

FOR NOON MEETING WITH MAYOR BRONIN ON SEPTEMBER 21, 2016

Below is the August 31st memo that we provided the Mayor for the monthly meeting that Julio and I have with him and senior members of his team. It has been revised slightly to incorporate a few thoughts that arose after the August 31st meeting. One point that came to my attention since the 31st is the need to explore the steps necessary to ensure, under a bankruptcy filing, that creditors' rights would have appropriate priority.

The memo provides context for our conversation tomorrow at which the Mayor will brief us on his current thinking about addressing the City's fiscal crisis. Please call me at 860-728-2277 with any questions in the interim.

MEMO OF AUGUST 31ST TO MAYOR BRONIN FOR SEPTEMBER 1ST MEEETING

Mayor Bronin: Julio and I look forward to tomorrow's meeting. We'll have a standard agenda of the items that we would like to discuss with the most important one being the City's budget issues.

In that regard, we offer this memo for two key objectives. The first is to summarize the key points from our perspective that have arisen from our numerous discussions during the year on those fiscal challenges. The second is to provide a potential stalking horse for your consideration for subsequent discussions with our principal investors and others that can lead to a definitive plan of action by November 1st that you can submit to the Governor and Legislative leadership with the endorsement of those parties.

PREMISE: The proposed 10 year "grand plan" outlined below is based on our understanding of the experiences of Detroit and the handful of other municipalities that have filed for bankruptcy during this decade or that have been taken over by State appointed finance boards. It is also based on the key principles summarized by the Pew Foundation in its analysis of those filings and actions.

The plan assumes that the legislative aspects of the plan must be structured so as to make them available to the State's other major urban areas and regions. It also recognizes the limited ability of the State to provide meaningful financial support to any municipality given the substantial fiscal challenges that the State faces over the next several years.

OVERALL PRINCIPLE: The most important principle in establishing a sustainable resolution of the City's structural deficits is the early and continued engagement by you of all relevant parties which include:

- the Governor;
- the members of the Hartford delegation;
- the City Council;
- the City Treasurer
- Congressman John Larson

- the representatives of the primary municipal employee unions;
- the Capitol Region Council of Governments;
- the Capital Region Development Authority;
- the Capital Region Education Council
- the Hartford Foundation for Public Giving; and
- the MetroHartford Alliance representing our Leadership Investors and Strategic Partners which comprise the Region's major private sector employers.

This group must work together promptly to develop a comprehensive plan that either mirrors the key provisions of S.B. 464 that was introduced in the last legislative session or that supports the City's filing of a petition under Chapter 9 of the Federal Bankruptcy Code and that identifies the relative pros and cons of each option.. Either scenario must include a set of fully-coordinated and fully-integrated solutions that:

- address the structural deficits in the City's budget and in those of the Region's other municipalities;
- ensure appropriate prioritization of obligations to City bondholders;
- identify one or more regional revenue sources; and
- deliver municipal services across the Region in a dramatically more cost effective manner.

SPECIFIC CITY GOALS AND OBJECTIVES FOR THE 10 YEAR PERIOD

- Increase the City's Grand List and lower the Mill Rate from 74.29 to 50.00 to attract significant private sector investment and thereby drive increased property tax revenue.
- Cap the growth in the City's annual budget (e.g. CPI plus 100 basis points)
- Structure sale-leaseback agreements between the State and commercial developers so that State owned properties in the City are moved from tax-exempt status to fully assessed commercial properties
- Establish a series of integrated changes among the City's commercial property owners, the private sector owners of the major tax-exempt properties, and residential property owners that produce a more equitable and predictable property tax structure
- Restructure the City's retiree pension and healthcare benefits including certain aspects of the benefits for those already vested (e.g. elimination of COLA; increase in age eligibility to receive benefits)
- Establish a data analysis function in CRCOG that monitors the costs and best practices for the delivery of municipal services in other States

- Establish an annual planning and monitoring meeting among the aforementioned parties that is modeled on the Minneapolis's annual Itaska initiative

MARKETING AND COMMUNICATIONS: Hold a press conference the week of November 28th with all of the aforementioned parties that announces the strategy and specific actions and that includes strong endorsement by all major private sector employers that the actions are necessary, appropriate, and critical to restoring private sector confidence in both the Capital City and the Region so that they remain a premier place in which to retain and expand employment opportunities and to invest in equipment, facilities, and research. The announcement would also include an initial governing structure that involves the aforementioned parties and that identifies a timetable and a set of meeting and reporting disciplines that lead to a definitive resolution by December 31, 2017 with all aspects of the 10 year plan in effect no later than July 1, 2018.

NEXT STEPS: Review this plan with the Alliance's Leadership Investors at the meeting scheduled for noon on September 21st.