BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
June 5, 2014

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA") held on Thursday, June 5, 2014, in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 2:00 PM.

Board Members Present
Arthur, Brown (proxy Estrich), Doherty, Mesiah, Olsen, and Poloncarz (proxy Williams)

Board Member(s) Excused
Floss and Jurasek

Staff Present
Collin, Link, N. Miller, R. Miller, and Mongold-Robe

Additionally Present
Mr. James Magavern, Esq., Magavern Magavern & Grimm, LLP

Opening Remarks
Chair Olsen called the meeting to order announced that the special meeting was called to review a tentative collective bargaining agreement between the Buffalo City School District (the "District") and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing the Cook Managers (the "Cook Managers"). Chair Olsen noted prior to concluding the meeting that the Privilege of the Floor would be extended to any member of the attending audience who wished to comment on any matter discussed today.

Roll Call of Directors
Chair Olsen deferred to Secretary Arthur to call the roll of the members. Secretary Arthur noted that Directors Floss and Jurasek were excused. Finding a quorum present, the meeting commenced.

City of Buffalo Commissioner of Administration, Finance, Policy, & Urban Affairs, Ms. Donna Estrich, represented Mayor Byron W. Brown in accordance with Subdivision 1 of §3853 of the BFSA Act.

Erie County Constituent Services Assistant, Mr. Leonard Williams, represented County Executive Mark C. Poloncarz in accordance with Subdivision 1 of §3853 of the BFSA Act.

Subdivision 1 of §3853 of the BFSA Act reads: *"…The Mayor and the County Executive shall serve as ex officio members. Every director, who is otherwise an elected official of the City or County, shall be entitled to designate a single representative to attend, in his or her place, meetings of the Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished prior to any participation by the signal designee…."*

<u>Local 264 Cook Manager Tentative Collective Bargaining Agreement</u>
BFSA Report on the Tentative Collective Bargaining Agreement ("CBA")

Chair Olsen introduced this item and noted that each Director had received various materials to review related to this matter. He noted that as an Advisory Board the responsibility of the BFSA is to review the tentative agreement before it is approved by the Board of Education. The tentative agreement is on the Board of Education's meeting agenda for June 11, 2014. Any recommendations made by the BFSA will be submitted to the appropriate District employees subsequent to BFSA's review. He noted that representatives of the District were present.

Chair Olsen deferred to Executive Director Jeanette Mongold-Robe to summarized BFSA's analysis. Ms. Mongold-Robe began by noting the Food Service Program provides breakfast, lunch, snacks and afterschool dinners in accordance with the United States Department of Agriculture's ("USDA") Child Nutrition Program.

The job duties of the Cook Managers include:

- To supervise cooks, prepack leaders and food service workers;
- To ensure compliance with the USDA/New York State Education Department ("NYSED") regulations and District policies and procedures;
- To manage one (1) to four (4) individual school food service programs; and
- To fill-in for cooks and prepack leaders as necessary.

Ms. Mongold-Robe provided background on the tentative agreement:

- The previous CBA expired ten years ago on June 30, 2004;
- The proposed CBA covers a thirteen year period from July 1, 2004 through June 30, 2017;
- The union membership has ratified the tentative agreement;
- The Board of Education has not yet approved the tentative agreement and has scheduled the review for June 11th;
- The positions in the agreement are funded solely by the Food Service Fund. There is no impact on the General Fund;
- The agreement affects thirty-one (31) budgeted and filled positions. There are currently no vacancies. The thirty-one (31) positions will ultimately be reduced to sixteen (16) through attrition;
- The four (4) salary grades currently used are based on school categorizations. The grades will be consolidated to one (1) by fiscal year ("FY") 2015-16. There are six (6) salary steps; and
- The Cook Managers are ten (10) month, salaried employees.

Ms. Mongold-Robe reviewed the key contract provisions in the tentative CBA between the District and the Cook Managers. They include:

- Retroactive pay - Employees who leave employment prior to July 1, 2014, will not receive a retroactive salary adjustment. Any retroactive salary adjustments will only be retroactive to July 1, 2012.

