

OFFICIAL STATEMENT DATED APRIL 4, 2013

**New Issue – Book-Entry-Only**

**Ratings:**  
**Moody's: A1/MIG 1**  
**S & P: A/SP-1**

*In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds and the Notes may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.*



**CITY OF HARTFORD, CONNECTICUT**  
**\$48,160,000 GENERAL OBLIGATION BONDS,**  
**SERIES 2013B**

**DAC Bond®**

**Dated: Date of Delivery**

**Due: As Shown on Inside Cover Page**

Interest on the General Obligation Bonds, Series 2013B (the "Bonds"), will be payable October 1, 2013 and semiannually thereafter on April 1 and October 1 in each year until maturity or earlier redemption. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Bonds will be general obligations of the City of Hartford, Connecticut (the "City"), and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. See "Security and Remedies" herein. The Bonds are subject to redemption prior to maturity. See "Optional Redemption" herein.

**WELLS FARGO SECURITIES**

**Estrada Hinojosa & Company, Inc.**

**Piper Jaffray & Co.**

**Siebert Brandford Shank & Co., L.L.C.**

**William Blair & Company**

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**\$64,650,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

**Dated: April 11, 2013**

**Due: April 10, 2014**

The General Obligation Bond Anticipation Notes (the "Notes") will be issued in book-entry-only form and will bear interest at such rates or rates per annum as shown on the inside cover page. Interest on the Notes will be payable at maturity. The Notes will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York.

The Notes will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Notes when due. See "Security and Remedies" herein. The Notes are not subject to redemption prior to maturity.

**WELLS FARGO SECURITIES**

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The Bonds and the Notes are offered for delivery when, as and if issued, and received by the Underwriter, subject to the final approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. Certain matters will be passed upon for the Underwriter by Shipman & Goodwin LLP, of Hartford, Connecticut. Certain legal matters will be passed upon by the City's Disclosure Counsel, Murtha Cullina LLP, of Hartford, Connecticut. It is expected that delivery of the Bonds and the Notes in definitive form will be made on or about April 11, 2013 through the facilities of DTC.

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**



## CITY OF HARTFORD, CONNECTICUT

### \$48,160,000 GENERAL OBLIGATION BONDS, SERIES 2013B

Dated: Date of Delivery

Due: April 1, as shown below

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
4/1/16	\$1,800,000	4.00%	0.820%	416415DB0	4/1/25*	\$2,640,000	5.00%	2.980%	416415DL8
4/1/17	1,875,000	4.00	1.060	416415DC8	4/1/26*	2,770,000	5.00	3.160	416415DM6
4/1/18	1,950,000	5.00	1.360	416415DD6	4/1/27*	2,910,000	5.00	3.270	416415DN4
4/1/19	2,045,000	4.00	1.690	416415DE4	4/1/28*	3,055,000	5.00	3.380	416415DP9
4/1/20	2,130,000	4.00	1.950	416415DF1	4/1/29*	3,210,000	4.00	3.750	416415DQ7
4/1/21	2,215,000	4.00	2.230	416415DG9	4/1/30*	3,335,000	5.00	3.490	416415DR5
4/1/22	2,305,000	4.00	2.480	416415DH7	4/1/31*	3,505,000	5.00	3.500	416415DS3
4/1/23	2,395,000	5.00	2.670	416415DJ3	4/1/32*	3,680,000	4.00	3.850	416415DT1
4/1/24*	2,515,000	5.00	2.840	416415DK0	4/1/33*	3,825,000	5.00	3.590	416415DU8

\*Priced assuming redemption on April 1, 2023; however, redemption is at the election of the City. See "Optional Redemption" herein.

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### \$64,650,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: April 11, 2013

Due: April 10, 2014

Interest Rate: 2.00%	Yield: 0.280%	CUSIP Number: 416415DA2
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**CITY OF HARTFORD, CONNECTICUT**  
**\$48,160,000 GENERAL OBLIGATION BONDS, SERIES 2013B and**  
**\$64,650,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

**INTRODUCTION**

This Official Statement, including the cover page, inside cover page and appendices, is provided for the purpose of presenting certain financial information and economic and demographic data relevant to the City of Hartford, Connecticut (the "City") in connection with the issuance and sale of its \$48,160,000 General Obligation Bonds, Series 2013B (the "Bonds") and \$64,650,000 General Obligation Bond Anticipation Notes (the "Notes").

The Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds or the Notes. This Official Statement does not constitute an offer to sell the Bonds or the Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds or the Notes, and, if given or made, such information or representation must not be relied upon. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All quotations and summaries and explanations of statutes, charters or other laws and acts and proceedings of the City contained herein do not purport to be complete, and are qualified in their entirety by reference to the original and all reference to the Bonds and the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings, and reference is made to said laws for full and complete statements of their provisions. **Statements in this Official Statement that are not historical facts are forward-looking statements based on current expectations of future events and are subject to risks and uncertainty that could cause actual results to differ materially from those expressed or implied by such statements. In addition, the City, through its officials, from time to time makes forward-looking public statements concerning its expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, the City's actual results may differ materially from those it expected. The City therefore cautions against placing substantial reliance on the forward-looking statements included in this Official Statement. All forward-looking statements included in this Official Statement are made only as of the date hereof and we assume no obligation to update any written or oral forward-looking statements made by the City or on its behalf as a result of new information, future events or other factors.**

The Financial Advisors for this issue are Webster Bank, National Association ("Webster Bank") and Municipal Resource Advisors, LLC ("MRA"). The information in this Official Statement has been prepared by Webster Bank and MRA from information supplied by City officials and other sources as indicated. Webster Bank and MRA do not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of the Official Statement.

U.S. Bank National Association, Hartford, Connecticut, will act as Certifying Agent, Registrar, Transfer Agent and Paying Agent for the Bonds and the Notes.

McGladrey & Pullen, LLP, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP, also has not performed any procedures relating to this Official Statement.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth in its opinion), and it makes no representation that it has independently verified the same.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Underwriter's Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy and completeness of the statements made in this Official Statement, and it makes no representation that it has independently verified the same.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OR THE NOTES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## SECTION I - SECURITIES OFFERED

### Description of the Bonds

The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum shown on the inside cover page of the Official Statement. Interest on the Bonds is payable on October 1, 2013 and semiannually thereafter on April 1 and October 1 in each year until maturity or earlier redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable to the registered owners thereof as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent, and the City shall agree. The Bonds will be certified by U.S. Bank National Association, Hartford, Connecticut, which will also act as the Registrar, Transfer Agent and Paying Agent.

### Description of the Notes

The Notes will be issued as fully registered notes, will be dated the date of delivery and will be due and payable as to both principal and interest at maturity on April 10, 2014. The Notes will bear interest at the rates or rates per annum set forth on the inside cover page hereof, and interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to the rules and procedures established by DTC and its participants. The Notes are not subject to redemption prior to maturity. Principal and interest on the Notes will be payable at the principal office of U.S. Bank National Association, Hartford, Connecticut.

### Authorization and Purpose

**Authorization:** The Bonds and the Notes are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended (the "Connecticut General Statutes"), the Charter of the City and certain bond ordinances adopted by the Common Council of the City with respect to the Bonds and the Notes.

**Purpose:** \$42,643,963 of the Bonds will be used to fund various public improvement projects, and \$5,516,037 of the Bonds will be used to fund the City's portion of various school projects. \$43,075,000 of the Notes will be used to fund various public improvement projects, and \$21,575,000 of the Notes will be used to fund the City's portion of various school projects. See "State School Construction Grants" herein.

### State School Construction Grants

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible construction expenses on school construction projects approved after July 1, 1996. State grants will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for the net share of project costs. The City's overall reimbursement rate is approximately 90% of eligible costs. The State generally retains a certain percentage of the grant payments pending final audit upon close-out of a project. The school construction projects being financed with this issue will receive reimbursement under this method. As of February 15, 2013, the City has appropriated \$915,370,000 and authorized bonds in the amount of \$470,703,500 for its share of various school construction projects. The City has received grants totaling \$458,460,550 and has issued bonds totaling \$127,440,000 for various school projects.

## Optional Redemption

The Notes are not subject to redemption prior to maturity.

The Bonds maturing on and after April 1, 2024 will be subject to redemption prior to maturity, at the option of the City, on and after April 1, 2023, either in whole or in part at any time in such amounts and in such order of maturity (but by lot within a maturity) as the City may determine, at the following redemption prices, expressed as a percentage of principal amount, plus accrued interest to the date set for redemption.

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
April 1, 2023 and thereafter .....	100%

### Notice of Redemption

Notice of redemption shall be given by the City or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon giving such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of the Bonds of such maturity to be redeemed shall be selected by lot in such manner as the City in its discretion may determine; provided however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or integral multiples thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The City, so long as book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant (as defined below), or of any DTC Participant or Indirect Participant (as defined below) to notify any Indirect Participant or Beneficial Owner (as defined below), of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the City will reduce the outstanding principal amounts of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interest in the Bonds to be redeemed will not be governed by the determination of the City authorizing the issuance of the Bonds and will not be conducted by the City, the Registrar or the Paying Agent.

**Sources and Uses of Proceeds**

Proceeds of the Bonds and Notes will be applied as follows:

	<u>Bonds</u>	<u>Notes</u>	<u>Total</u>
<b>Sources:</b>			
Proceeds of the Bonds .....	\$48,160,000.00	\$ -	\$ 48,160,000.00
Proceeds of the Notes .....		64,650,000.00	64,650,000.00
Original issue premium .....	<u>5,944,088.50</u>	<u>1,105,515.00</u>	<u>7,049,603.50</u>
Total Sources .....	\$54,104,088.50	\$65,755,515.00	\$119,859,603.50
<b>Uses:</b>			
Deposit to project fund .....	\$48,160,000.00	\$64,650,000.00	\$112,810,000.00
Costs of issuance <sup>1</sup> .....	381,890.49	156,515.31	538,405.80
Other Proceeds <sup>2</sup> .....	<u>5,562,198.01</u>	<u>948,999.69</u>	<u>6,511,197.70</u>
Total Uses .....	\$54,104,088.50	\$65,755,515.00	\$119,859,603.50

<sup>1</sup>Includes underwriters’ discount, rating agency fees, legal fees and other expenses.

<sup>2</sup>Other proceeds will be used to pay interest on the Bonds and Notes and other bonds of the City.

**Security and Remedies**

The Bonds and the Notes will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds and the Notes when due.

Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues. The City has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain other revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the City. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds or the Notes or judgments thereon, in priority to other claims.

The City is subject to suit on its general obligation bonds and notes, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds and notes from funds lawfully available therefor or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such bonds and notes would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the United States Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Under the federal bankruptcy code, the City may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a

petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and to any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

The City has never defaulted on the payment of principal or interest on its general obligation bonds or notes.

### **Bank Qualification**

The Bonds and the Notes shall **NOT** be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds and the Notes.

### **Book-Entry-Only System**

Unless otherwise noted, the description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds and the Notes, payment of interest and other payments on the Bonds and the Notes to DTC participants or beneficial owners of the Bonds and the Notes, confirmation and transfer of beneficial ownership interest in the Bonds and the Notes and other bond-related transactions by and between DTC, the DTC participants and beneficial owners of the Bonds and the Notes is based solely on information provided on DTC's website and presumed to be reliable. Accordingly, neither the City nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and the Notes (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and one fully-registered Note certificate will be issued for each interest rate of Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial

Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in the beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the paying agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Trustee or Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Trustee or Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Trustee or Remarketing Agent's DTC account.

DTC may discontinue providing its services as Securities depository with respect to the Securities at any time by giving reasonable notice to the City or its Agent. Under such circumstances, in the event that a successor securities depository is not obtained Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of the book-entry-only transfers through DTC (or a successor securities depository). In that event, Securities certificates will be printed and delivered to DTC.

NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS OR NOTEHOLDERS; AND (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER OR NOTEHOLDER.

#### **DTC Practices**

The City can make no assurances that DTC, DTC Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds or the Notes will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its Participants which are on file with the Securities and Exchange Commission.

#### **Tax Matters**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met at and subsequent to delivery of the Bonds and the Notes in order that interest on the Bonds and the Notes be and remains excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds and the Notes to be included in gross income retroactive to the date of issuance of the Bonds and the Notes. The Tax Regulatory Agreement, which will be executed and delivered by the City concurrently with the Bonds and the Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and the Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the City also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the City with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds and the Notes is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations.

Ownership of the Bonds and the Notes may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and the Notes. Prospective purchasers of the Bonds and the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of, or receipt of interest on, the Bonds and the Notes.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds and the Notes, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds and the Notes will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds and the Notes or adversely affect the market price of the Bonds and the Notes.

The opinions of Bond Counsel are rendered as of their date and are based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Bonds and the Notes are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds and the Notes.

### **Original Issue Premium**

The initial public offering price of certain maturities of the Bonds and the Notes may be greater than the principal amount payable on such Bonds and Notes at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds or the Notes is sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond or Note during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Amortized original issue premium on the Bonds and the Notes is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

### **Ratings**

On March 8, 2013, Moody's Investors Service assigned a rating of "A1" to the Bonds, affirmed the "A1" rating on the City's parity debt outstanding and assigned a rating of "MIG 1" to the Notes. On March 11, 2013, Standard & Poor's Rating Services (a division of the McGraw-Hill Companies, Inc.) assigned a rating of "A" to the Bonds, affirmed the "A" rating on the City's parity debt outstanding and assigned a rating of "SP-1" to the Notes. The City furnished to the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings reflect only the view of each rating agency and are subject to revision or withdrawal, which could affect the market price of the Bonds or the Notes. Each rating agency should be contacted directly for its ratings on the Bonds and the Notes and the explanation of such rating.

### **Underwriting**

The Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Bond Underwriter"). The Bond Underwriter has agreed to purchase the Bonds at the net aggregate purchase price of \$53,857,198.01 (representing the par amount of the Bonds less an underwriters' discount of \$246,890.49, plus a net original issue premium of \$5,944,088.50). Wells Fargo Securities (the "Note Underwriter") has agreed to purchase the Notes at the net aggregate purchase price of \$65,643,999.69 (representing the par amount of the Notes less an underwriter's discount of \$111,515.31, plus a net

original issue premium of \$1,105,515.00). The Contracts of Purchase between the Bond Underwriter and the City and between the Note Underwriter and the City (the "Purchase Contracts") provide that the Bond Underwriter will purchase all of the Bonds and the Note Underwriter will purchase all of the Notes, if any are purchased. The obligations of the Bond Underwriter to accept delivery of the Bonds and of the Note Underwriter to accept delivery of the Notes are subject to various conditions contained in the Purchase Contracts. The Bond Underwriter and Note Underwriter are collectively referred to in this Official Statement as the "Underwriter."

The Underwriter intends to offer the Bonds and the Notes to the public initially at the offering prices or yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), the lead underwriter of the Bonds and the sole underwriter on the Notes, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds and the Notes. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds and the Notes with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds and the Notes. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Pershing LLC Distribution Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Pershing LLC Distribution Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

Piper Jaffray & Co. has entered into a distribution agreement (the "CS&Co. Distribution Agreement") with Charles Schwab & Co., Inc. for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS&Co. Distribution Agreement, CS&Co. will purchase the Bonds from Piper Jaffray & Co. at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

## SECTION II - THE CITY

### The Municipality

The City of Hartford was founded by Thomas Hooker and his followers in 1635 and incorporated in 1784. It is the capital of the State of Connecticut and the core of a metropolitan area of over one million people. According to the 2010 Census, Hartford's population as of April 1, 2010 was 124,775, an increase of 0.5% since 2000. The City consists of an 18.4-square-mile area and lies on the west bank of the Connecticut River, midway between New York City and Boston. Interstate Routes 91 and 84 intersect in Hartford. Amtrak provides rail passenger service and the City is served by Bradley International Airport in Windsor Locks just to the north.

As the commercial center for the region, Hartford is home to many industries, including insurance and financial services corporations, and the hub for distribution companies that take advantage of interstate access. The insurance industry, in particular, is a major service specialty, and it spans a range of products, including life insurance, medical insurance, fire/marine/casualty insurance, and pension investments and asset management services, most of which continue to be concentrated in Hartford. Aetna, The Hartford, Phoenix and Travelers are long-standing employers that now stand alongside newer names in the Hartford market, such as United Health Group, Prudential Financial and Lincoln National (please see Section III for more on this sector).

In 2009, Hartford became home to a fourth Fortune 500 headquarters operation when Northeast Utilities joined Aetna, The Hartford and United Technologies Corporation. Northeast Utilities recently merged with NSTAR in April of 2012 to create one of the nation's largest utilities with six regulated electric and natural gas utilities serving 3.5 million customers in three states. In addition, Lincoln National, Prudential Financial and Travelers, all Fortune 100 companies, have major operations in the City and employ thousands.

Hartford is also home to many arts, entertainment, educational, and cultural establishments. According to the Central Regional Tourism District, Hartford has a higher concentration of arts and entertainment spots than any other location in Connecticut. Also according to the Central Regional Tourism District, over the most recent five-year period, tourism has increased annually in the Greater Hartford area, with tourists staying longer and spending more money.

Hartford is home to leading arts and heritage institutions, including the Wadsworth Atheneum Museum of Art, the nation's first art museum; the Bushnell Center for the Performing Arts; and the Mark Twain House and Museum. The Hartford Stage Company continues to be a major cultural attraction for the entire region, and has developed a national reputation for ground-breaking theater; it completed a \$4.0 million renovation project in October 2010. Additional development activities include the renovated TheaterWorks building in downtown, a factory building that has been transformed into Real Art Ways' arts and entertainment complex and the nationally acclaimed Artists Collective's \$7 million building. The Harriet Beecher Stowe House has undergone a major renovation. In September 2008, the University of Hartford opened the \$21 million Handel Performing Arts Center. The facility, located in the City's Upper Albany Neighborhood, consists of classroom, rehearsal and performance space in a renovated commercial building. Additionally, in the summer of 2009, The Connecticut Science Center was opened in downtown Hartford on the banks of the Connecticut River.

Hartford continues to serve as a regional center and is home to a large network of educational institutions. Colleges and universities in the City include The Hartford Graduate Center, affiliated with Rensselaer Polytechnic Institute, Trinity College, The University of Hartford, the University of Connecticut School of Law, the University of Connecticut School of Business, the University of Saint Joseph School of Pharmacy and the Capital Community College. The Learning Corridor, a linear campus, has become a model of joint public/private effort to revitalize a neighborhood formerly characterized by crumbling housing, joblessness and crime. It is an example of voluntary integrated education from kindergarten through high school.

The City's library system is regarded as one of the finest of its kind in the nation and has received many national awards and accolades. The Hartford Public Library has taken a leadership role in promoting and supporting literacy and learning and by providing free and open access to information and ideas. The library recently completed a major renovation of its main facility in Hartford.

The New England Association of Schools and Colleges has accredited all 32 public schools in the Hartford Public School system. The district has seen improvements in test scores on the Connecticut Mastery Test for the past several years. The American Federation of Teachers recently recognized the Hartford public schools as having created a model for the improvement of low-performing schools across the nation (the "Hartford Model"). The City is also well under way with a major overhaul of its educational facilities to provide the most modern and up-to-date technological and teaching environment.

Hartford has continued to make progress in addressing the needs of its aging housing stock and increasing homeownership as a means toward stabilizing neighborhoods. The City's Homeownership Appraisal Gap Program provides financing to developers to construct or rehabilitate houses and return them to the City in an effort to increase homeownership with some 400 units completed and sold. The City also has been successful in stimulating homeownership through its House Hartford Down Payment Assistance Program, which provides financing for approximately 45 potential homeowners each year. In addition, the City administers a home improvement and rehabilitation program for existing houses and apartment buildings. Hartford has also seen the metamorphosis of several of its low-income public housing complexes into lower density detached single-family homes and duplexes. According to the City Assessor, this has had a very positive impact on surrounding property values. Additional low-income public housing complexes are currently in the process of being converted into single-family dwellings.

In addition, numerous luxury and high-end housing projects have been completed over the past decade. See Section III, "Economic and Demographic Data - Current Economic Information - Housing Initiatives," for more information on high-end housing development projects in the City.

### **Government Organization**

The Mayor serves as the City's Chief Executive Officer. The Common Council consists of nine members elected at-large and serves as the City's legislative body. The City Treasurer is elected independently and, in addition to his other duties, serves ex officio as Secretary of the Pension Commission. The City Treasurer has responsibility for the care, custody and investment of all pension funds and all other City funds and is the co-signator of all City debt along with the Mayor. All elected officials hold their respective offices for a term of four years. In the event a Mayor is unable to serve for the complete term, the Common Council President shall serve as Mayor until the next regularly scheduled general municipal election. In the event a City Treasurer is unable to serve for the complete term, the Common Council shall fill such vacancy by appointment until the next regularly scheduled general municipal election. The Common Council appoints a City Clerk to serve an indefinite term.

Pursuant to the Charter, the Mayor has designated a Chief Operating Officer to carry out responsibilities with regard to the supervision and direction of the departments and agencies of the City and a Director of Finance who is skilled in municipal accounting, budgeting and financial control. An Independent Audit Commission serves as a further fiscal safeguard. Members of the Independent Audit Commission are appointed by the City Treasurer, the Common Council and the ten largest taxpayers of the City. The Mayor appoints the Corporation Counsel and the heads of all departments, members of most boards (including certain members of the Board of Education), commissions (except the Independent Audit Commission), agencies, authorities and other bodies of the City created by General Statutes or by Ordinance. The Common Council confirms the appointment of the Police Chief, Fire Chief, Director of Finance, Director of Development Services and Corporation Counsel.

## Financial Powers

Under the Charter, the Mayor prepares and submits an annual budget to the Common Council. The Charter prescribes strict schedules and procedures for budget adoption, requirements for public hearing, balanced budget, pension fund contributions and debt service appropriations. The Common Council may, by ordinance, establish a criterion that the Mayor must use for estimating cash receipts from sources other than the tax levy. No appropriation for debt service and appropriations necessary to fulfill the pension obligations of the City, as determined by the Pension Commission, shall be reduced. The Common Council shall not increase the Mayor's estimates of receipts. The Common Council adopts the budget, the appropriation ordinance and the tax levy ordinance. The Mayor may at any time transfer any unencumbered appropriation balance or portion thereof from one classification of expenditure to another within the same department, office or agency, except that no funds may be transferred from the funds appropriated to the Board of Education. Appropriations in addition to those contained in the budget shall be made only on the recommendation of the Mayor and only if the Director of Finance certifies that there is available general fund surplus sufficient to meet such appropriation.

## Governmental Responsibilities and Services

The City provides a broad range of services including public safety, public roads, solid waste collection, health, social services, culture and recreation, education, planning, development, zoning, and general administrative services:

**Water and Sewer:** The City is a member of The Metropolitan District Commission (the "MDC"), a special district in Hartford County, formed under State statutes to provide water and sanitary sewer services to its eight member municipalities. The MDC's primary purpose is to provide complete, adequate, and modern water supply systems and sewage collection and disposal facilities for its member municipalities. See Section IV, "Debt Section - Overlapping Debt."

**Transportation:** The Greater Hartford Transit District (the "Transit District"), a regional supervisory and regulatory body in transit-related matters, provides funding for transit systems under state and federal statutes and has bonding power but no taxing powers. The Transit District manages the reconstructed Union Station as a comprehensive transportation center with commercial and retail space in downtown Hartford.

**Housing:** The Hartford Housing Authority manages a broad public housing program comprising state and federally subsidized programs for more than 4,000 families. Two thousand families participate in Authority programs, and approximately 4,700 families participate in Section 8. This includes approximately 250 units built to homeownership standards; the majority of the units have been sold to Hartford residents who were former residents of public housing or families that are income eligible under Housing and Urban Development ("HUD") rules and regulations. In addition, the Hartford Housing Authority received a \$20 million HUD Hope VI grant to rebuild the Dutch Point Housing Project, a multi-unit public housing project located near Adriaen's Landing. See Section III, "Status of 'Six Pillars' of Economic Development."

**Solid Waste Disposal:** The City has a service contract with the Connecticut Resources Recovery Authority (the "Authority") for the disposal of acceptable solid waste and recycled goods through June 30, 2017. The Authority's Mid-Connecticut Project (the "Project") is located in the City of Hartford. The City, has agreed to cause to be delivered, to the Authority, all of the acceptable solid waste under its legal control. The Authority is required to accept and dispose of solid waste delivered except that the City retains the responsibility for the collection, disposal, and treatment of certain unacceptable solid waste. The City pays the Authority a base disposal fee (and certain other fees) for all solid waste accepted by it. The City is obligated to deliver to the Project a minimum of 55,000 tons per year of solid waste.

The "opt-out" fee for the current contract year 2012-13 is \$63 per ton. Should the base disposal fee exceed this amount the City may terminate the service contract. The base disposal fee is subject to change

annually based on the net cost of operating the facility. The City also receives landfill rent, payments in lieu of taxes, and personal property tax payments for leased property. The budgeted payments for fiscal year 2012-13 estimated at \$2 million will partially offset the base municipal solid waste-recycling fee cost to the City of \$2.8 million in FY 14. The City pledges its full faith and credit for the payment of the service contract fees. The obligation to pay such fees is absolute and unconditional so long as the Authority shall accept and dispose of solid waste delivered by such municipality.

**Municipal Work Force**

**Full-time Equivalent Positions**

	<b>Budget</b> <b><u>2012-13</u></b>	<b>Actual</b> <b><u>2011-12</u></b>	<b>Actual</b> <b><u>2010-11</u></b>	<b>Actual</b> <b><u>2009-10</u></b>	<b>Actual</b> <b><u>2008-09</u></b>
General Government* .....	1,485	1,484	1,407	1,488	1,592
Board of Education .....	<u>3,123</u>	<u>3,100</u>	<u>3,075</u>	<u>2,993</u>	<u>3,005</u>
Total .....	4,608	4,584	4,482	4,481	4,597

\*Includes police, firefighters and emergency services.

*[Remainder of page intentionally left blank]*

## Collective Bargaining Status

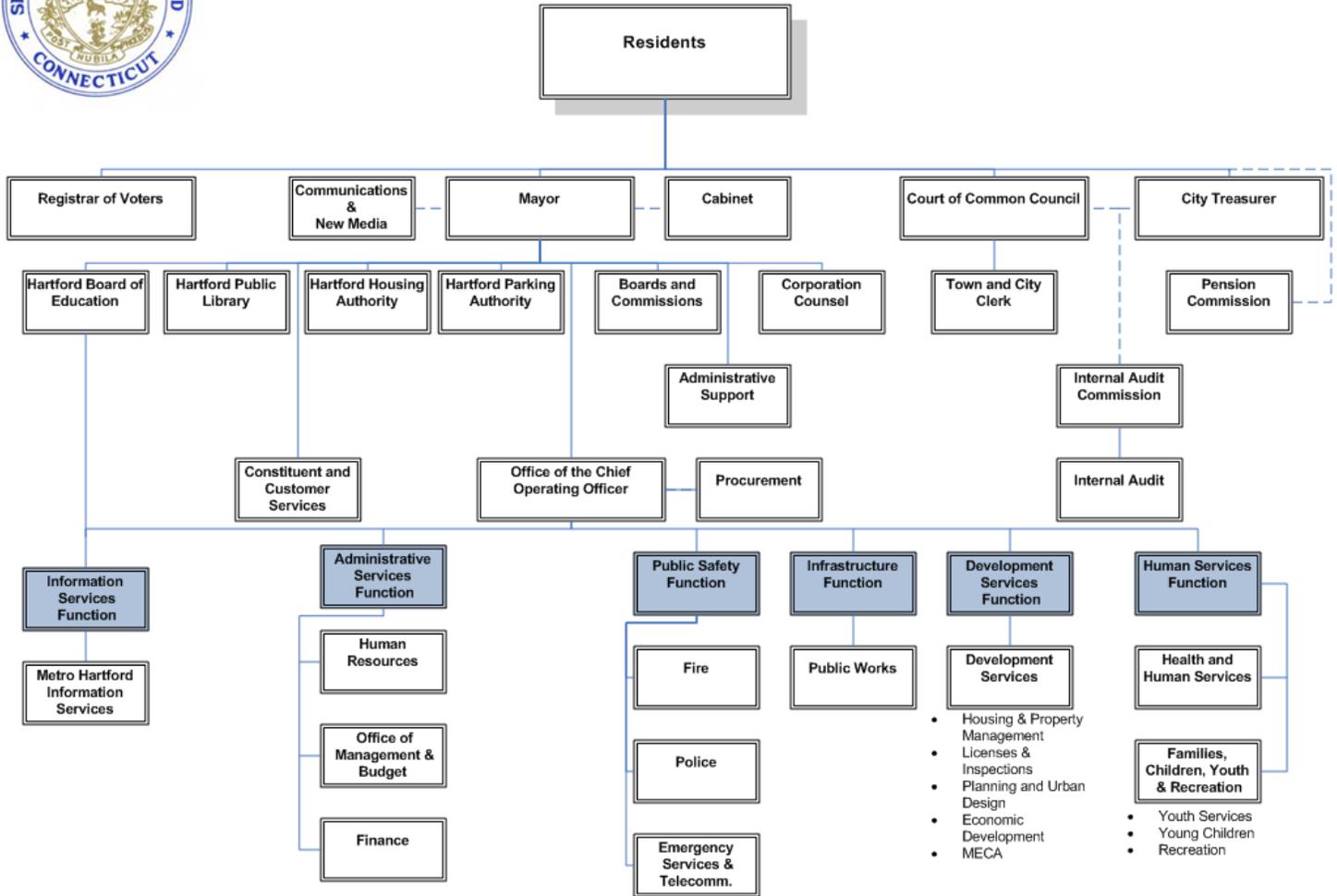
<u>Union</u>	<u>Number of Members<sup>1</sup></u>	<u>Contract Expiration Date</u>	<u>Status of Contracts</u>
<b><u>Board of Education</u></b>			
Hartford Federation of Teachers, Local 1018 .....	1,831	June 30, 2014	In effect
Hartford Federation of School Health Professionals, Local 1018 A/B .....	63	June 30, 2012	In negotiations
AFSCME, Local 566 .....	266	June 30, 2012	Negotiations pending
Buildings & Grounds, AFSCME, Local 818 .....	6	June 30, 2014	In effect
Hartford Federation of Special Police Officers, Local 1018-D .....	84	June 30, 2012	In negotiations
Hartford Educational Support Personnel Local 82 .....	213	June 30, 2013	In effect
The Hartford Federation of Paraprofessionals, Local 2221 .....	403	June 30, 2012	In mediation
The Hartford Federation of School Secretaries, Local 1018-C .....	120	June 30, 2011	In negotiations
The Hartford Principals and Supervisors Association, Local 22 .....	130	June 30, 2013	In effect
The Hartford Federation of Substitute Teachers .....	198	June 30, 2013	In effect
The Hartford Schools Support Supervisors Association, Local 78 .....	36	June 30, 2014	In effect
The Children's Development Associates Local 1018-F .....	59	June 30, 2011	In negotiations
<b><u>General Government</u></b>			
Hartford Police Union .....	468	June 30, 2016	In effect
Firefighters, Local 760, IAFF .....	363	June 30, 2016	In effect
Hartford Municipal Employees Association (non-uniformed supervisory) .....	207	June 30, 2013	In negotiations
City of Hartford Professional Employees Association (non-supervisory) .....	54	June 30, 2012	In negotiations
Labor and Clerical, Local 1716, AFSCME .....	508	June 30, 2015	In effect
School Crossing Guards Association .....	83	June 30, 2011	In negotiations
Municipal Lawyers Association .....	11	June 30, 2015	In effect

<sup>1</sup> As of February 20, 2013.

Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.



## City of Hartford Organizational Chart



## Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Date Service Began</u>
Mayor .....	Pedro E. Segarra	Elected	06/10
City Treasurer .....	Adam M. Cloud	Elected	02/11
Court of Common Council:			
Council President .....	Shawn T. Wooden	Elected	01/12
Majority Leader .....	Alexander Aponte	Elected	08/10
Minority Leader .....	Larry Deutsch	Elected	01/08
Councilman .....	Kyle Anderson	Elected	01/12
Councilman .....	Joel Cruz*	Appointed	08/12
Councilman .....	Raúl De Jesus	Elected	01/12
Councilman .....	Cynthia Renee Jennings	Elected	01/12
Councilman .....	Kenneth H. Kennedy, Jr.	Elected	12/01
Councilman .....	David MacDonald	Elected	01/12
Acting Chief Operating Officer .....	Saundra Kee Borges, Esq.	Appointed	08/12
Corporation Counsel .....	Saundra Kee Borges, Esq.	Appointed	07/10
Director of Finance .....	Julio C. Molleda	Appointed	07/11
City Assessor .....	John S. Philip	Civil Service	06/11
Tax Collector .....	Marc Nelson	Civil Service	08/08
Town/City Clerk .....	John V. Bazzano	Appointed	10/09
Director of Development Services .....	Thomas E. Deller	Appointed	04/12
Chairman, Pension Commission .....	Peter N. Stevens	Appointed	06/05
Chairman, Parking Authority .....	Patricia LeShane	Appointed	12/08
Executive Director, Parking Authority .....	Mark McGovern	Appointed	06/10
Superintendent of Schools .....	Christina Kishimoto	Appointed	03/11

\*Councilman Cruz was appointed by the City Council to fill the vacancy of Luis E. Cotto who resigned in July 2012.

## Educational System

There are 32 public schools in the City consisting of 26 elementary schools, three middle schools and three high schools. The three high schools now house distinct, separate academies: Bulkeley - Upper and Lower Schools; Hartford High - Freshman Academy, Nursing Academy, Law & Government Academy and Academy of Engineering and Green Technology; Weaver - Freshman Academy, Grades 10-12 Academy, and Culinary Arts Academy.

There are twelve magnet schools in the City: six elementary - Breakthrough Magnet, Montessori Magnet and STEM Magnet at Annie Fisher, Kinsella School for the Performing Arts, Hooker Environmental Sciences and Webster MicroSociety Magnet School; one middle - Hartford Magnet Middle; two Grades 6-12 schools - Capital Preparatory Magnet and Classical Magnet; and three high (grades 9-12) schools - Pathways to Technology, Sports & Medical Sciences Academy and University High School for Science and Engineering.

In addition, there are special programs located throughout the City including a Life Career Center, an Alternative Learning Center and Project Concern/Choice, as well as out-of-district placements.

The Board of Education (the "Board") is composed of five members appointed by the Mayor and four elected members. The Board is fully empowered with all the duties, rights and responsibilities of boards of education established under the Connecticut General Statutes.

Although State control of the Hartford Public Schools ended in 2002, the district must continue to carry out reforms set forth in the Hartford Improvement Plan adopted by the State Board of Trustees.

The City and the Hartford Public Schools continue to work through a joint School Building Committee to implement new construction projects including eight new inter-district magnet schools that are scheduled to be built as part of the settlement of the Connecticut Supreme Court *Sheff vs. O’Neill* decision to help desegregate Hartford’s schools. The State will finance the estimated \$128 million construction cost of the new magnet schools that will accommodate 1,520 elementary, middle and high school students from Hartford and its suburbs.

The district has posted increases on its mandated statewide test, the Connecticut Mastery Test, the past several years. The American Federation of Teachers has recognized the “Hartford Model” as a model for improving low-performing schools across the nation. The 16-acre campus in the Learning Corridor features a Montessori Inter-District Magnet School, the Hartford Middle Magnet School, the Greater Hartford Academy of the Arts, and the Greater Hartford Academy of Math and Science. The Learning Corridor is becoming a national model because of the coalition of public and private groups’ joint efforts to revitalize a neighborhood formerly characterized by crumbling housing, joblessness and crime. In its place there now stands a positive example of voluntary integrated education from kindergarten through high school.

#### School Enrollment

<u>Year</u>	<u>Pre-K</u>	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High Schools</u>	<u>Other</u>	<u>Total</u>
<i>Historical</i>						
1997-98 .....	696	14,539	2,958	4,558	1,469	24,220
1998-99 .....	652	14,356	2,802	4,195	1,690	23,695
1999-00 .....	875	14,116	2,763	4,457	2,067	24,278
2000-01 .....	764	13,741	3,298	4,701	1,916	24,420
2001-02 .....	631	13,491	3,439	4,715	2,203	24,479
2002-03 .....	668	13,791	3,247	5,030	259	22,995
2003-04 .....	653	13,629	3,384	4,997	275	22,938
2004-05 .....	684	12,835	3,560	5,291	374	22,744
2005-06 .....	670	12,704	3,219	5,507	310	22,572
2006-07 .....	776	12,841	2,830	5,714	2,288	24,449
2007-08 .....	818	13,051	2,518	5,856	454	22,697
2008-09 .....	764	12,622	2,379	5,744	2,792	24,301
2009-10 .....	864	13,635	854	7,137	2,980	25,470
2010-11 .....	830	14,024	799	6,119	2,984	24,756
2011-12 .....	964	12,523	659	6,806	2,995	23,947
2012-13 .....	1,028	11,417	3,316	5,687	521	21,969

## School Facilities

<u>Facility</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Most Recent Addition or Renovation</u>	<u>Actual Enrollment 10/1/12</u>	<u>Functional Capacity</u>
American Choice at SAND .....	K-8	1998	1998	484	480
Annie Fisher Montessori Magnet School .....	Pre-K-5	1965	2009	279	220
Asian Studies at Dwight/Belizzi School .....	7-8	1961	1996	548	680
Batchelder School .....	Pre-K-8	1958	1998	500	723
Betances Early Reading Lab .....	Pre-K-3	1924	1986	323	420
Betances STEM Magnet School .....	4	1924	1986	87	420
Breakthrough Magnet I.....	Pre-K-8	2005	2005	355	330
Breakthrough II.....	Pre-K-5	1952	1963	222	500
Burns Latino Studies Academy .....	Pre-K-8	1939	1992	598	800
Burr School .....	Pre-K-8	1914	2005	729	750
Clark School .....	Pre-K-8	1971	1988	379	660
Environmental Studies at Mary Hooker School .....	Pre-K-8	1952	2009	570	660
HTLA- Elementary .....	K-5	1930	n/a	40	400
IB Global Communications Academy .....	K-4, 7-8	1971	1971	420	480
Kennelly School .....	Pre-K-8	1900	1992	703	740
Kinsella Magnet School .....	Pre-K-8	1974	2009	760	740
M.D. Fox ComPACT School <sup>1</sup> .....	K-7	1924	1977	534	750
M.L. King School .....	Pre-K-8	1924	1977	370	1,000
Jumoke at Milner Core Knowledge School .....	Pre-K-8	1924	1998	372	600
Expeditionary Learning at Moylan School .....	Pre-K-5	1932	1997	703	800
Naylor/CCSU Leadership Academy .....	Pre-K-8	1937	2005	722	750
Noah Webster MicroSociety Magnet School .....	Pre-K-8	1900	2005	626	750
Parkville Community School .....	Pre-K-5	1977	1996	536	620
Renzull Academy .....	4-8	1972	1972	115	200
Sanchez School .....	Pre-K-5	1992	1992	494	560
Sarah J. Rawson Elementary School .....	Pre-K-5	1921	2005	574	550
Simpson-Waverly School .....	Pre-K-8	1970	1988	305	646
STEM Magnet at Annie Fisher School .....	K-8	1965	2009	356	530
West Middle School .....	Pre-K-8	1894	1995	637	540
Wish School .....	Pre-K-8	1962	1962	392	680
Bellizzi Middle School	6-8			57	
McDonough Expeditionary Learning School .....	6-8	1897	1998	384	460
Sarah J. Rawson Middle Grades Academy .....	6-8	1972	2000	200	200

<sup>1</sup>Currently under construction.

<u>Facility</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Most Recent Addition or Renovation</u>	<u>Actual Enrollment 10/1/12</u>	<u>Functional Capacity</u>
Hartford Magnet Trinity College Academy .....	6-9	2000	2000	820	624
Bulkeley High School <sup>1</sup> .....	9-12	1974	2000	994	2,016
Capitol Preparatory Magnet School .....	Pre-K-12	1927	2009	674	750
Classical Magnet School .....	6-12	2005	2005	701	700
Great Path Academy Middle College High School at MCC .....	9-12	n/a	n/a	274	n/a
High School, Inc. ....	9-12	1955	n/a	377	400
Hartford Public High School <sup>2</sup> .....	9-12	1963	2008	1,460	1,897
OPPortunity High School .....	9-12	1972	2006	110	260
Sports and Medical Sciences Academy .....	6-12	2008	2008	692	750
Pathways to Technology Magnet School .....	9-12	1970	n/a	329	440
University High School .....	9-12	2009	2009	403	400
Weaver High School <sup>3</sup> .....	9-12	1974	1974	440	1,888

<sup>1</sup> Two academies: Upper School (11-12) and Lower School (9-10).

<sup>2</sup> Four academies: Freshman Academy (9); Nursing Academy (9-12); Law and Government Academy (9-12); and Academy of Engineering and Green Technology (10-12).

<sup>3</sup> Two academies: Journalism and Media (9-12) and Culinary Arts Academy (9-12).

## SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

### Certain Economic Information

The City's Department of Development Services, encompassing the City's Economic Development, Marketing, Cultural Affairs, Housing, Planning, and Licensing functions, impacts major economic initiatives throughout the City.

The Department is positioned as the single point of contact for the City's development initiatives which include all commercial and residential projects. The Hartford region is rated first by the Brookings Institute in terms of GDP per capita in the world. Evidence of the economic development activity and revitalization of the City are clearly visible in the ongoing changes in Hartford's skyline and numerous neighborhoods, highlights of which will be presented in this section.

Hartford continues to be the largest employment center in the State with more than 115,000 people working in the City on a daily basis. In addition to the City becoming a regional center for logistics and distribution companies, the headquarters of four Fortune 100 companies are located in Hartford to take advantage of the City's strategic location and highly productive workforce. While the sluggish economy continues to impact the pace of development activity, the City has continued to position itself to support a wide range of economic development and housing initiatives.

#### *Economic Development Program Overview*

Over the past decade, the effort to complete the "Six Pillars" Project, a State and City initiative originally authorized in 1998 and overseen by a quasi-public authority, CCEDA, charged with implementing a series of state investments, has had a major and positive impact on the City and the region. This program included development of the Adriaen's Landing Convention Center which contains a 145,000-square-foot exhibition hall, and 40,000 square feet of meeting space; the Connecticut Science Center, a Caesar Pelli-designed 145,000-square-foot facility that has already exceeded its visitor projection of 350,000 people per year; the Morgan Street Garage which added 2,300 parking spaces to the downtown; the \$55 million campus of Capital Community College relocation; and a \$25 million pedestrian connection to the Connecticut River from the Science and Convention Centers. The above-noted projects are now substantially complete and have, as intended, enhanced the vitality of the downtown and continue to attract additional investment.

In 2012, CCEDA was re-organized by the General Assembly as the Capital Region Development Authority ("CRDA"), a quasi-public authority charged with developing a cohesive strategy that connects local and state development efforts in an effort to increase commerce and economic vitality in Hartford and the surrounding region. CRDA is currently spearheading the management of assets in the greater Hartford region, namely Rentschler Field, the Convention Center and the XL Center under one umbrella. CRDA also offers funding assistance to cultural and entertainment venues and parks.

Over the past year, building on the important foundation laid by these projects, the City has begun to move beyond the Six Pillars. The City has established both a single overall plan for development over the next ten years ("One City, One Plan"), and an innovative award-winning redevelopment program for the downtown ("iQuilt"). One City, One Plan is the City's touchstone for development efforts, facilitating and expediting the otherwise complex and sometimes cumbersome local decision-making process.

The I-Quilt Partnership is a public/private partnership for promoting cultural assets, improving walkability, and fostering innovation in downtown Hartford. The Partnership will provide the City with a framework for connecting its assets through improved public spaces. Since its inception much forward movement has occurred. In March 2012, the City applied for a grant from the U.S. Department of Transportation to implement a portion of the plan through the Intermodal Triangle Project and was notified of a \$10 Million dollar award in June (for a project totaling about \$21 million). In September 2012, the Hartford Business Improvement District, Greater Hartford Arts Council, and the City of

Hartford partnered to install pedestrian-oriented way-finding signage to cultural destinations and civic spaces on each corner of nearly every downtown intersection. This installation coincided with the City's first Envisionfest, which included a symposium at the Bushnell Center of the Performing Arts about Placemaking, an Innovation Awards ceremony sponsored by United Technologies Corporation, and a downtown-wide festival celebrating walking culture and innovation. In November, the Winterfest Hartford kicked off its third year of free public ice-skating in Bushnell Park. Currently, the City is preparing to launch into full design and engineering of the Intermodal Triangle, for an expected start to construction in the spring of 2014.

- **Public Safety Complex** - The City's new \$77 million, state-of-the-art public safety complex on High Street is open and in full operation. It serves as the new headquarters for the City's Police, Fire and Dispatch Departments. Commercial activity and interest in the surrounding area is increasing as a result of this project, located northwest of the central business district near the intersection of Main Street and Albany Avenue.

- **Civic Center** - CCEDA funds were used to renovate the former Civic Center mall. Retail space that previously faced inward now opens to Trumbull and Asylum Streets, and a new entrance was built to the XL Center coliseum, which hosts UConn basketball games, American Hockey League (AHL) games, exhibits and concerts. In fall of 2011, the new University of Saint Joseph School of Pharmacy began classes for a doctoral program in pharmacy. This 35,000-square-foot facility on Trumbull Street hosts 142 students and is expected to eventually enroll 232 students. Other recent leases include the Hartford office of First Niagara Bank, a Verizon retail store and a YMCA health club. In addition, the CRDA Board of Directors just selected Global Spectrum of Philadelphia to manage the XL Center and Rentschler Field in East Hartford for the next ten years.

- **Front Street** - The HB Nitkin Group was selected by CCEDA as the developer for this project, which includes 60,000 square feet of retail, restaurant and entertainment space and a 286-space garage in its first phase. Construction on the first phase was completed in 2010 and three major tenant leases are signed representing more than fifty percent of overall retail space. In the fall of 2012, Hartford Spotlight Theatres opened a 725-seat theater and restaurant and Infinity Music Hall and Bistro is expected to open a 600-seat concert hall and restaurant in the fall of 2013. In addition, The Capital Grille, an upscale and publicly-traded steakhouse, has announced plans to open a new restaurant in the fall of 2013. The western portion of Front Street District is being planned for a second phase that would include a new residential development of approximately 100 units.

- **Coltsville** - In July 2010, Colt Gateway LLC was announced as the new developer. All 50 completed residential lofts are leased. In addition, the campus is home to two CREC Regional Magnet Schools and Insurity, a software company. In the summer of 2012, Insurity extended the term of its lease at this facility by another seven years. Environmental remediation of the courtyard is scheduled for 2013 and a new streetscape is being funded with federal dollars, City funds and State of Connecticut Department of Transportation assistance. The National Trust Community Investment Corporation provided a portion of its New Market Tax Credit ("NMTC") allocation to Chevron TCI, the historic tax credit investor, resulting in a combined \$23 million historic NMTC investment. Colt Gateway is currently negotiating with existing creditors, the City and the State on a financial workout that will result in a resumption of the armory renovations that will result in a major mixed-use development. The City also committed \$5.3 million in funding to assist with the renovation of 79 apartments within this complex. Coltsville itself was designated a National Historic Landmark in July 2008. The Coltsville Ad Hoc Committee commissioned, completed and submitted a Visitor Experience Study that describes how a National Park would function and what it would include. Several new tenants have recently secured commercial space at this site, including Foley Carrier Services, which brings in 100 jobs to the City, with expectations to add an additional 70 jobs over the next three years. The ultimate goal is to achieve National Park status.

- **Sims Metal Management Aerospace ("Sims")** - In December 2010, Sims completed its relocation within the City. Its current location includes a 279,000-square-foot building and a recently completed 145,000-square-foot addition. As a result, over 160 employees were retained within the City.

- **Legal Services** - Hartford is a major force in the region in the area of legal services. Law firms and related services occupy over one million square feet of space in the central business district alone. In 2012, one of the largest tenants, Cantor Colburn LLP expanded its area by 60,000 square feet at 20 Church Street.

In addition, in 2013 the law firm of Levy and Dronney merged with Hinckley, Allen & Snyder LLP and relocated from Farmington to Hinckley, Allen & Snyder's office space in downtown Hartford located at 20 Church Street.

- **Insurance and Financial Services Sector** - Several important projects have been initiated and/or completed in this sector in the past several years.

*Aetna* has completed a \$150 million capital improvement program at its Farmington Avenue headquarters and relocated 3,400 employees from other locations. The project included significant interior and exterior renovations to campus buildings and the construction of two parking garages. Aetna is one of the largest employers in the Hartford area.

*The Hartford Financial Services Group* completed the purchase of 140 Garden Street in June of 2008, adding 17 acres to its headquarter campus. This acquisition provides a unique opportunity for growth in Hartford. In addition, the corporation completed the construction of a new data center in June of 2012. Following a review of corporate-owned properties throughout the nation, The Hartford decided to locate these facilities in the City. The project includes the renovation of 106,200 square feet of existing space and the construction of a 31,725-square-foot building addition. It is projected that this project will result in a minimum investment of \$150 million and the retention of 600 positions.

*United Healthcare* recently relocated its Hartford office to the newly renovated facility at CityPlace I and in the process retained 2,000 high paying positions downtown.

*CareCentrix* received "First Five" designation from the State and has relocated 200 jobs into the City at 20 Church Street. CareCentrix is a provider of home health benefit management services and will occupy two floors totaling approximately 40,000 square feet.

*Prudential Retirement Services* renewed its lease at 280 Trumbull Street and retained 750 high paying positions downtown.

*Lincoln Financial Group* renewed its lease at Metro Center for an additional five years thereby retaining its 800 high paying positions downtown.

*GlobeOp Financial Services* has established a Hartford operation at 225 Asylum Street downtown. The company, based in New York, provides administrative and technology support to hedge funds and asset management firms and employs more than 100 people.

*Virtus Investment Partners* leased space and employs 165 persons at 100 Pearl Street. Virtus is a spin-off of The Phoenix Companies.

- **Northeast Utilities** - In December of 2009, Northeast Utilities completed the relocation of its corporate headquarters and 180 positions to 10 Prospect Street in the central business district. The company cited its interest in being in the capital city and the seat of government as motivation for its relocation.

- **Connecticut River Plaza and 55 Farmington Avenue** - The State announced this week that it will move at least 3,100 state employees into downtown Hartford from locations throughout the region, with the purchase of the Connecticut River Plaza and 55 Farmington Avenue complexes for \$52 million in total. Together these properties have about 900,000 square feet of office space. It is estimated that the move will save the State approximately \$200 million in occupancy costs over the next 20 years while

providing the City \$11 million dollars in incremental annual economic activity. As a result, the City expects to lose \$2 million in annual property tax revenue and will be looking for the State to help mitigate the direct budgetary impact despite the Governor's plans to discontinue the PILOT ("payment in lieu of taxes") Program through which municipalities receive payments in lieu of taxes on certain types of government and non-for-profit properties.

- **Back9Network** – Back9Network, a startup golf lifestyle network, has begun construction of a new studio on Constitution Plaza. In addition, the network has recently opened a 13,000 square foot headquarters on the 10<sup>th</sup> floor of the Phoenix Building downtown. The company also has existing offices located on Lewis Street downtown.
- **St. Francis Hospital** - The parent of St. Francis Hospital and Medical Center has signed a letter of intent to merge with Missouri-based for profit hospital operator, St. Louis' Ascension Health Care Network. St. Francis Hospital is a 617-bed not-for-profit hospital located in the City's Asylum Hill neighborhood. If the proposed merger were to be completed, the hospital would become a for profit entity and the City is expected to receive millions of dollars in new tax revenue as a result.

### **Housing Initiatives**

In the 1990s Hartford adopted two objectives – reconstructing or renovating all of its public housing projects and increasing home ownership and reducing rentals. The first objective is substantially complete. The second objective is well underway with approximately 2,100 homeownership units have been added since 2002. More recently, the City has prioritized the increase of housing opportunities in the downtown.

- **Downtown housing units** – Three residential developments have been completed as part of the Six Pillars. Trumbull on the Park, which includes 100 market-rate apartments, 7,600 square feet of retail and a 600-space garage, was completed in late 2005. This was followed in 2006 by the opening of Hartford 21, a 36-story, 262-unit tower. The project also includes 56,000 square feet of retail for shops and restaurants and is also the home for a YMCA health club. Lastly, the Temple Street development opened in 2007, adding 78 market-rate lofts and 42 student/intern townhouses. Currently, the apartments at these residential developments boast a 90%+ occupancy rate.
- **95-101 Pearl Street** – This property consists of 100,000 square feet of former office space. Lewis/Pearl Ventures LLC has been selected to redevelop the property into restaurant or retail on the first floor, office/commercial space on the second through sixth floors, and 66 market rate residences. Construction is expected to commence in 2014.
- **915 Main Street** – PMC Property Group recently completed the transformation of this 160,000-square-foot office building that once housed the American Airlines reservation center into a mixed-use apartment complex. The project includes 18,000 square feet of street-level retail space and 101 apartments.
- **The Hollander** - The Hollander is a mixed-income apartment building located downtown at 410 Asylum Street directly across Bushnell Park. The project, completed by Common Ground and completed in 2012, is 100 percent occupied. The renovated building has the distinction of being among the first LEED certified residential buildings in the State and the first building in Hartford to have a green roof. In addition to the residential component, the building includes ground floor retail opportunities.
- **Northend Gateway at 1450 Main Street** – The City sold this 4.3-acre parcel of land to Sheldon Oak Central, LLC. The developer built 45 affordable rental units and 12 market-rate apartments in the Clay Arsenal neighborhood. This \$17 million project was completed in May 2009 and is equipped with high-speed internet, direct access elevators and a dedicated green space for families.

- **Dutch Point** - the Hartford Housing Authority received a \$20 million HUD Hope VI grant to rebuild the Dutch Point Housing Project. Phase I, which included 73 rental units, was completed in 2006. Phase II was completed in the fall of 2008, and consists of 54 rental units and recreational areas. Construction of Phase III - the development of mixed-income condominium units at an estimated cost of \$16.5 million is under construction and will add another 58 units to this \$73 million development. Currently, 23 units have been constructed and 20 units have sold in this Phase III.
- **Stowe Village** - More than 100 duplex units have been built and beautifully landscaped at Stowe Village in the Northeast neighborhood. Thirty-three single-family units flank the units and a third phase of construction of additional single-family dwellings is planned.
- **Capewell Factory Revitalization**- the Former Capewell Horse Nail Factory is a vacant blighted structure in need of environmental assessment, remediation and subsequent development. The 106,000 square foot industrial building is listed on the National Register of Historic Places. Negotiations are currently underway with the owner to determine best and highest use and development process and potential. Environmental investigation and remediation funds are currently being sought.
- **Nelton Court** - The newly constructed Nelton Court will comprise of eighty (80) modular and stick built two and three story townhouse style residential units. The development is currently fifty percent complete. All the modular units are in place, while five stick buildings are currently being framed. Completion of the entire project is anticipated in the summer of 2013.
- **Sargeant Street Stabilization** - Northside Institutions Neighborhood Alliance (NINA) continues to stabilize the Sargeant Street corridor. Within the last eight years twelve (12) properties were constructed or renovated on Ashley and Sargeant Streets in the City's Asylum Hill neighborhood. The City has been a major funder for these properties and is working with NINA to renovate four (4) units of owner occupied housing as well as three (3) new commercial/office spaces.
- **Chester Bowles Park and Westbrook Village** - The Hartford Housing Authority owns and operates 770 units of State Moderate Rental units, known as Westbrook-Bowles located at 22 Mark Twain Drive and 3 Berkeley Drive. The parcels total approximately 140 acres. The State of Connecticut has demonstrated its commitment to transform Bowles and Westbrook by providing over \$4 million dollars in predevelopment funding. The "Residents Participation Program" is currently underway and Technical Advisory Consultant has been selected. The City has agreed to partner with the Hartford Housing Authority in the redevelopment of this property.

### Projects In Development

- **3 Constitution Plaza:** AI Engineers of Middletown, CT purchased the former WFSB-Broadcast House in July of 2008. Located at the corner of Columbus and State Streets, 3 Constitution Plaza is a signature downtown site. AI Engineers is designing a 12-story, LEED Platinum tower and is in conversation with the City and the State to build an approximately 200 unit residential complex. In addition, efforts are underway to secure funding for this \$53 million development. The demolition and cleaning of the site is complete.
- **5 Constitution Plaza:** Wonderworks of New York City purchased the long vacant Sonesta Hotel in February of 2011 with plans to convert the building into 199 market-rate apartments and commercial space. The developer is pursuing funding for this \$20 million project.
- **Swift Factory** - Revitalization of the former Swift Factory gold leafing complex in the Northeast neighborhood is underway. The property consists of a 65,000 square foot manufacturing factory, two houses and vacant land. The project will offer affordable workspaces for occupancy by small manufacturing enterprises that will employ Northeast residents, and an urban farm employing and teaching local adults and youth farming skills. Northeast Neighborhood Partners, Inc. (NNPI) has secured \$2,145,000 dollars to date from local, state and private charitable foundations. A recent

application for \$1,000,000 dollars was submitted to the U.S. Economic Development Administration (EDA) for the project. This development is one of the major projects listed in the regional Comprehensive Economic Development Strategy (CEDS).

- **EDA Strong Cities, Strong Communities Grant** - The City applied for and received, a \$1 million dollar grant from the EDA for the purpose of creating and implementing a plan that fosters entrepreneurship. Emphasis is placed on attracting start-ups and providing support services necessary to help them grow into viable businesses and establish a presence in Hartford. Incubator space is identified at 260 Constitution Plaza for use when the program launches in March 2013.

- **777 Main Street** - The former Bank of America bank building in Downtown Hartford is slated to be converted into 285 units of market and affordable housing and 35,000 square feet of ground floor commercial space. The majority of the units will be efficiency and one bedroom units with 25 two bedroom units. Eighty percent of the units will be market rate and the remainder of the units will be affordable units. This project has received all development approvals and will be closing on its construction financing by the summer of 2013. Construction will last approximately eighteen months. It is anticipated that the families will begin moving into the building within twelve months of the commencement of construction.

- **179 Allyn Street** - The second through sixth floor of this former office building will be converted into 63 one bedroom market rate apartments. The ground floor retail space will remain. Construction is expected to start late spring 2013. All local development approvals have been received.

## Redevelopment Projects

- **Downtown Redevelopment Initiative:** On January 26, 2009, the Common Council adopted three separate Redevelopment Plans in accordance with state statutes. Each plan was designed to target blighted buildings and/or underutilized land areas in and surrounding the downtown core. The purpose of each plan is to stimulate private investment and create better physical connections with the central business district. Acquisition strategies are critical components of each Plan. They are as follows:

The *Constitution Plaza East Project* is the smallest of the three plans and focuses on the former WFSB Broadcast House and the long-closed Sonesta Hotel. As noted above, both AI Engineers and Wonderworks are proceeding with redevelopment plans for the respective properties.

The *Downtown North Project* area is currently separated from the central business district by Interstate 84. The 123-acre plan area is predominately underutilized land. The plan calls for the acquisition of one blighted structure and two vacant parcels of land to create a substantial assemblage to spur a large scale, mixed-use development to connect downtown and the Clay Arsenal neighborhood. To date, the City has acquired and demolished the blighted H.B. Davis building and is negotiating the purchase of the other targeted properties. The Project was also awarded a Regional Sustainable Communities Planning Grant from HUD that will be used to create development guidelines in the area.

The *Downtown West-Section II Union Station-Walnut Street Project* aims to create a linkage between Union Station and Asylum Hill, home to major insurance companies and thousands of workers. A blighted former office building and a small parcel of land are included in the acquisition strategy. In November 2011, the City acquired the property at 1-7 Myrtle Street and completed the demolition of the property in 2012. With a new State focus on utilizing Union Station as a commuter rail hub, the area presents a unique opportunity for transit-oriented development.

## Population and Density

<u>Year</u>	<u>City of Hartford</u>			<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Population</u>	<u>% Change</u>	<u>Density</u> <sup>1</sup>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2010 .....	124,775	0.5	6,781	894,014	4.3	3,574,097	4.9
2000 .....	124,121	(11.2)	6,746	857,183	0.6	3,405,565	3.6
1990 .....	139,739	2.5	7,595	851,783	5.4	3,287,116	5.8
1980 .....	136,392	(13.7)	7,413	807,766	(1.1)	3,107,576	2.5
1970 .....	158,017	(2.6)	8,588	816,737	18.4	3,032,217	19.6
1960 .....	162,178	-	8,814	689,555	-	2,535,235	-

<sup>1</sup>Density based on 18.4 square miles.

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1960-2010.

## Population Composition

<u>Age</u>	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years .....	9,452	7.6	50,688	5.7	202,106	5.7
5 to 9 years .....	8,460	6.8	55,456	6.2	222,571	6.2
10 to 14 years .....	8,638	6.9	59,734	6.7	240,165	6.7
15 to 19 years .....	11,593	9.3	61,684	6.9	250,834	7.0
20 to 24 years .....	13,301	10.7	55,702	6.2	227,898	6.4
25 to 34 years .....	19,332	15.5	109,685	12.3	420,377	11.8
35 to 44 years .....	15,722	12.6	118,796	13.3	484,438	13.5
45 to 54 years .....	15,695	12.6	141,254	15.8	575,597	16.1
55 to 59 years .....	6,223	5.0	59,788	6.7	240,157	6.7
60 to 64 years .....	5,256	4.2	51,108	5.7	203,295	5.7
65 to 74 years .....	6,301	5.0	63,753	7.1	254,944	7.1
75 to 84 years .....	3,374	2.7	43,629	4.9	166,717	4.7
85 years and over .....	<u>1,428</u>	<u>1.1</u>	<u>22,737</u>	<u>2.5</u>	<u>84,898</u>	<u>2.4</u>
Total .....	124,775	100.0	857,183	100.0	3,574,097	100.0

<u>Median Age</u>	<u>2000</u>	<u>2010</u>
City of Hartford .....	29.7	29.2
Hartford County .....	37.7	38.2
State of Connecticut .....	37.4	38.5

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000 and 2010.

