

Executive Summary

The International Association of Firefighters Local 341 leadership expresses its continued commitment to protect the lives and property of the city of Houston, and the health and wellness of Houston firefighters. IAFF Local 341 proposes the following measures in an effort to collaborate with City administrators and implement the Proposition B pay parity measures that were overwhelmingly approved by Houstonians in November 2018:

- Phase in pay raises over three fiscal years to achieve 100% compliance with Prop B.
- Creation of a Firefighter Wellness Center to be a first-class treatment and preventative care center.
- Encourage the discussion of incentive pay parity and the creation of a 501c9 VEBA trust.

Implementation of Pay Parity Over Three Years: HPFFA, Local 341 proposes all members receive 25% pay parity effective 07/01/2018.¹ Effective 7/1/2019, Local 341 members with 18 years or more of service will receive full pay parity and members with less than 18 years of service will receive an additional 50% of pay parity raises. By 7/1/2020, all Local 341 members will be at 100% pay parity with the police as outlined by the approved referendum Proposition B.

Cost Savings for the City: The City will realize significant cost savings by agreeing to this proposal. To start in the first year, the City will only be obliged to increase Local 341 members pay by 25% of the city's pay parity obligation. Estimated proposed city savings is \$120 million over the two-year period referenced.

Wellness Center:

Local 341 proposes the creation of a first-class preventative health and general wellness center. This center will include but not be limited to examinations rooms, phlebotomy exams, and rehabilitation rooms. The Center can be built on a lot already owned by Local 341. The Center will show the City's commitment to the health and safety of Local 341 members, who are dedicated to the City of Houston. The costs for the creation and maintenance of this Center will be offset from cost savings incurred by phasing in pay parity. Other potential cost savings to the City are discussed in measures for consideration.

Measures for Consideration: Local 341 is open to two measures for consideration as part of an overall agreement. First, Local 341 understands that an average Houston police department member receives \$13,000 in incentive pays while Local 341 members receive, on average, only \$2,000 annually. Local 341 encourages discussion on pay parity regarding incentive pays, and states that negotiations on incentive pay parity may represent a further cost savings to the City. Secondly, Local 341 is committed to providing the best healthcare to its membership while finding the best management solutions for the City. It is well known that Local 341 members represent the lowest OPEB (other post-employment benefits) out of all city employees and are the healthiest group within the insured pool. Local 341 encourages discussions on the creation of a 501c9 VEBA trust for its members.

Conclusion: While discussions concerning pay parity have been contentious in the past, this proposal provides an opportunity for the City of Houston and Local 341 to agree to a mutually positive compromise. The proposal will provide the City cost savings now and, in the future, Local 341 pay parity within three years, and the Wellness center to provide a dedicated center of excellence for Houston's bravest.

This proposal is a win for the City, a win for Local 341, and a win for the residents of Houston.

¹ For this proposal, the term "Local 341 members" represents all classified members of Houston Fire Department.

Implementation of Pay Parity

As a compromise, IAFF Local 341 proposes phasing in Local 341 pay increases to reach police parity over three fiscal years. In fiscal year one, there will be implementation of 25% of pay parity across the board to all members. In fiscal year two, Local 341 members with 18 years of service or more would receive their additional 75% pay parity, reaching 100% pay parity with equivalent police ranks. In addition, Local 341 members with less than 18 years of service would receive an additional 50% of their pay parity. In the third year, Local 341 members with less than 18 years of service would receive their final 25% increase to reach pay parity. At 7/1/2020, all Local 341 members will have pay parity.

Table 1: Phased in Implementation of Proposal B Costs

Phase 1: Effective 7/1/2018	Phase 2: Effective 7/1/2019	Phase 3: Effective 7/1/2020
All Local 341 members receive 25% of pay parity.	Local 341 members with 18 years or more of service receive the remaining 75% of pay parity. Local 341 members <u>with less</u> than 18 years of service receive an additional 50% of pay parity raises.	Local 341 members <u>with less</u> than 18 years of service receive remaining 25% of pay parity raises. All Local 341 members now at 100% pay parity.

