



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

DRAFT MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

WEDNESDAY, AUGUST 18, 2021

Meeting Location: Telephonic Meeting

Date/Time: August 18, 2021, 10:00 A.M.

Members Present: Ms. Kathleen Clarke Buch, Chair
Mr. Anthony Genovese
Ms. Kimberly Kennison
Mr. Michael LeBlanc
Mr. Glenn Rybacki
Mr. John Schuyler
Ms. Rebecca A. Sielman

Members Absent: Ms. Diane Waldron

Others Present: Julian Freund, OPM Staff
William Plummer, OPM Staff
Michael Reis, OPM Staff
Morgan Rice, OPM Staff
Richard Ives, First Selectman, Town of Brooklyn
Stephanie Levin, Finance Director, Town of Brooklyn
Patricia Buell, Superintendent, Brooklyn Schools
Richard Dziekan, Mayor, City of Derby
Agata Herasimowicz, Finance Director, Derby
Andrew Baklik, Chief of Staff, Derby
Curt Leng, Mayor, Town of Hamden
Scott Jackson, Director of Finance, Hamden
Rick Galarza, Deputy Finance Director, Hamden
Adam Sendroff, Chief of Staff, Hamden

1. Call to order

The meeting was called to order at 10:02 a.m. by Commission Chair Buch.

2. Approval of the minutes to the June 30, 2021 meeting

The minutes to the June 30, 2021 meeting were approved by all Commissioners in attendance.

3. Town of Brooklyn

- Current FY 2020-21 Budget to Actual results with projections through June 30, 2021
- FY 2021-22 Budget adopted on June 28, 2021 and budget assumptions
- Corrective Action Plan June 30, 2020 Audit and Management Letter findings status update
- Finance Director search status
- Other fiscal related matters

First Selectman Ives introduced finance director Stephanie Levin and Superintendent of Schools Patricia Buell. Ms. Levin provided an update on the FY 2020-21 preliminary budget to actual results as of June 30, 2021 and indicated that the Town side was unofficially closed for FY 2021 with certain transfers remaining to be approved by the Board of Finance. On the school side there were still open items that needed to be completed including the reporting of expenditures for FY 2021 regarding EastConn. Projected positive results for FY 2020-21 indicates that the Town will not need to utilize the fund balance it had budgeted towards financing the FY 2021 budget.

The FY 2021-22 Budget was adopted in June 2021. The Town collects its taxes quarterly and first quarter tax collections have been strong. Corrective action plans are on-going and the Town hopes to resolve within the next couple of months. Brooklyn has appointed an internal candidate to fill the new finance director position. Ms. Levin has been providing training to her successor and is making herself available over the next several months. As was recommended by the Commission, the Town has developed a fund balance policy and will be presenting it to the Board of Finance for its review.

Commissioner Buch inquired as to whether the Town expects the June 30, 2021 audit to be submitted by the annual December 31st due date. Ms. Levin indicated that the auditor is scheduled to arrive at the Town in November. Ms. Levin was seeking to move this date up to October or earlier and has advised her successor of this so that she can seek an earlier date. A discussion ensued on the proper fund to account for donations received by the Town, and the establishment of a policy for use of these donations. Commissioner LeBlanc inquired whether the Town would be able to submit the Education Financial System (EFS) report in time to the State Dept. of Education. Ms. Levin indicated she was finalizing that report and plans to submit on-time. Commissioners expressed some concerns in regard to staffing as the finance director position would be filled by an internal candidate whose position would need to be filled. Assurance was provided that open positions would be filled.

Several Commissioners expressed their satisfaction with the work that had been done by Ms. Levin since her arrival and the progress that the Town has made to date in regard to its finances and financial practices. Commissioners expressed their appreciation for the Town's attendance and presentation at today's meeting.

4. City of Derby

- Review of the June 30, 2020 Audit Results
- Corrective Action Plan June 30, 2020 Audit and Management Letter findings status update
- Current FY 2020-21 Budget to Actual results with projections through June 30, 2021
- FY 2021-22 Adopted Budget and budget assumptions
- Response to August 3, 2021 letter to City of Derby on behalf of the MFAC
- Other fiscal related matters

Commissioner Rybacki noted for the record that the City of Derby is a bond counsel client of his firm.

