

MINUTES
BUFFALO FISCAL STABILITY AUTHORITY
THURSDAY, JULY 2, 2008

The following are minutes of the Buffalo Fiscal Stability Authority (BFSA) meeting held on Thursday, July 2, 2008, at the Buffalo Waterfront Elementary Public School.

Directors Present: Arthur, Brown, Collins, Giardino, Johnstone, Kolkmeier, Mertz, Norwood and Townsend

Staff Present: Kelly, Link, Miller, Mitchell and Mobley

Others Present: Paul Braunsdorf (BFSA Counsel with Harris Beach)

Opening Remarks

The regular meeting of the Buffalo Fiscal Stability Authority (BFSA) was called to order at 1:01PM by Chair Paul J. Kolkmeier. The meeting was announced with a Notice of Meeting sent to the Board of Directors and announced to the public.

Chair Kolkmeier pointed out the emergency evacuation exits. He stated that on June 11, 2008, Mayor Brown had transmitted a collective bargaining agreement [CBA] between the City and AFSCME Local 650 covering the period from July 1, 2004, through June 30, 2011. The documents have been thoroughly reviewed by BFSA staff in close cooperation with City staff involved in the process. Staff analysis of the terms and related costs was delivered to the Board Members last week for their review.

Chair Kolkmeier stated that, in addition to the proposed CBA with AFSCME Local 650, the Board would review a CBA submitted by the School District with AFSCME Local 264 representing the Summer Food Service Workers.

Chair Kolkmeier publicly acknowledged that efforts of Mayor Brown, his staff, the Leadership of Local 650 and Local 264 for their hard work and effort, as well as their cooperation with the BFSA staff.

At this point, Chair Kolkmeier asked Secretary Arthur for a roll call of the Board. Secretary Arthur confirmed a quorum; the meeting commenced.

City Issues

Collective Bargaining Agreement with Local 650

Chair Kolkmeier introduced a resolution to approve the CBA with Local 650. He asked Executive Director Bertha H. Mitchell to summarize the CBA for the Board.

Motion to approve by Arthur, second by Brown.

Mrs. Mitchell stated that the City has had many negotiating sessions with AFSCME Local 650, the City's white-collar workers, totaling 413 employees. A CBA between the two entities has been successfully reached. She made the following points:

- The contract covers the period of July 1, 2004, through June 30, 2011, while the previous agreement covered the period of July 1, 2002 to June 30, 2004.

- The City's calculations are largely based on budgeted numbers of 474 Local 650 employees in fiscal years 2008-09 through 2010-11.

- The City's Charter stipulates that the City's 120 exempt employees also receive the same salary increases as the City's white-collar workers (exempt employees typically include appointed commissioners, the comptroller's staff, the Common Council and Common Council staff members).

- The City was able to achieve some structural changes with this contract and should be commended for their persistence and efforts in negotiating with the hard working men and women of Local 650 to come to an agreement that is fair to both management and employees, while also considering the taxpayers of the City of Buffalo.

- Details of the contract include:
 - A 3% raise retroactive to July 1, 2007;
 - A \$2,000 salary increase on July 1, 2008, coupled with a 3 % raise;
 - A 3% raise on July 1, 2009; and
 - A 3% raise on July 1, 2010. Collectively, the total costs for this contract, including the exempt employees, is estimated by BFSa at \$7.4 million over the four year period.

- The provisions of this contract increase costs approximately 35% from current year totals, through the 2010-11 fiscal year. Total current yr. spending equals \$21,186,615, and the total cost increase equals \$7,400,000. The City proposes to pay for the cost of this contract from savings to be realized in the current budget and four-year plan, primarily from health costs savings recently achieved and by not staffing up to budgeted levels.

