



Town of Winchester

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TO: The Select Board

FROM: Stacie Ward, Comptroller

RE: Comptroller Report
Financial Update – Operating Activity
Fiscal Year 2021 as of January 31, 2021

DATE: March 22, 2021

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

General Fund Revenue

- Real Estate and Personal Property tax revenues are meeting expectations at this time. They may look low compared to the % collected last year, but it is due to a timing difference. In FY20, the large \$8.9m mortgage escrow deposit was posted effective January 30th, but this year that same large escrow payment of \$9.4m was posted effective 2/1.
- The first Motor Vehicle Excise commitment for FY21 was \$2.9m, compared to the first commitment last year, which was \$3.1m. This is a drop of over \$200k. We may not meet the \$3.5m budget this year. It will depend on the additional 2021 commitments between now and the end of the fiscal year. We need to keep this in mind for FY22. We cannot budget for more than we collect in FY21.
- Trash Disposal Service revenue, which includes transfer station permits, SMART permits, SMART bags and commercial hauling, is low compared to last year. It is my understanding that more residents are buying the cheaper SMART permits instead of the regular permits. I believe there is currently a comprehensive Transfer Station study taking place which will address the revenues, costs and future plans. If the SMART program vs the traditional permit fees is not currently part of that study, I would recommend it be included to make sure we are charging enough.
- Licenses and permit revenue is also down from last year. The largest revenue in this group is the building permit revenue, which at this time last year was \$646k and this year is \$610k. Considering the FY20 revenue was pre-COVID, being this close is a good sign. Some of the other components of this revenue difference relates to package store, liquor and dog licenses. We waived the package store and liquor licenses in FY21 (FY20 \$52k) and we sent the dog license renewals out later this year than last year.
- Indirects from the Enterprise Funds are posted quarterly up front; therefore, 75% of the indirects have been processed as of January 31st.

General Fund Expenditures

- For the most part, salaries and expenditures are meeting expectations at this time. Departments have been asked to let me and/or the Town Manager's Office know if they need additional funding or require any other budgetary changes. We will have a supplemental article on the Spring Town Meeting warrant for departments who may need additional funding.
- Snow & Ice salary and expense budgets are in deficit to be funded at the Spring Town Meeting. Per the report, only the expenses are showing a deficit as of January 31st, but today the salaries are in deficit of \$133k and expenses are close to \$150k (including encumbrances). Deficit spending has been approved by the Town Manager (per Mass General Law CH 44 §31D).
- Due to the nature of some of the departmental activity, the budgets will be spent more than the expected 58%:
 - WCRS appropriation 50% paid in July and 50% paid in August.
 - MIIA general insurance premium paid in July.
 - Health insurance premiums are paid a month in advance (most premiums).
 - Worker's compensation we prepay a 3rd party for claims.
- In relation to unemployment, the level of fraudulent claim activity has dropped significantly. The state has established stricter verification procedures which have almost eliminated the questionable claims. The adjustments/credits are being processed slowly, but I am hopeful they will continue coming our way over the next couple of months as the state reviews everything that has been protested. I am not paying any bills at the moment in anticipation of more credits. I'd rather take advantage of the extended due dates (June 30) and not overpay at this time. The January bill had charges of \$14k and credits of \$4k, the February bill had charges of \$9k and credits of \$13k, I would assume the March bill will have even more credits. I will keep you informed in the next report.
- In relation to the reimbursable COVID-19 costs, some of the costs are still in the general fund activity. I won't be reclassifying everything until FEMA finalizes their reimbursement to the Town and we know what is being funded by FEMA vs. what will be picked up by the Cares Act. FEMA has changed their eligibility requirements, so until these are nailed down and finalized, I am leaving the costs alone (so I only move them once). I did make a few Cares Act reclassifications since the December report was issued as part of the state's quarterly reporting process. I can imagine I will be making entries and reclassifications as we go along. This is an on-going process which might even get more complicated once there is guidance on the new round of federal funding. It's all good news though – we'll take whatever funding we can get!
- Subsidies to the Enterprise Funds are posted quarterly up front; therefore, 75% of the subsidies have been processed as of January 31st.

Water and Sewer Enterprise Fund

Overall, the fund appears to be operating as planned and will likely exceed revenue targets. Water billings are actually higher than what has been estimated for the year which will start building much needed reserves again.

The Abrahams Group are in the process of analyzing the future needs of the fund and reserve targets. They will be presenting their recommendations regarding rate increases to you at the meeting on March 22.

Recreation Enterprise Fund

The Recreation Department continues to face many unknowns as a result of the COVID-19 situation. The Recreation Director and the Program Coordinator are working diligently to find new programs to offer and creative ways to generate revenue. As you can see in the report, revenues and expenses are substantially lower this year compared to this time last year and the current loss in activity as of January 31st is \$115k this year vs. \$78k last year. We are keeping an eye on the balances in the fund to make sure it is still solvent.

One of the topics that has come up recently is the consideration of changing the fund structure. Currently, as you know, the Recreation activity is reported as an Enterprise Fund which has many benefits, but it also has its limitations. Representatives from the Finance Committee, the Select Board, Town management and the Recreation Department management met to discuss the possibilities and the logistics of making a change for FY22. We determined that at this time, with too many COVID related unknowns and a few other moving pieces, we will table this for FY22 but will reconsider the options for conversion in FY23.