

DRAFT
State of Connecticut
Municipal Accountability Review Board (MARB)
Special Meeting
Legislative Office Building, 300 Capitol Avenue, Room 1A
Hartford, CT

Meeting Minutes – Friday, September 14, 2018
10:00am – 12:30pm

The following link is to the MARB website. All meeting handouts can be located on this website, along with future meetings dates, agendas and minutes:

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

Members in attendance: Co-chairs: OPM Secretary Benjamin Barnes and Deputy Treasurer Lawrence Wilson (designee of State Treasurer Denise Nappier)

Members: Patrick Egan, Thomas Hamilton, Mark Waxenberg, Bart Shuldman, and Commissioner Scott Jackson; David Walker; Robert White

Members not in attendance: Sal Luciano

Staff: Robert Dakers (OPM), Amy Tibor (OPM), Julian Freund (OPM), Riju Das (OTT)

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

Meeting was called to order by Secretary Ben Barnes 10:06 a.m.

II. Introduction and Swearing-in of New Members: Robert A. White and David M. Walker

Secretary Barnes welcomed new members, Robert White and David Walker. Swearing-in of members was deferred as Treasurer Nappier was not present for meeting. Secretary Barnes announced that OPM has been approached by a small town suffering distress. The Board may hear from the town who is currently weighing the idea of voluntarily going into Tier III.

III. Public Comment Period

None.

IV. Action Item: Approval of Minutes: July 17, 2018

Secretary Barnes requested a motion to approve the July 17th minutes. Motion made by Mr. Shuldman and seconded by Mr. Wilson. Mr. Shuldman requested clarification on the language on page 2, third paragraph where Ms. Savitsky states “eliminate future benefits.” It was agreed to change the term “eliminated” to “reduce”. With this amendment members unanimously approved the July 17, 2018 minutes.

V. City of Hartford Issues and Items

a. Review and Update: MARB Hartford Committee Meeting, August 10, 2018; Upcoming Meetings

Secretary Barnes asked Mr. Dakers to provide a status report on the activities of the MARB Hartford Committee. It was announced that committee status reports will become a standing item on the full MARB agenda. Mr. Dakers stated that the committee last met on August 10th. The next meeting will be held on September 20th. Mr. Dakers announced that the Committee spent the majority of the meeting discussing special education, a growing cost within Hartford. There may be ways, efficiency initiatives, in which these costs can be addressed. The meeting resulted in a number of follow-up issues.

Mr. Waxenberg added that the majority of the meeting was devoted to conversation around the board of education budget which presents significant concerns about special education costs. Mr. Waxenberg provided a brief recap of the highlights of the meeting, broken down into the following main categories:

- 1) Special education budget. Discussed partnering potentially with the State Department of Education to do a study of special education program within Hartford.
- 2) Auditing of the health insurance on the board-side (as opposed to town side). Committee discussed a potential for Segal Consulting to conduct a comparison of alternatives and approaches.
- 3) Discussion around the issue of monies in the school board budget going to a state school that is not underneath its jurisdiction (the charter school). Asked for MOU going back to 2008. The superintendent is looking for help as to how she can modify or end the MOU as it is a significant cost. This will also be analyzed.
- 4) Discussion of what is being done with the non-union employees and ways to reduce its cost. How many are non-union and what actions are they taking to reduce/modify costs.

b. Review and Discussion of Revised Monthly Financial Report: June 2018 (FY18)

Mayor Luke Bronin announced that Hartford's FY18 close is very much in line with the last projections MARB members saw and is on target with the plan reviewed with them. Mayor Bronin introduced Melissa McCaw to provide a summary of the City's FY18 financial report to the MARB. Ms. McCaaw announced that in August, she provided the Board with a projection for FY18. The updated report in front of members today is consistent with the projection that was previously provided. The City, with only a handful of areas where there are open items (benefits, workers comp, health insurance), expects to close the year with a surplus of approximately \$75k. Melissa took questions from the members.

Secretary Barnes asked if any of the outstanding items pose any risk that could turn this narrow operating surplus into a deficit, or do none of them reach a scale that could do that. Melissa responded that none of the items are at a level of materiality that would change the outcome.

Commissioner Jackson asked Melissa to talk about policies on incurred but not reported medical expenses. Melissa responded that the City is awaiting IBNR data from providers with regard to workers comp and health insurance. The City hopes to have this information within the next two

weeks or so at which point it will be evaluated whether there is any additional expense to the City.

Mr. Egan asked a question regarding the status of the City's and BOE's collective bargaining negotiations. Ms. McCaw noted that the City has provided this information to the Board regarding the City and is seeking similar information from the BOE. Once received it will be shared with the MARB. Mayor Bronin noted that Hartford will be bargaining with respect to pension for City and BOE employees (non-teachers as teachers are in the state retirement system).

