

## Legislative History for Connecticut Act

### PA 17-107

HB7296

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Transcripts from the Joint Standing Committee Public  
Hearing(s) and/or Senate and House of Representatives  
Proceedings

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**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2017**

**VOL.60  
PART 7  
2634 – 3072**

cmw  
HOUSE OF REPRESENTATIVES

167  
May 9, 2017

Those voting Yea	147
Those voting Nay	0
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SPEAKER ARESIMOWICZ:

The bill as amended is passed. [GAVEL]

Mr. Clerk, 373, please.

THE CLERK:

On page 34, Calendar 373, House Bill number 7296, AN ACT AUTHORIZING THE FUNDING OF UNFUNDED ACCRUED MUNICIPAL EMPLOYEES RETIREMENT SYSTEM LIABILITIES BY MUNICIPALITIES.

Favorable report of the Joint Standing Committee on Planning and Development.

DEPUTY SPEAKER GODFREY:

The distinguished chair of the Planning and Development Committee, Representative Lemar.

REP. LEMAR (96TH):

Thank you, Mr. Speaker. Mr. Speaker, I move the Joint Committee's favorable report in passage of the bill.

DEPUTY SPEAKER GODFREY:

I just brushed my teeth and I can't do anything

with them. The question is on acceptance and passage. Will you explain the bill, please sir?

REP. LEMAR (96TH):

Thank you, Mr. Speaker. Mr. Speaker, existing law requires each municipality participating in the municipal employees' retirement system to pay the unfunded costs of future pensions for employees brought into the system.

Current law requires municipalities to pay this unfunded liability in annual installments of up to 30 years. The bill before us allows them to authorize bonds to pay all or part of the unfunded liability and establishes procedures they must follow when issuing bonds.

Mr. Speaker, the Clerk is in possession of an amendment, LCO number 6676. I ask the Clerk please call the amendment and I ask leave of the Chambers.

DEPUTY SPEAKER GODFREY:

Clerk is indeed in possession of LCO number 6676, will you please designate House Amendment Schedule "A", Mr. Clerk?

THE CLERK:

House Amendment Schedule "A", LCO number 6676  
offered by Representative Lemar, Senator Cassano,  
Representative Zawistowski and Representative  
Stafstrom.

DEPUTY SPEAKER GODFREY:

Gentleman says leave the Chamber to summarize  
without objection. Proceed, sir.

REP. LAMAR (96TH):

Thank you, Mr. Speaker. Mr. Speaker, the  
amendment limits the authority to issue  
MERS pension funding bonds to municipalities  
participating in MERS that have an unfunded accrued  
liability to the system as of July 1, 2017.

It also eliminates an incorrect statutory  
reference, the definitions of three of the bill's  
other terms and as a requirement that the bonds  
mature no later than 30 years from the date that  
they are issued.

I move acceptance. Adoption.

DEPUTY SPEAKER GODFREY:

Questions on adoption of House A. The  
distinguished ranking member of the Planning and

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Development Committee, Representative Zawistowski.

There you are. Turn on her mic.

REP. ZAWISTOWSKI (61ST):

There we go. Thank you, Mr. Speaker. As the good Representative from the 96th District mentioned, this amendment takes care of some of the concerns that came up in Planning and Development, neatens it up a little bit and I recommend it be supported. Thank you.

DEPUTY SPEAKER GODFREY:

Anyone? I think that's it. Very good. Will you remark further on House Amendment Schedule "A"? If not, let me try your minds. All those in favor signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER ARESIMOWICZ:

Opposed nay, the ayes have it, the amendment is adopted. [GAVEL]

Will you remark on the bill as amended?

Representative Lemar.

REP. LEMAR (96TH):

Thank you, Mr. Speaker, I think the amendment helped summarize the extent of the issue. The city of Bridgeport brought this issue to us, it helps control their cost on their end while providing greater cost certainty to the MERS account.

It's a good public policy supported by Actuary Analyst OPM, the Planning and Development Committee, so I urge the Committee's passage. Thank you.

DEPUTY SPEAKER GODFREY:

Representative Zawistowski.

REP. ZAWISTOWSKI (61ST):

Mr. Speaker, a couple of questions for the proponent of the bill if I may. Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Proceed.

REP. ZAWISTOWSKI (61TH):

Mr. Speaker, how many municipalities could take advantage of this opportunity should this bill pass?

