

SEIU Negotiations – Last, Best, and Final Offer

City Council Meeting
October 26, 2009

Presentation Overview

- City's financial and budget situation
- Negotiations overview
- Key Points of Last, Best and Final Offer to SEIU

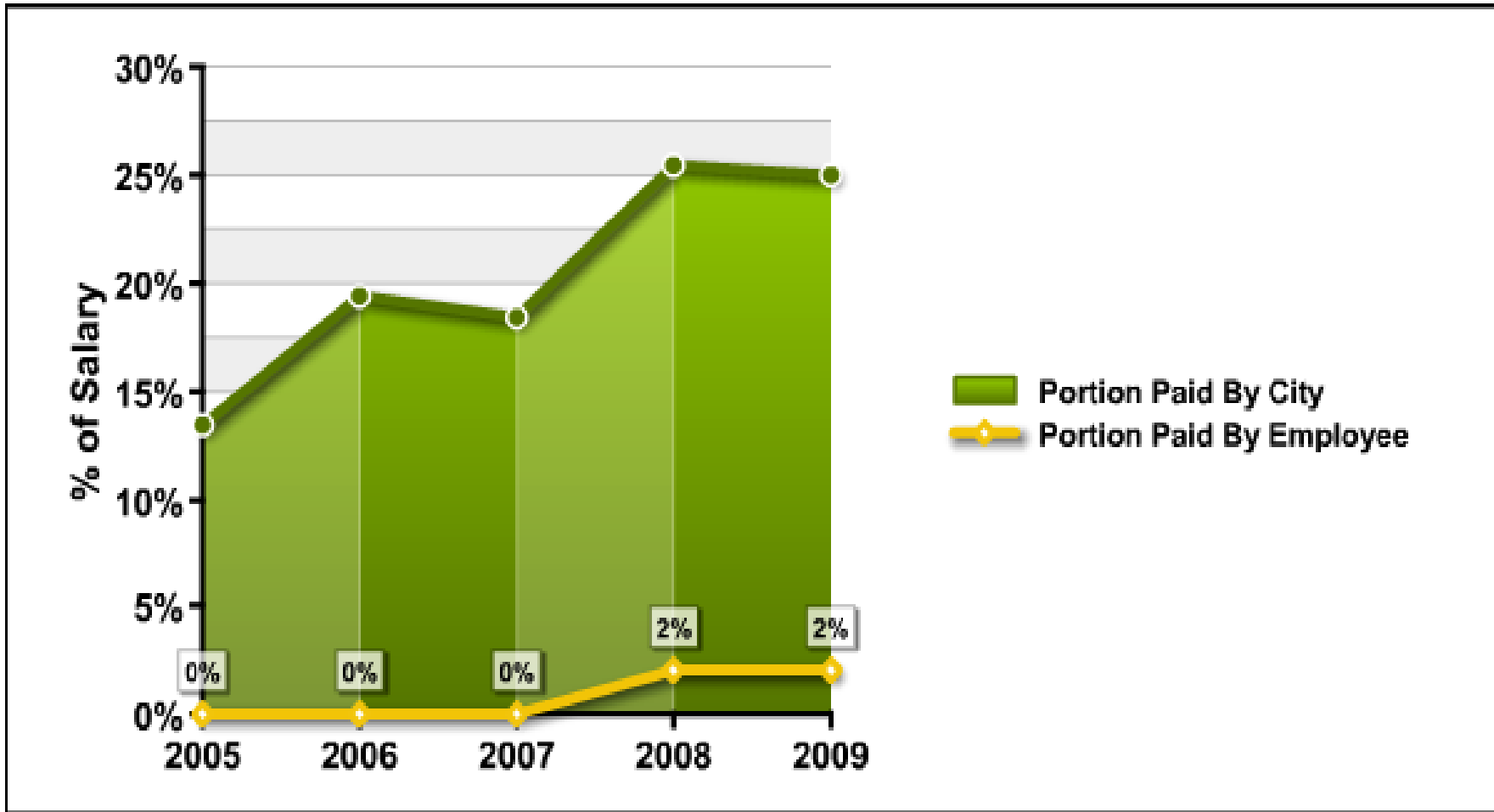
City's Current Financial Picture

- \$10 million deficit for FY2010 General Fund budget
- Three-pronged approach to address current budget gap:
 - Service Reductions
 - **Employee Salary/Benefit Reductions**
 - Revenue Enhancements
- Potential for further revenue deterioration