Mr. Walker complimented Mayor Bronin on being candid with the public and the press about the serious financial challenges facing the City of Hartford. He asked Mayor Bronin, with regard to the agreement between the state and the city with regard to debt, if he viewed this as an assumption of the debt or a guarantee of the debit. Mayor Bronin stated that he does not see it as an assumption but as a contractual commitment to pay the debt service, noting that it may be best to get the answer come from a practicing attorney practicing in this area.

Mr. Walker asked if the Mayor can provide an estimate of what the mill rate would be if it were the same as the rest of the state (i.e. without the differing residential assessment percentage). Mayor Bronin responded that this analysis has been done and he will provide it to Mr. Walker at the next meeting. Mayor Bronin stated that a number of different estimates have been done pointing to a mill rate well north of 60; roughly 20% of the City's grand list is subject to that lower assessment ratio.

c. Review and Discussion of Monthly Financial Report: July 2018 (FY19)

Melissa announced that the FY19 adopted budget is approximately \$570m. July actuals are closed and final. August is not closed and will continue to change. Property tax collections are trending in line with the prior year. Licensing and permits are also tracking consistent and slightly more favorable through the second period of the year. The City will continue to monitor this item throughout the year. Melissa took questions by the members. Ms. McCaw discussed the handling of the first payments being provided by the three local companies and other changes in revenues and expense. At this early stage, the City is projecting balanced operations.

Members discussed XL Center issues and past due bills regarding Police extra duty. Secretary Barnes stated that he hopes the state can find a way to control the expenses at the Center in the event the CRDA and XL Center not be able to incur all the costs.

Members discussed the non-action of the City Council with regard to changing the pension benefits to a defined contribution plan for new, non-union employees. Mr. Shuldman stated that the Council owes the MARB an apology and an explanation as to why they are not going forward with the recommendation of the MARB. Mayor Bronin noted that the Council has not rejected the plan, that they have not yet taken action. Conversation ensued with Secretary Barnes sharing Mr. Shuldman's concerns. He expressed some concern from a government standpoint that the Board agreed to the 5 year plan with the finance staff and the Mayor but the

Board ultimately depends on the entire council to carry it forward. Secretary Barnes stated that the MARB should ask the council to come in provide their view on why they have not taken up the recommendation to move to a defined contribution plan, and whether they intend to take it up in the future.

Mr. Luciano suggested that it not be the assumption that going to defined contribution is necessarily going to save money. Mr. Luciano stated that he wants to challenge the broad assumption that that's always true.

Members discussed at length, the MARBs level of authority, the overall process by which municipalities are to follow, level of oversight by the MARB, mechanisms of said oversight, and legacy liabilities/responsibilities.

Mr. White asked in coming to an agreement on a five year plan, to what extent is the Board asking for promises from the municipality about events going beyond the five years. Secretary Barnes stated that the process is imperfect. With regard to Hartford, when the Board adopted their plan it was at the same time that they had reached a contract assistance agreement, and at that moment that MARB approved the plan, the Council was acting on adopting the FY19 budget with amendments. Secretary Barnes stated that as he sees it, when the municipality enacts a budget, each year the plan will be updated and approved by this Board, and the City will be expected to appropriate the actual budget year in accordance with that plan. MARB will continue to have the five year outlook and the City will continue to appropriate according to the plan.

Mr. Shuldman stated that when the five year plan came up, the first plan was still in deficit. He expressed that the cancer in each one of these communities are the long-term liabilities. Mr. Walker emphasized the importance of benchmarking the state's towns and cities. Mr. Egan stated that when the municipalities' five-year plan ends, it does not mean the MARB's jurisdiction ends.

d. Review and Potential Action re: Non-Labor Contracts

Ms. McCaw provided a brief overview of Hartford's contract with the company which provides the City's DPW employees with uniforms and gear. This a requirement of their collective bargaining agreement and the uniforms are procured through a national government contract pricing program. The City has had the contract in place for 3 years and this request is for a continuation of the contract which is a value of up to 100k. After some questions, the Board had no comments on this contract.

e. Review and Update re: Labor Contracts

Ms. McCaw provided a brief update on labor contracts which was provided within their packets. No comments.

Secretary Barnes introduced new OPM employee, Julia Freund, who was recently hired to provide support to MARB.

