Dissolve Bridgeport?  No One Embraces the Idea

By ANDREW L. YARROW Special to the New York Times

BRIDGEPORT—Until this month, Lee A. Samowitz was little known beyond the Bridgeport district that he represents in the Connecticut General Assembly. But thanks to a recent legislative proposal that could dramatically change the political landscape in the state, Mr. Samowitz has become a household name.

"I don't think it's a productive idea," said the state representative. "It would be a better way of using the Legislature's time to try to use the state's resources to take the money from the regions to develop Bridgeport and regional areas to deal with Bridgeport's problems."

In neighboring Fairfield, First Selectwoman Jacqueline C. Darrell is not taking the idea seriously.

"If it was ever done in the past, she said. "But if you go back 50 years or so, we had Black Rock. It was serious back then. They'd go out in the Black Rock. We'll be glad to take them up on it.

Addressing Immediate Needs

Mr. Samowitz, who is one of 12 assistant majority leaders in the House, says he would prefer solving Bridgeport's financial problems by freezing property taxes on suburban shopping centers or altering the property tax rates.

The city is in too much mood to impose additional layers of taxes, he said. "And these solutions would help Bridgeport and prosperous areas, it is not enviable."

One alternative being considered by legislators is to make Bridgeport a "model" city and give it economic development commission that could issue bonds and perform functions as a public service. But this approach has met with opposition from other local officials and their more affluent suburbs.

"Plantation Mentality"

"Bridgeport is the victim of a plantation mentality in this state," said Mr. Samowitz, a lawyer who is serving his fourth term in the House of Representatives. "We take care of the whole region's trash, we provide the hospitals and homeless shelters, and we fund their schools and other welfare services. We pay the highest property taxes in the state — two to three times as much as some suburbs. For these services, so there should be some way to equalize the tax burden.

So many Bridgeport politicians would share that view, they have little enthusiasm for Mr. Samowitz's proposal. Mayor Joseph P. Ganim, a fellow Democrat, has disparaged it.
Bridgeport Bankruptcy Plea Focuses on Solvency Dispute

BY GEORGE JUDSON

Bridgeport, Conn., July 23—A group of top Bridgeport bankers and attorneys appeared in federal court today to challenge the city's bankruptcy filing. They argued that the city was not solvent enough to pay its debts.

The city, they said, was not able to meet its obligations in a timely manner. The city had been in financial trouble for years, and the filing was a last resort. The city had already missed several payments, and it was in danger of defaulting on its bonds. The city needed to restructure its debt and développe a plan to pay off its creditors.

The city had already filed for bankruptcy in 2018, but it had failed to come up with a plan to pay off its debts. The city had also been in financial trouble for years, and it was in danger of defaulting on its bonds.

The city had been in financial trouble for years, and it had been in danger of defaulting on its bonds. The city needed to restructure its debt and develop a plan to pay off its creditors.

At Jones Beach, Unusual Ocean Currents:

Continued from Page A...

The town was hit by the unusual ocean currents, which created a suck- ing action that had imaging technology. The currents were strong enough to move sand from the shore and drag it into the ocean. The problem was compounded by a lack of surf, which made it harder to see the sand. The currents were strong enough to move sand from the shore and drag it into the ocean. The problem was compounded by a lack of surf, which made it harder to see the sand. The currents were strong enough to move sand from the shore and drag it into the ocean. The problem was compounded by a lack of surf, which made it harder to see the sand. The currents were strong enough to move sand from the shore and drag it into the ocean. The problem was compounded by a lack of surf, which made it harder to see the sand. The currents were strong enough to move sand from the shore and drag it into the ocean. The problem was compounded by a lack of surf, which made it harder to see the sand. 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July 3, 1991

Ms. Lynnette Kelly, General Counsel
Municipal Assistance Corporation
1 World Trade Center, Suite 8901
New York, NY 10048

Dear Ms. Kelly:

As you requested I'm forwarding the enabling legislation for the Bridgeport Financial Review Board and some of the plain language and legal interpretations of the legislation. Unfortunately, Connecticut doesn't codify Special Acts, so the four pieces of legislation have to be read together.

Please call if I can be of any further assistance.

Sincerely,

Catherine S. Boone
Assistant Director

CSB:oks
Riverside Authority Claims Injunction Is Its Only Relief In Fight With IRS
By Lynn Stevens Hume

WASHINGTON — The Riverside County, Calif., Housing Authority yesterday disputed U.S. attorneys' claims that two federal laws would permit it to rebate $2.25 million of arbitrage profits from the Whitewater Garden bond issue and then seek a refund from a U.S. court.

In a memorandum filed with the U.S. District Court for the Central District of California, the authority's lawyers said neither of the federal laws applies to the Whitewater.

Please turn to RIVERSIDE Page 25

Mutual Benefit-Backed Put Bonds Go Unpaid; N.J. Insurance Chief Declares Moratorium
By Nicholas Boyle

Almost $57 million of variable-rate put bonds insured by Mutual Benefit Life Insurance Co. were tendered for payment yesterday, and trustees for the issues say some defaulted while others were "bought back" by the investors.

About $84 million of the Fulton County, Ga., Housing Authority's Series 1988 bonds and $32.86 million of three issues sold by Nashville and Davidson County, Tenn., Metropolitan Industrial Development Board went into default at
Please turn to MUTUAL Page 24

Lawmakers Say Regulators Should Ease Scrutiny of Multifamily Housing Deals
By Joan Pryde

WASHINGTON — Key members of Congress are urging federal regulators to ease the examination procedures they have set up for gauging the amount of profit developers gain in certain multifamily housing deals, warning that the process could stall construction of low-income housing.

Rep. Henry B. Gonzalez, D-Tex., chairman of the House Banking Committee, told HUD Secretary Jack Kemp in a recent letter the process "is hampering multifamily housing development" and "will have a chilling effect on any proposed HUD-insured multifamily housing.

Rep. Charles B. Rangel, D-N.Y., a senior member of the House Ways and Means Committee and a supporter of the low-income housing credit, has also voiced concern to the Department of Housing and Urban Development about the procedures, an aide to the congressman said. He is trying to open up a dialogue between state housing officials and the department to make sure HUD addresses the issue, the aide added.

Legislation passed in 1989 requires HUD to prevent participants in low-income housing projects from making excessive profits if the deals are financed with the low-income housing tax credit in combination.

Please turn to HUD Page 25

Judge Shift Rules That Bridgeport Has Right to File For Bankruptcy
By Ted Hampton

BRIDGEPORT, Conn. — A U.S. judge held yesterday that Bridgeport has the right under state law to use Chapter 9 of the federal Bankruptcy Code.

"Bridgeport was generally authorized by state law to be a debtor," with all the rights and privileges debtors enjoy, Bankruptcy Court Judge Alan H.W. Shiff said in a 29-page opinion.

He held that state laws providing for oversight of the city's finances did not keep the city from filing for bankruptcy.

"This is a major step in telling our citizens that, yes, we are in charge," proclaimed Mayor Mary C. Moran as she left the federal district courthouse. The judge still must rule on several other issues that could halt the city's bid to restructure its labor agreements and other financial obligations.

"We have a long way to go," the mayor acknowledged.

Bridgeport filed its petition for protection from creditors on June 6, citing an impending $16 million budget gap and the city's property tax rates, which are already among the highest in the state.

The state tried to block the petition, charging that a state board installed in 1986 to oversee the Bridgeport's finances precluded the city from filing for bankruptcy without the state's specific approval.

Richard Blumenthal, the state's attorney general, vowed to fight.

Please turn to BRIDGEPORT Page 25

TODAY'S NEWS

CHICAGO WILL FACE A $23.5 MILLION budget deficit if this fiscal year because of a change in the

KEY MARKETS

Governments: The long bond ended the day 9/16

higher, to yield 8.46%.

Auction:

National: The Treasury will auction $5 billion of 30-year bonds.


Auto Sales: The June auto sales reports will be released by General Motors and Chrysler.

OPEC: OPEC producers are expected to maintain their production quotas.

Earnings: Earnings reports are expected from several companies, including General Electric, Ford Motor, and IBM.

Lawmakers Say Regulators Should Ease Scrutiny of Multifamily Housing Deals
By Joan Pryde

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TODAY'S NEWS

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The Bond Buyer

3, 1991

Bridgetower
Continued from front page

yesterday’s ruling, “it will be ap-
plicable to those of the Balance of the
Comity Court, necessary,” he said.

Letting the ruling stand would
require the judge to decide, in a
Connecticut, as well as other
states. Mr. Blumenthal said the

“Ther’s no way under any con-
ditions to appeal it.”

Municipal finance and legal ex-
perits all agree that the
and other loophole closed...
Treasury to Fix Rules to Allow Reimbursement Of Issuance Costs
By Lynn Stevens Hume

WASHINGTON — The Treasury plans to fix a glitch in the proposed reimbursement rules that would prohibit issuers from using tax-exempt bond proceeds to reimburse themselves for any issuance costs they paid before the bonds were issued, a Treasury official said yesterday.

The proposed rules as written do not allow issuance costs to be reimbursed. Please turn to REIMBURSEMENT Page 25.

State Monitor Chides New York City on Gap Totaling $47 Million For This Fiscal Year
By John J. Doran

The New York State Financial Control Board, the state's fiscal monitor of New York City's finances, warned in a report released yesterday that the city still faces a budget gap of about $47 million for fiscal 1991 and strongly criticized its failure to implement a number of gap-closing measures.

The report also says circumstances may prevent the city from
Please turn to NEW YORK Page 28.

Good Managers Brought Chicago Stability, Mayor Daley Says; Others See Uncertainty
By Karen Pierog

CHICAGO — To Mayor Richard M. Daley, management is a key reason why Chicago has not succumbed to the tide of crumbling big city credits.

As cities such as New York and Philadelphia grapple with enormous gaps between revenues and expenditures, Chicago expects a balanced budget for fiscal 1991, which ends Dec. 31.

"My management has been stable the last two years," the mayor said in an interview. "We're not only saving money by cutting overtime and [by] privatization, we're also cutting costs down."

Mayor Daley began his first full four-year term in May, after emerging the victor in an April 2 general election that was low-key compared to the divisive campaigns of the 1980s. He served a two-year term after winning an April 1989 special election called after the death of Harold Washington, the city's first black mayor, in November 1987.

With a substantial majority of Chicago's 50 aldermen behind Mayor Daley, the city's days of guerrilla warfare between the majority of white aldermen against Mayor Washington and his supporters are long gone. While Mayor Daley's initiatives are still challenged by some council members, he said in a telephone interview.

He said that the bankruptcy court scheduled the new hearings to determine whether the board
Please turn to DAILY Page 28.

Bridgeport Plans To Put Spotlight On State Board At June Hearings
By Ted Hampton

NEWPORT, R.I. — The city of Bridgeport, Conn., plans to challenge the legal footing of a state board that has overseen the city's finances since 1968, an attorney said yesterday.

Richard D. Zeisler, a lawyer with the Bridgeport firm of Zeisler & Zeisler, which is advising the city, said the issue will be one focus of newly announced hearings slated for June 26. Federal Bankruptcy Court Judge Alan H.W. Shiff last week scheduled the hearings to examine the relation between the state's Bridgeport Financial Review Board and the city government.

The hearings will precede others slated to begin July 16 on whether the judge should accept a petition for bankruptcy protection filed by the city early this month.

The board has handed down a string of fiscal edicts to the city government including, most recently, a mandate that it impose an 18% tax increase by June 28. "You've got delegated people, not elected people, who are in effect telling the city how much they should charge in taxes," Mr. Zeisler said in a telephone interview.

He said that the bankruptcy court scheduled the new hearings to determine whether the board

TODAY'S NEWS

Deal in the Spotlight: New York State's Local Government Assistance Corp. ventures back into the municipal market today with $450 million of revenue bonds, and analysts hope this time around the corporation won't leave a trail of mispricings and fractional allotments. Page 4.

The Council of the District of Columbia yesterday gave final approval to Mayor Sharon Pratt Dixon's proposal to issue $332 million of bonds to erase the city's accumulated deficit. Page 2.

KEY MARKETS

Governments: Long-term Treasury prices ended slightly lower yesterday after giving back small gains. The 30-year bond was ¼ point lower late yesterday afternoon, and ¼ point off the session highs, to yield 8.51%.

Corporates: Investment-grade and junk corporate bonds finished a quiet session little changed.

Stock Market: The Dow Jones industrial average closed off 7.15 points at 2986.81.

Bridgeport

Continued from front page

members "have the proper statutory basis for controlling the aspects they feel they can control."

Mr. Zeisler also said the court views the question as a "threshold" that must be crossed before deciding whether to accept the city's petition under Chapter 9.

Regardless of how Judge Shiff ruled on the board's constitutionality, Mr. Zeisler said, other thresholds will remain. The city will have to prove that it did not file its petition "in bad faith," whether it has proper authorization under state law to file, and whether, in fact, the city is insolvent.

"Each one of these is a significant threshold," Mr. Zeisler said.

Nevertheless, the bankruptcy attorney said he has become increasingly confident in the strength of the city's case. "It's looking good for us. As we do legal research, we're convinced that we did the right thing," he said.

In another development, the city's common council defeated a measure designed to tighten Mayor Mary C. Moran's purse strings for the city's expenditures. Mr. Zeisler said that his firm had worked pro bono up until the petition filing, donating roughly $20,000 to $30,000 worth of labor to the cash-starved city.

Mr. Zeisler said that while things are different now, "The city has to be prepared to commit some financial resources" to its bankruptcy filing. Any work done since the filing is not free of charge, but the city and the law firm "haven't really agreed" on the rate, according to the lawyer.

The Bond Buyer

The developments come at a time when a seemingly endless parade of downgradings has irked municipal finance officials in the economically troubled Northeast. At a meeting here yesterday, the regional state treasurers association voted to meet with rating agencies to air grievances over what the treasurers perceive to be an inability of the agencies to look beyond ephemeral conditions, such as economic downturns and resulting budget deficits.

"They're not giving as much weight to the basic credit implications as they are to the current economic conditions," said Samuel Shapiro, treasurer of Maine and the regional vice president of the National Association of State Treasurers. Standard & Poor's Corp. lowered Maine's GO rating to A+ from AAA, in advance of the state's record $1.36 billion debt sale Monday.

He said the rating agency should focus on other factors, such as the state's debt burden. In 1972, the state had amassed a debt load equal to 46% of annual revenues. As of this year, the state's debt burden has lightened to only 12% of annual revenues.

Northeastern issuers, the treasurer said, have unfairly suffered credit downgradings as a result of the region's cyclical recession. "We constantly have recessions and slowdowns," Mr. Shapiro said. "But once a state is downgraded, it's a long time coming back. We, here in the Northeast, have to tell the rating agencies to slow down."

Bankruptcy Too Risky for Most Municipalities,
Standard & Poor's Says in Latest CreditWeek

By Sean Monsarrat

Bridgeport, Conn., officials say filing for bankruptcy was prudent, but that route will prove too risky for most municipalities, according to a new report by Standard & Poor's Corporation.

Mr. Shapiro said filing, and bank financing also may become more difficult. Another high cost for local officials is the loss of control to court-appointed trustees or state supervi-
Bridgeport Gets Junk Rating From Moody’s; Banks in Northeast Receive Gloomy Forecast

By Ted Hampton

NEWPORT, R.I. — Moody’s Investors Service yesterday downgraded the general obligation ratings for Bridgeport, Conn., to below investment grade levels.

About $71 million of the city’s uninsured bonds were dropped, to B from Ba; this deal is rated a shade higher due to a special state-supported reserve fund, the agency said.

Moody’s suspended Bridgeport’s ratings June 6, when the city filed Chapter 9 of the Bankruptcy Code. Since then, indications from city leaders have not been optimistic, Moody’s said.

“Subsequent actions and statements by the city and state only compound the uncertainty of the bankruptcy filing,” Moody’s said in a press release.

For the time being, Moody’s does not see signs of a disruption in debt service, but the rating agency was compelled to lower the city to below investment grade because of “the assasultive nature of the city’s filing for protection under Chapter 9 of the Bankruptcy Code,” Moody’s said in a press release.

Moody’s also said the B rating gave no cedence to Bridgeport’s statements that bondholders will be well-treated. “To the contrary,” the agency said, “further unexpected actions by the city may occur.”

The $33.5 million of 1988 bonds got a “higher rating because the state has pledged to support the fund, and we expect the state to pay,” said Joan Dougherty, manager of New England ratings at Moody’s.

The $102.5 million of outstanding insured bonds remain at the Aa level, Moody’s said. Originally, $118.44 million of insured Bridgeport GOs were sold, but about 15% has matured.

Financial Guaranty Insurance Co. has the most exposure to the bankrupt city, at $111 million of the total debt service. Financial Security Assurance, through a reinsurance agreement with FGIC, has the second highest exposure at 96.6 million: AMBAC Indemnity Corp. has 67.8 million; and Municipal Bond Investors Assurance Corp. has about 84 million on the line.

The developments in Bridgeport

Please turn to NAST Page 24

Airport

Continued from front page

to get legislation through Congress.

Mr. Fagen added that the authority would continue to honor outstanding obligations and would continue to meet the debt service on the roughly $80 million of bonds the authority has issued.

Legal sources said a federal district court now will likely have to enter an order implementing the high court’s ruling, an order that could more clearly spell out the impact of the decision.

The invalidated board—which consisted of nine members of Congress—reviewed such actions as the adoption of budgets and authorization of bonds. The board already has given approval for the issuance of $1.9 billion of bonds, of which about $80 million already have been issued.

The court ruled 6-to-3, in an opinion delivered by Justice John Paul Stevens, to invalidate the board even though it “might prove to be innocuous,” because of concerns Congress could develop similar boards to control the activities of the states.

Airports, continued from front page

Institutional because it allowed Congress to exercise veto power over executive actions, a violation of the Constitution’s separation of powers doctrine.

The review board was established in 1987 by the District of Columbia and Virginia. Establishment of the board was a congressionally imposed prerequisite to transferring control of the airports to the regional authority from the Federal Aviation Administration.

The board was mandated by Congress in part because of concerns that opponents of the refurbishing might try to forestall renovations when control of the facilities was transferred to the authority.

Justice Byron R. White, joined by Chief Justice William H. Rehnquist and Justice Thurgood Marshall, took a solid majority at the majority ruling.

“For the first time in its history, the court employs separation-of-powers doctrine to invalidate a body created under state law,” Justice White said. “The court’s reasoning fails because it ignores the plain terms of every instrument relevant to this case.”

But Justice Stevens said the argument

New on Calend

NEGOTIATED

$851,400,000

Brazos Higher Education Authority, Inc.
Bank National Association Houston, as
negotiate the purchase of student loan (Book-Entry) bonds, Series 1991-A, some

$865,000,000

Prince Georges Co., Md. A selling group
Brothers, expects to negotiate the purchase
of consolidated public improvement (Book
Refunding Series, on or about June 25.

$862,150,000

Birmingham-North Medical Clinic Boar
Co., as senior manager, expects to negotiate
the purchase of revenue (AMBA-Insured) bonds, (Carr.

$860,600,000

Michigan State Hospital Finance Auth
Co., as senior manager, expects to negotiate
the purchase of revenue (Book-Entry) bonds, (Corporation), Series 1991-J, sometime

$836,910,000

Vermont Municipal Bond Goldm.
manager, expects to negotiate the purchase
of revenue (Bond-Entry), sometime this

$835,000,000

Kentucky Development Financing Auth
as senior manager, expects to negotiate
the purchase of revenue (AMBA-Insured) bonds, (St.
Lok)

$818,525,000

Arizona State University, Phoenix 
managers, expects to negotiate the purchase
of revenue (Book-Entry) bonds, Series 1991, sometime

$816,315,000

San Joaquin Co., Calif. Feasibility
by manager, expects to negotiate the purchase
of revenue (Bond-Entry) bonds, Series 1991 and Series 1991

$8,000,000

Coachella Valley Unified Sch. Dist., Ca
Incorporated, as senior manager, expects to negotiate the purchase of revenue (Book-Entry) bonds, Series 1991-I

$7,950,000

New Mexico Hospital Equipment Loan
Principal/Eppler, Guerin & Turner, Inc.
expect to negotiate the purchase of the
Series 1991, sometime this week

$7,500,000

Hermitage Municipal Authority, Pa.
Senior manager, expects to negotiate the
project,敬请期待

$8,640,000

Southern Fulton Sch. Dist., Pa. James
senior manager, expects to negotiate the
project, sometime this week

$2,140,000

Galveston, Texas Commerce Bar
Houston, as senior manager, expects to
the tax increment revenue bond, Series 1991

COMPETITIVE

$807,500,000

Los Angeles Co., Calif., certificates

$12,000,000

Duncanville Independent Sch. Dist.

$11,500,000

Elgin, Ill., corporate purpose bonds

$87,300,000

East Williston Union Free Sch. Dist.

TAX-EXEMPT

This list includes tentative dates for the largest new issues.

This list includes tentative dates for the largest new issues.
NAST

Continued from page 2

were closely followed in Newport, where some 270 municipal finance professionals gathered for the 22nd Annual Conference of Northeast State Treasurers.

My concern with Bridgeport is that it's going to shake investor confidence in otherwise creditworthy state and local bonds,” said Milton Wells, director of the National Association of State Treasurers. Bridgeport’s declaration of bankruptcy has tarnished all municipalities in the eyes of some investors, Mr. Wells said.

One Connecticut state official close to the situation said Mayor Mary C. Moran’s assertions that bankruptcy proceedings will protect bondholders would be moot once in court.

Mayor’s assurances, the official said, would apply only during the “exercise of the city’s bankruptcy petition — the period leading up to its acceptance by the court. After that, Bankruptcy Judge Alan H. W. Shift alone would decide the fate of debt service. The judge has slated hearings for July 16.

Deal

Continued from front page

Although a fiscal 1992 budget, due April 1, was just passed two weeks ago, the dust has not yet settled. Gov. Mario M. Cuomo vetoed almost $1 billion in spending that state legislators put into the budget.

But lawmakers, fearing threats that overrides the vetoes would roll the market for the notes, decided to tip toe around their chambers until the vote was completed.

Noting that lawmakers were wary of Wall Street’s potentially adverse reaction to rancor in the state’s notes and its A rating on the $4.50 billion bonds expected to be sold by the Local Government Assistance Corp. this week, Moody’s currently rates the state’s general obligation bonds A.

“This budget debate is not over yet and we are recognizing that fact in our statement that Moody’s will not review the ratings when legislative and executive actions concerning the fiscal 1992 budget reach a conclusion,” said George W. Leung, managing director of state ratings with Moody’s. The state’s last MIG-1 rating was on a $4.69 billion state Trans issue in June of 1989. Since then Moody’s shakeout works its way through the region.

John F. Wallace 3d, a managing director at Bank of Boston, concurred with the assessment. “While there will be additional failures in the Northeast corridor, the banks in the Northeast are reserved well, as opposed to their counterparts in the mid-Atlantic and other parts of the country.”

Mr. McFarland said that the roughly 60 banks that he expects to fail in New England over the next 18 months are already so close to being seized by the federal government that there is no turning back.

He said that the forecast includes some larger institutions that have “over a billion dollars” in deposits.

Mr. McFarland would disclose the names of any troubled institutions, where municipal officials stand to lose deposits in excess of $100,000 per account. Instead, he exorted the industrialists in attendance to exercise care in selecting banks.

“We’re relying on people to make sure that we don’t run into a situation where a bank fails and significant municipal funds are lost,” he said.

Municipal officials of several towns in Massachusetts lost money after the December failure of the Capital Bank & Trust Co., near Boston. And when the Bank of New England became insolvent and was seized Jan. 6 by federal regulators, municipalities also stood to lose money.

Most of the vulnerable Bank of New England deposits were public. But the federal government’s adherence to the “too big to fail” policy — covering deposits exceeding $100,000 — saved municipalities, Mr. McFarland said.

Several states in the Northeast, where collateral requirements for public deposits have been rare, are now trying to craft rules to ensure that public money can survive the fluctuations of the banking industry.

Here in Rhode Island, for example, lawmakers last week passed a bill mandating full collateralization at banks that fall below certain federal standards.

According to state treasurer Anthony J. Soloman, the new law, which has been signed by Gov. Bruce G. Sundlun, “gives some comfort to people in the state.”

Rhode Island’s failure in deposit insurance was shaken after the failure of a private insurer called the Rhode Island Share and Deposit Indemnity Corp. “They’re losing confidence even in the FDIC banks, which are having no problems.”

Mr. Solomon said, “This gives them a second layer of security.”

Additional reporting for this article was done by staff reporter Nicholas Boyle.

Escrow

Continued from front page

six-year statute of limitations on tax law changes that expires at the end of the year, several lawyers said.

The $10.65 million Apple Creek IV multifamily housing deal was closed for the St. Louis County, Mo., Industrial Development Authority on Dec. 31, 1985. Any tax change
seasonally adjusted $152.5 billion on gains for most types of business.
Initial state unemployment insurance claims fell 36,000 to a seasonally adjusted 401,000 in the week ended June 1.
The news initially pushed Treasury prices down ¼ with munici-
pals off about ½ on average. But some off-the-run names were down as much as one point.
Later in the session, however, short-covering and the entrance of retail rallied Treasury prices and the market managed to make up all of its losses. Municipals, still
Please turn to MUNICIPALS Page 28

BORROWING WILDER THE ENHANCEMENTS AND FOR OLDER VARIABLE-RATE TRANSACTIONs, ACCORDING TO A PANEL OF PUBLIC FINANCE BANKERS.

Due to a convergence of deteriorating credit quality, international capital guidelines, and a sharp focus on return on equity, letter-of-
credit banks are raising fees, the panelists said. And since the trends are market-wide, public entities will have little competitive re-
course.

"The banks are looking at risk weights, the issuer's credit condi-
tion, and their ROE," said M. Su-
term impact is likely to be prob-
ably with increase costs, in the
long term, it should be a more effi-
cient, stable market for ev-
everybody."

Ms. Kiss spoke at a conference sponsored by the Institute for International Research entitled "Mini-
mizing Investment Risk and Issuer Exposure in Letters of Credit."
Other panelists included Timo-
thy J. Kiley, vice president of capi-
tal markets at Bankers Trust Co.,
and David J. Sellers, vice president of public finance at Sanwa Bank.

Please turn to LOCUS Page 24

Sachs & Co. to pay $10 million when the bonds were sold in 1991. But current rates proved to be much lower.

Tampa officials say they are happy with the results: The refunded bonds carried coupons as high as 11¾%, and the utility was able to guarantee a 400 basis point saving two years ago, rather than wait and risk a rise in interest rates at the first call date earlier this month.

But some market professionals
Please turn to FORWARDS Page 19

Oversight Board Says Bridgeport Must Still Devise Balanced Budget

By Ted Hampton

BRIDGEPORT, Conn. — A state oversight board met here yesterday and declared that, notwithstanding Bridgeport's recent filing for bankruptcy court protection, the city still must devise a balanced budget for the fiscal year beginning July 1.

The Bridgeport Financial Review Board voted 11 to 0 to force the city to adopt by June 28 a 7½ mill rate property tax, a levy that Mayor Mary C. Moran has deemed too great for the city's ailing economy to handle. The tax would amount to $71.20 for every $1000 in assessed property value.

James Tansley, president of the Bridgeport Common Council, yesterday said he would advise the city's legislative body not to adopt the tax increase prescribed by the Financial Review Board. On Mon-

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Pages 1537-1584

not only of the state groups, but of groups to seek their cooperation —
lawyer by a new home owner in Baldwin Hills, Calif., who argues that it is inadequate for her to pay property taxes as much as six times greater than those of neighbors living in comparable homes since the state law took effect.

The U.S. Supreme Court earlier this month agreed to hear a separate challenge by R.H. Macy & Co. that alleged the tax system is discriminatory because it forced Macy to pay much higher taxes than longtime competitors.

In July, however, Macy abruptly dropped its lawsuit, citing concern that it was inappropriate for a department store to be the agent for change on such an important public policy issue.

Following the decision by the high court to hear the case, Macy faced intense lobbying and boycott threats from taxpayer and business groups that feared a huge tax increase if Macy won.

Ann Carlson, a lawyer for the Baldwin Hills homeowner, vowed last week to continue pursuing her client’s Proposition 13 challenge.

Legal observers believe the U.S. Supreme Court will hear that case as another challenge to settle the question of the initiative’s constitutionality.

The bipartisan California Senate committee — which included legislators and business leaders — recommended in its report that California return to full market value in setting property taxes if the current method is overturned by the high court. Such a change might lower taxes for current property buyers at the expense of increases on long-standing owners.

But the committees were divided on the way to avoid severe hardship if property taxes were adjusted suddenly. Some panelists supported a phased-in approach for a split tax roll in which commercial property pays more than homes.