- Salaries - There will not be a salary increase retroactive to April 2004 through June 30, 2007, the period of the BFSA imposed wage freeze. The salary increase schedule is as follows:
    - July 1, 2004 to June 30, 2012 = 0%
    - July 1, 2012
        - Salary Grade A = 10.0%
        - Salary Grade B = 9.8%
        - Salary Grade C = 10.0%
        - Salary Grade D = 10.3%
    - July 1, 2013 = 2.5%
    - July 1, 2014 = 2.5%
    - July 1, 2015 = 2.5%
    - July 1, 2016 = 2.0%

- Salary Steps - Presently all Cook Managers salaries are at step sic (6). Effective July 1, 2012, the salaries for Cook Managers will range between $28,000 and $33,000. The salary schedule will bring all Cook Managers to the same step six (6) rate of pay of $36,249 by July 1, 2016.

- Health Insurance: Current Employees – Current employees will have a choice of the Enhanced Plan (a cost of $7,296 for single or $16,176 for family) or the Base Plan (a cost of $5,844 for single or $16,164 for family).

Chair Olsen asked if it was common for Enhanced Plan premiums to be higher and sometimes significantly higher than the Base Plan premiums. Ms. Mongold-Robe replied traditionally Enhanced Plan premiums were quite a bit higher than the Base Plan premiums. Currently the cost for family coverage was not significantly different between the two plans.

Ms. Mongold-Robe continued with her summary. A current employee will contribute 1.25% of their salary toward the cost of health insurance, regardless of the plan they choose. The average contribution in FY 2014-15 would be $430. The cosmetic surgery provision is eliminated. Employees would continue to be eligible to receive an annual $1,200 in-lieu-of health insurance payment.

- Health Insurance: New Employees hired after July 1, 2014 – New employees hired after July 1, 2014, would have a choice of the Enhanced or Base plans and would pay 20% of the premium of the Base Plan. If they choose the Enhanced plan, they would pay 100% of the cost difference between the Base and Enhanced plans.
    - Contributions for health insurance premiums shall not increase by more than 10% in one year;
    - There will be no health insurance contribution increases in years there is not a negotiated salary increase.

Vice-Chair Doherty asked what the contribution amount would be for future employees selecting the Enhanced Plan in years where the plan was cheaper than the Base Plan. Ms. Mongold-Robe noted that the tentative collective bargaining agreement requires future employees to contribute no less than 20% of the Base Plan's premium irrespective of the plan selected. If a future employee selects the Enhanced Plan, 100% of the additional costs, if any, are paid by the employee. If the cost of the Enhanced Plan is less than 20% of the Base Plan's cost, the employee still pays 20% of the Base Plan for Enhanced Plan coverage.

Ms. Estrich asked for clarity on the premium payment provision of no health insurance contribution increases in years there is not a negotiated salary increase. Ms. Mongold-Robe replied this provision applies to new hires hired after July 1, 2014. In future years, when there is no salary increase for that new employee, the new employee's contribution toward the cost of the health insurance premium will not increase.

- Health Insurance at Retirement: Current Employees – Upon approval of the tentative agreement, current employees will contribute to health insurance annually until age sixty-five (65) at a rate of $400 annually for a single plan and $700 annually for a family plan. They may select either the Base or Enhanced plan. The cosmetic surgery rider is eliminated. Retirees will be required to enroll in Medicare Part A (in-patient) and Part B (physician/out-patient). Part B would be paid entirely by the retiree.

Chair Olsen asked if the Medicare Part A and B stipulation was the same as the teachers. Ms. Mongold-Robe replied the teachers must enroll in Parts A & B but can keep their traditional health insurance plan.

Ms. Mongold-Robe returned to the overview pertaining to health insurance at retirement for current employees in the tentative agreement. Retirees and their spouses must enroll in the Forever Blue Medicare Plan upon eligibility, of which the District would pay 100% of the premium. The current premium for single, in-area coverage is $4,656. The premium for single, out-of-area coverage is $5,600. Single coverage policies are required for both the retiree and the spouse.

- Health Insurance at Retirement: New Employees hired after July 1, 2014: Retirees would contribute 25% of the Base Plan health insurance premium cost with the option to buy-up to the Enhanced Plan while paying 100% of the cost differential. New employees, at sixty-five (65) years of age must enroll in Medicare Part A (in-patient) and Part B (physician/out-patient) and pay 100% of the premium of Part B. Upon eligibility at age sixty-five (65), they must enroll in Forever Blue Medicare Plan; the District will pay 100% of the cost of the premium for the employee and his/her spouse.

