

City of New Haven

Public Interest & Ability-to-Pay Analysis

November 23, 2010



Assurance ■ Tax ■ Consulting

Public Interest & Ability-to-Pay Analysis

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City of New Haven

Public Interest & Ability-to-Pay Analysis

Tab I

City Statement of Public Interest

City Statement of Public Interest

■ **Academic Success of Public School Children**

- Closing the achievement gap to the state average.
- Cutting the drop-out rate in half.
- Aspiration for and the supports to get high school graduates to and through college.

■ **Transformation of a Bigger City Center into a Strong Job and Tax Generator**

- Removal of Route 34 and reunification of central business district to Union Station and Medical Center.
- Downtown mixed-use community of commercial, residential and retail occupancies.
- Promotion of the city as a national center of life and bio science commercial development.

■ **Strong Neighborhoods**

- Clean, safe mixed-income housing stock.
- Promotion of commercial corridors and soundly maintained public infrastructure.
- Responsive and effective public safety support for all residents and visitors.
- Support for populations at severe risk of harm.
- Promoting neighborhood based collaboration and a robust civic culture.

Tab II
City Summary Facts

City Summary Facts

Economic Demographics

Analysis:

- Despite hosting a large share of the State's at-risk population, little possibility of meaningful or sustained grand list growth.
- The City is densely developed and fully built out.
- Continued high tax rate and low property wealth dramatically impairs the City's ability to support the public interest.

Owner-occupied dwellings	23%	2 nd lowest in state
Subsidized housing units	27%	13% of state, 2 nd highest
Tax-exempt property	45.5%	2 nd highest in state
Developable acres	164	1.4% of all land
Equalized mill rate	29.18	2 nd highest in state
Equalized net grand list per capita	\$51,511	2 nd lowest in state

Sources: Connecticut Conference of Municipalities, *A Tale of Disproportionate Burden: The Special Needs of Connecticut's Poorer Cities*, October 2010.

State of Connecticut Office of Policy and Management, Municipal Fiscal Indicators, 2008

City Summary Facts

At-Risk Demographics

Analysis:

- Economic and population demographics are driving demand for public services in New Haven to unsustainable costs.
- At the same time, the City is extremely vulnerable and the second most at-risk in the entire state for economic and social crises.

CRIME		
2009 prisoner drop-offs	1,405	9.3% of State total
Crime rate (per 100,000 residents)	8,161	Highest in State
Homicides (2006)	24	22% of state total
PUBLIC HEALTH		
Infant mortality rate (per 1,000 births)	15.6	Highest in State
Sheltered homeless	501 households	18% of entire state
Families below the poverty line	18.7%	3 rd highest in state
FINANCIAL		
Unemployment rate (Sept. 2010)	12.8%	4 th highest in State
Per capita income	\$21,737	3 rd lowest in State

Tab III

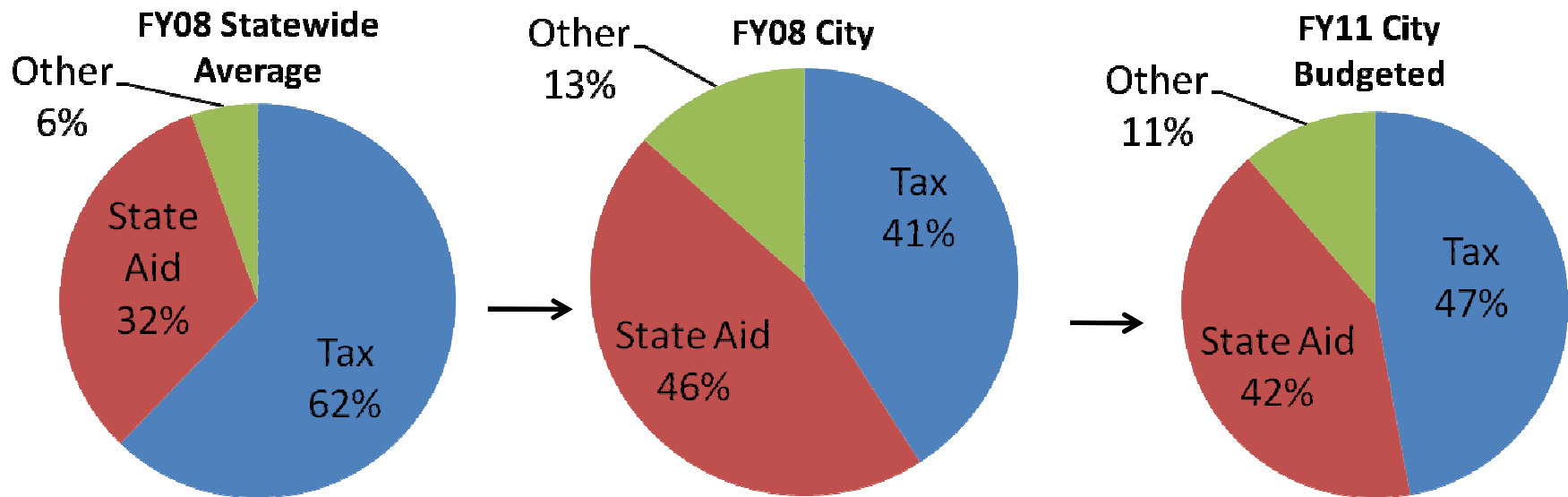
City Revenue Deterioration

City Revenue Deterioration

Where City Revenue Comes From

Analysis:

- New Haven has the 2nd highest dollars and percentage of state aid.
- As state aid to New Haven falls, it has – and will continue to – drive up property taxes on the second smallest property tax base in the state.



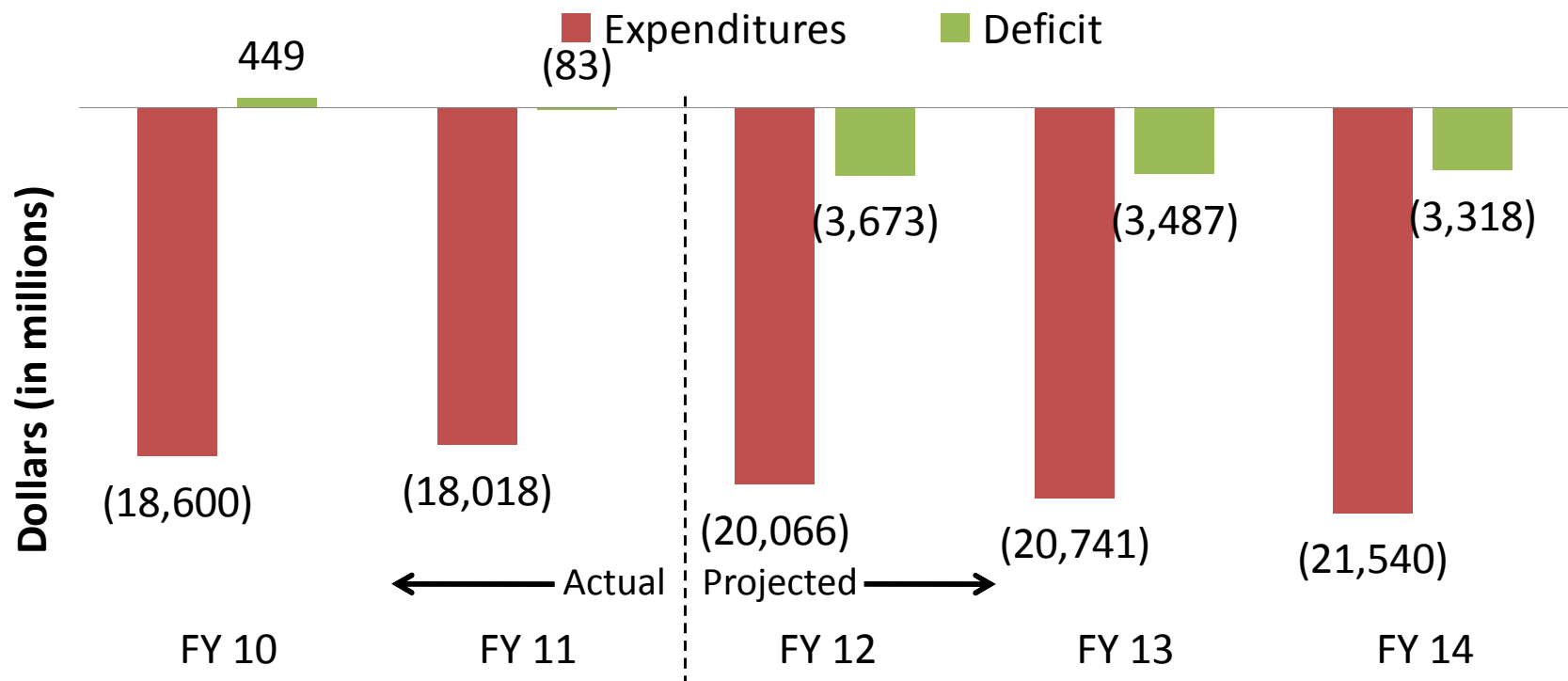
Source: State of Connecticut Office of Policy & Management, Municipal Fiscal Indicators, 2008, City of New Haven Office of Management & Budget.

City Revenue Deterioration

State of Connecticut Projected Budget Deficits

Analysis:

- State budget deficits will reach unprecedented historical heights commencing in the next fiscal year.



Source: State of Connecticut General Assembly, Office of Fiscal Affairs, November 15, 2010

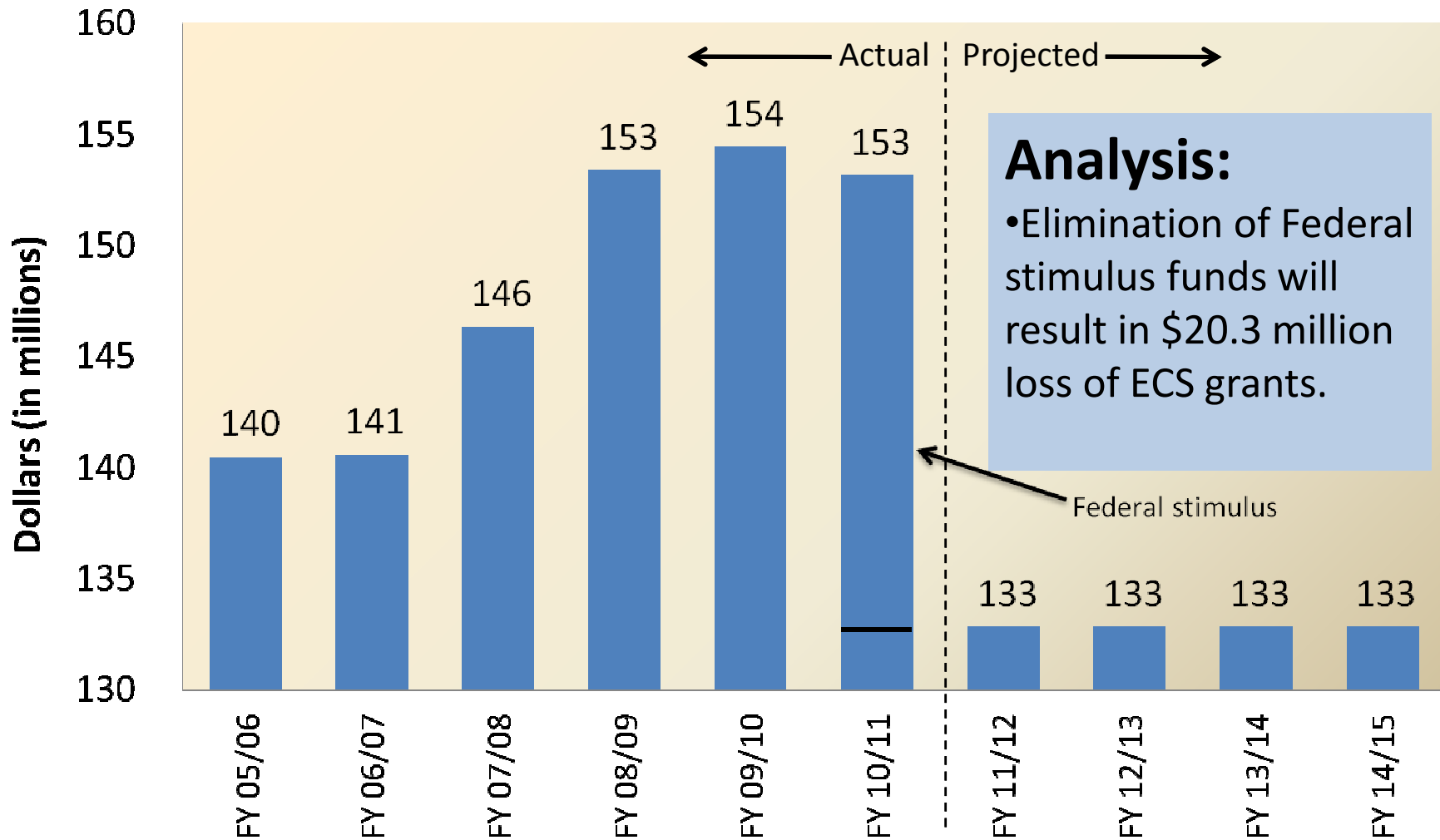
City Revenue Deterioration

State Aid – Education - Analysis

- State budget deficit is \$3.7 billion = 18.3% of the total budget.
- State aid to Cities and Towns is 15% of the State budget.
- ECS at \$1.9 billion is the largest grant to Cities and Towns. New Haven receives \$143 million or 7.5% of the total ECS grant.
- One-time Federal stimulus grant makes up \$20.3 million, or 14% of the ECS grant to New Haven.
- The federal stimulus grant portion of ECS will lapse at the end of FY11.

