

DRAFT
STATE OF CONNECTICUT

MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

REGULAR MEETING MINUTES

Meeting Date and Time: Thursday, August 1, 2019 10:00 AM – 1:00 PM

Meeting Location: Board of Regents Conference Room, 61 Woodland Street, Hartford, CT

Members in Attendance: Secretary Melissa McCaw, Deputy State Treasurer Linda Savitsky (for Treasurer via telephone attendance at 10:15 a.m.), Mathew Brokman, Patrick Egan, Stephen Falcigno, Scott Jackson, Sal Luciano, Mark Wzzenberg, Bob White, and David Wright-Biller

Staff and Others Present: Luke Bronin (Mayor of Hartford) and staff, Cathy Osten (First Selectman of Sprague) and staff, Nancy Rossi (Mayor of West Haven) and staff, Michael Milone (OPM liaison), OPM Staff – Kim Kennision, Julian Freund, David Reyes, Bill Plummer

I. Call to Order & Opening Remarks

The meeting was called to order by Secretary McCaw at 10:01 AM. She welcomed the attendance in today's meeting of Mr. David Wright-Miller, who had been appointed by Senator Fasano to replace Mr. David Walker on the MARB.

II. Public Comment

Melissa Ziobron introduced herself as the budget director of the senate republican caucus. She had the following requests for the Board: (1) In regard to the July 5th Sprague subcommittee report, it was indicated that a legal review had occurred but there was no mention as to who prepared or provided the legal review. She is seeking additional information in regard to the legal review. (2) Ms. Ziobron would like the MARB meetings to be listed on the Connecticut General Assembly calendar. (3) In reviewing the minutes of an earlier meeting regarding the Town of Sprague, Item number C - Conditions for Funding, there was a response from Mr. Bye in regard to a question regarding funding. My Bye indicated that the OPM Secretary had wide discretion in providing funding that relates to a specific statute. She is requesting that the specific statute be provided.

III. Approval of minutes

July 12, 2019 minutes: Secretary McCaw remarked that Mayor Rossi had previously requested that the minutes of the July 12th meeting reflect her attendance at the meeting by phone and that this adjustment was reflected in the July 12th minutes provided in today's meeting packets. The minutes to the July 12th meeting with the noted adjustment was unanimously approved.

IV. Subcommittee Membership

Mr. Freund referred Board members to the handout in today's meeting with the three tables identifying the current membership of the 3 subcommittees. He commented that the bylaws do not directly address the process of appointments or changes to membership of the subcommittees. Upon discussion with Gareth Bye, it was decided to have an open enrollment period over the November and December time

period for board members to seek a change or be appointed to a new subcommittee effective on January 1st of 2020 for that calendar year and use that process going forward on an annual basis. He indicated that Mr. Falcigno would be filling the vacant opening on the West Haven subcommittee.

V. City of Hartford issues and Items

a. Review and Discussion of Monthly Financial Report – June, 2019

Mayor Bronin introduced himself and budget director, Jolita Lazauskas. He indicated that the fiscal year 2018-19 records of the City have not been closed and that certain accruals for fiscal year 2018-19 are still being done, but he believes that the City is on course to set aside the funding for FY 2018-19 for capital expenditures and vehicle replacements that was indicated in the City's plan.

Ms. Lazauskas proceeded to provide a summary of the City's General Fund budget vs. actual results through June 30, 2019. She indicated that actual revenues equaled or exceeded the amounts budgeted except in the area of property taxes. With the estimated \$1 million in anticipated accruals, property taxes are estimated to approximate \$279 million for June. (Note: the document provided by the City indicated that the City had estimated approximately \$284 million in property tax collections.) She went on to describe a number of areas where actual revenues exceeded the amounts budgeted. She also described several expenditure categories where actual expenditures were less than budgeted amounts and the areas of expenditures where actual expenditures exceeded the amounts budgeted. Overall, the City is projecting on a budget basis, a General Fund surplus of \$3.5 million for FY 2018-19 after accruals have been recorded.

