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# **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**



# The Finance Professional's Role in Collective Bargaining

California Society of Municipal Finance Officers (CSMFO) Annual Conference

Presented by: Kristi Recchia & Meegan Jessee | February 9<sup>th</sup>, 2017



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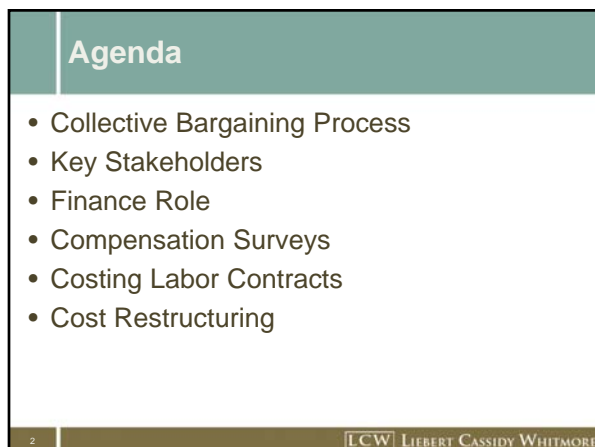
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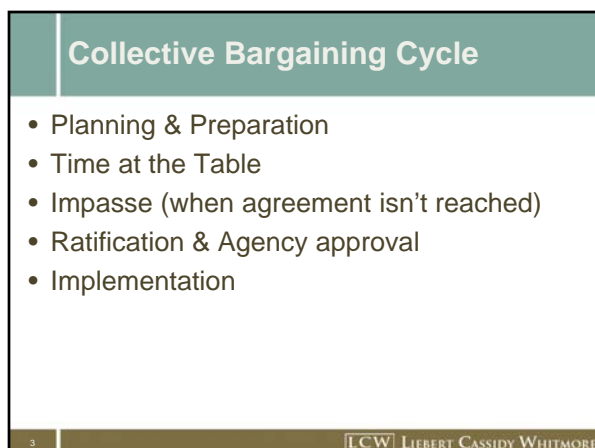
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# The Finance Professional's Role in Collective Bargaining

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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

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## 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.

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## 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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# The Finance Professional's Role in Collective Bargaining

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### Compensation Surveys

- Who is your market?
  - Comparable Agencies - how are they identified?
- Who conducts surveys?
  - Often conducted by 3<sup>rd</sup> party or Human Resources
- Compensation elements can be focused on key cost drivers or include all elements

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### Sample Compensation Survey

Classification: Police Officer					
City	Top Step, Advanced POST/BS Education and Longevity (10 yrs) as of 7/1/16	EPMC, Health (medical, dental, vision), Retiree Medical/457	Basic Comp Total	% Difference from Emerald City	Employee Retirement Contribution as of 7/1/16
Castle Rock	\$9,848	\$2,625	\$12,473	33%	4.5% cost-sharing
Lake Wobegon	\$9,077	\$1,986	\$11,063	18%	12%
Metropolis	\$9,337	\$1,421	\$10,758	15%	9%
Hill Valley	\$8,458	\$2,132	\$10,590	13%	9% cost-sharing
Cabot Cove	\$8,912	\$1,438	\$10,350	10%	12.50%
Mayberry	\$8,744	\$1,064	\$9,808	5%	9%
<b>Emerald City</b>	<b>\$7,835</b>	<b>\$1,540</b>	<b>\$9,375</b>		9%
South Park	\$8,051	\$1,308	\$9,358	-0.18%	2%
Bedrock	\$8,132	\$966	\$9,098	-2.96%	0%
Smallville	\$7,526	\$1,222	\$8,748	-6.69%	9%
Hogsmeade Village	\$8,218	\$379	\$8,597	-8.30%	9%

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### Sample Compensation Survey

