

SPECIAL MEETING – CITY COUNCIL

-JULY 30, 2003-

A Special meeting of the Cranston City Council was held on Wednesday, July 30, 2003 in the Council Chambers, City Hall, Cranston, Rhode Island.

The meeting was called to order at 6:10 P.M. by Council President Pastore.

Roll Call showed the following members present: Councilmen Fung, Jackvony, Councilwoman Ellen O’Hara (appeared at 6:30 P.M.), Council Member Fogarty, Councilwoman McFarland (appeared at 6:15 P.M.), Councilmen Ferolito, Lanni, McDonough and Council President Pastore –9.

Also Present: Paul Grimes, Director of Administration; Jametta Alston, City Solicitor; Jerome Baron, Director of Finance; Mike Igoe, City Controller; Patrick Quinlan, City Council Legal Counsel; School Superintendent Catherine Ciarlo; Joseph Cofone, Assistant School Superintendent; Joseph Balducci, School Business Administrator; Dennis Neri, Executive Director of Human Resources; School Committee Members, Jacqueline White, Michael Cardarelli, Steven Stycos, Steven Drager, Anthony Lupino, Edward Eramian and Michael Palumbo; Steven Angell, Financial Review Board Chairman; Raymond Votto, Financial Review Board member.

-JULY 30, 2003-

The City Clerk read the following:

CITY OF CRANSTON

RHODE ISLAND

CALL OF SPECIAL MEETING OF THE CITY COUNCIL

In accordance with the Home Rule Charter and Section 3.07 thereof, I hereby call a special meeting of the City Council to be held on Wednesday, July 30, 2003 at 6:00 P.M. in the Council Chambers, City Hall, Cranston, RI at which meeting the following items of business shall be transacted:

City and School Department Budgetary matters including but not limited to an accounting of the distribution of the supplemental tax proceeds.

Discussion of general School Department operating issues.

And I hereby request the City Clerk to notify all Council members of the Call of the special meeting.

Executed at Cranston, Rhode Island, this 23rd day of July, 2003.

/s/ Peter T. Pastore, Jr.

Council President

-JULY 30, 2003-

CERTIFICATION

I hereby certify that a true copy of the attached Call of a special meeting of the City Council to be held on July 30, 2003 at 6:00 P.M. in the Council Chambers, City Hall, Cranston, R.I. was delivered via electronic mail on the 23rd day of July, 2003 and regular mail, postage prepaid to the addresses listed below.

Council President Peter T. Pastore, Jr.
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Cranston, RI 02921
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Councilman Marc D. Ferolito
mferolito@msn.com

Council Member Cynthia M. Fogarty
Fogarty1@msn.com

Councilman Allan W. Fung
alfung@cox.net

Councilwoman Ellen O'Hara
ellencohara@cox.net

Councilman Kirk McDonough
67 Dellwood Rd.
Cranston, RI 02920
kirkmcdonough@cox.net

Councilwoman Paula McFarland
pmcfarland@prodigy.net

Councilman Randall A. Jackvony
rjackvony@cox.net

Councilman John E. Lanni, Jr.
111 Woodview Dr.
Cranston, RI 02920
jlanni@peterpanbus.com

/s/ Maria Medeiros Wall, City Clerk

-JULY 30, 2003-

Council President Pastore stated that he invited to this meeting, through the Clerk's Office, Mr. Angell and his colleagues from the Financial Review Board and the Mayor and his staff. He also asked Mr. Angell and the Mayor to add anything to these items on the Agenda for discussion that they would want addressed and he was not provided with anything from either party. The intent of this process is to have good dialogue. He turned the meeting over to School Committee Chair White for item #1 on the Agenda (Budget Revenue Reconciliation 03'-04').

Ms. White reiterated that School Committee and School Department are very pleased to be here and meeting with the Council once again and they appreciate the Council taking their time to meet with them. First two items relating to the budget revenue reconciliation and budget reduction plan will be handled by Mr. Balducci.

