

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

SPECIAL MEETING NOTICE AND AGENDA
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, July 21, 2020 10:00 AM – 12:00 PM

Meeting Location: This meeting will be telephonic only. Meeting materials may be accessed at the following website: <https://portal.ct.gov/OPM/Marb/West-Haven-Committee-Meetings-and-Materials>

Call-In Instructions: Meeting participants may use the following telephone number and access code

Telephone Number: (860) 840-2075

Meeting ID: 748-116-614

Agenda

- I. Call to Order & Opening Remarks
- II. Approval of minutes: May 19, 2020
- III. Update: Corrective Action Plan FY 2019 Audit Findings
- IV. Update: Status of HR Corrective Action Plan
 - a. ADP implementation
- V. Review and Discussion: Proposed Conditions for FY 2021 Restructuring Funds
- VI. Review and Discussion: G.O. Bond Issue
- VII. Update: Status of proposed charter revisions and scheduling of referendum
- VIII. Adjourn

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STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

SPECIAL MEETING MINUTES
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, May 19, 2020 2:00 PM – 4:00 PM

Meeting Location: This was a telephonic meeting. Meeting materials may be accessed at the following website:
<https://portal.ct.gov/OPM/Marb/West-Haven-Committee-Meetings-and-Materials>

Call-In Instructions:

Telephone Number: (860) 840-2075

Meeting ID: 276 681 093

Members in Attendance: Kimberly Kennison (OPM Secretary designee), Christine Shaw (State Treasurer designee), Thomas Hamilton, Patrick Egan, Robert White, Stephen Falcigno, Secretary McCaw (joined meeting at 3:03 PM)

City Officials in Attendance: Mayor Rossi, Frank Cieplinski, Lee Tiernan, Chief Esposito (Allingtown Fire District), Chief Scafariello (West Shore Fire District), Chief O'Brien (First Tax District), Representative Dimassa, City Council President Quagliani, Council Member Massaro, Deputy Chief Sweeney (First Tax Dist.), Chair of First Fire District Sweeney, Mike Zisek (First District), Council Member Cohen, Council Member Bruneau (and chair of West Shore Fire District), Council Member Johnston, Council Member Gallignano, Council Member Hamilton, Council Member Donovan, Council Member Hoskie, Council Member O'Connor, Commissioner Diaz (Allingtown), Commissioner Nunley (Allingtown), Matt Cavallaro

OPM Staff in Attendance: Mike Walsh, Julian Freund, Michael Milone, Bill Plummer

I. Call to Order & Opening Remarks

The meeting was called to order at 2:08 PM

II. Approval of minutes: April 28, 2020

A motion was made by Ms. Shaw, with a second by Mr. White, to approve the minutes. The minutes were approved unanimously with an abstention by Mr. Egan.

III. Update: Fire Districts

Ms. Kennison welcomed representatives of the fire districts and commissioners. Mr. Walsh provided an overview of the proposed FY 2021 budgets of the West Shore Fire District and First Tax District. He noted that the proposed budgets made some progress toward recommendations made in the previously prepared Fire District Study.

The First District mill rate on Real Estate and Personal Property will be increasing by 1 mill to 12.99 mills in the proposed budget, a significant step to achieving a sustainable budget. \$788K MV transition not included.

Additional contributions of almost \$700,000 to the pension fund. Increase of \$300,000 in proposed contributions to OPEB. The proposed budget uses \$253,000 of fund balance. Pension and OPEB valuations are in the process of being prepared, and are anticipated in August. The district is in the process of developing a 5-year plan to close the gap between its Actuarially Determined Contribution and its budgeted contributions. Also noted were steps taken in recent years to improve the district's financial outlook, including the establishment and beginning of funding of OPEB accounts in FY 2019, the beginning of funding OPEB for new hires beginning in FY 2020 and the closing of the defined benefit pension plan to new hires in 2008.

