



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

DRAFT MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

WEDNESDAY, DECEMBER 8, 2021

Meeting Location: Telephonic Meeting

Date/Time: December 8, 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
Ms. Diane Waldron

Others Present: Julian Freund, OPM Staff
William Plummer, OPM Staff
Michael Reis, OPM Staff
Morgan Rice, OPM Staff
Kimberly Masson, State Treasurer's Office
Austin Tanner, First Selectman, Town of Brooklyn
Rushie Bean, Finance Director, Town of Brooklyn
Richard Dziekan, Mayor, City of Derby
Andrew Baklik, Chief of Staff, City of Derby
Agata Herasimowicz, Finance Director, City of Derby
Lori Spielman, First Selectman, Town of Ellington
Lauren Garrett, Mayor, Town of Hamden
Sean Grace, Chief of Staff, Town of Hamden
Rick Galarza, Deputy Finance Director, Town of Hamden
Grace Zweig, Interim Finance Director, Town of Plymouth
David Cappelletti, Clermont & Associates, Independent Auditor

1. Call to order

The meeting was called to order at 10:02 a.m. by Commission Chair Buch. She noted that there were several new municipal officials in attendance and therefore requested that Commissioners introduce themselves.

2. Approval of the minutes to the August 18, 2021 meeting

The minutes to the August 18, 2021 meeting were approved by all Commissioners except for Commissioner Waldron who abstained as she was absent from the August 18th meeting and Commissioner Schuyler who joined the meeting at 10:13 a.m. subsequent to the approval of the minutes.

3. Town of Brooklyn

- FY 2020-21 Unaudited Operating Results
- FY 2021-22 Budget to Actual results with projections through June 30, 2022 (including collection rates on FY 2021-22 quarterly taxes levied to date)
- Status Update:
 - Corrective Action Plan - June 30, 2020 Audit and Management Letter findings
 - June 30, 2021 audit
 - Use of ARPA funds and impact on the Town's finances
- Other fiscal related matters

First Selectman Austin Tanner introduced himself and finance director Rushie Bean. He noted that he was recently elected as First Selectman and this was the first MFAC meeting that he was attending. He requested information as to the reasons that led Brooklyn to meet with the Commission. Commission Chair Buch explained the role of the Commission and that Brooklyn has been meeting with the Commission due to certain fiscal and financial reporting problems that had been earlier identified. The objective of the Commission is to provide advice to municipal officials to improve upon their municipalities' finances and financial practices. She noted that further deterioration in these areas could lead to additional oversight by the State and the Commission's intent is to prevent the need for such additional oversight.

Finance Director Rushie Bean introduced herself and noted that she had taken over the finance director position approximately four months ago. She referenced the materials provided to the Commission for today's meeting. She walked Commissioners through the materials that were provided. FY 2020-21 unaudited results indicate that the Town is projected to have a \$486,000 General Fund operating surplus. For FY 2021-22, approximately 56% of property taxes levied have been collected to date. She described additional revenue items that had been received by the Town. She updated the Commission on the implementation of the corrective action plan for its FY 2020 audit findings.

Commission Chair Buch inquired about the status of the June 30, 2021 audit report and whether the Town had set a targeted fund balance percentage as it was indicated that the Town was projecting a fund balance in the 5% range as of June 30, 2021. Ms. Bean indicated that although the Town's independent auditor believes the audit report could be issued by the December 31st deadline, the auditor could not guarantee issuance by that date. Therefore, the Town requested and was granted an extension until January 31, 2022 for submission of the June 30, 2021 audit report. The Town indicated that its targeted fund balance % was 10%. First Selectman Tanner indicated that the Town had set a 3-year time frame for meeting this target. The Town recently approved a fund balance policy.

Commissioner Kennison inquired about the Town's use of ARPA funds. The Town indicated it had yet to use such funds but had set up a Commission that would assist the Town in developing plans as to what projects ARPA funds would be spent on. In regard to Commissioner LeBlanc's inquiry as to staffing, the Town was able to quickly back-fill all open positions in the finance office.

Commission Chair Buch thanked First Selectman Tanner and finance director Bean for attending today's meeting and providing an update to the Commission.

