

APPROVED
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
SPECIAL MEETING MINUTES

Meeting Date and Time: Wednesday, June 12, 2019 9:30 AM –2:00 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 (by phone), Patrick Egan, Robert White, Scott Jackson, Mark Waxenberg, Stephen Falcigno, Matthew Brokman, Thomas Hamilton

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 9:38 AM.

- II. Public Comment* Period
 - a) Michelle Gregorio, Chairman of the West Haven Board of Finance, spoke in support of the efficiency items submitted by the City, as recommended by the Board of Finance. She also spoke against any tax increases for the City, and any revenue projections that aren't guaranteed. Lastly, Ms. Gregorio noted her support for improvement methodologies, such as Total Quality Management, to be used by the City.

- III. Approval of Minutes
 - a) A motion was made by Mr. Jackson with a second by Mr. Egan to approve the minutes of the May 30, 2019 special MARB meeting, as amended by Mr. Walker and Ms. Savitsky. The motion was unanimously approved.

- IV. City of West Haven Issues and Items

West Haven Mayor Rossi participated in the West Haven discussion via telephone.

 - a) Review and discussion: Monthly Financial Report April 2019
Frank Cieplinski, Finance Director for the City of West Haven, provided a brief overview of the financial report, noting that the projections are largely unchanged since last month. The City Council has approved the anticipated lien sale, and revenues will be reflected in next month's report. A surplus of approximately \$3.5m is still anticipated, which includes \$1.75m that was originally intended to close a deficit in FY 2018 which did not materialize. The City is in the process of analyzing telecommunications and solid waste expenditures to identify the potential for savings.

Mr. Michael Milone, speaking on behalf of the City, indicated that there will be more discussion at the next subcommittee meeting regarding the transition to the Partnership Plan. He suggested that there may need to be executive session during that meeting, as a labor attorney may be present.

Mr. White asked why the tax collection rate for Allingtown has increased by 5%, to which Mr. Cieplinski responded that he would look into it and provide an answer. Mr. Falcigno asked how much the HR consultant is being paid and what would be the timeline for deliverables. Mr. Milone responded that the engagement is for \$15,000 on the City side, \$3,000 on the BOE side, and will produce a report of recommendations in 6 weeks.

Mr. Jackson requested an update on the sale of two schools in the City. Lee Tiernan, Corporation Counsel for the City of West Haven, responded that the Phase 1 Environmental Study is beginning, the projects will be presented at the July 9, 2019 Planning and Zoning Committee meeting, and presented at the July meeting of the City Council. Mr. Tiernan further indicated that the City intends to use the revenue from these sales to target deficits or build up the City's fund balance. Secretary McCaw requested that documentation related to each sale be provided to OPM.

b) Update: MOA Compliance

Mr. Freund provided a summarized review of the compliance chart. Mr. Bye explained that the MOA and statute are clear that the Secretary, with input from the Board, has the discretion to withhold monies based on the conditions of the MOA, or any other conditions. Benchmarks as written in the MOA have not all been met.

c) Update: FY 2019 Municipal Restructuring Funds Agreement

Secretary McCaw asked Board members to share their opinion on FY19 funds to be disbursed to West Haven, in light of both the MOA compliance discussion and the City's \$3.5m projected surplus. Mr. White stated that the entire amount of the City's projected surplus should be held back because of 1) deficit funding for a deficit that didn't materialize 2) IBNR costs expected. Mr. Walker shared that he would not support a holdback that would put them out of balance. Mr. Egan agreed that the Board shouldn't holdback funds that would put the City in deficit, but before additional funds are provided, results must be achieved. Mr. White also agreed that the holdback amount should not put the City into a deficit position for the year. Mr. Waxenberg agreed with holding back the full amount of the projected surplus, and stated his full confidence in the Secretary releasing money in a responsible way, only when necessary. Mr. Brokman, Mr. Walker, Mr. Jackson, and Mr. Hamilton agreed.

Secretary McCaw stated that \$3.5m will be withheld from West Haven, unless the surplus number changes. She stressed that this action was not intended to penalize the City, but rather to recognize that the City doesn't need it, which is a positive development.

d) Review, discussion and possible action: Conditions for FY 2020 Municipal Restructuring Funds

Mr. Freund provided a draft list of conditions for the FY 2020 MOA with the City of West Haven. A conversation ensued regarding the City's FY 2020 budget. Mr. Tiernan indicated that the City Council did not take action on the budget that was approved by the MARB, and that the City was planning to send out tax bills based on the mill rate as approved by the MARB. Attorney Bye was asked to address this issue. He stated that it is largely without dispute, neither West Haven's City Charter nor the MARB legislation clearly prescribe or addresses the case of the City of West Haven under the statutory authority of the MARB. Further, this question has not been addressed by the courts in this state. West Haven's City Corporation Counsel provided his legal analysis as the City's legal representative pursuant to Chapter XVI of the City Charter. It was Attorney Bye's opinion that Attorney Tiernan's

analysis was based on logic and he, not OPM's counsel, spoke for the City as its legal representative. Regardless, Attorney Bye noted the Board strongly disagreed with the legal analysis and the Board had demanded the City Council reconvene and vote on a budget reflecting the changes demanded by the Board consistent with precedent and practice with other MARB municipalities. Secretary McCaw expressed concern that the mill rate approved by the Board was not the same mill rate approved by the Council. Mr. Egan and Mr. Walker reminded the City that the MARB does not have the authority to set the City's budget. Mr. White added that this issue of ownership by City leadership is concerning, and should inform the Board's discussions about future MOA conditions. Mr. Brokman added that action by the City Council should be a condition of the FY 2020 MOA. Mr. Waxenberg expressed concern regarding the process and the City's lack of responsibility.

