

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
June 6, 2016

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, June 6, 2016, in the fourth floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 11:38 AM.

Board Members Present

Secretary George K. Arthur
Mayor Byron W. Brown (proxy Estrich)
Director Frederick Floss
Director Dottie Gallagher-Cohen
County Executive Mark C. Poloncarz (proxy Frederick)

Board Member(s) Excused

Chair R. Nils Olsen
Interim Vice-Chair Richard Jurasek
Director Frank Mesiah

Staff Present

Executive Director Jeanette M. Robe
Comptroller Robert L. Miller
Principal Analyst/Media Liaison Bryce E. Link
Senior Financial Analyst/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita Fortune

Additionally Present

Mr. James L. Magavern, Esq., Magavern Magavern & Grimm LLP

Opening Remarks

Secretary Arthur served as Chair Pro Tempore for the Special Meeting of the Board. He welcomed and thanked all that were in attendance, reviewed the logistics of the meeting, and reviewed the meeting’s agenda. The agenda included reviewing two proposed Memorandum of Agreements (“MOAs”) between the City of Buffalo (the “City”) and the American Federation of State, County and Municipal Employees, AFL-CIO, Local 264 and Local 2651.

Roll Call of the Directors

Ms. Estrich called the roll. A quorum being present, the meeting commenced.

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

Erie County Project Administrator, Mr. Andrew Frederick, represented County Executive Mark C. Poloncarz, in accordance with Subdivision 1 of §3853 of the BFSA Act.

Subdivision 1 of §3853 of the BFSAs 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 [of Buffalo] or County [of Erie], 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...."

Proposed Memorandums of Agreement

Secretary Arthur stated that the BFSAs had received tentative labor agreements between the City of Buffalo and Local 264, representing blue-collar employees, as well as Local 2651, representing building inspectors along with a submission from the Mayor requesting that the BFSAs review the two labor agreements. Secretary Arthur stated BFSAs Executive Director Jeanette Robe and Principal Analyst Bryce Link would present the staff's analysis to the Board.

Proposed MOA - City of Buffalo & Local 264

Ms. Robe began the presentation stating both agreements were consistent with the expired contracts from fiscal years 2010-11 and 2011-12.

The following is a summary of the presentation:

- Significant contract terms
 - Annual 2% raises and one 3% raise
- Single financial concession
 - New hires will not receive health insurance at retirement

The budgetary impact from this concession will not have an impact on the budget for 25-30 years as the new hires retire from City service. The collective bargaining agreement ("CBA") for Local 264 would expire in fiscal year ("FY") 2018-19; the CBA for Local 2651 would expire in FY 2019-20.

The total costs of contracts are \$32.3 M as follows:

- General Fund = \$24.2 M
 - Local 264 (Blue-collar) \$20.6 M
 - Local 265 (Building Inspectors) \$3.6 M
- Solid Waste & Recycling Fund ("Refuse Fund") = \$5.9 M (Blue-collar only)
- Water Fund = \$2.2 M (Blue-collar only)

There are no savings or cost reductions under the terms of the proposed labor agreements that impact the current FY 2016-2019 Financial Plan or the proposed FY 2017-2020 Financial Plan which the BFSAs Board reviewed at the May 18, 2016 Board meeting.

The Refuse Fund is:

- Operating at a deficit
- Annual subsidy/transfer from General Fund of \$3.2 M to help offset operating costs
- Remaining accumulated deficit of \$17.4 M recorded as long-term receivable in the General Fund
- Offset to fund balance (nonspendable)

Mr. Andrew Frederick entered the meeting at 11:43 AM and Director Arthur announced that a quorum was present and officially called the meeting to order. It was noted that no official voting had occurred prior to the establishment of a quorum.

Mrs. Robe continued with her presentation by stating any labor agreement that is not cost neutral cannot be considered affordable on a standalone basis to the Solid Waste and Recycling Fund. The costs of the Local 264 contract to the Refuse Fund will ultimately be paid by the General Fund through an interfund borrowing. She noted there is a recent change in the structure of transfer station fees that will result in \$2.5 M in savings to the Refuse Fund which will assist in funding the contracts but due to the recurring expected operating deficit the contract costs will be funded by the General Fund. It is recommended that a formal plan be established to address the deficit in the Refuse Fund. While the subsidization of the Refuse Fund by the General Fund is an acceptable approach, the existing accumulated deficit needs to be addressed through operations as opposed to being reported on the balance sheet.

Director Gallagher-Cohen questioned medical coverage concession for future retirees with respect to Medicare. Mrs. Robe advised that coverage for existing employees was not changed in the new contract.

