


Office of the City Manager

## TO BE DELIVERED AGENDA MATERIAL

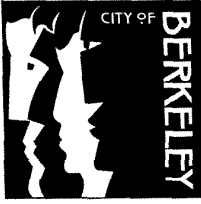
**Meeting Date:** November 18, 2003

**Item Number:** 2.

**Item Description:** Public Presentation and Council Questions Regarding Wages and Benefits in Existing Labor Agreements

  
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City Manager Signature


*(This cover sheet should be used only if the agenda item the material refers to was listed on the agenda as To Be Delivered)*



Office of the City Manager

INFORMATION CALENDAR  
November 18, 2003

To: Honorable Mayor and  
Members of the City Council

From:  Phil Kamlarz, Acting City Manager

Subject: Public Presentation and Council Questions Regarding Wages and Benefits in  
Existing Labor Agreements

INTRODUCTION

This provides some background to frame the discussion regarding the current cost of the City's labor contracts with the seven bargaining groups and the related costs for the represented employees.

The history of salary setting for the past thirty years has been established under the scope of meet and confer for most City employees. At present, all but 124 career and regular "at will" employees are represented by unions and so for the vast majority of classifications, salaries and benefits are increased, as a result of collective bargaining. Both cost of living and salary equity adjustments have been agreed upon as part of the union contract negotiations. Since the City bargained on the basis of "total compensation," the unions were required to cover the costs of benefit improvements, cost of living increases and equity salary adjustments within a total percentage of payroll, as authorized by the City Council at the time of negotiations.

Salaries in the Bay Area were dramatically increasing during the second half of the 1990's, with San Francisco and the South Bay cities creating a sizable salary gap with Berkeley. We were experiencing difficulty recruiting for professional and management positions, as well as public safety entry-level positions. In addition to increased salary competitiveness, some other cities offered reduced workweeks (Alameda 36 hours; Oakland 37.5 hours) or alternative workweeks. In addition, the Consumer Price Index (CPI) for All Urban Wage Earners for San Francisco – Oakland-San Jose had exceeded the City's cost of living adjustments, which had been previously negotiated for FY 1999 and 2000.

Traditionally, the City of Berkeley has been fiscally conservative in its salary setting policies, relative to many Bay Area cities. The City required the unions to absorb equity salary adjustments, as part of the total economic package. The salary equity adjustments in the current agreements were the result of pressure by the unions for better wages, relative to salaries offered by other cities, and to bring Berkeley's salaries to the median of the salaries paid by surrounding

cities and counties. Salary studies were completed for 120 classifications to compare total compensation paid by other jurisdictions to comparable classifications, to that paid by the City of Berkeley. Equity adjustments were provided, as justified on an individual classification basis, to increase the salary range of a particular classification, in addition to a cost of living adjustment. The salary survey data and the implementation of the equity increase was subject to the negotiation process, with the cost of all equity increases limited by the total economic package.

### **History of July 2001 Berkeley Police Association Memorandum of Understanding**

It was in this environment that the City entered the 2001 contract negotiations with the Berkeley Police Department and the 2002 contract negotiations with all of the other bargaining groups. The goal was to achieve a fair and competitive contract, which would ensure labor stability for several years into the future. The City was also very concerned about our ability to continue to attract qualified applicants for the entry level Police Officer classification given the anticipated retirement of a large number of employees over the next several years. The City had already completed negotiations with the Berkeley Fire Fighters Association in 2000, reaching agreement on a four-year agreement through June 2004, with implementation of the 3% at age 50 CalPERS retirement formula, effective December 22, 2000. This agreement would be subsequently reopened and revised in September 2002 with the duration of the contract extended through June 2006.

The City's original offer, which was tentatively accepted by the Berkeley Police Association (BPA) negotiation team, was a 4-year Agreement that averaged 5.2% in total compensation increase per year. This was similar to the recently negotiated Berkeley Fire Fighters Association (BFFA) agreement. The BPA members overwhelmingly rejected this tentative agreement, and the BPA produced data (verified by City Human Resources Department) that showed them considerably under the median for the total compensation offered by other jurisdictions, when educational incentive pay (not available in Berkeley) and a much shorter period to reach the top salary step (Berkeley required 12 years as opposed to 4 to 6 years in other cities) were taken into consideration. Since Police Officers in Berkeley are hired with at least two (2) years of college credits and most begin with a Bachelor's degree, there had been no need for an educational incentive, but it was still a compensation issue as a Bachelor's degree may be compensated by other cities, by up to 10% of salary. In addition, a review of the settlement trend in other jurisdictions revealed that settlements ranged between 5% and 6%, on top of the 3% at age 50 CalPERS benefit enhancement (as of September 2001, eight of the 12 jurisdictions surveyed, had adopted the 3% at age 50 CalPERS benefit increase).

