



OFFICE OF THE TOWN MANAGER
(860) 742-6324

March 1, 2023

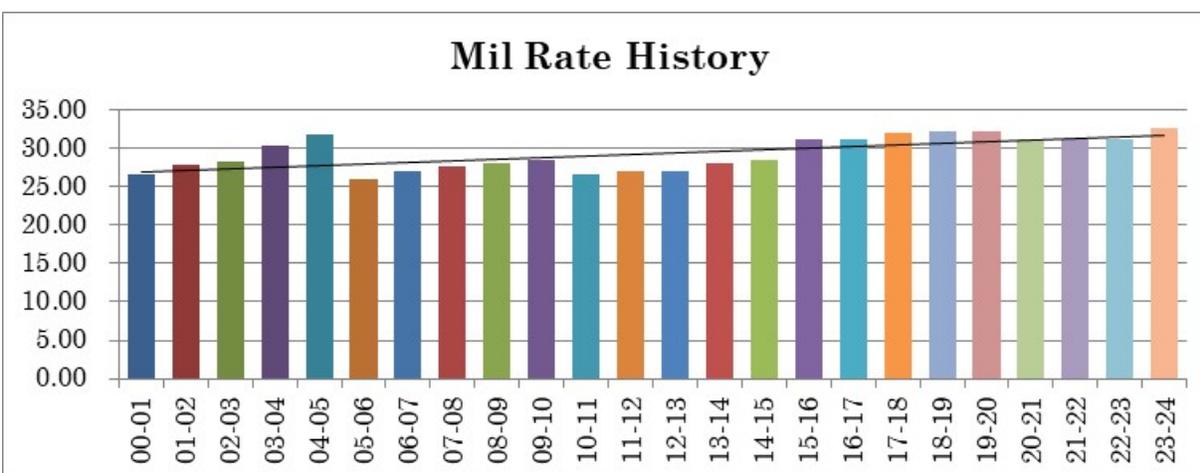
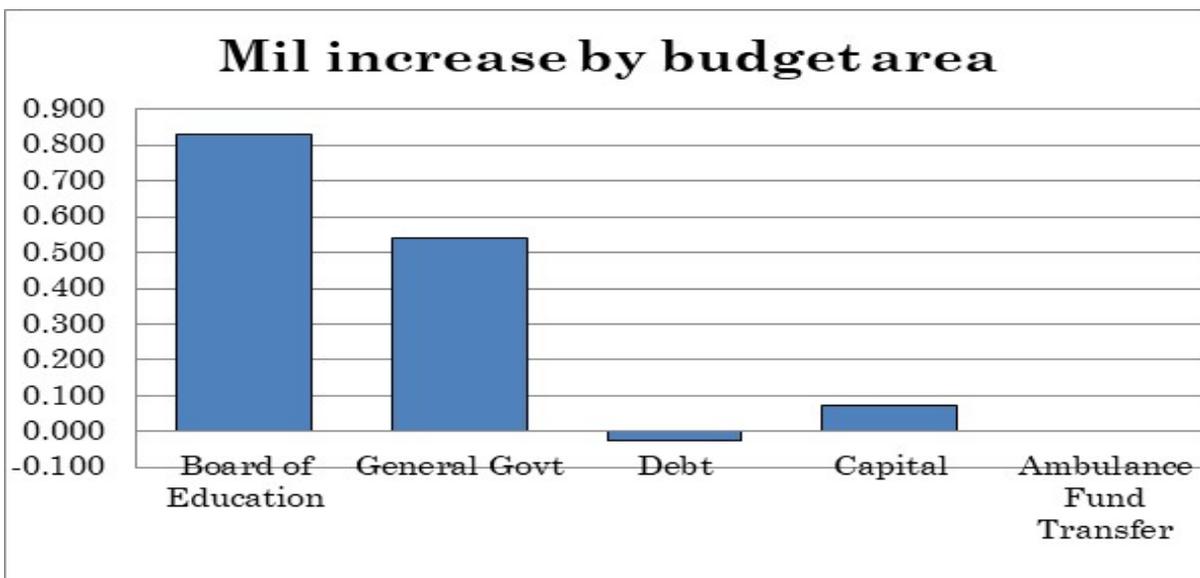
To the Coventry Town Council and Citizens of Coventry;

