GENERAL FUND EXPENDITURE AND REVENUE FORECAST ASSUMPTIONS FISCAL YEARS 2011-2012 THROUGH 2015-2016

The primary purpose of this forecast is to present a prospective view of the City's General Fund revenue and expenditure levels over the next five years. It is important to note that as assumptions become 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 2010-2011 budget reflects a mill rate increase that is necessary to offset an increase in expenditures. With a collection rate of real property, personal property and motor vehicle taxes that is adversely impacted by the national, state and local economy, an increase in the mill rate is required. Future year property tax revenue will hopefully increase with an improvement in the collection rate, coupled with new property development. Significant increases in the mill rate, after the 2011-2012 fiscal year, are not anticipated; although the 2011-2012 budget forecast continues to reflect the downward trend resulting from the current economic conditions.

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 expectations.

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 2010-2011 due to the reduction in one-time property transactions, coupled with a continued 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 will decrease for fiscal year 2010-2011 since many of the revenue items in this category are tied to the economy. Higher fees and additional fees for various City services will help to stabilize this revenue source, but 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. There are no anticipated major changes projected for this revenue category.

Other Revenue includes the sale of development properties and other miscellaneous revenues. The sale of City property will be significantly less in fiscal year 2010-2011. 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 over the next several years. 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 an overall increase of 4.5% in the 2010-2011 projected expenditures. Public Safety is projected to increase 7.1%, primarily due to the addition of classes of 30 for both Police and Fire, contractual wage increases and offsetting the loss of one-time stimulus funding for overtime, which creates an additional burden on the general fund which is offset by Fire Union concessions. In future years operating departments are projected to increase 5.4% as a result of cost of living increases and minimal non-personnel expense increases.

Benefits and Insurances: In FY 10-11 benefits are projected to increase 17.9% and in future years it is expected that this category will increase approximately 24.3% primarily due to the pension contribution and based on the experience of the last five years of employee insurance, employer pension costs, an increase in property and casualty insurance account based on annual industry projections and an adjustment to the cash out account in anticipation of employee cash outs upon retirement. 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 causality.

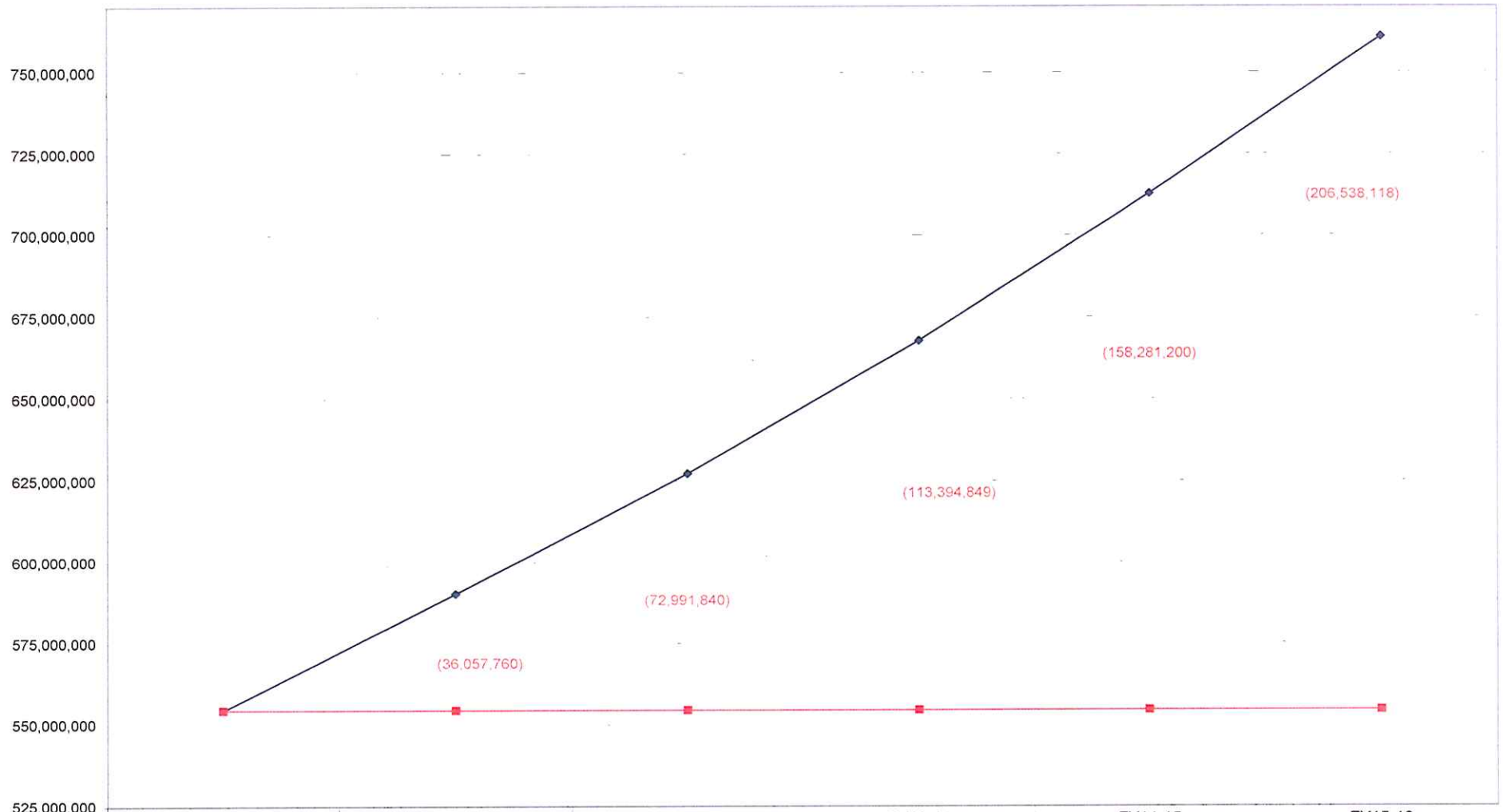
Debt Service: Debt Service is projected to be 6.2% of the total General Fund expense in Fiscal Year 2010-2011 and is forecasted to remain about 6.1% in future years.

Non-Operating Department Expenses: In FY 10-11 these expenses are projected to decrease 3%. It is expected that these expenses will increase slightly in FY 11-12 and beyond by approximately 0.6% based primarily on projected increases utilities and offset by decreases in lease payments. Incorporated within this projection are payments to community activities, vehicle replacement, 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 increased $2.5 million in FY 10-11 and is projected to increase by 5.5% in the remaining years.

Library: For the 2010-2011 Fiscal Year this category remains on-line. For the remainder of this forecast, we project increases of 5.5%.

Total Gap Between Revenues and Expenditures



	FY 10-11 Recommended	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16
Expenditure	554,280,552	590,338,312	627,272,392	667,675,401	712,561,752	760,818,670
Revenue	554,280,552	554,280,552	554,280,552	554,280,552	554,280,552	554,280,552
Gap	0	(36,057,760)	(72,991,840)	(113,394,849)	(158,281,200)	(206,538,118)

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