Director Floss questioned if new employees would be allowed to purchase insurance through the City at 100% of the premium's cost upon retirement. Ms. Estrich stated the purpose was to get the retirees completely independent from the City health insurance roster. Some unions have contracts which allow for the spouse to purchase health insurance through the City. It is unknown what coverages and plans will be available in 30 years and if retirees will be offered buy-in to the City's plans at that time.

Mrs. Robe concluded her comments on the proposed MOA's.

Mr. Link began a summary of the analysis in regards to the Local 264 CBA as follows:

- 636 budgeted positions covering over 100 titles including – Laborers, Street Workers, Truck Drivers and Cell Block Attendants
 - 550 filled positions as of March 31, 2016
 - Vacancy rate as of March 31, 2016 is 13.7% = 86 FTEs
- Employees are funded through the General Fund, Water Enterprise Fund & Solid Waste and Recycling Fund
- Ratified on February 3, 2016 with a vote of 338 vs. 24
- The previous contract expired on June 30, 2011
- The current contract covers July 1, 2011 through June 30, 2019, which runs through the end of the current 2016-2019 Financial Plan
- Retroactive payments between July 1, 2011 through June 30, 2015 for employees at ratification and for those that retired between July 1, 2011 and ratification of the contract.
- New adjusted salary step scheduled effective July 1, 2016; which still maintains a seven-step progression for all employees hired after January 1, 2009.

The wage agreements for the contract are as follows:

- Annual 2% salary increases on July 1, 2011 – July 1, 2017
- 3% salary increase on July 1, 2018
- Total increase over eight years is 18.3%; an average of 2.3% annually

Summation of Changes in the contract:

➤ Health Insurance:

- Elimination of retiree health insurance for new hires
- New hires required to contribute 10% towards health insurance once they reach their top step
- Agreement to allow the City to continue to self-insure without submitting a cost-sharing proposal between the City and Local 264. The City implemented self-insurance prior to Local 264 agreeing to participate in a self-insured plan.
- The City extended a benefit to Local 264 based on a prior grievance by Local 650. The benefit provides \$270 for single coverage and \$750 for family coverage for the 105(h) plan. Plan is only available to those with a POS 204 plan.

Health insurance tiers are based on the date of hire of the employee:

- Employees hired prior to December 1, 2008 have a choice between three plans:
 - Self-funded POS 201
 - Self-funded POS 204 (if selected there would be no cost to the employee and the employee will also receive the additional benefit of the 105(h))
 - Self-funded Blue 901
- Current employees contribute 0% if the lowest cost plan is selected
- If the employee does not select the lowest cost plan, they are responsible for the premium difference
- 105(h) is only available to those who select the lowest plan

Health insurance for active employees hired after December 1, 2008:

- Employees contribute a set dollar amount annually
 - Contributions for POS 204 in 2016-17
 - Single Coverage \$172 per year
 - Family Coverage \$475 per year

Health insurance for active employees hired after ratification:

- Employee pays set dollar amount until they reach their top salary step
- Once an employee reaches top salary step, they are responsible for 10% of health insurance premium
- 10% contribution in 2016-17 would be as follows
 - Single coverage \$576 per year
 - Family coverage \$1550 per year

Health insurance for retirees which were active employees and hired prior to December 1, 2008:

- Contribute 0% with a minimum of 20 years of service
- Contribute 10% with 15 to 20 years of service
- Contribute 20% with 10 to 15 years of service
- Responsible for Medicare Part B premium

The City may offer a senior care product depending on what is available at the time.

Health Insurance for retirees hired after December 1, 2008 but before ratification:

- Fixed dollar amount based on employee's contribution at retirement, currently \$172 for single coverage and \$475 for family coverage with a minimum of 20 years of service
- Fixed dollar amount base on employee's contribution at retirement plus 10% of health insurance premium, for 15 to 20 years of service
- Fixed dollar amount based on employees' contribution at retirement plus 20% of health insurance premium, for 10 to 15 years of service
- Responsible for Medicare Part B premium

Employees hired after ratification will not receive health insurance coverage at retirement.