In accordance with the Coventry Town Charter, I am presenting to the Town Council the Town Manager's recommended budget for Fiscal Year 2023-24 in the amount of \$45,602,940. The Town, Debt Service, Capital, Ambulance Fund Transfer, and School budgets have increased by \$1,898,995. This is a 4.35% spending increase in year over year compared to last fiscal year. The proposed mil rate required to fund the proposed FY 24 budget is 32.57, a 1.42 mil, or 4.55% increase for houses and personal property. For Motor Vehicles, since there is a State Cap at 32.46 mils it will be a 4.2% percent increase or 1.3 mils. The lost revenue from Motor vehicles taxes is shifted onto house and personal property. Our grand list grew by 1.8% or half of last year's rate due to growth and was decreased by a modest settling back of car values. This proposed mil rate increase follows a mil rate change of zero for FY23, a decrease of 0.02 mils in FY22, and a mil rate decrease of 1.03 for FY21. This proposed increase would be a four year average of a 0.0925 mils a year increase, or the equivalent of a 1.15% increase over the last four years. This compares to a projected annualized inflation rate over 16% for the same period.

<u>Budget Area</u>	<u>Approved Budget FY22/23</u>	<u>Proposed Budget FY23/24</u>	<u>\$ Inc/Dec</u>	<u>% Change</u>
General Government	\$ 10,973,292	\$ 11,697,230	\$ 723,938	6.60%
Board of Education	28,712,461	29,824,330	1,111,869	3.87%
Debt Service	2,932,192	2,898,880	(33,312)	-1.14%
Capital	723,500	820,000	96,500	13.34%
Ambulance Fund Transfer	362,500	362,500	-	0.00%
TOTAL EXPENDITURES	\$ 43,703,945	\$ 45,602,940	\$ 1,898,995	4.35%

This budget needs be categorized as a transition budget. We continue moving from COVID-19 budgets which dramatically cut both operating and capital budgets, and used fund balance to freeze and even reduce the mil rate. We now need to transition back to restore some of these budget reductions and phase out the use of fund balance. We have transitioned to a new Town Council with new goals for the Community. We transitioned to a temporary staffing ambulance system, which is extremely responsive, but will take a 0.53 mil increase to sustain. We also transitioned to a unified volunteer fire department which requires some appropriate expenses for training, equipment, and very modest stipends. We really have a high caliber volunteer department at a fraction of the expense of a paid department. Covid proved the model we had was not sustainable and as facilities are added, maintenance becomes a significant financial burden. We are transitioning into a high inflationary period with significant utility and health insurance increases and wages will likely follow.

Finally, we are also transitioning local government leadership. The Town Council has started the recruitment for the next Town Manager to serve the community in the new fiscal year as I step aside into retirement after 35 years of service. As you can, see this cannot be viewed as a normal budget season. It truly is a transition budget.



This budget is a product of Covid changes. Appropriate emergency actions were taken over the last several years and a Covid action plan was adopted to hold taxes level. Reductions in spending, freezing positions, reducing some revenues and using fund balance were actions taken. We continue the multiyear recovery phase and need to continue this transition back to a more normal post Covid emergency world. Meanwhile other emergent issues are looming such as a State trash crisis, sewer capacity limits, and capital budget needs such as building repairs, other capital issues.

COVRA (Trash and Recycling): Our trash and recycling disposal contract was extended but Connecticut is in a trash/recycling crisis with the closure of the largest trash plant in the State is posed to close. We have negotiated a 3 year extension which will increase trash tipping fees by 3.0% per year. Recycling charges will change annually based on commodity pricing which the state average is now equal to or exceeding trash disposals costs. The Town expects an increase in this cost as well given current market conditions. Given these increases, the Town Manager budget proposes COVRA rates will need to be increased by \$6.00 per month or \$72 per year. The fund is sinking toward a negative balance and cannot absorb this level of loss.

FIRE/EMS: Due to Covid, we hired our staffing service to start 24/7 service to assure timely Ambulance service. Our Volunteers still get the second ambulance out when needed. We believe between the additional service, ambulance reserve and general operations, the Ambulance Fund will be operating at least a loss of \$500,000 annually. We will need to track this and attempt to push for changes in Medicare and Medicaid reimbursements which only covers around 25% of the expense. The fund cannot absorb this level of loss. We will continue to explore possible revenue resources and expense reduction, but in the interim we are proposing the fund be subsidized by \$362,500 from taxation which is the equivalent of 0.38 mils of the increase.

