

BOARD OF FINANCE
The Metropolitan District
555 Main Street
Hartford, Connecticut 06103
Wednesday, September 4, 2019

PRESENT: Commissioners Andrew Adil, Donald Currey, Allen Hoffman and Pasquale J. Salemi and District Chairman William A. DiBella; Citizen Member Linda King-Corbin (6)

ABSENT: Citizen Members Ronald Angelo and Ram Aberasturia (2)

ALSO

PRESENT: Commissioner James Healy
Commissioner Gary Lebeau
Commissioner Dominic Pane
Commissioner Bhupen Patel
Commissioner Alvin Taylor
Scott W. Jellison, Chief Executive Officer
R. Bartley Halloran, District Counsel
Christopher Stone, Assistant District Counsel
John S. Mirtle, District Clerk
Christopher Martin, Interim Chief Financial Officer
Christopher Levesque, Chief Operating Officer
Kelly Shane, Chief Administrative Officer
Susan Negrelli, Director of Engineering
Tom Tyler, Director of Facilities
Karyn Blaise, Controller
Nick Salemi, Special Services Administrator
Carrie Blardo, Assistant to the Chief Operating Officer
Kerry E. Martin, Assistant to the Chief Executive Officer
Victoria S. Escoriza, Executive Assistant
David Silverstone, Independent Consumer Advocate

CALL TO ORDER

Chairman Salemi called the meeting to order at 4:21 PM

PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS

David Silverstone, Independent Consumer Advocate, spoke in support of a fund balance policy as long as it is properly funded. He also spoke in support of agenda item #8, 2019 Operating Budget Transfer – Independent Consumer Advocate Budget Increase.

Judy Allen of West Hartford spoke regarding agenda item #7 Fund Balance Policy.

Peter Privitera, Town Manager of West Hartford, spoke in support of a fund balance policy but expressed concerned about a 30% funding level being too high.

APPROVAL OF MINUTES

On motion made by Commissioner Adil and duly seconded, the meeting minutes of the Board of Finance meeting of August 28, 2019 were approved.

PRESENTATION FROM COHN REZNICK

Lisa Cantone and Melissa Ferucci presented an update from Cohn Reznick.

FRINGE BENEFIT VEHICLE TAX

To: Board of Finance for consideration on September 4, 2019

For 2016 and 2017, the District inadvertently did not report taxable compensation under the IRS rules for Taxation of Fringe Benefits. In order to correct this, staff recommends the following:

At this time it is **RECOMMENDED** that it be:

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution:

RESOLVED: The District shall issue amended Form W-2's for the affected employees. The District will pay both the employer and employee portions of FICA and Medicare taxes, as applicable. To the extent the employer pays the employee's portion of any payroll taxes, this amount is considered income to the individual in the tax year paid. Therefore, the employee's portion of these taxes (social security and medicare) paid by the District will be considered income to the employee and reported on the employee's 2019 Form W-2.

The District shall reimburse affected employees for the cost of preparing 2016 and/or 2017 amended individual tax return(s) to reflect the taxable fringe benefit adjustment. This reimbursement will be made only upon the District's review and approval of the invoice supporting such expenses, and the District's determination that these costs are reasonable. The employee will be required to submit an invoice from his/her individual tax return preparer after completion of the amended tax returns. In addition, the employee will be required to submit a signed statement from his/her tax preparer certifying they have received, read and understand this notification.

The District shall also reimburse affected employees for the penalties and interest incurred on the additional income reflected in the 2016 and/or 2017 individual tax return(s) calculated through December 31, 2019 or earlier date. Any penalties and/or interest incurred subsequent to December 31, 2019 will be the responsibility of the employee.

To receive reimbursement from the District for interest and/or penalties through December 31, 2019 or earlier date, affected employees will be required to provide the District with a written letter from his/her tax preparer stating the amount of interest and penalties paid associated with the fringe benefit adjustment on his/her amended tax returns for each tax year.

The District will not reimburse employees for the additional income tax liability associated with the additional taxable income triggered by the amended W-2 and/or MDC's reimbursement of tax return preparation fees and/or income tax interest and/or penalties.

Upon receipt and approval of the supporting documentation for the tax preparation fees and interest and penalties assessed, the District will pay the employee directly for the reimbursement of the costs. The employee is responsible for paying the tax preparer and the taxes, interest and penalties associated with this matter. The District will not pay the tax preparer, Internal Revenue Service or any State or local taxing authorities directly.

To the extent that the MDC pays and reimburses employees for the cost of preparing amended tax returns and/or for penalties and/or interest, these amounts will constitute additional taxable compensation to you in the year of payment and/or reimbursement and will be reported as such on Form W-2 in the tax year of payment.

Respectfully Submitted,

Scott W. Jellison
Chief Executive Officer

***On a motion made by Commissioner Hoffman and duly seconded,
the report was received and resolution adopted by unanimous vote
of those present.***

USAGE OF BOND SAVINGS FROM RECENT ISSUANCE

Chief Operating Officer Scott Jellison discussed the usage of bond savings from the recent bond issuance.