- Contractual changes or concessions the City was able to negotiate with Local 650 leadership include:
 - On July 1, 2008, all employees will be placed on the lowest cost 204 health insurance plan at no cost to employees. More expensive options remain, but such costs differences would have to be paid by the employee.
 - All new employees hired after July 1, 2008, will have to contribute 25% for single health insurance and 15% for family health insurance.
 - The City will increase the payment to employees who opt out of health insurance with the City.
 - The City will now have the ability to annually RFP for a health insurance provider, as long as the coverage would remain identical. The City feels that active competition between health care providers will ultimately lower costs, but savings could be somewhat speculative on a year-to-year basis.
 - All employees hired after July 1, 2008, who eventually retire from City service will continue to contribute to their health insurance at the same levels. Current employees who retire from the City will contribute to their health insurance in retirement at various rates depending upon their length of service.

- Future retirees will be required to enroll in the City's new Senior Product and savings are expected from this contractual change, as the City will now be able to seek federal reimbursements.
- Personal leave for the City's white-collar workers is being decreased by one day after three years of service.
- Beginning July 1, 2008, newly hired employees will no longer be able to earn up to 25 days of vacation a year, instead maxing-out at 20 days of vacation a year. In other words, employees will earn less vacation time throughout their careers with the City. Again, this provision does not apply to current employees or the City's exempt employees.
- The union withdraws from the "Steps Litigation" currently pending against the City and BFSA. While the City has included savings for the withdrawal of this lawsuit in its financial projections retroactive to 2004, BFSA has discounted these savings since the wage freeze litigation has been decided and retroactive steps would not have to be paid.
- The new contract increases the number of salary steps from the current 5 to 7 steps, which in essence increases the time it takes for employees to reach the top salary increment.
- Two provisions in this contract that may reduce overtime costs include flexible scheduling for employees in the Department of Citizen Services and the option of compensating covered employees in the Police Department with either wages or compensatory time off.
- This contract has a positive affect on OPEB costs. Its positive effects will initially reflect the move to the lower cost health insurance plan. Over time it could reasonably be expected that this contract will contribute to reduced OPEB costs for the City and its taxpayers through provisions like employee contributions to health insurance premiums.
- While the costs of this contract are sizable, they come with a good mix of concessions from employees, as well as giving management the necessary rights to better manage employees. Staff believes that this contract may be the beginning of a restructuring process in employee/management relations.

This contract does not come without risks and while the contract has the potential for significant savings, if the savings do not materialize as the City forecasts, costs for this contract could increase significantly.

Major risks include:

- Ability to save a significant amount each year through an RFP process for single carrier health insurance;
- Number of new hires who will contribute to health insurance; and
- Number of retirees who will migrate to the senior health insurance product.

The above risks are manageable and the figures as presented have a reasonable chance of becoming a reality.

Mayor Brown stated that the proposed contract was a seven year contract, extending from July 1, 2004 to July 1, 2011. It gives the hard working white-collar workers a long awaited raise. It reaches some very important objectives that the City and the Control Board had agreed were key to labor negotiations. It provides structural changes, changes the benefit structure for new employees and returns management rights which will help make City government more efficient. Negotiations took nine months with nearly 30 bargaining sessions. He thanked the union members for being reasonable in their

negotiations. He thanked the negotiating teams of the City and of 650 and the members of the union and the Common Council for their unanimous support. He believes this contract is good for the management of the City, for the taxpayers and for the members of this bargaining unit. He hopes that this contract will be a model for other bargaining units in future negotiations. He requested support from all members of the BFSA Board.

Director Mertz stated that many positive things have taken place with the proposed CBA. For example, healthcare expenses are being managed down to less expensive plans. The reduction in vacation days is also a success. A \$19/ hour wage on average is reasonable compensation for these employees. However, adding up all the days off (holiday, vacation, sick, personal) equals up to 52 day a year, an average of one day off per week. Additionally, a standard work day requires 7.0 hours of labor but pays for 8 hours. During "Summer Hours", workers work 6.5 hours but are paid for a full 8 hours. Roughly 30% of time paid for is not worked. Additionally, healthcare provided is unparalleled in the private sector.

At 1:35 PM Director Norwood entered the proceedings.