WPCA (Sewers): The WPCA is not planning on increasing their fees this year. The Town will need to cover \$176,368 in outstanding sewer debt for FY23/24. General Fund property taxes will have to pay this now and for the next several years until the bonds are paid off in FY26/27.

Recreation Fund: During Covid, most recreation programs were cancelled and the average annual program revenue was reduced by \$293,000. A lot of staff were not hired and some program expenses were cut, but since we rely on this fund to pay for maintenance, utilities, and cover some full-time staff expenses we went negative. The fund has now recovered to a very minimal positive balance but we need to watch the future impacts. We have reduced hours of lifeguard services during the week both as a money saving effort, but also the reality on no staff is available. We allow unsupervised use.

Other expenses: As part of our Covid plan we froze one police officer position. The FY23 budget included returning 50% of this position to the General Fund. The FY24 budget includes fully funding the officer starting January 1, 2024 out of the General Fund (\$24,000). We also have experienced higher health insurance expense and need to pay in a 9% increase from the prior year (\$139,400) more than the previous year into our health insurance fund. That is after an increase in premium sharing by all employees.

As of this writing, we do not know what other State aid may become available to help offset some of these increases. We also will be hitting a tax cap motor vehicles which will reduce car tax income. State Education Aid (ECS) grant reductions are scheduled to be reduced annually until FY 2028 at a rate of approximately \$134,000 per year subject to adjustments for enrollment. To put this context, over time, it will be a shift of at least 0.14 mil of taxes per year from State aid to local property taxes. The good news is all of the other grants are stable. It is very important to note that we are using the proposed State budget revenue estimates and will need to watch how these progress through legislative committees. We are hoping for EMS aid currently under discussion.

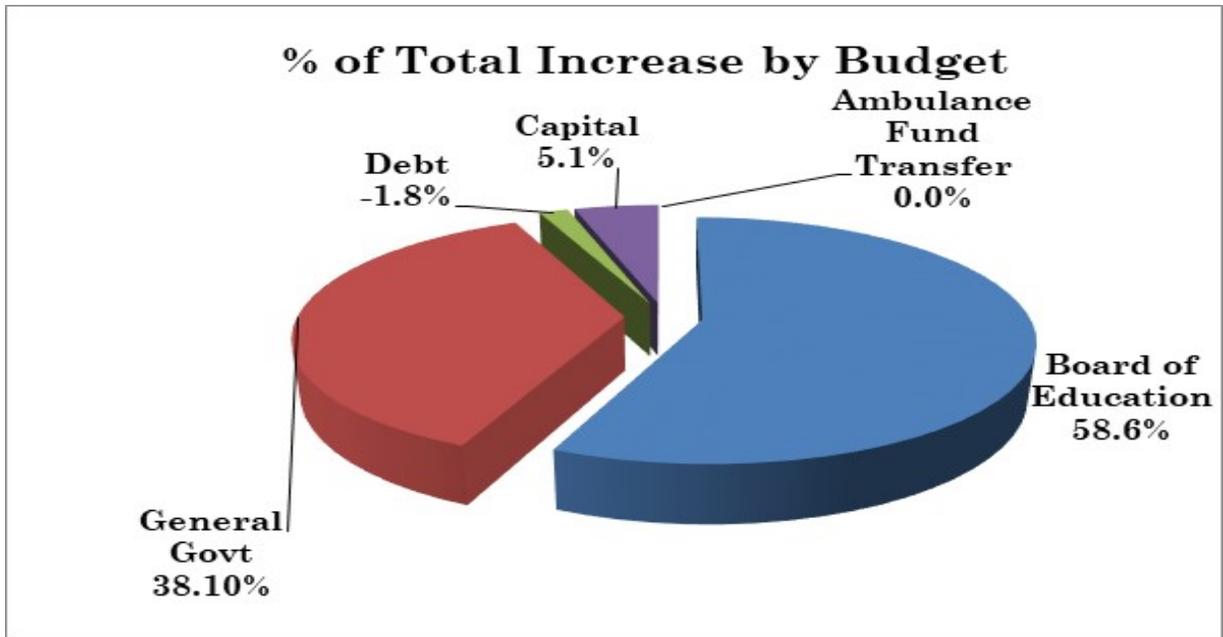
Finally, I am proposing to use \$175,000 of fund balance to fill the budget hole, unchanged from the prior year budget. This phase out has around a 0.19 mil increase impact. This will still leave our unassigned fund balance in the range of 12%, which is below our peer comparison group but still healthy.

