

S T A T E O F C O N N E C T I C U T

OFFICE OF POLICY AND MANAGEMENT

DRAFT MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

WEDNESDAY, JUNE 29, 2022

Meeting Location: Telephonic Meeting

Date/Time: June 29, 2022, at 10:00 A.M.

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

Members Absent: Mr. Michael LeBlanc

Others Present: Julian Freund, OPM Staff
William Plummer, OPM Staff
Morgan Rice, OPM Staff
Austin Tanner, First Selectman, Town of Brooklyn
Rushie Bean, Finance Director, Town of Brooklyn
Richard Dziekan, Mayor, City of Derby
Walt Mayhew, Chief of Staff, City of Derby
Mathew Conway, Superintendent, Derby Public Schools
Robert Trainor, Business Manager, Derby Public Schools
Mark Izzo, retired business manager, Derby Public Schools
Nancy Balsys, Interim Deputy Finance Director, City of Derby
John Accavallo, External Auditor, City of Derby
Lauren Garrett, Mayor, Town of Hamden
Curtis Eatman, Finance Director, Town of Hamden
Rick Galarza, Deputy Finance Director, Town of Hamden
David Cappelletti, External Auditor, Town of Hamden
Barry Bernabe, Financial Advisor for Hamden
Grace Zweig, Finance Director, Town of Plymouth
Joseph Kilduff, Mayor, Town of Plymouth

1. Call to order

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

2. Approval of the Minutes to the April 20, 2022, Meeting

Ms. Kennison made a motion to approve the minutes with a second by Ms. Waldron. The minutes of the April 20, 2022, meeting was unanimously approved with Commissioner Schuyler abstaining as he did not attend the April 20th meeting.

3. Town of Brooklyn

Ms. Bean provided an overview of the Town's finances. She and First Selectman Tanner indicated that the Town's FY 2022-23 budget was approved June 21, 2022, with a 1.06 mill increase. Ms. Bean stated that the increase was due to added salary positions, specifically moving from one full time finance director position for the Town and Board of Education to separate full time finance director positions for the Town and for the Board of Education. First Selectman Tanner indicated that the increased salaries in the FY 2022-23 budget was also due to on-going salary negotiations in FY 2021-22. Commission Chair Buch suggested contracts that are open should be put in the budget without the salary number present in order to charge the increase to the appropriate year. The increased amount can be reflected in a line item such as the contingency account. Mr. Tanner indicated ARPA funds have not been spent but applications have been submitted. The Town is projecting FY 2021-22 savings of \$315,000 due to final expenditures were under budget by this amount. The expenditure savings occurred in various areas within the FY 2021-22 budget.

Ms. Buch referenced the information provided by the Town's auditor clarifying the audit finding regarding year end closing procedures and a specific list of the procedures the auditor is seeking for the Town to implement. Ms. Bean indicated that bank statements are now being reconciled on a regular basis. The Town's audit firm, King & King will be testing statements on behalf of the town to see that payables are recorded in the appropriate year. The pension fund activity is not up to date and Ms. Buch recommended the Town update with the current results. Ms. Bean shared her communication with the WPCA to which she has had difficulty moving things along. Ms. Kennison raised question about the other findings and if they were related to Board of Education or the Town. Ms. Bean shared it was a combined finding, but mostly on the Town side.

Ms. Buch had several additional questions regarding the Town's FY 2021-22 projected year end results including the receipt of the Mashantucket Pequot and Mohegan grant funds to which Ms. Bean stated that the Town was still projecting receipt of the funds by June 30th. The transfer process was clarified by Ms. Bean and Mr. Tanner stated that the Board of Finance approves the process once per year. Ms. Buch suggested the new finance director approve transfers more regularly to assist the Town with monitoring its departmental expenditures to stay within the amounts budgeted. Ms. Bean informed the Commission they expect to hire the new finance director in the next few weeks. The Commission wished the Town luck on their new hire.

4. City of Derby

Commissioner Rybacki indicated that the City of Derby was a client of his firm.

