

# KAREN A. MURPHY

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March 9, 2009  
(Hand Delivered)

Board of Finance of the City of Stamford  
888 Washington Blvd. 10<sup>th</sup> Floor  
Stamford, CT 06904-2152

Re: Revised Bond Issuance and Refunding Resolutions

Dear Members of the Board of Finance:

For reasons of law and the damages to the City of Stamford's taxpayers, reject both the Bond Refunding and Bond Issuance resolutions.

Attached to the \$50 million Bond Issuance Resolution is the Project List. The summary sheet for the Project List (Attachment A) shows that \$20+ million of the \$88 million 2008 bond offering has not been allocated to identifiable capital projects. How can this Board make an informed decision on this \$50 million dollar Bond Issuance not knowing how over \$20 million of the \$88 million 2008 bond offering has been allocated to identifiable capital projects?<sup>1</sup> In fact how is it legally possible that \$20 million has not been allocated to capital projects? Something is wrong and the taxpayers deserve an explanation before it is too late.

How can this Board legally loan money to the WPCA? Where is the legal authority to make such loans? Even if there is authority, where is the authority to make below market rate loans? Worst yet where is the authority to make below market rate loans to an entity that should have received a "going concern notice" from its auditors.

I didn't think it could get worst but it does. In his letter to this Board note the Mayor's words: "**In order to facilitate a minimum of \$10 million of authorized WPCA debt.**"<sup>2</sup> Before this minimum of \$10 million dollars of new debt is loaned to WPCA, the people are entitled to know what increase in WPCA charges are currently needed (before this new debt) to make WPCA solvent.

## WPCA Background

WPCA can not pay it operating expenses. How can it pay for more debt. WPCA's audited financial statements as of June 30, 2008, states:

... WPCA doesn't have enough cash in the short term to fund its current liabilities. It is typical that until the next billing cycle and connection period (October 2008), the WPCA will "borrow" money from the City of Stamford to pay its bills. Under a longstanding pooled cash arrangement, the WPCA pays the City interest to cover its short-term cash flow needs. Until the issuance of a new revenue bond, the City will advance the necessary funds to the WPCA to cover their operating and capital cash requirements.

Where in the City's operating budget is the line item for these loans? Are these loans properly authorized? No wonder the City will not disclose its bank statements as requested pursuant to an Freedom of Information request. (See the attached Second Complaint to Freedom of Information Commission. I will email to the Board the Second Complaint with attachments)

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<sup>1</sup> See Attachment Summary project list for \$50 million bond offering

<sup>2</sup> Read this Administration's words carefully.

It appears that the City is using bond proceeds to fund operating expenses under the guise of a “longstanding pooled cash arrangement.” Before any new Resolutions for Bond Issuance or Refunding is authorized, this Board owes the taxpayers the assurance that this is not the case.

The Resolutions that were recently approved, without any authority, to amend WPCA’s prior capital budgets is simply a shell game. It appears that the simple purpose of this illegal game is to get cash- via Revenue Bonds and General obligation Bonds- into WPCA to pay operating expenses and continue business as usual.

Further, it is mind boggling that the Planning Board approved WPCA’s \$20+ million in capital projects for an entity that should have received a “going concern notice” from its auditors. To make matters worst, how could the Planning Board believe that these projects would be funded by Revenue Bonds? Revenue Bonds require revenue. The Waste To Energy project is a speculative, R&D project that can not legally be funded with Revenue Bonds or General Obligations bonds.

<b>WPCA’s Fiscal 09/10 Capital Budget</b>			
		Clearly Discretionary	
Waste To Energy		\$20,000,000	Speculative R&D project
Mill River Stormwater Management		867,273	Design Project to make Mill River useful for Recreational Purposes <sup>3</sup>
Sanitary Pumping Station	150,000		
WPCA Major Repairs	250,000		
Sanitary Sewer Rehabilitation	150,000		
Storm Water Pump Station	250,000		
Project GIS	100,000		
Perna Lane Area Sewers	150,000		
Carriage Drive Sewers	220,000		
Wedgemere Road Sewers	250,000		
<b>Total</b>	<b>\$1,520,000</b>	<b>\$20,867,273</b>	

There are so many warning signals that WPCA’s and the City of Stamford’s books and records are in question, this Board must do its homework, investigate and report to the taxpayers that their concerns are unwarranted.

<sup>3</sup> Does the City reimburse WPCA for stormwater management?

### **Refunding \$70 million of City's Debt**

With respect to the Refunding let us see the details. This appears to be more financial gimmicks. Further the Mayor's and Ms. Dennies statements concerning this Refunding could not be more different. When reading the following statements by our City officials note the year when the "alleged savings" will be realized. Also note that Ms. Dennies is only referring to interest and the Mayor is referring to debt service.

In his attached February 12, 2009, letter to this Board, regarding the \$70 million Refunding of the City's Debt, the Mayor states:

This will allow for the City to eliminate significant changes in our debt payments<sup>4</sup> and to facilitate savings in our debt service requirements next fiscal year.

We are hopeful that when this [\$70 million] refunding takes place that the bond market rates will be comparable to their rates today so that this may save a minimum of \$1.4 million in debt service.

The minutes for the February 23, 2009 meeting of the Fiscal Committee-Board of Representative states:

Ms. Dennies and Mr. Bernake recommended amending the resolution by increasing the authorized amount to \$70 million. They intend to save approximately \$2 million (net of costs) in interest by taking advantage of historically low interest rates. The City is able to do this because of its AAA rating. The bonds that are restructured will not be extended in duration. The bonds currently carry 4.0% to 4.25% interest rates; they hope to get rates of 2.0% to 2.5%. In response to a question from Chair Skigen, Sandy Dennies stated that it is the administration's intention to take the full amount of savings received from the refunding in the current fiscal year rather than over the life of the bonds

Based on my review of the City's bond none of the bonds are currently callable. Who is going to give up 4% interest for 2% interest. This sounds like a Madoff scheme to me-too good to be true.

The financial warning signals in the City of Stamford could not be louder. There is no reason to rush to approve these Resolutions. Be responsible .

Sincerely,

**KAREN A. MURPHY**

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<sup>4</sup> I wonder what the Mayor means when he says "to eliminate significant changes in our debt payments..." It could mean make all payments higher, but somewhat level.