

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICIAL MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

SPECIAL MEETING

WEDNESDAY, DECEMBER 13, 2017

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

Date/Time: December 13, 2017, 10:00 A.M.

Members Present: Chairman Thomas Hamilton
Ms. Kathleen Clarke Buch
Mr. Robert Dakers
Mr. Douglas Gillette
Mr. John Schuyler

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

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
Nancy Rossi, Mayor, City of West Haven
State Senator Gayle Slossberg

1. Introduction/Call to order

The meeting was called to order at 10:03 a.m. by Chairman Hamilton.

2. Approval of the Minutes to the July 12, 2017 Meeting

The minutes of the July 12, 2017 meeting were approved by all Commissioners present.

3. Town of Plymouth –Status of the June 30, 2016 and June 30, 2017 audits. Other fiscal related matters.

Chairman Hamilton requested that Mr. Plummer provide an update on the status of the Plymouth audit submissions to OPM. Mr. Plummer indicated that the Town had yet to complete its FYE 2016 audit although a partial draft audit report was available. Due to the delay in completing the FYE 2016 audit, the FYE 2017 audit report would not be submitted by the December 31, 2017 deadline but he was unsure as to whether the 2017 records were available to be provided to the audit firm to complete the FYE 2017 audit once the FYE 2016 audit had been completed and the report issued.

Ms. Rheault, Plymouth's Finance Director, explained that there was a short list of items that the audit firm was still seeking from the Town in order to complete the FYE 2016 audit and issue the audit report. She believes that she will be able to provide those items to the audit firm in a short period of time. Commissioner Schuyler asked whether the 2017 records were also being worked on side by side with the 2016 information needed for the auditor. This would enable the audit firm to begin work directly on the FYE 2017 audit once the FYE 2016 audit was completed. Ms. Rheault indicated that her focus was on getting the FYE 2016 audit completed. Once that was done she would focus on the 2017 financial records of the Town.

Chairman Hamilton inquired whether Ms. Rheault could confirm that the FYE 2016 audit report would be issued by the end of December. Ms. Rheault indicated that she could not make such a confirmation. Commissioner Dakers indicated that State Law in regard to the submission of municipal audit reports did not contemplate audits not being completed in excess of the maximum of six months in extensions that can be granted to a municipality for the submission of its audit report from the audit due date. He is aware that the Town experienced fraud by a former finance director which resulted in inaccurate and incomplete financial records but, as the Town indicated, that incident became known in and around October 2014. Other municipalities have experienced similar fraud which caused delays in their subsequent audit submissions but were able to recover and produce accurate and timely financial records leading to the timely issuance of the annual audit in a shorter time period. In the case of Plymouth it is still taking the Town a year or more from the audit due date to complete the FYE 2016 audit.

Commissioner Buch inquired with Ms. Rheault as to the underlying reason for the continuing hold up in getting the audit firm the information it needs to complete the audit. Ms. Rheault indicated that the primary reasons are the finance office staffing shortage and need for her to focus on non-audit matters such as budget matters. A discussion ensued as to staffing level needs of the finance office, correction of audit findings from prior year single audit reports and any concerns that the audit firm may

have in regard to disclosure of the Town's finances caused by the continued delayed audit results.

Commissioners questioned whether the Town would be able to start issuing timely financial audit reports if temporary staffing were available to the Town to get its records up-to-date or would the Town then fall back into a pattern of late audits. Ms. Rheault appeared to indicate that the influx of additional help would certainly help the Town's delayed audit situation. Commissioners indicated that the Town should seek outside assistance such as an outside firm that could dedicate a team of accountants to get the Town's records updated and ready to be audited or someone such as a former finance director who could readily assist the Town with its financial records. Chairman Hamilton commented that Mayor Merchant should strongly consider such an approach with the goal that the outside help have the Town's 2017 records available in an auditable manner in a reasonable time so that the FYE 2017 audit report can be issued no later than June 30, 2018. It is his opinion that a delay in the issuance of the FYE 2017 audit report past June 30, 2018 would be unacceptable. Mayor Merchant indicated that he would be committed to an approach that utilizes outside help and requested that OPM get back to him on suggested individuals/firms who could assist the Town.

Commissioners reviewed the financial information provided to the Commission for today's meeting and a discussion ensued on the Town's finances, including the partial draft FYE 2016 financial audit report. The draft FYE 2016 report indicated a negative FYE 2016 results of operations for the General Fund of approximately \$652,000 with a fund balance of \$1.6 million in the General Fund as of June 30, 2016. The Town is projecting a small General Fund operating surplus for FYE 2017, however it is also projecting an unassigned fund balance as low as \$320,000 as of June 30, 2017, a significant decline when compared to the \$1.6 million unassigned fund balance that existed as of June 30, 2015. The Town also informed the Commission that it was recently informed by Standard & Poor's rating agency that its credit rating would be downgraded. Commissioners indicated that it would keep the OPM Secretary apprised of the Plymouth audit submission situation.

