

DRAFT
State of Connecticut
Municipal Accountability Review Board (MARB)
Special Meeting
State Board of Regents Boardroom, Ground Level, 61 Woodland Street
Hartford, CT

Meeting Minutes – Tuesday, July 17, 2018
10:00am – 12:30pm

The following link is to the MARB website. All meeting handouts can be located on this website, along with future meetings dates, agendas and minutes:

<http://www.ct.gov/opm/cwp/view.asp?a=2998&q=599332>

Members in attendance: Co-chairs: OPM Secretary Benjamin Barnes and William Cochran (designee of State Treasurer Denise Nappier)

Members: Patrick Egan, Thomas Hamilton, Mark Waxenberg, Bart Shuldman, and Commissioner Scott Jackson

Members not in attendance: Sal Luciano

Staff: Robert Dakers (OPM), Alison Fisher (OPM), Amy Tibor (OPM), Deputy Treasurer Larry Wilson (OSC), Riju Das (OSC)

I. Call to Order and Opening Remarks by Secretary Ben Barnes

Meeting was called to order by Secretary Ben Barnes 10:07 am.

II. Public Comment

None.

III. Action Item: Approval of Minutes: June 7, 2018

A motion was made by Commissioner Jackson and seconded by Mr. Hamilton to approve the June 7, 2018 meeting minutes. No discussion or edits were suggested. The vote to approve the June 7, 2018 meeting minutes was unanimous and the motion carried.

IV. City of West Haven Issues and Items

a. Review and Discussion of FY2016-17 Financial Audit

Ms. Savitsky announced that the auditor would be attending a public meeting in West Haven on Monday July 23rd at 6pm to answer questions.

Mr. Shuldman asked how the City will fund Allingtown's pension fund issues, since the bond issuance did not cover their obligation. He noted that the plan is only 22% funded. Ms. Savitsky responded that the actuary is currently analyzing what's needed to fix Allingtown's pension issues. Mr. Hamilton asked if the City is making ARC payments on that plan, to which Ms. Savitsky replied that they are not.

Mr. Shuldman continued, raising his concern about the City's ability to pay for their long term obligations. He cited the audit, which mentioned that the City has a \$190m OPEB liability and Allingtown has a \$30m OPEB liability, and there are no employee contributions. Ms. Savitsky stated that the City expects that changes to collective bargaining agreements will eliminate future benefits. Mr. Egan asked if any of these changes are currently being negotiated, as there are three contracts that have been expired for over a year. Ms. Savitsky responded that two of the contracts are within 7-14 days of getting Tentative Agreements.

Mr. Hamilton recommended that there be a multi-pronged approach to solve the City's financial issues, which could start with a trust fund.

Mr. Shuldman asked to see a five year plan that adequately addresses all of the City's liabilities.

Mr. Waxenberg stated that he could not vote for a plan that continues to do the same thing as what caused the fiscal problems in the first place. He asserted that the Board can't make decisions without information on what's really happening in West Haven, and that the City has admitted their lack of understanding on the topic.

Secretary Barnes recommended that the FY18 audit be completed as soon as possible, and cautioned the City to include the other fire districts in their assessment of total liability, as it is not advisable to address issues for some neighborhoods and not others.

b. Review and Discussion Monthly Financial Report: FY2018

Mr. Shuldman asked why there is a \$2m shortfall in health insurance. Ms. Savitsky replied that the City did not budget adequately in FY18. Mr. Hamilton requested a crosswalk from FY18 projections to the approved FY19 budget.

c. Review and Potential Action re: Non-Labor Contracts

No action was taken on this item.

d. Review and Discussion re: Status of Compliance memo

Secretary Barnes provided a brief overview of the memo.

Mr. Shuldman requested information on long-range Actuarial Determined Employer Contribution (ADEC), with a breakout of the anticipated normal cost and the unfunded amortization. Ms. Savitsky agreed to provide this information.

e. Review and Discussion re: Status of 5 year plan

Mr. Dakers said that an updated five year plan was provided to OPM on July 16th, which left no time for the Board to adequately review it prior to this meeting. Mayor Rossi added that the plan isn't done yet, as the City is still waiting for building permit information, payroll/positions data, and inflation from UI.

Secretary Barnes reminded the Mayor that the Board's acceptance of this plan is a requirement for the City to receive funds. He added that the City's auditor has said that the City can accrue \$8m to FY18, if conditions are met by the time the FY18 audit is completed.

