

**OFFICIAL MINUTES**  
**MUNICIPAL FINANCE ADVISORY COMMISSION**  
**REGULAR MEETING**  
**THURSDAY, MAY 9, 2013**

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

Date/Time: May 9, 2013 - 10:00 A.M.

Members Present: Chairman Thomas Hamilton  
Ms. Kathleen Clarke Buch  
Mr. Robert Burbank  
Mr. Robert Dakers  
Ms. Diane Waldron  
Mr. John Schuyler

Members Absent: Mr. Douglas Gillette  
Ms. Rebecca Sielman

Others Present: W. David LeVasseur, OPM Staff  
William Plummer, OPM Staff  
Jean Gula, OPM Staff  
Morgan Rice, OPM Staff  
Dale Martin, Town Manager, Town of Winchester  
Robin Manuele, Finance Director, Town of Winchester  
Kevin Nelligan, Winchester Town Attorney  
Vanessa Rossitto, Blum, Shapiro  
Christopher King, King & King, CPAs  
Joseph Mancini, Finance Director, City of West Haven  
Judith Blank  
Ken Fracasso  
Lois Clough  
Jay Budahazy  
Joseph Forster  
James Roberts  
Marsha Sterling  
Jay Case

**Agenda Item 1: Call to Order**

Chairman Hamilton convened a regular meeting of the Municipal Finance Advisory Commission (the “Commission”) at approximately 10:06 A.M.

Commissioners introduced themselves as there were a number of individuals in attendance.

**Agenda Item 2: Minutes of the February 7, 2013 MFAC Meeting**

The February 7, 2013 minutes were approved by all members present except for Commissioner Burbank who was not in attendance for the February meeting.

**Agenda Item 3: Town of Winchester – Financial Condition Update / Status of 2011 and 2012 Audit Reports**

Mr. Plummer indicated that OPM was still awaiting the FY 2010-11 audit which has caused the delay in the subsequent FY 2011-12 audit. The 2010-11 audit was granted an extension for submission until the end of May for which the Town has indicated that the audit would be issued by the end of this latest extension period. OPM on behalf of the MFAC did request certain financial information from the Town, including cash flow projections, budget to actual numbers, etc. An invitation to provide the Commission an update on Winchester’s finances was also extended to Town Manager Dale Martin and the Town’s new finance director Robin Manuele and both are present at today’s meeting.

Mr. Martin provided Commissioners financial documents prepared by Ms Manuele to address OPM’s information request made to the Town. He indicated that the Town’s proposed 2013-14 budget would be going to referendum on June 1<sup>st</sup>.

In regards to the status of the outstanding audits he indicated that the 2011 audit would be completed and issued by the end of May and that the goal was to have the information available in time for the June 1<sup>st</sup> budget vote. He reminded the Commission that the significant delay in the 2011 audit was due to certain alleged financial irregularities which have been referred to the State Police. He introduced the Town’s recently new hired finance director Robin Manuele and indicated that she has stabilized the finance department and that she has brought an unprecedented level of professionalism to the department and the Town in general.

Vanessa Rossitto from Blum, Shapiro, the audit firm that is conducting the 2011 audit provided a brief status of where the firm was in terms of completion of the audit. Ms. Rossitto indicated that the firm is awaiting certain third-party information but that she strongly believes that this information will be provided soon and that she does anticipate the 2011 audit report being issued by the end of May. Chairman Hamilton inquired whether the 2011 audit would have a qualified opinion and Ms. Rossitto indicated it would not. The Chairman also inquired whether there would be a restatement of the 2010 ending fund balances and whether the firm planned to issue a management letter. Ms.

Rossitto indicated that the items found to date would not affect the 2010 ending fund balance and therefore the 2010 fund balance would not be restated. The firm realizes the importance of the management letter and will be seeking to issue such a letter as soon as it can. Commissioner Burbank inquired on whether the firm had conducted a forensic audit and Ms. Rossitto indicated that the audit firm's forensic staff had been engaged in the audit.

Chris King, from the audit firm of King and King that is conducting the 2012 audit provided a brief description of the work he has been able to do on the 2012 audit considering that the 2011 audit has not been completed. He indicated there was a limited amount of work his firm has been able to do and that his firm plans to proceed immediately with the 2012 audit once the 2011 audit has been completed. The firm was also engaged to review and study the Town's water and sewer fund and that study/review indicated that fees charged/assessed in prior years were not sufficient to adequately fund the water/sewer operations.

