

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
SPECIAL MEETING NOTICE AND AGENDA

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

Agenda

- I. Call to Order & Opening Remarks by Secretary Melissa McCaw and Treasurer Shawn Wooden
- II. Public Comment* Period
- III. Approval of Minutes:
 - a. May 2, 2019 Regular Meeting
- IV. City of West Haven Issues and Items
 - a. Review, discussion and possible action: FY 2020 Budget
 - b. Review and discussion: Non-Labor contracts:
 - i. Renewal of Stop Loss Insurance
- V. City of Hartford Issues and Items
 - a. Review and discussion: Non-Labor contracts:
 - i. Board of Education Transportation contract
- VI. Other Business
- VII. Adjourn

*Public Comment (from Board's Adopted Policies and Procedures): The MARB may provide for a public comment period on its board meeting agendas. When a public comment item is on the agenda, there shall be sign-up sheet provided at least 15 minutes prior to the meeting. The speakers will be called in the order that they signed up, but the MARB may reserve the first 10 minutes of the public comment period for state and local elected officials. Each speaker may be limited to no more than three minutes. In the interest in enabling members of the public to attend board meetings for their full duration, the Chairperson may limit the public comment agenda item to 30 minutes.

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
DRAFT REGULAR MEETING MINUTES

Meeting Date and Time: Thursday, May 2, 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), Thomas Hamilton, Dave Walker, Patrick Egan, Robert White, Scott Jackson, Mark Waxenberg, Stephen Falcigno, Sal Luciano

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

I. Call to Order & Opening Remarks by Secretary Melissa McCaw

The meeting was called to order at 10:04 AM.

II. Public Comment* Period

- a. Portia Biez, West Haven, spoke in support of the Mayor's recommended budget
- b. Carroll Brown, West Haven, spoke in support of a MARB takeover of the City
- c. Ralph (Ted) Brown, West Haven, spoke in support of a MARB takeover of the City
- d. Leslie Hammond, Hartford, spoke about the City's costs of outside council and CHRO complaints, as cited in Kevin Brookman's blog
- e. John Galvin, West Haven, requested that the MARB reject the City's proposed budget
- f. Colleen Bailey, West Haven, spoke in support of additional funding for the City library

III. Approval of Minutes:

- a. April 4, 2019 Regular Meeting: Mr. Jackson made a motion, with a second by Mr. Egan, to approve the minutes of the April 4, 2019 MARB meeting. Approval was unanimous with Ms. Savitsky abstaining.

IV. City of West Haven Issues and Items

- a. Review, discussion and possible action: FY 2020 Budget

Gareth Bye, OPM Director of Legal Affairs, provided the board with an overview of the MARB's statutory responsibilities with respect to municipal budgets and the municipal restructuring funds agreement with the City of West Haven. As a Tier 3 municipality receiving municipal restructuring funds, the City must receive MARB approval of its FY 2020 budget. The agreement for restructuring funds with OPM further provides that the Secretary may withhold all or a portion of restructuring funds if the Secretary determines that the City is not in compliance with the agreement.

Secretary McCaw explained that the City Council took action on the Mayor's recommended budget on April 30th. The Secretary sent a letter reminding the Mayor of the statutory requirement that the MARB approve the budget. Mr. Freund provided an overview of the budget as originally recommended by the Mayor with the adjustments made by the City Council on April 30. A summary of the West Haven subcommittee discussion on the budget at the April 16 subcommittee meeting was also provided. Among the budgetary highlights noted:

- Grand List growth generated about \$1m more in revenue at the existing mill rate

- The budget maintained current mill rate at 36.6, .99 mills or \$2.3m less revenue than in 5 year plan
- State aid is relatively flat – consistent with the 5 year plan, also assumes MARB funding
- Decrease of \$1m on expenditure side
- Maintained health insurance plan costs consistent with 5 year plan
- Pension – fully funded required employer contribution recommended by actuary firm
- Debt service – funding for payments due, financing plan for West Haven HS project (fall bond issue), no funding included for future debt payments for additional capital investment in FY20
- 3% health insurance claims reserve and money for OPEB trust in 5 year plan, not included in budget
- Efficiency savings of \$1.2million in the 5 year plan is not included in budget
- The adjustments by City Council on April 30th included some corrections to budget in utilities, adjusted Education funding (up to FY19 funding level), added \$150,000 for storm water management requirements, reductions in the Contingency account to set aside funding for a library study and library expenses, contingency account to set aside funding for police pension study, and parking study. Adjustments also corrected for a transfer in to general Fund revenues from Sewer fund transfer, and a reduction in funding for employee termination payouts in the Fire Fund to offset a revenue calculation error in the original budget.

Mr. Walker questioned how detailed the MARB should be in its review and whether its evaluation of the budget should focus on its consistency with the 5-Year Plan. He suggested the possibility of tying future financial assistance to incentives or earmarking funding for specific purposes.

Mr. Waxenberg asked if the MARB could earmark restructuring funds for a specific purpose. Ms. McCaw said that the current agreement for restructuring funds ends June 30, 2019 and that a successor agreement could attach conditions for funding, such as specifying how the funds are to be used.