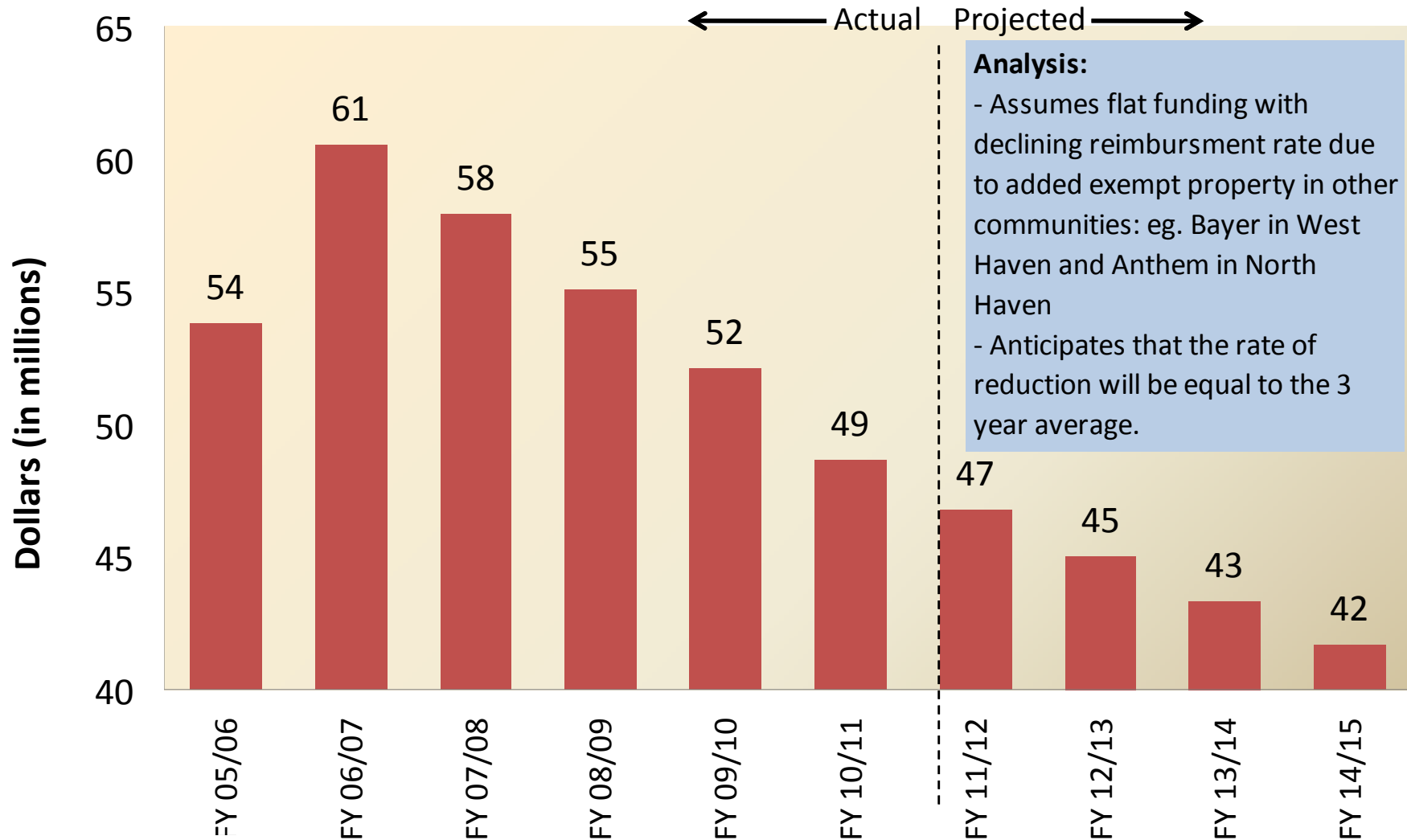
City Revenue Deterioration

State Aid – Education



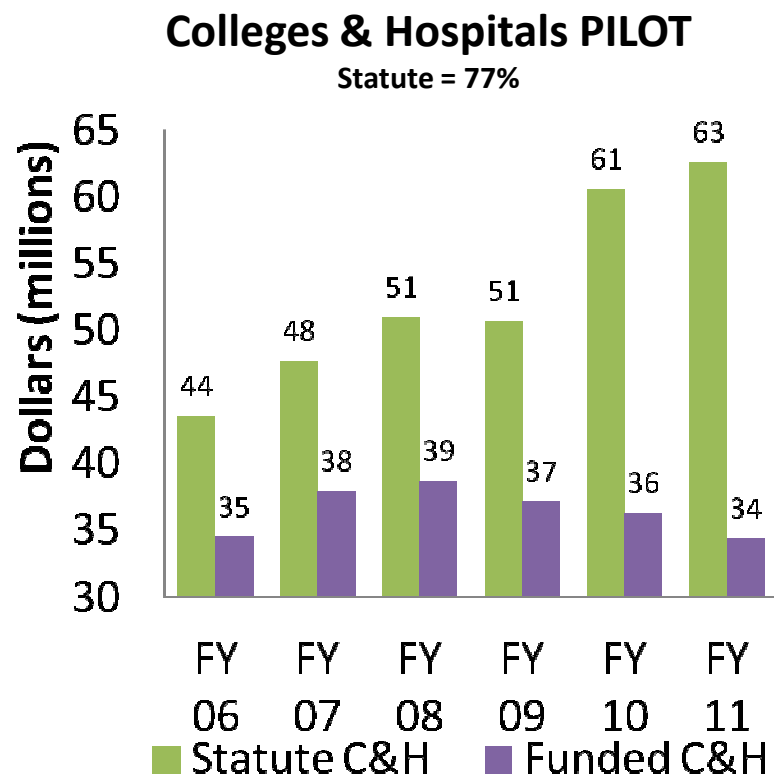
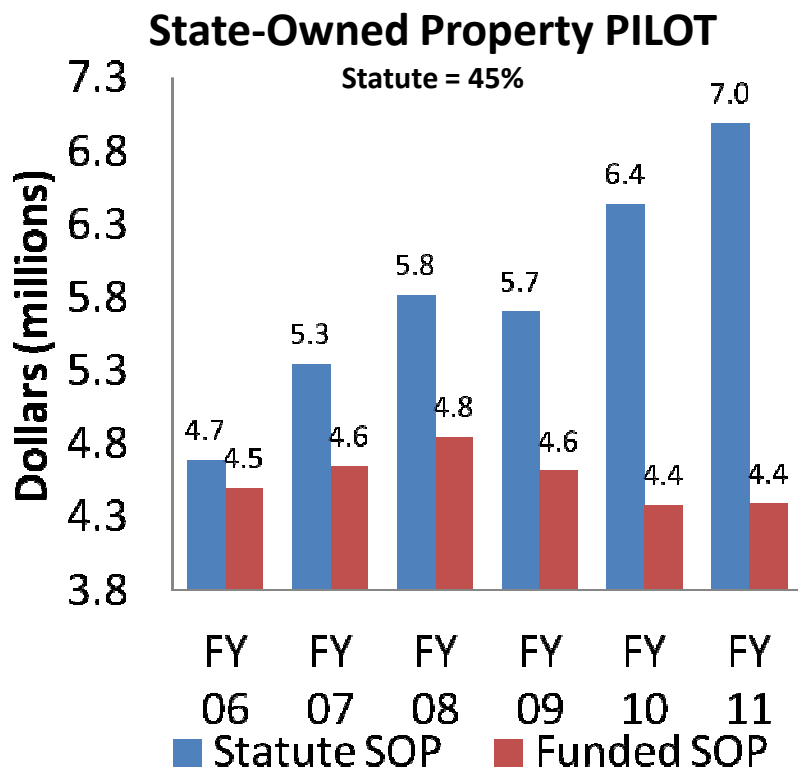
City Revenue Deterioration

State Aid – Other (PILOTS, Pequot, Miscellaneous)



Revenues - State Aid

Declining PILOT Reimbursement Rates - PILOT Statute vs. Actual Funding



Analysis:

- New Haven receives the highest PILOT payment in the State. However, even before counting the record FY12 State budget crisis, the State has been annually cutting PILOT reimbursement to the City.
- The last 3 years have seen average annual cuts of 3.8% in PILOT funding to the City.

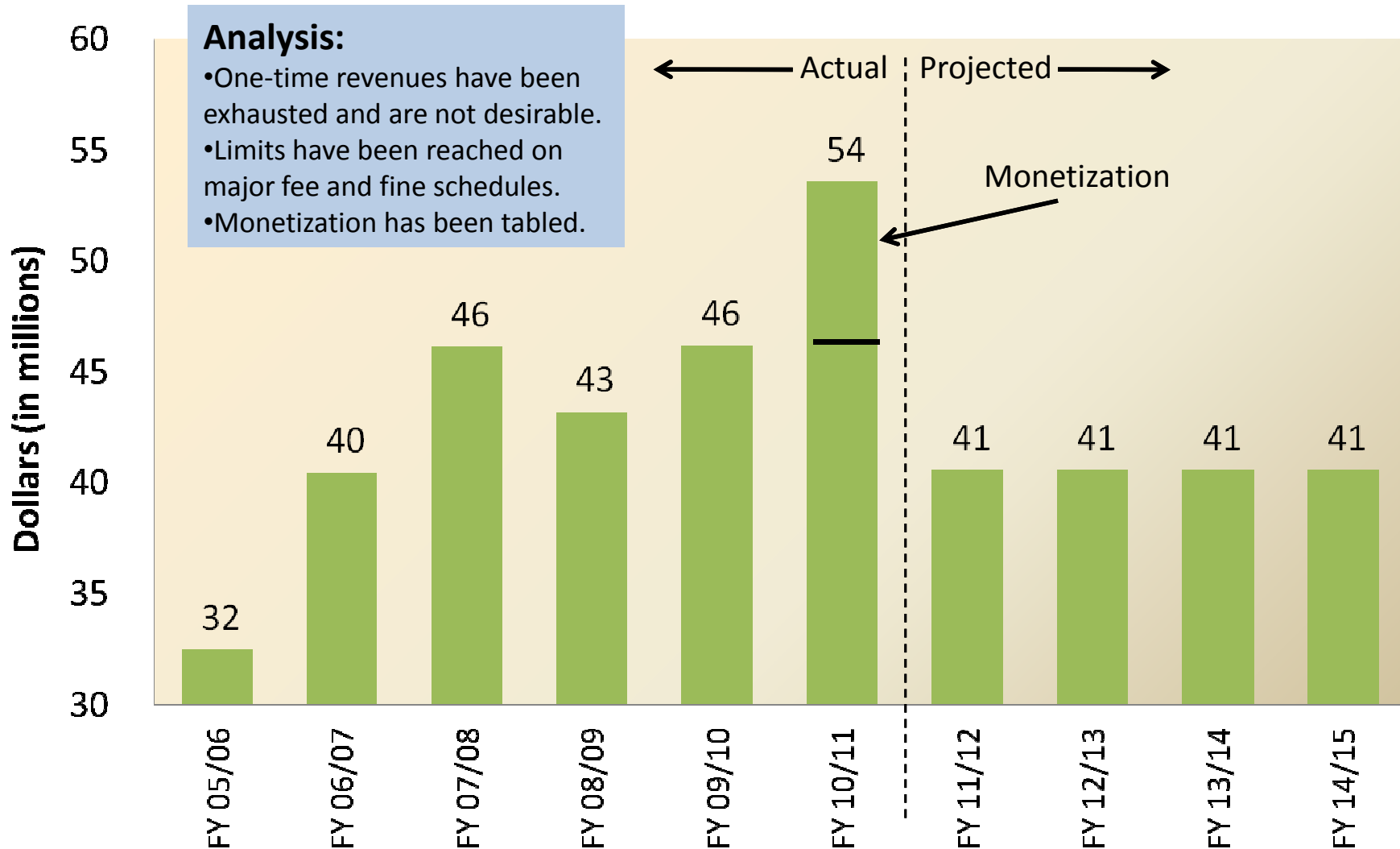
City Revenue Deterioration

State Aid – Other- Analysis

- PILOT grants to New Haven have fallen in each of the last four fiscal years. This will continue as the statewide pool of tax-exempt property grows.
- Pequot Grant has fallen from \$17.8 to \$7.2 million between 2002 and 2011.
- Any other sources of local revenue must be authorized by the State.

City Revenue Deterioration

Other Revenues (Inspections, Voluntary PILOTS, Parking Tags, One-Time Revenues)



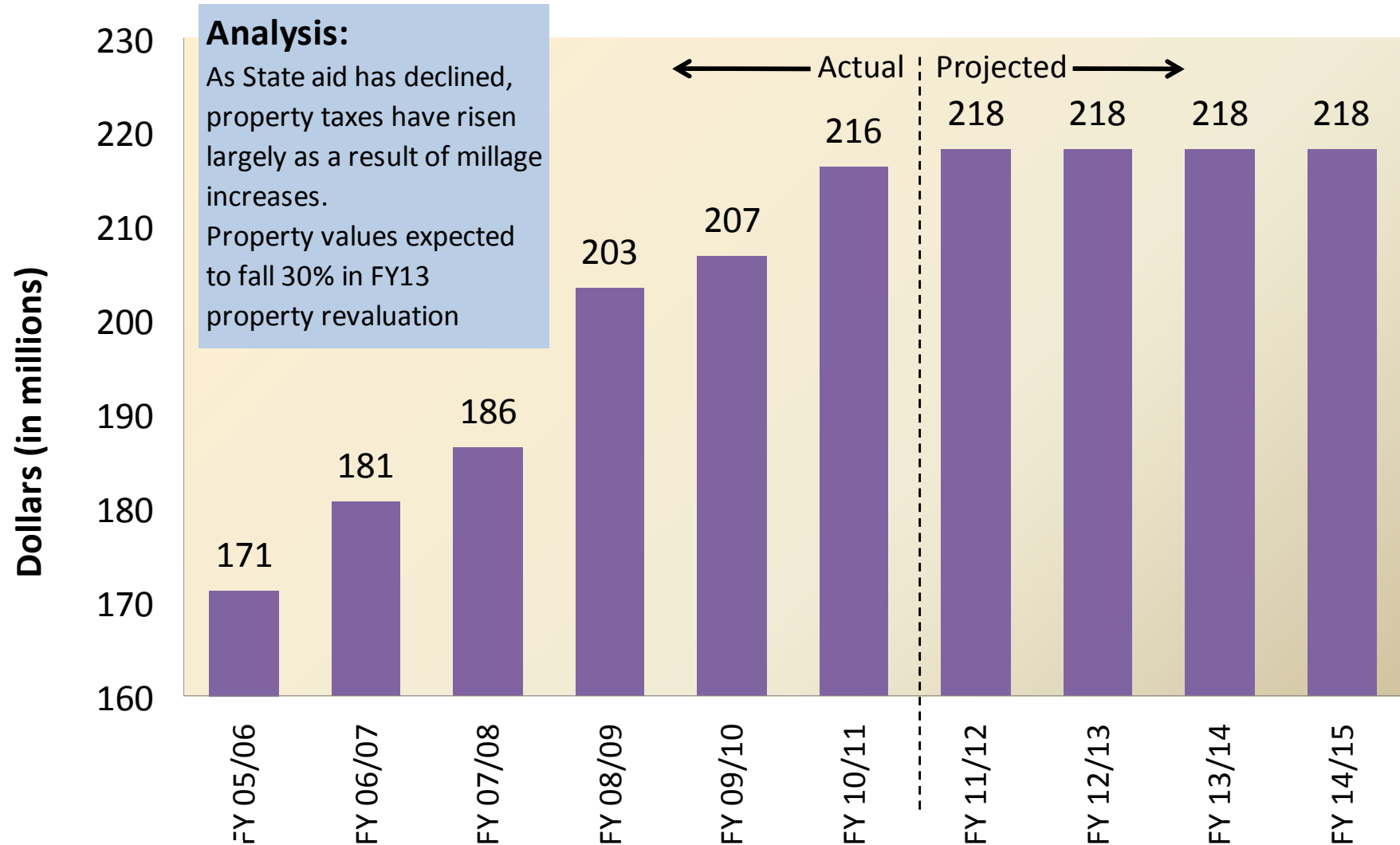
City Revenue Deterioration

Other Revenues - Analysis

- Licenses, Permits and Other Charges
 - At \$27, building inspection fee highest in State.
- Fines, Forfeitures and Penalties
 - Increased parking tag enforcement to two daily shifts and Saturdays.
 - Increased rates from \$1.25 to \$1.50 per hour.
- Investment Income
 - Short-term investment of idle funds.
 - Reduction from \$4.4 million (FY07) to \$200,000 (FY11).
 - Caused by extremely low yields (.20% - .30% in 2010) and deterioration of cash position.
- One-Time Revenues
 - Parking monetization (\$8 million), sale of assets (\$5 million), WPCA payment (\$1 million). Totals \$14 million in FY11. Not available going forward.
- Voluntary PILOTS
 - Yale and YNHH voluntary PILOTS renegotiated in 2010 to \$6 million. Highest in nation.

