-year financial plan for the Town.
4. The Town will maintain a Stabilization Fund as one of its two primary financial reserves. It shall be the goal of the Town to achieve and maintain a balance of at least 5% of the Town's current line item budget.
5. The Town will maintain a Municipal Capital Stabilization Fund to defray the cost of new equipment, building maintenance, and capital improvements to town land and buildings to the extent that these costs may be funded by the Fund's balance. (See Debt Management Policies for costs exceeding the Fund's balance, which may be funded by borrowing.) It shall be the goal of the Town to maintain a balance in this fund of a minimum of 1.5% of the Town's current line item budget, with the objective to grow the fund to support near term and cover longer term needs.
6. The Town will continue to maintain a Conservation Fund to be used in part for the purchase of land, or conservation restrictions or agricultural preservation restrictions on lands that exhibit high value for protection because they contain important natural resources. The Conservation Commission is responsible for formulating and prioritizing a list of such parcels so that a plan may be established for future purchases. It shall be the goal to maintain a balance in the Conservation Fund of at least 2% of the Town's current line item budget, exclusive of Enterprises and the Community Preservation Fund; and to the extent possible, deposits to the Conservation Fund should come from the Community Preservation Surtax.



SELECT BOARD POLICY

7. The Town shall maintain a Community Preservation Fund in accordance with the current law. The fund will be managed in a manner that will guarantee payment of current debt service prior to approving new capital costs. Borrowing shall be managed in order to assure that no more than a total 75% of CPA receipts, not including annual contributions to the fund by the Commonwealth, are dedicated to debt service in compliance with Massachusetts Department of Revenue IGR 00-209 and File #2004-464.
8. The Town shall monitor its Special Revenue Funds (Gifts, Grants, and Trusts) and its Enterprise Funds to assure the solvency of these funds and avoid undue stress on the general fund. To this end, a) Enterprise policies shall require that rates be set to ensure revenues are sufficient to fund all operating costs and debt service and fund retained earnings, unless there is an explicit policy implemented by the Town to provide General Fund support to the Enterprise. In addition, b) Enterprise policies shall include a goal for the targeted amount of retained earnings. The goal shall include amounts considered appropriate to fund unexpected occurrences and emergencies and expenditures necessary to meet change in law requirements, to fund capital and operating reserves, and to serve as a rate stabilization reserve. The policies shall also include a goal for debt limitations consistent with the Town's general goals. In addition, c) the Town shall not enter into contracts for reimbursable and/or matching grant liabilities whose aggregate total exceeds 1.5% of the Town's current line item budget, unless the Town Manager receives prior approval from the Select Board and Finance Committee.
9. The Select Board and the Finance Committee shall review the financial policies annually, seeking input from financial staff and advisors. This review should take place by October 1st of each year.
10. Investment practices will be in accordance with the Town's "Investment Policy".



SELECT BOARD POLICY

TOWN OF GROTON FREE CASH POLICY

I. PURPOSE AND SCOPE

The Town's Excess and Deficiency (E&D) Fund "Free Cash" is the result of the calculation, as of July 1, of Groton's remaining, unrestricted funds from its operations of the previous fiscal year based on the balance sheet as of June 30. It typically includes receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ended, plus unexpended free cash from previous years. Free Cash plays an important role in allowing Groton to sustain a strong credit rating. The purpose of this policy is to provide guidance on the use of Free Cash to fund certain expenditures

