

**City of La Verne and La Verne Firefighters Association –
Report and Recommendations of the Fact finding Panel
(PERB Case No. LA-IM-128-M), June 4, 2013**

This Fact-Finding involves an impasse over the terms of a successor agreement between the City of La Verne and the La Verne Firefighters Association. Martin Lomeli was designated Panel member for the City, Jeff Peterson was designated Panel member for the Association, and Tony Butka was agreed to as the Panel Chair.

A hearing was held at the La Verne City Hall on Tuesday, May 7, 2013, where all parties were represented by counsel and afforded an opportunity to introduce evidence, testimony, and argument as to their respective positions.

Background:

The City of La Verne in the East San Gabriel Valley, located off the 210 Freeway and north of the Pomona FairPlex. It has a solid commercial corridor off of Foothill Blvd, a university (the University of La Verne), and a favorable property tax base. The City also maintains its own Fire and Police Departments.

The Dispute:

On February 7, 2013, the City presented the Firefighters Association with their Last, best & Final offer for a two year contract for calendar years 2013 and 2014, and after the Association rejected the offer, the City declared formal Impasse on March 18th, leading to this proceeding.

As of the date of hearing, there are only two issues in dispute ; (1) employee contribution levels for retirement, and (2) establishment of a ceiling or cap amount for the City's contribution to post-retirement medical.

There is agreement between the parties for a two year agreement, and there is agreement to modify the effective dates of the two year agreement to shift from a calendar year to a fiscal year (meaning July 1, 2013 instead of January 1, 2013).

PERB Criteria:

AB 646 (now contained the PERB Regulations) lays out a set of 8 criteria to be used by a fact finding panel:

“(d) In arriving at their findings and recommendations, the fact finders shall consider, weigh, and be guided by all the following Criteria:

- (1) State and federal laws that are applicable to the employer.

- (2) Local rules, regulations, or ordinances.
- (3) Stipulations of the parties.
- (4) The interests and welfare of the public and the financial ability of the public agency.
- (5) Comparison of the wages, hours, and conditions of employment of the employees involved in the factfinding proceeding with the wages, hours, and conditions of employment of other employees performing similar services in comparable public agencies.
- (6) The consumer price index for goods and services, commonly known as the cost of living.
- (7) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays, and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.
- (8) Any other facts, not confined to those specified in paragraphs (1) to (7), inclusive, which are normally or traditionally taken into consideration in making the findings and recommendations.”

Retiree Medical Insurance

Currently the City provides post-retirement supplemental medical insurance based on a formula of 80% of the least expensive HMO plan in effect as of the date of retirement of the employee. This formula covers employee and dependents, assuming that the employee has at least 20 years of service at the time of retirement.

The City is proposing to cap the maximum dollar amount paid for supplemental retiree medical at \$300/month, and the Associations last position was for \$400/month.

Underlying the City’s proposal is the need to have an actuarial number for purposes of calculating the cost of this benefit – it is very difficult to quantify the cost of the existing formula over time. There was no evidence presented indicating that the issue to date has posed an undue burden on the City’s finances.

Employee Costs of Retirement Benefits

In better times, the City paid the full cost of pension benefits under the CalPERS plan for safety employees. Facing the same rapidly increasing costs of pensions as other California cities, the City of La Verne has found it necessary to require that employees start paying towards their retirement (Under the CalPERS plan, a full employee share toward retirement is a 9% contribution). As of 2010, the contract was modified so that effective February 2010, all employees started paying a 3% contribution towards the cost of pension, with any new hires paying the full 9% contribution rate.

In this contract cycle, the City has determined as a matter of policy that all employees should pay the full employee share of retirement, and therefore has proposed that all employees pay the full 9% amount.

From the Associations standpoint, this represents a 6% pay cut, in addition to the 3% pay cut they took in 2010. Needless to say, there is resistance to having this imposed without some way to cushion the blow, at least in the short term.

The City has proposed to offer a lump-sum annual payment equal to 4% of the employee's base salary for the two year term of the contract. At the time of impasse, the Association had rejected this offer.

The good news in this difficult subject is that the Association had accepted the proposition that all employees should pay the full 9% immediately. Also, the Association had ultimately accepted the proposition that any offsets to the additional 6% employee contribution would be based on lump sums, as opposed to permanent salary schedule increases.

For this impasse, the devil is in the details. Salary is not an issue in this dispute, as wage increases are determined under the contract as a defined median top base monthly salary for a predefined defined market basket of cities. However, there is no mention of total compensation in this calculation, so determining total compensation for fact finding purposes is not a trivial task

No matter what the frame of reference, any agreement or imposition clearly falls within the realm of concession bargaining. In terms of the panel, the biggest issue is how much of an overall pay cut the current employees will have to take, and to what extent non-pensionable offsets will occur.

Current Position of the Parties

At hearing, the differences between the parties was further narrowed regarding offsets for the full 9% employee contribution starting in 2013. The Association reluctantly agreed that the lump sum offset (or non-PERSable stipend, to use the language of the City) should be in the amount of 4.5%.

In return, the Association proposed a formula for reducing the offset over time, based on the parties formula for salary increases. Again, the City of La Verne/Association MOU adjusts salary annually based on the median top base monthly salary for a marketbasket of eight agreed-on agencies, with a 3% cap.

The Association insists that the salary formula does not take into account total compensation, as required by AB 646's Criteria #7 – Overall compensation. They produced exhibits which would indicate that the City is much lower than the median rate when all other factors of total compensation are considered as well as the median rate. Of course the Union's Exhibits assume that employees would each be receiving all possible

special pay practices, and there is simply no data to objectively quantify a composite number.

The Association proposes that the stipend be reduced by the amount of any salary increases which result from the parties formula. Thus the stipend would be eliminated over time, while the City will derive the immediate benefit of the full 9% employee contribution towards retirement.

Recommendations

Post-Retirement Medical - The Panel recommends using a cap amount of \$300/month, as proposed by the City. The initial cap amount is a guess only, with no representation by either side that the amount would be exceeded during the two year term of agreement. The only practical way to measure what the actual cap amount should be is to track costs over time and then see how they fit into the formula and cap dollar amount. This allows the negotiations over retiree health insurance to be based on a benchmark number.

Employee Contributions to CalPERS and Offsets - The Panel recommends that employees immediately start paying the full 9% CalPERS contribution effective the effective date of the agreement. Regarding offsets, the Panel recommends that the dollar amount be based on 4 1/2% of base pay, payable as indicated in the City's Last, Best & Final offer, for each of the two years.

This recommendation based on an observation that at this point the real money dispute between the parties is basically less than 1% over the two years. Weighed against the advantages of having two years of labor peace, as opposed to a one year imposition, lead to the conclusion that the short term cost is more than offset by the benefits of not having to go through the bargaining/impasses process again in the near future.

The Association's argument for a formula over time decreasing the lump sum benefit as wages rise is essentially a philosophical argument. While I am sure that the Association would like to have long term guarantees of a formula, wages and benefits are creatures of the collective bargaining process, and are only as good as the term of the agreement. So, even if there was a formula could be repudiated in the negotiations for a successor agreement, and to do so would be perfectly legitimate.

On the other hand, ½% in each of two years, non-pensionable, is not a huge sum, does benefit the employees, commits the City to nothing beyond that term, and could result in an agreement.

Respectfully submitted,



Tony Butka, Chair

Dated: June 3, 2013