



STATE OF CONNECTICUT OFFICE OF POLICY AND MANAGEMENT

MUNICIPAL FINANCE ADVISORY COMMISSION

DRAFT MINUTES – REGULAR MEETING

Wednesday, April 17, 2024

Meeting Location: Telephonic Meeting

Date/Time: April 17, 2024, at 10:00 A.M.

Members Present: Mr. Michael LeBlanc, Commission Chair
Mr. Anthony Genovese
Mr. Glenn Rybacki
Ms. Rebecca A. Sielman
Mr. Edward Sullivan
Ms. Diane Waldron

Members Absent: Ms. Kimberly Kennison

Others Present: William Plummer, OPM Staff
Michael Reis, OPM Staff
Morgan Rice, OPM Staff
John Mehr, OPM Staff
Simon Jiang, OPM Staff
Lori McLoughlin, OPM Staff
Joseph DiMartino, Mayor, City of Derby
Brian Hall, Finance Director, City of Derby
Dr. Matthew J. Conway, Jr., Superintendent, Derby Public Schools
Robert Trainor, Business Manager, Derby Public Schools
Lauren Garrett, Mayor, Town of Hamden
Curtis Eatman, Finance Director, Hamden
Joseph Kilduff, Mayor, Town of Plymouth
Grace Zweig, Finance Director, Town of Plymouth
Mayor, Roberto Alves, City of Danbury
Dan Garrick, Finance Director, City of Danbury
First Selectman, Dan Cunningham, Town of East Lyme
Kevin Gervais, Finance Director, Town of East Lyme
David Porter, Town Manager, Town of Marlborough
Linda Savitsky, Interim Finance Director, Town of Marlborough
John Accavallo, Accavallo & Company, LLC
Vanessa Rossitto, Nikoleta McTigue, Santo Carta - CLA
Scott Bassett, RSM

1. Call to order

The meeting was called to order at 10:01 a.m. by Commission Chair LeBlanc.

2. Approval of the meeting minutes of February 28, 2024 Meeting

The minutes were unanimously approved by all Commissioners in attendance except for Commissioner Sielman who abstained as she was not in attendance for the February 28th meeting.

3. FY 2022 and 2023 Municipal Audit Reports Update

Mr. Plummer provided a brief update on the FY 2023 audit report submissions. He indicated that OPM's 4-year analysis of the 2020-2023 municipal audit report submissions indicated a significant drop off in audit reports submitted on time to meet the December 31st filing due date. In general, the audit reports are taking longer to be submitted as evidenced in OPM's 4-year analysis based upon the month of report submission. To date, 124 municipalities have submitted their FY 2023 audit reports.

Commissioner LeBlanc indicated that there were three municipalities that were in attendance for today's meeting to provide the Commission an update on their delinquent FY 2022 audit reports.

a) City of Danbury:

Mayor Alves introduced himself and stated that he believes that the City has taken significant strides towards completion of the FY 2022 audit. The City has been working with its outside consultants, CLA, to provide the financial information that its external auditor, Scott Bassett from RSM needs in order to complete the FY 2022 audit. The City recently took time to pull its resources together to intensely work on providing S&P the financial information it needed to remove the City from its watch list. The City was successful in being removed from the rating agency's watch list and was able to produce a draft FY 2022 audit report. Mayor Alves indicated that he has aggressively successfully worked towards filling the open positions in the Finance Office with one more vacancy to fill as it relates to the grant side of things.

Scott Bassett from RSM introduced himself as the City's external auditor. He indicated that he has confidence in the numbers reported in the draft FY 2022 financial audit report. Over the past two months, the City has invested an incredible amount of resources towards completion of the FY 2022 audit despite being short staffed throughout much of the audit process. Mr. Bassett believes that the audit is 95% completed but that the remaining 5% can be somewhat difficult. Nevertheless, he believes that the FY 2022 audit can be completed in another 2 to 3 weeks. Once the FY 2022 audit is completed, it is his intent to promptly start the FY 2023 audit.

