

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICIAL MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

WEDNESDAY, APRIL 19, 2017

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

Date/Time: April 19, 2017, 10:00 A.M.

Members Present: Ms. Kathleen Clarke Buch
Mr. Robert Burbank
Mr. Douglas Gillette
Mr. David LeVasseur
Ms. Rebecca A. Sielman

Members Absent: Chairman Thomas Hamilton
Mr. John Schuyler
Ms. Diane Waldron

Others Present: Robert Dakers, OPM Staff
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
Robert Geiger, Town Manager, Town of Winchester
Bruce Stratford, Finance Director, Town of Winchester

1. Introduction/Call to order

The meeting was called to order at 10:05 a.m. by Commissioner Buch. She announced that due to an unexpected event, Chairman Hamilton notified her and the

Office of Policy and Management (OPM) that he would not be able to attend today's meeting and requested that she chair the meeting in his place.

2. Approval of the Minutes to the September 15, 2016 Meeting

The minutes of the September 15, 2016 meeting were approved by all Commissioners present, with the exception of Commissioners Burbank and Sielman who abstained as they were not in attendance for the September 15th meeting.

3. Town of Plymouth – Review of the results of the June 30, 2015 audit / Status of the 2016 outstanding audit and other related matters

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

The Town of Plymouth's finance director, Ann Marie Rheault, pointed to the documents that the Town had provided for today's meeting. She indicated that the Town expects its audit firm to be out at the Town in the early part of May in regard to the June 30, 2016 audit. It is the Town's goal to have the audit completed by June 30, 2017.

Ms. Rheault summarized the results of the June 30, 2015 audit report. She did indicate that some departments' expenditures had exceeded appropriations as reflected in the FYE 2015 audit results. She reviewed some of the line items that had been over-expended.

Ms. Buch inquired about the property tax collection rates of the Town in terms of what the rate has historically been and what rates the Town had assumed in its budgets. A brief discussion ensued in this area.

Included in the packet of information submitted by the Town for today's meeting was a Draft Audit Report of the State Dept. of Administrative Services dated March 27, 2017, in regard to the results of the audit of school construction grants awarded to the Town for the New Terryville High School. The Town's school business manager, Philip Penn, directed Commissioners attention to that document to describe the results of the draft audit, which indicated that certain costs charged against the project were considered to be ineligible and based upon the audit of the project and the progress payments made by the State to date, the Town owes the State approximately \$3 million. However, Mr. Penn believes that the State's projection is in error due in large part to an incorrect student enrollment figure used in the State's calculation related to the project. The Superintendent of Schools and Mr. Penn are meeting with the State Office of School Facilities in regard to the draft audit results and what the Town believes were certain incorrect calculations used in determining amounts owed by the Town to the State for the school building project. Mr. Penn is hoping that as a result of the meeting and the Town's disagreement with certain aspects of the draft results, that there will be no monies that would have to be returned to the State. Ms. Buch inquired as to the reasonability of the Town's belief that it will not have to return monies to the State and Mr. Penn indicated that based

upon recent records the Town was able to obtain on the project that the State is unaware of, he believes that it is reasonable to assume that the ultimate outcome would be that the Town would not have to return any monies to the State. A discussion ensued as to certain receivables that were recorded in the FYE 2015 financial statements of the Town that may need to be written off which would lead to the reduction of the Town's fund balance.

Commissioner Buch inquired about the staffing levels within the Town's finance office and whether that was still an issue. Ms. Rheault indicated she had recently lost due to retirement a person that served as payroll clerk/staff accountant but the Town recently hired a new person for that position and is in the process of training the new individual for the duties in this position. She went on to indicate that the proposed FYE 2018 budget is seeking to move the temporary staff accountant position to a permanent part-time position. In the long-term she is hoping for stability in the finance office with the possibility of moving the part-time staff accountant to full-time if necessary, but will seek this change incrementally in future budgets.

Ms. Buch inquired about the Town's financial accounting system and Ms. Rheault indicated that it is still the Town's intent to obtain a financial accounting system that would meet the needs of the Town and its Board of Education and would be shared by both. Ms. Rheault went on to describe the Town's FYE 2018 budget proposal and the Town's budget process. The FYE 2018 budget will reflect the results of the Town's recent revaluation.

Commissioner Gillette directed Ms. Rheault to the FYE 2016 budget to actual projections document that the Town submitted for today's meeting. That document indicated that the unaudited results of operations for FYE 2016 resulted in a \$1.2 million operating deficit for that year. Ms. Rheault acknowledged the unaudited operating deficit for FYE 2016 and the primary factors that led to such a deficit. The Town has taken certain actions to assist in preventing the over-expenditures that occurred in that year from occurring again (legal services, employee benefits, etc.). The most significant factor leading to the operating deficit in FYE 2016 was the revenue shortfalls in property taxes and charges for services. A discussion ensued as to why revenues were overestimated in these areas and what the Town was doing to prevent such revenue shortfalls in future budgets.

Ms. Rheault and Mr. Penn described certain cost savings efficiencies that they were in the process of implementing. A discussion ensued on these cost savings measures and the controls the Town intended to or have put in place to ensure that various departments stay within their budgeted spending amounts.

Commissioner Buch thanked Town representatives for attending the meeting.

