

The background of the slide is a stylized, watercolor-style representation of the United States flag. It features a blue field with white stars on the left and red and white stripes on the right, all with a soft, painterly texture.

# **Coalition of LA City Unions**

**2007-2014**

**Memoranda of Understanding**

***\*\*Tentative Agreement\*\****

# LA City Workers Proud to Serve

## Coalition's Key Goals:

- ✓ No layoffs
- ✓ No unilateral furloughs
- ✓ Preserve City services to the greatest extent possible





# **LA City Workers Proud to Serve**

## **Existing Agreements: ERIP & Coalition**

- **Goal of 2,400 retirements**
- **No unilateral furloughs**
- **No layoffs (except as last resort under strict conditions)**
- **Extend MOUs through June 30, 2014**
- **COLA delay with additional incentives**
- **Acknowledgement of “Shared Sacrifice” (equitable treatment with other units, including sworn, through 2014)**

# LA City Workers Proud to Serve

## Modified COLA Schedule

<u>Fiscal Year</u>	<u>Effective Date</u>	<u>Current Provision</u>	<u>Modified Provision</u>
2009-10	July 1, 2009	3% COLA	---
	Jan. 1, 2010	2.75% Step Increase	---
2010-11	July 1, 2010	2.25% COLA	---
	Nov. 1, 2011	2.75% Step Increase	---
2011-12	July 1, 2011	2.25% COLA	3% COLA
	Nov. 1, 2011	---	1.75% Cash Payment
	Jan. 1, 2012	2.75% Step Increase	2.75% Step Increase
2012-13	July 1, 2012	---	2.25% COLA
	Nov. 1, 2012	---	1.75% Cash Payment
	Jan. 1, 2013	---	2.75% Step Increase
2013-14	July 1, 2013	---	2.25% COLA
	July 1, 2013	---	1.75% Additional COLA for Deferral Recovery
	Jan. 1, 2014	---	2.75% Step Increase



# **LA City Workers Proud to Serve**

## **Since Ratification of Initial Agmt...**

- **New calculation of retirement contribution**
- **Delay in implementation**
- **City revenues falling**
- **Mayor and critics tried to kill ERIP**
- **Mayor changed course, announced "veto"**



# LA City Workers Proud to Serve

## Retirement Contribution

- Effective July 1, 2011, retirement contribution will increase by 1% for no more than 15 years to cover ERIP costs
- Initial estimate of retirement calculation had not taken into account that contributions are refundable if people leave the City before retiring
- Remember: Coalition agreement adds 1.75% COLA, outweighing change in contribution



# **LA City Workers Proud to Serve**

## **Retirement Contribution: ERIP**

- People retiring with incentives under ERIP will have their pensions adjusted down by 1% to help fund cover ERIP costs
- For a typical ERIP retiree
  - Pension: \$50,000
  - Annual ERIP incentive: \$5,000
  - Adjustment down by 1%: \$550
- Goes into the LACERS fund, keeping it healthy
- Future LACERS COLAs paid in full

# LA City Workers Proud to Serve

## Budget: Delay in Implementation

- New estimates predict only 5 months of savings
- \$12 million per month in lost savings
- Estimate of \$60 million lost to timing



# LA City Workers Proud to Serve

## Budget: Falling Revenue

- City revenue forecasts down by \$75 million for current year
- Coalition share: \$18 million (per “Mutual Commitment” in Coalition agreement)



# LA City Workers Proud to Serve

## Initial Agreements Still Work Long Term... But No Longer Cover Current Year

- \$78 million hole in Coalition share of budget
- CAO: ERIP “devastating” if other savings not found
- Coalition negotiators focus on short-term “bridge” to long-term savings



CAO Santana



# **LA City Workers Proud to Serve**

## **Short Term Budget Package**

- **\$24.6 million – delaying the first ERIP cash payment in the next fiscal year**
- **\$34.0 million – accounting adjustments and delaying some cash payments**
- **\$19.0 million – real cuts, equivalent to 59.5 hours of pay**



# LA City Workers Proud to Serve

## Accounting Adjustments & Cash Delays: \$34 Million

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- Bank overtime (no cash OT) for current year
- Delay sick leave payout to August (for those maxed out)
- Defer Bar dues for attorneys to August
- Transfer ERIP/COLA savings from Special Funds and Proprietaries
  - Fill vacancies through transfer
  - Contract to General Fund
- All "loans" repaid within months



