



City of Hartford Financial Overview Municipal Accountability Review Board

February 8, 2018



Overview of COH Operating Budget

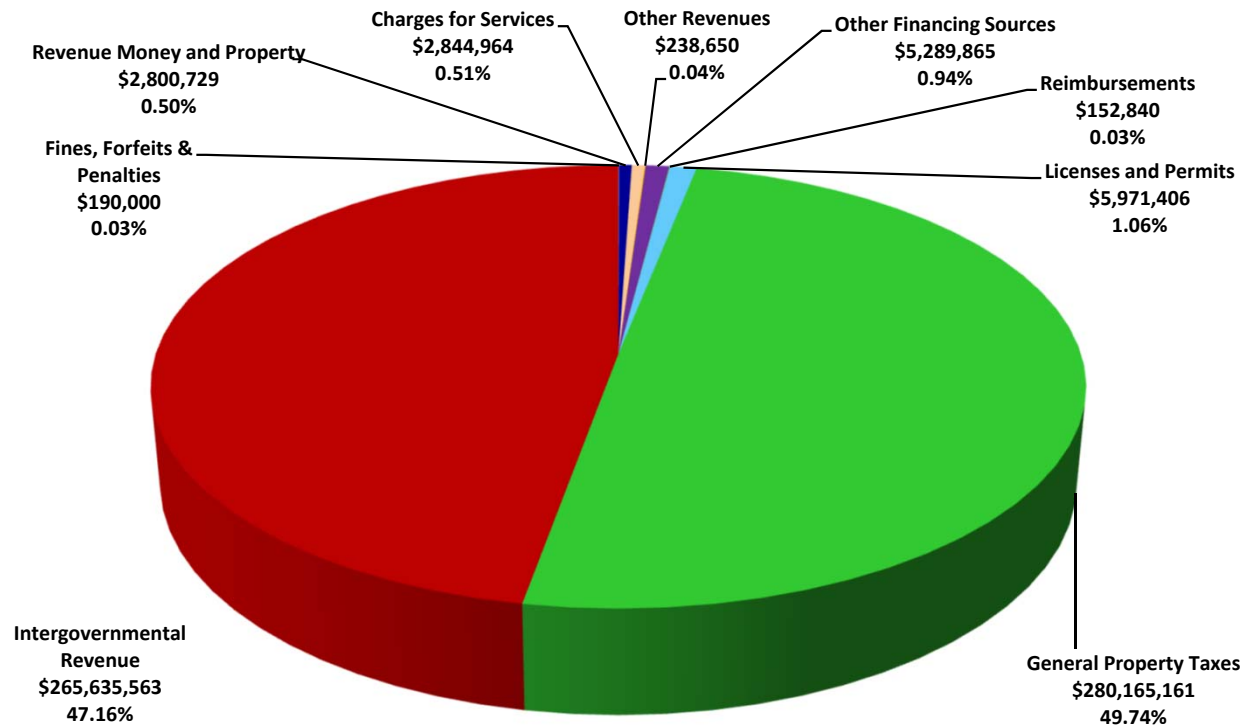


FY2018 Revenues by Category

Revenue Category	FY2018	
	Adopted	%
41-TAXES	280,165,161	49.7%
42-LICENSES AND PERMITS	5,971,406	1.1%
43-FINES FORFEITS AND PENALTIES	190,000	0.0%
44-INTEREST AND RENTAL INCOME	1,313,149	0.2%
45-INTERGOVERNMENTAL	265,635,563	47.2%
46-CHARGES FOR SERVICES	2,844,964	0.5%
47-REIMBURSEMENTS	152,840	0.0%
48-OTHER REVENUES	238,650	0.0%
53-OTHER FINANCING SOURCES	6,777,445	1.2%
Total Revenues	563,289,178	100.0%



Components of the Revenue Budget: \$563.3M





Net Taxable & Non-Taxable Property 2016 Grand List

Taxable	\$4,073,144,172	50.16%
Non-Taxable	<u>4,047,467,481</u>	<u>49.84%</u>
Total	\$8,120,611,653	100.00%



Annual Net Grand List Totals

		REAL	PERSONAL	MOTOR VEHICLE	TOTAL	% CHANGE
	1997	4,797,108,350	722,160,844	220,068,930	5,739,338,124	-1.41%
	1998	4,769,043,110	746,538,575	232,429,093	5,748,010,778	0.15%
Reval	1999	2,551,227,089	751,315,240	248,304,487	3,550,846,816	-38.22%
	2000	2,553,043,037	772,557,050	257,073,720	3,582,673,807	0.90%
	2001	2,535,977,084	754,456,240	258,554,350	3,548,987,674	-0.94%
	2002	2,579,407,347	721,968,724	256,729,192	3,558,105,263	0.26%
	2003	2,553,882,414	714,654,470	232,844,250	3,501,381,134	-1.59%
	2004	2,557,480,980	657,353,590	243,147,640	3,457,982,210	-1.24%
	2005	2,605,647,333	678,893,280	258,996,165	3,543,536,778	2.47%
Reval	2006	2,371,680,980	672,107,910	268,835,294	3,312,624,184	-6.52%

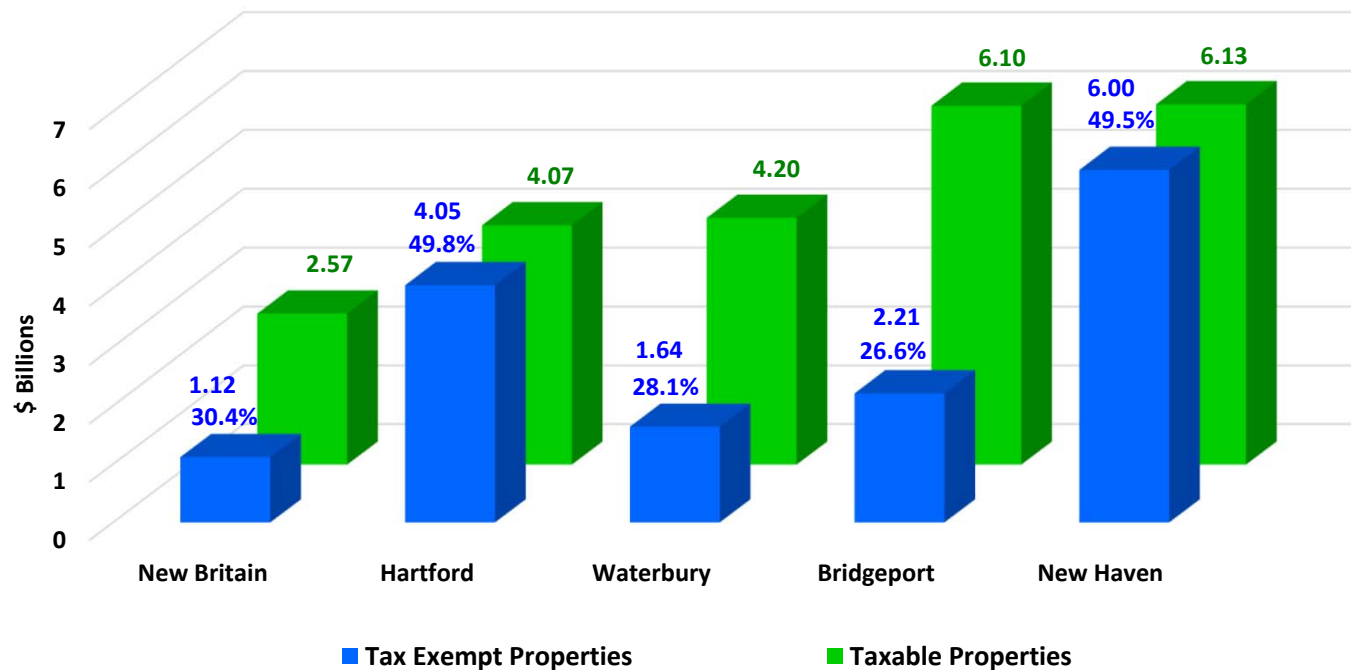


Annual Net Grand List Totals

		REAL	PERSONAL	MOTOR VEHICLE	TOTAL	% CHANGE
	2007	2,508,928,809	667,388,000	275,121,632	3,451,438,441	4.46%
	2008	2,553,540,379	640,838,150	271,398,594	3,465,777,123	0.42%
	2009	2,705,438,375	636,889,160	261,839,945	3,604,167,480	3.99%
	2010	2,815,733,865	664,046,820	263,945,261	3,743,725,946	3.87%
Reval	2011	2,505,537,262	636,332,920	276,070,153	3,417,940,335	-8.70%
	2012	2,536,705,690	666,454,610	284,620,936	3,487,781,236	2.04%
	2013	2,544,809,180	697,907,870	292,685,705	3,535,402,755	1.37%
	2014	2,592,597,882	732,124,650	298,349,450	3,623,071,982	2.48%
	2015	2,652,860,012	741,214,894	307,830,072	3,701,904,978	2.18%
Reval	2016	3,001,468,742	754,836,430	316,839,000	4,073,144,172	10.03%



