

MEMORANDUM

TO: Honorable East Greenwich Town Council

FROM: Michael D'Amico

DATE: May 22, 2019

SUBJECT: Fiscal note for NEARI CBA

I. Introduction -

The Town and the local NEARI union have reached a tentative agreement for the term beginning on July 1, 2019, and ending on June 30, 2022. The purpose of this memorandum is to provide a summary of the fiscal impact of the changes in that agreement.

II. Summary of changes -

- Article V Wages were amended to provide all union members a 0% increase in 2019, a 2% increase in 2020, and a 2% increase in 2021. That increase equates to \$0 in FY20, \$28,464 in FY21, and \$29,034 in FY22.
- Article XXXVIII was amended so that, once a retiree becomes Medicare eligible, the Town will only provide gap coverage, with the Town's payment toward the premium capped at \$250 per month, and the retiree responsible for anything over \$250. The Town's actuary has calculated the savings from that change for the police contract. I was able to use that calculation to estimate the savings from a similar change in this contract. This change will immediately reduce the town's OPEB liability by approximately \$746,000 in FY20. By FY28, the reduction will have grown to approximately \$1.3 million. Furthermore, this change will reduce the Town's actuarially required contribution to its OPEB trust by approximately \$90,000 in FY20, \$94,000 in FY21, and \$98,000 in FY22.

- Article XXIV was amended to increase life insurance from \$40,000 to \$80,000. The cost of this change is \$2,200 per year.
- Article XXIV was also amended to provide that maximum annual allowance for dental coverage is \$1,500 and to add a rider for composite fillings. As the town is self-insured for dental, there is no premium increase. Furthermore, our broker estimates the cost of these changes to be almost zero. For purposes of this analysis, I have estimated the cost at \$1,000 per year.
- Art. XXV was amended to add 6 positions (7 employees) to the list of positions receiving a \$350 per year clothing allowance, and was also amended to provide all other employees 2 shirts and one jacket per year with a Town embroidered logo, the value of which will not exceed \$150. The maximum annual cost to this change is \$4,250.

III. Conclusion -

This agreement will not significantly increase the budget over the next 3 years and provides the town with a 0% salary increase in the first year. The cost to the budget will be \$7,500 in FY20, \$35,922 in FY21, and \$64,956 in FY22 for a total of \$108,337 over 3 years. Additionally this agreement will save the town approximately \$281,000 in contributions to the OPEB trust. As the town has not been making the full contribution to the trust in the past, this will not result in a savings to the budget. However, this is a true savings in that it represents money the town would have eventually had to contribute and now that cost has been avoided. In total, this contract will save the town approximately \$173,000 over 3 years.