

Report of the Blue Ribbon Budget Review Panel

Delivered to the New Haven Board of Aldermen
June 30, 2009

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Table of Contents

Acknowledgements.....	3
Introduction	4
Four Questions Citizens Need Answered	4
New Haven’s Financial Challenges	5
The Limits of the Board’s Power	5
What Can Aldermen Do?	6
Recommendations.....	7
Oversight and Accountability	7
Budget Process.....	10
Tweed-New Haven Regional Airport	10
Debt and Liability.....	11
Pensions and Benefits	11
Transportation	12
Appendix A: Order Creating the Budget Review Panel	13
Appendix B: Findings and Additional Documentation	14

Acknowledgements

The members of the Blue Ribbon Budget Review Panel are grateful to the Board of Aldermen for creating the Panel and giving us the opportunity to educate ourselves about New Haven's budgetary processes. We hope that our process and its product, this report, will provide some value in return to both the Board and the citizens of New Haven.

We particularly want to thank the public officials and members of the Board who participated in the Panel: Aldermen Charles Blango and Allan Brison, Controller Mark Pietrosimone, and Budget Director Lawrence Rusconi. The Panel's research made it quite clear that these public servants are dedicated and hard-working, and we appreciate their commitment of additional time to our work.

Finally, we wish to thank Albert Lucas and the staff of the Office of Legislative Services for the hard work and late hours they put in on behalf of the Panel. Any value our work may contain would not have been possible without their support; the errors it contains, of course, are ours alone.

Introduction

The Blue Ribbon Budget Review Panel was given considerable freedom by the legislation that created it to interpret and even define its own mission. As we understood our mandate, it was to make actionable recommendations to the Board of Aldermen. Though in some areas we delved into considerable detail, the consensus was that our time was better spent addressing the large-scale driving factors at work in the creation of the city budget.

This document assembles the individual recommendations the Panel approved by majority vote. In addition, where we felt it was useful and represented a consensus view of the Panel, we have included the findings of the individual Panelists who researched the topics and presented what they learned to the rest of the Panel.

This introduction attempts to summarize and focus what we learned into a few insights on the city budget process and the role of the Board in it. We hope this document is received in the spirit in which it was created. If in places we are critical of existing practices, it is always in the hope of offering an approach that will enable greater transparency and accountability.

Four Questions Citizens Need Answered

The average New Haven citizen, looking at the city budget for the first time, might reasonably ask four basic questions:

- Where do we get our money?
- How do we spend it?
- How much do we owe?
- What do we get for what we spend?

The budget documents produced by the city at the time of this writing make it difficult to answer those questions clearly. There are many reasons for this. Financial professionals look at them every day, and don't need those simple questions answered. Benefits costs are aggregated in ways that make it impossible to determine which personnel generated them. Little or no information is supplied about which cost-centers generated which expenses.

These reasons may be valid, but because of them, citizens suffer from a significant deficit of understanding and awareness about the budget and the hard choices it imposes. If citizens could more easily learn the answers to those four questions, the city would have a more vital and engaged public discussion about the challenges we face and how we want to meet them.

New Haven's Financial Challenges

At the end of the 2008-2009 fiscal year, New Haven is in a difficult financial position. More than 18 months into a severe global recession, we face a number of challenges:

- We carry a heavy load of debt and liability, the largest per capita of any municipality in the state.
- We rely heavily on state aid, a revenue source over which we have no control, and one that is likely to diminish in the next several years.
- We spend more on education than on anything else, yet our students' performance consistently ranks among the lowest in the state.
- It is difficult or impossible to equitably distribute the burden of the main revenue source we do control, property tax.
- The major industries of the city are non-profits, and many of their properties are exempted from taxation by the state.

Several of these challenges are products of a complex history, and unlikely to change any time soon. It is therefore critical that the city's leaders do what is possible to improve the city's financial condition using the tools they have.

The Limits of the Board's Power

As aldermen, you are further limited in your ability to influence New Haven's finances by the city Charter and state statutes that take direct control over budgetary decisions out of your hands. To be specific:

- The Board of Education is by far the largest cost-center in New Haven's government. Beyond an up-or-down vote on the city's total annual education expenditure, you have no power over education spending.
- You have no voice in the negotiation of contracts with the various unions representing city employees. Again, you have only an up-or-down vote on the contracts negotiated between the Mayor and the unions. If you reject a negotiated contract, the process moves to binding arbitration.

Taken together, education spending and other contractual personnel costs represent the overwhelming majority of the money New Haven spends every year, and the Board of Aldermen has virtually no control over how that money is spent.

What Can Aldermen Do?

Despite these rather significant limits to your practical power over the budget, there are a number of steps that aldermen can take to influence the budget process in New Haven. They are:

- **Conduct oversight.** In section 63, the City Charter empowers you to require any financial reporting you consider necessary or desirable from the Mayor's financial officers. As an initial step, the panel has recommended that reports be created and regularly updated that will help aldermen, and any other citizen, understand the answers to those four questions posed on page 4.
- **Demand accountability.** In conjunction with the exertion of oversight powers, you can require department heads to clearly define their goals and measure and report on their achievement. When departments repeatedly fail to meet stated goals, there are many ways you can call the public's attention to the problem and insist upon solutions.
- **Encourage and facilitate debate.** By engaging with your constituents, with New Haven's large and diverse array of community activists, and with the various media that cover city government, you have the power to create and shape a conversation about priorities that will produce a city budget reflective of the desires and best interests of the citizens.
- **Define spending priorities.** Each alderman must determine how to responsibly represent the wishes of all of his or her constituents in defining the priorities of the city. The alderman's votes and actions should then be consistent with those priorities. Instead of considering each item solely on its own merits, the Board should actively seek to initiate projects, create legislation, and approve and reject spending requests based on clear priorities, and with an awareness of what will be sacrificed so that something else can be achieved.

By calling for oversight, accountability, debate, and responsible prioritization, the Panel does not assert that these activities are not already going on. Nor do we imply that corruption or mismanagement are a major problem in our government.

However, we believe that the Board as a whole could embrace these activities more directly as their primary mission, and in doing so could create a culture of greater openness, engagement, and even creativity in city government. These changes wouldn't solve our budget problems overnight, nor in a year or two, but they would move us toward a more democratic and problem-solving approach to governance. We believe that that approach is sorely needed, and that it will eventually lead to a healthier financial condition for New Haven.

