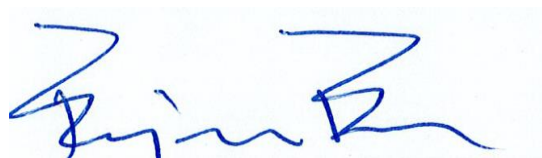


STATE OF CONNECTICUT
Office of Policy and Management

GUIDANCE RELATED TO THE MUNICIPAL RESTRUCTURING FUNDS

Section 370 of Public Act 17-2, June Special Session ("the Act") requires that the Secretary of the Office of Policy and Management develop and issue guidance related to the awarding and administration of Municipal Restructuring Funds ("restructuring funds" or "funds") contained in the Act. The required guidance is contained herein.

A handwritten signature in blue ink, appearing to read "Ben Barnes", is written over a light blue rectangular background.

Benjamin Barnes, Secretary of the Office
of Policy and Management

A handwritten date "1/12/18" in blue ink is written over a light blue rectangular background.

Date

STATE OF CONNECTICUT

Office of Policy and Management

January 12, 2018

GUIDANCE RELATED TO THE MUNICIPAL RESTRUCTURING FUNDS

INTRODUCTION

Section 370 of Public Act 17-2, June Special Session (“the Act”) requires that the Secretary of the Office of Policy and Management develop and issue guidance related to the awarding and administration of Municipal Restructuring Funds (“restructuring funds” or “funds”) contained in the Act. The restructuring funds are a component of the provisions contained in sections 349 to 376 in the Act that establish a system of state assistance and related accountability for distressed municipalities. Specifically the Secretary’s guidance with respect to the restructuring funds shall address the:

- (1) administration of the Funds;
- (2) criteria for participation by municipalities and requirements for plan submission by those seeking funding; and
- (3) prioritization for the awarding of funds.

Administration of the Funds

- (1) The total restructuring funds available for distribution to eligible municipalities are limited to those contained in the adopted state budget and shall be nonlapsing.
- (2) The Funds shall be administered by the Office of Policy and Management (OPM) and any funds awarded to a municipality shall be administered and dispersed in accordance with an agreement between OPM and the municipality.
- (3) The agreement shall reflect the plan approved by the Secretary, in consultation with the Municipal Accountability Review Board (“the MARB”), and shall include the conditions attached to the receipt of such funding, including the timing of the distribution of funds, which agreement may be amended by the parties from time to time.
- (4) The agreement shall include such reporting requirements as may be required by the Secretary and any applicable State laws.
- (5) The MARB shall assist the Secretary in monitoring the use of the funds and adherence to the conditions attached to the funding in the agreement.
- (6) Any municipality receiving restructuring funds shall be required to receive MARB approval of their annual budgets. This requirement shall be in addition to any other authority and responsibilities that the MARB has with respect to designated Tier II, III and IV municipalities.

Criteria for Participation

- (1) Any municipality designated as a Tier II, III or IV municipality under the Act shall be eligible to receive restructuring funds.

Requirements for Plan Submission

- (1) **Restructuring Plan for Five Year Period.** Eligible municipalities seeking restructuring funds shall submit to the Secretary a plan describing and detailing its overall Restructuring Plan for the current

fiscal year and the following four fiscal years (the “five-year period”), including local actions to be taken and the use of the funds. For the purposes of the plan, the municipality may assume that the restructuring funds request will be available for each of the five years.

- (2) **Municipal Budget Requirement-Education.** A municipality may, as part of its plan and in consultation with its board of education, submit a proposed reduction in the minimum budget requirement (MBR) related to its education budget. As part of such proposal, the municipality shall include projections as to student enrollment, descriptions of the potential educational impacts of a reduction in the MBR, and actions proposed to mitigate any negative impacts. As part of reviewing proposed reductions, the Secretary shall consult with the State Commissioner of Education.
- (3) **Financial Projections**
 - (A) **Current Projections Not Reflecting Restructuring Plan.** Current projections for the five year period, shall be provided, which current projections shall not reflect the restructuring plan referenced in item (1). Projections for the municipality’s general fund expenditures shall be broken down by categories (at the department level, including within the board of education budget), with major expenditures for employee benefits (pension, health, etc.), debt service and similar major areas to be broken out separately. The general fund revenues for the five years shall be provided by line items, with appropriate consolidations for smaller revenue items.
 - (B) **Projections Reflecting Restructuring Plan.** Projections for the five year period incorporating the municipality’s restructuring plan shall be provided, in the same manner and level of detail as in item (3). As indicated, the Restructuring Plan shall include local actions to be taken and the proposed use of restructuring funds.
 - (C) **Impact of Plan on Long-Term Liabilities.** Projections of the plan’s impact on long-term liabilities related to debt, pension, other post-employment benefits and other liabilities over a 20 to 30 year period, as appropriate, shall be provided.
 - (D) **Assumptions Used in Making Current and Plan Projections.** The assumptions used in making the five year projections (e.g. inflation, salary increases, state aid, etc.) shall be provided for items (A) and (B), as well as for the projections related to item (C).

Other Information

- (1) **Monthly Financial Report and Cash Flow Projections.** The plan submittals shall also include (a) the most recent monthly financial report related to the general fund reflecting budgeted amounts, year to date expenditures and revenues, and projected year end expenditures and revenues and (b) monthly cash flow projections for the balance of the current fiscal year and the first six months of the following fiscal year.
- (2) **Other Documentation.** Municipalities should submit such other information (e.g. debt service schedules, actuarial reports) as may be needed to document or explain its plans and projections. The Secretary and/or MARB may request such information or seek clarifications as reasonably needed to understand both the plan and projections provided.

Prioritization for the Awarding of Restructuring Funds

- (1) The distribution of restructuring funds shall be based on the relative needs of the requesting municipalities.
- (2) Priority will also be given to municipalities whose Restructuring Plan contains meaningful and achievable local actions and a proposed use of the funds that will provide fiscal sustainability over the long term.
- (3) The Secretary may, following consultation with the MARB, approve all, none or a portion of the funds requested by a municipality.