



BOARD OF ALDERMEN  
SHELTON, CONNECTICUT  
***SPECIAL FINANCE COMMITTEE MEETING –  
JANUARY 25, 2011***

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**Call to Order / Pledge of Allegiance**

Alderman Stanley Kudej, Chairman, called the meeting to order at approximately 7:25 p.m., immediately following the Public Hearing on Ordinances.

**Roll Call - Finance Committee**

Alderman Stanley Kudej, Chairman, present  
Aldermanic President John F. Anglace, Jr. - present  
Alderman Anthony Simonetti – present

Others present:

Mayor Mark A. Lauretti  
Alderman Lynne Farrell  
Alderman John "Jack" Finn  
Alderman Eric McPherson  
Alderman John Papa  
Alderman Anthony Simonetti

**Public Session**

Alderman Kudej asked if any member of the public wished to address the committee specific to any item that is listed on the agenda.

Judson Crawford, 8 Jordan Avenue

I have two questions in reference to the audit. As I was reading, I came across two questions. One. Going back on page 3G. You have to put yourself in the position of a new person coming into the City of Shelton and picking up an audit book and reading about the City. Stating amounts here, property taxes, benefiting from increases in the mill rate and grand list. We know and you know yourselves that we

have not had an increase in the mill rate in the past three years, yet it is stating it here on page 3G. Second question. Turn to page 42.

It states, and I quote, "Duration of coverage. City coverage continuing until age 65. Two retirees are covered by special contracts and are covered for life." My question to you is, whom are the two people and what is it costing the City?

Alderman Kudej replied, I will get the answer for you in the next day or two.

When the Mayor presents his budget to the joint session of the Board of Apportionment and Taxation and to the Board of Aldermen, stating that it is covered for life, that's got to be part and answered in the Mayor's proposed budget in that you and the members of the Board of Apportionment and Taxation would have to pass. I would like that information before it is presented.

Alderman Anglace stated, I know one of the people. We don't have the facts – I mean it's not something we bring to the Finance Committee meetings. You'll have to give us a chance to look it up. We are not the administration. We don't negotiate that settlement, the administration does. The cost would be included in the budget but it would be buried within all the other insurance costs. It would not be singled out.

Mr. Crawford stated, you have to place yourself as a new person walking into the City of Shelton picking up the audit book and it has to be all questions answered.

Mayor Lauretti stated, you're not new. You've been at this for a long time. You've sat in those budget meetings for years on end. This has been incorporated into the budget for years on end. I would think that you would have known it by now.

Mr. Crawford stated, no, Mr. Mayor.

Alderman Kudej asked if any other member of the public wished to speak. Being none, he declared the public session closed.

**1. February Statutory Refunds**

Alderman Simonetti MOVED to recommend to the Full Board that the report of the Tax Collector relative to the refund of taxes for a total amount of \$35,499.15 be approved and that the Finance Director be directed to make payments in accordance with the certified list received from the Tax Collector with funds to come from the Statutory Refunds Account 001-0000-311.13.00. SECONDED by Alderman Anglace. A voice vote was taken and the MOTION PASSED 3-0.

**3. Bonus – Office of the Mayor**

Alderman Anglace, on behalf of the Finance Committee I will read a statement into the record.

With respect to this issue, in general, the Finance Committee does not believe that payment of a bonus is necessary, or an appropriate way for government to achieve its objectives, especially those of the top city officials whether they be elected, appointed or contracted.

Section 7.17.1 of the Charter requires the Board of Aldermen to "establish by ordinance the compensation, including all benefits, of each elected and appointed official" and further states "the Board shall not increase the compensation or benefits of any elected official during his term of office."

The Board of Aldermen has passed such an ordinance and is in conformance with the Charter. That ordinance provides for annual cost of living adjustments for the Office of Mayor until November 2013, when it is scheduled to be reviewed.

Consequently, a bonus for the position of Mayor, City of Shelton cannot and will not be considered.

I want to note a few things. The Mayor never asked the Board of Aldermen for a bonus. However, the Finance Committee has learned that the reason this request was made by the Mayor was to highlight the use of a \$10,000 bonus by the Board of Education, and to question the validity and logic of such practice. We agree that this issue deserves more public attention.

We would also note that the practice of paying the Superintendent a bonus was raised by a member of the minority party who questioned the Board of Education motion made to effect the bonus payment, and was told that this is a personnel matter that cannot be discussed.

We believe otherwise. And further, since the Board of Aldermen is the fiscal authority of the City, we believe there should be an in-depth review of this practice as it has direct impact on Board of Education budget matters.

During the public hearing on the budget last year, we heard many calls to fund programs that would directly benefit the children. So when expenditures of such significance are made that benefit an individual versus the children, we must question it.

We offer the following comments in the spirit of saving every possible dollar for use where it will directly affect the children.

