RESOLUTION NO. 2551
Allocation of State Funds for Smith House

WHEREAS, the Mayor of the City of Stamford (the "City") has requested that the Board of Representatives set forth guidelines with respect to the allocation of funds received by the City under Special Act 99-10 ("SA 99-10");

WHEREAS, SA 99-10 concerns, among other things, special funding for wage, benefit and staffing enhancements at nursing facilities, including Smith House; and

WHEREAS, the Board of Representatives has given this issue its due care and consideration.

NOW, THEREFORE, BE IT ACKNOWLEDGED THAT the Board of Representatives recommends the following guidelines:

1. Forty percent (40%) of the total funds received by the City pursuant to SA 99-10 should be allocated to improving the quality of care received by Smith House residents through (i) enhancing and/or increasing staffing levels, whether through shift increases or personnel increases (relative to the number of residents served), of those employees who provide primary care to the residents and (ii) providing additional joint labor and management training and education to such primary caregivers.

It is understood that the Smith House employees’ unions and the City should mutually agree upon the specific staff increases and division of these funds in accordance with the above guidelines. Notwithstanding the foregoing, since according to statutory formula a portion of the funds distributed by the State under SA 99-10 must be attributed to Fiscal Year 1999, and it is no longer possible to enhance staffing for the year gone by, funds that would have been allocated for staffing in Fiscal Year 1999 under this Section 1 of these guidelines should be allocated pursuant to Section 2 hereof. Funds allocated after Fiscal Year 1999 should be apportioned according to Sections 1 through 3 hereof.
2. Twenty percent (20%) of the funds received by the City pursuant to SA 99-10 should be allocated to enhancing the financial well-being of Smith House non-management employees. To achieve this goal, funds allocated under this Section 2 should be paid at the completion of the Smith House Fiscal Year in the form of employment bonuses to non-management employees.

It is understood that the funds allocated under both Section 1 and Section 2 constitute non-recurring payment, and should not be considered, by virtue of these guidelines, as a part of any current or future contract or negotiations between the Smith House employees' unions and the City.

3. The remaining percentage of the funds made available to the City pursuant to SA 99-10 should be expended by the City in any manner it determines is beneficial to the well-being of Smith House and its residents, in the City's sole discretion, including without limitation, funding the wage increases described in the contractual agreement by and between the City and the Smith House labor unions dated July 1, 1998.

This resolution was approved by Voice Vote at the regular monthly meeting of the 25th Board of Representatives held on Monday, February 7, 2000.

Valerie A. Pankosky
Administrative Assistant and Recording Secretary

c: Mayor Dannel P. Malloy
Tim Curtin, Acting Director of Operations
John C. Byrne, Dir. of Public Safety, Health & Welfare
Andrew J. McDonald, Esq., Director of Legal Affairs
Thomas S. Hamilton, Dir. of Administration
Sally Serafini, City and Town Clerk
Memorandum

To: Mayor Dannel P. Malloy
From: Carmen L. Domonkos, President
Date: February 8, 2000
Re: Resolution re: Smith House

Attached please find the resolution approved by the Board of Representatives at last night’s regular monthly meeting.

This resolution is the result of the long and hard work of the Fiscal Committee. This resolution represents what the Board feels is a positive compromise between the positions of the administration and the workers.

Thank you for your attention to this matter.

/val

Attachment
Allocation of State Funds for Smith House

WHEREAS, the Mayor of the City of Stamford (the “City”) has requested that the Board of Representatives set forth guidelines with respect to the allocation of funds received by the City under Special Act 99-10 (“SA 99-10”);

WHEREAS, SA 99-10 concerns, among other things, special funding for wage, benefit and staffing enhancements at nursing facilities, including Smith House; and

WHEREAS, the Board of Representatives has given this issue its due care and consideration.

NOW, THEREFORE, BE IT ACKNOWLEDGED THAT the Board of Representatives recommends the following guidelines:

1. Greater than or equal to fifty percent (50%) of the funds received by the City pursuant to SA 99-10 should be allocated to improving the quality of care received by Smith House residents and increasing the number of patients served, through (i) enhancing and/or increasing staffing levels, whether through shift increases or personnel increases (relative to the number of residents served), of those employees who provide primary care to the residents and (ii) providing additional joint labor and management training and education to such primary caregivers.

It is understood that the Smith House employees’ unions and the City should mutually agree upon the specific staff increases and division of these funds in accordance with the above guidelines. Notwithstanding the foregoing, since according to statutory formula a portion of the funds distributed by the State under SA 99-10 must be attributed to Fiscal Year 1999, and it is no longer possible to enhance staffing for the year gone by, funds that would have been allocated for staffing in Fiscal Year 1999 under this Section 1 of these guidelines should be allocated for wage and benefit increases under Section 2 hereof. Funds allocated after Fiscal Year 1999 should be apportioned according to both Section 1 and Section 2 hereof.

2. Up to fifty percent (50%) of the funds received by the City pursuant to SA 99-10 should be allocated to increasing the salary and benefits of all Smith House employees. To achieve this goal, (i) ____________% of the funds allocated under this Section 2 should be expended by the City in any manner it determines is beneficial to the well-being of Smith House and its residents, in the City’s sole discretion, including without limitation, funding the wage increases described in the contractual agreement by and between the City and the Smith House labor unions for Fiscal Year 1998 and (ii) ____________% of the funds allocated under this Section 2 should fund additional salary and benefits to be distributed among Smith House employees in addition to, and in excess of, any amount expended pursuant to subsection (i) above.

It is understood that the funds allocated under this Section 2 constitute a one-time, non-recurring payment, and should not be considered, by virtue of these guidelines, as a part of any current or future contract or negotiations between the Smith House employees’ union and the City.
January 24, 2000

Mr. David Martin
Chair, Fiscal Committee

Dear Mr. Martin:

On August 30th of last year, we – as a group of area faith-based leaders – wrote to the Mayor in response to his request for input into the Smith House. We write to reiterate our strong belief that we want the City to expend the additional million dollars plus that it had received from the State – as a direct result of the district 1199 Nursing Home Campaign – on that which the money was intended: to enhance the staffing levels, and wage and benefit levels of the Smith House nursing home. We trust that the fiscal Committee will be faithful to the intent of those precious dollars bettering the lives of the residents, and specifically the residents who live at the Smith House. We also believe that the City ought to sit down with District 1199 and mutually agree to the expenditure.

We also consider the Smith House to be among the treasured assets of the City of Stamford as you do. Its express purpose has been - and remains - to provide an option for he low income and poor elderly who have every right to retire with dignity, with respect, and with the comfort of knowing that their hard work in the City has afforded them a place to rest their heads.

Thank you for your consideration.

Sincerely,

Reverend Johnny C. Bush, Recorder

CC: All members of the Fiscal Committee
To: The Fiscal Committee  
Board of Representatives  
City of Stamford, CT

From: Reverend Winton M. Hill III, Pastor

January 25, 2000

To Whom It May Concern:

Last year a number of local clergy joined the efforts of the local 1199 to improve the conditions and benefit of workers. As a result of our collaboration the governor and Connecticut legislature have increased the state funding. I find it ironic that there is discussion about denying a salary increase, better benefits and increased staffing of Smith House, which has 1.2 million dollars more revenue as a direct result of our labor.

These are state tax dollars that have come into our city from the capital. Please do the right thing and help the people who help so many others. It is very difficult to make a living in lower Fairfield County and for people working with people it is more challenging.

Please demonstrate by your vote and support that the government is still the ‘Government for the People’ and not the for our indignant and our poor who once worked, lived and have recreated among us. To some degree they have layed the foundation
January 25, 2000

for our government of the bureaucrats and the powerful. Smith House exists parks, schools, hospitals, government centers and our economic potentials. Let us not forsake them, let us cherish the memory of their contribution and celebrate the concept that their last days will be filled with dignity, cleanliness and care.

In closing, please do the right thing, vote to use the increased funding to increase the funds of our Smith House workers, who are also our neighbors and friends.

Sincerely,

[Signature]

Rev. Winton M. Hill III, Pastor
Bethel A.M.E. Church
150 Fairfield Avenue
Stamford, CT 06902
November 4, 1999

Valerie A. Pankosky
Administrative Assistant
Office of Board of Representatives
888 Washington Boulevard
Stamford, Connecticut 06904-2152

Re: Fiscal Committee Meeting of November 8, 1999

Dear Ms. Pankosky:

Due to a previous commitment I will be unable to attend the Fiscal Committee meeting on Monday, November 8. I would appreciate your sharing a copy of this correspondence with those who are able to attend.

Pursuant to Public Act 99-279, an additional $150 million dollars was allocated to nursing homes over the biennium. The goal of this “Wage, Benefit and Staffing Enhancement Program” is to enhance services to the needy elderly and provide a decent wage for some of our lowest paid workers.

The legislation was not intended to increase nursing home profits or cover losses. The newly allocated monies have a very limited target for use; enhanced wages for workers, enhanced benefits for workers or increased staffing levels or any combination of the three. The Department of Social Services in a letter sent to each individual nursing home spelled out the guidelines for use of this money.

I realize that the expenditure of these funds is a decision unique to each specific nursing home; however, this decision must be governed by Medicaid and the statutory requirements under this Enhancement Program. I would urge all parties to expedite this decision making process. Smith House needs to commence planning for the enrichment of services for their frail elderly patients.
If there is any specific question concerning whether a proposed expenditure is an “allowable use” under the program it might be helpful to contact the Department of Social Services for clarification.

It is my sincere wish that those attending the Fiscal Committee meeting reach a consensus on how best to enhance the level of care at Smith House and provide for its continued operation.

If I can be of further assistance, please feel free to contact me.

Sincerely,

Moira K. Lyons

MKL/pk
November 30, 1999

The Honorable Moira Lyons
The Honorable George Jepsen
State Capitol
Hartford, CT 06106

Dear Ms. Lyons and Mr. Jepsen:

As you know the Board of Representatives’ Fiscal Committee met on Monday, November 8, 1999 to discuss the use of the $1,055,000.00 allocated to the Smith House via Public Act 99-279 and Special Act 99-10. Needless to say, there are various interpretations on the use of these funds by the administration of the City of Stamford, the Smith House administrators, Local 1199 and members of the Fiscal Committee.

Therefore, the members of the Fiscal Committee are recommending that Connecticut’s legislative bodies meet with the State Department of Social Services to clarify the allowable use of these funds.

A memo prepared by Moira Lyons dated November 4, 1999 stated that the intent was to use the funds for “enhanced wages for workers, enhanced benefits for workers or increased staffing levels or any combination of the three.” On the other hand, the city administration, per correspondence with the Department of Social Services, claims the funds can be used to cover expenses incurred as a result of prior contracts.

Your efforts in resolving the confusion will be appreciated.

Very truly yours,

[Signature]
David R. Martin, Chairman
Fiscal Committee
25th Board of Representatives
September 20, 1999

The Honorable Dannel P. Malloy, Mayor
City of Stamford
Stamford Government Center
888 Washington Boulevard
Stamford, CT 06904-2152

Re: Response To Your Request For Recommendations

Dear Mayor Malloy:

As you know, the mission of the Board Of Directors of the Smith House Health Care Center (Smith House) is to ensure that the poor frail elderly residents of the City of Stamford are provided and cared for in a financially responsible manner with the highest regard towards quality. Since 1989, previous and current members of the Board have made a deliberate effort to fulfill this mission in a non-partisan way.

As a consequence, the Board has met and discussed your request for recommendations with our mission in mind. Your request for recommendations concerned the disposition and use of the estimated $1,050,000 in addition to the Medicaid Program payments under the State Wage, Benefit, and Staffing Enhancement Program and the future of the Smith House. I am responding to your request on behalf of the Board.

In regard to the $1,050,000 in estimated additional payments under the Medicaid Program, the Board recommends that $850,000 of the amount be applied to higher wages, benefits and staffing increases already committed to under the existing union contracts and that $200,000 of the amount be applied to additional new wages and/or staffing increases.

The future of the Smith House is, of course, one very dear to our hearts. And the development of a recommendation in this regard is a very complex and difficult one. First, there is the matter of subsidization of possible future losses and at what point would it become a burden to the residents of the City. Secondly, there is the matter of a variety of different alternatives other than a sale of the facility that are available to the City. Thirdly, the Smith House truly belongs to the community and the question arises regarding how is the input and opinions of the community to be obtained?
Halcyon Day Properties, Ltd.

August 19, 1999

TO: Members, Board Of Directors
The Smith House Health Care Center

FROM: Gwynn X. Lamont, President
Halcyon

RE: Special Board Of Directors Meeting

As you know, there has been considerable media coverage and public debate over two issues involving the Smith House. The first issue is whether to apply the $1,050,000 in additional Medicaid monies to current and committed expenditures; to new increases in wages, benefits and staff; or to both. The second issue is whether or not the Smith House has indeed incurred financial losses in the past, whether it will incur them in the future, and whether a sale or some other alternative should be considered should it be verified that the facility will incur future operating losses.

Mayor Malloy has asked that comments and recommendations be made before the end of August in regard to these two issues. I believe the comments and recommendations of the Board Of Directors are certainly the most important of all since the Board is closest to the day-to-day operations of the facility and the progress it has made, and because the Board is the official governing body of the Smith House.

In soliciting comments this week from some of the members, it became apparent that a special meeting of the Board Of Directors was in order to discuss these two issues. That meeting has been scheduled for Thursday, August 26, 1999, at 7:30 p.m. at the Smith House Health Care Center. I have enclosed documents relative to the issues that you have previously received individually.

We look forward to seeing you.

cc: Mayor Dannel P. Malloy
Mr. John C. Byrne
Ms. Deborah Schmidt
Mr. Thomas J. Demchak
Therefore, we recommend that you first give consideration to how to best evaluate the future of the Smith House and who specifically should have input into that evaluation. As the Board of Directors, we would also prefer having more time to solicit opinions from the community.

We sincerely hope this proves helpful to you.

Very truly yours,

Dr. Eugene Conrad
Board Of Directors

cc: Mr. Leonard D’Andrea
    Ms. Aili Laukkanen
    Mr. Joseph Avalos
    Mr. Gwynn Lamont
    Ms. Deborah Schmidt
    Mr. Joseph Gasparrini
    Dr. Ira Geier
    The Honorable Ms. Moira Lyons
    The Honorable Ms. Christel Truglia
    The Honorable Ms. Anne McDonald
    Ms. Joy Haenlein-Loewe
    Mr. John C. Byrne
    Ms. Carmen L. Domonkos
    Mr. Jerry Brown
    Mr. Herb Ausubel
    Ms. Mary Lou Rinaldi
    Mr. Tobin A. Coleman
August 16, 1999

To: Mr. David R. Martin, Chair
Fiscal Committee of the Board of Representatives

From: Gwynn X. Lamont
President-Management Company of the Smith House

Re: Information Relative to August 23, 1999, Scheduled Meeting

The schedule for the August 23rd meeting of the Fiscal Committee includes a "review of the matter of additional state funding for the Smith House Nursing Home and response to the Mayor's Report" as Agenda item #7-F25.197. As you know, there has already been considerable analyses and information provided regarding the subject matter. And there has already been opinions expressed publicly as well. Therefore, I thought that, in preparation for the next Fiscal Committee meeting, it would be helpful to have all of the analyses, information, and opinions available to Committee members prior to the meeting. This way, more relevant and extensive questions may result and the matter can be expedited.

Consequently, I have enclosed the following for the Committee:

1. A copy of the analysis of the financial results of the Smith House performed by Halcyon using a "profit and loss determination" or "business approach" of accounting.

2. A copy of the analysis of the financial results of the Smith House performed by Mr. Thomas Hamilton using the municipal "modified accrual" approach of accounting.

3. A report addressed to the Board of Directors of the Smith House which reconciles the differences between the reports of Halcyon and Mr. Hamilton and explains why different approaches of accounting are utilized.

4. A report addressed to the Mayor regarding how the Smith House compares to most other nursing homes represented by the District 1199 union in terms of employee wage levels, benefits paid by the employer, and staffing levels or the number of personnel employed by categories.

5. Copies of various newspaper articles relating to the subject matter.
I look forward to meeting with the Fiscal Committee on August 23rd to answer any questions the members may have.

GXL/mhn
Enclosures

cc: Mayor Dannel P. Malloy
    Mr. John C. Byrne
    Ms. Deborah Schmidt
August 13, 1999

The Honorable Dannel P. Malloy, Mayor
City of Stamford
Stamford Government Center
888 Washington Blvd.
Stamford, CT 06904-2152

Re: Smith House to District 1199 Union
Facilities Comparative Study

Dear Mayor Malloy:

As you know, we perform a study each year of the Smith House Health Care Center as it compares to other Connecticut nursing home facilities as part of our management contract agreement. The purpose of the comparative study is to assess how the wages paid and the benefits made available to Smith House employees and how employee staffing levels compare with the nursing home industry in Connecticut. It is important to do so in order to insure that the Smith House is maintaining high industry standards and to identify areas where improvements could be made or cost containment measures applied.

Last week, you asked for comments from City Boards and Commissions, the employee unions, the community, and others regarding two important concerns. The first concern was how to apply the projected $1,050,000 in additional Medicaid funding to the operating expenditures of the Smith House. Specifically, you are seeking recommendations as to whether the $1,050,000 should be applied to operating expenditures that have already been incurred and committed and/or to apply the additional monies to new operating expenditures. The second concern was the financial viability of the Smith House and whether or not the City should subsidize financial losses in the future.

Comparative Study

In view of your request, I thought it would be useful and informative to compare the employee wages, benefits, and staffing levels of the Connecticut nursing homes represented by the District 1199 employees union with that of the Smith House. The reasons are as
follows:

1. District 1199, to their credit, was largely responsible for the adoption of the State Program that will provide the $1,050,000 in additional Medicaid Program payments to the Smith House. They took this initiative because they believed the nursing home facilities they represented needed to have higher wages, benefits, and staffing levels and therefore, asked that the State pay additional monies to nursing homes that would be used exclusively for additional wages, benefits, and staff. Thus, comparing the Smith House to the nursing homes represented by District 1199 would indicate whether the Smith House was one of those nursing home facilities the District 1199 union believed wage, benefits, and staffing improvements were necessary.