City Revenue Deterioration

Property Taxes



City Revenue Deterioration

Property Tax Change: Composition

Analysis:

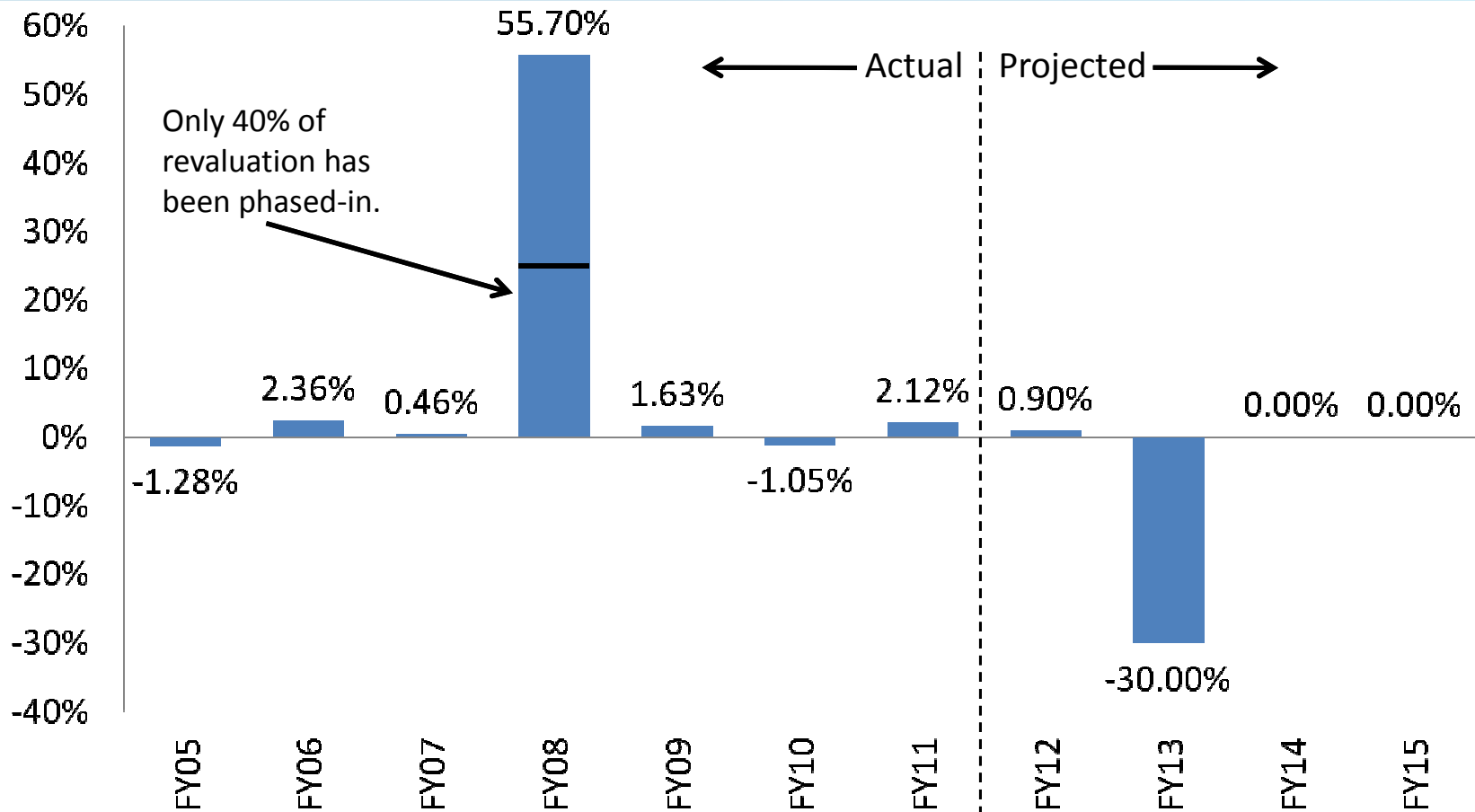
- As State aid has declined, services and personnel have been reduced and property taxes increased.
- Property tax increases have generated two-thirds of the increased taxes over the last six years.
- The average tax bill has increased 26% in five years.

	FY06	FY07	FY08	FY09	FY10	FY11
Change in collection rate	\$243,180	\$146,547	\$(587,723)	\$124,090	\$(294,802)	\$(1,909,833)
Grand list growth	4,678,482	488	Revaluation	4,171,834	3,694,608	4,073,912
Mill rate increases	12,072,437	9,344,037	Revaluation	12,764,171	-	7,221,807
Total Tax increase	16,994,099	9,491,074	5,727,039	17,060,095	3,399,806	9,385,888
% of increase from mill rate	72%	100%	n/a	75%	0%	64%

Note: Budgeted collections for FY11 are based on a collection rate that is 1% less than the last audited year (FY09), in accordance with the requirements of the City Charter.

City Revenue Deterioration

Grand List Growth and Activity



Note: Increase in FY08 attributable to impact of state-mandated revaluation of all property. Never fully phased-in. FY13 decrease based on estimated impact of mandatory revaluation.

City Revenue Deterioration

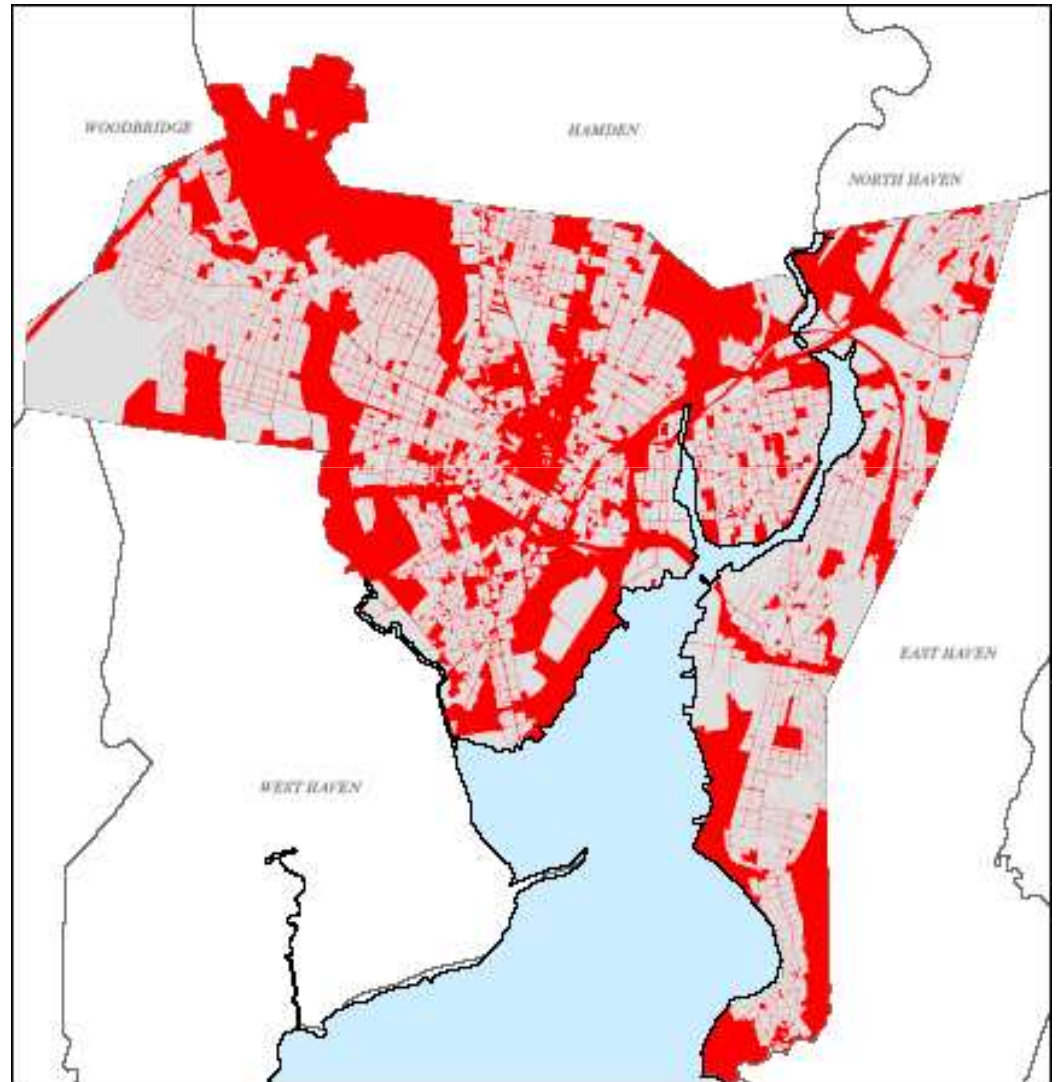
2009 Grand List – Tax-Exempt Property

Analysis:

- Due to the extent of tax-exempt property, New Haven's tax base has little to no ability to absorb continuing cuts in State aid and expenditure increases.

Total Real Property	\$10.6 billion	100%
Taxable Property	5.8 billion	55%
Exempt Property	4.8 billion	45%

Source: City of New Haven, Assessor's Office

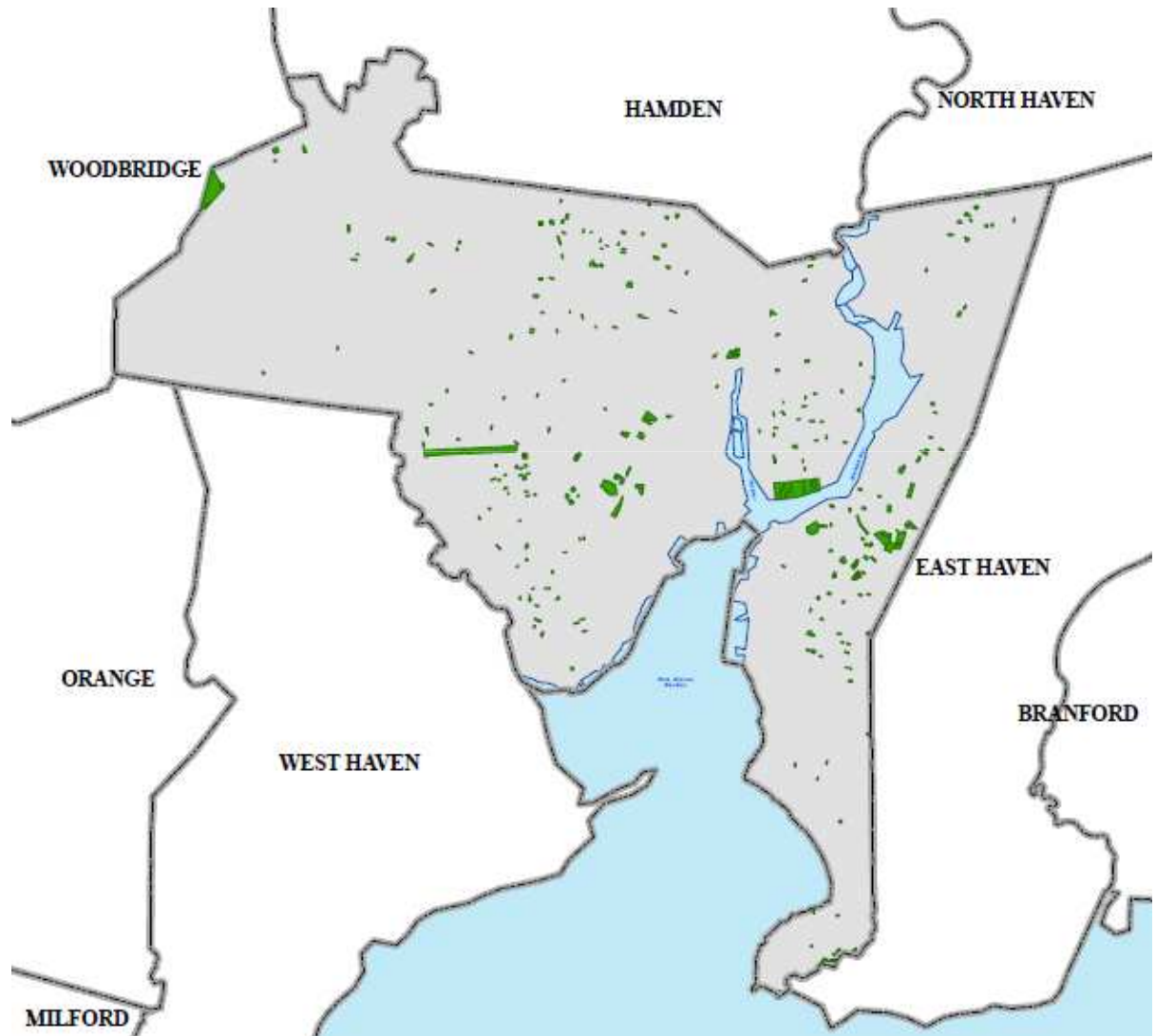


City Revenue Deterioration

Developable Land

Analysis:

- Only 1.4% of land in New Haven is taxable, vacant and developable (see green shading).
- Property re-use requires remediation, demolition and other financial supports, mitigating revenue generation.



