

**MUNICIPAL ACCOUNTABILITY REVIEW BOARD
MEMORANDUM**

To: Members of the Municipal Accountability Review Board
From: Julian Freund
Date: April 24, 2019
Subject: City of Hartford FY 2020 Budget

Background

According to the MARB statute, the MARB has approval authority of certain elements of the annual budgets of Tier III municipalities. Assumptions regarding state revenues, property tax revenues and mill rates require MARB approval prior to budget approval by the local legislative body. The statute also provides MARB with an opportunity for review and comment on the budget prior to adoption by the local legislative body. (Budget approval is required for municipalities receiving Municipal Restructuring Funds. However, neither the current year budget or recommended FY 2020 budget for the City of Hartford include restructuring funds).

The Mayor's Recommended Budget for FY 2020 was released April 15. The following provides a preliminary review of budget components subject to MARB approval and overall analysis.

Budget Items Subject to MARB Approval

Mill Rate and Property Tax Revenues

Total Property Tax Collections in the Recommended FY 2020 budget total \$283,415,165. This is a decline of \$541,057 from the FY 2019 budget. With no recommended change to the current mill rate of 74.29, the reduction in budgeted Property Taxes is the net effect of a 1.12% decline in the net taxable grand list, offset by an increase in the assumed collection rate and projected increases in the collection of prior year taxes, and interest and liens. An increase in the assumed collection rate, from 95.5% to 96.05%, yields an approximately \$1.6 million in additional collections. Prior Year Taxes and Interest and Liens add \$1.1 million in revenues.

The collection rate assumed in the recommended FY 2020 budget is based on the average of the last three years collection rates as reported in Table 7 of the Statistical section of the City's FY 2018 CAFR:

- FY Ended 6/30/18: 95.77%
- FY Ended 6/30/17: 96.07%
- FY Ended 6/30/16: 96.32%

State Revenues

The major sources of State Aid are budgeted in FY 2020 at the same level as in FY 2019, consistent with the levels of funding for aid to municipalities in the Governor’s recommended budget. The budgeted amount for Education Cost Sharing reflects only the base ECS amount and does not include the Alliance portion of the grant. Although the Governor’s proposed budget provides for an increase of \$3.26 million in Alliance funding to Hartford and a provision that would allow for half of that increase to offset the cost of Education operations, that funding is not incorporated into the City’s recommended budget.

Source	City FY20 Recommended Budget	Governor's Recommended FY20
PILOT State Owned Property	10,162,953	10,162,953
PILOT Colleges & Hospitals	20,009,758	20,009,758
Municipal Revenue Sharing	12,422,113	12,422,113
Municipal Transition Grant	11,597,120	11,597,120
Municipal Stabilization Grant	3,370,519	3,370,519
Pequot & Mohegan Fund Grant	6,136,523	6,136,523
Town Aid Road	1,192,605	1,192,605
Grants Munic. Projects	1,419,161	1,419,161
ECS Base Entitlement	187,974,890	187,974,890
ECS Alliance *	-	17,122,171

* As noted in the Mayor’s recommended budget, Alliance school district funding is provided directly to the Board of Education as a pass-through.

Overall Budget Review

Revenues

Overall, General Fund revenues increase by \$3.24 million, or 0.6%, in the Recommended FY 2020 budget. The City’s Recovery Plan contemplated a slightly higher increase in revenues of approximately \$5.4 million, or just under 1%.

As noted above, the City’s October 2018 grand list declined by just over 1% compared to the prior year’s list. Since, the City’s Recovery Plan anticipated an increase in the October 2018 grand list of 1.5%, the decline created a revenue gap of approximately \$8 million in Current Tax Levy revenues.

The table in the previous section illustrates that the State Aid is budgeted consistent with the proposed State budget. The Recovery Plan generally anticipated flat funding from the State, and therefore, the recommended budget is largely consistent with the Recovery Plan in this respect. The exception appears to be the Transition Grant (motor vehicle tax supp.) which is \$2.87 million higher in the proposed State budget than had been projected in the Recovery Plan.

Additional revenue is also reflected in the Revenue from Money and Property category which consists primarily of investment earnings, rental income from City-owned property, and income from development properties. Revenue projections in this category for FY 2020 are \$2.96 million higher than both revenues budgeted in the current year and projected in the Recovery Plan. The variance is attributable to significantly higher revenue assumptions on investment income. The City's current year projections for this revenue category (collections have already exceeded budgeted income) appears to support a significant increase in this category.

Expenditures

Overall, General Fund expenditures increase by \$3.24 million, or 0.6%, in the Recommended FY 2020 budget. The City's Recovery Plan contemplated a slightly higher increase in spending of approximately \$5.4 million, or just under 1%.

