Town Budget Approved! – Why We Should Worry.

On **May 4, 2015**, Fairfield's Representative Town Meeting (RTM) approved a $291 million budget for next year. It was standing room only for those who showed up to see what would happen and, if necessary, to speak in opposition to any proposed cuts. The same was true five months earlier when, on **November 24, 2014**, the RTM met to vote on a new three-year labor contract for teachers, a very important contract that accounts for about one-third of Fairfield's total spending. In both cases, the RTM's approval was followed by loud cheers and applause from the audience.

There are several reasons why Fairfield taxpayers should be concerned.

First, we should worry because the standing-room-only crowds that showed up at both meetings and who were cheering and applauding were primarily self-interested school teachers and administrators, many of whom do not live or pay taxes in Fairfield.

Second, we should worry because our RTM representatives approved what was a generous three-year contract for Fairfield's teachers in the mistaken beliefs: that it would increase the combined cost of salaries and healthcare benefits by only 1.7% per year (instead of an actual 3.6% per year); and that the BOE budget next year would increase only 1.7% or slightly more (instead of an actual 3.5%).

Third, we should worry because, with only a few exceptions, RTM members seem content to simply move on and forget that they were misled into making a decision that was not in the best long-term interests of the Town, and because the people responsible for misleading the RTM seem to accept no responsibility for having done so.

Fourth, we should worry because the people who misled the RTM about the teachers' contract were the same people who negotiated the new contract, and since we presume they did not intentionally mislead the RTM, it appears that they did not really understand the financial implications of the deal they negotiated, and/or were not capable of properly explaining them to other Town bodies.

Fifth, we should worry because at least one RTM member who spoke in favor of approving the new teachers' contract (and later in favor of a generous new contract for the school administrators) did not recuse himself, even though his wife is a Fairfield teacher, although he did abstain in the formal vote.

Sixth, we should worry because if Fairfield continues to approve generous labor contracts for public employees, our spending and taxes will continue to increase at an unsustainable rate, driving more and more people to leave and hurting our property values.

Seventh, we should worry because Fairfield's government is run almost entirely by well-meaning volunteers who often don't have the time or expertise to understand the full consequences of the important decisions they are making, who often base their decisions on simplistic platitudes, and who are no match for the professionals who represent the public employee unions, particularly on the uneven playing field created by pro-union state laws like binding arbitration.

Finally, we should care about all this because in November we can elect people who we think understand the problems confronting Fairfield and are willing to address them. This is particularly true for the critical office of First Selectman, the Town's only full-time elected official who can control its spending. In a government that relies primarily on part-time amateurs, if the First Selectman does not provide strong, professional leadership, Fairfield has little hope of being able to continue to prosper.

How Was the RTM Misled?

At the November 24th meeting where the RTM was being asked to approve the new teachers' contract, the following exchange took place:[1]

RTM District 6 Representative Julie Gottlieb:

"***Please explain the net net cost savings***."

Attorney Don Houston (who represented the BOE in the labor negotiations):

"***I believe the question was, What was the net net? The approximate projected salary increase in this three-year agreement is $7 million, although in all likelihood it will not cost that much due to turnover, retirements, etc. But if you take it at its current projected cost of $7 million, you then compare it to the cost mitigation to insurance effected by the revisions to the PPO plan and the increases to the premium cost share. Had we done nothing with the PPO plan or with insurance, projections were that the Board would expend $47 million in insurance over the three years of this term. With the cost mitigation, it is anticipated that the Board would spend $3.1 million less, $44 million. If you net out the cost mitigation against the $7 million projected cost increases, you have a net number of $3.9 million. If you take the $3.9 million and divide it by base-year salary, this year's salary account of $75.7 million, you come up with a number of 5.1%. Divide that by three, it comes out to 1.7% per year."***

The problem with this answer is that it led RTM members to believe that the new contract would result in a net increase of **only 1.7% per year** in the combined cost of salaries and healthcare benefits. In fact, Attorney Houston was combining apples and oranges. The apple was the $7 million increase in salaries over three years; the orange was the $3.1 million by which healthcare benefit costs would increase less than they would otherwise have increased. Based on the numbers he was using at the time [more on this later], **he should have simply said that the cost of salaries and benefits would increase $8.8 million over the three-year term, or 3.2% per year, and that without the changes in the health plan the combined cost would have increased $11.9 million, or 4.2% per year.**