Also, it is important to state up front that the issue in question is not about the Superintendent's performance. In fact, we support the job he is doing and applaud the Board of Education for their good judgment in picking such a qualified individual.

The issue in question is about the use of a \$10,000 bonus and the granting of a sick leave account. Economic times dictate superior performance from Board of Education administrators without offering a financial incentive in addition to the salary and benefits paid.

Let's look at the bonus a little more in detail. The stated criteria used to trigger the \$10,000 bonus payment were clearly issues that could have been set as the Goals and Objectives of the job without having to pay an extra \$10,000. Beyond that, the contract calls for this bonus to be paid in each year of the contract.

What does this mean? Will the Board of Education come up with new objectives in each year of the contract and pay the \$10,000 if they are met? We are already in the second contract year and the bonus criteria still has not been made public for this second year.

On the surface, it appears the Board of Education is committed to two bonus payments. However, I have learned that the Board of Education has extended the contract of the Superintendent to a third year with no written notice of a change in terms, so it looks like we are stuck with the bonus for at least a total of three years. That's \$30,000 that could have been spent for the kids that went into someone's pocket instead.

Let's look at the Sick Leave. How does Sick Leave work? By policy or negotiation, exempt salaried employees and contract employees wages can be continued when out sick. If salary continuation is followed, nothing beyond the budgeted \$145,000 is spent.

What the sick leave benefit does is to allow the employee to accumulate unused sick leave from year to year and to receive payment for it upon retirement or separation. In effect, the Board of Education is creating an unfunded future liability. Is this the best educational use of taxpayer money?

Let's look further at the details. Based on a \$145,000 salary divided by 260 days, the per diem rate is \$557.69. Multiply that by 18 days per year and, provided no sick time is used, the maximum yearly accumulated and unfunded liability is \$10,038. Since one can accumulate up to 260 days lifetime, it takes 14.4 years to reach the maximum. The value at termination of the accumulated, unused sick leave is \$144,553 ( $\$10,038 \times 14.4$  years.). The Board of Education only has to pay 30% of that. So the bottom line total accumulated cost would be \$43,365. To the best of our knowledge, not one penny of that will be funded.

But, that's not all. Our figures are based on a per diem rate calculated at the starting salary - \$145,000. By contract, the per diem rate used to pay for the possible 260 accumulated days of sick leave is figured at the salary being paid at the time of separation. Using the current annual salary increase of \$5,000 per year and 14.4 years to reach maximum accumulation, the unfunded sick leave payable would be more like \$65,200, not \$43,000.

In short, the Superintendent's contract has raised the point that the Board of Education could better use its money while getting full value for the salary and benefits offered. It is possible that there are other

contract employees with similar sick leave clauses so the potential total unfunded sick leave liability picture could be higher and remains unclear.

Some of the other questions raised as a result of the recent public dialogue and subsequent investigation worthy of note -

- Does this bonus clause continue in successor contracts with the Superintendent of Schools? It looks like it does.
- How many contract employees does the Board of Education employ? At a guess – I think about five.
- Do any other Board of Education contract employees have such a bonus arrangement/sick pay account? I don't know because we don't have their contracts.
- Did either of the previous Superintendents have a bonus arrangement in their contract?
- Did either of the previous Superintendents have a sick pay arrangement in their contract and, if so, how much was paid out upon termination/ retirement?
- What was the intent of providing a bonus?
- Why couldn't the Board of Education achieve the desired goals/objectives without paying a bonus, especially since the stated goals/objectives were within the job content of the Superintendent?

Look for a minute at the Office of the Mayor.

- The current salary for the office of Mayor is \$102,708.
- The office of Mayor receives no Sick Leave.
- Wage increases for this position are tied to the United States Cost of Living adjustments – Bureau of Labor Statistics

I don't have it with me, but to the members of the committee I can make a history of the Mayor's salary structure available, since the time he started in office.

I did a small comparison of the total compensation package - Mayor vs. Superintendent. Some interesting things came out.

- The incumbent Mayor, factually, is not looking for a bonus - a fact misunderstood by some and distorted by others.

- His compensation package is fixed by Ordinance and will not come up for review until 2013 and this will be a very public process.
- Compare the Board of Aldermen Ordinance process to the Board of Education Contract Negotiation process where there is absolutely no public input and the contract negotiation results cannot be discussed, and you might understand why the Mayor questioned the validity and logic of the end product.
- Add to this the state of the economy and you have to agree that these times warrant change in the way we manage our educational finances.

Again, Goals and Objectives managed throughout the term of employment will achieve the desired results or explain why the desired results cannot be achieved and this system does not require the payment of a bonus.

Managing by Goals and Objectives is a widely accepted management practice. However, bonuses are usually reserved for situations where productivity can be directly and objectively measured.

