

# STATE OF CONNECTICUT

*OFFICE OF POLICY AND MANAGEMENT*

## OFFICIAL MINUTES

### MUNICIPAL FINANCE ADVISORY COMMISSION

#### REGULAR MEETING

**THURSDAY, SEPTEMBER 15, 2016**

Meeting Location: Office of Policy and Management  
470 Capitol Avenue, Conference Room A/B  
Hartford, CT 06106

Date/Time: September 15, 2016, 10:00 A.M.

Members Present: Chairman Thomas Hamilton  
Ms. Kathleen Clarke Buch  
Mr. Douglas Gillette  
Mr. David LeVasseur  
Mr. John Schuyler  
Ms. Diane Waldron

Members Absent: Mr. Robert Burbank  
Ms. Rebecca A. Sielman

Others Present: Robert Dakers, OPM Staff  
Jean Gula, OPM Staff  
William Plummer, OPM Staff  
Morgan Rice, OPM Staff  
Luke Bronin, Mayor, City of Hartford  
Bonnie Bailey, Chief Operating Officer, City of Hartford  
Howard Rifkin, Corporation Counsel, City of Hartford  
Melissa McCaw, Director of Budget/Grants, City of Hartford  
Darrell Hill, Chief Financial Officer, City of Hartford  
David Merchant, Mayor, Town of Plymouth  
Ann Marie Rheault, Finance Director, Plymouth  
Philip Penn, School Business Manager, Plymouth  
Nikoleta McTigue, Blum Shapiro, Plymouth External Auditor  
Robert Geiger, Town Manager, Town of Winchester  
Bruce Stratford, Finance Director, Town of Winchester  
Cynthia Rines, Treasurer, Town of Winchester

## **1. Introduction/Call to order**

Chairman Hamilton called the meeting to order at 10:05 a.m. He noted that there appeared to be a number of individuals in attendance for today's meeting and requested that Commissioners introduce themselves. Introductions were made by each Commissioner in attendance. Chairman Hamilton was notified by Mr. Plummer that Kevin McNabola from the City of West Haven had informed him that due to a previous scheduled engagement he would not be able to attend today's meeting to provide an update on the City, but he did submit certain financial information for the Commission to review. Chairman Hamilton indicated that as no one from the City was present at today's meeting, he would move up on the agenda the Town of Winchester and Town of Plymouth so that they could provide their updates before a review of the West Haven materials submitted.

## **2. Approval of Minutes to April 7, 2016 Meeting**

The minutes of the April 7, 2016 meeting were approved by all Commissioners in attendance except for Commissioner Waldron, who abstained as she did not attend the April 7<sup>th</sup> meeting.

## **3. City of Hartford – Fiscal Condition Review and Outlook**

Chairman Hamilton commented that the City of Hartford had written to the Commission seeking to consult with the Commission on the City's fiscal challenges and obtaining advice from the Commission on addressing these challenges. He acknowledged the attendance of Mayor Bronin and several members of his staff who were here to provide Commissioners with an overview of the City of Hartford's current fiscal condition and an outlook on its future finances.

Mayor Bronin thanked Commissioners for meeting with the City and explained that in June of this year a joint request was made by the Mayor and the City Council President for the Commission to partner with the City of Hartford to conduct a review of the City's finances and to provide the Commission's advice on addressing the City's fiscal challenges.

Mayor Bronin indicated that the City had provided to the Commission the various documents that OPM staff had requested from the City in order for Commissioners to gain an understanding of the City's fiscal condition. Included in the packet of information provided was updated information on the FY 2016-17 budget. He explained that the City was now projecting a \$22.6 million operating deficit for FY 2016-17 as described below.

- The FY 2016-17 adopted budget assumed approximately \$15.5 million in anticipated savings from negotiations with City bargaining unit employees as well as an additional \$1.5 million in savings from non-bargaining unit

employees. The City is still in negotiations and therefore those savings are now not expected to be realized in time to impact the FY 2016-17 budget.

- The City recently had a judgement against it for \$6.0 million of which approximately \$4.7 million would need to be paid by the City in FY 2016-17.
- Debt service expenditures are projected to increase by \$1.4 million more than had been budgeted. The delay in the completion of the Yard Goats Stadium project means that the City would not generate the \$1.4 million in revenues assumed in the FY 2016-17 budget to offset related debt service cost.

