

TOWN OF WINCHENDON

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To: Board of Selectmen

From: Keith R. Hickey, Town Manager

Date: March 13, 2017

Re: Fiscal Year 2018 Budget Message

I respectfully submit to the Board of Selectmen the Town Manager's recommended budget for the June 30, 2018 Fiscal Year. My recommended budget includes recommended budgets along with supporting revenues for the General, Water, Wastewater, and Transfer Station funds. The Board of Selectmen provided me with general budget instructions to present a balanced budget that meets the needs of the community while positioning the Town for long term financial stability. My proposed FY18 budget continues to present 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. As with the FY17 budget, my proposed budget does not rely on grant funds for positions in the Community Development Department. Nor does my budget rely on Robinson-Broadhurst Foundation funds for needed operational items. Rather, Robinson-Broadhurst Foundation requests for FY18 are complementary items to projects funded by taxpayers. My recommended FY18 budget is based on taking a long term approach and using documents like the recently reviewed 2017 Capital Improvement Plan, current and future grant possibilities and guidance I have received from the Commonwealth and staff members.

When reviewing my proposed budget document you will find a much greater level of detail than you have seen in the past. With the recent financial challenges that Winchendon has been confronted with and the corresponding loss of confidence taxpayers have in their local government, I believe it is important to provide taxpayers as transparent a budget document as possible so readers can understand what is being requested in departmental budgets along with how budgets are being funded. I have also included all of the indirect cost calculations that were calculated for the School Department as well as Water, Wastewater and Transfer Station funds. To assist in reviewing the budget documents I have sorted the documents and the supporting information by fund.

With the assistance of Department Heads, operations have been reviewed for efficiency and any changes have been incorporated into the proposed budget. Below is a summary of operational and staffing changes included in my proposed budget.

General Fund

Personnel

There are a number of staffing changes proposed in my budget. Below is a summary of the personnel changes I have included in my FY18 budget proposal along with an explanation for the proposal.

<u>Department</u>	<u>Proposed Change</u>
Technology	Network Administrator from part to full time
Town Clerk	Assistant from part to full time
Community Development	Eliminate Financial Manager position and replace with part time administrative staff
Police	Increase Police Chief Secretary hours from 37 to 40 per week
Cemetery	Increase part time summer help
Library	Fund part time Library technician hours from Operating Budget rather than state grants

With the Town's expanded use of technology, there is a need to expand the hours of the Network Administrator to meet those needs.

There are several reasons for my proposed increase in staffing in the Town Clerk's office. The role of the Town Clerk is expanding with the changes to the Public Records request laws. Documents such as minutes and agendas to Board and Commission meetings are not being submitted on a timely basis. Current staffing levels don't have the time to ensure all documents that are required to be permanently retained are. Lastly, the current Town Clerk has indicated she is planning to retire in the next couple of years and I want to ensure a smooth transition in that department.

I have proposed to eliminate the Financial Manager position in the Community Development Department and outsource the tasks currently completed by that position to the Montachusett Regional Planning Commission (MRPC). My rationale for this change is nothing more than economical. MRPC can provide the needed services seamlessly at a savings of \$16,000 annual.

I have proposed to increase the hours of the Police Chief's secretary from 37 to 40 to meet the increased workload in the department. The position already receives full time benefits so the costs are wage driven.

The Cemetery is expected to be very busy this summer with some significant improvements anticipated. A Robinson-Broadhurst Foundation grant has been requested to complete the repaving project within the cemetery. In addition, the Converse Fund will be distributed this summer. A portion of those funds will be provided to the Town cemetery for improvements. Current staffing levels will be unable to complete the cemetery improvements.

Lastly, the Library is requesting that the existing part time position previously funded with grant funding be funded as part of their operating budget.

