

APPROVED
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
SPECIAL MEETING MINUTES

Meeting Date and Time: Friday, July 12, 2019, 10:00 AM

Meeting Location: Board of Regents Conference Room, 61 Woodland St., Hartford, CT

Members in Attendance: Secretary McCaw, Deputy Treasurer Savitsky, Commissioner Jackson, Matthew Brokman, Patrick Egan, Thomas Hamilton, Sal Luciano, Mark Waxenberg, Robert White (by phone)

OPM Staff in Attendance: Kimberly Kennison, Gareth Bye, Alison Fisher, Julian Freund (by phone)

I. Call to Order

Secretary McCaw called the meeting to order at 10:03 AM.

II. Public Comment

Robert Friedman, of West Haven, discussed rumors circulating on social media regarding the local elections in the City.

III. Freedom of Information Act presentation

Thomas Hennick of the Freedom of Information Commission gave a presentation on the major tenets of the Freedom of Information Act (FOIA) and their applicability to the MARB. The FOIA in CT is 44 years old and intended to make government operations transparent to the public by providing access to public meetings and public records.

Public agencies are required to do their work in public. The public has the right to know and see you in action. The meeting needs to be noticed, open to the public. Subcommittees must also operate within FOI. In some situations, even without a quorum, deliberations and discussions still meet the definition of a meeting. Regular meeting schedules must be posted with the Secretary of State by end of January for the year ahead. Special meetings and emergency meetings agendas need to be available 24 hours in advance. Items may be added to a Regular meeting agenda during the meeting by a vote of the members. Special meetings may only consider items on the agenda. Emergency meeting are discouraged because they do not follow the same requirements for notice and create the impression that work is being done in secret. The handling of public comments is up to the agency because it is not governed by FOI.

Discussions outside of notices meetings, whether in person or by electronic equipment, should be limited to discussion of scheduling or the setting of the agenda. Deliberations on the business of the agency should only be conducted at meetings. Executive Session may only be used to discuss certain topics, including pending litigation, personnel issues and the sale or lease of property. Any votes on matters discussed in Executive Session are taken after the members come out of Executive Session. If minutes are taken in Executive Session, they become part of the public record. The only individuals that should go into executive session are the board members and individuals that provide information related to the discussion.

Draft minutes must be available within a week of a meeting. A record of the votes must be available within 48 hours of a meeting.

IV. Approval of Minutes: June 12, 2019

Deputy Treasurer Savitsky made a motion to approve the minutes of the June 12 meeting, seconded by Mr. Hamilton. Mayor Rossi asked that her participation via telephone be noted in the minutes. Mr. White asked that the minutes reflect that he agreed with other members that the City of West Haven should not go into a deficit position for FY 2019. With those revisions, all voted in favor of approving the minutes.

V. Town of Sprague Issues and Items

a. Subcommittee Update

Secretary McCaw noted the update on the Sprague subcommittee included in the meeting packet. First Selectwoman Osten explained that the town's Board of Finance met the previous night to identify budget cuts to be made in a revised budget after the previous budget was rejected at the June referendum. Most of the reductions are being made through wage freezes. The Board of Education will be making reductions of approximately \$60,000 to the Education budget.

Asked about the Town's cash flow situation, Ms. Osten indicated that with the inflow of tax revenues, the cash situation has improved. Ms. Kennison added that the Town's cash flow projections show that the Town will face a cash flow issue again in September. Mr. Hamilton asked about the cash flow projection through December. Ms. Kennison said that the deficit grows to \$1.3 million by December.

Secretary McCaw noted that the Town's fund balance has been eroding since FY 2014. She outlined the next steps for the MARB regarding the Town budget and 5-Year Plan. Before the next MARB meeting, the Town Board of Finance will act on a revised budget. The MARB will take action on the revised FY 2020 budget conditioned upon a successful budget referendum following MARB approval. In order to assist the Town in meeting its near term cash flow challenges, a memorandum of agreement (MOA) for restructuring funds needs to be in place in August. The MARB should take action on the 5-Year Plan in August as well, so that the MOA can be executed.

Ms. Osten provided an update on several potential property sales. She anticipates completing two land sales in the coming months.

Ms. Savitsky asked about the status of several vacant positions at the Board of Education. Ms. Osten said that a business manager has been hired, but a permanent Superintendent has not. The current interim Superintendent will stay on longer. Interviews are being conducted for the interim Principal position.

b. Review and discussion: Monthly Financial Report May 2019

Ms. Osten provided an overview of current fiscal year financial projections. The Town is projecting revenues to exceed the budgeted amount by \$280,000. A balance of about \$56,000 in budgeted expenditures is projected. Mr. Waxenberg noted that earlier in the year, the Board of Education projected an overage of \$110,000, but is now projecting a positive balance of about \$50,000. Rachel Moser, BOE Business Manager, explained that very conservative projections were used earlier in the year. A purchasing freeze in April and additional grant revenues helped to improve the financial results.

c. Review, discussion and possible action: Conditions for funding

Secretary McCaw outlined the conditions for restructuring funds that are under consideration. The conditions are designed to help the Town get past cash flow issues while stabilizing fund balance. Up to \$900,000 would be provided. Of that, approximately \$500,000 would be provided up front to maintain cash liquidity. Additional scheduled payments would be made as the Town meets certain conditions. The funds would ultimately be repaid once the Town's fund balance is stabilized. Repayments would be made based on the Town's fund balance reaching a threshold of 5% of expenditures.