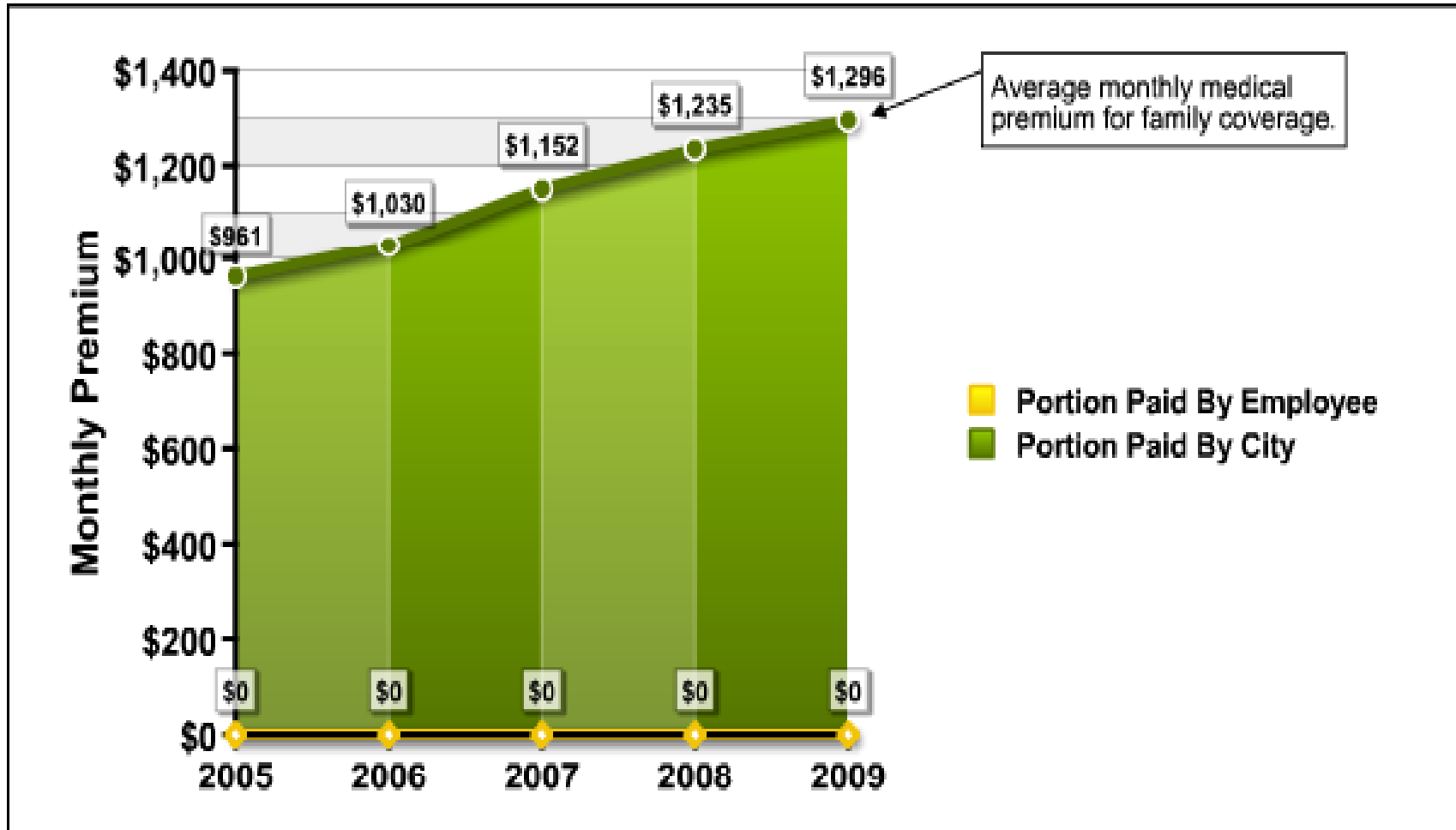
City's Long Term Systemic Financial Challenges

- Rising pension costs
- Rising health care costs
- Slowing revenue growth
- Increasing infrastructure needs
- Growing retiree medical liability
- Maintaining current service levels

CalPERS Pension History for Management and SEIU Employees



Medical Benefits Premium History for All City Employees



Updated Long Range Financial Forecast

Summary of Attachment D

MODIFIED GENERAL FUND LONG RANGE FINANCIAL FORECAST (\$000)												
		Adjusted Budget	Adopted Budget									
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Revenues	144,738	141,349	142,138	144,035	148,960	152,894	159,716	167,240	174,663	181,838	189,119	196,779
Total Expenditures	141,758	145,537	142,089	146,711	** 150,753	154,990	160,328	166,833	173,804	180,973	188,451	196,130
Drawdown on BSR for BAO		4,188										
NET SURPLUS (DEFICIT)	2,980	-	49	(2,676)	(1,794)	(2,096)	(613)	408	859	865	668	650
Other Activities												
Additional Retirement Contribution Increase *					(1,031)	(2,774)	(4,963)	(5,389)	(5,756)	(6,140)	(6,542)	(6,963)
Retiree Medical Cost Increase				(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)
Library Operating Cost Increase					(250)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Infrastructure Contribution Increase					(1,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Property Tax "Loan" by the State			(2,476)			2,476						
Subtotal - Other Activities	-	-	(2,476)	(735)	(3,016)	(4,033)	(8,698)	(9,124)	(9,491)	(9,875)	(10,277)	(10,698)
GRAND NET SURPLUS (DEFICIT)	\$ 2,980	\$ -	\$ (2,427)	\$ (3,411)	\$ (4,810)	\$ (6,129)	\$ (9,311)	\$ (8,716)	\$ (8,632)	\$ (9,010)	\$ (9,609)	\$ (10,048)

