



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Alex Gurza

SUBJECT: SEE BELOW

DATE: September 4, 2007

Approved

Date

[Handwritten signature]
9/4/07

SUBJECT: AWARD RESULTING FROM THE INTEREST ARBITRATION BETWEEN THE CITY AND THE INTERNATIONAL ASSOCIATION OF FIREFIGHTERS, LOCAL 230

COUNCIL DISTRICT: N/A
SNI AREA: N/A

RECOMMENDATION

Adoption of a resolution to implement the terms of the award resulting from the interest arbitration between the City and the International Association of Firefighters, Local 230, and authorizing the City Manager to execute the award.

OUTCOME

Adoption of the resolution will implement the terms of the Interest Arbitration Opinion and Award pursuant to San Jose City Charter Section 1111.

BACKGROUND

The City of San Jose has a labor contract with the International Association of Firefighters, Local 230 covering approximately 750 full time positions. Employees in this bargaining group include Firefighters, Fire Engineers, Fire Captains and Battalion Chiefs. The contract expired on February 28, 2004. An agreement on a successor agreement was not reached during negotiations or during the mediation process.

In accordance with San Jose City Charter Section 1111, the City and Union proceeded to interest arbitration. The Arbitration Board consisted of one representative designated by the City, one representative designated by the Union and a neutral arbitrator selected by the City and Union.

The arbitration involved a total of thirty (30) issues and the arbitration hearings were held during November 2006 to January 2007. Subsequently, on February 13, 2007, the City and Union each submitted Last Offers on each issue and arbitration briefs were submitted on March 19, 2007. Pursuant to Charter Section 1111, the Arbitration Board decides each issue by majority vote by selecting whichever last offer of settlement on that issue it finds most nearly conforms with those factors traditionally taken into consideration in the determination of wages, hours, and other terms and conditions of public and private employment. These include, but are not limited to, changes in the average consumer price index for goods and services, the wages, hours, and other terms and

conditions of employment of other employees performing similar services and the financial condition of the City and its ability to meet the cost of the award.

After the arbitration hearings, the neutral arbitrator scheduled several mediations between February 2007 and July 2007, prior to making a decision on each issue in an attempt to reach a settlement, however, no agreement was reached.

The Arbitration Board made a decision on each issue on August 3, 2007 and the Arbitration Opinion and Award became public on August 11, 2007. Copies of the award, the briefs and the City's dissenting opinion are available upon request.

ANALYSIS

The following is a summary of the Interest Arbitration Opinion and Award:

Wages

Maintain current salaries in effect through July 2, 2005

1.50% general wage increase effective July 3, 2005

5.70% general wage increase effective July 2, 2006

5.70% general wage increase effective July 1, 2007

3.75% general wage increase effective June 29, 2008*

* Reduced by the cost of premium pay for Special Operations

Special Operations

Prior to July 2008, the City shall provide the Union an amended policy for the Hazardous Incident Team (HIT) Unit. The revised HIT policy will be effective July 1, 2008. Relief personnel pay shall be amended to \$25.00 for such assignment during which 4 or more consecutive hours are worked.

On or about January 1, 2008, the City will provide the Union a draft Urban Search and Rescue (USAR) policy. The Union will review, comment, and may request to bargain over any matters within the scope of representation on the USAR policy on or before March 1, 2008. After July 1, 2008 and after agreement on the policy, all employees assigned to a USAR company will receive pay of approximately 5.0%. Relief personnel who are assigned to a USAR company shall be paid \$25.00 for such assignment during which 4 or more consecutive hours are worked.

Support Paramedics

The City may assign up to 147 support paramedics. Support Paramedics will be required to complete at least 3 patient contact reports per calendar quarter to receive support paramedic pay. Effective May 1, 2007 employees who are newly designated as support paramedics shall receive additional pay in an amount of 5.0%. Employees previously designated as Support Paramedics shall have their paramedic premium pay frozen and "Y-rated" and

shall continue to receive that amount until such time as that amount is either less than or equal to 5% of top step firefighter base pay in which event that Support Paramedic shall continue thereafter to receive as paramedic premium pay an amount equal to 5% of top step firefighter pay for each pay period in which the employee is entitled to receive a salary.

Health Insurance Premiums Effective January 1, 2007, employees' maximum contribution for the lowest-priced medical insurance plan will increase from \$25 to \$100 per month.

Effective January 1, 2008, employees' maximum contribution for the lowest-priced medical insurance plan will increase from \$100 to \$150 per month.

