



OFFICE OF THE  
TOWN ADMINISTRATOR

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To: Select Board  
School Committee  
Finance Committee

From: Timothy McInerney, Town Administrator  
James Cummings, School Superintendent

Date: March 5, 2020

RE: Override Recommendation

In 2014, Grafton taxpayers voted to pass a \$3.5 million override in order to pay for school operations and road improvements. This override was designed to stabilize funding for five years, yet we have been able to extend the funding through six years.

Over the past six years, we have made significant improvements to our roads and continue to provide a strong educational system. Nevertheless, health insurance costs have continued to grow at unprecedented rates from FY15-FY19, and state aid was further reduced to approximately a 1% increase annually (significantly below inflation rates). As state aid continues to be a smaller and smaller portion of our revenue and we continue to be constrained by Proposition 2 ½, the town is unable to sustain current operations with our current projected revenue.

This leaves the Town two options: reduce spending or increase revenue. We recommend the latter and propose that the Town **seek a Proposition 2 ½ override in the amount of \$3.2 million**. As shown in the table below, the \$3.2 million override request will cover projected operational expenses and additional funding for capital expenses through FY25. \$2.2 million of the proposed \$3.2 million will go towards school funding, hiring three full time Fire Department positions, restoring the Assistant Planner in the Planning Department, the full-time Select Board Administrative Staff, a part-time custodian, as well as funding the ongoing replacement of police cruisers, which was reduced from the FY21 balanced budget. \$1,000,000 of the proposed \$3.2 million will be raised as a part of a Capital Stabilization Account, which will operate similarly to the Roads Stabilization Account. Each year, \$1,000,000 will be raised to go towards capital expenses as detailed in the 5-year capital plan. The Select Board will receive authority to vote to raise up to \$1 million each year towards capital expenses like the vote taken to raise \$1.5 million for roads in each year. If the Board feels that the tax increase associated with either the roads or capital accounts is too burdensome for residents, they can choose to reduce those amounts in any given year.

In the first few years, there will be an excess between the levy limit (the legal limit to which the Town can tax) and the \$3.2 million override and projected costs. The impact to the taxpayer will be less burdensome

	FY20	FY21	FY22	FY23	FY24	FY25
Levy Limit	39,349,671	41,514,063	43,437,102	45,433,030	47,337,802	49,360,644
Debt Exclusion	4,098,613	4,268,598	4,009,432	3,707,831	3,969,360	3,949,267
Roads Override	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Capital Override		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Override		2,200,000	1,669,350	1,234,162	774,162	505,216
Excess Levy		1,669,350	1,234,162	774,162	505,216	165,819
Actual Levy	44,948,284	48,813,311	50,381,722	52,100,861	54,076,108	56,149,308
Assessed Value	2,720,712,791	2,788,730,611	2,858,448,876	2,929,910,098	3,003,157,850	3,078,236,797
Tax Rate	16.52	17.50	17.63	17.78	18.01	18.24
Ave Single Fam Home Value	419,338	427,725	436,279	445,005	453,905	462,983
Ave Single Fam Tax Bill	6,920	7,487	7,690	7,913	8,173	8,445
Increase Over Previous	361	567	203	224	260	272
Override \$ Spent		530,650	435,188	460,000	268,946	339,397

and more gradual by not raising the full amount in FY21. The below chart shows the cost of raising \$2.2 million for operations, and \$1,000,000 for capital over 5 years.

We take our financial responsibilities seriously. The School District has one of the lowest per pupil rates among all school districts in the state. The Town spends the lowest on personnel costs of all its surrounding communities and the third lowest on expenses. The School and Town budgets are very tight; there is very little opportunity to reduce costs without severely cutting back services to our residents and youth. With this said, we will still do all within our powers to mitigate current expenses. This may include switching health insurance providers, privatizing the delivery of services, altering the delivery of other services, and increasing user fees.

### Service Delivery Effects

With this recommended override, the School Department will be able to maintain its operational needs over the next five years. Approximately \$2 million of this override is slated to go towards school operations.

The proposed override in 2020 will renew the district's ability to pay competitive wages; provide relatively small class sizes; maintain advanced placement courses, athletics, and arts programming; support ongoing teacher development; and deliver excellent special education services. Our core is made up of an experienced, dedicated staff and a rigorous, comprehensive, instructional program. This proposed override would allow the school district to avoid crippling reductions, maintain its core, and replicate the level of services that are a cornerstone of the Grafton community.

