

Staff Report and Fiscal Impact Note

Legislation No: Resolution 36-18

First Reader Date: 7-9-2018

Note Date: 7-5-2018

Legislation Title: Submission of Proposed Union Agreement – Local 400

Description: For the purpose of submitting a written memorandum of Collective Bargaining Agreement between the City of Annapolis and Local 400 (Police) for the Fiscal Years 2019 through 2022 to the City Council for its ratification or rejection.

Analysis of Fiscal Impact:

The terms and provisions of the negotiated agreement with fiscal impact are as follows:

- Four year contract covering FY2019 – FY2022 (July 1, 2018 – June 30, 2022)
- Cost of Living Allowances:
 - FY2019: 2%
 - FY2020: 0%
 - FY2021: 1.5%
 - FY2022: 2%
- Additional paid military leave – increase from 84 hours to 120 hours as required by the federal government
- Retirement:
 - Change to 20 year normal retirement from 25 years
 - Increase in pension from 70% to 75% of final average earnings at year 30
 - Modifications to the DROP to make it cost-neutral. New DROP participants must participate for four years. They will contribute 4%, and their investment rate of return will be 3.25%. Currently the net cost per DROP participant is \$41,000. The actuary estimates these modifications will make the DROP cost-neutral. Costs and cost impacts for future DROP participants will be determined in future actuarial valuations.
- Take Home Vehicle (THV) program beginning in FY2020.
 - Half of the officers who do not have take home vehicles will be assigned vehicles effective July 1, 2019. Assignment will be by lottery.
 - The remaining half will be assigned take home vehicles effective July 1, 2020.
 - Officers who live within the Anne Arundel County limits have no restrictions on personal use within the county limits and may transport their immediate family members in the take-home vehicle.
 - Officer who live outside the County limits may use their vehicles to commute to and from work or for personal errands on their way to and from work. They may also transport immediate family members when necessary to facilitate an action that occurs while traveling to and from work, such as dropping a child off at school.

- Officers who live outside of the Anne Arundel County limits will be required to reimburse the City \$50/pay period unless they are part of a specialized unit who has been assigned a take home vehicle for a noncompensatory reason, such as the canine unit.
- Change in health insurance cost share: Effective July 1, 2020, the employees' cost share will increase from 20% to 25%. The City's cost share will decrease from 80% to 75%.
- Elimination of VEBA chop: Officers will no longer participate in the VEBA program, so their "use or lose" annual leave will not be credited to their VEBA accounts.
- Modifications to method of paying workers' compensation: 66 2/3rds of temporary total disability payment will be made via workers' compensation payments from the Self Insurance Fund, tax-free to both the employee and employer, up to the state limitation. Any amount in excess of the state limitation required to make the employee "whole" will be paid via payroll.

Police	FY2019	FY2020	FY2021	FY2022
Year 1 COLA	\$ 213,200	\$ 213,200	\$ 213,200	\$ 213,200
Year 2 COLA		0	0	0
Year 3 COLA			163,100	163,100
Year 4 COLA				165,500
Military Pay	20,600	20,600	21,225	21,675
Pension 20-year eligibility	48,520	48,520	48,520	48,520
Pension 30-year multiplier	24,260	24,260	24,260	24,260
THV finance/lease	0	145,600	297,600	297,600
THV commute cost	0	186,575	384,325	395,800
THV reimbursement	(15,600)	(41,600)	(70,200)	(70,200)
Health Insurance Savings	0	0	(131,500)	(142,000)
VEBA Savings	(65,000)	(65,000)	(65,000)	(65,000)
Workers' Comp Savings	(43,100)	(43,100)	(43,725)	(44,500)
Total	\$ 182,880	\$ 489,055	\$ 841,805	\$ 1,007,955
Annual % Increase	1.7%	2.5%	5.7%	5.7%

Cumulative Cost of 4-year Contract: \$2,521,695

Assumptions:

- COLA calculations are based on July 1, 2018 base salaries of \$8,086,641 with FICA, pension, and OPEB.
- Paid military leave is based on the actual number of employees in the military multiplied by their hourly rates with FICA.
- Retirement costs provided by Boomershine (City actuary)
 - 20 year eligibility: 0.6% of payroll
 - 30 year multiplier: 0.3% of payroll
- Take Home Vehicle program:
 - Cost based on fully outfitted vehicles leased or financed for 7 years at 3.3% interest with 5% increase in lease rate in fiscal year 2021.
 - Commute costs based on commute distance from home to Police headquarters at 49 cents/mile (cost per mile provided by City Fleet Maintenance Division) with 3% inflation increase annually. We cannot predict which officers will receive take home vehicles in fiscal year 2020, so cost estimate is based on 50% of total commuting costs for all officers who (1) currently do not have take home vehicles, and (2) who are not required to have a take home vehicle for noncompensatory reasons.
 - Reimbursement estimate is based on the number of current employees who live outside of the Anne Arundel County limits x \$50/pay period.
 - No assumption made for effect on self-insurance costs that cannot be predicted.
- Health insurance savings: Assumes 8% annual increase in medical and Rx costs; 5% in dental costs; 0% in vision costs.
- VEBA: Based on calendar year 2017 VEBA chop for police union employees
- Worker's compensation savings: Based on 2017 workers' compensation payments for police union employees