Payroll Expenses:

Payroll expenses increase by \$2.18 million, or 2%, in the Recommended FY 2020 budget compared to the current year. The year to year change varies across departments with most reflecting modest increases or decreases in funding. The most significant changes occur in the Fire Department (with an increase of \$1 million), the Police Department (increase of \$394,000) and Public Works (increase of \$813,000). One departmental increase (OMB) appears to reflect a shift in where a position(s) has been budgeted as opposed to an increase in staffing.

Overall Payroll expense in the Recommended FY 2020 budget is roughly \$600,000, or just over a half percent, higher than projected in the Recovery Plan. Total FTEs appear to be consistent with the Recovery plan at a total of 1,361 in the General Fund.

Employee Benefits:

Health Insurance – Health insurance is budgeted at \$35,195,175 in FY 2020, a decrease of \$687,804, or -2%. The budgeted amounts are reportedly based on favorable claims experience as well as labor contract negotiations that have shifted away from PPO plans to high deductible health plans. During FY 2019, contracts with Local 1716, the Municipal Lawyers Association, and the Hartford Municipal Employees Association, providing for high deductible health plans and higher employee premium cost share, have resulted in considerable projected savings (Local 1716 est. \$547,500; MLA est. \$24,600; HMEA est. \$582,600).

Pension – The City's General Fund budget for FY 2020 includes \$40.87 million in pension contributions, as calculated by the City's actuary firm, for the Police, Fire and Municipal pension funds. This represents an increase of \$2.36 million, or 6%, over the FY 2019 budgeted amount. The increase is in part attributable to the adjustment in investment return assumption from 7.5% to 7.35%, consistent with the City's Recovery Plan. An additional \$5.43 million is funded as part of the BOE budget and \$0.95 million as part of the Hartford Public Library budget. The General Fund pension contributions are broken down as follows:

- Police: \$16,135,000
- Fire: \$12,905,000

- Municipal: \$11,826,000

The recommended funding level for pension costs meets the condition for fully funding the City's ADEC as required in the Contract for Financial Assistance between the City, OPM and the State Treasurer.

Overall, benefits are approximately \$5.3 million lower in the Recommended FY 2020 budget than projected in the Recovery Plan, with the most significant variance in the area of health insurance benefits.

Debt Service and Capital:

Budgeted Debt Service reflect those debt service requirements that were not included as part of the Contract for Financial Assistance the City entered into with OPM and the Treasurer's Office. These payments that remain as part of the City budget include debt on revenue bonds related to the Hartford Stadium Authority and debt related to a CT Brownfields Development Authority project. The budget does not include, or forecast, any new debt as ongoing capital investment will be funded on a pay-as-you-go basis. These debt service requirements total \$4.86 million in FY 2020. An additional \$11.4 million is budgeted as the General Fund contribution (pay-as-you-go) to a Capital Improvement Plan totaling \$32.5 million in FY 2020.

Education:

At \$284.0 million, Education is essentially level funded in the recommended FY 2020 budget. This is consistent with the approach outlined in the Recovery Plan which provides level funding from the General Fund for Education throughout the five-year period, but treats Education grants from the State as pass-through funding. As an Alliance District, Hartford Public Schools are projected to receive an additional \$3.26 million in Alliance funding based on the Governor's proposed budget.

Other:

Certain other budget components reflecting significant year to year shifts or variances from the Recovery Plan include:

- Utilities (which include energy costs, MDC payments, and solid waste tip fees) costs rise by \$1.9 million, or 8%. This is roughly double the projected increase in the Recovery Plan.
- The Contingency account, which was projected to decline to about \$3.25 million in FY 2020 has been budgeted at \$4 million
- Funding for Vehicles & Equipment in the Recommended FY 2020 budget declines from \$4.97 million to \$3.7 million
- Funding for Elections in FY 2020 at \$458,000 is roughly \$250,000 more than what was contemplated in the Recovery Plan.

Attachments: The following revenue summary and expenditure tables provided by the City display side by side comparisons of the Recommended FY 2020 budget and projections for FY 2020 as shown in the City's Recovery Plan.

