MEA's Proposals For A New MOU For FY10 & FY 11

I. Conceptual Framework – Being *Part* of a Solution

> MEA's theme for this bargaining process:
> "We – the City's elected officials, employees and the residents we serve – are all in this together and we will help each other get through these extraordinarily difficult economic times by sharing the pain."

A. Despite the City's long-standing structural budget deficits due to inadequate revenues, MEA's Negotiating Team does not deny that a portion of the FY10 Anticipated Budget Gap ("ABG") is the product of extraordinarily adverse economic conditions related to the world-wide recession which have diminished the City's customary General Fund revenues.

B. MEA-represented employees do not accept *blame* for this ABG and strenuously disagree with those who disparage them and their tireless efforts on behalf of this City by asserting that their middle-class (or in many cases, barely middle-class) compensation package is excessive or is the "reason" for this ABG.

C. MEA's Negotiating Team expects the City's leadership to be unusually sensitive to *any* actual or apparent waste or excess in spending when asking employees on already tight budgets to make economic sacrifices to help close the City's budget gap. The huge cost overruns being predicted on the City's OneSD computer project is certainly in this category, as would be expenditures for hiring new highly-compensated managerial employees or outside consultants. Nor should the City's reserves be significantly enlarged when employees and their families are being forced to deplete their "reserves" if they have them at all.

D. In furtherance of the commitment all MEA-represented employees make to public service and to the residents of San Diego, MEA's Negotiating Team will recommend that they voluntarily accept responsibility for closing a portion of this ABG under the following general terms and conditions:

   (1) Their economic sacrifices must be *proportionate* when viewed on a City-wide basis;

   (2) Each and every City employee must bear a share of the pain regardless of the nature of his or her job duties because there is no justification for any exceptions in light of the nature of the economic crisis, and because MEA's Negotiating Team rejects the approach of picking "winners" and "losers" based on an employee's job position and/or whether that position is paid from General Fund revenues;

(3) Their economic sacrifices must be *temporary* because the recession which necessitates these concessions will ultimately be temporary. Each concession must have a limited time span and a pre-determined "sunset" date when the status quo ante will be restored. This approach is intended to avoid the unacceptable scenario of MEA-represented employees having to bargain back what they voluntarily sacrificed in the spirit of cooperation during this extraordinary economic crisis;

(4) All "savings" generated by the sacrifices of MEA-represented employees must be used directly or indirectly to preserve the jobs of MEA-represented employees.

II. What Is A *Proportionate* Share?

Based on the City's budget presentation to MEA's Negotiating Team on February 4, 2009, MEA is using a projected $40 million ABG in making this proposal. It is understood that the ABG may be more or less than this amount when the final numbers are in and all revenue forecasts are finalized. However, the $40 million number is reasonable and appropriate for present purposes because (1) the City will not be the victim of State "take-aways" now that the State has adopted a new budget; (2) the ARC payment will be $154 million instead of the anticipated $166 million; and (3) the City will clearly be the recipient of federal stimulus dollars which will have a positive effect in reducing the projected ABG.

If this City's 1,200,000 residents could all be asked to *share the pain* of this extraordinary economic crisis, this would, of course, make the burden on each person easier to bear – in fact, the burden per person would be **$33** based on an estimated City population of 1,200,000 residents (many of whom are also City employees). However, the City argues that this more equitable result cannot be achieved in time for the FY10 budget year. Thus, accepting this reality and using an estimated ABG of $40 million, MEA's Negotiating Team believes that the following analysis for determining the *proportionate* share to be borne by MEA-represented employees is fair and equitable:

(A) **One-Half** or **$20 million** of this ABG should be solved by:

(1) Increasing user fees;
(2) Generating new revenues (see MEA's proposals re same);
(3) Decreasing operational costs by facility closures with alternate work schedules implemented to maintain total hours worked;
(4) Reducing the amount of proposed allocations to reserve accounts (General Fund, Workers' Compensation and Public Liability);
(5) Consolidating internal stabilization funds into the City's General Fund reserve to avoid the need for additional allocations to this reserve to meet the City's Reserve Policy;

