

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

MEETING MINUTES
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, March 12, 2019 10:00 AM – 12:30 PM

Meeting Location: West Haven City Hall, Harriet North Courtroom, 355 Main Street, West Haven, CT

MARB West Haven Committee Members Present: Secretary Melissa McCaw, Commissioner Scott Jackson, Thomas Hamilton, Patrick Egan, David Walker (phone)

MARB Staff Present: Julian Freund, Alison Fisher, Michael Milone

City Staff Present: Mayor Nancy Rossi, Frank Cieplinski, Lee Tiernan, Superintendent Neil Cavallaro, Matt Cavallaro

Agenda

I. Call to Order & Opening Remarks

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

II. Approval of minutes: January 15, 2019

Mr. Hamilton made a motion, with a second by Mr. Jackson, to approve the minutes. Mr. Walker abstained from the vote. The motion carried and the minutes were approved.

III. Review and Discussion: BOE Proposed FY 2019/20 Budget

Superintendent Cavallaro provided an overview of the proposed Board of Education FY 2019/20 budget. The proposed budget provides for a \$1.24 million, or 1.33%, increase over the current year budget. The priority enhancements funded in the proposed budget include the addition of security guards at 7 schools, computer lab upgrades at the K-8 grades, and replacement of aging maintenance vehicles. The proposed budget reflects recently concluded contracts including the teachers' contract which included a wage freeze and shift to high deductible health plan. Members discussed ECS funding in the Governor's proposed budget.

Mr. Jackson asked if the BOE is considering consolidating any core functions with the City. Superintendent Cavallaro responded that they look for opportunities to work with public works, field maintenance with the Parks Department, program management for programs located in BOE facilities, and have also explored regionalization with ACES and for transportation. Mr. Jackson asked about enrollment projections. Superintendent Cavallaro responded that enrollment has dropped from 7,000 to 5,500 students in recent years, and is expected to remain at current levels. A discussion arose regarding ECS funding in the Governor's proposed budget. Secretary McCaw noted that the City saw a \$2m increase in aid, and that 50% of that increase may be used for BOE operational costs. Mr. Hamilton asked if the BOE is considering a change in health benefits, to align with the City's interest in moving to the state Partnership Plan. Superintendent Cavallaro responded that the BOE is going to take a bit more time to analyze the benefits of such a move. Mr. Egan agreed with this approach, and mentioned that he'd also like to spend more time reviewing the report submitted by Segal regarding health insurance options. Secretary McCaw suggested that the MARB look at the Segal report again, and invite Segal to a Board meeting for discussion.

IV. Review, Discussion and Possible Action: Firefighters Tentative Agreement

Mr. Tiernan provided an overview of the terms of the TA, including highlights such as; no salary increase for 4 years, a salary increase of 1% in the 5th year of the contract term, high deductible health insurance plan, and a change to retiree benefits in that retirees will now be eligible for the health insurance benefit that is being offered at the time of separation. Mr. Egan asked if the change in health insurance is applicable for current employees as well, to which Mr. Tiernan answered yes. Mr. Tiernan said that the retirement benefit is only being offered to the employee and not their dependents and that he did not know if existing retirees over 65 have been shifted to Medicare. He also mentioned that pension benefits are negotiated separately, and those negotiations will begin after this contract is completed. Mr. Egan asked if the wage freeze in this contract is considered fair to the Firefighters of Allingtown, compared to the other districts. Mr. Walker stated that there should be comparable wages between the districts, even though they're being bargained at different times. He added that Allingtown could be at increased risk regarding their pensions. Mr. Jackson cautioned that separating GWI from the rest of a negotiation isn't always the best way to do it, because you have to trust that the people negotiating the contracts have taken a global look at the issues. Mr. Tiernan noted that the economic demographics in the districts are different, the budgets are different, and so the salaries are different. The fire service study will help us to understand this better, and what to do about parity. Secretary McCaw stated that this agreement doesn't look very different from what's been done in Hartford. In the context of distressed municipalities, these changes are consistent with what we need to see to help the City get back on track. She then indicated her support for the sacrifices shown in the contract, and the efforts of the City. Mr. Hamilton agreed that the contract is consistent with his expectations, however, he noted that no changes in pension provisions are included because pension provisions are bargained separately. He added that the cost analysis of the proposed contract needed additional work. Secretary McCaw requested that an updated analysis, including recovery plan assumptions compared to this

contract, be resubmitted to the Board. **Mr. Jackson made a motion to recommend the TA for approval by the full Board. Mr. Hamilton seconded the motion. Members voted all in favor, and the motion carried.**

