



## Town Administrator's Office

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### Memorandum

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Date: April 30, 2015

To: Town Council

From: Matt Wojcik *Matt Wojcik*

RE: Fiscal Impact Statement – Tentative IAFF contract and MOU

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Earlier today the negotiating teams for the Town and the IAFF made substantial progress toward a negotiated settlement of the contract talks for an agreement to cover Fiscal Years 2016-2018. The fundamental underpinnings of this potential agreement are:

- Moving from four shifts (or “platoons”) of eight firefighters to three shifts of nine
- Reducing the roster to 28 full time firefighters (down from 32)
- Maintaining minimum manning at 7 per shift
- Requiring firefighters to work, on average, 56 hours per week, with a resulting decrease in the hourly rate of pay for firefighters of 33%
- Adopting measures to restrain overtime usage
- Staffing the Fire Marshal position as a full time, dedicated position
- One-time elimination of numerous grievances with economic impact

We must return to the financial projections exercise in order to understand the impact of moving to three platoons at the Fire Department. The savings generated by this move will come from two primary sources: first, reducing the payroll to 28 from 32 saves 4 full time salaries; and other benefit costs and, second, deepening the bench will reduce overtime from the current run rate as well as make the total overtime expenditure more predictable over time. Adoption of measures based in labor law to curb overtime spending once predetermined limits are reached has proven effective and will be made a part of this agreement.

It is important to understand that for purposes of generating financial estimates we must make assumptions based on what we believe to be the most likely outcome of pending matters whose outcome is uncertain.

At the present time we have an active roster of 30 firefighters. We also have 2 firefighters who are out of service on “injured on duty” (IOD) status. For purposes of

modeling I assume that these positions will be eliminated once vacated. Therefore, the reduction in the size of the department will take place by attrition.

It must be assumed that our health insurance premiums will increase by the 14.7% we are already aware of in FY 2016 as part of our rate adjustment from the Trust. Since the Trust uses a two year smoothing method to establish our rates, even if we assume claims return to historical levels we will have another double digit rate increase in FY 2017 before returning to a more normal market rate of inflation in the health care sector.

Fiscal Year 2015 is our starting point. All savings and added costs are compared to the current year.

The tentative outline for a settlement with IAFF includes "sharing" the cost savings of the three platoon arrangement with the remaining members of the bargaining unit. There are several justifications for this, not the least of which is the fact that their average 42 hours per week of scheduled shifts will increase to 56 hours with a resulting significant decrease in the hourly rate of compensation. Further, it is anticipated that the level of overtime earned as part of total annual compensation by the typical member will fall as the 56 hour shift rotation and curbing mechanisms put in place take effect (one overtime cap is reached, FLSA standard will come into play; deeper bench preventing shifts from running short automatically due to vacation, sick time usage, etc.).

It must be anticipated that several factors will work together to significantly increase the employer contribution to the MERS as a result of the tentative agreement, as follows:

- There will be fewer employees paying into the annual contribution required;
- Pensionable compensation will increase;
- Two current members are transitioning from IOD status to disability pensions
- The Town's unfunded liability will increase as a result of having two additional disability pensions

Only an actuary can estimate the impact these changes will have on the Town and firefighters' respective contribution rates into the MERS. It is important to note that those two firefighters have already applied and thus these expenses are already coming regardless of the department's staffing level

For purposes of estimating the fiscal impact of this tentative agreement, I have modeled a 15% increase in the required pension contribution by the Town. The FY 2016 rate has been set at 14.13% of gross pensionable compensation; a fifteen percent increase in the ER contribution rate would bring the rate to 16% of base salary.

One major piece of the agreement that can be modeled directly is wage increases. Firefighters will be working 33% more hours. The typical union position would be that the starting point for wages would be to pay their members 33% more. The bargaining unit did open with this position. However, after negotiation the tentative agreement involves an 8% increase in the base rate of pay from July 1, 2015 through June 30, 2016, a 4% increase on July 1, 2016, a 5% increase on July 1, 2017 and then a 2% increase on June 30, 2018. This adds up simplistically to 17% over the three fiscal years of the contract (the 2% arrives

in Fiscal 2019), but in reality amounts to an effective increase of 18% plus the 2% increase on the last day of the contract.

