GENERAL FUND EXPENDITURE AND REVENUE FORECAST ASSUMPTIONS FISCAL YEARS 2013-2014 THROUGH 2017-2018

The primary purpose of this forecast is to present a prospective view of the City's General Fund revenue and expenditure levels during the next five years. It is important to note that as assumptions are replaced by reality in future years, the forecast will fluctuate. As such, this forecast should be used as a management and planning tool and amended annually. It is also important to note that the Court of Common Council is mandated by Charter to adopt a balanced budget. Therefore, any projections indicating a budget deficit will require adjustments before budget adoption. These adjustments will range from reducing expenditures to raising revenues or a combination of both.

Assumptions for Revenue Projections

The General Fund revenue forecast highlights the anticipated revenue trend and outlook for the City of Hartford during a challenging economic time. Federal, state, and local governments are facing adverse economic conditions that have not been encountered in several generations. These challenges will place an economic burden on all sectors of the economy; governments, that provide services to the public, will be stressed to maintain critical services. The property tax base, which is the revenue source that picks-up the shortfall from other underperforming revenue sources, will be strained during a time of economic downturn. The City will be challenged to develop alternative revenue sources to fill the budgetary gap.

Taxes are a major source of revenue. The tax revenue projection for the fiscal year 2013-2014 budget reflects a no mill rate increase. Future year property tax revenue will hopefully increase with an improvement in the collection rate, coupled with new property development. Future years do not reflect the effect of tax increases. Lower prior year collection amounts are responsible for the decline in fiscal year 2013-2014.

Licenses and Permits revenues are aligned with the economic state of the City. Accordingly, the short-term outlook for this revenue category is expected to perform below normal.

Fines, Forfeits and Penalties are expected to remain level. This category is relatively small and is not a major source of revenue.

Revenue from the Use of Money and Property decreases are anticipated for fiscal year 2013-2014 due to the reduction in revenue from the lease of the XL Center, coupled with a decline in revenue from investing activities. Interest rates are expected to increase with an improving economy and income from development properties is expected to stabilize.

Intergovernmental Revenue is a major source of revenue to the City. With the current downturn in the national, state, and local economies, the State of Connecticut is experiencing financial stress in its budgetary operations. The City relies heavily on state assistance since a significant portion of tax exempt properties are within the Capital City's boundaries. The City does not foresee a short-term improvement of the State's economy or the expectation of any significant increase in state funding.

Charges for Services for fiscal year 2013-2014 will increase with higher fees and additional fees for various City services. No major increases are expected until a general improvement to the economy is realized.

Reimbursements include amounts payable to the City from grant programs for employee fringe benefits, capital project reimbursements for employee services, and miscellaneous reimbursements from risk management activities. Reimbursements for Medicaid services will increase the revenue in this category for future years.

Other Revenue includes the sale of development properties and other miscellaneous revenues. The sale of City property will decrease in fiscal year 2013-2014 and subsequent years are expected to remain relatively flat since there are no major properties that are expected to be sold.

Fund Balance is expected to remain constant or grow incrementally over the next several years to meet our stated goal to maintain a 7.5% fund balance of the total City Budget. There are no plans to draw upon fund balance to meet expenditure activity. The City recognizes that the planned use, or the use based upon unfavorable results of budgetary operations, will adversely affect the ability to effectively access the bond market; and impact the interest cost of bond and note issuance.

Assumptions for Expenditure Projections

Municipal

Operating Expense: Operating Departments show a 1.0% projected increase for FY 13-14 expenditures compared to the FY 12-13 Adopted Budget. In future years operating departments are projected to increase approximately 3.0% as a result of cost of living increases and minimal non-personnel expense increases.

Benefits and Insurances: In the FY 13-14 Budget, benefits and insurances are projected to increase 48.8%, and in future years it is expected that this category will increase approximately 7.0% on average based on the experience of previous years' employee medical claims, employer pension costs, an increase in property and casualty insurance account and an adjustment to the cash out account in anticipation of employee cash outs upon retirement. The FY 13-14 increase assumes the funding of significant health and pension expenditures. Incorporated within this projection is an annual contribution to the internal service funds associated with claims related to employee benefits, workers compensation and property and casualty insurance.