### Income Distribution

<u>Income for Families</u>	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 - 9,999 .....	3,520	13.2	8,263	3.6	28,077	3.1
10,000 - 14,999 .....	2,489	9.3	6,101	2.7	18,909	2.1
15,000 - 24,999 .....	4,367	16.3	12,816	5.6	48,077	5.1
25,000 - 34,999 .....	3,486	13.0	15,535	6.8	56,404	6.2
35,000- 49,999 .....	3,938	14.7	23,538	10.3	89,046	9.8
50,000 - 74,999 .....	4,191	15.7	39,939	17.1	149,535	16.4
75,000 - 99,999 .....	2,108	7.9	35,180	15.5	138,055	15.2
100,000 - 149,999 .....	1,873	7.0	45,873	20.2	190,736	21.0
150,000 - 199,999 .....	352	1.3	21,395	9.4	87,410	9.6
200,000 or more .....	<u>427</u>	<u>1.6</u>	<u>20,077</u>	<u>8.8</u>	<u>104,575</u>	<u>11.5</u>
Total .....	26,751	100.0	227,717	100.0	908,824	100.0

Source: 2007-2011 American Community Survey.

### Income Levels

	<u>City of Hartford</u>	<u>Hartford County</u>	<u>State of Connecticut</u>
Per capita income .....	\$16,959	\$33,991	\$37,627
Median family income .....	\$33,363	\$80,623	\$86,395
Median household income .....	\$29,107	\$64,007	\$69,243

Source: 2007-2011 American Community Survey.

### Educational Attainment (Years of School Completed, Age 25 and over)

<u>Educational Attainment</u>	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade .....	10,990	15.1	32,305	5.4	111,783	4.6
9th to 12th grade, no diploma .....	12,406	17.0	44,839	7.4	164,150	6.8
High school graduate .....	22,379	30.7	171,248	28.2	678,997	28.1
Some college, no degree .....	12,871	17.6	106,388	17.5	420,489	17.4
Associate degree .....	3,840	5.3	46,320	7.6	176,481	7.3
Bachelor degree .....	6,225	8.5	118,359	19.5	486,109	20.2
Graduate or professional degree .....	<u>4,207</u>	<u>5.8</u>	<u>87,524</u>	<u>14.4</u>	<u>375,913</u>	<u>15.6</u>
Total .....	72,918	100.0	607,083	100.0	2,413,922	100.0
Percent high school graduate or higher .....	-	67.9	-	87.3	-	88.6
Percent bachelor degree or higher .....	-	14.3	-	33.9	-	35.7

Source: 2007-2011 American Community Survey.

### Age Distribution of Housing

<u>Household Characteristics</u>	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>
Built in 1939 or earlier .....	24,021	44.0	80,498	21.6	346,215	23.3
Built in 1940-1949 .....	6,365	11.6	32,044	8.6	107,185	7.2
Built in 1950-1959 .....	6,963	12.7	65,156	17.4	227,735	15.4
Built in 1960-1969 .....	6,209	11.4	53,615	14.4	200,353	13.5
Built in 1970-1979 .....	3,982	7.3	48,502	13.0	202,757	13.7
Built in 1980-1989 .....	3,421	6.3	47,624	12.8	191,545	12.9
Built in 1990-1999 .....	1,729	3.2	24,081	6.4	109,329	7.4
Built in 2000-2004 .....	1,054	1.9	13,546	3.6	61,357	4.1
Built in 2005 or later .....	<u>891</u>	<u>1.6</u>	<u>8,214</u>	<u>2.2</u>	<u>36,322</u>	<u>2.5</u>
Total .....	54,635	100.0	373,280	100.0	1,428,798	100.0

Source: 2007-2011 American Community Survey.

### Housing Unit Inventory and Vacancy Rates

<u>Housing Units</u>	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Units in structure						
1 unit, detached .....	8,202	15.0	206,455	55.3	879,393	59.3
1 unit, attached .....	1,704	3.1	20,741	5.6	77,315	5.2
2 to 4 units .....	20,361	37.3	65,962	17.7	251,147	17.0
5 to 9 units .....	8,143	14.9	24,002	6.4	80,575	5.4
10 or more units .....	12,326	29.5	54,058	14.5	181,314	12.2
Mobile home, trailer, other .....	<u>105</u>	<u>0.2</u>	<u>2,062</u>	<u>0.5</u>	<u>13,054</u>	<u>0.9</u>
Total units .....	54,635	100.0	373,280	100.0	1,482,798	100.0
Occupied housing units .....	46,048	84.3	348,438	93.3	1,360,115	91.7
Vacant housing units .....	<u>8,587</u>	<u>15.7</u>	<u>24,842</u>	<u>6.7</u>	<u>122,683</u>	<u>8.3</u>
Total units .....	54,635	100.0	373,280	100.0	1,482,798	100.0

Source: 2007-2011 American Community Survey.

### Owner-occupied Housing Units

	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
Total owner-occupied units .....	11,533		230,923		937,339	
Persons per unit .....	2.65		2.60		2.66	
	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Specified owner-occupied units						
Less than \$50,000 .....	289	2.5	3,857	1.7	15,295	1.6
\$50,000 to \$99,999 .....	923	8.0	4,782	2.1	19,347	2.1
\$100,000 to \$149,999 .....	1,773	15.4	17,960	7.8	56,379	6.0
\$150,000 to \$199,999 .....	3,038	31.8	43,490	18.8	123,823	13.2
\$200,000 to \$299,999 .....	3,417	26.3	83,316	36.1	271,204	29.0
\$300,000 to \$499,999 .....	1,413	12.3	60,091	26.0	275,823	29.4
\$500,000 to \$999,999 .....	314	2.7	15,163	6.5	129,633	13.8
\$1,000,000 or more .....	<u>115</u>	<u>1.0</u>	<u>2,264</u>	<u>1.0</u>	<u>45,835</u>	<u>4.9</u>
Total .....	11,533	100.0	230,923	100.0	937,339	100.0
Median value .....	\$186,000	-	\$248,000	-	\$293,100	-

Source: 2007–2011 American Community Survey.

### Number and Size of Households

<u>Household Characteristics</u>	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households .....	115,824	-	865,787	-	3,455,9455	-
Persons per household (average) .....	2.57	-	2.47	-	2.52	-
Persons per family (average) .....	3.30	-	3.06	-	3.08	-
Family households .....	26,753	59.3	227,831	64.9	908,661	66.3
Non-family households .....	<u>18,371</u>	<u>40.7</u>	<u>123,023</u>	<u>35.1</u>	<u>462,426</u>	<u>33.7</u>
All households .....	45,124	100.0	350,854	100.0	1,371,087	100.0
Family households by type						
Married couple .....	10,208	38.2	161,327	70.8	672,013	73.9
Female householders, no spouse ..	13,527	50.5	50,908	22.3	176,973	19.5
Other .....	<u>3,018</u>	<u>11.3</u>	<u>15,596</u>	<u>6.9</u>	<u>59,675</u>	<u>6.6</u>
Total family households .....	26,753	100.0	227,831	100.0	908,661	100.0
Non-family households by type						
Householders living alone .....	14,941	81.3	100,524	81.7	373,648	80.8
Other .....	<u>3,430</u>	<u>18.7</u>	<u>22,499</u>	<u>18.3</u>	<u>88,778</u>	<u>19.2</u>
Total non-family households .....	18,371	100.0	123,023	100.0	462,426	100.0

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2010.

### Value of Construction Activity

<u>Calendar Year</u>	<u>Number</u>	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>Other<sup>1</sup></u>	<u>Total</u>
2012 .....	4,749	\$39,113,327	\$202,523,092	\$ 9,152,769	\$250,789,188
2011 .....	4,395	22,255,579	157,831,806	16,781,050	197,431,435
2010 .....	4,002	27,410,970	151,921,378	4,157,298	183,489,646
2009 .....	4,230	15,442,671	190,459,312	109,442,121	315,344,104
2008 .....	4,326	37,250,732	230,080,698	144,250,143	411,581,573
2007 .....	4,328	23,846,030	84,367,870	282,988,682	391,202,582
2006 .....	4,244	36,287,705	115,692,401	169,979,430	321,959,536
2005 .....	3,948	18,237,904	65,306,060	34,383,656	117,927,620
2004 .....	2,469	15,240,516	51,264,014	55,740,900	122,245,430
2003 .....	1,574	22,864,913	53,690,851	196,790	76,752,554
2002 .....	1,704	23,224,448	74,192,146	1,678,788	99,095,382
2001 .....	2,073	19,608,541	68,913,758	16,824,451	105,346,750

<sup>1</sup> Municipal and other exempt new construction.

### Employment Data

<u>Job Sector</u>	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Manufacturing jobs - total.....	3,796	7.8	49,386	11.3	201,999	11.4
Non-manufacturing:						
Agriculture, forestry, fishing, hunting and mining .....	100	0.2	1,080	0.2	6,490	0.4
Construction.....	1,990	4.1	21,868	5.0	107,614	6.1
Wholesale trade .....	970	2.0	11,034	2.5	45,358	2.6
Retail trade .....	6,389	13.1	46,851	10.7	193,940	11.0
Transportation, warehousing and utilities .....	2,304	4.7	17,832	4.1	67,041	3.8
Information .....	854	1.7	10,542	2.4	44,581	2.5
Finance, insurance, real estate and leasing .....	3,159	6.5	52,524	12.0	166,839	9.4
Professional, scientific, management, administrative and waste management .....	5,172	10.6	43,289	9.9	190,314	10.8
Educational, health and social services.....	13,037	26.7	110,460	25.3	451,766	25.6
Arts, entertainment, recreation, accommodation and food .....	6,379	13.0	33,574	7.7	142,250	8.1
Other services .....	2,860	5.8	19,244	4.4	79,787	4.5
Public administration.....	<u>1,882</u>	<u>3.8</u>	<u>19,498</u>	<u>4.5</u>	<u>66,776</u>	<u>3.8</u>
Total non-manufacturing.....	45,096	92.2	387,796	88.7	1,562,756	88.6
Total employed persons.....	48,892	100.0	437,182	100.0	1,764,755	100.0

Source: 2007–2011 American Community Survey.

**Commute to Work  
(16 years of age and over)**

	<u>City of Hartford</u>		<u>Hartford County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone .....	25,994	55.0	343,482	80.5	1,362,249	78.8
Car pools .....	7,140	15.1	37,819	8.9	145,7809	8.5
Using public transportation .....	8,196	17.4	15,337	3.6	77,914	4.5
Walked .....	3,784	8.0	9,706	2.3	52,032	3.0
Using other means .....	1,076	2.3	5,867	1.4	21,077	1.2
Worked at home .....	<u>1,046</u>	<u>2.2</u>	<u>14,233</u>	<u>3.3</u>	<u>69,663</u>	<u>4.0</u>
Total .....	47,236	100.0	426,466	100.0	1,728,715	100.0
Mean travel to work (minutes) .....	21.2	-	22.0	-	24.7	-

Source: 2007-2011 American Community Survey.

**Employed Persons**

	<u>City of Hartford</u>		<u>City of Hartford</u>	<u>Percent Unemployed</u>	
	<u>Employed</u>	<u>Unemployed</u>		<u>Hartford Labor Market Area</u>	<u>State of Connecticut</u>
Annual Average 2012 .....	43,712	8,031	15.5	8.5	8.4
Annual Average 2010 .....	43,044	8,273	16.1	9.2	9.1
Annual Average 2009 .....	43,627	7,192	14.2	8.3	8.2
Annual Average 2008 .....	45,436	4,671	9.3	5.8	5.7
Annual Average 2007 .....	44,534	4,367	8.9	5.1	5.9
Annual Average 2006 .....	44,044	4,178	8.7	4.4	4.3
Annual Average 2005 .....	41,126	5,037	10.9	5.7	5.3
Annual Average 2004 .....	42,900	4,835	10.1	5.2	4.9
Annual Average 2003 .....	45,821	5,971	11.5	5.9	5.5
Annual Average 2002 .....	49,746	4,422	8.2	4.5	4.3
Annual Average 2001 .....	48,970	3,453	6.6	3.3	3.3
Annual Average 2000 .....	50,246	2,561	4.8	2.4	2.3

Source: Based on U.S. Department of Labor and Employment Security Division, Labor Department, State of Connecticut.

### Hartford's Major Employers

<u>Employer</u>	<u>Industry</u>	<u>Employees</u>
The Hartford Financial Services Group .....	Insurance, financial services	5,000-9,999
The Travelers Cos. Inc. ....	Property/casualty insurance	1,000-4,999
Saint Francis Hospital and Medical Center .....	General hospital	1,000-4,999
Aetna Inc. ....	Health insurance	1,000-4,999
Institute of Living - Treatment .....	Treatment center	1,000-4,999
Northeast Utilities .....	Electric utility	1,000-4,999
Connecticut Children's Medical Center .....	Hospital	1,000-4,999
Department of Environmental Protection .....	State agency	1,000-4,999
Institute of Living - Geriatric .....	Rest home	1,000-4,999
Department of Public Health .....	State agency	500-999
Bureau of Materials Management .....	State agency	500-999
Lincoln National Life Insurance .....	Life insurance	500-999
Department of Revenue Services .....	State agency	500-999
Regional Market .....	Government offices	500-999
Community Renewal Team Inc. ....	Pre-schools	500-999
Phoenix Co. Inc. ....	Life insurance	500-999
Hartford Police Department .....	Public safety	500-999
United Technologies .....	Manufacturing	500-999
Capital Community College .....	Higher education	500-999
Comcast Theatre .....	Theatre	500-999
Shipman & Goodwin LLP .....	Law firm	500-999
XL Center .....	Ticket service	500-999

Source: City of Hartford Comprehensive Annual Financial Report for fiscal year ended June 30, 2012.

### Commercial Real Estate Market Analysis Vacant Space

<u>Type</u>	<u>Q4 2012</u>		<u>Q4 2011</u>		<u>Q4 2010</u>	
	<u>Total Square Feet</u>	<u>Overall Vacancy Rate</u>	<u>Total Square Feet</u>	<u>Overall Vacancy Rate</u>	<u>Total Square Feet</u>	<u>Overall Vacancy Rate</u>
City of Hartford Office CBD ...	7,917,809	26.8%	7,976,010	26.5%	7,976,110	24.0%
Hartford's Class "A" .....	6,178,692	25.5	6,178,692	24.8	6,178,692	24.1
Regional Office .....	25,374,798	19.1	25,667,361	20.1	25,608,029	20.7
City of Hartford Industrial .....	5,161,950	10.0	5,161,950	8.6	5,161,950	10.3
Regional Industrial .....	89,265,616	11.7	87,478,738	13.5	87,478,738	14.7

Source: Cushman & Wakefield of Connecticut, Inc.

### Land Use Breakdown

<u>Land Use Category</u>	<u>Acres</u>	<u>Percent</u>
1-3 family residential .....	2,409	21
4-6 family residential .....	206	2
Over 6 family residential .....	505	4
Office/Commercial .....	735	6
Retail .....	377	3
Institutional/Government/Utility .....	2,965	26
Industrial/Manufacturing .....	240	2
Open space/Park/Cemetery .....	1,480	13
Vacant land .....	447	4
Streets/Transportation .....	<u>2,156</u>	<u>19</u>
Total .....	11,520	100

Source: City Assessor 2012.

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## SECTION IV - DEBT SECTION

### Debt Authorization

Title 7 of the Connecticut General Statutes, Revision of 1958, as amended, authorizes the City to issue bonds, notes and other obligations.

Under the City Charter, bonds and bond anticipation notes are authorized by an ordinance approved by the affirmative vote of at least six members of the Common Council. If the total estimated cost of any improvement for which bonds are proposed to be issued exceeds \$2 million, and if the full faith and credit of the City shall be pledged to the payment of any portion of the principal and interest on the bonds, the ordinance authorizing the issuance of bonds shall be subject to the approval of a majority vote of City electors voting thereon, if, within 30 days after published notice of the enactment by the Common Council, a sufficient petition is filed with the City Clerk requesting that such ordinance be either repealed or submitted to a vote of the electors. In order for the petition to be sufficient it must be signed in ink by not less than 3% of the City electors.

### Limitation of Indebtedness

Under Connecticut law, municipalities shall not incur indebtedness through the issuance of general obligation bonds that will cause aggregate indebtedness by class to exceed the following:

General Purpose: 2.25 times annual receipts from taxation.

School Purpose: 4.50 times annual receipts from taxation.

Sewer Purpose: 3.75 times annual receipts from taxation.

Urban Renewal Purpose: 3.25 times annual receipts from taxation.

Pension Deficit Funding: 3.00 times annual receipts from taxation.

In no case, however, shall total indebtedness exceed seven times annual receipts from taxation.

“Annual receipts from taxation” is defined as total tax collections (including interest and penalties) and State payments in lieu of taxes under Connecticut General Statutes Sections 12-129d and 7-528 for the most recent fiscal year next preceding the date of issue.

The statutes also provide for certain exclusions of debt issued in anticipation of taxes, for the supply of water, gas, or electricity, construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes and for two or more of such purposes; for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; and for indebtedness issued in anticipation of the receipt of proceeds from State or federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds.

**Statement of Statutory Debt Limitation and Debt Margin**  
**Pro Forma as of April 11, 2013**  
**(In Thousands)**

The following table sets forth the computation of the statutory debt limit of the City and the debt incurring margin as of April 11, 2013, adjusted to give effect to this financing:

Total tax collections for the year ended June 30, 2012, including interest and penalties .....	\$273,163
	<u>4</u>
State reimbursement for tax relief for elderly - freeze .....	
Base for establishing debt limit.....	\$273,167

**Debt Margin**

<u>Debt Limitation by Purpose</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit Funding</u>	<u>Total</u>
2.25 x base .....	\$614,626					\$ 614,626
4.50 x base .....	-	\$1,229,252				1,229,252
3.75 x base .....	-	-	\$1,024,376			1,024,376
3.25 x base .....	-	-	-	\$887,793		887,793
3.00 x base .....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$819,501</u>	<u>819,501</u>
Total debt limitation .....	614,626	1,229,252	1,024,376	887,793	819,501	4,575,548

Less indebtedness:

Bonds of this Issue.....	42,644	5,516	-	-	-	48,160
Notes of this Issue .....	43,075	21,575	-	-	-	64,650
Bonds payable .....	214,834	107,456	1,432	-	-	323,722
Overlapping debt <sup>1</sup> .....	-	-	47,195	-	-	47,195
Bonds authorized but unissued .....	<u>66,116</u>	<u>264,386</u>	<u>8,578</u>	<u>-</u>	<u>-</u>	<u>339,080</u>
Total indebtedness .....	366,669	398,933	57,205	-	-	822,807

Less:

School construction grants receivable .....	-	9,209	-	-	-	9,209
Self-supporting debt .....	<u>25,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,130</u>
Total net indebtedness .....	341,539	389,724	57,205	-	-	788,468

Debt limitation in excess of outstanding and authorized debt .....

\$273,087	\$839,528	\$967,171	\$887,793	\$819,501	\$3,787,080
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<sup>1</sup>City's share of MDC debt as of February 13, 2013.

Note: In no event shall total indebtedness exceed \$1.9 billion (seven times the base for debt limitation computation).

**Annual Bonded Debt Maturity Schedule<sup>1</sup>**  
**Pro Forma as of April 11, 2013**

<b>Fiscal Year Ending June 30</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>	<b>Bonds of this Issue</b>	<b>Cumulative Percent Principal Retired</b>	<b>State School Building Grants (Principal Only)</b>	<b>Net Projected Principal Payments</b>
2013 <sup>2</sup> .....	\$ 21,771	\$ 392,587	\$ 414,358	\$ -	0.01	\$ -	\$ 21,771
2014 .....	9,043,182	14,998,933	24,042,115	-	2.44	1,785,616	7,257,566
2015 .....	10,874,962	14,711,190	25,586,152	-	5.36	1,779,167	9,095,795
2016 .....	15,911,777	14,192,179	30,103,956	1,800,000	10.12	2,018,636	15,693,141
2017 .....	15,208,630	13,478,811	28,687,441	1,875,000	14.72	1,511,118	15,572,512
2018 .....	14,280,520	12,801,642	27,082,162	1,950,000	19.08	886,096	15,344,424
2019 .....	23,387,448	11,994,491	35,381,939	2,045,000	25.92	569,764	24,862,684
2020 .....	22,389,415	10,972,625	33,362,040	2,130,000	32.52	438,240	24,081,175
2021 .....	21,736,421	9,915,688	31,652,109	2,215,000	38.96	220,696	23,730,725
2022 .....	21,098,468	8,906,312	30,004,780	2,305,000	45.25	-	23,403,468
2023 .....	21,520,557	7,909,550	29,430,107	2,395,000	51.68	-	23,915,557
2024 .....	21,762,687	6,878,978	28,641,665	2,515,000	58.21	-	24,277,687
2025 .....	20,639,861	5,847,903	26,487,764	2,640,000	64.47	-	23,279,861
2026 .....	18,317,079	4,900,430	23,217,509	2,770,000	70.14	-	21,087,079
2027 .....	18,714,341	3,994,900	22,709,241	2,910,000	75.95	-	21,624,341
2028 .....	15,330,000	3,161,537	18,491,537	3,055,000	80.90	-	18,385,000
2029 .....	15,055,000	2,400,183	17,455,183	3,210,000	85.81	-	18,265,000
2030 .....	13,260,000	1,796,352	15,056,352	3,335,000	90.27	-	16,595,000
2031 .....	13,000,000	1,154,300	14,154,300	3,505,000	94.71	-	16,505,000
2032 .....	12,170,000	504,300	12,674,300	3,680,000	98.97	-	15,850,000
2033 .....	-	-	-	<u>3,825,000</u>	100.00	-	<u>3,825,000</u>
Total .....	\$323,722,119	\$150,912,891	\$474,635,010	\$48,160,000		\$9,209,333	\$362,672,786

<sup>1</sup> Includes \$25,130,000 principal payments for self-supporting Hartford Parking Authority bonds.

<sup>2</sup> Excludes \$26,439,666 principal payments and \$15,308,087 interest payments made from July 1, 2012 through April 11, 2013.

**Current Debt Statement**  
**Pro Forma as of April 11, 2013**

Long-term Debt:	
General Purpose (including this issue) .....	\$259,977,397
Schools (including this issue) .....	110,472,603
State of Connecticut Clean Water Fund Loan .....	<u>1,432,119</u>
Total Long-term Debt .....	371,882,119
Short-term Debt .....	<u>64,650,000</u>
Total Direct Debt .....	436,532,119
Less:	
State School Building Grants Receivable .....	9,209,333
Self-supporting Parking Authority Debt .....	<u>25,130,000</u>
Total Net Direct Debt .....	402,192,786
Plus: Overlapping Debt (MDC) .....	<u>47,195,446</u>
Total Overall Net Debt .....	\$449,388,232

Note: Does not include authorized but unissued debt.

**Current Debt Ratios**  
**Pro Forma as of April 11, 2013**

Population <sup>1</sup> .....	124,775
Net Taxable Grand List - 10/1/11 @ 70% of full value .....	\$3,521,151,129
Estimated Full Value .....	\$5,030,215,899
Equalized Net Taxable Grand List (2010) <sup>2</sup> .....	\$7,147,577,757
Money Income per Capita <sup>3</sup> .....	\$16,959

	<b>Total Direct Debt</b>	<b>Total Net Direct Debt</b>	<b>Total Overall Net Debt</b>
	<b><u>\$436,532,119</u></b>	<b><u>\$402,192,786</u></b>	<b><u>\$449,388,232</u></b>
Per Capita .....	\$3,498.55	\$3,223.34	\$3,601.59
Ratio to Net Taxable Grand List .....	12.40%	11.42%	12.76%
Ratio to Estimated Full Value .....	8.68%	8.00%	8.93%
Ratio to Equalized Net Taxable Grand List ...	6.11%	5.63%	6.29%
Per Capita to Money Income Per Capita .....	20.63%	19.01%	21.24%

<sup>1</sup> U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2010.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

<sup>3</sup> 2007-2011 American Community Survey.

**Authorized but Unissued Debt**

As of April 11, 2013, the City had \$339,080,088 authorized but unissued debt. Of that amount, \$74,694,424 is for various public improvement and sewer projects, and \$264,385,664 is for school projects. See "State School Construction Grants" herein.

**Ratio of Annual Debt Service Expenditures for General Fund Bonded Debt to General Fund Expenditures  
Last Five Fiscal Years  
(In Thousands)**

<b>Fiscal Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of Debt Service to General Fund Expenditures</b>
2012 .....	\$25,100	\$14,547	\$39,647	\$532,626	7.44
2011 .....	22,723	15,471	38,194	523,968	7.29
2010 .....	20,536	16,627	37,163	506,731	7.33
2009 .....	21,775	14,322	36,097	509,704	7.08
2008 .....	18,945	13,896	32,841	521,742	6.29

**Bonds Outstanding  
Last Five Fiscal Years Ended June 30**

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$321,810,000	\$293,745,000	\$290,020,000	\$295,845,000	\$308,105,000

**Overlapping Debt**

The City is a member of The Metropolitan District Commission (the "MDC"), a special district in Hartford County, formed under State statutes to provide water and sanitary sewer services to its eight member municipalities. Water services are provided directly by the MDC and billed to the users. As of February 13, 2013, the total outstanding net direct debt of the MDC applicable to its member municipalities was \$164,961,362, of which the City of Hartford is responsible for approximately 28.6% or \$47,195,446.

The MDC was cited by the U.S. Environmental Protection Agency and the United States Department of Justice for overflows for the sewer systems in West Hartford, Newington, Wethersfield, Rocky Hill and Windsor. The MDC was fined \$850,000 and signed a Consent Decree to cease all overflows within twelve years (by the year 2020). The MDC also negotiated a Consent Order with the Connecticut Department of Environmental Protection ("CTDEP") to control the Combined Sewer Overflows ("CSO") located in the Hartford sewer system within fifteen years (by the year 2022).

The MDC has conducted studies of the CSO under the direction of the CTDEP. A plan for abating these pollution sources, called the Clean Water Project, has been prepared by consultants to the MDC. The plan combines several abatement strategies including new sewers, removal of storm water flows during storm events, and additional treatment capacity. Completion of these system improvements will require a construction program of at least fifteen years.

On November 7, 2006, voters in the eight member towns approved a referendum authorizing the MDC to appropriate \$800,000,000 for the Clean Water Project to be financed by the issuance of bonds. On November 6, 2012, voters in the eight member towns approved a referendum authorizing an additional \$800,000,000 for Phase II of the Clean Water Fund Project. The MDC has received state funding from the Clean Water Fund and federal funding from Congress to assist with the cost of the project. The total cost for the program is expected to be in excess of \$1,600,000,000. The MDC has adopted a special sewer

service surcharge for customers who utilize the MDC's sewer system and are furnished water directly by the MDC. The bonds issued or which may be issued and other loans, including State of Connecticut Clean Water Fund loans, to finance all costs associated with the Clean Water Project that are supported by the special sewer service surcharge are not included in the calculation of overlapping debt since they are not supported by the ad valorem taxes of the City.

**MDC**

***Statement of Overlapping Debt***

***As of February 13, 2013***

Net Overlapping Debt for All Member Towns .....	\$164,961,362
Hartford's Percent of Overlapping Debt .....	28.61%
Hartford's Share of Overlapping Debt .....	\$47,195,446

Source: Metropolitan District Commission

The City and the MDC are also joint participants in a \$9,600,000 combined sewer overflow ("CSO") project related to the discharge of storm water from the City's Tower Brook conduit into the MDC's sewer. The project has been financed by 2% loans and grants under the State of Connecticut's Clean Water Fund program. The City appropriated \$4,800,000 and authorized bonds in the amount of \$2,500,000 for its share of the project. The City issued a Project Loan Obligation under the State's Clean Water Fund program in the amount of \$1,921,859; of that amount \$1,432,119 is outstanding as of April 1, 2013.

**Special Revenue Obligations**

**\$38,345,000 Multi-Family Housing Revenue Refunding Bonds (Underwood Towers Project) Series 1990.** Tax-exempt bonds were issued to refund outstanding 1984 Series Multi-Family Housing Mortgage Revenue Bonds in the amount of \$39,961,946. The proceeds of the 1984 Bonds were used to finance two 26-story residential towers containing 451 mostly market-rate rental units. The bonds are secured by a private insurance policy issued by Financial Security Assurance, Inc. ("FSA") and mortgage insurance through FHA. The refunding bonds were dated June 29, 1990 with a final maturity of June 1, 2020.

The above referenced bonds are special limited obligations of the City, acting by and through the Redevelopment Agency of the City of Hartford (the "City") and are payable solely from the revenues and assets pledged therefore pursuant to the Indenture of Trust for such bonds (the "Indenture"). Neither the United States, the State of Connecticut, the City nor any other political subdivision has any liability for the payment of principal of and interest on the bonds or the performance of any pledge, obligation or agreement of any kind whatsoever of the City and none of the bonds nor any of the City's agreements or obligations shall be construed to constitute an indebtedness of the United States of America, or any department or agency thereof, the State of Connecticut, the City of Hartford, or any other political subdivision or body corporate and politic of the State of Connecticut within the meaning of any constitutional or statutory provision.

**Lease Obligations**

In addition to bonded debt, the City has entered into various leases and lease/purchase agreements for office space, equipment, and rolling stock to support its operations.

The City entered into a 15 year lease commencing on July 1, 2002 for the rental of office space from the Connecticut Constitution Associates, LLC for various City departments and agencies. At the beginning of year six and year eleven, the base rent will be increased by an amount equal to the product of the base rent times 100% of the percentage increase, if any, of the CPI over the CPI at the commencement date or the first day of the sixth lease year, as the case may be. Future minimum lease payments are projected to be \$1,000,000 annually for 2011 through 2017 (without consideration of potential increases resulting from

the change in the CPI in the eleventh year of the fifteen-year lease). In addition to the base rent, the City pays a proportionate share of the landlord's operating expenses and real estate taxes. For the fiscal year ending June 30, 2011, base rent and additional rent amounted to \$2,311,000.

The City also has various other lease agreements. The table below represents all other future lease obligations:

2012 .....	\$4,762,000
2013 .....	4,022,000
2014 .....	2,952,000
2015 .....	2,075,000
2016 .....	1,559,000
2017 and thereafter .....	2,957,000

In August 2012, the City of Hartford established a Tax-Exempt Master Lease facility with First Niagara Bank. The City intends to use this facility as a mechanism to finance recurring capital needs, including vehicle replacement, over various terms (3, 5 & 7 years) that match the useful life of the items financed. The Master Lease facility also allows the City to preserve General Obligation debt capacity as these items historically were financed with General Obligation bonds. As of April 11, 2013 the City has financed \$3,990,000 in projects through the Master Lease.

The City's Obligation under the Master Lease over the next five years, reflecting its initial draw of \$3,990,000, is as follows:

August 24, 2013	\$822,802.38
August 24, 2014	822,802.38
August 24, 2015	822,802.38
August 24, 2016	822,802.38
August 24, 2017	<u>822,802.38</u>
Total:	<u>\$4,114,011.90</u>

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## SECTION V - FINANCIAL SECTION

### **Significant City Accounting Policies**

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

The City's audited financial statements for June 30, 2006 included statements established under the new Government Accounting Standards Board ("GASB") No. 34 policy. The reported Internal Service Funds of the City include self-insured funds for employee benefits, workers' compensation, and liability and property damage. Pension Trust Funds account for the Municipal Employees' Retirement System. The Hartford Parking Authority and Hartford Economic Development Commission are considered discretely presented component units and as such have been included in the City's reporting as government fund types in accordance with GAAP.

The City finances are organized on a fund accounting basis with separate funds established for general operating expenses, capital improvement projects, debt service, special revenues, various trusts, enterprise operations, and general fixed assets. The accounting records of the government-wide financial statements, as well as the enterprise funds, internal service funds and pension trust funds are maintained on an accrual basis, which records revenues when earned and expenses when incurred. The accounting records of the general fund, special revenue funds, and the debt service fund are maintained on a modified accrual basis which records revenues in cash and those revenues that are susceptible to accrual which are measurable and available but not received at the normal time of deposit. Budgetary expenditures consist of the disbursements and encumbrances.