Dental Insurance Premiums Effective January 1, 2007, introduce a cost sharing for dental benefits that includes 100% City paid for lowest priced plan and 95% City paid/5% employee paid for other plans.

Health Insurance Co-Pays Effective January 1, 2008, co-pays for all available HMO plans shall be as follows:

- a. Office Visit Co-pay: \$10
- b. Prescription Co-pay: \$5 for generic and \$10 for brand name
- c. Emergency Room Co-pay: \$50

Retirement – Benefit Formula For employees who retire on or after July 1, 2008, the benefit formula will be changed to 3% of final compensation for each year of City service once an employee completes twenty (20) years of service with the City to a maximum of 90%.

Retirement – Survivorship Benefit For employees who retire on or after July 1, 2008, the spousal survivorship benefit shall be equal to fifty percent (50%) of the member benefit up to a maximum of forty-five (45%) of the member's final average salary.

Establish a Labor Management Committee on a Deferred Retirement Option Plan (DROP) During the term of the contract, the City and the Union will, not later than January 31, 2008, convene a labor management committee to explore available options and implications of adopting a Deferred Retirement Option Plan.

Vacation Accrual Effective the first pay period of calendar year 2009, employees will only be allowed to take vacation that has been accrued, and employees will be able to accrue up to a maximum of two times their annual vacation accrual rate.

Anti-Terrorism Training Pay Effective July 1, 2006, all employees represented by IAFF shall receive a wage increase of 2.0% for anti-terrorism training. This premium pay will be pensionable.

EVALUATION AND FOLLOW-UP

Several items contained in the award require further discussions with the Union and follow up.

Retirement – Survivorship Benefit

Currently, an eligible surviving spouse is eligible to receive a monthly allowance that is calculated as follows:

- To surviving spouse of member with 27.5 years of service or less: 37.5% of member's final compensation
- To surviving spouse of member with 27.5 to 30 years of service: 37.5% to 42.5% of member's final compensation depending on the years of service

The majority of the Arbitration Board awarded the Union its last offer which provides that the amount shall be equal to fifty percent of the member's benefit, which could be a lower benefit than currently provided to some eligible spouses.

Retirement – Updated Actuarial Studies and Ordinance

A request will be made to the Police and Fire Department Retirement Board to have its actuary, The Segal Company, complete an actuarial analysis to update the cost of the increase in the retirement benefit formula and the retirement survivorship benefit. Upon completion of this analysis, the City Attorney's Office will draft an ordinance amending the San Jose Municipal Code, which will be presented at a future Council Meeting after providing the draft to the Union and providing the proposed ordinance to the Police and Fire Department Retirement Board for comment.

Anti-Terrorism Training Pay

The Award provides a premium pay equivalent to a 2% wage increase for anti-terrorism training. Having well-trained Fire personnel is essential. In order to determine the eligibility requirements to qualify for this premium pay, the Fire Department will develop an anti-terrorism training program, and the Administration will review and discuss the training with the Union. The program will include the content, length and frequency of the training, and a process for verification that employees have received the training.

Special Operations Policies & Labor Management Committee

The Administration will review the Special Operations Policies with the Union and will commence the Labor Management Committee on a Deferred Retirement Option Plan no later than January 31, 2008.

PUBLIC OUTREACH/INTEREST

- X **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)

- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item will be placed on the September 18, 2007 Council Agenda and the memorandum will be available to the public on the City's website. Copies of the Award, the briefs and the City's dissenting opinion are available to the public upon request.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

COST IMPLICATIONS

There is no ongoing increased annual direct cost of this award in fiscal year 2004-2005. The ongoing increased annual direct cost of the interest arbitration award is approximately \$1.6 million in fiscal year 2005-2006, approximately \$8.4 million in fiscal year 2006-2007, approximately \$6.6 million in fiscal year 2007-2008 and approximately \$9.6 million in fiscal year 2008-2009.

In a letter dated January 12, 2007, the Police and Fire Department Retirement Board's actuary, The Segal Company, estimated the cost of the retirement benefit formula increase to be approximately 5.58% of payroll. This estimated retirement cost has been included in the cost; however, the cost is subject to change, as recommended by the Board's actuary.

The cost of the retirement survivorship benefit has not been included in the cost because the Board's actuary had not previously determined the estimated cost of providing the benefit as included in the arbitration award.

The cost of the anti-terrorism training pay has been included in the cost; however, to determine the eligibility for the premium pay, the Administration will need to develop the anti-terrorism training program.



Alex Gurza
Director of Employee Relations

For questions please contact Alex Gurza, Director of Employee Relations, at (408) 535-8150.