



# **FY 2023/24 Manager's Recommended Budget**

## **Town of Manchester Connecticut**

March 2023

# Summary

- Current service level budget with exception of 8<sup>th</sup> Merger.
- Budget represents the first year following the merger of the South Manchester Fire District & 8th Utilities District.
  - The Fire Department budget is expanded to provide full-time EMS and fire suppression services to the entire Town.
- The merger eliminates the Fire special taxing districts, and Fire operations are funded out of the General Fund going forward.
- The significant increases seen in the General Fund are therefore largely offset by the elimination of the Fire Special Taxing Districts.
- Mil rate is being impacted by expenses for current services rising significantly more than revenues.

# Current Budget Lookback

- Human Services- increased funding for community agencies serving our most vulnerable residents, including
  - More resources for MACC and MACC outreach to help provide for the homeless and those in critical need.
  - Additional money for staff to assist homebound elderly residents.
  - Increased funding for the Center Congregational food pantry.
  - Additional funds provided for SAFS to assist residents with emergency needs.
- Resiliency – establishment of Resiliency Fund to ensure Manchester’s climate readiness and respond to increase in severe weather.
- Emergency Management- funding for an Assistant Chief in the Fire Department whose responsibility will include emergency management operations.
- Community Events- Juneteenth, PrideLove, Fall Festival at NW Park.
- Diversity, Equity, and Inclusion-
  - Health Equity Position
  - Increases funding for DEI coordinator, maintain centralized funding for other DEI efforts.
  - Expands hours for Spruce Street Farmer’s Market.
  - Elimination of Library fines that disproportionately affects low-income and marginalized communities.
- Arts & Culture- direct funding for Work\_Space Gallery, which hosts culturally diverse & educational exhibits.
- Social worker assistance for emergency response-shift PD social worker to general fund so we can permanently invest in a reformed response model for mental health issues.
- Technology- invests in several enterprise software system upgrades that will make our government more efficient, effective, and responsive, and enhance our cybersecurity.

# Current Budget Lookback

- Merging the Town's two fire and public works taxing districts.
- Successful launch of the MPD Civilian Review and Relations Board.
- Increasing diversity of Town staff to better reflect the community it serves.
- Providing support for the Town's most vulnerable populations, and those most marginalized/ impacted by the COVID pandemic.
- Continuing to provide outstanding basic city services to a growing community.
- Overwhelming support for a referendum to build a 21st Century Library.

# Today's Situation

- The FY24 budget proposal continues this year's investments in public education, human services, sustainability, DEI, and technology.
- Cost of maintaining existing service levels is rapidly increasing in inflationary environment at 40-year record levels.
  - Recruitment and retention continue to be a challenge, further putting pressure on largest expenditure item, employee wages.
- Two of last three budgets saw no increase in taxes, last year was a less than 1% net increase in local taxes.
  - Flat revenue while expenses are rapidly climbing.
  - In order to maintain existing services, local tax revenue needs to rise.
  - Only other option is to reduce or eliminate program services.

# Today's Situation

- State aid is flat in most areas, and overall decreases with elimination of MV tax cap grant funding payable to Town, per OPM, as well as \$281k reduction to PILOT for non-taxable property.
- One area where state aid is increasing in the Alliance Grant (\$1.78 mil) but that goes directly to BOE and does not impact Town revenue budget. ECS, which does go to Town, is at same level as 2013.
- With inflation, level funding amounts to an actual cut in revenue.



## Governor's Proposed FY 24 State Budget

### Municipal Aid for: Manchester

	Est. FY 23	Gov. Prop. FY 24	\$ Change	% Change
Adult Education	816,782	790,094	(26,688)	-3.3%
ECS	41,134,504	42,915,663	1,781,159	4.3%
LoCIP	449,067	449,067	0	0.0%
Pequot-Mohegan	412,450	412,450	0	0.0%
PILOT	980,303	699,203	(281,100)	-28.7%
Town Aid Road	656,229	656,229	0	0.0%
Municipal Grants-in-Aid	1,912,643	1,912,643	0	0.0%
Motor Vehicle Reimbursement	1,712,853	0	(1,712,853)	-100.0%
Municipal Revenue Sharing	0	0	0	
Municipal Stabiization	780,354	0	(780,354)	-100.0%
Supplemental Revenue Sharing	0	780,354		
<b>TOTAL</b>	<b>48,855,185</b>	<b>48,615,703</b>	<b>(239,482)</b>	<b>-0.5%</b>

