

TOWN OF GROTON



REPORT OF THE FINANCE COMMITTEE

Joseph Crowley
Peter J. DiFranco
Michael F. Flynn
Gary Green
Robert Hargraves
Jay M. Prager – Chair
Steve Webber – Vice Chair

2011 SPRING TOWN MEETING

Beginning Monday, April 25, 2011 @ 7:00 PM
Groton-Dunstable Middle School Auditorium
344 Main Street, Groton, Massachusetts 01450

Introduction:

Despite continuing economic uncertainty, and continuing reductions in state municipal aid, we are pleased to be able, once again, to present a balanced FY2012 budget with only a small increase in the average resident tax bill.

Balancing the budget this year was not a foregone conclusion. Initial FY2012 budget estimates, based upon past year trends and level services, suggested that some reductions in staff and/or services would be required to balance the Town's budget. That this did not come to pass was because one of the principal trends – the year-over-year increase in the Groton-Dunstable Regional School District appropriation request – was thankfully and fortuitously interrupted. This past February, the Groton-Dunstable Regional School District leadership did something remarkable: they presented Groton and Dunstable with a FY2012 budget that was almost a quarter-of-a-million dollars *lower* than their prior year budget. The new Superintendent, his staff and the School Committee deserve thanks and praise for the leadership and thinking that went into the development of their FY2012 operating plan. Groton's total overall funding for the schools, inclusive of both GDRSD and Nashoba Valley Regional Technical High School (whose assessment also came in lower than its prior year assessment), will be nearly \$300,000 less in FY2012 than it was in FY2011.

Exclusive of the schools and capital budget expenditures, the municipal operating budget increased by about \$350,000 – about 77% of this increase was due to increased employee benefits costs; the balance was primarily due to contractual step wage increases.

The Finance Committee met regularly with the Town Manager, Selectmen and town department heads during FY2011, enabling us to approach the FY2012 budget season with a better understanding of the Town's needs. This process proved valuable in enabling us to better understand department needs and to come to agreement on a balanced budget with a minimum of last minute fact-finding and negotiation.

As in past years, the Finance Committee has taken what it believes to be a responsible and cautious approach to budgeting and spending. As a result, Groton's financial condition is better than many other cities and towns in the Commonwealth. The economic picture, however, remains cloudy. The Town saw reductions in state funding during FY2009, FY2010 and FY2011 and state government has projected a further small reduction in FY2012. As in past years, the Finance Committee believes that Groton should continue to budget, act and spend responsibly and cautiously going forward.

2011 Spring Town Meeting Budget and Warrant:

Any differences between the Town Manager's initial budget and the budget being presented by the Finance Committee at Town Meeting were discussed and resolved cooperatively.

A few Warrant articles will be voted on by the Finance Committee when it meets on the day of Town Meeting. Any issues that result from those votes will be discussed at Town Meeting.

This is the first year that the former Groton Country Club (now the Groton Pool & Golf Center) is included in the budget as a Town Department. This change, having been approved by voters at a previous Town Meeting, means that the Town will be responsible for any shortfall, or be the recipient of any profit, associated with the operation of the Center. It is important that the Town have a clear strategy and plan for dealing with this department should future circumstances warrant.

Additional Comments:

Schools

The most important factor driving this year's balanced budget was the reduction in overall school funding. If FY2012 school funding had followed historical trends we would have faced some hard decisions at this Town Meeting: cut municipal services, pass an override, or both. On the one hand, we are thankful for this reprieve; on the other hand, it is unrealistic to assume that school funding will remain level in future years. Rather, we must view the restructuring of the GDRSD budget as resetting the baseline for inevitable future increases. School funding accounts for nearly half of our total Town budget, so a 5% increase in school spending in any year would require an approximately 2.5% increase in the Town's tax collections – essentially all of Groton's discretionary taxing authority under Proposition 2 ½.

For several years we, and our counterparts in Dunstable, have asked the GDRSD to provide us with a realistic three year budget projection that estimates revenues and expenses based on current enrollment trends and that includes detailed compensation information based upon known contractual obligations and reasonable staffing projections. This would inform Townspeople and enable the Towns to be more realistic in their own future financial planning. Past administrations have not complied with our request; we hope that the new administration will be more forthcoming.

Employee Compensation and Benefits:

The following comment was included in the last two Finance Committee reports. We think it is worth repeating:

Municipal wage and benefits increases, and unfunded defined-benefit pension liabilities, are significant issues facing communities today. Municipal employees, both union and non-union, typically receive a pre-negotiated increase each year along with “step”, “longevity”, “lane change” and other increases that rarely relate to the quality of the employee's performance. Too often, these increases are negotiated based upon what employees in another town, or another union within town, are receiving – a surefire way to ensure a never-ending upward spiral in compensation, irrespective of community

economic conditions and the actual market cost of hiring qualified individuals. Most, if not all, of our town union contracts are coming up for renewal. We think the Town Manager and the Selectmen should propose contracts that better reflect community equity and wage standards; that provide contingencies that make forward-looking wage increases subject to economic realities; and that offer “pay-for-performance” to incentivize and reward performance, productivity and effectiveness.

Starting next year, taxpayers in the Commonwealth will be required by law to make up the shortfall in the state’s retirement pension funds [Note in 2011: Groton taxpayers are now being assessed approximately \$100,000 each year to fund these shortfalls]. The funding will necessarily come from Town operating budgets, requiring cities and towns to either raise taxes, find offsetting budget reductions or reduce services. Paradoxically, this additional tax load, which will be used to guarantee that government employees receive their full retirement benefits, comes at time when many taxpayers are still trying to figure out how to make up for losses in their own personal IRA and 401(k) retirement savings. We don’t deny public employees a fair and equitable retirement system. Pension reform, however, is another overdue priority that sorely needs attention.

Respectfully Submitted by the
Groton Finance Committee,

Joseph Crowley
Peter J. DiFranco
Michael F. Flynn
Gary Green
Robert Hargraves
Jay M. Prager – Chair
Steve Weber – Vice-Chair

April 19, 2011