4. Proposed amendments to Chapter 117 of the General Statutes – Municipal Deficit Financing

Robert Dakers of OPM, who serves in the position as Chief Financial Officer of the State of Connecticut, introduced himself to the Commission. He indicated that Governor had proposed legislation as part of the budget bill in regard to municipal financial accountability. One of the primary reasons for the proposed legislation is that the Governor's proposed budget called for significant increase in State aid to certain municipalities facing fiscal challenges and therefore the legislation would provide a level of review/accountability in regard to the finances of such municipalities. This proposed legislation, if adopted would impact the Municipal Finance Advisory Commission (MFAC) as it creates a 4-tier system where municipalities that met certain criteria (fund balance, bond ratings, equalized mill rates, level of state assistance, level of revenue increase) would be placed in one of the four tiers. Based upon the legislation and the latest financial information available, approximately 25 municipalities would fall into one of the four designated tiers. Mr. Dakers provided a summary of the criteria for the different tiers and described the accountability provisions that the municipalities in each tier would be subject to. He also noted that municipalities in tier one would generally be under the purview of the MFAC. Municipalities that were designated in tiers two to four would be under the purview of the Municipal Accountability Review Board (MARB), which would be comprised of the Secretary of OPM (chair of the Board), the State Treasurer (co-chairperson of the Board), the municipality's chief elected officer, the chief executive officer of a bargaining unit representing employees of the municipality, and a member of the council of government of the region in which the municipality is located. The proposed legislation also revised certain statutory provisions in regard to issuance of deficit obligation bonds and bonds issued with capital reserve provisions.

A discussion ensued among Commissioners and Mr. Dakers regarding certain provisions of the proposed legislation. Mr. Dakers provided further information on how a municipality would be designated as a tier 4 municipality and the additional accountability provisions called for under the proposed legislation for municipalities in this tier.

Commissioner Buch thanked Mr. Dakers for the presentation.

5. Town of Winchester – Review of the Results of the June 30, 2016 audit and financial condition update

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

Bruce Stratford, the Town's finance director introduced himself and pointed out that the June 30, 2016 audit report issued in March 2017 was the earliest that an audit report had been issued for the past several years. He then proceeded to review the results of the June 30, 2016 audit. The audit results showed a positive results of operations with fund balance of the General Fund increasing from \$5.2 million as of June 30, 2015 to \$6.2 million as of June 30, 2016, representing approximately 18.7% of FYE 2016 General Fund expenditures.

Results of the FYE 2016 State Single Audit identified no material weaknesses or significant deficiencies in internal controls which is in contrast with prior years reports which indicated a number of such internal control weaknesses.

Town Manager Robert Geiger introduced himself and described some of the efficiencies the Town was implementing or planned to implement. He also indicated that the Town and the Town school system were still pursuing a common software financial accounting system. Mr. Geiger and Mr. Stafford went over the budget to actual results to date for FYE 2017 and directed Commissioners to the information submitted for today's meeting by the Town. A brief discussion also ensued in regard to the FYE 2018 proposed budget.

Commissioner Sielman expressed some concerns in regards to the Town's defined benefit pension plan and the assumptions for the plan as well as the amortization period for amortizing the unfunded liability of the plan. Mr. Stratford acknowledged that certain assumptions were being changed or were under consideration for changes that would address many of Ms. Sielman's concerns. Ms. Sielman inquired about the unfunded OPEB obligations and Mr. Stratford indicated that the first item that is currently being looked at is a review of the OPEB currently being offered to employees. Commissioner Buch inquired whether the Town had a 5-year plan and Mr. Geiger indicated that he is currently developing such a plan, although certain aspects of the 5-year plan are difficult to project.

Commissioners expressed appreciation for the Town's presentation.

6. 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.

Ms. Buch commented that she did not observe any representative from the City of West Haven in attendance to provide a presentation to the Commission on the City's finances. Mr. Plummer stated that Kevin McNabola, the finance director of West Haven, had notified him that due to a scheduled vacation, he would not be able to attend today's meeting. Furthermore, OPM had expected the City to have completed its FYE 2016 audit in time for today's meeting so that Commissioners would have the latest audit report available to review. However, the City's FYE 2016 audit report has not been issued. Mr. Plummer directed the Commission's attention to certain financial documents submitted by the City for today's meeting. He acknowledged that the FYE 2017 budget to actual information submitted by the City would only provide limited information to the Commission as the information submitted did not include expenditures occurred by the Board of Education for FYE 2017.

A brief discussion ensued in regard to the proposed FYE 2018 budget document that was presented. Commissioners also noted the City had indicated at the last Commission meeting which City officials attended that it would be issuing deficit

financing bonds to eliminate the deficit. Mr. Plummer indicated that based upon discussions earlier with the City, it was his belief that the City was awaiting the results of the FYE 2016 audit before proceeding with the deficit financing.

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. Approval of 2017 meeting dates

The proposed Calendar Year 2017 meeting dates for the Commission were reviewed by Commissioners. It was noted that the first proposed scheduled meeting (February 15, 2017) had been cancelled. The Commissioners unanimously approved the following schedule of Calendar Year 2017 meeting dates, with all meetings to be held at 10:00 A.M. in Room 4A of the offices of the Office of Policy and Management, 450 Capitol Avenue in Hartford:

Meeting Dates

Wednesday, April 19, 2017

Wednesday, June 21, 2017

Wednesday, September 20, 2017

Wednesday, December 6, 2017

9. Other Business

None.

10. Adjourned.

Meeting adjourned at approximately 11:47 p.m.

Respectfully submitted,

Douglas W. Gillette
Commission Secretary