

The wage freeze has been in effect for three years and has allowed the Administration to keep labor costs stagnant by avoiding salary expense increases. Despite these savings, it is unrealistic to expect that the freeze would continue indefinitely. The deals before the Legislature are the result of months of negotiations among the three parties at the negotiating table. Since no deal can go forward without NIFA’s approval, the unions and the Administration have negotiated the deals with NIFA who has indicated their support. The Legislature relies heavily on the control board’s assessment and approval of the deals that are before the body. The agreements fail to cement past savings from 2011 through 2013 and refer to them as a potential liability of \$230.0 million. OLBR believes this amount should have been reduced based on the current MOA awards. This could prove to be a missed opportunity in the long run. The Legislature was advised that the deals would have “safety valves” by which the County would not be committed to the increases should revenues not materialize. The “safety valves” are not reflected in any of the MOAs.

Our memo seeks to provide an overview of the County’s current fiscal position, a summary of the contract costs and offsets followed by discussions of each proposed deal. Entering into labor contracts are policy decisions left to the Administration which also need to be agreeable to the control board.

Current Financial Condition:

In its November 2013 review of the budget, NIFA estimated the following risks to the 2014 budget and Multi-Year Plan prior to any labor deal:

NIFA Analysis of Risks in FY 2014 to 2017 prior to Labor Deal				
	2014	2015	2016	2017
Total Risks	(91.7)	(141.0)	(162.0)	(179.7)

The majority of the assessed risks reflect unbudgeted tax certiorari expenses, judgments and settlements and finally Police overtime costs. Pending the County securing funding sources, which it may, these risks remain as the County’s financial position continues to be fragile. Moody’s Investors Service recently highlighted the New York State Supreme Court ruling as a positive step for the County and that “costly employee contracts have contributed to Nassau County’s financial deterioration.” The County’s strained financial position would be challenged to accommodate the implementation of the proposed MOA in the event revenue projections missed their mark.

The terms negotiated with each union vary and will be reviewed in Attachment A for PBA, Attachment B for DAI, Attachment C for CSEA and Attachment D for SOA. The proposed labor contract cost have a compounding effect. As new steps and COLAs are added, there is further fiscal pressure placed on the budget. Our analysis reveals that there is approximately \$378.0 million in wage costs associated with the proposed agreements. Reference the table below for illustration:

Cost of COLA & Steps By Union	
PBA	153.3
DAI	22.6
CSEA	179.3
SOA	22.8
Total	378.0

To offset the additional costs, the unions have agreed to measures that may provide savings to help reduce the financial impact on the County. Some, by nature, represent structural changes that will continue to garner savings past the timeframe covered by the MOAs. Examples include a 15% health insurance contribution and revised salary plans with lower salary scales for new employees. However, items such as a civilianization are highly contingent upon management enforcement and execution. It will be incumbent upon the Police Department and County management to implement adequate procedures in order to realize these savings. Failure to achieve these savings will expose the County to significant and compounding costs. It is OLBR's opinion that these items constitute very soft offsets. As such, we are presenting our numbers with an optimistic view which captures the value of the offsets in comparison to a more pessimistic view that does not include these offsets. More than likely, some level of savings will be realized. The numbers below do not include attrition savings.

By Union	Projected Cost	
	Optimistic View	Pessimistic View
PBA	93.3	120.8
DAI	15.8	22.6
CSEA	102.4	126.2
SOA	11.5	22.8
Total Cost	223.0	292.4

For the most part, the Administration intends to use attrition savings to cover a major portion of the proposed contract costs. Given the magnitude of the projected savings, OLBR determined that it would be important to discuss attrition and its budgetary uses in detail.

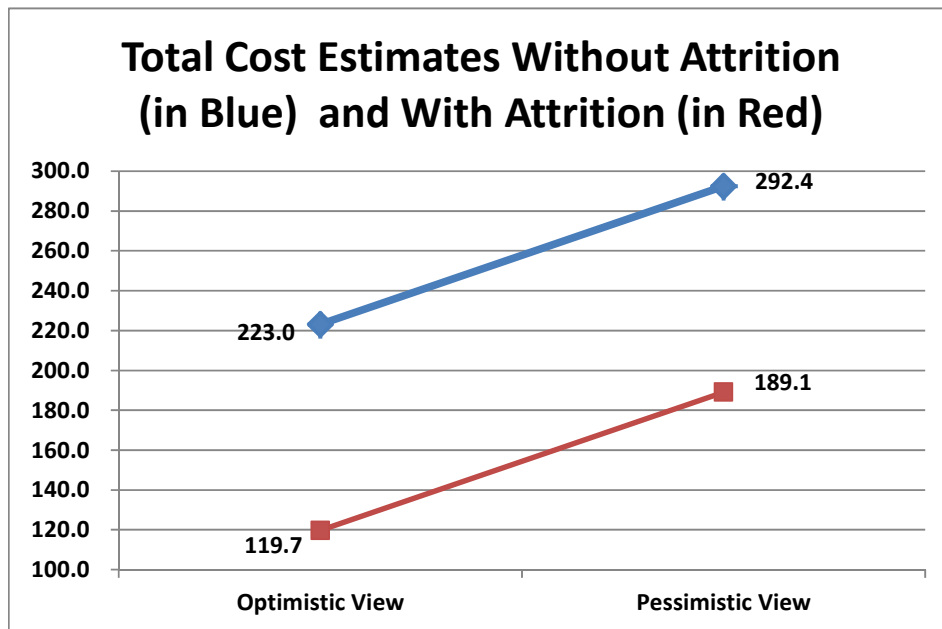
Attrition savings are generated mainly from the separation of senior employees, thus providing relief to the budget. Except in the case of a Voluntary Separation Incentive Plan (VSIP), where employee separations are precipitated, these savings happen during the normal course of the year and are not a result of any specific labor agreement.

However, the Administration argues that these departures do create salary surpluses and intends to use the funds to offset the costs associated with the MOAs. To do so will eliminate fiscal flexibility that has allowed the Administration to cover other past salary shortfalls such as under-

budgeted termination and/or overtime expense. Similar risks continue to exist in the current year and Multi-Year Plan as reflected by NIFA's previous risk assessment. This has also been evident in the past, as major board transfers and supplemental appropriations were required in order to cover areas in the budget with major shortfalls.

Aside from the debate on whether attrition savings should be credited against the costs of the contracts, simply put, normal savings from attrition are already committed in a budget that underfunds any salary item. For example, the Office of Management and Budget (OMB) is currently projecting a salary shortfall of \$2.6 million in the police funds in FY 2014. That deficit includes an overtime estimate of \$60.0 million. However, overtime costs are likely to be higher than the current allotment and will increase the overall Police payroll deficit. Failure to consider the overall budget prior to crediting the MOA is imprudent.

The graph below displays the contract costs with and without attrition savings. Per the control board's inclusion of attrition savings, an estimated offset \$103.3 million is captured in the red line shown in the graph below for the four Unions.



In the Executive Summaries of the MOAs, the Administration mentions that the County will pay for short term costs through anticipated revenue via New York State initiatives, such as speed cameras, and unbudgeted economically sensitive revenue increases, including sales tax receipts and mortgage recording fees. They expect that these increases will be driven by increased home sales and refinancings and not fee increases. OLBR will explore each of the anticipated revenues.

- Sales Tax through the April 4, 2014 check is 1.9% higher year over year which translates into \$3.5 million more in revenue to date. That last check received was -10.05 % or -\$6.8 million lower than the previous year which could be a factor of diminished activities

compared to 2013 when the recovery from Superstorm Sandy was in full swing. At this point, the County needs a growth of 2.1% for the remaining checks to make its budget. If the remaining checks grow by 2.5%, the County would have a \$4.0 million surplus.

(Payments Through April 4, in millions)

	2013	2014	Variance \$	Variance %
Gross Sales Tax YTD	\$184.5	\$188.0	\$3.5	1.9%

- The Traffic and Parking Violations Agency (TPVA) ended FY 2013 with total revenues of \$57.7 million in fines and forfeits. The Red Light Camera (RLC) program portion of the revenue generated \$36.8 million with 211 operational cameras by year end. The 2014 Adopted Budget allocated \$62.4 million in revenue, which includes \$38.1 million for RLC revenue. The additional revenue was based on the Department maintaining in operation an average of 270 cameras; however, the current number of functional cameras remains at 211 with a quarter of the year exhausted. The table below illustrates two years of actual revenues in comparison to the FY 2014 Budget.

