

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
DRAFT MEETING MINUTES

Meeting Date and Time: Monday, February 27, 2025, 10:00 AM

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: 749 792 738 #

Members in Attendance: Secretary Jeffrey Beckham, Kevin Alvarez (State Treasurer's Designee), David Biller, Stephen Falcigno, Thomas Hamilton, Lisa Hammersley, Susan Weisselberg and Robert White.

Municipal Officials in Attendance: Julian Freund, Leigh Ann Ralls, Paul Foster, Caitlin Richard, Mayor Dorinda Borer, Michael Gormany, Rick Spreyer, David Taylor, Kimberlee Kinsella, Paul Dorsi.

OPM Staff in Attendance: Kimberly Kennison, Gareth Bye, John Mehr, Simon Jiang, Bill Plummer, Michael Reis, Rachel Moser, Erika Olsen and Lori McLoughlin.

OAG Staff in Attendance: James Caley, Assistant Attorney General

State Treasurer Staff in Attendance: Kimberly Mooers, Assistant Treasurer for Debt Management, Attorney Ernest Lorimer, and Amanda Nocera.

PKF O'Connor Davies Staff in Attendance: Joseph Centofanti, Partner

Munistat Staff in Attendance: Bill Lindsay.

Protiviti Staff in Attendance: Charles Dong, Zachary Unger, and Sharon Chun.

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

The meeting was called to order at 10:01 a.m.

II. Public Comment Period

There was no public comment.

III. Approval of Minutes

a. January 27, 2025, Special Meeting

Mr. Hamilton made a motion to approve January 27, 2025, Special Meeting Minutes with a second from Mr. Biller. Motion carried with Ms. Weisselberg abstaining.

IV. City of Hartford

a. Subcommittee Update

Ms. Kennison reported that the Subcommittee had a TEAMS meeting on January 23, 2025. Hartford Public Schools hired a new Chief Financial Officer, Caitlin Richard. The City's independent audit firm, Clifton Larson Allen, presented the City's FY 2024 Audit. The audit firm issued an unmodified opinion on the City's financial statements, the Federal Single Audit, and the State Single Audit. There were no internal control weaknesses or compliance issues. The City's General Fund Balance increased by \$20.6 million to a balance of \$73.4 million as of June 30, 2024. The Subcommittee was updated on the status of collective bargaining agreements that are being negotiated.

b. Review and Discussion: State of Connecticut Refunding Hartford Bonds

Ms. Mooers summarized the proposed refunding of Hartford general obligations bonds under the Contract Financial Assistance between the City of Hartford and the State. The refunding is a series of six outstanding general obligations bonds of the City totaling approximately \$165 million. The savings from this refunding is approximately \$1 million each year for approximately \$10 million. With Hartford being a Tier II municipality, no formal approval was needed from the MARB.

c. Review and Discussion: Monthly Financial Reports – December 2024

Mr. Freund provided an overview of the City's financials. Mr. Freund stated that the City is projecting a deficit of \$4.8 million, a slight reduction from the October report. On the revenue side, 54% of the budgeted revenues have been received, compared to 55% last year. Property taxes collections are at 58.5% of budget. On the expenditure side, the City is 44.1% of budget compared to 42.7% for last year. Payroll expenditures are \$680,000 unfavorable that includes the net effect of vacancy savings and overtime projections. Also, health insurance projections are over by about \$1 million based on claim activity.

Ms. Richard provided an executive summary presentation of the BOE's financials. Overall, the budget for FY25 is about \$55 million less than FY24 due to cuts made last year, especially with the loss of Federal COVID relief funding. Currently, the BOE is anticipating a \$4 - \$6 million deficit in the FY25 budget. Through December, spending is about \$11 million less than last year driven by salaries reductions in positions and vacancies. Also, spending is less on contracted services with many contracts eliminated this year. Spending costs are more than \$1 million for utilities. Projected tuition is about \$6 million higher than budgeted. Ms. Richards mentioned that a grant manager was hired, which has been vacant for many years.

Tom Hamilton asked if the City has any projections on dealing with the potential shortfall coming from the BOE. Mr. Freund said the City is working on pinpointing if BOE will be able to close their gap. Within the next two periods, the City will update projections regularly to have a better idea of what excess revenues might be.

d. Status of FY 2025-2026 Budget

Mr. Freund reported that the City is developing the Mayor's recommended budget which will be released on March 24.

Ms. Richard stated that if the BOE provides the same programs next year as the current budget, this will result in a \$30 million deficit due to the new teachers' contract and increasing tuition costs for special education. The Board along with the community and school teams are looking at mitigation strategies to address the deficit. The Board of Education will vote on the proposed budget on April 15.

e. Status of City and Board of Education Labor Contracts

Mr. Freund shared that the labor contracts of the Firefighters Union and Local 1716, which consists of Public Works employees, expired on December 31, 2024. Both labor contracts are in active negotiation with no estimate when they will be resolved.