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Lemar.

REP. LEMAR (96TH):

Thank you, Mr. Speaker, through you. This bill limits the authority to just those municipalities that are currently participating in MERS and that have an unfunded accrued liability as of July 1st of this coming year.

In practicality, it generally applies to only one municipality. There may be a few that it could catch all but it wouldn't make sense for them to engage themselves of it.

DEPUTY SPEAKER GODFREY:

Representative Zawistowski.

REP. ZAWISTOWSKI (61TH):

Thank you, Mr. Speaker, and thank you for the Representative. Again, again to the proponent of the bill, does this bill actually change the amount that the municipalities have to pay under MERS regular obligations?

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Lemar.

REP. LEMAR (96TH):



Thank you, Mr. Speaker, and through you, this does not change the obligation that any municipality has to the MERS account, it just changes the way in which they will fund the MERS account. They'll upfront through pension obligation bonds, contribute their amounts to MERS and then have to pay back those bond costs at a much lower interest rate, both shirring up the MERS account and also saving the municipality some money.

DEPUTY SPEAKER GODFREY:

Representative Zawistowski.

REP. ZAWISTOWSKI (61ST):

Thank you, Mr. Speaker. I do support this bill. OPM actually submitted testimony in support of it. They said that this bill provides and overall sound public policy measure and I do ask that my colleagues support it. Thank you.

DEPUTY SPEAKER GODFREY:

Gentleman from Norwalk, Representative Wilms.

REP. WILMS (142ND):

Thank you, Mr. Speaker. I'm gonna vote against this bill as I did in Committee. I get what's

trying to be accomplished here. There's an unfunded pension liability and basically issuing, I think, the equivalent of pension obligation bonds at a lower interest rate and the municipality believes that they will save money via that mechanism.

However, what this does is it transfers the risk, if you will, of the funding from the town to the taxpayers and the taxpayers are now on the hook for this.

And so typically when municipalities engage in this kind of financial mechanism, respectfully, they've not been operating on a prudent basis and this is really meant as a measure to avoid taking actions like raising taxes or cutting spending or realigning spending. It's sort of like a magical third way to solve a problem.

Fortunately, it tends to kick the can down the road and I fear that this will not be the end of this particular issue.

So based on that, I'm going to vote no.

DEPUTY SPEAKER GODFREY:

Thank you, sir. Gentleman from Bridgeport,

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Representative Stafstrom.

REP. STAFSTROM (129TH):

Thank you, Mr. Speaker, and I thank you, I stand in strong support of the bill and I want to especially thank the Chairman of the Planning and Development Committee as well as the ranking member of the Planning and Development Committee for working with us on this bill through the Committee process here to the floor.

And also to those of our colleagues from our surrounding towns who've worked with us, you know, I understand the concerns of the good Representative from Norwalk and I guess what I would say to him and to my other colleagues who are skeptical about this bill and about the city's finances is I don't think it's any surprise to many of us in this chamber that many of our municipalities, especially some of our larger cities, are dealing with large, unfunded pension obligations much like the state is facing were incurred generations ago.

And it is incumbent upon the current generation of those of us as policy makers and as leaders of

our respective municipalities to deal with those obligations as best we can.

The bill before us obviously comes to us from Bridgeport and we believe is a step forward in helping the city of Bridgeport shore up some of its unfunded pension obligations.

Is it the silver bullet? Of course not. But it is a positive step in the right direction for the city. It allows us to refinance some debt that is currently owed, paying that debt and that obligation back to the state of Connecticut so that the state taxpayers are no longer holding the risk. And allows the city to refinance that obligation on the bond market at a significant savings to the city taxpayer, not just in the current year but over the life of the amortization.

We are not kicking the can down the road, we are not extending out the time that the payments would have to be made, just the opposite, we are just taking advantage of the delta of the better interest rate.

And again, I want to thank my colleagues for

working on me and -- working with us on this and on behalf of the Bridgeport delegation, thank you for your support.

DEPUTY SPEAKER GODFREY:

Thank you sir. The gentleman from Litchfield, Representative Wilson.

REP. WILSON (66TH):

Thank you, Mr. Speaker, and through you sir, to the proponent of the bill.

Just a question. Did you look at whether this action will have any effect on the bond ratings of the state of Connecticut?

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Lemar.