The final City offer was revised to reduce the time required to progress through the salary steps, by eliminating six of the 12 steps and to build in compensation for the educational level of Berkeley's officers. It also provided salary equity adjustments to reduce compaction between the ranks. The final package that was accepted by the BPA membership was a six-year agreement that averaged 7% in total compensation per year, including the projected cost of 3% at 50. The goals of this agreement were to be competitive to attract and retain qualified individuals by modifying the salary structure and creating a higher entry salary for Police Officers. A 5% longevity step for 28 years of service was added to retain more senior personnel. These provisions were all crucial to a competitive agreement, given the anticipated number of Officers expected to retire within the next few years and the salaries and benefits offered by other jurisdictions.

**Non-Public Safety Unions**

Contracts with Public Employees Union, Local 1, Service Employees International Union Locals 790, 535 and Part-Time Recreation Leaders Association (affiliate of SEIU Local 535) and, International Brotherhood of Electrical Workers, Local 1245 expired July 7, 2002. The goals for the City in these negotiations were to negotiate contracts that provided a fair settlement package, and included a mechanism to provide equity salary adjustments to bring Berkeley's salaries closer to the median of other jurisdictions, to keep the City competitive in the marketplace and assure that the City is able to recruit and retain quality candidates. There was also an interest that some relative equity be achieved between the types of compensation and benefits that had been negotiated with the BPA and the BFFA.

The agreements reached with the non-public safety unions allowed the City to achieve its goals, including:

1. Negotiate the same relative Total Compensation package for each Non-Sworn Union that included all salary and benefits enhancements (including any enhancements to the CalPERS retirement benefit) within an overall maximum authority
2. Treat the miscellaneous unions the same as Police and Fire by offering to negotiate an enhanced CalPERS retirement benefit as part of the Total Compensation package.
3. Include language to deal with the workers' compensation issue.

The major features of the new contracts were the cost of living adjustments, the salary equity adjustments and the adoption of the CalPERS retirement benefit of 2.7% at 55. There was no significant enhancement of benefits, except for retiree medical for some of the employee groups, which caused a reduction of the cost of living adjustment. In addition, two unions gave up an expensive health insurance option to assist the City with cost containment.

Most, if not all California cities, are facing the same financial issues that are confronting Berkeley, with reduced revenues and drastically increased CalPERS costs. The CalPERS investment portfolio lost billions of dollars over the course of the past three years and the employer rates have been adjusted upward to offset those stock market losses to maintain the financial integrity of the pension fund. Based on information we have received both from CalPERS and from our outside pension actuary, staff believes that the cost of the pension improvements have been generally in-line with the estimated cost of the benefit improvements and that the additional costs are primarily a result of adverse conditions in the economy with the resultant deterioration in stock prices. In addition to inflated retirement rates, many cities have also experienced dramatic increases in health insurance costs. These cities had elected to join the CalPERS health insurance plan, which has resulted in significant unfunded financial liabilities. Fortunately, Berkeley did not make that choice when the plan looked more attractive. While the cost of medical and dental coverage has averaged roughly 15% per year over the past several years, these increases have been less than the CalPERS health insurance plan and the scope of coverage is better for employees.

While there has been some criticism that the current labor contracts were too generous, we believe that the relative position of the City compensation vis a vis other cities has remained generally the same. As the attached survey shows, some of the cities, with which we compare, do not have multi-year contracts and some have already negotiated some temporary salary/benefit reductions. However, some of those cities enjoyed significantly higher salaries, and the temporary reduction of a cost of living adjustment will not impact their relative standing as a high paid city. Since being at the median means that one half of the salaries are higher and one half are lower, we do not anticipate that our salaries will vary much from their relative position to the median of salaries of other jurisdictions, based on earlier comparisons. To update the salary survey by gathering salary data from all of the jurisdictions for all 120 classifications would require a minimum of two months of full time effort by Human Resources staff.