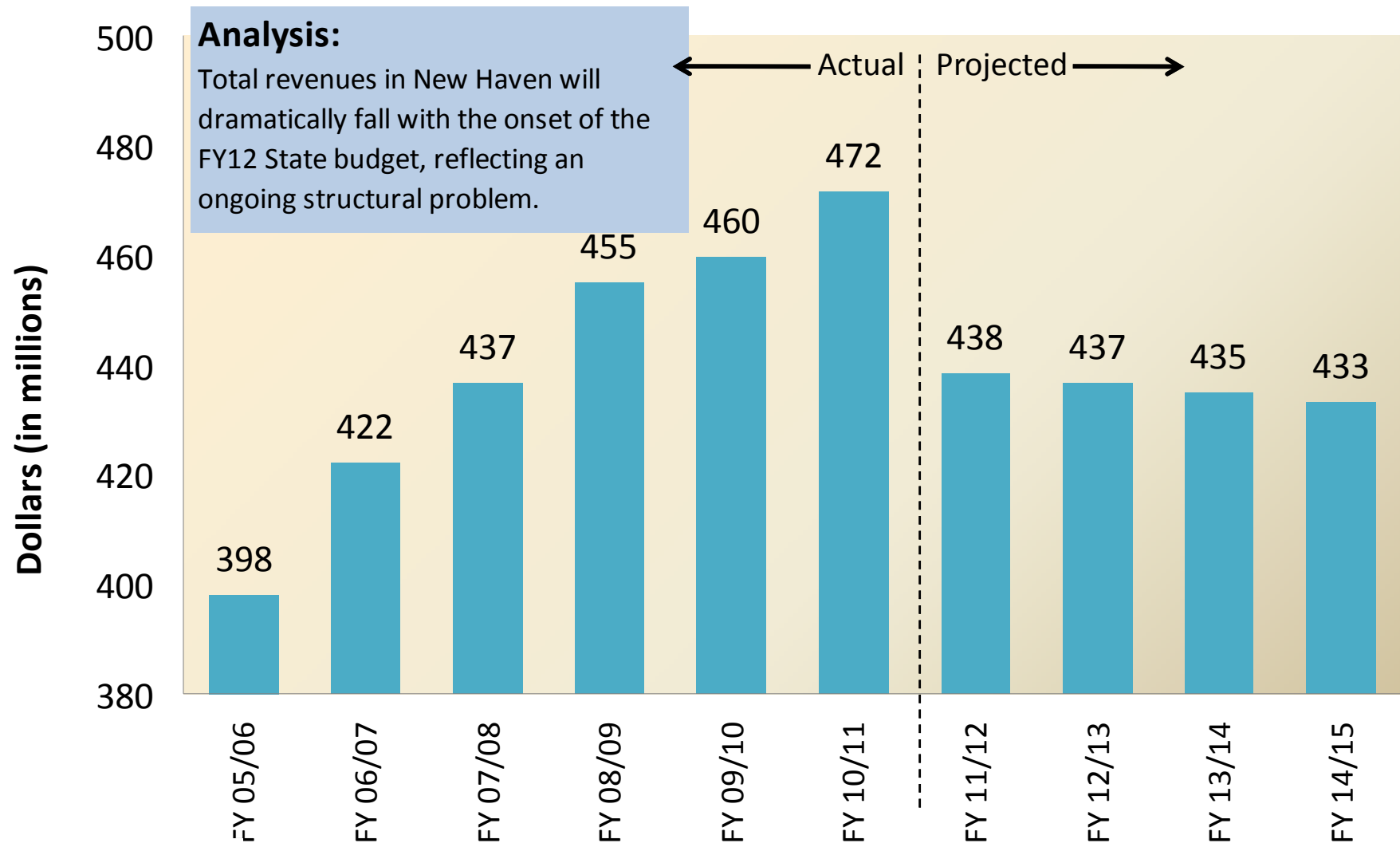
City Revenue Deterioration

Property Taxes - Analysis

- Over the last several years, the City has raised the tax rate, demonstrating a willingness to pay.
- 45% of grand list is tax exempt.
- Only 1.4% of land is taxable and developable.
- Tax collection rate is 98.22% - among the highest in the State, no room for improvement.

Revenues – Total Revenues

Projected FY06 to FY15



City Revenue Deterioration

Total Revenues- Analysis

- State aid had already stagnated and begun dropping before FY12, when an 11% decrease in revenues will occur.
- Property taxes have reached their limit.
- Pending state budget crisis makes state aid dependent communities, like New Haven, particularly vulnerable.
- Even before the current crisis, New Haven has been subject to a long-term State revenue problem that is structural and political in nature.
- Not addressed in good times. No revenue based solution exists.

Tab IV

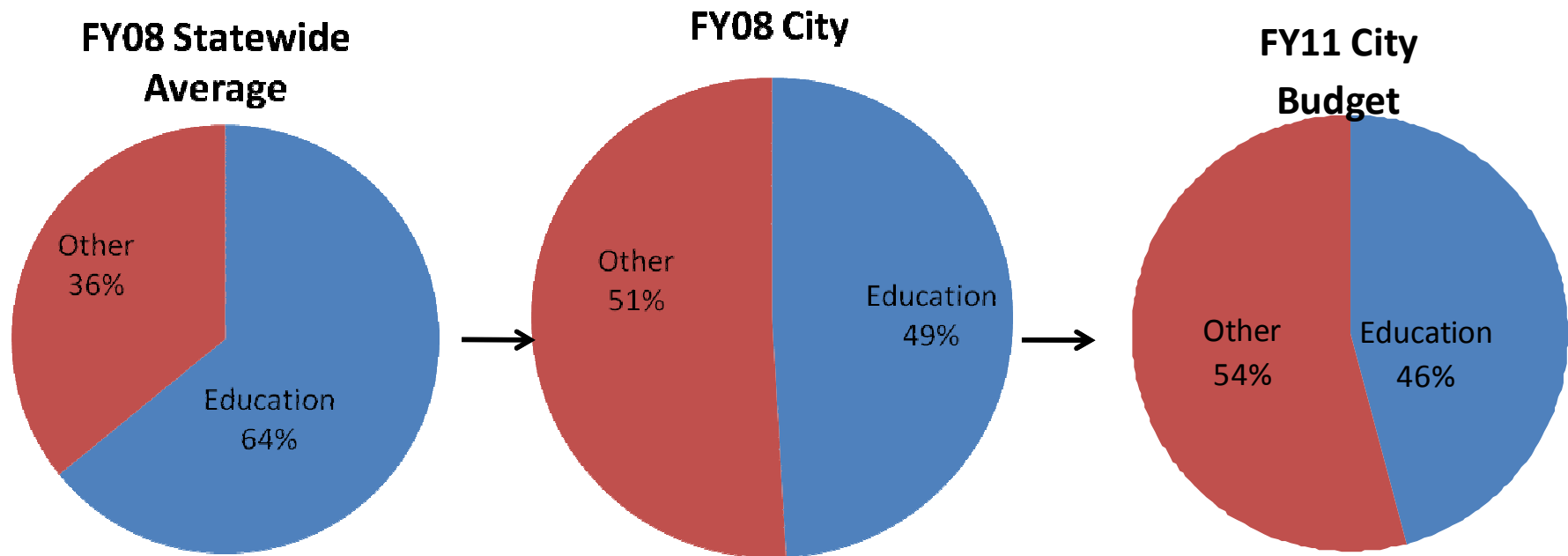
City Expenditure Drivers

City Expenditure Drivers

Where City Expenditures Go

Analysis:

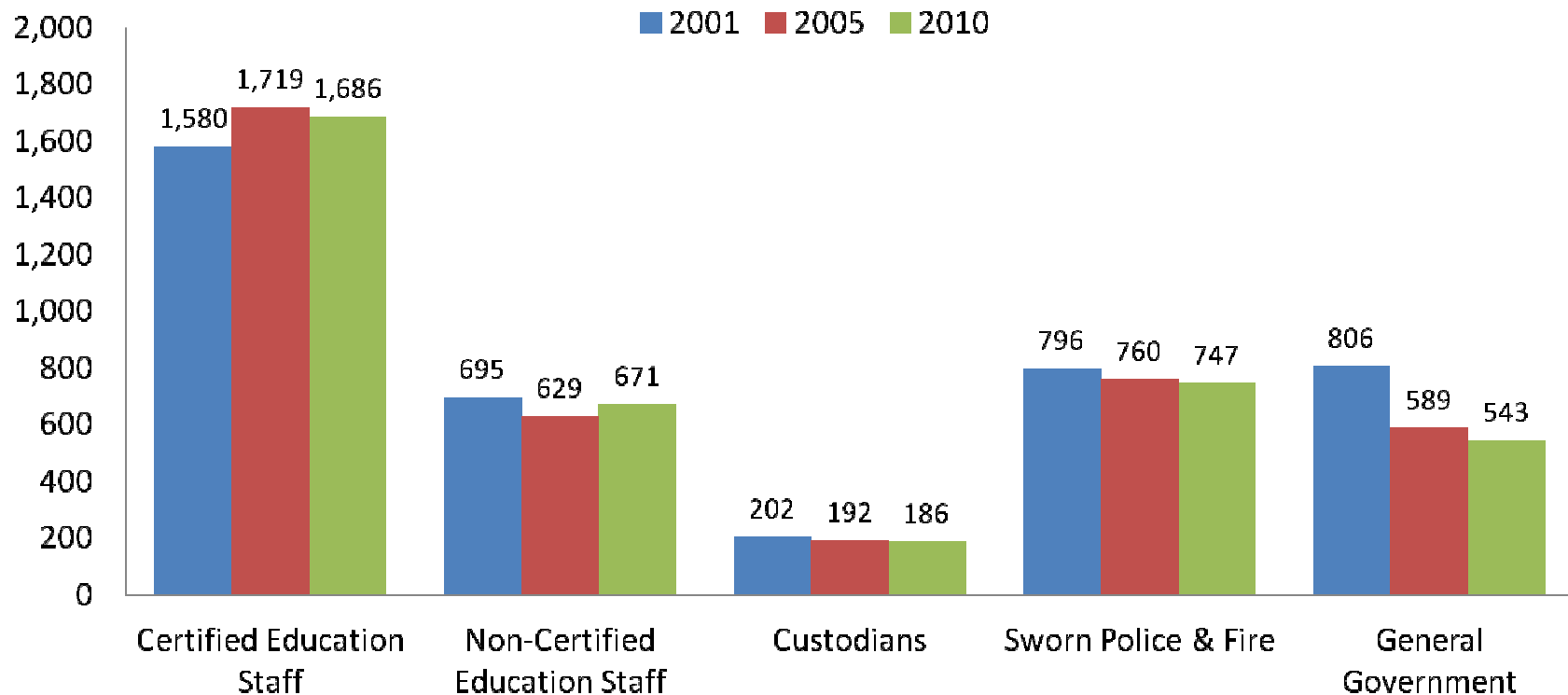
- New Haven not only must support public education, but its many at-risk populations create the need for public services unknown to virtually every other Connecticut city and town.



Source: State of Connecticut Office of Policy & Management, Municipal Fiscal Indicators, 2008.

City Expenditure Drivers

General Fund Filled Position Counts – FY00 to FY11

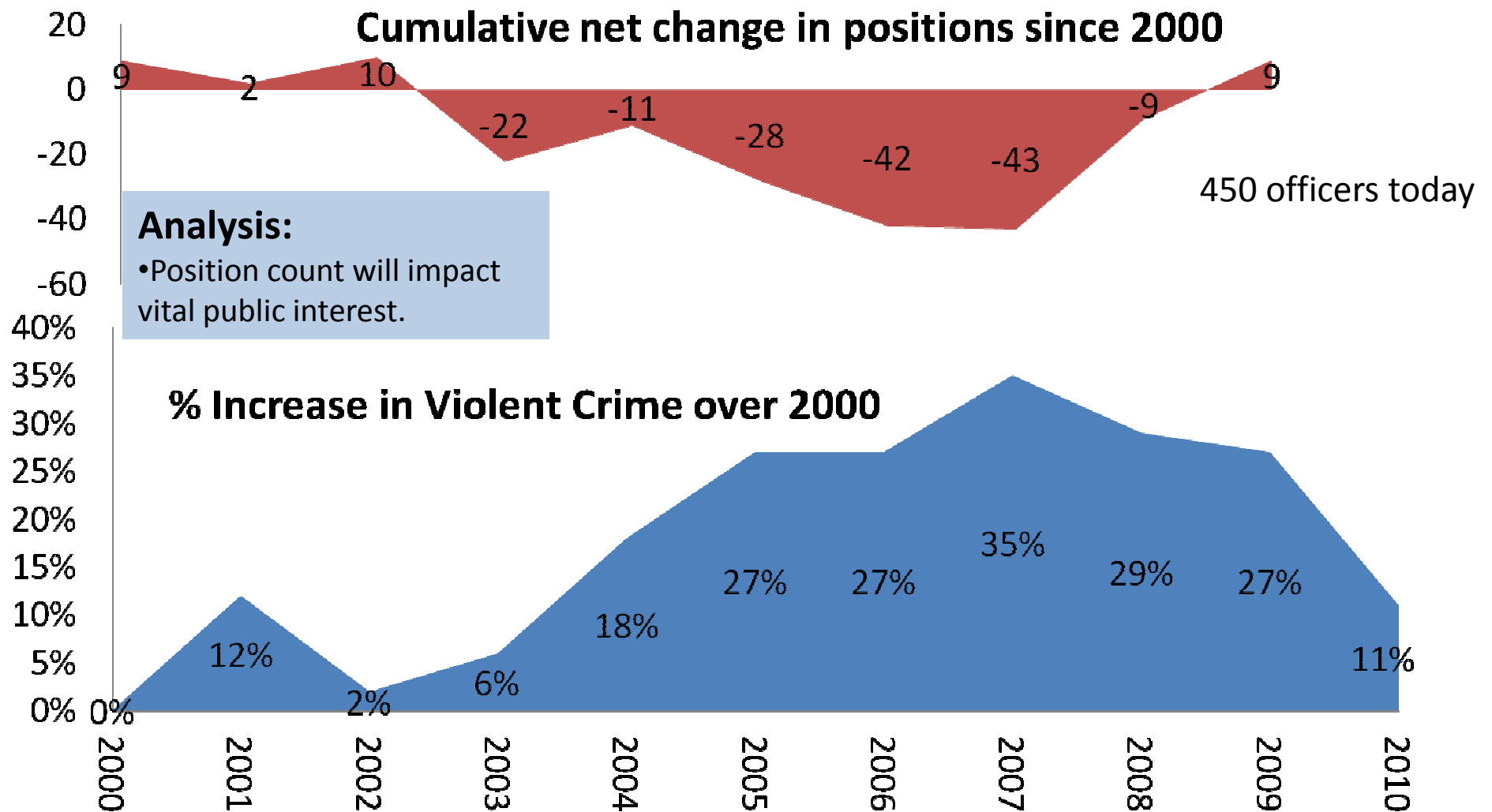


Analysis:

- Filled positions were reduced 4.7% between 2001 and 2005; and by another 1.4% between 2005 and 2010.

