

CITY OF SAN JOSÉ

Labor Negotiations Update

February 15, 2011

Labor Relations Information

www.sanjoseca.gov

- Click on **City Departments** (left column)
- Click on **Employee Relations** (Under City Manager's Office)
- Click on **Labor Relations Information**

<http://www.sanjoseca.gov/employeeRelations/labor.asp>

Agenda

- Labor Negotiations Update
 - Negotiation Teams
 - Ground Rules
 - Information Requests
 - Negotiations Update by Bargaining Unit
- Council Direction
 - Additional Reforms
 - Sick Leave Payout Direction

Meet and Confer In Good Faith

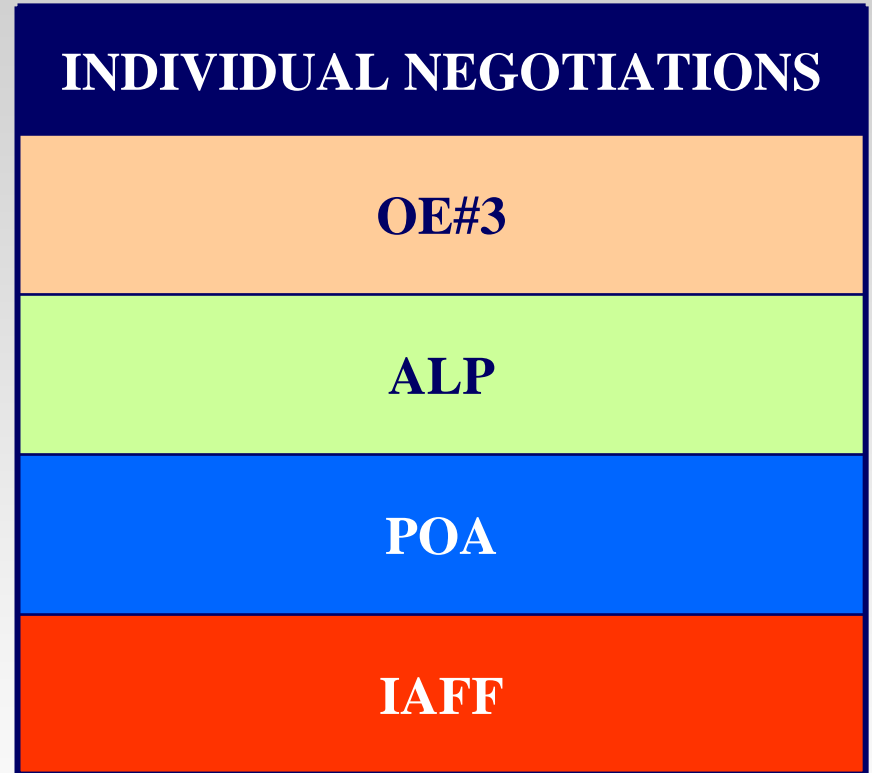
“... to endeavor to reach agreement on matters within the scope of representation prior to the adoption by the public agency of its final budget for the ensuing year. The process should include adequate time for the resolution of impasses[.]”

- Meyers-Milias-Brown Act, Government Code Section 3505

Negotiations Timeline

Timeline	Date
Council Meeting for Approval in Time to be Considered in Budget	May 31, 2011
Council Memo Issued	May 16, 2011
Need to Reach Tentative Agreement	May 13, 2011

Negotiation Structure



Negotiation Teams

San Jose Fire Fighters, Local 230

Union Team

Name	City Job Title
Jeff Welch	Fire Captain
Joel Phelan	Fire Captain
Soren Coats	Fire Engineer
Juan Diaz	Battalion Chief
Darren Wallace	Fire Captain

City Team

Name	City Job Title
Alex Gurza	Director of Employee Relations
Aracely Rodriguez	Senior Executive Analyst
Marco Mercado	Executive Analyst
Teresa Reed	Assistant Fire Chief

San Jose Police Officers' Association

Union Team

Name	City Job Title
George Beattie	Lieutenant
Jim Unland	Sergeant
Franco Vado	Police Officer
John Robb	Sergeant
John Tennant	N/A

City Team

Name	City Job Title
Alex Gurza	Director of Employee Relations
Jennifer Schembri	Senior Executive Analyst
Deanna Santana	Deputy City Manager