The financial statements and tables found in the City's Comprehensive Annual Financial Report conform to the high standards promulgated by GASB. The City has been awarded a Certificate of Excellence in Financial Reporting by the Government Finance Officers' Association virtually each year since 1954 and was again recently recognized for the fiscal year ended June 30, 2010.

For additional information on accounting policies, financial statements and tables, refer to the 2011-12 Financial Statements, "Notes to Financial Statements," incorporated in this Official Statement and the independent auditor's report.

### **Budget Adoption**

The City adopts an annual budget for the operation of the General Fund. Under the Charter, the Mayor prepares and submits the recommended annual budget to the Common Council for approval.

For the 2011-12 and 2012-13 budgets, the City followed a traditional approach to budgeting using the prior year's budget as a starting point and making changes for contractual obligations and changes in headcount due to hiring, retirements and layoffs. The Hartford budget model follows the outline below:

- The Mayor identifies goals, strategies and outcomes.
- Departments identify programs and initiatives to carry out the goals and strategies.
- Costs are identified by programs.
- Departments prepare budget proposals that indicate the proposed cost and expected result for each program.
- Departments prioritize spending to focus on services that matter the most or are legally mandated.
- The Mayor evaluates all departments and activities.
- The Mayor's recommended budget is the result of the acceptance and approval of activities.

The Common Council may insert new items of expenditures or may increase, decrease, or strike out items of expenditures, except that no appropriation for debt service and no appropriation necessary to fulfill the obligations of the City as determined by the Pension Commission shall be reduced. The Common Council shall not increase the Mayor's estimates of receipts. It may, however, decrease the amount of the

tax levy for the ensuing fiscal year as proposed by the Mayor in proportion to such decrease in the total of expenditures proposed by the Mayor as it may have determined. If it shall increase the total proposed expenditures, such increase shall be reflected in full in the tax rate. At least one month before the end of the current fiscal year, the Common Council shall adopt the budget, the appropriation ordinance, and the tax levy ordinance.

## **Investment Practices**

### *General*

In accordance with the Connecticut General Statutes, the Common Council designates the qualified public depositories and financial service providers that the City Treasurer may use for General Fund public deposits and investments. Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400. The City Treasurer invests the City's operating and working capital funds accordingly.

In addition, the City Treasurer monitors the risk-based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, in which it places deposits or makes investments. See Appendix A - "Auditor's Section, Notes to Financial Statements" herein regarding the City's cash and cash equivalents and investments.

The operating and working capital funds are currently invested at the direction of the City Treasurer in bank certificates of deposit, bank money-market funds, the State of Connecticut's Short-term Investment Fund ("STIF"), and, from time to time, negotiated repurchase agreements with various providers. These investment vehicles consist of U.S. Treasuries, obligations of government agencies and repurchase agreements collateralized by U.S. Treasuries and agency obligations. STIF was authorized in 1978 (P.A. 78-236) for investment by the State Treasurer of various state funds. Section 3-27a of the Connecticut General Statutes spells out the various governmental entities eligible to participate in STIF. Section 3-27d details eligible investments that may be acquired with funds on deposit with STIF. Section 3-27f authorizes all agencies, instrumentalities, and political subdivisions in the State of Connecticut to invest in STIF.

In addition to the Connecticut General Statutes governing eligible investments, the City has its own investment policy. This document sets forth the "prudent person" standard of care; defines investment objectives as safety of principal, liquidity, and return on investment; imposes certain diversification guidelines; and applies the City's Code of Ethics to investment activities.

### *Pension Funds*

Under the authority of Chapter XII, Section 1 of the Charter, the pension funds for City employees are invested as recommended by the independently elected City Treasurer, who serves ex-officio as Secretary of the Pension Commission. Investments for the Municipal Employees' Retirement Fund ("MERF") are made in accordance with the MERF's Funding and Investment Policy Statement, which addresses investment objectives, asset allocation, and investment guidelines, among other things. In a market cycle, the MERF's overall rate of return is expected to be equal to or exceed the rate assumed by sound actuarial principles and to exceed inflation by at least 350 basis points. The MERF's investment managers' performance records are monitored in comparison to market-based benchmarks on an ongoing basis, and independent reviews of the MERF's asset allocation and its experience study are undertaken at least every three to five years, with a complete actuarial valuation of the plan performed annually. Under the Funding and Investment Policy Statement, the asset allocation is 37% equities with a range of between 30% and 44%, including 17% to 25% international equities (including emerging markets), 38% fixed income with a range from 31.5% to 54.5%, including allocations to core, long duration, TIPS, high yield and global fixed income and emerging market debt of alternative investments of 17% with a range of between 8% and 27% including private equity, private debt, hedge funds and real estate. Other asset classes consist of global tactical asset allocation (3% to 7%) and commodities (2%-4%). The general

guidelines notably include the MERF's expectation that the investment managers' philosophy and style will remain consistent and specify that buying on margin, short sales, and the speculative purchase or sales of derivatives are prohibited. Guidelines are also defined for the various asset classes.

**Statement of General Fund Revenues and Expenditures  
(In Thousands)**

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2009 through 2012 have been derived from audited financial statements and are presented on a GAAP basis. The City's audited financial statements for the fiscal year ended June 30, 2012 are attached hereto as Appendix A. The City has not asked for, nor has it received, permission from its auditor, McGladrey & Pullen, LLP, to include such audited financial statements in this Official Statement. The adopted budget for the fiscal year ending June 30, 2013 is provided by the City and is presented on a budgetary basis. The City's independent auditor has not examined, reviewed or compiled any of the estimates presented below or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assumes no responsibility for them. The financial information presented herein is the responsibility of the City's management.

	<u>Adopted Budget 2012-13</u>	<u>Actual 2011-12</u>	<u>Actual 2010-11</u>	<u>Actual 2009-10</u>	<u>Actual 2008-09</u>
<b>Revenues</b>					
General property tax .....	\$251,239	\$277,245	\$274,013	\$266,990	\$250,668
Licenses, permits and other charges .....	6,139	6,299	4,891	5,608	8,155
Use of money and property .....	2,234	4,973	6,671	5,395	4,196
Intergovernmental revenue .....	270,094	280,582	272,915	267,840	270,021
Charges for services .....	2,955	2,258	2,807	2,175	1,961
Other revenues .....	<u>3,283</u>	<u>2,377</u>	<u>1,389</u>	<u>3,028</u>	<u>5,957</u>
<b>Total revenues</b> .....	535,944	573,734	562,686	551,036	540,958
<b>Expenditures</b>					
General government .....	21,954	21,566	19,800	19,831	20,929
Public safety .....	73,956	73,595	75,672	70,756	72,998
Infrastructure & leisure .....	13,457	21,134	20,998	12,522	13,629
Development and community affairs .....	5,067	4,612	4,228	4,342	2,241
Human services .....	5,554	4,704	7,103	7,237	7,565
Education .....	284,008	313,069	304,370	305,210	305,432
Benefits and insurance .....	59,402	64,501	65,160	55,791	57,985
Sundry .....	<u>32,038</u>	<u>29,445</u>	<u>26,637</u>	<u>31,042</u>	<u>28,955</u>
<b>Total expenditures</b> .....	495,436	532,626	523,968	506,731	509,734
Excess of revenues over expenditures .....	40,508	41,108	38,718	44,305	31,224
<b>Other financing sources (uses)</b>					
Other financing sources .....	4,328	2,840	4,159	2,884	8,035
Other financing uses.....	(44,836)	(38,921)	(37,427)	(44,854)	(50,846)
Excess (deficiency) of revenues and other resources over (under) expenditures .....					
		5,027	5,450	2,335	(11,587)
Fund balance, July 1 .....	-	<u>25,086</u>	<u>19,636</u>	<u>16,313</u>	<u>27,900</u>
Fund balance, June 30 <sup>1</sup> .....		\$30,113	\$25,086	\$ 18,648	\$ 16,313

<sup>1</sup> As of September 1, 2012, the Mayor, Director of Finance and Acting Chief Operating Officer have signed a fund balance policy which has a goal of maintaining a general fund balance of at least 7.5% of budgetary revenues. The City is aware that it is not meeting its fund balance policy and is evaluating steps to remediate the situation.

**General Fund – Comparative Balance Sheet**  
**Last Five Fiscal Years Ended June 30**  
**(In Thousands)**

	<u>6/30/12</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>
<b>Assets</b>					
Cash and cash equivalents .....	\$ 76,226	\$ 78,102	\$ 74,783	\$ 59,375	\$ 42,571
Due from other funds .....	400	488	1,994	1,965	19,210
Uncollected property taxes .....	42,903	28,947	21,219	19,512	15,916
Uncollected interest on taxes .....	12,337	10,697	8,077	7,201	4,781
School building grants receivable .....	10,997	12,787	14,581	16,197	18,515
Due from individuals and miscellaneous .....	<u>8,852</u>	<u>3,467</u>	<u>2,812</u>	<u>2,687</u>	<u>6,507</u>
<b>Total assets</b> .....	<b>\$151,715</b>	<b>\$134,488</b>	<b>\$123,466</b>	<b>\$106,937</b>	<b>\$107,500</b>
<b>Liabilities and fund balance</b>					
Accounts payable and accrued liabilities .....	\$ 55,315	\$ 54,276	\$ 57,522	\$ 45,032	\$ 36,614
Due to other funds .....	-	1	217	412	1,827
Deferred revenue .....	<u>66,287</u>	<u>55,125</u>	<u>47,079</u>	<u>45,180</u>	<u>41,159</u>
<b>Total liabilities</b> .....	<b>\$121,602</b>	<b>109,402</b>	<b>104,818</b>	<b>90,624</b>	<b>79,600</b>
Fund balance:					
Assigned .....	4,332	2,525	-	-	-
Unassigned .....	25,781	22,561	-	-	-
Reserved .....	-	-	148	95	-
Unreserved .....	<u>-</u>	<u>-</u>	<u>18,500</u>	<u>16,218</u>	<u>27,900</u>
Total fund balance .....	<u>30,113</u>	<u>25,086</u>	<u>18,648</u>	<u>16,313</u>	<u>27,900</u>
<b>Total liabilities and fund     balance</b> .....	<b>\$151,715</b>	<b>\$134,488</b>	<b>\$123,466</b>	<b>\$106,937</b>	<b>\$107,500</b>
<b>Analysis of General Fund     balance</b>					
Budgetary revenues <sup>1</sup> .....	\$545,946	\$543,455	\$533,279	\$522,237	\$500,460
Fund balance as percent of operating revenues .....	5.5%	4.6%	3.5%	3.1%	5.6%
Unreserved fund balance as percent of operating revenue .....	4.7%	4.2%	3.5%	3.1%	5.6%

<sup>1</sup>Budgetary revenues exclude other financing sources (RSI-1).

**Summary of City Operations and Recent Financial Initiatives**

The City of Hartford ended fiscal year 2012 with a General Fund balance of \$30.1 million versus \$25.1 million in fiscal year 2011, an increase of \$5.0 million. The fiscal year 2012 General Fund balance represents 5.2% of operating revenues versus 4.6% in fiscal year 2011.

Currently, the City projects a balanced budget for fiscal year 2013, with revenues expected to equal expenditures, based on the success of a variety of initiatives. Among the initiatives that have been implemented are: 14 layoffs and the elimination of 5 vacancies, delay in the filling of critical vacancies,

departmental budget control and operating efficiencies in areas such as medical consulting services, insurance broker services, banking services and Medicaid billing and collections.

In the early stages of the fiscal year 2014 budget process, the City has identified a \$59 million budgetary shortfall resulting, in part from, a decline in revenues received as part of the Governor's Proposed 2013-15 Biennium Budget as well as increases to various expenditures such as contractually-required salary increases, health benefit increases and employer pension contributions. Initially, a \$70 million shortfall was announced but, after further review, it was determined that \$11 million of that projection must be paid as a pension contribution by the end of fiscal year 2013. The \$11 million was not part of the City's fiscal year 2013 budget but was covered in a Memorandum of Understanding between the City and the Pension commission dated May 28, 2012. In an attempt to limit these increases the Mayor has ordered departments to submit scenarios contemplating a 5% and 10% reduction from current service levels. The Mayor and City Council are also exploring options to create a balanced budget proposal for fiscal year 2014, including re-bidding contracts, increasing property taxes and allowing certain City positions to remain unfilled. Recent news articles have reported that the City has identified significant and increasing budgetary shortfalls through fiscal year 2017. The projections estimate shortfalls of \$72 million in fiscal year 2015, \$77.4 million in fiscal year 2016 and \$82.3 million in fiscal year 2017. As it has in the past, the City will attempt to meet these challenges through a variety of measures at its disposal and through negotiations with the State to limit the degree of State funding decreases. The City is also looking at reimbursements from the State for school construction projects, property sales, limiting employee overtime, developing savings from employee attrition, layoffs, union concessions and debt restructuring as additional ways to address the projected shortfalls.

### **Tax Assessment**

The maintenance of a tax assessment list and the location and valuation of all real and personal property within the City for inclusion on the Grand List are the responsibilities of the Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property located within the City on each October 1.

Public Act No. 04-2 of the May 2004 Special Session of the Connecticut General Assembly ("PA 04-2") modified the required cycle of revaluation and lengthened the cycle from four to five years. Generally, the law requires a revaluation every five years. A revaluation required for the assessment year commencing October 1, 2003 was shelved following passage of PA No. 04-2, effectively scheduling the City's last and subsequent revaluations for October 1, 2006 and October 1, 2011, respectively. A local legislative body is permitted to enact a one- to five-year phase-in of increased real property values resulting from the revaluation. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to or demolition of an existing structure, is undertaken, the Assessor's Office receives a copy of the appropriate permit. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the last revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Public Act No. 06-183 of the Regular Session of the Connecticut General Assembly ("PA 06-183") repeals Connecticut General Statutes Section 12-62d effective as of October 1, 2010. Section 12-62d allowed a municipality to provide property tax relief to owners of single-family residences and multiple-dwelling residential properties containing not more than three units. Such property tax relief was funded by a tax surcharge on other properties.

PA No. 06-183 allowed any municipality that had used Section 12-62d to adopt a new property tax system that separates real property into classes based on how it is used and limits the maximum annual property tax increase to 3.5% per year for residential and apartment properties. Concurrent to

implementing the increased residential and apartment property tax, PA No. 06-183 required a proportionate phase out of the property tax surcharge imposed under Section 12-62d on business, industrial, vacant land and personal property taxes. Accordingly, the City experienced a shift in the tax burden from commercial/industrial property, personal property and motor vehicles to residential property as a result of revaluation.

Public Act No. 11-212 picked up where PA No. 06-183 left off. With the 2010 Grand List, the last year of the 2006 revaluation cycle, the assessment ratio on residential real estate stood at 26.173 percent, the assessment ratio for apartment property of five living units or more stood at 37.602 percent and the assessment ratio for all other types of property was 70 percent. PA No. 11-212 requires the assessor to calculate an assessment ratio for residential property that would cause a 3.5 percent increase in the average residential property tax as a result of the 2011 revaluation. The assessment ratio for residential real estate was set at 29.2 percent. A further adjustment to the assessment ratio was required if the grand levy rose by a threshold set in law. The City Assessor determined that the adjustment for a grand levy increase was not necessary for both the 2011 and 2012 Grand Lists. PA No. 11-212 requires the assessor to set the assessment ratio for apartments at 50 percent on the 2011 Grand List. With PA No. 11-212, the ratio for apartment properties is set to rise to 55 percent on the 2012 Grand List, 60 percent for 2013, 65 percent for 2014 and ultimately, 70 percent on the 2015 Grand List.

The State of Connecticut furnishes motor vehicle lists to the City and appraisals of motor vehicles are accomplished by computer in accordance with an automobile price schedule endorsed by the Connecticut Association of Assessing Officials. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October Grand List. The tax is prorated and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not assessed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was assessed on the October Grand List, the taxpayer is entitled to certain offsetting credits. Personal property valuation is completed every year and maintained in the Assessor's Office. In 2008 the City retained a private firm that is currently performing personal property tax declaration audits. Much new revenue was realized from a similar effort in 2003 and new revenue of more than \$5 million has been collected as a result of the current effort.

Section 12-124 of the Connecticut General Statutes authorizes the City and its Committee on the Abatement of Taxes to abate real and personal property taxes for those who are "poor and unable to pay." The Committee, which is composed of the Corporation Counsel, the City Treasurer, and the Director of Finance, may also abate taxes on certain low- and moderate-income properties and the homes of certain elderly persons pursuant to statute or contractual agreements with the State of Connecticut.

From time to time, the Common Council has approved a variety of tax assessment agreements in connection with the construction or development of improvements to certain properties within the City. Authority for such action is granted by the Connecticut General Statutes.

On June 8, 2007, the Common Council of the City adopted two resolutions, the intent of which is to provide property tax relief to residents and taxpayers of the City by phasing in over five years the increase in real property taxes resulting from the 2006 revaluation of all real property in the City. In addition, any increase on residential and apartment properties would be capped at 3.5% under the provisions of Section 12-62(n) of the Connecticut General Statutes.

### **Levy and Payment**

Property taxes are levied by the Common Council each May on all assessed property on the Grand List of the prior October 1. The percent of budgeted tax collections may not be more than the average rate of collection for the prior three years. Generally, taxes under \$100 are due in one installment on July 1, while taxes greater than \$100 are due in two installments, on July 1 and January 1; and taxes over

\$100,000 are due in two installments on July 1 and January 1. A margin against delinquencies, legal reductions, and Grand List adjustment, such as Assessor errors, is provided by adjusting collections downward when computing anticipated property tax revenue from the current tax levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is included as a revenue item in the budget. Delinquent taxes are billed at least two times a year, with interest charged at the rate of one and one-half percent (1½%) per month with a minimum charge of \$2.00. In accordance with State law, interest and the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed each year prior to May 31 with legal demands and alias tax warrants used in collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to suspense when deemed uncollectible in accordance with State statutes. Delinquent taxes are turned over to a private collection agency for additional efforts at collection.

**Property Tax Levies and Collections  
(In Thousands)**

Fiscal Year Ended June 30	Grand List Year	Net Taxable Grand List	Mill Rate	Original Tax Levy	Adjusted Tax Levy	Tax Collections First Year of Levy	Percentage Collected First Year of Levy*	Tax Collections in Subsequent Years	Total Collections to Date	Percentage Collected to Date
2012	2010	\$3,743,726	71.79	\$285,281	\$278,481	\$261,285	93.83%	\$7,680	\$268,965	96.58%
2011	2009	3,604,167	72.79	277,997	268,745	256,253	95.35%	7,104	263,357	98.00%
2010	2008	3,468,906	72.79	272,065	260,038	249,186	95.83%	7,358	256,544	98.66%
2009	2007	3,460,283	68.34	256,899	242,777	233,628	96.23%	5,184	238,812	98.37%
2008	2006	3,704,353	63.39	233,705	221,445	213,260	96.30%	6,154	219,414	99.08%
2007	2005	3,596,490	64.82	233,373	229,963	219,241	93.94%	3,395	225,944	98.25%
2006	2004	3,510,147	60.82	210,146	209,283	198,964	94.68%	5,679	199,316	95.24%

\* calculated as a percent of the Adjusted Tax Levy net of Real Estate Lien Assignments

## Comparative Assessed Valuations by Category

	<u>10/1/12</u>	<u>10/1/11</u>	<u>10/1/10<sup>1</sup></u>	<u>10/1/09<sup>1</sup></u>	<u>10/1/08<sup>1</sup></u>
Residential .....	\$1,258,913,732	\$1,216,095,296	\$1,167,155,488	\$1,055,210,325	\$1,033,112,143
Commercial/Industrial .....	1,277,791,958	1,289,441,966	1,643,396,804	1,650,228,050	1,520,428,235
Motor Vehicles .....	284,620,936	276,070,153	310,916,045	304,021,848	312,557,026
Personal Property .....	<u>666,454,610</u>	<u>636,332,920</u>	<u>663,558,150</u>	<u>636,889,160</u>	<u>640,838,150</u>
Total Net Taxable Grand List .....	\$3,487,781,236	\$3,417,940,335	\$3,785,026,487	\$3,646,349,383	\$3,506,935,554
Percentage Increase (Decrease) over Prior Year.....	2.0%	(9.7)%	3.80%	3.98%	(0.06)%

<sup>1</sup>After Board of Assessment Appeals.

## Statement of Grand Lists, Tax-exempt Property, Veterans, Elderly and Blind Exemptions

	<u>10/1/12<sup>2</sup></u>	<u>10/1/11<sup>1</sup></u>	<u>10/1/10<sup>1</sup></u>	<u>10/1/09<sup>1</sup></u>	<u>10/1/08<sup>1</sup></u>
<b>Gross Grand List</b>					
Land and Buildings .....	\$10,600,260,695	\$ 10,521,189,756	\$11,630,909,847	\$11,148,413,409	\$ 10,632,660,076
Personal Property .....	1,018,883,771	965,757,343	988,663,029	946,388,014	952,744,243
Motor Vehicles .....	<u>435,305,217</u>	<u>423,131,073</u>	<u>393,377,387</u>	<u>381,957,664</u>	<u>398,340,431</u>
Total Gross Grand List .....	\$12,054,449,683	\$11,910,078,172	\$13,012,950,263	\$12,476,759,087	\$11,983,744,750
<b>Deduct</b>					
Tax-exempt Real Property .....	<u>5,308,993,189</u>	<u>5,250,624,069</u>	<u>5,217,270,015</u>	<u>4,736,295,005</u>	<u>4,271,221,430</u>
Total Grand List .....	\$6,745,456,495	\$ 6,659,454,103	\$7,795,680,248	\$7,740,464,082	\$7,712,523,320
<b>Veterans, Elderly, Blind, and Distressed Municipalities Exemptions</b>					
Land and Buildings .....	\$31,453,693	\$ 31,835,425	\$13,383,970	\$ 9,977,956	\$ 9,363,260
Personal Property .....	46,764,030	39,697,220	28,505,970	25,582,450	26,082,820
Motor Vehicles .....	<u>20,092,716</u>	<u>20,121,598</u>	<u>11,096,935</u>	<u>5,530,420</u>	<u>7,439,708</u>
Total Veterans, Elderly, Blind, and Distressed Municipalities Exemptions .....	\$98,310,439	\$91,654,243	\$52,986,875	\$41,090,826	\$42,885,788
<b>Taxable Grand List</b>					
Land and Buildings .....	\$2,536,705,690	\$2,505,537,262	\$2,810,552,292	\$2,705,438,375	\$2,553,540,378
Personal Property .....	666,454,610	636,332,920	663,558,150	636,889,160	640,838,150
Motor Vehicles .....	<u>284,620,936</u>	<u>276,070,153</u>	<u>264,267,236</u>	<u>261,839,945</u>	<u>271,398,594</u>
Subtotal .....	\$3,487,781,236	\$3,417,940,335	\$3,738,377,678	\$3,604,167,480	\$3,465,777,122
<b>Supplemental Motor Vehicle List</b>					
Actual <sup>2</sup> .....	<u>55,000,000</u>	<u>52,839,911</u>	<u>46,648,809</u>	<u>42,181,903</u>	<u>41,158,432</u>
Total Net Taxable Grand List .....	\$3,542,781,236	\$3,470,780,246	\$3,785,026,487	\$3,646,349,383	\$3,506,935,554
Increase (Decrease) over Prior Year .....	\$72,000,990	\$(314,246,241)	\$138,677,104	\$139,413,829	\$(2,032,378)
Percentage Increase (Decrease) over Prior Year .....	2.1%	(8.3)%	3.80%	3.98%	(0.06)%

<sup>1</sup>After Board of Assessment Appeals.

<sup>2</sup>2012 Supplemental is estimated.

### Principal Taxpayers

<u>Name</u>	<u>Nature of Business</u>	<u>10/1/12 Taxable Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Connecticut Light & Power .....	Utility	\$135,274,140	3.88%
Hartford Fire Insurance & Twin City Ins. ....	Insurance	126,507,740	3.63
Travelers Indemnity Co. Affiliate .....	Insurance	120,238,390	3.45
Aetna Life Insurance Company .....	Insurance	105,919,100	3.04
Mac-State Square LLC .....	Office complex	49,966,630	1.43
HUB Properties Trust .....	Office complex	48,977,640	1.40
Talcott II Gold, LLC .....	Office complex	45,353,850	1.30
FGA 280 Trumbull LLC .....	Office complex	35,947,730	1.03
Connecticut Natural Gas Corp. ....	Utility	35,768,660	1.03
Hartford Hospital & HHMOB Corp. ....	Hospital	<u>35,726,171</u>	<u>1.02</u>
Total .....		<u>\$739,680,051</u>	21.21%

Source: City of Hartford Assessor's Office.

### Capital Budget

Under the Charter, the Planning and Zoning Commission shall prepare and revise annually a program of public improvements for the ensuing ten fiscal years and shall submit annually to the Mayor its recommendation of such projects to be undertaken in the ensuing fiscal year and the full ten-year period. The Mayor shall recommend to the Common Council those projects to be undertaken during the ensuing fiscal year and the method of financing the same.

The Capital Budget is used to finance only those large non-recurring permanent public improvements for which the issuance of bonds is authorized by statute and the Charter. Capital projects include projects in excess of \$200,000 and do not include operating costs, replacement equipment, or maintenance work.

The City of Hartford's Capital Improvement Program ("CIP") is designed to implement many of the long-range objectives of *Hartford's Plan of Development* (the "Plan"), adopted by the Commission on the City Plan in 1996, and the Mayor's policy objectives. The Plan has four primary objectives: development of safe, decent, affordable and accessible housing; development of an efficient, mobile, convenient and safe transportation system; renovation of public facilities including school and municipal buildings, street reconstruction and repair, City parks, and infrastructure improvements; and employment of City residents.

The fiscal year 2012-11 through 2019-20 adopted CIP strives to balance and distribute limited resources to meet the City's most critical needs over the next ten years. The primary emphasis is to preserve the existing infrastructure. While the City of Hartford looks cautiously forward to new and creative development efforts to stimulate the City's economy and tax base, it is important to maintain fiscal conservatism. This poses a challenge to City leaders who must seek to preserve and improve the existing physical plant so that the City's operating departments, public school system and public library may effectively deliver services. The adopted 2010-11 through 2019-20 CIP was developed in consideration of the following factors - infrastructure preservation, maintaining and improving the City's park system, and prudent financial planning.

The adopted 2011-12 through 2020-21 CIP of \$206,729,021 includes a first-year City budget totaling \$25,420,000 net of state and federal grants. The City expects school construction grants of 80-90% to help fund ongoing school projects.

## Retirement Plans and Post-Retirement Benefits

### *Pension Administration*

There are four defined benefit pension plans for employees of the City of Hartford. Two are single-employer plans, one is a cost-sharing multiple-employer plan with the State of Connecticut and one is a plan with the State of Connecticut for certified teachers at the Board of Education in which the City is a noncontributing employer. The City also administers an excess-benefit plan established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415(m) of the federal Internal Revenue Code.

The City Treasurer's Office administers the two single-employer plans. The City pays retirement and single benefit survivor benefits to pensioners under three old unfunded programs on a "pay-as-you-go" basis. For financial reporting purposes, these programs are reflected as one plan. These programs cover City employees hired before the current City Municipal Employees Retirement Fund ("MERF") went into effect on May 1, 1947; there were 123 pensioners and surviving annuitants under these old plans as of July 1, 2011. There are no remaining active members and the unfunded liability is decreasing rapidly.

The City provides retirement benefits for employees hired after 1947 through the City MERF, a contributory defined-benefit plan. Under the Plan, all full-time employees, including police, firefighters and emergency services, but not teachers and members of certain union groups who have elected to join the State Municipal Employees' Retirement Fund ("State MERF-B"), are eligible. The City MERF is considered to be part of the City of Hartford's financial reporting entity and is included in the City's financial reports as a pension trust fund. The Plan is required by City Charter to be actuarially sound, based on employee contributions and mandatory annual contributions from the City as employer as determined by the Pension Commission on an actuarial basis. As of July 1, 2011, City MERF membership consisted of 2,920 pensioners, 2,251 active employees, and 126 vested terminated employees.

In recent years, the City's schedule of funding progress for the Municipal Employees' Retirement Fund has been as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets<sup>1</sup></b>	<b>Actuarial Accrued Liability (AAL)<sup>2</sup></b>	<b>Funded/ (Unfunded) AAL (UAAL)</b>	<b>Funded Ratio<sup>1</sup></b>	<b>Covered Payroll</b>	<b>UAAL as a Percent of Covered Payroll</b>
7/1/11 .....	\$1,017,602,000	\$1,218,900,000	\$(201,298,000)	83.5	\$136,555,000	(147.4)
7/1/10 .....	1,041,572,000	1,175,040,000	(133,468,000)	88.6	132,529,000	(100.7)
7/1/09 .....	1,089,184,000	1,126,965,000	(37,781,000)	96.6	134,143,000	(28.2)
7/1/08 .....	1,123,379,000	1,099,441,000	23,938,000	102.2	139,243,328	17.2
7/1/07 .....	1,092,128,000 <sup>3</sup>	1,090,715,000	1,413,000	100.1	133,280,000	1.1
7/1/06 .....	1,021,491,000 <sup>3</sup>	1,002,848,000	18,643,000	101.9	124,837,000	14.9
7/1/05 .....	986,405,000	970,286,000	16,119,000	101.7	117,261,000	13.7

<sup>1</sup>Excludes receivable from CMERS (applicable for 7/1/2002-7/1/2005 only; no longer applicable 7/1/2006).

<sup>2</sup>Liability shown determined using the projected unit credit cost method until 7/1/2006 and the entry age normal cost method as of 7/1/2007.

<sup>3</sup>Excludes estimated City receivables of \$5,463,745 as of July 1, 2007 and \$7,022,224 as of July 1, 2006. As of the date of the Official Statement, the City has paid these receivables to the City MERF and such payment was reflected in the fiscal year 2008 valuation.

Source: Annual Valuation Report, Hooker & Holcombe, Inc., June 30, 2011.

For fiscal year 2012-13, the City's contribution rates against eligible payroll are: Police 32.56%; Fire 21.67%; Board of Education 8.49%; Municipal Services 43.92% and Library 22.83%. Based on payroll estimates for the fiscal year, contributions from the City as employer are estimated at \$36,126,752 for the fiscal year ending June 30, 2013.

For additional information, refer to the Notes to Financial Statements, Note 13, contained in Appendix A – “Auditor’s Section” herein.

**Summaries of Plan Revenues and Expenses**

On the following pages are shown the “Comparative Summaries of Revenues by Source” and “Expenses by Type” of the City of Hartford Municipal Employees’ Retirement Fund. It is important to note that the City’s General Fund completely funds the three old plans, while the MERF is supported by a combination of employer and employee contributions and dividend and interest income.

