

APPROVED

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)
MEETING MINUTES
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday May 14, 2019 9:30am – 11:30 am

Meeting Location: Office of Policy and Management, Conference Room A/B, 450 Capitol Ave, Hartford

MARB West Haven Subcommittee Members Present: Secretary McCaw, Deputy Treasurer Savitsky, Patrick Egan, David Walker (phone)

Other MARB Members Present: Stephen Falcigno, Robert White

Staff and Others Present: Mayor Nancy Rossi (West Haven), Frank Cieplinski (West Haven), Michael Milone (West Haven), Lee Tiernan (West Haven), Julian Freund (OPM), Gareth Bye (OPM), Alison Fisher (OPM), Kim Kennison (OPM)

I. Call to Order & Opening Remarks

The meeting was called to order at 9:39 am. Secretary McCaw introduced Kim Kennison as new Executive Finance Officer at OPM.

II. Approval of minutes: April 16, 2019

A motion was made by Mr. Walker with a second by Mr. Egan to approve the minutes of the 4/16/19 subcommittee meeting. The motion was unanimously approved.

III. Review and Discussion: Revised FY 2019/20 Budget

Secretary McCaw provided a brief review of West Haven's involvement with the Board and its need to submit a revised FY2019/20 budget based upon Board feedback at the May 2, 2019 full MARB meeting. Ms. McCaw noted that a letter had been transmitted to the City on May 9, 2019, detailing the revisions, which requested that the City:

- Address the \$1 million revenue shortfall consistent with the 5-Year Plan.
- Incorporate the net amount of planned efficiency savings: (\$1.245 million).
- Budget for a health claims margin of \$319,000 inclusive of health claims run off. In the event the City transitions away from a self-insured fund, this can be treated as general unallocated contingency.
- Budget for an advance OPEB contribution of \$50,000.
- Add \$100,000 for continued MARB expenses.

Mr. Freund provided a summary of the budget revisions submitted by the City, which adequately met the requirements listed in Ms. McCaw's letter, and are in alignment with the City's Board-approved Recovery Plan.

Mr. Walker commented that because the City's financials are more favorable than originally projected and is on pace to hit their fund balance target sooner, the subcommittee should discuss reducing or eliminating Municipal Restructuring Funds earlier than anticipated. Ms. McCaw concurred that the City can achieve fiscal stability at a pace faster than what was originally anticipated, but that a strategy will be discussed at another time. She cautioned that while the City has made progress toward achieving its reserves goal from a fund balance perspective, they focus on achieving structural balance and adequately responding to the FY2018 management letter comments.

Mr. White noted that at the end of the Recovery period, the City should have produced \$6m in annual efficiency savings, \$4m of which could potentially come from a change in health insurance. Ms. McCaw commented that the City has an efficiency target to meet, and if that cannot be achieved through health insurance savings, the target must be met some other way.

A discussion arose regarding health insurance savings on the BOE side of the City's budget, and how that might affect the Minimum Budget Requirement. Ms. McCaw requested that Mr. Bye review the issue and provide an opinion to the Subcommittee members.

Mr. Tiernan provided a document to the Subcommittee that he had prepared regarding a list of administrative efficiencies that are occurring within the City's Legal Department. Mr. Egan requested that these types of efficiencies be shared with Board members and staff regularly.

Mr. Milone shared that the City is working with CCM to learn more about electricity rates and a potential for additional energy savings.

Mr. Falcigno suggested that the Mayor ask all City Department Heads to prepare efficiency and expenditure savings plans. He echoed Mr. Egan's statement that the City should regularly share these plans with the Board and staff.

Ms. McCaw noted the difference between managing to the Recovery Plan and managing aggressively to achieve fiscal health. She continued that the Board is requesting that the City rigorously find opportunities to do the latter.

Ms. Savitsky commented that many of the fiscal challenges facing the City date back before the last State Oversight Board in 1992. She stated that the City needs a strong organization to implement the changes that they identify. Ms. Savitsky then asked for an update on the Charter Revision Commission. Mr. Tiernan responded that the City is actively working on this effort. Ms. Savitsky requested that the Subcommittee be regularly updated regarding the progress of the Commission.

