

BOARD OF ESTIMATE & TAXATION MEETING ACTIONS

**SEPTEMBER 13, 2004
NORWALK, CONNECTICUT REGULAR MEETING**

PRESENT: Mayor, Alex Knopp Tim Buzzee
Gregory Burnett Tanya Court
James Clark

ABSENT: Randall Avery Ron Coley

Also present were: Pam Stark, City Clerk; Thomas Hamilton, Director of Finance; Ann Twomey, Director of Management and Budgets; Dr. Salvatore Corda, Superintendent of Schools.

Mayor Knopp requested that they would take the agenda out of order. There were no objections.

SPECIAL APPROPRIATIONS

List of Resolutions - Advertised Items – 3

1. RESOLVED – that a sum not to exceed \$200,000 be and the same is hereby transferred from Contingency to the Police and Public Works Department to pay for the operations of the new police station (Account No. Various)

Mr. Hamilton indicated that this is to pay for the operating expenses for the new police station that they anticipate will be open in April 2005. He said that the request has been put in now because it is desirable to have staff in place while the building is being completed so that they are familiar with the commissioning process. The remaining expenses won't be incurred until the building is open.

Mayor Knopp commented that the Common Council has already approved the progress aspect.

Mr. Hamilton added that this is not an unanticipated expense.

** MR. BUZZEE MOVED APPROVAL OF THE ITEM.
** MOTION PASSED UNANIMOUSLY.

2. RESOLVED, that a sum not to exceed \$113,637 be and the same is hereby transferred from Contingency to the Information Technology and the Library Departments to pay for the Metropolitan Area Network (MAN). (Account No. 01-6200-5258 & 01-0600-5258).

Mr. Hamilton stated that their recommendation is lower than this amount and it is \$44,076 and this is to cover six months of operating lease payments for the MAN in connecting forty city, school and library buildings. The library is eligible for e-rate reimbursement and this is expected to pay for 50% of the library's portion. They are requesting the appropriation at this point because they are in the final stages of completing the contract with Digital Back Office (the vendor selected to operate this network) and when it is complete they will require some initial payment. Again this was an item that was planned for so provisions were made.

Mayor Knopp added that the Common Council approved the concept.

** MR. CLARK MOVED APPROVAL OF THE ITEM WITH THE AMENDED FIGURE OF \$44,076.

** MOTION PASSED UNANIMOUSLY.

3. RESOLVED, that a sum not to exceed \$16,000 be and the same is hereby transferred from Contingency to the Recreation and Parks Department to pay for repair and clean up of buildings at Fodor Farm. (Account No. 01-6031-5585).

Mr. Hamilton explained that Fodor Farm has three buildings that the city owns and they are in a state of disrepair that need to be fixed up to protect the integrity of the buildings.

Mayor Knopp indicated that the plan is to sub-divide the parcel and to sell the two main structures to an entity that would preserve the historic value. He said the roofs are in a bad condition and the funds would be used to preserve the condition until the correct procedure is put into place to put them into the hands of a new owner.

** MR. BUZZEE MOVED APPROVAL OF THE ITEM.

** MOTION PASSED UNANIMOUSLY.

OTHER BUSINESS

2. Report by Dr. Corda, the Superintendent of Schools on the Status of the FY 2004 budget and reconciliation of the FY 2005 budget.

Mayor Knopp thanked Dr. Corda, Jody Bishop-Pullan, Thomas Vetter, Susan Hamilton and Judy Rivas for attending the meeting. He explained the information that had been provided to members of the Board of Estimate and Taxation noting that some of this information had been shared during the last Board of Education meeting.

Dr. Corda presented for the Board of Estimate and Taxation with an overview of a reconciliation of City Figures to NPS Figures – he went through the lines items indicating how they had reached the figure of \$2,554,531 and the actions they had taken leaving them with an available balance of \$422,611. He added that their recommendation is to reserve \$400,000 for textbooks that will minimize the impact on the capital fund.