This budget was developed with the goals of transitioning forward but many Covid impacts remain. Working with staff we were able to absorb a portion of FY21 reductions and FY22 and FY 23 impacts, and maintain essential services. While there are adversities, there are also opportunities. We have received significant grants for road and bridge improvements which will soften long-term obligations and allows some strengthening of staff. We also have paid off significant debt allowing us to consider other future capital improvements such as school roofs. The pencil will have to be sharpened to find additional savings or recovery delayed, or goals delayed.

The Council and staff are very aware of the economic conditions that exist in our state and nation. While Coventry is better off than many communities, and continues to see some grand list growth and real estate sales, the state economy is not predicted to come roaring back and more likely it will be a very slow climb to better times. This is compounded by the new emerging issue of crumbling concrete foundations and an EMS funding crisis. We have already lost almost 5.7 million in grand list value (around \$178,000 in annual taxes) and believe it will get much worse before the crumbling concrete foundation issue is resolved. However, the State assistance program has helped get some of these houses fixed and back on the full tax role.

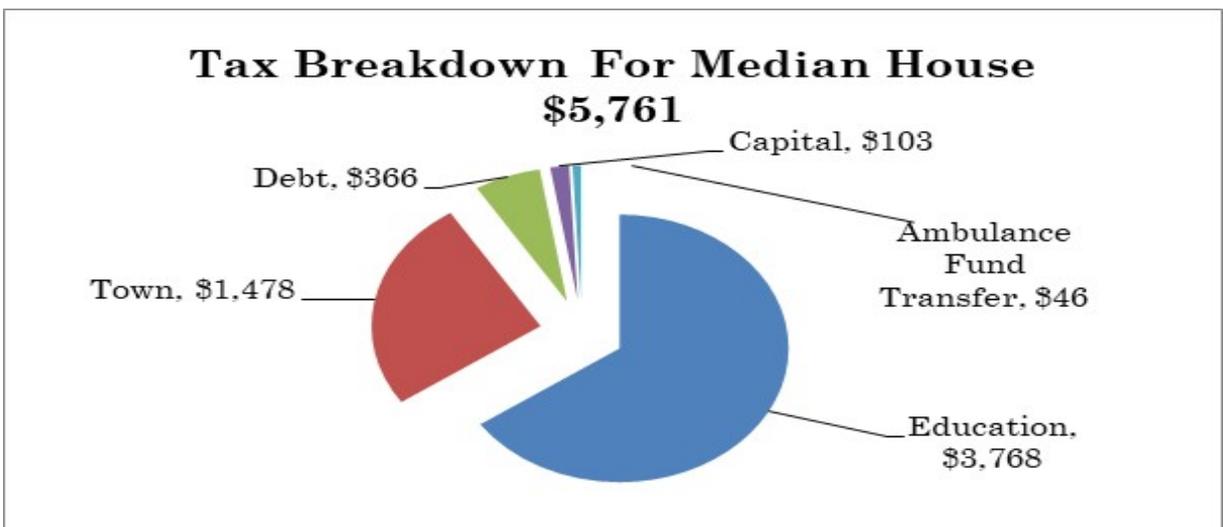
We do still see positive signs for an economic recovery with good home sales and strong commercial growth. However, we recognize that many in our community will not easily absorb tax and fee increases. The future will hold many new challenges as new work and teaching practices become the new normal. Many of these new approaches will have price tags attached to them and the work between the Town Council and the Board of Education will need to continue to adapt to the new socially distant world. Our Community continues to show its generosity and resiliency.

The chart below shows the percentage of the total proposed increase allocated by budget.