REP. LEMAR (96TH):

Thank you, Mr. Speaker. Through you, yes we did, we had analysis through OPM it would not impact the bond rating of the state of Connecticut and in fact, as the gentlepersion from Bridgeport alluded to, actually helps shore up the state's MERS system and puts greater balance on the city of Bridgeport

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to make their required payments. Thank you.

DEPUTY SPEAKER GODFREY:

Representative Wilson.

REP. WILSON (66TH):

Through you, Mr. Speaker, thank you very much.

DEPUTY SPEAKER GODFREY:

Thank you, sir. Representative Belsito.

REP. BELSITO (53RD):

Thank -- hello. Thank you, Mr. Speaker and through you to the proponent of the bill.

To the proponent, are there any other municipalities that are going to take advantage of this at this time?

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Lemar.

REP. LEMAR (96TH):

Thank you, Mr. Speaker. Through you, it seems highly unlikely that any municipalities would avail themselves. This is limited to just those municipalities that are participating in the MERS system and that have an unfunded accrued liability

to the system as of July 1st of this year.

There could potentially be a few other communities but the amounts that are owed by those communities are so small it makes absolutely no sense that they would go out to market on these bonds.

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Belsito.

REP. BELSITO (53RD):

Thank you, Mr. Speaker, and through you, Mr. Speaker, to the proponent, if the cities or towns could not do it up until this point, how are they gonna be able to pay off this bond over a number of years where they couldn't come to grips with it at this time. Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Lemar.

REP. LEMAR (96TH):

Through you, Mr. Speaker. Look, this is a very unique situation in which the city of Bridgeport was brought into MERS, I believe, in 2013. Who paid the

requisite number of dollars to the system to cover their costs. An actual analyst came in later and said that they were short, I believe, about \$80 million dollars toward the system.

MERS contracted with the city of Bridgeport to pay back those debted dollars at an eight percent interest rate per year. That is a really high bar for any municipality to handle.

What this would allow us to achieve is Bridgeport could pay off the amount of the dollars that are owed to MERS at a much lower interest rate and save millions of dollars while putting less risk on state taxpayers.

Overall, this is a win/win policy for us and that's why what you saw in OPM's reflected testimony and the conversation for the P&D committee.

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Belsito.

REP. BELSITO (53RD):

Thank you, Mr. Speaker, and through to the proponent, if they're gonna pay this off, they still



have to pay the pensions that are going forward,  
that are still there.

How do we know that they're going to be able to pay that? I mean it -- we just did something like this with the state and we moved it down, I think it was 12 or 14 years that the state taxpayers have to pay for it. And it seems like we're doing the exact same thing for one municipality. I mean they could not come to grips with paying this, they had to use this system to pay for it because of the \$80 million dollars, is that correct?

Through you, Mr. Speaker.

DEPUTY SPEAKER GODFREY:

Representative Lemar.

REP. LEMAR (96TH):

Thank you, Mr. Speaker. Look, I understand the good gentleman's concerns. The reality, the impact of this is that it saves city taxpayers in Bridgeport and the state is off the hook for some obligation and some risk by allowing the city of Bridgeport to undertake this mechanism to pay off their unfunded liability.

This is a win/win in all regards. I know, you know, people talk on people's minds about unfunded liabilities but the reality is right now the MERS system and the state taxpayers are carrying the risk.

We can change this and save the city of Bridgeport money because they're no longer paying eight percent per year, they can instead issue bonds and pay them off at a traditional bond rating. They've got -- the city of Bridgeport has a strong bond rating from Moody's and other issuing agencies. They can save a lot of money and also relieve the state's risk as well.

Thank you. Through you.

DEPUTY SPEAKER GODFREY:

Representative Belsito.

REP. BELSITO (53RD):

Thank you, Mr. Speaker, and thank you to the proponent of the bill.

DEPUTY SPEAKER GODFREY:

Will you remark further on the bill as amended?  
Will you remark further on the bill as amended? If

not, staff and guests please come to the well of the house. Members, take your seats, the machine will be open.

THE CLERK:

The House of Representatives is voting by roll; members to the Chamber. The House of Representatives is voting by roll; members to the Chamber.

DEPUTY SPEAKER GODFREY:

Have all the members voted? Have all the members voted? If so, the machine will be locked. Clerk will take a tally. And the Clerk will announce the tally.

THE CLERK:

House Bill 7296 as amended by House A.

