

DRAFT
State of Connecticut
Municipal Accountability Review Board (MARB)
Subcommittee Meeting with City of West Haven
West Haven City Hall, 355 Main Street, West Haven, CT

Meeting Minutes – Tuesday June 5, 2018

Members in attendance:

Chair: OPM Secretary Benjamin Barnes

Members: Patrick Egan, Scott Jackson and Thomas Hamilton

Staff: Robert Dakers (OPM), Alison Fisher (OPM), Michael Sullivan (OPM), and Riju Das (OTT)

Representatives from West Haven: Mayor Nancy Rossi and Linda Savitsky

I. Call to Order and Opening Remarks by Secretary Ben Barnes

Meeting was called to order by Secretary Ben Barnes 3:10 pm.

II. Review and Approval of Minutes from April 30, 2018 and May 24, 2018 Meeting

Mr. Egan made a motion to approve both sets of minutes, and Mr. Hamilton seconded the motion. The motion carried with Mr. Egan, Mr. Hamilton, and Secretary Barnes all voting in favor. Mr. Jackson abstained from the vote because he did not attend the meeting on May 24, 2018.

III. Review and Documentation, Discussion and Questions regarding the City's FY2017-18 budget and amended FY 2018-19 City Budget

a. Review of Documents Provided and FY2018 Budget

Mr. Dakers provided a review of all supporting documentation, the relevant conditions within Resolution of May 3, 2018, a review of the City's budget process, and an overview of related budget documents. Mr. Dakers also provided a review of a draft memo, which details the City's compliance with the conditions of the Resolution, and will be presented at the full MARB meeting on 6/7/18.

Mr. Dakers reminded the City that an updated projection for FY18 expenditures is required at this time. The last projection that was submitted was as of the end of March, which showed a surplus in the Sewer Fund. He noted that the City should also develop a Deficit Mitigation Plan to address any remaining deficit in FY18.

There was also some discussion regarding the impact of the recent City Council vote to reject the lien sale scheduled for the end of FY2018. The Mayor noted that this action will cause an additional \$900,000 deficit, and that the City Council will vote again on the matter on June 11, 2018. Secretary Barnes asked if the sale would still be valid and if the revenue

would still be realized, if the vote passed on June 11th. Mayor Rossi responded yes to both questions. Secretary Barnes then asked when an updated projection for FY2018 would be available. Ms. Savitsky responded that she will provide it by June 15th.

Mr. Hamilton inquired about the sewer fund budget and associated fee. Mayor Rossi indicated that the fee is currently \$426, and that an increase has not been assumed in the FY2019 budget.

Mr. Dakers mentioned that the way in which the City accounts for Education Cost Sharing, particularly the Alliance grant portion, must be adjusted. Secretary Barnes offered that the Minimum Budget Requirement law was not extended, but that the Commissioner of the State Department of Education can require that communities adequately fund education. Secretary Barnes also noted that the City of West Haven has historically funded education adequately.

Secretary Barnes mentioned that it is his understanding that the FY2017 financial audit will be available soon. He requested that the auditors make a presentation to the Board and answer its questions, soon after the release of the audit. Ms. Savitsky asked if the subcommittee would be going into Executive Session to discuss the draft FY2017 audit. Secretary Barnes indicated that he would prefer not to, but would like to discuss the audit once it is finalized, and presented to the Board.

Review of FY2019 Amended Budget

Recycling

Secretary Barnes began the discussion by asking for an overview of major areas of savings assumed in the budget. Specifically, he requested information regarding the achievability of the recycling savings. Ms. Savitsky responded that the currently contract for City recycling services expires in August and will go out to bid. She continued that currently, the contract is for weekly recycling pick-up. A new contract would change to every other week, leading to savings. Secretary Barnes asked if the City had considered an inverse effect on garbage tipping fees. Ms. Savitsky responded that no, they had not considered that.

Mr. Hamilton and Mr. Jackson asked whether the City had single stream recycling (yes) and automated pickup (no). Mr. Jackson mentioned that if the City uses larger containers for pickup, they will need to come up with a plan, because without automation, a bin can't weight more than 75lbs. Mayor Rossi indicated that the City may engage in just a one-year recycling contract, it may consider Pay-As-You-Throw, or other options. Mayor – Yes we understand that. We may only do a one year contract. We're exploring Pay as you Throw and other options.