(6) Redefining, reducing or reallocating the 4-cent portion of the TOT levy required to be used "solely for the purpose of promoting the City;"
(7) Reducing proposed expenditures for the ERP system (also known as OneSD);
(8) Selling or leasing City Box suites and stadium guest boxes;
(9) Increasing Refuse Hauler Franchise fees;
(10) Delaying, cancelling, or changing the scope of capital improvement projects to mitigate budgetary impacts;
(11) Delaying the opening of new facilities which cannot be staffed by the current workforce;
(12) Selling Pension Obligation Bonds at an interest rate which is lower than the interest rate charged by SDCERS on the UAAL;
(13) Re-evaluating the prudence of having urged the SDCERS Board to adopt the current aggressive amortization period for paying down the pension UAAL (i.e., a 19-year period plus a commitment of "no negative amortization" which effectively reduces this repayment period to 16 years). [1]

(B) **One-Half** or **$20 million** of this ABG must be solved by the City's *entire* workforce in the spirit of cooperation this situation demands because there is *no other good alternative.*

Included in the chart below is the total number of full-time equivalent employees in each "interest group," with the total salaries paid to that interest group from the General Fund ("GF") also noted.

Using the ratio that the total salaries paid to all employees in each of the following interest groups (whether from the GF or an Enterprise Fund) bears to the total salaries paid by the City to all 10, 575 FTE, the following total dollars of concessions emerge:

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[1] The result is that the City is paying a larger annual payment to the pension plan than most other public entities who amortize over a 30-year period and/or than may be prudent under the current economic conditions. This situation can be fairly analogized to a home mortgage holder whose income has been drastically reduced by the recession but who nevertheless volunteers to refinance his 30-year fixed mortgage to a 15-year one with the effect that his monthly mortgage payment **doubles**. A home owner's objective to pay down his mortgage debt *faster* is a laudable goal but must be questioned when to do so means he cannot feed and clothe his family.

Interest Group	Total Salaries *(in millions)*	Average Annual Salary by Interest Group	Total Salaries Divided by Total City Salaries of $667 million = %	Share of $20 Million ABG
MEA (4,659 FTE)	$262.31 (GF $155.35)	$56,270	39%	$7.8 million
Local 127 (1,990 FTE)	$92.6 (GF $38.56)	$46,537	14%	$2.8 million
Local 145 (1,015 FTE)	$72.33 (GF $68.77)	$71,259	11%	$2.2 million
POA (2,108 FTE)	$166.71 (GF $166.71)	$79,092	25%	$5 million
DCAA (136 FTE)	$12.6 (GF $12.6)	$92,712	2%	$400,000
Elected Officials (10 FTE)	$.90 (GF $.90)	$89,720	.14%	$28,000
Unrepresented (293 FTE)	$22.93 (GF $12.89)	$78,270	3.4%	$680,000
Unclassified (364 FTE)	$36.63 (GF $26.99)	$100,533	6%	$1.2 million
	= $667		**= 100.54%**	**= $20,108,000**

III. Conditional Proposal for Saving $7.8 Million in FY10

A. 2-Year Suspension of City's Voluntary Match of SPSP Contributions

Subject to the conditions described herein and below in section V, MEA proposes that, effective July 1, 2009, the City's voluntary match of an employee's voluntary SPSP contributions (up to a maximum of 3.05% for most and 4.5% for some) will be suspended for the entirety of FY10 and FY11, and the suspension of this matching contribution will sunset on June 30, 2011.

Due to the requirement of the SPSP plan that all participants vote to approve any plan amendment, MEA contemplates a mechanism whereby, upon ratification of a new MOU by the MEA membership, each MEA-represented employee would sign a waiver of these matching contributions or, in the alternative, acknowledge that his or her salary will be reduced by an amount which is the fiscal equivalent of the voluntary SPSP match.