The West Shore mill rate for Real Estate and Personal Property increases by 0.75 mills to 11.129 mills in FY 2021. Some additional funding is provided for OPEB. Pension and OPEB valuations are under development. A preliminary analysis by the actuary firm suggests that the district will continue to be able to pay pension benefits, provided the district, at a minimum, level funds pension contributions through 2025.

For both districts, Mr. Walsh recommended that the State Motor Vehicle Transition Grant be included in the budget and be allocated to funding long term liabilities. Members briefly discussed benchmarking the district budgets to similar operations. OPM staff will work with the districts to prepare some comparisons with other communities.

Secretary McCaw commended the leadership of the City and fire districts for their work on challenges confronting the fire districts.

IV. Review, Discussion and Possible Action: Recommended FY 2021 Budget

The Subcommittee reviewed the original proposed budget at its April meetings. The City Council has taken action on the budget with some adjustments. The City Council's changes did not alter the mill rate, but reallocated certain expenditures. Reductions across overtime accounts and reductions to the Capital Fund are largely offset by an increase in the Contingency account. Secretary McCaw noted that the fire district budgets provide additional context to the discussion of the City's FY 2021 budget. Mr. Quagliani noted that the Council would have preferred to lower the mill rate, but opted instead to approve the mill rate as proposed and to reallocate funds to the Contingency account due to the uncertainty in the economy.

Members discussed the impact of the pandemic on City finances. City staff explained that refunding of approximately \$250,000 in summer program fees will be reflected in FY 2020 projections. The reduced interest rate on delinquent taxes is projected to result in a loss of between \$75,000 to \$125,000.

Secretary McCaw asked about the City Council's plans for review and approval of an updated 5-Year Plan. The MARB will likely approve the budget and the updated 5-Year Plan simultaneously or approve the budget contingent upon final approval of the updated 5-Year Plan. She advised that in any case, the MARB will seek the City's approval of the plan should be one that the Council follows through on implementing. Mr. Quagliani responded that once the City Council formally receives the plan, it can be placed on a City Council agenda, potentially the May 26th meeting.

Members discussed concerns with some of the assumptions used in the budget and 5-Year Plan and the City's commitment to the 5-Year Plan.

The City was asked about the impact of certain operating reductions made to the proposed budget by the City Council. Mr. Cieplinski noted that some of the reductions, such as the delay in the hiring of a purchasing position, may effect the City's ability to implement corrections to prior year audit findings or to address administrative capacity. Mayor Rossi responded that the reductions made to some of the Police Department capital needs, such as vehicle replacement, may not be sustainable. The outsourcing of information technology is also a concern to the Mayor. The additional funding of the Contingency account was noted as a positive development.

Secretary McCaw commented on the additional Contingency funding and added that although the FY 2021 proposed mill rate is lower than originally planned, the increase in the fire district mill rates places the mill rates in a different context.

A motion was made by Ms. Shaw, with a second by Mr. Falcigno, to approve sending the FY 2021 Budget as approved by City Council, to the full MARB for consideration. The MARB, in its consideration of the budget, may make approval of the budget contingent on City Council approval of an updated 5-Year Plan. The motion passed 6-0-0.

V. Review, Discussion and Possible Action: 5-Year Plan FY 2021-2025

A motion was made by Mr. White, seconded by Mr. Hamilton, to recommend to the Mayor that the 5-Year Plan be submitted to the City Council for approval. The motion passed 6-0-0.

VI. Adjourn

The meeting adjourned at 4:08 PM.

