

#44

JUN 09 2011

Chandler



Chandler · Arizona
Where Values Make The Difference

MEMORANDUM

DATE: June 9, 2011
TO: Mayor and Council
THRU: Rich Dlugas, City Manager RD
FROM: Debra Stapleton, Human Resources Director DAS
SUBJECT: SEIU Local 5 Memorandum of Understanding

RECOMMENDATION: Direct the City and SEIU to continue discussions through June 14, 2011 on the outstanding issues of the Memorandum of Understanding.

BACKGROUND: The City and SEIU have met over the last several months to negotiate a wage reopener and tuition. Unfortunately, the City and SEIU were unable to obtain agreement on wages and on May 10, 2011, SEIU declared impasse. In accordance with the City's Meet and Confer Ordinance, the City is required to outline the areas of disputes and agreements for Council's consideration. This memo serves that purpose.

DISCUSSION: Because SEIU is currently covered by a three-year MOU, the negotiations for Fiscal Year 2011/12 were limited to a wage reopener and tuition reimbursement. Ongoing dollars of \$760,299 were made available for SEIU to use toward wages for FY 11/12. On the first day of negotiations, management presented SEIU with six options for consideration that were within the budget allocated for SEIU negotiations:

Options:	Description	Total Cost
A.	Restore top of range pay .5% COLA 2.8% Merit	\$758,268
B.	Restore top of range pay 1% COLA 1.7% Merit	\$759,002

Options:	Description	Total Cost
C.	1% COLA 2.8% Merit	\$761,768
D.	2.25% COLA	\$756,000
E.	Restore top of range 1.8% COLA	\$769,300
F.	Restore top of range 3.9% Merit	\$757,534

While this was not an exhaustive list of options, we hoped it would generate discussions with SEIU regarding their preferences on how to best apply the ongoing budgeted monies. Management and SEIU met five times from February through April 1, 2011. We were able to reach agreement on several items proposed by the City. SEIU ultimately withdrew their initial proposals that were submitted as part of the wage and tuition reopeners with the exception of their proposal of a one-time payment of \$1,200 to each employee costing \$881,700. Unfortunately, SEIU did not engage in discussions with management concerning the ongoing monies until Friday, April 1, 2011. At that meeting, SEIU presented a proposal to increase SEIU’s pay grade structure by 62 cents per hour. Management expressed concerns that a flat-rate increase would create compression and erosion issues within the pay structure.

In accordance with the City’s amended Meet and Confer ordinance, SEIU met with the Mayor and City Council on Monday, April 4, 2011. SEIU presented their flat-rate increase proposal as well as their one-time payment proposal to City Council at the April 4, 2011 meeting. Management presented their concerns to City Council regarding the remaining SEIU proposals at the executive session on April 14, 2011.

DISCUSSION:

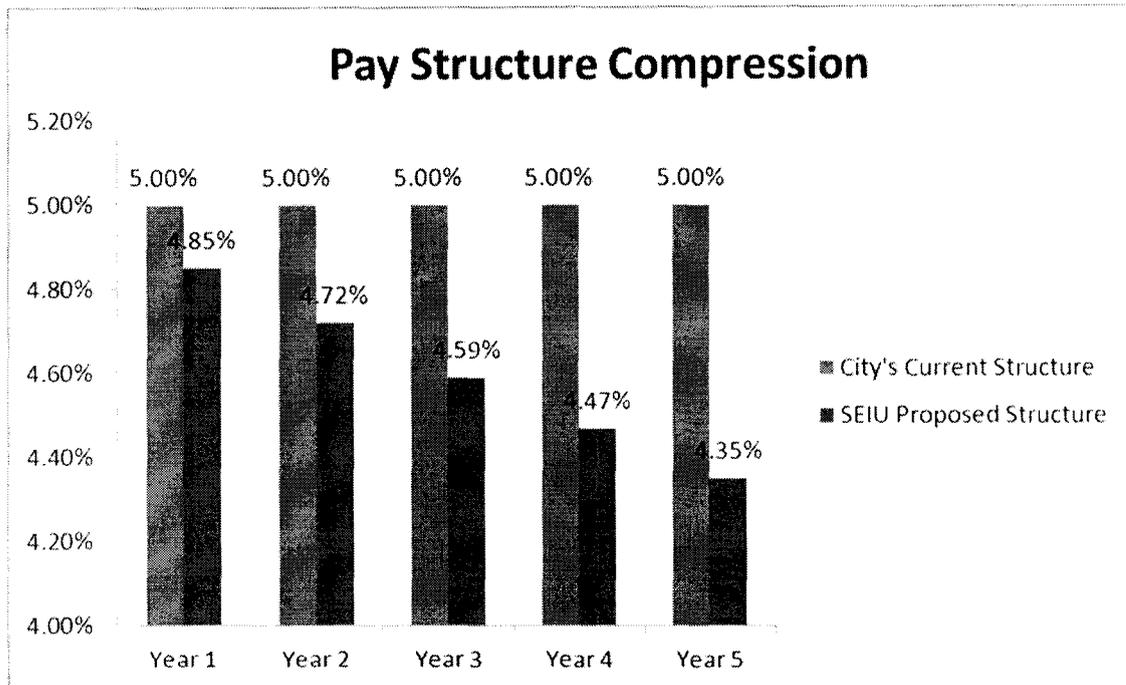
Management and SEIU reconvened negotiations on April 19, 2011. Management explained in detail the issues that would result from the implementation of the flat-rate increase to the pay structure. Management clearly informed SEIU that Council would not support a flat-rate increase or the one-time payment proposal. The one-time payment was too costly. To explain the City’s concerns regarding the flat-rate proposal, the following slides were presented to the SEIU bargaining team:

