



TOWN OF LEDYARD CONNECTICUT

Fred B. Allyn III
Mayor

Kristen Chapman
Executive Assistant to the Mayor

741 Colonel Ledyard Highway
Ledyard, CT 06339-1551
Telephone (860) 464-3222
FAX (860) 464-1126

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Ledyard Town Council
S. Naomi Rodriguez, Chairman
741 Colonel Ledyard Hwy.
Ledyard, CT 06339

Chairman Rodriguez,

Enclosed you will find the proposed FY 25-26 budget (FY26) which has been prepared by my office in accordance with the Ledyard Town Charter. The proposed budget, including both governmental divisions (General Government and Board of Education) is \$71,198,558 and calls for a Mil Rate of 38.36, which represents a \$3,767,985 dollar increase and a 3.15 mil tax increase. The proposed increase exceeds guidance provided in the Budget Letter of Directive but is primarily a direct result of proposed Board of Education increases. General Government increases by 2.77%, while the Board of Education increases by 7.08%. My paramount concern remains affordability to our residents as we currently have the highest mil rate in New London County. As presented, the proposed mil rate will move Ledyard to nearly 10 mils higher than Colchester, and more than 10 mils above Montville and East Lyme, comparable municipalities by size and population. This increase will impact greatly the affordability to our residents. Another expected impact is the statutorily required revaluation occurring now, impacting the FY27 budget. The United Way 2024 "ALICE in the Crosscurrents" shows Ledyard now with 31% of our residents below the ALICE Threshold¹. The ALICE acronym stands for "Asset Limited Income Constrained and Employed". Facing substantial tax increases, these vulnerable residents (presently, nearly one third of our residents) will be making difficult decisions regarding mortgages/rents, heating, electricity and food, among other necessities. This proposed rate of taxation has a high likelihood of increasing the ALICE numbers in our town.

On the revenue side, one key driver to this challenging budget is a *decrease* of the Grand List by **1.6% or \$21,023,784** in assessed value. This valuation decline equates to a \$740,247 tax loss and represents one of the three greatest Grand List decreases in the past 15 fiscal years. The decrease is primarily driven by the **new state methodology for motor vehicle valuation. This resulted in a 13% decline in motor vehicle valuations. The new motor vehicle taxation model, which will commenced in October 2024 utilizes the vehicles MSRP (Sticker Price) in year one, followed by a 20% depreciation in year two, then a straight-line annual depreciation of 5%. New legislation does permit municipalities to change the depreciation schedule by Council vote, which would move to MSRP, then 90% in year two, 85% in year three and so on. This change will reduce the Grand List decline to 0.64% as opposed to the 1.6% and recover nearly \$444,000 in taxes. Also, the latest revision to the disabled veterans tax exemption language is still problematic. Should the language of the bill stand the revenue loss in Ledyard will be at least \$425,000 and as much as \$520,000.**

On the General Government portion, 22 segments of the 45 total departmental segments include increases of 0% to 4%. Two segments have 4.1% to 5% increases, 4 segments have 5.1% to 7% increases, one segment increases between 7.1% and 9% (wages only) and 8 segments increase by 10%+. Primary cost drivers to the General Government budget are as follows: Wages (+\$402,845 across all Gen. Gov. depts); Defined Contribution Retirement plan match (+\$160,000

or 35.2%); Solid Waste disposal (+\$100,500 or 15.4% to reflect new contract); Healthcare (\$76,750 or 7.3%); Tipping fees (+\$45,000 or 10.6% to reflect increased per ton disposal fees); Property Insurance (+\$34,350 or 6.3%); Police Training Salary (+\$31,500 to support two new cadets for two pending retirements); Electricity (+\$30,000 or 20%); Registrars and Elections (+\$15,811 or 15.8%) and finally Dispatch-Contract Maintenance/Leases (+\$11,674 or 27.4%). We continued to fine tune the Town Hall staffing schedule, gaining some efficiency with the reduction of 1 FTE to 0.5 FTE. We also launched Cloudpermit™, the online building and zoning permit platform to make the permitting process more streamlined for the consumer, completing applications remotely at any hour/day, while streamlining the permit tracking for Town staff as well. For awareness, most departments within the Town Hall are staffed with one Department Head and one employee. Outside Town Hall, the Police Department employs 35, including dispatchers and ACO, followed by the Public Works Department with 18 full-time employees, including the Town Engineer.

