

STATE OF CONNECTICUT

Municipal Accountability Review Board (MARB) Policies and Procedures

III. Policies and Procedures Related to Designated Tier III Municipalities

A. Receipt, Review and Comment on Municipality's Annual Budget

Description of Relevant Provisions of Public Act 17-2:

Section 367(b)(1): The MARB shall review and comment on a municipality's annual budget prior to its adoption by its legislative body.

Policies and Procedures

1. At the same time that the local chief elected official or chief executive officer submits his or her recommended budget to the local legislative body, one hard copy and an electronic version of such recommended budget shall be submitted to the MARB. The submitted recommended annual budget shall include the municipality's general fund and capital fund budget and any enterprise or special revenue fund budgets developed by the municipality or required by local charter or ordinance.
2. The MARB and the chief elected official or chief executive officer shall meet to review the recommended budget. The chief elected official or chief executive officer and municipal staff shall provide such information as the MARB and its staff may reasonably require to analyze the assumptions and projections utilized, including in regard to estimates associated with State aid and property tax revenues and mill rate.
3. Not later than 30 days after the receipt of such annual budget and prior to the local budget adoption date, the MARB shall adopt a resolution identifying potential issues or concerns the MARB may have regarding:
 - a. The reasonableness of the assumptions utilized with respect to expenditures and revenues, including assumptions included in the recommended budget related to state revenues and property tax revenues and a mill rate;
 - b. the overall balance and imbalance of expenditures and revenues;
 - c. the achievability of efficiency measures included in the recommended budget;
 - d. its impact on the municipality's long-term liabilities and the municipality's most current three-year financial plan; and
 - e. any other issues or matters that would impact, in the MARB's opinion, the municipality's financial sustainability and vitality.

Such resolution shall be transmitted to the local chief elected official and legislative body within two days of its passage.

4. The local legislative body shall transmit the approved annual budget to the MARB within three days following its adoption. The Board, at its option, may adopt a resolution indicating any concerns or issues it may have with the adopted annual budget. If a municipality receives Municipal Restructuring Funds under Section 370 of this Act, the MARB shall approve or disapprove its annual budget within 15 days of the MARB's receipt of such budget.

STATE OF CONNECTICUT

Municipal Accountability Review Board (MARB) Policies and Procedures

III. Policies and Procedures Related to Designated Tier III Municipalities-continued

B. Annual Budget Assumptions Regarding State Revenues and Property Tax Revenues and Mill Rate

Description of Relevant Provisions of Public Act 17-2:

Section 367(b)(2): In preparing and adopting its annual budget, municipalities shall only include assumptions regarding state revenues and property tax revenues and a mill rate as are approved by the MARB.

Policies and Procedures

1. The MARB or its assigned representatives shall consult with the local legislative body and municipal officials regarding any issues or concerns that the MARB may have with any recommended or proposed budgetary assumptions regarding state revenues and property tax revenue and mill rate, including those contained in the resolution adopted pursuant to part B.3., above.
2. Not later than 10 days prior to its action on the annual budget, the local legislative body shall submit, for the MARB's approval or disapproval, the assumptions regarding state revenues and property tax revenues and a mill rate to be contained in the final budget. The MARB shall provide such approval or disapproval not later than three days prior to the local legislative body's scheduled date for adopting the annual budget.

STATE OF CONNECTICUT

Office of Policy and Management

January 12, 2018

GUIDANCE RELATED TO THE MUNICIPAL RESTRUCTURING FUNDS

INTRODUCTION

Section 370 of Public Act 17-2, June Special Session ("the Act") requires that the Secretary of the Office of Policy and Management develop and issue guidance related to the awarding and administration of Municipal Restructuring Funds ("restructuring funds" or "funds") contained in the Act. The restructuring funds are a component of the provisions contained in sections 349 to 376 in the Act that establish a system of state assistance and related accountability for distressed municipalities. Specifically the Secretary's guidance with respect to the restructuring funds shall address the:

- (1) administration of the Funds;
- (2) criteria for participation by municipalities and requirements for plan submission by those seeking funding; and
- (3) prioritization for the awarding of funds.

