

2010-11 Budget Delivery Remarks
Mayor Scott D. Jackson
March 15, 2010

as prepared for delivery

Good evening honorable members of the Legislative Council. It has only been a matter of months since I have stood at this podium, but it seems like a lifetime. I thank you for taking the time to allow me the annual tradition of the presentation of the Mayor's proposed budget.

While I am prepared to do this tonight, and have submitted to you a document that encompasses hundreds of hours of work, research and calculation, I don't consider this a Mayor's budget, and I don't consider your budget the solely Council budget – this is the Town's budget and I hope that we can continue working together over the next two months so that we can make it the best budget possible for Hamden's stakeholders and taxpayers. At the outset, I need to thank Hamden's great department heads for their input, and three people in particular: Curt Balzano Leng, Judi Kozak, and Jennifer Charneski for living and breathing this budget for the last three months.

This budget represents significant change.

Put simply, we can no longer financially sustain a "business as usual" model. After so many years of the state of our pension fund standing as Hamden's most significant fiscal challenge, the pension has this year been eclipsed by the state of our Medical Self Insurance fund. As is the case across this nation, our medical insurance costs have skyrocketed. Despite increases in employee contributions, continued dramatic increases in health care costs have put us further and further behind. After two consecutive years of extraordinary medical claims, we are now looking at a deficit in our insurance fund of more than \$8 million, a deficit that must be resolved. Not only must the deficit be resolved, but another year of double-digit increases in health care costs must be calculated into the budget. We would have had to add 2.5 mills to our tax rate just to cover projected medical costs over the next year. Scheduled salary increases would have resulted in an additional half mill of taxation. Our charge was to take responsibility for these problems and deliver solutions that don't involve just passing the buck on to our residents or to pushing off our problems to future administrations. Without putting a penny of money toward any of our other budgetary demands, without paving a single road or buying a book for our library, these two items alone would have added three mills to Hamden's tax rate.

As you know, the Town took responsibility for all health benefits for employees and retirees a few years ago after witnessing the unconscionable effects that increasing health care costs were having on the Board of Education's ability to deliver its core service: classroom instruction. Our insurance expenditures have become our second-largest line item expenditure, second only to the Board of Education allocation. Insurance costs exceed the

total costs of our guardian services; insurance costs exceed debt service and our pension contribution. In the current year, one out of every five tax dollars collected goes toward providing medical and post-employment benefits. In the proposed year, it becomes one out of every four tax dollars collected. We are bearing witness to a truly unsustainable trend with disastrous repercussions to both our employees and our taxpayers. While our budgets reflect actuarially appropriate contributions, we cannot solve the medical cost conundrum by ourselves. We need the help of the state and federal governments. We need them to understand that our property tax burden is directly linked to medical costs, and only by severing that link or truly initiating cost containment measures can we hope to get back to our core service: providing necessary programs for our residents.

Over my professional career, I have had the chance to do many things, including hire energetic young people and, on occasion, let people go when they are not living up to expectations. One thing I have never had to do is let people go simply because the money isn't there. Until now. This budget recommends a reduction in Hamden's workforce because, after a generation of stripping the fat from the Town's budget, our workforce is really the only asset left to cut. We will be asking our hard working employees to do more so we can continue to provide top-quality services to our residents. I am deeply concerned for the families of those employees who will be affected by the reduction in our workforce and, because of this, I will be working with the unions and with private and public organizations to attempt seamless transitions of certain employees to similar jobs in the private or quasi-governmental sector.

The budget I present you recommends the beginning of a more streamlined Town government. We need to do more with less, working harder and smarter with the resources that we have. It formally recommends the reorganization of the Parks and Recreation Department, something that has been discussed by many Administrations, but never acted on. It recommends assigning our Parks division, charged with maintaining our parks and green spaces, to report to the Public Works Department. The Recreation division will remain, but be asked to produce the same services with less staff. Hamden has a diverse population with diverse needs for recreation programming, and we hope that we will be able to improve our program offerings by clarifying the departmental mission and focus around a single goal. It is my hope that we can begin the discussions now to further consolidate physical plant and maintenance activities with the Board of Education for 2012. The residents of this Town that I have met on doorsteps, at Mayor's Office For A Day sites, and at my informal budget conversations have resoundingly endorsed the concept.

