



**MetroHartford Alliance Statement on Raised S.B. No. 464 - AN ACT ESTABLISHING THE
HARTFORD FINANCIAL SUSTAINABILITY COMMISSION**

**Connecticut General Assembly
Finance, Revenue and Bonding Committee
March 28, 2016**

The MetroHartford Alliance serves as the Region's economic development leader and the Chamber of Commerce for the City of Hartford. Our investors include businesses of all sizes, health care providers, arts and higher education institutions, and the municipalities of North Central Connecticut. Our mission is to ensure that the Region competes aggressively and successfully for jobs, capital, and talent so that it thrives as one of the country's premier places for all people to live, play, work, start and grow a business, and raise a family.

One of our key areas of focus is on the Capital City being valued as the dynamic urban core of the Region. During the past two decades, the State and the private sector have invested significant capital to renovate underutilized property, to create exciting new venues, and to increase the number of housing units. Those investments have indeed made Hartford a significantly more appealing urban center that provides ever more arts, culture, and entertainment opportunities for residents and visitors and that has attracted the talented professionals and entrepreneurs that in turn encourage employers of all sizes to expand their workforce and to explore relocation options in the City and the rest of the Region.

At the same time, the City has suffered from more than a decade of unfortunate and misguided financial management and, most especially, from the unwillingness to confront the steady decline in its Grand List and the equally steady increase in its horrific mil rate. That deadly combination has failed to produce the significant increases in unsubsidized private sector investment in real and personal property needed to increase the Grand List, reduce the mil rate, and produce the property tax revenues needed to fund the core and strategic services required of a modern capital city.

Given this past history, we are tremendously heartened by the election of Mayor Luke Bronin and the experience and expertise of the team that he has brought to City Hall. We especially applaud the Mayor's leadership in immediately identifying the scope and trajectory of the City's budget deficits. That leadership has been particularly evident in his unvarnished transparency of that budget analysis, in his call for greater regional solutions to municipal finances and services, and in his courageous advocacy for the structural changes required to address the City's deficits. These structural changes, which must be implemented in order to engage the private sector in the proposed budget solutions and to retain their jobs in the City, include the restructuring of the compensation and benefit packages for the City's unionized workforce.

We are also encouraged by the willingness of many members of the newly elected City Council to support the Mayor's effort to achieve a candid, comprehensive, and transparent analysis of the dramatic challenges of the City's next several budgets as reflected in the projected deficits of \$9 million in FY '16, \$32 million in FY'17, and \$48 million in FY'18. The combination of those realistic assessments with the recognition that structural changes are mandatory has resulted in the Mayor submitting Raised S.B. 464.

In recognizing S.B. 464 as a worthy and necessary concept, we note that we were not part of the drafting process. Accordingly, we take this opportunity to articulate our concerns and to offer specific suggestions. The adoption of the latter will be critical to securing the Alliance's support of the final version of a bill to establish a Financial Sustainability Commission. More importantly, the adoption will be critical to securing the support of the City's private sector.

We strongly support those components of S.B. 464 that will enable the City to reform the compensation and benefit packages for its valuable unionized workforce and to reduce the annual contribution to the City's pension fund until the City achieves a position of fiscal sustainability as recognized by rating agencies. We also recognize and support the bill's overriding principle that all parties must be in the recovery boat rowing in the same direction in order to achieve the overriding goal of fiscal sustainability.

To ensure that all parties are in the boat, we emphasize two particular points. The first is to reiterate that the aforementioned compensation reform and pension reduction are requisite to the private sector participation called for in Section 7 of the bill. The second is to urge that the bill to include five additional components that will also be required for private sector support and engagement.

1. The bill must include the recommendations set forth in the January 22, 2014 report by the City of Hartford Tax Task Force, a copy of which is attached. We particularly emphasize the need to include the recommendation to increase the Residential Assessment Ratio as set forth in paragraph A.1 of the report and those regarding regionalization as set forth in paragraphs C.2 and 3.
2. The bill must include the State as a meaningful participant in the collaborative effort. While guaranteed PILOT funding at the 70% level is the preferred participation, we recognize the equally challenging set of budget deficits faced by the State over the same period. We therefore urge that S.B. 464 require the State to adopt an aggressive plan to convert by December 31, 2017 all State owned buildings in the City that house State agencies into sale-leaseback arrangements so the properties can be reclassified as commercial ones assessed at 70% and pay taxes at the then current mil rate.
3. The bill must include a seat on the Commission for the Chair of the Alliance or his or her duly appointed designee. Such an appointment will ensure the appropriate private sector engagement that is needed pursuant to Section 7 of the bill. Given that our investors, which include commercial property owners of all sizes and the owners of the largest tax-exempt parcels, the Alliance can readily and regularly convene those owners to analyze and refine the Commission's proposed solutions to the City's significant fiscal challenges. That engagement will be critical to the retention and growth of private sector jobs in the City and to reigniting the private sector investment needed to grow the Grand List. As noted above, such Grand List growth is critical to generating the increased

property tax revenues necessary for the City to fund the core and strategic services demanded by all residents, visitors, and private sector entities.

4. The bill must include specific caps on both the surcharge that can be imposed on any commercial property and the levy that can be imposed on any tax-exempt parcel.
5. All provisions of S.B. 464 must expire, without additional action of the Legislature, as of June 30, 2019, the final day of the City's FY'19.

In addition to those five specific requirements, we also emphasize that the support of the Alliance and the property owners is contingent upon our achieving a more comprehensive understanding of several key aspects of the next several City budgets before the Mayor submits his FY'17 budget to the City Council on April 18th and before any version of S.B. 464 is adopted into law. These aspects include:

- the major drivers of the City's projected budget deficits for each of FY '16, FY'17, FY'18, and FY'19;
- the actions that the Mayor and City Council can take to reduce or eliminate those deficits without the provisions of S.B. 464;
- the likely scenario in each of the next three fiscal years if those provisions are not adopted;
- the projected contributions in each of FY '17, FY'18, and FY'19 to be achieved through each of:
 - changes in the compensation and benefit packages for the City's unionized workforce;
 - reduced pension contributions;
 - the State's PILOT payments and property conversions;
 - the implementation of the recommendations in the 2014 Task Force report;
 - the surcharge on the commercial property owners (and the identity of those to be assessed); and
 - the levy on tax-exempt properties (and the identify of those to be assessed); and
- the timing, triggers, and implications of filing for municipal bankruptcy.

We stand ready to continue our work with all stakeholders to craft a solution that ensures that everyone works together toward a brighter and more sustainable future for the City of Hartford and the entire Region. Such engagement and collaboration are critical to resolving these daunting fiscal challenges and to enabling the City to serve as the dynamic urban core of an ever expanding and prosperous Region now and for decades to come.