Seven of the 18 commissioners also argued that Proposition 13 is not unfair and should be changed regardless of its high court rules. Any court decision. Although the initiative requires two-thirds majority, the two-thirds threshold required now. This two-thirds threshold makes it difficult for local entities — such as school districts — to authorize general obligation bonds.

The panel’s report could serve as the basis for possible legislative action.

Mayor N.W. Carlson, known as a state tax-payers conference last year that she hoped for a successful legal challenge to Proposition 13 would leave governmental finances unchanged. It is uncertain, however, if changes would be revenue neutral.

In other developments yesterday, Mr. Zeisler and other attorneys met with representatives of the state and succeeded in freeing up nearly $380,000 of clean water fund aid that State Treasurer Francis L. Borges had threatened to withhold after the bankruptcy filing.

"We have been working cooperatively," Mr. Borges said, to develop an agreement "that protects the city's interests but also protects the state's interests.”

Mayor Moran, who arrived at the meeting an hour and 15 minutes later, said that the city's financial condition was "on the verge of financial disaster," and that he had received the news of the clean water fund agreement. She also said she had been well received in her visit to Congress yesterday.

Mayor Moran said she had been promised to file for bankruptcy in the face of a $65 million gap in nearly $320 million budget for the current year and a gap of $288 million over the next five years.

"She said she had realized that without the relief offered by Chapter 9, "there would be no future for the city of Bridgeport. Board it up. Divide it up. Annex it. Give it away."

Bridgeport
Continued from front page
day, the city’s common council voted for a rate of 63.3 mills.

Assuming the city does not adopt the proposed tax increase, the state “will have a choice between the city’s filing under Chapter 9 of the Federal Bankruptcy Code would shift the burden of payment to the state as the government that is in state's interests.”

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The Bond Buyer

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The Bond Buyer
FROM THE EDITOR'S DESK

The Bridgeport Experiment

By John H. Allan

Bridgeport's decision to file for bankruptcy is important for the municipal bond market — a significant though not entirely promising step in the country's effort to back away from municipal overindebtedness and regain fiscal control. Its progress must be tracked carefully.

Beyond that, it's not yet possible to draw many conclusions about Bridgeport's actions.

The city with 144,000 citizens (down from 156,748 in 1960) is Connecticut's most populous, and its problems are typical of many urban centers of the Northeast and Midwest. Over the last 191 years, Bridgeport grew from an agricultural town to a major manufacturing center of great smokestack corporations only to see its industry change shape in the last quarter century. Its downtown is cleaned up, rehabilitated but without much vibrancy, and some of its once mighty plants are decaying on the shore of Long Island Sound.

Driving through Bridgeport, one gets little sense of purpose about the place, though the same holds true for many modest American cities. The days when P.T. Barnum was mayor are long past, but there is a Barnum Museum of circus memorabilia. Bridgeport Brass has closed down, but its space is occupied by smaller manufacturers. General Electric, Sikorsky Aircraft, and Avo Lycoming are the largest employers, and the city is a regional banking center, "the sixth-largest in New England," according to Mark Trinkley, acting president of the Bridgeport Economic Development Corp.

For the municipal bond market, Bridgeport's importance is its experiment with bankruptcy. It is the largest city to file so far, and the what happens next could influence the behavior of many financially beleaguered places. Mayor Mary C. Moran says she decided to seek the election because her city faces a shortfall of $55 million in a $320 million budget in the next fiscal year and a cumulative gap of $268 million over the next five years.

Connecticut is fighting her action in court, however, and Richard Blumenthal, the attorney general, has warned that a bankruptcy would undermine Bridgeport's bond rating and could bar the city from the credit markets entirely.

If the courts do permit Bridgeport to file, the city may win some leeway to control its labor costs better, an important matter for bondholders. From our standpoint, however, this route appears needlessly difficult and clumsy. Better to exert an iron grip on revenues and expenses in the first place, or if the first place is already past, then now.

WASHINGTON WATCH

Don't Open the Door Too Wide

By Craig T. Ferris

WASHINGTON — One of the proposals now being bandied about to liberalize the arbitrage restrictions on tax-exempt bonds offers both rewards and risks that should be carefully considered.

The proposal, included in similar tax measures introduced by Rep. Beryl Anthony, D-Ark., and Sen. Max Baucus, D-Mont., to simplify and ease some of the 1986 bond curbs, would allow issuers who must rebate arbitrage profits on an issue to retain 10% of their arbitrage profits.

The measure, which offers advantages to both the federal government and issuers, is designed to encourage issuers to maximize their investments of bond proceeds, rather than going to extreme lengths as many currently do to keep the yield on their investments low enough to avoid paying the rebate.

It would discourage issuers from entering into so-called yield-burning transactions that the government fears may be producing illegal, but hard-to-police profits for suppliers of investment vehicles for asset-backed investment contracts.

The Short, Curious A Heartbreak That A Heartbreak

By Joe Mysak

Investigative reporting is something most newspapers pride themselves on. It has a long tradition, extending well beyond Watergate, dating back to the turn of the century, when the reporters who exposed the scammers side of things were called muckrakers.

Here at The Bond Buyer, we've been known to practice it, but only on rare occasions. There have been comparatively few times in the newspaper's 100-year history in which the impact was the investigative reporting. Case 1919.

First, however, for some background. The newspaper, as I will be pleased to relate to anyone who cares to listen, went through three distinct eras. The first was the founder's newspaper, filled with all sorts of raw and tumble stuff and packed with financial news.

Founder William F.G. Shanks, started the National Press Intelligence Co., a press clipping service, with $200 in 1918. He gradually found there was great demand for "investment news," which led to the founding of The Daily Bond Buyer in 1891.

In the words of a story on the paper published in 1897, "This is simply a daily digest of investment news, including chiefly the advance of proposed issues of city, county, state, railway, and street railroad bonds... Every special election to authorize issues of bonds is reported, the date on which it is to be held being first given, and the result of the vote next carefully noted. Every advertisement for sealed bids for such bonds is carefully summarized; and, when the bonds are sold, the name and address of the successful bidder is given, together with the amount the bonds purchased, their rate of interest, and term of years they are to run, and all particulars of interest to investors."

With a few alterations, this sums up The Bond Buyer of today, The Bond Buyer as it has always been.

Journalistic Heartbreak

Mr. Shanks died in Bermuda in 1905 and, with him, with few exceptions, including the aforementioned Travis case, went the first age of the newspaper. He was succeeded by his son William R. Shanks, who served until 1914, when the paper was taken over by his father, Sr. William C. Shanks.

The bitterness, "If Ipl the paper, the million dollar, the million dollar,"

The heartbreak in excess.

The Editor
Bankruptcy Too Risky for Most Municipalities, Standard & Poor’s Says in Latest CreditWeek

By Sean Monsarrat

Bridgeport, Conn., officials say filing for bankruptcy was prudent, but that route will prove too risky for most municipalities, according to a new report by Standard & Poor’s Corp.

When the city filed for Chapter 9 protection two weeks ago, some municipal experts predicted this would be the start of a larger trend of more and more wthering municipalities across the country might seek the same route for protection as the economy chokes their budgets.

In the June 17 edition of CreditWeek, Standard & Poor’s acknowledges that some officials of local governments are now considering court-imposed solutions to budget restructuring before they have exhausted all alternatives.

Declining intergovernmental aid, greater federal service mandates, and mounting taxpayer resistance to tax-rate increases have compounded the difficulty in maintaining balanced budgets, the agency reported.

“The structural problems of the last decade, which were disguised by rapid economic growth, are now uncovered by recessionary pressures,” it continued. “In contrast to past economic downturns that precipitate municipal insolvency, some presently solvent governments may consider deliberate protection under the bankruptcy code."

But Standard & Poor’s also believes there are significant disincentives that will dissuade most cities from moving down the bankruptcy trail.

“As municipal leaders struggle with some very difficult challenges in public sector management, the report concludes that the disruption in taxpayer, labor, and intergovernmental relations is not fully compensated by the short-term relief offered by Chapter 9 proceedings,” the agency said.

Standard & Poor’s also notes that municipalities may find the market less hospitable after a bankruptcy filing, and bank financing may also become more difficult.

Another high cost for local officials is the loss of control to court-appointed trustees or state supervisory authorities, the agency said. In the negotiations that follow bankruptcy, officials may find themselves in conflict with the needs of various groups, including taxpayers and municipal employees.

Standard & Poor’s cited difficulties resulting from union contracts, which may be rejected in Chapter 9 proceedings if the court considers them burdensome. The move could result in strikes, lower worker productivity, and lead to the bargaining table for officials next time around, according to the agency.

Municipal bankruptcies are rare, with most having occurred as a result of the Great Depression. From 1980 through the early part of this year, there have been only 69 municipal bankruptcies.

Market players are quick to point out that the Bridgeport incident is a small occurrence in terms of debt — about $200 million bonds are at stake. But, they add, the outcome of the proceedings is important because the Bridgeport case is likely to set a precedent for municipal bankruptcy procedures.

“Politically, it’s very important because the ramifications will probably set the status quo for proceedings across the country,” one New York bond trader said. “It’s a small amount of debt, but once a procedure becomes status quo, it’s difficult to change it.”

Municipal bankruptcy was an option from corporate proceedings, but, in contrast, a municipality must elect to adjust its debts and cannot be forced into bankruptcy by its creditors. In some cases, local legislation prohibits bankruptcy as an option. Finally, unlike other types of bankruptcy, the government still retains possession of its assets and taxing capacity.
New Jersey Placed On CreditWatch; AAA State Warned About 1992 Budget
By Steven Dickson

Standard & Poor's Corp. yesterday placed $3.2 billion of New Jersey general obligation debt on CreditWatch with negative implications, warning that uncertainty over the fiscal 1992 budget is threatening one of the nation's last triple-A state credits.

The action partially reflects concern that, as New Jersey wraps up its budget later this month, the integrity of revenue estimates might be compromised to bring about an artificially balanced budget, experts say.

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State Attorney General: Bridgeport Is Stepping Out of Legal Bounds With Chapter 9 Filing
By Ted Hampton

Richard Blumenthal, Connecticut's attorney general, yesterday filed an objection to Bridgeport's Chapter 9 bankruptcy petition, charging the city with running afoul of state and federal laws.

Although Mr. Blumenthal says in a news release that he has "strong sympathy for the city's plight," he also says "bankruptcy is simply not a solution that is legally permissible."

Mr. Blumenthal also contends that filing for bankruptcy will only make the city's short-term bond issue more expensive, while the city needs cheaper funds.

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Treasury Official Decrees Proposals For Relaxation Of Bond Curbs
By Joan Pryde

WASHINGTON — A top Treasury official yesterday sharply criticized an array of proposals by senators to liberalize tax law bond curbs and reiterated the department's overall distaste for tax-exempt financing.

But the Treasury might look favorably on some of the proposals — including three that would make it easier to arbitrage rebate requirements — if modifications were made to lessen opportunities they present in their current form for engaging in arbitrage-driven deals, said Treasury Assistant Secretary for Tax Policy Kenneth W. Gideon.

Mr. Gideon's general disapproval of the measures, voted at a hearing called by the Senate Finance Committee's subcommittee on taxation, came in sharp contrast to pleas by several senators that the bills be enacted to help state and local governments finance infrastructure improvements at a time when federal aid is dwindling.

The subcommittee's hearing focused on three bills: legislation by Sens. Max Baucus, D-Mont., to simplify and make more workable bond provisions of the Tax Reform Act of 1986; a measure by Sens. Pete Domenici, R-N.M., to remove private-activity curbs on environmental infrastructure bonds; and a bill by Sens. Daniel P. Moynihan, D-N.Y., to remove the $15 million limit on the amount of bonds any nonhospital 501(c)(3) institution can issue.

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Los Angeles County Sets Up Its Stand Ahead of New York With Sale of Trans
By Dennis Walters

LOS ANGELES — Los Angeles County plans today to sell $1.3 billion of tax and revenue anticipation notes, edging into the market ahead of the mammoth sale of New York State notes planned for next week.

"We think it's better now than later," said Los Angeles County notes because of the huge supply of pending short-term deals, both in California and out of state, said Robert C. Larkin, a vice president of Morgan Stanley & Co., senior manager on the county issue.

The county's deal, which is the biggest note issue in its history, had tentatively been set for pricing on June 19, the same day on which New York plans to price a $3.9 billion revenue anticipation note issue.

Although the New York deal "was a major factor" influencing the decision to price Los Angeles County notes this week, Mr. Larkin also noted that there is "a fair amount of other California supply" competing for investors.

Sharon Yonashiro, manager of public finance for the county, said, "it was better to revise our plan and go a little earlier," especially because California itself is also expected to sell

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TODAY'S NEWS

VERMONT WAS REBUKED by Standard & Poor's Corp. for its third consecutive fiscal year of budgetary imbalance with a downgrade on its general obligation bonds to AA-minus from AA.

Page 2

KEY MARKETS

Governments: Worries about today's indicators caused a wave of retail selling yesterday that sent the yield on the 30-year Treasury bond above 8 1/2% for the first time this year.
California issues dominated what little activity there was in the note sector, traders said. Recently issued big county names were being offered in the 4.40%-4.45% range. The offering for California paper maturing near the end of this month was around 5%.

In another short-term market development, traders who attended an information meeting for next week’s 83.9 billion New York State tax and revenue anticipation note offering said that price talk for the notes ranged from a 4.80% to 5.10%.

Negotiated PRicings

**Charleston County, SC.**, $92.1 million utility system revenue bonds.

*Ratings: Moody’s Aaa; Standard & Poor’s Aaa, FOBG insured.*

Serial yields were scaled out to 6.65% in 2002. The term bonds include a $22.8 million 2014 maturity priced at 99.4% as 7s to yield 7.065%, and a $36.3 million 2021 maturity offered at 97.4% as 6s to yield 7.096%.

William R. Hough & Co. was senior manager for the underwriters. The bond terms were due at 2030, were offered at 99% as 7.40s to yield 7.459%. The $13.9 million term bonds of 2011 were priced at par to yield 7.375%. And the $9.5 million term bonds of 2001 were priced at par to yield 6.80%.

The issue was marketed through an account led by Goldman, Sachs & Co. The verbal award was received yesterday.

**Tulsa Industrial Authority, Okla.**, $84.1 million hospital revenue bonds (Tulsa Regional Medical Center) series 1991A.

*Ratings: Standard & Poor’s A- minus.

The offering is expected to be comprised of: 827 million serial bonds priced at 97 as 7 1/2 to yield 7.77%; 628 million term bonds of 2006 offered at 98% as 7s to yield 7.698%, and serials priced at par and scaled from 5.25% in 1992 to 7.7% in 2001.

The issue is being negotiated by First Boston Corp. The official award is expected tomorrow.

**Broward County Health Facilities Authority, Fl.**, $25.3 million health facility revenue bonds (North Beach Hospital) series 1991.

*Ratings: Moody’s Aaa; Standard & Poor’s Aaa, MBIG insured.*


The bond terms were offered through an account led by Bear, Stearns & Co. The formal award is expected today.

**Bridgeport**

Continued from front page

aggravate Bridgeport’s fiscal problems.

Bankruptcy “ultimately could hurt the people of Bridgeport and the entire state, by undermining the city’s credit rating and raising the costs of borrowing, or barring [Bridgeport] entirely from the credit markets,” the attorney general said.

Under the 1988 legislation that established a state oversight board for the financially troubled city, Bridgeport has no right to seek the protection of U.S. bankruptcy courts without approval from the state, the attorney general said.

While the oversight legislation allows Bridgeport no right to file, according to the attorney general, it is unclear whether other cities and towns in Connecticut not under the control of an oversight board could declare bankruptcy.

The legislature considered a bill earlier this year that would have provided guidelines for state over-

ight of “distressed municipalities.” The legislation is now locked in a stand-off over how to balance the budget for fiscal 1992. According to one source, lawmakers still might pass distressed municipalities legislation in special session balloting.

Mr. Blumenthal’s complaint relies on the Chapter 9 stipulation that a municipality must be “generally authorized” by state law “or by a governmental officer or organization empowered by state law,” to enter bankruptcy.

“The city of Bridgeport is not generally authorized to be a debtor under state law,” Mr. Blumenthal says in his complaint. Bridgeport, according to the news release, is an unusual case because it under control of the review board.

In addition, Mr. Blumenthal cites bond counsel opinion to the effect that any Chapter 9 filing in the state would require a specific statute passed by the state legislature.

Bankruptcy court judges in other cases have held, however, that a
The White House, Congress Clash Over Funding In Highway Bill
By Patrice Hill

WASHINGTON — The White House and Congress locked horns over the highway bill yesterday as the Senate prepared to pass a $110 billion measure despite administration veto threats prompted by the measure's funding features.

The Senate began debating its version of the highway bill yesterday, and Sen. Daniel Patrick Moynihan, D-N.Y., the bill's chief sponsor, said he expected it to complete action by Friday, despite the increasing objections being raised by the Bush administration and some

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Japanese Muni Group Seeks More Investors, But Cultures Clash Over Tax Exemption
By Nicholas Boyle

Japanese municipal officials are very interested in the U.S. system of state and local borrowing, but there are no current plans to establish the exemption in the Land of the Rising Sun, according to Mitsuo Ichihashi, managing director of the Japan Local Bond Association.

In a fact-finding mission to the Public Securities Association last week, 22 delegates from the Japanese association, a rough equivalent to the PSA, in that it promotes the market through newsletters and conferences, were given a

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Municipal Bond Funds Gain Fresh Appeal As Individual Buyers Seek Better Returns
By Stephen A. Davies

WASHINGTON — Municipal bond funds are making a comeback as individual buyers, disgruntled with money-market returns that barely compete with passbook accounts, look for strong, tax-sheltered income.

According to money managers and industry statistical reports, the rising demand from investors is a direct result of falling money-market fund rates, while municipal bond fund yields have not come down nearly as much.

"Money clearly came out of short funds into long funds," said Jacob Dreyer, vice president and chief economist at the Investment Com-

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Bridgeport Feels On Safe Ground With Chapter 9, Attorney Says
By Ted Hampton

A bankruptcy lawyer handling the Chapter 9 filing by Bridgeport, Conn., yesterday voiced confidence in the case, despite charges that the city had overstepped legal boundaries by seeking bankruptcy court protection.

"The city recognized there's a certain element of risk," said Richard D. Zeisler, a corporate bankruptcy lawyer with the Bridgeport law firm Zeisler & Zeisler who was retained to represent the city. "But we feel we can prevail."

Under the legal guidance of state Attorney General Richard Blumenthal and the terms of the federal Bankruptcy Code itself, Connecticut maintains that, its cities, and towns require specific authorization from the state government to file a legitimate Chapter 9 petition. State officials say that principle holds true all the more for Bridgeport, which since 1988 has operated under the constant fiscal scrutiny of a state financial review board.

Existing precedents for Chapter 9 filings are few. Mr. Zeisler conceded in an interview. "I've probably filed more Chapter 11s from my office than Chapter 9s have been filed in the country," he said, adding that the paucity of Chapter 9 cases has made preparing the city's case easier.

But Mr. Zeisler also said existing case law for municipal bankruptcies, limited as it is, provides ample precedent for Bridgeport's filing.

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At Last, New York Budget Is Pronounced Balanced; Note Sale to Go Ahead
By John J. Doran

New York's budget is balanced, and the offering of $4.7 billion in notes is expected to go ahead smoothly on Thursday as New York City's downtown financial hub gears up for the hectic pace of the second half of the year.
hands-on tour of the municipal market, especially the impact of the Tax Reform Act. "We're trying to establish a better market for local bonds," Mr. Liebowitz said in a telephone interview.

"We don't know how we can do that, but we are studying it. In the case of local bonds, we hope it is a market for the buyers."

More buyers most likely mean a more diversified purchasing base, according to Heather Ruth, president of the PSA. Currently, the Japanese municipal profile looks much like the U.S. marketplace did before tax reform. Banks, insurance companies, and individuals are all buyers, with the institutions snapping up most of the bonds. The predominant theory among U.S. public finance officials is that Japanese investors are more diversified than the profile of large Japanese investors means that banks and other financial institutions are more willing to buy bonds. The Japanese market penetration of the retail sector, therefore, is a direct result of the large banks and other financial institutions that buy bonds. The obvious reason for individual buying in America is the same: the interest rate is likely to be higher. The principal role played by tax-exempt bonds is to reduce trade and pricing, says Michael E. Dougerthy, vice chairman of the PSA and a leading authority on municipal bonds in New York City, where he earned a reputation for $10.5 billion is issued in New York City, according to the PSA. Dougerthy, who currently holds the record for the largest bond issue in the world, stated that the large banks and other financial institutions are the main buyers of municipal bonds. The closest equivalent to Japanese profitability is the idea that municipal bonds are not taxable on income, and that the tax-exempt bonds are not taxable on income.

In the D.C. continued from page 2

Jill Bailey Jr., R.R.A., would have the federal government provide local governments with an annual amount of money equal to 2.4% of city revenues. Under the plan, the federal government would provide an annual payment to the city to cover the cost of capital improvements, hosting the federal government.

Among the city's biggest problems is the lack of Sandy Hook Park. Roughly 55% of the land in the district is owned by the federal government and therefore cannot be taxed.

The annual federal payment has held steady at $34.5 million for the past six years, but the exact amount of the payment has largely been an unknown to district officials because of the vagaries of the legislative process.

The essential question approved by the House would reduce city officials' uncertainties about the size of the federal payment. In private, as it was passed with no amendments, the bill was sent to the Senate for their approval or disapproval.

Following the vote, Mayor Dixon ordered the city's labor force to work overtime to complete the necessary work and help save the federal government.

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Governor Cuomo
Fulfills His Promise: Vetoes $940 Million
In New York Budget

By John J. Doran

Making good on his threats, Gov. Mario M. Cuomo of New York yesterday vetoed about $940 million of spending measures in the budget passed by the Legislature last week.

If the vetoes go unchecked by the Legislature, New York City, other local governments, and schools districts around the state will be hit with $645 million in reduced state aid and revenue sharing.

"The Legislature has added more than a billion in new spending."

Please turn to Cuomo Page 24

Bridgeport
Could Benefit From a Hole In Chapter 9

By Ted Hampton

Bridgeport, Conn., could capitalize on a gap in the federal Bankruptcy Code that allows a municipality broad powers to overhaul labor agreements during bankruptcy proceedings, a bankruptcy lawyer said yesterday.

Jeffrey Cohen, a lawyer at the Denver-based law firm of Cohen & Herrn, said Chapter 9 of the bankruptcy code, which allows for a municipality's financial restructuring, permits a government or other municipality to recast collective bargaining agreements with its employees.

Congress amended Chapter 11, the chapter allowing a corporation to restructure, in the mid-1980s to make it more difficult for a debtor to back out of labor agreements.

When Continental Airlines first filed (for Chapter 11 bankruptcy) in 1984, Mr. Cohen said, "it was relatively easy to reject collective bargaining agreements. Now it's a lot more difficult."

But while Congress amended Chapter 11, he said, the lawmakers overlooked the infrequently used Chapter 9. "Congress just didn't think about it," he said. "No cities were going under at that time."

Lawyers for the city of Bridgeport, he said, could be planning to use the legal lacuna to the city's advantage. "Perhaps Bridgeport is really playing hardball with its unions, taking advantage of this gap," Mr. Cohen said.

Please turn to Bridgeport Page 25

NEWS

KEY MARKETS

Governments: Despite offering the highest yields since last fall, the market failed to attract retail interest again yesterday and prices stayed trapped in a narrow range. The long bond ended the New York session 1/8 lower, to yield 8.47 — its highest level since last November.

Corporates: Corporate America may try to outrun bond market bears with last-minute debt financing.

Please turn to Page 3
Removes From CreditWatch Bond Recovery Agency's Bonds


The Bond Buyer

(417) 25


Bridgeport

Continued from front page

The Board of Economic Advisers announced on Tuesday that, based on May tax collections, revenues for the fiscal 1991 would be only $3.37 billion, $228 million below the $3.59 billion appropriated last spring.

The Budget and Control Board had dealt with the $132 million shortfall announced in February by slicing $66.3 million in spending, including $60.9 million in pay raises. The remainder of the deficit was closed by drawing down the $62.7 million capital reserve fund and withholding $13.2 million in aid to local governments.

South Carolina's $790 million of general obligation debt is rated triple-A by both Moody's and Standard & Poor's Corp.

Sealed Bids

Continued from page 22

- Sarasota Co. Sch. Dist., Fla., 2 pm EDT (6/11) 12-mos. (book-entry) series 1991 tax anticipation notes $8,000,000
- Tennessee, 10 am EDT (6/10/91) refunding full faith and credit $1,552,500
- University of Kentucky, 10:30 am EDT (6/9/91) series 1991-10 series C community colleges educational building revenue 13-yr. avg. (1992-2005) $1,552,500
- Dist., Idaho, 5 pm EDT (6/10) (bank-qualified) series 1991 improvement... $9,400,000
- LaFayette, Minn., 10 am EDT (6/9) series 1991 improvement 6%-yr. avg. (1993-2007) $8,000,000
- Middle Country Central Sch. Dist. at Centereach, N.Y., 2 pm EDT (6/10) 1991 school district 6%-yr. avg. (1992-2008) $27,200,000
- Mississippi River Subdistrict of the Metropolitan St. Louis Sewer Dist., 10 am EDT (6/11) series 1991 sewer refunding 9%-yr. avg. (1996-2003) $1,335,000

Bridgeport's bankruptcy filing last week followed the city's failure to gain adequate concessions from labor to balance the coming year's budget, sources familiar with the situation said yesterday.

Rather than debt service on the city's outstanding bonds or vendor debts, employee pensions and labor agreements appear most vulnerable to any bankruptcy court proceeding that may ensue.

It is not even clear whether the U.S. Bankruptcy Court will accept Bridgeport's petition for protection from creditors. Richard Blumenthal, Connecticut's attorney general, plans to file a motion with the court seeking dismissal of the petition.

Another area of uncertainty is just what Chapter 9 would allow Bridgeport if the cash-starved city's petition were accepted by the court.

Richard D. Zelisler, a lawyer with the Bridgeport law firm of Zelisler & Zelisler, which is representing the city, could not be reached for comment yesterday.

Over the past several months, the city found itself mired in fruitless negotiations with union officials, attempting to craft an agreement that would help Bridgeport balance its books for the coming fiscal year. The city has been wrestling with a projected gap in a budget of about $300 million.

But the negotiations fell apart as the size of the city's gap and the value of concessions offered by union negotiators sparked debate.

"They only have a $12 million gap," said Wayne Gilbert, a spokesman for the National Association of Government Employees, referring to the city. "We offered them $17.1 million [in concessions], and they turned their back on us.

Bridgeport officials, however, said the union package would amount only to $2 million in concessions, according to Donald A. Kirshbaum, executive director of the Bridgeport Financial Review Board.

Most of the city's existing labor contracts expire by the June 30 end of the fiscal year, although existing agreements stay in place until the city appoints new ones.

Many of Bridgeport's existing labor contracts contain lavish benefit packages for which city coffers can no longer provide. Most of those programs result from Bridgeport's previous attempts at cost-cutting, which are proving more expensive in the long run, according to Mr. Kirshbaum.

"Over the last two decades as the city was negotiating with unions, instead of giving pay increases, they gave benefit increases," he explained. "Now those benefits are coming back and starting to cost real dollars."

Among the more expensive benefits are health insurance policies without deductibles, Mr. Kirshbaum said. In addition, the city has unfunded pension liabilities of $346 million.

"Wages are not the problem," Mr. Kirshbaum said. "Health benefits are about the most generous anybody has ever seen. The sickleave policy, the vacation policy, those are the places where they need to renegotiate."

Bridgeport's Board of aldermen was expected to vote last night on fiscal 1992 revenue plan. A city alderman predicted a 4.9 mill increase would pass. The Bridgeport Financial Review Board last week ordered the city to increase taxes by 10.9 mills, or 18%.

Mary C. Moran, who announced the filing last Thursday night, has refused to raise taxes that much. At a mill rate of 60.3, or $60.30 per $1,000 of assessed value, Bridgeport's property tax levy already dwarfs others in the state, she says.

Ted Hampton

negative outlook. "The state has a long history of using its reserves and we are not worried about that use, as long as the reserves are in line with the deficits."

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card securities. The deal, which had been expected to hit the market Friday, had been pushed back by the job's new year.

Working through First Boston Corp., a special issuing vehicle, Tandy Master Trust 1991-A, offered the four-year securities as 8 1/4s to yield 95 basis points over the interpolated three- and five-year Treasury notes.

With the help of a 22% subordinated piece, the issue was enough to make the deal a success.
Bankruptcy of City Poses Novel Questions

BY ANDREW BLUM
National Law Journal Staff Reporter

BEFORE JUNE 6, Bridgeport, Conn., was little known in legal circles. Now Connecticut's largest city has become the first major municipality to file under Chapter 9 of the U.S. Bankruptcy Code.

