



# TOWN OF WINTHROP

## OFFICE OF THE TOWN MANAGER

Town Hall, 1 Metcalf Square, Winthrop, MA 02152 Telephone: 617-846-1077 Fax: 617-846-5458

**Richard J. White**  
**Town Manager**

Tuesday, May 1, 2007

President Reilly and Town Council  
One Metcalf Square  
Winthrop, MA 02152

Dear President Reilly and Council Members:

Submitted herewith is the Town of Winthrop's Requested Budget for fiscal year 2008. The requested budget includes funds for the general operation and maintenance of the municipal government including schools. Considerable effort was made to develop a capital plan that accurately identifies a five-year projection of capital improvements as well as a priority listing of capital projects worthy of funding for fiscal year 2008.

The requested budget includes expenditures of \$42,482,412 balanced by non-tax levy revenues totaling \$23,164,430 and an estimated tax levy of \$19,354,460. \$949,094 of the \$19,354,460 million dollar tax-levy funds a debt-exclusion for the two elementary schools passed by referendum in 1998. It is shown within the budget as dedicated revenue that offsets expenditures shown in the debt service budget. Non-tax levy revenue is increasing by \$831,793 or 5.4% from the FY2007 appropriation. The Enterprise Funds (Water, Sewer, Rink, Recreation and Harbor) will increase by 19%. As you may recall, the FY 2006 budget was balanced with a \$2.2 million dollar allocation of free cash. This act created terrific problems for the Town in funding operating budget expenses in FY 2007. Cash reserves were drawn down to unacceptably low levels. Cash reserve balances available for appropriation in FY 2007 were significantly less than what was appropriated the year before. The cure required to resolve this problem was painful. Both School and Town budget growth was significantly restrained. Reductions in Public Works, Police, Fire, and General Government staffing were required and most if not all of the School Department initiatives designed to enhance student MCAS test performance was postponed. This all as a result of an 81% or \$1,750,000 (free cash) reduction in revenue available to fund Town operating programs. Consequently, the Council adopted cash reserve policies that severely limit the use of free cash to fund recurring budget expenses. This budget proposes to continue last year's practice of allocating \$450,000 in free cash for FY 2008 to fund operating expenses. The tax levy will increase by \$834,760 or 4.3%. \$353,000 of the increase in the tax levy is attributed to new growth. 94.5% of that tax levy comes from the residential tax base.

The tax rate for FY2008 is estimated to be \$9.04 per \$1,000 of assessed valuation for residential and commercial property. The average property tax bill will increase from \$3197 in FY 2007 to \$ 3,277 in FY 2008, a % 2.5 increase.

Revenue from sources other than the real estate tax can be identified in four broad categories: enterprise, state aid, local receipts and available funds. Enterprise fund revenues directly offset enterprise expenditures. State aid, local receipts and available funds are pooled together with revenue generated from the real estate tax to fund most municipal appropriations.

The capital plan includes detailed descriptions for those projects recommended for funding during fiscal year 2008 as well as a listing of all programmed requests for the next five years. Descriptions and justification for each request after FY2008 is available for review under separate cover. Although significant progress has been made in developing a listing and capital funding strategy, much more work is required over the long term. Investment in the Town's infrastructure has been neglected over the years. Capital projects listed in the five-year plan are the most obvious in need of investment, but are not supported by comprehensive engineering studies. A good capital program starts with good planning and competent evaluation. Most of the Town's capital systems are between 50 and 75 years old. Consequently, it is not much of a challenge to begin a capital investment process. A key component in insuring continued investment is developing reliable and defensible programs for reinvestment. Although we can explain the problems and determine age of the capital systems in the Town's control, determining priorities for funding beyond the first three years is more art than science.

