

**OFFICIAL MINUTES
MUNICIPAL FINANCE ADVISORY COMMISSION**

REGULAR MEETING

THURSDAY, NOVEMBER 13, 2008

Meeting Location: Office of Policy and Management
450 Capitol Avenue, Room 3A
Hartford, CT 06106

Date/Time: November 13, 2008; 10:00 A.M.

Members Present: Chairman Jeffrey H. Smith
Mr. Douglas Gillette
Mr. Jim Mullen
Mr. Alan Desmarais
Mr. Thomas Hamilton
Mr. Robert Burbank

Members Absent: Mr. W. David LeVasseur, IGP Undersecretary
Mr. John Schuyler

Others Present: Robert S. Dakers, OPM Staff
William Plummer, OPM Staff
Jean Gula, OPM Staff
Vernieke Roper, OPM Staff
Kristen Emigh, OPM Staff
Janette Marcoux, First Southwest Co.
Abbe Smith, New Haven Register
Nancy Rossi, 7th Dist. Councilwoman, West Haven
Grace Hendricks, City of West Haven
Deborah Collins, City Clerk, West Haven
Robert Barron, Finance Director of West Haven
Scott Bassett, McGladrey & Pullen

Agenda Item 1 – Call to Order

Chairman Smith convened a regular meeting of the Municipal Finance Advisory Commission (the “Commission”) at approximately 10:05 a.m.

Agenda Item 2 – Approval of Minutes

The minutes of the September 11, 2008 meeting were unanimously approved by Commission members on motion made by Commissioner Burbank and seconded by Commissioner Gillette.

Agenda Item 3 – Review and Discussion of the City of West Haven

Mr. Dakers reminded Commission members that the Commission had sent a letter to Mayor Picard of the City of West Haven seeking dates the Mayor could meet with the Commission and requesting preliminary results for fiscal year 2007-08. In regards to both of these matters the City did not or was not able to provide the information sought. Mr. Dakers indicated that Mayor did inform Secretary Genuario that he would be unable to attend this Commission meeting due to a vacation that he had scheduled previously.

Chairman Smith stated that based on his comparison of the FYE 2006 vs. the FYE 2007 audit reports of the City, it was apparent why the Commission had serious concerns. Commissioner Hamilton indicated his agreement and stated that a comparison of the condition of the General Fund and the internal service funds viewed on a combined basis in FYE 2006 vs. FYE 2007 indicated that the City's fiscal condition had gotten worse. Mr. Barron indicated that an important factor that the Commission should take into account is that the City is meeting its obligations in terms of cash flow needs to fund its internal service fund liabilities and at the same time has made progress in reducing the accumulated fund deficit in its General Fund.

Chairman Smith stated that his concerns with the internal service funds is that the City does not appear to have the necessary reserves set aside in terms of cash to cover the difference in budgeted claims vs. what the City's stop loss insurance covers. A discussion ensued between Commission members and Mr. Basset, the City's auditor, in regards to what liabilities in the internal service funds would be considered current and long-term if the internal service funds were folded into the General Fund.

Commissioner Desmaris indicated that he had two primary concerns: (1) the City has a General Fund deficit which is required under statute to be eliminated and (2) based on the information provided in regards to the City's self-insured funds, the City would appear to have an exposure of approximately \$4.0 million, for which there no reserves have been set aside. Mr. Barron indicated that the City, on advice of counsel, had chosen to fund the deficit over 5 years based on a specific State statute. Commissioner Desmaris indicated that the Commission had reviewed the statute did not believe that the statute was intended to apply to deficit funding.

Commissioner Hamilton inquired as to the status of the FYE 2008 audit. Mr. Barron indicated that he expected the report to be submitted on time and he knew of no item that would cause a delay in the audit. Commissioner Mullen inquired as to why the City had no numbers available to indicate what its financial position was at June 30, 2008. Mr. Barron stated a number of impediments that prevented this.

Mr. Barron went through a number of actions the City had taken to reduce expenditures. Commission members indicated their support for these actions but indicated that while this would reduce the rate of increase in expenditures, they were still concerned that without an increase in the property tax rate the City's revenue stream would remain at approximately the same level. It was noted that the City's mill rate has not increased for several years. Mr. Baron indicated that the City intended to address the issue of expenditure control before it contemplated raising the mill rate.

Mr. Dakers stated that in his opinion the Commission continues to have two fundamental concerns in regards to the City's finances, being (1) the City remains in a vulnerable financial position as evident from the City's relative cash position in comparison with that of the other 168 municipalities in the State (and this concern is exacerbated by the current precarious economic times); and (2) the City does not have the capacity to determine periodically its current financial position except at the time an year-end audit report is produced. Most municipalities at this point can generally state their FYE 2008 results and their current financial position against the FYE 2009 budget. It is obvious that the City can not on a current basis monitor its finances and compare them to the adopted FYE 2009 budget, as demonstrated by many of the 22 audit findings set out in conjunction with the FYE 2007 audit report.

Chairman Smith noted his concern for the form of government in West Haven. His belief is that the finance office in a municipality needs continuity and therefore he is of the belief that the finance director should not serve at the pleasure of the Mayor. He noted some of the City's history with respect to the position of the finance director.