# Relative cost of local government in Manchester is low

Town	Per Capita Tax Levy	Statewide Ranking/169 towns
Glastonbury	\$4,391	20
West Hartford	\$4,149	30
South Windsor	\$3,992	37
Bloomfield	\$3,797	44
Rocky Hill	\$3,485	65
Wethersfield	\$3,451	66
Newington	\$3,438	69
East Hartford	\$2,670	117
Manchester	\$2,648	118

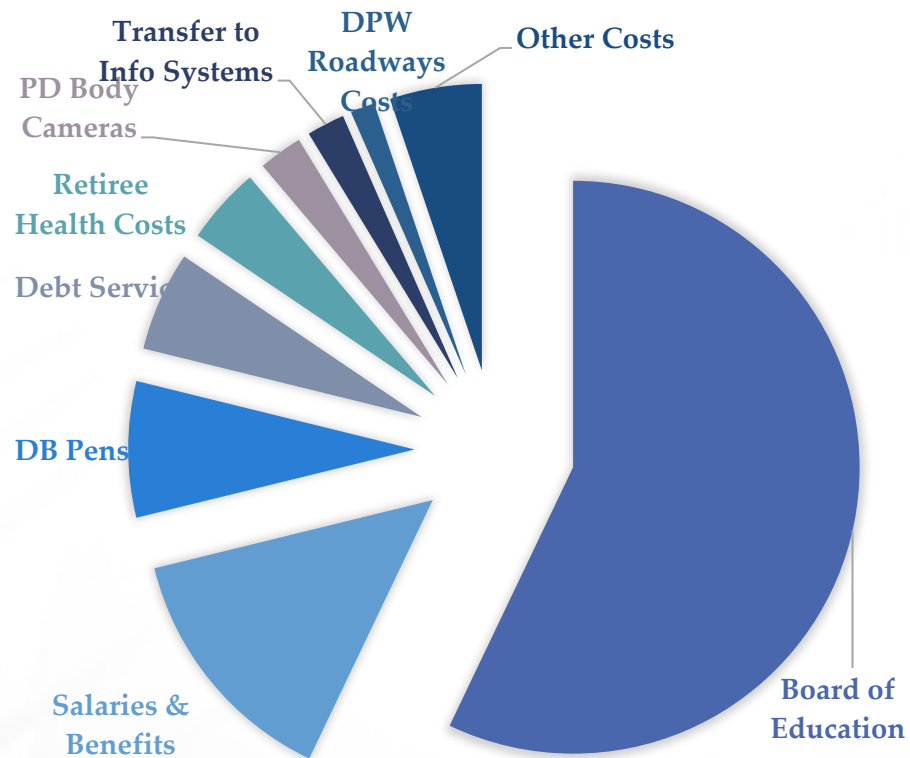
# FY24 Budget Proposal

- Recommended General Fund budget of \$233,191,608
  - Increase of \$12,142,610 or 5.49% over the FY23 General Fund & Fire Fund budgeted expenditures

<b>General Fund FY23 Base</b>	<b>\$ 201,578,135</b>
<b>Education FY24 Increase</b>	<b>\$ 5,754,349</b>
<b>Town-Side FY24 Increases</b>	<b>\$ 4,324,963</b>
<b>Fire Fund FY23 Base</b>	<b>\$ 19,470,863</b>
<b>Baseline FY24 Fire Increase</b>	<b>\$ 578,851</b>
<b>Net Result of District Merger</b>	<b>\$ 1,484,447</b>
<b>TOTAL FY24 GENERAL FUND</b>	<b>\$ 233,191,608</b>

# FY24 Budget Proposal

- Absent the merger, the General Fund recommended budget would be increasing by \$10,079,312, or 5.00%. Cost drivers are depicted below:



GF Expenditure Drivers (Net of Merger)		
	Board of Education	\$ 5,754,349
	Salaries & Benefits	\$ 1,419,076
	DB Pension	\$ 773,341
	Debt Service	\$ 566,455
	Retiree Health Costs	\$ 438,427
	PD Body Cameras	\$ 250,000
	Transfer to Info Systems	\$ 215,808
	DPW Roadways Costs	\$ 138,745
	Other Costs	\$ 523,111
	TOTAL INCREASE NET OF MERGER	\$ 10,079,312

# FY24 General Fund + Fire Fund Combined, with Merger Separated Out

	Adopted 2022/23	Manager's Recom. 2023/24	Increase	Percent Increase
Town-Side Operations	\$ 57,227,524	\$ 59,962,514	\$ 2,734,990	4.78%
Capital & Non-Operating	\$ 10,308,315	\$ 11,331,833	\$ 1,023,518	9.93%
Fire Department & Merger Net Result		\$ 21,534,161	\$ 21,534,161	N/A
<b>SUBTOTAL- TOWN</b>	<b>\$ 67,535,839</b>	<b>\$ 92,828,508</b>	<b>\$ 25,292,669</b>	<b>37.45%</b>
Board of Education	\$ 119,689,163	\$ 125,443,512	\$ 5,754,349	4.81%
Other Education-Related Costs	\$ 503,550	\$ 503,550	\$ -	0.00%
<b>SUBTOTAL- EDUCATION</b>	<b>\$ 120,192,713</b>	<b>\$ 125,947,062</b>	<b>\$ 5,754,349</b>	<b>4.79%</b>
<b>DEBT SERVICE</b>	<b>\$ 13,849,583</b>	<b>\$ 14,416,038</b>	<b>\$ 566,455</b>	<b>4.09%</b>
<b>FIRE FUND (merged into GF eff. 7/1/23)</b>	<b>\$ 19,470,863</b>	<b>\$ -</b>	<b>\$ (19,470,863)</b>	<b>-100.00%</b>
<b>TOTAL COMBINED GENERAL + FIRE FUND</b>	<b>\$ 221,048,998</b>	<b>\$ 233,191,608</b>	<b>\$ 12,142,610</b>	<b>5.49%</b>

# General Fund Only, with Merger Integrated

	Adopted 2022/23	Manager's Recom. 2023/24	Increase	Percent Increase
Town-Side Operations	\$ 57,227,524	\$ 79,190,896	\$ 21,963,372	38.38%
Capital & Non-Operating	\$ 10,308,315	\$ 13,637,612	\$ 3,329,297	32.30%
<b>SUBTOTAL- TOWN</b>	<b>\$ 67,535,839</b>	<b>\$ 92,828,508</b>	<b>\$ 25,292,669</b>	<b>37.45%</b>
Board of Education	\$ 119,689,163	\$ 125,443,512	\$ 5,754,349	4.81%
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<b>TOTAL GENERAL FUND</b>	<b>\$ 201,578,135</b>	<b>\$ 233,191,608</b>	<b>\$ 31,613,473</b>	<b>15.68%</b>

# City/Town Proposed FY24 Expenditure Budget Comparisons

- East Lyme- 8.8%
- Stonington- 7.55%
- Brookfield- 6.44%
- Simsbury- 6.19%
- Manchester- 5.49%
- New Canaan- 5.45%
- East Windsor- 4.88%
- New Haven 4.66%
- Southington – 4.5% (doesn't include separate debt service going up 20%)
- East Hartford- 3.6%
- Glastonbury – 3%

# Budget Highlights- Town

- Building on the successes of FY23, the 2024 budget continues the investments in our Town's provision of basic city services and public education, while ensuring the on-going support for the community's most vulnerable populations.
- District merger & conversion to Town-wide full time fire service represents largest change in service levels in last 2 decades.
- In response to increasing public safety demands, invests in an additional police patrol officer, while also continuing to fund police transparency initiatives. (budget neutral).
- In response to increased usage of our trails and parks, invests in one additional public works maintainer position. (budget neutral).
- Funds an enhanced Summer Recreation Outreach program, allowing proactive assistance to help children dealing with the negative socio-economic impacts of COVID.