**CITY OF WEST HAVEN
FY18 - 19 Audit Issues**

ID #	Area	Condition	Remedy	Comments	Date Completed	Status
1	Education - Payables	During our testing, we noted that a significant number of invoices that were not properly recorded in the proper fiscal year.	The Board will follow the generally accepted accounting principles set forth by the auditor. Effective immediately, the Board has instituted a new systematic month end cut off procedure. This will require the AP staff to book accruals for any invoices that have not been received prior to the close. This will allow the Board to complete its Month End Budget to Actual reports in a timely fashion and provide the reports to the City for their review and to meet their reporting requirements.			Open
2	City - Payroll	Currently, the City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit master files, deductions and are set up as payroll super users with no restrictions.	As of 9/1 an employee in the Personnel Department is responsible for changing rates when needed.	Further controls will be automatically implemented once ADP is in house.	09/01/2020	Closed
3	Education - Payroll	Currently, the Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions.	The Board is awaiting the implementation of the of ADP as they were the company selected by the City from the Payroll RFP. This selection will clear this finding immediately. The Board has also recently hired a new payroll coordinator that will be trained accordingly. This person be taught all aspects of the new payroll system and will be shared with the city as a form of cross-training.			Open
4	Bidding Documentation	<ul style="list-style-type: none"> • Bid documentation for certain projects could not be located. • Bid waivers approved by City Council were not obtained for emergency projects above the bid threshold. • Items purchased under State bid were not formally documented on the purchase order or voucher 	Finance Director to investigate which projects were missing and identify root cause of deficiency			Open
			Department heads have been notified to contact purchasing director prior to addressing any further issues that may be exposed.	Reminder emails were sent to Department Heads. Finance director will reinforce at the monthly department head meeting		Open
			Department heads have been notified that all purchases made from the State Approved vendor list need to be properly documented.	Reminder emails were sent to Department Heads. Finance director will reinforce at the monthly department head meeting		Open
5	City Clerk	Currently, there are no unique separate logins for each City Clerk Department employee. All employees process transactions using the same login.	After the November 2019 election the new City Clerk corrected the situation. Employees now use unique login IDs		12/01/2019	Closed
6	Tax Collector	Currently, voided transactions must be approved by a senior staff member, but there is no review and approval of a monthly void report by the Tax Collector to monitor compliance with the procedure.	New process implemented after the 6/30/19 audit and is now in place	In addition to the 2 signatures required at the window, when the drawers are taken off and counted by an Analyst if there is no second signature as is required by business practice on the Void, it is called to the attention of the Revenue and Asset Manager. Additionally, the attached report is reviewed and balanced with the daily cash report when the month is closed.	09/01/2020	Closed
7	Pension Plans	Currently, the Police Pension Plan and Allingtown Pension Plan investments are managed by separate investment advisors with separate investment strategies.	The City is preparing to issue an RFP for the combined management of both the Police and Fire Department pension plans.	The respective pension commissions will need to be on board prior to any combined management.		Open
8	Alternative Investments	Although the City has their investment manager monitor their pension investments, currently, there is no formal monitoring of the alternative investments by the City Finance Department and/or Pension Commission.	Process will be to be developed after all other issues are corrected			Open
9	Account Reconciliation	Currently, the City's withholding liability accounts were not reconciled at year end.	Accounting will implement a process to reconcile the withholding liability accounts		06/30/2020	Open
10	Allingtown FD - Personnel files	The City Personnel Department does not maintain adequate personnel files and salary related documentation of the Allingtown Fire Department employees.	AFD has agreed to making copies of the personnel files.	Outsourcing payroll and HR will result in electronic records that can be accessed by the City Personnel Dept.		Open

ID #	Area	Condition	Remedy	Comments	Date Completed	Status
11	Allingtown FD - Capital Assets	Capital asset deletions should be identified and reported annually. We noted that the Allingtown Fire Department have not had any significant deletions over the past two fiscal years.	I will speak to AFD again. They were to complete a physical inventory last year.			Open
12	Allingtown FD - Pension Fund	During the year, the Allingtown Fire Department withdrew monies from the pension fund and recorded the amount as miscellaneous revenue in the general ledger. The monies were then deposited into the pension fund and recorded as a contribution.	AFD was informed and has discontinued the process		09/01/2020	Closed
13	Education - Journal Entries	Currently, the Education Department journal entries are prepared by the Business Manager, recorded by another employee, and approved in the system by the Business Manager.	Education is revising their closing procedures in coordination with Item #1			Open
14	Education - Student Activity Funds	Various student activity fund accounting records are maintained on a manual basis and are not under general ledger control.	The Board is awaiting a list of software that is used by the auditor's other clients. Once received, the Board will review and select a program. Staff will be trained and the program will be in use for the beginning of next school year (August 2020).			Open
		Various student activity fund accounting records are maintained on a manual basis and are not under general ledger control.				
15	Education - Education Grants	We noted that in some instances certain education grants are overexpended during the year, but are adjusted to the correct balances after year end.	The Board's new systematic month end cut off procedures will extend to the Education Grants as well as the Operating Budget accounts. This procedure will ensure the proper monitoring and reporting of the general fund and grants.			Open

