MEMORANDUM

TO: Members of the Emergency Financial Control Board

FROM: John E. Zuccotti
First Deputy Mayor

DATE: June 17, 1977

SUBJECT: Productivity COLA Policy

The City and its unions have agreed that increased productivity and operational improvements are joint responsibilities -- and a means for compensating employees in a time of fiscal crisis. The formula for cost of living adjustments and the programs for funding them constitute the central economic contract between the city and its unions.

The unions have set aside traditional economic demands in this contract and are cooperating with management in implementing this new approach. The City, in its turn, recognizes a continuing responsibility to its employees to provide fair and equitable payment during the life of this unprecedented agreement.

The process for carrying out this agreement was outlined in the June 30, 1976 Memorandum of Interim Understanding in which the parties agreed to:

"constitute a Joint Labor Management Committee on Productivity composed of equal representatives of the City of New York and the Municipal Labor Committee. The purpose and function of the committee shall be to develop and maintain productivity programs, to affect cost savings without loss of service on a Citywide basis through reduction in fringe costs or by reason of other savings and other revenues, and to measure and evaluate which amounts shall serve to provide the COLA payments herein prescribed."
The Joint Labor/Management Productivity Committee was organized and met for the first time in July, 1976. It was agreed to ask the Executive Directors of MAC and EFCE to join the meeting to help resolve certain technical and legal questions. It was further agreed that labor/management committees would be established in each agency to develop productivity proposals. These committees were to be co-chaired by the union representing the largest number of employees and by a designee of management.

The City and unions briefed their staffs and representatives and assigned personnel to carry out the program. The objective was to develop the machinery and process for developing and maintaining productivity programs throughout the life of the contract.

The emphasis for the first COLA period, October 1, 1976 through March 31, 1977, had to be both on developing productivity programs and on insuring continuity for the effort. The intent to meet the October date for submission to the EFCE led to incorporating identifiable revenue-producing improvements for a major portion of the first payment.

Continuity for the program was also furthered since committees were set up in some 30 agencies and at least 20 of these agency joint committees produced material proposals in time for the October submission. Almost all the individual agency proposals provided funding for their own COLA costs.

The intent of the Memorandum of Interim Understanding is to stimulate productivity and labor/management cooperation. The success of that effort is contingent upon the continuation of a collaborative effort outside the traditional adversary labor/management relationship. That objective is being fulfilled.

It is in that context that the City and its employee organizations have come to agree on refinements of several definitions and funding policies for the second, third, and fourth productivity COLA periods.
We will use as working definitions of productivity programs: any program providing for an improvement in operations of an agency, involving improved performance by employees, which results in increasing revenues to the City (barring new or increased fees) above those anticipated in the Financial Plan; or which results in reduction in spending, in addition to those anticipated in the Financial Plan; or which results in improved levels of service without the addition of new resources. As before, any program within these definitions may not reduce the subject agency's level of service. Within this definition, such matters as work rule modifications, absence control, reorganization or redeployment of workers, transfer and/or retraining, systems innovation and increased or improved standards can be contemplated.

The matching procedures established below will govern the use of all other savings and revenues for FY 1978.

The sources for funding COLA payments during Fiscal Year 78, for the second, third, and fourth payment periods are to be:

- revenue increases realized during FY 78 resulting from productivity programs
- cash savings realized in FY 78 from cost reductions resulting from productivity programs
- cash savings realized in FY 78 from fringe benefit reductions
- fifty million dollars in other savings and other revenues to be used in accordance with the following guidelines:
* Programs which produce no cash savings but which measurably increase service at no cost, will be eligible for this matching fund in amounts equaling the cost to the City were it to hire additional workers instead of successfully negotiating improved productivity in the existing workforce.

* Programs which reduce spending through productivity improvement will be eligible for a dollar match to each dollar of cash saved.

* Up to $25 million of revenue increases through productivity improvement will be eligible for a dollar match for each dollar of revenue increase. However, all revenue increases realized through productivity improvement may be used to pay COLA.

* Fringe benefit reductions will also be eligible for a dollar match if such reduction also results in increased productivity: for example, modification of vacation schedule or "give-back" of leave days. However, reduction of fringe benefits funded by employer cash contribution, such as welfare fund or medical benefits, may be used but not matched as contributions to COLA.

Matching funds may be used only for the second, third, and fourth COLA periods. Any qualifying program utilizing FY 77 productivity savings, productivity revenues, or fringe benefit cost reductions must be submitted to the EFCB by July 31, 1977 (except fringe benefits due for FY 77 specifically encumbered out of FY 77 funds by the City). Any such qualifying programs for the second COLA period may be matched with other savings and revenues from FY 77. However, fringe benefits due in FY 77 for which payment has not yet been made in FY 78 (the exception noted above), where offered by the unions to fund FY 77 COLA payments will be allowed for that purpose but not matched. The first COLA period and the portion of the second COLA period which occurs in FY 77 may be funded from FY 78 productivity savings, productivity revenues or fringe benefit cost reductions where there are qualifying programs submitted in FY 78 producing funding in excess of that needed to pay COLA for the
then current COLA period.

This formula for complementing productivity improvement, savings and revenues, with a general matching fund of other savings and other revenues further expresses the joint labor/management commitment to associating improved City service and performance with just compensation for the workforce.

The City is proceeding with the implementation of these policies in the mayoral agencies. It is our recommendation that the principles articulated in this memorandum be adopted as regards the covered agencies.
STATEMENT OF STEPHEN BERGER, EXECUTIVE DIRECTOR,
EMERGENCY FINANCIAL CONTROL BOARD FOR CITY OF NEW YORK

The meeting of the Emergency Financial Control Board scheduled for Thursday, April 14, is being postponed until Monday, April 25, 1977. The major item on the agenda was to have been a discussion of the Transit Authority COLA payments.

The Control Board is in receipt of a request by the Transit Authority for a reconsideration of the standard by which the Control Board will allow payment of COLA by the Transit Authority to its employees. At its meeting today, the Transit Authority requested that the standards for the payment of COLA which apply to the rest of municipal unions (the Memorandum of Understanding -- "Hilton Agreements" of June 30, 1976) also be applied to the Transport Workers Union, i.e., to allow them to use "other savings and other revenues" in addition to productivity savings to fund COLA. The Control Board is also in receipt of a report from the Special Deputy Comptroller which shows that approximately half of the amount required from COLA payments have been made through productivity.

The Transit Authority in its communication to the Control Board has noted the Special Deputy Comptroller's findings that the Transport Workers Union has produced half of the required amount to pay their COLA out of productivity whereas the other unions have produced under 10% of the amount required to pay their COLA out of productivity. They noted that the Control Board's current authorization will not permit payment of the Transit Authority COLA although they do permit payment of the municipal union's COLA. The Transit Authority has also announced at its board meeting this morning that it intends to discuss with the Transport Workers Union additional productivity programs.

In order to insure that there is adequate time for the Control Board to analyze the request of the Transit Authority for a change in Control Board policy regarding their COLA, the Control Board meeting is rescheduled for April 25. This postponement will also give the Transit Authority and the Transport Workers Union time to meet to discuss additional productivity programs. Until such time members of the Control Board have indicated that they would approve maintaining the status quo with regard to all payments.

It is my opinion that the kind of policy reconsiderations being requested by the Transit Authority should occur only if the City has submitted a balanced budget for the third year of the financial plan, if there is a financial plan for the Transit Authority which shows a balanced budget for fiscal year 1977 and fiscal year 1978 and if we have before us the City's response to the questions raised in my memorandum of March 22, 1977 to the Control Board regarding overall City policy with regard to payment of COLA.
March 22, 1977

TO: MEMBERS OF THE EMERGENCY FINANCIAL CONTROL BOARD

FROM: Stephen Berger

RE: Issues Regarding the Payment of Cost of Living Adjustments Open to Municipal Employees Under the Productivity Program.

The time is rapidly approaching for formal EFCB consideration of the first Cost of Living Adjustment (COLA) payments under the terms of the June 30, 1976 agreements made between the City and the municipal labor unions. The first payment of this COLA as provided under the agreements could have taken place in October, had all of the requirements been met. The first COLA period ends on March 31st, and it would seem appropriate that the EFCB take action before the expiration of the period if it is possible to do so.

In conjunction with the EFCB's forthcoming consideration of COLA payments for employees in mayoral agencies represented by DC17, the EFCB should obtain from the City its position on two COLA-related policy issues which have emerged as the result of events in the last several months. The first of these concerns establishing guidelines for the use of "other savings or other revenues" to fund COLA payments in periods subsequent to the current COLA period. The second concerns the possible establishment of greater uniformity among COLA programs contained in agreements with various unions which may or may not have yet reached the EFCB for its consideration. Among the open issues is the one concerning the UFT contract's "productivity" provision, which is still before the EFCB.
This memorandum first discusses the development of the productivity related COLA concept and then addresses each of these two policy issues.

1. Development of the COLA Concept

The concept of authorizing Cost of Living Payments based upon productivity savings was developed at the point the EFCB acted to extend the statutory wage freeze on March 26, 1976, created by the Financial Emergency Act to the entire period of the financial crisis. This was done when it was clear that the one year freeze could not be adequate to control potential increases in labor costs which could be anticipated by the collective bargaining agreements being negotiated for FY 77 & FY 78. While the EFCB felt it necessary to prevent escalation of labor costs, it also felt that employee earnings could not be held constant in the face of inflationary increases in the cost of living. The EFCB therefore permitted labor management agreements which both held down labor costs and also permitted salary adjustments to occur if increased worker productivity could be obtained. General wage and salary policy guidelines ("guidelines") to reflect these considerations were enacted by unanimous resolution of the EFCB on May 18, 1976. They formed the basis of the EFCB's approval of the contract between the Transit Authority and the TWU which was approved on May 18, 1976. The guidelines provided that:

1. No agreement shall provide for general wage or salary increases or increases in fringe benefits.

2. No agreement shall provide for increases or adjustment to salaries or wages, including those based upon increases in the cost of living, unless such increases or adjustments are funded by independently measured savings realized, without reduction in services, through gains in productivity, reductions of fringe benefits or through other savings or other revenues approved by the EFCB, all of which savings shall be in addition to those provided for in the financial plan.

3. Each agreement shall provide for a mechanism to permit savings in pension costs or other fringe benefits during the term of agreement.
The term "fringe benefits" was subsequently modified to read "cost of fringe benefits".

Although the EFCB's resolution tied increases or adjustments to salary to productivity without reduction in services, the EFCB also authorized the use of "other savings or other revenues approved by the Board" to fund productivity COLA. Thus, the guidelines required that in all cases of wage adjustments a funding source not already included in the financial plan was necessary for payment. The source intended by the EFCB to be the primary source was productivity improvements agreed to by the City and the unions.

However, as the City Administration pointed out and as reflected in EFCB discussions which accompanied the adoption of the guidelines, it was recognized from the beginning that there might be some City agencies already operating with relatively high levels of efficiency for which additional productivity programs would not be practical or which would negatively impact the quality of the services provided. The Fire Department was the most often cited example. In order to provide some mechanism for the funding of COLA payments in these few instances, so as to insure that workers in already efficient agencies were not deprived of COLA because their level of efficiency would reduce the extent of productivity which could be realized, the Budget Director of the City requested specific language in the resolution. It was his suggestion which led to provision for funding some of the total COLA payments out of other savings or additional revenues not currently included within the financial plan. From the beginning, however, it was recognized that the use of other savings or other revenues to fund COLA should be a relatively minor source of the total funding requirements, and that they would be used only to handle unique situations as they arose.

In June, the City received a letter from the Assistant Secretary of the Treasury, Robert Gerard, outlining the procedures required for the City to obtain loans from the Federal government pursuant to § 2.6 of the Credit Agreement under the New York City Seasonal Financing Act of 1975. This June 19th letter stated that, "(w)e will not be in a position to make a final decision on the request and to authorize the disbursement of funds until and unless we have been advised (1) that agreements in principle have been reached with the City's principal employee bargaining organizations, (2) that such agreements are consistent with the Emergency Financial Control Board's wage policy resolution, and (3) that such agreements will result in no net increase to the City in its cost of compensating its employees." Pursuant to this requirement, the City and the Unions reached agreement on a Memorandum of Interim Understanding. In this agreement, which was approved by the EPCB on June 30, 1976, the parties conformed to the May 18 guidelines, created a specific outline of a cost-
of-living adjustment (COLA) program as authorized in paragraph 2 of the guidelines, and provided union agreement for $24 million per year in fringe benefit cost reductions. In his letter to the Secretary of the Treasury, the Governor Carey wrote:

The policy on salary and wages adopted by the Board at its May 18th meeting is a major step forward in establishing controls upon the City's personnel costs and in providing a mechanism for improving efficiency in the provision of City services. The policy provides that no collective bargaining agreement will result in general wage or salary increases or increases in fringe benefits. Further, where increased payments, such as, for cost of living, are made, these adjustments to salaries and wages must be funded by independently measured savings realized, without reduction in services, through gains in productivity, reduction of fringe benefits or through other savings or other revenues. All of these savings or improved revenues must be in addition to those provided for in the Financial Plan, and all must be specifically approved by the Board on a contract-by-contract basis. Our application of this wage policy to the Transit Authority's labor contracts should serve as evidence of our resolve to keep labor costs within the terms of the Financial Plan as we continue our ongoing responsibility for approval of labor contracts.

During the negotiations between the City and the unions which led to the signing of the Memorandum of Interim Understanding (The Hilton Agreements), Felix Rohatyn and Stephen Berger, as observers from MAC and the EFCB, reiterated their position that the primary source of increased pay for municipal employees had to be productivity. They were specifically asked about the possibility that some portion of "stretch" money, which would be obtained by refinancing some City obligations held by the banks and the employee pension funds by deferring the payment of principal on the obligations might be used for COLA payments. Both Mr. Rohatyn and Mr. Berger refused to make such a commitment and so reported to the EFCB. Both pointed out, however, that in the context of a balanced budget for FY 1978, and in the event the City had fulfilled its other obligations under the Financial Plan, in the spirit of the original wage policy guidelines which talked to using
other savings or other revenues where productivity shortfalls were unavoidable, the use of funds from the stretch or other savings or other revenues was something they might both be sympathetic to and might so recommend to the EFCB. The key to the success of the collective bargaining process however, rested in the resolve to achieve worker productivity.

As the name implies, these interim agreements, approved by the EFCB, required final contracts with the unions. The agreements were not meant to substitute for final contracts nor to alleviate the need for them. Thus, for each union a contract would be necessary to implement the COLA program and some of the fringe cost reductions to which the parties had agreed ($24 million citywide per year). The delay which occurred in negotiating these final contracts provides the basis for the most significant delay to date in effecting the payment of COLA to municipal employees.

When the interim agreements were approved, it was understood that the COLA payments would comply with the EFCB and Treasury Department requirement that payment of the COLA would not increase the net cost of compensating the work force.

Fundamentally, the COLA program was to be a productivity improvement program. Its intention was not only to increase the compensation of the workforce, but also to improve the efficiency of City operations at a time when attrition and other cutbacks necessitated by the fiscal crisis had adversely affected some City services. Unfortunately, as proposals for the development of programs to fund the COLA have been formulated by the Joint Labor Management Productivity Committee, which was established by the interim agreements the emphasis has shifted from the productivity goals of the original intent.

II. The Use of Other Savings and Other Revenues

By letter dated December 6, 1976, the City submitted to the EFCB and to the SDC a proposal to fund payments of the first cost-of-living adjustments for the non-uniformed, mayoral agency employees for the period October 1, 1976 through March 31, 1977. The programs were classified under the following headings: revenue generating, productivity savings, fringe benefits, and other. "Revenue generating" constituted by far the largest category, comprising $7,402,664 of the total $8,842,892 proposal. While amendments were made to this proposal over the following two months, the predominance of revenue generating programs continued.

COLA payments for employees may be funded by productivity savings, fringe benefit cost reductions, or other savings or revenues. To the extent the program is funded through productivity savings or fringe benefit cost reductions, the funds saved become available for the payment of COLA after review of the program by the EFCB, to
verify both the nature of programs and to approve the City's estimate of their dollar value, assuming that all other outstanding questions have been resolved (i.e., fringe benefit reduction package, certifications and funding). Since the guidelines require that other savings and other revenues may not be funded within the amounts contemplated in the financial plan, any evaluation of other savings and other revenues must be done in terms of the financial plan as a yardstick.

The authority to permit COLA to be funded by other savings and other revenues rests solely within the Board's discretion and specifically requires EFCB approval. To date, the EFCB has not specified the extent to which a relationship among COLA, productivity, and other savings and revenues would be required. While it is clear that other savings and revenues must be beyond financial plan levels, that they cannot be based upon service reductions, and that they should be subject to independent measurement, other issues in these areas remain unresolved.

Discussions about the current COLA submission and informal discussions about future plans strongly suggest to us that the City should develop a policy in this area. As the program continues, its needs should grow, and more funding for COLA will be necessary. In FY 1977 the COLA payments are expected to be approximately $60 million and in FY 1978, we expect COLA to reach approximately $180 million. Thus, the potential for growth is great. Even in the COLA program submitted by the City for DC 37 for the current period, well over half the funding as previously described occurs in other savings or other revenues.

The SDC indicates that the first COLA program, for civilian employees in mayoral agencies includes little productivity and is mostly other savings or other revenues. The City has informed us that $7.8 million is required to pay the first round of DC 37 COLA (10/1/76 - 3/31/77). The Special Deputy Comptroller has thus far found less than $1 million of this total is to be funded through productivity savings according to the most recent proposal. Thus, the primary element of the program requires the use of $4.5 million in other revenues which came about as a result of changes in State reimbursement regulations relating to social service programs. This is clearly not the type of program envisioned by the EFCB in May of 1976. We can reasonably expect, based on progress to date with the current COLA package, that absent a policy which allocates a share of funding among the three sources, that the productivity concept may well be lost.

We see several reasons for the erosion of the productivity concept. The most basic one is that achievement of productivity through a management labor program requires intensive planning, cooperation and true commitment. Other revenues and other savings can often be "found", productivity must be "achieved". Thus the temptation to ignore productivity runs strong even among the most well-meaning of policymakers. We know from our role as observers
in the development of the current COLA package that many of the best productivity programs are still on the shelves, under discussion and unimplemented. Part of explanation for this may be that we are seeing a feeling out process, with the parties trying to determine how much or how little will be demanded from true productivity. It is also true that attainment of better programs requires more time and a greater degree of certainty on the part of the workforce that their concessions will produce additional take-home-pay. We are, in short, at the threshold of some very significant decisions testing the resolve of the City to make the productivity programs produce true productivity with all of its implied benefits to the City, the workforce and the public.

While the payment of the first COLA can be justified on the grounds that the issue of the allocation among productivity and other savings or other revenues has not yet been refined, the City should not permit a lack of a framework to continue. Thus, while we feel that the EFCC should not place restrictions on the current COLA programs and the current period (10/1/76 - 3/31/77), the City must now provide policy recommendations to the EFCC on these matters for its consideration prior to the City's submission of additional COLA programs for future periods.

These new procedures should involve determinations of allocation among productivity and other savings or other revenues by the City. There should be a limit on the use of other savings or other revenues to fund COLA payments to insure that the productivity concept is not lost. No more than a specified percentage of any COLA payment should be composed of other savings or other revenues with the remainder productivity or directly attributed to fringe benefit or other union related reductions. This certainly would conform to the expectations of the parties when the productivity COLA was agreed to.

III. Consolidation of COLA Programs

In conjunction with the development of policies limiting the extent to which other savings and other revenues may be used to fund mayoral agency COLA payments, it would be appropriate for the City to review whether those policies should be uniformly applied to the COLA programs of covered organizations. At present, differing considerations have resulted in the application or proposal of somewhat different rules and standards for the Citywide program and for the programs in effect for various covered organizations. For example, at present all COLA payments made by the New York City Transit Authority must be completely funded by productivity savings, without recourse to the use of possible other savings or other revenues. However, the City's proposal for the COLA program to be put into effect for the Board of Education contemplates that, within certain specified maximum amounts, one-half of certain non-City revenues not included in the financial plan be made available to fund COLA payments.
Although there are differences among various programs now proposed or in effect, the continuation of these differences should be periodically reviewed with an eye to developing uniformity where possible. Given the City's statutory role in the development of a financial plan which covers the covered organizations as well as municipal operations, it is appropriate for the City to assume similar responsibilities in the development of policies for the administration of COLA programs.

In theory, funds for the payment of COLA are not provided in the financial plan. This is because, by definition, COLA is required to be paid from savings and revenues beyond the level assumed in the financial plan, savings to be generated by productivity, fringe benefit cost reductions, or other means, without reducing the level of service provided.

It is possible to argue that savings derived from initial over-budgeting by the City or excess attrition are, in fact, being used to fund COLA. This along with the use of other revenues, to fund COLA poses a potentially serious problem for the City particularly as it relates to the so-called "Covered Organizations," especially those organizations which have traditionally relied on subsidies or primary funding from the City treasury.

With regard to the use of other revenues, it should be unacceptable for the covered organizations to use other revenues for COLA purposes until it has reduced the level of City subsidy (as the City may require). To be sure, this substitution can only take place to the extent that the conditions on the use of this new revenue will allow. It also seems inappropriate for the covered organizations to be able to generate a COLA pot from excess attrition or over-budgeting with the Mayor having no influence toward generating the same savings to reduce the level of City subsidy.

Conclusion

The success of the productivity program requires greater City initiative in setting the framework of the payment of COLA. Unless the focus is placed upon productivity, by moving toward a determination of the proportion of the COLA programs which must be funded through productivity, the pressure to use other savings or other revenues will continue to grow at the expense of the development of productivity programs. Thus, while we feel that the EFCB should not place restrictions on the current COLA programs and the current period (10/1/77 - 3/31/77), the City must now provide policy recommendations to the EFCB on these matters for its consideration prior to the City's submission of additional COLA programs for future periods.
February 4, 1977

Mr. Eugene Keilen  
Executive Director  
Municipal Assistance Corporation  
45 World Trade Center  
45th Floor  
New York, New York

Dear Gene:

Briefly, the issue in Monday's hearing is the following:

Union seeks: premium pay for Saturday/Sunday work, an increase in fringe benefits.

Contract Period: 7/1/76-6/30/77 (F.Y. 77/78)

City's Position: impasse awards must conform to Financial Emergency Act, EFCB guidelines, the Financial Plan, and the Memo of Interim Understanding. The Financial Plan provides no monies for collective bargaining increases. The Impasse Panel is therefore without power to grant the Union's demand.

(Note that there is no retroactivity problem.)

I have marked in red the pertinent parts of the attached transcript.

Many thanks for your cooperation on such short notice.

Very truly yours,

ELAINE P. MILLS  
Attorney
AFTERNOON SESSION

Time: 3:05 p.m.

THE IMPASSE PANEL CHAIRMAN: Are you introducing Mr. Keilin?

MR. BLUMENSTEIN: Just a minute. Let me get it straight.

EUGENE J. KEILIN, having been first duly sworn by the Impasse Panel Chairman, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BLUMENSTEIN:

Q Mr. Keilin, for the record, could you state your full name?

A My name is Eugene J. Keilin.

Q By whom are you employed?

A I am employed by the City of New York. I am working in the Office of the Mayor as counsel to the Deputy Mayor for Finance.

Q Who is the Deputy?

A Kenneth S. Axelson.
Q What are your present duties and responsibilities as counsel for Mr. Axelson?
A I provide the Deputy Mayors and the Mayor with general legal counsel in connection with the Financial Emergency Act and the City's three-year financial plan and I serve as Mr. Axelson's principal assistant in connection with matters related to the financial plan.
Q Would that cause you to have any contact with the Emergency Financial Control Board?
A I spend a lot of time with the Emergency Financial Control Board, its staff and the matters that come before it.
Q Does that include attending any meetings of the EFCB?
A I have attended virtually all of the meetings.
Q What previous position, if any, have you held with the City?
A I came to the City in 1971 where I was employed by the City's Budget Bureau, first as a legislative counsel and then as general counsel.
Q General counsel of the Budget Bureau?
A Yes.
Q What is your educational background?
A I went to college in Houston, Texas, at Rice
University and to Harvard Law School, where I graduated in 1968.

Mr. Keilin, the Financial Emergency Act calls for the development of a three-year financial plan for the City of New York.

Do you know whether such a plan has been developed?

A Such plan has been developed. The statute required the City to submit such a plan as I recall, by October 10, 1975, which the City did, and which the Control Board subsequently approved and modified from time to time.

MR. SALTZSTEIN: Mr. Chairman, I would now like to ask at this point the materiality of this witness' testimony. I think we are entitled to know what the materiality is.

MR. BLUMENSTEIN: Certainly. This morning I described the two levels at which the City's case is proceeding.

On the first level, it is the City's contention that the Panel is bound by the various legislation and by the guidelines promulgated pursuant to that legislation by the EFCB.

The second level of the City's argument is that all of the applicable legislation, as well as
the EFCB guidelines, as well as a variety of other
factors which led up to that are properly before
the Panel under criterion number 4 of the New York
City Collective Bargaining Law Standards for Panels,
namely the criterion of the public interest and
welfare. This is not a new contention. It is a
contention which has been made before and accepted
in a variety of fact-finding proceedings, that is
to say, the relevance of the City's ability or in-
ability to pay, to a fact-finding proceeding.

Mr. Keilin is here to testify with respect
to what steps have been taken to attempt to develop
the plan to alleviate the City's fiscal crisis
and related subjects.

THE IMPASSE PANEL CHAIRMAN: I think you have
already introduced into evidence all of the plans
affecting the City's position. What more can
Mr. Keilin do, other than to reiterate what you
have in the record?

MR. BLUMENSTEIN: We do not have the financial
plan in the record. We do not have the EFCB
guidelines in the record. We don't have in the
record areas of further stringencies which have been
made since the financial plan has been promulgated.
which indicate the existence of a continuing fiscal crisis.

THE IMPASSE PANEL CHAIRMAN: Can we get to those directly?

MR. BLUMENSTEIN: That's what I was about to do before the objection.

THE IMPASSE PANEL CHAIRMAN: Go ahead.

BY MR. BLUMENSTEIN:

Q Can you describe in general terms the object of the financial plan as it was developed?

A Well, the financial plan was in general, that it was part of a program devised last fall to avoid bankruptcy for the City, to induce the State and Federal government to take certain actions which were necessary in that regard.

The City's contribution was to take the action within its control to balance its budget within three years. It was the purpose of the financial plan to outline the steps that would be taken to achieve a balanced budget within a three-year period.

Q When you say "a three-year period," could you describe the time span?

A The financial plan was submitted in 1975, which was fiscal year 1975-76. That was the first year. The fiscal
year 1977 is the current and fiscal year 1978 is the third.

Q The City's fiscal year begins July 1st?
A That is correct.

Q Now, I would like to show you this document and ask if you can identify it.
A This is the resolution adopted by the Emergency Financial Control Board on October 20, 1975, approving and promulgating the City's financial plan.

Q Is the essence of the financial plan contained in that document under Section 2?
A That is correct.

MR. BLUMENSTEIN: I would like to enter this document in evidence as City Exhibit 12.

MR. SALTZSTEIN: No objection.

THE IMPASSE PANEL CHAIRMAN: This will be received and marked.

(Resolution adopted by the Emergency Financial Control Board on October 20, 1975, approving and promulgating the City's financial plan was received in evidence and marked City Exhibit 12.)

Q Mr. Keilin, I notice that on page -- this isn't really numbered as to pages, but under Section 2, the page following the initial description of the plan,
a brief paragraph, which is headed "Summary of Financial Plan in Millions of Dollars," the bottom line --

MR. SALTZSTEIN: Where are you referring, please?

MR. BLUMENSTEIN: It's about in the middle of this document.

MR. SALTZSTEIN: These pages are not numbered.

MR. BLUMENSTEIN: It is labeled "Summary of Financial Plan." That's the page to which I am referring.

MR. SALTZSTEIN: I see that.

MR. BLUMENSTEIN: The line designated 14, "Surplus or Deficit" on that page. There are some numbers there.

Q Mr. Keilin, can you indicate what those numbers mean?

A These numbers indicate the deficits which were expected at the -- for certain periods covered by the financial plan.

The first column shows the deficit from October to June 1976, $664 million.

The next column shows the deficit for fiscal 1977, $479 million.

The next column shows a surplus of $30 million in
MR. SALTZSTEIN: I object to this witness' testimony and move that it be stricken on the grounds this is a projection by definition.

THE IMPASSE PANEL CHAIRMAN: No, I think not. I recognize it's a projection. To that extent, it's an estimate and he is an expert and the testimony is worth whatever he thinks it's worth.

Q  Mr. Keilin, this projection was made some time in late 1975, am I correct?
A  That is correct.

Q  Since that time, has there been any subsequent projection made with respect to the City's deficit in fiscal year 1977?
A  Yes.

Q  That would be the second column?
A  There has been a subsequent projection of the City's deficit for fiscal year 1977.

Q  Could you describe how that came about and what the amounts were?

MR. SALTZSTEIN: Objection, unless there is a foundation that could be laid.

THE IMPASSE PANEL CHAIRMAN: Why don't we
ask Mr. Keilin whether the projection for 1976-77
is in the process of being met.

Q Were there events which transpired in late
1975 or early 1976 which had an effect upon these projec-
tions?

A Yes, there were.

As we watched the revenues come in and the
expenditures made by the City, we observed that the
revenues were not --

MR. SALTZSTEIN: I must object to the editori-
alizing term "we" in this regard. I don't know
who "we" are. Who is evaluating the material and
I don't think a proper foundation has been made
for this witness' testimony.

THE IMPASSE PANEL CHAIRMAN: Could you be more
specific, Mr. Keilin.

A (Continuing) If I may, let me go back to the
framework of the Financial Emergency Act and to the
mechanics which have been established under it.

The Financial Emergency Act establishes an Emergency
Financial Control Board and a Special Deputy State Con-
troller for the City of New York.

Previously, legislation established the Municipal
Assistance Corporation for the City of New York, known as
MAC. Each of these bodies was charged under the statutes which created them with the responsibility for monitoring and reporting on the City's revenues and expenditures and each of these organizations developed staffs of lawyers, accountants and others to do this work.

In particular, under the Financial Emergency Act and in connection with the development of the three-year financial plan of the City, the Emergency Financial Control Board is expected and required to determine the amount of revenues which are estimated to be available to the City for each of the three fiscal years of the plan.

Those revenues, once determined by the Control Board, become the limit of the amount which the City can expend for all purposes in those three years.

Moreover, the Act requires the Control Board and its staff and the Special Deputy Controller to continuously monitor and receive reports from the City so that any errors in those estimates of revenues and projections of expenditures which the City makes may be determined and quickly dealt with.

Pursuant to this pattern of -- that is, statutory instruction, the staff of the City's Office of Management and Budget, the City's Controller, the Special Deputy State Controller and the Emergency Financial Control
Board continuously in some cases and monthly in some cases, receive reports as to all of the City's sources of revenue and all of the City's expenditures and in the course of this monitoring and analysis, first the staff of the City's Budget Bureau and the City's Controller's office and then of the Control Board and the Special Deputy Controller determine that revenues for fiscal 1976 were not coming in as high as have been projected in the original financial plan.

MR. SALTZSTEIN: I would like to object, and I would like to ask the witness questions on voir dire.

THE IMPASSE PANEL CHAIRMAN: What is your objection?

MR. SALTZSTEIN: I am objecting that the witness is not testifying as to his own knowledge, it is hearsay, that is of the material that has been prepared by any of these agencies. I presume he is talking about Mr. Berger and his staff and the other gentlemen involved.

He has already testified that he is not either with the Bureau of the Budget, with MAC, with Mr. Berger's office or with the, I guess, the Department of Budget of the City.
MR. BLUMENSTEIN: Mr. Keilin has testified that he is counsel to Deputy Mayor Kenneth Axelsson who is a Special Deputy Mayor for Finance in the City of New York and that he has responsibility on an ongoing basis because of that position, that is, continued liaison with the Emergency Financial Control Board and various other agencies which he has discussed.

MR. SALTZSTEIN: I have no objection to his testifying about liaison functions. I am only suggesting to you that the man does not have primary knowledge of what MAC did, what the Emergency Financial Control Board did, what Mr. Berger's office did or what Mr. Berger did.

THE IMPASSE PANEL CHAIRMAN: Do you receive reports from these agencies?

THE WITNESS: I receive reports from them and I hold meetings with their staffs.

MR. SALTZSTEIN: I would only ask the witness to relate his testimony in terms of someone who was receiving that input, rather than being a party to providing the input. I feel the witness has not been testifying in that way.

THE IMPASSE PANEL CHAIRMAN: I can't accept
your objection, Mr. Saltzstein.

Mr. Keilin is in the position where he reports to the Mayor, I presume, Mr. Axelson on the basis of the information that is given him. That information, I would presume, is in certified form which he and the City must rely upon.

Even though he doesn't prepare it himself, I think we can accept it as reflecting the facts.

MR. BLUMENSTEIN: Can you please go back to Mr. Keilin's testimony and read back where he left off?

(The record was read back by the reporter as requested.)

THE WITNESS: Let me pick up, if I can, there.

A (Continuing) More specifically, what happened was that the City's own Budget Bureau reported to the Mayor and to the Deputy Mayor that the results were not entirely originally anticipated and the Deputy Mayor for Finance then supervised the preparation of a report to the Control Board to the Special Deputy Controller and to MAC, detailing the results of this analysis.

These reports and accompanying proposed modifications to the financial plan within the subject of extensive
discussions, with all of the staffs of the monitoring
bodies and resulting eventually in the acceptance of re-
vised revenue estimates by the Emergency Financial Control
Board and revised expenditure limitations in the form of
a modified financial plan.

Q Now, can you tell me what those modified
projections were?

A Well, as I indicated, they consisted both of re-
ductions in the amount of revenue anticipated and in in-
creases in the amount of mandatory expenditures which were
forecast. The combination of those reductions and in-
creases resulted in an increased deficit, both for fiscal

Q What was the amount of that increased
deficit?

A As I recall, the deficit for fiscal 1976 was on
the order of one billion fifty-one million dollars and the
deficit for fiscal 1977 even after certain scheduled
expenditure reductions was on the order of $686 million.

Q That would be for fiscal 1977. That would
be approximately $200 million more than the amount indi-
cated in City Exhibit 12.

A That is approximately correct.

Q Incidentally, did it happen that there was
some discussion about whether economies would have to be made in fiscal 1976 as opposed to fiscal 1977?

MR. SALTZSTEIN: I object to the form of the question. We are not interested in whether there were any discussions. We are interested in the results.

Q Can you describe what the results of those discussions were, presuming they took place?

A At a meeting of the Emergency Financial Control Board and on other occasions, the proposal was made that the City not allow its total deficit to increase. That is, the City in its original financial plan, committed itself to make $200 million of reductions, budget cuts in fiscal 1976.

The revised estimates indicated that the -- while the City would make those economies, revenue short falls and expenditure overruns would add approximately $200 million to the deficit in fiscal 1976, and the proposal was made that in addition to the $200 million in --

MR. SALTZSTEIN: I object to that. We are not getting testimony of what the end result was.

THE IMPASSE PANEL CHAIRMAN: Whose proposal was this?

THE WITNESS: The proposal was made by the
State Controller, Arthur Levitt, who is a member of the Emergency Financial Control Board.

Q Could you continue, please?

A The proposal was that the City make an additional $200 million in economies in fiscal 1976 so that the deficit would not show an increase. The proposal was considered by the Control Board, but was not approved.

Q What was subsequently done by the Control Board?

A The Control Board modified the City's financial plan for fiscal 1976, 1977 and 1978, requiring the City to make increased reductions in the last two years, fiscal 1977 and fiscal 1978, to achieve the statutory goal of the balanced budget by fiscal 1978.

Q That would be consistent with what you described before, an increase of approximately $200 to the $470 million indicated on this page in City's Exhibit 12?

A Yes. That would be consistent. There are a number of developments that cause various changes, but the net result is an increase in the deficit of that amount for fiscal 1977.

Q Now, is it possible that could also have an increase on the - -

MR. SALZSTEIN: I object.
THE IMPASSE PANEL CHAIRMAN: Let him finish the sentence.

MR. BLUMENSTEIN: Let me rephrase the question.

Q Should the City be unable to schedule the amount of increased reductions which it is now required by the plan to schedule, what would be the impact on the projection for fiscal 1978?

MR. SALTZSTEIN: I object on the ground the question is hypothetical.

THE IMPASSE PANEL CHAIRMAN: The question will be sustained. It's a hypothetical question.

MR. BLUMENSTEIN: It may not be so hypothetical as testimony later on will determine.

THE IMPASSE PANEL CHAIRMAN: We will get to it later on, then.

Q Now, Mr. Keilin, the financial plan that we have discussed, can you tell me what provision that that plan made for costs allocable to collective bargaining?

A Well, the financial plan made certain assumptions about collective -- prospective collective bargaining. That is, about what new collective bargaining agreements would be reached during the three years of the financial plan and those assumptions were spelled out as part of
the City's original submission to the Control Board.

In addition, the financial plan made no provision for any --

Q  Before we go into that, could you just indicate what the provision was that was made for prospective collective bargaining terms?

A  Prospectively, the plan assumed that certain deferral agreements which had been previously entered into between the City and its unions would be approved by the Control Board and adhered to.

Commencing in fiscal year 1977 and continuing in fiscal year 1978, that there would be no collective -- no increased costs as a result of collective bargaining agreements.

MR. SALTZSTEIN: I would now move to strike the testimony.

THE IMPASSE PANEL CHAIRMAN: Motion rejected.

MR. SALTZSTEIN: The witness, by his own statement, has indicated that these were assumptions made in connection with the submission made by the City to the Control Board.

I submit they are in no way or that in no way is valid testimony as to what in fact the facts would be, assuming those assumptions were
incorrect.

MR. BLUMENSTEIN: Mr. Fact Finder, the witness is testifying with respect to the underlying assumptions connected with the financial plan as it was approved by the Emergency Financial Control Board.

MR. SALTZSTEIN: You are not bound by assumptions that the City would make to a third party agency in terms of this alleged plan.

I am suggesting to you that the conclusions reached from those assumptions are just not material to this proceeding.

MR. BLUMENSTEIN: The witness' testimony is not designed to buttress the City's contention that this panel is bound by the guidelines. The witness is simply testifying with respect to what was contained in the plan as it was approved.

MR. SALTZSTEIN: No. The witness is testifying as to the assumptions by the City in its presentation to the Control Board as I understand his testimony.

MR. BLUMENSTEIN: And with respect to the assumptions underlying the financial plan as it was finally approved by the Control Board.

MR. SALTZSTEIN: The witness said that the
assumption that was spelled out in the submission — I believe those were his exact words — related to the deferral agreements being approved and agreed to.

Now, that is definitely an assumption. I suggest that is not probative testimony in connection with this proceeding.

THE IMPASSE PANEL CHAIRMAN: Gentlemen, I recognize we are making a series of assumptions and recognizing that they are assumptions, we will let them stand in the record and they will be reviewed as assumptions.

BY MR. BLUMENSTEIN:

Q Could you continue, Mr. Keilin?

A Well --

Q You were saying that the assumption was that there would be no increases with respect to collective bargaining agreements that took effect in fiscal year 1977.

A An additional assumption was that there would be no new increments or differentials or step-ups or other salary increases paid in fiscal year 1977 or 1978.

MR. SALTSTEIN: I renew my objection.

THE IMPASSE PANEL CHAIRMAN: Your objection will be noted and again, the fact that it's an
assumption that they made is not necessarily a
fact, that is recognized.

MR. SALTZSTEIN: Thank you.

Q Mr. Keilin, with respect to retroactive
collective bargaining agreements, were there any assump-
tions which underlay this financial plan?

A Let me talk about the consequence of making these
assumptions and putting the financial plan together.

MR. SALTZSTEIN: I object. The witness has
not been asked this question.

Q Would you discuss the consequence of making
those assumptions?

A The financial plan consists of the amounts of,
on the revenue side, the amounts of revenues which are
determined to be available for the City and on the ex-
penditure side, the amounts of expenditures which the
City is authorized to make.

In putting the financial plan together, it was
apparent that if the City continued to employ the same
number of people and provided the same number of services
that the expenditures would exceed the revenues and re-
ductions would have to be made in order to achieve a
balanced budget.

Q By "reductions," what do you mean?
A The budget would have to be cut. People would have to be separated from the payroll and other personnel expenses would have to be reduced and so on.

In order to determine the amount of expenditures which would have occurred had there been no reductions, and therefore to determine the amount of reduction that was required, the City had to make certain assumptions one way or the other about the cost of various items.

One assumption which it made was that the cost of labor would not change in the ways in which I mentioned. If we had assumed otherwise, for example, if we assumed that there would have been increased costs due to collective bargaining agreements in 1977 and 1978, then we would have calculated a higher rate of expenditures and in order to obtain a balanced budget, we would have had to make a larger number of reductions.

You ask me what assumptions were made in the financial plan concerning outstanding collective bargaining agreements.

Q Before we get to that. Let me just ask you to elaborate on that last statement that you made.

You said the City would have to make further reductions if it were -- if one of the assumptions were that there would be additional costs allocable to
prospective collective bargaining agreements, that the
City would have to make further reductions to meet those
costs.

Specifically, in what way could those re-
ductions be made?

A Well, there is only a limited way of achieving
reductions. Reduction now literally means an elimination
of an expense or the provision of an offsetting revenue.
Expenses are eliminated by separating personnel from the
payroll, curtailing the purchase of goods or services
by closing facilities, all the ways which the City has
undertaken in the last two years.

Q With respect to retroactive collective barg-
gaining agreements, what assumptions, if any, existed at
the time the plan was approved?

A The assumption in the sense of the amount of money
provided in the plan for this purpose was that no provision
was made for retroactive collective bargaining agreements.
That is, the expenditures were projected as an extension
of the then current payroll, so that no money was pro-
vided in the plan for the payment of retroactive collective
bargaining agreements.

Q Did this situation subsequently change?

A This situation did subsequently change. The City
proposed a modification to the financial plan to make
provision for the settlement of outstanding retroactive
collective bargaining agreements.

Q Can you describe the nature of that modifi-
cation?

A Well, the modification --

Q That proposal, I should say.

A The proposed modification consisted of an amount
of money which the City determined could be made available
for the completion of outstanding retroactive collective
bargaining agreements. To determine the total amount of
money that had to be made available for that purpose, the
City made a schedule of and analyzed the outstanding col-
clective bargaining agreements and determined a pattern
for each of those agreements, depending upon the periods
that the agreements covered, consistent with then existing
collective bargaining agreements.

Based on those patterns and the number of employees
in that group, calculating the amount of money which the
agreements would cost, it was that amount of money which
was proposed to be provided in the financial plan.

Q Now, I show you this document and ask if you
can identify it.

A This document is a letter dated December 19, 1975
from Deputy Mayor Axelsson to the Emergency Financial Control Board transmitting proposed modification number 2 to the financial plan.

MR. BLUMENSTEIN: I would like to introduce this document into evidence as City Exhibit 13.

MR. SALTZSTEIN: May I have voir dire?

THE IMPASSE PANEL CHAIRMAN: Yes.

VOIR DIRE EXAMINATION

BY MR. SALTZSTEIN:

Q I would like to call your attention to page 2 of Mr. Axelsson's memorandum to the EFCB.

A Yes.

Q I notice in paragraph B, there is a description "Proposed costs are computed under the assumption that agreements will comply with the following pattern."

May I ask on what basis that was determined, the so-called pattern?

A I can't speak to that of personal knowledge, but I -- that is to the considerations that went into each of the patterns that are outlined here, but in general, an effort was made to determine what provisions would be appropriate for collective bargaining agreements commencing at various periods, if they were to be consistent with collective bargaining agreements which the City had
already entered into with other employees.

Q Mr. Keilin, you say you are not personally conversant with that procedure because, I presume you did not in fact have anything to do with determining that pattern. Am I correct?

A I was not involved in making the analysis which led to the statement of the patterns contained in this page. That is correct.

Q May I ask you, what office or agency of the City of New York did that analysis?

A This work was done by the Office of Labor Relations and by the City's Office of Management and Budget.

Q May I ask you, if you know whether that pattern was determined by looking at the contract of a Union called District Council 37, if you know?

MR. BLUMENSTEIN: I am going to object. I think we are getting a little bit beyond the scope of voir dire and getting into cross-examination.

MR. SALTZSTEIN: Not at all. I am inquiring into the validity of the document.

MR. BLUMENSTEIN: I respectfully disagree. Mr. Keilin has identified this document as one which was submitted to the Emergency Financial Control Board. He testified as to its veracity.
If Mr. Saltzstein has any questions with respect to specific comparisons which might be made and so on, that those questions would be properly reserved for cross-examination.

MR. SALTZSTEIN: I am inquiring as to the legitimacy of the document being considered here.

THE IMPASSE PANEL CHAIRMAN: Legitimacy?

MR. SALTZSTEIN: Whatever terminology you want to ascribe to it.

MR. BLUMENTSTEIN: He may be questioning the relevancy, but not its authenticity.

I asked if in determining the pattern, OLR and the other City agencies involved in that task looked at the contract with District Council 37 and looked at that pattern as the determining factor.

THE IMPASSE PANEL CHAIRMAN: Do you know?

THE WITNESS: I do not know whether they used those contracts as the determining factor.

BY MR. SALTZSTEIN:

Q. Do you know if they used those contracts as a nondetermining factor?

A. I do not know, but I would assume that those contracts were involved in their analysis.

MR. SALTZSTEIN: I have no further questions.
THE IMPASSE PANEL CHAIRMAN: Mr. Blumenstein.

MR. BLUMENSTEIN: Is this admitted in evidence as City Exhibit 13?

MR. SALTZSTEIN: I object to the relevance again on the same grounds and I will state for the record that what we have here is a self-serving document prepared by Mr. Axelson in which obviously an assumption was used by him to establish a pattern which is now going to be allegedly binding on other groups of employees and as I gather it, this was the submission to a third party.

THE IMPASSE PANEL CHAIRMAN: Your objection, Mr. Saltzstein, will be noted with the comments that you make and for what this may demonstrate, I will accept it as City Exhibit 13.

MR. SALTZSTEIN: Let me make one further statement.

What I am really saying is that assumption might have been nine and seven, ten and eight, if for instance, Mr. Axelson assumed at that point in time in December that Congress was going to be forthcoming with more money for the City or if there were other sources of revenue or if the real estate taxes might have increased during the
applicable period. There is no constant here and to the extent that the witness has testified that there were constants or given that impression, it's erroneous.

MR. BLUMENSTEIN: The witness testified that an analysis was performed and that the underlying rationale of that analysis was that the modification presented to the EFCC would be consistent with collective bargaining agreements already negotiated. I think that's --

MR. SALTZSTEIN: It was all bootstraps and the witness candidly acknowledges that in terms of an assumption.

(Letter dated December 19, 1975 from Deputy Mayor Axelsson to the Emergency Financial Control Board transmitting proposed modification number 2 to the financial plan was received in evidence and marked City Exhibit 13.)

THE IMPASSE PANEL CHAIRMAN: Mr. Blumenstein, would you proceed?

MR. BLUMENSTEIN: Yes.

BY MR. BLUMENSTEIN:

Q Mr. Keilin, do you know what happened to this proposed modification?
A. The modification was a subject of considerable discussion between the staff of the City including our office and the staff of the Control Board and the Special Deputy.

MR. SALTESTEIN: I don't want to really interrupt the witness' testimony.

Could he tell us the results rather than go through this business about conversations between his staff and a third party. It's really not pertinent.

THE IMPASSE PANEL CHAIRMAN: Let him do it his way. Go ahead.

A. (Continuing) The Controller's office, and thereafter the Control Board, approved modification number 2 to the financial plan.

Q. Could you describe what the substance of those discussions was?

A. Well, this modification presented the first occasion for the Control Board to consider its powers given under the Financial Emergency Act to approve or disapprove all collective bargaining agreements entered into by the City or by any of the so-called covered organizations.

The discussions covered the procedures for the Control Board's exercising that power in general, and in
this particular case, by modification number 2.

Q We will come back to that later.

A Yes.

Q Did the Control Board subsequently approve modification number 2?

A Yes, it did.

Q I show you this document and ask if you can identify it.

A This is the minutes of the meeting of the Emergency Financial Control Board of January 23, 1976, at which meeting the Control Board approved modification number 2 to the financial plan.

Q Is there a resolution contained in that document of particular relevance here?

A There is a resolution on page 9 of the minutes.

Q Could you state what that resolution says, please?

MR. SALTZSTEIN: Is it in the document?

A I am sorry. On page 8 and page 9.

On page 8 there is a resolution approving modification 2 to the financial plan.

MR. SALTZSTEIN: The document will speak for itself. I assume Mr. Blumenstein is going to attempt to place it in evidence.
Q     On page 9 --

A     There is a resolution concerning the approval of collective bargaining agreements provided for in modification number 2.

          MR. BLUMENSTEIN: I would like to introduce this into evidence as City Exhibit 14.

          THE IMPASSE PANEL CHAIRMAN: It will be received --

          MR. SALTZSTEIN: One moment, please.

          THE IMPASSE PANEL CHAIRMAN: I am sorry.

          MR. SALTZSTEIN: I would like an opportunity to review this document which I have not seen before. I have seen some of the others in some detail and I would ask you, therefore, I respectfully ask you to please mark this for identification and give me an opportunity to review it.

          MR. BLUMENSTEIN: Is there any objection to the authenticity?

          MR. SALTZSTEIN: I don't know. It's a document again of twelve pages with an attachment. I would like to review the document.

          THE IMPASSE PANEL CHAIRMAN: The difficulty with your request, not that I have any great objection to it, is that, if you find any objection,
Mr. Keilin is not likely to be here to respond to such objections.

MR. SALTZSTEIN: I would point out to you that I have a Union Exhibit 24 which you adopted such a procedure.

THE IMPASSE PANEL CHAIRMAN: But you will be here.

MR. SALTZSTEIN: Why don't you give me some time to review the document.

THE IMPASSE PANEL CHAIRMAN: You want time right now?

MR. SALTZSTEIN: Yes, since it is being introduced.

THE IMPASSE PANEL CHAIRMAN: Off the record.

(Discussion off the record.)

MR. SALTZSTEIN: I would like to move that this exhibit be rejected as it has been submitted in that it seems to me the material contained up to the bottom of the paragraph on page 5 and the material contained after the resolution appearing at the top of page 9, is not material to this proceeding.

MR. BLUCHENSTEIN: Mr. Fact Finder, we have had some difficulties in this proceeding with
excerpts being presented.

THE IMPASSE PANEL CHAIRMAN: Let me interrupt you.

I will recognize the comment made with respect to the lack of materiality and in reviewing it, I will excise that from consideration and accept it with that notation.

This will be accepted as City Exhibit 14.

(Minutes of meeting of Emergency Financial Control Board of January 23, 1976, received in evidence and marked City Exhibit 14.)

Q Do you have an additional comment that you want to make?

A No.

Q Mr. Keilin, do you know if any collective bargaining agreements have been settled consistent with the guidelines indicated in City Exhibit Number 13?

MR. SALTZSTEIN: Objection. What materiality is it?

THE IMPASSE PANEL CHAIRMAN: I don't know what the materiality is, but he can ask the question.

A Yes, I do know that collective bargaining agreements have been settled consistent with the guidelines.

Q Do you know whether a majority of the groups
listed in Schedule 1 have settled collective bargaining agreements?

MR. SALTZSTEIN: I object.

THE IMPASSE PANEL CHAIRMAN: Schedule 1 of City Exhibit 13.

MR. SALTZSTEIN: He is putting the answer to the question in the witness' mouth.

MR. BLUMENSTEIN: I will rephrase the question. Q Mr. Keilin, do you have any knowledge of approximate percentage of the number of groups listed in Schedule 1, which have reached collective bargaining agreements with the City consistent with the guidelines contained in that exhibit?

A I have been informed by the Office of Labor Relations that approximately three-quarters of the agreements have been concluded on this basis.

MR. SALTZSTEIN: I will object on the ground of hearsay.

THE IMPASSE PANEL CHAIRMAN: Your objection will be noted and the fact that it is hearsay will be noted.

MR. SALTZSTEIN: Also that it is immaterial. Given what their salaries were, what the circumstances of the history of negotiation.
THE IMPASSE PANEL CHAIRMAN: The materiality is your comment.

Q Are you aware of any contract which have been consummated which are inconsistent with the guidelines?

A I am aware of none.

Q Are you aware of any contracts which have come before the EFCC for approval which the EFCC has rejected?

A Yes. There are two major contracts which the Control Board has rejected. One involves the United Federation of Teachers and the second involves the Transit Workers Union.

Q Can you tell me any of the details of that rejection?

MR. SALTZSTEIN: Of what significance is this?

THE IMPASSE PANEL CHAIRMAN: I don't know, but he must be allowed to answer the question.

A These contracts were rejected as inconsistent with the financial plan which is the ground for contract approval under the Financial Emergency Act.

In addition, in the case of both contracts, the Board has informed the Unions and the management that the contracts must also comply with the Board's wage and
salary policies promulgated in May of this year.

MR. SALTZSTEIN: I object on the grounds

that it's immaterial and hearsay.

THE IMPASSE PANEL CHAIRMAN: That objection

will not be sustained.

Q Would those policies be reflected in a docu-

ment known as the Memo of Interim Understanding, which

is in evidence as City Exhibit 10?

A They would.

Q You mentioned before in response to another

question that discussions were held with respect to the

methods by which collective bargaining agreements might

be entered into by the City. Those discussions were between

the EFCB staff, I believe, and your staff.

Were any procedures developed that might have

for example, expedited the approval of contracts by the

EFCB?

A Yes. In particular, in the case of the agreements

contained on Schedule 1 attached to your Exhibit 13, the

Control Board established the following procedure which

is evidenced in the resolution in Exhibit 14.

Having approved the financial plan modification,

the Control Board said that a contract made consistent

with the guidelines set forth in Exhibit 13, which would
then be consistent with the financial plan would be deemed approved when the City certified to the Control Board that the contract was so consistent.

Q Now, I show you this document and I ask if you can identify it.

A This document is a statement of procedures to be followed by City agencies in connection with the approval of collective bargaining agreements.

Q Would those procedures be the procedures which were developed subsequent to a discussion which you mentioned before?

A That is correct.

MR. SALTZSTEIN: I move that the testimony be stricken. It's not binding on my client or on this proceeding. It's an internal document obviously. It's a document served upon Mayoral agencies, I gather, by its own terms.

THE IMPASSE PANEL CHAIRMAN: It says so.

I will accept it, recognizing exactly what you say, namely that it's an internal document which is designed to guide the contract procedures for Mayoral agencies.

(Document which is a statement of procedures to be followed by City agencies in connection with)
the approval of collective bargaining agreements, received in evidence and marked City Exhibit 15.)

MR. BLUHENSTEIN: This is accepted into evidence then as City Exhibit 15, is that correct?

THE IMPASSE PANEL CHAIRMAN: Correct.

Q Now, with respect to the guidelines of the EFCB, can you indicate in this document which is City Exhibit 13, whether any provision was made for Detective Investigators?

A Yes, on Schedule 1 attached to the document, Detective Investigators are deemed to have collective bargaining agreements unresolved and effective January 1, 1974 by reference to the guidelines for agreements with various effective dates contained on page 2 of the Deputy Mayor Axeloson in a memorandum to the Control Board, provision is made for contracts effective January 1, 1974.

Q On what page is that, please?

A Page 2 of the memorandum. That is E-1.

Q Now, thank you.

MR. SALTESTEIN: What exhibit are you referring to now?

MR. BLUHENSTEIN: 13.

Q Now, Mr. Keilin, we heard this morning the contention by the Union, by counsel for the Union that
admittedly, the City went through a financial emergency some time in 1975, but that that was something which had largely passed and something which was not particularly relevant to these proceedings because it had more or less been resolved.

Are you aware of any additional steps which may have been taken by the City to provide for additional cuts or additional contingencies which might occur during the course of the next two years?

A Well, to begin with, in the financial plan that is currently in force, as I indicated earlier, the debts at the end of this year will be $686 million and nearly $500 million in reductions will have to be made next year in order to bring the budget into balance.

THE IMPASSE PANEL CHAIRMAN: When you say this year, do you mean June 1977?

THE WITNESS: June 1977. That deficit, that will be the deficit only if the City is able to make approximately $380 million in reductions which it is scheduled to make this year.

Many of the monitoring groups that I mentioned earlier analyzed the City's financial plan for the current fiscal year, fiscal 1977, including the program to make the $379 million or so of reduction.
and concluded that there were -- all of them con-
cluded that there were many areas that were
commonly referred to as possible slippage, reve-
 nues that might very well not come in, expenditure
reductions that were or may turn out to be impos-
sible and so on.

On the basis of those reports, the Emergency
Financial Control Board earlier this year passed
a resolution requiring the City to implement an
additional $50 million in budget economies during
the month of August and to prepare a list of $85
million of further economies which could be imple-
mented if the monthly monitoring detects further
slippage or failure to achieve the budgeted econo-

THE IMPASSE PANEL CHAIRMAN: Excuse me. That
only gives you $135 million.

How are you going to add up the other
200-odd million?

THE WITNESS: We already have, and adopted
in the City's budget for this year a program as
I recall, of approximately $379 million in reduc-
tions. The reports of the monitoring groups indi-
cated that not all of those reductions could be
achieved or that they might not prove sufficient, so that in addition to those reductions, the Control Board, or in substitution for those which did not work, the Control Board order the City to implement $50 million in economies and to prepare a standby list of $85 million more.

BY MR. BLUMENSTEIN:

Q Mr. Keilin, before we come to that standby economy, could you describe briefly the nature of the $379 million in economies which the City is scheduled to implement?

A Well, they range throughout the whole variety of methods of reducing budgets which we spoke of earlier. They involve substantial number of personnel separations, the closing of day care centers, reduction of day care center budgets, the closing of other facilities, and reductions of purchases of service and so on.

Q Would there be any impact on the Fire Department schedules?

A I don't know the precise numbers, but the Fire Department is scheduled to end the year with fewer working Firemen than at the beginning of the year.

Q In general, that would be the nature of the reduction?
Q I show you this document, and I ask if you can identify it.
A Let me also say in connection with your earlier question, to the extent that measures short of reducing personnel or the purchase of services were available, the City sought to make use of them and so in the budget reduction program, there is, for example, additional revenues, some additional revenue which the City was able to obtain from the State and the State Legislature and some through increased fees and more efficient collection of fees and other charges.

This document is the City's submission to the Emergency Financial Control Board of the $50 million and the $85 million economy programs.

MR. SALTZSTEIN: That's a standby.

THE WITNESS: Fifty million dollars substitute and $85 million standby economy of reduction programs.

Q Just for the purposes of clarification, the $50 million is something which will be implemented?
A Yes.

Q The $85 million will be implemented if it proves necessary?
Q Could you describe very briefly the nature of those reductions?

A The $50 million reduction?

MR. SALTZSTEIN: The document really speaks for itself. I am sure you had an opportunity to look at it.

MR. BLUMENSTEIN: I would like to have it entered as City Exhibit 16.

MR. SALTZSTEIN: I have a continuing objection.

THE IMPASSE PANEL CHAIRMAN: It is noted. This will be received.

(Document which is City's submission to the Emergency Financial Control Board of the $50 million and $85 million standby economy of reduction programs, received in evidence and marked City Exhibit 16.)

Q Mr. Keilin, with respect to the City's financial difficulties, we testified already about the City's deficit and you have testified with respect to the various projections for that deficit and so on, and the financial plan and how it is designed to resolve that deficit by 1978.
Do the City’s fiscal difficulties have any other manifestations that might be separate and distinct from the deficit per se?

MR. SALTZSTEIN: I object. What are we talking about, personnel impact?

MR. BLUMENSTEIN: It’s not hypothetical.

THE IMPASSE PANEL CHAIRMAN: Restate it.

MR. BLUMENSTEIN: We have discussed one aspect of the City’s financial difficulties, namely the existence of a deficit in the City’s budget ability in deficit over the next few years.

I am now asking the witness if there is another significant aspect to the City’s financial difficulties which might not be reflected specifically in that single aspect, the aspect of the deficit. If the witness is permitted to answer --

THE IMPASSE PANEL CHAIRMAN: I am not sure I know what you mean. If he understands the question, let him answer it?

I think the reference is to the problems of financing City operations in the face of the deficit. Not only does the City have to make and keep the budget, but because it’s running a deficit and continuing to operate some capital projects and because it does not have access...
to public money markets to borrow funds, it has to secure
the cash to cover those deficits and to continue its
capital program.

In addition to the financial plan of the City,
there is a plan to provide that cash, a cash flow or
financing plan which has been put together and adminis-
tered.

THE IMPASSE PANEL CHAIRMAN: Off the record.

(Discussion off the record.)

Q I would like to show you this document and
ask if you can identify it.

A This is an article in the New York Times reporting
on one of the analyses I mentioned before of the City's
financial and financing plans. This was done by the
Municipal Assistance Corporation.

MR. SALTZSTEIN: Is this belaboring the
record, a third party, a newspaper article about
what this witness is allegedly expert in testifying
about? What is the point of this?

Q Can you briefly examine that article and in-
form us whether the substance of it is correct?

A Well, the article accurately records the substance
of the MAC report.

Q Could you detail that somewhat?
A Well, first as I mentioned, the MAC and others believe that there are real possibilities that the City cannot or will not achieve the economics which it has proposed and secondly, and quite apart from that, that the City's cash flow plan provides very little margin for error over the course of this year and next year. That is if any of the projections of revenues are a little high or expenditures are a little low, then if the timing is off, the City will run out of cash.

Q That is commonly known as a cash flow problem?

A Yes.

Q The question of financing the City's operations on a day-to-day basis.

A Yes.

Q What presently is the margin of error with respect to the cash flow of the City of New York?

A As I recall, the latest official projection shows that there is a margin of about six million dollars on the last day of the current fiscal year. That is six million dollars out of twelve or thirteen billion dollar budget. That is regarded as no margin at all.

MR. BLUMENSTEIN: I would like to introduce this newspaper article as Exhibit 17.
MR. SALTZSTEIN: I again object.

THE IMPASSE PANEL CHAIRMAN: That objection will be sustained. This is a third party analysis. We have got the record fairly substantial.

Q Let me now ask you whether you are aware of a certain aspect of the City's financial plan involving the receipt by the City of certain moneys from the United States Department of Housing and Urban Development?

A Yes, I am.

Q Can you tell us what the present status of that situation is.

A The City expects to sell or refinance $350 million of Mitchell-Lama mortgages which are loans the City has made to build housing, limited profit housing. In order to sell these mortgages and realize $350 million in cash as a part of the City's cash flow, it is necessary to secure insurance for that purpose from the Federal Department of Housing and Urban Development and to meet certain statutory requirements laid down by the New York State Legislature when it authorized this program.

In addition, the sale of these mortgages is complicated by a plan to complete some of the limited profit housing projects presently uncompleted. As a result of this very complicated procedure, including the legislation
which was adopted in Albany, there is now some question
whether the City can complete these transactions during
the current fiscal year. If it cannot, it will have to
find other sources for its cash flow.

Q Would the inability to complete that deprive
the City of that $350 million?

A It could.

Q What is the present prospect for the ability
of the City to complete that?

MR. SALTZSTEIN: I now object.

THE IMPASSE PANEL CHAIRMAN: Objection sus-
tained. He said "It could."

MR. BLUMENSTEIN: In view of the Panel sus-
taining that objection, I would like to show this
document to the witness and ask if he can identify
it.

Q Can you identify this document?

A This is an article from the New York Times covering
the Mitchell-Lama question.

MR. BLUMENSTEIN: I would like to enter this
document in evidence as City Exhibit 17.

MR. SALTZSTEIN: I strongly object.

MR. BLUMENSTEIN: With an eye to counsel's
previous objection, I respectfully submit this
document is different in nature from the one that
was suggested previously.

The previous newspaper article was admittedly
concerned with terms which the witness has pre-
viously testified to. This newspaper article had
certain additional information which I think is
pertinent.

THE IMPASSE PANEL CHAIRMAN: Mr. Blumenstein,
Mr. Keilin has already said that the failure to
receive this $350 million in refinancing could
jeopardize the City's financial program. All this
says is they may not get it.

MR. BLUMENSTEIN: I asked Mr. Keilin what the
prospect was for the City's receipt of that and there
was an objection.

THE IMPASSE PANEL CHAIRMAN: True, but the
fact is that he did say so that if the City didn't
get it the City would be in trouble.

MR. BLUMENSTEIN: That's right. But what I
am seeking to demonstrate by this line of questions
is that there is in fact a real prospect that the
City may not get it.

Mr. Keilin was not permitted to answer that
question. I want to demonstrate that there is a
real prospect of that money not being available.

THE IMPASSE PANEL CHAIRMAN: If the money is not available, what is the effect upon your case except to simply build a somewhat higher pyramid?

MR. BLUMENSTEIN: That's precisely what the effect is.

THE IMPASSE PANEL CHAIRMAN: How high do you want this pyramid to go?

MR. BLUMENSTEIN: I don't want it to go any higher than it actually goes. I want it to go that high. I want to present an accurate picture before the Fact Finder.

THE IMPASSE PANEL CHAIRMAN: I know the City has financial problems.

MR. BLUMENSTEIN: But it takes a variety of different manifestations, and I think it's important that the Panel be aware of what those manifestations are.

THE IMPASSE PANEL CHAIRMAN: I think the Panel is aware, without the need to burden the record with something which may not happen.

MR. BLUMENSTEIN: I presume you are rejecting this?

THE IMPASSE PANEL CHAIRMAN: Yes.
Q Mr. Keilin, as I mentioned before, we did hear an allegation by the counsel for the Union this morning that the City's fiscal crisis has largely been resolved.

MR. SALTZSTEIN: I did not make that allegation.

MR. BLUMENSTEIN: Perhaps I misunderstood.

MR. SALTZSTEIN: You misunderstood.

MR. BLUMENSTEIN: I heard counsel this morning say that the Financial Emergency Act, the Emergency Moratorium Act and the various other legislative attempts to deal with the City's fiscal crisis were all in the past and the implication which I gathered from that was that there was not really any crisis any more.

MR. SALTZSTEIN: Your implication is incorrect. You are asking it on an improper foundation.

For the record, to set the record straight, I was reacting to an attempt on your part to have the Chairman take arbitral notice of a state of affairs upon which no proof had been adduced in this hearing. I think it is wrong for you to erroneously color the record to make it appear that I said things that I did not say.
I suggested to the Chairman that he put you to your proof, that he not take notice of something that had not been introduced into the record.

MR. BLUMENSTEIN: May I continue to ask my question?

THE IMPASSE PANEL CHAIRMAN: Yes.

Q And to a certain extent, that implication may be reinforced by the general sense in the City now which we don't have -- and I would certainly stipulate that we are not all conscious of the emergencies which existed back last fall.

Would it be accurate to say that because of those factors that the financial emergency declared by the Legislature has ended?

A It would not. The City is halfway in the three-year financial plan which is prescribed by the Legislature.

Many of the official bodies which have reviewed its performance today, while indicating that, made its revised targets in fiscal 1976, may very well not make them in fiscal 1977. The City in addition --

MR. SALTZSTEIN: Excuse me. I would please ask the Chairman to strike that element of the testimony. He is now talking about the opinions of third parties as to what would be projected for the
other half of the financial plan. It's not fair.

THE IMPASSE PANEL CHAIRMAN: What is your opinion as counsel to the Deputy Mayor for Fiscal Affairs with respect to this plan?

MR. BLUMENSTEIN: Before he answers that, I think he should be permitted to state upon what he bases that opinion.

THE IMPASSE PANEL CHAIRMAN: He is quoting other parties' opinions.

