

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICIAL MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

THURSDAY, DECEMBER 10, 2015

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

Date/Time: December 10, 2015, 10:00 A.M.

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

Members Absent: Ms. Kathleen Clarke Buch
Mr. Robert Burbank

Others Present: Jean Gula, OPM Staff
William Plummer, OPM Staff
Morgan Rice, OPM Staff
David Merchant, Mayor, Town of Plymouth
Ann Marie Rheault, Interim Finance Director, Plymouth
Nicole Johnson, Staff Accountant, Plymouth
Philip Penn, School Business Manager, Plymouth
Nikoleta McTigue, Blum Shapiro, Plymouth External Auditor
Robert Geiger, Acting Town Manager, Town of Winchester
Bruce Stratford, Finance Director, Town of Winchester
Cynthia Rines, Treasurer, Town of Winchester
Kevin McNabola, Finance Director, City of West Haven

1. Call to order

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

2. Approval of Minutes to September 17, 2015 Meeting

The minutes of the September 17, 2015 meeting were approved by all Commissioners in attendance except for Commissioner Schuyler who abstained as he was not in attendance for the September 17th meeting.

3. Town of Plymouth – Status of the June 30, 2014 and 2015 Audits and Related Audit Matters

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

Ann Marie Rheault, the Town's finance director introduced herself and provided the Commission a detailed description of the work that she and her staff had conducted since the Commission last met in mid-September in order to get the Town's records in such a manner that it could be turned over to the Town's independent auditor to be audited. She reminded Commissioners of the poor and incomplete records she had encountered once she came aboard in February, 2015.

Ms. Rheault indicated that as of today, it was her belief that the majority of records with respect to FY 2013-14 were now in auditable condition and such records had been turned over to Ms. McTigue, the Town's independent auditor from BlumShapiro. She did indicate that there was a short list of items that still needed to be turned over to the audit firm and that it was the Town's intent to provide such items to its auditor by the following week.

Chairman Hamilton requested that Ms. McTigue provide the audit firm's perspective of where the FY 2013-14 audit stood at this time. Ms. McTigue indicated that there was significant progress made by the Town in providing the records she would need to complete the audit, including a trial balance. She believes that there are a few miscellaneous items which the Town still needed to turn over to her including certain budget adjustments and transfers made during FY 2013-14, as this was not done as the year progressed. Once the Town has provided her the remaining information, it was her intent to produce draft financial statements within a week of having the information. She did indicate however, that if the firm's review of the records indicate that further adjustments to the records are necessary, this could cause further delays.

Chairman Hamilton inquired whether any unaudited financial results for FY 2013-14 were available including an estimate of the fund balance of the General Fund as of June 30, 2014. Ms. Ms. Rheault indicated that such information was not presently available. The Town will need to make certain adjustments to its financial statements to take into account the theft from the former finance director and that will impact the financial statements, including fund balance. Chairman Hamilton inquired from Ms. McTigue whether it was her firm's intent to issue the June 30, 2014 audit report by December 31, 2015. Ms. McTigue indicated that she could not guarantee issuance of the report by that date because there were a few open items

that the Town still needed to answer and in addition, once she is provided the short list of remaining items that she needs from the Town those items will need to be reviewed and may lead to additional questions and ultimately additional adjustments to those records by the Town. Ms. Rheault did indicate that it was the Town's intent to move forward right away with preparing for the June 30, 2015 audit once the June 30, 2014 audit is completed.

Commissioner Jackson acknowledged that OPM was no longer providing audit submission extensions to Plymouth for the submission of the June 30, 2014 audit (which was due by December 31, 2014) as the maximum 6-months in extension time allowed statutorily had been provided and was now exhausted. Although OPM has the ability to levy a penalty against the municipality, given the circumstances for the delay, OPM had recommended to the Town that it come before the Commission in regard to the challenges surrounding completion of the audits.

Chairman Hamilton inquired about the staffing in the finance department which was one of the issues raised by Commissioners in the September meeting of the Commission. Ms. Rheault indicated that funding for Ms. Johnson's position (staff accountant) in the finance department was available through the end of December but that she has made that a priority to ensure that she is retained to assist with the Town's records and finances pertaining to the FY 2014-15 audit. Mayor Merchant indicated that he already has been in contact with the Board of Finance to ensure that Ms. Johnson is retained beyond December. Chairman Hamilton inquired whether the Town had begun the process of developing the FY 2016-17 budget and whether additional staffing for the finance department would be included. Mayor Merchant indicated that it was his intent to ensure that adequate staffing for the finance department would be addressed in the upcoming budget.

A brief discussion ensued among Town officials and Commissioners regarding the Town's access to the financial markets in regard to issuing debt considering Moody's Investment Services had previously withdrawn its credit rating for the Town due to the lack of current financial information.

Chairman Hamilton thanked Town officials for attending the meeting to update Commissioners on the status of the FY 2013-14 and 2014-15 audits.

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

Chairman Hamilton noted that due to changes in the Town of Winchester's staff, there were new individuals present for today's meeting from the Town of Winchester. He therefore request that Commissioners introduce themselves.

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

Town officials introduced themselves and finance director Bruce Stratford indicated that the Town was in the process of retaining a new Town Manager as the former Town Manager had taken a position in Florida.