Operating Engineers, Local No. 3

Union Team

Name	City Job Title
Bill Pope	N/A
Tom Reilly	Plant Mechanic, ESD
Cynthia Perez	Parking & Traffic Control Officer, DOT
Jon Reger	Environmental Inspector, ESD

City Team

Name	City Job Title
Gina Donnelly	Deputy Director of Employee Relations
Jennifer Schembri	Senior Executive Analyst
Marcus Hermanson	Executive Analyst
Kevin O'Connor	Deputy Director, DOT

AFSCME Local 101- MEF/CEO

Union Team

Name	City Job Title
Charles Allen	N/A
Yolanda Cruz	Network Engineer, Library
LaVerne Washington	Legal Analyst, City Attorney's Office
Peggy Martinez	Supervising Public Safety Dispatcher, Police Department
Dan Earl	Public Safety Radio Dispatcher, Police Department
Gerry Chappuis	Contract Compliance Specialist, Public Works
Luis Matos	Security Officer, Public Works
Karen McDonough	Env. Services Specialist, ESD
Mary Cornwell	Analyst, Finance
Cheri Good	Staff Technician, Public Works

AFSCME Local 101- MEF/CEO

City Team

Name	City Job Title
Gina Donnelly	Deputy Director of Employee Relations
Marcus Hermanson	Executive Analyst
Michelle Barte	Executive Analyst
Julia Cooper	Assistant Director, Finance
Ron D'Acchioli	Deputy Director, Fire

Association of Legal Professionals

Union Team

Name	City Job Title
Bill Clark	Senior Deputy City Attorney
Vera Todorov	Senior Deputy City Attorney
Brian Doyle	Senior Deputy City Attorney
Mike Dodson	Senior Deputy City Attorney

City Team

Name	City Job Title
Gina Donnelly	Deputy Director of Employee Relations
Marco Mercado	Executive Analyst
Charles Sakai	Consultant

Coalition- AEA, CAMP, ABMEI, IBEW and AMSP

Union Team

Name	City Job Title
Nancy Ostrowski	N/A
John Mukhar	Senior Engineer, ESD
Diana Butcher	Associate Engineer, DOT
Henry Servin	Senior Engineer, DOT
Richard Hicks	Supervising Building Inspector, PBCE
Steve Stender	Supervising Building Inspector, PBCE
Mike Terwilliger	Supervising Building Inspector, PBCE
Ross Bayer	Airport Ops Supervisor, Airport
Dale Dapp	Pavement Maintenance Super., DOT
Phyllis Schulz	Maintenance Supervisor, DOT

Coalition- AEA, CAMP, ABMEI, IBEW and AMSP

Union Team Continued

Name	City Job Title
Kara Capaldo	Senior Analyst, Fire Department
Phyllis Dawkins-Thames	Latent Fingerprint Examiner Supervisor, Police Department
Cay Denise MacKenzie	Senior Emergency Services Planner, Fire
Dan Rodriguez	N/A
Joe Beckham	Electrician, DOT
Frank Crusco	Electrician, Public Works
Marc Freitas	Senior Electrician, Public Works

Coalition- AEA, CAMP, ABMEI, IBEW and AMSP

City Team

Name	City Job Title
Aracely Rodriguez	Senior Executive Analyst
Gina Donnelly	Deputy Director of Employee Relations
Allison Suggs	Executive Analyst
Marco Mercado	Executive Analyst
Vijay Sammeta	Deputy Director, IT
Matt Morley	Deputy Director, Public Works
Joe Horwedel	Director, PBCE

Ground Rules

- Not a requirement
 - Should not hold up negotiations
- Been discussing ground rules with majority of bargaining units for multiple sessions
- Importance of ground rules were elevated when we had separate retirement negotiations
 - No longer the case
- Have not reached an agreement on ground rules with any bargaining unit

ALP Proposed Ground Rules- Select Portions

3. FAIRNESS IN CONDUCT OUTSIDE OF COUNCIL MEETINGS - Recognizing that it has an unequal level of access to Council outside of City Council meetings, the City administration agrees that it will adhere to the following standards in the use of that access:
 - a. In the event that the Mayor, City Council or the City administration plans to place any item that would affect negotiations with ALP on the Rules and Open Government agenda and/or the City Council Agenda, ALP must be given a minimum of 24 hours notice prior to submission of any item at Rules and Open Government or City Council Agenda.

5. LEGAL BASIS OF PROPOSALS - The City agrees that it will not insist on proposals that do not have a clear, generally recognized legal basis. If ALP expresses its good faith belief that a position taken by the City is not legally supportable and ALP provides a legal basis for such belief, the City shall promptly provide ALP with a reasonable summary of the legal support for the City's position.