2. A comparison would help considerably in determining whether or not the additional Medicaid monies should be applied to wage, benefit, and staffing increases already committed and incurred under existing union contracts.

3. A comparison would help considerably in identifying where the additional money should be applied in the event the decision is made to spend the additional monies on new operating expenditures. That is, are improvements needed more in the area of wages or benefits or staffing.

Since we were already performing our annual study of the Smith House compared to all Connecticut nursing homes, it was simply a matter of identifying which nursing home facilities were represented by District 1199 in order to complete the analysis.

Study Results

The results of the comparison of the wages, benefits, and staffing levels to those nursing homes represented by the District 1199 union are depicted on the attached schedule. Of the 45 nursing home facilities represented by District 1199 that initiated the State Program, information was available for 39 or 87% of the total. The information is available to the public through the State Department of Social Services (DSS), which requires all nursing home facilities to compile and file the information in January of each year. This information is then subjected to a review of accuracy by the DSS and then subjected to an audit by the public accounting firm of Ernst and Young on behalf of the DSS. The information is utilized for Medicaid rate setting purposes and/or establishing Medicaid legislative priorities each year. Therefore, we have every reason to believe the information is accurate and reliable. A copy of a newspaper article identifying the District 1199 nursing homes and their initiative is also attached.

Statistically, including the information of 39 nursing homes means that the results would be representative of all District 1199 nursing
home facilities up to 173 nursing homes. That is, if 173 different nursing home facilities are represented by the District 1199 union in Connecticut, the tabulated results of the 39 facilities we have identified would still be statistically representative of all 173 facilities. In actuality, we believe that only approximately 55 nursing homes are represented by District 1199. Hence, we have every reason to believe that the comparative total results are representative and reflective of all District 1199 union nursing homes whether or not they are included in the 39 nursing home facilities in our study.

The attached schedule indicates the following:

1. The wages paid to Smith House Certified Nursing Aide employees, which are represented by District 1199, are on average, $3.17 per hour and 25% higher than the wages paid to nursing aide employees of other nursing home facilities represented by District 1199.

2. Similarly, the wages paid to all other non-nursing aide Smith House employees, which are represented by District 1199, are on average, $4.49 and 36% higher than the wages paid to non-nursing aide employees of other nursing home facilities represented by District 1199.

3. The health and medical insurance benefit costs of the Smith House are $340,209 and 90% higher than that of nursing home facilities represented by District 1199. This is indicative of extreme differences in employee contributions towards a health and medical insurance plan and the extent and amount of health and medical coverage for employees at the Smith House.

4. The staffing levels, or the number of certified nurses aides employed by the Smith House, are 19% higher than the average of District 1199 union nursing homes. In numerical terms, this equates to ten more nurses aides employed at the Smith House.

5. The staffing levels, or the number of all other non-nursing aide personnel represented by District 1199 employed by the Smith House, are 60% higher than the average of District 1199 union nursing homes. In numerical terms, this equates to 15 more employees in maintenance, housekeeping, laundry, and food services at the Smith House.

6. When compared to the 39 District 1199 union nursing home facilities, the Smith House ranks first, or tied for first in the case of nurses aide staffing levels, in every category. That is, not a single nursing home represented by District 1199 exceeds the levels or amounts incurred by the Smith House in any category of comparison.
For clarification purposes, the numbers used for a comparison of staffing levels represent the number of hours per nursing home resident per day. This number is presented this way in order to properly account for differences in the number of residents and the bed size of each nursing home. In addition, the health/medical insurance cost amounts depicted on the attached schedule have been adjusted to reflect the differences in the bed size and number of personnel employed by each facility. That is, the reported costs of most of the District 1199 nursing homes have been actually increased so that they reflect the costs of a nursing home equal in size to the Smith House. This way, a fair and accurate comparison is obtained.

Conclusions

The comparative study results show that the Smith House is the exception rather than the rule in regard to its employee wages, benefits, and staffing levels. In fact, it is clear that the Smith House represents a very high standard that all other District 1199 nursing homes should strive to attain. In addition, the differences between the Smith House and the District 1199 union nursing homes certainly justifies the contention of the union that wages, benefits, and staffing levels at all other nursing homes need to be increased if they wish to obtain the standards maintained at the Smith House.

However, the results also indicate that increasing the wages, benefits, and staffing levels of the Smith House employees is difficult to justify. The reason is that even with the application of the additional Program monies at all other District 1199 union nursing homes, the District 1199 nursing homes still would not have obtained the wage, benefits, and staffing levels currently maintained by the Smith House without the additional Program monies. On average, the State Wage, Benefit, and Staffing Enhancement Program will enable a nursing home to increase its expenditures an average of 7.5%. Since the Smith House expenditures and staffing levels already exceed District 1199 nursing homes by 19%-90% in the various categories, current Smith House wages, benefits, and staffing levels will still far exceed the other District 1199 nursing homes after the additional Program monies have been spent and applied at those other facilities.

Further study indicates that, should the additional $1,050,000 in Program monies be applied to new expenditures at the Smith House, the money would be best applied to additional nurse, rather than nurses aide, staffing levels. The reason is that our comparative study shows that the Smith House employs 3% more nurses than average versus the 19% more for nurses aides. Hence, there would appear to be more of a need for nurses than aides based upon the comparisons, although both the staffing levels of nurses and nurses aides exceed that of other facilities.
I hope this information proves helpful in your very important and
difficult determination of what is best for the residents and families
of the Smith House and the City of Stamford.

Very truly,

Gwynn X. Lamont
M.N.

President

cc: Members, Board of Directors,
The Smith House Health Care Center
Ms. Deborah Schmidt
Mr. John C. Byrne
# Wage, Benefit, and Staffing Comparison Schedule

**The Smith House Health Care Center to District 1129 Union Nursing Homes**

**August 12, 1999**

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<th>Nursing Home</th>
<th>Avg Paid Wage</th>
<th>Health/Medical</th>
<th>Avg Staff Levels</th>
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<td>ALL OTHERS</td>
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<td>14.70</td>
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<td>Wintonbury</td>
<td>12.47</td>
<td>13.27</td>
<td>657,980</td>
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**Average**

|              | 12.66         | 12.50         | 380,273         | 2.1 | 1.0        |

**Smith House**

|              | 15.83         | 16.92         | 720,482         | 2.5 | 1.6        |

**% Higher Than Avg.**

|              | +25%          | +36%          | +90%            | +19% | +60%       |

**Ranking in Terms of Highest**

1 1 1 1 1
RECONCILIATION OF MR. HAMILTON'S FINANCIAL RESULTS FOR THE
SMITH HOUSE TO THAT PREPARED AND CALCULATED BY FALCYON

AUGUST 6, 1992

While Mr. Hamilton's calculation of the profit or loss of the Smith House can be supported by a methodology, the basic underlying problem with his calculations is that the methodology he has used was neither intended nor designed to determine a "profit or loss." Therefore, his methodology produces inaccurate "profit and loss" results, which on average, understate the true profit or loss of the Smith House by $500,000 - $550,000 per year.

The methodology Mr. Hamilton has utilized is "municipal accounting" or the "modified accrual basis of accounting." This method of accounting is only used by municipalities; that is, nonprofit and for profit business and organizations do not use it nor do small businesses or large corporations. Individuals do not either because the Internal Revenue Service does not permit it. The reason is that all municipalities are held accountable to the State and the State, as specified under accounting standards and rules, is not interested in whether or not a municipality has a "profit or loss." The State wants to know instead whether a municipality has sufficient "cash" to pay its debts. As a result, "municipal accounting" does not take into account such profit and loss considerations as outstanding accounts receivables or money due to be paid, the value of inventory, and the capitalization of certain expenses as defined by profit and loss accounting standards and rules. The inappropriateness of using "municipal accounting" to determine profit or loss can be illustrated by the fact that, should the Smith House used "municipal accounting" as a basis for preparing Medicaid and Medicare Program cost reports that are designed to show "profit or loss," it could violate state and federal "fraud and abuse" laws.

To illustrate the degree of profit and loss inaccuracy under "municipal accounting," we have selected the 1996-97 fiscal year financial results for the Smith House. Mr. Hamilton’s report indicates that the Smith House incurred an operating loss of $856,037 based upon "municipal accounting." Our report, which is enclosed, indicates that the Smith House conservatively incurred an operating gain of $64,908. Hence, there is a difference of $920,945 between the two reports.
The reconciliation of the difference is as follows:

**Adjustment**  
1. Mr. Hamilton’s reported loss (municipal accounting)  
   <$856,037>

2. Mr. Hamilton shows revenue of $7,882,428, we show revenue of $8,370,750. Part of the reason is that Mr. Hamilton is only showing 11 1/2 months of Medicaid revenue, while we are showing 12 months. The State passed legislation which delayed 1/2 of the June Medicaid payment to July. By doing so, they balanced their Medicaid budget. Municipalities are required to only report "cash receipts" through June 30th and since the 1/2 June payment was not received in cash by then, municipal accounting rules will not allow it to be reported for that year. Only Stamford and Greenwich were affected by this because the rest of the 168 nursing homes in the state use "business accounting" and a different fiscal year (i.e. September 30th). In addition, Mr. Hamilton’s revenue does not show "accrued" revenue due of approximately $200,000. "Accrued revenue" should be included if you are going to "accrue expenditures", which Mr. Hamilton has done. That way, there is an "apples-to-apples" comparison of revenue to expenditures.  
   $488,322

3. Mr. Hamilton shows a "central service cost allocation" expense of $281,757, we show an amount of $11,640. This is supposedly for everything else core city administrative departments do for the Smith House that is not already identified. If we were to include Mr. Hamilton’s amount in our report to the State and Federal government, it could be considered a violation of State and Federal Fraud and Abuse laws, depending of course on whether the intent was deliberate. In addition, it would violate IRS rules and regulations regarding the reporting of expenses for a business. State auditors, at our request, have indicated that only approximately 4.0% of Mr. Hamilton’s amount would be considered
reasonable. Therefore, Mr. Hamilton’s amount is unacceptable by most anyone’s standard because it cannot be audited nor substantiated with records, it is unreasonably high, and it will remain if the Smith House is no longer owned by the City.

$270,117

4. Mr. Hamilton shows Maintenance Department costs of $635,133, we show costs of $482,329. The reason for the difference is twofold. First, the city "expenses" equipment purchases. We must "depreciate" any equipment acquisition that has a useful life of more than two years and a value of more than $500 like all businesses and organizations because it is required by law, IRS regulations, and accounting standards for the determination of "profit and loss." Similarly, we must capitalize employee's time and compensation who work on capital projects involving construction and building or land improvements at the Smith House. Secondly, supplies ordered and delivered that are still in inventory are recorded as an expense by the City. Since they still have a value and are unused, we like most businesses, must exclude the expense until the item in inventory is actually used. If we did not apply this inventory consideration at the Smith House though, it could be considered as an attempt to inflate the costs since a facility could "stockpile" inventory just as a way of getting State and Federal rates of payments unreasonably higher. And that violates Fraud & Abuse laws.

$153,804

5. Mr. Hamilton shows Food Services costs of $924,587, we show costs of $385,566. The difference is due to unused supplies in inventory as described in #4.

39,021

6. Mr. Hamilton shows Nursing costs of $3,987,369, we show a higher cost of $4,016,314. The difference is due to the fact that we must report wages through September 30th which are higher than the comparable period included in Mr. Hamilton’s report. We refer to this as a "timing" difference. All nursing homes are required to file financial data on a September 30th year end basis by law.

<$28,945>
7. Mr. Hamilton shows FICA costs of $385,600, we
show a higher cost of $394,835. The reason is
that FICA is based on the payroll cost and
we show a higher payroll cost than Mr. Hamilton
for the reason mentioned in #6. <$ 9,233>

8. Other minor, often offsetting adjustments. 7,863

9. Our reported gain (business and personal accounting

$54,923

Hence, for this particular year in question, the City can show an
operating loss of $855,037 when, in fact, the financial results were
actually an operating gain of $64,908. This particular year is an
extreme example due the first item where the City only included 11 1/2
months instead of 12 months of revenue. This does not usually occur
and did not occur for 1997-98 and 1998-99. But, on average, you will
find that "municipal accounting" shows the Smith House operating
results to be worse than they actually are by about $510,000-$550,000
per year.

A logical follow-up question is "why are municipalities required to
report financial results this way then?" During the depression in the
early thirties, nearly two out of every three municipalities in
Connecticut essentially went bankrupt. The reason? People couldn’t
pay taxes and since taxes were a municipalities only source of income,
the municipalities did not have the cash to pay for the services it was
to provide. Since the State is ultimately legally responsible for a
municipality financially, new accounting rules and standards were
legally adopted, just as President Roosevelt did for all industries as
a result of the Stock market crash. In fact, that is when accounting
and auditing standards came into being (i.e. ASA, GAAP, Federal
Accounting Standards Board, etc.).

However, the State needed an "early warning" system for when a
municipality was in financial trouble so it could intervene before too
much harm was done. A good example of this involved the City of
Bridgeport in 1989. So the State governments intentionally adopted
financial reporting standards that required expenditures to include
unpaid debt (i.e: encumbrances or accrued expenditures) and only cash
on hand to pay debts. They did not want a municipality "accruing" tax
revenue that was uncollected and due because it was related to property
taxes and a municipality could have a great deal of trouble collecting
it. Plus, property values fluctuate, so there was always the question
whether tax monies due could be collected entirely from a sale of tax
acquired property. This is why the Tax Collector’s percentage rate of
collection is so important to a City. In 1989, Bridgeport’s drop to
88%, or about 8% less than average. Thus, the State does not want to
know the true "profit and loss" of a municipality. Rather, it wants to
know as early as possible whether serious financial problems are on the
horizon. All in all then, the City of Stamford can report an operating
loss of $5.0 million or so under "municipal accounting" when it
actually "broke even".

-4-
Therefore, "municipal accounting" cannot be used to determine the "profit or loss" at the Smith House. Furthermore, federal and state law, accounting standards for all other sectors of the economy, and IRS rules and regulations do not permit it. Hence, Mr. Hamilton's reported financial results do not accurately reflect the true profit or loss of the Smith House.

This does not however, resolve the issue of how the $1,050,000 in additional Program payments should be applied nor the financial problems presented by the significant decline in occupancy at the Smith House. These two very important issues need to be addressed if the true financial losses like that incurred in 1998-99 and in future years are to be avoided.
MEMORANDUM

TO: The Honorable Dannel P. Malloy
   Mayor, City Of Stamford

FROM: Gwynn X. Lamont
       President

RE: Financial Analysis Of The Smith House Health Care Center

BACKGROUND

As you know, State and Federal law requires that the Smith House Health Care Center (Smith House) file annual financial reports on an accrual basis of accounting for the twelve month October 1st - September 30th time period. The financial information filed must comply with federal fraud and abuse laws since rates of payment under the Medicaid and Medicare programs are based upon facilities like the Smith House recouping its "reasonable" costs. Many nursing home facilities and hospitals who have reported "unreasonable" costs are currently being investigated under the largest State and Federal fraud and abuse undertaking in history. The Connecticut Fraud And Abuse Task Force defines "unreasonable" costs as those which are inflated or exaggerated for the purpose of receiving Medicare and Medicaid monies that are not rightfully due. Therefore, we must be mindful of this when preparing financial results.

The report filed each year is entitled The Annual Report Of Long Term Care Facility and it is designed to test the "reasonableness" of the operating expenditures as well as determine the profit and loss of the operation. The "reasonableness" test, of course, is to identify potential fraud and abuse but to also identify areas to be subjected to audit. The State Of Connecticut engages the public accounting firm of Ernst & Young to audit the Annual Report Of Long Term Care Facility each year for each facility. The profit and loss is determined for the purpose of identifying facilities with a "financial hardship." Special regulations have been adopted which permits a facility to receive additional compensation should they incur a financial hardship. A financial hardship cannot be considered one based upon "unreasonable" or higher than average operating costs.

REASONS FOR DIFFERENCES IN FINANCIAL REPORTING

The financial information included in the Annual Report Of Long Term Care Facility differs significantly from that reported by the City of Stamford or any municipality which owns a nursing home. The general reasons are as follows:

1. The "modified accrual" basis of accounting, that is required by law to be used by municipalities, is neither signed nor intended to be used for determining the profit and loss of an operation or entity. For example, the "modified accrual" basis of
accounting compares "cash revenue receipts" to "actual and encumbered or accrued" expenditures. It does not account for expenditures associated with unused inventories, it does not "capitalize" labor compensation associated with building renovation and construction nor equipment purchases, and it capitalizes building expenditures over 50 years rather than 30 years. All businesses must do such things in reporting their finances as do individuals under IRS rules and regulations.

2. The financial reporting time periods are different.

3. Municipal accounting allocates costs utilizing an "unreasonable" methodology under fraud and abuse statutes and tests. Therefore, it tends to inflate reported overhead and support services expenditures higher than what the law and auditing standards for nursing homes deem appropriate.

PURPOSE

In view of this, you requested that we prepare financial operating results for the Smith House utilizing the State and Federally required "accrual basis of accounting" as reported or to be reported in the Annual Report Of Long Term Care Facility. The purpose of the report would be to compare the results with that reported under the municipal "modified accrual" basis of accounting, which would reveal whether the general conclusions and outcomes are the same regardless of which accounting basis and approach is used. The results of the analysis are attached.

FINANCIAL RESULTS

The attached schedule indicates a trend towards operating losses now and in the future. This, in turn, means that the City must subsidize the Smith House operation. The degree of subsidy will largely depend upon whether or not the additional monies receive under the Wage, Benefit And Staffing Enhancement Program are applied to the incurred and committed operating expenditures during the 1998-99 and 1999-2000 time periods. For example, if the additional monies are not applied to committed expenditures in 1999-2000 and rather to new expenditures, the Smith house will incur a projected operating loss of $612,335 and will require a City subsidy equal to that amount. However, if the additional monies are applied in total for 1999-2000, the Smith House will still incur an operating loss; however, it would be $155,669.