Utilizing every budgeted taxpayer dollar in the most economical manner possible is a goal we all share. The Board of Aldermen has every confidence that the Board of Education will examine these issues in the spirit in which they are given and make adjustments they feel necessary and appropriate.

I have the backup mechanics for the projections that I made. I thought we needed to put it on the table to straighten out the misconceptions. The Mayor knows he can't get a bonus and he isn't going to get a bonus. That wasn't the purpose of this.

Alderman Kudej stated, for the record, I was part of the group that made this ordinance up back when it was instituted. John was right on the money with the next time we negotiate this is November of 2013. Mayor, if you're still in office you've got a couple of more years to go.

Mayor Lauretti stated, I've understood that for a long time. The base salary of the Mayor has never been a bone of contention for me, not even from day one when it was \$25,000. I just think that it was a little ironic that some people, including members of the media, choose to

focus more on me than they do the Superintendent of Schools. It's okay for the highest paid employee of the City to get a bonus in these tough times, and we're laying people off, we're charging students \$400 to participate in sports and other extracurricular activities. They had, at the end of the last fiscal year \$887,000 that was encumbered – that means unspent at the end of the school year. The majority of that money still sits in their account six months later, and people choose to focus on me. So the only thing that I can derive is that it's personal. It's very personal. And that's unfortunate. That's the way of the world today and that's politics and I've understood that. I think that we have a responsibility to communicate to the public, if you can't do it through the media, that we have to take other avenues. Perhaps a direct mail campaign to residents on this topic is warranted, in addition to a posting on our website would also be appropriate. The facts are the facts.

If you have people trying to distort the facts and focus on things like an FBI investigation for eight years, you've got to wonder where their motive is and what's driving them. You know, the FBI investigation is what it is. It went on for eight years, I imagine it may go on for another "x" amount of years.

Have we done our job? Is the City whole? How are the finances? What are the results of the audit? Have we done our job? Have we acted responsibly? Those are the pertinent questions. Those are the things I'm going to continue to focus on. But I'm not going to sit on the sidelines and let people disparage me or the process or the City when the facts don't support that. So, the issue of the bonus is what it is. It only exists in one place. Shelton is not indifferent to the rest of the State, it goes on all over the State. It's okay to lay people off, it's okay for them to get 5, 6, 7, 8 percent pay increases in this economy – if the public wants to accept that it's their choice. But that standard doesn't exist on the City side of the equation. Not here in Shelton nor does it exist in many other cities across our State. There is an imbalance here. You know, it's always "about the kids." It's always "about the kids." I wonder if we've gotten to the point where we're past that. Is it really about the kids?

Alderman Anglace stated, it should be about the kids. That's what I pointed out in my statement. It should be about the kids but it's not about the kids when you look at how the money is being spent. When 85 percent of the money goes for labor then that's not about the kids. I

mean, how many times do you hear teachers tell you they've got to spend their own money for supplies in the classrooms? It's not about the kids.

I'll tell you this, I do feel encouraged in this respect. I think our Board of Education members will take this in the spirit in which it's given and I certainly hope they'll join us for further discussions about it. I'll be glad to meet with them.

Mayor Lauretti stated, last year, based on the cost of living, I think I got a \$4 or \$5 increase in my paycheck each week. This year was not much better.

Alderman Anglace stated, I think you beat our senior citizens on Social Security.

Mayor Lauretti stated, it also should be noted that every employee, either City side or Board of Education side, fared very much better. And that's okay; I understand that.

#### **4. Audit Report**

Alderman Anglace stated, we've heard what the auditor had to say and we now have the minutes. I think we have to spend a little more time looking at the minutes in depth and I think we've got to answer some questions, like modified cash basis versus gap, which is the modified accrual method. I think we've got to look at those more in detail. I think we've got to get the City and the Board of Education in unison as he recommended with respect to how we handle encumbrances at the end of the year. What he did say was, whatever method we assign as a City, then the City and the Board of Education must follow it. It would probably behoove us if the finance gurus from the City and the Board of Education got together and talked about it and come up with a recommendation for us – what they'd like to see.

Mayor Lauretti stated, status quo – that's what they'd like to see.

Alderman Simonetti stated, after the meeting I had a discussion with Allan Cameron, who is the finance director for the Board of Education and he recognized that there are some issues he would like to discuss and get help with. There are some people that want to talk from both

sides and we could get something going there, the sooner the better obviously.

Alderman Anglace stated, I think you're right. Al did comment privately to me that as soon as the minutes come in he would like to see them. He thought there were some things that were said that were inaccurate by the auditor and he wanted a chance to refute that. I made sure he got a copy of the minutes and I told him we'll meet with him at any time.

**Adjournment**

At approximately 7:50 p.m. Alderman Simonetti MOVED to adjourn; SECONDED by Alderman Anglace. A voice vote was taken and the MOTION PASSED 3-0.

Respectfully submitted,

Patricia M. Bruder  
Clerk, Board of Aldermen