II. POLICY

1. As a nonrecurring revenue source, spending from the E&D account is allowed for any lawful municipal purpose, however, it should be restricted to paying one-time expenditures, funding capital projects, or replenishing other reserves.
2. The Town should strive to maintain an E&D account balance in an amount equal to one (1%) percent of its current Town's current line item budget. This amount is in addition to the policy of having the Stabilization Fund equal five (5%) percent of the Town's current line item budget.
3. The Town should strive to maintain a Municipal Capital Stabilization Fund (excluding the Town created GDRSD Capital Stabilization Fund) balance at 1.5% of the Town's current line item budget with the goal to grow the fund to support near term and cover longer term needs.
4. The E&D account balance shall be maintained through the use of fiscally responsible revenue projections and departmental spending.
5. The E&D account balance can be expended at the discretion of Town Meeting for the following purposes:
 - a. To Replenish the Stabilization Fund, replenish and grow the Capital Stabilization Fund and fund the Town created Groton-Dunstable Regional School District's Capital Stabilization Fund.
 - b. To pay employee incentives (i.e. health savings accounts, health reimbursement accounts, merit increases) contingent on the availability of a sufficient E&D account balance.



SELECT BOARD POLICY

- c. To fund an annual contribution to the Other Post-Employment Benefits (OPEB) liability trust fund.
- d. To fund one-time projects proposed by the Select Board and Finance Committee.
- e. Offset the Tax Rate.



SELECT BOARD POLICY

TOWN OF GROTON DEBT MANAGEMENT POLICY

Introduction

The use of long-term debt is a common and often necessary way for a community to address major infrastructure and equipment needs. It is also a means of spreading the cost of large capital projects over a larger, changing population base. However, when a local government incurs long-term debt, it establishes a fixed obligation for many years. Accumulation of such fixed burdens can become so great that a local government finds it difficult to pay both its operational costs and debt service charges. Great care and planning must therefore be taken when incurring long-term debt to avoid placing a strain on future revenues. The purpose of this policy is to establish guidelines governing the use of long-term debt. Massachusetts General Laws, Chapter 44, Sections 7 & 8 regulate the purposes for which municipalities may incur debt and the maximum maturity for bonds issued for each purpose. Massachusetts General Laws, Chapter 44, Section 10, specifies that the debt limit for towns is 5% of Equalized Valuation.

Capital Funding Guidelines

The Town's long-term debt strategies will be structured to reflect its capital needs and ability to pay. The Capital Stabilization Fund (see "Overall Financial Policies", #5) will be used in conjunction with regular financial forecasting to maintain overall borrowing costs at a reasonable level (see Debt Limitations below). The Town will not, in general, bond projects or aggregate funding of multiple projects/purchases that fall within the funding ability of the Capital Stabilization Fund. Except for emergency needs, the Town will plan its funding for major capital purchases or improvements by utilizing both the timing of debt acquisition and the length of term for debt repayment in a manner which allows the Town to remain within the guidelines for annual debt service (see Debt Limitations below).

Bond Rating

The community's bond rating is important because it determines the rate of interest it pays when selling bonds and notes. Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts (Moody's, Standard & Poor's, Fitch) typically look at four sets of factors in assigning a credit rating:

- Debt Factors: debt per capita, debt as a percentage of equalized valuation and rate debt amortization.
- Financial Factors: operating surpluses or deficits, free cash as a percent of revenue, state aid reliance, property tax collection rates, and unfunded pension liability.
- Economic Factors: property values, personal income levels, tax base growth, tax and economic base diversity, unemployment rates and population growth.



SELECT BOARD POLICY

- Management Factors: governmental structure, the existence of a capital improvement plan, the quality of accounting and financial reporting, etc.

The Town will continually strive to improve its bond rating through sound financial management, improved receivables management, accounting and financial reporting and increased reserves, such as the Stabilization Fund.

Debt Limitations

General Fund Debt Service: A limit on debt service costs as a percent of the Town's total budget is especially important because of Proposition 2½ constraints on town's budget. At the same time, the community's regular and well-structured use of long-term debt symbolizes the municipality's commitment to maintaining and improving its infrastructure. The Town of Groton is committed to a debt service budget equal to 5% of the Town's current line item budget, exclusive of Enterprise funded debt, Community Preservation funded debt and debt service excluded from Proposition 2 1/2. The Town will also, by policy, establish a debt service "floor" of 3% of the Town's current line item budget, as an expression of support for continued investment in the town's roads, utilities, public facilities and other capital assets. In order to maintain these benchmarks, the Town should schedule future debt service to coincide with maturing debt service. To maintain this floor, if debt service is projected to fall below 3% of the Town's current line item budget, that amount below shall be expended on one-time pay-as-you-go capital or shall be appropriated to the Capital Stabilization Fund.

