



# TOWN OF GRANBY

## MEMORANDUM

DATE: November 30, 2024

**TO:** The Granby Board of Selectmen

**FROM:** Mike Walsh, Town Manager

**REGARDING:** "Plus One" General Fund FY26 Budget – July 1, 2025 - June 30, 2026

By way of this memo, please accept the "Plus-One" General Fund FY26 Budget for the period beginning July 1, 2025, through June 30, 2026. The purpose of the "Plus One" Budget is to provide a snapshot of the condition of the town, as well as the direction that the budget is moving based on preliminary estimates.

"Plus One" budgets are prepared by the Town and BOE, adopted by their respective boards, and submitted to the Board of Finance at the "Three Board Meeting" in mid-January.

The Board of Finance then provides preliminary budget guidance at the end of January which is then finalized in February when better revenue and expenditure information is available. To begin this process, please accept some important Granby municipal financial metrics below.

| Metrics @ June 30,            | 2023 |               | 2024 |               | 2025             |
|-------------------------------|------|---------------|------|---------------|------------------|
| Unassigned Fund Balance       | \$   | 10,886,872    | \$   | 6,901,358     | TBD              |
| Medical Reserve               | \$   | 287,854       | \$   | 294,056       | TBD              |
| Pension Funded                | \$   | 21,512,289    | \$   | 23,464,212    | TBD              |
| Pension Funded %              |      | 85.11         |      | 93.71         | TBD              |
| Pension Discount Rate         |      | 6.5%          |      | 6.5%          | 6.5%             |
| OPEB Funded                   | \$   | 5,404,688     | \$   | 6,067,735     | TBD              |
| OPEB Funded %                 |      | 51.43         |      | 55.69         | TBD              |
| OPEB Discount Rate            |      | 6.0%          |      | 6.0%          | 6.0%             |
| Bond Rating                   |      | AA+           |      | AA+           | AA+              |
| Bonded Debt                   | \$   | 15,613,065    | \$   | 13,934,504    | TBD              |
| Collection Rate               |      | 99.26         |      | 98.93         | TBD              |
| Taxable GL Value (Before BAA) | \$   | 1,073,748,490 | \$   | 1,378,046,350 | \$ 1,395,107,580 |
| Total Tax Levy                | \$   | 41,300,483    | \$   | 42,251,062    | \$ 44,492,129    |
| Mill Rate                     |      | 39.98         |      | 31.89         | 33.13            |
| 1% of the Town budget         | \$   | 161,917       | \$   | 169,500       | \$ 179,254       |
| 1% of the BOE budget          | \$   | 344,064       | \$   | 361,553       | \$ 381,185       |
| Value of a mill               | \$   | 1,033,029     | \$   | 1,324,900     | \$ 1,342,956     |
| 1% Grand List Growth          | \$   | 10,737,485    | \$   | 13,780,464    | \$ 13,951,076    |
| New Revenue from 1% GLG       | \$   | 429,285       | \$   | 439,459       | \$ 462,199       |
| CPI-U                         |      |               |      | 3.0%          |                  |

**The Budget Process in Brief:**

1. November – Directors prepare estimates for the operating and capital budgets
2. December – CPPAC begins assessing capital priorities
3. December – the Town Manager provides the BOS with the “Plus One” FY26 narrative
4. January – the Boards of Selectmen, Education and Finance meet jointly on the budget
5. February – the Board of Finance provides final budget guidance and mill rate targets
6. March – Budget workshops begin – open to the public
7. April – the Board of Finance makes final budget adjustments and the residents vote

A detailed timeline for the production of the budget is attached to this correspondence. Also, of note for the March Budget Workshop is a new, more transparent process that will be available to the Board of Selectmen, the Board of Finance, and the public. ClearGov Budget Software is being employed for the FY26 budget process and the difference should be notable.

With respect to the FY26 Budget Book, easier to read departmental budget summaries will also contain a Personnel Services Report which will detail base salaries by position by department. A brief summary of the statutory responsibilities and goals and objectives of each department will be provided in a budget workbook. Finally, a brief PowerPoint presentation by department, including an organization chart and some highlights of the salient activities of the unit, will also be provided.

Taken together, the easier to read budget book, the budget workbook, and the PowerPoint, will deliver a more concise and precise presentation of the work completed by the Town of Granby with budget money put in place through the budget process and by the taxpayers.