4. City of Derby

- FY 2020-21 Unaudited Operating Results
- FY 2021-22 Budget to Actual results with projections through June 30, 2022 (including collection rate on the July 2021 tax levy)

- Status Update:
 - Corrective Action Plan - June 30, 2020 Audit and Management Letter findings
 - June 30, 2021 Audit
 - Anticipated New Accounting System
 - Staffing in the Finance Office (new deputy finance director)
 - Use of ARPA funds and impact on the City's finances
- Other fiscal related matters

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

Finance director Agata Herasimowicz introduced herself. She indicated that she started with the City as its finance director in July of 2021. She provided an update to the Commission on the work that she has been doing the past several months to "clean-up" the Town's finances. She has also made recommendations to the Board of Education as to the hiring of professional staff for the Education finance office. She is still awaiting updated information from the Board of Education that would solidify her FY 2020-21 projected results for the Board of Education. Her latest projections indicate an increase to fund balance as a result of the projected operating surplus for FY 2020-21. (Note: materials submitted by the City project an increase in fund balance from \$4.3 million as of June 30, 2020 to \$6.2 million as of June 30, 2021.) However, she understands that this is a projection and that it is not confirmed until the audit has been completed. She plans to introduce a fund balance policy to the new board for its review and approval. She noted that a significant portion of the projected FY 2020-21 surplus is due to the fund

balance replenishment of approximately \$1.8 million that was budgeted in the FY 2020-21 budget.

A discussion ensued among Commissioners and Ms. Herasimowicz regarding property taxes which was projected to result in a revenue shortfall for FY 2020-21. Commissioners inquired as to whether the assumed tax collection rate was the cause but Ms. Herasimowicz indicated concerns as to the accuracy of the grand list which may have been the cause of the property tax shortfall. She intends to conduct further analysis to determine the exact cause of the revenue shortfall. Commissioners also discussed with the City its intent to move to a new financial accounting system and the timing of such a transition, the staffing in the City's finance office, other revenue shortfalls projected for FY 2020-21, establishing separate internal service funds for self-insured costs, including health insurance, integration of both the Board of Education and City on the new financial accounting system that the City is seeking, reviewing pension and OPEB funding policies and practices, including assumptions, and the use of ARPA funds.

Commissioners indicated that Ms. Herasimowicz had a number of items that she would need to address in regard to the City's finances and financial practices. They indicated that she would need to have the necessary resources available in order to successfully address these challenges. To that regard, Commissioners requested that OPM draft a letter on the Commission's behalf reaffirming the following:

- The City's financial accounting system needs to be updated (both the City and its Board of Education should be integrated on the new system), appropriate staffing is needed in the finance office (City and Board of Education), the City should ensure the timely implementation of its corrective action plan, the City should ensure it is using accurate grand lists in regards to budgeting its property tax revenues, regular monthly reconciliations should be done by the Board of Education and provided to the City in a timely manner, the City should ensure that there is timely closing of its financial records and timely submissions of its audit reports, the City should ensure that a plan is in place for the proper use of ARPA funds and that such plan best meets the needs of Derby and its residents.

It was also recommended that the Board of Education officials be invited to the February 2022 MFAC meeting.

Commissioners thanked the City for its presentation at today's meeting.

5. Town of Hamden

- FY 2020-21 Unaudited Operating Results
- FY 2021-22 Budget to Actual results with projections through June 30, 2022 (including collection rate on the July 2021 tax levy)
- Status Update:
 - Corrective Action Plan - June 30, 2020 Audit and Management Letter findings
 - Development of Fund Balance Policy
 - Completion of the 5-Year capital plan
 - Bond Restructuring Plan
 - Use of ARPA funds and impact on the Town's finances
- Other fiscal related matters

Mayor Lauren Garrett introduced herself as the recently elected Mayor for the Town of Hamden. She also introduced her Chief of Staff, Sean Grace, Deputy Finance Director, Rick Galarza, and the Town's independent auditor, David Cappelletti. She indicated that in regard to the vacant director of finance position, she has made an offer to an individual to fill the vacancy and believes that she will have a new finance director in place by the next MFAC meeting.

