

DRAFT

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
REGULAR MEETING MINUTES

Meeting Date and Time: Thursday, March 9, 2023, 10:00 AM –12:00 PM

Meeting Location: Board of Regents
61 Woodland Street
Hartford, CT 06105

Virtual Link: <https://portal.ct.gov/OPM/Marb/Full-Board-Meetings-and-Materials>

Call-In Instructions: Telephone: 1 860-840-2075
Meeting ID: 416 044 470

Members in Attendance: Jeff Beckham (Secretary), Stephen Falcigno, Thomas Hamilton, and Robert White. **Teams Attendees:** Andrea Comer (State Treasurer’s Designee), David Biller, Sal Luciano, and Mark Waxenberg.

Tier IV Members in Attendance via Teams: Nancy Rossi, Colleen O’Connor

Municipal Officials in Attendance: Mayor Luke Bronin, Leigh Ann Ralls, Julian Freund, Phillip Penn, David Taylor, Lee Tiernan, Tom McCarthy, Matthew Cavallaro, and Rick Spreyer.

Staff in Attendance: Kimberly Kennison, James Caley, Chris Collibee, Simon Jiang, Bill Plummer, Michael Reis, Lori Granato and Lori McLoughlin.

I. Call to Order & Opening Remarks by Secretary Jeff Beckham

The meeting was called to order at 10:04 AM. Mr. Beckham welcomed everyone in attendance and thanked those attending in person. He then acknowledged his new Co-chair, Andrea Comer from the Treasurer's office, representing Treasurer Russell.

II. Public Comment Period – *The Public Comment portion of the agenda will be announced by the Chair. Members of the public will be provided an opportunity to speak. Before making their comments, members of the public wishing to speak must be recognized by the Chair. Speakers may be asked to limit their comments due to time constraints of this meeting.*

Paige Weinstein addressed the Board on behalf of West Haven. Ms. Weinstein disclosed that she is running for mayor for West Haven, however, this was unrelated to her comments. She expressed concern for the continual (negative publicity) bad press faced by West Haven residents. She appealed to the board for prompt resolutions to the many issues facing the Town. She suggested that MARB hold a town hall meeting after business hours which would allow working residents to address their concerns regarding the community, antiquated sewers, lack of

economic growth and the uninsured theft. Alternatively, a specific email address could be created for West Haven residents to voice their concerns. Mr. Beckham indicated that a special meeting would be given consideration.

III. Approval of Minutes:

a. February 16, 2023 Regular Meeting

Mr. White made a motion to approve the minutes, with a second by Mr. Falcigno. The minutes were approved by a vote of 7-0-1, with Secretary Beckham abstaining.

IV. Discussion: Process for Municipality Inquiries

A Waste, Fraud and Abuse Statement was included in the meeting materials. Mr. Beckham stated that this information provided the public with instructions for filing a complaint with the Auditors of Public Accounts (APA), the Federal Bureau of Investigation (FBI), and other law enforcement officials. The nature of complaints would pertain to violations of law or financial impropriety. This statement will be posted on the OMP website.

V. City of Hartford

a. Subcommittee Update

No meeting was held in February 2022.

b. Refunding of Hartford Bonds

Sarah Sanders, Deputy State Treasurer and Ernest Lorimer from Soeder & Associates, provided a transaction summary of the Special Obligation Refunding bonds. In 2018, the State Treasurer and the Secretary of OPM entered into a contract assistance agreement with the City of Hartford to pay contract assistance equal to the debt service on their general obligation bonds. Several of those bonds are callable with a larger chunk becoming callable on April 1, 2023. At the request of the State Treasurer and the Secretary of OPM, the City is working to execute a refunding. Based on current market conditions, this will save the State's General Fund approximately \$10 million over the next 10 years. Currently, the preliminary issue amount is not to exceed \$138 million, with a targeted sale date of April 26th and closing date of May 10th. A review of the transaction will be discussed at the March 26th MARB Hartford Subcommittee Meeting. On April 13th, the full MARB will be asked to approve the sale.

Ms. Sanders stated that these bonds have 5% coupons which make them economical to refund. If interest rates continue to rise, the savings will be reduced and or they may not be worthwhile to refund in the future. Mr. Bronin stated he believes \$396 million is outstanding of the original contract of \$540 million. Mr. Beckham thanked Ms. Sanders for the report and timeline information.

c. Review and Discussion: Monthly Financial Report: January 2023

Mayor Bronin presented the January 2023 financial report. He indicated that the City of Hartford is projecting a net positive variance at the end of the fiscal year of \$7.18 million. This increase, just shy of \$1,000,000 over last month, is driven primarily by positivity in interest rates. In addition, there has been positive tax collection projecting about \$374,000. There are some increases in overtime as well as legal fees, due to a \$300,000 settlement on a workers' compensation case involving COVID. Mr. Bronin stated that any surplus would be used to build on the fund balance to reach the target set with the MARB and secondly, to continue to invest in the City's capital needs without additional borrowing.