Mr. Mullen stated his concern that by the City not raising property taxes the City will eventually need to increase taxes significantly in a single year in lieu of incorporating smaller year-to-year increases.

Mr. Barron noted in his analysis the City's cash position had not worsened between FYE 2006 and FYE 2007, because the reason for the lower cash position in FYE 2007 was related to the City paying down its liabilities. Therefore, the City's financial position did not weaken.

Chairman Smith and Commissioner Hamilton inquired whether the City knew its cash position as of the 2008 fiscal year end or whether the City had any current numbers for FYE 2009. Mr. Barron indicated that he had no information in that regard. Mr. Barron did indicate that tax collections were coming in on schedule. A discussion ensued as to whether it was a good idea for the City regularly to sell its delinquent taxes. Some Commission members expressed concerns that the City was missing out on potential revenues from delinquent tax penalties and interest fees and that the City was selling the delinquent taxes in order to help its cash flow. Mr. Barron stated that he did not believe the City should be acting as a tax collection agency and therefore he believed that the sale of delinquent taxes was appropriate.

Chairman Smith opened up the meeting for questions from the audience. Nancy Rossi, a councilwoman from West Haven introduced herself as well as several others from the City who were attending the meeting. Ms. Rossi expressed her concern with not being able to get timely information from the City regarding financial data, hindering the City Council's ability to make informed determinations regards to budget and mill rate matters. She inquired whether the Commission had any suggestions for the City to improve its finances.

Commissioner Hamilton stated that the Commission's recommendation to the City in the past was to get a concrete handle on the deficit the City was facing and to pursue some type of short-term borrowing of 5 to 10 years to fund the deficit while the City continued to make strides towards reining in expenditures. The City is to be applauded for obtaining cost efficiencies; however, the dynamics of trying to maintain a municipal budget with no tax increases over a number of years is not a realistic approach. A combination of cost efficiencies on the expenditure side combined with small yearly property tax increases and increases in user fees on the revenue side is a more viable approach, especially going into a very difficult environment for municipalities with the State facing a deficit and therefore the possibility of less State aid to towns and cities.

Commissioner Gillette stated that over the years he has noted that the municipalities that have come before the Commission with problems have generally had poor financial management and reporting systems or had inadequate staff resources available to sufficiently maintain its financial management and reporting systems. Mr. Barron is to be commended for his efforts to develop sound financial procedures and practices. Without the resources in terms of number of and qualification of staff and adequate financial management and reporting systems, however, the City will continue to have difficulties in producing interim financial reports and monthly reports to determine where it stands against the adopted budget. The City needs to make the necessary investment in staffing and financial management system resources.

Chairman Smith emphasized the importance of timely financial reporting in order to make the necessary decisions in regards to adopting the budget or mid-year changes to the adopted budget.

Commissioner Burbank indicated that one option available to the City is a one-time special tax to eliminate the deficit, which is what his town did to eliminate its deficit problem. He suggested that the City Council should be copied on correspondence that was sent to the City from the Commission. A discussion ensued as to how and who the information should be sent to.

Waterbury Intent to Issue Pension Obligation Bonds

Commissioner Gillette recused himself from the discussion of the proposed City of Waterbury pension obligation bond issue ("POBs") as his firm is serving as Underwriter's Counsel in connection with the issue.

Mr. Dakers reminded Commission members of the City's earlier actions in regards to the POBs and the responses made by OPM and the Treasurer's Office to the City's intent.

Due to market conditions, the City delayed the issue the POBs but recently informed the State that it was once again pursuing the POB issuance. OPM and the Treasurer's Office have asked for updated information in regards to much of the data that was submitted earlier.

Legislative Proposals and Issues

Mr. Dakers provided Commission members with a summary of recent legislative proposals being contemplated to assist municipalities in terms of their finances, such as a tax amnesty proposal and the proposal to extend the length of time for how long bond anticipation notes could remain outstanding. He solicited ideas from Commission members on improving the proposals and for any other proposals which may be of benefit to municipalities.

Proposed 2009 Meeting Dates

The following proposed 2009 regular meeting dates were unanimously approved by Commission members on motion made by Commissioner Mullins and seconded by Commissioner Burbank:

<u>Meeting Dates</u>	<u>Time</u>	<u>Location</u>
Thursday, March 12, 2009	10:00 A.M.	Office of Policy & Management, Room 4A, 450 Capitol Avenue, Hartford, CT
Thursday, May 14, 2009	10:00 A.M.	Office of Policy & Management, Room 4A, 450 Capitol Avenue, Hartford, CT
Thursday, September 10, 2009	10:00 A.M.	Office of Policy & Management, Room 4A, 450 Capitol Avenue, Hartford, CT
Thursday, November 12, 2009	10:00 A.M.	Office of Policy & Management, Room 4A, 450 Capitol Avenue, Hartford, CT

Adjournment

Chairman Smith moved for adjournment of the meeting, which motion was seconded by Commissioner Gillette. Meeting was adjourned at approximately 12:30 p.m.

Respectfully submitted,

Douglas W. Gillette
Secretary