



The Finance Professional's Role in Collective Bargaining

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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

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

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

City	Top Step, Advanced POST/BS Education and Longevity (10 ys) 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%
Emerald City	\$7,835	\$1,540	\$9,375		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%

Sample Compensation Survey

Compensation Survey - Police Officer										
Compensation/Benefits	Emerald City	Castle Rock	Metropolis	Cabot Cove	Mayberry	Bedrock	South Park	Hil Valley	Smallville	Emerald City Rank out of 9
Base Salary	\$ 94,932	\$ 97,405	\$ 88,427	\$ 87,955	\$ 88,856	\$ 98,544	\$ 115,981	\$ 99,174	\$ 103,104	#6
Employee Retirement Contribution	\$ (3,797)	\$ (8,776)	\$ (9,727)	\$ (11,821)	\$ (7,997)	\$ (12,318)	\$ (15,773)	\$ (15,600)	\$ (9,455)	
Net Base Pay	\$ 91,135	\$ 88,629	\$ 78,700	\$ 76,134	\$ 80,859	\$ 86,226	\$ 100,208	\$ 83,574	\$ 93,649	#3
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	\$ 13,637	\$ 2,653	\$ 4,838	\$ 7,108	\$ 4,927	\$ 5,799	\$ 3,000	\$ -	
BA Degree	\$ 5,652	\$ 4,870	\$ -	\$ -	\$ -	\$ -	\$ 6,379	\$ -	\$ 13,197	
Longevity Pay (15 years)	\$ -	\$ -	\$ 5,157	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ 8,351	
Extra Pay Net with Employee Pension Deduction	\$ 12,945	\$ 21,273	\$ 7,738	\$ 11,420	\$ 21,430	\$ 11,136	\$ 15,532	\$ 6,707	\$ 25,192	
Net Base Pay + Extra Pay	\$ 104,080	\$ 109,902	\$ 86,438	\$ 87,554	\$ 102,289	\$ 97,362	\$ 115,740	\$ 90,281	\$ 118,840	#4
Employer Paid Benefits										
Medical	\$ 22,571	\$ 19,321	\$ 15,480	\$ 21,002	\$ 18,336	\$ 16,088	\$ 19,788	\$ 14,088	\$ 19,965	
Dental	inc. in 125 plan	\$ 1,416	\$ 936	inc. in 125 plan	inc. in 125 plan	\$ 1,498	inc. in 125 plan	\$ -	\$ 1,234	
Vision	inc. in 125 plan	\$ 198	\$ -	inc. in 125 plan	inc. in 125 plan	\$ 319	inc. in 125 plan	\$ -	\$ 141	
EPMC	\$ 7,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Deferred Comp	\$ 3,840	\$ -	\$ -	\$ 3,518	\$ -	\$ -	\$ -	\$ -	\$ -	
Uniform	\$ 700	\$ 1,000	\$ 1,525	\$ 1,250	\$ 1,600	\$ 1,400	\$ 1,100	\$ -	\$ 960	
Retiree Health	\$ 3,300	\$ 1,461	\$ -	\$ -	\$ -	\$ 1,971	\$ 1,200	\$ -	\$ -	
Holiday Pay	Leave	\$ 4,215	\$ 2,551	Leave	\$ 4,785	\$ 1,990	\$ 5,353	Leave	\$ 5,948	
Subtotal Benefits	\$ 38,006	\$ 27,611	\$ 20,492	\$ 25,770	\$ 24,721	\$ 23,267	\$ 27,441	\$ 14,088	\$ 28,248	
Total	\$ 142,086	\$ 137,513	\$ 106,930	\$ 113,324	\$ 127,009	\$ 120,629	\$ 143,181	\$ 104,369	\$ 147,089	#3

