

APPROVED
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
SPECIAL MEETING MINUTES

Meeting Date and Time: Thursday, April 14, 2022 11:00 AM –12:00 PM

Meeting Location: This was a virtual meeting. Meeting materials can be found at <https://portal.ct.gov/OPM/Marb/Full-Board-Meetings-and-Materials>

Call-in Instructions: Telephone 1 860-840-2075
Meeting ID: 748 153 77

Members in Attendance: Secretary Beckham, Christine Shaw (State Treasurer designee), David Biller, Matthew Brokman, Patrick Egan, Stephen Falcigno, Thomas Hamilton, Sal Luciano, Mark Waxenberg, Robert White

Special Members in Attendance for Purpose of Tier IV Findings: West Haven Mayor Rossi, West Haven Treasurer Michael Last, West Haven Council Member Mitch Gallignano

City Officials in Attendance: Scott Jackson, Lee Tiernan

OPM Staff in Attendance: Kimberly Kennison, Julian Freund

I. Call to Order

The meeting was called to order at 11:03 AM.

II. City of West Haven

- a. Introduction of additional members of the board for the purpose of determining whether to make a finding pursuant to CGS Section 7-576e(a)(2)

Secretary Beckham explained that State statute requires that, for the purpose of considering designation of a municipality to Tier IV, the composition of the board shall include the chief elected official of such municipality, the treasurer of such municipality and a member of the legislative body of such municipality, as selected by such body. The City Council selected Mitch Gallignano as their representative for this purpose. These three additional members are only participating for the purpose of the question regarding Tier IV designation. The Mayor and Council Member will be voting members of the board for the purpose of considering Tier IV designation. The City Treasurer will not be eligible to vote.

- b. Review and discussion: Discussion and evaluation of criteria relating to Tier IV designation pursuant to CGS Section 7-576e(a)(2)

Secretary Beckham noted that the membership of the board has been modified in accordance with state statute. He further explained that State statute specifies the criteria to be evaluated when considering whether a Tier IV designation is warranted. A draft report has been prepared with an evaluation of each of the criteria referenced in state statute. The City of West Haven has also submitted information for consideration in this discussion. The Secretary opened the floor for discussion.

Mr. Waxenberg indicated he had no amendments or changes to the draft report. He highlighted text on page 13 stating, "The MARB notes that historically, there have been systemic deficiencies that have prevented the City from achieving long-term financial stability."

Secretary Beckham noted one typographical error in the draft report to be corrected. On page 13, the first sentence in the final paragraph should insert the word "not" so that the sentence reads, "The MARB recognizes that a Tier IV designation will not guarantee that systemic and cultural change is achieved." That paragraph goes on to say, "There are limits to the additional authority provided by a Tier IV designation. However, Tier IV does provide the MARB with additional oversight tools, notably the ability to hire a Financial Manager. With good faith cooperation from the City's leadership, Tier IV oversight can help the City implement the cultural changes and financial infrastructure development that previous oversight boards have been unable to enforce."

Mr. White asked the City why it submitted the materials it provided in the context of this discussion and whether there are any proposed findings that the City disagrees with. Mayor Rossi explained that she submitted the information to show the work the City has completed over the last few months, including a corrective action plan for IT and procurement, and hiring staff. She said that the City is still reviewing the audit and is planning on pushing back on some of the findings. Mr. Jackson is working on making additional submissions regarding Cares Act expenditures. Mr. White clarified that his question was regarding the findings in the report regarding the Tier IV findings. Mayor Rossi said that the City has moved forward on certain items in the proposed corrective action plan.

Mr. Hamilton agrees that the conclusion that the City should be moved to Tier IV is supported by the report. He also noted the long-term nature of the City's financial problems. Providing the MARB with additional oversight tools will help to make the cultural changes needed in the City.

Mr. Falcigno added that he supports the recommendation to move the City to Tier IV.

Mr. Last said he does not support moving the City to Tier IV and feels the City should be provided an opportunity to respond to the CohnReznick audit. He also said he doesn't believe that a move to Tier IV would be justified based on the criteria for making that designation in state statute. He said the City's balance sheet is stronger than it was four years ago, and fund balance is projected to increase further. Mr. Last supports the idea of funding for a financial consultant to work on internal controls and procedures for the City. He said that a Tier IV designation would require a one mill increase to the City's mill rate.