Mayor Knopp said in the 03/04 budget reconciliation a large number of items were transferred and changed; he referred specifically to the pre-purchase of equipment, asking Dr. Corda for an explanation.

Dr. Corda said this was for the purchase of equipment. He said when the budget reconciliation process was beginning it was clear that there were significant reductions that they would need to make for the amount that was approved. What they sought to do was to reduce the anticipated expenses in 04/05. As a result of that they needed to examine what their priorities were and where it was they needed to make decisions in order to meet needs that they thought to be essential. There were expenditures were a stop was placed in order to free up dollars that they would transfer into equipment so they could buy the equipment that they thought was essential.

Mayor Knopp asked what kind of equipment had been purchased.

Dr. Corda responded by listing student and teacher chairs and desks, overhead projector, file cabinets, computer equipment, five DVD's, digital cameras and a conference table etc.

The Mayor asked if the equipment was purchased prior to the end of the fiscal year.

Dr. Corda said to the best of his knowledge that it was.

Mayor Knopp continued to ask if there was a way for them to figure out if this advance purchase of things that would have ordinarily purchased in the 04/05 budget, how that might affect the 04/05 budget.

Dr. Corda said when they reconciled the budget to the amount that was approved they eliminated dollars that would have been used to purchase equipment.

Mayor Knopp asked if there was a way that was decided on the amount of money that was put in the health insurance reserve. He said, for example, in the Board of Estimate's wisdom, if it was determined that the health insurance reserve should be smaller and the amount of money set aside for text book reserve should be larger – was any basis used to calculate the amount that was being put into the reserve other than that that was available to do so.

Dr. Corda said he hoped the Board of Estimate and Taxation would take into consideration the following. Any kind of a health insurance plan that has a self-funding component to it ought to have a reserve that is available so that in the event that the

expenses exceed what is there that there are funds to go to without having to seek drastic reductions in the operating budget or an appeal to the Board of Estimate for a special appropriation. In terms of long term fiscal planning there ought to be a target number that is set for the reserve.

The Mayor said one of the things they had discussed before the adoption of the 04/05 budget was the number of teachers that could be affected due to decline in elementary enrollment numbers and a number that would need to be increased to due the increase in secondary enrollment numbers. The Mayor referred to a presentation by Dr Corda at a Board of Education some weeks ago, on a break down of the elementary schools that showed a number of (approximately) eleven reductions. Whatever that number is, the survey was done after the budget was adopted and those funds remain in the budget so there is a built in surplus that they are starting out with.

Dr. Corda said when taking into account the decrease in elementary enrollment and increase in secondary enrollment as well as factoring in special education and bilingual services, he commented that it is too early to tell how the salary is going to figure out.

Mayor Knopp said it is this kind of thing that had lead this Board to believe that it may be possible to set aside more funds to the textbooks.

Dr. Corda said this is something they would give serious consideration to. He noted his concern with regard to the operating budget is that they made projections in terms of fuel costs, based on number set on January and February of this year. The world that they know now is different due to the price of oil also he was not certain if they have locked in a number for a contract. He also said that they should keep in mind the outlook for this winter is that it is anticipated to be as severe as last year's so there would be fuel costs and overtime costs relating to snow removal.

The Mayor said in the reconciliation that was presented, \$420,000 was shifted for utilities and \$365,000 was suggested for special education, \$57,000 for equipment, \$564,000 for retirement benefits and many other changes. He said that it would appear that they would have to make some decisions based on the facts as they appear now noting that he was interested in finding a way to maximize the textbook reserve. He said this year in the capital budget 91% was allocated to the Board of Education and they also need to find monies for other essential infrastructure in the city that has been neglected. Mayor Knopp said he saw it as the job of the Board of Estimate & Taxation to balance out all of these priorities and this is their opportunity to do it.

Dr. Corda referred to the overhead slide entitled Estimated Insurance Reserve Balance noting that they are not certain of the estimate that will be needed for textbooks.

Mr. Hamilton said that they city agrees with the total beginning balance, what they don't agree with according to the numbers in the comptroller's office is that there is more money in the workers' comp and less in medical insurance.