The town has had an ongoing backlog of capital projects for several years now, accumulating to nearly \$18 million over the next 5 years. While \$1,000,000 in additional capital funding each year will not address the entire backlog, it will begin to put a significant dent in the balance over the next five years. We will continue to spend approximately \$1 million from free cash each year, bringing the new total capital plan

to about \$2 million. If we continue to spend only \$1 million on capital projects over the next five years, the capital backlog will decrease from \$18 million to \$15 million. Unfunded projects from previous years get rolled over and create a compounding effect.

**Capital Plan Balance Funding \$1 million per Year**

Fiscal Year	Total Capital Need	Balance with Unspent from Previous (\$1 million)	Balance after \$1 million spent
2021	\$3,217,178	\$4,079,656	\$3,079,656
2022	\$3,605,679	\$6,685,335	\$5,685,335
2023	\$3,479,880	\$9,165,215	\$8,165,215
2024	\$5,753,881	\$13,919,096	\$12,919,096
2025	\$3,137,857	\$16,056,953	\$15,056,953

**Capital Plan Balance Funding \$2 million per Year**

Fiscal Year	Total Capital Need	Balance with Unspent from Previous (\$2 million)	Balance after \$2 million spent
2021	\$3,217,178	\$4,079,656	\$1,137,522
2022	\$3,605,679	\$5,685,335	\$3,685,335
2023	\$3,479,880	\$7,165,215	\$5,165,215
2024	\$5,753,881	\$10,919,096	\$8,919,096
2025	\$3,137,857	\$12,056,953	\$10,056,953

**Override Process**

We recommend holding this override ballot in October 2020, on the following Tuesday after the Semi-Annual Town meeting which will be held on October 19, 2020. We are recommending that the ballot vote for the override occur on October 27, 2020. This will require the Select Board to vote to place the override measure on the ballot. Due to the election in May, we are recommending that the Board wait until June 2020 to set the ballot.

Waiting until October impacts the School Department operations in FY21. By waiting until October, the school district anticipates making four personnel reductions along with a decrease in non-personnel costs. If the override is passed, the school district will have the opportunity to reinstate two positions in FY21 and two more positions in FY22.

Waiting until October does provide some benefits, namely, we will know by then whether the Town has received funding from the SAFER grant to fund Fire Department positions. Right now, our projections include raising those dollars in the tax levy. If we do receive the SAFER grant in FY21, our numbers can be adjusted prior to Town Meeting in October. Additionally, the town will have significantly more information on the status of the retail marijuana facilities which are both slated to open in FY21. While we are confident that the town will receive the majority of, if not all, of the \$300,000 in tax revenue from marijuana retail sales, waiting until October will ensure that we are prepared to cover any shortfall should that revenue not be collected as expected.

## Override Cost

The table below is an estimate of what the average taxpayer would pay with a \$3.2 million override. These projections assume that the town will receive \$300,000 in marijuana revenue for taxation beginning in FY21. These projections also assume a 2% increase to the average single-family home value each year, and a 2.5% increase in overall assessed value each year.

<b>Projected Average Tax Bill</b>			
	<b>No Override</b>	<b>Override (as needed)</b>	<b>Difference from no Override</b>
<b>2021</b>	\$7,171	\$7,487	\$316
<b>2022</b>	\$7,321	\$7,690	\$368
<b>2023</b>	\$7,469	\$7,914	\$444
<b>2024</b>	\$7,714	\$8,173	\$459
<b>2025</b>	\$7,920	\$8,445	\$525

The goal of this recommendation is to provide both the town and school with the funding needed to maintain level services over the next 5 years. The timing of the recommended override allows for the leadership of the community to provide valuable information on the impact of the override to residents in town. We plan to hold workshops and outreach meetings throughout the summer in order to prepare residents as best we can for an October ballot. We will continue to aggressively pursue economic development opportunities and promote our priority development sites in order to diversify the tax base. We will continue to take advantage of any and all opportunities to expand our revenue sources and do our best to reduce the tax burden while still providing the level of service that Grafton residents have come to expect. If you have questions about this recommendation or any of the information presented in this memo, please don't hesitate to reach out to the Town Administrator's Office or the Superintendent's Office.