

**NOTICE  
PUBLIC HEARING  
FY 2026/27 RECOMMENDED BUDGET  
OF THE TOWN MANAGER  
THURSDAY, MARCH 19, 2026  
7:00 PM  
LINCOLN CENTER  
494 MAIN STREET**

**TOWN OF MANCHESTER, CONNECTICUT  
FY 2026/2027 TOWN MANAGER'S BUDGET MESSAGE**

<b>Fund</b>	<b>Adopted 2025/26</b>	<b>Manager's Recom. 2026/27</b>	<b>Percentage Change</b>
General Fund – General Government	\$ 8,104,487	\$ 8,616,119	6.31%
General Fund – Public Works	\$ 16,510,438	\$ 17,654,469	6.93%
General Fund – Public Safety	\$ 42,715,203	\$ 44,680,996	4.60%
General Fund – Human Services	\$ 3,792,797	\$ 3,933,858	3.72%
General Fund – Recreation/Library	\$ 7,670,852	\$ 8,070,459	5.21%
Non-Education Operating Subtotal	\$ 78,793,777	\$ 82,955,901	5.28%
General Fund – Non Operating & Debt	\$ 40,633,472	\$ 44,118,780	8.58%
Education Related Subtotal	\$ 127,957,159	\$ 135,799,344	6.13%
General Fund Total	\$ 247,384,408	\$ 262,874,025	6.26%
Information Technology	\$ 2,939,850	\$ 3,267,657	11.15%
Water Fund	\$ 13,249,855	\$ 16,697,835	26.02%
Sewer Fund	\$ 15,669,233	\$ 16,138,369	2.99%
Sanitation Fund	\$ 9,857,120	\$ 10,513,356	6.66%

March 9, 2026

Honorable Mayor Moran and Board Members:

Municipalities across the state are facing unprecedented revenue challenges this year. Most notably is the Governor's proposed flat funding to public education and other municipal aid programs next fiscal year. As the Connecticut Conference of Municipalities notes, "the Education Cost Share (ECS) Foundation amount has not been adjusted for inflation in more than a decade; the current Foundation is set at \$11,525 per student, unchanged since 2013. If adjusted for inflation, the 2024 Foundation would be \$15,580 per student. This underfunding represents an annual loss of \$818 million to municipalities through 2023, shifting education costs away from the state and onto local communities".

Other unfunded mandates – included expanded property tax exemptions and underfunding of PILOT (payment in lieu of taxes) – are further pressuring local budgets. On the expense side, cities and towns are facing the same inflationary pressures - for wages, services, supplies, and equipment – as the rest of our state. Consequently, the ability to continue to deliver high quality local services without significantly increasing property taxes is becoming nearly impossible.

As Manchester continues to grow, the goal of this 2027 budget recommendation is balancing the needs of the community, expectations of Manchester residents, and the obligation to develop a financing plan that is fiscally responsible. It builds on prior year's investments in our Town's provision of core town services and public education, while ensuring the on-going support for the community's most vulnerable populations.

Notable adjustments from the prior year in this budget include:

- Board of Education increases 6.13% or \$7.8 million in Manager's recommended budget, based on the recommendations adopted by the Board of Education.
- The Town's continued investment in critical Water & Sewer Department-related infrastructure and resources.
- Funding provided for several positions based on service demands, such as funding for Property Maintenance and Neighborhood Inspection, Assessment staffing reconfiguration to help grow the grand list and ease tax burden, and the conversion of part time staffing to full time in the Fire Marshal and Social Services operations.
- Service enhancements listed above balanced by freezing four positions that were authorized in the current year in Library and Police.

Other highlights and adjustments within the FY27 budget:

- Debt service increases by \$1.7M, continuing to reflect the funding for construction of the new library as well as recurring public infrastructure and roadway investments.

- Retiree health costs increase by \$532,000 in accordance with actuarial valuation of those benefits programs.
- Capital investments increase by \$875,000 to reflect addressing critical infrastructure needs while reducing reliance on non-recurring funding sources.

