



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
LABOR & PUBLIC EMPLOYEES COMMITTEE

March 10, 2011

Good afternoon, on behalf of CCM -- Connecticut's statewide association of towns and cities -- my name is **Steve Werbner, Town Manager of Tolland**. Thank you -- again -- for the opportunity to speak before you regarding Connecticut's compulsory binding arbitration law as it applies to municipal employees.

SB 989 **"An Act Concerning Reserve Fund Balances and Changes to Municipal Binding Arbitration"**
HB 6409 **"An Act Requiring Neutral Municipal Arbitrators be Members of the American Arbitration Association"**

SB 989 would (1) prevent an arbitration panel from considering a municipal reserve fund balance when determining municipalities' financial capability, and (2) limit the review of a rejected arbitration award by a municipality to a single arbitrator. HB 6409 would require that all neutral municipal arbitrators be members of the American Arbitration Association.

CCM has long supported adjustments to the local binding arbitration process in an effort to make the process more cost-efficient for all parties involved. It is imperative to note that local officials are not seeking a repeal of binding arbitration laws, nor any radical, comprehensive reforms. Instead, local officials are merely requesting modest changes to how the process is conducted -- particularly during these unprecedented fiscal times.

Municipal Fund Balance -- SB 989

CCM supports the provisions of SB 989 to prohibit municipal fund balances (essentially "emergency contingency funds") **from inclusion when determining municipalities' ability to pay** under the Teacher Negotiation Act (TNA) and Municipal Employees Relations Act (MERA).

As stated before in previous testimony -- a "**fund balance**" is described by the GFOA as the "cumulative difference of all revenues and expenditures from the government's creation."¹ Municipalities build up their fund balances over time. More importantly they do so for good reasons. The one most cited is that fund balances preserve a municipality's bond rating, lowering the cost of borrowing for capital needs. Bond rating agencies want to be assured that should any fiscal emergencies arise that sufficient funds are set aside for a municipality to meet its contractually mandated expenses as well as be able to pay its debt

¹ Government Finance Officers Association *Research Bulletin*, November 1990

service obligations. Thus most rating agencies require at least 10-15% of a towns overall expenditures be set aside in a fund balance. GFOA recommends two months of expenditures which in most cases is closer to 16%.

Other reasons to maintain a fund balance include unanticipated expenditures for natural disasters, spikes in energy costs, unanticipated employee overtime, unexpected variations in cash flow, unexpected capital expenditures resulting from water main breaks or other infrastructure problems, and more. Combining the worst fiscal crisis in decades with record breaking snowfalls so far this winter -- towns and cities are already dipping into their fund balances to keep afloat. These are all one time expenditures for which you do not have to rely on the source on a continuing basis. **SB 989 would rightfully protect these very critical and necessary local funds.**

When an employer and a union agree to a wage increase or a benefit improvement, it has more than a one-time effect. For example, if wages increase by 2 percent this year, the dollars for that increase have to be included in both this year's and subsequent years' budgets. In fact, the dollars compound going forward when additional wages increases are given.

Precluding arbitrators from using fund balance to justify for wage or benefit improvements will help to ensure that municipalities are not penalized for having sound financial policies. In addition, it will avoid the situation where employees receive a wage or benefit improvement in one year only to face layoffs or the need for concessions in a future year when there is no fund balance left to pay for the wage or benefit gain.

CCM opposes the provisions of SB 989 to mandate single arbitrator review of a municipal rejected arbitration award. Both parties involved should be allowed the option and discretion to decide whether to use a single arbitrator or a traditional tripartite panel at any point in the arbitration process. Therefore, CCM urges the Committee to *amend SB 989 by deleting the proposal to mandate a single arbitrator system and allow the use of a single arbitrator either in the initial arbitration hearing and/or in the review of a rejected award.*

Qualifications of Arbitrators – HB 6409

CCM supports HB 6409. The use of qualified and mutually acceptable arbitrators is beneficial to both management and unions. CCM urges the Committee to expand this proposal to require that all arbitrators appointed to the panel of neutral arbitrators for binding interest arbitration under MERA be on the labor panel of either the American Arbitration Association (AAA) – as proposed in HB 6409 – or the Alternative Dispute Resolution Center (ADRC). Such an appointment to either panel requires experience in labor relations, as well as positive recommendations from both employer and union representatives. Again, establishing the assurance of such qualifications would be mutually beneficial to both parties.

CCM urges the Committee to amend SB 989 and HB 6409 as recommended above, and to favorably report both bills as reasonable means of adjusting local binding arbitration without compromising the integrity of the process

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Questions regarding this testimony, please contact Bob Labanara of CCM at rlabanara@ccm-ct.org.