STAFF REPORT AND FISCAL IMPACT REPORT ON PROPOSED LEGISLATION

To: Mayor Gavin Buckley

From: Michael Mallinoff, City Manager

Date: June 12, 2024

Subject: R-30-24: Collective Bargaining Agreement - United Food and Commercial Workers Union, Local 400

Purpose of legislation

The purpose of this legislation is to submit a written memorandum of Collective Bargaining Agreement between the City of Annapolis and United Food and Commercial Workers Union, Local 400 ("UFCW, Local 400") for the Fiscal Years 2025 through 2026 to the City Council for its ratification or rejection.

Impact of legislation - UFCW, Local 400

The City and UFCW, Local 400 have negotiated over a number of provisions in the collective bargaining agreement. A summary of what has changed between the last approved collective bargaining agreement and this one is summarized below.

1. Pay Scale.
   The new pay scale would become effective at the beginning of the first full pay period following Council approval. The new scale has a 4% difference between Steps 1-10 and a 3% difference between Steps 11-19. It does not include longevity holds (steps 7 through 12 on the current scale) in the later steps. The beginning salary of a P10 increased from $61,500 to $65,000, or 5.7%. This impacts baseline starting pay for new hires; however, existing employees move onto the new scale at the closest step to their June 30 salary.

Since the difference between existing salaries and the closest step on the new scale varies considerably, the agreement incorporates a one-time payment to balance the variation. Members whose increase from the current scale to the new scale is less than 2.5% will receive a lump sum (not in base) payment to make up the difference between 2.5% and their actual increase.

Local 400 Scale Fiscal Impacts:

Union Members:

Move to new Scale recurring: $118,900 Salary + $49,938 Variable Benefits = $168,838
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Move to new Scale one time: $122,907 One-time + $9,402 FICA = $132,309.

Non Union Police Management:

Move to new Scale recurring: $7,839 Salary + $3,293 Variable Benefits = $11,132.
Move to new Scale one time: $15,272 One-time + $1,168 FICA = $16,440.

These salary impacts have been included in the proposed FY25 operating budget.

2. Retiree Health Insurance. The negotiated agreement updates the employer contribution rates for the retiree health premiums under the Other Post-Employment Benefits (OPEB) plan. Currently employees hired July 1, 2012 or later receive an employer contribution at 2.5% per year of service, which allows a maximum of 70% at year 28. The agreement changes the employer contribution rates as follows:
    a. Employees who retire with a minimum of 10 years but less than 20 years of service with the City will receive retiree health benefits equal to 2% for each full year of service to the City and must reach the eligible age for retirement and retire at the time of separation to receive retiree health benefits.
    b. For employees with at least 20 but less than 25 years of service with the City, the City will pay 60% of the retiree health benefit and the employees will pay 40%. These employees must be age 45 or older at the time of retirement.
    c. For employees with 25 or more years of service, the City will pay 70% of the retiree health benefit and the employees will pay 30%. These employees must be age 45 or older at the time of retirement. Currently it takes 28 years to get to 70%, this reduces the number of years needed to get to a 70% employer premium contribution.

The changes allow employees to accrue less toward the employer contribution of the health premium for the first 20 years but more if they stay for 20 or more years.

To offset the costs related to new employees, those hired on or after July 1, 2024 will contribute 2% of their salary per pay period to the OPEB Fund versus the current 1%, and the City will continue to contribute 2%.

The City will incur a comparatively larger share of the premium for anyone currently working for the City who decides to take advantage of the changes in the benefit accrual and remain past 20 years. We cannot determine how these changes will impact behavior; however, for anyone who reaches 20 years, the City will pay 60%, rather than the current 50% of the benefits, and the City picks up the full 70% at 25 years rather than 28 years. The total fiscal impact will depend on employee decisions, when they retire, and their medical premium. Current annual premiums for under 65 retirees ranges from $5,600 (Individual) – $16,632 (Family.)

