



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

May 9, 2019

Nancy R. Rossi
Mayor
City Hall, 3rd Floor
355 Main Street
West Haven, CT 06516

RE: FY 2020 Budget

Dear Mayor Rossi,

Thank you and your staff for their efforts in developing the City of West Haven's budget in detail over the past several months. As follow-up to the May 2 meeting of the Municipal Accountability Review Board ("MARB"), I am writing you to provide guidance in modifying the City's proposed budget for FY 2020. As you know, Sections 7-576d(b) and 7-576i of Connecticut General Statutes, OPM's Guidance document, and the existing Memorandum of Agreement ("MOA") between the City and OPM for Municipal Restructuring Funds require MARB to review and provide its approval of the City's FY 2020 budget.

During the meeting on May 2nd, MARB members raised a number of concerns with the City's FY 2020 budget as presented. The chief concerns among the MARB members related to deviations in the budget from the City's approved 5-Year Plan and the MOA. Among the more significant departures from the 5-Year Plan:

- The proposed budget (as adjusted by the City council on 4/30) is short by \$1 million in revenue as compared to the original plan. This is due to the elimination of the mill rate increase included in the original plan.
- No commitments to achieving administrative efficiencies are included in the proposed budget. The City committed to achieving net savings of approximately \$1.245 million in FY 2020.
- Other deviations from the 5-Year Plan which cannot be attributed to normal budget fluctuations include the elimination of funding for a health claims margin and advance funding for an OPEB trust.

While the grand list grew at a substantially higher rate than originally projected, and cost projections in select areas of the budget have moderated, the budget continues to rely on \$6 million in Municipal Restructuring Funds to be paid by Connecticut's taxpayers. The overall effect of the budget as proposed disregards planned efficiencies and revenues, thereby shifting this burden to state taxpayers to subsidize the City's structural budget gap. This is an unacceptable approach that the MARB members did not support.

A revised budget is requested for the MARB's consideration and to obtain approval of the City's FY 2020 Budget. I therefore strongly urge making a series of revisions to the proposed budget that address these issues before further MARB deliberation. The following adjustments will bring the proposed budget closer to compliance with the 5-Year Plan and the MOA:

- Address the \$1 million revenue shortfall consistent with the 5-Year Plan.
- Incorporate the net amount of planned efficiency savings: (\$1.245 million).
- Budget for a health claims margin of \$319,000 inclusive of health claims run off. In the event the City transitions away from a self-insured fund, this can be treated as general unallocated contingency.
- Budget for an advance OPEB contribution of \$50,000.
- We also recommend adding \$100,000 for continued MARB expenses.

The above noted adjustments, consistent with the Municipal Recovery Plan, would result in necessary Municipal Restructuring Funds to eliminate the remaining structural budget gap of \$4.2 million.

The MARB will need a revised budget reflecting these relatively straightforward adjustments by Monday, May 13 for budget discussions during the May 14 subcommittee meeting. We are in the process of scheduling a special meeting of the MARB later in the month for consideration of a revised budget from the City Council.

If you have any questions regarding the recommended budget adjustments, please don't hesitate to contact me.

Sincerely,



Melissa McCaw
Secretary

C: Lee Tiernan, Corporation Counsel, City of West Haven
Members of the Municipal Accountability Review Board