Potential Conditions for FY 2021 Municipal Restructuring Funds For Discussion Purposes

Background:

- City of West Haven FY 2021 Adopted Budget includes \$4 million in Municipal Restructuring Funds as General Fund revenue source
- City and OPM will execute Memorandum of Agreement outlining conditions and requirements for payment of restructuring funds

Potential Conditions:

- Implementation of Munis training and development plan (ref. Blum Shapiro report from Oct. 2018)
- Implementation of corrective actions re: FY19 audit findings
- Development of corrective action plan re: FY20 audit findings (if any)
- Implementation of HR action plan
- Update and approval of updated 5-Year Plan FY22-FY26
- Approval of FY22 City budget
- Regular reports on status of measures to consolidate fire district back-office functions
- Implementation of specified new/continued efficiency measures (measures to be determined)
- Action plan for cybersecurity/IT security (if needed)

To: Julian Freund, Office of Policy and Management
 From: Bill Lindsay, Hilltop Securities
 CC: Mayor Nancy Rossi, City of West Haven
 Frank Cieplinski, Director of Finance, City of West Haven
 Michael Malone, MARB Liaison
 John Stafstrom, Pullman & Comley
 Michael Andreana, Pullman & Comley
 Date: 7/21/2020
 Re: City of West Haven Proposed Bond and Note Issue, September 2020

The following is summary of the City’s proposed General Obligation Bond and Bond Anticipation Note (BAN) Issue of 2020. In September 2020, the City is planning to issue \$19,173,000 in long-term bonds and roll-over \$19,500,000 in maturing short-term BANs. The bonds are being issued to fund road paving projects, the City’s on-going high school renovation and the fiscal year 2020-21 Capital Budget. The BANs will fund the City’s net share of the high school renovation project.

Plan of Finance

The City currently has \$32,500,000 in outstanding high school BANs which mature on October 2, 2020. The plan of finance calls for the City to issue the first installment of long-term bonds for the high school project in the amount of \$13,000,000 and roll over the balance of the BANs for another year. The remaining BANs will be permanently financed through the issuance of bonds in roughly equal installments over the following two years. The plan of finance was intentionally structured to phase-in the debt impact of the high school project over multiple fiscal years, targeting the drop-off in existing debt in fiscal year ending 2023. In addition to the bonds for the high school project, the City is looking to issue \$4,000,000 in bonds to reimburse itself for prior road paving projects and \$2,173,000 to fund the fiscal year 2020-21 Capital Budget.

Budgetary Impact of Proposed Note Issue

The debt service for the proposed bond issue was included in the City’s fiscal year 2020-21 operating budget. Current projections based on the market close from Wednesday, July 15th, indicate that the combined general fund debt service for the current year would be approximately \$390,000 less than the budgeted amount. A detail General Fund debt impact is included herein as Table 3.

Fiscal Year 2020-21	Adopted Budget	Current Estimate	Variance
General Fund Debt Service	\$18,643,292	\$18,253,154	\$390,128

Table 1

Bond Structure

The high school and road paving projects will be amortized over 20 years, while the projects included in the fiscal year 2020-21 Capital Budget will be amortized over various terms between 5 and 20 years depending on the useful life of the assets. A list of projects and amortization terms is included herein in Table 2.