The next important exchange was as follows:

RTM District One Representative Jay Lipp:

"***Can you project, based upon this contract that is going to be approved or rejected tonight, what what the net increase in the BOE budget will be in May, so that we can discuss that now rather than fight over it in May?***"

BOE Chairman Phil Dwyer:

"***The number that we have is related to 75%-80% of the budget, which is salaries and health, and we believe that those two line items is going to go up about 1.7%. The other line items, utilities and whatnot, we didn't look at that. We were looking at containing the majority of our expenses, salaries and health, to a number that is less than the 2% number. So, we think it's going to go up about 1.7%, but the budget process hasn't been finished for 2015. So, if it comes in slightly higher than that, don't say, "Hey Phil, you said." That's the projection at the moment.***"

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[1] All quotations from the FairTV video recording. We encourage everyone to verify our transcripts by watching the actual recording at: http://fairtv.pegcentral.com/player.php?video=877dd85edc528ccc6681f1bb96f129bd

The official minutes of the RTM meeting recorded the same exchange as follows:

> ***"Jay Lipp, District 1, asked for a projected net increase to the education budget.***
>
> ***"Chairman Dwyer said that salaries and health benefits account for 75 to 80 percent of the budget. Although the current budget process is not complete, it is projected to increase by 1.7%."***

To summarize, at this point, RTM members had been informed by the two people who led the negotiations with the teachers' union: (a) that the net increase in compensation over the next three years would be 1.7% per year (Attorney Houston); and (b) that the BOE budget for next year would increase by 1.7% or "slightly" more (Mr. Dwyer).

The next interesting exchange was as follows:

> RTM District 4 Representative Bill Gerber:
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> ***"I am a little unclear about something Representative Lipp said. I heard him say we have a 3% increase in our wages and comp line, and I thought I heard 1.7% from Mr. Dwyer. Can you clarify please?"***
>
> Attorney Houston's response (which should now sound familiar) was as follows:
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> ***"I was asked by the gentleman to give an assessment of what I thought the net number, considering the salary increase and the insurance concessions, would look like, and I indicated that on the salary settlement, costing it out from the current $75.7 million to $82 million and change, was a projected $7 million of increase. At the same time, on the insurance side, with the revisions to the PPO and the increase to the premium cost share from current 20% to 23%, over the life of this contract, the projected cost increases to the insurance would be mitigated by $3.1 million. That is, if you had projected forward the current PPO at the current 20% premium cost share, the three-year expenditure would be approximately $47 million. With the insurance revisions and the increases to the premium cost share, the anticipated expenditures would be $3.1 million less. If you subtract the $3.1 million from the projected $7 million of salary increases, you have a projected cost increase over the term, comparing salary to insurance, of $3.9 million divided by the base-year salaries of $75.7 million results in a percentage increase of 5.1%, which if divided by three would average 1.7% per year."***

In short, Attorney Houston, instead of answering the question, confuses everyone yet again by combining apples and oranges (salary increases and projected cost savings from changes in the healthcare plan).

The next speaker was RTM District 6 Representative Allen Marks, who presumably reflected the understanding of most RTM members at this point:

> ***'We need to look at this as a whole, even though there may be a 3% increase over the life of this on the increase, because of the savings it really is 1.7%. So I think we have to look at this as a whole contract, instead of just one part of it."***

The RTM approved the new contract – the most important contract by far in terms of its size (almost $100 million per year) for Fairfield – by a vote of 37 in favor, 7 against, and 1 abstention. The room, described by the Fairfield Citizen as "packed" with teachers,[2] erupted in applause and cheers.

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[2] http://www.fairfieldcitizenonline.com/news/article/Teacher-Town-Hall-worker-contracts-OK-d-by-RTM-5917643.php

Over the next several weeks, it would become apparent that teacher compensation would increase substantially more than 1.7% per year under the new contract, and on January 13, 2015, less than eight weeks after the vote, Supt. of Schools David Title proposed a BOE budget that was not, as Mr. Dwyer said it would be, up 1.7% or "slightly" more; the proposed budget was up 3.3%, and the final budget was up 3.5%.