POSSIBLE FUTURE ACTION

The City Manager has instituted a "hard" hiring freeze to reduce the growth of career staff, which will reduce some costs. All new career hires will be advised of the possibility of staffing reductions, which may necessitate their layoff. The City Council could rescind the no layoff policy and direct the City Manager to approach the unions about negotiating deferral or postponement of future cost of living increases to avoid layoffs.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Possible cost savings which are unknown at this time

CONTACT PERSON

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Approved:

  
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Nicki Spillane, Acting Director of Human Resources

Attachment: Survey of Salary Adjustments By Agency

SURVEY OF SALARY ADJUSTMENTS BY AGENCY

Agency	Group(s)	Date & Salary Adjustments	Comments
Berkeley	Miscellaneous	7/7/02 - 6.0% 7/6/03 - 3.5% 7/4/04 - 4.8% or 5% 7/3/05 - 3.8% or 4% 7/2/06 - 4.8% or 5% 7/1/07 - 4.8% or 5%	1/5/03 CALPERS 2.7% at 55
	Fire	7/7/02 - 3.25% 12/22/02 - 7.6% 7/6/03 - 5.25% 1/4/04 - 2.0% (Fire Captain only) 7/4/04 - 5.0% 7/3/05 - 6.0%	12/22/00 - CALPERS 3% at 50 Reduce length of service to reach top step from 12 years. to 6 years.
	Police	7.8/01 - 3.0% 1/6/02 - 3.0% 7/7/02 - 2% 1/5/03 - 2.0% 1/4/04 - 5.0% 1/2/05 - 5.0% 1/6/06 - 5.0% 12/31/06 - 6.0%	7/7/02 - CALPERS 3% at 50 Reduce length of service to reach top step from 12 years. to 6 years.
Alameda City	Miscellaneous	7/1/02: 4% 11/3/02: 0%	7/1/02 CALPERS 2% at 55 11/3/02; No cost of living adjustment but certain classes received a special (1/3 of the median lag) equity increase.
	Fire	12/29/02: 4% 12/28/03: 3% 6/27/04: 1.5% 12/26/04: 3% 6/26/05: 1.5% 12/25/05: 2.5% 6/25/06: 2.5% 12/24/06: 2.5% 6/24/07: 2.5%	12/29/02 CALPERS 3% at 50

SURVEY OF SALARY ADJUSTMENTS BY AGENCY

Agency	Group(s)	Date & Salary Adjustments	Comments
Alameda City	Police	12/29/02: 4% 12/28/03: 3% 6/27/04: 1.5% 12/26/04: 3% 6/26/05: 1.5% 12/25/05: 2.5% 6/26/06: 2.5% 12/24/06: 2.5% 6/24/07: 2.5%	12/29/02 CALPERS 3% at 50
Alameda Co.	Miscellaneous	7/7/02 - 5%	MOU extended for one year without any wage increases/
	Fire	1/1/03 - 5.7% 1/1/04 - TBD	4/1/01 3% @ 50 1/1/04 Survey of 10 agencies or CPI whichever is greater.
Contra Costa County	Miscellaneous	10/1/02 - 5%, 10/1/03 - 3%, 10/1/04 - 3%	1/1/03 county retirement formula changed to 2% @55
	Fire	4/1/02 - 2.75% 4/1/03 - 2.75% 4/1/04 - 2.75% 4/1/05 - 2.75%	7/1/02 county retirement formula changed to 3% @50.  2.75% = 5% less 2.25% deduction for retirement
Concord	Miscellaneous	7/7/03-\$500 lump sum 1/1/04-\$500 lump sum 7/1/05-CPI, (2.5% to 5%) 7/1/06-CPI, (2.5% to 5%) 7/1/07-CPI, (2.5% to 5%) 7/1/08-CPI, 2.5% to 5%	10/28/02 - CALPERS 2.5% at 55. Increased Employer-Paid Member Contribution (EPMC) from 4% to 6% 7/1/04, the City will pay the remaining 2% employee contribution for a total of 8%.
Concord.	Police	1/1/03-CPI, (2.34% actual + 0.66%) 1/1/04-CPI, (3% to 6%) 1/1/05-CPI, (3% to 6%) 7/1/06- CPI 1/1/07- CPI	6/1/01 - CALPERS 3% at 50. 1/1/03 0.66% for holiday and improved benefits  In the final year of the agreement, one-half of the adjustment will be made 7/06 and one-half in 1/07. □
Daly City	Miscellaneous	7/1/03-6%	7/1/03 - CALPERS 3% at 60