I have intentionally adjusted the principal repayment structure of the high school and road paving bonds with goal of accelerating the repayment of the bonds to address a dip in the City’s current debt profile in

fiscal year 2023. If you refer to the existing General Fund debt service in Table 3, you can see how the annual debt decreases substantially from fiscal year ending 2022 to 2023 but then increases from fiscal year ending 2023 to 2024. The bonds have been structured to fill in that dip in fiscal year 2023. The benefits of accelerating the principal repayment are:

- 1) Following this issue, the City’s debt profile will become substantially level in fiscal years ending 2023 to 2025 fiscal years which should help with budget stability;
- 2) Faster principal repayment will reduce the interest expense; and
- 3) Improved marketing of the issue because investors will enjoy return of principal sooner.

I would like to point out that the City will still retain a significant decrease in its General Fund debt profile from fiscal year ending 2022 to 2023 which will allow for absorption of future debt issues.

Projects to be financed and individual amortization terms

Below is a list of the projects to be financed by the proposed bond issue:

Department	Project Grouping	Project Name	Amount	Useful Life
Board of Education	Facilities	New High School	13,000,000	20
Board of Education	Facilities	Exterior masonry repair	200,000	20
Board of Education	Facilities	Security upgrades / communications	100,000	10
Board of Education	Facilities	Floor Cleaning Equipment Replacement	30,000	10
Board of Education	Facilities	Seating replacement	50,000	15
Board of Education	Facilities	HVAC DDC Controls	100,000	10
Board of Education	Facilities	Roof Top HVAC replacement	150,000	20
Board of Education Total			13,630,000	
Public Works	City Infrastructure	Street Paving (FY16)	800,000	20
Public Works	City Infrastructure	Street Paving (FY17)	800,000	20
Public Works	City Infrastructure	Street Paving (FY18)	800,000	20
Public Works	City Infrastructure	Street Paving (FY 20)	800,000	20
Public Works	City Infrastructure	Street Paving (FY21)	800,000	20
Public Works	Facilities	Garage Roof Replacement	100,000	20
Public Works	Fleet Replacement	Equipment	20,000	5
Public Works	Fleet Replacement	Equipment	10,000	5
Public Works	Fleet Replacement	Equipment	30,000	5
Public Works	Fleet Replacement	Vehicle - Heavy Duty	250,000	10
Public Works	Fleet Replacement	Vehicle - Heavy Duty	100,000	10
Public Works	Fleet Replacement	Passenger Vehicles	60,000	5
Public Works	Fleet Replacement	Vehicle - Heavy Duty	300,000	10
Public Works	Fleet Replacement	Vehicle - Light Duty	70,000	10
Public Works	Fleet Replacement	Vehicle - Light Duty	70,000	10
Public Works Total			5,010,000	
Parks & Recreation	Equipment	Playground Equipment	100,000	10
Parks & Recreation Total			100,000	

Table 2

City of West Haven
Proposed Bond and BAN Issue, September 2020
July 21, 2020

Department	Project Grouping	Project Name	Amount	Useful Life
Police	Fleet Replacement	Vehicle - Police	237,000	5
Police	Hardware	Server Infrastructure	120,000	5
Police Total			357,000	
Emergency Reporting System	Hardware	911 Computers	10,000	5
Emergency Reporting System	Hardware	NCIC/Collect Computers	10,000	5
Emergency Reporting System Total			20,000	
Information Technology	Hardware	Computers	34,000	5
Information Technology	Hardware	Firewalls	8,000	5
Information Technology	Hardware	Probate telephone	14,000	5
Information Technology Total			56,000	
TOTAL BOND AMOUNT - SEPTEMBER 2020			19,173,000	

Table 2

Short-term BAN Interest

As a reminder, interest on the short-term BANs is not being charged to the General Fund operating budget but is instead being capitalized into the bond issues for the high school project. As a result, the short-term BANs have been excluded from the debt impact in Table 3.

