



Mounting Deficit Spells Likely Dues Hike For Many DC37 Members

Prescription-Drug Costs Key Element in Crisis; Union Streamlines Operations

By RICHARD STEIER

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District Council 37, facing a negative balance sheet as outside forces including perpetually-rising prescription-drug costs and the financial havoc wreaked on its Barclay St. headquarters when they were rendered uninhabitable for an extended period by Hurricane Sandy, has put together a major program to cut costs and streamline services that is likely to result in dues increases for many of its 125,000 members.

Pass-Along to Members

The union's executive director, Henry Garrido, during an extended interview Oct. 5 said that he was reducing the subsidy of the locals' per-capita dues costs that has been in effect since 1998, when DC 37 was wracked by a widespread corruption scandal that produced the criminal convictions of more than two-dozen high-ranking officials.

While that doesn't directly affect members' dues, the reduction in the portion of dues to its international union that it picks up for the locals will force a significant number of them to ask more of their rank and files, according to two veteran local presidents.

"There's no way we can run a local the size of mine without raising dues," said Carmen Charles, president of Hospital Workers Local 420, who said she cut dues soon after becoming president in 2002 and had not raised them since for her 8,500 members.

James J. Tucciarelli, president of Sewage Treatment Workers Local 1320, noted he had a pass-along clause that required any increase in per-capita dues for his local imposed by DC 37 to be covered by an increase in rank-and-file dues.

But he said Mr. Garrido, who is completing his second full year running DC 37, was taking action that was "long overdue" to deal with the mushrooming deficit, and that the alternatives were worse.

'Can't Risk Service Cuts'

"What's gonna be a bigger problem," Mr. Tucciarelli said, "is if they have to reduce the [DC 37 staff] headcount and the members aren't going to have the same level of service" in terms of representation in grievance cases and disciplinary hearings.

Mr. Garrido pointed to a projected decline in net worth for DC 37 this year of nearly \$33 million, which is occurring even as it has picked up members and gotten back to its peak headcount of 125,000, as forcing his hand.

"I don't see it as the glass half-empty," he said. "I see it as an opportunity to change and do things right."

In addition to the dues changes, the union also plans to close its health-care facility on Joralemon St. in downtown Brooklyn while compensating by expanding hours at its facility at 115 Chambers St., a few blocks from its headquarters, and opening it on Saturdays and Sundays. Mr. Garrido is also contemplating opening one or more satellite facilities in neighborhoods where many members live but rents are less prohibitive than they have become in Brooklyn Heights. The union owns the Chambers St. building.

'Model No Longer Works'

Noting that the Brooklyn facility had been launched several decades ago by the late Victor Gotbaum, he said, "This model [of two large health centers] worked very well in the 1980s. Right now, it doesn't work."

Both the current health-care facilities offer dental services as well as audiology, ophthalmology and podiatry. The union also has an in-house legal-services program, runs an education program, and, in Mr. Garrido's words, "We cover our retirees until the day they die. We have a far-richer supplemental benefit" than most municipal unions.

But its ability to deliver all those services from the same locations without economizing has been made untenable by a combination of the impact of Obamacare and the soaring cost of prescription drugs.

"We have people who are Medicaid-bound and we don't have the ability to negotiate on prescription drugs," the DC 37 leader said. He pointed to stratospheric rises in the cost of EpiPen over the past year, as well as for drugs to treat Hepatitis C and diabetes, and price-rises for some antibiotics.

Costly 'Hep C' Remedy

Harvoni, which is used to treat Hepatitis C, "costs between \$1,800 and \$2,200" per treatment, which Mr. Garrido said was "more than we get from member contributions" to the health-and-security fund. Diabetes-medication costs have risen 700 percent in recent years, he said.

"And retirees are living longer, which is great," he said, but also takes a toll on the union's finances. Its health-and-security fund ran a \$31-million deficit in the fiscal year that ended July 1, is projected to hit \$49 million in the current fiscal year, and take a kangaroo hop to \$92 million in fiscal 2018, which begins next July.

The impact of that trend, an \$8.5 million projected deficit in the education fund this fiscal year and an anticipated \$2.3-million operating-budget loss was dramatized in a booklet distributed to DC 37 delegates, local presidents and the executive board during separate meetings at the end of last month. Under the heading "Financial Reality," the impact of those deficits was summarized succinctly: "If we do nothing, we will run out of money October 2018."

Mr. Garrido said he had already begun reducing staff and payroll costs after succeeding longtime District Council 37 Executive Director Lillian Roberts at the beginning of 2015, achieving \$1.5 million of a targeted \$2 million in savings through a mix of buyouts and salary cuts, including a reduction in his own base pay by \$75,000 from the \$350,000 Ms. Roberts had been receiving at the time of her retirement.

Re-Bidding Contracts

The union is in the process of re-bidding all contracts it has with outside providers, from maintenance work to prescription drugs, in an effort to produce additional savings. That includes having the City University of New York take over education services now provided through "consultant instructors" under contract with DC 37.

Even with the streamlining, Mr. Garrido said, an infusion of money is going to be needed to prop up the health-and-security fund while changes in areas like prescription-drug costs are negotiated. And so he has begun talking to the Office of Labor Relations about an extension of nearly three months in the union's contract—due to expire next year—in which instead of a pay raise, he is seeking \$24 million through a \$200-per-member benefit increase.