<u>What Was the Correct Answer to Representative Gottlieb's Question?</u>

The correct answer to the question about the net financial impact of the new contract should have been that the combination of 3% annual salary increases and projected 8% increases in the cost of healthcare, minus the savings from the agreed health-plan changes, would produce **3.6%** annual increases in compensation (salary plus healthcare) – not **1.7%** annual increases.

Below are the data upon which we believe Attorney Houston's misleading answer relied,[3] which is presumably the same data upon which the BOE relied when it narrowly approved the contract two weeks earlier on **November 12, 2014**, by a vote of 5-4 (although we have no way of knowing for sure, because its deliberations on the contract were held in closed executive session).

$ Million	**Salaries**	**Change**	**% Incr.**	**Health**	**Change**	**% Incr.**	**Total Comp.**	**Change**	**% Incr.**
2014/15 Base	**75.75**	~	~	**14.55**	~	~	**90.30**	~	~
2015/16	**78.02**	2.27	3.0%	**13.77**	-0.77	(5.3)%	**91.80**	1.50	1.7%
2016/17	**80.37**	2.34	3.0%	**14.67**	0.90	6.5%	**95.04**	3.24	3.5%
2017/18	**82.78**	2.41	3.0%	**15.63**	0.96	6.5%	**98.41**	3.37	3.5%
+ Excise Tax	~	~	~	**0.71**	~	~	**0.71**	0.71	~
2017/18 Total	~	~	~	**16.34**	~	~	**99.12**	~	~
3-Year Change	~	7.02	9.3%	~	1.79	12.3%		8.82	**9.8%**

The three-year increase in costs <u>based on these numbers</u> is $8.8 million ($99.1 minus $90.3). This represents an increase of 9.8%. A 9.8% increase is equivalent to a compound annual increase of 3.2%.

So how did Attorney Houston get to 1.7%? He started with the three-year increase in Salaries of $7.0 million ($82.8 minus $75.8), and then subtracted the $3.1 million by which Aon (the BOE's employee-benefits consulting firm) said that Healthcare costs would have been even higher without concessions, to get what he called a net increase of $3.9 million. He then noted that this $3.9 million represented 5.1% of base-year salaries of $75.8 million, and that if you divide 5.1% by three you get 1.7% per year.

For this convoluted analysis to make any sense, Attorney Houston would have had to add in the $4.9 million by which Healthcare costs would otherwise have increased, to get a total projected net increase in salaries and healthcare of $8.8 million ($7.0 minus $3.1 plus $4.9), and then divide this number by base-year <u>total compensation</u> of $90.3 million (not by base-year <u>salaries</u> of $75.8 million). If he had done this, he would have told the RTM that the expected three-year increase was 9.8%, or 3.2% per year.

All this is bad enough, but the story gets even worse. The figure used in this analysis for base-year Healthcare costs was not accurate: $14.5 million is **<u>not</u>** what Aon projected the cost of Healthcare would be **<u>in 2014/15</u>**, but rather what the cost would be **<u>in 2015/16</u>**, before any savings from concessions (which were assumed to reduce the annual trend in Healthcare costs from 7.9% to 6.5%). If we deflate the $14.5

[3] http://www.fairfieldct.org/filestorage/79/193/22994/23016/Nov2014RTMbackup.pdf

million number by 1.079%, we get $13,481,124 as the correct base-year Healthcare cost number for 2014/15. The corrected data are provided below.

$ Million	Salaries	Change	% Incr.	Health	Change	% Incr.	Total Comp.	Change	% Incr.
2014/15 Base	**75.75**	~	~	**13.48**	~	~	**89.23**	~	~
2015/16	**78.02**	2.27	3.0%	**13.77**	0.29	2.2%	**91.80**	2.56	2.9%
2016/17	**80.37**	2.34	3.0%	**14.67**	0.90	6.5%	**95.04**	3.24	3.5%
2017/18	**82.78**	2.41	3.0%	**15.63**	0.96	6.5%	**98.41**	3.37	3.5%
+ Excise Tax	~	~	~	**0.71**	0.71	~	**0.71**	0.71	nm
2017/18 Total	~	~	~	**16.34**			**$99.12**	~	~
3-Year Change	~	7.02	9.3%	~	2.86	21.2%	~	9.89	**11.1%**