**Municipal Employees’ Retirement Trust Funds  
Comparative Summary of Revenues by Source and Expenses by Type  
for Fiscal Years Ended June 30**

**Revenues by Source**

<b><u>Fiscal Year</u></b>	<b><u>Member Contributions</u></b>	<b><u>Employer Contributions</u></b>	<b><u>Net Investment Income</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Total</u></b>
2012	\$8,635,000	\$28,695,000	\$20,310,000	\$ -	\$57,640,000
2011 .....	9,959,000	22,148,000	151,625,000	-	183,732,000
2010 .....	9,355,000	13,747,000	90,066,000	-	113,168,000
2009 .....	8,328,000	15,539,000	(151,988,000)	-	(128,121,000)
2008 .....	9,768,656	20,329,457	(16,659,754)	504,290	13,942,649
2007 .....	9,810,026	18,074,141	155,052,237	1,317,340	184,253,744

**Expenses by Type**

<b><u>Fiscal Year</u></b>	<b><u>Benefits</u></b>	<b><u>Administration</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
2012	\$91,876,000	\$1,984,000	\$373,000	\$94,233,000
2011 .....	90,419,000	2,161,000	67,000	92,647,000
2010 .....	86,716,000	2,027,000	105,000	88,848,000
2009 .....	82,724,000	2,231,000	636,000	85,591,000
2008 .....	81,364,885	2,733,604	756,064	84,854,553
2007 .....	75,639,617	2,029,097	755,589	78,424,303

Source: City of Hartford Comprehensive Annual Financial Reports, fiscal years 2007 through 2012.

**Other Post-Employment Benefits**

Aon Associates, actuaries retained by the City’s Finance and Personnel Department, which are responsible for managing the City’s health-care and other non-pension benefits programs, have provided the actuarial valuation as of July 1, 2011 which indicates an OPEB liability of \$262 million. The City will consider a variety of strategies to fund its OPEB liability including a five-year ramp up of the Annual OPEB Cost (“AOC”). For the fiscal year ending June 30, 2012, the City contributed \$10.7 million of the AOC of \$18.6 million. The percent AOC contributed was 57.6% and the net OPEB obligation was \$56.0 million as of June 30, 2012. The City has monitored these costs for approximately 10 years and has footnoted them in the Comprehensive Annual Financial Report (CAFR). The City has complied with all requirements for full disclosure.

The City’s Chief Operating Officer, Director of Management and Budget, Director of Finance, City Treasurer, Chief Fiscal Officer for the Board of Education, the Interim Human Resources Director for the Board of Education, the Director of Human Resources and the City’s newly established position of City Benefits Administrator have reestablished strategy sessions to fund our OPEB liability. This collaboration

has recommended to the Mayor and City Council that the City fund an OPEB trust for long term investment gain, not unlike the City's pension fund, as an investment pool as permitted by state law in the Connecticut General Statutes (Title 7, Chapter 112, Section 7-403a and Chapter 113, Part II, Section 7-450). An ordinance was passed by the City Council on April 18, 2008, authorizing the establishment of a OPEB Investment Trust Fund. As of March 2012, the trust fund had not been created and funds had not been placed in such trust. Funds designated for the OPEB trust have been placed into the health benefits fund over the last three years. This is reflected in the positive fund balance in the internal service fund.

The City's annual OPEB cost is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the Town's net OPEB obligation (in thousands):

ARC .....	\$18,322
Interest on net OPEB obligation .....	2,710
Adjustment to ARC .....	<u>(2,391)</u>
Annual OPEB cost .....	18,641
Contributions made .....	<u>10,728</u>
Increase in net OPEB obligation .....	7,913
Net OPEB obligation, beginning of year ...	<u>48,083</u>
Net OPEB obligation, end of year .....	\$55,996

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2009, 2010, 2011 and 2012 is presented below (in thousands):

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost ("AOC")</u>	<u>Actual Contributions</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09 .....	\$24,853	\$12,862	51.8%	\$28,166
6/30/10 .....	25,084	10,343	41.2	42,907
6/30/11 .....	16,254	11,078	68.2	48,083
6/30/12 .....	18,641	10,728	57.6	55,996

### Risk Management

The City has established a risk management program to account for and finance its uninsured risks of loss for employee benefits (including comprehensive life, hospital and major medical benefits), workers' compensation, and liability and property damage. Under this program, primary coverage is provided by the City up to a maximum of \$300,000 in health insurance claims for each individual per claim year, \$2 million per occurrence for workers' compensation claims, \$500,000 per occurrence for auto and general liability claims, \$250,000 per occurrence for property damage claims, and \$250,000 per occurrence for public officials' claims. Each of these self insurance programs was established by Council Ordinance and are accounted for in an Internal Service Fund to account for and report on the City's total costs associated with insurance. The General Fund makes monthly payments to the Internal Service Fund based on amounts budgeted as necessary to meet all current and a portion of future claims and administrative expenses. In addition, the City Treasurer and Pension Commission are covered by fiduciary liability insurance.

The City's insured general liability limit for fiscal year 2011-12 was \$35.0 million. The City is currently insured for all legal liabilities in excess of a \$250,000 deductible and public officials' liability in excess of a \$250,000 deductible. All City property is insured for fire and extended coverage with a \$200,000 deductible. Certain settled claims have exceeded the self-insured retention amounts for any year, but no claims have exceeded the commercial coverage in any year. Workers' compensation salary continuation is initially paid from the employee's respective department budget and then is paid by insurance coverage.

The City provides comprehensive life and health coverage for its employees and retirees. The City operates its health care programs primarily through Anthem Blue Cross/Blue Shield of Connecticut, which provides stop-loss insurance, underwriting, administrative and claims processing services. A small percent of employees have opted to be covered by Health Net.

In recent years, the City has experienced an increase in health benefits and workers' compensation expenses due to increases in the severity and frequency of claims. The Travelers and Anthem completed actuarial valuations of workers' compensation, general liability and health benefits, respectively, as of June 30, 2012. The valuations indicate liabilities for all claims, including current and noncurrent, of \$30.3 million, against current fund assets of \$52.9 million. These valuations are based on estimates of all future insured and uninsured claims in excess of current funding and assets. The City expects that its actual claims experience will result in less expenses than projected by the actuarial report.

The City caused \$109.1 million to flow to the Internal Service Fund from City, employee and retiree sources for the fiscal year ended June 30, 2012.

***Contributions from the General Fund***

	<u>Health Benefits</u>	<u>Workers' Compensation</u>
2011-12 .....	\$104,353,000	\$7,523,000
2010-11 .....	101,405,000	7,993,000
2009-10 .....	100,626,000	7,241,000
2008-09 .....	88,465,000	6,817,000
2007-08 .....	81,474,000	5,709,000
2006-07 .....	75,805,000	10,546,000
2005-06 .....	74,765,000	6,245,000
2004-05 .....	70,224,000	7,243,000
2003-04 .....	61,961,000	6,643,000

## SECTION VI - ADDITIONAL INFORMATION

### Litigation

The City, its officers and employees are defendants in numerous lawsuits. The City is insured for damages, subject to a \$250,000 deductible for public officials and \$500,000 for auto and general liability. Judgments or settlements for less than the deductible are paid from funds budgeted in the General Fund. \$450,000 is budgeted for settlements for fiscal year 2012-13, which sum may be adjusted as necessary. The City's Corporation Counsel believes that the budgeted amount is adequate and that none of the cases currently in litigation, if adversely decided, would have a negative impact on the finances of the City.

In the opinion of the Corporation Counsel, as of the date of this Official Statement, there are no claims or litigation pending or to her knowledge threatened which, individually or in the aggregate, that would result in final judgments against the City which would have a material adverse effect on the finances of the City or which would impact the validity of the Bonds or the Notes or the power of the City to levy and collect taxes to pay the principal of and interest on the Bonds and the Notes.

### Commitment to Provide Continuing Disclosure Information

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. In order to provide certain continuing disclosure with respect to the Bonds and Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the City has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Bonds and the Notes with Digital Assurance Certification, L.L.C. ("DAC"), under which the City has designated DAC as Disclosure Dissemination Agent. Forms of the Disclosure Dissemination Agreements are attached as Appendix C.

The City has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). Despite the City's efforts and its hiring of DAC, in the past five years, the City has filed certain operating data included in the City's prior official statements not within the time period required in its continuing disclosure agreements, but thereafter in its following official statements when it issued new bonds or notes. Additionally, despite DAC timely filing the vast majority of the City's bond related ratings changes associated with insurer ratings changes, it did not file, on behalf of the City, two separate reports of ratings changes based on insurer rating downgrades. The City is in the process of working with DAC to file reports of these insurer rating downgrades and is putting procedures in place with DAC to avoid future continuing disclosure related issues.

### Documents Delivered at Closing

Upon delivery of the Bonds and the Notes, the Underwriter will be furnished with the following documents:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the City, signed by the Mayor, the City Treasurer and the Director of Finance, which will be dated the date of delivery, and attached to a signed copy (or a copy with conformed signatures) of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that as of the date of the execution of the Purchase Contract and the date of the issuance of the Bonds and the Notes, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make

the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.

3. Receipts for the purchase price of the Bonds and the Notes.
4. The approving opinions of Robinson & Cole LLP, Bond Counsel, substantially in the forms attached as Appendix B to this Official Statement.
5. Executed disclosure dissemination agent agreements for the Bonds and the Notes in substantially in the form attached as Appendix C to this Official Statement.
6. Any other documents or certifications required by the Purchase Contracts.

The City has prepared this Official Statement for the Bonds and the Notes. The City deems this Official Statement final as of its date for purposes of SEC Rule 15c-12(b)(1), but it is subject to revision or amendment. The City will make available to the Underwriter a reasonable number of copies of the Official Statement within seven business days of the execution of the Purchase Contracts.

### **Legal Matters**

The unqualified opinions of Robinson & Cole LLP, of Hartford, Connecticut, substantially in the forms set forth in Appendix B hereto, will be furnished upon delivery of the Bonds and the Notes. Certain legal matters will be passed upon for the Underwriter by Shipman & Goodwin LLP of Hartford, Connecticut. Legal matters related to the authorization, issuance and sale of the Bonds and the Notes are subject to the approval of Robinson & Cole LLP, Bond Counsel to the City. Certain legal matters will be passed upon by Murtha Cullina, LLP of Hartford, Connecticut, the City's Disclosure Counsel.

### **Concluding Statement**

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the City and executed for and on behalf of the City by the following officials:

Dated as of April 4, 2013

CITY OF HARTFORD, CONNECTICUT

By /S/ Pedro E. Segarra  
Pedro E. Segarra  
Mayor

By /S/ Adam M. Cloud  
Adam M. Cloud  
City Treasurer

By /S/ Julio C. Molleda  
Julio C. Molleda  
Director of Finance

**APPENDIX A - AUDITOR'S SECTION**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the  
Court of Common Council  
City of Hartford, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hartford, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013 on our consideration of the City of Hartford, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, Connecticut's basic financial statements. The introductory section, the individual and combining fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The individual and combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual and combining fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Hartford, Connecticut as of and for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated January 3, 2012, which contained unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information. The accompanying General Fund Balance Sheet for the year ended June 30, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The accompanying General Fund Balance Sheet has been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

*McGladrey LLP*

New Haven, Connecticut  
January 29, 2013

**CITY OF HARTFORD, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, UNAUDITED  
JUNE 30, 2012**

This discussion and analysis of the City of Hartford, Connecticut's (City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read this MD&A in conjunction with the transmittal letter beginning on page i and the City's financial statements, Exhibits I to IX.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets increased \$23.1 million as a result of this year's operations. The net assets of our governmental activities increased by \$23.1 million, or nearly 2.1%. The net assets of our business-type activities decreased by \$.1 million.
- The City received \$25.9 million in capital grants and contributions related to school building construction grants from the State in support of the City's school renovation and construction projects, and for various public works projects.
- The total cost of the City's programs for the year was \$826.0 million with no new programs added.
- The General Fund reported a fund balance this year of \$30.1 million including an assignment.
- The revenues available for appropriation were \$3.2 million more than budgeted for the General Fund, while expenditures were \$2.3 million under the budgeted amount. The addition to the unassigned fund balance was \$3.2 million while an additional \$2.4 million has been assigned for future payment of the outstanding pension liabilities during FY12-13.
- Major items that contributed to the revenue surplus are: Increased tax and interest collections of prior year levies by reducing dependency on tax lien sales by selling only \$3.2 million that is \$4.7 million less than the budgeted amount for tax lien sales revenues. Another favorable revenue variance was realized in the Licenses and Permits line as well as the Sale of City Property line.
- Major items that contributed to the expenditure surplus of \$2.3 million are: favorable surplus in the tipping fees line due to increased recycling programs, Hartford Board of Education reimbursement for City in-kind services for Education, and City departments contributing to an expenditure surplus by maintaining staffing levels below their appropriated budget levels.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

***Government-Wide Financial Statements***

The analysis of the City as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net assets and the statement of activities, we divide the City into three types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, development and community affairs, human services, recreation and culture, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business - type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Hartford Parking Facilities Fund is reported here.
- *Component units* - The City includes a separate legal entity in its report; the Hartford Parking Authority. Although legally separate, this "component unit" is reported because the City is financially accountable for them.

### ***Fund Financial Statements***

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the City Council establishes many other funds to help control and manage financial activities for particular purposes (like the Capital Improvement Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants received from the Educational Grants, Health Grants and Miscellaneous Grants Funds). The City's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits V, VI, and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self-Insurance Internal Service Funds and the City's Metro Hartford Information Services Fund.
- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate

statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets increased from a year ago by \$23.8 million to \$1.1 billion. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

### Summary of Net Assets

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 421,838	\$ 380,184	\$ 2,400	\$ 1,685	\$ 424,238	\$ 381,869
Capital assets, net of accumulated depreciation	1,321,494	1,270,933	59,784	61,789	1,381,278	1,332,722
<b>Total assets</b>	<b>1,743,332</b>	<b>1,651,117</b>	<b>62,184</b>	<b>63,474</b>	<b>1,805,516</b>	<b>1,714,591</b>
Long-term liabilities outstanding	432,333	383,017	23,676	24,951	456,009	407,968
Other liabilities	223,450	203,699	1,485	1,428	224,935	205,127
<b>Total liabilities</b>	<b>655,783</b>	<b>586,716</b>	<b>25,161</b>	<b>26,379</b>	<b>680,944</b>	<b>613,095</b>
Net Assets:						
Invested in capital assets, net of related debt	966,580	954,780	34,623	35,417	1,001,203	990,197
Restricted	70,155	62,466	-	-	70,155	62,466
Unrestricted	50,814	47,155	2,400	1,678	53,214	48,833
<b>Total net assets</b>	<b>\$ 1,087,549</b>	<b>\$ 1,064,401</b>	<b>\$ 37,023</b>	<b>\$ 37,095</b>	<b>\$ 1,124,572</b>	<b>\$ 1,101,496</b>

The City's government-wide net assets of \$1.1 billion represent an increase of \$23.1 million over last year's net assets of \$1.1 billion. The City was able to generate an overall increase in the City's governmental activities net assets principally due to the receipt of \$25.9 million in capital grants and contributions from the State in support of the City's school renovation and construction capital program and various public works projects. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - is \$53.2 million at the end of this year as compared with a \$48.8 million at the end of last year. Government activities unrestricted net assets increased \$3.6 million. Unrestricted net assets of the City's business-type activities increased \$.7 million in 2012. Both increases are mainly due to increase in revenue collections and stronger controls over citywide expenditures.

TABLE 2

**CHANGES IN NET ASSETS  
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
<b>Program Revenues:</b>						
Charge for services	\$ 20,463	\$ 22,178	\$ 4,054	\$ 4,732	\$ 24,517	\$ 26,910
Operating grants and contributions	445,168	408,617	-	-	445,168	408,617
Capital grants and contributions	25,912	15,797	-	-	25,912	15,797
<b>General Revenues:</b>						
Property taxes	290,165	283,835	-	-	290,165	283,835
Grants and contributions not restricted to specific programs	58,767	55,207	-	-	58,767	55,207
Unrestricted investment earnings	2,205	3,079	3	7	2,208	3,086
Other general revenues	2,377	1,389	-	-	2,377	1,389
<b>Total revenues</b>	<b>845,057</b>	<b>790,102</b>	<b>4,057</b>	<b>4,739</b>	<b>849,114</b>	<b>794,841</b>
<b>EXPENSES</b>						
General government	72,165	58,302	-	-	72,165	58,302
Public safety	101,603	99,448	-	-	101,603	99,448
Public works	42,428	37,698	-	-	42,428	37,698
Development and community affairs	63,779	61,408	-	-	63,779	61,408
Human services	30,146	28,574	-	-	30,146	28,574
Education	487,717	472,210	-	-	487,717	472,210
Recreation and culture	9,728	9,332	-	-	9,728	9,332
Interest on long-term debt	14,743	15,322	-	-	14,743	15,322
Hartford Parking Facilities	-	-	3,729	4,096	3,729	4,096
<b>Total expenses</b>	<b>822,309</b>	<b>782,294</b>	<b>3,729</b>	<b>4,096</b>	<b>826,038</b>	<b>786,390</b>
<b>Excess before transfers</b>	<b>22,748</b>	<b>7,808</b>	<b>328</b>	<b>643</b>	<b>23,076</b>	<b>8,451</b>
Transfers	400	488	(400)	(488)	-	-
<b>Change in net assets</b>	<b>23,148</b>	<b>8,296</b>	<b>(72)</b>	<b>155</b>	<b>23,076</b>	<b>8,451</b>
<b>Net Assets, beginning</b>	<b>1,064,401</b>	<b>1,056,105</b>	<b>37,095</b>	<b>36,940</b>	<b>1,101,496</b>	<b>1,093,045</b>
<b>Net Assets, ending</b>	<b>\$ 1,087,549</b>	<b>\$ 1,064,401</b>	<b>\$ 37,023</b>	<b>\$ 37,095</b>	<b>\$ 1,124,572</b>	<b>\$ 1,101,496</b>

The City's total revenue in 2012 of \$849.1 million represents an increase of \$54.3 million over last year. Capital grants and contributions increased \$10.2 million as capital expenses subject to reimbursement from the State for the school renovation and construction capital program decreased compared with the previous year. Operating grants and contributions increased \$37 million due to additional grants for various purposes.

The City's total program expenses of \$826.0 million represent an increase of \$39.6 million over last year. The increase in General Government and Education is related to the receipt of additional grants.

The City's overall net assets increased by \$23.1 million due to the City increasing revenues and controlling expenses.

Our analysis below separately considers the operations of governmental and business-type activities.

### **Governmental Activities**

Table 3 presents the cost of each of the City's governmental activities five largest programs - general government, public safety, development and community affairs, human services and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**TABLE 3  
GOVERNMENTAL ACTIVITIES  
(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General government	\$ 72,165	\$ 58,302	\$ 62,651	\$ 54,675
Public safety	101,603	99,448	92,286	89,129
Development and community affairs	63,779	61,408	10,223	20,171
Human services	30,146	28,574	6,114	5,152
Education	487,717	472,210	110,818	125,847
All other	66,899	62,352	48,674	40,728
<b>Total</b>	<b>\$ 822,309</b>	<b>\$ 782,294</b>	<b>\$ 330,766</b>	<b>\$ 335,702</b>

### **Business-Type Activities**

Revenues from the Hartford Parking Authority provided to the Hartford Parking Facilities Fund to finance debt service and capital improvement, as well as revenues to the City's General Fund, remained consistent at \$4.1 million. Expenses (including debt service and depreciation) for the City's dedicated parking facilities remained consistent with the prior year. Net transfers to the City's governmental activities decreased from \$.5 million in 2011 to \$.4 million in 2012 as the Parking Authority's revenues declined due to current economic conditions.

## **CITY FUNDS FINANCIAL ANALYSIS**

### **Governmental Funds**

The City's General Fund reported a fund balance increase of \$5.0 million during 2012 as compared with an increase of \$5.5 million in 2011. The General Fund's unassigned fund balance at June 30, 2012 is \$25.8 million representing 4.7 percent of the General Fund's 2012 amended budgetary appropriations. Actual revenues were \$3.2 million above the amended budgetary revenue estimate as property tax revenues were better than estimates by \$2.7 million. Expenditures were \$2.3 million below the final budgeted appropriation of \$547.8 million. Refer to RSI-1 and RSI-2 for details on other favorable and unfavorable variances in comparison to budgetary estimates.

As the City completed the year, its Capital Improvement Fund reported a fund balance decrease of \$19.2 million. The decrease is the result of capital outlays on various projects. In addition, the City had \$52.3 million in outstanding bond anticipation notes. The City has four (4) outstanding school construction audits with the State of Connecticut and anticipates future reimbursements to offset increased capital outlays.

The Debt Service Fund had a committed fund balance as of June 30, 2012 of \$3.8 million due to favorable market conditions that resulted in the generation of additional bond premium.

The Education Grant Fund had an increase in fund balance of \$3.4 million.

The Community Development Loan and Grant Fund had a decrease in fund balance of \$533 thousand due to the financing of new loans in fiscal year 2012.

The City's other governmental funds reported a decrease of \$8.5 million in fund balance for the year. The decrease is mainly due to recent weather related storms and the corresponding delay in the approved reimbursement of those expenditures from FEMA and other state agencies.

**Internal Service Funds**

The net assets of the City's self-insurance programs increased \$8.3 million, increasing the total net assets of the City's internal service programs from \$11.8 million to a \$20.1 million surplus. This is a result of the City's continued efforts to fund its post-retirement benefits at the actuaries' recommended level as well as a consistent management strategy directed toward the reduction of deficit net asset balances in these funds.

**General Fund Budgetary Highlights**

There were two supplemental appropriations in the City's General Fund: the funding of the Livable and Sustainable Neighborhood Initiative (LSNI) and the State mandated Minimum Budget Requirement for Education.

The City's General Fund unassigned fund balance and budgetary fund balances are both \$28.2 million at year end.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2012, the City had \$1.3 billion invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and infrastructure - Table 4.

Capital asset additions during the year totaled \$95.5 million (Note 6 to the financial statements). Construction in progress additions represent the majority of capital additions recorded by the City other than capital activity related to vehicle and equipment purchases. Refer to current period expenditures reported in Exhibit C for a detail of capital project expenditures by project in the City's Capital Improvement Fund. The majority of active projects as reported in Exhibit C qualify for capitalization under the City's asset capitalization policy.

**TABLE 4**  
**CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**  
**(In Millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$ 63.7	\$ 68.7	\$ 8.4	\$ 8.4	\$ 72.1	\$ 77.1
Land improvements	6.6	7.3	-	-	6.6	7.3
Buildings	846.4	744.8	-	-	846.4	744.8
Other structures	14.5	11.4	51.3	53.3	65.9	64.7
Furniture and equipment	2.7	3.6	-	-	2.7	3.6
Rolling equipment	11.9	10.9	-	-	11.9	10.9
Infrastructure	219.3	217.8	-	-	219.3	217.8
Construction in progress	156.3	206.4	-	-	156.3	206.4
	<b>\$ 1,321.5</b>	<b>\$ 1,270.9</b>	<b>\$ 59.8</b>	<b>\$ 61.7</b>	<b>\$ 1,381.3</b>	<b>\$ 1,332.6</b>

There are 171 active projects in the City's Capital Improvement Fund with appropriations of \$1,281.2 million, cumulative active project expenditures of \$933.3 million and outstanding encumbrances of \$130.2 million, resulting in an unencumbered balance of \$217.6 million. Total expenditures for all projects during the fiscal year amounted to \$90.6 million. New and supplemental appropriations are reflected in the FY2013 budget.

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

**Long-term debt**

The City issued \$50.0 million in general obligation bonds and \$21.3 million in refunding bonds during 2012. Additionally, the City issued \$52.5 million in bond anticipation notes.

At June 30, 2012, the City had \$348.4 million in bonds outstanding versus \$321.8 million last year - an increase of 8.3% - as shown in Table 5.

**TABLE 5  
OUTSTANDING DEBT, AT YEAR-END  
(In Millions)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 321.8	\$ 293.8	\$ 26.6	\$ 28.0	\$ 348.4	\$ 321.8
Serial notes payable	1.5	1.6	-	-	1.5	1.6
<b>Total</b>	<b>\$ 323.3</b>	<b>\$ 295.4</b>	<b>\$ 26.6</b>	<b>\$ 28.0</b>	<b>\$ 349.9</b>	<b>\$ 323.4</b>

The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this \$1.9 billion state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's number of unemployed decreased from 8,331 in calendar year 2010 to 8,031 in calendar year 2011 while the unemployment rate decreased from 16.4 percent to 15.5 percent. This compares to the State's rate of 8.4 percent and the nation's rate of 8.2 percent.

The consumer price index in the northeast urban areas was lower than the national consumer price index. Inflation from June 2011 to June 2012 in the Northeast was 1.5 percent while the rate was 1.7 percent for all urban areas in the U.S.

In developing the fiscal year 2012-2013 budget, the City continues to feel it is critical to examine the size and cost of government and the ability of the taxpayers to meet that burden. With costs escalating, government must evaluate services in terms of affordability and quality. Cost effectiveness, innovative approach and customer service are the standards for this evaluation.

The City feels that it is essential, given the current financial climate, to control the cost of each service provided. In developing the 2011-2012 budget, we constantly questioned how we are spending the taxpayers' money. Our goal is to offer basic services to our citizens that improve their quality of life at a price affordable to them. Our budget philosophy is not directed at cutting the cost of government by cutting services. It is directed toward cutting costs and improving services.

We must be innovative in our approach to the work that we do. The City cannot afford to follow the Business As Usual rule. It is our responsibility to challenge our employees and ourselves to find better ways to provide governmental services. Education and goal setting are the keys to innovation. Encouraging our employees' growth and development will foster innovation. The City of Hartford should be in the vanguard of how cities do business.

The adopted budget for fiscal year 2012-2013 of \$540.3 million is a decrease of \$7.0 million over the revised 2011-2012 budget due to the slow growth of the City of Hartford's Grand List. In developing the City's 2013-2014 budget, various options are being explored to reduce City expenditures and maximize revenues.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, City of Hartford, 550 Main Street, Hartford, Connecticut 06103, or by telephone (860) 757-9600.

## **Basic Financial Statements**



## STATEMENT OF NET ASSETS

June 30, 2012

(In Thousands)

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Type Activities	Activities		Hartford Parking Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 192,644	\$ 2,756	\$ 195,400	\$ 479
Investments	22,832	-	22,832	-
Receivables, net	168,737	-	168,737	1,615
Internal balances	400	(400)	-	-
Due from component unit	-	44	44	-
Other assets	347	-	347	-
Restricted cash	36,878	-	36,878	-
Capital assets:				
Assets not being depreciated	219,978	8,428	228,406	-
Assets being depreciated, net	1,101,516	51,356	1,152,872	-
<b>Total assets</b>	<b>1,743,332</b>	<b>62,184</b>	<b>1,805,516</b>	<b>2,094</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	110,771	-	110,771	560
Due to primary government	-	-	-	44
Bond anticipation notes payable	52,500	-	52,500	-
Deferred revenue	-	-	-	1,490
Unearned revenue	12,642	-	12,642	-
Noncurrent liabilities:				
Due within one year	47,537	1,485	49,022	-
Due in more than one year	432,333	23,676	456,009	-
<b>Total liabilities</b>	<b>655,783</b>	<b>25,161</b>	<b>680,944</b>	<b>2,094</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	966,580	34,623	1,001,203	-
Restricted for:				
Housing loans and grants	49,450	-	49,450	-
Trust purposes:				
Expendable	12,346	-	12,346	-
Nonexpendable	8,359	-	8,359	-
Unrestricted	50,814	2,400	53,214	-
<b>Total net assets</b>	<b>\$ 1,087,549</b>	<b>\$ 37,023</b>	<b>\$ 1,124,572</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**  
**(In Thousands)**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							Component Unit Hartford Parking Authority
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ (72,165)	\$ 3,108	\$ 6,406	\$ -	\$ (62,651)	\$ -	\$ (62,651)	\$ -
Public safety	(101,603)	1,772	7,545	-	(92,286)	-	(92,286)	-
Public works	(42,428)	10,378	2,357	4,118	(25,575)	-	(25,575)	-
Development and community affairs	(63,779)	886	52,652	18	(10,223)	-	(10,223)	-
Human services	(30,146)	2,706	21,326	-	(6,114)	-	(6,114)	-
Education	(487,717)	1,419	353,704	21,776	(110,818)	-	(110,818)	-
Recreation and culture	(9,728)	194	1,178	-	(8,356)	-	(8,356)	-
Interest on long-term debt	(14,743)	-	-	-	(14,743)	-	(14,743)	-
<b>Total governmental activities</b>	<b>(822,309)</b>	<b>20,463</b>	<b>445,168</b>	<b>25,912</b>	<b>(330,766)</b>	<b>-</b>	<b>(330,766)</b>	<b>-</b>
Business-type activities:								
Hartford Parking Facilities	(3,729)	4,054	-	-	-	325	325	-
<b>Total business-type activities</b>	<b>(3,729)</b>	<b>4,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>325</b>	<b>325</b>	<b>-</b>
Total primary government	\$ (826,038)	\$ 24,517	\$ 445,168	\$ 25,912	(330,766)	325	(330,441)	-
Component Units:								
Hartford Parking Authority	\$ (9,008)	\$ 9,008	\$ -	\$ -				
			General revenues:					
			Property taxes		290,165	-	290,165	-
			Grants and contributions not restricted to specific programs		58,767	-	58,767	-
			Unrestricted investment earnings		2,205	3	2,208	-
			Miscellaneous		2,377	-	2,377	-
			Transfers		400	(400)	-	-
			<b>Total general revenues and transfers</b>		<b>353,914</b>	<b>(397)</b>	<b>353,517</b>	<b>-</b>
			Change in net assets		23,148	(72)	23,076	-
			Net assets - beginning		1,064,401	37,095	1,101,496	-
			Net assets - ending		\$ 1,087,549	\$ 37,023	\$ 1,124,572	\$ -

The notes to the financial statements are an integral part of this statement

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

(In Thousands)

	General	Capital Improvement Fund	Community Development Loan and Grant	Debt Service	Educational Grants	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 76,226	\$ 62,854	\$ 2,764	\$ 3,948	\$ 15,473	\$ 16,162	\$ 177,427
Investments	-	-	-	-	-	22,832	22,832
Receivables, net	75,089	38,658	30,025	-	5,045	19,072	167,889
Due from other funds	400	2,848	-	-	-	-	3,248
Inventories and other assets	-	-	-	-	-	347	347
<b>Total assets</b>	<b>\$ 151,715</b>	<b>\$ 104,360</b>	<b>\$ 32,789</b>	<b>\$ 3,948</b>	<b>\$ 20,518</b>	<b>\$ 58,413</b>	<b>\$ 371,743</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	55,315	25,976	356	137	4,775	15,169	101,728
Due to other funds	-	-	-	-	-	2,848	2,848
Deferred/unearned revenue	66,287	23,702	30,014	-	4,742	9,595	134,340
Bond anticipation notes	-	52,500	-	-	-	-	52,500
<b>Total liabilities</b>	<b>121,602</b>	<b>102,178</b>	<b>30,370</b>	<b>137</b>	<b>9,517</b>	<b>27,612</b>	<b>291,416</b>
<b>Fund balances</b>							
Nonspendable	-	-	-	-	-	8,706	8,706
Restricted	-	-	2,419	-	1,416	27,947	31,782
Committed	-	2,182	-	3,811	-	1,670	7,663
Assigned	4,332	-	-	-	9,585	-	13,917
Unassigned	25,781	-	-	-	-	(7,522)	18,259
<b>Total fund balances</b>	<b>30,113</b>	<b>2,182</b>	<b>2,419</b>	<b>3,811</b>	<b>11,001</b>	<b>30,801</b>	<b>80,327</b>
<b>Total liabilities and fund balances</b>	<b>\$ 151,715</b>	<b>\$ 104,360</b>	<b>\$ 32,789</b>	<b>\$ 3,948</b>	<b>\$ 20,518</b>	<b>\$ 58,413</b>	<b>\$ 371,743</b>

The notes to the financial statements are an integral part of this statement.