THE WITNESS: My opinion is that the City's financial crisis is far from over, that a series of extremely difficult and in many ways, painful steps must still be taken to bring the City's budget into balance as required by the Legislature and by the reality of fiscal facts and that it is the intention of the Control Board and of the Mayor that the City will comply in every detail with the financial plan so that it can achieve a balanced budget in fiscal 1978.

MR. SALTZSTEIN: With that statement, I have no objection.

MR. BLUMENSTEIN: I have no further questions.

CROSS-EXAMINATION

BY MR. SALTZSTEIN:
Q: Are you familiar with this document? I am showing you City Exhibit 7.

A: Yes.

Q: That is the --


Q: Can you tell me of your own knowledge whether the City's Collective Bargaining Law was impacted by that document, of your own knowledge?

A: I do not have knowledge.

Q: You are aware, I presume, that the document does contain sections relevant to amendments of other State laws, State and City laws, is that correct?

A: Yes.

MR. SALTSTEIN: I have no further questions of this witness.

THE IMPASSE PANEL CHAIRMAN: Let us take a short recess.

(A short recess was taken.)

JOHN R. GUERTIN, having been first duly sworn by the Impasse Panel Chairman, was examined and testified as follows:

THE IMPASSE PANEL CHAIRMAN: What is your name?

THE WITNESS: John R. Guertin.
December 8, 1976

Mr. Eugene Keillin
Executive Director
Municipal Assistance Corporation
2 World Trade Center
New York, NY 10047

Dear Gene:

In connection with the 3 P.M. meeting at my office this Friday, December 10, I am forwarding to you the draft report my staff has prepared after analyzing and evaluating the City's draft submission of programs to fund "new" Cost of Living Adjustments (COLA).

While the City has not yet formally submitted its programs to the Board, it has circulated for comment a draft of programs which it apparently plans to use as the basis for funding the COLA to be paid to the DC 37 employees of the City. We used that draft and supplemented it with discussions with the Mayor's Productivity Office staff, some additional documentation which was submitted as a result of those discussions, and in a few cases discussions directly with certain agencies. For your information, an earlier copy of the summary was given to John Zuccotti, however, I have not yet sent him this draft.

When we meet on Friday, we will try to field any questions you may have.

Sincerely yours,

[Signature]

Sidney Schwartz

SS/jt
enc.
The City informally submitted draft summaries of programs designed to fund $11.8 million of new Cost-of-Living Adjustments (COLA). We have reviewed $11.5 million of these programs with City representatives and have found that $6.1 million of the $11.5 million appears attainable if the programs are implemented as described. We were unable to make a judgment on some of the programs mainly because there was insufficient data available for our review, and $3.1 million was found to be non-qualifying.

These programs to fund new COLA are submitted under the Emergency Financial Control Board wage and salary policy guideline resolution of May 18, 1976. That resolution (as amended) states that new COLA must be "funded by independently measured savings realized, without reduction in services, through gains in productivity, reductions in the cost of fringe benefits or through other savings or other revenues approved by the Board, all of which savings shall be in addition to those provided for in the Financial Plan".

The following chart summarizes the results of our review and categorizes the proposed savings as between productivity and other types of programs:

<table>
<thead>
<tr>
<th>Category</th>
<th>City Target</th>
<th>Appears Attainable</th>
<th>Undetermined</th>
<th>Not Qualifying</th>
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<td>1. Productivity Programs</td>
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<tr>
<td>b. One-time</td>
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<td>.1</td>
<td>.1</td>
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<tr>
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<td>-</td>
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<tr>
<td>b. One-time</td>
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<td>.5</td>
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<tr>
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<td>3. Other Programs</td>
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<td></td>
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<tr>
<td>a. Recurring</td>
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<td>.1</td>
<td>-</td>
</tr>
<tr>
<td>b. One-time</td>
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<td>1.2</td>
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<td>6.1</td>
<td>2.3</td>
<td>3.1</td>
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</table>

a. The dollar target was submitted by the City; however, the programs are categorized here according to our evaluation of the program, which does not in all cases agree with the City's categorization.
The City has advised that these programs will produce savings or revenue beyond those assumed in the Financial Plan so that COLA can be paid without increasing the City's FY 1977 deficit. However, it is not possible to verify this independently until the programs are presented in more detail and a tracking and monitoring system is in place.

The data we received were not in all cases, sufficient to establish that the program was attainable. In some instances we did not agree with the City's categorization of a program. Generally, we note that:

- To the extent that a revenue increase program also represents an increase in the productivity of its staff, the amounts categorized as "productivity" savings should be calculated on the basis of the reduced personnel costs needed to perform the function which produces the net revenue. For this reason we have grouped all revenue enhancement programs separately.

- Some of the programs which are categorized as "productivity" are expected to make the planned savings through attrition, which we have been told, will be in excess of attrition contemplated in the financial plan. The data we reviewed did not indicate how the excess staff would be productively employed until attrition was attained.

- One program submitted in the City's draft for the Department of Consumer Affairs, involves a work rule change which could be counterproductive and must be closely monitored.

- In some cases, the productivity gain is judged against an inefficient base, and the gain is only relative. For example, the average number of cars towed by the Police Department per shift per tow truck operator (5) has been shown by an OMB study, to in fact be a quota which is usually completed by the fourth hour of an 8 hours shift.
B. Background and Scope

The City's Joint Labor Management Productivity Committee submitted a draft program dated October 29, 1976 to the EFCB. Subsequently, some modifications of that draft were reviewed orally, and a few written amendments were provided by the City. The City's draft proposals were designed to identify new savings or revenues to fund the estimated $7.8 million cost of "new" COLA * for the period October 1, 1976 to March 31, 1977. The City's estimate of $7.8 million was calculated based upon $105 per employee. This $105 included $94.50 new COLA plus $10.50 fringe benefits.

The March 26, 1976 plan program to Close the Budget Gap includes, as part of the regular FY 1977 cost reduction programs, the elimination of $24 million in fringe benefits costs. In the June 30, 1976 Memorandum of Interim Understanding, the unions agreed, in principle, "that the provisions of the contracts covering the periods 1/1/76-6/30/78 or 7/1/76-6/30/78, as the case may be, shall conform to the financial plan of the City of New York, dated March 26, 1976." The City has advised the various collective bargaining units that they must accept reductions of $24 million in FY 1977 fringe benefit costs to be proportionately divided between uniformed and civilian employees. Contracts implementing these fringe benefit cost reductions must be approved, and programs acceptable to fund COLA must be agreed to, before COLA will be paid.

As of this date, the City has negotiated some fringe benefit reductions, and has developed some productivity programs. The total cost of new COLA, City-wide, was estimated by the City to be $29.8 million excluding fringe costs, or $33.1 million with fringes (night differential, uniformed employees holiday pay, overtime and Social Security contributions) added, for all FY 1977.

* For civilian employees of Mayoral agencies represented by District Council 37; the collective bargaining units representing the uniformed services will need to agree to an additional $5.8 million. Both these "new" COLA estimates were provided by the City.
We reviewed the 11 agencies for which the City had proposed total savings programs of over $100,000 and, within those agencies, each of the 19 programs with a target of over $50,000. These programs were scheduled to save $11.5 million in FY 1977 savings.

Our comments on these programs are based on the review of the City's draft submission conducted with the Mayor's Productivity Office; in certain instances we also discussed the data with agency representatives. We reviewed such data as was made available to us. In a number of instances the data was not sufficient to determine whether the program was attainable, in a few instances program explanations were unclear. In several cases, where the possibility of double counting might occur or where a program appeared similar to an existing program already included in the FY 1977 financial plan, the City assured us that these questions had been examined by OMB and that no such problems existed. Exchange of information has continued throughout the evaluation between this office and the Mayor's Productivity Office.

C. Results of Review

Appears Attainable. Of the $6.1 million which appear attainable, $600,000 are productivity savings. The bulk of this "appears attainable" category is a nonproductivity, $3.8 million one-time windfall in the Human Resources Administration made possible because of a change in State reimbursement regulations. The next largest target, increased towing per civilian motor vehicle operator in the Police Department, could generate $1.7 million in additional revenues. The $700,000 for this portion of COLA, as noted in the City's draft submission appears attainable. (By statute these revenues cannot exceed the cost of the operation. The City should ensure that these revenues are allowable in that context.)
Undetermined. Of the $2.3 million which we could not determine, the City did not provide sufficient data in the cases of one of MSA's two programs, and the City Comptroller's Office to determine how the estimated savings are to be made. Four other programs, Consumer Affairs, Courts, MSA's second program, and a training program for Parking Enforcement Agents, appear likely of success, but only if certain steps not yet undertaken are completed. (We are told by the State Office of Court Administration (OCA) that the Court program revenue target of $404,000 could be exceeded by a substantial margin.

Non Qualifying: Of the $3.1 million in this category, $2.9 million is part of the $7.6 million HRA plan submitted orally. City representatives are reconsidering this item and may choose not to formally submit the program. One other item, $80,000 in Model Cities, is partially comprised of monies taken in from employee fines and other penalties, which it was felt was not appropriate to use to offset OMA, since implicit in fines for absence and lateness is a reduction in service. Finally, there is a $60,000 item in the Department of Highways, which, as submitted by the City in its draft, is a service reduction.

(Section C continues on following page)
The following comments are also made:

a. **Base Revenues and Submitted Programs**

The EFCB resolution of May 18, 1976 provides that savings should be in addition to those provided for in the financial plan. The proposals reviewed here include a number of revenue increase measures. In evaluating these programs, a determination must be made whether such programs can be considered eligible to fund COLA even if the base line revenues of the City, or perhaps only of a given agency or revenue source do not meet the planned revenue targets.

b. **Cost of Programs**

As a matter of policy, implementation costs of revenue increase programs should be offset against a gross target and the net should be submitted. In one case, the one-time revenue program for courts, the costs associated with the program were not deducted from the cited target. These costs which, according to the Office of Court Administration, are not yet calculated, will include some night differential, mailing and other processing, as well as some overtime. Since this particular program might return considerably more than the $404,000 target, these implementation costs may be more than offset by revenues generated.

c. **No Reductions in Service**

The June 30 Interim Agreement stipulates that no productivity funding could be included from a program which resulted in a reduction in service to the public. Of the reviewed programs, three raised this problem. The assignment of Consumer Affairs inspectors to inspections which are likely to produce more and higher fines could mean a reduction in service to the public by eliminating or delaying important but lower revenue generating inspections.
More data are needed, therefore, to justify the program. Another problem with the Consumer Affairs proposal is that it suggests reducing the work week to four days, but having inspectors work 10 hours a day. More data are needed to demonstrate that this change does not have the potential to reduce service rather than improve it. Similarly, the proposed use of Model Cities monies generated from fines for nonperformance carries with it the implication of service reduction. The Highways draft submission suggests that personnel will be attrited out before Union agreement to change work rules had been reached. Thus, certain work will not be performed. If, as we have been told by OCA, the Court program, which will use "backroom" clerical personnel, will not result in a reduction in service to the public, we infer that there may be more such personnel than are needed and additional savings through employee reductions may be possible once this one time revenue enhancement program is accomplished.

d. New Work Rules

A primary objective of the City's productivity programs should be the introduction of work rules which permit greater management flexibility in the use of its work force. Several of the submitted programs contain such work rule changes, ranging from different composition of Buildings Department inspection teams (HDA) to a ten hour - four day week (Consumer Affairs).

While the objective is important, great care must be taken in the case of such programs as the four day week to ensure that the City retains the right to require a five day week if the performance requirements of the Agency later prove that a five day week is needed.

The following table summarizes the results of individual agency reviews, and is followed by a section on each agency which describes the program and our evaluation of it.
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DEPARTMENT OF CONSUMER AFFAIRS - Target $100,000

Summary - $100,000 Recurring Increased Revenue - Undetermined Contributions for COLA, estimated by the City to be $100,000 from recurring increased revenues from high dollar inspections and the implementation of a four day, 10 hour per day work week cannot be determined until more detailed data are provided.

Program

High dollar generation inspection and the implementation of a four day, ten hour per day (4-10) work week will provide $100,000 to be used for COLA.

Evaluation

We have been told that concentration and intensification of field inspection, coupled with collection improvements, have resulted in revenues $400,000 in excess of projections. While the program may result in recurring new revenues which may be used for COLA, it could not be determined if inspectors were actually increasing their overall productivity. Agency concentration upon high dollar generation inspections, while increasing revenues, could result in a service decrease if higher priority inspections are delayed or fewer overall inspections are being performed. Although the Mayor's productivity office has advised us that it is awaiting department data to ensure that no service reduction will result from this program, such data were not yet available at the time of its review.

Department of Consumer Affairs representatives advised us that their understanding of the Consumer Affairs program to generate COLA funds is limited to refocusing their efforts to high dollar inspections and does not include any increase in inspections through a 4 day - 10 hour work week.
Summary - $404,000 One-time Revenue Increase - Undetermined

Contributions to COLA, estimated by the City to be $404,000 from one-time revenues resulting from the processing of the current backlog of non-traffic violations are possible but uncertain.

Program

Concerted three month effort to generate increased revenue by the disposition of outstanding summonses. The Courts anticipate making COLA contributions of $404,000 from one time revenues.

Evaluation

The agency has a current backlog of non-traffic summonses exceeding 1.5 million, and has proposed a multi-phase program to collect outstanding fines. The first phase, scheduled to be completed in December could indicate the revenues which may be possible from this program. We have been told that part of the additional revenues will result from better use of the Office of Court Administration's (OCA) computers, and part because the various Court unions have cooperated in agreeing to let personnel be shifted to different Court parts and to work different tours. OCA believes that the project might eventually generate several million dollars in revenue, however, until the first phase is completed there are no data to show the actual magnitude of these revenues or whether even the $404,000 is attainable. Consequently, the COLA contribution must be regarded as undetermined. OCA states that costs associated with the project relating to overtime, mailing and processing have not been calculated and have not been deducted from the $404,000 revenue target.

OCA's statement that, through careful selection of personnel doing "backroom" work, such as compiling statistics, there will be no impact on services to the public implies that there may be an excess of such personnel, and we suggest personnel reductions may be possible when this one-time revenue program is completed.
Summary - $161,000 Recurring Productivity Savings - Appears Attainable

Contributions to COIA estimated by the City to be $161,000 from recurring productivity savings resulting from attrition (the non-replacement of 12 authorized positions) and workload redistribution within the agency appear attainable.

Program

To forego hiring 12 replacements for personnel expected to leave the Department during FY '77 and authorized in the Department's financial plan, while having the workload of the unhired personnel absorbed by employees within the agency. The agency says this will be possible by changing existing work rules to shorten lengthy coffee breaks. The City anticipates COIA contributions of $161,000 as the result of such productivity savings.

Evaluation

The City has told us that the 12 lines to be vacated have been identified and also told us that such unfilled lines will result in a total cash savings of $161,000. Assuming the identified lines are attrited on a schedule which totals to $161,000 such savings appear attainable.
HEALTH DEPARTMENT Target $352,000

Summary - $264,000 Recurring Cost Reductions - Appears Attainable
$77,000 One-Time Revenue Increase - Non Qualifying
$11,000 Recurring Cost Reduction - Non Qualifying

Contributions to COLA estimated by the Agency to be $275,000 from recurring cost reductions in various OTPS categories appear attainable.

One time revenue increases of $77,000 associated with excess medicaid collections and $11,000 recurring cost reduction from rental savings are non-qualifying as 1977 COLA contributions.

Program

To provide COLA contributions of $352,000 through four programs to reduce costs, including substitution of a less expensive drug in the treatment of gonorrhea ($232,000), cost reductions in telephone usage ($16,000), rental properties ($10,000), and contract cleaning services ($17,000), and revenue increases of ($77,000) resulting from greater than planned for collection of medicaid payments.

Evaluation

Discussion of individual programs with the City representatives indicated that all but the medicaid collection program and the rental savings can be attained provided the stated data are confirmed. Funds collected for medicaid charges in excess of the original projection will be credited to FY 1976 and therefore any collections in FY 1977 will not be revenue increases for FY 1977.

The current status of the four remaining programs is:

- Less expensive drug -- A new purchase order for Petrocycline ($45,000) will replace an open market purchase order for Trobicin, Poxychen and Vetrin which amounted to $300,000.

- Telephone savings -- We have been told that actual savings to date have been $7,000 per month; $1,700 per month higher than required, and additional lines are still being removed.
Evaluation (Cont'd)

- Rental Savings -- The leases for a large pest control center were cancelled in October 1976. The 8 month savings on the $16,000 annual rent amounts to $11,200. We have been told that this savings is separate from the savings MSA is to make from lease cancellations. However, we note that MSA and OMB project that MSA will not, in fact, make its lease cancellation target, and therefore determine that this program does not qualify for contributions to COLA.

- Contract Cleaning Services -- A window cleaning contract calling for cleaning services six times per year has been cancelled, and a new contract let calling for once per year cleaning. Although exact savings are not known, the original contract exceeds $50,000, and we have been told that the savings generated will cover the required amount.
Summary - $235,000 Recurring Productivity Savings - Appears Attainable.

COLA contributions from recurring productivity savings of $235,000 achieved by attrition, non-personnel replacement and redistribution of workload among remaining employees. Appears attainable.

Program

Non hiring of 15 vacant lines authorized in the financial plan for housing inspectors ($165,000), plus increasing the efficiency of real estate managers (REM) to maintain workload while continuing a policy of non-hiring for 5.6 authorized REM lines ($70,000) will provide COLA contributions of $235,000.

Evaluation

We have been told that 15 vacant lines for housing inspectors authorized in the agency’s financial plan are to remain unfilled, and that 15 underutilized Emergency Repair Personnel (ERP) are assigned to take their place in two man inspection teams. The program contains a change in a work practice relating to the composition of building inspection teams allowing management to shift these personnel to meet departmental needs.

HDA personnel who supervise REM’s will increase their field supervision and thereby enable the REM’s to maintain workloads while not filling 5.6 vacant REM lines.

HDA has suffered personnel losses in excess of the level projected by the financial plan, and these savings appear attainable.
Summary

$7.6 million One-Time Revenue Increase - $4.7 million Appears Attainable;
$2.9 million Non Qualifying

Contributions to COLA estimated by the City to be $4.7 million from
a one-time revenue increase, composed of $3.8 million new State reimbursements
and $900,000 in interest savings from a program for accelerated claims re-
imbursement for fringe benefit costs. Appears attainable. Proposed COLA
contributions of $2.9 million in one-time revenue increases for fringe benefit
reimbursement does not qualify.

Program

To accelerate the collection of reimbursable fringe benefit costs in
the Department of Social Services resulting in additional cash receipts of
$25.4 million during fiscal 1977: of which $6.7 million is new revenue
contributable to COLA.

Evaluation

We have been told that the claims acceleration program will result
in additional cash receipts of $25.4 million during fiscal 1977, of which
$6.7 million is new revenue which would not have been received had the claims
acceleration taken place during the prior fiscal year. Receipt of this money
will result in a savings of $900,000 in required interest costs. Of the $6.7
million additional revenues, $3.8 million is due to the new State regulation
permitting 50 percent reimbursement of social service expenditure in excess
of the Title XX ceiling, and appears attainable as a contribution to COLA.
The remaining $2.9 million in additional revenues in fiscal 1977, fringe benefit
reimbursement money, has already been anticipated in the latest budget estimates
and reflects an error in the original calculation of fringe benefit reimburse-
ment. It is not a result of the claims acceleration, and, therefore, does not
qualify as a COLA contribution. (Note: This program was submitted orally by
the City, and has been discussed at length with various City representatives
The City may choose not to formally submit the non-qualifying portion.)
Summary

$142,000 One-Time Revenue Increase - $58,000 Undetermined
$84,000 Non-Qualifying

COLA contributions from a one-time revenue increase of $58,000 utilizing retroactive pension funds are undetermined because of insufficient data. The proposed one-time revenue increase of $84,000, partially utilizing lateness fines, is non-qualifying as a contribution to COLA.

Program

To utilize retroactive pension funds which have not been spent ($58,000) and funds ($84,000) resulting from penalties for lateness and days off without pay from Model Cities contracts with the Police, Fire and Sanitation Departments to provide one-time revenue increase of $142,000 for COLA contributions.

Evaluation

The City indicates that it has federal funds available to pay for retroactive fringe benefit costs designated for employees whose titles are being subsumed under Civil Service, and who have the option of buying into the pension plan retroactively at a cost to the employee and the agency.

The City states that to date these employees have not exercised this option, and anticipates using $58,000 of this fund for COLA contributions. We have been told that agreement has been reached with union representatives on behalf of the affected employees for this use of the monies. The City believes that COLA may be considered to be an acceptable fringe benefit use of this fund. However, in the absence of specific Federal approval as to whether federal funds earmarked for fringe benefits can be used for COLA, we consider the program attainment to be uncertain.
Evaluation (Cont'd.)

The $84,000 in fine collections is non-qualifying for COIA contributions. Such funds, comprised from monies taken in from employee fines, penalties for lateness and days taken off without pay have an inherent implication of reduction in services.
Summary - $136,000 Recurring Productivity Savings - Undetermined

The agency estimates $136,000 in recurring productivity savings to fund COLA contributions. Of these, $88,000 resulting from revised staffing patterns for boiler room watches is undetermined. The remaining $48,000, resulting from consolidation of two computer processing facilities, is also undetermined because of insufficient data.

Program

By revising staffing patterns for boiler room watches, the need for per diem personnel will be reduced by $88,000. Consolidating a Department of Health Resource data processing facility with its own facility at 42 Broadway the agency will produce a data processing savings of $48,000.

Evaluation

The projected $88,000 savings from revised staffing patterns is undetermined due to a lack of information. MSA has not supplied data to indicate that FY 1977 spending will be less than that of FY 1976 for this same work. We have asked for further data to substantiate that the proposed staffing pattern represented an actual reduction in costs.

The $48,000 savings in data processing cost was calculated based upon projections made in March 1976. The agency has not been able to document the proposed savings at the present time.
Summary

$442,000 Recurring Revenue Increases - Undetermined
$60,000 Recurring Productivity Savings - Non Qualifying

Contributions to COLA, estimated by the City to be $442,000 in recurring increased revenue, resulting from reduced error rates in both the issuance and the processing of traffic summonses are undetermined.

Additional contributions to COLA, estimated by the City to be $60,000 in recurring productivity savings resulting from attrition, and the broad-banding of duties of personnel assigned to road repair and maintenance are non-qualifying.

Program

The Transportation Administration has three programs to generate COLA contributions totaling $502,000. These include:

- A reduction by one percent of the fourteen percent error rate of computerized processing of traffic violations which is currently a significant problem. The City will credit from this program $112,000 in new revenue, to COLA.

- A reduction in the error rate of traffic summonses issued by Parking Enforcement Agents (PEA's), which is currently a significant problem. Three to four percent of the summonses are so inaccurately written that they are ruled invalid and the anticipated revenue is lost. The City will credit 1 percent of the value of the total summons revenue generated by PEA's estimated in the draft at $330,000, to COLA.

- Excess attrition resulting from maintenance of vacancies until agreement is reached with the affected unions to permit "broad-banding" highway workers to do a wider variety of jobs.
Evaluation

The City states that it hopes to accomplish reduction by one percent of the estimated 14 percent error rate in the computerized processing of the summonses by installing a quality control system at the key punch operator level. Of this one percent, roughly one-half will be credited to the Parking Violations Bureau for its funding of new COLA. The TAD Parking Enforcement Agents (PEAs) write about one half the parking tickets of the City, and therefore, the agency will be credited with one half the new revenue. This is estimated to be about $112,000.

The City hopes to reduce the error rate of writing summonses by one percent; the rate is now estimated at three to four percent of all summonses written. Since, as noted above, PEAs write about one half the summonses, the program to train PEAs could reduce that City-wide error rate by about half. The agency will be credited with one percent of the City-wide summons revenue as a result of this program. This is estimated in the draft submission to be $330,000, but according to City officials the total new revenue could exceed that amount by at least $100,000 per year.

There are, in fact, no data to determine how much the proposed programs will actually reduce the error rates of processing traffic violations and issuing traffic summonses. We have been told that the agency has yet to work out the details of the program of employee training expected to result in the reduction in error rate associated with the issuing of traffic summonses. We also have been told the quality control system is not yet in place. Accordingly, COLA contributions from these programs are undetermined.

Broadbanding of highway worker titles has yet to be negotiated. Although eventual broadbanding may result in higher worker productivity, the City has been advised orally that the program as submitted reflects service decreases corresponding to excess attrition. Accordingly COLA contributions from this program are non-qualifying.
POLICE DEPARTMENT - Target $1.7 million

Summary  $1.7 million Recurring Revenue Increase - $.7 million Appears Attainable as COLA contribution, $.1.0 million undetermined COLA contribution

Recurring increased revenues, estimated by the City to be $1.7 million as a result of increasing the number of cars towed per tow truck operator from 5 to 7 each shift in the Departmental's car tow away program. These programs appear attainable. In its draft the City assigned $700,000 of this revenue increase to civilian employees.

Program

To increase the number of cars towed per tow truck operator from 5 to 7 per shift, generating increased revenues of $1.7 million.

Evaluation

The $1.7 million revenue increase appears to be attainable and will be recurring provided that the operators increase their tows per shift by two, and these cars are then reclaimed by their owners. The City’s draft submission states that only $700,000 of this total will be applied to fund civilian new COLA. We were told that the City may reconsider the application of the remaining $1.0 million and accordingly we consider the potential COLA contribution of this increased revenue to be undetermined.

We have not classified the monies generated by this program as productivity savings. Amounts categorized as "productivity savings" should be calculated on the basis of reduced personnel costs needed to perform the function which produces revenue, not on the revenues themselves.

We note that by statute this program may not generate revenues which exceed the cost of the program. If as a result of this program revenues do exceed costs, the towing charge needs to be reduced and the added revenues will not be achieved.
CITY COMPTROLLER - Target $135,000

Summary - $135,000 Recurring Reduced Costs - Undetermined

Contributions to COLA, estimated by the City Comptroller to be $135,000 from recurring cost reductions in 8 OTPS programs ($100,000) and 3 personal service programs ($35,000) cannot be determined because of insufficient data.

Program

The City Comptroller has 11 programs to generate cost reductions of $135,000. These include:

- Three personal service programs to reduce overtime or train employees to perform functions previously performed by contract ($35,000).
- Eight OTPS programs to reduce costs, such as in-house printing of forms ($25,000), the consolidation of records storage ($35,000) and smaller programs ($40,000) totalling $100,000.

Evaluation

The Mayor's Office of Productivity said it has insufficient data to determine whether the cost reductions in these programs will be realized.
December 6, 1976

Honorable Hugh L. Carey
Chairman
Emergency Financial Control Board
270 Broadway
New York, New York 10007

Dear Members of the Board:

In fulfillment of the conditions set forth and agreed to in the June 30, 1976 Memorandum of Interim Understanding, the Joint Labor Management Committee presents herewith, on behalf of New York City and its employees, a program to fund the Cost of Living Adjustments for the period beginning October 1, 1976 and ending March 31, 1977.

In accordance with the Interim Agreement of June 30, 1976 the productivity projects are agreed to for the specific purposes of producing productivity savings or other savings or other revenue for the payment of the periodic C.O.L.A.'s and therefore are reviewable and subject to further agreement prior to the commencement of any succeeding C.O.L.A. period.

It is our belief that, apart from specific savings achieved, the value and potential of this cooperative planning process itself will be recognized. To prepare this first program, scores of representatives at many levels of management and labor actively contributed to the development of savings and operational improvements in their workplaces on a Citywide scale.

The completion of this initial productivity planning cycle, new to the City (and, apparently, unprecedented in the United States as a municipal labor relations procedure), encourages our confidence that the Board, by their approval of these beginnings, will similarly complete a crucial advance in the formation of constructive labor/management relations.

John E. Zuccotti
First Deputy Mayor
Co-chairman,
Joint Labor Management Productivity Committee

Victor Gotbaum
Executive Director,
District Council 37
Co-chairman,
Joint Labor Management Productivity Committee

Robert Schrank
Public Chairman
Joint Labor Management Productivity Committee
THE JOINT LABOR MANAGEMENT PRODUCTIVITY COMMITTEE PROGRAM

TO FUND THE COST OF LIVING ADJUSTMENTS FOR THE

PERIOD OCTOBER 1, 1976 TO MARCH 31, 1977

Victor Gotbaum
Union Co-Chairman

John E. Zuccotti
Management Co-Chairman

Robert E. Schrank
Chairman
THE JOINT LABOR MANAGEMENT PRODUCTIVITY COMMITTEE PROGRAM

TO FUND THE COST OF LIVING ADJUSTMENTS FOR THE

PERIOD OF OCTOBER 1, 1976 TO MARCH 31, 1977

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Memorandum of Interim Understanding
The submission which follows is the first Joint Labor Management Productivity Committee Program to fund the Cost of Living Adjustments as provided for and detailed in the June 30, 1976 Memorandum of Interim Understanding made by the City and its employee organizations.

Productivity is the subject of experiments, study groups and editorials around the country. Transformations in labor relations practice, however, have generally lagged behind consciousness of the need for equal cooperation of labor and management if productivity is to be increased. The agreement signed in 1976 by New York City labor and management expresses an understanding of the connection between labor value and payment of wages. Further, it introduces a concrete practice of productivity planning and measurement into the general conduct of municipal labor relations.

It should be mentioned that the summer of 1976 was a somewhat inauspicious season for inaugurating cooperative efforts of this kind. While the reduction in the work force compelled productivity measures as directly as did the Interim Agreement, an atmosphere of disorientation and uncertainty prevailed many agencies. So it is noteworthy, we feel, that a significant portion of the funds identified by agency labor/management subcommittees for C.O.L.A. correspond to productivity programs, many of a continuing nature.

At this point, both labor and management have become more attuned to the example set by their leadership and are investing more energy in the development of bona fide productivity programs. Changes in the labor/management posture, shifting however slightly from a traditional antagonism and toward a mutual interest in productivity gains, may be of greatest benefit to the not-so-silent partner involved: the public.
December 6, 1976

Honorable Hugh L. Carey  
Chairman  
Emergency Financial Control Board  
270 Broadway  
New York, New York  10007

Dear Members of the Board:


1. No service levels of the City to the public will be reduced because of this program, none of the C.O.L.A. payments to be based on this program will be funded through service reductions, and no portion of the value of this program is based on a service reduction. This stipulation is under the terms and during the term of the contract between the parties.

2. The savings or revenues projected for this program are not now included in the financial plan for 1977, as amended, nor included in any other revenue or savings program approved or pending before the Emergency Financial Control Board. The payment of C.O.L.A. pursuant to this program will not enlarge the financial plan deficit for the fiscal year 1977.

3. All personal service and OTPS expenses directly associated with the proposal have been subtracted from the valuation of the program, including those involving the transfer of existing resources.

4. All savings or revenues will be achieved no later than three months after the completion of this C.O.L.A. period.

5. Financial plan modifications pertaining to this program will be submitted to the EFCB for approval before payment is made.
6. All impediments to implementation will be resolved including, but not limited to, labor agreements and necessary legislation.

7. The Citywide Joint Labor Management Productivity Committee agrees that formal submission of this program to EFCB constitutes agreement by the parties concerned to implement the program.

Very truly yours,

John E. Zuccotti
First Deputy Mayor
Co-chairman
Joint Labor Management
Productivity Committee
INTRODUCTION

ORGANIZATIONAL STRUCTURE

The Citywide Joint Labor/Management Productivity Committee

The Memorandum of Interim Understanding provides that the parties shall constitute a joint Labor Management Committee on Productivity, equally composed of representatives from the City of New York and the Municipal Labor Committee. This committee was created in July, 1976. The co-chairmen for labor and management are, respectively, District Council 37 Executive Director Victor Gotbaum and First Deputy Mayor John E. Zuccotti; the public chairman is Robert Schrank. The committee is responsible for the development and maintenance of the Citywide productivity effort. It guided the work of the agency sub-committees, for which it was the model, insuring that productivity proposals complied with the spirit and letter of the interim agreement.

Productivity Committee Office

This office is the liason between the Joint Labor/Management Committee, City Hall, and individual city agencies. The staff arranges for the agency sub-committees and serves as technical advisors to them on policy, analysis and planning. The office is the conduit of progress reports and all other matters related to agency productivity plans and performance. In addition to shepherding individual agency efforts, this office is also at work on several productivity projects unrelated to C.O.L.A. This office has a parallel structure in the Municipal Labor Committee.

Office of Management and Budget

OMB plays a key role in the initial validation of proposed productivity and savings programs and their continuing fiscal value to the city. OMB staff is designing a reporting system for collaborative use with the Productivity Committee in monitoring agency program performance. All budgetary elements of program implementation will be examined by OMB to insure conformity with terms and conditions of the Interim Agreement as regards agency financial plans.

Agency Sub-committees

It is in the agency sub-committees where programs are developed. For many participants, this effort marked the first time they had worked together in an other-than-traditional confrontation posture. The development of this mechanism has been difficult but it is in place. It has enormous potential not only for specifically funding C.O.L.A. costs, but also for grappling with the productivity and service delivery problems which will continue to confront the city. A list of the agency sub-committees with both their management and labor co-chairmen is attached.
FUNDING

Each major mayoral agency has been assessed at the dollar value of C.O.L.A. cost for its employees. Savings from agency programs will go into a citywide "pot" from which all agencies will draw. Agencies initially contributing more than their share will be credited with that amount in excess of their cost; agencies whose programs are not ready for submission at this time will owe the fund the amount of their cost. Appropriate budget modifications and Financial Plan amendments will be made by the city.

REQUIREMENTS FOR PAYMENT

The Memorandum of Interim Understanding is an agreement governing certain subjects of citywide collective bargaining, including this C.O.L.A. These terms and conditions were to be uniformly embodied in bona fide collective bargaining agreements executed by the parties. Until new contracts are signed (and these are to include the C.O.L.A. concerned here), current or technically expired contracts are continued. Thus the Interim Agreement does not contemplate payment of "new" C.O.L.A. to titles covered by employee organizations who have not concluded new bargaining agreements with the city for the 1976-78 term.

PROGRAM DEVELOPMENT

In each subject agency joint productivity sub-committees were set in motion to cooperatively plan the funding of C.O.L.A. in accordance with the criteria enumerated in the Memorandum of Interim Understanding. The resulting programs reflect the influence of countless variables: for instance, initial awkwardness and/or skepticism about joint labor/management planning efforts of any kind; varying degrees of preoccupation particularly during the summer months, with a galaxy of new systems and reporting requirements being installed in city management; the extent of employee fears of "speed-up" and contract erosions; varying degrees of institutional pride and loyalty; and in several cases the degree to which a given agency had already experienced significant staff reduction, budget reduction, reorganization, and raised performance standards. As the process of productivity planning became more familiar, many of these attitudes and influences were ameliorated. At this stage, both sides have generally become accustomed to the process. Co-authors of the experimental or innovative agency programs are anxious to put them to the test apart from satisfying C.O.L.A. requirements. These potentially ongoing programs and the establishment of the productivity committee network have provided a bridge to productivity improvements beyond the immediate C.O.L.A. funding impetus.
SUMMARY OF PROGRAMS

We have included a brief summary that contains each agency's programs or plans for achieving the savings. These summaries are taken from the submissions of the labor/management committees in each agency to the Productivity Committee's office. All submissions have been reviewed by the Office of Management and Budget.

Agency programs are grouped according to their totals of savings and/or revenue. The first ten agencies have submissions of over $100,000.
A. Name of Agency: Comptroller
B. Unit(s): Agency wide
C. Collective Bargaining Unit: DC 37
D. Classification of Program: Productivity savings, other savings
E. Recurring or Non-recurring: Non-recurring $100,100
   Recurring 35,500
F. Dates when Savings Realized: June 30, 1977
G. Projected Annualized Value: $47,500
H. Narrative Description of Program:

A. PERSONAL SERVICE

1. Reduce Weekend and Holiday Work
   Reduction in Weekend and Holiday Work and Overtime costs in Computer Room $ 2,500

2. Employee Overtime Costs
   Agreement obtained by Bureau Chiefs with employees to accept Compensating Time in Lieu of Overtime payments 8,000

3. Elimination of Contract
   Train Claims Division staff in Accident Damage Appraisals-Service Contract eliminated 25,000

TOTAL PERSONAL SERVICE $ 35,500

B. OTPS

1. Forms
   Printing in-house, City-wide forms, Letterheads, Card Forms $ 25,000

2. Bindery
   Eliminate binding City Payrolls and other records 1,000

3. Leased Space
   a. Transfer Bureau of Municipal Investigations and Statistics from 305 Broadway to space in Municipal Building
      Rent plus Utilities - Average $2900 per month. Target date: Feb. 1, 1977
      Five months 14,500
b. Consolidation of Records Storage.
   Records transferred from leased space to Municipal Archives Storage Warehouse  $ 35,000

4. Leasing and Maintenance of Equipment
   a. Up-dating Reproduction Equipment for more efficient usage  5,000
   b. Reduction in Leased Special Purpose Equipment - Elimination of one machine, effective 1/1/77  9,000
   c. Discontinue Maintenance Agreement on Computer Terminals  6,600

5. Mileage Allowance
   Discontinue payment of Car Allowance on a per diem basis. Substitute use of minimum mileage allowance  5,000

TOTAL OTPS  $100,100

TOTAL PERSONAL SERVICE AND OTPS SAVINGS  $135,600
A. Name of Agency: Department of Consumer Affairs

B. Unit(s): Inspection Division

C. Collective Bargaining Unit: DC 37 - largest union in agency

D. Classification of Program: Productivity-revenue

E. Recurring or Non-recurring: Recurring

F. Dates when Revenue Realized: Available now

G. Projected Annualized Value: $135,000

H. Narrative Description of Program:

Department of Consumer Affairs financial plan projected $350,000 in revenues for 1976-77. As of August, 1976 the projection had already been exceeded by $50,000. At this rate, C.O.L.A. costs ($100,000) will easily be met. This additional revenue was achieved through labor/management concentration on revenue-producing functions identified by management over a one year period. Workers in these functions agreed to increase their efforts; additionally, a "crackdown" on unpaid violations was begun. (This resulted in at least $10,000 more in collections per month.) An example of increased emphasis: package control inspections (weights and measures) were accelerated and hundreds more violations per week, @$15.00 per violation, were found. It should be mentioned that the agency's mission includes many kinds of inspections, not all of which produce revenue. Concentration on revenue generating work meant redistribution of the inspecational force, increased performance standards and increased workloads across the board.

Work is currently going forward on planning for a six-month experiment, to commence January, 1977, to increase inspection performance standards a further 20%.

The experiment includes a central innovative feature: compression of the workweek to become 4 extended days, providing for an increase in uninterrupted field (inspection) time. The prospect of the 4-day week has engendered employee enthusiasm for the success of the plan; agreement to cooperate would have been far less likely without such an incentive.

What follows is a two year comparision of performance standards and the tentative further productivity improvements targeted for the January, 1977 experiment. Figures indicate
inspections per man day. The four functions shown encompass most of the revenue-generating operation. One inspection may uncover scores of violations.

District Inspection  (weights and measures)

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<td>75-76 (present)</td>
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<td>Jan. 77 onward</td>
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Garage & Gas Stations Inspection

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</tr>
<tr>
<td>75-76 (present)</td>
<td>2.7 (New State requirements increased work)</td>
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<tr>
<td>Jan. 77 onward</td>
<td>3.6 to 4.3</td>
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License Inspection

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Fuel Inspection *

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<td>74-75</td>
<td>2.3</td>
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<td>75-76 (present)</td>
<td>2.3</td>
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<td>Jan. 77 onward</td>
<td>2.8</td>
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*Very lengthy inspection, e.g. proving & calibration of 500 gallon trucks.

TOTAL REVENUE  $100,000
A. Name of Agency: Office of Court Administration

B. Unit(s): Summons Parts

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity - revenue

E. Recurring or Non-recurring: Non-recurring

F. Dates when Revenue Realized: March 31, 1977

G. Projected Annualized Value: $404,000

H. Narrative Description of Program:

The Office of Court Administration anticipates making its C.O.I.A. payments through increased revenue generated by the disposition of outstanding summonses. Currently the courts have a backlog of 1,593,153 pending summonses (non traffic). Their current disposition rate is 27.2%. They expect to increase their disposition rate by a concerted three month effort which will involve:

1) A mailing to "adjourned to pay" summonses holders will be mailed out by November 19, returnable by December 6. Adjourned to pay summonses holders are persons who have come into court and made some steps to settle. This first mailing includes 8,515 summonses whose value has already been settled at $36,517, and 12,000 summonses whose value has not been negotiated, and therefore, whose minimum value is $24,000. The mailing that is being sent is a "request for issuance of a bench warrant". It is designed to look as coercive as possible.

2) The same mailing will go to all the remaining outstanding summonses holders by Dec. 1

3) Several well-publicized arrests will be made of major scofflaws in mid-December.

4) Special summons parts, manned per union agreement, with transferred personnel, will be opened for the program.

5) At the same time, negotiations with major corporate violators will go on.

The revenue flowing from this program will be easily identifiable since the summonses are returnable to a specific location and specific cashiers will be designated.

TOTAL REVENUE $404,000
A. Name of Agency: Department of Finance

B. Unit(s): Agency wide

C. Collective Bargaining Unit: DC 37 - largest union in agency

D. Classification of Program: Productivity savings

E. Recurring or Non-recurring: Recurring

F. Dates when Savings Realized: Available now

G. Projected Annualized Value: $161,290

H. Narrative Description of Program:

To meet C.O.L.A Costs the agency will forgo hiring certain
clerical and blue collar personnel authorized in their
Financial Plan. Employees have agreed to absorb the workload
of unhired personnel so that none of the agency's improvement
goals (as enumerated in the 76-77 Management Plan) are
reduced.

The attrition of the 12 lines selected, for a savings of
$161,290, does not now or in the future impair the agency's
revenue production. None of the unfilled positions are
auditing or investigations titles. There is no negative
effect on Operation Revenue targets or potentials.

The absorption of uncovered workloads by workers in the
same or similar titles flows directly from the elimination
of duty-free coffee breaks. Forfeiture of this practice,
which currently consumes as much as 2 1/2 hours per week,
per employee, is understood and agreed by employees to mean
increased productivity, in exchange for C.O.L.A. The agency
values the reduction of breaktime as follows, using a
conservative 1 1/2 hour increase in production time per
worker:

\[
\begin{align*}
\text{average salary p.a.} & \quad $10,000 \\
\text{hours p.a.} & \quad 1,827 \\
\text{mean hourly rate} & \quad \frac{10,000}{1,827} = 5.47 \\
\text{hours saved per week} & \quad 1.5 \\
\text{Employees} & \quad 1400 \\
\text{mean hourly rate} & \quad \frac{5.47}{1400} = 3.91 \\
\text{total savings} & \quad \frac{11,487}{52} = 221,154
\end{align*}
\]

TOTAL SAVINGS $161,290
A. Name of Agency: Health Department

B. Unit(s): Agency wide

C. Collective Bargaining Unit: DC 37

D. Classification of Program: 1-Productivity savings
   2-Other savings

E. Recurring or Non-recurring: 1-Recurring
   2-Non-recurring

F. Dates when Savings Realized: 1-June 30, 1977
   2-Available now

G. Projected Annualized Value: $310,000

H. Narrative Description of Program:

1. Personal Services Savings: The Health Department is creating a
   Bureau of Health Economics. The Bureau would be a catalyst in
   promoting efficient and effective financing and organization
   of health service. The goal of the Bureau would be to assure that
   organizations in the health field, particularly those responsible
   for reimbursing health services, operate according to the
   appropriate legislation and regulations, and seek corrective action
   where necessary. The Bureau will be concerned with:

   - Rate setting
   - Utilization review
   - Reorganization of services
   - Other cost containment areas

   The Health Department will set up this Bureau with no increase
   in personnel. 232,000

2. OTES Savings:

   Telephone savings above the required 25% reduction (6 mos.) 16,000
   Rental savings 10,000
   Penalties in building cleaning and window cleaning contract (6 mos.) 17,000

   TOTAL SAVINGS 275,000
A. Name of Agency: Housing and Development Administration

B. Unit(s): Administrator's Office, Housing Development Administration, Rent and Housing Maintenance, Relocation, 1 Buildings

C. Collective Bargaining Unit: DC 37 - largest union in Agency

D. Classification of Program: All Savings are productivity savings realized through attrition

E. Recurring or Non-recurring: All recurring

F. Dates when Savings Realized: Savings available now

G. Projected Annualized Value: $375,464.00

H. Narrative Description of Program:

This agency can achieve its C.O.L.A. costs using personal service appropriations and still replace staff losses occurring after July. Their financial plan assured a new voluntary attrition of 3.6% and the actual voluntary attrition was almost 10%.

HDA has five programs to offset the losses due to attrition:

1. Eliminate processing delays in the S.312 loan program. Constitutes out-of-title work for one employee that allows them to not hire an additional staff.  
   16,800

2. Increase number of voluntary repair agreements processed per employee and number signed from 51.9 to 65 and 17.5 to 31.  
   56,384

3. Transfer non-inspectors now working in low productivity areas to work as one man of a two-man inspection team.  
   165,500

4. New requirements on landlord applications for rent increases. Reduce amount of redundancy in processing applications.  
   26,258

5. Increase productivity of Real Estate Managers in generating maintenance work orders by 80%.  
   40,014
6. Old program to increase elevator inspector's productivity by rescheduling, new information system and higher performance standards.

TOTAL SAVINGS

26,214
331,170

* A small percentage of HDA's personnel costs (less than 12%) are tax levey. Therefore the savings achieved here can only be used in HDA.
A. Name of Agency: Human Resources Administration

B. Unit(s): Dept. of Social Services, Clerical occupational group

C. Collective Bargaining Unit: DC 37 - largest union in agency

D. Classification of Program: Other revenue

E. Recurring or Non-recurring: Non-recurring

F. Dates when Revenue Realized: March 31, 1977

G. Projected Annualized Value: Not applicable

H. Narrative Description of Program:

Through a systems modification, the agency will bring its expense reimbursement claims (fringe benefits and OTPS) current in 1977 by billing the State and Federal government for 15 months of claims this year, in effect eliminating a three month lag in the claiming system. This will be completed effective with the November 1976 claim and will produce an approximate $25 million in additional funds received by the city. Of that amount, approximately $3-8 million is in additional funds derived from the new New York State program (enacted FY 77) providing for reimbursement of 50% of certain social service expenditures in excess of the Title XX ceiling, previously non-reimbursable and thus paid for 100% by the city in FY 1976.

The improvement in the city's cash position of $25 million through the timely processing of these reimbursement claims generates an interest saving of approximately $0.9 million (8 7% for 6 months) in FY 77 because the city no longer needs to borrow this amount of funds. This saved interest plus the new $3.8 million reimbursement item are combined to total $4.7 million being applied to C.O.L.A.

In a related development, the labor/management productivity committee of HRA agreed to an improvement plan for the Medicaid Payment Division. Currently this division is swamped under an auditing backlog which, when eliminated and replaced by the improved system and performance standards, will restore approximately $5 million in tax levy money to the city (not counting additional State and Federal reimbursement) by March 1977. To achieve this, the union agreed to the internal reassignment of 25 clerks, recruited from other divisions of HRA to the Medicaid Payment Division for six months. Workers in the units from which the recruits came have agreed to absorb recruits' workloads for the duration. The infusion of
25 additional clerks should clear out the backlog in relatively short order, while stimulating a higher production threshold in the division; combined with gradually scheduled increases of output per clerk per week, a redesigned system of paper flow should establish improved performance in the division, replacing the temporary additional production of the recruits, so that they can be returned to their permanent assignments.

TOTAL REVENUE

$4.7 million
A. Name of Agency: Municipal Services Administration

B. Unit(s): 1- Department of Public Works, 2- M.S.A.

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity Savings

E. Recurring or Non-recurring: 1-Recurring 2-Non-recurring

F. Dates when Savings Realized: Available now

G. Projected Annualized Value: 1-$176,000 2- Not applicable

H. Narrative Description of Program:

1. Revised manning levels and staffing reorganization of boiler room workforce (stationery engineers and firemen) in buildings under the agency's jurisdiction has facilitated a C.O.L.A. saving contribution of $88,000. Before the reorganization, minimum levels of staffing in some job titles closely matched the existing number of workers in those titles, so that absences could not be covered by internal reassignment. Now, by assigning in-house personnel to replace workers on short-term leave of absence, rather than hiring temporary labor, a vacation relief expense of $232,000 is saved from which the above part of the C.O.L.A. amount is drawn. 88,000

2. For the balance of MSA's C.O.L.A. contribution, $48,500 derived from additional savings realized by the agency following elimination of a major computer and consolidation with Health Services Administration computer. 48,500

TOTAL SAVINGS $136,500
A. Name of Agency: Police Department

B. Unit(s): 1-Traffic Division, 2-Administrative Services Division

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity--revenue

E. Recurring or Non-recurring: 1-Recurring 2-Non-recurring

F. Dates when Revenue Realized: June 30, 1977

G. Projected Annualized Value: $2,235,552

H. Narrative Description of Program:

1. As a result of labor management agreement the productivity rate for tow truck operators will be raised to 7 tows per man per day, increased from 5.04 tows per man per day. The Department projection is based on the following calculations:

   Presently
   70 MVO's @ 5.04 tows per day = 353.8 tows per day
   for 22 days = 7,761.6 tows per month
   @ $61.72 per tow = $479,046 per month

   Proposed
   70 MVO's @ 7 tows per day = 490 tows/day
   for 22 days = 10,780 tows/month
   @ $61.72 = $665,342 per month

   Increased monthly revenue = $186,296
   Increased quarterly revenue = $558,888
   Total revenue (9 mos) = 1,676,664
   1,676,664

2. 1976-77 OTTPS budget provides for $60,000 to be used for washing PD vehicles at commercial car washing locations throughout the city. This item will be modified to achieve a savings of 50%. By union agreement, car washing will become a regular part of the Custodial Assistants' duties.

   30,000

TOTAL REVENUE

   1,706,664
A. Name of Agency: Transportation Administration

B. Unit(s): 1-Parking Violations Bureau, Traffic Department, Parking Enforcement. 2-Highways

C. Collective Bargaining Unit: DC 37

D. Classification of Program: 1-Productivity, revenue. 2-Productivity-savings

E. Recurring or Non-recurring: 1 & 2 - Recurring

F. Dates when Revenue Realized: 1-June 30, 1977 2-March 31, 1977

G. Projected Annualized Value: 1= $589,200 2- $120,000

H. Narrative Description of Program:

1. Increased revenue from traffic parking summonses issued by Traffic Department Employees, Parking Enforcement Agents will be used to fund C.O.L.A. Increased revenue will come, not from increased summoning, but from decreased errors, raising the savings collectible value per summons.

Currently 18% of the summonses entering the Parking Violations Bureau's system cannot be processed because of various types of errors or omissions which mean PVB cannot match the ticketed vehicle to a vehicle on its own or Department of Motor Vehicles records. The source of these errors is usually either the ticket agent (vast majority) or key punch errors. TAD proposes to institute a quality control program and a jointly developed labor management training program for Parking Enforcement Agents which will increase the number of summonses which can be processed, thereby increasing the average collectible value per summons.

PEA's or Department of Traffic write 45% of all summonses processed by PVB. While the Quality Control Program is expected to have an impact on all issuing agencies, increased revenue attributable to Traffic Department employees only will be considered for purposes of C.O.L.A. A monitoring system is being developed by PVB which will allow issuing agency errors to be tracked by agent and reporting period. Suggestions made to PVB by the Office of the State Comptroller in an audit report on summoning procedures have been incorporated in the Quality Control Program.

2. The Highway Department and unions are working on an agreement to "broadband" highway worker titles. In highway operations,
Transportation Administration - cont.

maintenance of street and sidewalk surfaces, broadbanding refers to the combining under one title all the duties formerly carried out by Asphalt Worker or Laborer, specific duties having been restricted to each. The title will also include the operation of motorized equipment. Productivity saving will be achieved by the reduction of gang size by one person, by removing necessity for full time driver, and by requiring gang members to perform all tasks. The Department will be able to sustain a high level of attrition and maintain its service capability. The Department is willing to credit $60,000 in attrition to this C.O.L.A. payment in anticipation of union agreement to the program. Further funds from this source will be available for the second C.O.L.A. 60,000

TOTAL REVENUE AND SAVINGS $502,000
The following agencies have either found savings or developed programs of less than $100,000 per agency. There is a separate accounting sheet for these agencies that show the savings by categories.

The total revenue/savings for these programs is $390,868.
A. Name of Agency: Addiction Services Agency

B. Unit(s): Agency wide

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Other savings

E. Recurring or Non-recurring: Non-recurring

F. Dates when Savings Available: Available now

G. Projected Annualized Value: Not applicable

H. Narrative Description of Program:

Reorganization and staff reassignment has taken place several times in this agency following a reduction of over 40% of its workforce since June, 1976. Maintenance of its operation as the City's drug abuse grant and contract management agency has required increased productivity of remaining employees; successive structural changes have involved concentrating in fewer facilities. Where practicable, the agency plans to sublet space vacated in this way.

To date, one office in Brooklyn has been sublet (Board of Estimate approval 9/16/76).

The agency has also vacated, but not yet rented its five story building at 75 Worth Street, Manhattan. Discontinuation of all telephone service there will save cash above the mandated 25% reduction ordered by the city.

TOTAL

47,250

Equalization and establishment of new caseloads in the agency's two largest monitoring divisions is now pending; integral to this plan is the expansion of supervisory duties and responsibilities. Labor and management agree that this should produce greater accuracy, timeliness and error avoidance in reporting on contract agencies as well as making fuller use of supervisors in clinical and specialist civil service titles.
A. Name of Agency: City Planning Commission

B. Unit(s): Agency Wide

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity Savings

E. Recurring or Non-recurring: Recurring

F. Dates when Savings Realized: Available now

G. Projected Annualized Value: $40,000

H. Narrative Description of Program:

The City Planning Commission has undertaken a comprehensive review of the New York City Zoning Resolution. The issues to be dealt with are:

- Administration and enforcement, overlapping jurisdictions
- Recycling of buildings
- Vacant and abandoned areas
- Industrial retention and economic development
- Commercial strips
- Neighborhood stability
- Other topics

It is expected that the CPC will draft a new resolution. This represents an increase in the agency's workload which it will accomplish without additional personnel. The agency will credit excess attrition for C.O.L.A.

TOTAL SAVINGS

$20,000
A. Name of Agency: District Attorneys

B. Unit(s): All counties and Special Prosecutor

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity savings

E. Recurring or Non-recurring: Recurring

F. Dates when Savings Realized: Available now

G. Projected Annualized Value: $142,482

H. Narrative Description of Program:

Kings County
Attrition of three clerical positions. Work will be absorbed by remaining personnel. 23,315

Bronx County
Seasoned Assistant District Attorneys who are qualified to perform specialized functions under a federal grant will be replaced by criminal law investigators at a lower salary. 10,000

New York County
Seasoned ADA's will be replaced by less expensive CLT's. 17,850

Queens County
Attrition of two positions. Work to be absorbed by remaining personnel 11,500

Richmond County
Vacancy in clerical line will not be filled. Work will be absorbed by remaining personnel 1,900

Special Prosecutor
Vacancy in clerical line will not be filled. Work will be absorbed by remaining personnel 3,676

TOTAL SAVINGS 71,241
A. Name of Agency: Economic Development Agency

B. Unit(s): Contracts

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Other savings

E. Recurring or Non-recurring: Non-recurring

F. Dates when Savings Realized: Available now

G. Projected Annualized Value: Not applicable

H. Narrative Description of Program:

Based on fiscal 76, EDA budgeted 96,000 for a cleaning contract for the Hunts Point Market. They received a bid that would allow them to let the contract at a lower bid and save sufficient to meet their 24,000 contribution. However, the bidding contractor failed to meet the legal requirements in terms of executing the contract. This resulted in EDA having to use the next lowest bidder who, on a pro rated basis bid $7,500 per month, will be used. Since there are four months of performance left on the contract, the total contract will be for $60,000 for 8 months. This allows EDA a savings of $36,000 of which $24,000 will be applied to C.O.L.A.

TOTAL SAVINGS

$24,000
A. Name of Agency: Human Rights

B. Unit(s): Administrative Services Division

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity Savings

E. Recurring or Non-recurring: Recurring

F. Dates when Savings Realized: December, 1976

G. Projected Annualized Value: $6,300

H. Narrative Description of Program:

Under a reorganization of the Administrative Services Division, the duties of 2 Senior Administrative Assistants have been combined into 1 Administrative Manager position. One S.A.A. position will be attritted, effective December, 1976. Cash from that vacancy will finance C.O.L.A., one promotion, and filling of a clerical position.

TOTAL SAVINGS $ 3,150
A. Name of Agency: Investigation

B. Unit(s): Confidential Complaint Program

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity Savings

E. Recurring or Non-recurring: Recurring

F. Dates when Savings Realized: Available now.

G. Projected Annualized Value: $8,000

H. Narrative Description of Program:

A clerical position in the Confidential Complaint Program will be left vacant. Replies will be handled by remaining staff. The program will continue with 95% of the complaints assigned for investigation within 3 days of receipt, and 95% of the complaints for referral will be forwarded to the appropriate agency within 15 working days.

TOTAL SAVINGS: $ 4,000
A. Name of Agency: Law Department

B. Unit(s): Practice and Claims Unit

C. Collective Bargaining Unit: Civil Service Bar Association

D. Classification of Program: Revenue generating

E. Recurring or Non-recurring: Recurring

F. Dates when Revenue Realized: Available in equal shares on the final day of each month starting Jan. 1977 and ending June, 1977.

G. Projected Annualized Value: $100,000

H. Narrative Description of Program:

   The Law Department is setting up a special task force to increase the collection of judgements especially in the area of affirmative actions against architects and consultants for breach of contract. This will be done by their Practice and Claims Division.

   The increased collection will be accomplished by redeploying lawyers from other areas that will in turn be replaced by lower paid paraprofessionals.

   TOTAL REVENUE $50,000
A. Name of Agency: Department of Mental Health and Mental Retardation

B. Unit(s): Agency wide

C. Collective Bargaining Unit: DC 37

D. Classification of Program: Productivity savings

E. Recurring or Non-recurring: Recurring

F. Dates when Savings Available: Available now. Mental Health has developed a program to pay their full fiscal year costs.

G. Projected Annualized Value: $48,000. (program described is for 9 months)

H. Narrative Description of Program:

Mental Health has developed a package to save their entire 76-77 costs. We will take only that portion required for their first C.O.L.A. period costs at this time. ($16,000)

In-house printing: Upgrading equipment in the reproduction room allows the department to avoid contracting out. 4,000

Postage savings: third class mail will be used for some items. 2,000

Restoration of title of consultant: The department will replace some vacant Sr. Consultant lines with this lower level title which will allow hiring at a reduced salary cost. 10,000

Contract audits: Accelerate desk audits and collection procedures on voluntary agency contracts. 20,000

TOTAL FISCAL YEAR 1976-77 36,000

TOTAL SAVINGS FOR 10/1/76-3/31/77 COLA 16,000
A. Name of Agency: Model Cities
B. Unit(s); Agency wide
C. Collective Bargaining Unit: DC 37
D. Classification of Program: Other savings (fringe benefits)
E. Recurring or Non-recurring: Non-recurring
F. Dates when Savings and Revenue Realized: March 31, 1977
G. Projected Annualized Value: Not applicable
H. Narrative Description of Program:

Model Cities has funds to pay for retroactive fringe benefit costs. This money is designated to cover pension costs for those titles being subsumed under civil service. If any employee wished he could buy into the pension retroactively at a cost to the employee and the agency. To date these employees have not elected to take this option. A portion of the cash in that line will be used to finance C.O.I.A. for those employees not covered in the three uniformed service contracts.  

TOTAL SAVINGS: 68,212  

68,212
A. Name of Agency: Personnel
B. Unit(s): Agency wide
C. Collective Bargaining Unit: DC 37
D. Classification of Program: Productivity savings
E. Recurring or Non-recurring: Recurring
F. Dates when Savings Realized: Available now
G. Projected Annualized Value: Depends on Examination Schedule
H. Narrative Description of Program:

This agency incurs overtime and per diem monitor expense when it gives Saturday examinations. Labor and management have agreed that department employees will work 5 Saturdays per year, by working 5 Tuesday through Saturday weeks. Overtime and per diem monitor expenses will be cut and credited to C.O.L.A.

TOTAL SAVINGS: $31,920
A. Name of Agency: Probation

B. Unit(s): Family Court Service and some Adult Services

C. Collective Bargaining Unit: Probation and Parole Officers of Greater New York, Local 599

D. Classification of Program: Productivity Savings.

E. Recurring or Non-recurring: While the savings is an attrition item and could become a recurring savings, to date the parties have not agreed to do so.

F. Dates when Savings Realized: Available now

G. Projected Annualized Value: Because there is no agreement to make this permanent, we have not yet annualized the savings.

H. Narrative Description of Program:

Personnel reductions in family court services and adult services are the source of savings for the contribution. The city's quarterly allocation and ceiling control provides the department will employ 982 persons in these two services as of July 1976. Actual employment in these two services totals 923. Total savings are 105,109 of which 57% or 60,438 is tax levy.

The labor management committee has agreed to apply half of this savings, 55,094 (tax levy 31,679) to the first three months of the period and are continuing to meet to find other programs to provide savings for the last three months. If necessary, savings in personnel services will be sufficient to cover costs.

* This department is also listed in the "contribution outstanding" section for 50,094.

TOTAL SAVINGS $55,095
POTENTIAL ADDITIONAL SAVINGS—C.O.L.A. PRODUCTIVITY PROGRAMS
OCTOBER 1, 1976 to MARCH 31, 1977

The Parks Department and the Environmental Protection Administration are listed as having contributions outstanding. In our judgement, they will be able to produce the savings during the period 10/1/76 to 3/31/77. They are actively engaged in discussion and experiments. Programs under discussion are described in attached pages.

Three agencies, MSA, Health, and Probation have made contributions toward a major portion of their assessment. Meetings are continuing to find the additional savings. Health and Probation savings are still not identified. MSA's proposed program is described in an attached sheet.
The labor management committee is negotiating a package of measures which will increase the flexibility with which the seasonal work force can be used and maximize the use of the permanent work force during peak seasonal periods. The following items are still being discussed:

- 6 day summer, 4 day winter work week for most permanent personnel at straight pay.

- Summer vacation elimination or cut back for permanent employees.

- Agreement that lifeguards and other seasonal workers may be hired on a per diem or even hourly basis.

Parks management has agreed to use cash from their seasonal hiring line to fund the agreement.

Agreement in principle has been reached on two contracting in items:

- Parking concession at Manhattan Beach and Orchard Beach will be discontinued. Work will be handled by in-house force. \[10,000\]

- Use of court stenotypists for department disciplinary hearings will be discontinued. In-house personnel will be used. \[5,000\] \[15,000\]

**TOTAL NEEDED:** \[368,000\]
We have started an experiment in EPA to test whether in-house personnel are capable of replacing fire hydrants at a cost less than we are paying to a contractor to do the same work. Initial results (1 week) appear promising but it is too early to tell how much savings will result. We are experimenting with different size work crews and different scheduling patterns to get optimum productivity. Once we have a history that allows us to project savings here we are going to look at other contracting operations such as sewer dragging and water valve repair.

Our estimate is that careful planning will allow us to find enough areas where we can substitute in-house staff for contracts that we will achieve the savings necessary. Since all the changes must be carefully worked out with participating unions, progress is slow.

POTENTIAL SAVINGS: $1,000,000
CONTRIBUTION NEEDED: $440,000
Contracting in of city building cleaning operations. Currently MSA has contracts for custodial cleaning services for three city buildings totaling 512,000. Labor and management are analyzing the possibility of doing this same work with city employees for less cost with the difference between cost of contract and cost of city employees to go to C.O.L.A. Analysis is not yet complete.

TOTAL SAVINGS: Unknown at this time
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Programs under $100,000: Report by Quarter

1Q/1Q 1Q/2Q 1Q/3Q 1Q/4Q 2Q/1Q 2Q/2Q 2Q/3Q 2Q/4Q 3Q/1Q 3Q/2Q 3Q/3Q 3Q/4Q 4Q/1Q 4Q/2Q 4Q/3Q 4Q/4Q
COSTS OF C.O.L.A. FOR CIVILIAN EMPLOYEES IN THE MAYORAL AGENCIES

The calculation for the cost of C.O.L.A. is based on a comparison increase of the Consumer Price Index of March, 1976 (173.9) and August, 1976 (177.6). The difference is 3.7. Every increase of .4 is considered one unit and each unit is worth $10.50 in increase. Therefore, 3.7 divided by 4 is equal to $9.25 or 9 units multiplied by $10.50/unit equals $94.50.

We have allowed $10.50 per employee for fringe benefits, bringing the total savings necessary to $105.00 per employee.

There are 74,000 civilians covered by the agreement. Therefore the total cost:

\[
\text{74,000 employees} \\
\times \text{ $105.00} \\
\text{ $7,770,000.00}
\]
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<th>LABOR CO-CHAIRMAN</th>
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<tr>
<td>Addiction Services</td>
<td>James Bronner</td>
<td>Elaine Matos</td>
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<tr>
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Administrative Order # 28

TO: All Administrators, Commissioners and Agency Heads

FROM: First Deputy Mayor John E. Zuccotti

RE: Agency Productivity Program

DATE: August 4, 1976

As you know, the City and the unions have agreed that COLA increases will be paid for by productivity savings. (This is detailed in the Memorandum of Interim Understanding). The agreement establishes a City-wide Joint Labor Management Productivity Committee to oversee the effort. However, the substance of the productivity program must initially be generated at the agency level. To develop and implement a meaningful productivity program in a timely and efficient manner, we are establishing a review process for each agency based on the City-wide model. A joint labor-management committee is to be established in each affected agency. Specific guidelines concerning membership, responsibilities and timing are attached.

The program tying COLA to productivity savings poses both a crucial test and a unique challenge. Real, demonstrable savings must be achieved that do not compromise agency performance. At the same time, established work rules and practices may be changed to achieve mutually desired objectives.

The first COLA payment is to be made OCTOBER 8. A schedule for meeting that deadline is attached. Time is short. Please submit the names of the co-chairmen of your agency productivity committee to the City-wide Productivity Committee staff by the end of this week. The staff will contact you to set up the first meeting in your agency. The staff will maintain liaison with you and apprise the City-wide Committee of your progress. I will also expect to hear from you at regular management meetings.

I understand that this is an additional burden; but the task is essential for both the City and its workers.

John E. Zuccotti
GUIDELINES FOR PRODUCTIVITY PROGRAMS REQUIRED TO PAY COLA

Each agency must submit a Productivity Program to qualify employees represented by those unions which are signatories to the memorandum of understanding covering Cost Of Living Adjustments.

The Productivity Program must conform to the following guidelines and be submitted in accordance with the attached schedule.

The memorandum of understanding calls for the establishment of a City-wide Productivity Committee of management and labor to guide the efforts and give final approval to productivity programs that produce the savings needed to pay the COLA. The Productivity Committee in turn has directed that committees be set up in each agency.

These committees will be co-chaired by the union representing the largest number of employees in the agency and a management designee of the commissioner. Sitting on the committee will be appropriate management representatives and representatives from the other unions that have employees in the agencies. Staff will also be assigned from the Office of Labor Relations and the Office of Management and Budget. This effort is being directed and co-ordinated by the staff of the Productivity Committee, Bruce McIver and Eloise Hirsh, at 280 Broadway, Room 412, 566-3736, 566-3737. All reporting to the City-wide Committee should be done through them. Each agency committee is directed to develop a productivity program in which actual cash savings may be made that can be used to pay the COLA. This program is not to affect the financial plan. Those productivity programs and other savings already in place and thus a part of the financial plan are not to be used for the COLA. Where productivity initiatives are in place but the amount of savings to be realized is not yet known and therefore not in the budget, those savings will be judged on a case by case basis by the review committee.