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

4. City of West Haven - Update

Chairman Hamilton acknowledged West Haven's attendance at today's meeting including the City's recently elected Mayor, Nancy Rossi, and the City's Finance Director, Kevin McNabola. He also acknowledged attendance at today's meeting of State Senator Gayle Slossberg, who includes West Haven among the municipalities she represents.

Mr. Plummer pointed to the significant amount of financial information that Finance Director Kevin McNabola had provided for today's meeting. He indicated that the City had recently filed for a 30 day extension for the submission of its FYE 2017

audit report past the December 31st filing date and that the City had recently issued deficit financing bonds.

Chairman Hamilton requested that Mr. McNabola go over the details of the deficit financing and update the Commission on the City's finances. Mr. McNabola indicated that in November 2017 the City issued approximately \$27 million in bonds, financing \$16.9 million of the General Fund deficit that existed as of June 30, 2016 and \$9.6 million of capital infrastructure projects. Mayor Rossi's term commenced on December 3, 2017, and she promptly instituted a hiring freeze and a spending freeze for City departments, and has enacted other policies to reduce spending. Mr. McNabola described various ordinances that had been adopted, including a balanced budget ordinance, to assist in preventing/eliminating future deficits. Mayor Rossi indicated that it was her intent to ensure that financially sound practices and policies such as the balanced budget ordinance are actually implemented and being followed by the City.

Mr. McNabola indicated that the City was placed into a tier III status under the 2017 Municipal Accountability Review Board ("MARB") legislation once it issued the deficit financing bonds. Chairman Hamilton indicated that it was his belief that the City would be transitioning from the Commission's to the MARB's oversight as a result of issuing the deficit financing bonds and asked Commissioner Dakers to confirm. Commissioner Dakers affirmed Chairman Hamilton's belief and indicated that Mayor Rossi had reached out to Secretary Barnes and recently met with him in regard to MARB oversight and how that would affect West Haven. Commissioner Dakers pointed out that municipalities could apply to the Secretary of OPM to be designated as a tier III municipality but in the case of West Haven such application was unnecessary as issuing the deficit financing bonds automatically placed the City into tier III. Commissioner Dakers provided a general description of the MARB legislation including how that would affect the Commission and West Haven as a tier III community. The City officials made several inquiries to Commissioner Dakers on procedural matters related to the MARB, its powers and funding under the MARB legislation.

A discussion ensued among the Mayor, Finance Director and Commissioners on various economic development projects and the status of those projects. Mayor Rossi indicated her intent to seek the details on each of the City's on-going projects in order to determine what actions need to be taken to move the projects along and to ensure that the City generates sufficient monies from the projects. She also indicated that she is aware that annual audits have not been completed on time in the past and that she will be focusing her efforts to ensure that future audits are completed in a timely manner. It was noted that the City did not retain an auditor until October for the FYE 2017 audit that is due December 31st.

Commissioner Buch pointed out that in the past the City had significantly underestimated its health insurance costs, which was a significant factor leading to recent operating deficits in the General Fund. She also recommended that the City establish an OPEB Trust Fund to begin to set aside monies in funding its OPEB liabilities. A discussion ensued regarding the City's health insurance plan and

suggestions by the Commission for reducing costs, increasing the accuracy of projected costs, actuarial information, insurance carriers, etc. The Commission also discussed with the City its retirement benefits and bargaining unit contracts that would soon be subject to negotiations.

The City officials went over its projected results for FYE 2017 and FYE 2018. The City is projecting a General Fund operating deficit of approximately \$106,000 for FYE 2017. The City officials indicated that it could potentially be facing a \$6.9 million to \$8.9 million operating deficit for FYE 2018. They believe the City can lower that projected deficit for FYE 2018 by close to \$2.0 million due to the timing of debt service payment related to the recent bond issuance whereby \$2.0 million in debt service budgeted to be paid in FYE 2018 will be delayed to FYE 2019.

Commissioners thanked Mayor Rossi, and Mr. McNabola for their attendance and presentation, and State Senator Slossberg for her attendance and participation in discussions.

5. Town of Winchester

Mr. Plummer directed Commissioners to the financial information that the Town had submitted for today's meeting. He reminded Commissioners that at the last meeting, Commissioners indicated that they would like to see the results and the timing of the completion of the FYE 2017 audit before deciding whether a recommendation should be made to the Secretary of OPM that the Town no longer be under the purview of the Commission. Commissioners requested OPM to continue to monitor the Town until the FYE 2017 audit report has been submitted for review by Commissioners.

6. Borough of Jewett City – Update

Mr. Plummer indicated there was nothing new to report on the Borough's finances.

7. Approval of 2018 Meeting Dates

Commissioners reviewed the proposed meeting dates of the Commission for Calendar Year 2018 and the following dates were unanimously approved, subject to adjustment of the September meeting date to accommodate for the Yom Kippur religious holiday: Wednesday, April 18th; Wednesday, July 18th; Wednesday, September 19th; and Wednesday, December 12th. All the meetings would commence at 10:00 a.m., and be held in the offices of the Office of Policy and Management at 450 Capitol Avenue in Hartford.

8. Other Business

None

9. Adjourned.

The meeting was adjourned at 12:27 p.m.

Respectfully submitted,

Douglas W. Gillette
Commission Secretary