

APPROVED

STATE OF CONNECTICUT

MUNICIPAL ACCOUNTABILITY REVIEW BOARD

SPECIAL MEETING MINUTES

Meeting Date and Time: Thursday, May 30, 2019 10:00 AM – 12:30 PM

Meeting Location: State Board of Regents Boardroom, Ground Level, 61 Woodland Street, Hartford, CT

Members in Attendance: Secretary McCaw, Deputy Treasurer Savitsky (for Treasurer), Dave Walker, Patrick Egan, Robert White, Scott Jackson, Mark Waxenberg, Stephen Falcigno, Matthew Brokman

OPM Staff in Attendance: Kim Kennison, Julian Freund, Gareth Bye, Alison Fisher

- I. Call to Order & Opening Remarks by Secretary Melissa McCaw and Deputy Treasurer Linda Savitsky
 - a) The meeting was called to order at 10:05 AM.
 - b) Secretary McCaw recognized Dave Walker, as the meeting was his last in person. She thanked Mr. Walker for his service to the State of CT. Mr. Walker responded that it has been a pleasure working with his colleagues on the MARB and noted that he will be returning to Alexandria, VA as a part-time professor at the U.S. Naval Academy.
 - c) Secretary McCaw introduced Kim Kennison as the new Executive Finance Officer at OPM.

- II. Public Comment* Period
 - a) Ron Quagliani, West Haven, spoke against a mill rate increase and in support of local control over budget decisions
 - b) Peter Massaro, West Haven, spoke against a mill rate increase
 - c) John Galvin, West Haven, spoke in support of additional funding for the City library
 - d) Robbin Hamilton, West Haven, spoke against a mill rate increase

- III. Approval of Minutes:
 - a) A motion was made by Ms. Savitsky with a second by Mr. Egan to approve the minutes of the May 2, 2019 regular MARB meeting, as amended by Mr. Walker. The motion was unanimously approved, with Mr. Brokman abstaining.

- IV. City of West Haven Issues and Items
 - a. Review, discussion and possible action: FY 2020 Budget

Mr. Freund provided a summary of the revised FY2019/20 budget as submitted by the City, which includes the following elements:

 1. Total Expenditures \$162,920,835

- a. Total Budgeted Savings from Efficiencies: \$1.245 million
 - i. Potential source of savings:
 - Health insurance transition to Partnership eff. Jan. 2020: \$1 million
 - \$319K for health claims margin if not needed after transition
 - Energy savings CCM program: Estimated \$200K to \$250K
2. Total Revenues \$162,920,835
 - a. Revenues excluding Municipal Restructuring Funds: \$158,805,293
 - b. Municipal Restructuring Funds: \$4,115,542
3. Mill Rates
 - a. RE/PP: 36.68 (1.2% increase over current mill rate)
 - b. MV: 37.00
4. Surplus/(Deficit): \$0

Secretary McCaw provided a brief review of a letter that she had sent to the City on May 9, 2019, detailing the revisions that the City was expected to make, as per Board discussion. She noted that the revised budget as presented achieves what was requested.

Secretary McCaw continued that the City is seeking Board approval of the revised budget, as well as consideration for the use of additional revenue from expected future asset sales.

Mr. White expressed concern regarding the FY2019/20 budget's deviation from the Board approved 5 year plan, particularly in regard to the revenue options presented. He noted that this budget is very critical to helping the City to achieve fiscal health.

Secretary McCaw asked that the City provide an update on the aforementioned future asset sales

Lee Tiernan, Corporation Counsel for the City of West Haven, shared that both asset sales look favorable to the City, are planned to close in December, and should remit sale revenue back to the City in December. Mr. Tiernan provided some detail on both properties, and indicated that the City has entered into an MOU with the developer, the City Council vote on the sale is pending, and the Planning and Zoning process is beginning shortly. In response to questions from Secretary McCaw, Mr. Tiernan stated that there is no Purchase or Sale Agreement yet and dates have not yet been scheduled for environmental reviews. Mr. Tiernan continued that title searches for both properties are underway. Deputy Savitsky asked if there would be a clause in the Purchase of Sale Agreement in the event that the properties had been willed or donated for the sole purpose of being a school, to which Mr. Tiernan responded that there would be such a clause. Secretary McCaw asked if the MOU with the developer had been sent to OPM staff, to which Mr. Tiernan responded that it had not. Secretary McCaw asked if the MOU included an option to terminate if development funding does not materialize, to which Mr. Tiernan responded that it did, and that the second bidder can be contracted with. Deputy Savitsky asked what the price difference was between the developers, to which Mr. Tiernan responded that the difference is \$400,000.

