

# STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

## OFFICIAL MINUTES

### MUNICIPAL FINANCE ADVISORY COMMISSION

#### SPECIAL MEETING

**THURSDAY, OCTOBER 16, 2014**

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

Date/Time: October 16, 2014, 10:00 A.M.

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

Members Absent: Ms. Rebecca Sielman

Others Present: April Capone, OPM Staff  
Jean Gula, OPM Staff  
William Plummer, OPM Staff  
Morgan Rice, OPM Staff  
Dale Martin, Town Manager, Town of Winchester  
Brenda Fox-Howard, Finance Director, Town of Winchester  
Cynthia Rines, Interim Treasurer, Town of Winchester  
Christopher King, King & King, CPAs, Winchester Auditor  
Kevin McNabola, Finance Director, City 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 May 29, 2014 meeting

The minutes of the May 29, 2014 meeting were approved, with Commissioner Buch and Commissioner Schuyler abstaining.

3. Town of Winchester – Financial Condition Update / 2013 Audit Results / 2014 Audit Status

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

Chairman Hamilton noted the various town officials that were in attendance to provide information on the Town's financial status but first asked Mr. Plummer to provide a brief update in general on the Town since the last meeting. Mr. Plummer indicated that the Town was able to produce the June 30, 2013 audit in early October 2014. The audit indicated a small operating surplus in the General Fund for FY 2012-13, but that the Town was still reporting an accumulated fund deficit for the General Fund as of June 30, 2013. He also noted that the audit report listed a number of internal control deficiencies and that since the previous meeting of the Commission in May there has been a number of turnovers in personnel at the Town.

Mr. Dale Martin, the Town Manager, acknowledged that since the prior Commission meeting that the Town has a new mayor and a new finance director. He provided a brief history of how the Town fell into its poor financial condition, which was due in large part to fraudulent activities by one of its former finance directors. The Town was able to recover over \$1 million from its insurance carrier and certain assets of the former finance director. The FY 2014-15 budget was adopted on the first referendum. An agreement was reached with the State Dept. of Education that the Town provide \$1.7 million monthly to the Board of Education to satisfy the statutory minimum budget requirement (MBR). The agreement was reached to resolve the complaint by the State Dept. of Education that the Town was not providing sufficient funds to the Town's Board of Education in a timely manner for the Board of Education to make timely payments for its obligations and necessary expenses. To assist the Town with its cash flow issues, the General Assembly passed legislation that provides for 50% of the State ECS grant to the Town to be paid in October for FY 2014-15 and 2015-16 rather than pursuant to the usual allocation which backloads the ECS payment into the Spring payment.

Chairman Hamilton requested that the Town provide the Commission a review of the recently issued FY 2012-13 audit results. Christopher King, the Town's external auditor went over the audit results with the Commission. He pointed out that one of the reasons for the earlier cash flow difficulties incurred by the Town was that the General Fund was subsidizing the Water/Sewer Funds as those funds were not charging a sufficient amount for the water and sewer systems' operations. Rate increases have been assessed to resolve that situation.

According to Mr. Martin, the Town's new finance director is progressing with resolving the internal control issues noted in the FY 2012-13 audit by implementing new policies and procedures.

A discussion ensued on the staffing of the finance office, including whether the turnover in that office was causing in the delay of completing the FY 2013-14 audit. Commissioner Buch asked what oversight body was responsible for developing and approving the corrective action plans in response to the FYE 2012-13 audit findings, and monitoring their implementation. In addition a discussion ensued on a number of internal control weaknesses that were identified in the FYE 2012-13 audit including a lack of segregation of duties. Chairman Hamilton asked if the Town could provide a realistic date for the completion of the FYE 2013-14 audit. Mr. Martin indicated that February of 2015 would be a realistic date for issuance of the audit report.

The Commission reviewed other financial documents provided to the Commission for the meeting, including cash flow projections. The projections indicated that the Town would not have a cash flow issue for the time provided in the projections. Mr. Martin indicated his belief that the Town would have an operating surplus for FY 2013-14. Commissioners were somewhat concerned that the Town could not provide for the meeting a trial balance or other similar documentation to reflect the anticipated surplus. The Commission also asked a number of questions regarding the FY 2014-15 financial operations to date.

Chairman Hamilton thanked the Town's representatives for attending the meeting and for their update of the Town's fiscal situation.

#### 4. West Haven –Financial Condition Update

Finance director Kevin McNabola introduced himself to the Commission. He provided a handout on the FY 2013-14 and 2014-15 budgets and actual results to date. He acknowledged that in past budgets certain revenues had been overestimated. The City has not filled certain positions wherever possible and has scrutinized its contracts and vendors in order to hold down expenditures. New policies and procedures have been put in place. The City also intends to sell certain City properties as part of its comprehensive financial strategy. Significant economic development projects are currently taking place and anticipated in the near future. Various of such projects were described. Commission members asked a number of questions on the economic development projects including how far along the projects were, financing of the projects, anticipated revenue streams, anticipated date of project completions, etc.

Mr. McNabola described the recent pension bond refunding of the City, whereby the City issued refunding bonds to refund the 2002 pension bonds. It is projected to have a cash flow savings of \$2.6 million, with a present value savings of \$2.3 million. The savings will be taken over the next 3 budget years with a portion of the savings put towards additional payments into the police pension plan. Mr. McNabola described other refunding transactions which recently took place. A new bond issuance was also described. Chairman Hamilton inquired about the City's earlier plan to restructure certain debt obligations that would allow the City to pay down the accumulated fund deficit in its General Fund. Mr. McNabola indicated that the City Council had not approved the restructuring plan.

Mr. McNabola went over the financial status of the police pension plan and the City's plans for funding the plan. He also described collective bargaining agreements recently settled and upcoming contracts which the City will be negotiating. A number of questions arose regarding the bargaining contracts. Commissioner Hamilton inquired about the amount expected to be spent on heart and hypertension costs.

Commissioners reviewed the unaudited preliminary figures provided for FY 2013-14 which indicated an approximate \$39,000 General Fund operating deficit. A number of the line items in the budget to actual projections were questioned. The Commission inquired as to the status of the internal service funds since there were significant deficits reported in several of those funds as of June 30, 2013. Chairman Hamilton indicated that it appeared that certain internal service fund costs were running through the General Fund and that normally the General Fund would be charged by the internal service fund and then there would be a transfer of monies from the General Fund to the internal service funds to pay those charges. He also inquired on the status of the completion of the FY 2013-14 audit, Mr. McNabola indicated that his plan is to have the the audit completed by December 31, 2014.

Commissioner Gillette inquired whether the new administration had developed an update to the deficit reduction plan since the City has been reporting a General Fund deficit for a number of years. It was noted by Commissioners that even though the City had been budgeting close to a million dollars in past years towards eliminating the deficit, those reduction figures were for the most part unrealized due to revenue shortfalls or over-expenditures in various areas of the budget, thus the deficit has not been significantly reduced.

Commissioners thanked Mr. McNabola for the detailed information he provided and his attendance at the meeting.

5. East Haven – Financial Condition Update

Mr. Plummer indicated that the Town wanted to inform the Commission that S&P had upgraded the Town's bond rating from BBB+ to A-. The Town is projecting a significant operating surplus for the General Fund for FY 2013-14. Commissioners indicated that this obviously was a good sign, but also asked about the two internal service funds which had reported significant deficits in the past. Mr. Plummer indicated that in his inquiry with the Town it was unable to provide him with any projected numbers for those two internal service funds. The Commission reviewed the financial materials provided by the Town.

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

There was no further business. The meeting adjourned at approximately 12:05 p.m.