

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICIAL MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

SPECIAL MEETING

WEDNESDAY, JULY 12, 2017

Meeting Location: Office of Policy and Management
450 Capitol Avenue, Conference Room 4A
Hartford, CT 06106

Date/Time: July 12, 2017, 10:00 A.M.

Members Present: Chairman Thomas Hamilton
Ms. Kathleen Clarke Buch
Mr. Robert Dakers
Mr. Douglas Gillette
Mr. John Schuyler
Ms. Rebecca A. Sielman
Ms. Diane Waldron

Members Absent: Mr. Robert Burbank

Others Present: Jean Gula, OPM Staff
William Plummer, OPM Staff
Morgan Rice, OPM Staff
David Merchant, Mayor, Town of Plymouth
Ann Marie Rheault, Finance Director, Town of Plymouth
Philip Penn, School Business Manager, Town of Plymouth
Kevin McNabola, Finance Director, City of West Haven

1. Introduction/Call to order

The meeting was called to order at 10:02 a.m. by Chairman Hamilton.

2. Approval of the Minutes to the April 19, 2017 Meeting

The minutes of the April 19, 2017 meeting were approved by all Commissioners present, with the exception of Chairman Hamilton, and Commissioners Dakers, Schuyler and Waldron, who abstained. At the time of the April 19th meeting,

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Commissioner Dakers was not a member of the Commission and the remaining abstentions were due to absences from the April 19th meeting.

3. Town of Plymouth – Status of the 2016 outstanding audit and other fiscal related matters

Commissioner Sielman indicated that her firm provides certain actuarial services for the Town.

Chairman Hamilton requested that the Town update the Commission as to the status of the June 30, 2016 audit. The Town of Plymouth's finance director, Ann Marie Rheault, indicated that the Town would not meet its earlier projected July 31st date that it had provided the Commission for completion of the FY 2015-16 audit. One of the primary reason for the latest delay was due to staffing issues in the finance office (unexpected absence, retirement, etc.). She also noted that having to administer payroll on a weekly basis can be time consuming. Ms. Rheault and School Business Manager Philip Penn went on to describe other matters that have occurred throughout the year which have slowed the completion of the audit. Ms. Rheault indicated that she believes that once the FY 2015-16 audit is completed, the Town will be able to complete its future audits in a more timely manner, beginning with the FY 2016-17 audit.

Commissioners inquired about the specific issues holding up completion of the audit. Commissioner Buch inquired about the financial accounting system currently being used by the Town and whether the Board of Education used the same financial accounting system as the Town side of Government. Ms. Rheault indicated that the system in use was out-of-date and that the goal was for the Town and Board of Education to retain a new and common financial accounting system for their use. Chairman Hamilton advised that implementing a new financial accounting system can be difficult and suggested that the Town consider retaining a project manager to assist. A discussion ensued as to the number of full-time and part-time positions currently staffing the finance office and whether there were plans for additional staffing. Chairman Hamilton indicated his belief that a permanent full-time staff accountant would provide much benefits to the finance department.

Chairman Hamilton noted that the Town had provided for today's meeting updated projections regarding FY 2015-16 General Fund Operating Results. Ms. Rheault indicated that the latest projections indicate a \$1.2 to \$1.3 operating deficit for FY 2015-16. Commissioner Dakers inquired as to what the Town's fund balance was going into FY 2015-16 and Ms. Rheault indicated that with the projected FY 2015-16 operating deficit, the Town's fund balance would likely fall to approximately \$1.1 million as of June 30, 2016. Commissioners noted that the Town's preliminary information for FY 2016-17 indicated a small operating surplus and inquired as to the confidence the Town had in this projection. The Town indicated that it was confident in the FY 2016-17 projected surplus. Commissioner Dakers inquired about whether the Town was undergoing any cash flow difficulties and Ms. Rheault indicated that cash flow can become challenging in June but that the Town is able to manage any such challenges.

Commissioners inquired with the Town regarding its assumptions in adopting its FY 2017-18 budget. The Town indicated there was a recent valuation which the Town took into account in its recent adopted budget. A discussion ensued on the budget assumptions. Commissioner Buch inquired about expiration of union contracts and anticipated negotiations of such contracts. Ms. Rheault provided an update of the various expiration dates of the various bargaining unit contracts and current and anticipated negotiations of expiring contracts. Mr. Penn indicated that the Teachers' contract is expiring in FY 2017-18. Commissioners and the Town also discussed the Town's pension plans including its pension asset investments.

