



CITY OF WINOOSKI

OFFICE OF THE CITY MANAGER

27 WEST ALLEN STREET
WINOOSKI, VERMONT 05404

(802) 655-6428
(802) 655-6414 (fax)

KATHERINE R. DECARREAU
CITY MANAGER
deac@onioncity.com

February 2, 2010

Dear Mayor and City Council:

Fiscal Year 2010 represented a major adjustment in the financial plan of the City of Winooski. Because of changes in the process of budgeting, several items were missed in preparing both the FY 08 and the FY 09 financial plan. This left annual expenses exceeding revenues by approximately \$400,000 to \$500,000 in each year. This gap was filled using several types of reserve funds. The City has little in the way of reserves left to balance the budget. In fact, the City must increase reserves in order to return to a strong financial position.

Revenue in FY 10 will be approximately \$275,000 less than projected. The largest portion of that decrease is \$192,000 that will not be taken from the downtown account¹. This decision was made because of the challenges in the downtown revenue stream may prevent the City from meeting our obligations for a principle payments due in FY 11. The amount was reduced to \$208,000 as originally budgeted in the bond documents in both 2004 (HUD) and in 2006 (TD Bank).

In addition to the revenue issues, expenses were expected to exceed budget by \$220,000 largely in utilities (\$100,000) and in health insurance increase (\$25,000) and worker's compensation (\$95,000). This would have meant a \$500,000 deficit in the current fiscal year. Had the same assumptions been used in FY 11, the deficit would have exceeded \$515,000.

To respond to the challenge, a group of staff reexamined the health insurance program in the City and reduced the cost of the program by \$145,000 in FY 10 and, with allowances for a significant increase, \$225,000 in FY 11. The City reduced the workforce by three employees in the middle of FY 10 and will replace the City Treasurer with a part time or contracted employee. This saved \$45,000 in FY 10 and \$130,000 in FY 11. This will leave approximately \$160,000 in regular expenses that must be trimmed and another \$70,000 per year must be found to pay back the deficit that occurred in FY 2007 and will be added to in FY 2010.

I am requesting that we raise taxes by \$.02, raising 92,000 in additional revenue. This amounts to \$40 on a \$200,000 home. Most of these funds will be targeted to reduce the deficit. The balance of \$130,000 is accounted for as "Anticipated Savings" in the General Services department budget. Of that total \$50,000 can be saved the following actions:

¹ The agreement with TD Bank allows the City to retain some of the proceeds from the downtown account to cover city expenses added with the increased activity. Although this can be demonstrated to be higher than the \$208,000, the decision not to spend the money on the General Fund helps assure our obligations can be met in the downtown financing requirements.

Saving by borrowing from Ourselves at 2.5%	8,250
Savings in reducing FY 10 deficit by 10% (~\$30K)	3,600
Property and Casualty Liability Savings	12,000
Workers Compensation Savings	<u>29,000</u>
Total	<u>52,850</u>

The remaining amount will require additional cuts in the human resource budget. Several options are available including:

Eliminate step raises for FY 11	34,883
Eliminate Life Insurance	16,734
Added benefit contribution \$1000	33,000
2% salary reduction	<u>37,353</u>
Total	<u>85,085</u>

These savings will require an agreement with the bargaining units. If they cannot be achieved in this manner, a further reduction in the number of employees would have to occur.

Several steps were taken in the process of developing the FY 11 budget that should be repeated. Specifically, revenue projections must occur first in order to set a target for expenses. In the past, the budgets were developed simultaneously, with revenue projections raised to create a balanced budget. This often led to creating a better than realistic view of revenue. By setting a target from the revenue side of the equation first, budget managers can deal with a realistic projection during the budget process rather than part way through a year, when changes has less impact.

In addition, the revenue projection does not include permits for large projects. This allows some additional revenue to flow into the budget should major development occur. Policies will be put in place to move any revenue above projections into reserve accounts so that the City can begin to restore sound fiscal practices needed to create and maintain a "rainy day" fund. These reserves must be placed in the hands of the City Council so that budget gaps are no longer easily covered by reserves.

Work remains. The capital budget suffers from serious under-funding. Our staff is in the process of developing a list of assets that fit the definition of capital items. This list will be used for

insurance calculations, depreciation schedules required by GASB, and for the capital maintenance and replacement fund. Initial estimates suggest that between \$450,000 and \$500,000 is needed to care for the City's property and equipment. We are currently spending \$275,000. This process will have to be reviewed in FY 11 so that a reasonable capital funding strategy can be put into place.

Finally, our partners at the Community Center are asking for relief from common area maintenance fees. These fees are used to care for the space not specifically assigned to a group. Rooms like the kitchen, the conference room, and the small meeting room are charged equally to the tenants. While this is common practice, we must develop a long term strategy that allows our tenants to be successful in place or risk losing revenue needed to pay the bond. This work is critical to our success and has been assigned to the Director of Community Development. Should the City lose revenue anticipated from the Center, the funds needed to keep the Center open and cover the debt would revert to the General Fund.

In summary, while 2009 – 2010 required significant attention to finances, Fiscal year 2011 will require equally hard decisions. The City Council must insist on continued fiscal discipline including monthly reporting of the budget with anticipated year end close and quarterly financial statements from a City Treasurer. City department heads must fully understand and address the capital budget to assure City assets are accounted for and preserved. The TD Bank bond covenants associated with downtown must be met. And the Community Center budget must remain strong.

