



PEDRO E. SEGARRA
MAYOR

July 1, 2012

Dear Hartford Residents and Friends:

In accordance with the Charter of the City of Hartford, this document represents the Fiscal Year 2012-2013 Budget as approved by the Court of Common Council. This budget is the result of all City of Hartford stakeholders' contributions as well as our commitment to ensure that the City of Hartford is fiscally responsible, accountable to all taxpayers and residents and achieves results that are aligned with my mayoral *Vision* and my administration's *Four Key Goals*. Most importantly, this Adopted Budget advances the City's interest in several measurable ways. Throughout the budget process, it became clear that a concentrated focus on several priorities – safeguarding the health, cleanliness and safety of the community in ways that reflect the wants and needs of the people who live, work and visit Hartford – were essential to moving Connecticut's Capital City forward. The Fiscal Year 12-13 budget is designed to encourage growth of our grand list, promote job creation, improve the quality-of-life throughout our great city and increase access to high-quality education for Hartford's children and adults. Lastly, though certainly not least, this budget was carefully crafted to provide opportunities to accelerate and expand the economic vitality of Hartford's business community and neighborhoods.

In accordance with all legal requirements and current administrative practice, this budget contains:

- A General Fund Budget appropriation ordinance for Fiscal Year 12-13 of \$540,270,981. This represents a **decrease** of \$7,565,785, or 1.4% under the Fiscal Year 11-12 Revised Budget. The Adopted Budget has been developed to make expenses equal to revenues – a balanced budget.
- A tax ordinance requiring a 74.29 mill rate on all taxable property, which represents a 2.50 mill increase as compared to the Fiscal Year 11-12 mill rate of 71.79. More importantly, due to the revaluation and the recession induced decline in property values, the Fiscal Year 12-13 Budget reflects a **decrease in the property tax gross levy** of \$22,155,411, or 8.1%, compared to the Fiscal Year 11-12 Revised Budget.
- A contribution of \$24,427,583 to the Municipal Employees' Retirement Fund (MERF), plus Local 1716 for active and retired municipal employees. This contribution represents an additional commitment of \$1,045,476 (4.5%) over the Fiscal Year 11-12 adopted budget.
- A five-year Capital Improvement Program for Fiscal Years 12-13 through 17-18 totaling \$607,640,000. The first year program budget total is \$57,940,000. A Capital Improvement Fund Appropriation Ordinance for Fiscal Year 12-13 to approve funding for these capital projects will be presented to the City Council as part of this budget process. The capital budget is essential for the wellbeing of our City in many ways, including:
 - Sustaining critical City construction projects that are essential to the revitalization of our community, retaining and creating needed jobs for Hartford residents and providing opportunities for women and minority owned businesses to grow and prosper.
 - The alignment of our development and Capital Improvement Programs with *One City, One Plan*.
 - A dedicated focus on marketing Hartford as a capital city of great neighborhoods, parks, schools and a cultural, arts and sports hub.
- An annual Grants Budget for Fiscal Year 12-13 of \$94,813,169, which represents an increase of \$3,999,275, or 4.4%, versus the Fiscal Year 11-12 Budget. For Fiscal Year 2012-13 we are anticipating little variance in Formula/Entitlement Grants but are planning to increase our Competitive Grants by \$2,700,000, or 15.0%.

- A committed focus to preserving and, when appropriate, enhancing public safety, including:
 - The addition of 22 police recruits from a March 2012 class that will graduate in September 2012. This will be done in two phases to maximize the utilization of the COPS grant.
 - A Fire recruit class of 20 starting in December 2012 to maintain the Fire Department's fire suppression and emergency medical response capability, as well as ensure the Department's adherence to its contractual obligations.
 - These new classes will assist us in managing overtime costs in a time of increasing attrition, as more police officers and firefighters reach retirement age. After comprehensive analysis and careful planning, both Police and Fire have committed to a lower overtime budget and have reduced their OT expense for FY 11-12 collectively by over \$1,000,000 versus FY 11-12 projected levels.
- A General Fund appropriation for the Hartford Public Schools of \$284,008,188. This represents no change versus the Fiscal Year 11-12 Revised Budget. An indirect appropriation for educational debt and in-kind services totaling \$19,608,611 is also included in the Municipal Operating Budget. In addition, the Hartford Public Schools receives funding from state and federal grants, private foundations and other sources. These funds, categorized in the Special Funds Budget, are projected at \$116,101,719. For Fiscal Year 12-13 the Hartford Public Schools Special Funds Budget does include an additional appropriation from the State of Connecticut totaling \$4,808,111 to turnaround low performing schools; however, we are mindful that this funding is not guaranteed, but rather is included for the purpose of transparency. The combined preliminary amount from all sources brings the total Fiscal Year Budget for the Hartford Public Schools to \$419,718,518, an increase of \$2,931,393 (0.7%).
- A General Fund appropriation of \$8,215,000 to the Hartford Public Library, which represents an increase of \$300,000 (3.8%) over the Fiscal Year 11-12 appropriation. This important investment will ensure that one of Hartford's greatest jewels is appropriately positioned to meet an increased demand for critical services.
- To meet the City's obligation to repay bond holders for the construction and renovation of schools, libraries, streets, public facilities and fleet replacements, a Debt Service payment of \$36,620,545 is included in Fiscal Year 12-13 budget. We have worked hard to maintain a level fund for capital projects and this represents **no increase** over the Fiscal Year 11-12 Adopted Budget. Maintaining Debt Service flat year over year is the result of favorable market conditions and solid Treasury management.
- At my direction we have begun to review our school construction projects in order to fully realize our full financial investment. Over the last year my administration began a comprehensive effort to recoup our debt service payments by funds in the amount of approximately \$35 million owed to us by the state. I have conservatively budgeted \$12.2 million of this \$35 million in Fiscal Year 12-13. The remaining balance will be sensibly pro-rata budgeted over the next five years.
- This budget includes new PILOT (payment in lieu of taxes) revenues. I have and remain steadfastly committed to finding new sources of revenue and I have charged my Chief Operating Officer to explore – with the help and assistance of our non-tax paying City property owners – and identify new possible partnerships that will prove mutually beneficial.
- In response to considerable community feedback, this past year my administration embarked on an aggressive anti-blight campaign, which included the launch of the *Livable and Sustainable Neighborhoods Initiative* (LSNI). This budget contains various mechanisms (both financial and non-financial) to further make the City of Hartford a better landlord and, apply a special assessment for those who are the cause of residential and commercial blight.