Recommendations

Oversight and Accountability

1. Require clearer budget documents.

Using the power provided in Charter Section 62, the alders should require the Controller to provide the following additional documentation of the City Budget.

All of these documents should be made available to the public via the city's website immediately upon their presentation to the Board or any of its committees.

- **Expenditure Report**
 - This document should aggregate the city's expenditures into five clear and understandable categories:
 - Educational Services
 - Public Safety
 - Human Services
 - Infrastructure
 - Administration
 - Formulas for the disaggregation of non-core categories such as Pensions, Benefits, and Debt Service should be agreed upon between the Finance Committee and the Controller's office.
 - The data in this document should be updated and re-published three times per fiscal year:
 - It should be created for a given year and provided with the budget the Mayor proposes to the Board of Aldermen in March.
 - It should be updated to reflect the revenue and spending decisions in the Board's budget approved in early June.
 - It should be updated again at the end of the fiscal year to reflect the actual spending and revenue numbers for the year just ending.
 - All three versions should be made available immediately on the city's website, and archived there perpetually.
- **Revenue Report**
 - This document should break out the city's revenues into clear and understandable categories:
 - Residential Property Taxes
 - Commercial Property Taxes
 - Federal Grants
 - State Grants

- Private Grants
 - Fees
 - This report should be made available on the same schedule and in the same fashion as the Expenditure Report.
- **Debt and Liability Report**
 - This report should provide a clear statement of the city's total debt and unfunded liabilities. It should include all debts and contractual obligations of a duration longer than a year or a value of greater than \$100,000 that the city has undertaken.
 - The report should particularly highlight the following areas of unfunded liability:
 - The Police and Fire and City Employee Retirement Funds.
 - Other Post-Employment Benefits, particularly the city's commitment to post-employment healthcare through age 65.
 - Banked sick-time compensation due to employees upon retirement.
- **Projected Debt Service Schedule**
 - This report has been created by the Budget Director's office, and is regularly provided to the Aldermen.
 - The Board should require that it be prepared with the latest available data at the beginning of each year's budget deliberations.
 - In addition, the Board should require that it be presented to both the Finance Committee and the Capital Projects Committee with each new capital project funding request, with a line showing the impact of the capital project on the city's debt service payments.
- **Five-Year Budget Projections**
 - This report should provide five-year projections of revenue, expenditures, grand list, tax levy, and mill rate from the Controller's office. Draft versions of this document already exist within the Budget Director's office. The Board should require that these be finalized and made public.
 - This report should be made available on the same schedule and in the same fashion as the Expenditure Report.

2. Provide financial education for aldermen.

The City should cover the cost of one class per school term (two per year) in accounting and finance at a local university for any interested alder, to enable them to better engage with the budget process.

3. Accept testimony at public hearings on a true first-signed-in, first-called basis.

Require that all individuals who wish to speak at public hearings of the Board

of Aldermen sign in for themselves, and only at or after the time at which sign-in sheets are made available to the public.

- 4. Add at least one hearing during budget deliberations for testimony from New Haven residents and taxpayers only.**
- 5. Actively engage with the Mayor and department heads to identify existing or define new quarterly departmental goals and ways of measuring their achievement and publishing their results.**
 - Assign responsibility for individual departments to existing committees or aldermanic working groups. For example, aldermanic Public Safety Committee should be responsible for the Fire, Police, and Homeland Security functions.
 - Set reasonable goals based on existing data, where available.
 - Set goals that reflect a measurable improvement in service or efficiency.
 - Assign data-gathering and reporting methods and responsibilities clearly.
 - Recognize that data-gathering and reporting have associated costs for which funds must be budgeted.
 - Require departments to document the goals and mechanisms for measurement publicly, and make their reports publicly available via the city website.
 - Review the goals in quarterly meetings with department heads and relevant staff. Review goals more frequently with departments that are having trouble.
 - Require departments that fail to meet their goals to present a detailed plan for correcting the problem.
 - Work with the Mayor to address the issue when a department fails to meet its goals for consecutive years.
- 6. Ask the Controller and Budget Director to provide financial reporting in a "functional" model, wherein all expenditures are categorized into five core service groups: Education, Public Safety, Infrastructure, Human Services, and Administration.**
 - Work toward the elimination of expenditures that don't fall into one of these core service categories.
 - Both debt service and personnel costs (including pension and healthcare) should be grouped according to the core service that generated the original expenditure.
- 7. Create an Aldermanic Education Reform Oversight Panel of at least nine citizens with strong backgrounds in education and finance to provide oversight of the Board of Education's recently-announced reform initiative.**
 - Define the Panel's mission as helping aldermen and citizens understand: the

- changes in our educational system being made by the reform initiative the problems they are intended to address their effectiveness at resolving the problems Provide the Panel clear guidance on goals, process, and deliverables, including explicit dates.
- Limit the panel's membership to no more than two employees of the Board of Education, for a total of no more than three city employees (aldermen not otherwise employed by the city excepted).

8. Provide on-demand access for aldermen to third-party experts in municipal finance with no direct connection to New Haven.

- Identify an independent financial advisor with no ties to the city but with an understanding of the state statutes and other constraints under which New Haven operates.
- If necessary to control costs, set limits on the amount of time individual aldermen can require of the advisor.

Budget Process

1. Investigate shifting the city's fiscal calendar through the charter revision process, in order that the city has an accurate accounting of available state funding during the budget deliberation process.

Direct the Office of Legislative Services and appropriate city staff to conduct an in-depth cost-benefit analysis of shifting the fiscal calendar, with attention to the experiences of other municipalities which have done so.

Tweed-New Haven Regional Airport

1. Make transferring ownership of Tweed-New Haven to the state's Department of Transportation an urgent priority.

- This should be an urgent priority for all of New Haven's elected officials.
- The alders should work with the Mayor and New Haven's state legislative delegation to speak with one voice on the subject.

2. Make no appropriation of funds to Tweed that is not matched by either the business community or the state.

3. Make any additional subsidy granted in the current fiscal year be contingent on the Authority raising its rates and charges.

