STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

DRAFT MINUTES

MUNICIPAL FINANCE ADVISORY COMMISSION

REGULAR MEETING

WEDNESDAY, December 13, 2023

Meeting Location:	Telephonic Meeting
Date/Time:	December 13, 2023, at 10:00 A.M.
Members Present:	Ms. Kathleen Clarke Buch, Commission Chair Mr. Anthony Genovese Ms. Kimberly Kennison Mr. Michael LeBlanc Mr. Glenn Rybacki Ms. Rebecca A. Sielman Ms. Diane Waldron
Others Present:	William Plummer, OPM Staff Michael Reis, OPM Staff Morgan Rice, OPM Staff John Mehr, OPM Staff Simon Jiang, OPM Staff Joseph DiMartino, Mayor, City of Derby Nancy Balsys, Deputy Finance Director, Derby Dr. Matthew J. Conway, Jr., Superintendent, Derby Public Schools Robert Trainor, Business Manager, Derby Public Schools Lauren Garrett, Mayor, Town of Hamden Curtis Eatman, Finance Director, Hamden Joseph Kilduff, Mayor, Town of Plymouth Grace Zweig, Finance Director, Town of Plymouth Luke Bronin, Mayor, City of Hartford Julian Freund, Director of Management, Budget & Grants, Hartford James Cosgrove, First Selectman, Town of Branford James Finch, Finance Director, Branford Kathryn LaBanca, Assistant Finance Director, Branford Mayor, Roberto Alves, City of Danbury Dan Garrick, Finance Director, City of Danbury Taylor O'Brien, Chief of Staff, Danbury Francesca Capodilupo, Government Affairs Advisor, Danbury First Selectman, Dan Cunningham, Town of East Lyme Kevin Gervais, Finance Director, Town of East Lyme Vanessa Rossitto, Ron Nossek, Nikoleta McTigue – CliftonLarsonAllen (CLA)

1. Call to order

The meeting was called to order at 10:05 a.m. by Commission Chair Buch. She indicated that she would need to leave today's meeting by 11:40 a.m.

2. Approval of the meeting minutes of August 16, 2023

Commissioner Rybacki indicated that the minutes should reflect that he had abstained from the vote on designating the City of Derby as a Tier I municipality. The minutes as amended were unanimously approved by all Commissioners except for Commissioner Waldron who abstained as she was not in attendance for the August 16th meeting.

3. Municipal Accountability Review Board (MARB) Update – City of Hartford

Mayor Luke Bronin provided a summary overview of the City's history under MARB oversight for the past six years at a Tier III designation. The City has met the conditions for release from its Tier III designation. The MARB and the City are in agreement that the City be redesignated from a Tier III municipality to a Tier II municipality. The City is under a contract assistance agreement with the State that requires certain reporting to the State. Commissioners congratulated the Mayor on the progress made by the City on its improved financial condition.

Commission Chair Buch made a motion that the MFAC agrees with Mayor Bronin and the MARB's intent for the City of Hartford to be re-designated from a Tier III municipality to a Tier II municipality, allowing the City to continue to work under the oversight of the MARB. The motion was seconded by Commissioner Waldron and unanimously approved by all Commissioners.

Commissioners thanked Mayor Bronin and his staff for attending today's meeting.

4. Delinquent FY 2022 Municipal Audit Reports Update

a) <u>Town of Branford:</u>
Jim Finch, the Town's Finance Director introduced himself and acknowledged the attendance of First Selectman James Cosgrove, assistant Finance Director, Kathryn LaBanca and Ron Nossek and Vanessa Rossitto from CLA, the Town's auditing firm. He listed a number of reasons for the delinquent FY 2022 audit report including: the late completion of the FY 2021 audit, issues in the tax office, staffing shortages, and implementing new financial and budgeting systems. The FY 2022 audit is currently working through the audit firm's technical review, and he hopes to have the report issued by the end of December. Mr. Nossek confirmed that the audit is in technical review and indicated that there were a number of other audit reports currently at the firm's technical review. Ms. Rossitto indicated that it was her belief that since the FY 2022 audit made it into technical review before December 15th she believes that the report would likely be issued by the end of December barring any significant issues with the report from technical review.