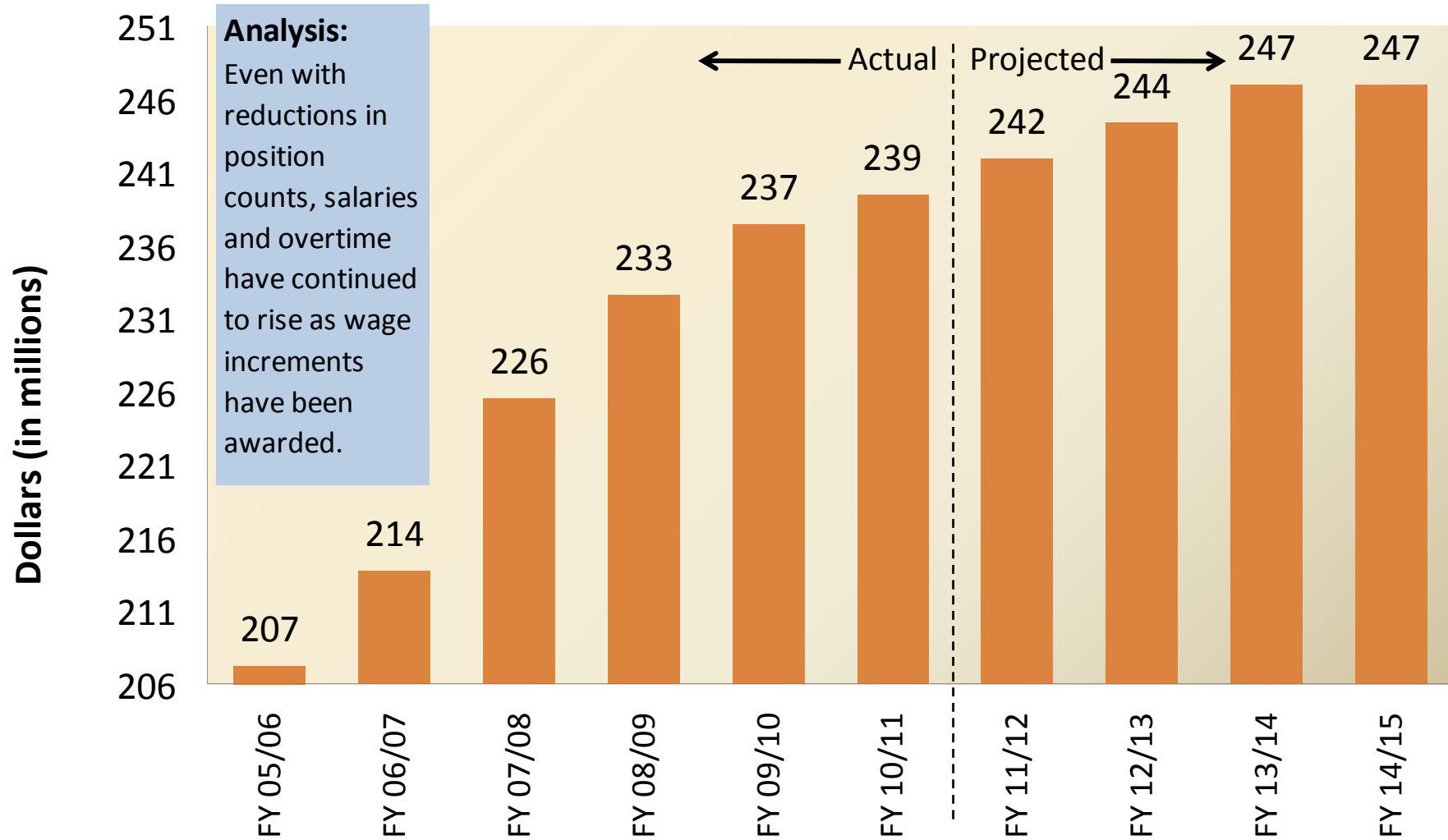
City Expenditure Drivers

Change in Sworn Police Positions and Violent Crime



City Expenditure Drivers

Salaries & Overtime



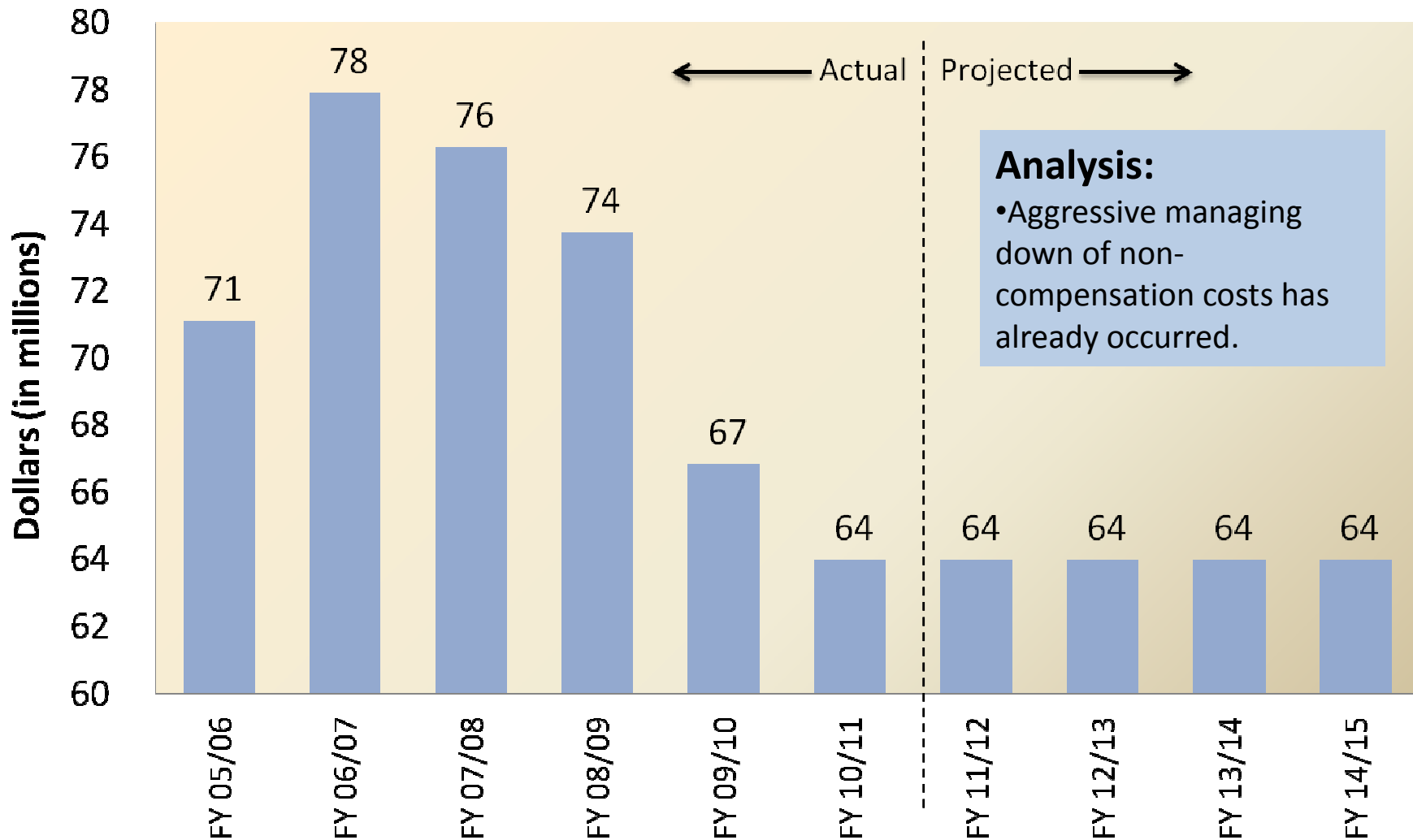
City Expenditure Drivers

Salaries & Overtime - Analysis

- To control costs, the following services have already been reduced or eliminated:
 - Homeless funding reduced
 - Postponement of Police & Fire class in FY11
 - 3 senior centers closed
 - Library hours reduced
 - Police mounted unit eliminated
 - Reduction of Parks and Public Works staff
 - Department of Small Business eliminated
 - Cut Mayor's Citizen Advocates
- General Fund filled positions in the City were cut by 4.7% between 2001 and 2005. Positions were cut by another 1.4% between 2005 and 2010.
- The City undertook three rounds of lay-offs in 2003, 2008 and 2009.
- Baseline City services – particularly those essential to the public interest – are directly affected by staffing levels. Significant reductions in staffing levels will dramatically compromise the public interest.
- Current average custodial salary budgeted at \$43,000, compared to New Haven market benchmarks of \$28,200 (Economic Research Institute), \$27,200 (Towers Watson), and \$29,200 (Mercer Metro).


City Expenditure Drivers

Other Expenditures



City Expenditure Drivers

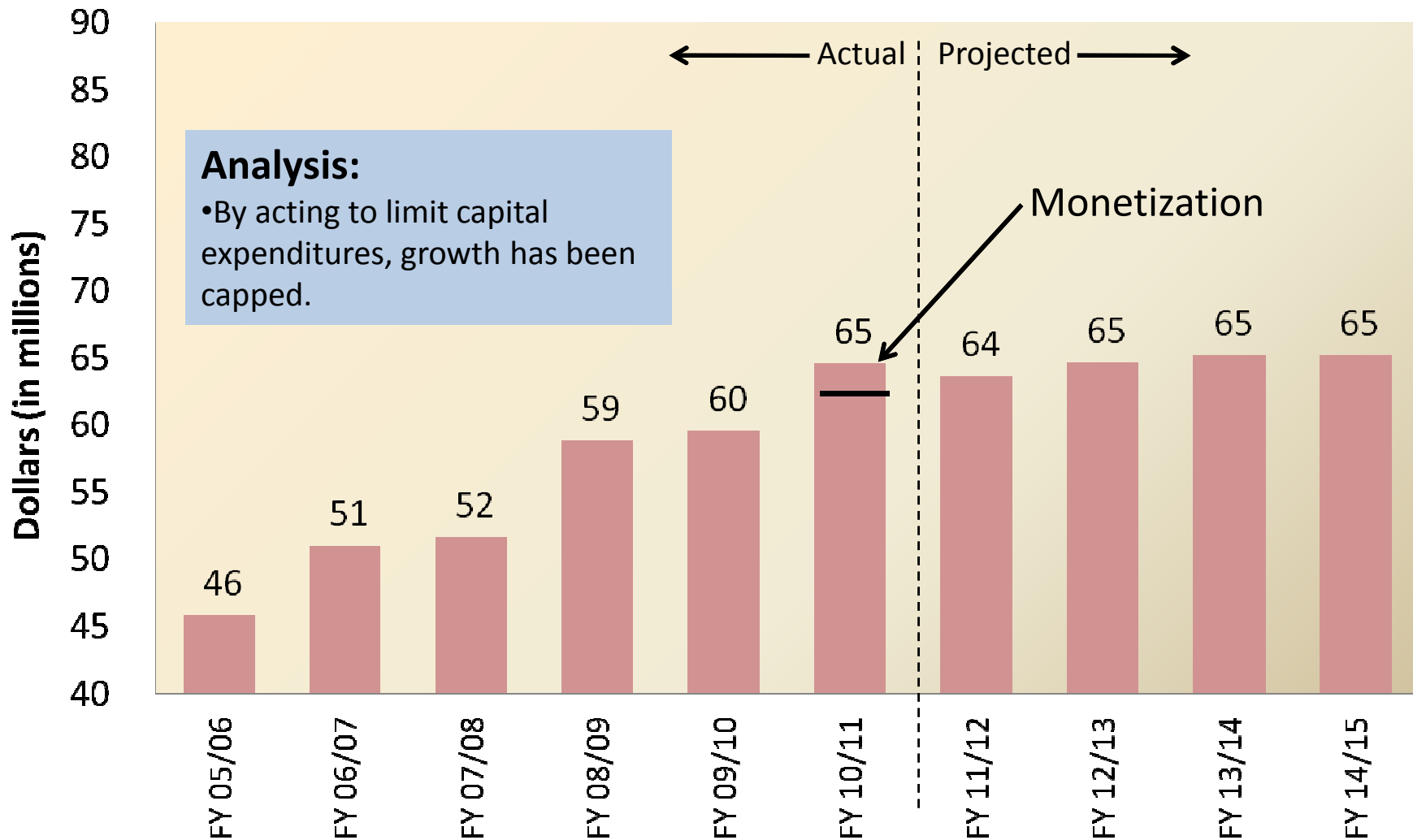
Other Expenditures - Analysis

- Major items in this category, FY11 budgeted (millions):
- Assumes no future increases.
- Self-Insurance Fund deficit is \$16 million.
- Cost reduction – FY08 to FY10:
 - Utility costs – decreased \$472,000 or 3% for City and BOE. Long terms costs have been stabilized through the bulk purchase of natural gas until FY13 and electric through FY12.
 - Homeless services – decreased \$402,000 or 26%.
 - Refuse removal – decreased \$621,000 or 15%.
 - Uniforms - decreased \$166,000 or 22%.
 - City Library books – decreased \$131,000 or 28%.
 - Vehicle supplies/gasoline – decreased \$258,000 or 13% BOE Operation of Plant (non utility) - \$1.4 million or 19% City operation of plant (non utility) - \$801,000 or 46%

