

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICIAL MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

SPECIAL MEETING

WEDNESDAY, OCTOBER 10, 2018

Meeting Location: Office of Policy and Management
450 Capitol Avenue, Conference Room 4A
Hartford, CT 06106

Date/Time: October 10, 2018, 10:00 A.M.

Members Present: Ms. Kathleen Clarke Buch
Mr. Robert Dakers
Mr. Douglas Gillette
Mr. John Schuyler
Ms. Rebecca A. Sielman
Ms. Diane Waldron

Members Absent: Mr. Robert Burbank
Mr. Michael LeBlanc

Others Present: Jean Gula, OPM Staff
William Plummer, OPM Staff
Morgan Rice, OPM Staff
Ann Marie Rheault, Finance Director, Town of Plymouth

1. Introduction/Call to order

The meeting was called to order at 10:07 a.m. by Commissioner Dakers.

Commissioner Dakers noted that former Chairman Tom Hamilton had resigned from the Commission. The Commissioners present concurred that Commissioner Dakers would act to chair today's meeting. Commissioner Dakers also stated that Michael Leblanc, Finance Director of the City of Waterbury had recently been appointed to the Commission to replace Mr. Hamilton.

2. Approval of the Minutes to the December 13, 2017 Meeting

The minutes of the December 13, 2017 meeting were approved. Commissioners Sielman and Waldron abstained as they were not in attendance at the meeting.

3. Town of Plymouth –Review of the results of the June 30 2017 audit, status of the June 30, 2018 audit and other fiscal related matters

Commissioner Sielman indicated that her firm provided actuarial services to Plymouth.

Commissioner Dakers requested an update on the status of the Plymouth audit submissions to OPM. Mr. Plummer indicated that the Town had submitted its FY 2016-17 audit report in June 2018. He also noted his understanding that the Town, as recommended by the Commission, did hire someone to assist with getting the Town's financial records in order. The Town's finance director, Ms. Ann Marie Rheault, confirmed that the Town did hire Ms. Ann Harter, a former municipal finance director to assist the Finance Department. Ms. Rheault commended Ms. Harter on the work that she has done to get the Town's financial records in order. Ms. Rheault believes that future audits, beginning with the June 30, 2018 audit, will be completed in a timely manner and submitted to OPM by the December 31st due date required by State law. She also indicated that there was a new school business manager. She plans to work with him on various financial matters affecting both the school system and town finances.

Ms. Rheault provided a description of the FY 2016-17 audit results. The Town had a small operating surplus in its general fund of approximately \$35.0 thousand. The Town did incur revenue shortfalls in certain areas (current/prior taxes, foreclosure sale proceeds, ECS grant) but with its implementation of cost containment efforts in 2017, the town was able to end the year basically at break-even between total revenues and total expenditures. Commissioners made several inquiries to Ms. Rheault regarding the Town's fund balance, the finances of the Sewer Fund, etc. Commissioners also discussed with Ms. Rheault the audit findings and management letter comments from the FY 2016-17 audit.

Ms. Rheault also reviewed the unaudited results for FY 2017-18. Preliminarily, she is projecting that the Town will have a \$760.0 thousand operating surplus. With the continuing uncertainty regarding State aid levels and the realization that there would be a shortfall in certain budgeted State grants, the Town focused during the year on reducing costs by not filling positions and implementing other cost containment measures. She is projecting on a preliminary basis that Board of Education expenditures were \$1.1 million less than what was budgeted and municipal expenditures were \$987.0 thousand less than budgeted. Ms. Rheault anticipates having a draft of the FY 2017-2018 audit report by the end of November, allowing the Town to issue the report by the December 31st due date.

Ms. Rheault provided information regarding the adopted FY 2018-19 budget including some of the assumptions made for that budget. The Town's plan is to generate sufficient surpluses to continue to increase its fund balance reserves. The budget included \$200.0 thousand for contingencies.