Total Number Voting	147
Necessary for Passage	74
Those voting Yea	104
Those voting Nay	43
Those absent and not voting	4

DEPUTY SPEAKER GODFREY:

The bill as amended is passed. [GAVEL] Mr.

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**CONNECTICUT  
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Thank you. Will you remark further on the Bill?  
Will you remark further on the Bill? No. Is  
anybody? Thank you Senator Gerratana.

SENATOR GERRATANA (6TH):

Thank you, Madam President. If there is no  
objection I would ask that this be placed on our  
Consent Calendar.

THE CHAIR:

Seeing no objections, so ordered. Mr. Clerk.

THE CLERK:

On page 24, Calendar 441, House Bill No. 7296, AN ACT  
AUTHORIZING THE FUNDING OF UNFUNDED ACCRUED  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM LIABILITIES  
BY MUNICIPALITIES.

THE CHAIR:

Senator Cassano. Good Morning.

SENATOR CASSANO (4TH):

Good morning. How are you this morning?

THE CHAIR:

Great and you?

SENATOR CASSANO (4TH):

May as well go right through to midnight.

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THE CHAIR:

I don't think anybody in this room is agreeing with you, sir.

SENATOR CASSANO (4TH):

Madam President, I move Acceptance of the Joint Committee's Favorable Report, passage of the Bill, waive its reading and seek leave to summarize.

THE CHAIR:

The Motion is on Acceptance and Passage in concurrence with House. Will you remark, sir?

SENATOR CASSANO (4TH):

Yes. I believe the Clerk has an Amendment, LCO 6676.

THE CHAIR:

Senator that House Amendment has already been adopted. It is already incorporated into the Bill.

SENATOR CASSANO (4TH):

Okay. They that speeds up the process. Then let me talk about the Bill as amended. I would move Adoption of the Bill as amended. The Bill is what we referred to as a Bridgeport Bill. There are two. It's the State's largest city and an important Bill to the City of Bridgeport. It is referred to as the MERS Bill. City of Bridgeport in 2013 moved both police and fire employees into the MERS Pension

Program. Subsequent actuarial analysis showed that the City did not transfer enough of its assets to cover the cost of these employees and retirees. As a result, Bridgeport makes an annual amortization payments over a 28-year schedule to reimburse the State for the cost of the remaining unfunded pension liabilities. They have been paying annual payments for 28 years, or will begin, I should say paying for 28 years since fiscal 16 at a MERS rate of eight percent. They currently enjoy a strong bond rating and interests are still relatively low. Therefore, Bridgeport following a recommendation from its actuarial consultants would go to the market to bond for the entire unfunded liability and achieve an interest rate considerably lower than the eight percent in the MERS program. It would pay off its entire MERS unfunded liability in one lump sum upfront making the MERS fund whole within a year. An independent actuary reviewed this proposal and concludes that it is actuarially sound and due to the substantially low interest rate Bridgeport anticipates saving two to three million dollars annually for the next 26 years, about \$68 million dollars in savings for the City of Bridgeport. Obviously, this is important to the City. This is important to the State of Connecticut and I would urge adoption of the Bill.

THE CHAIR:

Will you remark further on the Bill? Will you remark further on the Bill? Senator Suzio.

SENATOR SUZIO (13TH):

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Thank you, Madam President. Just a very quick question for the proponent. How much is the outstanding liability that would have to be bonded?

Through you, Madam President.

THE CHAIR:

Senator Cassano.

SENATOR CASSANO (4TH):

I don't believe that I know that. Lots of words and no numbers (Laughter). I do not have that...\$83 million dollars. Thank you.

THE CHAIR:

Senator Suzio.

SENATOR SUZIO (13TH):

And that's all I have to ask, ma'am. Thank you very much.

THE CHAIR:

Thank you. Will you remark further? Senator Logan.

SENATOR LOGAN (17TH):

Thank you, Madam President. I rise in favor of the Amended Bill. Thank you.

THE CHAIR:



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Thank you. Will you remark further on the Bill?  
Senator Gomes. Good morning again, sir.

SENATOR GOMES (23RD):

They said the magic word "Bridgeport." I am the  
Bridgeport boy.

THE CHAIR:

Yes, you are.

