

BUFFALO FISCAL STABILITY AUTHORITY

Analysis of the Memorandum of Agreement between the Buffalo Municipal Housing Authority and the American Federation of State, County & Municipal Employees Local 264 representing Managerial, White-Collar, and Blue-Collar Units and related Memorandum of Agreement with the International Unit of Operating Engineers Local 17-17S

Introduction

The Buffalo Municipal Housing Authority (BMHA) and the American Federation of State, County & Municipal Employees Local 264 representing the Managerial, White-Collar, and Blue-Collar units (Local 264) have agreed to a tentative Impact Negotiations Memorandum of Agreement (MOA). A similar MOA has been reached with the International Unit of Operating Engineers Local 17-17S (Local 17).

The MOAs were negotiated in order to terminate the management agreement between the BMHA and the various ownership entities of the AD Price and Frederick Douglass properties and in anticipation of entering into such agreement with a private management company.

BMHA has provided cashflow assistance of \$1.2 million the last two calendar years for the properties; as of April 2017 a total of approximately \$943,000 remains outstanding. This assistance is a loan and not a subsidy as BMHA management has indicated a repayment plan will be developed after a property management agreement is approved by the investors. Given BMHA's current cashflow constraints, outsourcing the maintenance of these properties was deemed prudent; the BMHA Board of Commissioners has approved the termination of the former management agreement.

The property management company who successfully completes the Request for Proposal (RFP) process will receive a yet to be determined percentage of management fee as well any additional incentive fees approved to perform property management services.

Summary of Local 264 MOA Provisions

As noted, BMHA was required to negotiate with Local 264 to transfer the maintenance functions from this employee group to a new private property manager. The MOA effectively modifies the existing collective bargaining agreement which expired June 30, 2011. The CBA remains expired; the terms of the CBA continue in perpetuity as per New York State law until a new CBA is approved.

The following is a summary of the terms of this MOA:

- The MOA impacts 148 full-time employees: 61 white-collar, 81 blue-collar, and 8 managers
- Each member of Local 264 receives a one-time stipend of \$800
- Employees receive a guarantee against layoffs for the next two years
- Employee residency requirement is reduced from 20 years to 15 years
- Personal time off is amended to allow vacation time to be taken in four hour increments and personal/sick time to be take in one hour increments
- BMHA agrees not to outsource property management of any other facility for at least four years

Additionally, an on-call pool consisting of five general mechanics and five laborers would be created. Employees would be guaranteed a minimum of four hours of pay at 1.5 of their hourly rate for weeks that they are on call. Employees are paid 1.5 of their hourly rate for each hour called in with a minimum pay for two hours.

Summary of Local 17 MOA Provisions

BMHA was required to negotiate with Local 17 as well to transfer the maintenance functions from this employee group to a new private property manager. As with the MOA with Local 264, the MOA effectively modifies the existing collective bargaining agreement which expired June 30, 2013. The CBA remains expired; the terms of the CBA continue in perpetuity as per New York State law until a new CBA is approved.

The terms of the MOA between the BMHA and Local 17 are identical to the MOA terms with Local 264 with the following exceptions:

- The MOA impacts eight full-time Operating Engineers
- Employees would be given the ability to take vacation leave year-round
- Employees would receive an additional \$50 per year uniform allowance
- Residency would be reduced from twenty years to fifteen years *only for employees hired prior to March 19, 2013*
- The \$800 stipend would be deposited into a 105(h) account rather than as a cash payout.

Financial Impact

Net Costs in the 2017-20 Financial Plan

BFSA has reviewed the MOAs and determined that the net cost in the current fiscal year would be \$130,529. The three out-years of the Financial Plan would have a net cost of \$25,168 in each fiscal year for a total net cost of \$206,033 over the four years of the Financial Plan.

BMHA's management has reviewed BFSA's analysis and agreed with the conclusions. The estimate is conservative as it assumes the loss of 100% of the property's management fee revenue. The final management agreement between the BMHA and the management company awarded the contract will determine the percentage of this fee retained by the BMHA.

BMHA's management has proposed the elimination of an accounting position for an estimated annual savings of \$89,100 associated with the new management agreement.

The following chart provides a four-year breakout of the MOAs gross costs and savings:

BMHA Memorandum of Agreement with Local 264 & 17 (Net 4-Year Cost)					
Gross Costs	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	4-Year Impact
<i>Local 264 Stipend</i>	\$ 121,429	\$ -	\$ -	\$ -	\$ 121,429
<i>Local 264 On-Call/OT for emergencies</i>	2,227	26,726	26,726	26,726	82,405
<i>Local 264 On-Call/OT (winter season)</i>	-	66,428	66,428	66,428	199,284
<i>Local 17 Stipend (105h)/ On-Call & OT/ Uniform Allowance Increase</i>	6,873	3,470	3,470	3,470	17,283
Total 4-Year Employee Cost	\$ 130,529	\$ 96,624	\$ 96,624	\$ 96,624	\$ 420,401
<i>Foregone Management Fee Revenue</i>	\$ -	\$ 233,044	\$ 233,044	\$ 233,044	\$ 699,132
Total 4-Year Gross Cost	\$ 130,529	\$ 329,668	\$ 329,668	\$ 329,668	\$ 1,119,533
Gross Savings					
<i>Maintenance Contracts Reductions</i>	-	36,400	36,400	36,400	109,200
<i>Eliminate Accounting Position</i>	-	89,100	89,100	89,100	267,300
<i>Eliminate Snow Removal</i>	-	179,000	179,000	179,000	537,000
Total 4-Year Gross Savings	\$ -	\$ 304,500	\$ 304,500	\$ 304,500	\$ 913,500
Net Savings/Cost of MOA	\$ (130,529)	\$ (25,168)	\$ (25,168)	\$ (25,168)	\$ (206,033)

BMHA management has expressed intent to eliminate one accounting position in connection with the termination of the management agreement and contracting such services to a private company. In the event the accounting position is not eliminated, net annual costs beyond the current fiscal year increase to \$114,268.

BMHA has indicated that while they earn a management fee for the management of these various properties, the management fee has not been paid for two years due to the cash flow issues the properties themselves are having. This issue is further exacerbated by the necessity to loan the properties cash for operating purposes. As of April 2017, BMHA is owed approximately \$320,000 in management fees.

Conclusions

The MOAs with Local 264 and Local 17 have a four-year net cost of \$206,033. The MOAs allow BMHA to enter into new management agreements and furthermore allow BMHA to create an on-call pool, allowing for greater management rights.

The go-forward operational impact to BMHA is a net cost of approximately \$25,000 annually, excluding any personal service expenses incurred for the continued required monitoring of the private management company. BMHA's management has conveyed that the cash loans and related uncertainty regarding repayment of such loans, in addition to the nonpayment of the annual management fee for the past two years, is the impetus to terminate management of the properties and contract with a private company.