

**CITY OF NORWALK  
FINANCE/CLAIMS COMMITTEE  
REGULAR MEETING  
JUNE 14, 2012**

**ATTENDANCE:** Carvin Hilliard, Chair; David McCarthy, Douglas Hempstead,  
Matthew Miklave, John Igneri, Warren Peña

**STAFF:** Tom Hamilton, Finance Director; Fred Gilden, Comptroller, Elio  
Longo, BOE Chief Operations Officer, Dr. Susan Marks, Superintendent  
of Schools;

**OTHERS:** Jack Chiamonte, BOE Chair; Wilms, BET Chair; Council Member  
Bruce Kimmel; Council Member Jerry Petrini; Council Member David  
Watts, Council Member Michelle Maggio

**CALL TO ORDER**

Mr. Hilliard called the meeting to order at 7:34 p.m.

**\*\* MR. MIKLAVE MOVED TO MOVE THE DISCUSSION OF THE BOARD OF  
EDUCATION TO THE TOP OF THE AGENDA.**

**\*\* THE MOTION PASSED UNANIMOUSLY.**

**DISCUSSION OF THE BOARD OF EDUCATION BUDGET**

Mr. Peña asked if the intention was to vote on the resolutions. Carvin Hilliard said that the  
resolution would be discussed, but whether it would be voted on depended on the Committee.

**\*\* MR. MIKLAVE MOVED TO AMEND AGENDA TO ADD THE RESOLUTION AS  
REFERRED BY THE COUNCIL UNDER 11 AS 11A, TO ALLOW FOR A VOTE.**

Mr. Hilliard said that he believed that it was early in the discussion. Mr. Peña said that it was his  
understanding that it was the recommendation to send it back to the Council. Mr. Hilliard said  
that the reason that he did not vote for this was because he needed the guidance of the finance  
director. He added this would require a tax increase. This requires a discussion. All  
stakeholders should be present at the table, along with the Council and the unions.

Mr. Hilliard said that he was turning the meeting over to the Mr. Hamilton.

Mr. Peña said that Dr. Marks, Mr. Wilms and Mr. Chiamonte in the audience. Mr. Hilliard said  
that he did not have a problem with them joined the Committee at the table. Dr. Marks, the

Superintendent of Schools; Mr. Chiaramonte, the Chairman of the Board of Education and Mr. Wilms, the BET chair, joined the Committee at the table.

Mr. Hamilton then said that he was happy to start the discussion. He then suggested that the Committee have a review of how the short fall occurred. He said that Mr. Longo had prepared some materials for the Joint BET/BOE, which should be presented to the Committee.

Secondly, there was a resolution that was presented to the Council. It will be important to discuss the implication on the fund balance, the property taxes and other aspects.

The third item that should be discussed should be whether there should be an audit regarding the shortfall and how this shortfall happened.

There have been numerous comments in the newspaper asking how the \$4.0 million went missing. Mr. Hamilton said that there was no evidence that even one penny was missing, but the issue was one of dealing with inaccurate budget figures regarding health insurance and special education.

Mr. Hamilton said that it would be important for the public and everyone else to know that the Board of Education is regularly audited. The audit was conducted last year and will be conducted again after the end of the month, but the request for this type of audit is not the audit of the annual budget.

Mr. McCarthy asked whether the auditors would have noticed the shortfall last year. Mr. Hamilton explained that the shortfall occurred this year, not last year. When the audit is done for this current fiscal year, the auditors will note the shortfall.

Mr. Hamilton then stated that there had been talk about the City's willingness to restructure the debt for Oak Hills, but was not willing to give more to the Board of Education. He reviewed the Oak Hill situation and the BOE shortfall are not related. He gave the details.

The adopted budget for 2012-2013, which was approved by the BET, is at the cap amount and there is no room for more funding under the approved the cap.

Mr. Hilliard then noted that there were some members of the public that had signed up to address the Committee.

Mr. Jeff Beckley, came forward and said he was a teacher. He thanked everyone for coming and thanked Barbara for organizing the demonstration. He said that he was a member of the Norwalk Federation of Teachers and respected the union leadership. However, even as a member of the NFT, his comments were not reflective of the NFT.

