

DRAFT

State of Connecticut
Municipal Accountability Review Board (MARB)
Special Meeting
Legislative Office Building - LOB Room 1A

Meeting Minutes – January 11, 2018

This meeting was taped by CT-N and can be viewed in full from their website

The following link is to the MARB website. All meeting handouts can be located on this website:

<http://www.ct.gov/opm/cwp/view.asp?a=2998&q=599332>

Members in attendance: Secretary Benjamin Barnes, Treasurer Denise Nappier, Scott Jackson, Patrick Egan, Mark Waxenberg, Thomas Hamilton, Mary Glassman, Sal Luciano, Bill Cochran (Treasurer's Designee)

Staff: Robert Dakers

I. Call to Order

The meeting was called to order by Co-Chair Secretary Barnes at 10:11 am.

Minutes: December 8, 2017 Meeting

Robert Dakers reported that the minutes were just emailed out yesterday to the members with a hardcopy handed out at the meeting. Secretary Barnes asked that it be noted for the record that all members received a copy of the draft minutes and action on this item will be held until the next meeting. No action on this item.

II. Introduction of Newly Appointed Members, Update on Board Membership and Swearing-in of All Appointed Members by Treasurer Nappier.

Treasurer Nappier requested all members stand to be sworn in as members of The MARB. Treasurer welcomed all members and all newly appointed and previously appointed members were asked to raise their right hand to be sworn-in and be administered the "Oath of Office," and to affirm vocally, when asked, their affirmation to be sworn Members of the Board. All voiced their affirmation.

Secretary Barnes asked the new members and presently appointed members to introduce themselves.

- Mary Glassman, new member just appointed by The Speaker of the House introduced herself. Former First Selectman of Simsbury for sixteen years and currently Manager of Office of Regional Efficiencies at the Capitol Area Education Council.
- Sal Luciano, new member appointed by the Governor. Executive Director of AFSME Council 4, since 2001.
- Mark Waxenberg. Former Executive Director of the CT Education Association.

- Thomas Hamilton. CFO of the Norwalk Public Schools.
- Denise Nappier, Treasurer of the State of CT.
- Ben Barnes, Secretary of the Office of Policy and Management.
- Scott Jackson, Commissioner of the Department of Labor.
- Patrick Egan, former President of the New Haven Firefighters Union.

Secretary Barnes noted for the record that a letter of resignation from the Board was received by John Nolan. Mr. Nolan was unable to attend the first organizational meeting due to travel issues, and has now resigned due to issues that have arisen that leave him unable to serve on the Board. The Governor's office is actively seeking a replacement for Mr. Nolan.

III. Freedom of Information (FOI) and Ethics Training for Members

Secretary Barnes noted that ethics would be discussed, and not FOI, which would be discussed at an upcoming meeting. Thomas Hennick who was to present information on FOI was not able to be here today, due to a schedule conflict.

Nancy Nicolescu, Director of Education and Communications at the Office of State Ethics, introduced herself and thanked the Board for the invite to the meeting and addressed the Members of the MARB. Gave brief background on of the Office of State Ethics (OSE). OSE is an independent agency that is commonly referred to as a "Watchdog" group. OSE does not report to OPM or the Governor's office. They are governed by a 9 member Board, made up of citizens of Connecticut. Stated she would leave a card with the top 10 rules along with contact information. Noted that the Board is located in the Office of Policy and Management (OPM) for Administrative Purposes Only (APO). Therefore, Gareth Bye, the Ethics Liaison for OPM, would be the Ethics liaison for the Board. Ms. Nicolescu touched on Statements of Financial Interest (SFI) and stated that as members, they are required to file a Statement of Financial Interest. Members are required to file the Statements of Financial Interest on or before May 1, 2018.

Secretary Barnes reiterated that since the Board is in OPM for APO, he strongly recommended to the Board any concerns should be addressed with Gareth Bye who is a classified attorney with OPM. Mr. Bye is strongly versed in State Ethics.

FOI will be scheduled at an upcoming meeting as reported by Secretary Barnes.

V. Organizational Matters: Review and Discussion

a. Draft of Bylaws

Noted by Secretary Barnes that drafts of the Bylaws and of the Policies and Procedures were provided to Members at the last meeting held in December, and Members also received new and updated drafts by email that incorporated various comments from Board members. Secretary Barnes entertained a discussion on if any action should be taken on the bylaws, or if more time was required for members to review and to hold on any action for a subsequent meeting.