Mr. Foster shared that they are currently bargaining with three unions: the Para-educators, the Security Guards, and the Secretaries. Multiple negotiation sessions are planned with all three unions over the next month. In addition, negotiations are about to start with: the health professionals; the administrators; and the custodial, food service, and tradespeople unions. These three labor contracts will expire in June 2025.

V. City of West Haven

a. **Review and Discussion: City and Board of Education December Monthly Financials**

Mr. Gormany reported that the City is projecting a surplus and continues to have good tax collections with little changes through December.

Ms. Kinsella recently started as the BOE Finance Director replacing Matt Cavallaro. She provided an update of the six-month financial reports.

Ms. Kennison asked about the December numbers lagging in the payroll accounts. Ms. Kinsella is working with the City to get the payroll entries posted. Mr. Hamilton asked about the staffing level at BOE Finance Department. Ms. Kinsella said there are four members: a finance director; two accounts payable staff; and a payroll clerk.

b. **Status of FY 2026 Budget - City and Board of Education**

Mr. Gormany stated that the City budget is in progress. It is due to the City Council by March 20, 2025. The City is currently reviewing all the revenue and expenditure assumptions.

Ms. Kinsella stated that the Board of Education has submitted its Budget for next year with a 3.82% increase.

c. Tier IV Action Plan Update:

i. Organizational Assessment – Whittlesey

Whittlesey is finalizing its Phase 2 and 3 reports for distribution to MARB in March. The reports relate to Governance, Tax Collector and Tax Assessor, Tax Filings, Hiring / Employment Practices, Grants Management, and Expenditure Analysis. The draft forms of these reports were discussed on December 19, 2024, MARB meeting in Executive Session.

Whittlesey is currently performing an Information Technology (IT) Validation Audit that is scheduled to be completed in March.

ii. Finance Manager Summary – Protiviti

A copy of the Protiviti's Status Report as of February 15, 2025, was provided in the packet.

Mayor Borer asks Protiviti to comment on the City's bank reconciliations that were questioned in the Subcommittee. Mr. Unger answered that the bank reconciliations finding was previously a material weakness that has been downgraded to a significant deficiency. Mr. Unger believes that their audit tracker correctly reflects the fact that it's been cleared. However, it is subsequent to the auditor's opinion.

d. Review, Discussion and Possible Action: Bond Resolution – Issuance of Bonds, Issue of 2025 and General Obligation BANS, Issue of 2025B in March 2025

Mr. Lindsey discussed the memo provided that the City is planning to issue \$12,450,000 in long term general obligation bonds and \$5,030,000 short-term Bond Anticipation Notes (BANS) on March 27, 2025. The City Council at its January 27, 2025, meeting approved the bond ordinance authorizing the bonds to fund the fiscal year 2023 – 2024 Capital Budget. The City is seeking approval to issue these bonds and BANS.

Mr. Alvarez made a motion to approve the issuance of bonds and BANS with a second from Mr. Hamilton. Motion carried.

e. Mayor's Executive Summary

Mayor Borer updated the MARB on the ransomware situation that occurred over Christmas. She then reported on several economic projects underway. An eyesore hotel, called the Debonair, was finally sold and will be demolished in April or May. Thirty condominiums are planned to be built along the shoreline. The Kelsey, known as the old brewery project, is slated to open in 2026. The Riva on Beach Street is slated to open no later than June 1st. Stiles School went out to bid to be sold and a buyer was selected to purchase the school building planning to create 30 apartments. This transaction has gone to the City Council. The City owned building, known as the Masonic Temple, is a nonperforming asset that will be rehabilitated using State funds granted a few years ago. The City has selected a consultant for a downtown evaluation project to help map out the future of the downtown area.

Mayor Borer talked about the City instituting a new first-time sewer hookup fee that will produce additional revenue. The City made revisions and changes to the zoning regulations, continuing to meet with Yale and University of New Haven, and spending time on the development of policies for security and emergency preparedness that are not in place and have not been submitted to the State of Connecticut in the past. The Mayor concluded that the City has been investing in giving a facelift to beautify the City.

f. Presenting: FY 2024 Audit Reports

MARB members received copies of the City of West Haven June 30, 2024, audited financial reports. The City filed the financial reports on February 14, 2025.

Mr. Centofanti provided an overview of the City's FY 2024 financial statements, Federal Single Audit and State Single Audit, which received unmodified opinions. The General Fund ended with a surplus of \$6.4 million with revenues having a favorable variance of \$2.4 million and expenditures having a favorable variance \$4.0 million. This resulted in the unassigned fund balance being \$21.2 million.

Mr. Centofanti mentioned that the OPEB Trusts were established for both the City and Allingtown Fire Department. He discussed the Allingtown Fire Department, internal service funds, and the sewer fund. At year end, the police pension plan was funded at 76.39% and the Allingtown pension plan was funded at 47.3%.

Mr. Centofanti said there were three compliance findings with two repeated from last year and an additional one this year relating to Medicaid due to reporting issues. There were 16 audit comments from last year that were resolved and three renewed comments from last year. He is working with the City on the Management Letter that should be filed sometime next week.