Grand List Assessed Values: Distressed Municipalities¹

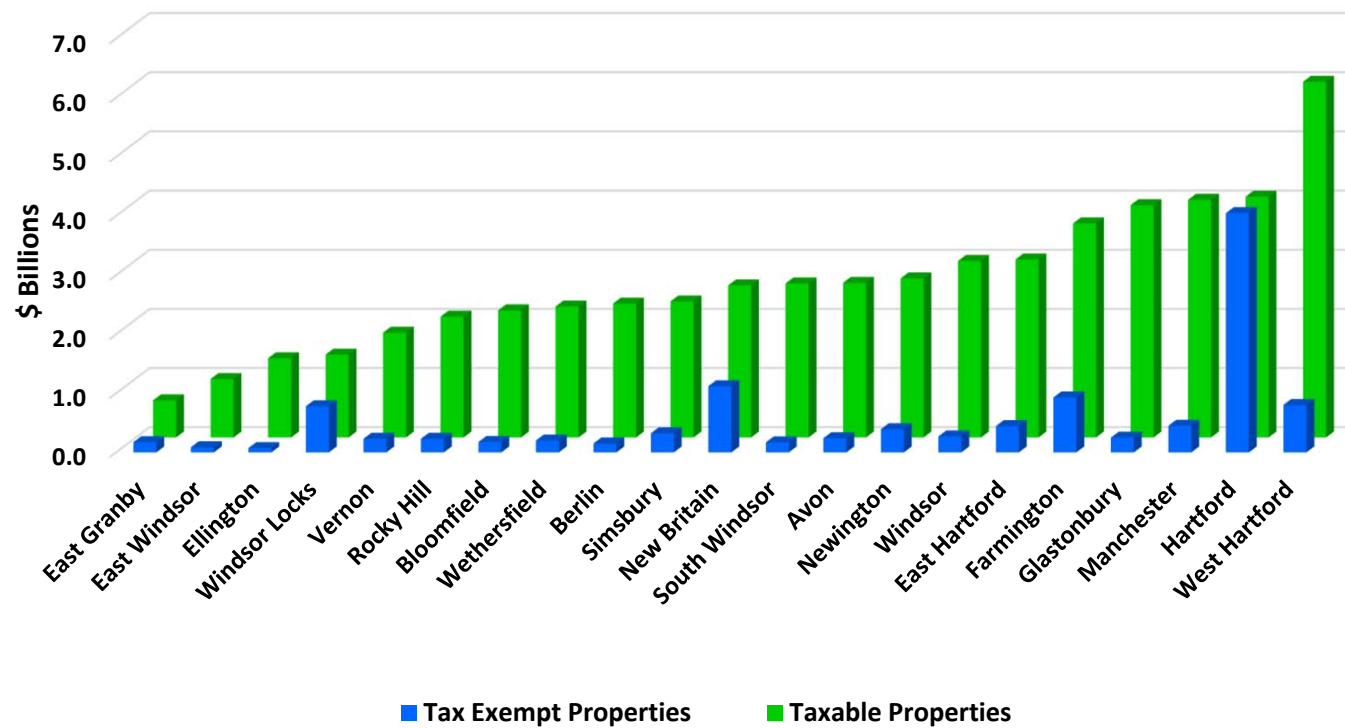


¹ Includes distressed Connecticut municipalities with a population exceeding 70,000 as of 7/1/2016, as identified by State of Connecticut Department of Economic and Community Development and Department of Public Health

Data Sources: Hartford 2016 Grand List; all others from CT Office of Policy and Management 2015 Grand List



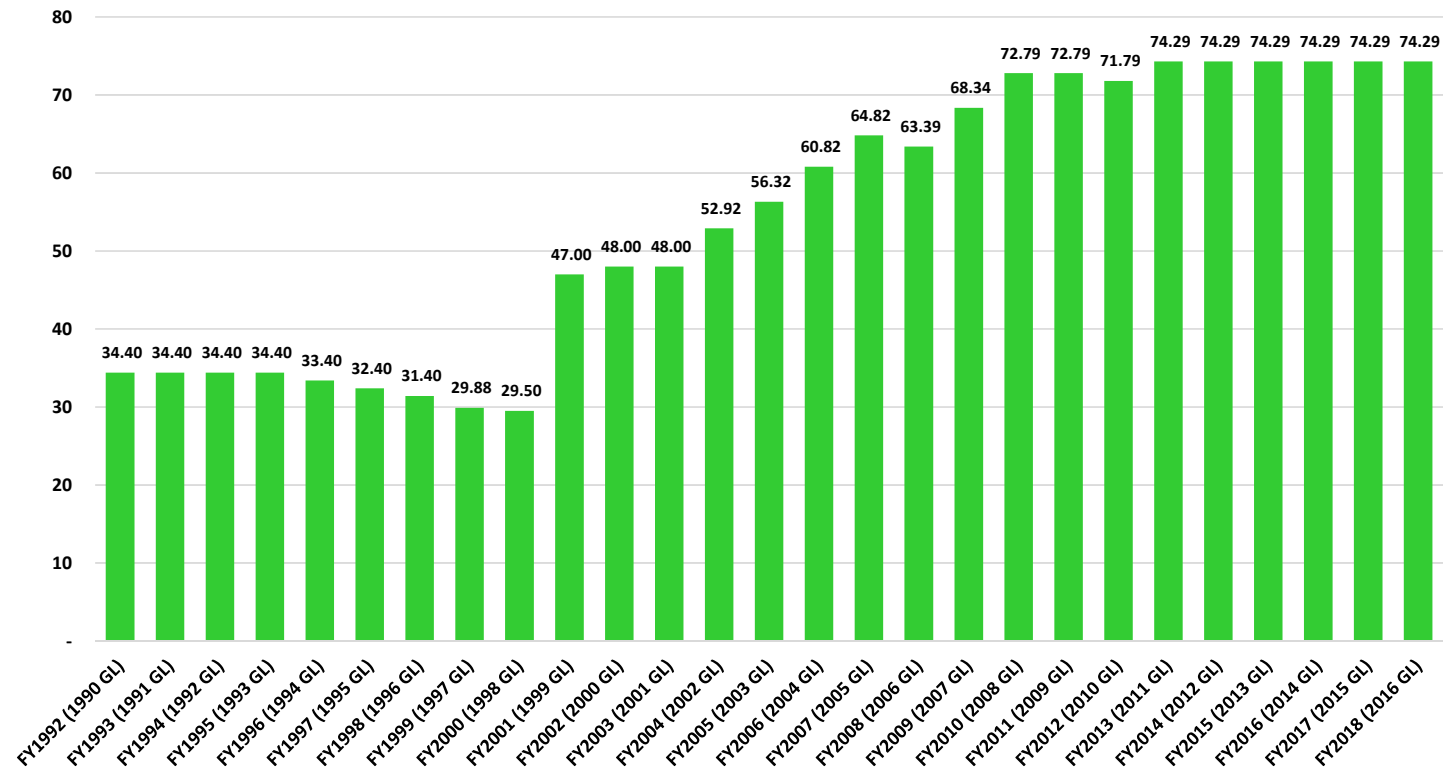
Grand List Assessed Values: Greater Hartford Metro Region



Data Sources: Hartford data from 2016 Grand List; all others from CT Office of Policy and Management 2015 Grand List