Category	
Utilities	\$18.8
School transportation	15.0
Special education	11.3
BOE plant operations	6.0
City plant operations	5.1
Self-insurance costs	6.1
Other	1.7
Total other expenditures	\$64.0

City Expenditure Drivers

Debt Service



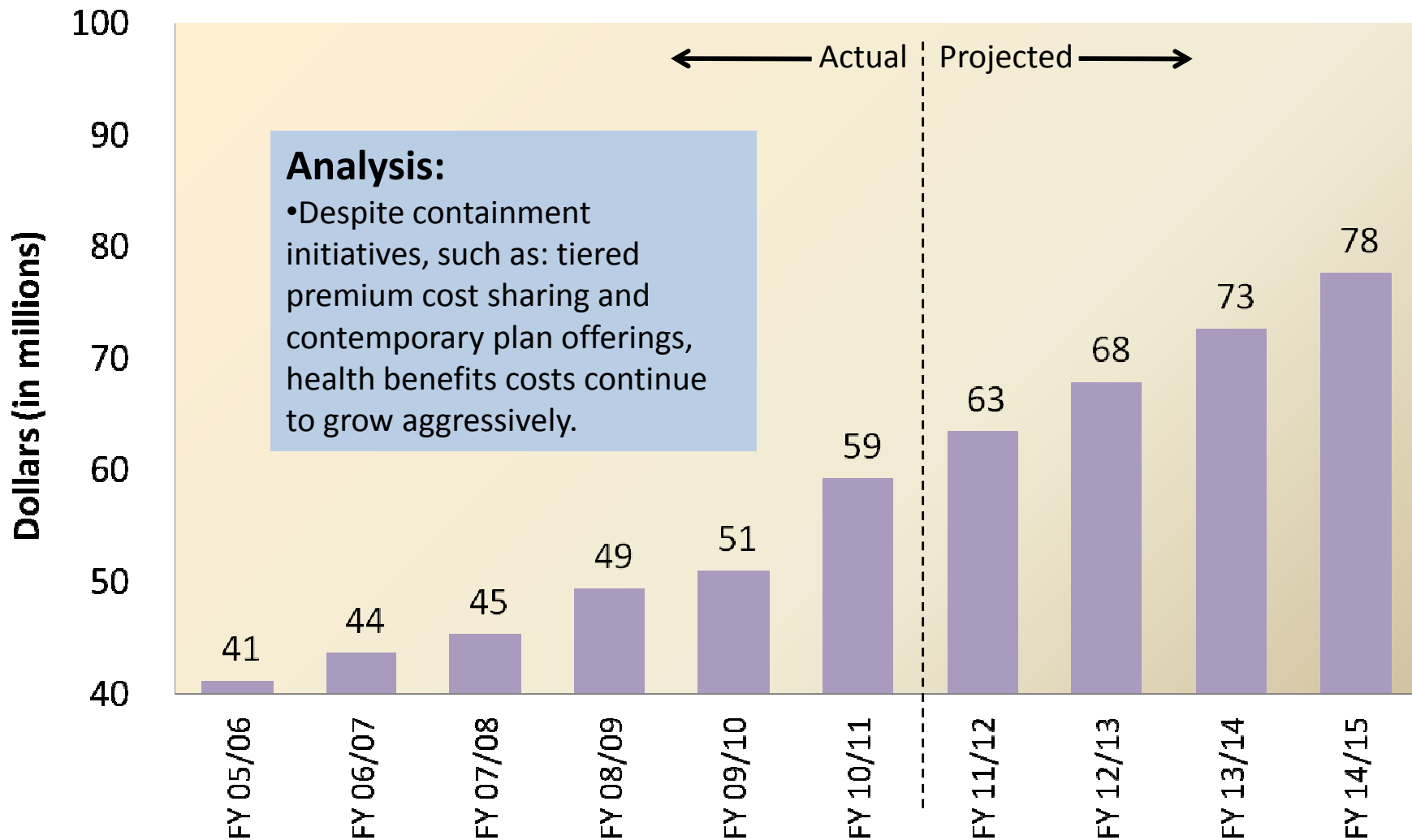
City Expenditure Drivers

Debt Service - Analysis

- Debt service is 13.7% of the FY11 budget, down from 13.84% in FY09.
- Debt per capita is \$4,200 in FY11, up from \$3,900 on FY04.
- Aggressive retirement of debt.
- Closing out school construction.
- Closed multiple schools: Dwight, Mauro, Cross Scholars, Quinnipiac, Woodward, Strong.
- Refinanced debt for over \$300k in annual savings.

City Expenditure Drivers

Health Benefits



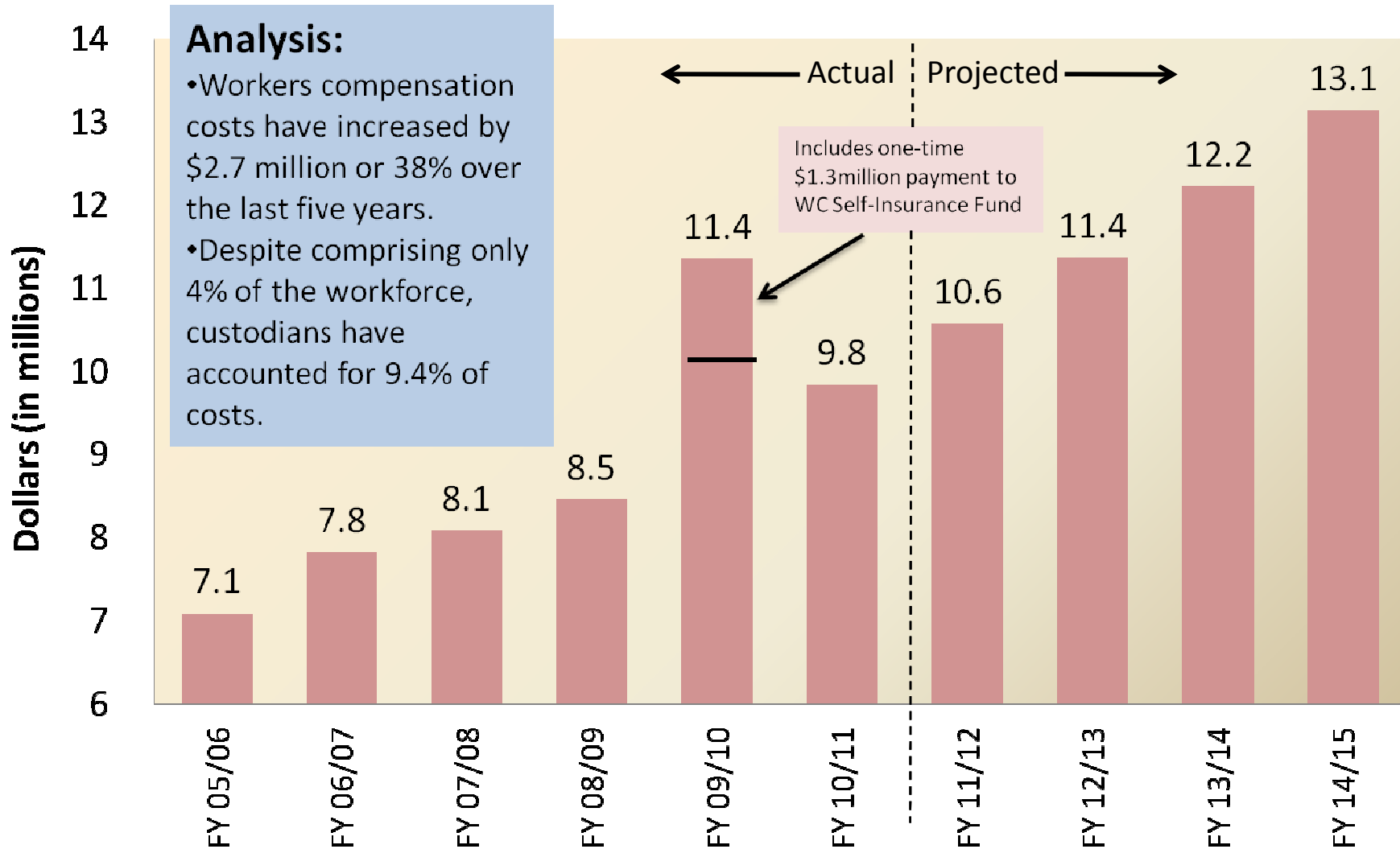
City Expenditure Drivers

Health Benefits - Analysis

- Cost containment initiatives have been implemented:
 - Tiered premium cost sharing
 - Contemporary plan offerings
 - Progressive pharmacy program
 - Mandatory employee re-enrollment
 - Linked retiree health benefits to active employee benefits
 - City-wide wellness campaign
 - Re-bid the administration of health benefits
- Despite these cost containment initiatives, costs have risen by \$18 million or 44% over the last five years. Market surveys demonstrate:
 - Current employee cost share for family coverage is 60% of the national average for government workers.
 - Current employee cost share for family coverage is 65% of the Northeast average for all workers.
 - Only 1% of employers offer a lower HMO co-pay for a PCP office visit.
 - 15% of employers now offer a high-deductible health plan – a share that is increasing each year.
- OPEB liability for medical benefits is \$430.5 million, and is an unfunded liability.
- The City's current healthcare plans neither reflect market comparables or ability-to-pay.

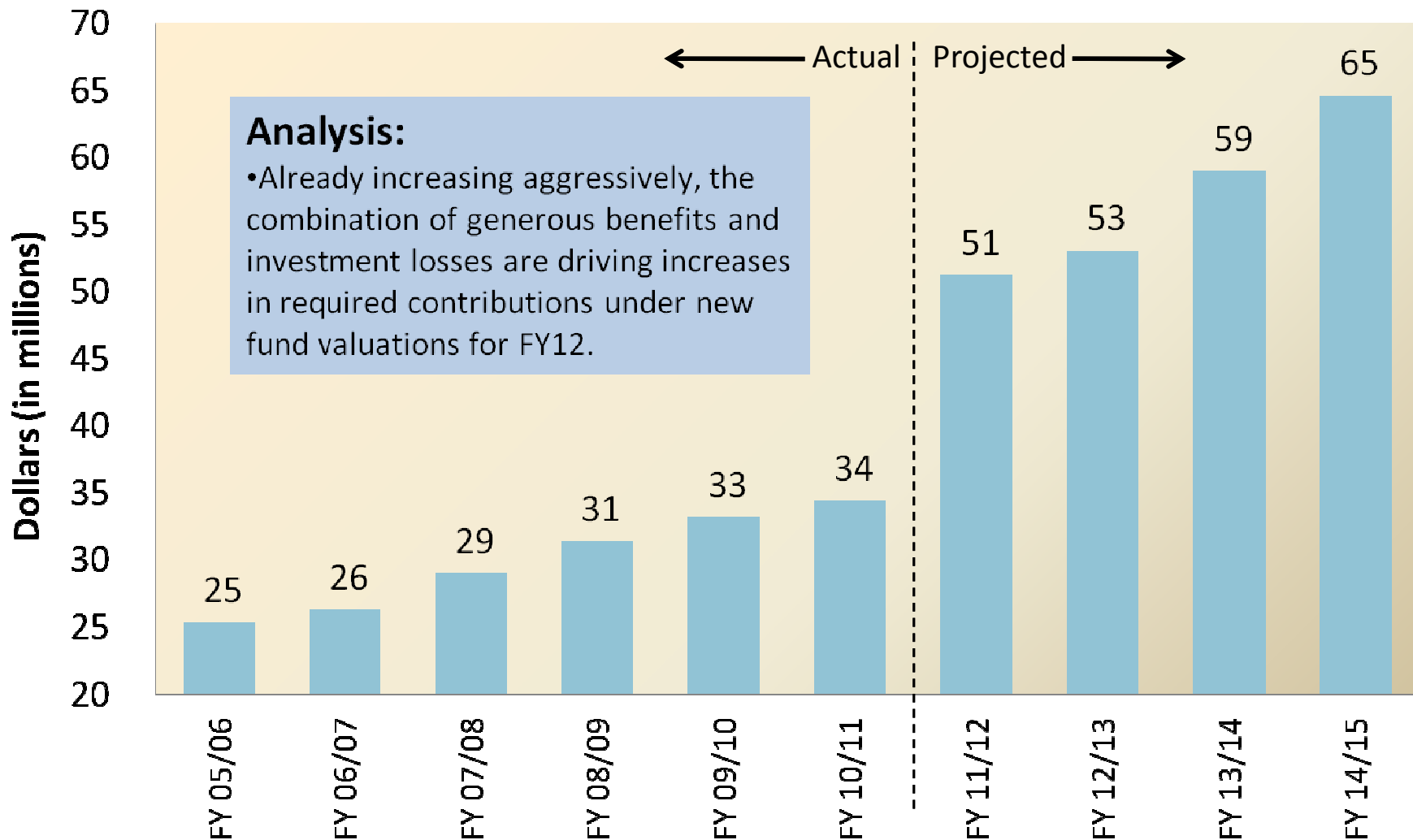
City Expenditure Drivers

Workers Compensation



City Expenditure Drivers

Pensions



City Expenditure Drivers

Pensions - Analysis

		Police & Fire	CERF	Total
	Estimated 2011 ARC	29,500,000	18,500,000	48,000,000
	Fund Value			
	2008	301,004,200	208,351,800	509,356,000
	2009	297,398,600	201,039,400	498,438,000
	2010	274,000,000	163,500,000	437,500,000
	Funding Ratio			
	2008	58.70%	60.40%	
	2009	55.60%	56.30%	
	2010	37.60%	36.30%	

Sources: Hooker & Holcombe, Inc. valuation report dated September 10, 2010, Milliman estimate dated October 21, 2010, City of New Haven Office of Management & Budget, Controller's Office.

