



Town of Manchester Budget Update

January 13, 2026

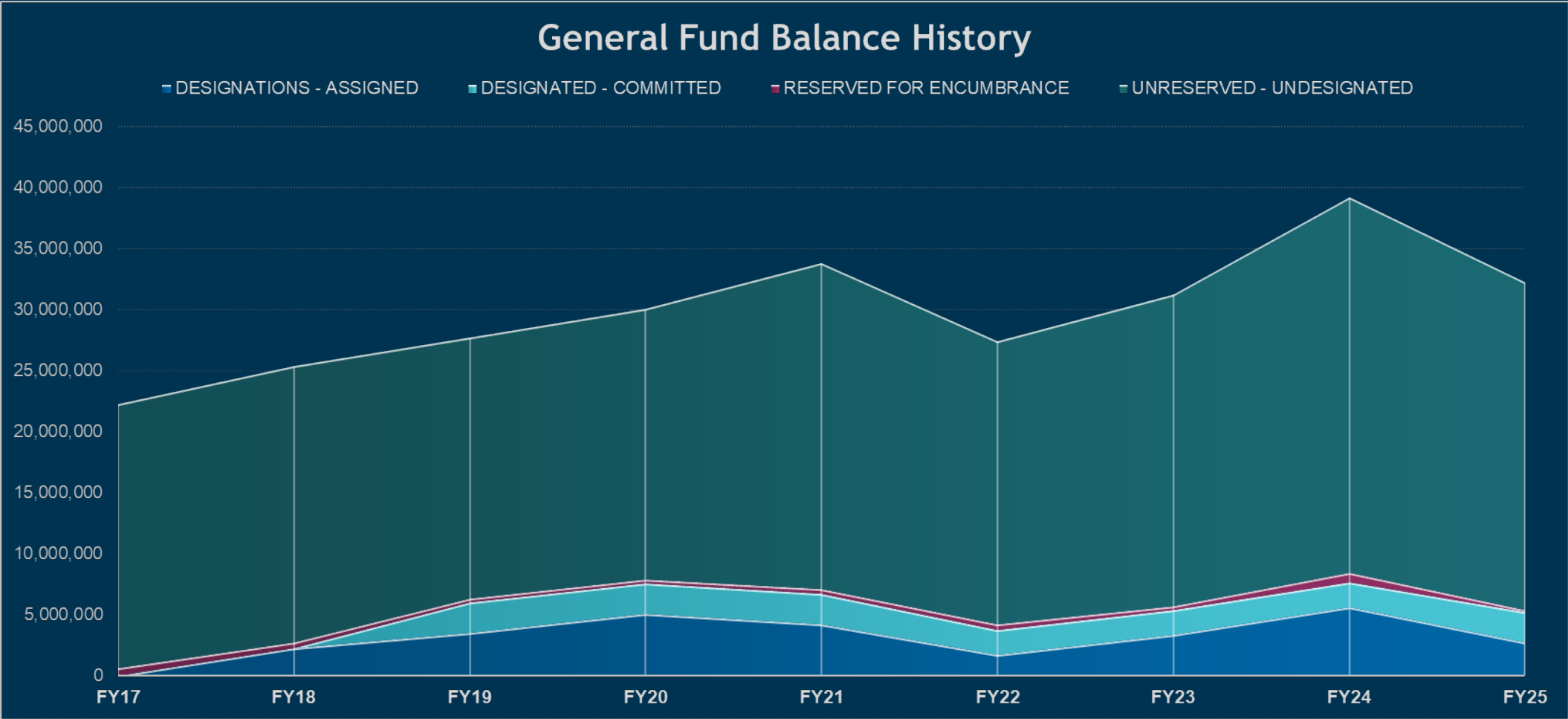
Recap from Last Year

- Closing out with a very positive FY24 General Fund net result
 - Absorption of \$4M in Fire District merger funds
- Anticipated a reversal of those gains in FY25
 - Appropriation of Fire District merger funds on 7/1/24
 - Pending mall settlement
 - Planned for combination of designated fund balance & operating surplus to manage the impact