In terms of current matters related to the Town's finances, Ms. Rheault reported that the Mayor is in negotiations regarding various labor contracts. The Town is in the

early stages of replacing its current accounting software. The new software will be shared by both the Town and the Board of Education. The goal is to have the new system in place by the end of FY 2018-19. The Town will be issuing bonds in the very near future and will be meeting with a rating agency. Commissioners provided suggestions regarding implementing a new financial software and the timing of putting the new system in place. Ms. Rheault also described several capital projects the Town recently undertook.

Commissioners expressed their appreciation for the Town's attendance and presentation.

4. Town of Winchester – Fiscal Condition Update

Commissioner Gillette indicated that the Town was a client of his firm.

Commissioner Dakers reminded his fellow Commissioners that the Town had indicated its desire to being removed from the Commission's purview. Mr. Plummer directed Commissioners to the financial information that the Town had submitted for today's meeting. He reminded Commissioners that at the last meeting, Commissioners indicated that they would like to see the results and the timing of the completion of the FYE 2016-17 audit before deciding whether a recommendation should be made to the Secretary of OPM that the Town no longer be under the purview of the Commission. He indicated that the June 30, 2016-17 audit was submitted in January 2018 and that there was one audit finding reported. Mr. Plummer noted that from the information provided by the Town for today's meeting the Town's finances appeared to be trending upwards based upon a number of financial metrics.

Commissioners noted that they would like to review the Town's FY 2017-18 audit prior to determining whether to request the Secretary to end the Town's referral to the Commission.

Commissioners indicated their recognition of the significant improvement in the Town's finances from when the Commission first met with the Town. However, in reviewing the June 30, 2017 audit report, Commissioners expressed some concern in regard to the Town's pension plan investment rate of return. According to the audit report, the Town in its latest actuarial valuation of the plan used a 7.75% rate of return versus the 4.0% used in earlier valuations. Commissioners discussed the reasons that might underlie such an increase in the rate of return, and the impact of such a change on a plan's unfunded liability and the actuarially determined contribution rate. Commissioners requested that OPM staff contact the Town to inquire about this matter.

Commissioners requested that OPM staff also inform the Town that the Commission recognizes that, from the information provided, the Town has made significant improvements to its finances.

5. Preliminary Projected Tiers under P.A. 17-2 and Chapter 117 of the General Statutes - MARB

Commissioner Dakers indicated that there could be an evolving role for the Commission as it relates to P.A. 17-2 (the “Act”) and designated Tier I and III municipalities. He described the following:

- **Tier I Municipalities:** Under the Act, a municipality that has been designated as a Tier I municipality would fall under the oversight of the Commission. This would mean that additional municipalities may come under the purview of the Commission from towns being designated as Tier I municipalities.
- **Tier III Municipalities:** There are several different methods under the Act by which a municipality can be designated as a Tier III municipality. One of those being that the municipality meets the Tier III set of criteria delineated in the Act and the Secretary of OPM, based upon reports and findings of the Commission, finds that the municipality’s fiscal condition warrants a Tier III designation. Therefore, it would appear that the Commission will now be tasked with providing reports and findings to the Secretary regarding the financial condition of municipalities that meet the Tier III set of fiscal criteria provided under the Act. These findings and report on the fiscal condition of a municipality will be used by assist the Secretary in determining whether to designate a municipality as Tier III.

A discussion ensued among Commissioners as to whether the Commission should seek to develop standards for the reports and findings that it would send to the Secretary to assist in determining whether a municipality should be designated as Tier III. These standards would include the development of a list of fiscal condition indicators that the Commission could use as “red or “yellow” flags regarding a municipality’s financial health. Commissioners requested that OPM Staff notify the Secretary of the Commission’s intent in order to determine if there were any specific guidance that the Secretary would like to convey to the Commission in regard to this matter.

6. Other Business

None

7. Adjourned.

The meeting was adjourned at 11:33 p.m.

Respectfully submitted,

Douglas W. Gillette
Commission Secretary