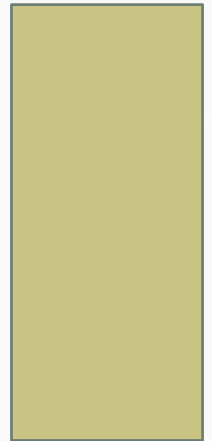


COSTING THE CONTRACT: KNOWING YOUR NEGOTIATION NUMBERS

SANDY POOLER, DEPUTY TOWN MANAGER
TOWN OF ARLINGTON



THREE ELEMENTS OF NEGOTIATING

- 1. Comparables
- 2. Salary Study
- 3. Negotiating

COMPARABLES

CHOOSING COMPARABLE COMMUNITIES

- Identifying comparable communities can result in more rational bargaining.
- Educating unions about finances is helpful.
- Targeted adjustments should be directly supported by data.

ARLINGTON EXAMPLE

- Town leadership decided it was time to see how we stacked up against our comparable communities.
- Involve union presidents and elected leadership in the process, including schools.
- Effort and time required to develop a meaningful list of comparable communities.
- A final list requires compromise on everyone's part.
- Look at comparability through a number of factors.

COMPARABLE COMMUNITIES FACTORS

1. MRGF (Municipal Revenue Growth Factor)
2. Population per Square Mile
3. Median income per capita
4. Single family average home value
5. Total tax levy as a % of maximum levy
6. Population
7. Total Tax Levy
8. Residential Taxes as a % of tax levy
9. Gut Check

ARLINGTON'S COMPARABLE COMMUNITIES

Table 1

Municipality	Pop Per Square Mile
1 BROOKLINE	8,708
2 ARLINGTON	8,500
3 WATERTOWN	8,028
4 MEDFORD	7,023
5 MELROSE	5,904
6 BELMONT	5,436
7 WINCHESTER	3,655
8 STONEHAM	3,534
9 READING	2,551
10 NEEDHAM	2,358
11 NATICK	2,335
12 MILTON	2,091
13 NORTH ANDOVER	1,096
Ave w/o Arlington	4,393
Arlington	8,500

Table 2

Municipality	Households Per Sq Mile
1 BROOKLINE	3,890
2 ARLINGTON	3,747
3 WATERTOWN	3,652
4 MEDFORD	2,787
5 MELROSE	2,398
6 BELMONT	2,142
7 STONEHAM	1,510
8 WINCHESTER	1,309
9 READING	889
10 NATICK	886
11 NEEDHAM	860
12 MILTON	703
13 NORTH ANDOVER	373
Ave w/o Arlington	1,783
Arlington	3,747

Table 3

Municipality	New Growth Avg. '15-'17
1 NEEDHAM	3.79
2 WATERTOWN	2.68
3 MEDFORD	1.82
4 STATEWIDE	1.78
5 READING	1.64
6 BROOKLINE	1.34
7 ARLINGTON	1.26
8 NATICK	1.25
9 WINCHESTER	1.25
10 NORTH ANDOVER	1.25
11 SONTEHAM	1.07
12 BELMONT	0.97
13 MILTON	0.85
Ave w/o Arlington	1.64
Arlington	1.26
State-Wide Ave	1.78

Table 4

Municipality	FY2019 Municipal Revenue Growth Factor
1 NEEDHAM	6.40
2 NATICK	5.70
3 STONEHAM	4.10
4 READING	4.08
5 BELMONT	4.08
6 ARLINGTON	4.03
7 MEDFORD	3.93
8 MELROSE	3.84
9 NORTH ANDOVER	3.77
10 WATERTOWN	3.75
11 WINCHESTER	3.71
12 BROOKLINE	3.57
13 MILTON	3.51
Ave w/o Arlington	4.20
Arlington	4.03
State-Wide Ave	4.41