These results are also consistent with the conclusions of the "Special Report On The Financial Future Of The Smith House Health Care Center" dated January 25, 1999. This special report was submitted as part of the 1990-2000 fiscal year budget proposal and before the Wage, Benefit And Staffing Enhancement Program was introduced. However, there is a difference in anticipated timing. The incurrence of operating losses and the need for City subsidies is happening much sooner than anticipated.
This acceleration in operating loss occurrence is happening due to a significant decline in the number of resident days or occupancy percentage since January, 1999. Further analysis indicates that this is occurring because the elderly population of the City of Stamford can no longer support the full occupancy of the 128 beds at the Smith House. This, as the attached schedule indicates, reduces revenue significantly at a time when expenditures are increasing.

CONCLUSION

The financial results of the Smith House under the accrual basis accounting and federal and state standards supports the findings of the City financial results under the "modified accrual" basis of accounting. While the amounts are not the same, the trend and definite occurrence of operating losses are the same.

It is also clear that the use of the additional monies associated with the Wage, Benefit And Staffing Enhancement Program are necessary to reduce operating losses and to reduce the amount of City financial subsidization. Operating losses are expected to continue even with the additional monies, due to the fact that the elderly population of the City can no longer support the 128 beds at the Smith House. One way to address this problem would be to change the mission of the Smith House in order to make it a more regionalized facility rather than a local community one. That is, increase the population base from which admission referrals derive to that which supports 128 beds. Another alternative is to reduce the 128 bed capacity while at the same time reducing the number of employees and the cost associated with employees. The sale or lease of the Smith House are other alternatives.

Our market studies indicate that there is likely no better time to consider a sale of the Smith House than now. The reason is market prices are very high, the building will require a substantial future capitalized investment, and there would be a considerable number of interested prospective buyers.

cc: Mr. John C. Byrne
    Mr. Thomas Hamilton
    Members, Board of Directors
    Ms. Deborah Schmidt
    Mr. Herb Ausabel
1. City financial report results only include 11-1/2 months of Medicaid revenue whereas this report includes 12 months.

2. Projected revenue already includes $229,544 in expected additional Medicaid monies under the Wage, Benefit And Staffing Enhancement Program.

3. Budgeted revenue already includes $456,666 in expected additional Medicaid monies under the Wage, Benefit And Staffing Enhancement Program.

4. This differs from City reported results in that State and Federal law requires certain expenditures to be capitalized and depreciated (certain construction labor and equipment) whereas the City expenses these items. In addition, supplies that are stored in inventory need to be excluded.

5. This differs from City reported results in that State and Federal law requires unused supplies that are in inventory need to be excluded from the cost, whereas the City does not.

6. This amount is higher than City reported results due to the difference in reporting time periods.

7. This is lower than City reported results because under federal fraud & abuse tests, the City amount reported is "unreasonable," unauditable, and an amount that would not be reduced if the Smith House was sold.

8. This is consistent with City financial reports. The over funding of the pension due to investments does not require any contributions to be made in 1999-2000.
### SCHEDULE OF HISTORICAL AND PROJECTED ANALYSIS OF OPERATING RESULTS

**THE SMITH HOUSE HEALTH CARE CENTER**

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<td>Revenue</td>
<td>$8,370,750</td>
<td>$8,545,490</td>
<td>$8,254,556</td>
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<td>$8,565,700</td>
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**Expenditures**

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<td>Debt Service</td>
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<td>261,652</td>
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<td>Central Service Cost</td>
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<td><strong>Total</strong></td>
<td><strong>$8,305,842</strong></td>
<td><strong>$8,294,215</strong></td>
<td><strong>$8,856,173</strong></td>
<td><strong>$8,721,369</strong></td>
<td><strong>$8,721,369</strong></td>
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<td><strong>Gain/(Loss)</strong></td>
<td>$64,908</td>
<td>$251,275</td>
<td>($601,617)</td>
<td>($612,335)</td>
<td>($155,669)</td>
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*Footnotes - which explain differences and variations are on the next page.*

July 28, 1999
November 8, 1999

To: Carmen Domonkos, President
   Board of Representatives

From: Andrew J. McDonald
       Director of Legal Affairs

Re: Special Act 99-10
    Increased Funding for Nursing Home Staffing

This is in response to the Board of Representatives’ request for an opinion concerning the parameters and legislative history of Special Act (S.A.) 99-10, which was passed in the last session of the General Assembly.

First, I should point out that S.A. 99-10 is merely an appropriations act; it is not “legislation” that would normally result in specific statutory language that is supported by a detailed legislative history. Entitled “An Act Concerning the State Budget for the Biennium Ending June 20, 2001, and Making Appropriations Therefor”, the legislation reads, in pertinent part, “[t]he following sums are appropriated for the annual period as indicated and for the purposes described.” Following that generic language are 99 pages of appropriations with no narrative description regarding each program.

There is virtually no legislative history regarding S.A. 99-10. Gary Richter, Director of Certificates of Need and Rate Setting for the Department of Social Services, has advised this office that S.A. 99-10 was placed before the General Assembly on a Consent Calendar and the appropriation for nursing home staffing was not discussed. Indeed, the
$75 million program for nursing home staffing is not specifically set forth in S.A. 99-10; rather it is contained within a $2 billion appropriation for Medicaid.

In the absence of a specific legislative history, we find guidance as to the intent of S.A. 99-10 in two letters authored by officials of the Department of Social Services, the agency to which the appropriation was made. Historically courts afford deference to the construction of legislative enactments as they are applied by the administrative agency empowered by law to carry out the statute’s purposes. Connecticut Light & Power Co. v. Texas-Ohio Power, Inc., 243 Conn. 635, 642-43 (1998). The courts have held that an agency’s interpretation is entitled to substantial deference, since administrative authorities are able to determine congressional intent in light of their experience in the field. Ross v. Giardi, 237 Conn. 550, 564 (1996).

Bearing these principles in mind, we examine correspondence dated March 25, 1999 from Michael P. Starkowski, Deputy Commissioner of the Department of Social Services, to Smith House. It states, in pertinent part, that:

[O]n February 18, 1999, the Governor announced a Wage, Benefit and Staffing Enhancement Program developed with the leadership of the General Assembly to provide nursing facilities with special funding for wage, benefit and direct and indirect care staffing increases. Essentially the program provides for Medicaid rate increases targeted to wage, benefit and staffing enhancements amounting to $75 million on an annual basis to be implemented this fiscal year effective April 1, 1999.

Mr. Starkowski’s letter goes on to state that, based upon assurances from the General Assembly that the distribution method used to estimate the allocation for each nursing facility will be forthcoming in legislation, Smith House “may proceed to implement wage, benefit and direct and indirect care staffing enhancements.” Based upon Smith House’s 1998 direct and indirect cost component salary, wage and benefit costs, and its Medicaid utilization, Mr. Starkowski calculated an estimated annual allocation of $516,750 for Smith House.

Mr. Starkowski then states that “Rate add-ons for wage, benefit and staffing increases are required to be applied towards costs associated with hourly wage increases,
FACSIMILE TRANSMITTAL SHEET

Date: 6/1/00

To: Randy Skigen

From: Valerie

Facsimile No.: 203-977-5503

Fax No.:________________________

Number of Pages Including this Cover Page: 1

Additional Message:

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additional employee benefits costs such as health insurance and pension and added direct and indirect care staffing hours." He explains that under the terms of the program, Smith House "must demonstrate that 1999 costs for wages, benefits and staffing have increased over 1998 by an amount at least equal to the enhancement payments received." Finally he explains that 50% of the annual enhancement allocation for Smith House was to be paid between 4-1-99 and 9-30-99. If the Department of Social Services determines that the enhancement funds were not applied to the designated cost increases, retroactive reductions in the remaining enhancement allocation will be made.

Further guidance regarding the import of S.A. 99-10 is found in correspondence from Gary Richter, Director of Certificates of Need and Rate Setting of the Department of Social Services, to State Representative Cristel Truglia, dated June 14, 1999. In that correspondence, Mr. Richter states that:

- Wage, benefit and staffing enhancement funds can be used for wage and benefits increases to existing or replacement employees, excluding administrators and owners. The funds may also be applied to increases related to office support and maintenance workers.

- Under the program, facilities must demonstrate that wage and benefit expenditures for employees have increased by the amount of the Enhancement Program payments received from 1998 to 1999 (and thereafter from 1999 to 2000, and from 2000 to 2001).

- Enhancement Program funds are earmarked for nursing facility employees.

Copies of both letters from the Department of Social Services are attached hereto.

The position outlined by DSS was affirmed in separate legislation passed by the General Assembly. Public Act (P.A.) 99-279, entitled "An Act Concerning Programs and Modifications Necessary to Implement the Budget Relative to the Department of Social Services" was enacted by the General Assembly. It sets forth the computation of a facility's allocation of the funds under the program. Section 20 of P.A. 99-279 requires, in pertinent part, that

"[a]ny facility accepting a rate adjustment for wage, benefit and staffing enhancements
shall apply payments made as a result of such rate adjustment for increased allowable employee wage rates and benefits and additional direct and indirect component staffing. Adjustment funding shall not be applied to wage and salary increases provided to the administrator, assistant administrator, owners or related party employees. Enhancement payments may be applied to increases in costs associated with staffing purchased from staffing agencies provided such costs are deemed necessary and reasonable by the commissioner. The commissioner shall compare expenditures for wages, benefits and staffing for the 1998 cost report period to such expenditures in the 1999, 2000 and 2001 cost report periods to verify whether a facility has applied additional payments to specified enhancements.

Please note that although there is reference in P.A. 99-279 to “applicable regulations”, Mr. Richter of the Department of Social Services has advised this office that no regulations currently exist. A copy of Section 20 of P.A. 99-279 is attached.

After the passage of P.A. 99-279, the Department of Social Services issued a single-page memorandum entitled “Nursing Facility Wage, Benefit and Staffing Enhancement Program – Section 20 Public Act 99-279”, a copy of which is attached hereto. The document confirms that the proper use of the grant includes:

- salary and wage increases, including hourly wage adjustments, overtime and bonuses.

- allowable fringe benefit increases, such as increases in pensions, health, disability, unemployment and life insurance, uniform allowances, child daycare and employee physicals.

- increases in Medicaid-allowable employee costs related to added staffing or added hours.

- increases in nursing pool and temporary staffing costs, within limitations.

Based upon the foregoing facts, DSS’ interpretation of the legislation and the clear language of the statute itself, it
is this office's opinion that the Wage, Benefit and Staffing Enhancement Program contained in S.A. 99-10, as clarified in P.A. 99-279, permits the use of funds received by Smith House under the program for the purposes outlined herein. The funds merely must be used for permitted purposes as defined by DSS and as measured from one annual cost report period to another, without regard to whether they were already obligated expenses.

If this memorandum has raised any further questions for you, I will be happy to answer them.

c.c.: Mayor Dannel P. Malloy
       Members, Board of Representatives
Encl.
March 25, 1999

Smith House Skilled Nursing Fac.
88 Rockrimmon Road
Stamford, CT 06903

Dear Provider:

As you know, on February 18, 1999 the Governor announced a Wage, Benefit and Staffing Enhancement Program developed with the leadership of the General Assembly to provide nursing facilities with special funding for wage, benefit and direct and indirect care staffing increases. Essentially the program provides for Medicaid rate increases targeted to wage, benefit and staffing enhancements amounting to $75 million on an annual basis to be implemented this fiscal year effective April 1, 1999. The program also includes general inflation increases of 1% and 2% effective July 1, 1999 and July 1, 2000, respectively.

The purpose of this letter is to provide you with an estimate of the Medicaid rate adjustment that you will likely receive upon passage of legislation implementing this enhancement program. The Department has received assurances from leaders in the General Assembly that the enhancement distribution method used to estimate the allocation for your facility will be adopted in legislation. Consequently, you may proceed to implement wage, benefit and direct and indirect care staffing enhancements. We would expect that the availability of your allocation level as identified in this letter should allow you to proceed expeditiously with any pending labor negotiations.

Current year Medicaid rates would be revised for the period April 1, 1999 through June 30, 1999 to reflect the special adjustment. Revised Medicaid rates will be issued retroactive to April 1, 1999 when legislation is adopted by the General Assembly and signed by the Governor. The same special enhancement adjustment amount would also be included in rates for the next two rate years unless there is a change to your facility’s capacity, licensure or operations. Your facility’s allocation of the enhancement funding is based on your 1998 direct and indirect cost component salary, wage and benefit costs and Medicaid utilization. The following reflects the expected allocation and rate adjustment for your facility.
Smith House Skilled Nursing Fac.

A. 1998 Direct, Indirect and Allocated Benefit Costs  $ 5,868,711
B. Medicaid Utilization  85.26%
C. Line A Multiplied by Line B  $ 5,003,663
D. Total of Line C Calculated For All Facilities 725,923,861
E. Facility’s Share (Line C / Line D)  0.689%
F. Special Wage, Benefit and Staffing Increase Funding 75,000,000
G. Estimated Facility Allocation (Line E X Line F)  $ 516,750
H. 1998 Medicaid Days 38,816
I. Estimated Medicaid Per Diem Adjustment (Line G / Line H)  $ 13,31

Rate add-ons for wage, benefit and staffing increases are required to be applied toward costs associated with hourly wage increases, additional employee benefit costs such as health insurance and pension and added direct and indirect care staffing hours. Adjustment funding may be applied towards wage and benefit increases for any employees except administrators, assistant administrators, owners or related party employees. Enhancement payments may also be used for necessary and reasonable nursing pool costs. If you expect that more than 30% of your enhancement funding will be necessary for nursing pool cost increases (between cost years 1998 and 1999) you should notify the Department so that a review for necessity and reasonableness can be conducted.

Under the program, facilities are allowed to apply enhancement payments to wage, benefit, and staffing increases made during the 1999 cost report period (10/98 - 9/99), not just after April 1, 1999. Your facility must demonstrate that 1999 costs for wages, benefits and staffing have increased over 1998 by an amount at least equal to the enhancement payments received. Your facility will receive 50% of your annual enhancement allocation in the 1999 cost report period representing payments between April 1, 1999 and September 30, 1999. If upon review of the cost report and/or special cost filings, the Department determines that special rate adjustment funds were not applied to designated cost increases, the Department will make retroactive rate reductions as appropriate.

Any facility choosing not to participate in the enhancement program must notify the Department.

Any questions or correspondence pertaining to enhancement rate adjustments should be directed to Gary Richter, Director, Certificate of Need and Rate Setting (860 424-5105). We will keep you apprised of this initiative as the legislative process proceeds.

Sincerely,

Michael P. Starkowski
Deputy Commissioner

cc: Marc Ryan, Secretary, OPM
Pat Wilson Coker, Commissioner DSS
Gary Richter, DSS
Cristel H. Truglia  
State Representative  
Legislative Office Building, Room 4030  
Hartford, CT 06106-1591

Dear Representative Truglia:

The following responds to the questions you submitted related to the Wage, Benefit and Staffing Enhancement Program for nursing facilities. Questions 1 through 3 were lengthy and have been summarized.

1. Will cost increases associated with raises for secretarial workers be an allowed cost under the Program? (Question was summarized.)

   While the Wage, Benefit and Staffing Enhancement allocation formula is based upon 1998 wage and benefit costs for Direct and Indirect category workers, funding can be used for wage and benefit increases given to existing or replacement employees categorized as Administrative such as secretaries. In accordance with the law the only personnel for which funds may not be applied are administrators, assistant administrators, owners and related party employees.

2. How will expenditure decreases associated with higher than normal nursing turnover have an effect on allowable Program costs? (Question was summarized.)

   Under the program, facilities must demonstrate that wage and benefit expenditures for employees have increased by the amount of Enhancement Program payments received. In accordance with the implementing legislation the Department will compare cost year 1998 wage and benefit expenditures to 1999, 2000 and 2001 wage and benefit expenditures. If expenditures decrease or increase by less than the amount of enhancement payments the facility will be required to refund unused payments.

3. Will cost increases associated with raises for porters who perform cleaning duties be an allowed cost under the Program? (Question was summarized.)

   Within the full question it is stated that porters are categorized as maintenance workers which is an administrative expense under Medicaid rate setting. As indicated in the response to Question #1, raises and benefit increases for existing or replacement administrative employees are eligible under the Enhancement Program.
4. Will uniform allowance expenditure increases, which is a program to reimburse employees for purchasing specific uniforms for work, be considered an allowable cost under the Program?

Yes.

5. Will increases in expenditures for resident care consultants like a Dietician, Pharmaceutical, Physical Therapist, Medical Director, Speech Therapist and Occupational Therapist be considered an allowable cost under the Program?

No, the Enhancement Program funds are targeted to facility employees and necessary outside nursing pool costs.

6. Will increases for the Director of Volunteers and costs associated with the volunteer program be considered an allowable cost under the Program?

Wage and benefit increases associated with the Director would be eligible.

7. Will increases in medical record supply expenses and medical record employee compensation be considered an allowable cost under the program?

Increases to supply expenses would not be allowed but employee cost increases would be eligible under the Enhancement Program.

8. Will increases in the cost associated with employee physicals be considered an allowable cost under the Program?

Yes, the costs associated with physicals are considered an employee benefit since such expenses relate to employee health like health insurance.

9. Since the Program was designed to prevent approximately 50 unionized nursing homes from "striking," will costs associated with negotiating the new union contracts be considered allowable under the Program? These costs are for the use of labor attorneys and negotiators necessary to write or alter a union contract agreement.

No, the Enhancement Program funds are earmarked for nursing facility employees.
10. Can office supply increases used exclusively for nursing and resident care services be considered allowable under the Program?

No, such costs are not related to employee wages and benefits.

11. Can telephone service increases exclusively associated with the residents' rooms or nursing services be considered allowable under the Program?

No, see response to Question # 10.

12. Are cost increases associated with holiday parties for residents or employees considered allowable under the Program.

No, see response to Question # 10.

13. Are cost increases associated with seminars and conventions attended by nursing personnel considered allowable under the Program?

No, see response to Question # 10.

14. Is a cost increase associated with classified ads for hiring nurses and nurses aides considered allowable under the Program?

No, see response to Question # 10.

If you or staff from the Smith House would like any further information please contact me (860-424-5105) or Kathy Shaughnessy (860-424-5108).

