



EARLY RELEASE OF STAFF REPORT FOR THE CITY COUNCIL MEETING OF APRIL 2, 2013

The following staff report is being release in advance of the normal packet distribution:

Present Information Regarding Employee Compensation and Receipt of Public
Comment Relating to Upcoming Contract Negotiations with All Units

([Staff Report #13-049](#))

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ADMINISTRATIVE SERVICES DEPARTMENT

Council Meeting Date: April 2, 2013
Staff Report #: 13-049

REGULAR BUSINESS ITEM: Present Information Regarding Employee Compensation and Receipt of Public Comment Relating to Upcoming Contract Negotiations with All Units

RECOMMENDATION

Accept public input on the upcoming labor negotiations.

BACKGROUND

Pursuant to the Public Input and Outreach Regarding Labor Negotiations policy approved by the City Council March 1, 2011, staff is to bring forward to the City Council a regular business item in advance of upcoming labor negotiations and provide an opportunity for the public to be informed about the City's labor negotiations before the City commences negotiations and to provide the City Council input before the negotiations begin. This report will provide the public an opportunity to have information related to labor negotiations in advance of the commencement of negotiations and to provide input to the City Council.

This memo provides a summary of background information related to labor negotiations, a summary of bargaining unit information, personnel cost information, and the methodology used to determine a competitive and appropriate compensation package.

The following chart shows the City's five bargaining units, total Full Time Equivalents (FTE's) for the 2012-2013 Adopted Budget represented by each bargaining unit and the expiration of their most recent contract. In addition to the bargaining units listed below, there are approximately 21 unrepresented employees serving the City.

BARGAINING UNIT	FTE's ¹	CONTRACT EXPIRATION
Menlo Park Police Officers' Association (POA)	36	06/30/13
Menlo Park Police Sergeants' Association (PSA)	8	06/30/13
American Federation of State, County and Municipal Employees, Local 829 (AFSCME)	32	10/31/13
Service Employees International Union, Local 521, CTW, CLC (SEIU)	133	10/31/13
Service Employees International Union, Temporary	N/A	10/22/11

¹ Full Time Equivalents (FTE's) are the combined total number of budgeted full-time positions. For example, one full-time position equals one FTE. Similarly, two half-time positions equal one FTE.

Employees Unit, Local 521, CTW, CLC (SEIU)		
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ANALYSIS

Personnel Costs

One of the primary functions of the City is to provide services to the community. As a service organization, the great majority of the City’s costs pay for the employees who provide those services. Accordingly, 71.6% of the General Fund is allocated to personal services. In previous years, the City has experienced an increase in personnel costs as well as a loss of revenues attributable to the State’s elimination of RDA funds. The City has implemented strategic changes to mitigate the increased costs and loss of revenue while, to the extent possible, maintaining service levels including, but not limited to assessment and realignment of fee schedules, elimination of the Housing Department, a voter approved tax measure, position consolidation/reorganization and retirement reform. The City appreciates the collaboration of those bargaining units who have agreed to changes, and recognize the sacrifices made on the part of the City’s employees.

It is projected that increases in personnel costs will continue. From Fiscal Year 2002-2003 Adopted Budget to Fiscal Year 2012-2013 Adopted Budget, the average cost per employee increased by 79% from \$79,900 in the Fiscal Year 2002-2003 Adopted Budget to \$142,700 in the Fiscal Year 2012-2013 Adopted Budget. During that same time frame, the City’s workforce has been reduced by approximately 12%, from 260 to 230.

The following chart demonstrates the annual value of a 1% increase in compensation for each bargaining unit based upon Fiscal Year 2012-2013 Adopted Budget costs.

Bargaining Unit	Value of 1% Compensation Increase
SEIU	\$93,700
AFSCME	\$33,700
POA	\$39,200
PSA	\$10,400
Total	\$177,000

Principle Components for Determining Compensation

Determining the City’s bargaining principles will assist with aligning the bargaining efforts with the service and financial priorities established by both the Council and the community. The following principles will be considered in preparation for, and throughout labor negotiations over successor agreements:

- The total cost for service delivery
- The City’s fiscal condition
- The impact of Council policy decisions on bargaining
- Preservation of the City’s market competitiveness as an employer, to the extent possible

- Availability of short and long-term strategies to effectively provide services that aligns with both the priorities of the community and the City Council

Meyers-Milias-Brown Act (MMBA)

The MMBA governs the labor-management relations in California local government, including cities, counties, and most special districts. The MMBA provides the right to organize, sets guidelines for such things as the scope of representation and the requirement to meet and confer in good faith.

The MMBA states that the governing body of a public agency shall meet and confer in good faith regarding wages, hours and other terms and conditions of employment with representatives of recognized employee organizations (i.e. unions/bargaining units).