Administration of the Funds

- (1) The total restructuring funds available for distribution to eligible municipalities are limited to those contained in the adopted state budget and shall be nonlapsing.
- (2) The Funds shall be administered by the Office of Policy and Management (OPM) and any funds awarded to a municipality shall be administered and dispersed in accordance with an agreement between OPM and the municipality.
- (3) The agreement shall reflect the plan approved by the Secretary, in consultation with the Municipal Accountability Review Board ("the MARB"), and shall include the conditions attached to the receipt of such funding, including the timing of the distribution of funds, which agreement may be amended by the parties from time to time.
- (4) The agreement shall include such reporting requirements as may be required by the Secretary and any applicable State laws.
- (5) The MARB shall assist the Secretary in monitoring the use of the funds and adherence to the conditions attached to the funding in the agreement.
- (6) Any municipality receiving restructuring funds shall be required to receive MARB approval of their annual budgets. This requirement shall be in addition to any other authority and responsibilities that the MARB has with respect to designated Tier II, III and IV municipalities.

Criteria for Participation

- (1) Any municipality designated as a Tier II, III or IV municipality under the Act shall be eligible to receive restructuring funds.

Requirements for Plan Submission

- (1) **Restructuring Plan for Five Year Period.** Eligible municipalities seeking restructuring funds shall submit to the Secretary a plan describing and detailing its overall Restructuring Plan for the current

fiscal year and the following four fiscal years (the “five-year period”), including local actions to be taken and the use of the funds. For the purposes of the plan, the municipality may assume that the restructuring funds request will be available for each of the five years.

- (2) **Municipal Budget Requirement-Education.** A municipality may, as part of its plan and in consultation with its board of education, submit a proposed reduction in the minimum budget requirement (MBR) related to its education budget. As part of such proposal, the municipality shall include projections as to student enrollment, descriptions of the potential educational impacts of a reduction in the MBR, and actions proposed to mitigate any negative impacts. As part of reviewing proposed reductions, the Secretary shall consult with the State Commissioner of Education.
- (3) **Financial Projections**
 - (A) **Current Projections Not Reflecting Restructuring Plan.** Current projections for the five year period, shall be provided, which current projections shall not reflect the restructuring plan referenced in item (1). Projections for the municipality’s general fund expenditures shall be broken down by categories (at the department level, including within the board of education budget), with major expenditures for employee benefits (pension, health, etc.), debt service and similar major areas to be broken out separately. The general fund revenues for the five years shall be provided by line items, with appropriate consolidations for smaller revenue items.
 - (B) **Projections Reflecting Restructuring Plan.** Projections for the five year period incorporating the municipality’s restructuring plan shall be provided, in the same manner and level of detail as in item (3). As indicated, the Restructuring Plan shall include local actions to be taken and the proposed use of restructuring funds.
 - (C) **Impact of Plan on Long-Term Liabilities.** Projections of the plan’s impact on long-term liabilities related to debt, pension, other post-employment benefits and other liabilities over a 20 to 30 year period, as appropriate, shall be provided.
 - (D) **Assumptions Used in Making Current and Plan Projections.** The assumptions used in making the five year projections (e.g. inflation, salary increases, state aid, etc.) shall be provided for items (A) and (B), as well as for the projections related to item (C).

Other Information

- (1) **Monthly Financial Report and Cash Flow Projections.** The plan submittals shall also include (a) the most recent monthly financial report related to the general fund reflecting budgeted amounts, year to date expenditures and revenues, and projected year end expenditures and revenues and (b) monthly cash flow projections for the balance of the current fiscal year and the first six months of the following fiscal year.
- (2) **Other Documentation.** Municipalities should submit such other information (e.g. debt service schedules, actuarial reports) as may be needed to document or explain its plans and projections. The Secretary and/or MARB may request such information or seek clarifications as reasonably needed to understand both the plan and projections provided.

Prioritization for the Awarding of Restructuring Funds

- (1) The distribution of restructuring funds shall be based on the relative needs of the requesting municipalities.
- (2) Priority will also be given to municipalities whose Restructuring Plan contains meaningful and achievable local actions and a proposed use of the funds that will provide fiscal sustainability over the long term.
- (3) The Secretary may, following consultation with the MARB, approve all, none or a portion of the funds requested by a municipality.