1. A flat-rate increase to the compensation structure erodes the differentiation between grades.

For illustrative purposes, the chart on page 3 compares SEIU’s pay grades 10 and 11 and how the pay structure is impacted over five years if a percentage-based methodology is

applied to the structure as opposed to a flat-rate increase. When a percentage is applied to a pay plan, the differentiation between grades is consistently maintained at the current structure of 5%. When a flat-rate is applied, the differentiation starts to erode causing compression between grades.

The City Personnel Rules require a minimum of a 5% wage increase for promotions and reclassifications. The flat rate approach would create compression resulting in a conflict with the City’s Personnel Rules and policies as grade differentiations would fall below 5% and some employees would not be able to receive the full 5%. Further, in any pay plan, it is important to differentiate positions by the qualifications that are required to perform the essential job functions. A pay plan should be designed to compensate for those qualifications. When pay grades get compressed, the structure erodes, making it difficult to adequately defend how positions and corresponding pay are differentiated within the pay plan.



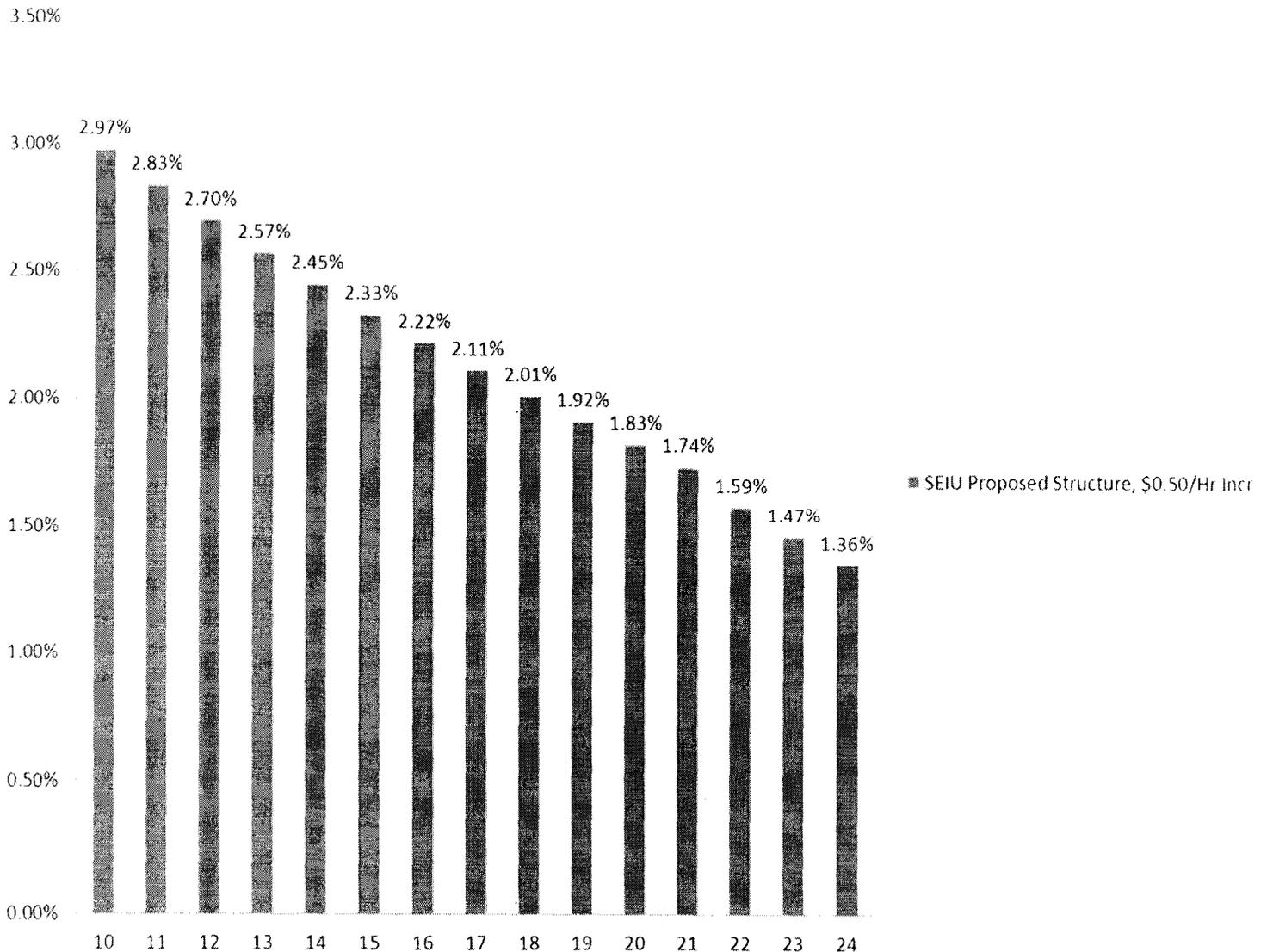
The City’s current hierarchical and traditional pay structure ensures parity and consistent application of the City’s Personnel Rules and policies. It provides enough distinction to ensure that positions that require higher education and skills are differentiated and compensated appropriately within the pay plan. These are critical components of a pay plan because the structure provides for fair application of City policies, which is legally defensible.