Commissioners thanked Mayor Alves and his staff for attending today's meeting and requested the City's attendance at the June 5th MFAC meeting.

b) Town of East Lyme:

Finance Director Kevin Gervais introduced himself and First Selectman Dan Cunningham. He indicated that a draft of the FY 2022 audit report was provided earlier in the week for today's meeting and that he hoped that the audit report could be issued in a couple of weeks. He believes that the final outstanding items that remain to be completed was in regard to single audit matters. The Town has retained a second external accountant to assist the finance office and in wrapping up the FY 2022 audit. The Town is in the process of compiling its FY 2023 financial information and closing out its FY 2023 records to ensure that it is audit ready as it relates to the FY 2023 audit once the FY 2022 audit is completed in the next couple of weeks. First Selectman Cunningham indicated that he is optimistic with wrapping up the FY 2022 audit and believes that there is momentum towards moving forward of the FY 2023 audit now that the Town has the staffing in place.

Nikoleta McTigue from CLA, the Town's external audit firm, indicated that taking into account that the FY 2022 audit has to get through the firm's quality control review, she would expect that it is more realistic to project the FY 2022 audit report to be issued within the next 3 to 4 weeks. It is her belief that the audit firm will be in a position to quickly move on transitioning towards working on the FY 2023 audit once the FY 2022 audit has been completed. Commissioners expressed their appreciation to Town officials for attending today's meeting and requested the Town's attendance at the June 5th MFAC meeting.

c) Town of Marlborough

Town Manager David Porter introduced himself, Interim Finance Director Linda Savitsky, and the Town's independent auditor, Vanessa Rossitto from CLA. He indicated that the Town had recently received a draft of the FY 2022 audit report and that the Town is currently reviewing the draft report and completing the MD&A for inclusion in the audit report. The Town has worked closely with CLA and expects that the audit report can be issued by April 30th. CLA is expected to be retained to complete the FY 2023 audit and he has scheduled a call with the firm to work out the timeline to begin the FY 2023 audit. Ms. Rossitto indicated that upon completion of the FY 2022 audit, her firm should be able to have the time available to begin working on the FY 2023 audit as long as the information needed is available.

Commissioners expressed their appreciation to Town officials for attending today's meeting and requested the Town's attendance at the June 5th MFAC meeting.

4. **City of Derby**

Commissioner Rybacki stated that for the record, the City is a client of his firm.

Derby's Mayor, Joseph DiMartino, introduced himself, Finance Director Brian Hall and John Accavallo, the City's independent auditor. Mayor DiMartino indicated that Mr. Hall was recently hired as the City's full-time Finance Director and was no longer filling the role in an interim capacity. The City has been without a permanent Finance Director for almost two years. In addition, the City hired a full-time Tax Collector, which the City has not had in three years. He announced that the previous night to today's meeting, the City adopted its FY 2024-25 budget.

Mr. Hall indicated that the FY 2024-25 budget that was adopted was based upon a 4.6 mil increase. It was unfortunate to have this level of tax increase but it was necessary in order to have a realistic balanced budget and to lay the foundation of small increases to the tax levy in future years like most municipalities as opposed to the need for sharp tax levy increases due to unbalanced budgets that have led to the erosion of the City's fund balance. Mr. Hall described the reasons why the City is projecting a \$1.1 million operating deficit in FY 2022-23, with the primary driver of the projected deficit being the City's planned use of \$900,000 in fund balance to balance the budget. In regard to the FY 2023-24, the City has had to take steps to avoid an operating deficit that it believes would occur unless those steps had been taken. To that regard, the City will be using additional ARPA funds towards financing the FY 2023-24 budget. The City will also be reducing its planned contributions towards its pension plan in FY 2023-24. These planned budgetary adjustments are estimated to result in a \$500,000 budgetary operating surplus in FY 2023-24. The City has yet to formally appoint an auditor to conduct the FY 2023-24 audit, but Mr. Hall anticipates that the City will be retaining Mr. Accavallo to conduct that audit.

John Accavallo, the City's independent auditor introduced himself to Commissioners. He believes that there is about 2.5 to 3 weeks of field work that remains as it relates to the FY 2023 audit. He indicated that one of the most significant items was the City's conversion to a new accounting system and the need to ensure that all the numbers were recorded correctly and to ensure that the reconciliation between

the Board of Education information and the City. Upon the completion of the field work in the estimated 3-week time frame, his intent is to have a draft of the audit report and send the audit through the firm's quality control process and review the findings with management and the board. The estimated timeframe for the FY 2023 audit report to be issued is by the end of May.