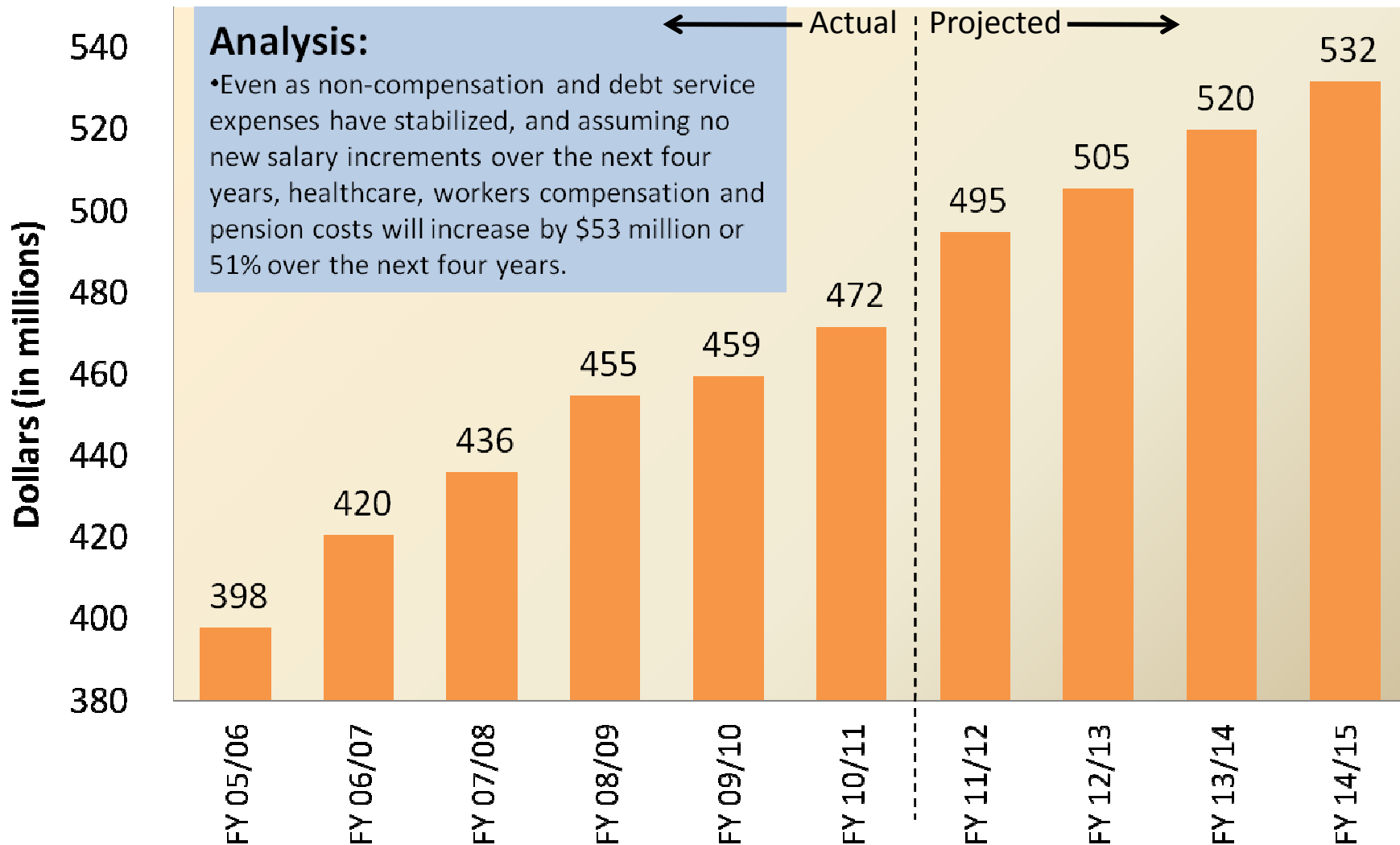
City Expenditure Drivers

Pensions - Analysis

- Since 1994, the City has funded the annual required contribution (ARC).
- At current funding, CERF will run out of assets in 15 years, P&F in 16 years.
- The City's current pension plans are not financially sustainable.

City Expenditure Drivers

Total Expenditures



City Expenditure Drivers

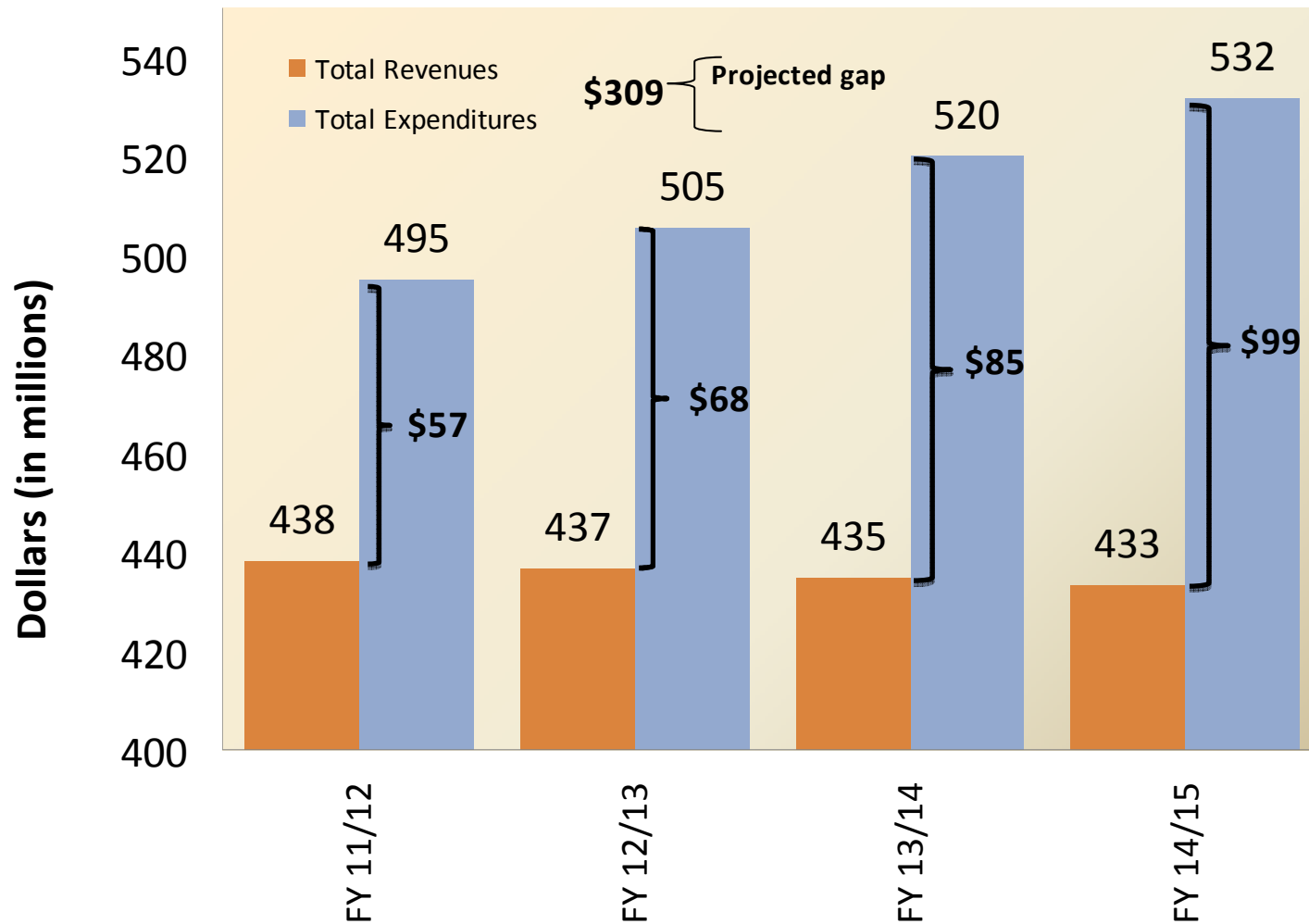
Total Expenditures - Analysis

- The City's cost structure is unsustainable.
- Staffing levels have already been dramatically reduced.
- Healthcare, pension plan and subcontracting represent the only significant opportunities to re-set the expenditure patterns while serving core public interest services.

Tab V
**City Public Interest &
Ability-to-Pay**

City Public Interest & Ability-to-Pay

Revenue/Expenditure Gap



Analysis:

The FY12 Budget will present a budget gap of \$57 million, or 13% of all City revenues.

Over 4 years the budget gap totals \$309 million.

This budget gap is the largest in the City's modern history and the largest ever since collective bargaining, as we know it, was legislated.

City Public Interest & Ability-to-Pay

Revenue/Expenditure Gap - Analysis

■ The Public Interest

- The municipal corporation of New Haven was organized to serve the Public Interests of its residents. Those interests are particularly urgent given the large number of at-risk residents in the City.
- New Haven faces a structural budget problem resulting from the State's revenue structure; and from local zoning laws that concentrate poverty populations in New Haven.
- This is a problem much larger than a cyclical recession.

■ Public Interest of New Haven is Clear

- The academic success of public school children.
- A City that Works.
- Strong Neighborhoods.

■ Ability-To-Pay

- Unprecedented record State budget deficits will result in continued loss of significant State revenues.
- Absent making choices to do things differently residents will be faced with four choices:
 - i. Massive service cuts.
 - ii. A dramatic tax increase.
 - iii. A combination of significant tax increases and service cuts; or
 - iv. State takeover.

City Public Interest & Ability-to-Pay

Table 1: 11/23/10 ATP v 9/25/10 FRAC Reconciliation

<u>Item</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
9/25/2010 FRAC	\$30	\$28	\$32	\$35	\$125
11/23/10 ATP	\$57	\$68	\$85	\$99	\$309

Analysis:

- FY 12 FRAC revenues at \$476M v ATP at \$438M (state revenue \$211M v \$179M).
- FY 12 FRAC expenses at \$506M v ATP at \$495M.

City Public Interest & Ability-to-Pay

Table 2: FRAC “Known” Revenue & Expenditure Adjustments (p. 71)

<u>Revenues</u>	<u>Annual FY 12-15</u>	<u>Available FY 12</u>	<u>Commentary</u>
(i) 1.4% Millage	\$2.9	\$0	In ATP gap.
(ii) \$2 Average Increase in Building Fees	.8	0	In ATP gap.
(iii) Estimated Increase in Parking Meter Revenue	1.2	0	In ATP gap.
(iv) Increase in Non Profit Fees	2.2	0	In ATP gap.
(v) Increase in Parking Authority PILOT	2.0	0	NHPA Lacks Capacity.
(vi) Sale of Assets	0.0	0	Assets Lacking.
(vii) Monetization	8.0	0	Not in ATP gap.
<u>Expenditures</u>			
(viii) IBB Reductions	5.1	0	TBD – Table 6.
(ix) Increase in Self Insurance Fund	(1.5)	0	In ATP gap.
(x) Reducing of Police Overtime	2.0	0	Unresolved.
<u>TOTAL</u>	<u>\$22.7</u>	<u>\$0</u>	

City Public Interest & Ability-to-Pay

Table 3: FRAC Recommended Revenue Adjustments (pg 72)

<u>Item</u>	<u>Range</u> <u>FY 12 to FY 15</u>		<u>Available</u> <u>FY 12</u>	<u>Commentary</u>
(i) Park and Recreation Fee Increases	\$0.25	\$0.7	\$0.1	Exploring. Policy choice.
(ii) Rental Housing Inspection Fee Increase	0.1	0.1	0	Revolving Fund.
(iii) Commercial Properties Inspection - Net	.25	.25	0	Enabling Legislation.
(iv) Insurance Recovery on Health Services	.2	.2	.2	Exploring.
(v) Public Housing PILOT	.75	.75	0	TBD
(vi) EMS Recovery	.25	.25	.25	Exploring.
(vii) Disposal of Fire Apparatus (2-time)	.75	0	0	FY 13 Negotiations: Retain.
(viii) Disposal of Excess Fleet (2-time)	.25	0	0	
(ix) Fleet Warranty Designation	.1	.1	.1	Exploring.
<u>Total</u>	<u>\$2.9</u>	<u>\$2.35</u>	<u>\$0.65</u>	

City Public Interest & Ability-to-Pay

Table 4: FRAC Recommendations Expenditure Adjustments (pg. 72)

<u>Item</u>	<u>Range</u> <u>FY 11 to FY 15</u>		<u>Available</u> <u>FY 12</u>	<u>Outlook</u>
(i) Elimination of Longevity and Attendance Pay	\$1.95	\$1.95	\$0	Reserved. See Table 7.
(ii) Realignment of Fire Department Mission	2.1	3.0	0	FY 13 Negotiations Exploring.
(a) Fire Station Closure	0.1	0.25	0	
(b) Acquisition of Paramedic Units	(1.0)	(1.0)	0	
(iii) Reduction of Police Overtime	1.0	1.0	0	Cannot substantiate.
(iv) Closure of Police Sub Stations	0.2	0.2	0	Exploring. Possible.
(v) Fleet Management Consolidation	0.15	0.15	0.15	Exploring. Possible.
(vi) Information Technology Service Fund	0.15	0.15	0.15	Exploring. Possible.
(vii) School Consolidation	3.46	3.46	0	Cannot substantiate.
(viii) Debt				
(a) Defer Half of 2011 New Debt Issuance	1.82	1.82	0	Already financed.
(b) Defer Half of 2012 new Debt Issuance	2.62	2.62	0	Reserved. Policy choice.
(c) Debt Refinance in 2012 (3% reduction in P&I)	1.96	1.96	0.3	Cannot substantiate.
<u>Total</u>	<u>\$14.51</u>	<u>\$15.56</u>	<u>\$0.6</u>	

City Public Interest & Ability-to-Pay

Table 5: Revenue Options

<u>Item</u>	<u>Range</u>		<u>Available</u>	<u>Commentary</u>
<u>State Revenue</u>	<u>FY 12</u>	<u>FY 12</u>	<u>FY 12</u>	
(i) ECS Hold Harmless	0	\$20.3M	TBD	ARRA & Possible Formula Revision.
(ii) PILOT Funding	0	1.5	TBD	Uncertain.
(iii) Local Option 0.5% Sales Tax	0	5.4	TBD	Uncertain. Full year \$10.8.
(iv) Local Option 1% Food & Beverage Tax	0	.7	TBD	Uncertain. Full year \$1.4.
(v) Local Option 2% Hotel/Motel Tax	0	.4	TBD	Uncertain. Full year \$0.8.
(iv) Local Authority to Issue Red Light Traffic Violations	0	2.25	TBD	Safety, civility.
<u>Local Revenue</u>				
(v) Property Taxes	0	TBD	TBD	TBD
<u>Total</u>	<u>\$0</u>	<u>\$30.55</u>	<u>TBD</u>	

Analysis: The 2011 Legislative Session is key.