Dr. Corda said there was a meeting that was held in July and at that time they had questioned the figures and some more investigation was done to revise the figure. He said this would still leave \$1.3 in the account, \$400,000 would be used for the pay-down of Cigna leaving \$900,000 and if \$400,000 is used for that it would leave them sitting on \$500,000.

Mr. Hamilton said the point he was trying to make was that the switch in health insurance and the numbers that the Board of Education put in for 04/05 budget represented a 5% margin.

Dr. Corda said they would get a much more solid picture of that at the end of the school year.

He said it may be as they approach the 05/06 budget that they can appropriate less for workers' compensation than they have in the past. A question that is worth exploring, Dr. Corda continued is that if that fund at some point in time was viewed as a general fund, at what point does it become departmentalized. If the authorization for the appropriation of the creation of the reserve fund was of a more general nature it would seem that there ought to be more flexibility in being able to say let's look at the account in total as opposed to the way it is broken down. The opportunity is there to look at this closely and to ask several questions – a) is the account a general account or is it departmentalized; b) if it had been a general account in the past, when and how did it move into a compartmentalized account; c) if the original resolution of the establishment of the account allows them to treat it as a general account then those numbers can be divided in any way to make sense d) given the past level of expenditure for worker's comp would it put the Board of Education in a position to appropriate less than they have the past.

Mr. Hamilton said he did not disagree with this. He stated that to the best of his knowledge the account has been tracked separately for many years and he did not see anything wrong to transfer assets that were over-funded in the workers' comp and liability over to medical insurance. Mr. Hamilton added that he would like to look at the run-out on what the total liabilities are on workers' comp.

Mr. Hamilton said he had another question relating to retirement benefits, as this was an area where money was transferred into for 13 retirees. He said this raises the issue about how many retirees can be reasonably projected and what the impact was on the 04/05 budget. Mr. Hamilton asked if it was accurate to say that because of the fact that they spent more money on severance payouts last year this should generate more savings than they might have anticipated.

Dr. Corda said to a limited to extend. He explained that one of the things the Board of Education did was to negotiate a retirement incentive in the 03/04 school year in the anticipation that they would need to cut costs in 04/05. He added that it was done very late in the school year and as a result of that they picked up 13 retirees last year – so there were 13 people that they had not anticipated.

Mayor Knopp said given the fact that more senior teachers retired, shouldn't there be additional savings generated this year from the differential between the new teachers that had been hired the senior who retired.

Dr. Corda said no. The expense that the Board of Education realized in 03/04 was from teachers who actually at the end of 02/03 indicated their intention to retire. The retirement incentive that was agreed with the teachers is the result of those reduced costs in the 03/04 budget. Those teachers that were hired in the 03/04 year to replace those who retired in the previous year were calculated in the 04/05 budget as their actual salaries.

Mayor Knopp said it was announced at a previous Board of Education meeting that they would need \$65,000 in additional savings. The gap between those 6 or 7 senior retirees and the new teachers to replace them will produce a cushion.

Dr. Corda stated that they did not reconcile their 04/05 budget until very late in the school year and they took into account the anticipated savings when they did the budget reconciliation. He said it was not an unanticipated savings as they took this into account when they reconciled the 04/05 budget.

The Mayor asked if it would be inaccurate to say that they were savings compared to the budget as adopted, not the budget as reconciled.

Dr. Corda responded by saying that when the Board of Education developed and adopted the budget they were looking at the totality of the anticipated expenses in each of the components. When they got to the reconciliation process it is a new ball game because the reductions that have to be made from the amount that the Board of Education adopted forces them to go back many times and rethink many of the decisions that have been made. The only way to consider this is that the decisions that were made in June that were going to govern the expenditures in the 04/05 fiscal year had to be re-examined based on the final amount.

