

# **STATE OF CONNECTICUT**

## ***OFFICE OF POLICY AND MANAGEMENT***

### **DRAFT MINUTES**

### **MUNICIPAL FINANCE ADVISORY COMMISSION**

### **REGULAR MEETING**

**WEDNESDAY, DECEMBER 12, 2018**

Meeting Location: Office of Policy and Management  
450 Capitol Avenue, Conference Room 4A  
Hartford, CT 06106

Date/Time: December 12, 2018, 10:00 A.M.

Members Present: Chair, Ms. Kathleen Clarke Buch  
Ms. Alison Fisher  
Mr. Douglas Gillette  
Mr. Michael LeBlanc  
Mr. John Schuyler  
Ms. Rebecca A. Sielman  
Ms. Diane Waldron

Members Absent: Mr. Robert Burbank

Others Present: Benjamin Barnes, OPM Secretary  
Robert Dakers, OPM  
Julian Freund, OPM Staff  
Jean Gula, OPM Staff  
William Plummer, OPM Staff  
Morgan Rice, OPM Staff  
Bruce Stratford, Finance Director, Town of Winchester

#### **1. Introduction/Call to order**

The meeting was called to order at 10:02 a.m.

Former Commissioner Robert Dakers who was in attendance for the meeting indicated that Mr. Michael LeBlanc, the finance director of the City of Waterbury would be replacing former Commissioner Thomas Hamilton as the representative on the Commission for municipalities with a population of seventy-five thousand or higher and that Alison Fisher from the Office of Policy and Management (OPM) had been designated to replace him as the OPM representative on the Commission.

## **2. Election of Commission Chair**

Commissioner Gillette moved the nomination of Commissioner Buch to serve as the Chair of the Commission. Commissioner Waldron seconded the motion. There were no other nominations. All Commissioners in attendance voted in favor of Commissioner Buch as the new Chair.

## **3. Approval of the Minutes to the October 10, 2018 Meeting**

The minutes of the October 10, 2018 meeting were approved. Commissioners Fisher, LeBlanc, Sielman and Waldron abstained as they were not in attendance at the meeting.

## **4. Town of Winchester – Fiscal Condition Update / Status of June 30, 2018 Audit**

Prior to discussion on the Town's finances Commissioner Gillette stated for the record that his firm serves as bond counsel to the Town of Winchester.

Commission Chair Buch acknowledged the attendance of Mr. Bruce Stratford, the finance director of the Town of Winchester. Mr. Stratford indicated that he attended today's meeting to update Commissioners on the Town's fiscal condition and provide other information to Commissioners regarding information that they were seeking from the Town. He referenced the material in the packet of information provided to Commissioners regarding to the Town's finances, including a letter dated December 10, 2018 from Town Manager Robert Geiger. The Town has a draft of its June 30, 2018 financial statements and expects that its June 30, 2018 audit report will be issued and provided to OPM by December 31, 2018 to conform with State law. In regard to the General Fund budgetary results for FY 2017-18, Mr. Stratford expects actual revenues to exceed budgeted revenues by over \$300 thousand and that actual expenditures will be approximately \$500 thousand less than what was budgeted. The General Fund is therefore expected to show a budgetary operating surplus of over \$800,000 for FY 2017-18. The Town expects to report an unassigned General Fund fund balance of approximately \$6.7 million as of June 30, 2018, representing 21% of FY 2017-18 General Fund expenditures.

Mr. Stratford pointed out that the Town has been without a bond rating since 2013. Commission Chair Buch inquired whether it was the Town's intent to issue bonds in the near future and Mr. Stratford indicated that it was definitely the Town's intent since the Town was seeking to make certain capital investments that are critically needed. The Town will be meeting with rating agencies next month to present its audit results and other fiscal related information. To that regard the Town is seeking to be released from the oversight of the Commission as the Town believes being under the purview of the Commission could jeopardize a favorable rating from the rating agencies.

Commissioners inquired about the change in the discount rate for the Town's pension plan with the discount rate going from a 4% rate in valuations prior to January 2016 to a 7.75% rate in the January 2016 valuation. Commissioner Sielman

acknowledged that the explanation provided by the Town in today's packet for a increase in the discount rate appears reasonable, but she believes that a 7.75% rate would appear to be high based upon what her firm has experienced with the market in current times, although finance professionals can have different opinions. Mr. Stratford stated that the discount rate had been moved down to 7.25% with the 2017 and 2018 valuations and that the Town planned to meet over the next two months with its actuaries to further discuss the appropriate discount rate. He also indicated that the plan is a closed plan. Commissioner LeBlanc noted that from the information presented, the Town has contributed well in excess of its actuarial determined employer contribution (ADEC) amount in recent years, which would appear to allow the Town to reasonably use a 7.25% discount rate. Commissioner Sielman indicated that it may be beneficial for the Town to have formal written policies in regard to funding the ADEC amount annually including the method used to determine the ADEC. She believes that this would be beneficial to the Town in its rating agency presentation.

