



OFFICE OF THE TOWN MANAGER
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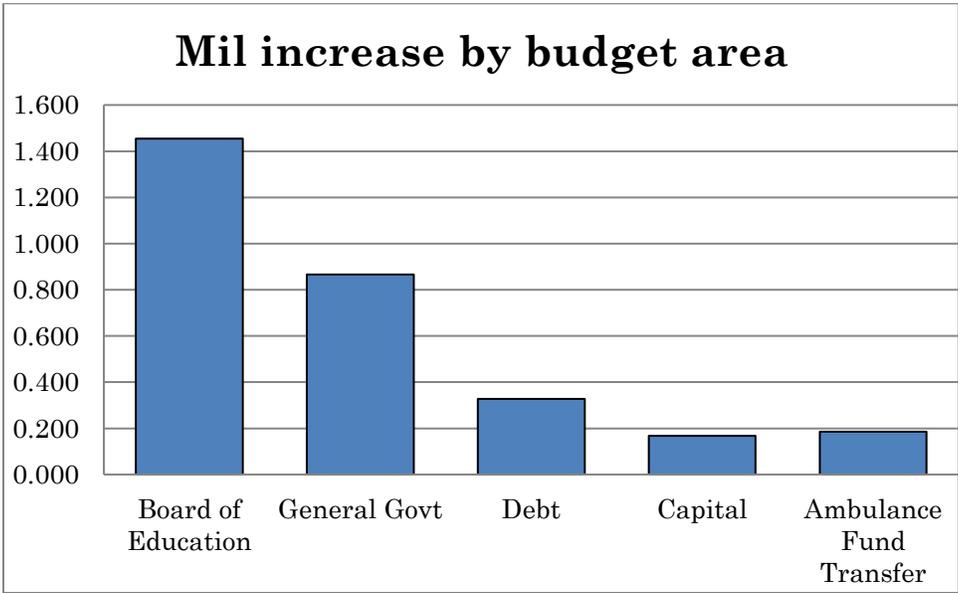
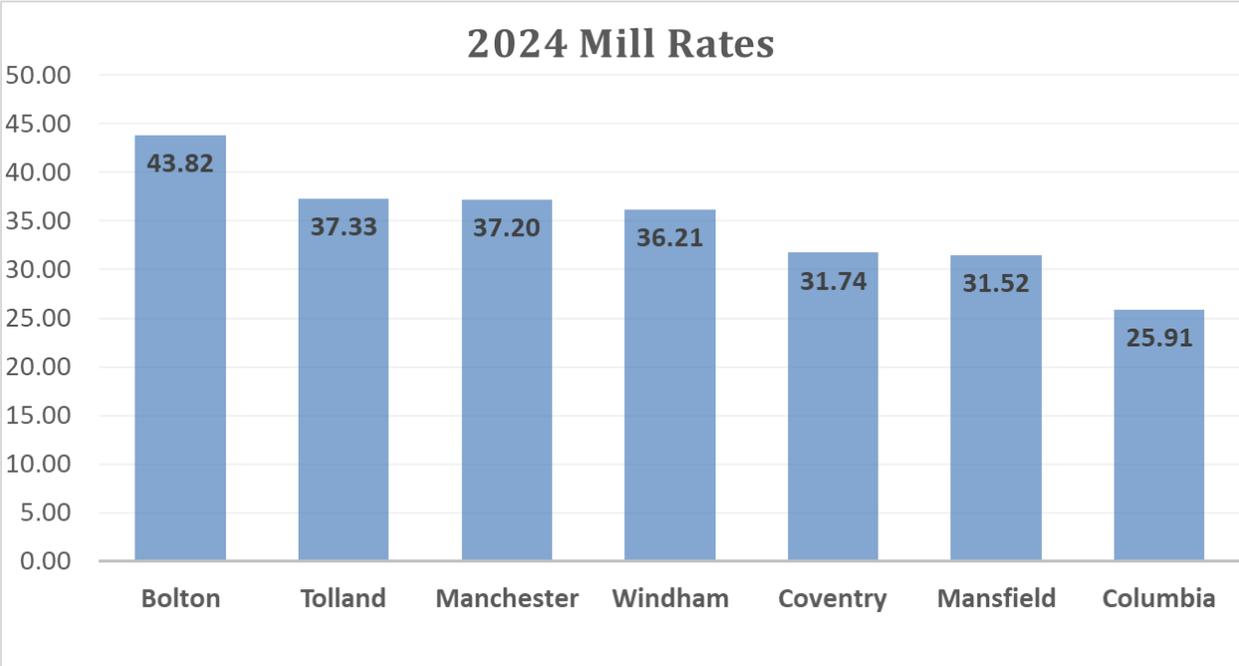
March 4, 2024