Debt Maturity Schedule: As previously stated, Chapter 44 of the General Laws specifies the maximum maturity for bonds issued for various purposes. However, a town may choose to borrow for periods less than the statutory limit. The Town of Groton is committed to establishing an average debt maturity goal of 10 years. This can be accomplished through more aggressive amortization of new debt service and shortening terms for existing debt when the option to refinance a bond becomes available. (It should be noted that revenue supported debt service for water and sewer projects will not be subject to this objective.)

Debt Strategies

Alternative Financing Strategies: The Town will continually pursue opportunities to acquire capital by means other than conventional borrowing; such as grants and low- or zero-interest loans from state agencies, such as the Mass Water Pollution Abatement trust (MWPAT) or the MWRA.

Debt Issuance: The Town will work closely with the Town's Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained.



SELECT BOARD POLICY

Enterprises: Any debt issued for the benefit of the Town's enterprise funds is to be paid from service revenues, unless there is an explicit direction from Town Meeting to contribute General Fund support of the debt service.

Capital Planning: No projects are to be funded by debt authorized by Town Meeting unless those projects have been incorporated in to and vetted by the Town's capital planning process.

Lease-Purchase Financings - any lease purchase agreements, financings, etc., utilized by the Town shall be considered debt for the purposes of this policy and shall be subject to all the constraints cited herein.



SELECT BOARD POLICY

TOWN OF GROTON POLICY FOR THE FUNDING OF OTHER OBLIGATIONS

Introduction

Under Massachusetts General Laws, the Town is currently funding its unfunded pension liability through its participation in the Middlesex County Regional Retirement System. The Town also has the responsibility to fund its Other Post-Employment Benefits (OPEB) liability.

The Town will utilize the following policy towards that end:

Policy Guidelines

Independent Evaluation of Liability: The Town will have its liability measured by an outside consultant every second year; with interim evaluations done yearly for the purposes of updating the total liability.

Limitation of Retiree Health Care Costs: The Town has adopted the requirements of Section 18A of Chapter 32B, which serves to limit liability for retiree health insurance by utilizing the benefits of Medicare and thereby shifting some of the cost away from local funding.

OPEB Funding Plan:

PURPOSE

To provide the basis for a responsible plan for meeting the Town's obligation to provide other post-employment benefits (OPEB) to current and future retirees, this policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEB, thereby avoiding transferring costs into the future. This policy is adopted in compliance with Governmental Accounting Standards Board (GASB 74/75) and Massachusetts General Law, Chapter 203C, §3 and Massachusetts General Law, Chapter 32B, §20.

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Select Board, Finance Committee and Town Manager in their budget decision making responsibilities. This Policy also applies to the OPEB related duties of the Finance Team members, including the Town Accountant, Town Treasurer-Tax Collector, Principal Assistant Assessor, Human Resources Director and Executive Assistant to the Town Manager.



SELECT BOARD POLICY

BACKGROUND

In addition to salaries, the Town of Groton compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health and life. These are collectively referred to as other post-employment benefits or OPEB.

OPEB represents a significant liability for the Town that must be properly measured, reported, and planned for financially. As part of the long-range plan to fund this obligation, the Town established an OPEB Trust Fund, which allows for long term asset investment at higher rates of return than those realized by general operating funds. This fund is managed by the Town Treasurer.

POLICY

The Town of Groton is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

A. Accounting and Reporting

The Town Treasurer, responsible for oversight of the investment portfolio, has designated Morgan Stanley as investment manager of the trust assets. The Treasurer will manage the fund's contributions and disbursements and monitor the account and investment activity reports. On an annual basis, the Finance Team will meet to review the Trust's investment policy to ensure conformance with the State's prudent investor laws, and to review investment strategy, performance and fees.

