

City of Hartford



FY2019 Adopted Budget

Mayor Luke A. Bronin

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LUKE A. BRONIN
MAYOR

July 1, 2018

Dear Fellow Hartford Residents:

Over the past two years, we have confronted a full-blown fiscal crisis, decades in the making and rooted in the fact that Hartford is a small city with more than half of its property tax exempt. We have faced that crisis honestly and transparently, with a commitment to achieving long-term sustainability and strength.

We have made deep reductions in services and personnel, reducing our deficits by tens of millions of dollars. We have negotiated new contracts with our labor unions, achieving \$10 million in near-term savings as well as meaningful long-term structural reforms. We have budgeted accurately and with discipline.

The Fiscal Year 2019 Adopted Budget maintains that discipline, retaining deep cuts to services and personnel made in Fiscal Years 2017 and 2018. This proposed budget calls for total spending that is \$2.3 million less than the FY2018 adopted budget, excluding payments on debt and other capital investment expenditures.

As we have confronted our fiscal challenges, we have highlighted the fact that, if we hope to build a strong and vibrant Capital City, we cannot not tax or cut our way out of our crisis at the local level alone. Achieving the goal of stability and strength without resorting to Chapter 9 Bankruptcy required a new partnership between the State of Connecticut and its Capital City.

Any responsible partnership needed to marry long-term accountability with long-term assistance. That is why I supported the creation of the Municipal Accountability Review Board (MARB), and why we applied for designation as a Tier III municipality under MARB's accountability structure. And that is why the Contract Assistance agreement signed with the State of Connecticut earlier this year is so significant.

Under that agreement, the State of Connecticut will make debt service payments on Hartford's outstanding general obligation debt. The State may require Hartford to refund and restructure our debt, likely bringing the State's annual Contract Assistance payments below \$40 million per year -- significantly less than the State would pay if it fully funded the Payments-in-Lieu-of-Taxes (PILOT) formula, as Hartford has long sought.

Along with the work we have done to reduce costs, the new partnership with the State of Connecticut makes it possible to achieve balanced budgets, this year and in next four fiscal years addressed in our five-year sustainability plan. Our budget this year is balanced without any one-time revenues, without any asset sales, and without deferring our pension obligations.

While we are now in a position to achieve stability, it is important to say clearly that our budgets will remain very tight. Our mill rate will not be coming down any time soon. While we will work diligently to rebuild our fund balance or, "rainy day" fund, reaching appropriate levels of fund balance will take years. We will be funding critical infrastructure investment with operating dollars, not with borrowing - and our capital investment plan will be very lean.

Our goal in the years ahead is simple: we must use this period of stability to put our city on a path to true sustainability and strength. That means that we must stay disciplined. We must continue to look for additional savings and efficiencies, year after year. We must work to ensure that the new partnership we have built with the State of Connecticut is maintained. And most of all, we must work tirelessly to promote investment and economic growth, which is the key to Hartford's long-term sustainability.



LUKE A. BRONIN
MAYOR

As we work to attract investment and economic growth, we must ensure that we are delivering the basic services our residents and taxpayers deserve, and we must work to promote economic opportunity and improve quality of life in all of our neighborhoods.

The success of our effort is essential not only for the City of Hartford, but for the State of Connecticut as a whole. Hartford is a vital economic center, with the largest concentration of private sector employment in the State. Preserving, promoting, and growing Hartford as a center of arts, culture, sports, and entertainment will have a profound, if intangible, impact on the attractiveness of our State to businesses and residents alike.

And that is why, with your support, we will continue to fight for Hartford's future every single day.

Sincerely,

A handwritten signature in black ink, appearing to read "Luke A. Bronin", with a long horizontal flourish extending to the right.

Luke A. Bronin
Mayor

City of Hartford
FY2019 Adopted Budget
Executive Summary

FY2019 Adopted Budget Top Lines

The Fiscal Year 2019 (FY2019) Adopted Budget retains the deep cuts to services and personnel made in FY2017 and FY2018, includes \$10 million in recently-achieved labor savings, and protects funding for core services, with a priority on public safety, basic quality of life, and support for our most vulnerable residents. In addition, the FY2019 Adopted Budget reflects a new partnership with the State of Connecticut, under which the State assumes responsibility for making payments on the City's previously bonded general obligation debt.