Vice-Chair Doherty asked for clarity on the health insurance at retirement for new employees hired after July 1, 2014, provision. Mr. Mongold-Robe noted the contractual requirement is for retirees to contribute 25% of the Base plan health insurance premium cost with the option to buy-up to the Enhanced plan is until the individual reaches the age of sixty-five (65). Enrollment in Medicare Part A and Part B as well as the Medicare Advantage plan pertains to those eligible at age sixty-five (65).

Other contract provisions outline the specifics of:

- Dental Insurance – Employees would receive an additional $10.50 payment to the union-administered supplemental benefits fund per month, raising the District's contribution to $48 per employee per month. Employees opting out of dental insurance would receive a $300 annual in-lieu-of-dental insurance payment.
- Pre-Pack Stipends / Other Compensation – The $225 pre-pack stipend and the $2,000 Central Commissary pre-pack stipend in the current contract are eliminated in the tentative agreement. Added in the tentative agreement is a stipend of $300 per school for an employee supervising up to three (3) additional schools.
- Paid Leave: Vacation and Sick Leave - Vacation leave time is not provided for Cook Managers. Sick leave for current and future employees would be reduced from fifteen (15) days to eleven (11) days; there would be an increase in the amount of accrued sick leave from one hundred ninety days (190) to two hundred twenty days (220), however the one hundred ninety (190) day maximum 3:1 payout ratio at retirement remains. The sick leave incentive is increased to a payment of $250 (from $200) to an employee who does not use a sick day in a six (6) month period and $125 (from $100) if only one day of sick leave is used in a six (6) month period.
- Paid Leave: Holidays and Personal Leave – Within the tentative agreement there is no change in the number of paid holidays an employee will receive and remains at fourteen (14). Current employees would continue to receive five (5) personal leave days annually; employees hired after July 1, 2014, would receive one fewer personal leave days, at four (4) annually.
- Health Insurance Plans – The tentative agreement allows the District to streamline available health insurance plans to single-carrier, multi-plan health insurance options, they would reduce from four (4) options to two (2).
- Prescriptions – Under this agreement, prescription copays would increase.
- Management Rights – Management would be allowed to use an electronic recordkeeping and payroll process and the uniform policy will be clarified and enhanced. In addition, all pre-existing grievances would be deemed resolved and there would be minor increases in auto, uniform and professional development allowances.
- Longevity Payments – Annual longevity payments per employee remain unchanged as follows:
    - 5-9 years of service = $400
    - 10-14 years of service = $725
    - 15-19 years of service = $1,050
    - 20-24 years of service = $1,375
    - 25-29 years of service = $1,700
    - 30+ years of service = $1,850

Ms. Mongold-Robe reviewed the financial analysis of the tentative agreement. The amount that will be paid out for FYE June 30, 2014, is estimated to be $290,000; this includes the retroactive amount for FY 2012-13 and the current fiscal year. The estimated cost of the CBA over the Financial Plan is $1.2 million. Savings are estimated at $147,000 for a net cost of $1.0 million.

The current budget will need to be modified to include the additional use Assigned Fund Balance. Over the 2015-2018 Financial Plan, there are anticipated costs of $1.2 million and savings of $150,000, resulting in a total net cost of $1.0 million for this agreement over the 2015-2018 Financial Plan. Funding has been identified for both the retroactive and future costs of the CBA. Per Ms. Smith, District Chief Financial and Operating Officer, the costs of this agreement will be covered in the current Financial Plan, by the elimination of vacancies, and a modification will not be necessary.

After reviewing the tentative CBA between the District and the Cook Managers, Ms. Mongold-Robe noted the tentative CBA is similar to the recent Professional, Clerical, and Technical Employees Association ("PCTEA") and the Blue-Collar CBAs. It is not unusual for contracts to be patterned after previously settled CBAs.

The concluding recommendations relayed by Ms. Mongold-Robe was that the Board of Education should carefully review the terms of the tentative CBA and seriously consider whether it is appropriate to adopt the contract, in particular due to pattern bargaining and certain provisions related to health insurance. The Board of Education should consider what effect these terms could potentially have on future collective bargaining with other covered groups.