The Town Accountant will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

The Town Manager shall ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audits and will report on these to the Select Board.



SELECT BOARD POLICY

B. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Treasurer shall monitor proposed laws affecting OPEB and Medicare and analyze their impacts. The Treasurer shall also regularly audit the group insurance and retiree rolls and drop any participants found to be ineligible based on work hours, active Medicare status, or other factors.

C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town shall derive funding to invest in the OPEB Trust from taxation, free cash, retained earnings, and any other legal form. Among strategies to consider for funding the obligation:

- Determine and commit to appropriating an annual portion of Free Cash and available Tax Capacity.
- Determine and appropriate annually the amount necessary to prevent the net present value OPEB Liability from increasing.
- When a new position is created, determine the OPEB liability for the position and appropriate annually the anticipated OPEB liability of the position, in addition to the annual cost of the position.
- When the Town's Unfunded Pension Liability is fully funded in 2035, the Town will appropriate such savings to the Town's OPEB Trust to reduce its OPEB Liability.



SELECT BOARD POLICY

TOWN OF GROTON POLICY FOR THE REVIEW OF BUDGET PERFORMANCE

Introduction

The Town Charter requires the Town Manager to present a balanced budget to the Select Board and the Finance Committee six months prior to the beginning of each fiscal year; in effect by January 1st. Prior to the formulation of the Budget, the Select Board, Finance Committee and Town Manager shall meet prior to October 1st to determine budgetary goals for the ensuing Fiscal Year. The initial budget is developed in conjunction with the Town's Department Managers and reviewed in several public meetings as well as formal public hearings, culminating in ratification by Town Meeting. The Town utilizes specific line items for its budget, each line considered a separate and distinct appropriation. In order to monitor expenditures and assure the integrity of the overall budget, regular review and management direction is required, as outlined in the policy guidelines below.

Policy Guidelines

Line Item Appropriation Review: Each Department Manager or elected/appointed Board/Commission is required to monitor expenditures, and local receipts revenue if applicable, relevant to that governmental area's operation. The Accounting Department will provide budget variance reports at least monthly as a management tool to aid periodic monitoring.

Total Budget Review: The Town Manager will review the monthly variance reports for all departments/cost centers; and the Town Accountant will provide ongoing oversight. There will be periodic presentation of the budget status to the Select Board and Finance Committee; this presentation to occur at least quarterly.

Reserve Fund: The Town will include a budgetary reserve fund equal to approximately 1% of the total general fund appropriations less the assessments to the district schools which will be under the management of the Finance Committee to account for extraordinary or unforeseen expenses.

Line Item Transfer: The budget will be reviewed twice each year by the Town Manager in conjunction with the Town Accountant and the Finance Committee for opportunities to re-balance the original budget. Such reviews will take place prior to the fall and spring annual town meetings and any transfers will be publicly debated and subsequently ratified by Town Meeting.



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TOWN OF GROTON POST ISSUANCE COMPLIANCE POLICY

OBJECTIVE OF THE POLICY

The objective of this policy is to ensure compliance with federal tax law and regulations pertaining to the use of tax-exempt governmental purpose bonds and to the use of property, projects and equipment funded with tax-exempt governmental purpose bonds.

This document is to encompass the following:

- The use of bond proceeds (and the term "bond", except as otherwise indicated, includes notes, bonds and tax-exempt lease purchases issued by the Town);
- The use of property, projects, equipment, etc. funded with tax-exempt bond proceeds;
- The timely expenditure of bond proceeds;
- Compliance with arbitrage yield restriction rules and with the calculation and timely payment of arbitrage rebate payments, as required;
- Filing requirements;
- The reserve of funds in anticipation of a rebate payment requirement;
- Collection and retention of necessary documentation; and
- Resolution of problems.