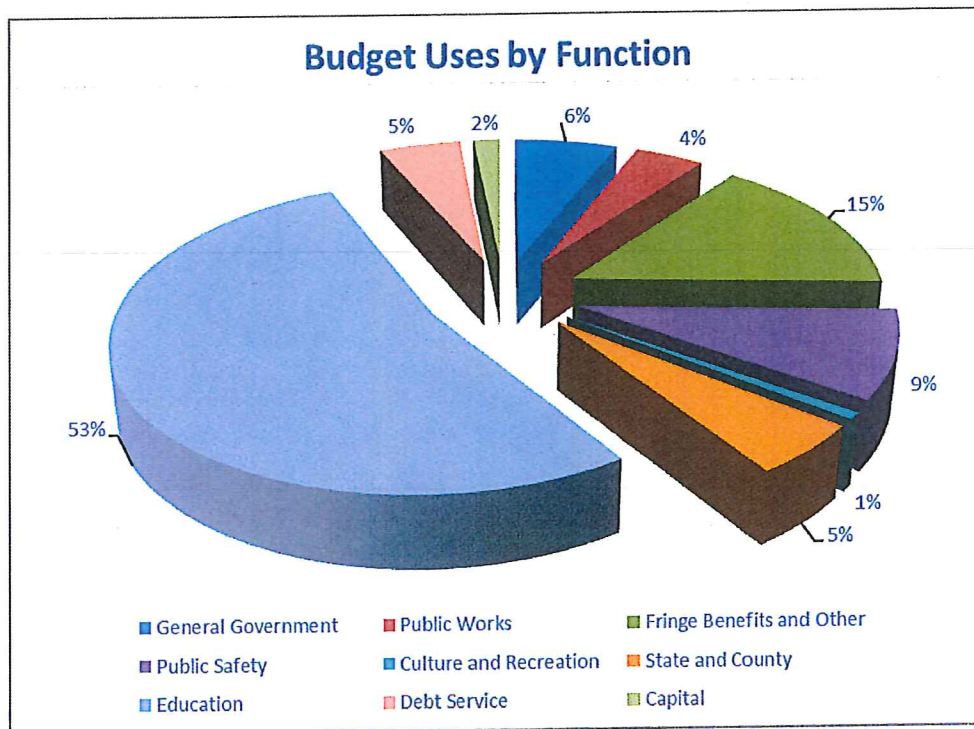
Operational

During the current fiscal year Public Works Director Al Gallant reviewed his departments operations. One of the topics was moving from using a sand/salt mixture during winter storms to just using salt. My FY18 budget includes an increase in the Snow and Ice budget from \$184,000 to \$210,000. In addition I have included an additional \$65,000 in a separate line in the Finance Committee budget for winter weather costs. The total of \$275,000 for Snow and Ice costs better reflects what Winchendon spends on an annual basis.

The Highway budget includes \$30,000 for the implementation of the EPA storm water requirements anticipated to become effective during FY18. This will be an annual budget item if the new requirements are imposed.

The debt service budget includes a principal reduction payment on the deficit debt of \$479,700 which is offset by the use of Free Cash.

The Water budget includes \$30,000 to fund the Selectmen's policy change to take responsibility to repair damaged water pipes from the property line. The current policy requires property owners to be responsible to repair water lines to the water main in the street.



Capital

I have included the following capital items in my FY18 budget totaling \$458,059. I am recommending using \$300,000 from Free Cash to partially fund the capital purchases. The balance would be funded from operating revenues.

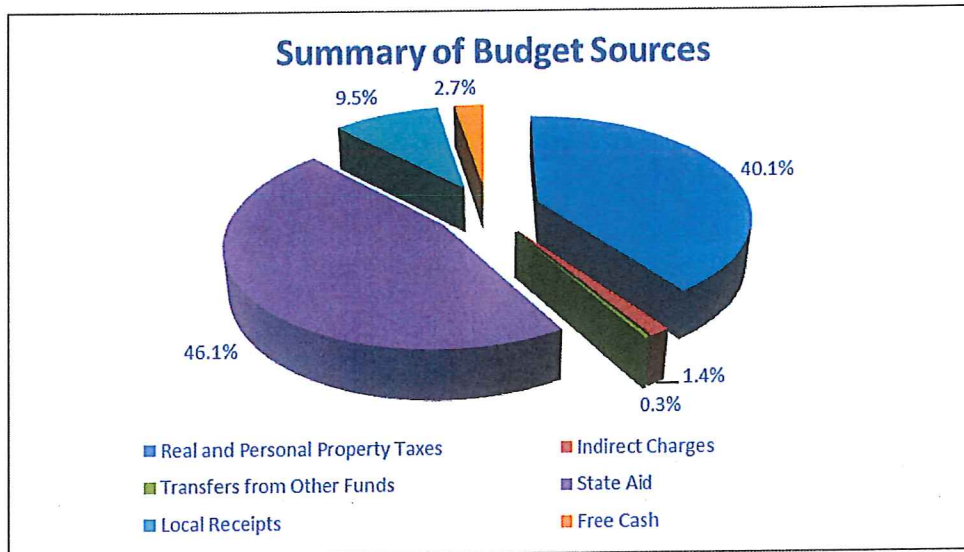
<u>Capital Item</u>	<u>FY18 Cost</u>
Replace 1998 10 Wheel Dump Truck	\$82,417.00
Repave a portion of Fire Station	\$25,000.00
Repair/replace Existing Pumper/Tanker Truck	\$97,875.00
Construct Sally Port at New Police Station-Property Taxes	\$19,667.00
Construct Sally Port at New Police Station-911 Grant Funds	\$23,000.00
Replace School Dump Truck and Sander	\$63,000.00
Replace School Venrac Tractor	\$60,100.00
Replace Two Police Cruisers	\$80,000.00
Replace/Acquire Patrol Rifles	\$7,000.00

The capital purchases include a lease/purchase for the 10 wheel dump truck for a period of three years. Also included is funding for a major rehabilitation of the existing pumper/tanker or the lease/purchase for a new fire pumper/tanker. I have asked the Fire Chief to have the existing pumper/tanker assessed to determine if it is cost effective to rehabilitate the tanker. If not a new pumper/tanker would be leased.