## **BUDGET GOALS**

This budget is submitted consistent with several major goals. They are as follows:

This budget is submitted consistent with several major goals. They are as follows:

1. To submit a budget that complies with the statutory limitations of Proposition 2 ½;
2. To properly fund salary adjustments as per labor contracts and town compensation policies;
3. To continue to allocate funds for a reserve fund in order to properly fund anticipated unforeseen and unexpected expenses during the FY 2008 budget year;
4. To begin to identify capital needs and develop a five year capital improvements plan;
5. To continue to develop a process to make a clear, concise and comprehensive presentation of all proposed expenditures;
6. To identify emerging operational, capital and financial planning issues for future years;
7. To eliminate the Town's dependence of free cash as a recurring revenue stream so as to bring some long term stability, predictability and credibility

to Winthrop's budget process;

8. To provide enough resources to school programs to avoid the layoff of personnel so that the commitments made during the last few years and the performance improvements that have been made to programs do not unravel as a result of under funding;
9. To make prudent and surgical reductions to the municipal budget that push the departments to provide more with less, but allow the Council and professional staff to evaluate the on going effectiveness of these reductions so that adjustments and additional investments can be made if necessary in future years;
10. To layout a plan and rationale for the community to examine the need to invest additional resources so that demands for increased services can be addressed in FY 2009;
11. To anticipate the changing nature of the harbor, the demands of operating a pier and terminal as well as increased boat activity under the jurisdiction of the harbormaster;
12. Avoid layoffs.

Winthrop's past budget performance has been inconsistent. The lack of formal policies on the use of non recurring revenues, such as free cash, MASSPORT and MWRA mitigation funds, and the development of standards for operational performance and investment in the Town's capital infrastructure has resulted in some unpredictable budget processes. Well intentioned professionals and governing boards did everything they could to preserve programs and meet citizen demand during some very difficult years when resources were not forthcoming and the need for funding far outstripped the community's available recurring revenue. Unfortunately the consequences of these actions are lower than market rate compensation for employees, little or no funding available for infrastructure investment, a relatively meager revenue base to fund services, low cash reserve balances and little or no funding for personnel in either the school or town departments specifically charged with responsibilities to increase productivity and effectiveness of departmental operations or to hold those performing governmental services accountable.

To the outsider looking in it is clear that the pressure to fund the Town's operations must have been overwhelming during the past 20 years. Unfortunately, short-term success often results in some pretty difficult long-term challenges. Such is the case for Winthrop for the foreseeable future.

I believe we have been able to regain some credibility during the past year as a result of our budget and operational performance. However, our citizen's negative perceptions of their local government's credibility cannot be changed overnight. Our options, at least for this year, are limited. Proposing to raise new revenues before reestablishing credibility and fiscal discipline could exacerbate feelings of mistrust and disillusionment. A continued loss of credibility encourages cynicism and cynicism results in disenfranchisement. Last year's budget submission was tough medicine. This year's submission will be no less painful. Rising health care costs and higher than market labor settlements required because of a lack of investment in past years creates a tremendous budget hurdle for us in FY 2008. Unfortunately, the Council has few options available to it. Rushing to discover and

implement new funding sources either inside or outside of Proposition 2 ½ will only continue feelings of mistrust. Recovery will not be easy and will require a level of discipline that at times may be painful. This budget continues efforts to reestablish credibility. During the past twelve months, I believe we have facilitated the development of a close working partnership between the professional staff, the Town Council and the School community. The volume of policy initiatives needing the attention of the professional staff and the Town Council will always challenge us, but their numbers are dwindling.

This budget, as a follow up to last year's, firmly establishes policies and plans for capital investment, accumulating cash reserves and insuring predictable incremental budget revenue growth every year between 2 and 5 %. Predictability enhances credibility. Goal achieved.

The challenge for FY 2009 however will be for the Council to develop a community wide process that addresses pent up community demand for either new or enhanced services. There are a number of compelling operating and capital issues needing attention and additional funding. These issues have not been addressed in this budget but will need to be next year. The School and Town Departments have done an excellent job at improving performance and delivering services with very little if any additional financial investment. Significant improvements in the delivery of these services can only be achieved with additional resources beyond those anticipated on an annual basis. The need for these enhanced services must be addressed one way or another. This is something that will need to be addressed by the Council in the fall as part of its goal setting responsibilities. The policy issues associated with increasing revenue to fund enhanced services can be difficult, but the issues will not go away until addressed.

As part of these discussions, old policies need reaffirmation while new ones are examined:

### **1.) Cash Reserve Policy**

The Town Council was wise when it adopted policies around the accumulation of free cash or cash reserves. A community like Winthrop must insure that it can respond to any natural disaster that comes its way. Winthrop's location, surrounded by water, makes it more vulnerable to the challenges of a natural disaster than a community located more inland. The restrictions inherent with Proposition 2 ½ make a rapid appropriation response to a natural disaster difficult if not impossible. The recent nor'easter on the weekend of April 14<sup>th</sup> is just a small sample of the challenges Winthrop faces with the elements.