Moreover, not only have service demands increased, but so has the cost of providing them. As every resident is acutely aware, the price of nearly everything- from groceries to gas to consumer items-has risen dramatically over the last few years. This impacts households, but the inflationary pressures also affect municipal operations as wages, service contracts, supplies, and equipment are also growing in costs. It is for this reason that the Manager's Recommended budget contains a mil rate increase above historical levels.

**Over the last six years up to and including FY26, the average mil rate increase in Manchester was 1.81%.** Justifiably, during the pandemic emergency, the Board of Directors made it a priority to limit the financial burden of taxpayers while maintaining or even increasing service levels. Unfortunately, due to inflationary pressures and changes to the State statute regarding motor vehicle taxable assessments, the projected costs of providing current service levels have far outpaced the Town's existing revenues.

While the Town's largest revenue source, the property tax, had increased by less than 2% annually, in 2024 the grand list decreased for the first time since 2013, by 2.43%. This is in response to state policy that mandates a change into the way motor vehicles are assessed, in addition to an expansion of veterans' tax exemptions. These **unfunded mandates** from the state continue to **push the cost of government in Connecticut onto the property taxpayer, including here in Manchester.**

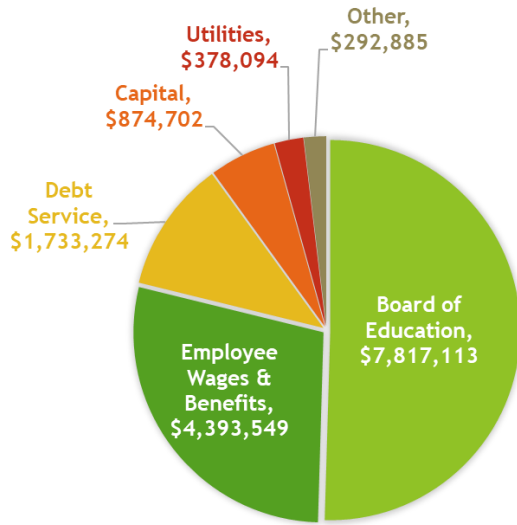
Over the past few budget cycles, and in response to the COVID pandemic and general inflation, the Town has been able to keep the tax rate flat or very limited increases without impacting operations, largely due to the one-time influx of federal Covid funds.

The past three budget cycles - which produced a 2.99% in FY24, 3.98% in FY25, and 2.95% in FY26 - identified most of the expense reductions that don't substantially impact service levels. In today's inflationary environment, however, the lack of raising additional revenue in previous budget years has significantly raised the cost of continuing current service levels. Moreover, this past year presented the following financial headwinds:

- Real estate saw negative growth, at - 0.44%.
- Increased costs for health care, debt service and our required contributions to the pension fund.
- Electricity accounts reflecting 10-20% increases due to Eversource rate hikes effective last summer.

Consequently, this budget recommendation contains an 8.66% increase in the mil rate to sustain the Town's existing operations. If you combine this recommended mil rate increase with the previous three years, it produces an average mil rate increase of over the last six years of 3.25%.