The agreement also calls for the gradual phase in of a rank structure that has one captain and two lieutenants per shift by the end of the agreement term. Therefore, the Tiverton Fire Department will go from 1 Captain and 3 lieutenants to 3 captains and 6 lieutenants. Based upon the existing promotion lists, I model that the TFD will be at 3 captains and 3 lieutenants in fiscal 2016 and add three lieutenants in fiscal 2017.

A full time fire marshal position is created by the contract. The marshal will be paid as a captain, work 40 hours a week, on call 24/7, and will receive the same pay "catch ups" as the line personnel as a percentage of base wages. The marshal must have 5 years of experience in the fire service, a fire marshal's card (which includes various training and testing already in place) and a valid fire alarm card (which we understand may be phased out and made part of the marshal's card). The initial appointment will be made on the basis of seniority, but all future appointments to this position will be made on the basis of a testing procedure.

Finally, it should be noted that the result of this contract will be that in exchange for a one-time, non-pensionable cash award of \$1,100 per member, all of the economic damages arising from grievances filed in response to the emergency measures put in place on March 4 will be waived by the Union. There were 32 employees in the fire department at the time the measures were put in place, and thus this cost will be \$35,200. Legal counsel strongly advises this settlement, since unpaid overtime and damages for the period in question may be well over two to three times as high as the proposed settlement, exclusive of the costs of legal representation to contest them. The termination arbitration will continue its course.

The net result of the current proposal, as an "add back" from the base year, would be as follows:

	FY 2016	FY 2017	FY 2018
Base pay	\$(44,899)	\$55,033	\$145,699
Longevity	\$8,444	\$12,873	\$20,971
Holiday	\$(2,212)	\$2,712	\$7,180
Differential	\$(126)	\$155	\$410
EMS stipend	\$(11,440)	\$(11,440)	\$(11,440)
Clothing allowance	\$(5,200)	\$(5,200)	\$(5,200)
Health insurance	\$(3,313)	\$34,314	\$62,409
ER share - HSA	\$(7,000)	\$(7,000)	\$(7,000)
WRI insurance	\$170	\$5,832	\$10,060
Dental insurance	\$(3,112)	\$(3,112)	\$(3,112)
Life insurance	\$(499)	\$(499)	\$(499)
ER pension	\$(26,597)	\$20,106	\$35,908
FICA	\$(3,695)	\$4,665	\$12,562
Overtime*	\$(175,000)	\$(150,000)	\$(125,000)
<b>TOTAL</b>	<b>\$(274,481)</b>	<b>\$(41,561)</b>	<b>\$142,948</b>

The tentative agreement as it stands, with the salary proposal as noted, would therefore be a three year savings to the Town of just over \$173,000. The cost of settling outstanding grievances would be \$35,200 for a net effect of the contract with all of its associated costs (except the cost of defending all of the grievances) of approximately \$138,000 in savings to the Town over the next three years. For all intents and purposes, the result would be a stable / no cost growth department, with a manageable overtime account and salaries that are more competitive with peer communities and opportunity to advance within the department both in compensation and responsibility.

It is important to note that a traditional contract negotiation would have added costs to the baseline. Even very modest salary increases of one or two percent, added to base salaries beginning in year one of the contract, would have had a significant impact on the costs of running the department with none of the benefits of the organizational design changes we bargained. Thus, recruiting and retention problems would have remained even as salaries increased and overtime left to run at an unacceptable rate.

On balance, therefore, I believe the tentative agreement meets most of the Town's objectives in this negotiation without increasing the expense of the Tiverton Fire department. Therefore, I recommend its ratification on May 4.

\* Overtime: this line item is modeled at a run rate of \$300,000 per year under the current contract and staffing model of the department. Since it is anticipated that the caps put in place with FLSA rules application, along with a deeper bench and a well policed system of comp time, will address overruns in overtime regardless of the salary rate in place for firefighters. If anything, the baseline understates the savings likely to emerge from the three platoon arrangement in terms of overtime.