

April, 2009

To the Members of the Town Council and to the Residents of the Town of East Hartford:

Attached please find the Adopted Budget for the fiscal year ending June 30, 2010. Due to the severity of the economic downturn and the impact of that downturn on your individual budgets, the mil rate in the Adopted Budget remains unchanged from the mil rate in place today, thereby producing no tax increase to residents and businesses.

**The Economy:**

This budget was compiled against a backdrop of economic turmoil on a national, state, and local level not seen since the Great Depression. At the federal level, \$819 billion of aid was approved by Congress to begin the process of restarting America's economy. This second stimulus package was on the heels of an estimated \$700 billion of aid that was administered to banks and automobile manufacturers deemed "too big to fail".

On the state level, state income tax revenues, a large part based on Wall Street incomes, are dramatically declining due to the economic crisis and will create a state budget deficit estimated at \$3-4 billion in each of the next two state budget years. There's no escaping the reality that a recession of significant severity has visited our community.

**Town Services:**

Based on this stark reality, the Adopted Budget holds sacred no program, constituency, or project. To that end, this budget substantially maintains town services; however, in order to achieve that goal, many difficult and painful decisions have been made.

As you may be aware, the directors, those individuals who manage the various town departments on a day to day basis, have identified across the board 5% reductions in costs. This budget accepts the majority of those 5% reductions, and as a result, town services that you the residents have come to expect and enjoy will be impacted.

Simply put, some services will be curtailed due to the lack of revenue to sustain them on a going forward basis. For instance, our community is accustomed to receiving two rounds of leaf collection in the fall. However, in order to save money, the town will be completing only one round of leaf collection this year, and will not collect leaves on any Sunday. The town normally operates five pools during the summer. However, in the coming year, we will only operate four. Youth services will have one less counselor to work with families in crisis. The temperature in town buildings will be reduced by 2.5 degrees in the winter, and raised by 2.5 degrees in the summer, all in an effort to contain costs.

In town departments where credit cards are accepted as a form of payment, the town will be contracting with an outside vendor to eliminate the 2% cost to the town of credit card transactions. This town cost is \$25,000 per year and will now be paid by the credit card user at the point of sale through a small convenience fee added to the transaction.

Please also note that due to existing contract language that is in force during any layoff, the town is prohibited from hiring part-time summer workers in the Parks and Recreation Department and the Public Works Department, so attending to ball fields or mowing grass will take longer.

**Positions Eliminated: 4% of the town workforce:**

In addition to a variety of service reductions, this Adopted Budget eliminated 20 positions, including eight via layoff. The positions eliminated include four police officers, one Assistant Fire Chief, one firefighter, one dispatcher, seven administrative positions in Town Hall, two nurses, two laborers in Public Works and Parks, the Assistant Director of Public Works, one librarian, and the Recycling Coordinator. The reduction in the town's workforce due to these eliminations equals 4%.

**Union Concessions:**

Working cooperatively with unions, this Adopted Budget includes a wide ranging package of concessions beginning in July of 2009 which helped a great deal in the final balancing of this budget. The union concession agreements have been finalized. Some employees will have their wages frozen for the coming year, some will have their scheduled wage increase reduced, some will take four or five days off without pay, and some will contribute more toward medical benefits. Three positions will be permanently eliminated as a result of a modest retirement incentive being offered by the town.

It's important to note that town employees are facing the same economic upheaval as the rest of us. Their own household budgets are under strain and they too are not immune to the stresses of this economic upheaval. Besides accepting a zero percent general wage increase two years ago to offset the impact of revaluation, let's also not forget that town employees perform valuable services for the residents of this community including keeping the roads clear during winter storms, keeping the peace, providing medical services in times of crisis, and educating our children. As valuable as these employees are to the wellbeing of the community, they also understand the town's ability to pay, and have made necessary sacrifices for the community in the past, and again today. On behalf of the town, let me offer my thanks to all employees.

#### **The Construction of East Hartford Boulevard South at Rentschler Field**

While this budget demonstrates vital cost containment, we must also work toward building the town's grand list for the future. As a community, we have high expectations for the build out of Rentschler Field that started with the opening of the Cabela's Outdoor Store in October of 2007. However, because independent development efforts at Rentschler Field have dramatically stalled due to the economic downturn, the Adopted Budget is making the development of Rentschler Field a cornerstone.

To that end, I will be working with the Town Council, in cooperation with United Technologies and the Matos Development Group, to issue Tax Incremental Financing (TIF) bonds to jumpstart the construction of East Hartford Boulevard South and related infrastructure so that Rentschler Field will be "shovel ready" for retail and other development in 2010.