Chapter 9 is rare, bankruptcy experts say, with one to two filings a year. Rewritten in 1975 to deal with three-possible filings by New York, Detroit and Los Angeles, the statute has been primarily used by improvement districts, hospitals and school districts.

Since it is the "backwater" of bankruptcy law, attorneys say litigation will likely center on little-known phrases. Unlike Chapter 11, under which judges have heavy leverage, lawyers say Chapter 9 judges are facillitators with little day-to-day say.

They added the debtor. And they added, the situation is unique because of its political nature.

The city of 142,000 floated a directive not to file from the state's Bridgeport Financial Review Board, which has overseen the city's finances since 1988. After the city had filed in Bankruptcy Court for the District of Connecticut, state Attorney General Richard Blumenthal on June 12 challenged the petition. In re: City of Bridgeport, debtor, 91-53232.

Mr. Blumenthal said two review board resolutions preclude bankruptcy: "Chapter 9 requires that the entity filing for bankruptcy be generally able to be a debtor. He said the term "debtor" here is "not satisfied" by Bridgeport because its finances are under review board auspices.

Cities Cost

Besides the legal ramifications, Mr. Blumenthal cites the potentially ruinous financial consequences: "We are seeking to block Bridgeport from succumbing to bankruptcy for the sake of taxpayers...for whom the long-term costs will greatly exceed short-term advantages." U.S. Bankruptcy Judge Alan H.W. Shiff has set July 16-18 as bearing dates on the state objection.

City bankruptcy lawyer Richard D. Zeller of Bridgeport's Zeller & Zeller P.C. said he would be surprised if Mr. Blumenthal believed otherwise. But Mr. Zeller asserted that the city has the right to file.

Without relief, the city said it is unable to balance next fiscal year's $319 million budget. Of the alternatives, the city said Chapter 9 was more acceptable than an 18 percent tax increase and service cuts. The city, which faces a deficit of $13 million and a shortfall of "at least $250 million" in the next five years, said it negotiated in good faith with unions for 17 months without getting $4.5 million in concessions.

But some question what Chapter 9 does for Bridgeport and cities generally: "The problem with Chapter 9 is it really doesn't do all that much for the municipality," said Dennis M. O'Don of Chicago's Keck, Mahin & Cate, noting that it temporarily relieves financial pressures, "The value is more political than anything else."

Additionally, said Mr. O'Don, who was the equally holder's lawyer in Pacific Inc.'s 1987 bankruptcy, Chapter 9 has the potential to create a constitutional dilemma: "How much can a U.S. Bankruptcy Court control the political structure of a municipality?"

Power Conflicts

Some of those conflicts were discussed in 1975 when the law was written, said Kenneth N. Klee of Los Angeles' Rutman, Trostler & Galt, a principal draftsman of the statute. He was minority counsel to the House Judiciary Committee Subcommittee on Civil and Constitutional Rights.

The big issues, Mr. Klee said, was "if a municipality filed bankruptcy, what power would the court have and what power would the municipality and state have?" That was resolved, he said, by saying the court can't interfere with the powers of the municipality.

"As for Mr. Blumenthal's challenge," Mr. Klee said, "no municipalities are generally authorized to be a debtor. We know it's legal because the Supreme Court said so. For the attorney general to say that, he's got to overcome that." Bencomo v. U.S., 364 U.S. 27 (1959).

Mr. Klee's partner and former House committee colleague, Richard B. Levin, said filing Chapter 9 should only be considered in an emergency. "Chapter 9 doesn't work for a city that just has a budget-balancing problem," he said. "Chapter 9 helps with debt. It suspends payment on debt there is enough cash to meet current obligations. Chapter 7 can be helpful."

"As for applications elsewhere," Mr. Levin said, "every situation is unique. Chapter 9 does not balance budgets. Elected officials have to balance budgets."
Congress Ponders Washington's Budget As City Frets Over Short-Term Borrowing

By Geoffrey A. Campbell

WASHINGTON — Congress appears likely to approve Mayor Sharpt Pratt Dixon's proposal for issuing $332 million of bonds to erase the District of Columbia's accumulated deficit, but city officials are still worried.

The question is whether legislators will act on the city's appropriations bill, which contains the proposal, in time to avoid a costly short-term borrowing. "We've got some serious concerns about that," an official said yesterday.

Delays are possible because of the cumbersome nature of the legislative process on Capitol Hill and because of a potential showdown over the issue of abortion funding, the officials said.

The city's last two budgets were both held hostage to the abortion issue. Lawmakers included language in the district's appropriation that would allow the city to use locally generated money to fund abortions for poor women, and each time the measures were vetoed by President Bush.

Delays in approval could prove costly to the district government. As part of her fiscal year 1992 budget proposal, Mayor Pratt Dixon called for the issuance of $332 million of bonds in August, traditionally a period when the city faces a cash shortage.

If the city is unable to issue the bonds, however, it may have to rely on a

Please turn to B.C. Page 4

Moody's Says Bridgeport To File for Chapter 9; Agency Suspends Ratings

Mayor Mary C. Moran of Bridgeport, Conn., informed Moody's Investors Service late yesterday that the city plans to file for bankruptcy under Chapter 9 of the Federal Bankruptcy Code, and the rating agency suspended its ratings on the city as a result.

At stake are about $220 million of outstanding municipal bonds, rated Baa by Moody's before the suspension and BBR by Standard & Poor's Corp. Daniel M. Heimowitz, managing director at Moody's, said the agency had spoken directly with Mayor Moran and she informed them that she would file for protection.

The Moody's ratings on the insured bonds are not affected by the filing, and remain triple-A. AMBAC Indemnity Corp. has exposure to Bridgeport through a 1983 sale: Financial Guaranty Insurance Co. has exposure to a 1985 sale; and Municipal Bond Insurers Assurance Corp. Insured in 1991. The proportion of the insured debt was unavailable at press time.

Mayor Moran had threatened the possibility of a Chapter 9 filing in early January, prompting a rush to sell the Bridgeport bonds. The mayor or city officials could not be reached late yesterday for comment.

— Nicholas Boyle

NEWS

KEY MARKETS

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| Corporates: Both the high-yield and investment grade sectors ended the day unchanged. |
| Stock Market: The Dow Jones industrial average fell 10.51 points to 2994.86. |
| Foreign Exchange: In late New York trading, the dollar was quoted at 139.15 Japanese yen and 1.7515 German marks. |
| Economic Indicators: The Labor Department said new claims for unemployment insurance fell 6,000, to 439,000, in the week ended May 28. That was a little disappointing, since the market had been expecting a 5,000 increase. |

DAILY YIELDS (In Percent)

| Bond Buyer 40 Bonds | 7.32 | 7.28 | 7.57 |
| Federal Funds Rate | 5.63 | 5.75 | 8.18 |
| 3 Mo. Treasury Bills | 5.71 | 5.77 | 7.94 |
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MEMORANDUM

TO: Francisco L. Borges, Chairman
     Donald A. Kirshbaum, Executive Director

FROM: Hawkins, Delafield & Wood
       Richard L. Sigel
       C. Todd Miles

DATE: May 23, 1990

SUBJECT: Bridgeport Financial Review Board

Pursuant to your request, we have reviewed the provisions of Special Act 88-80, as amended (the "Act") in order to determine the Board's responsibilities, as mandated by the Act, in the event that the City's adopted budget does not comply with the mandates of the Act. Set forth below is an outline of the mandated responsibilities of the Board at this time:

The Board shall, not more than 30 days after submission of three-year Financial Plan (incorporating City budget as first year of such plan), determine whether such plan is complete and complies with §11 of the Act.

The Board shall disapprove, by resolution, the Financial Plan (comprising the budget as the first year of such plan) if in Board's judgment such plan:

1. Is incomplete:
2. Fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation:
3. Fails to provide that operations of the City will be conducted within the cash resources available according to the Board's revenue estimates;
4. Fails to comply with the provisions of §11.

The Board shall formulate, adopt and order the City to implement a Financial Plan (comprising the budget as the first year of such plan) to be effective until the Board approves a plan submitted by the City, after enactment of a resolution finding that (a) the City has failed to submit a financial plan as required by §11 of the Act, or (b) the Board has not for any reason permitted under the Act approved a financial plan submitted by the City.

The Board, acting by and through the Treasurer of the State, may apply for a writ of mandamus authorizing any official, employee or agent of the City to carry out or give effect to any order or request of the Board authorized by the Act.
Mr. Kirshbaum indicated that he had copies of our statutory summary from last year. As you may recall, under similar circumstances last year we prepared such Statutory Summary of Special Act 88-80 Requirements Relating to City of Bridgeport Budget Process, dated April 13, 1989 (the "Statutory Summary"), copies of which were distributed to the Board and its staff, and City officials and staff. We would suggest that reference be made to copies of such Statutory Summary, especially Tab 5 thereof, for elaboration of the matters addressed in this letter.
AN ACT CONCERNING THE AUTHORIZATION OF STATE-GUARANTEED BONDS BY THE TOWN AND CITY OF BRIDGEPORT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 2 of special act 88-80, as amended by section 1 of special act 89-47, is amended to read as follows:

As used in special act 88-80, as amended by special acts 89-24, 89-47 and this act, the following terms shall have the indicated meanings:

(1) "Base year" when used in reference to a budget, estimate or computation, means the fiscal year next preceding the fiscal year in which the budget is required to be prepared and adopted, being the second fiscal year next preceding the budget year;

(2) "Board" means the Bridgeport financial review board created pursuant to section 9 of special act 88-80, as amended by section 2 of special act 89-47 AND SECTION 5 OF THIS ACT;

(3) "Budget year" means a fiscal year of the city for or with respect to which a budget is required or is adopted pursuant to law;

(4) "Cash revenues" means the amount actually received by the city in cash, plus accrued investment earnings;

(5) "City" means the town and city of Bridgeport;

(6) "Common council" means the common council of the city as it shall be constituted from time to time;

(7) "Comptroller" means the comptroller of the city;

(8) "Finance director" means the finance director of the city;

(9) "Contract" means any agreement, contract, lease, obligation, other than a debt obligation, letter of intent or acceptance regarding the provision of goods or services to or for the benefit of the city by and between the city and any other party, excluding collective bargaining agreements with employees of the city;

(10) "Current year" when used in reference to a budget, estimate or computation, means the fiscal year in which the budget is required to be prepared and adopted, being the fiscal year next preceding the budget year;

(11) "Debt service percentage" means, for any budget year, the fraction whose numerator is the total debt service on all bonds and notes of the city for the first six months of such year or the second six months
of such year, as the case may be, and whose denominator is forty-nine and one-half per cent of the intercept revenues budgeted for such year; (12) "emergency period" means the period of time from the effective date of [this act] SPECIAL ACT 88-80 until such time as the board, BY RESOLUTION, determines that: (A) the results of operations for the general fund of the city shall have had cash revenues in excess of expenditures for two consecutive fiscal years; (B) the city has presented a financial plan that projects positive operating fund balances for the three years covered by such financial plan in accordance with generally accepted accounting principles and this act [and] (C) the city has access to the public credit markets AND (D) THE AUDIT FOR THE FISCAL YEAR ENDING JUNE 30, 1993, HAS BEEN COMPLETED AND THE RESULTS OF OPERATIONS FOR THE FISCAL YEARS ENDING JUNE 30, 1992, AND JUNE 30, 1993, OR ANY TWO SUBSEQUENT FISCAL YEARS, MEET THE TESTS OF SUBPARAGRAPH (A) OF THIS SUBDIVISION; (13) "expenditures for any fiscal year" means the amount actually paid or otherwise properly attributable to such fiscal year, including accounts payable and any portion of an appropriation duly encumbered at the close of such fiscal year; (14) "financial plan" means the financial plan of the city to be developed pursuant to section 11 of special act 88-80, as amended by section 4 of SPECIAL ACT 89-47 AND SECTION 7 OF THIS ACT, as such plan may be from time to time modified; (15) "generally accepted accounting principles" means the statements, conventions, rules and interpretations defining accepted accounting practices for governmental entities promulgated by the Governmental Accounting Standards Board, as they are modified from time to time; (16) "intercept revenues" means all taxes and interest, penalties and other charges appertaining thereto paid to the city, but shall not include any additional taxes collected for any special services district within the city; (17) "justification document" means a written certificate setting forth facts determined and actions completed which forms an existing basis for a reasonable expectation that (A) in the case of receipts, a stated amount thereof will actually be collected or otherwise realized in cash during a budget year, or (B) in the case of appropriations, that the stated amount thereof will be sufficient for all expenditures by the
city for the purpose thereof during a budget year, and which is accompanied by certified copies of all proceedings necessary to evidence the completion of all such actions; (18) "mayor" means the mayor of the city; (19) "monthly debt service requirement percentage" means, for any thirty day period, the fraction whose numerator is the amount of debt service scheduled to be paid in the next thirty days less the current balance in the debt service fund and whose denominator is the amount of other revenues estimated by the comptroller to be received in the next thirty days; (20) "properly attributable" means the accounting system and procedures for cities prescribed by the Governmental Accounting Standards Board as modified by special act 88-80, as amended by SPECIAL ACTS 89-24, 89-47 AND this act, and all as determined and applied by independent accountants; (21) "required minimum capital reserve" means the amount specified in the indenture to be entered into pursuant to subsection (b) of section 6 of special act 88-80, AS AMENDED BY SECTION 1 OF SPECIAL ACT 89-24 AND SECTION 4 OF THIS ACT as the minimum requirement in any special capital reserve established pursuant to subsection (c) of section 6 of special act 88-80, AS AMENDED BY SECTION 1 OF SPECIAL ACT 89-24 AND SECTION 4 OF THIS ACT; (22) "accountant" means a firm of nationally recognized certified public accountants; (23) "GENERAL FUND BUDGET" MEANS THE ANNUAL GENERAL FUND BUDGET OF THE CITY AS DEFINED BY THE CHARTER OF THE CITY; (24) "ANNUAL BUDGET" MEANS THE GENERAL FUND BUDGET, WATER POLLUTION CONTROL AUTHORITY BUDGET, CAPITAL FUND BUDGET AND SPECIAL REVENUE FUND BUDGET OF THE CITY FOR THE BUDGET YEAR; (25) "WATER POLLUTION CONTROL AUTHORITY FUND BUDGET" MEANS THE BUDGET OF THE WATER POLLUTION CONTROL AUTHORITY AS SET FORTH IN THE ORDINANCES OF THE CITY; (26) "CAPITAL FUND BUDGET" MEANS THE ANNUAL CAPITAL FUND BUDGET OF THE CITY AS DEFINED BY THE CHARTER OF THE CITY; (27) "SPECIAL REVENUE FUNDS BUDGET" MEANS THE COMBINED REVENUE AND EXPENDITURE PLANS FOR THOSE OPERATING FUNDS OF THE CITY WHICH ARE NOT INCLUDED IN THE GENERAL FUND, WATER POLLUTION CONTROL AUTHORITY FUND AND CAPITAL FUND.

Sec. 2. Section 4 of special act 88-80 is amended to read as follows:

The common council may delegate to the mayor and [comptroller] FINANCE DIRECTOR, subject to the approval of the board, the authority to determine the date, maturities, prices, interest rate or

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rates, form, manner of sale and other terms and conditions of bonds issued pursuant to SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act, including, but not limited to, the determination of the final form of and execution and delivery on behalf of the city of any agreement or indenture of trust to be entered into pursuant to section 6 of SPECIAL ACT 88-80, AS AMENDED BY SECTION 1 OF SPECIAL ACT 89-24 AND SECTION 4 OF this act in connection with the sale of such bonds. Such powers shall be exercised from time to time by the mayor and [comptroller] FINANCE DIRECTOR, subject to the approval of the board, in such manner as they shall determine to be in the best interests of the city, provided that any such bonds shall be for a term not exceeding twenty years. Bonds issued pursuant to SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act shall be sold in such manner and on such terms and conditions as the mayor and [comptroller] FINANCE DIRECTOR shall determine to be in the best interests of the city, subject to the approval of the board, and such bonds, when duly issued in accordance herewith, shall constitute the legal, valid and binding general obligations of the city for which the full faith and credit of the city shall be pledged to the payment of the principal thereof and the interest thereon. Bonds and bond anticipation notes issued pursuant to SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act are hereby determined to be issued for valid public purposes in the exercise of essential governmental functions.

Sec. 3. Section 5 of special act 88-80 is amended to read as follows:

Pending the certification of the fund balance deficit for the fiscal year ending June 30, 1988, the city may, pursuant to the authority contained in SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act and subject to the approval of the board, issue bonds or bond anticipation notes in an aggregate principal amount not to exceed fifty per cent of the estimated fund balance deficit for such fiscal year and such additional amount as may be approved to pay costs of issuance. The principal of and interest on any bond anticipation notes issued pursuant to SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act may be repaid from the revenues pledged pursuant to this
act, to the extent not paid from the proceeds of
renewals thereof or of bonds issued pursuant to
SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS
89-24, 89-47 AND this act. Upon the sale of said
bonds, the proceeds thereof, to the extent
required, shall be applied forthwith to the
payment of the principal of and interest on any
bond anticipation notes issued pursuant to SPECIAL
ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47
AND this act or shall be deposited in trust for
such purpose. The date or dates of such bond
anticipation notes, the maturities, denominations,
form, det: ls and other particulars of such bond
anticipation notes, including the method, terms
and conditions for the issue and sale thereof,
shall be determined by the mayor and [comptroller]
FINANCE DIRECTOR in the best interests of the
city, subject to the approval of the board,
provided that the term of all such bond
anticipation notes, including any renewals
thereof, shall not exceed twelve months. Such bond
anticipation notes shall constitute the legal,
valid and binding general obligations of the city,
for which the full faith and credit of the city
shall be pledged to the payment of the principal
thereof and the interest thereon.
Sec. 4. Subsection (b) of section 6 of special
act 88-80, as amended by section 1 of special act
89-24, is amended to read as follows:
(b) In order to further secure bonds and notes
issued pursuant to SPECIAL ACT 88-80, AS AMENDED
BY SPECIAL ACTS 89-24 AND 89-47 AND this act and
any other bonds or notes issued by the city while
any bonds or notes issued pursuant to SPECIAL ACT
88-80, AS AMENDED BY SPECIAL ACTS 89-24 AND 89-47
AND this act remain outstanding, the city shall
enter into an indenture of trust with a bank or
trust company located within or without the state,
and shall covenant pursuant to such indenture that
all intercept revenues shall be paid to the
trustee and held in trust for the benefit of any
and all owners or holders of all outstanding
general obligation bonds and notes of the city,
all bonds and notes issued under SPECIAL ACT
88-80, AS AMENDED BY SPECIAL ACTS 89-24 AND 89-47
AND this act and all additional bonds and notes
issued under such indenture; provided, however,
that the indenture shall authorize the trustee to
release to the city for its general operating
purposes any amounts in excess of the greater of
the monthly debt service requirement percentage or
the debt service percentage. In the event that intercept revenues are insufficient to meet debt service payments coming due and payable, the city shall pledge, pursuant to such indenture, to make revenues other than taxes available to the trustee for such debt service payments. NOTWITHSTANDING ANY OTHER PROVISIONS OF SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24 AND 89-47 AND THIS ACT, TO THE CONTRARY, INTERCEPT REVENUES SHALL BE CREDITED TO THE GENERAL FUND FOR PURPOSES OF THE GENERAL FUND BUDGET AND THE FINANCIAL PLAN IN THE YEAR IN WHICH SUCH INTERCEPT REVENUES ARE RECEIVED BY THE CITY, INCLUDING THE FISCAL YEAR ENDING JUNE 30, 1989. ANY STATEMENT OF REVENUES AND EXPENDITURES, BUDGET AND ACTUAL, AND ANY STATEMENT OF CHANGES IN THE FUND BALANCE, BUDGET AND ACTUAL, FOR THE GENERAL FUND FOR THE FISCAL YEAR ENDING JUNE 30, 1989 AND FOR EACH FISCAL YEAR THEREAFTER, SHALL REFLECT SUCH INTERCEPT REVENUES, FOR PRESENTATION PURPOSES, AS PART OF THE GENERAL FUND.

Sec. 5. Subsection (c) of section 6 of special act 88-80 is amended to read as follows:

(c) In connection with the issuance of bonds under the provisions of SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act, the city shall also, subject to the approval of the board, create and establish one or more reserve funds to be known as special capital reserve funds and shall pay into such special capital reserve funds (1) any moneys appropriated and made available by the state for the purposes of such funds, (2) any proceeds of sale of notes or bonds, to the extent provided in the proceedings authorizing the issuance thereof, and (3) any other moneys which may be made available to the city for the purpose of such funds from any other source or sources. The moneys held in or credited to any special capital reserve fund established under this subsection, except as hereinafter provided, shall be used solely for the payment of the principal of bonds of the city secured by such capital reserve funds as the same become due, the purchase of such bonds of the city, the payment of interest on such bonds of the city or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity; provided, the city shall have power to provide that moneys in any such fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of such
funds to less than the required minimum capital reserve, except for the purpose of paying such principal of, redemption premium and interest on such bonds of the city secured by such special capital reserve becoming due and for the payment of which other moneys of the city are not available. The city may provide that it shall not issue bonds to be secured by a special capital reserve fund created under this subsection at any time if the required minimum capital reserve on the bonds outstanding and the bonds then to be issued and secured by a special capital reserve fund will exceed the amount of such special capital reserve fund at the time of issuance, unless the city, at the time of the issuance of such bonds, shall deposit in such special capital reserve fund from the proceeds of the bonds so to be issued, or otherwise, an amount which, together with the amount then in such special capital reserve fund, will be not less than the required minimum capital reserve. On or before December first, annually, there is deemed to be appropriated from the state general fund such sums, if any, as shall be certified by the [comptroller] FINANCE DIRECTOR to the secretary of the office of policy and management and the treasurer of the state, as necessary to restore each such special capital reserve fund to the amount equal to the required minimum capital reserve of such fund, and such amounts shall be allotted and paid to the city. For the purpose of evaluation of any such special capital reserve fund, obligations acquired as an investment for any such fund shall be valued at the lower of cost or market. Nothing contained in this subsection shall preclude the city from establishing and creating other debt service reserve funds in connection with the issuance of bonds or notes of the city under subsection (b) of this section. Subject to any agreement or agreements with holders of outstanding notes and bonds of the city, any amount or amounts allotted and paid to the city pursuant to this section shall be repaid to the state from moneys of the city at such time as such moneys are not required for any other of its city purposes and in any event shall be repaid to the state on the date one year after all bonds and notes of the city theretofore issued on the date or dates such amount or amounts are allotted and paid to the city or thereafter issued, together with interest on such bonds and notes.
with interest on any unpaid instalments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders thereof, are fully met and discharged. Notwithstanding any other provisions contained in SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act, the aggregate amount of bonds to be secured by a special capital reserve fund or funds created and established pursuant to this subsection shall not exceed thirty-five million dollars.

Sec. 6. Section 9 of special act 88-80, as amended by section 2 of special act 89-47, is amended to read as follows:

There is hereby created the Bridgeport financial review board with such powers and functions as are set forth in SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act. The board shall consist of the treasurer of the state, the secretary of the office of policy and management, and the mayor, as ex-officio members with voting power, two members appointed by the mayor not later than ten days after the effective date of [this act] SPECIAL ACT 88-80, at least one of whom shall be a resident of the city, two members representing the public, one to be appointed jointly by the speaker of the house and resident pro tempore of the senate, and one to be appointed jointly by the minority leader of the house of representatives and the minority leader of the senate, [and] two members appointed by the governor no later than ten days after the effective date of [this act] SPECIAL ACT 88-80 AND TWO MEMBERS APPOINTED, NOT LATER THAN TEN DAYS AFTER THE EFFECTIVE DATE OF THIS ACT, BY THE TREASURER OF THE STATE, AT LEAST ONE OF WHOM SHALL BE A REPRESENTATIVE OF ORGANIZED LABOR AND ONE OF WHOM SHALL BE A RESIDENT OF THE CITY. The members appointed by the mayor, THE TREASURER OF THE STATE and the governor shall serve for a term not longer than four years and may be eligible for reappointment for consecutive terms. The members appointed by the legislative leaders shall serve for a term not longer than two years and may be eligible for reappointment for consecutive terms. One member of said board shall be a partner of a major accounting firm and one member of said board shall be the chief financial officer of a major corporation in the city, provided however, that each member of said board shall be, at the time of his or her appointment, a resident of the state of
Connecticut. IN THE EVENT OF A VACANCY IN THE BOARD, THE PERSON OR PERSON APPOINTING THE FORMER MEMBER WHOSE LEAVING HAS CREATED SUCH VACANCY SHALL APPOINT A PERSON TO FILL THE VACANCY FOR THE REMAINDER OF THE FORMER MEMBER'S TERM. The treasurer of the state shall be chairperson of the board and he or the vice chairperson shall preside over all meetings of the board. The chairperson shall designate a member of the board to serve as vice chairperson. A majority of the entire board shall constitute a quorum for the conduct of business. The board shall act by majority vote of the entire board. The board shall maintain a record of its proceedings in such form as it may determine; but such record shall indicate attendance and all votes cast by each member. The treasurer of the state and the secretary of the office of policy and management shall be each entitled to designate a representative to attend, in their place, meetings of the board and to vote or otherwise act in their behalf. Written notice of such designation shall be furnished to the board by the designating member prior to any meeting attended by his representative. Any representative shall serve at the pleasure of the designating member. No representative shall be authorized to delegate any of his duties or functions to any other person. The members of the board and all representatives designated by members of the board shall serve without salary or per diem allowance but shall be entitled to reimbursement by the city for actual and necessary expenses incurred in the performance of official duties under SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act, provided, that such member and representatives are not, at the time such expenses are incurred, public employees otherwise entitled to such reimbursement. The board shall be authorized to retain such consultants experienced in the field of municipal finance or accounting as it shall deem necessary or desirable for accomplishing its purposes. The board shall be assigned to the office of the state treasurer for administrative purposes only as said term is defined in section 4-38f of the general statutes. The expenses of the board, including any consultants appointed in accordance with SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act, as determined by the board, shall be paid by the city in accordance with such process as the board, the
city and the state treasurer may determine, and may be paid from the proceeds of bonds issued under SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act. The board may contract with the city to provide an appropriate method of payment of such expenses. The board shall be subject to audit by the auditors of public accounts pursuant to section 2-90 of the general statutes.

Sec. 7. Section 10 of special act 88-80, as amended by section 3 of special act 89-47, is amended to read as follows:

In carrying out the purposes of SPECIAL ACT 88-80 AND this act, the board shall perform the following functions:

(1) The board shall: (A) Consult with the city in the preparation of the ANNUAL BUDGET AND financial plan; [and the mayor's proposed budget;] approve such ANNUAL BUDGET AND financial plan and certify to the city GENERAL FUND BUDGET revenue estimates approved therein; (B) prescribe the form of the financial plan and the supporting information required in connection therewith of approval, disapproval and modification with respect to the financial plan; (C) review and approve the terms of each proposed long-term and short-term borrowing by the city during the emergency period; [and] (D) adopt regulations regarding its approval of contracts pursuant to section 18 of SPECIAL ACT 88-80, AS AMENDED BY SECTION 10 OF SPECIAL ACT 89-47 AND SECTION 14 OF this act; (E) REVIEW AND ANALYZE PRIOR TO THEIR APPROVAL BY THE COMMON COUNCIL ALL COLLECTIVE BARGAINING AGREEMENTS TO DETERMINE THEIR FINANCIAL IMPACT ON THE CURRENT YEAR BUDGET AND THE THREE-YEAR FINANCIAL PLAN, (F) WITH RESPECT TO LABOR CONTRACTS IN BINDING ARBITRATION AT THE REQUEST OF EITHER PARTY, PRESENT TESTIMONY TO THE ARBITRATION PANEL ON THE IMPACT OF THE PROPOSED CONTRACT PROVISIONS ON THE CURRENT YEAR BUDGETS AND THE THREE-YEAR FINANCIAL PLAN; AND (G) REVIEW AND ANALYZE, TO DETERMINE COMPLIANCE WITH THE THREE-YEAR FINANCIAL PLAN, ALL CAPITAL FUND CONTRACTS AND ALL BOND ORDINANCES AND RESOLUTIONS OF THE CITY INVOLVING AMOUNTS IN EXCESS OF TWO HUNDRED FIFTY THOUSAND DOLLARS AND ALL GENERAL FUND CONTRACTS AND WATER POLLUTION CONTROL FUND CONTRACTS, INCLUDING COLLECTIVE BARGAINING AGREEMENTS, WHICH ANTICIPATE THE APPROPRIATION OF MONEY IN A FUTURE BUDGET YEAR OF GREATER THAN ONE HUNDRED THOUSAND DOLLARS OR INCLUDE TERMINATION
PENALTIES IN EXCESS OF ONE HUNDRED THOUSAND DOLLARS FOR FAILURE TO APPROPRIATE OR OTHERWISE EXTEND THE CONTRACT.

