



March 29, 2024

Honorable Mayor, Town Council and Citizens of Windsor,

I am pleased to submit the Fiscal Year 2025 Financial Plan and Program of Services. This budget supports a variety of daily tasks and initiatives that comprise the services and programs the Town of Windsor delivers to residents, businesses and visitors.

The preparation of the proposed FY 2025 operating budget has been a challenge, given State-mandated property revaluation which reflects significant appreciation of residential property values and the more modest increase in non-residential values, as well as a notable decrease in motor vehicle values. Property revaluation creates a set of difficult decisions for the upcoming budget process as the tax impact on residential properties is projected to be significant. The choices and decisions made will need to balance maintaining service levels, meet increasing service demands, and taxpayer's ability and willingness to pay.

Grand List & Revaluation

The October 2023 grand list reflects the results of State-mandated property revaluation which the town is required to conduct every five years at minimum. The net taxable grand list for October 1, 2023 is \$4,439,061,648, which is an increase of \$884,561,097 or 24.89%. This is without a doubt the largest increase to the grand list in one year that Windsor has experienced in many decades if not ever.

The results of property revaluation on residential property values are by no means unique to Windsor. According to the Federal Housing Finance Agency quarterly report dated November 2023, single-family housing prices nation-wide have seen a 59% increase over the last five years. In the New England region, the increase is over 63% for the same time period. Housing prices in all major metropolitan areas in Connecticut have increased upwards to 63% as well.

The main driver of the increase is the real estate component of the grand list, which increased \$838.2 million or 31.5%. Personal property saw an increase of \$65.4 million or 11.1%, while motor vehicles decreased \$19.0 million or 6.2%. Below is a breakdown of the real estate portion of the grand list.

Property Type	Net Assessment Change
1,2 & 3 family residential properties	49.70%
Condominiums and Planned Communities	42.50%
Apartments	59.60%
Non-Residential property (office, commercial, industrial)	4.90%
Total Real Estate List	31.50%
Non-Residential without office building decreases	19.70%

Our commercial property segment of the grand list increased only 4.9% due to large decreases in class A office building values, which came as a result of high vacancy rates attributable to many large businesses employing remote and work-from-home models. Without such a loss in the office category, the non-residential segment would have increased nearly 20% in assessed value.

Proposed Budget

The overall proposed town and BOE expenditures equal a 4.64% increase or \$6,465,090. The Board of Education (BOE) budget proposes a 6.40% increase, or \$5,129,320. The General Government budget is proposed to increase 2.26% or \$1,335,770. A large portion of this increase is the tax transfer payment to the Great Pond Improvement District, which this year is increasing \$772,200 due to new economic development. The Town's General Fund receives an equal amount.

Below is a breakdown of the primary General Fund categories comprising the \$6.5 million budget increase:

Budget Component	FY 2024 Adopted Budget	FY 2025 Proposed Budget	\$ Change	% Change
Board of Education	\$80,184,020	\$85,313,340	\$5,129,320	6.40%
Town Operating Budget	\$40,839,130	\$41,907,540	\$1,068,410	2.62%
Sewer Service (MDC)	\$4,720,080	\$4,771,220	\$51,140	1.08%
Debt Service	\$8,324,320	\$8,519,040	\$194,720	2.34%
Great Pond Improvement District	\$623,500	\$1,395,700	\$772,200	123.85%
Other Post-Employment Benefits (OPEB) Contribution	\$800,000	\$775,000	(\$25,000)	-3.13%
Capital Projects & Open Space	\$3,714,700	\$2,989,000	(\$725,700)	-19.54%
Total	\$139,205,750	\$145,670,840	\$6,465,090	4.64%

The table below illustrates notable expenditure changes related to the General Government portion of the overall General Fund budget, as compared to the FY 24 adopted budget:

Expenditure	Amount	% Change
Health Insurance	\$164,280	4.30%
Liability & Work Comp Insurance	\$168,390	6.34%
Debt Service	\$194,720	2.30%
Pension/Retirement	\$278,350	4.60%
Salaries & Wages	\$568,040	3.10%
Senior & Workforce Housing	(\$75,000)	(100%)
Housing Rehabilitation	(\$305,350)	(100%)
Capital Funding	(\$700,700)	(19.94%)

Revenues

The proposed General Fund revenues total \$145,670,840. Of this amount, \$122,521,400 or 84% will come from the current levy, and non-tax revenues are anticipated to contribute \$23,149,440. State aid comprises approximately \$15.7 million of this amount.

Below is a table comparing the major General Fund State aid categories between our adopted FY 24 budget and Governor Lamont's FY 25 budget proposal. Education Cost Sharing is net of the Alliance District grant that is distributed directly to the Board of Education and is not part of General Fund revenues. No revenue from the airport development zone is anticipated for FY 25. These funds are a partial reimbursement of tax revenue from companies on a five year, 80% abatement of local property taxes on qualifying real and personal property. Two firms located within the development zone reached the end of their five year abatement, and no new firms have applied to the program at this time.

