

CITY OF
HAYWARD
HEART OF THE BAY

PRESENTATION OF FACT FINDER'S
REPORT AND CONSIDERATION OF
LAST, BEST AND FINAL OFFERS
– SEIU LOCAL 1021

FRAN DAVID, CITY MANAGER

CITY MANAGER'S OFFICE
FEBRUARY 18, 2014



OUTLINE OF DISCUSSION

- TIMELINE/BACKGROUND
- BEACON REVENUE ANALYSIS
- FACT FINDER'S REPORT
- LAST, BEST AND FINAL OFFERS
- NEXT STEPS



TIMELINE

- SEPTEMBER 2012 – CITY REQUESTS THAT SEIU LOCAL 1021 NEGOTIATE A NEW MOU WITH THE CITY
- FEBRUARY 2013 – SEIU LOCAL 1021 BEGINS BARGAINING WITH THE CITY
- APRIL 30, 2013 – SEIU LOCAL 1021 CONTRACT EXPIRATION
- JULY 26, 2013 – IMPASSE DECLARED
- FALL 2013 – PERB CERTIFIES IMPASSE FOR FACT FINDING
- FACT FINDING HEARING: NOV.18, 19, 22, 2013 AND DEC. 17, 2013
- FEBRUARY 14, 2014 – FACT FINDER'S REPORT MADE PUBLIC



BACKGROUND

COUNCIL-DIRECTED COMPENSATION¹ GUIDELINES APPLICABLE TO ALL EMPLOYEES:

Complete the remainder of a five-year period of no Cost of Living (COLA) raises.

Must share in the cost of their benefits.

Must achieve a specified amount of on-going structural change² in their compensation packages that helps to bring expenses in line with revenues.

Employee groups are to have maximum flexibility in how they achieve the above.

1. “Compensation” refers to the total cost of an employee’s salary, benefits, and any other pay associated with individual classifications, excluding overtime.

2. “Structural Change” means a change that is on-going into the future and which can be unconditionally incorporated into and made a part of the City’s long-term financial plan.



BACKGROUND

STATUS OF NEGOTIATIONS

Seven of the City's bargaining units have met the savings benchmark:



Mayor & Council
City Executives
Fire Management
Police Management

Firefighters 1909
Unrepresented
HAME

Two of the City's bargaining units are either in negotiations to meet the benchmark or will begin negotiations soon:

Police HPOA
IFPTE Local 21



One group (SEIU 1021) has refused to negotiate an agreement that meets the City's benchmarks.



