

Draft Minutes
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

SPECIAL MEETING of the MARB West Haven Committee

Date: Tuesday, October 23, 2018
Time: 10:00 AM to 12:00 PM
Location: West Haven City Hall, 355 Main St., Harriet North Courtroom, Second Floor, West Haven

Committee Members in Attendance: Tom Hamilton, Larry Wilson, Patrick Egan, Scott Jackson, David Walker

Other MARB Members in Attendance: Bob White

OPM Representatives: Bob Dakers, Julian Freund, Alison Fisher, Michael Milone

West Haven City Representatives: Mayor Nancy Rossi, Ron Cicatelli

I. Call to Order

The meeting was called to order at 10:05 AM.

II. Review and Approval of Minutes from September 27, 2018 Meeting:

Mr. Walker suggested adding detail to the discussion of the independent fire districts and their unfunded obligations and the related fire study. The minutes, with Mr. Walker's suggested additions, were approved unanimously.

III. Status, Review and Discussion: Segal Health Insurance Review Status

An update on the consulting engagement with Segal was provided (memo "Update-Segal Health Insurance Analysis" attached). Segal will be analyzing options for savings in health insurance costs for the City. Considered options will include transitioning to a fully insured structure, participating in the State Partnership Plan, changes in plan design and other potential opportunities. A draft report is anticipated at the end of November with a possible presentation of summary findings to be scheduled in December. Mr. Walker asked if the review will look at retiree health given the large unfunded obligations. Mr. Dakers said the emphasis will be on plans for actives, which many under-65 retirees have access to. The review will not be looking at issues such as eligibility for under-65 and post-65 coverage, premium shares for retirees and their spouses, etc. Mr. Walker expressed that this information, and benchmarking with other municipalities and private sector employers, will be critical for negotiations and for MARB review of proposed contracts.

Mr. Hamilton also indicated that comparative information on retiree health benefits eligibility, premium share and plan design is important. He suggested the best time to review this information is in advance of negotiations. Mr. Egan suggested the attorney representing the City in negotiations should already have that information. Mr. Walker suggested the City should provide to the MARB what public and private sector benchmarking they have used in negotiations thus far, or what they are proposing to use. Mr.

Dakers indicated that OPM staff may be able to assist in some information gathering. Mr. White asked if basic information on benefits available to City retirees is available. Mr. Dakers indicated that OPM staff is currently compiling that information. Some comparative data may already be available. Members expressed the committee's expectation that this type of benchmarking of retiree health and other provisions will be part of the negotiations and information provided to MARB when presented with proposed labor agreements.

IV. Status, Review and Discussion: Fire District/Department Study RFP

Mr. Cikatelli provided an overview of the Fire Study RFP and indicated that the study will provide an organization analysis as well as covering legal issues, pension, OPEB and related issues associated with potential consolidation or other changes (copy of RFP attached). Mr. White and other members indicated that there should be an interim report provided to the MARB before a report is finalized. The board will need an opportunity to review an interim report, ask questions and determine completeness before a final report is issued. Mr. Dakers said that RFP's purpose includes organizational, staffing and other efficiencies, and operational issues. The scope of the contract should cover apparatus configuration, response times, staffing levels, work schedules, FMLA considerations and other issues associated with establishing a fire department that meets best practice standards. Mr. Jackson added ISO rating issues as part of the overall impact of these matters on West Haven taxpayers.

V. Status, Review and Discussion: Consultant Studies and Development of Efficiency Measures

Mr. Cikatelli reviewed the status of several administrative efficiency efforts underway, including a report on financial management issues being compiled by Blum Shapiro ("Efficiency Initiatives-Status Update" attached). Mr. Walker, noting that the FY 2017 audit was not accompanied by a management letter from the audit firm, stressed the importance of having the auditor prepare a management letter as part of the FY 2018 audit.

Mr. Jackson noted that he had anticipated the City pursuing more significant operational efficiencies in areas such as solid waste management, sewer operations reorganization, or energy. Mr. Hamilton asked about the status of the FY 2018 audit and whether the books have been closed in preparation for the FY 2018 audit. He noted that the closing date would typically be no later than September 1 in order for the audit to be completed by December 31. Mr. Cikatelli indicated that the City is hopeful the close will be completed by next week. Mr. Hamilton asked about the recommendations the City received concerning use of the Munis financial system and whether the City had appointed a staff person to take the lead on improving the City's Munis capabilities. Mayor Rossi indicated that a lead person had not been appointed yet, but that she would likely assign Bob Zuretsky.

Mr. Freund introduced Mr. Milone who has been brought on by OPM to assist the City and the MARB. In addition to helping the Finance Department in developing reports and other operations, he will assist the City in developing, prioritizing, planning and reporting back on efficiency initiatives. Mr. Milone indicated to the committee that he has compiled a list of 45 items, including those mentioned by Mr. Jackson, that he will be discussing with the City and OPM before presenting to the MARB.