The program is to be the result of joint Labor/Management deliberation and agreement in each agency. It is to be achieved without adversely affecting agency services.

The City has negotiated a COLA increase based upon worker performance. The following areas may produce savings: personnel reductions; overtime reduction; scheduling to reduce special differentials for nightwork, week-end work or holiday work; better use of facilities such as consolidation or closing earlier; other OTPS savings in the areas of technology, inventory control etc.; better service in revenue generating areas such as licenses, fines, rentals etc., and reduction in contracting out for work that could be done by City employees. There may be similar legitimate areas not included in this list.

For the purposes of the COLA the agency will be viewed in its entirety. Savings achieved in one area will be used to pay all the employees covered by the interim agreement. Savings will be measured in the context of the agencies' total tax levy budget. In reporting on the program, however, a detailed explanation of where the savings are to be achieved and how they are linked to productivity will be required. It may make sense in some of the larger agencies to have subordinate committees to the agency-wide committees working out agreements in different areas.

Since productivity savings achieved to pay COLA cannot adversely affect service, performance standards are needed which should be included
in the report. The standards should reflect the service or work the agency did to fulfill its mission prior to the productivity program. The indicators of that performance should be able to show any variation in that standard. Some of the indicators from the management plan may have application in this program.

Inquiries regarding this program should be directed to the Productivity Committee staff designated in these guidelines. Attached is a reporting form with instructions and a schedule.
Memorandum of Interim Understanding dated as of June 30, 1976, as to the Collective Bargaining Negotiations for the period 1976 - 1978 between the City of New York, as Employer, and the Municipal Labor Unions, signatories hereto on behalf of their respective memberships.

WHEREAS, the existing economic and fiscal crisis affecting the City of New York and the requirements of the Department of the Treasury relating to the City's loan request under the New York City Seasonal Financing Act of 1975, as stated in its letter of June 19, 1976 annexed hereto, "make it necessary that the Employer and the Unions reach a memorandum of interim understanding covering the nature and subject matter of pending collective bargaining negotiations for the period 1976 - 1978, and

WHEREAS, contracts between the Employer and the Unions expired on December 31, 1975, of June 30, 1976, and further negotiations for successor contracts are pending and will extend beyond July 1, 1976, the object of this memorandum is to meet the conditions set by the Department of the Treasury that the Employer and the Unions agree in principle that the new contracts shall be consistent with the general wage and salary policies of the Emergency Financial Control Board issued May 18, 1976, and

WHEREAS, it is in the mutual interest of the parties to avoid labor strife and its disastrous impact upon the City of New York, its citizens, and its employees;

NOW, therefore, it is agreed that the following shall constitute the basic terms and conditions of collective bargaining agreements between the parties for the contracts executed for the period 1976 - 1978:

(MORE)
1. The parties agree to conform and abide by the following resolutions of the EFGB, dated May 18, 1976, as follows:

a.) No agreement shall provide for general wage or salary increases or increases in fringe benefits.

b.) No agreement shall provide for increases or adjustments to salaries or wages, including those based upon increases in the cost of living, unless such increases or adjustments are funded by independently measured savings realized, without reduction in services, through gains in productivity, reductions of fringe benefits or through other savings (or other revenues) approved by the Board, all of which savings shall be in addition to those provided for in the financial plan.

c.) Each agreement shall provide for a mechanism to permit savings in pension costs or other fringe benefits during the term of agreement.

2. The Cost of Living Adjustments presently set forth in operative collective bargaining contracts shall be continued at the existing rate therein, pending any replacement thereof in final agreements for the contract period 1976 - 1978.

In addition thereto and subject to the provisions of paragraph (h) below:

NOTE: The term "employees" as used herein shall mean full time per annum employees whose regular work week is thirty-five (35) hours or greater.

The provisions shall be applied to other than full time per annum employees in the same manner as heretofore utilized by the parties.

a.) As soon as the Consumer Price Index for Urban Wage Earners and Clerical Workers, New York, N.Y., Northeastern New Jersey (Base Year 1967 = 100) for August, 1976, is published by the Bureau of Labor Statistics, U.S. Department of Labor, and exceeds by more than four-tenths (0.4) of a point the Index for March, 1976, the employer shall pay an adjustment effective October 1, 1976 and during the period October 1, 1976 to March 31, 1977 to all employees covered by this Agreement and appointed prior to July 1, 1976 at a rate of twenty-one dollars ($21) per annum for each full four-tenths
(0.4) of a point increase.

b.) Should the Index published for February, 1977, exceed by more than four-tenths (0.4) of a point the Index for March, 1976, the employer shall pay an adjustment, effective April 1, 1977 and during the period April 1, 1977 to September 30, 1977 to all employees covered by this Agreement and appointed prior to July 1, 1976 at a rate of twenty-one dollars ($21) per annum for each full four-tenths (0.4) of a point increase.

c.) Should the Index published for August, 1977, exceed by more than four-tenths (0.4) of a point the Index for March, 1976, the employer shall pay an adjustment effective October 1, 1977 and during the period October 1, 1977 to March 31, 1978 to all employees covered by this Agreement and appointed prior to July 1, 1976, at a rate of twenty-one dollars ($21) per annum for each full four-tenths (0.4) of a point increase.

d.) Should the Index published for February, 1978 exceed by more than four-tenths (0.4) of a point in the Index for March, 1976, the employer shall pay an adjustment, effective April 1, 1978 and during the period April 1, 1978 to June 30, 1978, to all employees covered by this Agreement and appointed prior to July 1, 1976, at a rate of twenty-one dollars ($21) per annum for each full four-tenths (0.4) of a point increase.

e.) An additional amount representing the difference between the amounts resulting from the above calculations and the amounts that would result if the rate were twenty-one dollars ($21) per annum for each full three-tenths (0.3) of a point increase in the consumer price index is deferred.

(MORE)
f. No COLA shall be paid for increases in the cost-of-living index during the twelve-month period 4/1/76 - 3/31/77 which exceed 6 percent of the CPI for March, 1976 or for increases during the twelve month period 4/1/77 - 3/31/78 which exceed 6 percent of the index for February 1977. Any portion of a COLA not paid by reason of the limitations in this paragraph shall be deferred.

g. Payments of COLA made under the proposed contracts and these conditions and limitations, shall not be deemed part of wages or compensation for the purpose of computing pension contributions of either an employee or the employer or in fixing any rights, benefits or allowances of an employee or his beneficiaries under the retirement systems or plan to which he belongs, but shall be included for all other purposes covered by the contracts.

h. All COLA payments must be funded through independently measured savings or other revenues, and in accordance with the general wage and salaries policies issued by the EFCB.

i. As to the deferred items, if on June 30, 1977, the monies accumulated by productivity or other savings are in excess of the amounts needed to defray the cost of the cost-of-living adjustment as provided herein, the employer, consistent with its then existing overall financial condition, recommend to the EFCB the use of a portion of these surplus savings (a) to pay the difference between the rate of the COLA as herein provided and the rate deferred either retroactively or prospectively or both and or (b) any COLA deferred by reason of the 6% limitation imposed herein. For the (MORE)
contract period subsequent to June 30, 1977, a similar review shall be made on or after April 1, 1978. The EFCCB shall have the right to determine whether the portion of the surplus recommended to be allocated to these payments is consistent with the employer's overall financial condition as well as what payments may be made.

3. The parties shall constitute a Joint Labor-Management Committee on Productivity composed of equal representatives of the City of New York and the Municipal Labor Committee. The purpose and function of the committee shall be to develop and maintain productivity programs, to effect cost savings without loss of services on a city-wide basis through reductions of fringe costs or by reason of other savings or other revenues, and to measure and evaluate which amounts shall serve to provide the COLA payments herein prescribed.

At the request of either or both parties, the Chairman of the Municipal Assistance Corporation and the Executive Director of the Emergency Financial Control Board will be invited to consult with the Joint Labor-Management Committee on Productivity. A dispute procedure shall be developed by the members of the Joint Labor-Management Committee on Productivity.

4. No layoffs shall be made except in accordance with the Financial Emergency Act.

Where layoffs are scheduled the following procedure shall be used:

1. Notice shall be provided to the appropriate Union not less than 30-days before the effective dates of such projected layoffs.

2. Within such 30-day period designated representatives of the City will meet and confer with the designated representatives of the appropriate Union with the objective of considering feasible alternatives to all or part of such scheduled layoffs, including but not limited to (a) the transfer of employees
to other agencies with retraining, if necessary, consistent with Civil Service law but without regard to Civil Service title, (b) the use of Federal and State funds whenever possible to retain or reemploy employees scheduled for layoff, (c) the elimination or reduction of the amount of work contracted out to independent contractors and (d) encouragement of early retirement and the expediting of the processing of retirement applications.

The arbitration clause in any present or succeeding agreement shall be limited to determination of compliance by parties with the procedural requirements herein specified in paragraphs 1 and 2 above.

5. The unions agree in principle that the provisions of the contracts covering the periods 1/1/76 - 6/30/78 or 7/1/76 - 6/30/78, as the case may be, shall conform to the financial plan of the City of New York, dated March 26, 1976, submitted to EFCB, as to the funds allocated to employee wages and fringe benefits.

6. The contracts for the period 1/1/76 - 6/30/78 shall conform to the following terms:

a.) successor contracts to contracts expiring on June 30, 1976 shall have a two year term;

b.) all terms and conditions hereafter collectively bargained shall be effective retroactively to the expiration date of the prior collective bargaining agreements.

The within statements of principle shall be incorporated as part of the collective bargaining agreements as may hereafter be executed by the City of New York with the municipal labor unions signatory hereto.
Mr. Sidney Schwartz
Office of Special Deputy Comptroller
for the City of New York
270 Broadway
New York, New York 10007

Dear Mr. Schwartz:

We have reviewed your analysis on costs for the Cost of Living Adjustments for City Employees 1977. We find that there are some areas where we disagree. I would suggest upon receipt of my response, our respective staffs meet and work at resolving the following differences:

Page 1, 1B, 2nd paragraph

The first sentence in this paragraph is misleading. The memorandum provides for the unions to give back $24 million in fringe benefit reductions, and for the City to continue the old COLA in effect at the existing rate. Further, the City would give no salary increases but would provide a new COLA based on the Consumer Price Index, and the increases would result in no additional costs to the City. The funding for the new COLA would be from the three sources stipulated in the following sentence in your report.

Page 2, II

As an analysis of COLA costs, part II is grossly misleading for the following reasons:

1) The old COLA cited is one of five continuing COLAs.
2) The COLA cited is the most expensive of the continuing COLAs and therefore results in a higher cost calculation than is actually being incurred.
Page 4, III, 1st paragraph

We disagree with the 6% increase in the CPI from 4/1/76 - 3/31/77. The payment period is actually an 11 month period, therefore the 6% limitation becomes a 5.5% limitation when the 11 month period is taken into account.

However, this point may be moot due to the current trend in the CPI. Seven of the 11 months are now available. The rate for the last reported month's was 2.5%. For the first seven months of the period the CPI has been running at a rate of 5%; therefore, for it to approach the 6% within the first 11 months as you suggested, a 9.1% inflation rate would be necessary for the remaining four months of 1976. This appears a wholly unrealistic assumption.

Page 5, Part III

The calculations on page 5 are the subject of disagreement because of our previously stated objections.

Page 6, Part IV

The old COLA payments continue until through June 30, 1978.

Page 7, Calculations

Old COLA 7/1/76 - 6/30/77. As previously stated, this calculation is based on using one of five continuing COLA payments.

The maximum chargeable table is again inaccurate because of our previously stated disagreements.

Page 8, Part IV, Last paragraph

Auditors from the Special Deputy Comptrollers were given data by the Labor Contract Unit in OMB. The data made available to them was the following:

Number of employees
  City wide by title in numerical sequence
  City wide by title in numerical order
  City wide by title in bargaining group
  By department and title

In addition they have received the controller's monthly report which contains current data on number of employees.

Special summaries can be provided if essential however.
The summary of preliminary estimates are inaccurate because of our previously stated disagreements as to calculations. Further, and more important, the last paragraph might lead one to believe that the total of both old and new COJAs is a new expense. In fact, the old COJAs are already provided for in the financial plan. We would suggest the format for the last paragraph be changed to reflect this fact.

Very truly yours,

John E. Zuccotti

CC: S. Berger
    G. Keilin
    D. Kummerfiled
    B. Schrank
    J. Burton
    V. Gotbaum
    EFCB Members
11/24

This is a draft of our response to the Schwartz Memorandum of 11/15/76, Analysis of Cost of Living Adjustments for City Employees Fiscal Year 1977.

Please give us your comments by the end of today.

NOV 24 1976
COMMENTS ON DRAFT

Analysis of Cost of Living Adjustments for City Employees

Fiscal Year 1977

The areas where we disagree with your analysis are as follows:

Page 1 - 1B, 2nd paragraph

The first sentence in this paragraph is misleading. The memorandum provided for the unions to give back $24 million in fringe benefit reductions. The City would continue the old COLA in effect at the existing rate. Further the city would give no salary increases but would provide a new COLA based on the Consumer Price Index, and the increases would result in no additional costs to the city. The funding would be from the three sources stipulated in the following sentence in your report.

Page 2, II

As an analysis of COLA costs, part II is incorrect for the following reasons:

1) the old COLA cited is one of five continuing COLAs.
2) The COLA cited is the most expensive of the continuing COLAS and therefore results in a higher cost calculation than is actually being incurred.

Page 4- III (1st paragraph)

We disagree with the 6% increase in the CPI from 4/1/76-3/31/77. The payment period is actually an 11 month period therefore the 6% limitation becomes a 5.5% limitation when the 11 month period is taken into account.

However, this point may be moot due to the current trend in the CPI. Seven of the 11 months are now in and the last reported month's rate was 2.5%. For the first seven months of the period the CPI is running at a rate of 5%. For it to approach the 6% within the first 11 months it would need a 9.1% inflation rate for the remaining four months of 1976. This appears unrealistic.

Page 5- Part III

The calculations on page 5 are the subject of disagreement because of our
previously stated objectives.

Page 6 - Part III (carryover paragraph)

If the implication on page 6 is that the 11.1% fringe benefit cost may be too low and that costs for fringes may exceed that, we would disagree. We think that is a generous rate.

Page 6 - Part IV

The old COLA payments continue until through June 30, 1978.

Page 7 - Calculations

Old COLA 7/1/76 - 6/30/77 - As previously stated this calculation is based on using one of five continuing COLA payments.

The maximum amount chargeable table is again inaccurate because of our previously stated disagreements.

Page 8 - Part IV last paragraph

Auditors from the Special Deputy Comptrollers were given data by the Labor Contract Unit in OMB. The data made available to them was the following:

Number of employees,

City wide by title in numerical sequence
City wide by title in numerical order
City wide by title in bargaining group
By department and title

In addition they have received the controllers monthly report which contains current data on number of employees.

Special summaries can be provided if essential however.

We believe

The summary of preliminary estimates are inaccurate because of our previously stated disagreements as to calculations.
Mr. Herbert Elish  
Executive Director  
Municipal Assistance Corporation  
Two World Trade Center  
New York, N.Y. 10047

Dear Mr. Elish:

Enclosed is the Report to the Emergency Financial Control Board on the status of the Transit Authority's implementation of its Fiscal Year 1977 productivity programs. These programs are designed to fund the "cost of living pay adjustments" for TA employees. This report was presented to the Emergency Financial Control Board on October 15, 1976.

Very truly yours,

Sidney Schwartz

SS: rat
Enclosure

cc: S. Berger  
    J. Burton  
    J. Zuccotti  
    D. Kummerfeld  
    EFCB Members

(EFCB-33-77)
Emergency Financial Control Board
270 Broadway
New York, NY 10007

Gentlemen:

The Executive Director of the Board has asked for a status report on the New York City Transit Authority's progress in carrying out the May 18, 1976 resolution of the Emergency Financial Control Board regarding the payment of new COLA. The following is submitted:

1. The TA has not yet submitted all of its intended productivity programs. We have been promised a complete summary of the programs today.

2. One major program which has been identified appears to be a service reduction. The TA has disputed this interpretation and has promised to submit further support for its position that the program in question is not a service reduction.

3. The TA has experienced delay in implementing aspects of those productivity programs which it has identified, thus cutting into the cash savings which must be generated and jeopardizing the attainment of the targeted amounts. (For the July through December 1976 period they estimate a requirement to offset $2.4 million in COLA payments. The TA originally estimated COLA to cost $14.5 million for the fiscal year. It is now reestimating the amount needed for the second six months).

4. We have retained a consulting firm, Arthur Young and Co., to confirm that the monitoring system proposed by the TA will enable the TA to certify to the results of the productivity programs, and to permit the programs and its results to be adequately monitored. They have advised us that one of the major TA divisions, Rapid Transit, has not yet established a monitoring system which meets the consultant's requirement to identify the savings. The Surface Division has a monitoring system for the programs which have been submitted.

5. One problem in achieving the required savings is the TA policy that it will not reduce its labor force except through attrition. Thus, if a
productivity program results in personnel becoming surplus, and they are not immediately transferrable to another job, a savings does not result.

6. There was an initial delay in the TA submission of data to support its proposed programs. This delay has been overcome with respect to those programs which have been identified. All the needed tracking systems, however, are not yet in place.

Thus, unless the TA moves more rapidly in identifying productivity programs which:

(1) do not constitute service reductions;
(2) are trackable;
(3) generate requisite dollars in identifiable cash savings;
(4) are monitorable on an ongoing basis,

the TA will not be able to certify savings that can be substantiated, and therefore will not be able to continue COLA payments.

Very truly yours,

Sidney Schwartz

SS/jt

cc: Stephen Berger
    David Yunicich
    John deRoos
    John Zuccotti

(EFCB-33-77)
August 16, 1976

PRODUCTIVITY COMMITTEE MEETING
DC 37 11:00 a.m. 8/16/76

AGENDA

1. Status report
   - staffing and structure
   - agency subcommittees

2. COLA Distribution policy

3. Covered agencies

- Individual agency or citywide?
- Vani: Can't get it done in time. Should be paid if things are moving along.

HDC x Hilton - Relationship

---

Bipal: Wants first COLA payment made as in two approach.
Zuccoli favors it open to decide at Sept. 3.
Bipal would pay it "presumptively."

$24 MY - Unions 1 yr.
In total for two years.
JOINT LABOR MANAGEMENT PRODUCTIVITY COMMITTEE

July 30, 1976

Agenda

1. Subcommittee assignments
2. Working schedule for October Cola
3. Guidelines and policies
4. Report on layoff procedures
5. Report on standby budget reductions
6. Report on Charter revisions
ISSUES FOR DISCUSSION

--- JOINT LABOR/MANAGEMENT PRODUCTIVITY INITIATIVE

Where can COLA money come from?

1. Cost savings achieved by gains in productivity.
2. Reductions in fringe benefits.
3. Other savings and revenues the City may realize providing conditions outlined here are met and the savings are in addition to those provided in the financial plan.

What will be required before COLA payments are allowed?

1. The agency must meet the financial plan first.
2. It must be shown that savings are being made without negatively affecting service.
3. A productivity program must be in place.
4. The savings must be related to increase productivity.
5. The savings must be annualized and repetitive.

How is the amount of COLA paid to be determined?

1. It will be paid to the extent that savings are made in addition to those savings counted in the financial plan.
2. They will also be determined and paid in accordance with memorandum of understanding June 30, 1976, section 2 relating to the Consumer Price Index.

How are productivity and savings to be measured?

1. Performance standards that reflect service delivery are to be developed for the agency.
2. Savings will be shown in the context of the agencies' tax levy budget.
3. The agencies productivity programs will provide the details of the linkage between productivity and savings.
What are the organizational units of measurement to be?

1. For the Productivity Committee the unit will be the agency. Savings achieved in any part will be credited to the entire agency.

2. Agencies' subcommittees may suggest a different unit of measurement. This will be passed on by the Productivity Committee.

3. It may make sense to group or consolidate some agencies for the productivity initiative.

How will this effort relate to productivity initiatives and savings programs already in place in the agencies?

1. Where productivity savings have already been counted on and included in the financial plan, the agencies must meet that commitment first.

2. Where productivity initiatives are in place, but the amount of savings to be realized is not budgeted, those savings may be called savings realized through productivity for the purpose of COLA.

What areas may produce savings if performance increases?

1. Personnel reductions.

2. Overtime reduction.

3. Scheduling to reduce special differentials for nightwork, weekend-work or holiday work.

4. Better use of facilities
   
   i.e. closing earlier consolidation

5. Other OTPS savings
   
   i.e. inventory control equipment review etc.

6. Better service in revenue generating areas
   
   i.e. licensing fines rentals etc.

7. Reduction in contracting out.
What happens if savings applicable to COLA are realized in one agency but not in another where both agencies are represented by the same union?

1. COLA will be paid by agency not by union.

What is to be the Committee's relationship with the covered agencies?

1. Health and Hospitals corporation will function as a part of Productivity Committee effort.

2. The Board of Education will be asked to join this effort when their contract is settled.

3. Transit and Housing Authorities will operate their own programs that parallel those of Productivity Committee.

4. In anticipation of state involvement with the Board of Higher Education they will not participate in the Productivity Committee.

What are the requirements for the use of savings and revenues other than productivity savings to pay the COLA?

1. It will be available only after financial plan commitments are met and only to the extent that these funds are not needed for the financial plan.

2. Available in non-cash saving productivity improvements can be made and demonstrated.

3. Approval to pay these will be required from the Emergency Financial Control Board.

How will unions that are not signatories to the agreement be effected when they have members in agencies where the Productivity Committee is making an initiative?

1. No one who is not a signatory is entitled to any COLA.

What about significant productivity savings or revenue increases that are possible only with an initial expenditure for manpower or equipment?

1. These cannot be ruled out but they probably can't be considered for the October deadline. They should be considered on a case by case basis.

How will the Productivity Committee organize its work in the agencies?

1. Working committees will be organized by agencies.
2. The working committees will be co-chaired by the union representing the largest portion of the employees in the agency and an agency designee.

3. Staff will be detailed from Office of Management and office of Labor Relations.

4. The Productivity Committee will establish by laws and deadlines for the working committees.

**What are the conditions for paying the October COLA?**

1. The conditions as specified in this list must be met.

2. The unions must execute a definitive collective bargaining agreement with the City.

**Must EFCB approval be obtained prior to payment of any COLA?**

1. While prior approval is not required EFCB reserves the right to make a final determination and will ask the City to certify that savings have been made.
GUIDELINES FOR IMPLEMENTATION OF INTERIM AGREEMENT
PROVISIONS RELATIVE TO LAYOFF PROCEDURES

JOINT LABOR MANAGEMENT SUBCOMMITTEE ON LAYOFFS

1. Upon receipt of the thirty (30) day notice of contemplated layoffs, a meeting will be held to consider feasible alternatives. The following will attend:

- Representing the City
  - T.F. Roche
  - Agency Head (or designee)
  - OMB representative
  - Department of Personnel representative

- Representing the Union
  - For DC 37 Units
    - A. Viani
    - President of the appropriate local
  - For other Unions
    - President of the Union
    - Local Shop Steward

2. Since the thirty (30) day notice to the Unions is sent two weeks prior to the notification to the employees, the Labor-Management Subcommittee will have two weeks in which to review the alternatives.

3. A verbal report of the Subcommittee's activities will be given to the full Labor-Management Committee.
TO: Administrators, Commissioners and Agency Heads

SUBJECT: Layoff Procedures in Accordance with Memorandum of Interim Understanding for Collective Bargaining Negotiations

The existing economic and fiscal crisis affecting the City and the requirement of the Department of the Treasury relating to the City's loan request made it necessary that the City and the Municipal Labor Unions reach an interim understanding covering the nature and subject matter of pending collective bargaining negotiations. As you no doubt are aware, a Memorandum of Interim Understanding has been signed.

Among the basic stipulations agreed upon were the following:

- No layoffs shall be made except in accordance with the Financial Emergency Act.

- Where layoffs are scheduled the following procedure shall be used:
  1. Notice shall be provided to the appropriate Union not less than thirty (30) days before the effective dates of such projected layoffs. (No notification shall be sent to the employees until two (2) weeks prior to the contemplated date of separation.)
Within such thirty (30) day period designated representatives of the City will meet and confer with the designated representatives of the appropriate Union with the objective of considering feasible alternatives to all or part of such scheduled layoffs, including but not limited to

(a) the transfer of employees to other agencies with retraining, if necessary, consistent with Civil Service law but without regard to Civil Service title

(b) the use of Federal and State funds whenever possible to retain or reemploy employees scheduled for layoff

(c) the elimination or reduction of the amount of work contracted out to independent contractors

(d) encouragement of early retirement and the expediting of the processing of retirement applications.

Therefore, you are hereby directed to

- comply with the above procedures when layoffs are necessary in accordance with Financial Plan requirements.

- relay information detailing schedules of layoffs to the Office of the Mayor and to the Office of Management and Budget.

Attached is a listing of the certified Unions so that you can notify the appropriate Union as specified in Item 1. above. Notification for all DC 37 units should be sent to Alan Viani, 140 Park Place, New York, New York 10007. All others should be sent to the President of the certified Union.

As soon as the schedules have been prepared, copies should also be transmitted, together with all pertinent data, to Thomas F. Roche of the Mayor's Office, to your OMB Examiner and to Alan Viani, the designated representative of the Municipal Labor Committee.

John E. Zuccotti
In order to make first quarter COLA payments by the first payday in October (October 8), first quarter productivity programs sufficient to meet the October payments must be developed and approved by September 1, 1976.

Productivity programs for the second and third quarters will be developed and approved by October 1.

In order to meet those deadlines the following schedule has been established:

<table>
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<th>Week of</th>
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<tr>
<td>August 2</td>
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<td>Agency sub-committees begin meeting</td>
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<tr>
<td>August 9</td>
<td></td>
<td>Productivity programs for first quarter submitted by agency management for review and policy approval by staff of OLR, OMB &amp; Productivity Committee.</td>
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<tr>
<td>August 16</td>
<td></td>
<td>Agency sub-committee (management and union) finalize agency productivity programs.</td>
</tr>
<tr>
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<td>Productivity Committee staff consolidates agency programs into City-wide productivity program.</td>
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<td>Agency sub-committees begin work on the next six months programs to be ready by October 1.</td>
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<tr>
<td>September 1</td>
<td></td>
<td>Report on October COLA submitted (Payroll notified by September 3).</td>
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<tr>
<td>September 6</td>
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<td>Productivity programs for second and third quarters submitted by agency management.</td>
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September 13

Agency sub-committees (management and union) finalize agency productivity programs.

September 20

Productivity Committee staff consolidates agency programs into City-wide programs.

Cost of Living Consumer Price Index reported and payroll adjustments made.

September 27

Report on second and third quarter productivity program submitted.
ADDITION SERVICES
CITY CLERK
CITY COUNCIL
CITY PLANNING COMMISSION
CITY SHERIFF
CIVIL COURT - ADMINISTRATION
HEARING OFFICERS
LAW SECRETARIES
COMMISSION ON HUMAN RIGHTS
COMPTROLLER, OFFICE OF
CONSUMER AFFAIRS, DEPARTMENT OF
CORRECTION, DEPARTMENT OF

COUNTY CLERK, BRONX
COUNTY CLERK, KINGS
COUNTY CLERK, NEW YORK
COUNTY CLERK, QUEENS
COUNTY CLERK, RICHMOND
CRIMINAL COURT

CULTURAL INSTITUTIONS
D.A., BRONX
D.A., KINGS
D.A., NEW YORK
D.A., QUEENS
D.A., RICHMOND
ECONOMIC DEVELOPMENT ADMINISTRATION

COMMITTEE CO-CHAIRMAN (UNION)

DC 37  DC 37  DC 37  DSA
CWA, 237IBT  CWA  CWA, METHODS ANALYST ASSOC.

DC 37  DC 37  DC 37  COBA
SCUOA, CWA, UCOA, 832IBT, 151UOE, DC 37,
CCBA, CCA, LACCFC  CWA, CC, ADWA, 300CSF, 237IBT

DC 37  DC 37  DC 37  DC 37
CWA, 237IBT  CWA, 300SEIU  CWA, 237IBT

DC 37  DC 37  DC 37
CWA, NYSCCA, CCBA, 300S

DC 37
UCOA

DC 37  DC 37
237IBT, CWA, FBA

DC 37  DC 37
CWA
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<th>Committee</th>
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<tr>
<td>Office of Chief Medical Examiner</td>
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<td>Comprehensive Health Planning</td>
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<td>Health Service Administration</td>
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<td>Health and Hospital Corporation</td>
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<td>Franchises, Bureau of Firearms Control, Board of Fire Department</td>
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<td>Finance Administration</td>
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<td>Ethics, Board of Family Court</td>
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<td>Sanitation, Department of</td>
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<td>Environmental Protection Administration</td>
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<td>Elections, Board of</td>
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<td>Education, Board of</td>
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**Committee Members**

- CWA
- SEIU
- AFL-CIO
- NYSNA
- NADH
- DOCTORS

- 231E2/CWA, 237IBT, 1445EII, CWA
- 231E2/CWA, 237IBT
- 1199CWA, 305SEIU, 33308EII
- 231E2/CWA, 237IBT
- 231E2/CWA, 237IBT
- 231E2/CWA, 237IBT
- 231E2/CWA, 237IBT
- 231E2/CWA, 305SEIU, 231E2/CWA
- CWA, 231E2/CWA, 237IBT
**Higher Education, Board of**

**Housing Authority**

**Housing Development Administration**
- Development, Dep't. of
- Rehabilitation, Dep't. of
- Rent & Housing Maint., Dep't of
- Buildings, Dep't of

**Human Resources Administration**

**Investigation, Department of**

**Landmark Preservation Commission**

**Law Department**

**Mayoralty**
- Office of Management & Budget
- Office of the Aging
- Criminal Justice Coord. Council
- Mayorality- Executive Offices
- Office of Midtown Planning
- Office of Labor Relations
- Office of Downtown Planning
- Office of Neighborhood Services
- Youth Board
- Office of Lower Manhattan Development
- Office of Apparel Industrial Plg. & Dev.
- Office of Jamaica Planning & Development
- Labor Services, Bureau of
- Office of Volunteers

**Committee Co-Chairman**

**Union**

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OFFICE OF UPPER MANHATTAN PLC & DEV.

TEMPORARY COMMISSION ON CITY FINANCES

MODEL CITIES ADMINISTRATION
MUNICIPAL SERVICE ADMINISTRATION

PUBLIC WORKS
WNYC
CITY RECORD
PURCHASE
REAL ESTATE
CONSTRUCTION

N.Y.C. EMPLOYEES RETIREMENT SYSTEM
N.Y.C. TAXI & LIMO. COMMISSION
OFFICE OF COLLECTIVE BARGAINING
PARKS, RECREATION & CULTURAL AFFAIRS ADMIN. DC 37

PERSONNEL, DEPARTMENT OF
POLICE DEPARTMENT

PRESIDENT, BOROUGH OF BRONX
PRESIDENT, BOROUGH OF BROOKLYN
PRESIDENT, BOROUGH OF MANHATTAN
PRESIDENT, BOROUGH OF QUEENS
PRESIDENT, BOROUGH OF RICHMOND
PRESIDENT OF COUNCIL
PROBATION, OFFICE OF

COMMITTEE
CO-CHAIR
UNION OTHER COMMITTEE MEMBERS

DC 37
DC 37

CWA
CWA, 237 IBT

237 IBT, CWA, 300 SEIU, AE
1199NHHCE, 832 IBT, 246 SEIU

CWA

CWA, ABI, IBB, 246 SEIU, 237 IBT

CWA, 300 SEIU

SBA, LBA, DEA, CEA, DC
CWA, 237 IBT, METHOL
ANALYST ASSOC.

PPOA
DC 37, CWA
COMMITTEE CO-CHAIRMAN UNION OTHER COMMITTEE MEMBER

PROSECUTION & SPECIAL NARCOTIC COURT, OFFICE OF
PUBLIC ADMINISTRATOR, BRONX COUNTY
PUBLIC ADMINISTRATOR, KINGS COUNTY
PUBLIC ADMINISTRATOR, N.Y. COUNTY
PUBLIC ADMINISTRATOR, QUEENS COUNTY
PUBLIC ADMINISTRATOR, RICHMOND COUNTY
PUBLIC EVENTS, DEPARTMENT OF
SECRETARY, BUREAU OF
SOCIAL SERVICE, DEPARTMENT OF
STANDARD AND APPEALS, BOARD OF
SUPREME COURT, 1ST JUDICIAL DIST. AND APPELLATE DIVISION 1ST DIVISION
SUPREME COURT, 2ND DEPARTMENT (APPELLATE TERM)
SUPREME COURT, 2ND JUDICIAL DIST., KINGS COUNTY
SUPREME COURT, 11TH JUDICIAL DIST., QUEENS COUNTY
SUPREME COURT, 2ND JUDICIAL DIST., RICHMOND COUNTY
SURROGATE'S COURT, BRONX COUNTY
SURROGATE'S COURT, KINGS COUNTY
SURROGATE'S COURT, N.Y. COUNTY
SURROGATE'S COURT, QUEENS COUNTY
SURROGATE'S COURT, RICHMOND COUNTY
TAX COMMISSION
TEACHERS RETIREMENT SYSTEM
TRANSIT AUTHORITY

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CWA, 2371BT

DC37, 2371BT, 30IUN, NYSCCA, LAANY, ASSCRA

LAANY, CCBA, ASSCR, SCUOA
NYSCCA, 300SEIU, CWA

CWA

MABSTOA, TPBA, TSBA, TLB
TCEA, DC37, CWA
TRANSPORTATION ADMINISTRATION

HIGHWAYS

PARKING VIOLATIONS

MARINE & AVIATION

TRAFFIC

WATER SUPPLY, BOARD OF

COMMITTEE
CO-CHAIRMAN
UNION

OTHER COMMITTEE MEMBERS

DC 37
CWA, 237IBT

DC 37
14/151UOE, 237IBT, AHI, 832IBT, CWA, 300SEIU

333UMD
DC37, CWA, 246SEIU

CWA
237IBT, DC37, IPEU

DC 37
CWA, 237IBT, 300SEIU
July 29, 1976

TO: Joint Labor Management Productivity Committee

FROM: John E. Zuccotti

Attached is suggested agenda and materials for the meeting of the Productivity Committee scheduled for Friday, July 30 at 11 a.m.
In order to make first quarter COLA payments by the first payday in October (October 6), first quarter productivity programs sufficient to meet the October payments must be developed and approved by September 1, 1976.

Productivity programs for the second and third quarters will be developed and approved by October 1.

In order to meet those deadlines the following schedule has been established:

Week of:

August 2
Agency sub-committees begin meeting.

August 16
Agency sub-committee (management and union) finalize agency productivity programs.

August 23
Productivity Committee staff consolidates agency programs into City-wide productivity program.

Agency sub-committees begin work on the next six months programs to be ready by October 1.

September 1
Report on October COLA submitted (payroll notified by September 3).

September 13
Agency sub-committees (management and union) finalize agency productivity programs.

September 20
Productivity Committee staff consolidates agency programs into City-wide programs.

September 27
Report on second and third quarter productivity program submitted.
ISSUES FOR DISCUSSION

--- JOINT LABOR-MANAGEMENT PRODUCTIVITY COMMITTEE

1. Where can COLA money come from?

2. What will be required before COLA payments are allowed?

3. How is the amount of COLA paid to be determined?

4. How are productivity and savings to be measured?

5. What are the organizational units of measurement to be?

6. How will this effort relate to productivity initiatives and savings programs already in place in the agencies?

7. What types of costs can be reduced by productivity increases?

8. What happens if savings applicable to COLA are realized in one agency but not in another where both agencies are represented by the same union?

9. What is to be the Committee's relationship with the covered agencies?

10. What are the requirements for the use of savings and revenues other than productivity savings to pay the COLA?

11. How will unions that are not signatories to the agreement be effected when they have members in agencies where the Productivity Committee is making an initiative?

12. What about significant productivity savings or revenue increases that are possible only with an initial expenditure for manpower or equipment?

13. How will the Productivity Committee organize its work in the agencies?

14. What are the conditions for paying the October COLA?

15. Must EFCB approval be obtained prior to payment of any COLA?
JOINT LABOR MANAGEMENT PRODUCTIVITY COMMITTEE

July 28, 1976

Mr. Felix Rohatyn, Chairman
Municipal Assistance Corporation

Mr. Stephen Berger, Executive Director
Emergency Financial Control Board

Dear Messrs. Rohatyn and Berger:

Under the Memorandum of Interim Agreement between the City and the unions representing City employees, we have established a Joint Labor-Management Committee on Productivity. The purpose and function of the committee is to develop and maintain productivity programs, to effect cost savings without loss of services on a city-wide basis through reductions of fringe costs or by reason of other savings or other revenues, and to measure and evaluate which amounts shall serve to provide the COLA payments described in the Memorandum.

At the first meeting of the Committee, City and union members agreed that it would be useful to the work of the Committee and the achievement of its purposes to ask both of you to consult with the Committee in all of its endeavors.

Accordingly, we invite both of you, or your representatives, to attend the next meeting of the Committee, scheduled for July 30, and to participate actively in our future efforts.

Sincerely,

[Signature]
John E. Zuccotti
Co-chairman

[Signature]
Victor Gotbaum
Co-chairman
ADMINISTRATIVE ORDER NO. 27

TO: Administrators, Commissioners and Agency Heads

SUBJECT: Layoff Procedures in Accordance with Memorandum of Interim Understanding for Collective Bargaining Negotiations

The existing economic and fiscal crisis affecting the City and the requirement of the Department of the Treasury relating to the City's loan request made it necessary that the City and the Municipal Labor Unions reach an interim understanding covering the nature and subject matter of pending collective bargaining negotiations. As you no doubt are aware, a Memorandum of Interim Understanding has been signed.

Among the basic stipulations agreed upon were the following:

- No layoffs shall be made except in accordance with the Financial Emergency Act.

- Where layoffs are scheduled the following procedure shall be used:

  1. Notice shall be provided to the appropriate Union not less than thirty (30) days before the effective dates of such projected layoffs. (No notification shall be sent to the employees until two (2) weeks prior to the contemplated date of separation.)
2. Within such thirty (30) day period designated representatives of the City will meet and confer with the designated representatives of the appropriate Union with the objective of considering feasible alternatives to all or part of such scheduled layoffs, including but not limited to

(a) the transfer of employees to other agencies with retraining, if necessary, consistent with Civil Service law but without regard to Civil Service title

(b) the use of Federal and State funds whenever possible to retain or reemploy employees scheduled for layoff

(c) the elimination or reduction of the amount of work contracted out to independent contractors

(d) encouragement of early retirement and the expediting of the processing of retirement applications.

Therefore, you are hereby directed to

- comply with the above procedures when layoffs are necessary in accordance with Financial Plan requirements.

- relay information detailing schedules of layoffs to the Office of the Mayor and to the Office of Management and Budget.

Attached is a listing of the certified Unions so that you can notify the appropriate Union as specified in Item 1. above. Notification for all DC 37 units should be sent to Alan Viani, 140 Park Place, New York, New York 10007. All others should be sent to the President of the certified Union.

As soon as the schedules have been prepared, copies should also be transmitted, together with all pertinent data, to Thomas F. Roche of the Mayor's Office, to your OMB Examiner and to Alan Viani, the designated representative of the Municipal Labor Committee.

John E. Zuccotti
March 12, 1976

Mr. Edward L. Palmer
Chairman of the Executive Committee
First National City Bank
399 Park Avenue
New York, New York 10022

Dear Ed:

Thanks for your letter of March 4, 1976 and for the copy of "Improving Productivity in State and Local Government".

This is, clearly, a most important subject.

Best regards.

Sincerely yours,
March 4, 1976

Mr. Herbert Elish, Director
Municipal Assistance Corporation
2 World Trade Center
New York, New York

Dear Herb:

   As you know, the Committee for Economic Development issues from time to time studies on matters of current importance in the economy and public sector. These reports are the work of businessmen, who are active members of the CED, supported by appropriate research staff.

   As a Trustee of the Committee for Economic Development, I would like to personally convey to you a study which has just been published, "Improving Productivity in State and Local Government". I consider it to be worthwhile and provocative and recommend this analysis to your attention.

   With all good wishes,

   Sincerely,

Enclosures
FOR RELEASE: RADIO/TV, 6 P.M., WEDNESDAY, MARCH 3
PRINT, AM'S, THURSDAY, MARCH 4

The Research and Policy Committee of the Committee for Economic Development (CED) today recommended a major overhaul in the way states and localities allocate their resources and deliver services.

In a wide-ranging policy statement, Improving Productivity in State and Local Government, the group of national business leaders called on politicians, public managers, unions, and citizen groups to make better performance a political issue and a driving force behind the operations of these government organizations. The committee also proposed a massive retooling of federal revenue sharing and other intergovernmental programs in order to encourage more effectiveness and efficiency by state and local governments.

According to the CED report, expenditures made by these governments have grown rapidly to become a major component of the national economy. State and local spending now accounts for almost 15 percent of the gross national product and over 80 percent of all nondefense government purchases of goods and services. Together, these units employ one of every seven nonagricultural workers.

Productivity improvement can provide financially troubled areas with an alternative to service cutbacks and higher taxes, the statement maintains. This effort is an answer to the general lack of confidence in government, it argues. Asserting that "full confidence will be established only when the nation is also reassured of the competence of government," the CED report concludes that "a practical way to contribute to that objective is to strengthen the capacity of states and localities to deliver quality public services at reasonable cost."

The report was made public today by Wayne E. Thompson, senior vice president
of Dayton Hudson Corporation and chairman of the CED subcommittee that prepared the document. CED is a private nonprofit research and educational organization composed of two hundred trustees who are mostly corporate executives, board chairmen, and university presidents. CED trustees throughout the country are releasing the statement to their governors, mayors, and other public officials.

In part, the statement:

-- suggests that state and local governments foster competition with public agencies by contracting for services with private enterprise, permit employees to move freely among governments without losing benefits and pension rights, place greater reliance on labor-saving technology, and improve the evaluation of services and the measurement of accomplishment.

-- urges a restructuring of the federal grant programs, including revenue sharing, to encourage improvements in the structure and internal management of state and local agencies, proposes the establishment of minimum state standards for evaluating services through "performance auditing," and recommends other steps by which the federal system can be used to encourage productivity.

-- emphasizes the need to broaden the concept of productivity beyond its traditional definition to include both efficiency and effectiveness.

"It is not enough to consider productivity a measure of output to input for a specific government activity or a limited means of either 'getting more for less' or simply prompting bureaucrats to work harder." Productivity also encompasses effectiveness, the extent to which government programs achieve their objectives, the report states.

State Priorities

"Ultimately, greater productivity in government will depend on the effectiveness of political pressure from voters, taxpayers, and consumers of government services." But generating such momentum requires the development of better information concerning the performance of government, the report argues. Stressing the importance of state action, it calls on governors to "establish a high-level commission with state, local, and nongovernment representation to identify and suggest permanent mechanisms for evaluating and improving state and local govern-
ment productivity." It recommends that state governments "establish and enforce minimum standards for local government budgeting, accounting, and performance and reporting systems that would provide data on the level, quality, results, and costs of services," and provide their local jurisdictions with financial and technical assistance to help them meet the requirements.

In turn, effective administrative mechanisms are needed to translate the needs disclosed by performance measures into action, the report states. Reiterating an established CED recommendation, it calls on states to "move vigorously to improve the structure of local government" by creating two-tier local jurisdictions with one level to accommodate metropolitan problems and another layer capable of meeting community needs. The report also proposes the redefinition and redistribution of government powers and functions by states and their "authorization to permit local units to utilize intergovernmental contracting and other cooperative service arrangements."

Way of Doing Business

The CED panel explains that its report provides no single technique or specific innovation, "but rather a concept or way of doing business that stresses higher overall performance at minimum cost." Embracing complicated and often controversial issues, productivity is a "long-term task" that must be applied to "every phase of government operations" from the policy-making level to the agency delivering the service, the statement asserts.

"Productivity begins with a determination of goals and objectives (specifying what the government should and should not do) and then proceeds to identify the most cost-effective means of achieving those ends. Only after these two fundamental steps have been taken will improvement in efficiency (the traditional ratio of resources to results) be significant and meaningful." Theoretically the political process makes such determinations, but in practice it "rarely works so neatly," the report explains.
"Intangible goals must be redefined in terms of more specific and tangible objectives that can be measured. Only then can resources be allocated toward their accomplishment." Once objectives are identified, alternatives should be examined, and then approaches selected with cost-effectiveness in mind. "In practice, few jurisdictions systematically identify policy alternatives, let alone analyze their relative costs and benefits."

The implementation of policy, the statement continues, is made difficult by nebulous and conflicting objectives, the lack of policy guidance from top officials, and the size and complexity of government operations. "The time-tested principles of organization, specialization, supervision, communication, and established procedures are still largely valid; the missing ingredient in many government agencies has been the will and ability of managers to apply them."

Agenda for States and Localities

"The greatest opportunity for improved government productivity lies in strengthened management," the report states. "Clearly linking the performance of their agencies to their own salaries, prospects for promotion, and reputations" will provide "incentives for managers to manage." But the procedures and machinery of management that inhibit productivity also require reform, the CED statement adds. It suggests that:

-- Planning, often limited to physical aspects of urban development and special functions, can be broadened to include the identification of needs and alternative policy actions.

-- Conventional budgeting, that relies on "rules of thumb" and frustrates fiscal planning, can be made into a systematic consideration of priorities, program accomplishments, and costs through program-performance budgeting or related techniques of zero-based budgeting and management by objective (MBO).

-- Broad policy making and the routine operations in line agencies can benefit from investment in trained analysts who can help weigh the various policy alternatives in terms of their likely costs and benefits, evaluate the capability of line agencies, and point to cost-saving efficiencies in operations.
Other State-Local Opportunities

The statement urges states and localities to "employ existing but little-used" measurement techniques, including general social indicators that can aid policy planning, surveys and polls to assess citizen satisfaction and service usage, and measures of agency workload to gauge efficiency, such as tons of refuse collected per manhour or hours required to process a license. "Appropriate measures can aid professional judgment and public understanding" of performance by providing a valid means of comparison with established goals, past history, and other jurisdictions.

State and local officials should invest in technology and help develop a market among potential suppliers. Most government agencies are reluctant to experiment with new technologies and the use of more equipment per worker--proven factors in industrial productivity gains--and private firms devote relatively little effort to accommodating the widely diversified technological needs of the public sector, the report explains.

Better use of the talents and energies of public employees offer further opportunities for productivity gains. "Elected officials and top managers need to acquire and exercise both the understanding and the professional expertise in labor relations necessary to protect the interests of both the public and the employees."

Still in the formative stages, public-employee unions have become a "predominant force affecting the disposition of workers" and increasingly influential in both politics and the management of government, the statement observes. Civil service systems have "reinforced mediocrity and otherwise impeded productivity." They "need to be scrutinized for evidence of counter-productive tendencies," it continues.

Motivating for Productivity

By making productivity an issue, business leaders, organizations of consumers,
women, minorities, and neighborhood and civic associations can stimulate improvement efforts by government. Noting "there are few public issues of greater importance to the local business community," the report urges business to increase its involvement in state and local affairs, lend direct technical assistance to productivity efforts and to support research organizations.

Unions could also make an "invaluable contribution to productivity improvement" by combining the expertise of its members with their organizational and research capabilities. Other groups, including political parties, will also find that concern with efficient and capable government is to their interest, the statement reasons.

To further motivate productivity improvement, the CED panel urges reform of the traditional audit process. "Audit agencies should follow the example of the U.S. General Accounting Office in concentrating increasingly on the effectiveness of government programs and the efficiency with which they are carried out, rather than just on financial administration and legislative compliance."

Yet, even the performance audit "risks becoming a political vehicle."

"Independent institutions that can command both public attention and public respect and that have assured sources of funds and professional capability to assess government performance regularly, systematically, and publicly" are also needed. Such units could be joint public- and private-sector ventures.

To remove the inefficiencies that result as "a natural consequence" of the monopolistic character of public services, the CED panel proposes having private firms compete directly with public agencies, giving individuals vouchers to purchase services, requiring agencies such as schools to compete for clients, and contracting with private enterprise for the provision of services.

**Federal Productivity Aid**

Calling federal grants "the most potent force that can be brought to bear on state and local officials to improve productivity," the statement recommends
that "revenue sharing, block grants, and categorical programs be redesigned to encourage improvements in the structure and internal management of state and local governments." This could be accomplished by requiring recipients to meet certain criteria, allocating a specific portion to productivity techniques, providing bonus payments, or emphasizing achievement of objectives as part of the program.

The report also recommends expansion of federal technical assistance to help states and localities improve their management. It urges that more federal research and development be devoted to the problems of state and local government.

The President should "designate a federal agency to develop policy and coordinate implementation of federal assistance to states and localities with the participation of state and local officials," the report states. This agency should "address the productivity implications of federal assistance and be responsible for strengthening management in the intergovernmental system."

Praising establishment of the National Center for Productivity and Quality of Working Life as a permanent federal unit, the CED panel proposes "funding substantially beyond its current annual appropriation of $2 million."

Flexible Manpower Policy

"Restrictive personnel systems discourage employees from moving to new positions that can best use their capabilities as they gain experience." States should reform personnel laws to permit greater personnel mobility among governments, and the federal Intergovernmental Personnel Act (IPA) personnel interchange program should be expanded. The statement also proposes that the U.S. Civil Service Commission's Bureau of Intergovernmental Personnel Programs determine how state and local civil service and personnel systems can be made more conducive to productivity improvement and that it examine possibilities for nationwide mechanisms of recruitment, interchange, and pension portability for
state and local personnel.

Memoranda of comment, reservation, or dissent were filed by the following trustees: Charles P. Bowen, Jr., R. Heath Larry, Franklin A. Lindsay, Oscar A. Lundin, R. Stewart Rauch, Jr., Mark Shepherd, Jr., and Frazier B. Wilde. Voting against the statement were: C. Wrede Petersmeyer, James Q. Riordan, and Charles C. Tillinghast, Jr.

* * *

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*Voted to approve the policy statement but submitted memoranda of comment, reservation, or dissent or wished to be associated with memoranda of others.

*Voted to disapprove the statement.

*Nontrustee members take part in all discussions on the statement but do not vote on it.
MEMORANDUM

To: David Burke
From: Herbert Elish
Subject: OTB DEFERRAL AGREEMENTS
Date: March 3, 1976

There are two major unions representing the employees of OTB - District Council 37 and Local 803 of the Teamsters. DC 37 entered into a standard wage deferral agreement based upon the agreements reached during the Summer, which deferred all or a portion of the general increase due this year, depending upon the wage level of the employee; i.e., 2% for those employees earning under $10,000, 4% for those earning between $10,000-$15,000 and 6% for those earning over $15,000.

Teamster employees who earn over $15,000 are under a different form of contract with a general increase this year of under 4% and large "parity step-ups" in addition to the general increase. When they prepared to enter into their deferral agreement in the Fall, they received no guidance as to what would be acceptable and agreed to defer the general increase only. This meant that less than 4% of their salary would be deferred.

There has been a history of inter-union representation fights. When the Teamsters' agreement was reached, Victor Gotbaum complained to the then-First Deputy Mayor, on the grounds that his employees were being treated inequitably. Subsequently, the City sent the Teamsters agreement back to OTB, stating that the City would recommend its disapproval to the Control Board and that a full 6% of the Teamster salary must be deferred.
Discussions have been held recently between the unions through the auspices of Jack Bigel [the Teamsters local is headed by Vincent Trerotola but Barry Feinstein represented the Teamsters in the conversations]. The unions have agreed to a formula under which the deferrals for all OTB employees would be scaled down as follows:

-- 1-1/3% for those employees earning under $10,000;
-- 2-2/3% for those employees earning between $10,000-$15,000;
-- 4% for those earning over $15,000.

Approval of this formula would reduce the amount of DC 37 deferrals by $123,000. There is another small union which agreed to the original wage deferral formula. If the proposal is adopted, its deferral would be reduced by $13,000. There was an apparent error made by OTB in its calculations of the Teamsters deferral. New calculations would increase their deferrals by $45,000.

There has been great pressure for action from DC 37. There is a membership meeting on Thursday, March 4. After you read and review this, I would like to discuss it with you on Thursday.
February 5, 1976

TO: ROBERT BOTT

FROM: BRUCE McIVER and ELOISE HIRSH

RE: PROPOSALS FOR PRODUCTIVITY PROJECTS

As we discussed in our meeting of January 21, we are proposing work in three areas: Parks and Sanitation, where ground work has already been done by us and where the Management Advisory Board wants to go next, and Police, where we also have some expertise. The directions we'd like to go are spelled out in some detail below. Because we are proposing inquiries, we do not have at this point, any hard numbers, but everyone's sense of the outlined areas is that there is gold in them thar hills.

In addition, it would make sense for us to work with the Urban Academy at the places where it interfaces with OMB. We have recently completed a status report on the Academy for the Fund for the City of New York, during the course of which we developed some money saving ideas on the training duplication problem.

The projects in this memo are the result of our thinking of what we know about and what needs to be done. Clearly, taken together, they are more than one or two people can work on at once. We'll be happy to talk about an order for their development.

M.B.O. - PARKS AND SANITATION

With the appointment of new commissioners for these departments, Ukeles' interest in having them be the next targets for MBO, and our experience to date, it makes sense for us to do the budget work for the MBO projects. It seems that work would be similar to the process we had suggested to the Productivity Council at its last convocation: deciding on department priorities (objectives), inventoring resources and reassigning them accordingly.

Aside from the MBO effort, we do have some specific projects we would like to work on in Sanitation and Parks.
SANITATION DEPARTMENT

District Level Productivity and Planning Effort

Proposal: Develop an analytical and planning capability in five districts to test various new kinds of collection and cleanup strategies. These would in turn serve as prototypes for other similar districts in the City.

Program: Select five districts that are different from each other but representative of the whole City for the experiment. Put in each of these districts an analyst/planner and a sanitation worker with the potential to be an analyst. Train this team in analytic and measuring techniques appropriate to collection and cleaning. Assign each to the district for a year and allow them, with the district superintendent, a free hand to experiment.

Result: By pairing sanitation workers and analysts in five districts, there will be ten people trained to do this kind of work after a year. If the professional management consultants are correct, 1% of the work force should be engaged in looking at how the work gets done. The only direction left to keep the service at the same level is to fit the service offered more closely to the character of the neighborhood. This will allow appropriate trade offs to be made between cleaning and collection, for instance. Further, it may make sense to look at the time of collection in various neighborhoods based on traffic patterns. A third example might be fitting pick up to alternate side of the street parking. All these things are possibilities for increasing productivity. Measurements are in place that afford much data already (Scorecard, tonnage, etc.). They need to be used.

Dollar savings: my strong sense is that collection costs can be reduced in many neighborhoods by working more closely with major clients on collection strategies. (Schools, apartment buildings block associations, etc.) Dollar cost for collections is around $40/ton. I think in places where concentrated efforts are made, a 5% reduction in cost with the same quality of service is possible.

Worker Owned Co-operatives

Proposal: Convert two sanitation districts into worker owned and run co-operatives.

Program: Develop a proposal whereby districts would be converted into a worker own co-operative; the business could be operated on a franchise from the City. Perhaps two of these ought to be tried in conjunction with the contracting out business being talked about. The details are complex and have been discussed more fully in the Productivity Council report. This is an idea that has been around for awhile; both Jack Bigel and Herb Elish supported it at one time or another. I think it is an idea whose time has come.
Results: I think this has the potential for fundamentally changing the garbage collection procedures for the City. The long range cost savings are, I believe, in the neighborhood of 10-15% over the current system for the following reasons:

- you are taking people off the City payroll, thereby immediately cutting overhead administrative costs;

- you can cut down on supervisory personnel at the same time allowing the co-op to hire effective management;

- maintenance could be contracted for by the co-op. This would make it competitive and less costly;

- general experience with producer-owned cooperatives in the private sector suggests that in labor intensive, low skilled jobs, productivity increases are great when the worker can capitalize on his own labor;

- this approach offers a chance for community involvement at the district level. Long range, the problems of a clean city and solid waste disposal have to be addressed at the source;

A cooperative may be able to work with a community to do this, and with the help of low-cost, low-volume resource recovery technology, may be able to generate some small bit of revenue for itself and the co-op.

Finally, this idea is an alternative to the private contracting for collection and is responsive to the needs of people already employed by the City. You may even be able to develop some competition for the private carters.

PARKS DEPARTMENT

While the management situation in Parks should be addressed by the implementation of an MBO project, the problems having to do with the skilled trades titles and the multitude of civil service titles bear some extra effort and examination. Productivity problems with both groups of workers center around how and where they are assigned, the actual work they may do and the flexibility with which they may be used. An examination of these issues in the Parks Department would have city wide application.

The Parks department uses a wide variety of skilled craft workers (plumbers, carpenters, mechanics, etc.) who are all paid at the prevailing rate but who work the same number of days as all other city employees. They are some of our most expensive workers.

Proposal: Develop a plan for decrease in reliance on skilled craft personnel and increase in flexibility with which civil service personnel may be used.

Program: The five-boro shop, with personnel costs of well over a half million dollars is the assignment of the majority of craft workers. The shop manufactures playground equipment and machine
parts, as parts, as well as doing all major vehicle and machinery repairs. The shop is also the location for most craftsmen who do repair on park facilities.

- an analysis would be prepared on whether the city should continue to finance a factory operation, rather than purchase already manufactured equipment.

- a needs analysis would be done of the actual skilled craft workload- its location, frequency and content.

- a crafts apprentice program would be developed for civil service titles.

-a proposal for a graded single title parks worker would be developed.

Results: The development of these plans will allow management to make rational decisions on the deployment of a shrinking skilled work force. We are convinced in fact that there could be an increase in productivity of the skilled workers by as much as 25% if the work is analyzed and organized. Productivity of the civil service workers would be likewise increased.

POLICE DEPARTMENT

We have not looked at this department as recently as the the other two. Our past experience leads us to believe that the directions outlined here are fruitful ways to begin. We believe the department to be top heavy with resources used in support functions than are needed. We would commence this inquiry with a series of interviews to determine where the department is in relation to the concerns below and revise our program plans accordingly. The difficulty of getting this information is not being underestimated.

Proposal: Develop a rational transfer policy from overhead or support assignments to line patrol and investigation work. With the acceptance of attrition as the means by which force size will be reduced, the potential for dislocation in the delivery of basic patrol and investigation service must be minimized.

Program: Develop data which would allow the policy to be implemented. The kinds of data needed would be:

-attrition data based on the last six months, by rank and assignment;

"census and description of "details" - special assignments, support and overhead assignments;

-agreed upon minimum manning levels for patrol and investigations.

Develop agreed upon priority listing and manning formulas for support and overhead functions, including necessary supervisory ranks.
Develop implementation procedures, including job specifications for superior officers suddenly assigned line duties.

All these program pieces must be developed with police department personnel.

Results: By implementing a transfer policy based on a careful analysis of department service priorities, adequate staffing levels can be maintained, while low priority units can be eliminated or merged with others. The supervisory structure can be scrutinized. For example, tradition may require captains or inspectors to fill particular posts when sergeants or lieutenants would be more appropriate and less costly. Workload standards could be developed and overlap with other departments would be addressed (e.g. inspections, counsel, internal audit).

Proposal: Decrease the number of personnel in ranks above Sergeant; decrease the ratio of line to support and supervisory personnel.

Program: With data developed from the previous project, an attrition incentive program can be developed.

-assignment of high ranking officers to operational commands may encourage retirement.

-develop, with commissioner, a review procedure for all personnel above the rank of captain. These titles serve "at the discretion of the commissioner" and can be demoted if not retired.

Results: A decrease in the number of high-ranking, therefore more expensive, personnel, will result in greater savings per personnel loss, without productivity loss if concurrent planning takes place. A weeding out of the upper ranks will provide opportunities for younger, motivated officers who presently see those doors closed to them indefinitely.
This report, Regional Productivity, is the final summary of the National Science Foundation project you participated in at a November 1973 meeting at the World Trade Center on environmental monitoring. It is reprinted from the November issue of National Civic Review.

We would appreciate any comments.

John P. Keith
President
Regional Plan Association
235 East 45 Street, New York, New York 10017
Regional Productivity

A Report by the Metropolitan Affairs Nonprofit Corporations

National Municipal League
National Civic Review

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—Constitution

NATIONAL MUNICIPAL LEAGUE
Carl H. Pforzheimer Building
47 East 68th Street, New York, N.Y. 10021

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Regional Productivity

A Report by the Metropolitan Affairs Nonprofit Corporations*

IN 1973 the National Science Foundation provided a grant to several private urban affairs groups for a background study in the foundation's Experimental R&D Incentives Program. These groups are jointly known as the Metropolitan Affairs Nonprofit Corporations (MANCs). The MANCs include Central Atlanta Progress, the Cleveland Foundation, the Metropolitan Fund, Inc. (Detroit), the Citizens League (Minneapolis/St. Paul), the Regional Plan Association (New York), the Greater Philadelphia Movement, the Allegheny Conference on Community Development (Pittsburgh), the Bay Area Council (San Francisco), the Economic Development Council of Puget Sound and the Washington Center for Metropolitan Studies.

Under the terms of the grant, the MANCs were asked to explore means for improving productivity and technology utilization in the nonfederal public sector. They have intensively considered this question, conducting the work in two phases.

In the first phase, conferences were held in four regions—San Francisco, Minneapolis, Pittsburgh and New York—selected to represent a cross section of the country's large urban areas (in size, growth rate and economic base). The subjects included four key technological concerns—transit, environmental monitoring, service delivery and physical development. The participants included leaders from industry, government, civic organizations, foundations, universities and consulting firms. Through these conferences the MANCs in effect conducted in-depth group interviews with a wide spectrum of technical specialists and urban generalists.

In the second phase the conclusions were tested and refined through additional review conferences in Detroit, Atlanta and Washington.

As a consequence of this study and review process, this report constitutes a comprehensive appraisal by more than 300 highly-experienced practitioners of technology and public affairs in seven representative urban regions across the country. It is the judgment of this well-versed and widely-representative group which provides the report's credibility.

In the following pages, the report findings, basic conclusion and recommendations are summarized. The full report on which this summary is based consists of three volumes as follows:

Volume 1—Books I-II—Summary and Documentation: a detailed annotation of the summary text and description of the study methodology;

Volume 2—Books III-VI—Phase I Conferences: specific descriptions of the

* A summary of a report by the Metropolitan Affairs Nonprofit Corporations, prepared under Grant No. DL-39565 from the National Science Foundation, August 1, 1975.
regional conferences in Minneapolis (regional social services), San Francisco (regional transit), New York (environmental monitoring) and Pittsburgh (regional growth);

Volume 3—Books VII-IX—Phase II Conferences: specific descriptions of the regional conferences in Detroit and Atlanta (regional citizen involvement) and the final review conference in Washington.

Copies of these volumes can be obtained through the Public Sector Office in the Experimental R&D Incentives Program at the National Science Foundation (1800 G Street, N. W., Washington, D. C. 20550). The detailed conference records are available at the Washington Center for Metropolitan Studies (1717 Massachusetts Avenue, N. W., Washington, D. C. 20036).

Findings

A. Crucial issues of productivity are now arising in the performance of the regional “life support” systems.

Traditionally, productivity in local government has been approached with what might be termed “the view from the street.” The problem typically has been seen as one of finding technological improvements for traffic control, firefighting, street repair, the day-to-day problems encountered by citizens and public administrators. Some significant efficiencies have been achieved with these engineering innovations. The compactor trash truck and radio-dispatched police car are examples.

But regional productivity must now be considered in a broader context, what might be called “the view from the air.” From this perspective, what appears is not the historical municipality, the traditional city. Instead, in our increasingly urban society, the “view from the air” reveals a vast and complex “new city,” the metropolitan region.

In this broader view, productivity is defined as the region’s overall effectiveness in combining human and natural resources and capital to achieve desired levels of service and environmental quality with minimum social and economic cost. The key regional systems in this process include transportation, communications, energy, water supply, waste treatment, major open space, and specialized facilities in commerce, housing, education, culture, health, security and justice—in each case with a private/public intermixture.

This highly interdependent, larger community can be compared to a living organism. It needs energy; it needs a system of circulation; it needs a means of processing wastes; it needs continuous maintenance and renewal; it needs a coherent means of growth and cultural fulfillment.

These “life support” systems largely determine the condition of the urban area. Their operation and interaction greatly influence the amount of travel, the location of homes and jobs, the rate of resource use, the standards of health and education, the amount of waste. And the regional-systems nature of these urban life processes has been steadily increased by the forces of modern technology. The impact can be seen in the vast networks for auto-
mobile movement, rail transit, power and water supply, waste management, communications.

The fundamental issues regarding the productivity of today's great regions thus lie in these basic regional systems, public and private. The overall output in terms of regional services is determined by their performance. The deficiencies in this performance have been felt in many painful ways in recent years. The effects include neglect of existing assets, shortsighted use of resources, rising service costs, declining service quality, bitter conflicts over growth policy.

Thus, although the productivity of the "new city" systems has not been clearly defined and discussed as a public concern, it underlies many of the most pressing issues of our urban society, including the broad concern about the overall quality of life.

B. Basic improvement in this performance requires a broad regional concept of private/public coordination.

The operation of the basic regional systems is a challenge of staggering proportions requiring intricate networks of public and private institutions acting directly and indirectly, internally and externally. There is thus a vital need for broad coordination in the design and performance of these systems:

- There should be the element of planning to identify the key problems within and between the basic systems (transportation, energy, waste management, etc.,) and weigh the long-range costs and benefits of various options for their development;
- There should be the ability to achieve consent to define options and gain public consensus on an agenda for effective use of existing and future assets;
- There should be adequate means to implement the agenda, with incentives to obtain results and assurance that these means are sensibly related; and
- There should be the ability to assess the results in achieving the selected options.

In short, this large, modern-day complex of public and private interests should have the ability to think and act as a community, coherently raising and resolving the issues of key importance to its well being.

C. The nation has not faced up to the institutional lag in providing for this coordination.

As the "new city" has spread inexorably across traditional local boundaries, governments which once covered whole communities have found that they are now only parts of the much larger conurbation.

The typical region is bound together by complex support systems involving huge investments, large-scale organization and sophisticated technology. Yet its public institutions still largely reflect the 18th and 19th century patterns
of municipalities and counties; and many jurisdictional and fiscal ground rules which served well in a less urban era now act as obstacles to effective regional decision making.

This governance gap results from several factors:

- The "new city" has emerged quickly, primarily in the burst of population and economic development after World War II. The growth has outpaced the community's ability to adapt.
- Well-informed private leadership for issue raising and consensus building at the regional scale has been largely absent.
- The great potential leverage of the federal government has not been fully utilized in strengthening public capabilities; 490 metropolitan planning and review bodies have been created across the country to meet federal aid standards, but the federal criteria for region-wide decision making have not been broadly enough construed. The new "regional" agencies are politically based on the existing framework of smaller governmental units within the region and find it difficult to act from a region-wide perspective. Areawide special districts have often been proficient in their specific tasks—execution of single-purpose programs—but the essential role of allocating resources and coordinating actions between these regional programs has been largely missing.
- Under the federal and state constitutions, only the states possess the power to create regional coordinating machinery; and the states are only beginning to recognize their key responsibility in this regard.

Thus both privately and publicly, internally and at the federal and state levels, the concept of broad regional coordination has been largely lacking. The institutional dimensions and demands of the areawide community as a whole have not been adequately recognized.

D. The nationwide price of continued drift in this situation is tens of billions of dollars each year.

The "costs of doing nothing" about the basic causes of low regional productivity can be inferred from a quick look at four examples.