The Town's A2 bond rating is low for a community with Winthrop's demographics. The Town should set a long-term goal of achieving AA bond status. The higher the Town's bond rating, the lower the interest rate when it issues debt. One of the town's strengths is its unused debt capacity. We plan on using some of this untapped strength this year with various water infrastructure and school building improvements. Significantly more bonding will be required in order for the Town to meet some of its infrastructure reinvestment challenges. The lower the interest rate, the lower the costs of borrowing. The Town's infrastructure, its sea walls, roads, sidewalks and buildings are in need of investment.

Winthrop is beginning to get its fiscal house in order. It has fiscal stability. Fiscal stability allows the community to manage most challenges effectively without much service disruption. However, more reserves need to be accumulated in order for the Town to withstand substantial challenges. Despite this caution, we can feel comfortable looking seriously at developing some long-term capital investment strategies. Winthrop is now in a position to become a more solidly rated community if it can sustain current cash reserve policies, building up more substantial reserves. We will exceed the FY 2008 cash reserve goal established last year. Consequently I have proposed to use some free cash to fund critical capital purchases or projects.

The chart below displays our current 5% of the tax levy as a cash reserve schedule with goals for each fiscal year and measures our progress in meeting established goals.

### **Proposed 5 Year Cash Reserve Accumulation Plan**

	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>
Prior Year Balance		0	390,000	2,000,000	2,600,000	2,800,000
Balance after appropriation		390,000	1,400,000	1,750,000	1,950,000	2,250,000
Goal	0	390,000	1,000,000	1,400,000	1,750,000	1,950,000
Free cash operating budget allocation		450,000	450,000	450,000	450,000	450,000
Free Cash Balance as % of Tax Levy		1.0	3.0	4.25	4.54	4.79

\$450,000 in free cash will be used to balance the FY2008 budget and \$250,000 used to fund critical capital projects. The beauty of funding some capital with free cash is that if funding levels decrease in the next year cut backs do not typically result in the disruption of operating services or in layoffs. Again, this is a substantial decrease in the use of free cash from the \$2.2 million utilized in FY2006. The good news is that we have exceeded our free cash balance target for FY 2008 allowing for an acceleration of the schedule. We meet our FY 2009 goal this year, one year ahead of schedule.

Currently there is approximately a \$310,000 balance in the Stabilization fund and a \$235,000 balance in the Sale of Land account. No stabilization funds are proposed to be used in the FY 2008 budget. In fact, a priority for FY 2009 should be to develop a schedule to build up the stabilization account balance so that funds are available to be used as leverage to buy down the initial costs of borrowing for infrastructure related capital projects. A similar concept is proposed for the borrowing associated with the School Handicapped Construction, water main replacement, water meters and Rink Capital Projects proposed in the Capital Section of this budget. Instead of using Stabilization funds, proceeds from the prospective sale of the Dalrymple School will be used to insure that the impact of the borrowing will not impact the amount of new incremental revenue available to fund future years budget requests. As you know, the

Stabilization and Sale of Land account funds can only be used to fund capital expenditures.

## **2.) Local Receipt Estimates**

Aggressive revenue estimates will severely impact our ability to generate free cash revenue in the future. This year as was the case in FY2007 local receipt estimates are 95% of what was actually collected in 2006 (the last full year of accounting during each budget development cycle) plus any new revenue from fee increase proposals. The Council embraced this new practice as policy last year with the understanding that most well managed communities have developed revenue estimate policies that provide guidelines for budgeting. This is a prudent guideline; I hope the Council will continue to embrace as policy. It is important to note however, that after three quarters, revenue collections for this fiscal year are closer to estimates than expected. Hopefully the fourth quarter collections will be more plentiful and provide some flexibility so that we can sustain incremental budget revenue growth as well as our free cash policy. A desire to avoid layoffs is the only reason I am not reducing local receipt estimates for FY 2008.

