



Town of Winchester

Beth Rudolph, PE
Town Manager

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April 11, 2023

Dear Madame Moderator and Town Meeting Members,

I am pleased to submit this update to Town Meeting, my first since being appointed by the Select Board as the permanent Town Manager earlier this year. I am honored to take on this role, and bring with me 18 years of experience in Winchester municipal government and a commitment to transparency, collaboration and communication.

Since we met last fall, voters approved funding for a debt exclusion override to complete the replacement of the Lynch Elementary School, as well as a \$400,000 general override to fund the Capital Stabilization Fund. The Town has moved forward with a number of important initiatives regarding affordable housing and capital projects, as well as development of the Town Manager's FY24 financial plan and 3-year financial projections. The Town continues to be supported by a dedicated and capable professional staff, and I am grateful for their efforts over the past year to manage the work of Town government and support these initiatives.

Personnel Updates and Staffing Initiatives

The Town has experienced significant staffing changes over the past several months in several key departments. As discussed at Fall Town Meeting, our long-term DPW Director Jay Gill retired earlier this year. The Town is pleased to welcome Mr. Robert Labossiere as our new Director. Mr. Labossiere started in mid-March and comes to Winchester with 18 years of experience as the DPW Director in Peabody and Middleton. Additionally, Fire Chief Rick Tustin will be retiring at the end of April after 37 years of service to the Town. Fire Captain Steve Osborne has been appointed as the Town's next Fire Chief. Captain Osborne has worked for the Winchester Fire Department for 28 years, including serving as the department's first training officer for the last three years. Please join me in welcoming Mr. Labossiere and Captain Osborne into their new roles. The Town is currently interviewing for a new Town Planner and Town Engineer. We hope to have these positions filled in the coming months.

The Town Manager's budget submitted to the Finance Committee in February included funding for four new staffing initiatives: (1) hiring of a Network Administrator for the IT Department to bolster the Town's investment in technology, communications, and cybersecurity, and to create critical redundancy in a department currently served by a single staff member. This position was previously staffed, but was cut from the municipal budget in FY12; (2) creation of a new Financial Analyst position in the Treasurer/Collector's office to support the implementation of on-line payment systems and other departmental activities; (3) funding for a new, part-time Professional/Technical position in the Building Department to support the needs of the Zoning Board of Appeals; and (4) funding in the Health Department budget to increase the part-time Health Inspector to full-time.



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Existing Capital Initiatives and Construction Updates

- In spring 2021, Winchester voters approved a \$12,760,000 debt exclusion override to support funding for construction of the last flood mitigation project (Project 10) and for the design and construction of immediate repairs to the Muraco School Elementary School. Design is currently underway on the flood mitigation project, with construction expected in 2024. The new boilers were installed at the Muraco School last year and the roof replacement is currently on-going. Electrical repairs are expected to be completed in summer 2023 due to supply chain issues.
- The Town received a Shared Streets grant to complete the traffic calming improvements at the intersection of Wildwood Street and Woodside Road, which unfortunately pushed construction of the project into spring/summer 2023.
- Construction will start on the Lake Street bridge project this summer. The bridge is expected to be shut down in mid to late-June after the last day of school and remain closed for 3 to 4 months.
- Construction started last year on the Transfer Station renovation, which was funded by Town Meeting in Fall 2021. The project will be wrapping up this summer; remaining work includes demolition of the incinerator building and final paving.
- Construction on the North Reservoir Dam project is substantially complete, with final landscaping and site restoration taking place this spring.
- The MBTA started work on renovations to the Winchester Center Commuter Rail Station in spring 2022. Construction is expected to end in summer 2024.
- Eversource has completed construction on the 115kV transmission line project, which runs between Everett and Woburn. Final paving on Main and Bacon Streets will be completed this spring.
- Construction is on-going on the 345kV transmission project (Woburn to Wakefield), which will result in continued impacts to Washington and Cross Streets. Work is expected to continue into fall 2023, and will require significant disruption on Cross Street to complete construction around the Aberjona River and railroad crossing.

Free Cash and Operating Reserves

In September 2022, the Department of Revenue certified the Town's Free Cash balance at \$16.74 million. This amount was reduced by \$1.689 million as a result of appropriations approved at Fall 2022 Town Meeting leaving a balance of \$15.05 million, which translates to a current operating reserve of 15.03%. This spring, \$796,528.14 is being requested for use on a variety of projects, and to supplement the FY23 operating budgets for several departments. If all the articles pass, the remaining total unappropriated Free Cash balance will be \$14,255,222.86. The Select Board has committed to the use of ARPA funds to close any gap between projected revenues and expenses in FY24, therefore no Free Cash is being requested at this time to fund the FY24 budget.