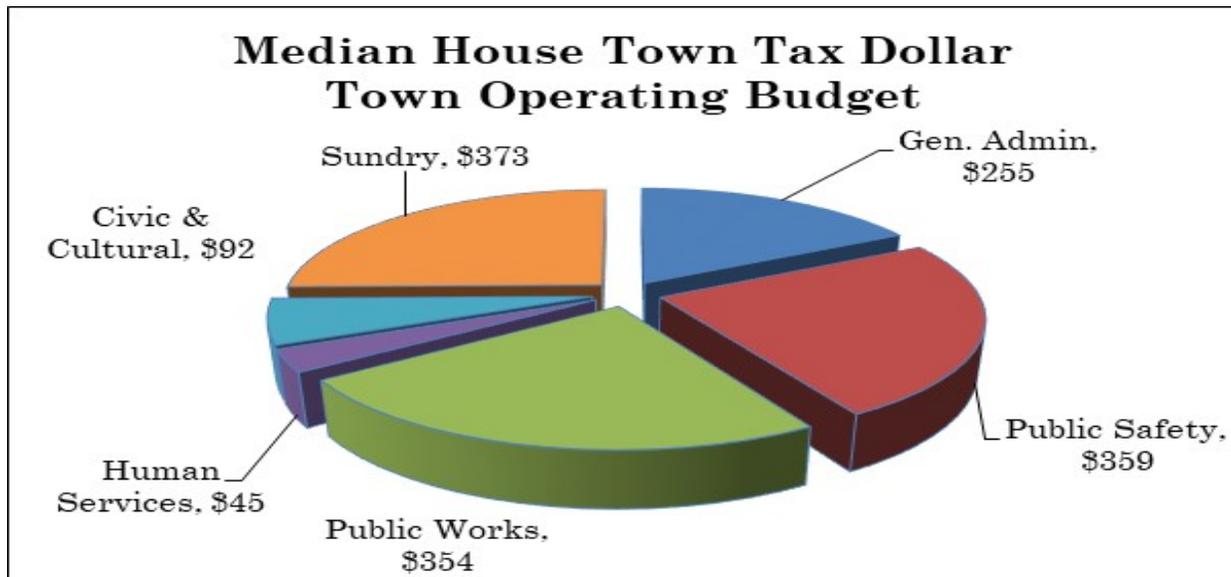
This budget should not be classified as a status quo budget. Both the Town and school district have proposed changes to move the community forward. The focus is on prioritizing services and developing the most cost effective ways to accomplish them. “Status Quo” alludes to standing still. Neither agency believes the times allow this as an alternative. Instead, we are moving forward toward a goal of providing better and more cost effective services. Resources are being reallocated to areas of need. Some services may be reduced and/or curtailed. Others with demonstrated need may receive more attention.

The following chart shows how the proposed taxes on a median house are allocated between the four budgets.



Town Operating Budget – a \$723,938 increase: 6.60%

The General Government is seeking an increase of \$723,938. We have tried to make adjustments without creating too many negative impacts on service to the citizens. We have evaluated many options to reduce expenses and to bring in additional revenues. The budget is presented to show how some of the proposed budget initiatives are designed to address the adopted goals of the Town Council. Please review that section found later in this budget letter. The following chart shows how the tax dollars on the median house are divided by service delivery area.



Capital Budget – a \$96,500 increase: 13.34%

The Capital Budget funded by the General fund is proposed to increase by \$96,500 from current levels to \$820,000. The proposed amount continues the reversal of FY 21 cut of 28.76% and gets us back to a more traditional level. The Board of Education in FY21 choose to reduce \$217,500 in capital spending over additional operating budget reductions. \$140,000 is proposed to continue progress toward the restoration of Education capital budget for four necessary projects. Historically, many proposals were delayed until more funds were available. The long backlog of essential projects and equipment replacement continues to grow. Many of these projects increase in costs over time and the Town ends up borrowing to “catch up”. If we could, we should be paying cash now to reduce the long term costs to the community, but ability and willingness to pay are real factors which always must be considered. We continued the practice of limiting lease purchases to equipment costing at least \$50,000 and have included 1 lease purchase. Please see the Capital section of the budget for a list of proposed projects and purchases. The Capital Budget can also be used as a hedge against receiving less than expected State Aid. If the revenue does not come through as promised by the State, portions of the Capital Budget could again be frozen or reduced to assist in balancing the budget.

Debt Service – a \$33,312 decrease: (1.14%)

Debt Service will decrease by \$33,312. Debt service is only 6.36% of the annual budget. The decrease is due to the payoff of the FY17 capital lease. In this year there is also a proposal to use lease purchasing to replace one large dump truck. (See Debt Service section of budget).

Board of Education – a \$1,111,869 increase: 3.87%

The Board of Education operating budget request is for \$29,824,330, an increase of \$1,111,869 or 3.87%. This equates to a 0.83 of the mil increase. Please see their budget document for information on their spending plan.