Mr. Hamilton asked when the next revaluation will be. City Finance Director, Frank Cieplinski, responded it will be in 2020. Mr. Hamilton asked what the grand list growth is attributable to. Mayor Nancy Rossi said that there was significant development in the Allingtown area and that the tax collector has made efforts to improve the identification of personal property. Mr. Hamilton asked if outstanding tax appeals had been analyzed. Mr. Cieplinski indicated that the Board of Assessment Appeals has completed its process with adjustments totaling about \$150,000. Corporation Counsel Lee Tiernan indicated that the remaining tax appeals are minimal. Mr. Hamilton asked about the change in projected pension contribution and whether the actuary had changed investment assumptions or other assumptions. He asked Mr. Freund to follow up on the question. He also asked whether the City feels its contingency amount of \$350,000 is adequate. Mr. Cieplinski said he would prefer a larger contingency amount.

Secretary McCaw asked why no health claims margin was budgeted. Mayor Rossi responded that the health insurance account increases by 7.6% based on original projections, but the City is preparing to transition to the Partnership. \$150,000 has been included for runoff costs. Mr. Egan asked where employee leave payouts for non-Police staff are budgeted. The Mayor answered that these costs are handled on a pay as you go basis from the employee's salary account. Mr. Egan asked about language in the labor contracts regarding shifting health plans. Mr. Tiernan indicated that he did not expect an issue with the unions. Mr. Egan suggested including language that allows for health plan changes or re-openers in pending contracts.

Mr. White asked if there were any large projects that impacted the grand list for FY 2018. The Mayor referenced the Yale distribution center. The Atwood was another large project but had been granted a tax abatement by the prior administration. Mr. White asked whether the projects that created higher than projected grand list growth were projects that were known, but not expected until a later grand list year. The Mayor answered that the original projections were conservative projections provided by the assessor. Mr. White asked whether the \$1.75 million in contingency for deficit reduction is part of the FY 2020 discussion. Secretary McCaw responded that it is part of the FY 2019 discussion. Mr. White said that the funding needs to go to substantial structural issues. He asked if the board should be looking at fund balance or be looking 5 years out. He expressed disappointment that the updated 5-year plan shows a reduced grand list in year 5. He also asked about the FY2020 deficit in the Fire Fund. Mr. Freund clarified that the deficit was due to a calculation error in the City's original version of the budget, but was offset when the City Council made a reduction on the expenditure side. Mayor Rossi said that their state representative is working on finding additional funding for the fire district through the state budget process. Secretary McCaw indicated that she is not aware of any additional funding commitment at this time.

Secretary McCaw said this Board has been charged with helping ailing municipalities be restored to fiscal health. Accountability has been built by OPM guidance and statute to avail the City of all of the tools to do this. The recovery plan was a requisite condition of receiving funds. She expressed concerns that by rescinding a number of items from the 5-Year Plan in the budget, the City is not on a path to health. Examples include lack of consideration of OPEB reserve, lack of medical claims reserve, lack of efficiency savings, etc. She suggested that reserves and contingency be adjusted, efficiency savings should be restored, and consideration be given to the mill rate increase. Mr. Waxenberg said that rescinding on the promised that were made the board is concerning and he shares the Secretary's frustration. At this time, he cannot support the budget. Mr. Walker said that reserves should be restored and savings should be required. Fund balance needs to be built and the board may require the City to change health plans and to meet its revenue target. Behaviors that achieve what the board is seeking should be rewarded. Mr. Egan said that reserves need to be funded properly. If the City had followed the plan, it would have an additional \$4 million. He asked for a report of efficiencies in FY19 with dollar amounts associated. Mr. White said that he is not in support of the budget and urged the MARB to reject it. He asked what guidance is being provided to the City. He expressed concern that a crisis is being wasted and that there are so many deviations from the approved plan. Structural charges need to be made. He suggested that the MARB fund \$2 million earmarked for IBNR costs and nothing else. Mr. Luciano indicated that he also would not be voting in support of the budget.

Secretary McCaw made a motion to reject the budget as presented. Mr. Egan seconded the motion. All voted in favor of rejecting the budget.

Secretary McCaw suggested a special meeting of the MARB for the Mayor to resubmit a revised budget. That meeting would likely be dedicated to review the West Haven and Sprague budgets.

b. Presentation: Health insurance analysis

Terry DeMattie of Segal Consulting provided an overview of projected health insurance savings that could be achieved by moving to different versions of a high deductible health plan or to the State Partnership plan, and explained what is driving the savings. Projected annualized savings related to the high deductible plans range from approximately \$250,000 to \$1 million. A switch to the Partnership could save approximately \$4 million. Of this, \$2 million would be for active employees and \$2 million for retirees. Deputy Treasurer Savitsky asked if the City knows who the retirees are

and how much they are paying. Mr. Tiernan replied that the City does, and that having the MARB in place has forced auditing which is helpful going forward. Mr. Walker asked how difficult the transition would be. Michael Milone, OPM consultant to the City, replied that a transition for January 2020 is planned, resulting in a half year of savings. Mr. Walker asked what the reserves for IBNR would need to be. Ms. DeMattie said the reserves going forward would not be necessary, but that the total IBNR for the switch plus the processing fees is estimated at \$2.5 million. Ms. Savitsky and Mr. Egan both recommended deeper analysis of retirees and what is possible for that group. Secretary McCaw said that these are next steps and will be taken up at subsequent meetings.

c. Review and discussion: Monthly financial report, March 2019

Mr. Cieplinski presented the monthly report and indicated there are no material changes from the prior month. His only concern is regarding the tax lien sale. The City is projecting an end of year surplus of \$3.765 million. His projections assume the City receives the full \$8 million in municipal restructuring funds and the \$1.75 million contingency for deficit reduction remains unspent.

d. Update re: MOA Compliance

Secretary McCaw noted that the Board received an updated compliance chart in the distributed meeting materials.

e. Review and discussion: Non-Labor contracts (none)

f. Review, discussion and possible action: Labor contracts (none)

V. Town of Sprague issues and Items

a. Review, discussion, potential action: FY 2020 Budget and assumptions in budget

b. Review and discussion: Monthly financial report, March 2019

The Town of Sprague agenda items were tabled.

