

**Resolution of the State Municipal Accountability Review Board
Regarding the
City of West Haven's Fiscal Year 2017-18 Budget & Proposed Annual Budget for Fiscal Year 2018-19**

Approved: May 3, 2018

WHEREAS, the City of West Haven is a designated Tier III municipality under Public Act 17-2 ("the Act"), which designation involves oversight by the Municipal Accountability Review Board ("MARB");

WHEREAS, the MARB, under the Act, has responsibilities for reviewing, monitoring and taking certain actions related to existing and proposed budgets and financial plans, including approving any assumptions to be used with respect to property tax revenues and state revenues in annual budgets;

WHEREAS, the City of West Haven is projecting a deficit of almost \$8.0 million in the current fiscal year, 2017-18, and its draft audit for the previous fiscal year is projecting a deficit of approximately \$1.4 million for the previous fiscal year, 2016-17, resulting in combined projected operating budget losses of over \$9.3 million;

WHEREAS, the Mayor's Proposed Budget for Fiscal Year 2018-19 proposes to achieve balance through various personal and expenditure reductions and the receipt of \$9.0 in State Municipal Restructuring Funds ("restructuring funds") available to Tier III municipalities according to the Act, which funds are to be awarded and administered by the Secretary of the Office of Policy and Management ("OPM") in consultation with the MARB;

WHEREAS, the guidelines for the award and administration of the restructuring funds require eligible municipalities to submit an application, which application shall include, among other items, the municipality's five-year recovery plan, which shall outline both the funds requested and the actions to be taken by municipality to achieve structural budgetary balance;

WHEREAS, while the City of West Haven has indicated it will seek state restructuring funds related to its projected fiscal year 2017-18 projected deficit, and potentially the projected fiscal year 2016-17 deficit, and for the \$9.0 million gap in the proposed fiscal year 2018-19 budget, the City has not submitted the five-year recovery plan included in the requirements for the receipt of these funds;

WHEREAS, the MARB's ad-hoc committee for West Haven budget and financial matters has been meeting to review the City's fiscal year 2017-18 budget, the proposed fiscal year 2018-19 budget and factors impacting the City's long-term budgetary balance, the results of which, including requests for additional information, are reflected in the attached April 19, 2018 letter (Attachment A) sent to the City by OPM Secretary Barnes;

WHEREAS, in the attached letter, Secretary Barnes requested updated information, by May 3rd, regarding: 1) the deficit in the fiscal year 2016-17 audit; 2) projections for fiscal year 2017-18; 3) debt service schedules for fiscal years 2017-18 and 2018-19; 4) projections for health insurance for the City, education, the sewer fund and Allingtown Fire; and 5) a plan to mitigate the deficit in the current year;

WHEREAS, the Secretary's letter also addressed issues associated with current property tax collections and the handling of both additional State Education Cost Sharing funds and of the transfers-in and out associated with the sewer fund in the proposed budget for fiscal year 2018-19, and further indicated that such budget should contain such actions that are necessary to limit the need for restructuring funds to \$6.0 million, as opposed to the \$9.0 million in the proposed budget, with an additional with additional funding potentially available to address prior year deficits and MARB expenses; and

WHEREAS, the Secretary's letter stated that the expectation is that the City's recovery plan, when submitted, will contain a decreasing reliance on recovery funds in future years and the need for major structural changes in regard to property taxes and other revenues in order to address the City's structural gap.

NOW, THEREFORE, BE IT RESOLVED, that the City submit the requested action plan to mitigate the current fiscal year, 2017-18, projected deficit to the extent possible, not later than (date);

BE IT FURTHER RESOLVED, that that the MARB hereby approves the property tax revenue collection assumptions in the proposed budget for fiscal year 2018-19 for use in the adopted annual budget for such year, conditioned upon verification that the assumed percentage current tax collection rate for current taxes is no higher than the average for the three-years ending June 30, 2017 and the amount of the taxable grand list, which approval does not relate to the sufficiency of the mill rate in the proposed budget;

BE IT FURTHER RESOLVED, the MARB approves assumptions related to State revenues in the proposed fiscal year 2018-19 budget, with the following exceptions:

- 1) that any increase in Education Cost Sharing revenue be budgeted in accordance with the requirements of West Haven's status as an Alliance School District;
- 2) that the amount of the restructuring funds for fiscal year 2018-19 operations be reduced from \$9.0 million to \$8.0 million, provided that such budget separately establishes amounts of no more than \$6.0 million to fund fiscal year 2018-19 operations, a minimum of \$1.75 million restricted to prior year deficit reduction and fund balance restoration and \$250,000 for current and future MARB expenses; and

BE IT FURTHER RESOLVED, that the MARB recommends that the City's receipt of restructuring funds for fiscal years 2017-18 and 2018-19 be conditioned upon the receipt and State acceptance of the City's five-year recovery plan and the MARB's finding, based on documentation acceptable to the MARB, that the adopted annual budget for fiscal year 2018-19 does the following:

- 1) conforms with the assumptions and conditions approved in this resolution regarding property tax revenues and State revenues;
- 2) budgets sufficient amounts, in all funds, for health insurance, debt service, pensions and special education costs;
- 3) provides sufficient resources in the sewer fund budget to fund the transfer out to general fund;
- 4) has revenues and expenditures for the Allingtown Fire Department that are balanced; and
- 5) contains actions necessary to reduce the restructuring funds from \$9.0 million to \$6.0 million for fiscal year 2018-19 operations in a manner that conforms with budget evaluation criteria from the MARB's policies and procedures, attached hereto as Attachment B.

ATTACHMENT B-MARB BUDGET REVIEW CRITERIA

1. The reasonableness of the assumptions utilized with respect to expenditures and revenues.
2. the overall balance and imbalance of expenditures and revenues;
3. the achievability of efficiency measures included in the recommended budget;
4. its impact on the municipality's long-term liabilities and the municipality's most current three-year financial plan; and
5. any other issues or matters that would impact, in the MARB's opinion, the municipality's financial sustainability and vitality.