He pointed out that Mayor Moccia was only asking for a year's freeze. He pointed out that this was not the fault of the teachers, the students, the administrators or Dr. Marks. He then said that after speaking with many teachers, many felt that taking a freeze would be showing weakness. There were 53% percent of the other teachers in the State had taken a freeze to prevent job loss.

Offering a 0% budget increase to District will eventually result in the closing of the Norwalk schools. Norwalk Public Schools are a non-profit and do not make money off their students. He then requested that the unions take a vote to reopen the contract and take a one year freeze. If everyone does their part then the schools can deal with the shortfall.

Mr. Mastrotta came forward and asked the members of the Council to reflect on why they chose to take seats on the Council. The misdeeds of a few have put everyone in a difficult situation. The question is who will pay for this. The passion of the people involved has been shown on Monday, Tuesday and again this afternoon at the demonstration. He then requested that the Council close the budget gap. He reiterated that the Council should consider why they ran for their positions, if not to make the City better in a difficult times.

Ms. Consolati came forward and said that she was a parent of two children, one of which would be entering kindergarten next September. His class will have approximately 28 kids in the class. If there isn't a solid foundation in the early years, then there will be problems in later years. She said that everyone was trying to raise children who were educated. If the students don't get the confidence in the early years, they lose confidence and drop out. She said that as elected officials, they were trying to make the best decisions for Norwalk

Ms. Coleman said that she was an advocate for all 11,000 students in Norwalk. She then asked where the unity that the elected officials have in education. Today's children are tomorrow's leaders. How can we expect them to change the game if we do not equip them to do so. She then displayed a pile of torn paper with pictures of dollar bills. She said that the Commissioner of Education has said that it was time to move on. For the last eight years, the public has been hitting "replay". She said that she had not been able to find a plan, not a short term plan, a long term plan or any kind of plan. It is time to plan. The checks and balances need to be checked through a better magnifying glass. Are the 11,000 children not worth compromise or unity? Based on common ground, the children deserve the tools that they need in the future.

Ms. Brown came forward and said that she understood that there was a resolution about 4.0 million shortfall. She thanked the Tax Collector and Mr. Hamilton for their hard work. She said that she was present to ask about the 4.4. million that the Tax Collector had collected in back taxes. She then suggested that this addition to tax collections be used for the BOE shortfall rather than using the Fund Balance.

Mr. Ditrio came forward and said that the issue had nothing to do with the unions who had nothing to do with the issue. However, the teachers will be getting a raise because there was a contract signed a few years ago. Tonight is not about blackmail, but about reconciliation. He

said that the BOE was only asking the Council to restore the BOE budget back to a miserable situation. Holding the students and employees accountable for the 4.0 million is wrong. He then said that if the various people had not taken notice, the BOE would be reconciling 9.9 million rather than 5.9 million. He said that the City should get the BOE back to normal and then hold the BOE accountable.

Another resident came forward and said by cutting the grade schools, the student gap would increase. The fourth grade achievement gap is directly related to the percentage of Prison population. She then said that the City had previously commandeered 2.2 million of the BOE money and that it should be given back to the BOE along with the money to close the gap.

Mr. Longo then distributed copies of his budget spreadsheet documents to those Committee members, Council Members, BOE and NPS staff present. He then reviewed the figures associated with the GASB (Government Accounting Standards Board) and OPEB (Other Post-employment Benefits) requirements. Mr. Longo gave a brief overview of the cash and accrual methods of accounting and explained how these would be factored into the calculations. The Council members and the Committee members had several questions regarding the details, which Mr. Longo and Mr. Hamilton answered.

Mr. Longo pointed out that the 2009-10 financial year had balanced out. Mr. Peña pointed out that there had been a surplus and wished to know where that money had been used. Mr. Longo replied that since the budget balanced, he believed that the money was used for other BOE accounts that had shortfalls. Mr. Peña asked if there would be records of these budget transfers. Mr. Longo said that there could be one lump sum transfer, but he suspected that the transfers would be for smaller amounts to different accounts. This secondary information would be harder to track.

