



OFFICE OF THE MAYOR
City of Middletown
CONNECTICUT 06457

Benjamin D. Florsheim
MAYOR

A Message from the Mayor on the 2023-24 budget

To my fellow Middletown residents:

When I took office as Mayor in November 2019, the first major item before me, the Common Council, and the Board of Education was the city budget, which would be due in just a few months. Little did we know at that time how much every aspect of our lives would be changed by the arrival of the COVID-19 pandemic in the handful of months that passed between my election in fall 2019 and the adoption of my first budget in spring 2020.

By working with the Council and BOE on a bipartisan basis, and by heeding the professionals in the Finance Department who have achieved and maintained a AAA bond rating for the City of Middletown through strong, sound fiscal management, we were able to lower taxes that year and keep them level for two years thereafter despite the challenges that those years presented. Even though this meant making tough choices when it came to the city budget, our goal was to offer some predictability in an unpredictable economic time.

When I knocked on your doors four years ago, the message I heard overwhelmingly was that people in Middletown are mostly satisfied with the direction of the city and the level of services provided by local government, but are deeply concerned about the rising cost of living that is driven in part by the property taxes on real estate and motor vehicles that pay for those services. The approach we have taken to the budget each year has been a direct result of that feedback, and thanks to strong fiscal management, a growing economy and tax base, increased aid from the State of Connecticut thanks to successful advocacy by our legislators, and that same spirit of collaboration between the Council, the BOE, and the taxpayers, I believe we have been successful in delivering stable, forward-looking budgets every year.

In crafting this year's budget, our biggest challenge was absorbing the impact of the mandatory property revaluation that took place last year. Cities and towns are required under state law to assess the value of all residential and commercial property every 10 years by conducting an in-depth market analysis and by visiting each and every property in the city to conduct a visual inspection of any changes that affect the value; an update to the market analysis is required every five years. In other words, the last time property valuations were updated was in 2017, and the last time a comprehensive revaluation was completed was in 2012. This contrasts with motor

vehicles, which tend not to appreciate in value and whose taxable valuation is updated each year based on data from the National Automobile Dealers Association. While the budgets of the last few years therefore factored in the recent spike in motor vehicle values, homes and commercial properties that last faced a comprehensive revaluation in the aftermath of the Great Recession were updated in the wake of a massive surge in home values that took place in the span of just a few years.

The result of these changes is that the value of Middletown's net taxable property, also known as our grand list, grew 25.3% since last year-- over a billion dollars, compared to last year's increase of just over \$100 million or about 3%, which is more typical of a non-revaluation year. As a result, I am proposing a budget that represents a 3.4% increase over the 2022-23 fiscal year, which includes a 3.3% increase to our Board Education, and is well below the rate of inflation, and proposes a reduction in the city mill rate from 35.7 to 28.3.

In addition to the market forces affecting the entire state and region, Middletown specifically has seen increased economic and commercial investment that brings with it the mixed blessing of rising property values. In a positive article about the vibrancy and unique offerings of our city that ran in the real estate section of *The New York Times* last November, the headline read "Middletown, Conn.: Friendly and Reasonably Affordable." I took that as a sign of encouragement and caution all at once: we are doing many things right, but we have work to do to ensure a trajectory towards *more* affordability, not less.

In a better system, this rising tide would lift all boats, and the real-estate pages would be able to report that Middletown has become even more affordable this year because the tax rate has gone down. In some respects, this will be true, and will be most easily noticeable on your motor vehicle tax bill. In the system we have, however, the math for homeowners is complicated by this fact: while the 2022 revaluation saw notable increases in the value of real estate across all categories, the growth in single-family home values outpaced the growth in commercial real estate by almost two to one, which means the overall tax burden will shift accordingly away from commercial taxpayers and onto homeowners. With the average home value in Middletown now \$290,000, the 28.3 mill rate represents an increase of approximately \$500 per year on average, or about \$42 per month. If the mill rate were kept at the current level of 35.7 and the current budget carried forward onto the new grand list with no changes, the average increase would come out to over \$1000 per year.

This is tough news to deliver, and I don't take it lightly. Even though there are many obvious benefits to rising property values, to individual homeowners and to the local tax base alike, and even though the mill rate is moving in the right direction as we look ahead to the next ten years, it still means that many homeowners will take a hit on their property tax bill this year. When we learned about the scale of this impact, we explored our options for reducing the burden on residents from every angle, including working with our legislators to consider a delayed implementation or even a "do-over" that would extend Middletown's revaluation deadline and

allow a different market snapshot to establish new benchmarks for property values. What the data shows us, however, is that the market isn't going down-- it's still going up, with properties selling in the first months of 2023 at even higher prices than the just-completed revaluation suggested. With a few factors, such as the passage of the state budget, still to be determined, we will continue to explore any and all sustainable options to offer relief to taxpayers.

With all of that being said, I am proud of the budget we have assembled. I submit this proposal at the conclusion of a process not unlike the one that unfolded during that first year as the pandemic was spreading: uniquely challenging and marked by hard choices, but also thoughtful, collaborative, and driven by optimism about our city's future. As the impact of the revaluation came into focus, I asked everyone from the chief of police to the superintendent of schools to the arts and culture coordinator to be honest with me about what they needed and to dig deeper than ever before-- not just for budget cuts, but for ways to build capacity while saving money at the same time. I am very grateful and very proud of the fact that this is exactly what they did. The budget I am proposing today is over \$2 million leaner than the first draft my team and I started with, and still manages to make priority investments that the community has been asking for, like three additional Middletown police officers (who will improve public safety as they reduce the police overtime budget); expanded community programming at places like Harbor Park and the new Middletown Rec Center; and a continuation of our successful street outreach pilot partnership with the Downtown Business District and St. Vincent de Paul.

I want to thank all those who have already spent, and will continue to spend, long hours over the course of this year to craft this proposal: the City of Middletown Finance Department, led by Carl Erlacher, Diana Doyle, and Tayna Oliver-Perry; Bobbye Knoll Peterson, my chief of staff and acting Director of Economic and Community Development; and the whole team in the mayor's office, including Linda DeSena, Joy Collins, Tina Mejias, and Rohan Manning, for their hard work during the months of preparation this budget required. I also want to thank our outstanding legislative delegation-- Senator Matt Lesser, Senator Jan Hochadel, Representative Brandon Chafee, and Representative Kai Belton-- for their ongoing efforts to secure fair funding for Middletown, and Superintendent of Schools Dr. Alberto Vázquez Matos and the members of the Board of Education for their collaboration on this budget and their shared commitment to the students and taxpayers of our city.

Over the next several weeks, the public will have the opportunity to hear in detail from department heads and from our budget team about the services, programs, and projects that their tax dollars fund and that continue to drive Middletown forward. I hope that you will tune in and make your voices heard-- you've heard from me, and now I want to hear from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Ben Florsheim", with a long, sweeping underline that extends to the right.

Mayor Ben Florsheim