Treasurer Nappier for point of information, noted the Treasurer's office did review both bylaws and policies and procedures drafts, and offered comment on them to OPM and they were incorporated in to the new and updated drafts.

Commission Jackson spoke on bylaws and need for action on them, with the understanding that they could be amended in the future as more subsequent action is taken.

- Motion by Commissioner Jackson to approve and accept bylaws, Seconded by Sal Luciano. Secretary Barnes noted that the bylaws allow for amendment and envision future amendments and the standard for such amendment would be that the Board may ratify, adopt, amend and repeal, upon affirmative vote of 2/3 of the voting members, which would be required to amend them.
- No further discussion and all members of the Board affirmed in favor.
- Motion carried, bylaws of the Municipal Accountability Review Board (MARB) approved and adopted.

b. Draft of Policies and Procedures

- Amended based on feedback from members prior to the meeting.
- Motion with respect to adopting the Policies and Procedures made by Treasurer Nappier and Seconded by Thomas Hamilton.
- No further discussion and all members affirmed in favor.
- Motion carried and the Policies and Procedures were approved and adopted.

VI. Draft of Guidelines for Municipal Restructuring funds (section 370 of PA 17-2)

Secretary Barnes spoke on the “Guidance Related to the Municipal Restructuring Funds” document that was in the Board packet. These guidelines, which must be issued by the Secretary of OPM, outline what applications for the \$28 million in the State budget for Municipal Restructuring Funds funding should contain and how they will be reviewed and awarded. The Secretary’s review of applications shall be done in consultation with the Board. The guidelines are being provided to members in order to invite their comments and recommendations.

Thomas Hamilton asked about the amount of restructuring funds that is available. Mr. Dakers stated there was \$28 million in both years of the budget, but the amount for FY18, with lapses, is \$27.2 million.

VII. Presentation by the City of West Haven

Secretary Barnes turned the meeting over to Mayor Rossi who introduced herself and thanked the Board for having the City of West Haven to the meeting. Mayor Rossi then turned the meeting over to her Chief Fiscal Officer, Kevin McNabola.

Kevin McNabola, Chief Fiscal Officer of the City of West Haven, introduced himself and made the introductions of the West Haven Delegation and team from West Haven that were in attendance.

- Mayor Rossi
- Michael Last – Treasurer
- Tom McCarthy, Mayors Aide
- State Representative DiMassa
- State Representative Borer
- Chair of the City Council Ron Quagliani
- Chair of the Finance Committee Louise Martone
- Board of Education Superintendent Cavallaro

- Labor Attorney for the Board of Education Floyd Duggas
- Union President from Board of Education Kristan Malloy-Scanlon

Overview given of the City of West Haven by Mr. McNabola for new members of the MARB. Noted that West Haven was previously required to report quarterly to the State Municipal Finance Advisory Commission (MFAC) and that some members of the MARB that were present for the meeting would be familiar with the PowerPoint presentation. Mr. McNabola noted that he and the Mayor have met and have started to formulate a fiscal recovery plan, starting with this year's budget.

PowerPoint Presentation by Mr. McNabola. Copies of presentation given to members of the MARB, and extra copies were made available for the public. Mr. McNabola discussed the major points of the PowerPoint.

- Management
- Financial Operations and Budgets
- Economy and Tax Base
- Debt Management
- Pensions and OPEB
- Collective Bargaining

Mr. McNabola started by reviewing the City's major economic development projects. Mr. McNabola next noted the City has had a deficit dating back to 2005. Reported that in July of last year, a Balanced Budget Ordinance was adopted by the City Council. The Mayor and the Finance Director report to the City Council with quarterly reports.

Balanced Budget Ordinance addressed by Mayor Rossi. Noted that the City adopted it, but did not follow it. Stated she is aware that this needs to be done, but Mayor wanted to make clear this has not been done yet.

Mr. McNabola reported that the City took the action of recalibrating tax collection rate.

Mr. McNabola reported that the projected deficit for FY 2017 as of today, stands at between \$1.0 to \$1.5 million, driven by shortfall in revenues on timing of building permit fees. Current audit of the City is presently going on now as reported by Mr. McNabola and it is anticipates adjustments to audit between now and March 1st. Mayor Rossi spoke to this. Noted the deficit was much higher than the \$100,000 originally reported. Auditors are concurring on higher deficit. The audit is anticipated to be completed soon. An extension was filed, and should be complete by the end of February. Mayor believes it's important for the City Council and the MARB to see this audit.

Mr. Hamilton, discussed the State Law that required that the FY 17 audit be completed by December 31, 2017 and has concerns with audits not being completed on time.

