

**CITY OF NORWALK
BOARD OF EDUCATION
FINANCE COMMITTEE
MARCH 26, 2014**

ATTENDANCE: Rosa Murray, Chair; Jack Chiaramonte, Heidi Keyes

STAFF: Dr. Rivera, Superintendent; Richard Rudl, CFO.

Call to Order

Ms. Murray called the meeting to order at 7:00 p.m. and stated that members in attendance were as listed above and there was a quorum present.

Discussion of Fringe Benefits Surplus for the FY 14/15 Operating Budget
and the Proposed Re-allocation of resources

Mr. Rudl presented the following memorandum outlining the FY 14/15 Fringe Benefits Budget Adjustment:

Background

The process for budgeting health insurance includes many stages that occur from October to the spring of the following year. Given that we are self-insured we rely on projections from our health insurance consultant Lindberg & Ripple to guide us to what is an appropriate level of funding based on a number of variables, which include but are not limited to headcount, claim experience, trend rates, large claims, and migration rates from PPO to HDHP plans based on collective bargaining.

In order to have a completed budget to the Board of Education by December we use projections from Lindberg and Ripple based on four months of actual data (Through October) and trend calculations for the last 8 months, with an estimated migration from PPO to HDHP plans since the HDHP plans did not begin until January. In discussion with Bob Lindberg we requested that the projections be very conservative so that we would not under-budget our needs if there was fluctuation in claims above expected claim activity in the months from November to June.

Through January of this fiscal year we have a positive claim total against expected claims of \$1,493,195 as well as an untapped margin in the insurance trust fund, leaving us with a balance of \$2,693,195 with five months of claims and an IBNR left to record. We have now received our Anthem renewal, have added 3 months of actual claims in place of trend, and have a full picture of the migration from PPO to HDHP plans from the Nurses and Custodians who have now moved onto HDHP as of January. As a result of all of this additional information, we have concluded that our Fringe Benefits budget projection for FY 14/15 is significantly higher than our estimated costs were at the time the budget was created, which leaves us with excess funds within the 212 account for next year should our budget be adopted in its current form.

The Board Approved Budget called for an Anthem Split Funded Projection of \$26,749,000 and a total 212 account budgeted at \$31,487,675 less a margin of \$1,187,520 totaling \$30,300,155.

Based on the Anthem Renewal, the Anthem Split Funded amount would be \$24,000,000 and a total 212 account budgeted at \$28,315,583.

This creates a budget surplus of: \$1,984,572. Note that this is after deduction of the \$1,187,520 from the BoE's insurance reserve already made in the Finance Director's recommendation.

Note that this surplus is not an accident. It is largely the result of the strong position taken by the Board in its 2012-2014 union negotiations, resulting in large shifts from PPO plans into HSDA plans, and in increased co-pays and premium shares by employees, and (ii) careful management of our insurance accounts and reserves, in consultation with the City Finance Department. The magnitude of the savings could be not determined until the Anthem numbers came in, so the initial BoE budget request took conservative numbers not including these savings.

There were a number of areas that the Superintendent wanted to address in the FY 14/15 budget but, given the expected financial limitations, were put on hold until further funding could be identified.

There was discussion on the reasons for the lower health insurance costs, and Mr. Rudl explained that the nature of the HSA has an impact that has resulted in changed behavior. He explained that the bills go to the patient until the deductible is met, and paying the doctor bills from the HAS account and this changes the thinking of handling of arrangements for medical services, such as going to the doctor rather than the hospital.

Ms. Murray asked if there are different things such as education involved with employees, and Mr. Rudl replied that there are prevention programs such as physicals and vaccinations like flu shots that are ways to reduce medical treatment costs.

Ms. Keyes asked if the switch to an HSA has resulted in savings, and Mr. Rudl explained that so far ½ million \$ has been saved since the open enrollment began. He further explained advantages of the HSA versus PPO, and mentioned that there are pamphlets to assist employees with the program.