Debt and Liability

- 1. Make it an urgent priority to decrease the debt service burden.**
 - Appropriate less new debt than is retired each year.
- 2. As a practice, capital funds should not be used for expenses that re-occur, but rather re-occurring expenses should be considered as general operating expenses and should fall under the appropriate departmental budgets.**
- 3. Until the funded ratio of the Police & Fire and City Employees' Retirement returns to at least 65%, the level of contributions to those funds should be equal to or greater than the amount paid out in benefits, in order to avoid the sale of assets in those funds.**

The Board should require the Controller to provide them with the best available estimate of the benefits due in the next fiscal year at the beginning of budget deliberations.

Pensions and Benefits

- 1. During the next contract negotiation with each union, the Board of Aldermen should direct Labor Relations to redefine the pension benefit plan in the following ways:**
 - Move from a defined benefit to a defined contribution plan for all new employees.
 - The switch would include:
 - closing the current defined benefit pensions plans to any new members.
 - creating new defined contribution plans.
 - Newly hired employees would not be eligible for the existing pension plans. They would only be eligible for the defined contribution plan.
 - Existing employees would still be part of the existing defined benefit plan and would be eligible for those benefits upon retirement.
 - New Haven successfully implemented a change from defined benefit to defined contribution for new employees within its non-union positions as of 7/1/08.
 - Stop the ability to sell back sick time into pension contributions and determine other short-term ways to provide sick time sell-back benefit.
 - Remove overtime and extra-duty from the pension calculation.
 - Increase employee contributions to the funds.

Transportation

- 1. The Board of Aldermen should pass a resolution strongly supporting state legislation which would enable municipalities to install red light cameras to improve public safety.**
- 2. The Board of Aldermen should pass a resolution strongly supporting state legislation which would more fairly share ticket revenues from moving violations with municipalities' General Funds.**

Appendix A: Order Creating the Budget Review Panel

The order creating the Blue Ribbon Budget Review Panel was approved by the New Haven Board of Aldermen on August 4, 2008. The text of the order is reproduced below.

ORDER CREATING A BLUE RIBBON BUDGET REVIEW PANEL

WHEREAS: there is a need in the City of New Haven for review of budgetary and financial procedures; and

WHEREAS: such a review should be done in time for considerations of the findings to be considered in preparation of the FY 09-10 budget process; and

WHEREAS: a Blue Ribbon Budget Review Panel provides an effective means to accomplish this task

NOW, THEREFORE, BE IT ORDERED that a Blue Ribbon Budget Review Panel be and hereby is created with membership, goals and timetables as follows:

- (a) On or before August 25, 2008 there shall be appointed in the city an eleven member blue ribbon budget review panel, whose members shall include two (2) members of the Board of Aldermen, appointed by the President of the Board of Aldermen in consultation with leadership of the Board of Aldermen; the Controller of the City of New Haven or his designee; the Budget Director of the City of New Haven or his designee; and seven (7) resident members who shall be resident electors of the City of New Haven appointed by the President of the Board of Aldermen in consultation with the leadership of the Board of Aldermen.
- (b) No resident member of the panel shall hold any other office or position in the government of the city, appointed or elected, except as a member of said panel. Such appointments shall be made so that not more than eight members of said panel shall be members of the same political party and not fewer than seven members shall have training and experience and interest in financial matters.
- (c) The expenses of the panel shall be paid by the City's Department of Finance. The panel shall elect a chairman from among its membership.
- (d) The Mayor, the Controller and other City Officials shall make available to the panel all information concerning the financial performance of the City as the panel may request.
- (e) Not later than the thirtieth day of June 2009 the panel shall submit a report to the Mayor and the Board of Aldermen containing such comments and recommendations concerning the city's financial condition as the panel may deem appropriate including but not limited to its recommendations on consolidation, efficiencies, spending and taxes. The panel shall submit to the Board of Aldermen quarterly reports on its progress.
- (f) Upon submission of said report the panel shall be of no further force and effect unless extended by the Board of Aldermen for additional time to be not longer than (60) sixty days.

Appendix B: Findings and Additional Documentation

This section contains research material and documents assembled by individual panelists in support of recommendations they proposed to the Panel. Many of these materials were presented to the Panel at the meeting at which the relevant recommendations were discussed.

The appended documents are listed below, grouped by subject area and in the order they follow. To save time, the documents have been kept in their original format.

Oversight and Transparency

- Findings (including Budget Process Findings) by Tim Holahan
- Sample Expenditure Report for FY 07-08 by Tim Holahan
- Fact Sheet on the New Haven Board of Finance by Tim Holahan

Tweed-New Haven Regional Airport

- Findings by Tim Holahan

Debt and Liability

- New Haven Historical Indebtedness by the city's Office of Management and Budget
- Questions for Accounting Total City Liability by Tim Holahan

Pensions and Benefits

- Findings by Christine Bishop

Transportation

- Findings by Doug Hausladen

Mill Rate and Taxation

- Analysis by Christine Bishop

Findings on Oversight and Transparency

- **Public Meetings**

- Panelists have repeatedly attended public hearings of the Finance Committee at which hours of testimony was presented by representatives and supporters of institutions who receive funding from the city.
- Waiting until 9:00 PM or later to testify at a meeting at which you were the first name signed on the public sign-in sheet is discouraging to citizens who wish their voices to be heard in the budget process.
- The institutions which receive funding from the city have many other opportunities to testify before the Board and the Finance Committee, when their funding is reviewed.

- **Results-Based Accountability**

- Results-based accountability is a promising trend in government and public administration. The state legislature has a committee devoted to the topic.
- Institutions are most effective when they analyze their own performance to identify their strengths, weaknesses, opportunities, and threats.

- **Financial Reporting**

- Citizens should have easy access to clear information about what their government is responsible for, what it is not responsible for, and how well it meets those responsibilities.
- Current financial documents produced by the city make it difficult to determine how much the city spends on different core services, and personnel vs. other operating costs.

- **Education Reform Oversight**

- The Mayor and Superintendent have recently announced an ambitious education reform initiative. As education is the single largest cost center in the city budget, it is important that the aldermen and their constituents have clear insight into this process and its effectiveness.

Findings on the Budget Process

- **Shifting the Fiscal Year**

- It is inefficient to debate and pass a city budget before it can be definitively known what funds will be available from the state, yet this is our current process.
- An in-depth cost-benefit analysis should be conducted before deciding whether to shift the financial year. The Budget Review Panel did not have the resources to conduct this investigation. The Board of Aldermen do, and should make it a priority.

