

**City of New Haven**  
**Justin M. Elicker, Mayor**



March 1, 2022

Dear City Residents and Members of the New Haven Board of Alders,

I am proud to present the City's Fiscal Year 22-23 proposed annual budget. Looking forward to this new fiscal year, we continue our commitment to fiscal responsibility and to meet the resident priorities of public safety, essential services, sound infrastructure, and enriching community programs. City leadership has worked thoughtfully and cooperatively to create a budget reflecting our community values. The City will continue to provide efficient, quality services while being conscientious of our financial position this year and in years to come.

The proposed budget I have tendered to the Board of Alders allocates resources to a variety of City priorities and programs to ensure the community's physical security, enhance the community's quality of life, provide our youth with opportunities, and maintain and develop the City's facilities and infrastructure. My FY22-FY23 Budget attempts to bolster these efforts, despite the public health emergency of COVID-19 which restricted some services in 2020 and 2021. New Haven benefits from the fact that we are a regional retail provider serving a community that reaches far beyond our city limits as people come to the city for shopping, entertainment and dining. At the same time, as a regional leader, we provide much needed social services for some of the most vulnerable populations, many of which are our own residents.

This has been an unprecedented and challenging few years. First, we were faced with a global pandemic unlike anything we had ever confronted before. Then we were faced with dramatic increases in unemployment, food insecurity, housing insecurity, and economic distress in far too many households. We were also challenged anew to address the racial disparities that exist across our country and right here in our community. Today, we continue to face levels of uncertainty that seem never-ending, impacting the health and wellbeing of our residents, and increasing demand for the services the City and other levels of government provide.

While New Haven has moved to address many of these issues, some of our biggest challenges - like COVID-19 and the housing crisis - are made worse by financial uncertainty at home and with local government. Just like you have fixed costs at home that rise each year, so does your local government. Employee pensions, debt service and workers compensation continue to be major drivers of our expenditure increases. And healthcare costs have skyrocketed as people that put off elective surgeries these past 18-months now are seeking treatment. Like many other cities across America, New Haven saw healthcare costs fall in 2020 during the pandemic only to rise dramatically in 2021. In 2022 we anticipate this trend continuing.

I want you to know that we have worked to address these financial issues as well by growing additional revenue. My Administration joined with residents and our state delegation to fight for a recalculation for the Payment In-Lieu of Taxes or “PILOT” program. PILOT is the program that reimburses cities for lost-property tax revenue when land is owned by non-profits. This change increased our PILOT payments annually from \$41M to \$90M. Second, Yale University committed to increasing its annual voluntary payment to the City from \$13M to \$23M – we’ll receive more over the next six years from Yale than we did over the last twenty. Both of these historic accomplishments were achieved by working together.

These new revenues helped bring us back from financial disaster and stabilize our budget. While most of us agree that we need the City to expand its work to support our residents, this additional funding simply allowed us to maintain our existing services. We have worked hard over recent years to responsibly reconcile the City’s budget shortfalls and improve our outlook. We must be both prudent and judicious and continue to improve the long-term outlook for our city’s financial future.

This budget also implements property revaluation. Once every five years the City is required by the State to conduct a revaluation on all properties. 2022 is one of those years. Last year we hired an outside company – Vision Appraisal - that evaluated all property city-wide and, using statistics and data of sales of similar properties, established those values in 2022 on how much each property is worth. To be clear, the City has no influence whatsoever over the assessments. As you know, real estate taxes are generally based on how much your property is worth, so if your property increased

in value, your taxes would also increase. This year's revaluation results were surprising. Overall property values in the city increased dramatically. Some areas of the city, like parts of East Rock, City Point and Quinnipiac Meadows, went up by over 20 and 30%, and other areas like parts of Fair Haven, Chapel West, and parts of the Hill saw increases of more than 60 and 70%. This proposed budget is also designed to protect residents from the dramatic change in property values as a result of this revaluation process while continuing to collect enough tax revenue to provide important services to our residents.

To shield residents from these significant increases in value on their properties I'm proposing two action items. The first is a "phase in" of the new property valuation. A phase in allows your new property values to step-up or "phase in" over the next five years. In other words, if your property value went up by 50%, with the phase-in, each year for five years your taxes would be based only on an increase of 10% each year rather than all 50% at once. This ensures that no one area of the city is hit so abruptly by the change. The second thing the budget includes is a small reduction of the mill rate. These two important steps mean that in this fiscal year, most people will only see a small increase in their taxes. I believe this is the most effective strategy to be fair and to balance our ability to keep taxes at a reasonable level and provide the services residents deserve.

Over the coming months, the Board of Alders will be reviewing my proposal before finalizing the budget. The alders will have an opportunity to evaluate some key decisions: the implementation of the revaluation phase-in over the next five years, the recommendation for a small, but manageable decrease in the mill rate, and the use of American Rescue Plan funding to mitigate temporary revenue loss during this difficult time. There will be public hearings for you to give input if you wish.

I have submitted the proposed Fiscal Year 2022-2023 Budget for adoption after substantial review and discussion. I am proud the proposed budget balances the long-term needs of the City with the current economic reality and financial trends, and shields homeowners from large tax increases. I am also excited that this budget contains appropriations to maintain staffing and service delivery, while aggressively addressing community issues and providing opportunities for our youth.

We have come a long way over these past several years. Our City has experienced the pain of a pandemic and economic hardship while at the same time seeing some of the most significant development in decades. We have much more work to do, but we are able to confront these challenges and make large steps forward together as a community. I look forward to continuing to work with you as we walk towards a city where everyone has the opportunity to thrive.

Sincerely,

Justin Elicker

Mayor