



TOWN OF WINCHESTER – CITY OF WINSTED

Office of the Town Manager, Town Hall

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March 15, 2013

Board of Selectmen
Town of Winchester
338 Main Street
Winsted CT 06098

Dear Honorable Selectmen:

Please find attached a copy of my proposed budget for the Town of Winchester Fiscal Year (FY) 2013-2014.

Major changes in the reporting format of the budget have been incorporated in an effort to demonstrate more detailed accounting due to serious significant issues related to the Finance Department over the course of the current fiscal year. As such, a simple “bottom-line” comparison of revenues and expenditures between this year’s current and next year’s proposed budget will show larger numbers, but the net effect of the changes results in minimal changes. The significant rise in revenues and expenditures is primarily attributable to this accounting change, but the tax burden on property owners is relatively unchanged.

Additionally, this year saw the completion of the required revaluation of real property (a formal such revaluation is mandated once every ten years). The revaluation of property resulted in a decrease in the Town’s Net Grand List (Town property value) from **\$818,214,774** to **\$689,132,050**, a decline of nearly 16%. This decline was similarly reflected in other Connecticut communities which completed a thorough revaluation.

With the aforementioned decline, the Town’s tax levy, or mill rate (currently set at 25.43), must be inversely raised to generate the same amount of property tax revenues. A “mill” is \$1 for every \$1,000 of assessed value of property. To determine the tax levy on your property, multiply your assessed property value (which can be viewed through a link on the Town Assessor’s web page) by the mill rate (in this example, .02543).

For the current year, the 25.43 mill rate generated approximately **\$20,807,000** (\$818,214,774 multiplied by .02543; assuming the unlikely circumstance of a 100% collection rate). To receive a similar amount of revenue at the lower Net Grand List value requires raising the mill rate by 4.77 mills to 30.20: \$689,132,050 multiplied by .03020 equals **\$20,811,000**. In years not affected by a revaluation, an increase of nearly five mills would likely result in a similarly significant increase in individual property tax burdens, but with the revaluation and related loss of value, *nearly every parcel of real property in Winchester has a decrease in its tax burden despite the proposed increase to 30.20 mills*. This can be reviewed by, again, multiplying your October, 2012, assessed value (Town Assessor's web page link) by .03020.

I do not want to use this message to detail specific real properties, but I will use some neighborhood averages to demonstrate this effect.

<u>Street</u>	<u>Largest Increase</u>	<u>Largest Decrease</u>	<u>Average Change To Tax Burden</u>
Cherry St	NA	-404.42	-252.15
Colony Dr	NA	-476.80	-229.51
E. Wakefield Blvd	+2,996.00	-2,726.94	-89.27
Grantville Rd	+2,208.21	-1,471.02	-45.60
Lake Dr.	+1,095.33	-274.00	+109.10
Oak St	+135.63	-727.63	-309.85
Spencer Hill Rd	+1,924.05	-690.06	-189.86
Torrington St	+589.68	-845.43	-108.55

Utilizing the revenues based upon a 30.20 mill rate described above, though, is not realistic, given that a 100% collection rate is unlikely. For budgeting purposes, the proposed budget is based upon a 97% collection rate of current taxes, which is the historic rate over the past several years (from 2005 through 2012, the average collection rate is 97.74%). If collected at that rate, *the expected revenues from current property taxes for the next fiscal year will be \$20,187,433 (which is less than the budgeted collections for this year, \$20,511,734*. A concerted effort was made to thoroughly review other revenues, and with those other revenues included, the greatest of which are Education Cost Sharing (from the State of Connecticut; \$8,145,716) and Water and Sewer Fund contributions for administration and debt service (\$1,561,000), *the proposed budget is based upon total revenues of \$32,989,520*.

As a balanced budget, *total expenditures are also proposed to be \$32,989,520*.

As is always the case, the largest appropriation is to the Board of Education. The budgeted contribution to the Board of Education is once again set at the Minimum Budget Requirement (MBR) established by the State of Connecticut, \$19,958,149. This amount includes the Education Cost Sharing grant from the State (approximately \$8.1 million) supplemented by Town property tax revenue (approximately \$11.8 million). The Board of Education receives other grant funds directly from the State that are not included in the MBR calculation (approximately \$1.4 million). Budget constraints preclude additional appropriations and the Town's current fiscal condition requires continued efforts to contain and prioritize costs.

Most of the Town operational expenditures remain relatively similar to this year's. After a year which included no pay increases for employees (other than a contractually-obligated two-percent raise for the Town dispatchers), a one-percent raise is proposed for all full-time and some part-time employees (other than the Town Manager- no increase). Contract negotiations for several bargaining units, however, are ongoing, with the expectation that personnel and benefit costs can be contained. No new positions are proposed to be created: some (but not all) current vacancies will be filled, and at least one employee has been receptive to considering an incentive to retire.