Commissioners expressed their appreciation for the Town's attendance and presentation.

4. City of West Haven - Review of the results of the June 30, 2016 audit, financial condition update and other related matters

Commissioner Sielman indicated that her firm provides certain actuarial services to the City.

Kevin McNabola, the City's Finance Director referenced the documents he had provided to OPM for its review and for today's meeting. In particular, he directed Commissioners to the PowerPoint presentation document "Moving West Haven Forward" that presented an overview of recent actions that the City had taken to improve its financial practices and its finances.

Mr. McNabola presented a list of actions the City has taken over the past year regarding its finances including ending the practice of budgeting for certain non-recurring revenues, reducing tax collection rate assumption to be in line with prior actual collection rates, not filling certain positions within the Police Department, cost savings from actions by the City such as restructuring of its employee health care plan, changes to its workers' compensation plan, etc.. Mr. McNabola also described certain ordinances the City had adopted in regard to its financial practices including a balance budget ordinance and an ordinance to issue deficit bonds to eliminate its deficit that existed as of June 30, 2016.

Commissioners made a number of inquiries in regard to the ordinances and some of the actions the City had recently taken to change its financial practices. Mr. McNabola indicated certain unanticipated over-expenditures by the Board of Education in the FY 2015-16 budget related to special education costs which was not communicated to the City until the end of the fiscal year. Since then he has put into place certain controls and met with the Board of Education in order to avoid such unanticipated over-expenditures on a go forward basis. Although the Board of Education may again over-expend its special education budgeted amount for FY 2016-17, other savings are anticipated in the Board of Education budget to offset these over-expenditures. A detailed discussion ensued as to how the City budgeted for its excess cost expenditures and how it managed such costs regarding filing for

reimbursements and in how such costs were estimated by the City. Commissioners made a number of recommendations to Mr. McNabola in this area.

Inquiries were made by Commissioners in regard to the City's FY 2017-18 adopted budget and the budget assumptions made. Mr. McNabola indicated that the intent of the various actions undertaken recently by the City in terms of the ordinances and changes in financial practices, was to ensure that once the deficit financing had occurred the City would not fall back into such a deficit position in the future. If a deficit was to occur, the City now had an ordinance established to ensure that the deficit is eliminated. Commissioner Dakers inquired about the bonds the City is seeking to issue in regard to building of a new high school. Mr. McNabola described the amount of debt that will be issued, the amount of debt the City expects the State to pay, how the additional debt service costs will be absorbed, etc. Mr. McNabola indicated that the City expects that certain earlier debt issued by the City will have been fully amortized in a few years enabling the City to absorb the debt service from the bonds for deficit financing and the high school project.

Commissioners thanked Mr. McNabola for attending the meeting and providing his presentation.

5. Borough of Jewett City – Update

Mr. Plummer directed Commissioners to a recent article on the Borough adopting its FY 2017-18 budget.

6. Other Business

Town of Winchester:

Mr. Plummer indicated that the Town of Winchester had inquired as to need for its continuance under the purview of the Commission. Commissioner Gillette noted that his firm serves as Bond Counsel for the Town. Mr. Plummer pointed to a document included for today's meeting that provided a 10-year history of audit report submission dates and the number of audit findings from such audit reports. In addition, a summary of fiscal information on the Town's fund balance and other financial information was provided to the Commission. The Commission indicated the significant progress by the Town from when it first came under the purview of the Commission. Commissioners indicated their desire to review the Town's upcoming FY 2016-17 audit report including the submission date of the report. Until then, it would appear that the Town would not have to be present for Commission meetings unless specifically requested.

Commissioner Sielman excused herself from the meeting at 11:40 a.m.

Municipal Audit Reports:

Mr. Plummer advised Commissioners that there were still six municipal FY 2015-16 audit reports that have not been submitted to OPM. He provided the Commission

with information on the projected submission dates of each report other than that for the Town of Hamden, for which he could not establish a projected filing date. The reports were due by December 31, 2016, and under State law OPM is not permitted to grant filing extensions beyond June 30, 2017. Commissioners expressed their concerns for the significant delay in filing the reports and requested that OPM keep it apprised of the report submissions. The Commission expressed their belief that the Secretary of OPM be notified of the delayed filings.

7. Adjourned.

Meeting adjourned at approximately 11:45 p.m.

Respectfully submitted,

Douglas W. Gillette
Commission Secretary