Secretary McCaw indicated that in previous meetings Ms. Lazuskas had indicated that one of the reasons for the favorable surplus variance in full-time salaries was as a result of vacancies currently being carried by the City. She inquired with Mayor Bronin if the City had a recruitment strategy in filling those critical areas where there were a significant amount of vacant positions. Mayor Bronin confirmed that the City has been implementing its recruitment strategy and described the areas of vacancies which were of the highest priority and what the City was currently doing to fill those positions. He also indicated that in regard to the police force, there are anticipated vacancies from retirements and therefore the City is implementing recruitment and training strategy of new police officers in a responsible way by planning for three classes of recruits by the upcoming year.

Secretary McCaw inquired whether she could assume that the over-expenditure reflected in the City's overtime payroll was as a result of the staffing shortages in the police and public works department. Mayor Bronin indicated that her assumptions were correct.

Mayor Bronin answered various questions from Board members regarding economic development projects and capital projects. Mr. White requested that a discussion of economic development be put on the Hartford subcommittee agenda. Secretary McCaw indicated that it would be done. Mr. Jackson remarked that CRDA would have a role in different economic development projects and therefore it may be useful for that organization to attend the subcommittee meeting. Mr. Egan remarked that it would be beneficial to the subcommittee and committee that any multi-year economic development plan that the City currently has be submitted to both committees.

Secretary McCaw indicated that she was pleased with the projected FY 2018-19 results. The report indicates the City's ability to comply with the 5-year plan approved by the Board and the goal that was set to build upon fund balance. It appears that the City will meet its capital plan without borrowing and build upon its reserves. She commended the City for its 2019 results.

b. Review and Discussion of Non-Labor Contracts

i. Aetna Parking Agreement - Renewal

- ii. Blue Hills Civic Association – Renewal (North End Senior and Wellness Center)
- iii. Catholic Charities Archdiocese – Renewal (South End Senior Wellness Center)
- iv. Community Renewal Team – Renewal (McKinney Homeless Shelter)
- v. DATTCO – Renewal (Dial-a-Ride program)
- vi. Hispanic Health Council – Renewal (Maternal Infant Outreach Program)
- vii. Purchase of Fire Apparatus

Mayor Bronin and his staff described a list of non-labor contracts that are currently up for renewal and the contract regarding the purchase of fire apparatus. He and his staff answered a number of questions on those contracts posed by board members. Mr. Waxenberg requested that the City provide to the subcommittee trend data on the usage of services under the various contracts. The Mayor indicated he would be glad to assemble that data for the subcommittee.

VI. Town of Sprague Issues and Items

Senator Osten and her staff introduced themselves to the Board.

a. Review and discussion: Monthly Financial Report June 2019

Mr. Freund provided a summary of the FY 2018-19 budget results through June of 2019. The Town is projecting a budget surplus of approximately \$300 thousand due in large part to the sale of scrap metal derived from property foreclosed upon by the Town.

b. Review, discussion and possible action: FY 2020 Budget

Senator Osten answered various questions posed by Board members regarding the FY 2019-20 budget. The Board unanimously approved the budget assumptions in the Town of Sprague's FY 2019-20 budget contingent upon successful adoption at the budget referendum on August 6, 2019.

c. Review, discussion and possible action: 5-Year Plan

Secretary McCaw commented that the base year assumptions in the 5-year plan would be consistent with the assumptions in the FY2019-20 budget that the Town would be voting on at the August 6, 2019 referendum. The Board has had several discussions at earlier Board meetings on the 5-year plan and she requested that Mr. Freund provide a summary of the highlights of the plan. Mr. Freund provided a summary including the assumed changes in the mill rate for each year of the plan, that the cumulative fund balance deficit in the General Fund would be eliminated by fiscal year end 2020 with the assistance from the State, and that fund balance is anticipated to rise to at least 5% of expenditures by fiscal year end 2022. He indicated that fund balance would rise to 14% of expenditures by fiscal year end 2024 (the final year of the 5-year plan), before taking into account any plan for the repayment of the State loan.