History of Mill Rate Increases



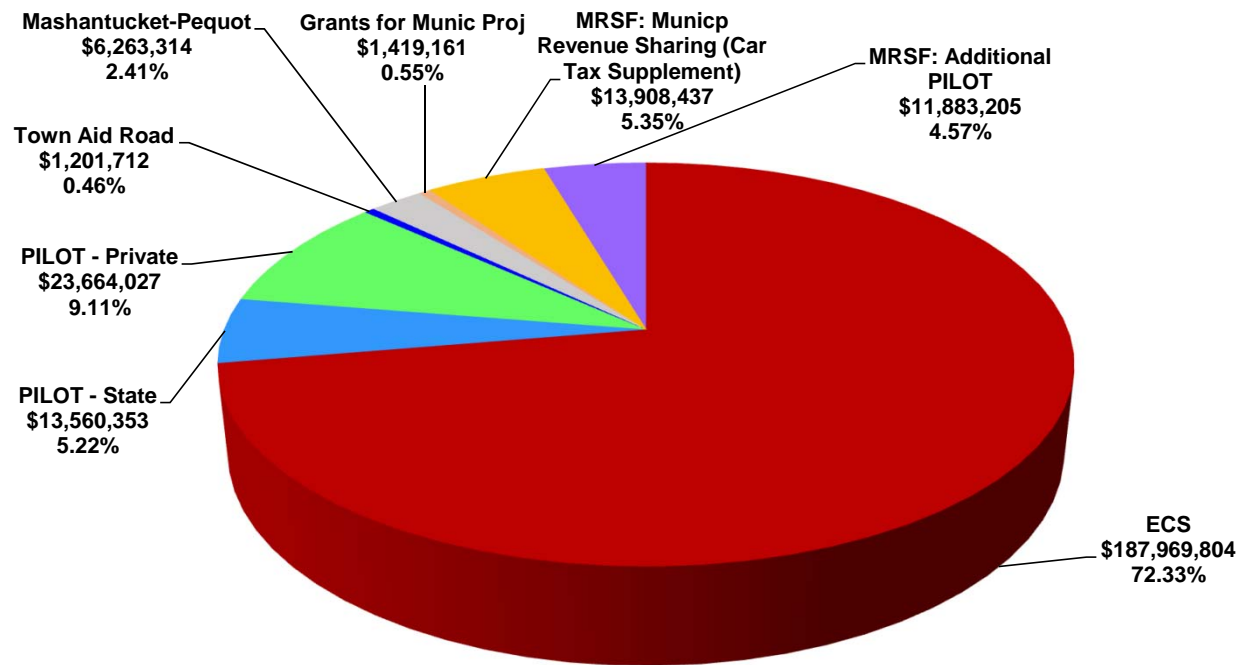


Municipal State Aid

Revenue Line Item	FY2018 Adopted Budget	FY2018 Bipartisan Budget	FY18 BB, Variance to FY18 Budgeted Rev
ECS*	187,969,804	187,969,804	-
PILOT - State	13,560,353	10,162,953	(3,397,400)
PILOT - Private	23,664,027	20,009,758	(3,654,269)
Town Aid Road	1,201,712	1,198,978	(2,734)
Mashantucket-Pequot	6,263,314	6,263,314	-
Grants for Munic Proj	1,419,161	1,419,161	-
Municipal Stabilization Grant		4,456,568	4,456,568
MRSF: Municp Revenue Sharing (Car Tax Supplement)	13,908,437	12,177,213	(1,731,224)
MRSF: Additional PILOT	11,883,205	11,883,205	-
Subtotal Municipal Aid, Net (General Fund)	259,870,013	255,540,954	(4,329,059)
MIRA		1,000,000	1,000,000
Elderly Circuit Breaker (defunded/muni mandate)		(348,000)	(348,000)
Total Municipal Aid, Net (General Fund)	259,870,013	256,192,954	(3,677,059)
Increase to MV Mill Rate (39 in '18 and 45 in '19)		2,719,000	2,719,000
Net, General Fund impact	259,870,013	258,911,954	(958,059)



2018 Budget by Municipal State Aid General Fund Budget: \$259.8M¹



¹ FY2018 Revised State Budget included reductions of \$3.7M net to the Adopted Budget levels indicated above.
Total for FY2017 (General Fund) = \$256.1M



Licenses and Permits

80% of the revenues in Licenses and Permits are building, electrical, mechanical and plumbing permits.

REVENUE CATEGORY	FY2018 ADP BUDGET	%
BUILDING PERMITS	3,642,000	61.0%
ELECTRICAL PERMITS	627,000	10.5%
MECHANICAL PERMITS	689,000	11.5%
PLUMBING PERMITS	315,000	5.3%
FOOD & MILK DEALER LICENSES	312,000	5.2%
ALL OTHER LICENSES AND PERMITS	386,406	6.5%
42-LICENSES AND PERMITS	5,971,406	100.0%

Prior year actual of \$5.376 million.



Other Financing Sources

Major components of Other Financing Sources are net revenues from the Hartford Parking Authority, Private Duty Police and Fire jobs and revenues associated with the Stadium.

REVENUE CATEGORY	FY2018 ADP BUDGET	%
REVENUE FROM HTFD PKG AUTHY	2,424,865	30%
SPECIAL POLICE SERVICES (PJs)	2,750,000	53%
DOWNTOWN NORTH (DONO)	1,487,580	11%
ALL OTHER	115,000	5%
53-OTHER FINANCING SOURCES	6,777,445	100%

Prior year actual of \$6.032 million.



Charges for Services

Over 75% of the Charges for Services revenues are largely driven by the conveyance tax, transcripts of records and filing record certifications.

REVENUE CATEGORY	FY2018 ADP BUDGET	%
CONVEYANCE TAX	1,100,000	38.7%
TRANSCRIPT OF RECORDS	835,250	29.4%
FILING RECORD-CERTIF FEES	300,000	10.5%
ALL OTHER	609,714	21.4%
46-CHARGES FOR SERVICES	2,844,964	100.0%

Prior year actual of \$3.5 million.