1. "Go It Alone" Pressures. When one section of a region feels a need for a new or expanded program its natural first inclination is to act on its own. The benefits of simplicity, independence, local recognition and perhaps insulation are often felt to justify the substantial cost penalty resulting from a small procurement; and this feeling is nurtured by the intense competition among suppliers.

As soon as one section proceeds, furthermore, the pressures build up on other sections (again with supplier help) to "keep up with the neighbors"—and the opportunities for more economical joint programs are progressively diminished.

Case after case can be noted around the country of inefficiently small or redundant facilities and noncompatible equipment in the various sections of a region. Examples in specific systems include sewage disposal, solid waste
collecting and treatment, police communications, data-processing, hospitals, libraries.

The extra annual costs of these localized solutions, compared with regionally coordinated facilities and equipment, can amount to several hundred million dollars in the typical major region.

2. "Spread City" Pressures. A joint study by the Regional Plan Association and Resources for the Future, and a related study by the Real Estate Research Corporation, suggest that per-capita energy consumption in low-density suburbs is roughly double that in high-density cities; and this same comparison probably applies for other major impacts—direct cost, dead time, air pollution. These studies, in other words, confirm the tight interlock between regional land use, transportation, energy consumption, and environmental quality.

The extra cost of "spread city" results in large part from the inefficiencies of low-density transportation. People are virtually dependent on the automobile, with high vehicle/fuel/highway costs and great proneness to congestion; goods suffer a major trucking-time penalty in most construction, heating and supply activities; and utilities require extended collection/distribution networks or small treatment facilities.

A few regions have made heroic efforts to address this problem through the provision of new rail transit systems. The San Francisco Bay and Washington, D. C., areas, for example, have launched comprehensive and costly programs for regional rail service.

Treating one system by itself, however, cannot provide the leverage necessary to deal with the basic difficulty. The original economic planning of these rail systems assumed high-density residential/commercial development around transit stations; but after the funding was approved and construction started, the local communities (for understandable reasons) often resisted the zoning needed for these densities.

The result in each case will be reduced ridership and increased deficits, diminished transit services (and a curtailed system), additional sprawl development, further-reduced ridership. The eventual costs to the region's citizens can therefore be an unexpected major tax burden, inadequate service, and a continued rise in highway congestion and related energy consumption, and air pollution.

The regional rail transit systems proposed for Atlanta and Baltimore could well travel this same track.

The problems with such systems reflect the growing mismatches between the location of major public-access facilities (schools, libraries, stores, offices, theaters, hospitals and other community "magnets") and the residential areas of current demand for these facilities.

In most cases, regions have tried to meet the problem by fitting facilities "systems" to the new low-density residential patterns. This has often resulted in neglect and abandonment of existing plant, and the costly construc-
tion of scattered new capacity at locations mostly hard to reach by low-income users and custodial or specialized labor.

Usually ignored in this paradox has been the alternative of rehabilitating existing facilities and housing (thus stabilizing present neighborhoods) and converting underutilized facilities to special services which, with an adequate transit system, could be easily accessible to the entire region.

The resulting savings in debt service and operating costs, for the facilities themselves and the other regional systems that serve them, could total several hundred million dollars a year in a major urban region. The long-term reduction in overall social and environmental costs could be even more significant.

3. "Peak Demand" Pressures. Regional water/sewer, electric/gas, transit and telephone systems are commonly sized to meet the traditional peak-period requirements. This results in average operations at about half of capacity with heavy expenses for idle plant and operators.

The costs of these vast systems could be reduced by looking at possible changes in the major utility user systems—industries, offices, stores and housing—aimed basically at load balancing. Peak-hour premium pricing, coupled with user programs for peak-spreading, could again save hundreds of millions of dollars a year in debt service and operating costs (and, therefore, user charges) for the typical major region.

4. "Property Tax" Pressures. The earnest competition between the region's local jurisdictions for real estate ratables results in a growing economic and social imbalance.

For example, local governments generally receive less in property taxes from middle- and low-income housing than they must pay for the community services required by these units. But a tax increase—combined with inducements from other sections of the region—causes the abandonment or conversion of stores, offices, plants, luxury housing, etc., that yield taxes greater than their community service demands; and this increase repels the new higher tax yield development which that section of the region might otherwise attract.

The result has been called the "tyranny of the local property tax": those sections of the region which need more and more services get less and less revenue.

The long-term overall costs of such spiraling regression are difficult to estimate; but because this resource misallocation affects most of the basic regional systems, these costs are very substantial—possibly even higher than in the previous three cases. And here, particularly, the greatest costs are in the long-term social consequences—growing inequities and tensions and possibly eventual violence.

These brief examples provide a clear lesson: Some of the biggest problems in regional productivity lie not within but between the major regional systems. Symptoms in one system may actually reflect a basic problem in another system. Some of the greatest opportunities for improved productivity
should, therefore, be sought not in individual systems but in the system interactions for the regional complex as a whole.

Suggesting the overall magnitude of such costs, it should be noted that urban-related federal and state/local expenditures in 1974 totaled $93 billion and $150 billion, respectively, having risen from $7 billion and $20 billion (or 1230% and 630%, respectively) since 1955. Substantial portions of these increases clearly represent the costs of basic problems within and between the major regional systems. The private sector costs are probably of similar magnitude.

**Conclusion**

The most basic step in improving regional productivity lies in **private/public institution-building**

In essence, the gap between the reality and the governance of the large urban areas needs to be closed. This will mean strengthening or creating policy institutions that can look at problems from the perspective of the metropolitan region, and which must be the instruments of broad private and public innovation and coordination.

These institutions can be achieved without replacing existing governmental levels and agencies. In fact, they should actually complement these units. The policy instruments should fit into the largely decentralized institutional setting which characterizes most urban regions, just as the strategic policy machinery in a business enterprise frequently comprises only a small portion of the overall organization.

In other words the broader institutions are not needed to do what local governments are doing. They are needed as regional capabilities for the areawide and intersystem coordination which existing governments require but cannot provide adequately.

The private capacity of the institutions must be for raising issues. It must provide the regional community initiative for identifying problems, analyzing possible solutions and establishing an agenda for governmental action. The public capacity must be for resolving issues. It must provide the authority for adoption and coordinated execution of programs in response to policy instructions from the regional community.

Encouragingly, such institutions are beginning to emerge in a few urban regions. In the next two subsections, certain essential roles and features of these institutions are explained.

**Raising Issues—The Private Sector**

Improved regional productivity requires broad citizen understanding and involvement

If there is to be effective governance at the regional scale, there must first be an informed and coherent community of regional interests. In effect, this "public" must be the creative, innovative, priority-setting force.

The need for this initiative reflects a basic political reality: The formal
machinery of government is essentially a neutral instrument. To operate effectively, it needs the guidance and support of interests organized to represent the full community. Yet in regionalism to date it is this essential energizing ingredient that has been most lacking and most neglected.

This lag in the private sector has resulted in two conditions:

First: Although much governmental machinery has been created for regional planning and review as already noted, it is not generally answerable to the region-wide community and is not well constituted for decision making. Areawide operating agencies, furthermore, may perform their particular tasks efficiently; but they lack coordination with an overall regional plan and are insulated from the public in their actions.

Second: Although a great and potentially constructive public concern has been generated by urban problems, this concern has not yet become focused on the regional systems nature of many of these problems. For example, public pressure frequently has been applied to local governments to resolve "growth" and environmental issues which can only be effectively and equitably addressed from a broader perspective.

And the resulting public frustration has sometimes expressed itself as opposition to all change. Such a posture can produce deadlock on vital community questions such as housing supply and key facilities. And it foments a deeply pessimistic attitude in some quarters about the basic ability of government, industry and technology to meet community needs.

In sum, there is increasing governmental machinery above the local level but no independent regionally-minded "public" to guide it. There is strong public concern about the community's problems but incomplete public understanding of their dimensions and interactions.

These potentially dangerous conditions dramatize the need for a better-informed and better-organized effort by the private community in regional education and self-determination.

To meet this need, the community must be able to perform various roles and functions.

a. Vital Private-Sector Roles

1) Building a regional perspective

Without being keenly conscious of it, urbanites have become "regional residents." Commuters may unknowingly pass through several municipalities on the way to work. TV weather forecasts cover the whole region. Branch banks and department stores have been established across the metropolis. Sports and cultural events attract areawide audiences.

The task now is to create a feeling of "regional community" to match this transmetropolitan lifestyle. Basically, it is a sense of identity with the neighboring suburb where one shops, the central city where one works, the fringe area where one camps.

Intangible though such feelings may be, they are highly important. They represent a public understanding that the metropolitan region is in fact a tight web of human interests—a community—and must be viewed as an interdependent whole. Such an understanding can provide the foundation for an active "regional citizenship."

This new regional dimension to public consciousness will not come easily. It
will require significant changes in many urban perspectives and attitudes, through a sustained educational process. The public must be convinced that it has a direct and personal stake in regional productivity, and therefore a personal need for a regional identity and concern.

In some areas a substantial degree of regional consciousness already exists. But generally lacking in the private sector are the independent mechanisms that can pool and nurture this consciousness and constructively focus its expression.

2) Establishing a regional agenda

The next community role must be to adopt a strategy and an agenda for action. The aim should be self-determination, action by the community to guide the forces of basic change, instead of allowing these forces to impact on the region in a haphazard and wasteful fashion.

This will typically involve several steps:

- **Examining the condition of the region as a whole**—conducting basic research with respect to regionwide characteristics and long-term social/economic/environmental goals and trends.

  Such research can alert the community to future issues and assist in identifying regional objectives (in higher employment, lower accident rates, better environment, more efficient resource use, etc.) and standards by which the progress toward these goals can be measured.

  The basic questions here would be: What kind of a new community do we (as regional citizens) want, and what kind do we seem to be getting?

  In short, reexamination from a broad, regionwide perspective will begin to indicate the key problems in and between the regional "life support" systems, the problems which have such great impact on overall regional performance. These regional connections must be well understood in the community-at-large in order to provide the essential public for improved governance.

- **Analyzing the basic regional problems and determining the possible solutions.**

  Regionwide systems can then be comprehensively reviewed. Taking transportation as a point of entry, for instance, such an inquiry should consider the full range of subsystem options for meeting travel needs—rail transit, improved bus service, car-pooling, etc.—emphasizing the interdependence among these subsystems and between transportation and the other basic regional systems. It should consider possible constraints: financial feasibility, fuel supplies, land-use impact, etc. It should estimate the long-range, regionwide costs and benefits of various alternatives socially, economically and environmentally.

  Related areas and issues can be addressed in similar fashion. Among other things these regionwide inquiries can reveal major opportunities for fuller use of existing urban resources, e.g., regional rail systems, power stations, hospitals, water-treatment plants, a vital consideration in a period of rising costs and threatened scarcities.

- **Raising these regional problems and possible solutions for community consideration.**

  This will involve extensive education and thorough public debate regarding the merits of proposed solutions and the regional priorities to be assigned to these programs.

  There must be such public involvement. The proposed remedies can be translated into effective regionwide policy only if they have broad public understand-
ing and support. One of the crucial issues to be debated in most regions will be strengthening the formal governmental means for implementing regional policy.

- **Reaching a consensus on a regional agenda for formal governmental action.**

  The regional public will not be a monolith with a single viewpoint. Inevitably, it will be a multilayered mosaic of individual and group interests, many of which are presently in conflict. A regional consensus will thus depend on the ability to reconcile many different values and group interests—to achieve a recognition of areawide benefits.

  The above steps should result in agreed-upon goals which represent the community's concept of itself and its future. And this conceptual framework should guide the location of facilities with a regional impact. Without such guidance basic system mismatches and tremendous waste can occur; and searing conflicts with community and environmental values can be created.

  3) **Providing a continuing regional constituency.**

  A regional agenda cannot be established in a single sweeping decision. Rather it must be created and renewed over time, in a continuous process. In this process the regional community must constantly interact with a regional policy body (as described below) which can review and act on community proposals and provide the broad governmental coordination needed to implement this agenda.

  The regional community should serve as the permanent constituency for this body, a source of ideas and support or constructive criticism that is areawide and intersystem in perspective. In its constituency role the regional community should perform at least four essential functions:

  - “Spreading the risk”—reducing the specter of failure for governmental decisionmakers by demonstrating a clear regionwide demand and strong endorsement for regional programs;
  - Providing continuity—maintaining a consistent advocacy for regional programs over extended periods, regardless of the electoral cycles in the region's various governmental components;
  - Reducing conflicts—resolving many community value disputes in advance of formal governmental action, by debating and answering the basic questions of who uses, who benefits, who gets hurt, and who pays; and
  - Improving operations—conceiving, considering and endorsing new management approaches without the need to defend established bureaucracies or procedures.

  In sum, the urban region in a democratic society needs more than just governmental instruments. Most basically, it needs a creative policy source, the independent, regional public which can provide an areawide perspective, a broad community agenda, and continuing support for regional governmental bodies. These are essential ingredients in any real improvement of regional productivity.

  But in general the private community is presently not able to perform in these roles. There is a wide divergence between public concern and public understanding; there are inadequate means for identifying and analyzing the basic areawide issues and possible options; and there is generally no regional
constituency to guide the governmental machinery set up to act on these issues.

And because these private-sector creative and supportive roles are so fundamental in regional decision-making, they should have first priority.

b. Specific Private-Sector Functions

1) Leadership training

To begin the process of building a coherent regional public there must be a core group of citizens willing to devote its time, thought and energy. Numbers will not be of prime importance in this volunteer leadership group. Instead, the key asset will be a special kind of knowledge acquired through joint study and practical experience.

Specifically, the citizen cadre should become deeply informed about regional problems and possible solutions. And it should be well-acquainted with the region's political ecology, its formal and informal decision-making framework. With these tools, the cadre can move throughout the community structure.

The cadre should be open to all—housewives, minorities, businessmen, labor. Like the region as a whole, it should be a community of diverse backgrounds. Its unifying characteristics should be an independence (its "special interest" would be the region as a whole), a regionwide perspective, an intersystem approach, a long-range outlook, and a willingness to work.

Thus constituted, this cadre can serve as the catalyst for an active and informed regional citizenship.

2) Independent research and proposals

Planning in the government agencies is highly important. But as discussed, the critical impetus for new policies and programs is most likely to come from the outside.

A broad capability is thus needed in the private sector for trend analysis, problem identification and option evaluation. With this support, regional citizens can address the critical area-wide issues and make policy proposals to the civic leadership, local governments and state legislatures.

This will involve two distinct types of effort:

- Basic regional research—broad analysis, by professional staff or consultants, of the regionwide social/economic/environmental conditions from which community issues emerge, and depiction of how these conditions are changing over time; and
- Problem-oriented inquiry—intensive studies, by broadly-qualified citizen committees, of the most important of these regional issues.

3) Community education

Continuing education is necessary to achieve a regional identity and to develop understanding of regional issues and support for a regional agenda. Nothing is "known" until it is widely circulated to those actually or potentially affected by it. An issue becomes politically effective only when it is made visible out of a broad process of discussion.

A citizen cadre will be important in this educational process, in effect "wholesaling" information and ideas to other organizations and to regional decision makers and opinion shapers.
Regionwide communications media will be important as well, especially in the "retailing" of information to the full spectrum of the regional community. Unlike the villages of an earlier era, the "new city" is too large to address simply on a face-to-face basis. In this retailing function the print and broadcast media will be essential in two ways: through in-depth reporting of regional issues, and by providing a forum for discussion. And with modern communications technology, it is possible to create an electronic "town meeting" on a metropolitan scale. Experiments with such televised and computersized forums for regionwide debates on regional issues have been conducted at several points around the country (see the Review, January 1975, pages 6 and 9).

4) Feedback and analysis

After consideration of issues, the regional community must have a means of expressing its opinion, with assurance that this opinion will be registered in the making of basic policies. In some instances, this will mean voting, such as on a rail-transit bond issue. But the complex decision-making process in the typical multifaceted regional community should also involve less formal means of obtaining and evaluating metropolitan views.

For instance, the public response to a television debate on energy options for the region would be an important guide to public agencies and power companies. And community-group reactions to a regional health-facility proposal could be instrumental in its adoption or rejection.

One means for registering such views is the public marking and mailing of ballots after a television program on the issue. Balloting of viewers before they have had ample time to discuss and reflect on their feelings, however, can produce a superficial and perhaps deceptive reading of community attitudes. In the region-wide consideration of issues, therefore, provision should be made for full public understanding and thoughtful reflection at the "voting end." There should also be professional means at the "receiving end" for objectively analyzing these views and informing decision makers of their implications.

5) Independent fund-raising

All of the above private-sector capabilities depend on independence for success. The citizen cadre will be needed because it is disinterested or multi-interested and provides a fresh perspective. Community research and proposals will be credible only to the extent that they are not dominated by special interests in the private sector or agency programs in the public sector.

In order to build and sustain these non-governmental abilities, there must therefore be continuous and broad-based financial support. Potential financial sources can include regional citizens, business and labor organizations and, most important, philanthropies. Federal and state contracts can be a further useful source—but only if drawn carefully to maintain the contractor's objectivity.

c. The Basic Ingredient—A Regional Citizens Organisation

These private-sector capabilities will and should take many different forms and combinations. They will involve community-oriented philanthropies, in-depth and regionwide media resources, and independent regional research. They will require an increasing regional concern among existing groups throughout the area—business,
labor, special-issue organizations, etc.; and they will include citizen advisory groups for regional agencies.

The institutional design will vary from region to region depending on community structure and the history of civic endeavors. But the basic features of independence, areawide and intersystem concern, and long-range emphasis will be present in nearly every case.

In most metropolitan areas, therefore, this design should include an independent organization specifically intended to involve and speak for a regional constituency.

Such a group can be generically called a regional citizens organization (RCO).

As the name implies the RCO can be made up of regionally-minded citizens and can serve as a formal mechanism for strengthening the regionwide community. To this end, it can provide or secure a wide range of the above capabilities. For instance, it can train and equip the cadre of regional citizens, the volunteer group serving as the nucleus of a metropolitan citizenship.

And with the active participation of these citizens, it can play a critical role in the agenda-setting process—in issue identification, problem analysis, proposal development, community education and the review and interpretation of the community response.

Finally, it can speak for the community in the continuing process of interacting with governmental machinery to adopt and implement a regional agenda.

Despite the importance of these functions, the RCO would not need to be a massive organization with a large budget. It could perform its tasks with the citizen leaders and three additional ingredients:

—A professional staff able to conduct independent research, assist citizen committees in the analysis of complex intersystem problems, and clearly communicate study results;
—A strong commitment by civic, commercial and professional organizations to make key officials available for citizen-committee service; and
—The broad and continuing financial support described earlier as a basic need in the private sector (since membership will probably never be large enough to support the RCO solely through dues).

The RCO essential characteristics:

• A generalist approach. Though it may focus on a single issue at times, the RCO should be basically concerned with the whole range of issues involved in the regional systems—and particularly with the relationships between these issues (e.g., between transportation, land use, energy needs and environmental quality).

• A regional perspective. The RCO must represent the areawide point of view that is such a basic ingredient in the governance of today's urban regions.

• A concern with “process.” The RCO should emphasize those problems in the governmental “ground rules,” e.g., tax policies, communication channels, mission-oriented programs—which may be serving as serious disincentives to effective regionwide action.

• A long-term view. While it may address short-range actions (e.g., a decision on power plant siting), the RCO will be concerned mainly with long-range implications (e.g., the region’s overall efficiency in energy use).

• Independence. The RCO credibility in region-wide issue analysis and policy
endorsement requires that it not be controlled by any governmental or private organization.

The RCO operating styles:
• **In-depth analysis.** The effectiveness of the RCO will depend on a careful identification of regional problems and alternative solutions—using both independent basic research and concentrated citizen-committee inquiry.
• **Broad contacts.** The RCO’s catalytic role will depend on close relationships with government officials, community leaders, other public-interest groups, and finally the media.
• **Information marketing.** The RCO should make its studies available as concise reports with realistic policy proposals submitted, through the above outlets, to the regional community as a whole.

It is not necessary to “start from scratch” in providing these community capabilities. They are already being developed at various points around the country, demonstrating both the importance and the feasibility of such mechanisms.

As examples:
• Citizen training is performed in Leadership Atlanta, a program providing intensive exposure to a wide range of regional issues as seen by decision makers in the public and private sectors—based in large part on an earlier experiment in Philadelphia.
• Regional issue analysis and policy recommendations are provided by the Citizens League for the Minneapolis/St. Paul area. Initially formed to deal with city hall problems, the League has expanded its scope to the full region and now has more than 3,500 individual and 500 organization members. Its reports helped the community to understand the need for a regional policy body—the Metropolitan Council.
• Public education and opinion analysis were provided in CHOICES for ’76 by the Regional Plan Association in New York. RPA identified five critical regionwide issues—housing, transportation, cities/suburbs, poverty, environment—and presented the pros and cons of possible solutions to the public by television, newspapers, a paperback book and small discussion groups throughout the area. Widespread balloting and polling determined the public responses and degree of participation.
• Other independent citizen-based efforts with a regional perspective include Regional Citizens in Detroit; Goals for Dallas; the Regional Forum in St. Louis; Dimensions for Charlotte-Mecklenberg; the Chicago Council on Population and the Environment; and the Community Planning Council in Jacksonville. Twenty communities are now being selected from among 200 nationwide applicants for participation in a Citizen Involvement Network supported by the JDR 3rd Fund, the Kettering and Lilly Foundations, the American Revolution Bicentennial Administration and the Department of Housing and Urban Development.

### Resolving Issues—The Public Sector

**Improved regional productivity also requires a broad coordinating body which can reconcile region-wide programs**

To play its issue-raising, priority-setting role the regional community must be able to establish an agenda. But community self-governance requires a further feature: the ability to insure that this agenda is sensibly implemented.

Many potential parts of such agendas are presently being acted on; but under the current governmental arrangements, these actions are normally
fragmentary and often contradictory. They are not fitted together in a coherent overall program.

As noted above, most governmental machinery at the regional scale is either locally oriented in its perspective or functionally insulated in its performance. Despite increased planning efforts, therefore, most regions still suffer from “balkanized” decision making and “mission oriented” programs.

What the typical region presently lacks is the equivalent of a general contractor. In the complex task of improving regional productivity, there should be a governmental institution which can consider the full range of regional services and speak for a fully regional constituency in coordinating them.

What is needed in this situation is a regional policy body, broadly representative and politically responsive to the region as a whole, able to adopt an overall agenda and coordinate the performance of the major regional systems. The policy body, in other words, should insure that the regional issues raised through community study and consensus are effectively resolved through formal governmental programs.

This vital role suggests the essential features of such an institution: its geographical jurisdiction should coincide with the full region; its responsibilities should emphasize the relationships between regionwide systems; and its members should be regionally responsive.

The policy body is envisioned as an instrument not to “administer” regional systems but to coordinate them; and thus areawide operating agencies will continue to be necessary. By improving the provision of basic regional services for hard-pressed local governments, furthermore, this body can actually assist the performance of the essential subregional functions.

Creation and strengthening of such a body, therefore, can well mean the reinforcement of existing special districts and units of city and county government rather than their elimination or erosion.

The underlying principle of an “umbrella” institution is not new. The need for politically-responsive coordination of complex community functions has been recognized for centuries throughout the world. What is being suggested here is the natural extension of this vital principle to the emerging “new city.” Establishment of this regional policy body, furthermore, can be approached incrementally by gradually increasing or combining the capacities of present institutions.

Most urban areas may decide, for instance, to strengthen existing regional planning commissions or councils of governments. In such action the key questions would involve the scope of the agencies, the power of review and initiation which they should have, and the means by which council or board members should be selected. Careful consideration has been given to these questions by the Advisory Commission on Intergovernmental Relations.

The final form of the policy body, and the time required to achieve it, will vary from region to region depending on the area’s traditions, its size and
density, and its perception of the need. But if the "new city" and its interwoven systems are to perform productively, these bodies must ultimately be able to provide effective and responsive regional coordination.

A few examples of such institutions or intentions are already in evidence around the country:

- In the Atlanta area, a regional planning and development body has emerged through an evolutionary process. An area planning agency was created in 1947 and later broadened in purview. Meanwhile, separate boards were being created for regional transportation and health studies. All of these functions were brought together in 1971 to form a new body with decision making powers, the Atlanta regional commission. A large portion of the board members represent larger-than-local districts within the region.

- In Minneapolis/St. Paul, the metropolitan council was established in 1967 as an "umbrella" body. Its responsibilities include preparation of a regional development guide, oversight of special-purpose districts, and review of federal-aid proposals and local plans. In its relation to regional special-purpose programs, the council provides coordination and broad policy guidance but avoids being drawn into day-to-day operations. Council members are appointed by the governor from legislative districts within the region; and a bill now before the state legislature provides for regionally-elected membership.

- Bills to achieve somewhat similar bodies through expansion and strengthening of the councils of governments have been introduced in the California legislature for the San Francisco Bay Area and in the Michigan legislature for the Detroit region. A bill for this same purpose in Denver was adopted by the legislature and signed by the governor two years ago but was narrowly defeated in a referendum.

**Recommendations**

A. Recognize regional institution-building as a basic objective of private philanthropy and the federal and state governments, in the national interest.

The urban regions now contain the bulk of the nation's population and economic wealth. They provide most of the jobs, generate most of the tax revenues, and serve as centers for specialized education, health care, commercial and cultural activities. And the federal government is assuming larger and larger responsibilities in financing the development and operation of the basic regional systems.

In sum the nation as a whole has a tremendous stake in improving regional productivity and in the necessary institution-building. As has been shown, the actual success of this process depends on the regions themselves and on the states. But the process can be strongly assisted by two key measures of nationwide scope:

*For the broadening of regional citizen activity, provide sustained philanthropic support*
As this report emphasizes, the issue-raising effort needed to improve regional productivity will depend on active regional citizenship. As years of frustrated efforts confirm, however, this regional community awareness cannot be achieved by federal mandate. It must be initiated, supported and maintained in the private sector, by indigenous regional institutions.

But to be effective and maintain their essential independence and credibility, these instruments will need continuing private financial support. The privately endowed foundations hold the key to this increased capability. Experience indicates that foundation funds are crucial to the independent studies and the continuing education and monitoring functions described above.

Foundations must thus play a vital role in the private-sector approach to productivity and the quality of life in urban regions. Careful consideration should be given to the urgent need for increased assistance for regional research and education, and to tax law and regulation changes for this purpose.

In this regard, several major regions have demonstrated the effectiveness of the “community foundation” and of associations of trusts and foundations, pooling philanthropic resources to coordinate and set priorities for the private support of regional projects. Such pooling can greatly increase the total impact of local foundation activity; and it is strongly recommended for all major regions. This step, along with additional national foundation support, can give much-needed encouragement to regional citizens organizations. And while foundation support will be valuable for specific projects of limited duration, it also will be essential on a continuing basis to keep the regional community informed of current and emerging problems and possible remedies.

Other financial sources—business and labor organizations, individuals and (for special studies) government agencies—will be important in supplementing foundation support, as mentioned earlier. But the philanthropic source is clearly the most critical.

For the strengthening of regional coordinating bodies, provide federal incentives for state action

The achievement of the policy bodies necessary to resolve regional issues depends on state authority. It is the states that possess the constitutional authority over local government organization and finance.

The federal government is constitutionally unable to create the required public-sector institutions. And the city and county governments are politically disinclined to do so. But the needed public-sector action can occur if the federal government will move toward the authority that is in the state legislatures, with inducements for the necessary regional bodies to be created or strengthened by state law.

In this strategy the federal government should become essentially performance oriented. It should make clear the results that are expected and
use the leverage of its financial aids to induce the states, using the power they possess, to legislate the improved means of regional coordination which will achieve this performance.

The federal level should thus simply urge that there be a state-established, regionally-representative policy body with sufficient scope and stature to resolve regionwide geographical and functional conflicts.

The most effective incentive for this purpose will be a bonus arrangement, with federal revenue-sharing and categorical-grant payments made significantly higher for those regions which have such bodies than for those which do not. And when achieved, the policy body should be the channel for all federal funding in the region.

And the federal incentives should be addressed to the region through the state legislature, leaving it to the legislature (with advice from the regional community) to decide on the precise form of the body.

This will be simpler for the federal government than detailed structural prescriptions. It will allow for variations to reflect the differences among states in law and in political tradition. And it will permit the change to occur at locations where the local governments and private institutions most affected can be best involved and represented.

While this federal role is indirect, it can be a critical factor. By applying strong leverage at the state level, where the authority for local government exists, this role can greatly accelerate the vital process of achieving regional "home rule."

As these regional institutions are established or strengthened—the citizens organizations with the help of philanthropic support, and the governmental policy bodies through federal incentives and state law—the new effort to improve regionwide productivity will gather momentum. These institutions can begin to look at problems from the perspective of the region as a whole, establish and implement an agenda and, when necessary, return to their state legislature with proposals for specific further changes.

This study does not address in detail the question of how each particular service system can best be internally restructured, precisely how, for example, health or transportation or education or housing can be made more productive in themselves.

In the overall approach to regional productivity, the initial attention should be given to questions of interaction between the systems.

The internal system questions must eventually be addressed. And they will be—by the states and by the regional institutions that are created. In this process, many of the same basic strategies will prove useful. And the above regional arrangements will provide a clear framework within which the individual systems can be internally improved in ways that complement the related systems rather than creating new conflicts.

Thus the first and most fundamental task is to achieve the basic institutions—private and public—that can begin to look at problems from the perspective of the urban region as a whole. This will begin the long, difficult
job of improving performance among the major regional systems—and thus regional productivity as a whole.

B. Dramatize the importance of these actions and enlist the key participants through a major national conference on regional productivity in the Spring of 1977—to develop a 10-year agenda of specific measures which can be implemented in time for the American Constitutional Bicentennial.

The regional improvements recommended above require interlocking actions by a wide range of interests—public and private, national and local, and everything in between.

Success in these myriad actions requires a broad sense of urgency (understanding the costs of doing nothing) and of participation (seeing how all these actions fit together, and sharing in the shaping of this program). Normally, a national effort of this magnitude would take several decades and might well founder along the way.

At this historic moment, however, the improvement of regional productivity can be related directly to the Bicentennial. The challenge is similar to that faced 200 years ago, but now in an urban setting.

In this spirit the nation should lay out a 10-year agenda of specific actions which can accomplish the above recommendations, and others to the same end, by the time of the American Constitutional Bicentennial in 1987.

The development of this agenda is a critical step. It requires very careful thought and discussion—involving all of the major parties to the intended 10-year commitment. It can best be accomplished through a major convocation. This crucial decade-launching event could perhaps be a White House Conference. Or it could be jointly sponsored by the Administration and Congress and closely-involved state, regional, civic, industry, labor and media associations.

Washington would be a most appropriate site. Workshops and speakers in a three- to five-day program could include the newly-elected President and Vice President, key members of Congress, governors, state legislators and spokesmen for the social, economic and environmental organizations most closely concerned with regional affairs.

Possible points for conference debate could include:
- Recognizing improved regional productivity as a major objective of national and local foundations;
- Encouraging broad formation of community foundations for this same purpose;
- Amending the Tax Reform Act of 1969 and Internal Revenue Service Regulations to encourage foundation support for regional citizens organizations;
- Creating a National Endowment for Civic Affairs (on the pattern now in use for the Arts and Humanities) for this same purpose;
- Paralleling privately-initiated citizen involvement with expanded citizen-participation programs in regional governmental agencies;
- Modernizing the tax structure in typical regions;
- Improving the coordination among federal programs with regional impacts;
- Amending federal and state revenue-sharing and grant legislation to encourage the creation or strengthening of regional policy bodies; and
- Amending the federal and state constitutions to simplify the interstate compact procedure for this same purpose.

Those points that are approved can be incorporated in the formal 10-year agenda, specifying in each case how they should be implemented. And this agenda can be the overall action program to "put the regional house in order" for the American Constitutional Bicentennial.

Epilogue

Clearly, the broad turn in national policy envisioned in this report is a major undertaking.

It is time, however, to begin, time to move, fundamentally, from the old municipal to the new metropolitan definition of the "city," time to emphasize the crucial role of private philanthropies in achieving broad regional citizens organizations, time to look to the states, with federal incentives, to provide responsive policy bodies which can coordinate the basic regional systems.

This is the most essential and effective strategy if the nation is to improve, in the broadest sense, the productivity of its major urban regions. It is also a strategy that will find support among citizens concerned about the future of our system of government which has traditionally involved a dispersed system of power. With this strategy, the "new city" citizens can make informed, enforceable choices on the futures of their communities and the means by which these futures are attained.

The metropolitan regions are great centers of economic and intellectual resources. At present, they are disorganized, so these resources cannot be easily mobilized for the solution of regional problems.

The nation cannot afford this great institutional lag. With the emerging era of scarcity and higher costs, there must be the means to make more productive use of the world's limited resources—materials, energy, capital, labor.

With interlocking private and public measures addressed specifically to the urban region, a vital portion of these means can be provided.

This broad concept of regional productivity can serve the nation and its people well as our federal system moves into its third century.

The society should now renew, in today's urban setting, the basic discussion about its overall system of governance—private and public, national, state and local. And it should recognize the reality of the modern metropolitan regions. As Thomas Jefferson said:

I am not an advocate for frequent changes in laws and constitutions, but laws and institutions must be hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths discovered and manners and opinions change, with the change in circumstances, institutions must advance also to keep pace with the times.
National Science Foundation Project Management:
William H. Wetmore, Acting Director
and
John M. McGuire, Acting Head, Public Sector Office
Office of Experimental R&D Incentives

Metropolitan Affairs Non-Profit Corporation Executives:
Kent Mathewson, Chairman
President
Metropolitan Fund, Inc.
(Detroit)

John P. Keith
President
Regional Plan Association
(New York)

Ted Kolderie
Executive Director
Citizens League
(Minneapolis/St. Paul)

James Lineberger
Executive Director
Greater Philadelphia Movement

William Ostenson
President
Economic Development Council of Puget Sound
(Seattle)

Robert Pease
Executive Director
Allegheny Conference on Community Development
(Pittsburgh)

Angelo Siracusa
Executive Director
San Francisco Bay Area Council

Atlee Shidler
President
The Washington Center for Metropolitan Studies

Dan E. Sweat, Jr.
Executive Director
Central Atlanta Progress

Homer Wadsworth
Director
The Cleveland Foundation

John Heritage
Editor

Peter Schaussler
Project Manager
Herb:

The Council chose option I. Under the heading of contingency planning and within the framework of where layoffs and attrition have or will cause the most dislocation, we will have agency teams begin to deal with setting their agency priorities and tackling the issues that will get in the way of their doing that in the most effective way.

As soon as we decide the agencies I'll let you know in case you have someone working on the same stuff.
November 3, 1975

TO: Productivity Council Members

FROM: Eloise Hirsh and Bruce McIver

RE: FUTURE COUNCIL PLANS

As we thought about the direction Productivity Council efforts might take in the immediate future, we found there is an overriding consideration: upheavals and uncertainties in the operating agencies cannot be ignored. The Council ought to frame its plan of action looking at the shape agencies are in now and what is likely to happen to them in the next three months. Particular attention should be given to those agencies which have or will experience a major reduction in personnel, shift in priorities or drastic change in status. We think the Council ought to consider directing at least some of its efforts toward assisting agencies to plan or developing the capacity to plan for the future.

Our rationale for Productivity Council involvement in this area is that the capacity to plan and react flexibly, and the state of morale of the workforce has in fact become productivity issues. It is doubtful that by any set of measures, city work output is equivalent to its proportional manpower loss. As we began to research our report, we saw city departments in various degrees of chaos as the fiscal crisis progressed. Internal agency politicking is at a new high as managers and middle managers maneuver to keep what they can or get what they can.

We suggest that whatever approach the Council takes, it have as a prime concern the stabilization of operations in the agencies. We are presenting three possible approaches which are neither all inclusive nor mutually exclusive. They could address the overall concern as well as their specific focus.

I. CITY-WIDE ISSUE APPROACH

There are a number of issues affecting enough agencies in a similar way, that they could be addressed simultaneously by a number of agency task forces. Groups set up and trained similarly to the PRIME operation would, within their agencies address problems set by the Productivity Council. Agencies working on the same problem could use each other as resources or leverage in dealing with particular aspects.
An issue ideally suited for this approach is the city-wide management problem as addressed in the staff report. We proposed:

- establishment of managerial performance standards and goals;
- compensation of managers in line with performance;
- decentralization and decertification of management;
- development of an on-going in-service training program for management and development of a recruitment program which would allow lateral entry for new managers.

While further definition is needed, other issues appropriate to this approach are:

. Title merger or "Broad Banding". Department of Personnel and several Project PRIME teams have begun work in this area.

. Contingency planning. Assisting agencies in planning for various future possibilities:
   - agencies facing further layoffs or large attrition losses;
   - agencies whose functions may be transferred elsewhere.

. Manning issues.

. Transfer and retraining of personnel.

. Support and/or expansion of PRIME or similar efforts in OMB.

II. PILOT PROJECT APPROACH

In the staff report to the Council, we identified a number of areas appropriate to activity. Projects of a limited functional scope could be started either in departments where we have already worked, or agencies whose priority might be higher. Advantages of this approach are that it would build on work already done, it has the potential for galvanizing demoralized personnel, and has the potential for short-term payoff. (Suggestions discussed in detail in report).

Department of Sanitation

1. District Planning Project

   This would provide productivity planning help in five districts to look at ways of increasing efficiency that would be generalizable to other similar districts.

/...
2. Turning two districts into co-operatives.

3. Attrition/incentive plan.

4. Agency productivity task forces to look at middle management problems.

Parks

1. Management by Objectives/Management Development Project

This would use a task force to set objectives for the agency on a borough basis and provide Productivity Council staff consultation at the Commissioner level for implementation.

2. Mobilization of Laborers

3. Five Borough Shop

4. Vehicle Maintenance

5. In-house Rehabilitation of Facilities

Office of Code Enforcement
(Likely to be the main Bureau left in HDA)

1. Directly address the computer issue

2. Install a Management by Objectives/Management Development Project.

III. CONSULTATIVE APPROACH

It has been our experience that any attempts to plan for the future in the current crisis have been abandoned in many agencies. The Council might provide outside resources to key agencies for

- contingency planning;
- goal and priority setting;
- problem identification;
- managing for productivity.

Consultants could be provided in several ways

- Productivity Council staff
- Management consultants funded through grants
- Experts loaned from private sector
- Experts loaned from Academia

/...
A major advantage of this approach is that it provides the Commissioner with a disinterested resource person who is not involved in daily crises, whose time and commitment would be devoted to planning.

#    #    #

While these approaches have different foci, most could be implemented with attached present staff and budget suggestions. The project approach most likely would require additional funding.
TO: Greg Farrell

FROM: Bob Schrank

SUBJECT: Productivity Council Future

The Productivity Council's initiative has run into a period of difficulty since the last meeting. Recent events have made it difficult to guarantee a continuity of effort. The long range potential to do something worthwhile for the City is there. A little explanation is in order.

In the present, the effort mandated in the Council, the development of contingency plans, and contingency planning capability in agencies, is going ahead. A meeting was held (summary attached) with a Productivity Council subcommittee, to agree on steps to be taken. Meetings are scheduled with the Commissioners of Parks and Sanitation and TAD and Health and Hospitals Corporation are being planned. Everyone agrees that the work to be done is crucial and that the unique combination of agency management unions and overhead agency people should result in optimum plans. The staff is pushing quite hard and is clear about what they see the agencies doing. Not so clear is what the future holds. It is a given that the unions want and ought to have a say in whatever management reform and productivity efforts take place. It is also true that a labor-management council exists by virtue of the collective bargaining contracts. It is at this point, however, not clear who on management's side of the table will end up with the responsibility for this, or indeed who wants it. Will reform efforts remain fragmented, or can they be coordinated?

To answer these questions, and others, I am pulling together a meeting of people who ought to be able to make some decisions on it. That meeting is scheduled for Monday, November 24th, and will, I trust, end with some directions to go in.

Meanwhile, the arrangements with the City on lines for the staff are in abeyance. As you know, I met with Jim last Friday; he requested at that time that we wait on the city lines until February. A letter from him to you was to have been drafted requesting the extension of staff support until that time. With the situation as it is, I am now requesting an extension for the staff.

I understand that as of this week the staff has pretty much run through the
supplemental discretionary funds you were willing to spend. You have said that you would need to ask the Board for support once that discretionary sum was spent. I think we do need to continue the staff. I would anticipate that we need three months support at our present rate, a little over $5,000 a month.

RS:jb
November 12, 1975

PRODUCTIVITY COUNCIL PLANNING GROUP
MEETING
Thursday, November 6, 1975
2:30 P.M.


MEETING SUMMARY

The assembled group met to plan for the implementation of agency specific labor-management task forces.

At the outset of the meeting it was agreed that the group had been given the following mandate from the Productivity Council:

In four agencies chosen by the Council (to which more will be added) we are to set up high level labor-management task forces. These teams will be asked to assign priorities to the work they are responsible for, use these priorities to plan for reorganization, transfer of personnel and other internal restructuring required by reduced resources. These teams will develop plans and information so that expected resources can be matched with agreed upon priorities.

To bring the maximum amount of information and expertise to bear on each agency's mission it was agreed that in addition to top level agency and labor representatives, resource people from OMB, Personnel and the Mayor's Office would participate on agency task forces. Productivity Council staff will coordinate the effort.

It was agreed that Parks and Sanitation groups will be organized immediately, closely followed by TAD and HHC. The method of approaching HHC for participation is still to be determined. The possibility of conflict with the Management Advisory Board's projects was raised. Contact will be maintained on a staff level to avoid duplication.
It was agreed that once the agency task forces were organized, the Planning Group would be reconvened. Next steps are:

- Tom Roche contacts Commissioners.
- Exploratory meeting held with Commissioners - Mayor's office and Productivity Council staff.
- OMB and Personnel designate representatives for agency task forces
- Productivity Council staff recruits union participants.
- Task force holds first meeting.
July 25, 1975

Mr. Herb Elish  
157 West 13th Street  
New York, New York 10011

Dear Herb:

I know that you are terribly busy at the moment, so I am just sending you a note to tell you where the Productivity Council stands at the moment (from the staff's point of view), give you some information we got on attrition, and indicate our willingness to do anything helpful in your present effort.

As you can well imagine, the labor-management agency task forces we had convened are on hold. The cooperative effort at problem-identifying and problem-solving we had hoped to get snowballing has come to an abrupt melt. The staff decided that it could be most useful to the Council by presenting the membership with recommendations, and options, which could provide some direction once this current crunch is over. When the city folks are ready to say, "Okay, now that we know what we've got, what are we going to do?" The document we are preparing will, I hope, give them an assist.

Our report summarizes recommendations and studies made over the past ten years or so, suggestions from the labor-management groups formed this year, and the staff's own recommendations. These recommendations are specific to the four agencies we were originally asked to work with - Parks, Hospitals, HDA - Office of Code Enforcement, Sanitation.

In addition, we are making some across-the-board recommendations for the management situation. All of the recommendations will take time to implement, have great potential for long-term savings but little for short-term. All of the recommendations are based on no additional resources; rather, they assume reallocation and gradual shrinking of the necessary resource pool.
As we worked on this document, we tried to find out some information on the city-wide attrition rate, by department and if possible, by title. When you asked for a projected attrition rate when we talked a few months ago, I was only able to get from the Budget Bureau that they thought it was between 4 and 6 per cent, but weren't really sure what it would end up being in this market. When I gave you that information I assumed it was based on some analysis. I was quite wrong as you will see from the enclosed memo. I could get no figures from the Budget Bureau or from any of the agencies we were working with. So we thought to call Jack Bigel's outfit, thinking that surely they must have done some studies like this for the folks handling this crisis. It turns out no one has done much serious attrition projecting. We were just beginning on it, hoping to contribute something to the attrition vs. layoff dialogue, when it became clear that no one was going to stave off that first round. Take a look at the enclosed and if you are interested we could discuss it further.

Bob Schrank and I would like very much to sit down with you sometime in the near future, if it seems our efforts might complement each other. I will send you a copy of the staff report as soon as it is completed.

Best,

Eloise Hirsh

EH:eva
Enc.

cc: R. Schrank
TO: Robert Schrank  
FROM: James Greenberg  

SUBJECT: MEETING WITH ROB MOYNIHAN ON CITY EMPLOYEE ATTIRITION RATES

Mr. Moynihan gave us a brief overview of the data which are currently available on retirement system membership, and its withdrawal rate - data which we need to be able to calculate employee attrition rates. He also told us where and how data on individual present and past active individual retirement system members are collected and stored.

We discussed ways of calculating employee attrition rates, and decided that there are two approaches which seem sensible. The first is to use currently available data to make relatively crude aggregate attrition rate projections. This method would calculate projected attrition rates and membership size for each of the five city employee retirement plans listed in Table 1:

<table>
<thead>
<tr>
<th>Retirement Plan</th>
<th>Description of Members</th>
<th>Approximate Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Department</td>
<td>Uniformed Policemen</td>
<td>30,000</td>
</tr>
<tr>
<td>Fire Department</td>
<td>Firefighters</td>
<td>10,000</td>
</tr>
<tr>
<td>Board of Education</td>
<td>Administrative Personnel</td>
<td>8,000</td>
</tr>
<tr>
<td>Board of Education</td>
<td>Elementary, High School, and CUNY teachers</td>
<td>40,000</td>
</tr>
<tr>
<td>N.Y.C. Employees Retirement System (NYCERS)</td>
<td>Transit Authority Operators</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>Sanitationmen</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td>Auxiliary Police - (Housing, Transit, and Corrections)</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>All other: (Clerks, Health &amp; Hospital workers, overhead agencies, human resources, housing, etc.)</td>
<td>148,000</td>
</tr>
</tbody>
</table>

---

SUBTOTAL (NYCERS)  210,000
GRAND TOTAL  298,000

/...
This would allow us to project the number of employees who will be leaving the city's payroll due to attrition (retirement, death, disability, voluntary withdrawals). Hence we could project the potential payroll and fringe benefit savings due to this attrition.

We could make these projections for each of the five retirement plans in Table I. We could also make these projections for any city agency for which we can obtain data on the number of agency employees who are members of any of the city's retirement plans. (Preferably broken down by retirement plan).

These projections would suffer from several shortcomings:

1. They would not take cognizance of those city employees who are not members of any retirement plan. (Currently about 50,000 strong, or about 15% of the work force).

2. They would not be able to incorporate the fact that the city's current fiscal difficulties may cause unusual and unprecedented retirement, voluntary withdrawal and hiring patterns.

3. They would not be able to adjust for variations in factors such as:
   - the age distribution of retirement plan membership;
   - the seniority distribution of retirement plan membership;
   - the percentage of retirement plan members who are "false actives";
   - the city's policy vis-a-vis mandatory retirement;
   - the breakdown of each retirement plan's membership by option within each plan;
   - the breakdown of each retirement plan's membership by city agency and civil service line.

The second method of projecting attrition rates would attempt to account for the factors listed under #3 above. It would involve a considerable amount of computer programming and computerization (and person-power and time) of data which is currently on cards in the City Retirement System's Actuary's Office. This method would not be able to account for shortcomings #1 and #2 above.

It seems most sensible to follow the following course of action:

- Use the first method described above to project potential savings due to city-wide employee attrition over the next five years.

- Perform a sensitivity analysis to determine the magnitude of the error which all the shortcomings mentioned above could have on our projections.

- Hence decide whether these crude projections are adequate or whether we need to use the second method to obtain more accurate projections.
Bob Moylan has given us a copy of the year-ending 1971 Annual Report of the NYCERS System. It contains data which allow us to make rough estimates of potential savings due to city-wide attrition in the next five years. These estimates are presented in Table II.

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Total NYCERS Membership</th>
<th>Attrition</th>
<th>Savings due to Attrition (Millions of $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 31</td>
<td></td>
<td></td>
<td>Cumulative</td>
</tr>
<tr>
<td>75</td>
<td>210,000</td>
<td>11,350</td>
<td>142</td>
</tr>
<tr>
<td>76</td>
<td>198,650</td>
<td>10,700</td>
<td>134</td>
</tr>
<tr>
<td>77</td>
<td>187,950</td>
<td>10,160</td>
<td>127</td>
</tr>
<tr>
<td>78</td>
<td>177,790</td>
<td>9,610</td>
<td>120</td>
</tr>
<tr>
<td>79</td>
<td>169,180</td>
<td>9,090</td>
<td>114</td>
</tr>
<tr>
<td>80</td>
<td>159,990</td>
<td>8,600</td>
<td>108</td>
</tr>
</tbody>
</table>

Several assumptions were made in calculating the savings in Table II.

- The membership of NYCERS was 210,000 at the beginning of 1975.
- The attrition rate of NYCERS membership will be 5.4%. This is the average rate of withdrawal of NYCERS membership during the eleven-year period 1961 to 1971.
- The Beame and subsequent administrations will maintain a freeze on hiring during the five-year period 1975-1980.
- The average NYCERS member who will attrit during the five-year period 1975-1980 will save the city $12,500 per annum (salary plus fringe benefits).
- There is no allowance for inflation nor for salary and fringe benefit cost increases.

Table II shows that attrition of NYCERS members will yield an annual savings of about $120 million per year, and a total of $724 million for the five-year period.

We are planning to use this methodology to calculate the savings due to attrition for the four other city retirement systems as soon as we can lay our hands on their annual reports.

In the meantime, if we assume that the savings per member due to attrition in these four retirement systems is the same as it is for NYCERS, the total savings due to city-wide attrition would be in the neighborhood of $180 million per year, and $8 billion over the five years 1975-1980.
Fringe Benefits

The Fiscal 1977 budget calls for a tax levy reduction of $24 million in fringe benefits. The reduction was divided into $12 million from non-uniformed employees and $12 million from uniformed employees.

The proposed savings from the non-uniformed labor force is as follows:

**ESTIMATED CITY-WIDE SAVINGS**

<table>
<thead>
<tr>
<th>DESCRIPTION OF ITEM</th>
<th>ESTIMATED SAVINGS IN CASH 1976-77</th>
<th>ESTIMATED SAVINGS IN CASH 1977-78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items Agreed Upon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Elimination of City depository, no interest accounts (Eff. 11/1/76)</td>
<td>$1,000</td>
<td>$0.666</td>
</tr>
<tr>
<td>2. Premium pay for overtime only if employee actually works in excess of 40 hrs. (Eff. 10/1/76)</td>
<td>1,500</td>
<td>1,125</td>
</tr>
<tr>
<td>3. Eliminate automatic retirement extensions (Eff. 10/1/76)</td>
<td>1,600</td>
<td>-800</td>
</tr>
<tr>
<td>4. Eliminate payment of Part B Medicare (Start of 1977) is much higher since DC 37 represents 70% of work force.</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>5. Employees to pay actual cost of meals (Eff. 1/77-3/77)</td>
<td>1,000</td>
<td>666</td>
</tr>
<tr>
<td>6. One week payroll lag (Eff. 1/77-3/77)</td>
<td>2,300</td>
<td>900</td>
</tr>
<tr>
<td>7. Union guarantee of 20% mill. cost reduction on Health Ins. by their pre-screening of claims.</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>8. &quot;Summer hours&quot; only for those in non-air conditioned offices</td>
<td>1,300</td>
<td>1,300</td>
</tr>
<tr>
<td>9. Reduction of Welfare Fund Payments</td>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>10. Reduce entrance rates for new hires by 10% and 6-week vacation</td>
<td>750</td>
<td>375</td>
</tr>
</tbody>
</table>

| Total | $14,650 | $12,012 | $17,190 |

Cash savings is practically all tax levy.

The Uniformed Forces are expected to make up any deficiency in the $24 million.
Productivity Improvement in the Public Sector

Many people feel that productivity improvement in the public sector is "a bad idea whose time has come". Speedups and work-force reductions are envisioned when management talks productivity improvement programs. Other people feel that productivity improvement is a good idea whose time should come but, thus far, the country has witnessed a lot of rhetoric and very little action with respect to this idea.

One thing is clear: productivity is a very much talked about and thought about concept in the field of governmental operations and industrial relations. As Sam Zagoria has said: "In local government circles productivity is a magic word." ¹

The main reason why productivity has become a much-talked about theme is that a crisis in enterprise economics has developed in many governmental jurisdictions. For one thing, operating costs have been rising very rapidly, in part due to the rapid increase in compensation costs over the past ten years as salaries and fringes have been advanced to a basis comparable with the private sector. (See: Table 1.) For another, taxpayers have been expressing resistance to the idea of financing these increased costs through higher taxes.² At the same time, the public continues to demand both higher quality and more comprehensive services from their municipalities. In the face of this "crunch", productivity improvement emerges as a natural solution. If productivity could be increased, then the higher employment costs could be financed out of the higher productivity without passing on the burden to the taxpayer, or so the reasoning runs.

* I would like to express my appreciation for the cooperation extended by Vincent Macri of the Multi-Municipal Productivity Project and Sam Zagoria and Roger Dahl of the Labor-Management Relations Service in gathering material for this article and to acknowledge that some of the ideas developed in this article first were put into form and exposed for discussion at the 1974 annual meeting of the Society of Professionals in Dispute Resolution.


2. Aside from the resistance that taxpayers instinctively evidence to all proposed tax increases, they have increasingly opposed tax increases as a matter of principle. This development can be analyzed in terms of the concept of distributive justice. (Footnote continued on page 3.)
Table 1.

ANNUAL PERCENTAGE CHANGES IN AVERAGE MONTHLY EARNINGS, MUNICIPAL EMPLOYEES, BY CATEGORY, 1964-71

<table>
<thead>
<tr>
<th></th>
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<td>7.0</td>
<td>9.7</td>
<td>6.4</td>
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<td>5.2</td>
<td>3.9</td>
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<td>Highway</td>
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<td>Police</td>
<td>6.9</td>
<td>12.8</td>
<td>-1.0</td>
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<td>6.5</td>
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<td>2.9</td>
<td>8.1</td>
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<td>7.8</td>
<td>1.4</td>
<td>61.2</td>
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<td>8.7</td>
<td>4.8</td>
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<td>52.6</td>
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<td>Parks and Rec.</td>
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<td>Libraries</td>
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<td>3.1</td>
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<td>53.0</td>
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<tr>
<td>General Control</td>
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<td>8.7</td>
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<td>5.9</td>
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<td>51.2</td>
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<tr>
<td>Variable Functions</td>
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<td>8.1</td>
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<td>3.5</td>
<td>56.3</td>
</tr>
<tr>
<td>Education</td>
<td>4.5</td>
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<td>11.9</td>
<td>5.0</td>
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<td>6.1</td>
<td>4.4</td>
<td>62.6</td>
<td></td>
</tr>
</tbody>
</table>

Private Nonagric. 6.2 4.3 6.4 5.8 3.0 3.9 4.2 39.0
(Average Weekly Earnings)


* Ronald G. Ehrenberg. "An Economic Analysis of Local Government Employment and Wages" (Final report of research conducted under grant from U.S. Department of Labor, Manpower Administration, 12/31/73)
Extent of Productivity Improvement Programs

Despite all of the headlines and conversations, productivity programs have been installed only on a limited basis thus far in the public sector.

At the state and local levels, productivity efforts have been identified in 13 percent of the jurisdictions. And in most cases, the emphasis of the productivity programs has been on work measurement, i.e., providing the organization with more information about results. At the federal level, the activity of work measurement has been extended more widely. A recent report indicates that 60 percent of all man-hours worked are now covered by some type of measurement that relates inputs to outputs. It should be noted that the federal program has concentrated on measurement, and there has been little emphasis on instituting productivity improvement programs.

Thus, while there has been a relatively large increase in the attention paid to productivity (compared to a situation of no emphasis just a few years ago), the absolute level of activity and interest is still limited—certainly when compared to the role of productivity as an operating concept in the private sector.

Public management has not evidenced thus far an orientation to economizing

2. (cont'd)

Ten years ago the production function for most governmental units was in equilibrium. Productivity may have been low but pay was correspondingly low and the consumer (taxpayer) got the services he felt he was paying for. Government employees were willing to work for less than comparable salaries in the private sector because of job security and the other perquisites that went with being on the public payroll. For example, New York City offices would close early during the summer. This practice was tolerated by the public because it was accepted as part of the terms of trade.

With the rapid rise of salaries and benefits for public workers (to a point where they are at least on a par with salaries and benefits for comparable workers in the private sector) the public feels that the concept of fairness has been violated. In effect, taxpayers have been asked to finance higher levels of compensation without receiving commensurate returns in the way of increased or improved public services.


in the sense that economists use the term. In the private sectors, as unions push wage and benefit costs higher, management responds and develops programs to offset these costs by using less labor through efficiency drives and often through the introduction of new technology. These employment effects of higher compensation costs have not been evident in the public sector.\footnote{5}

What explains this state of affairs?

A major factor is management. Simply stated, management in the public sector has not given high priority to the subject of improving productivity, because it has been forced to pay more attention to other priorities.

At the level of the elected official, the obvious concern is to remain in office. Usually this has involved expanding public services and adding manpower in order to keep the public happy, rather than conserving resources.

At the departmental level, management seeks to minimize the possibility of "maximum regret", in other words, to avoid the complaint or the political flareup. Generally, department heads have concerns that are the inverse of increasing productivity. They want to expand their staffs in order to handle peak demands. (In some cases this also affords a way of hiring the party faithful, and certainly in all cases this affords a way of enhancing the prestige of the departments involved.)

The generally low level of interest in productivity improvement by management in the public sector is easily understood, given the even lower level of interest in the subject on the part of the public. The public does not ask for productivity as an outcome of governmental operations. Rather,

\footnote{5 Ronald G. Ehrenberg. The Demand for State and Local Government Employment: An Economic Analysis (Lexington, Mass.: Lexington Books, D.C. Heath & Co., 1972). This point is valid at the time of writing (late 1974), but there are growing signs of impending layoffs in the public sector. The absence of an observable inverse relationship between increasing salaries/benefits and employment in the public sector may be explained in several ways. First, the demand curve for labor may not be a smooth function sloping up to the left. Over a wide range of compensation costs the same employment may be required by the governmental unit. Second, as long as salaries and fringes for public employees remained below those for private industry, the demand curve was vertical in the sense that taxpayers were willing to pay higher taxes to finance the pay increases. But now that compensation in the public and private sectors is comparable, the demand curve for labor has become elastic. Thus, the empirical studies using data for the past ten years may not be very helpful for estimating employment effects of future increases for salary and fringe items for public employees.}
it is interested in the quantity and quality of services received and the resulting costs in the form of taxes that are required to finance these services.

Even assuming that the public wants and expects high quality services in a sufficient array to meet important needs and further that the public wants these services delivered at an acceptable cost, it is not obvious that productivity will be the rallying point for the public's expression of confidence or lack of confidence at election time. The subject of productivity is very subtle and complicated. While little evidence exists about the extent to which the average citizen understands the concept of productivity, it seems that the extent of comprehension is not great. At one conference recently a citizen remarked that productivity meant keeping the truck drivers for the city on the job for the full eight hours. What this particular individual was referring to was duration of effort; not to mention intensity of effort; not to mention effectiveness with which the effort input of the employee gets combined with technology and other resources; and not to mention the overall efficiency with which these inputs are translated into usable outputs of acceptable quality.

Voter apathy with productivity is one posture. Another and even more troublesome one for the prospect of elected officials embracing the concept of productivity is the reaction recently heard at a public meeting on Long Island when public officials described a major reorganization of the sanitation department: "Why did it take you so long to reorganize?" Any productivity improvement program can be characterized by the opposition as an open admission by the public officials that governmental operations have not been running too well. 6

The Outlook for Productivity Improvement

It is not surprising, therefore, that, at least thus far, productivity improvement has not become a rallying point for governmental reform. The prospects for this development are somewhat mixed. On the positive side are

6. Corroboration for this point about the political vulnerability of going public with a productivity improvement program comes from a recent survey conducted by the Labor-Management Relations Service of several hundred participants who attended a conference on productivity improvement in the public sector. Of the jurisdictions involved, 58 percent were engaged in efforts to improve productivity, but only 14 percent of the total had taken any steps to obtain public support or understanding for such efforts. (taken from an unpublished survey)
several developments. One of these relates to the thrust of consumerism and the growing tendency of citizens to voice complaints and to demand high quality services. Some scorecard and rating panel projects have developed, and other techniques have begun to emerge which enable the public to monitor the quality and quantity of governmental services. Most importantly, to the extent that the "economic crunch" continues the public will become more and more aware of the relevance of productivity.

On the negative side are some powerful forces that have kept productivity on the sidelines and are likely to continue to do so for the foreseeable future. Citizens tend to emphasize other concerns when they go to the ballot box to express their preferences for political candidates. Even though they may have been dissatisfied at the "point of purchase" with the services received, when it comes time for the "moment of truth" they may vote more on party, ethnic, or ideological grounds.

The point that we have been building towards is that government officials will hold a sustained interest in productivity only when the citizenry holds a sustained interest in productivity. The simple fact that very few politicians have run on platforms of efficiency in recent years is strong evidence of this point.

The possibility should not be dismissed that a limited number of politicians will embrace productivity as a theme, and indeed there is a strong likelihood of some movement in this direction within the next several years. Strengthening this likelihood are several developments that could bring about increased efforts to improve productivity. One of these is revenue sharing and the strong possibility that something close to productivity standards (e.g. performance goals) will be imposed as a condition for the disbursement of federal funds to localities. A second development has to do with the growing professionalization of management in the public sector and the development of self-awareness on the part of many managers that they should be performing effectively and using all the tools of "best practice". This means planning, analysis, and a constant scrutiny of the operations to get the most from available resources. This orientation to "management must manage" is much more pronounced at the federal level than has been the case, thus far, at the county or municipal levels.

Collective Bargaining and the Productivity Issue

In many respects the intersection of productivity and collective bargaining
in the public sector has been similar to the experience in the private sector.

For example, in the uniformed services, where management has made productivity improvement an important goal, most contract negotiations have grappled with the subject, usually in terms of manning levels, schedules, and response patterns. This is similar to the experience of the manufacturing sector where most contract negotiations have involved the subject of productivity, either explicitly or implicitly.

Carrying the comparison one step further, a number of the contracts signed for uniformed services have embodied an enabling clause similar to the classic language of the 1948 UAW-General Motors agreement:

PROFESSIONAL STANDARDS

The Union recognizes the necessity of continuous improvement in efficiency and effectiveness throughout the employer's operations covered by this collective bargaining agreement, and in this connection, it will urge its representatives and members to cooperate with the employer in accomplishing this result.7

But, just as many (and probably more) collective bargaining negotiations and agreements in the public sector never are touched by the subject of productivity. These are the collective bargaining relationships for functions such as: license bureaus, clinics, and the courts—where either management has not embraced the subject of productivity or if it has taken action, the unions involved have been too weak to make an issue of productivity in the face of firmly held managerial perogatives.

The Urban Institute survey8, mentioned earlier, estimated that approximately 5 percent of the jurisdictions joined the subjects of productivity improvement and collective bargaining. In other words, in about 40 percent of the cases where a productivity improvement program was underway, management and the union grappled with some of the attendant issues, through collective bargaining.

The Extent of Productivity Bargaining

Productivity bargaining represents a distinct approach within the set of cases formed by the intersection of productivity improvement with collective bargaining. One way of defining productivity bargaining is as follows:

Productivity bargaining means different things to different people. One common alternative has been to use the payment

7. Taken from Contract between the City of Rochester, New York and the Rochester Police Locust Club, Inc.
system as a means of functionally relating the output of the worker or work-group and the pay received. In this approach, productivity bargaining operates through the payment system, providing the continuing formula for the on-going benefits of improved productivity.

A second approach places the consideration of means of improving productivity performance directly in the context of wage bargaining. It involves the parties to the bargaining process in negotiating a package of changes and working methods of organization, agreeing on the precise contents of the package, their worth to the parties, and the distribution of the cost savings between the reward to labor and other alternative destinations such as the return to capital or the reduction of the product price.\(^9\)

In passing, a few comments can be made about the requirements of productivity bargaining. As a threshold condition, guarantees usually are given to the workers assuring them that improvements in productivity will not create a reduction in employment or loss in income. Considerable planning is required, especially on management’s part, to establish the feasibility of certain productivity improvement programs. Beyond these preliminary probes, the work is a joint effort and it is the special feature of productivity bargaining that the energies of both sides are used to fashion imaginative solutions.

A natural subject for productivity bargaining, for example, would be the question of scheduling manpower. If the demand for a given public service varies throughout the week or throughout the year, it should be possible, with careful planning, to match the availability of manpower to the exigencies of demand. Such a plan would require considerable analysis of the operations, as well as direct consideration of employee needs. Some employees may like staggered work patterns, others may not. It is the purpose of productivity bargaining to put it all together into a workable plan.

Several subspecies of productivity agreements can be distinguished:

* Buy Out

The best example of the buy out is the program introduced several years ago under the Lindsay administration in New York City.\(^{10}\)

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information on standards were assembled. Targets were set for improved performance and a system of quarterly reports instituted. Some of the changes that were implemented were fairly complicated, such as the prescheduling of routes; others were quite simple, such as asking meter readers to increase their output by a certain percentage. Some changes entailed the introduction of new technology, such as the use of slippery water in the fire department (a chemical is added to reduce friction, thereby allowing more water to be pumped through the hoses); others involved more training and the hiring of additional maintenance people so that expensive pieces of equipment could be used for a longer life.

The buy out approach is similar in some respects to the management-must-manage strategy since management defines the problems and selects the various solutions. The fundamental difference is that management goes to the bargaining table before implementing the program of change. The purpose in going to the bargaining table is to secure acceptance of the program from the union and employees. In this fundamental sense, the buy out represents the quid pro quo variety of productivity bargaining. In the buy out approach the emphasis is on obtaining agreement from the union for the proposed plan and working out the rewards that are the necessary quid pro quos for the productivity improvement program.

**Incentive Formula**

The best example of this approach is the program now operating for sanitation workers in Detroit. A multi-factor formula was negotiated between the parties in December 1972 and the employees have been participating in a type of large-group bonus system. The formula includes factors for work load, completion of routes, reduction of overtime, and quality. During the first year of the program the employees earned individual bonuses of $400 and the city saved at least $2 million.

Another example of incentive compensation can be seen in the program operating between Orange County (California) and the Police Association. Police officers receive a bonus based on a drop in the reported incidence of burglary, robbery, rape, and auto theft. The first payment in 1974 amounted to 2 percent, while the index for the number of reported major offenses had dropped 18 percent.

Gain-Sharing

This strategy involves considerable participation on the part of the total organization in the definition of problems and the identification of solutions. The process typically involves joint labor-management committees that formulate experiments and put these ideas into practice. In the private sector, this form of productivity bargaining has taken place under the banner of the Scanlon Plan. In the public sector, the best example to date is the joint Multi-Municipal Productivity Project taking place in Nassau County on Long Island.

The Nassau Project. At this point it is appropriate to sketch out the general outlines of the Nassau Project which is the shorter label for the Multi-Municipal Productivity Project involving the Civil Service Employees Association (CSEA); the County of Nassau; and the Towns of Hempstead, North Hempstead, and Oyster Bay; with some 30,000 employees in total.

One way of assessing the Nassau experience is in terms of the typology of a participation-achievement-reward system. This feedback works in the sequence outlined: labor-management participation produces additional productivity and savings which in turn can be shared with employees—this reinforcement leads to increased motivation and the impetus for increased productivity on a continuing basis.

Participation. This has been a bedrock principle of the project from the beginning. In formulating the proposals to the funding agencies, both management and labor were involved and the project has had the imprint of the union from the very beginning. This principle of joint sponsorship has been implemented in several ways. A voting team of eight members, four management and four union representatives from the respective jurisdictions, has met weekly and has approved all phases of the project. For example, a department’s proposal for a productivity improvement experiment is not implemented until the voting team has studied the proposal and acted affirmatively. In addition, at the department level both management and union representatives have participated in the formulation of plans. In some departments labor-management committees have functioned, and the process of defining problems and fashioning solutions has involved the work of many people and many committees.

