

# STATE OF CONNECTICUT

*OFFICE OF POLICY AND MANAGEMENT*

## OFFICIAL MINUTES

### MUNICIPAL FINANCE ADVISORY COMMISSION

#### REGULAR MEETING

**THURSDAY, MAY 14, 2015**

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

Date/Time: May 14, 2015, 10:00 A.M.

Members Present: Chairman Thomas Hamilton  
Ms. Kathleen Clarke Buch  
Mr. Douglas Gillette  
Mr. Scott Jackson  
Mr. John Schuyler  
Ms. Rebecca A. Sielman  
Ms. Diane Waldron

Members Absent: Mr. Robert Burbank

Others Present: April Capone, OPM Staff  
Jean Gula, OPM Staff  
David LeVasseur, OPM Staff  
William Plummer, OPM Staff  
Morgan Rice, OPM Staff  
Dale Martin, Town Manager, Town of Winchester  
Candace Bouchard, Mayor, Town of Winchester  
Cynthia Rines, Treasurer, Town of Winchester  
Christopher King, King & King, CPAs, Winchester Auditor  
Edward O'Brien, Mayor, City of West Haven  
Kevin McNabola, Finance Director, City of West Haven  
Nancy Rossi, City Council of West Haven  
Kristin Wirtanen, State Treasurer's Office  
Judith Blank, Day Pitney, LLP

1. Call to order

Chairman Hamilton called the meeting to order at 10:04 a.m.

2. Approval of minutes to March 19, 2015 meeting

The minutes of the March 19, 2015 meeting were approved, with Commissioner Jackson abstaining.

3. City of West Haven –Financial Condition Update / 2014 Audit Results

Chairman Hamilton noted that the agenda order for today's meeting had been changed with acquiescence of representatives of the Town of Winchester to move up the City of West Haven on the agenda ahead of the Town. Mayor O'Brien and Finance Director Kevin McNabola have another meeting in West Haven and had requested being the first municipality on the agenda subsequent to the agenda being issued.

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

Chairman Hamilton recognized that the City had provided the Commission a number of financial related documents for today's meeting and thanked the City for the information. He noted that with the issuance of the June 30, 2014 financial and Single Audit reports of the City, this would be the first time that the City would have a chance to present its FY 2013-14 audit results as well as providing the Commission on the status of the FY 2014-15 budget vs. actual results to date and the status of the City's proposed FY 2015-16 budget.

Mr. McNabola explained the circumstances that led the City to incur an operating deficit of approximately \$700,000 for FY 2013-14. The Commissioners questioned Mr. McNabola regarding the substantial transfers in and out of the General Fund. Chairman Hamilton expressed concerns regarding the deficits observed in several other funds besides the General Fund such as the internal service funds, the Sewer Fund and the Allingtown Fire Department Fund, and what strategy the City has developed to resolve the deficits. Mayor O'Brien and Mr. McNabola discussed strategies that the City was contemplating to address the deficits.

Mr. McNabola did acknowledge that certain revenue items in the past had been significantly overestimated but it was his belief that the FY 2015-16 proposed budget would not repeat these past revenue overestimations. The City's 2015-16 budget does reflect a significant increase in permit fees due to the economic development projects that have begun recently but he believes that the City has budgeted conservatively regarding such fees when compared to the amounts the City anticipates to receive in FY 2015-16. Chairman Hamilton noted that the FY 2014-15 budget to actual projections provided by the City indicates that the City is projecting a \$1.6 million operating deficit for FY 2014-15. Mr. McNabola indicated that the

deficit was due to a significant underestimation in the health insurance benefit costs for FY 2014-15. A discussion ensued on the reasons for the significant underestimated costs.

The Commissioners acknowledged that the current City administration inherited a significant deficit but indicated that the City must now analyze and address these deficits, not just in its General Fund but also in its internal service and other funds. The Commission, in general, has no objection to a deficit reduction plan that may utilize some form of bonding, but believes that bonding can only be one component of a comprehensive plan that would involve realistic budgeting to avoid significantly underestimating expenditures or overestimating revenues, as have occurred in the past. Furthermore, while the City should monitor and curtail expenditures where possible, in all likelihood a necessary component of the plan would be increasing local tax revenues, preferably through relatively small tax increases on a routine basis.

Commissioners thanked Mayor O'Brien and Finance Director McNabola for attending the meeting and making their presentation to the Commission.

#### 4. Town of Winchester – Financial Condition Update / 2014 Audit Results

Prior to discussion of the Town's finances Commissioner Gillette stated for the record that his firm serves as bond counsel to the Town.

Chairman Hamilton noted that the June 30, 2014 audit had been completed and that the Town Manager Dale Martin and other town representatives were at the meeting to provide the Commission an update on the Town's finances including the audit. Mr. Martin indicated to the Commission that Ms. Brenda Fox-Howard was no longer the finance director. The Town's auditor Chris King was asked to provide an update on the results of the FY 2013-14 audit results. Mr. King indicated that the Town had an operating surplus of \$4.0 million in its General Fund for FY 2013-14 primarily due to the supplemental tax that was levied in the fiscal year and proceeds received from insurance recoveries. As of June 30, 2014 the cumulative fund balance for the General Fund was approximately \$3.5 million. The Water and Sewer enterprise funds also reported positive results of operations for FY 2013-14. Mr. King described the audit findings reported in the FY 2013-14 Single Audit reports including certain reviews being conducted by the State Dept. of Education and others regarding certain education related programs.

Chairman Hamilton noted that the financial results for FY 2013-14 were definitely an improvement from recent prior years' results and congratulated the Town, but he indicated that he did have concerns regarding the audit findings that were described and the recent vacancy in the finance director position. Commissioner Buch indicated her concerns regarding the possible liability that the Town may be exposed to regarding the Excess Cost Grant due to possible overbillings by the Town to the State and that the Town did not appear to have a reliable estimate as to the amount of the possible liability.

The Commissioners inquired as to the current year results of operations including whether the Town is anticipating a positive results of operations. Mr. Martin indicated that the Town is projecting an operating surplus in FY 2014-15. Of course that would not include any changes that may be necessary to account for liabilities owed by the Town for the Excess Cost Grant. The FY 2015-16 budget has been proposed and will soon be going to a Town referendum.

5. Town of East Haven – Financial Condition Update

Mr. Plummer reminded the Commission that the Town had voluntarily asked to come in front of the Commission several years ago and since then has voluntarily provided information to the Commission when requested. There were some concerns expressed by Commissioners at the March 2015 meeting regarding the deficits in the internal service funds and certain repeated audit findings. The Commission reviewed the materials provided by the Town regarding its financial condition. It was also noted that the Town had reduced its mill rate for the FY 2015-16 budget.

6. Borough of Jewett City – Update

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

7. Other business

None.

The meeting adjourned at approximately 11:28 a.m.