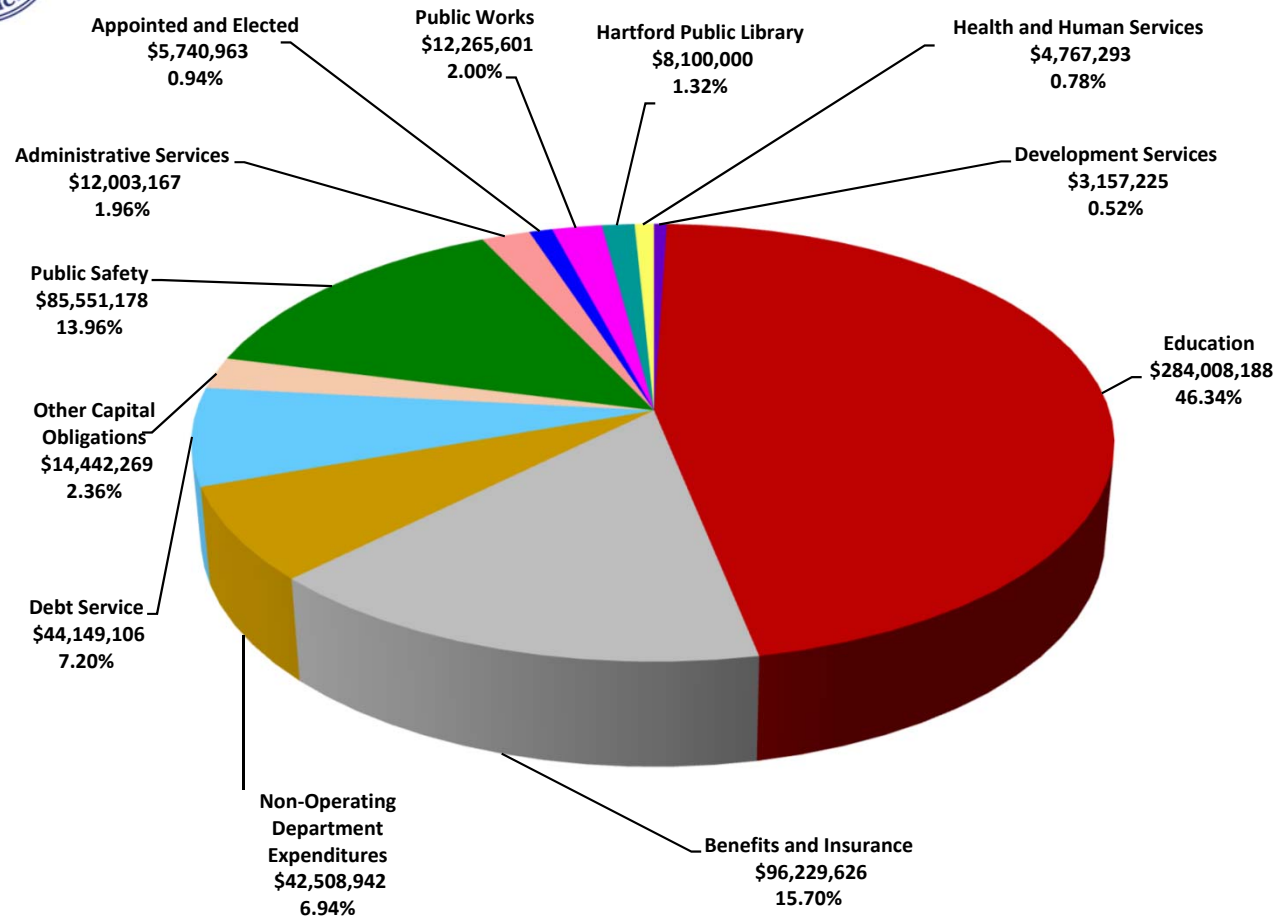


Components of the Expenditure Budget



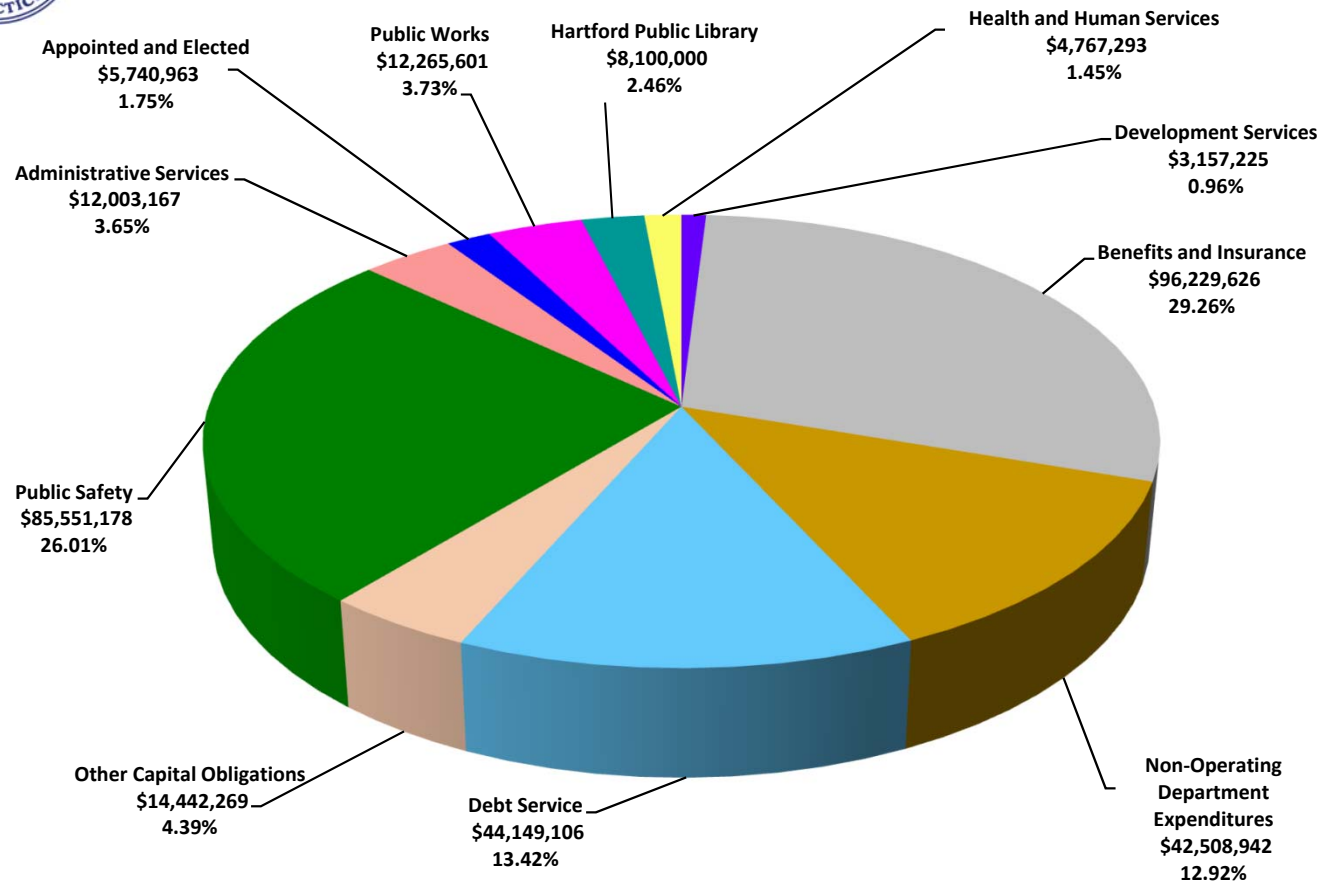
2018 Budget by Department / Functional Area

