

State of Connecticut

DENISE L. NAPPIER
TREASURER



Hartford

April 27, 2018

The Honorable Themis Klarides
House Republican Leader
Legislative Office Building, Room 4200
Hartford, CT 06106

Dear Republican Leader Klarides,

The contract assistance agreement with the City of Hartford is part of a long-term strategy to fortify our State's capital city, necessary to avoid a financial collapse that could adversely impact the entire region. This is, no doubt, extraordinary relief, which comes with increased scrutiny of every aspect of the City's finances, and is closely followed by the markets and credit rating agencies. So, when members of the legislature question specific aspects of this plan, it is essential to exercise precision.

Let me respond to the questions posed in your letter of April 25th.

First, given that the contract assistance agreement reflects the State's effective guarantee of Hartford's debt, and that this obligation will be payable from the General Fund, Hartford's debt is included within the calculation of the State's debt limit. Accordingly, the contract assistance agreement was included with the most recent Debt Certificate issued by my office on April 13th. Previous contract assistance agreements were exempted from the debt limit and the General Assembly has the option to pass legislation exempting this agreement with Hartford in a similar manner.

Second, there is nothing to suggest that inclusion of Hartford's debt in the calculation of the State's debt limit will result in the State surpassing the debt limit. When total debt levels exceed 90 percent of that limit, then the Governor is required to recommend reductions in what the legislature has previously authorized. Bond-related activities are not impaired and legislative remedies are not required.

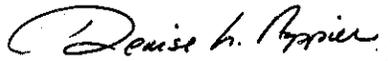
We still can issue bonds until debt levels hit 100 percent of the debt limit. There is adequate bonding capacity for Fiscal Year 2019. My administration's current estimate is that there would be room under the limit for more than \$2 billion of additional authorizations.

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Finally, with respect to your question regarding Hartford's future capital needs, at the present time, my office does not support additional assistance for the City of Hartford outside of the contract assistance agreement to pay its debt service. My Office and the Municipal Accountability Review Board are still reviewing the City's five-year recovery plan and its FY 2019 budget proposal.

I hope that this is helpful in clarifying your understanding of this contract assistance agreement. This agreement is central to restoring the bond market's faith in Hartford and, by extension, all the State's municipalities.

Sincerely,



Denise L. Nappier
State Treasurer