# LA City Workers Proud to Serve

## Miscellaneous Cuts

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- Voluntary 72 hour work schedules
- Eliminate bonus compounding

## New Real Cuts: \$19 Million

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- Only one time cuts to balance budget
- Equivalent to 59.5 hours of pay
  - 3.5 hours per pay period
  - (compared to 12.25 hours per period, Mayor's plan)
  - No impact on Holidays or Holiday Pay



# LA City Workers Proud to Serve

## Additional Savings: Jointly Administered

- If savings go beyond \$78 million (likely), Coalition and City meet to decide use
- Some return to workers
- Some may mitigate future cuts



# LA City Workers Proud to Serve

## Two Options for City

- The Mayor's Plan of layoffs and furloughs, cutting 208 hours of pay, leaving everyone in much worse position next year
- Our plan centered around early retirements, cutting 59.5 hours of pay, with ongoing savings that put us in a much better position for the future

**The Choice is Yours...**

	<b>Mayor's Plan</b>	<b>Coalition Plan</b>
<b>Hours of Pay Cut</b>	<b>208 initially</b>	<b>Up to 59.5</b>
<b>Layoffs</b>	<b>926 initially</b>	<b>None</b>
<b>ERIP Retirements</b>	<b>None</b>	<b>2,400</b>
<b>Layoff Protection</b>	<b>No</b>	<b>Yes</b>
<b>Max Additional Furloughs</b>	<b>Unlimited</b>	<b>Zero</b>
<b>Work Schedules</b>	<b>End Alternate Schedules</b>	<b>Continue Alternate Schedules; 72-hr Schedule Available</b>
<b>Savings Next Year</b>	<b>\$52.0 Million</b>	<b>\$267.2 Million</b>
<b>Savings, 5 Years</b>	<b>\$223.8 Million</b>	<b>\$1,171.2 Million</b>



# LA City Workers Proud to Serve

## Ongoing Savings

- Coalition plan creates major ongoing savings through 2,400 early retirements and COLA deferral
- Mayor's plan creates only ongoing savings through 926 layoffs so far
- Next year:
  - \$267.2 million vs. \$52 million
  - Difference equivalent to more than 50 furlough days
- Over 5 years:
  - \$223.8 million vs. \$1.2 billion
  - Massive difference in pressure on services, jobs, wages



# **LA City Workers Proud to Serve**

## **Coalition Union Leverage**

- **Currently, Coalition setting the bar for City Unions**
  - **Even sworn units watching our agreements**
  - **Other Unions want our MOUs – even as they are criticized**
- **Agreement keeps hard division on Coalition share of budget problem**
  - **Without agreement, extra burden could be shifted onto Coalition units**
  - **Proof is in the CAO's layoff plan**



# LA City Workers Proud to Serve

## Coalition Union Leverage: Furloughs

- Taking hours or days off is not the problem in itself...
- Mayor's interest:
  - Need unilateral furloughs for "Flexibility"
  - Told media he'd "veto anything that tied his hands."
- Clearly, 26 days could be just the beginning:
  - City sees Coalition units as easiest to cut
  - Spelled out in the CAO Operational Plan
  - Without security of "no unilateral furloughs," costs for sworn contracts or cop hiring could be balanced on our backs at the Mayor's whim



# **LA City Workers Proud to Serve**

## **What About Legal Option?**

- **Believe we have a solid case:**
  - **For Coalition Agreement**
  - **Against unilateral furloughs**
- **But long process with no guarantees**
  - **Families would be out of work in the meantime**
  - **Any repayment of furloughs would crush City budget down the road, likely causing thousands more layoffs**



# LA City Workers Proud to Serve

## The Choice is Yours

### ➤ Layoffs and Furloughs

- ✓ Some workers hit the streets: 926 in first round
- ✓ 208 hours of pay cut – just to start
- ✓ Worse next year
- ✓ At mercy of City

### ➤ ERIP/Controlled Cuts

- ✓ No layoffs, only retirement
- ✓ No unilateral furloughs
- ✓ 59.5 hours of cuts
- ✓ Next year in much better position
- ✓ Retain Coalition leverage