General Fund Budget: \$612.9M



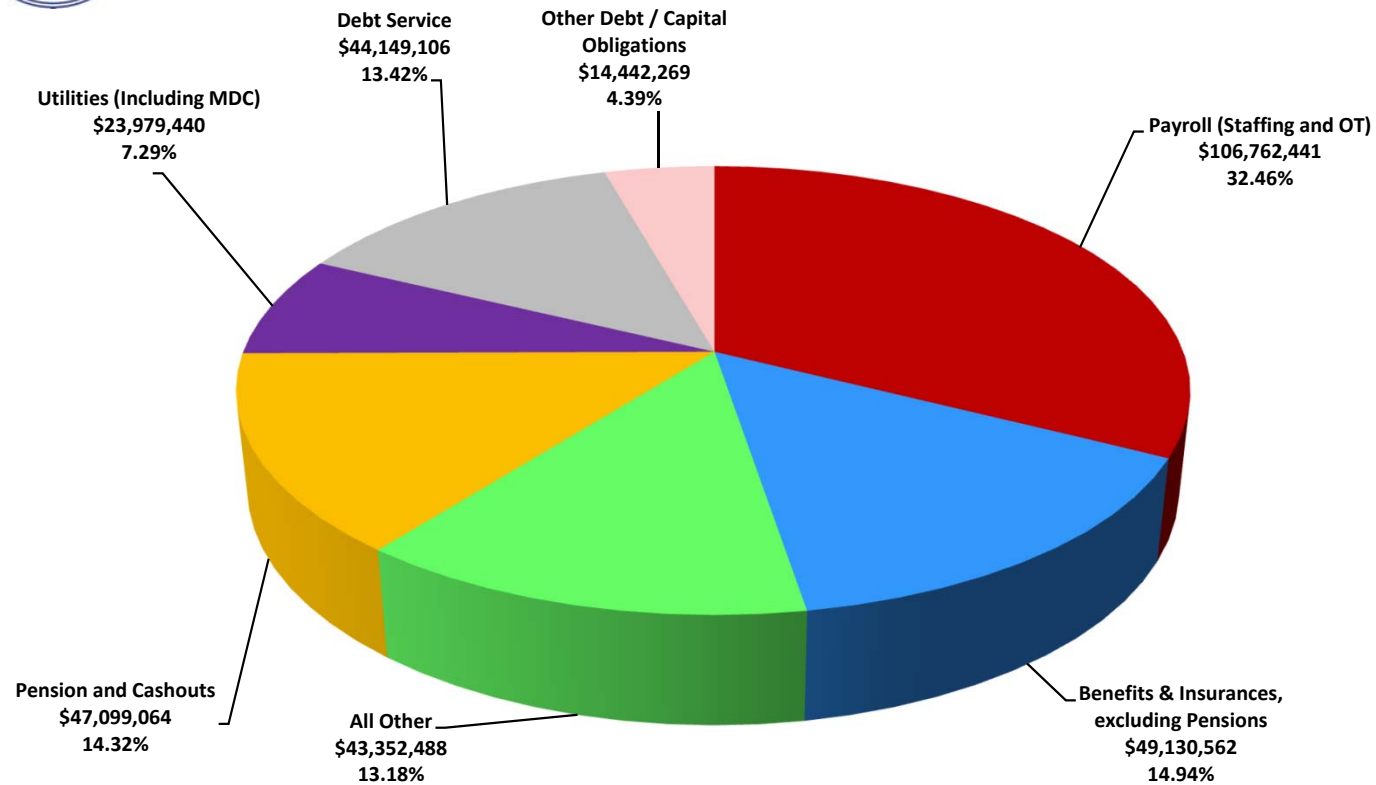


2018 General Fund Municipal Budget (excluding Education) By Functional Area: \$328.9M



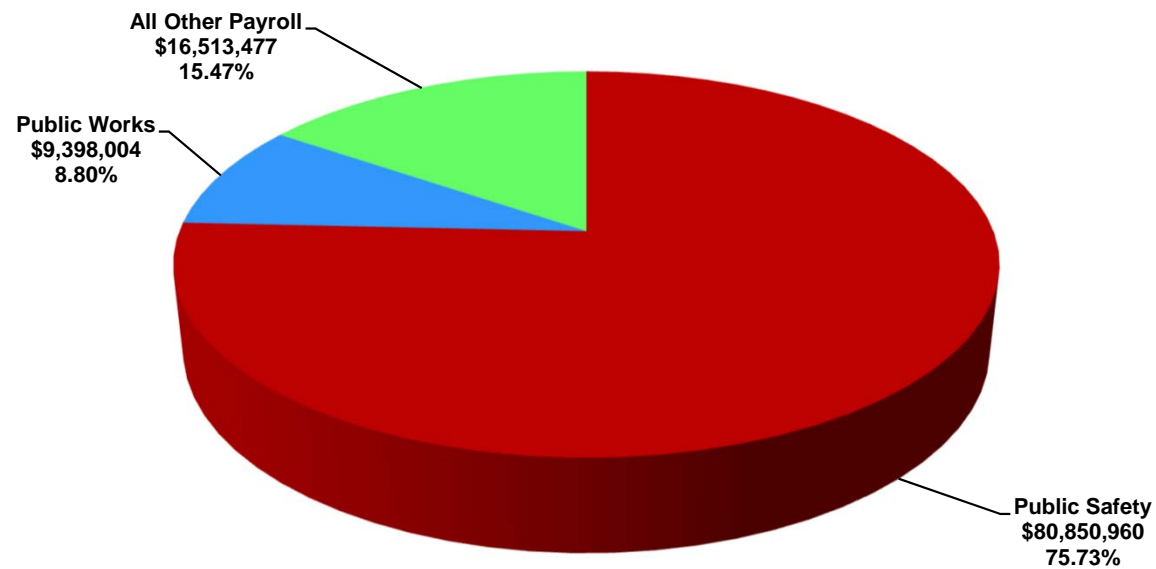


2018 Municipal Expenditure (excluding Education) Budget: \$328.9M





2018 Personal Services / Payroll (excluding Education) Budget: \$106.8M¹

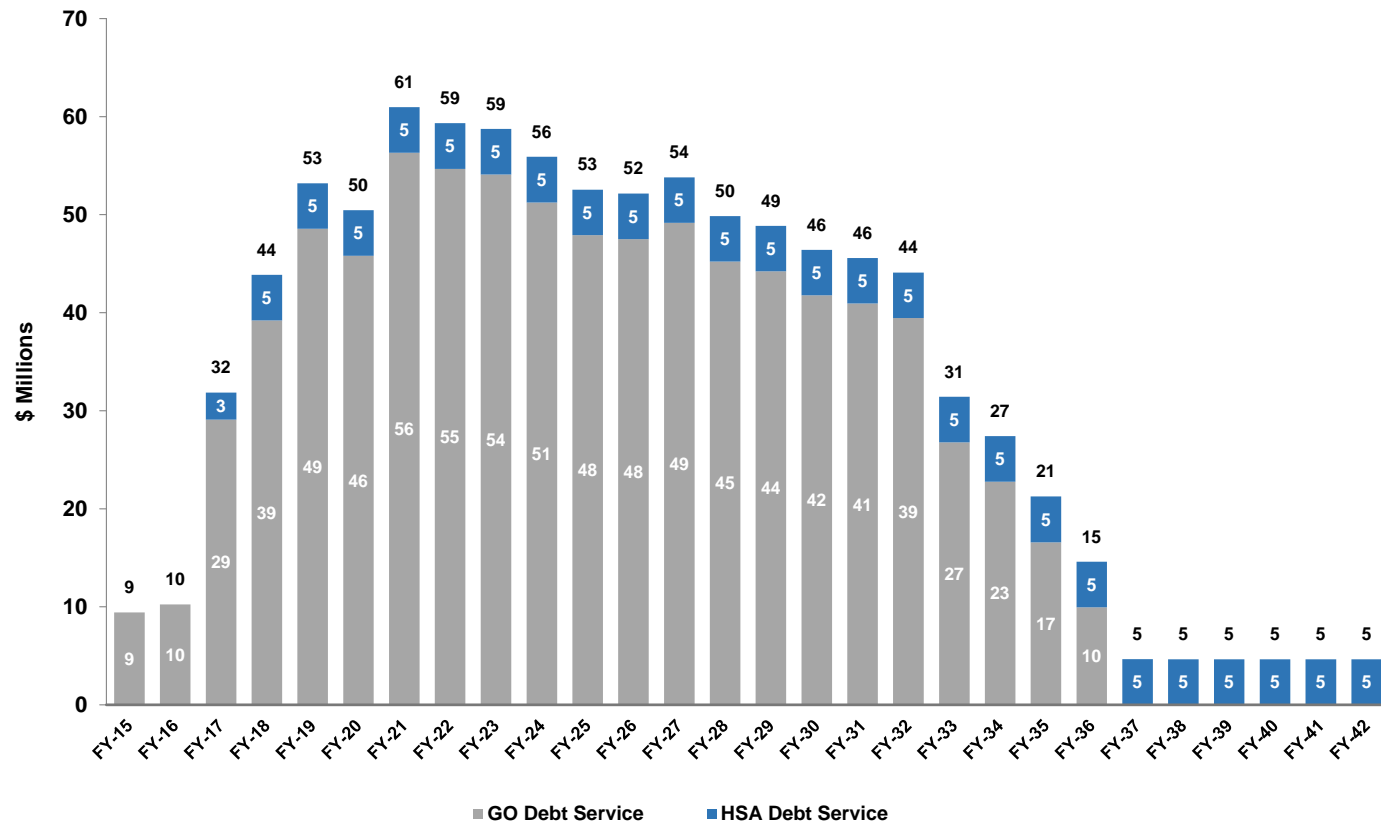


¹ FY2018 Payroll Staffing & OT Budget, excluding Education

FY2018 Headcount is 1,361 positions, which is 146, or 10%, less than the FY2014 level in a 5-year period.



Debt Service





Benefits and Insurances

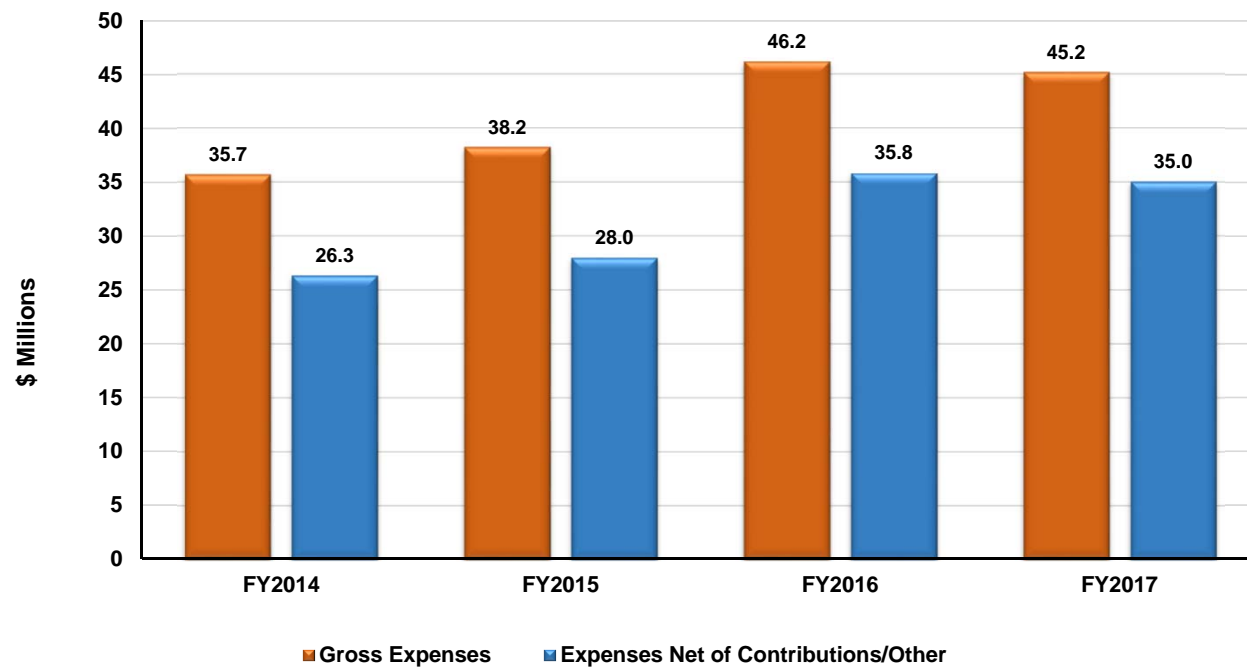
Description	FY2018 Amount	% of FY2018 Subtotal
Health Insurance ¹	38,352,436	68.2%
Workers Compensation	5,558,000	9.9%
Property, Liability, & Other Insurances	4,615,000	8.2%
Wage Reserve	2,650,000	4.7%
Life Insurance	315,652	0.6%
Social Security, Unemployment, and Other Benefits	4,739,474	8.4%
Subtotal	56,230,562	100.0%
Other Expenditure Credits ²	(7,100,000)	
Total	49,130,562	

¹ 1,293 Active Members / 3,419 Covered Lives and 1,388 Retiree Active Members / 2,027 Covered Lives

² Other Expenditure Credits include \$4.0M in Labor Concessions, \$2.6M in Fringe Reimbursements, and \$0.5M in Attrition savings.



