Five Year Forecast Section

SEAL OF THE CITY OF HARTFORD
POST NUBILA PHŒBUS
CONNECTICUT

GENERAL FUND EXPENDITURE AND REVENUE FORECAST ASSUMPTIONS
FISCAL YEARS 2015-2016 THROUGH 2019-2020

The primary purpose of this forecast is to present a prospective view of the City's General Fund revenue and expenditure levels during the next five years. It is important to note that as assumptions are replaced by reality in future years, the forecast will fluctuate. As such, this forecast should be used as a management and planning tool and amended annually. It is also important to note that the Court of Common Council is mandated by Charter to adopt a balanced budget. Therefore, any projections indicating a budget deficit will require adjustments before budget adoption. These adjustments will range from reducing expenditures to raising revenues or a combination of both.

Assumptions for Revenue Projections

The General Fund revenue forecast highlights revenue increases for Hartford as we embark on new and significant opportunities. These opportunities will continue to increase most categories, throughout the forecast. The City will anticipate a broader tax base with new developments in store and additional fees for different city services. These opportunities are explained in the revenue section.

Taxes are a major source of revenue. The tax revenue projection for the fiscal year 2015-2016 budget reflects a no mill rate increase. Future year property tax revenue will hopefully increase with a continued improvement in the collection rate, coupled with new property development in the City to help grow the grand list. Significant increases in the mill rate are not anticipated; the budget forecast continues to reflect an increase in the net grand list for future years and a reduction on the sale of tax liens, with the goal of entirely eliminating such sales in the future.

Licenses and Permits revenues are aligned with the economic state of the City. With new property development expected in the future, the outlook for this revenue category is expected to perform above normal expectations.

Fines, Forfeits and Penalties are expected to remain level. This category is relatively small and is not a major source of revenue.

Revenue from the Use of Money and Property is expected to decrease for fiscal year 2015-2016 due to the reduction in revenue from the XL Center lease. Future year revenue beyond fiscal year 2015-2016 is expected to remain constant. Interest rates will eventually increase with an improving economy.

Intergovernmental Revenue is a major source of revenue to the City. The City relies heavily on state assistance since a significant portion of tax exempt properties are within the Capital City's boundaries. The State payment in lieu of taxes (PILOT) revenue continues to be funded at amounts below the State statutory level; significantly impairing the City's overall potential revenue structure. A fully funded PILOT grant would enable the City to ease the tax burden on taxpayers and fund the services necessary to ensure adequate education, public safety and the maintenance and improvement to infrastructure. The City does not expect any significant increase in state funding.

Charges for Services for fiscal year 2015-2016 will increase with higher fees and additional fees for various City services. No major increases are expected until a general improvement to the economy is realized.

Reimbursements include amounts payable to the City from grant programs for employee fringe benefits and capital project reimbursements for employee services. There are no anticipated major changes projected for this revenue category.

Other Revenue includes the sale of development properties and other miscellaneous revenues. The sale of City property will decrease in fiscal year 2015-2016 and subsequent years are expected to remain relatively flat since there are no major properties that are expected to be sold.

Fund Balance is expected to remain constant over the next several years. There are no plans to draw upon fund balance to meet expenditure activity. The City recognizes that the planned use, or the use based upon unfavorable results of budgetary operations, will adversely affect the ability to effectively access the bond market; and impact the interest cost of bond and note issuance.

Assumptions for Expenditure Projections

Municipal

Operating Expense: City Operating Departments show a 1.1% projected decrease for FY 14-15 expenditures compared to the FY 13-14 Adopted Budget. In future years operating departments are projected to increase approximately 3.0% in FY 15-16 primarily as a result of wage increases tied to collective bargaining agreements with the various City unions. For FY's 16-17 to 19-20, expense growth is projected to continue at approximately 2.5%, again tied to long term collective bargaining agreements and inflationary increases.

Benefits and Insurances: In the FY 14-15 Budget, benefits and insurances are projected to increase 26.0%. This is primarily the result of significant increases in Pension Contributions and Health Insurance. For FY 2015-16 and beyond, benefit expenses are expected to grow at approximately 5% to 7% in FY 2015-16, then stabilizing at approximately 4.0% for the remaining years, as it is expected that Pension Contributions will begin to flatten out and Health Insurance will stabilize at a rate of twice the rate of inflation.