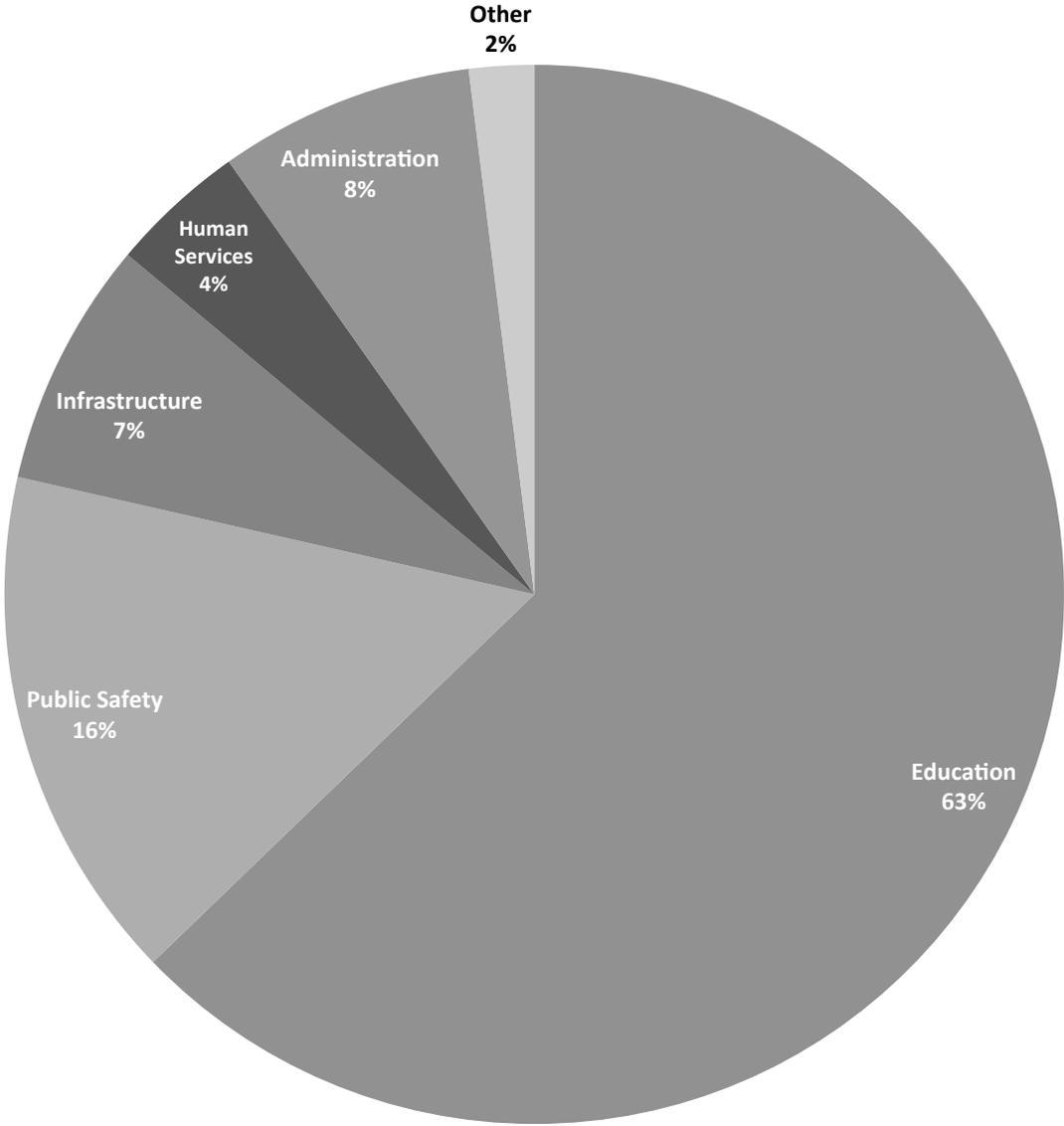
City of New Haven FY08-09 Budget Overview

Expenditure Summary

Expenditures	Amount
Education	402,487,962
Public Safety	101,139,266
Infrastructure	48,189,322
Human Services	26,562,885
Administration	49,998,541
Other	12,696,356
Total	641,074,332

General Fund Pension & Benefits	Amount
Pensions	31,097,929
Employee Benefits (805)	60,101,018
Total	91,198,947

Total General Fund Personnel 3,903
 Pension/Benefit average per FTE 23,366



Educational Services Detail

	Education (900)		Non-Public Transportation (405)		Library (152)		Total Education	
	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	173,019,297	2,301	1,100,000	0	4,084,673	50	178,203,970	2,351
Pension & Benefits	53,766,020		0		1,168,319		54,934,339	
Special	73,989,362	1,071	0	0	47,849	1	74,037,211	1,072
Capital	50,532,002		0		620,000		51,152,002	
Debt Service							44,160,440	
TOTAL	351,306,681	3,372	1,100,000	0	5,920,841	51	402,487,962	3,423

Public Safety Detail

	Police (201)		Fire (202)		Total Public Safety	
	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	37,309,457	614	31,029,701	399	68,339,158	1,013
Pension & Benefits	14,346,952		9,323,182		23,670,134	
Special	625,066	3	2,075,284	20	2,700,350	23
Capital	1,130,000		575,000		1,705,000	
Debt Service					4,724,624	
TOTAL	53,411,475	617	43,003,167	419	101,139,266	1,036

Infrastructure Detail

	Parks & Recreation (160)		Public Works (501)		City Engineer (502)	
	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	5,679,456	69	14,155,756	132	3,523,292	9
Pension & Benefits	1,612,280		3,084,361		210,297	
Special	488,913	4	0	4	0	0
Capital	2,278,123		3,687,992		4,115,000	
TOTAL	10,058,772	73	20,928,109	136	7,848,589	9

	Transportation (704)		Building Inspection (721)		Total Infrastructure	
	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	2,137,469	33	881,807	16	26,377,780	259
Pension & Benefits	771,090		373,862		6,051,890	
Special	0	0	0	0	488,913	8
Capital	465,000		0		10,546,115	
Debt Service					4,724,624	
TOTAL	3,373,559	33	1,255,669	16	48,189,322	267

