

TOWN OF WINCHENDON

OFFICE OF THE TOWN MANAGER

109 Front Street, Dept. 1, Winchendon, MA 01475-1758

Telephone (978) 297-0085 Fax: (978) 297-1616
jsultzbach@townofwinchendon.com

To: Board of Selectmen
Finance Committee
From: Justin B. Sultzbach, Town Manager
Date: March 28th, 2022
Re: Fiscal Year 2023 Budget Message

I respectfully submit the Town Manager's recommended budget for Fiscal Year 2023 beginning July 1, 2022 to the Board of Selectmen. My proposed balanced budget includes expenditures and support revenues for the General, Water, Wastewater, and Transfer Station Funds. As proposed this plan will meet the current needs of the community while maintaining a fiscally conservative stance that aims to insulate the Town from fluctuating costs in materials and labor as a result of the COVID-19 Pandemic as well as spiking energy costs caused by recent global uncertainty.

As forecasted in my budget projection from earlier this year, costs are rising at a faster pace than our revenue. This challenge is not unique to Winchendon, however it must be addressed now in order to put us on track for a strong financial footing in the future. Rather than a handful of deep cuts I have worked extensively with our Town Staff to identify smaller cost saving measures across the board that will allow us to tighten the belt in the short-term in areas that will not have long-term negative impacts on Town Services.

Rising healthcare costs continue to task municipalities nationwide. MIIA informed the Town of a 7.5% increase, a figure I negotiated down to 6.5%. This is a significant increase to absorb. Other challenges include an almost \$1,500,000 increase in net school spending, resulting in an over \$300,000 increase to the local contribution. These increases, coupled with slower growth due to the COVID-19 Pandemic, create a difficult but not insurmountable budgetary challenge. I have been working with Town Hall Department Heads to make surgical cuts, which combined with decreased projections in Special Education Transportation costs has allowed us to come under the total FY22 Town-side budget for FY23. To accomplish this we are recommending an early pay off of our Ambulance Lease utilizing Free Cash, a move that will provide a relief of \$60,000 between the Long Term Debt and Interest lines.

While the budget for the Transfer Station remains healthy, our team is actively working to compile data that will allow us to address deficiencies in the Water and Wastewater Budgets. This challenge has been further exacerbated by rising chemical costs as reflected in the proposed budget. An aspect of this long term solution will include an extensive review of capital needs as well as a conversation with the Board of Selectmen regarding rates – however at this time the extent of proposed changes has yet to be determined. With the assistance of an outside accounting firm we are prepared to present a roadmap that will stabilize these accounts over the next decade. This should be finalized prior to our final budget presentation.

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My proposed FY23 budget highlights the operating revenues and expenditures in a more complete, accurate, and transparent manner allowing the community to better understand the budgetary requests they will consider. Consistent with financial best practices, the FY23 budget does not rely heavily on grant funds or one time revenues. My budget proposal and its supporting documents are data driven. This includes detailed revenue estimates, the Proposition 2 ½ calculation along with the indirect cost calculations for the School, Water, Wastewater and Transfer Station funds.

GENERAL FUND

Below you will find a detailed reconciliation of my recommended FY23 General Fund Budget. The total funding requested (appropriations) is reflective of the revenue sources identified to support the recommended budget without relying on stabilization funds.

BUDGET RECONCILIATION

TOWN OF WINCHENDON	
SUMMARY OF PROPOSED FY23 BUDGET	
TOWN MANAGER PROPOSED BUDGET	
<u>Budget Reconciliation</u>	
Real and Personal Property Taxes	\$ 14,279,515
Less: Property Tax Levy Surplus	
State Aid	\$ 15,077,235
Local Receipts	\$ 2,781,989
Indirect Charges	\$ 290,147
Transfers From Other Funds	\$ 40,191
COVID Funds (SPED Transportation Increase)	\$ 165,000
Homeless transport	\$ 20,000
Free Cash- (ambulance lease payment)	\$ 60,405
Total Budget Sources	\$ 32,714,482
Total Town Appropriation	\$ 17,109,490
Total School Appropriation	\$ 15,604,992
Total Appropriations	\$ 32,714,482