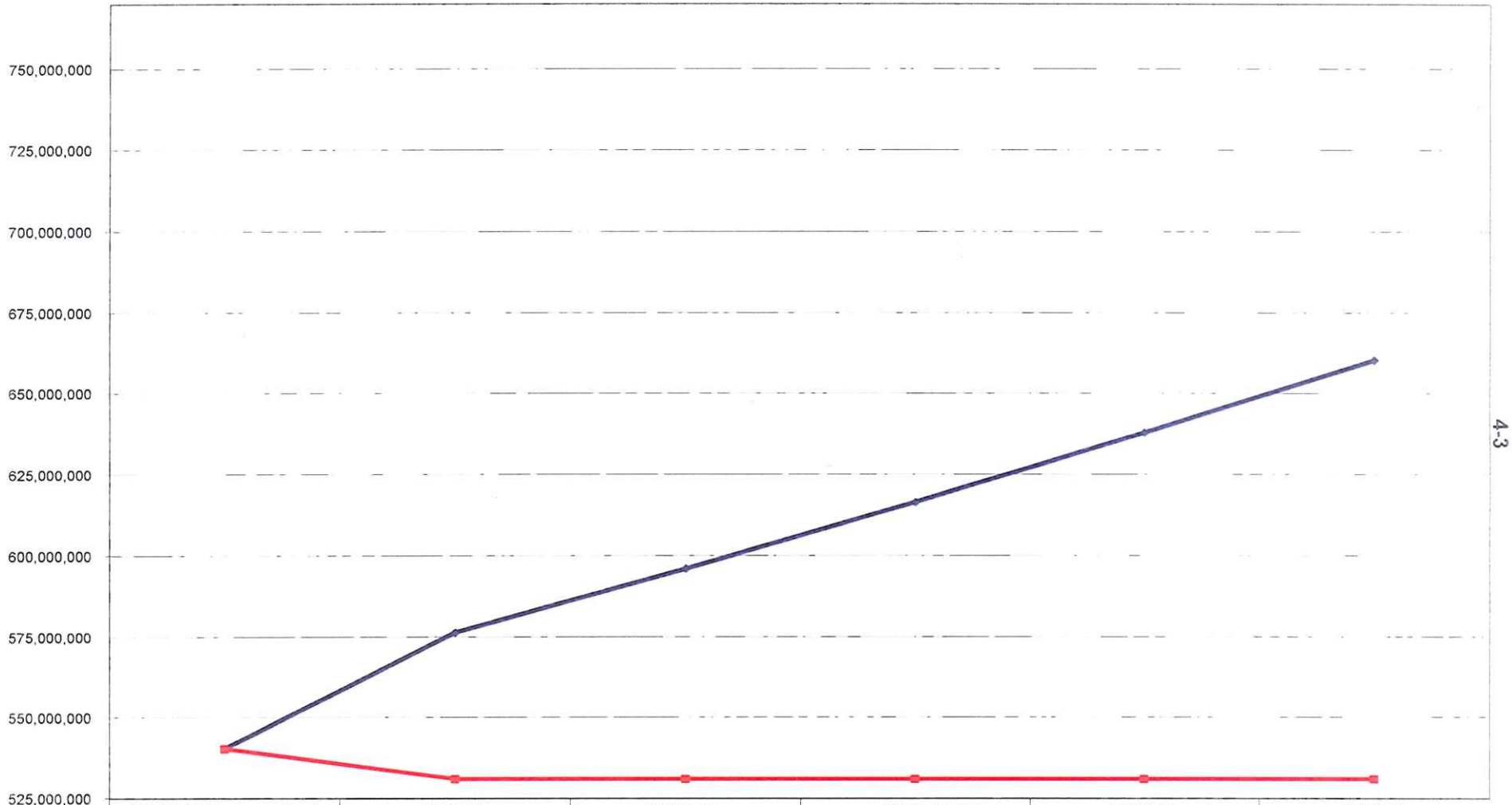
Debt Service: Debt Service is projected to increase 5.0% in Fiscal Year 2013-2014 and is expected to grow a modest 2.0% in future years as cost of borrowing remains low.

Non-Operating Department Expenses: In the FY 13-14 Budget these expenses are projected to increase by 3.9% compared to the FY 12-13 Adopted Budget. In the future it is expected that these expenses will increase 8.0% on average based primarily on projected increases in utilities. Incorporated within this projection are payments to community activities, payments to government agencies, payments to outside agencies, lease payments, client server technology, fuel, utility, tipping fees, special events, legal expense and settlements.

Education: Education is projected to increase 1.0% in FY 13-14 and is projected to increase by 2.0% in the remaining years.

Library: The Library is projected to increase 1.0% in FY 13-14 and is projected to increase by 2.0% in the remaining years.

Total Gap Between Revenues and Expenditures



	FY 12-13 Recommended	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18
Expenditure	540,270,981	$576,448,233	$595,976,309	$616,418,950	$637,830,824	$660,270,303
Revenue	540,270,981	530,972,097	530,972,097	530,972,097	530,972,097	530,972,097
Gap	0	(45,476,136)	(65,004,212)	(85,446,853)	(106,858,727)	(129,298,206)

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