Now, we end up with a total increase of $9.9 million ($99.1 minus $89.2), which represents an 11.1% increase over three years, which in turn is equivalent to a compound annual increase of **3.6%.**

So, in short, at a time when private sector incomes in Connecticut are flat to down, the RTM approved increases in teacher compensation over the next three years of 3.6% annually. Would they have approved it if they knew what they were doing? We have no way of knowing. We do know that Attorney Houston, who was the BOE's lead negotiator, and Mr. Dwyer, the BOE Chairman who sat next to Attorney Houston at the bargaining table, did not seem to understand the financial implications of the deal they negotiated, and/or were not capable of properly explaining them to other Town bodies.

<u>**Accountability? Apparently not in Fairfield**</u>

On **December 20, 2014**, Mr. Dwyer responded to questions submitted on behalf of the RTM about the basis upon which Attorney Houston and he had informed the RTM that the annual increase in the teachers' contract would be 1.7%.

Mr. Dwyer's response (copied exactly as it was written) was as follows:

"Mr. Mackensie's own spreadsheet shows that the projections for the teachers contract for salary and health insurance costs (based on current known factors) is a 1.7% increase. That matches the response I gave at the RTM meeting.

"At the RTM meeting I was asked by Mr. Lipp, "....can I project what we (RTM) can expect next May". My response was "....that our focus was to look at this contracts impact and we believe it will come in about 1.7%. it will be less than the 2.0% that people look at. But the budget process is not finished and if it is slightly higher than that don't say, ...but Phil you promised."

"Mr Lipp asked a follow up question, "...does the BoE give direction to Dr., Title about what number to aim at..." I responded that "As a BoE we have not, in the past, said to any Superintendent here is the number we want you to hit. We ask our Superintendent to define the needs of the district and the needs of the students and come in with a responsible budget. I think Dr. Title has done so since he arrived."

"It would appear Mr. Mackensie, and others, may have thought I was answering for the life of the contract. I was not. I answered the question asked by Mr. Lipp ".....what we can expect next May."

"Nor was I answering for the 2015-16 budget process. There are many factors that go into the

budget process including changes in special needs staff patterns, growth of student body, changes in program, etc. Each of these has an impact."

In short, Mr. Dwyer was defending Attorney Houston's 1.7% annual increase number on the grounds that an RTM member, who had nothing to do with the negotiations, had produced a spreadsheet that incorrectly indicated that the increase in the first year would be 1.7%, and he was denying that on November 24th, when asked what the increase would be next year in the whole BOE budget, he said: ". . . ***we think it's going to go up about 1.7%, but the budget process hasn't been finished . . . So, if it comes in slightly higher than that, don't say, "Hey Phil, you said." That's the projection at the moment.***"

On Saturday, **February 28, 2015**, the BOE sponsored a "town meeting" for public comment, at which the BOE was asked to explain the discrepancy between the 1.7% and what was then known to be a proposed increase of 3.3%.

Mr. Dwyer's response was as follows:[4]

"*We were talking about the impact of the teachers' contract on the budget, not what the whole budget was going to look like. . . by no means was I suggesting that because the teachers' contract alone in the first year was going to go up 1.7% that that is what the whole budget would happen. . . it would be a giant leap of faith for somebody to make that connection. . . I was not answering for the full budget. I was answering for the impact of that particular contract one set of teachers to the next year."*

In short, Mr. Dwyer apparently still did not know that the first-year increase was actually 2.9% instead of 1.7%, and was once again denying that on November 24th, when asked what the increase would be next year in the whole BOE budget, he said: ". . . ***we think it's going to go up about 1.7%, but the budget process hasn't been finished . . . So, if it comes in slightly higher than that, don't say, "Hey Phil, you said." That's the projection at the moment.***"

The next public opportunity for RTM members to question why the proposed BOE budget was up 3.3% instead of 1.7% was at the RTM Committee meeting on April 8, 2015, where three separate RTM members asked for an explanation.

Mr. Dwyer's response was as follows:[5]

"In the chart that was there was when Aon was still using the 8% trend rate. About two to three weeks after the contract vote, they had revised their national trend rate to 9%. So there's money involved in that difference from 8 to 9. The curriculum improvements to World Language. The Special Ed. The overall salary increases for six other unions, plus the health insurance cost of six other unions. You know, you go from 1.7 in one piece of the budget to 3.2."