Several questions and comments were posed to the City by Commissioners including: the City's fund balance policy, the need for the City to ensure that future budgets are developed based upon realistic assumptions, the time frame for the retention of an audit firm for the FY 2024 audit, the method being used to determine the actuarially determined contribution for the pension plan, and the long-term consequences of insufficiently funding the pension plan in FY 2023-24 together with the continuation of funding its Other Post-Employment Benefits on a pay-as-you-go basis.

Commissioners expressed their appreciation for the City's attendance at today's meeting.

5. Town of Hamden

Mayor Lauren Garrett introduced herself and the Town's Finance Director, Curtis Eatman. She indicated that a month ago she sent the legislative council her recommended FY 2024-25 budget. The City is also working on ARPA related matters including ensuring that projects are going under contract for the work to be performed. At the request of Commissioner LeBlanc, Mayor Garrett described the City's budgeting for the use of fund balance towards the financing of the FY 2023-24 budget. Mayor Garrett indicated that appropriation of fund balance was as a result of the Council agreeing to certain spending and transfers related to the following:

- \$3 million to finance certain Board of Education costs.
- \$4 million to replenish the Capital and Non-Recurring Fund (CNRF) for Board of Education related capital costs,
- \$800 thousand to reimburse the CNRF for revaluation costs that had been financed from the proceeds of bonds accounted for in that fund.

Commissioner LeBlanc recognized the Town's significant fund balance increase that had occurred over the past several years. He indicated that the projected FY 2023-24 surplus of close to \$5 million taken together with the approximate \$7.8 million appropriation in fund balance would represent close to a \$2.5 million drawdown upon the Town's cumulative fund balance. Mayor Garrett confirmed Commissioner's LeBlanc comments.

In regard to the FY 2024-25 proposed budget, Mayor Garrett indicated that she proposed a one mil rate decrease due to the Town's significant fund balance that existed as of June 30, 2023. The Town has also proposed to utilize \$7.9 million of its fund balance towards financing that year's budget. Mayor Garrett indicated that the Town is still expected to be in conformance with its 7% fund balance policy as of June 30, 2025. The Council has until May 17th to vote out the budget.

Mayor Garrett responded to Commissioner's Rybacki inquiry regarding property values. She indicated that the grand list is expected to increase by 12% using a moderate growth assumption. In regard to Commissioner Sielman's inquiry on the Town's long-term strategy to fund the poorly fund pension plan, Mayor Garrett acknowledged that the Town had issued Pension Obligation Bonds close to 10 years ago for which the proceeds were used to assist in funding the plan. The Town for the past several years has been making 100% of its actuarially required contribution. The Town is currently looking into obtaining an experience study of the pension plan to ensure that its assumptions used in funding the pension plan are valid. She does believe that the current assumed rate of return maybe a bit higher than what it should be. The experience study will be used to make any necessary changes that are needed.

Commissioners thanked the Town for its attendance at today's meeting.

6. Town of Plymouth

Commissioner Sielman stated that the Town of Plymouth was a client of her firm.

Mayor Kilduff introduced himself, Finance Director Grace Zweig, and the Town's independent auditor, Santo Carta from CLA. He indicated that for the past month and a half, the Town has been working on its FY 2024-25 budget. A public hearing is scheduled for tomorrow. The proposed budget is a responsible budget with a 0.94% increase. It proposes to fully contribute the required actuarial contribution for the pension plan and it does not propose to use fund balance towards financing the budget. He noted that in a previous meeting with the Commission, there was a recommendation made for the Town to review its investment income due to the low dollar levels indicated. The Town has since engaged its bank and moved its account into a much higher interest-bearing account for which the significant additional projected investment income is reflected in the FY 2024-25 budget. The Mayor stated that the finance office is now fully staffed, with the Finance Director, two staff accountants and one payroll person.

Mr. Carta indicated that the FY 2023 audit had essentially been completed a few weeks ago. However, in the quality review process there had been one auditor independence issue that needed to be cleared up as it relates to HR consulting services provided by CLA. He believes the issue has been resolved but he does have to work with the Town's Finance Director to finalize the issue. He believes that the FY 2023 audit report will be issued sometime next week.