RESPONSIBILITIES OF THE PARTIES INVOLVED

The Town Treasurer shall be responsible for implementing this policy. The Treasurer will be assisted by:

- The Town Accountant, who is responsible for recording expenditures and interest earnings and for reviewing and approving contracts entered into by the Town;
- The Town Manager, who is the Chief Procurement Officer, or a designated subordinate has ultimate responsibility for the implementation of Town capital projects and disposition of Town property; and



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- The Chief Procurement Officer, if other than the Town Manager, who has the responsibility for procuring service and management contracts and overseeing the acquisition and disposition of Town property.

It is the Treasurer's responsibility to convey to each party the Treasurer's expectations as to their performance relating to project implementation, project expenditures, documentation, and information required by the Treasurer to remain in compliance with applicable tax law. Since all the responsible parties participate in the issuance of Town bonds, the Treasurer will provide direction to those responsible parties during the process of issuing bonds, at the time of the delivery of bond proceeds, and after the delivery of bond proceeds but prior to the final maturity of the bonds.

SCOPE OF THE POLICY AND PROCEDURES

The following sections outline the scope of the policy and procedures for which the Treasurer is responsible:

Use of bond proceeds and bond funded property -

It is the Treasurer's responsibility to monitor and ensure the proper use of bond proceeds and bond funded property.

The proper use of tax-exempt bond proceeds and the proper use of bond-funded property, projects, equipment, etc., (hereafter "property"), will be confirmed and documented through Bond Counsel's review prior to the issuance of tax-exempt bonds and will be addressed in the legal opinion issued by Bond Counsel and in the Tax Certificate (or Non-Arbitrage Certificate) prepared by Bond Counsel as part of the final bond transcript.

There are further requirements associated with the proper use of bond financed projects and of the use of bond proceeds included in the Massachusetts General Laws and in the regulations imposed by the Department of Revenue regulations. Although these requirements are not part of federal tax law, the requirements do dictate how bond funded property is to be disposed of or how it might be used in a manner other than originally contemplated.

The continued proper use of property funded with tax-exempt bond proceeds will be monitored by the Treasurer through an annual reminder of such to appropriate Town officials and through the review of any Town proposals considering the change in use of the property or Town procurements relating to such property. The procurement of service contracts, management contracts and leases for the limited use of Town property should also be reviewed by the Treasurer. The Treasurer will be responsible for managing any remedial actions, if required,



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Timely expenditure of bond proceeds -

The Federal Tax Code sets explicit expectations relating to the expenditure of bond proceeds. There are certain "safe harbors" for small issuers. If expenditure expectations for small issuers are not met, the unexpended bond proceeds must be yield restricted. There are also expenditure thresholds to be satisfied for bonds issued where the Town cannot use the "small issuer" exemption. If these thresholds are not met, the Town may be required to rebate its positive arbitrage earnings to the Federal Treasury.

It is the responsibility of the Treasurer to review the expenditure requirements cited in the Tax Certificate and to monitor the expenditure of bond proceeds until all funds are expended.

Arbitrage yield restriction and rebate -

It is the responsibility of the Treasurer to manage yield restricted investments. It is the responsibility of the Treasurer to determine rebate exposure; to procure arbitrage calculation services; to make rebate payments, as required, to the Federal Treasury; and to prepare 8038-T forms for such purposes. It is also the responsibility of the Treasurer to reserve funds for such rebate payments, as appropriate, and to report the rebate liability to the Town's Independent Financial Auditor.

Filing requirements -

The proper filings of forms 8038-G and 8038-GC are essential with every tax-exempt financing. All 8038-G's and 8038-GC's are to be signed by the Town Treasurer. No other official in the Town is authorized to execute these forms.

It is the responsibility of the Treasurer to ensure rebate payments, if required, are made on a timely basis. Such payments must be made within 60 days of the maturity of a note; within 60 days of the fifth anniversary, and multiples thereof, of the issue of a bond; and within 60 days of the final maturity of a bond. The payment of a rebate is to be accompanied by and documented on the form 8038-T.

