



# Memorandum

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**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Edward K. Shikada

**SUBJECT: APPROVAL OF REVISED  
GUIDING PRINCIPLES FOR  
LABOR NEGOTIATIONS  
RELATED TO COMPENSATION**

**DATE:** March 27, 2014

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## RECOMMENDATION

Approve revised Guiding Principles for Labor Negotiations related to compensation.

## OUTCOME

If approved by the City Council, staff will utilize the Guiding Principles during negotiations with the City's bargaining groups.

## BACKGROUND

On June 12, 2007, the City Council approved the following Guiding Principles for Labor Negotiations:

- *Focus on the total cost of compensation while considering the City's fiscal condition, revenue growth, and changes in the Consumer Price Index.*
- *Use short-term and long-term strategies to address increasing benefit costs such as wellness programs, cost containment initiatives, etc.*
- *Maintain a consistent approach to bargaining through clear, ongoing communication of policy direction among City Council and City staff.*
- *Remain mindful of increasing costs, including the retiree healthcare liability.*
- *To the extent possible, preserve the City's market competitiveness as an employer.*
- *Efficiently and effectively provide services that align with both the priorities of the community and the City Council.*

At the time these guiding principles were approved, the City had undergone significant budget shortfalls and was facing even more significant budget shortfalls. It was recognized that for represented employees, salaries and benefits are determined through the negotiation process with the City's bargaining units. It was determined that in order to address the significant budget issues, the City should be guided by principles in labor negotiations in order to remain mindful of the service needs of the City and the continued fiscal challenges.

Subsequently, on March 4, 2008, the City Council adopted *Council Labor Negotiation and Transparency Guidelines*, which were revised on January 25, 2011. These guidelines are attached. These guidelines cover areas beyond compensation and benefits, and set parameters for the City Council when the City Manager or the City Manager's designee is in negotiations with any bargaining unit. These include the roles of Council members and staff relative to the City Manager's execution of the duty to negotiate on behalf of the City, and that written proposals made or received shall be posted for public review on the City's web site after the proposals have been submitted to the designated negotiators. Negotiation information can be found at the City's website at <http://www.sanjoseca.gov/index.aspx?NID=505>.

As indicated in the 2014-2015 City Manager's Budget Request and 2015-2019 Five-Year Forecast, the City's budget is in a fairly stable position over the forecast period. The difficult budget balancing actions implemented in recent years played a critical role in bringing revenues and expenditures in close alignment. These actions included a combination of significant service and position reductions, and employee total compensation reductions. These employee compensation reductions included but are not limited to a 10% total compensation reduction, rollback of a general wage increase of 2% two unions received, and benefit cost sharing changes. These were significant concessions made by City employees.

It is important to note that while the City's budget has stabilized, there continues to be a significant deficit in the service levels provided to the residents and businesses in San José. There are major gaps in services across the board that impact our community, from public safety to parks, libraries, and community services. There are also significant unmet deferred infrastructure and maintenance needs that will have a long-term impact on the City.

## ANALYSIS

As noted above, significant changes have been made to employee compensation in that all City employees took an across the board compensation reduction of 10%. This was done in recognition that for Fiscal Year 2011-2012, the City had to address another General Fund shortfall of \$115 million. Yet despite achieving a 10% total compensation reduction for all employees, 140 employees were laid off, including 66 Police Officers.<sup>1</sup> Absent this sacrifice by the workforce, additional significant layoffs and resulting service reductions would have had to occur. This is illustrative of the difficult fiscal situation faced by the City and its employees that,

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<sup>1</sup> Source: 2011-2012 Adopted Budget.

regardless of the significant sacrifices made by employees, the City could not avoid a reduction in its workforce. This is also significant in that it was across the board, meaning every City employee took the wage reduction.

