



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DETROIT FINANCIAL REVIEW COMMISSION

CITY RESOLUTION 2017-22

**APPROVING THE CITY'S AMENDED COLLECTIVE BARGAINING
AGREEMENTS**

WHEREAS, Public Act 181 of 2014, the Michigan Financial Review Commission Act (the "Act"), allows for the creation of the Detroit Financial Review Commission (the "Commission") within the Michigan Department of Treasury; and

WHEREAS, Section 6(1) of the Act empowers the Commission to provide oversight for the City of Detroit (the "City") beginning on the Effective Date of the Plan of Adjustment; and

WHEREAS, Section 6(9) of the Act requires that during the period of oversight, the City shall submit new and amended collective bargaining agreements, to which it is a party, to the Commission for review and approval after approval by the City's governing body and mayor; and

WHEREAS, Section 6(9) of the Act further requires the Commission to approve or reject collective bargaining agreements submitted to it within 45 days of submission; and

WHEREAS, the Mayor and City Council of Detroit approved amended collective bargaining agreements on September 19, 2017 between the City of Detroit and

- 1) Teamsters, Local 214 for its represented employees at the Department of Transportation, for a term expiring December 31, 2018; and
- 2) U.A.W. Local 2211 – Public Attorneys Association, for a term expiring December 31, 2020.

WHEREAS, at the Commission meeting on September 25, 2017, the City presented the aforementioned amended collective bargaining agreements to the Commission.

NOW THEREFORE, be it resolved by the Detroit Financial Review Commission as follows:

1. That the City's amended collective bargaining agreements between the City of Detroit and the aforementioned bargaining units, as presented to the Commission on September 25, 2017, is hereby approved.
2. That the minutes of the Detroit Financial Review Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.



CFO MEMORANDUM
No. 2017-101-006

TO: Michael E. Duggan, Mayor; Honorable Detroit City Council
FROM: John W. Hill, Chief Financial Officer *John W. Hill*
SUBJECT: Fiscal Impact of the Proposed Contract between the City of Detroit and the U.A.W. Local 2211 - Public Attorneys Association (PAA)
ISSUANCE DATE: September 12, 2017

1. AUTHORITY

1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(d), as amended by Public Act 182 of 2014, states the chief financial officer shall submit in writing to the mayor and the governing body of the City his or her opinion on the effect that policy or budgetary decisions made by the mayor or the governing body of the City will have on the City's annual budget and its 4-year financial plan.

2. PURPOSE

2.1. To provide financial information to Michael E. Duggan, Mayor, and the Honorable Detroit City Council as they consider action on the proposed contract between the City of Detroit and the PAA.

3. OBJECTIVE

3.1. This Memorandum serves as the report on the fiscal impact of the proposed contract between the City of Detroit and the PAA in relation to the City's FY 2018 budget and 4-Year Financial Plan for FY 2018 – FY 2021.

4. SCOPE

4.1. This Memorandum is not intended to convey any statements nor opinions on the advisability of entering into the provisions in the proposed contract, including but not limited to Work Rules, except for those components of the proposed contract that have or may have a fiscal impact on the City's FY 2018 budget and 4-Year Financial Plan for FY 2018 – FY 2021.

4.2. This fiscal impact analysis is based on the proposal outlined in Schedule A of the resolution submitted by the Labor Relations Division to the Detroit City Council on September 6, 2017. It assumes further that the reference made to "fiscal year 2017" in Schedule A will be revised to read "fiscal year 2018" or removed entirely. Should the proposal change in any other way prior to approval, an updated CFO Memorandum on its fiscal impact would need to be issued.

5. STATEMENT

5.1. Conclusion: The proposed contract changes would not require the identification of other resources. There is no net negative impact on the City's FY 2018 budget and 4-Year Financial Plan for FY 2018 – FY 2021.



