

APPROVED
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

REGULAR MEETING MINUTES
West Haven Subcommittee of the MARB

Meeting Date and Time: Tuesday, July 26, 2022, 10:00 AM – 12:00 PM

Meeting Location: This was a virtual meeting. Meeting materials may be accessed at the following website:
[Municipal Accountability Review Board \(ct.gov\)](https://municipalaccountabilityreviewboard.ct.gov)

Call-In Instructions:

Telephone Number: (860) 840-2075

Meeting ID: 198 877 456

Members in Attendance: Kimberly Kennison (OPM Secretary designee), Christine Shaw (State Treasurer designee), Stephen Falcigno, Thomas Hamilton, Patrick Egan, Robert White

City Officials in Attendance: Mayor Rossi, Scott Jackson, Lee Tiernan, David Taylor, Rick Spreyer, Jumaine Samuels, Fire Chief Terenzio, Chris Hodgson (labor attorney), Neil Cavallaro, Matt Cavallaro, Council Member O'Connor

OPM Staff in Attendance: Julian Freund

I. Call to Order & Opening Remarks

The meeting was called to order at 10:04 AM.

II. Approval of minutes:

a. June 30, 2022 Regular Meeting

Mr. Hamilton made a motion to approve the minutes, with a second by Mr. Falcigno. The motion passed unanimously.

III. Update: FY 2021 Audit

The City has contracted with PKF O'Connor Davies to complete the FY 2021 audit. Mr. Jackson reported that the audit firm has been on-site about once per week to gather files. The City has not been advised of any reason the current timeline for November completion would be disrupted.

The City also reported that Moody's has placed its debt on a watchlist due to the lack of audited financials for FY 2021. The City is working on compiling unaudited estimates for FY 2021 to provide to Moody's. In response to questions from members, Mr. Jackson indicated that there has been no indication that the rating will be withdrawn or downgraded at this point. Members suggest the City should have a contingency plan in place in the event the City's rating is downgraded causing the City to lose access to the credit market.

IV. Review, Discussion, and Possible Action: Labor Contract

a. West Haven Professional Firefighters, IAFF Local 1198

This contract is between the City and the Allingtown Firefighters. The contract expired on June 30, 2022. The tentative agreement is for a contract with a term of July 1, 2022 through June 30, 2025. At Tier IV, the MARB has the authority to approve or reject the contract. If the MARB rejects the contract, there is a process for the parties to submit a modified agreement. If the MARB rejects the contract and the parties cannot reach a modified agreement, or if the MARB rejected a modified agreement, binding arbitration would be imposed. This contract provides for a transition from the existing High Deductible health plan to the State Partnership Plan. A separate MOU is being prepared that will establish the date of the transition, since a July 1 transition is not feasible. That MOU is expected to be included in the package that goes to the full MARB in September.

Chris Hodgson, of Bercham Moses, provided an overview of the tentative agreement. The two major provisions of the contract consist of a 2.5% per year general wage increase (GWI) for three years and an agreement to transition to the State Partnership health plan. The date for the transition has not been finalized but could be in the fall or by January 1, 2023. The employee premium share would increase from 13% to 14% in FY 2023 and 14.5% in FY 2024. An MOU to establish the date of the transition and to address claims that may occur in the interim is in the process of being finalized.

Mr. White suggested that a template be developed to provide summary information on existing contracts for MARB to use when reviewing contracts in the future.

Mr. Egan asked about the City's decision to provide a hazard pay bonus payment to Firefighters using ARPA funds and why that is not part of the agreement before the Subcommittee. Mr. Hodgson explained that it was a City Council decision and was not part of a negotiated agreement with the union. Mr. Egan questioned whether the payment should have been treated as a mandatory subject of bargaining in accordance with the MERA statute, which would also require coming before the MARB for approval. Mr. Hodgson replied that the bonus would stand on its own as it is not part of the tentative agreement. If the City were to go to the union to suggest providing a hazard bonus, that would rise or fall on its own. This tentative agreement which provides for a GWI and for the transition to the Partnership Plan is its own separate deal. The bonus could be handled separately.

Mr. Hamilton asked about the step increases depicted in the fiscal analysis. Mr. Taylor explained that no step increase appears in the first year because the only positions that are not at top step would be either currently vacant or eligible for their step increase in the second year of the projection based on their anniversary date. In response to a question about the Partnership, Mr. Taylor explained that the projection assumes the transition will occur January 1, 2023.

Ms. Shaw made a motion to recommend approval of the contract to the full MARB, with a second by Mr. Hamilton. The motion passed 6-0-0.

b. Board of Education Non-Certified, AFSCME, Local 2706

This contract is between the Board of Education the Non-Certified employee group. The Contract expired June 30, 2022. The tentative agreement is for a term of July 1, 2022 through June 30, 2026. Superintendent Cavallaro provided a summary explanation of the agreement. The contract provides general wage increases (GWI) of 2% per year for four years after having gone without a raise for several years. The health insurance premium cost share increases to 18% over the life of the contract. Going forward, new hires will pay for retiree health benefits at the same rate as active employees. Members of this group have already been enrolled in the Partnership Plan.