Mr. Balducci stated that in the packet handed out to the Council, there is supporting documentation. A memo from him addressed to Council President Pastore from him, which was dated June 27, 2003. The language in this memo was to discuss revenue sources as identified on the school budget as compared to the City document and at that point, we noted a discrepancy of approximately \$138,686 of additional revenue that could be budgeted by the City as we identified the areas where that money came from. At the end of the packet is a letter addressed to him from Council President Pastore thanking him for the memo and he believes is going to be introduced as an Ordinance at the July 28, 2003 Council meeting and he hopes this has taken place. Council President Pastore stated that we can address part of item #4 on the Agenda (Ord. 8-03-1). He stated that the Ordinance was introduced at last night's Council meeting to address the \$138,000 that was not funded to the School Department and we also had, as part of that Ordinance, the \$2.8 million that is due the School Department as a result of the School Bond issues passed. The Ordinance was proposed, but he does not expect those funds to be available until the fourth quarter of FY 2004 because we can't make inter-departmental transfers until the fourth quarter. Relative to the budget itself and closing the gap, with the assumption that the Ordinance passes, he asked where we stand on the Council appropriation to the School Committee on resolving the variance in that budget? Mr. Balducci stated that if additional State Aid is provided by the RI Department of Education, the amount would be approximately \$956,000. We would be shy \$4.9 million. It would bring up the City budget approximately \$105,000 as compared to the \$110,000. Council President Pastore asked where we stand in addressing the \$4.9 million hole and what other adjustments has the School Department made to date on closing that gap. Council President Pastore asked Mr. Baron if he is in agreement of what the variance is. Mr. Baron asked for time to review this.

Council President Pastore stated that the School Department has replaced 40 teachers, he asked how many more teachers need to be replaced. Ms. Ciarlo stated three more. Council President Pastore asked what the net savings is on who retired with what you replaced and what is the net difference in the dollar amounts that he is assuming will be used in closing the \$4.9 million gap. Mr. Balducci stated that the original School budget was based on 30 retirees. He stated that they are using the figure of approximately \$13,500 savings per retiree. This is approximately \$405,000 of additional revenues/savings. Council President Pastore asked if the School Committee has discussed this \$405,000. Ms. White stated, no.

Council President Pastore asked what dialogue has taken place to narrow that gap down and if the School Committee has entertained further budgetary revisions to date since our last meeting. Mr. Eramian stated that before we start with that, what the School Committee and School Department want to be sure is that when we start with a number of \$4.5 million or \$4.9 million that there are not additional changes that they are not aware of through the budgetary process, accounting process or procedural type changes that have occurred that would blow that number up. He stated that they have heard that there has been a change in the approach for the hospitalization funding and how that will be handled in this 03-04 year. He cautioned that a procedural matter has already been changed that they were not made aware of.

-JULY 30, 2003-

Mr. Balducci stated that approximately two weeks ago, he met with Mr. Baron and Mr. Igoe regarding year end reconciliation. At that meeting, the topic regarding changing the way the City and School hospitalization fund was going to take place in the future was first brought out. Since that meeting, he has not received any correspondence or had additional conversations with the Finance Office regarding how the mechanics was or how it was going to work. The beginning of this week, Mr. Igoe called him to say that the School Department was going to be responsible for paying their claims directly to the health providers. He received copies of invoices from United Health that are their obligations, which he needs to sit with the Finance Department and discuss the mechanics and how that is going to work. To date they have not met.

Council President Pastore asked Mr. Baron to update the Council if there are any changes on the allocations and how things are going to be handled between the City and Schools that could change the variance that we are talking about. Mr. Baron stated that the so-called School hospitalization fund in reality is nothing but a line item in the budget, which has been used in the past, in his opinion, would be the recipient of a deficit being appropriated to the fund that was not sufficient to meet the cost that would have been incurred by the City or the School Department. Council President Pastore asked Mr. Baron that his question is, is there any changes or any additional variance the School Department may incur as a result of him making these accounting changes or can we rely on what the variance is as represented by the Mayor when he went to Court. Mr. Baron stated that he is not sure what Council President Pastore is referring to, but if they under-budgeted, there will be a visible amount required, if they over-budgeted, there will be a surplus.