Revenue Source	FY 24 Adopted Budget	FY 25 Governor's Proposed	Difference
Bradley Airport Development Zone	\$180,000	\$0	(\$180,000)
Education Cost Sharing (ECS)	\$11,547,660	\$11,547,660	\$0
Municipal Revenue Sharing	\$2,790,930	\$2,432,990	(\$357,940)
Municipal Transition Grant (Car Tax)	\$267,010	\$390,550	\$123,540
Special Education - Excess Costs	\$1,300,000	\$1,250,000	(\$50,000)
State Owned Property PILOT	\$72,060	\$77,140	\$5,080
Totally Disabled Exemption	\$3,000	\$3,000	\$0
Veterans Tax Exemption	\$17,000	\$13,000	(\$4,000)
Total	\$16,177,660	\$15,714,340	(\$463,320)

Interest rates are expected to remain favorable in the near term. We are expecting Federal Reserve monetary policy to eventually tighten, although slowly, but we are still anticipating increased interest revenues of \$970,000 in FY 25 over the FY 24 adopted levels. Building permit revenues are proposed at \$800,000 which is \$74,000 greater than the FY 24 adopted budget amount. The FY 25 Town Manager’s budget proposal does not include any funding to come from the Opening Cash category, as per Town Council policy.

Tax Rate & Impact

The proposed budget, as it is affected by revaluation, resets the mill rate from 33.60 to 28.26. While this is a large drop in the mill rate, it is not enough to overcome the effects of a 51% average increase in assessed values on residential properties. This dynamic will put pressure on tax payers, however, it is important to make the distinction between how much a tax bill is going up as a result of revaluation, and how much it is going up due to an increase in the budget. The extent of the increase in assessments, when combined with the scale of the overall grand list increase and the anticipated drop in the mill rate, will cause the majority of the tax increase to come as a result of revaluation, and to a much lesser extent due to the budget increase. The following table illustrates this:

Revaluation Effect on Single Family Home Valued at \$213,000 as of 10/1/22				
	10/1/2022	10/1/2023	Change	% Change
Market Value ⁽¹⁾	\$213,000	\$321,630	\$108,630	51.0%
Assessed Value @ 70%	\$149,100	\$225,141	\$76,041	51.0%
Taxes at 33.60 Mills (FY 24 Current)	\$5,010			
Taxes at 28.26 (FY 25 Town Manager Proposed)		\$6,362		
Tax Increase		\$1,352	26.99%	
FY 25 Budgetary Tax Increase ⁽²⁾	\$161	3.21%		
Tax increase due to Revaluation ⁽³⁾	\$1,191	23.77%		
Total	\$1,352	26.99%		

⁽¹⁾ Single-family home average market value as of 10/1/2022
⁽²⁾ Based on proposed budget - grand list without revaluation
⁽³⁾ Based on proposed budget - grand list with revaluation

As noted above, the proposed budget does not include use of General Fund reserves. If the Town Council elected to use \$4.4 million in reserve funds to mitigate the projected tax rate, the mill rate would be reduced to 27.25 mills. This would reduce the tax increase by \$227 for the example home shown in the table above.

FY 24 Update

The adopted FY 24 budget totals \$139,205,750. Projected revenues are expected to be approximately \$3.7 million more than budgeted. Building permit fees are expected to provide additional revenue of \$1.1 million. State Aid is expected to come in over budget by \$317,000. Conveyance and vital statistics fees are expected to be \$765,000 more than budgeted. Most of our other revenue categories are relatively stable, and are expected to come in slightly over or slightly under budget.

FY 24 expenditures are projected to be \$897,000 under budget. This will come mostly from vacancy savings in the Police and Public Works departments.

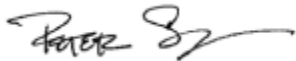
Concluding Remarks

As previously mentioned, property revaluation creates a set of difficult decisions for the upcoming budget. The choices and decisions made will need to balance maintaining service levels, increasing service demands, reinvestment in our infrastructure and taxpayer's ability and willingness to pay. These decisions will require a multi-year perspective that is responsive to the current fiscal context and maintains the service levels and sense of community we are all so proud of.

I look forward to work with the Town Council to review the proposed budget and to discuss options on how best to craft a financial plan for consideration by the voters in May.

In closing I would like to thank the dedicated members of the Finance Department, the town's leadership team and all the partners across the organization in their efforts in preparing this proposed Financial Plan and Program of Services for Fiscal Year 2024-2025.

Respectfully submitted,



Peter Souza
Town Manager