Achievement. The motto of the Nassau Project has been to “work


smarter, not harder". This has meant that the emphasis has been on encouraging employees to think of ways in which the operation can be performed more efficiently through the rearrangement of manpower, redesign of procedures, and incorporation of feedback—in other words, basic systems analysis.

There are a variety of ways in which sources of productivity improvement might be categorized. The New York City analysts have used the following scheme: 14 improving the relationship between inputs and outputs (for example, getting more tons of garbage collected and more potholes filled), introducing new technology, redeploying the work force, and changing the flow of paper. Using this scheme the thrust of the Nassau Project has embraced heavily the latter two categories.

Rewards. The parties are in the process of negotiating some type of deferred compensation thrust that will provide the vehicle by which savings in operating costs get shared with employees. The measurement (but not the distribution) of savings is on a department-by-department basis. This means that each productivity improvement experiment must specify the manner in which progress towards the target will be measured. This is in line with the fact that the outcomes are varied and complicated in the public sector and need to be specified on a unit-by-unit basis. In the future, the various budget divisions will be brought into the picture before a productivity improvement experiment is approved for implementation. This will enable the financial types to examine the adequacy of the indicators for assessment purposes and to audit the various statements that are made of progress throughout the life of the productivity improvement experiments.

At this point the three approaches to productivity bargaining can be summarized and compared as follows:

<table>
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<tr>
<th>Initiative</th>
<th>Buy Out</th>
<th>Formula</th>
<th>Gain-Sharing</th>
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<tr>
<td>Nature of Achievement</td>
<td>Management</td>
<td>Management</td>
<td>Management-Labor</td>
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<tr>
<td>Time Frame</td>
<td>Specific changes in work rules</td>
<td>Measureable results</td>
<td>Systems improvement</td>
</tr>
<tr>
<td>Limited duration, usually during the life of the contract</td>
<td>Open ended</td>
<td>Open ended</td>
<td></td>
</tr>
<tr>
<td>Timing of Pay Outs</td>
<td>Before plan is installed and usually as a part of the enabling agreement</td>
<td>After results are realized</td>
<td>After results are realized</td>
</tr>
</tbody>
</table>

14. Herbert Haber, op. cit.
Evaluation of Productivity Bargaining

Generally speaking, the buy-out approach can produce substantial savings. Several authorities have estimated that New York City has saved over $200 million as a result of the productivity improvement program initiated there several years ago.

The buy-out approach is effective for a direct, "surgical" approach to improving productivity. It is not a long-run approach and can probably only be repeated once or twice before it has exhausted its usefulness. One of the problems with repeated use of the buy-out is that workers learn the unfortunate lesson that looseness is worth money and management finds itself paying higher and higher prices for elimination of inefficiencies.

By contrast, the formula approach to productivity improvement can operate successfully over a longer term period. However, the period of effectiveness is probably not greater than seven to ten years, based on the "bios and pathos" of wage incentives in the private sector. 15

The design and implementation of an incentive formula presents all of the classical problems that have been well described in the literature on incentives. One of the problems, and one that may be present in the Orange County experiment, is that people learn ways of qualifying for the bonus without improving productivity. Just as it is possible to "finagle" on the count of a piecework bonus system in a manufacturing plant, it is possible for people responsible for the reporting of crimes to forget to report a crime if the monetary payoffs for such forgetfulness are attractive.

A second dilemma, and one encountered in the Detroit sanitation program, is that the incentive formula needs to be reasonably elaborate in order to capture the essential features of the achievement that is desired and also to insulate the plan against windfalls and other vicissitudes. However, the result is often a plan that is so complicated that only a few key designers understand the way in which the savings have been calculated.

Results under gain-sharing in the public sector are difficult to assess since the only major plan, the Nassau Project, has not been in operation sufficiently long for a clear evaluation to be possible. However, several observations about how the process of improving productivity through labor-management cooperation has succeeded can be made at this time.

The most noteworthy feature of what has happened as a result of the Nassau Project has been a "loosening up" of the organization. Prior to the establishment of the project the impetus for change, if any existed, came from the top of the organization. Now the initiators of the change are spread throughout the organization, at all levels and perspectives. In some departments the impetus for change has come from front-line supervisors and in other departments, from managers at the middle level, who were thwarted in the past by insensitive or inept top management from making their contributions.

Another important quality of the process has been the identification of top union leadership with a problem-solving process aimed at improving the productivity of the overall enterprise. Rather than solely focusing their energies on negotiating and administering labor agreements, the top leaders have met with their counterparts from management at least once a week to discuss productivity and employee needs—and to determine ways of enhancing both of these through a cooperative program. To a researcher steeped in the traditions of the private sector it has been amazing to see the support that union leaders have given to the improvement of productivity. Often their support exceeds that of management which has other consuming priorities. For example, the union has called for a stabilization of employment and the ending of the patronage system in clear and commanding terms.

Finally, a pervasive result of the project has been an increased sensitivity on the part of all employees to the subject of productivity and to some of the economic realities facing government today. Just how extensive and thorough this education has been will be easier to gauge after the passage of more time. But it is inevitable, given the frequency of meetings, discussions, and communications, that the hundreds of employees who have been involved as liaisons or just as participants in local departmental meetings will have learned a good deal about enterprise economics.

The Measurement and Distribution of Rewards

All of the approaches to productivity bargaining share in common the challenge of measuring accurately and distributing adequately the economic gains from increased productivity.

Productivity measurement is easiest in operations where the output is physical and the operation can be analyzed by standard industrial engineering techniques. This is probably the reason why many of the productivity improvement programs that have sprung up thus far around the country have been in the
function of sanitation where it is quite straightforward to specify the desired outcomes and to measure performance against agreed upon standards.

In many of the other areas of the public sector, the outcomes are much more intangible, and yet productivity improvement is just as essential. It is in these areas that the Nassau County Project has been exploring various concepts for measuring improvement. Several of these issues and perspectives can be enumerated:

--It is necessary to insure that an improvement in productivity has not been realized at the expense of quality of services delivered. In the case of the Nassau Project considerable emphasis has been placed on the factor of consumer acceptance. A survey has been designed that can be administered to recipients of public services asking them to rate the overall quality of services. This type of index is used as a discount factor for adjusting the quantity index.

--Another concern is that average productivity not be increased at the expense of variability in the delivery of services. For example, citizens may benefit from a reduction in average waiting time, but if some are required to wait extensively longer than before, this deterioration in the dependability of the service should be measured and incorporated into the overall index of performance.16

--The attainment of productivity improvement may not always be synonymous with the realization of savings. In most cases the two go hand-in-hand, but in some situations productivity and savings are not parallel. For example, in one of the departments in the Nassau Project, expensive computer software was installed as a way of saving manpower. The rental costs of the equipment had to be deducted from the man-hours saved before the savings could be determined. In this particular department, productivity has increased dramatically, but savings as a percentage of the overall budget of the department represents a much smaller gain.

--Another tough issue is the question whether the rewards for increased productivity are viewed as an extra on top of the financial settlement or whether they are made a part of the settlement. Management would like the increased productivity to help finance the large salary increases that the union demands. On the other hand, the union feels that the regular settlement

should be determined by cost-of-living considerations and settlement elsewhere, and any gains realized through a productivity improvement program should be viewed as an extra.

A whole host of other questions with respect to the measurement and allocation of rewards are involved, but this is not the place to go into a discussion of the various ramifications associated with these issues. Suffice it to enumerate some of the questions that are involved: How often should the size of the productivity improvement or the resulting savings be reckoned? Should the calculation of savings and the resulting bonuses be done on a department-by-department or governmental wide basis? Should the allocation of rewards only be done after the fact, in other words on a C.O.D. basis; or is it advisable for some of the rewards to be paid on account? Should the rewards be paid on a floating basis or be factored into the base rates? What is the proper share of the savings to be retained by taxpayers?

**Outlook for Productivity Bargaining in the Public Sector**

Between now and the end of the decade productivity bargaining will be embraced by a substantially larger number of governmental jurisdictions. The extent of utilization will probably not exceed 10 percent. Given an incidence of only 1 percent in 1974, this projected spread represents a large relative increase. And given the fact that at the state and municipal levels, less than half of the jurisdictions are unionized (the practice of productivity bargaining is only relevant to this segment), productivity bargaining will be a reasonably persistent theme in public sector labor relations.

What factors explain the projected growth of productivity bargaining? First, the universe of jurisdictions involved in productivity improvement programs will grow. Within this set, the management-must-manage approach increasingly will not suffice as a complete strategy. In the face of growing union strength, management will conclude that in its quest for increased productivity it will have to go the productivity bargaining route.

In some cases management will embrace productivity bargaining out of the belief that management can never do on its own the complete task of improving productivity. Management has the most important vantage point for looking at the problems of the enterprise, but it looks at them from only one vantage point. It goes without saying that those people who are closest to the operation have ideas about how the operation might be performed more efficiently.

The management-must-manage approach does not tap this latent potential. For their part, unions increasingly will be willing to engage in productivity bargaining. There are several reasons for this likely response. Most union leaders are aware of the dimensions of the economic "crunch" present in the public sector. In this setting and faced with a public attitude that blames some of the financial difficulties of government on unions, the leaders are apt to be looking for ways of making a constructive response. Recently, a number of union leaders have given strong support to the idea of improving the morale of the work force, inculcating concepts of service, and stimulating the public servants to deliver the required services with a "smile on the face" and with considerable care and efficiency. Productivity bargaining represents a means for achieving these objectives.

An additional factor prompting an interest in productivity on the part of unions has to do with the emerging priority of improving the quality of work. Productivity is a broad term and can embrace elimination of hurdles and handicaps in the job situation as much as it can involve a quickening of the pace of operations. Indeed, in surveys that have been conducted with workers about the sources for productivity improvement, the most frequently asked for change is the provision of better equipment, i.e. the facilitation of productivity improvement by providing workers with the supplies and other resources that they need to get the job done.

Perhaps the most important reason for a growing interest on the part of unions in productivity bargaining is a pragmatic one: more money. To the extent that productivity bargaining produces savings, then higher wage increases may be in order. And this is likely to be true even in the presence of wage stabilization. The guidelines of Phase II, for example, provided for above norm increases where such "extras" could be justified on the basis of productivity improvement programs. During Phase II, a number of unions in the public sector, especially AFSCME, took a very positive approach to the incorporation of productivity principles into collective bargaining agreements as a way of enabling their members to exceed the guidelines.

Summary

1. There has been considerable interest in productivity improvement within the public sector for the past several years.

2. However, in terms of actual productivity improvement programs only a handful of efforts can be identified.

3. This handful represents a substantial relative change, so the rate of increase in productivity improvement programs has been substantial.

4. The future will probably show some increase in productivity efforts, but at the county and municipal levels, the idea will never become a fad.

5. Most productivity improvement programs initiated in the future will run the "gauntlet" of collective bargaining. Management will be forced by the realities of increasing union strength and interest as well as the advantages of collaboration to bring their productivity plans to the bargaining table, i.e. to engage in productivity bargaining.

6. In a limited number of cases management and labor will follow the joint partnership route which has been pioneered in the public sector by the parties in Nassau County.

RBMck/b
1/29/75
MEMORANDUM OF AGREEMENT

New York City Administration and the unions which represent New York City employees, in recognition of their mutual concern over the financial well-being of the city, and in order to maintain or improve city services to the greatest possible extent, do hereby agree to the following:

I. Responsible Relations

Relations between the parties will be maintained in a manner consistent with the welfare of its employees and with the needed attainment of the city's financial goals. Such relations will be characterized by mutual respect and responsibility, and full compliance with the intent and meaning of existing union contracts (except as modified by this memorandum).

II. Joint Operations Reviews

The parties will jointly examine current performance levels in all departments and will seek an outside consultant or consultants to assist them in identifying inefficient operations, and in establishing new, improved performance objectives.

A "review council" shall be appointed - three by the unions, three by the administration. This council will review and approve recommendations of the consultants. Quarterly reports will be made by the council to the city administration.

III. Performance Objectives

The parties agree that these principal objectives have been set, and the review council will be instructed to develop procedures to attain them.
a) No replacement of force losses shall be made.
b) Operating efficiencies must be developed to reduce expenses for the fiscal year 1975-1976 by at least 10%.
c) Current employees will not be part-timed or laid off — so long as the new, improved performance levels are being maintained. Force attrition will be expected to provide the major cut-backs in expenses.
d) Contracting of work which can be performed by city employees will be discontinued.
e) Overtime pay must be discontinued, except in unusual circumstances, which must be approved by the review council.
f) Until such time as new established procedures have attained an on-going expense level which will insure total expense reductions of at least (10% or $ ), all wages will be frozen at the current levels (as of July 29, 1975).
g) If by December 31, 1975, operating costs have not reached (on a going rate) the 10% lower expense levels, there will be a temporary pay cut for all city employees, so as to assure attainment of the objective expense level.

IV. Summary

The parties, in good faith, commit themselves to the long-term goal of bettering services for the public through the elimination of unnecessary activities and the development of more effective management and employee job performance.

7/25/75
Recommendation

A committee of six shall be formed; three members shall be selected by the Central Labor Council and three by the New York Chamber of Commerce and Industry. Committee members should not be associated in any manner with the government of New York City.

This Committee will retain the services of a consulting firm in the general field of work measurement and performance. Hopefully a firm headquarteried in New York City would make its services available free of charge or at a minimum cost; an alternative would be joint funding from the Labor Council and the New York Chamber.

The fundamental role of the consulting firm would be the establishment of defined measurements of work where such are not already available and the validation of those already in existence for all major job titles or functions. Immediately upon the establishment of the work measurements the current levels of performance should be quantified. The maximum improvement that can reasonably be attained stated in quantified work measurement terms, from the current levels of performance will be established by the consulting firm for a one year period with quarterly objectives. The concurrence of the joint committee shall be obtained for the objectives established by the consulting firm. The subsequent work of the firm would be limited to monitoring of the initial year's results.

On the assumption that a wage freeze would be in effect during the initial phases of the establishment of work measurements the joint committee, by two-thirds agreement, would be empowered to guarantee for employees in pre-established measurement entities one-fourth of their previously withheld wage increase for attaining each quarterly objective standard of performance. A quarterly increase that is not granted may be authorized by the joint committee effective at the end of the first year if the annual objective is reached.

The objective of measuring work performance and attaining quantified quarterly and yearly goals is to provide the citizens of New York City with the required municipal services with fewer public servants. It is desirable to accomplish this objective by not terminating the employment of qualified existing employees unilaterally. Therefore, the City must make the following commitments:

1. Reduced levels of employees will be attained without force reduction program providing quantified objectives are reached.
2. There will be an indefinite embargo on future additions to the City payroll.
3. Maximum attrition will be taken.
4. All job vacancies requiring replacements will be filled with existing employees.
5. Internal training programs will be initiated to fill anticipated vacancies with qualified replacements.
6. All contracting that can be completed with existing employees will be terminated. Employees will be trained to complete the remaining contracted work.
7. A centralized manpower bureau will be established for the orderly reassignment of employees.
8. Employees whose services are no longer required in their work group should be immediately reassigned to other duties.
9. Attain commitments from city businessmen to fill their job requirements with existing qualified New York City employees.
October 21, 1975

Honorable Hugh Carey
Governor of New York
Governor's Executive Offices
1350 Avenue of the Americas
New York, New York 10019

Dear Governor Carey:

Attached herewith is a legal opinion from our Associate General Counsel, Ms. Joan Stern Kiok. I believe the memorandum is self-explanatory.

We regret the question of the wage freeze did not come up in our discussion of the Mayor's proposed plan. Mr. Axelosn's assertion that the Board can unilaterally impose a wage freeze is obviously without foundation. As Chairman of the Municipal Labor Committee I am more than willing to discuss a way of extricating ourselves from this situation without too much embarrassment.

The dominant motivation on all our parts should be passage of "guarantee" legislation that would resolve our fiscal dilemma. It is to this end the union would like to resolve the problem on a constructive basis. I will follow up with a phone call on this.

Very truly yours,

Victor Gotbaum
Chairman

cc: Honorable Abraham Beame
Mayor of the City of New York
City Hall
New York, New York 10007

cc: Mr. William M. Ellinghaus, President
New York Telephone Company
c/o Emergency Financial Control Board
Governor's Executive Offices
1350 Avenue of the Americas
New York, New York 10019

CHAIRMAN
VICTOR GOTBAUM
District Council 37
AFSCME, AFL-CIO

SECRETARY
BARRY FEINSTEIN
Local 237
City Employees Union I.B.T.

TREASURER
HAROLD MELNICK
Sergeants Benevolent Assn.
of the Police Department

VICE-CHAIRMEN
JAMES BISHOP
District Council 9, I.B.P.A.T.,
AFSCME

HAROLD BROWN
Correction Officers
Benevolent Assn.

STEVEN CROWLEY
Detectives Endowment Assn.

JOHN DELURY
Local 831, I.B.T.
Uniformed Sanitationmen's
Assn.

GERALD EGAN
International Union of Operating
Engineers Local 40, AFL-CIO

WILLIAM HUNTER
Local 854, Uniformed Fire
Officers Assn., AFL-CIO

MICHAEL MAYE
Local 94, Uniformed Firefighters
Assn. of Greater New York,
AFSCME

EILEEN McCULL
New York State Nurses Assn.

JOSEPH K. McFEELEY
Patrolmen's Benevolent Assn.
of the City of New York, Inc.

FRANK SISTO
Sanitation Officers Association
Local 444, S.E.I.U., AFL-CIO

ARTHUR TIBALDI
Local 1407
AFSCME, AFL-CIO

TED WATKINS
Communication Workers
of America

Executive Secretary
Amy Kaduk
CHAIRMAN
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District Council 37
AFSCME, AFL-CIO

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TED WATKINS
Communication Workers
of America

Executive Secretary
Amy Kadlub

cc: Honorable Arthur Levitt
Comptroller of New York
270 Broadway
New York, New York 10007

cc: Honorable Harrison Goldin
Controller City of New York
Municipal Building
Chambers and Centre Street
New York, New York 10007

cc: Mr. Albert Vincent Casey, Chairman
American Airlines
C/o Emergency Financial Control Board
Governor's Executive Offices
1350 Avenue of the Americas
New York, New York 10019

cc: Mr. David I. Margolis, President
Colt Industries, Inc.
C/o Emergency Financial Control Board
Governor's Executive Offices
1350 Avenue of the Americas
New York, New York 10019

cc: Mr. Herbert Elish
Municipal Assistance Corporation
C/o Governor's Executive Offices
1350 Avenue of the Americas
New York, New York 10019

cc: Mr. Jack Bigel
Program Planners, Inc.
230 West 41st Street
New York, New York 10036

cc: M.L.C. Steering Committee
MEMORANDUM

October 21, 1975

TO: Victor Gotbaum

FROM: Joan Stern Kiek, Associate General Counsel

Re: Threatened Unilateral Three Year Wage Freeze

It is the opinion of the General Counsel's Office that the three year mandatory wage freeze contained in the Mayor's proposal to the Emergency Financial Control Board would be illegal since it is in violation of the very Act creating the Board (The New York State Financial Emergency Act for the City of New York) as well as the Taylor Law.

Section 3 of the EFCA deals with "General Rights and Prohibitions." Immediately following the section which protects bond and note holders from any impairment of their contracts, the law provides:

"§3.3 Nothing contained in this Act shall be construed to impair the right of employees to organize or to bargain collectively."

Moreover, Section 10.2 of the Act specifically provides that employees represented by unions which have agreed to a wage deferral are exempt from the mandatory wage freeze contained in Section 10.1 and from the provision which gives the Board the power to extend such freeze.

The exemption obviously applies to District Council 37 and the other City unions which agreed to the wage deferral, since
the Mayor, upon announcing the conclusion of the "Big Mac" wage deferral agreement on July 31, 1975, clearly indicated that it was "an acceptable and appropriate contribution toward alleviating the fiscal crisis of the city," as required by the law.

Either of those two sections standing alone (§3.3 and §10.1) would warrant the conclusion that any unilateral wage freeze would be illegal as applied to District Council 37 or any other union in similar circumstances. The combination of those two sections makes this conclusion inescapable.

Finally, although further argument is hardly needed, we have the Taylor Law which, as you know guarantees to public employees the right to bargain collectively. Again, Section 3 of the EFCA reaffirms that right and prohibits construing the wage freeze section in any manner which would be in derogation of such right.

I think our arguments are so overwhelming that I cannot believe the Mayor is making this proposal seriously or the Board is considering it seriously.
Amended Po
being part
of
Approved
ARTICLE III - REPAYMENT OF THE DEFERRED INCREASES

Section 1.

By June 30, 1978, the employer will seek to repay the deferred increases referred to in Article II from an Employer Deferral Liability Account subject to Sections 2, 3 and 4 following:

Section 2.

An Employer Deferral Liability Account shall be set up and shall consist of savings generated by or resulting from:

i) joint labor-management productivity improvements and other achievements in efficiency and economy in the operation of local government which are reached through the cooperative efforts of the parties of this Agreement.

ii) the value of employee attrition each year in Mayoral agencies above a normal level of 7,200 for the base year 1974-75 for such agencies plus the value of employee attrition of employees in titles covered by this agreement who are employed by public employers other than Mayoral agencies above the normal level as established by mutual agreement between the Employer and the Municipal Labor Committee (created pursuant to Chapter 54 of the Administrative Code of the City of New York).
NEW YORK STATE EMERGENCY FINANCIAL CONTROL BOARD

MEMORANDUM

TO: Members of the Emergency Financial Control Board
FROM: Herbert Elish, Executive Director
RE: Reduction of Increased Take Home Pay

Chapter 892 of the Laws of 1975 mandated a fifty per cent reduction in the City's increased take home pay ("ITHP") obligation effective January 1, 1976. The law further provided that commencement of increased employee contributions required as a result of this action could be deferred, by order of the Emergency Financial Control Board, until April 1, 1976.

On December 17, 1975 the Board adopted a resolution deferring the commencement of increased deductions until April 1, 1976. The Board's action, however, was subject to the provision that increased deductions for the period January 1 through March 31 be made up by employees within the current fiscal year by doubling the increased deductions for the period April 1 through June 30. This condition was added because of concern about a possible negative impact on the City's financing plan for this year, and on the funding of the pension systems.

On subsequent review of this matter, it has been determined that deferral of the commencement of deductions as provided for by the legislation, without the condition attached by the Board, will not have a negative impact on either the financial plan or the financing plan. The only financial effect will be on the ITHP annuity funds.

As explained in the attached memorandum from Jonathan Schwartz, the City Actuary, these funds go into a separate annuity account; deferring the commencement of deductions will affect only that account, and will not cause an underfunding of the pension obligations of the City. The amount put into the ITHP annuity funds effects only the amount the employee receives upon retirement, and has no effect on the funding of the pension systems. Further, if individual employees wish to add additional amounts to the ITHP annuity funds, in order to increase annuity payments upon retirement, they may do so.

RECOMMENDATION

It is therefore recommended that the Board withdraw the aforesaid condition to the resolution deferring commencement of increased employee deductions until the payroll period nearest April 1. In the absence of reasons to the contrary, I do not believe the employees of the City should have to bear this additional burden.
Teachers and School Administrators
and Staffing

Correspondence and Memos re: Contracts 1975-1977
April 3, 1977

To: Special Deputy Comptroller

From: Bruno Stein and Lester Bumas

Re: Board of Education and CSA Labor Agreement

Transmitted herewith is a revised draft of our evaluation.
A COST EVALUATION

of the

PROPOSED LABOR AGREEMENT AND DEFERRAL AGREEMENT

between the

COUNCIL OF SUPERVISORS AND ADMINISTRATORS

and the

CITY OF NEW YORK BOARD OF EDUCATION

October 1, 1975 - October 1, 1977

for the

Special Deputy Comptroller for New York City

by

Bruno Stein, Lester O. Bumas, and David Raff

April 8, 1977
This report analyzes the costs associated with the employment of tax levy personnel covered by the Labor Agreement and Deferral Agreement negotiated by the Council of Supervisors and Administrators of Local 1, American Federation of School Administrators, AFL-CIO (hereafter (CSA) and the City of New York Board of Education (hereafter "B of E"). The agreement covers the period from October 1, 1975 to October 1, 1977.

This report presents the following information:

1. A summary of cost changes.


4. Identification of the sources of cost changes including the Old Agreement, the New Agreement, other sources, and the employment level changes.

5. Estimates of cost increases.


7. A detailed consolidation of cost changes.

8. An appendix on "calculations".
I. A Summary of Cost Changes

Our report tends to verify many of the B of E-City cost calculations. But there are two major areas of difference. 1) The B of E-City calculations do not include the increased pension costs of salary increases (step and longevity) and the $550 annuity cost which occurs when an employee reaches the maximum step on his salary structure. We do. 2) There are major cost savings in this agreement, but we find the savings to be substantially less than the estimates provided to us. The City, for example, estimates that the "elimination of sabbatical leaves" will save $4.8 million in FY 1977. We have been told that few sabbaticals were taken under the Old Agreement and that very few are being awarded currently. We would, therefore, estimate this savings at zero dollars.

Tables 1 and 1' summarize the cost changes expected to occur during the term of the New Agreement. The former compares costs to those in the previous fiscal year; the latter compares them to the year before the New Agreement. (See Table 7 for a detailed tabulation.)

The Agreement costs should be about $1.06 million less in FY 1976 than they were in FY 1975. Although costs under the Agreement rise in FY 1977 and 1978, the sum of these increases is only slightly greater than the first year decrease.
TABLE 1

A SUMMARY OF COST CHANGES FROM THE PREVIOUS FISCAL YEAR, BY SOURCE
FY 1976, FY 1977, AND JULY-SEPT FY 1978\(^a\)
(in millions of dollars)

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>FY 1978(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Old Agreement Provisions Extended</td>
<td>0.86</td>
<td>0.76</td>
<td>0.09</td>
</tr>
<tr>
<td>B. New Agreement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>-1.92</td>
<td>0.22</td>
<td>-0.29</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2.24)</td>
<td>(-1.33)</td>
<td>-</td>
</tr>
<tr>
<td>[&quot;Given Up&quot;]</td>
<td>[1.45]</td>
<td>[-0.12]</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL of Agreements</td>
<td>-1.06</td>
<td>0.98</td>
<td>0.38</td>
</tr>
<tr>
<td>Paid</td>
<td>(2.24)</td>
<td>(-1.33)</td>
<td>(-0.69)</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>[-1.45]</td>
<td>[-0.12]</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL of Agreements &amp; Other Costs</td>
<td>-0.63</td>
<td>0.65</td>
<td>0.22</td>
</tr>
<tr>
<td>Paid</td>
<td>(-1.69)</td>
<td>1.63</td>
<td>0.60</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(-2.24)</td>
<td>(-1.33)</td>
<td>(-0.69)</td>
</tr>
</tbody>
</table>

\(^a\)See text for cost effects of employment level changes.

\(^b\)Fiscal year costs shown.

The Agreement in force in FY 1978 would only cost about $0.3 million a year more than that in for in FY 1975. Since the bargaining unit payroll is a bit in excess of $100 million, this implies an annual rate of cost increase of about 0.1 percent.
TABLE 1
A SUMMARY OF COST CHANGES OVER FISCAL YEAR 1975, BY SOURCE
FY 1976, FY 1977, and July-Sept FY 1978
(in millions of dollars)

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>FY 1978&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Old Agreement Provisions Extended</td>
<td>0.86</td>
<td>1.62</td>
<td>1.72</td>
</tr>
<tr>
<td>B. New Agreement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>-1.92</td>
<td>-1.70</td>
<td>-1.42</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2.24)</td>
<td>(0.91)</td>
<td>(0.22)</td>
</tr>
<tr>
<td>[&quot;Given Up&quot;]</td>
<td>[1.45]</td>
<td>[1.33]</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL of Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>-1.06</td>
<td>-0.08</td>
<td>0.30</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2.24)</td>
<td>(0.91)</td>
<td>(0.22)</td>
</tr>
<tr>
<td>[&quot;Given Up&quot;]</td>
<td>[1.45]</td>
<td>[1.33]</td>
<td>-</td>
</tr>
<tr>
<td>C. Other Costs</td>
<td>-0.63</td>
<td>0.02</td>
<td>0.24</td>
</tr>
<tr>
<td>TOTAL of Agreements &amp; Other Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>-1.69</td>
<td>0.02</td>
<td>0.24</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2.24)</td>
<td>(0.91)</td>
<td>(0.22)</td>
</tr>
<tr>
<td>[&quot;Given Up&quot;]</td>
<td>[1.45]</td>
<td>[1.33]</td>
<td>-</td>
</tr>
</tbody>
</table>

<sup>a</sup>Fiscal year costs shown.

As can be seen in the summary tables, other cost changes are of modest magnitude.

Considering the sum of agreement and other costs, the cost of compliance with the Agreement is about 0.5 percent higher in FY 1978 than FY 1975 based on salary and about 0.4 percent higher based on compensation costs (salary plus fringe costs).

Costs are stabilized through three savings: (1) the
increased teaching of supervisors (which should decrease the need for teachers); (2) the replacement of retirement leaves ("LILU's") by payments equal to 50 percent of the salary value of the leaves; and (3) the decrease in "increased take home pay" mandated by the State Legislature. These savings have largely balanced off increased costs the major ones being for longevity, annuity, and step increases. (See Section V for cost increases and Section VI for cost savings.)

Finally, changes in employment have changed costs substantially. The increase in employment from 4,100 to 4,369 increased costs by $9.9 million in FY 1976; the contraction to 4,069 should reduce costs by $11.08 million in FY 1977.

II. An Overview of Salaries and Occupational Employment Levels, June 1974 - June 1976

Table 2 presents data on salaries and employment levels by occupation in June of 1974, 1975 and 1976. It is immediately apparent that a high percentage of the employees are principals or assistant principals (87 percent in 1976). Note that between 1974 and 1975, the average salary increased from $25,181 to $26,518, or by 5.3 percent. The major source of this increase was a 5 percent salary increase which went into effect on October 1, 1974. Tending to
<table>
<thead>
<tr>
<th>Occupation</th>
<th>June 1974 Salary (Employment)</th>
<th>'74-'75 % increase</th>
<th>June 1975 Salary (Employment)</th>
<th>'75-'76 % increase</th>
<th>June 1976 Salary (Employment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters Supervisor</td>
<td>24,039 (719)</td>
<td>11.0</td>
<td>26,678 (425)</td>
<td>-0.2</td>
<td>26,630 (433)</td>
</tr>
<tr>
<td>Principal</td>
<td>28,803 (965)</td>
<td>4.6</td>
<td>30,119 (1,108)</td>
<td>0.9</td>
<td>30,403 (1,078)</td>
</tr>
<tr>
<td>Assistant Principal</td>
<td>24,065 (2,380)</td>
<td>4.8</td>
<td>25,228 (2,712)</td>
<td>1.0</td>
<td>25,482 (2,476)</td>
</tr>
<tr>
<td>Attendance Officer</td>
<td>24,669 (36)</td>
<td>4.4</td>
<td>25,754 (37)</td>
<td>0.4</td>
<td>25,851 (32)</td>
</tr>
<tr>
<td>School Psychologist</td>
<td>- (0)</td>
<td>-</td>
<td>20,410 (87)</td>
<td>0.4</td>
<td>20,697 (50)</td>
</tr>
<tr>
<td>Average Salary</td>
<td>25,181 (4,100)</td>
<td>5.3</td>
<td>26,518 (4,369)</td>
<td>1.3</td>
<td>26,852 (4,069)</td>
</tr>
<tr>
<td>Total Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Employment data are in parentheses. Data are from payroll tabulations. Payrolls do not differentiate between employees actively at work and those on leave (e.g., in anticipation of retirement).
decrease the effect of that 5 percent was the fact that bargaining unit employment was growing. With a greater percentage of employees on lower salary steps, most occupations saw average salary increases of less than 5 percent. The exception was headquarters supervisors. Instead of increasing employment in this category, employment dropped—and by 41 percent. This, coupled with the 5 percent general salary increase, caused this average salary to go up by 11.0 percent.

Between 1975 and 1976, the average salary went from $26,518 to $26,852, an increase of 1.3 percent. This may seem incongruous in that this percentage exceeds the salary increase experienced in every one of the occupational categories. The reason for this phenomenon arises from the fact that in 1976 a higher percentage of people were employed in higher than average salary occupations—although overall employment dropped by 6.9 percent, the employment of relatively high paid principals dropped by only 2.7 percent.

From this we can summarize the general sources of changes in the average salary level: 1) General increases or decreases in pay. 2) Growing employment which tends to lower salaries by putting a higher percentage of employees on lower salary steps. 3) Declining employment which has the opposite effect. 4) A change in the distribution of employment where,
for example, the greater relative size of categories with
higher than average pay, tends to increase the average salary
level.

III. An Estimate of the Total Compensation Cost
of the Average Employee, June 1976

An estimate of the total compensation cost of the
average member of the bargaining unit in June 1976 is shown
in Table 3. We have added onto the average salary cost the
cost of retirement related benefits, welfare contributions,
health insurance costs, COLA, and sabbatical leaves.

The salary cost of the average CSA bargaining unit
member in June 1976 was $26,852. Our estimate of fringe
costs amounts to $10,083, 38 percent of salary costs. This
yields a total cost per employee of $36,935. (See Appendix
A for calculations estimating fringe costs.) About 85 per-
cent of fringe costs are retirement related: contributions
to the teachers' retirement system, annuities for those at
maximum step, social security contributions, termination pay,
and lump sum pay for leaves-in-lieu-of-sabbaticals. The
latter, by the way, is being phased out under the Agreement
in that "no supervisor will be credited with leave-in-lieu of
sabbaticals for any sabbatical he may become eligible for on
or after October 1, 1976 [Article VIII, Section C(7)(a)].
TABLE 3

AN ESTIMATE OF THE COMPENSATION COST (SALARY + FRINGES) FOR THE AVERAGE EMPLOYEE, JUNE 1976*

<table>
<thead>
<tr>
<th>SALARY</th>
<th>$26,852</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRINGE COSTS</td>
<td>10,083</td>
</tr>
<tr>
<td>Retirement Costs</td>
<td></td>
</tr>
<tr>
<td>TRS</td>
<td>$8,707</td>
</tr>
<tr>
<td>$550 Annuities</td>
<td>6,847</td>
</tr>
<tr>
<td>Social Security</td>
<td>458</td>
</tr>
<tr>
<td>Sick Leave-Termination Pay</td>
<td>895</td>
</tr>
<tr>
<td>Lump Sum for Leaves not Taken</td>
<td>107</td>
</tr>
<tr>
<td>Welfare</td>
<td>479</td>
</tr>
<tr>
<td>Health</td>
<td>510</td>
</tr>
<tr>
<td>&quot;COLA&quot;</td>
<td>336</td>
</tr>
<tr>
<td>Sabbaticals (30)</td>
<td>51</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$36,935</td>
</tr>
</tbody>
</table>

*See Appendix A for calculations of fringe costs.

Although the Board of Education was unable to provide us with the average compensation cost information, the data they did provide appears consistent with our calculations. Their data follow. Note that they apply to all pedagogical employees, CSA and UFT. Inclusion of the latter group tends to depress the average salary figure and salary related fringe costs, particularly pension costs. Moreover, they do not have a separate breakout for termination pay and "in lieu" pay. Consequently, their calculation of 36.3 percent of
salary as fringe costs seems consistent with our 38 percent estimate.

<table>
<thead>
<tr>
<th>Fringe</th>
<th>Amount</th>
<th>Percent of Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Social Security</td>
<td>$930.15</td>
<td>5.17</td>
</tr>
<tr>
<td>b) Welfare</td>
<td>$370.00</td>
<td>2.06</td>
</tr>
<tr>
<td>c) Health</td>
<td>$523.17</td>
<td>2.90</td>
</tr>
<tr>
<td>d) Pension</td>
<td>$4,716.00</td>
<td>26.20</td>
</tr>
<tr>
<td>Total</td>
<td>$6,539.32</td>
<td>36.33</td>
</tr>
</tbody>
</table>

Pedagogical Employee at $18,000 Salary

IV. The Sources of Cost Changes

1. The Old Agreement (October 1, 1972-October 1, 1975).

   a. Annual Increments or Steps. A small percentage of
      supervisors are on single step schedules. The great majority
      are or have been subject to annual step increases under
      salary schedules which include either 3, 4, 5, or 7 steps.
      Step increases range from $325 in some occupations to $1,500
      in others. The average step is a bit over $400 or 1.5 percent
      of salary.

   b. Annuity contributions of $550 are made for "each
      supervisor who is at the maximum step of his salary schedule"
      [Agreement Oct. 1, 1972-Oct. 1, 1975, Article III, Section B
      (3)]. From a cost point of view annuity contributions are
      much the same as step increments. The only difference is that
      they are legislatively mandated.
c. Leaves-in-Lieu-of-Sabbatical costs decrease due to the fact that under the Old Agreement the conversion to LILU decreases from 3 months to 1.5 months for each sabbatical not taken after August 30, 1971.

2. The New Agreement as Modified by the Deferral Agreement (October 1, 1975-October 1, 1977)

a. Welfare fund increases and deferrals are made.

b. COLA payments are made under the $21 per 0.4 index change with increases given up to help maintain the level of employment.

c. Longevity increases (another form of step increase) in the amounts of $1,000 and $1,750 per annum are granted for 5 and 15 years of supervisory service, respectively. These increases are deferred for 1 year except that they are considered to have been paid per the original agreement for pension purposes.

d. Sabbatical leaves are limited in number.

e. Payments are made for LILUs at 50 percent of their salary value.

f. No further accrual of LILUs take place subsequent to October 1, 1976.

g. High school supervisors are obligated to perform more teaching.
h. The workday is increased by an hour for supervisors who work at schools.

i. Miscellaneous items. There are language changes with respect to (i) pro-rata vacation pay; (ii) rules regarding medical report and review; (iii) opportunity for transfer; (iv) grievance procedure and authority of arbitrators; (v) consultation rights for the high school subdivision; (vi) a change from "consultation" to "negotiation" regarding provisions not covered by the Agreement; and (vii) inclusion of the terms and conditions for the school psychiatrist unit.

No quantitative cost estimates have been made of these items. It is, however, our considered opinion that both individually and in their sum these costs should be quite negligible.

3. Outside Sources

a. FICA costs have been increased by the federal government.

b. Increased-take-home-pay costs have been decreased by the state legislature.

c. Health insurance costs have been increased by the carriers.

4. Employment Level Changes have been made by the B of E.
V. Cost Increases

Cost increases are broken down into two categories: 1) those arising from labor agreement provisions; and 2) those resulting from other sources. Agreement cost increases are shown in Tables 4 and 4'. The former shows increases compared to the previous year; the latter to the costs of FY 1975. Step and annuity increases arise from terms of the OLD Agreement carried unchanged into the New Agreement. New Agreement changes provide for increases with respect to longevity, COLA, and welfare fund contributions. Tables 4 and 4' show these costs and indicate whether they are to be paid, deferred, or given up. It also shows the pension effect of increased salary costs shown on a current basis and not lagged by 2 years.

The increase in FY 1976 as compared to FY 1975 paid amounts to $0.81 million without consideration of the pension effect and $1.48 million with consideration of the pension effect. The major reason for this difference is caused by the fact that, although the longevity increase is deferred, pension credit for it is not deferred. The deferred sum of $2.24 million arises from deferral of the increase in longevity and increased welfare contributions.

Costs paid in FY 1977 are expected to be $3.22 million higher than those of FY 1976, without inclusion of pension,
TABLE 4
AGREEMENT COST INCREASES OVER THE PREVIOUS FISCAL YEAR
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>FY 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>/4369/</td>
<td>/4069/</td>
<td>/4069/</td>
</tr>
<tr>
<td>OLD AGREEMENT PROVISIONS EXTENDED</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steps: New</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>540</td>
<td>249</td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td>180</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Pension Effect</td>
<td>138</td>
<td>109</td>
<td>21</td>
</tr>
<tr>
<td>Annuities: New</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>269</td>
<td>217</td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td>90</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>NEW AGREEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longevity: (Deferred)</td>
<td>(2077)</td>
<td>(1385)</td>
<td>(692)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>256</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2077</td>
<td>692</td>
<td></td>
</tr>
<tr>
<td>Pension Effect</td>
<td>530</td>
<td>242</td>
<td>22</td>
</tr>
<tr>
<td>COLA [Give Up]</td>
<td>[1451]</td>
<td>[-124]</td>
<td></td>
</tr>
<tr>
<td>Welfare: (Deferred)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(162)</td>
<td>(54)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>148</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL, without Pension:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>809</td>
<td>3217</td>
<td>981</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2239)</td>
<td>(-1331)</td>
<td>(-692)</td>
</tr>
<tr>
<td>[Give Up]</td>
<td>[1451]</td>
<td>[-124]</td>
<td></td>
</tr>
<tr>
<td>TOTAL, with Pension:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>1477</td>
<td>3568</td>
<td>1024</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2239)</td>
<td>(-1331)</td>
<td>(-692)</td>
</tr>
<tr>
<td>[Give Up]</td>
<td>[1451]</td>
<td>[-124]</td>
<td>[-]</td>
</tr>
</tbody>
</table>

*Fiscal year costs shown.
TABLE 4

AGREEMENT COST INCREASES OVER FY 1975
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>FY 1978^a</th>
</tr>
</thead>
<tbody>
<tr>
<td>/Employment/</td>
<td>/4269/</td>
<td>/4069/</td>
<td>/4069/</td>
</tr>
<tr>
<td><strong>OLD AGREEMENT PROVISIONS EXTENDED</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steps:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td>540</td>
<td>249</td>
<td></td>
</tr>
<tr>
<td>Pension Effect</td>
<td>138</td>
<td>247</td>
<td>268</td>
</tr>
<tr>
<td>Annuities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>269</td>
<td>217</td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td></td>
<td>359</td>
<td>648</td>
</tr>
<tr>
<td><strong>NEW AGREEMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longevity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Deferred)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Effect</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2077)</td>
<td>256</td>
<td>341</td>
<td></td>
</tr>
<tr>
<td>COLA [Give Up]</td>
<td>[1451]</td>
<td>[1328]</td>
<td>[1328]</td>
</tr>
<tr>
<td>Welfare:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Deferred)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>(162)</td>
<td>(216)</td>
<td>(216)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>148</td>
</tr>
<tr>
<td><strong>TOTAL, without Pension:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>809</td>
<td>4026</td>
<td>5007</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2239)</td>
<td>(908)</td>
<td>(216)</td>
</tr>
<tr>
<td>[Give Up]</td>
<td>[1451]</td>
<td>[1328]</td>
<td>[1328]</td>
</tr>
<tr>
<td><strong>TOTAL, with Pension:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>1477</td>
<td>5045</td>
<td>6069</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2239)</td>
<td>(908)</td>
<td>(216)</td>
</tr>
<tr>
<td>[Give Up]</td>
<td>[1451]</td>
<td>[1328]</td>
<td>[1328]</td>
</tr>
</tbody>
</table>

^aFiscal year costs shown.
and $3.57 million when pension costs are included. As Table 4 shows, the largest increase amounting to $2.08 million is for longevity increases. Deferrals drop by $1.3 million, largely because of payment of the hitherto deferred longevity increase. (The decline in give-up arises from decreased COLA costs which arise, in turn, from the employment level drop.)

Table 4 also shows that FY 1978 costs are expected to exceed those of FY 1977 by $0.98 million, without consideration of pension, and by $1.02 million, pension costs included. The most expensive cost increase is again the longevity increase.

Other sources of cost increases are the Congress and health insurance carriers. Table 5 shows this in the form of increased FICA and health insurance costs. Their total is $0.8 million in FY 1976 and $0.6 million in FY 1977.

TABLE 5

OUTSIDE COST INCREASES
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>July-Sept FY 1978a</th>
</tr>
</thead>
<tbody>
<tr>
<td>FICA</td>
<td>268</td>
<td>286</td>
<td>143</td>
</tr>
<tr>
<td>Health</td>
<td>546</td>
<td>285</td>
<td>81</td>
</tr>
<tr>
<td>TOTAL</td>
<td>814</td>
<td>571</td>
<td>224</td>
</tr>
</tbody>
</table>

aAnnual cost shown.
VI. Cost Savings

Costs are saved as a result of provisions in the Old Agreement, New Agreement, and Other Sources. Additionally, costs are saved by decreasing the level of employment.

The cost savings in the Old Agreement arise from the continuing effect of reducing LILU credit from 3 months per sabbatical to 1.5 months per sabbatical for sabbaticals earned after October 1, 1971. The New Agreement savings are primarily from the granting of payments for LILUs at 50 percent of their value and the additional work of supervisors (which implies the lower employment of teachers). The other cost saving result from the State Legislature decreasing the B of E's increased take-home pay by 2.5 percent effective January 1, 1976. Instead of the B of E paying this, supervisors receive 2.5 less take-home pay than was previously the case.

The Old Agreement placed no maximum on the number of sabbaticals awarded but the new one does. "No more than 30 sabbatical leaves may be granted during the period August 1, 1976-July 31, 1977, and no more than 20 . . . during the period August 1, 1977-July 31, 1978." [Article VIII, Section C(6).] Nonetheless, we estimate this change to involve no savings. In response to requests for data on sabbatical
cost experience (letters from Stein to Goldman, dated November 24, 1976 and from Bumas to Goldman, dated February 7, 1977), we were informed that very few were taken each year prior to the term of the New Agreement and that very few are currently approved.

The extra hour of work which supervisors serving in schools are obligated to perform effective September 1, 1976 does not involve a savings per se. Does it imply an increase in services evaluated at $10.07 million at the "per session" rate of $15.74? We are unsure of the answer to this question. If the change codifies existing practice or changes the site of some work from home to school, then the value of the savings is not clear. More information is needed on this.

Even with sabbaticals and the extra hour of work omitted, savings are considerable. They amount to almost $4 million in FY 1976 and almost $4 million more in FY 1977. (See Tables 6 and 6'.) The former figure exceeds additional costs paid in FY 1976 while the latter is almost equal to that amount in FY 1977.

V. Consolidation of Cost Changes

Table 7 is a detailed consolidation of the cost changes expected to arise in the course of the New Agreement. Calculations are shown in Appendix A, Section II.
<table>
<thead>
<tr>
<th></th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>July-Sept FY 1978^a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Agreement (3 to 1-1/2 months leave/sabbatical)</td>
<td>0.08</td>
<td>0.08</td>
<td>0.08</td>
</tr>
<tr>
<td>New Agreement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50% Pay for Retirement Leave</td>
<td>-</td>
<td>1.69</td>
<td>0.56</td>
</tr>
<tr>
<td>Reduction in Sabbaticals</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td>Additional Teaching of Supervisors</td>
<td>2.45</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td>Extra Hour of Work</td>
<td>b</td>
<td>'b</td>
<td>b</td>
</tr>
<tr>
<td>TOTAL for Agreements</td>
<td>2.53</td>
<td>2.59</td>
<td>0.64</td>
</tr>
<tr>
<td>Other Sources (Decrease in ITHP)</td>
<td>1.45</td>
<td>1.37</td>
<td></td>
</tr>
</tbody>
</table>

^aFiscal year costs shown.

^bSee text for discussion about savings estimates.
<table>
<thead>
<tr>
<th></th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>July-Sept FY 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Old Agreement (3 to 1-1/2 months leave/sabbatical)</strong></td>
<td>0.08</td>
<td>0.17</td>
<td>0.25</td>
</tr>
<tr>
<td><strong>New Agreement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50% Pay for Retirement Leave</td>
<td>-</td>
<td>1.69</td>
<td>2.25</td>
</tr>
<tr>
<td>Reduction in Sabbaticals</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td>Additional Teaching of Supervisors</td>
<td>2.45</td>
<td>3.27</td>
<td>3.27</td>
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<tr>
<td>Extra Hour of Work</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td><strong>TOTAL for Agreements</strong></td>
<td>2.53</td>
<td>5.13</td>
<td>5.77</td>
</tr>
<tr>
<td><strong>Other Sources</strong></td>
<td>1.45</td>
<td>1.37</td>
<td>1.37</td>
</tr>
</tbody>
</table>

*aFiscal year costs shown.*

*bSee text for discussion about savings estimates.*
# TABLE 7

**DETAILED CONSOLIDATED COST CHANGES FROM THE PREVIOUS YEAR**

**FY 1976, FY 1977, and JULY-SEPT FY 1978**

(in thousands of dollars)

<table>
<thead>
<tr>
<th>/Employment/</th>
<th>/4,369/</th>
<th>/4,069/</th>
<th>July-Sept</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 1976</td>
<td>FY 1977</td>
<td>FY 1978</td>
</tr>
<tr>
<td>A. OLD AGREEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steps: New</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td>540</td>
<td>249</td>
<td></td>
</tr>
<tr>
<td>Pension Effect</td>
<td>138</td>
<td>109</td>
<td>21</td>
</tr>
<tr>
<td>Annuities: New</td>
<td>269</td>
<td>217</td>
<td></td>
</tr>
<tr>
<td>Carryover</td>
<td></td>
<td></td>
<td>90</td>
</tr>
<tr>
<td>Reduced LILU Credit</td>
<td>-83</td>
<td>-83</td>
<td>-83</td>
</tr>
<tr>
<td>B. NEW AGREEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longevity: (Deferred)</td>
<td>(2077)</td>
<td>(-1385)</td>
<td>(-692)</td>
</tr>
<tr>
<td>Paid</td>
<td>2077</td>
<td>692</td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>256</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>Pension Effect</td>
<td>530</td>
<td>242</td>
<td>22</td>
</tr>
<tr>
<td>COLA [Give-Up]</td>
<td>[1451]</td>
<td>[-124]</td>
<td></td>
</tr>
<tr>
<td>Welfare: (Deferred)</td>
<td>(162)</td>
<td>(54)</td>
<td>-</td>
</tr>
<tr>
<td>Paid</td>
<td>148</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Additional Teaching</td>
<td>-2452</td>
<td>-817</td>
<td></td>
</tr>
<tr>
<td>Payment @ 50% for Retirement Leave</td>
<td>-1688</td>
<td>-562</td>
<td></td>
</tr>
<tr>
<td>Extra Hour of Work</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td>Limit on Sabbatical</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td>TOTAL for Agreements: Paid</td>
<td>-1058</td>
<td>980</td>
<td>379</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2239)</td>
<td>(-1331)</td>
<td>(-692)</td>
</tr>
<tr>
<td>[Given-Up]</td>
<td>[1451]</td>
<td>[-124]</td>
<td>[-]</td>
</tr>
<tr>
<td>C. OTHER SOURCES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FICA</td>
<td>268</td>
<td>286</td>
<td>143</td>
</tr>
<tr>
<td>Health</td>
<td>546</td>
<td>285</td>
<td>81</td>
</tr>
<tr>
<td>Decreased ITHP</td>
<td>-1448</td>
<td>83</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL Other Costs</td>
<td>-634</td>
<td>654</td>
<td>224</td>
</tr>
<tr>
<td>TOTAL Agreements &amp; Other Costs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid</td>
<td>-1692</td>
<td>1634</td>
<td>603</td>
</tr>
<tr>
<td>(Deferred)</td>
<td>(2239)</td>
<td>(-1331)</td>
<td>(-692)</td>
</tr>
<tr>
<td>[Given-Up]</td>
<td>[1451]</td>
<td>[-124]</td>
<td>[-]</td>
</tr>
<tr>
<td>D. EMPLOYMENT LEVEL CHANGES</td>
<td>9936</td>
<td>-11080</td>
<td>-</td>
</tr>
</tbody>
</table>

\^Annual costs shown.

\^See text for explanation of estimation problem.
Appendix A

CALCULATIONS


1. Salary: $26,852 (per payroll data).

2. TRS: assumed as 25.5 percent of salary,
   \[ 0.255 \times 26,852 = 6,847. \]

3. $550 Annuities: June 1976 employment is 4,369. Of that number, 791 were to receive increments. The remainder, 3,638 or 83.26 percent, were at maximum. The average cost is, therefore, $550 \times 0.8326 = 458.

4. Social Security: It is assumed that the cost for all supervisors was the maximum social security contribution of $895.05 per annum.

5. Sick Leave Termination Pay: We assume that the average supervisor at retirement has 50 days of unused sick leave and that 4 percent of the staff retires each year. Termination pay is on the basis of one-half of sick leave. The value on average is, therefore:
   \[ \frac{25}{350} \times 26,852 \times 0.04 = 107. \]

6. Welfare: $479 per employee per year.
   [Article III, Section D(2)]

7. Health: $510 per employee per year from data provided by Board of Education.

8. "COLA": $336 is our calculation as shown in Section II(4), below.

9. Sabbaticals: Assume 10 are taken. The cost is 60 percent of salary and we assume (conservatively) 60 percent of all other fringe costs,
   \[ \frac{10}{4360} \times 0.6 \times (26,852 + 6,847 + 458 + 895 + 107 + 506 + 479 + 410 + 336) = 51 \]

Table 3 has estimates of incremental costs broken down under four headings: 1) Old Agreement; 2) new agreement; 3) other costs; and 4) employment changes.

A. The Old Agreement

The old agreement provided for both step increases and $550 annuities for those at the maximum step. Steps have been estimated as follows:

1. Steps (see Appendix B for Alternative Methods of Calculating Step Costs).

FY 1976. All employees except those at the maximum step on June 1975 were assumed to qualify for a salary step increase on October 1, 1975. Our determination of the number of recipients and the amount due them tended to verify the Board of Education's calculations. A small discrepancy arose from the fact that the salary step distribution data provided to us included 62 reimbursable intermixed with 4,369 tax levy personnel. The Board of Education data follow:

<table>
<thead>
<tr>
<th>Title</th>
<th>No. Eligible</th>
<th>Increment</th>
<th>Annualized Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ass't Principal</td>
<td>1,045</td>
<td>400</td>
<td>$418,000</td>
</tr>
<tr>
<td>H.S. Principal</td>
<td>59</td>
<td>835</td>
<td>48,970</td>
</tr>
<tr>
<td>Other Principal</td>
<td>583</td>
<td>325</td>
<td>189,475</td>
</tr>
<tr>
<td>Supervisor</td>
<td>37</td>
<td>1,200</td>
<td>44,400</td>
</tr>
<tr>
<td>Ass't Director</td>
<td>10</td>
<td>1,135</td>
<td>11,350</td>
</tr>
<tr>
<td>Director</td>
<td>5</td>
<td>1,135</td>
<td>5,675</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,743</td>
<td></td>
<td>$718,870</td>
</tr>
</tbody>
</table>

On an annualized basis the 1,743 steps increments cost $718,870. Of that sum three-quarters of the cost, $539,153, falls within FY 1976.
FY 1977

a. One-quarter of the $718,870 cost calculated above, namely, $179,717, is incurred in FY 1977.

b. This time it was assumed that all employees, except those at maximum on June 1976 would receive a step increment on October 1, 1976. No significant difference was found between data and the Board of Education's, which follow:

<table>
<thead>
<tr>
<th>Title</th>
<th>No. Eligible</th>
<th>Increment</th>
<th>Annualized Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ass't Principal</td>
<td>89</td>
<td>$400</td>
<td>$35,600</td>
</tr>
<tr>
<td>H.S. Principal</td>
<td>25</td>
<td>835</td>
<td>20,875</td>
</tr>
<tr>
<td>Other Principal</td>
<td>609</td>
<td>325</td>
<td>197,925</td>
</tr>
<tr>
<td>Director</td>
<td>15</td>
<td>1,135</td>
<td>17,025</td>
</tr>
<tr>
<td>Supervisor</td>
<td>49</td>
<td>1,200</td>
<td>58,800</td>
</tr>
<tr>
<td>Psychiatrist</td>
<td>4</td>
<td>300</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>791</strong></td>
<td></td>
<td><strong>331,425</strong></td>
</tr>
</tbody>
</table>

Three-quarters of the $331,425 cost, namely, $248,569, is incurred in FY 1977. The total FY 1977 cost of steps is $428,438.

July-Sept FY 1978. One-quarter of the $331,425 cost occurs in FY 1978. That amounts to $82,856. The one-quarter of this payable during the July-Sept period is $20,714.

2. Annuities. The old Agreement specifies that "The Board shall contribute at the rate of $550.00 per year to the Teachers' Retirement System . . . to the annuity account of each supervisor" [Article III, Section B(3)]. From the June 1975 salary step distribution, 2,626 employees were found at their maximum step. The comparable figure for June 1976 is 3,278—an increase of 652. The annualized cost of 652 additional $550 annuities is $358,600.

FY 1976. Three-quarters of the $358,600 annualized cost (i.e., $268,950) occurs in FY 1976.
FY 1977

a. One-quarter of the $358,600 annualized cost is incurred in FY 1977 and that amounts to $89,650.

b. We assume that all of those on the step below maximum on June 1976 move up to maximum on October 1, 1976. That amounts to 527 employees with an annualized cost of $289,850. The three-quarters falling in FY 1977 costs $217,388.

July-Sept FY 1978. The one-quarter of the $289,850 annualized cost falling in FY 1978 amounts to $72,462. The increased cost experienced in the 3 contract months is one-fourth of that: $18,116.

B. The New Agreement

The New Agreement includes the costs associated with longevity, "COLA", welfare contributions, and changes in the leaves-in-lieu-of-sabbaticals provisions.

1. Longevity Increases. Longevity increases are $1,000 per annum for those "with 5 years of paid service as a supervisor but less than 15 years . . ." and $1,750 per annum for those "with 15 or more years of paid service . . ." [Article III, Section C (1) and (2)]. They were scheduled to go into effect on October 1, 1975 but the deferral agreement has "longevity increments provided . . . during the period October 1, 1975 through September 30, 1976 . . . deferred for one year . . . [but] deferred longevity increments shall be counted as salary for pension purposes . . ." [Articles 1a and c].

FY 1976. On October 1, 1975 there were 793 employees with 15 or more and 1,382 with 5 but less than 15 years of supervisory service.

Annualized Cost = 793 x $1,750 + 1,382 x $1,000
                 = $2,769,750.

FY 1976 Cost (deferred) = 0.75 x $2,769,750
                         = 2,077,313.
FY 1977

a. The deferred cost above goes into effect commencing October 1, 1976. Hence, payable in FY 1977 is $2,077,313.

b. There are new eligibles: 57 qualify for $1,750 and 242 for $1,000.

\[
\text{Annualized Cost} = 57 \times \$1,750 + 242 \times \$1,000 = \$341,750
\]

\[
\text{FY 1977 Cost} = 0.75 \times \$341,750 = 256,313
\]

The total FY 1977 increase in longevity costs is, therefore, $2,333,625.

July-Sept FY 1978. The carryovers from FY 1977 amount to $777,874 (i.e., $692,437 + $85,437). That increase in costs would be experienced over all of FY 1978. For the 3 contract months:

\[
\text{July-Sept FY 1978} = 0.25 \times \$777,874 = \$194,469
\]

2. "COLA" (Employment Security Fund)

a. FY 1976. The Agreement stipulates that all employees on active service with one year or more of continuous service on December 1, 1975 will receive a cost of living adjustment of $21 times each full 0.4 of a point increase from September 1974 to June 1975.

\[
\begin{array}{ll}
\text{CPI} & \\
\text{June 1975} & 165.2 \\
\text{Sept 1974} & 153.8 \\
\end{array}
\]

6.4 points rise

\[
\frac{6.4}{0.4} \text{ points} = 16 \text{ units}
\]

"COLA" of December 1, 1975 = $21/unit x 16 units = $336/employee

There were 4,319 employees on the December 1975 payroll. How many of these had less than a year's employment is unknown as is the number who were not actually "on active service". It
is suspected that the sum of these numbers is not large and we, therefore, use the 4,319 employment figure,

"COLA" Cost = $336 \times 4319 = $1,451,184

b. FY 1977. The agreement stipulates as above except that payment is on December 1, 1976 and based on CPI changes between September 1975 and June 1976.

<table>
<thead>
<tr>
<th></th>
<th>CPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1976</td>
<td>176.0</td>
</tr>
<tr>
<td>Sept 1975</td>
<td>169.3</td>
</tr>
</tbody>
</table>

\[
\frac{176.0 - 169.3}{0.4} = \frac{6.7}{0.4} = 16.75 = 16 \text{ (whole) units.}
\]

COLA of December 1, 1976 = $336/employee.

There were 3,949 people on the payroll in December 1976. Therefore,

"COLA" cost = $336 \times 3949 = $1,326,864

This is $124,320 less than the cost estimated for FY 1976.

c. July-Sept FY 1978. Table 4 shows a zero incremental cost for July-August of 1977. This implies existence of a COLA provision in the subsequent agreement with a cost identical to that estimated for FY 1977. The Deferral Agreement specifies that the COLA monies "shall be first applied . . . to provide salaries of supervisors in excess who would otherwise have been laid off . . ." [Article 2a]. The $1,451,184 can support 39.3 supervisors based on compensation costs of $36,935, or 54.0 supervisors based on a salary of $26,852. Representatives of the Board of Education have informed us that additional money has been available to maintain employment, namely, the Taylor Law fines levied against supervisors for refusing to work during the UFT strike.
3. Welfare. According to the Labor Agreement, welfare contributions are scheduled to increase from $429 to $479 on October 1, 1975 and to $529 on October 1, 1976 [Article III, D(2)]. However, the first increase if deferred (Deferral Agreement, Article 3). The incremental costs are accordingly:

FY 1976. The deferred cost amounts to 0.75 (portion of year) x $50 x 4,319 (employees 12/75) = $161,963.

FY 1977

a. There is a deferral carryover of 0.25 x $50 x 4,319 = $53,988.

b. We have assumed the December 1976 payroll level of 3,949 as an approximation of the average for October 1, 1976-June 30, 1977 period.

Annualized Cost = $50 x 3949 = $197,450

Three quarters of this cost, $148,088, occurs in FY 1977.


4. Extra Hour per Day of Work. The Agreement provides that effective September 1, 1976, the school day for supervisors serving in schools shall be increased by one hour.

FY 1977. This additional hour of work is evaluated at the "per session rate of $15.74 per hour--the rate supervisors typically receive for after school and summer work. Again, we use the December 1976 employment level of 3949 and assume that 90 percent of the supervisors serve in schools (i.e., 3,554).

Annual Service Value = $15.74 (per day) x 180(days) x 3554 (school supervisors)
= $10,069,192.

All the 180 days of the school year fall within FY 1977 and this is, therefore, the value of the additional services in FY 1977.
FY 1978. No additional increase in services.

5. Additional Teaching for Assistant Principals (Supervisors) in the High Schools. The New Agreement provides for a reduction in the exemption from teaching of high school departmental chair people as compared to previous practice. [See New Agreement, Article VI, Section F.] According to the Board of Education, before this contract the average supervisor was exempt from 3.4 teaching periods a day (or taught 1.6 periods). Under the new agreement the average supervisor will be exempt from 2.6 teaching periods a day (or teaches 2.4 periods per day). This additional teaching by supervisors will obviate the need to hire the following number of additional high school teachers:

FY 1976. Each of 790 supervisors teaches, on average, 0.8 periods more per day. This amounts to a total of 632 periods more teaching per day than had previously been the case. With 5 teaching periods comprising a full load, this is equivalent to the work of 126.4 additional teachers. At an average teacher's salary of $18,973, the salary savings would be $2,398,187. With fringes for pedagogical employees of 36.3 percent, the total compensation savings amounts to $3,269,449. Three-quarters of the saving occurs in FY 1976.

FY 1976 Salary Saving = 0.75 x $2,398,187  
= $1,798,640

FY 1976 Compensation Saving = 0.75 x $3,269,449  
= $2,452,097.


FY 1977 Salary Savings = $599,547
FY 1977 Compensation Savings = $817,362

FY 1978. No change.

6. Sabbaticals. No data on sabbatical experience was presented to us. We were informed, however, that very few sabbaticals had been taken but were held for use as leaves-in-lieu-of-sabbaticals. Moreover, very few sabbaticals are currently granted. Consequently, no cost change has been assigned to the
change from the Old Agreement which placed no limit on sabbaticals to the new one, which provides that "no more than 30 sabbatical leaves may be granted during the period August 1, 1976-July 31, 1977, and no more than 20 ... during the period August 1, 1977-July 31, 1978" [Article VII, Section C(6)].

7. Payments for Retirement Leave-in-Lieu-of-Sabbatical and Their Phase-Out. To determine the cost savings associated with changes in the provisions regarding retirement leave, we must compare the costs which are expected to occur with the costs which would have occurred under the Old Agreement.

Start with the Old Agreement. Sabbaticals were rarely taken at the time they were earned but were generally used as fully paid leave taken immediately before retirement. Sabbaticals of 6 months duration were granted every 7 years. For those not taken and earned before August 30, 1971, each sabbatical was converted to a maximum of 3 months of retirement leave. Retirement leave could not exceed 1 year and averaged about 10 months. Sabbatical leaves not earned but not taken since that date are converted into 1-1/2 months of retirement leave. Consequently we would expect that under the Old Agreement over some span of years (assume 30) the average employee should receive 5 months of retirement leave. (Old Agreement Article VIII, Section C.)

8. We show this situation diagramatically:

<table>
<thead>
<tr>
<th>Retirement Leave (months)</th>
<th>Retirement Leave Costs ($millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>5.0</td>
</tr>
<tr>
<td>9</td>
<td>4.5</td>
</tr>
<tr>
<td>5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Figure 1.—The decline in retirement leave under the Old Agreement.
If, for example, the total cost of retirement leaves was $5 million dollars in 1971, we would expect it to decline to $2.25 million in 2001 and to level off at that figure. In 1977, we would expect the average employee to retire after a 9 month retirement leave. Assuming the same number of retirements each year, the 1977 retirement leave cost would be $4.5 million.

Now consider the costs under the New Agreement. First of all, employees on or after October 1, 1976 are to receive payments instead of retirement leave. The payments are to equal half the dollar value of the leave [Article VIII, Section C(7)(c)]. This would cut the above mentioned $4.5 million dollar cost to $2.25 million. The New Agreement also stipulates that "... no supervisor shall be credited with leave-in-lieu-of-sabbatical for any sabbaticals he may become eligible for on or after October 1, 1976." [Article VIII, Section C(7)(a)]. Consequently, over some span of years (again assume 30) the average employee will have no retirement leave to convert to payments. That, too, is shown diagramatically in Figure 2:

 Payments for Retirement Leave ($millions)

![Graph showing the decline in cost of payments for retirement leave under the New Agreement.]

Figure 2.--The decline in the cost of payments for retirement leave under the New Agreement.

Now we compare the costs under the two Agreements. This is done in Figure 3. Note first of all that under the Old Agreement there are additional savings of $83,333 ($2.5 million/30 years) until 2001. Moreover, the additional savings incurred by the New Agreement amount to $2.25 in the first
year. There is no increase in annual savings until after 2001. It increases then by $41,667 a year until it reaches $2.5 million in 2007.

Payment for Retirement Leave
($millions)

Figure 3.--The difference between retirement leave costs, under the old agreement, and payments, under the new agreement.

As a result of this, our cost savings are (in thousands of dollars):

<table>
<thead>
<tr>
<th></th>
<th>FY 1976</th>
<th>FY 1977</th>
<th>FY 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Agreement</td>
<td>83</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>New Agreement</td>
<td>-</td>
<td>1,688a</td>
<td>562b</td>
</tr>
<tr>
<td>TOTAL</td>
<td>83</td>
<td>1,771</td>
<td>655</td>
</tr>
</tbody>
</table>

aThe New Agreement provision is in effect for three-quarters of FY 1977 (0.75 x $2,250 = 1,688).

bThe carryover is 0.25 x $2,250 = $562.

Note that the numbers chosen reflect reality. The average cost of retirement leave during the past 6 years was $4.26 million (Letter from Bass to Mehlman dated March 3, 1977). Moreover, the arbitrary assumption of 30 years to bring about the total effect of a change is realistic. A recent sample survey shows that the average supervisor had
very close to 6 months of accrued retirement leave time. (Our calculation from data found in letter from Schulstein to Bass, dated March 9, 1977).