Council President Pastore asked, the money that is budgeted for 2003-04, how much is allocated for expenses in that account. Mr. Baron stated exact amount that is budgeted to fund the accounts on the City side, he does not have that number. Mr. Eramian asked how it was done in the past, Blue Cross or whoever the healthcare provider would be and our healthcare consultant has come to the School Administration and said for each \$100 you put in last year, it is our estimate based on being in the healthcare business, that you should put into your budget for next year a certain number. In this case, it was 18% more. Then the bills would come in and be paid against that. What Mr. Baron has changed it, and that is fine, but we just need to know whatever the number is, if it is going to hit the budget this year and if that is the general acceptable accounting practice, then that is going to have an impact because we don't know if we are going to have a good year or a bad year.

Ms. White stated that the previous year they had an increase of 21% in what they budgeted for. This past year 18% based on the consultant and what they had spent the previous year and obviously, they along with the City ran a deficit for quite a few years, so obviously it is very difficult to predict what you are going to be spending on these kinds of expenditures. She stated that her biggest concern is they are coming to the end of the year and they are in a deficit of a couple of million dollars. She asked, where does the City get their \$2 million, if it has a \$2 million deficit, and where does the School Department get the \$2 million? Ms. White asked Mr. Baron if the City has run a deficit in 03-04 year for healthcare. Mr. Baron stated, no.

Mr. Lupino addressed a question asked earlier by Council President Pastore in regards to what the School Committee is doing to start the process to reconcile. He stated that at this time, they are going through a process based on State Law. The first step in that process is to get relief from mandates from the RI Department of Education. Under the School Committees' direction, the Administration has been working to identify those specific areas and he believes they are almost ready to present to RI Department of Education those areas delineated and waiting for answer back from them. Council President Pastore asked on a mandate side, how much would that amount be.

-JULY 30, 2003-

Ms. Ciarlo stated they do not have that number because they are still generating the unfunded mandates and calculating what it would cost if they were relieved of them. She expects to finish with that by the middle of next week. Within the next two and half weeks, they will know where they stand. History of asking for relief from mandates from the Commissioner of Education, not only by the City of Cranston, but other communities has not been successful. Council President Pastore stated that if this is not highly probable, what other areas has the School Department looked at that is within their control that could facilitate further reductions. Mr. Eramian stated that the Superintendent has just recently re-organized the Administrative staff. The results of this re-organization is slightly more than \$300,000 savings of this year's current budget (03-04). This is separate and apart from the retirees.

Council President Pastore asked if and when the School Committee plans to meet to actually start looking at this \$4.2 million variance to see how far down they can whittle that number to. Mr. Eramian stated that they have been meeting on this again and again, but there is no way they can go beyond a certain point. Surely, the School Committee will be meeting after they hear from Commissioner Walters.

Councilman Jackvony stated that there has been discussion of Section 11.01 of the Charter. He asked if that part of the Charter has been fulfilled and if not, can he have a simple or bulleted form of the things that are preventing the School Committee from obeying with this section of the Charter. Attorney Piccirilli stated that Section 11.01 is a City Charter provision. There is a State Law 16-2-21.4, "Budget Reconciliation Act", which governs how a school department and local appropriating authority go about reconciling their budget. He stated that that was a debate they had in the Supreme Court and we are proceeding under 16-2-21.4. They do not know what the appropriation is yet. They need to know what their appropriation is before they can reconcile that budget. The School Committee recognizes its obligation to attempt to reconcile its budget, but in reconciling that budget does not mean just cut it. It means there is a process under that Statute by which the School Committee can seek additional appropriations from the Council.

Councilman Jackvony asked if the Statute Attorney Piccirilli quoted has a timeframe by which this process had to be completed by. Attorney Piccirilli stated that it generally speaks in terms of completing it within the budget year.

