

## **Considerations for the Vote at the October 18 Special Town Meeting**

On October 18, 2010, there will be a Special Town Meeting of the Town of Granby. At that time, registered voters of Granby who attend the meeting will be asked to approve a warrant article authorizing the Town to borrow approximately \$45.7 million to construct a new grade six through twelve Granby Jr./Sr. High School facility. The Finance Committee believes there are a number of issues the Town voters should be aware of so they can make an informed decision on this very important matter.

### **What is the Town voting on at this Special Town Meeting?**

The Town will be voting to authorize the borrowing of \$45,654,516 ("or a greater or lesser amount" according to the Warrant Article) to pay for the construction of a new school building. This is the first of two votes that will be needed. This vote to authorize the borrowing will require a two-thirds majority of those voting at the Town meeting. (See the attached copy of the meeting notice for the wording of the Warrant Article.)

### **What is the required second vote?**

The second vote will be needed to authorize an override of the so-called "proposition two and one-half" levy limits to raise property taxes to repay the bond issued to pay for the construction. This second vote will require a majority of those voting to approve it. Due to Massachusetts requirements, this vote has already been scheduled for November 2, 2010. The exact wording of the second vote is: "Shall the Town of Granby be allowed to exempt from the provisions of proposition two and one-half, so-called, the amounts necessary to pay for the bond issued in order to construct a new school facility at 385 East State Street, Granby MA?"

### **Will the Town have to pay for the entire amount of the construction costs?**

On September 29, 2010 the Massachusetts School Building Authority ("MSBA") approved a grant to Granby of 63.52% of eligible, approved project costs, as determined by the MSBA, subject to their final audit. There is a current estimate of about \$1.4 million in costs that are not MSBA approved costs. Granby will have to pay for all of the non-approved costs, plus 36.48% of the approved costs.

### **What authorization over expenditures will the School Building Committee have?**

The SBC will be able to spend up to \$45,654,516 no matter what the MSBA approves for reimbursement. The MSBA will reimburse Granby for 63.52% of project costs they approve. Granby will pay for 36.48% of project costs that the MSBA approves, and Granby will pay for 100% of project costs that the MSBA does not approve.

### **At the time of the Town Meeting, will the voters know exactly how much this will raise property taxes?**

Unfortunately, no. There are many variables that will contribute to the final cost, and we will explain the most important ones.

**Does the Finance Committee have an estimate of how much this will raise property taxes?**

Yes. Our estimate is that property taxes will increase by about 14%. We cannot say that it will not be 15%, and we cannot say that it will not be 13%. But we are fairly certain that property taxes will not have to rise by 20%, and we are fairly certain that the increase will not be as low as 10%.

<u>Current Property Taxes</u>	<u>14% Property Tax Increase</u>
\$ 2,000	\$ 280
\$ 3,000	\$ 420
\$ 4,000	\$ 560
\$ 5,000	\$ 700
\$ 6,000	\$ 840
\$ 7,000	\$ 980
\$ 8,000	\$1,120
\$13,000	\$1,820

The property tax increase is not a permanent override. Depending on the borrowing structure, it will be a fixed amount, with possible small variations, ending in approximately 30 years.

**What are some of the variables that make it impossible to accurately project a final cost to Granby taxpayers?**

Here are some of the important variables:

Actual construction costs: Construction costs inevitably vary from the pre-construction estimates. The current projection costs have been estimated by the company the SBC hired to give it as accurate an estimate as possible. Better estimates will not be known until construction bids are returned.

MSBA approved project costs: The MSBA has followed the work of the SBC and has an estimate of how much of the project costs will be approved for reimbursement. But their actual reimbursement will not be known until a final audit of the project. Changes that are made from the original plan may or may not be eligible for reimbursement.

Additional construction added in: If the SBC decides it wants to add a project that is not approved by the MSBA for reimbursement, it may do so as long as Granby pays the entire cost. The SBC will have the authority to make those decisions.

Borrowing rates: Granby will borrow funds to finance the project at whatever the prevailing rates in the market happen to be. It is not yet known when the Town Treasurer will borrow funds, nor what interest rates will be available.

Additionally, it will be the decision of the Treasurer as to what the appropriate structure of the borrowing will be. These issues have not yet been decided.

**Does Granby have additional capital needs?**

In its report dated March 24, 2010, the Ad Hoc Capital Committee reported on potential capital expenditures facing Granby in the next decade. The full report is on the Town's website. That Committee identified:

A Town Hall that is structurally unsound and in need of a multitude of major renovations.

A Town Library that is less than one-quarter the size recommended for a town of Granby's population, with the resulting inability to adequately serve Granby's needs.

