

A Message from the Mayor on the proposed 2024-25 budget

To my fellow Middletown residents:

Three factors loomed large over this year's budget deliberations: one at the local level, one at the state level, and one at the federal level of government. As in years past, it is my hope today to present these factors as clearly as I can in concert with a breakdown of proposed changes in my budget.

First, I will touch on what this budget means for taxpayers and city operations. For taxpayers, the proposed mill rate of 31.2, an increase of 2.9 mills from the 2023-24 budget, would mean an annual increase of approximately \$500 for a home with an appraised (fair market) value of \$250,000, or a little under \$42 per month. Operationally, the proposed budget is largely a "status quo" budget, with the majority of the increase driven by contractually obligated wages and benefits for City of Middletown and Board of Education employees. Where we have proposed new spending, we have done so with a surgical focus on improving city operations and making local government more efficient and effective, with the goal of delivering taxpayers the best possible value for their dollar.

At the local level, the biggest factor looming over the development of this budget has been the continuing impact of the mandatory 2022-23 property revaluation, which saw residential property values in Middletown skyrocket by an average of about 40%. In response, last year I proposed and the Common Council adopted a budget that reduced the city mill rate from 35.7 to 28.3. Even with this significant reduction -- technically a "tax cut" -- homeowners still saw increases in their property tax bill due to the dramatic increase in assessments. That increase last year (also about \$500 on average) would have been more onerous if our adopted budget did not dip into the City's general fund to drive the mill rate down as much as prudent. This year, we have less ability to tap that reserve while staying within the fiscal

guidelines adopted by the Common Council some years ago, which have allowed us to maintain a AAA bond rating.

At the state level, I along with my fellow municipal leaders have found ourselves coming to grips with an unfortunate reality this year. The reality is that state leaders have learned they can claim they are cutting taxes (meaning sales and income taxes) when in fact what they are doing is shifting the cost of general government services onto cities and towns, whereby the cities and towns are forced to raise the lost revenue back at the local level (meaning higher property taxes). I don't use the term "forced" lightly; budgeting, when done correctly, is about making tough decisions, and in some cases when municipal aid from the state has disappeared, the programs it paid for have simply been eliminated at the local level if adequate replacement revenue can't be found. But more often, and increasingly in recent years, that option does not exist. Why? Because many of the programs being created and continued -- but, crucially, *not funded* -- by our state government are mandatory, not optional.

Presently and historically, the impact of this approach has been most significant in the area of K-12 education, which in Connecticut is lopsidedly funded by municipal property tax revenue. According to the Institute of Education Sciences, only four states -- New York, New Hampshire, Nebraska, and Missouri -- rank higher than Connecticut for how much education funding comes from local government (as opposed to state or federal); of those four states, one (New Hampshire) has no state income tax whatsoever, and all have some form of county government which can assist localities with the raising and managing of education dollars on a regional level. It is for this straightforward reason that our state has such profound levels of educational inequality. In the extraordinarily direct correlation we have created between the wealth of a particular neighborhood or district and the performance of its schools, Connecticut stands ignominiously apart from every other state in the union.

However, the problem has spread to other policy areas. For many years, the State of Connecticut failed to regularly make payments into its retirement system as obligations accumulated, a bill that began to come meaningfully due when the 2008 financial crisis decimated the state's economy. Starting in 2011, the state resumed making payments into the retirement fund, which was good, but it did so by adopting budgets that dramatically slashed aid to towns and cities, as well as scaling back or freezing state investment in critical social services, which was bad. There have been few meaningful steps since then, other than recent adjustments to the state's Payment In Lieu of Taxes program, to ease the squeeze on local governments and property taxpayers that has been tightening for over a decade. Meanwhile, during the same period, significant new laws have been added to the statute books -- from police accountability to early voting to fair rent commissions to school curricula and beyond -- with either no funding at all or funding that is completely inadequate to set up and actually administer these policies.