Marginal changes are significant. Some of the structural changes that BFSA has been seeking in new contracts have been realized. The hope is that progress continues for all new CBAs.

Mayor Brown requested that the City of Buffalo Director of Labor Relations, Mary Thomas Scott address the Board and provide a summary of the proposed CBA.

Ms. Thomas made a presentation which included the following points:
9 months of work went into this negotiation.

- The proposed CBA is affordable for the City of Buffalo;
- The proposed CBA incorporates long term restructuring;
 - Strengthened management rights; and
 - Incorporates "best practices."

She detailed a few of the concessions which were important to the City to obtain, such as changes in the scheduling of hours of work for certain areas which will result in a reduction in overtime costs and several others. She also displayed a slide showing revenue and cost projections through 2010 that shows that the contract is affordable.

Vice-Chair Townsend congratulated the Mayor and his staff for a contract which shows a commitment to cost-containment. She noted that one provision of the new CBA encourages retirees to seek Medicare for their healthcare first, shifting most of the cost from the taxpayers of Buffalo to federal coffers [City of Buffalo will be reimbursed by Medicare for some costs]. She sought clarification on how this was encouraged.

City Director of Budget, Donna Estrich, stated that the Finance Department has developed a line-by-line comparison of the Senior Plan offered to retirees through the City and the plan offered by Medicare. The analysis shows that the Medicare product is superior. Given this, both the City and the union leaders will encourage their members to seek Medicare to receive the better value.

Chair Kolkmeier again congratulated the Mayor and his staff for reaching this agreement and stated that while the CBA addresses a number of concerns of the BFSA Board, there are always additional items which can be changed. He personally endorsed the contact and stated that, while BFSA was not present at the negotiating table, BFSA never-the-less played a positive role in the process in insisting that changes be made in bargaining agreements. He called for a vote on the resolution.

Approval 9-0.

RESOLUTION 08-29
APPROVAL OF COLLECTIVE BARGAINING AGREEMENT

WHEREAS, Chapter 122 of the Laws of 2003, Section 3858(2)(e), requires that during a control period the Buffalo Fiscal Stability Authority (“BFSA”) shall approve or disapprove any collective bargaining agreements binding or purporting to bind the City of Buffalo (“City”); and

WHEREAS, the BFSA is required to promptly review a collective bargaining agreement that is submitted to it and shall disapprove any collective bargaining agreement that is not in compliance with the approved financial plan; and

WHEREAS, the City and AFSCME Local 650 (“Local 650”) commenced negotiations in October 2007 and fully and completely bargained with respect to the terms and conditions of employment of union members; and

WHEREAS, on June 9, 2008, the members of Local 650 approved an Agreement Amending the Collective Bargaining Agreement between the City and Local 650; and

WHEREAS, the City submitted such agreement with supporting materials to the BFSA for approval under Section 3858(2)(e) of the Act, and has fully and promptly complied with all information requests of the BFSA; and

WHEREAS, the agreement provides for salary increases that are partially offset by savings in each year through changes to work rules, more efficient staffing, restructuring of paid leave time, reductions in overtime, transition to the lower cost 204 health insurance plan, reduced future OPEB costs, health insurance contributions in retirement for new and some existing employees, and requires all Local 650 employees to live in the City; and

WHEREAS, as per the City’s Charter Article 24-14 section (c), the City’s exempt employees are awarded salary increases consistent with members of Local 650 and the City’s exempt employees currently all participate in the lowest cost 204 health insurance plan and this provision will continue without change; and

WHEREAS, the proposed agreement is in all respects in accordance with the approved financial plan and is in compliance with the draft guidelines established by the BFSA for review and approval of collective bargaining agreements; and

WHEREAS, the agreement provides for the terms and conditions of employment for the period from July 1, 2004 through June 30, 2011 and supersedes any other terms and conditions for that period, including any changes due to contract, Interest Arbitration, judgment or otherwise, now in effect or hereinafter existing; and

WHEREAS, the City will pay for the increased costs of this collective bargaining agreement through the use of preexisting savings in the current budget and four-year financial plan; and

WHEREAS, all Local 650 litigation against the City and BFSA concerning the steps upon the lifting of the wage freeze will be withdrawn and discontinued; and

WHEREAS, on June 10, 2008, the agreement was approved by the Buffalo Common Council.