To the Coventry Town Council and Citizens of Coventry;

In accordance with the Coventry Town Charter Section 6-2, I am presenting to the Town Council the Town Manager's recommended budget for Fiscal Year 2024-25 in the amount of \$47,975,351. The Town's, Debt Service, Capital, Ambulance Fund Transfer, and School budgets have increased by \$2,893,361. This is a 6.42% spending increase compared to last fiscal year. Since there is a State Cap at 32.46 mils for Motor Vehicle taxes, there will be a 2.27 % percent increase in the mil rate as we have met the Motor Vehicle Tax cap. The motor vehicle income was reduced this year by \$468,195 The lost revenue from Motor vehicles taxes has caused a greater dependency on revenue from real estate and personal property. Our grand list grew by .016%. The proposed mil rate required to fund the proposed FY 25 budget is 34.74, a 3.0 mil, or 9.45% increase for real estate and personal property.

This proposed mil rate increase follows a mil rate change of 0.59 in FY24, 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 five year average of a .51 mils per year increase, or the equivalent of a 16.87% increase over the last five years. This compares to a projected annualized inflation rate over 21% for the same period.

In comparing our current tax mil rate (31.74) with our neighboring Towns, we can see in the chart below that our rate is lower than most. This is especially surprising when we see the extra services we offer as a Town, such as Police and Ambulance. The proposed 3 mil increase would still leave Coventry lower by nearly 2 mils than the next highest town. Some of the smaller towns that have a lower mil rate are looking to reduce services and share staff members.



Revenues are explained in Section Two of this Budget and Expenditures in Section Three. In Sections Four through Eight the General Fund Budget expenditures are then broken down into the local government function categories of General Administration, Public Safety, Public Works, Human Services, and Civic and Cultural. This is where the budget detail for each department will be listed. Additionally, Section Nine is Sundry, which lists the expenses the Town has regarding Worker Compensation, Social Security, health and life insurance and employee pensions. Section Ten details the debt service the Town has acquired and the funding needed to satisfy annual payments for past bond issues, loans and lease purchases. Section Eleven details the proposed 5 year Capital Improvement Plan and the FY2024-25 Capital Budget. This provides planned funding for the construction, repair or replacement of major infrastructure such as equipment, vehicles, information

technology and buildings. Additionally, the Budget Appendix details the revenues and expenditures of the Town's Special Revenue Funds: WPCA-Wastewater Treatment Plant, Solid Waste Management, and Self-Supporting Recreation.

Much like last year, this budget should 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. This year's transition budget includes new and fresh eyes on the Town's operations, equipment and facilities by a new Finance Director and a new Town Manager. We have seen several successful programs offered by talented staff, we have seen infrastructure in need of upgrades and replacements, and we have seen a history of struggle to raise revenue to meet the Town's needs.

During the COVID-19 pandemic the Town used fund balance reserve to balance the budget. Additionally, we were allocated Federal grant funds to supplement our revenue shortages. However, we now need to transition back to covering our own expenses by strengthening revenues and phasing out the use of fund balance reserves over the next couple years.