VI. City of Hartford Issues and Items

a. Review, discussion, potential action: FY 2020 Budget and assumptions in budget

Mayor Bronin provided an overview of the City FY 2020 budget. The budget is largely status quo with some staffing adjustments. Overall spending is about \$2 million less than projected in the recovery plan. Property taxes are held constant. Secretary McCaw asked about contingency in the budget. Acting Director of Management, Budget and Grants and Revenue Jolita Lazauskas replied that \$4.1 million is included as contingency. Finance Director Leigh Ann Ralls explained that the collection rate assumed in the budget is based on the average over the last 3 years as required by Charter. Mr. Walker asked about what is anticipated with the next revaluation given the volume of appeals that have taken place. Mayor Bronin indicated he expects an increase in valuation. The next revaluation is in 2021. Mr. Jackson asked about funding for capital projects. Mayor Bronin replied that \$32 million is budgeted for capital projects. A motion was made and seconded to approve the assumptions used for the City's FY 2020 budget. Motion was approved unanimously.

b. Review and discussion: Monthly financial report, March 2019

Ms. Lazauskas provided an overview of the monthly financial report. The City is currently projecting a surplus of \$3.97 million for FY 2019.

- c. Review and discussion: Non-Labor contracts (none)
- d. Review, discussion and possible action: Labor contracts (none)

VII. Other Business

Mr. Freund called board members' attention to the subcommittee updates that were provided, in particular the update on the City of West Haven's participation in the CCM Energy Purchase program.

VIII. Adjourn

Mr. Luciano made a motion to adjourn at 12:34 PM with a second by Mr. Egan. All voted in favor.



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

May 9, 2019

Nancy R. Rossi
Mayor
City Hall, 3rd Floor
355 Main Street
West Haven, CT 06516

RE: FY 2020 Budget

Dear Mayor Rossi,

Thank you and your staff for their efforts in developing the City of West Haven's budget in detail over the past several months. As follow-up to the May 2 meeting of the Municipal Accountability Review Board ("MARB"), I am writing you to provide guidance in modifying the City's proposed budget for FY 2020. As you know, Sections 7-576d(b) and 7-576i of Connecticut General Statutes, OPM's Guidance document, and the existing Memorandum of Agreement ("MOA") between the City and OPM for Municipal Restructuring Funds require MARB to review and provide its approval of the City's FY 2020 budget.

During the meeting on May 2nd, MARB members raised a number of concerns with the City's FY 2020 budget as presented. The chief concerns among the MARB members related to deviations in the budget from the City's approved 5-Year Plan and the MOA. Among the more significant departures from the 5-Year Plan:

- The proposed budget (as adjusted by the City council on 4/30) is short by \$1 million in revenue as compared to the original plan. This is due to the elimination of the mill rate increase included in the original plan.
- No commitments to achieving administrative efficiencies are included in the proposed budget. The City committed to achieving net savings of approximately \$1.245 million in FY 2020.
- Other deviations from the 5-Year Plan which cannot be attributed to normal budget fluctuations include the elimination of funding for a health claims margin and advance funding for an OPEB trust.

While the grand list grew at a substantially higher rate than originally projected, and cost projections in select areas of the budget have moderated, the budget continues to rely on \$6 million in Municipal Restructuring Funds to be paid by Connecticut's taxpayers. The overall effect of the budget as proposed disregards planned efficiencies and revenues, thereby shifting this burden to state taxpayers to subsidize the City's structural budget gap. This is an unacceptable approach that the MARB members did not support.

A revised budget is requested for the MARB's consideration and to obtain approval of the City's FY 2020 Budget. I therefore strongly urge making a series of revisions to the proposed budget that address these issues before further MARB deliberation. The following adjustments will bring the proposed budget closer to compliance with the 5-Year Plan and the MOA:

- Address the \$1 million revenue shortfall consistent with the 5-Year Plan.
- Incorporate the net amount of planned efficiency savings: (\$1.245 million).
- Budget for a health claims margin of \$319,000 inclusive of health claims run off. In the event the City transitions away from a self-insured fund, this can be treated as general unallocated contingency.
- Budget for an advance OPEB contribution of \$50,000.
- We also recommend adding \$100,000 for continued MARB expenses.

The above noted adjustments, consistent with the Municipal Recovery Plan, would result in necessary Municipal Restructuring Funds to eliminate the remaining structural budget gap of \$4.2 million.

The MARB will need a revised budget reflecting these relatively straightforward adjustments by Monday, May 13 for budget discussions during the May 14 subcommittee meeting. We are in the process of scheduling a special meeting of the MARB later in the month for consideration of a revised budget from the City Council.

If you have any questions regarding the recommended budget adjustments, please don't hesitate to contact me.