Mr. Kimmel said that when he was on the Board of Education, there had been problems with the transfers and that the Board then required the transfers between classes (i.e. fuel funds to textbooks) to come before the Board and were made part of the record. Mr. Longo said that this was still the case but reiterated that he did not have any way to know whether or not this had been a lump sum transfer or a number of smaller transfers over a period of time. Mr. Kimmel stated that for the record, he was not on the Board when the problem occurred.

Mr. Miklave asked why the auditors had not captured the earliest warning signs. Mr. Longo said that he did not believe that a routine audit would have flagged this because it was not a significant issue. Mr. Hamilton agreed.

Mr. Miklave asked Mr. Hamilton if the BOE had ever turned back funds to the City. Mr. Hamilton said that he was not sure but did not believe it would not have been more than \$50,000.

Mr. Petrini asked who would have been responsible for this error. Mr. Longo said that whoever held the position before him would have been responsible, but he was the person who discovered this issue, so as the Chief Operations Officer, he was responsible for the problem.

Mr. Hempstead had several questions about what the plans were for moving forward. Mr. Longo then listed some steps such as going out to competitive bid on insurance.

Mr. Hempstead asked if the BOE would have been able to reconcile their budget before the \$4 million shortfall was discovered. Dr. Marks then said that the BOE had been working on the reconciliation. Discussion followed about the budget projections and the type of planning that was underway.

*Mr. Hamilton then distributed copies of a document about the BET actions in regards to the District Budget.*

Mr. Kimmel said that he could not understand how the Board was unaware of the Special Education costs in 2010-2011. He was incredulous that the Board was not advised about the movement of 3 million dollars into the Special Education accounts. This is about accountability. Mr. Longo said that he couldn't speak to 2010-2011 since he was not in Norwalk. Mr. Kimmel said that he could not believe that the District could come up short by \$1.5 million. Mr. Longo said that \$1.5 million was 20% of the 7 million dollar Special Education budget and was much too large of a margin. An acceptable margin would be 1%. He added that it was difficult to determine that there was a problem since the insurance funds were blended in with the City's insurance.

Mr. Peña said that the Board, the Finance Committee, the Common Council, and the public should know where the \$1.5 million went. Mr. Petrini said that he would like to know what kind of process the City had in terms of transfers. Mr. Hamilton reviewed the transfer process. Mr. Petrini then asked Mr. Longo about this. Mr. Longo said that his practice was very similar to the City's practice. Mr. Hamilton then explained that the BOE transfers were not always entered into the MUNIS system.

Mr. Miklave asked Mr. Longo what his first thought was upon discovering this problem. He went on to say that to Mr. Longo's credit, he had immediately disclosed all the information to the appropriate parties after finding the shortfall.

Mr. Miklave asked about the GASB offset. Mr. Longo then reviewed the figures with those present. Discussion about the details found. Mr. Hamilton then gave an overview of the GASB requirements changes in 2007 and the practices that the City and BOE prior to this.

Mr. Hamilton then referred everyone to the document he has passed out earlier about the BET's action in May when the budget was set. The BOE came back to the BET and the City and requested some assistance in reconciling their budget. He gave an overview of the steps, which

include a transfer of \$4 million into the insurance fund, and a 13 month period to rectify the shortfall in the insurance fund.

Mr. Wilms then explained that when the BET had been notified of this shortfall, it was right at the time when the Charter required the budget be finalized. He said that this was the first time he had ever experienced a major deficit with only two months left in the fiscal year. By stretching the time line out, it would give the BOE fourteen months to reconcile the deficit. One option would be to use funds from the Fund Balance, and a second one would be to follow the recommendations made by Mr. Hamilton. The City only had two options open to it, either cut spending or raise taxes.

According to the rating agencies, using the Fund Balance for one year's operating shortfall is not an acceptable accounting practice since the following year, the shortfall returns, but the funding is gone. The resolution was presented by the Mayor. Mr. Hamilton went on to speak about the preservation of programs, the retention of police officers at the various schools and a full day kindergarten. By extending the debt to two years, it will allow the Board to stabilize. He said that this type of action will be scrutinized by the rating agencies and that this will affect all the departments, such as police, fire, DPW, and Recreation and Parks. If the repayment was pushed out further than two years, it could severely impact the City's ability to bond. Everyone wishes there was enough money to pay for everything, but there simply isn't. This will reduce the Board of Education debt down to \$1.8 million.