Documentation -

It is the responsibility of the Treasurer to ensure all proper documentation is produced and retained as required. Such documentation will include, but not necessarily be limited to, the following:

- Tax Certificates or Non-Arbitrage Certificates.



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- Note and Bond transcripts.
- Form 8038-G's and 8038-GC's.
- Projected expenditure cash flows prepared for each financing prior to issue.
- The record of the expenditure of funds.
- The record of the investment earnings on unexpended bond proceeds prior to full expenditure.
- Yield restricted investments, as required.
- Rebate calculations, rebate payments, and Form 8038-T, as required.
- The list of projected tax-exempt financings during each calendar-year.
- Management contracts.

If a problem occurs -

It is the responsibility of the Treasurer to address violations associated with any tax-exempt financing when violations are discovered. The violation may be addressed through the Voluntary Compliance Agreement Program (VCAP). Alternatively, remedial action may be required under Section 1.141-12 of the Internal Revenue Service regulations. The Treasurer shall consult with the Town's Bond Counsel and/or Financial Advisor as appropriate.

PROCEDURES TO BE FOLLOWED BY THE TREASURER

The following procedures are to be followed by the Treasurer. Procedures to ensure proper use of tax-exempt funds:

In the process of preparing for a bond or note sale, the Treasurer will provide information to Bond Counsel pertaining to the proper use of the property being acquired with tax-exempt funds. Prior to the distribution of the Preliminary Official Statement, the Treasurer shall meet with appropriate Town officials, including at minimum the Town Manager and the Select Board, to review the information provided to Bond Counsel, to review the intended use of the bond proceeds and the property funded and to determine whether there are any contemplated uses of the property that might be inconsistent with the use of tax-exempt funds. The Treasurer shall document this meeting in a memorandum to file.



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Procedures to ensure compliance with the use and expenditure of note and bond proceeds at the time of sale:

At the time of the sale of notes and bonds, it is assumed that the projected use of proceeds and the use of the property being funded are in compliance with the Federal tax code. It is reasonable to rely on the scrutiny of Bond Counsel and the documentation that accompanies each financing, based on the information provided to Bond Counsel.

With the completion of a financing, the Treasurer is to compile and maintain a separate file associated with the financing. This documentation will typically include the following:

- The bids results, the final numbers, and the quantitative rationale for the use of credit enhancement.
- The transcript for the financing, which, at minimum, should include the tax certificate (non-arbitrage certificate). The tax certificate should include a description of use of funds, the identification of the expenditure test to which the bonds are subject, and the arbitrage yield.
- The form 8038-G or 8038-GC.
- The projected expenditure cash flow by purpose, as provided to Bond Counsel prior to the issuance of the bonds. The cash flow is to be for each purpose, projecting the expenditure of funds on at least a semi-annual basis, until all funds are expended. If the bonds are subject to certain expenditure thresholds, the cash flow should present the amount of proceeds that should be expended at each threshold. The cash flow should be adjusted to reflect an issue amount that might be in excess of the amount originally included in the cash flow (for example, a large original issue premium).
- Any other notes prepared by the Treasurer, as applicable, relating to the monitoring of the expenditure of funds and use of the property.

The Treasurer shall establish one or more bank accounts for the purposes funded to allow for the tracking of the expenditure of fund so it is necessary that the account documentation be able to show every payment made by amount and date and every credit of interest earnings by amount and date. If all the purposes are co-mingled in one account, there should be a separate recording of expenditures and investment earnings by purpose by the Town Accountant.

As required under the Massachusetts General Laws, all interest earnings shall be credited and released to the General Fund when earned.

All such account documentation should be maintained for six years after final maturity of bonds.