Ambulance Fund Transfer – a \$0 increase

As already noted, the Ambulance Fund is projected to be operating with at least a loss of \$500,000 annually. The fund cannot absorb this level of loss. We will continue to explore possible revenue resources and expense reduction, but in the interim we are proposing the fund be subsidized by \$362,500 from taxation which is the equivalent of 0.38 mils of the increase.

Council Goals and Budget impact

Council Goals and budget impacts are shared below. Areas of this proposed budget which have a cost implication are detailed following the “Strategies” These cost estimates will be marked with an “*” and italicized and underlined.

Adopted 2021 – 2023 COUNCIL GOALS

Adopted November 29, 2021

Goals = Specific, Measurable, Achievable, Relevant, Time Bound

The Coventry Town Council pledges to listen to our constituents’ voices and to consider all perspectives during decision making. We understand that once we are elected to office, we represent all residents no matter their age, party affiliation or individual belief systems. We recognize that none of us always gets 100% of what we want. But when we engage in creative problem solving and the hard work of compromise, we ensure that everyone receives some of the benefits they seek. We encourage full participation in our local government by residents.

Goal 1: Work Collaboratively with Town of Coventry Boards and Commissions in order to ensure efficient use of resources, financial and otherwise, to benefit all members of our community.

- Strategy 1: Hold at least four joint finance meetings with the Board of Education during each fiscal year. These meetings include the meeting with our auditors in January of each year, but do not include the BOE’s budget presentation to Council.
- Strategy 2: Invite the Chairpersons of various town commissions to meet with the Steering Committee to provide updates, as well as share concerns and opportunities. The Steering Committee will determine which Commission chairpersons to invite for an in person presentation. They will develop a form for all other Commissions to complete as a means to update Steering with achievements and concerns. In addition, develop an environment in which Commission chairpersons feel welcome to reach out to the Steering Committee chairman with questions, concerns, and celebrations.
- Strategy 3: Request the Planning and Zoning Commission review the Plan of Conservation and Development (PoCD) with the Town Council to identify the Town Council’s action items and ensure fidelity with the plan, by May 2022.
- Strategy 4: Continue to hold a yearly Land Use Consortium meeting for updates.
- Strategy 5: Establish a permanent Commission on Senior and Affordable Housing Alternatives to continue the work of the Senior Housing Alternatives Study Committee and develop a multiyear plan for implementing relevant recommendations of that Committee. The goal will be for the Commission to present initial recommendations by August 2022.

Goal 2: Demonstrate Strategic & Responsible Fiscal Management in order to be prepared for known expenses as well as for an uncertain future.

- Strategy 1: Advocate for fair and equitable State aid through membership in CRCOG, CCM and COST, as well as through working directly with our legislative representatives. Advocate for property tax relief replaced with state aid either to towns or directly to citizens.

- Strategy 2: Continue to invest in our Fund Balance in order to maintain our high bond rating and reduce our long term interest rates for borrowing. Our goal for the fund balance will be determined in consultation with our MUNISTAT advisors.

** This budget continues the Covid recovery plan and phases out the use of Fund Balance used to offset Covid impacts. This has a \$175,000 impact on revenues which translates to about a 0.19 mil increase.*

- Strategy 3: Continue to develop opportunities to collaborate with the Coventry Board of Education, as well as with other towns and agencies in our region to decrease costs of service and materials purchases.

** We continue to use national and state bidding consortiums to reduce costs, and advertising expenses. With the Board of Ed we cooperatively bid out utilities contracts for higher volume discounts and pool health insurance and pension.*

- Strategy 4: Utilize regional partnerships that will benefit our town. Advocate with the State for regional sharing opportunities that are mutually beneficial, as well as respectful of labor union agreements.

- Strategy 5: By June 30, 2022, investigate refinancing our current bonds to achieve cost savings and develop a plan for how to leverage those savings to the greatest benefit of our residents.

- Strategy 6: Request a presentation to the Town Council by our Economic Development Commission to provide a review of steps they've taken to support small business growth in Coventry and to recruit new business, of how the Bolton sewer line connection will be used to develop the Route 44 corridor, and to discuss the challenges Coventry faces in achieving business growth. Presentation to be provided in April 2022.