Mr. Egan asked for more information regarding the Allingtown Fire District budget, as it relates to expected costs for separation payouts. Ms. McCaw responded that in the Governor's proposed FY2019/20 budget, the Municipal Aid formula removed some funding relating to MV tax because the City didn't levy the MV tax in Allingtown this year. Ms. McCaw added that the West Haven delegation is working with the Appropriations Committee on this issue, and trying to restore funds if

possible. Mayor Rossi added that if the City receives this additional revenue, it intends to use it to cover separation payouts for the Allingtown Fire District. Mr. White asked what the City will do if it does not get the additional revenue, and reminded the City that their budget must be in balance in order to receive Municipal Restructuring Funds. Mr. Cieplinski responded that he will cover the expenses from elsewhere in the budget, and ensure that it is balanced.

Mr. Egan asked about a \$500k transfer from the Sewer Fund to the City's General Fund. Mr. Freund responded that in the Mayor's original recommended FY2019/20 budget, the transfer was noted in the Sewer fund budget, and debt service budget, but was erroneously left out of the General Fund budget as a revenue. This error has since been rectified in the revised budget.

Mr. Egan requested an update on the Police pension study. Mr. Tiernan responded that the City is currently considering a defined benefit option to make retirement benefits more competitive and improve retention. Ms. McCaw cautioned the City that when it does complete the analysis, it considers any recent changes to statute that could impact the final recommendation.

Mr. Milone noted that the Board will receive an updated list of efficiencies, including the associated savings, by the end of this month. He added that the City should include a CFO position to further enhance the structure of the organization. Mr. White commented that the City was to submit a list of administrative positions necessary to improve the organization, and requested an update on this effort.

Mr. Egan asked how much Municipal Restructuring Funds are assumed. Ms. McCaw responded that it assumes \$4.1m. Mr. Egan stated that he was not comfortable with that level of support, as the City may not need that amount and it could be used to help other municipalities. Ms. McCaw said that the Board-approved Recovery Plan assumed \$6m in FY2019/20, and that the revised budget includes less than that.

Ms. McCaw transitioned the discussion to revenue, noting that the Mayor has presented two paths to achieve FY2019/20 revenue targets: 1) mill rate increase of .43 mills or 2) use of one-time revenue from asset sales.

Mr. Walker asked if the City had identified the properties that would generate the necessary revenue. Mr. Tiernan responded that they had; two buildings are out for RFP now, and there are others that can be monetized as well. Mr. Egan recommended using one-time revenue to help bolster fund balance or cover one-time expenses, like IBNR run-off. Ms. McCaw agreed, that using one-time revenue for ongoing expenditures is not a financial best practice. However, the future years in the Recovery Plan have ongoing savings that could be used for fixed costs. She added that the City has a plan to remain accountable for this issue. Mr. White opposed using one-time revenue to close a budget gap, in anticipation of future savings, and to avoid a small mill rate increase. Mr. Falcigno agreed that one-time revenue should not be used to cover budget gaps. He recommended that the City impose a .43 mill rate increase, and use one-time revenue to reduce Municipal Restructuring Funds or reduce the level of debt. Mr. Walker expressed concern in regard to raising taxes, noting that the City will not be as competitive. He added that structural changes must be implemented to reduce ongoing expenses. Mayor Rossi concurred, adding that if the City continues to raise taxes, it will lose its competitive edge. She stated that the only way West Haven can get out of this is with economic development, and the only way to increase economic development is to

remain competitive. She asked the Subcommittee to support the City's use of the one-time revenue so that the City might further grow its grand list.

A motion to recommend that the Board accept the expenditure changes as proposed in the FY2019/20 revised budget, conforming to the Recovery Plan, as submitted was made by Ms. McCaw. Mr. Walker seconded the motion. Ms. McCaw, Ms. Savitsky, and Mr. Walker voted in favor, and Mr. Egan abstained. The motion carried.

A motion to recommend that the Board allow the City to use one-time revenue of asset sales to achieve its FY2019/20 revenue target, followed by ongoing structural changes in future years was made by Ms. McCaw. Ms. Savitsky seconded the motion, for discussion purposes. Mr. Egan commented that the amount of Municipal Restructuring Funds should be reduced. Ms. McCaw responded that the one-time revenue would be an issue regardless of the level of state support. Ms. McCaw and Mr. Walker voted in favor, Mr. Egan voted against, and Ms. Savitsky abstained. The motion did not carry.

IV. Other Business

None

V. Adjourn

A motion to adjourn was made by Mr. Walker and seconded by Mr. Egan. The meeting adjourned at 11:39 am.