This transition brings about a few major budget challenges for Coventry. One of those most serious challenges is our EMS Ambulance Service. In 2015 we began to see the decline in volunteerism with the Ambulance Service and we moved to supplement volunteer hours by hiring a temporary staffing ambulance service. After COVID-19 began we saw an even greater decrease in the level of volunteers. Many are retiring and unfortunately few new volunteers have stepped up to serve. This temporary paid staffing has allowed us to cover many empty shifts and to decrease our EMS response times. This quicker response has saved lives, as we all know minutes count when there is a life threatening emergency. This has proved beneficial, however, it has also been difficult to plan and manage the service cost increases. Contracts have increased significantly in the last few years, and now our costs are greater than our revenues. This proposed Budget will save taxpayers money by replacing the paid temporary staffing with four (4) paid fulltime and part-time Town EMT positions. This will provide one staff member to be on duty 24 hours, seven days a week. This will allow us to continue to be supplemented with the EMT volunteers and part-time staff when necessary. Using our Staff and volunteers will allow the Town better control over costs. This will also allow us to use staff to multi-task and to allow for the Town to consider cross-training the EMTs to serve also as firefighters. Though this in-house staffing proposal will be less expensive than a contractor, the cost to provide this basic service has been artificially subsidized by American Rescue Plan Act (ARPA) funds over the last few years. As these one time grant funds are now spent, we will need to raise additional funding of 0.53 mil to replace the temporary federal funding so we can sustain our current level of EMS Ambulance service. This funding increase is needed whether the service is provided in-house or by a contractor.

COVRRRA (Trash and Recycling) is another major challenge we have faced in the last couple years. Connecticut is in a trash/recycling crisis with the closure of the largest waste to energy plant having closed last year in Hartford. Last year the Town negotiated a 3 year extension of our solid waste collection contract, which calls for an increase in trash tipping fees by 3.0% per year. Recycling charges will change annually based on commodity pricing which the state average is now exceeding trash

disposals costs. The Town expects a continued increase in this cost as well, given current market conditions. Additionally, the Town's expenses in FY2023 took the COVRRRA fund to a negative fund balance of approximately \$250,000. With the fund operating all this past year in the negative and the expected increases in disposal for FY2025, the Town Manager's budget proposes COVRRRA rates will need to be increased by \$5.83 per month or \$70 per year. This rate will gradually bring the negative balance up over two years and will cover estimated increased service costs. Based on the current program for solid waste disposal methods, the proposed rate should preclude any need for a rate increase next year in FY2026 and possibly FY2027. It certainly will need review each year.

This budget is a result of COVID-19 pandemic policy changes. Appropriate emergency actions were taken over the last several years and a COVID-19 Action Plan was adopted to hold taxes level. Reductions in spending, freezing positions, reducing some revenues and using fund balance were actions taken. We have continued the multiyear recovery phase and need to continue this transition back to a more normal post COVID-19 world. As we look to move ahead, we now see additional major issues beginning to impact the Town as well, such as our sewer plant's ability to meet modern State treatment guidelines, and capital budget needs that were delayed such as replacing antiquated equipment and making needed building repairs to Town and school facilities.

The Water Pollution Control Authority (WPCA) is an Authority created by the Town. The WPCA Board has been researching and planning on how to best update it's level of sewage treatment within the next couple years in order to become compliant with State treatment standards. This is another major challenge we have that is near on the horizon. This much needed improvement will be accomplished by either converting the current treatment plant into a master pump station and pumping the wastewater through a newly constructed force main to the Windham Wastewater Treatment Plant or constructing improvements at the Coventry Wastewater Treatment Plant to improve sewage treatment levels. The recommended outcome will require much funding for design and construction. As this project will bring our treatment up to State standards, it is anticipated much Federal and State financial assistance will be awarded to supplement the costs to make these improvements over the next few years. The WPCA Board has not raised rates in recent years, but due to increased operations costs and anticipated plant improvements they have voted to increase the annual service fees by \$4.17 per month or \$50,00 per year for FY2025. The Town will need to continue to cover outstanding sewer debt for FY24/25 in the amount of \$380,748. General Fund property taxes will have to pay this amount this year and for the next two years until these bonds are finally paid off in FY26/27.

The Recreation Fund is a special revenue fund. During COVID-19 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 from our budget. Funding from ARPA monies was helpful through the pandemic, but they too have all been spent. The good news is we have since come back strong with the desire of people to get outside and participate in recreation and sports programs again. The Fund is primarily self-sufficient, but does receive \$41,950 in support from the General Fund to cover park expenses.

