

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICIAL MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

THURSDAY, APRIL 7, 2016

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

Date/Time: April 7, 2016, 10:00 A.M.

Members Present: Chairman Thomas Hamilton
Ms. Kathleen Clarke Buch
Mr. Robert Burbank
Mr. Douglas Gillette
Mr. David LeVasseur
Mr. John Schuyler
Ms. Rebecca A. Sielman

Members Absent: Ms. Diane Waldron

Others Present: Jean Gula, OPM Staff
William Plummer, OPM Staff
David Merchant, Mayor, Town of Plymouth
Ann Marie Rheault, Finance Director, Plymouth
Philip Penn, School Business Manager, Plymouth
Nikoleta McTigue, Blum Shapiro, Plymouth External Auditor
Robert Geiger, Town Manager, Town of Winchester
Cynthia Rines, Treasurer, Town of Winchester
Kevin McNabola, Finance Director, City of West Haven
Ray Dellamura, Budget Coordinator, West Haven
Michael Walsh, Public Relations Coordinator, West Haven
State Representative Louis Esposito, Jr.

1. Call to order

Chairman Hamilton called the meeting to order at 10:02 a.m.

2. Approval of Minutes to December 10, 2015 Meeting

The minutes of the December 10, 2015 meeting were approved by all Commissioners in attendance except for Commissioners Buch, Burbank, and LeVasseur who abstained as they were not in attendance for the December 10th meeting.

3. Town of Winchester – Financial Condition Update and Status of the June 30, 2015 Audit

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

Chairman Hamilton acknowledged the financial documents submitted by the Town for today's meeting. He noted that the June 30, 2015 audit report was not included and requested information on the status of the audit. Town Manager Robert Geiger explained that the Town was awaiting certain financial information from the Board of Education in order for the audit to be completed. Winchester's Board of Education had engaged a separate audit firm to assist the Board of Education with certain fiscal matters apart from the annual financial audit. Once the information is provided by the Board of Education, the Town's auditor would be able to complete the annual audit and issue the report. Mr. Geiger anticipate that the June 30, 2015 audit will be able to be issued by the end of April but indicated he could not guarantee as completion of the audit would depend upon receiving the information necessary from the Board of Education with ample time for the Town auditor to review the information.

Chairman Hamilton went through the financial documents with town officials including the cash flows projections submitted and the Town's FY 2015-16 budget vs. actual results to date with projections through June 30, 2016. Commissioner Buch inquired as to whether there has been a significant impact to the Town on the State's recent reductions to certain state grants. Mr. Geiger indicated that the Town has made adjustments to its budget as the Town becomes aware of the grant reductions. Commissioners inquired about the Town's internal controls including controls that have been put into place to prevent a recurrence of the fraudulent activities by a former finance director, whether the Town had adequate staff in place for segregation of duties and to address employee work overload. Mr. Geiger and Ms. Rines, the Town's treasurer, indicated that they believe the necessary controls have been put in place with adequate staffing. Mr. Geiger's goal is to put in place and integrate updated common software with the Board of Education. A brief discussion also ensued on the Town's credit rating which had been withdrawn and which the Town is seeking to have reinstated understanding that issuance of audit reports in a timely manner would be necessary. Chairman Hamilton thanked Mr. Geiger and Ms. Rines for attending the meeting.

4. Town of Plymouth –Audit Results from the June 30, 2014 Audit, Status of the June 30, 2015 Audit and Other Related Matters

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

Chairman Hamilton acknowledged the recently issued June 30, 2014 audit report and asked the Town's external auditor to provide a brief overview of the audit results. Ms. McTigue indicated that there was an unmodified opinion on the Town's financial statements but that there were several material weaknesses in the Town's internal controls as reported in the audit. There was a restatement in the beginning fund balance due to the fraudulent activities of the former finance director.

Chairman Hamilton inquired as to the status of the June 30, 2015 audit. Ms. Rheault, the Town's finance director, indicated with the recent completion of the 2014 audit, that the Town has started to work on the records related to the 2015 audit. There are a number of items to go through but that she believes the process should be significantly quicker as the financial records for FY 2014-15 is anticipated to be in much better condition as compared to FY 2013-14.