# Budget Highlights- Town

- Includes overall Town government operations increase of 4.78%, or \$2,2734,990, net of merger.
  - Increase of \$1,028,215 or 3.81% for wages & contractual salary adjustments.
  - Net pension increase of \$773,341 based on valuation of pension funds- new mortality tables.
  - PD pension increases \$476,143 (14%).
  - Work\_Space Manager position, currently funded 50% in Budget Office, will be funded entirely from Work\_Space fund.
  - In response to increasing public safety demands, invests in an additional police patrol officer, while also continuing to fund police transparency initiatives.
  - In response to increasing maintenance demands, invests in additional budgeted maintainer position for public works.
  - Additional part time Youth Services and Town Clerk assistance added.
  - Field Services roadway maintenance costs increase by \$288,745; reduced by \$150,000, to be funded with designated reserves as a contingency fund.

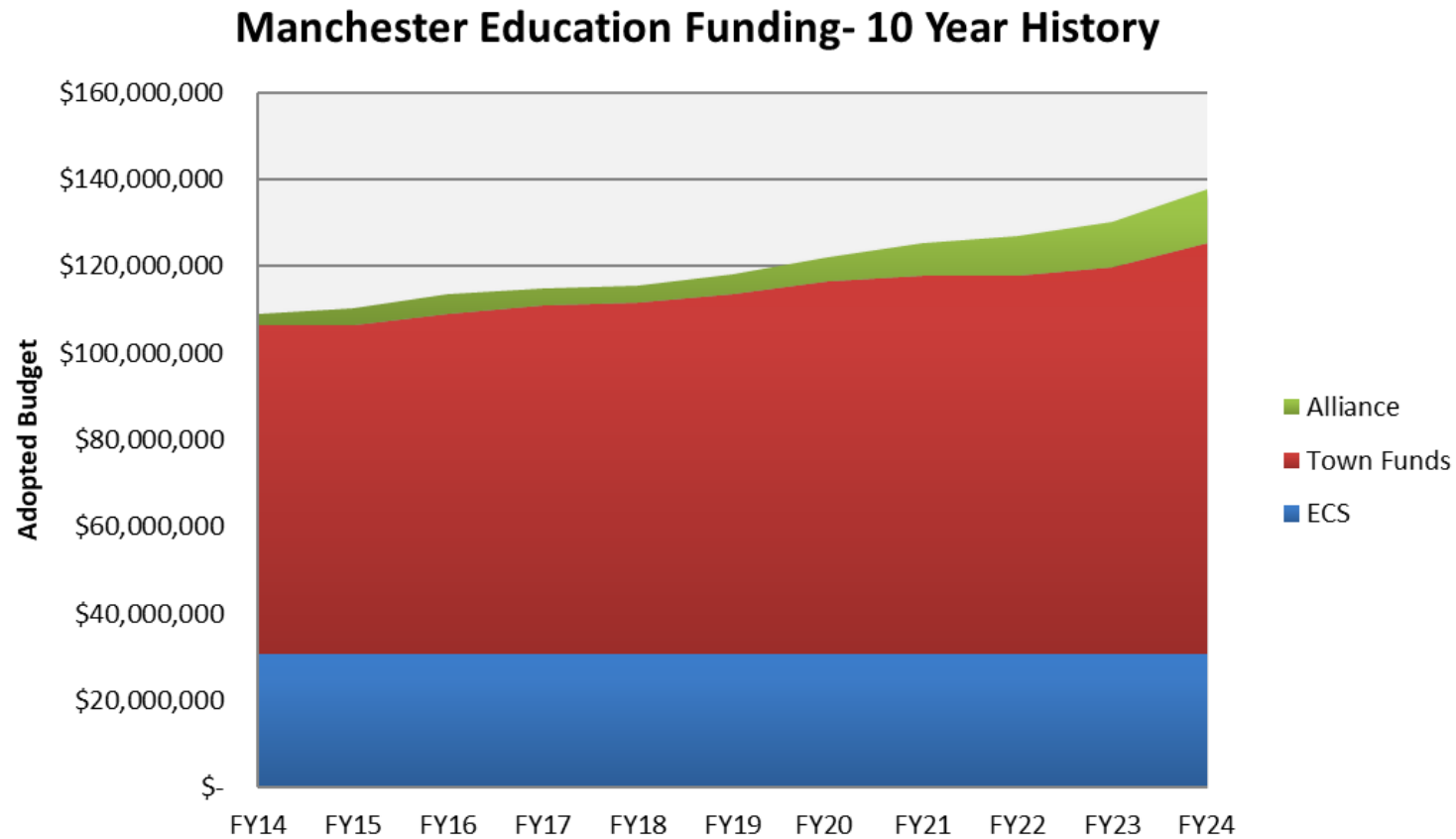
# Budget Highlights- Town

- Town non-operating increase of 9.93%, or \$1,023,518, net of merger
  - Retiree health costs increase \$438,427 (13%)
  - DB pension for non-PD increases \$297,198 (22.6%)
  - Transfer to IS increases \$215,808 (17.4%) mainly due to MS365 annual costs
