

MEMORANDUM

Municipal Accountability Review Board

To: Members of the Municipal Accountability Review Board

From: Julian Freund, OPM

Subject: Process for Designation of Tier III Municipality at Tier IV

Date: October 26, 2018

Section 368 of Public Act 17-2 establishes the process by which a municipality may be designated a Tier IV municipality. The process is summarized in the attached "Procedures for Designation of Tier III Municipality at Tier IV". Section 368 from Public Act 17-2 is also attached.

In considering the possibility of a Tier IV designation, the public act states that the MARB "may designate a Tier III municipality as a Tier IV municipality based on a finding by the board that the fiscal conditions of such municipality warrants such a designation based upon an evaluation of the following criteria: (A) the balance in the municipal reserve fund; (B) the short and long-term liabilities of the municipalities of the municipality, including, but not limited to, the municipality's ability to meet minimum funding levels required by law, contract or court order; (C) the initial budgeted revenue for the municipality for the past five fiscal years as compared to the actual revenue received by the municipality for such fiscal years; (D) budget projections for the following three fiscal years; (E) the economic outlook for the municipality; and (F) the municipality's access to capital markets."

To assist in evaluating those criteria, the Board may wish to consult the following sources:

- Annual Financial Report of the City of West Haven 6/30/2017 (attached)
- Summary of Budget vs Actual Revenues FY 2013-2017 (attached)
- City of West Haven 5-Year Plan FY 2019-2023 (attached)
- Moody's Investor Service November 2017 Credit Review (attached)

Cc: Mayor Nancy Rossi, City of West Haven
Ron Cicatelli, Directory of Finance, City of West Haven
Robert Dakers, OPM
Alison Fisher, OPM
Riju Das, OTT
Michael Milone

**Procedures for Designation of Tier III Municipality at Tier IV
(Ref. Sec. 368 of Public Act 17-2, June Special Session (Attached))**

I. Initiated by Municipality

A. Chief elected official of municipality, or municipality's legislative body (by majority vote), applies to Secretary

*Note: opportunity for local legislative body to act on chief elected official's request to Secretary (30-day notice period)

B. Secretary may approve or disapprove

II. Initiated by MARB

A. MARB membership amended to include:*

- Chief elected official of municipality (voting)
- Treasurer of municipality (non-voting)
- Member of municipality's legislative body as selected by such body (voting)

B. MARB finds that fiscal conditions warrants designation at Tier IV. Findings based on:

- Fund balance(s)
- Short and long term liabilities
- Revenues over past 5 years (budgeted vs actual)
- 3-year budget projections
- Economic outlook
- Access to capital markets

C. Submit findings and recommendation to Secretary

D. 30-day notice and public comment period

E. Secretary submits MARB findings and comments from 30-day period to Governor

F. Governor approves or disapproves designation

G. If designated Tier IV, membership amended to provide for following ex-officio, nonvoting members:**

- Chief elected official or designee
- Member of municipality's legislative body (as selected by legislative body's majority vote) or designee
- Treasurer or official responsible for issuance of bonds
- Minority party member of municipality's legislative body (as selected by minority party's members)

* Only for the purpose of determining whether to make a finding

** Only serve for the purposes of the Tier IV municipality they represent

Attachment- Section 368 of Public Act 17-2, June Special Session

Sec. 368. (NEW) (*Effective from passage*) (a) (1) The chief elected official of a tier III municipality or the legislative body of such municipality, by a majority vote, may apply to the secretary to request designation as a tier IV municipality. The secretary may approve the request if the secretary determines that such designation is necessary to ensure the fiscal sustainability of the municipality and is in the best interests of the state. Prior to submission of any such request by the chief elected official, such official shall provide notice of intent to apply for such designation to the legislative body of such municipality. Such legislative body shall have thirty days from receipt of such notice to approve or reject the chief elected official's decision to submit such a request. If such legislative body does not approve or reject such decision to seek such designation during such thirty-day period, the chief elected official's decision to submit such request shall be deemed approved by such legislative body.

(2) The Municipal Accountability Review Board may designate a tier III municipality as a tier IV municipality based on a finding by the board that the fiscal condition of such municipality warrants such a designation based upon an evaluation of the following criteria: (A) the balance in the municipal reserve fund; (B) the short and long-term liabilities of the municipality, including, but not limited to, the municipality's ability to meet minimum funding levels required by law, contract or court order; (C) the initial budgeted revenue for the municipality for the past five fiscal years as compared to the actual revenue received by the municipality for such fiscal years; (D) budget projections for the following three fiscal years; (E) the economic outlook for the municipality; and (F) the municipality's access to capital markets. For the purpose of determining whether to make a finding pursuant to this subdivision, the membership of the board shall additionally include the chief elected official of such municipality, the treasurer of such municipality and a member of the legislative body of such municipality, as selected by such body. In conducting a vote on any such determination, the treasurer of such municipality shall be a non-voting member of the board. The board shall submit such finding and recommended designation to the secretary, who shall provide for a thirty-day notice and public comment period related to such finding and recommendation. Following the public notice and comment period, the secretary shall forward the board's finding and recommended designation and a report regarding the comments received in this regard to the Governor. Following the receipt of such documentation from the secretary, the Governor may approve or disapprove the board's recommended designation.