Mr. White inquired about the details regarding the proposed loan agreement that the State and the Town of Sprague could potentially enter into and as to whether the proposal was part of today's discussion. Secretary McCaw indicated that it was not part of today's discussion but that it was germane and appropriate relative to the approval of the 5-year plan. She indicated that based upon the cumulative deficit reported by the Town as of June 30, 2018 and the surplus projected by the Town for FY 2018-19, the Town would be facing a cumulative General Fund deficit of approximately \$800,000 as of June 30, 2019. For FY 2019-20, the Town indicates that proceeds from the sale of Town property would be used to

lower the deficit to approximately \$500,000 but it is Secretary McCaw's intent to write a contract proposal that would provide flexibility for a State loan of up to \$900,000 in case the property sales are not completed in the time manner anticipated by the Town. The Town has delayed paying certain bills that are outstanding and therefore time is of the essence in completing the loan agreement between the State and Sprague so that those bills that have been delayed in paying can soon be paid. Mr. White indicated his support of the loan but would prefer that a time limit with flexibility built in to extend the loan repayment time period be part of the loan agreement. Mr. Falcigno indicated his agreement with Mr. White's desire for a flexible timeline to be included in the loan agreement for loan repayment. Mr. Waxenberg inquired with the Town whether it was the Town and Board of Education's belief that the proposed board of education expenditures in the 5-year plan would meet the needs for the education of pupils. The Town affirmed that the spending levels included in the plan for the board of education would meet those needs.

The motion to approve the 5-year plan was unanimously approved.

Senator Osten stated that she was in agreement with the thoughts of several of the Board members that wanted a time period to be included for the repayment of the loan and she had built the loan repayment in as part of the 5-year plan. She updated Board members on the status of the property sales as well as several other sales and lease agreements that the Town was currently working on to generate additional revenues.

Secretary McCaw indicated that she and staff had done some preliminary modeling for the loan repayment. The structure that had been drafted would provide for the Town to repay the loan based upon the level of fund balance reported at the end of each fiscal year. For each year that the Town achieved a fund balance of over 5% but below 7.5%, the Town would use 40% of any surplus achieved for that year to repay the loan, For each year that the Town achieved a fund balance of 7.5% but below 10%, the Town would use 50% of any surplus incurred for that year to repay the loan, and for each year that the Town achieved a fund balance of 10% or higher, the Town would use 60% of the surplus incurred for that year to repay the loan. The intent of this repayment structure was to ensure that there was an incentive for the Town to continue to build upon its fund balance. Based upon the 5-year plan Sprague will reach the 5% fund balance mark by fiscal year end 2022 and that assuming that the loan needed by Sprague is for \$500,000, the Town is projected to repay the loan in full by 2025, while still having a robust fund balance in excess of 15%.

d. Update: Vacant positions

Senator Osten and her staff described the key vacancies in the principal and superintendent positions at the Board of Education and the progress made to date in filling the positions. They provided answers to the questions posed by Board members.

Secretary McCaw expressed her appreciation to Senator Osten and her staff in cooperation with the Board's request for documents and information and their willingness to provide answers to the Board.

VII. City of West Haven Issues and Items

a. Update and Possible Action: State Partnership Plan

Secretary McCaw welcomed Mayor Rossi and her team to today's meeting. Updated presentation materials on the Partnership Plan was distributed to Board members by Mr. Freund. Mr. Milone indicated that he wanted to acknowledge the assistance that Mr. Freund provided him in preparing today's presentation for the Board. He provided a summary of events that has taken place over the past 6 months regarding the plan. From

the recent analysis that he and Mr. Freund has done, moving to the Partnership Plan will reduce cost to the City but the savings will not be close to the \$2.3 million that Segal had estimated in January. The savings that he is projecting for the City will be slightly over \$1 million. A key factor for the cost saving differential is that it appears that the Segal analysis built in a 20 to 21 percent increase in cost for the Anthem Plan and there were no cost increase assumed for the State Partnership Plan. The rate of increase in the Anthem Plan ended up being in the 6 to 7 percent range and the State Partnership Plan increased by 3%. It was also noted that Segal appeared to not have done an in-depth review of the various labor contracts. Certain of these contracts would prevent the City from transitioning current employees working under those contracts and retirees that retired under the provisions of these contracts to be moved immediately to the State Partnership Plan. Mr. Freund provided a narrative of the material he had distributed earlier on the update for the transition to the Partnership Plan.