  - Capital budget increases by \$99,000 or 5.7%, and is offset by use of ARPA, reserves, and LoCIP.
- Post-merger adds all Fire Department costs, 2 administrative positions in Finance, and additional building maintenance and utility costs for former 8th District Buildings, and nets out interfund & central admin costs.

# Budget Highlights- BOE

- BOE adopted a recommended budget of \$125,443,512
  - Increase of 5,753,349, or 4.81%.
  - Includes \$509,776 over Superintendent's recommendation to support targeted teacher collaboration and professional development centered on improved instructional practices designed to improve student outcomes.
  - Increased education costs including but not limited to salaries and benefits, special education, and utilities.

# Budget Highlights- BOE



# FY24 General Fund Revenues

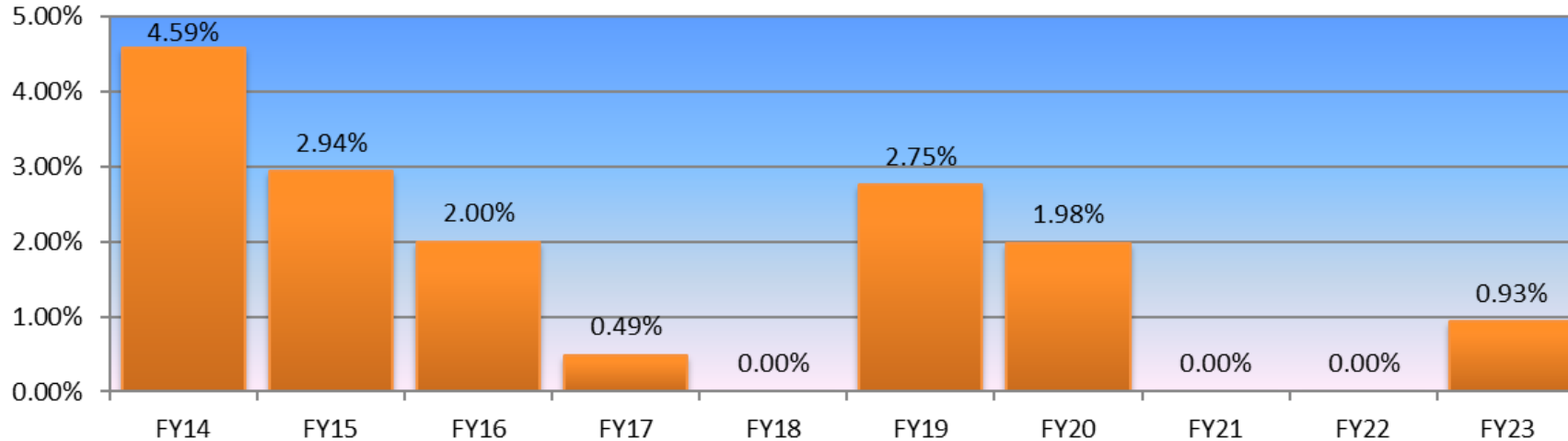
- Budget assumes \$1.5M loss in total MV tax cap grant funding payable to Town, per OPM, as well as \$281k reduction to PILOT for non-taxable property.
- Use of Fund Balance reduced from \$2.5M to \$2M based on trends in operating results, in order to ensure against future loss of net position.
- Fire-related revenues (tax levy, ALS fees & fire marshal permit fees) added to General Fund.
- Overall reduction of \$1.4M in non-tax revenue, not incl. use of fund balance.