MEF/CEO Proposed Ground Rules- Select Portions

4. The parties agree that two, mutually agreed upon members of the City Council, Councilmember-designees, or Chief of Staff will be present during negotiation sessions, to observe, but not participate in the negotiation process.

9. All responses to Union Requests For Information shall be submitted to the chief spokesperson, each bargaining unit representative (President) and the MEF/CEO joint bargaining unit team electronically via email and in MS Excel format as applicable at least 5 working days prior to the next scheduled negotiation session.

Ground Rules- Next Steps

- Proceed without ground rules with any bargaining unit or coalition so as not to delay negotiations any further

Information Requests

- Unions are entitled to information that is “necessary and relevant”
 - Not without limitations
- Information requests pertaining to non-bargaining unit employees are not presumed relevant
- The City is not required to bear the burden of substantial costs for producing information
 - Parties must bargain over what the costs would be and who would bear them

MEF/CEO Information Requests- Select Portions

Data that shows how much money councilmembers, council appointees, and city staff assigned to Unit 99 are paid, before deductions, in calendar-year 2010 as well as the following data that will allow AFSCME to better understand the total cost of employment of each individual:

- the cost of all medical benefits paid to each councilmember, council appointee, and city staff assigned to Unit 99; and,
- the cost to the City of all pension and retirement contributions, including any portion paid by the City of what is the councilmembers', appointees', or Unit 99 employees' share of pension contribution, and any payments to any other deferred compensation or retirement plan.

MEF/CEO Information Requests- Select Portions (cont'd)

- Historical Data: A 20-Year History of the following items:
 - San Jose General Fund Expenditures
 - Total City of San Jose Expenditures
 - Number of participants in both the Federated and Safety Plans
 - Normal Cost for both the Federated and Safety Plans
 - Employee Compensation for both the Federated and Safety Plans
 - Employer Contribution for both the Federated and Safety Plans, split by:
 - Normal Cost and
 - Contribution to Unfunded Liability
 - Employee Contributions for both the Federated and Safety Plans
 - Investment returns for both the Federated and Safety Plans (market basis)

ALP Information Requests- Select Portions

1. All publicly available compensation information for each unrepresented (Unit 99) employee since January 1, 2005 other than ALP members.
2. All records relating to any base pay increase since January 1, 2008, whether as a promotion or within the same classification for any unrepresented (Unit 99) employees other than ALP members.
7. Please provide copies of all current outside legal counsel contracts as well as the amount of payments to date under each of the contracts.
8. Please provide copies of all no bid (no competitive process) consultant contracts entered into by the City Manager over \$10,000 since January 1, 2008 as well as the amount of payments to date under each of the contracts.
9. Please provide the following basic data with respect to each retired employee who has worked for the City since January 1, 2008. The date of retirement, the amount of compensation received working since retirement, whether as a rehired retiree, independent contractor consultant, or contract employee.

Information Requests- Next Steps

- Respond with information that is readily available
- Ask for additional information regarding relevance of information and/or discuss how gathering of information may be unduly costly or burdensome
 - Negotiate over potential costs

San Jose Fire Fighters, IAFF Local 230

San Jose Fire Fighters, Local 230

- Contract expired June 30, 2009
- Proceeding to binding interest arbitration under revised Charter Section 1111
- Union requested to meet to provide settlement proposal
 - Met with Union on February 11th

San Jose Fire Fighters, Local 230 Proposals

Issue	August 1, 2010	February 11, 2011
Term	July 2009 – June 30, 2011	July 2009 – June 30, 2013
Wages	0% (FY 09-11)	0% (FY 09-13) (Credit of 1.20% per year for actuarial assumption – lower than expected salary increases)
Additional Retirement Contributions FY 2011-2013	(Sunsets June 30, 2011) 5.25% employee contributions to offset City's retirement costs	(Sunsets on June 30, 2013) 6.0% employee contributions to offset City's retirement costs
Healthcare Changes Cost Sharing Co-pays Health/Dental In-Lieu Dual Coverage	Effective 12/26/10 85/15 \$25 copay plan Caps Elimination of Dual Coverage	No Change
Retiree Healthcare Pre-Funding	5-year Phase-in to fully pre-fund effective July 1, 2011 in an amount agreed upon by the parties	5-year Phase-in to fully pre-fund effective July 1, 2011 Establishment of a VEBA before July 1, 2011
Vacation Slots	No Proposal	Reduce Number of Vacation slots (FF, FE, FC) by 3 positions (2011 – 2013) Reduce Number of Vacation slots (Battalion Chief by 1 position (2011-2013)
Vacation Accrual Caps and Cashout Program	No Proposal	Lift Maximum Vacation Accrual Caps (2011-2013) and allow cashout for hours above cap
Vacation Sellback Program	No Proposal	Up to 120 hours (2011-2013)
Uniform Allowance	Reduce from 7/1/10 – 1/1/11 to offset healthcare reductions that would have been implemented in 7/1/10 – 1/1/11	No Proposal