Ms. Manuel described certain difficulties she has encountered with the Town's current financial accounting system, such as the system allowing one-sided journal entries. These financial system issues are being addressed but it has caused her to have to manually prepare financial information such as some of the data requested by the Commission for which she has brought along for today's meeting. Commissioner Buch inquired as to the Town's estimated tax collection rate because from the 2012-13 budget information provided by the Town it appears the Town will have a shortfall in its estimated property taxes for FY 2012-13. Ms Manuel indicated that for FY 2012-13, budgeted taxes was based upon a 98.6% collection rate which was an overestimation as to the rate of collection; however for the FY 2013-14 budget, the estimated tax collection rate was lowered to 97.1%. Chairman Hamilton asked about the cash flow projection information provided by the Town for the months of May and June 2013. Ms. Manuel indicated she had factored in all significant receipts and disbursements anticipated for those months including debt service and that the Town would be facing a \$2.8 million cash flow issue if no action was taken on the part of the Town. The Town is working with its vendors in delaying payments until the July/August 2013 tax levy collections arrive to make these payments.

A discussion ensued and various questions were raised regarding when the 2013-14 budget would be voted on, what would occur if the budget was not adopted on June 1<sup>st</sup>, the ability of the Town to issue tax anticipation notes, or obtain other short-term debt financing, etc. Various other questions were posed by commissioners regarding other fiscal issues. Ms. Manuel and Mr. Martin provided answers to the questions posed.

Mr. Martin indicated that one of the primary reasons for the Town's anticipated low fund balance and cash flow issues was that the Water/Sewer enterprise fund had been subsidized over the years by approximately \$3.2 million from the Town's General Fund. The Water/Sewer Board and Winchester selectmen were not aware that the rates that were being charged was insufficient to run the water/sewer operations and that it was being subsidized by Winchester's General Fund. Rates will now be going up and an 8-year plan has been developed to repay the General Fund of the Town (\$400,000 per year). Ms. Buch inquired as to what internal controls were being put in place to prevent

incorrect accounting/reporting and more management oversight of the Town's finances, including oversight over financial personnel. Ms. Manuel described recent internal control procedures that are now being implemented. Ms. Buch indicated that it was important that the Town develop controls to ensure that management letter comments made by the auditor are considered and acted upon by Town management and that an audit committee be created. She also stated that monthly financial statements should be produced and provided to the appropriate boards. Chairman Hamilton inquired about the Town's insurance coverage in regards to reimbursement of the apparent loss due to the alleged financial irregularities. Mr. Martin indicated that the Town does have insurance coverage and that it plans to make the full amount of claims as is allowed under the policy and based upon the results of the forensic audit work.

Commissioner Dakers indicated that OPM will welcome receipt of the 2011 audit anticipated to be submitted by the end of May but that OPM would be looking to work with the Town and its new audit firm in developing a structure to ensure completion and receipt of the outstanding 2012 audit, including the 2012 management letter in as short a term as possible once the 2011 audit has been completed

Chairman Hamilton expressed his appreciation for the presentation and updated financial information presented by Mr. Martin and Ms. Manuel. He stated that if there is anything the Commission could assist with or any financial related ideas/questions that the Town had, it was welcomed to contact commissioners for their thoughts. He indicated that from the presentation it appears the Town is moving in the right direction although there remains some challenges that the Town must work through.

Ken Fracasso, one of several individuals attending the meeting inquired with Chairman Smith whether he would entertain comments to the Commission. Chairman Hamilton indicated that this was not a public hearing but as Mr. Fracasso had identified himself as a current selectman for Winchester (and former Mayor) he would allow a few comments from him. Mr. Fracasso commented that it was his opinion that the proposed 2013-14 budget would not be adopted at the June 1 referendum and that he could foresee several months before any adoption of the budget as there was insufficient financial information available on the status of the current town finances, anticipated large increases to water/sewer rates, etc. which would hamper the adoption of the budget. He inquired as to what actions would OPM take if the budget was not adopted and the Town's finances declined even further. Chairman Hamilton asked Commissioner Dakers, who was the OPM representative on the Commission to speak for OPM as other commissioners could not speak for OPM. Mr. Dakers indicated that obviously OPM was looking forward to obtaining updated financial information through the overdue audits and that OPM and the MFAC was there to work with the Town to resolve its financial issues. On rare occasions when there are significant financial problems there has been special legislation passed by the CT legislature that have installed oversight boards with various ranges of financial powers over a municipality's finances. He described situations in the past that have led to these oversight boards. Ultimately, however, municipalities in CT have much autonomy over their finances and the Town is expected to address its fiscal issues. Chairman Hamilton indicated that his recommendation to the Town would be to present a clear and transparent budget delineating the financial challenges facing the Town and how adoption of the budget would impact these financial issues. However, if the budget