** Discussions on uses of American Rescue Plan funds for sewer tie-ins both with Bolton and Windham are underway. Federal funds are promised for the Bolton connection and a study for the existing plant expansion or regional connection with Windham is underway with partial State Funding.*

Goal 3: Plan for and Support Ongoing Infrastructure and Public Works maintenance, recognizing that smart investments prepare Coventry for the future.

- Strategy 1: Review the 10 year plan in CIP for roads and buildings maintenance, including energy infrastructure, roofs, HVAC systems, and traffic calming where recommended. Review should include all possible funding sources, including non-local property tax revenue, including non-tax based. The purpose of this analysis is to allow for education of ourselves and our constituents about the costs of this work, a realistic expectation for timelines, and a determination of whether we have adequate staffing to achieve infrastructure goals. To be completed during the FY 2022-2023 budget process.

**A pavement management study was completed and a 4 year road bond was approved.. Two replacement culverts have been identified and preliminary engineering completed in anticipation of grant opportunities. Two Federal Bridge applications also have been submitted. A LOTCIP grant was submitted for Daly Rd and a TRIP grant submitted for pedestrian safety and ADA enhancements. A part-time position of engineering technician was added in FY 23 with some of the salary being charged to large Lotcip grants for road and bridge projects. Working with CT Water to share pavement costs in conjunction with their water main replacements.*

- Strategy 2: Request DPW Director and staff to analyze whether existing DPW staff can continue to safely and efficiently meet the needs of our town and whether it would be prudent to add additional staff. This analysis should be completed and presented to Council during the 2022-23 budget process and the 2023-2024 budget process, with updates provided in between the two budget years as analysis of needs continues.

** A full time Maintainer I was proposed for a last October 1 start to come on line with the addition of a girls' softball field, and revised football and adult softball field. This was removed from last year's budget after failure and is not proposed in this year. But two new softball fields will be coming on line.*

- Strategy 3: By June 30, 2022 investigate refinancing our current bonds to achieve cost savings and develop a plan for how to leverage those savings to the greatest benefit of our residents.

** This was completed. It was combined with a new issuance for school roofs to reduce issuance expenses.*

- Strategy 4: Explore solutions to meet a changing waste management landscape including, but not limited to: meeting with Casella Waste Management Systems to explore cost effective ways to handle waste; using grant, or other, monies to retain a consultant to discuss strategies for adapting to a changing waste management landscape; and design the new Transfer Station location in a way that allows expansion and implementation of new technologies that reduce long term waste costs.

** We finalized negotiations with Casella for a long term contract for waste and recycling and constructed a new transfer station with flexibility for the future for additional waste stream diversions. Will look at using "nip" bottle revenue to hire a consultant or recycling advisor. Focus this year will be on food waste collection and delivery to the new anaerobic digester.*

Goal 4: Maintain High Quality Public Safety Services making the safety of Coventry citizens a priority.

- Strategy 1: Provide means for residents to have input on the qualities they want in the next Coventry Chief of Police.

**A survey monkey questionnaire was used and helped the outside interview panel with community input into desired leadership qualities. Chief Peterson was hired.*

- Strategy 2: Understand current practices and explore whether there are additional opportunities for local college social work students within our police department. The Town of Windham has implemented this model and will be consulted. The Council will meet with the Human Services Director and Police Chief at its first meeting in April 2022 to learn about such practices and begin discussion of potential further opportunities.

** We are working with United Social Services who is providing services with our and other Police agencies in Eastern CT to assist with cases needing counseling services.*

- Strategy 3: Continue to support the MicroGrid project which will provide a layer of safety during power outages. Explore filing for BRIC grant to support this effort.

**A Bric grant for \$1.4 million dollars is pending. If received it will pay for underground wiring and transformers.*

- Strategy 4: Analyze our ambulance needs, ability to pay for ambulance service and develop a plan that will provide appropriate ambulance service to our Coventry community. This will be presented to Council during the Fire/EMS budget presentation for next fiscal year, with planning for a multi-year phase in.

**The EMS fund was broken out as a separate fund (similar to WPCA, Covvra and Recreation) and identified as separate property tax item. Full time 24/7 coverage was started during Covid and response time dramatically improved. Maintaining this level of service equates to a 0.38 Mil increase. Efforts are underway to increase revenues and consider other staffing means, but the number of available volunteers has dramatically decreased. They are very responsive to handling second ambulance call outs.*

Goal 5: Continue to preserve, protect and enhance our natural resources and recreation opportunities.