San Jose Fire Fighters, Local 230 Proposals (cont'd)

Issue	August 1, 2010	February 11, 2011
Firefighter Bill of Rights	No Proposal	Incorporate into MOA
SRBR	No Proposal	Revise SRBR payment Methodology
2 nd Tier Retirement	<p>Commence meeting and conferring on pension benefit/costs for current and future employees within 30-days of a ratified agreement.</p> <p>2nd tier for new employees – Reduce pensions to 80% of final salary upon completion of 30 years.</p>	<p>Effective date of contract</p> <p>Max. Retirement 75% of final average salary</p> <p>Benefit Factor: Years 1 – 30: 2.5% per year</p> <p>Calculation of Final Average Salary: Highest annual average of final 36 months</p> <p>COLA: 3.0% tied to CPI</p> <p>SRBR: Closed to new employees</p> <p>Retiree Medical: Minimum plan amount paid to active members at the time the employee retires with future increases</p>
Charter Section 1111	Conduct stakeholder meetings and seek public input to properly analyze a potential charter modification.	No proposal
Alternate Deployment Model	Local 230 will meet with Fire Chief to develop and implement an alternative deployment program. Savings will be used to rehire laid off firefighters.	No Proposal

Proposal Savings

Fiscal Year 2011-2012 Estimated Savings Of February 11, 2011 Proposal	
San Jose Fire Fighters, Local 230	City
\$8.937 Million¹	\$5.38 Million²

¹Includes credit for one actuarial assumption change for FY 11-12 because there is no general wage increase

Includes Local 230 estimated savings for healthcare changes for FY 11-12

Includes estimated savings for reducing vacation slots for FY 11-12

Does not include cost of lifting caps and allowing employees to cashout hours in excess of maximum limit

Does not include cost of vacation sellback program

² Does not apply credit for actuarial assumption change

Includes savings for healthcare changes

Does not include estimated savings for reducing vacation slots

Does not include cost of lifting caps and allowing employees to cashout hours in excess of maximum limit

Does not include cost of vacation sellback program

Total Compensation Reduction – San Jose Fire Fighters, Local 230

	August 1, 2010 Proposal	February 11, 2011 Proposal
Total Compensation Reduction	3.50%	4.26%

“Credit” for No Pay Increases

Recommended Average Employer Contribution Rate as of June 30, 2009	Contribution Rate
Effect of investment losses	5.00%
Effect of contributions less than expected due to one year delay between rate calculation and rate implementation	1.78%
Effect of lower than expected salary increases	-1.20%
Effect of increase in UAAL rate from aggregate payroll increase less than 4.25%	0.78%
Effect of gain due to more deaths than expected amount retirees/beneficiaries	-0.15%
Effect of loss from more service retirements offset by fewer disability retirements	0.19%
Effect of other experience gains	-0.22%
Effect of reduction in investment return assumptions	4.78%
Subtotal	10.96%

Source: Segal Actuarial Valuation as of June 30, 2010

Retirement Contribution Rate Comparison

City Retirement Contribution Rate for Fire		
	FY 10-11	FY 11-12
Pension	40.24%	51.54%
Retiree Healthcare	3.92%	3.92%*
Total	44.16%	55.46%
Increase	11.30%	

Note:

Rates do not include the discount rate for the City because of the prepayment of Retirement contributions.

*Medical and Dental rates are for Fiscal Year 2010-2011. It is anticipated that the Fiscal Year 2011-2012 rates will be available in February 2011.