VI. City of West Haven Issues and Items

a. Review and Update: MARB West Haven Committee Meeting, August 22, 2018; Upcoming Meetings

The City passed passed out an updated 5-year plan. There was concern expressed by the multiple versions of the document. Secretary Barnes noted that adoption of the plan is not on this special meeting agenda, that this is a discussion of a work in progress. Mr. Shuldman made the request that whenever an update is made it is clear supporting information be provided.

b. Review, Update and discussion re City's Revised Draft Five Year Recovery Plan

Mayor Rossi stated that a full-time public works director and a new finance director have been hired by the City. Mayor Rossi introduced Jack Reagan from UHY, a consulting firm that the City has hired to help compile and put together a 5 year plan. Mr. Reagan presented a high level overview of some of the major plan assumptions developed by staff in consultation with the committee and board. The 5 year plan covers FY's 19-23 and includes the City itself, the Allentown fire district and the water pollution control operations (sewer). It does not include the City's two additional fire districts, although some financial information regarding the two districts has been provided in the back of the plan that the Mayor had to obtain via the FOI process.

Mr. Reagan pointed out that while there is a mill rate change included in the plan for real and personal property, the motor vehicle mill rate is being held constant. The plan includes a 4% value increase in the grand list starting FY20 in line with historical norms and economic indicators. Tax collection rate will stay in line with historical norms. Other revenues will stay flat over the 5 year period.

Mr. Reagan stated that in consultation with a healthcare consultant, the city obtained a report which indicates an 8.4% increase in healthcare costs is appropriate. Mr. Reagan that the supporting documentation regarding the City's health insurance projections will be provided to the MARB.

Mr. Reagan took questions by the Board.

Mr. Egan expressed concern that it may be out of order to take up a newly drafted plan, stating that it would be prudent for the Board to defer this new plan back to the Committee giving new members the opportunity to review it. He indicated that there are substantial changes in the new draft.

Secretary Barnes reminded members that since this is a special meeting the agenda cannot be amended. It is to the Board's discretion that they examine whichever draft they care to examine. Secretary Barnes stated that the plan that was passed out today in many respects has a relative finite number of improvements; clearly this matter will go back to the Committee, but there is value in giving the City an opportunity to speak to the full board.

Members continued their questioning. Mr. Walker asked for clarification with regard to supplemental mill rates on top of the base mill rate for various districts within the city. He asked if this is correct and if there is any part of the city that does not have a supplement? Mayor Rossi answered that there is not. Mr. Walker asked why the city would have three fire districts and why should the Connecticut taxpayers subsidize them. Mr. Walker pointed out that the plan assumes the city will get \$8m from the State for both FY18 and 19.

Mr. Shuldman asked if there has been any attempt to reconcile or determine costs if there were one fire district. Mayor Rossi explained the structure. She cannot force the two districts under the City. A study was done back in 1996 and they will contact the consultant who developed the report to have this plan updated. The fire chiefs have agreed to come to the table.

Mr. Shuldman also expressed concern that the city is requesting funding (\$6m in FY20, \$4m in FY21, \$2m in FY22) with the only funding be approved and available being FY's 18 and 19.. Mayor Rossi explained that the idea was to show weaning off of restructuring funding per the statute.

Mr. Shuldman, based on the lack of progress in developing a plan the Board can approve, asked the chair for a vote to move West Haven to Tier IV. Secretary Barnes reminded members that since it is a special meeting, the agenda cannot be altered; however a motion can be made to call a meeting with the expanded Board, this would be appropriate under the "other business" agenda item.

Members asked procedural questions with regard to MARB authority and structure: whether the Board has the ability to approve a plan with contingencies (a plan that is essentially approved subject to certain activities happening), whether the funding they are providing is a year-by-year decision.

Secretary Barnes said yes and also explained that the Board would approve a plan and they would need to approve any *changes* to that plan, with the assumption that it be on an annual basis. Members discussed how to hold municipalities accountable to the conditions of the terms.

Secretary Barnes announced that OPM is currently in negotiations with Michael Milone, a recently retired finance director from Cheshire who has agreed to represent this Board on a day to day basis in West Haven. OPM will be in a position to approve this contract in October. Mr. Milone will work on-site in West Haven and report back to the Board regularly.

Mr. Egan asked how many additional meetings Mayor Rossi has had with the fire chiefs. Mayor Rossi responded that she has met with them on this on a few occasions. She noted that the chiefs would need to bring the recommendations by the city back to their respective boards for approval. The only reason Allentown is underneath the City is because their voters voted to do this. Mr. Egan asked when the Mayor expects there would be a conclusion as to the thoughts of the fire district chiefs. Mayor Rossi responded that she hopes by the end of this year. She does not know how long it will take to get the 1996 report updated.