Agata Herasimowicz introduced herself as the recently hired finance director of the City of Derby. She provided Commissioners with a summary of the audit results for the June 30, 2020 audit, including the positive audit results for FY 2019-20 whereby the City's fund balance went from a deficit position as of June 30, 2019 to a positive cumulative fund balance as of June 30, 2020. Based upon her review of the FY 2020-21 budget to actual results, it appears that the City will be able to build upon its fund balance. However, she is still awaiting updated information from the Board of Education and that information will be needed before she can provide final projections for FY 2020-21.

Ms. Herasimowicz indicated that she was aware that the June 30, 2020 audit was not completed until July of 2021. She is very familiar with the audit process and intends to work with the auditor to put together a schedule of target dates on audit related matters.

A discussion ensued among Commissioners and the City in regard to the accounting system currently being used by the City and the City's intent of changing to a new accounting system in the future. Commissioner Kennison indicated that she agrees that migrating to a new financial accounting system was a priority but that the timing of implementing the new system should be strategically planned. Considering that Derby was significantly late in submitting its June 30, 2020 audit, the City should ensure that implementing a new accounting system would not cause a delay in the issuance of the June 30, 2021 audit report. Commissioner LeBlanc indicated that the target date for the new system may need to be July 1, 2022, understanding that work would need to be done prior to actual implementation. He also indicated that the City may need to ensure that the financial resources are available in time for implementing a new accounting system, even if those resources were not specifically included in the FY 2021-22 budget. Commissioner Genovese indicated that the City may want to consider migrating the Board of Education to the new system as there are multiple benefits with the Town and Board of Education using the same accounting system.

Commissioner Schuyler indicated that the City needed to put more resources towards improvements not only to its financial accounting systems but also to its other financial processes and practices. Commissioner Genovese indicated that Ms. Herasimowicz

should reach out to other finance directors of municipalities as a resource as they have a vast amount of knowledge and experience which could be of assistance.

In response to Commissioner LeBlanc's inquiry, Mr. Baklik indicated that the City's pension plan was approximately 79% funded. He also indicated that Ms. Herasimowicz had the full support of the current administration and that is the reason why the City waited to fill the deputy finance director position as it wanted to ensure Ms. Herasimowicz had input in that hiring.

Commissioner Sielman indicated that in her role as an actuary and based upon her experience, one of the most responsible actions a municipality can take to address its pension and OPEB unfunded liabilities is to ensure that these liabilities are being accurately measured using conservative assumptions. The City should then develop a plan to fund its unfunded liabilities over an appropriate period of time. In her review of the June 30, 2020 audit report of the City, it indicates that the City has contributed less than the actuarial recommended amount for a number of years. The City should work with its actuary to establish actuarial contribution levels that it can fit within its budgetary structure and maintain the discipline to make such contributions each and every year. She also recommended that the City undertake an actuarial experience study of its pension plan to ensure that its assumptions are appropriate. In addition, she recommends that an actuarial valuation be conducted every year.

Commissioner Buch expressed her appreciation to the City for today's presentation. She indicated that the City should feel free to reach out to members of the Commission on any financial related matter it believes members could provide advice on.

5. Town of Hamden

- Current FY 2020-21 Budget to Actual results with projections through June 30, 2021
- FY 2021-22 Adopted Budget and budget assumptions
- Response to August 3, 2021 letter to Town of Hamden on behalf of the MFAC
 - Detailed bond refunding plan
 - 5-Year (or longer) capital plan
 - Plans for use of ARPA funds
 - Fund Balance Policy
- Corrective Action Plan June 30, 2020 Audit and Management Letter findings status update
- Other fiscal related matters

Mayor Leng introduced finance director Scott Jackson, deputy finance director Rick Galarza, and his chief of staff Adam Sendroff to the Commission.

