

APPROVED
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

MEETING MINUTES
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, April 1, 2020 10:00 AM – 12:00 AM

Meeting Location: This meeting was held telephonically. Meeting materials may be accessed at the following website: <https://portal.ct.gov/OPM/Marb/West-Haven-Committee-Meetings-and-Materials>

Call-In Numbers:

Telephone Number: (860) 840-2075

Meeting ID: 210-514-323

Members in Attendance: Secretary McCaw, Christine Shaw (State Treasurer designee), Stephen Falcigno, Robert White

West Haven Officials in Attendance: Mayor Rossi, Frank Cieplinski, Matthew Cavallaro, Joseph Centofanti (Auditor, PKF O'Connor Davies, LLP)

OPM Staff in Attendance: Kimberly Kennison, Bill Plummer, Michael Milone, Julian Freund

I. Call to Order & Opening Remarks

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

II. Approval of minutes: February 25, 2019

The minutes were approved unanimously with one abstention (Falcigno).

III. Presentation: FY 2019 Audit

(PKF O'Connor Davies, LLP - Joseph Centofanti, Partner)

Secretary McCaw provided background on the FY 2019 Audit. Prior to the completion of the audit, the auditor had discovered prior period adjustments that needed to be made to the General Fund for \$2.1 million. Due to the material adjustment, the auditor was hired to conduct additional testing to determine whether additional adjustments may be necessary. The City requested extensions on the deadline to file its financial statements. After determining that prior year adjustments and FY 2019 results would yield a fund balance of just \$350,000 as of June 30, 2019, the Secretary exercised her authority to distribute an additional \$1 million from the FY 2019 restructuring funds that had been held back. Mr. White asked if the release of the additional \$1 million alters the 5-year plan that programmed approximately \$4 million FY 2020 and FY 2021, and \$2 million in FY 2022. The release of the \$1 million does not change that model.

Ms. Kennison introduced the auditor, Joe Centofanti of PKF O'Connor Davies and provided additional background on the audit process. Mr. Centofanti presented the results of the audit and recommendations for resolving several audit findings. Prior year adjustments totaled a reduction of \$3.6 million. As a result, the City's restated opening General Fund balance for FY 2019 was a deficit

of \$1.4 million. Although the Board of Education over-expended its appropriation by \$566,000, overall General Fund operating results for FY 2019 was a surplus of \$2.77 million and an ending General Fund balance of approximately \$1,358,000. The Allingtown Fire Fund generated a surplus in FY 2019 which eliminated its deficit and resulted in a fund balance as of June 30, 2019 of \$1.2 million. The Sewer Fund also increased its fund balance by \$1.5 million in FY 2019. The Internal Service Funds added slightly to net position in FY 2019, but remain in an overall deficit position of -\$9.7 million. Both the Police and Fire pension funds increased the funded percentage of their respective liabilities. The Police pension is funded at 85.99% and the Fire pension is funded at 26.38% as of June 30, 2019.

Secretary McCaw asked about the composition of the \$3.7 million that needed to be restated. Mr. Centofanti explained that the restated amount primarily consists of Education transportation and tuition expenses unrecorded in the proper fiscal year.

Members discussed the pension funds, including the funds' rates of return, and OPEB funding. Mr. Centofanti described the audit's findings of material weaknesses and significant deficiencies and his recommendations to the Board of Education and City regarding remediating each. Subcommittee members discussed with City and Board of Education officials' steps that will be taken to remediate the findings in the audit. The City and BOE will each be developing detailed corrective action plans to address the findings. Mr. Cavallaro reported that his office is working with the City Finance Office to improve processes around processing and payment of invoices, and the Board of Education is also coming up with a plan to end the year with a surplus balance that will help to restore some fund balance.

IV. Review and Discussion: Proposed FY 2021 Budget

The Mayor's Recommended FY 2021 budget was released on March 19. A summary review of the recommended budget was provided and discussed (a copy of the summary document is included in the April 9 MARB meeting materials). The Mayor has proposed a budget with a General Fund increase of 1.4%, requiring a mill rate increase of 0.8% on the Real Estate/Personal Property Tax mill rate and no change to the Motor Vehicle mill rate. Proposed expenditures include several positions and contractual services that are related to findings from the HR Consulting Group report. Expenditures also reflect the transition of active City employees to the State Partnership health plan. The proposal level funds the General Fund contribution to Education. In the Fire Fund, the proposal includes an expected increase of about \$900,000 in the motor vehicle transition grant from the state. An equal amount has been proposed in the Fire Fund budget as contributions to the Fire pension fund and capital reserve. Subcommittee members noted the impact of the audit on the City's fund balance projections and the 5-Year Plan. While total Property Taxes in the recommended budget exceed the amount depicted in the most recently updated 5-Year Plan, the proposed mill rate is 0.4 mills lower than the mill rate projected in the Plan. Members discussed whether favorable grand list growth should be used to lower the mill rate or accelerate the City's independence from reliance on restructuring funds. The restatement of the fund balance complicates the budget discussion and the City needs to present an updated 5-Year Plan to provide context and to demonstrate what steps will be taken to reach the fund balance targets that have been set for the out-years. The City is in the process of updating the 5-Year Plan and will be submitting a draft to OPM within the next week. The updated 5-Year Plan will be on the agenda of the next subcommittee meeting.

V. Adjourn

The meeting adjourned at 11:45 AM.