The Town Manager's proposed budget does not include any additional full-time positions on Town staff with the exception of the four new Emergency Medical Technicians to replace the hours of contracted fulltime staff through our contract with the vendor providing current emergency medical services. Additionally, there are new part-time EMT hours being funded to replace contracted staff and to supplement this service when volunteer EMTs are not available to serve on shift. Additionally, there is proposed part-time police officer hours being added this year. This is a new program to assist with staffing in the Police Department. This is budgeted from a reduction in Police overtime. The additional part-time officers will be used to supplement staffing. Currently officers are often ordered to work additional hours when an absence occurs, and this new program will provide an alternative to this arrangement. Additionally, this program will also provide additional sworn law enforcement officers during holidays and peak service periods and when there is a need, such as a tropical storm or a special event such as a parade.

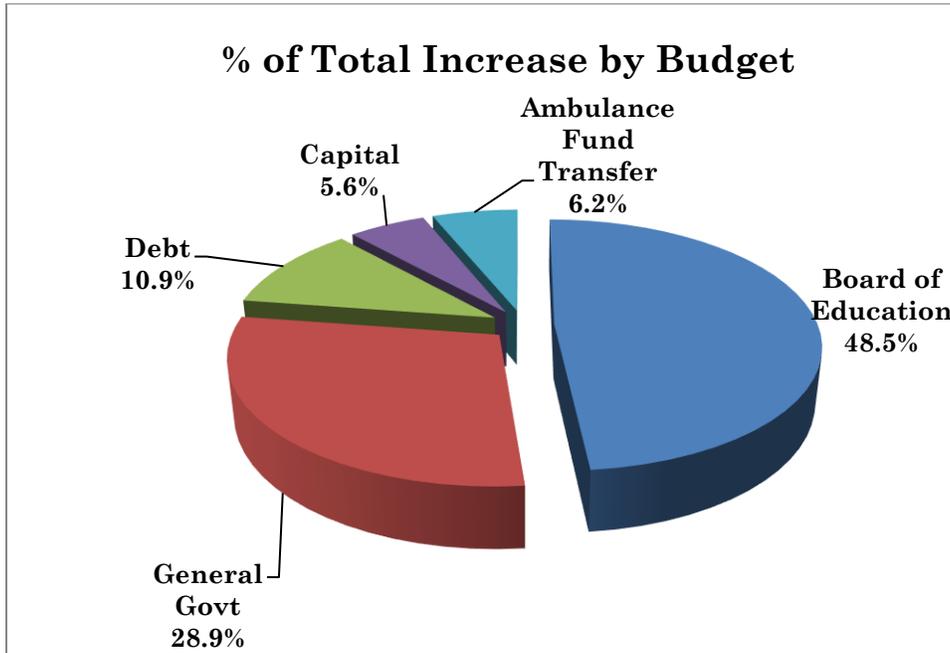
This proposed budget does have financial challenges as explained. However, there are also planned projects that have brought forward financial successes for Coventry. The Town has been, and remains, successful in the use of State and Federal grants to rebuild key components of our Town's infrastructure. In the coming year we are budgeting \$36,415,398 of grant funds. Use of these funds include the design and construction of several new bridges (Hop River Rd., Depot Rd. and Brigham Rd.); traffic safety improvements to South Street, Swamp Road, and Daly Road; park improvements at Miller Richardson and Patriots' Park; chemical treatments to combat invasive plants in Coventry Lake; the replacement of the HVAC units at Coventry High School; the construction of a water line along South Street extension to Plains Road.; and the construction of a water tower in the Village. Grant funding has been a great resource to further improve the Town's infrastructure, but grants do not exist for all the capital improvement needs a municipality has. We must also rely on regular funding through the General Fund to fund improvements, to pay for grant project engineering, and to pay debt on our bond issues and loans. The full list of projects can be viewed in the Capital Improvement Plan (CIP) within this budget.

The Council and staff are very aware of the economic conditions that exist in Connecticut and throughout the nation. While Coventry is better off than many communities, the overall state economy has slowly recovered from COVID-19. Wall Street is doing well, but Main Street is still slowly recovering. Locally, we also see locally interest rates rising and new building construction slowing down. The small grand list increase in real estate growth has been further compounded by the crumbling concrete foundations issue and it's impact on property values. It was reported last year that we have already lost almost 5.7 million in grand list value (around \$178,000 in annual taxes) and it may get 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. More houses are planned for this next year.