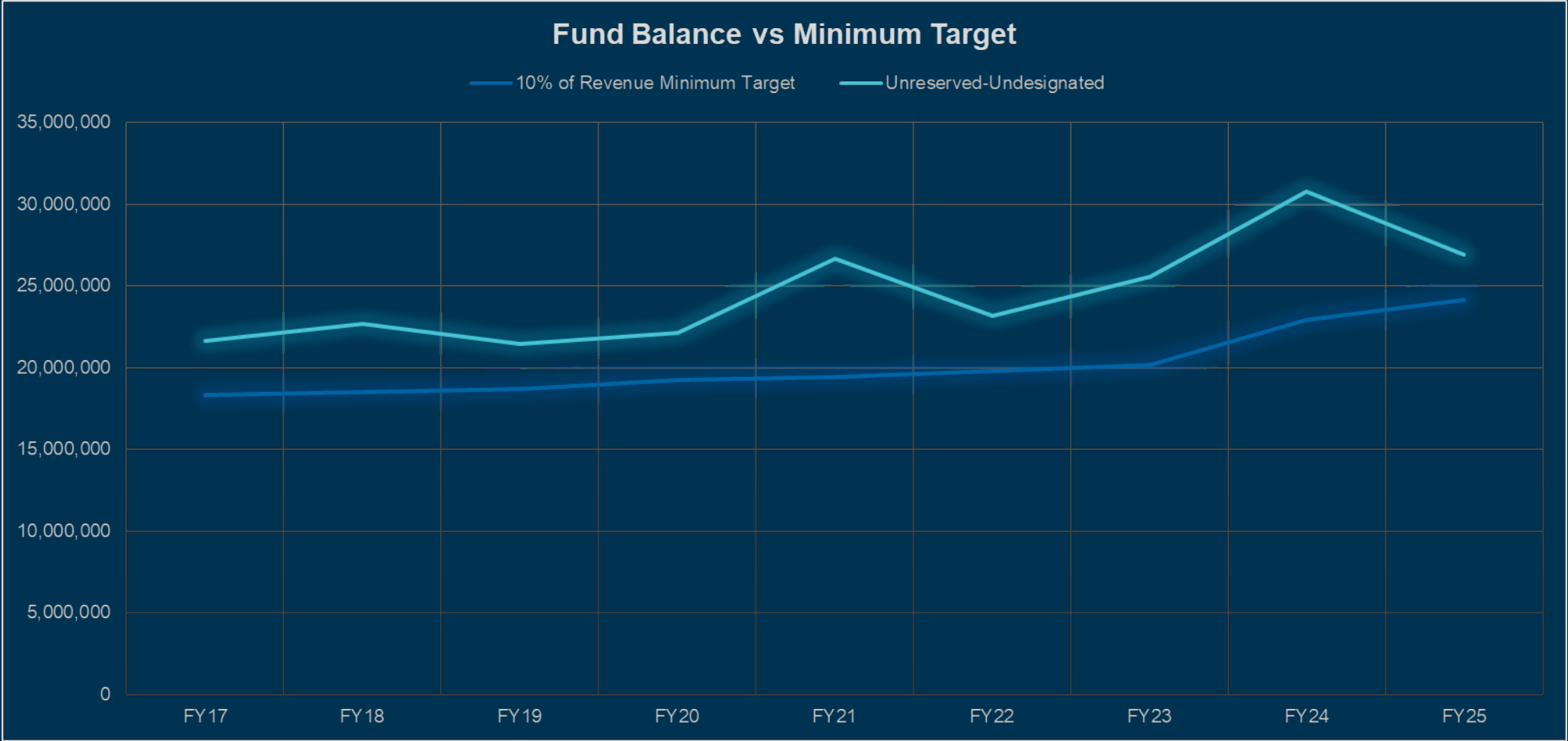
Actual Results

- FY24 saw a positive net result of \$7.9M
 - \$2.75M set aside (designated) as a buffer
 - Unreserved/undesignated increased by \$5.2M
- As expected, FY25 saw negative result of operations of -\$6.9M
 - Entirely due to revenue shortfalls
 - Thanks to strategic use of designations, unreserved/undesignated only dropped by \$3.6M

