

DRAFT MINUTES
MUNICIPAL FINANCE ADVISORY COMMISSION
SPECIAL MEETING

FRIDAY, MARCH 26, 2010

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

Date/Time: March 26, 2010, 1:00 P.M.

Members Present: Chairman Thomas Hamilton
Mr. Douglas Gillette
Mr. W. David LeVasseur
Mr. John Schuyler

Members Absent: Mr. Jim Mullen
Mr. Robert Burbank

Others Present: Robert S. Dakers, OPM Staff (arrived 2:30)
William Plummer, OPM Staff
Jean Gula, OPM Staff
Vernieke Roper, OPM Staff
Nancy Rossi, 7th Dist. Councilwoman, West Haven
Grace Hendricks, City of West Haven
April Capone Almon, Mayor of East Haven
Thomas Thompson, Finance Director, East Haven
Ralph Mauro, East Haven
Jason Lathrop, East Haven Public Schools
Sharon Dixon Peay, State Treasurer's Office

Agenda Item 1: Call to Order/New Chairman

Commissioner LeVasseur convened a regularly scheduled meeting of the Municipal Finance Advisory Commission (the "Commission") at approximately 1:08 p.m. A motion was made by him that the new Chairman of the Municipal Finance Advisory Commission to replace former Chairman Jeff Smith be Commissioner Hamilton. The motion was approved by all members present with the exception of Commissioner Hamilton, who abstained. Commissioner Hamilton accepted the chairmanship.

Agenda Item 2: The May 14, 2009 meeting minutes were approved unanimously. by all members present with the exception of Commissioner LeVasseur, who abstained as he was not present for the May 14th meeting.

Agenda Item 3: Discussion and Review of the June 30, 2009 Audit of the City of West Haven

Chairman Hamilton inquired on the status of the City of West Haven based upon the financial audit report and other financial information received from the City. Mr. Plummer directed Commission members to his memo addressed to Mr. LeVasseur regarding the finances of the City based upon Mr. Plummer's review of the audit report. That memo indicated the City's fund deficit in the General Fund as of June 30, 2009 remained almost the same as compared to June 30, 2008, with a small \$148,000 improvement. The deficit as of June 30, 2009 was approximately \$4.8 million. The memo also pointed to the increasing deficits in the City's internal service funds. Commission members discussed various aspects of the City's finances, including the failure of the City to implement its previous five-year plan to eliminate the deficit.

Chairman Hamilton observed that the City had issued pension obligation bonds in a prior year to fund the pension plan and that he was aware that the pension bond statutes required the City to make certain contributions. Mr. Plummer indicated that the City only contributed 52% of the annual required contribution ("ARC") as determined by the City's actuary. In regards to the pension bond statutes, the City was required to contribute the lower of the normal cost or the actuarially determined ARC. Based upon the information provided in the audit report the City appeared to be in violation of the pension bond statute because the amount contributed was less than either the normal cost or the ARC.

Mr. Plummer informed the Commission of a provision of the pension bond statutes which would require the City if its pension plan falls below the funding level that was established immediately following the deposit of the pension bond proceeds into the pension plan (approximately 100% funding) to contribute the amount necessary to return the plan to that initial funding level. Commissioners indicated their concerns that as the valuation provided in the latest audit report was based upon a 2008 valuation and with contributions being made to the plan below the ARC, there is a possibility that the City's next valuation may show the City falling below the approximate 100% funding level, requiring the City to make the necessary contributions to bring the plan's funded level back to 100% as required by the pension bond statute.

Commission members observed that with the City's under-contribution to its pension plan, the continuing and growing deficits in the internal service funds, and the \$1.5 million operating transfer to the General Fund from the Sewer Fund to assist in the General Fund in its operations, it appears that the City had made no real progress in improving its finances. Commission members indicated the need to continue closely monitoring the City's finances and for the City to provide updated financial information for the Commission's review.

Agenda Item 4: Review and discussion of the Town of East Haven financial condition. Presentation by East Haven officials.

Joining the meeting for this agenda item were several officials from the Town of East Haven, including the Town's Mayor April Capone Almon.

It was noted that Commissioner LeVasseur, Mr. Dakers and Mr. Plummer had met with the Mayor and her staff at an earlier date regarding the Town's finances and that several suggestions to the Town in regards to improving its finances had been made. The Mayor indicated that the Town had instituted several of these suggestions and had voluntarily requested to meet with the Commission in regards to obtaining any suggestions the Commission may have on improving its finances.

The Mayor and her staff made a presentation on the Town's current financial condition. The Town incurred an operating deficit of approximately \$3.7 million in FY 2008-09. This operating deficit led to the Town reporting a cumulative General Fund deficit of approximately \$2.8 million as of June 30, 2009. Based upon the Town's presentation and information provided to OPM from the Town, East Haven is projecting an operating deficit for FY 2009-10. The Town is currently taking steps that it believes would lower the projected operating deficit for FY 2009-10. It is anticipated, however, that the cumulative General Fund deficit as of June 30, 2010 would increase as compared to 2009.

Commission members observed that there were several revenue items that were significantly overestimated in prior budgets and posed several questions to East Haven officials in regards to these items in terms of the 2009-10 and 2010-11 budgets of the Town. Chairman Hamilton and several members of the Commission made several observations and suggestions, particularly in regards to the collection of current and back property taxes.

The Mayor indicated that she believes the 2010-11 budget that she is putting together will have realistic budgeted revenue and expenditures and calls for a tax increase as the Town had gone without a tax increase for several years and that an increase appeared unavoidable even with the Town's efforts to curtail expenditures. The Town's Board of Education had over-expended its budget the past several years and the Town believes it has taken the steps to prevent this in future budgets. A discussion also occurred in regards to the deficits in the Town's internal service funds.

The Commission commended the Town for confronting its fiscal problems and for the steps the Town indicated it will take to address its financial issues. The Town indicated that it would provide the Commission with updated information on its budget and finances in the near future.

Agenda Item 5: Borough of Jewett City update.

Mr. Plummer indicated that there was no new information to update the Commission on. The Borough continues to function as a separate entity apart from the Town of Griswold (which is why the Borough is still under the purview of the MFAC).

Agenda Item 6: Submission status of the FY 2008-09 municipal audit reports.

Mr. Plummer indicated that there were still 9 municipalities that had not submitted their reports, which were originally due by December 31, 2009. The cause of the delays was primarily due to GASB 45 reporting and the towns not having the OPEB valuation information available.

Agenda Item 7: Other Business – Proposed 2010 bills affecting municipal finance.

Commissioner LeVasseur indicated that there was legislation submitted by the City of Hartford regarding allowing municipalities to bond for non-pension post-employment benefits (“OPEB”) in a manner similar to the authority currently provided to issue pension obligation bonds. OPM did not believe that certain provisions of the legislation were financially sound, therefore Commissioner LeVasseur testified on behalf of OPM against those provisions. OPM’s concerns and suggestions were all addressed in substitute language by the Planning and Development Committee. Final legislation has not yet been passed in regards to OPEB bonding.

Other proposed bills in regards to municipal bonding were described.

Agenda Item 8: Proposed 2010 Meeting dates of the MFAC approved.

A list of proposed regular meeting dates for 2010 was provided to the Commission, as follows: May 13, 2010, September 8, 2010 and November 10, 2010. Commission members approved all of the dates.

Adjournment

Meeting was adjourned at approximately 3:10 p.m.