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BOARD OF FINANCE

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June 15, 2011

Mayor Michael Pavia
City of Stamford, Connecticut

Polly Rauh, President
Members, Board of Education
City of Stamford, Connecticut

Randy Skigen, President
Members, Board of Representatives
City of Stamford, Connecticut

Dear President Rauh and Members of the Board of Education, President Skigen and Members of the Board of Representatives, and Mayor Pavia:

This is to inform you that the following are additional comments and recommendations relating to the Tentative Agreement between the Stamford Board of Education and the Custodian & Maintenance Workers ending on June 30, 2013 from Board of Finance Members Kathleen Murphy and Robert Kolenberg:

We are very disappointed that the Administration/BOE did not at least issue a RFP for outsourcing custodial services. As acknowledged by Mr. Hibson and others, this would have provided, at a minimum, a benchmark and a concrete basis for negotiations. The potential savings of \$5 million annually by contracting out for these services (as estimated by Mr. Barbarotta) would have saved the City \$10 million over the next two years, an amount significantly higher than the TA savings of \$1.5 million over the same two year period. The long-term tax burden of the TA is unnecessary and unsustainable.

Outsourcing Custodial Services

Pursuant to the 25 year Union Agreement and the TA, Custodial services performed by part-timers may be outsourced. We are assuming that the outsourcing of all the part-time workers will begin as soon as possible and the right to contract-out all custodial services effective 7/1/2013 has been preserved.

The TA should be clarified to provide, at a minimum, that only part-timers who have not been outsourced have to be laid-off before any full time employee is laid-off. (Article XXXI, Section 4)

New 9% Defined Contribution Plan

Although acknowledging that the negotiations moved new hires to a defined contribution plan from the defined benefit plan, all Board members expressed concern as to the cost impact of the 9% defined contribution and the impact on other union agreements currently being negotiated. Since it is believed that this agreement will serve as a baseline for other union agreements, Board members perceived there was a disproportioned sharing of cost of the plan between the City and the union employees. Mr. Hibson argued that this 9% plan was within the benchmark group that he reviewed for FICA alternative plans and assured the Board that non FICA

alternative plans would have a more typical 3% contribution. It was unclear if Mr. Hibson took into account the level of salary and other benefits the employees were receiving in the benchmark group. Many times the employees' salaries have been increased due to the fact that the employer does not contribute to social security for these employees. FICA Alternative Plans require that a payment of 7.5% be paid into the plan. This payment could be paid entirely by the employee on a pre-tax basis or shared between the employer and the participant. There is no required contribution from the employer. Also, it is unclear when the new employees will become vested in the City's 9% contribution. Instead of contributing 7% of salary, new hires will only be required to contribute 4%, for a 3% increase in take home pay. Hopefully the Board of Representatives will have an opportunity to review Mr. Hibson's benchmark analysis before approving this TA, and the terms of this new defined contribution plan.

Negotiations

Negotiations should resume with a primary focus on exerting normative leverage to produce a more equitable agreement for the City. In particular:

- It does not appear that any effort was made to implement pension changes for the active, full-time custodial employees, which most states and municipalities are attempting to do. At a minimum the final average salary computation should be moved from 1 year to 5 years, the early retirement age should be increased to at least age 62, the use of sick and vacation days to buy retirement benefits should be eliminated, and a Bad Boy provision should be required in all retirement and retiree health plans.
- Retiree health benefits should be eliminated for all new employees. Further retiree benefits should not be available until at least age 62.¹ It is unclear when current and new hires will be eligible for retiree health benefits.
- The Medicare Part B premium reimbursement should be eliminated for all employees.
- Medical contributions by active members approaching the 20% level should be negotiated to be consistent with other union groups.
- With the state of the economy and the impact any revaluation will have upon the residents, the 5% increase in salary over the three year period should be analyzed with an appropriate benchmark group.
- Part-time employees, whether or not outsourced, should be able to work at all facilities.

Outstanding Legal Issues:

Mr. Hibson opined that negotiated labor contracts trump the City Charter and provided language from the Connecticut General Statutes to support his position. Board member Murphy suggested that Mr. Hibson and the City attorneys may be interpreting the Connecticut Statute too broadly. Mr. Hibson agreed to provide the legal authority, including case law, that permits the Administration to establish new pension plans through union negotiations that are not provided for in the City's Charter, and the authority to negotiate pension provisions material different from those specified in the City's Charter.

Kathleen Murphy

Kathleen Murphy, Member

Bob Kolenberg

Bob Kolenberg, Member

cc: Tom Danehy, Executive Director Human Capital Development

¹ Note: The only significant benefit the City received in the negotiations was the elimination of retiree medical at age 65 for all employees, where the employee was required to pay 66% of the cost. The employees, on the other hand, received salary increases, no changes in pension benefits, a new 9% defined contribution plan, a costly medical plan, and maintained restrictive lay-off and outsourcing provisions.