Human Services Detail

	Health Department (301)		Elderly Services (303)		Youth Services (304)	
	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	3,407,304	68	979,712	11	135,921	2
Pension & Benefits	1,588,913		257,030		46,733	
Special	9,231,686	35	150,776	1	2,344,485	5
Capital	0		0		0	
TOTAL	14,227,903	103	1,387,518	12	2,527,139	7

	Disabilities Services (305)		Comm Srvc Admin (308)		Total Human Services	
	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	131,392	2	2,322,696	9	6,977,025	92
Pension & Benefits	46,733		210,297		2,149,706	
Special	0	0	984,583		12,711,530	41
Capital	0		0		0	
Debt Service					4,724,624	
TOTAL	178,125	2	3,517,576	9	26,562,885	133

Administration Detail

	Board of Aldermen (111)		Mayor's Office (131)		CAO's Office (132)		Corporation Counsel (133)	
	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	716,498	10	855,873	11	517,649	7	1,790,254	22
Pension & Benefits	233,664		257,030		163,565		514,060	
Special	0	0	0	0	168,000	0	0	0
Capital	60,000		0		0		0	
TOTAL	1,010,162	10	1,112,903	11	849,214	7	2,304,314	22

	Labor Relations (135)		Human Resources (136)		Department of Finance (137)		Assessor's Office (139)	
	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	163,868	2	929,028	7	10,689,254	73	577,781	7
Pension & Benefits	46,733		163,565		1,705,745		163,565	
Special	0	0	0	0	670,504	7	0	0
Capital	0		0		1,400,000		0	
TOTAL	210,601	2	1,092,593	7	14,465,503	80	741,346	7

	City/Town Clerk (161)		Registrar of Voters (162)		Fair Rent Commission (302)		City Plan (702)	
	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	497,618	5	517,672	6	62,444	1	680,960	9
Pension & Benefits	116,832		140,198		23,366		210,297	
Special	0	0	0	0	0	0	3,833,776	2
Capital	0		21,723		0		1,915,134	
TOTAL	614,450	5	679,593	6	85,810	1	6,640,167	11

	Comm on Equal Opp (705)		Economic Devel (724)		Livable City Initiative (747)		Total Administration	
	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel
General	200,843	3	1,359,636	9	1,050,407	16	20,609,785	188
Pension & Benefits	70,099		210,297		373,862		4,392,878	
Special	1,356,224	10	757,538	5	5,558,356	38	12,344,398	62
Capital	0		3,305,000		1,225,000		7,926,857	
Debt Service							4,724,624	
TOTAL	1,627,166	13	5,632,471	14	8,207,625	54	49,998,541	250

Other Expenditures

	Contract Reserve (402) Amount	Various Organizations (404) Amount	Development Subsidies (701) Amount
General	900,000	188,295	1,195,000
Capital			11,814,440
TOTAL	900,000	188,295	13,009,440

	Concessions/Layoffs (999) Amount	Self-Insurance Amount	Total Other Amount
General	(5,855,879)	4,454,500	881,916
Capital			11,814,440
TOTAL	(5,855,879)	4,454,500	12,696,356

Debt Service Ratio Estimates for FY08-09

Based on the city indebtedness break-out provided on page 188 of the FY08-09 Approved Budget.

	Amount	Percentage
Non-Education	203,032,648	29.97%
Education	474,429,914	70.03%
TOTAL	677,462,562	100.00%

Debt Service **63,058,935**

• **Fact sheet on the New Haven Board of Finance**

- Created in the early 19th century. (Dahl, p. 25.)

Boards of Finance continue to function in many other Connecticut towns.

- Held considerable power throughout its life.

One recurring source of disagreement, to be sure, is the proper level of expenditures a particular agency is to be allowed. ... [D]isagreements had to be settled by ad hoc negotiations among the leaders, the most important of whom were the mayor and the members of the Board of Finance.

—Dahl, p. 191

When he made a deal to sell three high schools in the center of the city to Yale for \$3M, Mayor Lee had to "persuade" the Board of Finance to accept Yale's offer. (Dahl, p.206-7)

The Board of Finance rejected a \$30M increase in the funding of the Board of Education in 1988. (New York Times, April 28, 1988.)

- Eliminated by the 1992 Charter Revision Convention.

"[T]he board of finance, which is now the finance committee of the board of aldermen...."
—Broadnax v. City of New Haven (SC 16786), July 13, 2004

- The Financial Review and Audit Commission was created by the same Charter Revision Convention.
- Membership of the Board of Finance (per the 1976 Charter revision)
 - The Mayor
 - The Controller
 - One alderman elected by the Board of Aldermen
 - Six citizens appointed by the Mayor for staggered five-year terms
- Possessed significant control over both revenue and expenditure.
 - Stipulations from the New Haven Charter, Article XI (1976 version).
 - *In the months of March and April in each year, the board of finance shall make estimates of the amount of money necessary to be appropriated for the expenses of said city for the fiscal year next ensuing, beginning July first, and of the rate of taxation required to meet the same, and shall classify such expenses under appropriate heads and departments. [From Section 58]*
 - *The Charter called for two public hearings on the Board's estimates of appropriations and taxation rates.*
 - *The Charter allowed the Board of Aldermen to decrease rates of taxation specified by the Board of Finance, but not increase them.*
 - *If the alders did not "act on" the recommended appropriations and taxation rate of the Board of Finance by the first Monday in June after their submission, they were considered final for the fiscal year.*
 - *The Board of Finance had the authority to borrow in anticipation of taxes or bond sales.*

Tweed-New Haven Airport

During major events at Yale University, the general aviation ramp is often crowded with private jets - for the 1997 graduation, the corporate jets of Coca Cola and Procter & Gamble were parked nose to nose on the tarmac. The airport also gets heavy use during the annual Pilot Pen Tennis tournament.