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Agency	Group(s)	Date & Salary Adjustments	Comments
Daly City	Fire	8/1/03-5% 8/1/04-5%	
	Police	6/1/02-5% 6/1/03-4.5% 6/1/04-4.5%	12/1/01- CALPERS 3% @ 55 Plan
Fremont	Miscellaneous	6/30/02-4%	8/11/02 CALPERS 2.5% at 55
	Fire	7/1/03- 4% 1/1/04-Survey 7/1/04-4% 7/1/05-4% 1/1/06-Survey	6/17/01 CALPERS 3% at 50. 1/1/04 - Up to 1% based on survey
	Police	7/1/03-4% 1/1/04-Survey 7/1/04-4% 7/1/05-4%	6/17/01 - CALPERS 3% at 50. 1/1/04 - Up to 1% based on survey
Hayward	Miscellaneous	1/1/03 - 4% 1/1/04 - 4% 1/1/05 - TBD	8/26/02 CALPERS 2.5 at 55
	Fire	1/1/03 - 15.97%	1/1/01 CALPERS 3% at 50
	Police	7/1/03 - 15.25%	7/1/01 CALPERS 3% at 50
Oakland	Miscellaneous	6/21/03-3% 7/3/04-1% 7/2/05-4% 7/1/06-4% 6/30/07-4%	7/1/04 - CALPERS 2.7% at 55
	Fire	6/21/03-6% 7/3/04-5% 7/2/05-2% to 5% CPI 12/31/05-Survey, Max. 3% 7/1/06-2% to 5% CPI	

SURVEY OF SALARY ADJUSTMENTS BY AGENCY

Agency	Group(s)	Date & Salary Adjustments	Comments
Oakland	Police	1/4/03-6% 1/3/04-5% 1/1/05-5% 1/1/06-5%	CalPERS 3% at 50
Palo Alto	Miscellaneous	5/1/03 - 5%	
	Fire	7/1/02 - 5%	10/20/01 - CALPERS 3% at 50
	Police	7/1/03 - 3% 7/1/04 - CPI, 3% to 6% 7/1/05 - CPI, 3% to 6% 7/1/06 - CPI, 3% to 6%	2/1/02 - CALPERS 3% at 50
Richmond	Miscellaneous	7/1/03 - 4%	1/1/03 - CALPERS 2.7% at 55
	Fire	1/1/03 - 8.28% (Formula)	10/1/02 - CALPERS 3% at 55
	Police	1/1/03 - 5.33 (Officer)	10/1/02 - CALPERS 3% at 55
San Francisco	Miscellaneous	7/1/03 - 0%	EPMC lowered from 7.5% to 0% on 7/1/03 City or the Union may reopen MOA, for the second year of this agreement, to discuss economic items including wages and/or retirement contributions.
San Jose	Miscellaneous	6/22/03 - 5.5%	
	Fire	6/22/03 - 4%	
	Police	6/22/03 - 4%	
San Leandro	Miscellaneous	1/1/03 - 3% 1/1/04 - CPI, 3% to 5%	7/1/02 -CALPERS 2.5% at 55. City will pay the additional 1% employee contribution for a total of 8%.
	Police	3/1/03 - 6% 3/1/04 - 5%□	CALPERS 3% at 50
San Mateo City	Miscellaneous	9/02 - 0% 9/03 - 0%, See Comments	9/02 - No general salary increase due to the City's financial condition. The contract due to expire 9/13/03 was extended for one year. 9/03 - No general salary increase.

SURVEY OF SALARY ADJUSTMENTS BY AGENCY

Agency	Group(s)	Date & Salary Adjustments	Comments
San Mateo City	Fire	4/03-0% 4/04 - See Comments  4/05 - See Comments	11/24/02 - CALPERS 3% at 50 No general salary increase was given in April 2003 due to the City's financial condition
	Police	8/03 - 0%, See Comments	The MOU has been extended to 8/26/06. 11/24/02 - 3% at 50
San Mateo Co.	Miscellaneous	11/9/03-3% 11/7/04-3% 11/6/05-4%	7/20/03 - 2% at 55 3/05 - 2% at 55.5 Employees contribute 1% effective 8/30/03; 2% effective 8/28/04; and 3% effective 3/13/05
Santa Clara	Miscellaneous	6/22/03 - (reduction of 2.35%)	6/22/03 - Salaries decreased by 2.35% due to changes in the employer CALPERS rate.
	Fire	12/22/02-9.83%	
	Police	12/22/02-4.47%	
Santa Clara County	Miscellaneous	6/23/03 -3% with 2.5% deferred to 11/10/03-2.5%, See Comments	9/03 - discuss the possibility of: early retirement to SEIU, 715-represented workers. The 2.5% increase was deferred to 11/10/03; MOU extended by one year (to June 15, 2005);
Vallejo	Miscellaneous	7/3/03-CPI, 5% max. 7/1/04-CPI, 5% max. 7/1/05-CPI, 5% max.	10/5/02 - CALPERS 2.7% at 55. Employees pay 1% of the employer cost.
	Fire	7/1/03-Survey, plus 1% 7/1/04-Survey	Salaries set to the average for a 14-agency survey, with a maximum of 6.5%.
	Police	7/1/03-See Comments 7/1/04-See Comments	7/1/00 - CALPERS 3% at 50 The 7/1/03 and 7/1/04 salaries will be tied to the FIRE unit increases.