

DRAFT
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

REGULAR MEETING MINUTES
Hartford Subcommittee of the MARB

Meeting Date and Time: Thursday, May 1, 2025, 10:00 AM

Meeting Location: This was a virtual meeting. Meeting materials may be accessed at the following website:
<https://portal.ct.gov/OPM/Marb/Hartford-Committee-Meetings-and-Materials>

Call-In Instructions: Meeting participants may use the following telephone number and access code:

Telephone Number: (860) 840-2075

Meeting ID: 311 554 329

Members in Attendance: Kimberly Kennison (OPM Secretary Designee), Kevin Alvarez (Treasurer's Designee), Stephen Falcigno, Lisa Hammersley, and Robert White.

City Officials in Attendance: Mayor Arulampalam (left 10:50AM), Julian Freund, Leigh Ann Ralls, Ajayi Olusegun, Paul Foster, Caitlin Richard, and Trahn-Tra Phan.

OPM Staff in Attendance: John Mehr, Simon Jiang, Lori McLoughlin, Bill Plummer, and Michael Reis.

I. Call to Order & Opening Remarks

The meeting was called to order at 10:05 AM by Ms. Kennison. This is a regularly scheduled TEAMS meeting with the focus being on the City's FY26 Budget as well as the Board of Education FY26 Budget.

II. Approval of Minutes:

a. May 2, 2024, Special Meeting

Mr. White made a motion to approve May 2, 2024, special meeting minutes with a second from Ms. Hammersley. Motion carried.

b. January 23, 2025, Regular Meeting

Ms. Hammersley made a motion to approve January 23, 2025, meeting minutes with a second from Mr. Alvarez. Mr. Falcigno abstained. Motion carried.

III. Review and Discussion: Board of Education FY 2026 Budget

The Subcommittee received copies of the Superintendent's Proposed 2025-26 Operating Budget. The budget initially reflected a deficit of \$14.7 million that has been reduced to \$6.7 million. Mr. Foster and Ms. Richard provided an overview of the FY2026 Budget.

Mr. Foster reviewed the timeline for the budget process, with the Board of Education (BOE) voting to adopt the budget on the 15th of April. The budget was presented to the City Council on the 23rd of April.

Revenues are flat with FY26 being the final year of the phase in for additional funding under the Education Cost Sharing (ECS) grant. Expenses are affected by general inflation across all areas of the budget but being driven by the rising costs of the three big areas: salaries, special education tuition, and transportation.

Mr. Foster touched upon the consulting firm, Public Works, who was engaged in assessing BOE's fiscal management. The consulting firm found no evidence of misspending, underspending, or sitting on money that has not been spent. It performed exhaustive review of the finances and the budgets. Some recommendations that came from Public Works were mostly around system and process issues with a recommendation relating to reduction in positions. Mr. Foster also mentions the Mayor's Blue-Ribbon Commission that looked at the system as a whole. One of the big findings being structural issues that exist within the Hartford school's operation creating structural fiscal challenges.

Mr. Foster discussed the new teacher's labor contract that addressed the 180 teacher vacancies in the Hartford public schools. The focus was on newly hired teachers by moving the pay scale to the middle in pay within Hartford County. Also, he stated modest enrollment decline over the last four years that total out in the range of 16,500 students and discussed the closing / consolidation of school facilities.

Ms. Richard presented an overview of the BOE FY2026 Proposed Budget. At the start of the process the budget had a \$30 million deficit driven by the cost of special education, tuition, and transportation. Initial budget reductions totaled \$15.3 million, which included a reduction of managerial positions in the Central Office and an additional \$3.0 million from the City to help reduce the deficit. Also, a placeholder of \$5 million of funding from the State was used based on the current fiscal year's \$5 million State contribution. This would leave the BOE with a \$6.7 million deficit to close.

At the April BOE meeting, the Board voted to make an additional set of reductions to balance the Budget. The Board adopted the FY2025-2026 Budget totaling \$452.1 million and formally requested that the City identify an additional appropriation of \$6.7 million to fund essential programs. Additional adjustments to the budget included further staff reductions at the Central Office level. At the school level, about 56 teaching positions and support positions resulted in a 2% reduction at the schools. The BOE is projecting to have fewer vacancies in FY26 than in the current year. Projecting a vacancy rate of 6% compared to the current year 12% vacancy rate for teachers.