The CBA reflects a gross savings of 9.6% over its life. Future labor agreements for other, more highly compensated, employee groups will need to include more substantial contractual savings to be economically feasible.

The CBA begins to address rising costs of health care with a mandate for all current employees to contribute to health care premium costs. Future employees will contribute a more significant portion of health care premium costs; the incentive for current employees to select a lower cost health insurance plan has been eliminated.

The tentative agreement will have a minimal impact on the rising costs of health care at retirement ("Other Postemployment Benefits" or "OPEB"). Retiree contributions to health care costs are minor. Annual contributions for current employees until age sixty-five (65) is $400 for single coverage and $700 for family coverage. There is a positive shift which requires enrollment in Medicare Part A and Part B at age sixty-five (65) with 100% retiree contribution for Part B.

Vice-Chair Doherty asked what the cost difference is for the employee at age sixty-four (64) versus age sixty-five (65), for clarity the difference between the employee annual contribution of $400 for single coverage and $700 for family coverage vs. the Medicare Part A and Part B premiums which begin at age sixty-five (65). Commissioner Estrich replied Medicare Part B is approximately $100.00 per month per retiree.

Returning to the concluding remarks by Ms. Mongold-Robe, she noted that enrollment in Forever Blue Medicare Advantage is mandatory under the tentative agreement and that the District would pay 100% of the premium for the retiree and his/her spouse for the Forever Blue Plan.

As for new employees hired after July 1, 2014, the contract does more to address the rising costs of healthcare at retirement, but overall the impact is low. The employees hired after July 1, 2014, will contribute more to health insurance costs at retirement than current employees. They would be responsible for 25% of the Base Plan premium and 100% of the Enhanced Plan cost differential until age sixty-five (65). Upon enrollment, retirees would no longer contribute to the cost of the Forever Blue Medicare Advantage plan for his or her spouse.

To summarize, Ms. Mongold-Robe stated the following:

- The Board of Education should consider the appropriateness of the contract provisions;
- At a minimum, to understand the impact of this change, the BFSA recommends the District track the number of employees who move into the higher cost health insurance; and
- The union membership is small and the tentative CBA would have minor impact on OPEB. District management should analyze the impact on the OPEB liability in conjunction with future significant labor contracts in order to understand and assess the impact that the terms of the contract will have on this future cost.

Ms. Mongold-Robe concluded the presentation.

Secretary Arthur raised concern about reducing Cook Managers from thirty-one (31) to sixteen (16) through attrition, and asked if this reduction would leave enough workers. Ms. O'Brien-Wood, District Food Service Director, addressed the Board and replied that every school will have a cook who will oversee food services within that school. Cook Managers' duties would change to reflect current needs. Instead of one being located in each building, they will oversee food service at as many as four (4) schools. The number of cooks would increase to be sure there is at least one (1) in each building. Ms. Mongold-Robe added that less direct oversight is needed because food is prepared and packaged in one location and brought into the individual schools.

Chair Olsen asked about the status of breakfast in the classrooms with this change. Ms. O'Brien-Wood replied that there is no change for the breakfast in the classrooms program.

Chair Olsen offered concluding comments to the District and the District representatives present. He congratulated the District for their efforts and a successful tentative collective bargaining agreement. He raised caution that this CBA would affect a small number of employees and as such, the long-term cost escalations may be minimal. He asked the District to be thoughtful when negotiating future contracts especially with larger, higher paid union memberships. If health care costs for an employee and retiree accelerate rapidly, the long term effects could be detrimental to the District.

Secretary Arthur made a motion to send BFSA's analysis and recommendations in the report on the tentative CBA to the Buffalo Board of Education for review and comment.

Director Messiah seconded the motion.

The motion passed 6-0.

Privilege of the Floor
Chair Olsen extended the Privilege of the Floor to any attending member of the audience who wished to comment on this item. There were no additional comments.

Adjournment
Chair Olsen requested a motion to adjourn.

Secretary Arthur offered a motion to adjourn.

Director Mesiah seconded the motion.

The Board voted 6-0 to adjourn.

The Board adjourned at 2:38 PM.