-- Wikipedia article on Tweed New Haven Regional Airport

• Findings

- **The citizens of New Haven receive no quantifiable benefit from Tweed.**
 - The majority users of Tweed tend to fall into two categories:
 - Individual and corporate owners of private planes.
 - Business travelers employed by suburban companies.
 - Citizens of New Haven are unlikely to fall into either of those categories.
- **Tweed is unlikely to become self-sustaining any time soon.**
 - An industry expert estimates that Tweed would require 300,000-400,000 departing commercial passengers annually to break even.
 - The current figure is around 20,000.
 - The ground transportation infrastructure around Tweed could not support that level of traffic.
 - The suburban neighborhoods around Tweed would not put up with that increase in noise and disturbance.
- **There is no direct financial upside to Tweed.**
 - All profits generated by FAA-supported airports must be re-invested in the airports themselves, so the city can never realize a profit from the airport.
 - The town of East Haven receives all property tax revenue from the airport, since all Tweed-based planes are "tied down" or hangared in East Haven town limits.
- **Tweed represents a significant potential financial liability for New Haven.**
 - If US Airways leaves, the airport will lose considerable revenue generated by commercial flights.
 - Given the state of the economy and the finances of the carrier in question, it is impossible to predict the likelihood of this event.
 - If the airport is not maintained to FAA commercial aviation standards, the FAA subsidy will decrease by approximately \$900,000.
 - The city will be obliged to repay millions of dollars worth of FAA grants if the airport ceases operation altogether.
- **There are many opportunities to increase revenue and decrease costs at Tweed.**
 - Some landing fees are well below those at the nearest GA airport, Oxford-Waterbury.
 - Other usage fees that could be increased:

- Fuel flowage fee (currently \$0.10).
- Monthly "tie-down" fee (currently \$85.00).
- Monthly heated hangar fee (currently \$1,200 with no vacancies).
- No information on salaries of Authority staff is publicly available, but other CT airports of a similar size are run with much smaller staffs.
- The FAA requires that certain positions be filled, but allows multiple positions to be held by a single individual.
- **Small airports like Tweed are a regional resource, not a municipal one.**
 - All other airports in Connecticut are owned and run by the CT Department of Transportation.
 - There are significant administrative and operational economies of scale to state ownership.
 - There are 14 municipal members of the Tweed-New Haven Airport Authority. Only New Haven provides funds for the airport's budget.

Information Request on Debt, Pensions and Insurance, City of New Haven

	1987	1992	1997	2002	2007	2008
City Debt						
General Purpose	\$ 69,443,301	\$ 95,121,825	\$ 79,732,036	\$ 148,632,078	\$ 168,557,899	\$ 172,426,103
Schools	19,859,418	43,335,821	45,198,355	137,591,187	309,073,862	311,734,370
Sewers	16,109,448	22,039,643	33,503,474	36,625,656	27,821	11,514
Urban Renewal	22,042,833	35,881,357	30,555,676	21,931,666	13,236,928	12,835,921
Total Debt	127,455,000.00	196,378,646.00	188,989,541.00	344,780,587.00	490,896,510.00	497,007,908.00

Pension Funding

Actuarial Required CERF :	\$ 2,622,495	\$ 2,344,000	\$ 4,453,000	\$ 5,484,073	\$ 9,522,000	\$ 10,374,760
Actual City Funded CERF :	2,622,495	1,790,316	4,670,621	5,484,073	9,522,000	10,374,760
Difference:	\$ -	\$ (553,684)	\$ 217,621	\$ -	\$ -	\$ -
Actuarial Required Police & Fire :	\$ 3,095,000	\$ 6,894,000	\$ 9,574,000	\$ 8,814,347	\$ 13,481,000	\$ 15,000,000
Actual City Funded Police & Fire :	3,095,000	4,583,774	9,574,000	8,814,347	13,481,000	15,000,000
Difference:	\$ -	\$ (2,310,226)	\$ -	\$ -	\$ -	\$ -

Retiree Health Care Liability (note 1)	not required	\$ 430,522,000				
Self Insurance Fund (note 2)	3,371,611	2,276,697	8,390,633	2,309,677	3,605,407	5,171,380
Total Other:	\$ 3,371,611	\$ 2,276,697	\$ 8,390,633	\$ 2,309,677	\$ 3,605,407	\$ 435,693,380

Note 1: Retiree Health Care Liability is new per GASB regulations. The City recently received a valuation of its "other post employment" benefits basis. Total accrued liability is \$430,522,000. The City currently appropriates sufficient funds to satisfy current obligations on a pay as you go basis.

Note 2: The City's self insurance fund has a negative fund balance of (\$16,569,048). Of this, \$7.7m is attributed to case reserves. The total negative fund balance is slightly higher than previous year total which was (\$14,147,680). Case reserves increased from \$4.3m to \$7.7m, an increase of \$3.4m. The under funded liability decreased from \$9.8m to \$8.9m. Recognizing the need for additional financial resources in this account, the City increased its public liability appropriation from \$1.7m in 2005 to \$2.5m in 2006 & 2007 and increased again to \$2.75m in 2008.

Questions for Accounting City Liability

I. Pension Funds

What is the unfunded liability for the Policemen's & Firemen's Retirement Fund?

Data	Value	Source
Actuarial Accrued Liability	(512,853,088)	as of 6/30/2008 (Hooker & Holcombe)
Market Value of Fund Assets	218,088,480	as of 3/30/2009 (Mark Pietrosimone)
Net Unfunded Liability	(294,764,608)	

What is the unfunded liability for the City Employees' Retirement Fund?

Data	Value	Source
Actuarial Accrued Liability	(344,861,529)	as of 6/30/2008 (Hooker & Holcombe)
Market Value of Fund Assets	133,680,446	as of 3/30/2009 (Mark Pietrosimone)
Net Unfunded Liability	(211,181,083)	

What is the total unfunded pension liability?

Data	Value
P&F unfunded liability	(294,764,608)
CERF unfunded liability	(211,181,083)
Net Unfunded Liability	(505,945,691)

II. Other Post-Employment Benefits

What is the total estimated liability for post-employment healthcare?

The Hooker & Holcombe report of 12/17/2008 estimated this to be \$430MM.

III. Banked Employee Sick-Time Compensation

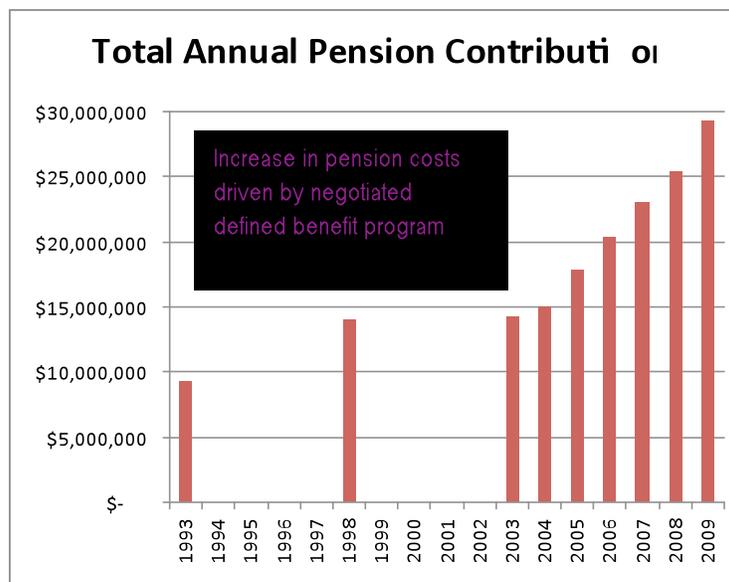
What is the total liability for banked sick days that may be due on retirement?