The discussion then centered on how to handle the budget savings as a Board. Mr. Rudl then presented the following:

Proposed Reconciled Budget after Fringe Benefits Surplus to the BET recommended Budget of \$166,430,865

Significantly lower than expected Anthem Renewals are now in hand, the following items are areas that the BoE would like to fund in the FY 14/15 The financial impacts:

1. Funding for P-Tech Academy at Norwalk High School. The state of CT has committed to \$100,000 4 funding for positions for P-Tech and several hundred thousands of dollars for start up costs but the following costs are needed to implement P-Tech:

Title: 0.5 FTE Academy Director -Salary: \$72,094 Benefits: \$24,452 - Payroll Taxes: \$1,045 - Total Cost: \$97,591

Title: 1.0 FTE Technology Assistant

Salary: \$43,739 Benefits: \$22,605 - Payroll Taxes: \$3,346 - Total Cost: \$69,690

Total PTECH Funds: \$167,329

2. 1.0 FTE K-5 Literacy Director to lead our comprehensive K-S Literacy Initiative:

Salary: \$144,188 -Benefits: \$24,452 - Payroll Taxes: \$2,091 - Total: \$170,731

3. 1.0 FTE School Safety and Security Coordinator (Teacher on Assignment) to lead school safety, school climate, bullying and related initiatives:

- Salary: \$87,870 - Benefits: \$ 22,650 - Payroll Taxes: \$1,274 - Total: \$111,794
4. 4.0 FTE ELL Teachers originally budgeted in Alliance moved back to Local due to potential disallowance by CT Education Commissioner: - Total: \$378,327
 5. Carry forward of Special Education Transportation Budget Transfer - Total: \$150,000
 6. Carry forward of Special Education Tuition/Consulting Services
 7. 1 additional class size aide (Kendall) - Total: \$28,135
 8. Move 0.5 FTE Technology Coach from Alliance to Local to free up FY 15/16 alliance funding to ensure funds are available for 2 year of Common Core Instructional Site Director.
Salary: \$41,607 - Payroll Taxes: \$603 - Total: \$42,210
 9. Additional deposit into insurance trust fund over existing projections to provide additional preventative funding for margin in FY 15/16, 16/17. - Total: \$423,761

TOTAL: \$1,484,572

After adding these items back into the budget, we would have excess funds of \$500,000 which could be returned to the City, with a Total Base Budget in FY 14/15 of \$166,430,865, a 2.56% increase over current years. With these adjustments to City-funded programs, the State Alliance funding would be used as follows:

Alliance Funding

Award: \$1,165,338
Carryover: \$628,469
Total Funds: \$1,793,807

ELA Coach	\$85,941
Read 180/Math 180	\$100,000
Link IT	\$50,000
Briggs	\$100,000
Alg II Curriculum	\$29,000
Social Studies Curriculum	\$15,000
World Language Curriculum	\$15,000
Subs for CCSS	\$25,000
Technology Coach Stipend	\$6,000
7 Common Core Instructional Site Directors	\$1,091,002
Total	\$1,516,943

Excess Funds in Alliance: \$276,863

The benefit of carrying excess funds in Alliance would allow us to continue to fund the same spending plan for Alliance in FY 15/16 as FY 14/15 providing we see a 10% increase in our award (the increase from this year to next was 29%). If flat funding is given in alliance in FY 15/16 we would have to reduce the alliance spending by \$115,000 in FY 15/16. This also is based on the commitment from Foundation of \$900,000 to fund 5 Common Core Instructional

Site Directors and a reading teacher at Briggs.

There was discussion on the P-tech program “Pathways to Technology” and Dr. Rivera described that it will be a ‘school with a school’ program beginning in the Fall of 2014 of 100 students lottery application based. There was discussion of the lottery elements and requirements

He stated that he realizes that the lottery has to be designed to be fair and equitable and that criteria are being developed. He noted that the program is underway with a MOU with NCC and the corporate partnerships of the program.

There was further discussion of the budget detail reconciliation and proposed changes to the operating budget. Ms. Murray asked when the public will have the opportunity to comment, and Mr. Rudl replied that this is done through the City’s public hearing. Dr. Rivera suggested that a power point presentation be created to highlight the budget implications and key points and high level detail to present to the full Board in April.

Dr. Rivera stated that with regard to future meetings and budget transfers, perhaps the meeting should be moved up to coincide with the beginning of the month, and noted that all transfers will continue to come to the full Board. Ms. Murray thanked Dr. Rivera for supporting this past practice and stated that information of financial nature needs continue to come to the full Board as agreed upon.

Adjournment

**** MR. CHIARAMONTE MOVED TO ADJOURN.
** THE MOTION PASSED UNANIMOUSLY.**

The meeting was adjourned at 8:15 p.m.
Respectfully submitted,
Marilyn Knox
Telesco Secretarial Services