

BOARD OF ESTIMATE & TAXATION MEETING ACTIONS

**APRIL 2, 2004
SPECIAL MEETING**

CALL TO ORDER

PRESENT: Adam Farstrup, Chairman Mayor Alex Knopp
Tim Buzzee Ron Coley (5:35)
Randall Avery Gregory Burnett

ABSENT: Dave Davidson

Also present were Pam Stark, City Clerk; Tom Hamilton, Finance Director; Ann Twomey, Director of Management & Budgets; Scott Binger, Assistant Director of Management & Budgets.

The Chairman called the meeting to order at 5:15 p.m. It was noted that Mr. Davidson was out of state but that he had been present at Monday's scheduled meeting.

APPROVAL OF FY2004-05 OPERATING BUDGET AND ADOPTION OF TAX RATES

The Chairman inquired as to the status of the Youth Services department. Mr. Hamilton said there are some changes. This is an area that Mayor Knopp has been examining. The budget before the Board today reflects continuation of the full-time position for six months, continuation of funding for the part-time position currently filled and elimination of funding for the part-time position currently vacant. The difference between this and the original budget has been placed in the Contingency fund pending final resolution.

Mayor Knopp said there are valid reasons to consider. The City is not the appropriate entity to provide counseling services, which should be provided by a non-profit, professional entity. He met yesterday with young people and their parents who receiving counseling from Youth Services. Because of this meeting, he has recommended providing this service for six months instead of his original two months so that they can discuss this with other towns, other providers and the union. They are also considering grandfathering the young people who are currently receiving service, among other options.

**** MR. BURNETT MOVED TO SUSPEND THE RULES TO ALLOW THE CHAIRPERSON OF THE BOARD OF EDUCATION TO ADDRESS THE BOARD.**

Mayor Knopp said that Superintendent of Schools Corda had spoken to the Board of Estimate on Monday, and because of the error in the legal notice, they had agreed to

allow him to speak tonight. Mrs. Bishop-Pullan, as Chairman of the Board of Education, will address the Board of Estimate.

**** MOTION PASSED UNANIMOUSLY.**

Mrs. Bishop-Pullan read the following statement:
April 2, 2004

By Hand

Mr. Adam Farstrup, Chairman
Board of Estimate and Taxation
City of Norwalk
125 East Avenue
Norwalk, CT 06856-5125

Dear Mr. Farstrup:

The Mayor's recommendation to reduce the Board of Education budget after having publicly stated that the recommended increase for school spending was to be 5.1% came as a shock and a surprise. That this decision was shared via email with the Board of Education on Friday night, March 26 at 6:27PM raises serious questions about the interest of the Mayor in discussing his recommendation with the Board of Education as a viable strategy in addressing needs in difficult times. It is only because the March 29 meeting was cancelled that the Board of Education has had the opportunity to review this proposal and to prepare a response. It is also disconcerting to have received on March 30, 2004 the budget document that was to have been shared with you for consideration on March 29 with the title of "Fiscal Year 2004-05 Operating Budget Approved" and to note that document indicates that the Education budget has been reduced in accordance with the Mayor's recommendation.

The following represents the Board of Education's position on the Mayor's recommendation: We strongly urge you to reject the Mayor's suggestion for three reasons.

First, an approach that withholds necessary funds from the Board of Education budget to be released when, and if, the Mayor and/or Board of Estimate determine that these monies are necessary is bad public policy. The mayor's contention that these monies need to be reserved because, "Holding these funds in contingency is our only way of making sure funds will be available to pay for costs but that significant savings resulting from negotiations can be returned to taxpayers." places the Mayor and the Board of Estimate as the sole determinants of how much and when funds will be available for specific obligations of the Board of Education. The Mayor often says, "We only approve the amount of the Board of Education's budget, not how it is spent." Yet, now the Mayor wants to change the rules. Will the same reasoning be applied if the Mayor decides that

too much money has been allocated for elementary teacher salaries or for fuel costs or for high school instructional supplies? Would monies for these items be placed in the city's contingency fund to be disbursed when, and if, the Mayor decides that they are necessary?