Mr. Egan asked about the estimated savings for the items included on the current list of efficiency initiatives. Mr. Cikatelli explained that savings will be achieved, but that they can't be quantified at this

time. Mr. Egan explained that he is not confident, based on plans and actions to date, that the City can achieve the \$1.2 million net savings in efficiencies that are included in years 2 through 5 of the 5-Year Plan. He would like a condition regarding efficiency savings added to the Secretary's proposed conditions for Municipal Restructuring Funds. Mr. Dakers noted that, if Restructuring Funds are granted, one of the conditions for scheduled payments will be approval of the FY 2020 budget by the MARB, which the board would have to ensure is balanced. Mr. Egan also expressed concern that if union employees will be required to make concessions to help the City achieve sustainable budgets, that safeguards be in place against non-union employees being granted salary increases or other benefits that are inconsistent with those negotiated with unions.

VI. Review, Discussion and Possible Action re: West Haven's Five-Year Plan

Mr. Freund updated the committee on the status of the Plan and the committee's options regarding what actions it could take in making a recommendation to the full MARB.

Mr. Walker indicated that while he supports the approach the Secretary has outlined in the letter of conditions for FY 2018 and FY 2019 Municipal Restructuring Funds, he cannot support a plan that relies on \$28 million of support over five years while only making \$5 million in spending cuts. He noted that the plan does not include such structural reforms as consolidations, shared services, asset sales, and retirement plan restructuring. He is also concerned by the plan's reliance on funding beyond what has already been appropriated. Mayor Rossi noted that all forms of state aid are a potential risk and that future funding is not guaranteed.

Mr. Hamilton asked about the IBNR liability. Joseph Centofanti, the auditor of the City's FY 2017 financial statements explained how the liability is reported in the audit document. Mr. Hamilton noted that the IBNR liability would need to be paid down if the City were to move to a fully insured health insurance structure. He would like to see a plan for adding sufficient assets to cover IBNR in the 5-Year Plan.

Mr. Wilson noted that \$16 million of the \$28 million in the Plan's restructuring funds is currently available, and that the annual amounts diminish in subsequent years of the plan. Mr. Dakers noted that future years budgets would require approval by the MARB. Mr. Egan asked what would happen if a budget is not approved by the MARB. Mr. Dakers indicated that the conditions for funding would give the Secretary the authority to withhold payments until a budget is approved.

Mr. Egan's concerns, in addition to the efficiency savings assumptions, the City's ability to ensure needed investment in people and systems, its strategy for collective bargaining, oversight and approval of bargaining unit compensation packages, and the City's ability to attract and retain police officers.

Mr. Hamilton indicated that he felt comfortable with the plan, recognizing that adjustments will be needed and required by the board in FY 2020 if the subsequent restructuring funds are not approved. He expressed that his willingness to support the plan is based largely on the conditions for payment that have been outlined in the Secretary's letter to the Mayor. Mr. Wilson added that the requirement for board approval of the FY 2020 budget is a good protection for the board in this regard. Mr. Walker said that he could not support a plan that assumes restructuring funds beyond the funding that has been appropriated. Mr. Jackson expressed that the board will have the opportunity to opine in the out-years, and that the available funding can address the current fiscal year and prior fiscal year situation.

The committee members further discussed the plan and its relation to the conditions to be set for payment of restructuring funds, including the possibility of suggesting additional conditions.

Mr. Hamilton made a motion to:

Recommend to the full MARB the approval of the West Haven 5-Year Plan subject to the terms of the letter dated 10/2/18 from Secretary Barnes to Mayor Rossi specifying conditions for the payment of Municipal Restructuring Funds and the inclusion of two additional conditions addressing the following:

- The completion of an analysis of City owned assets and development of an Asset Sale Plan and
- The completion of an analysis of potential operational consolidations for the purpose of achieving efficiency savings in future budget years.

The motion was seconded by Mr. Wilson. The motion passed by a vote of 3-1-1 with Mr. Walker in opposition and Mr. Egan abstaining.

VII. Review, Discussion and Possible Action re: Recommendations regarding Conditions for Approval of Municipal Restructuring Funds

Mr. Walker made the following motion:

If the full MARB approves the West Haven 5-Year Plan, committee recommends approval of the proposed approach and conditions for FY 2018 and FY 2019 assistance payment contained in the Secretary's letter to the Mayor with the addition of two conditions addressing the following:

- The completion of an analysis of City owned assets and development of an Asset Sale Plan and
- The completion of an analysis of potential operational consolidations for the purpose of achieving efficiency savings in future budget years.

The motion was seconded by Mr. Hamilton. The motion passed by a vote of 5-0-0.

VIII. Other Business

There was no other business.

IX. Future Meetings

The full MARB is meeting on November 1, 2018 at 10:00 AM at the Board of Regents Boardroom, 61 Woodland Street, Hartford, CT

X. Adjourn

The meeting adjourned at 12:40 PM.