is not adopted then the Town will ultimately have to make adjustments based upon the desires of the voters, whether that being additional cuts to the proposed budget in a responsible manner programmatically or staffing wise. Another individual at the meeting asked to speak regarding items within the 2013-14 budget, but Chairman Hamilton stated that commissioners did not have the time to review the budget information in full and therefore he was ending all comment/questions from the audience.

**Agenda Item 4: City of West Haven – Financial Condition Update**

At the request of Chairman Hamilton, Bill Plummer provided a brief summary of the results of the City's FY 2011-12 financial audit. He indicated that the City reported a \$15,000 positive results from operations in its General Fund for FY 2011-12, therefore there was practically no change to the City's accumulated General Fund deficit of \$10.5 million.

Joe Mancini, the finance director of West Haven presented an update of the City's finances. He indicated that he anticipates the City reporting a positive results of operations in its General Fund of approximately \$2.3 million in FY 2012-13. Commissioners reviewed the 2013-14 adopted budget that Mr. Mancini brought to the meeting and had various questions on the budget. Commissioners expressed some concerns on the inter-relationship between the general fund and the sewer fund. The General Fund 2013-14 budget is predicated on a \$2.3 million contribution from the Sewer Fund and Commissioners were concerned whether this was achievable given that the Sewer Fund reported a \$832,000 deficit as of June 30, 2012 and that it was not transparent in the 2013-14 budget of the Sewer Fund whether the fund would have the resources available to make this level of contribution. It was also difficult to discern where in the 2013-14 Sewer budget, the \$2.3 million contribution towards the General Fund had been budgeted. Several questions on the City's finances were asked by Commissioners and answered by Mr. Mancini. It was noted from Commissioner Schuyler that the City has been carrying the cumulative General Fund deficit for a number of years with no apparent significant success in reduction/elimination. Commissioners inquired whether there were any substantive plans to eliminate the deficit and Mr. Mancini indicated his belief that there may be opportunities through one-time revenues to reduce the deficit (sale of property, etc.).

**Agenda Item 5: Town of East Haven – 2012 Financial Audit Results / Financial Condition Update**

Chairman Hamilton inquired about the Town's finances and Mr. Plummer pointed to the various financial information submitted to the Commission by the Town, including budgetary data and cash flow projections. He reminded commissioners that the Town was not formally under the purview of the Commission but had come previously before the Commission on a voluntary basis in regards to certain fiscal issues facing the Town. The Town had agreed to continue working with the Commission and has submitted financial information when so requested by the Commission. Mr. Plummer indicated that the Town had recently adopted its 2013-14 budget which included \$900,000 towards rebuilding its fund balance. Based upon the 2012-13 budget to actual information

submitted, it appears that the Town may be able to achieve the \$1.2 million operating surplus that it built into its 2012-13 budget. The \$438,000 fund balance that existed in the General Fund as of June 30, 2012 would be significantly increased if the projections are realized. The Town has also submitted information on its plans towards eliminating its internal service deficits and a corrective action plan for resolving its audit findings as indicated in its federal and state single audit reports.

**Agenda Item 6: Borough of Jewett City - Update.**

Mr. Plummer indicated there was nothing new to report.

**Agenda Item 7: Other Business**

Mr. Plummer reminded Commissioners of GASB Statements No. 67 and 68 which municipal pension plans and municipalities that sponsor/participate in pension plans would soon have to implement. One of the effects of these GASB Statements is that the annual required contribution (ARC) would no longer be mandated by the GASB, therefore there would no longer be an ARC for municipalities to report or contribute towards. The pension deficit statutes under which several municipalities issued pension obligation bonds in the past includes a provision requiring municipalities to contribute the ARC. With the elimination of the ARC by GASB 67 and 68 there may be a need to modify the pension deficit statutes. Commissioners indicated they would review the statute and how GASB 67 and 68 would have an effect. The matter would be taken up in more detail in future meetings.

**Adjournment:** Meeting was adjourned at approximately 12:15 P.M.

Respectfully submitted,

Douglas W. Gillette  
Commission Secretary