

MEMORANDUM

TO: Honorable East Greenwich Town Council

FROM: Michael D'Amico

DATE: June 5, 2019

SUBJECT: Fiscal note for Laborers CBA

I. Introduction -

The Town and the local Laborers 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 IV 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, \$24,277 in FY21, and \$24,763 in FY22.
- Article XII 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 \$686,000 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 XII was amended to increase life insurance from \$40,000 to \$80,000. The cost of this change is \$2,016 per year.
- Article XII 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.
- Article XIV was amended to increase the clothing allowance by \$0 in year 1, \$100 in year 2, and another \$100 in year 3 of the contract. The cost to this change is \$2,100 in FY21 and an additional \$2,100 in FY22.
- Article XXI was amended to change the hourly contribution rate to the pension fund for the next two years in accordance with the 10% increase already established in the CBA. It could be argued that since this 10% increase was already in the CBA that it is not necessary to include it in this fiscal note, however I have included it for the sake of completeness. The cost to this change is \$3,931 in year 1, \$4,368 in year 2, and \$4,368 in year 3.

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 \$6,947 in FY20, \$33,761 in FY21, and \$60,624 in FY22 for a total of \$101,332 over 3 years. Additionally this agreement will save the town approximately \$280,000 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 \$180,000 over 3 years.