Budget totals for the last three fiscal years and the upcoming FY26 budget are presented below:

**The Baseline Budget:**

| As of June 30th     | 2023          | 2024          | 2025          | 2026          | Inc (Dec)   | Inc (Dec) |
|---------------------|---------------|---------------|---------------|---------------|-------------|-----------|
| Town Budget         | \$ 12,599,318 | \$ 13,104,913 | \$ 13,778,911 | \$ 14,110,260 | \$ 331,349  | 2.40%     |
| Debt Service        | \$ 1,742,393  | \$ 1,695,078  | \$ 1,746,458  | \$ 1,731,368  | \$ (15,090) | -0.86%    |
| Capital Budget      | \$ 1,850,000  | \$ 2,150,000  | \$ 2,400,000  | \$ 2,450,000  | \$ 50,000   | 2.08%     |
| Total Town Budget   | \$ 16,191,711 | \$ 16,949,991 | \$ 17,925,369 | \$ 18,291,628 | \$ 366,259  | 2.04%     |
| BOE Budget          | \$ 34,406,357 | \$ 36,155,291 | \$ 38,118,521 | TBD           | \$ -        |           |
| To Commo Fund       | \$ -          | \$ -          | \$ 4,000,000  | \$ -          | \$ -        |           |
| Total Granby Budget | \$ 50,598,068 | \$ 53,105,282 | \$ 60,043,890 | \$ 18,291,628 | \$ 366,259  |           |

Key budget drivers, those accounts that are increasing or decreasing year over year, are presented below.

| Budget Account          | FY25       | FY26       | Inc (Dec) | Inc (Dec) |
|-------------------------|------------|------------|-----------|-----------|
| Permanent Services      | 6,630,089  | 6,895,453  | 265,364   | 4.00%     |
| Medical/Fringe Benefits | 2,129,000  | 2,004,868  | (124,132) | -5.83%    |
| Retirement Benefits     | 1,139,080  | 1,191,559  | 52,479    | 4.61%     |
| General Government      | 3,880,742  | 4,018,380  | 137,638   | 3.55%     |
| Capital Funding         | 2,400,000  | 2,450,000  | 50,000    | 2.08%     |
| Lease Funding           | N/A        | N/A        | N/A       | N/A       |
| Debt Service - Bonds    | 1,746,458  | 1,731,368  | (15,090)  | -0.86%    |
| Totals                  | 17,925,369 | 18,291,628 | 366,259   | 2.04%     |

## **The Budget Narrative:**

### **Regular Full Time Salaries**

To deliver a host of services across all Town departments to the community, the Town employs 63 full-time employees and dozens of part-time and seasonal employees with Permanent Services (full-time, part-time, overtime, and one new position) totaling \$6.9 million for the FY26 Budget Year. The gross increase from FY25 to FY26 of \$265 thousand is driven by contractual wage settlements of 3% for the four bargaining units and non-union employees, including the impacts to job description changes brought about by departmental reorganizations.

This amount includes the reduction of two full-time staff – the Parks and Recreation Director and the Deputy Public Works Director (approximately \$205 thousand) and the addition of one full-time Police Officer (\$100 thousand) to provide supervision during the evening shifts within the Police Department.

The Town also has a Shared Services agreement with the BOE who provides the Town's IT functions. For FY26, the Town will pay 30% of the BOE's direct personnel IT costs which is an increase of \$45 thousand from the current year. Their service is noteworthy as it is excellent!

### **Medical Benefits**

The Town provides a variety of fringe benefits to employees covered negotiated labor contracts or the Town's Personnel Rules. In general, due to larger than average family units, adverse medical experience, and the costly PPO medical network, the Town has experienced rising medical costs on an annual basis. However, with all contracts now providing medical benefits under an HDHP, medical projections are decreasing by \$124 thousand with a 2.9% medical cost inflation escalation included.

Additionally, movement to a new insurance carrier to provide Stop Loss coverage to the Town avoided \$424,000 of scheduled cost increases. The Town continuously reviews the method of the delivery of these benefits in an effort to maintain coverage while lowering cost. Payments for Retiree Medical expenses will now be charged to the OPEB Trust. The OPEB Trust and Medical Reserve will be reviewed to be sure the change in accounting charges is better reflected in the construction of both the OPEB and Medical Reserve contributions.

### **Retirement Benefits**

The Town provides a mixture of defined benefits in the form of a pension plan to Police and BOE employees while a defined contribution plan is provided to all other employees. The Town also provides limited medical benefits into retirement for some grandfathered employees. Both these types of plans require a projection of costs to be deposited into a Pension Trust and OPEB Trust, respectfully.

Those costs are best described as an actuarially determined contribution (ADC), and historically, the Town of Granby has made the full annual calculated contribution as well as estimating the future growth of the invested funds with an accurate discount rate, which is another term for the expected annual invest growth from the invested proceeds.

The importance of a trust for both benefits cannot be understated as the investment earnings over time will replace 70% of what the taxpayers would have paid for these benefits without a trust. The increase in the annual contributions for this category of expense is \$52 thousand.