BACKGROUND

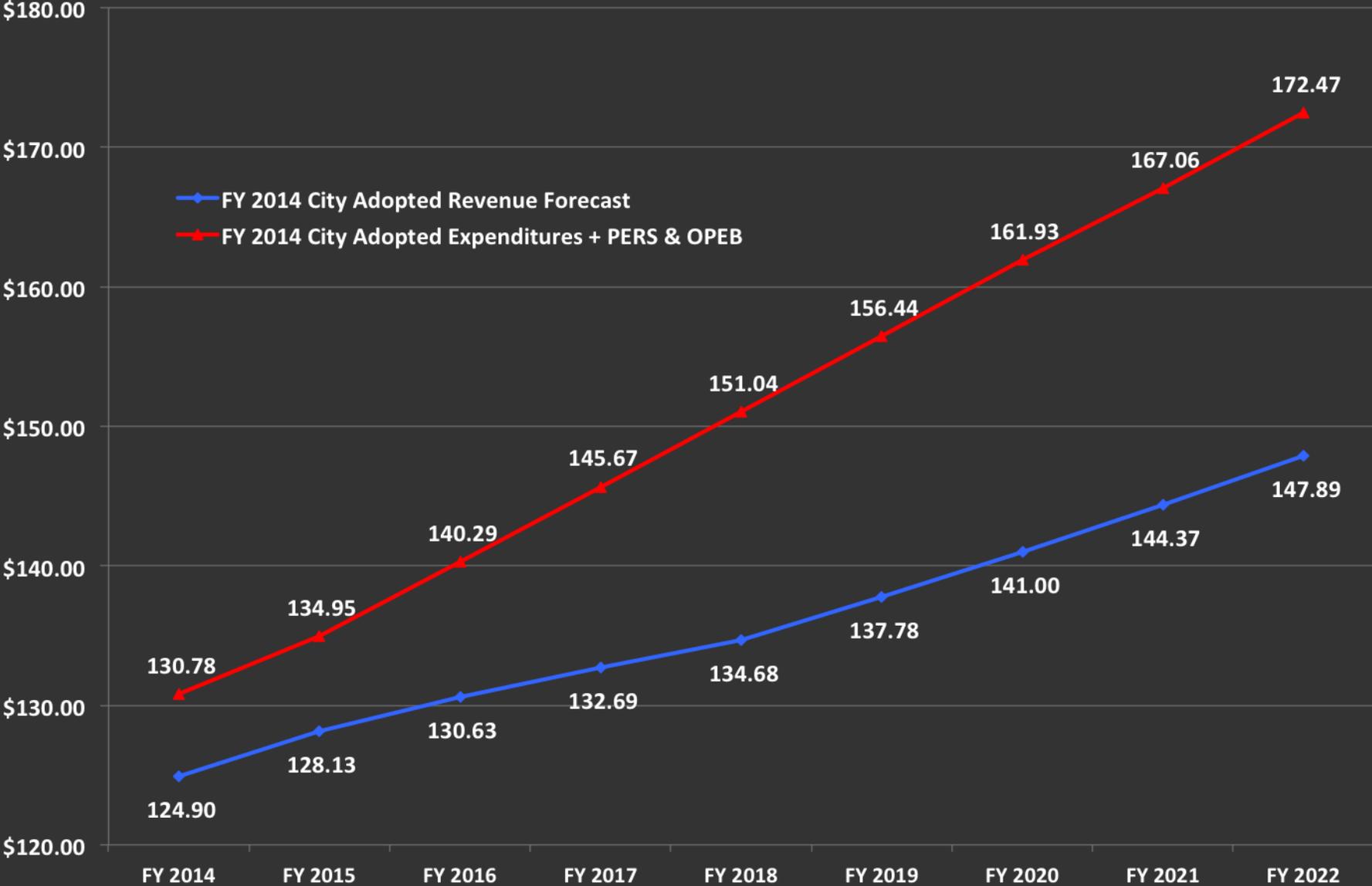
CITY'S CURRENT GENERAL FUND PICTURE

- City revenues are slowly improving, outpaced by rapidly rising expenditures.
- Without continuing concessions, budget picture worsens significantly.

<i>(in 1,000's)</i>	Adopted FY 2014	Forecast FY 2015	Forecast FY 2016	Forecast FY 2017
FY 2014 ADOPTED GENERAL FUND GAP	(2,579)	(2,758)	(5,704)	(10,220)
POSSIBLE ADJUSTMENTS TO PROJECTIONS				
Possible new revenue based on FY 2013 results	2,000	2,000	2,000	2,000
Loss of assumed SEIU & Local 21 concessions	(1,114)	(1,114)	(1,114)	(1,114)
Loss of HPOA concessions (no current agreement)	-	(3,000)	(3,000)	(3,000)
Impact of new CalPERS Retirement Rates	-	(1,215)	(800)	(418)
Fund minimum retiree medical annual required contribution	(3,142)	(3,142)	(3,142)	(3,142)
SUBTOTAL NET CHANGE	(2,256)	(6,471)	(6,056)	(5,674)
POSSIBLE REVISED GAP PROJECTIONS	(\$4,835)	(\$9,229)	(\$11,760)	(\$15,894)