General Fund:	FY2018 Adopted Budget	FY2019 Forecast	FY2019 Adopted Budget	Variance (\$)	Variance (%)
Total Revenues	563,289,098	558,306,087	570,041,106	6,752,008	1.2%
Total Expenditures	612,923,558	621,351,076	570,041,106	(42,882,452)	-7.0%
Surplus / (Deficit)	(49,634,460)	(63,044,989)	—		
Expenditures adjusted for:					
Debt & Other Capital Investment	(53,770,375)	(52,430,808)	(12,600,000)		
Base Expenditures Comparison	559,153,183	568,920,268	557,441,106	(1,712,077)	-0.3%

Figure 1: FY2018 Adopted Budget, FY2019 Forecast & FY2019 Adopted Budget, Revenues and Expenditures

The FY2019 Adopted Budget is \$570.0 million. Excluding debt and other capital investment expenditures, the budget is a 0.3% or \$1.7 million decrease from last year. The adopted budget does not rely on any one-time revenues, asset sales, or deferments of obligations. In addition, the adopted budget includes no new borrowing and anticipates funding a modest Capital Improvement Plan (CIP) through operating funds.

Review of Recent Reductions and Savings

In FY2017 and FY2018, the City of Hartford made \$27.4 million in cuts to its municipal, or non-education, budget, including the elimination of approximately 100 positions throughout the City. Those cuts are retained in the FY2019 budget.

FY2017 Reductions	Savings
Eliminated approximately 100 positions or 15% of non-uniformed personnel	9,417,407
Shifted Police Business & Community Service Officers to Patrol/Reduced Overtime	2,794,910
Drastically reduced funding for external agencies and organizations	2,010,075
Eliminated special event subsidies for parades and festivals	600,000
Reduced Library branch hours & other administrative services	600,000
Rebid all property, liability and other insurance contracts	500,000
Reduced Families/Youth/Recreation programming and services	384,397
Restructured customer service model for Tax Assessor & Tax Collector offices	428,231
Restructured DPW sanitation routes	264,229
Reduced DPW City fleet and other contractual services	155,000
Reduced Health & Human Services Dial-A-Ride service	59,876
Reduced non-personnel citywide	1,337,023
Total FY2017	18,551,148

FY2018 Reductions	Savings
MERF Pension Savings (Fire)	1,592,511
Leased Space Reductions	2,400,000
Community-Based Organizations	831,955
Additional Police Attrition	606,385
Hartford Public Library	228,040
Dial-A-Ride	44,000
School Crossing Guards (Cost assumed by BOE)	1,208,000
Vehicles & Equipment	459,663
Workers' Compensation	150,000
Salary Related Savings	800,323
Other Non-Personnel	512,284
Total FY2018	8,833,161
Total FY2017 & FY2018	27,384,309

Figure 2: FY2017 & FY2018 Spending Reductions Chart

The size of the City workforce is dramatically smaller than it has been in many years. This budget projects a total City workforce that is 68% smaller than the workforce of thirty years ago (FY1989). Excluding public-safety personnel, the workforce in FY2019 will be eighty positions or 16% smaller compared to FY2015. Several departments have been reduced dramatically, including a 48% reduction in staffing at the Department of Public Works compared to FY2000.

In addition to savings from service and personnel reductions, the City has reached significant labor agreements with four of its largest unions, the Hartford Firefighters Association, the Hartford Police Union, the City of Hartford Professional Employees Association, and the American Federation of State, County and Municipal Employees, Council 4, Local 1716. Collectively, these agreements save the City \$10 million in this budget, and make important, long-term structural changes that will save millions of dollars in the years ahead.

FY2018-2019 Labor Savings	Savings
Wages	3,269,112
Healthcare	2,574,233
Pension	2,871,754
Other	1,285,214
Total	10,000,313

Figure 3: Labor Savings by Category

Overall, the spending reductions and savings included in the FY2019 budget amount to more than \$35 million since FY2016. The City will continue to look aggressively for savings and efficiencies, while recognizing that, as Moody's Investors Service reported last year, "There is very little room for further cuts, given the reductions in services the city has already made and its fixed costs." Moody's noted that, in making further cuts, "Hartford would likely be eliminating, rather than reducing, core services."

Areas of Interest in FY2019 Adopted Budget

Continued recruitment of public safety personnel remains a priority in light of the large number of recent retirements, for which the city had not properly prepared prior to 2016. We anticipate hiring approximately 60 new police officers in FY2019, which is necessary to replace attrition and to achieve the staffing levels already reflected in the FY2018 budget. With this recruitment, police staffing remains 25 positions below the staffing level budgeted in FY2015, and significantly below the level recommended by an independent analysis conducted in 2015.

In FY2018, the City funded two large classes of fire recruits through a multi-year, \$11 million Staffing for Adequate Fire and Emergency Response (SAFER) grant secured last year. The SAFER grant continues to cover 75% of the cost of those new hires in FY2019.