Revenue	2012 YE	2013 YE	2014 Budget
Fines	13,324,212	13,633,991	17,500,000
TV Administrative Fee	4,599,546	7,331,939	6,849,174
Red Light Camera (RLC)	16,860,052	23,351,812	24,490,187
RLC Administrative Fee	6,076,339	13,419,184	13,606,928
Total Revenue	40,860,149	57,736,926	62,446,289
Operational Cameras		211	211

- The cornerstone of the Administration’s plan to pay for the wage increases was that it would generate significant revenues from the implementation of Speed Cameras. Although the proposed State Budget included that initiative for Nassau, it has been removed from the adopted State Budget leaving a hole in the County’s plan. A bill co-sponsored by Assembly Speaker Silver was able to give new hope to that initiative, albeit with a new caveat, that revenues from cameras installed on village maintained roads would have to be shared with said villages. This decreases the potential County revenues. The bill also fails to mention that the villages would share in the cost of the cameras, which is problematic. That bill will not be heard until the end of the month which will be after the Nassau County Legislature is asked to commit to pay for wage increases with no guarantee of the passage of the bill.

The Administration anticipates revenues from that initiative ranging from \$25.4 million to \$71.9 million. This is significantly different than the amounts included as a gap closer in the MYP where revenues from that initiative and other NYS initiatives were valued at

zero in 2014, \$8.0 million in 2015 due to partial year implementation and \$12.0 million every year thereafter. The Administration explained that MYP assumptions used as a gap closer were different from the current proposal.

According to the Administration the Speed Camera (SC) program will be implemented at 56 school locations (school districts). The Traffic Safety Board has so far eliminated 12 locations that would not qualify for cameras and six other locations would be in villages. It is expected that two approaches will be installed per school zone. The Administration expects to generate 200 violations per day for 180 school days based on a study by American Traffic Solutions (ATS). A \$50 fine and \$30 administrative fee will be issued to violators. In assessing possible revenues, OLBR used the trends in New York City where cameras generate on average 15 violations per day per camera. In addition, the current RLC cameras initially generated 15 violations per day which has decreased to seven to eight violations per day. Similar to the RLC program the Speed Camera program will experience a decline in violations as drivers become aware of the location of the cameras. The cost structure calls for the vendor to receive 38% of gross receipts plus \$4,750 lease cost per fixed camera or a lease cost of \$5,200 per mobile units. The latter will have to be manned, the cost of which is not yet known. Similar to the program in Baltimore, it is unclear if a rollout plan will be adopted by Nassau where in the first thirty days after cameras are installed, motorists exceeding the posted speed limit by at least 12 MPH receive a warning. Thirty days after the probationary period, motorists must exceed the posted speed limit by at least 12 MPH to receive a citation.

Using the Administration's cost calculator at 15 violations per day per camera, the County would only generate undiscounted revenues of \$6.0 million per year assuming all 56 school zones are operational. If the average violations were doubled to 30 violations and using 38 locations, the undiscounted value would then be \$10.2 million. OLBR believes \$12.0 million a year in revenue to be a more conservative projection. This would translate into a total of \$36.0 million from 2015 to 2017. In addition, partial implementation this year, depending on rollout, could yield some revenue. The revenue is highly contingent on the number of violations; more infractions would translate into more revenue.

- As illustrated in the table below, Mortgage and Deed recording fees in FY 2013 were \$31.4 million or \$1.0 million more than the current budgeted FY 2014 number. However, total FY 2013 revenues compared to FY 2014 appear to yield some opportunities. OLBR would caution against the reliance on possible additional revenues as an offset to costs that are certain. During the first quarter of FY 14, mortgage recording fees generated approximately \$3.0 million in revenue, a \$1.0 million decline compared to the FY 2013 first quarter. Should this trend continue there will be no opportunity.

Department Revenues in The Clerk's Office	2013 Unaudited YE	2014 Adopted Budget
Fees	4,094	4,000
Court Fees - County Clerk	1,182,466	800,000
Mtge Recording Fees - County Clerk	27,272,257	27,902,618
Deed Recording Fees - County Clerk	4,128,670	2,500,000
Real Estate Trans Fees - County Clerk	20,514	15,000
Records Mgmt - County Clerk	183,355	170,000
Mtge Exp Reimbur - County Clerk	1,359,199	1,359,000
Business Name Fee - County Clerk	205,653	200,000
Misc Fees - County Clerk	4,831,500	2,500,000
Clerk Initiative	-	1,000,000
Sandy Refunds NYS Mandated Fees	(90)	
Grand Total	39,187,618	36,450,618

Conclusion:

Throughout the process, the Administration, NIFA and the Unions have been at the negotiating table. All financial analyses have been performed by the Police Department and presented to NIFA following input from each union. The costs associated with the proposed agreements are hard costs which should be offset with corresponding revenues. Unfortunately, the revenues and saving offsets are optimistic and the additional cost will require the County to address a stagnant revenue base. The latter would need to mirror the compounding effect of labor agreements. The Administration will be hard pressed to address the current deficit for underfunded budget items, such as tax certiorari expenses as it may no longer have the flexibility to request that NIFA impose a wage freeze.

There is a clause that reads: “This agreement shall not be effective unless NIFA adopts a resolution certifying that the Agreement is an instrument in writing that is an acceptable and appropriate contribution toward alleviating the fiscal crisis of the County pursuant to section 3669(3)(B) of the NIFA ACT and that NIFA will abide by the terms of the Agreement and will not impose a wage freeze through December 31, 2017, as long as this Agreement, in whole or in part, is in effect”. In effect, NIFA could be giving up its authority to impose a wage freeze.

The MOAs are silent on the matter of longevity pay. Although it may be the intent of the parties that it be treated in a specific manner, clarification may be beneficial in avoiding any litigation and additional costs in the future. The Comptroller views this item as a \$24.7 million risk.

Depending on whether OLBR mirrors the Control Board’s inclusion of attrition or not, the cost of the four agreements can range from \$119.7 million to \$189.1 million with attrition savings, or range from \$223.0 million to \$292.4 million without attrition savings. The most promising revenue flow could come from the implementation of speed cameras at an expected average of \$12.0 million a year (\$36.0 million from 2015 to 2017 and minimal revenues in 2014). Should the Administration come close to its estimates, all the funds will be needed to help defray the costs.

The following Attachments are included below:

Attachment A: Review of the PBA agreement

Attachment B: Review of the DAI agreement

Attachment C: Review of the CSEA agreement

Attachment D: Review of the SOA agreement

Attachment E: List of questions to NIFA

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Proposed PBA MOA

The current Collective Bargaining Agreement (CBA) between the County and the Police Benevolent Association (PBA) is set to expire on December 31, 2015. The PBA is one of the County unions impacted by the current wage freeze imposed by the Nassau Interim Finance Authority (NIFA) in March 2011 and it has been renewed in March of 2012, 2013 and 2014. NIFA has set parameters by which the freeze could be lifted in 2014. The County's unions, including the PBA, have maintained the position that NIFA exceeded its authority when it imposed the wage freeze. On March 11, 2014, a Nassau Supreme Court Justice determined (in various lawsuits filed by County unions) that NIFA had the statutory authority to impose wage freezes. The decision is expected to be appealed.

NIFA, the Administration and the PBA have negotiated the proposed agreement that would lift the wage freeze. On March 15, 2014, the Administration and the PBA leadership signed a Memorandum of Agreement (MOA), which was amended on March 24, 2014, that would extend the CBA to December 31, 2017. The proposed agreement preserves the right of each side (the Administration and the Unions) to pursue pending lawsuits in Nassau County Supreme Court and the United States District Court for the Eastern District of New York.

OLBR's analysis of the MOA with the PBA is below:

Base Document

The current CBA is based on the PBA's contract that started on January 1, 1992 and expired on December 31, 1995. All MOAs and arbitration awards, such as the September 5, 2008 Stipulation of Agreement, that modified the 1992-1995 document are considered part of the current CBA. All provisions within the current CBA continue in full force and effect unless expressly contemplated by the proposed MOA.