At a Budget Review Panel meeting on the topic of debt (2/18/2009), Mark Pietrosimone estimated this liability to be approximately \$28MM. Does the city keep an account for this liability?

Pensions Findings & Recommendations for Blue Ribbon Budget Panel
Christine Bishop - 5/6/09

Pension Contribution (expenditure)

1. Pension Contribution (Expenditure) is the amount paid into the pension funds for a fiscal year.
2. Each year there is an actuarially required amount to be contributed by the city based upon the balance of the fund, employee contribution rate, expected future payout amounts and the performance of the fund.
3. The expected future payout amounts are based on the Pension Commitments and enhancements to those commitments that are made during union negotiations.
4. The union employees, as part of their contract, also contribute to the fund. The current contribution rates range from 5% to 6.25 percent based on the group. This contribution rate has not increased in the past 8-12 years. Therefore, the city must continually pay a larger share of the contribution.
5. The city’s portion of the Pension Contribution has been growing at an unsustainable rate
 - a. Pension contribution requirement has grown almost 100% in the last 6 years (from \$15m in 2004 up to \$29.2m in 2009)



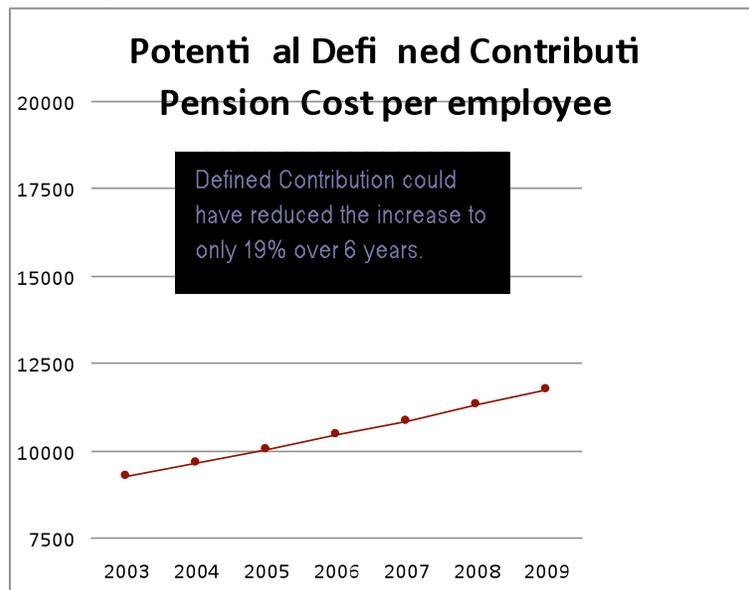
- b. The number of current employees contributing to the fund during that time has actually decreased by 3%
 - c. The amount that the city needs to budget toward pension as a percentage of overall personnel costs has increased from 6.46% to 9.80% for a 60% increase. By comparison, the overall expenses of the city increased by 28% during that same time. So, the pension increases are outpacing the overall budget increases which is an unsustainable trend for any city.
6. Pension contribution will be impacted by the down market
 - a. During the above period of unprecedented growth in contribution, the stock market was also appreciating so the city’s required contribution was not being increased by underperformance.

- b. Unfortunately, since the market has had many losses in 2008 & 2009, the contributions that will be required next year, and in future years, will need to be increased to make up for the losses now happening in the market.
7. How to reduce pension contribution?
- a. Since we don't control the market (performance of the fund), the best way to bring the contribution expenditure under control is to change the pension commitment
 - b. Additionally, increasing the employee contribution levels annually will share the costs more equitably

Pension Commitment

1. Defined Benefit

- a. Plan is a Defined Benefit plan meaning the amount of the payout to the employee is predefined upfront and will not change.
 - a. 20 year = 50% of base salary
 - b. 3% for each additional year up to the maximum of 80% of base for 30 years of service.
- b. Defined Benefit is much more expensive and risky for the city because the city needs to ensure that no matter what the market performance is or what people's life spans are, that they put enough money aside to have enough to cover the predefined payouts
- c. Conversely, in a Defined Contribution Plan the city defines how much gets contributed to the fund for an employee upfront (usually employees can add to this amount) and then the city does not need to alter the contribution regardless of what the market does. Instead, the city can increase the contribution with an annual cost of living increase. A defined benefit plan is what employees of most public companies have.
- d. In 2003, the city put aside \$9,285 per employee in the Defined Benefit plan for a total Contribution of \$14.3m. Over six years, the city's pension contribution per employee required by the Defined Benefit plan has risen 111%. If the city had instead put that same amount \$9,285/employee) in a Defined Contribution plan for the unions and added a 4% cost of living increase each year, the overall contribution for the city in 2009 would only be \$17.5m, a 26% increase (instead of 111%)



2. Sick Time Sell Back
 - a. Currently, 30 days of sick time can be sold back for 1 year pension credit
 - b. Adding sick time to the pension is a greater cost to the city over the long run than just providing a cash payout for selling back the time
 - c. Sick time sellbacks are not currently deposited into the pension fund (goes into the general fund). Therefore, we are increasing our obligation without adding any funds to cover it the obligation.
 - d. Employees who sellback their sick time can end up with a pension > 100% of their base in pension
3. Overtime in Pension calculations
 - a. Employees who work much overtime in their last years of employment qualify for greater than 100% of their base in pension
 - b. "Overtime payments" should compensate a worker for the inconvenience/hardship of having to work unscheduled extra hours. Therefore, the worker should only benefit for overtime when it is worked. It should NOT be included in the Pension calculation.
4. Current Pensioners
 - a. City Employees Retirement fund - 1052 retirees receiving about \$20 million annually
 - b. Police and Fire - 1055 retirees receiving about \$28 million annually