Mr. Centofanti and the MARB discussed the compliance findings, bank reconciliations, and the remedy for deficiency findings.

g. **Subcommittee Update**

i. February 11, 2025, Special Meeting

A summary of the meeting was included in the packet.

ii. February 27, 2025, Special Meeting

Mr. Hamilton reported that the subcommittee had a very robust discussion and didn't come to any unanimous sort of conclusion. First and foremost, the subcommittee certainly believes that West Haven has made tremendous progress, especially under the leadership of Mayor Borer. It's very clear in the last 18 months that this City has really moved from a place of crisis to one that is doing quite well. The results of the City financials are extremely positive. The subcommittee reviewed the five criteria that were laid out in statute. The audit criteria is now fully met by not having any operating deficits for two consecutive years. The fund balance is now more than the minimum 5%. The City's bond rating is investment grade now with an A- rating from Standard and Poors. The City has met all of the requirements of the statute relative to the financial plan based on recurring revenues, positive fund balances, and properly accounting for any restructuring funds received. The final criteria of the financial practice's discussion is among the members have

slightly different positions on whether or not the City has met this criteria. Mayor Borer has made her case very strongly that she believes that the City has met all of the criteria necessary to be released from Tier IV. The subcommittee really centered on a few issues.

One significant deficiency being the bank reconciliations is evidence there is still an unsound financial management practice. On the other hand, during the discussion the City presented evidence from Protiviti that the practice has been corrected since the audit period. The questions of when members need to see evidence of the unsound financial practice being corrected and if it needs to be corrected as part of the annual independent auditor's reports or can it be a subsequent correction confirmed by the Financial Manager. This became an area of some debate among members of the subcommittee.

There were other concerns expressed in a variety of areas and some questions among some board members as to whether or not these represent unsound financial practices such as a contingency plan if a fire district was unable to continue to perform its public safety services. Another open issue is the litigation regarding the police pension plan that is an area of concern as well.

Secretary Beckham, related to the statue, referred to the "Criteria for MARB Determination of Sound Financial Practice" provided to MARB members for consideration. The Secretary asked board members how they want to proceed. Reviewing each one of the items and debating whether it should be criteria. This would be a way to establish what is the criteria. Then at some point the Board will have a debate about whether or not the City has met the criteria.

Secretary Beckham asked how does West Haven leave MARB oversight. Attorney Bye said if the MARB determines that a municipality satisfies the criteria, at the Secretary's discretion, in consideration of the fiscal condition of the municipality and in the best interest of the State, terminates such municipalities designation or redesignate such municipality to a lower Tier. Provided no such municipality shall be redesignated as a Tier 1 municipality. The Secretary has flexibility once this Board makes its decision. The Secretary will be guided and given counsel by this Board.

Secretary Beckham stated that the MARB had a robust discussion today about the criteria with the members expressing their opinions. He is requesting a special MARB meeting with an executive session for the lawyers to update on the police pension case.

V. Review, Discussion and Possible Actions: Non-Labor Contracts:

Since the members had time to review and have no questions about these contracts, Secretary Beckham recommended that the three (3) non-labor contracts be taken as one motion for approval, as had been done at past board meetings.

i. Bond Resolution – Dawson Avenue Area - Rehab of Sewer Pipes and Manholes

An Ordinance appropriating \$1,694,000 for the costs of rehabilitation of sewer pipes and manholes related to Dawson Avenue area and for the issuance of Bonds to meet this appropriation. The City is seeking MARB's approval of this resolution to participate in the Department of Energy and Environmental Protection (DEEP) Clean Water Program.

- ii. CDM Smith – Stormwater Infrastructure Assessment and Design – Lydia Street Project - Provide Closed Circuit TV Inspection of Existing Drains

The City seeks to amend the CDM's Basin Stormwater Study contract which was approved by MARB in June 2024, so that CDM Smith can perform the Closed Circuit TV work at an additional cost of \$115,000. This project is using ARPA funds.

- iii. Colliers Engineering & Design – Preparation of a Comprehensive Downtown Municipal Development Plan Stormwater Infrastructure Assessment and Design

The City has decided to award Colliers Engineering & Design, Inc. of Madison CT to develop a Comprehensive Downtown Municipal Development Plan for the amount of \$248,350. This Project is being funded by a State of Connecticut Community Investment Fund 2030 Grant.

Ms. Weisselberg made a motion to approve the above three contracts with a second from Mr. Falcigno. The motion passed unanimously.

VI. Other Business

Secretary Beckham stated that a Special MARB Meeting with an executive session will be scheduled in the next two weeks for the attorneys to brief the members on the West Haven Police Pension case.

The next regularly scheduled MARB meeting will be held at the Legislative Office Building on April 24, 2025, at 10:00 AM.

VII. Adjourn

Ms. Weisselberg made a motion to adjourn, seconded by Mr. Alvarez. Motion carried. The meeting was adjourned at 12:11 AM.