The table below reflects the scheduled Cost Of Living Adjustments (COLA) and steps as proposed in the agreement:

2014 Proposed PBA Agreement

	<u>Timeline</u>	<u>Award</u>
2013		No COLA
2014	4/1/2014	Jan. 1, 2012 Step
	4/1/2014	3.5% COLA for all PBA members hired before March 1, 2014
	9/1/2014	Jan. 1, 2013 Step
2015	1/1/2015	Jan. 1, 2014 Step
	9/1/2015	3.75% COLA
	9/1/2015	All PBA members hired during Calendar year 2008 not in Step 9 are placed on top step.
2016	9/1/2016	3.5% COLA
2017	1/1/2017	2.0% COLA

OLBR estimates the total cost associated with the CBA through FY 2017 to be approximately \$153.3 million. As reflected, in the table below, costs of \$153.3 million are reduced by offsets of \$60.0 million for a net contract cost of \$93.3 million. Attrition, which occurs during the normal course of County business, is used by municipalities as fiscal flexibility and will be discussed later in the memo. It is shown below the line.

	Labor Contract Analysis (millions)				
	2014	2015	2016	2017	Cumulative
Projected Cost					
PBA	15.4	33.3	45.2	59.4	153.3
Projected Offsets					
**Vacation	(3.1)	(3.3)	(3.7)	(3.8)	(13.9)
Employee Benefits	(0.5)	(1.6)	(2.5)	(3.4)	(8.0)
Salary Schedule	0.2	(0.7)	(5.9)	(18.2)	(24.6)
**Personal Leave & Comp Time Requests	(1.6)	(1.7)	(1.9)	(2.0)	(7.3)
**Minimum Staffing	(2.2)	(1.4)	(1.4)	(1.4)	(6.3)
Total Offsets	(7.3)	(8.7)	(15.3)	(28.8)	(60.0)
Cost Prior to Attrition	8.1	24.6	30.0	30.7	93.3

***Items subject to implementation / execution could carry an impact of up to \$27.5 million.*

Other Cost Reductions					
Attrition savings	-	(8.6)	(15.8)	(11.4)	(35.9)
Net	8.1	16.0	14.1	19.2	57.4

It is OLBR's opinion that some of the items in the table above be considered *very soft offsets* that are contingent on management enforcement and execution. These items include vacation, minimum staffing, personal leave and compensatory time savings. It will be incumbent on the Police Department to implement adequate procedures in order to realize these savings. Failure to do so will expose the County to significant and compounding costs. Should savings not or only partially come to fruition, the additional risk could be between zero and \$27.5 million bringing the cost to approximately \$120.8 million (\$93.3 million plus the targeted savings in the three categories). Below are discussions of the offsets:

Vacation

Cumulative savings of \$13.9 million over the term of the contract could be derived from a change in the formula the Police Department uses to determine vacation days for police officers. Instead of the current formula based on 9% of officers within a certain precinct/command selecting vacation days, the proposal calls for approximately 7% to 8% of a command selecting certain days for vacation, thereby reducing the number of officers out on a particular day. This will effectively cut overtime by reducing the number of short roll calls, thereby impacting minimum manning. This provision covers all precincts/commands, highway patrol, records and marine bureau. The savings are subject to implementation by management and carry no guarantees.

Employee Benefits - Health Insurance Contribution

Employees hired by Nassau County on or after the execution of this agreement will be entitled to receive health insurance benefits provided by the Empire Plan made available through the New York State Health Insurance Program (NYSHIP) or by an alternative health plan. If enrolled in the Empire plan, new employees shall contribute 15% of the cost of the health insurance premium. If enrolled with an alternative health insurance plan (such as HIP, AETNA, Blue Cross HMO and HIP/Vytra Network), the County will pay up to 85% of the cost of the Empire plan. If the premium cost is equal or less than the 85% of the cost of the Empire Plan, the employer shall pay the full cost of the premium. To the extent the annual premium exceeds 85% of the Empire Plan cost, the employee shall pay the difference.

The County shall maintain a cafeteria plan whereby all new employees who are required to contribute toward their health insurance premium shall be entitled to pay their health plan premium deductions on a pre-tax basis.

The County will maintain the health insurance benefits for current employees and pay the full cost of the premiums until December 31, 2017 and through any status quo period thereafter. The County will maintain current health insurance benefits for employees that separate from service prior to December 31, 2017. Except as specifically addressed in this section, all health, dental, and optical plans shall continue with full force and effect.

The savings are based on newly hired employees making a 15% health insurance contribution. The 2014 annual health insurance rate for individual coverage is \$9,254 and \$20,348 for family coverage. Under this arrangement, individuals would make an annual contribution of \$1,388 and families would pay \$3,052 in 2014.

Employee Benefits - Pension Contribution

Sworn Officers who are members of the New York State Retirement System prior to being employed by Nassau County and under the current law would retain their prior Tier membership except as may be altered by future enacted laws. Bargaining unit members hired on or after the effective date of this CBA Agreement will be enrolled in the Tier VI “contributory plan” of the New York State Police and Fire Retirement System and be required to contribute to their plan.

The analysis includes \$4.4 million in cumulative savings. The savings will be generated from the difference in the contribution rate that the County pays for the Tier VI “contributory” Plan versus the Tier VI “non-contributory” Plan for a new employee.

Death Benefits

In the event of an in the line of duty death, the County will make a supplemental payment to the beneficiaries of the PBA member that is equal to the difference (if any) between the death benefit provided by the State and the PBA’s top step pay at the time of such death. The County will continue to make the supplemental payment to the beneficiary as long as the beneficiary is entitled to State death and/or pension benefits.

Salary Schedule

There are two new schedules included in the proposal. The first chart applies to all employees hired prior to the effective date of the proposal. The second applies to those employees hired on or after the effective date of this contract. In addition, new employees will receive step increases on their anniversary date of hire instead of January 1st.

The \$24.6 million cumulative savings through 2017 are a result of comparing the salary schedule included in the PBA Stipulation of Agreement (January 1, 2013 through December 31, 2015), the “current” chart and the newly structured salary schedule in the proposed agreement, as well as the change in date for step increases for new hires.

The “current” salary structure, in effect since January 1, 2013, consists of nine steps for a new Police Officer to reach the top step of \$125,285 (2014) and \$129,983 (2015). Imbedded in this schedule is a provision for all officers hired between January 1, 2004 and July 31, 2008 to “skip” step 8, the step before the top step. Additionally, the “current” salary schedule includes a provision, effective December 31, 2015, that changes the structure of the steps by giving new officers larger increases in the early years. This is called the “sunset clause” because it begins at the expiration of the current agreement.

The proposed salary schedule addresses these provisions by eliminating the “sunset clause” and decreasing the value of the steps, except for the \$1,000 increase for step 1, which applies to new hires. The top step, step 9, becomes \$122,581 in 2017. Additionally, for new hires, the change to the anniversary date from January 1 for step increases will generate savings of \$3.3 million over the term of the contract (which is included in the \$26.4 million).

It should be noted that the “current” salary schedule the County has utilized to illustrate the savings the proposed chart would generate, has never been implemented because NIFA imposed the wage freeze prior to the effective date of the agreement (January 1, 2013). Salaries have remained frozen at April 1, 2011 levels and as a result generated real salary savings.

The analysis of the salary schedule captures the difference of employees separating at the current schedule compared to the old schedule. Changes in the salary schedule are structural and will reduce labor costs beyond the terms of the proposed deal.

The proposed salary schedules are included in this report.

Personal Leave and Compensatory Time Off Requests

Effective January 1, 2014 personal leave and compensatory off, as set forth in the first sentence of Section 1 of the May 25, 2005 Interest Arbitration Award (“Final Award”), shall be reduced from a minimum of two (2) officers to a minimum of one (1) officer. This is valued at \$7.3 million.

