

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

March 4, 2024

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

Chairman Rodriguez,

Enclosed you will find the proposed FY 24-25 budget (FY25) which has been prepared by my office in accordance with the Ledyard Town Charter. The proposed budget, which includes both governmental divisions (General Government and Board of Education) calls for a Mil Rate of 34.94, which represents a 0.38 mil tax increase. The proposed increase is higher than the guidance provided in the Budget Letter of Directive, but I feel it is also manageable. My overall concern remains affordability for the residents of Ledyard as we currently have the fourth highest mil rate in New London County, behind Norwich, New London and Sprague. As presented, this mil rate moves us slightly closer to the third highest mil rate in the County- a sign of increased unaffordability. Additionally, the United Way 2023 "Alice Report" shows Ledyard at 29% of our residents are now below the ALICE Threshold¹. ALICE stands for Asset Limited Income Constrained and Employed. Facing tax increases, these vulnerable residents may have to make difficult decisions regarding heating, electricity, food and even housing.

On the General Government side, 11 departments include increases greater than 5%. They are: *Property Insurance* (+5.7% premium increases plus cyber policy), *HR Staff* (+46.4%- moved labor atty. to HR budget), *Registrars* (+9.8%- early voting for two primaries plus November Presidential election), *Tax Collector* (+6.8%- Seasonal help for peak months), *MIS* (+11.4%- Zoom costs, website upgrade year, land use permitting software, repairs and maintenance and computer equipment), *Land Use* (+12.6%- Building official plus interim assistant), *Planning* (+16.7%- \$500 increase in operating), *Police* (+9.3%- Salaries, outside assignments, new equipment plates), *Dispatch* (+5.4%- per diems, uniform expense), *School Nursing* (+42.1%- School nurses plus additional nurse's aides/ increased hours), *Public Works Road upkeep* (+12.1%- Salt and Sand.) At the same time, 29 departments include increases of less than 5%, flat funded, or

reduced funded, with two full department closures: Visiting Nurses Association and Youth Services, the latter being provided through service providers within the schools. For awareness, most departments within the Town Hall are staffed with one or two employees. Outside of 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 FY25 budget increased by a blended \$3,541,208 (+3.9%). General Government calls for a \$395,503 increase (+1.4%), including a 3% wage increase for labor, a modest \$18,590 increase in Healthcare expenses and \$90,000 increase for Retirement. The Board of Education sees a \$2,145,705 (+5.98%), including a \$93,830 increase for BoE Healthcare. For FY25, our healthcare consultant recommended factoring between a 6% to 10% premium cost increase. We conservatively budgeted for the top figure and much to our dismay, the proposed rate increase came in at +9.9%- essentially the worst-case scenario. As previously stated, we are moving H/C again to chase the savings. (See Healthcare Account lines #10110253-52000 and 52100). Residing on the General Government side but as a pass-through to the Board of Ed, School Nursing expenses increased by 42.1% or \$140,016, due in part to increased hours from 35 to 40 hours per week, as well as summer work and increased use of health aides. Inflation continues to play a role in the FY25 budget as well. This 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 FY24 includes a tax levy of \$1,761,998 and represents the largest annual capital investment the Town has ever undertaken.

We budgetarily project to offset some of the proposed increases with use of the Mil Rate Stabilization Fund (\$1,000,000). We are again seeking alternatives to the current healthcare plan as increases in the past several years have been dramatic and the current provider is not ideal. The budget includes a \$500,000 reduction in Healthcare premium *increase* by changing providers and provides equal or better coverages for employees. We continue to maintain a balance of \$240,000 in the Healthcare Reserve as a partial failsafe should the Town need to consider moving to the self-funded model.

Ledyard's Mil Rate is the highest of comparably populated towns in Southeastern CT and fourth highest in New London County². 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 municipalities Grand List³ (The tax base) compared to Ledyard, you have Colchester at +27%, Stonington at +320%, Montville at +28%, East Lyme at +22. % and finally Waterford at +359%. Also noteworthy: each of those comparable towns have mil rates at 28.15 mils or less, the highest being more than 20% *less* than Ledyard. Grand List growth is still lagging in Ledyard and has for a long time. Stagnation of growth is our Achilles heel. A larger Grand List allows a more even distribution of tax burden, as taxes are spread across Industrial, Commercial and Residential segments. Of note: Each of the aforementioned towns have a far greater proportion of their Grand List composed of Commercial/Industrial valuations, lessening the tax burden on their residential homeowners.

The Assessor's Grand List for the 2023 valuation of all real and personal property shows an overall increase of 4.30%. While fairly significant, Real Estate only increased by 0.75%, while

Motor Vehicles *declined* by 4.07%. Personal property saw a substantial increase of 68.21% but this increase is anticipated to be short-lived. Due to the State Motor Vehicle Tax Cap of 29.00 mils, Ledyard is reimbursed through a State grant for the spread between the municipal mil rate and the State mandated motor vehicle mil rate tax cap. The CT Legislature passed a new motor vehicle taxation model which will commence in October 2024. This new model utilizes the vehicles MSRP (Sticker Price) in year one, followed by a 20% depreciation in year two, then a straight line 5% annual depreciation schedule. Currently, all CT Municipalities use the NADA book value for motor vehicle valuations.

