

OFFICIAL MINUTES
MUNICIPAL FINANCE ADVISORY COMMISSION
SPECIAL MEETING

TUESDAY, MARCH 24, 2009

Meeting Location: Office of Policy and Management
450 Capitol Avenue, Room 5A
Hartford, CT 06106

Date/Time: March 24, 2009; 10:00 A.M.

Members Present: Chairman Jeffrey H. Smith
Mr. W. David LeVasseur, IGP Undersecretary
Mr. Douglas Gillette
Mr. Jim Mullen
Mr. Alan Desmarais
Mr. Thomas Hamilton
Mr. Robert Burbank
Mr. John Schuyler (via conference call)

Others Present: Robert S. Dakers, OPM Staff
William Plummer, OPM Staff
Jean Gula, OPM Staff
Sharon Dixon-Peay, State Treasurer's Office
Nancy Rossi, 7th Dist. Councilwoman, West Haven
Grace Hendricks, City of West Haven
Abbe Smith, New Haven Register

Agenda Item 1: Call to Order

Chairman Smith convened a special meeting of the Municipal Finance Advisory Commission (the "Commission") at approximately 10:15 a.m.

Agenda Item 2: Approval of November 13, 2008 meeting minutes

On motion made by Commissioner Mullen and seconded by Commissioner LeVasseur, the minutes of the November 13, 2008 meeting were unanimously approved without corrections.

Agenda Item 3: Review and Discussion of the City of West Haven, including the June 30, 2008 audit reports of the City and the City's financial status for FY 2008-09

Mr. Dakers indicated that West Haven Mayor Picard, Finance Director Robert Barron and the City's external auditor Scott Bassett would not be attending because of a conflict with the Mayor's schedule. The Mayor has offered some alternative dates for meeting with the Commission.

According to Mr. Dakers, the audit report indicated on a budgetary basis an approximately \$3 million revenue shortfall, mostly related to property taxes. The City's overall operating budget for FY 2007-08 indicated a budget deficit of approximately \$2.2 million. On a GAAP basis however, the 2008 audit report disclosed an approximate \$2.4 million operating surplus (revenues and other financing sources in excess of expenditures and other financing uses) for FY 2007-08. This surplus on a GAAP basis reduced the General Fund's cumulative fund deficit from approximately \$7.3 million to approximately \$4.9 million. According to the audit report, the GAAP operating surplus of \$2.4 million was due to the effect on the General Fund of the \$5.3 million elimination of advances (long-term loans) that were owed between the various funds of the City. The elimination of advances in large part, however, caused the Capital Improvement Fund deficit to increase from approximately \$7.2 million as of June 30, 2007 to approximately \$12.5 million as of June 30, 2008.

Commissioner Hamilton stated his recollection of there being certain transactions which caused the City having to restate and increase the fund balance of the Capital Improvement Fund.

Chairman Smith stated that the liabilities included in the Capital Improvement Fund appeared to be hard liabilities such as loans and bond anticipation notes payable. A discussion ensued as to whether the City was contemplating bonding for the loans and notes outstanding and how long these liabilities had been outstanding.

Commissioners discussed the Internal Service Funds of the City and Mr. Dakers indicated there were some reductions in the deficits of those funds of approximately \$1.2 million. The funds, however, were still in a \$4.7 million deficit position as of June 30, 2008. Commissioners discussed what led to the decline in "claims payables" in FY 2007-08, which contributed to the reduction in the deficit in the Internal Service Funds.

Commissioner Desmarais stated that based on his review of the 2008 audit report, by any measurement other than viewing the General Fund in isolation, the City's fiscal position would appear to have worsened. He indicated that the City's restatement of the 2004 financial statement was largely being reversed based upon the City's actions in regards to the loan eliminations. In essence, the restatement from four years ago in large part created the deficit and the accounting transactions in the 2008 audit is now "un-winding" that deficit, although the transactions did not reduce the overall cumulative deficit of the funds in total.

Chairman Smith reviewed an OPM analysis document of the City's financial position and changes in financial position since July 1, 2004 through June 30, 2008. Based on this

review he indicated that it appeared that the City's overall financial position had weakened over this time period.

Mr. Dakers referred to the submission by the City of the "Summary of General Fund Revenue and Expenditures for FY 2008-09". On the revenue side the City is projecting a shortfall of \$1.2 million but on the expenditure side the City is projecting expenditures to come in under appropriations by \$709 thousand, the net effect would be a \$462 thousand budgeted deficit for FY 2008-09. However, the 2008-09 budget also indicated a \$2 million budgeted set aside for the deficit elimination, which would bring the City's overall fund deficit down. Mr. Dakers indicated some concern for the property tax revenues budget projection, certain revenue items that are directly related to the economy, and certain PILOT payments.

A discussion ensued among Commission members in regards to the various funds of the City such as the Clean Water Fund and the Internal Service Funds.

Mr. Dakers indicated that the City had notified OPM of a couple dates that the City would be available to meet with the Commission. Commission members indicated that it would be good to meet with the Mayor and his representatives as there were several issues that the Commission would want to be clarified. Based on the dates provided by the City, several Commissioners indicated their unavailability or that it would be difficult for them to meet on those dates. It was decided that the Commission would seek several other dates from the City, but that if the City could not be available for any other date, the April 7th date that the City proposed would suffice.

Agenda Item 4: FY 2007-08 Audit Report Submission Status

Chairman Smith inquired as to how many towns were having problems submitting their audit reports within the statutory time line of December 31st. The Chairman indicated that it should be impressed upon towns the need for timely financial reporting so that towns can adequately plan their upcoming budgets to be adopted. Mr. Dakers indicated that OPM staff had started to require a schedule itemizing the outstanding items to complete in order for the audit to be issued. This task schedule was required when audit reports were more than 90 days past the December 31st submission due date. According to Chairman Smith it seemed that a common problem for audits not being completed on-time is problems with getting the necessary information from the municipality's Board of Education. A discussion ensued among members as to remedies for getting the audits completed within a reasonable time.

Agenda Item 5: Session Year 2009 Proposed Legislation

Mr. Dakers alerted Commissioners regarding certain proposed legislation that affected municipal finance. A discussion ensued among Commission members in regards to the Stimulus Funds from the Federal Government and what it could be spent on, the issue of

supplanting vs. supplementing expenditures, and the accounting and reporting of these grant monies.

Agenda Item 6: Other Business

None.

Adjournment

Chairman Hamilton moved for adjournment of the meeting, which motion was seconded by Commissioner Desmarais. Meeting was adjourned at approximately 11:45 p.m.

Respectfully submitted,

Douglas W. Gillette
Secretary