Minimum Staffing

Cumulative savings of \$6.3 million will be garnered from the elimination of policing services for the Village of Laurel Hollow. An Arbitrator’s Opinion and Award which found that the County had violated the PBA’s CBA when it reduced staffing in the Second Precinct due to eliminating

patrolling in the Village of Laurel Hollow. As a result of the current MOA, the County will drop its lawsuit, effective the date of this Agreement, challenging the Arbitrator's Opinion. This will save the County \$1.0 million. Additionally, the PBA will allow the County to reduce minimum staffing levels in the Second Precinct accordingly, thereby saving an estimated \$5.3 million over the term of the agreement. The savings are subject to implementation/execution by management and carry no guarantees.

Attrition Savings

Attrition savings are generated mainly from the separation of senior employees, thus providing relief to the budget. Except in the case of a Voluntary Separation Incentive Plan (VSIP) where employee separations are precipitated, these savings happen during the normal course of the year and are not related to any specific labor agreement.

However, the Administration argues that these departures do create salary surpluses and intends on using the funds to offset the costs associated with the MOA. To do so will eliminate some fiscal flexibility that has allowed the Administration to cover other past salary shortfalls such as under-budgeted termination and/or overtime expense. Similar risks exist in the current and Multi-Year Plan. This has been evident in the past when there was the need to process major board transfers and supplemental appropriations in order to cover areas in the budget with major shortfalls.

Aside from the debate on whether attrition savings should be credited against the cost of the contract, simply put, in a budget that underfunds any salary item normal savings from attrition the funds are already committed. For example, in FY 2014, the Office of Management and Budget (OMB) is currently projecting a salary shortfall of \$2.6 million in the police funds. That deficit includes an overtime estimate of \$60.0 million, however overtime costs are likely to be higher and will increase the overall payroll deficit. Failure to consider the overall budget prior to crediting the MOA is imprudent. As such, OLBR is presenting a reduced attrition number below the line. This may or may not be available to offset costs and is highly contingent on the Police Department realizing cost containments such as overtime.

Employee Protections

The PBA can reopen this contract under the following two conditions:

- NIFA adopts a resolution withdrawing and or modifying its March 10, 2014 resolution.
- Another law enforcement bargaining unit (PBA, SOA, COBA, IPBA) enters into a contract with NIFA that features superior terms and conditions to the PBA contract.

Conclusion

The proposed MOA with the PBA will cost approximately \$153.3 in wages. The County hopes to realize savings of \$60.0 million reducing the cost to \$93.3 million. However, due to implementation risks of some items the cost could range from \$93.3 million to \$120.8 million. The actual final cost will depend on the Police Department realizing the projected savings. Since the Control Board (NIFA) has taken the position that attrition savings will be an offset, OLBR shows the estimated \$35.9 million value below the line.

The following are the proposed PBA salary charts.

Appendix A

Proposed Salary Charts
Employees Hired Prior To 3/1/14

No Education

		3.50%	3.75%	3.50%	2.00%
Step	Current	4/1/2014	9/1/2015	9/1/2016	1/1/2017
1	34,000	34,000	34,000	34,000	34,000
2	45,000	45,000	45,000	45,000	45,000
3	67,499	69,861	72,481	75,018	76,518
4	72,992	75,547	78,380	81,123	82,745
5	78,486	81,233	84,279	87,229	88,974
6	84,841	87,810	91,103	94,292	96,178
7	88,745	91,851	95,295	98,631	100,603
8	91,201	94,393	97,933	101,360	103,388
9	107,319	111,075	115,240	119,274	121,659

Education

		3.50%	3.75%	3.50%	2.00%
Step	Current	4/1/2014	9/1/2015	9/1/2016	1/1/2017
1E	34,695	34,695	34,695	34,695	34,695
2E	45,000	45,000	45,000	45,000	45,000
3E	68,222	70,610	73,258	75,822	77,338
4E	73,715	76,295	79,156	81,927	83,565
5E	79,209	81,981	85,056	88,033	89,793
6E	85,565	88,560	91,881	95,097	96,999
7E	89,468	92,599	96,072	99,434	101,423
8E	91,924	95,141	98,709	102,164	104,207
9E	108,132	111,917	116,113	120,177	122,581

Appendix B

Proposed Salary Charts

Classes Hired After Implementation Of 2014 Agreement

No Education

		3.75%	3.50%	2.00%
Step	4/1/2014	9/1/2015	9/1/2016	1/1/2017
1	35,000	35,000	35,000	35,000
2	41,000	41,000	41,000	41,000
3	50,000	51,875	53,691	54,764
4	60,000	62,250	64,429	65,717
5	70,000	72,625	75,167	76,670
6	76,000	78,850	81,610	83,242
7	80,000	83,000	85,905	87,623
8	88,000	91,300	94,496	96,385
9	111,075	115,240	119,274	121,659

Education

		3.75%	3.50%	2.00%
Step				
1E	35,695	35,695	35,695	35,695
2E	41,695	41,695	41,695	41,695
3E	50,695	52,596	54,437	55,526
4E	60,695	62,971	65,175	66,479
5E	70,695	73,346	75,913	77,431
6E	76,695	79,571	82,356	84,003
7E	80,695	83,721	86,651	88,384
8E	88,695	92,021	95,242	97,147
9E	111,917	116,113	120,177	122,581

Proposed DAI MOA

The current Collective Bargaining Agreement (CBA) between the County and the Detectives Association, INC. (DAI) is set to expire on December 31, 2015. The DAI is one of the County unions impacted by the wage freeze imposed by the Nassau Interim Finance Authority (NIFA) in March 2011 and renewed in March 2012, 2013 and 2014. NIFA has set parameters by which the freeze could be lifted in 2014. The County's unions, including the DAI, have maintained the position that NIFA exceeded its authority when it imposed the wage freeze. On March 11, 2014, a Nassau Supreme Court Justice determined (in various lawsuits filed by County unions) that NIFA had the statutory authority to impose wage freezes. The decision is expected to be appealed.

NIFA, the Administration and the DAI have negotiated a proposed agreement that would lift the wage freeze. On March 15, 2014, the Administration and the DAI leadership signed a Memorandum of Agreement (MOA), which was amended on March 24, 2014, that would extend the CBA to December 31, 2017. The proposed agreement preserves the right of each side (the Administration and the Unions) to pursue pending lawsuits in Nassau County Supreme Court and the United States District Court for the Eastern District of New York.

OLBR's analysis of the MOA with the DAI is found below:

Term

The CBA agreement will be extended through December 31, 2017.

Base Document

The current CBA is based on the DAI's contract that started on January 1, 1992 and expired on December 31, 1995. Each MOA and arbitration award, such as the January 9, 2008 Arbitration Award and the March 13, 2009 Stipulation of Agreement, that modified the 1992-1995 document is considered part of the current CBA. All provisions within the current CBA continue in full force and effect unless expressly contemplated by the proposed MOA.

Wage Increases

The table below reflects the scheduled Cost Of Living Adjustments (COLA) and steps as proposed in the agreement:

2014 Proposed DAI Agreement

	<u>Timeline</u>	<u>Award</u>
2013		No COLA
2014	4/1/2014	All DAI members step
	4/1/2014	3.5% COLA
	9/1/2014	All DAI members step
2015	1/1/2015	All DAI members step
	9/1/2015	3.75% COLA
	9/1/2015	Any DAI member hired as a PO during calendar year 2008 who has not reached Step 9 shall be placed at Step 9.
2016	9/1/2016	3.50% COLA
2017	1/1/2017	2.0% COLA

OLBR estimates the costs associated with the CBA through FY 2017 to be approximately \$22.6 million. As reflected in the table below, costs of \$22.6 million are reduced by offsets of \$6.8 million for a net cost of \$15.8 million. Attrition, which occurs during the normal course of County business, is used by municipalities as fiscal flexibility and will be discussed later in the memo. It is shown below the line.