Mayor Knopp said this is one of the reasons why they are trying to defer the dates for adopting the budget so that they can get more up to date information. Going back to the issue of the pre-purchasing of equipment of \$257,000 – an alternative outcome could have been that the amount of money in the transfer to health insurance reserve could have been \$257,000 more but a judgment was made that the equipment was so essential that it was more important than building up the reserve. He said he wanted to be clear that the ultimate size of the health insurance reserve is a result of you (Dr. Corda) and the Board of Education making judgments about priorities. He confirmed that it is a matter of balancing priorities – a reasonable thing for budgeters to do; they just do them at different times. The Mayor continued to say that if they do decide to transfer more into textbooks and less into the reserve that they do not want the message to come back that the Board of Estimate and Taxation is threatening the financial health of the system because they are under-funding the health insurance reserve when in fact the Board of Education has made decisions that under-funded the health insurance reserve because they felt other priorities were more important to fund. He said they respect that and wanted to be clear the amount

transferred to the health insurance was not a magic number and the Board of Education had made a discretionary decision to do other things with the un-expended balance.

Dr. Corda said the unspent balance is something that the Board of Estimate and Taxation needs to make a determination about. He recommended the following: they believe that \$400,000 as a minimum needs to be set aside for the purchase of textbooks, that \$400,000 needs to be used for the pay-down – beyond that Dr. Corda stated that he respected the Board of Estimate and Taxation’s judgment. In addition to that, as a result of the analysis that they do about the appropriation for workers’ comp and they are able to reduce that for next year then so much the better. At this point with regard to the reserve there is no place to go accept up.

Mayor Knopp stated that he appreciated Dr. Corda’s comments and that he concurred with it and part of their (the Board of Estimate) job is balancing the priorities of the city and recognizing in the past to provide funding for educational equipment and facilities, they have under funded other essential needs in the city. He said to be able to strike a more balanced approach is an opportunity and he appreciated and agreed with Dr. Corda’s statement.

Mr. Burnett said if additional funds beyond the \$400,000 are allocated for textbooks is there the possibility that a decision could be made for those funds not to be spent on textbooks.

Dr. Corda stated from their point of view, definitely not. He suggested it would be beneficial to have a planned mechanism to set aside dollars each year for the textbook reserve.

Mayor Knopp said he strongly concurred with Dr. Corda’s position that the need to purchase vast numbers of textbooks for implementing a major curriculum reform. This is one of the real achievements of Dr. Corda’s administration and is one that they have been proud to support, not without controversy. They are now in the second year of using capital funds to purchase textbooks because of the urgent need for a large acquisition in the nature of a capital acquisition and doing so by using the city’s lower finance rates opposed to a lease purchase agreement. He said they have not reached an agreement with Dr. Corda about the purchase of textbooks after the third year; this was originally presented as a one-year plan and has turned into a three year plan.

Ms. Court asked about the useful life of a textbook.

Dr. Corda responded by saying it depended on the subject – he gave the examples of for language arts it could be up to five years, math could be five years, less for science and social studies. He added that more and more information is now becoming available on CD.

Ms. Court suggested that this should be a textbook replacement project based over five years.

Dr. Corda said that with regard to long range thinking he would like to see \$300,000 (annually) transferred to a reserve fund so at the end of five years they would have a good cushion.

Mayor Knopp thanked Dr. Corda for his time.

Mayor Knopp informed members of the Board of Estimate and Taxation that they intend to do some consulting over the next week to enable them to make a recommendation to increase the amount of funds in the textbook reserve. He said that the dialogue with Dr. Corda this evening was very important with regard to this.

Mr. Burnett asked if they could find out what the medical insurance reserve has been for the past three or four years. Also he asked if they had agreed on how the Board of Education and the City had started the 03/04 fiscal year.

Mr. Hamilton said although they had the same starting number they had not reached an agreement of the numbers compared to those in the comptroller's office. He said unless the Board of Education can provide the miscalculations then these are the numbers that the city will be going with.

Mr. Clark hoped that this would be an opportunity for them to be able to strive forward. He added that he would like more information in the back-up material regarding Board of Education issues.

Mr. Hamilton commented that he thought this to have been a relatively positive meeting and went through several other issues regarding the purchase of computers that were inconsistent in the dates they were ordered and purchased.