SENATOR GOMES (23RD):

And I just want to thank Senator Cassano and Senator  
Logan for what they did to help Bridgeport out back  
last year. We reamortized the bill back last year.  
We reamortized the bill in order to stretch it out,  
the payments out over the years that were mentioned  
just now and what we really are doing now is just  
catching up and trying to kill it with one lump sum.  
Very simple and I thank all of you for everything  
that you've done for the City of Bridgeport cause it  
is very important that people who have pensions have  
them there when they retire because they work all  
their life to have a pension and it should be there  
and not because some politicians messed up all the  
money. Thank you.

THE CHAIR:

Thank you. Will you remark further? Senator  
Markley. Good morning, sir.

SENATOR MARKLEY (16TH):

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Good morning to you Madam President and thank you.  
I rise for a couple of questions to the proponent of  
the Bill.

THE CHAIR:

Please proceed, sir.

SENATOR MARKLEY (16TH):

Thank you, Madam President.

It certainly is referred to as a Bridgeport Bill, it  
was so understood when we voted on it on the  
Planning and Development Committee. I am not sure  
what in the Bill limits it to the City of Bridgeport  
and I wonder if the proponent could point out to me  
how that is accomplished.

THE CHAIR:

Senator Cassano.

SENATOR CASSANO (4TH):

Yes, I think that is a very important point and I  
thank Senator Markley for raising that. The Bill  
grants municipalities legal authority. Bridgeport  
is the only one that at this point I know of that  
has actually asked the plaintiffs to do this.

THE CHAIR:

Senator Markley.

SENATOR MARKLEY (16TH):

Thank you, Madam President. That is somewhat different from my understanding of the Bill when it come to the Committee perhaps as a result of the Amendment in the House, I am not sure. So, it doesn't specifically apply to Bridgeport then, it would apply to any municipality in the State at this point, is that correct?

Through you, Madam President.

THE CHAIR:

Senator Cassano.

SENATOR CASSANO (4TH):

Yes.

THE CHAIR:

Senator Markley.

SENATOR MARKLEY (16TH):

I would only say that at the time that the Bill was discussed in Committee it really was only discussed in its application to Bridgeport and I understood at that time that its application was only to Bridgeport. I know that sometimes is accomplished legislatively by certain parameters that can be placed in Bills that make them apply only to single municipality. I had concerns at that time extending this opportunity to Bridgeport and I have more concerns about it being extended to every municipality in the state without further reflection on what the possibility of offering such bonds in such circumstances maybe. Again, perhaps with an

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excess of caution with the best wishes for the City of Bridgeport which I sincerely hope benefits from the expected passage of this Bill. I am uncomfortable with it and will oppose it. Thank you.

THE CHAIR:

Will you remark further? Will you remark further? If not, Mr. Clerk will you call for a Roll Call Vote and the machine will be open.

THE CLERK:

Immediate Roll Call has been ordered in the Senate.  
Immediate Roll Call has been ordered in the Senate.

THE CHAIR:

If all members have voted, all members have voted. The machine will be closed. Mr. Clerk will you please call the tally.

THE CLERK:

House Bill 7296

Total number voting	36
Necessary for Adoption	19
Those voting Yea	30
Those voting Nay	6
Those absent and not voting	0

THE CHAIR:

The Bill passes (Gavel). Senator Duff.

**JOINT  
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HEARINGS**

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REP. DELNICKI (14th): I only ask that question from the standpoint that sometime in the future you'll be looking to make other changes, and whether it's possible to roll that in now. But if you're only looking for what you're looking for, then that's all I need to know.

RICH KINGSTON: Yeah. The last set of changes was in 1947, so we have a track record of waiting and being patient.

REP. DELNICKI (14th): A couple of years ago. I guess you have been. Thank you. Thank you, Mr. Chair.

SENATOR CASSANO (4TH): Thank you, Richard.

RICH KINGSTON: Thank you, Mr. Chair. Thank you, Committee.

SENATOR CASSANO (4TH): Mayor Ganim. Is David Dietsch here? David, next, and then Tanya Hughes.

MAYOR GANIM: Joseph Ganim, Mayor of the City of Bridgeport, and I want to thank you for your time and ability to testify before you today, particularly on what's called bill 7296. The good news is it has no fiscal note on it. It's not a request for funding. It is an amendment, as I understand it, to 7-441. Really it's the authority -- it would give us the legal authority, us and other municipalities, to basically issue bonds in this instance to pay back or pay the state in full of paying into the state MERS system for unfunded liability that we have as a result of transitioning our police and fire pensions, or at least one of them, police and fire pensions, into the state system.

