



STAFF REPORT AND FISCAL IMPACT REPORT ON PROPOSED LEGISLATION

To: Mayor Gavin Buckley

From: Michael Mallinoff, City Manager

Date: May 31, 2024

Subject: R-29-24: Collective Bargaining Agreement - International Association of Fire Fighters (IAFF) Local 1926, AFSCME 3162, and AFSCME 3406

Purpose of legislation

The purpose of this legislation is to submit a written memorandum of Collective Bargaining Agreement between the City of Annapolis and IAFF Local 1926, American Federation of State, County and Municipal Employees (AFSCME) Locals 3162 and 3406 for the Fiscal Years 2025 through 2026 to the City Council for its ratification or rejection.

Impact of legislation - IAFF Local 1926

The City and IAFF Local 1926 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 July 4, 2024. The new scale has a 4% difference between Steps 1-11 and a 3% difference between Steps 12-19. It removes longevity holds in the later steps. The new pay scale was adjusted to better match the overall market by dropping step 1 of the current scale and increasing the base salary for the entry level by an additional 4%. The beginning of the scale therefore increased 9.6% overall. 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.

IAFF Scale Fiscal Impacts:

Union Members:

Move to new Scale recurring: \$240,591 Salary + \$107,063 Variable Benefits = \$347,654.

Move to new Scale one time: \$110,512 One-time + \$8,454 FICA = \$118,966.

Non Union Fire Management:

Move to new Scale recurring: \$31,905 Salary + \$14,198 Variable Benefits = \$46,103.

Move to new Scale one time: \$1,189 One-time + \$91 FICA = \$1,280.

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

In addition, the City will no longer promote new hires to step 2 at the completion of academy training. That step will be granted upon their first anniversary date. This change will result in savings of approximately \$3,200 annually for each newly trained fire fighter, which will partially offset the changes in the baseline salary.

2. Retiree Health Insurance. The negotiated agreement updates the accrual rates for the OPEB plan. Currently employees accrue the employer contribution at 2.5% per year, which allows a maximum of 70% at year 28. The agreement changes the accrual 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 70% employer premium.

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 decision, 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 those hired after 2014 who initially waived OPEB. This allows affected employees (a group of 12) 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 \$100,000; however, it's likely to be lower since some of the group of 12 have retirement health care from previous employers and others will not opt to back-date the start of the benefit.
4. Annual Leave. The maximum annual leave carryover from year to year was adjusted to 35 days; the maximum annual leave payout upon separation of employment was adjusted to 30 days. There is no impact to this change – it was done to document actual practice.
5. Workers' Compensation. The City will no longer supplement workers' compensation by default. Employees will instead be able to use paid leave to supplement worker's compensation benefits. The City will save as the current supplement will discontinue. During the past three years, the City has paid an average of \$42,000 of supplemental wages per year.
6. Stipends.
 - a. Stipends for those with ALS certification increases to \$2,000 (was \$1,500). The \$500 Difference x 63 individuals = \$31,500, including FICA = \$33,910.
 - b. HazMat, MVO, Dive Team stipends provided at \$500 (maximum; not \$500 x 3). The approximately 70 individuals x \$500 = \$35,000, including FICA = \$37,678.
7. On-Call Pay. Increased to \$50/day (was \$20/weekday). Daily increase of \$30 x 4 shifts per day x 365 days = \$43,800, including FICA = \$47,150.
8. DROP – 5th year optional. No fiscal impact. The agreement allows a 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. 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.

9. 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 City will transmit union dues to the union electronically rather than via paper check.
 - b. The negotiated agreement clarifies how the holdover list is generated and maintained.
 - c. The agreement clarifies how vacated leave slots are filled.
 - d. The agreement will allow the same number of annual leave slots all year instead of having a different number over the course of the year (now 4 all year rather than 4 for six months and only 3 for the remaining months).
 - e. Language around sick leave has been updated to reflect State sick and safe leave law changes.
 - f. Personnel that are promoted to the rank of Firefighter 1/c must now become a qualified Truck Operator within two years of their promotion. Existing personnel at that rank that are not qualified will retain their rank but become ineligible for promotion until the qualification is achieved.

Impact of legislation - AFSCME 3162

1. Pay Scale

The new pay scale would become effective July 4, 2024. The new scale has a 4% difference between Steps 1-10 and a 3% difference between Steps 11-19. It removes longevity holds in the later steps. The new pay scale was adjusted to better match the overall market by dropping step 1 of the current scale. The beginning of the scale therefore increased 5.361% overall. 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.