(2) The board shall, from time to time and to the extent it deems necessary or desirable, in order to accomplish the purposes of SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT: (A) Review the efficiency and productivity of city operations and management, as the board shall determine, and make reports thereon to the mayor, the [comptroller] FINANCE DIRECTOR and the common council; (B) audit compliance with the financial plan AND FOR THE ANNUAL BUDGET in such areas as the board shall determine; (C) recommend to the city such measures relating to the efficiency and productivity of the city's operations and management as the board deems appropriate to reduce costs and improve services so as to advance the purposes of SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT; and (D) obtain information on the financial condition and needs of the city. Nothing herein shall diminish the powers of the mayor, the [comptroller] FINANCE DIRECTOR, the common council or any other board, agency or authority of the city otherwise provided by law.

(3) The board shall: (A) Receive from the city and review such financial statements and projections, budgetary data and information and management reports and materials as the board shall determine necessary or desirable to accomplish the purposes of SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT; (and) (B) inspect, copy and audit such books and records of the city as the board shall determine necessary or desirable to accomplish the purposes of SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT; AND (C) CONSULT WITH THE CITY'S AUDITORS DURING THE PROGRESS OF EACH ANNUAL AUDIT OF THE CITY AND OF THE WATER POLLUTION CONTROL AUTHORITY IN A MANNER TO BE DETERMINED BY THE BOARD.

(4) The [comptroller] FINANCE DIRECTOR shall deliver to the board monthly reports of the financial condition of the city, THE STATUS OF THE CURRENT ANNUAL BUDGET and of progress under the financial plan for the then current fiscal year, including, at such times as the board may determine, reports on the condition and operation of the general fund, the capital funds, the special revenue funds, WATER POLLUTION CONTROL
AUTHORITY FUND, the trust funds and all other operating funds, revenues and expenditures, appropriations, changes in appropriations duly authorized by the common council, estimates of the surpluses or deficits in the operating funds or accounts to the end of the then current fiscal year, statements and projections of general fund cash flow reserves, number of city employees on the city payroll and debt service requirements on all bonds and notes of the city for the following month.

(5) The board shall coordinate with the [comptroller] FINANCE DIRECTOR with respect to the performance of the board's review and monitoring of the revenues and expenditures of the city.

Sec. 8. Subsection (b) of section 11 of special act 88-80 is amended to read as follows:

(b) The financial plan AND EACH ANNUAL BUDGET shall be developed and approved, and may from time to time be modified with the approval of the board, in accordance with the following procedures: (1) Not later than forty-five days after the effective date of [this act] SPECIAL ACT 88-80, the city shall prepare and submit a financial plan to the board covering the three-year period beginning with the fiscal year commencing July 1, 1988. Not later than one hundred twenty days prior to the commencement of each fiscal year thereafter, the mayor shall submit to the board the city's proposed [operating and capital budgets] ANNUAL BUDGET for the ensuing fiscal year [and a certificate of the mayor stating that such budgets are consistent with the financial plan, that the budgets conform to the requirements of the act and that operation within the year is feasible] AND A FINANCIAL PLAN FOR THE TWO FISCAL YEARS FOLLOWING THE ENSUING FISCAL YEAR FOR ALL FUNDS. (2) NOT LATER THAN THIRTY DAYS AFTER THE SUBMISSION OF THE PROPOSED ANNUAL BUDGET AND FINANCIAL PLAN, THE BOARD SHALL, BY RESOLUTION, INDICATE WHETHER THE PROPOSED ANNUAL BUDGET AND FINANCIAL PLAN CONFORM TO THE REQUIREMENTS OF SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT AND WHETHER OPERATION OF THE CITY WITHIN THE BUDGETS IS FEASIBLE. IF THE BOARD DETERMINES THAT THE ANNUAL BUDGET AND FINANCIAL PLAN DO NOT CONFORM TO THE REQUIREMENTS OF SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT OR THAT THE OPERATION OF THE CITY WITHIN THE BUDGETS IS NOT FEASIBLE, THE RESOLUTION SHALL STATE THE AREAS OF

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NONCONFORMANCE OR THE REASONS WHY THE OPERATION OF THE CITY IS NOT FEASIBLE. (3) NOT LATER THAN FORTY DAYS PRIOR TO THE COMMENCEMENT OF EACH FISCAL YEAR DURING THE EMERGENCY PERIOD, THE MAYOR SHALL SUBMIT TO THE BOARD THE GENERAL FUND AND CAPITAL FUND BUDGETS OF THE CITY AS ADOPTED BY THE COMMON COUNCIL AND APPROVED BY THE MAYOR PURSUANT TO THE CITY CHARTER, THE BUDGET OF THE WATER POLLUTION CONTROL AUTHORITY FUND AS APPROVED BY SUCH AUTHORITY AND THE BUDGET OF THE SPECIAL REVENUE FUND. WITHIN FIFTEEN DAYS OF SUCH SUBMISSION, THE BOARD SHALL EITHER APPROVE OR REJECT SUCH BUDGETS AND SHALL DETERMINE WHETHER THE FINANCIAL PLAN IS COMPLETE AND COMPLIES WITH THE PROVISIONS OF THIS SECTION AND SHALL APPROVE OR DISAPPROVE THE FINANCIAL PLAN IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION. IF THE BOARD REJECTS ANY OF SUCH BUDGETS, THE BOARD SHALL, WITHIN FIFTEEN DAYS, DEVELOP AND APPROVE AN INTERIM BUDGET FOR THE CITY IN THE PLACE OF ANY BUDGET SO REJECTED. SUCH INTERIM BUDGET SHALL TAKE EFFECT AT THE COMMENCEMENT OF THE FISCAL YEAR AND SHALL REMAIN IN EFFECT UNTIL THE CITY SUBMITS AND THE BOARD APPROVES A MODIFIED BUDGET OR BUDGETS, AS THE CASE MAY BE. IN THE EVENT THAT THE BOARD REJECTS THE CITY GENERAL FUND BUDGET AND DEVELOPS AND APPROVES AN INTERIM GENERAL FUND BUDGET THE CITY COUNCIL SHALL THEN SET A TAX RATE AS REQUIRED BY SUBSECTION (c) OF SECTION 13 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 9 OF THIS ACT. ((2) (4) Not more than thirty days after submission of a financial plan or) a financial plan modification, the board shall determine whether the financial plan or financial plan modification is complete and complies with the provisions of this section and shall approve or disapprove the financial plan or financial plan modification in accordance with the provisions of this section. If the board determines that the financial plan or financial plan modification is complete and complies with the requirements of the act SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT, the board shall approve the financial plan or financial plan modification. [Upon making such determination the board shall make a certification to the city setting forth revenue estimates approved by the board in accordance with such determination] MODIFICATIONS TO THE GENERAL FUND BUDGET AND CAPITAL FUND BUDGET SHALL BE MADE BY THE COMMON COUNCIL AND APPROVED BY THE BOARD IN ACCORDANCE WITH THE PROVISIONS OF OF SECTION 14 OF
SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT. [(3)] [(5) The board shall disapprove, by resolution, the financial plan OR THE ANNUAL BUDGET proposed by the city if, in the judgment of the board, such BUDGET OR plan: (A) is incomplete; (B) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation; (C) fails to provide that operations of the city will be conducted within the cash resources available according to the board's revenue estimates; or (D) fails to comply with the provisions of this section. [(4)]

[(6) In the event that the city shall, for any reason, fail to submit a financial plan AND ANNUAL BUDGET as required by this section, or to comply with a financial plan OR ANNUAL BUDGET approved by the board, or in the event that the board has not, for any reason permitted under SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act, approved a financial plan OR ANNUAL BUDGET submitted by the city, the board, after enactment of a resolution so finding, shall formulate and adopt a financial plan OR ANNUAL BUDGET OR BOTH, AS THE CASE MAY BE, to be effective until the board approves a financial plan OR ANNUAL BUDGET OR BOTH, AS THE CASE MAY BE, submitted by the city. [(5)] [(7) After the initial approval of the financial plan AND ANNUAL BUDGET, the revenue estimates certified by the board and the financial plan AND ANNUAL BUDGET shall be regularly reexamined by the board in consultation with the city and the city shall provide a modified financial plan AND MODIFIED ANNUAL BUDGET in such detail and within such time period as the board may require. In the event of reductions in such revenue estimates, or in the event the city shall expend funds at a rate that would exceed the aggregate budgeted appropriations for the city prior to the expiration of the fiscal year, the city shall submit a financial plan ANNUAL BUDGET modification to effect such adjustments in revenue estimates and reductions in total expenditures as may be necessary to conform to such revised revenue estimates or aggregate budgeted appropriations AND REQUIRED RESERVES. If, within a time period specified by the board, the city fails to make such modifications after reductions in revenue estimates, or to provide a modified [plan] ANNUAL BUDGET in detail and within such time period required by the board, the board,
after enactment of a resolution so finding, [may] SHALL formulate and approve such modifications to the financial plan ANNUAL BUDGET, such modifications to become effective on their approval. [(6)] [(8) The city may, from time to time, submit financial plan modifications AND ANNUAL BUDGET MODIFICATIONS for review by the board. The board shall approve such modifications unless, in the judgment of the board, such modifications would constitute grounds for disapproval of a financial plan OR ANNUAL BUDGET pursuant to this section.

Sec. 9. Section 12 of special act 88-80, as amended by section 5 of special act 89-47, is amended to read as follows:

(a) There shall be included and made in the GENERAL FUND budget of the city for or with respect to each budget year not less than the following appropriations estimated and computed in accordance with this section: (1) All appropriations required to fund expenditures required by law for the budget year; (2) appropriations of the amounts required for the budget year to pay debt service, including interest on tax anticipation notes and revenue anticipation notes to be issued during the budget year and paid prior to the expiration of such year; (3) appropriations of the amounts required for the payment of any judgments or settled claims against the city unpaid at the beginning of such budget year together with interest thereon until paid and amounts properly attributable as reserve for any final judgments or settled claims against the city not otherwise funded through the issuance of bonds during the budget year together with interest, if any, thereon; (4) appropriation of the amounts required for all other expenditures to be made during the budget year, or properly attributable to such year, for the general support and current expenses of the government of the city to be paid from taxes or special assessments or other current revenues of the city for such year; (5) an appropriation for liquidation of prior deficits of the city of not less than the amount determined as stated below for the required provision for deficits of prior years for such budget year provided however, that any portion of such deficits arising in connection with changes in accounting rules promulgated by the Governmental Accounting Standards Board shall not be included; (6) an amount equal to AT LEAST one

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[percent of the budget] MILLION DOLLARS to fund the reserve provided for in subdivision (3) of subsection (C) of [this act] SECTION 11 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 4 OF SPECIAL ACT 89-47, provided that the cumulative amount of such reserve shall not be required to exceed [three percent of the budget for any year] FIVE MILLION DOLLARS.

[(b) Unless the exact amount of the expenditure for any item of any such appropriation for a budget year is known and stated at the time of making and adopting the budget for or with respect to such year, the amount thereof shall be estimated by the common council. Any such estimate for such item shall not be less in amount than the amount for such item of expenditure paid or incurred for or with respect to the base year, or less in amount than the appropriation made or included for such item in the budget for the current year, whichever is less, unless there shall have been previously filed with the board a justification document of the common council with respect to such estimate.]

[(c)] [(b) The required provision for deficits of prior years for or with respect to a budget year shall be the amount of the aggregate of the deficits of the various operating funds of the city as of the end of the base year as determined under SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act.

[(d) Subject to the limitations set forth in subsection (b) of this section, there shall be attached to and made a part of each budget of the city a schedule of cash expenditures and cash receipts for the budget year on a monthly basis in as much detail as the common council shall consider appropriate for the determination of the estimated need for the issuance of tax or revenue anticipation notes. In addition, with respect to each budget subsequent to the second budget effective under this act, there shall be attached to such schedule the certificate of the comptroller setting forth the actual cash expenditures and actual cash receipts on a monthly basis for the base year. In the event there shall be substantial variation between the schedule attached to the budget and the certificate, there shall be filed with the board a justification document of the chief fiscal officer, approved by the common council of the city.]
Sec. 10. Section 13 of special act 88-80 is amended to read as follows:
(a) In computing or stating the amount of city taxes assessed or levied or to be assessed or levied upon real property in the city pursuant to the GENERAL FUND budget for any budget year there shall not be deducted from the total of the appropriations included and made in such budget, and the receipt or availability shall not be estimated or anticipated in such GENERAL FUND budget of, any sum or sums of money which HAVE NOT BEEN CERTIFIED BY THE BOARD. [the common council does not by resolution declare will be collected or otherwise realized in cash by or for the account of the city prior to the expiration of such year, or, in any event, any sum or sums of money other than or in excess of the following:
(1) Operating surpluses of prior years not in excess of the amount of the aggregate of the fund balances of the various operating funds of the city as of the end of the base year; (2) as state or federal aid under any program thereof, continuing fully in effect until the end of said budget year, a sum or sums of money not in the aggregate exceeding the amount received or otherwise realized in cash by the city for or on account of said program during the base year, or any such larger amount as may be certified by an officer, board, commission or other agency of the state or the United States of America as received or receivable in cash, for or on account of said program and under legislation and appropriations then fully effective and sufficient, by the city from such officer, board, commission or agency or from the state or the United States of America, free from any setoff or counterclaim, during any period of twelve consecutive months ending not later than the end of such budget year or more than six months prior to the beginning of said year; (3) miscellaneous revenues not in any instance or as to any item in excess of the amount of such miscellaneous revenues collected or otherwise realized in cash from the same source in the base year or properly attributable to the current year; (4) revenues in excess of amounts permitted for any item under the provisions of subdivisions (1) to (3), inclusive, of this subsection, but only if there shall have been previously filed with the board a justification document approved by the common council and the board with respect to such item; and (c)
miscellaneous revenues as to any item not mentioned in subdivision (3) of this subsection, but only if there shall be filed a justification document approved by the common council and the board with respect to such item, not in excess of the amount of such miscellaneous revenues actually realized in cash from the same source in the current year in not less than four of the six months prior to the beginning of said budget year plus that anticipated for the remaining months of the current year estimated as accurately as may be, provided that the authority for receiving such item of miscellaneous revenues shall continue to be fully in effect until the end of said budget year.

(b) In stating in any budget the receipts pursuant to subdivisions (2) to (6), inclusive, of subsection (a) of this section, there shall be attached to the budget a certificate of the comptroller stating that the inclusion of such receipt for such budget year is properly attributable to such budget year.

[(c)] (b) For and with respect to each budget year, the common council shall assess and levy the amount of real property taxes for each such year required under the GENERAL FUND budget, including the required provisions for deficits of prior years referred to in section 12 of [this act] SPECIAL ACT 88-80 AND THE REQUIRED RESERVE REFERRED TO IN SECTION 12 OF SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT, being the excess of the aggregate amount of all appropriations AND REQUIRED RESERVES included and made in such budget over the aggregate amount of all receipts, except real property taxes for such year, anticipated in such GENERAL FUND budget as estimated and stated in accordance with the limitations of subsection (a) of this section, and the common council shall cause to be raised the said amount so required by tax upon real property liable therefor in the manner provided for the levy of city taxes.

Sec. 11. Section 14 of special act 88-80, as amended by section 7 of special act 89-47, is amended to read as follows:

No transfer shall at any time be made of any part of [an appropriation referred to in any of subdivisions (1) to (5), inclusive, of subsection (a) of section 12 of special act 88-80, as amended by section 5 of this act, to an appropriation under any other of said subdivisions without a
justification document; provided, however, that
this shall not prohibit nor require a
justification document for intraorganizational
transfers of less than one hundred thousand
dollars of budgeted appropriations during the then
current fiscal year. No other budgeted transfers
for any purpose shall be authorized or made or
shall take effect at any time unless there shall
have been previously filed with the board a
resolution of the common council finding that the
unencumbered balance of such appropriation
remaining after such transfer equals or exceeds
the estimated expenditures of the city required
for such purpose during the remainder of the
budget year, together with a justification
document of or approved by the common council with
respect to such finding. Upon the taking effect of
such transfer, the amount of the appropriation in
such budget to which such transfer is made shall
be deemed for all purposes of special act 88-80 to
be increased by the amount of such transfer. A
GENERAL FUND APPROPRIATION OR CAPITAL FUND
APPROPRIATION UNLESS SUCH TRANSFER IS APPROVED
FIRST BY THE BOARD AND THEN BY THE COMMON COUNCIL.
No transfer under this section shall be made to
any appropriation for expenditures with respect to
a capital project for which there is an existing
bond ordinance in effect covering such capital
project, unless such bond ordinance is amended to
increase the estimated maximum amount of the cost
of financing such capital project and provision is
made to finance the appropriation for such
increase with the use of such general operating
funds. Under no circumstances shall an
appropriation for a capital project for which
there is an existing bond ordinance in effect
covering such project be transferred to any budget
appropriation for general operating expenses, nor
shall bond funds for any capital project be used
for the payment of general operating expenses
pending the use or disposition of such funds for
their original purpose.
Sec. 12. Section 15 of special act 88-80, as
amended by section 8 of special act 89-47, is
amended to read as follows:
No emergency appropriation, supplemental or
supplementary appropriation or other increase in
the amount of any appropriation made in any
GENERAL FUND budget shall be authorized or made or
shall take effect during the budget year, except
(1) an increase by a transfer made in accordance

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E-19
with section 14 of special act 88-80, as amended by section 7 of SPECIAL ACT 89-47 AND SECTION 10 OF this act or (2) a supplemental appropriation for the payment of expenditures expected to be met in full by application of an amount not estimated or anticipated as a revenue or receipt in such GENERAL FUND budget which is [(A)] certified by the board in (a financial plan) AN ANNUAL BUDGET modification made pursuant to section 11 of special act 88-80, as amended by section 4 of SPECIAL ACT 89-47 AND SECTION 7 OF this act, as receivable in cash in such budget year. (or (B) certified by an officer, board, commission or other agency of the state or the United States of America to be receivable in accordance with generally accepted accounting principles by the city during such budget year from such officer, board, commission or agency or from the state or the United States of America, under legislation and appropriations then fully effective and sufficient, for the purpose of paying such expenditure, free from any setoff or counterclaim.)

Sec. 13. Subsection (b) of section 16 of special act 88-80, as amended by section 9 of special act 89-47, is amended to read as follows:

(b) All GENERAL FUND budgets adopted by the city (A) shall contain estimates of revenues and expenditures prepared in conformance with the requirements of special act 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND THIS ACT, (B) shall contain an annual tax collection rate percentage which is forecasted at the average of the actual annual tax collection rate percentage for the three previously completed fiscal years, (and) (C) shall be balanced subject to the provisions hereof AND (D) SHALL, DURING THE EMERGENCY PERIOD, BE APPROVED BY THE BOARD.

Sec. 14. Section 17 of special act 88-80 is amended to read as follows:

During the emergency period: (1) No officer or employee of the city shall make or authorize a contract in excess of the amount available therefor under the financial plan AND ANNUAL BUDGET as then in effect; and (2) no officer or employee of the city shall involve the city in any contract for the payment of money for any purpose required to be approved by the board unless such contract has been so approved and unless such contract is in compliance with the financial plan AND THE ANNUAL BUDGET as then in effect.
officer or employee of the city shall take any action in violation of any valid order of the board or shall fail or refuse to take any action required by any such order or shall prepare, present or certify any information, including any projections or estimates, or report for the board or any of its agents that is false or misleading. In addition to any penalty or liability under any other law, any officer or employee of the city who shall violate the provisions of this section shall be subject to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of the mayor. In the case of a violation of the provisions of this section by an officer or employee of the city, the mayor shall immediately report to the board all pertinent facts together with a statement of the action taken thereon.

Sec. 15. Section 18 of special act 88-80, as amended by section 10 of special act 89-47, is amended to read as follows:

If the audit of the city for the fiscal year ending June 30, 1990 shows an [operating fund balance deficit] EXCESS OF EXPENDITURES TO CASH REVENUES IN THE GENERAL FUND for such fiscal year or, if at any time during or after the emergency period, the city shall lose access to the public credit markets, the following provisions shall take effect and be in effect until such deficit is eliminated or such access is restored: (1) The board shall formulate and adopt such modifications to the financial plan and the city's ANNUAL budget as it shall determine necessary to achieve the purposes of special act 88-80, as amended by SPECIAL ACTS 89-24, 89-47 AND this act, and shall recommend such modifications to the mayor and the common council. (2) With respect to all contracts to be entered into by the city requiring the payment of funds or the incurring of costs by the city, the city shall submit a copy of each such contract to the board accompanied by an analysis of the projected costs of such contract and a certification that performance thereof will be in accordance with the financial plan AND ANNUAL BUDGET, all in such form and with such additional information as the board may prescribe. The board shall promptly review the terms of such contract and the supporting information in order to determine compliance with the financial plan AND ANNUAL BUDGET. The board shall, by order,
disapprove any contract reviewed by it only after enactment of a resolution determining that, in its judgment, the performance of such contract would be inconsistent with the financial plan OR ANNUAL BUDGET, and upon such order the city shall not enter into such contract. If the board approves the terms of a reviewed contract, the city may enter into such contract upon the terms submitted to the board. Failure of the board to notify the city within thirty days, or such additional time, not exceeding thirty days, as the board shall have notified the city that it requires to complete its review and analysis, after submission to it of a proposed contract shall be deemed to constitute board approval thereof. (3) No officer or employee of the city shall make or authorize a contract in excess of the amount available therefor under the financial plan OR ANNUAL BUDGET as then in effect; involve the city in any contract for the payment of money for any purpose required to be approved by the board unless such contract has been so approved and unless such contract is in compliance with the financial plan AND ANNUAL BUDGET as then in effect; take any action in violation of any valid order of the board or fail or refuse to take any action required by any such order; or prepare, present or certify any information, including any projections or estimates, or report to the board or any of its agents that is false or misleading, or, upon learning that any such information is false or misleading, fail promptly to advise the board or its agents thereof. (4) The board shall issue to the appropriate officials of the city such orders as it deems necessary to accomplish the purposes of special act 88-80, as amended by SPECIAL ACTS 89-24, 89-47 AND this act, including but not limited to, timely and satisfactory implementation of an approved financial plan AND ANNUAL BUDGET. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties set forth in section 17 of special act 88-80, AS AMENDED BY SECTION 13 OF this act. If at any time the financial plan OR ANNUAL BUDGET OR any modification (thereof) OF SUCH PLAN OR BUDGET approved for the then current fiscal year projects an operating fund balance deficit for such fiscal year, the board may determine in its discretion that the provisions of this section shall take
Substitute House Bill No. 6107

effect and be in effect until such deficit is eliminated.

Sec. 16. Section 20 of special act 88-80 is amended to read as follows:
Six months after the end of the emergency period, the existence of the board and all other provisions of SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act except those contained in section 21 OF SPECIAL ACT 88-80 shall terminate; provided, however, the provisions of sections [12, 13, 14, 15, 16 and 19 and subsection (b) of section 6] SECTION 12 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 5 OF SPECIAL ACT 89-47 AND SECTION 8 OF THIS ACT, SECTION 13 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 6 OF SPECIAL ACT 89-47 AND SECTION 9 OF THIS ACT, SECTION 14 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 7 OF SPECIAL ACT 89-47 AND SECTION 10 OF THIS ACT, SECTION 15 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 9 OF SPECIAL ACT 89-47 AND SECTION 11 OF THIS ACT, SECTION 16 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 9 OF SPECIAL ACT 89-47 AND SECTION 12 OF THIS ACT, SECTION 19 OF SPECIAL ACT 88-80, AND SUBSECTION (b) OF SECTION 6 OF SPECIAL ACT 88-80 shall remain in full force and effect and a copy of the annual budget of the city shall be sent to the secretary of the office of policy and management for so long as any bonds or notes issued pursuant to SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act remain outstanding. While any bonds or notes issued pursuant to SPECIAL ACT 88-80, AS AMENDED BY SPECIAL ACTS 89-24, 89-47 AND this act remain outstanding, in the event that: (1) The operating funds of the city shall not have been in balance for two consecutive fiscal years in accordance with generally accepted accounting principles AND THIS ACT; or (2) the operating funds of the city shall not have been in balance for the previous fiscal year in accordance with generally accepted accounting principles AND THIS ACT and the city shall have lost access to the public credit.
act and be in effect until such deficit is
acted.

Sec. 16. Section 20 of special act 88-80 is
modified to read as follows:

Six months after the end of the emergency
period, the existence of the board and all other
provisions of special act 88-80, as amended by
special acts 89-24, 89-47 and this act except
those contained in section 21 of special act 88-80
shall terminate; provided, however, the provisions
shall remain in full force and effect and a copy of the
annual budget of the city shall be sent to the secretary of the office
of policy and management for so long as any bonds
or notes issued pursuant to special act 88-80, as
amended by special acts 89-24, 89-47 and this act
remain outstanding. While any bonds or notes
issued pursuant to special act 88-80, as amended
by special acts 89-24, 89-47 and this act remain
outstanding, in the event that: (1) the operating
funds of the city shall not have been in balance
with generally accepted accounting principles AND
THIS ACT; or (2) the operating funds of the city
shall not have been in balance for the previous
fiscal year in accordance with generally accepted
accounting principles AND THIS ACT and the city
shall have lost access to the public credit

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E-23
December 6, 1989

The Honorable James E. Tansley
Council President
Bridgeport Common Council
45 Lyon Terrace
Bridgeport, CT 06604

Dear Council President Tansley:

First, let me extend to you my congratulations on your election to the Presidency of the Bridgeport Common Council.

I am writing to you concerning the process for mid-year changes to the City's General Fund budget. The purpose of this letter is to (a) bring to your attention, in your role as President of the Common Council, the requirements of SA 88-80 and the role of the Common Council on budget transfers; (b) bring you up to date on the procedures that have been adopted by the Board, the City administration, and the Council; (c) bring you up to date on actions to date; and (d) transmit the Board response to the latest set of budget transfer justification documents which we received yesterday.

SA 88-80 places a number of restrictions on the City's budget process. One requirement is that no mid-year transfer of funds over $100,000 or between departments, or increases in appropriations can go into effect until a justification document of the Common Council is filed with the Board.

Attached my memo to OPM Director Steve Sasala and Alderman John Stafstrom dated July 28, 1989 which outlines the process for these justification documents. At their August 10 meeting, the Board acted to adopt this procedure. The attached memo documents the Act requirements as well as the agreed-to process for City OPM and Common Council action.

As part of the financial report submitted in October, the City transmitted justification documents #1 through #10. These were analyzed as part of my October 10 memo to the Board (excerpt attached).
Honorable James E. Tansley  
December 6, 1989  
Page 2  

The analysis pointed to several problems with the budget actions and I recommended that they be cumulatively addressed in the City's December financial plan modification. This approach was approved by the Board at their October 12 meeting.

Yesterday we received from the City justification documents #20 through #26 (copies attached). Although we have seen drafts of justification documents #11 through #19, we have not received executed copies, and therefore cannot respond to them. Until these documents are filed, the budget actions included in them cannot take place.

In respect to the documents received yesterday, the following two actions are not in compliance with SA 88-80, and therefore are not in effect.

#24 Increases expected revenues from building permits by $103,000. This account is currently projected to bring in $265,000 less than the original budget, making the revenue increase projection not in compliance with the Act.

#25 Account 580-0501-6000 shows year-to-date expenditures of $5,423 as of October 31, 1989. The budget transfer brings the appropriation below this amount (to $5,000) and is therefore not in compliance with the Act.

I would like to meet with you to discuss how you would like to work together on issues that we both are dealing with. Please let me know when this would be convenient for you.

I look forward to working with you in your new role as President of the Common Council.

Sincerely,

Donald A. Kirshbaum  
Executive Director

DAK:sw  
Attachments:

cc: Without attachments

Members of the Board  
Stephen R. Sasala II  
John H. Larson  
Joel Kleinman, Acting Comptroller  
Joan K. Magnuson, City Clerk  
Alderman John Stafstrom  
Alderman Thomas White
MEMORANDUM

July 28, 1989

TO: Stephen Sasala/John Stafstrom

FROM: Donald A. Kirshbaum

RE: Justification Documents for Mid-Year Budget Transfers

This memo sets forth the process we have agreed to regarding mid-year budget transfers in compliance with SA 88-80 (as amended by SA 89-47).

A. The Act provides:

1. No interorganizational budget transfer shall take effect until a justification document of the Common Council has been filed with the Board.

2. No intraorganizational budget transfer equal to or greater than $100,000 shall take effect until a justification document of the Common Council has been filed with the Board.

