

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICIAL MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

WEDNESDAY, MAY 5, 2021

Meeting Location: Telephonic Meeting

Date/Time: May 5, 2021, 10:00 A.M.

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

Members Absent: Mr. Anthony Genovese

Others Present: Julian Freund, OPM Staff
William Plummer, OPM Staff
Michael Reis, OPM Staff
Stephanie Levin, Finance Director, Town of Brooklyn
Richard Dziekan, Mayor, City of Derby
David Taylor, Interim 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. She announced that Glenn Rybacki was in attendance for his first meeting as a member of the Municipal Finance Advisory Commission (MFAC), replacing Doug Gillette who had resigned from the Commission several months ago. Mr. Rybacki introduced himself and gave a brief description of his work experience and background in municipal finance.

2. Approval of the minutes to the February 17, 2021 meeting

The minutes to the February 17, 2021 meeting were unanimously approved by all Commissioners in attendance except for Mr. Rybacki, who abstained as he was not a member of the Commission back in February and did not attend the meeting.

3. Town of Brooklyn - Review of the June 30, 2020 audit report submitted on February 27, 2021 / Most current FY 2020-21 budget to actual results with projections through June 30, 2021 / Proposed FY 2021-22 budget with assumptions (if available) / Update on implementation of Corrective Action Plan to address audit findings from the June 30, 2020 audit report and management letter / Other fiscal related matters

Finance Director, Stephanie Levin introduced herself to the Commission and indicated there was a small increase to the unassigned fund balance but the increase was smaller than anticipated due to a prior period restatement of the fund balance that lowered the July 1, 2019 beginning fund balance from what was reported as of June 30, 2019.

Ms. Levin provided an update on audit findings reported in the June 30, 2020 audit report. She indicated that there was a repeated internal control weakness in regard to a material weakness in internal control over financial reporting. She provided a description of the progress made to date in correcting that deficiency. Ms. Levin also indicated that there was a finding in regard to the town's relationship with the Water Pollution Control Authority (WPCA) and that she is working to correct that finding.

Commissioner Buch asked several questions in regard to the Town's relationship with the Authority including whether the Town appointed the members of the WPCA and whether the Authority served any other towns besides Brooklyn. From Ms. Levin's response, commissioners indicated their belief that the WPCA is a reporting component of the Town and has authority over the WPCA.

Questions were also posed by Commissioners in regard to the number of people in the finance office of the Town and their level of experience and training in governmental accounting, the status of the update to the accounting manual that the Town had previously indicated it had been working on, whether the Town had established a fund balance policy, the number of tax levies in Brooklyn's fiscal year, etc.

According to Ms. Levin, in regard to the projected results for FY 2020-21, the Town is projecting revenue results in excess of \$300,000 over what was budgeted. In regard to expenditures, the Town is projecting expenditures \$250,000 less than what was budgeted.

With these favorable projections, Ms. Levin believes that the Town will not need to utilize the \$453,000 fund balance that was budgeted to finance the FY 2020-21 budget.

Commissioners requested that OPM draft a letter to the Town in regard to certain actions that the Commission would be seeking from the Town.

4. **City of Derby** - Review of the June 30, 2020 audit report. If the June 30, 2020 audit report will not be issued prior to the meeting date, an update on the status of the audit accompanied by the most current unaudited budget to actual results for FY 2019-20 / Most current FY 2020-21 budget to actual results with projections through June 30, 2021 / Proposed FY 2021-22 budget with assumptions (if available) / Update on implementation of Corrective Action Plan to address the latest audit findings including findings from the Management Letter / Other fiscal related matters

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

David Taylor introduced himself as the interim finance director of the City. He provided a status update of the FY June 30, 2020 audit report submission. He expects the audit to be completed by the end of May. Commissioner Kennison inquired on the status of reconciliations that contributed to the audit delay. Mr. Taylor indicated that the reconciliations were now completed.

In regard to the FY 2020-21 projected results, Mr. Taylor indicated that the City as of today had collected 100% of the taxes levied for that year. The City's latest FY 2020-21 projections show a projected \$1.8 million increase to its fund balance. This would be on top of the \$1.5 million increase in fund balance that the City is estimating will be reported in its FY 2019-20 audited financial statements.

Other fiscal improvements recently made include establishing a medical reserve of \$350,000 and an increase in funding to the pension plan. The City's FY 2021-22 budget is not complete, the final vote for adoption will be made on May 18th. There will be a potential tax increase even though the mill rate will be reduced as the grand list was higher with the recent revaluation. Mr. Taylor also went over some of the major items in the proposed FY 2021-22 budget.

According to Mr. Taylor, as to the corrective action plan, a number of the corrective actions planned to correct the latest audit findings have been executed. Commissioner Kennison inquired about the status of several of the audit findings, as the schedule provided by the City was not clear. Commissioners made recommendations to Mr. Taylor on reporting on the audit findings status to the Commission on a go forward basis. Commissioners indicated their desire for an updated schedule.