Mr. Penn provided an update on January 2023 Board of Education finances. He noted the attached memo had an incorrect date which should show March 2, 2023. Mr. Penn noted a decrease in the expected deficit from the previous month's projection to \$3.5-4.5 million. This is a conservative projection as non-personnel expense does not get fully expended. Also, vacancies and grant funds are being looked at to see if there are opportunities that some expenses can be moved to produce further savings. He is guardedly optimistic that a balanced budget will be achieved by year end. The Board of Education recently adopted a balanced budget, within \$2 million. The board agreed to incorporate a budget task of just under \$2,000,000 and continue to work to identify additional savings between now and the end of FY 23-24. The revenue estimate changes include 1) a new state grant designed to offset an increase in magnet tuition costs, anticipated to be \$3 million benefit, 2) an increase in special education billing for students outside of district of \$500,000, and 3) the board agreed to use about \$9.2 million worth of ESSR funds to help balance the FY 23-24 budget. Mr. Penn cautioned that this will directly impact FY 24-25. The board will need to work on a new cost structure that addresses some of the systemic deficit issues because of declining enrollment and the loss of ESSR funds. Mr. Penn warned that the 24-25 budget deficit could be as high as \$25 million due to inflation.

Ms. Kennison mentioned that there is a reserve of 2% or approximately \$8 million that's already a portion of the fund balance within the city. Mr. Penn stated that this year's plan contemplates use of those reserves. If there is a surplus by the end of the year, this would be refunded. He noted that there had been decrease of \$7.7 million in the magnet school operating grant from a drop in enrollment of approximately 500 suburban students. In addition, there are 300 more Hartford residents attending CREC schools along with a three-year tuition hike.

Mayor Bronin shared that the future fiscal pressure is partly the result of the Sheff settlement. As more students attend magnet schools, increased tuition payments and reduced student count will create a significant fiscal uncertainty. He indicated upcoming proposed legislation, House Bill 5003, will among other things, shift the cost of magnet tuition directly to the state.

VI. City of West Haven

i. Subcommittee Update

A written update was provided in the meeting materials. Ms. Kennison highlighted that the Board of Education presented their FY 24 Proposed Budget at the March Subcommittee meeting. Superintendent Neil Cavallaro stated they were in good shape for the fiscal year. Mayor Rossi has committed, in the 5-Year plan, to provide additional funds to the Board of Education as they've been flat funded for several years. The board agreed that the budget review would be performed at the Full MARB board meeting instead of at the Subcommittee level as this is the first-Tier IV budget review for West Haven. Both the budget and the 5-Year plan will be presented. A number of open items were either resolved or discussed. Considering the firefighters hazardous pay, they are looking to have a tentative agreement to put forth before us by the April subcommittee is what we heard any open items that were about the five-year plan that will be included in the FY 24 Proposed Budget.

b. Presentation: FY 2021 Audit Reports and Update on FY 2022 Audit

Mr. Joseph Centofanti, Partner from PKF O'Connor Davies presented the City's FY 2021 Financial Statements and Federal and State Single Audit. The audit firm issued an unmodified opinion on the City's financial statements and three findings in the report on internal controls and compliance. Net position for governmental activities, which is reported on a full accrual basis, increased by \$2.09 million to \$5.666 million as of June 30, 2021. Four programs were tested during Federal Single Audit and three findings were reported. Eight programs were tested during State Single Audit and three findings were reported. Management Letter is pending. Mr. Centofanti also noted that GASB 87 will be implemented in FY 2022, and GASB 96 in FY 2023.

c. Tier IV Updates:

i: Update on Whittlesey's Assessment

Mr. Engberg described Phase 1 of the engagement includes their assessment of Inventory of Policies and Procedures, Cash Disbursements, Procurement, an Update on the 2018 BlumShapiro Munis Report, an Update to Human Resources Consulting Group reports, Information Technology, and Cybersecurity. Mr. Engberg has provided several reports to the City and Board of Education for their feedback. He is available to meet with Mayor Rossi at her earliest convenience.