(Continued on Next Page)

**BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)**  
**June 30, 2012**  
**(In Thousands)**

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Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$	80,327
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	1,948,010
Less accumulated depreciation		<u>(626,516)</u>
Net capital assets		1,321,494
Assets not available to pay for current-period expenditures and, therefore, are recorded as deferred in the funds:		
Property tax receivables		42,903
Interest receivable on property taxes		12,337
Receivable from the State for school construction projects		10,997
Housing loans		30,014
Other receivables		25,447
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.		20,149
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable		(321,810)
Interest payable on bonds and notes		(6,561)
Compensated absences		(35,786)
HUD loans		(12,614)
Capital leases		(1,159)
Clean Water Fund serial note		(1,497)
Net OPEB obligation		(55,996)
Net pension obligation		(4,069)
Claims and judgments		(830)
Bond premium		(16,662)
Deferred charges on refunding		<u>865</u>
Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>1,087,549</u></u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2012  
(In Thousands)

	General	Capital Improvement Fund	Community Development Loan and Grant	Debt Service	Educational Grants	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 277,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,245
Licenses, permits, and other charges	6,299	-	-	-	-	-	6,299
Intergovernmental revenues	280,582	25,894	-	-	101,267	102,027	509,770
Charges for services	2,258	-	-	-	-	7,169	9,427
Use of property	4,574	-	-	-	-	-	4,574
Investment income	399	-	342	-	-	1,463	2,204
Miscellaneous	2,377	-	1,021	-	9,846	2,623	15,867
<b>Total revenues</b>	<b>573,734</b>	<b>25,894</b>	<b>1,363</b>	<b>-</b>	<b>111,113</b>	<b>113,282</b>	<b>825,386</b>
<b>EXPENDITURES</b>							
Current:							
General government	21,566	-	-	-	-	8,455	30,021
Public safety	73,595	-	-	-	-	9,713	83,308
Public works	13,162	6,100	-	-	-	2,542	21,804
Development and community affairs	4,612	-	1,896	-	-	56,290	62,798
Human services	4,704	-	-	-	-	24,611	29,315
Education	313,069	-	-	-	109,568	12,664	435,301
Recreation and culture	7,972	-	-	-	-	1,511	9,483
Benefits and insurance	64,501	-	-	-	-	-	64,501
Other	29,445	-	-	-	-	-	29,445
Capital outlay	-	90,559	-	-	-	2,320	92,879
Debt service	-	603	-	36,570	-	2,474	39,647
<b>Total expenditures</b>	<b>532,626</b>	<b>97,262</b>	<b>1,896</b>	<b>36,570</b>	<b>109,568</b>	<b>120,580</b>	<b>898,502</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>41,108</b>	<b>(71,368)</b>	<b>(533)</b>	<b>(36,570)</b>	<b>1,545</b>	<b>(7,298)</b>	<b>(73,116)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	2,285	1,150	-	35,892	1,847	3,029	44,203
Transfers out	(38,921)	-	-	-	-	(4,882)	(43,803)
Issuance of bonds	-	49,400	-	21,280	-	600	71,280
Payment to escrow	-	-	-	(22,493)	-	-	(22,493)
Bond premium	555	1,650	-	5,556	-	4	7,765
<b>Total other financing sources (uses)</b>	<b>(36,081)</b>	<b>52,200</b>	<b>-</b>	<b>40,235</b>	<b>1,847</b>	<b>(1,249)</b>	<b>56,952</b>
<b>Net change in fund balances</b>	<b>5,027</b>	<b>(19,168)</b>	<b>(533)</b>	<b>3,665</b>	<b>3,392</b>	<b>(8,547)</b>	<b>(16,164)</b>
<b>FUND BALANCES, beginning of year</b>	<b>25,086</b>	<b>21,350</b>	<b>2,952</b>	<b>146</b>	<b>7,609</b>	<b>39,348</b>	<b>96,491</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 30,113</b>	<b>\$ 2,182</b>	<b>\$ 2,419</b>	<b>\$ 3,811</b>	<b>\$ 11,001</b>	<b>\$ 30,801</b>	<b>\$ 80,327</b>

The notes to the financial statements are an integral part of this statement.

(Continued on Next Page)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS, (Continued)**  
For the Year Ended June 30, 2012  
(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and changes in fund balances of governmental funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (16,164)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	95,537
Loss on disposal	(6,087)
Depreciation expense	(38,889)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

School building grant receipts	(1,790)
Property tax receivable - accrual basis change	11,280
Property tax interest and lien revenue - accrual basis change	1,640
Housing loans	(3,372)
Intergovernmental revenue on school bonds and other	11,913

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities.

Bond and series note principal payments	21,165
Issuance of bonds and notes	(50,000)
Cash to escrow	22,050
Refunding proceeds	(21,280)
Accrued interest on bonds - accrual basis change	600
HUD loan principal payments	327
CWF serial note	85
Capital lease payments	1,872
Amortization of deferred charge on refunding	(176)
Loss on refunding	965
Bond premium	(8,449)
Arbitration accrual	483
Amortization of bond premium	1,193

Changes in some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Claims and judgments	(830)
Compensated absences	603
Change in pension and other postemployment benefit liabilities	(7,828)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities

8,300
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Change in Net Assets of Governmental Activities (Exhibit II)

<u>\$ 23,148</u>
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The notes to the financial statements are an integral part of this statement.

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2012

(In Thousands)

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Hartford Parking Facilities</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,756	\$ 52,095
Receivables, net	-	848
Due from component unit	44	-
<b>Total current assets</b>	<b>2,800</b>	<b>52,943</b>
<b>CAPITAL ASSETS, NET</b>		
	59,784	-
<b>Total assets</b>	<b>62,584</b>	<b>52,943</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other payables	-	2,482
Due to other funds	400	-
Risk management claims	-	12,172
Bonds payable	1,485	-
<b>Total current liabilities</b>	<b>1,885</b>	<b>14,654</b>
<b>NONCURRENT LIABILITIES</b>		
Risk management claims	-	18,140
Bonds payable	23,676	-
<b>Total noncurrent liabilities</b>	<b>23,676</b>	<b>18,140</b>
<b>Total liabilities</b>	<b>25,561</b>	<b>32,794</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	34,623	-
Unrestricted	2,400	20,149
<b>Total net assets</b>	<b>\$ 37,023</b>	<b>\$ 20,149</b>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS - PROPRIETARY FUNDS**  
For the Year Ended June 30, 2012  
(In Thousands)

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Hartford Parking Facilities</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>		
City's contribution for insurance	\$ -	\$ 89,328
Employee and pensioners contributions for insurance	-	22,287
Hartford Parking Authority - operations	4,054	-
Other	-	3,198
<b>Total operating revenues</b>	<b>4,054</b>	<b>114,813</b>
<b>OPERATING EXPENSES</b>		
Administrative	171	7,161
Operations	-	5,616
Insurance benefits and claims	-	93,736
Depreciation and amortization	2,007	-
<b>Total operating expenses</b>	<b>2,178</b>	<b>106,513</b>
<b>Operating income</b>	<b>1,876</b>	<b>8,300</b>
<b>NONOPERATING INCOME (EXPENSE)</b>		
Interest earnings	3	-
Interest expense	(1,551)	-
<b>Total nonoperating income (expense)</b>	<b>(1,548)</b>	<b>-</b>
<b>Net income before transfers</b>	<b>328</b>	<b>8,300</b>
Transfers out	(400)	-
<b>Change in net assets</b>	<b>(72)</b>	<b>8,300</b>
<b>FUND NET ASSETS (DEFICITS), beginning</b>	<b>37,095</b>	<b>11,849</b>
<b>FUND NET ASSETS, ending</b>	<b>\$ 37,023</b>	<b>\$ 20,149</b>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**  
**(In Thousands)**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Hartford Parking Facilities</b>	<b>Internal Service Funds</b>
<b>Cash Flows From Operating Activities</b>		
City's contribution	\$ -	\$ 89,185
Cash paid by participants		25,389
Cash received from Hartford Parking Authority	4,264	-
Cash paid for salaries and benefits	-	(9,114)
Cash paid for claims	-	(92,340)
Cash paid to other funds	(686)	-
<b>Net cash provided by operating activities</b>	<b>3,578</b>	<b>13,120</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal paid on bonds	(1,425)	-
Interest paid on bonds	(1,320)	-
<b>Net cash used in capital and related financing activities</b>	<b>(2,745)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Income on investments	4	-
<b>Net increase in cash and cash equivalents</b>	<b>837</b>	<b>13,120</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,919</b>	<b>38,975</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 2,756</b>	<b>\$ 52,095</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 1,876	\$ 8,300
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,007	-
(Increase) in other receivables	-	(238)
Increase (decrease) in accounts payable and accrued liabilities	(7)	1,401
Decrease in due to other funds	(88)	-
Increase in insurance claims payable	-	3,657
(Decrease) in due from component unit	(210)	-
<b>Net cash provided by operating activities</b>	<b>\$ 3,578</b>	<b>\$ 13,120</b>

The notes to the financial statements are an integral part of this statement.

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2012

(In Thousands)

	Pension Trust Funds	School Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 69,668	\$ 901
Investments:		
U.S. Government Agencies	46,058	-
U.S. Treasury	96,167	-
Corporate Bonds	110,408	-
Foreign Bonds	27,027	-
Common Trusts	110,882	-
Alternative Investments	91,338	-
Common stock	396,364	-
<b>Total investments</b>	<b>878,244</b>	<b>-</b>
Loan receivable	1,000	-
Accrued investment earnings	3,094	-
<b>Total assets</b>	<b>952,006</b>	<b>901</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	196	-
Net settlement due on investments purchased/sold	8,338	-
Due to student groups and other	-	901
<b>Total liabilities</b>	<b>8,534</b>	<b>901</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 943,472</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN PLAN NET ASSETS -  
FIDUCIARY FUNDS - PENSION TRUST FUNDS**  
For the Year Ended June 30, 2012  
(In Thousands)

**Additions**

## Contributions:

Employer	\$ 28,695
Plan members	8,635
<b>Total contributions</b>	<u>37,330</u>

## Investment Income:

Net appreciation in fair value of investments	8,502
Interest and dividends	16,217
<b>Total investment income</b>	<u>24,719</u>

## Less investment expense

	<u>4,409</u>
<b>Net investment income</b>	<u>20,310</u>

**Deductions**

Benefits	91,876
Administration	1,984
Other	373
<b>Total deductions</b>	<u>94,233</u>

<b>Decrease in net assets</b>	(36,593)
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**Net Assets Held in Trust for Pension Benefits**

Beginning of year	<u>983,065</u>
End of year	<u>\$ 946,472</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(In Thousands)

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#### Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Hartford, Connecticut (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

##### Reporting entity

The City of Hartford, Connecticut was incorporated May 29, 1784 and the City consolidated in April, 1896. The City operates under a Mayor-Council form of government and provides a full range of services including public safety, roads, solid waste collection, health, social services, culture and recreation, education, planning, development, zoning and general administrative services.

As required by generally accepted accounting principles, these financial statements present the primary government and the following component unit.

##### Discretely presented component unit

The Hartford Parking Authority (the Authority) has been included in the City's reporting as a governmental fund type in accordance with GAAP. The Authority was created pursuant to Chapter 100 of the General Statutes of Connecticut and is governed by five members appointed by the Mayor. The purpose of the Authority is to create, establish, finance, maintain, and operate the City of Hartford's dedicated parking facilities, and regulate the uses and parking rates to be charged at other regulated parking facilities. The City will maintain ownership of the facilities and retire associated debt with net parking revenue received from the Authority. Separate financial statements of the Authority are available from the Authority's offices, 155 Morgan Street, Hartford, Connecticut.

##### Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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The various fund types included in the financial statements are described below:

#### **Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

*General Fund* - the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

*Special Revenue Funds* - accounts for specific revenues derived that are legally restricted to expenditure for particular purpose.

*Debt Service Fund* - accounts for the payment of principal and interest on general long-term debt of the City.

*Capital Project Funds* - accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

*Permanent Funds* - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

#### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the City's proprietary funds:

*Enterprise Funds* - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The reported enterprise fund of the City accounts for activities of the Hartford Parking Facilities.

*Internal Service Funds* - account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The reported internal service funds of the City include self-insured funds for Employee Benefits, Workers' Compensation, and Liability and Property Damage and a fund used to account for the centralized operations of the Metro Hartford Information Services.

#### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

*Pension Trust Funds* - account for the Municipal Employees' Retirement System.

*Agency Funds* - are custodial in nature (assets equal liabilities). Agency Funds apply the accrual basis of accounting but do not involve measurement of results of operation. The School System Student Activity Fund and Adult Education Book Fund are the City's only agency funds.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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#### Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except for agency funds which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (generally 60 days). A one-year availability period is used for revenue recognition for all construction grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension obligations, other post-employment obligations, and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, charges for services, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items, primarily licenses and fees, are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Capital Improvement Fund* accounts for the proceeds of general obligation bonds and grants for various construction and reconstruction projects.

The *Community Development Loan and Grant Fund* accounts for loan and grant activities associated with the housing and development program.

The *Debt Service Fund* accounts for the payment of principal and interest on general long-term debt of the City. This fund is considered major for public interest purposes.

The *Educational Grants Fund* accounts for State and Federal grants received and expended for educational purposes.

The City reports the following major enterprise fund:

The *Hartford Parking Facilities Fund* accounts for the operations of the City's dedicated parking facilities in conjunction with the Hartford Parking Authority.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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Additionally, the City reports the following fund types:

The *Internal Service Funds* account for the risk management program of the City and the centralized operations of the Metro Hartford Information Services.

The *Pension Trust Funds*, fiduciary funds, account for the activities of the Hartford Retirement System, which accumulates resources for pension benefit payments to qualified City employees.

The *Agency Funds*, fiduciary fund, account for monies held as a custodian for outside student groups.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds are financed and operated in a manner similar to private business enterprises.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund is net revenues from operations of the parking facilities and of the City's internal service funds are charges from participants and premiums from the City. Operating expenses for the enterprise fund include operating expenses, administrative expenses, and depreciation on capital assets. for the internal service funds, expenses represent claims paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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#### Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### Investments

Investments are stated at fair value, based on quoted market prices, except as disclosed below.

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. Investments in 2a7 like pools are stated at the position in the pool, and are the same as the value of the pool shares, amortized cost.

#### Receivables / Due To/From Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables, including those for component units, are shown net of an allowance for uncollectibles. The property tax receivable allowance of \$5.8 million is equal to 8.1% of outstanding property taxes at June 30, 2012.

The City's property tax is levied each May on the assessed value listed as of the prior October 1 for all taxable real and personal property located in the City. The lien date is July 1 on the May 1 levy. Assessed values are established by the City Assessor at 70% of fair market value for all properties on the grand list as of October 1 each year. Taxes under \$100 (amount not rounded) are due in one installment July 1; real and personal property taxes of over \$100 (amount not rounded) are due in two installments July 1 and January 1. Motor vehicle taxes in excess of \$100 (amount not rounded) are due in two installments July 1 and January 1. Delinquent taxes are assessed interest of 1.5% per month.

The City has also entered into various loan agreements with third parties related to its public housing programs. These loan agreements have been recorded as notes receivable within the Community Development Loan and Grant Fund. Under these agreements, the City has loaned money for the purpose of establishing and/or improving public housing units. The loans are secured by an interest in the property being acquired and/or improved. The programs consist of the House Hartford Program, the Home Ownership Appraisal GAP Financing Program, Home Program and the Housing Preservation Loan Program. In addition, the City has made several loans under the HUD Section 108 Program. The City develops an allowance for uncollectible amounts on a loan-by-loan basis.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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#### Allowances for doubtful accounts

Accounts including property taxes and notes receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay. The majority of amount relates to taxes receivable, housing loans and police special duty fees.

#### Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

#### Capital assets

Capital assets, which include land, buildings, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized in accordance with related guidance on enterprise and business-type capital assets.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	20-40
Other structures	15
Office furniture, equipment and PC hardware	5
Computer equipment	3-5
Shop, playground, and grounds maintenance equipment	10-20
Autos, trucks, construction vehicles	5-15
Infrastructure	25-70

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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#### Compensated absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

#### Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable as reported include unamortized bond premiums and discounts. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and bond principal payments, are reported as debt service expenditures.

#### Fund equity and net assets

In the government-wide and proprietary fund financial statements, net assets are classified in the following categories:

*Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

*Restricted Net Assets* – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

*Unrestricted Net Assets or Deficit* – This category represents the net assets of the City, which are not restricted. A deficit will require future funding.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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In the fund financial statements, the City reported the following governmental fund balances:

- Nonspendable Fund Balance – These amounts cannot be spent because they are not in spendable form, or because they are legally or contractually required to be maintained intact.
- Restricted Fund Balance – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed Fund Balance – This represents amounts constrained prior to year-end for a specific purpose by the City using its highest level of decision-making authority (City of Hartford Court of Common Council). Amounts remain committed until action is taken by the Court of Common Council (Resolution) to remove or revise the limitations.
- Assigned Fund Balance – Amounts constrained for the intent to be used for a specific purpose by the Director of Finance that has been delegated authority to assign amounts by the Court of Common Council.
- Unassigned Fund Balance – includes residual positive fund balance within the General Fund which has not been classified within the other abovementioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted amounts are available for use, it is the City's practice to use restricted resources first. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

#### **Note 2. Cash, Cash Equivalents and Investments**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank," as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment funds are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the value of the position in the pool is the same as the value of the pool shares.

The City pension plan asset allocation parameters are as follows:

Equities	50%
Fixed income securities	48.5%
Cash	1.5%

The City has additional commitments to invest in certain alternative investments of approximately \$29.3 million at June 30, 2012.

#### Deposits

##### City

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy includes policies on the safety of principal, prudence, and financial dealings with institutions designed to mitigate custodial credit risk. As of June 30, 2012, \$267,983 of the City's bank balance of \$319,773 was uninsured and uncollateralized.

##### Hartford Parking Authority

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority follows the City's deposit policies which include policies on the safety of principal, prudence, and financial dealings with institutions to mitigate custodial credit risk. As of June 30, 2012, \$72 of the Authority's bank balance of \$484 was uninsured and uncollateralized.

Cash and investments of the City consist of the following at June 30, 2012:

#### **Cash and Cash Equivalents**

Deposits with financial institutions	\$ 283,687
State of Connecticut Short-Term Investment fund	19,639
<b>Total cash and cash equivalents</b>	<b>303,326</b>

#### **Investments**

Non-Major Funds	
U.S. Government Agencies	508 *
U.S. Treasury	1,501 *
Corporate Bonds	3,216 *
Foreign Bonds	6,221 *
Common Stock	10,684 *
Other	702
<b>Total non-major funds</b>	<b>22,832</b>

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

Pension Trust Funds:	
U.S. Government Agencies	46,058 *
U.S. Treasury	96,167 *
Corporate Bonds	110,408 *
Foreign Bonds	27,027 *
Common Trusts	110,882
Alternative Investments	94,338
Common stock	396,364 *
<b>Total pension trust funds</b>	<u>881,244</u>
<b>Total investments</b>	<u>904,076</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 1,207,402</u>

\* These investments are uninsured and registered, with securities held by the counterparty, in the City's or the pension fund's name.

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

<b>Statement of Net Assets</b>	
Cash and cash equivalents	\$ 232,757
Investments	22,832
<b>Total statement of net assets</b>	<u>255,589</u>
<b>Fiduciary Funds:</b>	
Cash and cash equivalents	70,569
Investments	881,244
	<u>951,813</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 1,207,402</u>

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's and Pension Plan's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's formal investment policy includes asset allocation percentage ranges to assist in limiting interest rate risk.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

*Foreign currency risk:* The City's and Pension Plan's formal investment policy limits at any point in time, the exact level of investment in international equities to between seventeen percent and twenty-one percent of the total MERF portfolio. The City's exposure to foreign currency related to equities, fixed income securities and other domestic equities as of June 30, 2011, is as follows:

	Currency	Fair Value
Fixed Income Securities:	Euro Currency Unit	\$ 8,013
	Japanese Yen	10,253
	Polish Zloty	3,293
	Peso	3,391
	British Pound Sterling	2,454
	Other foreign currencies	5,844
Equities:	Japanese Yen	16,725
	Euro Currency Unit	8,870
	British Pound Sterling	1,586
	South Korean Won	1,620
	Hong Kong Dollar	602
	Singapore Dollar	2,232
	Swiss Franc	1,921
	Other foreign currencies	4,152

Information about the exposure of the City's debt type investments to interest rate risk using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Fair Value	Investment Maturities (in Years)			
		Less Than 1 Year	1-5 Years	5-10 Years	Greater Than 10 Years
Foreign Bonds	\$ 33,248	\$ 2,698	\$ 10,513	\$ 14,091	\$ 5,946
U.S. Government Agencies	46,566	456	1,561	2,418	42,131
U.S. Treasury	97,668	589	30,475	15,859	50,745
Corporate Bonds	113,624	1,150	24,934	53,634	33,906
Common trusts	110,882	-	54,953	37,707	18,222
Pooled fixed income	19,639	19,639	-	-	-
<b>TOTAL</b>	<b>\$ 421,627</b>	<b>\$ 24,532</b>	<b>\$ 122,436</b>	<b>\$ 123,709</b>	<b>\$ 150,950</b>

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

Credit risk - investments: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The City's and Pension Plan's investment policy further limits its investment choices including prohibiting investments in derivatives that are not used for the specific purposes identified in the City's Funding and Investment Policy Statement. Other prohibited transactions are identified in Article X of the Funding and Investment Policy Statement. The following are the actual ratings by Standard and Pooers.

Actual Rating	Foreign Bonds	U.S. Gov't Agencies	Common Trusts	Corporate Bonds	Pooled Fixed Income
AAA	\$ 1,382	\$ 2,042	\$ 40,164	\$ 6,148	\$ -
AAA <sub>m</sub>	-	-	-	-	-
AA+	864	35,052	-	2,221	-
AA	-	1,013	14,452	2,354	-
AA-	366	240	-	1,261	-
A+	681	1,139	-	4,992	-
A	4,729	870	2,337	7,880	-
A-	4,502	250	-	15,374	-
BBB+	530	284	-	7,792	-
BBB	-	1,606	36,726	11,037	-
BBB-	298	-	-	8,434	-
BB+	383	167	-	4,408	-
BB	-	-	11,929	3,535	-
BB-	-	-	-	10,859	-
B+	-	-	-	5,717	-
B	-	-	4,396	7,725	-
B-	-	-	-	6,095	-
CCC+	-	-	-	2,423	-
CCC	-	-	-	1,367	-
CCC-	-	-	-	-	-
CC	-	-	-	103	-
D	-	-	-	421	-
Unrated	19,513	3,903	878	3,478	19,639
	<u>\$ 33,248</u>	<u>\$ 46,566</u>	<u>\$ 110,882</u>	<u>\$ 113,624</u>	<u>\$ 19,639</u>

Concentration of Credit Risk - The City's and Pension Plan's investment policy does not allow for an investment in securities that are not readily marketable in any one issuer that is in excess of five percent of the City's total portfolio. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Additionally, investment manager guidelines require that investments be broadly diversified so as to limit the impact of large losses in individual investments on the total portfolio.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's individual investments in fixed income securities, equities, U.S treasury securities, domestic corporate bonds, foreign bonds, and U.S government agency securities are uninsured and unregistered securities held by

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

a counterparty, or by its trust department or agent that are not in the City's name. The City's other investments are held in common trusts and alternative investments which, because they are evidenced by contracts rather than by securities, are not subject to custodial credit risk determination.

**Note 3. Receivables**

Receivables as of year-end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Improvement Fund	Community Development Loan and Grant Fund	Educational Grants	Nonmajor and Other Funds	Internal Service Fund	Total Governmental Funds
<b>Receivables</b>							
Taxes	\$ 55,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,396
Accrued interest on taxes	16,448	-	-	-	-	-	16,448
Intergovernmental	10,997	44,758	-	5,045	7,936	-	68,736
Accounts	9,497	-	-	-	3,383	848	13,728
Housing loans	-	-	66,470	-	-	-	66,470
Section 108-business loans	-	-	-	-	12,614	-	12,614
Gross receivables	<u>92,338</u>	<u>44,758</u>	<u>66,470</u>	<u>5,045</u>	<u>23,933</u>	<u>848</u>	<u>233,392</u>
Less:							
Allowance for uncollectibles:							
Taxes	(10,831)	-	-	-	-	-	(10,831)
Accrued interest on taxes	(4,111)	-	-	-	-	-	(4,111)
Accounts	(2,307)	(6,100)	-	-	(1,861)	-	(10,268)
Housing loans	-	-	(36,445)	-	-	-	(36,445)
Section 108-business loans	-	-	-	-	(3,000)	-	(3,000)
Total allowance	<u>(17,249)</u>	<u>(6,100)</u>	<u>(36,445)</u>	<u>-</u>	<u>(4,861)</u>	<u>-</u>	<u>(64,655)</u>
Net total receivables	<u>\$ 75,089</u>	<u>\$ 38,658</u>	<u>\$ 30,025</u>	<u>\$ 5,045</u>	<u>\$ 19,072</u>	<u>\$ 848</u>	<u>\$ 168,737</u>

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2012  
 (In Thousands)

**Note 4. Deferred Revenue/Unearned Revenue**

Governmental funds report deferred revenue in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also report unearned revenue in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue and deferred revenue were as follows:

<u>Primary Government Unit</u>	<u>Deferred</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 42,903	\$ -	\$ 42,903
Accrued interest on delinquent property taxes	12,337	-	12,337
School building construction grant receivables	10,997	-	10,997
Other receivables	50	-	50
Capital Improvement Fund:			
Intergovernmental grants receivable	23,702	-	23,702
Community Development Loan and Grant:			
Housing loans and interest	30,014	-	30,014
Educational Grants:			
Grant drawdowns prior to meeting all eligibility requirements	570	4,172	4,742
Nonmajor and other funds:			
Grant drawdowns prior to meeting all eligibility requirements and other	1,125	8,470	9,595
Total deferred/unearned revenue for governmental funds, and/or governmental activities	<u>\$ 121,698</u>	<u>\$ 12,642</u>	<u>\$ 134,340</u>

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

**Note 5. Interfund Receivables, Payables and Transfers**

During the course of operations, transactions are processed through a fund on behalf of another fund. A summary of interfund balances as of June 30, 2012 is presented below:

	Due From Other Funds	Due To Other Funds
Capital Improvement	\$ 2,848	\$ -
Nonmajor Governmental Funds	-	2,848
	<u>\$ 2,848</u>	<u>\$ 2,848</u>

The interfunds relate to loans made primarily between the Capital Improvement Fund and Nonmajor Governmental Funds. All of the balance is scheduled to be collected in the subsequent year.

A summary of interfund transfers is presented below:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 2,285	\$ 38,921
Debt Service Fund	35,892	-
Educational Grants	1,847	-
Nonmajor Governmental Funds	3,029	4,882
Capital Improvement Fund	1,150	-
Hartford Parking Facilities	-	400
Total	<u>\$ 44,203</u>	<u>\$ 44,203</u>

Transfers from the General Fund to the Debt Service Fund represent the City's payment toward debt service on bonds outstanding. Transfers from the Hartford Parking Facilities enterprise fund to the General Fund represents a portion of net activity derived from the City's parking facilities. Transfers from the Nonmajor Governmental Funds to the General Fund primarily include net income derived from the City's police private duty services program. Transfers from Nonmajor Governmental Funds to the Educational Grants Fund represent monies collected on behalf of the Educational Grants Fund.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 68,706	\$ -	\$ (5,038)	\$ -	\$ 63,668
Construction in progress	206,364	83,584	-	(133,638)	156,310
Total capital assets, not being depreciated	275,070	83,584	(5,038)	(133,638)	219,978
Capital assets, being depreciated:					
Land improvements	23,417	111	(33)	434	23,929
Buildings	1,004,429	6,098	(705)	122,028	1,131,850
Other structures	24,885	1,215	(20)	2,511	28,591
Furniture and equipment	40,067	205	(347)	-	39,925
Rolling equipment	40,884	3,686	(2,031)	-	42,539
Infrastructure	451,895	638	-	8,665	461,198
Total capital assets being depreciated	1,585,577	11,953	(3,136)	133,638	1,728,032
Less accumulated depreciation for:					
Land improvements	(16,074)	(984)	-	(227)	(17,285)
Buildings	(259,633)	(26,014)	-	227	(285,420)
Other structures	(13,444)	(630)	-	-	(14,074)
Furniture and equipment	(36,489)	(773)	77	-	(37,185)
Rolling equipment	(29,936)	(2,733)	2,010	-	(30,659)
Infrastructure	(234,138)	(7,755)	-	-	(241,893)
Total accumulated depreciation	(589,714)	(38,889)	2,087	-	(626,516)
Total capital assets, being depreciated, net	995,863	(26,936)	(1,049)	133,638	1,101,516
Governmental activities capital assets, net	\$ 1,270,933	\$ 56,648	\$ (6,087)	\$ -	\$ 1,321,494

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,428	\$ -	\$ -	\$ 8,428
Total capital assets, not being depreciated	8,428	-	-	8,428
Capital assets, being depreciated:				
Land improvements	29	-	-	29
Parking garages	69,988	-	-	69,988
Other structures	3,202	-	-	3,202
Furniture, fixtures and equipment	272	-	-	272
Total capital assets, being depreciated	73,491	-	-	73,491
Less accumulated depreciation for:				
Land improvements	(10)	(1)	-	(11)
Parking garages	(18,920)	(1,717)	-	(20,637)
Other structures	(928)	(287)	-	(1,215)
Furniture, fixtures and equipment	(272)	-	-	(272)
Total accumulated depreciation	(20,130)	(2,005)	-	(22,135)
Total capital assets, being depreciated, net	53,361	(2,005)	-	51,356
Business-type activities capital assets, net	\$ 61,789	\$ (2,005)	\$ -	\$ 59,784

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 5,895
Public safety	3,360
Public works	17,831
Development and community affairs	260
Education	11,317
Recreation and culture	226
Total depreciation expense – governmental activities	<u>\$ 38,889</u>
<b>Business-type activities:</b>	
Hartford Parking Facilities	<u>\$ 2,005</u>

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

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Construction Commitments

The City has the following authorized construction projects in the Capital Improvement Fund as of June 30, 2012. The projects include building construction and facility improvements, land and structure improvements to parks and cultural facilities, transportation improvement projects, and other capital improvement projects.

At year-end, the City's encumbrances and commitments with contractors are as follows:

	Cumulative Appropriations	Cumulative* Disbursements	Encumbrances* and Commitments	Unencumbered Balance
Public works - facilities	\$ 57,220	\$ 30,732	\$ 1,171	\$ 25,317
Public safety - facilities	87,100	77,237	7,868	1,995
Recreation and culture projects	89,729	78,968	4,873	5,888
Education projects	916,119	656,805	111,376	147,938
Public works - infrastructure	108,490	72,056	4,186	32,248
Local capital improvement projects	22,509	17,546	705	4,258
	<u>\$ 1,281,167</u>	<u>\$ 933,344</u>	<u>\$ 130,179</u>	<u>\$ 217,644</u>

\* Excludes retainage payable recorded in the financial statements in the amount of \$ 4.4 million at June 30, 2012.