Compensation Survey - Police Officer										
Compensation/Benefit	Emerald City	Castle Rock	Metropolis	Cabot Cove	Mayberry	Bedrock	South Park	Hill Valley	Smallville	Emerald City Rank out of 9
Base Salary	\$ 94,832	\$ 87,405	\$ 88,427	\$ 87,955	\$ 88,856	\$ 88,544	\$ 115,981	\$ 99,174	\$ 103,104	#6
Employee Retirement Contribution	\$ (3,797)	\$ (6,776)	\$ (9,727)	\$ (11,821)	\$ (7,987)	\$ (12,318)	\$ (15,773)	\$ (15,600)	\$ (9,455)	#8
Net Base Pay	\$ 91,035	\$ 80,629	\$ 78,700	\$ 76,134	\$ 80,869	\$ 76,226	\$ 100,208	\$ 83,574	\$ 93,649	#6
Additional Pays (available to all members when qualified)										
POST Intermediate	\$ 4,870	\$ 884	\$ 8,356	\$ 8,441	\$ 7,800	\$ 5,799	\$ 4,959	\$ 6,186		
Special Assignment	\$ 7,832	\$ 11,637	\$ 2,931	\$ 4,838	\$ 7,338	\$ 4,927	\$ 5,799	\$ 3,000		
RA Degree	\$ 5,652	\$ 4,870	\$ -	\$ -	\$ -	\$ -	\$ 6,379	\$ -	\$ 13,197	
Longevity Pay (15 years)	\$ -	\$ -	\$ 5,157	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ 8,381	
Extra Pay Net with Employer Pension Deduction	\$ 12,845	\$ 21,271	\$ 7,738	\$ 11,420	\$ 21,430	\$ 11,136	\$ 15,532	\$ 6,707	\$ 25,192	
Net Base Pay + Extra Pay	\$ 103,880	\$ 101,900	\$ 86,438	\$ 87,554	\$ 102,299	\$ 87,362	\$ 115,740	\$ 90,281	\$ 118,840	#6
Employer Paid Benefits										
Medical	\$ 22,571	\$ 19,321	\$ 15,480	\$ 21,002	\$ 18,336	\$ 16,088	\$ 19,788	\$ 14,088	\$ 19,865	
inc. in 125	\$ 4,870	\$ 884	\$ 8,356	\$ 8,441	\$ 7,800	\$ 5,799	\$ 4,959	\$ 6,186		
Dental	\$ 3,418	\$ 936	plan	plan	\$ 3,498	plan	\$ -	\$ 1,234		
inc. in 125	\$ 198	\$ -	plan	plan	\$ 310	plan	\$ -	\$ 141		
Vision	\$ 7,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
EPMC	\$ 9,640	\$ -	\$ -	\$ 3,518	\$ -	\$ -	\$ -	\$ -		
Deferred Comp.	\$ 700	\$ 1,000	\$ 1,525	\$ 1,250	\$ 1,600	\$ 1,400	\$ 1,100	\$ -	\$ 880	
Retiree Health	\$ 3,300	\$ 1,461	\$ -	\$ -	\$ -	\$ 1,973	\$ 1,200	\$ -		
Holiday Pay	\$ 4,213	\$ 2,531	leave	\$ 4,795	\$ 1,990	\$ 5,453	leave	\$ 5,948		
Subtotal Benefits	\$ 88,006	\$ 27,631	\$ 20,492	\$ 25,770	\$ 24,711	\$ 23,267	\$ 27,441	\$ 14,088	\$ 28,248	
Total	\$ 142,286	\$ 117,531	\$ 106,930	\$ 113,324	\$ 127,009	\$ 120,629	\$ 143,181	\$ 104,369	\$ 147,088	#6

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## Sample Closed Session Compensation Data

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

Fiscal Year 16/17 Labor Costs By Unit				
Group	Pay	Benefits	Overtime	Total Cost
POA	\$ 19,193,312	\$ 9,547,358	\$ 2,065,215	\$ 30,805,885
MEA	\$ 4,457,820	\$ 2,109,184	\$ 547,745	\$ 7,114,749
Non-Rep	\$ 3,214,442	\$ 1,408,618	\$ 173,508	\$ 4,796,569
Total	\$ 26,865,573	\$ 13,065,160	\$ 2,786,469	\$ 42,717,202

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## 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

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Why is Costing Important?

IT CREATES CREDIBILITY

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### 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.

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### 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.

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### Direct Costs - Benefits

- Benefits = employer paid on behalf of an individual to a 3<sup>rd</sup> 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.)

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## 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

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## 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)

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## 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

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## 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.

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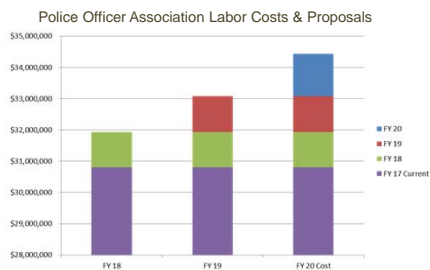
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## Total Contract Costs

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



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## 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

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## Thank You

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