Secondly, the Mayor's recommendation shows a profound disrespect for the Board of Education's competency and its responsibility to discharge its duties. This recommendation also attempts to eliminate the authority of the Board to determine how the education budget, once approved by the Common Council and the Board of Estimate, should be spent. The law requires that any unspent monies from the Board of Education's budget be returned to the city. The savings to taxpayers, therefore, that would come from any negotiated agreement with the teachers would, of necessity, come back to the taxpayers in the form of any unspent balance. Is the Mayor suggesting that the Board of Education would attempt to do anything different? There is no need for the mayor to make this recommendation. The requirement for unused funds to be returned to the city is already in place.

Third, the mayor's recommendation seriously jeopardizes the ability of the Board of Education to negotiate in good faith with the long term best interests of the district, and the taxpayers at heart. The mayor has now staked out the position that he believes the Board must follow, i.e., the teachers' union must agree to move to the CIGNA POS plan and to a self-insured plan. He says that this will result in savings, after a stop loss policy is purchased, in savings of approximately \$2.57 million dollars. By withholding the funds for health insurance, he is attempting to put pressure on the Board and the teachers' union to come to his predetermined end. According to the mayor, should the Board not be able to meet that objective, the Board will be authorized to come back to the city to appropriate funding for its health insurance account.

The problems with this are several. First, the Mayor is wrong in using the term Cigna Point of Service as it relates to any new plan with the teachers' group and is causing confusion about what plan the teachers would have. The teachers' plan would be Cigna's Open Access Plan and it is significantly different from a point of service plan in service accessibility. Secondly, the mayor is disregarding the fact that should the Board of Education move to a self-funded plan, it has a significant financial liability in run out claims under the current plan that will have to be addressed. While we may be able stretch this payback over time, the liability is clear. In addition, with no reserve fund, money would have to be set aside to cover the difference between claim costs and our appropriation if the stop loss coverage was not enough. Third, and most important, the Board's insurance consultant does not agree with the figure that the city's insurance consultant has indicated if our teachers moved to a new funding mechanism. We respectfully submit that our insurance consultant, who is intimately familiar with our situation, is in a better position to identify what the estimated savings might be. Hence, the savings that the mayor is talking about are not real for the 2004/05 school year in the amount he has identified. This is also the reason why any negotiated agreement that changes the funding mechanism for the present health insurance plan with the teachers

needs to take into account how we manage the run out claims, timing of implementation, etc.

The mayor has now announced what he believes must be the Board's specific objective in its negotiations and placed such a significant value on it that he is withholding the necessary funds for the Board to operate pending the outcome of negotiations. Now that the teacher's union is aware of this, their ability to bargain has been significantly strengthened and ours has been significantly weakened. That is why negotiations are conducted through a process where each side determines the critical aspects of their own positions, what must be achieved, and what is otherwise desirable, in Executive Session, before negotiations begin. There are a number of issues about the current contract that are crucial in our upcoming negotiations. We have already extended this contract once over a single item, in order to meet last year's budget crisis. The Mayor is now outlining a single agenda item that he has determined is paramount. The impact that will have in any of the discussions that are already going on, and have been for a while, remains to be seen. Through this recommendation, the Mayor has set the stage for the teachers' union to push for a single or a multi-year extension over a single item. If the Board determines that this is not the wisest course to follow and chooses to make other decisions instead, the Board will be perceived as not being serious about reducing costs.

We are meeting with the teachers' union. Negotiations are a process of give and take and they must be looked at in their total impact on the ability of the District to meet its responsibility to its students and to its employees. We have no final information as of this point. Should our budget be reduced by \$2.5 million dollars more than the amount that, thus far, appeared to be the final number, we would have no choice but to identify from where those cuts must come. That will cause far more of an uproar in the community than is necessary.

This city cannot afford political divisiveness over issues of political control. Norwalk has been down that road once before. There is a process for budget development and adoption. That does not include the Board of Estimate reducing the Board of Education's budget in order to influence a specific expenditure and creating contingences to cover what shortfalls might occur. The Board of Estimate's job is to determine the final allocation of funds within the overall city budget. We respect your right and your responsibility to do so. We ask for the same respect for the Board of Education to do its work in implementing that budget.

