

City Budget Process: Hartford's Common Council will be meeting on May 17, 2018 to consider changes in the Mayor's Proposed FY19 Budget. The Mayor would have 48 hours to accept or veto any such changes. The City's budget process, according to the Charter, will be completed not later than May 31st. The budget, when completed, would be submitted to the MARB for approval.

List:

1. **State Revenues.** Changes in State Revenue in the recently Adopted State Budget are outlined below. The estimated increase of \$3.7 million compared to Mayor's Proposed Budget. As noted below, there may be questions if \$2.35 million of this amount is ongoing or one-time in nature. Such funds, could perhaps, therefore, be considered for bolstering the City's pension fund or fund balance or for a similar use.

	City's FY17 Actual	Mayor's FY19 Budget	FY19 Adopted State Budget	Governor's Proposed FY19	SB 543 FY19	Difference Mayor & SB543
Education Cost Sharing	\$ 187,978,172	\$ 187,969,804	\$ 202,231,881	\$ 203,631,925	\$ 202,425,081	Note: Alliance District: Balance to BOE*
Highway	\$ 1,198,978	\$ 1,194,825	\$ 1,198,978	\$ 1,194,825	\$ 1,194,825	\$ -
Mashantucket Pequot	\$ 6,263,314	\$ 6,136,523	\$ 6,136,523	\$ 6,136,523	\$ 6,136,523	\$ -
Oath State, MRSA Bond	\$ 1,487,099	\$ 1,500,161	\$ 1,419,161	\$ 1,419,161	\$ 1,419,161	\$ -
State-Owned Prop	\$ 13,560,353	\$ 9,924,360	\$ 10,162,953	\$ 9,924,360	\$ 10,162,953	\$ 238,593
MRSA Select PILOT	\$ 11,883,205	\$ 11,883,205	\$ 12,422,113	\$ 11,883,205	\$ 12,422,113	\$ 538,908
MRSA Rev Sharing Gr**	\$ 13,908,437	\$ 8,724,489	\$ 10,106,845	\$ 8,724,489	\$ 11,078,328	\$ 2,353,839
Priv Tax Exempt Prop	\$ 23,664,027	\$ 19,533,085	\$ 20,009,758	\$ 19,533,085	\$ 20,009,758	\$ 476,673
Muni Stabilization Gr		\$ 3,243,513	\$ 3,370,519	\$ 3,243,513	\$ 3,370,519	\$ 127,006
						\$ 3,735,019

* As an Alliance District, additional ECS goes directly to City's BOE. The Mayor's FY19 Budget does not include this portion of ECS. Additional clarification to be sought in this regard.

**Question if FY19 increase (\$2,353,839) is ongoing or one-time.

2. **Property Taxes.** With no change in the mill rate, a relatively flat grand list (.12% growth) and a current tax collection rate projected at the average for the last three years, the Mayor's FY19 Budget is projecting revenues related to property taxes to be almost \$5.0 million over the FY18 Adopted Budget and about \$2.8 million over the projected FY19 amount. This is based, significantly, on approximately \$3.5 million more from increasing the mill rate on motor vehicles from 39 to 45 mills. In comparing year-to-date amounts for property taxes for the current year to the same period last year, as well as historical collection levels, it is recommended that the Prior Year Levies line-item be reduced from \$6.5 million to \$5.5 million. Update property tax collection information from the city is enclosed.

3. **Pension Contributions (MERF).** The City's Recovery Plan, as approved by the MARB, contained approximately \$47.8 million as the Actuarially Determined Contribution (ADC) for the City MERF plan for FY19, including a municipal government (Police, Fire, Municipal) contribution of \$41.8 million. These Recovery Plan amounts were based on a 7.375% return on investment assumption as part of the plan to lower returns, over time, from 7.5% from 7.25%. The FY19 Budget reduced these FY19 Recovery Plan amounts by \$3.7 million overall and by \$3.3 million for the municipal departments. A portion of these reductions related to actuarial assumptions, including the assumed number of employees; however, \$3.5 million of the overall reduction was based on the City's Pension Commission maintaining the return on investment assumption at 7.5%.
4. **Health Insurance.** The City's FY18 projection for health insurance is \$33.9 million, with \$22.3 million having been spent through the first 10 months of the year. There are some health related expenses that are booked by the City near the end of the year. The Recovery Plan projected \$37.2 million in FY19 for health insurance, which included reductions of \$1.75 million for labor savings and \$2.1 million related to moving eligible retirees to Medicare Advantage. The Mayor's FY19 Budget contains \$35.9 million for health insurance, which is \$1.3 million lower the FY19 amount in the Recovery Plan and 5.8% higher than the projected amount for FY18.
5. **Salaries and Overtime (esp. Police, Fire, DPW).** The Mayor's FY19 Budget reflects municipal government overtime at just over \$12.0 million, which compares to the current year projection of \$19.3 million. The City indicates that the reduction relates to labor contract changes, increased staffing in the 24-7 operations and management initiatives. The City will be providing some additional analysis in this regard.
6. **Debt Service, Contract Assistance and Municipal Restructuring Funds; Capital Funding.** Under the Contract Assistance Agreement, the City will fund the City's general obligation debt, with the exception of certain bonds (e.g. stadium bonds). For the current year, the City will be submitting its request to OPM for Municipal Restructuring Funds related to the current fiscal year, a portion of which will be reserved by OPM for the City's proportionate share of the costs of the MARB. Finally, the Mayor's Fiscal Year 2019 Budget assumes, for funding a portion of the City's capital budget, the receipt of \$10 million from local companies, the first year of a planned five-year commitment.
7. **Board of Education.** In the F19 Budget and the Recovery Plan, the Board of Education (BOE) funding continues flat at the \$284 million general fund level. The BOE continues to work through a reported \$14 million deficit related to next year. The BOE will be completing its FY19 budget in early June.

Enclosure