

DRAFT
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

SPECIAL MEETING MINUTES
Hartford Subcommittee of the MARB

Meeting Date and Time: Thursday, May 2, 2024, 10:00 AM – 12:00 PM, Rescheduled from April 25, 2024

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: 617 936 713

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

City Officials in Attendance: Mayor Arulampalam, Julian Freund, Paul Foster and Leigh Ann Ralls

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

OAG Staff in Attendance: James Caley, Assistant Attorney General

I. Call to Order & Opening Remarks

The meeting was called to order at 10:01 a.m. Ms. Kennison noted that this is a Special Meeting rescheduled from April 25, 2024. The agenda will be followed with a change in the order of items to accommodate the schedule of the City and the Board of Education (BOE) officials.

II. Approval of Minutes:

a. January 18, 2024, Regular Meeting

Mr. White made a motion to approve the minutes with a second by Ms. Hammersley. The motion was unanimously approved with Mr. Alvarez abstaining.

III. Review, Discussion and Possible Action: Mayor's FY 2025 Recommended Budget

Ms. Kennison noted that with Hartford being a Tier II municipality and according to the Statute, the MARB has approval authority of certain revenue items of the annual budget. OPM staff has provided the Subcommittee with a memorandum on those revenue items and a copy of the October 2023 Grand List.

The Subcommittee members received copies of the Hartford's Proposed Budget for FY25 and the 5-Year Plan. The total budget is \$623.8 million, a 0.75% increase over last year. The 68.95 mill rate for FY25 will remain the same as the prior year budget.

Mayor Arulampalam reviewed the budget stating that their goal was to have a balanced budget without raising the mill rate. The revenue side had a decline in property tax collections that was offset by an increase in State grants, an increase in investment income and a modest increase in building-related permits. On the expense side, payroll costs and utility costs have increased. The City continues to fund its Capital Investment Program (CIP) out of the City operating budget. The City invested in the youth sports and recreation area to create productive after-school programs. Also, they created a business office to act like a concierge service to help new businesses navigate the City Hall licensing process. The Mayor touched upon health insurance benefits, pension, collaborating with the Metropolitan District Commission (MDC) on flood control improvements, and road and sidewalk improvements.

The Subcommittee and the Mayor discussed concerns about police recruitment and the status of the City's tax appeals. The Mayor noted that they budgeted conservatively and kept costs down for the fiscal year. His biggest concern continues to be the value of downtown buildings and their impact. The City is realistic about the amount of commercial space that is not returning and aggressively coming up with a plan together with the State to address this situation.

Mr. Waxenberg made a motion to recommend the Mayor's FY 2025 Recommended City of Hartford Budget to the Full MARB for approval, seconded by Mr. Alvarez. The motion passed unanimously.

IV. Review, Discussion and Possible Action: Hartford's 5-Year Plan

Mayor Arulampalam and Mr. Freund discussed the City of Hartford FY2025-FY2029 5-Year Plan.

Mr. Freund provided an overview of how the forecast was assembled and the assumptions that were used to build this mirrored the ones that were used last year. The plan did not build in any impact for revaluation of the October 2026 Grand List, which would impact FY2028 into the baseline forecast, and kept the mill rate level with a constant collection rate that was used in the FY2025 budget. State aid remained flat.

Payroll was based on existing labor agreements and then forecasted out beyond those agreements. Pension projections are based on actuarial reports and forecasts. The City is maintaining a very austere capital plan. The only debt service in the budget is the revenue bond debt associated with the stadium and a very small Clean Water Act loan.

In the past, the City used a very modest attrition factor that was shown to be very conservative. The City built an attrition factor into the forecast based on historical rates. The FY2025 budget used a 6% vacancy rate and forecasting years two through five the percentage is in line with historical actuals with an attrition factor closer to 9%, a bit more conservative.

The 5-Year Plan forecast for the first few years has projections to be in balance. Not until years four and five did revenues and expenditures projections result with forecasted deficits. The City changed its approach by starting early addressing revaluation. The assessor put together three scenarios of growth in the Grand List that could generate between \$5.25 million to over \$28

million per year in property tax collections. Depending on the results of revaluation, it could more than offset the projected deficits in years four and five of the plan.