Sincerely,



Melissa McCaw
Secretary

C: Lee Tiernan, Corporation Counsel, City of West Haven
Members of the Municipal Accountability Review Board

**WEST HAVEN OPERATING BUDGET
FY19-FY20**

Rev. 5/13/19

	Mayor's Recomm.	Council Changes	Council Approved	Claim Margin (3%)	OPEB Trust	Restore Conting.	Savings	MARB Expense	Revenue Adjust.	MARB CHANGES	MARB FY20 Budget
General Government	1,773,036	75,000	1,848,036	-	-	-	-	-	-	-	1,848,036
Planning & Development	968,935	-	968,935	-	-	-	-	-	-	-	968,935
Finance	2,769,795	-	2,769,795	-	-	-	-	-	-	-	2,769,795
Public Safety	15,695,570	-	15,695,570	-	-	-	-	-	-	-	15,695,570
Public Works	10,615,156	150,000	10,765,156	-	-	-	-	-	-	-	10,765,156
Human Resources	1,943,995	-	1,943,995	-	-	-	-	-	-	-	1,943,995
Library	1,496,000	(75,000)	1,421,000	-	-	-	-	-	-	-	1,421,000
Board Of Education	89,626,581	333,840	89,960,421	-	-	-	-	-	-	-	89,960,421
Operating Charges	18,867,560	(25,000)	18,842,560	-	-	-	-	-	-	-	18,842,560
Debt Service	18,873,827	-	18,873,827	-	-	-	-	-	-	-	18,873,827
Contingent	675,041	25,700	700,741	169,607	50,000	56,459	(1,245,267)	100,000	-	(869,201)	(168,460)
TOTAL EXPENDITURES	163,305,496	484,540	163,790,036	169,607	50,000	56,459	(1,245,267)	100,000	-	(869,201)	162,920,835
Interest & Lien Fees	792,150	-	792,150	-	-	-	-	-	-	-	792,150
Licenses / Permits	1,791,424	-	1,791,424	-	-	-	-	-	-	-	1,791,424
Fines & Forfeits	200,750	-	200,750	-	-	-	-	-	-	-	200,750
Use Of Money	101,250	-	101,250	-	-	-	-	-	-	-	101,250
Current Services	1,143,674	-	1,143,674	-	-	-	-	-	-	-	1,143,674
Other Revenues	2,217,579	-	2,217,579	-	-	-	-	-	-	-	2,217,579
Other Fin. Sources	908,875	500,000	1,408,875	-	-	-	-	-	-	-	1,408,875
OPERATIONAL REVENUE	7,155,702	500,000	7,655,702	-	-	-	-	-	-	-	7,655,702
Federal and State Grants (excluding MARB)	52,726,034	-	52,726,034	-	-	-	-	-	-	-	52,726,034
MARB Restructuring Funds	6,000,000	-	6,000,000	-	-	-	-	(1,884,458)	(1,884,458)	(1,884,458)	4,115,542
Personal Property, MV & Non-Current Taxes	2,048,000	-	2,048,000	-	-	-	-	-	-	-	2,048,000
Amount to be Raised by Current Taxes	95,375,760	(15,460)	95,360,300	169,607	50,000	56,459	(1,245,267)	100,000	1,884,458	1,015,257	96,375,557
TOTAL REVENUES	163,305,496	484,540	163,790,036	169,607	50,000	56,459	(1,245,267)	100,000	-	(869,201)	162,920,835

	Mayor's Recomm.	Council Changes	Council Approved	Claim Margin (3%)	OPEB Trust	Restore Conting.	Savings	MARB Expense	Revenue Adjust.	MARB CHANGES	MARB FY20 Budget
CONTINGENCY DETAIL:											
UNALLOCATED CONTINGENCY	350,000	(50,000)	300,000	-	-	56,459	-	-	-	56,459	356,459
STUDY - POLICE PENSION	-	25,000	25,000	-	-	-	-	-	-	-	25,000
STUDY - PARKING	-	25,000	25,000	-	-	-	-	-	-	-	25,000
STUDY - LIBRARY	-	25,000	25,000	-	-	-	-	-	-	-	25,000
MILEAGE ALLOWANCE (city wide)	7,000	-	7,000	-	-	-	-	-	-	-	7,000
PRIMARY EXPENSE	35,000	-	35,000	-	-	-	-	-	-	-	35,000
ACTUARIAL STUDY	7,500	-	7,500	-	-	-	-	-	-	-	7,500
ELECTION EXPENSE	35,000	-	35,000	-	-	-	-	-	-	-	35,000
BANK FEES	40,000	-	40,000	-	-	-	-	-	-	-	40,000
DOG REPORT	8,541	-	8,541	-	-	-	-	-	-	-	8,541
MEDICAL RUN-OFF	150,000	-	150,000	169,607	-	-	-	-	-	169,607	319,607
MISCELLANEOUS	2,000	-	2,000	-	-	-	-	-	-	-	2,000
SEIZED ASSET DEFICIT	40,000	-	40,000	-	-	-	-	-	-	-	40,000
UNIDENTIFIED SAVINGS (per MARB)	-	-	-	-	-	-	(1,245,267)	-	-	(1,245,267)	(1,245,267)
MARB EXPENSE	-	-	-	-	-	-	-	100,000	-	100,000	100,000
ADVANCE FUNDING OPEB TRUST	-	-	-	-	50,000	-	-	-	-	50,000	50,000
TOTAL	675,041	25,000	700,041	169,607	50,000	56,459	(1,245,267)	100,000	-	(869,201)	(169,160)