TOWN OF WINCHENDON

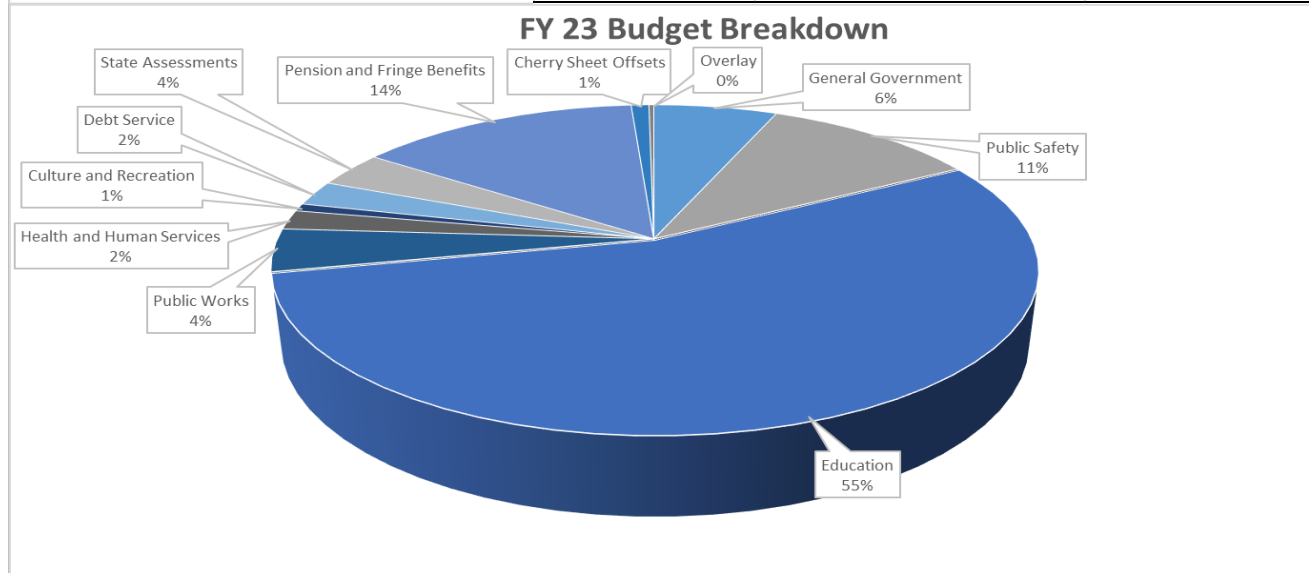
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The departmental budget breakdown lookback for FY22 and proposed FY23 are shown below.

	FY22	FY23	
	Budget	Proposed Budget	% Change
General Government	\$ 2,020,145.73	\$ 2,136,193.00	5.74%
Public Safety	\$ 3,549,826.48	\$ 3,500,477.00	-1.39%
Education	\$ 16,873,692.00	\$ 17,812,719.00	5.57%
Public Works	\$ 1,378,001.53	\$ 1,379,241.00	0.09%
Health and Human Services	\$ 689,198.76	\$ 578,416.00	-16.07%
Culture and Recreation	\$ 239,412.04	\$ 245,046.00	2.35%
Debt Service	\$ 815,469.00	\$ 804,563.00	-1.34%
State Assessments	\$ 1,286,242.00	\$ 1,150,030.00	-10.59%
Pension and Fringe Benefits	\$ 4,345,573.00	\$ 4,735,639.00	8.98%
Other	\$ 1,367,013.90	\$ -	-100.00%
Amount to be Raised	\$ 32,564,574.44	\$ 32,342,324.00	-0.68%
Cherry Sheet Offsets	\$ 354,182.00	\$ 292,158.00	-17.51%
Overlay	\$ 80,000.00	\$ 80,000.00	0.00%
Total Appropriation	\$ 32,998,756.44	\$ 32,714,482.00	-0.86%



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PERSONNEL

I am proposing the addition of a Part-Time Dispatcher (20 hours) to provide additional support for our Police and Fire Departments. This is supported by progressively larger call volumes demonstrated over the past several years.

I am also proposing the addition of a Part-Time (8 hours) IT Technician. This role will solve two purposes: 1. Will assist in the implantation of a “Help Desk” as recommended in the 2015 DLS Financial Management Review report. 2. Will provide overlap in the Broadcasting of Public Meetings, a need that is in response to upcoming expected personnel changes due to retirement.