Mr. Watts reiterated that he did not understand why the audit did not pick this up earlier. He said that three million dollars had been moved without any accountability. He then questioned why there was no audit.

Mr. Watts then questioned Mr. Wilms use of the word "we" when Mr. Wilms had been speaking earlier. When Mr. Wilms went to explain, Mr. Watts cut him off by saying that he had let Mr. Wilms talk earlier and now it was his turn to speak.

Mr. Watts then spoke about the taxpayers had demonstrated outside City Hall. He said that this was not the best the City could do and had not received any information from any bond rating agency. He added that this was not the BET's money. And if the people demanded that the money be released, it should be released. He then mentioned Wisconsin and said that it should be time for people to roll up their sleeves. He said that people who believe in education had told single mothers that education would help people get out of poverty. He said that the City cannot hold the teachers and librarians responsible for the mismanagement.

Mr. Watts then said that when the word "we" was used by the BET, everyone knows who are members of the BET. He said that he hoped the group could find a solution.

Mr. Watts pointed out that no one had invited a bond rating agency to be present to let everyone know about using the Fund Balance for this issue. He demanded to know why this wasn't done.

Mr. Kimmel stated that he had served on the Council's Finance Committee for many years. He pointed out that he understood that the Fund Balance can't be used lightly. He added that Mr. Wilm's and Mr. Hamilton's claims about using the Fund Balance for operating costs and the reaction of the rating agencies were true. This could easily be verified by googling the information.

Mr. Kimmel asked Mr. Hamilton how much was in the undesignated Fund Balance. Mr. Hamilton said that GASB now refers to this amount as "unassigned" and that as of June 2011, the fund balance was approximately \$28 million. He added that it is expected that the City would end up around the same number. However, the rating agencies want the cities to have between 5% and 10% of the general operating cost in the fund balance. The median percentage of other triple A's rated municipalities in Connecticut is 9.7%. Norwalk will fall just below the median. The bonding agencies also look to see how the repayment plan is handled. Mr. Hamilton then went on to explain that when Mayor Knopp was in office, the Fund Balance was much higher and the GASB rules had not been changed, so some of the funding could be used for school renovations.

Mr. Kimmel then asked Mr. Hamilton what kind of financial change a downgrade would cost the City. Mr. Hamilton said that there currently was a 30 basis point spread between \$780,000 for the first year over the life of the issue and up to over 20 years, could cost the City 22 million in additional interest payments.

Mr. Peña then asked why the City's Fund Balance had dropped from 9.7% to 8.7%. Mr. Hamilton said that there was a \$1.1 million dollar draw down for the re-evaluation and the remainder of money for the City budget.

Mr. Peña said that he had personally spoken to two rating agencies about the amount of money in the Fund Balance. He then said that he respectfully disagreed with Mr. Hamilton and asked if the rating agencies would be discussing this with the City. Mr. Peña then said that he wanted to make sure that the public knows what aspects are considered when the rating agencies look at the City. Mr. Peña then asked about the economic strength of the City. Mr. Hamilton said that the City was fairly strong, but the per capita income for the residents was not as high as other triple As, such as Darien, Westport and Avon.

One of the other aspects impacting ratings is management. Mr. Peña then asked who else would be part of the management team that would meet with the bond rating agencies. Mr. Hamilton then listed a number of the City staff who would be at the meeting.

Mr. Peña continued to cross examine Mr. Hamilton about the historic trends of the City. Mr. Hamilton provided the information. Mr. Peña then asked about the debt profile, which Mr. Hamilton answered. He said that the debt profile was quite strong.