Mr. Egan mentioned the possibility of moving the City into Tier IV oversight, a process that could be shortened by majority vote by City Council. A three year plan is required by law in order for a city to receive funds. Mr. Egan said that he would be interested in more oversight than Tier IV, as that might not be adequate.

Mr. Shuldman expressed his interest in moving West Haven into Tier IV.

Mr. Waxenberg asked about the difference between Tier IV and Tier III. Secretary Barnes explained that Tier IV provides the Board with additional powers, such as, initial labor powers, the authority to impose a budget on the City, designation of a fiscal manager for the City, etc. Secretary Barnes noted that the internal capacity issue should be addressed by the City, but offered help from the state if needed. He continued that he has no interest in moving the City to Tier IV, but it will be done if necessary.

Mayor Rossi requested that the Board give the City one more month to come back with a plan for the MARB to vote on.

Secretary Barnes requested that a meeting of the West Haven subcommittee be scheduled shortly and that the subcommittee make a recommendation to the full Board regarding Tier IV. OPM will move forward with the process that follows. Secretary Barnes also requested that in Re: Plan – in addition to a spreadsheet for the five year plan, there should also be explanatory materials, such as text, including an executive summary and information on major assumptions.

Mr. Shuldman asked what the process is to move a community from Tier III to Tier IV under the MARB. Secretary Barnes responded that under the statute, the MARB must convene a meeting with the Board, the Mayor and the City treasurer to vote on moving to Tier IV, provide 30 days for public comment, and that the Governor then makes the final decision.

Mr. Waxenberg said that if he were to vote for Tier IV, it would only be because he believed that the political will of West Haven is unwilling to make the difficult decisions to help the City.

V. City of Hartford Issues and Items

a. Review and Discussion Monthly Financial Report: FY2018

Interim Chief Financial Officer Melissa McCaw and City Finance Director Leigh Ann Ralls provided an overview of the financial report. Overall, the City is projecting \$592.2m in expenditures and \$592.9m in revenue for FY18. The City is confident that the year will close on budget, if not with a small surplus. Ms. McCaw noted that the City has fully paid its Actuarially Determined Contribution (ADC), in accordance with MARB requirements.

Mr. Shulman asked if corporate contributions were included in FY18 financials. Ms. McCaw explained that they were not, as they are expected beginning in FY19. However, the City had already received three payments as of the meeting date.

b. Review and Discussion re: FY19 BOE Budget

A brief presentation was made by Chief Financial Officer David Fleig. Mr. Fleig indicated that the Superintendent would like to present her long term vision for the BOE to the MARB.

c. Review and Potential Action re: Non-Labor Contracts

1. Professional Medical Consultant Services Provider

The City of Hartford has selected Segal by RFP process for a term of one year Contract with Segal (selected by RFP process) (May 1, 2018 – April 30, 2019) to provide these services. The cost of the contract is 1% lower than the City's prior contract for these services.

Secretary Barnes noted that Segal is the same group that the state has retained to work with West Haven in order to evaluate their options for health insurance. Mr. Waxenberg asked if the Board should consider having a consultant look at plan options in Hartford as well. Secretary Barnes responded that the Board should assess how the analysis goes in West Haven and then assess next steps for Hartford.

Secretary Barnes asked that a Hartford subcommittee meeting be scheduled shortly to discuss BOE and pension issues.

2. Financial Auditing Firm

A five year contract was awarded to Blum Shapiro through an RFP process. The cost of the contract begins at \$185,000 in year one, and increases to \$200,000 in year five.

3. The BOE and CREC Learning Corridor

The elements of the contract were presented by David Fleig and Claudio Bazzano. The contract for the five buildings, on one parcel, co-owned by the City and CREC, includes maintenance of the grounds, parking facility, and interior maintenance of the one building that is used by both HPS and CREC. The cost of the contract is \$816,000 and is jointly paid for by both HPS and CREC.

Mr. Shuldman asked why this contract was not put out to bid. Mr. Bazzano responded that it had been in 2013, but CREC was the only bidder. The BOE has not tried to go out to bid since then. Commissioner Jackson asked if the City's pay go process impacts the capital improvements made to the campus. Mr. Fleig responded that yes, it does, and that facilities and equipment are not updated as often as they should be.

VI. Other Business

None

VII. Future Meetings

No discussion on this item.

IX. Adjourn

A motion to adjourn was made by Mr. Waxenberg and seconded by Mr. Egan, with all members voting in favor. The motion carried unanimously and the meeting was adjourned at 12:53pm.