Debt Service decreases by 10.2% for FY25 or \$448,820. Current Debt Service represents 3.02 mils (Interest only equals 0.82 mils) in taxation and the percentage of current debt to tax levy has now fallen to 8.47%.

General Government continues tight management of expenses, seeking reductions where possible, regionalizing efforts with the Tax Assessor (to Preston) and Human Resources (to Preston). We also completed Department consolidations of the Tax Assessor with the Tax Collector and the Building Department with the Land Use Department. The continued restructuring of Parks and Recreation with the Senior Center continues to gain efficiencies and increase programming for both seniors and Parks and Rec alike. Additionally, we eliminated the Youth Services Department and the one FTE as all clients are LPS students and LPS now has a robust in-school health program (duplication of services). We continue to seek additional regional opportunities, while also recognizing few new opportunities exist for continued General Government consolidation and savings, short of county form of Government. The Connecticut taxation model is unsustainable and proves overly burdensome to taxpayers. Per Forbes Magazine, Connecticut ranks the 9th most expensive state to live in⁴.

In reviewing the Town's retirement plan, Ledyard's previous 100.4% funded rate in FY23 has decreased as the result of weaker market conditions. Despite this market decline, Ledyard still has an 88.7% funded rate, considered one of the ten best in the State of CT. This is very positive news for our retirees as well as our taxpayers as its clear the town is managing its legacy costs and those funds are managed well. For perspective, the State of CT has \$59 Billion of unfunded pension and retiree healthcare obligations outstanding⁵, while Ledyard has \$3.8M outstanding and a conservative assumed rate of return of 6.25%.

The Town's Capital Plan includes total project capital requests of \$19,750,000 which includes BoE bondable and possible grant projects. Of that total, \$7,875,864 is included in the FY25 budget, including grant funded projects such as the Whitford Brook Bridge project and the Colonel Ledyard Hwy. Multi Use Path. Breakdown of top departmental Capital Needs Requests are as follows: Public Works at \$1,563,889 (including road restoration), Board of Education at \$492,640, AES at \$362,552 (Fire apparatus Reserve Account), Police /Dispatch at \$251,534, followed by Parks and Rec at \$133,892 and \$123,000 for the Fire Companies. Note that P&R Capital is derived from the conveyance tax set-aside, known as Fund 0203. The total Capital projects funded by tax levy is \$1,761,998.

The town 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 between 83-85 points. Decreased funding to road resurfacing costs far more when road beds fail as opposed to continued preventative maintenance as we do now. This budget funds road restoration at \$1,000,000 – funding at one of the higher levels seen in the last 5+ years. 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 or better, which we believe represents the ideal rating for the Town of Ledyard. According to BETA Engineering, Ledyard boasts one of the best road ratings in the area.

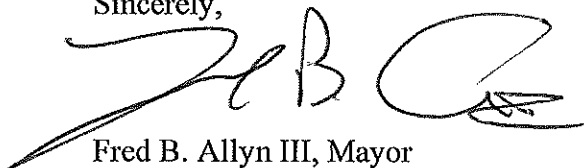
The Capital Plan for FY25 recommends the continued annual replacement of two police cruisers. An internal policy added several years ago increased the service cycle to a minimum of 130,000 miles (previously, we disposed of cruisers at or near 100,000 miles). While we sometimes experience increased maintenance 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 \$57,000.

Notable Board of Education Capital projects include a new playscape at Juliet W. Long, continued renovations to Ledyard High School classrooms, LHS Science lab renovations and recommissioning of both LMS and Gallup Hill School. Please review the Capital Improvement Plan contained in the FY25 budget book for review of all projects and projected expenses.

FY25 will be the second year of the State's biennial budget. More recently, the State is expressing concern of revenue declines and may look to reduce funding mechanisms. Despite this, preliminary reports indicate generally flat funding for Ledyard (which is in effect a reduction given the inflationary environment of 3%+). We continue to track legislation and how it might impact our town, in the form of unfunded mandates. One example is early voting. Staffing for early voting for two primaries and a General Election that includes an additional 14 days of early voting- including weekends will undoubtedly cost the taxpayers of Ledyard. As we move forward, we will closely monitor this mandate and its true cost versus benefit.

As always, I continue to ask the question "What is the role of local government?" In doing so, I continue to refine what we truly must provide as a local government to help mitigate the burden on our residents.

Sincerely,

A handwritten signature in black ink, appearing to read 'Fred B. Allyn III', with a stylized flourish at the end.

Fred B. Allyn III, Mayor

Endnotes:

-
- 1.) <https://www.uwsect.org/content/alice-report>
 - 2.) <https://portal.ct.gov/OPM/IGPP/Publications/Mill-Rates>
 - 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/>

THE REST OF THIS PAGE INTENTIONALLY BLANK