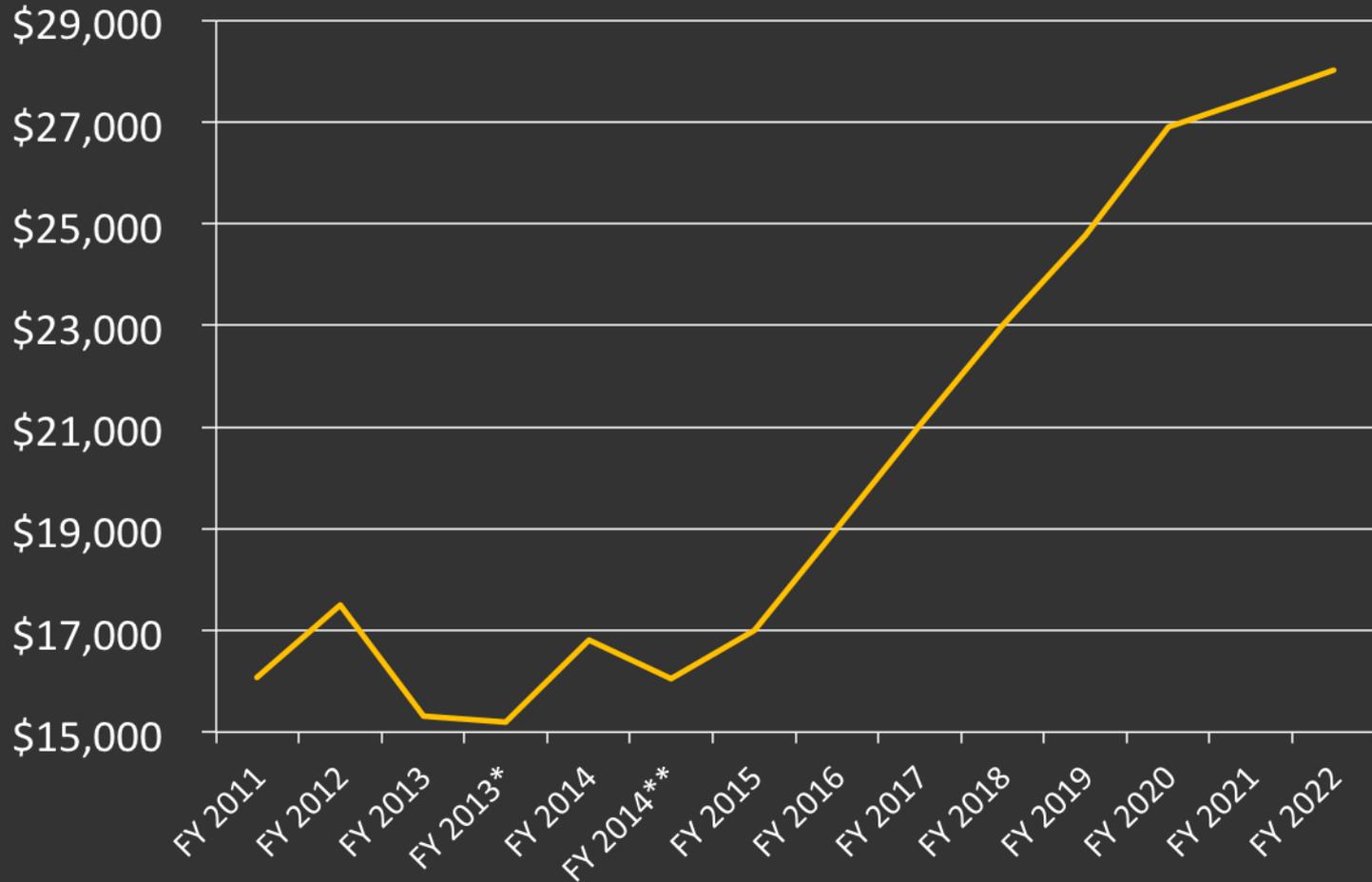


CITY REVENUES & EXPENDITURES FORECAST



BACKGROUND

ANNUAL GF EMPLOYEE RETIREMENT (PERS) COSTS

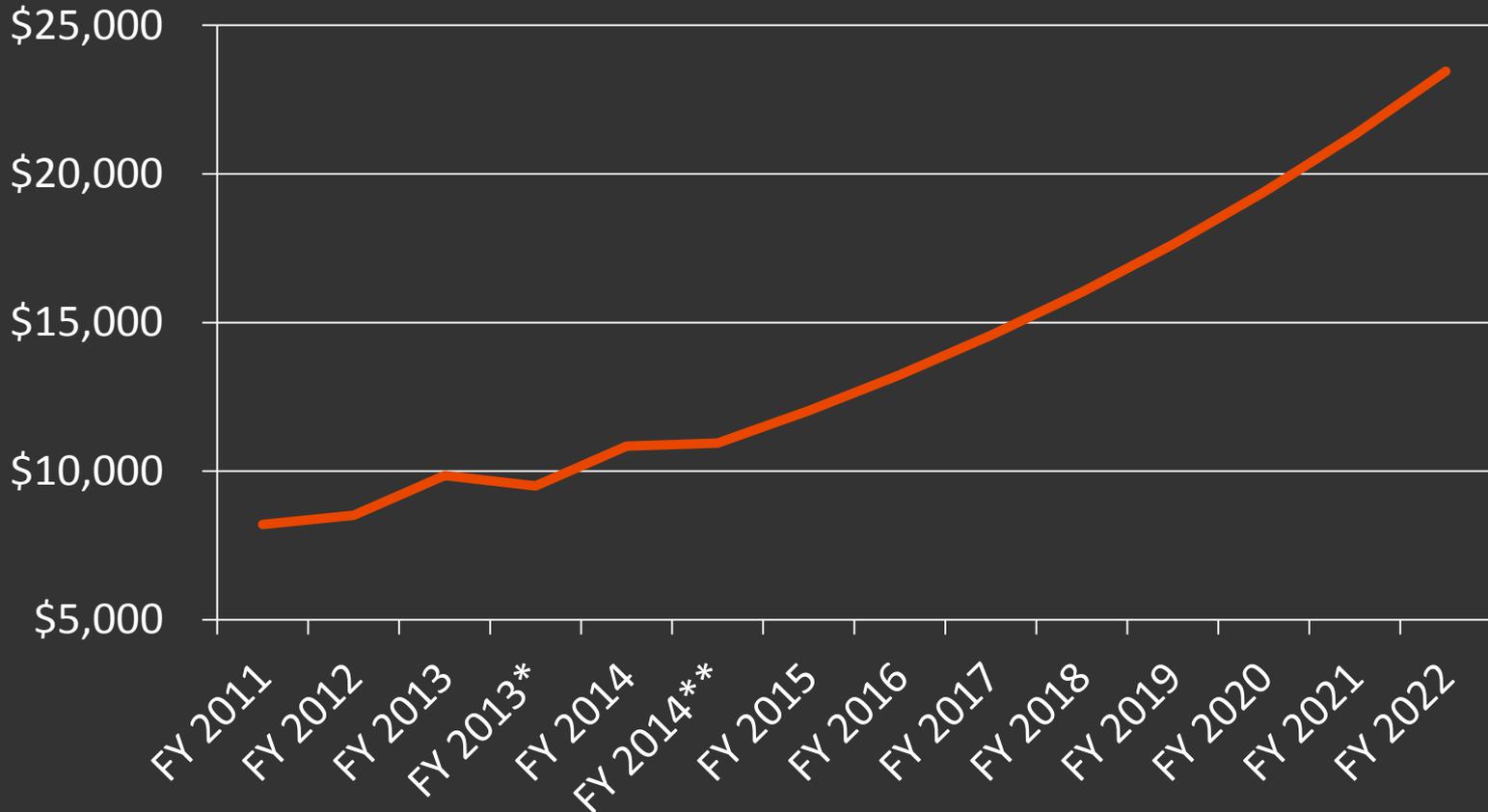


* NUMBERS STATED IN THOUSANDS



BACKGROUND

ANNUAL GF EMPLOYEE MEDICAL COSTS



* NUMBERS STATED IN THOUSANDS



BEACON REVENUE ANALYSIS

OVERVIEW

- Independent analysis commissioned by IFPTE Local 21
- Beacon generally provides macro-economic projections
- Report evaluates only 5 of the City's General Fund revenue sources (Property Tax, Sales Tax, Property Transfer Tax, Business License Tax and Transient Occupancy Tax)
- Sales Tax & Business License Tax projections consistent with City
- Property related and TOT projections more optimistic than City



BEACON REVENUE ANALYSIS

METHODOLOGY FLAWS

- Beacon report projected property tax revenues based on FY 2013 actual revenues – which included \$1.97 million in one-time revenues (\$870K in settlement payment from County for Property Tax Administration Fee overcharges; \$1.1M in RDA dissolution related payments).
- Revenue analysis does not use appropriate comparative data with respect to property tax-related revenues, instead relying on state, regional and some local data. Hayward does not compare to San Francisco, Berkeley or San Jose.