Mr. Finch stated the FY 2023 auditor, CLA has been appointed. Mr. Finch plan is to have the FY 2023 audit started no later than early February 2024 with the report targeted for issuance by the end of June 2024. Commission Chair Buch expressed some concerns as to the ability of the Town to complete and issue the FY 2024 audit by the December 31, 2024 statutory due date given the projected June 2024 issuance date of the FY 2023 audit report. Mr. Finch acknowledged that issuing the FY 2024 report by December 31, 2024 will be a challenge and that he plans to have "all hands on deck" to that regard. Typically, the Board of Finance appoints the audit firm for the subsequent audit upon or near the completion of the current audit. Mr. Finch is working with the Board of Selectman to waive the bid requirement for the FY 2024 audit, which would allow the Board of Finance to appoint CLA for the FY 2024 audit; essentially a two-year engagement. By having CLA appointed for both the FY 2023 and 2024 audit, his plan would be for the firm to conduct a number of the audit processes for both years beginning in February when the FY 2023 audit is expected to start. The plan for the completion of the

FY 2023 and 2024 audits has also been shared with the Board of Education. Commission Chair Buch indicated that she agrees with Mr. Finch plan to seek an exception from the typical one-year audit contract, but she would recommend that the Town implement a policy for engaging audit firms under multi-year audit contracts. Commissioners Buch, Genovese, LeBlanc and Waldron are all municipal officers of municipalities, and each indicated that their municipalities normally enter into audit contracts ranging from three to five years.

Commissioners expressed their appreciation for Branford's attendance at today's meeting.

b) City of Danbury:

Dan Garrick, the City's finance director introduced himself, Mayor Roberto Alves, Taylor O'Brien, Chief of Staff and Francesca Capodilupo, Government Affairs Advisor. Mr. Garrick indicated that the primary cause for the late FY 2022 audit first begun with the delay in completion of the FY 2021 audit for which the report was not issued until June of 2023. The City's intent regarding the FY 2022 audit was to coordinate the audit process and begin the audit by September 1, 2023. There was a delay regarding that time frame as the Board of Education was in the process of filing its EFS report with the State Dept. of Education, causing some delay in the start of the FY 2023 audit. The City continues to have staffing issues including retention of an assistant Finance Director, a grants compliance officer and a payroll supervisor. The City continues to work towards filling these positions. The Board of Education has experienced a setback with accurate financial information that it needs to provide to the City as part of the information to be turned over to the auditor. Mr. Garrick has been working with staff at the Board of Education regarding the information. He believes additional training may be needed by some of the staff. Mr. Garrick has been holding regular meetings with the City's independent auditor. He is hoping that the FY 2022 audit report can be issued by January 31, 2024, provided that he is able to get an accurate trial balance from the Board of Education to provide to the auditor by today.

In regard to the issuance of the FY 2023 audit report, the issuance date will depend on whether the City is able to secure an assistant Finance Director to assist Mr. Garrick. At this time, he is projecting a June 30, 2024 issuance date. The City did appropriate $100,000 for the City to seek outside help with getting its records prepared for audit. The City has not been able to retain the outside help as of yet but there is an audit firm that has indicated that it would be able to assist the City but not until January of 2024. Commission Chair Buch recommended that the City explore the possibility of bringing in a retired finance director. Commissioner LeBlanc inquired whether the rating agencies had reached out to the City regarding the late audits and Mr. Garrick indicated that Standard and Poor's had reached out in June regarding the late FY 2021 audit report. The City does have to either roll-over or issue new notes in January of 2024 and he will need to address that issue soon. His plan is to provide estimated unaudited information to the rating agencies for FY 2022 and 2023 in the next two weeks. The City is working with its investment advisor on these matters. A number of questions were posed by Commissioners regarding the overdue audits and getting the City back in compliance with the December 31st annual due date.

It was noted that OPM had requested to meet with the City prior to today's meeting regarding the overdue audits. The City indicated that its auditor was not in attendance for today's meeting. Commissioner Kennison indicated that the City should have its auditor attend future meetings to obtain the auditor's perspective. Mayor Alves was encouraged to provide the resources so the City can get caught up on their late audit reporting that has occurred over the past few years. Commissioner LeBlanc recommended to Mayor Alves that he open up a dialogue with the Superintendent of Schools to communicate the importance of completing the audits on time and to resolve any matters that have prevented this from occurring.

Commissioners thanked the City of Danbury for attending today's meeting.

c) Town of East Lyme:

Kevin Gervais, the Finance Director of East Lyme introduced himself and First Selectman Dan Cunningham. He provided the Commission a power-point presentation in regard to the Town having a history of late audit filings going back a number of years. The FY 2021 audit report was statutorily due to be filed by December 31, 2021. Mr. Gervais was hired and became the Finance Director in August of 2022 at which point the FY 2021 report was working its way through the audit firm's technical review and Mr. Gervais was able to answer any follow-up questions from the audit firm. The FY 2021 report was submitted to OPM in March of 2023.