* Based on current 2.7% @ 55 formula

** Salaries and Benefits includes a 3% salary increase subject to union negotiations and ability to pay

Negotiations Overview

- City has negotiated in good faith for five months
- 26 negotiating sessions held
- Presented Last, Best and Final Offer to SEIU on October 16
- Union rejected City's offer on October 20
- City declared impasse

Key Terms of Last, Best and Final Offer to SEIU

- \$2.547 million package (\$1.22 million savings for General Fund), including changes to:
 - Employee Retirement Contributions
 - Health Care Premiums
 - New future employee pension formula
 - Tuition reimbursement
 - Floating holidays

Key Terms of Last, Best and Final Offer to SEIU

1) Employee Retirement Contributions:

- a) **6% PERS employee pension contribution increase starting November 21, 2009 (total contribution = 8%); Effective June 19, 2010, 3.75% annualized PERS contribution increase (total contribution = 5.75%)**
- b) Equivalent to 2.3%-2.9% net pension contribution impact on average SEIU employee salary
- c) \$64 - \$81 average impact per SEIU employee paycheck
- d) City continues to pay 19.25% of annualized retirement cost

Key Terms of Last, Best and Final Offer to SEIU

2) Health Care Premiums:

- a) SEIU employees currently pay 0% of health care premium costs
- b) No employee premium cost contribution until **January 2011**
- c) **Employees will pay $\frac{1}{2}$ of annual premium cost increase, capped at 5% increase in any year until employee contribution reaches 10% of total premium cost**
- d) Employee share to be deposited in the Retiree Medical Trust Fund for employees

Health Care Cost Sharing Premium for Blue Shield/Family Plan

Year	Monthly Premium	Monthly Employee Share	Employee Share Per Year	Employee Share Per Pay Period	% Paid by Employee Per Year	City Share	Per Year	% Paid by City Per Year
Current	\$ 1,500	\$0	\$0	\$0	0%	\$ 1,500	\$ 18,000	100.0%
Proposed	Increasing by 5%	Monthly Employee Share	Employee Share Per Year	Employee Share Per Pay Period	% Paid by Employee Per Year	City Share	Per Year	% Paid by City Per Year
1	\$1,575.00	\$37.50	\$450.00	\$17.31	2.4%	\$1,537.50	\$18,450.00	97.6%
2	\$1,653.75	\$76.88	\$922.50	\$35.48	4.6%	\$1,576.88	\$18,922.50	95.4%
3	\$1,736.44	\$118.22	\$1,418.63	\$54.56	6.8%	\$1,618.22	\$19,418.63	93.2%
4	\$1,823.26	\$161.63	\$1,939.56	\$74.60	8.9%	\$1,661.63	\$19,939.56	91.1%
5	\$1,914.42	\$191.44	\$2,297.31	\$88.36	10.0%	\$1,722.98	\$20,675.76	90.0%
6	\$2,010.14	\$201.01	\$2,412.17	\$92.78	10.0%	\$1,809.13	\$21,709.55	90.0%
7	\$2,110.65	\$211.07	\$2,532.78	\$97.41	10.0%	\$1,899.59	\$22,795.03	90.0%
8	\$2,216.18	\$221.62	\$2,659.42	\$102.29	10.0%	\$1,994.56	\$23,934.78	90.0%
9	\$2,326.99	\$232.70	\$2,792.39	\$107.40	10.0%	\$2,094.29	\$25,131.52	90.0%
10	\$2,443.34	\$244.33	\$2,932.01	\$112.77	10.0%	\$2,199.01	\$26,388.09	90.0%
Note: This scenario assumes that the health care premium increases 5% per year.								

Key Terms of Last, Best and Final Offer to SEIU

- 3) New future employee pension formula change to 2% at 60 (from 2.7% at 55)**
- a) Current employees retain existing retirement benefits (2.7% at 55)
 - b) A 30-year current employee can still retire at 55 with 81% of their single, highest year salary
 - c) New employees could retire at 60 after 30 years of service with 60% of their single, highest year salary

Key Terms of Last, Best and Final Offer to SEIU

4) Tuition reimbursement

- a) Existing benefit of \$1,000 per employee eliminated**
- b) No direct impact to employee regular paycheck
- c) Reductions to this benefit included in SEIU proposals to City

Key Terms of Last, Best and Final Offer to SEIU

5) Floating holidays

- a) Eliminate 2 floating holidays**
- b) No direct impact to employee regular paycheck
- c) Reductions to this benefit included in SEIU proposals to City
- d) 3 floating holidays remain
- e) Twelve regular holidays remain

Recommended Action this Evening

- **Implementing terms of Last, Best and Final Offer**
- Required to meet and confer with SEIU on a new agreement before adoption of FY2011 budget
- Last, Best and Final Offer terms will remain in effect until new agreement reached with SEIU