Ms. Buch asked for a description of the municipal experience held by the newly hired interim deputy director. Ms. Balsys stated she worked for the City of Waterbury Finance Office as a Senior Accountant for 15 years and later worked for a workforce investment board. She has extensive experience with municipal finance and grants. The hiring of the interim deputy finance director has been an important step for the City. Mr. Mayhew shared that the budget was adopted as presented by the Mayor with certain minor changes to expenditures including public works. In regard to FY 2021-22 budget vs. actual results, residential and personal property taxes as of May 2022, are slightly behind where they were in May 2021. Supplemental motor vehicle taxes are higher as of May 2022 when compared with motor vehicle taxes as of May 2021. The total taxes collected are estimated to be at 99.6% of what was budgeted. Based upon its FY 2021-22 projections, the City believes it is in good financial shape. Ms. Buch made several inquiries regarding the FY 2020-21 unaudited budget to actual results including the apparent over-expenditures for police pension costs and retiree medical benefit costs.

Mr. Schuyler asked the City's auditor, John Accavallo about the 2021 outstanding audit issues that have caused the audit to not be completed. According to Mr. Accavallo, the major issue was getting an accurate trial balance from the board of education. The BOE maintains a single cash account with grants with one checking account paying out. The Board of Education had retained an outside firm to assist with the reconciliation/trial balance but the information the auditor received did not make sense and did not reconcile with the City's records. The auditor indicated that significant progress has now been made and he believes he now has all the information that he needs from the Board of Education. Mr. Accavallo indicated that he expects to produce a draft of the FY 2021 audit report within the next few days but that there still are items that need to be addressed including a review of the FY 2021 audit findings with the City.

Mr. Genovese asked about the \$5.9 million projected fund balance identified by the City in its update to the Commission and for what time period this would be based upon. It was indicated by Mr. Mayhew that the \$5.9 million was based upon a combination of the audited fund balance that existed as of June 30, 2020, and the addition of the \$1.5 million projected surplus (unaudited) for FY 2020-21. Mr. Genovese also inquired about several line items included in the FY 2021-22 budget based upon the FY 2021-22 budget to actual data that had been provided to the Commission by the City. Mr. Mayhew responded to the questions posed and acknowledged that the City did budget for a distressed municipalities grant for which the grant proceeds are now not expected to be received. However, Mr. Mayhew indicated that the City does not anticipate any significant reduction to its fund balance as a result of its FY 2021-22 financial results. In regard to the approximate one-million dollars use of fund balance included in the FY 2022-23 budget, this was caused by the anticipated significant increase in healthcare costs to the City for FY 2022-23 as identified by the City's insurance broker. Healthcare costs are anticipated to go back to normal levels following FY 2022-23; therefore, the City believes that the use of fund balance is appropriate. Ms. Kennison recommended that the City retain a firm with expertise in administrating grants. Ms. Kennison made

several inquiries regarding staffing at the City and Board of Education as there had been a number of vacant positions indicated in the past that needed to be filled. Mr. Mayhew described the vacancy for the tax collector and economic developer positions and the City's effort to fill the positions. It was also indicated that the Board of Education had filled the business manager position but needs additional support in the accounts payable division. Ms. Buch recapped the discussion stressing the importance of the issuance of the 2021 audit as soon as possible and that the City pursue the timely issuance of the 2022 audit. To that regard, she would like to see the City provide a status update on the 2022 audit at the next meeting with the City. Commissioners expressed their appreciation for Derby officials attendance at today's meeting.

