

Staff Report and Fiscal Impact Note

Legislation No: Resolution 35-18

First Reader Date: 7-9-2018

Note Date: 7-5-2018

Legislation Title: Submission of Proposed Union Agreement – Local 1926

Description: For the purpose of submitting a written memorandum of Collective Bargaining Agreement between the City of Annapolis and Local 1926 (Fire) 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: 2.5%
 - FY2020: 2.5%
 - FY2021: 3%
 - FY2022: 3%
- Additional paid military leave – increase from 84 hours to 120 hours as required by the federal government
- Retirement:
 - Increase pension benefit from 70% to 75% of final average earnings at year 30
 - Change to 20 year normal retirement from 25 years
 - 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.
- 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: Firefighters 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.

Fire	FY2019	FY2020	FY2021	FY2022
Year 1 COLA	\$ 284,025	\$ 284,025	\$ 284,025	\$ 284,025
Year 2 COLA		291,100	291,100	291,100
Year 3 COLA			358,075	358,075
Year 4 COLA				368,825
Military Pay	9,100	9,325	9,600	9,900
Pension 30-year multiplier	26,100	26,100	26,100	26,100
20 year retirement	52,200	52,200	52,200	52,200
Health Insurance Savings			(147,500)	(159,000)
VEBA Savings	(34,400)	(34,400)	(34,400)	(34,400)
Workers' Compensation Savings	(20,250)	(20,775)	(21,375)	(22,025)
Total	\$ 316,775	\$ 607,575	\$ 817,775	\$ 1,174,800
% increase over prior year base with benefits	2.8%	2.8%	2.0%	2.0%

Cumulative Cost of 4-year Contract: \$2,916,275

Assumptions:

- COLA calculations are based on July 1, 2018 base salaries of \$8,704,242 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)
 - 30 year multiplier: 0.3% of payroll
 - 20 year retirement: 0.6% of payroll
- Health insurance savings: Assumes 8% annual increase in medical and Rx costs; 5% increase in dental costs; 0% increase in vision costs.
- VEBA: Based on calendar year 2017 VEBA chop for fire union employees
- Worker's compensation savings: Based on fiscal year 2017 workers' compensation payments for fire union employees