Regarding the FY 2022 audit, Mr. Gervais has established weekly meetings with the audit firm to go over open items needed to complete the audit. The Town has set a target date of February 28, 2024 for issuance of the FY 2022 audit report. Mr. Gervais believes the primary cause of the late audits relates to staffing of the finance office. The Town's auditor had previously recommended that the Town seek to retain 2 to 3 more employees in its finance office. The Town has recently filled the assistant Finance Director position. He hopes that with the additional staffing or by increased hours, reconciliations can be completed on a monthly basis. He anticipates getting extra help in January from a per diem accountant that the Town has engaged. Regarding the FY 2023 audit report, the Town is projected an August 15, 2024 issuance date. The Town has been repeating the same audit preparation procedures for the FY 2023 records that it performed on the FY 2022 records. The repeating of the procedures should greatly assist the Town in reducing the time needed to complete the FY 2023 audit. For the FY 2024 audit, the Town will of course aim for issuance by December 31, 2024. However, the Town may need one to two additional months to complete the audit as issuance date also depends upon the auditor's schedule. Mr. Gervais also described the work done on implementing a new financial accounting system with the system going live in various stages (accounting, payroll, utilities) and a new time and attendance system.

As a result of Commission Chair Buch's inquiry as to the primary cause of the continued late audits, Mr. Gervais indicated that he believes that the former finance director solely performed all the journal entries, reconciliations and other high level work leading to the Town falling further and further behind. Commissioner LeBlanc inquired whether the Town had closed its records for FY 2023. Mr. Gervais indicated that all the routine reconciliations had been conducted but there had not yet been a hard close of FY 2023 as he was focused on the FY 2022 audit related matters. Regarding the FY 2022 audit report being issued by February 2024, Nikoleta McTigue, the Town's independent auditor indicated that the plan for audit completion and projected issuance date is workable barring any significant setbacks encountered.

Commissioners thanked the Town for attending today's meeting.

5. City of Derby

Commissioner Rybacki stated that for the record, the City is a client of his firm.

Mayor DiMartino introduced himself and acknowledge that he was newly elected and has only been working at Town hall for a week. He is trying to get up to speed but realizes that there still is more to learn as it relates to all that has transpired with the City. He is focused on ensuring transparency and getting the Town's finances in order. He has already reached out the Robert Half agency and expects that a person from that firm will be retained as an interim finance director. He has also met with QDS, the Town's software vendor for tax collections and City residents will now be able to pay their taxes by credit card. Commissioner Kennison attended the meeting and was of great assistance to the City. According to Deputy Finance Director, Nancy Balsys, the City has not yet formally begun its FY 2024-25 budget process. The City does expect to receive departmental budget requests by the end of December.

Commissioner LeBlanc inquired with Ms. Balsys as to the progress made by the City since it last met with the Commission in August. Ms. Balsys stated there had not been a lot of progress since the August meeting, but she indicated that in the short time the new administration has been in office she has definitely seen a more aggressive approach to resolving the finance related issues of the City. She does believe that a number of the audit findings have been addressed and that only two or three of the findings still needs to be resolved. She described several of the audit findings that she still believes to be outstanding. A significant area of concern now for several years has been the lack of staffing including in the Finance office. In response to Commissioner Genovese inquiry, she indicated that the FY 2023 audit will not be issued by December 31st but that it was her intent to have the audit completed in January. Commissioner Kennison indicated that based upon reports provided to her from the City taken from the new financial system, she believes that the reporting still will require some work to get the reports in the format that is needed.

Commissioners expressed their appreciation for the City's attendance at today's meeting.

6. Town of Hamden

Mayor Garrett provided an update on the City including its ARPA funds. She indicated that the FY 2023 audit should be completed by the end of December. The audit for the first time will be an annual comprehensive financial report (ACFR) that includes a 10-year look back on the Town's finances. The Town will also be submitting its FY 2024-25 budget to the GFOA for its distinguished budget presentation award. Mayor Garrett indicated that the CDBG grant deficiency findings have now been cleared as reflected in the letter from HUD that was included in today's meeting packet. Commissioner Waldron indicated a number of the ARPA projects appear to have been recently approved and inquired whether the Town believes it will meet the ARPA deadline dates for obligation of the funds by December 31, 2024 and expenditures of the ARPA funds by the December 31, 2026. Mayor Garrett indicated that the Town has internally established a date for confirming that the ARPA projects are in line to meet the deadlines. For any project that could be in jeopardy the Town has established an alternative plan for the use the funds on equipment, affordable housing or other acceptable spending under ARPA. Commissioner Rybacki indicated that in the past the Town had refunded bonds and sold property, essentially one-time revenues/savings. With this in mind, Commissioner Rybacki inquired whether these types of one-time items would be included in the FY 2024-25 budget. According to Mayor Garrett such items would not be included in the upcoming budget and that the Town had finished with its planned refunding. She also indicated that the proceeds from the sale of the former school was not used to finance the General Fund budget but was instead transferred to the Capital and Non-recurring Fund towards capital related projects. Commissioner Rybacki indicated that the Town appeared to be a year ahead of its financial stability plan and congratulated the Town for its progress in this regard. Commission Chair Buch also expressed her appreciation to Mayor Garrett with the work she has done to improve upon the Town's financial outlook.