Labor Contract Analysis (millions)					
	2014	2015	2016	2017	Cumulative
Projected Cost					
DAI	2.0	4.1	6.8	9.8	22.6
Projected Offsets					
**Civilianization	(0.2)	(0.6)	(0.9)	(1.1)	(2.8)
**Work Rules	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
**Training Day	(0.1)	(0.2)	(0.2)	(0.2)	(0.6)
**Operational Schedule Agreement	(0.5)	(0.5)	(0.6)	(0.6)	(2.2)
Total Offsets	(1.1)	(1.6)	(1.9)	(2.2)	(6.8)
Cost Prior to Attrition	0.9	2.5	4.9	7.6	15.8
<i>**Items subject to implementation / execution could carry an impact of up to \$6.8 million.</i>					
Other Cost Reductions					
Attrition savings	-	(1.8)	(3.4)	(4.4)	(9.5)
Net	0.9	0.7	1.5	3.2	6.3

It is OLBR's opinion that the offsets in the table above are considered to be *very soft offsets* and are contingent on management enforcement and execution. It will be incumbent on the Police Department to realize these savings. Failure to do so will expose the County to significant and compounding costs. Should savings not or only partially come to fruition, this would represent an additional risk of between zero and \$6.8 million, bringing the net cost ranging from \$15.8 million to \$22.6 million. Below are discussions of the offsets:

Civilianization

The County may civilianize up to 12 of the 16 positions within the Crime Scene Unit over the term of the agreement. The County may civilianize a maximum of three Detective positions per year from 2014 to 2017. The remaining four positions within the Crime Scene section must be staffed by bargaining unit members. Cumulative savings of \$2.8 million are projected as a result of this provision. The civilianization may be completed through attrition.

Work Rules

The Department is entitled to change the tour of a DAI member one time per member, per calendar year. The DAI member must be notified up to 45 days prior to the tour change and the change must be scheduled during the member's regular work week.

The tour change will not be scheduled during the member's annually selected period of vacation leave. Nor will it be scheduled on the following holidays: New Year's Eve, New Year's Day, Memorial Day, July Fourth, Labor Day, Thanksgiving, Christmas Eve and Christmas Day. If executed, OLBR estimates the savings from this change in work rules could be approximately \$1.2 million.

Training Day

Each year, DAI members may be assigned to work a single ten hour training day at the discretion of the Commanding Officer. The DAI member must be notified up to 45 days prior to the training assignment and the day must be scheduled during the member's regular work week. The savings, achieved by reducing overtime are projected to be approximately \$600,000.

The training day will not be scheduled during the member's annually selected period of vacation leave. The tour will not be scheduled on the following holidays: New Year's Eve, New Year's Day, Memorial Day, July Fourth, Labor Day, Thanksgiving Day, Christmas Eve and Christmas Day.

Operation Schedule Adjustment

The Commanding Officer may adjust a member's scheduled tour of duty up to one hour as long as the member is given 24 hours advanced notice. The Commanding Officer can exercise this operational prerogative over a bargaining unit member up to 12 times per calendar year. The estimated cumulative savings of \$2.2 million can be achieved by reducing overtime.

Other Key points in the MOA

Employee Benefits - Health Insurance

Employees hired by Nassau County on or after the execution of this agreement will be entitled to receive health insurance benefits provided by the Empire Plan made available through the New York State Health Insurance Program (NYSHIP) or by an alternative health plan. If enrolled in the Empire Plan, new employees shall contribute 15% of the cost of the health insurance premium. If enrolled with an alternative health insurance plan (such as HIP, AETNA, Blue Cross HMO and HIP/Vytra Network), the County will pay up to 85% of the cost of the Empire Plan. If the premium cost is equal to or less than 85% of the cost of the Empire Plan, the employer shall pay the full cost of the premium. To the extent the annual premium exceeds 85% of the cost of the Empire Plan, the employee shall pay the difference. Savings are not projected from members contributing to their health insurance until 2018.

The County shall maintain a cafeteria plan whereby all new employees who are required to contribute toward their health insurance premium shall be entitled to pay their health plan premium deductions on a pre-tax basis.

The County will continue to provide health insurance benefits for current employees and pay the full cost of the premiums until December 31, 2017 and through any status quo period thereafter (including upon separation from service if the employee separates prior to December 31, 2017). Except as specifically addressed in this section, all health, dental, and optical plans shall continue with full force and effect.

Employee Benefits - Pension Contribution

Under current law, Sworn Officers who are members of the New York State Retirement System prior to being employed by Nassau County retain their prior Tier membership. Future legislation may alter this arrangement. Bargaining unit members hired on or after the effective date of this CBA Agreement will be enrolled in the Tier VI “contributory” Plan of the New York State Police and Fire Retirement System and be required to contribute to their plan. The savings will be generated from the difference in the pension contribution rate that the County pays for the Tier VI “contributory” Plan versus the Tier VI “non-contributory” Plan for a new member. Minimal savings will be garnered from this provision.

Attrition Savings

Attrition savings are generated mainly from the separation of senior employees, thus providing relief to the budget. Except in the case of a Voluntary Separation Incentive Plan (VSIP), where employee separations are precipitated, these savings happen during the course of the year and are not related to any specific labor agreement.

However, the Administration argues that these departures do create salary surpluses and intends to use the funds to offset the costs associated with the MOA. To do so will eliminate some fiscal flexibility that has allowed the Administration to cover other past salary shortfalls such as under-budgeted termination and/or overtime expense. Similar risks exist in the current and Multi-Year Plan. This has been evident in the past when there was the need to process major board transfers

and supplemental appropriations in order to cover areas in the budget with major shortfalls. OLBR values attrition savings to be \$9.5 million.

Employee Protections

The DAI can reopen this contract under the following two conditions:

- NIFA adopts a resolution withdrawing and or modifying its March 10, 2014 resolution.
- Another law enforcement bargaining unit (PBA, SOA, COBA, IPBA) enters into a contract with NIFA that features superior terms and conditions to the PBA contract.

The County and the DAI acknowledge that there is pending litigation from each of the County unions challenging the validity of the 2011 NIFA wage freeze and the 2012 and 2013 renewals. The DAI states that should they prevail, the DAI would settle for all COLAs lost during the timeframe contemplated in the litigation. The award would be made in the year following the final judgment.

Conclusion

The proposed MOA with the DAI will cost approximately \$22.6 million in wages. The County hopes to realize savings of \$6.8 million reducing the cost to \$15.8 million. However, due to implementation risks of some items, the cost can range from \$15.8 million to \$22.6 million. Since the Control Board (NIFA) has taken the position that attrition savings will be an offset, OLBR shows the estimated \$9.5 million value below the line

The proposed DAI salary charts are following.

DAI SALARY PROJECT					
PROPOSED		3.50%	3.75%	3.50%	2.00%
CHART 1	Current	4/1/2014	9/1/2015	9/1/2016	1/1/2017
Top Pay	121,354	125,601	130,311	134,872	137,570
Without Education Pay					
CHART 1A	Current	4/1/2014	9/1/2015	9/1/2016	1/1/2017
Top Pay	120,659	124,882	129,565	134,100	136,782
NOTE Chart 1 - Incumbent Detectives designated prior to 1/1/08					
PROPOSED					
CHART 2 - Designated after 1/1/08 at Top PO pay - 15 MONTHS STEPS					
		3.50%	3.75%	3.50%	2.00%
CHART 2	Current	4/1/2014	9/1/2015	9/1/2016	1/1/2017
Step 1	110,542	114,411	118,701	122,856	125,313
Step 2	111,542	115,446	119,775	123,967	126,447
Step 3	112,542	116,481	120,849	125,079	127,580
Step 4	113,542	117,516	121,923	126,190	128,714
Step 5	114,542	118,551	122,997	127,302	129,848
Top Pay	121,354	125,601	130,311	134,872	137,570
Without Education Pay					
		3.50%	3.75%	3.50%	2.00%
CHART 2A	Current	4/1/2014	9/1/2015	9/1/2016	1/1/2017
Step 1A	109,847	113,692	117,955	122,084	124,525
Step 2A	110,847	114,727	119,029	123,195	125,659
Step 3A	111,847	116,782	120,103	124,306	126,792
Step 4A	112,847	116,797	121,177	125,418	127,926
Step 5A	113,847	117,832	122,250	126,529	129,060
Top Pay	120,659	124,882	129,565	134,100	136,782

CHART 3 PROPOSED DAI SALARY CHARTS
DETECTIVES DESIGNATED DETECTIVES NOT AT TOP PO PAY

With education pay

		3.50%	3.75%	3.50%	2.00%
STEP	CURRENT	4/1/2014	9/1/2015	9/1/2016	1/1/2017
1E	N/A	N/A	N/A	N/A	N/A
2E	N/A	N/A	N/A	N/A	N/A
3E	N/A	N/A	N/A	N/A	N/A
4E	76,125	78,789	81,744	84,605	86,297
5E	81,619	84,476	87,644	90,711	92,525
6E	87,975	91,054	94,469	97,775	99,731
7E	91,878	95,094	98,660	102,113	104,155
8E	94,334	97,636	101,297	104,842	106,939
9E	110,542	114,411	118,701	122,856	125,313