DOES NOT EVALUATE/CONSIDER CITY EXPENSES



BEACON REVENUE ANALYSIS

BEACON REPORT DOES NOT CONSIDER CITY EXPENSES

- Anyone who has planned a family budget knows that income is only half the story. **If you spend more than you take in, you go broke.**
- The City of Hayward **MUST** consider both sides of the equation as it plans for the future.
- To focus only on overly optimistic projections without considering very real obligations is unacceptable and irresponsible.



BEACON REVENUE ANALYSIS

EVEN IF WE ACCEPT ALL OF THE BEACON REPORT'S MOST OPTIMISTIC PROJECTIONS, THE CITY STILL FINDS ITSELF IN THE RED.

RISING RETIREE MEDICAL COSTS, CALPERS RATES AND CURRENT EMPLOYEE HEALTH CARE PREMIUMS ARE THE REALITY WE FACE.
THEY CANNOT BE IGNORED.



CITY EXPENSES



BEACON FORECAST TRAILS EXPENDITURES



FACT FINDER'S REPORT

OVERVIEW

- Charged with making written findings of fact and advisory recommendations covering unresolved issues during negotiations. Consists of one member from each involved party and one neutral third party.
- Met over four days during November and December 2013
- Report released publicly on February 14



FACT FINDER'S REPORT

KEY TAKEAWAYS

- Fact finder's recommendations value short-term labor peace above long-term financial stability and service delivery.
- Four days simply not enough time for one person to grasp the complexities of the City budget and our broader challenges.
- Fact finder leans heavily on Beacon analysis, which only addresses a small portion of the City's financial picture.



FACT FINDER'S REPORT

RED FLAG #1

Fact finder acknowledges the need to fund long-term liabilities (p. 25), yet recommendations fail to account for the full scope of the obligation.

<i>(figures in millions)</i>	ACCRUED LIABILITY	ACTUARIAL VALUE OF ASSETS	UNFUNDED LIABILITY	FUNDED RATIO ⁽¹⁾	UNFUNDED RATIO
CalPERS POLICE SAFETY PLAN (pension)	\$ 269.3	\$ 170.5	\$ 98.8	63.3%	36.7%
CalPERS FIRE SAFETY PLAN (pension)	\$ 217.3	\$ 139.5	\$ 77.8	64.2%	35.8%
CalPERS MISC. PLAN (pension)	\$ 353.4	\$ 225.3	\$ 128.1	63.8%	36.2%
RETIREE MEDICAL (ALL GROUPS)	\$ 69.0	\$ 0.5	\$ 68.4	0.7%	99.3%
WORKERS' COMPENSATION	\$ 11.7	\$ 4.0	\$ 7.7	34.1%	65.9%
ACCRUED LEAVE PAYOUTS ⁽²⁾	\$ 10.7	\$ -	\$ 10.7	0.0%	100.0%
TOTAL	\$ 892.4	\$ 623.8	\$ 268.5	69.9%	30.1%

(1) The percent of unfunded liability in the chart above is based on the Value of the Assets, and assumes smoothing over time.

(2) Accrued Leave Payouts – no actuarial valuation



FACT FINDER'S REPORT

RED FLAG #2

Fact finder contradicts own statement about funding long-term liabilities, recommending that City allocate any additional dollars to employee compensation.

- Page 25 of the report highlights that “the Panel finds that prefunding the [retiree medical] benefits is a prudent move” but then proceeds to recommend putting additional revenues into employee compensation.
- Based on Beacon report’s higher revenue projections, the fact finder estimates a surplus of \$604,447 in FY2015.
- In the same paragraph, she states that the surplus would be “sufficient for a small pay raise,” (1%) which would cost \$630,000. (p. 26)

RECOMMENDATIONS THAT PUT THE CITY IN A DEFICIT-SPENDING POSITION ARE NOT CREDIBLE AND CALL THE VALIDITY OF THE ENTIRE REPORT INTO QUESTION.