Although it is commonly referred to as an obligation to "negotiate", the MMBA refers to the obligation to "meet and confer" in good faith. The MMBA defines meeting and conferring in good faith as having the mutual obligation to personally meet and confer promptly upon request by either party and continue for a reasonable period of time in order to exchange freely information, opinions, and proposals and to endeavor to reach agreement on matters within the scope of representation.

The MMBA defines the scope of representation as all matters related to employment conditions and employer-employee relations, including, but not limited to, wages, hours and other terms and conditions of employment, except, however, that the scope of representation shall not include consideration of the merits, necessity, or organization of any service or activity provided by law or executive order.

Negotiation/"Meet and Confer" Process

As mentioned above, under the Meyers-Milias-Brown Act (MMBA), the City has an obligation to "meet and confer" in good faith with the City's bargaining units regarding wages, hours and other terms and conditions of employment. The City Manager has delegated the authority to meet and confer to the Human Resources Department. The negotiations for a new agreement typically commence prior to the expiration of an existing Memorandum of Understanding (MOU).

The City and the Union each establish a negotiating team. Several of the existing MOU's provide paid release time for designated bargaining unit team members for time spent during the negotiation meetings that coincide with the employees' normal work hours. During the negotiations, the City team meets with the union team to discuss various issues and interests for the new contract. The City's negotiating team is provided negotiation authorization by the City Council through the City Manager. Proposals are exchanged related to the issues presented during the negotiations. Tentative agreements are often reached on individual issues as part of the negotiation process and ultimately, a tentative agreement is reached on the entire contract. All tentative agreements are contingent upon ratification of the union membership and approval of the City Council in open session. If negotiations do not result in a tentative agreement on a new contract, impasse procedures may be invoked by either party and would then proceed to mediation as the impasse procedure. If mediation assists the

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parties in reaching an agreement, it is still contingent upon ratification of the union membership and approval of the City Council in open session.

Impasse Procedures - Fact-Finding -for Local Public Employee Organizations

As a result of the passage of Assembly Bill 646 (AB646), effective January 1, 2012, local Government agencies, like the City of Menlo Park, are required to include fact finding in their impasse procedures for any bargaining unit requesting to do so that is not subject to binding interest arbitration; it is worth noting that fact finding can be requested solely by the bargaining unit and not the agency. Additionally, Assembly Bill 1606 (AB1606) was passed in 2012 and provided additional requirements regarding fact finding. Previously, if the parties reached an impasse and have exhausted any applicable impasse procedures, a public agency had the option to unilaterally implement its last, best, and final offer; however, fact finding has added additional layers of time and complexity. The notable changes brought by fact finding includes the agency holding a public hearing on the impasse; a written, non-binding, findings of fact and recommended terms of settlement issued by the fact finding panel; and the prohibition on a public agency from unilateral implementation of its last, best, and final offer until certain time criteria are met. Fact finding, if invoked by a bargaining unit, will increase the costs as well as increase the use of resources and time associated with the bargaining process.

It is the goal of both parties to reach a negotiated agreement. However, the MMBA states that a public agency may, after impasse procedures have been exhausted, including fact finding if invoked, implement its last, best, and final offer. In addition, after impasse procedures have been concluded and an agreement has not been reached on a new contract, the bargaining unit has the right to strike and/or engage in other protected concerted activity, except for police officers who do not have the right to strike.

Public Employees' Pension Reform Act (PEPRA)

The passage of Assembly Bill 340 (AB340) along with the clean-up language of Assembly Bill 197 (AB197) enacted what is now known as the Public Employees' Pension Reform Act (PEPRA). Effective January 1, 2013, local Government agencies sponsoring a public retirement system in California, like the City of Menlo Park, are subject to limits on the pension benefits offered to new employees and increased flexibility for employee and employer cost sharing for current employees. Because the most significant savings will be realized only as new members are hired in the future, short-term savings will be minimal. However, to realize short-term savings, the City has established greater employee cost sharing with each bargaining unit beginning Fiscal Year 2011-2012.

2013 Labor Negotiations

In early April 2013, the City anticipates beginning negotiations over successor agreements with those bargaining units whose current agreements expire on June 30, 2013, including the Menlo Park Police Officers' Association (POA) and the Menlo Park Police Sergeants' Association (PSA).

In late August/early September 2013, the City anticipates beginning negotiations over successor agreements with those bargaining units whose current agreements expire on

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October 31, 2013, including the American Federation of State, County and Municipal Employees, Local 829 (AFSCME) and the Service Employees International Union, Local 521, CTW, CLC (SEIU). In addition, the Service Employees International Union, Temporary Employees Unit, Local 521, CTW, CLC (SEIU) currently has an expired agreement.

IMPACT ON CITY RESOURCES

There are no impacts on City resources as a result of receiving input on this issue.

POLICY ISSUES

This report is prepared to support the Council's policy for public input prior to commencing negotiations.

ENVIRONMENTAL REVIEW

The proposed action does not require environmental review.

Gina Donnelly
Human Resources Director

Alex D. McIntyre
City Manager

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

None