Lastly, I am proposing the addition of a Part-time Recreation Coordinator (10 hours) to provide support for the anticipated opening of the Winchendon Community Park Amphitheater (WCPA). This position is contingent upon grant funding from the Robinson Broadhurst Foundation, and as such does not appear in the budget for FY23. It is expected that the Town would fund this role once the WCPA is bringing in revenue for FY24 and should not have a financial impact.

CAPITAL

The management of Capital Assets has been identified as a financial issue that we will work to address over the coming years. Deferred maintenance on many of our structural assets has left a costly backlog in needs that cannot be put off much longer. The longer we wait to solve this issue, the more costly it will be to fix. A new Capital Improvement Plan (CIP) has been developed that accurately captures all of our known financial needs in the immediate future.

The proposed CIP for FY23 is one of the most aggressively funded in recent memory and should set us up for success in future years. We are continuing to build on our CIP, which is in part funded through the General Fund in the form of Long Term Debt. We are proposing to hold steady on this figure in FY23. This year also incorporates the use of ARPA funding for some large equipment which should take some burden off of the shoulders of Water/Sewer Rate Payers. This would otherwise add to their long term debt for Water/Sewer operations.

-The full FY23 CIP can be found on the next page-

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FISCAL YEAR 2023 CAPITAL IMPROVEMENT PLAN

	Department	Description	Item Cost	Funding Amount	Funding Source
1	BOS/TM	TH Repairs Cupola	\$39,000	\$35,000	Free Cash
2	DPW	DPW Roofs	\$300,000	\$63,000	5 yr
3	DPW	Front End Loader	\$190,395	\$146,000	ARPA
4	DPW	Wheeled Excavator	\$225,000	\$205,216	ARPA
5	DPW	Trailed Vactor	\$98,834	\$98,834	ARPA
6	DPW	Transfer Station Vehicle	\$54,697	\$54,697	TS Enterprise
7	DPW	Excavator & Trailer	\$170,492	\$32,025	5 yr
8	DPW	Road Paving (Supplemental)	\$162,655	\$129,823	Free Cash
9	Fire	Pumper Replacement	\$703,616	\$110,819	5 yr
10	Library	Purchase of 70 Pleasant St	\$184,500	\$114,500	Free Cash
11	Library	Phase 2 Additional	\$200,000	\$200,000	Free Cash
12	Police	Radio Project Match	\$504,831	\$154,649	Free Cash
13	Police	Livescan Fingerprint Scanner	\$16,875	\$16,875	Free Cash
14	Police	Police Cruiser Replacement	\$54,918	\$54,918	911 Grant
15	Planning	Project Design Grant Funding	\$40,000	\$40,000	ARPA
16	Schools	Toy Town ADA Lift	\$70,000	\$70,000	Free Cash
FY 23 Total				\$1,526,356	

FISCAL YEAR 2023 CAPITAL IMPROVEMENT PLAN FUNDING SOURCES

Free Cash	\$720,847
5 Year Borrowing	\$205,844
ARPA	\$490,050
911 Grant	\$54,918
TS Enterprise	\$54,697
Total	\$1,526,356

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OTHER FUNDING SOURCES

Our team continues to build a strong partnership with the Robinson Broadhurst Foundation. Their support has been instrumental in defraying costs in the community that typically would be shouldered exclusively by the residents of Winchendon. While it is unknown at the time of this report what will be funded, a list of our requests for FY22 to be awarded for FY23 is as follows:

<u>Requesting Department</u>	<u>Purpose</u>	<u>Requested</u>
Town Manager/Council On Aging	Senior Center Critical Repairs (*\$608,000 approved in May 2021 with 50% in 2021 and 50% in 2022)	\$304,000*
Town Manager	Temporary Part-time Recreation Coordinator	\$9,698
Council on Aging	Functional Equipment Enhancements	\$5,700
Public Works	Decorative Lighting for 2 New Parks and New Parking Lots and fund shortage of Central St. Project	\$267,200
Public Works	Fuel System	\$125,000
Public Works	Side Walk Materials and Handicap Ramp Installations	\$100,000
Public Works	Two Mowers for Cemetery/Parks Depts.	\$24,998
Fire Dept.	Purchase a CET Brush Truck	\$159,726
Planning & Development	Winchendon's Annual Fall Festival	\$5,000
Winchendon Public Schools	Dual Enrollment Program Support, Student Chromebook Initiative, Extended School Year and TeachTown	\$196,392
Winchendon Community Park Programming Committee	Winchendon Community Park Four Seasons Project	\$7,000
Town Clerk	Poll Pads for elections and Town Meetings	\$19,050
Toy Town Community Partnership	Install large scale toys in Town – Phase 3	\$35,000
Total Request		<u>\$1,258,764</u>

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In addition to our annual grant award, I have worked with the Robinson Broadhurst Foundation to secure an additional \$600,000 to meet the budgetary requirements for the Winchendon Community Park Amphitheater. This continued support of the Robinson Broadhurst Foundation will ensure that this project will have a lasting positive impact on our community.