Secretary Barnes asked if both solid waste and recycling are collected by contract (yes) and Mr. Egan asked if both contracts are expiring (yes, August 29, 2018). Secretary Barnes asked if the City picks up trash for condos and the housing authority (yes). HE then asked if the City picks up for apartments and the Mayor responded that the City collects trash for everyone.

Secretary Barnes asked for more detail regarding the recycling line item reduction of \$220,000. The Mayor responded that the line wasn't reduced by half, because of other components, such as potential revenue for the compost site.

Mr. Dakers asked if changing the recycling pick up schedule to every other week will require an ordinance change. The Mayor responded that she does not know. Secretary Barnes indicated his concerns about this reduction, specifically because of the timing and lack of specifics.

Street Lighting

Mr. Dakers then presented the cost assumptions as provided by UI. Mr. Jackson asked if there was a timeline for the proposed changes. Mayor Rossi responded that all of the LED lights are in, which was completed in April, except for any fixtures that the City owns, such as at The Green and various fields throughout the City. She added that a request has been submitted to UI for the cost of converting any remaining lights. Secretary Barnes added that it would be his preference to continue with a conservative savings estimate, as a favorable result may be necessary to cover potentially unfavorable savings results elsewhere in the budget.

Workers' Compensation

Ms. Savitsky explained that in the area of Workers' Compensation, the City is working with a consultant to understand the true potential savings. Secretary Barnes asked if the City uses an Internal Service Fund to cover such expenditures. Ms. Savitsky responded that no, they don't, however, they do account that way. Mr. Hamilton explained that historically, the City used that Fund to carry deficits, which Ms. Savitsky confirmed. Mr. Dakers added that some of the deficits might have been consolidated through deficit financing. While the MARB does applaud the City for its efforts in trying to improve this, it remains concerns. When the MARB considers historical spending, it seems like the current budget for Workers' Compensation is too low.

401k/FICA

Mayor Rossi mentioned that the City is working toward organizing the way benefits are paid for. It was discovered recently that the City was covering benefits for grant funded employees out of these accounts.

Bank Fees

Ms. Savitsky noted that the City had no balances to offset the fees, but that since deficit refinancing allowed them to have better cash flow, the City can pay the fees. In FY2019, the City intends to consolidate all of its banking, thereby cutting down on fees. Ms. Savitsky believes that this activity, and associated savings, will begin in the second quarter of FY19.

Health Insurance

Mr. Dakers informed the Committee that the City has been projecting an expenditure level of \$10.4m in FY2018. He mentioned his concern that the amended FY2019 budget includes health insurance at a projected expenditure level of \$9.8m. Since stop loss is factored in at the end of each fiscal year, Mr. Dakers is confident that the current projection is higher than what the true FY18 cost will be.

Ms. Savitsky notes that the health inflation trend is at 8.4% in West Haven, however, the industry trend is between 9-12%. West Haven's inflation was included in the projections for FY18 and in the amended FY19 budget. Stop loss for the City includes both aggregate (125%) and individual (\$250) limits.

Secretary Barnes mentioned that for Sewer and ERS, the City assumed a \$50,000 adjustment for plan changes and that it would be reasonable to assume commensurate savings in other areas of the budget. He then asked if these adjustments are included in the amended FY19 budget. Ms. Savitsky said that they are not, and although the City is expecting money to come back, it was not included in the FY19 budget.

Mr. Hamilton explained that the City-side projection is about \$8.1m, which appears to be favorable compared to historical spending. Most of the savings reflect a move for Sewer and ERS to a high deductible plan, as well as some staffing reductions. Mr. Hamilton then requested a cross walk to see how these changes impact the total. Ms. Savitsky confirmed that a cross walk analysis will be provided.

Mr. Egan asked how many positions were eliminated in FY2018. Mayor Rossi responded that it was around 15 – approximately 13 City positions and 2 retirements at the Adult Day Care Center. The Mayor confirmed that these positions were vacated due to layoff.

Based upon this information, Mr. Hamilton concluded that the stop loss could not be more than \$300,000 or \$400,000.

Secretary Barnes requested that the insurance consultant provide a presentation to the Board, with a cross walk analysis, of how these projections and estimates were developed. Ms. Savitsky confirmed that she would request this. The Secretary also asked for more detail regarding the changes between FY16 to FY17 that reduced City insurance costs by 10%, as he still had concerns about the numbers. Ms. Savitsky indicated that she would do her best to respond to that request.