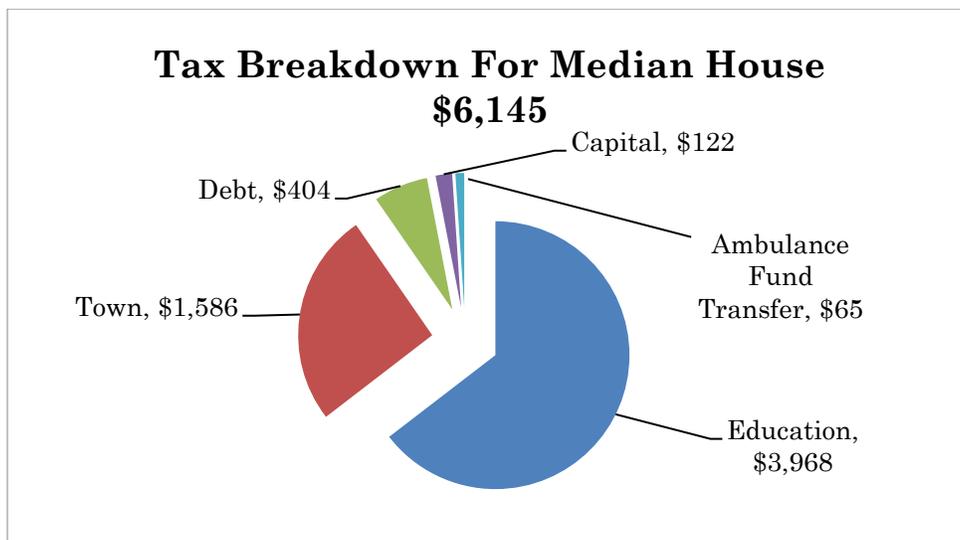
We recognize that many in our community will not easily absorb tax and fee increases. There is a balance we as local government try to achieve between the desired level of service the residents want versus what residents can afford. The old saying that,

“you get what you pay for” is true. I have heard some say, why should I pay for police, fire, or EMS when I never called for their help last year. I have answered that they were standing by for everyone in Coventry, including you, at an expense to the taxpayers, just in case you did need them. Several of our residents did need their help. With reduced funding, this budget process will decide if the level of service on our programs will decrease or the level of taxes will increase.

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



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



2024-2025 Budget Summaries

The 2024-2025 budget request calls for an increase in spending of \$2,893,361 or 6.42% increase over the previous year. The new mil rate will be 34.74, an increase of 3.0 mills, from the current mil rate (9.45%). 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 2023/2024 and 2024/2025.

COMPARISON OF FY 2023/2024 and FY 2024/2025 BUDGETS

	Adopted FY22/23	Requested FY23/24	\$ Inc/Dec	% Change
REVENUES				
Property tax	\$ 35,270,794	\$ 38,470,737	\$ 3,199,943	9.07%
Intergovernmental	8,854,929	8,536,992	(317,937)	-3.59%
Reserves	175,000	175,000	-	0.00%
Other Local	781,267	792,622	11,355	1.45%
Total Revenues	\$ 45,081,990	\$ 47,975,351	2,893,361	6.42%
	Approved Budget	Proposed Budget		
Budget Area	FY23/24	FY24/25	\$ Inc/Dec	% Change
General Government	\$ 11,491,730	\$ 12,382,072	\$ 890,342	7.75%
Board of Education	29,594,330	30,974,700	1,380,370	4.66%
Debt Service	2,909,930	3,157,506	247,576	8.51%
Capital	723,500	952,183	228,683	31.61%
Ambulance Fund Transfer	362,500	508,890	146,390	40.38%
TOTAL EXPENDITURES	\$ 45,081,990	\$ 47,975,351	\$ 2,893,361	6.42%

The Town and Board of Education have proposed budgets to move the community forward. The focus is on prioritizing services and developing the most cost effective ways to accomplish them. We are moving forward toward a goal of providing better and more cost effective services. This proposed budget, now having been presented to Town Council, will be reviewed and amended as the Town Council may deem necessary for the good of the Town, the Boad of Education and our residents.

This proposed Budget was compiled with research and input from all the departments and agencies within the Town of Coventry. I would like to thank everyone involved for their participation in the development of the Budget, especially Finance Director Julie Chapman who helped bring this all together.

Sincerely,

James D. Drumm,
Town Manager