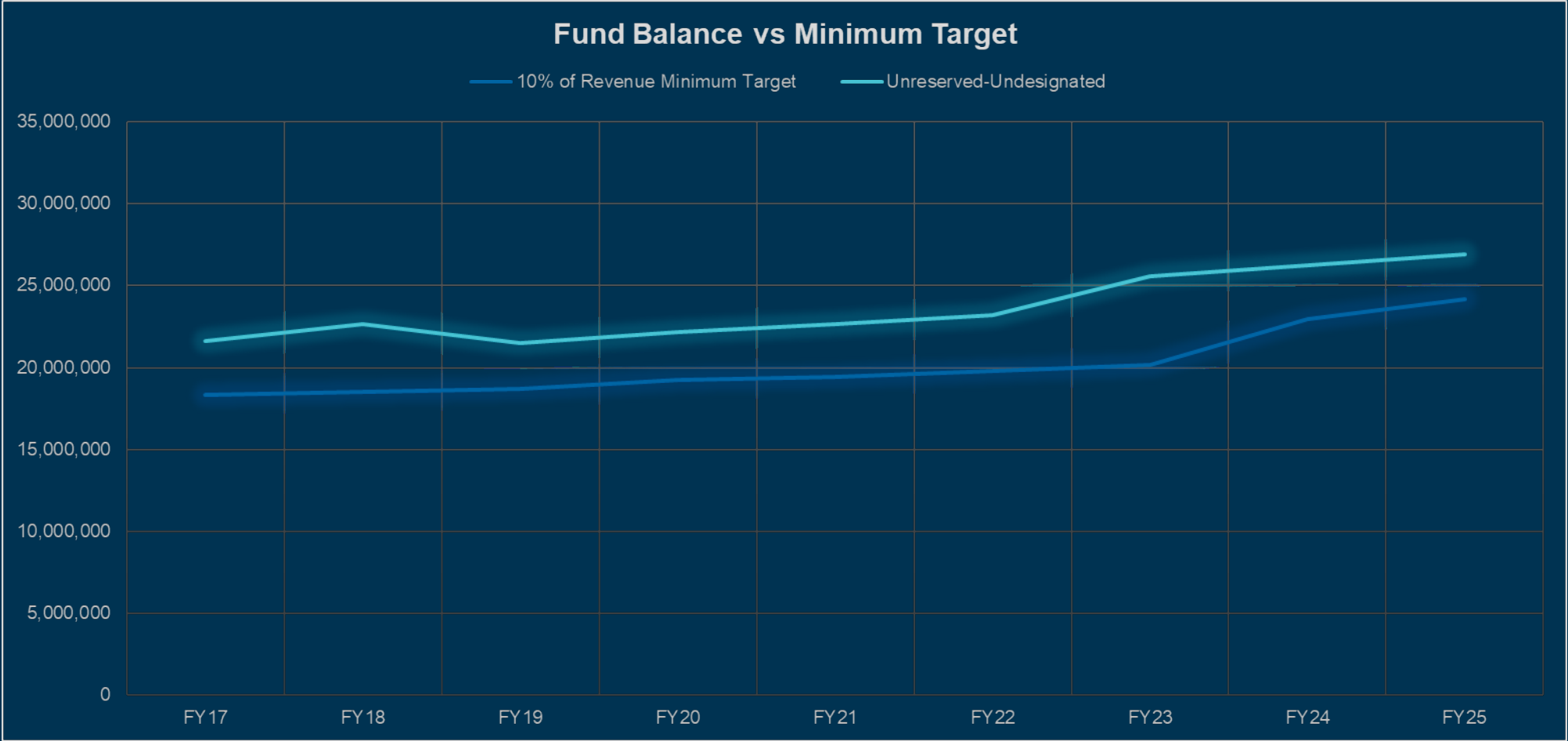
Financial Position



Financial Position



Financial Position (Smoothed)



