

Bart Shuldman
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CT MARB Members:

I write to you to state that the City of Hartford five-year recovery plan does not resolve the fiscal crisis they face, and we should reject their plan.

Respectfully I request that MARB reject the City of Hartford five-year budget plan and request one that matches expenses to their revenues. If the City of Hartford cannot provide a new five-year plan, MARB should be immediately classify the City of Hartford as a Tier 4 and should also investigate bankruptcy.

The current City of Hartford proposed budget is in deficit, and it is critical the city “demonstrate and prove” how this deficit will be funded and mitigated, not just for this fiscal year without more state aid, but just as important for the next five years.

What is disappointing is the proposed City of Hartford five-year plan is based more on the State of CT assuming their debt than real expense cuts to the largest part of their budget, labor and benefits. The tough decisions were not made, and the City of Hartford has based their proposed plan on a lot of state aid. Further expense cuts are needed to match the projected budget revenue in each of the five years of the plan.

Adding to my serious concern with the proposed budget is the City of Hartford returns to deficit in year four and five and relies on covering their capital needs with proposed payments by businesses in Hartford. As we know, MARB does not know if these payments will happen. Also, if these payments were to be made that are not a source of ‘cash’, we know these funds will not continue indefinitely. Clearly, once these payments end, the City of Hartford cannot fund their capital needs as the proposed 5-year plan goes into deficit in year four and not building their balance sheet.

As I reviewed their five-year plan in detail, most of the changes to their budget comes from the State of CT paying their debt. For two important reasons, this is not acceptable:

- 1) State lawmakers have publicly stated that they agreed to pay the City of Hartford’s debt for two years. Publicly, state lawmakers have said they would cut state aid to Hartford by the amount the state pays for the equivalent amount of the city’s debt. The City of Hartford must balance its budget starting in year three assuming state aid to Hartford will be cut by an amount equal to the contract assistance.
- 2) The State of CT next biennial budget is projected at over \$4 BILLION (starting July 1, 2019). It is unknown at this time what other state aid will be cut to the City of Hartford. It is wrong for the City of Hartford to base their ‘get-well’ plan on both the continuation of existing state aid to Hartford and the payment of their debt. In year three of their new budget, the City of Hartford must demonstrate their ability to balance their budget and have the wherewithal to fund their capital needs. In their current plan they do not.

At a minimum, our Board should request a formal statement from the state leaders as to their commitment to the payment of the City of Hartford debt past two years. This formal statement must be made before MARB can approve or disapprove a new five-year City of Hartford budget plan. In the meantime, the City of Hartford plan must be rejected as it assumes the debt payments by the state.

With so much funding to Hartford coming from the State, it is imperative the MARB receive from the state the demonstration of both the “intent” and “wherewithal” to fund the City of Hartford, for which both are required. The intent can be easy, a formal letter or some other appropriate document which is signed by those who can commit the State. The issue here could well be the number of years which would be needed to be committed to and whether current state politicians can promise or make commitments for periods of time in the future, which will be after their current term or current legislation or current borrowing restrictions, let alone the State's own financial condition.

The tougher issue for the State of CT is the wherewithal given the State’s limited borrowing capacity and their own budget troubles. The wherewithal would have to be all encompassing to understand the State’s deficit, the funding of that deficit and the limitations to either borrow more money or the need to raise taxes or other fees which have not been agreed on by the legislature or (that) current elected leaders cannot promise further state revenue in taxes and new/increased fees beyond their elected term.

My guess is the State does not have the wherewithal to be able to fund the City for the next five years and the City of Hartford projects, and if so, that triggers the discussion of the City as a going concern; unable to satisfy their current and future liabilities from their assets and sources of revenue.

Very Truly Yours,

Bart Shuldman
MARB Member