Other notable contract changes:

- Modified salary step schedule
 - Increase of 5% per step for steps 11-16 on the 7-step schedule
- New longevity schedule-effectively increasing each benchmark, which are 5 year increments, by \$140
- Shift differential increase of \$0.55 per hour effective July 1, 2016 and an additional \$0.05 effective July 1, 2018
- Increase of \$1,500 for Motor Equipment Mechanics and Motor Mechanic Supervisors which impacts their base salary and will be carried forward
- Eligible employees are able to participate in vacation buyback by selling back one week of vacation per year

The financial impact on the General Fund of the Local 264 contract for July 1, 2011 through the current FY 2016-2019 Financial Plan is \$20.6M. The City has accrued and set aside \$4.5M for retroactive payments. The cost for 2016-2019 is \$15.8 M. FY 2015-16 costs would be addressed through the use of the salary adjustment line. The costs of the three remaining years of the current FY 2016-2019 Financial Plan will be absorbed by health insurance savings.

Director Gallagher-Cohen questioned if the same number of FTEs was presumed throughout the contract and if there was a minimum staffing requirement in the contract. Mr. Link stated that is the FTE count is to remain consistent throughout the contract; there is no minimum manning requirement.

The financial impact on the Water Enterprise Fund is \$2.2 M over the life of the contract. The City has accrued approximately \$503,000 to cover the retroactive costs of the contract. The current year costs of \$294,000 will be paid through the Water Enterprise surplus funds. In the out-years, \$1.4 M will be funded through surpluses, savings from completed projects which resulted in efficiencies and a reduction to costs, and the reduction of debt service payments.

The Refuse Fund has accrued \$1.4M for retroactive payments. Any remaining balance may be funded through the current year reduction of transfer station fees. The current year costs of \$747,000 and the out-year costs of the Financial Plan, \$3.7 M can be offset through the reduction of tipping fees, which is estimated to range between \$1.4 M to \$2.5 M annually, although as previously noted the Refuse Fund is operating at a deficit and borrows funds from the General Fund annually to operate.

Director Gallagher-Cohen asked for clarification on tipping fees. Ms. Estrich advised that a tipping fee is the cost the City has to pay the transfer station to accept and dispose of garbage.

Recommendations and Conclusions

- Retroactive costs for the MOA have been largely funded through the annual accrual for unsettled labor contracts. Any prior year amounts may be settled with current year resources
- Current year funding of the MOA will be addressed through the use of the salary adjustment line in the General Fund, a surplus in the Water Enterprise Fund and savings from transfer station fees in the Solid Waste & Recycling Fund
- Out-year costs will be funded through health care savings
- MOA provides predictability of Local 264 employee costs through the end of the Financial Plan June 30, 2019
- The Solid Waste and Recycling Fund continues to operate in a deficit and additional labor costs will be funded by the General Fund
 - It is recommended that the City develop a formal long-term plan to address the annual operating deficit and long-term receivable in the General Fund
- No significant changes to healthcare for active employees
 - Those hired prior to 2008 continue to not contribute towards health insurance
- The 105(h) plan continues to be provided to new hires
 - The City should look at eliminating it going forward
- Elimination of retiree healthcare going forward is a significant change, however the savings will not materialize for 25-35 year

Director Gallagher-Cohen questioned the percentage of the workforce hired before FY 2007-08. Mr. Link advised that approximately 60% of the workforce was hired before FY 2007-08.

Proposed MOA - City of Buffalo & Local 2651

Mr. Link began his presentation on the MOA between the City of Buffalo and Local 2651 by providing the following background:

- 57 budgeted positions, covering approximately 10 titles including – Building Inspectors, Chief Building Inspectors, Electrical and Plumbing Inspectors, are all funded by the General Fund.
 - 52 filled positions as of March 31, 2016
 - Vacancy rate as of March 31, 2016 is 8.8% = 5 full-time equivalents (“FTEs”)
- Employees are funded through the General Fund
- The contract was ratified on February 3, 2016 with a vote of 47 vs. 1
- Previous CBA expired June 30, 2012
- Current CBA covers July 1, 2012 through June 30, 2020
 - One year beyond the end of the 2016-2019 Financial Plan
- Retroactive payments between July 1, 2012 through June 30, 2015
 - Retroactive payments available for those that retired between July 1, 2012 and ratification of the MOA
 - New adjusted salary step scheduled effective July 1, 2016; which still maintains a seven-step progression for all employees hired after March 10, 2009.

