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Hartford City Workers Nervous Ahead of Potential Bankruptcy Filing.

The Connecticut state capital could seek authority to file for bankruptcy as early as November

Public-sector workers in cash-strapped Hartford, Conn., are on edge as city officials have said the state capital could seek authority to file for bankruptcy as early as November.

State lawmakers, who are confronting their own two-year deficit of \$3.5 billion, will have a big say in how that plays out. Legislative leaders say they reached a tentative state budget agreement that would give Hartford additional aid, and they expect to approve it this week.

But after a series of false starts in the budgeting process, some are still uneasy.

"It's nerve-racking because obviously the clock is ticking," said Larry Dorman, a spokesman for Afsme Local 1716, which represents about 400 city employees, including those in the departments of public works, sanitation and parks. "When you've seen bankruptcy in other cities, it's always taken the biggest toll on the workers. That's neither right nor fair."

In early September, city officials warned Gov. Dannel Malloy and state lawmakers that Hartford wouldn't be able to pay all of its bills within 60 days and could seek authority to file for chapter 9 bankruptcy in early November unless the legislature provided the city with more cash.

Unions representing public employees say they are worried their members will be asked to make unreasonable sacrifices to fix Hartford's financial problems even if the city doesn't proceed with bankruptcy. Several municipal contracts have expired and need to be renegotiated.

"It is true that we are asking more from our unions than we have asked for in the past, and more than they have yet been willing to give," Hartford Mayor Luke Bronin said. "But I don't think what we are asking for is disproportionate. The solution will require the participation of all of our stakeholders."

Mr. Bronin, a Democrat, said the state, bondholders and employees need to help the city get on better financial footing over the long term. The city has a deficit of about \$50 million, and Moody's Investors Service says that figure will range annually between \$60 million and \$80 million through 2036 without changes. Moody's downgraded the city's credit rating last month further into junk territory, down two notches to Caa3.

Rapidly increasing costs for health care, pensions and debt service have fueled Hartford's fiscal challenges. The city must pay nearly \$180 million—more than half of the municipality's non-education budget—on debt service, health care, pensions and other costs for the current fiscal year.

The city's tax base isn't large enough to produce the revenue needed to cover those growing expenses because taxes aren't levied on more than half of the property in Hartford, such as state

buildings, hospitals and colleges, Mr. Bronin said.

The state reimburses Hartford for some of those losses but not all. A full payment under the state's formula would give Hartford an additional \$52.3 million in the fiscal year that ended in June, according to city officials.

Sgt. John Szewczyk, president of the Hartford Police Union, says the city should focus on getting the funds it is owed by the state rather than seeking concessions from unions.

"Hartford is not in this financial situation because of labor," Sgt. Szewczyk said. "We are vastly underpaid compared to departments in the area. We are vastly overworked."

The state legislators' tentative budget agreement calls for the creation of a board that would have an oversight role over Hartford's finances. Some union leaders say such a board also could produce bad results for public employees.

"Somehow we become the boogeyman in oversight and or bankruptcy talks," said Vincent Fusco, president of the Hartford Fire Fighters Association. "But nobody ever talks about how the greatest amount of debt is owed by the bond market and bankers, and they want to take it out of our hide to pay them back. That doesn't even pass the smell test."

Hartford Fire Fighters is one of the few unions that has renewed its contract with the city. In the contract that goes through 2020, the union agreed for its members to make higher pension and health-care contributions, saving the city \$3.5 million, Mr. Fusco said.

If the city files for chapter 9 bankruptcy, "we would be in front of a bankruptcy judge saying we have already done our part," he added.

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