Mr. Waxenberg asked if the repayment concept is consistent with State statute. Mr. Bye responded that the Secretary has adequate discretion in the distribution process and that interest will not be part of the repayments. Repayments will be based on a process of certifying the Town's annual financial results. Secretary McCaw added that the Town of Sprague is further distinguished by its one-time cash flow issue.

Commissioner Jackson expressed concern with the 5% fund balance target, given the standard typically used now is 16.7% or the equivalent of two months of operations. The claw back provision that caps where the community's fund balance could go, until they pay it back, may not put them in the position the board expects, particularly due to the size of their budget.

Mr. Hamilton also expressed concern that the claw back provision might remove the Town's incentive to generate a fund balance above 5%. He suggested a structure that allows going above 5% with a portion of the excess, perhaps 50%, would be repaid to the State. Mr. Jackson supported that kind of approach.

Mr. Brokman asked if that would require the Town to appear before the MARB every month until the \$900,000 is paid back. Ms. McCaw responded that if the Town met the conditions for release from tiered designation, they would not have to.

Mr. Waxenberg suggested using a metric of 2 months of operating expenditures based on prior year budgets instead of a percentage.

Deputy Treasurer Savitsky raised the issue of existing Notes and asked if the Town still intends to permanently finance them as bonds in the near future. She asked if this kind of agreement would be

sufficient to help stabilize the Town's bond rating and whether the Town has received any feedback from the rating agencies. Ms. Osten responded that she has not yet spoken with the rating agencies, but has met with bond counsel and the financial advisor about the Notes. She is expecting bond resolutions by the Board of Finance and Board of Selectmen later in July.

Ms. Kennison discussed the Town's audit findings and the need for corrective action plans. Secretary McCaw said that OPM would assist the Town in developing procedures to address the audit findings.

VI. City of Hartford Issues and Items

a. Review and discussion: Monthly Financial Report May 2019

Acting Director of Management and Budget, Jolita Lasauskas, updated the board on the City's FY 2019 budget status. Revenue projections have been reduced by \$1.5 million since the previous report. A balance of \$4 million in expenditures is expected. The overall surplus is projected to be \$3.56 million. The City is currently carrying 75 vacancies in the Police Department and 3 vacancies in Fire.

b. Review and discussion: Non-labor contracts

i. Aetna Parking Agreement

This item was deferred.

c. Review, discussion and possible action: Labor Contracts (none)

VII. City of West Haven Issues and Items

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

a. Subcommittee Update

Mr. Freund provided an update on the Subcommittee's activity. The Subcommittee has tabled review of the 5-Year Plan pending the City Council's final action on the FY 2020 budget. The MARB is currently awaiting City Council approval of the budget on July 22nd. The MARB resolution from the June meeting, indicating that a memorandum of agreement for restructuring funds for FY 2020 would be contingent on City Council's approval of the budget prior to the July MARB meeting may need to be amended. The City Council action is still pending but scheduled for July 22. The amendment would reflect the actual timeline.

Secretary McCaw said the City is assembling a comprehensive report regarding the Partnership transition. OPM liaison to West Haven, Michael Milone, reported that the City's team had met with staff in the City of Norwalk to discuss their experience in making the transition. Informational meetings with unions are being scheduled for late July and early August. Notice will then go out to all employees about the plans. The costs and savings related to transitioning active employees and retirees under age-65 are near finalized, with additional analysis for post age-65 retirees continuing. Most City bargaining units will transition January 2020, and the Firefighters union will transition July 2020. Education unions are planned for July 2020. Mr. Eagan asked if all union outreach will occur at once, or just the City initially.

Mr. Milone answered that the plan has not been to reach out to all at once, but that moving the Education and Firefighter groups up in the process is a good idea.

b. Review and discussion: Monthly Financial Report May 2019

Finance Director, Frank Cieplinski summarized the monthly financial report. The City is projecting an end of year surplus of approximately \$3.45 million (if all budgeted restructuring funds were to be received).

Mr. Cieplinski has received from the auditors a list of all audit items. A meeting of the City, BOE and auditors is scheduled for July 17 to assign responsibilities and dates for all budget items.

Ms. Kennison asked that a cash flow be prepared and provided by the City.

c. Update: MOA compliance

Secretary McCaw reviewed the MOA compliance update that was included in the meeting packet. Mr. White and Mr. Egan referred to prior discussions about having the City Council take action on the proposed 5-Year Plan. Mr. Luciano expressed concern that there is a campaign in the City to not support the 5-Year Plan. Secretary McCaw indicated that absent MARB approval of a 5-Year Plan, she does not have statutory authority to enter into an MOA with the City for restructuring funds. Ms. McCaw indicated that the prior year process would be researched to verify the City Council took action on the current 5-Year Plan prior to MARB approval.

d. Review and discussion: Non-labor contracts

i. PCM-G Technology (West Haven High School)

ii. Comstar Technology (West Haven High School)

Corporation Counsel, Lee Tiernan, provided an overview of the two contracts, both of which are part of the high school renovation project.

Deputy Treasurer Savitsky asked for an update on the high school project for the September meeting. Mr. Egan asked for an update on the formation of an OPEB trust. Mr. White asked if the City Council will be acting on the 5-Year Plan at their July 22 meeting. Secretary McCaw suggested that the City Council could voluntarily act on the 5-Year Plan even without a directive from the MARB. Mr. Tiernan responded that the agenda of the July 22 City Council meeting is lengthy and that the 5-Year Plan would likely have to wait for the August meeting.

e. Review, discussion and possible action: Labor Contracts (none)

VIII. Other Business

IX. Adjourn

Mr. Luciano made a motion to adjourn seconded by Ms. Savitsky. All voted in favor. The meeting adjourned at 12:26 PM.