Mr. Walker noted that the revenue option inclusive of a tax levy increase should have a positive fund balance of \$800,000. Frank Cieplinski, Finance Director for the City of West Haven, stated that the option being referenced did not include the asset sale revenue.

Mr. Egan asked if both revenue options had been approved by the City Council, to which Mayor Rossi responded that they had not. Secretary McCaw added that the items approved

by the MARB would then go forward to the City Council for adoption. If revisions are made by the Council, such revision would then need to be reviewed and approved by the MARB before being adopted by the City Council.

Mr. White asked if the unions had signed off on the expected changes in health insurance coverage, to which Mr. Cieplinski responded that they had not.

Mr. White expressed concern regarding the budgeted revenue and savings, given that many of the items are assumptions without having been fully vetted. He noted that presenting the alternate revenue options is an unintended slight against the Board.

Mayor Rossi responded that it was her understanding that the Five Year Plan was intended to be continuously reviewed and adjusted. She added that it was the City's perspective that the Plan was a projection, which they expected to revisit as conditions changed. Mayor Rossi stated that if there was a way to reduce taxes based upon said conditions, she would try to do that.

Mr. White asked if the mill rate increases laid out in the Plan are placeholders. Mayor Rossi responded that they were not, and if the City does not raise the necessary revenue to meet their budget targets, taxes must increase. She also added that she expects to revisit the plan next year, as was done this year.

Secretary McCaw explained to Mayor Rossi that the City should not be balancing their budget to the level of Municipal Restructuring Funds that is anticipated. The City's budget should be balanced without those funds, when possible. Mayor Rossi asked if the City's grand list grows, and it can cover part or all of the mill rate increase, should the City still raise taxes. Secretary McCaw responded that yes, the City should do that, because the goal is to be off of a state subsidy, not to hit a revenue target. Secretary McCaw then asked if Mayor Rossi commits to the plan as approved, to which Mayor Rossi responded, yes.

Mr. Waxenberg echoed the Secretary's comments, adding that the Board is not allocating state dollars to reduce the City's mill rate. He continued that the City's commitment to raising taxes isn't just to raise them, but to establish sustainable fiscal health in the City. The Board's purpose is to help the City stabilize and continue forward on its own. Mr. Waxenberg challenged the City to create a stable environment that the Board feels they contributed to.

Mr. Egan asserted his agreement with Secretary McCaw, Mr. White, and Mr. Waxenberg, adding that the City had been given \$2m more than was needed last year, and is now requesting the Board to subsidize a tax increase.

Secretary McCaw, as a point of clarification, explained that the Municipal Restructuring Agreement with the City states that the Secretary can provide up to \$8m in FY2019. So far, \$1.75m was provided to cover an anticipated deficit that did not materialize. The next amount, she continued, of \$2m, has not been processed due to delays in deliverables. As per the Agreement, the Secretary has the ability to adjust the amount of any payment, therefore, the full \$8m does not have to be sent in the current Fiscal Year.

Ms. Savitsky expressed her concern regarding the organizational structural stability of the City, noting that the coterminous nature of the positions held by the Mayor and the Finance Director, limit the City's ability to implement lasting change.

Mr. Waxenberg asked how the City will fund expected IBNR costs, and suggested that OPM hold money back to provide it, as needed, for this purpose. Secretary McCaw responded that these conditions would be detailed in the FY2020 Municipal Restructuring Agreement with the City.

Mr. White asked if there was a new strategy for recruiting and hiring positions within the Police Department that have been historically vacant. Mayor Rossi responded that the City is considering improving pension options to attract and retain officers, and is meeting with Branford within the next 2 weeks to discuss their defined benefit plan for police.

Mr. Falcigno relayed his concern regarding the timeliness of responding to information requests from the Board. He added that it is difficult to make a decision regarding the City's revenue options as presented, since there are many variables involved.

Mr. Egan asked when the fire study final analysis would be provided, to which Mr. Freund responded that the consultant is finalizing the report with the intent of presenting their findings and recommendations at the June 12th Board meeting.

Mr. Waxenberg asked if the City would have the list of efficiencies and cost savings ready by tomorrow's deadline, to which Mr. Cieplinski responded that they would.

Mr. Jackson noted that he had seen positive change in the City. He said he had seen evidence of a commitment to transition through the acceleration toward independent fiscal stability, positive grand list growth, and a reengagement with the CT Conference of Municipalities.

Secretary McCaw commended the City on the adjustments made to the budget, but noted that significant work needs to be done around executing changes in a timely fashion. She continued that although she had supported the use of one-time revenue to help balance the budget at the subcommittee meeting, today's discussion has highlighted several uncertainties that could derail the process and casts doubt on the expected property sales.