Since the great bulk of leave time still reflects the 3 months of leave per sabbatical formula, it implies somewhat more that 14 years of service for the average supervisor. At a uniform hiring rate, this further implies seniority running from 0 to 30 years, with the latter those ready to retire. Furthermore, the assumption is not very crucial. The savings for the years which concern us is far more the result of paying retirees one-half of the value of their retirement leave, rather than its eventual elimination.

One caveat. We have assumed that the same number of supervisors retire each year and that they have the same number of years of service. In fact, there is great year to year randomness particularly with respect to the number who retire each year. Our estimate is essentially an average. Year to year figures will be more or less higher or lower.

Using compensation rather than salary data does not change the savings figures by very much during our years of concern. Retirement leave does cost considerably more than just salary costs. This tends to increase savings arising from the New Agreement. But under the Old Agreement, the cost of manning the schools was less than under the New Agreement and this would tend to decrease savings. In other words, under the Old Agreement, younger and less expensive workers, particularly with respect to pension costs, would be employed instead of the retirees-to-be who were on leave.

10. Social Security Costs. The following table shows the maximum employer social security contribution (per employee) for calendar 1974 through 1977; fiscal years 1975 through 1977:
<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Social Security Cost</th>
<th>Fiscal Year</th>
<th>Social Security Cost</th>
<th>Cost Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>$772.20</td>
<td>1975</td>
<td>$798.53</td>
<td>$61.42</td>
</tr>
<tr>
<td>1975</td>
<td>824.85</td>
<td>1976</td>
<td>859.95</td>
<td>70.20</td>
</tr>
<tr>
<td>1976</td>
<td>895.05</td>
<td>1977</td>
<td>930.15</td>
<td>35.10&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>a</sup>The annual rate for the first 3 months of FY 1973 is $965.25 and $965.25 - $930.15 = $35.10.

**FY 1976.** The increased cost is $6142 (per employee) x 4,369 (employees) = $268,344.

**FY 1977.** The increased cost is $70.20 x 4,069 = $285,644

**FY 1978.** $35.10 x 4,069 = $142,822

**11. Health Insurance Costs.** The costs per employee are:

<table>
<thead>
<tr>
<th>FY</th>
<th>Health Cost</th>
<th>Cost Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>$385</td>
<td></td>
</tr>
<tr>
<td>1976</td>
<td>510</td>
<td>$125</td>
</tr>
<tr>
<td>1977</td>
<td>580 est.</td>
<td>70</td>
</tr>
</tbody>
</table>

**FY 1976.** The increased health insurance cost is $120 (per employee) x 4,369 employees = $546,125.
12. Pension Costs. Pension costs are increased by increased salaries in the form of steps, and longevity increases.

**FY 1976**

Increased Pension Cost = 0.255(pension ratio) x $539,153 (steps) + $2,292,000 (longevity deferred)
= $721,944.

Payment of this cost is delayed by 2 years. Hence, the appropriate cost to use is its discounted (present) value. At a discount rate of 6 percent with 2 years of discounting, the present worth factor is 0.8900 and

**FY 1976 Increased Pension Cost Discounted**
= 0.89 x 721,944 = 642,530

**FY 1977**

0.255[$428,438 (steps) + 2,292,000 (longevity)] = $693,712.

This can be discounted as above.

**FY 1977 Increased Pension Cost Discounted**
= 0.89 x $693,712
= $617,404

**FY 1978**

0.255 [$82,856 (steps) + $71,250 (longevity)]
= $39,297.

This amounts to $34,974 when discounted.

13. Decrease in Increased Take Home Pay. Prior to January 1, 1976, the City contributed 5 percent of salaries to the Teachers' Retirement System as "increased take home pay." Since then, the contribution has dropped to 2.5 percent with that amount deducted from employees' pay on a current basis.

**FY 1976**. In FY 1976 the savings occurs only during the second half of the year.
ITHP Savings = 0.025 x 1/2 (of a year) x $109,262,495 (June '76 payroll annualized) = $1,365,775.

**FY 1977.** Here the increment saved is the difference between what is saved in FY 1977 minus that saved in FY 1976.

\[ 0.025 \times \frac{4069}{4369} \times (109 \times 262,495 + 539,153 \text{ (steps)}) + 2,333,625 \text{ (longevity)} - 1,365,775 = 1,191,702 \]

14. **Change in Employment Level**

**FY 1976.** Cost = (4369 - 4100)(empl't increase) x $36,935 = $9,935,515.

**FY 1977**

Savings = (4369 - 4069)(empl't drop) x $36,935 (compensation) = $11,080,500.
Mr. Stephen Berger
Emergency Financial Control Board
270 Broadway
New York, New York 10007

January 17, 1977

Dear Steve:

We have reviewed the proposed new contract between the Board of Education and the UFT, and, despite the fact that it appears to fall within the City's financial plan, and despite the fact that it contains some real productivity provisions, we think that other factors require the EFCB to disapprove.

First, the addition of a year is clearly an effort to side step the Regents' ruling on the length of the school day. Citizens' Committee for Children strongly protested the Board's action in this matter. We regard it as both outrageous and inappropriate to make the length of the child's day a matter for collective bargaining. Monies available to the Board should be used, first and foremost, to restore the school day.

Second, the agreement assumes an attrition rate of approximately 2,000 employees including teachers. With the already significant personnel reductions, particularly at the school-classroom levels, we think it inadvisable to make no provision for replacement of departing personnel. It is hard to see such an agreement as anything other than a further diminution of service.

Third, the elementary schools are totally excluded from any productivity gains and, of course, have borne the brunt of many reductions. We think any agreement should clearly include the elementary schools in preventing further diminution of services.

We sincerely hope that an equitable agreement can be achieved in the near future so that the uncertainties of staff, parents, children and the community at large can be put to rest.

Sincerely,

[Signature]
Henry Saltzman
Executive Director
Parent-Teachers' Association
P.S. 63
90-15 Sutter Avenue
Ozone Park, N.Y. 11417

January 15, 1977

Mr. Steven Berger, Executive Director
Emergency Financial Control Board for
City of New York
270 Broadway
New York New York 10007

Dear Mr. Berger,

We strongly urge your rejection of the proposed contract between the Board of Education and the U. F. T. for the following reasons:

1. It extends the previous agreement for a third year calling for an extension of the 90 minute reduction of instructional time per week in direct violation of the State Board of Regents.
2. The agreement was negotiated without the required consultation with the Community School Boards.
3. It was passed by the Board of Education without public notice at a private afternoon meeting.
4. It changes the school calendar.

This contract would impose intolerable conditions on the children of the city of New York and for their sake should be rejected.

Yours truly,

Josette Lowenhaupt
President

cc: Gov. Carey-Mr. Knorr-Mr. Schmidt- Mr. Ward-Mr. Addabbo
Mr. Aaron -Community School Bd. Dist. 27- Mrs. Rosen
MEMORANDUM

January 14, 1977

TO: Steve Berger

FROM: Dick Halverson and Bob Bennett

RE: Comparison of cash benefits under UFT contract to those received by other municipal unions

We have compared the actual cash increases to be received by UFT members under the proposed contract and agreement during the period of the wage freeze with the amounts to be received by members of other unions, including those who received the 6% deferred increase in FY 77. The results of this analysis are presented below.

It should be noted that these figures do not include increase or loss of fringe benefits, since that does not affect the actual amount of cash received by workers during the three year financial emergency period. They include all COLAs.

The analysis was done in two ways. The first just averages the benefits for the UFT personnel according to the number of workers on the payroll in December of each of the three fiscal years. Since this does not reflect categories of workers (i.e. teachers and other pedagogical) and does not show the differences between UFT personnel still on the steps and UFT personnel who would receive longevity, we have done a second analysis which presents separate figures for each of these two categories of personnel.

In making these calculations, the following number of UFT personnel were used:

For FY 76, the actual December 1975 payroll of 53,298 (50,166 teachers and 3,132 others)

For FY 77, the actual December 1976 payroll of 49,312 (44,850 teachers and 4,462 others)

For FY 78, the projection for December 1977 sent to us by Deputy Mayor Burton of 43,300 (44,050 teachers and 6,250 others)

I. Average cash in hand. Total additional cash above June, 1975 salary level to be received by employees from FY 76 through FY 78.
This number is the sum of the average additional compensation in each of the three years.

UFT person $5201
DC 37 person with base salary of $16,000 in June, 1975 $3700
Fireman with base salary of $16,470 in June, 1975 $4226
Member of Transport Workers Union $2554

The cash in hand calculated by this method for UFT personnel does not represent a "real" worker, since given the way the proposed contract structures compensation, there is a great difference between those receiving steps and those receiving longevity. For this reason a second analysis, presented below, was also done.

II. Cash in hand for two different types of UFT personnel.

For this analysis, we have selected two different types of UFT personnel, an individual who received the steps in FY 76 and FY 78 and the individual eligible to receive the $1500 longevity. It should be noted that these are not "typical" of all the categories of personnel. There are so many varieties of compensation that not all can be held to follow the pattern of these two individuals. On the other hand, they are not the extremes of the range, either. An example of an individual who receives much less would be the individual who is at the highest step at the beginning of the contract period but does not qualify for the $750 longevity payment until he reaches ten years of service in September, 1977. This individual would receive $2788 additional cash in hand.

*This includes overtime, which is an integral part of the TA workers' wage structure. Averages for the other union members exclude overtime.*
An example of large additional cash in hand would be the individual who received the step increments in FY 76 and FY 78 and also qualified, in September 1975 for the highest level of educational differential. This individual would receive $9697 additional cash in hand during the three year contract period.

All of the figures include the productivity COLA.

The cost of differentials included in the contract for the three years is $56.5 million. Not all teachers will be eligible for differentials, which range up to 10% increase in base salary. It is difficult for us to predict who will receive them during the contract period. Therefore, in calculating the increased benefits for the two types of employees, we have divided the $56.5 million planned for differentials by the UFT tax levy personnel on the December, 1976 payroll.

| Teachers on steps | 5601 ($4455 + 1146 average differential) |
| Teachers receiving 1500 | 5084 ($3938 + 1146 average differential) |
| Firefighters (who does not receive longevity) | 4160 |
| Firefighters (who receives his 5, 10 or 15 year longevity increase in FY 76) | $4460 |
| District Council 37 employee earning $16,000 base salary in June, 1975 | $3700 |
| Transport Workers Union member | $2554* |

* Includes overtime
MEMORANDUM

TO:        Stephen Berger

FROM:      Dick Halverson and Bob Bennett

RE:        Per Worker Value of Financial Plan Funds Available for UFT Contract

The average increase for UFT workers, in terms of cash in hand under the proposed contract, is $5201. Of this, $1013 comes through productivity COLA, which is paid outside the financial plan. The remaining $4188 is to be paid from financial plan amounts available for the UFT contract.

The only reason the financial plan can accommodate this high level of payment is because of the reduction of 13,000 UFT personnel which has taken place through a combination of lay-offs and attrition.

$196 million is available within the financial plan, a number which is based upon Deputy Mayor Axelson's January 26, 1975 letter to the Board of Education. Given the number of tax levy UFT personnel on the payroll in June, 1975 (56,623 teachers and 5912 others), the financial plan originally could accommodate increases of only $3134 per employee.
Using the December, 1975 payroll, after the first major round of lay-offs, as a basis for calculation, $3544 was available in the financial plan per employee. In December, 1975 there were 50,166 teachers and 5132 others.

Thus it is only because of a 13,000 reduction in the number of employees down to the current level of 44,850 teachers and 4462 others, that each current employee is able to receive $4188 from the financial plan funds.
January 12, 1977

Honorable Sidney Schwartz
Special Deputy Comptroller
State of New York
Department of Audit and Control
Office of Special Deputy Comptroller
270 Broadway
New York, N. Y. 10007

Dear Mr. Schwartz:

This is in response to your solicitation for comments.

We believe that the contract and Memorandum of Agreement between the Board of Education and the United Federation of Teachers fall within the constraints of the monies provided in the Financial Plan for collective bargaining purposes for this contract. Further, we believe that they conform with EFCB wage policy.

In your draft report to the EFCB you listed items in the Memorandum of Agreement that you thought needed clarification. These items are described in detail in this letter.

EFCB WAGE POLICY

The longevity payments correspond to the 5-6% amount negotiated for all city workers. This method of distributing increases was in the original 1975-1977 contract. These longevity increases fall within the monies made available in the city budget and financial plan for collective bargaining and were deferred one year as were increases for other city workers.

The $350 COLA for FY 1977 continues the COLA formula from FY 1976.

The UFT has contributed $25.4 million in savings for 1978 which is a far greater saving than would be a 1% fringe reduction.
CLARIFICATION OF MEMORANDUM OF AGREEMENT

Deferrals

The following salary and fringe benefits are deferred:

- Longevity payments for one year from October 1, 1975 to October 1, 1976.
- Fiscal 1977 $350 COLA to qualifiers for longevity.
- Fiscal 1977 $50 welfare fund increase.
- Fiscal 1978 COLA for everybody.

Steps will be suspended September 1, 1976; however one step will be paid on February 1, 1978 to those who would have qualified for an additional step during the period of suspension. A person will remain on the step they were on at the end of June 1976 until February 1, 1978, at which time that person will move up one step and remain on that step for the duration of the contract. The suspended steps shall not be used in computation of pension. However, if and when deferrals are paid citywide, the monies given up during the period of this contract shall be paid.

Old COLA

The FY 1976 $300 COLA is to be paid to all employees covered by this agreement who have had one year of continuous service on December 1, 1975.

The formula used to provide the $350.00 payable on December 1, 1976, to employees with one or more years of continuous service, is the following:

If the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers, New York, New York, -- Northeastern New Jersey (Base Year 1967 equals 100) when published by the Bureau of Labor Statistics, U. S. Department of Labor, for June 1976 exceeds the Index for August 1975, the Board shall pay effective December 1, 1976, to all teachers in active service with one year or more of continuous service a cost-of-living adjustment (COLA) in the amount of twenty-one dollars ($21) times each full four-tenths (0.4) of a point increase in such index, but such cost of living adjustment shall not exceed $350.00.
Supplemental Annuity

The savings to be realized from the Supplemental Annuity arises from an agreement between the Board of Education, the City of New York and the United Federation of Teachers to seek legislation to permit the Board of Education to amortize the payment due in fiscal 78 over the average working lifetime (estimated to be approximately 10 years) of eligible employees.

COSTS

The costs of this contract listed in Attachment A of the Memorandum of Agreement fall within the constraints of the Financial Plan. We believe these estimates are fiscally conservative, and we are available to explain all of the computations. The difference of $0.7 million between the Board of Education's estimate and the Special Deputy Comptroller's estimate is less than one percent of the $108.8 million total available in the Financial Plan for collective bargaining increases. Since both cost estimates included projections, the difference is inconsequential.

SERVICE REDUCTIONS

Reductions in service to pupils in the classroom are the direct result of cuts in the Board of Education's Budget. No loss in services will result from the Board of Education-United Federation of Teachers contract. Just the opposite is the case: teacher workload changes (i.e. increased pupil-teacher contact time, increased coverage periods) have lessened the impact of budget cuts on the schools.

If you would like to discuss our comments we will be available immediately.

Very truly yours,

ROBERT J. CHRISTEN, PRESIDENT
BOARD OF EDUCATION

IRVING AKERMAN, CHANCELLOR

CC: John Burton
    Stephen Berger
    William Scott
    John Zuccotti
1. "New COLA" will be paid as per the EFCB resolution of May 18, 1976, and the Hilton Interim Agreement of June 30, 1976.

2. A panel consisting of representatives of the Board of Education, the United Federation of Teachers and the City will be formed to develop and implement productivity savings and improvement programs.

3. Savings generated by the UFT shall be used to pay "New COLA".

4. For 1977

50% of all additional non-city revenue available for general school purposes or otherwise available for salary adjustments, beyond the revenue level in the financial plan for fiscal year 1977, shall go into the "New COLA" account created to pay "New COLA" in fiscal year 1977.

In order for teachers to be paid the money in this account, the money must be matched by productivity of equal value as determined by the panel. Teachers shall be given productivity credit savings in FY 1977 resulting from the elimination of medicare Part B and check cashing privileges and 50% of new revenues shall be paid against these savings.

5. For 1978

50% of all additional non-city revenue available for general school purposes, or otherwise available for salary adjustments, beyond the revenue level in the financial plan for fiscal year 1978, shall go into the "New COLA" account created to pay "New COLA" in fiscal year 1978.

In order for teachers to be paid the money in this account, the money must be matched by productivity of equal value as determined by the panel. Teachers shall be given $13.4 million productivity credit for savings in FY 1978 resulting from items 2, 3, 4 and 5 in Attachment B and 50% of new revenues shall be paid against these savings.

6. Money that comes from the state aid lawsuit must first go to the restoration of the full school day.
MEMORANDUM TO: Special Deputy Comptroller
FROM: Bruno Stein, David Gayer and David Raff
DATE: January 10, 1977
RE: Board of Education and the United Federation of Teachers

Transmitted herewith is our analysis of the Memorandum of Agreement between the Board of Education and the United Federation of Teachers, dated December 17, 1976. The analysis focuses on incremental costs, and was carried out in conformity with the request expressed in your memorandum of December 27, 1976. As per our conversation with Mr. Kacsk, certain data were not made available to us by the Board of Education. Accordingly, and with your approval, the constant employment level we used was as of June 1976, and no total cost estimates were made (items #1 and #2 of your memo).

The estimates are based on assumptions of the number of employees in the UFT unit for each of the three years of the contract. Since these numbers vary from month to month, the proper number of employees to be used is the weighted average for the entire year. Such figures were unavailable at the time of our review. Instead, for FY 1976 the number of employees in June 1976 was used as a standard for the entire FY 1976. Similarly, October 1976 was used to estimate the cost of FY 1977. Insofar as these figures diverge from the actual weighted average number of employees, discrepancies were introduced, the size of which depends on the employment variability within a fiscal year.

For some calculations, mainly the differentials, there was insufficient data to independently verify the amounts used in the Memorandum of Agreement and related documentation.

Notwithstanding the data problem, we were able to make estimates based on reasonable assumptions in some cases where precise BOE data were unavailable, and we are confident that these estimates are good enough to serve as a workable basis for you.

We trust that you will find the analysis useful. As always, do not hesitate to contact us for further information or clarification.

Best wishes for a happy new year to all.
To: Special Deputy Comptroller for New York City

From: Bruno Stein, David Gayer and David Raff

Cost Implications of the Memorandum of Agreement between the Board of Education and the United Federation of Teachers, December 17, 1976

The Report includes the following Appendices:

A: Glossary of Terms
B: Basis for Payment of Productivity COLA
C: Exclusion of Per Session Teachers from Benefits and Proration of Summer Pay for Regular Teachers
D: Text of Hilton Agreement
E: Text of Memorandum of Agreement between BOE and UFT

DATE: January 10, 1977
I. Introduction

During September 1975, the Board of Education (BE) and the United Federation of Teachers (UFT) negotiated a proposed agreement for the period September 9, 1975 to September 9, 1977. This proposed agreement was rejected by the EFCB and returned to the negotiating parties on October 7, 1975. The parties subsequently negotiated, on December 17, 1976, a Memorandum of Agreement which modified the terms and conditions of the proposed two year Contract and extended it through September 9, 1978. The City then approved the proposed Memorandum of Agreement and Contract, submitting them to the EFCB on December 29, 1976.

This report reviews the Contract and the Memorandum of Agreement to comment on whether the document provisions conform to the wage and salary policy of the EFCB and whether the incremental cost of the agreement falls within the Financial Plan. In addition we comment upon any service reductions which appear to be in effect.

Our review is based on information obtained through verbal conversations with representatives of BE, UFT, and the City and our examination of the following documents:


- Agreement between the Board of Education and the United Federation of Teachers for the period September 9, 1975 to September 9, 1977 (referred to hereafter as the "Contract").

- Memorandum of Agreement between the Board of Education and the United Federation of Teachers, dated December 17, 1976 (referred to hereafter as the "Memorandum of Agreement").

This report is divided into the following sections:

Section II: Analysis of Memorandum of Agreement provisions in terms of the RFCB wage and salary policy guidelines.

Section III: Identification of unclear provisions based on an analysis of the written statements made in the Memorandum of Agreement and Contract.

Section IV: Comparison of the incremental costs of the Memorandum of Agreement with the City's financial plan for the Board of Education.

Section V: Analysis of the proposed savings included in the Contract.

Appendix: Analysis of the costs of the Memorandum of Agreement and Contract.
I. Introduction

As per your request, we have made an analysis of the costs associated with the Memorandum of Agreement (also referred to as the new or current proposal) between the Board of Education (BOE) and the United Federation of Teachers (UFT). Costs are presented on an incremental basis. The current proposal is compared with the expired contract (September 9, 1972 to September 9, 1975) and the old agreement previously arrived at and rejected by the Emergency Financial Control Board (EFCB), as if they were to be in force for the period of the new agreement. We have also compared the new agreement with actual current rates of expenditure. In all the above instances, we have made the comparisons with variable levels of employment (to account for reductions in personnel that have occurred since June 1976 and are likely to occur through the life of the new agreement) as well as on the assumption that June 1976 levels would prevail. The latter comparison enables us to estimate the savings (actually, reduction in cost increases) that are attributable to the decline in employment.

Cost of Living Adjustments (COLA) are estimated at actual or (for Productivity COLA) maximum rates. Lower rates
are possible if the Consumer Price Index continues to rise at less than 6% per year.

Except where otherwise noted, all figures pertain to tax-levy personnel, that is, personnel paid out funds from city taxes and state aid available on the usual basis. Reimbursables (persons paid from programs fully funded by the State or federal government) have been excluded from consideration, since they do not constitute a cost to the city. However, a rough estimate of the costs of reimbursables is given below, since they "overhang" the budget in the sense that cessation of any or all of the reimbursable programs would cause such persons to return to the Board's tax-levy budget.

Our estimates go beyond costs directly covered by the agreements and include certain employment costs that are mandated by law. Among these are health insurance, social security, and pensions.

With respect to the last point, we have analyzed the impact of higher salaries, including the longevity provision of the new and old agreement, on future pension costs. BOE methods of collecting pension data do not distinguish between UFT personnel and employees in other bargaining units. Accordingly, pension costs are not available for the first two years. Pension contributions are actually payable two years after the obligation is incurred, at a rate determined
by the Teacher Retirement System. Since this rate is unpredictable, we have assumed that the current rate of 25.5% of salaries (excluding Cost of Living Adjustments) will prevail. The actual rate may, of course, be higher or (conceivably) lower.

We have attempted to evaluate the BOE estimates of $25.4 million savings provided by the new agreement. Unfortunately, we had no independent way of evaluating these savings (except for the savings attributed to a deferral of payments into the supplementary annuity fund for persons at the top of their scale), but our analysis raises some questions about them.

A brief comparison is made between the cost of the new proposal with the cost of the City's General Memorandum of Interim Understanding if it were applied. This is made by taking the expired agreement (assuming it would have been in force as of June 30, 1976) and adding the COLA provided by the June 30, 1976 agreement (identical with the productivity COLA in the new proposal). As might be expected, the cost of such a hypothetical arrangement would be lower than the cost of the new Agreement.

Finally, we have presented a listing of the compensation payable to teachers at several steps during FY 1977 (Table 9). This should be used for background purposes only, since the
actual distribution of teachers and other personnel across their steps and differentials is an extremely complex matter. The matrix that constitutes the teacher salary schedule has sixteen rows and six columns, constituting 96 possible salaries (not counting longevity).

Summary Statement

The bottom line is found in an examination of Table 1A. Over a three year period, the proposed contract and associated benefits will add $240.9 million to the cost of operating Board of Education's (tax-levy) costs, at levels of employment likely to prevail during this period. This is a reduction of $52.0 million over the cumulative incremental costs associated with the agreement previously rejected by EFCB.

II. Description of the New Agreement

The Memorandum of Agreement, dated December 17, 1976 can be summarized as follows:

Item #1. The provisions of the JOE-UFT contracts for the period September 9, 1975 to September 9, 1977 remain in effect, except as modified by the Memorandum of Agreement. The contracts in question were the ones that were agreed to after the strike and disapproved by the EFCB. The contracts
cover a) Day School Teachers and associated personnel, and b) Functional Units, such as School Secretaries, Guidance Counselors, Social Workers, and Paraprofessionals.

We compared the expired agreement for Day School Teachers with the 1975-1977 Day School agreement referred to above. On the whole, the provisions are similar except in the obvious areas of longevity increases, COLA, increases in welfare fund, etc. Areas that may merit some consideration are listed below:

1. Article III, Salaries and Benefits.

   A. Subsection A - establishes a reopening provision on the demand of the Union.

   B. Subsection B - introduces COLA for the first time.

   F. Subsection F - establishes the method for vacation pay. It is a new item.

   G. Subsection G - extends coverage of Welfare Benefits on laid off teachers for 90 days beyond lay off date with Board covering full expense. (G-2 increases welfare fund costs.)
2. Article IV

C. Subsection C, Support for Programs - may have cost implication but it cannot be assessed without further information.

3. Article VII, Subsection AA - waivers of preparation period and shortened workday.


The contracts pertaining to the functional units were not received by us in time for us to make a similar analysis, but the major cost items for those units, as inferred from the Memorandum of Agreement, are included in our cost analysis.

Item #2. New formal agreements will be executed covering the units represented by the UFT. These agreements are to cover the period September 9, 1975 to September 9, 1978. In effect, this is a one year extension. It is not clear from the Memorandum whether the new contracts will differ in any significant detail from the 1975 agreements, except as modified by the Memorandum of Agreement.
Item #3. Attachment A is a schedule of payments (actually of incremental payments) to be made in FY 1976, 1977, 1978, and 1979, consisting of the following items:

Cost of Living Adjustment (COLA)

Welfare Benefits

Welfare Benefits for Laid off Personnel

Longevity Payments, effective 10/1/76 (for persons with ten and fifteen years service--but this is not specified in the Memorandum)

Differentials for advanced educational qualifications

Increments or steps [teachers receive semi-annual salary increments in the first eight years of their service]

The Cola is as follows:

1. FY 1976, $300 to all

2. FY 1977

   a. Productivity or "New" COLA to all persons (see App. A)

   b. $550 to persons who do not receive longevity payments

3. FY 1978 - Productivity COLA to all.

Deferrals subsumed by the above are to be treated consistently with the Americana Agreement of 7/31/75. The formula for Productivity COLA is taken from the Hilton Agreement of 6/30/76 (see Appendix).

Item #4. This section provides that a portion of the Board of Education's required saving shall be those listed in Attachment B, which the Memorandum places at $25.4 million.
The savings are analyzed by us in another section of this report.

Item #5. This section incorporates Attachment C as the basis for payment of New (i.e., Productivity) COLA. Attachment C provides:

a. New COLA is to be paid as per the EFCB Resolution of May 18, 1976 and the Hilton Agreement of June 30, 1976.

b. A panel of representatives from BOE, UFT and the City is to develop productivity savings and improvement programs. The purpose of the savings, if any, is to pay New COLA and shall be credited toward a New COLA account.

c. 50% of additional revenues beyond the revenue level of the financial plan shall also go into the New COLA account, except that money from the State aid law suit must first go to the restoration of the full school day. There is no indication of what the source of additional revenues may be.

d. The first $13.4 million in the New COLA account will be paid without further productivity beyond that detailed in Attachment B, which is the list of estimated savings.

Item #6. A goal of preventing lay-offs is expressed here, and the Parties agree that there shall be no lay-offs except in accordance with the Financial Emergency Act. The section also provides a procedure for lay-offs, including a thirty day notice to the Union, and a provision for the UFT,
BOE and City to meet and confer about feasible alternatives. Furthermore, these three Parties are to meet for the purpose of preventing or minimizing "tipping" for the Spring term of 1978. "Tipping" occurs because reduced enrollments in Spring semesters generally lead to reduced personnel needs.

The apparent effect of the section is not to prohibit lay-offs, but it may inhibit the Board of Education's freedom to lay off to an extent that might otherwise be deemed necessary.

Item #7. This section merely provides that the Memorandum is subject to approval by BOE, ratification by the UFT, and approval by HFCE.

III. Analysis

This report contains incremental cost estimates of the BOE-UFT current contract proposal (December 17, 1976), the old proposed contract, the expired contract (if it had continued) and actual expenditures now being made. The estimates have been made for each of these contract proposals on the following assumptions:

1) Variable tax-levy employment for each of the three years. The employment figures used were 32,097 for FY 1975-6, 49658 for FY 1976-7 and 48658 for FY 1977-8 and the two months

2) Constant tax levy employment throughout the three year period.

3) Variable employment of reimbursable employees in UFT units.

4) Constant employment of reimbursable employees in UFT units.

5) Productivity (or New) Cost of Living Adjustments will be paid at their maximum possible rates. Since the Consumer Price Index is currently running at increases below 6% per year, Productivity COLA costs may turn out to be lower than our estimates. For example, the estimate for FY 1978 is $782.25 per person. If the inflation rate falls to 5%, this figure would be in the neighborhood of $720 per person.

Cumulative Costs

Table 1A compares the cumulative incremental costs of the current contract proposal with the old contract, the expired contract and actual expenditures, with employment varying over the three years as discussed above. The current contract proposal is estimated to cost $240.9 million more than if no new increments were given. The old proposed contract would have cost $292.9 million, that is, $52.0 million
more than the current contract proposal [see Table 1A, Cols. (1), (2) and (3)].

The expired contract would have continued to pay steps and differentials. It had no provisions for paying longevity, COLA, additional welfare benefits or extended benefits to laid-off employees. The expired contract, if it had continued, would have cost $138.4 million more over the three years. This is $102.5 million less than the current contract [see Table 1A, Cols. (4) and (5)].

Since the Board of Education paid steps and differentials in Year 1 (which were partly paid in Year 2), the cumulative incremental costs of the actual expenditures were estimated as well. These costs are estimated to be $85.5 million in three years, assuming that no steps or differentials (or any other new costs) are incurred in Years 2 and 3 [see Table 1A, Cols. (6) and (7)].

Table 1B depicts the same cost comparisons with constant employment. The cumulative incremental costs of the current contract proposal are estimated to be $264.0 million compared to $316.8 million for the old contract. The expired contract would have cost $162.7 million and the actual expenditures would have been $102.0 million with constant employment (see Table 1B).
Table 2 compares the incremental cumulative cost estimates for one year, two years and three years. The current proposed contract will cost about $340.9 million extra in the three years with employment being 52097 in Year 1, 49658 in Year 2 and being further reduced by attrition to 48658 in Year 3 (see Table 1, Col. 1).

With constant employment of 52097 (the same employment in each of the three years), the cumulative costs would be expected to be $264.0 million, that is, $23.1 million more than with the employment reductions [see Table 1, Cols. (2) and (3)].

The old proposed contract would have cost an extra $292.9 million over three years with the same variable employment figures. With constant employment of 52097 the cumulative incremental costs would have been $416.8 million, or $23.9 million more than with variable employment [see Table 2, Cols. (4), (5) and (6)].

Columns (7), (8) and (9) of Table 2 compare the cumulative incremental costs of the expired contract with variable employment and constant employment. Variable employment costs are estimated at $158.4 million and at $162.7 million with constant employment, a difference of $24.3 million.

The difference between assumptions of constant and variable employment at actual expenditure rates is $16.5 million [see Table 2, Col. (12)].
Incremental Costs

Table 3A shows the incremental costs for each of the three years for the current contract proposal, the old proposed contract, the expired contract and for actual expenditures with variable employment. The current contract proposal will cost $44.4 million more in Year 1, $82.4 million in Year 2 (above Year 1) and $114.1 million in Year 3 (above Year 2). [See Table 3A, Col. (1).]

By comparison, the old proposed contract would cost $68.8 million in Year 1, $99.9 million more in Year 2 and $124.2 million extra in Year 3 [see Table 3A, Col. (2)]. Similar yearly expenditure increments for the expired contract and for actual expenditures are shown in Columns (3) and (4) of Table 3A.

Table 3B depicts the same type of yearly incremental costs for the three years, assuming constant employment at the level that prevailed in June 1976.

Itemized Incremental Costs

Table 4A compares the costs of the current contract proposal with the old contract, the expired contract and actual expenditures, with variable employment.

Year 1. The new contract proposal shows that steps were to be paid as were differentials. These were to cost
$14.6 million and $10.4 million respectively. The old proposal also called for payment of steps and differentials, as did the expired contract.

Under both the current contract proposal and the old contract, COLA is to be paid (now retroactively) for all those on the payroll on December 1975. This is estimated to cost $16.5 million.

The old contract proposal calls for an increase of $50 per person for the welfare fund for each employee. This is estimated to cost approximately $2 million. The same estimate applies to the current contract.

Extended health and welfare benefits are called for in the two contracts for 90 days for laid-off employees. This is estimated to cost $900,000.

Other incremental costs, not contained as contract provisions are estimated by us as well. Because the Social Security payroll tax base rose on January 1, 1976, this meant extra outlays for the Board of Education for some employees. In addition, since steps, differentials, longevity and COLA increased pay, this led to increased Social Security taxes paid by the Board of Education for some employees. The Social Security costs are estimated to increase by $1.8 million in Year 1 (see Table 4A).
Health insurance costs rise as well. The increases are shown in Table 4A to be $6.5 million.

Year 2. Costs of the elements for FY 1976-7 are also shown in Table 4A. The new contract calls for a freeze in steps beginning in Year 2 until February 1, 1978. Nevertheless, step costs are incurred in the current contract proposal for FY 1976-77 because of step increases given in FY 1975-6. This comes to $10.4 million. The old proposal continues to give steps which will cost $21.7 in FY 1976-7.

The expired contract and the actual expenditure contain step amounts in FY 1976-7 which were granted in FY 1975-6.

Differentials are to be paid under the current contract proposal and under the old proposal. The new proposal contains $800,000 for intermediate differentials. The costs are $9.9 for the current contract proposal and $9.1 million for the old proposed contract. The amounts shown for the expired contract and for actual expenditures are those differentials granted in Year 1 (see Table 4A).

A COLA of $356 for each employee was to have been paid under the old proposed contract. The current contract proposal calls for $350 for each employee not receiving longevity. The costs of these are estimated at $17.5 million and $8.2 million respectively.
In addition, the current proposed contract calls for a productivity COLA for each employee. The amount for each is to be $231 for each worker, calculated at maximum. However, it should be noted that the amount actually to be paid depends on productivity savings or other revenues which are uncertain at this time, as well as on the future behavior of the Consumer Price Index. (See Attachments B and C of the proposed contract, and the terms of the Hilton Agreement of June 30, 1976, on which Productivity COLA is based.)

Longevity was not paid in Year 1. The new contract proposal, however, calls for longevity payments in Year 2. Note that under the agreement that was rejected by EFCA, longevity increases gotten in Year 1 could have been repeated in Year 2. Since longevity would not have been a new item in Year 2, it does not appear as an increment in Year 2 over Year 1. The longevity payment indicated for the old contract in Year 2 is the annualized carryover of what would have been granted in Year 1 if the rejected contract had been approved.

No new additions to the welfare fund are in the current contract proposal. The amount shown, $600,000 in Year 2, was granted in Year 1. Under the old proposed contract another $50 extra was to be paid for each worker in Year 2. Welfare costs under the old contract proposal would have been $2.5 million.
Social Security costs are to rise by $3.1 million because of another increase in the tax base on January 1, 1977. These costs are $3.1 million. For actual expenditures they are $2.9 because no new pay increases were given in Year 2.

Year 3. The current contract calls for a resumption of step payments in February 1978. This is to cost $2.7 million (see Table 4A). The old contract proposal would continue to give steps which would have cost $14.1 million. Differentials would have cost $7.2 million. Longevity would have cost $8.2 million with the current contract proposal and $4.7 million with the old proposed contract. The large difference in longevity costs is due to the carryover of the new longevity granted in Year 2 under the current contract proposal (see Table 4A).

It is assumed for purposes of analysis that if the old contract proposal were to be extended to Year 3, an additional COLA of $336 per person would have been paid in Year 3. This amounts to $16.4 million.

The current contract proposal calls for a productivity COLA costing $37.9 million based on the assumption that each worker gets the maximum of $782 per year. Again the exact amount would depend on productivity savings, new revenues, and the behavior of the Consumer Price Index. (See Attachments B
Social Security costs are estimated at an additional $4.5 million under each contract. Health insurance costs are estimated to rise by $4.3 million (see Table 4A).

Pension cost increases in Year 3 were estimated based on increases in pay received in Year 1 since there is a two year delay in the City's payments into the pension fund. These were estimated at $6.4 million for the current contract proposal and $12.4 million for the old proposed contract (see Table 4A).

Year 4. Since the new contract extends two months into FY 1978-9, estimates were made for this period as well. The costs are estimated at $4.2 million for the current contract proposal and the old proposed contract. The costs in Year 4 of the expired contract are estimated at $3.4 million.

Contracts with Constant Employment

The cost estimates of the contracts with constant employment are shown in Table 4B. On a cumulative three year basis, the projected reduction in employment between Year 1 and Years 3 and 4 can be read off columns (3), (6), (9) and (12) of Table 2. Thus, for the current proposal, the saving due to the reduction in force amounts to $7.1 million (Table 2, Col. 3).
Reimbursable Costs

Cumulative Costs. Since some programs run by the Board of Education are totally paid for by governments other than New York City, the Board of Education incurs no costs for them. Nevertheless, these costs are estimated in Table 5A with the current contract proposal, the old proposed contract, the expired contract and with actual expenditures with variable employment.

The three year cumulative costs are estimated to be $18.6 with the current contract proposal. The old contract would have cost $23.9 million. The expired contract's outlays would have been $11.1 million. With actual expenditures, the costs of reimbursable programs would have been $7.1 million.

Table 5B shows the costs with constant employment. As noted earlier, the reimbursables "overhang" the budget in the sense that abolition of these programs would return the personnel to tax-levy programs.

Yearly Incremental Costs

Table 6A shows the incremental costs for each year for each contract with variable employment. The costs are classified as contract costs which include extra costs of steps, differentials, longevity, COLA and welfare. Other costs include the added outlays for Social Security, health
insurance and pensions.

Table 6B shows the same items under the assumption that employment remains at the June 1976 level, so that cost savings due to reductions in the number of employees can be identified on an item-by-item basis by comparing Table 6A with Table 6B.

Comparison of Consultant's Estimates with BOE Estimates

As Table 7 indicates, our estimates for expenditures come close to those made by BOE when placed on the same basis. This can be seen from columns (1) and (2). However, BOE figures exclude differentials in FY 1976 and Productivity COLA and Steps in all years. As seen in column (3), inclusion of these costs magnifies the totals considerably. As noted above, our computations are based on total costs.

Pension Cost Increases Due to Longevity Increases

If the current ratio of pension costs to payrolls prevails at 25.5 percent, the cumulative increases in pension obligations (on an accrual basis) due to longevity provisions in the contract are as follows:
(dollars in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Contract Proposal</th>
<th>Old Proposed Contract</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>3</td>
<td>12.8</td>
<td>21.8</td>
</tr>
</tbody>
</table>

Pension fund contributions are payable to the Teacher Retirement Systems two years after they are incurred. As noted earlier, the actual rate is not predictable in advance.

Cost Savings (Table 8)

Attachment B of the proposed agreement details certain cost savings that are incorporated into the agreement together with Attachment B which establishes the basis for paying "New" or Productivity COLA. In the short time given to us, we were not able to make any independent estimate or even much of a verification of the figures for Items 2 to 5 of Schedule B (see below), since relevant data were not made available to us. On December 30, 1976, Dr. Gayer, in conversation with Mr. Ron Choy of BOE, obtained what appears to be the basis of these estimates. If our understanding of the estimation basis is correct, then estimates based on the BOE's logic are at some variance with the figures in Attachment B. The variance is so great with respect to Item 5 (assignment of paraprofessionals as assistant teachers) that we have omitted it from Table 8 because
in the absence of more complete information, the figure may be too unreliable for consideration.

As noted below, however, our cost calculation of Item 1 (deferral of payment to supplemental annuity fund) is based on an independent estimate of the eligible employee population, and we are confident that our estimate of $15.1 million is much more reliable than the $12 million estimated in the Agreement.

As a further caveat, we have assumed here (and elsewhere in the Report) that deferrals represent savings to the full extent of the amount deferred. If deferred amounts, such as supplemental annuity payments, are actually to be paid at some future date, then the savings, on an accrual basis, is confined to the interest on the deferred amount.

Since the focus of our analysis is on costs, we do not here reach the question of whether the savings listed in Attachment B are productivity savings within the meaning of the Hilton Agreement for the payment of COLA, nor do we reach the question of whether any service reductions are implied.

Details of cost savings are provided in the paragraphs that follow.

1. Deferral of payment to the supplementary annuity fund. The payment to annuity fund are received by all covered employees at the top step. The BOE estimates 30,000 such
employees in Year 3 of the contract at a saving of $12.0 million. The consultants arrive at a savings figure of $13.0 million because they estimate a larger number of eligible employees than BOE. The $13.0 million estimate is net of $1.2 million in annuity payments which are to be paid for retirees in 1977-8. Persons retiring thereafter are to receive their deferred annuity payments at the time they retire. This understanding of payments to retiring personnel is based on conversations with Ms. Laura Page of OMB; the Memorandum of Agreement contains no explicit reference to it.

2. Elimination of check cashing privileges. The BOE makes payments to certain banks to allow its employees to cash their checks. This is to be discontinued at a saving estimated by BOE of $140,000. The basis of the BOE estimates were not made available to us and we therefore cannot evaluate them.

3. Elimination of Medicare Part B Reimbursement. According to BOE, $820,000 will be saved. The estimates were based on a complex calculation by BOE which was not explained to us, and we cannot comment on it.

4. Preparation Period Adjustment.

   a) Under this provision, High School teachers may be assigned to 35 additional hours of coverage. Previously, either substitutes were used or teachers were paid an extra $8.00 per session.

   The estimates of cost saving are therefore based on the following calculation, according to BOE:

   HS teachers = 10,625 x $8 x 35 sessions = $3.0 million.

   b) According to Laura Page of OMB, there are greater savings in JHS from the additional coverage than the $8 for SPS teachers. This is because assignments can be shifted for JHS teachers which will require a smaller staff. Therefore, the estimated savings are based on the number
of JHS teachers (10,550). The additional coverage of one period per week for each JHS teacher represents an increase of 4% in the workload. It therefore means that if assignments can be shifted, the same number of sessions can be covered with 4 per cent fewer teachers. With 10,550 teachers estimated for 1977-8 the savings represent a reduction in staff of 422 full positions. The average salary for JHS teachers is about $18,843 per year. The savings of $7.8 million estimated in attachment B implies an average salary of about $18,843 per year.

To summarize, the calculation of the JHS cost saving, based on BOE reasoning, is as follows:

JHS teachers: 422 positions x $18,843 (avg. salary) = $7.8 million

5. Assignment of Paraprofessionals as Assistants in Large Group Classes. At the directive of the Chancellor of BOE, certain large group classes in subjects like Gym and Music are covered by assistants to the teachers in addition to teachers. If paraprofessionals replaced professionals as assistants to teachers, then, according to BOE, costs of Junior High School coverages would be thus lowered by $12,964 and High School coverages by $12,858. The BOE estimate was based on the difference between average salaries of High School (and Junior High School) teachers and the average salary of paraprofessionals. BOE estimates that 259 such full positions would be saved in High School and a similar number (Mr. Choy of BOE did not know how many) would be saved in Junior High School (the logic of the data implies 280 positions).

\[
\begin{align*}
\text{JHS saving} & = \$3.6 \text{ million} \\
\text{JHS saving} & = \$3.6 \text{ million} \\
\text{\text{\$7.0 million}}
\end{align*}
\]
Note that the figures do not correspond to the Memorandum. If our understanding is correct, these savings are considerable larger than the $1.6 million mentioned in Attachment B. However, according to Laura ..., the estimates in Attachment B represent savings only for teachers who retire. Since relevant data were not available to us, we have no independent way of verifying the $1.6 million figure.

6. Schedule Changes. The proposal calls for the creation of a midwinter holiday during Washington's Birthday week by adding three teaching days to the beginning of the year and one on Lincoln's Birthday or at the end of the year. The energy savings stemming from this were not costed out in the Agreement, and we have no basis for independent estimates. The section appears to be in the nature of a benefit, although energy savings are undoubtedly possible from a midwinter closing. A proviso to the section states that if the new schedule costs more than the old, the UFT will provide additional productivity or the schedule change will not be implemented. This suggests that the Parties are themselves unsure of the cost impact of the schedule change. It should be noted that a schedule change impinges on other labor agreements of BOE, such as custodians, supervisors, etc.

Representative Salaries (Table 9)

At your request, we have calculated rates of compensation including benefits of a more or less representative set of teachers at several steps in the salary scale and with varying differentials representing advanced graduate work. This should be useful background to illustrate what individual teachers in FY 1977 would receive under the proposed agreement. Please note that the selection is intended to be representative in a general but non-statistical sense, and cannot be used to compute aggregate cost figures.
Comparison of Proposed Agreement with the General Memorandum of Understanding (Hilton Agreement).

A comparison of the proposed agreement can be made with the Hilton agreement on the assumption that the expired BOM-UFT agreement were carried forward through FY 1978 with the addition of the Productivity COLA of the Hilton agreement. If this assumption is valid, the cumulative three year costs of the expired contract ($138.4 million) would have been increased by $49.3 million to total $187.7 million. Since we estimate the cumulative cost of the current proposal at $244.7 million, this amounts to a $57.7 million difference. In view of the complexities of other labor agreements, this figure should be used with extreme caution.

Deferrals

Table 10 contains the estimated deferrals for the three years of the new proposed contract with variable employment. Year 1 deferrals consist of longevity and a small intermediate differential, together totalling $24.4 million.

In Year 2, the new contract calls for deferrals of steps, normal COLA for members of UFT who are to get longevity and $50 for the welfare fund. The cumulative estimated amount of deferrals for 2 years is $53.7 million.

Year 3 deferrals consist of steps in the amount of $24.9 million, $16.4 million in COLA and $2.5 million for the welfare fund. The three year cumulative deferral amount is estimated at $97.5 million.

The basis for payment of deferrals is outlined in the Americana Agreement. Essentially, three conditions must be in effect on June 30, 1978 if payments are to be made:

1. The City's expense budget for FY 1978 is balanced, pursuant to then-applicable law;
2. The market for the sale of the City's obligations is such that the City is able to sell its obligations under the market terms and conditions then prevailing;

3. Funds are available in an Employer Deferral Liability Account for such payments. Should the accrued amount be insufficient to pay all deferrals, then payment to each employee will be prorated. The Account shall consist of savings from:

   a) Cooperatively generated productivity improvements,

   b) Attrition above normal levels that obtained in 1974-5.

Employees who retire or otherwise have left employment before actual payments of deferrals shall be eligible for a prorated portion of deferrals accrued in their service during the deferral period.

For details, see text of the Americana Agreement.
The table below indicates that the current contract proposal costs less than the old proposal.

| Years | 3 Years | 240.9 | 229.9 | 228.9 | 227.9 | 226.9 | 225.9 | 224.9 | 223.9 | 222.9 | 221.9 | 220.9 | 219.9 | 218.9 | 217.9 | 216.9 | 215.9 | 214.9 | 213.9 | 212.9 | 211.9 | 210.9 | 209.9 | 208.9 | 207.9 | 206.9 | 205.9 | 204.9 | 203.9 | 202.9 | 201.9 | 200.9 |
|-------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|       |         |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|       |         |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|       |         |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |

The table above compares the proposed contract with the current contract and the old contract. The difference is calculated as the proposed contract (column 4) minus the current contract (column 2) and the old contract (column 6). The cumulative incremental tax levy costs for each year are listed in Table A4.
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<th>162.0</th>
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<th>47.6</th>
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<td></td>
<td></td>
<td></td>
<td>44.4</td>
</tr>
</tbody>
</table>

### (1) Difference

#### ACTUAL EXPENDITURES WITH COST OF LIVING ADJUSTMENTS

- Contract Proposal
- Old Proposal
- Contract
- Col 2
- Contract & Old
- Expenditure
- Difference
- Difference

### (2) Difference

#### RATE OF CHANGE

- Contract
- Old Proposal
- Contract & Old
- Current
- Current
- Difference

### (3) Difference

#### (4) Difference

- (Col 1 - Col 2)
- Contract
- Col 3
- Contract & Old

### (5) Difference

- (Col 1 - Col 4)
- Contract
- Col 5
- Contract & Old

### (6) Difference

- (Contract & Old - Contract & Col 5)
- Difference

### (7) Difference

- (Contract & Col 5 - Contract & Col 5)
- Difference

### TABLE 12

- Comparison of the cumulative increments for each year of the contract
Year 3 and 4 - 48.658
Year 2 - 49.668
Year 1 - 52.097

<table>
<thead>
<tr>
<th></th>
<th>3 Years</th>
<th>2 Years</th>
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<td>231.1</td>
<td>177.9</td>
<td>9.1</td>
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<td>9.1</td>
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</tr>
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<td>227.8</td>
<td>168.7</td>
<td>.2</td>
</tr>
<tr>
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<td>82.1</td>
<td>.1</td>
</tr>
<tr>
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<td>82.1</td>
<td>.1</td>
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</tr>
<tr>
<td></td>
<td>85.5</td>
<td>61.0</td>
<td>16.3</td>
</tr>
</tbody>
</table>

|         | (1)     | (2)     | (3)    |
|         | (4)     | (5)     | (6)    |
|         | (7)     | (8)     | (9)    |
|         | (10)    | (11)    | (12)   |

Differences

Current Contract, Proposal
Actual Contract
Expected Contract
$ Millions

And Variable Employment in Each Year
Comparison of Cumulative Incremental Tax Levy Expenditures with Constant Employment (35,097)

Table 2
### Table 3A

Estimated Yearly Cost Increments for the Current Contract Proposal, the Old Proposed Contract, the Expired Contract, and Actual Expenditures with Variable Employment\(^a\)

(in $ millions)

<table>
<thead>
<tr>
<th></th>
<th>Current Proposal</th>
<th>Old Proposed Contract</th>
<th>Expired Contract(^b)</th>
<th>Actual Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 1976(^c)</td>
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</tr>
<tr>
<td>Year 1</td>
<td>44.4</td>
<td>68.8</td>
<td>25.0</td>
<td>25.0</td>
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<tr>
<td>FY 1977(^d)</td>
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<tr>
<td>Year 2</td>
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<td></td>
</tr>
<tr>
<td>Carryover from Year 1</td>
<td>30.3</td>
<td>21.0</td>
<td>16.2</td>
<td>0</td>
</tr>
<tr>
<td>COLA (Year 2)</td>
<td>33.5</td>
<td>62.2</td>
<td>31.0</td>
<td>31.0</td>
</tr>
<tr>
<td>TOTAL Year 2</td>
<td>82.4</td>
<td>99.9</td>
<td>47.2</td>
<td>31.0</td>
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<tr>
<td>FY 1978(^e)</td>
<td></td>
<td></td>
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<tr>
<td>Year 3</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Carryover from Year 1</td>
<td>12.5</td>
<td>17.1</td>
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<tr>
<td>Carryover from Year 2</td>
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<td>TOTAL Year 3</td>
<td>114.1</td>
<td>124.2</td>
<td>66.2</td>
<td>79.5</td>
</tr>
</tbody>
</table>

\(^a\)Assuming that the original contract were extended for one additional year.

\(^b\)Assuming that the expired contract would have continued through FY 1978.

\(^c\)Assuming 52097 employees (source: BOE data for June 1976).

\(^d\)Assuming 49685 employees (source: telephone conversation with BOE).

\(^e\)Assuming 48685 employees (source: telephone conversation with BOE).
TABLE 3B

ESTIMATED YEARLY TAX LEVY COST INCREMENTS FOR THE CURRENT CONTRACT PROPOSAL, THE OLD CONTRACT,\(^a\) THE EXPIRED CONTRACT (IF IT HAD CONTINUED) AND ACTUAL EXPENDITURES WITH CONSTANT EMPLOYMENT 52097)

($ millions)

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<td>TOTAL Year 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>127.7</td>
<td>138.9</td>
<td>81.4</td>
<td>38.5</td>
</tr>
</tbody>
</table>

\(^a\)Assuming that the old proposed contract were extended for one year.
While the total cost of COLA in year 2, not the increment above year 1 COLA costs.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Employees</th>
<th>Old Proposal</th>
<th>Current Proposal</th>
<th>Contractual Expenditures</th>
<th>Proposed Contractual Expenditures</th>
<th>Excess Contractual Expenditures</th>
<th>Contractual Expenditures</th>
<th>Excess Contractual Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>4965</td>
<td>12.4</td>
<td>26.7</td>
<td>81.0</td>
<td>150.4</td>
<td>164.7</td>
<td>12.4</td>
<td>14.4</td>
<td>2.0</td>
</tr>
<tr>
<td>4966</td>
<td>8.9</td>
<td>2.5</td>
<td>1.8</td>
<td>1.8</td>
<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
<td>0.0</td>
</tr>
<tr>
<td>4967</td>
<td>6.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>4968</td>
<td>4.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>4969</td>
<td>6.6</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Miscellaneous**

- ** proposing contract, if it had been continued and current actual**
- **expected expenditures**
- **variable employment**
- **actual expenditures as proposed contracts or current year of the current contract proposals, the old COLA proposals, with variable employment**

*Table 4.4*
<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
<th>Grand Total</th>
<th>Other Costs</th>
<th>Social Security</th>
<th>Health</th>
<th>Pensions</th>
<th>Health &amp; Welfare</th>
<th>Productivity</th>
<th>COLA</th>
<th>COLA</th>
<th>COLA</th>
<th>COLA</th>
<th>COLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>48658</td>
<td>1.7</td>
<td>1.4</td>
<td>7.4</td>
<td>7.5</td>
<td>16.7</td>
<td>36.3</td>
<td>57.5</td>
<td>15.0</td>
<td>21.0</td>
<td>21.0</td>
<td>21.0</td>
<td>21.0</td>
<td>21.0</td>
</tr>
<tr>
<td>48657</td>
<td>1.4</td>
<td>2.7</td>
<td>3.2</td>
<td>3.2</td>
<td>14.7</td>
<td>15.0</td>
<td>29.7</td>
<td>12.9</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>48656</td>
<td>1.2</td>
<td>4.9</td>
<td>7.1</td>
<td>7.1</td>
<td>17.1</td>
<td>6.7</td>
<td>23.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Table 5 (continued):
TABLE 4B

$ MILLIONS

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Proposal Contract</th>
<th>Old Proposed Contract</th>
<th>Current Contract</th>
<th>Contract/Proposed</th>
<th>Expenditure</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EXPERIMENTS WITH CONSTANT EXPENDITURE OF 52097

OLD PROPOSED CONTRACT, THE EXPENDED CONTRACT (12 AND CONTINUED) AND CURRENT ACTUAL

ESTIMATED INCREMENTAL TAX LEVY EXPENDITURES BY FISCAL YEAR OF THE CURRENT CONTRACT PROPOSAL, THE
<table>
<thead>
<tr>
<th>Year</th>
<th>Proposal Contract Expenditures</th>
<th>Current OLD Proposed Actual</th>
<th>Projected Year 1978-9 (2 Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proposed Contract Expenditures</td>
<td>Current OLD Proposed Actual</td>
<td>Projected Year 1978-9 (2 Months)</td>
</tr>
<tr>
<td></td>
<td>GRAND TOTAL OTHER COSTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4b (continued):
### Table 5a

**Cumulative Yearly Reimbursable Cost Increments for the Current Contract Proposal, the Old Proposed Contract, the Expired Contract and the Actual Expenditures with Variable Employment**

($ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>One Year</td>
<td>4.3</td>
<td>6.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Two Years</td>
<td>10.6</td>
<td>14.2</td>
<td>6.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Three Years</td>
<td>18.6</td>
<td>23.9</td>
<td>11.1</td>
<td>7.1</td>
</tr>
</tbody>
</table>

### Table 5b

**Cumulative Yearly Reimbursable Cost Increments for the Current Contract Proposal, the Old Proposed Contract, the Expired Contract and the Actual Expenditures with Constant Employment**

($ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>One Year</td>
<td>4.3</td>
<td>6.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Two Years</td>
<td>12.6</td>
<td>14.9</td>
<td>7.3</td>
<td>5.8</td>
</tr>
<tr>
<td>Three Years</td>
<td>24.5</td>
<td>27.5</td>
<td>14.4</td>
<td>9.1</td>
</tr>
</tbody>
</table>
### TABLE 6A

**ESTIMATED REIMBURSABLE EXPENDITURES BY FISCAL YEAR OF THE CURRENT CONTRACT PROPOSAL, THE OLD PROPOSED CONTRACT, THE EXPIRED CONTRACT (IF IT HAD CONTINUED) AND THE CURRENT ACTUAL EXPENDITURES WITH VARIABLE EMPLOYMENT**  
($ millions)

<table>
<thead>
<tr>
<th></th>
<th>1975-6</th>
<th>1976-7</th>
<th>1977-8</th>
<th>1978-9 (2 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Contract Proposal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs(^b)</td>
<td>4.3</td>
<td>4.9</td>
<td>4.7</td>
<td>.4</td>
</tr>
<tr>
<td>Other Costs(^c)</td>
<td>.8</td>
<td>.5</td>
<td>1.0</td>
<td>.2(^a)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5.1</td>
<td>5.4</td>
<td>5.7</td>
<td>.6</td>
</tr>
<tr>
<td><strong>Old Proposed Contract</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs(^b)</td>
<td>6.5</td>
<td>4.7</td>
<td>3.2</td>
<td>.4</td>
</tr>
<tr>
<td>Other Costs(^c)</td>
<td>.8</td>
<td>.5</td>
<td>1.3(^a)</td>
<td>.2(^a)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7.3</td>
<td>5.2</td>
<td>4.5</td>
<td>.6</td>
</tr>
<tr>
<td><strong>Expired Contract</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs(^b)</td>
<td>2.5</td>
<td>2.4</td>
<td>1.8</td>
<td>.3</td>
</tr>
<tr>
<td>Other Costs(^c)</td>
<td>.8</td>
<td>.5</td>
<td>1.0</td>
<td>.2(^a)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3.3</td>
<td>2.9</td>
<td>2.8</td>
<td>.5</td>
</tr>
<tr>
<td><strong>Actual Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs(^b)</td>
<td>2.5</td>
<td>1.0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Costs(^c)</td>
<td>.8</td>
<td>.5</td>
<td>1.0(^a)</td>
<td>.1(^a)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3.3</td>
<td>1.5</td>
<td>1.0</td>
<td>.1</td>
</tr>
</tbody>
</table>

\(^a\)Includes pension costs.

\(^b\)Includes extra cost of steps, differentials, longevity, COLA and Welfare.

\(^c\)Includes added outlays for Social Security, Health Insurance and Pensions.
### Table 6B

**Estimated Reimbursable Expenditures by Fiscal Year of the Current Contract Proposal, the Old Proposed Contract, the Expired Contract (If It Had Continued) and the Current Actual Expenditures with Constant Employment ($ millions)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Contract Proposal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs&lt;sup&gt;b&lt;/sup&gt;</td>
<td>4.3</td>
<td>6.0</td>
<td>5.9</td>
<td>.5</td>
</tr>
<tr>
<td>Other Costs&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.8</td>
<td>.7</td>
<td>1.3&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.3&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5.1</td>
<td>6.7</td>
<td>7.2</td>
<td>.8</td>
</tr>
<tr>
<td><strong>Old Proposed Contract</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs&lt;sup&gt;b&lt;/sup&gt;</td>
<td>6.5</td>
<td>5.3</td>
<td>4.6</td>
<td>.5</td>
</tr>
<tr>
<td>Other Costs&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.8</td>
<td>.7</td>
<td>1.6&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.3&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7.3</td>
<td>6.0</td>
<td>6.2</td>
<td>.8</td>
</tr>
<tr>
<td><strong>Expired Contract</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs&lt;sup&gt;b&lt;/sup&gt;</td>
<td>2.5</td>
<td>3.0</td>
<td>2.5</td>
<td>.4</td>
</tr>
<tr>
<td>Other Costs&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.8</td>
<td>.7</td>
<td>1.3&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.3&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3.3</td>
<td>3.7</td>
<td>3.8</td>
<td>.7</td>
</tr>
<tr>
<td><strong>Actual Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Costs&lt;sup&gt;b&lt;/sup&gt;</td>
<td>2.5</td>
<td>1.3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Costs&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.8</td>
<td>.7</td>
<td>1.2&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.2&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3.3</td>
<td>2.0</td>
<td>1.2</td>
<td>.2</td>
</tr>
</tbody>
</table>

<sup>a</sup>Includes pension costs.

<sup>b</sup>Includes extra cost of steps, differentials, longevity, COLA and Welfare.

<sup>c</sup>Includes added outlays for Social Security, Health Insurance and Pensions.
<table>
<thead>
<tr>
<th></th>
<th>BCE Cost Estimate</th>
<th>Consultants' Cost Estimate</th>
<th>BCE Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Excluding Differentials in FY 1975–6 and Productivity COLA and Steps in All Years)</td>
<td>(Excluding Differentials in FY 1975–6 and Productivity COLA and Steps in All Years)</td>
<td>(Including Differentials in FY 1975–6 and Productivity COLA and Steps in All Years)</td>
</tr>
<tr>
<td>Year 1 Incremental Cost</td>
<td>18.6</td>
<td>19.4</td>
<td>44.4</td>
</tr>
<tr>
<td>Cumulative 2-Year Incremental Cost</td>
<td>58.2</td>
<td>59.4</td>
<td>126.8</td>
</tr>
<tr>
<td>Cumulative 3-Year Incremental Cost</td>
<td>107.6</td>
<td>106.1</td>
<td>240.9</td>
</tr>
</tbody>
</table>
TABLE 8
COST SAVINGS OF ATTACHMENT B, EXCLUDING CHECK CASHING, MEDICARE REIMBURSEMENT, ASSIGNMENT OF PARAPROFESSIONALS, AND SCHEDULE CHANGE<sup>a</sup>

<table>
<thead>
<tr>
<th></th>
<th>Memorandum Estimate</th>
<th>Consultants' Calculation based on Explanation by BOE of its Estimation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferral of Supplementary Annuity</td>
<td>$12.0</td>
<td>$15.1</td>
</tr>
<tr>
<td>Preparation Period Adjustments and Loss of 2 Conference Days</td>
<td>10.8</td>
<td>8.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$22.8</td>
<td>$23.2</td>
</tr>
<tr>
<td>Difference</td>
<td>$ 0.4</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>Check cashing and Medicare reimbursement are excluded here because we have no basis for verifying the Memorandum's estimate of $960,000. Assignment of paraprofessionals as assistant teachers is excluded because the discrepancy between estimates is too great to make either one trustworthy. See text.
TABLE 9

WAGES AND BENEFITS UNDER THE PROPOSED AGREEMENT FOR TEACHERS AT VARIOUS STEPS AND DIFFERENTIALS IN FY 1977 (Year 2)\(^a\)

<table>
<thead>
<tr>
<th>Step</th>
<th>Salary</th>
<th>&quot;Old&quot; COLA</th>
<th>New COLA(^b)</th>
<th>Welfare</th>
<th>Health Insurance(^c)</th>
<th>Pension(^d)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A (Base)</td>
<td>$ 9,700</td>
<td>$350</td>
<td>$231</td>
<td>$420</td>
<td>$587</td>
<td>$2,473.50</td>
<td>$13,411.50</td>
</tr>
<tr>
<td>7B with M.A.</td>
<td>16,850</td>
<td>350</td>
<td>231</td>
<td>420</td>
<td>587</td>
<td>4,296.75</td>
<td>22,354.75</td>
</tr>
<tr>
<td>8B with MA + 30 credits</td>
<td>20,350</td>
<td>350</td>
<td>231</td>
<td>420</td>
<td>587</td>
<td>5,159.25</td>
<td>26,777.25</td>
</tr>
<tr>
<td>82 with MA + 30 credits and 15 years in the system(^e)</td>
<td>21,850</td>
<td>0</td>
<td>231</td>
<td>420</td>
<td>587</td>
<td>5,571.75</td>
<td>28,428.75</td>
</tr>
</tbody>
</table>

\(^a\)Excluding Social Security.

\(^b\)Estimated at maximum. Actual figure may be lower, depending on future behavior of the Consumer Price Index and achievability of productivity and/or additional revenues.

\(^c\)Estimated.

\(^d\)At 25.5% of salary, excluding COLA, payable two years later.

\(^e\)Including longevity.
### Table 10

**Estimated Yearly and Cumulative Deferrals for the Current Contract Period with Variable Employment ($ millions)**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steps</td>
<td></td>
<td>10.0</td>
<td>24.9</td>
</tr>
<tr>
<td>Longevity</td>
<td>23.6</td>
<td>7.9</td>
<td></td>
</tr>
<tr>
<td>Intermediate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentials</td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COLA</td>
<td></td>
<td>4.5</td>
<td>16.4</td>
</tr>
<tr>
<td>Welfare</td>
<td></td>
<td>1.9</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>24.4</td>
<td>29.3</td>
<td>43.8</td>
</tr>
<tr>
<td>Cumulative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Year</td>
<td>24.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Years</td>
<td></td>
<td>53.7</td>
<td></td>
</tr>
<tr>
<td>3 Years</td>
<td></td>
<td></td>
<td>97.5</td>
</tr>
</tbody>
</table>
APPENDIX A

GLOSSARY OF TERMS
Glossary

Note: Actual provisions may vary among the eight UFT contracts.

Annuity Fund Contribution. A contribution to the Teachers Retirement System made for UFT personnel who have reached the maximum step of their salary schedule.

COLA. A cost of living adjustment payable on the basis of increases in the Consumer Price Index. Two annual COLAs are defined:

Dec. 75 If the Consumer Price Index for June 75 exceeds the index for Sept. 74, an adjustment of $21 for each full four tenths increase up to a total of $300 is payable.

Dec. 76 If the index for June 76 exceeds that for Sept. 75, a similar computation is made, although no maximum is established.

Productivity COLA. See City-wide Memorandum of Interim Understanding (appealed).

Differentials. Salary increments given for educational attainment above the baccalaureate. There are a total of four differentials. The first differential is given for 30
credits beyond the baccalaureate.

**General Funds.** Funds from city tax levy and capital monies, state education and general state revenue sharing aid and state and federal support for the school lunch program. These funds are usually referred to as "tax levy" funds.

**Longevity Increment.** Additional compensation paid to UFT personnel with at least ten years of pedagogical service. Those with ten years but less than 15 years of service receive an additional sum of $750 per annum. Those with 15 years or more receive $1500 per annum above their gross annual salary rates.

**New Qualifiers.** Those who become eligible for a given step, differential increment, or other benefit at a particular point in time.

**Personnel Included in Contract.**

**Teachers:**

- Regular day school instructional teachers
- Per session teachers
- Teachers employed in the Welfare Education Plan (WEP)
- Teachers assigned at WYE
- Teachers employed by the Manpower Development and Training Program
- Teachers assigned to headquarters or district offices
Other:

Attendance Teachers
Bilingual Teachers in School and Community Relations
Guidance Counselors
Laboratory Specialists and Technicians
Para-Professionals
School Secretaries
Social Workers and Psychologists

Per Session Teachers. Teachers hired on an hourly basis for specific per session activities such as extra curricular activities, adult education and after school centers.

Step. A salary level determined on the basis of years of service. Steps are thus base salaries received by teachers.

Step Advance. The movement from one salary level to the next during the course of a year. Step advancement occurs on the anniversary date of appointment and on March 1 of each year until the last step has been reached.

Step Increment. The additional salary associated with step advancement.