NOW, THEREFORE, BE IT RESOLVED, that the BFSA hereby finds that the agreement between the City and Local 650 provides an acceptable and appropriate contribution towards alleviating the fiscal crisis of the City; and be it further

RESOLVED, the BFSA does hereby approve the aforementioned agreement between the City and Local 650, which is to be effective for the period from July 1, 2004 through June 30, 2011. This Resolution shall take effect immediately.

School District Issues

CBA with Local 264 – Summer Food Service Workers

Chair Kolkmeier introduced a resolution to approve the proposed CBA between the City and Local 264. He asked Mrs. Mitchell to provide a summary.

Motion by Arthur, second by Brown.

At this point in the meeting, Mayor Brown left the proceedings.

Mrs. Mitchell provided the following information:

- The Board of Education operates a Summer food program that provides pre-packed lunches to approximately 10,000 children each week day and operates on average 7 weeks during the summer.

- The program is Federally grant funded and is a totally self-sufficient operation.

- BFSA approved a similar MOU between the District and Local 264 last June, but the membership did not ratify it citing union dues obligations as a no-go;

- This increase would be the first increase these employees have received since 2004—it is an average increase of 8.7% over those levels.

- The proposed MOU between the District and Local 264 would impact 244 Summer Food Service Workers for the Summer of 2008.

- The average salary increase would be \$.77 an hour.

- The largest group of employees impacted by this MOU are the Site Supervisors who currently earn \$8.25/hr—increasing to \$9.00/hr. There are 182 site supervisors, followed by Commissary Staff, of which there are 34 and who make \$9.50/hr, increasing to \$10.35/hr.

- Compared to the MOU that was approved by BFSA last year, the current proposal is an increase of \$13,647 or roughly \$.31/hr.

- The projected cost of this MOU is \$ 373,598, an increase of \$29,107, which may be overstated slightly since not all Summer Food Service Workers opt into the retirement system.
- Employees do not receive any type of benefits; there are no concessions available at this time.

Chair Kolkmeier called for a vote. Approval 8-0.

**RESOLUTION NO. 08-30
APPROVING THE SCHOOL DISTRICT LABOR AGREEMENT WITH AFCSME LOCAL 264
COVERING SUMMER FOOD SERVICE WORKERS**

WHEREAS, Chapter 122 of the Laws of 2003, Section 3858(2)(e) as amended, requires that during a control period the Buffalo Fiscal Stability Authority (“BFSA”) shall approve or disapprove any collective bargaining agreement binding or purporting to bind the City of Buffalo (the “City”) or any covered organization; and

WHEREAS, the City of Buffalo School District (the “School District”), a covered organization, has submitted to the BFSA a Memorandum of Understanding (“MOU”) between the School District and AFSCME Local 264 (“Local 264”); and

WHEREAS, the MOU covers workers involved in the School District’s summer food service program, which supplies lunches to approximately 10,000 children each weekday for a 7-to-8 week period over the summer; and

WHEREAS, the MOU formalizes terms and conditions regarding these employees where no previous agreement existed; and

WHEREAS, the MOU provides for no increase in the wage rates for 2005, 2006, and 2007 but an increase of approximately 8% beginning on or after July 1, 2008; and

WHEREAS, the MOU establishes that no perfect attendance incentive will be paid to workers in the summer food service program.

NOW, THEREFORE, BE IT RESOLVED, that the BFSA does hereby approve the MOU between the School District and Local 264 for the summer food service program.

This Resolution shall take effect immediately.

At this point in the meeting, Mayor Brown reentered the proceedings.

Closing Remarks

Chair Kolkmeier requested a motion to adjourn. Motion to adjourn by Arthur, seconded unanimously. The meeting adjourned at 1:39 PM.