



**STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT**

MUNICIPAL FINANCE ADVISORY COMMISSION

DRAFT MINUTES – REGULAR MEETING

Wednesday, August 14, 2024

Meeting Location: Telephonic Meeting

Date/Time: August 14, 2024, at 10:00 A.M.

Members Present: Mr. Michael LeBlanc, Commission Chair
Mr. Anthony Genovese
Ms. Kimberly Kennison
Ms. Rebecca A. Sielman
Mr. Edward Sullivan
Ms. Diane Waldron

Members Absent: Mr. Glenn Rybacki

Others Present: William Plummer, OPM Staff
Michael Reis, OPM Staff
Morgan Rice, OPM Staff
John Mehr, OPM Staff
Simon Jiang, OPM Staff
Lori McLoughlin, OPM Staff
Joseph DiMartino, Mayor, City of Derby
Brian Hall, Finance Director, City of 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
Mayor, Roberto Alves, City of Danbury
Taylor O'Brien, Chief of Staff, City of Danbury
Dan Garrick, Finance Director, City of Danbury
Joanne Sterk, Assistant Director of Finance – Operations, City of Danbury
Kevin Gervais, Finance Director, Town of East Lyme
David Porter, Town Manager, Town of Marlborough
Linda Savitsky, Interim Finance Director, Town of Marlborough
John Accavallo, Accavallo & Company, LLC
Vanessa Rossitto, Nikoleta McTigue, Mike Popham - CLA
Scott Bassett, RSM

1. Call to order

The meeting was called to order at 10:02 a.m. by Commission Chair LeBlanc.

2. Approval of the meeting minutes of April 17, 2024 Meeting

The minutes were unanimously approved by all Commissioners in attendance.

3. FY 2022 and 2023 Municipal Audit Reports Update

Mr. Plummer provided a brief update on the FY 2023 delinquent audit report submissions. He referenced the material in today's packet that included a 3-year summary analysis of the FY 2021-2023 delinquent reports. He indicated that although there had been a reduction in the number of delinquent reports from 20 reports for FY 2022 to 16 reports for FY 2023, OPM is seeking further reductions going forward. OPM earlier this year had proactively developed and provided a Best Practices Guide and checklists to assist municipalities in preparing and filing their annual audits in a timelier manner. For the FY 2022 delinquent audit reports, the last delinquent report was not filed with OPM until July of 2024. OPM is seeking to improve upon the filing dates of the delinquent FY 2023 reports and has already transmitted letters on behalf of the Commission to each of the municipalities with delinquent audit reports.

Commissioner LeBlanc noted that the letters sent out to those municipalities with delinquent FY 2023 audit reports requested a projected date for the issuance of the delinquent reports. He indicated that there were three municipalities that were in attendance for today's meeting to provide the Commission an update on their delinquent FY 2023 audit reports.

a) City of Danbury:

Mayor Alves introduced himself and indicated that in attendance for today's meeting was his Chief of Staff, the City's Finance Director and the City's Assistant Finance Director. He stated that he took office in December of 2023 and started attending meetings with the Commission regarding the FY 2022 delinquent audit. Since then, he and his administration have been actively working towards filling a number of open positions that previously had been left vacant prior to him taking office. The City now has an Assistant Finance Director to support Mr. Garrick and has continued to retain the services of CLA to assist in getting the City's records prepared for its outside audit firm, RSM. He believes that the City has now invested the resources to complete its annual audits in a timely manner going forward.

Regarding the FY 2023 audit, one of the causes for the delay in its completion has been staffing issues at the Board of Education. CLA and City Finance staff have been assisting the Board of Education due to staffing shortage in the school finance office. He realistically believes that the FY 2023 audit report will be completed by December of 2024.

Commissioner LeBlanc inquired whether the City had a plan in place regarding the completion of the FY 2024 audit. Mayor Alves indicated that obviously with the FY 2023 audit report not expected to be completed until December of 2024, the FY 2024 report would not be submitted by the December 31st due date. It is his intent, however, to have the FY 2025 audit completed and the report submitted to OPM by the statutory filing date.

Commissioner Sielman made the observation that from the materials provided by the City, the City appears to have just recently (in early August of 2024), provided census information to its actuaries in order for the actuary to complete its July 2023 actuarial valuation reports regarding pension and OPEB. She recommended that the City, target providing its census information to its actuaries approximately one-month after the close of its fiscal year. (Census data for the July 2024 actuarial valuation provided to actuary by August of 2024) This would allow the City to incorporate its annual actuarial recommended OPEB and pension contributions into its upcoming budget. The City should explore the

causes of the delay in producing the census information needed by its actuaries as the causes may be related to personnel and/or systems issues.