City Public Interest & Ability-to-Pay

Table 6: Agency Reductions

<u>Item</u>	<u>Range</u>		<u>Available</u> <u>FY 12</u>	<u>Commentary</u>
	<u>FY 12</u> <u>0%</u>	<u>FY 12</u> <u>5%</u>		
(i) Community Service Administration	\$0	\$0.33	TBD	Service Consequences.
(ii) Economic Development	0	0.34	TBD	Service Consequences.
(iii) Financial Administration	0	0.63	TBD	Service Consequences.
(iv) Public Safety	0	3.5	TBD	Service Consequences.
(v) Infrastructure / Libraries	0	1.1	TBD	Service Consequences.
(iv) BOE	0	8.65	TBD	Service Consequences.
(vii) Other	0	0.27	TBD	Service Consequences.
<u>Total</u>	<u>\$0</u>	<u>\$14.82</u>	<u>TBD</u>	

City Public Interest & Ability-to-Pay

Expenditure Options: Workforce

<u>Current Bargaining Unit Agreements</u>		<u>Expired</u>
Local 287	Custodians	7/1/2009
Local 424, Unit 34	Public Works	7/1/2010
Local 1303	Daycare	7/1/2010
Local 3429	Paraprofessional	7/1/2010
Local 3144	Management	7/1/2010
Local 884	Clerical	7/1/2010
Local 217	Cafeteria Workers	7/1/2010
Local 71	Blue Collar / Parks	7/1/2010
Local 825	Fire	7/1/2011
Local 530	Police	7/1/2011
Local 18	School Administrators	7/1/2011
Trades	BOE Tradesmen	7/1/2012
Local 933	Teachers	7/1/2014

City Public Interest & Ability-to-Pay

Table 7: Bargaining Unit Initiatives

<u>Item</u>	<u>Range</u> <u>FY 12 to FY 15</u>		<u>Available</u> <u>FY 12</u>	<u>Commentary</u>
(i) Uniform Health Care Plan	\$10.1	\$21.0	\$10.1	Phase in with contracts.
(ii) Uniform Pension Proposals (CERF in 12, P&F in 13)	7.6	9.7	7.6	Phase in with contracts.
(iii) Work Rule Changes	7.0	7.0	7.0	Such as school custodians.
(iv) Eliminate Longevity Pay	2.0	2.0	TBD	
(v) Annual Compensation Increments	TBD	TBD	TBD	1% = \$2.2M.
<u>Total</u>	<u>\$26.7</u>	<u>\$39.7</u>	<u>\$24.7</u>	

Analysis: Subject to agreement, or binding arbitration award.

City Public Interest & Ability-to-Pay

Expenditure Options: Uniform Health Care Plans

Principle: The goal of the city of New Haven is to develop a fair and efficient health care plan that reduces health care costs while increasing member well being.

Analysis: Market surveys demonstrate that current employee cost share for family coverage is 60% of the national average for government workers. Current employee cost share for family coverage is 65% of the Northeast average for all workers. Only 1% of employers offer a lower HMO co-pay for a PCP office visit. 15% of employers now offer a high-deductible health plan – a share that is increasing each year.

Plan: The New Haven Health Benefits Proposal introduces a high deductible health plan along with a menu of options available for City employees under a defined contribution strategy.

- **Consumer Driven Health Care – Employees have choice of Four Plans - Cost sharing based on Defined Contribution Methodology**
 1. High Deductible Health Plan
 2. Century Preferred Comprehensive
 3. BlueCare HMO
 4. Century Preferred PPO
- **Emphasis on preventive care and use of primary care physicians**
 - No member cost share on preventive services
 - Contemporary medical management activities
 - Broad provider network accessibility
 - Health Care Reform compliant
- **Vision and dental services**
- **Provides Comprehensive, Integrated Health Programs to members with chronic conditions**

City Public Interest & Ability-to-Pay

Expenditure Options: Uniform Health Care Plans

High Deductible Health Plan	Century Preferred Comp Buy-Up option #2	BlueCare POE Buy-Up option #3	Century Preferred Buy-Up Option #4
\$2,000 Single Deductible \$4,000 Family Deductible *Combined deductible in and out of network **Conforms to Health Care Reform standards	<u>In-network:</u> \$1,000 Single Deductible \$2,000 Family Deductible <u>Out of network:</u> \$2,000 Single Deductible \$4,000 Family Deductible	No upfront deductible No out of network coverage available	No in-network deductible \$2,000/\$4,000 out of network deductible
80/20% coinsurance in-network 60/40% coinsurance out of network Century Preferred PPO Network	80/20% coinsurance in-network 60/40% coinsurance out of network Century Preferred PPO Network	No coinsurance obligation BlueCare HMO Network	80/20% coinsurance out of network Century Preferred PPO Network
\$5,000/\$10,000 Cost share maximum in-network \$10,000/\$20,000 cost share maximum out of network	\$3,000/\$6,000 Cost share maximum in-network \$6,000/\$12,000 cost share maximum out of network		\$6,000/\$12,000 cost share maximum out of network
Professional office visits subject to deductible and coinsurance Preventive covered in full in-network	\$20 copay, deductible waived, for professional and preventive services \$100 ER/\$75 UR	15 PCP/\$25 Spec Copay \$250 Inpatient copay \$100 Outpt Surgery copay \$100 ER \$75 UR	\$15 PCP/\$25 Spec Copay \$250 Inpatient copay \$100 Outpt Surgery copay \$100 ER \$75 UR
\$10/\$25/\$40 Retail RX copays (after deductible) \$10/\$50/\$80 Mail Order RX copays (after deductible)	\$10/\$25/\$40 Retail RX copays \$10/\$50/\$80 Mail Order RX copays	\$15 PCP/\$25 Spec Copay \$250 Inpatient copay \$100 Outpt Surgery copay \$100 ER	\$10/\$25/\$40 Retail RX copays \$10/\$50/\$80 Mail Order RX copays

City Public Interest & Ability-to-Pay

Expenditure Options: Uniform Pension Plans

■ **Current Defined Benefit Plan:**

- No FICA
- 18% of payroll
- 10% of which funds Current Retirees

■ **Defined Contribution Requirements (as percent of payroll):**

- FICA: 7.5%
- Continued Defined Benefit Cost of Current Retirees 10%
- Matching contribution (generally 2.5% and up)

■ **New Defined Benefit Plan:**

- No FICA
- Continued Defined Benefit Cost of Current Retirees 10%
- Only 2% of salary to cover future retirees

Principle: To maintain fiscal stability for City taxpayers while maintaining the long term viability of the pension funds for City employees by modifying current standards of eligibility for a full pension. The plan will continue to provide employees with stability and predictability while controlling the City's long term financial obligations.

City Public Interest & Ability-to-Pay

Expenditure Options: Uniform Pension Plans

Feature	CERF	Proposed
Employee Contribution Rate	6.00%	9.00%
Benefit multiplier	2% for first 20 years of services plus 3% for the next 10 years of service	2% for all future years of service
Compensation basis for determining pensions	Total earnings	Budgeted Pay
Eligibility for unreduced benefits	Age plus service equals 80 (Rule of 80)	Age plus service equals 85 (Members who meet Rule of 80 by 6/30/11 grandfathered)
Benefit reduction for early retirement	2% for each year by which early retirement precedes normal retirement eligibility	6% for each year by which early retirement proceeds normal retirement eligibility
Cost of Living Adjustment	Inflation capped at 3%	Inflation capped at 1.5%

City Public Interest & Ability-to-Pay

Expenditure Options: Uniform Pension Plans

Feature	P&F	Proposed
Employee Contribution Rate	9.75% Police 8.75% Fire	Under Consideration
Benefit multiplier	2.5% for first 20 years of services plus 3% thereafter up to 80%	Under Consideration
Compensation basis for determining pensions	Average of 4 years budgeted or actual pay	Under Consideration
Eligibility for unreduced benefits	20 years or 65 years of age	Under Consideration
Benefit reduction for early retirement	No penalty but can not collect until 20 years would have been obtained	Under Consideration
Cost of Living Adjustment	Inflation capped at 4%	Under Consideration

City Public Interest & Ability-to-Pay

FY 12 Budget Reconciliation

<u>Item</u>	<u>Range</u>		<u>Commentary</u>
	<u>FY 12</u>	<u>FY 12</u>	
Table 2: FRAC Known Revenue & Expense Adjustments	\$0.0	\$0.0	Monetization
Table 3: FRAC Revenue Adjustments	0.7	0.7	See Table 6.
Table 4: Expenditure Adjustments	0.6	0.6	See Table 6.
Table 5: Revenue Options	0.0	36.0	State of Connecticut.
Table 6: Agency Reductions	0.0	14.8	Policy Choices.
Table 7: Bargaining Unit Initiatives	0.0	26.7	Collective Bargaining.
<u>Total</u>	<u>\$ 1.3</u>	<u>\$76.8</u>	

Analysis: March 1 Budget Submission to BOA will be after the Governor's budget. Expect the legislature to act after the BOA required approval day.

City Public Interest & Ability-to-Pay

FY 2011 Budget Projection

FY 2011 Budget	(In Millions)	\$471.6
Revenues		
Taxes	0.4	
State Aid – Construction	(0.9)	
Parking Meters	(1.1)	
Parking Tags	1.1	
NHPA Monetization	(8.0)	
Misc	0.2	
Projected Revenues	(11.3)	460.3
Police	2.4	
Fire	1.5	
Contract Negotiations	1.0	
Debt Service	(3.3)	
Workers comp	0.9	
Pension (FICA)	0.3	
Health Care	(0.8)	
IBB	(3.0)	
Miscellaneous	(1.0)	
Projected Expenditures	(3.0)	468.6
PROJECTED EXPENDITURES OVER REVENUE		8.3

ALTERNATIVES:

Police Overtime
Services
Meter Monetization
NHPA PILOT
Other

(8.3)

PROJECTED YEAR END RESULT

(0)

City Public Interest & Ability-to-Pay

Required Actions

■ Statement of Public Interest

- Academic Success of Public School Children
- Bigger City Center of Jobs and Taxes
- Strong Neighborhoods

■ State Lobbying

- Preservation of Existing Revenue Streams
- Local Option Revenues and Authority

■ City Action

- Reset of Health Care and Pension Programs
- Work Rule Changes
- Right Sizing of Programs and Compensation
- FY 2011 Budget Reconciliation

■ Financial

- Eliminate One Time Revenue
- Protect Property Taxes Until October 1, 2011 Property Revaluation
- Call Out Specific Expenditure Cuts and Revenue – No IBB.

Tab IV
Appendix

City of New Haven

Public Interest & Ability-to-Pay Analysis

Statement of Revenues and Expenditures

- Actual FY06 through FY10
- Budgeted – FY11
- Projected – FY12 through FY15

	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 11/12	FY 12/13	FY 13/14	FY 14/15	
Property Taxes	171,146,908	180,637,982	186,365,021	203,425,116	206,824,922	216,210,810	218,081,000	218,081,000	218,081,000	218,081,000	0.86%	0.00%	0.00%	0.00%	
State Aid - Education	140,480,173	140,571,451	146,319,781	153,383,955	154,447,813	153,136,528	132,837,000	132,837,000	132,837,000	132,837,000	-13.26%	0.00%	0.00%	0.00% x	Assume no ARRA after FY11
State Aid - Other	53,790,544	60,502,022	57,894,301	55,075,918	52,119,884	48,649,904	46,801,000	45,023,000	43,312,000	41,666,000	-3.80%	-3.80%	-3.80%	-3.80% x	
One-Time Revenues	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00% x	
Other - Unknown	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00% x	
Other Revenues	32,470,194	40,453,052	46,163,917	43,193,112	46,186,647	53,585,853	40,586,000	40,586,000	40,586,000	40,586,000	0.00%	0.00%	0.00%	0.00% x	Removed \$5mm 1x revenue from FY11 forward
Total Revenues	397,887,819	422,164,507	436,743,020	455,078,101	464,000,758	471,583,095	438,305,000	436,527,000	434,816,000	433,170,000	-7.06%	-0.41%	-0.39%	-0.38%	Removed \$8mm monetization from FY12 forward
	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 11/12	FY 12/13	FY 13/14	FY 14/15	
Salary/Overtime	207,239,531	213,758,885	225,548,085	232,650,506	237,454,960	239,427,776	241,928,000	244,428,000	246,928,000	246,928,000	1.04%	1.03%	1.02%	0.00%	raises for Local 933 only
Health Benefits	41,181,860	43,679,345	45,358,456	49,463,283	51,018,581	59,293,585	63,444,000	67,885,000	72,637,000	77,722,000	7.00%	7.00%	7.00%	7.00% x	Per Anthem 10/20
Pension	25,385,205	26,323,849	29,031,062	31,394,014	33,190,130	34,453,245	51,279,000	53,075,000	58,975,000	64,619,000	48.84%	3.50%	11.12%	9.57% x	based on Milliman est for CERF
Workers Comp	7,088,603	7,825,046	8,089,690	8,457,730	11,359,596	9,841,819	10,580,000	11,374,000	12,227,000	13,144,000	7.50%	7.50%	7.50%	7.50% x	Historical growth rate
Other Personnel Costs	2,682,038	1,613,655	2,164,453	2,193,107	2,605,542	2,323,000	2,323,000	2,323,000	2,323,000	2,323,000	0.00%	0.00%	0.00%	0.00% x	
Debt Service	45,851,541	50,994,356	51,648,535	58,851,807	59,566,794	64,589,371	63,647,000	64,698,000	65,197,000	65,232,000	-1.46%	1.65%	0.77%	0.05% x	per Controller's schedule
Other Expenditures	68,414,760	76,270,498	74,117,030	71,540,123	64,232,896	61,654,299	61,654,000	61,654,000	61,654,000	61,654,000	0.00%	0.00%	0.00%	0.00%	
Total Expenditures	397,843,538	420,465,634	435,957,311	454,560,570	464,000,758	471,583,095	494,855,000	505,437,000	519,941,000	531,622,000	4.93%	2.14%	2.87%	2.25%	
Deficit	44,281	1,698,873	785,709	517,531	-	-	(56,550,000)	(68,910,000)	(85,125,000)	(98,452,000)					