3. OPEB Reopen: The negotiated agreement offers a limited window of sign up options for employees who initially waived OPEB. This allows affected employees (a group of 17) to select the OPEB benefits. If they want to back date the start date of benefits, they must contribute 1% of their salaries for any backdated years. The City will have to either make a cash contribution to the trust for its 2% of those back salaries or phase in these contributions over time. The City will work with the actuary for recommended catch up contributions for those individuals who take advantage of this limited window. The maximum additional contribution totals approximately $125,0000; however, it's likely to be lower since some may have retirement health care from previous employers and have waived employee medical. It is possible that others will not opt to back-date the start of the benefit.

4. Overtime.
    a. The procedure around how overtime opportunities are distributed was clarified.
    b. The procedure around how events are planned and overtime associated with events are made available was clarified.
    c. Those required to work overtime for seven consecutive days shall be paid at two times their regular hourly rate for all hours actually worked on the seventh day of a workweek. The experience within the Police Department is that this is extremely rare, so the City is not expecting a fiscal impact from this change.

5. Temporary Assignments.
    a. The extra pay received for a temporary assignment has been adjusted in light of the new pay scales to be a flat 5% increase rather than an increase to the next higher step. This will lower the amount paid for such assignments because the next highest step is 5.361% higher, while the new provision requires 5%.
    b. The agreement now differentiates between temporary assignments that last more than 30 days from those that last 30 days or less. Temporary assignments that last longer than 30 days have a protocol for selecting who to fill the assignment.
    c. For staff that are promoted into a rank to which they were temporarily assigned, their temporary assignment time will count toward their probationary period.

6. Holidays. Thanksgiving was added as a paid holiday recognized within the agreement.

7. DROP – 5th year optional. No fiscal impact. The FY23-FY24 agreement allowed a new DROP participant to elect a fifth year of participation in the program. The City will continue to contribute to the pension based on current DROP terms for the optional fifth year. With this agreement, a DROP participant that starts but does not complete a 5th year of the DROP program would retain all DROP benefits accrued through their 4th year of participation.

8. Clothing and Equipment Allowance. The agreement increases the annual allowance given to uniformed officers from $925 to $1,100. The extra allowance for officers who have volunteered to work in a second department function such as SWAT, voluntary bicycle patrol, or honor guard increases from $75 to $100. In addition, plain clothes officers would receive a clothing and equipment allowance of $1,000 plus another $500 that would be only available for ordering uniforms through the City. Few officers utilize the current allowance limits, so the overall fiscal impact of these changes as related to regular police uniforms is expected to be minimal. Plain clothes officers purchase their own clothing and will receive $1,100 as opposed to $925, an increase of $175. The approximate fiscal impact of 17 officers x $175 = $2,975. The cleaning allowance has increased from $40 per month to $50 per month. The fiscal impact is $10 x 12 months = $120 x 123 individuals = $14,760. The adopted operating budget includes adequate funding for these allowances.

9. Signing Bonus. Although not a part of the final collective bargaining agreement, the City discussed and has initiated a signing bonus program for newly hired officers. The program would pay a $20,000 signing bonus as follows: $1,000 upon hire; $4,000 upon completion of training; and $5,000 each year at the completion of years 2, 3, and 4. One time funding of $400,000 was set aside in the FY25 budget. This reserve will fund 20 bonuses. We will evaluate whether more is needed in the FY26 budget.

10. Other changes. There are several additional changes to the negotiated agreement that have operational impacts but no fiscal impacts. Those include the following.
    a. The agreement was updated to reflect current practice of a union steward attending meetings of the Departmental Advisory Board.
    b. Language around sick leave has been updated to reflect State sick and safe leave law changes.
    c. Language around workers compensation clarifies that employees receiving workers compensation are in a “non-pay” status and do not accrue leave during the time they are receiving workers compensation.
    d. The General Order around take home vehicles was adjusted to limit using a take home vehicle outside of Maryland except for those whose primary residence is outside of Maryland.

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