Historical Health Expenditures





OPEB Liability

- OPEB valuation as of July 1, 2015¹
 - Unfunded Actuarial Accrued Liability: \$279M
 - Annual Required Contribution: \$26.5M for 6/30/17
 - CAFR (6/30/17) expenditures: \$14.859M

¹ City of Hartford OPEB valuation is completed every 2 years. Most recent report issued November 10, 2016.



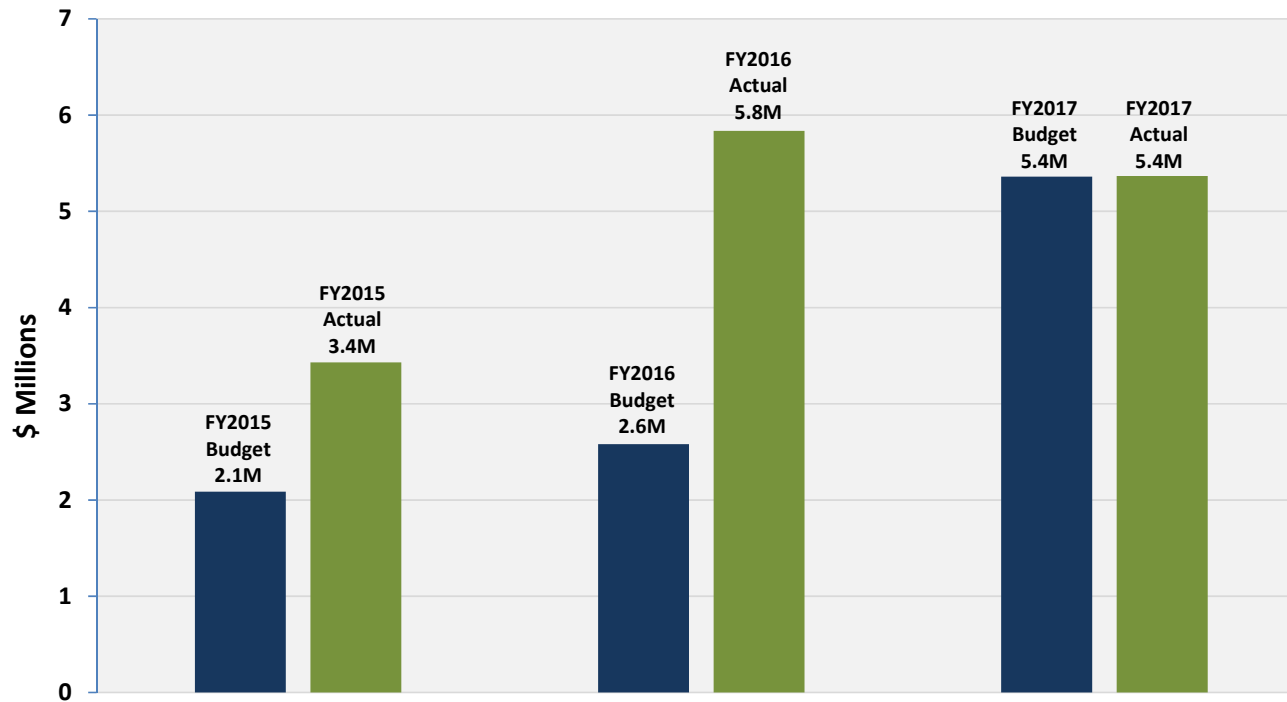
Pension & Cashouts

- The City Charter requires full funding of the annual pension ADEC.
- Funded status of the MERF pension plan is 74.8% as of July 1, 2016 (April 2017).
- Assets are valued at \$1 billion.
- Assumed investment return of 7.5% in FY2018.

PENSION AND CASHOUT CATEGORY	FY2018 ADP	
	BUDGET	%
MUNICIPAL EMPLOYEES RETIREMENT FUND (MERF)	39,089,489	83.0%
CONNECTICUT MUNICIPAL RETIREMENT SYSTEM (CMERS)	1,695,000	3.6%
CLOSED PLANS	714,575	1.5%
PENSION SUB TOTAL	41,499,064	88.1%
CASHOUTS	5,600,000	11.9%
GRAND TOTAL	47,099,064	100.0%



Vacation and Sick Cashouts

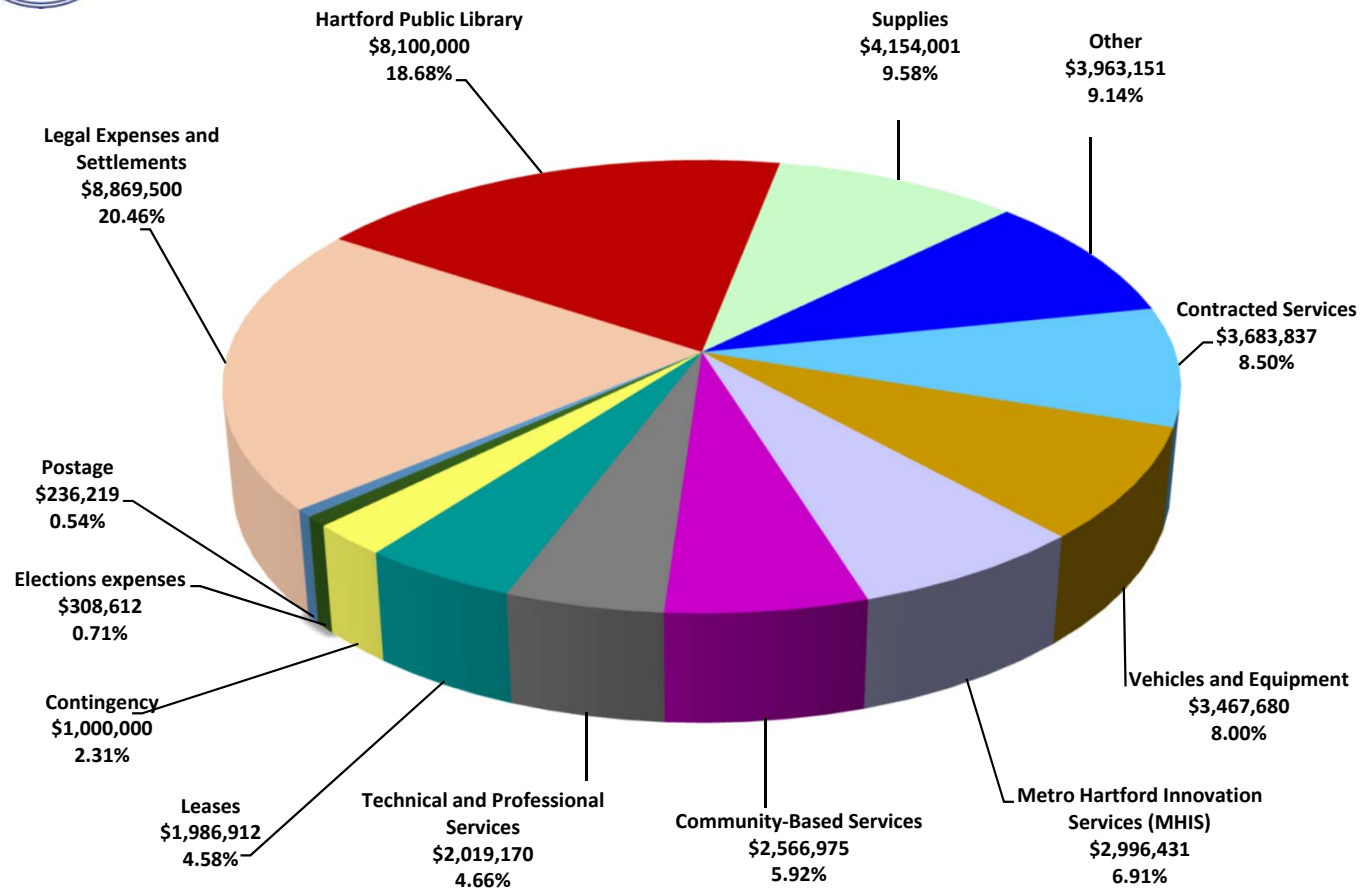


FY2016 actuals are 70% higher than FY2015 actuals

FY2017 actuals are 56% higher than FY2015 actuals



2018 All Other Expenditures Budget: \$43.4M





Budget Reduction Measures Implemented



FY2017: Steps Taken to Mitigate Budget Deficit

Reduction	Amount
Eliminated approximately 100 positions or 15% of non-uniformed personnel (salaries and fringe)	9,417,407
Shifted Police Business & Community Service Officers to Patrol/Reduce 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 reductions	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 Reductions	18,551,148