In order to further streamline this reorganization, I recommend that two functions move away from the hands of Town management – the Hamden Ice Rink and the Hamden Transfer Station. The Hamden Ice Rink's operations have been in the red, over one hundred thousand dollars in the red, every year. The rink is a true community asset, but it is not a cost that the Town can afford any longer. We will work with outside vendors with experience in managing rinks, both public and private, so that our Ice Rink remains a

wonderful amenity to our residents and youth, but becomes a profitable operation instead of an annual drain on our operating budget.

A second function that we will move out of the hands of Town management is the Hamden Transfer Station. While the transfer station is also a terrific service to our residents, one that I use frequently, we can no longer afford to run the operation with such high expenses and such low revenue that it doesn't even begin to cover a portion of our true costs. Like the Ice Rink, a public or private management operation with experience in running these kind of operations will allow the Town to offer the service, but at a dramatically lower overall price.

Outside of Park, Recreation and Public Works functions, we found an area of government that could not only be operated at less cost, but the operation could expand the services that we currently offer our senior citizens. This recommendation is for a new senior rides program in partnership with the Greater New Haven Transit District, dedicated to Hamden, with our own contract and service requirements, which will expand the morning and afternoon hours that we provide rides, add Saturday morning rides and dramatically increase the number of ride hours that we provide for medical appointments for our seniors. In this instance, the employees affected by this change will be offered positions with the GNHTD, at the same rate of pay and similar benefits, and will continue to be Hamden's ride program drivers if they choose. This program will yield a cost savings of over \$200,000 and an expansion of a service we provide. This is doing more with less – it can be done if we make the decision to work harder and not constrain ourselves with the politics of “it's never been done that way”.

In all three of these management change recommendations, I hope to work with the new private or quasi-governmental agency to seamlessly transfer our Town's employees, so that we don't have as many individuals losing jobs. This has been done before, most recently with our lease of Laurel View Golf Course and with the sale of the Town Sewers to the Water Pollution Control Authority. I am committed to helping our employees and their families in this manner wherever I can.

In order for the Town to continue to provide essential and important Town services, recommendations needed to be different than previous budget recommendations of a cut here and a cut there. This budget was such a challenging one not only because of the medical costs and salary increases, but also because our non-tax revenue has reduced dramatically. In this budget, thirteen (13) departments or divisions see a reduction in the revenue that they will deliver. Only five departments see an increase. To compound matters, the State of Connecticut is in a state of fiscal crisis, and this has a real effect on Hamden. This budget anticipates receiving approximately \$1.2 million less in State revenue, the third straight decrease in State revenue that Hamden has received. We're doing our part to cut costs, be creative with our resources – and the State has to start doing the same. We will all need to keep an eye on the future in this area. Based on the last three years, the structural hole of \$3 billion dollars in the State budget in the years 2012 through 2014 will undoubtedly have a severe negative impact on Hamden's budget. At the same time,

building permit revenues, usually a robust revenue for the Town, continue to be depressed. There is some hope on the horizon here, though, as Quinnipiac University is well into pre-planning for the next round of on-campus dormitory construction, which could mean an increase in permits from what has been budgeted. We will continue to develop this number prior to the final passage of the budget.

Let me be very clear. While medical costs are the primary budgetary driver on the expenditure side, reductions in revenue also play a critical role. Even if we were able to flatline expenditures at the current level, this budget would still result in a tax increase of more than one mill simply because of revenue reductions.

The budget that I propose to you tonight contains only an overall increase from last year's budget of less than 7/10 of 1%, an increase in the overall operating budget of \$1.2 million from \$174,910,104 to \$176,090,809. However, to balance this budget without the revenue levels we enjoyed in the past, we will need additional tax revenue, a 1.48 mill increase from last year. This will mean an increase on Hamden's median residential single family home of \$279.39. I understand the impact on our taxpayers, particularly those on fixed incomes, so I will also be proposing an increase the exemptions for seniors and our neighbors with disabilities. They deserve to stay in their homes, and we need to help them in these difficult times.

We are talking about massive increased costs and massive reductions in revenue. In the millions of dollars on both sides of the ledger. Our first rough cut of the budget, I feel compelled to tell you, increased the mill rate by more than 8 mills, or about thirty percent. And while we can save \$500 here and there on dues or on supplies, there is very limited opportunity to make the decisions that dramatically swing the pendulum in favor of taxpayers to the same degree that increased medical costs and revenue reductions swing the pendulum away from taxpayer interests. In this budget, we have made two significant efforts to make those major moves.

