S&P's downgrade on New Haven is sobering. The proposed refunding bonds of $160M are far larger than refundings in recent years and will extend debt maturity by 3.1 years–in essence, we are refinancing the city's credit card and are pushing out the payment schedule. This refunding will be used to generate $33M in cash savings in the FY19 budget, but this simply pushes our financial problems out into the future. Financial maneuvers like refundings can only paper over deficits for a short period of time–refundings are not a long term strategy. The city has a structural imbalance between our costs and our revenues, and all stakeholders–taxpayers, Yale, the state, and our public employees–must come to the table to discuss solutions.

It is vitally important for city residents to be part of this discussion because there are no easy solutions left, and residents must make their voices heard when it comes to the hard decisions we have to make, such as raising taxes or cutting city services or cutting public employee benefits.

Our fiscal challenges relate primarily to our underfunded pensions and rising employee healthcare costs, and S&P notes as much: "...improvement...would...require an improved management environment that enables New Haven to alleviate fixed cost pressures, eliminate the medical self-insurance deficit, and rebuild fund balance." I look forward to the work of the pension and medical task forces and hope that the task forces can generate constructive solutions that result in real savings.

This report has some positive news, including the fact that $300M of new developments will be added to the grand list soon. That amounts to roughly $12M in increased tax revenue to the city, which will appreciably help reduce our structural deficit. I am also encouraged to learn that the city is partnering with Yale New Haven Hospital to manage chronic conditions, and I look forward to learning more about this partnership.

Lastly, I worry about the impact of the Trump tax bill on the city's refunding bonds. An advance refunding is when the city refinances its debt prior to the call date on the debt. In past years, the new debt associated with an advanced refunding was exempt from state and federal income tax, just like other municipal bond offerings. However, advance refundings no longer qualify for this preferential tax treatment, which means that the city will have to pay appreciably higher interest rates on any advance refunding. I seek to learn more from the city about the interest rates they expect to achieve on their $160M refunding.