Expressing his annoyance at being asked by yet another RTM member to explain, Mr. Dwyer added:

"***It's –*** [dramatic pause] ***– my mother taught me to count to ten before I say something I'll regret, so if you don't mind, I'll finish counting –*** [another dramatic pause while Mr. Dwyer counted] ***– The***

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[4] All quotations from the BOE's audio recording. We encourage everyone to verify our transcripts by listening to the actual recording at: http://cdn.fairfieldschools.org/boe/meetings/audio/02_28_2015-Special_Meeting.wav

[5] All quotations from the FairTV video recording. We encourage everyone to verify our transcripts by watching the actual recording at: http://fairtv.pegcentral.com/player.php?video=6612d0097aa87226b4129e40ee824e16

> ***discussion that night was on the teachers' contract. All of my answers related to the teachers' contract. When Mr. Lipp asked me, am I talking about the whole budget and did we give direction to the Superintendent for what the whole budget should come in with, I definitely said, No. Mr. Mackenzie did the math. Others of this body did the math to show the combined salary and health benefits for this coming year, just for the teachers, did increase 1.7%. That was not a commitment. I'm sorry if some RTM members thought that was a commitment for the whole budget. I thought it was quite clear that it was not. It did not speak of the needs of special education students that we had to add about ten, give or take, paraprofessionals for that. It didn't speak to the goal that we had to improve curriculum each year; this year it happens to be World Language. It didn't speak to the difference between 8% and 9% health trend. It did not speak to the other six contracts for the other 650 employees. It didn't speak to any of those things. And that's how you get from that one particular point to 3.9. It didn't speak about utilities either. We tried to explain. I think you're the third person tonight to ask the same question. I don't know that we can go beyond what we just tried to explain."***

On **April 23, 2015**, as promised, the Superintendent's office sent RTM members a written response to their questions about where the 1.7% annual increase number came from, and why the BOE budget increase was so much higher than Mr. Dwyer said it would be.[6] The response was basically a reiteration of the misleading numbers that Attorney Houston used, plus a new table (see Appendix) that showed: (a) that salaries for people covered by the new teachers' contract represent 75% of total BOE salaries, and were now budgeted to rise 1.1% next year <u>based on entirely new numbers</u>; and (b) that health insurance costs were now budgeted to rise 14.0%. In short, the spreadsheet provided new information about how a number of subsequent adjustments[7] would mitigate the increase in salary costs next year, ***but it did not explain why Attorney Houston's analysis was misleading, or why Chairman Dwyer said that the BOE budget for 2015-2016 would increase only 1.7%, or "slightly higher."***

In summary, as far as we know, there has been no explanation or accountability for the misleading statements made to the RTM about the teachers' contract on November 24, 2014.

<u>The School Administrators' Contract</u>

On **December 15, 2014**, Fairfield's RTM rejected a proposed three-year labor pact for Fairfield Public School's (FPS) administrators by a vote of 21-20. Salaries for the 38.5 people covered by this contract were to increase 2.65% per year in each of the next three years. Including the projected cost of healthcare insurance (after adjusting for concessions[8] by the union that would save the Town $130,316 over the three years), the combined cost of salaries and health insurance would increase 2.4% in the first year, and 3.0% in the second and third years. Including the projected cost of the Cadillac Tax for six months of the final year, the compound annual increase for the three years was 3.2%.

Before benefit costs, the lowest proposed administrator salary for 2017/18 was to be **$121,000** and the highest, **$186,000** (including the $4,000 bonus for earning a Doctoral Degree). In short, the people

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[6] http://www.fairfieldct.org/filestorage/10726/11032/12630/12632/27689/27700/RTM_Budget_Response_-_BOE.pdf

[7] The new numbers reflected adjustments for: savings from 14 retirees in 2015-16; a small salary increase in grants; a 2015-2016 staff reduction of .5 FTE; substantially lower ($849,527) actual salary cost in the current year than had been budgeted; and a small difference in the current-year base from 9/1/14 to 10/1/14.

