

# FOR BOARD ACTION

Agenda Item # 5

Meeting Date:

10/27/09

**SUBJECT:** Memorandum of Understanding – Furlough Plan  
I.B.E.W. 949 Outside Bargaining Unit

**PREPARED BY:** W. Schlink

ITEM DESCRIPTION:

On Tuesday October 13, 2009 the Rochester Public Utilities Outside Bargaining Unit ratified the Memorandum of Understanding that established a furlough plan for the members of that bargaining group that is mutually agreeable to the bargaining unit and to RPU management.

Execution of this MOU by the RPU Board and Common Council will finalize the RPU organizational furlough plan that covers all RPU employees and has been agreed to by all bargaining units.

UTILITY BOARD ACTION REQUESTED:

Staff recommends the Board approve and execute the attached Memorandum of Understanding between the City of Rochester Minnesota and the International Brotherhood of Electrical Workers, Local 949 and recommend approval and execution of a like action to the City Council.

Larry Koshire  
General Manager *LKW*

10-23-09  
Date

**ROCHESTER PUBLIC UTILITIES**

## **MEMORANDUM OF UNDERSTANDING FURLOUGH PLAN**

The City of Rochester, Minnesota, (Employer) and The International Brotherhood of Electrical Workers, (IBEW), Local 949, are parties to a Collective Bargaining Agreement (CBA) in effect from January 1, 2008 through December 31, 2010.

In the face of declining sales and uncertain economic times, Rochester Public Utilities (RPU), a department of the Employer, is striving to maintain an organizational goal of a zero percent rate increase in 2010. With the anticipation of the continued economic challenges into 2010 and expected shortfall in the budget, RPU is taking measures to remain fiscally sound in these uncertain times while maintaining a high level of reliable service. As a result, the above-mentioned parties have entered into this Memorandum of Understanding (MOU) establishing a furlough plan in order to avoid or minimize employee layoffs.

This furlough plan is mutually agreed to by both parties as a cost reduction strategy and will be implemented as follows:

1. Full-time employees will take 56 furlough hours (unpaid reduction in work hours) as requested by the City of Rochester Administrator between the dates of November 5, 2009 (or the start of the first full payroll period following Council approval) and July 1, 2010 and 40 hours between July 2, 2010 and December 16, 2010. These furlough hours will be pro-rated for any part-time, benefit-eligible employee within this bargaining union. The employees agree to record this furlough leave time as directed by the Human Resources Department.
2. Employees may not use more than 8 hours of furlough leave within any payroll week and may take a minimum of one hour per day. Employees who work a 12-hour shift schedule may request up to 12 hours of furlough leave within a payroll week. Coordination of furlough time with other leave time will require ongoing communication between employees and management. Supervisory approval must be obtained for any requested furlough leave and if employees do not request and schedule the furlough leave within the timeframes noted above, management reserves the right to schedule the leave. Employees agree not to use furlough leave time which could result in the creation of increased costs for the Employer.
3. Furlough leave will not impact vacation or sick leave accruals, disqualify employees from other benefits for which they are currently eligible, or impact bargaining unit seniority. The annual vacation rollover cap of two times the annual vacation accrual will be increased by 80 hours after the last pay date in December, 2010.
4. Employees utilizing other leave options for personal reasons, a medical condition, or Family Medical Leave, will be required to participate in this furlough plan.
5. The Employer will honor the 2010 wage schedule outlined in the current CBA, however, all base-rate step adjustments will be suspended from January 1, 2010 through December 31, 2010.

6. The Employer will monitor the financial condition of the City through 2010 and if justification for the furlough hours is no longer warranted as evidenced by an improved long-term, forecasted City budget, the City Administrator may reduce the amount of furlough leave to be taken. No reimbursements will be made to employees who have taken excess furlough leave. Upon request from the Union, a furlough usage list will be provided for this bargaining unit.
7. The Employer will honor the answers given to questions in the attached "Will a Furlough Affect My Pension?" document.

This MOU will expire on December 31, 2010.

The Parties have caused this Memorandum of Understanding to be executed by their duly authorized representatives on the dates indicated below.

**City of Rochester**

**IBEW, Local 949**

\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Business Representative

\_\_\_\_\_  
City Clerk

10/21/2009  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**Rochester Public Utilities Board**

\_\_\_\_\_  
President

\_\_\_\_\_  
Date

## Will a Furlough Affect My Pension?

The City of Rochester has offered a furlough plan to all city employees as a way to reduce expenses, with acceptance by many of the employee groups. Understandably, employees who are near retirement may want information about the potential impact a furlough leave may have on their PERA retirement benefits. Listed below are answers to some of the most common questions.



**Question 1:** Will I experience a loss of service credits from a furlough leave?

**Answer:** No. Under the provisions of our furlough plan, employees should not experience any loss of service credits with PERA. This is because you earn one service credit for each month for which you are paid—even if it is just one day.

**Question 2:** Will a reduction in my salary due to my furlough leave affect my PERA benefits?

**Answer:** A reduction in salary from furlough leave can affect your PERA benefits. The impact is dependent on a number of factors. Your PERA benefits are based on your high-five salary—your average salary over your highest-paid 60 months of consecutive public service. If you are 25 years old today and plan to work in your PERA-covered job until retirement, the reduction in salary will probably have no impact on your retirement benefit. However, if you are within five years of retirement, it could have an impact. There are ways to remove this through additional contributions by both the City and the employee under a special provision for what is known as periodic repetitive leave.

**Question 3:** What are these additional contributions?

**Answer:** These additional contributions by both the City and the employee represent the PERA contributions for the time an employee was absent under a furlough leave. The contributions must be made within one year of the furlough leave or within 30 days of your termination of employment with the City, whichever is sooner.

**Question 4:** How much will it cost me?

**Answer:** You will be responsible for payment of your employee contributions to PERA. Upon receipt of these contributions, the City of Rochester will be obligated for payment of the employer contributions to PERA.

Here's an example of the cost: We have a PERA Coordinated employee earning \$17.00 per hour who takes 3 days of furlough leave (24 hours).

- The pay not reported to PERA is \$408 ( $\$17 \times 24$  hours). The employee contribution rate is 6%, so the **employee** contributions to PERA would be \$24.48 plus interest, sent directly to PERA.
- Upon payment of the employee contributions, PERA would contact the City of Rochester for contributions of \$27.54 ( $\$408 \times 6.75\%$ ).

Depending on when the contributions are made, there may be additional interest applied to the contributions. Thus, for contributions of \$24.48 the employee maintains his or her high-five average salary.

**Question 5:** How will PERA be notified of my furlough / periodic repetitive leave?

**Answer:** All employee furlough leave will be reported to PERA at the end of the calendar year by the City.

**Question 6:** How do I make up my contributions?

**Answer:** You will deal directly with PERA. Contact PERA at (800) 652-9026, and they will calculate the required contribution amount, including any interest owed. PERA will explain the process to be followed and provide any necessary forms. All payment are made directly to PERA.



## RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Board requests the Common Council of the said City to approve the Memorandum of Understanding with the IBEW Local 949 Outside bargaining group per the terms, and to authorize the City Clerk and Mayor to execute the Memorandum of Understanding.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27<sup>th</sup> day of October, 2009.

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President

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Secretary