Chairman Hamilton asked for the Town to go through the internal control deficiencies noted by the auditor in the June 30, 2014 audit and the Town's corrective action plan to address the deficiencies. Ms. Rheault provided a brief summary of the Town's corrective actions taken to date and planned in the near future to address the deficiencies. Chairman Hamilton noted that one concern by the Commission in the past had been to ensure that there was adequate staffing in the finance department and that this should continue to be reviewed by the Town. A discussion also ensued on the Town's attempt to receive certain reimbursements for school building projects as well as the Town's plan to change its financial accounting system in the future. The accounting system presently in place is significantly lacking in internal controls and the Town will be exploring implementing a single accounting system platform with the Board of Education. The Town also provided a brief review to the Commission of its proposed 2016-17 budget.

Commissioners indicated that the Town appears to be moving in the right direction to resolve its financial and record-keeping issues and thanked the Town for its attendance.

5. City of West Haven –Audit Results from the June 30, 2015 Audit and Financial Condition Update

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

Chairman Hamilton acknowledged the financial documents submitted by the City for today's meeting and asked Finance Director Kevin McNabola to walk Commissioners through the documents. Mr. McNabola provided a description of how the City developed its FY 2016-17 proposed budget and the budget assumptions used. The City decided not to fund certain unfilled positions and decreased the anticipated tax collection rate to reflect collection rates based upon historical figures. Tax bills will be sent out early to capture advance tax collections as the City has historically encountered challenges in its cash flows for the months of December and June. Now that the June 30, 2015 audit has been completed, the City's plan going

forward is to present a deficit financing package to the City Council to finance the City's cumulative fund deficits. The City also plans to issue debt to finance over \$7.0 million in planned capital infrastructure projects.

Chairman Hamilton stated that as this was the first time the Commission had seen the recently issued June 30, 2015 audit report and as such he would like to go over the results of that audit. Fund balance deficit in the General Fund increased from \$8.5 million to \$10.2 million. There was also a \$1.8 million deficit in the Allingtown Fire District Fund. In addition the deficit in the Sewer Fund also increased. Although there were some improvements in certain nonmajor funds there was an overall increase in the deficits of the City's governmental funds. On the positive side, the June 30, 2015 audit disclosed that tax revenues which have been historically overestimated, came in at a slightly higher amount than budgeted. Most expenditure items budgeted came in at the amounts budgeted for, however, health care benefit costs were significantly higher than budgeted. Chairman Hamilton also noted that the City's internal service funds were folded into the General Fund. Mr. McNabola acknowledged the higher than budgeted costs incurred in FY 2014-15 for health insurance and that the City is putting out to bid its health insurance to determine what other health insurance carriers would charge the City. The City did fold its internal service funds into the General Fund as a result of the City's external auditor's recommendation. A discussion ensued regarding the City's health insurance, including its design, whether it was self-insured, how the cost of the plan compares to the State's health plan for municipalities, etc. Mr. McNabola indicated that the City has budgeted for an increase in its mill rate primarily due to the decline in property values and to finance certain anticipated cost increases for the FY 2016-17 budget. Commissioner Buch inquired if the City had started to consider its FY 2017-18 budget in terms of the budget spending cap for purposes of receiving the full amount of the State municipal revenue sharing grant. Mr. McNabola stated that this was a concern because if the City has to budget significant increases to its health care and workers' compensation cost, this could affect compliance with the cap.

Chairman Hamilton inquired as to the FY 2015-16 results to date as there was an indication in the FY 2015-16 budget to actual results document submitted by the City that the City will in all likelihood expend more than the original amount appropriated for health insurance costs for FY 2015-16. Similarly, workers' compensation costs to date would indicate that there would be an over-expenditure as compared to the original budget. Mr. McNabola acknowledged the likely higher than anticipated expenditures for these items but indicated that the City believes that it may be able to absorb some of these additional costs through higher revenues than budgeted and lower expenditures than budgeted in certain areas. A discussion ensued on the City's plan for a new school, the status of the City's pension plans, and the three fire districts within the City.

A brief review of the compliance and internal control findings reported in the June 30, 2015 audit was made by Mr. McNabola and how the City planned on addressing these findings.

Chairman Hamilton stated that it appeared that the next steps would be for the City to prepare forecasts projecting the results of operations for FY 2015-16, especially in light of what appears to be actual expenditures exceeding budgeted amounts for healthcare and workers' compensation costs, as the results of the FY 2015-16 budget would impact FY 2016-17. Commissioners thanked Mr. McNabola for attending the meeting and making his presentation.

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

Mr. Plummer reported that currently ten FY 2014-15 municipal audits remained outstanding.

8. Adjourned.

Meeting adjourned at approximately 11:45 a.m.

Respectfully submitted,

Douglas W. Gillette
Commission Secretary