

**The Town of East Hartford
2008-2009 Budget Deficit Snapshot
2009-2010 Budget Projections
Prepared as of January 13, 2009**

2008-2009 Budget Deficit Snapshot

Town Budget for the FY 2008-2009		\$155.8M	
Fund Balance at June 30, 2008		15.2M	9.7%
Projected revenue shortfall	Record Legal	\$125k	
	Conveyance	350k	
	Interest	650k	
	PILOT	300k	
	Supp. MV	250k	
	Permits	575k	
	ECS Audit	550k	
	Spec. Ed cut	<u>400k</u>	
	Total shortfall		3.2M
Fund Balance transfers 2008-2009	OPEB	\$2.4M	
	BOE	400k	
	Fire truck	225k	
	CRF transfer	200k	
	Cemetery	<u>200k</u>	
	Total transfers		<u>3.4M</u>
Projected Fund Balance on June 30, 2009		<u>\$ 8.6 M</u>	5.5%

Notes:

- Revenue shortfalls are projected based on December 31 actual results.
- Expenditures are under pressure due to fuel prices and winter storm OT. The assumption used here is the freeze will offset any deficit spending.
- Due to material revenue deficit projections of \$3.2M, a mid-year budget adjustment is necessary to prevent further financial condition deterioration.

2009-2010 Budget Projections

The upcoming budget is being prepared using the following assumptions:

- The grand list does not decline (i.e. it produces the same tax revenue as this year)
- No material decrease in State aid. (State aid received by the town = \$50.5M)
- Due to economy, the mill rate must remain the same.
- BOE budget funded at the same \$82.1M in FY 2009-2010

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Additional background concerns:

1. Pension Liability \$238M; Pension Assets (cash) \$125M; UAL >\$100M
2. Unfunded OPEB Liability \$129M based on a 4% discount rate
3. Medical Reserve Fund – 6/30/2008 \$7.6M; Projected 6/30/2009 \$2.9M
4. Pratt and Whitney Leased Engine Lawsuit - \$6M
5. Levee funding required for mandatory work - \$15M
6. Roads, Schools - \$11M

The FY 2008-2009 Budget	\$155.8M	
The FY 2009-2010 Budget	<u>152.3M</u>	
Revenue based spending reduction required		\$3.5M

Increasing Costs:

Contractual – town only	\$1.0M	
Insurance contributions	2.0M	
Pension contribution	0.8M	
Debt Service	<u>0.6M</u>	
Total Increasing Costs		<u>4.4M</u>
Total Revenue based and increasing costs deficit		<u>\$7.9M</u>

1. The economic downturn has impaired the town's ongoing revenue stream, not counting the possible impact on State aid received or a possible decline of the grand list's ability to produce the same level of revenue (taxes) as last year.
2. A midyear budget adjustment requiring permanent budgetary savings is necessary to begin to close the emerging revenue deficit and to better match the expenses of the town to its available revenue stream.
3. Using the \$1 million of savings from the mid-year budget adjustments coupled with \$2 million of "5% reductions" identified by Directors, additional cost cutting measures totaling \$5 million are necessary for the FY 2009-2010 budget to match spending to the revenue stream available to the town.
4. This \$5 million reduction does not address possible material reductions to aid received from the State or a decline in the grand list.
5. This budget does not materially address the need to fund increasing health, pension and OPEB liabilities in FY 2010-2011.

On behalf of your union, please forward any cost saving recommendations to the Mayor that will help the town balance its FY 2009-2010 budget no later than February 2, 2009. The Mayor is required by Charter to submit a balanced budget to the Town Council on February 23, 2009.