Sincerely,

Gary M. Richter
Director CON and Rate Setting

M. Barrett
year ending June 30, 2000, shall receive a rate increase that is more than one per cent more than the rate the facility received in the fiscal year ending June 30, 1999. For the fiscal year ending June 30, 2001, each facility, except a facility with an interim rate or replaced interim rate for the fiscal year ending June 30, 2000, and a facility having a certificate of need or other agreement specifying rate adjustments for the fiscal year ending June 30, 2001, shall receive a rate increase equal to two per cent applied to the rate the facility received for the fiscal year ending June 30, 2000, subject to verification of wage enhancement adjustments pursuant to subdivision (15) of this subsection. For the fiscal year ending June 30, 2001, no facility with an interim rate, replaced interim rate or scheduled rate adjustment specified in a certificate of need or other agreement for the fiscal year ending June 30, 2001, shall receive a rate increase that is more than two per cent more than the rate the facility received for the fiscal year ending June 30, 2000. For the fiscal year ending June 30, [2000] 2002, and any succeeding fiscal year, no facility shall receive a rate that is more than the rate it received in the prior year increased by the annual increase in the Consumer Price Index (all urban) for the most recent calendar year. The Commissioner of Social Services may exclude fair rent from any rate increase maximums established pursuant to this subdivision for a facility which has undergone a material change in circumstances related to fair rent.

Sec. 20. Subsection (f) of section 17b-340 of the general statutes is amended by adding subdivision (15) as follows:

(NEW) (15) The Commissioner of Social Services shall adjust facility rates from April 1, 1999, to June 30, 1999, inclusive, by a per diem amount representing each facility's allocation of funds appropriated for the purpose of wage, benefit and staffing enhancement. A facility's per diem allocation of such funding shall be computed as follows: (A) The facility's direct and indirect component salary, wage, nursing pool and allocated fringe benefit costs as filed for the 1998 cost report period deemed allowable in accordance with this section and applicable regulations without application of cost component maximums specified in subdivision (3) of this subsection shall be totaled; (B) such total shall be multiplied by the facility's Medicaid utilization based on the 1998 cost report; (C) the resulting amount for the facility shall be divided by the sum of the calculations specified in subparagraphs (A) and (B) of this subdivision for all facilities to determine the facility's percentage share of appropriated wage, benefit and staffing enhancement funding; (D) the facility's percentage share shall be multiplied by the amount of appropriated wage, benefit and staffing enhancement funding to determine the facility's allocated amount; and (E) such allocated amount shall be divided by the number of days of care paid for by Medicaid on an annual basis including days for reserved beds specified in the 1998 cost report to determine the per diem wage and benefit rate adjustment amount. The commissioner may adjust a facility's reported 1998 cost and utilization data for the purposes of determining a facility's share of wage, benefit and staffing enhancement funding when reported 1998 information is not substantially representative of estimated cost and utilization data for the fiscal year ending June 30, 2000, due to special circumstances during the 1998 cost report period including change of ownership with a part year cost filing or reductions in facility capacity due to facility renovation projects. Upon completion of the calculation of the allocation of wage, benefit and staffing enhancement funding, the commissioner shall not adjust the allocations due to revisions submitted to previously filed 1998 annual cost reports. In the event that a facility's rate for

http://www.cga.state.ct.us/ps99/Act/pa/1999PA-00279-R00HB-07104-PA.htm

7/21/99
the fiscal year ending June 30, 1999, is an interim rate or the rate includes an increase adjustment due to a rate request to the commissioner or other reasons, the commissioner may reduce or withhold the per diem wage, benefit and staffing enhancement allocation computed for the facility. Any enhancement allocations not applied to facility rates shall not be reallocated to other facilities and such unallocated amounts shall be available for the costs associated with interim rates and other Medicaid expenditures. The wage, benefit and staffing enhancement per diem adjustment for the period from April 1, 1999, to June 30, 1999, inclusive, shall also be applied to rates for the fiscal years ending June 30, 2000, and June 30, 2001, except that the commissioner may increase or decrease the adjustment to account for changes in facility capacity or operations. Any facility accepting a rate adjustment for wage, benefit and staffing enhancements shall apply payments made as a result of such rate adjustment for increased allowable employee wage rates and benefits and additional direct and indirect component staffing. Adjustment funding shall not be applied to wage and salary increases provided to the administrator, assistant administrator, owners or related party employees. Enhancement payments may be applied to increases in costs associated with staffing purchased from staffing agencies provided such costs are deemed necessary and reasonable by the commissioner. The commissioner shall compare expenditures for wages, benefits and staffing for the 1998 cost report period to such expenditures in the 1999, 2000 and 2001 cost report periods to verify whether a facility has applied additional payments to specified enhancements. In the event that the commissioner determines that a facility did not apply additional payments to specified enhancements, the commissioner shall recover such amounts from the facility through rate adjustments or other means. The commissioner may require facilities to file cost reporting forms, in addition to the annual cost report, as may be necessary, to verify the appropriate application of wage, benefit and staffing enhancement rate adjustment payments. For the purposes of this subdivision, "Medicaid utilization" means the number of days of care paid for by Medicaid on an annual basis including days for reserved beds as a percentage of total resident days.

Sec. 21. Subsection (h) of section 17b-340 of the general statutes is repealed and the following is substituted in lieu thereof:

(h) For the fiscal year ending June 30, 1993, any residential care home with an operating cost component of its rate in excess of one hundred thirty per cent of the median of operating cost components of rates in effect January 1, 1992, shall not receive an operating cost component increase. For the fiscal year ending June 30, 1993, any residential care home with an operating cost component of its rate that is less than one hundred thirty per cent of the median of operating cost components of rates in effect January 1, 1992, shall have an allowance for real wage growth equal to sixty-five per cent of the increase determined in accordance with subsection (q) of section 17-311-52 of the regulations of Connecticut state agencies, provided such operating cost component shall not exceed one hundred thirty per cent of the median of operating cost components in effect January 1, 1992. Beginning with the fiscal year ending June 30, 1993, for the purpose of determining allowable fair rent, a residential care home with allowable fair rent less than the twenty-fifth percentile of the state-wide allowable fair rent shall be reimbursed as having allowable fair rent equal to the twenty-fifth percentile of the state-wide allowable fair rent. Beginning with the fiscal year ending June 30, 1997, a residential care home with allowable fair rent less than three dollars
Nursing Facility Wage, Benefit and Staffing Enhancement Program
Section 20 Public Act 99-279

Appropriate Uses of Wage, Benefit and Staffing Enhancement Payments

Salary, wage and/or benefit increases for nursing facility employees (owners, administrators and related party employees are excluded under the law). Please note that while a facility's enhancement allocation is based upon direct and indirect employee costs, funds may also be applied toward salary, wage and benefit increases for employees categorized in the Administrative cost component area, such as, office support and maintenance workers.

Allowable salary and wage increases generally would include all payroll expense increases, such as, hourly wage adjustments, overtime and bonuses. Payments to employees made in the form of a gift or service award are not recognized under the program.

Allowable fringe benefit increases would include workers compensation, social security (FICA), insurance (health, disability, unemployment, life), pension, uniform allowance, child daycare and employee physicals. Costs associated with employee recruitment, staff parties, training, seminars and conferences are not recognized under the program.

Increases in Medicaid allowable Direct and Indirect employee costs related to added staffing and/or hours. Direct care component staff includes nurses and nurse aides and Indirect component staff includes dietary, housekeeping, laundry, social work and recreation workers, physicians, pharmacists and therapists. Please note that the Department will compare Medicaid allowable Direct and Indirect care costs for cost increase comparison purposes. Medicaid allowable therapy costs are determined based upon a payer type utilization formula and professional fees are subject to per hour limits under Medicaid reimbursement regulation.

Necessary and reasonable increases in nursing pool/temporary staffing costs. The intent of the Wage, Benefit and Staffing Enhancement program is to provide permanent nursing facility employees with higher wages and benefits and to increase direct and indirect care staffing. However, the law does permit the Commissioner to allow reasonable and necessary increases in outside temporary staffing services. As a guideline, facilities should notify the Department of any projected increases in outside service costs which are in excess of 10%. The Department will conduct a review for reasonableness and necessity. Enhancement payments may not be applied to cost increases associated with contracts for services such as therapy, dietary, housekeeping and laundry.

Verification of the Proper Use of Wage, Benefit and Staffing Enhancement Payments

The Department will review annual Medicaid cost report filings and conduct audits as necessary to determine that funds have been applied in accordance with the law. Facilities must demonstrate that spending for wages, benefits and direct/indirect staffing have increased over 1998 by an amount equal to or exceeding payments received under the Enhancement Program. It is important to point out that the Department will adjust 1998 costs to account for bed additions and licensure conversions (RHNS to CCNH) when verifying the appropriate application of Enhancement Program payments by facilities. The Department will revise rates and recover funds when payments are not spent for such purposes.

Under PA 99-279 facilities are credited with wage, benefit and staffing enhancements made during the entire 1999 cost report period (10/98-9/99), not just after April 1, 1999, which is the effective date of Medicaid rate increases related to the Enhancement Program.
Nursing Home Workers Approve Strike

By ANDREW FICKER
Connecticut Staff Writer

Unmarried workers at 43 nursing homes have voted to authorize a union contract with the potential to change the state's nursing home system into a collective one.

After gaining support from a labor union, a 100,000 nursing home workers across the state will walk off their jobs for the second time this year to demand legislative action to address the growing number of nursing home workers who lack basic work rights.

Two strikes will occur on Monday, one at the state's largest union, the Connecticut State Nurses Association (CSNA), and another at the state's largest union, the New England Sealers Union, which represents workers in the nursing home industry.

The state has not responded to the workers' demands, and negotiations have broken down.

State unions say they will not return to work until their demands are met, including the following:

- A minimum wage of $15 per hour
- A $1,000 bonus after one year of employment
- Paid sick leave
- Health insurance
- Pension plans
- Retirement benefits
-า or Workers

The state has offered a $1,000 bonus for new hires, but the unions say it is not enough.

The union's demands are in line with those made by the state's largest union, the Connecticut State Nurses Association (CSNA), which represents workers in the nursing home industry.

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Smith House board mulls uses for $1 million windfall

By Thomas J. McFeely
Staff Writer

With the future of the Smith House Skilled Nursing Facility in question, the president of the company that manages the facility has decided to take a "straw poll" of its board of directors on how $1 million in state funds can be spent.

Gwynn Lamont, president of Handen-based Halcyon Day Properties Ltd., wrote to board members seeking their opinions on how the funds can be used at Smith House.

Lamont said he hoped to reach a consensus by individually calling each member next week. If no consensus is reached, he said, he would then call a special meeting.

Lamont said in his letter that using most of the $1 million "would substantially improve the financial future of the Smith House."

Last month, Thomas Hamilton, Stamford director of administrative services, said Smith House lost $1.1 million in the last fiscal year and recommended that the city sell the facility.

Although Lamont disputes the amount of the losses, he and others are seeking opinions on whether the $1 million payment from the state can be used to offset them.

The program is a one-time payment to nursing homes that covers the months of April 1999 and June 2001. If the Legislature does not extend the program after that period, no further payments would be made to the homes.

Speaker of the House Moira Lyons yesterday again said the money is intended for additional staffing or increased wages and benefits, and not to offset existing employee costs.

Lyons, D-Stamford, said the legislation, called the State Wage, Benefit, and Staffing Enhancement Program, is clearly written: "When we wrote the bill, we had the understanding...it was to go with whatever current (contracts) are in place," she said. "It's pretty clear. That's what the word 'enhancement' is for."

But an official with the state Department of Social Services yesterday said under the legislation, money could be used for previously-committed costs. "If the house can prove that it spent this money on staffing this year then it did last year, it can use the funds to offset those costs," said Gary Richter, the DSS director of Medicare rate-setting.

He said the legislation was

Please see $1 MILLION, Page A11

$1 million

Continued from Page A1

written that way so as not to preclude homes that had settled contracts prior to the passage of the bill.

DSS would review Halcyon's financial analysis prior to releasing the funds, Richter said.

Union officials who represent Smith House workers have called for Stamford Mayor Dannel Malloy's administration to renegotiate the contract that was signed about a year ago. Malloy has denied those requests.

Malloy will make his Smith House recommendations after receiving feedback from elected officials and others involved with the facility. Malloy has asked for their opinions by the end of the month.

He has not endorsed the idea of selling the facility, but has said the state Legislature will have to help financially if Smith House continues to lose money.

"What's going on is a healthy exchange of information which will hopefully be of assistance in resolving the matter," he said.

Malloy also wrote to Lyons attempting to clarify Smith House issues after reading her comments in the local newspaper.

"The Smith House Board of Directors would prefer that this not become a 'union vs. taxpayer' issue...since it appears to be heading in that direction," he wrote to Lyons. "The most important concern in (the board's) mind is...what is in the best interests of the 112 or so of the poor, frail elderly who make the Smith House their home and the families of those Smith House residents living in Stamford."

Lamont did not return a telephone call yesterday seeking comment. Attempts to reach union officials late yesterday were unsuccessful.

To: GWYN X. LAMONT
From: HERBERT HUSSELM

The Advocate. Friday, August 13, 1999 — A11
Union Takes Aim At Nursing Homes

by ANDREW JULIEN
Courant Staff Writer

The state's largest union of health care workers will release a report today sharply critical of the quality of care in Connecticut nursing homes.

The report prepared by New England Health Care Employees Union, District 1199, says that measures imposed in the early 1990s to control costs have held down staffing levels, diminishing the quality of care being delivered to the elderly and the ill.

"There's a fundamental flaw in the system," said Deborah Chernoff, an 1199 spokeswoman. "It fuels the drive toward mediocrity by putting pressure on those costs that have the most to do with direct care."

An industry spokeswoman, however, questioned the validity of the union's criticism. District 1199 is currently engaged in a major campaign to boost wages and increase staffing levels at some 50 nursing homes where contract talks are under way. A large-scale strike is possible.

"I understand the union has to advocate for their members and I accept that," said Toni Fatone. "But what I don't accept is their union propaganda parading as research, which is only going to serve to terrorize the public."

She also defended the quality of the state's nursing homes.

"I feel very strongly that Connecticut's nursing homes are head and shoulders above facilities in other states in terms of quality of care and staffing," Fatone said.

The 1199 report says that the staffing levels in Connecticut nursing homes have fallen below the national average and trail states such as Massachusetts, New Jersey and Pennsylvania.

Staffing problems, the report said, can lead to an array of care problems, including residents not getting fed properly, not being repositioned in their beds when they should be or not having their hygiene needs met.

Chernoff rejected the notion that the union was using the issue of care to advance its agenda. Members in the nursing homes, she said, have told union leaders that staffing levels are a critical issue.

The report blames cost-control measures instituted in the early 1990s for the problem, saying they effectively penalize facilities with higher wages and staffing levels.

Joan Leavitt, public health services manager at the state Department of Public Health, said that while the state does find some problems when it inspects homes, staffing levels are not necessarily the reason.

"We think Connecticut -- the workers in Connecticut and the nursing homes -- certainly do provide good care," Leavitt said. "I don't see that there is a global problem."
Future of Smith House needs thought

Stamford periodically has considered getting out of the nursing home business for very plausible reasons, not the least of them financial, but Smith House Health Care Center, the 128-bed facility on Rockrimmon Road, remains open to elderly city residents and their relatives who need care. A re-examination of the city's position may be in the works now that Thomas Hamilton, director of administration, has recommended that Smith House be sold before projected losses become problematic for Stamford. However, caution is advised.

Mr. Hamilton said that Smith House has operated at a loss for the past three years, including a $1.1 million loss in 1998-99. Worse, the situation is not expected to improve significantly, despite the anticipated receipt of more than $1 million in additional nursing home fund payments from the state over the next two years, he said.

Mr. Hamilton argues that city taxpayers are making up the shortfall when Stamford has police, fire, school and other services to support. In a separate report, Gwynn Lamont, president of Halcyon Day Properties Ltd., the Hamden company that manages Smith House for the city, says that leasing Smith House to an outside operator ought to be considered as well, along with such ideas as accepting patients who have no connection to Stamford and downsizing the facility and its staff to curb costs.

Smith House is unique; it is one of two nursing homes left in Connecticut operated by a municipality. (The other, The Nathaniel Witherell, is in Greenwich.) The facility provides an important connection to Stamford and for local family members whose relatives are Smith House residents. Smith House also has been affordable for those with few financial resources even though many of the residents' bills generally are paid by the state Medicaid system. For those reasons, we would like to see Smith House continue its mission of service to city residents if at all possible.

Mayor Dannel Malloy says he has "no current desire" to sell Smith House, but changes may be necessary — if Mr. Hamilton's numbers are right and his prognosis reasonable. Like state Rep. Moira Lyons, D-Stamford, we are confused that dire financial straits are being presented now, when the opposite impression — that Smith House was holding its own — was conveyed a year or two ago. Analysis by a reputable third party is needed.

If it gets to that point, the mayor, administration officials and members of the Smith House board of directors shouldn't be left with this important decision. Officials of other city agencies, including the Board of Finance, city residents, state lawmakers and civic and community leaders, ought to help decide the future of this important community resource as well.
Official: Sell Smith House
Says nursing home too expensive to run

By Susan Eian
Staff Writer

A top city official is recommending Stamford sell its nursing home, saying it costs too much to operate.

Director of Administration Thomas Hamilton analyzed the finances of Smith House, a skilled nursing facility, and determined the 128-bed home lost more than $1 million in fiscal year 1998-99.

"The facility requires subsidies from the city to stay afloat," Hamilton said. "There is only so much money to allocate. This is taking resources away from police, fire, street repair and public education.

"Stamford and Greenwich are the only two municipalities in the state that operate nursing homes. Hamilton said.

Mayor Dannel Malloy said he has no current desire to sell Smith House.

Jerry Brown, president of the New England Health Care Employee Union District 1199, which represents the majority of Smith House workers, questioned the validity and timing of the analysis of Smith House's financial performance. Please see SMITH HOUSE, Page A10

Smith House

Continued from Page A1

the legislation and make recommendations on how to proceed.

Those reports, accompanied by Malloy's memo, were delivered to elected officials and union representatives earlier this week.