I have made it a priority to work with my team to pursue additional grants for initiatives throughout the community. These much needed resources support projects town wide that otherwise would go unfunded. Thanks to our collective efforts, our team has brought in an additional \$1,754,649 to date in grant funding in FY22 as follows:

Winchendon FY 2022 Grant Awards		
Department	Description	Award
DPW	DEP Diesel Emissions Reduction	\$43,934
DPW	Bridge & Culvert	\$29,000
DPW	Transfer Station	\$4,100
DPW	DEP Asset Management	\$75,000
Fire	Student Awareness of Fire Education	\$4,575
Fire	Senior SAFE	\$2,855
Fire	Firefighter Safety Equipment	\$18,680
Fire	Automated External Defibrillators	\$2,500
Fire	DEP Diesel Emissions Reduction	\$175,904
Library	Cultural Council	\$4,350
Library	DA Early	\$2,000
Planning	CDBG CV	\$131,500
Planning	MRPC Brownfields Group	\$69,800
Planning	Mass Development Recoverable	\$150,200
Planning	Municipal Vulnerability Planning	\$36,400
Planning	Mass Preservation Fund	\$50,000
Planning	Mass DOT Complete Streets	\$399,831
Planning	Mass DOT Shared Streets	\$243,000
Police	E911 Support/Incentive	\$139,932
Police	E911 Training	\$18,328
Police	DOJ Bullet Proof Vest	\$13,425
Town Manager	MIIA Risk Management	\$8,491
Town Manager	MIIA Flex Grant	\$3,844
Town Manager	MIIA Health & Wellness	\$10,000
Town Manager	National Grid Toy Town Lighting	\$17,000
Town Manager	ARPA Supplemental	\$100,000
FY 22 Grant Award Total		\$1,754,649

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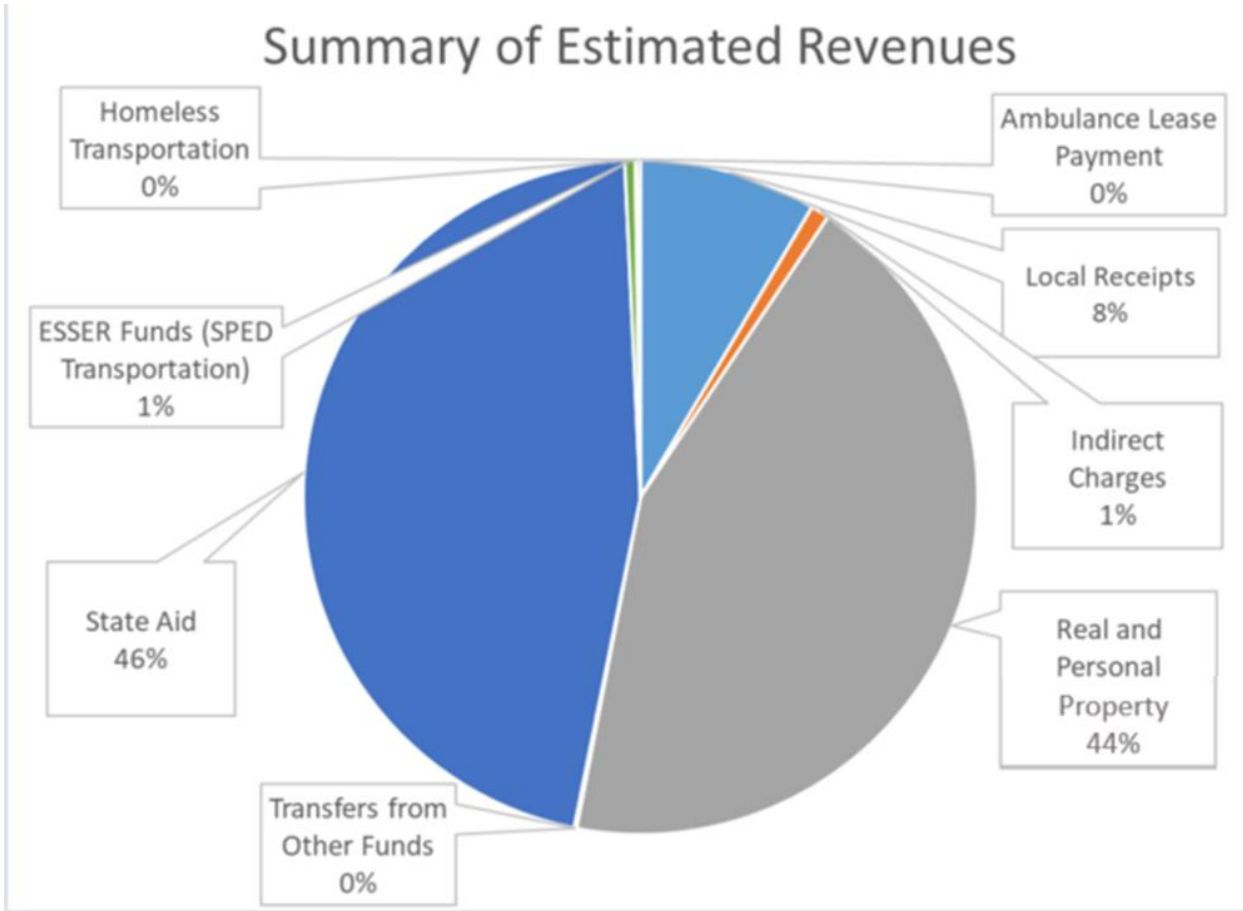
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REVENUES