While this is no small task, it is also not an overwhelming one. I remain confident that continued discipline and focus will assure that the City regains a strong financial position.

Finally, the City needs to regain focus on our future. Making decisions that do not continually position us for the future is the biggest danger we face. Winooski is in a strong position to move out of the "Great Recession". We have a diverse population that lends a cosmopolitan air to the community. We have a strong legion of residents who have lived in the City for a long time and who deeply love our town. We have new buildings downtown that bring the promise of a lively center, which will be further realized with the opening of the Community College of Vermont. We have an active Community Center with caring and committed social service providers. We have a thriving arts community beginning to work together to create key spaces and programs that stimulate the imagination. And we are growing when most of the country is contracting.

Times are tough, but I like our chances.

Sincerely,



Katherine R. Decarreau
City Manager

	FY08 Actual	FY09 Actual	FY10 Budgeted	FY10 To Date	FY10 Current Projected	FY11 Proposed	Change from Adj FY 10	% Change
REVENUE								
Property Taxes and Pilots	3,629,459	4,100,231	4,165,315	4,219,902	4,159,487	4,279,173	119,686	2.88%
Charges for Services	111,998	161,024	177,500	166,380	204,903	128,000	(76,903)	-37.53%
Investment Income	45,330	15,709	24,000	3,779	7,000	7,000	-	0.00%
Intergovernmental	123,268	92,768	94,000	31,837	88,136	49,136	(39,000)	-44.25%
Fees, Fines and Forfeits	236,353	228,188	191,000	83,725	159,000	159,000	-	0.00%
Licenses and Permits	11,376	11,252	14,500	2,986	8,825	10,850	2,025	22.95%
Other	184,307	278,374	198,500	86,055	169,980	236,650	66,670	39.22%
O'Brien Community Center	-	-	303,270	127,604	292,860	323,685	30,825	10.53%
Transfers In	1,390,618	1,021,439	587,000	-	388,000	392,160	4,160	1.07%
Grants Donation, Insurance Claims	511,026	30,955	-	-	-	-	-	-
Total Revenue	6,243,736	5,939,940	5,755,085	4,722,269	5,478,191	5,585,654	107,463	1.96%
EXPENSES								
MAYOR & CITY COUNCIL	36,248	27,699	17,289	7,116	15,289	15,339	50	0.33%
CITY MANAGER'S DEPT	198,179	138,058	195,672	75,846	149,694	115,921	(33,773)	-22.56%
LEGAL DEPT	65,683	66,197	62,400	22,224	62,400	62,000	(400)	-0.64%
FINANCE/RECORDS DEPT	246,608	373,698	307,099	162,378	334,694	277,798	(56,896)	-17.00%
GENERAL SERVICES	25,136	1,613,393	324,805	289,093	589,977	460,260	(129,716)	-21.99%
EMPLOYEE BENEFITS(1)	1,197,454							
PLAN/ZONING/ASSESSING	108,328	119,676	123,330	52,659	115,230	102,189	(13,041)	-11.32%
BUILDING REGULATIONS	61,082	71,076	83,027	41,918	56,466	7,966	(48,500)	-85.89%
HEALTH DEPARTMENT	7,545	7,552	15,637	8,216	17,050	10,108	(6,943)	-40.72%
RENTAL REGISTRY	96,682	42,561	54,706	23,372	51,282	52,617	1,335	2.60%
FIRE PREVENTION &	154,499	155,398	235,934	87,201	220,117	217,714	(2,402)	-1.09%
POLICE DEPARTMENT	1,574,382	1,610,747	2,098,629	1,023,668	1,990,266	1,925,192	(65,074)	-3.27%
ENGINEERING SERVICES	86,758	106,571	58,256	18,808	43,205	33,705	(9,500)	-21.99%
PUBLIC WORKS/STREETS	579,908	682,923	606,065	225,934	559,225	584,401	25,176	4.50%
GROUNDS & FACILITIES	888,660	208,772	424,674	215,938	466,723	504,037	37,315	8.00%
COMMUNITY CENTER		1,760	258,170	128,114	266,343	322,685	56,341	21.15%
RECREATION AND	308,120	85,762	103,813	49,378	86,557	39,759	(46,798)	-54.07%
POOL OPERATION		44,646	31,841	15,826	32,105	32,325	220	0.69%
SENIOR CITIZENS CENTER	26,808	24,646	26,885	12,908	26,553	26,553	-	0.00%
LIBRARY DEPARTMENT	89,878	97,092	130,628	43,607	119,768	121,802	2,034	1.70%
COMMUNITY DEV	72,792	64,579	98,825	46,106	94,275	91,475	(2,800)	-2.97%
REGIONAL - LOCAL PROGRAM	178,222	211,029	232,800	122,453	231,464	233,641	2,177	0.94%
CAPITAL PROGRAM	237,429	119,512	264,600	144,673	264,600	277,830	13,229	5.00%
Total Expenses	6,240,401	5,873,347	5,755,085	2,817,438	5,793,283	5,515,317	(277,966)	-4.80%
Payment on Note for Deficit						70,337		
Total Expenses	6,240,401	5,873,347	5,755,085	2,817,438	5,793,283	5,585,654		
Current Year Fund Balance	3,335	66,593	(0)		(315,092)	(0)		
Prior Year Fund Balance	(231,365)	(228,030)			(228,030)			
Total Fund Balance	(228,030)	(228,030)			(543,122)			

(1) Included in department budgets beginning in FY 2009.