Mayor Knopp said this year the Board of Education's surplus is around \$2.9 million and that does not include all of the adjustments that were made in the reconciliation that was voted on. He said would be in their best interest to get the figures in advance before voting on them.

APPROVAL OF THE MINUTES

**** MR. BURNETT MOVED APPROVAL OF THE MINUTES AS AMENDED.**

The following corrections were made to the minutes of August 2, 2004:

Page one, under approval of the minutes correct to Mr. Clark.

Page seven, second paragraph from the bottom, should read as follows.. if Mr. Hamilton had been allowed to have input into the arbitration.

Page nine, first paragraph, last line insert the word he after the word that.

** MOTION PASSED UNANIMOUSLY.

TRANSFER AGENDA

There were no items before the Board this evening.

OTHER BUSINESS (Continued)

1. Appoint Member of the Board of Estimate and Taxation to Ad Hoc Audit Committee.

Mayor Knopp listed other members of the Ad Hoc Audit committee and suggested that Mr. Avery represent the Board of Estimate and Taxation.

** MS. COURT MOVED TO APPOINT RANDALL AVERY TO THE AD HOC AUDIT COMMITTEE.

** MOTION PASSED UNANIMOUSLY.

3. Discuss the Board of Education's FY 2004 Budget Requests

Mayor Knopp said although this had come under their previous discussions this evening one question to the Board of Estimate is what impact any the pre-purchase of equipment might have on its instructional technology program.

6. Schedule a Special Meeting of the Board of Estimate & Taxation

Mayor Knopp asked for a motion to schedule a special meeting.

** MR. CLARK MOVED TO SCHEDULE A SPECIAL MEETING OF THE BOARD OF ESTIMATE & TAXATION FOR SEPTEMBER 20, 2004 AT 7:30 PM.

Mayor Knopp indicated that once an agenda for a special meeting has been set, it cannot be changed.

** MOTION PASSED UNANIMOUSLY.

5. Special Capital Appropriation

Mr. Hamilton indicated that this is a special capital appropriation in regarding 4R Paving program. He explained that because the city has to adopt the budget before the final state numbers are announced and it was one of the areas where they under-estimated the

amount of funding they would receive for this. This appropriation is the formal completion of the recommendation for the additional amount.

** MS. COURT MOVED APPROVAL OF THE ITEM.

** MOTION PASSED UNANIMOUSLY.

4. Discuss the Reserve for Encumbrance.

Mr. Hamilton said they had been discussing the biggest item (the Board of Education) this evening but there are other city items noting that information had been supplied in the packet. He added that this could also be discussed during the special meeting if there are any additional questions.

Mayor Knopp in going back to the role of the Board of Estimate and Taxation they require at every agreement made by the Board of Education in the future to be submitted to the City and have a member of this Board sit in on discussions. He referred to a letter sent to the Chairman of the Board of Education, Jody Bishop-Pullan and an emailed response from her that the Board of Education are seeking a legal opinion on this.

ADDITIONAL INFORMATION

Financial Reports – Police Overtime

Ms. Twomey indicated that a schedule of the overtime has been distributed and 40% of their budget has already been spent. She said that Chief Rilling had sent a memo explaining the reasons behind this.

Mayor Knopp referred to the third paragraph of the memo and asked for an explanation of this.

Ms. Twomey noted her uncertainty and said she would enquire about it. With regard to training, she said that Mr. Davidson had enquired about this and they had discussed how much would be needed for this.

Ms. Twomey also referred to a memo in the packet from Betty Bondi (Registrar of Voters) indicating that there could be an overage due to the election as they will need some more voting machines.

Mr. Burnett asked if this Board had received a response from the Board of Education regarding a letter that was sent as a result of their July meeting.

Mayor Knopp and Mr. Hamilton both indicated that they had not received a reply.

Executive Session

Mr. Hamilton indicated that there would not be a need for executive session this evening.

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

The meeting was adjourned at 10:15 pm.

Respectfully submitted,

Kate Kye
Telesco Secretarial Services