"The Smith House operation is running at a significant annual operating loss," Hamilton stated in his report. "With expenses rising and revenues declining, the facility operated at a loss in excess of $1 million for fiscal year 1998-99. This is on top of smaller losses experienced in the prior two years.

Additional state money will not offset Smith House's operating losses, Lamont wrote in a memo to Malloy.

"The elderly population of the city can no longer support the 128 beds at the Smith House," Lamont wrote.

Malloy proposed three remedies: "Regionalizing" Smith to accept residents from outside the local community; reducing the capacity of the facility to 75 beds for those employees; or selling or leasing the facility.

Recommending the sale of Smith House, within the context of a discussion on how to allocate the additional state funding, amounts to "blackmail tactics," said Brown, the union president.

Malloy said his intention in circulating the documents was to solicit input on appropriate uses for the funds made available through recent legislation.

The union has asked the city to reopen contract negotiations for Smith House workers based on the infusion of money.

In January, District 1199, the state's largest union of health-care workers, petitioned Gov. John G. Rowland for an increase in Medicaid payments to nursing homes.

Limitations imposed in the early 1990s to control costs have kept low staffing levels and cap on auxiliary and benefit packages at nursing homes, the union argued.

To avert strikes by nursing home workers, Rowland agreed in March to a compromise that pledged Medicaid rate increases of about $150 million during the next two years.

The Malloy administration declined to reopen negotiations on a contract signed with District 1199 about a year ago.

Until fiscal 1999-2000, the city did not attribute the full cost of operating the nursing home to the Smith House budget, Hamilton said.

"The city budgeted for the cost of most employee benefits, but not including employer medical and life insurance, social security and workers' compensation in the city's general fund budget," Hamilton said.

In addition, liability and property insurance and the debt service on Smith House capital projects were budgeted in the city's general fund, Hamilton said.

Union members have said they would be willing to forego wage and benefit improvements if the money is used to increase staffing levels.

Staffing levels at Smith House exceed state requirements, according to Deborah Schmidt, executive director of Smith House. And the funding is only guaranteed for two years, she said.

"What if there is no subsidy in the future?" Schmidt asked.

To: Gwynn X. Lamont
From: Herbert Augusdel
Continued from Page A1

performance.

"We are going to analyze the figures," Brown said. "A year ago, they were making money."

The sale of Smith House would leave Stamford's low-income seniors with no affordable place to go, Brown said.

"We have seen a huge growth in assisted-living facilities for private payers in Fairfield County," Brown said. "Smith House is a very important asset that belongs to people of modest means. If it is sold, the middle class and the poor will have to go far away from their families."

A windfall in Medicaid payments to nursing homes in the state has sparked debate over the future of Smith House.

The Rockrimmon Road facility could receive more than $1 million of the $150 million the state Legislature has designated to increase staffing and improve the wages and benefits of nursing home employees.

Malloy has asked city and state legislators and the unions that represent Smith House workers to comment by the end of the month on how the money should be spent.

Adjoined to Malloy's request for comment were two financial reports, including one from Hamilton, urging the sale of the nursing home, whose resident population is overwhelmingly made up of Medicaid patients.

The other report was prepared by Gwynn Lamont, president of Haley Day Properties Ltd., the firm that manages Smith House for the city.

Malloy asked Hamilton for an analysis of the recent financial performance at Smith House and Lamont to explain the legislation and make recommendations on how to proceed.

Those reports, accompanied by Malloy's memo, were delivered to elected officials and union representatives earlier this week.

"The Smith House operation is running at a significant annual operating loss," Hamilton stated in his report. "With expenses rising and revenues declining, the facility operated at a loss in excess of $11 million for fiscal year 1998-99.

This is on top of smaller losses experienced in the prior two years."

Additional state money will not offset Smith House's operating losses, Lamont wrote in a memo to Malloy.

... The elderly population of the city can no longer support the 128 beds at the Smith House," Lamont wrote.

Lamont proposed three remedies: "Regionalizing" Smith to accept residents from outside the local community; reducing the capacity of the facility "while at the same time reducing the number of employees and the cost associated with employees," or selling or leasing the facility.

Recommending the sale of Smith House, within the context of a discussion on how to allocate the additional state funding, amounts to "blackmail tactics," said Brown, the union president.

Malloy said his intention in circulating the documents was to solicit input "on appropriate uses for the funds made available through recent legislation."

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To avert strikes by nursing home workers, Rowland agreed in March to a compromise that pledged Medicaid rate increases of about $150 million during the next two years.

The Malloy administration declined to reopen negotiations on a contract signed with District 1199 about a year ago.

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"The city budgeted for the cost of most employee benefits, including employee medical and life insurance, social security and workers' compensation in the city's general fund budget," Hamilton said.

In addition, liability and property insurance and the debt service on Smith House capital projects were budgeted in the city's general fund, Hamilton said.

Union members have said they would be willing to forego wage and benefit improvements if the money is used to increase staff.

Staffing levels at Smith House exceed state requirements, according to Deborah Schmidt, executive director of Smith House. And the funding is only guaranteed for two years, she said.

"What if there is no subsidy in the future?" Schmidt asked.
Union wants $1M windfall for nursing home’s staff

By Susan Egan
Staff Writer

A request by Mayor Dannel Malloy for recommendations on how a $1 million windfall in state funds should be spent at Stamford’s municipally-owned nursing home has yielded a detailed response from the union that represents most of the workers at the Smith House Skilled Nursing Facility.

But city and state legislators, and the board of directors of the Rockrimmon Road facility have asked for an extension to Malloy’s Aug. 30 deadline.

Smith House could receive more than $1 million over two years from the $150 million the state legislature has designated to increase staffing and improve the wages and benefits of nursing home employees.

Debate rages over how to allocate the state funds at the 126-bed facility where most residents are covered by Medicaid.

Gwynn Lamont, president of Halcyon Day Properties Ltd., the firm that manages Smith House for the city, and Director of Administration Thomas Hamilton say the nursing home is in the red and the city should consider selling it.

Lamont recommends spending a large chunk of the state funds “to offset projected incurred and committed Smith House expenditures.”

Spending the funds in this way could postpone expected operating losses by two years, Lamont wrote in his report to Malloy.

Hamilton adds that unless Smith House can cover its own expenses, “the city should move as expeditiously as possible to divest itself of the facility.”

Malloy said he has long supported the view that Smith House must pay for itself.

“If it is unable to, we would examine other options,” Malloy said.

Recommending the sale of Smith House, within the context of a discussion on how to allocate the additional state funding, amounts to “blackmail tactics,” charges Jerry Brown, president of the New England Health Care Employees Union District 1199, the union that represents the majority of the Smith House workers.

“The mayor wants to punish the union for having the temerity to question his administration,” Brown said.

Please see SMITH HOUSE, Page A1.
MEMORANDUM

DATE:       July 30, 1999

TO:        Senator George Jepsen
            Senator William Nickerson
            Representative Moira Lyons
            Representative Michael Fedele
            Representative John Wayne Fox
            Representative Janet Lockton
            Representative Anne McDonald
            Representative Christel Truglia
            Carmen Domonkos, President, Board of Representatives
            Mary Lou Rinaldi, Chair, Board of Finance

FROM:      Dannel P. Malloy, Mayor

RE:        Smith House - State Enhancement Funds

The State legislature recently approved legislation which provides addition funding to nursing homes under the Medicaid program over the next couple of years.

Since the authorizing legislation is quite complex, I asked Halcyon Day Properties, the management company hired by the City to run the Smith House, to prepare a report on this new legislation, and to provide the City with recommendations on how best to proceed in light of this new legislation. I also requested that Halcyon and the Director of Administration prepare financial analyses on the Smith House, so that we would have complete information on the recent financial performance of the facility. I am sending these reports to you for distribution to the members of the Board of Representatives and Board of Finance. Since I know that a number of elected officials have expressed an interest on this subject, I am establishing a public comment time frame, and ask that all persons wishing to be heard on this subject return written
comments back to me by August 30, 1999. I am also sending these reports to and soliciting comments from the applicable collective bargaining groups.

After reviewing all comments, I will forward my recommendation relative to the use of the State Enhancement funds to the Board of Finance and Board of Representatives. I would note that the expenditure of funds must be approved by both boards. Thank you for your input on this important matter.
MEMORANDUM

TO: David Martin, Chairperson
    Fiscal Committee, Board of Representatives

FROM: Dena Diorio, OPM Director

DATE: February 7, 2000

SUBJECT: Smith House Cost Analysis

The Fiscal Committee of the Board of Representatives has recommended that funds received under the State Enhancement Program be applied as follows:

40% - new staffing increases and training and education.
20% - new employee bonuses to be paid at the fiscal year end.
40% - at the City Administration’s discretion, with consideration given to funding previously committed expenditures eligible under the program.

The purpose of this analysis is to first, determine the dollar amounts applicable and the timing of the Fiscal Committee’s recommended application of funds and to secondly, determine the impact upon the profit and loss of the Smith House. To complete this analysis, specific assumptions have been made and are identified as part of the attached schedules. For example, the effective date of implementation of the recommended application in this analysis is March 1, 2000.

Overview
There are specific facts that must be taken in consideration when completing this analysis, and they are:

1. The timing of and the method of the application of funds must comply with the regulations and specifications of the Enhancement Program, as defined by the
State. Otherwise, the funds will be recouped by the State and the City would not be able to honor the recommendation and commitment.

2. The timing of and the method of the application of funds must comply with State and Federal fraud and abuse laws governing the expenditures of a long term care facility. To this end, the amount and type of expenditure must be necessary and reasonable.

In view of these facts, our analysis shows that there cannot be a retroactive application of State Enhancement Program funds received to date without running the risk of having funds recouped by the State or incurring unnecessary and unreasonable expenditures as defined by Fraud and Abuse laws. This fact does not preclude the City from implementing the recommendation however. It just means that the funds cannot be allocated in the same manner in which they have been received from a timing perspective. This “timing” consideration impacts the purpose of this analysis significantly, since the purpose is to determine the timing of the application or pay out of funds and the impact upon “profit and loss” of the Smith House.

**Revenue Assumptions**

We project that the City will receive approximately $967,000 under the State Enhancement Program. This is a revised number based on actual revenues received to date. For the first ten months of the Program, the Smith House has received $331,395. This equates to $397,674 per year. The amount of cash that has been and is projected to be received is as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>$ 99,419</td>
</tr>
<tr>
<td>1999-2000</td>
<td>$397,674</td>
</tr>
<tr>
<td>2000-2001</td>
<td>$397,674</td>
</tr>
<tr>
<td>2001-2002</td>
<td>$ 72,233</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$967,000</strong></td>
</tr>
</tbody>
</table>

Keep in mind that the actual amount of State Enhancement Program funds to be received is directly dependent upon the number of Medicaid Program resident days incurred for the April 1, 1999 – June 30, 2001, time period. Hence, the projected amount of $976,000, a revised number from original estimates, could be higher or lower depending upon actual Medicaid Program days incurred.

**Application of Revenue**

Under the recommendation, $386,800 of the funds would be allocated to new staffing increases; $193,400 would be allocated to bonuses; and $386,800 would be allocated for application at the City administration’s discretion.
Due to State Enhancement Program stipulations and Fraud and Abuse law considerations, the application of the funds as recommended by the Fiscal Committee would have to be as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cash Received</th>
<th>City Discretion</th>
<th>Bonuses</th>
<th>Staffing</th>
<th>Future Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>$99,419</td>
<td>$39,768</td>
<td>$-0-</td>
<td>$-0-</td>
<td>$59,651</td>
</tr>
<tr>
<td>2000-2001</td>
<td>397,674</td>
<td>159,070</td>
<td>79,535</td>
<td>159,070</td>
<td></td>
</tr>
<tr>
<td>2001-2002</td>
<td>72,233</td>
<td>28,892</td>
<td>34,330</td>
<td>159,070</td>
<td></td>
</tr>
<tr>
<td>2002-2003</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>15,637</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$967,000</strong></td>
<td><strong>$386,800</strong></td>
<td><strong>$193,400</strong></td>
<td></td>
<td><strong>$386,800</strong></td>
</tr>
</tbody>
</table>

**Results of Analysis**

Overall, the analysis indicates that the total cost of the program would be $580,200 spent over four fiscal years. Dispersing the funds according to the recommendation will have a negative impact on the operating results of the facility. In the current fiscal year, the facility would incur an operating loss of approximately $417,000. For Fiscal Year 2000-2001, based on preliminary budget numbers, these additional costs would turn a positive operating result into an operating loss of $174,000.

Please feel free to contact me if you require any additional information.

cc: Mayor Dannel P. Malloy  
Thomas Hamilton, Director of Administration  
Jim Haselkamp, Director of Human Resources  
Gwynn Lamont, Halycon Day Properties  
Deb Schmidt, Halycon Day Properties
### Smith House Health Care Center
#### Staffing Enhancement Program
##### Cost Analysis of Fiscal Committee Recommendations

**Fiscal Year 1999-2000**

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Prorated 4 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Shift Increases: 40%</td>
<td>159,070</td>
<td>53,023</td>
</tr>
<tr>
<td>2) Bonuses: 20%</td>
<td>79,535</td>
<td>79,535</td>
</tr>
<tr>
<td>3) Incurred Expenses: 40%</td>
<td>159,070</td>
<td>159,070</td>
</tr>
<tr>
<td><strong>Expected Revenue:</strong></td>
<td><strong>397,674</strong></td>
<td><strong>291,628</strong></td>
</tr>
</tbody>
</table>

- **Shift Increases =** $53,023
  - Hourly Rate: $15.78
  - Time & Half Rate: $23.67
  - Hours/Shift: 8
  - Cost/Shift: $189.36

- **Bonuses =** $79,535
  - Number of Employees: 135
  - Bonus/Person: $589

**Total Cost: FY99-00**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shifts</td>
<td>$53,023</td>
</tr>
<tr>
<td>Bonuses</td>
<td>$79,535</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$132,558</strong></td>
</tr>
</tbody>
</table>

**Fiscal Year 2000-2001**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Shift Increases: 40%</td>
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<tr>
<td><strong>Expected Revenue:</strong></td>
<td><strong>397,674</strong></td>
</tr>
</tbody>
</table>

- **Shift Increases =** $159,070
  - Hourly Rate: $16.25
  - Time & Half Rate: $24.38
  - Hours/Shift: 8
  - Cost/Shift: $195.00

- **Bonuses =** $79,535
  - Number of Employees: 135
  - Bonus/Person: $589

**Total Cost: FY00-01**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Shifts</td>
<td>$159,070</td>
</tr>
<tr>
<td>Bonuses</td>
<td>$79,535</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$238,604</strong></td>
</tr>
</tbody>
</table>

**Total**

- **Cost FY99-00** $132,558
- **Cost FY00-01** $238,604
- **Cost FY01-02** $193,400
- **Cost FY02-03** $15,638
- **Total** $580,200
# Smith House Health Care Center
## Staffing Enhancement Program
### Cost Analysis of Fiscal Committee Recommendations

### Impact on Fiscal Year 1999-2000

<table>
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**Shift Increases =** $53,023

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<th>Time &amp; Hours/Shift</th>
<th>Cost/Shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 hr shift @ 1.5</td>
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<tr>
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<tr>
<td>Shifts/Day</td>
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</table>

**Bonuses =** $79,535

<table>
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<tbody>
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<td></td>
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<tr>
<td>Bonus/Person</td>
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<td></td>
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**Total Cost: FY99-00**

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<td>$79,535</td>
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<tr>
<td><strong>Total</strong></td>
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### Impact on FY99-00 Operating Results:

- **Projected Operating Results:** $(284,283)
- **Cost of Proposal:** $(132,558)
- **Projected Deficit:** $(416,841)

### Impact on Fiscal Year 2000-2001

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<tr>
<td>Number of Shifts</td>
<td>816</td>
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</tr>
<tr>
<td>Shifts/Day</td>
<td>2.23</td>
<td></td>
<td></td>
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**Bonuses =** $79,535

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**Total Cost: FY00-01**

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<tr>
<td><strong>Total</strong></td>
<td>$238,604</td>
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</table>

### Impact on FY00-01 Operating Results:

- **Projected Operating Results:** $64,947
- **Cost of Proposal:** $(238,604)
- **Total Projected Deficit:** $(173,657)
Allocation of State Funds for Smith House

WHEREAS, the Mayor of the City of Stamford (the "City") has requested that the Board of Representatives set forth guidelines with respect to the allocation of funds received by the City under Special Act 99-10 ("SA 99-10");

WHEREAS, SA 99-10 concerns, among other things, special funding for wage, benefit and staffing enhancements at nursing facilities, including Smith House; and

WHEREAS, the Board of Representatives has given this issue its due care and consideration.

NOW, THEREFORE, BE IT ACKNOWLEDGED THAT the Board of Representatives recommends the following guidelines:

1. Forty percent (40%) of the total funds received by the City pursuant to SA 99-10 should be allocated to improving the quality of care received by Smith House residents through (i) enhancing and/or increasing staffing levels, whether through shift increases or personnel increases (relative to the number of residents served), of those employees who provide primary care to the residents and (ii) providing additional joint labor and management training and education to such primary caregivers.

It is understood that the Smith House employees’ unions and the City should mutually agree upon the specific staff increases and division of these funds in accordance with the above guidelines. Notwithstanding the foregoing, since according to statutory formula a portion of the funds distributed by the State under SA 99-10 must be attributed to Fiscal Year 1999, and it is no longer possible to enhance staffing for the year gone by, funds that would have been allocated for staffing in Fiscal Year 1999 under this Section 1 of these guidelines should be allocated pursuant to Section 2 hereof. Funds allocated after Fiscal Year 1999 should be apportioned according to Sections 1 through 3 hereof.

2. Twenty percent (20%) of the funds received by the City pursuant to SA 99-10 should be allocated to enhancing the financial well being of Smith House non-management employees. To achieve this goal, funds allocated under this Section 2 should be paid at the completion of the Smith House Fiscal Year in the form of employment bonuses to non-management employees.

It is understood that the funds allocated under both Section 1 and Section 2 constitute non-recurring payment, and should not be considered, by virtue of these guidelines, as a part of any current or future contract or negotiations between the Smith House employees’ unions and the City.