Secretary McCaw indicated that from today's meeting it was her understanding that based upon the analysis done to date by Mr. Milone and Mr. Freund: (a) When comparing the cost to the City from continuing with the Anthem Plan vs. joining the Partnership Plan, there is projected to be a savings to the City (exclusive of the Board of Education) of approximately \$1 million annually by fiscal year end 2021. The original estimates by Segal was thought to have been approximately \$2.3 million. (b) In regard to budgetary savings, the savings to the City (exclusive of the Board of Education) are expected to be higher because of the inflation increases built into the assumptions and claims margin reserves that will not be utilized. Therefore, on a budgetary perspective, the savings could be closer to \$2 million. Mr. Waxenberg indicated his belief that a movement to the Partnership Plan will be beneficial in the short term and even more over the long term as the rate of cost increase has trended lower in the Partnership Plan. Mr. Milone answered a number of inquiries from Board members.

b. Presentation of Fire Study

Mr. Freund distributed to the Board, written copies of the Fire Consolidation Study conducted by Emergency Services Consulting International. Stewart McCutcheon and Mike Walsh from the consulting firm introduced themselves to the Board. Mr. Walsh provided a narrative through certain sections of the Report. He referenced the recommendations made in the report for the consolidation of the three fire districts under one Fire Commission while maintaining the 3 districts. (A sample organizational chart from the Fire Study report was referenced by Mr. Walsh.) Once the districts have agreed to such a consolidation, they would be provided an opportunity to gain control of their pension and OPEB liabilities through absorbing the additional costs needed in their annual budgets in regard to amortization of the pension and OPEB liabilities. However, MARB legislation should be in place whereby the MARB can gain oversight over the districts and take the necessary actions needed should the districts not agree to consolidate under one fire commission or should they not make the necessary spending and tax levy increases necessary in their adopted budgets. Board members made a number of inquiries answered by Mr. Walsh and Mr. McCutcheon. According to Mr. Walsh, even modest increases proposed in the budgets of these districts have been rejected by its residents in the past which would cause the Fire Chief to adjust down the budget in areas such as pension/OPEB in order for the budget to be adopted. In at least one of the districts, there are provisions in the charter indicating that if the budget is not approved, then the previous year's budget would be considered the adopted budget, even though the budget being proposed included new contractual increases. He indicated that it was his belief that the process of amending a fire district's charter is arduous.

Secretary McCaw indicated it was her observation that at some point, the districts will be unable to make the necessary benefit payments to their retirees. The funding ratios presented are alarming and that it would be her desire to obtain information on the amount of time the districts will have before they are unable to make the benefit payments. She also believes that the District officials should appear before the Board so that Board members can obtain what plan if any, the districts have developed to reign in these liabilities and to continue in making benefit payments to their retirees. A number of other questions were posed to Mr. Walsh and Mr. McCutcheon and they answered the questions accordingly.

c. Review and Discussion: Monthly Financial Report – June 2019

Mr. Cieplinski went over the revenues and expenditures results for FY 2018-19 through June of 2019. He referred to the additional Board of Education details provided in today's presentation that was previously requested by Ms. Kennison. Secretary McCaw requested that the City provide additional details on the lien sale. The City provided additional information and expects lien sale proceeds to be less than prior years due to additional tax collection efforts. Mr. Egan requested that Board of Education officials appear before the Board to provide information on the FY 2018-19 results. Secretary McCaw indicated her agreement with that request. Additional questions were posed that was answered by City officials. Secretary McCaw described the updated outlook from Moody's regarding the City and noted that the outlook had changed from negative to stable.

d. Action: Final Approval of FY 2020 Budget and Amendment to MARB 6/12/19 Resolution regarding FY 2020 Budget

Secretary McCaw summarized the actions taken to date regarding the City's FY 2019-2020 budget. She made a motion to amend the June 12th motion to accommodate the City council action on July 22nd. The motion was unanimously approved. Non-labor contracts up for renewal were described by West Haven officials.

e. Review and discussion: Non-Labor contracts

i. Delray Contracting – Wastewater Pump Station

Mr. Tiernan provided an overview of the proposed contract for upgrades to wastewater pump stations.

Secretary McCaw noted that the board packets also included an updated MOA compliance status report. With the previous distribution of the Fire Study and the presentation at today's meeting, the City has now complied with the required deliverables related to the April 30 payment. The \$2 million restructuring funds payment related to the April 30 deliverables will now be processed by OPM.

VIII. Adjourn

The meeting adjourned at 1:34 PM