Mr. Peña then stated that since the aspects that would be examined were strong, he felt that it might be possible to use some of the Fund Balance for this issue. He then claimed that in his personal discussions with rating agencies if the City had between 4%-8% the City would be in good standing. Mr. Hamilton said that if the City uses 4 million dollars this year for an operating budget, it would be a problem. Mr. Peña said that he would like to know what figure it would be when the City was downgraded to double A. Mr. Hamilton said that right now, the City will have to tell the rating agencies that Northrup Grumman was closing and there were 300 plus jobs that were no longer there.

Mr. Peña said that he believe that there was a number between strong and good and that a partial draw down would be advisable.

Mr. Petrini then said that he was trying to get to a point where he would know what kind of savings there could be if the unions helped out. He said that a busload of residents had gone up to Hartford to beg for additional funding.

Mr. Wilms said that this had come up at the BET meeting. If the teacher's union agreed to a salary freeze, it would result in a \$2.1 million and would more than cover the balance and save jobs. Mr. Wilms said that every other union in the City had agreed to a one year salary freeze. He added that last year, the Senior Center employees had been hit with a short fall. The twelve employees came up with a two week furlough during their lunch hour.

Mr. Petrini said that it seemed like this could be doable.

Mr. Chiaramonte said that 85% of the budget is covered into salaries and benefits. Last year, the Board reduced janitor's soap and other things.

Mr. Miklave objected and said that there was a Council rule that the speakers don't debate the audience. Mr. Chiaramonte said that Mr. Wilms had indicated that the other unions had taken a reduction.

Mr. Miklave stated that after 10 p.m., he gets testy. He said that he was frustrated when the first thing out of someone's mouth is union bashing. He said that he did not know how people could come to the table when the first statement was "You gotta give it up." There is not one solution, there are many solutions. There is a deal that can be made if men and women of good will step up the plate. Mr. Miklave claimed that this administration has refused to talk to his side of the tables.

Mr. Miklave asked Mr. Chiaramonte what the exact policy was for the Board of Education. Mr. Chiaramonte said that offhand he did not know. However, he said that he had seen transfers of \$30. Mr. Miklave repeated the question. Mr. Chiaramonte repeated that he did not know.

Mr. Miklave asked if the Mayor had come up with the resolution. Mr. Hamilton said that he had. Mr. Miklave asked why the Mayor was not part of the team that meets with the bond rating agency. Mr. Hamilton said that normally the Mayor does not participate in the meeting with the agency. Mr. Miklave asked why 13 months was chosen and not 16 months. Mr. Hamilton said that he had discussed this with the Mayor.

Mr. Miklave then asked several technical questions of Mr. Wilms about the BET's decision. He asked Mr. Hamilton about the resolution and how it was approved by the BET.

After a lengthy cross examination, Mr. Miklave announced that the reason this problem had occurred was because the BOE had not been given a full budget in the last few years. He said that the problem would keep recurring until the City places a greater value on the education of its children. Mr. Miklave said that there had been a breakfast meeting set up and that someone took offense at something Mr. Miklave said and that the meeting had been cancelled.

Mr. Watts then asked how many members were on the BET. Mr. Hamilton said that there were six members.

### **RECESS**

Mr. Hilliard declared a recess at 10:54 p.m. He reconvened the meeting at 11:05 p.m.

Mr. Watts then asked about the policies regarding the bonding. He then asked who the members of the BET were. Mr. Watts said that there were discussions about lost of the triple A rating by a bond agency. Mr. Watts said Mr. Kimmel had stated that the criteria used by the bond rating agencies could be researched on the internet. Mr. Watts went on to point out there was misinformation on the Internet. He said that he wanted someone a flesh and blood representative.

Mr. Watts then went on to ask who was running the City. Mr. Hamilton said that it would be the Mayor. Mr. Watts said that he thought Mr. Hamilton and Mr. Wilms were running the City because the Mayor was in Orlando at the U.S. Conference of Mayors. Mr. Watts then wanted to know if the Mayor's trip was being paid by the taxpayers. He added that there were many jobs that had been lost already and he would hate to send more people into the job market. He said that he would hate to have the unions turning away from the City and hoped that the City staff and others would understand that there were hundreds of people at City Hall present to express their concerns about education.