## **3.) Cash Capital Policies**

### **a.) Large Capital Projects**

During the course of FY 2008 I led the staff in developing a series of capital investment strategies for the Council to consider. This is step one in establishing a clear pattern in our intentions as it relates to investing in the Town's infrastructure. Much credit is due to Treasurer Nick Basso and his Capital Budget Team for the progress made in regard to this important effort. The Town's capital budget history is not good. Most if not all capital forecasting and planning was left to atrophy because of lack of funds and strategy. This year the budget includes a fairly substantial amount of investment. \$7.6 million dollars worth of capital projects are identified as part of the Capital submission. \$7.1 million dollars of the \$7.6 million dollars in proposed capital expenditures are to be financed by issuing long-term debt. \$3.1 of the \$7.1 million dollars in the borrowings funds two significant water system capital projects. \$1.7 million dollars will fund the replacement of over 4,500 residential water meters in Town. The Water Meters have an average age of 18 years. These meters will be replaced with wireless remote reading water meters. Meters become less dependable after the first ten years. In fiscal year 2005, Town Meeting authorized borrowing \$600,000 for this project. This authorization needs to be rescinded and replaced. The \$1.3 million authorization replaces known troublesome mains and funds an evaluation of the Town water delivery system. \$600,000 is requested to complete phase II of the Larsen Rink project. \$600,000 buys a dehumidification system and

bleachers eliminated from phase II bid award as a result of higher than anticipated bids.

Of particular importance is the 3.5 million dollar proposed authorization for making the high and middle schools accessible. This is really a two part capital project with a second half borrowing of an equal dollar amount scheduled for sometime in 2011 or 2012. Together the project totals 7 million dollars. The project replaces heating, roof and other systems in both buildings and insures that the Town has accessible buildings. This project has been on the drawing board for years. The School Committee and School Superintendent have been criticized by state and regional assessing agencies for not addressing these critical building improvement issues and have been threatened with the loss of accreditation for our schools if no effort is made to make these buildings handicapped accessible.

Some care must be taken bringing on this amount of debt on line all at once. The negative outcomes can be managed by being careful and disciplined. Bringing too much debt on line can limit the amount of incremental revenue available to fund future budgets. Water/ Sewer and Recreation fees also need to be managed carefully. Our first action should be to bond both the school and water projects for a 20-year period. Principal payments for the school would be 20 annual payments of \$175,000. Interest will add another \$50,000 per year declining as the principal is paid off. The water projects annual principal payments are estimated to be \$150,000 with \$40,000 in interest in the beginning years. Adding \$415,000 costs to the tax levy in one year could affect the continuity and quality of the services we offer. Utilizing the expected revenue from the sale of the Dalrymple School as leverage to buy down the first three years of impact will make a debt authorization more palatable. The follow table shows how both the tax levy impact of bringing on debt for the secondary school project and the water rate impact for bringing on water capital debt can be mitigated with small but important allocations of the proceeds from the sale of the Dalrymple School.

	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>School project</b>			
Debt Service	\$225,000	\$225,000	\$225,000
Dalrymple Funds	\$175,000	\$ 75,000	\$ 38,000
Impact on Rate	\$100,000	\$100,000	\$ 36,000
<b>Water Project</b>			
Debt Service	\$190,000	\$190,000	\$190,000
Dalrymple Funds	\$ 85,000	\$ 50,000	\$ 25,000
Impact on Rate	\$ 85,000	\$ 30,000	\$ 25,000
<b>Rink Project</b>			
Debt Service	\$ 37,000	\$ 37,000	\$ 37,000
Dalrymple Funds	\$ 25,000	\$ 15,000	\$ 5,000
Impact on Rate	\$ 17,000	\$ 10,000	\$ 5,000

The full impact on the tax levy, water rates and Rink Fees of the borrowing is complete after four years. The tax rate is never impacted more than \$125,000 in any one year. The water rate is never asked to absorb more than \$85,000 and the Rink no more than \$17,000. The annual impact decreases as the debt matures. Only \$500,000 in an expected \$2,050,000 of the proceeds of the sale of Dalrymple School is expected to be used for these three projects. Once the full impact of the phasing is completed, the second phase of the secondary school and water projects can be funded as well as other programs in need of funding identified as the capital budgeting process matures.