Total expenditures for the proposed FY26 budget increased by a blended \$3,767,985 (+5.59%). **General Government** calls for a \$644,606 increase (+2.77%), including wage increase for department heads, a \$76,750 increase in Healthcare expenses and \$110,000 increase for Retirement funding. The **Board of Education** seeks an increase of \$3,123,379 (+7.08%), which includes a \$875,000 increase for BoE Healthcare; an \$870,243 increase in teachers' salaries; \$546,719 for Other Purchased Services; \$166,239 for Equipment; \$140,308 for Purchased Property Services; \$139,902 for Professional/Tech Services and \$66,775 for Supplies, representing some of the larger increases. For FY26, the Town's healthcare consultant recommended budgeting between an 8% to 10% premium cost increase. This budget includes using the top percentage figure as the true increases have not yet been established by the provider. The town remains in a commercial healthcare plan as we chased savings for several years with other options. Residing on the General Government side but as a pass-through to the Board of Education as an "In-Kind" expense until the school nurse contract expires, School Nursing expenses increased by \$32,198 or 6.8%- primarily wage-driven. Inflation continues to play a role in the FY26 budget, as is evident in labor, fuels, electricity and contracted services to name a few.

The Capital plan- which saw the highest level of funding ever in FY25 includes a tax levy of \$1,606,450. After several years funding at the highest levels, the current budget climate calls for this budget to pull back slightly on the Capital Investment to balance taxation levels with the Capital needs. This year still represents the third highest funding level in the past nine fiscal years.

The proposed budget also includes use of the Mil Rate Stabilization Fund (\$1,290,422) to partially offset some of these increases. We continue to maintain a balance of \$54,000 in the Healthcare Reserve as partial failsafe should the Town need to consider moving to the self-funded model.

Ledyard's Mil Rate is the highest of all municipalities in Southeastern CT². Comparable towns by population, per 2020 US Census are: Colchester (15,555), Stonington (18,347), Montville (18,385), East Lyme (18,693) and Waterford (19,603). When taking into consideration each municipality Grand List³ (The tax base) compared to Ledyard, Colchester is +27%, Stonington +320%, Montville +28%, East Lyme +221% and finally Waterford at +359%. The "ability to pay" is greater by a significant factor when compared to Ledyard. Also noteworthy: each of those comparable towns have mil rates at 28.67 mils or less, the highest being more than 33% less than Ledyard. Grand List growth lags in Ledyard and has for many years. Growth stagnation is our Achilles heel. Grand List growth allows a more even distribution of tax burden, as taxes are spread across Industrial, Commercial and Residential segments. Each of the noted towns have a far greater proportion of their Grand List composed of Commercial/Industrial valuations, lessening the tax burden on their residential homeowners.

For FY26, Debt Service decreases by 2.72% or \$107,580. Current Debt Service represents 2.98 mils (Interest only equals 0.71 mils) in taxation and the percentage of current debt to tax levy has now fallen to 5.3%.

General Government continues tight management of expenses, seeking reductions where possible, regionalizing efforts with the Tax Assessor (shared with Preston) as well as one Public Works FTE (shared with Preston). We completed Department consolidations of the Tax Assessor with the Tax Collector and the Building Department with the Land Use Department. The restructuring of Parks and Recreation with the Senior Center continues to gain efficiency as well as increased programming for both seniors and Parks and Rec. We continue to seek additional regional opportunities, while

also recognizing few new opportunities exist for continued General Government consolidation and savings, short of a return to a county form of Government. The Connecticut taxation model is unsustainable and proves overly burdensome to taxpayers. Per Forbes Magazine “Examining the Cost of Living By State in 2024”, Connecticut ranks as the 9th most expensive state to live, after Washington State and ahead of Oregon⁴.