Sincerely,
Jody Bishop Pullan
Chairperson, Board of Education

**** MR. BUZZEE MOVED TO ADOPT THE FY2004-05 OPERATING BUDGET AND TAX RATES AS PRESENTED.**

Mayor Knopp said he has been discussing this for weeks, even months, with Mrs. Bishop-Pullan and she said she would not object to him issuing his statement. He appreciates that they have differing points of view. The issue is that under their system, it is not possible to figure out a fool-proof way to make sure that all taxpayers get the benefit of reductions from any negotiations. Therefore, he had discussed a letter of agreement between the Board of Education and the Board of Estimate, which he still thinks is viable. After consultation, it appeared that the way they are doing it was the best way but a letter of agreement would be viable. If there is a better way to do it, he would be amenable. If the Board of Education is unable or unwilling to make these negotiations, the money will be returned to the Board of Education. This issue has been on the table for two years. The Board of Estimate is seeking a reasonable accommodation so that taxpayers can fund the education budget but not be overtaxed in light of these administrative savings.

At 5:35 p.m., Mr. Coley arrived at the meeting.

Mr. Avery said he did not recall the last time that the Board of Education returned unspent money to the City. Stuart Opdahl, Board of Education, said they had a fund balance this year. Some went into the textbook account and the rest went into the reserve. Mr. Avery said that money was supposed to be in the operating account for textbooks but instead went into the fund balance. Mr. Opdahl said it was done as the Board of Estimate agreed and the money was used to reduce debt service. Mr. Avery said wherever there has been a savings, this Board has attempted to use it for education services. This change is not a slap in the face to the Board of Education. The fact that this Board would ask to work in close communication with the Board of Education is entirely appropriate. Since the money is in the contingency account, if the negotiations don't work, they don't have to deal with additional cuts. The tension between the two boards will exist as long as taxes are rising due to revaluation. Most of the other significant City departments have been held to an increase of less than 2%. This Democratic mayor is trying to go to City unions and they should try to work to reflect the ongoing interests of the taxpayers.

Mr. Avery said if Mr. Davidson were here, he would say that education is over funded in that every other department in the City has scraped along with less than inflationary increases for at least 15 years, but the board of Education increases have at least matched inflation, if not exceeded it. Mr. Avery spoke of his concerns about the increased conveyance tax, saying it would be a long-term detriment. He said that the restraints to the Board of Education are the most they can make without there being significant cuts to the Board of Education programs. In closing, Mr. Avery said he would abstain from the budget vote.

The Chairman said he supports holding insurance funds in contingency. This is critical for the City to pursue and they don't expect this to create further cuts to the Board of Education budget. Their desire is for a world class school system, but they should pursue this saving with vigor.

Mr. Burnett thanked the Mayor for taking his comments about Youth Services into account. The children using these services should be completely covered and that will be done by leaving funding for six months. Regarding changes to the operating budget of the Board of Education, this is not a matter of smoke and mirrors; it is a matter of creative thinking in difficult times. He said he supports this approach. As a taxpayer and a parent and a member of this Board of Estimate, he will assure that these funds are not misdirected in any way.

Mayor Knopp noted that no one from the Board of Education had come to him with any suggestions since Monday night's meeting. He and Mrs. Bishop-Pullan have been discussing this for over a month, and Mrs. Bishop-Pullan had no objection to him releasing his statement. There are issues about what the teachers' union will ask for, and this is what negotiations are all about. Last year, the recommendation was that cost sharing be accelerated. This year, there are no financial sacrifices being asked of the teachers. He said he hoped that the Board of Education statement is not an attempt to provide a cover in case the negotiations fail. The tone of the statement is troubling to him, but they stand behind their statement.

**** MOTION CARRIED WITH ONE ABSTENTION (MR. AVERY).**

Superintendent Corda asked where the final reckoning would take place. Mayor Knopp said they would need to have that information before the reconciliation process is completed. Superintendent Corda said that would take place after the fiscal year is completed. Mayor Knopp said that was not correct. Those discussions take place before the start of the fiscal year and by that time, the Board of Education should know if the negotiations have or have not been successful. Superintendent Corda asked if the Board of Estimate would take the Board of Education's word about the amount saved and if the money would be given to the Board of Education or split with the City. Mayor Knopp said he was not prepared to discuss this.

The Chairman said that the Board of Estimate intends to work in good faith with the Board of Education, and they expect to have honest discussions about any savings. A portion of those savings would be made available to the Board of Education.

**** MR. COLEY MOVED TO ADJOURN.
** MOTION PASSED UNANIMOUSLY.**

The meeting was adjourned at 6 p.m.

ATTEST: _____
Pam Stark, City Clerk

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