Council President Pastore asked when the School Committee plans on having their meeting to see where else they can close the gap on this \$4.2 million number. Mr. Eramian stated that as was indicated earlier, they have asked for mandates to be revoked or relief from the mandates and then they will sit and figure out where they are.

Council President Pastore asked Mr. Baron when he thinks he can finalize any additional revenues or revenue shortfalls that the State is appropriating to us. Mr. Baron stated that he will let the Council know when he expects those numbers.

Councilman Fung stated that one of the things he finds frustrating is every single question they keep getting always seems to focus on additional revenues that is expected and a lot of that is speculative. It may not be there. One of the things he has found disappointing was on the replacement of teachers. During the last meeting, he had asked for documentation about those 60 people who were going to be replaced, whether or not there could be some areas of consolidation and whether any of those positions are truly needed. He stated that he would like to hear more about what else, in addition to what we heard is being looked at, such as if the unions have been spoken to about trying to get some concessions, because we are not just a bank that can generate money at any point in time.

-JULY 30, 2003-

Ms. White stated that the School Committee is meeting on August 12 and will be discussing the budget again. They have approached the unions and the answers have been no, they are not going to come to the table and they are not willing to co-pay, none of those things, at this time. They are still looking at the personnel costs, but basically, they are not anywhere near that. They have not had any more conversations than these kinds of things because it took them this long to get to these. Once they settle with staff, they do not have a whole lot of areas to look into. You would be looking at programs, sports, music. These are things that they feel make up the Cranston Public School System what it is. Realistically and honestly speaking, they do not feel they are going to be able to go much lower in reduction than the \$4.5 million. They are going to meet on August 12 again to speak about these kinds of things and are going to be chipping away to the best of their ability.

Mr. Eramian stated that one potential savings that does exist or one area they feel should be investigated is the insurances. The School Department pulled out of the Risk Commission three or four years ago and he believes there is a potential savings to the City of approximately \$500,000 to \$600,000 annually by doing the same thing and rejoining the Inter-Local Trust or some other body that may be out there. The second area that could be looked at is the Towers and Perrin Consolidation Report, which is sitting idle right now. There are thousands of dollars of savings that the City could gain.

Councilman Lanni asked of the \$300,000 in savings generated from reorganization of Administration, how many people were retired or eliminated. The reason he is bringing this up is because he heard it was nine people. If it were 10 people, that is only \$30,000 per person, that is not counting healthcare or anything else. He would like to see some additional information on this. Mr. Neri stated that there were 11 Administrators that retired, two Central Administrators and two Principals. Four people were not replaced of the 11 who retired. Councilman Lanni asked if everyone in the School Department is in a union or are there non-union personnel there. Mr. Neri stated that there are non-union personnel also. Councilman Lanni asked if Mr. Neri has looked into consolidating some of the non-union positions. Mr. Neri stated that all areas have been looked at.

Council President Pastore spoke regarding "Budget Reduction Plan Per Auditor General For 02-03 Including Unpaid Vendor Warrants". He asked for some specifics of that. Mr. Balducci stated that in the packet handed out, there are a couple of supporting documents. One is a letter dated July 16 to Auditor General Almonte from Superintendent Ciarlo. He stated that, as everyone is aware, sometime in March, the School District started a conversation with whomever would listen that they would be anticipating a deficit for 02-03 of approximately \$1.5 million. Since then, they took some action to try to reduce that as much as they could. The result of all those corrective actions reduced the deficit down to approximately \$975,000 for the Operating Budget. State Law indicates that the School Department cannot end a fiscal year with an operating deficit. The last two corrective actions that were taken, it was their understanding that the \$2.9 million of the Supplemental Tax was identified to be used toward School Department related deficits for 01-02, \$2.4 million of that was supposed to be for the School Hospitalization Fund for 01-02.

The meeting recessed at 9:00 P.M.

Maria Medeiros Wall
City Clerk

(See Stenographic notes of Ron Ronzio, Stenographer).