The first is that we are proposing a restructuring of our debt service and using the lion's share of the proceeds of that restructuring to clear the debt in the Medical Self Insurance fund. Any decision to alter debt service schedules is significant, but given the challenges we face, it is our belief and the belief of both our auditors and financial advisors that this is the advisable long-term course to improve the Town's overall fiscal health.

The second is that we are proposing a reduction in our pension contribution to \$7 million dollars. Over the last year, our pension fund has gained \$10 million in value, based largely on stock market performance, but is still only 28% funded. However, since the portfolio is gaining value, I am making this very difficult proposal. Even at a \$7 million contribution in 2010-11, the taxpayers will have contributed more than \$50 million dollars to the pension fund over the last five years.

These decisions are not made easily or lightly. Given the economy, given our pressing

needs, they are my recommendation and I stand behind them.

Giving credit where credit is due, Mayor Bill Finch of Bridgeport gave me something to think about a few days ago. Mayor Finch said, in this economy, everyone should re-read two documents: the Constitution of the United States and John F. Kennedy's 1960 inaugural address. The line from the inaugural that really resonated with me was "The world is very different now." This budget proposal reflects a different world. It is a retrenching, where we cleave a bright line between those things that we can never sacrifice and those things we simply cannot afford this year. Like you, I've spoken to a lot of community stakeholders over the last year, and this budget draws a protective line around two core services: the education of our youth and the safety of our residents. There is additional spending in the budget of approximately \$2 million spread among the Board of Education, the Police Department, and the Fire Department. On the other hand, fifteen departments or divisions are recommended to be flatlined or see reduced budgets in the coming year. Seven departments see staff level reductions. Thirty six positions have not been funded. Of those, twenty-eight are currently filled by our friends, our neighbors, our colleagues. This is a retrenching. The world is very different now.

The Board of Education requested \$79.6 million dollars this year. After reviewing the Board's request, I am proposing an allocation of \$78,250,000. I know the Board has worked hard with Central Office staff to develop their request, but I think there is more work that can be done. Given the very small projected increase in elementary students between now and 2012, the Board may wish to reconsider adding new elementary teachers. While the document cameras and Webster Boards may be an added educational benefit, we may not be able to afford them this year. The electricity retrofit and natural gas consortium purchasing programs we have enacted have provided real financial benefit; more I think than the Board has identified. I think it is also critical that the Board re-bid its transportation services to achieve a savings, as I know the Board is considering. These are the areas where I would recommend the Board review their expenditures.

There are things I wanted to do in this budget that I cannot. I wanted to reconstitute a Traffic Department with the hiring of a Traffic Engineer. I wanted to better synthesize our delivery of services to children through the creation of a Youth Liaison position. I wanted to create a Capital Non-Recurring Expense line item and present a request for an ordinance requiring contributions to the Town's fund balance should the audited fund balance drop below five percent. Given the economy and the significant immediate challenges facing both our taxpaying residents and businesses, I cannot present those items today. While they may be in the best long-term interests of the Town, we simply cannot afford to enact them in a year where expenditure control must be our top priority.

At the same time, it was my intention to present a capital improvement plan to the Legislative Council tonight as well. However, given the level of resources necessary to put this operating budget package together, we were unable to complete a final vetting of the

projects identified as priorities. I will, however, deliver a proposed capital improvement plan to the Council during its next meeting cycle.

The budget is in your hands. If there is anything in this budget that is innovative, it is innovation born of necessity. If anything is bold, it is because the status quo is no longer an option. If anything is out of the box, it is because the box no longer applies in 2010. We are standing at the edge of the future, looking into face of a new reality.

In this budget, tax-funded government pays for less. But that doesn't mean Hamden has to do less. It is time for all of us to dig a little deeper and do the work that government cannot. This is a clarion call for mentors, for volunteers, for civic activists ready to roll up their sleeves and do some of the work that needs to get done. Over the next few months, I will be rolling out a vision for the Hamden Volunteer Corps where any citizen young or old can offer their service toward addressing those issues so critical to our communities. The solution to our service dilemma cannot rest on government alone. We all own this Town, and we all have a stake in its prosperity.

My friends, this is a budget that causes sleepless nights. It impacts taxpayers, Town employees, and other regional governments. I know the work that my team has put into this budget, and I do not envy you your task over the next two months. You have our support and you have our prayers as you set about finalizing a budget that works for this great Town.

We will get there. Because we all believe in Hamden.

Good night.