FY20 Budget as Proposed with 4/30 Council Revisions

- Total General Fund Revenues (not including MRF): \$157,790,036
 - Plus levy for Capital Non-Recurring: \$565,000
 - Plus MRF: \$6,000,000
- Total General Fund Expenditures: \$163,790,036
 - Plus Capital Non-Recurring: \$565,000
- Structural gap of (\$6,000,000)
- Mill rates (no change vs FY19):
 - RE/PP 36.26
 - MV 37.00
- No resulting change in fund balance

Significant Deviations from 5-Year Plan

Budget Item	Proposed Budget (as of 4/30)	5-Year Plan	Note
Mill Rates	RE/PP: 36.26 MV: 37.00	RE/PP: 37.25 MV: 37.00	5-Yr Plan included 0.99 mill increase to RE/PP mill rate
Total Revenues (not incl. MRF or levy for CNR)	\$157,805,496	\$158,805,292	Difference of approx. -\$1 million
Savings related to admin. efficiencies	\$0	\$1,245,267	5-Yr Plan included placeholder for savings to be identified prior to FY20
Benefits-Related			Proposed budget does include
Claims margin	\$0	\$319,607	\$150,000 toward medical transition
Advance OPEB	\$0	\$50,000	runoff cost
Projected Surplus/(Deficit)	\$0	\$419,475	Fund balance as of 6/30/18 more favorable than projected

Requirements to Conform to 5-Year Plan

- Restore administrative efficiency savings as part of budget
 - Expenditure reduction of \$1.245 million
- Restore funding for health claims margin and advance OPEB
 - Provide for health claims margin of \$319K (net increase of \$169K to budgeted run-off costs)
 - Increase expenditures for advance OPEB \$50K
- Adjust revenues to match overall revenues in 5-Yr Plan
 - Increase revenues by \$1 million
- Municipal Restructuring Funds to close remaining structural gap
 - Approx. \$4.1 million
 - Include \$100K for MARB expenses

Revised Budget in Response to Recommendations

- Total Expenditures \$162,920,835
- Total Revenues \$162,920,835
 - Revenues excluding Municipal Restructuring Funds: \$158,805,293
 - Municipal Restructuring Funds: \$4,115,542
- Mill Rates
 - RE/PP: 36.68 (1.2% increase over current mill rate)
 - MV: 37.00
- Use of MRF \$4,115,542
- Surplus/(Deficit): \$0

Comparison of Revised Budget to 5-Yr Plan

Budget Item	Revised Budget (as of 5/14)	5-Year Plan	Note
Mill Rates	RE/PP: 36.68 MV: 37.00	RE/PP: 37.25 MV: 37.00	5-Yr Plan included 0.99 mill increase to RE/PP mill rate. Revised proposal is increase of 0.42 mills.
Total Revenues (not incl. MRF or levy for CNR)	\$158,805,293	\$158,805,292	
Savings related to admin. efficiencies	\$1,245,267	\$1,245,267	5-Yr Plan included placeholder for savings to be identified prior to FY20
Benefits-Related			
Claims margin	\$319,607	\$319,607	
Advance OPEB	\$50,000	\$50,000	
Projected Surplus/(Deficit)	\$0	\$419,475	Fund balance as of 6/30/18 more favorable than projected

Revised proposal also adds \$56K toward Unallocated Contingency and \$100K for MARB expenses

Fund Balance Projections

- 5-Year Plan vs new projections

Approved 5-Year Plan	6/30/18 Projected	6/30/19 Projected	6/30/20 Projected
Ending Fund Balance	(\$128K)	\$1.23 million	\$1.65 million

Updated per FY18 Actuals & Revised Budget	6/30/18 Actual	6/30/19 Projected	6/30/20 Projected
Revenues		\$165.870 million	\$162.92 million
Expenditures		<u>\$162.105 million</u>	<u>\$162.92 million</u>
Surplus/(Deficit)		\$3.765 million ¹	\$0
Hold for IBNR/Runoff Costs		<u>(\$2.5 million) ²</u>	<u>\$0</u>
Ending Fund Balance	\$2.18 million	\$3.45 million	\$3.45 million

1. Assumes \$1.75 contingency for deficit reduction not needed

2. To be retained from \$8 million restructuring funds to cover IBNR/runoff costs related to health plan transition.

Revised 5-Yr Plan Update	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Fund Balance	\$3.45 million	\$3.97 million	\$4.59 million	\$8.62 million	\$9.21 million

Administrative Efficiencies

- Total Budgeted Savings from Efficiencies: \$1.245 million
- Potential sources 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

Total potential annualized health savings	\$4 million
Half-year savings	\$2 million
City-only half-yr savings (if BOE transitions 7/2020)	\$1 million

Additional Revenue

- If revenue increase achieved entirely by Current Levy increase:
 - Total Additional Revenue: \$1,015,257
 - Sources:
 - Property Taxes Current Levy: \$1,015,257
 - Resulting RE/PP mill increase of 0.42 mills
- City seeking consideration of Option B:
 - Total Additional Revenue: \$1,015,257
 - Sources:
 - Property Taxes Current Levy: \$165,257
 - Resulting RE/PP mill increase of less than 1/10 mill
 - Sale of school properties: \$850,000
 - Returns properties assessed at \$7.7 million and \$5.6 million to taxable Grand List
 - Completed redevelopment generates additional \$470K in property taxes (at current mill rate)