While the City must continue its pursuit of balancing the long-term need of eliminating the General Fund structural deficit, bringing revenues and expenditures into alignment, with the immediate service delivery needs of the community, the City also recognizes the needs of the workforce in restoring the pay reduction and has committed to doing so over time. For example, most City employees received a 2% general wage increase for Fiscal Year 2013-2014. The City is also cognizant that there might be areas in which pay may need to be restored more quickly due to recruitment and retention issues with certain classifications.

Also as noted in the 2015-2019 Five-Year Forecast, an employee compensation planning reserve and an employee market competitiveness reserve has been included. The employee compensation planning reserve is for planning purposes to restore over time the compensation reductions all employees took. The employee market competitiveness reserve is included to potentially provide salary adjustments to specific job classifications where significant ongoing recruitment and retention issues are being experienced.

The Administration is recommending revisions to the Guiding Principles for Labor Negotiations in recognition of the changes in our budget situation and to provide guiding principles on negotiations related to increases that may need to occur for certain classifications represented by a bargaining unit due to recruitment and retention issues.

The following are the recommended revised Guiding Principles for Labor Negotiations, to accompany the attached *Council Labor Negotiation and Transparency Guidelines, Policy 0-39*:

*Salaries and benefits are determined through negotiations with bargaining units. In negotiations with the unions over salaries and benefits, the City will be guided by the following principles:*

- *The City strives to maintain a compensation structure that provides salaries and benefits that are competitive within the marketplace to attract and retain highly qualified employees.*
- *The City's fiscal circumstances will be considered when negotiating changes to compensation.*
- *The City will consider employee compensation and benefits in the context of providing high quality community services in both the short and long term.*
- *The City will consider Total Compensation (salary, pension, and all other benefits) while recognizing that market competitiveness adjustments may need to emphasize a review of "Total Cash Compensation" of comparable classifications.*

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- *Priorities for market-based compensation adjustments will consider recruitment, retention, and the market as these factors affect specific job classifications.*
- *Market competitiveness adjustments will be advanced as funding is identified.*
- *Negotiations regarding compensation should take into consideration both short term and long term strategies to address increasing benefit costs for both the City and employees, such as retiree healthcare.*
- *The City will maintain a consistent approach to bargaining through clear, ongoing communication of policy direction among City Council and City staff, as specified in Council Policy 0-39.*

These revised guiding principles will align the approach to bargaining with the priorities established by both the Council and the community in recognition of our current circumstances.

#### **EVALUATION AND FOLLOW-UP**

Follow-up with the City Council related to this action is anticipated to occur through Closed Session direction and subsequent action in Open Session.

#### **PUBLIC OUTREACH/INTEREST**

- 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 memorandum doesn't meet any of the criteria above, but will be posted on the City's website in advance of the April 8, 2014 meeting.

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**COORDINATION**

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

**CEQA**

Not a Project, File No. PP10-068(b), Municipal Code or Policy change, Title 3 (Personnel).



EDWARD K. SHIKADA  
CITY MANAGER

For questions please contact Alex Gurza, Deputy City Manager, at (408) 535-8155.

Attachment

# City of San José, California

## COUNCIL POLICY

<b>TITLE</b> Council Labor Negotiation and Transparency Guidelines	<b>PAGE</b> 1 of 3	<b>POLICY NUMBER</b> 0-39
<b>EFFECTIVE DATE</b> March 4, 2008	<b>REVISED DATE</b> January 25, 2011	
<b>APPROVED BY COUNCIL ACTION</b> 3/4/2008, Item 3.6, Res. No. 74265; 1/25/11, Item 3.2, Res. No. 75705		

### BACKGROUND

Collective bargaining is governed by the Meyers-Milias-Brown Act (MMBA), the City of San José Employer-Employee Relations Resolution (#39367) and the City Charter. The City Charter designates the City Manager as the chief administrative officer of the City. Accordingly, Resolution #39367 delegates the authority to negotiate labor contracts on behalf of the City to the City Manager or the City Manager's designee.