In order to improve public health, safety, and overall quality of life, the FY2019 Budget reallocates existing funding from departmental salary savings to make two overdue changes in the Department of Development Services (DDS). The City currently has no zoning enforcement officers, and the lack of enforcement has contributed to widespread lack of compliance, severely harming quality of life

in our neighborhoods. Accordingly, the City will hire two zoning enforcement officials. In addition, pending City Council approval, the City intends to phase in a Residential Rental Licensing Program over the next four years to improve the quality of Hartford's housing stock. The program will include enforcement personnel and housing inspectors, and while there will be some cost assumed in FY2019, DDS estimates that revenue from the program will cover the costs of staffing in future years.

Funding for the Hartford Public Library and the City's recreational centers remains essentially flat. The FY2019 budget preserves funding for the most vulnerable, including funding for women's shelters, No Freeze shelters, and the McKinney shelter for men. The City has secured \$2.5 million in private funding to continue the Hartford Youth Service Corps for its second year, part of its overall commitment to engage Hartford's youth. This FY2019 budget also includes limited funding for summer youth employment and crisis intervention.

Funding Capital Improvements with Operating Funds

This budget assumes a Capital Improvement Plan budget of approximately \$20 million in FY2019, and the City intends to manage its Capital Improvement Plan to meet basic municipal infrastructure needs on a pay-go basis for fiscal years 2019-2023, without issuing new debt. All significant infrastructure projects, from road repairs to school renovations, will be funded from the general fund. The Capital Improvement Plan will, however, be limited to "must do" or critical infrastructure items only, with a priority given to school infrastructure, compliance with court orders, life safety improvements, and grant match funding that allows Hartford to leverage other sources of funding.

New Partnership with the State of Connecticut

Last fall, the General Assembly voted on a bipartisan basis to establish the Municipal Accountability Review Board (MARB). In exchange for intense, ongoing oversight and accountability, municipalities subject to MARB supervision are eligible for financial assistance in two forms: access to Municipal Restructuring Funds and Contract Assistance.

In December 2017, Hartford applied for and received designation as a Tier III municipality under the MARB. As a Tier III municipality, the City must provide ongoing financial reports, including monthly projections, cash flow analysis, and a rolling 3-year financial plan to the State. The MARB must also approve the FY2019 budget following the vote of the City Council.

In March, as authorized by the General Assembly, the City and the State entered into a Contract Assistance agreement under which the State will make debt service payments for the City on its outstanding general obligation debt, totaling approximately \$540 million in principal. The State may require the City to refund and restructure its debt, which we anticipate will likely result in annual State Contract Assistance payments of less than \$40 million.

Hartford's fiscal challenges are rooted in the inadequacy of its property tax base. Half the City's property is tax exempt, and its taxable property base is barely larger than the tax base of small suburbs like Farmington and Glastonbury. Hartford's mill rate of 74.29 imposes one of the highest property tax burdens in the nation on nearly 80% of Hartford's grand list.

Hartford has long sought full funding for the Payments-in-Lieu-of-Taxes (PILOT) formula, which would provide the City of Hartford with approximately \$61 million in additional assistance each year. The Contract Assistance agreement supports much-needed stability, at less cost than fully funding the PILOT formula.

Five Year Outlook

For the first time in decades, the City of Hartford is in a position to achieve five years of solvency and stability. Budgets will remain tight, and capital investment will remain bare-bones. But the new partnership with the State of Connecticut, alongside significant reductions in services and personnel, significant labor savings, and the pledged corporate contribution of \$10 million, provides a foundation of stability upon which we will work.

	FY2019	FY2020	FY2021	FY2022	FY2023
Forecasted Deficits, Pre-Recovery Plan	(\$63.0)	(\$65.9)	(\$83.3)	(\$86.8)	(\$95.3)
Surplus / Deficit, Incl. Contract Assistance, Labor & Other Savings	—	—	(\$2.5)	(\$4.0)	(\$9.4)
Efficiencies & Other Mitigation	—	—	\$2.5	\$4.0	\$4.0
Additional Grand List Growth	—	—	—	—	\$5.4
Surplus / Deficit with Additional Mitigation & GL Growth	—	—	—	—	—

Figure 4: Deficits Before and After Bipartisan State Budget and Recovery Plan

Extending this period of stability into long-term sustainability depends upon continued partnership between the State of Connecticut and its Capital City, continued fiscal discipline, a commitment to finding additional savings and efficiencies every year, and—most important of all—significant economic investment and growth in the coming years.