Partnership Transition Costs

Estimated claims IBNR and runoff processing fees: \$2.5 million

Source: Designate from FY19 restructuring funds

- FY 2020 (transition January, 2020)
 - General Fund (City only): est. \$1.02 million
 - Sewer Fund: est. \$56,000
- FY 2021 (transition July 2020)
 - Board of Education (General Fund): est. \$1.31 million
 - Allingtown Fire: est. \$111,000

CITY OF WEST HAVEN ANALYSIS OF FUND BALANCE

	FY2018 ACTUAL	FY2019 PROJECTION	FY2020 PROPOSED	FY2021 FORECAST	FY2022 FORECAST	FY2023 FORECAST	FY2024 FORECAST
TOTAL REVENUE	155,431,105	157,870,441	158,805,293	162,170,767	167,392,651	168,690,047	168,753,253
TOTAL EXPENSES	159,737,299	162,105,127	162,920,835	165,646,311	168,777,248	164,664,190	167,325,879
SURPLUS/(DEFICIT) WITHOUT MARB FUNDING	(4,306,193)	(4,234,686)	(4,115,542)	(3,475,544)	(1,384,597)	4,025,857	1,427,374
OTHER REVENUES	16,626,016	-	-	-	-	-	-
MARB REVENUE	8,000,000	8,000,000	4,115,542	4,000,000	2,000,000	-	-
FINAL SURPLUS/(DEFICIT)	20,319,823	3,765,314	-	524,456	615,403	4,025,857	1,427,374

MILL RATE		36.26	36.68	38.39	39.59	39.87	39.77
MILL RATE (ORIGINAL MODEL)		36.26	37.25	39.26	39.99	39.99	
MILL RATE CHANGE			0.42	1.71	1.20	0.27	(0.09)
MILL RATE CHANGE (ORIGINAL MODEL)			1.00	2.01	0.73	(0.00)	

BEGINNING FUND BALANCE	(18,138,674)	2,181,149	3,446,463	3,446,463	3,970,919	4,586,322	8,612,179
HOLD FOR IBNR/RUNOFF COSTS		(2,500,000)					
ENDING FUND BALANCE (ADJUSTED FOR IBNR)	2,181,149	3,446,463	3,446,463	3,970,919	4,586,322	8,612,179	10,039,553
ORIGINAL FUND BALANCE (ORIGINAL MODEL)	(128,165)	1,234,080	1,653,556	2,705,210	4,590,772	8,625,568	

FUND BALANCE % OF TOTAL EXP.	1.37%	2.13%	2.12%	2.40%	2.72%	5.23%	6.00%
FUND BALANCE % OF TOTAL EXP. (ORIGINAL MODEL)	-0.08%	0.76%	1.01%	1.63%	2.72%	5.24%	

REVENUE ASSUMPTIONS:

- Grand List - FY22 Revaluation assumed to yield 2% growth in valuation
- Grand List - Thompson & Stiles Schools back onto the grand list in FY21
- Grand List - Thompson & Stiles Schools full renovation/revaluation FY22
- Grand List - Havens Project will have negative impact on grand list once demolition begins
- Grand List - Havens Project completion (FY23) revaluation
- From Invest. General Fund - assumes 3% return of PY ending fund balance

EXPENDITURE ASSUMPTIONS:

- Unidentified savings from original plan included
- YOY Increase in Debt service held from original plan
- Education levels held to original plan
- Self Funded Claim Margins maintained until details of CT Partnership plan can be layered in
- Plan assumes vacancies filled over 5 year plan