FY2018: Steps Taken to Mitigate Budget Deficit

Reduction	Amount
MERF Actuarial Re-estimate (result of contract with firefighters)	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 Reductions	8,833,161



Summary of Cost Savings and Reductions FY2014 through FY2018

Cost Savings and Reductions

Fiscal Year	Savings
FY2014	3,666,027
FY2015	1,394,493
FY2016	2,657,705
FY2017	18,551,148
FY2018	8,833,161
Grand Total	35,102,534

All Cost Savings and Reductions by Type (FY14-FY18)

Type	Savings
Salary	19,487,049
Non-Personnel	15,615,485
Grand Total	35,102,534

\$35.1M of savings is over 10% of the City's non-education budget



Department Cost Savings and Reductions FY2014 through FY2018

Department	Savings
111-Mayor's Office	357,349
112-Court of Common Council	169,573
113-City Treasurer	81,843
114-Registrars of Voters	87,654
116-Corporation Counsel	338,983
117-Town and City Clerk	159,866
119-COO	715,165
120-Communications and New Media	343,705
122-Metro Hartford Innovation Services	637,188
123-Finance	1,001,590
125-Human Resources	651,110
128-Management, Budget & Grants	237,914
132-Families, Children, Youth and Recreation	1,765,739
211-Fire	1,564,292
212-Police	6,584,882
213-Emergency Services & Telecommunications	1,066,060
311-Public Works	1,955,932
420-Development Services	1,364,447
520-Health and Human Services	1,975,341
721-Library	828,040
820-Benefits and Insurances	6,048,162
822-Non Operating Dept. Expenditures	6,053,092
City-wide	1,114,607
Grand Total	35,102,534



Labor Savings: Fire

- Contract term of 4 Years: FY17 - FY20
- Successfully negotiated 4 years of 0% General Wage Increases
- Transitioned from PPO to HDHP/HSA Plan for health insurance
- Increased Health Premium Cost Shares from 11% to 18%
- Increased Pension Employee Contribution by 3% pts on all wages; new pension benefits for new hires that reduces multiplier & caps benefit at 70%
- New salary schedules for new hires that reduces max annual salaries by 10-15%
- Adjusted Retiree Health
 - **Pre 2007 (after 12/31/17):** Pre-age 65 fixed premium increased by 20%; Coverage changes consistent with active employees (includes employer HSA contribution); At age 65 receive \$250 monthly stipend in lieu of City-provided insurance
 - **Post 2007:** Employees contribute 1% of base salary during active employment and pay 50% of monthly premium rate as retirees; Coverage changes consistent with active employees (no employer HSA contribution)
 - **New Hires:** Employees contribute 2% of base salary during active employment and receive \$500 monthly stipend in lieu of City-provided insurance until age 65
- Decreased in Sick Leave Payout at retirement
 - **New Hires:** Max Accrual of 80 days; no payout
- Total Annualized Savings in FY19: \$3.9m



Labor Savings: Police

- Contract term of 6 Years: FY17 - FY22
- Successfully negotiated 4 years of 0% General Wage Increases
- Transitioned from PPO to HDHP/HSA Plan for health insurance
- Provides PPO buy-up option for current members, which sunsets 6/30/2022
- Increased Health Premium Cost Shares from 14% to 20%
- Increased Pension Employee Contribution by 3% pts; new pension benefits for new hires that reduces multiplier & caps benefit at 70% of base wages
- Adjusted Retiree Health:
 - **Current Employees:** Coverage changes consistent with active employees; Not able to purchase or remain on City plan at age 65
 - **New Hires:** Employees will contribute % of salary during active employment and receive a monthly stipend in lieu of City-provided insurance until age 65
- Decrease in Sick Leave Payout at retirement
 - **Current Employees:** Max Accrual of 120 days; payout is 50% to a maximum of 60 days
 - **New Hires:** Max Accrual of 80 days; no payout
- Total Annualized Savings in FY19: \$3.5m



Labor Savings: CHPEA

- Contract term of 4 Years: FY17 - FY20
- Successfully negotiated 4 years of 0% General Wage Increases
- Transitioned from PPO to HDHP/HSA Plan for health insurance
- Increased Health Premium Cost Shares from 16.5% to 18.5%
- Increased Pension Employee Contribution by 2.5% pts; new pension benefits for new hires that reduces multiplier, caps benefit at 70% of base wages & modifies eligibility for normal and early retirements
- Adjusted Retiree Health
 - **Current Employees:** Coverage changes consistent with active employees; Not able to purchase or remain on City plan at age 65
 - **New Hires:** Not able to purchase or remain on plan
- Decrease in Sick Leave Payout at retirement (Current employee YOS as of 12/31/17)
 - **Employees with 5-9 YOS:** Max Accrual of 100 days plus 4 days for each year completed as of 12/31/17; payout is 35% plus an additional 2% for each full YOS over 5 YOS as of 12/31/17
 - **Employees with < 5 YOS:** Max Accrual of 100 days plus 4 days for each year completed as of 12/31/17; payout is 35%
 - **New Hires:** Max Accrual of 80 days; no payout
- 2 Furlough Days per fiscal year
- Total Annualized Savings in FY19: \$0.2m



Labor Savings: 1716

- Contract term of 6 Years: FY16 - FY21
- Successfully negotiated 4 years of 0% General Wage Increases
- Transitioned from PPO to HDHP/HSA Plan for health insurance
- Provides PPO buy-up option for current members, which sunsets 6/30/2021
- Increased Health Premium Cost Shares from 12% to 15%
- Adjusted Retiree Health
 - **Current Employees:** Coverage changes consistent with active employees; Not able to purchase or remain on City plan at age 65
 - **New Hires:** Not able to purchase or remain on plan
- Decrease in Sick Leave Payout at retirement
 - Max Accrual of 120 days; payout is 50% or 40 days, whichever is less
- Workers' Compensation salary differential between take-home pay and minimum W/C threshold reduced from 1 year to 6 months
- Total Annualized Savings in FY19: \$0.9m