Mr. Walker shared his appreciation for the work being done by the City toward structural change. He encouraged the City to continue to focus on fiscal sustainability, but not by expecting state taxpayers to pay for tax relief for City residents. Mr. Walker stated that he would support the first revenue option, which assumes a 0.42 mill rate increase and \$4.1 in Municipal Restructuring Funds. Mr. Walker asked if the \$1.75m provided for deficit mitigation should be returned to the state, or be earmarked for a specific purpose.

Mr. White stated that he would prefer to hold Municipal Restructuring Funds until certain conditions are met, but that those conditions should not include deadlines, as that approach has not been successful in the past.

A motion was made by Mr. Walker, and amended by Mr. White, with a second by Mr. Egan to approve West Haven's Revised FY 2020 Proposed Budget with a 0.42 mill rate increase; use of up to \$4.115 million in Municipal Restructuring Funds, subject to a stringent Memorandum of Agreement with conditions to be developed by the board at a subsequent meeting; and a hold-back by OPM of a minimum of \$1.75 million of FY 2019 Municipal Restructuring Funds. The motion was unanimously approved.

- b. Review and discussion: Non-Labor contracts:
 - i. Renewal of Stop Loss Insurance

Mr. Milone, speaking on behalf of the City of West Haven, provided a summary of the contract renewal for stop loss insurance. Mr. Milone indicated that the City currently pays \$1.6m per year for stop loss, while the bid from Anthem would cost \$1.1m per year. In addition to cost savings, Anthem would be the only vendor providing insurance to the City, improving claims processing. This coverage would be temporary until the City moves to the State Partnership Plan for health insurance. Anthem was the recommended vendor by health insurance consultant, Lockton.

Mr. Waxenberg asked what the individual and aggregate stop loss coverage costs are, to which Mr. Milone responded that they are \$250,000 for individual and \$33.1m for aggregate.

Mr. Egan asked what these costs were in the previous contract, to which Mr. Milone responded that they were \$250,000 for individual and \$32.6m for aggregate. Mr. Egan asked a follow-up question regarding how many times the City exceeded the individual coverage amount of \$250,000. Mr. Milone responded that he was not sure, but guessed not more than 12 times.

Secretary McCaw left the meeting.

V. City of Hartford Issues and Items

a. Review and discussion: Non-Labor contracts:

i. Board of Education Transportation contract

Bill Mason, Transportation Manager for Hartford Public Schools, provided a summary of the three-year contract with Autumn Transportation. The contract will provide service for regular and special education school bus transportation, and the vendor was chosen unanimously by the RFP review committee. The regular bus service contract will expire on June 30, 2022, with the special education contract expiring on July 31, 2022. The contract includes the use of technology to locate buses at all times, digital attendance for special education buses to help with Medicaid reimbursement, estimates for travel distances, and costs for bus monitors. Autumn Transportation provided the most cost-effective option, with cost savings to the BOE in each year of the contract.

Mr. Walker asked why the transportation costs for special education are significantly higher than they are for other students. Mr. Mason responded that special education includes four categories: 504 students, door to door transportation, DCF placements, and homeless students from, all different towns. The costs are nearly ten times more than for regular students because of travel distance, bus monitors, etc.

Mr. Egan asked what the insurance policy is for Autumn Transportation, and if it included sexual abuse. Mr. Mason replied that sexual abuse is covered under the \$1m general liability insurance. Mr. Egan stated that it should be separated as separate insurance in the next contract. Mr. Mason assured the Board that it could be specified in the contract language, which had not yet been finalized.

Ms. Savitsky asked where the buses would be stored, to which Mr. Mason responded that they would be kept in Hartford.

Mr. Jackson asked if the contract was inclusive of fuel, to which Mr. Mason responded that yes it did, with a cap of \$5.00 for diesel fuel.

Ms. Savitsky asked how long Autumn Transportation had been working in Hartford. Mr. Mason replied that they had been working in Hartford since 2006, and were part of the original CREC Magnet school contract (115 standard buses), with some of the door to door at that time. He continued that Hartford has 74 regular buses in our district now, and are hoping to be between 64 and 67 buses for next year.

Mr. Waxenberg asked if the transportation service was inclusive of charter schools, magnet schools, and private schools, to which Mr. Mason responded yes, if they are in district.

VI. Other Business

Ms. Savitsky stated that the next full Board meeting is scheduled for June 12th, with the Town of Sprague on the agenda. Mr. Egan asked if consideration could be given to starting the meeting at 9:30am, rather than 10:00. Ms. Savitsky responded that she would discuss this change with Secretary McCaw.

VII. Adjourn

A motion was made to adjourn by Mr. Egan, and seconded by Mr. White. The motion passed unanimously and the meeting was adjourned at 1:04pm.