We have made significant progress assembling our capital inventory, identifying the year of purchase or construction, life expectancy, replacement cost and expected date for renewal for our assets. A capital plan will continue to emerge and mature as we develop a more thorough inventory. We have done the hard work. Developing a process to vet these proposals, defining performance expectations for the staff in producing background for these requests and developing strategies for funding these projects requires some effort that goes way beyond the normal budget review process. The leverage chart shows that with a \$500,000 investment from the Dalrymple School sale \$7.1 million dollars in capital investment is leveraged with minimal disruption to expected future revenue streams dedicated to funding operating budgets. This is a solid strategy for financing large capital projects in Winthrop. We need to be a good steward of the resources we have. In order to do this, we need to jealously guard the Dalrymple sale proceeds.

Some capital projects are large and unique, needed only once in a lifetime. Such projects need to be financed over several years. Some might argue that the most prudent policy would be to accumulate money (in years of plentiful free cash, for example) in a stabilization fund. Bonding spreads the cost of a large asset over the useful life of the asset. In one sense, debt financing also serves a purpose of maintaining a presence for capital in the budget, since unlike a new cash project it is not a discretionary item. Any policy of "buy now, pay later" must be carefully planned to be certain that future obligations can be met. Winthrop will need to borrow to meet future capital needs. Perhaps the balance of the Dalrymple proceeds are best set aside in a Stabilization fund earmarked for future debt payments. Whether debt is within the levy or excluded, the impact on the taxpayer is the same, and ultimately is part of their decision on the appropriate size of the Town's budget.

#### **b.) Strategically Set-Aside Cash Capital**

A cash capital appropriation is best defined as a tax levy appropriation for equipment or substantial infrastructure repair. A cash capital policy is necessary so that a synchronized and structured strategy is set in place to coincide with the large capital projects policy so that the Town can eventually earmark a percentage of the town's general fund revenues to fund large and

cash capital projects. Unfortunately, resource limitations do not allow me to make progress towards this in FY 2008. However, because we are in a very good position in regards to meeting our short and long-term cash reserve goals, tapping into free cash and the sale of land account is a better alternative than further delaying investment in cash capital. Delaying capital investment only makes the eventual cost for the project more expensive. Time and opportunity costs, plus additional wear and tear can only make capital investment more expensive. This proposed appropriation is the start of a commitment to establish a cash capital funding policy. We need to build upon this in FY 2009 by setting aside tax levy funds for equipment purchases.

\$382,963 has been earmarked to continue the sidewalk replacement program establish last year, replace boilers and generators at various locations in Town buildings, replace long since spent SBCA air compressors at the Fire Department, replace two dump trucks at DPW as well as to replace the Fire command vehicle and one police cruiser.

#### **OTHER FISCAL POLICIES –ENTERPRISE FUND**

Water, and Sewer Enterprise Funds were created during 1998. Last year's budget established enterprise funds for the rink and recreation. The rink and recreation operations are all operating on solid footing. Revenue collections are strong and both the Rink and Recreation funds are accumulating modest, but healthy cash reserves. The rate structure has integrity and programs are not offered unless supported by user fees. The water and sewer funds have run successfully since 1998. However, consumption and collections for FY 2007 are down and small deficits in both funds caused by the rate structure flaws identified during last year's budget process seem likely on June 30, 2007. This problem will be cured in FY 2008. The rate will be based on conservative estimates of customer consumption rather than water purchased from the Massachusetts Water Resources Association. During FY 2007, the Town engaged the services of a private consultant with special expertise in utility rate setting. A rate and financial planning model was developed using various financial and billing system data. The new rate model will serve as a valuable tool in assessing the financial condition of the water and sewer utilities. It should also provide the Town with a mechanism for forecasting the future financial condition of the funds using various assumptions and scenarios. The combined rate is expected to increase by 19.3% in FY 2008, 23% for water and 17% for sewer. The proposed water rate for FY 2008 is \$4.53 and for sewer \$7.14. The minimum charge will be changed to reflect the recommendations set forth in the water/sewer rate study.

The Council is scheduled to review the findings of the consultant at the same time it reviews this budget. The proposed rate structure has been established using assumptions as to the amount of consumption as a rate component as opposed to the water purchased from the MWRA. This should help insure that lost water does not affect rate and revenue return. The indirect charges to the water and sewer funds have been increased modestly in the FY 2008 budget submission and the minimum rate for low consumption consumers will be adjusted to better reflect standard practice in other communities. Water and sewer operations cannot function properly without purchasing support and services from other Town operations. Adjustments have been made to better reflect the support costs incurred throughout the organization to operate the water and sewer functions.