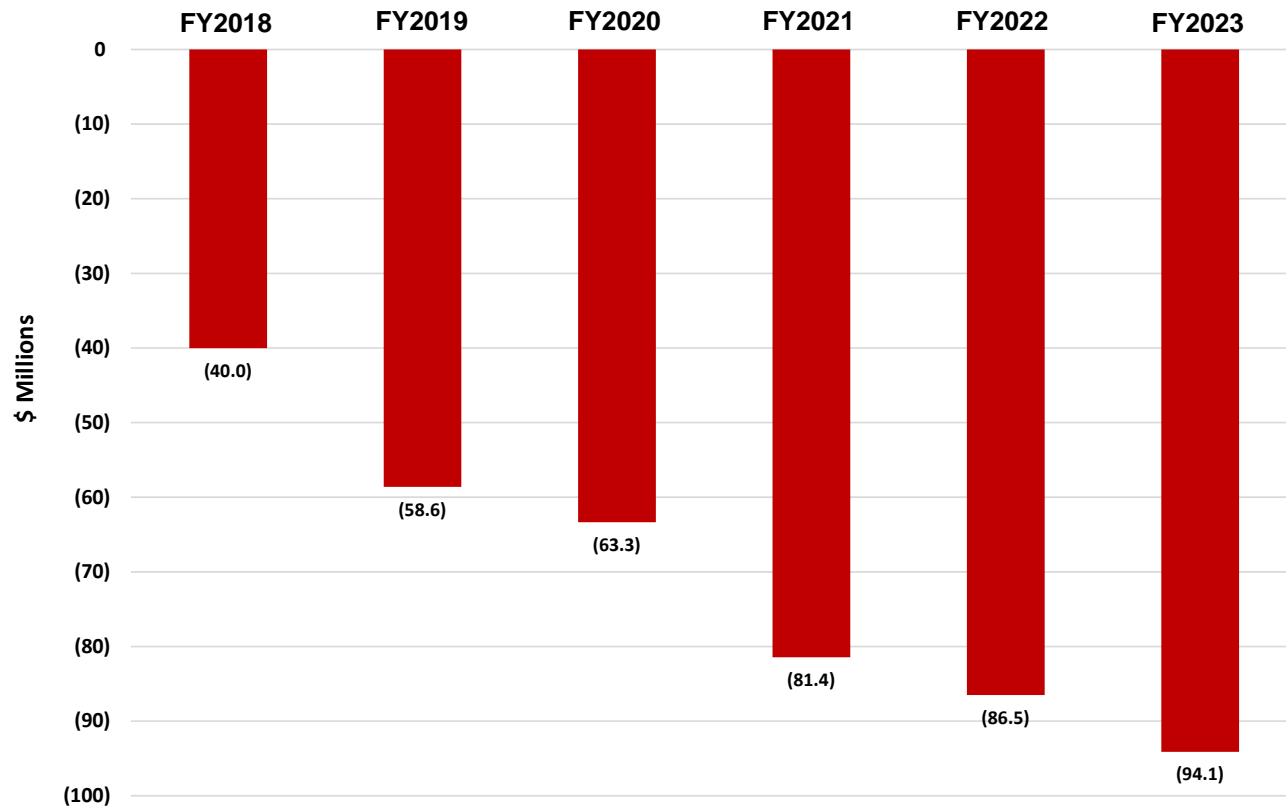
Total Annualized Labor Savings: \$8.6M



Recovery Plan



Forecasted Deficits





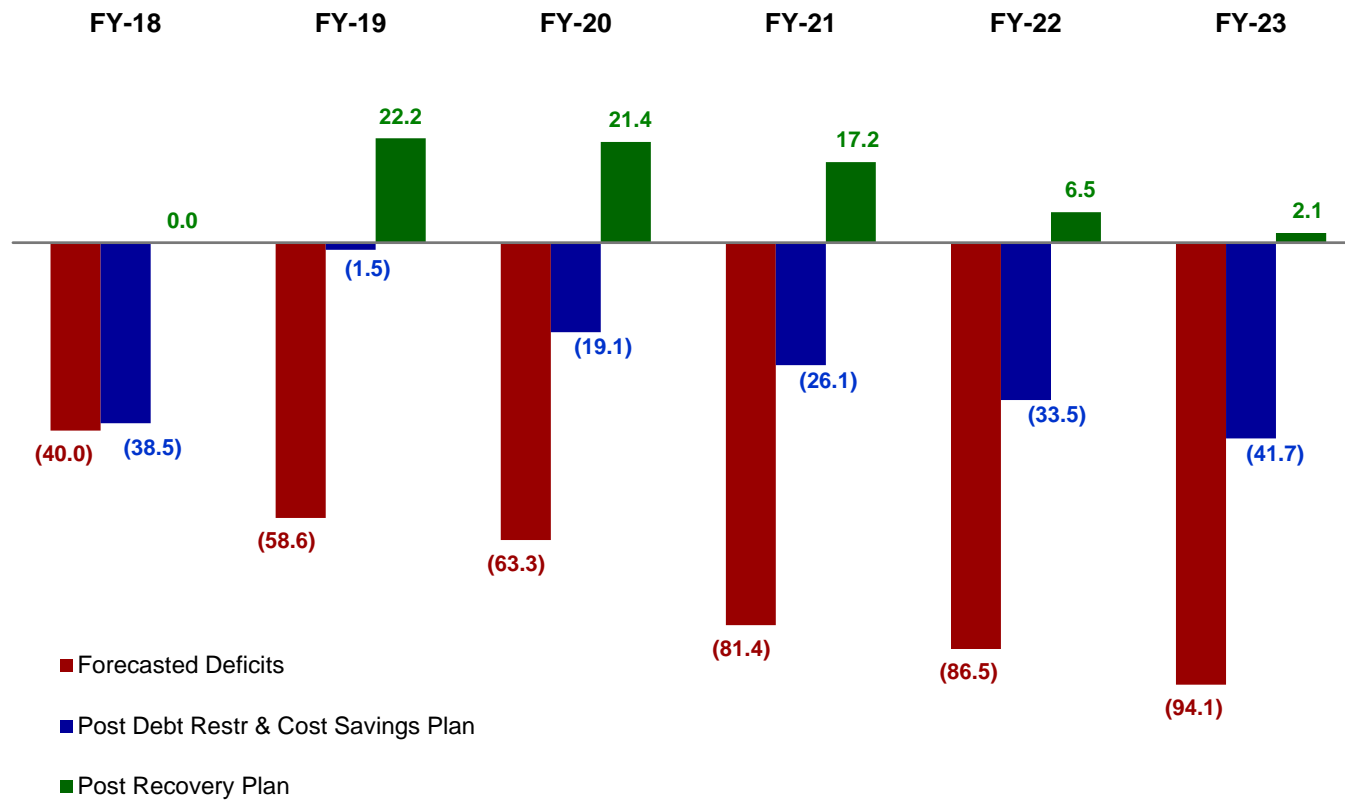
Recovery Plan

City of Hartford Recovery Plan

	FY-18	FY-19	FY-20	FY-21	FY-22	FY-23
Revenues	\$563.3	\$566.8	\$573.0	\$578.4	\$583.4	\$587.6
Expenses	(604.9)	(618.9)	(629.8)	(653.3)	(663.4)	(675.2)
Deficit Prior to Bipartisan State Budget	(\$41.6)	(\$52.1)	(\$56.9)	(\$74.9)	(\$80.0)	(\$87.6)
(+) Municipal Stabilization Grant	4.5	3.2	3.2	3.2	3.2	3.2
(-) PILOT Payments	(7.1)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)
(-) Car Tax Share	(1.8)	(5.2)	(5.2)	(5.2)	(5.2)	(5.2)
(-) Mashantucket/Pequot & Town Aid Road		(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
(-) Elderly Renters Rebate Program	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
(+) MIRA	1.0	1.0	1.0	1.0	1.0	1.0
Subtotal Munic Aid Impact	(3.7)	(9.1)	(9.1)	(9.1)	(9.1)	(9.1)
(+) Motor Vehicle Mill Rate	2.7	5.1	5.1	5.1	5.1	5.1
(-) Loss of Admissions Tax Stadium Revenues	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
(-) CIP Salaries	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
(+) Favorable Projection	4.9	-	-	-	-	-
Forecasted Deficits	(\$40.0)	(\$58.6)	(\$63.3)	(\$81.4)	(\$86.5)	(\$94.1)
(+) Current GO Debt Service	-	48.7	45.8	56.4	54.8	54.2
(-) Debt Service Post Restructuring	-	(20.0)	(31.0)	(31.0)	(31.0)	(31.0)
(+) Contract Assistance for Debt Service Payments	-	20.0	20.0	20.0	20.0	20.0
Deficit with Proposed Debt Restructuring	(\$40.0)	(\$9.9)	(\$28.6)	(\$36.0)	(\$42.7)	(\$50.9)
(+) Labor cost savings	1.6	6.3	7.4	7.8	7.1	7.1
(+) OPEB cost savings	-	2.1	2.1	2.1	2.1	2.1
Deficit / Surplus with Cost Savings Plan	(\$38.5)	(\$1.5)	(\$19.1)	(\$26.1)	(\$33.5)	(\$41.7)
(+) New Debt Issuance Removal	-	3.8	7.5	11.3	15.0	18.8
Subtotal less New Debt Issuance	(38.5)	2.2	(11.6)	(14.8)	(18.5)	(22.9)
(+) Municipal Restructuring Funds	38.5	20.0	25.0	25.0	25.0	25.0
(+) School Construction Reimbursements	-	-	8.0	7.0	-	-
Available for PayGo CapEx Financing	-	\$22.2	\$21.4	\$17.2	\$6.5	\$2.1



Recovery Plan





Closing Remarks