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

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

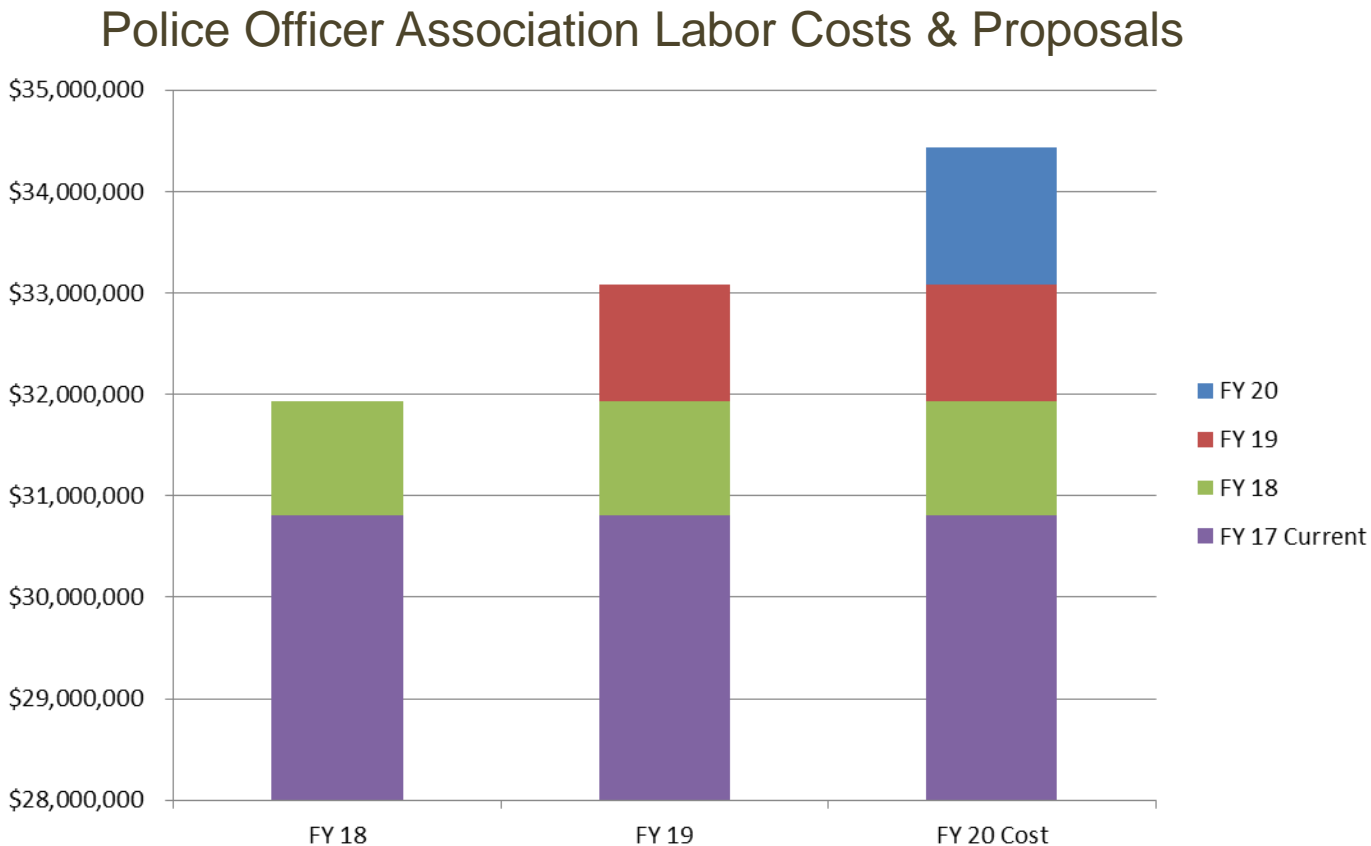
- Other Costs = Employer expenditures tied to labor
- Other costs
 - Worker's comp (premiums or ISF charges and SIR's)
 - Unemployment Insurance premiums
- Is it negotiable?
 - Yes – then include in labor contract costing
 - No – then it is helpful to have, but not often used in labor contract costing 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

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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