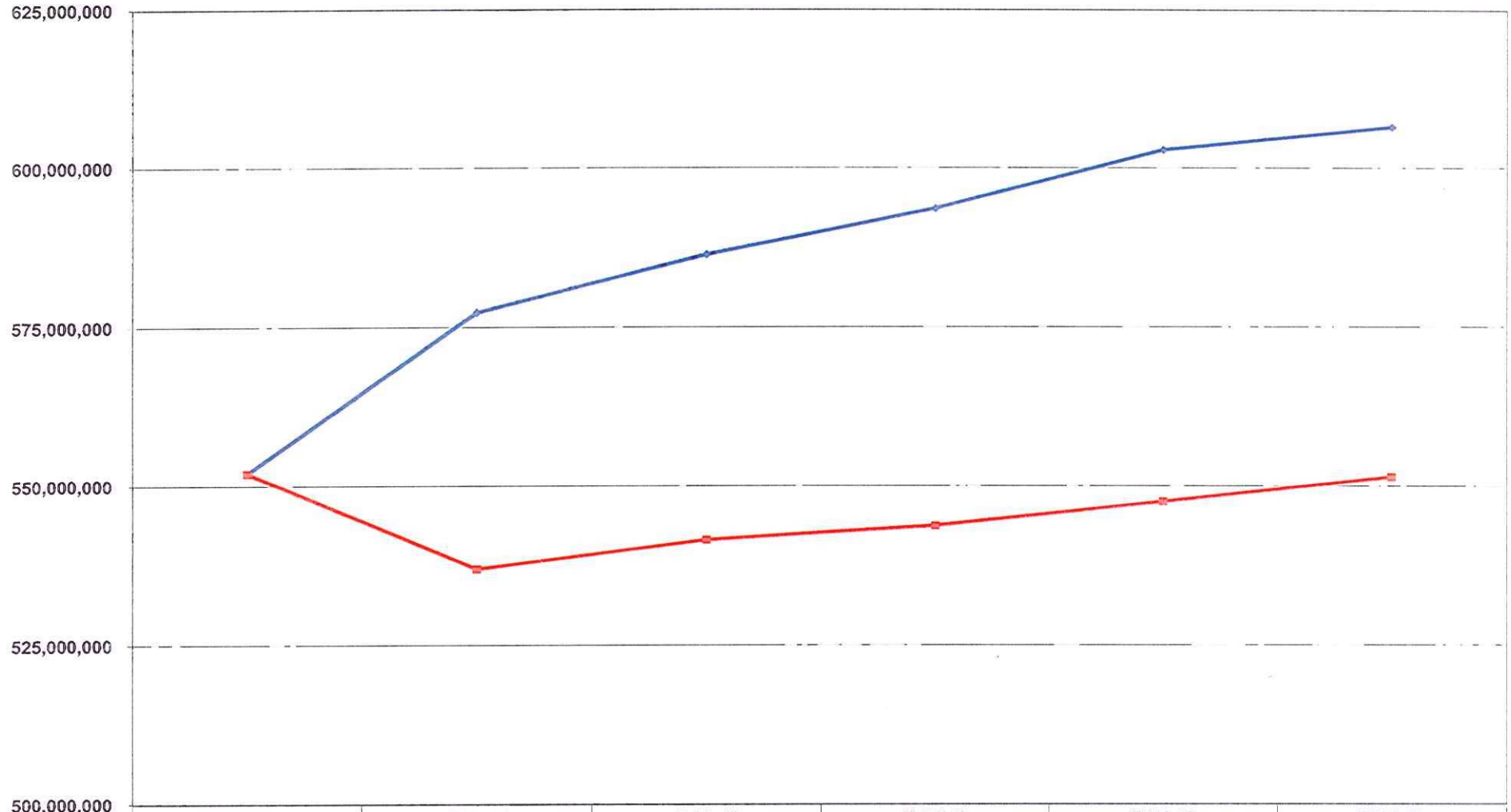
Debt Service: The Debt Service department is projected to decrease approximately 22.5% in Fiscal Year 2014-2015 versus the FY 2013-14 Adopted Budget. This is the result of changes in accounting which require that the proceeds from closing out old Capital Projects be accounted for as a credit to debt service instead of revenues. For FY 2015-16 and beyond, debt service is expected grow significantly as long term debt cycles through a higher level of debt service and as additional capital investments are made to improve City infrastructure and School Construction.

Non-Operating Department Expenses: In the FY 14-15 Budget these expenses are projected to increase by 13.3% compared to the FY 13-14 Adopted Budget, primarily driven by an increase in cost of utilities and special programs. In the future it is expected that these expenses will grow at the rate of inflation. Incorporated within this projection are payments to community activities, payments to government agencies, payments to outside agencies, lease payments, client server technology, fuel, utility, tipping fees, legal expense and settlements.

Education: The City's education contribution to the Hartford Public School System is projected to be flat for the foreseeable future. This estimate is based on the fact that the State of Connecticut is expected to increase education funding directly to the Hartford Public Schools in the form of Alliance Grants. These grants will grow in size by approximately $4.0 to $5.0 million per year for five years. As a result, total education spending (general fund, special funds and in-kind contributions) is projected to continue to grow during the period between FY 14-15 and FY 19-20.

Library: The City's contribution to the Hartford Public Library is projected to be essentially flat for the foreseeable future. The City will be working with the Hartford Public Library to find ways of providing in-kind services to help defray the Library's future expense increases.

Total Gap Between Revenues and Expenditures



	FY 14-15 Adopted	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20
Expenditure	552,011,145	577,343,392	586,324,437	593,526,806	602,811,007	606,487,134
Revenue	552,011,145	536,966,321	541,501,612	543,717,955	547,561,010	551,461,711
Gap	0	(40,377,071)	(44,822,825)	(49,808,851)	(55,249,997)	(55,025,423)

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