Mr. Hamilton asked if additional steps could have been taken to constrain retiree medical costs. Superintendent Cavallaro replied other measures come up, but that union negotiating teams often are looking to protect retirement benefits at all costs. Ms. Shaw asked about stipends for maintenance workers. The Superintendent and Matt Cavallaro replied that the stipend is intended to compensate for travel costs and is an increase from \$100 per month to \$150 per month.

Mr. Falcigno made a motion to recommend approval of the contract to the full MARB, with a second by Ms. Shaw. The motion passed 6-0-0.

V. Review, Discussion, and Possible Action: 5-Year Plan

The City has updated its proposed 5-Year Plan based on feedback from the previous meeting. The Subcommittee had asked the City to reconsider whether to include the Havens in its grand list assumptions, smooth out the mill rate increases over the five years, accelerate the paydown of Municipal Restructuring Funds and to set higher targets for Fund Balance. Mr. Taylor presented a summary of the revisions made to the draft plan. The revision removes additions to the grand list related to the Havens development. The revision includes \$2.9 million in repayments on the Municipal Restructuring Funds and mill rate increases have been more evenly distributed. Additionally, the goal for Fund Balance is to ultimately reach two months of expenditures. The City is also planning for implementation of additional budget controls and monitoring, and to look to reducing recurring expenses in a number of areas. The overall mill rate increase over the five-year period is 4.9 mills, compared to 4.0 mills in the prior draft. Fund Balance is projected to reach 7.6% of expenditures by the final year.

Mr. White asked about the assumptions used for interest rates on City debt, and how the City will achieve a 13% Fund Balance target in the years that follow the five-year period. Mr. Taylor replied that the interest rate assumptions were provided by a third-party consultant. The Fund Balance contributions will increase significantly after the Municipal Restructuring Funds are paid down and those funds can be redirected toward fund balance.

In response to a question from Mr. Hamilton. Mr. Taylor summarized assumptions used in the Plan. He described the estimates used for grand list growth as conservative and noted the flat projections for State Aid. Four-year averaging was used for many of the other revenue sources. On the expenditure side, inflation is based on International Monetary Fund projections for the U.S. No savings through attrition are assumed. The unallocated contingency is maintained at around \$500,000 per year.

Mr. Hamilton indicated that the Plan is reaching a point where he can be comfortable with it. Issues that the Subcommittee specifically identified have been addressed in the draft. If the assumptions are sufficiently conservative, Fund Balance may increase by more than shown in the Plan.

Mr. White asked about the combined mill rate when factoring in the fire districts. The combined mill rates are projected to reach 50 mills. Members expressed interest in seeing comparisons with other municipalities. Mr. Hamilton added that building the detail of the cost savings plan over the next several months will be an important step for the City.

Mr. Egan noted that the mill rate increase in FY 2025 is higher than for the other years and asked why the increases aren't smoothed out more. Mr. Taylor explained that as a Tier IV municipality, the City is limited by statute to 3% per year increases and will need to get approval from the MARB for higher increases in any given year. Each year of the Plan includes increases of 3% with the exception of FY 2025 when the mill rate increases by more than 3% and would require MARB approval. Mr. Egan asked if the City would increase the mill rate more gradually if given the opportunity. Mr. Jackson explained that the FY 2025 increase is driven by the Police union contract and Board of Education expenses which is why the City would seek a waiver of the 3% limit in that year only.

Members discussed the timeline for completion of the FY 2021 audit and whether the 5-Year Plan needs to be approved by any specific date. In addition to audited FY 2021 results, a plan for budgetary savings is also a major component of the 5-Year Plan that needs to be developed.

Ms. Shaw asked about the debt service projections and how much is related to existing debt as opposed to new issuances. She also asked about the City's backup plan if Moody's were to withdraw the City's rating. Mr. Jackson said that the City is currently planning an issue in the fall and would soon have a better assessment of that risk.

Mr. Hamilton said he supports giving the Plan as much time as the Subcommittee needs to ensure it is a sound plan, as long as there are no immediate implications to the City's credit rating. Mr. Falcigno agreed that there are currently too many unknowns to recommend approval of the Plan at this time.

The Subcommittee took no action on the Plan.

VI. Update: MOA Action Plans

Mr. Egan made a motion to table this item with a second by Mr. White. The motion passed.

VII. Other Business

a. Discussion re: Requests for information from City

Ms. Shaw suggested that the Subcommittee have a running tally of items requested of the City and their status.

b. Discussion and possible action regarding the location and format of Subcommittee meetings

The Subcommittee will begin holding the monthly meetings in West Haven. The meetings will be a hybrid format is the City's facility can accommodate.

c. Discussion re: Structure and Culture of Accountability and Transparency

Mr. Egan made a motion to table this item with a second by Mr. White. The motion passed.

VIII. Adjourn

Mr. Egan made a motion to adjourn with a second by Mr. Hamilton. The meeting adjourned at 12:38 PM.