Outside agencies (such as Friends of Main Street, NW Transit, Beardsley and Memorial Library) are proposed to be funded at this year's level, except for those agencies, such as Campion Ambulance, with which the Town has a contractual obligation. In previous years, both revenues from and expenditures to Winsted Area Ambulance Association (WAAA) were included in the budget, but no funds were ever exchanged. This may be attributable to the lack of clarity regarding the formal relationship between the Town and the WAAA. No revenue or expenditure related to the WAAA is included in this year's budget, and the relationship will be re-examined over the course of the year.

Regional Refuse Disposal District One (RRDD1, or the "dump") has reduced the assessments levied against the member towns (Winchester, Barkhamsted, and New Hartford). This reduction is the result of increasing the annual entry fee to \$80 (from \$60) and decreasing the hauler reimbursement of the disposal fee to 25% (from 50%). This change results in nearly \$150,000 of savings to Winsted.

Significant expenditures are included in Capital Outlay:

<u>Department</u>	<u>Capital Projects</u>
Board of Education	Hinsdale fire code compliance (\$70,000)
Community Planning	Main Street (\$830,000)*
Police	Sedan (\$11,300 annual for three-year lease) SUV (\$12,000 annual for three-year lease) Portable radios (\$5,000) Pistols (\$10,000) Lightbars (\$4,000) Repeater system (\$15,540)
Fire	Window replacement (\$4,000) Protective equipment (\$60,000) Driveway re-surfacing (\$10,000) Thermal camera (\$10,000)* Furnace repair (\$15,000) Apparatus computers (\$4,000) Communications (\$4,000)
Highways	Paving streets (\$215,000)* West Rd bridge design (\$95,000) Sucker Brook Rd bridge (\$175,000)
Senior Citizens	Parking lot (\$18,000)

* Portion of costs reimbursed through grant revenue

A key project otherwise not illustrated in the budget will be a thorough review (including competitive bidding) of the Town's medical benefits. For several years, the Town has remained with the same provider, and with the ongoing changes in healthcare, it is an appropriate time to take advantage of those changes in an effort to reduce costs even further than our recent changes.

Even with the proposed expenditures (and the lower expected property tax revenue in relation to this year), ***the proposed budget includes a contribution to the Town's fund balance of approximately \$114,000.*** This appropriation (placed within the Board of Selectmen expenditures) can be used to begin to address a portion of the shortcomings identified in the Finance Department over the past months. Already included in the budget (currently listed within Purchasing/Data Processing, but most likely to be shifted to Capital Outlay after further consideration) is an appropriation for new software for the Finance Department.

Finally, and to supplement the fund balance allocation and although not formally included in the proposed budget, I recommend that the Board of Selectmen consider the opportunity to meaningfully address the long-term financial situation of the Town. An additional mill levied to be specifically dedicated (through a formal Board of Selectmen resolution) to enhance the fund balance or to correct the extensive list of transfers recently identified will expedite the Town's recovery in conjunction with anticipated cash transfers from the Water and Sewer Funds.

Last year's revaluation may minimize the impact on property tax burden. Using the same neighborhoods identified earlier, the effect of an additional mill would be as follows:

<u>Street</u>	<u>Largest Increase</u>	<u>Largest Decrease</u>	<u>Average Change To Tax Burden</u>	<u>Effect of 1 Mill</u>
Cherry St	+26.34	-283.29	-158.95	+93.20
Colony Dr	+255.67	-392.03	-134.19	+95.32
E. Wakefield Blvd	+3,229.42	-2,684.20	+56.16	+145.43
Grantville Rd	+3,172.97	-1,158.74	+159.01	+204.61
Lake Dr.	+1,290.04	-215.43	+276.25	+167.15
Oak St	+291.74	-617.45	-229.46	+80.39
Spencer Hill Rd	+2035.21	-624.63	-62.87	+126.99
Torrington St	+780.85	-665.53	-0.80	+107.75

Again, the proposed budget has been developed at a proposed mill rate that, if one hundred percent collected, would equal the same one hundred percent collection of this year's taxes. The recommendation to consider the additional levy is completely outside of the framework of the proposed budget, and solely offered as "food for thought" to re-establish the financial foundation and future of the Town in a more rapid period that might otherwise be realized. An improved fiscal environment will enable the Town to begin, once again, the consideration of large-scale municipal improvements. Thank you for your attention to this.

This proposed budget was developed with the outstanding assistance of several Town staff, including Ms. Jane Wall, the Interim Finance Director, who has provided incredible expertise and patience. The department supervisors and the others in the Finance Department, Ms. Colleen Garrity and Ms. Janet Closson, also played an integral role to prepare this document. The last few months have been trying, but I am proud to work with the staff at Town Hall (and other Town facilities).

I look forward to reviewing the proposed budget. Even more, I look forward to continuing to serve you and the Town of Winchester and its residents.

Sincerely,

A handwritten signature in black ink, appearing to read "Dale L. Martin". The signature is written in a cursive style with a large, looped initial "D".

Dale L. Martin
Town Manager