Investments

Ms. Savitsky explained that the City has more cash now due to deficit financing. She indicated that the City has used some of this cash to invest in things like STIF and Webster. Secretary Barnes cautioned that while the use of balance to address fees, etc. is not advisable, this amount is very small.

Permits

Mayor Rossi explained that there are several projects going on in the City, including the UNH expansion, Yale West (\$3m), The Parkview – Forest (\$35m), and 65 Deby Ave (\$400k – no permit yet). Mr. Egan asked what the revenue will be by the end of FY2018, to which Mayor Rossi responded that it appears to be close to \$1m. Mr. Egan asked if the City has an updated estimate, to which Ms. Savitsky responded that she would send a report out the next day, June 6, 2018.

Education Cost Sharing

Secretary Barnes explained that the City is required to budget \$41.4m, and that the

remainder are Alliance grant funds that should be received directly by the BOE. While the totals appear to be appropriate, even slightly favorable to the BOE, next year the budget should be reflected more accurately. Mr. Hamilton added that the Norwalk Public Schools transfer their Alliance grant funds into a separate “grants fund”.

Mr. Jackson offered that in Hamden, where he had served as Mayor, an MOU was necessary between the BOE, the City, and the Mayor to correct double-counting of ECS funding going forward. Secretary Barnes added that the City had discussed an MOU for special education grants, so it could be useful to address both issues. He cautioned that some of the ECS revenue that the City is counting, won’t actually be realized by the City.

Contingency

Mayor Rossi clarified that this line item is not a typical contingency, but, functions more like a City department. This line is where the City budgets for things when there’s nowhere else to put them, such as furlough days. The furlough day in FY2018 is June 29, 2018. The furlough day in FY2019 has not been decided yet. FY18 – June 29, 2018. FY19 day will be decided. Secretary Barnes warned that this is not a good practice at the state level, and likely isn’t good at the local level either. He recommended that the Committee continue to monitor activity within the contingency line.

Mr. Jackson mentioned that the Mayor, the Council, and their teams have done a lot of work to move this forward, which he acknowledged. Mr. Jackson also noted that any transition regarding recycling takes a lot of work and public education to make it happen. He also reiterated the Committee’s interest in getting a detailed walk through on health insurance.

IV. Executive Session

No discussion on this item.

V. Review, Discussion of Possible full board action regarding the status of the City’s compliance with the resolution

Secretary Barnes reiterated that Tier 4 remains an option for West Haven, and although he appreciated that the City has made an effort to avoid that outcome, it should still be discussed. He noted that the Committee may make a recommendation to the full board, or not. Mr. Egan added that he’d like to get a better grasp of health insurance before that recommendation is made. Mr. Hamilton said that the City has made significant progress, including increasing the mill rate, and that he did not think the City is ready for Tier 4, yet. While the option is still possible, Mr. Hamilton again mentioned that there had been a lot of progress. Mr. Jackson added that he would like to figure out where this year ends. He also said that the City should provide the information as requested, including its assumptions for savings and revenue. Mr. Jackson then clearly stated that the steps taken in the past 2 weeks had not advanced the City’s position toward Tier 4.

Secretary Barnes then reviewed the powers that Tier 4 provides the Board, which are, labor powers, power to enact an interim budget (however, he noted, if the Board voted on this on 6/7, the time it would take would delay Tier 4 until July or August, based on the process. By August, a temporary budget

is hardly relevant.), or the board could make cuts to the budget. The Secretary also mentioned that the Board may want to consider handling the next budget cycle with more authority.

Mr. Hamilton then mentioned that the time to apply and received restructuring funds for FY2018 is limited. He reminded the City that they have a few more weeks to complete a 5 year plan before the funds can be released. Secretary Barnes asked for a status update on the plan. Mayor Rossi responded that the City will present the plan at the full MARB meeting on June 7th.

Secretary Barnes notes that the Committee will summarize its conclusions for the full Board to inform further discussion. He also mentioned that the MARB had a recent resignation, Mary Glassman. The Secretary continued that if the Board needs to schedule another meeting before June 30th, to discuss funding for FY18, it is a viable option. He continued that it is also an option to carry the FY18 deficit forward and carry forward the funding to address the issue within FY19.

Mr. Egan asked about the schedule for upcoming City Council meetings. Mayor Rossi responded that there are two scheduled in June – June 11th and June 25th.

VI. Adjourn

A motion to adjourn was made by Mr. Egan and seconded by Mr. Jackson. The motion carried unanimously and the meeting adjourned at 4:52pm.