

MEMO

TO: Town Council
Town of East Greenwich, Rhode Island

FROM: Gayle Corrigan, Town Manager
Town of East Greenwich, Rhode Island

CC: David M. D'Agostino, Esq., Town Solicitor
Leigh Carney, Town Clerk

DATE: October 28, 2018

SUBJECT: Fiscal Impact of Side Deals Presented at October 22, 2018 Council Meeting

Dear Honorable Councilors:

At the October 22, 2018 I presented a list of 11 side agreements – Memorandum of Agreement or Memorandum of Understanding signed by the former town manager or solicitor - that had been found by my office to date. Ten of the 11 side agreements were concluded between the Town and the firefighters' union (see, *exhibit 1*: List of Side Agreements Found to Date, October 21, 2018).

As none of the side agreements had ever been ratified by the Town Council and vetted by the public, our Town solicitor, David D'Agostino, advised that they are *non-existent*. While some of the side agreements had no or little financial impact, two side agreements involving the hiring of six firefighters had significant financial impact to the Town. Town Council president, Sue Cienki, requested that I cost out the financial effects of the two side agreements marked "high" financial impact.

Side Agreement #4

Side agreement #4 allowed two vacancies in the East Greenwich Fire Department for two fiscal years – July 1, 2014 to June 30, 2016. Effectively, the hiring list that included 48 candidates of diverse sex, age, and geographical area was discarded in favor of six so-called "lateral transfers" - six white males, with an average age of 43, five from Coventry, one the union president's brother. The Town Council never approved the hiring of the laterals as required by the Town's Charter.

The firefighters' union has insisted that side agreement #4 saved the Town "tens of thousands of dollars per year." Nothing could be farther from the truth. The elimination of

those two positions for over two years created overtime in two of the four platoons any time a firefighter assigned to that platoon was out for any reason (e.g., vacation, sick, injured-on-duty, bereavement, etc.) – it was akin to eliminating two floater positions. Compounding this overtime creation problem was the high cost of the overtime compared to the low cost of a new hire from the hiring list. For example, in fiscal year 2015, if a candidate was taken from the list he or she would have earned \$16.95 an hour. Adding a factor of 40% to cover pension, taxes and health care costs, the hourly cost would have been $\$16.95 \times 1.40$ or **\$23.73**. Contrast this number to a top-step (at the time, the majority of firefighters fell into this classification) fire fighter’s overtime salary including taxes - $\$25.02 \times 1.5 \times 1.0765$ – or **\$40.40**.

In effect, side agreement #4 forced the Town to spend needlessly over \$16.50 more per hour to fill the two vacancies over 24 months. To get an approximate fiscal impact of this side agreement, we can use an annual leave factor. In fiscal year 2017 the average annual leave per firefighter was 517 hours. Even using a conservative annual leave of 400 hours annually for the remaining eight firefighters on the two shift for two years (2 shifts x 8 firefighters x 400 annual leave hours covered by overtime x 2 years x \$16.50 an hour differential) equates to \$211,200.

The cost of side agreement #4 to the East Greenwich taxpayers was in excess of \$200,000. Clearly, there were no “savings” to the Town.

Side Agreement #6

Side agreement #6 brought in the laterals at higher pay level and reduced the time for their training from 12 weeks to 6 weeks. After a year, the laterals received the top pay for a firefighter. Typically, collective bargaining agreements contain a series of pay rates or “steps” starting at a relatively low level for the first year and increasing for a period of years until the firefighter reached the highest level of pay or “top step”. Historically, in East Greenwich, a new hire would be paid 75% of the first step during the twelve week training period. It would take a full 4 years of work to reach the top step.

Secretly, without Town Council or public knowledge, in Section 26 Wages of the new collective bargaining agreement (signed in March, 2016, long before the laterals were hired), the initial year of employment was eliminated and the total number of years a firefighter had to work was reduced from 4 years to 2 years. (see, *exhibit 2*: Secret Changes Between Contracts). Effectively, the laterals only had to work one year to get top step pay.

Because the collective bargaining agreement with the secret revisions to wages started July 1, 2016, two firefighters on staff benefited. *Exhibit 3*: Financial Impact of Side Agreement #6 shows the financial impact to the Town of East Greenwich of the side agreement and the secret change to the wages on the eight firefighters’ base wages and overtime. The impact includes pension and FICA taxes on base wages and FICA taxes on overtime. I estimate the

other forms of overpayments received by these firefighters, such as holiday pay, holiday overtime pay, and longevity pay, conservatively at approximately \$15,000.

In effect, side agreement #6 in combination with the secret wage changes forced the Town of East Greenwich to spend needlessly an estimated \$288,000 on base wages, associated pension and tax costs and an estimated \$95,000 in overtime and associated tax costs, and approximately \$15,000 in other forms of pay and associated pension and tax costs.

Altogether the fiscal impact of Side Agreement #4, Side Agreement #6 and the secret changes in wages amount to approximately \$600,000 in needless spending by the Town of East Greenwich over the three-year period July 1, 2016 to June 30, 2019.