

**DRAFT
STATE OF CONNECTICUT**

MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

REGULAR MEETING MINUTES

Meeting Date and Time: Thursday, January 9, 2020 10:00 AM –12:00 PM

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

Members in Attendance: OPM Secretary Designee Kimberly Kennison (Executive Finance Officer), State Treasurer Designee Christine Shaw (Assistant State Treasurer), Matthew Brokman, Stephen Falcigno, Tom Hamiton, Mark Waxenberg, Robert White, and David Wright-Biller

Municipal and State Staff and Others Present:

City of Hartford: Luke Bronin - Mayor, Jolita Lazauskas - Budget Director, Lee Ann Ralls – Finance Director

Town of Sprague: Cheryl A. Blanchard - First Selectwoman and Staff

City of West Haven: Mayor Nancy Rossi, Frank Cieplinski – Finance Director, City Attorney Lee Tiernan

Others: Michael Milone (OPM liaison), OPM Staff - Julian Freund, Michael Walsh, and Bill Plummer

I. Call to Order:

The meeting was called to order by OPM Chair Designee Kimberly Kennison at 10:04 a.m. State Treasurer Designee Christine Shaw introduced herself to Board members.

II. Public Comment Period

There were no public comment speakers in attendance.

III. Approval of Minutes:

The minutes of the December 5, 2019 meeting were approved by all members in attendance.

IV. City of Hartford Issues and Items

a. Subcommittee update

Mr. Julian Freund provided a summary of the December 19, 2019 Hartford Subcommittee meeting. He also indicated that the City had submitted its June 30, 2019 comprehensive annual financial audit report.

b. Review and discussion: Monthly Financial Report November 2019

Mayor Bronin introduced himself to the Board and indicated that the City had no findings reported in its June 30, 2019 audit report. He indicated that for fiscal year 2019-20, at this point in the fiscal year, the City was generally on target to meet its budgetary results and that it appears there may be an overall favorable results for the year based upon results to date.

City Budget Director, Jolita Lazauskas provided an update on the November 2019 financial results of the City. Several questions were posed to Mayor Bronin and his staff and a discussion ensued among Board members and the City in regard to property tax levies and grand list assumptions that the City used to formulate its 5-year financial plan. Mayor Bronin indicated that there were several reasons for the relatively high rate of assessment appeals with one primary reason being the high tax rate on commercial properties in general.

V. Town of Sprague Issues and Items

a. Subcommittee update

Mr. Freund indicated that although a subcommittee meeting was not held in December, OPM has been meeting and working with the Town of Sprague on its fiscal issues, including the audit findings from the June 30, 2018 audit report and the Town's cash flow challenges. He is seeking to hold a subcommittee meeting at the end of January, if possible.

Ms. Kennison identified the names of the Board members that would now be part of the Sprague subcommittee for calendar year 2020. She also indicated she had met with First Selectwoman Blanchard at Sprague to address various issues. She indicated that based upon discussion with the Town and the analysis done through March of 2020, the Town will not have a cash flow problem and therefore, she anticipates there will be no need for the distribution off MARB funds to the Town for the time being.

b. Review and discussion: Monthly Financial Report November 2019

Mayor Blanchard introduced herself and provided an update on the November financial results of the Town. She also provided a brief update on the Town's property sales and leases and their affects on the Town's fiscal results and cash flows. She indicated that as recommended by OPM, the NFA oldest outstanding invoices have been paid and that all remaining outstanding NFA invoices were less than 60 days outstanding.

c. Update: Corrective Action Plan

Ms. Kennison and First Selectwoman Blanchard both provided a brief update on the audit findings from the June 30, 2018 audit. First Selectwoman Blanchard provided a description of the items that were causing a delay in the completion of the June 30, 2019 audit.