Revenues for FY23 have been estimated in a conservative manner. Given global economic instability over the past couple years, we are seeing slowed revenue growth across the board. SPED Transportation figures continue to present well over their pre-COVID expense. This is in part balanced through the use of ESSER funds, although to a significantly smaller degree than what was seen in FY22. We are also requesting an early pay off of the last year of our Ambulance Lease in the amount of \$60,405 using either Free Cash or ARPA as a funding source. Revenue from the sale of Cannabis has become a reality as of the start of this calendar year, however given the lack of historic data it is not accounted for in our FY23 proposed budget. Any cannabis related revenue collected through the remainder of FY22 and FY23 will fall to Free Cash, further bolstering our reserves.



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WATER FUND

Our water fund has run on a deficit for FY21 and FY22, an issue that was temporarily rectified at our fall 2021 Special Town Meeting through the use of ARPA funds. Retained earnings were fully depleted in prior years. This lack of financial safety net, coupled with increasing operating costs and an updated list of capital needs places the Town in an unfavorable position. Our team has worked to rein in costs as well as address collections issues. This included a push to collect unpaid bills, an ARPA funded initiative to replace aging water meters that were underreporting water usage, a study to identify potential leaks in the system to reduce unaccounted water lost through our aging infrastructure, as well as the initiation of an updated Water Rate Study. Our FY23 budget has been crafted to reflect these challenges, however revenue for this fund is largely dependent on outside factors. This would include usage, as well as an upcoming discussion from the Board of Selectmen regarding potential rate changes.

Water Budget - Contingent Upon Raftelis Proposal		
	FY 22	FY 23
Funding Request	\$ 1,043,978.00	\$ 1,109,624.56
Connection Fees	\$ 10,000.00	\$ 10,000.00
Clean Water Assessment		\$ 1,500.00
Lien Revenue	\$ 57,000.00	\$ 30,000.00
Interest & Penalties	\$ 6,900.00	\$ 5,500.00
Miscellaneous Revenue	\$ 1,500.00	\$ 10,000.00
Subsidy	\$ 51,664.00	
Amount to Be Raised by Water Rate	\$ 916,914.00	\$ 1,134,400.00
Total Revenue	\$ 1,043,978.00	\$ 1,191,400.00
Surplus(Deficit)	\$ -	\$ 81,775.44
Annual Water Usage to Calculate Water bi	15,500,000.00	16,000,000.00
Proposed Water Rate to Fund FY 23 Budget		\$ 7.09
Existing Water Rate	\$ 6.01	
Proposed Increase		\$ 1.08
Percentage Increase		18.00%

