

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

MEETING NOTICE AND AGENDA
Hartford Subcommittee of the MARB

Meeting Date and Time: Thursday, February 21, 2019 10:00 AM – 12:00 PM

Meeting Location: Hartford City Hall, 550 Main Street, Green Room, Rm. 100, Hartford, CT

MARB Members Present: Mark Waxenberg, Larry Wilson, Robert White

MARB Staff Present: Julian Freund and Alison Fisher

City Staff Present: Mayor Luke Bronin, Jolita Lazauskas, Charisse Snipes, Cherese Chery, Leigh Ann Ralls, Treasurer Adam Cloud, Wayne Moore, Chelsea Mott, Julia Wild, Debra Carabillo

Hartford BOE Staff Present: Natasha Banks, Chris Enger (Shipman & Goodwin), Dave Fleig, John Griffin

Guests: Ted LaBorde and Steve Lemanski (Hooker and Holcombe), Steve Sadlon and Bob Cabana (Segal)

Agenda

- I. Call to Order & Opening Remarks: The meeting was called to order at 10:00 AM
- II. Approval of Minutes: January 17, 2019
Mr. Waxenberg made a motion, with a second by Mr. Wilson, to approve the minutes of the Jan. 17 subcommittee meeting. The motion passed 3-0.
- III. Presentation and Discussion re the City of Hartford's Other Post-Employment Benefits (OPEB)
Mr. Cloud presented an overview of the OPEB trust and investment strategy. Mr. LaBorde and Mr. Lemanski from Hooker and Holcombe provided a more detailed presentation (attached) of the investment strategy. The trust is used by the City to invest funds in the market for as long as possible before benefit payments need to be made. However, investments and payments are made in the same year; the City has not been able to proactively fund any portion of its growing OPEB liability, however, the Board of Education has funded 47% of its liability. Mr. Waxenberg asked for clarification on which BOE employees are receiving this benefit, and why they are entitled to it if they are covered by the state pension system. Mr. Lemanski explained that by statute, municipal teachers and administrators have access to local benefits until they are Medicare-eligible. Mr. White asked if the change to high deductible health plans has reduced the accrued long-term liability. Mr. Lemanski responded that it had. Mr. White then asked if retirees who are eligible for certain benefit levels are so because the OPEB entitlement is the result of older, expired collective bargaining agreements that were active at the time of retirement. Mr. Lemanski explained that yes, state statute protects the benefit level for individuals who retire under active agreements, for both the City and the BOE. Mayor Bronin added that the City has been moving toward eliminating retiree healthcare for new employees. Mr. Waxenberg asked if the City had considered using any of its projected surplus to help fund the trust. Mayor Bronin responded that, at this time, all surplus will go to the Capital budget or building the budget reserve. These priorities are essential to promote growth in Hartford, long-term. Mr. Cloud echoed the Mayor's assessment and added that bond rating agencies are much more

concerned with adequately funding Capital expenditures and having a strong reserve ratio, than they are with funding the OPEB trust account. Mr. White asked if there are any best practices for funding OPEB amongst financially distressed municipalities. Mr. LaBorde responded that the current practice for most municipalities is to pay the current year's expenses, and not to fully fund the trust. He added that it is common to see a slow phase-in approach from one model to the other. Mr. Cloud asked how Hartford's strategy compares to other cities around Connecticut. Mr. Lemanski explained that about 40% of municipalities in CT have established an OPEB trust, and of those, the average funded ratio is in the teens. Hartford's BOE is well above the state average. Mr. White cautioned the City that if the City is unable to meet its current cost obligations, retirees must understand that they won't get paid. Mayor Bronin shared that the last contract negotiation for the City Fire Department included the first contribution to the OPEB trust.