3. No appropriation shall be increased unless (a) funds are transferred from another budget account in accordance with provisions of the Act as stated above or (b) additional revenues are certified in accordance with the Act.

B. The following procedures will take effect immediately:

1. All requests to the Common Council for budget transfers shall come from the city's Office of Policy and Management.

2. All requests to the Common Council shall be accompanied by a draft justification document (when applicable) in the form attached to this memo.
3. The Common Council, upon approving the budget transfer, shall also (when applicable) adopt by resolution a justification document (as submitted by OPM or as amended by the Council), and shall immediately file such justification document with the Board.

C. The Monthly financial reports to the Board shall include a report on budget transfer activity through the 23rd of the month in which the report is submitted, including reports on:

- All budget transfers enacted by the Common Council by that date (since the last report)
- All justification documents adopted by the Common Council (since the last report)
- All budget transfer requests submitted to the Common Council by that date and not yet acted upon.

The report due August 31, therefore would include a report on all budget transfer activity through August 23. It is my understanding that there have been three 1989-90 budget transfers enacted to date, which will need to be reported on and require justification documents:

- Transfer from contingency to Town Clerk (or City Clerk)
- Transfer from contingency to city OPM to be allocated to the Management Advisory Committee
- Transfer of funds within the Welfare department.

These should be reflected in the August 31 report.

Attachment

cc: Members of the Board
Lisa Parziale
John Larson
Rodney Dennis
Richard Sigal
Lawrence Merley
Donald Brenner
BE IT RESOLVED that the Common Council of the City of Bridgeport finds that the unencumbered balance of the "transferred from" appropriation(s) listed below equals or exceeds the estimated expenditures of the City required for such purpose during the remainder of the current fiscal year. The council finding that the remaining amount after transfer is sufficient for all expenditures of the city for the purpose thereof during the budget year is justified by the following determination of facts and actions taken:

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<th>Transferred from appropriation account</th>
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<tr>
<td>Appropriation before transfer</td>
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<tr>
<td>Amount of transfer</td>
<td>$__________</td>
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<tr>
<td>Remaining Appropriation after transfer</td>
<td>$__________</td>
</tr>
<tr>
<td>Transferred to appropriation account</td>
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</table>

REVENUES (A OR B)

A. BE IT FURTHER RESOLVED that the Common Council finds that such transfer in funds will not reduce City revenues or revenue estimates for the current or future fiscal years.

B. BE IT FURTHER RESOLVED that the Common Council finds that such transfer will result in reduced revenues or revenue estimates for the current or future fiscal years, and such reduced revenues shall be replaced by

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INCREASED APPROPRIATION FROM INCREASED REVENUES

BE IT RESOLVED that the Common Council of the City of Bridgeport finds that the City shall receive additional revenues as follows: _______________; such revenues having been certified by _______________; and such revenues shall be allocated to increased appropriations for _______________ in the amount of _______________.

G-3
AN ACT CONCERNING THE ISSUANCE OF CERTAIN BONDS BY
THE TOWN AND CITY OF BRIDGEPORT.

Be it enacted by the Senate and House of
Representatives in General Assembly convened:

Section 1. Section 2 of special act 88-80 is
amended to read as follows:

As used in SPECIAL ACT 88-80 AND this act, the
following terms shall have the indicated meanings:
(1) "Base year" when used in reference to a
budget, estimate or computation, means the fiscal
year next preceding the fiscal year in which the
budget is required to be prepared and adopted,
being the second fiscal year next preceding the
budget year; (2) "board" means the Bridgeport
financial review board created pursuant to section
9 of SPECIAL ACT 88-80, AS AMENDED BY SECTION 2 OF
this act; (3) "budget year" means a fiscal year of
the city for or with respect to which a budget is
required or is adopted pursuant to law; (4) "CASH
REVENUES" MEANS THE AMOUNT ACTUALLY RECEIVED BY
THE CITY IN CASH, PLUS ACCRUED INVESTMENT
EARNINGS; (5) "city" means the town and city of
Bridgeport; [(5)] (6) "common council" means the
common council of the city as it shall be
constituted from time to time; [(6)] (7)
"comptroller" means the comptroller of the city;
(8) "FINANCE DIRECTOR" MEANS THE FINANCE DIRECTOR
OF THE CITY; [(7)] (9) "contract" means any
agreement, contract, lease, obligation, other than
a debt obligation, letter of intent or acceptance
regarding the provision of goods or services to or
for the benefit of the city by and between the
city and any other party, excluding collective
bargaining agreements with employees of the city;
[(8)] (10) "current year" when used in reference
to a budget, estimate or computation, means the
fiscal year in which the budget is required to be
prepared and adopted, being the fiscal year next
preceding the budget year; [(9)] (11) "debt
service percentage" means, for any budget year,
the fraction whose numerator is the total
appropriation in the budget) DEBT SERVICE ON ALL
BONDS AND NOTES OF THE CITY for the first six
months of such year or the second six months of
such year, as the case may be, [for debt service]
and whose denominator is [half of the city taxes
(12) "emergency period" means the period of time from the effective date of this act until such time as the board determines that: (A) [The operating funds] THE RESULTS OF OPERATIONS FOR THE GENERAL FUND of the city shall have [been in balance] HAD CASH REVENUES IN EXCESS OF EXPENDITURES for two consecutive fiscal years; [in accordance with generally accepted accounting principles;] (B) the city has presented a financial plan that projects positive operating fund balances for the three years covered by such financial plan in accordance with generally accepted accounting principles and SPECIAL ACT 88-80, AS AMENDED BY this act and (C) the city has access to the public credit markets; (13) "EXPENDITURES FOR ANY FISCAL YEAR" MEANS THE AMOUNT ACTUALLY PAID OR OTHERWISE PROPERLY ATTRIBUTABLE TO SUCH FISCAL YEAR, INCLUDING ACCOUNTS PAYABLE AND ANY PORTION OF AN APPROPRIATION DUELY ENCUMBERED AT THE CLOSE OF SUCH FISCAL YEAR; (14) "financial plan" means the financial plan of the city to be developed pursuant to section 11 of SPECIAL ACT 88-80, AS AMENDED BY SECTION 4 OF this act, as such plan may be from time to time modified; (15) "generally accepted accounting principles" means the statements, conventions, rules and interpretations defining accepted accounting practices for governmental entities promulgated by the Governmental Accounting Standards Board, as they are modified from time to time; (16) "intercept revenues" means all taxes and interest, penalties and other charges appertaining thereto paid to the city, BUT SHALL NOT INCLUDE ANY ADDITIONAL TAXES COLLECTED FOR ANY SPECIAL SERVICES DISTRICT WITHIN THE CITY; (17) "justification document" means a written certificate setting forth facts determined and actions completed which forms an existing basis for a reasonable expectation that (A) in the case of receipts, a stated amount thereof will actually be collected or otherwise realized in cash during a budget year, or (B) in the case of appropriations, that the stated amount thereof will be sufficient for all expenditures by the city for the purpose thereof during a budget year, and which is accompanied by certified copies of all proceedings necessary to evidence the completion of all such such actions; (18)
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"mayor" means the mayor of the city; [16] (19) "monthly debt service requirement percentage" means, for any thirty day period, the fraction whose numerator is the amount of debt service scheduled to be paid in the next thirty days LESS THE CURRENT BALANCE IN THE DEBT SERVICE FUND and whose denominator is the amount of [city taxes] INTERCEPT REVENUES estimated by the comptroller to be received in the next thirty days; [17] (20) "properly attributable" means the accounting system and procedures for cities prescribed by the Governmental Accounting Standards Board as modified by SPECIAL ACT 88-80, as amended by this act, and all as determined and applied by independent accountants; [18] (21) "required minimum capital reserve" means the amount specified in the indenture to be entered into pursuant to subsection (b) of section 6 of [this act] SPECIAL ACT 88-80 as the minimum requirement in any special capital reserve established pursuant to subsection (c) of section 6 of this act; [19] (22) "accountant" means a firm of nationally recognized certified public accountants.

Sec. 2. Section 9 of special act 88-80 is amended to read as follows:

There is hereby created the Bridgeport financial review board with such powers and functions as are set forth in SPECIAL ACT 88-80, as amended by this act. The board shall consist of the treasurer of the state, the secretary of the office of policy and management, and the mayor, as ex-officio members with voting power, two members appointed by the mayor not later than ten days after the effective date of this act, at least one of whom shall be a resident of the city, two members representing the public, one to be appointed jointly by the speaker of the house and the president pro tempore of the senate, and one to be appointed jointly by the minority leader of the house of representatives and the minority leader of the senate, and two members appointed by the governor no later than ten days after the effective date of this act. The members appointed by the mayor and the governor shall serve for a term not longer than four years and may be eligible for reappointment for consecutive terms. The members appointed by the legislative leaders shall serve for a term not longer than two years and may be eligible for reappointment for consecutive terms. One member of said board shall
be a partner of a major accounting firm and one member of said board shall be the chief financial officer of a major corporation in the city, provided however, that each member of said board shall be, at the time of his or her appointment, a resident of the state of Connecticut. The treasurer of the state shall be [chairman] CHAIRPERSON of the board and he or [his representative] THE VICE CHAIRPERSON shall preside over all meetings of the board. THE CHAIRPERSON SHALL DESIGNATE A MEMBER OF THE BOARD TO SERVE AS VICE CHAIRPERSON. A majority of the entire board shall constitute a quorum for the conduct of business. The board shall act by majority vote of the entire board. The board shall maintain a record of its proceedings in such form as it may determine; but such record shall indicate attendance and all votes cast by each member. The treasurer of the state and the secretary of the office of policy and management shall be each entitled to designate a representative to attend, in their place, meetings of the board and to vote or otherwise act in their behalf. Written notice of such designation shall be furnished to the board by the designating member prior to any meeting attended by his representative. Any representative shall serve at the pleasure of the designating member. No representative shall be authorized to delegate any of his duties or functions to any other person. The members of the board and all representatives designated by members of the board shall serve without salary or per diem allowance but shall be entitled to reimbursement by the city for actual and necessary expenses incurred in the performance of official duties under SPECIAL ACT 88-80, AS AMENDED BY this act, provided, that such member and representatives are not, at the time such expenses are incurred, public employees otherwise entitled to such reimbursement. The board shall be authorized to retain such consultants experienced in the field of municipal finance or accounting as it shall deem necessary or desirable for accomplishing its purposes. THE BOARD SHALL BE ASSIGNED TO THE OFFICE OF THE STATE TREASURER FOR ADMINISTRATIVE PURPOSES ONLY AS SAID TERM IS DEFINED IN SECTION 4-38f OF THE GENERAL STATUTES. The expenses of the board, including any consultants appointed in accordance with SPECIAL ACT 88-80, AS AMENDED BY this act, as determined by the board, shall be paid by the city IN
ACCORDANCE WITH SUCH PROCESS AS THE BOARD, THE CITY AND THE STATE TREASURER MAY DETERMINE, and may be paid from the proceeds of bonds issued under SPECIAL ACT 88-80, AS AMENDED BY THIS ACT. THE BOARD MAY CONTRACT WITH THE CITY TO PROVIDE AN APPROPRIATE METHOD OF PAYMENT OF SUCH EXPENSES. THE BOARD SHALL BE SUBJECT TO AUDIT BY THE AUDITORS OF PUBLIC ACCOUNTS PURSUANT TO SECTION 2-90 OF THE GENERAL STATUTES.

Sec. 3. Section 10 of special act 88-80 is amended to read as follows:

In carrying out the purposes of SPECIAL ACT 88-80 AND this act, the board shall perform the following functions:

(1) The board shall: (A) Consult with the city in the preparation of the financial plan and the mayor's proposed budget; approve such financial plan and certify to the city revenue estimates approved therein; (B) prescribe the form of the financial plan and the supporting information required in connection therewith of approval, disapproval and modification with respect to the financial plan; (C) review and approve the terms of each proposed long-term and short-term borrowing by the city during the emergency period; and (D) adopt regulations regarding its approval of contracts pursuant to section 18 of this act.

(2) The board shall, from time to time and to the extent it deems necessary or desirable in order to accomplish the purposes of this act: (A) Review the efficiency and productivity of city operations and management, as the board shall determine, and make reports thereon to the mayor, the comptroller and the common council; (B) audit compliance with the financial plan in such areas as the board shall determine; (C) recommend to the city such measures relating to the efficiency and productivity of the city's operations and management as the board deems appropriate to reduce costs and improve services so as to advance the purposes of this act; and (D) obtain information on the financial condition and needs of the city. Nothing herein shall diminish the powers of the mayor, the comptroller, the common council or any other board, agency or authority of the city otherwise provided by law.

(3) The board shall: (A) Receive from the city and review such financial statements and projections, budgetary data and information and management reports and materials as the board shall determine necessary or desirable to
Substitute Senate Bill No. 1061

accomplish the purposes of this act; and (B) inspect, copy and audit such books and records of the city as the board shall determine necessary or desirable to accomplish the purposes of this act.

(4) The comptroller shall deliver to the board monthly reports of the financial condition of the city and of progress under the financial plan for the then current fiscal year, including, AT SUCH TIMES AS THE BOARD MAY DETERMINE, REPORTS ON the condition and operation of the general fund, THE CAPITAL FUNDS, THE SPECIAL REVENUE FUNDS, THE TRUST FUNDS AND ALL OTHER OPERATING FUNDS, revenues and expenditures, appropriations, CHANGES IN APPROPRIATIONS DULY AUTHORIZED BY THE COMMON COUNCIL, estimates of the surpluses or deficits in the operating funds or accounts to the end of the then current fiscal year, statements and projections of general fund cash flow reserves, number of city employees on the city payroll and debt service requirements on all bonds and notes of the city for the following month.

(5) The board shall coordinate with the comptroller with respect to the performance of the board’s review and monitoring of the revenues and expenditures of the city.

Sec. 4. Subsection (c) of section 11 of special act 88-80 is amended to read as follows:

(c) A financial plan shall, except to the extent waived by the board with respect to any limited period, include any information which the board may request to satisfy itself that: (1) Projected employment levels, capital construction and such other matters as the board may specify, are consistent with the provisions made for such obligations in the financial plan; (2) the city is taking whatever action is necessary with respect to programs mandated by state and federal law to ensure that expenditures for such programs are limited to and covered by the expenditures stated in the financial plan; and (3) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period IN ACCORDANCE WITH THE PROVISIONS OF SECTION 12 OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 5 OF THIS ACT.

Sec. 5. Subsection (a) of section 12 of special act 88-80, is amended to read as follows:

(a) There shall be included and made in the budget of the city for or with respect to each budget year not less than the following
appropriations estimated and computed in accordance with this section: (1) All appropriations required to fund expenditures required by law for the budget year; (2) appropriations of the amounts required for the budget year to pay debt service, including interest on tax anticipation notes and revenue anticipation notes to be issued during the budget year and paid prior to the expiration of such year; (3) appropriations of the amounts required for the payment of any judgments or settled claims against the city unpaid at the beginning of such budget year together with interest thereon until paid and amounts properly attributable as reserve for any final judgments or settled claims against the city not otherwise funded through the issuance of bonds during the budget year together with interest, if any, thereon; (4) appropriation of the amounts required for all other expenditures to be made during the budget year, or properly attributable to such year, for the general support and current expenses of the government of the city to be paid from taxes or special assessments or other current revenues of the city for such year; (5) an appropriation for liquidation of prior deficits of the city of not less than the amount determined as stated below for the required provision for deficits of prior years for such budget year provided however, that any portion of such deficits arising in connection with changes in accounting rules promulgated by the Governmental Accounting Standards Board shall not be included; (6) AN AMOUNT EQUAL TO ONE PER CENT OF THE BUDGET TO FUND THE RESERVE PROVIDED FOR IN SUBDIVISION (3) OF SUBSECTION (c) OF SPECIAL ACT 88-80, AS AMENDED BY SECTION 4 OF THIS ACT, PROVIDED THAT THE CUMULATIVE AMOUNT OF SUCH RESERVE SHALL NOT BE REQUIRED TO EXCEED THREE PER CENT OF THE BUDGET FOR ANY YEAR.

Sec. 6. Subsection (b) of section 13 of special act 88-80 is amended to read as follows:

(b) In stating in any budget the receipts pursuant to subdivisions (2) to (6), inclusive, of subsection (a) of this section, there shall be attached to the budget (an accountant's) A certificate OF THE COMPTROLLER stating that the inclusion of such receipt for such budget year is properly attributable to such budget year.

Sec. 7. Section 14 of special act 88-80 is amended to read as follows:
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No transfer shall at any time be made of any part of an appropriation referred to in any of subdivisions (1) to (5), inclusive, of subsection (a) of section 12 of SPECIAL ACT 88-80, AS AMENDED BY SECTION 5 OF this act, to an appropriation under any other of said subdivisions without a justification document; provided, however, that this shall not prohibit nor require a justification document for intraorganizational transfers of LESS THAN ONE HUNDRED THOUSAND DOLLARS of budgeted appropriations during the then current fiscal year. No other budgeted transfers for any purpose shall be authorized or made or shall take effect at any time unless there shall have been previously filed with the board a resolution of the common council finding that the unencumbered balance of such appropriation remaining after such transfer equals or exceeds the estimated expenditures of the city required for such purpose during the remainder of the budget year, together with a justification document of or approved by the common council with respect to such finding. Upon the taking effect of such transfer, the amount of the appropriation in such budget to which such transfer is made shall be deemed for all purposes of SPECIAL ACT 88-80, AS AMENDED BY this act, to be increased by the amount of such transfer. No transfer under this section shall be made to any appropriation for expenditures with respect to a capital project for which there is an existing bond ordinance in effect covering such capital project, unless such bond ordinance is amended to increase the estimated maximum amount of the cost of financing such capital project and provision is made to finance the appropriation for such increase with the use of such general operating funds. Under no circumstances shall an appropriation for a capital project for which there is an existing bond ordinance in effect covering such project be transferred to any budget appropriation for general operating expenses, nor shall bond funds for any capital project be used for the payment of general operating expenses pending the use or disposition of such funds for their original purpose.

Sec. 8. Section 15 of special act 88-80 is amended to read as follows:

No emergency appropriation, supplemental or supplementary appropriation or other increase in the amount of any appropriation made in any budget
shall be authorized or made or shall take effect during the budget year, except (1) an increase by a transfer made in accordance with section 14 of SPECIAL ACT 88–80, AS AMENDED BY SECTION 7 OF THIS act, or (2) a supplemental appropriation for the payment of expenditures expected to be met in full by application of an amount not estimated or anticipated as a revenue or receipt in such budget which is (A) CERTIFIED BY THE BOARD IN A FINANCIAL PLAN MODIFICATION MADE PURSUANT TO SECTION 11 OF SPECIAL ACT 88–80, AS AMENDED BY SECTION 4 OF THIS ACT, AS RECEIVABLE IN CASH IN SUCH BUDGET YEAR OR (B) certified by an officer, board, commission or other agency of the state or the United States of America to be receivable in accordance with generally accepted accounting principles by the city during such budget year from such officer, board, commission or agency or from the state or the United States of America, under legislation and appropriations then fully effective and sufficient, for the purpose of paying such expenditure, free from any setoff or counterclaim.

Sec. 9. Section 16 of special act 88–80 is amended to read as follows:

(a) Commencing no later than July 1, 1989, all taxes shall be due and payable to the city only on July first and January first in each fiscal year, PROVIDED THE CITY MAY, BY ORDINANCE, PROVIDE, IN THE CASE OF ANY HOMEOWNER WHO IS ELIGIBLE FOR REAL PROPERTY TAX RELIEF PURSUANT TO SECTION 12–129b OR 12–170aa OF THE GENERAL STATUTES, ANY TAXES ON HIS HOME SHALL BE DUE AND PAYABLE ON A QUARTERLY BASIS ON JULY FIRST, OCTOBER FIRST, JANUARY FIRST AND APRIL FIRST.

(b) All budgets adopted by the city (A) shall contain estimates of revenues and expenditures prepared in conformance with the requirements of SPECIAL ACT 88–80 AND this act, (B) shall contain an annual tax collection rate percentage which is forecasted at the average of the actual annual tax collection rate percentage for the three [previous] PREVIOUSLY COMPLETED fiscal years and (C) shall be balanced subject to the provisions hereof.

(c) Extraordinary, nonrecurring revenues, such as those derived from the sale of city assets, in excess of a total of revenues from all such sources of one million dollars, may not be included in the revenues projected for any proposed budget. Any audited general fund surplus in excess of five per cent of the annual budget
and any extraordinary, nonrecurring revenues in excess of one million dollars derived while bonds or notes issued pursuant to SPECIAL ACT 88-80, AS AMENDED BY this act, are outstanding shall be fully applied as soon as practicable to: (1) Redeem outstanding bonds or notes issued pursuant to this act, including the payment of any premium thereon; (2) to purchase bonds or notes issued pursuant to this act on the open market at par or at a discount; (3) be placed in trust for the defeasance of bonds issued pursuant to this act, including the payment of necessary costs and expenses related thereto, including any escrow agent and legal fees; provided any such funds may, at the option of the city, be held by a trustee and invested at the direction of the city, until the amount so held shall be sufficient to redeem, purchase, or defense bonds in the principal amount of one million dollars or more; [or] (4) be placed in a segregated fund to be used for capital improvement projects; (5) FUND ON AN ACTUARILY SOUND BASIS OF THE CITY’S PENSION FUNDS; OR (6) FUND A RESERVE FUND FOR PROPERTY AND LIABILITY CLAIMS. NOTHING IN THIS SECTION SHALL PROHIBIT THE CITY FROM ALLOCATING ANY NONRECURRING REVENUE OR ANY GENERAL FUND BALANCE TO ANY OF SAID PURPOSES. Audited combined financial statements of the city for each fiscal year shall be prepared by an accountant in accordance with THE PROVISIONS OF SPECIAL ACT 88-80, AS AMENDED BY THIS ACT, AND generally accepted auditing standards and presented to the common council and the board no later than one hundred eighty days after the close of the subject fiscal year. The contract by and between the city and any accountant for such services shall be for a period of not less than two years and shall require the approval of the board.

Sec. 10. Section 18 of special act 88-80 is amended to read as follows:

If the audit of the city for the fiscal year ending June 30, 1990 shows an operating fund balance deficit for such fiscal year or, if at any time during or after the emergency period, the city shall lose access to the public credit markets, the following provisions shall take effect and be in effect until such deficit is eliminated or such access is restored: (1) The board shall formulate and adopt such modifications to the financial plan and the city’s budget as it shall determine necessary to achieve the purposes
of SPECIAL ACT 88-80, AS AMENDED BY this act, and
shall recommend such modifications to the mayor
and the common council. (2) With respect to all
contracts to be entered into by the city requiring
the payment of funds or the incurring of costs by
the city, the city shall submit a copy of each
such contract to the board accompanied by an
analysis of the projected costs of such contract
and a certification that performance thereof will
be in accordance with the financial plan, all in
such form and with such additional information as
the board may prescribe. The board shall promptly
review the terms of such contract and the
supporting information in order to determine
compliance with the financial plan. The board
shall, by order, disapprove any contract reviewed
by it only after enactment of a resolution
determining that, in its judgment, the performance
of such contract would be inconsistent with the
financial plan, and upon such order the city shall
not enter into such contract. If the board
approves the terms of a reviewed contract, the
city may enter into such contract upon the terms
submitted to the board. Failure of the board to
notify the city within thirty days, or such
additional time, not exceeding thirty days, as the
board shall have notified the city that it
requires to complete its review and analysis,
after submission to it of a proposed contract
shall be deemed to constitute board approval
thereof. (3) No officer or employee of the city
shall make or authorize a contract in excess of
the amount available therefor under the financial
plan as then in effect; involve the city in any
contract for the payment of money for any purpose
required to be approved by the board unless such
contract has been so approved and unless such
contract is in compliance with the financial plan
as then in effect; take any action in violation of
any valid order of the board or fail or refuse to
take any action required by any such order; or
prepare, present or certify any information,
including any projections or estimates, or report
to the board or any of its agents that is false or
misleading, or, upon learning that any such
information is false or misleading, fail promptly
to advise the board or its agents thereof. (4)
The board shall issue to the appropriate officials
of the city such orders as it deems necessary to
accomplish the purposes of SPECIAL ACT 88-80, AS
AMENDED BY this act, including but not limited to,
timely and satisfactory implementation of an approved financial plan. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties set forth in section 17 of [this act] SPECIAL ACT 88-80. If at ANY TIME the financial plan or any modification thereof approved for the THEN CURRENT fiscal year [ending June 30, 1989,] projects an operating fund balance deficit for such fiscal year, the board may determine in its discretion that the provisions of this section shall take effect and be in effect until such deficit is eliminated.

Certified as correct by

_____________________________________________________
Legislative Commissioner.

_____________________________________________________
Clerk of the Senate.

_____________________________________________________
Clerk of the House.

Approved _______________________________ 1989

____________________________
Governor, State of Connecticut.
House Bill No. 7296

SPECIAL ACT NO. 89-24

AN ACT AMENDING CERTAIN PROVISIONS OF A SPECIAL ACT CONCERNING THE ISSUANCE OF BONDS BY THE TOWN AND CITY OF BRIDGEPORT.

Section 1. Section 6 of special act 88-80 is amended by adding subsection (d) as follows:

(d) The state of Connecticut does hereby pledge to and agree with the holders of any bonds and notes issued under special act 88-80, as from time to time amended, and with those parties who may enter or have entered into contracts for the insurance or payment of such bonds or notes with the city pursuant to the provisions of said act, that the state will not limit or alter the bonding rights vested in the city pursuant to said act, or the restrictions and requirements imposed upon the city pursuant to said act, until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the city, provided nothing contained in this subsection shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds and notes of the city or those entering into such contracts with the city. The city is authorized to include this pledge and undertaking for the state in such bonds and notes or contracts and in any indenture or supplement thereto pursuant to which bonds or notes are or have been issued pursuant to said act.

Sec. 2. The inclusion by the town and city of Bridgeport of the pledge and undertaking for the state, as set forth in section 1 of this act, in the indenture of trust pursuant to which the $35,000,000 General Obligation Bonds - 1989 Series B of the City of Bridgeport, dated January 15, 1989, were issued, is hereby validated.

Approved June 5, 1989
August 17, 1988

City of Bridgeport
45 Lyon Terrace
Bridgeport, CT 06604

Attention: Mr. Rodney Dennis
Comptroller

Gentlemen:

The City of Bridgeport (the "City") has requested that we review the attached "City of Bridgeport, Comptroller's Office, Tax Revenue Intercept, Policy and Procedure" (the "Procedure"), with respect to the Procedure's compliance with Special Act No. 88-80, An Act Authorizing the Issuance of Bonds by The Town and City of Bridgeport (the "Act").

This will confirm our belief that, assuming (i) amendment of the indenture of trust (the "Indenture") dated June 30, 1988 by and between the City and The Connecticut Bank and Trust Company, National Association (the "Trustee"), as contemplated by the Procedure, and (ii) the implementation of the Procedure both by the City and the Trustee in accordance with its terms, the Procedure complies in all material respects with the terms of the Act and the amended Indenture.

Very truly yours,

SCHATZ & SCHATZ, RIBICOFF & KOTKIN
CITY OF BRIDGEPORT
COMPTROLLER'S OFFICE
TAX REVENUE INTERCEPT

Policy and Procedure

I. Objective

The objective of this policy is to establish procedures pursuant to which The Connecticut Bank and Trust Company, National Association (the "Trustee"), is to collect Intercept Revenues for the benefit of the holders of outstanding obligations of the City of Bridgeport and the payment of all debt service. "Intercept Revenue" means all taxes and interest, penalties and other charges appertaining thereto paid to the City.

II. State Legislation

Pursuant to "Substitute House Bill No. 6132 - Special Act No. 88-80", An Act Authorizing the Issuance of Bonds by The Town and City of Bridgeport (the "Act"), there are set forth special conditions for the collecting of all Intercept Revenues.

III. Indenture of Trust

The City has entered into an indenture of trust with the Trustee, pursuant to which all Intercept Revenues will be paid to and held in trust by C3T for the benefit of all holders of all outstanding general obligation bonds and notes of the City, all bonds and notes issued under the Act and all other outstanding bonds and notes issued under an indenture dated June 30, 1988 by and between the City and the Trustee (the "Indenture").

IV. Tax Intercept Concept

The Indenture authorizes the Trustee to release to the City for its general operating purposes any amounts in excess of the greater of (A) the "Monthly Debt Service Requirement Percentage" or (B) the "Debt Service Percentage." The above items (A) and (B) are defined as follows:

A) Monthly Debt Service Requirement Percentage - means, for any 30 day period, the fraction whose numerator is the amount of Debt Service scheduled to be paid in the next 30 days and whose denominator is the amount of City taxes estimated to be received in the next 30 days.
"Debt Service" means all required payments (and optional payments, if the City shall elect to do so) of principal of, premium, if any, and interest on, all Obligations; provided, however, that in calculating the Debt Service Percentage and the Monthly Debt Service Requirement Percentage, there shall be excluded from "Debt Service scheduled to be paid in the next thirty days" those payments for which provision has been made by the City's having deposited funds therefor with the Trustee to be held in the Debt Service Fund.