V. Review and Discussion: Preliminary Plan for Efficiencies, Consolidations and Shared Services (Budgetary Savings)

Mr. Freund provided an overview of the options provided by Segal in their report. Secretary McCaw asked that Segal provide analysis on moving current retirees over 65 to Medicare. Mr. Egan questioned the comparability of the options, noting that the analysis for the high deductible options did not address retirees while the analysis of the Partnership option did. He added that the City has contracts opening in 2021, and some others that are open right now. He also questioned whether the City would be able to move current retirees, and asked that the City look at employees who can be moved by contract, instead of assuming full migration. He noted that a better comparison would be to use the same basis for each scenario. Secretary McCaw requested that a presentation, by Segal, be provided to the subcommittee, with the opportunity to ask some clarifying questions.

Mr. Hamilton shared his experience in the City of Norwalk, where the City had a high deductible plan and found that there was significant savings in moving to the Partnership Plan. He added that language was included to allow the City or BOE to move back to the high deductible plan if Partnership Plan costs go up. The savings from this change have been realized and the cost increases over the past 2 years have been modest. The City of Norwalk was also able to move retirees to Medicare Advantage, which resulted in significant savings as well. Mr. Hamilton cautioned that there are a lot of steps to be taken, but there is reason to think there is real savings. Secretary McCaw asked the City of West Haven to request information from Segal on how the City's geographic location was a factor in the analysis.

Mr. Milone provided an overview of a memo to the Board regarding efficiencies in City operations. He noted that the City is hoping to bring a health benefit consultant on by mid-May, and that a recommendation for this consultant was received. Secretary McCaw offered OPM assistance in order to expedite the process. She added that the City must demonstrate that it has identified a specific challenge and it has a clear plan to address it. Mr. Egan asked for an update on the fire service study. Mr. Cieplinski mentioned that there had been a delay in the consultant obtaining some of the necessary data for their analysis. Secretary McCaw suggested that the City needs to manage the project very strongly. She further requested that the City send an update to Julian in 3-5 business days on its progress. She asked that the City have a benefits consultant in place in the next 2-4 weeks, with the additional health benefit analysis happening at the same time. She also requested that a follow-up meeting with Segal be scheduled within the next week regarding a future presentation to this group, and an update to their analysis.

VI. Discussion: Guidance Regarding Development of FY 2019/20 City Budget

Mayor Rossi said that the City's budget would be released on March 21st, per charter. Mayor Rossi also noted that the budget would be consistent with the City's recovery plan, it would be balanced, and an updated recovery plan would be submitted in addition to the budget. Secretary McCaw asked if the efficiency savings of \$1.2m is recurring in each year, or if the savings increases over time. Mr. Freund responded that according to the recovery plan, the expectation is that those savings are realized in year 1. Ms. McCaw asked if the state could reduce its contribution if the savings in the recovery plan are fully realized. Mr. Freund responded that yes, it could.

Mayor Rossi continued that the assumptions included for health insurance will reflect the assumptions in the recovery plan. Secretary McCaw reminded the City to also include the \$1.2m in efficiency savings.

Mayor Rossi asked about how to fund the City's capital replacement needs. Mr. Egan responded that according to the City's recovery plan, it will have about \$5m in fund balance by the end of the recovery period. He continued that if the City meets all of the goals in its plan and is able to reduce the amount of state financial support, the City will have funds available to cover expenditures such as that.

Mayor Rossi asked what constitutes a balanced budget per MARB statute, and whether it can include the restructuring funds. Secretary McCaw responded that OPM legal counsel would review the issue.

VII. Other Related Business

Secretary McCaw asked if the FY2018 Audit's accompanying Management Letter was ready to be shared. Mayor Rossi replied that it was not. Ms. McCaw requested that the City follow-up on it, as Mr. Centofani had indicated he'd have the letter ready this week.

VIII. Adjourn

A motion to adjourn was made by Mr. Egan, seconded by Mr. Jackson, and approved at 12:03 PM.