A motion to recommend that the Secretary of OPM not enter into an MOA with West Haven for MRF unless the City Council acts on the FY 2020 budget as recommended by the MARB, before the next scheduled meeting of the MARB, was made by Mr. Egan and seconded by Mr. Falcigno. The motion passed by a vote of 9-1-0.

e) Review, discussion and possible action: Five Year Plan

A motion was made by Mr. Egan with a second by Mr. White to table the discussion of the Five-Year Plan. The motion was unanimously approved.

f) Review and discussion: Non-Labor contracts:

i. Roof Repairs-Bailey Middle School

Mr. Tiernan reported that the last day of school was yesterday, and that this project will commence as soon as possible.

ii. Sodhexo Food Service renewal

Mr. Tiernan reported that the City believes it is getting a good price and the students are happy with the product. Ms. Caw asked how much the contract is for, to which Mr. Tiernan responded that he would provide that information. Ms. Savitsky requested that information regarding workers compensation be discussed at the next subcommittee meeting.

g) Review, Discussion and Possible Action: Labor Contracts (none)

The Board broke for lunch from 11:50 to 12:10. Mr. Walker left the meeting during this time.

V. Town of Sprague Issues and Items

a) Review and discussion: Monthly Financial Report April 2019

Mr. Freund provided the financial summary, indicating that the forecast as of this month has significantly improved, however, cash flow remains an issue. This issue has been temporarily mitigated with an advance allotment of Education Cost Sharing funds.

Senator Cathy Osten, First Selectman of the Town of the Sprague, indicated that there are issues with cash flow every year in June and December. Senator Osten continued that there are \$489,000 worth in outstanding bills from FY18 that still need to be paid. Secretary McCaw requested that cash flow projections from the Town be sent to OPM.

- b) Review, discussion and possible action: FY 2020 Budget Assumptions
Senator Osten stated that the Town's budget proposal was being presented that evening to the Board of Selectmen, with a recommendation to adjourn to referendum. A Town meeting is scheduled for June 20th, with a referendum meeting to be held on June 27th.
Secretary McCaw, Falcigno, and Mr. White commended the Town for its ownership of the fiscal issues it faces and its leadership to get to fiscal stability. Mr. Waxenberg agreed, adding his approval of the Town's proactive approach to reviewing Special Education costs and out of district placements, which can become very costly when not managed.
A motion to approve the Town's mill rate increase of 2 mills and a tax collection rate of 97.7%, and State Aid as presented in the budget, was made by Mr. Brokman and seconded by Mr. White. The motion passed unanimously.

- c) Review, discussion and possible action: Five-Year Plan
Mr. Freund provided a summary of the plan, which includes a request of \$850,000 in Municipal Restructuring Funds in year one only. The intent of these funds is to eliminate the fund balance deficit. Mr. White suggested the possibility of a loan, to be repaid over time.

Secretary McCaw agreed with this suggested approach, noting her concern regarding the Town's ability to meet payroll and cover all other necessary expenses. Mr. Egan, Mr. Waxenberg, Mr. Falcigno, Mr. Hamilton, and Mr. Jackson agreed.
Ms. Kennison added that although the Town did maintain a positive fund balance, it was declining over time. Additionally, she noted, there have been audit findings for past 5 years, outlining issues with internal controls. Secretary McCaw encouraged the Town to build up its fund balance at a faster rate, and asked the Town to consider increasing its mill rate in FY21 higher than 0.5. Members suggested the Subcommittee meet after the budget referendum and prior to the next MARB meeting.

A motion to take no action on the Five Year Plan was made by Mr. Jackson and seconded by Mr. Egan. The motion passed unanimously.

At this time, both Ms. Savitsky and Mr. Waxenberg left the meeting.

VI. City of Hartford Issues and Items

- a) Review and discussion: Monthly Financial Report April 2019
Jolita Lazauskas, Acting Budget Director for the City of Hartford, provided a summary to the Board. A conversation regarding current vacancies of sworn Police officers ended with Ms. Lazauskas stating that the City intends to fill all 76 vacancies in FY 2020.
- b) Review and discussion: Non-Labor contracts:
- i. Capital Workforce Summer Youth Employment
The FY 2020 summer employment contract will begin the first week of July. It will support 733 young people, at a cost of \$1m, plus \$650,000 from the state and \$400k from the Hartford Foundation. The contract pays for a full year of work, including reporting and preparing for the following summer.
Mr. Egan suggested that the program incorporate life skills and college readiness, with a focus on civil service.
- c) Review, Discussion and Possible Action: Labor Contracts (none)

VII. Other Business (none)

VIII. Adjourn

A motion to adjourn was made by Mr. Egan and seconded by Mr. Hamilton. The motion passed unanimously, and the meeting adjourned at 2:32pm.