ii: OAG Research Legislative Language

There was a request made to an Assistant Attorney General at the last Full MARB meeting to research the legislative language for the Waterbury takeover in preparation for West Haven's consideration. Secretary Beckham reported that the AG's office is not in a position to undertake such research at this time. Furthermore, Secretary Beckham indicated that he does not support this request at this time as such a request is premature to the plan agreed to by the board for the Tier IV oversight and the reform of the city's governance and financial controls. The Secretary wants to see the conclusion of an ongoing financial assessment of the City by Whittlesey as planned. Whittlesey has been under contract for

just over three months and the RFP Proposals for a Financial Manager is underway. If any research or drafting of language is needed, it will be completed by the Secretary's Office.

iii: Update on RFP for Finance Manager

Ms. Kennison reported that the committee is in the process of reviewing the proposals and will meet immediately following this meeting to evaluate the bidders. Interviews will be scheduled and conducted once there is a decision.

d. Review and Discussion West Haven Bond Issuance:

i: West Haven Proposed Bond Anticipation Notes, Issue of 2023

City has \$6,530,000 in short term General Obligation Bond Anticipation Notes (BANs) which were issued on 9/29/22 and mature on 3/28/23. Mr. Bill Lindsay from Munistat provided and presented a Summary of the Plan to finance the refinancing of the debt that is proposed to extend 6 months to September 28, 2023.

ii: 2022-2023 Capital Project Bonding Ordinance

Mr. Lindsay also presented City's proposal of issuance of \$13,894,100 Bonds to appropriate and finance a portion of City's FY 2022-2023 Capital Budget.

e. Review and Discussion: Monthly Financial Report: January 2023

Mr. Taylor provided commentary on the projections in the materials presented to the Board. He noted that property tax revenue continues to proceed in line with expectations. Another significant revenue item, licenses and permits, are slightly below expected. Interest continues to be a significant driver of unanticipated revenue. These items, in addition to others discussed by Mr. Taylor projected revenue over expenses of \$2.5M. Other contingency anticipated expenses have been reduced by \$500K budgeted for potential COVID-related claw backs based on favorable determinations in federal court as well as OPM assistance in allowing for the reallocation of prior submitted expenditures flagged in December 2022 by CohnReznick, as well as \$150K for the police retention program now fully funded through ARPA. The City had a contingency for \$500,000 because of the disallowed items that were submitted for the CRF.

f. Review, Discussion and Possible Action: Non-Labor Contracts:

i. Shoreline Wellness Center, LLC. – Sale of William T. Blake Building

The purchase and sale agreement was reviewed and discussed in February 2023. The appraiser attended the subcommittee meeting and answered questions from board.

Mr. White made a motion to approve the contract, seconded by Ms. Comer. All in favor. Motion carries, the contract was approved.

ii. Greenskies Clean Energy, LLC. – Land Lease Option and Lease Agreement

This is a lease agreement between the city and Greenskies to lease approximately 15 acres of land. The term of the lease is 21 years with an option for 18 months. Lease income would be about \$35,000 annually. It has been reviewed, discussed, and recommended to the Full MARB for approval by the subcommittee.

Mr. Hamilton made a motion to approve the contract, seconded by Mr. White. All in favor. Motion carries, the contract was approved.

iii. Elm City Materials, Inc. – Rockdale Road Sewer Construction Services

This an agreement between the City and Elm City Materials for construction services of sanitary sewers in the Rockdale area. The agreement has a term of 240 calendar dates for \$579,400. It was reviewed, discussed, and recommended to the Full MARB for approval by the subcommittee.

Mr. White made a motion to approve the contract, seconded by Mr. Hamilton. All in favor. Motion carries, the contract was approved.

g. Open Items List

The list is included in the meeting materials. Discussion occurred during the subcommittee meeting. Mr. White suggested that an item to be added to the list to have the City provide a report on whether they have grounds to recover monies wrongly paid by municipal funds or bring action against such parties.

VII. Town of Sprague

b. Review and Discussion: Monthly Financial Report: January 2023

Mr. Beckham noted that the related materials were sent to the board members. OPM had a meeting with Sprague this week in preparation of a subcommittee meeting. FY 22 audit have been completed and will be presented at the next Subcommittee meeting, along with the FY 24 BOE and BOF Proposed Budget.

VIII. Other Business

Mr. Beckham made a motion to open the agenda to discuss the potential invitation to West Haven City Council members to join a special meeting of the MARB in April/May.

XI. Adjourn

Mr. Falcigno made a motion to adjourn, with a second by Mr. White. The meeting adjourned at 12:53 PM.