

October 19, 2004

Councilman Kevin Jackson,
Chairman, City Council Finance Committee
Providence City Hall
Providence, R.I. 02903

Dear Chairman Jackson:

I have analyzed the proposed contract for Local 1033 for the period of July 1, 2004 to June 30, 2007, and the financial impact to General Fund is as follows:

- Wage Increases: This contract calls for a one-and-one-half-percent (1.5%) wage increase effective September 1, 2004, followed by three percent (3.0%) wage increases effective July 1, 2005 and July 1, 2006. The one-and-one-half-percent (1.5%) increase will result in additional salary costs of approximately \$316,500 in FY2005. The subsequent three percent salary increases will result in increased salary costs of approximately \$1,150,000 in FY2006 and \$1,950,000 in FY2007.
- Employee Medical Co-Share – Current Employees: This contract requires an employee co-share equal to seven percent (7.0%) of the working cost rates to be paid as a percentage of payroll for Individual and Family health plans with annual caps of \$260 for Individual Plans and \$640 for Family plans. These changes are effective upon the passage of the contract by the City Council, and the estimated savings derived from the above co-shares is approximately \$172,000 in FY2005.

The employee co-share increases to eight-and-one-half percent (8.5%) of the working cost rates to be paid as a percentage of payroll for Individual and Family health plans with annual caps of \$325 for Individual Plans and \$800 for Family plans, effect. These changes are effective upon the passage of the contract by the City Council, and the estimated savings derived from the above co-shares is approximately \$451,000 in FY2006.

The employee co-share increases to ten percent (10.0%) of the working cost rates to be paid as a percentage of payroll for Individual and Family health plans with annual caps of \$400 for Individual Plans and \$1,000 for Family plans, effect. These changes are effective upon the passage of the contract by the City Council, and the estimated savings derived from the above co-shares is approximately \$434,000 in FY2007.

Total estimated savings derived from the changes to employee co-shares over the period of this contract is approximately \$1,057,000.

- Plan Design: (Current Employees) This contract increases employee co-pays to \$10/\$15/\$100 from \$10/\$15/\$25. The ten dollars (\$10) represents the co-pay for doctor visits, the fifteen dollars (\$15) represents the co-pay for allergy, dermatology, mental health and chemical dependency visits. The one hundred dollars (\$100) represents the co-pay for emergency room visits. Estimated savings from this change to the plan design is \$37,000 in FY2005.

This contract increases employee co-pays to \$15/\$20/\$100 from \$10/\$15/\$100. Estimated savings from this change to the plan design is \$169,000 in FY2006.

The employee co-pays remain at \$15/\$20/\$100 for the final year of the contract. However, savings from the previous changes to the plan design will result in estimated savings of \$258,000 in FY2007.

(New Hires) Employees hired on or after October 1, 2004 will be provided RI Blue Cross/Blue Shield BlueCHiP Plan 10 instead of City Blue Coast –to-Coast. In addition, these employees will immediately have co-pays of \$10/\$15/\$100 and will immediately be responsible for a \$25 Inpatient/Outpatient deductible with a \$100 cap for an Individual Plan and a \$300 cap for a Family Plan. While there will be savings from these changes, it is not possible to quantify these savings because the number of new hires on or after October 1, 2004 is unknown.

(Retired Employees) Employees retiring on or after January 1, 2005 will have a co-share at the individual rate as in effect on the last day worked (rising to year 2 rate for year 1 retirees only) through pre-tax monthly pension payroll deduction.

- Public Fund Contributions: This contract consolidates “Public Fund Contributions”, which consists of the New England Laborers Health & Wellness Fund (.05 per hr.), New England Laborers Training Fund (.05 per hr.), Prescription & Vision (\$1.25 per hr.), Legal Fund (.22 per hr.), Laborers Pension Fund (\$1.00 per hr.), R.I. Public Services Fund (.10 per hr.). Effective September 1, 2004, the City’s contribution is reduced by thirteen (.13) cents (to \$2.54 per working hour from \$2.67 per working hour). This change will result in total savings of approximately \$137,000 in FY2005.

This City’s contribution returns to the \$2.69 per working hour on July 1, 2005. In addition, an increase of two cents (.02) per working hour for the Training Fund portion of the Public Fund will be effective July 1, 2005. The two-cent (.02) increase will result in an increase of approximately \$21,000 in FY2006. The return to the \$2.67 per working hour will result in a cost of \$166,000.

The contribution remains at \$2.69 per working hour for FY2007.

- Reorganization: This contract allows the City to reassign employees. The redeployment of employees can take place after the following: (1) at least a fifteen (15) calendar days notice to the Union; (2) the Union and City must meet to review and discuss the plan; and (3) a thirty (30) day notice to the employee(s) being reassigned.
- Lay Off/Reduction in Workforce: This contract allows the City, due to reasons including but not limited to lack of work or lack of funding, to implement a redeployment of the workforce or a reduction in the workforce. The City will initially seek volunteers for reassignment to vacant and funded positions after affording the vacant funded positions to all bargaining unit members. Following the exhaustion of the City’s best effort to address the issue of lack of work or funding reassignment, the City may layoff employees by inverse total employment seniority.

The annual financial impact of this proposed contract to the City is savings of approximately \$56,000 in FY2005, and increased costs of \$517,000 in FY2006 and \$1,115,000 in FY 2007.

As always, I am available to meet with you and the Finance Committee at your convenience to discuss this proposed contract in more detail.

Sincerely,

Alex Prignano
Director of Finance