The completion of the construction of the pier and the anticipated funding of the terminal at the Landing will change the fundamental focus of the Harbor Master function. Harbor operations will become much more sophisticated and formal. Currently, most service from the Harbor Master function is conducted on the water. The opening of the Pier over the July 4<sup>th</sup> week will alter this model dramatically. For the first time ever during the boating season, the Town will operate on a schedule with accessible staff offering a full line of services in addition to the usual Harbor Master public safety efforts. Staff will be available at the landing during the hours of 10 A.M. to 6 A.M., Monday thru Friday and 9A.M. to 8 P.M. Saturdays and Sundays. The services to be offered will include but not be limited to the following: transient docking, pump-outs, dingy docks, commercial charters, collection of ramp fees and trailer paring fees, collection of waterway fees and mooring permits, impounding of vessels as well as a better defined and more visible patrol and public safety assisting.

This new function comes with expectations. The following is a listing of these:

**Function**

- Base of operations of the Harbor Master Department
- Transit and perimeter dockage
- Transient slips
- Commercial landings and departures
- Dingy storage
- Seasonal slips
- Water taxi
- Sightseeing excursions
- Ferry or shuttle service to Boston and Harbor islands
- Mooring rentals

**Roll of the Department:**

- Shore side control for patrols
- Security for facility
- Collection of pier and marina landing and rental fees
- Collection of parking and boat launch ramp fees
- Distribution of Town Waterway Rules and Regulations, Chamber of Commerce publications and maps of Town attractions
- Control for launch ramp traffic
- Wharfenger (Dock master)

The Harbor fund operates similar to an enterprise fund, but with the pier and terminal coming on line in FY 2008 and its purpose, mission and operations expanding, having the Harbor Master operate as an enterprise fund with its own separate financial system and integrity that comes with it is a good business practice. Consequently, this budget proposes that the Town Council vote to establish a Harbor Master enterprise fund by accepting MGL Chapter 44 Section 53F ½.

## **BUDGET FORMAT**

This year we have expanded our efforts at constructing a program/performance budget document. This is as was last year's efforts, a very modest, attempt at enhancing Winthrop's first professional budget document. We will build on this and add to it incrementally over the next several years. The staff and I will continuously identify the unique information requirements of the community and try to address those needs through this budget document. The Government Finance Officers Association (GFOA) has spent years developing guidelines for budget documents. Winthrop is too small and the staff spread too thin to adopt every recommendation. Nonetheless, the budget is the Town Council's most significant policy responsibility. As such, it should be our goal to continuously upgrade its content so that it clearly articulates important policy matters needing the Councils' attention.

## **BUDGET ASSUMPTIONS**

The following budget assumptions have been made:

- \$353,000 in new construction revenue.
- 2-1/2% real estate tax revenue increases generating \$439,983.
- An increase of \$260,715 in state aid over the FY2007 appropriation.
- \$ 200K increase in local receipts over the FY2007 appropriation all of which represents 95% of what was actually collected in FY 2006 as well as proposed fee increases in building, harbor fees, parking and other fees controlled by the Licensing authority.
- \$ 450,000 allocation of Free Cash to the operating budget.
- Funding of all direct and some indirect water and sewer appropriations and all direct recreation costs through user fees.
- \$135,000 transfer in overlay surplus.
- A \$700,000 increase local school budget and a \$18,987 increase in the regional vocational school budget.
- Reductions in overtime accounts for Police, Fire and Public Works.
- Elimination of a position at Public Works and reductions of hours of the Nurse in the Health Department.
- Reorganization of the finance departments into one functional department.
- Outsourcing the parking control function for the residential parking permit program.