MUNICIPAL FINANCIAL COMPARISON- FINANCIAL COMPS

Good	Not as Good
Overall Bond Rating	Tax Rate
Composite of Unrestricted Fund Balance	Free Cash or General Purpose Stabilization Fund individually
Unfunded Pension Liability	
Unfunded OPEB Liability	

- Bond rating is a composite of many financial indicators; no one tells the full story
- Towns vary as to how they keep their Reserves, either in Free Cash or Stab.
- Unfunded Liabilities matter and their importance will only grow in the future
- Tax Rate, in and of itself, has far less value than an overall tax burden; chart on next slide

MUNICIPAL FINANCIAL COMPARISON- FINANCIAL COMPS

Municipality	Year	Single Family Values	FY18 Tax Rate	Average Single Family Value	Single Family Tax Bill*
Billerica	2018	\$3,891,979,900	\$14.19	\$358,477	\$5,087
Chelmsford	2018	\$3,611,638,377	\$17.96	\$399,518	\$7,175
Concord	2018	\$4,656,510,200	\$14.29	\$1,014,269	\$14,494

Comparison of 3 Towns:

- The actual tax bill is calculated based upon the Tax Rate and the property's assessed value
- Concord has a single, low rate, but high value
- Billerica has a split rate, low rate for residential and higher for CIP
- Chelmsford has a high, single rate, but lower overall tax burden than Concord

MUNICIPAL FINANCIAL COMPARISON-

FINANCIAL COMPS

Town	Population	EQV	Free Cash Balance	General Purpose Stabilization Fund Balance	Balance of "All" Reserves
Concord	17,668	283,624 1	11,040,933 2	4,332 8	11,045,265 3
Bedford	14,205	213,839 3	3,965,794 6	3,852,335 2	7,818,129 5
Duxbury	15,384	225,909 4	2,176,782 8	3,529,612 4	5,706,394 6
Foxborough	17,376	155,527 9	5,786,582 4	3,621,897 3	9,408,479 4
Hopkinton	16,311	189,745 7	5,262,296 5	256,676 7	5,518,972 8
Marblehead	20,454	260,285 2	12,326,173 1	0 9	12,326,173 1
Newburyport	17,926	196,110 6	2,818,436 7	2,779,906 5	5,598,342 7
Sudbury	18,766	221,383 5	1,190,989 9	4,201,937 1	5,392,926 9
Westborough	18,756	185,911 8	8,792,634 3	2,604,292 6	11,396,926 2

Notes:

Sudbury has the highest balance in General Purpose Stabilization Fund, but lowest Free Cash Balance and lowest level of total Reserves

Concord has the highest EQV, but it has a lower overall level of Reserves than Westborough, with second lowest EQV

Hopkinton has \$5+M in Free Cash, but is second lowest in terms of total Reserves

SALARY STUDY

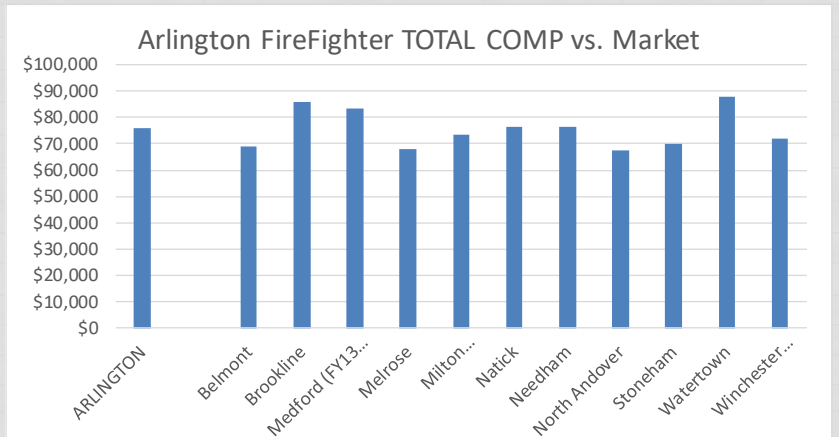
THE STUDY

- The Town engaged the services of a consultant to survey the low and high ranges of salary for 100 Town and 100 School positions.
- We had the consultant present the final report to the Select Board and share the findings.
- The study showed in some areas we were better than we thought but in many areas it showed we were comparatively low.