A little bit of background. I'll just give you a couple minutes of background on it. And certainly if there's questions, try and answer them. But in 2013, this city took its assets, about \$110 million dollars, and put them into the system. And when the actuary study was done, we knew it was short. It wasn't my administration. But when the city knew it wasn't the amount, the actuary showed that there was still some \$70 million dollars or so that was owed into the system. And so there was a scheduled payments that are made and that's what's going on now.

What we'd like to do is, because of the positive atmosphere -- continuing positive atmosphere with interest rates in the economy, to be able to have the authority to go out, and we have the wherewithal to do it, and to borrow in the market. It'll probably be taxable bonds, but nonetheless, the rate would be substantially less than we're committed by our obligation now to pay in. It would save the city a substantial amount of money. It's estimated some \$80 million dollars over the 26 years, but \$2 million dollars to \$3 million dollars a year or some number in that range. Save us money on a continual basis and at the same time would fully pay in what's projected to be the actuarial estimation of what the city should have paid in in 2013, had the city had the funds. So that's kind of a general background.

It's not an ask for money. It's an ask for permission or authority. It's not unique for Bridgeport. It's open -- the way the bill is presented, any city or town that would qualify; I assume if they have market access, would have the ability to utilize this for the same purposes. Again, these funds, we would go borrow them under

the city's full faith and credit. At the same time, they would be paid in to meet that initial obligation. So there's no money retained by the city. We would retain the obligation to pay back those bonds with our full faith and credit and -- but the number is between the eight percent which we're committed, as everyone is, to the estimate of what the unfunded obligation is now over the next number of years would be substantially less because we would be borrowing it. We could estimate as low as three percent and maybe as high as four and a half percent -- or three and a half percent to four and a half percent.

So that's kind of some of the general on it. I think that some of the take aways, which I know are in the written testimony from OPM earlier today, is that this, at least in general terms. My paraphrasing is this is good, sound public policy is the way it's been described. That's them. I will tell you that it is part of both a long-term and intermediate and short-term, but a long-term plan to continue to improve the city's fiscal situation. Which was somewhat challenging as it continues to be, as you know, for major municipalities. And having been a mayor, you know the challenges on the annual basis can change from year to year. But we are, I think, on a continuing path of improvement, subject to a lot of conditions, most importantly, probably our relationship with the state and your commitment in continuing in other forums to be such a great partner.

I could give you a little more background. We were here last year and because when I became mayor in December of 2015, we saw some major financial challenges for Bridgeport of \$10s of million



dollars, \$20 million dollars in deficit in the middle of the fiscal year, and we looked for some deferment. And the General Assembly was kind enough to understand that we wanted a short-term fix, if you will, or an opportunity to get on our fiscal feet. We were able to defer, actually just the opposite of what we're asking to do now, which was to defer an obligation and to put it out into the future a little bit further. And we did that.

Now, the good news, I think, for Bridgeport and I guess for the state, because we're certainly partners in the state's largest city, is we feel now, because of our gained greater fiscal stability, we're in a position to meet that obligation with a bonding that would not only take care of what you allowed us to defer then, but to pay what's the projected obligation over the next 26 years up front at a lower rate, which will save us money and make the obligation to the fund fully paid.

I think that kind of covers it without getting into the minutia, but I'm certainly willing to respond. We'd ask you to consider that. Again, I think the good news, if anything, is we're improving. This is one piece of that puzzle as a large city and there's no fiscal note. We're not here asking for money. So we will in other meetings, I'm sure in other forums, but at least for today, we appreciate the opportunity to have, if we could, the authority to kind of help ourselves in the partnership with you.

Through you, Mr. Chairman, and any member, I certainly welcome any questions.

SENATOR CASSANO (4TH): Well obviously with interest rates looking like they're going up now, this is probably a real good time to do that.

MAYOR GANIM: That's it. And I was just asking bond counsel, John Stafstrom, what he thought. He thinks the rates are probably still in that range. So that's good. Certainly if they creep up, it cuts into the amount we can save. But it still becomes a good deal because we're paying in at eight percent now, which is -- hopefully we don't set ourselves in trying to borrow at that rate.

SENATOR CASSANO (4TH): Representative Zawistowski.