# Tax Rate Impact

- Proposed budget requires mill rate of 38.25, an increase of 5.90% compared to FY23 GF + SMFD mill rate, or 4.85% compared to FY23 GF + 8th District mill rate.
- Would have been 4.98% if no loss in non-tax revenue.
- This follows 4 years of increases below 2% and 10 years below 3%.
- Post-Covid inflation highest since 1982.

# Tax Rate Impact

**General Fund Mill Rate Increases, FY14-FY23**



***FY23 Adopted mill rate is equalized for a 0.5% growth in Grand List, vs actual growth of 18%***

# Tax Impact on Residents

- Proposed Mill Rate of 38.25 (currently 36.12 FF+GF)

Market Value	Assessed at 70%	Current Tax	New Tax	Change in Tax
\$180,000	\$126,000	\$4,551	\$4,820	\$269
\$225,000	\$157,500	\$5,689	\$6,024	\$335
\$325,000	\$227,500	\$8,217	\$8,702	\$485

# Options for Board

- Reductions to Manager's Recommended Budget will result in operational impacts. A few options with no impact on current operations are below but risk spike in future year budgets.
  - Fund balance at risk
  - Retiree health funding
  - Use of debt premium
- Departments are prepared to present options as we receive feedback from the Board and Public through March.
- Options will include reducing public safety staffing, limiting recreation/library programing, increasing deferred maintenance of infrastructure, and other proposals that will impact service levels and quality.
- Balancing the inherent tension between limiting taxpayer costs and meeting service demands will be the focus of Budget Workshop process.
  - Growing community translates into increase demand for municipal services
  - Inflation

# Water and Sewer

- In response to increasing capital costs related to organics removal and other increasing regulations:
  - 8% rate increases recommended for both funds, due to large upcoming capital expenses
    - (Town-wide replacement of meters & treatment of well contaminants, totaling \$20-30M over next several years)
  - Water Operating & capital budget increases 4.4% over FY23.
  - Sewer operating & capital budget increases 7.0% over FY23.
  - Both funds severely affected by inflation of chemicals, utilities, commodities, etc.
  - District merger adds \$229,688 to budget, which is offset by additional revenue from former 8th District.
  - Debt service in both funds reflects showing budgetary pay-downs of short-term notes, per advice of rate consultant, resulting in total budget increases of 13.00% and 13.32%, respectively.

# Summary

- Recommended General Fund mill rate represents 5.90% increase over current combined mill rate (FF+GF)
  - Main cost drivers of increase are BOE, salaries/benefits for Town, pension, debt service, and inflation.
  - Building on the successes of FY23, the 2024 budget continues the investments in our Town's provision of basic city services and public education, while ensuring the on-going support for the community's most vulnerable populations. Notably, in response to the decision of the Eighth Utilities District to merge services with the Town, this budget will provide full-time EMS and fire suppression services to the entire Town, enhancing one of the town's most critical functions.
- Water & Sewer rate increases of 8% proposed in light of major upcoming capital & environmental abatement needs and inflationary factors.

# Summary

- This annual budget represents the spending plan that fully funds the services that make Manchester a place where people of all ages and backgrounds want to live, work, play, go to school, and raise a family. It invests in education, public safety, social equity, technology, and sustainability, without compromising the quality-of-service residents and businesses expect from their local government.
- Preserves Manchester's AAA Credit Rating and prioritizing the long-term fiscal health of the Town.
- It should be noted that several assistance programs are available for Manchester residents, especially those on a fixed income who are most affected to changes in property taxes. These include abatements for Seniors, Disabled Individuals, and Veterans.

# Looking Ahead - March

- In the coming weeks, staff looks forward to hearing more input from residents, businesses and not-for-profit organizations, and the Board, about their priorities for Manchester's future, which I believe this 2024 Recommended Budget reflects.
- Questions/Comments?