All of the savings which result from this suspended benefit – whether generated by MEA-represented employees paid from the General Fund or those paid from an Enterprise Fund – will be re-allocated to help defray the City's *General Fund* obligation on behalf of MEA-represented employees to contribute to the City's annual $25 million payment to the CalPERS Retiree Health Care Trust Fund.

B. No General Salary or Cost-of-Living Increases and No Increase in Flexible Benefits Plan Dollars

Subject to the conditions described herein and below in section V, MEA-represented employees will forego any Cost-of-Living increase or other general salary increase for FY10 and FY11, such that the salary freeze in effect for FY06, FY07 and FY09 will continue. Though a hardship for employees, these freezes not only have a positive impact on the City's annual budget but also have the effect of reducing the UAAL. However, MEA and the City will agree upon an appropriate revenue benchmark whereby an objectively verifiable increase in certain revenues will result in a General Salary increase for all MEA-represented employees effective July 1, 2010, the amount of which shall be determined in relation to the amount of the revenue increase.

Subject to the conditions described below in section V, MEA-represented employees will also forego any increase in the amount of their Flexible Benefits Plan dollar value for FY10 and FY11, such that the $6,075 dollar value will continue in effect without increase.

C. Reduction in DROP Interest Rates

Subject to the conditions described below in section V, MEA agrees with and supports the SDCERS Board's reduction in the interest rate to 3.54% for active DROP accounts, effective July 1, 2009, and to 5% when calculating the annuities of DROP-retirees effective July 1, 2009. MEA continues to believe that this matter should be left to the judgment of the SDCERS Board in the proper exercise of its fiduciary duty.

In the event that a court of competent jurisdiction enters a judgment declaring that the Deferred Retirement Option Plan is an employment benefit subject to renegotiation during the meet and confer process rather than a vested pension benefit protected by the state and federal Constitutions, and if any appeal in the matter has been disposed of, the parties will address this result at the expiration of this proposed 2-year MOU.

IV. Other Issues

Subject to the conditions described below in section V:

Status Quo: In light of the economic concessions MEA-represented employees are agreeing to accept as their part in a **shared** solution to the current economic crisis, MEA believes that the City's proposed changes to various provisions of its expired MOU are unnecessary and unwarranted. MEA proposes that, except as noted below, all other MOU provisions contained in its expired FY05-FY08 MOU remain unchanged for FY10 and FY11:

(1) Article 91, Bereavement Leave: MEA accepts the City's proposed change to the Bereavement Leave article requiring that proof of death (death certificate, obituary, funeral program, etc.) be provided in order to receive Bereavement Leave (which is in addition to Annual Leave).

(2) Article 87, Performance Management Program: MEA accepts the City's proposal.

(3) Article 23, Lifeguard Services:

(a) MEA accepts the City's proposed language related to Section III, *Preservation of Work,* which confirms that the Lifeguard Service Division will continue to be the primary responders for coastal cliff rescues and river rescues, with the "Cliff Rescues" and "River Rescues" subsections, as currently written in Article 23, otherwise remaining unchanged.

(b) Section VI should be deleted and replaced with the following: The City and MEA will meet and confer over the development of a Shift or Time Trades policy for the Lifeguard Service.

(4) Articles 21 and 86, Special Salary Adjustments, Special Assignment Pay and Voluntary Certification Pay: Despite the overall economic crisis, MEA supports the implementation of certain pay adjustments within MEA's bargaining units as an unavoidable cost of doing business when these adjustments are justified by a change in job duties or by a recognized recruitment/retention problem. For this reason, MEA supports the Special Salary Adjustments which were recommended by the Civil Service Commission in 2008 and/or which will be recommended this year. For the same reason, MEA supports the implementation of those Special Assignment Pays and Certification Pays on which the parties had reached tentative agreement in 2008, and which MEA will be proposing, because they are a legitimate cost of doing business and remaining competitive in providing crucial services to the public.