FIRE FIGHTER

Municipality	FY17 Maximum Annual Base	EMT- B Stipend	HazMat Pay	Associates Degree Pay	Night Differential	Weekend Differential	Holiday Pay	Defibrillator Pay	Longevity @ 25 Years	Clothing and Cleaning	TOTAL
ARLINGTON	\$59,906	\$1,210	\$0	\$3,025	\$3,267	\$611	\$3,770	\$599	\$3,370	\$0	\$75,758
Belmont	\$58,916	\$1,500	\$1,695	\$2,000	\$1,178	\$0	\$3,116	\$800	\$0	\$0	\$69,205
Brookline	\$66,139	\$3,953	in base	\$5,000	\$5,622	\$0	\$3,801	in base	\$800	\$615	\$85,930
Medford (FY13 contract)	\$69,962	\$500	\$0	\$1,000	\$5,597	\$780	\$4,036	\$650	\$1,050	\$0	\$83,575
Melrose	\$54,505	\$3,800	\$0	\$1,250	\$2,855	\$0	\$3,144	\$500	\$1,750	\$250	\$68,054
Milton (FY2016 contract)	\$61,027	\$1,250	\$0	\$2,895	\$3,796	\$0	\$3,074	\$328	\$900	\$400	\$73,670
Natick	\$61,714	\$2,469	\$0	\$3,703	\$0	\$0	\$4,272	\$0	\$3,586	\$625	\$76,369
Needham	\$59,208	\$2,960	\$0	\$4,441	\$2,368	\$0	\$3,645	\$1,776	\$1,776	\$100	\$76,275
North Andover	\$54,652	\$4,509	\$2,000	\$2,000	\$2,049	\$0	\$0	\$820	\$1,425	\$0	\$67,455
Stoneham	\$63,338	\$1,000	\$0	\$1,900	\$0	\$0	\$0	\$0	\$2,610	\$1,000	\$69,848
Watertown	\$70,084	\$6,854	\$0	no ed if longevity pay	\$0	\$0	\$7,027	\$0	\$3,703	\$0	\$87,668
Winchester (FY16 contract)	\$56,093	\$4,768	\$740	\$1,500	\$2,664	\$0	\$2,966	\$500	\$1,900	\$600	\$71,732
AVERAGE	\$61,422	\$3,051	\$444	\$2,569	\$2,375	\$71	\$3,189	\$537	\$1,773	\$326	\$75,435

ARLINGTON FIRE FIGHTER	Difference to Average	Average	Median	75th Percentile
\$75,758	\$323	\$75,435	\$73,670	\$79,972
Plus 2%				72nd
\$77,273			\$2,052	\$77,810
			Plus 2% for FY18	\$79,366
			Plus 2% for FY19	\$80,953



KEY COMPENSATION ITEMS

- Grades and Steps
 - How many of each? Lack of uniformity may result in a need to grant unequal COLA's to equalize
 - Stacking
- COLA
 - Tends to be what people focus on because it's the most visible thing
- Stipends
- Other
 - Super Holidays - these holidays occur during snow season
 - Shift Differentials
 - Educational Incentives- Quinn & Quinn-like benefits

FINANCIAL IMPLICATIONS- LEAVE TIME

- We grant a lot of benefit leave time in the public sector
 - 2 to 6 weeks' vacation; 10+ holidays; personal and sick leave
 - What types of leave are employees able to carry forward?
- Overtime costs where shifts must be filled
- Often presented with a tradeoff- how about additional leave in exchange for a lower COLA?
 - Lost momentum or lost productivity – often gets overlooked when you're not thinking about filling shifts.