Negotiations Update

Bargaining Unit	Update	Next Meeting
ABMEI AEA AMSP CAMP IBEW	<p>Discussed Ground Rules</p> <p>Began discussions about Council Direction and 2nd Tier</p>	<p>02/16/11</p>
MEF and CEO	<p>MEF/CEO provided proposed ground rules and information request</p>	<p>02/16/11</p>
OE#3	<p>No Ground Rules, began discussions about Council Direction</p>	<p>02/17/11</p>
ALP	<p>Discussed ALP's information request and proposed ground rules</p>	<p>02/15/11</p>
POA	<p>Provided POA with City's list of interests and issues</p>	<p>02/18/11</p>

Council Direction

Council Direction – November 18th

- Continue March 2010 direction for 10% total compensation reduction for Fiscal Year 2011-2012 with modifications
 - Entire 10% Ongoing
 - Roll back any general wage increases received in FY 10-11
 - Include City Auditor's recommendations for healthcare cost containment (increase cost-sharing & co-pays, reduce health and dental in lieu, eliminate dual coverage)
 - In addition to 10% total compensation reduction, achieve additional reforms
 - Retirement (pension and retiree healthcare)
 - Sick Leave Payout
 - Compensation Structure (eliminate automatic step increases, modify step structure, modify overtime eligibility)

Guiding Principles – November 18th

- Commence negotiations in January 2011
- Continue using a total compensation approach
- Savings must be achievable and verifiable
- Reductions in City jobs does not reduce per employee costs
- Avoid adverse impact to retirement systems
- Consider inter-relationship of variations by bargaining unit
- Transparency in negotiations
- Availability of information requests and responses to be public
- Inclusion of operational and other contractual issues

10% Total Compensation Reduction- Last Year

- Base Pay Reduction + Healthcare Changes
 - Association of Legal Professionals
 - Unit 99
 - ABMEI- (5% Only)

- Additional Retirement Contributions + Base Pay Reduction
 - AEA
 - CAMP
 - IBEW
 - OE#3
 - AMSP

Additional Retirement Contribution Issues/Concerns

- Retirement Fund Impact
 - Return of contributions
- Current pending disputes over amount
- Compaction Issues
 - Because some employees took reductions in base pay this caused some situations of supervisors earning less in base pay than their subordinates

Reforms

- Current Direction on Reforms:
 - Retirement (pension and retiree healthcare)- specific direction received on January 25th
 - Compensation Structure (eliminate automatic step increases, modify step structure, modify overtime eligibility)
 - Sick Leave Payout

- Additional Reforms
(Recommendation/Authorization):
 - Eliminate Disability Leave Supplement (except Police and Fire where legally required to provide)
 - Eliminate Vacation Sellback