Mr. Hamilton stated that a consolidation of fire districts ought to involve a number of people coming to the table, and potentially some legal service. Mr. Hamilton asked Mayor Rossi if she has reached out to any firms or considered hiring someone to assist in helping to craft the legal documents that would go along with the consolidation. Mayor Rossi agreed with this idea, stating that an attorney was present for the transition of Allentown under the West Haven jurisdiction. She stated that she could go back to them for more information.

Mr. Wilson asked that cash flow schedules be provided on a weekly basis by both Hartford and West Haven.

Mr. White commented that it is a good idea to have a consultant on the ground and reporting back to the MARB, as well as getting consultants to assist with the consolidation of the fire districts. He commented that retiree health numbers struck him as one of the long term problems and asked Mayor

Rossi if she has any outside expert help in creating plans or strategies to deal with that long term. Ms. Savitsky stated that West Haven handles its retiree health pretty much the same as others do and uses Milliman as its pension and OPEB actuary. Mr. Walker pointed out that the city has \$190m in OPEB unfunded liability. He suggested they (and all municipalities) take a look at those plans and benchmark them against what other plans are; this is probably the biggest single area in rationalizing the plans so that they are sustainable/affordable.

Mr. Waxenberg asked to be reminded the Board that Segal Consulting is under contract with the Board to review and suggest changes to the City's health insurance plans.

A discussion of monthly reporting took place. Ms. Savitsky commented that the city does not have capacity to produce and review monthly reports. It operates with seven people and a tremendous amount of work load. The Mayor was agreed that a July and August report will be produced by the City and provided to the MARB.

c. Review and Discussion Monthly Financial Report: June FY2018 (FY18)

The City indicated it would begin providing monthly financial reports.

d. Review and Discussion Monthly Financial Report: July FY2018 (FY19)

The City indicated it would begin providing monthly financial reports.

e. Review and Update re: Labor Contracts

Secretary Barnes indicated that the members have two non-collective bargaining agreements before them. UHY consultants are assisting the City with its 5-year plan. It was not brought forward previously because it was not at the \$50k mark. Mr. Walker pointed out that there is no cap on the cost for the UHY consultant and advised the Mayor to make sure metrics and milestones are in place to measure the services, as such costs can add up very quickly. Secretary Barnes made the recommendation that the contract be monitored very carefully.

Mayor Rossi announced that the City has entered into contract with Jennifer Amendola as the City's ERS Director. Upon consulting with the three fire chiefs, it was agreed to hire Ms. Amendola who will leave her dispatcher position to take on supervising the department. After discussion, there were no comments from the Board.

Summary of a Status of Collective Bargaining –

Mr. Dakers passed out a tentative agreement involving a salary reopener in the Teachers contract. Reopener is limited to wages only.

Mr. Waxenberg stated that he is not sure the Tier III powers re collective bargaining agreements applies to teachers. Mr. Dakers state that they will get clarification on this.

It was noted that the next full meeting of the MARB is within the 30 days of the agreement being submitted to the City Clerk, meaning any MARB action would likely be at the October 4th meeting.

VII. Other Business

Mr. Shuldman requested that a motion be made to have a vote to place the City of West Haven into Tier IV. Secretary Barnes requested a second on Mr. Shulman's motion that would direct staff to arrange a meeting to further discuss and decide this in accordance with the Act governing these matters. Mr. Walker seconded the motion. Mr. Waxenberg requested an amendment to the motion that at the next regularly scheduled MARB meeting in October that the West Haven Committee come before the full MARB and make a recommendation relative to the movement of West haven to Tier IV. It was discussed that such a committee meeting was already the plan.

Secretary Barnes stated that given the complexity of scheduling these meetings, it is likely we would schedule the special meeting on the same day of the regular Board meeting. The next meeting of MARB is Oct. 4th or it can be done sometime thereafter.

Secretary Barnes called for a vote on Mr. Shuldman's motion that a meeting be scheduled that would \ to consider a movement to move West Haven to Tier IV, which meeting would include the City representatives, including two as voting members, as required in the Act. Mr. Walker noted again again that the Board would invite those persons to the meeting for discussion, debate and possible action. Today's motion does not result in West Haven's movement to Tier IV, but rather to put the Board in a position to be *able* to consider such a vote.

Four members opposed the motion: (Mr. Waxenberg, Mr. Luciano, Commissioner Jackson, Mr. Wilson). Mr. White abstained. Five members voted in favor: (Secretary Barnes, Mr. Shuldman, Mr. Hamilton, Mr. Egan, Mr. Walker). Motion carried.

VII. Future Meetings

The next meeting is October 4th at the Board of Regents boardroom in Hartford.

IX. Adjourn

Chairman Barnes requested a motion to adjourn. Motion made by Mr. Hamilton and seconded by Mr. Wilson, with all members voting in favor. The motion carried unanimously and the meeting was adjourned at 12:53pm.