FY2020 Recommended Budget Amounts by Revenue Category

Revenues	FY 2019 Budget	FY 2020 Recommended	FY 2020 in Recovery Plan
Property Taxes	284,111,323	283,570,266	291,822,198
Licenses and Permits	5,671,406	6,040,406	5,671,406
Fines, Forfeits & Penalties	190,000	190,000	190,000
Revenue Money and Property	1,313,149	4,003,465	1,313,149
Intergovernmental Revenues	258,950,890	259,580,413	256,650,890
Charges for Services	2,929,483	2,967,964	2,929,483
Reimbursements	152,840	135,440	152,840
Other Revenue	238,650	238,650	238,650
Other Financing Sources	16,483,365	16,554,137	16,483,365
Total General Fund Revenue	570,041,106	573,280,741	575,451,981

FY2020 Recommended Budget Amounts by Major Category (provided by City)

DESCRIPTION	FY2018 AUDITED ACTUAL	FY2019 ADOPTED BUDGET	FY2019 REVISED BUDGET	FY2019 ACTUAL (MAR)	FY2019 PROJECTION (MAR)	FY2020 RECOMMEND ED BUDGET	FY2020 RECOVERY PLAN
PAYROLL	102,266,638	108,197,525	108,359,391	71,164,924	99,060,210	110,378,787	109,750,875
FT	78,881,011	92,203,755	92,207,581	57,938,704	81,966,210	94,367,329	93,594,427
HOL	2,519,149	2,445,733	2,445,733	1,807,473	2,209,872	2,530,489	2,482,419
OT	19,235,767	12,132,529	12,132,529	9,656,585	12,988,798	12,116,029	12,244,366
PT	1,630,712	1,415,508	1,573,548	1,762,162	1,895,329	1,364,940	1,429,663
BENEFITS	90,369,281	93,793,869	93,793,869	63,613,141	91,701,420	94,148,565	99,444,686
1HEALTH	34,536,346	35,882,979	35,882,979	22,778,884	35,182,979	35,195,175	38,386,788
2MITIG	-	(500,000)	(500,000)	-	-	(500,000)	(500,000)
3PEN	45,565,981	45,755,045	45,755,045	32,686,506	45,209,045	48,109,987	48,669,278
4INSUR	4,589,297	4,890,000	4,890,000	4,106,675	4,890,000	4,890,000	4,987,800
CONCESSIONS	464,076	(1,000,000)	(1,000,000)	-	-	-	(1,000,000)
FRINGE REIMBURSEMENTS	(4,094,152)	(2,750,000)	(2,750,000)	(3,307,719)	(4,200,000)	(3,800,000)	(2,832,500)
LIFE INSURANCE	252,536	315,652	315,652	195,951	315,652	315,652	325,122
OTHER BENEFITS	4,254,156	4,900,193	4,900,193	3,102,844	4,536,212	4,698,957	5,047,199
WAGE	-	900,000	900,000	-	-	(111,206)	900,000
WORKERS COMP	4,801,040	5,400,000	5,400,000	4,050,000	5,767,532	5,350,000	5,461,000
DEBT	58,011,334	17,423,430	17,423,430	4,820,271	24,423,430	16,260,036	15,227,389
DEBT	58,011,334	17,423,430	17,423,430	4,820,271	24,423,430	16,260,036	15,227,389
LIBRARY	8,100,000	8,150,000	8,150,000	1,116,944	1,483,333	8,171,317	8,358,341
LIBRARY	8,100,000	8,150,000	8,150,000	1,116,944	1,483,333	8,171,317	8,358,341
MHIS	2,996,431	3,174,113	3,174,113	2,380,585	3,174,113	3,193,214	3,218,377
MHIS	2,996,431	3,174,113	3,174,113	2,380,585	3,174,113	3,193,214	3,218,377
UTILITY	22,079,682	23,964,607	24,023,285	16,469,942	24,331,285	25,875,608	25,035,725
UTILITY	22,079,682	23,964,607	24,023,285	16,469,942	24,331,285	25,875,608	25,035,725
OTHER	26,467,959	31,329,374	31,108,830	20,038,207	32,908,830	31,239,940	30,408,400
COMM ACTIV	2,672,623	2,578,776	2,578,776	1,770,932	2,578,776	2,322,699	2,583,553
CONTINGENCY	329,799	4,435,019	1,143,118	297,945	4,143,118	4,072,152	3,285,456
CONTRACTED SERVICES	3,416,930	3,809,682	3,731,458	2,494,499	3,731,458	3,976,425	3,842,007
ELECTIONS	71,296	208,044	-	-	-	458,146	209,084
GOVT AGENCY & OTHER	750,000	-	-	-	-	-	-
LEASES - OFFICES PARKING COPIER	976,678	1,942,984	1,923,184	1,226,834	1,923,184	2,033,636	2,007,379
LEGAL EXPENSES & SETTLEMENTS	6,489,996	2,616,500	5,516,500	4,560,176	4,316,500	3,216,500	2,664,583
OTHER	3,139,123	4,319,822	4,578,875	1,906,602	4,578,875	4,370,333	4,336,714
POSTAGE	193,625	231,419	231,419	150,004	231,419	200,000	232,576
SUPPLY	3,534,279	4,236,320	4,329,019	2,637,399	4,329,019	4,396,572	4,284,659
TECH, PROF & COMM BASED SERVICES	1,425,931	1,976,350	2,102,023	1,142,116	2,102,023	2,501,553	1,987,932
VEHICLE & EQUIP	3,467,680	4,974,458	4,974,458	3,851,700	4,974,458	3,691,924	4,974,458
EDUC	283,943,410	284,008,188	284,605,884	166,311,267	284,605,884	284,013,274	284,008,188
EDUC	283,943,410	284,008,188	284,605,884	166,311,267	284,605,884	284,013,274	284,008,188
Grand Total	594,234,736	570,041,106	570,638,802	345,915,282	561,688,505	573,280,741	575,451,981