Prior to becoming executive director, Mr. Garrido had begun signing up as members what had then been 27,000 people represented by District Council 37 who hadn't actually joined the union but were required to pay the equivalent of dues under the state's Agency Shop Law. Lee Saunders, the president of DC 37's international union, the American Federation of State, County and Municipal Employees, had pushed for that conversion, after years in which the number of agency-fee-payers grew, because of concern about a case brought by Teachers in California that challenged that state's equivalent, the "fair-share" provision, claiming they should not have to pay fees when their union was sometimes not acting in their best interests. The case had gone to the U.S. Supreme Court, where it seemed possible that such requirements would be declared unconstitutional, until the death of Justice Antonin Scalia earlier this year led to a 4-4 deadlock that preserved agency-shop requirements.

Gives Them a Stake

Mr. Garrido, like Mr. Saunders, believes there is good reason to get all the union's agency-fee-payers to be full-fledged members that goes beyond the economic threat that had been posed by the legal challenge. Since agency-fee-payers are ineligible to vote in union elections, they are unlikely to become involved in union operations in a productive way, and a key element of his plan to transform the union depends on promoting greater activism within the rank and file.

One reason the union's finances flagged during Ms. Roberts's tenure was the loss of membership, as the Bloomberg administration eliminated thousands of jobs as people left them and moved many provisional workers into entry-level managerial positions when they failed civil-service exams and were facing layoffs under a court decision that led the state to order the city to pare its provisional rolls. The fact that this took those employees out of the union, the DC 37 leader said, was "an added bonus" in the eyes of the former Mayor.

Seeks Reclassifications

Mr. Garrido has made up the membership losses, with a resulting replenishment of dues money, but he is looking to have the state Civil Service Department reclassify 18 titles

now deemed managerial with an eye toward gaining representation rights for roughly 3,200 people serving in them. That is part of an overall organizing strategy that would sign up 10,000 more workers, a good number of them outside municipal government in areas like the not-for-profit sector. As part of this initiative, he has been talking with other unions about collaborating in determining which new titles that are open for representation are best suited to be represented by each union—an effort to save money on costly representation battles.

‘Combine, Not Compete’

“The idea is we can combine forces, not compete with another union,” he said, citing a working relationship that is already in place with the Organization of Staff Analysts. “Be strategic in creating partnerships that work.”

In some cases, he said, such partnerships in the not-for-profit sector are being explored with other affiliates of the international union like District Council 1707, which has long been known for representing day-care workers and has recently gotten actively involved in connection with the de Blasio administration’s major expansion of pre-kindergarten classes.

Another area for potential growth, Mr. Garrido said, are the welfare-to-work people participating in the city’s Job-Training Partnership program.

The damage done by Hurricane Sandy four years ago to the union’s headquarters took an economic toll via the rental of outside space, loss of productivity as staff was scattered to various locations, and the cost of repairs that weren’t covered by the Federal Emergency Management Administration.

‘Threw Us for Loop’

“Hurricane Sandy just threw us for a loop,” Mr. Garrido said, with FEMA reimbursing DC 37 only for the damage done to the offices occupied by its benefit funds, not the larger operations within 125 Barclay St. “The part we cannot recover from the Feds, the union has to make up the difference,” which amounted to several million dollars.

But, he said, “At the same time we were repairing the

building, we were improving the operation,” shifting from a mainframe system to server technology for its computers.

He is also negotiating with the unions that represent in-house staff to find savings, and, “I think they’ve been generally receptive to the plan.”

One uncertainty is how members will react to the likelihood of dues increases imposed by their locals to cover their own higher costs now that DC 37 is reducing the subsidy it provides toward the per-capita payments to AFSCME. A common theme sounded by union officials during the meetings late last month, Mr. Garrido said, was, “They were concerned we would be putting more of the burden on our members. But it’s a critical moment for the union. . . We’ve been subsidizing the locals for a long time. We’re looking to reduce our subsidy.”

‘Doing Nothing No Option’

Ms. Charles, whose local is among those that embraced the effort to sign up as members all those who hadn’t been enjoying full union rights to the degree that, according to Mr. Garrido, hers is one of 26 of DC 37’s 55 locals that no longer has any agency-fee-payers, said, “My local can’t afford this,” referring to the added financial burden caused by the reduction in per-capita subsidy.

At the same time, she said, reluctant as she is to increase members’ dues, “I know without those changes, it’s going to have a devastating effect on our benefits. I know doing nothing is not an option.”

Mr. Tucciarelli, who is co-chair of the health-and-security trust fund, remarked, “Unfortunately, every time we come up with a cost-saving measure, the damn prescription-drug folks hit us with an extra kick that wipes out the savings. Some of our members are on specialty drugs that are costing us \$300,000, \$400,000 a year.”

And so the changes, from the infusion to the health fund to the effort to re-bid the union’s prescription-drug contract, as well as the other economies being explored at the same time that Mr. Garrido strives to increase dues-paying members, in Mr. Tucciarelli’s view “will stop the bleeding. This plan will put us on, I wouldn’t say rock-solid footing, but better than what we have.”