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

b) Town of East Lyme:

Finance Director Kevin Gervais introduced himself and indicated that First Selectman Dan Cunningham had a previous appointment and would not be able to participate in today's meeting. He provided a power point presentation on the history of audit report submission dates by the Town, the status of the FY 2023 audit and the plan going forward regarding the completion of the FY 2024 audit report. Regarding the FY 2023 audit report, he indicated that the Town's audit firm, CLA, had previously provided an open items list but completion of the list was delayed as he had a family emergency that kept him out of the office for approximately three weeks in early July. This caused a delay in the audit field work which was scheduled to start during the week of July 17th. A rescheduled date for the field work has not yet been established. After discussions with his audit firm, Mr. Gervais indicated that he projects the FY 2023 audit to be completed by the end of December, 2024. He is targeting completion of the FY 2024 audit by the end of March of 2024. The Town has already retained a Deputy Finance Director and will have all the resources needed in the Finance Office. He expects that after getting caught up with the FY 2023 and 2024 audits, the Town will be able to file its audits on time going forward.

Commissioner LeBlanc requested that Mr. Gervais provide OPM with an updated timeline for the FY 2023 and 2024 audit once the dates have been confirmed for completion of the open items and after further discussions with the audit firm. Commissioner Kennison, indicated that the Town may need to revisit its time line for completion of the FY 2024 audit. Currently, the time line presented is indicating a 3 to 3.5 month turnaround from the start of the audit to completion. That time frame does not appear to be realistic especially with the Town's history of late audits. Commissioner Waldron indicated that with the recent conversion to a new accounting system and with the challenges encountered in completing the FY 2023 and 2024 audits, the Town should ensure that it has the efficiencies and procedures in place to successfully produce a timely audit beginning with the FY 2025 audit, including timely and accurate reconciliations.

Commissioners thanked Mr. Gervais for attending today's meeting.

c) Town of Marlborough

Town Manager David Porter introduced himself and Interim Finance Director Linda Savitsky. He indicated that the Town submitted its FY 2022 audit report in April of 2024. The Town then went through significant delays in adopting its FY 2024-25 budget which ended up going to the ballot box three times before adoption. This further delayed working on the FY 2023 audit. Ms. Savitsky indicated that there has been numerous turnover and new staff especially as it relates to the FY 2023 audit, including the longtime Finance Director of the Town. Other turnovers include the departure of the School Business Manager and the Tax Collector. Fortunately, the former Finance Director has agreed to continue to assist the Town in the background. The Town had originally targeted August of 2024 for getting its FY 2023 records audit ready for the audit firm. At this time, the Town is unable to provide a specific timeline for the issuance of the FY 2023 audit report but the best estimate would be November of 2024. Going forward, for the FY 2024 audit, the Town believes its records are in better condition and it expects a shorter turnaround for completion of the FY 2024 audit.

Commissioner Genovese expressed his concerns that the Town has been unable to retain a permanent Finance Director. Ms. Savitsky described the efforts made to date in obtaining a permanent Finance Director and the challenges faced by smaller-sized towns. She indicated that she would keep OPM apprised of the status of the FY 2023 audit.

Commissioners expressed their appreciation to Town officials for attending today's meeting

4. City of Derby

Mayor, Joseph DiMartino and Finance Director Brian Hall introduced themselves. Mr. Hall referenced the materials submitted by the City for today's meeting including a power point presentation on the results of the FY 2023 audit. He pointed to the \$1.9 million operating deficit reported in the General Fund for FY 2022-23. In the prior meeting with the Commission the City had projected the operating deficit to be approximately \$1 million, but there were unanticipated higher expenditures recorded for workers' compensation including the IBNR that brought the deficit figure up higher. For FY 2024 the City is now projecting a surplus due to actions taken to prevent another year of incurring a deficit. With the actions taken by the City to use ARPA funds towards balancing the budget and the curtailing of expenditures, the City is now projecting close to a one-half million in budget surplus for FY 2023-24. Regarding the FY 2024-25 budget, Mayor DiMartino indicated that there had been a significant property tax increase in order to properly align revenues with expenditures. The City had a history of significantly underestimating expenditures in its adopted budgets, leading to expenditures exceeding revenues. Beginning with the FY 2025 budget, the City is transparent in budgeting expenditures at a more accurate higher level and has increased the property tax levy to balance the budget.