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WASTEWATER FUND

Our wastewater fund is facing corresponding challenges. Actions from Town Hall to address these problems included an Infiltration & Inflow study that will help us identify additional sources of outside drainage that needlessly inflate the amount of wastewater being treated at the wastewater plant. Our team is also exploring the possibility of a plant upgrade that will allow us to process outside septage, a service that would potentially supplement our revenue and assist in funding future capital needs. We

are also further challenged by rapidly increasing costs in the chemicals used to treat wastewater, an impact being felt on a national level. We are prepared to see ~\$400,000 in debt drop off in FY24 that will provide some much needed financial relief for the Wastewater Enterprise Fund, however FY23 will continue to be a challenging year. It may be worth discussing either refinancing this payment to spread it out over 5 years or paying it off using a different funding source (Free Cash, ARPA), or any combination thereof. These are options, not a recommendation. Much like the water account, the FY23 financial picture is partly dependent on an upcoming discussion with the Board of Selectmen regarding rates.

Wastewater Budget - Contingent Upon Raftelis Proposal				FY 22	FY 23
Funding Request				\$ 1,412,166.00	\$ 1,247,680.00
Connection Fees				\$ 20,000.00	\$ 20,000.00
Lien Revenue				\$ 82,000.00	\$ 30,000.00
Interest & Penalties				\$ 6,500.00	\$ 5,000.00
Betterments				\$ 310,000.00	\$ 249,000.00
Betterment Interest and Penalties				\$ 2,200.00	\$ 2,000.00
Subsidy				\$ 26,127.00	
Amount to Be Raised by Wastewater Rate				\$ 965,339.00	\$ 1,084,760.00
Total Revenue				\$ 1,412,166.00	\$ 1,390,760.00
Surplus(Deficit)				\$ -	\$ 143,080.00
Annual Water Usage to Calculate Sewer bill				10,086,290.00	9,400,000.00
Proposed Sewer Rate to Fund FY 23 Budget					\$ 11.54
Existing Sewer Rate				\$ 10.49	
Proposed Increase					\$ 1.05
Percentage Increase					10.01%

*This plan is contingent upon the restructuring of \$400,000 in debt payments to be made in FY23 over 5 years.

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TRANSFER STATION FUND

The transfer station fund remains healthy. While fees should be increased periodically, I would recommend holding steady for now. It is a best practice to build a fund of retained earnings equal to the cost of a large capital need or representative of at least 5% of the operating budget. While the transfer station is profitable for now, we have not attained this goal.

	2022 Budget	2023 Budget
Trash Bag sales-Large	\$ 66,000.00	\$ 64,000.00
Trash Bag Sales-Small	\$ 14,000.00	\$ 14,000.00
Landfill Decals	\$ 66,500.00	\$ 66,500.00
Demolition Materials	\$ 56,425.00	\$ 56,425.00
Recycling	\$ 8,000.00	\$ 6,000.00
Miscellaneous	\$ 3,900.00	\$ -
Total Revenue Budget	\$ 214,825.00	\$ 206,925.00
Total Expense Budget	\$ 214,825.00	\$ 204,740.00

	Fee Schedule	
	2022	2023
Trash Bags- Large	\$ 4.00	\$ 4.00
Trash Bags- Small	\$ 2.00	\$ 2.00
Landfill Decals	\$ 70.00	\$ 70.00
Demolition Materials	\$ 185.00	\$ 185.00

	<u>Assumptions used in Revenue Estimates</u>	
	2022	2023
Number of Bags Sold- Large	16,500	16,000.00
Number of Bags Sold - Small	7,000	7,000.00
Landfill Decals	950	950
Demolition Material (per ton)	305	305

ACKNOWLEDGEMENTS

I would like to thank our Town Staff for all of their work in exploring potential cost saving measures. Their support in our mission to provide excellent services while maintaining a fiscally conservative budget does not go unrecognized. Additionally, guidance provided by our exceptional accounting team is appreciated. I am also grateful for the strong partnership we have fostered with the Winchendon Public Schools as we work together to craft a budget that is reflective of our community's needs. I would like to thank the Board of Selectmen, Finance Committee, and all of our elected and appointed boards and committees for their unwavering dedication to bettering the lives of their fellow residents. Most importantly, a thank you to our citizens who have entrusted us with the opportunity to build a stronger and brighter future for Winchendon and the good people that call it home.

Respectfully Submitted,

Justin B. Sultzbach
 Town Manager