Negotiations with the unions

1. Negotiations with the union need to balance long term and short term
 - a. Impact to / benefit for the employee's needs to be considered in both the long term and short term
 - b. Impact to the city taxpayers much be considered benefits as well as for the taxpayers
 - c. Based on the growth in the pension commitment outlined above, it is clear that the long term impacts to the city have been disregarded in recent negotiations
 - d. Due to the unsustainable pension commitment growth, the city needs to focus on these long term impacts during its next contract negotiations with each union
2. Binding arbitration
 - a. Binding arbitration is a risk, but the city can not benefit if they don't utilize it
 - b. Need to be smart about arbitration and break up the negotiation points so the arbitrator can award pieces independently, not an all or nothing strategy
3. Rules of the negotiation
 - a. The mayor has stated that the rules that we are bound to in our negotiations (like binding arbitration) have an impact on the outcome of the negotiation. (This is a very true fact of negotiation regardless of what's being negotiated)
 - b. What defines the rules of the contract negotiations with the city? The charter? Legislation?
 - c. The city needs to think about changing some of the rules, even if it's not easy. For example, the ability to strike or residency rules.

Findings on Transportation

- **Red Light Cameras**

- It is estimated that a red light is run every 3 seconds in New Haven
- In 2002, a study was performed that found over 400 violations in one 24-hour period on one stop light alone.
- In 2006, we had nine traffic fatalities in the City of New Haven, and over 3,400 traffic accidents.
- Any ticket issued is not considered a moving violation and therefore does not affect licensing.
- The revenue from proposed legislation would give 50% of the fine to the municipality's general fund and 50% of the fine to the State Treasurer in the Special Transportation Fund.
 - Proposed laws have been for \$100 tickets.
 - In the test case of the 400 red lights ran, it would generate \$20,000 for the General Fund daily or \$7.3 million/annually.

- **Sharing Ticket Revenue**

- Currently municipalities receive only \$10 per moving violation.
- The different speed-related offenses are penalized as either infractions or as violations where the statute specifies a fine range.
- For infractions, the judges of the Superior Court set the specific fine for each type of infraction within a general range of \$35 to \$ 90.
- For the statutorily specified fine ranges for violations, the judges use a uniform schedule that specifies an amount for a specific range of speeds with a base fee from \$100-150.
- Besides the actual fine, speed-related offenses are subject by law to several surcharges, fees, and cost assessments that make the actual amounts considerably higher.

Tax Rate Principles for New Haven

By: Christine Bishop (member: Blue Ribbon Budget Panel)

6/29/2009

Mill Rate Findings

The Mayor has stated that his budget plan “does not require any new taxes” to create a balanced budget. This is being touted as fabulous in this down economy but shouldn't that be the baseline expectation every year? Unfortunately in New Haven, that does not seem to be the case as the city's expenses have increased every year and the tax burden on the citizens has increased as well. Continually increasing the burden on citizens is not a sustainable trend.

As the taxes go up, seniors and others on a fixed income are less likely to be able to afford their taxes and will be forced to move out of their homes. The increase in taxes is also passed on to the renters thereby increasing rents each year which is a big impact to low income and fixed income individuals. As the mill rate portion of the equation increases, as it has for more than 10 years, it outpaces the mill rates in surrounding towns, thereby making it attractive for people and businesses to move out of the city. By comparison, Hartford's mill rate has increased 60% over the last 10 years and has lost many businesses, both small and large, to the surrounding towns thereby reducing its grand list from \$5.75 billion to \$3.47 billion over that same period.

The Mayor has stated that new valuation is causing a shift in real estate burden from Commercial to Residential and that by freezing the phase-in that shift in burden would not occur. Any freezing of the phase-in is an artificial stagnation of the grand list which hides the real economic picture of the city. The city should have allowed the phase-in to occur and reduced the mill rate to provide the following benefits while maintaining an even amount of revenue.

Benefits of a lower mill rate:

- Given the current economic crisis, businesses are looking for ways to decrease costs. If the business has much property and assets on which to pay taxes, they could choose to go to a neighboring town with a lower mill rate to lower its tax burden.
- A lower mill rate encourages companies to buy new equipment. They can afford more equipment for the same tax burden, thereby allowing them to grow.
- New Haven's mill rate is much higher than all of the surrounding towns. Lowering the mill rate closer to the other towns (we know we can't be the same as the smaller towns that don't provide the services that we do) will put New Haven on a more level playing field tax-wise for businesses looking for a place to start.

(continued)

- Comparative tax rates:

Municipality	Mill Rate
Branford	23.21
East Haven	22.85
Hamden	29.42
Milford	28.23
North Haven	23.50
Orange	27.94
Wallingford	22.90
West Haven	27.96

- While there is general concern that a lower mill rate will have a negative effect on the PILOT reimbursement, the impact will be a very small (less than \$100,000 decrease in the tax loss basis used to calculate PILOT)
- Keeping the mill rate the same year after year encourages the administration to continue keeping it the same and numbs the taxpayer to the “hidden” increases when the phase in does happen and the rate remains the same. For example, in FY2008-09, the taxpayers received an 11% increase in tax burden by keeping the mill rate the same as the previous year and having the 2nd year of the phase in occur. This allowed the administration to expand the expenses of the city to fill the new revenue level. Historical data shows that once expenses go up, it’s a fight to reduce them. So, by the city spending this additional 11% tax revenue, they’ve set the new standard higher.
- As a standard practice, as the grand list value goes up, the mill rate should decrease. So, as the phase in occurs over the next several years, the mill rate should continue to decrease while keeping costs in check. If we artificially stop the grand list increase now, we get the public in the mind-set that 42.21 is the standard mill rate (“at least they haven’t increased the mill rate the last few years”) and provides no incentive in future years for the mayor to decrease the rate as the grand list grows in the future, forcing taxpayers to continually pay more.
- The taxpayers are protected over the long term by starting to reduce the mill rate now instead of artificially keeping the grand value list low and then to decrease the mill rate as the grand list value goes up.

In summary, in order for New Haven to remain competitive and grow, the city must work to minimize its taxes burden by decreasing the mill rate as the taxable grand list grows which is enabled by reining in expenses to fit within this level tax revenue.