

April 13, 2022

Via E-mail
john.tucker@ca.afscme57.org
ekamya@ifpte21.org

John Tucker
1150 N First Street #101
San Jose, CA 95112

Elizabeth Kamya
4 N. Second Street, Suite 430
San Jose, CA 95113

Re: Wage Proposal for Fiscal Year 2022 - 2023

Dear John and Lizzy:

The City is in receipt of the proposal made by MEF, AFSCME, Local 101 and IFTPE, Local 21 submitted on April 11, 2022. We appreciate that the Coalition sent the proposal before our meeting today, so that the City could inform the City Council of the proposal and provide a response during our meeting.

In the letter, the Coalition cites several reasons as background for the proposed 2.5% general wage increase (in addition to the 3% already agreed to for a total of 5.5%) including vacancies, inflation and the cost-of-living, comparator agencies, and the surplus projected in the Five-Year Forecast. We would be remiss if we did not respond to some of the statements included in your letter and provide a greater context to the issues that you brought forward.

- **Vacancies** - The Coalition is aware that the City has been working diligently to address recruitment and retention issues in the specific classifications that require immediate attention, as we have been working with you to address these issues. Over the past few months, we have brought forward several wage adjustments and classification/minimum qualification changes to the bargaining units for this very reason. The statement in your letter “[w]hatever the City plans to do (if anything)” in reference to the City’s efforts to address recruitment and retention concerns is particularly perplexing. We are unclear how you are not aware of the City’s plan to address recruitment and retention issues when you have agreed to these special wage adjustments and classification changes, which are just one part of how these issues are being addressed. Further, as you are aware, there are not recruitment and retention issues across all classifications in the City, and, as we have communicated to you, it is our intention to continue to work with you to address recruitment and retention issues in those classifications that have the greatest need.

April 13, 2022
Page 2

Further, it is important to note that many other agencies are experiencing high vacancy rates, some of which are historically higher paid than San Jose. This information tells us that while wages are important in an agency's ability to recruit and retain employees, it is not the only factor that impacts high vacancy rates which are currently being experienced across the labor market.

- **Inflation and the Cost-Of-Living** - While the City appreciates and understands employees' concerns regarding rising inflation, the City has not bargained with its unions for wage increases based on the Consumer Price Index or Social Security increases in any previous negotiation. We are happy to discuss this further.
- **Comparator Agencies** – The decision of which comparator agencies that the City uses in many of its surveys of comparable jurisdictions is not a unilateral decision made by the City. Rather, it is a list of agencies that the City and MEF mutually agreed upon as set forth in Article 22 of our MOA. It is important to note that you mention Santa Clara County and the City of Santa Clara as being comparable, as these are already included in the list of agencies contained in the MEF contract that define the market. We are happy to entertain proposals to redefine the list of comparator agencies when your contracts are up next year. We are also unclear why this issue is being raised as you have not shown salary survey data to support your request for a total 5.5% increase across the board for all classifications you represent.

It is also important to note that the City does consider when the currently defined market does not meet the needs of the compensation survey being conducted for a given classification, and that we do in fact include agencies outside of the agreed upon market, when necessary, such as for certain Animal Shelter positions and certain positions in our Regional Wastewater Facility. Thus, the City clearly understands when the market needs to be adjusted for salary surveys and does so accordingly on a case by case basis.

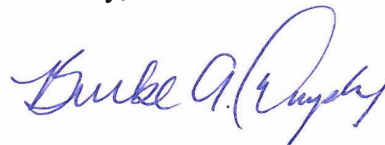
- **Five-Year Budget Surplus** - While the Five-Year Forecast provides a positive outlook for Fiscal Year 2022-2023, there are many programs that are currently funded on a one-time basis that need to be evaluated for continued and ongoing funding. As an example, programs like the Beautify San José Consolidated Model, Police Sworn Hire Ahead Program, Downtown Foot Patrol, Library Branch Hour and Operations for Lower-Resourced Communities, Viva Calle/Viva Parks, Pest and Turf Management Team, and Parks Rehabilitation Strike and Capital Infrastructure Team are all funded on a one-time basis in the current year (either in the American Rescue Plan Fund or the General Fund). These programs alone total over \$28 million. Further, it is important that we continue

April 13, 2022
Page 3

addressing those specific classifications that are experiencing significant recruitment and retention issues, such as those in Engineer and Architect series. To the extent significant funding is used for an across-the-board increase, this may offset funding available to do special wage adjustments for those classifications that are affected by recruitment and retention issues. It is also notable that the wage increase that the Coalition proposed would also have the potential to increase the City's unfunded actuarial liability as the Federated Retirement System's current annual wage increase assumption is 3.00%. Any increase to the unfunded actuarial liability increases the City's retirement contribution in future years.

We look forward to discussing this proposal with you and providing a response later today.

Sincerely,



Burke Dunphy

cc: Jennifer Maguire, City Manager
MEF Negotiations Team
IFPTE Negotiations Team