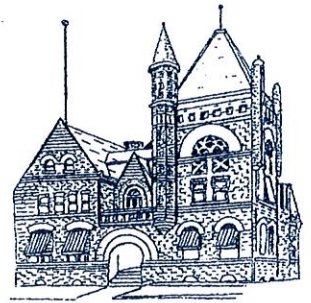
REVENUE & EXPENDITURE SUMMARY

	FY2018 ACTUAL	FY2019 PROJECTED	FY2020 PROPOSED	FY2021 FORECAST	FY2022 FORECAST	FY2023 FORECAST	FY2024 FORECAST
REVENUES:							
Current Property Tax Levy	92,002,428	94,606,883	96,375,557	100,517,694	105,703,627	106,862,718	106,677,938
Non Current Taxes	2,563,802	2,050,392	2,048,000	1,797,440	1,848,363	1,900,814	1,954,839
Interest & Lien Fees	1,006,008	907,259	792,150	820,325	849,565	879,914	911,416
Licenses & Permits	1,991,732	1,962,902	1,791,424	1,553,367	1,554,968	1,601,617	1,649,665
Fines, Forfeits & Penalties	318,210	261,813	200,750	219,023	239,068	261,063	285,199
Use Of Money/Property	208,375	317,000	101,250	137,769	156,941	179,184	304,118
From Other Agencies	52,530,301	53,159,560	52,726,034	52,726,034	52,726,034	52,726,034	52,726,034
Charges - Current Services	1,143,450	1,169,844	1,143,674	1,179,797	1,217,661	1,257,349	1,298,952
Other Revenues	2,323,253	2,017,727	2,217,579	2,248,176	2,282,415	2,324,169	2,354,290
Other Financing Sources	1,343,546	1,417,060	1,408,875	971,143	814,010	697,186	590,802
TOTAL REVENUE	155,431,105	157,870,441	158,805,293	162,170,767	167,392,651	168,690,047	168,753,253
EXPENDITURES:							
General Government	2,183,438	1,808,982	1,848,036	1,786,757	1,867,320	1,896,743	1,911,779
Planning & Development	1,004,758	923,324	968,937	1,035,626	1,045,461	1,064,118	1,066,496
Finance	2,632,003	2,682,525	2,769,796	2,670,730	2,782,184	2,844,550	2,873,831
Public Safety	15,513,580	15,249,115	15,695,568	15,730,148	15,968,976	16,270,747	16,390,427
Public Works	10,399,951	10,221,486	10,765,156	10,991,594	11,163,215	11,382,398	11,520,944
Human Resources	2,045,868	2,007,197	1,943,994	2,032,343	2,103,343	2,143,462	2,153,563
Library	1,596,000	1,521,000	1,421,000	1,446,000	1,471,000	1,496,000	1,521,000
Board Of Education	89,594,144	89,960,421	89,960,421	90,681,544	91,044,270	91,408,447	91,774,081
Operating Charges	17,120,879	17,730,186	18,842,560	20,584,782	21,709,846	22,777,067	23,931,432
Debt Service	17,401,021	19,213,849	18,873,827	18,985,732	19,898,270	13,584,658	14,345,142
Contingent	245,658	787,041	(168,460)	(298,947)	(276,637)	(204,000)	(162,817)
TOTAL EXPENDITURES	159,737,299	162,105,127	162,920,835	165,646,311	168,777,248	164,664,190	167,325,879
SURPLUS/(DEFICIT)	(4,306,193)	(4,234,686)	(4,115,542)	(3,475,544)	(1,384,597)	4,025,857	1,427,374
MUNICIPAL RESTRUCTURING FUNDS	8,000,000	8,000,000	4,115,542	4,000,000	2,000,000	-	-
CHANGE IN FUND BALANCE	3,693,807	3,765,314	-	524,456	615,403	4,025,857	1,427,374
BEGINNING FUND BALANCE	(18,138,674)	2,181,149	3,446,463	3,446,463	3,970,919	4,586,322	8,612,179
HOLD FOR IBNR/RUNOFF COSTS	-	(2,500,000)	-	-	-	-	-
ENDING FUND BALANCE (ADJUSTED FOR IBNR)	2,181,149	3,446,463	3,446,463	3,970,919	4,586,322	8,612,179	10,039,553
<i>ENDING FUND BALANCE PER ORIGINAL PLAN</i>	<i>(128,165)</i>	<i>1,234,080</i>	<i>1,653,556</i>	<i>2,705,210</i>	<i>4,590,772</i>	<i>8,625,568</i>	



Office of the Mayor

City of West Haven
355 Main Street
West Haven, Connecticut 06516



City Hall
1896-1968

Nancy R. Rossi
Mayor

May 24, 2019

State of Connecticut, Office of Policy and Management
Municipal Accountability Review Board
450 Capitol Avenue
Hartford, CT 06106

Re: Review Related to Contracts – Medical benefits Stop Loss Insurance

Dear Municipal Accountability Review Board (MARB) Members,

As a Tier III municipality, the City of West Haven is required to submit relevant contracts to you for your review, comments and recommendations. In accordance with this provision I am submitting the City's renewal proposal from Anthem Blue Cross for our medical benefits stop loss insurance for the upcoming fiscal year FY 19-20.

While it is the City's (and Board of Education's) intention to transition from our existing medical benefits coverage with Anthem to the State Partnership Plan, this transition is not scheduled to occur until January 1, 2020 for the City groups except the Allington Fire District (July 1, 2020) and Board of Education employees (July 1, 2020). In the meantime Anthem Blue Cross will provide medical benefits coverage under the component of our self insurance program.

The second component of this plan has always been to retain an excess insurance plan to cover catastrophic medical claims beyond a certain deductible, and the company of HCC has provided this coverage for the past three year.

Our medical benefits consultants at Lockton notified us that due to West Haven's high loss ratio on the stop loss with HCC, they offered a 66% renewal on our coverage with no guaranteed rate caps.

Consequently our representatives at Lockton, Debra Testa and Seth LaVigne, solicited quotes from other carriers. As Mr. LaVigne states in his attached email, "4 of the 8 solicited carriers declined to quote and 2 of the 4 that quoted were uncompetitive."

The competitive quotes were from Sunlife and Anthem and based on the analysis conducted by Lockton, they recommended that the City place its stop loss/excess medical insurance with Anthem for FY 19-20, with the rationale well articulated by Mr. LaVigne in his email.

I concur with his recommendation and would like to proceed accordingly and would appreciate MARB adding this item to your agenda for our May 30, 2019 meeting.

We expect that a staff member from Lockton will also be in attendance to explain this in further detail and answer any questions the Committee will have.

Thank you for your consideration of this request.

Most sincerely,

A handwritten signature in blue ink that reads "Nancy R. Rossi" followed by a stylized flourish.