3. The remaining percentage of the funds made available to the City pursuant to SA 99-10 should be expended by the City in any manner it determines is beneficial to the well-being of Smith House and its residents, in the City’s sole discretion, including without limitation, funding the wage increases described in the contractual agreement by and between the City and the Smith House labor unions dated 7/1/98, 1998.
DATE: July 27, 1999

TO: Dannel P. Malloy, Mayor

FROM: Thomas Hamilton, Director of Administration

RE: Smith House Skilled Nursing Facility - Financial Analysis

You recently asked that I prepare a financial analysis of the financial performance of the Smith House Skilled Nursing Facility, and also analyze the impact of the new State funding legislation on projected future operating results. In preparing this analysis, we have reviewed actual audited financial results for the last several years, prepared projected results of operation for the year just ended on June 30, 1999, and conducted some analysis of the FY 1999-2000 budget. We have also examined a comprehensive report prepared by Halcyon Day Properties, which provides a thorough analysis of the impact of the State sponsored Wage, Benefit, and Staffing Enhancement Program on the Smith House.

Until FY 1999-2000, the City did not attribute the full cost of operating the Smith House Skilled Nursing Facility to the Smith House budget. Most notably, the City budgeted for the cost of most employee benefits, including employee medical and life insurance, social security, and workers’ compensation, in the City’s general fund budget. In addition, risk management expenses (liability insurance, property insurance, etc.) were budgeted in the City’s general fund, as was debt service on Smith House capital projects. Beginning in FY 1997-98, the City established a separate special revenue fund to account for the operation of the Smith House, so that actual revenues and expenditures of this operation would be better isolated on the City’s financial statements, and beginning in FY 1999-2000, we have included the full cost of the Smith House operation in the Smith House Special Revenue Fund budget. Because not all of these costs were isolated prior to FY 1999-2000, where necessary we applied standard trend factors to estimate prior year enterprise cost figures.

I recommended establishing a separate fund to account for the financial activity of the Smith House for a variety of reasons. First, the operation of a skilled nursing facility is not a customary or core municipal (or even governmental) function. Stamford is one of only two municipalities in the State which operates such a facility. Generally speaking, the expectation of City policy makers was that this facility ought to be self supporting. By lumping the operation of the Smith House in with the City’s general fund, it obscured our ability to monitor the financial performance of this facility. In addition, including the financial operation of this facility in our general fund made health and welfare expenditure comparisons with other communities less meaningful, since most other municipalities do not own or operate such...
facilities. Moreover, a separate fund makes it easier to demonstrate compliance with unique reporting requirements of funding agencies. Finally, a separate special revenue fund positions the City to move to full accrual accounting for the Smith House. I believe that accounting for the Smith House’s financial activity on an enterprise fund basis is ultimately the most appropriate method of accounting for this operation, and we are moving to do so within the next year. However, since the City presently does not account for the financial activity of the Smith House on a full accrual basis, the attached report reflects the present accounting method being used by the City (modified accrual). For this reason, the City’s presentation of financial results for the Smith House SNF will vary from financial results prepared by the management company which oversees the facility, which reports financial information on a full accrual basis.

The attached financial schedule, which does not take into account additional funding which may be realized from the new State Enhancement Program, indicates that as we have moved employee benefit and debt service expenses out of the general fund budget, it has revealed that the Smith House operation is running at a significant annual operating loss. With expenses rising and revenues declining, the facility operated at a loss in excess of $1.1 million for FY 1998-99. This is on top of smaller losses experienced in the prior two years. Although the budget for FY 1999-2000 reflects a somewhat smaller loss of $388,000, based on recent revenue and expenditure trends, I am concerned that the approved budget for FY 2000 may understate expenditures and overstate revenues. Actual results of operation for FY 1999-2000, therefore, could be substantially worse than budgeted. Moreover, will all facility costs now reflected in the Smith House budget itself for FY 1999-2000, the City is very near the point where we must decide if direct annual operating subsidies from Stamford property taxpayers are an acceptable price to pay for the privilege of continuing to own and operate a skilled nursing facility.

Although many factors may ultimately go into such a decision, from a financial perspective, the answer is easy—unless steps can be taken which will bring revenues in line with expenses, the City should move as expeditiously as possible to divest itself of the facility. As I noted earlier, the operation of a skilled nursing facility is far removed from the core functions of municipal government. Indeed, owning and operating skilled nursing facilities is customarily a private sector function. For a variety of reasons, the City is not particularly well positioned to compete effectively with the private sector, nor have most other municipalities found a compelling reason that the public interest demands that they enter this business. Annual operating subsidies for the Smith House require us to divert resources from other essential public services, such as police protection, fire protection, and education. Moreover, the bond rating agencies will view growing subsidizes to this facility as a negative rating consideration.

Our understanding based on the Halcyon analysis is that the passage of the State Enhancement Program may allow the City to recoup some of the increased cost associated with wages, benefits and staffing at the Smith House. I certainly concur with the general approach recommended by Halcyon. Even with this increased funding, however, the financial viability of the Smith House is a concern which needs to be addressed.

I hope that this information is helpful. If you need any additional information, please feel free to contact me.

Cc: John Byrne, Director of Public Safety, Health & Welfare
## Smith House Health Care Center
### Analysis of Operating Results
#### Fiscal Years 1997 - 2000

<table>
<thead>
<tr>
<th>Account Title</th>
<th>FY 96-97 Actual</th>
<th>FY 97-98 Actual</th>
<th>FY 98-99 Projected</th>
<th>FY 99-00 Budget</th>
<th>Variance</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smith House/Salaries</td>
<td>197,904</td>
<td>199,033</td>
<td>216,748</td>
<td>215,000</td>
<td>17,096</td>
<td>8.64%</td>
</tr>
<tr>
<td>Smith House/Part-Time</td>
<td>35,148</td>
<td>375</td>
<td>-</td>
<td>-</td>
<td>(35,148)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Smith House/PFT</td>
<td>60,612</td>
<td>59,500</td>
<td>36,869</td>
<td>31,300</td>
<td>(29,312)</td>
<td>-84.76%</td>
</tr>
<tr>
<td>Smith House/Seasonal</td>
<td>3,745</td>
<td>5,011</td>
<td>3,946</td>
<td>6,298</td>
<td>2,553</td>
<td>66.17%</td>
</tr>
<tr>
<td>Smith House/Overtime</td>
<td>-</td>
<td>387</td>
<td>60</td>
<td>1,000</td>
<td>1,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Smith House/Differential</td>
<td>2,233</td>
<td>1,243</td>
<td>1,059</td>
<td>1,000</td>
<td>(1,233)</td>
<td>-55.22%</td>
</tr>
<tr>
<td>Smith House/College Tuition</td>
<td>3,000</td>
<td>3,572</td>
<td>4,000</td>
<td>1,000</td>
<td>(2,000)</td>
<td>-66.67%</td>
</tr>
<tr>
<td>Smith House/Prof Consultant</td>
<td>301,500</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
<td>(1,500)</td>
<td>-0.50%</td>
</tr>
<tr>
<td>Smith House/Conf &amp; Training</td>
<td>-</td>
<td>2,116</td>
<td>1,400</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Smith House/Medical Exams</td>
<td>-</td>
<td>1,21</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Smith House/Contracted Services</td>
<td>-</td>
<td>5,747</td>
<td>18,618</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Smith House/Gasoline</td>
<td>264</td>
<td>-</td>
<td>500</td>
<td>500</td>
<td>236</td>
<td>89.39%</td>
</tr>
<tr>
<td>Smith House/Travel</td>
<td>1,294</td>
<td>1,278</td>
<td>1,533</td>
<td>1,500</td>
<td>206</td>
<td>15.92%</td>
</tr>
<tr>
<td>Smith House/Payments to Ins</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42,416</td>
<td>42,416</td>
<td>0.00%</td>
</tr>
<tr>
<td>Smith House/Telephone</td>
<td>24,434</td>
<td>32,093</td>
<td>47,990</td>
<td>32,000</td>
<td>7,566</td>
<td>30.97%</td>
</tr>
<tr>
<td>Smith House/Office Supp &amp; Exp</td>
<td>24,929</td>
<td>23,664</td>
<td>27,636</td>
<td>21,000</td>
<td>(3,929)</td>
<td>-15.76%</td>
</tr>
<tr>
<td>Smith House/Subscriptions</td>
<td>625</td>
<td>206</td>
<td>700</td>
<td>250</td>
<td>(375)</td>
<td>-60.00%</td>
</tr>
<tr>
<td>Smith House/Equipment</td>
<td>1,377</td>
<td>814</td>
<td>-</td>
<td>4,000</td>
<td>2,623</td>
<td>190.49%</td>
</tr>
<tr>
<td>Smith House/Dues &amp; Fees</td>
<td>10,735</td>
<td>31,194</td>
<td>15,323</td>
<td>12,000</td>
<td>1,265</td>
<td>11.78%</td>
</tr>
<tr>
<td>Smith House/Program Services</td>
<td>212</td>
<td>-</td>
<td>130</td>
<td>-</td>
<td>(212)</td>
<td>-100.00%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>668,012</strong></td>
<td><strong>666,754</strong></td>
<td><strong>678,498</strong></td>
<td><strong>669,264</strong></td>
<td><strong>1,252</strong></td>
<td><strong>0.19%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Title</th>
<th>FY 96-97 Actual</th>
<th>FY 97-98 Actual</th>
<th>FY 98-99 Projected</th>
<th>FY 99-00 Budget</th>
<th>Variance</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Services/Salaries</td>
<td>52,368</td>
<td>21,632</td>
<td>46,190</td>
<td>80,000</td>
<td>27,632</td>
<td>52.77%</td>
</tr>
<tr>
<td>Social Services/Part-Time</td>
<td>18,789</td>
<td>19,595</td>
<td>26,441</td>
<td>17,000</td>
<td>(1,789)</td>
<td>-9.52%</td>
</tr>
<tr>
<td>Social Services/PFT</td>
<td>23,279</td>
<td>25,949</td>
<td>8,830</td>
<td>24,100</td>
<td>821</td>
<td>3.53%</td>
</tr>
<tr>
<td>Social Services/Overtime</td>
<td>43</td>
<td>26</td>
<td>-</td>
<td>1,000</td>
<td>957</td>
<td>2226.55%</td>
</tr>
<tr>
<td>Social Services/Program Services</td>
<td>100</td>
<td>-</td>
<td>40</td>
<td>-</td>
<td>(100)</td>
<td>-100.00%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>94,579</strong></td>
<td><strong>67,202</strong></td>
<td><strong>80,301</strong></td>
<td><strong>122,100</strong></td>
<td><strong>27,521</strong></td>
<td><strong>29.10%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Title</th>
<th>FY 96-97 Actual</th>
<th>FY 97-98 Actual</th>
<th>FY 98-99 Projected</th>
<th>FY 99-00 Budget</th>
<th>Variance</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreation/Salaries</td>
<td>108,879</td>
<td>105,628</td>
<td>72,150</td>
<td>85,000</td>
<td>(21,879)</td>
<td>-20.47%</td>
</tr>
<tr>
<td>Recreation/Permanent Part-time</td>
<td>62,833</td>
<td>67,296</td>
<td>74,271</td>
<td>62,700</td>
<td>(133)</td>
<td>-0.21%</td>
</tr>
<tr>
<td>Account/Title</td>
<td>FY 96-97 Actual</td>
<td>FY 97-98 Actual</td>
<td>FY 98-99 Projected</td>
<td>FY 99-00 Budget</td>
<td>Variance</td>
<td>% Change</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------</td>
<td>----------------</td>
<td>-------------------</td>
<td>----------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Recreation/Seasonal</td>
<td>4,172</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,172)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Recreation/Overtime</td>
<td>2,860</td>
<td>3,198</td>
<td>1,626</td>
<td>500</td>
<td>(2,360)</td>
<td>-82.52%</td>
</tr>
<tr>
<td>Recreation/Recreation Supplies</td>
<td>871</td>
<td>192</td>
<td>192</td>
<td>275</td>
<td>(596)</td>
<td>-68.43%</td>
</tr>
<tr>
<td>Total</td>
<td>177,615</td>
<td>176,314</td>
<td>148,239</td>
<td>148,475</td>
<td>(29,140)</td>
<td>-16.41%</td>
</tr>
<tr>
<td>Housekeeping/Salaries</td>
<td>163,081</td>
<td>158,701</td>
<td>161,481</td>
<td>150,000</td>
<td>(13,081)</td>
<td>-8.02%</td>
</tr>
<tr>
<td>Housekeeping/Part-Time</td>
<td>19,878</td>
<td>10,738</td>
<td>1,533</td>
<td>-</td>
<td>(19,876)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Housekeeping/Overtime</td>
<td>6,393</td>
<td>10,103</td>
<td>10,232</td>
<td>5,000</td>
<td>(1,393)</td>
<td>-21.79%</td>
</tr>
<tr>
<td>Housekeeping/Clothing Allowance</td>
<td>1,400</td>
<td>1,400</td>
<td>2,550</td>
<td>2,700</td>
<td>1,300</td>
<td>92.86%</td>
</tr>
<tr>
<td>Housekeeping/Differential</td>
<td>3,267</td>
<td>4,286</td>
<td>3,290</td>
<td>3,000</td>
<td>(287)</td>
<td>-8.17%</td>
</tr>
<tr>
<td>Housekeeping/Housekeeping Supp</td>
<td>29,372</td>
<td>27,155</td>
<td>31,735</td>
<td>30,000</td>
<td>626</td>
<td>2.14%</td>
</tr>
<tr>
<td>Total</td>
<td>223,391</td>
<td>212,383</td>
<td>210,821</td>
<td>190,700</td>
<td>(32,691)</td>
<td>-14.63%</td>
</tr>
<tr>
<td>Maintenance/Salaries</td>
<td>240,623</td>
<td>249,651</td>
<td>266,867</td>
<td>230,000</td>
<td>(10,623)</td>
<td>-4.41%</td>
</tr>
<tr>
<td>Maintenance/PPT</td>
<td>46,424</td>
<td>37,058</td>
<td>37,703</td>
<td>41,000</td>
<td>(4,542)</td>
<td>-11.88%</td>
</tr>
<tr>
<td>Maintenance/Seasonal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Maintenance/Overtime</td>
<td>15,890</td>
<td>12,445</td>
<td>11,889</td>
<td>8,000</td>
<td>(7,890)</td>
<td>-49.65%</td>
</tr>
<tr>
<td>Maintenance/Clothing Allowance</td>
<td>825</td>
<td>825</td>
<td>2,905</td>
<td>3,300</td>
<td>2,475</td>
<td>300.00%</td>
</tr>
<tr>
<td>Maintenance/Differential</td>
<td>6,544</td>
<td>8,173</td>
<td>6,574</td>
<td>6,500</td>
<td>(44)</td>
<td>-0.67%</td>
</tr>
<tr>
<td>Maintenance/Stand-By Time</td>
<td>27,777</td>
<td>25,737</td>
<td>21,810</td>
<td>20,000</td>
<td>(7,777)</td>
<td>-28.00%</td>
</tr>
<tr>
<td>Maintenance/Contracted Services</td>
<td>11,876</td>
<td>11,993</td>
<td>14,300</td>
<td>13,700</td>
<td>1,824</td>
<td>15.36%</td>
</tr>
<tr>
<td>Maintenance/Gasoline</td>
<td>2,555</td>
<td>1,524</td>
<td>2,108</td>
<td>2,000</td>
<td>(655)</td>
<td>-24.67%</td>
</tr>
<tr>
<td>Maintenance/Diesel Fuel</td>
<td>359</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(359)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Maintenance/Gas &amp; Electric</td>
<td>114,330</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(114,330)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Maintenance/Water</td>
<td>11,402</td>
<td>12,787</td>
<td>13,903</td>
<td>13,000</td>
<td>1,908</td>
<td>14.02%</td>
</tr>
<tr>
<td>Maintenance/Fuel Oil</td>
<td>33,809</td>
<td>26,984</td>
<td>36,861</td>
<td>34,000</td>
<td>191</td>
<td>0.56%</td>
</tr>
<tr>
<td>Smith House/Electric - Util</td>
<td>-</td>
<td>102,864</td>
<td>116,501</td>
<td>121,000</td>
<td>121,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Smith House/Natural Gas - Util</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Maintenance/Vehicle Maint</td>
<td>3,661</td>
<td>2,205</td>
<td>4,000</td>
<td>2,200</td>
<td>(1,461)</td>
<td>-39.91%</td>
</tr>
<tr>
<td>Maintenance/Building Maint</td>
<td>56,124</td>
<td>38,453</td>
<td>52,993</td>
<td>50,000</td>
<td>(6,124)</td>
<td>-10.91%</td>
</tr>
<tr>
<td>Grounds Maintenance</td>
<td>5,195</td>
<td>4,870</td>
<td>4,000</td>
<td>5,000</td>
<td>(195)</td>
<td>-3.75%</td>
</tr>
<tr>
<td>Maintenance/Equipment Maint</td>
<td>58,639</td>
<td>43,164</td>
<td>51,790</td>
<td>52,000</td>
<td>(6,639)</td>
<td>-11.32%</td>
</tr>
<tr>
<td>Total</td>
<td>636,133</td>
<td>579,033</td>
<td>648,904</td>
<td>601,700</td>
<td>(34,433)</td>
<td>-5.41%</td>
</tr>
</tbody>
</table>
## Smith House Health Care Center
### Analysis of Operating Results
#### Fiscal Years 1997 - 2000