Commissioners thanked the Town for its attendance at today's meeting.

New Chair of the MFAC

Commission Chair Buch noted that it was 11:27 and that she would need to leave for a previous engagement. To that regard she will move one of the items under agenda item 8 up on today's meeting agenda. She referenced her earlier letter to OPM and the MFAC announcing her resignation from the Commission as of December 31, 2023. She indicated that she has worked with Mike LeBlanc for many years, first when he was the auditor for the City of West Haven when she worked for the City a number of years ago. She believes that Mike would make an excellent Chair. Therefore, she is making a motion that Mike LeBlanc be elected as the new Chair of the MFAC. Commissioner Kennison seconded the motion. The motion was unanimously approved by all Commissioners.

New Commission Chair Mike LeBlanc expressed his appreciation to Commissioner Buch for her many years of serving on the Commission and providing her expert knowledge in municipal finance towards the many municipalities that have come in front of the Commission. Commissioners all expressed similar appreciation to Commissioner Buch.

7. Town of Plymouth

Commissioner Sielman indicated that the Town of Plymouth is a client of her firm.

Mayor Kilduff provided an update on the Town's finances. The Mayor hopes to have the FY 2023 audit report submitted by the end of December but if not December, he believes the report will be issued in January of 2024. The Town expects to have a fund balance ranging in the 12% to 13%. The FY 2023 audit results will show an operating surplus. The Town is still seeking a staff accountant for the Finance office and is actively seeking to fill the position. Mayor Kilduff also provided an updated on the ARPA projects and funds. Regarding the budget process, Town departments by charter do not have to have their budget requests in until the end of January, with the Mayor having to submit his proposed budget to the Board of Finance by February 22nd. He believes this time frame is unnecessarily short. According to Ms. Zweig, the Town's Finance Director, described a couple of issues related to the pension report and Board of Education grants fund. The Town plans to reconcile with the Board of Education quarterly to prevent future issues regarding this matter. In regards to Commissioner Rybacki's question on the progress of bank reconciliations, Ms. Zweig indicated that the Town has completely reconciled its bank records through October of 2023 and is working on the November, 2023 bank reconciliations. In regards to Commissioner Kennison's questions regarding audit findings, the Town is not aware of any findings that will be reported in the FY 2023 audit report.

Commissioners thanked the Town for attending today's meeting.

8. Other Business

- Calendar Year 2024 Proposed Meeting Dates
    - Commissioners unanimously approved the proposed meeting dates for calendar year 2024 that was provided in the meeting packet for today's meeting.
- OPM Projects
    - <u>Tier I Eligibility – Policies and Procedures</u>: Commissioner Kennison described the great work that OPM staff had done in this area and that OPM would be seeking the Commission's feedback. Mr. Plummer confirmed the draft documents will be provided to the Commission in the near future.
    - <u>Draft Guide for Facilitating a Timely Audit</u>: Commissioner Kennison provided an update on the project and the checklist that had been previously drafted by OPM. She is having a third party review the document for additional changes and once those changes have been agreed to, a copy of the document will be provided to Commissioners for their feedback. Mr. Plummer indicated that OPM is seeking to incorporate more information regarding the Board of Education as suggested by the Commission.

- Monitoring of the Late Audit Submissions / Recruitment Efforts for Local Finance
    - Commissioner Kennison indicated that she would confer with Commission Chair LeBlanc regarding invitations to municipalities to attend future MFAC meetings due to late audits including the three municipalities that appeared before the Commission at today's meeting. She believes that OPM will need to continue to closely monitor the municipalities that have provided late audits in the past. It is clear that one of the main causes for the late audits is a lack of financial staff which seems to be a problem nation-wide. Commissioners discussed the possibility of working with local colleges and high schools to develop intern programs to draw interest in accounting/finance especially as it relates to local governments.

9. Adjourned.

The meeting adjourned at 11:59 a.m.

Respectfully submitted,

Kimberly Kennison
Commission Secretary