Mr. Galarza provided an update on the Town's finances. For FY 2020-21 the Town is projecting a \$4 million operating surplus which would eliminate the General Fund cumulative deficit that existed as of June 30, 2020. The Town anticipates requesting for an extension of time for submittal of the June 30, 2021 audit report as the Town is awaiting pension information from its actuarial firm. The Town expects to submit the audit by the end of January 2022. For FY 2021-22, a 4-month budget vs. actual report though October 2022 was provided. Those results are trending favorably. Mr. Galarza also noted that in the FY 2021-22 budget, Covid related funds were not budgeted in the General Fund but instead in a separate fund outside the General Fund. He also indicated that there are no current liquidity needs. Vacancies are being filled on a case-by-case basis based upon priority needs. The Town's pension plan was funded at 101% of the actuarial determined employer contribution. Preliminary discussions are taking place in regard to the Town's outstanding pension obligation bonds (POBs) as the Town will soon reach the date where it will have the opportunity to refinance its outstanding POBs.

Commission Chair Buch inquired as to what was the source of the \$4 million projected increase to fund balance. She noted that the Town did not provide FY 2020-21 projected results. Mr. Galarza provided a brief summary as to the source, that being primarily debt service savings. The Town is still developing its fund balance policy, which it will present to the Council once fully developed. At this point a fund balance targeted percentage has not been finalized. Commission Chair Buch inquired about the findings in the June 30, 2020 management letter as she noted that the information requested for today's meeting on the status of the management letter findings had not been provided. Mr. Galarza requested that the Town's auditor, David Cappelletti, provide an update to the Commission. Mr. Cappelletti indicated there had been some progress on the management letter findings but there are still open items. He went on to describe the progress made and the remaining open items.

Commissioner Genovese indicated that he was disappointed that the Town had not submitted FY 2020-21 unaudited results. He would like to see such results accompanied by a fund balance analysis presenting prior years' fund balances, projections for FY 2020-21 and for subsequent years. Commissioner Schuyler indicated that he did not think it would be financially sound for the Town to seek from its actuaries a reduction to its ADEC as the Town had indicated that it may approach its actuaries on this since the Town' investment returns have been significantly higher for the past few years than the 6.5% investment return assumption for the Town's defined benefit plan. Commissioner Rybacki indicated that it appeared that there was a deficit mitigation plan developed earlier and inquired as to whether there had been any updates to that plan. Several other items were discussed among Commissioners and the Town including the development of the FY 2022-23 budget, budgetary practices, development of a long-term plan for the funding of the pension and OPEB plans including sound funding practices (including considering an experience study of the pension plan).

Commission Chair Buch requested that OPM draft a letter on behalf of the Commission that includes recommendations for a plan to fund pension and OPEB liabilities, adoption of a fund balance policy, update on its corrective action plan, update on its deficit mitigation plan, transmitting the FY 2020-21 unaudited results to Commissioners as soon as possible, use of ARPA funds to date and any plan developed for future use of ARPA.

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

6. Information Updates

- Town of Ellington data submission.

Commission Chair Buch acknowledged the receipt of financial information from the Town updating the Commission on Ellington's finances.

Commissioner Rybacki noted for the record that the Town is a client of his firm.

- Town of Plymouth data submission.

Commission Chair Buch noted that the Town had not submitted any information for today's meeting. Interim finance director Grace Zweig introduced herself and indicated that as she had started as finance director just 3 weeks ago and had not received the information request from the Commission until the due date, she was not able to prepare the information in time for today's meeting. She also indicated that Joseph Kilduff had recently been elected and was now the Mayor. Commission Chair Buch requested that Ms. Zweig provide the information that had been requested to OPM so that OPM could forward the information to the Commission.

7. FHMS Project Update

Commissioner Kennison provided a brief update on OPM's recent implementation of its Fiscal Health Monitoring System(FHMS) including the annual financial data report (AFDR). Mr. Plummer provided additional information regarding feedback from municipalities on the new system and additional supporting materials made available by OPM to assist municipalities with their reporting.

8. Other Business

- 2022 Calendar Year Meetings

Commission Chair Buch referenced the proposed calendar year 2022 meetings of the Commission. Commissioner Kennison noted that there was a change made to one of the original proposed meeting dates but the revised October date had been communicated in the revision document provided. Commissioners unanimously approved the proposed 2022 calendar year meeting dates.

- Other

Commissioner Kennison informed the Commission of the City of Norwich recent notification to OPM of its intent to issue \$145 million in pension deficit bonds.

Commissioner Sielman indicated that for the record, she is the actuary for Norwich.

Commissioner Rybacki indicated that for the record, his firm is bond counsel for Norwich.

9. Adjournment

The meeting adjourned at 11:54 a.m.

Respectfully submitted,

Kimberly Kennison
Acting Commission Secretary