(5) Articles 43 and 44, Uniform Reimbursement and Allowance: Where cost increases justify any change to a Uniform Allowance or a Uniform Reimbursement, MEA supports these adjustments in order to assure that these higher out-of-pocket costs required by the City's business operations are not transferred to employees. [E.g., a $500 Uniform Allowance

will be implemented on 7/1/09 for ESD's Safety Representatives I and II, Safety Officer, and Safety & Training Manager, which is the same amount currently available to Refuse Collection Supervisors.]

(6) Article 28, Flexible Benefits Plan: Apart from the proposed freeze in total dollar value for FY10 and FY11, MEA rejects the City's proposed elimination of HealthNet and AFLAC (cancer insurance) as Flexible Benefits Plan options because of the hardship to employees who are presently enrolled in and dependent upon the continuation of these services/coverages. The City's unilateral judgment that the cost is too high or the benefit inadequate is not a persuasive reason for the proposed elimination as the City's judgment in the matter should not be substituted for an employee's own judgment.

(7) Article 59, Long-Term Disability Plan: MEA invites further discussion about the City's undefined proposal with regard to the Long-Term Disability Plan as MEA seeks to achieve the long-overdue coverage for those employees who face disabling mental conditions.

V. Conditional Proposal

Condition #1:

Because of the unusually difficult nature of these negotiations, MEA reserves the right to change or modify this proposal – including by withdrawing or reducing the concessions being proposed – based on relevant developments during the course of the bargaining process such as, but not limited to:

(1) improvements in the City's budget outlook;
(2) increases in compensation being offered to other employee interest groups;
(3) the City's decision that all City employees need not share in the pain caused by the current economic crisis; and/or,
(4) reliable indications that the proposal will not be ratified.

Condition #2:

MEA's proposal for a two-year MOU on the terms stated herein is conditioned on the City's agreement to take all necessary steps to improve its long-standing structural budget deficits by increasing revenues where this may lawfully be done without a vote of the electorate, and where a vote of the electorate is needed (e.g., a Sales Tax increase, TOT increase, Utility User Tax increase, a Parking Tax, Property Transfer Tax increase, Business License Tax increase, Storm Drain Fee increase, a Refuse Collection Fee, General Obligation Bonds for deferred maintenance secured by a supplemental property tax rate, a Facility Use fee on admission to events at Qualcomm Stadium, PETCO Park and the San Diego Sports Arena), by assuring that such a vote is taken during the June and/or November 2010 elections.

In this regard, MEA seeks a written assurance that, in preparation for any such election, the CITY will research, publish and disseminate an objective, non-partisan, neutral comparative analysis showing the wages and benefits of CITY employees (using specific job classifications whose duties are subject to reliable comparisons) in relation to those of other public sector employees in California, as well as a comparison between San Diego's revenues and the revenues of other major Cities in California with a neutral description showing what portion of each tax dollar charged to a San Diego resident actually reaches the CITY's coffers.

MEA also seeks a written assurance that the Mayor and other elected City officials will take all reasonable steps to achieve a favorable outcome on any such ballot measure:

(1) by supporting the measure; and,
(2) by procuring the support of organizations and interest groups known for their ability to influence voters on such measures.

Condition #3:

MEA's Negotiating Team will recommend these terms for ratification by MEA-represented employees:

(1) if all other City employees agree to make their share of the concessions needed to close the ABG;
(2) if the savings their sacrifices would generate are used to save the jobs of other MEA-represented employees; and
(3) if no other employee interest group is given a cost-of-living or general salary increase or other economic enhancement to their overall compensation during FY10 and FY11, unless such an economic improvement is tied to an objectively-verifiable revenue increase as proposed herein and/or the economic improvement (or its equivalent) is automatically extended to MEA-represented employees.