**Note 7. Leases**

Operating leases

***Lease Agreements as Lessor***

The City leases certain building, land, and air space rights under operating leases. The agreements provide for minimum annual rentals plus contingent rentals based on a percentage of cash flow from the properties.

The total rental income from operating leases during 2012 amounted to \$4.6 million. The cost of the buildings and land associated with these rental income amounts is estimated at \$108.6 million with a carrying value of \$71.4 million. Depreciation expense related to these properties was \$2.1 million during the year.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

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***Lease Agreements as Lessee***

The City entered into a 15 year lease commencing on July 1, 2002 for the rental of office space from the Connecticut Constitution Associates, LLC for the various City departments and agencies. At the beginning of year six and year eleven, the base rent will be increased by an amount equal to the product of the base rent times 100% of the percentage increase, if any, of the CPI over the CPI at the commencement date or the first day of the sixth lease year, as the case may be. Future minimum lease payments are projected as follows.

2013 - 2017	\$1,115
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In addition to the base rent of \$1,115, the City pays a proportionate share of the landlord's operating expenses and real estate taxes. During the fiscal year ended June 30, 2012, base rent and additional rent amounted to \$2,419.

The City also has various other lease agreements. The table below represents all other future lease obligations:

2013	\$	4,022
2014		2,952
2015		2,075
2016		1,559
2017		2,957

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

**Note 8. Long-Term Liabilities**

Governmental Activities

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
<b>Bonds payable:</b>					
General obligation bonds	\$ 293,745	\$ 71,280	\$ (43,215)	\$ 321,810	\$ 24,890
Less: deferred amounts	9,371	7,490	(1,064)	15,797	-
<b>Total bonds payable</b>	<b>303,116</b>	<b>78,770</b>	<b>(44,279)</b>	<b>337,607</b>	<b>24,890</b>
<b>Other long-term liabilities:</b>					
Compensated absences	36,389	7,677	(8,280)	35,786	9,041
HUD Section 108 loans	12,941	-	(327)	12,614	346
Arbitration accrual	483	-	(483)	-	-
Capital leases	3,031	-	(1,872)	1,159	1,002
CWF Serial Note	1,582	-	(85)	1,497	86
Net OPEB obligation	48,083	7,913	-	55,996	-
Net pension obligation	4,154	-	(85)	4,069	-
Claim and judgments	-	830	-	830	-
Risk management claims	26,655	97,393	(93,736)	30,312	15,000
<b>Total other long-term liabilities</b>	<b>133,318</b>	<b>113,813</b>	<b>(104,868)</b>	<b>142,263</b>	<b>25,475</b>
<b>Total governmental activities long-term liabilities</b>	<b>\$ 436,434</b>	<b>\$ 192,583</b>	<b>\$ (149,147)</b>	<b>\$ 479,870</b>	<b>\$ 50,365</b>

2012 General Obligation Bond – In-substance Defeasance

On April 12, 2012, the City issued \$21,280 of general obligation refunding bonds with interest rates ranging from 2.0% to 5.0%, of which were used to advance refund portions of the outstanding principal amounts of the general obligation bonds of the City dated July 15, 2004 and May 15, 2001 (the "Refunding Bonds.") Of the net proceeds of \$22,741 (after payment of \$244 in underwriters fees and other costs), \$22,493 was placed in an irrevocable trust fund under an Escrow Agreement dated April 5, 2011 between the City and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations.") The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The City advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt of \$891 and cash savings of \$1,034.

The balance in the escrow was approximately \$22,493 at June 30, 2012. The balance of the defeased bonds was approximately \$21,250 at June 30, 2012. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements. As of June 30, 2012, the

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

amount of defeased debt outstanding, but removed from the City's government-wide financial statements, amounted to the following:

April 2012 Refunding	<u><u>\$ 21,250</u></u>
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**General Obligation Bonds**

General obligation bonds represent long-term indebtedness backed by the full faith and credit of the City and are comprised of the following issues:

Date of Issue	Interest Rate (%)	Original Amounts	Maturity Dates	Annual Payment	Balance June 30, 2012
March 2003	4.25-5.25	30,225	2016	\$1,250-2,340	10,390
July 2004	3.50-5.50	34,000	2023	1,600-1,800	3,600
June 2005	4.50-5.00	29,510	2020	1,050-3,600	23,295
June 2005	3.00-5.00	32,300	2024	1,700	22,100
June 2006	4.00-5.00	70,000	2025	3,685	51,590
June 2007	4.00-5.25	70,000	2026	3,680-3,685	55,260
September 2009	2.00-5.00	12,150	2018	1325-1435	9,325
April 2010	2.00-4.30	14,000	2029	735-740	13,260
April 2011	3.00-5.25	15,725	2024	1300-1325	15,725
April 2011	5.00	9,275	2031	-	9,275
February 2009	2.50-5.00	40,225	2022	2,115-2,120	35,985
April 2012	2.00-5.00	50,000	2032	2,500	50,000
April 2012	2.00-5.00	21,280	2023	100-1,895	21,280
December 1972	5.00	1,500	2012	250	125
February 1993	4.90-5.62	7,200	2013	600-1,200	600
					<u><u>\$ 321,810</u></u>

The annual requirements to amortize all bonded debt outstanding as of June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 24,890	\$ 14,398	\$ 39,288
2014	24,835	13,623	38,458
2015	24,785	12,543	37,328
2016	24,775	11,400	36,175
2017	23,780	10,231	34,011
2018-2022	99,480	35,796	135,276
2023-2027	75,030	14,763	89,793
2028-2031	24,235	2,654	26,889
	<u><u>\$ 321,810</u></u>	<u><u>\$ 115,408</u></u>	<u><u>\$ 437,218</u></u>

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

**Clean Water Fund - Serial Notes Payable**

The City has entered into a Clean Water Fund serial note payable to the State of Connecticut as part of a tower brook conduit extension project administered by the Metropolitan District. Principal in the amount of \$85 and interest in the amount of \$31 was paid in the 2011-12 fiscal year. Future annual requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 86	\$ 29	\$ 115
2014	88	27	115
2015	90	26	116
2016	92	24	116
2017	94	24	118
2018-2022	498	90	588
2023-2027	549	39	588
	<u>\$ 1,497</u>	<u>\$ 259</u>	<u>\$ 1,756</u>

The City's indebtedness (\$722.2 million) does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 615,348	\$ 362,060	\$ 253,288
Schools	1,230,697	286,449	944,248
Sewer	1,025,580	73,694	951,886
Urban renewal	888,836	-	888,836
Pension deficit	820,464	-	820,464

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation (\$1.9 billion).

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which debt is issued and outstanding. School building grants totaling \$11.0 million are applicable to outstanding bond issues.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

Total bonds authorized and unissued as of June 30, 2012 were:

Description	Authorized/ Unissued
General Purpose	\$ 93,501
Schools	175,298
Sewers	8,578
<b>Total</b>	<b>\$ 277,377</b>

**Housing and Urban Development (HUD) Section 108 Loans**

The future annual requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 346	\$ 239	\$ 585
2014	365	217	582
2015	389	210	599
2016	764	200	964
2017	784	187	971
2018-2022	3,023	818	3,841
2023-2027	3,374	593	3,967
2028-2032	3,569	259	3,828
	<u>\$ 12,614</u>	<u>\$ 2,723</u>	<u>\$ 15,337</u>

**Capital Leases**

The City has entered into multi-year capital leases for the purchase of various vehicles and equipment. Principal payments for 2012 were \$1,872. The following is a summary of capital lease commitments as of June 30, 2012:

Year Ended June 30,	Amount
2013	\$ 1,002
2014	194
Total lease payments	1,196
Less: amount representing interest	37
Present value of minimum lease payments	<u>\$ 1,159</u>

The City originally issued \$13,514 in capital lease financing agreements to purchase vehicle and equipment capital assets. The net undepreciated value approximates the principal balance payable of \$1.2 million at June 30, 2012.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

**Compensated Absences**

Employees can accumulate additional amounts of unused vacation and sick leave (as determined by individual union contracts) until termination of their employment. At termination pay-out provisions as determined by individual union contract provides for payments to vested employees net of provisions to exchange selected amounts of accumulated sick time for pension service years. Payments to employees are appropriated from the General Fund.

The following is a summary of management's estimate of vested and non-vested potential liability for lump sum payments to employees.

	<u>June 30, 2012</u>
BOE:	
Sick	\$ 16,053
Vacation	2,285
CITY:	
Sick	12,823
Vacation	<u>4,625</u>
Total	<u><u>\$ 35,786</u></u>

Business-Type Activities

**Changes in Long-Term Liabilities**

Long-term liabilities for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 28,040	\$ -	\$ 1,425	\$ 26,615	\$ 1,485
Less: deferred amounts	(1,664)	-	(210)	(1,454)	-
<b>Total bonds payable</b>	<u><u>\$ 26,376</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,215</u></u>	<u><u>\$ 25,161</u></u>	<u><u>\$ 1,485</u></u>

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

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The annual requirements to amortize all general obligation bond debt outstanding as of June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 1,485	\$ 1,273	\$ 2,758
2014	1,565	1,197	2,762
2015	1,645	1,117	2,762
2016	1,730	1,031	2,761
2017	1,820	939	2,759
2018-2022	10,630	3,166	13,796
2023-2027	7,740	539	8,279
	<u>\$ 26,615</u>	<u>\$ 9,262</u>	<u>\$ 35,877</u>

General obligation bonds represent long-term indebtedness backed by the full faith and credit of the City. Parking facility bonds recorded in the Hartford Parking facilities enterprise fund are comprised of the following:

Morgan Street Garage - Refunding bonds issued 2005; final maturity August 1, 2024; interest at 3.0% to 5.5%	<u>\$ 26,615</u>
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**Bond Anticipation Notes**

Bond Anticipation Notes activity was as follows:

Beginning balance, July 1, 2011	\$ 45,350
Issuances	52,500
Retired/Matured	(45,350)
Ending balance, June 30, 2012	<u>\$ 52,500</u>

The bond anticipation note outstanding at year-end was issued March 31, 2012 and is due April 12, 2013 with interest at 2.0%. The purpose of the bond anticipation note is to finance various ongoing City construction projects.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

In previous years the City has defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2012, the following bonds outstanding are considered defeased:

Year of Original Issue	Date Refunded	Refunded Amount	Defeased Balance
1998	06/01/2005	\$ 13,185	\$ 13,185
2000	06/01/2005	10,000	10,000
2001	06/01/2005	10,350	10,350
2000	04/01/2005	31,285 *	29,570
2009	09/30/2009	12,150	12,825
2004	04/12/2012	17,800	17,800
2001	04/12/2012	3,450	3,450

\* Morgan Street Garage Revenue Bonds

**Note 9. Deficit Fund Equity**

Nonmajor Funds:

Vehicle Equipment & Techonology	\$ 1,520
Miscellaneous Grants	5,314
Health Grants	17
ARRA Capital Grants	92
Capital Lease	579

Internal Service Funds:

Workers' Compensation	16,505
Liability and Property Damage	5,752
	<u>\$ 29,779</u>

The City anticipates financing the Vehicle Equipment and Technology deficit through future operations and lease proceeds. The Internal Service Funds deficit will be covered through future premiums.

**Note 10. Risk Management**

The City has established a risk management program (Internal Service Funds) to account for and finance its uninsured risks of loss for employee benefits, workers' compensation, and liability and property damage. Under this program, the fund provides coverage for up to a maximum of \$250 thousand in health insurance claims for each individual per claim year, \$2 million for each worker's compensation claim, \$500 thousand for each auto and general liability claim, \$100 thousand for each property damage claim and \$250 thousand per occurrence for public officials' claims. The City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded either the self insured retention or the commercial coverage in any of the past three fiscal years. Workers' compensation salary continuation is paid from the employee's respective department budget.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

The General Fund makes payments to the Self Insurance Fund based on actuarial or underwriting estimates of the amounts needed to pay current-year claims and administrative expenses and to maintain a reserve for unanticipated and future losses. The claims liability of \$30.3 million, reported in the fund at June 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal years 2012 and 2011 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Self-Insurance Fund:				
2010-2011	\$ 27,734	\$ 85,051	\$ 86,130	\$ 26,655
2011-2012	26,655	97,393	93,736	30,312

**Note 11. Commitments and Contingencies**

Contractual commitments

On June 30, 1982, the City entered into a service agreement with the Connecticut Resources Recovery Authority (CRRRA) to which it is estimated a service fee of \$2.4 million per year for five years of solid waste for processing. The service fee is subject to annual revision based on the net cost of operating the facility. The service agreement expires in 2017.

Statutory commitments

The City is a member of the Metropolitan District (a quasi-municipal corporation that provides water supply and sewerage collection and disposal facilities for members), and is contingently liable for \$63.4 million or 28.0% of the debt of the District.

Contingencies

The City, its officers and employees, are defendants in numerous lawsuits. The City is insured for damages (see Note 10). Judgments or settlements for less than the deductible are paid from the General Fund. Corporation Counsel expects that none of the cases currently in litigation, if adversely decided, would have a negative impact on the finances of the City. The City has recorded \$830 in the government-wide financial statements to cover probable claims.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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**Note 12. Other Postemployment Benefits**

The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the City and the various unions representing City employees. The City pays the full cost of life insurance premiums. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the City's self-insured medical benefits program. The City provides post-retirement benefits through a single-employer defined benefit plan. The post-retirement plan does not issue stand-alone financial reports.

Funding policy

The City currently funds claims and administrative costs for postemployment benefits through its self-insured internal service funds. The City has worked in conjunction with health benefits consultants to establish a health benefits fund structure that is both premium-based, similar to a fully insured process, and isolates legacy costs versus ongoing employees while combining actives and retirees into one process. In order to isolate legacy costs from ongoing employees, three groups were created that support a phased strategy to funding where the first group is retirees before June 30, 2009 which remains pay-as-you-go with no amortization of prior service cost. The second group includes actives hired prior to July 1, 2009 and retired since then and provides funding of normal cost, including an accrual for future benefits, but no amortization of prior service cost. Finally, the third group is new hires since July 1, 2009 and is actuarially funded and claims paid, both current and future benefits. Groups 2 and 3 envision that a trust fund will be established while all 3 groups have distinct discount rates as provide for by GASB.

The City has not implemented a trust fund, as of June 30, 2012, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

The following is the current census of City benefit participants as of July 1, 2011:

	Life <i>(not rounded)</i>	Medical <i>(not rounded)</i>
Active members	3,999	2,503
Retirees and spouses	2,218	3,079
Total	<u>6,217</u>	<u>5,582</u>

Postemployment retiree benefit payments for the year ended June 30, 2012, net of retiree and other contributions, amounted to \$10,728.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

**Annual OPEB Cost and Net OPEB Obligations**

The City of Hartford's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actuarial results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	Other Post- Employment Benefits (OPEB)
Annual required contribution (ARC)	\$ 18,322
Interest on net OPEB obligation	2,710
Adjustment for Net OPEB obligation	(2,391)
Annual OPEB cost	<u>18,641</u>
Contributions made	<u>(10,728)</u>
Increase in net OPEB obligation	7,913
Net OPEB obligation, beginning of year	<u>48,083</u>
Net OPEB obligation, end of year	<u><u>\$ 55,996</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2010, 2011 and 2012 is presented below.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/10	\$ 25,084	\$ 10,343	41.2%	\$ 42,907
6/30/11	16,254	11,078	68.2%	48,083
6/30/12	18,641	10,728	57.6%	55,996

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

***ACTUARIAL ASSUMPTIONS - OPEB***

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	N/A
Amortization Method:	Level Percent, Closed
Remaining Amortization Period:	30 Years Decreasing
Actuarial Assumptions:	
Discount Rate:	Group 1 – 5% per annum; Group 2 – 6.5% per annum; Group 3 – 8.0% per annum
Projected salary increase:	Group 1 – 5% per annum; Group 2 – 6.5% per annum; Group 3 – 8.0% per annum
Inflation Rate:	3.0%
Health Cost Trend Rates:	Annual increases in premium for retired medical and benefits are assumed to be as follows:

Year After Valuation Date	Blended Increase
2011	9.0%
2012	8.5%
2013	8.0%
2014	7.5%
2015	7.0%
2016	6.5%
2017	6.0%
2018	5.5%
2019 & after	5.0%

Dental Trend Rate:	5.0%
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**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**  
**(In Thousands)**

The schedule of funding progress is as follows:

<b>SCHEDULE OF FUNDING PROGRESS</b>						
Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	-	261,782	261,782	0.0%	\$ 326,820	80.1%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Note 13. Employee Retirement Systems and Pension Plans**

There are four defined benefit pension plans for employees of the City of Hartford. Two are single-employer plans, one is a cost sharing multiple-employer plan with the State of Connecticut, and one is a plan with the State of Connecticut for certified teachers at the Board of Education in which the City is a noncontributing employer.

The two single employer plans are administered by the City. The plans provide retirement, disability and survivorship benefits for all retired employees, in accordance with provisions which are subject to bargaining with unions representing most of the employees. The City provides retirement benefits for employees hired since 1947, through the City MERF, a contributory, defined benefit plan. Employees hired before the current City MERF went into effect on May 1, 1947 are paid from an unfunded program known as the RAF/PBF/FRF Plan. There are no remaining active members and the unfunded liability is decreasing rapidly.

An actuarial valuation survey is made annually on the City Municipal Employees' Retirement Fund (City MERF) and the Section 415 Plan, and at least every five years for the RAF/PBF/FRF Plan.

The City also administers an excess benefit plan established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415 of the Federal Internal Revenue Code (IRC).

**City of Hartford Municipal Employees' Retirement Fund (City MERF)**

Plan Description

The City MERF is considered to be part of the City of Hartford's financial reporting entity and is included in the City's financial statements, as a pension trust fund. Individual stand-alone statements are not issued.

The City MERF was established as part of the City Charter.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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As of the actuarial valuation date, July 1, 2011, City MERF membership consisted of:

	<i>(not rounded)</i>
Retirees and beneficiaries currently receiving benefits	2,920
Terminated employees entitled to benefits but not yet receiving them	126
Active plan members	<u>2,251</u>
Total	<u><u>5,297</u></u>

The City provides retirement benefits, for employees hired since May 1, 1947, through the City MERF, a single employer, contributory defined benefit plan. Under the Plan, all full-time employees, except teachers and members of certain union groups who have elected to join the State Municipal Employees' Retirement Fund (State MERF-B), are eligible. Employees are 100 percent vested after 5 or 10 years of service depending on the covered group. If an employee leaves covered employment or dies before becoming vested, accumulated employee contributions are returned with interest.

#### Summary of Significant Accounting Policies, Plan Changes and Plan Asset Matters

**Basis of Accounting:** City MERF financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which employee services are performed and are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the City's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. The pension obligation (asset) is recorded as a noncurrent liability (asset) in the government-wide financial statements.

#### **Plan Changes**

The valuation reflects plan improvements in both vesting and retirement eligibility for non-bargaining employees of the Board of Education and members of HSSSA. In addition, employee contribution rates increased for certain groups.

There were no investments in, loans to or leases with any City MERF official, City of Hartford official, party related to a City MERF official or City of Hartford official, or organization included in the City of Hartford reporting entity.

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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#### Funding Policy

Sworn police officers hired before July 1, 1999 and firefighters are required to contribute 8% of pay. Sworn police officers hired after June 30, 1999 are required to contribute 6.5% of pay. Non-sworn police employees are required to contribute 4% of social security-taxed wages and 7% above the social security-taxed level. Board of Education and General Government employees contribute between 3% and 10.14% of social security-taxed wages and between 6% and 13.14% of wages above the social security-taxed level, depending on their union or non-union grouping. The City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the City Council through union negotiation.

#### Annual Pension Cost and Net Pension Obligations

The City's annual pension cost and net pension obligation to the City MERF for the current year was as follows:

Annual required contribution, July 1, 2011 valuation	\$	27,600
Interest on net pension obligation		332
Adjustment to annual required contribution		(417)
Annual pension cost		<u>27,515</u>
Contributions made		<u>27,600</u>
Decrease in net pension obligation		(85)
Net pension obligation, beginning of year		<u>4,154</u>
Net pension obligation, end of year	\$	<u><u>4,069</u></u>

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal and contractual funding limitations.

The annual required contribution for the current year was determined as part of the MERF actuarial valuation dated July 1, 2011. The actuarial method and assumptions used in the July 1, 2011 valuation are presented below:

Valuation date	July 1, 2011
Actuarial Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Dollar Amount
Remaining Amortization Method	17.84 years – open period
Asset Valuation Method	Four-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	Projected salary which vary by age and group
Inflation Rate	3.00%
Cost of Living Adjustments	None

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

Trend Information

<b>SCHEDULE OF CONTRIBUTIONS</b>					
Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation	
06/30/10	\$ 9,490	\$ 10,840	114.00%	\$ 4,236	
06/30/11	18,846	18,846	100.00%	4,154	
06/30/12	27,515	27,600	100.00%	4,069	

The aggregate actuarial cost method that is used for calculating the annual required contribution does not separately identify unfunded actuarial accrued liabilities. Rather, it effectively amortizes them over the average remaining life of active plan members, as part of normal cost. The aggregate actuarial cost method (first adopted for the 1969 valuation) is used for determining the funding requirements for the City MERF.

The Schedule of Funding Progress represented below, including the funded status, has been developed using the Entry Age Actuarial Cost method, and the information presented is intended to approximate the funded status and funding progress of the plan.

<b>SCHEDULE OF FUNDING PROGRESS</b>						
Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	\$ 1,017,602	\$ 1,218,900	\$ 201,298	83.5%	\$ 136,555	147.4%

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**RAF/PBF/FRF Plan**

Plan Description

As discussed above, the City pays retirement and survivor benefits to pensioners under an unfunded program basis which covered City employees hired before the current City MERF went into effect on May 1, 1947. These programs are combined into one pension trust fund for reporting in the City's financial statements. Individual stand-alone financial statements are not issued. The unfunded liability for this Plan is decreasing rapidly and has no remaining active members.

There are 151 (not rounded) retirees covered by this plan as of the actuarial valuation dated July 1, 2009.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

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Summary of Significant Accounting Policies and Plan Asset Matters

The annual required contribution (ARC) and the annual pension cost represent the actual benefits paid during the year. The annual required contribution is based upon actuarial calculations. The Plan was closed to new members on May 1, 1947 and there are no remaining active members. The unfunded liability for this Plan is rapidly decreasing. The City has determined that the Plan did not have a net pension obligation (NPO) as calculated in accordance with the transition requirements of GASB Statement No. 27. All contributions since the transition have been made in accordance with the actuarial required contribution and are based upon actuarially sound funding methodology.

Funding Policy

Funds are budgeted in the General Fund to cover pension benefits paid each year. Annual contributions are equal to the annual benefit payments. Retired policemen contribute 1% of pension payments. Benefits and contributions were established by City Charter and are not subject to amendment.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost, which is equal to the annual benefit payments, for the current year amounted to \$1.1 million. The Plan did not have a net pension obligation as of June 30, 2012.

The actuarial method and assumptions are presented below:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	N/A
Remaining Amortization Method	Closed – no amortization period
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	None
Inflation Rate	3.00%
Cost of Living Adjustments	None

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

Trend Information

<b>SCHEDULE OF CONTRIBUTIONS</b>					
Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation	
06/30/10	\$ 1,521	\$ 1,521	100.00%	\$ -	
06/30/11	1,354	1,354	100.00%	-	
06/30/12	1,097	1,097	100.00%	-	

The actuarial accrued liability is the calculated present value of expected payments to be made from this Plan.

<b>SCHEDULE OF FUNDING PROGRESS</b>							
Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	
07/01/09	\$ -	\$ 6,653	\$ 6,653	0.0%	N/A	N/A	

**City of Hartford 415 (m) Fund**

Plan Description

This plan currently covers eleven (11) retirees and no active employees as of June 30, 2012 and is administered by the City. This unfunded plan is an excess benefit plan and was adopted by the Common Council on March 24, 1997. The plan was established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415 of the Federal Internal Revenue Code (IRC).

Funding Policy

Funds are budgeted in the General Fund to cover pension benefits paid each year. Annual contributions are equal to the annual benefit payments. The Plan was adopted on March 24, 1997 and there are no active members. The unfunded liability for this Plan is rapidly decreasing. Since the effective date for the plan was March 24, 1997, the Plan did not have a net pension obligation (NPO) as calculated in accordance with the transition requirements of GASB Statement No. 27. Benefits and contributions were established by City Charter and are not subject to amendment.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

Annual Pension Cost and Net Pension Obligation.

The City's annual pension cost, which is equal to the annual benefit payments, for the current year amounted to \$121. The Plan does not have a net pension obligation. The City's annual pension cost is equal to the actual contribution made (annual benefit payments).

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Method	Closed – no amortization period
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	None
Inflation Rate	3.00%
Cost of Living Adjustments	None

Trend Information

**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
06/30/12	121	121	100.00%	-

The actuarial accrued liability is the calculated present value of the expected payments to be made for this unfunded plan.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	\$ -	\$ 521	\$ 521	0.0%	N/A	N/A

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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#### State MERF-B

Members of City AFSCME Local 1716 and members of Local 566, which consisted of 524 members on June 30, 2010, participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

Funding Policy - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The contribution requirements of the City are established and may be amended by the State Retirement Commission. Total contributions to MERF for the years ended June 30, 2012, 2011 and 2010 were \$5.8 million, \$3.4 million and \$2.9 million, respectively, equal to the City's required contributions for each year.

#### Teachers' Retirement System

All City of Hartford certified teachers participate in the State of Connecticut Teachers' Retirement System, a cost-sharing multiple-employer public employee retirement system (PERS), established under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries, \$10.0 million in fiscal year 2012, and transmits the funds to the State Teachers' Retirement Board.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The City does not have any liability for teacher pensions. For the year ended June 30, 2012 the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$28.2 million as payments made by the State of Connecticut on-behalf of the City.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

**CITY OF HARTFORD, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2012**

**(In Thousands)**

**Pension Trust Funds**

The City maintains two pension trust funds (Municipal Employees' Retirement Fund and the RAF/PBF/FRF) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2012 and the changes in net assets for the year then ended.

	Municipal Employees' Retirement Fund	RAF/PBF FRF Plan	Total Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 69,668	\$ -	\$ 69,668
Investments:			
U.S. Treasury	96,167	-	96,167
Alternative Investments	94,338	-	94,338
Common Stock	396,364	-	396,364
Corporate Bonds	110,408	-	110,408
Foreign Bonds	27,027	-	27,027
Common Trust	110,882	-	110,882
U.S. Government Agencies	46,058	-	46,058
Accrued investment earnings	3,094	-	3,094
Loan receivable	1,000	-	1,000
<b>Total assets</b>	<b>955,006</b>	<b>-</b>	<b>955,006</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	196	-	196
Net settlement due on investments purchased/sold	8,338	-	8,338
<b>Total liabilities</b>	<b>8,534</b>	<b>-</b>	<b>8,534</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 946,472</b>	<b>\$ -</b>	<b>\$ 946,472</b>

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

	Municipal Employees' Retirement Fund	RAF/PBF/FRF Plan	Total Trust Funds
<b>Addition</b>			
Contributions:			
Employer - ARC	\$ 26,642	\$ 1,208	\$ 27,850
Employer - other	845	-	845
Plan members	8,635	-	8,635
<b>Total contributions</b>	<b>36,122</b>	<b>1,208</b>	<b>37,330</b>
Investment Income:			
Net appreciation in fair value of investments	8,502	-	8,502
Interest and dividends	16,217	-	16,217
<b>Total investment income</b>	<b>24,719</b>	<b>-</b>	<b>24,719</b>
Less investment expense	4,409	-	4,409
<b>Net investment income</b>	<b>20,310</b>	<b>-</b>	<b>20,310</b>
<b>Deductions</b>			
Benefits	90,668	1,208	91,876
Administration	1,984	-	1,984
Other	373	-	373
<b>Total deductions</b>	<b>93,025</b>	<b>1,208</b>	<b>94,233</b>
<b>Net decrease</b>	<b>(36,593)</b>	<b>-</b>	<b>(36,593)</b>
<b>Net Assets Held in Trust for</b>			
<b>Pension Benefits</b>			
Beginning of year	983,065	-	983,065
End of year	<b>\$ 946,472</b>	<b>\$ -</b>	<b>\$ 946,472</b>

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2012  
 (In Thousands)

**Note 14. Governmental Funds – Fund Balance**

Below is a table of fund balance categories and classifications at June 30, 2012 for the City governmental funds:

	General Fund	Capital Improvement Fund	Community Development Loan and Grant	Debt Service	Educational Grants	Nonmajor Governmental Funds
Fund balances:						
Non-spendable:						
Permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,359
Inventory	-	-	-	-	-	347
<b>Total non-spendable</b>	-	-	-	-	-	8,706
Restricted:						
Development and community affairs	-	-	2,419	-	-	2,877
Recreation and Culture	-	-	-	-	-	8,921
Human services	-	-	-	-	-	3,613
Education	-	-	-	-	1,416	2,922
Capital projects	-	-	-	-	-	9,614
<b>Total restricted</b>	-	-	2,419	-	1,416	27,947
Committed:						
Capital projects	-	2,182	-	-	-	1,670
Debt service	-	-	-	3,811	-	-
Education	-	-	-	-	-	-
<b>Total committed</b>	-	2,182	-	3,811	-	1,670
Assigned:						
Recreation	3	-	-	-	-	-
Benefits	2,400	-	-	-	-	-
Education	1,929	-	-	-	9,585	-
<b>Total assigned</b>	4,332	-	-	-	9,585	-
Unassigned:						
General government	25,781	-	-	-	-	-
Fund deficit	-	-	-	-	-	(7,522)
<b>Total unassigned</b>	25,781	-	-	-	-	(7,522)
<b>Total fund balance</b>	<b>\$ 30,113</b>	<b>\$ 2,182</b>	<b>\$ 2,419</b>	<b>\$ 3,811</b>	<b>\$ 11,001</b>	<b>\$ 30,801</b>

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012  
(In Thousands)

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**Note 15. Governmental Accounting Standards Board (GASB) Statements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial

## CITY OF HARTFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

(In Thousands)

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statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, was issued March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.
- **GASB Statement No. 66, *Technical Corrections—2012***, was issued in March 2012. *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25***, was issued in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.
- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27***, was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2015.

