California Society of Municipal Finance Officers (CSMFO) Annual Conference

The Finance Professional's Role in Collective Bargaining

2/9/2017

Presented by:

Kristi Recchia & Meegan Jessee
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Agenda

• Collective Bargaining Process
• Key Stakeholders
• Finance Role
• Compensation Surveys
• Costing Labor Contracts
• Cost Restructuring

Collective Bargaining Cycle

• Planning & Preparation
• Time at the Table
• Impasse (when agreement isn’t reached)
• Ratification & Agency approval
• Implementation
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Key Agency Stakeholders in Labor Negotiations
- City Manager, CAO, CEO, Executive Director
- Human Resources
- Finance
- Operating Department Subject Matter Experts (SME’s)
- Elected Officials/Governing Body

Finance Support & Participation
- Budget presentations to bargaining units
- Financial projections with labor cost scenarios
- Costing labor contracts & proposals
- Payroll data including leave usage & union information requests
- Actuarial information – pensions, OPEB and other unfunded liabilities, etc.

How Can You Help?
- Plan ahead to prepare information for bargaining
- Find ways to explain finance concepts to non-finance people
- Make financial data and reports easy to share (budgets, CAFR, actuarial valuations, etc.)
- Be willing to participate
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Compensation Surveys

- Who is your market?
  - Comparable Agencies - how are they identified?

- Who conducts surveys?
  - Often conducted by 3rd party or Human Resources

- Compensation elements can be focused on key cost drivers or include all elements

Sample Compensation Survey

**Classification: Police Officer**

<table>
<thead>
<tr>
<th>City</th>
<th>Basic Comp</th>
<th>Pay Leave</th>
<th>EPMC, Health Plan (available when qualified)</th>
<th>POST/BS Education</th>
<th>Top Step, Advanced</th>
<th>% Difference from EPMC, Health Plan Total</th>
<th>Employee Retirement Contributions as of 7/1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Castle Rock</td>
<td>$8,448</td>
<td>$2,925</td>
<td>$13,373</td>
<td>15%</td>
<td>$12,473</td>
<td>18%</td>
<td>15% cost-sharing</td>
</tr>
<tr>
<td>Lake Wobegon</td>
<td>$8,077</td>
<td>$2,866</td>
<td>$10,943</td>
<td>15%</td>
<td>$11,063</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td>Metropolis</td>
<td>$9,337</td>
<td>$1,421</td>
<td>$10,758</td>
<td>15%</td>
<td>$10,789</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Hill Valley</td>
<td>$8,458</td>
<td>$2,132</td>
<td>$10,590</td>
<td>15%</td>
<td>$10,561</td>
<td>15%</td>
<td>9% cost-sharing</td>
</tr>
<tr>
<td>Cabot Cove</td>
<td>$8,912</td>
<td>$1,425</td>
<td>$10,337</td>
<td>15%</td>
<td>$10,270</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Mayberry</td>
<td>$8,744</td>
<td>$1,064</td>
<td>$9,808</td>
<td>15%</td>
<td>$9,827</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>South Park</td>
<td>$8,091</td>
<td>$1,208</td>
<td>$9,309</td>
<td>15%</td>
<td>$9,343</td>
<td>15%</td>
<td>9%</td>
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<tr>
<td>Bedrock</td>
<td>$8,132</td>
<td>$966</td>
<td>$9,160</td>
<td>15%</td>
<td>$9,168</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Smallville</td>
<td>$7,536</td>
<td>$1,222</td>
<td>$8,758</td>
<td>15%</td>
<td>$8,740</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Hogsmeade</td>
<td>$8,218</td>
<td>$370</td>
<td>$8,598</td>
<td>15%</td>
<td>$8,652</td>
<td>15%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Sample Closed Session Compensation Data

- Data should be easy to understand
- Communicate a complete picture of how labor costs are expended