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Procedures to monitor the rate of expenditure of bonds -

To monitor the expenditure of bond proceeds, the Treasurer shall perform the following review:

- At the end of each fiscal year, and within thirty days of the final maturity of any note or bond, the Treasurer shall review the expenditure account and check for compliance with the required expenditure thresholds.
- The Treasurer shall assess the likelihood of continued compliance with the expenditure thresholds, or if a threshold has not been met, assess the likelihood of positive arbitrage.
- If the Treasurer believes the expenditure thresholds have not been met and/or will not be met, and also expects there will be investment earnings in excess of the arbitrage yield, then the Treasurer is to reserve an amount estimated to represent a future rebate payment or, as applicable, to request an appropriation of Town Meeting for the rebate payment.
- The Treasurer is to continue to monitor expenditures at the end of each fiscal year, or at the maturity of an issue, until all funds are expended.
- If after the maturity of a note or bond, the Treasurer determines that a rebate is likely payable to the Federal Treasury, the Treasurer shall procure the services of a firm to calculate the rebate and thereafter make payment in a timely fashion.

Thus, in addition to the documentation compiled at the closing of the bond, the Treasurer shall add the following additional documentation:

- The record documenting expenditures until the next time a review is performed.
 - As applicable, any rebate calculations performed.
 - As applicable, any Forms 8038-T prepared.
- When all the funds are expended, the Treasurer shall accumulate all appropriate documentation and retain it until six years after the final maturity of the financings that funded the property.

Procedures associated with the investment of bond proceeds -

Unless funds are subject to yield restriction, the Treasurer shall be responsible for the investment of bond proceeds as deemed appropriate. If investment contracts are purchased at the time of the delivery of bond proceeds, such contracts shall be procured under the scrutiny of Bond Counsel.



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Procedures associated with procurement of investments associated with a bond issue -

It is the responsibility of the Treasurer to ensure other investments made relating to a bond issue (such as investments purchased to fund an escrow for a current or advance refunding) are procured in accordance with applicable tax regulations.

Procedures to ensure compliance with the use of service contracts and management contracts -

The Chief Procurement Officer shall forward all Requests for Proposals for service and/or management contracts for review by the Treasurer. The Treasurer shall provide appropriate direction to the Chief Procurement Officer relating to private activity issues associated with service and management contracts. As required, the Treasurer shall request advice from the Town's Bond Counsel and/or Financial Advisor.

Procedures to ensure compliance with lease purchases -

At the beginning of each fiscal year, the Treasurer shall inform all Town Department Heads and other Town officials that no lease purchase contracts are to be entered into without the approval of the Treasurer. In addition, the Treasurer shall inform them that the forms 8038-G and 8038-GC are only to be signed by the Treasurer.

Procedures to ensure compliance with the change of use of tax-exempt bond funded property -

At the beginning of each fiscal year, the Treasurer shall present a memorandum to the Town Manager, to the Town Accountant, and to Town Department Heads reviewing the expected proper use of bond funded property and requesting any information as to the possible change in use or disposition of property. At any time during the fiscal year, if there is a change in use or disposition of property contemplated, the Town Manager shall inform the Treasurer of the proposal. As needed, the Treasurer shall consult with Bond Counsel and/or the Town's financial advisor relating to such proposal.

In the case where change in use is subject to Town Meeting approval, the Town Manager shall forward all Town Meeting articles relating to the change in use or sale of Town tax-exempt bond funded property for review by the Treasurer. The Treasurer shall provide appropriate direction to the Chief Procurement Officer relating to issues associated with the change in use of tax-exempt bond funded property. As required, the Treasurer shall request advice from the Town's Bond Counsel and/or Financial Advisor.



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Procedures to project calendar year schedule of note and bond issues -

At the beginning of each calendar year, the Treasurer shall prepare and/or update a list of all projected tax-exempt financings issued and expected to be issued during the then current calendar year. This record shall document representations made by the Town relating to the small issuer safe harbor status and/or the Bank Qualification of tax-exempt issues of the Town. At the beginning of the following fiscal year, the Treasurer shall review the list of financings and shall revise it accordingly.