RESOLUTION ESTABLISHING A MINIMUM AVAILABLE GENERAL FUND BALANCE POLICY

To: Board of Finance for consideration on September 4, 2019

Whereas, the Metropolitan District, Hartford County, Connecticut (the "District" or the "MDC") has issued General Obligation Bonds and such General Obligation Bonds carry ratings by one or more of the rating agencies; and

Whereas, Available General Fund Balance is a metric used in assigning bond ratings and is important to the financial stability of the District; and

Whereas, the District Board has determined that the District should establish an Available General Fund Balance requirement for its General Fund for budgetary flexibility in the event the District has unexpected revenue shortfalls or expenditure needs;

It is therefore RECOMMENDED that it be:

Voted: That the Board of Finance recommends to the District Board passage of the following resolution.

1. It shall be the policy of the MDC to maintain, to the extent possible, an adequate available general fund balance equal to between 30% and 35% of general fund revenues for the most recent completed fiscal year.
2. Any expenditure of all or part of the available general fund balance must be authorized ~~as provided in Chapter 3 of the Compiled Charter of the District.~~ **by the District Board.**
3. If the available general fund balance established under Section 1 above falls below the minimum target of 30% of general fund revenues for the most recent completed fiscal year, the District's Chief Financial Officer shall present a plan to restore the available general fund balance to the target within no more than three fiscal years to the District Board for its consideration.
4. If the available general fund balance realized in any given fiscal year exceeds the target set forth in Section 1 above, the District Board may authorize, pursuant to Chapter 3 of the Compiled Charter of the District, the expenditure of any excess available funds as it deems appropriate.

Respectfully Submitted,

Scott W. Jellison
Chief Executive Officer

Commissioner Currey moved to amend the resolution, as shown above in redline. On a motion made by Commissioner Currey and duly seconded, the amendment was adopted by unanimous vote.

On a motion made by Commissioner Adil and duly seconded, the report was received and resolution adopted by unanimous vote of those present.

2019 OPERATING BUDGET TRANSFER

To: Board of Finance for consideration on September 4, 2019

The 2019 Metropolitan District adopted operating budget contained funding for the Independent Consumer Advocate for the MDC (ICA) in the amount of \$50,000 for Fiscal 2019, which is consistent with P.A. 17-1. For services provided through the end of August, the ICA has billed and been paid \$32,147. Due to an increased workload at the beginning of the year associated with the MDC's submission of the 2018 Long Term Control Plan (LTCP) for the Clean Water Project and expected necessary time commitment related to the upcoming MDC budget process, it is expected that funding in the total amount of \$70,000 for 2019 will be required to adequately provide support to the MDC customer base.

Accordingly, it is forecasted that the Outside Services budget will have a deficit as a result of the increased funding for the ICAMDC in the amount of \$20,000.

CERTIFICATIONS:

In accordance with Section 3-8 of the Charter of The Metropolitan District, I hereby certify that there exists free from encumbrances, in the following appropriation, the amounts listed:

	General	Water	Total
Department 74– Special Agreements & Programs	<u>\$9,800.00</u>	<u>\$10,200.00</u>	<u>\$20,000.00</u>
Total	<u>\$9,800.00</u>	<u>\$10,200.00</u>	<u>\$20,000.00</u>

Christopher Martin
Interim-Chief Financial Officer

It is therefore RECOMMENDED that it be:

Voted: That the Board of Finance recommends to the District Board passage of the following resolution.

Resolved: That transfers within the 2019 Budget Appropriations be approved as follows:

From:	General	Water	Total
Department 74 – Special Agreements & Programs	<u>\$9,800.00</u>	<u>\$10,200.00</u>	<u>\$20,000.00</u>
Total	<u>\$9,800.00</u>	<u>\$10,200.00</u>	<u>\$20,000.00</u>
To:	General	Water	Total
Department-11 District Board	<u>\$9,800.00</u>	<u>\$10,200.00</u>	<u>\$20,000.00</u>
Total	<u>\$9,800.00</u>	<u>\$10,200.00</u>	<u>\$20,000.00</u>

Respectfully Submitted,

Scott W. Jellison
Chief Executive Officer

On a motion made by Chairman DiBella and duly seconded, the report was received and resolution put to vote. The resolution failed by a vote of 3-3. Commissioner Salemi, District Chairman DiBella, and Citizen Member King-Corbin voted in favor. Commissioners Adil, Currey, and Hoffman opposed.

OPPORTUNITY FOR GENERAL PUBLIC COMMENTS

Judy Allen of West Hartford spoke regarding her frustration of the Independent Consumer Advocate budget, agenda item #8, not being supported in the Board of Finance Vote.

ADJOURNMENT

The meeting was adjourned at 6:05 P.M.

ATTEST:

John S. Mirtle, Esq.
District Clerk

Date of Approval