

MEMORANDUM

TO: Honorable East Greenwich Town Council

FROM: Michael D'Amico

DATE: April 18, 2019

SUBJECT: Fiscal note for fire CBA

I. Introduction -

The Town and the local firefighters union have reached a tentative agreement for the term beginning on July 1, 2019, and ending on June 30, 2022. This tentative agreement will be brought before the Council on the April 22, 2019, Council meeting. The purpose of this memorandum is to provide a summary of the fiscal impact of the changes in that agreement.

II. Summary of changes -

- The most significant contract change was the reinstatement of the “floater” position and the resulting reduction in minimum manning. The floater had been eliminated in the prior contract. Section 10, Appointments, was amended to change the staffing arrangements for the Fire Department as of July 1, 2019, to reflect the “floater” position. Furthermore, an MOA was signed with the union as part of this negotiation that makes this provision effective 5/1/19. This means that the Town will start to achieve the savings from this change immediately.

The previous East Greenwich Town Council and Town Manager had hired an outside firm to analyze the fire contract. The result of this analysis was the Walker Report dated 10/20/17. In that report, the consultant estimated the cost to the town from eliminating the floater was \$409,962 using FY19 wage rates. In my calculation I arrived at a similar number so I have elected to use Walker's

number here for purposes of consistency. As wages grow in years 2 and 3 of the contract, the savings from the reduction in overtime will also grow to \$418,160 in FY21 and \$426,523 in FY22. The impact of implementing the floater on 5/1/19 was calculated by taking 2 months of the FY20 savings cited above. That will save the Town \$68,327 in FY19.

- Section 26, Wages, and Section 56 Administrative Pay were amended to provide all union members a 0% increase in 2019, a 2% increase in 2020, and a 2% increase in 2021. That increase equates to \$0 in FY20, \$63,986 in FY21, and \$65,266 in FY22.
- Section 50, Incentive Pay, was added to provide certain incentive pay to firefighters that obtain Endotracheal Intubation Certification. In return for the union agreeing to implement the floater on 5/1/19, the Town agreed to begin the incentive pay in FY19 as well. The incentive pay will cost the town \$16,500 in FY19, \$26,400 in FY20, \$38,000 in FY21, and \$45,600 in FY22.
- Section 27, Holidays, was amended so that, beginning in July 1, 2020, firefighters will be paid 14 hours per holiday rather than 12 hours. The cost of this change is \$0 in FY20, \$24,608 in FY21 and \$25,100 in FY22.
- Section 7, Collateral Duties, was amended to alter the rate of pay for collateral duties from \$28.00 an hour to the employee's current hourly rate. The weighted average hourly rate of all the firefighters in the department is \$28.48 - ranging from a low of \$21.86 for a new hire to a high of \$33.18 for a captain. Whether this provision saves money or costs money for the Town is dependent on who

accepts the collateral duties. If we assume that all firefighters accept the duties evenly, this will cost the Town less than \$500 per year.

- Section 64, Collateral Dispatch Pay, was amended to increase the collateral dispatch duty pay in line with the 0%, 2%, 2% provided in the wage provision of the contract. This will cost the Town \$0 in FY20, \$3,700 in FY21 and, \$3,774 in FY22.
- Section 30, Medical and Dental, was amended so that, beginning in FY 2021, the Town will only cover 45% of the employee's deductible, rather than 50% of the deductible. In FY 2022, the Town will only cover 40% of the employee's deductible. This change will save the Town \$0 in FY20, \$7,400 in FY21, and \$14,800 in FY22.
- Section 30 was also amended so that, once a retiree becomes Medicare eligible, the Town will only provide gap coverage, with the Town's payment toward the premium capped at \$220 per month, with the retiree responsible for anything over \$220. The Town's actuary has calculated that this change will immediately reduce the town's OPEB liability by \$3 million in FY20. By FY28, the reduction will have grown to approximately \$6.5 million. Furthermore, this change will reduce the Town's actuarially required contribution to its OPEB trust by \$380,000 in FY20, \$405,000 in FY21, and \$432,000 in FY22.
- Section 32, Retired Employees' Benefits, was amended so that for any employee hired after July 1, 2019, the employee must be employed with the Town for 20 years before the employee will receive any retiree benefits from the Town. Previously, a firefighter could have worked in another MERS district for as many

as 19 years, then worked in East Greenwich for as little as 1 year and the Town would have been responsible for free healthcare for life for that firefighter upon retirement. That is no longer the case. Furthermore, instead of the town paying the coverage in full, the Town will now pay 3.3% for each year of employment with the Town. If a firefighter works for the town for 20 years and retires, the town will now pay 66.6% of the healthcare cost instead of 100%. The Town will not begin to see the financial benefits of these changes until it hires a firefighter after July 1. Even then, the true savings will be many years in the future when that firefighter retires. However, for sake of comparison, if this contract provision had always been in existence, the cost of pre-65 healthcare for retired firefighters in FY19 would have been approximately \$127,000 versus an actual cost of approximately \$237,000 – a 45% reduction in retiree healthcare costs.

III. Conclusion -

This agreement will save the town significant amounts of money over the next 3 years. The savings to the budget will be \$434,959 over the next 14 months, an additional \$294,829 in FY21, and \$237,152 in FY22 for a total of \$966,940 over 3 years. Additionally this agreement will save the town \$1.2 million in contributions to the OPEB trust. As the town has not been making the full contribution to the trust in the past, this will not result in a savings to the budget. However, this is a true savings in that it represents money the town would have eventually had to contribute and now that cost has been avoided. In total, this contract will save the town over \$2.1 million over 3 years.