Commissioners inquired as to what was the City's tax collection rate for FY 2020-21 and the assumed tax collection rates in the FY 2021-22 budget. Commissioners also questioned as to whether the City was self-insured for health insurance and had established a separate health insurance fund. Commissioner Waldron indicated her belief that the Commission should make a recommendation to the City that it set up a separate health insurance fund and that the City begin to establish a health insurance reserve in case claims exceed the amounts budgeted for the year. Currently, the City accounts for its health insurance activities through the General Fund.

The Commission made several recommendations to the City and requested that OPM draft a letter on behalf of the Commission in regards to those recommendations.

5. **Town of Hamden** - Most current FY 2020-21 budget to actual results with projections through June 30, 2021 / Proposed FY 2021-22 budget with assumptions (if available) / Status, review & implementation of the Corrective Action Plan to address the audit findings identified in the June 30, 2020 audit report / Status & review of the June 30, 2020 Management Letter / Other fiscal related matters

Scott Jackson introduced himself as Hamden's finance director. He indicated that before he provided an update on the Town's finances, Mayor Leng would be making some comments first. Mayor Leng indicated that the Town had made progress on its finances since Hamden had met with the Commission back in February. He provided a description of some of the progress made and indicated that the cost-cutting measures being implemented should collectively generate millions in savings. The pension audit was recently completed and presented to the Pension Board, the Mayor's FY 2021-22 recommended budget was presented to the legislative council in March and the Council has been working on that budget since.

Mr. Jackson indicated that based upon the March 31st 2021 projections, the Town is projecting for FY 2020-21, a \$8.8 million revenue shortfall with expenditures of \$8.2 million less than what was budgeted. This would result in a \$600,000 operating loss for FY 2020-21. That projection however, does not take into account any Covid funds provided to the Town from the federal government. Hamden is scheduled to receive at least \$11 million in funding that will ultimately result in a significant operating surplus for FY 2020-21 with the receipt of this funding.

Commissioners made inquiries regarding Hamden's tax collection rates, the funding status of the pension plan, the projected revenue shortfalls in several areas as presented in Hamden's FY 2020-21 budget to actual results documents. Commissioner LeBlanc specifically inquired of Mr. Jackson, whether it was his belief that the Town would be able to bring all of the projected Corona Virus relief funding from the Federal Government into Hamden's General Fund. Mr. Jackson indicated that there were no guidelines yet from the Federal Government but that the Town had not made any specific plans on spending those funds. A discussion ensued among the Town and Commissioners in regard to the American Rescue Plan Act (ARPA) funds. Mr. Galarza, the Town's deputy finance director described the "Plan B" that the Town had developed as part of its deficit mitigation plan to re-establish its fund balance.

Commissioner Schuyler indicated that it would be helpful to the Commission if the Town provided in writing for each of its models/plans (for deficit mitigation/fund balance), the assumptions related to each model/plan and the status on each. A discussion also ensued among Commissioners and the Town as to the short term and long term implications of the projected refundings and the terms of those refundings.

Commissioner Buch identified several items that she would want the Town to provide to the Commission and requested that OPM draft a letter to the Town in regard to these

items. It was also indicated that the June 30, 2020 management letter had yet to be provided to OPM or the Commission for its review.

6. Information Updates – Data Submissions - Town of Ellington and Town of Plymouth

Commission Chair Buch acknowledged the information provided by the Towns of Ellington and Plymouth. Commissioners indicated that they had no questions or comments regarding the information submitted.

7. Outstanding June 30, 2020 Municipal Audit Reports

Commissioner Buch requested that Mr. Plummer provide an update on the outstanding June 30, 2020 audit reports. Mr. Plummer referenced the list of municipalities with outstanding June 30, 2020 audit reports and the 3-year history of submission dates for those municipalities. A discussion ensued among Commissioners as to the cause of the delayed audits and remedies. Commissioners indicated that a letter should be sent to each municipality that consistently submitted their audit reports significantly past the December 31st due dates. It was indicated that those municipalities whose reports were submitted significantly late for the 2020 audit filing and that exhibited a pattern of consistent significant delayed filing be contacted. The letter should indicate the consistent delayed filing of the audit report and what corrective actions these Towns plan to take to submit their reports on time going forward.

8. Fiscal Health Monitoring System (FHMS) Project Update: Commissioner Kennison provided an update to other Commissioners on the progress made to date on the FHMS. FHMS was recently transitioned into a production state but allows for OPM to internally continue to conduct testing. She is seeking for Commissioners to provide feedback by actually testing the system and entering their data into the tiles within the next few weeks. She also indicated that there was a recent communication made to municipalities for each municipality to identify the contact information of its chief executive officer (CEO) and chief fiscal officer (CFO). The communication also requested that the municipality's CEO designate who would be the primary user from the municipality for the FHMS. Commissioner Kennison indicated that the FHMS is scheduled to go live within the next several weeks with the first item being municipalities to appoint their audit firm for the June 30, 2021 audit period.

- **Other Business: West Hartford Notice of Intent to Issue Pension Obligation Bonds (POBs)**

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

Commissioner Kennison requested that Commissioner Sielman provide the details regarding West Hartford's intent to issue the POBs. Ms. Sielman provided a brief update of the Town's plan regarding the pension bond issuance.

9. Adjourned.

The meeting was adjourned at 11:52 p.m.

Respectfully submitted,

Kimberly Kennison
Acting Commission Secretary