Cost Savings of Proposal

To represent potential city cost savings calculations under this proposal, below is an example of cost savings using the City's premise of \$100 million annual cost for Prop B implementation.² Additionally given the city's assumptions, the charts assume an average cost of Prop B implementation to be \$25,000 per Houston firefighter (approximately 4,000 members). This chart also assumes no additional wage increases over the two-year period referenced and full parity implementation effective 7/1/2020.

Local 341 offers to save the City approximately \$120 million by implementing Prop B in two phases. The third fiscal year

- In phase 1, the city would pay 25% of pay parity to all Local 341, equaling \$25 million.
- In phase 2, the city would pay 1,600 Local 341 members an additional 75% of pay parity (approximately 40% of Local 341 members have served 18 years or more) equaling \$30 million. The city would pay 2,400 Local 341 members an additional 50% of pay parity equaling \$30 million.

Table 2: Costs Savings Through Compromised Phasing of Implementation

	Local 341's Proposal	Proposals Cost Savings ³
Cost of Phase 1	\$25 million	\$75 million
Cost of Phase 2	\$60 million (\$30m = 75% parity 1,600 members) (\$30m = 50% parity 2,400 members)	\$40 million
Proposal's Cost Savings in Phase 1 and 2		\$115 million

² The City states that the total annual cost of Prop B to be \$100 million, although Local 341 has never been able to reference the City's supporting data. "Houston voters pass Proposition B on equal firefighter pay," ABC13.com, 11/7/18, <https://abc13.com/politics/houston-voters-pass-prop-b-on-equal-firefighter-pay/4635026/>

³ Savings represents difference between \$100 million full implementation and Local 341's proposal.

Measures for Consideration

Incentive Pays and Other Financial Benefits

Pay parity is inclusive of incentive pays and other financial benefits, as defined in the Proposal B referendum [See attachment A]. There are numerous Houston police incentive pays that are currently not being paid to firefighters, including patrol incentive pay, shift differential pay, and weekend premium pays. Houston police also are offered tuition reimbursement, which is not included in Local 341's CBA. Proposition B requires that Houston fire will be compensated for these incentive pays, in addition to base salary to achieve true pay parity.

Table 3: Average Incentive Pays and Medical Trust Payments for Police and Fire

It is estimated that the police department pays an average of \$14,000/ member.
It is estimated that the fire department pays an average of \$2,000/ member.

- Local 341 is willing to discuss the implementation of these incentive pays as part of an overall agreement regarding an implementation schedule of Prop B and the proposed Wellness Center.
- Negotiation on incentive pay parity and medical trust payments may represent a further cost savings to the city.

Other Post-Employment Benefits (OPEB) Exposure

Although most assume a direct correlation between the Unfunded Actuarial Accrued Liability for OPEB and a city's bond ratings. Pension liabilities have more effect on bond ratings than OPEB liabilities, which many municipalities have not yet begun to fund.

However, Local 341 is prepared to establish a 501c9 VEBA trust to fund active and retired firefighters' healthcare. This would take all OPEB liabilities related to firefighters off of the city's books. All that would be needed from the City would be to re-route current healthcare contributions to the VEBA; the board of the VEBA trust would then be responsible for all claims administration and payments. Such arrangements are already in place in many jurisdictions across the country.

Local 341 also requests an independent audit be performed on the Healthcare Fund, the Workers' Compensation Fund and transfers between the two. Some Workers' Compensation claims are initially denied, and treatment is initially provided through the healthcare fund while said claims are under appeal. An audit would confirm that proper subrogation is occurring on those denials that are overturned through the appeals process.

- Local 341 is willing to discuss the creation of a 501c9 VEBA trust as part of an overall agreement regarding an implementation schedule of Prop B and the proposed Wellness Center.

