
Hartford Hires Restructuring Firm as Fiscal Strains Build.

- **Mayor Bronin: law firm was hired ‘to examine all options’**
- **City facing $50 million deficit, nearly 10 percent of budget**

Hartford, Connecticut, capital city of the wealthiest U.S. state, hired Greenberg Traurig LLP to evaluate restructuring options for the cash-strapped city, including a potential bankruptcy, as the state’s failure to pass a budget put further pressure on its finances.

Hartford, where a third of its 123,000 residents live in poverty, faces a $50 million deficit, nearly 10 percent of its budget, and may not receive a lifeline from the state, which hasn’t adopted a budget for the fiscal year that began July 1. Last week, Aetna Inc., its fourth-largest taxpayer, said it was moving its headquarters to New York from the city it’s called home since 1853. Hartford’s credit rating may be downgraded deeper into junk by Moody’s Investors Service.

Greenberg Traurig’s team will be led by Nancy Mitchell, a co-chair of the firm’s restructuring practice, the city said in a news release. When Hartford was soliciting proposals from firms that specialize in bankruptcy, Council President Thomas Clarke told the local newspaper that looking into seeking court protection from creditors would only be a last ditch option.

“Nancy Mitchell and the team at Greenberg Traurig have extensive experience in municipal restructuring, and they will be working with us to examine all options for putting the city of Hartford on a sustainable path,” Mayor Luke Bronin said in a statement. “As we start a new fiscal year without a state budget and with significant uncertainty, we will have the advice and counsel of an experienced and highly respected restructuring firm.”

Hartford’s tax base of about $4.1 billion is about two-thirds that of neighbor West Hartford, which has far fewer residents, because half of property — state buildings, hospitals, universities, non-profit agencies — is tax-exempt. The city has $672 million in debt, including $228 million uninsured bonds, according to data compiled by Bloomberg. It also guarantees about $70 million in debt for a minor-league baseball stadium downtown and Aetna, Hartford’s fourth-largest property-taxpayer, is moving 250 jobs to New York City. It will still have thousands working in Hartford.

In 2016, Bronin, a Democrat, took over a city that’d been delaying its fiscal reckoning by pushing debt payments into the future, draining reserves and resorting to one-time measures, such as selling a parking garage, while its debt swelled by 52 percent from 2011 to 2015, according to Moody’s Investor Service figures.

Since taking office in 2016, he’s cut 100 jobs and renegotiated leases and energy contracts. Bronin’s been less successful in getting concessions from unions: The city’s fiscal 2017 budget assumed $16.5 million of concessions, the bulk of which haven’t materialized. Hartford managed to strike a deal with its firefighters that saves about $4 million a year through 2020 by freezing pay increases, increasing pension contributions, lowering salaries for new hires and requiring employees to pay more for health care.

Bronin is lobbying the state to fully fund a program that compensates local governments for revenue lost to tax-exempt properties, which alone would provide enough money to close next year's deficit, and has joined with cities pushing to raise Connecticut's 6.35 percent sales tax to 6.99 percent to provide more aid. He also persuaded Hartford Financial Services Group Inc., Travelers Cos. and Aetna to pledge $50 million to the city over five years as part of a "comprehensive and sustainable solution for Hartford."

Hartford could renegotiate labor contracts and cut debt and pensions in bankruptcy, as a handful of cities have done since the recession. It would need the governor's consent to file chapter 9.

Connecticut, facing a $5 billion two-year deficit failed to adopt a biennial budget by July 1. Governor Dannel Malloy is controlling spending while legislators continue negotiations.

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