**Required Supplementary  
Information**



REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
 (NON-GAAP BASIS) - GENERAL FUND  
 For the Year Ended June 30, 2012  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>GENERAL PROPERTY TAX</b>				
Current year's levy	\$ 259,394	\$ 257,644	\$ 257,693	\$ 49
Levy of prior years	5,050	5,050	11,111	6,061
Interest and liens	2,800	2,800	4,131	1,331
Proceeds from lien sales	7,900	7,900	3,159	(4,741)
<b>Total general property tax</b>	<b>275,144</b>	<b>273,394</b>	<b>276,094</b>	<b>2,700</b>
<b>OTHER LOCAL TAXES</b>				
Business taxes	900	900	1,151	251
<b>LICENSES, PERMITS, FEES AND OTHER</b>				
Street use	24	24	28	4
Business Licenses:				
Health licenses	300	300	354	54
Police and protection licenses	45	45	39	(6)
Professional and occupational licenses	7	7	6	(1)
<b>Total business licenses</b>	<b>352</b>	<b>352</b>	<b>399</b>	<b>47</b>
Non-Business Licenses and Permits:				
Building structure and equipment permits	4,876	4,876	5,571	695
Other non-business licenses and permits	78	78	85	7
<b>Total non-business licenses and permits</b>	<b>4,954</b>	<b>4,954</b>	<b>5,656</b>	<b>702</b>
<b>Total licenses and permits</b>	<b>5,330</b>	<b>5,330</b>	<b>6,083</b>	<b>753</b>
<b>FINES, FORFEITS AND PENALTIES</b>				
	240	240	216	(24)
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>				
Income from investments	234	234	399	165
Income from use of property	923	923	590	(333)
Income from development properties	4,021	4,021	3,984	(37)
<b>Total revenue from use of money and property</b>	<b>5,178</b>	<b>5,178</b>	<b>4,973</b>	<b>(205)</b>

See Note to Required Supplementary Information.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
 (NON-GAAP BASIS) - GENERAL FUND, Continued  
 For the Year Ended June 30, 2012  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>INTERGOVERNMENTAL REVENUE</b>				
Federal Government	60	60	219	159
State of Connecticut:				
Education	191,986	191,986	191,983	(3)
Housing	405	405	546	141
Public Works	613	613	609	(4)
Elderly Services	260	260	221	(39)
Mashantucket Pequot Fund	8,768	8,768	7,236	(1,532)
Payment in Lieu of Taxes	46,431	46,431	46,966	535
Shared Taxes	250	250	282	32
Other	55	3,697	4,283	586
<b>Total State of Connecticut</b>	<b>248,768</b>	<b>252,410</b>	<b>252,126</b>	<b>(284)</b>
<b>Total intergovernmental revenue</b>	<b>248,828</b>	<b>252,470</b>	<b>252,345</b>	<b>(125)</b>
<b>CHARGES FOR SERVICES</b>				
General Government:				
Recording legal instruments	300	300	266	(34)
All other	1,142	1,142	1,216	74
<b>Total general government</b>	<b>1,442</b>	<b>1,442</b>	<b>1,482</b>	<b>40</b>
Public Safety:				
Police charges	76	76	72	(4)
Fire protection services	174	174	161	(13)
<b>Total public safety</b>	<b>250</b>	<b>250</b>	<b>233</b>	<b>(17)</b>
Public Works:				
Highways and streets	1	1	1	-
Sanitation	60	60	84	24
<b>Total public works</b>	<b>61</b>	<b>61</b>	<b>85</b>	<b>24</b>

See Note to Required Supplementary Information.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
 (NON-GAAP BASIS) - GENERAL FUND, Continued  
 For the Year Ended June 30, 2012  
 (In Thousands)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>CHARGES FOR SERVICES, Cont'd.</b>				
Other:				
Health	6	6	12	6
Social Services				-
Recreation	10	10	9	(1)
Miscellaneous	118	118	38	(80)
<b>Total other</b>	<u>134</u>	<u>134</u>	<u>59</u>	<u>(75)</u>
<b>Total charges for services</b>	<u>1,887</u>	<u>1,887</u>	<u>1,859</u>	<u>(28)</u>
<b>REIMBURSEMENTS</b>				
Other	320	320	304	(16)
Reimbursements from other funds	3,107	3,107	3,097	(10)
<b>Total reimbursements</b>	<u>3,427</u>	<u>3,427</u>	<u>3,401</u>	<u>(26)</u>
<b>OTHER REVENUES</b>				
Settlements	25	25	30	5
Miscellaneous	632	632	1,850	1,218
<b>Total other revenues</b>	<u>657</u>	<u>657</u>	<u>1,880</u>	<u>1,223</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from other funds:				
Hartford Parking Facilities Fund	1,950	1,950	400	(1,550)
Operating Transfers In				-
Special Police Services	1,750	1,750	1,885	135
Capital Improvement Fund	100	100	193	93
Premium from Bond Sale	555	555	555	-
<b>Total other financing sources</b>	<u>4,355</u>	<u>4,355</u>	<u>3,033</u>	<u>(1,322)</u>
<b>TOTAL</b>	<u>\$ 545,946</u>	<u>\$ 547,838</u>	551,035	<u>\$ 3,197</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the State Teachers'  
 Retirement System for City teachers are not budgeted

28,237

Effect of GASB No. 54.

399

Budgetary revenues derived from reimbursements for expenditures allocated  
 to other funds are excluded for GAAP financial statement reporting purposes

(3,097)

Total Revenues and Other Financing Sources as reported on the Statement  
 of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds

\$ 576,574

See Note to Required Supplementary Information.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES**  
**(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**  
**(In Thousands)**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>GENERAL GOVERNMENT</b>				
Mayor	\$ 700	\$ 695	\$ 685	\$ 10
Court of Common Council	526	486	471	15
City Treasurer	522	452	369	83
Registrars of Voters	764	947	947	-
Corporation Counsel	1,774	1,783	1,762	21
Town and City Clerk	840	830	813	17
Internal Audit	478	478	476	2
Office of Information Services	1,016	1,156	1,054	102
Finance	3,602	3,527	3,306	221
Human Resources	1,211	1,001	901	100
Communications and New Media	879	808	754	54
Office of Management and Budget	939	898	720	178
Metro Hartford Information	3,327	3,327	3,327	-
Office of Young Children	5,986	5,986	5,981	5
<b>Total general government</b>	<b>22,564</b>	<b>22,374</b>	<b>21,566</b>	<b>808</b>
<b>PUBLIC SAFETY</b>				
Fire	32,481	31,478	31,415	63
Police	36,564	37,882	37,872	10
Emergency Services and Telecommunications	5,021	4,506	4,308	198
<b>Total public safety</b>	<b>74,066</b>	<b>73,866</b>	<b>73,595</b>	<b>271</b>
<b>INFRASTRUCTURE AND LEISURE SERVICES</b>				
Public Works	13,129	13,272	13,162	110
<b>DEVELOPMENT AND COMMUNITY AFFAIRS</b>				
Development Services	4,907	4,908	4,612	296
<b>HUMAN SERVICES</b>				
Health and Human Services	5,091	4,941	4,704	237
<b>EDUCATION</b>				
Board of Education	283,366	284,008	283,987	21
<b>BENEFITS AND INSURANCE</b>				
Benefits and insurance	66,807	67,601	67,598	3

See Note to Required Supplementary Information.

(Continued)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES**  
**(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL, Continued**  
**For the Year Ended June 30, 2012**  
**(In Thousands)**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>SUNDRY</b>				
Debt service	36,501	36,560	36,004	556
Hartford public library	7,915	7,915	7,915	-
Other sundry items	31,600	32,391	32,386	5
<b>Total sundry</b>	<b>76,016</b>	<b>76,866</b>	<b>76,305</b>	<b>561</b>
<b>Total</b>	<b>545,946</b>	<b>547,836</b>	<b>545,529</b>	<b>2,307</b>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teacher's Retirement System for City teachers are not budgeted.

28,237

Reimbursements from other funds are credited against budgetary expenditures for GAAP financial statement reporting purposes

(3,097)

Effect of GASB No. 54.

(37)

Encumbrances

June 30, 2011

973

June 30, 2012

(58)

Total Expenditures and Other Financing Sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

\$ 571,547

See Note to Required Supplementary Information.

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSIONS AND OTHER POST RETIREMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
June 30, 2012  
(In Thousands)**

**Schedules of Funding Progress**

<i>City of Hartford Municipal Employees' Retirement Fund (City MERF)*</i>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	\$ 1,021,491	\$ 1,002,848	\$ (18,643)	101.9%	\$ 124,837	(14.9%)
07/01/07	1,092,128	1,090,715	(1,413)	100.1%	133,280	(1.1%)
07/01/08	1,123,379	1,099,441	(23,938)	102.2%	139,243	(17.3%)
07/01/09	1,089,184	1,126,965	37,781	96.6%	134,143	28.2%
07/01/10	1,041,572	1,175,040	133,468	88.6%	132,529	100.7%
07/01/11	1,017,602	1,218,900	201,298	83.5%	136,555	147.4%

<i>RAF/PBF/FRF Plan</i>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	\$ -	\$ 9,389	\$ 9,389	0.0%	N/A	N/A
07/01/07	-	8,276	8,276	0.0%	N/A	N/A
07/01/08	-	7,700	7,700	0.0%	N/A	N/A
07/01/09	-	7,249	7,249	0.0%	N/A	N/A
07/01/10	-	6,155	6,155	0.0%	N/A	N/A
07/01/11	-	6,653	6,653	0.0%	N/A	N/A

<i>City of Hartford 415(m) Fund</i>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	\$ -	\$ 167	\$ 167	0.0%	N/A	N/A
07/01/07	-	260	260	0.0%	N/A	N/A
07/01/08	-	213	213	0.0%	N/A	N/A
07/01/09	-	143	143	0.0%	N/A	N/A
07/01/10	-	180	180	0.0%	N/A	N/A
07/01/11	-	521	521	0.0%	N/A	N/A

\* For the City's MERF Plan, the projected unit cost method was used for July 1, 2002 through July 1, 2006, and the entry age normal cost method was used beginning with the July 1, 2007 valuation.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSIONS AND OTHER POST RETIREMENT BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS, Continued**  
**June 30, 2012**  
**(In Thousands)**

<i>OPEB</i>							
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	
07/01/07	\$ -	\$ 373,386	\$ 373,386	0.0%	N/A	N/A	
07/01/08	-	302,988	302,988	0.0%	N/A	N/A	
07/01/09	-	241,511	241,511	0.0%	307,857	78.4%	
07/01/10	-	247,852	247,852	0.0%	307,857	81.0%	
07/01/11	-	261,782	261,782	0.0%	326,820	80.1%	

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSIONS AND OTHER POST RETIREMENT BENEFITS  
SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS  
June 30, 2012  
(In Thousands)**

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<i>City of Hartford Municipal Employees' Retirement Fund (City MERF)</i>			<i>RAF/PBF/FRF Plan</i>		
Year Ended	Annual Required Contribution	Percentage Contributed	Year Ended	Annual Required Contribution	Percentage Contributed
06/30/07	15,463	107.0%	06/30/07	1,757	100.0%
06/30/08	13,253	125.0%	06/30/08	1,967	100.0%
06/30/09	11,797	109.0%	06/30/09	1,700	100.0%
06/30/10	9,602	113.0%	06/30/10	1,521	100.0%
06/30/11	18,846	100.0%	06/30/11	1,354	100.0%
06/30/12	27,600	100.0%	06/30/12	1,097	100.0%

<i>City of Hartford 415(M) Fund</i>			<i>OPEB</i>		
Year Ended	Annual Required Contribution	Percentage Contributed	Year Ended	Annual Required Contribution	Percentage Contributed
06/30/07	53	100.0%	06/30/2008	\$ 31,600	51.2%
06/30/08	61	100.0%	06/30/2009	24,500	52.8%
06/30/09	50	100.0%	06/30/2010	24,744	41.8%
06/30/10	43	100.0%	06/30/2011	15,759	70.3%
06/30/11	84	100.0%	06/30/2012	18,322	58.6%
06/30/12	121	100.0%			

**CITY OF HARTFORD, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2012  
(In Thousands)**

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**Note 1. Stewardship, Compliance and Accountability**

Budgetary information

The City adopted the legal budget for the 2011-2012 General Fund in accordance with the procedures summarized below:

By the third Monday in April, the Mayor must submit to the City Council a recommended operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.

Through direction of the Mayor and the City Council, open meetings and public hearings are held to obtain residents' and taxpayers' comments on the recommended budget.

The City Council modifies the budget by resolution (except revenues, debt service and pension requirements) and then submits the budget as amended to the Mayor for certification no later than May 21.

The Mayor may approve, reduce, and/or disapprove the budget within 48 hours, but no later than May 23.

Upon action by the Mayor, Council has until May 31 to adopt the budget, the appropriation ordinance and the tax levy ordinance. If it fails to adopt the budget by that date the budget as certified by the Mayor shall be deemed to be the budget of the City for the ensuing fiscal year and expenditures shall be made in accordance therewith (Hartford Municipal Code Sec. 9).

After the budget has been adopted and the new fiscal year begins, an appropriation may be amended. The Mayor may, at any time, transfer any unencumbered balance or portion thereof, from one classification of expenditures to another within the same department.

At the request of the Mayor, but only within the last three months of the fiscal year, the Court of Common Council may transfer by resolution, any unencumbered appropriation balance or portion thereof from one department or agency to another.

Supplemental appropriations are made on the recommendation of the Mayor upon certification by the Director of Finance that there exists an available general fund cash surplus to meet this appropriation.

Budgets for General Fund are presented on a basis consistent with generally accepted accounting principles except that encumbrances and transfers out are shown as budgetary obligations, transfers in are shown as revenues, State of Connecticut on-behalf contributions are shown as revenues and expenses, and reimbursements to and from other funds are shown as reductions of revenues and expenses.

The General Fund budget is the City's only legally adopted annual budget. Budgets for Special Revenue and Capital Projects Funds are adopted on a project length basis in accordance with related grant or funding agreements.

The level of control for the General Fund budget is at the department/major activity level which are authorized by ordinance. The level of control for Capital Projects Funds is appropriations at the project level. Total expenditures cannot exceed total appropriations by project, over the length of the project.

**CITY OF HARTFORD, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued**

**June 30, 2012**

**(In Thousands)**

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The Community Development Block Grant (Special Revenue) project budgets are approved by City Council. The level of control for all other Special Revenue Funds is at the project or program level in accordance with agreement provisions and various budgetary periods.

All unencumbered and unexpended appropriations lapse at year end for the General Fund. Appropriations do not lapse at year end for Special Revenue Funds. Appropriations for capital projects are carried forward until such time as the project is completed or terminated.

During the fiscal year ended June 30, 2012 there were two supplemental appropriations, one to the Board of Education for \$643 thousand, and one to Livable Sustainable Neighborhood Initiative for \$1.3 million in the General Fund supplemental budget appropriations and there were no additional appropriations against fund balance.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**APPENDIX B - FORM OF LEGAL OPINIONS OF BOND COUNSEL**

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## FORM OF OPINION OF BOND COUNSEL – Series 2013B Bonds

April 11, 2013

City of Hartford,  
 Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the “City”), a Tax Regulatory Agreement of the City, dated April 11, 2013 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$48,160,000 City of Hartford, Connecticut General Obligation Bonds, Series 2013B, dated April 11, 2013 (the “Bonds”), maturing on April 1 in each of the years, in the principal amounts and bearing interest payable on October 1, 2013 and semiannually thereafter on April 1 and October 1 in each year until maturity or earlier redemption, at the rates per annum as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
2016	\$1,800,000	4.000%	2025	\$2,640,000	5.000%
2017	1,875,000	4.000	2026	2,770,000	5.000
2018	1,950,000	5.000	2027	2,910,000	5.000
2019	2,045,000	4.000	2028	3,055,000	5.000
2020	2,130,000	4.000	2029	3,210,000	4.000
2021	2,215,000	4.000	2030	3,335,000	5.000
2022	2,305,000	4.000	2031	3,505,000	5.000
2023	2,395,000	5.000	2032	3,680,000	4.000
2024	2,515,000	5.000	2033	3,825,000	5.000

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to such registered owner at his address as shown on the registration books of the City kept for such purpose. The Bonds are subject to redemption prior to maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the City the principal of and interest on which is payable from

ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

## FORM OF OPINION OF BOND COUNSEL – Notes

April 11, 2013

City of Hartford,  
Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the “City”), a Tax Regulatory Agreement of the City, dated April 11, 2013 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$64,650,000 City of Hartford, Connecticut General Obligation Bond Anticipation Notes, dated April 11, 2013 and maturing April 10, 2014, consisting of Note R-1 in the aggregate principal amount of \$64,650,000, bearing interest at the rate of 2.00% per annum, with principal and interest payable at maturity (the “Notes”). The Notes are not subject to redemption prior to maturity.

The Notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to effect a book-entry system for the ownership and transfer of the Notes. So long as DTC or its nominee is the registered owner, principal and interest payments on the Notes will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under authority of the Constitution and General Statutes of Connecticut and that the Notes are a valid general obligation of the City the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Notes is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Notes.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Notes, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Notes will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Notes or adversely affect the market price of the Notes.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

The rights of owners of the Notes and the enforceability of the Notes and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

**APPENDIX C - FORMS OF DISCLOSURE DISSEMINATION AGENT  
AGREEMENTS**

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## DISCLOSURE DISSEMINATION AGENT AGREEMENT- THE BONDS

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of April 11, 2013 is executed and delivered by The City of Hartford, Connecticut (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

**SECTION 1. Definitions.** Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means Director of Finance, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure

Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is

accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

## **SECTION 2. Provision of Annual Reports.**

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than eight months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2013. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"

2. "Non-Payment related defaults, if material;"
  3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
  4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
  5. "Substitution of credit or liquidity providers, or their failure to perform;"
  6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
  7. "Modifications to rights of securities holders, if material;"
  8. "Bond calls, if material;"
  9. "Defeasances;"
  10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
  11. "Rating changes;"
  12. "Tender offers;"
  13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
  14. "Merger, consolidation, or acquisition of the obligated person, if material;"  
and
  15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. "amendment to continuing disclosure undertaking;"
  2. "change in obligated person;"
  3. "notice to investors pursuant to bond documents;"
  4. "certain communications from the Internal Revenue Service;"
  5. "secondary market purchases;"
  6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"
  8. "litigation/enforcement action;"
  9. "change of tender agent, remarketing agent, or other on-going party;"
  10. "derivative or other similar transaction;" and
  11. "other event-based disclosures;"
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. "quarterly/monthly financial information;"
  2. "change in fiscal year/timing of annual disclosure;"
  3. "change in accounting standard;"
  4. "interim/additional financial information/operating data;"
  5. "budget;"
  6. "investment/debt/financial policy;"
  7. "information provided to rating agency, credit/liquidity provider or other third party;"
  8. "consultant reports;" and
  9. "other financial/operating data."
- (viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

### **SECTION 3. Content of Annual Reports.**

Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: "Debt Sections," "Financial Section" and "Litigation".

Audited Financial Statements prepared in accordance with [generally accepted accounting principles ("GAAP") as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

### **SECTION 4. Reporting of Notice Events.**

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

**SECTION 5. CUSIP Numbers.** Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary

Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

**SECTION 6. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

**SECTION 7. Voluntary Filing.**

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

**SECTION 8. Termination of Reporting Obligation.** The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to [5] [an issue of] the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds [of such issue], when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

**SECTION 9. Disclosure Dissemination Agent.** The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

**SECTION 10. Remedies in Event of Default.** In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

**SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.**

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

**SECTION 12. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

**SECTION 13. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

**SECTION 14. Governing Law.** This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

**SECTION 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as  
Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: Diana O'Brien  
Title: Vice President

CITY OF HARTFORD, CONNECTICUT  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A  
NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer City of Hartford, Connecticut  
Obligated Person(s) City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series  
2013B, \$48,160,000  
Dated 4/11/2013

CUSIP Number(s): 416415DB0 416415DC8 416415DD6 416415DE4 416415DF1 416415DG9  
416415DH7 416415DJ3 416415DK0 416415DL8 416415DM6 416415DN4  
416415DP9 416415DQ7 416415DR5 416415DS3 416415DT1 416415DU8

Name of Issuer City of Hartford, Connecticut  
Obligated Person(s) City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series  
2013A, \$124,605,000  
Dated 4/11/2013

CUSIP Number(s): 416415BP1 416415BQ9 416415BR7 416415BS5 416415BT3 416415BU0  
416415BV8 416415BW6 416415BX4 416415BY2 416415BZ9 416415CA3  
416415CB1 416415CC9 416415CD7 416415CE5 416415CF2

Name of Issuer City of Hartford, Connecticut  
Obligated Person(s) City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series  
2012, \$71,280,000  
Dated 3/22/2012

CUSIP Number(s): 416415BG1 416415BB2 416415AE7 416415AV9 416415BM8  
416415BK2 416415BD8 416415AN7 416415AH0 416415AC1  
416415AT4 416415BH9 416415BF3 416415AL1 416415AJ6  
416415AP2 416415AR8 416415AZ0 416415BJ5 416415BE6  
416415BC0 416415AD9 416415BN6 416415BL0 416415AF4  
416415AW7 416415BA4 416415AM9 416415AU1 416415AG2  
416415AB3 416415AQ0 416415AS6 416415AK3 416415AY3

Name of Issuer City of Hartford, Connecticut  
Obligated Person(s) City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series  
2011A, \$25,000,000  
Dated: of Issuance: 4/14/2011

CUSIP Number(s): 4164147E4 4164147F1 4164147G9 4164147H7 4164147J3 4164147K0 4164147L8  
4164147M6 4164147N4 4164147P9 4164147Q7 4164147R5 4164147S3

Name of Issuer City of Hartford, Connecticut  
Obligated Person(s) City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2010A,  
\$14,000,000

Dated: of Issuance: 4/15/2010

4164146L9 4164146M7 4164146N5 4164146P0 4164146Q8 4164146R6 4164146S4  
CUSIP Number(s): 4164146T2 4164146U9 4164146V7 4164146W5 4164146X3 4164146Y1 4164146Z8  
4164147A2 4164147B0 4164147C8

Name of Issuer City of Hartford, Connecticut  
Obligated Person(s) City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Refunding Bonds,  
Series 2009, \$12,150,000

Dated: of Issuance: 9/30/2009

CUSIP Number(s): 4164146A3 4164146B1 4164146C9 4164146D7 4164146E5 4164146F2 4164146G0

Name of Issuer: City of Hartford, Connecticut  
Obligated Person(s): City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2009A,  
\$40,225,000 Dated: March 10, 2009

Dated Date: 03/10/2009

4164144Q0 4164145L0 4164144R8 4164145M8 4164144S6  
4164145N6 4164144T4 4164145P1 4164144U1 4164145Q9  
4164144V9 4164145R7 4164144W7 4164145S5 4164144X5  
CUSIP Number(s): 4164145T3 4164144Y3 4164145U0 4164144Z0 4164145V8  
4164145A4 4164145W6 4164145B2 4164145C0 4164145J5

Name of Issuer: City of Hartford, Connecticut  
Obligated Person(s): City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Refunding Bonds, Series  
2005, \$34,340,000 consisting of General Obligation Refunding Bonds, Series  
2005A, \$25,160,000 and General Obligation Refunding Bonds, Series 2005B  
(Taxable), \$9,180,000 Dated: April 1, 2005

Dated Date: 04/01/2005

CUSIP Number(s): 416414V98 416414W22 416414W30 416414W48 416414W55 416414W63  
416414W71 416414W89 416414W97 416414X21 416414X39 416414X47  
416414X54 416414X88 416414Y20 416414Y38 416414Y46

Name of Issuer: City of Hartford, Connecticut

Obligated Person(s): City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Issue of 2004,  
\$34,000,000 Dated: July 15, 2004

Dated Date: 07/15/2004

CUSIP Number(s): 416414T75 416414T83 416414T91 416414U24 416414U32 416414U40  
416414U57 416414U65 416414U73 416414U81 416414U99 416414V23  
416414V31 416414V49 416414V56

Name of Issuer: City of Hartford, Connecticut

Obligated Person(s): City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2003,  
\$30,225,000 Dated: March 15, 2003

Dated Date: 03/15/2003

CUSIP Number(s): 416414Q86 416414Q94 416414R28 416414R36 416414R44 416414R51  
416414R69 416414S27 416414S35 416414S43 416414S50 416414S68  
416414S76 416414S84

Name of Issuer: City of Hartford, Connecticut

Obligated Person(s): City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2001,  
\$23,000,000 Dated: May 15, 2001

Dated Date: 05/15/2001

CUSIP Number(s): 416414N55 416414N63 416414N71 416414N89 416414N97 416414P20  
416414P38 416414P46 416414P53 416414P61 416414P79 416414P87  
416414P95

Name of Issuer: City of Hartford, Connecticut

Obligated Person(s): City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2000,  
\$20,000,000 Dated: June 15, 2000

Dated Date: 06/15/2000

CUSIP Number(s): 416414L24 416414L32 416414L40 416414L57 416414L65 416414L73  
416414L81 416414L99 416414M23 416414M31 416414M49 416414M56

Name of Issuer: City of Hartford, Connecticut

Obligated Person(s): City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1998,

\$28,500,000 Dated: November 15, 1998  
Dated Date: 11/15/1998  
CUSIP Number(s): 416414H86 416414H94 416414J27 416414J35 416414J43 416414J50  
416414J68 416414J76 416414J84 416414J92

Name of Issuer: City of Hartford, Connecticut  
Obligated Person(s): City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1998,  
\$29,300,000 Dated: January 15, 1998  
Dated Date: 01/15/1998  
CUSIP Number(s): 416414F47 416414F54 416414F62 416414F70 416414F88 416414F96  
416414G20 416414G38 416414G46

Name of Issuer: City of Hartford, Connecticut  
Obligated Person(s): City of Hartford, Connecticut  
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1996,  
\$25,000,000 Dated: December 15, 1996  
Dated Date: 12/15/1996  
CUSIP Number(s): 416414C73 416414C81 416414C99 416414D23 416414D31 416414D49  
416414D56 416414D64

**EXHIBIT B**  
**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Issuer: City of Hartford, Connecticut

Obligated Person: City of Hartford, Connecticut

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_].

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure  
Dissemination Agent, on behalf of the Issuer

\_\_\_\_\_

cc:

**EXHIBIT C-1  
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

\_\_\_\_ Description of Notice Events (Check One):

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Tender offers;"
13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-2**  
**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_

\_\_\_\_ Description of Voluntary Event Disclosure (Check One):

1. \_\_\_\_ "amendment to continuing disclosure undertaking;"
2. \_\_\_\_ "change in obligated person;"
3. \_\_\_\_ "notice to investors pursuant to bond documents;"
4. \_\_\_\_ "certain communications from the Internal Revenue Service;"
5. \_\_\_\_ "secondary market purchases;"
6. \_\_\_\_ "bid for auction rate or other securities;"
7. \_\_\_\_ "capital or other financing plan;"
8. \_\_\_\_ "litigation/enforcement action;"
9. \_\_\_\_ "change of tender agent, remarketing agent, or other on-going party;"
10. \_\_\_\_ "derivative or other similar transaction;" and
11. \_\_\_\_ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-3  
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_

\_\_\_\_ Description of Voluntary Financial Disclosure (Check One):

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"
5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;"
8. "consultant reports;" and
9. "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

## DISCLOSURE DISSEMINATION AGENT AGREEMENT - THE NOTES

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of April 11, 2013, is executed and delivered by The City of Hartford, Connecticut (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Notes (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

**SECTION 1. Definitions.** Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Notes and the 9-digit CUSIP numbers for all Notes to which the document applies.

“Disclosure Representative” means the Director of Finance, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 8 hereof.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries) or (b) treated as the owner of any Notes for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notes” means the Notes as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating hereto.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 2(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Notes (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Notes, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Notes were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 6(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 6(b) of this Disclosure Agreement.

**SECTION 2. Provision of Notice Events, Voluntary Event Disclosure and Voluntary Financial Disclosure.**

(a) The occurrence of any of the following events with respect to the Notes constitutes a Notice Event:

(i) upon receipt, promptly file the text of each Notice Event received under Sections 3(a) and 3(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 3(a) or 3(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 3(c) of this Disclosure Agreement:

1. “Principal and interest payment delinquencies;”
2. “Non-Payment related defaults, if material;”

3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Tender offers;"
13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. "Merger, consolidation, or acquisition of the obligated person, if material;"  
and
15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"

(ii) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 6(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 6(a) (being any of the categories set forth below) when filing pursuant to Section 6(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and

11. "other event-based disclosures;"
- (iii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 6(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 6(b) (being any of the categories set forth below) when filing pursuant to Section 6(b) of this Disclosure Agreement:
1. "quarterly/monthly financial information;"
  2. "change in fiscal year/timing of annual disclosure;"
  3. "change in accounting standard;"
  4. "interim/additional financial information/operating data;"
  5. "budget;"
  6. "investment/debt/financial policy;"
  7. "information provided to rating agency, credit/liquidity provider or other third party;"
  8. "consultant reports;" and
  9. "other financial/operating data."
- (iv) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(b) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

### **SECTION 3. Reporting of Notice Events.**

(a) The occurrence of any of the following events with respect to the Notes constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Notes, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

**Note to subsection (a)(12) of this Section 3:** For the purposes of the event described in subsection (a)(12) of this Section 3, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within

two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 3, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 3 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

**SECTION 4. CUSIP Numbers.** Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Notes and the 9-digit CUSIP numbers for the Notes as to which the provided information relates.

**SECTION 5. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

**SECTION 6. Voluntary Filing.**

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 6(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 6(b) to file a Voluntary Financial Disclosure, the Disclosure

Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 6(a) hereof or any Voluntary Financial Disclosure pursuant to Section 6(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

**SECTION 7. Termination of Reporting Obligation.** The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Notes upon the legal defeasance, prior redemption or payment in full of all of the Notes, when the Issuer is no longer an obligated person with respect to the Notes, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

**SECTION 8. Disclosure Dissemination Agent.** The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Notes. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

**SECTION 9. Remedies in Event of Default.** In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Notes or under any other document relating to the Notes, and all rights and remedies shall be limited to those expressly stated herein.

**SECTION 10. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.**

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Notes or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Notes.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

**SECTION 11. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Notes and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

**SECTION 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Notes, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Notes, and shall create no rights in any other person or entity.

**SECTION 13. Governing Law.** This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

**SECTION 14. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as  
Disclosure Dissemination Agent

By: \_\_\_\_\_  
Name: Diana O'Brien  
Title: Vice President

The City of Hartford, Connecticut  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A  
NAME AND CUSIP NUMBERS OF NOTES

Name of Issuer: The City of Hartford, Connecticut

Obligated Person(s): The City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut \$64,650,000 General Obligation Bond  
Anticipation Notes

Dated: 4/11/2013

CUSIP Number: 416415DA2

Name of Issuer The City of Hartford, Connecticut\

Obligated Person(s) The City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bond  
Anticipation Notes, Series 2012

Dated: 3/22/2012

CUSIP Number: 416415AA5

**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Issuer: The City of Hartford, Connecticut

Obligated Person: The City of Hartford, Connecticut

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Notes as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

Digital Assurance Certification, L.L.C., as Disclosure  
Dissemination Agent, on behalf of the Issuer

\_\_\_\_\_

cc:

**EXHIBIT C-1  
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

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Issuer's Six-Digit CUSIP Number:

---

or Nine-Digit CUSIP Number(s) of the Notes to which this event notice relates:

---

Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Notice Events (Check One):

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Tender offers;"
13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_\_ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

---

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-2**  
**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_\_ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the Notes to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

\_\_\_\_ Description of Voluntary Event Disclosure (Check One):

- 1. \_\_\_\_\_ "amendment to continuing disclosure undertaking;"
- 2. \_\_\_\_\_ "change in obligated person;"
- 3. \_\_\_\_\_ "notice to investors pursuant to bond documents;"
- 4. \_\_\_\_\_ "certain communications from the Internal Revenue Service;"
- 5. \_\_\_\_\_ "secondary market purchases;"
- 6. \_\_\_\_\_ "bid for auction rate or other securities;"
- 7. \_\_\_\_\_ "capital or other financing plan;"
- 8. \_\_\_\_\_ "litigation/enforcement action;"
- 9. \_\_\_\_\_ "change of tender agent, remarketing agent, or other on-going party;"
- 10. \_\_\_\_\_ "derivative or other similar transaction;" and
- 11. \_\_\_\_\_ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

**EXHIBIT C-3  
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_\_ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

or Nine-Digit CUSIP Number(s) of the Notes to which this notice relates:

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Financial Disclosure (Check One):

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;
5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;
8. "consultant reports;" and
9. "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

\_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date:

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