2. The flat-rate increase proposed by SEIU would adversely impact 60% of their represented employees when compared with the 2.25% percentage increase which is applied across-the-board to all grades.

The chart below illustrates the salary grades for SEIU positions on the horizontal axis and the percentage of a pay increase on the vertical axis. The bar graph shows the pay increase, as a percentage of pay, that employees in each grade would receive if the pay grade was increased by 50 cents per hour. (Note: SEIU's original proposal of a 62-cent-per-hour increase did not take into consideration benefit costs. Monies budgeted for negotiations would cover a 50-cent-per-hour pay rate adjustment, with associated benefit costs.)

The City's position is that a Cost-of-Living Allowance ("COLA") adjustment based on a percentage of salary is the best solution if it is SEIU's desire to use ongoing monies for an across-the-board wage increase. In this case, the COLA would be a 2.25% increase to each covered employee, which would maintain the integrity of the pay structure.

**SEIU Proposed Structure -
Range Increases by Pay Grade**



When comparing the 2.25%-based COLA with SEIU's flat-rate proposal, the chart on page 4 shows that employees in positions from grades 16 to 23 would receive less than a 2.25% wage increase under SEIU's proposal. There are 353 employees in grades 16 and above representing 60% of the employees represented by SEIU. In addition to the impact to the pay structure, management also has concerns about potential employee relations issues this would cause if it were implemented. Management shared all of these concerns with SEIU prior to impasse.

The amended Meet and Confer Ordinance allows the parties to mutually agree to extend negotiations to no later than May 15. This year, the deadline fell on Friday, May 13, 2011. All of the employee groups agreed to cancel negotiations during the week of April 25, 2011, due to scheduling conflicts.

Negotiations were scheduled to resume with SEIU on May 3 and May 10, 2011. SEIU cancelled the meeting scheduled for May 3 leaving only the May 10 meeting to reach an agreement before the final deadline. Although management expressed concerns about cancelling the May 3rd meeting altogether, SEIU did not seek to reschedule it. Management met with SEIU on May 10, 2011. SEIU rescinded their one-time payment proposal and then informed us that they intended to go to impasse seeking approval of the flat-rate increase proposal.

The amended Meet and Confer Ordinance was intended to create a process that allows for both employee organizations and management to present areas of dispute to City Council prior to the close of negotiations. The ability for management to obtain further or different direction from the Council while negotiations are still in progress improves the likelihood of obtaining an agreement. SEIU was given the opportunity to present their areas of dispute to Council. Management was given that same opportunity and informed SEIU of the direction that was provided by the Council.

Management was disappointed by SEIU's decision to declare impasse over this issue and their unwillingness to consider or discuss other options that would not adversely impact the City's pay plan.

On June 1, 2011, SEIU officially notified the City that they would like to withdraw the impasse.

The Meet and Confer Ordinance prohibits either party from continuing negotiations beyond May 15. Management will agree to meet with SEIU in good faith to reach an agreement. In order for this meeting to occur, it will require action from the City Council.

MOTION: Direct the City and SEIU to continue discussions through June 14, 2011 on the outstanding issues of the Memorandum of Understanding.

Copy: Terry Linck, President SEIU
Ken Prendergast, SEIU International Chandler Bargaining Chairperson