The formula is as follows:

**Monthly Debt Service Requirement Percentage:**

(1) Aggregate Debt Service Over Following 30 Days MINUS

(2) Balance in Debt Service Fund

EQUA $S$

(3) Net Debt Service to be Funded Over Following 30 Days DIVIDED BY

(4) Estimated Tax Collections for Following 30 Days

**B) Debt Service Percentage** - means, for any budget year, the fraction whose numerator is the total appropriation in the City's budget for the first six months of such year or the second six months of such year, as the case may be, for debt service, and whose denominator is half of the City taxes levied for such year.

**Total Appropriation in Budget for Six Months' Debt Service** - One half City taxes levied for such year.

Pursuant to the Indenture, the City will submit all Intercept Revenues to the Trustee and the Trustee will retain in a Debt Service Fund the greater of (a) the Monthly Debt Service Requirement Percentage or (b) the Debt Service Percentage. The Trustee will pay over to the City any excess Intercept Revenues. In the event that Intercept Revenues are insufficient to meet debt service payments coming due and payable, the City has pledged to make revenues other than taxes available to the Trustee for such debt service payments.

**C) Additional Advance Funding Mechanism.** The Indenture provides an additional control mechanism to assure that Debt Service obligations will timely be met. If, seven days prior to the due date of any Debt Service, the amount held in the Debt Service Fund is insufficient to pay all of said Debt Service, the Trustee shall give notice to the City's Comptroller and the
Bridgeport Financial Review Board of the amount of such insufficiency. The City shall deposit immediately with the Trustee all revenues of the City legally available therefor, to the extent that Intercept Revenues and the proceeds of tax anticipation notes held by the Trustee are insufficient to meet Debt Service payments coming due and payable in the next seven days.

In order to assure that funds sufficient to meet Debt Service are available in the Debt Service Fund on the seventh day (the "Target Date") prior to the due date ("Debt Service Payment Date"), the City will calculate a third percentage (the "Target Date Percentage") to be applied to Intercept Revenues. The Target Date Percentage will be calculated on each date which is 30 days prior to a Target Date. On each such date the Target Date Percentage will be:

\[
\frac{(1)\text{ Payment Due on Debt Service Payment Date} - \text{MINUS}}{(2)\text{ Balance in the Debt Service Fund for such Payment} \text{EQUALS}}
\]

\[
\frac{(3)\text{ Net Debt Service To Be Funded on the Debt Service Payment Date}}{(4)\text{ N Tax Revenues}} \text{DIVIDED BY}
\]

\[N = \frac{\text{Intercept Revenues estimated to be received over the period remaining until the Target Date (this period would decline from 30 days to 1 day).}}{\text{If there is more than one Target Date in any 30-day period, the City would treat each funding requirement separately, adding the two or more Target Date Percentages. This will assure adequate funding for all Target Dates.}}\]

\[\text{If the Target Date Percentage is greater than the larger of the Debt Service Percentage or the Monthly Debt Service Requirement Percentage, the Target Date Percentage will be applied to the Intercept Revenues for that given day.}}\]

V. Procedure

A) Collection of Intercept Revenue

Intercept Revenues are collected from two sources - over the counter and mail payments - in the Tax Collector's Office and by Agency Banks.
Over the Counter Collections

The daily collection of Intercept Revenue is balanced to all pertinent records by the cashiers at the end of each day. These collections are not deposited until the following morning. The following morning, the Assistant Tax Collector verifies all cash receipts and prepares a deposit slip. The deposit slip and cash are put into a locked bank bag and taken to the Trustee for deposit in the "CBT as Trustee - Bridgeport Intercept Account 262-834-1," maintained with the Trustee.

B) Agency Banks

The Agency Banks are:

1) The Connecticut Bank and Trust Company, National Association
2) Connecticut National Bank
3) Citytrust
4) Lafayette
5) U.S. Trust
6) Union Trust

All Agency Banks have standing instructions to transfer on a daily basis tax revenues collected to the Intercept Account. The Agency Banks maintain a minimum balance of $1,000 on hand to offset checks returned for insufficient funds. Citytrust handles all credit card collections for the City.

C) Intercept Calculation, Review and Transmittal

1) The City has designated the following individuals to calculate the Debt Service fund percentage to be applied to Intercept Revenues:

   Joseph Jambriska - Internal Auditor
   George L. Adamchak - Chief Accountant

   Joseph Jambriska will be the primary person for calculating the applicable percentage.

2) The following individuals are authorized to approve the percentage calculation:

   Rodney Dennis - Comptroller;
   James A. Banas - Asst. Comptroller
A confirmation letter with all signatures has been sent to the Trustee.

In each instance, the applicable percentage will be calculated by the City's Internal Audit Department and will be certified by the Office of the Comptroller and submitted to the Trustee by the Office of the Comptroller.

3) The Trustee (usually Cauna Antonacci or Sheree Daniels) shall call the City at or prior to 9:00 a.m. for the daily Debt Service Requirement Percentage and will notify the City of the balance of Intercept Revenue collections from the previous day. The daily Debt Service Requirement Percentage is applied against the available balance for the amount to be deposited in the Debt Service Fund.

4) The Intercept Revenue held in the Debt Service Fund will be invested on a daily basis. The Indenture will be amended to provide that all interest received will be maintained in a separate account and will be transferred to the City's General Fund Account on the last business day of each month.

The phone calls are to be followed by letters faxed to the appropriate departments as follows:

a) The Trustee is to receive a daily faxed letter of confirmation of the percentage rate given from the City. The facsimile copy should be sent to Sheree Daniels, Assistant Secretary, Corporate Trust Department, facsimile number (203) 244-6999.

b) The City's Internal Audit Department is to receive a daily faxed letter from the Trustee confirming the amount intercepted, the amounts distributed to the Debt Service Fund and the amount to be deposited in the General Fund account by the Trustee. The facsimile copy should be sent to Joseph Jambriska, Internal Auditor, facsimile number (203) 576-8330.

5) A copy of this Policy and Procedure will be given to the City's Assistant Treasurer for verification of funds available for operating expenditures.

6) If, on any given day, the City does not provide the Trustee with a Debt Service Requirement Percentage, the Trustee shall hold the applicable Intercept Revenues in the Debt Service Fund until such Debt Service Requirement Percentage is so provided.
7) All transactions involving the Intercept Revenues will be recorded on the original books of entry in the Comptroller's Office.

Approved by ________________________  Approved by ________________________
Comptroller                                      The Connecticut Bank
                                                   and Trust Company, National Association,
                                                   As Trustee

Approved by ________________________
Bond Counsel

Dated: August 17, 1988

C-7
The Bridgeport Financial Review Board was created by S.A. 88-80 to respond to the financial emergency that exists in the town and city of Bridgeport. The continued existence of this financial emergency is detrimental to the general welfare of the city and the state. The mission of the Board is to assure the town and city's continued ability to borrow in the public credit markets and the resolution of this financial emergency. To achieve this resolution it is necessary, appropriate and an essential public purpose to provide for the financing of deficits resulting from the city's operations, the imposition of financial management controls, and the creation of the Bridgeport Financial Review Board will review the financial affairs of the town and city of Bridgeport, all in order to maintain the City's access to public credit markets, to fund the city's accumulated deficits and to restore financial stability to the town and city of Bridgeport. The ultimate mission of the Board is to enable the city to meet these goals on its own, resulting in two consecutive years without an operating deficit and thereby lead to the Board's dissolution.
I. MEMBERSHIP; PROCEEDINGS; EXPENSES; LIABILITY.

The Bridgeport Financial Review Board consists of nine members: the State Treasurer; the Secretary of the Office of Policy and Management; the Mayor of Bridgeport; two members appointed by the Mayor (at least one of whom must be a city resident); two members appointed by the Governor; and two public representatives, one appointed jointly by the Speaker of the House and the President Pro Tempore of the Senate and the other appointed jointly by the minority leaders of each chamber. All members must be Connecticut residents; one must be a partner of a major accounting firm and another must be the chief financial officer of a major Bridgeport corporation.

Both the Treasurer and the Secretary of OPM may designate a representative to act fully in their behalf. They must provide written notice to the Board before any meeting attended by their designees. The representatives themselves may not delegate their duties and functions.

The Treasurer is designated as the Board's chairman and he or his representative shall preside over all Board meetings. A majority of the Board shall constitute a quorum and all action requires a majority vote of the entire Board. A record of all proceedings must be maintained in whatever form the Board desires, provided that the record indicate individual attendance and votes cast. The Board is subject to Connecticut's Freedom of Information Act.
The Board is authorized to hire consultants experienced in municipal finance or accounting to help it accomplish its purposes. Members of the Board are not entitled to a salary or a per diem allowance but those members who are not public employees are entitled to be reimbursed for actual and necessary expenses incurred in carrying out their official duties. All expenses of the Board are to be paid by the City of Bridgeport and may be paid from the proceeds of any bonds issued under the Act.

Finally, members of the Board and anyone authorized to act on their behalf cannot be held personally liable for exercising or failing to exercise the powers, duties and functions given to them by the Act.

II. GENERAL POWERS, DUTIES AND RESPONSIBILITIES.

The Act specifically provides that the Board possesses the powers and functions set forth in the bill.

As a general proposition, the Act requires the Board to exercise its discretion in the review of any City action in budgetary and financial matters during the emergency period. All borrowing by the City must be done in compliance with the Act's provisions and requires the approval of the Board. Each budget prepared by the City must be consistent with the financial plan that must be submitted to and approved by the Board. It is the Board which is responsible for prescribing the format of the financial plan, approving or rejecting it and, in certain special circumstances, developing the plan itself. (See section on FINANCIAL PLAN.) The Board's oversight responsibilities extend to the point that each officer and employee of the City is required to comply with a valid order of the Board.
In the event of non-compliance, the Act provides for disciplinary action against officers and employees of the City and, as a last resort, the Board is authorized to seek a writ of mandamus to compel compliance, acting by and through the State Treasurer.

The Act enumerates the responsibilities of the Board in language that clearly contemplates an active collaboration with City officials. The Board is required to:

- consult with the City in developing the financial plan and the proposed budget;
- prescribe the format for the plan and the supporting information that will be required;
- review and approve the terms of all borrowing during the emergency; and
- develop standards and procedures for approving City contracts in the event that the City ends the 1990 fiscal year in a deficit or loses access to public credit markets.

The Board is also empowered to review all City operations and make whatever recommendations it deems necessary to improve efficiency and productivity. It is also required to regularly audit compliance with the financial plan and obtain whatever information it needs on the financial condition of the City. The Board is authorized to inspect, copy and audit any relevant books and records of the City and is expected to work with the City Comptroller in monitoring the revenues and expenditures of the City. A major tool in this monitoring effort will be the monthly reports that the City Comptroller will deliver to the Board on the City's financial condition and the progress of the financial plan for the current year.
Board approval is required for the contract with a nationally recognized accounting firm that the City must enter into for the purposes of auditing combined financial statements of the City for each fiscal year during the emergency period. Similar approval is also needed for the special capital reserve fund(s) that the City must create and establish in connection with the issuance of any bonds under the provisions of the Act.

III. SPECIAL POWERS. EFFECTIVE DATE.

If the audit of the City for fiscal year 1990 shows a deficit or if the City loses access to the public credit markets, the following provisions take effect immediately and stay in effect until the deficit is eliminated or access is restored:

1. The Board shall develop and adopt whatever modifications it deems necessary to both the financial plan and the City budget and recommend the same to the Mayor and the City Council.

2. The City must submit to the Board for its approval every proposed contract (except a collective bargaining agreement) with whatever additional information the Board asks for. In addition, the City must certify that the proposed contract is consistent with the financial plan. The Board must act within 30 days of submission and may disapprove if it adopts a resolution determining that the proposed contract is inconsistent with the plan. Failure of the Board to act constitutes approval.

3. The City, its officers and its employees are strictly obligated to comply with the financial plans and any valid order of the Board.
(4) The Board is authorized to issue to the appropriate City officials whatever orders it deems necessary to accomplish the purposes of the Act, including but not limited to, the timely and satisfactory implementation of the financial plan.

Finally, the Board is permitted to trigger these special provisions if the financial plan for fiscal year 1989 projects a deficit. However, it need not do so.

IV. **DISSOLUTION OF BOARD.**

The Board's final power is its sole right to determine when the emergency period ends. This will occur upon a finding that: (1) the City has balanced its budget for two consecutive years; (2) the City has presented a financial plan that projects a positive budgetary scenario for the following three years; and (3) the City has access to the public credit markets.
FINANCIAL PLAN

FINANCIAL PLAN. CONTENT. PROCEDURE.

No later than forty-five days after the Governor signs the bill and by March 1 of each year during the emergency period, the City is required to develop and present to the Board a three-year financial plan. Each financial plan or modification thereof must provide for the following:

(1) Elimination of all general fund deficits;
(2) Restoration to all funds and accounts of any money "borrowed" for purposes inconsistent with allowable uses of such funds and accounts;
(3) Balancing of all operating funds;
(4) Maintenance of current payments of all accounts;
(5) Estimates of bonds and notes to be issued and debt service requirements; and
(6) Assumptions on which revenue and spending projections are based.

The Board may require any additional information that it deems necessary and is required to prescribe the form of the plan and of any financial plan modification. Each plan must include statements of all estimated revenues and expenditures; cash flow projections; cash resources and uses; and capital improvements. The level of detail required is at the Board's discretion and may, from time to time, change.

Finally, the financial plan is required to contain whatever information the Board deems necessary to satisfy itself that: (1) employment levels, capital projects and any other City operation that the Board specifies are consistent with the plan; (2) the City is limiting its spending to meet federal and State mandates to the exact amount necessary to meet its obligations; and (3) adequate reserves are provided to
maintain essential programs in the event that revenues have been over-
estimated or expenditures have been underestimated. The Board may waive
this requirement to whatever extent it deems reasonable but only for a
specified and limited period of time.

The financial plan is the linchpin of this collaborative effort to
restore the City's fiscal and budgetary health. No later than March 1 of
each year the mayor must submit to the Board a three-year financial plan
and the City's proposed operating and capital budgets for the following
fiscal year. He must certify that the proposed budgets are consistent
with the plan, that they conform to the requirements of the Act and that
it is feasible for the City to operate within the proposed budget.

The Board has thirty days to approve or disapprove a financial plan
or a financial plan modification. If it determines that the plan is
complete and complies with the Act, the plan shall be approved and the
Board shall certify to the City the approved revenue estimates upon which
the budget must be based.

The Board may disapprove a plan if it finds that: (1) the plan
is incomplete; (2) the revenue and spending projections are based on
unreasonable or erroneous assumptions; (3) the plan fails to provide that
City operations will be conducted within available cash resources; or (4)
the plan fails to comply with the provisions of the Act pertaining to plan
requirements.

If, for any reason, there is no approved plan in effect, the Board
shall so find by way of a resolution and shall itself develop and adopt a
plan that will remain effective until the Board approves a plan submitted
by the City.
Once a plan has been approved, both the Board and the City must regularly reexamine both the financial plan itself and the revenue estimates certified by the Board. If the revenue estimates are reduced or the City is spending funds at a rate that will exceed budgeted appropriations, the City is required to submit a financial plan modification that will restore balance. If it fails to do so, the Board is authorized to enact a resolution so finding and to develop and adopt its own modification, which becomes effective upon approval.

The City may also submit a plan modification to the Board on its own initiative. The Board shall approve unless the proposed modification would constitute grounds for disapproval of an overall plan.
ISSUANCE OF BONDS

I. BONDING AUTHORIZATION. PURPOSES. PROCEEDS.

The Act requires the City Council, upon the Mayor's recommendation and upon approval of the Board, to authorize the issuance of bonds and bond anticipation notes in order to fund budget deficits that have accumulated through the period ending June 30, 1988. The total amount of such bonds and notes that may be issued is limited to the following:

1. The cumulative amount of the City's general fund deficits for the fiscal years ending June 30, 1987 and 1988. These figures must be certified by an independent certified public accounting firm as part of the audit report for each of the fiscal years;

2. Whatever funds are needed to set up and maintain reserves;

3. All fees and expenses connected to the issuance of the bonds or bond anticipation notes; and


The proceeds of any bonds issued under the Act are to be applied in the following order:

1. To repay principal and interest on any outstanding bond anticipation notes;

2. To repay any outstanding tax anticipation notes of the City;

3. To fund capital account deficits brought about by using capital funds for City operations; and

4. To fund general fund deficits.
Bonds and bond anticipation notes issued under the Act are general obligation bonds of the City. Any bonds issued to fund deficits may be defeased by issuing refunding bonds. Any refunding bonds must mature no later than the bonds they are replacing and the City must determine that it will achieve a net debt service savings as a result of refunding.

Finally, the Act specifically provides that it contains nothing that would limit the City's obligations with respect to anyone owning or holding any bonds, notes or obligations incurred prior to the Act.

II. ISSUANCE PROCEDURES.

The Act requires that all borrowing during the emergency period must comply with the provisions of the Act and can only be done with the approval of the Review Board. The issuance of bonds during the emergency period is controlled entirely by the provisions of the Act. The requirements and limitations contained in the Act supersede any general requirements mandated by any general statute, special act, city ordinance or resolution or the City charter that may be inconsistent with the Act.

The Act authorizes the City Council to delegate to the Mayor and the Comptroller, subject to the Board's approval, full authority to determine all terms and conditions of any bonds issued under the Act. In exercising these delegated powers, the Mayor and Comptroller must act in a manner determined to be in the City's best interests and only with the Board's approval. Bonds issued under the Act cannot be for a term longer than twenty years.
III. ISSUANCE PROCEDURES. REPRESENTATION; TRUST INDENTURE; SPECIAL RESERVE FUND.

The City is required to make whatever representations, agreements or covenants are necessary or appropriate to:

1. Ensure that bonds and notes issued obtain and retain tax-exempt status; and

2. Strengthen the credit of the bonds and notes in the financial markets.

One of the Act's most important provisions is the requirement that the City enter into an indenture of trust with a bank or trust company in connection with any bonds or notes issued under the Act (or any other bonds issued while such bonds or notes remain outstanding). As part of the indenture, the City must promise to pay to the trustee all "intercept revenues", i.e., all taxes and interest, penalties and charges paid to the City. These revenues will be held in trust for the benefit of those holding or owning:

1. Outstanding general obligation bonds of the City;

2. Bonds or notes issued under the Act; and

3. Any other bonds or notes issued under the indenture.

The trustee is required to release to the City for its general operating purposes any revenues that exceed what is required for debt service payment. If the intercept revenues are insufficient to meet the scheduled debt service payment, the City must pledge to make other non-tax revenues available for such payment.
Finally, the City must establish, with the approval of the Board, special capital reserve funds in connection with any bonds issued under the Act. These funds can only be used to:

(1) Pay principal of such bonds as they come due;
(2) Purchase such bonds;
(3) Pay interest on such bonds; and
(4) Pay any redemption premium if the bonds are redeemed before maturity.

The City is required to pay into the special reserve funds: (1) proceeds from the sale of bonds or notes to the extent provided in the authorization proceedings; (2) any other moneys made available to the City for the purposes of the fund; and (3) any moneys appropriated and made available by the State for the fund.

If the amount held in the fund drops below the required minimum capital reserve, the Act provides for an automatic appropriation of State funds to bring the fund up to the required reserve. This contingent appropriation would occur on December 1 of each year provided the City Comptroller has certified to the State Treasurer and the Secretary of the Office of Policy and Management the amount necessary to restore the fund to the required minimum reserve. For purposes of determining how much money is in the special capital reserve fund, investments of the fund shall be valued at the lower of cost or market value.

Any moneys allotted to the City by the State from the "automatic appropriation" must be repaid within one year after all bonds and notes outstanding at the time of allotment are fully met and discharged.
The total amount of bonds to be secured by the Act's special capital reserve funds may not exceed thirty-five million dollars.

IV. **BOND ANTICIPATION NOTES, AMOUNT, PROCEEDS, MATURITY, STATE PURCHASE AUTHORIZED.**

Pending the certification of the general fund deficit for the 1988 fiscal year, the City is empowered, subject to the Board's approval, to issue bond anticipation notes. These notes may not exceed fifty percent of the estimated deficit for the 1988 fiscal year and whatever is needed to pay the costs of issuance. The term of any such notes may not exceed twelve months and all terms and conditions for the issue will be determined by the Mayor and the Comptroller, subject to the Board's approval. The principal and interest on these notes may be repaid from "intercept revenues", to the extent that they are not paid by the proceeds of note renewals or of bonds issued under the Act. When bonds are sold, the proceeds must be applied first to paying the principal and interest of any notes issued in anticipation of their issuance (or deposited in a trust for this purpose). Bond anticipation notes are general obligations of the City.

The Act authorizes the State Treasurer, with the approval of the State Bond Commission, to invest State funds in bond anticipation notes issued by the City. Should the State so invest and should the City fail to pay principal and interest when they become due, the State Treasurer shall certify to the State Comptroller and the Secretary of OPM how much principal and interest remain unpaid. The State Comptroller must pay to
the Treasurer all unrestricted State financial assistance earmarked for the City until the amount due is paid back. The City would not be entitled to additional State assistance simply because money was deducted to pay back the State.
RE: An Act Authorizing the Issuance of Bonds by the Town and City of Bridgeport

TO: Donald A. Kirshbaum

FROM: Richard L. Sigal and C. Todd Miles

SUBJECT: Statutory Summary of Special Act 88-80 Requirements Relating to City of Bridgeport Budget Process

A. STATUTORY

Pursuant to your request, we have prepared a summary of the Act's provisions relating to the City's budget process, in order to aid all parties' understanding of the Act mandates as to (1) budget proposals by the Mayor, (2) budget approval by the Common Council, (3) the interrelationship of the budget and the City's financial plan in the form prescribed by the Review Board, and (4) the Review Board's responsibilities. Set forth herein are the following five sections of the summary:

TAB 1. Extract of minutes from July 14, 1988 Review Board meeting containing form of financial plan prescribed by the Review Board which provides for incorporation of the fiscal year 1989-1990 budget as the first year of such plan.

TAB 2. General Provisions of the Act relating to preparation and submission of the City Budget for fiscal year 1989-1990 (covering both the Mayor and the Common Council).

TAB 3. Budget Requirements of the Act for the Mayor relating to his proposal to the Common Council.

TAB 4. Budget Requirements of the Act for the Common Council relating to adoption of the City Budget.


B. CONTRACTUAL OBLIGATIONS

We have also included a brief summary of the City's contractual obligations to holders of its recently issued bonds.
which extend the City's statutory budgeting responsibilities under the Act to provide additional security to such bondholders.

TAB 6. Excerpts from City's Official Statement used to market its $58,315,000 General Obligation Bonds-1989, setting forth description of City's covenant with bondholders to comply with budgetary requirements of the Act, in order to further secure such bonds.

NOTE: It is our understanding that compliance by the City with its covenant to comply with the budgetary requirements of the Act is consistent with the City's budgetary requirements in its Charter.
The Chairman asked for a motion. Mr. Carson moved, Mr. Conklin seconded that the Board approve the following resolution.

RESOLVED, that the Bridgeport Financial Review Board, pursuant to its authority under Section 10 (1) (B) of SA 88-80 (the Act) to "prescribe the form of the Financial Plan and the supporting information required in connection therewith of approval," and in conformance with the requirements in Section 11 of the Act for the provisions to be included in the Financial Plan, hereby adopts the attached as the format of the financial plan.

Mr. Carson amended his motion to include in the Form of the Financial Plan the following concerning City employees.
The Plan will show authorized positions and a plan for which of those positions will be filled and vacant, including a plan for employee turnover and attrition. The Plan will also show the number of retirees to be covered by each City pension plans, and related budget allocations.

Vote (on motion as amended):

In favor: Borges, Batalla, Bodine, Bucci, Carson
Conklin, Milano, Taylor, Walsh
Absent: None

Motion carried unanimously.

A copy of the form of the financial plan, as adopted, is attached as a part of these minutes.
THE FORM OF THE THREE-YEAR FINANCIAL PLAN

I. STATUTORY REQUIREMENTS

Each such financial plan and financial plan modification shall conform to the requirements of this section and shall provide for the: (1) Elimination of all deficits in the general fund; (2) restoration to all funds and accounts, including capital funds and accounts, of any moneys from such funds and accounts that were used for purposes not within the purposes of such funds and accounts, or borrowed from such funds or accounts; (3) balancing of the operating funds in accordance with the provisions of this Act; (4) maintenance of current payments of all accounts; (5) estimation of the amount of bonds or notes to be issued by the City and debt service requirements; and (6) assumptions on which revenue and expenditure projections are based. The financial plan shall be in such form, and shall contain such additional information for each year during which the financial plan is in effect as the board may specify, and shall, in such detail as the board may from time to time prescribe, include statements of all estimated revenues and expenditures, cash flow projections and cash resources and uses, and capital improvements of the City. (Section 11(a))

The first financial plan, in addressing the requirements numbered (1)-(2) through (4)-(6) above, shall include the following additional information with respect to each such requirement:

(1) Elimination of all general fund deficits. The first plan should detail the extent of such deficits and the financing required, together with other fiscal austerity measures, to liquidate or eliminate such deficits.

(2) Restoration of all funds and accounts. The first plan should set forth the current status of each fund and account, including all due/tos and due/froms, and demonstrate the source of all moneys to be used to restore each fund and account.

(4) Maintenance of current payments of all accounts. The first plan should itemize the status of all vendor payments owed, by account, and demonstrate how and when delayed vendor payments will be made current.
(5) Estimate of borrowing requirements and debt service. The first plan should itemize each component of the City's capital program, show projected expenditure schedules and projections of borrowings required for each capital project. All anticipated cash-flow borrowing should be itemized to show need, amount, timing, and proposed financing structure.

(6) Assumptions on which revenue and expenditure projects are based. The first plan should require that these assumptions take into account all contingent financial exposures, including pending litigation and insurable risks for which the City is self-insured.

A financial plan shall, except to the extent waived by the board with respect to any limited period, include any information which the board may request to satisfy itself that: (1) Projected employment levels, capital construction and such other matters as the board may specify, are consistent with the provisions made for such obligations in the financial plan; (2) the City is taking whatever action is necessary with respect to programs mandated by the state and federal law to ensure that expenditures for such programs are limited to and covered by the expenditures stated in the financial plan; and (3) adequate reserves are provided to maintain essential programs in the expenditures underestimated for any period. (Section 11(c))

II. GENERAL FORM OF THE PLAN

Each year of the three-year FINANCIAL PLAN shall have two parts:

- Base-line Budget
- Plan to Eliminate the Gap (PEG)

The Base-line budget is made up of two parts--within the definitions prescribed in Sections 12 and 13 of the Act:

- Base-line Revenues
- Current services base-line budget for expenditures

In general, the Act requires that base-line revenues be no greater than those received in the base year (two years prior to the budget year), with the exception of state or federal aid increases that are certified by the granting agency.

In general, the Act requires that the base-line expenditures be no less than the amount actually spent in the base year or budgeted in the current year (one year prior to the budget year), whichever is less.
The amount by which base-line expenditures are greater than base-line revenues will be called "the Gap." The "Plan to Eliminate The Gap" (PEG) is the plan to balance the budget.

The Act requires that the Common Council provide the Board with a "justification document" for any budgeted revenues exceeding the base-line and for any budgeted expenditures less than the base-line. These justification documents--taken as a group--become the PEG for the budget year (the first year of each three-year plan).

The PEG (and justification documents) must include the details of the policy actions and implementation plans to eliminate the Gap between revenues and expenditures.

Each PEG option should include a detailed description of the legal procedure, including any public hearings, referenda, and administrative approvals necessary to implement such option, together with a realistic timetable for such implementation.

The 3-year financial plan will show all city funds. The PEG will be geared to the General Fund budget. However, all other funds, with their revenues and expenditures and employee analysis, will be shown.

The plan will be written by department and then accumulated into a city-wide budget.

Section 12(d) of the Act requires that each city budget shall include "a schedule of cash expenditures and cash receipts for the budget on a monthly basis." This cash flow plan shall also be a part of the first year of each three-year financial plan.

The first financial plan will begin with the 1988-89 budget--which is already in place. See section IV below for further details on how this is to be shown in the first financial plan.