REP. ZAWISTOWSKI (61ST): Thank you, Mr. Chair. And thank you for being here, Mr. Mayor. Just two quick questions. You may have covered one of them. Are you aware of any other cities that would be -- are interested in taking advantage of what this would allow. I know this is not Bridgeport specific. But are you aware of any other cities?

MAYOR GANIM: I am not by name. But we did frame it so that if others do, and I think you'd have to look at their own particular situation with -- since this is pensions, with their own pensions that they have unfunded to a certain extent. Have they contributed in? You know, I think there's three or four or five kind of boxes they'd have to check to mirror them up. But I'm not that close to those. But if -- I don't know if John knows or anyone else knows. So the short answer is no.

REP. ZAWISTOWSKI (61ST): Okay. Thank you. And the other question is, and you may have mentioned this, is what is your proposed amount of bonding? Just out of curiosity.

MAYOR GANIM: Yeah. We estimate it to be, and I'm using the numbers, in the mid 80s, maybe \$85 million dollars. It could be as high as 90, as low as 80.

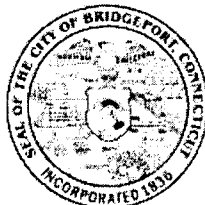
It was thought to be 70 or 75 when the state went in -- when the city went into the agreement with the state in 2013. After, I think, some adjustments were made for reasons that I could share you, but probably don't need to, it actually is more. And so part of what I didn't get into was the city was put in a position where they had to play catch up. And so the \$7.5 million dollars when I came in that was budgeted but not -- it was either paid and not budgeted, and we had to come up with up it. And so that was what we looked to defer. So it's probably -- it could be as high as 90, in that range, as high as \$90 million dollars. I don't think the bill asks for a particular number. But it's only for that purpose. So if it's \$80 million dollars, it's \$80 million dollars. If it's \$90 million dollars, it's \$90 million dollars. But some where in that range.

REP. ZAWISTOWSKI (61ST): Okay. Thank you very much. And thank you, Mr. Chair.

SENATOR CASSANO (4TH): We're getting tired, don't worry. Any other questions?

MAYOR GANIM: Well I want to thank you. And in the interest of time, I'll leave it at. And there is written testimony, Mr. Chairman, that we submitted, some of it which covers what I said and goes into more detail. And I'd ask that that be made a part of the record as well. Thank you so much for your time.

SENATOR CASSANO (4TH): Tanya Hughes. David Dietsch. I'm sorry. David Dietsch and then Tanya Hughes. I called David three times and the wrong time.



MAYOR JOSEPH P. GANIM  
BRIDGEPORT, CT

**Public Hearing Testimony**  
**March 22, 2017**  
**Planning and Development Committee**

Chairman LeMarr, Chairman Logan, Chairman Cassano and members of the Planning and Development Committee:

Thank you very much for holding this hearing. For the record my name is Joe Ganim and I am Mayor of the city of Bridgeport, Connecticut's largest city.

I am here today to testify in support of House Bill 7296 2017 AN ACT AUTHORIZING THE FUNDING OF UNFUNDED ACCRUED MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM LIABILITIES BY MUNICIPALITIES

I have John Stafstrom – our bond counsel – joining me today just in case anyone has technical questions about this bill.

John is probably also well known to many in this building and may even be related to someone on this committee but you never know that could be fake news.

Let me give you a broad sketch of what we are trying to achieve with this bill and why Bridgeport and potentially other municipalities are in a position to benefit from the new authority contained in it.

In a nutshell, House Bill 7296 would grant Bridgeport and other municipalities legal authority to issue bonds to pay off current remaining unfunded pension liability due to the CT-MERS (Municipal Employees Retirement System) pension plan.

We think by doing so we could simultaneously eliminate a major unfunded pension liability for the city and save taxpayers more than \$68 million in debt service payments over the next 26 years.

I am here today to ask your support in passing this legislation – with a couple of small technical adjustments contained in revised language for this bill that I have attached to my written statement that I submitted to you today.

Let me give you a little bit of Background as to why we are in a position to ask for this new bonding authority:

The City of Bridgeport moved Police and Fire Employees into the CT-MERS pension plan in 2013.

A later actuarial analysis showed that the city did not transfer enough assets to cover the cost of these employees and retirees.

In fact, that analysis said we were short about \$83 Million dollars of what Bridgeport needed to transfer into the MERS system to cover these employees and retirees.