Mayor Bronin also explained his projections into the outlier years and that the projected deficits fall into various ranges largely depending upon whether employee concessions are achieved.

Mayor Bronin indicated that current projections indicate serious cash flow issues by June 2017, at which time the City's General Fund balance will have been exhausted and insufficient funding sources will be available for the City to meet all its obligations. However, cash flow challenges could occur as early as December 2016 and also in March 2017 because of the timing of State Education Cost Sharing ("ECS") grant payments to the City. He intends to approach the State and work with OPM to develop a schedule to accelerate ECS grant payments to the City to alleviate the anticipated cash flow problem.

Mayor Bronin provided a description of how the City's fiscal problem occurred, including the fiscal challenges that he found once he came into office. He described how he has addressed the fiscal problem to date, including the significant cuts that were made to reduce expenditures and to achieve cost savings through negotiated employee concessions. He reviewed various of the City's demographics impacting some of the financial challenges facing the City, including the low median income of families in Hartford, the low home ownership rates of Hartford residents, the approximately 50% of the grand list being non-taxable, and other factors.

Despite the significant financial challenges, Mayor Bronin indicated that he is seeking to work within certain core financial parameters and to avoid or limit certain fiscal practices that may have contributed to the City's current financial plight. Among his goals for the City, therefore, are limiting the sale of City assets that generate income, limiting the use of "one-time" revenues to balance the budget, maintaining a competitive mill rate, if possible, by avoiding raising the mill rate above the 74.29 current mill rate, and avoiding cuts to core services deemed essential to the City and its residents. The Mayor indicated that even with the cost savings measures he has made and the new financial policies that he has put in place, he believes that the City will not be able to fully overcome its fiscal challenges without reform to the municipal financing system. He believes that the State should explore changes to the current system to reduce the fiscal pressures placed on the City of Hartford and other municipalities facing similar fiscal challenges.

Commissioners asked a number of questions regarding costs related to the City's health insurance benefits for current and retired employees, City retirement benefits, anticipated capital related project costs, etc.. Mayor Bronin provided the information

sought by Commissioners. He also indicated that one significant cost increase is in the area of debt service. The City has already refunded the majority of its outstanding refundable bonded debt and due to the resulting back-loading of the City's overall debt amortization, debt service costs are rapidly rising. Debt service costs were approximately \$20 million in FY 2015-16, are anticipated to increase to \$30 million in FY 2016-17, then to \$45 million for FY 2017-18, and rising to approximately \$55 million in FY 2020-21 and 2020-22.

Chairman Hamilton thanked Mayor Bronin and his staff for attending today's meeting and for providing a presentation of the City's fiscal condition and outlook. He indicated that Commissioners would be seeking to provide in writing a letter that acknowledged the Commission's belief that the City does indeed face significant financial challenges and that Commissioners would include their advice on addressing some of these fiscal problems. As to the Mayor's comment regarding his belief that the municipal financing system should be reformed, this would be a legislative matter that was outside of the purview of the Commission.

Commissioners unanimously voted to direct OPM staff to draft a letter to the City acknowledging its serious fiscal challenges and the advice forthcoming from the Commission on addressing some of these fiscal challenges. Commissioners will provide OPM staff their suggestions to be included in the letter, which will be signed by Chairman Hamilton.

#### **4. Town of Winchester –Review of the June 30, 2015 Audit/Status of the June 30, 2016 Audit and Financial Condition Update**

The Chairman called for an approximately ten minute break in the meeting prior to taking up the Town of Winchester agenda item. The meeting resumed at 11:02 a.m.

Commissioner Gillette indicated that his firm is bond counsel for the Town.

Bruce Stratford, the Town's finance director reviewed the results of the FY 2014-15 financial audit. Mr. Stratford indicated that the fund balance of the Town's general fund had increased to more than \$5.1 million as of June 30, 2015. The corrective action plans to address the findings within the Federal and State Single Audits have been filed. Mr. Stratford then went on to summarize the results of the FY 2015-16 budget based upon unaudited results as of June 30, 2016, which if achieved would result in an increase to the General Fund fund balance as of June 30, 2016.