[8] Increases in co-pays (various) and premium cost shares (up 1 percentage point per year from 22% to 25% for the PPO Plan, and from 20% to 23% for the Rx Drug Plan).

covered by this contract[9] are very well paid. The Superintendent of Schools and the Deputy Superintendent are paid even better, with salaries of **$284,000** and **$190,000**, respectively, but they are not members of this bargaining unit. To put all these numbers in context: Fairfield's First Selectman is paid **~$131,500**, the Director of Public Works **~$135,000**, Fairfield's Chief Fiscal Officer **~$137,000**, the Chief of Police **~$144,000** and the Fire Chief **~$149,000**. More context: the median salary for a general-practice physician in Fairfield is **~$205,000**.[10]

Including benefit costs – social security, Medicare, pensions, disability (60% of salary with no limit) and life insurance (2.5x salary), healthcare insurance **($12,564** for a single employee, **$26,933** for a married employee, and **$34,859** for a family as of 7/1/2018) – the "total compensation" numbers are approximately 25% higher.[11] Thus, including benefits, the lowest paid school administrator is supposed to make **~$150,000** and the highest ~**$230,000**.

Administrators are paid these amounts for **a 225-day work year**, and not including bereavement leave, they have a right under the contract to **43 days off** (or 8 ½ weeks) **with full pay**.[12]

On **March 19, 2015**, three months after it rejected the administrators' contract, the RTM ended up approving essentially the same contract after the arbitrators, to whom the contract was referred, ruled in favor of the administrators' union.

The point of this reference to the administrators' contract is merely to explain how the "deck is stacked" against any effort by a town like Fairfield to control the relentless increases in the cost of its public employees.

If a proposed labor contract is rejected, State law requires immediate arbitration. The initial "award" by the arbitrators can be rejected by the RTM only by **a two-thirds majority** vote. If the RTM does reject an initial award, a second arbitration panel must be convened, and its award is final and <u>binding</u>.

The arbitration panels are required to apply certain specific criteria, giving priority to the **public interest** and the **financial capability** of the town or towns in the school district, but including other factors like: the negotiations that took place between the parties; the interests and welfare of the employee group; changes in the cost of living; the existing conditions of employment of the employee group and those of similar groups; and the salaries, fringe benefits, and other conditions of employment prevailing in the state labor market, including the terms of recent contract settlements or awards in collective bargaining for other municipal employee organizations and developments in private sector wages and benefits.

Among the many reasons we should worry about this mandatory process are the following:

- The people representing the Town's interests in the arbitration process for the administrators' contract were the same people who agreed to the contract that was rejected by the RTM, so any

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[9] Headmasters, Middle School Principals, Elementary Principals, High School Administrators for Pupil and Guidance Services, Secondary Curriculum Administrators, Housemasters, Assistant Principals, Curriculum Leaders and Special Education Coordinators, and Athletic Directors.

[10] http://www1.salary.com/CT/Fairfield/Physician-Generalist-salary.html

[11] http://archive.fairfieldschools.org/downloads/budget/2014-2015BOEBdgtBook2-10-14ReducedBookmarkedLinkedforweb.pdf

[12] The contract grants, <u>with full pay</u>, **23** days (4 ½ weeks) of vacation (5 of which can be taken during the student year, and 5 of which can be carried over to the next year), **15** sick days (which can be accumulated up to 150 days), **5** personal days for a death in the family, plus **5** personal days for any other acceptable reason (including the observances of major religious holidays), including 1 private day with no restrictions. Three additional days are allowed at reduced pay (i.e., the difference between regular pay and the cost of a substitute).

additional concessions they gained would have implied that they had not done as good a job as they should have in the first place.

- The people representing the Town's interests allowed the arbitrators to focus solely on the issue of alternative healthcare plans, and to ignore the broader issue of whether it makes any sense to continue to grant high increases to employees who are already very well paid, at a time when many taxpayers are still coping with lower incomes.
- Based on the reasons they provided for their decision, Arbitrator logic says:

  - The **public interest** is indicated by the BOE's 6-2 vote in favor of the administrators' contract, but not by the RTM's 21-20 vote against it.
  - If it was in the **public interest** for the RTM to approve the teachers' contract, it must be in the public interest to approve the administrators' contract with the same health benefit.
  - The Town's **financial capability** is relevant only to whether it can afford to pay the additional $47,684 it would save over three years if a slightly cheaper health plan were accepted.
  - The Town's **financial capability** should be measured not by whether it can continue to afford substantial increases in the cost of public labor, but by where its wealth ranks among all Connecticut towns, by its tax collection rate, and by its bond rating.
  - If the parties' **negotiations** were conducted in good faith and the BOE agreed to the contract terms, then those terms must be fair.
  - Inflation in the **cost of living** "does not weigh in favor of either the Board or the Association on the issue," even though the administrators' compensation will continue to rise much faster than inflation.
  - Notwithstanding an "undeniable trend toward the HDHP [High Deductible Health Plan]," the administrators should get the same PPO plan that the RTM just approved for the teachers.
  - If some towns are paying more, then all towns that can be deemed to be similar must pay more.

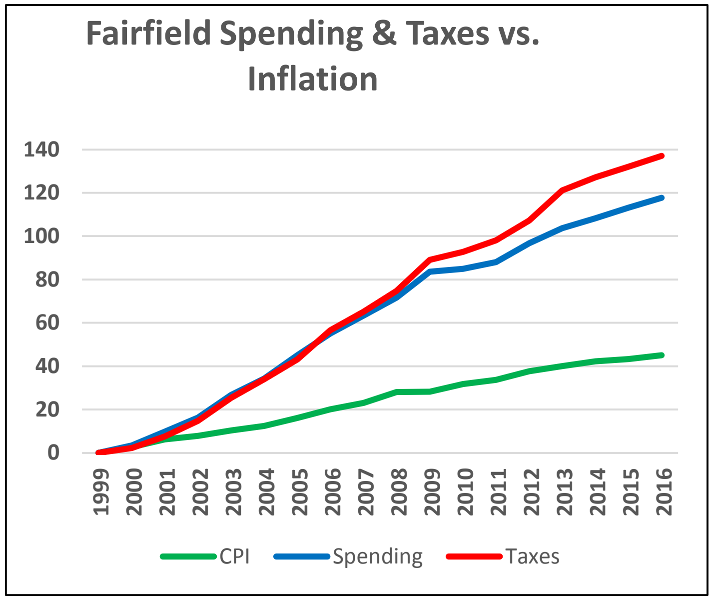
In short, the arbitrators see no problem with continued excessive, unsustainable increases in spending and taxes for towns like Fairfield that will ultimately result in the demise of their fine school systems along with the degradation of all other public services and infrastructure. As long as public employee incomes keep ratcheting up, all CT towns must continue to race toward the cliff like lemmings.

<u>The Big Picture</u>

For 60 years after WW II, Americans in general enjoyed remarkable increases in living standards. During this period of rising affluence, we unfortunately developed some bad habits that will not serve us well in the new economic reality we face. As long as the rising tide of general prosperity was lifting all ships (and home values), it didn't seem to matter that we granted more and more generous wages, benefits and work rules to public employees, and it didn't seem to matter that the Town bodies responsible for approving these contracts did so without considering their longer-term consequences.

We now face great challenges as favorable economic tailwinds have become turbulent headwinds. In the six years since the official end of the Great Recession, economic growth has been slow, good jobs have been much harder to find (only 78% of the jobs that CT lost in the Great Recession have been recovered),[13] and incomes are still under pressure, particularly for seniors who depend on interest income on their retirement savings and on pensions that are tied to COLAs that are tied to the rate of inflation. Incomes for many Fairfield residents are still down significantly from where they were in 2008, and yet Fairfield's taxes are up 33% as of the current fiscal year, and they will soon (2015-2016) be up 36%.

Fairfield, like every other town, must compete to attract and retain residents who are willing to pay for services they do not use, particularly the cost of education because, at $185 million, it represents over 63% of our total spending, but only 30% of our households have children in our schools. After 17 years of increases in our total spending and taxes at 2.5x-3.0x the rate of inflation, our tax rates are now too high, making Fairfield increasingly unaffordable for many of its residents, which on top of problems at the state level with high taxes and low job creation, is driving more and more residents to leave and hurting our property values.