- Strategy 1: Move the Parks and Recreation Supervisor salary to the General Fund operating budget and assist with the costs of maintaining park buildings. This strategy will include determining whether park user fees can be reduced as a result.

**In FY23 a comprehensive restructuring was proposed including: moving 1/3 of the Rec Supervisors salary and medical coverage to the General fund. Additionally several park expenses for staffing, utilities and maintenance have been proposed to be shifted to the general fund. Due to budget pressure and the recovery of the Rec fund due to excellent management additional funds were not allocated.*

- Strategy 2: Continue to budget for, and pursue grant funding for, treatment of invasive aquatic species in Coventry Lake and Eagleville Lake.

** A State grant for \$25,000 is anticipated for Hydrilla treatment if needed. The Eagleville Lake management plan was completed. An new citizens lake monitoring program is planned and budgeted for Blue/Green Algae monitoring.*

- Strategy 3: Support the work of the Conservation Commission and its sub committees by actively seeking volunteers to fill vacancies on those Committees.

- Strategy 4: Develop a plan for continuing to enhance Miller Richardson Park so that it is attractive to and usable by people of all ages. This includes pursuing engineering design work for an additional softball field as part of the 2022-2023 budget process.
**Funding of \$500,000 was received in a State bond to address equity and ADA issues at the park. A \$500,000 STEAP grant for a second softball field was received and will be bid in March for spring construction. The first softball field will be completed in May and the gas venting and extension of a second football field and rec softball field is complete (subject to a over seeding).*
- Strategy 5: Identify the Town Council's action items in the Plan of Conservation and Development and plan for implementation.
- Strategy 6: Resubmit for Sustainable CT certification for renewal by late August 2022
**This action was completed with the Town earning Silver Status.*
- Strategy 7: Revise the charge to the Energy Conservation/Alternative Energy Advisory Committee to include initiatives that address climate change.
**The Committee is working on concepts including EV charging stations, composting and residential energy savings education.*

Goal 6: Develop a transition plan that ensures a transparent hiring process for the next Town Manager, keeping the needs of our community foremost and making it a non-partisan process.

- Strategy 1: Hire a consulting firm to assist in the search. The Town Council desires a firm that employs best practices including, but not limited to, gathering resident and employee input.
**After an RFP process 3 firms were interviewed and the Council selected a firm who has completed the Community input sessions and will start the recruitment process. Striving for a possible July 1, 2023 start.*
- Strategy 2: Develop a job description and budget for an Assistant Town Manager to start in September of the 2022-2023 fiscal year.
** Eliminated in FY 23 budget due to budget impact after failed referendum. One aspect of the proposed positions, project management, may proceed with funding from grants and bonds to assure grant compliance and proper construction planning and oversight.*

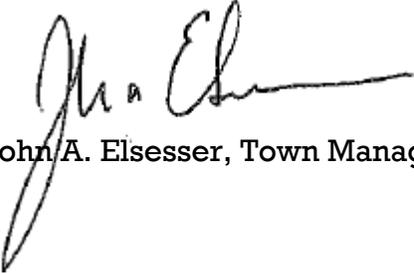
2023-2024 Budget Summaries

The 2023-2024 budget request calls for an increase in spending of \$1,898,995 or 4.35% increase over the previous year. The new mil rate will be 32.57, an increase of 1.42 mills, from the current mil rate (4.55%). The previous charts illustrate how the proposed increase in spending and the tax rate are allocated between the various budgets.

The following chart compares major revenues and expenditures for Fiscal Years 2022/2023 and 2023/2024.

COMPARISON OF FY 2022/2023 and FY 2023/2024 BUDGETS

	Adopted FY22/23	Requested FY23/24	\$ Inc/Dec	% Change
<u>REVENUES</u>				
Property tax	\$ 34,039,280	\$ 36,151,744	\$ 2,112,464	6.21%
Intergovernmental	8,823,865	8,536,046	(287,819)	-3.26%
Reserves	175,000	175,000	-	0.00%
Other Local	665,800	740,150	74,350	11.17%
Total	\$ 43,703,945	\$ 45,602,940	1,898,995	4.35%
<u>EXPENDITURES</u>				
General Government	\$ 10,973,292	\$ 11,697,230	\$ 723,938	6.60%
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