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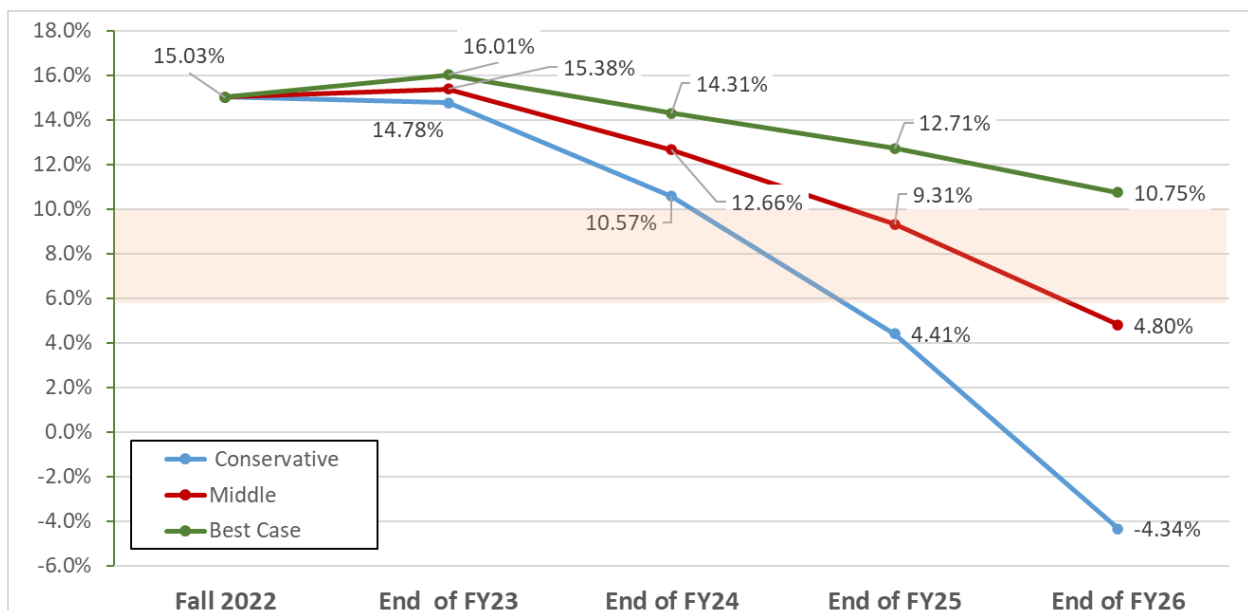
Moody's Bond Rating

The financial health of a community is reflected in part by the credit rating it earns when borrowing funds. At Fall 2022 Town Meeting, I announced that the Town had been notified by Moody's that our rating had been placed under review due to a change in their rating methodology. I am pleased to report that in January 2023, Moody's reaffirmed the Town's Aaa bond rating, which is the highest rating possible and allows the Town to borrow funds at the most favorable interest rates.

In its credit rating opinion, Moody's noted that the Aaa rating primarily reflects a strong economy that benefits from high resident income, a strong residential housing market that is expected to continue to generate positive tax base growth, and conservative financial management. It was noted that although the Town has a stable financial position, our reserve levels are below-average for the highest rating category. Further, Moody's identified the following factors that could lead to a downgrading of the rating – decline in available reserves and/or liquidity as a percent of revenue, material increase in leverage, and a significant decline in economy metrics.

Financial Outlook

The development of long-range financial projections is key to understanding future trends in revenues, expenses, and operating reserves. As part of the Town Manager's FY24 budget development, senior management developed a model for FY25 through FY27 and completed a sensitivity analysis to evaluate three scenarios representing various revenue growth and expense projections. The model projects the operating reserves, including the use of Free Cash to balance future year budgets, over the three-year planning horizon. A figure summarizing the three scenarios is provided below. The evaluation starts with the known operating reserve value after Fall 2022 Town Meeting, and projects operating reserves at the end of FY23 and in future fiscal years.





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The projections suggest that the Town will be able to balance the FY25 budget through the use of Free Cash without dipping below our current Operating Reserves policy. However, the long-term projections show that the structural deficit between revenue and expenses will likely grow over the three-year planning horizon potentially resulting in an unsustainable pattern of Free Cash usage and reduction of the projected operating reserves below our 6% minimum threshold in the “conservative” and “middle” case scenarios.

In addition, the Town’s capital needs outpace the availability of capital and building stabilization funds. The Town’s Capital Planning Committee (CPC) works each year with municipal and school departments to develop a five-year capital plan, this included immediate capital requests for FY24 and longer-term requests for FY25 – FY28. Departmental requests for FY24 totaled \$15.3 million from the Capital and Building Stabilization Funds, Cemetery Trust Fund, and Water and Sewer Enterprise Fund, and the CPC was able to only support approximately \$5.97 million in project funding needs. Projected requests for FY25 – FY28 total over \$56.2 million.

This budget process has highlighted the need for the Town to come to consensus on a long-term financial plan, and vision for Town’s services and capital needs. Much work lies ahead to balance the desire for investment in our community with the availability of resources.

The Town Manager’s hearing on the warrant articles is scheduled for **Thursday, April 13th at 6:30pm** via remote participation. The zoom link is provided below:

https://us02web.zoom.us/webinar/register/WN_fuoPdJ6eSLOQkaXgHQIJWA

We appreciate the support and engagement of Town Meeting members as we move forward into Spring 2023 Town Meeting.

Sincerely,

Beth Rudolph, PE
Town Manager