To cover the cost of this major shortfall, Bridgeport is now required to make annual amortization payments of \$7.5 million dollars over the next 28-years – at an interest rate of 8%

Though the state agreed to defer the start of these payments for a couple of years, it started in the 2016 Fiscal year and represents a staggering cost to the taxpayers of our city.

In fact, when I took office a little more than a year ago my team informed me that the city was confronting a \$20 million deficit halfway through the fiscal year.

If you do the math, these MERS Amortization payments represented nearly half of that deficit.

With great appreciation, the legislature and Governor Malloy last year agreed to let the city of Bridgeport have some modest relief from some of those payments

for the next two years so we could stabilize our finances and get our house in order.

And that was a real bipartisan effort, by the way. We got tremendous help from Democratic and Republican leadership in getting that Bridgeport pension relief bill through the House and Senate at the end of the 2016 session.

And I thank you all very much on behalf of the city. It made a major difference in allowing us to balance our budget.

With this action and other difficult budget cuts, cost savings measures, and some additional revenue from land sales and debt restructuring, we were able to close that deficit, even ending the fiscal year with a small surplus.

This hard work – and it was very hard – was rewarded a few months later by three major Wall Street bond rating agencies.

Moody's, Standard and Poor's and Fitch looked at our budget in balance with another projected surplus for the current fiscal year.

They held Bridgeport at an A rating and two out of three of them even improved our outlook from negative to stable.

Given the fiscal conditions in our state, for Bridgeport to hold firm in our credit rating is a very strong endorsement of my administration's efforts to get the city's finances in order.

But one of the questions consistently asked by these rating agencies in our conversation was – what are you doing about your unfunded pension liability?

These MERS amortized payments are a big chunk of Bridgeport's unfunded pension liability.

So, my team looked at this and we came up with an innovative solution.

With our strong credit rating recently endorsed by the Wall Street agencies, we are in a unique position to go to the bond market and borrow money to pay off this MERS unfunded liability.

We would pay it back over the next 26 years, following the exact amortization schedule we currently have for the MERS payments.

We think this would be a major improvement for the city of Bridgeport for the following reasons:

We estimate that the interest rate on the taxable bonds we want to issue to pay off our unfunded pension liability will be in the 3.5% - 4.5% range – a major difference from the 8% we are currently paying on the unfunded liability.

We have had actuarial analysis done on our proposal and the estimated savings on this are substantial.

Our actuaries estimate the savings Bridgeport taxpayers will realize by taking this step will be approximately \$2.8 Million dollars per year, for the next 26 years.

This is real savings that as a city we could use to shore up our other unfunded pension liabilities.

We are confident this would absolutely help future credit ratings for the city of Bridgeport.

By doing this, Bridgeport would also make the municipal employee retirement fund whole and eliminate any unfunded pension liability in one lump sum.

This is why we have the won backing for our proposal from the State Comptroller's office. We also have the support for this proposal from the Office of Policy and Management, which has reviewed our plan thoroughly.

In addition to making sense for the Municipal employee retirement fund and the city of Bridgeport's budget and credit rating, you should also know that Bridgeport is in a good fiscal position to take out these new pension obligation bonds.

That's because Bridgeport's debt service burden is scheduled to decline dramatically in the next five years, and decline even further another 10 years after that.

HB 7296 gives us the legal authority to issue pension bonds to cover unfunded liability for MERS. And, it is not limited to the city of Bridgeport.

Any municipality that currently has unfunded pension liability for MERS could conceivably take advantage of this bill if it becomes law.

I also want to stress that this legislation DOES NOT TOUCH Bridgeport's current obligation to pay into MERS for our current employees and retirees.

Bridgeport currently pays approximately \$32 Million annually to cover the pensions of present and future retirees and those base payments would not be impacted by this legislation.

In fact, we are statutorily and contractually obligated to fully fund our commitment to MERS, and we will continue to do so.

In closing, I want to thank you for your time in hearing me about this legislative proposal.

I urge you to support this bill – it is straightforward, and it makes a lot of sense, and it can really help cities like Bridgeport become more financially stable.

I also want to point out that we have consulted with our state Treasurer Denise Nappier's office on this, as well as the leadership of both Republican and Democratic legislative caucuses in the Senate and the House.

All those we have consulted with agree with our approach and we very much appreciate your attention and consideration of our proposal.

So thank you again, and I am here to answer any questions you might have.



I also have with me our city's bond counsel to answer any specific or technical questions if there are any.