In reviewing the Town’s retirement plan, Ledyard’s 88.7% funded rate is considered one of the best in the State of CT. This is continued positive news for both our retirees and our taxpayers and a clear indication that the town is managing legacy costs properly and allocated funds are managed well by the private sector. For perspective, the State of CT has \$90 Billion of unfunded pension and retiree healthcare obligations outstanding⁵ (highest per capita liability in nation), while Ledyard has \$4.2M outstanding and a conservative assumed rate of return of 6.25%.

The Road Surface Rating (RSR) as provided by BETA Engineering currently sits at 86.50 (on a 100-point scale)⁶. This represents Ledyard’s highest road rating ever. The BETA Plan seeks an annual investment of approximately \$1,000,000 in road restoration to maintain our rating. Substantial decreased funding to road resurfacing costs far more when roadbeds fail as opposed to continued preventative maintenance as we do now. This budget funds road restoration at \$900,000 – funding at a slightly lower level than the current fiscal year. Determining Ledyard’s comfort level in a road rating range is important, with the underlying premise that 90 -100 is neither feasible, nor financially practical. In consulting with Public Works Director Masalin, the recommendation is to continue the current trajectory, with an annual rating of 83-85, which we believe represents the ideal combination of rating and affordability for the Town of Ledyard. According to BETA Engineering, Ledyard boasts one of the best road ratings in the area.

The Capital Plan for FY26 recommends a scheduled replacement of one police cruiser, down from the two requested. An internal policy added several years ago increased the service cycle to a minimum of 130,000 miles (previously, we disposed of cruisers at or near 100,000 miles) and one cruiser still has a year of service. While we sometimes experience increased maintenance costs associated with the longer service cycle, the cost-benefit analysis proves this out. The total cost to acquire and upfit each new cruiser today is slightly more than \$53,000.

Notable Board of Education Capital projects included for funding are: Continued renovations to LHS Science lab upgrades (\$125,000), JWL Classroom renovations (\$135,000), replacement of the turf field scoreboard at LHS (\$55,000), LHS baseball field renovation (\$45,000) and GHS driveway drainage updates (\$30,000). Please review the Capital Improvement Plan contained in the FY26 budget book for review of all projects and projected expenditures.

FY26 will be the first year of the State’s new biennial budget, currently in legislative negotiations. Fiscal guardrails prevent additional funding to municipalities without removal of other programs. The Governor’s proposed budget calls for level funding Ledyard for the 6th straight year- despite inflationary pressures. We continue to track an array of legislation and how it may impact our town, in the form of unfunded mandates. One recent example is early voting, which included an unfunded cost of more than \$25,000. If no State grant exists this coming year, that cost is projected to increase to around \$45,000.

In seeking the most efficient local government, I continue to ask the question “What is the role of local government?” In doing so, I continue to refine what local government must provide our residents to help mitigate the cost burden to all. Town-wide trash /recycling collection is a good example of what purchasing power can do for our residents.

Sincerely,

Fred B. Allyn III, Mayor

Endnotes:

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- 1.) <https://www.uwsect.org/ALICE>
 - 2.) https://data.ct.gov/Local-Government/Mill-Rates-for-FY-2014-2025/emyx-j53e/data_preview
 - 3.) <https://portal.ct.gov/OPM/IGPP/Publications/Equalized-Net-Grand-List-By-Town>
 - 4.) <https://www.forbes.com/advisor/mortgages/cost-of-living-by-state/>
 - 5.) <https://ctmirror.org/2023/01/20/ct-budget-debt-bonded-pension-liabilities/>
 - 6.) <https://www.beta-inc.com/client/ledyard-ct/>

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