Secretary Beckham pointed out that the City's balance sheet has improved because of the distribution of restructuring funds.

Mr. Luciano said he does not see any other option than to designate the City at Tier IV.

Mr. Brokman agreed with Mr. Luciano and said that Tier IV is the step needed to protect the taxpayers of West Haven.

Ms. Shaw pointed out the numerous chances that the City has been provided to address the issues raised in the CohnReznick audit. She also noted the audit's findings regarding Mr. Last's role in the City as Treasurer and a signer of checks.

Mr. Gallignano said he agrees with Mr. Last and believes the City does not meet the criteria for Tier IV. He said the mayor has worked hard and the City's balance sheet reflects improvement. He does not want another mill rate for the City. He added that the current administration is the third since he joined the City Council and the first to achieve balanced budgets. He said the City Council supports the mayor.

Mayor Rossi explained that when she was elected the City was immediately placed under MARB due to the deficit bonds issued. She described her efforts to eliminate deficits in FY 2017 and FY 2018. She said she will not support a move to Tier IV.

- c. Review, discussion and possible action: Consideration and discussion of making a finding that the fiscal condition of the City of West Haven warrants designation as a Tier IV municipality pursuant to CGS Section 7-576e(a)(2)

This item was included on the agenda at the direction of the MARB at their special meeting held on April 5. If the board votes to find that a Tier IV designation is warranted, that finding and recommendation is to be forwarded to the Secretary of OPM. A 30-day public comment period follows. Then, at the end of the 30-day comment period, the findings and recommendation, as well as a report regarding the comments received during public comment are forwarded to the Governor. It is the Governor's decision to designate the City as a Tier IV municipality.

The following motion was made by Ms. Shaw, with a second by Mr. Biller:

To adopt the Findings and Recommendations of the Municipal Accountability Review Board Regarding a Tier IV Designation of the City of West Haven as amended and to recommend Tier IV designation of the City of West Haven pursuant to CGS Section 7-576e(a)(2).

Mr. Egan said that he supports the motion, not because of the alleged thefts of Representative DiMassa, but because of all of the reasons laid out in the draft report.

Secretary Beckham added that it is clear that the latest episodes described in the CohnReznick report point to serious governance issues, lack of internal controls and other weaknesses.

Ms. Shaw explained that this action is intended to support the City and in the interest of helping the City achieve a position of self-reliance.

The motion passed by a vote of 10-2-0, with Mayor Rossi and Mr. Gallignano opposed.

- d. Review, discussion and possible action: Draft staff recommendations for corrective actions regarding City of West Haven

Secretary Beckham explained that staff have developed several items in preparation of the possibility that Tier IV is approved by Governor. These include a draft budget to implement Tier IV, cover OPM administrative costs, and recover expenses of forensic audit. Also provided is a draft action plan timeline and a draft corrective action plan which was previously reviewed by the board.

Mr. Waxenberg made a motion, with a second by Mr. Egan, to advise OPM to draft a memorandum of agreement regarding use of withheld Municipal Restructuring Fund for the purpose of supporting the proposed budget. The motion passed by a vote of 10-0-0.

A motion was made by Mr. Egan, with a second by Mr. Luciano, to advise OPM to begin to identify consultants with appropriate experience and expertise to conduct Financial Organizational Assessment. Mr. White pointed out that the funding for the budget will be coming from withheld municipal restructuring funds, not from West Haven taxpayers. This use of funds would help the City without draining their reserves. The motion passed by a vote of 10-0-0.

Mr. Brokman asked for the City to provide its thoughts regarding the items included in the draft corrective action plan prior to the next meeting.

Mr. Last pledged his office's and the City's cooperation and participation in moving forward.

III. Other Business

a. Date of May regular meeting

The board discussed potential dates for rescheduling the May meeting. The dates of May 18th and 19th were offered as options. Staff will work on a date.

Mr. Egan asked for consideration of holding the Subcommittee meetings in West Haven going forward. Secretary Beckham indicated interest in resuming in-person meetings at some point as well.

IV. Adjourn

A motion to adjourn was made by Mr. White, with a second by Mr. Waxenberg. All voted in favor. The meeting adjourned at 12:02 PM.