

OFFICE OF THE MAYOR

165 CHURCH STREET • NEW HAVEN • CONNECTICUT 06510



JOHN DE STEFANO, JR.
Mayor



*The vision of New Haven's children
is our city's greatest resource.**

October 22, 2008

Dear City Employee,

Today, I am holding a Press Conference to explain how the nation's financial crisis is badly affecting New Haven and steps that I will be taking to keep City government running. Included in my actions will be decisions that will affect each of you and that you may well find difficult for yourselves and your families. I would ask each of you to read this letter and to inform yourselves further by going to the City website at www.cityofnewhaven.com after Wednesday at 1:30 p.m. and link to "National Financial Crisis: Impact on New Haven" for a more detailed explanation of our circumstances.

Briefly the problem is this:

1. **Liquidity.** For all practical purposes the Municipal Bond Market has shut down. A scheduled City Bond Sale for September 17 had to be cancelled and we have been reduced to taking short term borrowing at higher interest costs. This is an issue all cities and states in America are facing. Bottom line – interest costs are going up and we are going to suspend a lot of school and infrastructure projects.
2. **The State Budget.** This is the big one. And that's because 47% of the City's operating budget comes from State grants. That's more than we collect in property taxes. State Comptroller Nancy Wyman now estimates the current year State deficit at \$800 million. Additionally we have seen projections of a \$1 billion shortfall in the FY2010 State Budget and \$1.5 billion in FY2011. Bottom line - these deficits translate to cuts or no growth in grants of State aid – City government as we know it is going to change a lot if that happens.
3. **Housing.** Our neighborhoods and families are being increasingly stressed. Let me give you some examples. Liz pendens filings, the first step in foreclosure actions, have risen from 365 in 2005 to an anticipated 1,000 this year! Vacant housing has gone from 355 a year ago to over 700 today. We are seeing significant increases in property crime (copper pipes and wiring removed from houses, arson, theft from autos of catalytic converters) – all signs of financial trouble among residents. You all work in our neighborhoods and with City residents and have seen these things. Bottom line- the financial crisis is causing a host of problems in the City.
4. **City Budget.** Finally, all these pressures are being felt in the City budget which is already under stress in other ways. Our two pension plans have lost nearly \$70 million in value since July 1. Anyone with mutual fund accounts knows this. While we are holding our own on the tax collection rate, we are experiencing increasing loss in value to the Taxable Grand List due to tax appeals. Next year's City Budget will require nearly \$20 million in new City spending just to cover negotiated salary increases and the higher costs of pensions, benefits, and borrowing. At the same time, City government has raised property taxes nearly 40% in the last 5 years to maintain services in the City. Bottom line - we cannot property tax our way out of this crisis. We are not going to be able to close that gap without significant reductions in current spending. We cannot get blood out of a stone.



phone 203.946.8200 fax 203.946.7683

**This creative impression is the work of Janic Maysonet, a student at Fair Haven Middle School.*

Our response will involve a host of efforts:

We will adjust our capital spending and fix what is necessary and put off what can wait. We will carefully monitor the bond market and match our cash flow to what we can afford.

We will work with the Governor, the Legislature and particularly the cities of Hartford and Bridgeport to ensure that these 3 cities, which support the human and economic priorities for the entire State of Connecticut, are treated fairly in the State budget.

We will protect our families and neighborhood housing stock through "ROOF" our foreclosure avoidance program and thorough multiple efforts at LCI, our public safety agencies and a host of neighborhood partners; and

Finally we will balance our budget in a responsible and thoughtful way – which will among other things either require meaningful changes in the bargaining unit agreements as they are currently written today or workforce reductions in every bargaining unit - this year. And this is where we all must work together. In coming weeks, the City will be asking to meet with Union leadership in an effort to relieve some of the City's financial pressures and to explore possible modifications to contracts.

However before I ask any of you to do anything; you should also know the following:

First, everything in the City is not gloom and doom. City workers are doing a good job. Academic achievement in our schools, the strength of our public safety initiatives, our support of at risk populations – are all going in the right direction – often because of all your efforts;

Second, the City economy is strong. Our major employers are growing. Rental housing and commercial demand is strong. Projects are moving forward;

Third, we have not run deficits. Last year Bridgeport posted a \$20 million deficit and Hartford a \$6 million deficit; and

Finally I will not lie to you or our residents. No one else is going to solve this problem for us; this is a challenge we must take on. I have offered all the union leadership a willingness to attend your membership meetings to answer your questions and hear your ideas.

These are going to be difficult years. And the worst thing we could do would be to ignore what is an obvious national crisis that is affecting New Haven. The sooner we face the challenge, with willingness of all to do a little and the application of the same hard work that has characterized your efforts everyday will carry us through. I look forward to talking with you.

Very truly yours,

A handwritten signature in black ink, appearing to read "John DeStefano, Jr." with a stylized flourish at the end.

John DeStefano, Jr.
Mayor