NOTE: Step 9E represents DAI Chart 2 Step 1

CHART 3A PROPOSED DAI SALARY CHARTS
DETECTIVES DESIGNATED DETECTIVES NOT AT TOP PO PAY

Without education pay

		3.50%	3.75%	3.50%	2.00%
STEP	CURRENT	4/1/2014	9/1/2015	9/1/2016	1/1/2017
1	N/A	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A	N/A
3	N/A	N/A	N/A	N/A	N/A
4	75,430	78,070	80,998	83,833	85,509
5	80,924	83,756	86,897	89,939	91,737
6	87,280	90,335	93,722	97,003	98,943
7	91,183	94,374	97,913	101,340	103,367
8	93,639	96,916	100,551	104,070	106,151
9	109,847	113,692	117,955	122,084	124,525

NOTE: Step 9E represents DAI Chart 2 Step 1

Proposed CSEA MOA

The current Collective Bargaining Agreement (CBA) between the County and the Civil Service Employees Association, INC. (CSEA) is set to expire on December 31, 2015. The CSEA is one of the County unions impacted by the current wage freeze imposed by the Nassau Interim Finance Authority (NIFA) on March 2011 and renewed in March 2012, 2013 and 2014. NIFA has set parameters with a framework by which the freeze could be lifted in 2014. The County's unions including the CSEA, have maintained the position that NIFA exceeded its authority when it imposed the wage freeze. On March 11, 2014, a Nassau Supreme Court Justice determined (in various lawsuits filed by County unions) that NIFA had the statutory authority to impose wage freezes. The decision is expected to be appealed.

NIFA, the Administration and the CSEA have negotiated an agreement that would lift the wage freeze. The Administration and CSEA leadership settled on a proposed Memorandum of Agreement (MOA) that would extend the CBA to December 31, 2017. The proposed agreement preserves the right of each side (the Administration and the unions) to pursue pending lawsuits in Nassau County Supreme Court and the United States District Court for the Eastern District of New York.

Base Document

The current CBA is based on the CSEA's contract that started on January 1, 1993 and expired on December 31, 1997. All MOAs such as the December 11, 2008 Interest Arbitration Award (2008 Award) are considered part of the current CBA. All provisions within the current CBA continue in full force and effect unless expressly contemplated by the proposed MOA.

Term

The CBA agreement will be extended through December 31, 2017.

Wage Increases

The Table below reflects the scheduled Cost Of Living Adjustments (COLA) and steps as proposed in the agreement:

<u>2014 Proposed CSEA Agreement</u>		
	<u>Timeline</u>	<u>Award</u>
2013		No COLA
2014	4/1/2014	CSEA members step
	4/1/2014	3.5% COLA
	9/1/2014	CSEA members step
2015	7/1/2015	3.75% COLA
	9/1/2015	CSEA members step
2016	7/1/2016	3.5% COLA
	9/1/2016	CSEA members step
2017	7/1/2017	2.0% COLA
	9/1/2017	CSEA members step

OLBR estimates the costs associated with the CBA through FY 2017 to be approximately \$179.3 million. As reflected, in the table below, costs of \$179.3 million are reduced by offsets of \$76.9 million for a net optimistic contract cost of \$102.4 million. Attrition, which occurs during the normal course of County business, is used by municipalities as fiscal flexibility and will be discussed later in the memo. It is shown below the line. The chart below reflects the projected cost of the proposed MOA with and without attrition:

Labor Contract Analysis (millions)					
	2014	2015	2016	2017	Cumulative
Projected Cost					
CSEA	18.4	36.2	55.0	69.8	179.3
Projected Offsets					
New Salary Schedule	(0.9)	(7.2)	(14.2)	(19.5)	(41.9)
Disability Insurance	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)
Employee Benefits	(0.4)	(0.9)	(1.3)	(1.9)	(4.5)
**Wage Deferral	(1.6)	(2.3)	(0.6)	-	(4.5)
**Vacation Leave	(1.3)	(1.4)	(1.4)	(1.5)	(5.6)
Blood Days	(0.8)	(0.8)	(0.9)	(1.0)	(3.5)
**Crossing Guards	(1.6)	(2.8)	(4.0)	(5.3)	(13.7)
Total Offsets	(7.4)	(16.2)	(23.3)	(30.0)	(76.9)
Cost Prior to Attrition	10.9	20.0	31.7	39.8	102.4
<i>**Items subject to implementation / execution could carry an impact of up to \$23.8 million</i>					
Other Cost Defeasance					
Attrition savings	(3.7)	(11.4)	(16.3)	(20.4)	(51.8)
Net	7.2	8.6	15.4	19.4	50.6

It is OLBR's opinion that some of the items in the table above be considered to be *very soft offsets*. The soft savings items that have been identified are wage deferral, vacation leave and crossing guards. Failure to achieve these savings will expose the County to additional costs. Should savings not or only partially come to fruition, the additional risk could be between zero and \$23.8 million bringing the cost to approximately \$126.2 million (\$102.4 million plus the targeted savings in the three categories). Below are discussions of the offsets:

Salary Schedule

A new salary chart is in place for all CSEA employees hired on or after the effective date of this agreement. Salary reductions of \$41.9 million have been included based on projecting new hires progressing in lower salary steps under the new salary plan in the proposed MOA compared to the same number of employees progressing in the current CSEA Schedule C salary plan.

Disability Insurance

New York State disability insurance terminates upon execution of the contract. Based on the May 6, 2009 Stipulation Agreement the County is obligated to provide New York State

Disability Insurance to CSEA employees at a cost not to exceed \$800,000. Eliminating this provision provides maximum savings of \$800,000 annually for cumulative savings of \$3.2 million through 2017.

Compensatory Time Bank

As of January 1, 2014, each CSEA member's compensatory bank shall be increased from 200 hours to 400 hours. The Administration does not expect any impact from this provision.

Employee Benefits- Health Insurance Contribution Savings

Employees hired by Nassau County on or after the execution of this agreement will be entitled to receive health insurance benefits provided by the Empire Plan made available by the New York State Health Insurance Program (NYSHIP) or by an alternative health plan. If enrolled in the Empire Plan, new employees shall contribute 15% of the cost of the health insurance premium. If enrolled with an alternative health insurance plan (such as HIP, AETNA, Blue Cross HMO and HIP/Vytra Network), the County will pay up to 85% of the cost of the Empire Plan. If the premium cost is equal to or less than the 85% of the cost of the Empire Plan, the employer shall pay the full cost of the premium. To the extent the annual premium exceeds the 85% of the cost of the Empire Plan, the employee shall pay the difference.

The County will provide a cafeteria plan whereby all new employees who are required to contribute toward their health insurance premium shall be entitled to pay their health plan premium deductions on a pre-tax basis.

The County will continue to provide health insurance benefits for current employees and pay the full cost of the premiums until December 31, 2017 and through any status quo period thereafter (including upon separation from service if the employee separates prior to December 31, 2017). Except as specifically addressed in this section, all health, dental, and optical plans shall continue with full force and effect.

The analysis calculates projected savings of roughly \$4.5 million from 2014 – 2017. The 2014 annual health insurance rate for the Empire Plan is \$9,254 for individual coverage and \$20,348 for family coverage. The 15% health insurance contribution would be roughly \$1,388 for individual coverage and \$3,052 for family coverage for new hires in 2014.

Wage Deferral

All CSEA members will be subject to a .75% wage deferral beginning April 1, 2014 through March 31, 2016. The wage deferral will be paid at prevailing rate at separation. This does not apply to CSEA unit members employed at the Nassau Community College. OLBR estimates the amount to be deferred to be roughly \$4.5 million.

Vacation Leave

For the calendar years 2014 -2017, the County reserves the right to deny a vacation day leave request, with a maximum of two per year per member, should such vacation day leave request result in overtime in the requested shift. The CSEA member will be notified of any such denial within 30 days of the submission of the request. Savings of \$5.6 million for this provision are estimated over the term of the contract.