Nancy R. Rossi
Mayor

From: LaVigne, Seth
Sent: Friday, May 10, 2019 10:22 AM
To: 'Nancy R. Rossi' <nrossi@westhaven-ct.gov>; Frank Cieplinski <FCieplinski@westhaven-ct.gov>;
'Matthew Cavallaro' <Matthew.Cavallaro@whschools.org>
Cc: Testa, Debra <DTesta@lockton.com>
Subject: URGENT! Stop Loss Renewal Decision

Good Morning Mayor Rossi,

I apologize for the urgent request, but it took some time to secure competitive quotes from the stop loss market and the HR staff is in urgent need of allocation rates for open enrollment. Attached is a marketing package that outlines the results, but I will sum it up to make things easier.

Over the past 3 years West Haven has run at a 104% loss ratio on the stop loss with HCC, target is typically around 60%. Our clinical team is projected between \$725k and \$1.6 Million of stop loss liability for next year. HCC has come in with a 66% renewal with no guaranteed rate caps, which is effectively their way of saying they no longer want your business. The market generally agreed with them as 4 of the 8 quoting carriers declines to quote and 2 of the 4 that quoted were uncompetitive.

The competitive quotes are coming from Sunlife and Anthem. Sunlife is the most competitive on the fixed costs at a 5% increase over current (+\$79,902 annually), and Anthem is +14% over current (+237,483 annually). However, Anthem is the most competitive from a maximum liability perspective. Anthem is quoting your maximum liability at +4% over current (+\$1,121,963 annually), while Sunlife is at +6% over current (+\$1,791,889 annually).

Both Anthem and Sunlife agreed to the Lockton terms which are a 40% renewal rate cap and no new lasers.

At this point Anthem's offer is FIRM, meaning if you accept the offer in the next 30 days the financials I outlined are final. Sunlife's offer is ILLUSTRATIVE, meaning they still want to see more updated claims before issuing final numbers. And the more recent months have seen an uptick in the large claims activity.

Lockton's recommendation is to move the stop loss to Anthem which will not only lock in the financials and allow me to develop Allocation rates for the City and BOE, but it will also streamline the stop loss reimbursement process for the West Haven finance and HR team, allow for immediate reimbursement instead of waiting all year, and they have the lowest maximum liability proposal for West Haven.

If you agree with our recommendation please reply that agree and would like to move forward with Anthem for stop loss. If you do not agree, let me know which provider you would like to go with and we will work to get a firm quote. If you have any questions I am available.

Thanks

Seth

Seth LaVigne
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5/23/2019

To: Julian Freund
From: Bill Mason
Re: Contract for Autumn Transportation

HBOE is requesting the MARB to review a three-year contract with Autumn Transportation for regular ed and special ed (door to door) school bus transportation. The approximate cost is \$52,374,813 over the 3-year term. Current school bus contract expires after June 30th for regular buses and after July 31th for door to door buses. Through an RFP process that posted on, January 25, 2019, Autumn Transportation was recommended by the transportation RFP review committee. This company was unanimously chosen from the 4 companies that responded, as they best matched the criteria that the committee was measuring.

BACKGROUND:

The review committee reviewed and rated the proposals based on these criteria:

- Cost of Service
- Capability/Capacity
- References
- Experience with similar districts of size and demographics
- Flexibility
- Technology

Some of the highlights from Autumn's proposal consist of:

- Expense saving throughout the next 3 years
- Upgraded communications between Transportation and bus company
- Improved communications for families (Parent Portal App)
- Daily on time bus reports/bus logs
- Special Ed attendance taken digitally on door to door buses
- Real time bus tracking that provides ETA to stops and schools

Autumn demonstrated the most expense savings based on today's rates:

- \$854,000 1st year *
 - \$447,000 2nd year*
 - \$170,000 3rd year*
 - \$1,471,000* expense savings over the 3 years of the contract
- *Savings compared to current rates 2018-2019 school year

The attached tables detail the year by year savings and total contract costs. The FY 2019/20 contract cost represents a decrease of -4.76% compared to the current year cost.

Autumn was able to show how they met the criteria of the RFP:

- Autumn has the lowest cost
- Same transportation and GPS system as HPS
- Currently testing new technology
- Highly recommended by other districts
- Able to meet Capacity
- Already works in and around our district

The review committee voted unanimously for Autumn Transportation to be awarded the 3-year School Bus Contract.



Adobe Acrobat
PDFXML Document

Contract Estimated Expense Savings

*Contract Estimated Expense Savings			
	1st Year	2nd Year	3rd Year
Regular Buses (74 per day)	\$210,000	\$99,633	(\$10,922)
Group 1 (In District Door to Door, 74 per day, 343 hours)	\$283,144	\$128,304	\$93,960
Group 2 (Out of District Door to Door, 75 per day, 395 hours)	\$334,800	\$246,283	\$167,400
Monitors (125 per day, 604 hours)	<u>\$26,092</u>	<u>(\$27,180)</u>	<u>(\$80,452)</u>
Total	\$854,036	\$447,040	\$169,986
*Regular school year compared to current contract rates			

Length of Contract Estimated Expense

Current Year and Contract Length	2018-19	2019-20	2020-21	2021-22
Regular Ed Transportation	\$5,835,125	\$5,625,125	\$5,735,492	\$5,846,047
Special Ed Transportation & Monitors (Door to Door)	\$12,113,500	\$11,469,464	\$11,766,093	\$11,932,592
*Regular school year estimated total	\$17,948,625	\$17,094,589	\$17,501,585	\$17,778,639