Mayor Arulampalam discussed four cost containment and cost mitigation initiatives. The first relates to energy efficiency and renewable energy. With the goal to reduce operating costs within city and school buildings and supporting large scale solar projects. The second is risk management. To continue to reduce claims expense with safety training and developing a managed care plan for workers compensation with a return-to-work program. The third is to reduce long-term pension liabilities. Working with the City Treasurer office to development solutions that would reduce pension liabilities and would bring down the Actuarial Determined Employer Contribution (ADEC) payments. The fourth is working collaboratively on cost containment measures with the Hartford Board of Education and with the School Superintendent to look at the cost of drivers like special education, transportation and tuition, to see if the City and the Board can partner resources.

The Subcommittee discussed the projected deficits in years four and five and closing the gap with a sufficient fund balance. They discussed the flat funding of the Hartford Public Schools (HPS) by the City over the past several years and with no increases in school funding in the 5-Year Plan. The Mayor stated that the City cannot be relied upon to fix funding problems within the schools. Assistance is needed from the State to deal with rising special education costs. Also, 50% of Hartford students go to Choice Schools which creates inequity for those within the HPS and the City cannot fix those problems alone. The Subcommittee discussed disadvantages of starting the school year with a budget deficit because of rising tuition costs, operating and general education costs, and special education costs. The Subcommittee highlighted policy changes and legislative changes that are needed in certain areas.

Ms. Kennison asked the members for their views of the 5-Year Plan. After a brief discussion, it was decided to delay moving on the plan by allowing the City the opportunity to provide additional feedback prior to the next MARB meeting. Staff will speak to the Secretary to determine whether a separate subcommittee meeting will be added or will be discussed at the next MARB meeting.

V. Review and Discussion: Board of Education FY 2025 Budget

A link to the Superintendent's Adopted 2024-2025 Operating Budget, the Proposed FY2024-2025 Budget overview dated April 16, 2024, and the 5-Year Budget Forecast dated April 25, 2024, were provided to the Subcommittee for review.

Mr. Foster provided an Executive Summary of the Superintendent's Hartford Public School (HPS) Proposed FY2024-2025 Recommended Budget. The budget process started earlier than in the past to provide sufficient time to engage the community. The building level school leaders were given some autonomy to make decisions about what was important to sustain their building operations and the unions were engaged throughout the process.

The FY2025 budget shows \$429 million in projected revenue and proposed expenditures of \$466 million before mitigation. The Board has mitigated \$35.7 million of the gap with significant reductions in funding and staffing of school-based positions and district-based positions. The budget represents 11% reductions in positions at the school level and an 18% reduction in positions budgeted at the district level. The district level has 334 positions. Of those positions a

large number are spending all day in schools as instructional coaches who are out observing, providing guidance, and coaching classroom teachers. This group also includes tradespeople that maintain the buildings. General Education Teaching positions have a 14.7% reduction, or 162 positions. As a mitigation strategy, a 5% vacancy assumption was used in FY2025 compared to 6% in FY2024 believing not as many positions will remain vacant. The Board plans to use any remaining ESSER /ARP grant funds to offset costs in July, August, and September. With the 58% cap on GenEd Magnet tuition included in the budget as an \$11.5 million savings and using \$5.6 million in the non-lapsing fund helped balance the budget.

The Subcommittee discussed the affect ESSER and ARPA grant funding had on the school budget and staffing levels. It was confirmed that the temporary positions would end when the grant funds ended. Mr. Foster mentioned that the temporary COVID relief funds allowed for the papering over some of the structural fiscal realities facing Hartford Public Schools. The Subcommittee discussed the Sheff case and the effect it had on Hartford schools.

Mr. Foster walked through a 5-Year forecast. A new mitigation piece was added with the passing of Bill 5212 that related the GenEd Magnet tuition. Salaries and fringe benefits are going at a rate that will require position cuts every year. Transportation costs are forecasted to go from \$29.5 million in FY2025 to \$36 million by 2030. The increase in tuition costs is being driven by special education. Mr. Foster discussed Excess Cost with 250 students that exceed the threshold that triggers it at a cost of \$34 million this year. The funds received from the State are \$8.5 million.

The Subcommittee discussed school enrollment, neighborhood schools, and right sizing of schools. Mr. Foster said that there are eleven schools with less than 300 students and that the Board Chair has asked for the necessary data to be compiled to start the right sizing process.

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scenarios of growth in the Grand List that could generate between \$5.25 million to over \$28 million per year in property tax collections. Depending on the results of revaluation, it could more than offset the projected deficits in years four and five of the plan.

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VII. Adjourn

The next MARB meeting on May 16, 2024 will focus on the Proposed FY25 Budgets and the 5-Year Plans for the Cities of Hartford and West Haven.

Mr. Waxenberg made a motion to adjourn with a second by Mr. White. The meeting adjourned at 12:03 AM.