Documentation attached hereto -

The following documentation is attached to assist in the direction, training, etc., of those parties identified with responsibilities:

- IRS Publication 4078, Tax-exempt Private Activity Bonds
- IRS Publication 4079, Tax-exempt Governmental Bonds



SELECT BOARD POLICY

Town of Groton Investment Policy

Introduction

Massachusetts General Laws, Chapter 44, Section 55B requires the municipal treasurer to invest all public funds except those required to be kept uninvested for the purpose of immediate distribution. These guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of Town's business, according to the following objectives:

Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be lessened by diversification and prudent selection of investment of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates. Liquidity is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases. Yield is the third, and last, objective. Investments shall be made so as to achieve the best rate of return, taking into account safety and liquidity constraints, as well as all legal requirements.

Investment Instruments

The Treasurer shall negotiate for the highest rates possible, consistent with safety principles, avoiding uncollateralized investment products. Unsecured bank deposits of any kind will be limited to no more than 1% of an institution's assets and no more than 10% of the Town's cash.

Diversification

Diversification should be interpreted in two ways: In terms of maturity, as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities, as well as concentration in a specific institution. With the exception of U.S. Treasuries or agencies, no more than 10% of the Town's investments should be invested in a single financial institution, except with the prior approval of the Town Manager and Select Board.

Authorization



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The Treasurer has authority to invest the Town's funds, subject to the statutes of the Commonwealth cited above.

Ethics

The Town Treasurer (and Assistant Treasurer) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair ability to make impartial investment decisions. Said individuals shall disclose to the Town Manager, and file in writing with the Town Clerk, any material financial interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to safety. The Town should subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be recognized, reputable dealers. The Town shall require any brokerage houses and broker/dealers, wishing to do business with the municipality, to supply information and references sufficient to assure entering into a banking relationship.

The Investment of Trust Funds, Bond Proceeds, Stabilization Funds and OPEB Trust Funds

Scope

This section of the policy applies only to funds that could be invested long-term (i.e. bond proceeds, trust funds and stabilization funds and OPEB trust funds).

Investment Policy Statements (IPS)

The Town of Groton must maintain separate Investment Policy Statements for General Fund & Long-Term Funds, Trust Funds and OPEB Trust Funds, the primary purpose of which is to provide a clear understanding regarding the Town's objectives, goals, risk tolerance and investment guidelines for the investment of each category of funds. Each IPS should be reviewed annually by the Town Treasurer in consultation with the Town's respective portfolio managers, and any revisions, if deemed appropriate, should be updated accordingly.

- Attached:
- Town of Groton Investment Policy Statements (IPS)
 - General Fund & Long-Term Funds IPS
 - Trust Funds IPS
 - OPEB Trust IPS



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Bond Proceeds

Investment of Bond proceeds is governed by the same restrictions as general funds, with the additional caveat of arbitrage regulations.

Trust Funds

Trust Funds may be co-mingled and invested in any instruments allowed by Legal List issued by the Banking Commissioner. Each trust fund must be accounted for separately.

Effective October 3, 2020, the Town approved a petition of Special Legislation to the Senate and House of Representatives of the Commonwealth of Massachusetts to enact special legislation authorizing the Treasurer of the Town of Groton to invest the Town's Trust funds notwithstanding section 54 of chapter 44 of the General Laws or any other general or specific law to the contrary with the Massachusetts Prudent Investor Act, codified in Chapter 203C of the General Laws. With respect to the Town of Groton, the Massachusetts Prudent Investor Act shall take effect upon its passage and will supersede any previous Trust Funds investment parameters (i.e., Legal List).

Stabilization Funds

The Stabilization Fund shall not exceed ten percent of the equalized valuation of the Town, and any interest shall be added to and become a part of the fund.

POLICY ENDORSEMENT:

Chairman, Select Board

Town Manager

Town Treasurer

Town Accountant

Chairman, Finance Committee