Town of Winchester

Town Comptroller's Office
71 Mt. Vernon Street
Winchester, MA 01890
Phone: 781 721-7116
Fax: 781 721-7156
sward@winchester.us

TO: **The Select Board**

FROM: **Stacie Ward, Comptroller**

RE: **Comptroller Report**
Financial Update – Operating Activity
Fiscal Year 2020 as of March 31, 2020

DATE: **May 4, 2020**

In relation to the Comptroller's Report, I wish to highlight the following:

General Fund Revenue

- Property tax revenue met expectations through March, however, April and May revenue will likely be lower than usual due to the COVID-19 situation. For taxpayer relief, the Town took advantage of the state legislation allowing for a due date extension for the 4th Quarter bills. Revenue that usually comes in before the May 1st due date may not come in until June this year. It is important to note that through today, the Treasurer's Office has received the mortgage escrow/tax service payments, totaling approximately $10m (of the $25m commitment). This is good cash flow news because we weren't certain if the escrow companies were going hold the payments until the extended due date.

- The Motor Vehicle & Boat Excise revenue is lower than last year at this time because the due date of the first FY20 commitment wasn't until April 6th this year, but it was due on March 29th last year. Due to potential financial hardships, we may expect a drop in collections, but as of this week, we've collected close to 85% of the FY20 commitment, which is a good sign.

- The PILOT revenue received through March is the late FY19 payment from the Winchester Hospital (received in August). One of the expired agreements has been extended through FY20 but is in process of being negotiated beyond this year. It is not yet known if the COVID-19 situation will impact the FY20 payment.

- Miscellaneous Non-Recurring revenue consists of state reimbursements for overtime for shared services as well as other miscellaneous revenue. FY19's revenue includes the one-time Winning Farm developer's payment ($1m).

- Due to the COVID-19 situation, Town Management will be closely monitoring revenues and cash flows as we approach the close of FY20. The FY21 estimated revenues are also in the process of being reviewed and adjusted as a result of changes in state aid and local receipt expectations.

- Indirects from the Enterprise Funds are posted quarterly up front; therefore, 75% of the indirects have been processed as of March 31st.

General Fund Expenditures

- For the most part, salary budgets are less than 75% spent, which is to be expected through March, and expenditures appear to be on target with the exception of the following:
    - Snow & Ice
    - Legal
    - Unemployment (even before any COVID-19 related claims)
    - Department-wide COVID-19 related costs

  These issues will be funded with a combination of Reserve Fund Transfers, Spring Town Meeting or Year-End appropriation transfers in accordance with MGL CH44 § 33B. The state has also provided other relief to communities in the event that their budgets are not sufficient to cover costs associated with COVID-19 which Town Management will explore.

- Due to the nature of some of the departmental activity, the budgets will be spent more than the expected 75% (debt per debt service schedules, contributory retirement due in full by 8/31, general property & liability insurance premium due in July). Usually health insurance is a month in advance for most policies. We also changed the Worker's Comp process and now fund an escrow account several months up front.

- In order to estimate potential FY20 reversions/turnbacks, I have asked all of the departments to let me know if they anticipate having any funds remaining in FY20 or if they think they will need funding to get through the year. This information will not only be helpful in calculating an estimated operating reserve balance for FY20, but also to determine what funding sources may be available to fund needs in other departments, if necessary.

- Subsidies to the Enterprise Funds are posted quarterly up front; therefore, 75% of the subsidies have been processed as of March 31st.

Free Cash Usage

In addition to the $367,630 voted at the Spring Town Meeting to fund the FY20 Operating and Capital budget, we've used $1,004,518 of Free Cash to fund articles at the Fall Town Meeting. The Town Manager's FY21 budget, presented to FinCom, proposed using $320,000 for operating & capital needs and also $1,007,732 to balance the Water & Sewer Enterprise Fund budget (subject to change due to potential fee & rate increases). The FY21 estimated revenues and other funding sources are being reevaluated as we figure out how the Town will be affected by potential state and local aid reductions and how long the override is expected to last.

Reserve Fund Transfers

The Finance Committee made the following Reserve Fund Transfer through March 31th:

- $70,000 for Legal costs
- $115,300 for COVID-19 related costs including, but not limited to, costs for public outreach, overtime, supplies, postage, equipment and computers (for remote work).
- $5,709 for the Board of Health to purchase a new pharmaceutical-grade refrigerator that was in need of replacement for vaccine storage.
- $18,900 for unemployment claims (not COVID-19 related)

There have not been any Reserve Fund Transfers made since March 31st.

Water & Sewer Enterprise Fund

It has been made very clear that there will be a shortage of Water & Sewer user charges in FY20. Before the COVID-19 situation, it was estimated that the combination of expenditure turnbacks and retained earnings would likely cover the revenue shortage, however that may not be the case. If residents are unable to pay their water and sewer bills, we may have an FY20 unfunded deficit to raise on the FY21 tax recap (i.e. funded by the General Fund). Town Management will be monitoring the activity more closely to see how the fund is performing.

Without a service fee increase or a rate increase, the fund will need $1,007,732 from the General Fund to balance the budget. If the Spring Town Meeting approves the proposed increases in the service fee and the rates, then the use of Free Cash for FY21 will be significantly reduced or no longer necessary.

Recreation Enterprise Fund

Unfortunately, with cancelled programs due to COVID-19, the cash flow impact will be greater than what the fund can handle resulting in the need for additional General Fund subsidies in FY20 and FY21. The FY20 unfunded deficit will have to be raised on the FY21 tax recap (i.e. funded by the General Fund). The FY21 budget is currently under review to determine how great the impact actually is/will be. Town Management is exploring creative funding and program ideas to help reduce the reliance on the General Fund, but it is a work in process.

The new Recreation Director starts May 1st, just in time to take on the challenge!