## **General Government**

**Refuse Collection** – the Town provides weekly refuse collection and bi-weekly recycling collection to residents. As the options for disposal within the State are reduced, the cost of trucking our waste to out of state processing facilities and the tipping fee to pay for the disposal of that waste increases. Accordingly, the cost to the Town to support this benefit is increasing by \$27 thousand.

**Municipal Software** – Each department in Town relies of unique software created for municipal governments to more efficiently handle the daily activities from tax collection, the recording of birth and death certificates, all the way to the operating systems that run on our computers to run this software. The annual maintenance cost for these systems is increasing by \$20 thousand.

**Electricity/Gasoline/Diesel/Heating Oil** – The town is coming off one competitively bid electricity contract and has signed on for another through CRCOG. However, the current rate due to instability worldwide has the Town paying \$17 thousand more for electricity. However, offsetting that are beneficial rates for Gasoline, Diesel, and Heating Oil which will more than offset the electricity increase with \$47 thousand in savings year over year.

**Other** – a variety of other small account increases in Professional Services, Professional Development, and Staff Training round out the year over year budget increases and total \$46 thousand.

## **Capital Funding**

The Town provides a generous allocation of funding on an annual basis to address the normal wear and tear on a public building, as well as the scheduled replacement of certain equipment and infrastructure. Recently, CPPAC (Capital Priority Planning Advisory Committee) was reconstituted and will begin the important work to prioritize the Town's capital needs so that a funding plan can be compiled and executed using those same dollars including a \$50 thousand increase for FY26.

## **Lease Funding:**

The Town uses lease funding on certain equipment like police cars, trucks, computers, and busses. As one lease is paid off, another is put into place so that the equipment is available and in working order when needed. New for FY26, a separate line embedded in the budget will now house leases so that a clearer picture of the available funding for capital will emerge.

## **Debt Service Bonds:**

The Town periodically issues bonded debt for large capital projects. Currently, the Town has three debt issuances outstanding and pays \$1.7 million annually to service that debt. In FY27, one of those issues will be paid off, resulting in a \$600 thousand decrease in annual debt service that should be used by CPPAC to size a future bond initiative. The year over year decrease of \$15 thousand in this account is driven by the changing interest rates in the original bond sale.

## **New Operating Expense Initiatives**

**Police Department** – A 1994 study indicates that the Town should consider two to three additional officers for safety, to increase supervision during the evening and nights shifts, and to reduce overtime due to contractually based minimum staffing. That report is dated many years prior to the completion of a variety of housing units built and the related

population that now calls Granby home. The projections above include the addition of one new Police Officer. The deployment of an officer with equipment and fringes is \$150,000.

Additionally, calls for service at the Middle and High School average two a day, so an additional officer assigned to the school as a School Resources Officer (SRO) will be included in the BOE's budget request. For a variety of reasons that will be discussed in greater detail at a later date, the Police Chief and I support this initiative. A mandated MOU between the Town of Granby and BOE as prepared and negotiated by the Police Chief will need approval from the Board of Selectmen before any officer is deployed.

Because the school day spans 180 days over 10 months, an SRO isn't generally available for regular patrol or traffic enforcement, but their presence would otherwise relieve a bulk of calls handled by the department now.

The overall increase in the FY26 Budget compared to the FY25 Budget totals \$366,259 or 2.04% (a 2.4% Town budget increase, a (0.9%) decrease in Debt Service, and a 2.1% increase in the Capital Budget).

### **Revenue**

It's too early to fully understand how the increase in expenses will translate into a mill rate since Grand List growth, which is the economic engine of the Town, is not fully compiled as of this writing, but should be available for review by early February. My expectation is some growth in the Grand List will be realized as Real Estate value increases from the development of Station 280 is adding units and corresponding tax revenue.

### **Other Items Requiring Attention**

As we move through the budget process, more analysis needs to be prepared so an intelligent conversation with the Board of Selectmen and community can be held on the following items:

1. Additional Fund Support of General Fund Expenses (Sewer, Parks & Rec., Waste, Bond)
2. Custodial Services – benchmarks suggest we are understaffed by as much as 60%.
3. Public Works Laborer – more infrastructure and one less staff than the past/current year
4. Granby Ambulance Association – higher labor and operating costs post-Covid coupled with lower insurance reimbursements have put GAA on a precarious financial path. Without substantial, new, recurring contributions by serviced municipalities and operational service reductions, GAA's solvency will be challenged in about five years.

I will be on hand at the next BOS meeting to discuss this information in more detail, and I look forward to the upcoming budget process as we move into FY26.