There are several issues within the budget that are worthy of mention. They are:

1. **Town Wages** – A 4 ½% wage adjustment increase has been budgeted for most municipal employees either in the departmental budget or the Town Manager’s budget under salary reserve. The Town needs to develop a comprehensive compensation policy. Most employees within the organization are paid at below market rates. Yet, distributing raises well in excess of the limits of budget growth creates unnecessary and difficult budget challenges. Perhaps, trying slow, steady and modest salary adjustments may be more beneficial than past practices.
2. **Health and Other Insurance** – The 2008 recommendation for Town Benefits and other insurance is estimated at \$442,000 an \$11.5% increase over what was appropriated for 2007. This program continues to challenge the Town. In many respects budget growth has gotten out of hand. This is a problem that needs to be solved on a macro level but managed on a local level. The employee group representatives have been engaged and we are exploring the benefits of joining the Commonwealth’s GIC program. Although some employees will see an increase in co-pays, the GIC plans offer comprehensive coverage at a much less expensive cost. Adverse selection is killing the Town of Winthrop’s claim profile. The GIC pool is so big that the affects of our claims history will be negligible. The Town could be reducing the FY 2008 insurance budget by \$700,000 if it were a member of the GIC. Even keeping the current plan and increasing co-pays would save some \$200,000 in costs. The Council must insist as a matter of policy that the plan as currently offered, be changed. Moving into the GIC program or increasing co-pays will help in the short term as we wait for reform on the macro (State and Federal) level.
3. **Cash Capital** – Some investment is proposed for Fiscal Year 2008. \$250,000 in free cash has been earmarked to fund cash capital items.
4. **Finance Department reorganization** - A reorganization plan will be filed as part of this budget to integrate the Treasurer, Collector, Assessing, Accounting and Purchasing operations into one Finance Department. Consequently, this consolidation allows the Town to avoid necessary cost increases for adding personnel by sharing resources, changing work procedures, integrating work systems and consolidating operations. The most recent audit report has outlined a number of inconsistencies, necessary talent investments and need for better coordination of reporting and reconciliation systems in order for the Town to improve accountability and the delivery of financial services to its internal and external customer.
5. **Other reductions in staff and overtime** - There is a heavily used cliché in municipal budgeting. Every manager claims to have “scrubbed” their budget in order to avoid making proposals to raise additional revenues or to cut services. This budget has been scrubbed so hard that there is substantial surface bleeding. This bleeding can be seen on almost every page of this budget. Overtime reductions are proposed in Police, Fire and Public Works. The hours budgeted for the vacant position of Public Health Nurse in the Health Department has been reduced. An expected vacancy in the Public Works Department will not be filled. Most general fund expense budgets have been level funded or reduced. We will be strategically scheduling issuance of debt all in an attempt to avoid taking on incremental budget increases for FY 2008.

6. **Recreation** - Tremendous opportunities exist to enhance recreational opportunities to the community without burdening the tax levy. The fees generated by the department will offset the cost for recreation offerings. As well as adding the position of Recreation Coordinator.
7. **Information Technology** – A cornerstone to quality customer service is developing reliable and consistent communication systems. The Town has developed a computer network that is connected with standard applications. . The budget includes funds to properly maintain a pc network and to replace some equipment. Finding a way to install fiber optic cable in Town buildings could help reduce network and computer costs.
8. **Education** - The most disappointing development in this submission is not being able provide the resources requested by the Superintendent. An increase of \$700,000 falls just short of covering the negotiated wage increases for school employees in FY 2008. The Superintendent submitted a series of additional proposals more than worthy of investment. Over the past several years, the Town has either severely restricted budget growth or reduced its investment in its educational product. Over the years performance has suffered. MCAS scores may not be as competitive as we would like. The Superintendent has made a series of proposals to increase performance accountability of the employees within the system and to increase the skill set of the students. All of these proposals are worthy of serious consideration and investment. It's regrettable that resources are not available to respond to the Superintendents initiatives. They offer great promise to the Town.
9. **Parking** - This winter the Traffic Safety Advisory Committee held a town wide hearing on the resident parking sticker program. Feedback received at the hearing was consistent with the daily feedback received by those administering the program. Our citizens feel a certain amount of frustration and harbor perceptions of inequity and favoritism because we do not have the resources to consistently enforce the permit restrictions. This budget proposes to “out-source” this function. We believe this will free the Police to deal with higher priority issues while providing consistent and effective enforcement. Our hope is to see if this pilot program works to see if expanding it to all parking enforcement would be beneficial to the Town. The program cost is neutral.