Vehicles and Equipment that are past their expected useful lives and getting more expensive to repair. Granby should be placing the annual depreciation amount of its vehicles and equipment into the Capital Equipment Stabilization Fund each year.

Road Repairs that have fallen behind as repair costs have increased while State funds for repairs have remained steady. If Granby does not increase its maintenance of the Town roads, they will deteriorate to the point where the cost of repair could quadruple.

The cost to do all of the above would be the equivalent of a permanent 8% increase in property taxes, plus a debt-exclusion increase in property taxes of about 6% for 20 years.

In addition, there are two more schools in Granby that are not included in the proposed building project, but are in need of repair or replacement. Their repair costs have been estimated at \$19.5 million, and the MSBA may or may not be willing to reimburse Granby for some of this expense. There are no estimates of the cost to replace West Street or East Meadow with new buildings if the Town decides to do that instead of repairing the existing buildings. Granby would need a 30-year tax override of at least 16% to pay for these repair costs if the MSBA does not participate; if the MSBA participates, Granby may need only a 6.5% 30-year tax override for these two schools not included in the current project.

**Does Granby have additional operational needs?**

A major concern is developing about the cost of removal of Granby's trash after the landfill is closed. Recent estimates for this have been around \$400,000 per year. If the Town were to provide this service, it would require a permanent tax increase of around 4.7%.

**What will be the effect of increasing Granby's property taxes by 14%?**

For quite some time, most of Granby's capital needs, and some of its operational needs, have been funded by landfill revenue. Until fairly recently, it was expected that the landfill operator would purchase additional land in Granby and continue the landfill; this would have provided significant income for funding Granby's capital needs.

But the situation has changed, and the landfill will be closing.

The real questions now become: by how much are Granby's citizens willing to raise property taxes, and what do the citizens want to spend their money on?

To fund all the above projects and replace the High School and repair the other two schools would take a permanent tax increase of around 12.7%, plus a 20-year tax increase of around 6%, plus a 30-year tax increase of 25.5% to 30%. Individual items range from about a 1% permanent tax increase to about a 14% 30-year increase in property taxes.

It is virtually impossible to think that Granby citizens can retain their current expectations for Town services without some increase in taxes; but it is just as impossible to think that the citizens will be willing to fund all of these projects at these levels.

So it will come to collective choices that have to be made. The citizens of Granby are not just being asked to vote for some projects; they are effectively also being asked to vote against other projects. Spending more money on one item means that less money will be available for others.

As citizens of Granby, we have our choices before us. If Granby's voters understand this, the Finance Committee will have accomplished its objective.

The Finance Committee  
September 30, 2010

**COMMONWEALTH OF MASSACHUSETTS  
TOWN OF GRANBY  
SPECIAL TOWN MEETING**

Hampshire, ss:

To one of the constables of the Town of Granby in the County of Hampshire:

Greetings:

In the name of the Commonwealth of Massachusetts you are hereby directed to notify and warn the Inhabitants of said Town, qualified to vote in elections and town affairs, to meet at the Granby Junior-Senior High School on East State Street in said Town on Monday, the eighteenth day of October next, at 7:00 P.M., then and there to act on the following article, to wit:

ARTICLE 1. To see if the Town will vote to appropriate, borrow or transfer from available funds the sum of \$45,654,516, or a greater or lesser amount, to be expended under the direction of the School Building Committee for the construction of a grade six through twelve Granby Jr./Sr. High School facility located at 385 East State Street, Granby, MA, which school facility shall have an anticipated useful life as an educational facility for the instruction of school children of a least 50 years, and for which the Town may be eligible for a school construction grant from the Massachusetts School Building Authority ("MSBA"). The MSBA's grant program is a non-entitlement, discretionary program based on need, as determined by the MSBA, and any project costs the Town incurs in excess of any grant approved by and received from the MSBA shall be the sole responsibility of the Town. Any grant that the Town of Granby may receive from the MSBA for the Project shall not exceed the lesser of (1) 63.52 percent(%) of eligible, approved project costs, as determined by the MSBA, or (2) the total maximum grant amount determined by the MSBA, or take any other action in regard thereto.

And you are hereby directed to serve this warrant by posting attested copies thereof at five or more public places as of the bylaws before the time of said meeting.

Hereof fail not and make due return of this warrant with your doings thereon to the Town Clerk at the time and place of meeting aforesaid.

Given under our hands this twentieth day of September in the year of our Lord two thousand and ten.

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Wayne H. Tack, Sr.

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Mark L. Bail

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**Mary A. McDowell**  
**Board of Selectmen**

**I have posted this warrant as of the bylaws of the Town of Granby.**

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**Date**

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**Constable**