Blood Days

The proposed contract eliminates the provision allowing CSEA to earn a maximum of three compensatory days for blood donation. All previously earned and accumulated blood days can be used and/or compensated in the same manner as in the previous contract. Projected cumulative savings of \$3.5 million has been included in the analysis as a result of eliminating this provision.

Crossing Guards

As a result of attrition, the County shall hire full-time or part-time Crossing Guards at their discretion. The savings are generated from replacing a full-time Crossing Guard's salary receiving health insurance benefits offset with a part-time Crossing Guard's salary without the health benefit cost. This offset has been valued at \$13.7 million.

Attrition Savings

Attrition savings are generated mainly from the separation of senior employees, thus providing relief to the budget. Except in the case of a Voluntary Separation Incentive Plan (VSIP) where employees' separations are precipitated, these savings happen during the course of the year and are not related to any specific labor agreement. However, the control board (NIFA) has indicated to OLBR that in their assessment of the contract they credited attrition against the cost of the contract. OLBR estimates the attrition savings separately below the line at \$51.8 million. The projected attrition savings if achieved could reduce the net cost of the contract.

Employee Protections

The CSEA can reopen this contract under the following two conditions:

- NIFA adopts a resolution withdrawing and or modifying its March 10, 2014 resolution.
- If another bargaining unit enters into a contract with NIFA that features superior terms and conditions to the CSEA contract.

The County and the CSEA acknowledge that there is pending litigation from each of the County unions challenging the validity of the 2011 NIFA wage freeze and the 2012 and 2013 renewals. The CSEA states that should they prevail, the CSEA would settle for all COLAs lost during the timeframe contemplated in the litigation. The award would be made in the year following the final judgment.

Conclusion

The proposed MOA with the CSEA will cost approximately \$179.3 million in wages. The County hopes to realize savings of \$76.9 million reducing the cost to \$102.4 million. However, due to risks that have been identified in the proposed MOA, the cost of the contract could range from \$102.4 million to \$126.2 million prior to any attrition savings. Since the Control Board (NIFA) has taken the position that attrition savings will be an offset, OLBR shows the estimated \$51.8 million value below the line.

Proposed SOA MOA

The current Collective Bargaining Agreement (CBA) between the County and the Superior Officers Association, INC. (SOA) is set to expire on December 31, 2015. The SOA is one of the County unions impacted by the wage freeze imposed by the Nassau Interim Finance Authority (NIFA) in March 2011 and renewed in March 2012, 2013 and 2014. NIFA provided a framework by which the freeze could be lifted. The County’s unions, including the SOA, have maintained the position that NIFA exceeded its authority when it imposed the wage freeze. On March 11, 2014, a Nassau Supreme Court Justice determined (in various lawsuits filed by County unions) that NIFA had the statutory authority to impose wage freezes. The decision is expected to be appealed.

NIFA, the Administration and the SOA have negotiated an agreement that would lift the wage freeze. On March 13, 2014, the Administration and SOA leadership settled on a Memorandum of Agreement (MOA), which was amended on March 31, 2014, that would extend the CBA to December 31, 2017. The proposed agreement preserves the right of each side (the Administration and the Union) to pursue pending lawsuits in Nassau County Supreme Court and the United States District Court for the Eastern District of New York.

OLBR’s analysis of the MOA with the SOA is found below:

Term

The CBA agreement will be extended through December 31, 2017.

Base Document

The current CBA is based on the SOA’s contract that started on January 1, 1993 and expired on December 31, 1996. Each MOA and arbitration award, such as the May 6, 2009 Arbitration Award (“2008 Award”) and the May 6, 2009 Stipulation of Agreement (2009 Stipulation), that modified the 1993-1996 document is considered part of the current CBA. All provisions within the current CBA continue in full force and effect unless expressly contemplated by the proposed MOA.

Wage Increases

The following table reflects the scheduled Cost Of Living Adjustments (COLA) and steps as proposed in the agreement:

2014 Proposed SOA Agreement

	<u>Timeline</u>	<u>Award</u>
2013		No COLA
2014	4/1/2014	SOA members step
	4/1/2014	3.5% COLA
	9/1/2014	*SOA Members Step
2015	1/1/2015	SOA members step
	9/1/2015	3.75% COLA
2016	9/1/2016	3.5% COLA
2017	1/1/2017	2.0% COLA

* All SOA members promoted during 2009 or 2010 receive a step.

All members promoted in 2012 receive a step on their anniversary date in 2014, 2015 and 2016.

Based on our analysis, OLBR estimates the cost associated with the CBA through FY 2017 to be approximately \$22.8 million in wages. As reflected in the table below, costs of \$22.8 million are reduced by offsets of \$11.3 million prior to attrition.

	Labor Contract Analysis (millions)				
	2014	2015	2016	2017	Cumulative
Projected Cost					
SOA	2.3	4.3	6.7	9.6	22.8
Projected Offsets					
**Civilianization	(0.4)	(1.2)	(1.3)	(1.8)	(4.7)
**Vacation Days	(0.6)	(0.6)	(0.7)	(0.7)	(2.6)
**Work Rules	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
**Training Day	(0.4)	(0.4)	(0.5)	(0.5)	(1.8)
**New Sergeant Payback Tours	(0.2)	(0.4)	(0.6)	(0.6)	(1.7)
Total Offsets	(1.7)	(2.8)	(3.1)	(3.7)	(11.3)
Cost Prior to Attrition	0.6	1.5	3.6	5.9	11.5
<i>**Items subject to implementation / execution could carry an impact of up to \$11.3 million.</i>					
Other Cost Reductions					
Attrition savings	-	(1.4)	(2.2)	(2.5)	(6.1)

It is OLBR's opinion that the items in the table above be considered to be *very soft offsets* that are contingent on management enforcement and execution. It will be incumbent on the Police Department to implement adequate procedures in order to realize these savings. Failure to do so will expose the County to significant and compounding costs. Should the savings not or only partially come to fruition, the additional risk could be between zero and \$11.3 million bringing the cost to approximately \$22.8 million (\$11.5 million plus the targeted savings in the five categories). Below are discussions of the offsets:

Civilianization

The County reserves the right to civilianize seven SOA positions, including all SOA positions in the Forensic Evidence Bureau (FEB) and one each in the Personal and Accounting Bureau (PAB) and the Emergency Ambulance Bureau (EAB). Examples of the Sergeant, Lieutenant and Inspector titles that will be civilianized include an AMT Coordinator, Information Tech Specialist, Forensic Scientist and Accounting titles. The analysis calculates cumulative savings of approximately \$4.7 million from civilianizing these positions.

Vacation

Up to five SOA members per day may take vacation leave in consolidated precincts. Up to two SOA members per day may take vacation leave in the Highway Patrol and Records Bureau. The projected savings are \$2.6 million.

Work Rules

The Department is entitled to change the tour of an SOA member assigned to a non-minimum staffing command one time per member, per calendar year. The SOA member must be notified up to 30 days prior to the tour change and it must be scheduled during the member's regular work week.

The tour change will not be scheduled during the member's annually selected period of vacation leave. The tour change will not be scheduled on the following holidays: New Year's Eve, New Year's Day, Memorial Day, July Fourth, Labor Day, Thanksgiving, Christmas Eve and Christmas Day.

The analysis estimates \$500,000 in cumulative savings could happen through 2017. The savings are from reducing overtime from the tour reduction from the non-minimum staffing commands. Approximately 117 of the sworn force will be affected by this provision.

Training Day

Each year, SOA members, excluding Deputy Inspectors and above, may be assigned to work an additional 10 hour training day at the discretion of the Commanding Officer. The SOA member must be notified up to 45 days prior to the training assignment which must be scheduled during the member's regular work week.

The training day will not be scheduled during the member's annually selected period of vacation leave. The tour change will not be scheduled on the following holidays: New Year's Eve, New Year's Day, Memorial Day, July Fourth, Labor Day, Thanksgiving, Christmas Eve and

Christmas Day. The analysis estimates \$1.8 million in cumulative savings through 2017 from the reduced salary and overtime from the training day.