Supplemental Welfare Benefits. Contributions made for UFT personnel to a general fund from which the union provides additional benefits such as dental insurance and scholarships for city high school graduates. (This fund does not include health insurance which is paid separately.)
APPENDIX B

BASIS FOR PAYMENT OF PRODUCTIVITY COLA
Basis for Payment of Productivity COLA (see Attachment C of Appendix B)

The generally understood interpretation of the basis for payment of Productivity (or New) COLA appears to be as follows:

1. Payment shall conform to the provisions of the UPGR Resolution of May 18, 1976 and the Hilton Agreement (Attachment C-1 of the Memorandum; see especially page 2, section 1, paras. a,b and c for conditions, and section 2 for computation).

2. A tripartite panel (BOE, UFT and City) shall develop and implement productivity savings and improvement programs. The purpose of the savings, if any, will be to pay New COLA and shall be credited to the New COLA account (Attachment C-2).

3. Fifty per cent of all additional revenues for general school purposes beyond the revenue level of the Financial Plan for FY 1978 shall also go into the New COLA account, except that funds that may come from the state aid law suit must first go to the restoration of the new school day (Attachment C-3).

4. It follows from the above that the necessary and sufficient conditions for payment of New COLA are:

   a. productivity changes, with or without cost reductions;

   b. a New COLA account towards which are credited
(1) cost savings from productivity savings

(2) savings in fringe benefits

(3) 50% of any additional general revenues for school purposes beyond those in the financial plan, subject to the proviso about the state aid lawsuit.

The above is subject to the proviso of Item 4 of Attachment C that the first $13.4 million in the NEW COLA account are payable without further productivity beyond that detailed in Attachment B (see Appendix E). Assuming that the deferral of payments into the supplementary annuity fund is indeed a deferral and not a saving in the meaning of the Milton agreement, then the major savings contemplated by Attachment B come from Items 2, 3, 4a, 4b and 5, estimated by the Parties at $13.4 million.

Judging from the conversations at the meeting of January 6, 1977, among the Special Deputy Comptroller, his staff, the consultants, and a representative each from the UFT and the City, the interpretation given above may not be definitive. For purposes of costing the Agreement, a more precise delineation of the relevant clause would be helpful.
EXCLUSION OF PER SESSION TEACHERS FROM BENEFITS.
Exclusion of Per Session Teachers from Benefits

Per Session teachers are covered by Article XV of the proposed Agreement which provides sick leave to per session teachers employed on a regular basis in per session activities. Such sick leave is not cumulative past the school year. In the absence of relevant data, we cannot estimate the costs of such sick leave, but the amount is probably not very great. It should be noted that a fair number of per session teachers are regular teachers employed in after-hours activities.

Beyond sick leave, per session teachers, as such, are not eligible for other benefits.
APPENDIX D

TEXT OF HILTON AGREEMENT
Memorandum of Interim Understanding dated as of June 20, 1976, as to the Collective Bargaining Negotiations for the period 1976 - 1978 between the City of New York, as Employer, and the Municipal Labor Unions, signatories hereto on behalf of their respective memberships.

WHEREAS, the existing economic and fiscal crisis affecting the City of New York and the requirements of the Department of the Treasury relating to the City's loan request under the New York City Seasonal Financing Act of 1975, as stated in its letter of June 19, 1976 annexed hereto, make it necessary that the Employer and the Unions reach a memorandum of interim understanding covering the nature and subject matter of pending collective bargaining negotiations for the period 1976 - 1978, and

WHEREAS, contracts between the Employer and the Unions expired on December 31, 1975, or June 30, 1976, and further negotiations for successor contracts are pending, and will extend beyond July 1, 1976, the object of this memorandum is to meet the conditions set by the Department of the Treasury that the Employer and the Unions agree in principle that the new contracts shall be consistent with the general wage and salary policies of the Emergency Financial Control Board issued May 13, 1976; and

WHEREAS, it is in the mutual interest of the parties to avoid labor strife and its disastrous impact upon the City of New York, its citizens, and its employees;

NOW, therefore, it is agreed that the following shall constitute the basic terms and conditions of collective bargaining agreements between the parties for the contracts executed for the period 1976 - 1978:

... (MORE)
1. The parties agree to conform and abide by the following rest of the EFGB, dated May 18, 1976, as follows:

a.) No agreement shall provide for general wage or salary increases or increases in fringe benefits.

b.) No agreement shall provide for increases or adjustments to salaries or wages, including those based upon increases in the cost of living, unless such increases or adjustments are caused by independently measured savings realized, without reduction in services, through gains in productivity, reductions of fringe benefits or through other savings (or other revenues) approved by the Board, all of which savings shall be in addition to those provided for in the financial plan.

c.) Each agreement shall provide for a mechanism to permit savings in pension costs or other fringe benefits during the term of agreement.

2. The Cost of Living Adjustments presently set forth in operative collective bargaining contracts shall be continued at the existing rate therein, pending any replacement thereof in final agreements for the contract period 1976-1978.

In addition thereto and subject to the provisions of paragraph (b) below:

NOTE: The term "employees" as used herein shall mean full time per annum employees whose regular work week is thirty-five (35) hours or greater.

The provisions shall be applied to other than full time per annum employees in the same manner as heretofore utilized by the parties.

a.) As soon as the Consumer Price Index for Urban Wage Earners and Clerical Workers, New York, N.Y., Northeastern New Jersey (Base Year 1967 = 100) for August, 1976, is published by the Bureau of Labor Statistics, U.S. Department of Labor, and exceeds by more than four-tenths (0.4) of a point the Index for March, 1976, the employer shall pay an adjustment effective October 1, 1976 and during the period October 1, 1976 to March 31, 1977 to all employees covered by this Agreement and employed prior to July 1, 1976 at a rate of twenty-one dollars ($21.00) per annum.
b.) Should the index published for February, 1977, exceed by more than four-tenths (0.4) of a point the Index for March, 1976, the employer shall pay an adjustment, effective April 1, 1977 and during the period April 1, 1977 to September 30, 1977 to all employees covered by this Agreement and appointed prior to July 1, 1976 at a rate of twenty-one dollars (§21) per annum for each full four-tenths (0.4) of a point increase.

c.) Should the index published for August, 1977, exceed by more than four-tenths (0.4) of a point the Index for March, 1976, the employer shall pay an adjustment effective October 1, 1977 and during the period October 1, 1977 to March 31, 1978 to all employees covered by this Agreement and appointed prior to July 1, 1976, at a rate of twenty-one dollars (§21) per annum for each full four-tenths (0.4) of a point increase.

d.) Should the index published for February, 1978 exceed by more than four-tenths (0.4) of a point in the Index for March, 1978, the employer shall pay an adjustment, effective April 1, 1978 and during the period April 1, 1978 to June 30, 1978, to all employees covered by this Agreement and appointed prior to July 1, 1976, at a rate of twenty-one dollars (§21) per annum for each full four-tenths (0.4) of a point increase.

e.) An additional amount representing the difference between the amounts resulting from the above calculations and the amounts that would result if the rate were twenty-one dollars (§21) per annum for each full three-tenths (0.3) of a point increase in the consumer price index is deferred.
f.) No COLA shall be paid for increases in the cost-of-living index during the twelve-month period 4/1/76 - 3/31/77 which exceed 6 percent of the CPI for March, 1976 or for increases during the twelve-month period 4/1/77 - 3/31/78 which exceed 6 percent of the index for February, 1977. Any portion of a COLA not paid by reason of the limitations in this paragraph shall be deferred.

g.) Payments of COLA made under the proposed contracts and these conditions and limitations, shall not be deemed part of wages or compensation for the purpose of computing pension contributions of either an employee or the employer or in fixing any rights, benefits, or allowances of an employee or his beneficiaries under the retirement systems or plans to which he belongs, but shall be included for all other purposes covered by the contracts.

h.) All COLA payments must be funded through independently measured savings or other revenues, and in accordance with the general wage and salaries policies issued by the EFGB.

i.) As to the deferred items, if on June 30, 1977, the monies accumulated by productivity or other savings are in excess of the amounts needed to defray the cost of the cost-of-living adjustment as provided herein, the employer may, consistent with its then existing overall financial condition, recommend to the EFGB the use of a portion of these surplus savings (a) to pay the difference between the rate of the COLA as herein provided and the rate deferred either retroactively or prospectively or both, and (b) any COLA deferred by reason of the 6% limitation imposed herein. For the (MORE)
contract period subsequent to June 30, 1977, a similar review may be made or after April 1, 1978. The EFCB shall have the right to determine whether any portion of the surplus recommended to be allocated to these payments is consistent with the employer's overall financial condition as well as what payments may be made.

3. The parties shall establish a Joint Labor-Management Committee on Productivity composed of equal representatives of the City of New York and the Municipal Labor Committee. The purpose and function of the committee shall be to develop and maintain productivity programs, to effect cost savings without loss of services on a city-wide basis through reductions of fringe costs or by reason of other savings or other revenues, and to measure and evaluate which amounts shall serve to provide the CUNA participants herein described.

At the request of either or both parties, the Chairman of the Municipal Assistance Corporation and the Executive Director of the Emergency Financial Control Board will be invited to consult with the Joint Labor-Management Committee on Productivity. A dispute procedure shall be developed by the members of the Joint Labor-Management Committee on Productivity.

4. No layoffs shall be made except in accordance with the Financial Emergency Act.

Where layoffs are scheduled the following procedure shall be used:

1. Notice shall be provided to the appropriate Union not less than 30 days before the effective date of such projected layoffs.

2. Within such 30-day period designated representatives of the City will meet and confer with the designated representatives of the appropriate Union with the objective of considering feasible alternatives to all or part of such scheduled layoffs, including but not limited to: (a)
to other agencies with retraining, if
law but without regard to Civil Servi-
funds whenever possible to retain or
(c) the elimination or reduction of the
independent contractors and (d) expedi-
expediting of the processing of retire-

The arbitration clause in any
be limited to determination of compl.
requirements herein specified in par.

5. The unions agree in prin-
covering the periods 1/1/76 - 6/30/78;
be, shall conform to the financial plan
26, 1976, submitted to BCCB, as to al-
and fringe benefits.

6. The contracts for the peri-
the following terms:

a.) successor contracts to con-
have a two year term;

b.) all terms and conditions
collectively bargained shall be
negotiations of the prior collective

The within statements of prin-
shall be incorporated as part of the
collective bargaining agreements as
reason to ensure by the City
of New York with the municipal labor

ary, consistent with Civil Service
the use of Federal and State
employees scheduled for layoff;
contracted out to
in the event of early retirement and the
or succeeding agreement shall

as the case may
City of New York, dated March
allocated to employee wages

1/1/76 - 6/30/78, as the case may
City of New York, dated March
allocated to employee wages

5/1/76 - 6/30/78 shall conform to
WHEREFORE, we have hereunto set our hands and seals this

30th day of June 1970

THE CITY OF NEW YORK

BY

JOHN T. BURNETT
City Director of Labor Relations

APPROVED AS TO FORM:

BY

CORPORATION COUNSEL

APPROVED

BY

EMERGENCY FINANCIAL CONTROL BOARD
APPENDIX B:

TEXT OF MEMORANDUM OF AGREEMENT BETWEEN BOE AND UPT
1. Terms and conditions as embodied in the contracts between the Board of Education and the UFT covering the period September 9, 1975 - September 9, 1977 shall remain in effect except as modified herein.

2. New formal agreements will be executed covering Day School Teachers, Teachers Assigned, Per Session Teachers, WNYE Teachers, WEP Teachers and Counselors, MOSEP employees, Attendance Teachers, Bilingual Teachers in School and Community Relations, Guidance Counselors, Laboratory Specialists and Technicians, School Secretaries, Social Workers and School Psychologists. These agreements will cover the period September 9, 1975 - September 9, 1978.

3. Attachment A is incorporated herein. The amounts indicated in Attachment A shall be paid on the appropriate dates. Amounts deferred will be treated consistently with the (Americana Agreement of July 31, 1975.

4. The parties agree that a portion of the Board of Education's required savings for fiscal year 1977-1978 shall be those savings listed in Attachment B and incorporated herein.

5. Attachment C is incorporated herein. The parties agree that it will form the basis for the payment of new COLA.

6. The Board and the Union share the mutual goal of preventing any layoffs for fiscal year 1977 - 1978.

No layoffs shall be made except in accordance with the Financial Emergency Act, which requires that the Board "shall seek to achieve a stabilized work force...and, to the extent a reduction in the work force is required, primary recourse shall be had to the attrition process to accomplish such reduction."

Where layoffs are scheduled, the following procedure shall be used:

(1). Notice shall be provided to the Union not less than 30 days before the effective dates of such projected layoffs.
(2). Within such 30-day period designated representatives of the Board of Education will meet and confer with the designated representatives of the Union and of the City of New York with the objective of considering feasible alternatives to all or part of such scheduled layoffs, including but not limited to:
(a) the use of Federal and State funds wherever possible to retain or reemploy employees scheduled for layoffs, and
(b) encouragement of early retirement and the expediting of the processing of retirement applications.
In addition to the procedures above, and in accordance with the parties' efforts to eliminate or reduce layoffs of the workforce, prior to the 1977 fall organization of high schools, representatives of the UFT, the Board and the City shall meet for the purpose of preventing or minimizing tipping for the Spring term.

7. The provisions herein are subject to approval of the Board of Education, ratification by UFT and approval by EFCB.
### Schedule of Payments

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Savings for Fiscal Year 1977-1978
Not Affecting Instructional Time for Students

1. Defer payment to supplemental retirement fund $12.0 million
2. Eliminate check cashing privileges 0.14
3. Eliminate Medicare Part B reimbursement 0.82

4. Preparation period adjustments
   a. Because of the financial emergency in addition to the unpaid coverages provided in Article 7 D 6 of the 1975 Agreement, high school teachers may be assigned to 35 additional unpaid coverages during the 1977-78 school year. However, high school teachers shall not be assigned to more than two unpaid coverages during preparation time in any one week. To the extent possible these assignments shall be made on a rotation basis.

   b. During the 1977-78 school year Junior High School teachers will be scheduled to teach an additional period per week, up to a maximum of 26 periods per week. In the few cases where exceptions are necessary, the additional period per week may be used for coverages.

Where a coverage is required in a school and a teacher is available to provide such coverage because he has not been scheduled to teach an additional period per week, he shall be given the coverage assignment before other teachers in the school are assigned.

   c. Two conference days for day school teachers and laboratory specialists before the start of the school year, are eliminated.

High School savings 3.0
Junior High savings 7.8

5. Assign paraprofessionals as assistants to teachers in large group instruction subjects such as music, gym and other subjects. This provision shall not result in the layoff of teachers in such subjects.

1.6 million
6. Schedule Change

- If possible, schedule three teaching days at the beginning of the year and one more day on Lincoln's Birthday or at the end of the year, to provide for the closing of schools during the entire week of Washington's Birthday. This will provide energy savings and will provide a mid-winter vacation as is common among other school districts.

- If this schedule change costs the Board of Education more money than the regular schedule, the UFT will provide additional productivity savings to cover the additional cost or the schedule change will not be implemented.

Total savings $25.4 million
1. "New COLA" will be paid as per the BOR resolution of May 18, 1976, and the Hilton interim agreement of June 30, 1976.

2. A panel consisting of representatives of the Board of Education, the United Federation of Teachers and the City will be formed to develop and implement productivity savings and improvement programs. The purpose of the savings, if any, will be to pay "New COLA," and shall be credited toward a "New COLA" account.

3. 50% of all additional revenues available for general school purposes, or otherwise available for salary adjustments, beyond the revenue level in the financial plan for fiscal year 1973, shall also go into the "New COLA" account created to pay "New COLA." However, money that comes from the State aid law suit must first go to the restoration of the full school day.

4. The first $13.4 million of funds in the "New COLA" account shall be paid without further productivity beyond that detailed in Attachment B.
MEMORANDUM

December 2, 1976

TO:       FELIX ROHATYN
FROM:     Stephen Berger

This is in response to your request for an updating on the status of the UFT contract and a discussion of the major issues related to it.

Attachment
# TABLE OF CONTENTS

I. BACKGROUND

- Developments Since September 1975
- Developments in the Last Two Weeks

II. LEGAL AND POLICY QUESTIONS RAISED BY THE PROPOSAL

- Application of the Wage Freeze and the General Wage and Salary Policies
- Equity With Other Unions
- Public Policy Impact
I. BACKGROUND

Developments Since September 1975

A proposed contract between the United Federation of Teachers and the Board of Education was negotiated in September 1975. It included several basic provisions: the continuation of the payment of increments and differentials according to the scale contained in the previous contract and several new benefits including the payment of a COLA, the addition of two steps to the salary scale through the creation of longevity payments, and an increased contribution to the union welfare fund.

The contract has a duration of two years, expiring in September, 1977.

The total additional costs of the contract during its two year duration is estimated at $115.5 million. Assuming the continuation of the same salary and benefit increases in FY 78, the third year of the Financial Plan, the total cost of the contract over the three years of the Financial Plan would be $309.7 million. The Financial Plan allocates a total of $176 million for collective bargaining increases payable to employees covered by UFT negotiations for three years. Thus, assuming the continued payment of salaries and benefits at the same level for FY 78, the contract was $133.7 million in excess of the Financial Plan.

A memorandum of understanding between the Board of Education and the UFT which contained the salary and benefit agreements in the proposed contract was reviewed by the Emergency Financial Control Board in December of 1975. The memorandum was returned to the negotiating parties by the Emergency Financial Control Board on the grounds that it was in excess of the Financial Plan.
Since December, negotiations have been carried on from time to time between the Board of Education, the City and the UFT. At the request of the Governor, Vincent McDonnell has acted as a mediator in the dispute.

In January, 1976, Deputy Mayor Axelson outlined the amounts available in the Financial Plan for a deferral agreement which would modify payments under the proposed contract so that they conformed to the financial limitations under the Financial Plan. One option that would have met these financial limitations included the deferral of increments and differentials for the second year of the contract and postponement of the date of payment of other benefits included in the contract. The UFT sought a different deferral agreement, one which would retain the payment of increments and differentials during the second year with the cost increases this would bring about compensated for by a deferral of COLA for all but a handful of employees. Negotiations were held throughout the spring and summer over these two proposed deferrals, with the Board of Education refusing to accept the UFT proposal because it exceeded the Financial Plan, particularly during the third year. The City and Board of Education took the position that the annual rate of spending implied by the agreement for FY 78 could not exceed the funds in the Financial Plan for that year. By the end of July 1976, the UFT and the Board of Education had come close to agreement, separated by only a few million dollars, on a deferral which would pay all of the provisions of the original contract, although in reduced amounts.

However, prior to this general agreement being reached in May, 1976, the Emergency Financial Control Board enacted its Wage and Salary Policies, pursuant to the wage freeze provisions of the Financial Emergency Act. The policies prohibit general salary increases or increases in the cost of fringe benefits, but allow some adjustments to wage and salaries if funded out of productivity savings or other savings or revenues not included in the Financial Plan. Under the policies, the savings used to pay adjustments to wages and salaries cannot be generated through reduction in service.

This aspect of the Wage and Salary Policies became crucial in August, when, with the loss of the Stavisky/Goodman decisions in State Supreme Court, the Board of Education announced the layoffs of 3700 teachers and additional school personnel. In addition, UFT President Albert Shanker spoke publicly of a crisis in the schools and the desirability of a State Department of Education investigation of the high schools to determine if they were continuing to meet State accreditation standards.

In mid-August, the Executive Director of the Control Board wrote to the President of the Board of Education to clarify the implications of the Wage and Salary Policies as they relate to the UFT contract and deferral negotiations. This clarification resulted in new negotiations, in which the City and the UFT, apparently
without the active participation of the Board of Education, are now close to reaching an agreement.

In recent weeks, additional complications have become evident in light of the City's need to develop additional cost reduction programs for FY 78, which must be presented to the Control Board before January 1. Indications are that the program will include a substantial new reduction in City contribution of tax levy funds to the Board of Education, perhaps in the range of $40 million.

**Developments in the Last Two Weeks**

A new proposal from the UFT has been presented to the Control Board staff and to the Board of Education. The proposal was worked out in close cooperation with the City, but it has not received official City endorsement. The Board of Education received a copy of the proposal shortly before it was discussed with the Control Board staff, and the Board of Education staff has since raised objections to the financial implications of the proposal.

The new proposal is for a three-year agreement, running to the end of FY 78, rather than for FY 76 and 77 only, as was the case with previous proposals. It contains the same benefits included in the previously proposed contract, although deferring them for different periods of time. The most significant additional deferral is that of increments, which under the proposal would not be paid to new eligibles in FY 77 and the first seven months of FY 78. Payment of increments to new eligibles would be resumed in February 1978. The new proposal also contains one additional benefit, a Cost-of-Living-Adjustment identical to that negotiated by the mayoral unions last summer, payable in both 1977 and 1978. Since this additional COLA would be funded out of productivity, it is presented in the proposal as falling outside the financial plan amount set aside for collective bargaining increases.

In conversations on December first and second, staff of the Board of Education raised several points of disagreement with the UFT's calculation of the cost of the proposed new agreement.

1. **Use of the savings resulting from attrition**

The amount of money placed in the Financial Plan for collective bargaining increases for employees represented by the UFT was based on the number of such employees on the payroll in the fall of 1975. This number is approximately 10,000 higher than the number of employees currently on the payroll. During the remainder of FY 77 and FY 78, the Board of Education is anticipating an additional 2000 net attrition, for a total reduction of about 12,000 over the three years of the Financial Plan.
The staff of the Board of Education wants the total amount of money available for collective bargaining increases to be reevaluated in light of attrition. To maintain the same number of total dollars, and to divide it up among a smaller work force, would result in salary and benefit increases to the individual remaining teachers beyond what was originally anticipated in the Financial Plan. The Board of Education suggests that the amount available for collective bargaining increases should consider attrition. Savings generated by such adjustment could be used by the Board of Education for educational purposes. Such purposes might include the payment of benefits retroactively to laid off teachers or the retention of current staff and offsetting possible reductions in Board of Education revenue next year.

The UFT position is that all collective bargaining monies in the original Financial Plan should be paid in salaries and benefits to the UFT members still on the payroll, regardless of the fact that the monies were originally to be made available to a staff of 10,000 additional teachers.

In terms of evaluating the new proposed agreement, this is a significant difference in positions. Under the Board of Education interpretation, payment of benefits to the remaining teachers at the level contained in the proposed new agreement would exceed their Financial Plan by a total of approximately $5 million over the three fiscal years.

Under the UFT position, the proposed agreement would be within the Financial Plan in terms of actual cash expenditures made during each of the three years.

2. The cost of differentials

The Board of Education staff disagree with the estimates made by the UFT and the City concerning the cost of new qualifiers for differentials in FY 78, which the Board of Education estimates to be $2.1 million higher than does the UFT. Discussion between the Board of Education and the City is continuing on this point.

Thus, the Board of Education staff suggest that the cash to be expended under the proposed new agreement is approximately $7 million in excess of their Financial Plan.

The staff of the Board of Education has raised an additional objection to the proposal concerning the annual rate of expenditure resulting from the benefits to be paid in FY 78. In previous rounds of negotiation, the Board of Education and the City took the position that the annual rate of expenditure resulting from salary and benefit increases in FY 78 could not exceed $49.6 million, a level which was considered to be a part of the Financial Plan. The Board of Education staff indicates that the annual rate of expenditure under the UFT proposal would be $8 - 10 million greater than that level.
According to the Board of Education staff, the City staff has said that in light of the fact that the new proposed agreement is a three-year contract which fixes the level of actual cash expenditure in FY 78, the City could accept an annual level of spending which exceed the $49.6 by a "reasonable" amount. Reasonable has not yet been defined, but the City staff indicated that an $8 million increase would be acceptable.

The Board of Education staff has said that it would agree to the City's new position only if the Board of Education receives written assurances from the City and perhaps from the EFCB as well indicating that the increased annual rate of spending included in the contract was acceptable to both parties.

The estimation of the cost of the new proposal is still going on, with the City and Board of Education staff each clarifying their own rival estimates. The Board of Education staff's preliminary position that the proposed agreement violates the Financial Plan may be correct. These matters should be resolved by further negotiations among all affected parties, including the Board of Education.

There are indications that the Board of Education may not agree to the UFT proposal on other grounds. The UFT has proposed that the contract be extended from two to three years, thus covering FY 78. The Board of Education may object to this, taking the position that it cannot responsibly negotiate FY 78 benefits now, without better knowledge of the reductions in City contribution and other revenues which it may be confronted with for FY 78. The Board of Education may fear getting into a position where it has made financial commitments for FY 78 which, with reduced revenues, it may be very difficult to fund without severe alterations in levels of service.
II. LEGAL AND POLICY QUESTIONS RAISED BY THE PROPOSAL

Application of the Wage Freeze and the General Wage and Salary Policies

It is questionable whether the current proposal complies with the general wage and salary policies promulgated by the Control Board pursuant to the wage freeze provisions of the Financial Emergency Act. Under those policies, new collective bargaining agreements may not provide for general wage increases or increases in fringe benefits, although salary adjustments such as COLA are permitted when funded by productivity savings or other savings or revenues not included in the Financial Plan. In addition, the policies require that the productivity or other savings may not be realized through service reductions.

Under the UFT proposal, a variety of wage increases would be payable, including increments, differentials, new longevity increases and COLA. In addition, the proposal increases eligibility for certain differential increases and also provides for increased contributions to the UFT welfare fund.

No collective bargaining agreement thus far reviewed and approved by the Control Board has provided for such an extensive array of increases payable, for the most part, only on the basis of accrued seniority and independent of any increase in the cost-of-living. The scope of this system of increases, apparently designed to assure that all employees receive an increase, raises serious questions as to whether the proposal provides for a general wage increase in violation of the wage freeze and the Board's general wage policies. In addition, the increase in welfare fund benefits contemplated by the proposal is an increase in fringe benefits specifically prohibited by the Board's general wage policies.

Even if the Control Board deemed it appropriate to terminate the wage freeze in order to permit payment of the increases provided by the proposal, it would be necessary to determine whether sufficient productivity and other savings were available to meet the funding requirements of the general wage and salary policies. Although the UFT has, in the past, asserted that such savings exist, the Board of Education has not yet concurred in this assertion. Further, the Board of Education must determine whether alleged savings, such as those attributable to increased class size, do not involve serious reductions in the educational services provided to students.

Although the issue of retroactivity has been raised with respect to application of the Control Board's general wage and salary policies to the proposed UFT contract, it is difficult to understand why policies that have been in effect since May 1976 should not apply to a contract that has yet to be submitted to the Board for review and which is, apparently, still being negotiated. At best, even if the Control Board decided to waive or limit appli-
cation of the policies to the first year of the proposed contract (FY 1976) they should still be fully applicable to the fiscal periods following adoption of the policies (i.e. FY 1977 and 1978).

**Equity With Other Unions**

The UFT, the City, and the Board of Education have continuously raised the problem of equity between the UFT and other municipal unions in terms of salary and benefit gains during the Financial Emergency period. They argue that members of unions representing mayoral agencies are receiving a 6% salary increase this year, as well as a continuation of old City COLA and a new City COLA. They believe teachers should receive equalivant increases.

This position is based on a complete misinterpretation of the benefits received by the municipal unions. The unions have not gained any increases this year, other than the no-cost productivity COLA which must be funded by productivity savings or by other savings or revenues not included in the Financial Plan. Instead, they are now beginning to receive what they gave up for more than a year. They are having restored to them wages and benefits which they negotiated in 1974 and surrendered, in whole or in part, last year. These are not new increases; they represent benefits previously sacrificed by the municipal unions, a sacrifice which the UFT has not been called upon to make. Beyond deferring all or part of their previously won benefits for more than a year, the other municipal unions have also agreed to give up a total of $24 million in fringe benefits they had previously won. The UFT has made no such concessions.

The inequity argument is based on a distortion of the situation of the municipal unions. To accept this argument without questioning would be an affront to those unions which made real cash sacrifices to keep the City functioning.

Hard numbers tell the story. A firefighter will receive, actual cash in hand, $3020 in increases over the three years of the Financial Plan ($4134 if the separately funded productivity COLA at maximum is counted). A District Council 37 employee earning $16,000 a year gets $2347 over the same period ($3369 including productivity COLA). Under the new proposal, a teacher on the increment scale will get approximately $3580 in cash over the Financial Plan ($4593 including productivity COLA) plus any differentials earned. A teacher with fifteen years or more of service will receive $3063 ($4076 with productivity COLA) over the three years, again with the opportunity to earn additional differentials.

If the UFT members received the same total cash-in-hand over the three years as the firefighters ($3020), there would be
$32 million of savings generated in the Financial Plan that could be used by the Board of Education for the restoration of services, including the rehiring of teachers. Paying the UFT personnel the same cash increases as those scheduled for the D.C. 37 members would generate $64 million in savings that could be used for the same purposes.

**Public Policy Impact**

While the statutory responsibilities of the Control Board do not require consideration of public policy implications, as opposed to the purely financial consequences, of collective bargaining agreements, the potential impact of the current proposal on the school system should not be ignored.

Other municipal unions have agreed that maintaining jobs, and the public services related to those jobs, is a priority for which they would forego some of their expected salary increases. Municipal hospital workers, for example, used part of their COLA to maintain services and the jobs of their members in the public hospitals. The Council of Supervisors and Administrators, which negotiates for school managers, has given up a portion of its COLA for two consecutive years in order to maintain the level of staffing in the schools.

The UFT has not thus far been willing to assume similar responsibilities for alleviating the effects of the fiscal crisis on educational services. For instance, it would be possible to work out an arrangement by which teachers would receive perhaps one increment and a COLA which would put them, in cash terms, on a par with other City workers and would free up thirty to forty million dollars in funds which could be used to maintain or restore educational services.

Certain of the benefits which the UFT insists upon would have unfortunate consequences for the staffing of the schools. The longevity additions, which will reward older teachers for staying on longer, will only add to the problem of revitalizing a moribund educational system. The preservation and payment of increments, coupled with longevity, will further rigidify a school personnel system which was already been charged with stifling innovation and change in the public schools.

The human costs of this misuse of resources are high. Students are suffering on all sides: fewer teachers, fewer specialized classes, shorter sessions, very limited extracurricular activities, vastly diminished counseling and guidance services. The opportunity for high quality educational activity is rapidly diminishing.
How can we justify to the parents of these students giving substantial raises to teachers, in the face of these difficulties, especially when teachers are already among the highest paid municipal workers?
MEMO TO: Donald Kummerfeld
        John Pender

FROM: Laura Page

RE: UPT Deferral Agreement - Retention of Teachers

In response to a request by the Control Board, the Board of Education submitted a proposal to the Control Board for a deferral agreement which is described in my October 13 memo to Donald Kummerfeld. The Board of Education subsequently proposed methods to retain teachers in FY 78. Both the Board of Education and the Control Board have told me that as of Friday, October 15 the Union had not been informed about the proposal.

Board of Education Proposals to retain teachers in FY 78:

1. Under the new proposal for a deferral agreement the Board would be spending $10 m. below the Financial Plan amount for FY 78. If the teachers' variable annuity payments were suspended, which would require a change in State Law, $12 m. would be freed for a total of $22 m. From the 2,000 teachers retained in FY 77 the Board expects to lose 600 by attrition leaving 1,400 to be retained in FY 78. These 1,400 teachers could be retained with the $22 m. made available in the FY 78 Financial Plan.
2. The Board of Education finally states that if they could get a guarantee that the money would not be taken by the City as an "easy cut", they would like to keep money saved in previous years and use it in FY 78 to allay cuts required to achieve the $500 m. City wide savings for FY 78.

The Board clarified this statement to me informally. They said that they planned to pay the increases outlined in the proposal, not rehire any teachers in FY 77 and use the money saved in FY 77 to hire teachers in FY 78.

This proposal would be hard to justify under the current accounting principles since it uses money saved in FY 77 to hire teachers in FY 78.

cc: Sandy Burton
    John Zuccotti
MEMO TO:  Donald Kummerfeld  
           John Pender  
FROM:  Laura Page  
RE:  UFT Deferral Agreement  

Rumor has it that there is a new proposal for the UFT deferral agreement which will permit rehiring of 2,000 teachers for eight months.

The proposal would involve adding a step to the top of the wage scale for teachers who have been teaching nine years and eliminating the bottom step. Under the proposal everyone would receive increments and differentials and no one would receive longevity payments or COLA. It is not clear whether the welfare fund increase would be paid or not.

The effect on individual teachers would be as follows:

1. Teachers with less than eight years experience, in addition to increments and differentials received in FY 76, would receive increments in FY 77 so that their salaries would increase by $1,000 during the year. They would not receive COLA for FY 76 ($390) or FY 77 ($336). They would therefore receive about the same as under the financial plan by the end of FY 77 but they could expect $664 more per year after FY 77. ($1,000 less estimated COLA)

2. Teachers with eight years experience would receive $1,150 in increments so they could expect $814 more per year after FY 77.

3. Teachers with 8 1/2 years or more experience would receive $500 in increments rather than FY 76 and FY 77 COLA and longevity. Teachers would therefore receive less than under the financial plan by the end of FY 77 but teachers with less than 10 years experience as of Oct 1, 1975 would receive $164 more per year after
FY 77, teachers with 10-15 years experience as of October 1, 1975 would receive $586 less per year after FY 77 and teachers with more than 15 year's experience as of Oct 1, 1975 would receive $1,336 less per year after FY 77.

All teachers would be paid new differentials as they earn them.

The net effect is that against the Financial Plan $15.2 m. would be saved each of two years for COLA. $31.6 m. (annual cost) would be saved from longevity for FY 77. FY 77 increments would cost about $31.7 m. and FY 77 differentials might cost an additional $5.1 m. Thus the Board would have a cumulative $25.2 m. cash unspent by the end of FY 77 while their spending rate would be $10 m. below that provided for in the Financial Plan.

The Board will probably propose to spend the $25.2 m. cash to rehire 2,000 teachers for 8 months. These teachers would then be laid off at the end of the Fiscal Year. They could legitimately do this, according to current accounting practices, by charging the deferred increments (approximately $13.4 m.) against the FY 76 COLA. Under this scheme they would lose $1.8 m. of the $15.2 m. for COLA for lack of another legitimate method of charging against the money. However, this $1.8 m. would not be needed to retain 2,000 teachers for 8 months. This scheme would not be acceptable to the City as it would drastically inflate layoffs required in entering FY 78. The Board could only retain 750 of the 2,000 if the current funding level were maintained.

A solution acceptable to the City would be to use the $10 m. savings in the base to hire 750 teachers permanently. This would result in $15.2 m. cash savings in FY 76 and $3.3 m. cash savings in FY 77. Perhaps the UFT would be more likely to accept this proposal if they received their FY 76 COLA against the $15.2 m. encumbered in FY 76.
February 9, 1976

Mr. Herbert Elish  
Executive Director  
Municipal Assistance Corporation  
For The City of New York  
Two World Trade Center  
New York, New York 10047

Dear Mr. Elish:

In reference to the request contained in your letter dated February 5, 1976, I wish to inform you that the Teachers' Retirement Board convened a special meeting of the Board on February 6, 1976. At this meeting the Board considered your request and, by resolution, authorized me as Executive Director to sign the instrument contained in your letter of February 5, 1976.

The Teachers' Retirement Board, at this meeting, expressed concern over the short notice given with respect to this matter. They have asked me to communicate with you in order to invite you to the next regular meeting of the Teachers' Retirement Board to be held on February 19, 1976. This meeting shall be held in the offices of the Teachers' Retirement System at 40 Worth Street, Manhattan, in Room 1405 at 2:30 P.M.

I sincerely hope you will be able to attend this meeting and would appreciate an early confirmation of your attendance.

Sincerely,

[Signature]

WALLACE P. SULLIVAN  
Executive Director

WFS:jt
August 26, 1976

TO: Herbert Elish
FROM: Stephen Berger

This went out this morning.

Attachment
August 26, 1976

Dr. Robert J. Christen  
President  
Board of Education  
of the City of New York  
110 Livingston Street  
Brooklyn, New York 11201

Dear Dr. Christen:

I am writing to express concern about the failure, to date, of the Board of Education and the United Federation of Teachers to conclude contractual arrangements necessary to assure compliance with applicable provisions of law and with the Financial Plan during the coming school year and thereafter. With the opening of school scheduled for September 8th, it is particularly important that agreement be reached promptly.

The Control Board expressed its desire for a prompt disposition of these matters in a resolution, adopted on June 30, 1976, which directed the Board of Education to conclude contractual arrangements with the union. Any such arrangements will be evaluated on the basis of various considerations, including the following:

(1) The contractual arrangements must be consistent with the Financial Plan and must also comply with the general wage and salary policies promulgated by the Control Board. With respect to the Financial Plan, it is essential that any arrangements applicable to the second year of the plan (fiscal 1976-1977) not result in excessive costs for the third year (fiscal 1977-1978). If this were the case, the parties to the negotiations...
would be called upon to produce binding and enforceable agreements that would assure compliance with the Financial Plan through the end of fiscal 1977-1978.

(2) The Board of Education has indicated publicly that additional teachers are being laid off prior to the beginning of the coming school year, which may result in larger class sizes during the year. In addition, it also appears that the Board of Education is seeking an exemption from regulations issued by the Commissioner of Education pertaining to the minimum length of a school day. As you know, the wage freeze provisions of the Financial Emergency Act and the general wage and salary policies promulgated by the Control Board prohibit general wage or salary increases. However, exceptions are made for certain salary adjustments, such as COLA, provided such adjustments are funded by independently measured savings realized, without reduction in services, from productivity increases, reductions in fringe benefits or other forms of savings approved by the Board. Accordingly, it will be necessary for you to address the question of whether wage and salary arrangements result in reduced educational services to pupils, such as increases in class size and decreases in the length of the school day.

(3) If the Board of Education does not obtain an exemption from State regulations pertaining to the length of a school day, that would of course raise several other issues. As an initial matter, it would be inappropriate for the Control Board to sanction or approve contractual arrangements that resulted in reduced services and a failure to comply with State law. Further, it is apparent that any attempt to implement such arrangements could result in a situation where additional appropriations and modifications to the Financial Plan were necessary in order subsequently to assure compliance.

(4) As indicated in its resolution of June 30, 1976, the Control Board will review any wage deferral agreement between the Board of Education and the United Federation of Teachers to determine whether the deferral is "an acceptable and appropriate contribution toward alleviating the fiscal crisis of the city." In making this determination, the Board will consider the fiscal effect of the deferral both on the period for which wages are deferred and also on the period during which the
deferred amounts must be paid. As you know, the city-wide pattern of deferrals established last year involved substantial voluntary sacrifices of wage increases by city employees, with the largest burden falling on higher salaried employees (typical deferral arrangements provided for a deferral of all increases during fiscal 1975-1976 for an employee who earned $15,000 or more per year, with lesser deferrals for lower income employees). Those deferrals provided fiscal relief during the past fiscal year and, since payment of the deferred amounts is contingent on various factors relating to full fiscal recovery of the city, the deferral arrangements will also avoid possible fiscal strains in the future.

As you know, the staff of the Control Board has been, and continues to be, available to confer with the parties to the negotiations and to provide such advice and guidance on the application of the Financial Emergency Act and the general wage and salary policies as might be requested. Please let me know if we can be of assistance.

Very truly yours,

[Signature]

Stephen Berger
FROM THE OFFICE OF AM

The attached is sent to you

_________ for your information

_________ for your approval

_________ for your comment

_________ to follow through

_________ to confer with me

_________ to read and pass on to:

______________________________

Remarks: __________________________

______________________________

_________ Please Return ________ Don't Return

426-6M 8/74 134
March 3, 1976

Mr. Melvin Lechner
Director
Bureau of the Budget
12th Floor
Municipal Building
New York, New York 10007

Dear Mel:

You may recall that at the AHEAD meeting I challenged your figures of 9,000 layoffs of Board of Education personnel. At the time I thought the figure was closer to 24,000. Please note the attached report which indicates that we had a total of 23,723 people laid off and 3,100 people restored to positions, for a final loss of 20,623 people. These figures were provided to me by Mr. Frank Arricale II, Executive Director of Personnel. These figures had been previously made available through our Public Relations Office.

I hope this clarifies the situation.

Sincerely,

Amelia Ashe

Attachment

c.c.: Mr. Herbert Elish
Executive Director
Emergency Financial Control Board
Mr. Kenneth Axelson
Deputy Mayor
February 27, 1976

TO: Mr. Robert Terte
Office of Public Affairs

FROM: Frank C. Arricale, II
Executive Director

SUBJECT: STATISTICS OF BOARD OF EDUCATION PERSONNEL

You had indicated in a phone call to me recently that you wanted the layoff figures of Board of Education personnel. The following are the statistics:

1. 7,000 full-time subs were dropped in July.

2. 6,000 paraprofessionals in various categories were dropped in September.

3. 800 school security guards were dropped in September.

4. In September, 4,447 licensed and appointed teachers, guidance counselors; and school secretaries were laid-off. The major areas were:

   Elementary Counselors          260
   JHS Counselors                 120
   School Secretaries             93
   Lab Specialists                74
   Bilingual School & Community Relations 51
   Attendance Teachers            133
   Early Childhood & Common Branches 3,135
   JHS Social Studies            243
   JHS Industrial Arts           74
   High Schools                  264

5. In February, 1,435 high school teachers were laid-off in the following major categories: Accounting, Biology, Distributive Education, Fine Arts, French, Gregg Social Studies and Speech.
February 27, 1976
Mr. Robert Tette
Statistics of Board of Education Personnel

6. In February, 180 elementary teachers were laid-off which included: Guidance Counselors, Librarians, Early Childhood and Common Branches.

7. In February, 331 junior high school teachers were laid-off in the following major license areas: Vocal Music, Industrial Arts, Physical Education, Men, Home Economics, and Social Studies.

8. In February, 113 Speech Improvement teachers were laid-off from Special Education.

9. In February, 5 Attendance Teachers were laid-off.

10. In February, 71 School Secretaries were laid-off.

11. 3,341 civil servants were laid-off since last April ranging in titles from clerks, typists, to engineers, draftsmen, research assistants, etc. Most of these were provisionals who were dropped and whose position were not filled.

12. 1,200 teachers who were laid-off were in a non-pay status, such as unpaid leaves.

In terms of teachers and others brought back, the following statistics must be noted:

1. 930 teachers were recertified to fill vacancies primarily in the Emotionally Handicapped, English, DHS and JHS, Math, DHS & JHS, General Science, JHS, ESL, and various bilingual areas.

2. 93 School Secretaries were recalled.

3. 850 subs were recalled mainly in Special Education and various areas of bilingual education, and a few in the various vocational trade subjects.

4. The following were restored from preferred lists:

200 Common Branches and Early Childhood teachers
18 JHS General Science
11 Lab Specialists
2 Fine Arts
1 Vocal Music
1 Typing
1 Physical Education, Men
1 Orchestral Music
3 Physical Education, Women
February 27, 1976
Mr. Robert Terte
Statistics of Board of Education Personnel

5. 25 High School Guidance Counselors
   3 Physical Education, men, high school
   5 Accounting, High School
   3 Physical Education, men
   3 Physical Education, women
   2 Orchestral Music

6. 688 paraprofessionals of all categories were restored through the
    2.5 million dollars reallocated through Occupational Education.

7. 260 recertified in February in various openings on all levels and all divisions.

In conclusion, we see that we lost 23,723 persons and we restored 3,100 people
for a final loss of 20,623 persons.

FCA:sw
cc: Dr. Gifford
    Ms, DeCanio
Statement Presented To
HOUSE WAYS AND MEANS COMMITTEE
In Support Of
H.R. 11700

February 23, 1976

My name is Reuben W. Mitchell. I am presenting this statement in behalf of the United Federation of Teachers. I am also a trustee of the New York City Teachers’ Retirement System elected by vote of the members of the System.

The United Federation of Teachers is the collective bargaining agent of the teachers and the related professional personnel employed by the New York City Board of Education. Our members constitute the bulk of the active and retired membership of the New York City Teachers’ Retirement System. We are very much aware of the value of a sound retirement system and have worked zealously over the years to strengthen it. In supporting the legislation under consideration here today, we are primarily motivated by our desire to protect the interests of the teachers as present and future beneficiaries of the Retirement System.

As is well known, on November 26, 1975, we became parties to an agreement between the Municipal Assistance Corporation for the City of New York, various Commercial Banks and the New York City Pension Funds. Part of the agreement committed the New York City Pension Funds to invest $2.5 billion in Municipal Assistance Corporation bonds and/or New York City bonds over the next 2½ year period. The completion of this agreement was a pre-requisite to the enactment of Federal legislation to advance certain short term loans from the Federal government to the City of New York. Subsequent to the agreement, the Congress of the United States did enact the aforementioned legislation and our President did approve it and we are now operating in conformity with it.

The trustees of the Retirement System did not enter into this agreement lightly. We did not seek the opportunity of incurring a large portion of our assets in New York City obligations. However, life presented us with the alternatives of fiscal bankruptcy of our City. We were forced to extend our concept of fiduciary responsibility to protect the source of future contributions to our Retirement System. Were this source of funds endangered by City bankruptcy, the interests of our members as present or future beneficiaries of the Retirement System would be jeopardized. The New York State legislature, in a special session in December, 1975, enacted legislation endorsing this extension of the concept of fiduciary responsibility. The United Federation of Teachers did, likewise, endorse this concept.

A stipulation in the agreement signed on November 26, 1975 provided that a pre-requisite for continued investment of pension funds be that "the Internal Revenue Service shall have ruled or the Congress of the United States shall have provided, that such purchases of obligations by the Pension Funds pursuant to this Agreement shall not constitute prohibited transactions or otherwise adversely affect the qualified status of the Pension Funds . . ." [7 (c) vi]. Were this stipulation not met, all our joint efforts to avoid New York City bankruptcy would be nullified.

We believe that the provision of the Internal Revenue Code regarding prohibited transactions are wise and salutary. We would not advocate that they be weakened or repealed. However, we do advocate that where exceptional circumstances involving a large and damaging impact on our social fabric do arise, that these circumstances be examined on an ad hoc basis and special provisions of the Code be enacted to meet these exceptional needs. We firmly believe that special circumstances do here exist to modify the Code to enable the New York City Pension Funds to fulfill their part in the agreement of November 26, 1975 without endangering their qualified status.

We, therefore, support H.R. 11700.

Submitted by
REUBEN W. MITCHELL
in behalf of
The United Federation of Teachers
Local 2 (A.F.L.-C.I.O.)
February 20, 1976

Mr. Herbert Elish, Executive Director
Municipal Assistance Corporation
For the City of New York
2 World Trade Center
New York, New York 10047

Dear Herb:

I would like to thank you again for attending the Teachers' Retirement Board Meeting on February 19, 1976. Your comments to the Board and responses to their questions were most informative and helpful to us all.

As you recall, when we explained to you some of the staffing difficulties the Teachers' Retirement System is having, you indicated a keen interest in our problem. You indicated that if I had any material in my files which would explain our present situation, you would like me to make copies available to you. You also asked me if I could concisely state some minimum requirements of the Teachers' Retirement System that might be effectuated in keeping with the City's present financial crisis. Herb, I can't tell you how refreshing it was to hear your remarks and to realize someone has a sympathetic ear to the realities of running a $3 billion organization.

For your information, I am enclosing two documents which will provide you with the necessary background material concerning our problems. The first is entitled "Report to the Teachers' Retirement Board" dated January 29, 1976. The second document is a "Survey of the Teachers' Retirement System of the City of New York" dated January 1975. The Survey is somewhat out of date, however, it does give you an outline concerning the past ten years of the Teachers' Retirement System.

With respect to minimum requirements, I feel the following five items would be most helpful in maintaining some degree of stability in accomplishing the work objectives of the Teachers' Retirement System.
1. A dispensation from the five layoffs which are required to be made by the Teachers’ Retirement System in March, 1976. These layoffs were necessitated under the "8% Plan" for the fiscal year 1975-1976.

2. Dispensation from any future layoffs.

3. Restoration of 10 positions in the Teachers' Retirement System. These 10 positions are as follows:

   1 Stenographer
   1 Key Punch Operator
   1 Accountant
   2 Typists
   1 Associate Accountant
   3 Senior Clerks
   1 Clerk

4. Restoration of 10 positions in the Office of the Actuary. These 10 positions are as follows:

   2 Key Punch Operators
   1 Stenographer
   6 Assistant Actuaries
   1 Professional Actuary

   (i.e., a member of the
   Society of Actuaries and/or
   the American Academy of
   Actuaries)

(I feel a few words of explanation are necessary here with respect to the requirements of the Office of the Actuary. Mr. Jonathan Schwartz functions as a separate entity and is, in fact, the Actuary to the five pension systems of the City of New York, as well as Actuarial advisor to the City. The Actuarial staff has been reduced from 48 employees as of July 1, 1974 to 28 employees as of February 1, 1976. Although Mr. Schwartz functions as a separate entity, the Bureau of the Budget does not provide a separate budget for the operation of the Office of the Actuary. All of his staff and "other than personnel services" are provided out of the budgets of the five pension systems of the City of New York. Therefore, I am making the request for Mr. Schwartz's needs within the framework of my appeal to you concerning my own needs).
5. Permission to replace all future separations.

We sincerely appreciate your interest in our problem and stand ready to provide you with any additional data you may request with respect to our situation.

Sincerely,

WALLACE F. SULLIVAN
Executive Director

WFS:bw
Encls.
January 21, 1976

To: Members of the Emergency Financial Control Board

The enclosed information piece on the UFT Contract, which is being prepared for our PEA REPORTS, is being sent to you in draft form since it involves so prominently the functions of the Emergency Financial Control Board. We understand this issue will be on your agenda again in the near future.

I've also enclosed a copy of the NEW YORK TIMES op ed piece from last fall, which relates to the same issue, and which still expresses our point of view.

enclosures

David Seeley
Director
THE BALL IS IN THE CONTROL BOARD'S COURT

We are coming down to the wire on the teachers contract. The ball is now in the Emergency Financial Control Board's court, and much that is of interest to the children of the city, and to the city's hopes for ultimate fiscal recovery rides on the decisions that are made.

For over four months the Board of Education's proposed contract with the United Federation of Teachers has been in limbo. Soon after the strike was settled, the proposed contract was rejected by the Emergency Financial Control Board because it "gravely violates" the city's plan for fiscal recovery. Since then, while the Control Board has been preoccupied with saving the city from default, the Board of Education and the union have sat tight, waiting for further instruction before making any changes in the contract. Recently, however, top labor expert Vincent McDonnell has been appointed to help resolve the remaining issues in the contract, and the EFCB may make further decisions soon.

Under the Financial Emergency Act, the Control Board has three main responsibilities regarding the proposed contract: (1) the wage freeze, under section 10 of the Act, (2) the responsibility to review city contracts, under section 7, and (3) supervision of the city's financial plan for balancing the budget by 1978 and restoring financial health to the city in section 8. Under all of these provisions there are aspects of the proposed new UFT contract which require review and, in our opinion, revision.
The wage freeze

The best publicized requirement of the new law is the requirement for a wage freeze in section 10. The law requires that "all increased payments," including those for "step-ups or increments," be suspended. The only exceptions seem to be where a union negotiated an agreement before September 1, 1975, or subsequently has such an agreement approved by the Control Board as "an acceptable and appropriate contribution toward alleviating the fiscal crisis of the city." Although some unions have made agreements to defer increases due under the second year of 1974-1976 contracts, no such agreement exists with regard to the UFT, and none could be agreed to except under a finding by the EFCB that it meets the above criteria.

Meanwhile, the proposed new contract would continue $1000 increases for all teachers until they reach the top step in 7-1/2 years and then would add two additional stepups for those with 10 and 15 years service. All increments for educational credits would also continue. The new longevity stepups are being withheld, but the annual stepups and education increments, which push many New York City salaries far above even those in wealthy suburbs, are being paid pending a ruling by the EFCB.
The review of city contracts

Section 7 of the Financial Emergency Act requires the Control Board to review city contracts, including collective bargaining agreements. At the time the Act was passed, it was widely believed that this review was needed because regular city officials had proved unable to withstand pressure to negotiate financially unsound contracts. Under this review responsibility the Control Board would, we assume, be concerned not only about the continued escalation of salary costs in the proposed contract, but at least such other items as increased pension obligations (on top of an already overburdened and underfunded pension system), continuation of the extra $400 annuity payment for all teachers on the top salary step, continued payment of social security benefits on top of the fiscally unsound pension plans, $100 per teacher to be added to welfare benefits that already surpass almost all other school systems, and sabbatical provisions.

Supervision of the city's financial plan

The provision of the Financial Emergency Act which is most often talked about, but is actually the least relevant to deciding the specifics of the UFT contract, is the Control Board's responsibility for supervising the city's financial plan under section 8 of the Act.
The purpose of the financial plan is to make sure that the city gains enough control over its revenues and expenditures to balance its budget within three years. Under this provision, the EFCB has made it quite clear, and properly so, that it will not substitute itself for the city government and tell it how to spend its money within the overall budget limits. In approving the city's hastily prepared financial plan in mid October, the Control Board made no pretense of reviewing in detail all of the various cost estimates that had been assembled in making the total expenditure projections for the plan. The approval of the plan was expressly not an approval of the specific expenditures within the plan and indeed since the plan called for a further reduction of $200 million, it in effect required changes in the specific budget items that made up the plan.

In view of this, statements made by various officials as to whether the proposed UFT contract is "within the financial plan" or whether it "exceeds the financial plan" are meaningless in giving guidance on the specifics of the UFT contract. If what is being asked is whether the total cost of the contract can be paid for within the overall budget ceilings of the plan, then any contract, no matter how it might violate the wage freeze or reasonable collective bargaining policies, could be said to be "within the financial plan," since any contract can be paid for simply by sufficient layoffs and service cutbacks. On the other hand, asking whether the financial plan includes cost estimates that cover various provisions of the proposed contract is entirely circular, since the budget officials who developed the financial plan used
the proposed contract to develop the cost estimates, having at the time no other figures from which to work. On top of these specifics in relation to the UFT contract, the financial plan as a whole is subject to continuous revision because of changes in revenues or city policy. The Governor's announced cutbacks of over $100 million in state aid for the city, for instance, would require changes in the financial plan.

The financial plan must be seen as a compendium of the various policy decisions made by city and state officials under the financial emergency to restore a balanced budget and establish the city on a sound financial footing. Since the decisions about the UFT contract and other labor contracts are among the important policy decisions that must go into making up the overall financial plan, it is impossible to reverse the process and hope that "the financial plan" will answer the difficult policy questions. To pretend that it could do so is merely to evade these questions.

If we are to achieve the basic purpose of the financial plan, that is, restoration of fiscal soundness, changes in the UFT contract are clearly indicated. This contract, negotiated under the city's prefiscal-emergency policies and practices, follows the classic pattern which paralleled the Board's general budget strategy. The Board of Education left the central bureaucracy and its collective bargaining structure basically intact and made massive cuts in classroom services. In the past this pattern has resulted in strong public pressure for more funds to restore the cuts in services. The Board may have hoped that this year's considerably more drastic cuts in direct services to children would
produce enough public pressure to produce more money despite
the fiscal emergency. But is just this kind of budget strategy
that the new financial emergency machinery was designed to
change.

The stakes are higher than ever
While the issues involved in the UFT contract have not changed
since the contract was first rejected, the stakes are higher
than ever. The Board of Education, feeling that it has no
authority to change the provisions of the proposed contract
unless specifically ordered to do so by city or state authorities,
has now decided that it has no choice but to order further class-
room cuts--$4 million in the high school division and $13 million
in the community school districts. Most observers feel that these
classroom cuts, on top of all the devastation that has gone on
in the schools this year, might well be a fatal blow to the
school system. Schools that had absorbed the
massive staff cuts over the summer and found some way to survive
through reliance on a: skeleton of their best staff
now find that even some pieces of the skeleton may be taken
away.

For a city that is finally beginning to realize that an effect-
ive educational program is not only necessary for our children
but essential to the economic recovery of the city, such further
cuts would be folly. Since the Board of Education feels that
it is not in a position even to consider the relative priorities
of these cuts as opposed to adjustments in its teachers contract,
it is clearer than ever that the EFCB must delay no longer in
fulfilling its responsibilities under the Financial Emergency Act. Implementation of the wage freeze alone involves over $17 million--enough to enable the Board of Education to cancel all of the latest round of classroom cuts.
The U.F.T. Settlement

By David S. Seeley

One of the most important factors facing New York City in its financial crisis is to maintain essential services while holding down their cost. The new contract proposed by the Board of Education and the United Federation of Teachers is just the wrong kind of solution. It represents a continuing increase in costs, accompanied by a drastic cut in services to children. In rejecting the proposed contract, the state's new Emergency Financial Control Board is raising issues that the Board of Education and the union have ignored up to now.

The union and the board are following a classic strategy, one unfortunately followed by the city administration in other city services as well. By cutting the most visible services such as the length of the school day, the teaching staff, and athletics, it is hoped that the public outcry will somehow produce more money.

When such a strategy succeeds, everyone is supposed to come out ahead: The desired services are restored, and

the board and the union have avoided the painful choices of cutting costs.

It is this kind of strategy that has helped to create the fiscal crisis in New York City in the first place. We have consistently contracted for higher costs than we could pay for. The result in the schools has been that while the budget has increased every year for the last five years—sometimes by very substantial amounts of $200 million to $300 million—services for children have been reduced, because the increases in salaries, pensions, and fringe benefits “mandated” through U.F.T. contract negotiations have always more than eaten up the increased funds.

When the cuts in services were not sufficient to cover the increased costs, the city borrowed the money to pay for them, which was even more disastrous. It is the compounding of these borrowings over the last few years that has now put the city at the edge of bankruptcy.

What we must face is that the strategy itself is bankrupt. It may have worked in the past in the short run, but as the costs continue to increase and the services continue to deteriorate, the public support for funding actually diminishes rather than increases. Without public support there will be no increased funding. Strikes and strike threats can carry us only so far in forcing the citizenry to put up more money. Union militancy may work well when it forces the public to face up to exploitative wages or unjust working conditions. But when salaries and benefits begin to outstrip those available in private employment or in other communities, coercive tactics only serve to erode public support for the service involved and for its financial underwriting.

Nor is it realistic to hope that the state or Federal Government will bail us out when our own local support begins to decline. Badly as we need increased state and Federal aid for welfare and other national and state responsibilities, our case for this aid is undermined when we use our funds wastefully and teacher salaries and benefits are several thousand dollars higher per teacher than those even in many rich suburbs.

There are persuasive arguments for increased education aid to urban areas, because such areas have greater needs and some unavoidably higher costs. But these arguments fall on deaf ears when those outside the city can point to our abnormally high staff costs and wasteful practices.

What we need is budgeting and performance that can win the respect and support of parents and citizens. This will require painful cuts in costs, rather than cuts in services. It will require re-examination of priorities, such as headquarters expenses that are supposed to help the classroom teacher but that few teachers find actually help them.

It will require a re-examination of the salary structure and the pension system, which, under the new contract would have over 40 per cent of the teaching staff costing over $26,000 per year—a commitment that even wealthy school systems would not try to carry, and that New York City can pay for only by drastic cuts in services and the kind of fiscal gimmicks and pyramidizing that will no longer be allowed.

The proposed new contract is a disaster. It not only makes commitments for the current year (such as $1,500 increases for most teachers) that require cutbacks in educational services, but it contains deferred pension obligations and open-ended salary obligations that are likely to cause even more severe cutbacks in future years.

Adoption of the contract can only further erode public support for our school system both in and outside the city and hasten the decline of public education.

David Seeley is director of the Public Education Association, a privately supported citizens' group for improvement of public education in New York City.
December 23, 1975

Gentlemen:

Attached is a corrected version of the Press Release and related materials I forwarded to you on Friday, December 19th in which Mr. Vincent McDonnell's name was misspelled.

David Seeley
FOR RELEASE: Friday, December 19, 1975

CONTACT: David Seeley  Days: 354-6100
Weekend:  447-6978

PEA QUESTIONS MCDONNELL APPOINTMENT

The Public Education Association today raised serious questions about Governor Hugh Carey's appointment of top labor mediator, Vincent McDonnell, to help resolve the remaining issues on the proposed UFT contract. "A labor mediator has to mediate between two parties," said David Seeley, Director of the Public Education Association, "but in this case the two parties, namely the Board of Education and the UFT, are in agreement in trying to defend the settlement they made under the pressure of the September school strike.

"At the same time, the Emergency Financial Control Board has made it clear that it does not wish to become directly involved in negotiations. Between whom, then, is Mr. McDonnell supposed to mediate? Mr. McDonnell has outstanding qualifications as a mediator, but a mediator can't resolve the most important outstanding issues regarding the proposed contract. The main issues are legal and policy matters which must be decided by the Emergency Financial Control Board: Will it enforce, for instance, the wage freeze under Section 10 of the Emergency Financial Control Act, which the Board of Education is currently violating in paying teacher salary increments? What salary and benefit guidelines will be acceptable for labor contracts during the fiscal emergency? What future pension obligations will be permitted even if they do not have to be paid in many cases until after the three-year period of the City's financial plan?"

Other disturbing issues remain unresolved. What is to be done about the salary reopener in the proposed contract which could increase salaries even further for next year, when budget resources may be
even more limited than this year? What will become of the arrangements for reducing preparation periods when the full school day has to be restored in the fall of 1976, in accordance with the Regents new regulations?

"There is a real danger that a 'settlement' arranged through mediation solely between the Board and the UFT might create commitments with serious implications for other city unions--commitments that could compromise the watchdog function of the control board.

"We wish Mr. McDonnell well in his assignment. It is a difficult one. We urge him to realize that the situation is not the traditional labor-management dispute, and that in addition to the two parties to the proposed contract, there are other real parties at interest, namely the children and the public, who must be heard from. The Board of Education, which is defending the proposed settlement as strongly as the UFT, cannot be counted on to represent these interests."

Background materials are attached
Three months after the announced "settlement" of the 1975 teachers strike, the settlement made by the Board of Education with the United Federation of Teachers remains unsettled.

The Emergency Financial Control Board

The most important challenge to the proposed contract has come from the Emergency Financial Control Board (EFCCB), which rejected the agreement on October 7 as too costly and sent it back for further discussions. Since that time, the EFCCB insists, no further proposals have been submitted to it and no contract has been approved. The Board of Education, however, insists that it is operating under a binding contract.

Possibly to help clear up these contradictions, Governor Hugh Carey finally announced on December 19 that he had appointed labor mediator Vincent McDermott to help resolve remaining issues on the contract. This clearly indicates that no firm contract has yet been approved, but it leaves unresolved how the most important issues are going to be settled, since they are legal and policy issues for the EFCCB and not something a mediator can resolve, namely, whether the control law freezes salary increments and what guidelines the EFCCB plans to establish for collective bargaining agreements during the fiscal emergency. These issues have important implications for other city services and the budget program for the spring term and for next year, when the financial squeeze will continue to confront the city with difficult choices between staff layoffs and increased benefits for remaining staff.

Meanwhile, the Board of Education is going ahead with its plans to spend at least $1.7 million on salary increments this year, even while it says it may have to lay off an additional 3,000 teachers because of the lack of $13 million it must save this year.

The Board of Regents

The Board of Regents also challenged the proposed new contract, but the result is equally inconclusive. State Commissioner Ewald Nyquist and Chancellor Theodore Black were among the earliest critics of the settlement, condemning it as a violation of state educational standards and an abuse of collective bargaining. After
two months of deliberations, the Regents adopted a new regulation, effective November 21, 1975, requiring a full 5-hour day in elementary schools and 5 1/2 hours in high schools. Since the specific penalty of withdrawing state aid for days which fall short of these standards does not become effective until September, 1976, the Board of Education has said it will continue its efforts to force all community school boards to reorganize to the shortened day for the rest of this school year. No matter what the outcome for 1975-1976, the new Regents regulation will require a different solution for 1976-1977.

Lawsuits

The lawsuits brought by the Public Education Association, United Parents Association, community school boards, individual parents, and other groups challenging the legality of the proposed contract have been unsuccessful thus far, but are still on appeal. The reduction of instructional time for children is the primary issue.

The two lower courts emphasized that the decision to shorten the school day is not part of the contract as such; they apparently accept the Board's argument that such policy can be enforced by the Board of Education as a matter of educational policy, adopted within the context of a collective bargaining agreement. The lower courts did not challenge the Board's claim that it has full authority to change its by-laws on the length of the school day without following its own procedures for public hearings and without even following state laws requiring a vote on the matter in an open, public meeting. The Appellate Division, which sustained the lower court on the Board's powers, at least overturned the Board's and UFT's claim that parents have no standing to challenge the proposed contract in court.

The matter is now before the Court of Appeals (the state's highest court), which is being asked to recognize that if the lower court rulings are permitted to stand, they would make virtually any educational policy issue negotiable under the guise that the policy changes would not become part of the contract but merely part of the "implementation" of the contract.
Early in October the Emergency Financial Control Board reviewed the proposed new UFT contract, found that it "gravely violates" the city's plans for fiscal recovery and sent it back for renegotiation. The EFCB listed the costs of pensions and salary increments among the excessive costs of the settlement.

Since that time there has been no renegotiation. In fact the union has printed the proposed contract unchanged, its members have voted to ratify it, and the Board of Education has proceeded to operate as if the contract is approved. It is now processing grievances and holding certain practices to "violate the contract," and it is paying out salary increments in accordance with the terms of the proposed contract. The Board insists that it is doing this under instructions from the city administration, and indeed the city Budget Director, in rejecting the Board's recent proposals for cutting back on sabbaticals and extra annuity payments, has advised the Board that these cannot be approved since they might violate the contract.

What contract? What is going on? Has the contract been approved or hasn't it? Are the Board of Education, union, and city officials trying to get away with business as usual, hoping no one will catch them? Has a high level deal been made to withdraw the EFCB's objections to the contract in return for the use of pension funds to bail out the city? Has the Control Board been too preoccupied with trying to save the city from
imminent bankruptcy to be able to focus on the problem? It is possibly some of each of these things. But the confusion cannot be allowed to persist. The Board of Education's continued operation under the proposed contract as if it were approved will soon be seen as a de facto approval, with the most serious consequences for the current budget, the credibility of the city in Albany and Washington, and the city's ultimate chances for fiscal recovery.

Admittedly, when the Control Board first sent the proposed contract back to the parties it provided no guidelines as to the changes required to make the contract acceptable—for the simple reason that the EPCB had been in existence less than a month and no guidelines existed. The Control Board operates under three main legal mandates affecting collective bargaining: (1) a three-year financial plan to balance the budget required by Section 8 of the control law, (2) the wage freeze required by Section 10 of the law, and (3) the responsibility for reviewing contracts under Section 7(e) of the law. At the time the UFT contract was sent back to the parties the financial plan was still under discussion, and the implications of the wage freeze and contract review provisions had barely been explored. Since that time a very hastily reviewed financial plan has been approved, at least in outline, and the implications of the wage freeze and contract approval requirement remain unclear.

Where does this leave the UFT contract? The Board of Education claims that the contract is in effect approved because its planned expenditures for this year are within the financial plan
approved by the EPCB for this year, and anything that doesn't fit within the plan can be taken care of by a deferral agreement to be worked out with the union. This will not do. Most obviously, it ignores the problem of second year of the contract and the second and third year of the financial plan, when the full annual cost of the proposed contract, the deferred payments, the pension obligations, and the arbitrated salary increases have to be paid.

But even more important, such a view completely avoids the purposes of the wage freeze and contract review provisions of the control law. To allow the contract to go forward as proposed by the Board of Education would in effect be saying that it makes no difference what kind of salary increases, pension obligations, benefits, and working conditions are agreed to so long as enough services are cut back to pay for them within the budget amounts provided in the financial plan. Sections 7(c) and 10 of the law would then have no purpose. In terms of the public commitments made by the Governor and others, however, these sections of the law are among the most important in terms of bringing the city's escalating expenses under control.