Table 3

CITY OF WEST HAVEN, CONNECTICUT
Debt Impact - Proposed Bond Issue September 2020
General Fund - Bonded Debt & CWF Loans

Fiscal Year	Existing GF Bonded Debt			Existing CWF loans paid by the GF			Proposed New GF Supported Debt Service			Total - Existing & Proposed			Fiscal Year
	Principal	Interest	P&I	Principal	Interest	P&I	Principal	Interest	P&I	Principal	Interest	P&I	
2020-21	\$ 13,525,000	\$ 2,816,014	\$ 16,341,014	\$ 352,211	\$ 8,917	\$ 361,128	\$ 1,093,000	\$ 458,022	\$ 1,551,022	\$ 14,970,211	\$ 3,282,953	\$ 18,253,164	2020-21
2021-22	13,765,000	2,222,649	15,987,649	200,476	4,204	204,680	995,000	904,000	1,899,000	14,960,476	3,130,853	18,091,329	2021-22
2022-23	5,805,000	1,652,401	7,457,401	101,362	592	101,954	1,490,000	854,250	2,344,250	7,396,362	2,507,243	9,903,606	2022-23
2023-24	7,200,000	1,326,339	8,526,339	-	-	-	935,000	779,750	1,714,750	8,135,000	2,106,089	10,241,089	2023-24
2024-25	7,240,000	964,511	8,204,511	-	-	-	1,245,000	733,000	1,978,000	8,485,000	1,697,511	10,182,511	2024-25
2025-26	4,945,000	649,406	5,594,406	-	-	-	990,000	670,750	1,660,750	5,935,000	1,320,156	7,255,156	2025-26
2026-27	2,975,000	456,513	3,431,513	-	-	-	990,000	621,250	1,611,250	3,965,000	1,077,763	5,042,763	2026-27
2027-28	2,640,000	324,700	2,964,700	-	-	-	990,000	571,750	1,561,750	3,630,000	896,450	4,526,450	2027-28
2028-29	715,000	247,491	962,491	-	-	-	985,000	522,250	1,507,250	1,700,000	769,741	2,469,741	2028-29
2029-30	715,000	217,913	932,913	-	-	-	960,000	473,000	1,433,000	1,675,000	690,913	2,365,913	2029-30
2030-31	700,000	187,400	887,400	-	-	-	850,000	425,000	1,275,000	1,550,000	612,400	2,162,400	2030-31
2031-32	700,000	156,200	856,200	-	-	-	850,000	382,500	1,232,500	1,550,000	538,700	2,088,700	2031-32
2032-33	700,000	125,000	825,000	-	-	-	850,000	340,000	1,190,000	1,550,000	465,000	2,015,000	2032-33
2033-34	700,000	93,800	793,800	-	-	-	850,000	297,500	1,147,500	1,550,000	391,300	1,941,300	2033-34
2034-35	675,000	63,100	738,100	-	-	-	850,000	255,000	1,105,000	1,525,000	318,100	1,843,100	2034-35
2035-36	320,000	40,000	360,000	-	-	-	850,000	212,500	1,062,500	1,170,000	252,500	1,422,500	2035-36
2036-37	320,000	24,000	344,000	-	-	-	850,000	170,000	1,020,000	1,170,000	194,000	1,364,000	2036-37
2037-38	320,000	8,000	328,000	-	-	-	850,000	127,500	977,500	1,170,000	135,500	1,305,500	2037-38
2038-39	-	-	-	-	-	-	850,000	85,000	935,000	850,000	85,000	935,000	2038-39
2039-40	-	-	-	-	-	-	850,000	42,500	892,500	850,000	42,500	892,500	2039-40
	\$ 63,960,000	\$ 11,575,437	\$ 75,535,437	\$ 654,050	\$ 13,712	\$ 667,762	\$ 19,173,000	\$ 8,925,522	\$ 28,098,522	\$ 83,787,050	\$ 20,514,671	\$ 104,301,721	

Disclosure: Hilltop Securities Inc. is providing the information contained in this document for discussion purposes as municipal advisor to the City of West Haven. Future interest rates are dependent upon many factors such as, but not limited to, interest rate trends, tax rates, supply, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of such changes in such assumptions may be material and could affect the projected results. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the market or no market may exist at all.