The people most likely to leave are those who do not have children in our schools, and the people most likely to buy their homes are families with school-age children. This turnover, driven on the one hand by higher taxes, and on the other hand by a relatively large supply of affordable homes in a wonderful town with great schools, may explain why Fairfield has experienced continued growth in school enrollment at a time when many other towns, with lower tax burdens that are not driving as many of their residents to leave, have seen their school enrollment shrink.

If we do not acknowledge the new economic reality we face and restrain the growth in our spending and taxes, then it is only a matter of time before our fine school system and everything else we love about Fairfield will be at risk. **It is simply not possible to restrain our overall spending without restraining the cost of our schools, which as noted above represents over 63% of our total spending. And, since labor costs represent 80% of the BOE budget, we cannot restrain the cost of our schools if we continue to grant significant increases in compensation.** This is true no matter how much we love our children, no matter how much we appreciate what our dedicated teachers and administrators do to educate our children, and no matter how much we all understand that good schools are important to property values.

All those involved in the process of governance, particularly those negotiating and approving labor contracts for the Town, must hold themselves to much higher standards of due diligence and fiscal prudence than have been applied in the past.

May 13, 2015

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[13] http://www1.ctdol.state.ct.us/lmi/recessionaryjoblosstable.asp

APPENDIX

Fairfield Public Schools
Impact of Teachers' Contract Increase
on 2015-2016 Budget

Teacher Negotiations (FEA)

November 24, 2014 RTM meeting

What is the net increase of negotiated FEA contract?

2014-2015 FEA Salary Base @ Sept 1, 2014	$	75,751,858	
FEA Projected Salary Increase 2015-16	$	2,272,555	3.0%
FEA Projected Salary Increase 2016-17	$	2,340,732	3.0%
FEA Projected Salary Increase 2017-18	$	2,410,954	3.0%
3-year Total Projected Salary Increase	$	7,024,241	
Cost Mitigation Over 3 Years	$	(3,103,152)	
3-year Net Projected Cost	**$**	**3,921,089**	
		÷ 75,751,858	**= 5.1 %**

$	2,272,555	2015-16 Projected increase (year 1 of contract)
$	(532,000)	14 retirees budgeted in 2015-16
$	(36,145)	Salary increase in grants
$	(34,125)	2015-16 budget reduction of .5 FTE
$	(849,527)	2014-2015 Budget vs Actual
$	(4,259)	Difference in 2014-15 base, 9/1/14- 10/1/14
$	816,499	

Includes $700,000; additional 20 retirees in current year

Negotiated changes in plan design resulted in health insurance cost mitigation of $3,103,152 over the 3-year FEA contract. The $3.1 million is the current comparative cost of the existing and negotiated plans; it does not account for increased costs as calculated in the budget process.

over 3 years = **1.7%** *Projected net cost of teachers' contract per year*

2015-2016 BOE Budget

Description	14-15 Original Budget	15-16 BOE Proposed Budget	15-16 Budget Increase	% Budget Increase	Increase as a % of FY15 Budget	Increase (Decrease) in FTE's Funded by BOE	
Teaching Staff	$ 68,921,138	$ 69,459,207	$ 538,069	0.78%			
Certified Support Staff	$ 6,303,191	$ 6,581,621	$ 278,430	4.42%			
Total FEA Bargaining Unit Salaries	$ 75,224,329	$ 76,040,828	$ 816,499	1.09%	0.52%	(0.50)	Net reduction in teacher FTE's
All Other Salaries	$ 24,008,230	$ 25,321,662	$ 1,313,432		0.85%	13.20	Increase in other salaries is due to a net increase in FTE's, primarily in special ed.
Total Salaries	$ 99,232,559	$ 101,362,490	$ 2,129,931	2.15%	1.37%	12.70	Total increase in BOE budgeted FTE's
Health Insurance	$ 19,277,991	$ 21,969,339	$ 2,691,348	13.96%	1.73%		The amount budgeted for health insurance is based on claims experience as of December. The level of funding is driven by claims experience, 9% trend factor on $30 million in expenses and reserve balance needs. The budget impact would be greater if not for the $800,000 in cost mitigation.
All Other Accounts (Utilities, services, materials & supplies, etc...)	$ 37,207,501	$ 37,516,232	$ 308,731	0.83%	0.19%		
Total Budget	$ 155,718,051	$ 160,848,061	$ 5,130,010	3.29%	3.29%		