Mayor Rossi stated the City had not selected an auditor until sometime in October, which would not have given the auditor enough time to complete by December 31st.

Secretary Barnes reiterated the need for a schedule going forward that lays out the auditing schedule for future years.

Mayor will look into the contract and the audit schedule, scan the documents and submit to Mr. Dakers.

New auditors are on a three year term as reported by Mr. McNabola.

Ledgers were not complete in a timely fashion for auditors to complete their audit as reported by Mr. McNabola.

As reported by Mr. McNabola, part of the ordinance that was adopted by the City Council, they are required in subsequent budget, to build in part or most of the deficit that exists, so it gets funded properly.

Secretary Barnes spoke on the City's intention that the Budget adopted for FY 19 will eliminate any fund deficit that results from operations in FY 17.

Sewer Fund discussed by Mr. McNabola. Noted this fund acts as a special revenue fund. Projected surplus of 1.5 M. Mr. McNabola stated that favorable balance to the sewer operating fund in the sewer will almost completely wipe out the fund's \$1.5 million deficit. Mr. Hamilton questioned the Sewer Fund and debt service it must pay to general fund. Robert Dakers indicated that the transfer to the general fund for debt service will largely offset the positive results and leave the cumulative deficit at about the same \$1.5 million.

Mr. McNabola discussed the Allingtown Fire Department including ongoing labor negotiations. Quarterly reviews are conducted with the Fire Department. This was a separate taxation entity back in 2012, but has now been brought in and is now under the City as a City department with its own fund. Mr. McNabola discussed FY 2017 - 2018 budget. Total spending increased 3.3 % and there was no mill increase.

Three year plans to be submitted to the MARB for Allingtown Fire District, City's Operating budget and Water pollution Control plan.

Mr. McNabola reported that the City Council has to receive the Mayor's proposed budget by mid-March. Mr. McNabola and the Mayor want to come before the MARB on March 1st, to discuss their FY 2019 budget, to ensure that any changes or adjustments recommended by the Board, can be made before the Mayor's submission of the budget to the City Council, which is scheduled for March 15th of this year.

Mr. McNabola discussed the City's additional State Oversight under Public Act 17-2 and the City's designation under Tier III. The issuance of deficit bonds gave the City a Tier III status. As a Tier III, the City can apply for Restructuring Fund grants for up to \$8 million in FY 2018 according to Mr. McNabola.

Mayor discussed issues and problems related to how the City and its Board of Education reflect expenses and State excess cost funds associated with special education. Secretary Barnes addressed Excess Cost Grant and his understanding of the statutory guidelines. Secretary Barnes, Mr. Hamilton and Commissioner Jackson indicated that there are different ways these funds can be accounted for, but the most important thing the need for the City and Board of Education is to reach a clear and documented understanding about how they will be budgeted and managed.

Ongoing High School project discussed by Mr. McNabola. Noted there is currently \$9 million in outstanding BANS for the project. BANS mature in 1 year; \$38 million will be issued over the course of the next three years.

Mary Glassman requested that the City submit to the MARB a debt schedule of what is coming on and coming off. Mark Waxenberg requested pension obligation bonds be incorporated in the debt schedule that is to be submitted.

Mayor Rossi stated that they refinanced the Pension Obligation Bonds back in 2014 and did not extend the term, but City was able to reduce the interest rate.

In regard to pensions, Mr. Luciano discussed closing pension plans in favor of deferred compensation plans and the increases in liability that results from having to lower interest rate assumptions for closed plans.

Mr. McNabola's presentation then moved to Collective Bargaining and the Union Contracts that are presently in negotiations. City will be converting to HD/HSA Health Plans for savings. City is fully self-insured with a \$250,000

Mr. Hamilton questioned and discussed financial statements on internal funds and the projected deficits in one of more of the city's internal service funds. Mr. McNabola indicated that the largest deficits relate to the City's growing health insurance costs. City to submit information in this regard to these funds to the MARB going forward.

VIII. Tentative Collective Bargaining Agreement Between the City of West Haven and Local 1303-345 of Council 4 AFSME, AFL-CIO

Secretary Barnes asked Mr. Dakers to discuss the Authority of MARB. Authority discussed. Mr. Dakers indicated that the Board has the same authority as the local legislative body to approve or reject, on no more than two occasions, tentative collective bargaining agreements. If both the Board and the legislative body were to take no action, the tentative agreement would go into effect.