Wellness Center

The Wellness Center will be a comprehensive center committed to the health and wellness of Houston firefighters. As a preventive medicine program and facility, the center will demonstrate the City's commitment to Local 341's future strength and readiness to protect the lives and property of the City.

The center may include, but would not be limited to, examination rooms, office space, phlebotomy room, rehabilitation treatment rooms, and a swimming pool for physical therapy. This space would be equipped with MRI scanning equipment, an x-ray machine, blood analyzing equipment, computers, and other technologies suitable to providing top notch medical care.

The creation of the Wellness center will result in a healthier firefighting force and allow for the early detection of many illnesses, lowering future healthcare costs.

Local 341 proposes creating this wellness center on a lot already owned by Local 341 located next to the Union Hall at 1907 Freeman Street, Houston TX 77009.

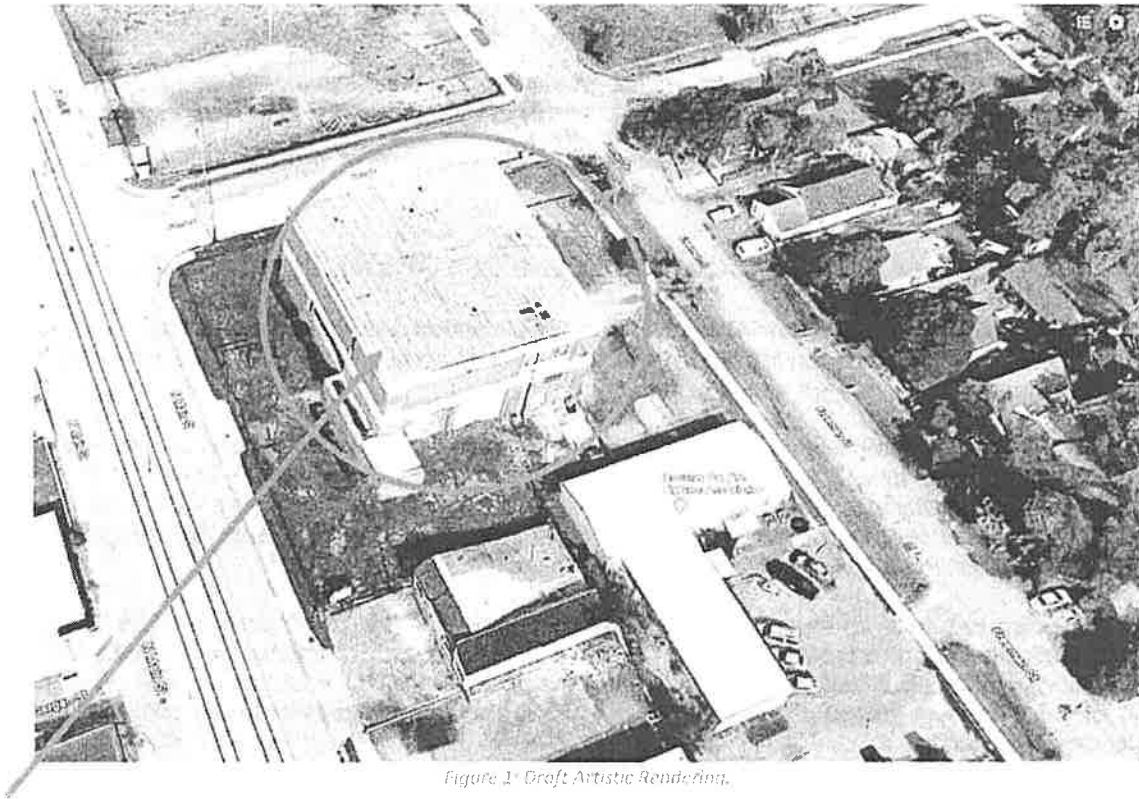


Figure 1: Draft Artistic Rendering.

Draft rendering for purpose of presentation. Not actual building proposed.