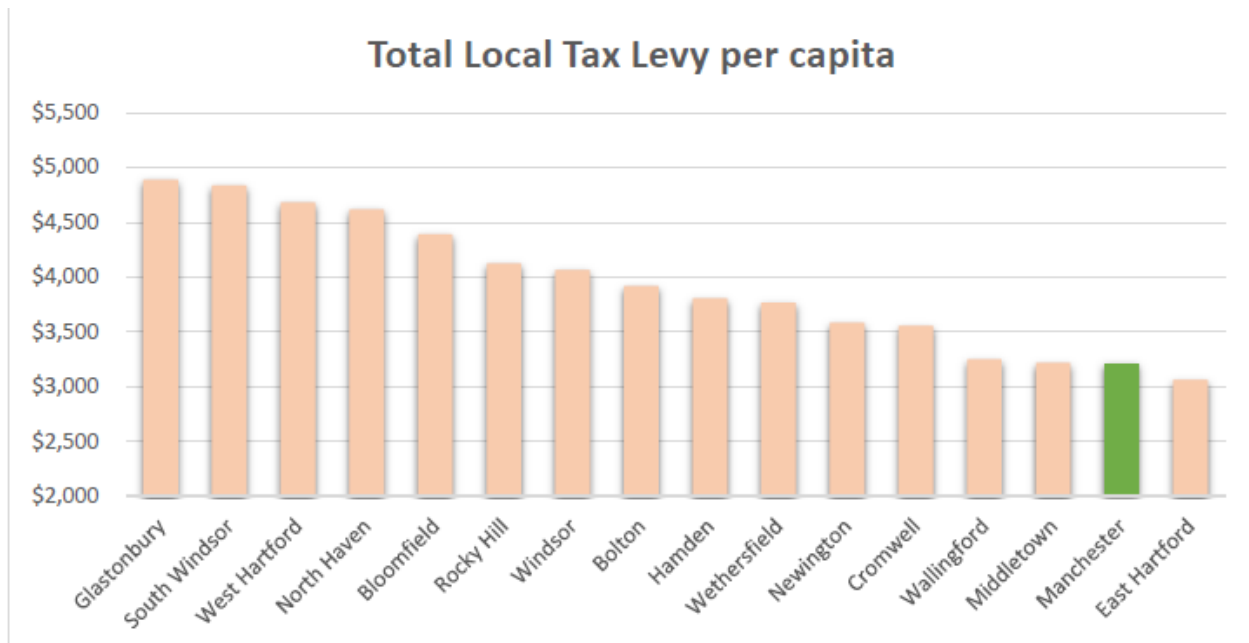
The drivers of the expenditure increase are as follows:



Board of Education	\$ 7,817,113
Employee Wages & Benefits	\$ 4,393,549
Debt Service	\$ 1,733,274
Capital	\$ 874,702
Utilities	\$ 378,094
Other	\$ 292,885
<b>TOTAL INCREASE</b>	<b>\$ 15,489,617</b>

The result is a recommended General Fund budget of \$262,874,025. This is an increase of \$15,489,617 or 6.26% over the FY26 General Fund budgeted expenditures.

It is important to note that, in comparison to many of our neighboring communities, Manchester's town government provides its high-class level of service at relative low cost:



Prudent policies by the Board in prior years (negotiating changes to health care plans and investing in energy efficiency projects) have mitigated some of the cost pressures on the expense side of the budget. For example, despite a substantial increase in per-unit utility costs, we've been able to hold utility budgets relatively flat due to the implementation of energy-efficient technologies, particularly LED lighting.

Moving forward, the available policy options are to 1) increase the mil rate to maintain service levels or 2) maintain the existing tax rate while eliminating certain programs and services. Considering Manchester's population growth and the increasing demand for services, there is an argument that the FY26 budget should be adding more resources to address human service, public safety, education, and parks and recreation needs. Budgets, to be sure, are policy priorities in action that must recognize the tradeoffs between service demands and the community's ability to pay for them. The Town Manager's budget is an initial policy recommendation that attempts to balance these two competing dynamics. It will ultimately be up to the community's elected representatives, the Board of Directors, to decide on the final spending plan for the upcoming fiscal year. Given economic pressures on the Manchester community, I do not expect the proposed mil rate increase to be the final amount adopted by the Board of Directors.

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.

I would like to thank the Mayor and Board of Directors for your leadership and guidance, your collaboration and partnership, as well as your visionary thinking about our community and the residents we serve. I am continuously impressed and grateful for the work of Town staff in service delivery to the community 24 hours a day, 7 days a week, 365 days a year.

In the coming weeks, I look 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 2027 Recommended Budget reflects.

Respectfully submitted,



Steve Stephanou  
Town Manager