<table>
<thead>
<tr>
<th>Group</th>
<th>Pay</th>
<th>Benefits</th>
<th>Overtime</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>POA</td>
<td>$19,193,312</td>
<td>$9,547,358</td>
<td>$2,065,215</td>
<td>$30,805,885</td>
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<tr>
<td>MEA</td>
<td>$4,457,820</td>
<td>$2,109,184</td>
<td>$547,745</td>
<td>$7,114,749</td>
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<tr>
<td>Non-Rep</td>
<td>$3,214,442</td>
<td>$1,408,618</td>
<td>$173,508</td>
<td>$4,796,569</td>
</tr>
<tr>
<td>Total</td>
<td>$26,865,573</td>
<td>$13,065,160</td>
<td>$2,786,469</td>
<td>$42,717,202</td>
</tr>
</tbody>
</table>

Costing Labor Contracts

- Budgeting for anticipated expenditures vs. costing actual labor costs
- Capturing all costs
- Comparing contract provisions to data and actual expenses
- Review of special compensation & pension reporting
- Considering changes in the law and needed updates to comply

Why is Costing Important?

IT CREATES CREDIBILITY
Cost Centers

• Direct Costs
  – Compensation: Pensionable & Taxable
  – Benefits

• Bucket Costs
  – Items not identified by individual
  – Overtime, standby pay, tuition reimbursement etc.

• Indirect Costs
  – Productivity, the cost of time off, etc.

• Other Costs
  – Workers’ Comp, unemployment insurance, etc.

Direct Costs - Compensation

• Direct Costs = dollars paid to an individual employee

• Compensation
  – Base pay, bilingual pay, education incentives, special assignments, etc.
  – Pensionable compensation
    • What do you report? Is it reportable?
  – Taxable compensation – smart phone allowances, auto allowances, etc.

Direct Costs - Benefits

• Benefits = employer paid on behalf of an individual to a 3rd party

• Benefits
  – Taxes (Social Security, Medicare)
  – Health premiums (medical, dental, vision)
  – Other premiums (life insurance, short/long term disability plans, EAP)
  – Other contributions (457 plans, HRA’s, retiree medical trusts, etc.)
Bucket Costs

- Bucket Costs = employer expenses not allocated to an individual
- Bucket Costs
  - Overtime
  - Call-back Pay, Stand-by Pay, Court Pay
  - Tuition Reimbursement
  - Meal Allowances

Indirect Costs

- Productivity (Example: Leave Use)
  - Full time position is allocated as 2080 hours
  - Paid leave provided includes vacation, sick, and holiday
  - Average leave used by individuals in the bargaining unit is:
    - Vacation – 88 hours
    - Sick – 24 hours
    - Holidays – (ten - eight hour days ) = 80 hours
    - Total is 192 hours (9.23% non-productive time)

Other Costs

- Other Costs = Employer expenditures tied to labor
- Other costs
  - Worker’s comp (premiums or ISF charges and SIR’s)
  - Unemployment Insurance premiums
- Is it negotiable?
  - Yes – then include in labor contract costing
  - No – then it is helpful to have, but not often used in labor contract costing since the employees have no ability to negotiate changes
Total Compensation & Contract Costs

- In collective bargaining use total compensation for the bargaining unit.
- You are unlikely to be criticized for being thorough and complete with your costing.
- Be able to back up your totals with the details and share it when it is helpful or requested.

Total Contract Costs

- How to illustrate the impact and cost of proposed labor costs in negotiations

Cost Restructuring

- Keeping your current cost structure vs. reshaping your future cost model
  - Creating new tiers for pay/benefits
  - Step systems/structures
  - Flat based vs. percentage based pay
  - Base pay vs. other types of pay
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Finance is Foundational to Labor Negotiations & Successful Outcomes

- Finance professionals are key team players in the collective bargaining process
- Communicating financial information and forecasts is a critical component for both unions and elected officials
- Calculating costs for labor contracts and proposals needs to be comprehensive and accurate
- The partnership and checks & balances of Finance & HR keeps the agencies best interest in check

Thank You

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