The City's five year property revaluation commencing in Fiscal Year 12-13 has adversely affected our property tax revenues. Well over half – \$35,000,000 of the projected \$56,000,000 – of the budget deficit that we have worked to eliminate as part of this budget process was caused by a severe drop in property values; commercial property values declined by approximately twenty percent (20%) and residential values on average by seven percent (7%). Restoring lost revenues and maintaining our property tax levy at FY 10-11 levels would have required an **increase of 10.72 mills**, resulting in an 82.51 mill rate. We recognized very early on that hard, difficult and painful choices would be necessary and that a 10.72 mill rate increase would reflect poorly on the image of Connecticut's Capital City, dampen our economic recovery and further burden residents and businesses – many of whom are approaching their breaking

point. Because of these reasons, we are incorporating into the budget a rate increase of only 2.50 mills. Additionally, for Fiscal Year 12-13 we will see the permanent elimination of the commercial surcharge, which we believe will positively impact development and investment throughout the City, and increases in the assessment ratios for Residential and Apartment properties in order to comply with state statute.

The City continues to face substantial expense increases in Fiscal Year 12-13 and beyond. These structural increases include the fringe benefits lines, which include medical claims and pension contributions, as well as increases in payroll brought about by contractual obligations. Because we cannot ignore such future liabilities, this budget proactively anticipates the creation of an OPEB (Other Post-Employment Benefits) trust that will enhance our ability to fund reserves and, among other things, allow us to draw down for health-related expenses, as needed. This decision is based on sound management practices and acknowledges that we must address our almost \$250 million dollar OPEB liability. While this is one terrific step forward, my administration is committed to continuing to reduce the impact of any future cost increases through more creative, effective and efficient management of the City's operations.

The City Council, through a resolution, assigned an additional \$11,000,000 in MERF pension contributions over and above the \$20,000,000 already included in the Adopted Budget. This additional amount will be funded first by any favorable variance to budget associated with revenues then, if needed, by tapping into the undesignated fund balance.

The Fiscal Year 12-13 Adopted Budget presents a balanced relationship between total anticipated revenues and total estimated expenditures, including but not limited to the following mitigation strategies: sound management and operating efficiencies and personnel concessions, for such actions as furloughs, the elimination of open positions and lay-offs in order to meet our savings targets.

This consensus budget contains several new sources of revenues, including a \$3,000,000 increase in collections of delinquent prior year property taxes through a series of activities like "skip-tracing" and in-house mailings, and an additional \$1,000,000 for reimbursement through Medicaid for medical services provided by the Health & Human Services Department.

For Fiscal Year 12-13, the Adopted Budget makes an important investment in new vehicles and equipment for Police, the Department of Public Works as well as other departments. These investments include cruisers and motorcycles for Police and trucks, vans, tractors, trailers and bulldozers for DPW. In the next few weeks we will present to City Council an RFP for a tax exempt master lease that will provide a cost effective alternative to bonding.

This budget accomplishes a great deal and continues the practice that we established last year to correct glaring problems that had been ignored for many years. Further, it represents considerable progress on several important fronts: economic development and job creation, public safety, streamlining city government and making each and every department more accountable to city taxpayers.

Working together – the Mayor's Office, Department staff and City Council – we have adopted a budget that will further promote the positive and encouraging steps forward that have taken place over the last year while simultaneously protecting residential taxpayers and laying the groundwork for a more welcoming and exciting business environment. As has been the hallmark of my Administration, this budget is fiscally sound, transparent and makes critical investments in three fundamental areas: public safety, education and quality of life. Connecticut's Capital City has seen a positive and encouraging change in tenor and tone in recent months. I am confident that this finished product will serve to further lift the trajectory of the City of Hartford.

Respectfully Submitted,



Pedro E. Segarra
Mayor