### **THERE IS ALWAYS NEXT YEAR**

Last and this year's budget actions, adopting firm financial policies and making difficult budget reductions have established the foundation for fiscal stability. Stability has been established because of sound fiscal planning discipline and foresight. The focus of all of our actions has been establishing credibility, building a budget system that produces a predictable incremental revenue stream and effectively managing the resources that have been provided. It's been a tough pill to swallow. Consequently, absent from any of the last two years worth of discussions has been a thorough a complete evaluation and consideration of meeting unmet demands for expanded, improved or new services. Now that there is budget and resource stability (as stable as can be in the Massachusetts budgeting environment), the FY 2009 process is time for the community, Town Council and professional staff to consider some legitimate proposals long offered but rarely considered, to improve our product.

The policy discussions begging attention are as follows:

*Is it worth investing additional funds in hiring curriculum coordinators at the School Department to standardize and coordinate as well as to improve learning opportunities for our children and to invest in an enhanced system of accountability for those teaching?*

*Reestablishing a reading program may increase reading competency in the schools. Is the extra investment worth the expected results?*

*Our employees' ability to adjust, adapt and respond to a changing world by developing new skills is dependent upon our ability to provide a consistent and strategic offering of professional development. Is this important to us?*

*The demographic and physical landscape of Winthrop is changing every day. Most people embrace the change but are weary about the impact of development. Hiring a Planning Director would help the community manage the physical changes that are bound to come Winthrop's way. The position will also strengthen the Town code enforcement efforts by slitting zoning interpretation and enforcement functions. Is this important?*

*During the last year performance in all departments has improved but especially in Public Works! We are blessed with splendid open space and recreational resources. These resources need material investment or no level of extra effort will allow the DPW staff to maintain all of our public spaces. DPW supply and material budgets have been gutted over the years. Is reestablishing these budgets important? At what price?*

*Much of our equipment is dated and in need of replacement. The Town's equipment, systems and sidewalk replacement programs, have all been left to atrophy. Most new equipment is designed to be more efficient in its operations than previous generations. Aside from the extra costs associated with maintenance of old equipment, buying new equipment that reduces labor costs will help Public Works meet service demands without adding a staffing obligation. Does some regular investment make sense?*

*Protecting the public is a basic and core municipal government mission. Concerns have been raised periodically about staffing levels within the Police and Fire Departments. As is the case in all of Winthrop's Departments, staffing levels in the Police and Fire Departments are significantly lower than in comparable communities. Would productivity increase if one officer were added to every shift? Would our citizens feel safer? Would adding enough fire personnel to insure that the Beach Station remains open 12 months a year, 24 hours per day add value to our citizens' investment in Winthrop?*

*Finally, should a community the size of Winthrop have a full time Human Resources Director? Will the position pay for itself with more effective and consistent attention being given to approximately 65% of the dollars spent by the Town annually?*

Some of these questions have been lingering for years, but have been left unaddressed due to resource limitations. The Town has not become flush with cash. However, it now finds itself in a more stable financial position. A position in which it is not unreasonable to plan with some assurance that

Winthrop can expect 2 to 5% revenue growth in any given year barring some state or nation wide catastrophe. It is positioned to absorb, with modest cash reserves, disruptions to its revenue stream. FY 2009 is the time for the Council to determine if in fact the community supports increasing its investment in the services we offer. Certainly the questions inventoried above have been asked before. The difference is that you are better positioned to answer them.

All of this is dependent upon your perspective as to what it is of this if any is affordable. Perhaps all of this could be bought for additional \$2 million. Does the package have value to the Town? Are the questions worth pursuing? These are difficult and sometimes politically volatile questions, but it is real progress that you are in a position now to ask them.

## **CONCLUSION**

The original budget goals set in September of 2006 have been revised with each budget and revenue update. Goals to enhance services have been changed to avoid layoffs. Preliminary efforts to enhance services have morphed into efforts at preserving what exists. The introduction of a capital investment plan is the major achievement of this budget. The Town is owner of some special assets. Maintaining an asset is the most conservative investment you can make. This budget begins an attempt at preserving the Town's physical assets. In the mean time, the employees need to step up and participate in improving Winthrop's fiscal health by working as partners to do everything to control the rising costs of health care.

## **APPRECIATION**

This budget and associated participation process is a job well done by the staff. My hope is that the changes made in regards to format are well received. The staff were active participants in this process and they deserve our thanks and gratitude. I would like to extend my personal and professional thanks and appreciation to Mike Bertino, Town Accountant and to Michele Karas, MIS Director. Both Mike and Michele worked tirelessly to make this process work.

Sincerely,

Richard J. White  
Town Manager