FY2020 Recommended Budget Amounts by Major Category (provided by City)

DESCRIPTION	FY2018 AUDITED ACTUAL	FY2019 ADOPTED BUDGET	FY2019 REVISED BUDGET	FY2019 ACTUAL (MAR)	FY2019 PROJECTION (MAR)	FY2020 RECOMMENDED BUDGET	FY2020 RECOVERY PLAN
00111 MAYOR'S OFFICE	690,350	797,134	797,134	519,167	746,040	802,661	800,535
00112 COURT OF COMMON COUNCIL	481,167	506,800	506,800	361,028	523,023	510,147	509,603
00113 TREASURER	397,500	558,509	558,509	328,787	550,139	470,860	574,438
00114 REGISTRARS OF VOTERS	457,848	377,365	627,694	464,969	626,455	460,367	379,122
00116 CORPORATION COUNSEL	1,439,951	1,544,801	1,544,801	973,162	1,394,908	1,551,808	1,574,034
00117 TOWN & CITY CLERK	708,047	794,739	794,739	498,230	729,878	800,095	805,678
00118 INTERNAL AUDIT	464,197	507,132	507,132	357,727	504,326	513,779	513,125
00119 CHIEF OPERATING OFFICER	774,567	811,006	811,006	459,476	681,038	818,222	814,666
00122 METRO HARTFORD INNOVATION SERV	2,996,431	3,174,113	3,174,113	2,380,585	3,174,113	3,193,214	3,218,377
00123 FINANCE	3,283,736	3,866,529	3,866,529	2,373,029	3,584,734	3,736,675	3,945,910
00125 HUMAN RESOURCES	1,008,374	1,246,526	1,246,526	880,919	1,213,418	1,257,176	1,267,444
00128 OFFICE OF MANAGEMENT & BUDGET	666,029	1,013,945	1,013,945	600,867	930,350	1,187,960	1,025,697
00132 CHILDREN FAMILY RECREATION	3,079,173	3,392,778	3,392,778	2,831,753	3,427,738	3,397,296	3,417,838
00211 FIRE	38,443,976	33,267,580	33,267,580	23,134,174	32,627,524	34,335,229	33,768,165
00212 POLICE	39,178,526	46,473,493	46,473,493	29,389,970	40,340,149	46,867,694	47,065,017
00213 EMERGENCY SERVICES & TELECOMMU	3,614,141	3,824,904	3,824,904	2,745,750	3,817,215	3,799,883	3,868,886
00311 PUBLIC WORKS	12,501,725	13,922,330	13,922,330	9,407,014	13,238,620	15,375,312	14,088,437
00420 DEVELOPMENT SERVICES	3,379,633	4,157,700	4,157,700	2,298,622	3,486,073	4,020,079	4,245,134
00520 HEALTH AND HUMAN SERVICES	4,103,079	5,028,529	5,028,529	1,741,692	4,621,320	5,120,219	5,082,944
00711 EDUCATION	283,943,410	284,008,188	284,605,884	166,311,267	284,605,884	284,013,274	284,008,188
00721 HARTFORD PUBLIC LIBRARY	8,100,000	8,150,000	8,150,000	1,116,944	1,483,333	8,171,317	8,358,341
00820 BENEFITS & INSURANCES	90,369,281	93,793,869	93,793,869	63,613,141	91,701,420	94,148,565	99,444,686
00821 DEBT SERVICE	58,011,334	17,423,430	17,423,430	41,440,460	24,423,430	16,260,036	15,227,389
00822 NON OP DEPT EXPENDITURES	36,142,260	41,399,706	41,149,377	28,306,739	43,257,377	42,468,873	41,448,325
Grand Total	594,234,736	570,041,106	570,638,802	382,535,471	561,688,505	573,280,741	575,451,981