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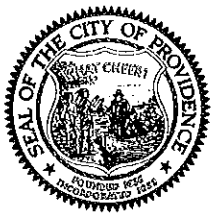

Office of the Internal Auditor

Memorandum

To: Finance Chair John J. Igliozzi; Finance Committee Members;

From: Matthew M. Clarkin, Jr., Internal Auditor MMC

Date: July 26, 2011

Re: Fire Fiscal Note

Enclosed please find the memorandum I provided to the Finance Committee regarding my review of the two Tentative Agreements with Local 799, International Association of Firefighters.

In addition, I have enclosed the Administration's fiscal note, which was submitted last night to the Finance Committee, and a spreadsheet provided to me by the Director of Administration, Michael D'Amico, which summarizes, by fiscal year, the costs and savings contained in the Tentative Agreements.

If you have any questions or if you need additional information, please contact me.

Office of the Internal Auditor

City of Providence

Memorandum

To: Finance Chair John J. Igliozzi; Finance Committee Members

Cc: City Council Members

From: Matthew M. Clarkin, Jr., Internal Auditor

Date: July 21, 2011

Re: Tentative Agreements – Local 799

I have reviewed the Administration's fiscal note regarding the Tentative Agreements with Local 799, and I find that the fiscal note accurately reflects the costs and savings in these Agreements. There are two areas, however, where the assumptions made by the Administration may not be realized. Below are a summary of these two areas and a brief summary of the major cost savings in the Agreements.

Coordination of Benefits:

The Administration estimates savings of $375,000 in fiscal 2012 and total savings of $2,095,000 over the period of these Agreements from the coordination of medical benefits of retired firefighters and the spouses of active firefighters. The plan calls for retired firefighters who have access to medical coverage from a current employer to rely on that medical coverage their "active plan". The active plan is the primary policy to pay medical claims. The city will pay the cost for what is not covered by the retiree's current or active medical plan.

In the case of spouses of active firefighters who have medical coverage available to them through their employer, the coverage offered through the employer will be considered the active plan and the city will pay only the cost for what is not covered by the spouse's medical plan.

The savings mentioned above is based upon the assumption that 48 retirees and 100 spouses will be eligible to be shifted from the city's medical plan to their current employer's plan and that the employer's medical plan is similar in quality to that of the state of Rhode Island. Should the medical coverage be a less generous plan, the city would have more costs to cover. Finally, the administration has based savings estimates for fiscal 2013 on full implementation of this plan within two months. This seems to be an aggressive implementation schedule and savings will be reduced should the implementation take longer than estimated.

Elimination of Vacation Days:

The Administration estimates savings of $700,000 in both fiscal years 2012 and 2013 in callback costs from the elimination of four vacation days in both years. While it is certain that the accrual of eight fewer vacation days will result in savings to the city at some point, it is uncertain that the savings will be realized in fiscal years 2012 or 2013.

The Administration has made the assumption that an increase to the number of Personal Days to seven from three will not add to the department's callback costs. It seems reasonable that these days could counter savings realized from the elimination of the four vacation days.

Summary of Tentative Agreements

Retroactive Salary Payments:

- Payment of retroactive salary increases from the 1.0% salary increase effective January 1, 2008 and the 2.0% salary increase effective January 1, 2009 instead of being paid in full prior to July 31, 2011 will be paid as follows:
  - 25% due prior to July 31, 2011
  - 25% due prior to July 31, 2012
  - 50% due prior to July 31, 2013

Salaries:

- The 3.0% across-the-board salary increase scheduled to be effective on June 30, 2011 has been eliminated
- Firefighters with a HAZ MAT operations certificate will receive an additional $10 per week effective July 1, 2013.
- The time required to move to a Firefighter Grade 2 from Grade 3 is increased from twelve months to thirty-six months.
- The time required to move to a Firefighter Grade 1 from Grade 2 is increased from twelve months to twenty-four months.

Minimum Manning:

- Reduction to 90 from 92 (July 1, 2011 through December 31, 2011)
- Reduction to 90 from 94 (January 1, 2012 through June 30, 2014)
- Increase to 92 from 90 (effective July 1, 2014)
- Suspension of the Winter Minimum Manning requirement for the period for the period of July 1, 2013 through June 30, 2016, which calls for a fourth person to be added to engine or ladder companies during the period October 31st through June 30th

Defunding of Positions:

- The following positions are scheduled to defunded through demotion, reassignment or elimination:
  - Director of Training
  - Fire Prevention Lieutenant
  - Rescue Captain/Division of Training
  - Computer Technicians (2)
  - Chief of Communications
  - Fire Marshall

Clothing Allowance:

- The payment of the annual Clothing Allowance is rescheduled from March 31st to the first paycheck issued in July, which in effect skips the payment for fiscal 2012.

Medical Co-shares:

- Currently, medical co-shares are currently $858 annually to the premium for an individual health insurance plan and $1,716 annually for a family plan
- Medical co-shares are increased to $1,014 annually to the premium for an individual health insurance plan and $2,028 annually for a family plan, effective July 1, 2013
- Medical co-shares are increased to $1,092 annually to the premium for an individual health insurance plan and $2,184 annually for a family plan, effective July 1, 2014
- Medical co-shares are increased to $1,170 annually to the premium for an individual health insurance plan and $2,340 annually for a family plan, effective July 1, 2015

New Hires:

- The city has committed to hiring 36 new firefighters by July 1, 2012 and an additional 36 by January 1, 2015.
- It is projected that the 36 positions hired in July will result in a net savings in callback beginning in fiscal 2013.