Chairman Hamilton indicated that it was his recollection that the last time the Commission met in September, the Town's projections indicated that the financial condition of the Town appeared to have been significantly improved. Mr. Stratford went over the financial information and projections that was provided to the Commission for today's meeting, which again indicated improved finances. Mr. Stratford indicated however, that the Town and its auditor were still awaiting information from the board of education and therefore a final trial balance was not yet available. Mr. Stratford explained that the Board of Education and its receiver appointed by the State, had engaged another audit firm to assist with preparing the 2014 and 2015 ED001 Reports that are to be submitted to the State Department of Education. There was a delay with the auditor being granted access to the Board of Education's records but that the matter appears to have been resolved as the State Dept. of Education has recently communicated and clarified to Mr. Stratford the scope of the work that the audit firm retained by Winchester Board of Education is to perform and granting access to the Town's independent auditor to access the Board of Education financial records and ultimately issue the June 30, 2015 audit report. Due to the delay in accessing the Board of Education records, the Town sought and was granted a one-month extension by OPM for submitting the audit, with an extension date until January 31, 2016 for issuing the report. The Town's goal is to issue the audit report by the end of January but understands that it may need to seek an extension for the month of February in order to issue the report sometime during that month. Mr. Stratford indicated that issuing the June 30, 2015 audit by the end of February is important to begin to reestablish a bond rating with Moody's Investment Services and to have financial information available for the 2016-17 budget process that begins in March of 2016.

A discussion ensued among Commissioners regarding the finances surrounding the Board of Education and the Gilbert School and how that could impact the Town's finances.

Chairman Hamilton thanked Town officials for attending the meeting to update Commissioners on the Town's fiscal status and progress of the FY 2014-15 audit.

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

Commissioner Sielman indicated that her firm provides certain actuarial services for the City's fire districts. Note: Commissioner Gillette left the meeting at approximately 11:30 a.m. during this presentation.

The City's finance director, Kevin McNabola introduced himself to Commissioners. Mr. McNabola had provided the Commission with a number of financial documents for today's presentation. One such item being the City's fiscal recovery plan developed by the City to resolve its financial challenges which have existed over a

number of years. The plan involved a 3-step approach by (1) eliminating its General Fund and Internal Service Funds cumulative deficits by bonding for those deficits which would also allow the City to regain much needed cash liquidity; (2) on a go forward basis, analyze and restructure budgeted expenditures with the goal for more efficient operations and to ensure expenditures fall within their appropriated amounts and (3) on a go forward basis, ensure that budgeted revenues are not overestimated, including lowering the estimated property tax collection rates from what have existed in the past.

Mr. McNabola pointed to the plan implemented by the City for the remainder of the FY 2015-16 fiscal year which includes a spending freeze on non-discretionary City accounts, a hiring freeze on open positions, a 5% budget reduction for discretionary accounts, and a reduction in overtime hours. The City will also be seeking future union concessions regarding wages and healthcare benefits. The City has decided to delay building of a new high school until it is in a better financial position. The School Building project is anticipated to cost \$132 million with the City being responsible for \$30 million towards the project and the state paying for the remaining portion. Mr. McNabola acknowledged that the City will also need to make some level of increases to the property tax levy which has not undergone an increase in approximately ten years. It is his belief that the current City Council understands this. Commissioner Jackson reminded Commissioners and Mr. McNabola of recent legislation that was passed which could limit the percentage of tax increase a Town could levy on an annual basis without the imposition of a penalty. A discussion ensued on how that could impact municipal budgets once the legislation goes into effect.

Commissioners asked a number of questions related to the City's fiscal recovery plan including the amount of deficit bonding planned, the impact upon the City's debt service in terms of additional debt service spending and additional cost pressures on the overall City budget, the timing of the anticipated deficit financing, etc.

Commissioners inquired as to when the City is anticipating having the June 30, 2015 audit completed and Mr. McNabola indicated it was the City's intent to issue the audit report by the January 31, 2016 extension date that OPM had approved for the City to file the report (statutorily the June 30, 2015 audit report is required to be submitted by December 31, 2015, unless an extension is requested by the City and granted by OPM). Commissioners also posed questions regarding bargaining agreements and other financial matters.

Chairman Hamilton acknowledged the fiscal recovery plans developed by the City but indicated that ultimately, the actual results would decide whether the City was making progress on improving its finances. Therefore he has concerns that the FY 2014-15 unaudited results indicate that the City incurred a sizeable operating deficit for FY 2014-15 due to primarily underestimating health care costs. The FY 2015-16 projections by the City to date would also indicate a sizeable deficit for that year. These annual deficits will increase the cumulative deficit in the General Fund. Given the level of cumulative deficits anticipated as of June 30, 2016 for the General Fund as well as the internal service funds, a deficit borrowing to eliminate the

deficits is probably one of the only options available to the City and he has no objections to the deficit financing provided that the City make realistic budgets to prevent a recurrence of deficits in the future. A discussion ensued among Commissioners and Mr. McNabola as to why the City has significantly underestimated its health insurance costs for the past two budgets adopted and what the City is planning to do to eliminate underestimating such costs in future budgets.

Commissioners reviewed with the City details regarding the FY 2014-15 and 2015-16 financial information that was provided. Questions were posed regarding economic development projects that are currently taking place or expected to begin the near future and the amounts of revenues anticipated to be generated from such sources.

Chairman Hamilton and Commissioners thanked Mr. McNabola for his extensive 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. Proposed Meeting Dates for Calendar Year 2016

Commissioners reviewed the proposed meeting dates for Calendar Year 2016 and those in attendance approved of the dates provided.

8. Other Business.

None.

9. Adjourned.

Meeting adjourned at approximately 12:40 p.m.

Respectfully submitted,

Douglas W. Gillette
Commission Secretary