III. CATEGORIZATION OF REVENUES AND EXPENDITURES

The Revenues will be categorized:

. Property Taxes--Current Year
. Other locally generated Tax Revenue
. State & Federal Aid--each grant program to be listed separately
. Fees, etc.
Expenditures will be categorized:

- Salaries
- Overtime
- Fringe Benefits
- Other Expenses
- Debt Service
- Capital projects budget

Any "Other Expenses" over $1,000,000 city-wide, and over $250,000 within any department budget, will be specifically delineated.

Debt service must include a plan for issuance of new debt, as well as the costs of servicing debt that has been issued.

The plan will show the number of city employees by department and funding source. The Plan will show authorized positions and a plan for which of those positions will be filled and vacant, including a plan for employee turnover and attrition. The Plan will also show the number of retirees to be covered by each City pension plans, and related budget allocations.

IV. YEAR 1: RESTATE FY 1988-89 BUDGET

The first year of the three-year plan (1988-89) will be a restatement of the City's 1988-89 adopted budget. While justification documents of the Common Council are not required for 1988-89, the base-line budget and PEG are required. The restatement will separate the current services base-line from the PEG. For example, under the provisions of the Act, the base-line for police overtime would be the 1986-87 actual expenditure of $4,539,212. The PEG would reduce the $4,539,212 by $3,039,212 to the budgeted amount of $1,500,000, and would include an implementation plan to reach this budget figure.

Each revenue and expenditure item in the base-line, and the PEG, must be accompanied by a narrative describing the item and the assumptions on which such revenue and expenditure projections are based. The PEG narratives must include an implementation plan, with monthly benchmarks that can be related to the monthly financial reports.
SPECIAL ACT NO. 88-80
PROVISIONS RELATING TO PREPARATION AND SUBMISSION
OF CITY BUDGET FOR FISCAL YEAR 1989-1990

§11(b) (1) Mayor shall submit to the Board, not later than 120
days before July 1, 1989, his proposed operating
and capital budgets.

§11(b) (1) Mayor shall submit to the Board, with proposed
budgets, his certificate* that the budget:
a) is consistent with the Financial Plan
b) conforms with the Act; and
 c) that operation within the budget is feasible

§12(d) Budget must include schedule of cash expenditures
and cash receipts for fiscal year 1989-1990 on a
monthly basis, with sufficient detail for Common
Council to determine estimated need for cash-flow

§12(a) Budget must include not less than following
appropriations:
1. All appropriations required to fund expenditures
   required by law
2. Appropriations for debt service, including
   interest on cash-flow borrowing
3. Appropriations for payment of judgments or
   settled claims unpaid at beginning of fiscal
   year 1989-1990 plus interest, and amounts
   properly attributable as reserve for final
   judgments or settled claims not funded through
   bonds to be issued during fiscal year 1989-1990
4. Appropriations for all other expenditures to
   be made or properly attributable to fiscal year
   1989-1990, for general support and current
   expenses of City government to be paid from
   taxes, special assessments, or other current
   revenues for fiscal year 1989-1990
5. Appropriation for liquidation of prior deficits,
in amount equal to aggregate operating funds
audited deficits as of June 30, 1988

*Certificate as to conformance with Act implicitly requires
inclusion of proposed justification documents for each budget
item, to demonstrate each deviation from audited 1987-1988 amounts
or fiscal year 1988-1989 budget amounts pursuant to §12(a) and
§13(a) of the Act.

*Accountant's Certificate - ? §13(b)
§12(b) Common Council must estimate expenditure amounts, unless exact amount is known and stated at time budget is made and adopted.

1) Any such estimate for a budget item shall not be less in amount than the corresponding audited amount paid or incurred for fiscal year 1987-1988, or less than the corresponding appropriation for such item in the fiscal year 1988-1989 budget, whichever is less, unless a justification document of the Common Council has been previously filed with the Review Board.

§13(a) Budget must include revenue estimates for each item not in excess of the following, unless justification documents for such items have been approved by the Common Council and the Review Board.

1) Operating surpluses of prior years

2) Audited amounts of state or federal aid received or realized in cash for a program during fiscal year 1987-1988, or any larger amount as certified by appropriate state or federal agency as received or receivable in cash for such program, under legislation and appropriations then fully effective and sufficient.

3) Audited amounts of miscellaneous revenues collected or otherwise realized in cash from same source in fiscal year 1987-1988 or properly attributable to the fiscal year 1988-1989; other miscellaneous revenues may be included if justification document for such items have been approved by Common Council and the Review Board.

§13(b) Budget must include an accountant's certificate stating that inclusion of revenue receipts described in §13(a) is properly attributable to fiscal year 1989-1990.

§13(c) Common Council shall assess and levy real property taxes in amount equal to excess of appropriations described in §12(a) over revenue receipts described in §13(a).

SPECIAL ACT NO. 88-80
BUDGET REQUIREMENTS OF THE ACT
FOR THE MAYOR RELATING TO HIS PROPOSAL
TO THE CITY COUNCIL
FOR THE FISCAL YEAR 1989-1990

§11(b) Mayor shall submit to the Board, not later than 120 days before July 1, 1989, his proposed operating and capital budgets.

§11(b) Mayor shall submit to the Board, with proposed budgets, his certificate* that the budget:
a) is consistent with the Financial Plan;
b) conforms with the Act; and
c) that operation within the budget is feasible.

§12(d) Mayor must include in the proposed budget a schedule of cash expenditures and cash receipts for fiscal year 1989-1990 on a monthly basis, with sufficient detail for Common Council to determine estimated need for cash-flow borrowing during such fiscal year.

*IN ORDER TO CERTIFY THAT HIS PROPOSED BUDGET CONFORMS WITH THE ACT, THE MAYOR MUST PROPOSE JUSTIFICATION DOCUMENTS FOR APPROVAL BY THE COMMON COUNCIL TO SUPPORT A) EACH EXPENDITURE AMOUNT FOR A BUDGET ITEM WHICH IS LESS THAN CORRESPONDING AMOUNT AS AUDITED FOR FISCAL YEAR 1987-1988, OR BUDGETED FOR FISCAL YEAR 1988-1989, WHICHEVER IS LESS; AND B) EACH REVENUE ESTIMATE FOR A BUDGET ITEM WHICH IS IN EXCESS OF THE AMOUNTS PROVIDED IN §13(a) OF THE ACT.
SPECIAL ACT NO. 88-90
BUDGET REQUIREMENTS OF THE ACT
FOR THE COMMON COUNCIL RELATING TO
ADOPTION OF THE CITY BUDGET
FOR FISCAL YEAR 1989-1990

§12(b) After receipt of Mayor's proposed budget, Common Council
must estimate expenditure amounts for any item of any
appropriation required by §12(a), unless exact amount is
known and stated at time budget is made and adopted

§12(b) Common Council shall approve and file with the Review Board
justification documents prior to adoption of the budget,
for each expenditure estimate which is less in amount than
the corresponding audited amount paid or incurred for
fiscal year 1987-1988, or less than the corresponding
appropriation for such item in the 1988-1989 budget,
whichever is less.

§13(a) (4)-(5) Common Council shall approve and file with the Review Board
justification documents for each revenue estimate in excess
of the amounts described below:

1) Operating surpluses of prior years

2) Audited amounts of state or federal aid received or
realized in cash for a program during the fiscal year
1987-1988, or any larger amount as certified by appropriate
state or federal agency as received or receivable in cash
for such program, under legislation and appropriations then
fully effective and sufficient

3) Audited amounts of miscellaneous revenues collected or
otherwise realized in cash from same source in fiscal year

NOTE: Budget must include an accountant's certificate stating
that inclusion of revenue receipts described above is properly
attributable to such budget year.

§13(c) COMMON COUNCIL SHALL ASSESS AND LEVY REAL PROPERTY TAXES
IN AMOUNT EQUAL TO EXCESS OF APPROPRIATIONS DESCRIBED IN
§12(a) OVER REVENUE RECEIPTS DESCRIBED IN §13(a).
SPECIAL ACT NO. 88-80
ACTIONS OF THE REVIEW BOARD
RELATING TO THE BUDGET AND FINANCIAL PLAN
FOR FISCAL YEAR 1989-1990

§10(1)(A) Board shall consult with the City in the preparation of the three-year Financial Plan and the Mayor's prepared budget for fiscal year 1989-1990; approve such financial plan and certify to the City revenue estimates approved in such plan.

§10(1)(B) Board shall prescribe the form of the Financial Plan and the supporting information required in connection with approval, disapproval and modification of such plan.

BOARD PRESCRIBED FORM OF THREE YEAR FINANCIAL PLAN BY RESOLUTION ADOPTED JULY 14, 1988. PRESCRIBED FORM INCORPORATES BUDGET AS FIRST YEAR OF PLAN, INCLUDING REQUIREMENT OF JUSTIFICATION DOCUMENTS COMPRISING "PLAN TO ELIMINATE THE GAP" (PEG) AND §12(d) CASH FLOW PLAN AS PART OF FIRST YEAR OF SUCH PLAN

§11(b)(2) Board shall, not more than 30 days after submission of three-year Financial Plan (incorporating City budget as first year of such plan), determine whether such plan is complete and complies with §11 of the Act.

§11(b)(2) Board shall approve the Financial Plan (comprising the budget as the first year of such plan) if Board determines that such plan is complete and complies with the requirements of the Act. Upon making such determination Board shall certify to the City revenue estimates approved by the Board in connection with such determination.

§11(b)(3) Board shall disapprove, by resolution, the Financial Plan (comprising the budget as the first year of such plan) if in Board's judgment such plan:
1. Is incomplete;
2. Fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation;
3. Fails to provide that operations of the City will be conducted within the cash resources available according to the Board's revenue estimates;
4. Fails to comply with the provisions of §11.
§11(b)(4) Board shall formulate and adopt a Financial Plan (comprising the budget as the first year of such plan) to be effective until the Board approves a plan submitted by the City, after enactment of a resolution finding that (a) the City has failed to submit a financial plan as required by §11 of the Act, or (b) the Board has not for any reason permitted under the Act approved a financial plan submitted by the City.

§13(a) (4)-(5) Board approval of justification documents is required for each budget item with revenue estimates in excess of:
1) Operating surpluses of prior years
2) Audited amounts of state or federal aid received or realized in cash for a program during the fiscal year 1987-1988, or any larger amount as certified by appropriate State or federal agency as received or receivable in cash for such program, under legislation and appropriations then fully effective and sufficient
3) Audited amounts of miscellaneous revenues collected or otherwise realized in cash from same source in fiscal year 1987-1988 or properly attributable to fiscal year 1988-1989.

NOTE: Budget must include an accountant's certificate stating that inclusion of revenue receipts described above is properly attributable to such budget year.

§21(a) Board, acting by and through the Treasurer of the State, may apply for a writ of mandamus authorizing any official, employee or agent of the City to carry out or give effect to any order or request of the Board authorized by the Act.
NEW ISSUE

RATINGS
(See “Ratings” herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming compliance by the City with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and will not be treated as included in the calculation of certain taxes, including the alternative minimum income tax for individuals. Interest on the Bonds is exempt from the Connecticut state income tax on interest income of resident individuals.

$58,315,000
CITY OF BRIDGEPORT, CONNECTICUT
$23,315,000 General Obligation Bonds — 1989 Series A
$35,000,000 General Obligation Bonds — 1989 Series B

Dated: January 15, 1989
Due: March 1 as shown below

The Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof for any single maturity. Principal when due will be payable at the principal trust office of The Connecticut Bank and Trust Company, National Association, Hartford, Connecticut, the Paying Agent for the Bonds. Interest on the Bonds will be payable on September 1, 1989 and semi-annually thereafter on March 1 and September 1 in each year until maturity. Such interest will be paid by check mailed to the registered owner on each interest payment date at his address as shown on the registration books of the Paying Agent as of the fifteenth day of the month preceding each such payment date. The Bonds of each series maturing in the years 1990 to 1999 are not subject to prior redemption. The Bonds of each Series maturing in the years 2000 to 2009 are subject to sinking fund, optional and/or special mandatory redemption prior to maturity as described herein.

The Bonds will be general obligations of the City and the City will pledge its full faith and credit to pay the principal and interest on the Bonds when due. The Bonds will be payable, unless paid from other sources, from ad valorem taxes levied on all the property in the City without limitation as to rate or amount, except as to certain classified property. Pursuant to the Act and the Indenture, the City is required to pay all ad valorem tax receipts to The Connecticut Bank and Trust Company. National Association, as Trustee. A percentage of such funds must be deposited with the Trustee, as received, into the Debt Service Fund maintained with the Trustee, to be used to pay principal of and interest on bond and note obligations of the City, including the Bonds pursuant to the Act and the Indenture, as more fully set forth herein.

The 1989 Series B Bonds will also be payable as to the principal of and interest thereon when due from the Special Capital Reserve Fund held by the Trustee, including earnings thereon, together with all monies legally available therefor, including the amounts, if any, certified by the Comptroller of the City as necessary to restore the Special Capital Reserve Fund to the Required Minimum Capital Reserve, which amounts are deemed to be appropriated from the State of Connecticut’s general fund and paid to the City pursuant to the Act and the Indenture, all as more fully described herein. In the opinion of Bond Counsel, such appropriation and payment from the general fund of the State does not require further legislative approval. Notwithstanding the foregoing, there is nothing in the Act which expressly prevents a subsequent State Legislature from repealing this provision. See “Summary of the Indenture — Special Capital Reserve Fund” herein.

Neither the faith and credit nor taxing power of the State of Connecticut or any municipality other than the City is pledged to the payment of principal of and interest on the Bonds.

$23,315,000 General Obligation Bonds — 1989 Series A

<table>
<thead>
<tr>
<th>Amount</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Yield or Price</th>
<th>Amount</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Yield or Price</th>
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<td>6.40%</td>
<td>100%</td>
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<td>1994</td>
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$14,510,000 7¼% Term Bonds Due January 15, 2009.

$35,000,000 General Obligation Bonds — 1989 Series B

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<th>Amount</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Yield or Price</th>
<th>Amount</th>
<th>Maturity</th>
<th>Interest Rate</th>
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<td>6.10%</td>
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<td>6.40</td>
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<td>1,675,000</td>
<td>2000</td>
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</table>

$10,350,000 7¼% Term Bonds Due March 1, 2005.
$11,340,000 7½% Term Bonds Due January 15, 2009.

(Accrued Interest to be Added)

The Underwriter will use its best efforts to make this issue Depository Trust Company (DTC), New York, eligible. The Bonds are offered for delivery, as and if issued, subject to the unqualified approving opinion of Schatz & Schatz, Ribicoff & Kotkin, Hartford, Stamford and Bridgeport, Connecticut, Bond Counsel, and certain other underwriting conditions. Certain legal matters will be passed upon by Dilworth, Paxson, Kalish & Kaufman, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Bridgeport Financial Review Board by Hawkins, Delafield & Wood, Hartford, Connecticut and New York, New York. It is expected that the Bonds in definitive form will be available for delivery on or about January 26, 1989.

Ehrlich Bober & Co., Inc.
Advest, Inc.
The Connecticut National Bank
Connecticut Securities Investment Corp.

Advest, Inc., The Connecticut National Bank
Connecticut Securities Investment Corp.
SECURITY FOR THE BONDS

General

Each Bond, when duly issued and paid for, will constitute a contract between
the City and the owner thereof.

The Bonds will be general obligations of the City and the City will pledge its
full faith and credit to pay the principal of and interest on the Bonds when due. The
Bonds will be payable, unless paid from other sources, from ad valorem taxes levied on
all taxable property in the City without limitation as to rate or amount, except as to
certain classified property.

The Bonds also will be entitled to the benefits of the provisions of the Act
and the Indenture, including certain covenants of the City contained in the Indenture and
certain rights of the Bondowners to enforce such covenants. The Indenture constitutes
the special contract and credit agreement with Bondowners authorized by the City in
accordance with the Act (See "Summary of the Act" and "Summary of the Indenture").

Debt Service Fund and Intercept Revenues

Pursuant to the Act and the Indenture, the Debt Service Fund was
established by the City and is thereafter maintained by the City with the Trustee, for the
purpose of paying Debt Service. "Debt Service" means all required payments (and
optional payments, if the City shall elect to do so) of principal of, premium, if any, and
interest on, all outstanding general obligation bonds and notes, the Bonds, and all other
bonds and notes issued from time to time by the City (See "Debt Summary").

In order to secure equally and ratably all bonds and notes issued pursuant to
the Act and any other bonds or notes issued by the City while any bonds or notes issued
pursuant to the Act remain outstanding, the City, as required by the Act, has entered
into the Indenture, pursuant to which, among other things, the City is required to pay to
the Trustee all Intercept Revenues, defined in the Act as "all taxes and interest,
penalties, and other charges appertaining thereto paid to the City." The Intercept
Revenues are to be held in the Debt Service Fund by the Trustee in trust for the benefit
of any and all owners or holders of all outstanding general obligation bonds and notes of
the City, all bonds and notes issued under the Act and all additional bonds and notes
issued under such Indenture; provided, however, that the Trustee is authorized to release
to the City for its general operating purposes any amounts of such Intercept Revenues in
excess of the greater of (i) a percentage thereof computed as to any 30-day period by
dividing the Debt Service scheduled to be paid during such period by the estimated City
tax receipts for such period or (ii) a percentage thereof computed by dividing the
appropriation for Debt Service for the first or second six-month period of the current
budget year (as the case may be) by one-half of the City taxes levied for such year. In
the event that Intercept Revenues are insufficient to meet Debt Service payments
coming due and payable, the City is required to make revenues other than taxes available
to the Trustee for such Debt Service payments. Earnings on the investments of the Debt
Service Fund are to be remitted to the City periodically for its general operating
purposes.
those parties who may enter into or have entered into contracts for the insurance or payment of such bonds or notes with the city pursuant to the provisions of this act, that the state will not limit or alter the rights hereby vested in the city until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the city, provided nothing contained herein shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds and notes of the city or those entering into such contracts with the city. The city is authorized to include this pledge and undertaking for the state in such bonds and notes or contracts and in any indenture or supplement thereto pursuant to which bonds or notes are or have been issued pursuant to this act."

The provisions of this subsection shall take effect (i) only upon passage of an amendment to the Act authorizing and validating the inclusion by the City of such pledge; and (ii) immediately pursuant to such amendment.

Rebate Fund.

Money deposited into the Rebate Fund and any income from the investment of such money or income from the investment of such investment income shall be paid by the Trustee to the United States in accordance with the terms of the Indenture, the Arbitrage and Use of Proceeds Certificate and the certification of the amount to be remitted by the Comptroller or Treasurer.

Covenants of the City.

The City covenants for the benefit of the Trustee and the Bondholders to (1) punctually pay the principal or redemption price, if any, of every Bond, and the interest thereon, (2) comply with the budgetary requirements of the Act, (3) pay the Intercept Revenues to the Trustee immediately upon receipt thereof by the City, (4) on or after November 15 and prior to December 1 of each year, cause its Comptroller to certify to the Secretary of the Office of Policy and Management and the Treasurer of the State, and request payment of, the amount required to restore the Special Capital Reserve Fund to the Minimum Required Capital Reserve, (5) make no use of proceeds of the Bonds or of amounts which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code") and (6) that it will not take any action, or fail to take any action with respect to the proceeds of the Bonds, that would result in loss of the exemption from Federal income taxation pursuant to Section 103(a) of the Code of interest paid on the Bonds.

Events of Default.

Each of the following constitutes an Event of Default under the Indenture:

(a) The City shall default in the payment of the principal or Redemption Price of any Bond; or (b) The City shall default in the payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the Maturity of such Bond); or (c) If the City shall fail or refuse to perform or observe any covenant, agreement or condition on its part in the Indenture or in the Bonds, and such default shall continue for
SPECIAL ACT NO. 88-80
MANDATED ACTIONS BY CITY AND BOARD
RELATING TO CITY BUDGET PROCESS

1. Board shall consult with City in the preparation of the Mayor's proposed budget.

2. Board shall obtain information on the financial condition of the City.

3. Board shall receive from City and review budgetary information.

4. Board shall audit City books and records.

5. Mayor shall submit to the Board, not later than 120 days before beginning of each fiscal year, his proposed operating and capital budgets.

6. Mayor shall submit to the Board, with proposed budgets, his certificate that the budget:
   a) consistent with the Financial Plan
   b) conform with the Act
   c) operation within the budget is feasible

7. Mayor shall include in budget all expenditure estimates, and justification documents for all estimates which exceed lesser of base year or current year.

8. Adopted budget is first year of each three year financial plan.

9. Board shall disapprove financial plan if not in compliance with the Act.
Substitute House Bill No. 6132
SPECIAL ACT NO. 88-80

AN ACT AUTHORIZING THE ISSUANCE OF BONDS BY THE TOWN AND CITY OF BRIDGEPORT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. It is hereby found and declared that a financial emergency exists in the town and city of Bridgeport, that the continued existence of this financial emergency is detrimental to the general welfare of the city and the state, that the town and city's continued ability to borrow in the public credit markets and the resolution of this financial emergency is a matter of paramount public interest and that to achieve this resolution it is necessary, appropriate and an essential public purpose to provide in this act for the financing of deficits resulting from the city's operations, the imposition of financial management controls and the creation of the Bridgeport financial review board to review the financial affairs of the town and city of Bridgeport, all in order to maintain access to public credit markets, to fund the city's accumulated deficits and to restore financial stability to the town and city of Bridgeport.

Sec. 2. As used in this act, the following terms shall have the indicated meanings: (1) "Base year" when used in reference to a budget, estimate or computation, means the fiscal year next preceding the fiscal year in which the budget is required to be prepared and adopted, being the second fiscal year next preceding the budget year; (2) "board" means the Bridgeport financial review board created pursuant to section 9 of this act; (3) "budget year" means a fiscal year of the city for or with respect to which a budget is required or is adopted pursuant to law; (4) "city" means the town and city of Bridgeport; (5) "common council" means the common council of the city as it shall be constituted from time to time; (6) "comptroller" means the comptroller of the city; (7) "contract" means any agreement, contract, lease, obligation, other than a debt obligation, letter of intent or acceptance regarding the provision of goods or services to or for the benefit of the city by and between the city and any other party, excluding collective bargaining
agreements with employees of the city; (8) "current year" when used in reference to a budget, estimate or computation, means the fiscal year in which the budget is required to be prepared and adopted, being the fiscal year next preceding the budget year; (9) "debt service percentage" means, for any budget year, the fraction whose numerator is the total appropriation in the budget for the first six months of such year or the second six months of such year, as the case may be, for debt service and whose denominator is half of the city taxes levied for such year; (10) "emergency period" means the period of time from the effective date of this act until such time as the board determines that: (A) The operating funds of the city shall have been in balance for two consecutive fiscal years in accordance with generally accepted accounting principles; (B) the city has presented a financial plan that projects positive operating fund balances for the three years covered by such financial plan in accordance with generally accepted accounting principles and this act; and (C) the city has access to the public credit markets; (11) "financial plan" means the financial plan of the city to be developed pursuant to section 11 of this act, as such plan may be from time to time modified; (12) "generally accepted accounting principles" means the statements, conventions, rules and interpretations defining accepted accounting practices for governmental entities promulgated by the Governmental Accounting Standards Board, as they are modified from time to time; (13) "intercept revenues" means all taxes and interest, penalties and other charges appertaining thereto paid to the city; (14) "justification document" means a written certificate setting forth facts determined and actions completed which forms an existing basis for a reasonable expectation that (A) in the case of receipts, a stated amount thereof will actually be collected or otherwise realized in cash during a budget year, or (B) in the case of appropriations, that the stated amount thereof will be sufficient for all expenditures by the city for the purpose thereof during a budget year, and which is accompanied by certified copies of all proceedings necessary to evidence the completion of all such actions; (15) "mayor" means the mayor of the city; (16) "monthly debt service requirement percentage" means, for any thirty day period, the fraction whose numerator is the amount
of debt service scheduled to be paid in the next thirty days and whose denominator is the amount of city taxes estimated to be received in the next thirty days; (17) "properly attributable" means the accounting system and procedures for cities prescribed by the Governmental Accounting Standards Board as modified by this act and all as determined and applied by independent accountants; (18) "required minimum capital reserve" means the amount specified in the indenture to be entered into pursuant to subsection (b) of section 6 of this act as the minimum requirement in any special capital reserve established pursuant to subsection (c) of section 6 of this act; (19) "accountant" means a firm of nationally recognized certified public accountants.

Sec. 3. The common council, subject to the approval of the board and upon the recommendation of the mayor, shall authorize the issuance of bonds or bond anticipation notes for the purpose of funding budget deficits through the period ending June 30, 1988, subject only to the limitations and procedures set forth in this act. The aggregate principal amount of bonds or bond anticipation notes authorized to fund the properly attributable budget deficits pursuant to this act shall be limited to: (1) The cumulative amount of the deficits in the city’s general fund balance for the fiscal years ending June 30, 1987 and June 30, 1988, as certified by an independent certified public accounting firm in the audit report of the city prepared for such fiscal years, and (2) such additional amounts as the common council and the board shall approve to provide for the establishment and maintenance of reserves or similar funds and to pay all fees, costs and expenses in connection with the authorization, issuance and sale of such bonds or bond anticipation notes, including, but not limited to, legal, advisory, printing and administrative expenses, any underwriters’ discount, expenses in connection with any credit enhancement and expenses of the board under section 9 of this act. The net proceeds of such bonds shall be applied first to repay the principal of and interest on outstanding notes issued in anticipation thereof, second to repay any tax anticipation notes of the city issued and outstanding, third to fund capital account deficits arising from the use of such funds for operations and fourth to fund general fund deficits. The city shall not borrow during
the emergency period except in compliance with the provisions of this act and upon the approval of the board. Nothing contained in this act shall limit the right of the city to comply with the provisions of any existing contract with or for the benefit of the owners or holders of any bonds, notes or other obligations of the city and nothing contained in this act shall be construed to alter, impair, diminish or otherwise affect the rights of such owners or holders. Any bonds issued to fund deficits under this section may be defeased through the issuance of refunding bonds which may be authorized in the same manner as the bonds being refunded, provided that the final maturity of any refunding bonds shall not be later than the final maturity of the refunded bonds and that the city will achieve, as a result of the sale of such refunding bonds and the investment and application of the proceeds of such sale, net debt service savings.

Sec. 4. The common council may delegate to the mayor and comptroller, subject to the approval of the board, the authority to determine the date, maturities, prices, interest rate or rates, form, manner of sale and other terms and conditions of bonds issued pursuant to this act, including, but not limited to, the determination of the final form of and execution and delivery on behalf of the city of any agreement or indenture of trust to be entered into pursuant to section 6 of this act in connection with the sale of such bonds. Such powers shall be exercised from time to time by the mayor and comptroller, subject to the approval of the board, in such manner as they shall determine to be in the best interests of the city, provided that any such bonds shall be for a term not exceeding twenty years. Bonds issued pursuant to this act shall be sold in such manner and on such terms and conditions as the mayor and comptroller shall determine to be in the best interests of the city, subject to the approval of the board, and such bonds, when duly issued in accordance herewith, shall constitute the legal, valid and binding general obligations of the city for which the full faith and credit of the city shall be pledged to the payment of the principal thereof and the interest thereon. Bonds and bond anticipation notes issued pursuant to this act are hereby determined to be issued for valid public purposes in the exercise of essential governmental functions.
Sec. 5. Pending the certification of the fund balance deficit for the fiscal year ending June 30, 1988, the city may, pursuant to the authority contained in this act and subject to the approval of the board, issue bonds or bond anticipation notes in an aggregate principal amount not to exceed fifty per cent of the estimated fund balance deficit for such fiscal year and such additional amount as may be approved to pay costs of issuance. The principal of and interest on any bond anticipation notes issued pursuant to this act may be repaid from the revenues pledged pursuant to this act, to the extent not paid from the proceeds of renewals thereof or of bonds issued pursuant to this act. Upon the sale of said bonds, the proceeds thereof, to the extent required, shall be applied forthwith to the payment of the principal of and interest on any bond anticipation notes issued pursuant to this act or shall be deposited in trust for such purpose. The date or dates of such bond anticipation notes, the maturities, denominations, form, details and other particulars of such bond anticipation notes, including the method, terms and conditions for the issue and sale thereof, shall be determined by the mayor and comptroller in the best interests of the city, subject to the approval of the board, provided that the term of all such bond anticipation notes, including any renewals thereof, shall not exceed twelve months. Such bond anticipation notes shall constitute the legal, valid and binding general obligations of the city, for which the full faith and credit of the city shall be pledged to the payment of the principal thereof and the interest thereon.

Sec. 6. (a) The city shall make representations, agreements and covenants, including a covenant not to impair, limit, modify, rescind, repeal or otherwise alter the rights, exemptions or remedies of any bondowner or noteholder, bond insurer or other provider of credit or liquidity enhancement, by and for the benefit of any bondowner, or noteholder, bond insurer or other provider of credit or liquidity enhancement, which representations, agreements and covenants are necessary or appropriate: (1) To ensure the exemption of interest on the bonds or notes issued pursuant to this act from taxation under the Internal Revenue Code of 1986, as amended, or any subsequent corresponding internal revenue code of the United States, including
agreements to pay rebates to the federal government of investment earnings derived from the investment of the proceeds of the bonds or notes; or (2) to strengthen the credit of bonds or notes issued pursuant to this act in the financial markets or both.