Mr. Watts then asked Mr. Hamilton if he was willing to find a solution and vote on it. Mr. Hamilton replied that he was the Finance Director and did not have a vote. He then mentioned the possibility of a special appropriation, which would involve a special tax.

Mr. Watts said there had been some testimony about a \$4.4 million dollar increase in tax collection. Mr. Hamilton said that he believed the collected taxes would cover the City's costs. Mr. Peña then asked what would happen if a special appropriation was levied. Mr. Hamilton said that it would raise the mill rate increase from 2.8% to 4.4%.

Mr. Hempstead said that the point was to solve the problem and reiterated his story of the stone soup. He said that he did not think that there would be a decision on the resolution. The resolution would not solve anything.

Mr. Hempstead said that it would be important to start raising ideas on how to increase revenues and be creative about solving this. It will be important to communicate with one another

Mr. Hilliard said that he would schedule another meeting to talk about this.

Mr. Igneri said that Dr. Marks was sitting across the room and she had to reconcile the budget Dr. Marks said that when there are job cuts, there are processes that happen and that the Board has to approve the cuts. She said that the BOE has to finalize the budget by the 30th. For the sake of the employees who may be losing their jobs, the sooner this is resolved, the better off everyone will be. Mr. Igneri said that Mr. Peña had suggested drawing down the Fund Balance. Mr. Hamilton said that this type of decision would have to be a Special Appropriations and then listed the various committees that such an appropriation would have to go through for approval.

**\*\* MR. MIKLAVE MOVED TO AMEND THE MAYOR'S RESOLUTION TO MAKE A SPECIAL APPROPRIATION OF 1.8 MILLION DOLLARS FROM THE FUND BALANCE.**

Mr. Peña said that he believed this was a great idea and the \$1.8 million would get the District back to the original starting point. He said that this was politics and it has taken a long time to get to this point. He said that whoever is in charge of "finding the money" should find it. Mr. Wilms said that the BET is the fiscal authority for the City. Mr. Peña said that he would leave it up to the BET to find the money. He said that he hoped that there could be another meeting and the Finance department would be able say where the money was coming from.

Mr. McCarthy said that pushing along a resolution just because it was 11:37 p.m. was wrong. If funding could be found, he would be in favor of it.

Mr. Hempstead said that he did not think that all the players were at the table and he was not comfortable just changing the amount. Mr. Hilliard said that he agreed with Mr. Hempstead and was not playing games.

**\*\* THE MOTION TO AMEND THE MAYOR'S RESOLUTION TO MAKE A SPECIAL APPROPRIATION OF 1.8 MILLION DOLLARS FROM THE FUND BALANCE**

**FAILED TO PASS WITH THREE IN FAVOR (PEÑA, IGNERI AND MIKLAVE) AND THREE AGAINST (HILLIARD, HEMPSTEAD AND MCCARTHY).**

Mr. Miklave said that he would like to support Mr. Hempstead's suggestion to adjourn the meeting to next week to resolve this.

**\*\* MR. HEMPSTEAD MOVED TO TABLE RESOLUTION UNTIL A SPECIAL MEETING OF THE FINANCE COMMITTEE.**

**\*\* THE MOTION TO TABLE RESOLUTION UNTIL A SPECIAL MEETING OF THE FINANCE COMMITTEE FAILED TO PASS WITH THREE IN FAVOR (HILLIARD, HEMPSTEAD AND MCCARTHY)AND THREE AGAINST (PEÑA, IGNERI AND MIKLAVE).**

**\*\* MR. HILLIARD MOVED TO SEND THE RESOLUTION BACK TO THE COUNCIL.**

**\*\* THE MOTION TO SEND THE RESOLUTION BACK TO THE COUNCIL FAILED TO PASS WITH THREE IN FAVOR (HILLIARD, HEMPSTEAD AND MCCARTHY)AND THREE AGAINST (PEÑA, IGNERI AND MIKLAVE).**

**RECESS**

**\*\* MR. MIKLAVE MOVED TO RECESS TO MONDAY, JUNE 18, 2012 AT 7:30 P.M.**

**\*\* THE MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 11:45 p.m.

Respectfully submitted,

Sharon L. Soltes  
Telesco Secretarial Services