IV. Presentation re: health insurance analysis

Mr. Sadlon and Mr. Cabana presented an analysis of health insurance options for the Board of Education (attached). Mr. Cabana explained that claims costs have been trending a few percentage points higher than what was budgeted, because as enrollment declines, claim activity goes up. Additionally, estimated savings that could be realized from switched to the Partnership Plan are mostly in Fairfield County because the cost of care is higher there and the rates are statewide. The analysis assumed that the Partnership Plan is similar to the PPO plan, and would result in an overall cost to the BOE of \$1.66m. Mr. Waxenberg asked for clarification regarding the Health Savings Account in the current self-funded plans. Mr. Cabana explained that as part of the high deductible health plan, there is a Health Savings Account. The Account is funded by the Board at 50% of the deductible. Single members pay \$1k per year, Family members pay \$2k per year. These funds carry forward year to year. Mr. Waxenberg noted that he believed that under an HSA, the out of pocket cost is higher to the employee. Mr. Sadlon responded that it is actually a very similar cost. The amount a member would be saving in your paycheck, plus the BOE HSA account funding, adequately covers the additional out of pocket cost.

V. Review, Discussion and Possible Action re: Stipulated Award (arbitration) between Hartford Board of Education and Hartford Principals and Supervisors' Association

Mr. Engler of Shipman Goodwin provided an overview of the Agreement. The Agreement represents a three year term, effective July 1, 2019 through June 30, 2022, and provides for wage adjustments in FY 2019/20, FY 2020/21, and FY2021/22 as follows:

- FY 2019/20: 0% general wage increase with no range or step advancements
- FY 2020/21: 0% general wage increase with no range or step advancement
- FY 2020/21: 2.95% overall cost (inclusive of range movement)

The Agreement maintains the high deductible health plan and increases the cost share for medical and dental as follows: 19% in FY 2019/20; 19% in FY 2020/21; 20% in FY 2020/21. The base salaries for the employees covered in this collective bargaining unit total approximately \$15,358,026 in the adopted FY 2018/19 budget. The total cost of the wage increases in FY2021/22 is estimated at \$452,562. Mr. Waxenberg made a motion to recommend that the MARB take no action on this item. Mr. White seconded the motion and the motion carried.

VI. Briefing re: Stipulated Award (arbitration) between Hartford Board of Education and Hartford Federation of Teachers

Mr. Engler provided an overview of the arbitration award for the Board of Education and Federation of Teachers. The award provides for a high deductible health plan with employee premium cost shares at 17% in FY 2020; 18% in FY 2021; 19% in FY 2022. Salary increases over the life of the

contract are 6.39%. This update was provided for informational purposes as the MARB statute does not provide approval authority of arbitration awards for teachers' unions.

- VII. Review, Discussion and Possible Action re: Tentative Agreement between the City of Hartford and Municipal Lawyers' Association
Ms. Carabillo summarized the tentative agreement which covers the period July 2015 to June 2021. The TA provides for 0% wage increases in the first four years followed by 2% increases in FY 2020 and FY 2021. The TA shifts employees to a high deductible health plan and increases employee contributions for health insurance and pension. Mr. White made a motion, seconded by Mr. Waxenberg, to recommend to the full MARB approval of the contract. All voted in favor.
- VIII. Discussion re: Mayor's proposed uses of MARB administrative fees
Mayor Bronin presented a memo as sent to Secretary McCaw on February 6, 2019 (attached), which included suggested uses for a portion of the \$750k in MARB funding, reserved for administrative purposes. The Mayor's request included working with a financial consultant at an annualized cost of approximately \$200k, assessing potential savings through consolidation of functions at BOE/City, special education consulting, Lean consulting, and a better use of technology for efficiency purposes. Mr. White asked the Mayor for a prioritized list of these items. Mayor Bronin responded that he would rank the items as follows: financial management, special education, technology, Lean, and consolidation study. Mr. Waxenberg expressed his concern that the special education item was too broad, and should be more specific to student placement. Mayor Bronin agreed, and added that the other area of focus is designing and implementing special education services. Mr. White asked why Lean would be ranked further down on the list. Mayor Bronin responded that technology and Lean are getting to the same thing, which is to make things more efficient. Ms. Fisher offered to assist the City in working on the two simultaneously. Mr. White suggested that the City focus on one department, and improve process and technology together.
- IX. Update: Achievement First-Hartford discussion
Subcommittee members provided Ms. Wilde with follow-up questions to convey to the Superintendent to discuss at a future Subcommittee meeting. These questions concerned which entity provides special education services for students at Achievement First, food services provided by Hartford Public Schools, and what measure in the contract has replaced Adequate Yearly Progress.
- X. Other Related Business
- XI. Adjourn
The meeting adjourned at 12:30.