As requested by Commissioner Buch, Mayor Leng provided a brief update on the City's finances. He indicated the City's finances were trending in the right direction, with a strengthening financial position. The City recently had a very successful bond refinancing, resulting in a \$2.1 million saving. The Town underwent credit rating reviews by Fitch and S&P, resulting in an upgrade from S&P from a negative outlook to a stable outlook. There was no change to the Fitch rating. Mayor Leng indicated that he understands that the Town still has a number of fiscal challenges remaining.

Mr. Jackson went through the FY 2021-22 adopted budget information that was provided to the Commission. He indicated that there was a half a mill rate increase that would allow the Town to make its full pension contribution and allow the Town to continue to build upon its fund balance. As to results for FY 2020-21, the Town is projecting a surplus of approximately \$10 million. Certain department expenditures are not final, but Mr. Jackson does not believe this will significantly impact the \$10 million projected surplus.

The Town has developed a 5-year capital plan with a proposed cost of \$10.2 million for FY 2021-22. In addition, the Town is reviewing fund balance policies from other municipalities to assist with developing a fund balance policy which will be shared with the Town council once fully developed. As to the audit findings identified in the June 30, 2020 audit report, the Town does not disagree with any of those findings and is working to resolve the findings. Mr. Jackson provided to Commissioners a description of actions taken to date to correct the audit findings.

Commissioner LeBlanc requested an update on phase 2 of the bond restructuring plan as was referenced in the materials provided for today's meeting. Mr. Jackson indicated that phase 2 was still planned and that the timing of the restructuring plan may be moved up to take advantage of today's interest rate market.

Commissioner Kennison indicated that some of the reports provided for today's meeting generated from its MUNIS accounting system, did not utilize the full reporting capabilities of MUNIS. She indicated that certain OPM staff could assist the Town with generating reports out of MUNIS and offered assistance from OPM to that regard. Commissioner Buch indicated that the Town should be able to generate a year-to-date budget report and that a presentation at the department level would provide the necessary information for the Commission. Mr. Jackson indicated that the Town would be able to generate such a report but that he may follow-up with OPM as to specifics as to what is to be included in the report.

Commissioner Sielman indicated that her recommendation to Hamden would be similar to the recommendation she made to Derby in regard to addressing the Town's pension and OPEB unfunded liabilities. She referenced the concerns raised in the July 2021 S&P credit report regarding the unfunded pension and OPEB liabilities of the Town and that she had similar concerns. She indicated that the plan had a low funded ratio and was concerned as to the liquidity needs of the closed pension plan. The interest rate assumption and the amortization period both appear to be high. Similarly, the OPEB unfunded liability is quite high and absent any prefunding, the Town will ultimately face rapid increasing pay-as-you-go costs. Therefore, the Town should develop a plan to begin prefunding its OPEB liabilities. Mr. Jackson indicated that the retirement board has given him the authority to negotiate for an experience pension plan study and that he plans to have such a study conducted.

Commissioners expressed their appreciation for the presentation put forth today by the Town.

6. ARPA Funding Overview

Mr. Julian Freund provided an overview on ARPA funding as it related to Connecticut municipalities. He also provided information on the amount of funding that is to be provided to the municipalities currently meeting with the MFAC and municipalities under the oversight of the Municipal Accountability Review Board (MARB). He indicated the final rule had yet to be issued.

Commissioners expressed their appreciation to Mr. Freund for his presentation.

7. Information Updates

- Town of Ellington data submission.
- Town of Plymouth data submission.

Commissioners indicated that they had no questions regarding the information submitted by the Towns of Ellington and Plymouth for today's meeting.

8. FHMS Project Update

Commissioner Kennison provided an update on the Fiscal Health Monitoring System and the next steps. Several Commissioners indicated that they would be willing to participate as beta-testers for the next phase of the project.

9. Other Business

- Naugatuck Pension Obligation Bonds

Ms. Kennison referenced the document provided to the Commission earlier as required under the Pension Obligation Bond (POB) statute in regard to OPM and the State Treasurer's review of Naugatuck's intent to issue POBs.

10. Adjournment

The meeting adjourned at 11:57 a.m.

Respectfully submitted,

Kimberly Kennison
Acting Commission Secretary