(b) In order to further secure bonds and notes issued pursuant to this act and any other bonds or notes issued by the city while any bonds or notes issued pursuant to this act remain outstanding, the city shall enter into an indenture of trust with a bank or trust company located within or without the state, and shall covenant pursuant to such indenture that all intercept revenues shall be paid to the trustee and held in trust for the benefit of any and all owners or holders of all outstanding general obligation bonds and notes of the city, all bonds and notes issued under this act and all additional bonds and notes issued under such indenture; provided, however, that the indenture shall authorize the trustee to release to the city for its general operating purposes any amounts in excess of the greater of the monthly debt service requirement percentage or the debt service percentage. In the event that intercept revenues are insufficient to meet debt service payments coming due and payable, the city shall pledge, pursuant to such indenture, to make revenues other than taxes available to the trustee for such debt service payments.

(c) In connection with the issuance of bonds under the provisions of this act, the city shall also, subject to the approval of the board, create and establish one or more reserve funds to be known as special capital reserve funds and shall pay into such special capital reserve funds (1) any moneys appropriated and made available by the state for the purposes of such funds, (2) any proceeds of sale of notes or bonds, to the extent provided in the proceedings authorizing the issuance thereof, and (3) any other moneys which may be made available to the city for the purpose of such funds from any other source or sources. The moneys held in or credited to any special capital reserve fund established under this subsection, except as hereinafter provided, shall be used solely for the payment of the principal of bonds of the city secured by such capital reserve funds as the same become due, the purchase of such bonds of the city, the payment of interest on such bonds of the city or the payment of any redemption
premium required to be paid when such bonds are redeemed prior to maturity; provided, the city shall have power to provide that moneys in any such fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of such funds to less than the required minimum capital reserve, except for the purpose of paying such principal of, redemption premium and interest on such bonds of the city secured by such special capital reserve becoming due and for the payment of which other moneys of the city are not available. The city may provide that it shall not issue bonds to be secured by a special capital reserve fund created under this subsection at any time if the required minimum capital reserve on the bonds outstanding and the bonds then to be issued and secured by a special capital reserve fund will exceed the amount of such special capital reserve fund at the time of issuance, unless the city, at the time of the issuance of such bonds, shall deposit in such special capital reserve fund from the proceeds of the bonds so to be issued, or otherwise, an amount which, together with the amount then in such special capital reserve fund, will be not less than the required minimum capital reserve. On or before December first, annually, there is deemed to be appropriated from the state general fund such sums, if any, as shall be certified by the comptroller to the secretary of the office of policy and management and the treasurer of the state, as necessary to restore each such special capital reserve fund to the amount equal to the required minimum capital reserve of such fund, and such amounts shall be allotted and paid to the city. For the purpose of evaluation of any such special capital reserve fund, obligations acquired as an investment for any such fund shall be valued at the lower of cost or market. Nothing contained in this subsection shall preclude the city from establishing and creating other debt service reserve funds in connection with the issuance of bonds or notes of the city under subsection (b) of this section. Subject to any agreement or agreements with holders of outstanding notes and bonds of the city, any amount or amounts allotted and paid to the city pursuant to this section shall be repaid to the state from moneys of the city at such time as such moneys are not required for any other of its city purposes and in any event shall be repaid to the state on the date one
year after all bonds and notes of the city thertoafter issued on the date or dates such amount or amounts are allotted and paid to the city or thereafter issued, together with interest on such bonds and notes, with interest on any unpaid instalments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders thereof, are fully met and discharged. Notwithstanding any other provisions contained in this act, the aggregate amount of bonds to be secured by a special capital reserve fund or funds created and established pursuant to this subsection shall not exceed thirty-five million dollars.

Sec. 7. Notwithstanding the provisions of any other general statute, special act, the charter of the city or any ordinance or resolution of the city to the contrary, no proceedings, notice or approval shall be required for the issuance of any bonds or notes authorized hereunder or any instrument authorized as security therefor, except as provided herein. Bonds and notes issued pursuant to this act shall be included in the calculation of aggregate indebtedness under section 7-374 of the general statutes.

Sec. 8. Notwithstanding any other provisions of the general statutes or elsewhere to the contrary, the treasurer of the state may, with the approval of the state bond commission, invest moneys which are in the general fund, any bond funds, the special transportation fund, the local bridge revolving fund, any trust funds administered by the treasurer of the state and all such other funds which by law the treasurer of the state is responsible for investing in bond anticipation notes issued by the city under the provisions of this act. In the event of the failure or inability of the city to pay the principal and interest on any such notes when such principal and interest shall become due, the treasurer of the state shall certify to the secretary of the office of policy and management of the state and the state comptroller the amount of principal and interest remaining unpaid on such notes and thereupon the state comptroller shall pay to the treasurer of the state, out of the first moneys available for the next succeeding payments of (1) state financial aid apportioned to the city for the support of local government or (2) such other financial aid or assistance payable
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by the state to the city and not otherwise restricted as shall supercede or supplement such state financial aid, including federal financial aid to the city by the state, until the amount due and owing to the state pursuant to such notes is paid in full. Any amount so paid over to the treasurer of the state pursuant to this section shall be deducted from the corresponding amount of such state financial aid otherwise payable to the city and shall not obligate the state to make nor entitle the city to receive any additional payment of state financial aid. All amounts paid over to the treasurer of the state as provided in this section, including amounts paid by the state comptroller out of payments of state aid, shall constitute and be accounted for as payments of the principal of and interest on such notes due and payable to the state issued for the purposes set forth hereunder.

Sec. 9. There is hereby created the Bridgeport financial review board with such powers and functions as are set forth in this act. The board shall consist of the treasurer of the state, the secretary of the office of policy and management, and the mayor, as ex-officio members with voting power, two members appointed by the mayor not later than ten days after the effective date of this act, at least one of whom shall be a resident of the city, two members representing the public, one to be appointed jointly by the speaker of the house and president pro tempore of the senate, and one to be appointed jointly by the minority leader of the house of representatives and the minority leader of the senate, and two members appointed by the governor no later than ten days after the effective date of this act. The members appointed by the mayor and the governor shall serve for a term not longer than four years and may be eligible for reappointment for consecutive terms. The members appointed by the legislative leaders shall serve for a term not longer than two years and may be eligible for reappointment for consecutive terms. One member of said board shall be a partner of a major accounting firm and one member of said board shall be the chief financial officer of a major corporation in the city, provided however, that each member of said board shall be, at the time of his or her appointment, a resident of the state of Connecticut. The treasurer of the state shall be chairman of the board and he or his representative
shall preside over all meetings of the board. A majority of the entire board shall constitute a quorum for the conduct of business. The board shall act by majority vote of the entire board. The board shall maintain a record of its proceedings in such form as it may determine; but such record shall indicate attendance and all votes cast by each member. The treasurer of the state and the secretary of the office of policy and management shall be each entitled to designate a representative to attend, in their place, meetings of the board and to vote or otherwise act in their behalf. Written notice of such designation shall be furnished to the board by the designating member prior to any meeting attended by his representative. Any representative shall serve at the pleasure of the designating member. No representative shall be authorized to delegate any of his duties or functions to any other person. The members of the board and all representatives designated by members of the board shall serve without salary or per diem allowance but shall be entitled to reimbursement by the city for actual and necessary expenses incurred in the performance of official duties under this act, provided, that such member and representatives are not, at the time such expenses are incurred, public employees otherwise entitled to such reimbursement. The board shall be authorized to retain such consultants experienced in the field of municipal finance or accounting as it shall deem necessary or desirable for accomplishing its purposes. The expenses of the board, including any consultants appointed in accordance with this act, as determined by the board, shall be paid by the city and may be paid from the proceeds of bonds issued under this act.

Sec. 10. In carrying out the purposes of this act, the board shall perform the following functions:

(1) The board shall: (A) Consult with the city in the preparation of the financial plan and the mayor’s proposed budget; approve such financial plan and certify to the city revenue estimates approved therein; (B) prescribe the form of the financial plan and the supporting information required in connection therewith of approval, disapproval and modification with respect to the financial plan; (C) review and approve the terms of each proposed long-term and short-term borrowing by the city during the emergency period;
and (D) adopt regulations regarding its approval of contracts pursuant to section 18 of this act.

(2) The board shall, from time to time and to the extent it deems necessary or desirable in order to accomplish the purposes of this act: (A) Review the efficiency and productivity of city operations and management, as the board shall determine, and make reports thereon to the mayor, the comptroller and the common council; (B) audit compliance with the financial plan in such areas as the board shall determine; (C) recommend to the city such measures relating to the efficiency and productivity of the city's operations and management as the board deems appropriate to reduce costs and improve services so as to advance the purposes of this act; and (D) obtain information on the financial condition and needs of the city. Nothing herein shall diminish the powers of the mayor, the comptroller, the common council or any other board, agency or authority of the city otherwise provided by law.

(3) The board shall: (A) Receive from the city and review such financial statements and projections, budgetary data and information and management reports and materials as the board shall determine necessary or desirable to accomplish the purposes of this act; and (B) inspect, copy and audit such books and records of the city as the board shall determine necessary or desirable to accomplish the purposes of this act.

(4) The comptroller shall deliver to the board monthly reports of the financial condition of the city and of progress under the financial plan for the then current fiscal year, including the condition and operation of the general fund, revenues and expenditures, appropriations, estimates of the surpluses or deficits in the operating funds or accounts to the end of the then current fiscal year, statements and projections of general fund cash flow reserves, number of city employees on the city payroll and debt service requirements on all bonds and notes of the city for the following month.

(5) The board shall coordinate with the comptroller with respect to the performance of the board's review and monitoring of the revenues and expenditures of the city.

Sec. 11. (a) Pursuant to the procedures contained in this section, each year the city shall, no later than forty-five days after the effective date of this act and, thereafter, no
later than one hundred twenty days prior to the commencement of each fiscal year, develop a three-year financial plan covering the city, which financial plan may be modified from time to time pursuant to the provisions of this act. Each such financial plan and financial plan modification shall conform to the requirements of this section and shall provide for the: (1) Elimination of all deficits in the general fund; (2) restoration to all funds and accounts, including capital funds and accounts, of any moneys from such funds and accounts that were used for purposes not within the purposes of such funds and accounts or borrowed from such funds or accounts; (3) balancing of the operating funds in accordance with the provisions of this act; (4) maintenance of current payments of all accounts; (5) estimation of the amount of bonds or notes to be issued by the city and debt service requirements; and (6) assumptions on which revenue and expenditure projections are based. The financial plan shall be in such form and shall contain such additional information for each year during which the financial plan is in effect as the board may specify, and shall, in such detail as the board may from time to time prescribe, include statements of all estimated revenues and expenditures, cash flow projections and cash resources and uses, and capital improvements of the city.

(b) The financial plan shall be developed and approved, and may from time to time be modified with the approval of the board, in accordance with the following procedures: (1) Not later than forty-five days after the effective date of this act, the city shall prepare and submit a financial plan to the board covering the three-year period beginning with the fiscal year commencing July 1, 1988. Not later than one hundred twenty days prior to the commencement of each fiscal year thereafter, the city shall submit to the board the city’s proposed operating and capital budgets for the ensuing fiscal year and a certificate of the mayor stating that such budgets are consistent with the financial plan, that the budgets conform to the requirements of the act and that operation within the budgets is feasible. (2) Not more than thirty days after submission of a financial plan or a financial plan modification, the board shall determine whether the financial plan or financial plan modification is complete and complies with
the provisions of this section and shall approve or disapprove the financial plan or financial plan modification in accordance with the provisions of this section. If the board determines that the financial plan or financial plan modification is complete and complies with the requirements of the act, the board shall approve the financial plan or financial plan modification. Upon making such determination the board shall make a certification to the city setting forth revenue estimates approved by the board in accordance with such determination. (3) The board shall disapprove, by resolution, the financial plan proposed by the city if, in the judgment of the board, such plan: (A) Is incomplete; (B) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation; (C) fails to provide that operations of the city will be conducted within the cash resources available according to the board's revenue estimates; or (D) fails to comply with the provisions of this section. (4) In the event that the city shall, for any reason, fail to submit a financial plan as required by this section, or to comply with a financial plan approved by the board, or in the event that the board has not, for any reason permitted under this act, approved a financial plan submitted by the city, the board, after enactment of a resolution so finding, shall formulate and adopt a financial plan to be effective until the board approves a financial plan submitted by the city. (5) After the initial approval of the financial plan, the revenue estimates certified by the board and the financial plan shall be regularly reexamined by the board in consultation with the city and the city shall provide a modified financial plan in such detail and within such time period as the board may require. In the event of reductions in such revenue estimates, or in the event the city shall expend funds at a rate that would exceed the aggregate budgeted appropriations for the city prior to the expiration of the fiscal year, the city shall submit a financial plan modification to effect such adjustments in revenue estimates and reductions in total expenditures as may be necessary to conform to such revised revenue estimates or aggregate budgeted appropriations. If, within a time period specified by the board, the city fails to make such modifications after reductions in revenue estimates, or to provide a
modified plan in detail and within such time period required by the board, the board, after enactment of a resolution so finding, may formulate and approve such modifications to the financial plan, such modifications to become effective on their approval. (6) The city may, from time to time, submit financial plan modifications for review by the board. The board shall approve such modifications unless, in the judgment of the board, such modifications would constitute grounds for disapproval of a financial plan pursuant to this section.

(c) A financial plan shall, except to the extent waived by the board with respect to any limited period, include any information which the board may request to satisfy itself that: (1) Projected employment levels, capital construction and such other matters as the board may specify, are consistent with the provisions made for such obligations in the financial plan; (2) the city is taking whatever action is necessary with respect to programs mandated by state and federal law to ensure that expenditures for such programs are limited to and covered by the expenditures stated in the financial plan; and (3) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period.

Sec. 12. (a) There shall be included and made in the budget of the city for or with respect to each budget year not less than the following appropriations estimated and computed in accordance with this section: (1) All appropriations required to fund expenditures required by law for the budget year; (2) appropriations of the amounts required for the budget year to pay debt service, including interest on tax anticipation notes and revenue anticipation notes to be issued during the budget year and paid prior to the expiration of such year; (3) appropriations of the amounts required for the payment of any judgments or settled claims against the city unpaid at the beginning of such budget year together with interest thereon until paid and amounts properly attributable as reserve for any final judgments or settled claims against the city not otherwise funded through the issuance of bonds during the budget year together with interest, if any, thereon; (4) appropriation of the amounts required for all other expenditures to be made during the budget year, or properly
attributable to such year, for the general support and current expenses of the government of the city to be paid from taxes or special assessments or other current revenues of the city for such year; (5) an appropriation for liquidation of prior deficits of the city of not less than the amount determined as stated below for the required provision for deficits of prior years for such budget year provided however, that any portion of such deficits arising in connection with changes in accounting rules promulgated by the Governmental Accounting Standards Board shall not be included.

(b) Unless the exact amount of the expenditure for any item of any such appropriation for a budget year is known and stated at the time of making and adopting the budget for or with respect to such year, the amount thereof shall be estimated by the common council. Any such estimate for such item shall not be less in amount than the amount for such item of expenditure paid or incurred for or with respect to the base year, or less in amount than the appropriation made or included for such item in the budget for the current year, whichever is less, unless there shall have been previously filed with the board a justification document of the common council with respect to such estimate.

(c) The required provision for deficits of prior years for or with respect to a budget year shall be the amount of the aggregate of the deficits of the various operating funds of the city as of the end of the base year as determined under this act.

(d) Subject to the limitations set forth in subsection (b) of this section, there shall be attached to and made a part of each budget of the city a schedule of cash expenditures and cash receipts for the budget year on a monthly basis in as much detail as the common council shall consider appropriate for the determination of the estimated need for the issuance of tax or revenue anticipation notes. In addition, with respect to each budget subsequent to the second budget effective under this act, there shall be attached to such schedule the certificate of the comptroller setting forth the actual cash expenditures and actual cash receipts on a monthly basis for the base year. In the event there shall be substantial variation between the schedule attached to the budget and the certificate, there
shall be filed with the board a justification document of the chief fiscal officer, approved by the common council of the city.

Sec. 13. (a) In computing or stating the amount of city taxes assessed or levied or to be assessed or levied upon real property in the city pursuant to the budget for any budget year, there shall not be deducted from the total of the appropriations included and made in such budget, and the receipt or availability shall not be estimated or anticipated in such budget of, any sum or sums of money which the common council does not by resolution declare will be collected or otherwise realized in cash by or for the account of the city prior to the expiration of such year, or, in any event, any sum or sums of money other than or in excess of the following: (1) Operating surpluses of prior years not in excess of the amount of the aggregate of the fund balances of the various operating funds of the city as of the end of the base year; (2) as state or federal aid under any program thereof continuing fully in effect until the end of said budget year, a sum or sums of money not in the aggregate exceeding the amount received or otherwise realized in cash by the city for or on account of said program during the base year, or any such larger amount as may be certified by an officer, board, commission or other agency of the state or the United States of America as received or receivable in cash, for or on account of said program and under legislation and appropriations then fully effective and sufficient, by the city from such officer, board, commission or agency or from the state or the United States of America, free from any setoff or counterclaim, during any period of twelve consecutive months ending not later than the end of such budget year or more than six months prior to the beginning of said year; (3) miscellaneous revenues not in any instance or as to any item in excess of the amount of such miscellaneous revenues collected or otherwise realized in cash from the same source in the base year or properly attributable to the current year; (4) revenues in excess of amounts permitted for any item under the provisions of subdivisions (1) to (3), inclusive, of this subsection, but only if there shall have been previously filed with the board a justification document approved by the common council and the board with respect to such item; and (5) miscellaneous revenues as to any item not
mentioned in subdivision (3) of this subsection, but only if there shall be filed a justification document approved by the common council and the board with respect to such item, not in excess of the amount of such miscellaneous revenues actually realized in cash from the same source in the current year in not less than four of the six months prior to the beginning of said budget year plus that anticipated for the remaining months of the current year estimated as accurately as may be, provided that the authority for receiving such item of miscellaneous revenues shall continue to be fully in effect until the end of said budget year.

(b) In stating in any budget the receipts pursuant to subdivisions (2) to (6), inclusive, of subsection (a) of this section, there shall be attached to the budget an accountant's certificate stating that the inclusion of such receipt for such budget year is properly attributable to such budget year.

(c) For and with respect to each budget year, the common council shall assess and levy the amount of real property taxes for each such year required under the budget, including the required provisions for deficits of prior years referred to in section 12 of this act, being the excess of the aggregate amount of all appropriations included and made in such budget over the aggregate amount of all receipts, except real property taxes for such year, anticipated in such budget as estimated and stated in accordance with the limitations of subsection (a) of this section, and the common council shall cause to be raised the said amount so required by tax upon real property liable therefor in the manner provided for the levy of city taxes.

Sec. 14. No transfer shall at any time be made of any part of an appropriation referred to in any of subdivisions (1) to (5), inclusive, of subsection (a) of section 12 of this act to an appropriation under any other of said subdivisions without a justification document; provided, however, that this shall not prohibit nor require a justification document for intraorganizational transfers of budgeted appropriations during the then current fiscal year. No other budgeted transfers for any purpose shall be authorized or made or shall take effect at any time unless there shall have been previously filed with the board a resolution of the common council finding that the
unencumbered balance of such appropriation remaining after such transfer equals or exceeds the estimated expenditures of the city required for such purpose during the remainder of the budget year, together with a justification document of or approved by the common council with respect to such finding. Upon the taking effect of such transfer, the amount of the appropriation in such budget to which such transfer is made shall be deemed for all purposes of this act to be increased by the amount of such transfer. No transfer under this section shall be made to any appropriation for expenditures with respect to a capital project for which there is an existing bond ordinance in effect covering such capital project, unless such bond ordinance is amended to increase the estimated maximum amount of the cost of financing such capital project and provision is made to finance the appropriation for such increase with the use of such general operating funds. Under no circumstances shall an appropriation for a capital project for which there is an existing bond ordinance in effect covering such project be transferred to any budget appropriation for general operating expenses, nor shall bond funds for any capital project be used for the payment of general operating expenses pending the use or disposition of such funds for their original purpose.

Sec. 15. No emergency appropriation, supplemental or supplementary appropriation or other increase in the amount of any appropriation made in any budget shall be authorized or made or shall take effect during the budget year, except (1) an increase by a transfer made in accordance with section 14 of this act or (2) a supplemental appropriation for the payment of expenditures expected to be met in full by application of an amount not estimated or anticipated as a revenue or receipt in such budget which is certified by an officer, board, commission or other agency of the state or the United States of America to be receivable in accordance with generally accepted accounting principles by the city during such budget year from such officer, board, commission or agency or from the state or the United States of America, under legislation and appropriations then fully effective and sufficient, for the purpose of paying such expenditure, free from any setoff or counterclaim.
Sec. 16. Commencing no later than July 1, 1989, all taxes shall be due and payable to the city only on July first and January first in each fiscal year. All budgets adopted by the city (A) shall contain estimates of revenues and expenditures prepared in conformance with the requirements of this act, (B) shall contain an annual tax collection rate percentage which is forecasted at the average of the actual annual tax collection rate percentage for the three previous fiscal years and (C) shall be balanced subject to the provisions hereof. Extraordinary, nonrecurring revenues, such as those derived from the sale of city assets, in excess of a total of revenues from all such sources of one million dollars, may not be included in the revenues projected for any proposed budget. Any audited general fund surplus in excess of five percent of the annual budget and any extraordinary, nonrecurring revenues in excess of one million dollars derived while bonds or notes issued pursuant to this act are outstanding shall be fully applied as soon as practicable to: (1) Redeem outstanding bonds or notes issued pursuant to this act, including the payment of any premium thereon; (2) to purchase bonds or notes issued pursuant to this act on the open market at par or at a discount; (3) be placed in trust for the defeasance of bonds issued pursuant to this act, including the payment of necessary costs and expenses related thereto, including any escrow agent and legal fees; provided any such funds may, at the option of the city, be held by a trustee and invested at the direction of the city, until the amount so held shall be sufficient to redeem, purchase, or defease bonds in the principal amount of one million dollars or more; or (4) be placed in a segregated fund to be used for capital improvement projects. Audited combined financial statements of the city for each fiscal year shall be prepared by an accountant in accordance with generally accepted auditing standards and presented to the common council and the board no later than one hundred eighty days after the close of the subject fiscal year. The contract by and between the city and any accountant for such services shall be for a period of not less than two years and shall require the approval of the board.
Sec. 17. During the emergency period: (1) No officer or employee of the city shall make or authorize a contract in excess of the amount available therefor under the financial plan as then in effect; and (2) no officer or employee of the city shall involve the city in any contract for the payment of money for any purpose required to be approved by the board unless such contract has been so approved and unless such contract is in compliance with the financial plan as then in effect. No officer or employee of the city shall take any action in violation of any valid order of the board or shall fail or refuse to take any action required by any such order or shall prepare, present or certify any information, including any projections or estimates, or report for the board or any of its agents that is false or misleading. In addition to any penalty or liability under any other law, any officer or employee of the city who shall violate the provisions of this section shall be subject to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of the mayor. In the case of a violation of the provisions of this section by an officer or employee of the city, the mayor shall immediately report to the board all pertinent facts together with a statement of the action taken thereon.

Sec. 18. If the audit of the city for the fiscal year ending June 30, 1990 shows an operating fund balance deficit for such fiscal year or, if at any time during or after the emergency period, the city shall lose access to the public credit markets, the following provisions shall take effect and be in effect until such deficit is eliminated or such access is restored: (1) The board shall formulate and adopt such modifications to the financial plan and the city’s budget as it shall determine necessary to achieve the purposes of this act and shall recommend such modifications to the mayor and the common council. (2) With respect to all contracts to be entered into by the city requiring the payment of funds or the incurring of costs by the city, the city shall submit a copy of each such contract to the board accompanied by an analysis of the projected costs of such contract and a certification that performance thereof will be in accordance with the financial plan, all in such form and with such additional information as the
board may prescribe. The board shall promptly review the terms of such contract and the supporting information in order to determine compliance with the financial plan. The board shall, by order, disapprove any contract reviewed by it only after enactment of a resolution determining that, in its judgment, the performance of such contract would be inconsistent with the financial plan, and upon such order the city shall not enter into such contract. If the board approves the terms of a reviewed contract, the city may enter into such contract upon the terms submitted to the board. Failure of the board to notify the city within thirty days, or such additional time, not exceeding thirty days, as the board shall have notified the city that it requires to complete its review and analysis, after submission to it of a proposed contract shall be deemed to constitute board approval thereof. (3) No officer or employee of the city shall make or authorize a contract in excess of the amount available therefor under the financial plan as then in effect; involve the city in any contract for the payment of money for any purpose required to be approved by the board unless such contract has been so approved and unless such contract is in compliance with the financial plan as then in effect; take any action in violation of any valid order of the board or fail or refuse to take any action required by any such order; or prepare, present or certify any information, including any projections or estimates, or report to the board or any of its agents that is false or misleading, or, upon learning that any such information is false or misleading, fail promptly to advise the board or its agents thereof. (4) The board shall issue to the appropriate officials of the city such orders as it deems necessary to accomplish the purposes of this act, including but not limited to, timely and satisfactory implementation of an approved financial plan. Any order so issued shall be binding upon the official to whom it was issued and failure to comply with such order shall subject the official to the penalties set forth in section 17 of this act. If the financial plan or any modification thereof approved for the fiscal year ending June 30, 1989, projects an operating fund balance deficit for such fiscal year, the board may determine in its discretion that the provisions of this section
shall take effect and be in effect until such deficit is eliminated.

Sec. 19. The members of the board and any person authorized to act on behalf of or assist them shall not be personally liable or subject to any suit, judgment or claim for damages resulting from the exercise of or failure to exercise the powers, duties and functions granted to the members of the board under this act.

Sec. 20. Six months after the end of the emergency period, the existence of the board and all other provisions of this act except those contained in section 21 shall terminate; provided, however, the provisions of sections 12, 13, 14, 15, 16 and 19 and subsection (b) of section 6 shall remain in full force and effect and a copy of the annual budget of the city shall be sent to the secretary of the office of policy and management for so long as any bonds or notes issued pursuant to this act remain outstanding. While any bonds or notes issued pursuant to this act remain outstanding, in the event that: (1) The operating funds of the city shall not have been in balance for two consecutive fiscal years in accordance with generally accepted accounting principles; or (2) the operating funds of the city shall not have been in balance for the previous fiscal year in accordance with generally accepted accounting principles and the city shall have lost access to the public credit markets, the provisions of this act shall again become effective.

Sec. 21. (a) The board, acting by and through the treasurer of the state, may apply for a writ of mandamus authorizing any official, employee or agent of the city to carry out or give effect to any order or request of the board authorized by this act. Each such application shall be filed in superior court for the judicial district of Hartford-New Britain.

(b) Any action challenging any section, part or provision of this act or the application of the same shall be brought in superior court for the judicial district of Hartford-New Britain.

(c) If any section, part or provision of this act shall be held unconstitutional or invalid or ineffective by the superior court, such decision may be appealed by any aggrieved party directly to the supreme court within two weeks of the issuance of such decision. Upon the filing of an appeal, the trial judge shall immediately transmit a
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certificate of his decision, together with a proper finding of fact, to the chief justice, who shall thereupon call a special session of the supreme court for the purpose of an immediate hearing upon the appeal. The chief justice may make orders to expedite such appeals, including orders specifying the manner in which the record on appeal may be prepared. Filing of such an appeal shall stay the effect of the judgment or order appealed from pending the hearing and determination of the appeal.

Sec. 22. If any section, part or provision of this act shall be declared unconstitutional, invalid or ineffective by any court of competent jurisdiction, such declaration shall be limited to the section, part or provision directly involved in the controversy in which such declaration was made and shall not affect any other section, provision or part thereof.

Sec. 23. Notwithstanding the provisions of section 17-3a of the general statutes, or any regulations adopted thereunder, the commissioner of income maintenance shall provide that the payment of all penalties for noncompliance assessed against the town and city of Bridgeport for the fiscal year ending June 30, 1986 under the provisions of section 17-3a shall be amortized over a five-year period beginning with the fiscal year ending June 30, 1989.

Certified as correct by

_____________________________________________________________________

Legislative Commissioner.

_____________________________________________________________________

Clerk of the Senate.

_____________________________________________________________________

Clerk of the House.

Approved ___________________________ 1988

_____________________________________________________________________

Governor, State of Connecticut.