The wage agreement is as follows:

- Annual 2.0% salary increases on July 1, 2012 – July 1, 2017
- 3.0% salary increase on July 1, 2018
- 2.0% salary increase on July 1, 2019
- Total increase over eight years is 18.3%; an average of 2.3% annually

Changes to health insurance for active employees and retirees:

- Health Insurance:
 - Elimination of retiree health insurance for new hires
 - Agreement to allow the City to continue to self-insure without submitting a cost-sharing proposal between the City and Local 2651
 - The City had implemented self-insurance prior to Local 2651 agreement
 - Elimination of 5% contribution for dental insurance
 - Set amount for the 105(h) plan is \$270 for single coverage and \$750 for family coverage. This plan is only available to those with a POS 204 plan
- Health Insurance for active employees:
 - Employees hired prior to April 1, 2009 have choice between two plans:
 - Self-funded POS 201
 - Self-funded POS 204
 - Employees hired after April 1, 2009 receive the POS 204
 - All qualifying employees receive a 105(h) plan which provides \$750 for family coverage and \$270 for single coverage
- Health Insurance for active employees hired before April 1, 2009:
 - Current employees contribute 0% of lowest cost plan is selected
 - If the employee does not select the lowest cost plan, they are responsible for the premium difference
 - 105(h) is only available to those who select the lowest cost plan
- Health Insurance for active employees hired after April 1, 2009:
 - Employees contribute a percent of the total health insurance premium
 - Contributions for POS 204 in:
 - Single Coverage – employee contribution is 25%
 - Family Coverage – employee contribution is 15%
 - 105(h) is **not** available to those hired after April 1, 2009
 - Elimination of the employee 5% contribution towards dental insurance
- Health Insurance for retirees hired prior to April 1, 2009:
 - Contribute 0% with a minimum of 20 years of service
 - Contribute 10% with 15 to 20 years of service
 - Contribute 20% with 10 to 15 years of service
 - Responsible for Medicare Part B premium

- Health Insurance for retirees hired after April 1, 2009 but before ratification:
 - Contribute 25% for single coverage and 15% for family coverage with a minimum of 20 years of service
 - Contribute 35% for single coverage and 25% for family coverage for 15 to 20 years of service
 - Contribute 45% for single coverage and 35% for family coverage for 10 to 15 years
 - Responsible of Medicare Part B premium
- Health Insurance for retirees which were hired after ratification will not receive health insurance coverage in retirement

Other notable changes:

- Modified salary step schedule
 - Increase of 5% per step for steps 11-16 on the 7-step schedule
- Auto allowance increase from \$18 per day to \$22 per day
- Elimination of new hire longevity schedule – effectively increasing each benchmark year by \$100 for those hired after March 2009
- Vacation buy back for eligible employees

The financial impact on the General Fund of the MOA between the City of Buffalo and Local 2651 is fairly minimal. The retroactive component has been fully accrued and will not have a negative impact of current year operations, in the amount of \$491,000. Current year costs will be addressed through the use of the salary adjustment line in the amount of \$330,400. The increase in the out-years of the Financial Plan and into 2019-2020 is \$2.5 M which is covered by the utilization of health insurance savings. This MOA extends past the current Financial Plan by one year and therefore runs through the end of the FY 2017-2020 Financial Plan.

Recommendations and Conclusions

- Retroactive costs for the MOA have been fully funded through the annual accrual for unsettled labor contracts
- Current year funding of the MOA will be addressed through the use of the salary adjustment line in the General Fund
- Out-year General Fund costs will be funded through health care savings
- MOA provides predictability of Local 2651 employee costs going out past the end of the current Financial Plan to June 30, 2020
- The Financial Plan has numerous pressures on it, including aggressive revenue estimates and planned use of fund balance
- No significant changes to health care for those hired prior to April 1, 2009; they will continue to **not** contribute to health insurance
- Elimination of retiree healthcare going forward is a significant change, however the savings will not materialize for 25 to 35 years

Secretary Arthur thanked Mrs. Robe and Mr. Link for their presentation of the two proposed contracts. He then opened the floor for questions or comments. Director Floss stated the responsibilities in both contracts are shifting to retirees as their monies are shifting. He stated there are tradeoffs and nothing is free.

Director Gallagher-Cohen made a motion to receive staff's analysis. Director Floss seconded the motion.

The Board voted 5-0 to receive staff's analysis.

Secretary Arthur stated the BFSAs recommends approval of the contracts to the Common Council.

Secretary Arthur opened the floor for public comments.

Ms. Estrich stated the goal of the contracts is to protect the current employees.

A representative of Local 264 thanked the Board for recommending approval to the Common Council and stated both unions worked extremely hard on the terms of their respective contracts.

Adjournment

Secretary Arthur asked if there was additional business to be considered by the Board. Hearing none, he asked for a motion to adjourn.

Director Floss offered a motion to adjourn.

Director Gallagher-Cohen seconded the motion.

The Board voted 5-0 to adjourn the meeting.

Meeting adjourned at 12:14 PM.