

This morning the Finance Committee is pleased to report on the state of the town in 2021.

2021 JUN -1 AM 11:37

In summary, the town's financial condition is stable. The town's combined Free Cash and Stabilization reserves are within the 5-10% threshold prescribed in our financial policies and are adequate to support a stable AA+ bond rating. Our capacity for funding services is healthy, as noted in the town's FY20 audit. Challenges remain, both short term and long term, and there are many opportunities as well.

We weathered the COVID-19 pandemic far better than had been hoped when we put together the budget for FY21 last year. Revenues did not decrease as much as had been feared and Grafton received significant money in the form of both federal and state grants for the purposes of covering the direct costs of the pandemic such as PPE and installing dividers and upgrading air filtration and circulation as well as distance learning needs in the schools. Local businesses were provided opportunities to apply for federal and state grants and loans and the EDC Coordinator and the local credit union made themselves available to help navigate this process. The state did not reduce our local aid as feared but rather kept a commitment to fund FY21 at the same level as FY20.

Moreover the citizens of Grafton stepped up and did a lot to help themselves and each other. Despite the pandemic and uncertainty we passed an override, our second in six years, and established a Capital Stabilization Fund. This fund coupled with our Road Stabilization Fund ensures that Grafton is better able to take care of problems as they arise while doing the maintenance needed to help reduce problems in the future. Grafton citizens also voted to gift land to the Affordable Housing Trust for affordable housing for seniors and they voted to allocate funds from CPC to a Rental Assistance program for residents facing economic hardship during the pandemic.

There are several development projects in the works, the project at 8 Pine Street reported last year is on track and a proposal has been received for the development of 17 and 27 Upton Road (the former DPW site). It appears that at least two cannabis retail shops will open in FY22. However in keeping with financial best practices and our own fiscal policies no revenues from either the development projects or the retail shops are included in the FY22 budget or future budgets because until they actually happen they are not guaranteed. The EDC and town administration continue to aggressively pursue development opportunities for Grafton.

However we must note that even with strong economic development the basic reality of the limits of Proposition 2-1/2 capping revenue growth for existing property at 2.5% and the annual average increase in our budget of 4% present an ongoing challenge. The neighboring community of Shrewsbury with its substantial commercial property base needed to put an override on the ballot this year. This paragraph from last year's State of the Town can be repeated: "Longer term, the town's demand for services exceeds our ability to grow our revenues. This is largely due to the tax cap imposed by Proposition 2.5 combined with the compensation structure and external cost drivers such as health insurance. The Finance Committee recommends the town recognize the structural deficit as a fiscal condition that cannot be quickly resolved. The town needs to strike the right balance between the need for services and affordability."

The Capital budget proposed by the Town Administrator for FY21 totals \$1,281,000. The primary needs funded by this budget are purchasing equipment previously leased and replacing Fire Engine 1. \$500,000 of this budget will be funded from the Capital Stabilization Fund with the remainder coming from Free Cash. Our certified Free Cash is \$1.693M; this has decreased as a percentage of our budget from 4% in FY2019 to 3% in

FY2020 to 2.5% in FY2021. This decrease is concerning. If all articles funded by free cash in both the Special Town Meeting and the Annual Town Meeting are approved this evening, the remaining free cash balance will be \$616,320. Grafton's Capital plan remains underfunded, if somewhat less so than previously.

In 2021, the average assessed value of a single family home is \$429K, and the tax rate is \$17.18 per thousand, resulting in an average single family tax bill of \$7,270. 8.8% of that tax bill is due to debt exclusions, but the percentage of overall tax burden from debt service may rise in the coming years as the full cost of the library and DPW bond payments go into effect.

In conclusion, Grafton's fiscal health is stable but the risks and challenges remain.

I would like to thank the Town Administrator, Finance Director, Management Analyst and Communication Specialist, the Select Board, the Superintendent of Schools, the schools' Director of Finance, the School Committee, all Department Heads, and all members of the Finance Committee. Finance Committee wants to recognize the many years of extraordinary service provided by Susan Fiacco who while irreplaceable is finally going to be allowed to retire.