AFSCME 3162 Scale Fiscal Impacts:

- Move to the new scale recurring: \$39,823 Salary + \$8,610 variable benefits = \$48,433.
- Move to new Scale one time: \$34,442 One-time + \$2,634 FICA = \$37,077.
- Annual Step increases: \$86,679 Salary + \$18,840 variable benefits = \$105,519.
- A one-time bonus of \$1,500 payable in a lump sum on the pay date for the pay period that begins after July 1, 2024 for Fiscal Year 2025.

Fiscal Impact: $\$1,500 \times 37 = \$55,500$ One-time + $\$4,246$ FICA = $\$59,746$.

Note that the negotiated agreement retains one longevity bonus payment. Employees who attain 25 years of continuous service with the City shall be paid a one thousand dollar (\$1,000) bonus on their 25th anniversary. This bonus shall be paid only on the employee's 25th anniversary and shall not be part of the employee's rate of pay. Since this is an existing provision that is being continued, it will not have a separate fiscal impact, but we wanted to note it here.

2. Shift differential. The agreement has been updated to reflect current practice, since the City had already moved away from three shifts for these employees. There is therefore no fiscal impact.
3. Holidays. The agreement clarifies how holidays are handled for employees that work on Saturdays and Sundays. It also provides additional guidance for how holidays interact with and impact days off and overtime calculations. In general, these changes provide parity for employees that work on weekends compared to those that do not.
4. Compensation in the Event of City Closure. The change in this section clarifies that the provisions of this section apply to hours actually worked.
5. Discipline. The City must provide notice that it is investigating potential misconduct within seven (7) days of learning of the potential misconduct. The City has additional time to issue a notice of intent to impose discipline (now 15 working days, up from 10 working days). In addition, the negotiated agreement reflects current practice that the union has the right to process a discharge as a grievance at the second step of the grievance procedure.

Impact of legislation - AFSCME 3406

1. Pay Scale

The new pay scale would become effective July 4, 2024. The new scale has a 4% difference between Steps 1-10 and a 3% difference between Steps 11-19. It removes longevity holds in the later steps. The new pay scale was adjusted to better match the overall market by dropping step 1 of the current scale. The beginning of the scale therefore increased 5.361% overall. 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.

AFSCME 3406 Scale Fiscal Impacts:

- Move to the new scale recurring: \$97,258 Salary + \$21,027 variable benefits = \$118,285.
- Move to new Scale one time: \$87,988 One-time + \$6,731 FICA = \$94,719.
- Annual Step increases: \$246,794 Salary + \$53,357 variable benefits = \$300,151.
- A one-time bonus of \$1,500 payable in a lump sum on the pay date for the pay period that begins after July 1, 2024 for Fiscal Year 2025.
Fiscal Impact: \$1,500 x 115 = \$172,500 One-time + \$13,196 FICA = \$185,696.

Note that the negotiated agreement retains one longevity bonus payment. Employees who attain 25 years of continuous service with the City shall be paid a one thousand dollar (\$1,000) bonus on their 25th anniversary. This bonus shall be paid only on the employee's 25th anniversary and shall not be part of the employee's rate of pay. Since this is an existing provision that is being continued, it will not have a separate fiscal impact, but we wanted to note it here.

2. Clarification regarding demotions. The agreement clarifies that demotions may occur as a result of disciplinary action. There is no fiscal impact.
3. Holidays. The agreement clarifies how holidays are handled for employees that work on Saturdays and Sundays. It also provides additional guidance for how holidays interact with and impact days off and overtime calculations. In general, these changes provide parity for employees that work on weekends compared to those that do not.
4. Compensation in the Event of City Closure. The change in this section clarifies that the provisions of this section apply to hours actually worked.
5. Standby pay hours. The two employees that are on standby each weekend (one each for Sewer and Water) will receive two additional hours at one and one-half (1½) times their regular rate of pay for a total of eight (8) hours each weekend. The fiscal impact \$33/hr * 208 hr = \$6,864, with FICA = \$7,389.
6. Call back hours. Employees called back for sewer backups will receive the same guaranteed minimum number of hours of pay (three hours) as employees called back for other purposes (previously they were guaranteed two hours). Since the typical call back is often longer than two hours, this change is not expected to have a fiscal impact.
7. Discipline. The City has additional time to issue a notice of intent to impose discipline (now 15 working days, up from 7 working days). In addition, the negotiated agreement reflects current practice that the union has the right to process a discharge as a grievance at the second step of the grievance procedure.

Prepared by Victoria Buckland, Assistant City Manager; Jodee Dickinson, Director, Department of Finance; and Katie Connolly, Budget Manager