Revenues

I have estimated revenues for FY18 in a conservative manner. There are no fee changes proposed in FY18. With the economy improving slightly the Town has seen revenue growth in areas such as motor vehicle excise and building permits. Additionally, the Town's efforts to more aggressively pursue delinquent taxpayers has not only improved collections but has increased the interest and penalties collected.

I have also included with each of the three Enterprise Funds a recommended fee schedule to support the corresponding fund. As you are aware the three enterprise funds have either operated in a deficit or relied to some extent on the use retained earnings to balance the funds budget. I am recommending the use of retained earnings in the wastewater fund to offset a portion of the recommended increase in water and wastewater rates. The Water Fund does not have the Retained Earnings to subsidize the operations in the Water Fund so the proposed water increase is much more significant. There are no fee increases proposed in the Transfer Station fund. The fund is expected to turn a small profit in FY17.



Included in my FY18 estimated revenues is the use of Free Cash in the amount of \$779,700. Due to the large Free Cash calculated in December 2016, the Town needs to make a principal reduction in the deficit borrowing. I have included \$479,700 in the use of Free Cash to make the principal reduction that will be due during FY18. The remaining \$300,000 will partially offset the capital funding request.

Water Fund

As the Board is aware the Water Fund has been operating at a loss for years. The annual use of Retained Earnings along with a water rate that did not support the annual budget has caused the Water Fund to have a Retained Earnings balance at June 30, 2016 of \$216,656.

My recommended Water Fund budget eliminates the use of Retained Earnings and begins to address the annual water loss by flushing three of the six dead end water lines in the community. Flushing the three dead end lines is estimated to cost \$90,000. I would propose budgeting an additional \$90,000 in FY19 to flush the remaining three lines.

There has been very little maintenance done on the dead end lines for several years. To provide clear quality water to customers on a water line that dead ends, a "bleeder" is installed at the end of the water line. On an annual basis the Town loses 33,589,440 gallons of water annually.

Finally, the anticipated water usage for FY18 has been reduced in anticipation of the Winchendon School Golf Course closing. The course's water use generated \$25,000 annually in water revenue.

Sewer Fund

The Sewer Fund has increased nearly \$110,000 from FY17. That increase is due primarily to performing much needed maintenance on sewer pipe, investigating the source of copper disposal in the waste stream, and replacing a piece of equipment called a sewer jet. The copper levels in the waste stream are above EPA standards and need to be addressed.

The more aggressive collections policy adopted by the Board of Selectmen has allowed the use of Retained Earnings to be reduced from \$100,000 to \$18,000.

Transfer Station Fund

The Transfer Station Fund is expected to end FY17 earning a small profit. The changes recommended by the Director of Public Works in the FY17 budget have proven to be very effective. After the past few years of operating at a loss, this fund is being operated more like a business. The fund has cut some of the operating costs while keeping the charges for service relatively flat.

The indirect costs for the Transfer Station fund increased from \$26,740 in FY17 to \$40,074 in FY18. This increase is due primarily to more accurately assigning health insurance costs to this fund. In the past health insurance costs for this fund were estimated. I was able to gather anticipated costs for FY18 from the Town's health insurance provider, GIC, and apply those anticipated costs equitably through the indirect cost allocations.

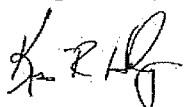
I am proposing to increase the cost of large bags from \$4.00 to \$5.00 and small bags from \$2.00 to \$3.00 to address the reduction in anticipated landfill decals sold and the budget increase. During FY18 the Public Works Director and I will review the Transfer Station operation to determine if the truck and waste containers can be sold and the funds returned to the Transfer Station Fund.

My recommended budget attempts to allocate only the funding necessary to fulfill the needs and expectations of the Board and the community. I am always cognizant of the ever increasing burden placed upon the Town's tax rate and ultimately the taxpayers. I have assembled my recommendation to support those municipal services which sustain the quality of life that makes our community a desirable place to reside and conduct business in the State.

Acknowledgements

On behalf of the Town employees, thank you for the opportunity to present this proposed budget. We look forward to working with the Board of Selectmen, Finance Committee, and taxpayers as we proceed through the budget work sessions in the upcoming months.

Respectfully Submitted,



Keith R. Hickey
Town Manager