Commission Chair Buch indicated her preference for the receipt and review of the June 30, 2018 audit report prior to the Commission recommending to the OPM Secretary removing the Town from the purview of the Commission. A discussion ensued regarding the timing of the Commission's possible recommendation to the Secretary for the release of the Town from the Commission oversight to when the Secretary would grant the release and the Town's intended date for a referendum on bonding for the capital projects and the rating and issuance of the bonds.

Commissioners stated that the Town had made significant improvements to its finances from when the Town first came under the purview of the Commission. They thanked Mr. Stratford for attending today's meeting.

## **5. Town of Plymouth – Fiscal Condition Update / Status of June 30, 2018 Audit**

Commissioner Sielman indicated that her firm provided actuarial services to the Town of Plymouth.

Mr. Plummer indicated that the Town was advised that it's attendance at today's meeting was not required. He pointed to the financial documents that were provided by the Town for the meeting. Commissioner Schuyler inquired about the progress of the June 30, 2018 audit. Mr. Plummer indicated that the Town had indicated that it expects to issue the audit report by December 31, 2018. The Town had also indicated to Mr. Plummer that it is progressing with its software upgrade and intends to have the new accounting system in place by June 30, 2019.

Commission Chair Buch indicated that one concern that she continues to have is the Town's lack of staffing. The Town did hire a retired municipal finance director to assist the finance office in getting its accounting records in order to prevent the significant delays in completing the audit as had occurred in the past, but as far as she is aware that was a temporary position. The Town needs to ensure that on a long-term basis that adequate staffing is in place. Mr. Plummer noted that the Town

has an A+ rating from S&P and that in October of 2018 S&P revised the Town's outlook from negative to stable.

## **6. Indicators for Consideration in Assessing the Financial Condition of Municipalities Meeting Tier III Criteria – Findings and Reports to the Secretary as Provided Under Section 7-576c of the General Statutes**

Commission Chair Buch noted that today's packet of information to the Commission included a draft set of indicators that OPM had prepared for the Commission's consideration in developing criteria for assessing the fiscal condition of potential Tier III municipalities.

OPM Secretary Benjamin Barnes introduced himself to the Commission and provided an overview of the recently enacted legislation establishing the Municipal Accountability Review Board (MARB) and the current municipalities that are under the purview of the MARB. He referenced the October 30, 2018 letter he had written to the Commission and the role of the Commission under the MARB legislation.

Secretary Barnes indicated that as provided in his letter to the Commission, if a town was to be designated as a Tier I municipality, it would fall under the purview of the Commission. One of the means by which a municipality could be designated as Tier III is that: (1) the municipality meets the eligibility criteria for Tier III and (2) the Secretary, based upon reports and findings from the Commission, finds that the municipality's fiscal condition warrants such designation.

Secretary Barnes stated his desire for the Commission to begin to consider the factors that Commissioners will use to satisfy its role for the submission of reports and findings on the fiscal condition of municipalities meeting the Tier III criteria. The establishment of a set of fiscal related criteria will assist to create a transparent process for the reports and findings that is to be submitted to the Secretary.

A discussion ensued among members of the Commission as to the draft indicators presented and what information the Commission could request from municipalities. Commissioners provided additional information regarding the content and format of the indicators and requested that OPM provide an updated draft of the information for its review.

## **7. Calendar Year 2019 Proposed Meeting Dates**

The Proposed Calendar Year 2019 meeting dates were reviewed and the October 9, 2019 proposed meeting date was changed to October 16, 2019 based upon preference of the Commissioners. The proposed meeting dates with revision were unanimously approved by all Commissioners present.

## **8. Other Business**

Mr. Plummer indicated that the Connecticut Teachers Retirement System and the Connecticut Municipal Employees Retirement System had recently issued

information on pensions and OPEB that participating municipalities needed in order to issue their June 30, 2018 audit reports in conformance with applicable GASB standards.

**9. Adjourned.**

The meeting was adjourned at 11:11 a.m.

Respectfully submitted,

Douglas W. Gillette  
Commission Secretary