VI. City of West Haven Issues and Items

a. Subcommittee Update

Mr. Freund indicated that the West Haven subcommittee did not meet on December 17th as scheduled due to weather conditions. The next scheduled subcommittee meeting will be held on January 28th. He described the items that he anticipates to be on the January subcommittee agenda.

b. FY 2019 Audit update

Ms. Kennison described the circumstances that caused the City to have not completed its June 30, 2019 audit to date. Upon learning from the City's auditor of the need for a prior period adjustment that will cause the City's July 1, 2018 General Fund Balance to be restated to a lower amount and the reason for such an adjustment, she directed the City's independent auditor to conduct additional testing in high risk areas to ensure that no other adjustments to the City's financial records were necessary.

The City's finance director, Frank Cieplinski, indicated that when the improper practice leading to the financial statement error was brought to his attention, he was able to identify that the accounting practice dated back to at least the past ten years. He indicated that the auditing firm is scheduled to arrive next week to begin the additional testing that was requested by OPM and the City.

Ms. Shaw expressed her concern as to why the improper practice and error in the City's financial records had not been identified in prior audits. A number of questions were posed to the City from Board members regarding the June 30, 2019 audit and earlier audits that were conducted over the past ten years.

c. Fire Districts update

Ms. Kennison introduced Michael Walsh from OPM and indicated that prior to joining OPM several months ago, Mr. Walsh had been on the consulting firm that completed a study on the City of West Haven's three fire districts.

Mr. Walsh provided a brief summary of the financial challenges facing the district from its pension and OPEB liabilities. Although the pension plans have been closed to new members and there have been some changes to the plan design of the pension plans, the liabilities continue to be significant and require the appropriate amount of annual contributions to be appropriated in the adopted budgets of the districts. Similarly, OPEB liabilities are significant and the districts should be contributing adequate amounts to begin to fund the unfunded OPEB liability. There is also a need for the districts to establish OPEB trust funds. Mr. Walsh and Ms. Kennison did meet with the fire chiefs of the three districts and the chiefs seemed to agree on the scope of the problem and the need to address the issue. The chiefs are working on a plan to formulate a tri-district to achieve cost savings where possible in certain administrative areas. OPM has yet to meet with the Fire District commissioners but do plan on meeting with them in the near future to work on the issues facing the districts.

A discussion ensued among Board members regarding the districts' pension and OPEB liabilities and what would happen if the districts failed to address the unfunded liabilities.

Board members requested OPM to determine whether the General Statutes that provided for the MARB would allow for fire districts to fall under the purview of the MARB.

d. Review and discussion: Monthly Financial Report November 2019

Finance Director Frank Cieplinski provided the results of the City's November 2019 financial results.

Note: Due to time constraints and schedules Ms. Kennison requested that the Labor contracts review be moved up as the next agenda item, as these contracts required a vote by Board members. Board members agreed to the change in order of the agenda items.

e. Review, Discussion and Possible Action: Labor contracts

i. **ERS Unit (Dispatchers), IAFF Local 5127**

City Attorney Lee Tiernan referred Board members to the material included in today's packet regarding the Contract proposal. He described the contractual provisions.

Ms. Shaw indicated her concern that a certain change in the proposed contract regarding employee health benefits did not include an actuarial estimate of the cost for the change in the provision. Several members of the Board agreed with Ms. Shaw. The Board voted to table the vote on the proposed contract until the actuarial estimated costs were provided by the City to the Board. Attorney Tiernan indicated that the information was readily available and that the City would provide the information to OPM promptly to be distributed to Board members. In order to allow the MARB to act on this contract in February, the City will seek a waiver of the timeline requirements from the bargaining unit.

ii. **Memoranda of Agreement (re: Partnership)**

1. AFSCME Local 681
2. AFSCME Local 1303-345

The two MOAs were described by Mr. Milone and Board members approved the MOAs unanimously.

f. Partnership update

Mr. Milone provided an update on the City and Board of Education transition to the state partnership plan. He indicated that certain bargaining units of the City had transitioned to the plan as of January 1, 2020. Board members congratulated Mr. Milone and the City.

VII. Other Business

None.

VIII. Adjourn

Meeting adjourned at 12:27 p.m.