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## **Fearing Bankruptcy, Hartford Creditors Prepare For Court Battle.**

As Hartford edges closer to bankruptcy, the city's creditors are gearing up for what could be a protracted, bitter court battle.

Two of Hartford's largest employee unions - the police and firefighters - have begun seeking advice from lawyers specializing in Chapter 9, the bankruptcy code covering fiscally strapped municipalities. A third, the American Federation of State, County and Municipal Employees Council 4, Local 1716, which represents about 400 city workers, has tapped its national leadership for assistance and counsel.

And recently, the city's two biggest bond insurers, Assured Guaranty and Build America Mutual, brought on a financial expert to assess Hartford's situation and come up with solutions outside of bankruptcy.

"It's starting to dawn on them now - it's real," Vincent Fusco, the head of Hartford's fire union, said of his members. "If bankruptcy goes through, it's over. Forget everything we gave up, it's over."

In August, Fusco told union members that he approached two bankruptcy attorneys for guidance, though he hasn't hired anyone yet. Mayor Luke Bronin's threat of filing has rattled city employees and retirees, and the bargaining groups want to be ready.

"We are getting substantial assistance from our national AFSCME union to prepare and mobilize for all possibilities, including Chapter 9," said Larry Dorman, a spokesman for Local 1716. "Part of those discussions certainly includes conversations with legal experts."

Bronin, who has long suggested the city could file for bankruptcy, drew a line in the sand last month, warning the governor and lawmakers that if Hartford didn't get the necessary state aid by early November, he would press ahead with a Chapter 9 petition.

Hartford, facing a \$65 million deficit, has mounting debt and widening cash flow problems this year. City leaders are anticipating a shortfall of nearly \$40 million in December.

The state budget stalemate has created a headache for many cities and towns, but it's posing exceptional issues for Hartford. By this point last year, the city had received \$63.6 million from the state. Since the current fiscal year began in July, Hartford has received no state funding.

"If the state fails to enact a budget and continues to operate under the governor's current executive order, the city of Hartford will be unable to meet its financial obligations in approximately 60 days," Bronin wrote in his Sept. 7 letter. "If there is no budget or additional state funding in place at that time, we anticipate seeking authority to file Chapter 9."

The mayor's window to receive that state aid closes Nov. 6.

## **'We Would Fight'**

With the November deadline looming, Hartford workers and retirees have become increasingly unsettled.

Days after Bronin's letter, members of the city council called union officials and former employees to city hall to share their fears.

Carol Vinnick, a West Hartford resident who worked as a nurse practitioner for the Hartford school district, said she worries the city's pensions would be harmed.

"When people have worked hard for years and didn't go for the big bucks ... We're dependent on those pensions and we're concerned that the city of Hartford is looking to a solution that puts those pensions in jeopardy," she said.

Labor groups share that concern.

John Szewczyk, president of the Hartford Police Union, said the organization has "contingency plans" in place should Bronin file for bankruptcy, including keeping a lawyer on standby.

"We've met with counsel, and obviously we'll be protecting our members that are relying on their pensions they paid into their whole careers," he said. "We would fight to keep our pensions.

"This has been very, very hard on retirees and on active employees, especially employees near the end of their careers."

Dorman, the Local 1716 spokesman, said he hopes city leaders won't "eviscerate" the quality of employment for longtime workers.

"What we don't want to have happen is some kind of grand bargain that destroys the quality of life for dedicated public servants and destroys the quality of work they do for the residents and businesses of Hartford," he said.

Hartford's fire union last year agreed to concessions that are expected to save the city \$6 million over the life of its four-year contract. The teachers union approved a contract extension that kept wages flat and benefits unchanged. But many of the city's labor groups are still negotiating.

Local 1716 in May rejected a tentative agreement that would have saved Hartford \$4 million over six years. Its president said members couldn't absorb the hefty give-backs built into the deal.

Meanwhile, city bond insurers, who last month extended an offer that would allow Bronin to refinance debt, hired Robert Lamb, a finance expert who has helped several Connecticut communities through fiscal difficulty.

Robert Tucker, a spokesman for Assured Guaranty, which insures \$311 million of Hartford's debt, said Lamb has already attended meetings in the capital city and is weighing options.

## **A Long Battle**

In many cases, Chapter 9 bankruptcy is a costly, contentious process that can take years, legal experts said.

San Bernadino, Calif., emerged from bankruptcy in June, five years after city administrators filed

their petition. Vallejo, Calif.'s bankruptcy took three years to resolve, and the case in Jefferson County, Ala., lasted two years.

Other cities, like Detroit and Central Falls, R.I., have been speedier – taking 15 months and a year, respectively.

Sometimes, a large part of the battle involves convincing the court to move ahead with the petition.

"Typically, what's happened and what I expect would happen here is that various constituencies – bond holders and employee unions – would fight the bankruptcy," said Eric Henzy, a lawyer with the Bridgeport firm Zeisler & Zeisler who has experience in Chapter 9 cases, including Orange County, Calif.'s bankruptcy. "There's a test that the city has to meet to in order to be able to file."

That test involves demonstrating Hartford is insolvent, he said, and that it has negotiated in good faith with creditors to try to satisfy obligations.

Bronin must get approval from Gov. Dannel P. Malloy to file for bankruptcy. In Hartford, there's been some debate about whether the mayor also needs the city council's permission. Bronin says no. Some council members say yes.

"If the council hasn't approved the filing, that would probably be a good year of work for lawyers," Henzy said. "There's no question that bondholders and employee unions would seek to dismiss the bankruptcy on that basis.

"The first step is probably a big fight on whether or not the city has properly filed."

Council President Thomas "TJ" Clarke II has said he's against bankruptcy, but acknowledged last month that it is "an option."

"If we are forced to take that option," he said, "then I think everybody would be on board."

Asked recently if the council would try to block a Chapter 9 petition, Clarke said he was unsure.

"I think that's something we really have to sit down and discuss," he said.

Officials with Assured Guaranty declined to comment on whether they would fight bankruptcy in court. But Holly Horn, chief surveillance officer of public finance for the company, told The Courant last month that "bankruptcy is not the solution."

"It's going to be a long, expensive [process] and there are no guarantees. There are no guarantees that Luke is going to get any certain percent of haircut out of the creditors," she said. "We think there are solutions outside of bankruptcy that are much more beneficial for the state and for Hartford."

Though Bronin has said he wants to avoid bankruptcy, the state's budget gridlock has left Hartford in a bind.

"If legislative leaders of both parties are not prepared to make a long-term fiscal commitment, I would rather know that now, because putting a Band-Aid on the problem for another year or two is not the way to build a strong capital city," he said recently. "Ongoing uncertainty and perpetual crisis is damaging to both the state and the city, and it's time for us all to pick a path and go forward."

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by Jenna Carlesso

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