Pursuant to the Meyers-Milias-Brown Act, the City has a right to insist that contract negotiations take place at the bargaining table between the designated representatives of the City and the designated representatives of the various bargaining unit employees. Members of the City Council shall not negotiate with employee representatives. Both the City and the bargaining units have an obligation under applicable laws to negotiate in good faith and not to bypass the negotiation teams.

As used in this policy, "negotiate" means to meet and confer with another to endeavor to reach agreement on matters within the scope of representation.

Unless agreed to by the City and the bargaining unit, negotiation sessions are confidential, but there is great public interest in having information about the negotiations available for public review.

### PURPOSE

This policy applies only to the Mayor, members of the City Council, Mayor and Council staff, and Council Appointees.

References in this policy to members of the City Council or Council staff include the Mayor and Mayor's staff.

The purpose of this policy is to set guidelines for the City Council and Council staff to ensure labor negotiations are conducted in good faith, to avoid actions that would circumvent the City's designated bargaining team, and to provide timely and accurate information about the negotiations to the City Council and the public.

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**POLICY**

It is the policy of the City Council that all of its members and staff and Council Appointees shall abide by the following guidelines when the City Manager or the City Manager's designee is in negotiations with any bargaining unit:

1. Pursuant to San Jose Resolution #39367, negotiations are conducted by the City Manager through his/her designee. Accordingly, negotiations regarding potential proposals and possible settlement shall occur between the City's designated negotiator(s) and the union's designated negotiator(s).
2. Pursuant to Section 411 of the City Charter, while the Council may express its views to the City Manager, the Council shall not interfere with the execution by the City Manager of his or her authority and duty to negotiate on behalf of the City.
3. Members of the City Council or Council staff or other Council Appointees shall not negotiate with the bargaining unit representatives or persons acting on their behalf.
4. In order to avoid misunderstandings and potential unfair labor practices, unless requested by the City Manager, members of the City Council or Council staff or other Council Appointees should not discuss with any bargaining unit representative or persons acting on their behalf any matter that is a subject of the negotiations while the City and the bargaining units are engaged in the negotiation process. The negotiating process shall be defined as the time period starting with the first negotiation session until a resolution has been achieved. This provision does not apply when the City Attorney is handling litigation on matters that are subject to negotiations, interest arbitration, or when the City Attorney is contacted by a bargaining unit's designated legal counsel to discuss legal issues. The City Attorney shall notify the City Manager of any such communications to ensure coordination with the legal issues and Council direction to the City Manager for labor negotiations.
5. Nothing in this policy shall prohibit members of the City Council, Council staff or Council Appointees from listening to bargaining unit representatives or persons acting on their behalf. Members of the City Council shall not knowingly respond to or discuss any proposals or any other confidential closed session discussion.
6. Nothing in this policy shall preclude the City Manager from requesting the assistance of the City Attorney or other Council Appointees in carrying out the responsibilities as the Municipal Employee Relations Officer.
7. Members of the City Council and City Council staff shall disclose to the City Manager and to the entire City Council material facts regarding issues related to ongoing negotiations. (See Council Policy 0-32 regarding disclosure of material facts).
8. Authorization and direction to the City Manager is provided in closed or open session. If done in closed session, in order to maintain the integrity of the negotiation process, closed session discussions must remain confidential.
9. Written proposals made or received shall be posted for public review on the City's web site after the proposals have been submitted to the designated negotiators.

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10. The City Manager will provide periodic updates on labor negotiations to the City Council in open session except for elements that are required to be held confidential. These updates shall include a summary of proposals exchanged since the last update.
11. Bargaining unit representatives or persons acting on their behalf may comment on the City Manager's open session labor negotiations update. This shall be done during open session to ensure all of the Council receives the same information. The City Council may listen to these statements made in the public forum and may ask questions for clarification purposes, but shall not respond to the comments, or engage in dialogue or any other form of bargaining with the representatives.
12. Nothing in this policy shall limit, restrict, or modify any of the powers provided to Council Appointees under the City Charter.