5. Town of Hamden

Mayor Garrett introduced Curtis Eatman, Finance Director and Barry Bernabe, Financial Advisor. Mr. Bernabe provided a description of the Town's debt restructuring plan. The Town of Hamden sold refunding bonds yesterday and saved the Town over ten million dollars by lowering debt service payments for next year's budget. Assuming the Town achieves a structurally balanced core budget for FY 2023, the savings should flow through to the FY 2023 fund balance. The debt plan put in place will allow the Town to gradually ramp up its debt service payments by two million dollars per year and build upon its fund balance through debt service savings over the next several years. Beginning with FY 2024-25, the Town is expected to make actual debt service payments in the \$30 million range, that was described by Mr. Bernabe as the "natural" annual debt service of the City. Ms. Kennison noted that from the financial information provided, the City had not made such a historically high level of annual debt service payments in recent years for what Mr. Bernabe had described as being the "natural rate". Mr. Bernabe provided a history of events that had occurred over the last several years that led the Town to restructure debt at that time to lower debt service payments and alleviate the financial pressures on those budgets and to fund pension costs and medical self-insurance costs. Given these earlier restructuring of debt and the planned restructurings to occur by FY 2024, the City is anticipated to begin making its "natural" debt service payments absent the annual debt service savings achieved through these debt restructurings. Mr. Rybacki asked for clarification on the amount being pushed out from the debt restructuring. Mr. Bernabe clarified there was a present value cost of \$250 thousand from the recent \$10 million restructuring. Mayor Garrett stated to alleviate the likelihood that the Town's debt service may rise above the \$30 million range prior to 2034 at which time debt service is scheduled to decline to \$18 million, the Town is in the process of selling a large school to ACES for sixteen million dollars. The Mayor indicated that a portion of the proceeds from the sale will be deposited in a capital and nonrecurring fund, allowing the Town to fund additional capital projects should such a need arise without having to finance the capital project with additional debt. Additional funds are expected to be placed in the capital and nonrecurring fund in subsequent years to build up the balance in the fund. Ms. Buch inquired as to what the Town's capital budget runs on a normal basis. Mayor Garrett indicated that the Town does not have a capital project budget, but she believes it would be approximately \$10 million. With the significant amount of state aid the Town is currently receiving, including grant proceeds for various capital projects, actual Town monies spent on capital projects is not expected to be overwhelming. Costs incurred

would be typically for engineering and development costs. Ms. Buch recommended that the Town develop a 5-year capital plan. As a result of a question from Mr. Rybacki, Mayor Garrett described the deficits in other funds outside of the General Fund and what steps have been taken to fund those deficits.

Ms. Sielman inquired if as part of the Town's 5-year operating budget plan, whether it included projections for pension and OPEB costs. Mayor Garrett indicated that she would expect to have such projections after the pension experience study that the Town is having conducted is completed and reviewed. Ms. Sielman applauded the Mayor for having the experience study, but her question was specific to the operating budget of the Town. She believes that as part of the 5-year operating budget plan that the Town had developed it should include pension and retiree medical benefit costs. These costs can rapidly increase and therefore should be reviewed by the Town's actuary. The actuary is able to provide both short-term and long-term forecast with sensitivity analysis on how much such costs can move over time. The Commission made several recommendations to hire an actuary.

Mayor Garrett provided an update on the actions that the Town had taken to address the findings included in its FY 2021 management letter. Commissioners expressed their appreciation for the Town's presentation at today's meeting.

6. Town of Plymouth

Commissioner Sielman indicated that her firm provides actuarial services for the Town.

Finance Director Grace Zweig introduced herself and Mayor Kilduff. Ms. Buch asked about completion of the FY 2021 audit. Ms. Zweig indicated the town has completed their share and the auditors are finalizing their review. The goal for the 2022 audit is to file on time by implementing the recommendations from MFAC to bring in a temporary part time worker to get the Town up to date with its financial record keeping and reporting. Commissioners noted that the information provided for today's meeting were still not up-to-date similar to what was provided at the April meeting. Ms. Zweig indicated that the Town had yet to retain the person who would assist the Town with its records. Commissioners emphasized the importance of having up-to-date and accurate financial records. The Mayor expects the Council to approve the new position at its July 12th meeting at which time the Town will begin the process for retaining a person to assist with its financial records and reporting. Commissioner Buch recommended that the Town ensure that it has policies and procedures in place to keep its records up to date and to produce accurate financial records. Commissioners expressed their appreciation for the Town's attendance at today's meeting.

7. Other Business

Outstanding Audit Reports: -- Mr. Plummer provided a listing of those FY 2021 municipal audit reports that had yet to be filed. He indicated there is no ability for further extensions to be granted. Current law allows OPM to levy a monetary penalty. The

new law to be enacted in October would also allow the Town to automatically come under the purview of the MFAC. Commissioners indicated their desire for OPM to transmit letters to those municipalities that did not submit their FY 2021 audit reports.

Public Act 22-35: Commissioner Kennison walked Commissioners through how the public act would affect the MFAC and the Municipal Accountability Review Board (MARB).

8. Adjourned.

Meeting adjourned at 12:03 p.m.

Respectfully submitted,

Kimberly Kennison
Acting Commission Secretary