None of what I'm attempting to spell out here is particularly groundbreaking or unique to Middletown -- although I would argue that Middletown, with a fully-funded pension and AAA bond rating that we have worked diligently to maintain and build upon for the future, has modeled a better approach to fiscal responsibility and weathered the new reality better than many of our peer communities. Indeed, municipal leaders and legislators of both parties have been banging the drum on most of these issues for years. I lay it out here not to cast blame on an agency or a person, but to offer important context for the institutional constraints that we, as your elected officials, are facing as we work to manage our communities and address the cost of living crisis facing our residents. Thus, the reason you don't feel like your taxes have been cut when you read in the news that the state has been on a tax-cutting spree is as simple and as complex as that: your taxes weren't really cut. They were just passed on to your city, your library, and your schools.

At the federal level, the biggest impact falls on the Board of Education's budget. This is because one-time federal pandemic assistance dollars, from the American Rescue Plan Act and other programs, are mostly gone as of this year. Unlike some communities who will now find themselves in an even more difficult situation, Middletown Public Schools has wisely directed most of their federal aid to non-recurring needs such as capital projects and pilot programs rather than using it to cover wages or create permanent new positions. I commend Dr. Vázquez Matos and the Board of Education for this approach, as well as the proposed budget they adopted.

Even so, however, the loss of this additional funding is having an impact in an environment where everything from school supplies to health insurance to bricks and mortar costs significantly more than it did four years ago. My budget proposal revises the 5.88% operational increase requested by the Board of Education to 4%, with the understanding that this will pose more difficult choices to be made in collaboration with the Council and the MPS administration. Here too, however, we are looking for opportunities to continue a program that has proven effective and financially prudent. An example I am excited about, which is part of the City's proposed budget, is to create a permanent funding line to provide school-based food pantries at Beman Middle School and Middletown High School in collaboration with St. Vincent de Paul. Kids can't learn if they can't afford to eat, and this new line item will ensure that the disappearance of pandemic assistance doesn't mean the disappearance of an essential lifeline for students and families.

This brings me back to the changes I am proposing in this year's budget. For all the grief I've given state government in this overview, I will be the first to admit that Middletown has not been as effective in the past as we should have been at accessing those state resources that *are* available to us. In part, this is because we have had an excellent legislative delegation in Middletown who has done much of the legwork for us when it comes to bringing dollars back home. But if we aren't identifying and asking for the right funding, even our

legislators cannot help us. In the process of developing this proposal, we identified numerous capital needs requested by department heads that were potentially eligible for the state's Local Capital Improvement Program, or LoCIP. Two positions proposed in the Department of Economic and Community development, a grants administrator and a projects manager, will greatly increase our capacity to obtain and administer funding of this type from a variety of sources, an investment I believe will pay for itself in added value within the fiscal year. Crucially, they will also assist with our long-term, big-picture capital planning process, including the major renovation or replacement of major city assets that are nearing obsolescence: City Hall, Macdonough School, the Russell Library, and numerous road, sidewalk, water, and sewer projects.

I am also proposing one new staff member apiece in our HR and Payroll divisions -- administrative offices within City Hall that have been overwhelmed with work as we continue to review the city's job descriptions and compensation structure and work to recruit a diverse and talented workforce. Finally, this budget proposal also includes funding for two additional officers at the Middletown Police Department, in keeping with past years, as we work to provide full staffing to the agency. It also continues our investment in embedding clinical and community services within MPD itself, building on our unique and successful partnership with local mental health providers under DMHAS/River Valley Services to provide meaningful help to people in crisis while improving public safety.

I am grateful every day for the opportunity to serve and make a difference in this community, and I appreciate your taking the time to read this budget message. We face many challenges on many fronts -- as a city, as a state, as a nation -- and I have tried to shed light on some of them here to illustrate the obstacles we face while tackling cost of living for our residents. I hope that over the coming months, you will attend or tune in to the Common Council's

budget hearings to learn more, share your feedback, and help us achieve a final product that keeps Middletown moving forward.

Sincerely,

Mayor Ben Florsheim

April 1, 2024

*In Connecticut, the tax value of your home tax rate is determined as follows:

$(\text{Assessed Value} * \text{Mill Rate}) / 1000$

- The assessed value is 70 percent of the appraised (fair market value) determined by the assessor.

Example: If the assessor determines that the market value of a home is \$100,000, the assessed value will be \$70,000.