A number of questions were posed to the City regarding whether it was the City's intent to account for its Workers' Compensation costs in an internal service fund in the future, whether the City had budgeted appropriation of fund balance towards financing its FY 2024-25 budget, and whether the City had the necessary accounting/financial reporting system in place to accurately track budget vs actual expenditures to determine whether costs are trending at the rates projected. A discussion ensued between the City and the Commission regarding how the City currently budgets for certain Board of Education grants and the related expenditures. Commissioners believe that the approach currently being used makes it difficult to track true over-expenditures or over estimated revenues related to such grants. Mr. Hall indicated that it was an area that he wanted to scrutinize in more detail before making changes.

Commissioner Waldron noted that the City had incurred \$538,000 in losses as it relates to police outside work and inquired as to whether the City had sought to go after the uncollected billings. She also believes that the City should consider moving the police outside work activities outside of the General Fund and instead using a special revenue fund to account for such activities. Mr. Hall acknowledged that in the past the City had not made a significant effort towards collecting the delinquent charges and is now making a greater effort. He is also open to looking at pulling this item out of the General Fund. He has been somewhat restricted in raising the charges for the outside work due to the police union contract as the City is losing money on these jobs. The Mayor and Mr. Hall have approached the police union to address this matter as part of negotiations with the union. Several of the Commissioners who are Finance Directors indicated that their municipality's policy is to not allow additional services for any account that is delinquent. Commissioner Genovese inquired about the audit findings reported in the FY 2023 audit report and that the corrective action plan prepared by the City appeared to include dates for resolving the audit findings that had already passed. Mr. Hall acknowledged that the dates provided to several of the findings were not up-to-date and that additional time was needed to fully implement the corrective actions.

Commissioner Seilman observed that nearly 25% of the City's FY 2025 adopted budget is composed of costs for health insurance, workers' compensation and pensions. She recommended that the City ensure that it is monitoring these costs closely and seek to control such costs. One consideration for the City is to work with an actuary regarding the workers' compensation IBNR and the set aside for reserves. Ideally, pension and OPEB valuations should be done in the fall to determine the contributions needed for such plans in time when developing the subsequent year's budget.

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

5. **Town of Hamden**

Mayor Lauren Garrett introduced herself and the Town's Finance Director, Curtis Eatman. She indicated that both the Town and Board of Education Finance offices were fully staffed. She referred Commissioners to the information she provided for today's meeting that included projected FY 2023-24 results through June 30, 2024 and information on the 2024-25 adopted budget with major assumptions. She provided an update on the Town's use of ARPA funds and that the Town is moving the projects towards obligations and contracts. She indicated that she had met with OPM on the next steps needed for the Town to be released from MFAC oversight and that OPM indicated that she should broach this matter in today's meeting. To that regard, she provided a description of the progress the Town has made in its financial condition including recent upgrades by all 3 rating agencies, the significant increase in fund balance, the timely filing of the audit report and a FY 2023 audit with no audit findings. In addition, the Town has implemented a number of financial policies and procedures.

Commissioner LeBlanc congratulated Mayor Garrett on the progress that Hamden has made. He indicated that over the next several months the Commission will be seeking the Town's plan to address some of its longer-term fiscal challenges. This would include the development of strategies to reduce the unfunded pension and OPEB liabilities and internal service fund deficits and to control such related costs.

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

6. **Town of Plymouth**

Commissioner Sielman stated that the Town of Plymouth was a client of her firm.

Mayor Kilduff introduced himself and Finance Director Grace Zweig. He indicated his satisfaction with the FY 2023 audit report finally being issued. Several months of the delay in issuing the audit report was due to a potential independence issue between CLA as the Town's independent auditor and a person contracted by the Town through the use of CLA in a consulting role. The Town will now roll right into the FY 2024 audit with a new audit firm. He does not foresee any problems with issuing the FY 2024 audit report on time. The Town is also on the way in conducting a fraud risk assessment.

Commissioner LeBlanc requested that the Town work with its new audit firm in developing a schedule for the FY 2024 audit completion and provide OPM a copy of the schedule.

Commissioners thanked the Town for attending today's meeting.

7. **Other Business - Legislative Changes Affecting Municipal Finance and Audits:**

Mr. Plummer referred Commissioners to the information in today's packet regarding legislative changes affecting municipal finance and audits and provided a description of the changes.

8. **Adjournment:**

- The meeting adjourned at 11:32 a.m.

Respectfully submitted,

Kimberly Kennison
Commission Secretary