Ms. Richard provided a chart showing that over the last eleven years, Hartford Public Schools has mitigated almost \$200 million in costs and eliminated 645 positions to balance the budget which includes ARPA funded positions.

IV. Review and Discussion and Possible Action: Mayor's FY 2026 Recommended Budget

Ms. Kennison stated Hartford is a Tier II municipality, according to the statute the MARB has approval authority of certain items of the annual budget. OPM staff have provided the

subcommittee with a memorandum on those items and a copy of the City's October 2024 Grand List. Subcommittee members received copies of the City of Hartford FY2026 Recommended Budget Book and the FY2026 Recommended Budget Report to MARB.

Mayor Arulampalam and Mr. Freund provided an overview of the City's FY2026 Recommended Budget. The Mayor stated that the FY2026 Budget is \$626 million and maintains the existing mill rate at 68.95 mills. The City is holding spending increases to 0.4%. The Mayor pointed out some targeted investments to include violence prevention to address crime in the City, enhancements to Early Learning Center staff salaries to address hiring competitiveness, and an additional \$3.0 million to the BOE this year. Along with that, the City and the BOE are working through a process to identify savings through consolidation of back-end functions.

Mr. Freund discussed the City's largest source of revenue, property taxes. Continuing to see the impact of tax appeals from the last revaluation limiting the ability of the Grand List to grow year after year. The Grand List for October 2024 is \$4.8 billion with the tax collection rate being 95.46%. Motor vehicle taxes were negatively impacted due to the change in the State rules for valuing how motor vehicles by using depreciation schedules. The City did opt to use the local option, a somewhat less impactful depreciation method. Intergovernmental revenue, primarily State aid to the City in accordance with the Governor's Budget, has minor reductions in PILOT payments and in the amount received for the motor vehicle CAP reimbursement. Lower interest income and a slight increase in revenue from building permits. On the expenditure side, payroll is increasing by 2.2% and benefits are increasing by 6.9% driven by rising health claims. The General Fund will be transferring \$3.0 million dollars to the Capital Project Budget for the pavement overlay program and sidewalk repairs.

The Subcommittee discussed commercial properties values, tax appeals, and the upcoming Revaluation.

Mr. Alvarez made a motion to approve Mayor's FY 2026 Recommended Budget and recommend it to the MARB with a second by Mr. White. Motion carried.

V. Review, Discussion and Possible Action: Hartford 5-Year Plan

Mr. Freund presented the City's 5-Year Plan projecting revenues and expenditures for FY2026 and FY2027 in balance. FY2028 would be the first revaluation year. The following two years the City is projecting surpluses. Revenue assumptions that include Grand List growth of 1.5% except for 13.9% in FY2028. No change in State Aid through FY2030. Expenditure assumptions included payroll increasing 3.1% per year with an attrition factor of -9.5% for FY2027 – FY2030. Health insurance increases 7.0% per year. Assumptions regarding pension costs are based on the City's actuary firms updated five-year forecast.

Mr. Freund mentioned that the City is proposing to begin borrowing funds using \$25 million of general obligation bonds for critical infrastructure and \$25 million for lease/purchase for fire apparatus, heavy equipment for public works, and information technology infrastructure and security upgrades.

Mr. Freund discussed education funding being at the current level throughout the planning period. The Mayor's Blue-Ribbon Commission is looking for opportunities such as school buildings

capacity and consolidations, and back-office efficiencies between the City and BOE that might create savings.

Ms. Kennison asked if the BOE prepared a 5-Year Plan. Mr. Foster replied the Board did one last year, but it has not yet been updated. Ms. Hammersley stated that the City's 5-Year Plan showing surpluses in the future, the City should be increasing investments to the BOE. The Subcommittee continued to discuss the impact of the tax appeals cases, the revaluations, and economic development.

Mr. Alvarez made a motion to approve the City of Hartford 5-Year Plan with an understanding that an increase to the Board of Education allocation would be considered as a use of future surpluses and recommend it to the MARB with a second by Mr. White. Motion carried.

VI. Other

Ms. Rails provided an update on the State refinancing City of Hartford bonds stating going out to market last week and this is in the final stages of closing up. The closing call is scheduled for May 21, 2025.

VII. Adjourn

The next regularly scheduled MARB meeting is scheduled for May 15, 2025, at the Legislative Office Building.

Mr. Alvarez made a motion to adjourn the meeting with a second by Ms. Hammersley. Motion carried. The meeting adjourned at 11:30 AM.