Example: FT employee
 Making \$50k/ year; 260 days
 2080 hours

	Cost of COLA	Cost of Leave Time	
0.25%	125.00	\$ 192.31	1 day
0.50%	250.00	\$ 384.62	2 days
0.75%	375.00	\$ 576.92	3 days
1.00%	500.00	\$ 961.54	5 days

BENEFITS WITH LONG TERM IMPACT

- Sick Leave Buyback - generally phased out, but costs of legacy benefits can be high.
- Pension - Unfunded Liability, all systems are on track to be fully funded by 2040.
 - Benefit rarely seen in the private sector
 - Average Benefit paid as of 1/1/18 for Concord Retirement System= \$27,107
- Other Post Employment Benefits
 - Typically health insurance, but does encompass **any** benefits offered to Retirees, aside from Pension.
 - Unlike Pension, there is no State requirement to develop a funding schedule; however, beginning in FY18, the associated Unfunded Liability appeared on your Balance Sheet.

NEGOTIATING

WHO'S ON YOUR NEGOTIATING TEAM?

- **Town Manager or Select Board representative**- to represent the Chief Executive Officer and be in a position to make tentative agreements.
- **Human Resources**- to insure agreements are in keeping with existing policies & procedures; bring a perspective on internal equity; provide data on comps.
- **Legal**- to insure that the proper process is followed; that we're not agreeing to anything that would be in conflict with current MGL or case law.
- **Finance**- to insure that everyone understands the financial implications of agreements, both short & long term.

**Ideally, you have one person representing each of these interests, but if that's not possible make sure each one is considered!

** Unions are either represented at the table or have "back office" support of experts!

TAKEAWAYS

- Contracts are generally negotiated in closed door session, but the results are public.
- COLA-focused: one union builds upon what the other received.
- Decisions being made today have long term implications.
- You do not want to be the next headline.
- Make sure you have as many resources at your disposal as the Union.
- Be sure to consider compensation packages as a whole.
- Pay attention to those long-term liabilities!

INFORM AND EDUCATE UNIONS

- Do not assume that unions understand city or town finances.
- Educate union leadership about town/city finances at the beginning of bargaining.
- Identify people on the other side of the table with financial skills.
- Be transparent in your responses. Sharing of data and working with facts helps keep temperatures cooler.
- Remember to respect the groups that are the first to settle.

THE STUDY IN THE CONTEXT OF BARGAINING

- Bargaining may include COLAs and targeted adjustments supported by data.
- Assess your JLMC exposure.
- Also remember that institutional knowledge matters as well, not just the financial.

TARGETED ADJUSTMENTS

OLD

LIBRARY STAFF	Job Title	FTE	FY18 Current		FY2019 Standard Structure			FY2020 Standard Structure			FY2021 Standard Structure		
			Grade	Step	Grade	Step	Pay	Grade	Step	Pay	Grade	Step	Pay
ANDREWS	Tech Adult Srv.	0.49	2	5	2	6	32,754	2	7	34,662	2	7	35,009
ARCH	Adult Serv.	1.00	1	7	1	7	62,076	1	7	63,318	1	7	63,951
BUDD	Children's	1.00	1	4	1	4	55,585	1	5	58,824	1	6	61,640
COFFEY	Adult Serv.	1.00	2	3	2	4	62,649	2	5	66,297	2	6	69,472
COLEMAN	Teen Serv.	0.20	1	6	1	7	12,415	1	7	12,664	1	7	12,790
DYNDIUK	Head Adult	1.00	3	5	3	6	74,051	3	7	78,364	3	7	79,148
KIAH	Head Tech	1.00	3	7	3	7	76,828	3	7	78,364	3	7	79,148
LITTEN	Branch	1.00	2	3	2	4	62,649	2	5	66,297	2	6	69,472
LORINO	Adult Srv.	1.00	1	4	1	5	57,671	1	6	61,029	1	7	63,951
O'CONNELL	Children's	0.40	1	2	1	3	21,467	1	4	22,679	1	5	23,765
PRIMER	Head Tech Srv	1.00	2	7	2	7	69,964	2	7	71,363	2	7	72,077
TOURNAS	Children's	0.71	1	7	1	7	44,340	1	7	45,227	1	7	45,679
WATTS-FLAVIN	Head Child Srv.	1.00	3	7	3	7	76,828	3	7	78,364	3	7	79,148
WENDRUFF	Adult Serv.	1.00	1	7	1	7	62,076	1	7	63,318	1	7	63,951
Total							771,352			800,770			819,198
COLA							3%			2%			1%