New Sergeant “Pay Back” Tours

Newly promoted Sergeants will be required to pay back their 120 hours of “payback time” by working four 10 hour tours per year during their first three years in this title. Newly promoted Sergeants will no longer be allowed to use accumulated time to satisfy their payback tours. The Department will not backfill any overtime that arises from the payback tour arrangement nor will it violate the minimum staffing agreement with respect to the overtime restriction. The Department reserves the right to assign appropriate members a maximum of two payback tours every four months per calendar year and can assign a total of four tours per calendar year.

An estimated \$1.7 million in cumulative savings through 2017 will be derived from utilization of these payback hours. Managed wisely, this provision could have a positive impact on overtime.

Employee Benefits - Health Insurance

Employees hired by Nassau County on or after the execution of this agreement will be entitled to receive health insurance benefits provided by the Empire Plan made available by the New York State Health Insurance Program (NYSHIP) or by an alternative health plan. If enrolled in the Empire plan, new employees shall contribute 15% of the cost of the health insurance premium. If enrolled with an alternative health insurance plan (such as HIP, AETNA, Blue Cross HMO and HIP/Vytra Network), the County will pay up to 85% of the cost of the Empire plan. If the premium cost is equal to or less than the 85% of the cost of the Empire Plan, the employer shall pay the full cost of the premium. To the extent the annual premium exceeds 85% of the cost of the Empire Plan, the employee shall pay the difference. Savings are not projected from members contributing to their health insurance until 2018.

The County will provide a cafeteria plan whereby all new employees who are required to contribute toward their health insurance premium shall be entitled to pay their health plan premium deductions on a pre-tax basis.

The County will continue to provide health insurance benefits for current employees and pay the full cost of the premiums until December 31, 2017 and through any status quo period thereafter (including upon separation from service if the employee separates prior to December 31, 2017). Except as specifically addressed in this section, all health, dental, and optical plans shall continue with full force and effect.

Employee Benefits - Death Benefits

In the event of a death in the line of duty, the County will make a supplemental payment to the beneficiaries of SOA members equal to the difference (if any) between the death benefit provided by the State and the SOA’s top step pay at the time of such death. The County will continue to make the supplemental payment to the beneficiary as long as the beneficiary is entitled to State death and/or pension benefits.

Employee Benefits - Pension Contribution

Under current law, Sworn Officers who are members of the New York State Retirement System prior to being employed by Nassau County retain their prior Tier membership. Future legislation may alter this arrangement. Bargaining unit members hired on or after the effective date of this CBA Agreement will be enrolled in the Tier VI “contributory” Plan of the New York State Police and Fire Retirement System and be required to contribute to their plan. The savings will be generated from the difference in the pension contribution rate that the County pays for the Tier VI “contributory” Plan versus the Tier VI “non-contributory” Plan for a new member

Employee Protections

The SOA can reopen this contract under the following two conditions:

- NIFA adopts a resolution withdrawing and or modifying its March 10, 2014 resolution.
- Another law enforcement bargaining unit (PBA, DAI, COBA, IPBA) enters into a contract with NIFA that features superior terms and conditions to the PBA contract.

The County and the SOA acknowledge that there is pending litigation from each of the County unions challenging the validity of the 2011 NIFA wage freeze and the 2012 and 2013 renewals. The SOA states that should they prevail, the SOA would settle for all COLAs lost during the timeframe contemplated in the litigation. The award would be made in the year following the final judgment.

Conclusion

The proposed MOA with the SOA will cost approximately \$22.8 in wages. The County hopes to realize savings of \$11.3 million reducing the cost to \$11.5 million. However, due to implementation risks of the items, the cost could range from \$11.5 million to \$22.8 million. The actual final cost will depend on the Police Department realizing the projected savings. Since the Control Board (NIFA) has taken the position that attrition savings will be an offset, OLBR shows the estimated \$6.1 million attrition value below the line.

The proposed salary chart is on the following page.

SUPERIOR OFFICERS' ASSOCIATION BASE PAY AMOUNTS

2014 - 2017

	Current	4/1/2014	9/1/2015	9/1/2016	1/1/2017
		3.50%	3.75%	3.50%	2.00%
Sergeant Step 1	111,726	115,636	119,973	124,172	126,655
Sergeant Step 2	114,830	118,849	123,306	127,622	130,174
Sergeant Step 3	117,416	121,526	126,083	130,496	133,106
Sergeant Step 4	130,980	135,564	140,648	145,571	148,482
Lieutenant	143,890	148,926	154,511	159,919	163,117
Captain	155,637	161,084	167,125	172,974	176,434
Deputy Inspector	161,789	167,452	173,731	179,812	183,408
Inspector	169,901	175,848	182,442	188,827	192,604
Deputy Chief	176,787	182,975	189,836	196,480	200,410
Assistant Chief	186,121	192,635	199,859	206,854	210,991
Supervisory Pay	1,087	1,125	1,167	1,208	1,232
DD Stipend	5%	5%	5%	*6.0%	6%
DI And Above	4,183	4,329	4,492	4,649	4,742
Special Assignment Pay	5,228	5,411	5,614	5,810	5,927

*per cba stipend increases to 6% on 1/1/2016

Chairman Kaiman,

After an initial review of the MOAs, there are some questions that my Office hopes you can help us answer on behalf of the Legislature:

- At the March 10, 2014 meeting, NIFA passed a resolution that sets forth requirements that the County needs to demonstrate \$129.00 million in dedicated revenue to offset its net cost of the contracts. Is NIFA satisfied that there will be \$129.00 million in dedicated revenue? Please share the back-up with the Legislature.
- The Imposition of the wage freeze did not require Legislative approval. Our understanding is that NIFA at any point, can lift the wage freeze without Legislative approval if it is based on the current contract. The Legislature's approval is now required only because the MOAs represent "new contracts". Is this a correct understanding?
- Is it NIFA's position that attrition savings will offset a portion of the contract costs?
- The negotiations have been between NIFA, the Unions and the Executive. Has a labor attorney / negotiator issued a costing analysis report? Can that be shared with the Legislature in consideration of the deal?
- In its November Analysis of the adopted budget NIFA assigned substantial risks to the Multi Year Plan for Items such as overtime and tax certioraris costs. How do the contracts impact the risks projections?
- At the Leadership meeting Chairman Jon Kaimain mentioned to the Legislature that the proposed contracts will have a safety valve provision for 2016 and 2017, in which the County would not be responsible for steps and COLAs in 2016 and 2017 if the County did not meet certain revenue criteria. In our initial review of the MOAs we did not see this provision. Why was this important provision, potentially assisting the County in maintaining its economic viability in the event of another economic downturn, excluded from the final draft?
- According to the agreement, NIFA must agree that it will not impose a wage freeze through December 31, 2017 or as long as this agreement is in effect in whole or in part. Does this potentially violate the NIFA statute? Would NIFA's oversight ability be compromised if it makes and keeps this promise?
 - Section 3669 of NIFA's enabling legislation addresses the conditions surrounding the Authority's imposition of a control period over County finances. Paragraph 3, Subdivisions A through C, of Section 3669 discusses the conditions under which NIFA could freeze the wages of certain County employees. This section does not contemplate whether or not NIFA can agree that it will not impose a wage freeze during a set period of time. According to Subdivision A of Section 3669, NIFA is empowered to impose a wage freeze if it sees the freeze as "essential to the adoption or maintenance of a county budget or a financial plan".

- NIFA has always taken the position that the savings that occurred as a result of the wage freeze would be structural budget savings. The MOA's reference to the \$230.0 million which is the accumulated value of the freeze through 2013. However:
 - The PBA agreement calls for the 2012 Steps and 2013 steps to be given in 2014. These two years of Steps are also included in the \$230.0 million total savings/liability calculation. In the event the MOA proceeds as written, we believe the \$230.0 million savings/liability needs to be reduced accordingly. In addition, does that constitute reinstating previously frozen wages?
 - The agreements also call for the FY 2013 COLAs to be zero. As discussed above, shouldn't the \$230.0 million potential liability be reduced by the value of the FY 2013 COLA?

The language reads” The parties acknowledge that the total amount of such lost cash wages for members of all unions during the period March 2011 through the effective date of this agreement has been estimated at approximately \$230.0 million”