An example will illustrate: The Board plans to raise most teachers' salaries by at least $1000 per year this year through step-ups and differentials, on the ground that the money for such increases is within the approved financial plan and that "the contract" requires these increases. The first $500 of such increases (and much more in the case of differentials) are already reflected in paychecks, and the remainder is set aside for paycheck increases on March 1, 1976. The fact that this is done when the world has been
told that we have imposed a wage freeze is not considered. The fact that many teachers are already $2000-4000 above their counterparts in other school districts is not considered. The fact that such practices undermine the city's case for increased state aid is not considered. The fact that some 17 million dollars worth of services must be cut back this year to pay for these increases is not considered. In fact most of what was expected from the new financial control legislation is not considered.

The Board's approach amounts to a classic case of "business as usual," even including the gimmicks to postpone the evil day when many of the payments will come due. If allowed to stand it will certainly discredit the city in its efforts to put on a new face of fiscal responsibility.

A special word about deferral agreements. Under Section 10(2) of the control act, since several officials have mentioned the hope that agreements to defer payment of obligations in the proposed contract might allow the contract to be left intact, and thus remove the awkward dilemmas of renegotiation. But deferral only deals with the problems of cash flow; it does not deal with the problems of basic costs, and may indeed exacerbate them, since the deferred increases only compound the cost problem when they have to be paid in a later year. Our practice in recent years of underfunding the pension obligations has in effect been a form of deferral arrangement, and we can see where this has got us. Deferral is a dangerous thing, because it is such a
tempting way to deal with present political dilemmas, and yet leads to such trouble for the future.

There is really no choice. Unfortunately for the UFT and the Board of Education, the teachers contract is the first to be negotiated in the city's new era of fiscal responsibility. If the EFCSB fails to face up to the need for setting a new course on this contract, a whole new round of collective bargaining will have started down the same old track that helped lead to disaster. It may take some time to work out the new policies for responsible wage and benefit scales, but there is certainly no excuse for allowing the old practices and policies to continue in operation in the meantime. In particular there is no excuse for not at least enforcing the one guideline that has already been laid down by the legislation—a full wage freeze—while the new guidelines are being worked out.

11/24/75
December 17, 1975

TO:    Herbert Elish
       Emergency Financial Control Board

FROM:  David Seeley
       Public Education Association

The enclosed was done for others and doesn't tell you anything you don't already know. Since I've been so generous in sending you memos, however, I didn't want to deprive you of this one. I hope the EFCCB can get on top of this in a constructive way. The school situation is looking more anomalous all the time.

DS/11
Enclosure
cc/ Jay Holt w/encl.
December 17, 1975

MEDIATOR FOR UFT CONTRACT?

The announcement that the Emergency Financial Control Board has authorized Governor Carey to "conclude" the remaining issues regarding the UFT contract and that "some sort of mediator" might be appointed to assist him with this, is disturbing (New York Times, December 9, 1975).

What is the mediator to do? Between whom would he be mediating? The Board of Education and the UFT, the original parties negotiating the contract, are apparently now in agreement in wanting to defend the agreement they concluded in September. The EFCB has made it clear, quite properly, that it does not want to get directly into negotiations; the mediator presumably therefore is not mediating between the two original parties and the EFCB. Between whom, then?

It has been reported that the Governor explained to the EFCB that there are still outstanding issues as to the costs of the proposed contract, and that perhaps the mediator could help to resolve these questions. But the most important issues are not over the costs of the proposed contract. The most important issues are questions of policy, requiring decision by the EFCB. A mediator cannot make these decisions on behalf of the EFCB; nor can the Governor, as only one member of the EFCB.
1. What is the meaning of Section 10 of the Emergency Control Act, in particular, does it freeze salary increments? (Although informal opinions from EFCB sources indicate that it is assumed these are frozen, the Board of Education is paying increments and has set aside funds for further increments on March 1, 1976. At least $17 million is involved - enough to cover the latest threatened further cuts in staff.)

2. What are going to be the guidelines for collective bargaining agreements, which the EFCB will use in carrying out its responsibilities under section 7(e) of the Emergency Control Act? (The proposed UFT contract is the first new collective bargaining agreement to be worked out since the control legislation came into effect. Is a mediator going to set the city and state's policy for pattern for negotiations with the other city unions next spring? In the absence of the development of some guidelines, the idea is taking root that any kind of salary and benefit arrangements are alright so long as they can be paid for within the financial plan. This is clearly inadequate, and would be a tragic abdication of one of the main reasons for the EFCB.)

3. Is there now in effect a binding contract between the Board of Education and the UFT? (The Board of Education, the union, and the city administration are acting on the assumption that there is, and the EFCB, although it denies
it has approved the contract, has taken no action to make it clear that the contract is not yet approved.

Before any "mediator" is appointed, the EFCB should be very clear about his function. It would do no harm to clear up whatever confusions may exist about the costs of the proposed contract, but it would be very damaging to pretend that the mediator could be a substitute for decision-making by the EFCB. At the very least, the EFCB should make it clear to the Board of Education and the city that at present no final contract has been approved. This would permit the city to discuss ways to reduce costs without being told that these would "violate the contract." (N.Y. Post December 17, p.3)
November 24, 1975

Mr. Herbert Elich
Emergency Financial Control Board
2 World Trade Center
New York, New York

Dear Mr. Elich:

I enjoyed your talk at the City Club on Friday and agreed with most of what you had to say. The major exception, as indicated by the phone messages I left with Jay Holt and Patsy Sellew on Friday afternoon, concerns your remarks on the wage freeze and the UFT contract.

From your remarks several of us were left with the impression that the EFCB has not yet had much chance to focus on the wage freeze. We were not quite sure what you meant by the comment that collective bargaining is not affected by the financial control legislation. If you meant that the EFCB does not want to find itself negotiating contracts, that is entirely understandable. But if you meant that the EFCB is not going to develop policy for its contract review responsibility to help the city refigure its salary and pension structure, that's bad news and we hope it's not true.

On the UFT contract, your description of the EFCB's action as one of sending the contract back to the parties to negotiate a wage deferral agreement is not in accord with the statements of the Governor as reported in the press at the time. If a deferral agreement is all we are talking about that also would be bad news, which we again hope is not true. I've prepared a draft explanation of what appears to be the present situation as best we can determine it. I would appreciate you or a member of your staff letting me know if any part of it is off-base or inaccurate.

Some of the people at the City Club thought a meeting with you might be appropriate to discuss those admittedly sticky problems. I would urge such a meeting, since the issues are too explosive to permit any chance of misunderstanding among any of us.

Again, congratulations on your talk and on the services you are performing for the city.

Sincerely,

David Seeley
November 13, 1975

TO: Herbert Elish
FROM: David Seeley

This will confirm my thoughts to you on the phone yesterday about the credibility problem on the UFT contract.

The credibility problem is this: The city has told the world that among the stringent financial disciplines we have undertaken are a wage freeze and the rejection of a proposed UFT contract as too costly. In reality, however, the Board of Education is proceeding to operate under the unapproved contract and, among other things, to pay out increases in salary that, for many teachers who are already $2000 to $4000 above counterparts in other school districts, will amount to at least another $1000, exclusive of additional "new" cost-of-living and longevity increases.

Example: The following table shows the salary plus fringe benefits for a New York City teacher with 5 years experience and an M.A., as of June, 1975, compared to counterparts in other districts (figures are from the Board of Education's Negotiation Note No. 2):

<table>
<thead>
<tr>
<th>NYC</th>
<th>Albany</th>
<th>Buffalo</th>
<th>Rochester</th>
<th>Yonkers</th>
<th>Syracuse</th>
<th>New Rochelle</th>
<th>White Plains</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,815</td>
<td>14,426</td>
<td>15,647</td>
<td>15,962</td>
<td>17,290</td>
<td>15,117</td>
<td>17,619</td>
<td>17,879</td>
</tr>
</tbody>
</table>

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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17,646</td>
<td>18,019</td>
<td>16,250</td>
<td>16,718</td>
<td>17,367</td>
<td>13,204</td>
<td>15,371</td>
</tr>
</tbody>
</table>

The Board's as yet unchanged policy is to raise the $19,815 by at least another $1000. Budgets and payrolls are set up on this assumption.

We are not ogres. We would love to see teachers, particularly those who are especially skillful and dedicated, recognized and rewarded much more than they are today. The PEA has always fought for decent teacher salaries, because they benefit children's education.

Perhaps in heaven teachers will be paid $50,000 a year. But on earth they must be paid in dollars and cents. And the world has its eyes on how we spend our dollars and cents and how this compares with other areas. (Even more important for the education of children, of course, is the fact that dollars used now to increase teachers' salaries cannot be used to retain
other teachers in their jobs and preserve some semblance of an educational program.)

How can we square what we are doing with what we have told the world we are doing? To the outside world there is no way to avoid the impression that for the Board of Education and the city administration, despite all the talk of financial discipline and change, the sacredness of the contract comes first—before the children, before sound management, and before the credibility of the city, in Albany, Washington, an across the nation.

The Board feels constrained to follow present policies until told to do otherwise by the Control Board. The RTCB staff has reportedly reviewed the cost factors for this year, but has not yet decided on the collective bargaining policies. A firm decision to go ahead with the wage freeze is needed soon, so that the money now tied up in increments can be available in considering overall budget levels.

DS/11
October 30, 1975

Board of Education
110 Livingston Street
Brooklyn, New York 11201

Attention: Mr. Isaiah E. Robinson, Jr., President

Gentlemen:

The Memorandum Agreement between the United Federation of Teachers and the Board of Education included various benefits which were not costed out. Most, if not all, of these benefits were enumerated on Page 4 of the enclosed memorandum from Robert B. McKay and Stanley Halperin to the Emergency Financial Control Board.

In resubmitting any revised agreement to the Board, please include a complete statement of the cost effect of all of the terms, including those cited above if they remain part of the proposed contract.

Yours truly,

Sidney Schwartz
Special Deputy Comptroller for New York City

SS:wr
cc: Kenneth C. Axelosn
    Herbert Elish
    Irving Anker
    Dr. Bernard C. Gifford
    Stanley D. Halperin
TO:        Emergency Financial Control Board
FROM:      Messrs. Robert B. McKay and Stanley D. Halperin

The purpose of this memorandum is to comment on the cost implications of the Memorandum of Agreement negotiated between the New York City Board of Education and the United Federation of Teachers (UFT) on September 15, 1975, as requested by the Emergency Financial Control Board (EFCB) on September 26, 1975.

We were not asked to second-guess the collective bargaining process or to evaluate the merits of the settlement, and we express no opinion on those questions. Similarly, we make no recommendation on whether the increased payments and benefits for the agreement should be approved in whole or in part by the EFCB.

The first report made by Messrs. Collins and McKay on September 29 was extremely tentative, based as it was solely on a reading of the Memorandum of Agreement in comparison with the previous contract and preliminary cost figures prepared by the Bureau of the Budget. The purpose of that presentation was to raise questions whose answers were thought necessary for the members of the EFCB to make an informed judgment. Further study, with the helpful assistance of representatives of the Bureau of the Budget and materials provided by the Board of Education, makes it possible to answer many of those questions with more confidence. Representatives of the UFT stated that they concur generally in the cost data submitted by the Board of Education, and had no additional cost data for consideration by the EFCB.
The attached analysis incorporates the best information now available, and we believe that it presents a fair posture of the cost implications of the agreement. Nevertheless, there remain a number of uncertainties not only about the significance of the data but even as to the terms of the agreement. To illustrate:

1. The Memorandum of Agreement does not detail all the terms on which agreement was reached. There is, for example, no statement in the Memorandum of Agreement about the rehiring of teachers or the source of funding for that purpose. While some information has been published about this item, there are divergent reports as to the number of teachers to be rehired, sometimes stated as 2,000, sometimes as 2,400; and we are orally told that as many teachers will be rehired as the amount of the Taylor Law penalties would permit. Moreover, the agreement on cost of living adjustments in the Memorandum of Agreement only refers to a one-time award of $300, but Deputy Chancellor Gifford quotes a formula for determing the amount and suggests its continuance into 1976-77.

2. We were told by the Bureau of Budget representatives that certain costs are already budgeted for 1975-76, and would, under normal circumstances, carry over into 1976-77. The Board of Education contends that such costs are not subject to the suspension provisions of the Emergency Financial Control Board. The amount in question is reflected in the attachments as $62.1 million.

3. There is not complete agreement as to the cost implications for 1976-77, the second year of the two-year agreement. For example, if the
teachers whose rehiring is contemplated are continued for 1976-77, Taylor Law penalties would not be available, which means additional costs in 1976-77 measured by the number of teachers rehired times their average salary and benefits for that year. It is possible, of course, that the number of teachers might be reduced by attrition; but that in turn would raise anew questions about class size and preparation periods. The Memorandum of Agreement is silent on this subject, too. Moreover, it is unclear whether the cost-of-living adjustment in the 1975-76 year will be enlarged by a similar, a smaller, or a still larger amount in 1976-77. The Memorandum of Agreement provides no answer; but it seems reasonable to assume that there may be an additional cost for the second year of the agreement. Finally, it appears to be assumed that the step and differential increases in the previously existing contract will be continued not only in 1975-76 but as well in 1976-77 and beyond. Even if those steps and differentials are not made more costly as a result of the reopening of the contract in 1976, these additional costs must be taken into account for future planning.

4. The Memorandum of Agreement provides for reopening the salary provisions in 1976, settlement to be resolved by arbitration. There is no way to assess what might be the costs of that reopening for 1976-77.

5. The Memorandum of Agreement provides for a number of additional adjustments to the basic contract which will presumably necessitate additional, though probably minor, costs. The parties have not costed out the following items, nor have we:
a. Under III B, dealing with Medical Review, there will be additional costs, probably not measurable at this time.

b. Under IV C, dealing with Safety, an assaulted employee will be paid for his days off for court appearance. This too is not measurable at this time, except to the extent that the Board of Education may have data as to the incidence of court appearances in the past.

c. Under VII A, dealing with Benefits, it is provided that vacation pay shall be prorated for all teachers appointed after the start of the school year. This is a new cost item, but probably insignificant since there are likely to be very few new appointments.

d. Under IX B, dealing with Miscellaneous Conditions, employees absent due to reaction from skin tests will not suffer a loss of sick days.

e. Under X A, a teacher will not lose a preparation period due to a change in the normal school schedule.

f. Under XIX, bi-lingual teachers will have a full duty-free lunch period on the same basis as classroom teachers. This will probably involve some cost.

g. Under XXI, the work year of laboratory specialists will be the same as that of classroom teachers.

h. Under XXIII B, new provisions for vacation days and work day hours will probably involve some cost.

i. Under XXIV, various additional benefits are provided for paraprofessionals.
6. The Memorandum of Agreement provides for an increase in teaching periods for some teachers through a reduction in paid preparation time. This reduction is reflected in Footnote (i) to the attachment.
The attached analysis identifies the full costs associated with the agreement between the Board of Education and the UFT. It includes the costs of continuing the basic salary structure of increments and differentials, the new costs or adjustments to the basic salary schedule, and future pension costs related to this agreement.

It should be noted that this approach is a departure from general practice relating to the Board of Education by which the continuing costs of the basic salary structure were calculated and funded separately from the additional costs or salary adjustments anticipated to be the result of collective bargaining agreements to be entered into. For this reason, the 1975-76 Education Budget provided $17.8 million directly to the line schedule to cover new increments, while $44.3 million was appropriated in a lump sum reserve to fund any additional costs ensuing from the collective bargaining agreement.

The agreement has only been costed out for tax levy funded employees. It has excluded those employees in Federally funded programs as their costs will be covered completely within the funding available. Also, this analysis has not computed costs which would ensue from various minor adjustments to the basic contract.

10/6/75
COST IMPLICATIONS OF BOARD OF EDUCATION-UFT
MEMORANDUM OF UNDERSTANDING

<table>
<thead>
<tr>
<th>Item</th>
<th>1975-76</th>
<th>1976-77</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Cost Budget</td>
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<td></td>
</tr>
<tr>
<td>1. INCREMENTS</td>
<td>$17.8m.</td>
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<td>2. LONGEVITY</td>
<td>23.6</td>
<td>34.3</td>
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<tr>
<td>3. COST OF LIVING</td>
<td>15.2</td>
<td>15.2</td>
</tr>
<tr>
<td>4. SUPPLEMENTAL BENEFITS</td>
<td>1.9</td>
<td>4.4</td>
</tr>
<tr>
<td>5. BENEFITS FOR LAYOFFS</td>
<td>2.2</td>
<td>d.</td>
</tr>
<tr>
<td>6. PARAPROFESSIONALS</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$61.2</td>
<td>$98.4</td>
</tr>
<tr>
<td>7. REHIRES</td>
<td>25.0</td>
<td>32.1</td>
</tr>
<tr>
<td>Total</td>
<td>$86.7</td>
<td>$130.5</td>
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<tr>
<td>8. PENSION COSTS DUE TO CONTRACT</td>
<td>20.2</td>
<td>38.7</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>$106.4m.</td>
<td>$169.2</td>
</tr>
<tr>
<td>i. PREPARATION TIME</td>
<td>(36.7)</td>
<td>(44.0)</td>
</tr>
<tr>
<td>10. REDUCE SABBATICALS</td>
<td></td>
<td>(1.5).</td>
</tr>
</tbody>
</table>

* Reflects 1975-76 Expense Budget appropriations carried over into 1976-77 as base budget.
a. 1975-76 costs are cash requirements for 1975-76 assuming no freeze or deferral agreements; 1976-77 costs are the full year costs plus any additional costs, computed on a cash basis, where applicable.

b. The current salary structure, which the agreement continues, is provided in Attachment A. In summary, a teacher moves up a step on the anniversary of his appointment and again on March 1. The increase in annual salary is in most cases $500 per step or $1,000 per year.

As the increments are not effective until after the start of the fiscal year -- usually around September and always on March 1 -- only the cash cost of new increments must be appropriated in a given year. That increment, however, must be annualized in the subsequent year. Thus, a budget line for a teacher must cover the annualization of increments awarded in the prior year plus the cash cost of increments to be granted in the current year.

The cash cost of new increments to be paid in 1975-76 is $17.8 million. (Not shown is $18.5 million which is the cost of annualizing the increments granted during 1974-75.) In 1976-77 $14.3 million will be required to annualize the 1975-76 increments (this amount has been adjusted to reflect layoffs). New increments will cost about $12.0 million.

c. The range in cost of the COLA payment results from differences in the number of staff who would receive the payment. The lower figure is based on the Board of Education's projections of the impact of layoffs. The higher is based on Office of Management and Budget estimates.

Although the Memorandum of Agreement does not so state, according to the Board of Education the COLA is based on the standard CPI formula and will continue in 1976-77. Board of Education projections had presumed the ceiling of $300 would continue in effect, however, UFT officials recognize no ceiling in the second year. The lower figure reflects the ceiling rate and the lower number of employees. The higher figure reflects both the $362 rate and the higher number of employees.

d. For the purpose of this analysis, a static payroll has been assumed. Thus there would be no cost of maintaining benefits for layoffs next year.
e. It is the opinion of the NYC Law Department that the lost pay and Taylor Law penalties accrue to the Board of Education as these are in the form of withholding against normally paid salaries. The Board would have the same flexibility in using these accruals in 1975-76 as it has for other funds appropriated to it. Thus, the cost of rehiring 2,000 or so teachers can be considered as being funded in 1975-76.

f. The 1976-77 cost is that which would be incurred if the 2,000 were maintained on the payroll and includes the cost of increments due to them.

g. The pension cost shown in 1975-76 is payable in 1977-78 and is comprised as follows:

\[
\begin{array}{ll}
\text{Attributable to:} & \text{increments} \quad 4.8 \text{ m.} \\
& \text{longevity} \quad 15.4 \\
\text{Total} & 20.2 \text{ m.}
\end{array}
\]

h. The pension cost shown in 1976-77 is payable in 1978-79 and is comprised as follows:

\[
\begin{array}{ll}
\text{Attributable to:} & \text{increments} \quad 11.9 \text{ m.} \\
& \text{longevity} \quad 13.2 \\
& \text{rehires} \quad 3.6 \\
\text{Total} & 33.7 \text{ m.}
\end{array}
\]

i. Although the waiver and rescheduling of teacher preparation time have been quantified as savings, these savings were anticipated in preparing the Expense Budget for Education and thus do not offset the additional cost of the settlement.

The cost of teacher prep time is the cost of hiring a second teacher to cover the class while the first is "preparing." Simplistically, the number of teachers per pupil and the amount of prep time largely determine the class size which can be maintained. The 1975-76 Education Budget reduced the number of teachers per pupil. The result, given no change in preparation time, was an increase in class size. The settlement reduced the amount of preparation time requiring coverage so that class size could be reduced to or near prior levels. Had no cuts in teachers been made in the Education Budget, the savings would be as shown in the cost analysis.
### BASIC DATA

#### UFT COVERED TITLES:

<table>
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<tr>
<th></th>
<th>Total</th>
<th>10 yrs.</th>
<th>15 yrs.</th>
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<tbody>
<tr>
<td>Teachers</td>
<td>50,700</td>
<td>11,000</td>
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<tr>
<td>Related Positions</td>
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<td><strong>Sub-Total</strong></td>
<td>57,883</td>
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<td>15,000</td>
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<td>School Secretaries</td>
<td>3,428</td>
<td>744</td>
<td>1,015</td>
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<td>Lab Specialists</td>
<td>439</td>
<td>95</td>
<td>130</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>3,867</td>
<td>839</td>
<td>1,145</td>
</tr>
<tr>
<td><strong>Total UFT Titles</strong></td>
<td>61,750</td>
<td>11,839</td>
<td>16,145</td>
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</table>

#### TAX LEVY UFT PARAPROFESSIONALS:

- Hours Budgeted: 1,350,714 Hours
- Total Cost: $6,167,616
- Budgeted Hourly Rate: $4.57/Hour

Source: OMB
## ATTACHMENT A

### SALARY SCHEDULES EFFECTIVE
#### SEPTEMBER 9, 1974

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<th></th>
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<tr>
<td><strong>Salary Step</strong></td>
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<td><strong>E.A.</strong></td>
<td><strong>M.A. Plus</strong></td>
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<tr>
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<td>1B</td>
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<tr>
<td>2B</td>
<td>10,500</td>
<td>11,000</td>
<td>11,925</td>
<td>12,850</td>
</tr>
<tr>
<td>3A</td>
<td>11,000</td>
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<td>12,425</td>
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<td>3B</td>
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<tr>
<td>4A</td>
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<tr>
<td>4B</td>
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<td>13,000</td>
<td>13,925</td>
<td>14,850</td>
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<tr>
<td>5A</td>
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<td>Overtime Pay</td>
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<tr>
<td>6.2</td>
<td>3,200</td>
<td>300</td>
<td>$600</td>
<td></td>
</tr>
</tbody>
</table>

Note: The table above outlines the salary grades and pay rates for different grades, along with the total income and various payroll deductions and adjustments. The table is designed to help in understanding the compensation structure for employees.
Early in October the Emergency Financial Control Board reviewed the proposed new UFT contract, found that it "gravely violates" the city's plans for fiscal recovery and sent it back for renegotiation. The EFCB listed the costs of pensions and salary increments among the excessive costs of the settlement.

Since that time there has been no renegotiation. In fact the union has printed the proposed contract unchanged, its members have voted to ratify it, and the Board of Education has proceeded to operate as if the contract is approved. It is now processing grievances and holding certain practices to "violate the contract," and it is paying out salary increments in accordance with the terms of the proposed contract. The Board insists that it is doing this under instructions from the city administration, and indeed the city Budget Director, in rejecting the Board's recent proposals for cutting back on sabbaticals and extra annuity payments, has advised the Board that these cannot be approved since they might violate the contract.

What contract? What is going on? Has the contract been approved or hasn't it? Are the Board of Education, union, and city officials trying to get away with business as usual, hoping no one will catch them? Has a high level deal been made to withdraw the EFCB's objections to the contract in return for the use of pension funds to bail out the city? Has the Control Board been too preoccupied with trying to save the city from
imminent bankruptcy to be able to focus on the problem? It is possibly some of each of these things. But the confusion cannot be allowed to persist. The Board of Education's continued operation under the proposed contract as if it were approved will soon be seen as a de facto approval, with the most serious consequences for the current budget, the credibility of the city in Albany and Washington, and the city's ultimate chances for fiscal recovery.

Admittedly, when the Control Board first sent the proposed contract back to the parties it provided no guidelines as to the changes required to make the contract acceptable—for the simple reason that the EFCB had been in existence less than a month and no guidelines existed. The Control Board operates under three main legal mandates affecting collective bargaining: (1) a three-year financial plan to balance the budget required by Section 8 of the control law, (2) the wage freeze required by Section 10 of the law, and (3) the responsibility for reviewing contracts under Section 7(e) of the law. At the time the UFT contract was sent back to the parties the financial plan was still under discussion, and the implications of the wage freeze and contract review provisions had barely been explored. Since that time a very hastily reviewed financial plan has been approved, at least in outline, and the implications of the wage freeze and contract approval requirement remain unclear.

Where does this leave the UFT contract? The Board of Education claims that the contract is in effect approved because its planned expenditures for this year are within the financial plan
approved by the EFCB for this year, and anything that doesn't fit within the plan can be taken care of by a deferral agreement to be worked out with the union. This will not do. Most obviously, it ignores the problem of second year of the contract and the second and third year of the financial plan, when the full annual cost of the proposed contract, the deferred payments, the pension obligations, and the arbitrated salary increases have to be paid. But even more important, such a view completely avoids the purposes of the wage freeze and contract review provisions of the control law. To allow the contract to go forward as proposed by the Board of Education would in effect be saying that it makes no difference what kind of salary increases, pension obligations, benefits, and working conditions are agreed to so long as enough services are cut back to pay for them within the budget amounts provided in the financial plan. Sections 7(e) and 10 of the law would then have no purpose. In terms of the public commitments made by the Governor and others, however, these sections of the law are among the most important in terms of bringing the city's escalating expenses under control.

An example will illustrate: The Board plans to raise most teachers' salaries by at least $1000 per year this year through step-ups and differentials, on the ground that the money for such increases is within the approved financial plan and that "the contract" requires these increases. The first $500 of such increases (and much more in the case of differentials) are already reflected in paychecks, and the remainder is set aside for paycheck increases on March 1, 1976. The fact that this is done when the world has been
told that we have imposed a wage freeze is not considered. The fact that many teachers are already $2000-4000 above their counterparts in other school districts is not considered. The fact that such practices undermine the city's case for increased state aid is not considered. The fact that some 17 million dollars worth of services must be cut back this year to pay for these increases is not considered. In fact most of what was expected from the new financial control legislation is not considered.

The Board's approach amounts to a classic case of "business as usual," even including the gimmicks to postpone the evil day when many of the payments will come due. If allowed to stand it will certainly discredit the city in its efforts to put on a new face of fiscal responsibility.

A special word about deferral agreements under Section 10(2) of the control act, since several officials have mentioned the hope that agreements to defer payment of obligations in the proposed contract might allow the contract to be left intact, and thus remove the awkward dilemmas of renegotiation. But deferral only deals with the problems of cash flow; it does not deal with the problems of basic costs, and may indeed exacerbate them, since the deferred increases only compound the cost problem when they have to be paid in a later year. Our practice in recent years of underfunding the pension obligations has in effect been a form of deferral arrangement, and we can see where this has got us. Deferral is a dangerous thing, because it is such a
tempting way to deal with present political dilemmas, and yet
leads to such trouble for the future.

There is really no choice. Unfortunately for the UFT and the
Board of Education, the teachers contract is the first to be
negotiated in the city's new era of fiscal responsibility. If
the EFCB fails to face up to the need for setting a new course
on this contract, a whole new round of collective bargaining will
have started down the same old track that helped lead to disaster.
It may take some time to work out the new policies for responsible
wage and benefit scales, but there is certainly no excuse for
allowing the old practices and policies to continue in operation
in the meantime. In particular there is no excuse for not at
least enforcing the one guideline that has already been laid down
by the legislation—a full wage freeze—while the new guidelines
are being worked out.

11/24/75
October 20, 1975

HAND DELIVER

TO:    Mr. Herbert Elish
       Emergency Financial Control Board
       c/o The Governor's Office
       State of New York
       1350 Avenue of the Americas (10th floor)
       New York, New York 10019

FROM:  David Seely, Director
       Public Education Association

SUBJ:  UFT CONTRACT SETTLEMENT

I am enclosing several copies of our recent report on the proposed UFT contract which the Emergency Financial Control Board (EFCB) might find useful. Although written for the school community, it covers some of the questions we assume the EFCB will also have to consider in regard to salary policy under the city's new fiscal plan. We are counting on the assurances from the Governor that no "deal" was made on Friday with the UFT to withdraw the EFCB's objections to the proposed contract, but for many people suspicions will be allayed only by the control board's actions in the days to come.

One important step by EFCB will be the action it takes on the annual "step-ups" and "differential" salary increases which the Board of Education and the union have assumed will continue in full as part of the new contract (even though they are not in the "Memorandum of Agreement"). Since these increments, which are more than double the state average, are part of the reason New York City salaries have gotten so far out of line, we assume there is no way in which the city can put its financial house in order unless the increments are held up in the new contract and the salary structure is given a close look and revised as may be needed.

The Board of Education is currently operating on the assumption that the increments are not frozen, and, as far as we know, has been paying the increased salaries as they come due under the old rules. Clarification of the new rules is therefore needed from the EFCB as soon as possible.

All of this is especially urgent now that the Board of Education is faced with new budget cuts. It would be far better for the cuts to be made by suspending the increments (as called for in Section 10 of the EFC Law) than by further disruption of the educational program. We are convinced that any
TO: Mr. Herbert Elish  
October 20, 1975

Further cut in classroom staff will have seriously harmful effects not only on the children involved, but on the long-term financial recovery of the city, since it would accelerate the withdrawal of business and middle-class families from the city. Given the school system's rules on seniority and city-wide "bumping," further cuts in classroom staff would have a disruptive effect far beyond the loss of the services involved. Suspension of salary increments now, therefore, would serve the double purpose of minimizing disruption of the schools, while at the same time initiating the necessary re-evaluation of salary policy for the future.

Full review of the salary structure with the union may take some time. In order to make salary comparisons with other school systems and to consider the options available it might make sense, therefore, for interim arrangements to be worked out on the basis of a temporary freeze on all kinds of salary increases while the necessary time is taken to develop a salary policy that everyone can live with for the next few years.

DS/11
Enclosures
The U.F.T. Settlement

By David S. Seely

One of the most important tasks facing New York City is the financial crisis is to maintain essential services while holding down their cost. The new contract proposed by the Board of Education and the United Federation of Teachers is just the wrong kind of solution. It represents a continuing increase in costs, accompanied by a drastic cut in services to children. In rejecting the proposed contract, the state's new Emergency Financial Control Board is raising issues that the Board of Education and the union have ignored up to now.

The union and the board are following a classic strategy, one unfortunately followed by the city administration in other city services as well: By cutting highly visible services, such as the length of the school day, the teaching staff, and athletics, it is hoped that the public outcry will somehow produce more money.

When such a strategy succeeds, everyone is supposed to come out ahead: The desired services are restored, and the board and the union have avoided the painful choices of cutting costs.

It is this kind of strategy that has helped to create the fiscal crisis in New York City in the first place. We have consistently contracted for higher costs than we could pay for. The result in the schools has been that while the budget has increased every year for the last five years—sometimes by very substantial amounts of $200 million to $300 million—services for children have been reduced, because the increases in salaries, pensions, and fringe benefits "mandated" through U.F.T. contract negotiations have always more than used up the increased funds.

When the cuts in services were not sufficient to cover the increased costs, the city borrowed the money to pay for them, which was even more disastrous. It is the compounding of these borrowings over the last few years that has now put the city at the edge of bankruptcy.

What we must face is that the strategy itself is bankrupt. It may have worked in the past in the short run, but as the costs continue to increase and the services continue to deteriorate, the public support for funding actually diminishes rather than increases.

Without public support there will be no increased funding. Strikes and strike threats can carry us only so far in forcing the citizenry to put up more money. Union militancy may work well when it forces the public to face up to exploitative wages or unjust working conditions. But when salaries and benefits begin to outstrip those available in private employment or in other communities, coercive tactics only serve to erode public support for the service involved and for its financial underwriting.

Nor is it realistic to hope that the state or Federal Government will bail us out when our own local support begins to decline. Sadly as we need increased state and Federal aid for welfare and other national and state responsibilities, our case for this aid is undermined when we use our funds wastefully and teacher salaries and benefits are several thousand of dollars higher per teacher than those even in many rich suburbs.

There are persuasive arguments for increased education aid to urban areas, because such areas have greater needs and some unavoidably higher costs. But these arguments fall on deaf ears when those outside the city can point to our abnormally high staff costs and wasteful practices.

What we need is budgeting and performance that can win the respect and support of parents and citizens. This will require painful cuts in costs, rather than cuts in services. It will require re-examination of priorities, such as headquarters expenses that are supposed to help the classroom teacher but that few teachers find actually help them.

It will require a re-examination of the salary structure and the pension system, which under the new contract would have over 40 per cent of the teaching staff costing over $28,000 per year—a commitment that even wealthy school systems would not try to carry, and that New York City can pay for only by drastic cuts in services and the kind of fiscal gimmicks and pyramid borrowing that will no longer be allowed.

The proposed new contract is a disaster. It not only makes commitments for the current year (such as $1,300 increases for most teachers) that require cutbacks in educational services, but it contains deferred pension obligations and open-ended salary obligations that are likely to cause even more severe cutbacks in future years.

Adoption of the contract can only further erode public support for our school system both in and outside the city and hasten the decline of public education.

David Seely is director of the Public Education Association, a privately supported citizens' group for improvement of public education in New York City.
The attached analysis identifies the full costs associated with the agreement between the Board of Education and the UPT. It includes the costs of continuing the basic salary structure of increments and differentials, the new costs or adjustments to the basic salary schedule, and future pension costs related to this agreement.

It should be noted that this approach is a departure from general practice relating to the Board of Education by which the continuing costs of the basic salary structure were calculated and funded separately from the additional costs or salary adjustments anticipated to be the result of collective bargaining agreements to be entered into. For this reason, the 1975-76 Education Budget provided $17.8 million directly to the line schedule to cover new increments, while $44.3 million was appropriated in a lump sum reserve to fund any additional costs ensuing from the collective bargaining agreement.

The agreement has only been costed out for tax levy funded employees. It has excluded those employees in Federally funded programs as their costs will be covered completely within the funding available. Also, this analysis has not computed costs which would ensue from various minor adjustments to the basic contract.

10/6/75
<table>
<thead>
<tr>
<th>Category</th>
<th>1975-76</th>
<th>1976-77</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. COST OF LIVING</td>
<td>$15.2</td>
<td>$18.6</td>
</tr>
<tr>
<td>2. INCREMENT</td>
<td>$2.3</td>
<td>$2.6</td>
</tr>
<tr>
<td>3. INTEREST</td>
<td>$34.3</td>
<td>$44.3</td>
</tr>
<tr>
<td>4. SUPPLEMENTARY BENEFITS</td>
<td>$1.9</td>
<td>$6.2</td>
</tr>
<tr>
<td>5. BENEFITS FOR VETERANS</td>
<td>$2.2</td>
<td>$5.2</td>
</tr>
<tr>
<td>6. PHARMACIST/SUPPORTING STAFF</td>
<td>$6.4</td>
<td>$6.9</td>
</tr>
<tr>
<td>7. MORTGAGES</td>
<td>$32.0</td>
<td>$68.7</td>
</tr>
<tr>
<td>8. TOTAL PENSIION COSTS</td>
<td>$76.7</td>
<td>$89.6</td>
</tr>
<tr>
<td>9. PREPARATION TIME</td>
<td>$310.6</td>
<td>$410.9</td>
</tr>
<tr>
<td>10. TOTAL</td>
<td>$383.2</td>
<td>$419.8</td>
</tr>
</tbody>
</table>

**Budget:**

- 1975-76: $62.1
- 1976-77: $176.7

**Base:**

- 1975-76: $44.0
- 1976-77: $44.7

**Notes:**
- Carried over into 1976-77 as base budget.
- Reflects 1975-76 expenses budget appropriations.
a. 1975-76 costs are cash requirements for 1975-76 assuming no freeze or deferral agreements; 1976-77 costs are the full year costs plus any additional costs, computed on a cash basis, where applicable.

b. The current salary structure, which the agreement continues, is provided in Attachment A. In summary, a teacher moves up a step on the anniversary of his appointment and again on March 1. The increase in annual salary is in most cases $500 per step or $1,000 per year.

As the increments are not effective until after the start of the fiscal year -- usually around September and always on March 1 -- only the cash cost of new increments must be appropriated in a given year. That increment, however, must be annualized in the subsequent year. Thus, a budget line for a teacher must cover the annualization of increments awarded in the prior year plus the cash cost of increments to be granted in the current year.

The cash cost of new increments to be paid in 1975-76 is $17.8 million. (Not shown is $18.5 million which is the cost of annualizing the increments granted during 1974-75.) In 1976-77 $14.3 million will be required to annualize the 1975-76 increments (this amount has been adjusted to reflect layoffs). New increments will cost about $12.0 million.

c. The range in cost of the COLA payment results from differences in the number of staff who would receive the payment. The lower figure is based on the Board of Education's projections of the impact of layoffs. The higher is based on Office of Management and Budget estimates.

Although the Memorandum of Agreement does not so state, according to the Board of Education the COLA is based on the standard CPI formula and will continue in 1976-77. Board of Education projections had presumed the ceiling of $300 would continue in effect, however, UFT officials recognize no ceiling in the second year. The lower figure reflects the ceiling rate and the lower number of employees. The higher figure reflects both the $300 rate and the higher number of employees.

d. For the purpose of this analysis, a static payroll has been assumed. Thus there would be no cost of maintaining benefits for layoffs next year.
e. It is the opinion of the NYC Law Department that the lost pay and Taylor Law penalties accrue to the Board of Education as these are in the form of withholding against normally paid salaries. The Board would have the same flexibility in using these accruals in 1975-76 as it has for other funds appropriated to it. Thus, the cost of rehiring 2,000 or so teachers can be considered as being funded in 1975-76.

f. The 1976-77 cost is that which would be incurred if the 2,000 were maintained on the payroll and includes the cost of increments due to them.

g. The pension cost shown in 1975-76 is payable in 1977-78 and is comprised as follows:

<table>
<thead>
<tr>
<th>Attributable to:</th>
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<tr>
<td>increments</td>
<td>$ 4.8 m.</td>
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<tr>
<td>longevity</td>
<td>15.4</td>
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<tr>
<td>Total</td>
<td>$ 20.2 m.</td>
</tr>
</tbody>
</table>

h. The pension cost shown in 1975-76 is payable in 1978-79 and is comprised as follows:

<table>
<thead>
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<th>Attributable to:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>increments</td>
<td>$ 11.9 m.</td>
</tr>
<tr>
<td>longevity</td>
<td>18.2</td>
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<tr>
<td>rehires</td>
<td>8.6</td>
</tr>
<tr>
<td>Total</td>
<td>$ 38.7 m.</td>
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</table>

i. Although the waiver and rescheduling of teacher preparation time have been quantified as savings, these savings were anticipated in preparing the Expense Budget for Education and thus do not offset the additional cost of the settlement.

The cost of teacher prep time is the cost of hiring a second teacher to cover the class while the first is 'preparing'. Simplistically, the number of teachers per pupil and the amount of prep time largely determine the class size which can be maintained. The 1975-76 Education Budget reduced the number of teachers per pupil. The result, given no change in preparation time, was an increase in class size. The settlement reduced the amount of preparation time requiring coverage so that class size could be reduced to or near prior levels. Had no cuts in teachers been made in the Education Budget, the savings would be as shown in the cost analysis.
### Basic Data

**UPT Covered Titles:**

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<thead>
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<th>Category</th>
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<th>10 yrs.</th>
<th>15 yrs.</th>
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</thead>
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<td>Teachers</td>
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<tr>
<td>Related Positions</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>57,883</td>
<td>11,000</td>
<td>15,000</td>
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<tr>
<td>School Secretaries</td>
<td>3,428</td>
<td>744</td>
<td>1,015</td>
</tr>
<tr>
<td>Lab Specialists</td>
<td>439</td>
<td>95</td>
<td>130</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>3,867</td>
<td>839</td>
<td>1,145</td>
</tr>
<tr>
<td><strong>Total UPT Titles</strong></td>
<td>61,756</td>
<td>11,839</td>
<td>16,145</td>
</tr>
</tbody>
</table>

### Tax Levy UPT Paraprofessionals:

- Hours Budgeted: 1,350,714 Hours
- Total Cost: $6,367,616
- Budgeted Hourly Rate: $4.57/Hour

Source: OMB
### ATTACHMENT A

### SALARY SCHEDULES EFFECTIVE

**SEPTEMBER 9, 1974**

<table>
<thead>
<tr>
<th>Salary Step</th>
<th>Description</th>
<th>C1</th>
<th>C2 Including Intermediate Differential</th>
<th>C4 Including Promotional Differential</th>
<th>Earned M.A. or Equivalent Plus 20 Credits</th>
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<tbody>
<tr>
<td>1A</td>
<td>$9,700</td>
<td>$10,200</td>
<td>$11,125</td>
<td>$12,050</td>
<td>$11,550</td>
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<tr>
<td>1B</td>
<td>9,700</td>
<td>10,200</td>
<td>11,125</td>
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<td>11,550</td>
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<tr>
<td>2A</td>
<td>10,000</td>
<td>10,500</td>
<td>11,425</td>
<td>12,360</td>
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<tr>
<td>2B</td>
<td>10,500</td>
<td>11,000</td>
<td>11,925</td>
<td>12,850</td>
<td>12,350</td>
</tr>
<tr>
<td>3A</td>
<td>11,000</td>
<td>11,500</td>
<td>12,425</td>
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<td>13,425</td>
<td>14,350</td>
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<tr>
<td>4B</td>
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<td>6A</td>
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<td>14,500</td>
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<td>15,850</td>
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<tr>
<td>6B</td>
<td>14,500</td>
<td>15,000</td>
<td>15,925</td>
<td>16,850</td>
<td>16,350</td>
</tr>
<tr>
<td>7A</td>
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<tr>
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<td>16,000</td>
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<td>17,850</td>
<td>17,350</td>
</tr>
<tr>
<td>8A</td>
<td>16,000</td>
<td>16,500</td>
<td>17,425</td>
<td>18,350</td>
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<tr>
<td>8B</td>
<td>16,500</td>
<td>17,000</td>
<td>18,075</td>
<td>19,000</td>
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</table>
NYC's charter school deal is a test of reform

BY JAMES A. WECHSLER

The School Deal

New York Post

September 13, 1994

The New York City Board of Education has struck a historic bargain that is both good for the city's public school students and good for the city itself. By opening up the charter school system to private management, the Board has created a new opportunity for innovation and excellence in education.

Charter schools are publicly funded and accountable, but they operate under a flexible and innovative model. They are allowed to set their own curricula, use alternative teaching methods, and even choose their own staff. In return, they are held to higher standards of accountability and transparency.

This system is not without its risks. If a charter school fails, it can be closed by the city. But if it succeeds, it can spread its methods to other schools. The beauty of this system is that it leverages the strengths of private sector management to drive improvements in the public schools.

For example, the Success Academy charter school network has proven to be highly effective, with students performing significantly better than their peers in traditional public schools. Success Academy has expanded to other districts and now serves students from kindergarten through grade 5.

The School Deal is a landmark moment in the ongoing reform of New York City's public schools. It is a testament to the Board's commitment to providing all students with a quality education. And it shows that partnership between the public and private sectors can lead to meaningful change.

James A. Wechsler

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Back to School...

The proposed settlement in the week-old teachers' strike is working its laborious way through the wrap-up process, with hopes high that classes will reopen tomorrow. Essential as is a swift end to the damaging interruption in the education of a million children, the peace terms reflect only dim awareness by either the United Federation of Teachers or the Board of Education of the desperateness of the city's financial crunch.

The extent to which the bulk of the sacrifices required by drastic budget cuts will have to be made by pupils, not teachers, becomes clearer with each new disclosure of what the accord contains. Behind the union's pious protestation of readiness to surrender any claim to higher pay if $43 million in frozen wage increases could be used to cut class size was a cushion—spotlighted until protesting parents called attention to it yesterday—of $43 million already guaranteed to U.F.T. members in automatic increments for experience and graduate training.

That money, according to David Salsburg, director of the Public Education Association, could be better-used to rehire 2,500 laid-off teachers, a contribution both to holding down the size of classes and reducing the need for the planned shortening of the school week by two periods.

Now that the city has put the city's $43 million cut of immediate reach, the union and the board have decided to work it up anyway in the form of additional pay boosts to be taken by the teachers when—If ever—New York climbs out of the deep freeze of chronic deficits. Whether these phantom increases now become a jumping-off point for raising pensions and other expensive fringe benefits will be, among the first major issues before the new Emergency Financial Control Board. It also has the responsibility under the wage-freeze law passed by the City Council for deciding whether the $43 million in "automatic" increments takes effect.
Memorandum of Agreement
September 15, 1975

The Board and the Union agree to include in the successor agreements effective September 9, 1975—September 9, 1977 the following matters agreed to between them as applicable to the various bargaining units.

1. Job Security

A. No Reprisal Clause—Effective Immediately

The Board of Education agrees that, as a result of the strike and its related activities, it will not dismiss, demote, discipline, or otherwise act against any staff member because of his or her participation in said strike or related activities. Specifically excluded from the foregoing are any and all provisions of the Taylor Law (New York Civil Service Law, Section 200 et seq.), none of which are waived hereby.

Any records of court proceedings or other memoranda relating to job action or strike shall not be put in a staff member's permanent file, except as required by law.

This clause is subject to binding arbitration.

B. Layoffs

Employees on layoff who may be placed on a preferred list in another license other than the one in which they are laid off will be so placed.

The Board and the Union agree to jointly sponsor legislation to provide for the reemployment of laid off pedagogical employees in licenses other than the one in which they are laid off on the basis of their system-wide seniority. The legislation shall provide that employees who are so placed in positions for which a lower salary is established shall be paid at the salary of the position in which they are serving while awaiting recall to their former positions from a preferred list.

C. Rule 4-A (new): Teachers in the same license, appointed on the basis of a National Teachers Examination, whose date of appointment is the same, are to be listed for excessing purposes on the basis of the comparative dates of the tests, and the teacher with the latest date shall be the first to be excessed.

Rule 4-B (new): Teachers appointed on the basis of a National Teachers Examination who have the same date of appointment as that of teachers appointed from Board of Examiners eligible lists are to be listed for excessing with other teachers in their license on the basis of comparing the qualified test date with the date of completion of the eligible list and the teacher with the latest date shall be the first to be excessed.

Rule 5: Where teachers of common branches are serving in the junior high schools and intermediate schools and have taught most of their time for three years in a subject area, they shall be considered for seniority purposes with licensed teachers of the subject in which they have taught for the most recent three (Continued on page 2.)
III. Due Process and Review

A. Grievance Procedure

1. Expedited grievance procedures have been established for grievances arising out of school reorganization involving programming, assignment, and class size to permit teachers to resolve these grievances during the term in which they arise.

2. Salary and leave grievances will be expedited by being heard at a single grievance step (Office of Personnel) and will be subject to arbitration after that step.

3. The time limit for decision at step 2 is reduced to ten days.

4. The time of notice of arbitration has been reduced by 15 days.

5. Arbitration procedures have been streamlined to permit decisions within 30 days of hearing by the arbitrator.

B. Medical Review

The report of the Medical Division on a teacher who was called for medical examination shall, upon written request of the teacher, be sent to the teacher's physician within 20 days after the examination.

Upon the teacher's request to the Medical Bureau, his physician shall have the right to examine his medical file.

A regular teacher shall have the right to an independent evaluation by a medical arbitrator selected from a panel of ten doctors to be selected by mutual agreement of the Board and the Union in conjunction with the New York Academy of Medicine if the finding of the Medical Bureau to the Chancellor has resulted in:

1. Placement of the teacher on a leave of absence without pay for more than one month; or
2. Termination of the teacher's services; or
3. A recommendation for disability retirement; or
4. A denial of a leave with or without pay for more than one month.

The medical arbitrator shall examine the teacher and consult with the teacher's physician and the Board's physician. The arbitrator's decision if made within his authority under this agreement shall be accepted as final by the Board and the teacher.

The fee of the medical arbitrator shall be shared equally by the Board and the teacher.

C. Injury in Line of Duty

In order to provide for an expeditious handling of injury in the line of duty claims, the following is provided:

1. Within five school days of a claim of injury in the line of duty requiring an employee to be absent, the superintendent shall make a
determination as to whether the accident occurred in the line of duty.

2. Where the employee is in a non-pay status pending a determination by the Medical Bureau of the duration of absence attributable to injury in the line of duty, the Medical Bureau will make its determination within ten days of the employee's submitting himself for the required physical examination.

IV. Safety

A. (IV.F.8.a) Principal's report within 24 hours to the Office of School Security and the Office of the Counsel in assault cases.

B. (Add to Article IV.F.8, "Assistance in Assault Cases:" ) The assaulted employee shall be given a copy of the report and shall have the right to appeal to the principal's report his statement of the facts. The signature of the employee shall be affixed to the principal's copy of the report for the sole purpose of establishing that the employee has read the report.

C. An assaulted employee who presses charges against his assailant shall have his days of court appearance designated as non-attendance days with pay.

V. Seniority

A. (Change Article IX.B.1 to read:) Lists of vacancies and any lists which may be established by the community school district or by the central Board showing seniority of employees for purposes of implementing provisions of this agreement shall be made available to the Union. In individual cases, specific information as to seniority will be made available to the Union upon request.

B. Teachers on leave without pay for up to one year shall regain all of their school seniority upon return to a school. Teachers on leave for more than one year up to four years shall regain their school seniority after they have served in the school for one year following their return.

VI. Transfers

Vacancies which occur after transfers are made and are filled by administrative transfer, without being listed on the transfer list, shall be listed as vacancies on the following May 15 list, and if employees transfer to them in accordance with the provisions of the transfer plan, the administrative transferee shall be exsessed. This does not apply to voluntary transfers following a U-rating or allowable transfers to staff a new school.

VII. Benefits

A. Vacation pay shall be pro-rated for all teachers appointed after the start of the school year, with continuity of benefits during vacation time.

B. A joint Union-Board committee shall be established to study the purposes for which sabbatical leaves are used, and to recommend ways in which the parties may achieve the following agreed-on objectives:

1. encouragement of use of sabbaticals for study or travel;

2. provision for appropriate health sabbaticals or health leaves for less than half a year.
Additionally, the parties agree to gradually phase out sabbatical leaves for rest by reducing the number of such leaves granted by 100 leaves each year. To implement this provision, the number of such sabbatical leaves for rest granted in August 1976 shall be 100 fewer than the number of such leaves granted August 1, 1975.

VIII. Union Rights

A. (Change Article IX.B.1 to read:) Available class statistics and other information necessary for implementation of the contract shall be furnished annually to the Union, and semi-annually in the case of high schools organized on a semi-annual basis.

B. The community or assistant superintendent shall meet and consult once a month during the school year with representatives of the UFT on matters of educational policy and development and on questions relating to the implementation of collective bargaining agreements.

C. Update and clarify bargaining unit descriptions, including accretion to the unit, clarification of the classroom teacher unit and defining other units in accordance with PERB determinations.

IX. Miscellaneous Working Conditions

A. Article IV.F.3 shall be changed to provide that the Board and the Union shall seek legislation so that teachers will be given a choice of a skin test or an X-ray.

B. Employees who are absent due to allergic or positive reaction from a skin test shall not suffer loss of sick days.

C. Extend Article IV.F.12 (personal property lost) provision to field trips.

X. Teacher Programs

A. A preparation period shall not be considered to have been lost due to a change in the normal school schedule (e.g., standardized testing, clerical half-days).

B. During the term of this agreement the following shall apply to the provisions for preparation periods in the elementary, intermediate and junior high schools:

1. Teachers in Title I elementary schools shall waive two of their preparation periods. Two of the remaining preparation periods shall be scheduled during the two periods when pupils have been dismissed in accordance with the shortened instructional day for pupils established by the Board.

2. Teachers in Title I junior high schools shall waive two of their preparation periods. Two of the remaining periods shall be scheduled during the two periods when pupils have been dismissed in accordance with the shortened instructional day for pupils established by the Board.
3. Should the Board during the term of this agreement restore one period for pupils to the instructional day, it is agreed that one reduced preparation period shall be restored to Title I teachers and that two periods of instructional time be restored, two of the reduced preparation periods shall be restored.

4. In non-Title I elementary schools, the two preparation periods provided shall be scheduled during the periods when pupils are dismissed from school under the shortened instructional day for pupils.

5. In non-Title I junior high schools, two of the preparation periods provided shall be scheduled during the periods that pupils are dismissed under the shortened instructional day for pupils.

6. Should the instructional day be restored for pupils, preparation periods now required to be scheduled during the time pupils are not in school may be rescheduled.

C. Selection for teaching assignments in programs which serve students in more than one school shall be made from among qualified applicants after posting the job description and qualifications for the position. Upon completing service in the program, the teacher shall be returned to his school and shall take his place on the seniority list.

XI. Elementary

Change Article V.C.1.d(e) to add annexes and other out-of-building facilities for rotation, as well as portable classrooms in the elementary schools.

XII. Junior High Schools

Rotation of session and relief from official class in junior high and intermediate schools, except for unusual circumstances.

XIII. Special Education

A. Include in Article IV.A.5.b (Special Education Teachers - Consultation):
   A Union designated committee of teachers in each bureau will meet with the director or the designee of the director once a month....

B. Selection for special teaching assignments and for non-teaching assignments in special education programs shall be made from among qualified applicants after posting the job description and qualifications for the position.

XIV. WNYE Teachers

Add to Article VII.A.1.a(2) the following provisions to apply to WNYE teachers: (1) Assistance in Assault Cases, and (2) Damage or Destruction of Property.

XV. Per Session

A. Per session employees shall keep their retention rights in their per session activity while on sabbatical leave.

B. Per session employees shall be covered by Article IV.F.20 provisions (personnel files).
C. A list of employees holding second per session jobs shall be provided the UFT to help enforce the dual job provision.

D. Agreed to increase gymnastics per sessions to 60 and to update sports.

E. Compensation for per session work shall be at the current rate of $13.30 per hour.

XVI. Teachers Assigned

A. Assignments of teachers and counselors to district or headquarters offices shall be either for a specified period of time or without limit of time (changes Article III).

B. A teacher or counselor assigned who requests a return to his former position within one year or if his assignment terminates sooner, at the end of the assignment, shall be returned to his former school in accordance with his seniority. Requests to return within the district or to the high schools to a former position after the first year of service as a teacher or counselor assigned shall be made as provided in Article III of the agreement, but the prior consent of the district, office of high schools, or bureau shall not be required. This applies prospectively.

C. Notice of openings for positions as teachers or counselors assigned to district offices or central board headquarters shall be posted. The notice shall set forth the job description and qualifications for the position. Selection for the positions shall be from among qualified applicants who are regularly appointed teachers or counselors.

XVII. WEP and MHTP

Problems associated with the impact of budgetary cuts and reorganization of the WEP and MHTP programs shall be the subject of continuing negotiations between the parties.

XVIII. Attendance Teachers

Delete from Article IV.A: "except in the mornings before noon" (Compensatory Time Off for Overtime) for attendance teachers.

XIX. Bilingual Teachers in Community and School Relations

All BFTCES shall have a full, duty-free lunch period on the same basis as classroom teachers in the school.

XX. Guidance Counsellors

A. Delete from Article V.II.4 of the guidance counsellor contract the clause: "Including continuous full-time service on bureau payroll immediately preceding regular appointment" (removes non-guidance counsellor service for seniority purposes on transfer).

B. Guidance counsellors serving in special education programs shall be entitled to transfer to non-special education programs in accordance with the transfer
plan. Guidance counselors serving in non-special education positions shall be entitled to transfer to special education positions in accordance with the transfer plan, provided they meet the posted qualifications of the position.

XXI. Laboratory Specialists

The work-year of laboratory specialists shall be the same as that of classroom teachers.

XXII. Psychologists and Social Workers

A. A copy of current social worker and psychologist assignments will be posted in each area center.

B. Vacancies in assignments of psychologists and social workers within an area center occurring throughout the year will be filled on a temporary basis subject to being filled at the beginning of the next school term on the basis provided in the contract or at the next reorganization where there is annual organization.

XXIII. School Secretaries

A. All non-school assignments available to school secretaries shall be posted, listing qualifications and a job description. A qualified applicant shall be selected.

B. Secretaries not serving in schools shall have 31 vacation days and shall have a seven-hour work-day exclusive of lunch. Secretaries serving in offices shall have opportunity to return to a school before the new conditions are imposed.

C. Excessing of school secretaries to five-day positions rather than to split assignments.

XXIV. Para-Professionals

A. The Board and the Union will jointly develop career ladder training programs for para-professionals leading to pedagogical positions other than classroom teacher.

B. Where the para-professional's college program requires service in a particular educational setting (such as special education), the Board shall cooperate in providing for the appropriate assignment of the para-professional to such setting, with benefits retained except to the extent changes are required by law.

C. Maternity and child care leave provisions now applicable for one year to para-professionals shall be applicable for up to two years.

D. The Board shall provide counseling and training for para-professionals enrolled in career training which will guide and encourage them to prepare for meeting the qualifications in those license areas where there is a shortage of fully qualified personnel, or where job opportunities are expanding.
E. A stipend will be provided to a para-professional who enrolls for six credits during the summer. Where fewer than six credits are needed to complete a B.A. or if six credits in the course needed are not available, the stipend shall be paid for completion of the B.A. requirements or the available courses needed.

A para-professional who enrolls in the high school equivalency program for two summers and does not pass the examination shall not be eligible for the stipend in the succeeding summers.

F. Para-professionals shall be permitted to continue in the career training program for one term following layoff.

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years and their date of appointment should be from date of assignment in the junior high schools or intermediate schools.

Rule 5-A (new): Where teachers have served under a high school license in the junior high schools and intermediate schools for three years, they shall be considered for seniority purposes with licensed teachers in the subject area of their license and their date of appointment shall be from date of assignment in the junior high schools and intermediate schools.

Rule 5-B (new): Except as provided in Rule 5-C, where secondary teachers are serving in elementary schools and have served for three years in the school or for five years at the elementary level, they shall be considered for seniority purposes with licensed teachers of common branches and early childhood and their date of appointment shall be from date of assignment in the elementary schools.

Rule 5-C (new): Where teachers have served for three years in the elementary schools under a secondary license for which there is an elementary license in the same subject area, they shall be considered for seniority purposes with licensed elementary teachers in the subject area of their license and their date of appointment shall be from date of assignment in the elementary schools.

Rule 7 (revised): To minimize movement of personnel, excessed teachers shall be assigned within the district to appropriate openings or vacancies in the district. If there are no openings or vacancies in the district, the teacher with the latest date of appointment in license for whom there is no appropriate opening or vacancy in the district shall be excessed from the district.

Rule 10 (revised): A teacher who has been excessed to another school may request an opportunity to return to the school from which he was excessed if within a year a vacancy should occur in that school. Such a request shall have priority over any other transfer or appointment to the vacancy, and it shall be effectuated at the next reorganization of the school to which the teacher is returning, except that should the vacancy occur within ten school days after the teacher is excessed, he shall be informed of the vacancy and returned to the school immediately.

Rule 11 (new): The new excessing rules affecting teachers out of division (5-A, 5-B and 5-C) shall be effective at the next school reorganization (February 1976 or June 1976). Those who were excessed according to the 1972-75 contract rules
will be given an opportunity to return at the next reorganization to their former schools and will be returned, provided that such return does not result in the lay-off of a licensed teacher in the division to which they are returning.

II. Salary

A. Longevity Increases:

Effective October 1, 1975 teachers, attendance teachers, guidance counsellors, social workers and psychologists, bilingual teachers in community and school relations, et alii, shall be paid longevity salary adjustments as follows: (1) Those with 10 years of service or more as of October 1, 1975 in the New York City school system, but less than 15 years of service, shall be paid a longevity increment of $750 per year on a pro-rata basis per month. (2) Those with 15 years of service or more as of October 1, 1975 in the New York City school system shall be paid a longevity increment of $1,500 per year on a pro-rata basis per month.

Effective October 1, 1975 school secretaries shall be paid a longevity salary adjustment as follows: (1) Those with 10 years of service or more as of October 1, 1975 in the New York City school system, but less than 15 years of service, shall be paid a longevity increment of $500 per year on a pro-rata basis per month. (2) Those with 15 years of service or more as of October 1, 1975 in the New York City school system shall be paid a longevity increment of $1,000 per year on a pro-rata basis per month.

Effective October 1, 1975 laboratory specialists shall be paid longevity salary adjustments as follows: (1) Those with 10 years of service or more as of October 1, 1975 in the New York City school system, but less than 15 years of service, shall be paid a longevity increment of $500 per year on a pro-rata basis per month. (2) Those with 15 years of service or more as of October 1, 1975 in the New York City school system shall be paid a longevity increment of $1,120 per year on a pro-rata basis per month.

Effective October 1, 1975 laboratory technicians shall be paid longevity salary adjustments as follows: (1) Those with 10 years of service or more as of October 1, 1975 in the New York City school system, but less than 15 years of service, shall be paid a longevity increment of $500 per year on a pro-rata basis per month. (2) Those with 15 years of service or more as of October 1, 1975 in the New York City school system shall be paid a longevity increment of $1,000 per year on a pro-rata basis per month.

B. Cost of Living Adjustments: Effective December 1, 1975 all pedagogical employees with a year or more of continuous service shall receive a cost of living adjustment payment of $300.

C. Health and Welfare Benefits for Laid Off Employees: The Board of Education shall continue to make payments on behalf of laid off employees for health coverage and EFT welfare benefits for 90 calendar days in order to provide health and welfare coverage for that period.

D. Supplementary Welfare Benefits: Effective October 1, 1975 until September 30, 1976, the Board will provide funds at the rate of $420.00 per year on a pro-rata basis per month on behalf of each day school teacher for the purpose of making available for each day school teacher supplemental welfare benefits and for the purpose of making available college scholarships for children from low income families.
families graduating from the city's public high schools under a plan to be devised and established jointly by representatives of the Union and of the Board.

Also, effective October 1, 1975, the Board will provide for such purpose further additional funds at the rate of $50.00 per year per teacher, for a total of $470.00 per year.

E. Intermediate Differentials: Intermediate differentials shall be payable to teachers who hold an approved baccalaureate issued by a recognized college or university and who beyond such degree have satisfactorily completed 60 semester hours of approved credits in college or university study.

F. Promotional Differentials: Promotional differentials shall be payable to teachers in every subject matter for which a license exists.

G. 1976-77 Salary Increases: On or before July 1, 1976, the Union may notify the Board that it desires to reopen the agreement for purposes of negotiating and reaching agreement on adjustments in salary. The parties shall commence negotiations at the earliest convenient date thereafter. In the event they are unable to reach agreement relative to salary for the 1976-77 contract year on or before 12:01 a.m., September 9, 1976, the dispute shall be submitted to final and binding arbitration. A Panel of Arbitration shall be established of three arbitrators, one selected by the Board, one by the Union, and the third selected by the other two from a panel submitted by the American Arbitration Association. Any changes or adjustments resulting from agreement between the parties or the Award of the Panel of Arbitration shall be effective 12:01 a.m., September 9, 1976 unless specifically provided otherwise.

Should the union not give notice to the Board of a desire to reopen, as set forth hereinabove, then the agreement shall be renewed without change for the 1976-77 contract year.
Addenda

III. Due Process and Review (adding three sections)

D. Bylaw 105(a) procedures for the review of a recommendation by a superintendent for discontinuance of probationary service of a teacher shall be modified to provide for the following:
1. The 105(a) committee shall be a tripartite committee of professional educators, one selected by the teacher, one by the board and a third selected by the other two from an agreed upon list.
2. The committee will make an advisory recommendation to the community school board or the Chancellor for central programs within 20 days after the hearing.

E. Members of the panel of trial examiners maintained by the Chancellor pursuant to Section 2590-j/7(l) of the Education Law will serve in rotation, after the Chancellor has afforded the Union and the community school boards an opportunity to challenge any proposed panel member. Challenged members shall not be designated.

F. Conformity to class size limits shall not be the subject of grievances during the first ten days of each school term.

VIII. Union Rights (adding one section)

D. District representatives and Union officers shall teach one period per day and shall be excused after their teaching period. They shall also be relieved of all home room and official classes. The Union will reimburse the Board at the rate of $10 per period during the 1975-76 school year and $12 per period during the 1976-77 school year for the loss of three teaching periods each day for district representatives and Union officers.

X. Teacher Programs (adding one section)

D. In the high schools and non-Title I junior high schools, homeroom teachers who are relieved of administrative assignments shall waive the limit on coverages during the financial emergency to the extent that they may be assigned up to five additional coverages during the year. This waiver shall be on the same basis as the waiver of preparation periods by Title I teachers, and it shall terminate on the same basis.

XIII. Special Education (adding one section)

C. A committee consisting of Board and Union designees shall meet within 30 days to review the programs of teachers of special education, including the matter of preparation periods for such teachers. Recommendations shall be made within 30 days of such meeting to the Board's and the Union's negotiating teams for the conclusion of negotiations to establish programs for special education teachers.

XV. Per Session (adding one section)

F. Applicants for per session employment who are not employed in the Board's regular day school program shall be considered only if no qualified school employee is available.
XXIII. School Secretaries (adding one section)

D. Per session rates for school secretaries shall be increased by five percent during 1975-76, and by an additional five percent during 1976-77.

XXIV. Para-Professionals (adding four sections)

G. Employees in the para-professional unit shall receive a six percent general increase for the 1975-76 contract year, to be scheduled, and a cost-of-living adjustment as follows.

Cost-of-Living Adjustment for Para-Professionals

If the Consumer Price Index for Urban Wage Earners and Clerical Workers, New York, N.Y./Northeastern N.J. (base year 1967=100) when published by the Bureau of Labor Statistics, U.S. Dept. of Labor, for November 1975 exceeds the Index for August 1975, the Board shall pay, effective December 1, 1975, and during the period December 1, 1975 through May 31, 1976, to all employees covered by this agreement, a cost-of-living adjustment at the rate of one cent per hour for each full four-tenths (0.4) of a point increase in such Index.

Should such Index published for May 1976 exceed by more than four-tenths (0.4) of a point the Index for August 1975, the Board shall pay effective June 1, 1976, and during the period June 1, 1976 through August 31, 1976, to all employees covered by this agreement, a cost-of-living adjustment at the rate of one cent per hour for each four-tenths (0.4) of a point of such increase in the Index.

Any such cost-of-living adjustment shall not become part of the basic wage rates, but the adjustment shall be included for all hours worked, for other paid time, and for overtime pay required by law.

H. Para-professionals who are laid off in a district shall be considered for employment in programs operated centrally before any new employee is hired.

I. Effective the opening of school in September 1976, assignment to programs of para-professionals shall be made for no less than 20 hours per week. (Present provision concerning 27 and one-half hours also continues in effect.)

J. If it becomes necessary to reassign para-professionals because of a contraction of para-professional positions in a program in the school, the least senior para-professional in the program will be the first to be reassigned to another school in the district, except that he may be retained in the school on the same basis as an employee exempted from layoff as provided in Article XIII.A.

XXV. Quota Teachers

Quota teachers currently assigned to vocational high schools shall be phased out in each school by the following means:

1. If an opening becomes available in the teacher's license, he will be assigned to that opening and no replacement quota teacher shall be assigned.

2. If a quota teacher leaves the school for any reason, he shall not be replaced.

XXVI. Retired Teachers

The Board and the Union will support legislation to provide a cost-of-living adjustment to all present, pre-July 1, 1970 retirees based on the 1974 Consumers' Price Index.