Tentative agreement was reached on November 28th, 2017 and November 29, 2017 was sale date of deficit mitigation bonds that led to the City being designated as Tier III. Mr. McNabola reported that once a tentative agreement is reached with the 5 remaining labor contracts, they will be submitted to the Board and City Council so all parties are given adequate time to review.

Treasurer stated that she read the agreement sent to the board on January 9, she had concerns that the Board should adopt pre-established factors or criteria to guide its assessment of the Agreement and allow the Board to articulate the basis for its action, and that taking action on the Agreement at the meeting without a thorough review against such guidelines could result in a perfunctory action and could affect how future collective bargaining agreements were considered before MARB.

Secretary Barnes recommended having the City discuss the highlights and major points of the agreement.

Mr. Egan asked about the Board's authority and that of the Legislative body and if one supersedes the other. Secretary Barnes will put the question to and get clarification from OPM's Counsel regarding the language and intent of the statute.

Question put forth in regards to labor agreements by Mr. McNabola on whether the MARB has the authority to overturn an arbitration award. Mr. Dakers stated, with the exception of the Teacher's unit, the board has the same authority and ability as local legislative body, on no more than two occasions.

Commissioner Jackson reiterated Treasurer Nappier's concerns regarding having criteria and discussed having an Executive Sessions to walk through the TA and to have open discussion and to review negotiations.

Ms. Glassman raised the issue regarding a municipality having the budgeted funds in place to pay for a contract if it's approved.

Mr. Hamilton suggested as labor contracts are considered going forward, the Board should be receiving full comprehensive contract cost analysis. He asked whether the municipality or OPM staff can help prepare this. Mr. Dakers believes a format or template on what the Board is looking for should be drafted.

Mr. McNabola believes a template is appropriate going forward and will help the City in understanding what the MARB needs and wants to see. Secretary Barnes stated a template would be looked at and put together and can be adjusted as the Board goes forward.

Mr. McNabola noted that the tentative agreement was presented to City Council and approved this past Monday night.

Secretary Barnes recommended for discussion purposes, that the Board take no action on this item and let the tentative agreement as approved by the City Council go forward. He noted that he would not normally recommend taking no action, but suggested it because he doesn't want to cast a vote that may be misinterpreted as creating a precedent one way or another. He does not believe the Board has enough information at this time to take action.

Motion made by Mr. Luciano, Seconded by Mr. Waxenberg that no action taken on the Tentative Collective Bargaining Agreement.

Discussion by Mr. Hamilton and questions on cost information and switch of PPO to High Deductible plan. Concerns for the record by Mr. Hamilton regarding maintaining the premium share at its current level in light of the premium shares in other municipalities. He also questioned if the agreement sufficiently addresses OPEB costs.

Mr. Waxenberg discussed his concerns. In the future, wants a background and an analysis done, to examine the available health care options, including a movement into the State plan, as well as health care cost information for the past City 4-5 years, ASO fees, broker fees, and retention fees.

Ms. Glassman stated if State taxpayer funds are going to be used, she will be looking to make sure local communities are putting in place structural changes that will mitigate the long term liabilities costs.

Mr. Luciano discussed HSA's and concerns with them, including the longer term cost implications. Further noted, Board's role is two-fold, and expenses to the City are certainly the role of the MARB, but the Board also needs to consider the impact on employees and services.

Mr. Egan believes the MARB should have in front of them, in the future, some type of comparative of wages, benefits and other provisions for similar municipalities. Asks that any municipality that comes before the Board in the future indicate what they are doing to control or lower other areas of expense, as well.

IX. City of Hartford's Designation as Tier III Municipality

Mayor Luke Bronin stated he along with the City Council, were in agreement with the application to the MARB for designation to Tier III. City is prepared for presentation in the future before the MARB and he looks forward to working with the Board.

X. Information Request from members

Feedback requested by Secretary Barnes on how information is provided and any needed changes to make it more effective.

Request for notice when anything new is posted to the website. Most recent audited financial statements. Most recent pension and OPEB evaluations and labor contracts in advance to be provided. Any additional reports from municipalities, consulting or other information.

Regular correspondence to the board. Recent Official Statements, Charters and budget of municipalities. Rating reports on communities.

XI Next meeting; Schedule for 2018

Special meetings will be held as necessary. Third Thursday for any special meetings will be avoided.

Motion to establish schedule by Mr. Waxenberg and Seconded by Mr. Luciano. All members in favor, Motion carries.

XI. Adjourn

Motion to Adjourn – Seconded and motion carried. Meeting adjourned 12:45 PM

***Potential Action Item**