Sick Leave Payout

Sick Leave Payout Eligibility

Federated

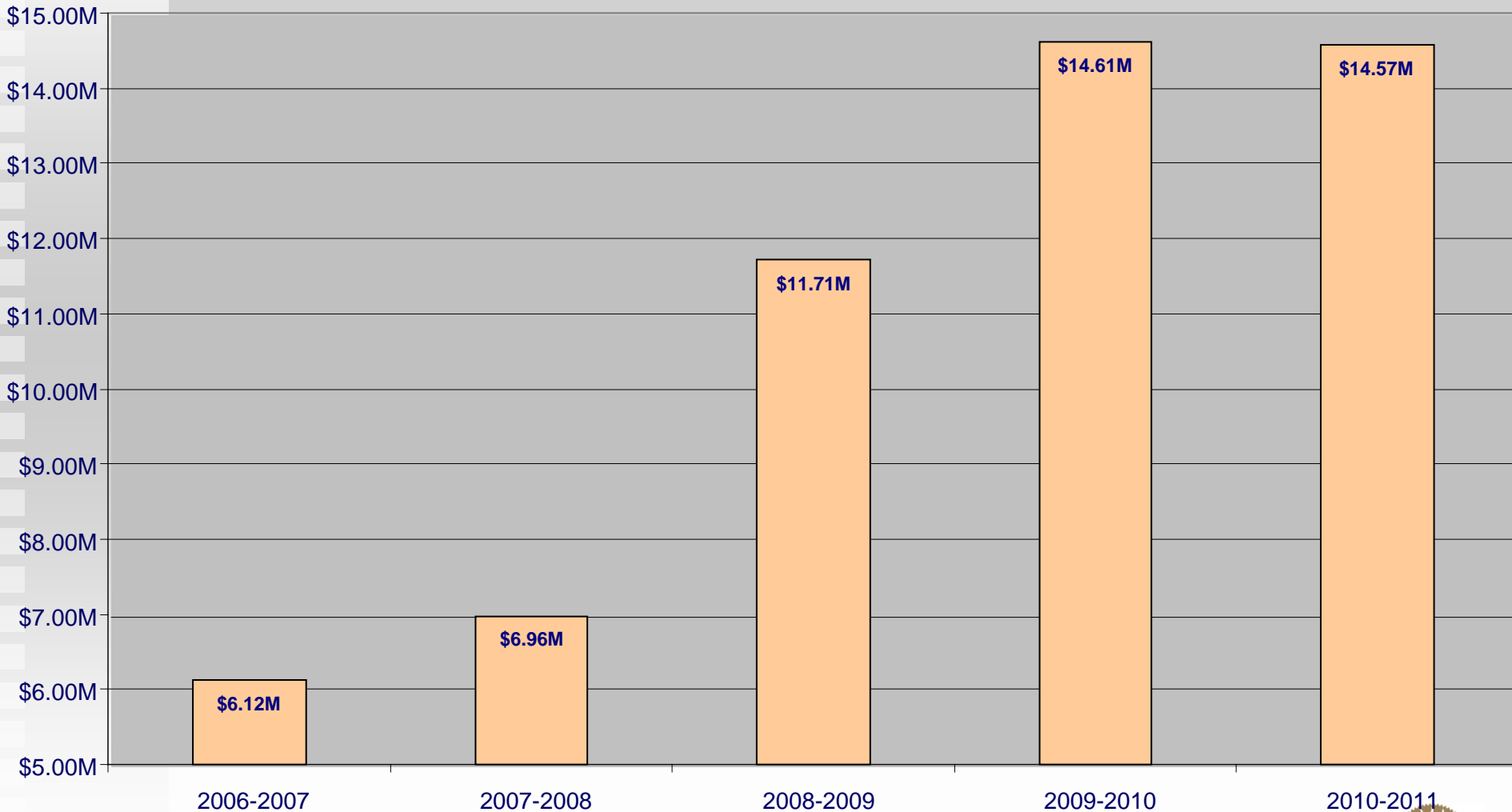
- 15 Years of Service
- Payable at time of retirement
- Employee who leaves prior to retirement will receive payment at time of retirement from the City

Police & Fire

- 20 Years of service
- Payable at time of retirement
- Employee who leaves prior to retirement will receive payment at time of retirement from the City

Sick Leave Payouts

Fiscal Year 2006-2007 to 2010-2011



Top Ten Sick Leave Payouts for 2010

Federated Payouts

Rank	Department	Sick Leave Payout
1	City Attorney's Office	\$104,724
2	Information Technology	\$74,415
3	Public Works	\$70,237
4	Finance	\$66,233
5	Airport	\$63,189
6	General Services	\$58,620
7	PRNS	\$58,026
8	Office of Economic Dev	\$56,415
9	Environmental Services	\$53,515
10	Public Works	\$53,374
Total for Top Ten Payouts		
\$658,748		
Average Sick Leave Payout (Calendar Year 2010)		
\$18,491		

Police and Fire Payouts

Rank	Department	Sick Leave Payout
1	Police	\$298,082
2	Fire	\$268,982
3	Police	\$209,397
4	Police	\$207,849
5	Police	\$206,710
6	Police	\$204,704
7	Police	\$203,989
8	Fire	\$192,978
9	Fire	\$183,759
10	Police	\$173,204
Total for Top Ten Payouts		
\$2,149,652		
Average Sick Leave Payout (Calendar Year 2010)		
\$84,973		

Sick Leave Payout Authorization

New Employees

- No Sick Leave Payout
- No Savings for 15-20 Years

Current Employees

Option	Description	Estimated Savings in Fiscal Year 2011-2012
Option A	Eliminate Completely	\$10.50 Million
Option B*	Immediate Change reducing by 50%	\$5.25 Million
Option C*	Phase in 50% reduction over 3 Years	\$788K - \$1.05 Million

* Must retire directly from City service

Example to Save 50%

Federated

Sick Leave Hours	New Benefit
< 800 Hours	Hours accumulated x 50% of final hourly rate

Police & Fire

Sick Leave Hours	New Benefit
< 400 Hours	Hours accumulated x 50% of final hourly rate
400 – 799 Hours	Hours accumulated x 60% of final hourly rate
800 – 1200 Hours	Hours accumulated x 75% of final hourly rate

Conclusion