NEW

LIBRARY PROPOSED	FTE	FY18 Current		Y2019 Proposed Structure			Y2020 Proposed Structure			Y2021 Proposed Structure		
		Grade	Step	Grade	Step	Pay	Grade	Step	Pay	Grade	Step	Pay
ANDREWS	0.49	2	5	2	4	31,959	2	5	33,323	2	6	34,746
ARCH	1.00	1	7	1	5	60,569	1	6	63,155	1	7	65,851
BUDD	1.00	1	6	1	4	58,380	1	5	60,872	1	6	63,471
COFFEY	1.00	2	3	2	1	58,918	2	2	61,433	2	3	64,056
COLEMAN	0.20	1	6	1	5	12,114	1	6	12,631	1	7	13,170
DYNDIUK	1.00	3	5	3	4	72,253	3	5	75,338	3	6	78,554
KIAH	1.00	3	7	3	6	77,774	3	7	81,094	3	7	81,499
LITTEN	1.00	2	3	2	2	61,127	2	3	63,738	2	4	66,458
LORINO	1.00	1	4	1	3	56,271	1	4	58,672	1	5	61,177
O'CONNELL	0.40	1	2	1	3	22,508	1	4	23,469	1	5	24,471
PRIMER	1.00	2	7	2	6	70,826	2	7	73,849	2	7	74,218
TOURNAS	0.71	1	7	1	6	44,886	1	7	46,802	1	7	47,036
WATTS-FLAVIN	1.00	3	7	3	6	77,774	3	7	81,094	3	7	81,499
WENDRUFF	1.00	1	7	1	6	62,841	1	7	65,523	1	7	65,851
Total						Total 768,201			800,993			822,057
Difference						Difference -3,151			224			2,859
						Steps only			Steps only			
COLA						0.5%			0.5%			0.5%

INTERACTIVE SPREADSHEET

	FY19	FY20	FY21	Final Contract
COLA	2%	2%	1%	
Step	0%	0%	0%	
Market MC	\$0.35	\$0.20		Mid-year market adjustment
Market OFFA/ATP	\$0.35	\$0.20		only on top step
Top Step MC	6	6	6	
Top Step OFFA/ATP	8	8	8	
Longevity	0			
Clothing and Cleaning	\$125			Applies to all members
Mechanics	\$150			
	\$	%		
Cost	\$101,639	1.32%		

OTHER

PURPOSE OF MUNICIPAL RESERVES

- Municipal Reserves are your Undesignated Fund Balance
 - Free Cash
 - General Purpose Stabilization Fund
- To support services and to bolster your Town's bond rating
- Generally not set aside to fund CBA settlements,
 - but these reserves are often mentioned during negotiations as "pots of money" to fund contracts

SALARY RESERVE ACCOUNT

- Given that contract negotiations don't necessarily line up with Budget Development, how do you set aside funding to settle contracts?
- MGL allows municipalities to establish a Salary Reserve Account
- Purpose is to set aside resources to fund CBA's and/ or non-union salary adjustments
- **Pros:** setting funding aside during budget development may eliminate the need for Town Meeting action to make budget adjustments
- **Cons:** once an amount is included in the budget, it is "known" & available, although unions probably know anyway.