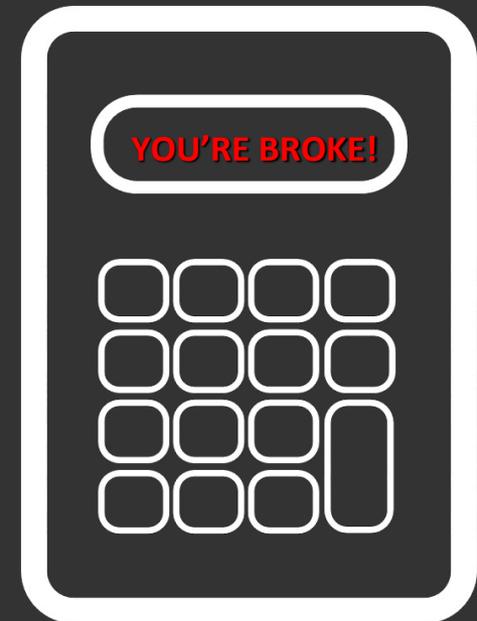
FACT FINDER'S REPORT

RED FLAG #3

Fact finder discounts long-range financial planning due to “inherent unreliability” of projections beyond five years (p. 20).

Failure to plan for the long-term based on the best evidence available is both reckless and grossly irresponsible.

If it is useless to plan beyond five years because projections are “inherently unreliable,” why should anyone save for retirement, put money away for their kids’ college tuition, or plan for unexpected life events?



CITY'S LAST, BEST & FINAL OFFERS

- Unfortunately, SEIU has not been responsive to City's suggestions for how the unit can meet savings targets while minimizing impacts to employees
- Lack of an agreement with SEIU has resulted in \$870,000 in unplanned, unbudgeted expenses since July of 2013 (budgeted, yet unrealized concessions savings).
- Under State labor law, only option left is to impose terms and conditions of last, best and final offer presented during impasse.
- Council could retroactively impose these terms and conditions; staff recommends "go-forward" imposition



CITY'S LAST, BEST & FINAL OFFERS

- City also put forth a five-year last, best and final offer as an alternative to the one-year offer. The five-year offer helped spread the financial impact of the requested concessions over a longer period and coupled it with raises. Unfortunately, in a decision to impose, only the first year of any offer can be imposed.
- Staff recommends one-year offer in order to reclaim some lost savings while encouraging pursuit of a long-term agreement that meets Citywide benchmarks.
- SEIU may request to renew talks following imposition if it wishes to strive for a negotiated agreement that replaces the terms and conditions recommended for imposition.



CITY LAST BEST AND FINAL OFFERS – CLERICAL ONE-YEAR

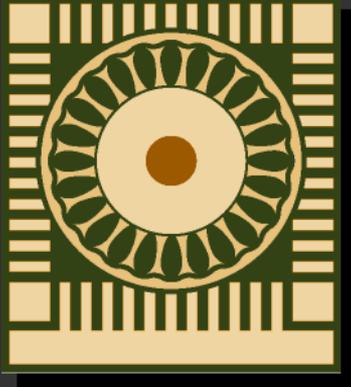
CONCESSIONS ALREADY ACHIEVED	1-YEAR PROPOSAL (ADDITIONAL COST SHARING)
FY 2013	FY 2014
8% Employee Retirement Contribution No Employer-Paid Deferred Compensation No Employer Contribution Toward Voluntary Benefit Account	15% Medical Premium Contribution 20% Dental Premium Contribution 50% Vision Premium Contribution Federal Minimum for Overtime Workers' Comp Paid at Legal Mandate \$44/pp Retiree Medical Contribution
Average Additional Per-Pay Period Paycheck Impact	\$197.47



CITY LAST BEST AND FINAL OFFERS – MAINTENANCE ONE-YEAR

CONCESSIONS ALREADY ACHIEVED	1-YEAR PROPOSAL (ADDITIONAL COST SHARING)
FY 2013	FY 2014
8% Employee Retirement Contribution NO Employer-Paid Deferred Comp No Employer Contribution toward Voluntary Benefit Account 20% Dental Premium Contribution 50% Vision Premium Contribution	15% Medical Premium Contribution Federal Minimum for Overtime Worker's Comp Paid at Legal Mandate \$33.50/pp Retiree Medical Contribution
Average Additional Per-Pay Period Paycheck Impact:	\$163.88





Questions/Comments