Ms. Zweig indicated that bank reconciliations are being kept up-to-date and that the Town is almost done with its March, 2024 bank reconciliations. The Town is currently projecting a \$40,000 operating surplus for FY 2023-24. A new staff person was hired for the finance office, and she believes that the Town is doing good in keeping up-to-date with its financial records and reconciliations for FY 2024 whereby it can hopefully issue the FY 2024 audit report by December 31st. The Town issued an RFP for audit services regarding the FY 2024 audit with the due date for proposals due by tomorrow. To date, there have been no proposals submitted. Fortunately, CLA has indicated that if the Town is unable to retain a new audit firm, CLA would step in to conduct the FY 2024 audit.

Commissioner Sullivan inquired about the auditor independence issue that Mr. Carta had cited and whether that issue had been fully resolved for the FY 2023 audit report to be released. Mr. Carta indicated his belief that the issue had been resolved as of the night before and there is now a plan in place to get over the independence issue.

Commissioners thanked the Town for attending today's meeting.

7. Other Business

Commissioner LeBlanc requested that Mr. Plummer provide further information on the other items listed for today's meeting. Mr. Plummer indicated the following:

- Draft Guidelines for Municipalities Meeting with the MFAC: These guidelines were included in today's information packet. OPM developed the draft guidelines to provide guidance to municipalities as what type of reports and information the Commission would be seeking for each meeting with the Commission.
 - Commissioner LeBlanc requested that OPM re-send the Draft Guidelines to Commissioners as they may have not had a chance to review in time for today's meeting.
- Best Practices to Facilitating a Timely Audit: OPM developed the Best Practices document and had provided it in a separate email attachment to Commissioners for their review and feedback. Although not a panacea, OPM believes that it may be of assistance to reduce the number of late

audits or how late an audit is submitted. It describes what needs to occur during the year in order to increase the likelihood of a timely audit submission and provides a checklist to determine if those procedures are currently being undertaken.

- Commissioner LeBlanc requested that OPM again transmit the document to Commissioners by email attachment as Commissioners may not have had a chance to review and provide their feedback.
- Commissioner LeBlanc requested that for the June 5th meeting, a list of the names of those municipalities that have yet to file their FY 2023 audit reports with OPM be provided to the Commission.
- Proposed Legislation: Mr. Plummer indicated that OPM had proposed legislation to increase the dollar threshold for triggering the requirement for a State Single Audit.
 - Currently under the State Single Audit Act, an entity that expends \$300,000 or more in state financial assistance in its fiscal year is required to conduct a State Single Audit for that year, OPM has proposed to increase the threshold to \$500,000.
 - Under the Municipal Auditing Act, a municipality or other local government that is required to file a financial audit with OPM can currently be assessed a penalty from \$1,000 to \$10,000. OPM has proposed increasing the maximum amount of the penalty from \$10,000 to \$50,000. In addition, OPM has proposed that the penalty can be assessed in the form of a reduction in one or more state grants in addition to the current law whereby a monetary penalty being assessed solely in the form for which the municipal entity is to submit payment.
- Commissioner LeBlanc indicated that the last day of the legislative session is scheduled to end on May 8th. He requested that Mr. Plummer update the Commission on the status of the proposed legislation. In regard to audit reports submitted more than one year past their fiscal year ended, he inquired as to whether there was correspondence in the past sent to those municipalities or the assessment of penalties.

In regard to Commissioner Sullivan's inquiry, Mr. Plummer indicated that it has been a number of years since an actual monetary penalty had been imposed. Recent changes to the Municipal Auditing Act created a mechanism whereby a municipality could be required to meet with the MFAC regarding the late audit and whereby the municipality could be designated as a Tier I municipality by the Commission due to the audit being submitted more than a year past its fiscal year end. For the FY 2022 audit report submissions, there were 20 municipalities that did not submit their audit reports by June 30, 2023. OPM sent letters out to each and requested the reasons for the delinquent audits and a timeline for completion of the audits. It is OPM's intent to proactively engage those municipalities with outstanding FY 2023 audit reports. Letters will be transmitted by the end of April advising these municipalities that they are in danger of being called before the MFAC if the FY 2023 audit report is not submitted by June 30, 2024. For any municipality that does not submit its FY 2023 audit report by June 30, 2024, OPM intends to again transmit a letter to each requesting the reasons for the delinquent audit and a timeline for completion of the audit. Municipalities will again be requested to appear before the Commission regarding their delinquent FY 2023 audit reports.

8. Adjourned.

- The meeting adjourned at 11:02 a.m.

Respectfully submitted,

Kimberly Kennison
Commission Secretary