<table>
<thead>
<tr>
<th>Account/Title</th>
<th>FY 96-97 Actual</th>
<th>FY 97-98 Actual</th>
<th>FY 98-99 Projected</th>
<th>FY 99-00 Budget</th>
<th>Variance</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laundry/Salaries</td>
<td>69,229</td>
<td>70,301</td>
<td>74,030</td>
<td>65,000</td>
<td>(4,229)</td>
<td>-6.11%</td>
</tr>
<tr>
<td>Laundry/Part-Time</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Laundry/Overtime</td>
<td>2,787</td>
<td>3,056</td>
<td>4,400</td>
<td>5,000</td>
<td>2,213</td>
<td>79.40%</td>
</tr>
<tr>
<td>Laundry/Clothing Allowance</td>
<td>600</td>
<td>600</td>
<td>1,275</td>
<td>1,600</td>
<td>1,000</td>
<td>166.67%</td>
</tr>
<tr>
<td>Laundry/Differential</td>
<td>1,269</td>
<td>1,304</td>
<td>1,500</td>
<td>1,300</td>
<td>31</td>
<td>2.44%</td>
</tr>
<tr>
<td>Laundry/Contracted Services</td>
<td>70,757</td>
<td>66,444</td>
<td>85,000</td>
<td>76,500</td>
<td>5,743</td>
<td>8.12%</td>
</tr>
<tr>
<td>Laundry/Housekeeping Supp</td>
<td>4,906</td>
<td>3,434</td>
<td>3,900</td>
<td>3,800</td>
<td>(1,308)</td>
<td>-26.85%</td>
</tr>
<tr>
<td>Laundry/Linens &amp; Blankets</td>
<td>1,494</td>
<td>-</td>
<td>1,500</td>
<td>600</td>
<td>(894)</td>
<td>-59.84%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>151,044</td>
<td>145,339</td>
<td>171,605</td>
<td>153,600</td>
<td>2,556</td>
<td>1.69%</td>
</tr>
<tr>
<td>Food Services/Salaries</td>
<td>449,131</td>
<td>484,154</td>
<td>449,595</td>
<td>452,000</td>
<td>2,869</td>
<td>0.64%</td>
</tr>
<tr>
<td>Food Services/Part-Time</td>
<td>18,346</td>
<td>20,327</td>
<td>13,541</td>
<td>12,000</td>
<td>(6,346)</td>
<td>-34.59%</td>
</tr>
<tr>
<td>Food Service/PPT</td>
<td>72,243</td>
<td>71,160</td>
<td>56,800</td>
<td>48,000</td>
<td>(24,243)</td>
<td>-33.56%</td>
</tr>
<tr>
<td>Food Services/Overtime</td>
<td>46,264</td>
<td>42,490</td>
<td>73,852</td>
<td>40,000</td>
<td>(26,264)</td>
<td>-13.54%</td>
</tr>
<tr>
<td>Food Services/Clothing Allowance</td>
<td>2,840</td>
<td>3,000</td>
<td>5,270</td>
<td>7,000</td>
<td>4,160</td>
<td>146.48%</td>
</tr>
<tr>
<td>Food Services/Differential</td>
<td>23,893</td>
<td>23,862</td>
<td>24,042</td>
<td>24,000</td>
<td>107</td>
<td>0.45%</td>
</tr>
<tr>
<td>Food Services/Prof Consultant</td>
<td>2,613</td>
<td>-</td>
<td>-</td>
<td>(2,613)</td>
<td>-100.00%</td>
<td>-</td>
</tr>
<tr>
<td>Food Services/Dietary Supplies</td>
<td>35,504</td>
<td>30,358</td>
<td>32,980</td>
<td>34,100</td>
<td>(1,404)</td>
<td>-3.95%</td>
</tr>
<tr>
<td>Food Services/Provisions - Food</td>
<td>273,753</td>
<td>228,475</td>
<td>273,773</td>
<td>280,000</td>
<td>6,247</td>
<td>2.28%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>924,557</td>
<td>891,826</td>
<td>929,853</td>
<td>897,100</td>
<td>(27,487)</td>
<td>-2.97%</td>
</tr>
<tr>
<td>Nursing Svs/Salaries</td>
<td>2,421,944</td>
<td>2,565,120</td>
<td>2,796,862</td>
<td>2,744,275</td>
<td>322,331</td>
<td>13.31%</td>
</tr>
<tr>
<td>Nursing Svs/Part-Time</td>
<td>151,360</td>
<td>91,624</td>
<td>132,588</td>
<td>165,000</td>
<td>33,480</td>
<td>9.01%</td>
</tr>
<tr>
<td>Nursing Svs/Permanent Part-time</td>
<td>550,443</td>
<td>489,470</td>
<td>453,687</td>
<td>432,000</td>
<td>(98,433)</td>
<td>-18.56%</td>
</tr>
<tr>
<td>Nursing Svs/Overtime</td>
<td>326,677</td>
<td>387,463</td>
<td>380,000</td>
<td>350,000</td>
<td>30,000</td>
<td>7.14%</td>
</tr>
<tr>
<td>Nursing Svs/Clothing Allowance</td>
<td>27,240</td>
<td>27,140</td>
<td>27,700</td>
<td>36,100</td>
<td>8,800</td>
<td>32.53%</td>
</tr>
<tr>
<td>Nursing Svs/Differential</td>
<td>233,365</td>
<td>246,310</td>
<td>268,661</td>
<td>250,000</td>
<td>31,855</td>
<td>13.56%</td>
</tr>
<tr>
<td>Nursing Svs/Prof Med Care</td>
<td>12,473</td>
<td>29,950</td>
<td>24,382</td>
<td>39,500</td>
<td>27,027</td>
<td>216.68%</td>
</tr>
<tr>
<td>Nursing Svs/Contracted Services</td>
<td>77,382</td>
<td>10,345</td>
<td>18,821</td>
<td>11,200</td>
<td>(66,182)</td>
<td>-85.53%</td>
</tr>
<tr>
<td>Nursing Svs/Office Supp &amp; Exp</td>
<td>3,553</td>
<td>2,568</td>
<td>4,372</td>
<td>3,500</td>
<td>(800)</td>
<td>-1.49%</td>
</tr>
<tr>
<td>Nursing Svs/Medical Supplies</td>
<td>167,362</td>
<td>122,021</td>
<td>176,055</td>
<td>185,000</td>
<td>17,938</td>
<td>10.54%</td>
</tr>
<tr>
<td>Nursing Svs/Prescription Med</td>
<td>35,560</td>
<td>14,190</td>
<td>24,083</td>
<td>10,000</td>
<td>(24,083)</td>
<td>-74.88%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,987,359</td>
<td>3,976,201</td>
<td>4,306,192</td>
<td>4,241,575</td>
<td>254,216</td>
<td>6.38%</td>
</tr>
<tr>
<td>Account Title</td>
<td>FY '96-'97 Actual</td>
<td>FY '97-'98 Actual</td>
<td>FY '98-'99 Projected</td>
<td>FY '99-'00 Budget</td>
<td>Variance</td>
<td>% Change</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------</td>
<td>------------------</td>
<td>----------------------</td>
<td>-------------------</td>
<td>------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Phys Therapy/Salaries</td>
<td>78,664</td>
<td>81,133</td>
<td>17,153</td>
<td>48,000</td>
<td>(30,664)</td>
<td>-36.98%</td>
</tr>
<tr>
<td>Phys Therapy/PPT</td>
<td>24,063</td>
<td>25,465</td>
<td>3,522</td>
<td>4,500</td>
<td>(19,563)</td>
<td>-81.30%</td>
</tr>
<tr>
<td>Phys Therapy/Seasonal</td>
<td>1,211</td>
<td>536</td>
<td>142</td>
<td>-</td>
<td>(1,211)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Phys Therapy/Overtime</td>
<td>260</td>
<td>253</td>
<td>-</td>
<td>-</td>
<td>(260)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Phys Therapy/Clothing Allowance</td>
<td>240</td>
<td>540</td>
<td>-</td>
<td>-</td>
<td>(240)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Phys Therapy/Differential</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(18)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Phys Therapy/Prof Med Care</td>
<td>29,483</td>
<td>16,914</td>
<td>11,153</td>
<td>11,000</td>
<td>(18,483)</td>
<td>-62.69%</td>
</tr>
<tr>
<td>Phys Therapy/Contracted Svcs</td>
<td>-</td>
<td>-</td>
<td>138,864</td>
<td>200,000</td>
<td>200,000</td>
<td>0.00%</td>
</tr>
<tr>
<td>Phys Therapy/Medical Supplies</td>
<td>1,935</td>
<td>483</td>
<td>1,401</td>
<td>1,600</td>
<td>(335)</td>
<td>-17.31%</td>
</tr>
<tr>
<td>Total</td>
<td>135,874</td>
<td>125,324</td>
<td>172,235</td>
<td>255,100</td>
<td>129,226</td>
<td>95.11%</td>
</tr>
<tr>
<td>Enterprise Costs - Total</td>
<td>1,739,871</td>
<td>1,789,779</td>
<td>1,879,203</td>
<td>1,754,843</td>
<td>(34,936)</td>
<td>-2%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>8,738,465</td>
<td>8,630,155</td>
<td>9,225,551</td>
<td>9,044,457</td>
<td>306,992</td>
<td>3.50%</td>
</tr>
</tbody>
</table>

Revenue: 
7,882,428  8,362,238  8,092,128  8,656,500  294,262  4%

Results of Operation: 
(856,037)  (267,917)  (1,133,723)  (387,957)
# Smith House Skilled Nursing Facility Enterprise Costs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Medical Insurance</td>
<td>$720,482</td>
<td>$686,173</td>
<td>$653,498</td>
<td>$622,379</td>
</tr>
<tr>
<td>Employee Life Insurance</td>
<td>$7,809</td>
<td>$7,582</td>
<td>$7,361</td>
<td>$7,146</td>
</tr>
<tr>
<td>FICA</td>
<td>$421,355</td>
<td>$409,083</td>
<td>$397,167</td>
<td>$385,600</td>
</tr>
<tr>
<td>Pension Contribution</td>
<td>$0</td>
<td>$123,086</td>
<td>$117,170</td>
<td>$115,716</td>
</tr>
<tr>
<td>Risk Management/Workers' Comp.</td>
<td>$42,416</td>
<td>$73,429</td>
<td>$71,290</td>
<td>$69,214</td>
</tr>
<tr>
<td>Payroll Processing</td>
<td>$20,246</td>
<td>$19,282</td>
<td>$18,720</td>
<td>$18,175</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$234,651</td>
<td>$261,652</td>
<td>$234,362</td>
<td>$239,883</td>
</tr>
<tr>
<td>Central Service Cost Allocation</td>
<td>$307,884</td>
<td>$298,917</td>
<td>$290,210</td>
<td>$281,757</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,754,843</strong></td>
<td><strong>$1,879,203</strong></td>
<td><strong>$1,789,779</strong></td>
<td><strong>$1,739,871</strong></td>
</tr>
</tbody>
</table>
SMITH HOUSE HEALTH CARE CENTER
ENTERPRISE DIRECT COST ANALYSIS
FY 99/00

The Smith House Nursing Facility has been set up in a Special Revenue Fund which accounts for most revenues and a large portion of the expenditures. However, it has been determined that a portion of the costs are still be expended in the General Fund. These "enterprise costs" have been identified and measured for budgetary purposes for FY 99/00. The following costs are considered direct costs of the operation and should be included in determining the overall cost of the Smith House Nursing Facility:

**MEDICAL INSURANCE:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected medical insurance costs for FY 99/00 are based on existing historical data through December, 1998. The estimated trended average claim per employee for the period covering July 1, 1999 to June 30, 2000 is $454.85 per month for each employee covered. The current roster of covered employees at Smith House is 132. Therefore, 132 employees multiplied by $454.85 multiplied by 12 months = $720,482.</td>
<td>$720,482</td>
</tr>
</tbody>
</table>

**LIFE INSURANCE:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual projected life insurance costs for FY 99/00 are based on a budgeted base salary of $4,178,000 (base salaries rounded down to the nearest thousand) less an average of three vacancies at any given time. The City’s monthly cost per thousand ($5.52) is partially offset by the Smith House employees weekly contribution of .07 cents per thousand dollars of coverage. The difference of .16 cents per month per thousand dollars of coverage = $7,809.</td>
<td>$7,809</td>
</tr>
</tbody>
</table>

**FICA/SOCIAL SECURITY CONTRIBUTION:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The FICA/Social Security contribution is based on an average of calendar year 1997 and 1998 actual amounts paid to the Federal Government. This figure is subject to change based on any variations in the number of employees contributing to the I.R.S.</td>
<td>$421,355</td>
</tr>
</tbody>
</table>

**PENSION CONTRIBUTION:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Classified Employee Retirement Fund’s actuarial valuation of plan assets exceeds its actuarial accrued liability and therefore is in the fortunate position of being classified as being overfunded. The City’s Actuary has determined that no employer contribution is necessary. However, previous City Charter provisions require a mandatory 3% of payroll employer contribution to the Fund. The City, through collective bargaining, has negotiated this requirement out of all applicable union contracts with the exception of the U.A.W. union. With the creation of local #1199, there are no longer any U.A.W. members at the Smith House. Therefore, there are no longer any annual employer contribution costs attributable to the Smith House operation.</td>
<td>$0</td>
</tr>
</tbody>
</table>

ENTERPRISE COSTS
SMITH HOUSE HEALTH CARE CENTER
ENTERPRISE DIRECT COST ANALYSIS
FY 99/00

**INSURANCE & SELF INSURANCE COSTS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Risk Management Department has done a cost allocation analysis for the</td>
<td></td>
</tr>
<tr>
<td>City of Stamford and the Board of Education. The following forms of insurance</td>
<td></td>
</tr>
<tr>
<td>are being allocated to the Smith House operation: Fire and Extended</td>
<td></td>
</tr>
<tr>
<td>Coverage, Auto Liability, Property Damage Coverage, Collision and Worker's</td>
<td></td>
</tr>
<tr>
<td>Compensation Costs. These costs take into consideration department exposures</td>
<td>$42,416</td>
</tr>
<tr>
<td>and experience.</td>
<td></td>
</tr>
</tbody>
</table>

**PAYROLL PROCESSING:**

The monthly processing costs charged by the service bureau (Ceridian) to process the weekly Smith House payroll with an additional charge to process W-2's at year end have been compiled to arrive at an annual cost. Internal labor costs are not included. The processing cost estimate is based on historical cost data and does not take into account that the City is purchasing new payroll and human resources software, adding a new time and attendance reporting system and overhauling the entire method of processing payroll for FY 99/00. The financial impact is unknown at this time. $20,246

**DEBT SERVICE PRINCIPAL:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Projects - 1986 Bonds</td>
<td>$30,000</td>
</tr>
<tr>
<td>Capital Projects - 1990 Bonds</td>
<td>$895,285</td>
</tr>
<tr>
<td>Capital Projects - 1995 Bonds</td>
<td>$406,404</td>
</tr>
<tr>
<td>Capital Projects - 1996 Bonds</td>
<td>$447,996</td>
</tr>
<tr>
<td>Capital Projects - 1998 Bonds</td>
<td>$372,139</td>
</tr>
<tr>
<td>Total Capital Projects Bonded</td>
<td>$2,286,059</td>
</tr>
<tr>
<td></td>
<td>$114,303</td>
</tr>
</tbody>
</table>

A review of Smith House capital project expenditures over the last fifteen years has determined that the above listed amounts of money have been borrowed with the applicable bond issue noted. The City obtains funds to pay for these capital projects with General Obligation Bond proceeds that are financed over a twenty year period. The method of bond principal repayment for each individual issue can be unique (i.e. front end loading, deferred repayment, other than straight line amortization, advanced refunding, etc.). However, the principal repayments for each bond issue indicated above for FY 99/00 are one twenetieth (1/20) of the original amount borrowed.

**NOTE:** For FY 97/98, the City changed its method of accounting for Smith House costs. Previously, all costs to operate the Smith House were recorded in the General Fund. Beginning on July 1, 1997, a Special Revenue Fund was created to record receipts and disbursements directly related to the operation. However, the enterprise costs detailed in this analysis continued to be paid in the General Fund. It is anticipated that, upon completion of a fixed asset appraisal of City of Stamford assets, the Smith House can be treated as an Enterprise Fund entity with all costs, such as depreciation expense, recognized in one cost center. This would provide the City of Stamford and Smith House Management with a reconciliation of accounting practices (i.e. full accrual basis vs. modified accrual basis of account).
# SMITH HOUSE HEALTH CARE CENTER

## ENTERPRISE DIRECT COST ANALYSIS

**FY 99/00**

**DEBT SERVICE INTEREST:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Projects - 1986 Bond Balance</td>
<td>$ 8,190 = $532</td>
</tr>
<tr>
<td>Capital Projects - 1990 Bond Balance</td>
<td>$757,411 = $53,019</td>
</tr>
<tr>
<td>Capital Projects - 1992 Bond Balance</td>
<td>$100,636 = $5,032</td>
</tr>
<tr>
<td>Capital Projects - 1995 Bond Balance</td>
<td>$361,659 = $21,700</td>
</tr>
<tr>
<td>Capital Projects - 1996 Bond Balance</td>
<td>$429,180 = $21,459</td>
</tr>
<tr>
<td>Capital Projects - 1998 Bond Balance</td>
<td>$372,139 = $18,607</td>
</tr>
</tbody>
</table>

Total Interest Expense on existing debt service balances for FY 99/00 at the respective rates of interest for FY 99/00. $120,348

**GRAND TOTAL** $1,446,959
MEMORANDUM

DATE: September 24, 1999

TO: David Martin, Chair, Fiscal Committee

FROM: Thomas Hamilton, Director of Administration

RE: Smith House Operating Results - Reconciliation

Attached per your request is our reconciliation of the Smith House’s financial results of operation for the past three years, as prepared by the City and Halcyon.

As you know, the City accounts for the financial activity of the Smith House in a special revenue fund, and under the rules of GAAP as promulgated by the Governmental Accounting Standards Board, we use the modified accrual basis of accounting. The management company hired by the City to manage the Smith House maintains financial records using the full accrual basis of accounting, since this is the accounting method required by the federal government for facilities which receive reimbursement under the Medicaid program. As I have indicated in the past, the full accrual basis of accounting is ultimately the most appropriate method of accounting to use for this type of operation, and the City is moving in the direction of full accrual accounting for Smith House. To use this method of accounting, however, we will need to convert the operation from a special revenue fund (which is a governmental fund type), to an enterprise fund (which is a proprietary fund type). I would hope to propose this change beginning with the 2000-2001 fiscal year.

In addition to the reconciliation itself, I have also prepared a quick summary of the differences between these two accounting methods. If you have any questions on this material, please feel free to contact me. I look forward to meeting with you and Representative Deluca to discuss this matter on October 12th at 7:00 PM.