Commissioner Buch inquired if there was a management letter for the June 30, 2015 audit and Mr. Stratford indicated that there was such a letter issued. He described the comments made in the letter by the town's external auditor and the corrective action taken or planned related to the management letter. Commissioner Buch indicated that she had observed a number of management letter comments over the years for the Town and wanted to know how such comments are addressed in Winchester. Town Manager Robert Geiger went over the process and assured the Commission that the comments would be addressed. Mr. Geiger also indicated that the Town is still seeking to obtain a financial accounting system that can be shared

by both the Town and Board of Education. Commissioners inquired as to when the Town believes it would be able to timely provide the June 30, 2016 audit report and Mr. Stratford indicated that he believes that it will be issued this year by the December 31, 2016 due date. Commissioners asked a number of questions that were answered by the Town.

Commissioners acknowledged the improvement in the Town's finances since the Town first met with the Commission and that once the Town is able to issue its audit within a timely fashion the Commission would consider recommending to the Secretary that the Town no longer be under the purview of the Commission. Commissioners thanked Town officials for attending the meeting.

#### **5. Town of Plymouth –Status of the June 30, 2015 and 2016 Audits and Other Audit and Financial Related Matters**

Ann Marie Rheault, the Town's finance director provided an update to the Commission on the remaining items that require completion before the June 30, 2015 audit report could be issued. The latest cause for a delay in completing the June 30, 2015 audit was that the Town's finance office lost an employee that assisted the finance director on records needed by the auditor from the Town to complete the audit. The Town has received assistance from the City of Bristol Comptroller's office through making available a City employee on a limited basis to assist with the Town's financial records. However, the Town has recently regained the lost position and the finance director now estimates that the June 30, 2015 report will be issued by November 30, 2016.

Ms. Rheault indicated that the Town's plan would be once the June 30, 2015 report is issued to continue working on the June 30, 2016 audit. She acknowledged that with the estimated November 2016 date for issuance of the June 30, 2015 report, the Town will not be able to issue the June 30, 2016 audit report by the December 31, 2016 due date. Chairman Hamilton observed that significantly late issue of both the June 30, 2015 and June 30, 2016 audit reports would appear to indicate that the Town lacks the staffing resources in its finance office to provide information on a timely basis needed by the auditor to complete the audit and issue the report within the statutory due dates. Ms. Rheault described the current process in the finance office and indicated that Philip Penn, the School Business Manager is also assisting the Town with its financial records. Ms. Rheault also indicated that the budget process was extended until mid-June, which was longer than anticipated, which caused a delay in focusing on audit matters.

Chairman Hamilton requested that OPM staff seek information on the typical finance office staffing levels for towns of similar size to the Town of Plymouth. The Town indicated that it would be beneficial if the Commission would provide recommendations in writing in regards to staffing levels in the finance office. Commissioners inquired about the Town's bond ratings and the Town indicated that Moody's has not re-established a bond rating for the Town but that it does have a bond rating from S&P. The Town also indicated that it is facing record keeping

challenges caused by the former finance director's incorrect accounting system entries and failures to make general ledger entries.

The Commission voted unanimously to request OPM staff to research the typical finance office staffing levels for towns similar in size to the Town of Plymouth, and to draft a letter to the Town regarding the need for appropriate finance office staffing resources.

**6. City of West Haven –Financial Condition Update**

Commissioners reviewed the financial documents submitted by the City. Commissioners noted that the material submitted would indicate that the City intends to issue deficit bonds to finance its General Fund fund deficit.

**7. Borough of Jewett City – Update**

Mr. Plummer indicated that there was nothing new to report regarding the Borough's finances at this time.

**8. Other Business**

Chairman Hamilton inquired about changing the day of the week for Calendar Year 2017 meeting dates and Commissioners indicated that this would not appear to be a problem. Mr. Plummer indicated he could provide meeting dates for days other than Thursdays for the Commission to review.

**9. Adjourned.**

Meeting adjourned at approximately 12:22 p.m.

Respectfully submitted,

Douglas W. Gillette  
Commission Secretary