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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- 5.2. Background: The proposed contract's financial provisions would provide for an immediate 5% wage increase for PAA personnel hired before July 21, 2013 and an immediate 2.5% wage increase for those hired after July 21, 2013 whose salaries are less than \$70,000. All PAA personnel would receive increases of 2.5% in FY 2019, 2% in FY 2020, and 2% in FY 2021. It also includes a one-time 2.5% special lump sum payment following approval and a conditional 1% annual wage increase based on a performance evaluation incentive.
- 5.3. Fiscal Impact: As shown in the table on the following page, the wage increases and performance evaluation incentive would cost approximately \$464,000 in total over FY 2018 – FY 2021. The Law Department can utilize an equal amount in cost savings over the same time period from position vacancies and attrition. Thus, the proposed contract changes would not require the identification of other resources, and there is no net negative impact on the City's FY 2018 budget and 4-Year Financial Plan for FY 2018 – FY 2021.



City of Detroit
Public Attorneys Association (PAA) Proposal

	Fiscal Year			
	2018	2019	2020	2021
<u>PAA members hired before July 21, 2013</u>				
Budgeted salary of PAA members	\$ 2,336,285	\$ 2,394,692	\$ 2,442,586	\$ 2,491,438
<i>Annual wage increase</i>	2.5%	2.5%	2.0%	2.0%
Proposed salary of PAA members	\$ 2,393,268	\$ 2,453,100	\$ 2,502,162	\$ 2,552,205
<i>Proposed annual wage increase</i>	5.0%	2.5%	2.0%	2.0%
Incremental cost of proposed wage increase	\$ 56,983	\$ 58,407	\$ 59,575	\$ 60,767
<i>Number of PAA members</i>	25	25	25	25
<u>PAA members hired after July 21, 2013</u>				
Budgeted salary of PAA members, salary under \$70K	\$ 1,049,268	\$ 1,075,500	\$ 1,097,010	\$ 1,118,950
<i>Annual wage increase</i>	2.5%	2.5%	2.0%	2.0%
Proposed salary of PAA members, salary under \$70K	\$ 1,049,268	\$ 1,075,500	\$ 1,097,010	\$ 1,118,950
<i>Proposed annual wage increase</i>	2.5%	2.5%	2.0%	2.0%
Incremental cost of proposed wage increase, salary under \$70K	\$ -	\$ -	\$ -	\$ -
<i>Number of PAA members</i>	17	17	17	17
Budgeted salary of PAA members, salary over \$70K	\$ 1,432,129	\$ 1,467,932	\$ 1,497,291	\$ 1,527,236
<i>Annual wage increase</i>	2.5%	2.5%	2.0%	2.0%
Proposed salary of PAA members, salary over \$70K	\$ 1,397,199	\$ 1,432,129	\$ 1,460,771	\$ 1,489,987
<i>Proposed annual wage increase</i>	0.0%	2.5%	2.0%	2.0%
Incremental cost/(savings) of proposed wage increase, salary over \$70K	\$ (34,930)	\$ (35,803)	\$ (36,519)	\$ (37,250)
<i>Number of PAA members</i>	16	16	16	16
<u>Proposed performance evaluation incentive</u>				
Proposed salary of PAA members	\$ 4,839,735	\$ 4,960,728	\$ 5,059,943	\$ 5,161,141
<i>Proposed annual wage increase</i>	1.0%	1.0%	1.0%	1.0%
Incremental cost of proposed performance incentive wage increase ¹	\$ 36,298	\$ 49,607	\$ 50,599	\$ 51,611
<i>Number of PAA members</i>	58	58	58	58
<u>Total proposal</u>				
Incremental cost of proposed wage increases	\$ 58,351	\$ 72,211	\$ 73,655	\$ 75,129
Special lump sum payment (2.5% of wages)	120,993	-	-	-
Incremental overtime ²	584	722	737	751
Incremental other fringes ³	19,993	13,287	13,553	13,824
Total incremental cost of proposed increases	\$ 199,920	\$ 86,220	\$ 87,945	\$ 89,703
Savings from position vacancies and attrition	199,920	86,220	87,945	89,703
Total savings utilized	\$ 199,920	\$ 86,220	\$ 87,945	\$ 89,703
Change needed to 4-Year Financial Plan due to proposed increases	\$ -	\$ -	\$ -	\$ -

Notes:

1. Analysis assumes all PAA members qualify for performance evaluation incentive wage increase. Increase becomes effective October 1
2. Overtime assumed to be 1% of wages based on historical run rate for the Law Department
3. Fringes includes hybrid pension (5%), future retiree healthcare (2%), FICA (7.65%), and other fringe benefits (3.75%)