



State of Connecticut

HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

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ONE HUNDRED FOURTEENTH ASSEMBLY DISTRICT

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April 25, 2018

Hon. Denise Nappier
State Treasurer
55 Elm Street
Hartford, Conn., 06106

Dear Madam Treasurer,

I am writing to call attention to the emerging details regarding the contract assistance agreement between the City of Hartford and the State of Connecticut. A number of issues have arisen since the agreement was enacted, and I am seeking clarification from your office, as party to the agreement.

Initially, as the details of the contract emerged, it was my understanding that Hartford's outstanding debt would not be added to the state's indebtedness and would not impact our statutory bond cap. However, recently, I was informed by the Office of Fiscal Analysis that the full amount of City debt that the state is expected to assume, \$534 million, is to be counted against the state's bond cap. This was confirmed in your recent Debt Certification.

At what point did the state officially begin counting the Hartford debt as a debt to the state, and were the details of the additional debt disclosed in the Official Statement?

Due to the inclusion of this additional debt, it is my understanding that as of July 1st, the state would exceed the statutory bond cap by approximately \$522 million and that the following are the only options available to remedy this matter in order to stay under the bond cap:

- Future bond issuances would be delayed;
- The bond payments for the city could simply be exempted from the cap thereby rendering the intent of the cap meaningless;
- The state could increase taxes and in so doing raise tax revenue that would automatically raise the bond cap.

Also, please confirm that these are the only options and provide your insight as to how bond markets might view each of these options.

Finally, Mayor Bronin's office submitted to the Municipal Accountability Review Board (MARB) a five-year financial plan. That plan shows the city receding into deficit by the third year, despite the anticipation of \$40 million a year in additional assistance from the state. Additionally, the Mayor indicated that Hartford's annual capital needs are approximately \$20 million. We know that the state has already committed to paying Hartford's existing debt from past capital projects. Are you aware of any intention for the state to carry out or to pay for the cost of Hartford's future capital needs, given the fact that the current five-year plan shows that the City does not have the financial ability to cover \$20 million a year in local capital costs?

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I appreciate your insight and look forward to hearing from you at your earliest convenience.

Sincerely,

Themis Klarides
House Republican Leader