Fairfield Taxpayer

FY22 Budget Questions: Time to Be Even More Cautious than Usual?

1. **IS THE TAX LEVY INCREASING TOO MUCH?** Should we lower the proposed 5.6% increase in the tax levy that produces: (a) only a **1.1%** increase in the **mill rate**; (b) only a **~2.85%** increase on average over two years in **actual taxes paid** by **existing residential** property owners (**or 1.4%/year**, which is in line with inflation); and (c) a **~23%** increase on average over two years (**11.5%/year**) in actual taxes paid by **existing commercial** property owners, whose recent assessments have apparently been significantly understated? If we decide to do so, how exactly should we reduce the tax-levy increase without creating budget cliffs that we will simply have to climb later?
2. **WHY THE BIG JUMP IN COMMERCIAL PROPERTY VALUES?** Why did the value of commercial real estate rise by ~23% in Fairfield and at the same time decline ~7% in Westport? Were Fairfield's properties really <u>undervalued</u>; were Westport's <u>overvalued</u>; are Fairfield's now <u>fairly valued</u>, and if not, how soon will any necessary reductions be reflected in our Grand List?
3. **WHAT WILL HAPPEN NEXT TO COMMERCIAL REAL ESTATE?** Even if our commercial properties are now fairly valued, what will happen in the future because of: (a) the dislocations associated with the pandemic (particularly the substantial increase in remote working); and (b) the increasing inroads on brick-and-mortar retailers by eCommerce?
4. **WILL THE REDISTRIBUTION OF THE TAX BURDEN CAUSE PROBLEMS?** What problems, if any, arise from the **dramatic redistribution of the overall tax burden** because of the unusually wide differences in new versus old values for: (a) **residential** (**up ~2.5%**) versus **commercial** (**up ~23%**); and (b) for **residential properties in different Fairfield neighborhoods** (e.g., the **Beach Area up 20%** and **Sasco Hill down 17%**)? If there are problems arising, what, if anything, can and should we do about them?
5. **WHAT SHOULD WE DO WITH OUR $25 MILLION WINDFALL?** Subject to any restrictions on our discretion, how can and should we spend or invest the expected $25 million windfall from the federal American Rescue Plan plus any additional non-recurring grants we receive from the State?
6. **WHAT IS THE GENERAL ECONOMIC OUTLOOK?** What is the economic outlook for New York City, for Fairfield County and for Connecticut, and what are the implications for our Town, particularly regarding home values after the "NYC Covid Immigration" surge subsides? For example, how would our tax base and unfunded liabilities be affected: by a sharp, protracted decline in the stock market and a significant rise in inflation and interest rates; by the elimination of the motor vehicle tax (~5% of local tax revenue); and/or by an increase in State and/or federal income tax rates?
7. **NEAR-TERM, HOW CAREFUL SHOULD WE BE?** All things considered, what kind of risk environment are we in and how careful should we be regarding how much we reserve, spend and tax?
8. **LONGER-TERM, WHAT IS OUR STRATEGIC PLAN?** What strategy will give Fairfield the best chance of continuing to prosper in a state that is failing (e.g., no population growth, no job growth in more than 30 years) and in a NYC metro area that faces serious challenges in the wake of the pandemic?

There are no easy answers and no "right versus wrong" answers to these complex, interrelated questions; **there are only trade-offs to be carefully considered based on different risk propensities**. FT believes that we should be even more cautious than usual because we are currently subject to significantly heightened risks, and that **a substantial increase in our FY22 tax levy to eliminate the budget cliffs we created in FY21 (resulting in only a 1.1% in our mill rate) – however paradoxical it may sound coming from Fairfield Taxpayer – is therefore the most prudent option**. Our primary focus remains on our tax base, a "vital organ" for any town, which is still **4% below its FY11 peak**, and would be **6% below** if commercial property values were flat after the 2020 revaluation instead of up ~23%.

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