Target Result

- Enough of a positive result to keep pace with inflation
 - 10% of increase to overall budget
 - In FY26, target result would be about +\$1.2M
- Surpluses must be over and above budgeted use of fund balance
 - \$2.5M budgeted use of fund balance = hurdle we need to clear

Therefore, revenue + expenditure surpluses would need to exceed **\$3.7M** for a net result of +\$1.2M

FY25 Results

- Expenditure Surplus: \$4.4M (1.8%)
 - Mostly vacancy & turnover savings
- Revenue Deficit: -\$8.2M (-3.4%)
 - -\$2.5M budgeted use of fund balance (so \$5.7M short not incl. this item)
 - -\$5.0M real estate & personal property taxes
 - -\$2.1M motor vehicle taxes
 - +\$570k state aid (mostly MRSA)
 - +\$250k fees (mostly Fire Marshal & Building Inspection; low on Town Clerk)
 - +\$430k interest earnings

Current Year Projections

- Expenditures
 - Not anticipating as high of a surplus- possibly \$2-3M
 - Lower vacancy & turnover rate
 - Inflationary pressures on purchased services & collective bargaining

Current Year Projections

- Revenues
 - Hospital closing will provide significant one-time delinquent tax revenue
 - Other tax collections will be low (new mall value, motor vehicle collections)
 - Additional \$1.5M in state aid vs budget (MRSA & Grants for Municipal Projects)
 - Town Clerk Fees & Interest likely to come in below budget
 - Overall projection: +\$4.5M (%)

Current Year Projections

- Net Projection
 - +\$2.5M expenditure surplus
 - -\$2.5M use of fund balance
 - +\$4.5M revenue surplus
 - +\$4.5M overall projected result

FY27 Revenues

- Negative factors
 - Adjusting grand list for new mall value and lost hospital revenue
 - Adjusting motor vehicle collections assumptions
 - Town Clerk & interest revenues
 - Local veterans tax exemption
- Positive factors
 - Grand list growth (?)
 - State aid (?)
 - PILOT for hospital- not until FY28
 - Positive FY26 result will provide some flexibility

FY27 Expenditures

- Debt service
 - Third & final year of Library issuances plus DPW
 - FY26 used \$2.4M in accumulated debt premium to offset costs
 - FY27- likely need to reduce that to \$1.2M
- Personnel Costs
 - Expected to be significantly higher than prior years
 - Post “Great Resignation”- many employees on step plans
- Other Costs
 - Utilities
 - Inflationary impact on supplies and services
 - Healthcare costs, most notably retiree health
- Education
 - Superintendent indicated current service budget would result in 6% increase

FY27 Overview

- Hoping positives offset the negatives for revenues
- Expenditure challenges + revenue adjustments = difficult starting point for mill rate
- Strategies
 - Phase-in impacts where possible
 - Look for any & all alternate funding sources
 - Cost-cutting measures
 - Consider service level options

Budget Reductions- Recent Years

- Froze 5 positions in FY26
- Reduced community agency funding by 15%
- Significant use of one-time reserves (debt premium, ARPA, etc)
- Centralized motor vehicle/fuel & printing/toner costs to achieve savings
- Reduced Field Services budget & funded a snow & supply contingency
- Reduced library hours in FY21

The background features a diagonal split. The upper-left portion is light blue with thin, darker blue horizontal stripes. The lower-right portion is a solid dark blue. The word "Questions?" is centered in the dark blue area in a white, sans-serif font.

Questions?