Cc: Dannel P. Malloy, Mayor
    Carmen Domonkos, President, Board of Representatives
Comparison of Accounting Methodology used for Governmental Fund Types versus Private Business or Proprietary Fund Types

<table>
<thead>
<tr>
<th></th>
<th>Governmental Fund Types</th>
<th>Private Business &amp; Proprietary Fund Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurement Focus</td>
<td>Flow of Current Financial Resources</td>
<td>Flow of Economic Resources</td>
</tr>
<tr>
<td>Basis of Accounting</td>
<td>Modified Accrual</td>
<td>Full Accrual</td>
</tr>
<tr>
<td>Fundamental Question Answered</td>
<td>Does the financial reporting entity have more or less</td>
<td>Is the financial reporting entity better or worse off</td>
</tr>
<tr>
<td>by Operating Statement</td>
<td>resources to <em>spend</em> in the near future?</td>
<td>economically?</td>
</tr>
<tr>
<td>Practical Effect of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference in Measurement Focus:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Does the fund report the</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>receipt of proceeds from long-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>term borrowings in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operating statement?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Does the fund report capital</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>outlay in the operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>statement?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Does the fund report the</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>repayment of principal of debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the operating statement?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Does the fund report a</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>charge for the consumption of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital assets (i.e.,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>depreciation)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Does the fund defer and</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>amortize disbursements over the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>benefiting period?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Recognition Criteria</td>
<td>Revenue is recorded when it is <em>measurable and available</em></td>
<td>Revenue is recorded when it is <em>earned</em></td>
</tr>
<tr>
<td>Expense Recognition Criteria</td>
<td>Expenditures are recorded when the liability is incurred,</td>
<td>Expenses are recorded as soon as the liability is <em>incurred</em></td>
</tr>
<tr>
<td></td>
<td><em>and the event or transaction is expected to draw upon current</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>spendable resources (rather than future resources)</em></td>
<td></td>
</tr>
</tbody>
</table>
Analysis of the Smith House Revenues and Expenditures
For the Years 1996/97, 1997/98 and 1998/99

September 21, 1999

Amounts to be reconciled:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$940,944</td>
<td>$519,191</td>
<td>$359,454</td>
</tr>
</tbody>
</table>

Revenues
The variances in revenue are because the City does not include accrued revenue in its reporting. The large variance in FY 96-97 is due to the fact that the State of Connecticut withheld reimbursement of the 2nd half of the month of June, 1997 to improve the State’s financial results. The variance in the subsequent years is due to the normal lag time associated with accrued revenue.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$488,322</td>
<td>$183,352</td>
<td>$162,428</td>
</tr>
</tbody>
</table>

Central Service Cost Allocation
This cost is comprised of all services which City administrative departments provide to Smith House that are not already identified. The amounts reported in the City’s financial report are taken from the Central Service Cost Allocation report, prepared by an outside accountant under guidelines issued by the Federal government under OMB circular A-87. However, Smith House is not permitted under Federal Medicaid rules to include these costs.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$270,117</td>
<td>$278,318</td>
<td>$286,617</td>
</tr>
</tbody>
</table>

Maintenance Cost
The variance here is due to depreciation. The City “expenses” equipment purchases. Smith House by law must “depreciate” equipment acquisitions which have a useful life of more than two years, and are valued at more than $500. This is to ensure the determination of profit and loss. Additionally, Smith House capitalizes employees’ time and compensation for work on capital projects involving, construction, building, or land improvements. The remaining variance is explained by the way in which inventory is handled. Supplies on hand in inventory at Smith House are recorded as an expense by the City. Smith House cannot report this as an expense until supplies are used. By utilizing this method, Smith House complies with the fraud and abuse laws, and does not inflate costs by including inventory.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$153,804</td>
<td>$70,336</td>
<td>$46,966</td>
</tr>
</tbody>
</table>
**Food Services Cost**
The difference here is due to unused inventory as outlined above.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$39,021</td>
<td>$32,399</td>
<td>$34,444</td>
</tr>
</tbody>
</table>

**Nursing**
Smith House must report wages through September 30th which are higher than the comparable period used by the City. By law all nursing homes must file financial data on a September 30th year end basis. This creates a timing difference.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-$28,955</td>
<td>-$38,728</td>
<td>-$97,419</td>
</tr>
</tbody>
</table>

**FICA and Payroll**
The difference in FICA costs is due to higher payroll costs as a result of the September 30th end of year closing.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-$1,240</td>
<td>-$1,776</td>
<td>-$10,401</td>
</tr>
</tbody>
</table>

**Off Setting Adjustments**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$19,875</td>
<td>-$4,610</td>
<td>-$63,210</td>
</tr>
</tbody>
</table>

| Total | $940,944 | $519,191 | $359,454 |
Food Services Cost
The difference here is due to unused inventory as outlined above.

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</thead>
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<td>$34,444</td>
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<td>-$97,419</td>
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</table>

Off Setting Adjustments

<table>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$19,875</td>
<td>-$4,610</td>
<td>-$63,210</td>
</tr>
</tbody>
</table>

Total $940,944 $519,191 $359,454
## Comparative Analysis of Smith House Revenues and Expenditures

### Fiscal Year 1996/97

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Halycon</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>7,882,428</td>
<td>8,370,750</td>
<td>488,322</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>688,012</td>
<td>673,149</td>
<td>14,863</td>
</tr>
<tr>
<td>Social Services</td>
<td>94,579</td>
<td>93,913</td>
<td>666</td>
</tr>
<tr>
<td>Recreation</td>
<td>177,615</td>
<td>182,477</td>
<td>-4,862</td>
</tr>
<tr>
<td>House Keeping</td>
<td>223,391</td>
<td>220,399</td>
<td>2,992</td>
</tr>
<tr>
<td>Maintenance</td>
<td>636,133</td>
<td>482,329</td>
<td>153,804</td>
</tr>
<tr>
<td>Laundry</td>
<td>151,044</td>
<td>148,086</td>
<td>2,958</td>
</tr>
<tr>
<td>Food Services</td>
<td>924,587</td>
<td>885,566</td>
<td>39,021</td>
</tr>
<tr>
<td>Nursing</td>
<td>3,987,359</td>
<td>4,016,314</td>
<td>-28,955</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>135,874</td>
<td>132,616</td>
<td>3,258</td>
</tr>
<tr>
<td>Medical Insurance</td>
<td>622,379</td>
<td>622,379</td>
<td>0</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>7,146</td>
<td>7,146</td>
<td>0</td>
</tr>
<tr>
<td>FICA</td>
<td>386,600</td>
<td>394,835</td>
<td>-9,235</td>
</tr>
<tr>
<td>Pension</td>
<td>115,716</td>
<td>115,716</td>
<td>0</td>
</tr>
<tr>
<td>Risk Management/Workers comp</td>
<td>69,214</td>
<td>69,214</td>
<td>0</td>
</tr>
<tr>
<td>Payroll</td>
<td>18,175</td>
<td>10,180</td>
<td>7,995</td>
</tr>
<tr>
<td>Debt Service</td>
<td>239,883</td>
<td>239,883</td>
<td>0</td>
</tr>
<tr>
<td>Central service Cost Allocation</td>
<td>281,757</td>
<td>11,640</td>
<td>270,117</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,758,464</td>
<td>8,305,842</td>
<td>452,622</td>
</tr>
</tbody>
</table>

**Gain/ (Loss)**

|                  | -876,036 | 64,908 | 940,944 |

3
### Comparative Analysis of Smith House Revenues and Expenditures

**Fiscal Year 1997-1998**

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Halcyon</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>8,362,238</td>
<td>8,545,490</td>
<td>183,252</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>666,754</td>
<td>671,919</td>
<td>-5,165</td>
</tr>
<tr>
<td>Social Services</td>
<td>67,202</td>
<td>67,965</td>
<td>-763</td>
</tr>
<tr>
<td>Recreation</td>
<td>176,314</td>
<td>180,724</td>
<td>-4,410</td>
</tr>
<tr>
<td>House Keeping</td>
<td>212,383</td>
<td>211,883</td>
<td>500</td>
</tr>
<tr>
<td>Maintenance</td>
<td>579,033</td>
<td>508,697</td>
<td>70,336</td>
</tr>
<tr>
<td>Laundry</td>
<td>145,339</td>
<td>142,871</td>
<td>2,468</td>
</tr>
<tr>
<td>Food Services</td>
<td>891,826</td>
<td>859,427</td>
<td>32,399</td>
</tr>
<tr>
<td>Nursing</td>
<td>3,976,201</td>
<td>4,014,929</td>
<td>-38,728</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>125,324</td>
<td>122,564</td>
<td>2,760</td>
</tr>
<tr>
<td>Medical Insurance</td>
<td>653,498</td>
<td>653,498</td>
<td>0</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>7,361</td>
<td>7,361</td>
<td>0</td>
</tr>
<tr>
<td>FICA</td>
<td>397,167</td>
<td>407,163</td>
<td>-9,996</td>
</tr>
<tr>
<td>Pension</td>
<td>117,170</td>
<td>117,170</td>
<td>0</td>
</tr>
<tr>
<td>Risk Management/Workers comp</td>
<td>71,290</td>
<td>71,290</td>
<td>0</td>
</tr>
<tr>
<td>Payroll</td>
<td>18,720</td>
<td>10,500</td>
<td>8,220</td>
</tr>
<tr>
<td>Debt Service</td>
<td>234,362</td>
<td>234,362</td>
<td>0</td>
</tr>
<tr>
<td>Central service Cost Allocation</td>
<td>290,210</td>
<td>11,892</td>
<td>278,318</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,630,154</td>
<td>8,294,215</td>
<td>335,939</td>
</tr>
<tr>
<td><strong>Gain/ (Loss)</strong></td>
<td>-267,916</td>
<td>251,275</td>
<td>519,191</td>
</tr>
</tbody>
</table>
Comparative Analysis of Smith House Revenues and Expenditures
Fiscal Year 1998-1999

<table>
<thead>
<tr>
<th></th>
<th>City</th>
<th>Halycon</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>8,092,127.85</td>
<td>8,254,556</td>
<td>162,428</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>634,986</td>
<td>685,922</td>
<td>-50,936</td>
</tr>
<tr>
<td>Social Services</td>
<td>80,005</td>
<td>81,114</td>
<td>-1,109</td>
</tr>
<tr>
<td>Recreation</td>
<td>146,417</td>
<td>152,320</td>
<td>-3,903</td>
</tr>
<tr>
<td>House Keeping</td>
<td>209,084</td>
<td>209,991</td>
<td>-907</td>
</tr>
<tr>
<td>Maintenance</td>
<td>614,893</td>
<td>567,897</td>
<td>46,996</td>
</tr>
<tr>
<td>Laundry</td>
<td>154,656</td>
<td>158,247</td>
<td>-3,591</td>
</tr>
<tr>
<td>Food Services</td>
<td>928,573</td>
<td>894,129</td>
<td>34,444</td>
</tr>
<tr>
<td>Nursing</td>
<td>4,236,406</td>
<td>4,333,825</td>
<td>-97,419</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>166,976</td>
<td>169,740</td>
<td>-2,764</td>
</tr>
<tr>
<td>Medical Insurance</td>
<td>686,173</td>
<td>686,173</td>
<td>0</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>7,582</td>
<td>7,582</td>
<td>0</td>
</tr>
<tr>
<td>FICA</td>
<td>409,083</td>
<td>427,966</td>
<td>-18,883</td>
</tr>
<tr>
<td>Pension</td>
<td>123,086</td>
<td>123,086</td>
<td>0</td>
</tr>
<tr>
<td>Risk Management/Workers comp</td>
<td>73,429</td>
<td>73,429</td>
<td>0</td>
</tr>
<tr>
<td>Payroll</td>
<td>19,282</td>
<td>10,800</td>
<td>8,482</td>
</tr>
<tr>
<td>Debt Service</td>
<td>261,652</td>
<td>261,652</td>
<td>0</td>
</tr>
<tr>
<td>Central service Cost Allocation</td>
<td>298,917</td>
<td>12,300</td>
<td>286,617</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,053,198</td>
<td>8,856,173</td>
<td>197,025</td>
</tr>
</tbody>
</table>

Gain/(Loss)       | -961,071   | -601,617   | 359,454    

*The 1998/99 Figures Were Adjusted to Reflect Year End Adjustments*
SMITH HOUSE HEALTH CARE CENTER
ENTERPRISE DIRECT COST ANALYSIS
FY 99/00

The Smith House Nursing Facility has been set up in a Special Revenue Fund which accounts for most revenues and a large portion of the expenditures. However, it has been determined that a portion of the costs are still be expended in the General Fund. These "enterprise costs" have been identified and measured for budgetary purposes for FY 99/00. The following costs are considered direct costs of the operation and should be included in determining the overall cost of the Smith House Nursing Facility:

<table>
<thead>
<tr>
<th>MEDICAL INSURANCE:</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected medical insurance costs for FY 99/00 are based on existing historical data through December, 1998. The estimated trended average claim per employee for the period covering July 1, 1999 to June 30, 2000 is $454.85 per month for each employee covered. The current roster of covered employees at Smith House is 132. Therefore, 132 employees multiplied by $454.85 multiplied by 12 months = $720,482.</td>
<td>$720,482</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIFE INSURANCE:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual projected life insurance costs for FY 99/00 are based on a budgeted base salary of $4,178,000 (base salaries rounded down to the nearest thousand) less an average of three vacancies at any given time. The City's monthly cost per thousand ($5.52) is partially offset by the Smith House employees weekly contribution of .07 cents per thousand dollars of coverage. The difference of .16 cents per month per thousand dollars of coverage = $7,809</td>
<td>$7,809</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FICA/SOCIAL SECURITY CONTRIBUTION:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The FICA/Social Security contribution is based on an average of calendar year 1997 and 1998 actual amounts paid to the Federal Government. This figure is subject to change based on any variations in the number of employees contributing to the I.R.S.</td>
<td>$421,355</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PENSION CONTRIBUTION:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The Classified Employee Retirement Fund's actuarial valuation of plan assets exceeds its actuarial accrued liability and therefore is in the fortunate position of being classified as being overfunded. The City's Actuary has determined that no employer contribution is necessary. However, previous City Charter provisions require a mandatory 3% of payroll employer contribution to the Fund. The City, through collective bargaining, has negotiated this requirement out of all applicable union contracts with the exception of the U.A.W. union. With the creation of local #1199, there are no longer any U.A.W. members at the Smith House. Therefore, there are no longer any annual employer contribution costs attributable to the Smith House operation.</td>
<td>$0</td>
</tr>
</tbody>
</table>

ENTERPRISE COSTS
SMITH HOUSE HEALTH CARE CENTER
ENTERPRISE DIRECT COST ANALYSIS
FY 99/00

INSURANCE & SELF INSURANCE COSTS:

The Risk Management Department has done a cost allocation analysis for the City of
Stamford and the Board of Education. The following forms of insurance are being
allocated to the Smith House operation: Fire and Extended Coverage, Fidelity Bond
Coverage, Auto Liability, Property Damage Coverage, Collision and Worker's
Compensation Costs. These costs take into consideration department exposures and
experience. $42,416

PAYROLL PROCESSING:

The monthly processing costs charged by the service bureau (Ceridian) to process the
weekly Smith House payroll with an additional charge to process W-2's at year end
have been compiled to arrive at an annual cost. Internal labor costs are not included.
The processing cost estimate is based on historical cost data and does not take into
account that the City is purchasing new payroll and human resources software, adding
a new time and attendance reporting system and overhauling the entire method of
processing payroll for FY 99/00. The financial impact is unknown at this time. $20,246

DEBT SERVICE PRINCIPAL:

| Capital Projects - 1986 Bonds = $30,000 = $1,501 |
| Capital Projects - 1992 Bonds = $134,235 = $6,712 |
| Capital Projects - 1995 Bonds = $406,404 = $20,320 |
| Capital Projects - 1996 Bonds = $447,996 = $22,400 |
| Capital Projects - 1998 Bonds = $372,139 = $18,607 |
| **Total Capital Projects Bonded = $2,286,059** |

A review of Smith House capital project expenditures over the last fifteen years has
determined that the above listed amounts of money have been borrowed with the
applicable bond issue noted. The City obtains funds to pay for these capital projects
with General Obligation Bond proceeds that are financed over a twenty year period. The
method of bond principal repayment for each individual issue can be unique (i.e. front
end loading, deferred repayment, other than straight line amortization, advanced
refunding, etc.). However, the principal repayments for each bond issue indicated above
for FY 99/00 are one twentieth (1/20) of the original amount borrowed.

$114,303

NOTE: For FY 97/98, the City change its method of accounting for Smith House costs.
Previously, all costs to operate the Smith House were recorded in the General Fund.
Beginning on July 1, 1997, a Special Revenue Fund was created to record receipts and
disbursements directly related to the operation. However, the enterprise costs detailed
in this analysis continued to be paid in the General Fund. It is anticipated that, upon
completion of a fixed asset appraisal of City of Stamford assets, the Smith House can
be treated as an Enterprise Fund entity with all costs, such as depreciation expense,
recognized in one cost center. This would provide the City of Stamford and Smith House
Management with a reconciliation of accounting practices (i.e. full accrual basis vs.
modified accrual basis of account).

ENTERPRISE COSTS
**DEBT SERVICE INTEREST:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Projects - 1986 Bond Balance = $ 8,190</td>
<td>$532</td>
</tr>
<tr>
<td>Capital Projects - 1990 Bond Balance = $757,411</td>
<td>$53,019</td>
</tr>
<tr>
<td>Capital Projects - 1992 Bond Balance = $100,636</td>
<td>$5,032</td>
</tr>
<tr>
<td>Capital Projects - 1995 Bond Balance = $361,659</td>
<td>$21,700</td>
</tr>
<tr>
<td>Capital Projects - 1996 Bond Balance = $429,180</td>
<td>$21,459</td>
</tr>
<tr>
<td>Capital Projects - 1998 Bond Balance = $372,139</td>
<td>$18,607</td>
</tr>
</tbody>
</table>

Total interest expense on existing debt service balances for FY 99/00 at the respective rates of interest for FY 99/00: $120,348

**GRAND TOTAL:** $1,446,959