

Financial Restructuring Board for Local Governments

RESOLUTION No. 2017-06

AMENDING THE COMPREHENSIVE REVIEW REPORT AND AUTHORIZING A  
GRANT FOR THE CITY OF JAMESTOWN

WHEREAS, pursuant to New York State Local Finance Law section 160.05(3), the Financial Restructuring Board for Local Governments (the "Board"), upon the request of a fiscally eligible municipality, by resolution of the governing body of such municipality with the concurrence of the chief executive of such municipality, may undertake a comprehensive review of the operations, finances, management practices, economic base and any other factors that in its sole discretion it deems relevant to be able to make findings and recommendations on reforming and structuring the operations of the fiscally eligible municipality (the "Comprehensive Review"); and

WHEREAS, pursuant to New York State Finance Law section 54(10)(t)(ii), the Board may award funding under the Local Government Performance and Efficiency Program to fiscally eligible municipalities for financial restructuring and related purposes, as determined by the Board; and

WHEREAS, on February 26, 2014, the Board approved Resolution No. 2014-07 agreeing to undertake a Comprehensive Review of the City of Jamestown (the "City") in accordance with New York State Local Finance Law section 160.05(3); and

WHEREAS, the Board subsequently undertook a Comprehensive Review of the City; and

WHEREAS, on February 24, 2015, the Board approved Resolution No. 2015-03 approving the report on the Comprehensive Review of the City (the "Comprehensive Review Report") and all of the findings and recommendations therein; and

WHEREAS, ongoing conversations between the Board and the City have generated additional recommendations as set forth in Attachment A attached hereto

that (A)(i) the City reduce its fringe benefit costs on a recurring basis, and (ii) if the City agrees to abide by and implement such recommendation, the Board may, in its sole discretion, award a grant up to \$1,500,000 to help the City reduce its fringe benefit costs on a recurring basis, (B)(i) the City continue to implement workforce actions, including but not limited to actions targeted toward fringe benefits and retiree costs, that will lower the City's annual cost structure, and (ii) if the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such workforce actions; and

WHEREAS, the Comprehensive Review Report should be amended to incorporate these additional recommendations as set forth in Attachment A attached hereto;

NOW THEREFORE BE IT RESOLVED that the Board authorizes the amendment of the Comprehensive Review Report to include the recommendations contained in Attachment A attached hereto; and

BE IT FURTHER RESOLVED that the Board authorizes a grant of up to \$1,500,000 to the City to help the City reduce its fringe benefit costs on a recurring basis, which grant shall be subject to the terms of a contract entered into between the New York State Department of State and the City.

This resolution shall take effect immediately and remain in effect until modified, replaced or repealed by resolution of the Board.

No. 2017-06

Dated: 6-19-17

A handwritten signature in black ink, consisting of a stylized, cursive 'S' followed by a horizontal line and a large loop at the end.

## Workforce – Retiree Health Benefits

Sustaining the cost of retiree health benefits is becoming a significant challenge for nearly every local government in the State. Such is very much the case for the City of Jamestown. According to current provisions set forth within the various labor contracts under which the pool of approximately 308 Medicare-eligible retirees (plus their dependents) retired under, each of these individuals is presently entitled to lifetime coverage, of which the vast majority is paid for by the City's self-insurance. Overall, under the City's self-insurance there are 524 current or retired employees (including the 308 Medicare-eligible), and a total over 1,250 total lives covered (employees, retirees, and dependents).

In 2016, the City expects to have paid close to \$6.5 million for health benefits, of which over 60 percent (approximately \$3.9 million) goes to cover the pool of retirees and their dependents. As noted above, due to the legally binding contractual arrangements, the City is unable to modify the coverage, type of plan nor alter or impose a cost-sharing ratio without negotiation and/or agreement with the employees. According to the Mayor, this "legacy benefit" dates back to pre-1987. The current Mayor/Administration has tried repeatedly and continually to modify or remove this benefit via the labor contract negotiation process with its six (6) bargaining units, but to no avail.

Given the City's dire fiscal issues its faced recently, most notably for the 2017 budget in which the City needed to exhaust all of its Constitutional property tax margin, the current year adopted budget assumes \$600,000 in savings toward the City's total retiree health care costs. The Mayor is hoping to achieve these savings by offering all Medicare-eligible retirees a new alternative/supplemental health care plan.

While retirees are under no obligation to change their current healthcare plan/arrangement, the City would like to offer and provide each with a monetary incentive to entice their cooperation. The City estimates that if 25-30 percent of the retiree pool is willing to change plans the necessary budgeted savings could be met.

Recommendation: The Board recommends that the City continue to seek labor and healthcare savings. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1.5 million to help the City reduce its fringe benefit costs on a recurring basis. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

The Board further recommends that the City continue to implement workforce actions, including but not limited to actions targeted toward fringe benefits and retiree costs, that will lower the City's annual cost structure. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such workforce actions. The specific structure and conditions of any such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.