For those who may be unfamiliar with the TIF concept, TIF is a financial tool that allows the town to designate a portion of Rentschler Field as a TIF District. Businesses then pledge to locate within the TIF district, making a commitment of new tax revenues to the town. Based on that commitment, the town then issues TIF bonds to pay for necessary public improvements, like roads and drainage, in the TIF District. With the infrastructure in place, those businesses who initially committed to the town then locate in the TIF district and pay full taxes to the town with 75% of their payments dedicated to paying off the bonds.

As a result of this process, East Hartford will see the promise of Rentschler Field recognized while enjoying a new revenue source which will help to mitigate our future tax burden. Once the TIF bonds are paid off, all tax proceeds will go directly to the town, further mitigating our tax burden.

### **Future Infrastructure Maintenance and Bonding:**

As you know, the condition of the town's infrastructure is of concern since the cost of repairs to the town's infrastructure has proven to be significantly more than the cost of preventative maintenance over time. Simply put, the town has for too many years put off maintenance and upkeep of infrastructure in return for short term tax relief.

To that end, in spite of the economy, the town will continue to complete the following projects: road reconstruction and resurfacing, drainage repairs, levee and flood control system repairs, the construction of a new firehouse at 125 Brewer Street to replace the existing Station 5 on Main Street, and handicapped accessibility to the Mayor's Office.

It is my hope that East Hartford is able to secure infrastructure funding from the \$819 billion stimulus package approved by Congress to offset some of our costs on the above mentioned projects.

### **Board of Education Spending:**

The Adopted Budget approves \$77M for Board of Education spending with the hope that an additional \$2M will be forwarded when the State finalized aid to municipalities. This amount is \$5.5M less than their current year allocation and \$8.2M less than the Board of Education's proposed budget. Such a reduction is shocking to the community; however, the Board of Education's ability to compile a budget that adequately educates our children is not in doubt. The Adopted Budget continues to look to the various Board unions to assist the Board in identifying cost reductions while bringing contractual cost savings to the budget balancing table.

### **Medical, Insurance, Pension, and OPEB Costs:**

The town faces a variety of short and long term obligations that are accounted for in either a reserve fund or a trust. In this budget, the town continues to make regular, scheduled contributions to these reserves funds and trusts. However, in light of the dire economic circumstances we face as a community, such contributions this year only contemplate paying immediate costs leaving the amortization of long term costs for future budget years.

### **Key Budget Statistics:**

- Town wide total spending is budgeted at \$151.3M. This is a decrease of \$8.0M, or 5.0%, compared to the prior year.
- Spending for town government is budgeted at \$49.2M. This is \$4.1M, or 7.6% lower than the prior year.
- Health Benefit/Insurances spending is budgeted at \$5.8M. This is \$484K, or 9.1% higher than the prior year.

- Pension and Retirement Benefit spending is budgeted at \$9.2M. This is \$764K, or 9.0% higher than the prior year.
- Educational spending is budgeted at \$77.0M. This is \$5.5M, or 6.7% lower than the prior year.
- Combined Town and BOE Debt Service spending is budgeted at \$8.6M. This is \$552K, or 6.9% higher than the prior year.
- Capitol Improvement spending is budgeted at \$1.5M. This is \$186K, or 11.4% lower than the prior year.
- The resulting mil rate of 31.67 is the same as the prior year mil rate and produces no tax increase to residents.

The Adopted Budget for the 2009-2010 fiscal year, including comparisons to fiscal years 2007-2008 and 2008-2009 is presented below.

	REVISED	REVISED	% Change	ADOPTED	% Change	\$\$\$
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>(prior year)</u>	<u>FY 2009-10</u>	<u>(prior year)</u>	<u>Inc. (Dec.)</u>
TOWN (excl. benefit/insurance costs)	\$ 50,949,210	\$ 53,275,783	4.57%	\$ 49,209,632	-7.63%	\$ (4,066,151)
HEALTH BENEFITS/INSURANCES	5,287,048	5,308,234	0.40%	5,792,220	9.12%	\$ 483,986
PENSION/SOC. SEC. BENEFIT COSTS	8,220,048	8,484,387	3.22%	9,248,510	9.01%	\$ 764,123
BOARD OF EDUCATION (BOE)	80,340,983	82,498,910	2.69%	77,000,000	-6.67%	\$ (5,498,910)
TOWN AND BOE DEBT SERVICE	7,471,978	8,055,844	7.81%	8,607,603	6.85%	\$ 551,759
CAPITAL IMPROVEMENTS	1,287,938	1,636,425	27.06%	1,450,464	-11.36%	\$ (185,961)
TOTAL	\$ 153,557,205	\$ 159,259,583	3.71%	\$ 151,308,429	-4.99%	\$ (7,951,154)

In closing, I want to take this opportunity to thank the members of East Hartford's Legislative Delegation, the East Hartford Town Council, and those from our community who shared their thoughts with me on this budget.

Sincerely,  
The Town of East Hartford

Melody A. Currey, Mayor